

STAFF REPORT

TO: OVERSIGHT BOARD OF THE CITY OF GROVER BEACH SUCCESSOR AGENCY
FROM: GAYLA R. CHAPMAN, ADMINISTRATIVE SERVICES DIRECTOR
SUBJECT: SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF) LOAN REPAYMENT SCHEDULE

Gayla R. Chapman

BACKGROUND

Staff has recently had contact with the Department of Finance (DOF) requesting a loan repayment schedule for the Supplemental Education Revenue Augmentation Fund (SERAF) loan that is listed on the ROPS 14-15A. At the time the ROPS was written staff was unaware that a Resolution for the SERAF loan was needed.

DISCUSSION

On February 26, 2014, the Oversight Board adopted the ROPS 14-15A. Included on this ROPS was the SERAF repayment. The repayment is for the maximum amount allowed per the authorized formula and is allowed since the Successor Agency has received a finding of completion.

Health and Safety Code (HSC) section 34191.4 (b) (2) (B) requires any outstanding amounts borrowed from or owed to the Low and Moderate Income Housing Fund (LMIHF) for purposes of the SERAF to be retired prior to requesting repayment for RDA/sponsoring entity loans. Pursuant to HSC section 34176 (e) (6) (B), the repayments related to SERAF are subject to the same formula restrictions as RDA/sponsoring entity loans. Specifically, the maximum repayment amount authorized each year shall be equal to one-half of the increase between "the amount distributed" to the taxing entities in that fiscal year and the amount distributed to taxing entities in the 2013 base year.

Further, pursuant to HSC section 34171 (d) (1) (G), amounts borrowed from or payments owing to the LMIHF are enforceable obligations, provided the Agency's Oversight Board approves a repayment schedule. Therefore, a separate OB action is required, approving a repayment schedule for amounts due to the Low and Moderate Income Housing Asset Fund.

Since the repayment is restricted to the formula outlined in HSC section 34176 (e) (6) (B), Finance would not be opposed to a repayment schedule that indicated the repayment amount for each fiscal year will be equal to the maximum amount allowed pursuant to HSC section 34176 (e) (6) (B).

Approved for Forwarding:



**ROBERT PERRAULT
CITY MANAGER**

Please Review for Potential Conflict of Interest:

- None Identified by Staff
- Laferriere
- Jarvis
- Vacant
- Green
- Hill
- Peterson
- Shepard

Meeting Date: April 8, 2014

Agenda Item No. 1a

ALTERNATIVES

The Oversight Board has the following alternatives:

1. Adopt the Resolution of the Oversight Board of the Successor Agency to the dissolved Grover Beach Improvement Agency approving a Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment schedule.
2. Give alternative direction to staff

RECOMMENDED ACTION

Staff recommends the Successor Agency Oversight Board adopt the Resolution approving a Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment schedule.

FISCAL IMPACT

The SERAF loan repayment will be allowed by the Department of Finance.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Resolution authorizing a Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment schedule.

RESOLUTION NO. OB 14-

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE CITY OF GROVER BEACH APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A LOAN OWED TO THE FORMER REDEVELOPMENT AGENCY'S LOW AND MODERATE INCOME HOUSING FUND IN ACCORD WITH HEALTH & SAFETY CODE SECTIONS 34171(d)(1)(G) AND 34191.4(b)(1)

WHEREAS, in accord with the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq. ("**CRL**"), the City Council of the City of Grover Beach ("**City**") previously established the Improvement Agency of the City of Grover Beach, a public body, corporate and politic ("**Agency**") to carry out the purposes of and exercise the powers granted to community redevelopment agencies under the CRL; and

WHEREAS, on February 1, 2012 the Agency was dissolved pursuant to Assembly Bill 1X26 (Stats. 2011, 1st Ex. Sess., Ch. 5) ("**AB 26**"), and its rights, powers, duties and obligations were transferred to a "successor agency" (as defined by CRL Section 34171(j) and Section 34173); and

WHEREAS, the City Council elected to act as the Agency's successor agency ("**Successor Agency**") under CRL Section 34173, and, as such, is charged with administering the retirement of the former Agency's debts and other obligations; and

WHEREAS, prior to its dissolution, the Agency became obligated under the CRL to make specified payments into the local "**Supplemental Education Revenue Augmentation Fund**" ("**SERAF**"); and

WHEREAS, the CRL permitted the Agency to borrow from the Agency's "**Low and Moderate Income Housing Fund**" ("**LMIHF**") if necessary to satisfy the Agency's SERAF payment obligations; and

WHEREAS, the Agency borrowed the original principal sum of \$227,568 from the LMIHF in order to satisfy its SERAF payment obligation; and

WHEREAS, in accord with CRL Section 34191.4, the obligation to repay the funds borrowed to meet the Agency's SERAF obligation may be repaid with interest at a rate equal to the interest rate earned by funds deposited into the Local Agency Investment Fund ("**LAIF Rate**"); and

WHEREAS, as used in this Resolution, the term "**SERAF Loan**" means the original principal amount plus interest on all unpaid portions of the principal amount at the LAIF Rate; and

WHEREAS, under CRL Section 34171(d)(1)(G), the Agency's SERAF Loan repayment obligation is an enforceable obligation and, as such, it may be included on the Recognized Obligation Payment Schedules ("**ROPS**") prepared by the Successor Agency under CRL Section 34177; and

WHEREAS, the amount of each SERAF Loan payment which may be included on a ROPS is limited by CRL section 34176(e)(6)(B) to an amount ("**SERAF Loan Repayment Installment**") equal to: one-half of the increase between the amount distributed by the Auditor-Controller to taxing entities pursuant to paragraph (4) of CRL Section 34183(a) in the then-current fiscal year ("**Current Year Residual Distribution**") and the amount distributed to taxing entities pursuant to that same paragraph in the 2012-13 base fiscal year ("**Base Year Residual Distribution**"); and

WHEREAS, the California Department of Finance ("**DOF**") determined that no SERAF loan repayment could commence prior to fiscal year 2014-15, since the statutory formula

required to calculate the maximum loan repayment schedule stipulated the use of full fiscal year residual distributions; and

WHEREAS, at the time of preparation of each applicable ROPS, Successor Agency staff included a SERAF Loan Repayment Installment at an amount equal to the greatest amount permissible under CRL Section 34176(e)(6)(B); and

WHEREAS, CRL Section 34176(e)(6)(A) requires that all SERAF Loan Repayment Installments be paid into the LMIHAF and used for purposes consistent with the CRL's affordable housing requirements.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE FORMER IMPROVEMENT AGENCY OF THE CITY OF GROVER BEACH AS FOLLOWS:

Section 1. The Oversight Board finds that the SERAF Loan was made in accordance with the CRL and was for legitimate redevelopment purposes.

Section 2. In accord with CRL Section 34171(d)(1)(G) and Section 34191.4(b)(2)(A), the Oversight Board approves a SERAF Loan Repayment Installment Schedule, with each Installment being equal to the maximum amount allowable under CRL section 34176(e)(6)(B).

Section 3. The Successor Agency is authorized to include the amount of each SERAF Loan Repayment Installment on each ROPS prepared by the Successor Agency for every 6-month fiscal period commencing on or after July 1, 2014.

Section 4. Once received from the Auditor-Controller, every SERAF Loan Repayment Installment will be paid by the Successor Agency to the LMIHAF created by the City (as the Housing Successor), the outstanding balance of the SERAF Loan will be reduced by

a corresponding amount, and the City (as the Housing Successor) will use the funds only for purposes consistent with the CRL's affordable housing requirements.

Section 5. The Oversight Board directs staff to transmit this Resolution to the State Department of Finance as required by CRL Section 34179(h). This Resolution will become effective in accord with CRL Section 34179(h).

On motion by Board Member _____, seconded by Board Member _____, and on the following roll call vote, to wit:

AYES: Board Members –
NOES: Board Members -
ABSENT: Board Members -
ABSTAIN: Board Members -

the foregoing Resolution was **PASSED, APPROVED, and ADOPTED** at a regular meeting of the Oversight Board, Grover Beach, California this 8th day of April 2014.

JOHN LAFERRIERE, CHAIR

Attest:

DONNA L. MCMAHON, CITY CLERK