



Agency Meeting: April 24, 2012

**SUBJECT: Resolution to Permit the Successor Agency of the City's
Redevelopment Agency to Make \$5.6 Million in
Payments on Loan Obligations to the City**

BACKGROUND

On August 23, 2011, the Redevelopment Agency, in accordance with the ABx1 26 (the Dissolution Act), adopted an Enforceable Obligation Payment Schedule (EOPS) listing all of the Agency's enforceable obligations for payments required to be made by the Redevelopment Agency through December 31, 2011. After August 27, 2011 the Redevelopment Agency was not able to make payments on any enforceable obligation unless it is listed on the Enforceable Obligations Payment Schedule with the exception of bond payments.

On December 29, 2011, the Supreme Court upheld the Dissolution Act and revised the effective dates and deadlines for performance of obligations to take effect four months later. As a result of the Supreme Court's decision, on February 1, 2012, all redevelopment agencies were dissolved and successor agencies are designated as successor entities to the former redevelopment agencies.

On January 10, 2012, the City Council adopted a resolution electing to serve as both the Successor Agency and the Successor Housing Agency to the former Redevelopment Agency.

DISCUSSION

Under the Dissolution Act, a redevelopment agency before February 1, 2012 and its successor agency starting February 1, 2012 can only make payments on enforceable obligations that are listed on an EOPS until such time as the first recognized obligation payment schedule (ROPS) has been approved by the Successor Agency's oversight board.

With the Supreme Court decision to revise the effective dates and deadlines in the Dissolution Act to take effect four months later, a gap was created between the period initially covered by the EOPS (through

December 31, 2011) and the effectiveness of the first ROPS. Because of this gap, the County Auditor Controller determined that the Successor Agency would not be able to have payments recognized by the Oversight Board starting in January 2012 without extending the payment schedule in the EOPS to cover this gap.

To avoid any problems for payments between January and the operative date of the ROPS, the Successor Agency should amend the existing EOPS to extend the payment schedule presenting payments by month from January 1, 2012 through June 30, 2012, as permitted under Health and Safety Code Section 34177(a)(1).

The First Amended EOPS must be adopted at a public meeting. Once adopted, the First Amended EOPS must be posted on the Agency's website and notice of the adoption shall be transmitted to the State Department of Finance, State Controller, and County Auditor Controller.

FISCAL IMPACT

Adoption of the First Amended EOPS will allow the Redevelopment Successor Agency to continue to pay its enforceable obligations due after December 31, 2011, including a \$5.6 million payment made in January to the City as reimbursement for the 1977 City Loan agreement between the City and the Redevelopment Agency, prior to the dissolution of the Redevelopment Agency.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

ALTERNATIVES

1. Approve a Resolution of the Redevelopment Successor Agency of the City of Sunnyvale approving and adopting a First Amended Enforceable Obligation Payment Schedule.
2. Do not adopt a Resolution. If Resolution is not adopted, the Agency will not be able to make any payments on the outstanding contractual obligations to the City.

RECOMMENDATION

Staff recommends that the Redevelopment Successor Agency Board approve Alternative #1 to approve a Resolution of the City Council of the City of Sunnyvale, acting as the governing board of the Successor Agency for the Redevelopment Agency of the City of Sunnyvale, approving an Amended Enforceable Obligation Payment Schedule.

Adoption of a First Amended EOPS will permit the Successor Agency to make \$5.6 million in payments on loan obligations to the City after December 2011.

Reviewed by:

Grace K. Leung, Treasurer, Redevelopment Successor Agency
Prepared by: Brice McQueen, Redevelopment Successor Agency Manager

Reviewed by:

David Kahn, General Counsel, Redevelopment Successor Agency

Approved by:

Gary M. Luebbbers
Executive Director, Redevelopment Successor Agency

Attachments

- A. Resolution of the City Council of the City of Sunnyvale, acting as the governing board of the Successor Agency for the Redevelopment Agency of the City of Sunnyvale, approving an Amended Enforceable Obligation Payment Schedule
- B. Amended Enforceable Obligation Payment Schedule

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SUNNYVALE, ACTING AS THE GOVERNING BOARD OF
THE SUCCESSOR AGENCY FOR THE
REDEVELOPMENT AGENCY OF THE CITY OF
SUNNYVALE, APPROVING AN AMENDED
ENFORCEABLE OBLIGATION PAYMENT SCHEDULE**

WHEREAS, the California State Legislature enacted Assembly Bill x1 26 ("Dissolution Act") to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.; ("Redevelopment Law")); and

WHEREAS, pursuant to Section 34167(h) and Section 34177(a) of the Redevelopment Law (as added by the Dissolution Act), after August 29, 2011 and until the first "Recognized Obligation Payment Schedule" (as defined in the Dissolution Act) is operative, a redevelopment agency or its successor agency, as applicable, can only make payments on Enforceable Obligations listed and required on an "Enforceable Obligation Payment Schedule" (as defined in the Dissolution Act); and

WHEREAS, in accordance with the foregoing requirements, the Redevelopment Agency of the City of Sunnyvale ("Former RDA") adopted its Enforceable Obligation Payment Schedule on August 23, 2011 ("Initial Schedule"), and transmitted the adopted Initial Schedule to the Santa Clara County Auditor-Controller, the State Controller, and the State Department of Finance, all in accordance with Section 34169(g) of the Redevelopment Law; and

WHEREAS, on January 10, 2012 and pursuant to Health and Safety Code Section 34173, the City Council of the City of Sunnyvale ("City Council") declared that the City of Sunnyvale, a municipal corporation ("City"), would act as successor agency ("Successor Agency") for the Former RDA effective February 1, 2012; and

WHEREAS, on February 1, 2012, the Former RDA was dissolved pursuant to Health and Safety Code Section 34172; and

WHEREAS, the City, acting in its capacity as Successor Agency to the Former RDA, and as authorized pursuant to Section 33177(a)(1), desires to amend the Initial Schedule in the form of a First Amended Enforceable Obligation Payments Schedule ("First Amended Schedule"), a copy of which is on file with the City Clerk; and

WHEREAS, the First Amended Schedule extends the schedule of payments through June 2012 when the Recognized Payment Obligation Schedule is now expected to become operative under the revised dates for Dissolution Act implementation set forth in the Supreme Court decision finding the Dissolution Act constitutional; and

WHEREAS under Title 14 of the California Code of Regulations, Section 15378(b)(4), the approval of the First Amended Schedule is exempt from the requirements of the California Environmental Quality Act ("CEQA") in that it is not a project, but instead consists of the

continuation of an existing governmental funding mechanism for potential future projects and programs, and does not commit funds to any specific project or program, because it merely lists enforceable obligations previously entered into and approved by the Former RDA; and

WHEREAS, the City Council, acting in its capacity as the Successor Agency's governing board, has reviewed and duly considered the Staff Report, the proposed First Amended Schedule, and documents and other written evidence presented at the meeting.

NOW, THEREFORE, BE IT RESOLVED, that the City Council, acting in its capacity as the Successor Agency's governing board, finds that the above Recitals are true and correct and have served, together with the supporting documents, as the basis for the findings and approvals set forth below.

BE IT FURTHER RESOLVED, that the City Council, acting in its capacity as the Successor Agency's governing board, finds, under Title 14 of the California Code of Regulations, Section 15378(b)(4), that this Resolution is exempt from the requirements of CEQA in that it is not a project. The City Council, acting in its capacity as the Successor Agency's governing board, therefore directs that a Notice of Exemption be filed with the County Clerk of the County of Santa Clara in accordance with the CEQA guidelines.

BE IT FURTHER RESOLVED, that the City Council, acting in its capacity as the Successor Agency's governing board, hereby approves and adopts the First Amended Schedule and declares that the First Amended Schedule amends and replaces the Initial Schedule in its entirety and ratifies any payment that may have been previously made that is consistent with the First Amendment Schedule.

BE IT FURTHER RESOLVED, that the City Council, acting in its capacity as the Successor Agency's governing board, authorizes and directs the City Manager or the City Manager's designee to: (1) submit the First Amended Schedule to the oversight board of the Successor Agency (the "Oversight Board") for approval; (2) post the First Amended Schedule on the City's website as a Successor Agency action; (3) designate Successor Agency representative to whom all questions related to the First Amended Schedule can be directed; (4) notify, by mail or electronic means, the Santa Clara County Auditor-Controller, the State Department of Finance, and the State Controller of the Successor Agency's action to adopt the First Amended Schedule and to provide those persons with the internet website location of the posted schedule and the contact information for the Agency's designated contact; and (5) to take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution and to implement the First Amended Schedule on behalf of the Successor Agency.

BE IT FURTHER RESOLVED that this Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

BE IT FURTHER RESOLVED that nothing in this Resolution shall abrogate, waive, impair or in any other manner affect the right or ability of the City, as a municipal corporation, to initiate and prosecute any litigation with respect to any agreement or other arrangement between the City and the Former RDA, including, without limitation, any litigation contesting the purported invalidity of such agreement or arrangement pursuant to the Dissolution Act.

ADOPTED _____, 2012 by the City Council of the City of Sunnyvale, acting in its capacity as the Successor Agency of the Redevelopment Agency of the City of Sunnyvale, by the following vote, to wit:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

APPROVED:

By _____
Successor Agency Clerk
[SEAL]

Successor Agency Chair

APPROVED AS TO FORM AND LEGALITY:

David Kahn, Successor Agency Attorney

AMENDED ENFORCEABLE OBLIGATION PAYMENT SCHEDULE (1/1/2012 - 6/30/2012)

under the Redevelopment Restructure Acts during the suspension period

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation (until paid)	Total Due During Fiscal Year 2011/12	Payments by Month							Total(Feb-June)	Potential Sources of Funding	
					Jan	Feb	Mar	Apr	May	June	Total(Jan-June)			
1) 2003 Tax Allocation Refunding Bonds	US Bank	1977 Bonds issued to fund redevelopment projects in the Central Core Project area, refunded in 1992 and again in 2003.	7,235,082.00	609,776.00	109,308.00							\$ 109,308.00	\$ -	Redevelopment Property Tax Trust Fund
2) 1998 Certificates of Participation (Parking Facility Refunding)	US Bank	1978 Bonds issued to fund redevelopment projects in the Central Core Project area, refunded in 1992 and 1998.	14,625,954.00	1,205,118.00			256,959.00					\$ 256,959.00	\$ 256,959.00	Redevelopment Property Tax Trust Fund
3) Repayment Obligations-1977 Loan Repayment Agreement	City of Sunnyvale	Pursuant to the resolution that authorized the issuance of the 1977 Central Core Bonds, the Agency is obligated to use moneys from tax revenue to repay the City, with interest, for all rental payments under the Project Lease and for all other contributions (including transfer of land) which aided in the planning, acquisition, and construction of the Project.	41,607,073.00	3,884,706.00	3,884,706.00							\$ 3,884,706.00	\$ -	Redevelopment Property Tax Trust Fund
4) Repayment Obligations-1977 Loan Repayment Agreement	City of Sunnyvale	At the end of FY 10/11, RDA should have, as in prior years, applied remaining cash to repay the 1977 loan according to Sec. 3 of the First Amended Repayment Contract. Instead, the Agency retained \$1.8 million for anticipated expenditures of the Town Center Pollution Remediation Project. At the dissolution of RDA, the unspent balance was returned to the City.	1,741,956.00	1,741,956.00	1,741,956.00							\$ 1,741,956.00	\$ -	Funds from prior-year tax increment
5) Repayment Obligations-2003 Loan Repayment Agreement	City of Sunnyvale	The Agency is obligated to reimburse the City with interest for the administrative costs since 1986.	69,653,605.00	-								\$ -	\$ -	Redevelopment Property Tax Trust Fund
6) Repayment Obligations-2003 Loan Repayment Agreement	City of Sunnyvale	RDA is obligated to reimburse the City with interest for the project loan for plaza improvements.	6,437,807.00									\$ -	\$ -	Redevelopment Property Tax Trust Fund
7) 2010 Amended Disposition and Development and Owner Participation Agreement Article 8	Town Center Developer	Annual payment in consideration for the developer constructing and operating the required public improvements.	52,894,951.00	2,742,557.00							2,742,557.00	\$ 2,742,557.00	\$ 2,742,557.00	Redevelopment Property Tax Trust Fund
8) 2010 Amended Disposition and Development and Owner Participation Agreement Article 4	State Water Resources Control Board, legal fees and environmental work costs	Investigation and remediation of hazardous materials.	1,868,146.00	537,660.00	6,466.00		500,000.00					\$ 506,466.00	\$ 500,000.00	Redevelopment Property Tax Trust Fund
9) 2010 Amended Disposition and Development and Owner Participation Agreement Management	Agency staff and professional services	To monitor and administer rights and obligations under the ADDOPA	760,000.00											Redevelopment Property Tax Trust Fund
10) Housing Fund Deficit	City Low and Moderate Income Housing Fund (LM)	The Agency needed all its tax increment to service pre-1986 bonded debt and pre-1986 debt owed to the City. The deposit of 20% of tax increment into the LM Income Housing Fund was deferred until all pre-1986 debt obligations are repaid.	15,711,287.00	-								\$ -	\$ -	Redevelopment Property Tax Trust Fund
11) Administration and operation of Successor Agency	Agency staff and professional services	Administrative and legal services; General Fund in-lieu payments for treasury and accounting support.	4,417,627.00	372,357.00	14,444.00	37,681.20	37,681.20	37,681.20	37,681.20	37,681.20	37,681.20	\$ 202,850.00	\$ 188,406.00	Administrative cost allowance
12) RDA Special Projects	Professional services	Technical support and outside legal counsel services with dissolution and winding down of assets of RDA.	175,000.00	50,000.00	2,223.00	3,670.00	18,670.00	3,670.00	3,670.00	3,670.00	3,670.00	\$ 35,573.00	\$ 33,350.00	Redevelopment Property Tax Trust Fund
13) Bond Covenants Other Than Principal and Interest Debt Service Payments	Professional services	Fees for trustee services, audit, rebate analysis, disclosure consulting.	216,000.00	18,000.00	2,175.00						9,743.00	\$ 11,918.00	\$ 9,743.00	Redevelopment Property Tax Trust Fund
Totals			\$ 217,344,488.00	\$ 11,162,130.00	\$ 5,761,278.00	\$ 41,351.20	\$ 813,310.20	\$ 41,351.20	\$ 41,351.20	\$ 41,351.20	\$ 2,793,651.20	\$ 9,492,293.00	\$ 3,731,015.00	