SPECIAL MEETING AGENDA

OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
TO THE DISSOLVED EL MONTE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF EL MONTE

City of El Monte
City Council Chambers
City Hall East
11333 Valley Boulevard
El Monte, California 91731

Thursday, January 25, 2018
5:00 P.M.

CALL TO ORDER

FLAG SALUTE

ROLL CALL

Members of the Oversight Board
Andre Quintero, City of El Monte, Chair
Carrie Sutkin, County of Los Angeles
Velma Perdomo, County of Los Angeles
Kris Olaffson, El Monte City School District
Javier Hernandez, County of Los Angeles
Michelle Solorzano, City of El Monte
Norma Garcia, Community College District

CITY STAFF

Jesus M. Gomez, City Manager
Alex Hamilton, Assistant City Manager
Minh Thai, Economic Development Director
David F. Gondek, Deputy City Attorney

APPROVAL OF AGENDA

ORAL COMMUNICATION
PUBLIC COMMENT:

As provided under Government Code Section 54954.3, this time has been set aside for persons in the audience to provide comment or make inquiries on matters within this Special Meeting agenda only. Although no person is required to provide their name and address as a condition to attending a meeting, persons who wish to address the body are asked to state their name and address. Each speaker will be limited to three (3) continuous minutes. Speakers may not lend any portion of their speaking time to other persons or borrow additional time from other persons. All comments or queries presented by a speaker shall be addressed to the body as a whole and not to any specific member thereof. No questions shall be posed to any member of the body except through the presiding official of the meeting, members of the body are under no obligation to respond to questions posed by speakers but may provide brief clarifying responses to any comment made or questions posed.

Except as otherwise provided under the Brown Act (Gov. Code Section 54950 et seq.), the Board may not deliberate or take action upon any matter not listed on this posted agenda but may order that any such matter be placed on the agenda for a subsequent meeting. The Board may also direct staff to investigate certain matters for consideration at a future meeting.

All comments or queries presented by a speaker shall be addressed to the Board as a body and not to any specific member thereof. No questions shall be posed to any member of the Board except through the presiding official of the meeting, the Chair and/or Vice-Chair. Members of the Board are under no obligation to respond to questions posed by speakers but may provide brief clarifying responses to any comment made or questions posed. The Board may not engage in any sort of prolonged discussion or deliberation with any speaker or group of speakers on matters that are not listed on this agenda.

Enforcement of Decorum: The Chief of Police, or such member, or members of the Police Department as the Chief of Police may designate, shall serve as the Sergeant-at-Arms of any Oversight Board meeting. The Sergeant-at-Arms shall carry out all orders and instructions given by the presiding official for the purpose of maintaining order and decorum at the meeting. While members of the public are free to level criticism of Board policies and the action(s) or proposed action(s) of the Board or its members, members of the public may not engage in behavior that is disruptive to the orderly conduct of the proceedings, including, but not limited to, conduct that prevents other members of the public from being heard when it is their opportunity to speak or which prevents members of the audience from hearing or seeing the proceedings. Members of the public may not threaten any person with physical harm or act in a manner that may reasonably be interpreted as an imminent threat of physical harm. All persons attending the meeting must adhere to the Board's policy barring harassment based upon a person's race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status, gender, sexual orientation or age.
APPROVAL OF MINUTES

NEW BUSINESS

1. Consideration and Approval of the Recognized Obligation Payment Schedule ("ROPS") 18-19 for the 12-month Fiscal Period Beginning July 1, 2018 and ending June 30, 2019 and Accompanying Resolution.

(Requested Action: Adopt a Resolution of the Oversight Board for the Successor Agency to the former El Monte Community Redevelopment Agency approving the Recognized Obligation Payment Schedule for the 12-month fiscal period beginning July 1, 2018 and ending June 30, 2019.)

(Resolution OB-72)

2. Consider and Adopt a Resolution Making a Finding that the Nelson Honda Expansion Project from the City of El Monte (the "City") to the Former El Monte Community Redevelopment Agency was for Legitimate Redevelopment Purposes.

(Requested Action: Receive and file report from Successor Agency staff and consider and adopt the Resolution.)

(Resolution OB-73)

3. Consider and Adopt a Resolution Making a Finding that the Longo Toyota Expansion Project Loan from the City of El Monte (the "City") to the Former El Monte Community Redevelopment Agency was for Legitimate Redevelopment Purposes.

(Requested Action: Receive and file report from Successor Agency staff and consider and adopt the Resolution.)

(Resolution OB-74)
4. Consider and Adopt a Resolution Making a Finding that the Orchard Street Extension Project Loan from the City of El Monte (the “City”) to the Former El Monte Community Redevelopment Agency was for Legitimate Redevelopment Purposes.

(Requested Action: Receive and file report from Successor Agency staff and consider and adopt the Resolution.)

(Resolution OB-75)

5. Update by Successor Agency staff on the Norms Project.

(Requested Action: Receive and file report from Successor Agency staff.)


(Requested Action: Receive and file report from Successor Agency staff and authorize new appraisal of Area Y Lands. City/Successor Agency staff shall present PowerPoint for background on requested action.)

7. Comments from Oversight Board Members.
ADJOURNMENT

The next regular Oversight Board meeting will take place on Thursday, February 1, 2018, at El Monte City Hall – East, City Council Chambers, 11333 Valley Boulevard, El Monte, California.

This Agenda will be posted on the City’s website, www.ci.el-monte.ca.us, and physically posted as of not less than 72 hours prior to the start of the subject meeting. Although it is the City’s practice and desire to electronically post a copy of this Agenda along with supporting material as part of its website posting, the size or formatting of certain supporting materials may render their website posting infeasible. Nevertheless, all supporting materials related to any item on this Agenda, that is made available to the members of the Board may be inspected by members of the public at the Secretary’s Office located at 11333 Valley Boulevard, El Monte, Monday through Thursday, 7:30 am – 5:30 pm. For more information, please call the Secretary’s Office at (626) 580-2016.

All public meetings and events sponsored or conducted by the City of El Monte are held in sites accessible to persons with disabilities. Requests for accommodations may be made by calling the office of the Secretary at (626) 580-2016 at least three (3) working days prior to the event, if possible. This Agenda and copies of documents distributed at the meeting are available in alternative formats upon request.

Posted: January 24, 2018 at 5:00 p.m.
January 23, 2018

The Honorable Chair and Oversight Board Members
Oversight Board for the Successor Agency to the
Former El Monte Community Redevelopment Agency
11333 Valley Boulevard
El Monte, CA 91731

Dear Chair and Oversight Board Members:

APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE THE 12-MONTH FISCAL YEAR PERIOD BEGINNING JULY 1, 2018 AND ENDING JUNE 30, 2019 AND ACCOMPANYING RESOLUTION

IT IS RECOMMENDED THAT THE OVERSIGHT BOARD:

1. Adopt a Resolution of the Oversight Board for the Successor Agency to the former El Monte Community Redevelopment Agency approving the Recognized Obligation Payment Schedule for the 12-month fiscal period beginning July 1, 2018 and ending June 30, 2019 (Attachment No. 1).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Health and Safety Code ("HSC") Sections 34177(l) and 34177(o) require the Successor Agency to the former El Monte Community Redevelopment Agency ("Successor Agency") to prepare and submit a Recognized Obligation Payment Schedule ("ROPS") prior to each ROPS period to the Oversight Board for the Successor Agency ("Oversight Board"), County Auditor-Controller, State Controller's Office ("SCO"), and State Department of Finance ("DOF") for review and approval. For the ROPS period of July 1, 2018 to June 30, 2019, the statute requires that an Oversight Board-approved ROPS be submitted to DOF and the County Auditor-Controller by no later than February 1, 2018. If the ROPS are not submitted by that deadline, the City of El Monte ("City") (as the City and not as the Successor Agency) will be subject to a civil penalty of $10,000 per day for each day that it is late. These requirements for the ROPS took effect in 2012 as a result of AB 1484 (Chapter 26, Statutes of 2012), which was enacted on June 27, 2012.

Item 1
DISCUSSION OF RECENT LEGISLATIVE CHANGES TO ROPS PROCESS

On September 22, 2015, Governor Brown signed Senate Bill 107 ("SB 107"), which went into effect immediately. SB 107 made several key changes to the HSC sections that establish the ROPS process. These changes are summarized below:

Annual Submission

Beginning in 2016, the ROPS are due to DOF annually by February 1st instead of biannually as in previous years. ROPS periods cover July 1st to June 30th. Once per ROPS period, but not later than October 1st, successor agencies may submit to their oversight board and DOF one amendment to DOF-approved ROPS if the oversight board makes a finding that the revision is necessary for the payment of approved enforceable obligations during the second half of the ROPS period.

Bifurcation of ROPS and Prior Period Adjustment Processes

Previously, on ROPS, successor agencies provided DOF both an itemized list of payments of enforceable obligations for the upcoming ROPS period and an itemized list of differences between actual payments and past estimated obligations for the preceding ROPS period ("Prior Period Adjustment"). SB 107 specifies that, beginning in 2018, the Prior Period Adjustment process will be handled separately from the ROPS by county auditor-controllers and on an annual basis, instead of biannually as in previous years. Successor agencies will provide information regarding their Prior Period Adjustment to county auditor-controllers on October 1, 2018, and each October 1st thereafter. For that reason, ROPS 18-19 does not include the Prior Period Adjustment tab.

Administrative Cost Allowance

Previously, the administrative cost allowance for each fiscal year was the greater of $250,000 or three percent of the RPTTF funding that the successor agency received during the fiscal year. Beginning in Fiscal Year 2016-17, the administrative cost allowance for each fiscal year is the greater of $250,000 or 3 percent of the RPTTF funding that the successor agency received during the prior fiscal year, excluding administrative RPTTF and repayments of City/former redevelopment agency loans. However, the administrative cost allowance cannot exceed 50 percent of the total RPTTF funding distributed to pay enforceable obligations in the preceding fiscal year, less the administrative cost allowance and any loan repayments to the city or county. However, there is ambiguous language that states that the $250,000 minimum applies unless reduced by the Oversight Board or the Successor Agency enters into an agreement with DOF.
Last and Final ROPS

Beginning January 1, 2016, successor agencies may submit a Last and Final ROPS for approval by the oversight board and DOF if all of the following conditions are met:

1. Remaining debt includes only administrative costs and enforceable obligations with set payment schedules, such as debt service, loan agreements, and contracts;
2. All remaining obligations have been previously listed on a ROPS and approved by DOF; and
3. The successor agency has no outstanding or unresolved litigation.

Once DOF approves a successor agency’s Last and Final ROPS, the successor agency may submit up to two requests to amend it. It should be noted that the Successor Agency’s administrative allowance may be significantly reduced if a Last and Final ROPS is approved. Although not defined in the law, DOF has, in some cases, taken the position that successor agencies that have filed a Last and Final ROPS will be allocated a maximum administrative allowance of $5,000 per ROPS line item. However, there have been other instances wherein DOF has only allowed $5,000 total for multiple obligations listed. A Last and Final ROPS can be approved at any time throughout the year.

OVERSIGHT BOARD CONSOLIDATION

As a matter of background, oversight boards have broad authority to set administrative budgets, approve the transfer of properties pursuant to a long-range property management plan, approve enforceable obligations, and otherwise direct successor agencies to perform activities to wind down former redevelopment agencies.

The Dissolution Act (specifically HSC Section 34179(j-q)), as clarified by a memo from the County Auditor-Controller's office, provides that local oversight boards in Los Angeles County will be succeeded by a single oversight board for each Supervisory District (other counties' successor agencies will have one oversight board per county) on July 1, 2018. The County Auditor-Controller's office is responsible for coordinating the creation of these new succeeding oversight boards. The next annual ROPS prepared by the Successor Agency will be approved by this new Los Angeles County First Supervisory District Oversight Board.

ENFORCEABLE OBLIGATIONS

The items on ROPS 18-19 are substantially the same as those included on ROPS 17-18. There are no new line items on the ROPS. The Successor Agency is requesting a total of $5,136,950 in Redevelopment Property Tax Trust Fund revenue to fund
enforceable obligations: $3,913,322 for the first half of the fiscal year and $1,223,628 for the second half of the fiscal year. The obligations listed on the ROPS include the following:

- Bond debt service (for the 2010 Lease Revenue Bonds and 2017 Tax Allocation Refunding Bonds)
- Bond continuing disclosure reporting costs
- Trustee fees
- Loan repayments
- Reimbursement of July 2012 true-up payment
- Successor Agency administrative costs

CASH BALANCE AND FUND SOURCES

ROPS 18-19 includes a tab in which the Successor Agency is required to report cash balance amounts as of the end of the 15-16B ROPS period. The Successor Agency had $72,295 of non-RPTTF funds ("Other Funds") at the end of the 15-16B period. This amount consists of collections, rent, and interest income. Additionally, the Successor Agency had $724,474 of unused RPTTF at the end of the 15-16B period.

DOF REVIEW

Upon submittal of an Oversight Board-approved ROPS, DOF has 45 days to make its determination of the enforceable obligations, including amounts and funding sources. Within five business days of DOF's determination, the Successor Agency may request additional review and an opportunity to meet and confer on disputed items. DOF has until 15 days prior to the date for property tax distribution to make its final decision. The RPTTF distribution dates for ROPS 18-19A and 18-19B are on or about June 1, 2018 and January 2, 2019, respectively.

It is respectfully requested that the Oversight Board approve and adopt the Resolution approving the ROPS 18-19, which accompanies this memorandum as Attachment No. 1.
Respectfully submitted,

JESUS M. GOMEZ  
Executive Director

ALEX HAMILTON  
Assistant Executive Director

Attachment:

1. Resolution Approving ROPS 18-19 (with ROPS 18-19 as Exhibit A)
OB RESOLUTION NO. OB-72

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY’S RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JULY 1, 2018 THROUGH JUNE 30, 2019

WHEREAS, by virtue of the enactment of Health and Safety Code ("HSC") Section 34173(d), the City of El Monte ("City") is the successor agency to the former El Monte Community Redevelopment Agency ("Successor Agency"); and

WHEREAS, pursuant to HSC Section 34177(m), the Successor Agency is required to prepare a Recognized Obligation Payment Schedule ("ROPS") prior to each 12-month fiscal period, in a manner prescribed by the California Department of Finance ("DOF"), and submit the ROPS to the Oversight Board, the Los Angeles County Auditor-Controller, the State Controller’s Office, and DOF for review and approval; and

WHEREAS, pursuant to Health & Safety Code Section 34177(m), the ROPS for the period beginning July 1, 2018 and ending June 30, 2019 ("18-19") shall be submitted to the Oversight Board and Department of Finance no later than February 1, 2018; and

WHEREAS, pursuant to Health & Safety Code Section 34177(m)(2), if a successor agency does not submit a Recognized Obligation Payment Schedule by the aforementioned deadline, the city, county, or city and county that created the redevelopment agency shall be subject to a civil penalty equal to ten thousand dollars ($10,000) per day for every day the schedule is not submitted to DOF; and

WHEREAS, Exhibit “A” to this Resolution establishes the ROPS 18-19 for July 1, 2018 through June 30, 2019 in a manner consistent with that prescribed by DOF; and

WHEREAS, the Successor Agency approved the ROPS 18-19 on January 23, 2018 and authorized submittal thereof to the Oversight Board for its review and approval; and

WHEREAS, the Oversight Board desires to approve the ROPS 18-19 for July 1, 2018 to June 30, 2019, and transmit it to the Oversight Board, the Los Angeles County Auditor-Controller, the State Controller’s Office, and DOF as required by HSC Section 34172, et seq.
NOW THEREFORE, BE IT RESOLVED THAT THE SUCCESSOR AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, PASS, AND APPROVE AS FOLLOWS:

SECTION 1. Recitals The recitals set forth above are true and correct and incorporated herein by reference.

SECTION 2. Approval of ROPS 18-19 The Successor Agency to the former El Monte Community Redevelopment Agency ("Successor Agency") hereby approves and adopts the ROPS covering the July 1, 2018 through June 30, 2019 period, in the form attached hereto as Exhibit “A,” as required by ABX1 26, enacted during the 2011 legislative year, and AB 1484, enacted during the 2012 legislative year.

SECTION 3. Submittal of ROPS 18-19 Staff is hereby authorized and directed to submit the ROPS 18-19 to the Oversight Board and, following the Oversight Board’s approval, to the State Department of Finance and other bodies as required by law.

SECTION 4. This Resolution shall take effect upon adoption. The City Clerk shall certify to the adoption of this Resolution.

PASSED AND ADOPTED by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency at its regular meeting on this 25th of January, 2018.

Chair of the Oversight Board
STATE OF CALIFORNIA   )
COUNTY OF LOS ANGELES  ) SS:
CITY OF EL MONTE       )

I, Chair of the Oversight Board, do hereby certify that the above and foregoing Resolution No. OB-72 was passed, approved, and adopted by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency, signed by the Chair and attested by the Chair at a special meeting of said Oversight Board held on this 25th day of January 2018, and that said Resolution was adopted by the following votes to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

_______________________________
Chair of the Oversight Board
EXHIBIT A

RECOGNIZED OBLIGATION PAYMENT SCHEDULE 18-19
<table>
<thead>
<tr>
<th>Date</th>
<th>Signature</th>
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**Title**

**Name**

---

**Agency:**
Obligation Payment Schedule for the above named successor.

He hereby certifies that the above is true and accurate, recognizing
Pursuant to Section 3417(4) of the Health and Safety Code, 1
Certification of Oversight Board Chairman:

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**Current Period Enforceable Obligations (A+E):**

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<th>H</th>
<th>C</th>
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**Administrative RTTF:**

<table>
<thead>
<tr>
<th>F</th>
<th>E</th>
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**Redevelopment Property Tax Trust Fund (RTTF) (F+G):**

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<td>Other Funds</td>
<td>Reserve Balance</td>
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**Bond Proceeds:**

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<td>Enforceable Obligations Funded as follows (B+C+D):</td>
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<td>3,913,922</td>
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<td>2,769,464</td>
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<tr>
<th>7/18 - 19 Total</th>
<th>18 - 19B Total</th>
<th>18 - 19A Total</th>
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<td>$2,716,464</td>
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**Current Period Requested Funding for Enforceable Obligations (ROPS Detail):**

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<tr>
<th>County</th>
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<tr>
<td>Los Angeles</td>
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<td>El Monte</td>
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**Successor Agency:**

**Summary:**
Recognized Obligation Payment Schedule (ROPS 18-19) - Summary
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<th>Date</th>
<th>Description</th>
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<tr>
<td>6/30/15</td>
<td>Beginning available cash balance (Actual 07/10/15)</td>
</tr>
<tr>
<td>1/15/16</td>
<td>End of fiscal year</td>
</tr>
<tr>
<td>7/31/16</td>
<td>First payment date</td>
</tr>
<tr>
<td>11/30/16</td>
<td>Second payment date</td>
</tr>
<tr>
<td>2/28/17</td>
<td>Third payment date</td>
</tr>
<tr>
<td>5/31/17</td>
<td>Fourth payment date</td>
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**Cash Balance Information for ROPE 15-16 Actives**

- **Beginning Available Cash Balance (Actual 07/10/15)**
- **End of Fiscal Year (1/15/16)**
- **First Payment Date (7/31/16)**
- **Second Payment Date (11/30/16)**
- **Third Payment Date (2/28/17)**
- **Fourth Payment Date (5/31/17)**

**Notes:**
- This form is required by the State Board of Equalization.
- This form is required by the State Board of Equalization.
- This form is required by the State Board of Equalization.
- This form is required by the State Board of Equalization.
- This form is required by the State Board of Equalization.
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<th>Notes/Comments</th>
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<td>EL Mortgage Recognized Obligation Payment Schedule (ROPS 18-19) - Notes July 1, 2018 through June 30, 2019</td>
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January 23, 2018

The Honorable Chair and Oversight Board Members
Oversight Board for the Successor Agency to the
Former El Monte Community Redevelopment Agency
11333 Valley Boulevard
El Monte, CA 91731

Dear Chair and Oversight Board Members:

MAKE A FINDING THAT THE NELSON HONDA EXPANSION PROJECT LOAN FROM THE CITY TO THE FORMER REDEVELOPMENT AGENCY WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES.

IT IS RECOMMENDED THAT THE OVERSIGHT BOARD:

1. Consider and adopt a resolution making a finding that the Nelson Honda Expansion Project Loan to the former El Monte Community Redevelopment Agency by the City of El Monte was for legitimate redevelopment purposes (Attachment 1).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Prior to the dissolution of redevelopment, the City of El Monte ("City") made a loan to the former El Monte Community Redevelopment Agency ("Agency") to help implement the Redevelopment Plan for the El Monte Center Project Area, as well as the 2004 Five-Year Implementation Plan. The Dissolution Act, enacted by Assembly Bill ("AB") x1 26 in 2011, and subsequently amended by AB 1484 in 2012 and Senate Bill ("SB") 107 in 2015 and codified in the California Health and Safety Code ("HSC"), permits loans between cities and former redevelopment agencies to be repaid through Recognized Obligation Payment Schedules ("ROPS") if certain conditions are met. Conditions include (a) the successor agency receiving a Finding of Completion from the California Department of Finance ("DOF") and (b) the successor agency's oversight board making a finding that the loan was for legitimate redevelopment purposes.

LEGISLATIVE BACKGROUND

The Dissolution Act established a strict definition of "enforceable obligations" that may be paid through a ROPS. Certain loans between cities and former redevelopment agencies ("City/Agency Loans") are eligible for repayment if a successor agency has received its finding of completion from DOF, and if the oversight board makes a finding
that the City/Agency Loans were made for legitimate redevelopment purposes. Pursuant to HSC Section 34191.4(b), City/Agency Loans eligible for repayment include:

A. **Cash Advances.** Loans where a city transferred money to the former redevelopment agency ("RDA") for a lawful purpose, and the RDA was obligated to repay the city pursuant to a required repayment schedule.

B. **Property Transfer.** Agreements where a city transferred real property to the RDA, and the RDA was obligated to pay the city for the property.

C. **Third-Party Infrastructure Development.** Agreements where a city contracted with a third party to develop infrastructure, and the RDA was obligated to reimburse the city. Repayments on this type of loan are capped at $5 million.

In 2003, the City loaned $222,950 to the former Agency for the Nelson Honda Expansion Project ("Nelson Honda Loan"). The loan was a cash advance from the City to the former Agency for a lawful purpose (option A as described above). The Successor Agency received its Finding of Completion from the DOF on April 26, 2013. The Successor Agency to the El Monte Community Redevelopment Agency ("Successor Agency") believes that the loan is eligible for repayment pursuant to HSC Section 34191.4(b).

The Nelson Honda Loan is already included on the Successor Agency’s ROPS as Line Item 38, however the Successor Agency is not permitted to request payment for the line item until the DOF approves an Oversight Board resolution that makes a finding that the Nelson Honda Loan was made for legitimate redevelopment purposes. At this time, the Successor Agency requests that the Oversight Board make a finding to confirm that the Nelson Honda Loan was made for legitimate redevelopment purposes. If the Oversight Board approves the proposed resolution making this finding, the resolution will be sent to DOF for review and approval.

**NELSON HONDA EXPANSION PROJECT LOAN**

Agency Resolution No. R-428, approved on February 3rd, 2003, approved an agreement between the City and the Agency, whereby the City agreed to advance $222,950 of U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") funds to the Agency to assist with the expansion of the Nelson Honda Auto Dealership’s retail campus. The project was referenced in the Former Agency’s Five-Year Implementation Plan adopted in 2004. The advance was made to fund economic development activities, including, but not limited to, equipment purchases, inventory financing, interest subsidies, operating expenses, and job retention.

The former Agency was established to improve, rehabilitate, and redevelop blighted areas, pursuant to the Redevelopment Plans for the redevelopment project areas. HSC Sections 33132 and 33601 authorized a redevelopment agency to accept financial
assistance from any public or private source for the agency's activities. The Nelson Honda Loan was advanced to assist the Agency with undertaking its redevelopment activities, pursuant to and as authorized under the Community Redevelopment Law, the Redevelopment Plan for the El Monte Center Project Area, and the former Agency's Five-Year Implementation Plan adopted in 2004.

**LOAN REPAYMENT**

If the Oversight Board and DOF find that the Nelson Honda Loan is an enforceable obligation, repayment is subject to specific requirements and limitations in accordance with HSC Section 34191.4(b)(3):

1. The accumulated interest on the principal amount of the loan must be recalculated from origination, on a quarterly basis, at a simple interest rate of three percent (3%), and moneys repaid shall be applied first to the principal, and second to the interest;

2. Supplemental Educational Revenue Augmentation Fund ("SERAF") loans and deferred housing set-aside repayments are senior to City/Agency Loans and must be repaid first;

3. Scheduled repayments on the ROPS cannot exceed 50% of the annual incremental growth of residual Redevelopment Property Tax Trust Fund ("RPTTF") revenues, using a Fiscal Year ("FY") 2012-13 base year; and

4. Twenty percent (20%) of City/Agency Loan repayments must be deducted and transferred to the Housing Successor Agency's Low and Moderate Income Housing Asset Fund for use on affordable housing activities, as required by law. The remaining balance may be deposited in the City's General Fund.

To date, none of the $222,950 Nelson Honda Loan has been repaid to the City. Pursuant to the first point, the accumulated interest on the $222,950 principal amount of the loan as of the February 1, 2018 ROPS 18-19 deadline will be $96,983. Accordingly, the $319,933 sum of the principal and interest is included on ROPS 18-19 for repayment. However, DOF will approve repayment only if the loan is found to be an enforceable obligation by the Oversight Board and DOF. It should be noted that any interest rate previously specified is no longer valid, as the Successor Agency must calculate interest as detailed in the first point above.

To elaborate on the third point, the maximum City repayment in any given year is:

\[
\text{(Prior Fiscal Year Residual RPTTF - FY 2012-13 Residual RPTTF)}
\]
For example, if residual RPTTF was $1 million in FY 2017-18 and $500,000 in FY 2012-13, the maximum loan repayment in FY 2018-19 would be:

\[
\frac{($1,000,000 - $500,000)}{2} = $250,000
\]

In the Successor Agency’s case, the FY 2012-13 Residual RPTTF was zero. The maximum loan repayment amount in FY 2018-19 is $985,190. The Successor Agency does not have any SERAF loans or deferred housing set-aside that require repayment before the Nelson Honda Loan. It is anticipated that the loan will be repaid in FY 2020-21. An estimated repayment schedule is included as an exhibit to the attached resolution, but the annual loan repayment amount in any given year cannot be determined until the completion of the prior fiscal year. Actual payments will depend on the final amount of RPTTF available to fund approved enforceable obligations in each ROPS period.

**FISCAL IMPACT**

Adoption of the proposed resolution is required to repay the City the balance on the Nelson Honda Loan, which will be $319,933 as of the February 1, 2018 for the ROPS 18-19.

It should be noted that the proceeds of the Nelson Honda Loan, when received by the City will be deemed to be “CDBG Program income” and such loan repayment proceeds will need to be used and applied by the City for CDBG Program eligible purposes to benefit persons and families of low and moderate income.

**CONCLUSION**

1. Staff recommends that the Oversight Board consider and adopt a resolution making a finding that the Nelson Honda Loan to the former El Monte Community Redevelopment Agency by the City of El Monte was for legitimate redevelopment purposes (Attachment No. 1).
HONORABLE CHAIR AND OVERSIGHT BOARD
JANUARY 23, 2018
Page 5

Respectfully submitted,

JESUS M. GOMEZ
Executive Director

ALEXANDER HAMILTON
Assistant Executive Director

Attachment:

1. Resolution
OB RESOLUTION NO. OB-73

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSION AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY MAKING A FINDING THAT THE NELSON HONDA EXPANSION PROJECT LOAN ENTERED INTO BY AND BETWEEN THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY AND THE CITY OF EL MONTE WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.4(b)(1)

WHEREAS, by virtue of the enactment of Health and Safety Code ("HSC") Section 34173(d), the City of El Monte ("City") is the successor agency to the former El Monte Community Redevelopment Agency ("Successor Agency"); and

WHEREAS, the Oversight Board for the Successor Agency ("Oversight Board") has been established to direct the City as Successor Agency to take certain actions to conclude the business affairs of the dissolved former El Monte Community Redevelopment Agency ("Agency") in accordance with HSC Section 34179, et seq.; and

WHEREAS, prior to the dissolution of redevelopment, the City Council of the City ("City Council") adopted and amended from time to time the Redevelopment Plan ("Redevelopment Plan") for the El Monte Center Project Area ("Project Area"); and

WHEREAS, in keeping with the goals of the Agency to eliminate blight in the Project Area, the City and the Agency worked cooperatively to implement the Redevelopment Plan and the Five-Year Implementation Plan adopted in 2004; and

WHEREAS, the City and the Agency previously entered into transactions whereby the City undertook activities and incurred costs on behalf of the Agency, and whereby the Agency agreed to repay the cost of such activities to the City, or the amount of such funds paid or moneys loaned; and

WHEREAS, Agency Resolution No. R-428 dated February 3rd, 2003 approved an agreement between the City and Agency, whereby the City agreed to advance $222,950 of U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") funds to the Agency to assist with the Nelson Honda Project Loan ("Nelson Honda Loan"); and

WHEREAS, HSC Section 34191.4(b)(3) specifies that the accumulated interest on the principal amount of loans between the redevelopment agency and the city, county, or city and county that created the redevelopment agency must be recalculated from origination, on a quarterly basis, at a simple interest rate of three percent (3%), and moneys repaid shall be applied first to the principal, and second to the interest; and
WHEREAS, none of the $222,950 Nelson Honda Loan has been repaid to the City, and the accumulated interest on the $222,950 principal amount of the loan as of the February 1, 2018 deadline of Recognized Obligation Payment Schedule ("ROPS") 18-19 will be $96,983, pursuant to HSC Section 34191.4(b)(3); and

WHEREAS, the Successor Agency wishes to repay the Nelson Honda Loan through the ROPS process; and

WHEREAS, in accordance with HSC Section 34191.4(b), upon receiving a finding of completion by the California Department of Finance ("DOF"), loan agreements entered into between a redevelopment agency and the city that created it shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loans were for legitimate redevelopment purposes; and

WHEREAS, the Successor Agency received a finding of completion from DOF on April 26, 2013; and

WHEREAS, the Oversight Board desires to make a finding that the Nelson Honda Loan was for legitimate redevelopment purposes pursuant to HSC Section 34191.4(b).

NOW THEREFORE, BE IT RESOLVED THAT THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, PASS, AND APPROVE AS FOLLOWS:

SECTION 1. The recitals set forth above are true and correct and incorporated herein by reference.

SECTION 2. The Oversight Board for the Successor Agency to the former El Monte Community Redevelopment Agency hereby finds that the Nelson Honda Loan was for legitimate redevelopment purposes pursuant to HSC Section 34191.4(b). This finding is based on the information and evidence set out in the Oversight Board staff report dated January 16, 2018, the information provided by the City staff to the Oversight Board at the meeting at which the Resolution was adopted, as well as the Exhibit to this Resolution.

SECTION 3. The Oversight Board hereby approves repayment of the Nelson Honda Loan by placing it as an enforceable obligation on the ROPS.

SECTION 4. The officers of the Oversight Board and the staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, including responding to additional requests for review by DOF and any such actions previously taken by such officers, and staff are hereby ratified and confirmed.
SECTION 5. The Oversight Board authorizes Successor Agency staff to abide by the attached estimated repayment schedule for the Nelson Honda Loan, and amend it from time to time in recognition that the annual maximum repayment amount cannot be determined until the completion of the prior fiscal year, based on the formula mandated by HSC Section 34191.4(b)(2).

SECTION 6. This Resolution shall take effect upon adoption. The City Clerk shall certify to the adoption of this Resolution.

PASSED AND ADOPTED by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency at its regular meeting on this 25th of January, 2018.

__________________________
Chair of the Oversight Board
I, Chair of the Oversight Board, do hereby certify that the above and foregoing Resolution No. OB-73 was passed, approved, and adopted by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency, signed by the Chair and attested by the Chair at a special meeting of said Oversight Board held on this 25th day of January 2018, and that said Resolution was adopted by the following votes to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

Chair of the Oversight Board
EXHIBIT A

NELSON HONDA EXPANSION PROJECT LOAN
ESTIMATED LOAN REPAYMENT SCHEDULE

Projected Nelson Honda Expansion Project Loan Repayments (ROPS Line Item #38)
El Monte Successor Agency

<table>
<thead>
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<th>FY</th>
<th>Total Loan Payment</th>
<th>Amount to General Fund</th>
<th>Amount to Housing Asset Fund</th>
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<tr>
<td>Total</td>
<td>$339,999</td>
<td>$271,999</td>
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Principal $222,950
Interest $117,049
January 23, 2018

The Honorable Chair and Oversight Board Members
Oversight Board for the Successor Agency to the
Former El Monte Community Redevelopment Agency
11333 Valley Boulevard
El Monte, CA 91731

Dear Chair and Oversight Board Members:

MAKE A FINDING THAT THE LONGO TOYOTA EXPANSION PROJECT LOAN FROM THE CITY TO THE FORMER REDEVELOPMENT AGENCY WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES.

IT IS RECOMMENDED THAT THE OVERSIGHT BOARD:

1. Consider and adopt a resolution making a finding that the Longo Toyota Expansion Project Loan to the former El Monte Community Redevelopment Agency by the City of El Monte was for legitimate redevelopment purposes (Attachment 1).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Prior to the dissolution of redevelopment, the City of El Monte ("City") made a loan to the former El Monte Community Redevelopment Agency ("Agency") to help implement the Redevelopment Plan for the El Monte Center Project Area. The Dissolution Act, enacted by Assembly Bill ("AB") x1 26 in 2011, and subsequently amended by AB 1484 in 2012 and Senate Bill ("SB") 107 in 2015 and codified in the California Health and Safety Code ("HSC"), permits loans between cities and former redevelopment agencies to be repaid through Recognized Obligation Payment Schedules ("ROPS") if certain conditions are met. Conditions include (a) the successor agency receiving a Finding of Completion from the California Department of Finance ("DOF") and (b) the successor agency’s oversight board making a finding that the loan was for legitimate redevelopment purposes.

Item 3
LEGISLATIVE BACKGROUND

The Dissolution Act established a strict definition of "enforceable obligations" that may be paid through a ROPS. Certain loans between cities and former redevelopment agencies ("City/Agency Loans") are eligible for repayment if a successor agency has received its finding of completion from DOF, and if the oversight board makes a finding that the City/Agency Loans were made for legitimate redevelopment purposes. Pursuant to HSC Section 34191.4(b), City/Agency Loans eligible for repayment include:

A. Cash Advances. Loans where a city transferred money to the former redevelopment agency ("RDA") for a lawful purpose, and the RDA was obligated to repay the city pursuant to a required repayment schedule.

B. Property Transfer. Agreements where a city transferred real property to the RDA, and the RDA was obligated to pay the city for the property.

C. Third-Party Infrastructure Development. Agreements where a city contracted with a third party to develop infrastructure, and the RDA was obligated to reimburse the city. Repayments on this type of loan are capped at $5 million.

In 1999, the City loaned $1.2 million to the former Agency for the Longo Toyota Expansion Project ("Longo Toyota Expansion Project Loan"). The loan was a cash advance from the City to the former Agency for a lawful purpose (option A as described above). The Successor Agency received its Finding of Completion from the DOF on April 26, 2013. The Successor Agency to the El Monte Community Redevelopment Agency ("Successor Agency") believes that the loan is eligible for repayment pursuant to HSC Section 34191.4(b).

The Longo Toyota Expansion Project Loan is listed on the Successor Agency's ROPS as Line Item 24. However the Successor Agency is not permitted to request payment for the line item until the DOF approves an Oversight Board resolution that makes a finding that the Longo Toyota Expansion Project Loan was made for legitimate redevelopment purposes. At this time, the Successor Agency requests that the Oversight Board make a finding to confirm that the Longo Toyota Expansion Project Loan was made for legitimate redevelopment purposes. If the Oversight Board approves the proposed resolution making this finding, the resolution will be sent to DOF for review and approval.

LONGO TOYOTA EXPANSION PROJECT LOAN

Agency Resolution No. R-643 and City Resolution No. 7951, both approved on June 8, 1999, approved an agreement between the City and the Agency, whereby the City agreed to advance $1.2 million of U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") funds to the Agency to assist with the expansion of the Longo Toyota/Lexus Auto Dealership's retail campus. The
project was referenced in the Former Agency’s Five-Year Implementation Plan adopted in 2004. The advance was made to fund economic development activities, including, but not limited to, equipment purchases, inventory financing, interest subsidies, operating expenses, and job retention. The expanded campus, which included some small restaurant and office space, resulted in an increase in sales tax revenue, as well as the creation of new jobs.

The former Agency was established to improve, rehabilitate, and redevelop blighted areas, pursuant to the Redevelopment Plans for the redevelopment project areas. HSC Sections 33132 and 33601 authorized a redevelopment agency to accept financial assistance from any public or private source for the agency’s activities. The Longo Toyota Expansion Project Loan was advanced to assist the Agency with undertaking its redevelopment activities, pursuant to and as authorized under the Community Redevelopment Law, the Redevelopment Plan for the El Monte Center Project Area, and the former Agency’s Five-Year Implementation Plan adopted in 2004.

LOAN REPAYMENT

If the Oversight Board and DOF find that the Longo Toyota Expansion Project Loan is an enforceable obligation, repayment is subject to specific requirements and limitations in accordance with HSC Section 34191.4(b)(3):

1. The accumulated interest on the principal amount of the loan must be recalculated from origination, on a quarterly basis, at a simple interest rate of three percent (3%), and moneys repaid shall be applied first to the principal, and second to the interest;

2. Supplemental Educational Revenue Augmentation Fund ("SERAF") loans and deferred housing set-aside repayments are senior to City/Agency Loans and must be repaid first;

3. Scheduled repayments on the ROPS cannot exceed 50% of the annual incremental growth of residual Redevelopment Property Tax Trust Fund ("RPTTF") revenues, using a Fiscal Year ("FY") 2012-13 base year; and

4. Twenty percent (20%) of City/Agency Loan repayments must be deducted and transferred to the Housing Successor Agency’s Low and Moderate Income Housing Asset Fund for use on affordable housing activities, as required by law. The remaining balance may be deposited in the City’s General Fund.

To date, none of the $1.2 million Longo Toyota Expansion Project Loan has been repaid to the City. Pursuant to the first point, the accumulated interest on the $1.2 million principal amount of the loan as of the February 1, 2018 ROPS 18-19 deadline will be $648,000. Accordingly, the $1,848,000 sum of the principal and interest is included on ROPS 18-19 for repayment. However, DOF will approve repayment only if the loan is
found to be an enforceable obligation by the Oversight Board and DOF. It should be noted that any interest rate previously specified is no longer valid, as the Successor Agency must calculate interest as detailed in the first point above.

To elaborate on the third point, the maximum City repayment in any given year is:

\[
\frac{(\text{Prior Fiscal Year Residual RPTTF} - \text{FY 2012-13 Residual RPTTF})}{2}
\]

For example, if residual RPTTF was $1 million in FY 2017-18 and $500,000 in FY 2012-13, the maximum loan repayment in FY 2018-19 would be:

\[
\frac{($1,000,000 - $500,000)}{2} = \$250,000
\]

In the Successor Agency’s case, the FY 2012-13 Residual RPTTF was zero. The maximum loan repayment amount in FY 2018-19 is $985,190. The Successor Agency does not have any SERAF loans or deferred housing set-aside that require repayment before the Longo Toyota Expansion Project Loan. It is anticipated that the loan will be repaid in FY 2018-19 and 2019-20. An estimated repayment schedule is included as an exhibit to the attached resolution, but the annual loan repayment amount in any given year cannot be determined until the completion of the prior fiscal year. Actual payments will depend on the final amount of RPTTF available to fund approved enforceable obligations in each ROPS period.

**FISCAL IMPACT**

Adoption of the proposed resolution is required to repay the City the balance on the Longo Toyota Expansion Project Loan, which will be $1,848,000 as of the February 1, 2018 deadline for the ROPS 18-19.

It should be noted that the proceeds of the Longo Toyota Project Loan, when received by the City will be deemed to be “CDBG Program income” and such loan repayment proceeds will need to be used and applied by the City for CDBG Program eligible purposes to benefit persons and families of low and moderate income.

**CONCLUSION**

Staff recommends that the Oversight Board consider and adopt a resolution making a finding that the Longo Toyota Expansion Project Loan to the former El Monte Community Redevelopment Agency by the City of El Monte was for legitimate redevelopment purposes (Attachment No. 1).
Respectfully submitted,

JESUS M. GOMEZ
Executive Director

ALEXANDER HAMILTON
Assistant Executive Director

Attachment:

1. Resolution

DATE: January 25, 2018
PRESENTED TO THE OVERSIGHT BOARD
☐ APPROVED
☐ DENIED
☐ PULLED
☐ RECEIVED AND FILED
☐ CONTINUED
☐ REFERRED TO

CHIEF DEPUTY CITY CLERK
OB RESOLUTION NO. OB-74

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSION AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY MAKING A FINDING THAT THE LONGO TOYOTA EXPANSION PROJECT LOAN ENTERED INTO BY AND BETWEEN THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY AND THE CITY OF EL MONTE WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.4(b)(1)

WHEREAS, by virtue of the enactment of Health and Safety Code ("HSC") Section 34173(d), the City of El Monte ("City") is the successor agency to the former El Monte Community Redevelopment Agency ("Successor Agency"); and

WHEREAS, the Oversight Board for the Successor Agency ("Oversight Board") has been established to direct the City as Successor Agency to take certain actions to conclude the business affairs of the dissolved former El Monte Community Redevelopment Agency ("Agency") in accordance with HSC Section 34179, et seq.; and

WHEREAS, prior to the dissolution of redevelopment, the City Council of the City ("City Council") adopted and amended from time to time the Redevelopment Plan ("Redevelopment Plan") for the El Monte Center Project Area ("Project Area"); and

WHEREAS, in keeping with the goals of the Agency to eliminate blight in the Project Area, the City and the Agency worked cooperatively to implement the Redevelopment Plan and the Five-Year Implementation Plan adopted in 2004; and

WHEREAS, the City and the Agency previously entered into transactions whereby the City undertook activities and incurred costs on behalf of the Agency, and whereby the Agency agreed to repay the cost of such activities to the City, or the amount of such funds paid or moneys loaned; and

WHEREAS, Agency Resolution No. R-643 and City Resolution No. 7951 dated June 8, 1999 approved an agreement between the City and Agency, whereby the City agreed to advance $1.2 million of U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") funds to the Agency to assist with the Longo Toyota Expansion Project ("Longo Toyota Expansion Project Loan"); and

WHEREAS, HSC Section 34191.4(b)(3) specifies that the accumulated interest on the principal amount of loans between the redevelopment agency and the city, county, or city and county that created the redevelopment agency must be recalculated
from origination, on a quarterly basis, at a simple interest rate of three percent (3%), and moneys repaid shall be applied first to the principal, and second to the interest; and

WHEREAS, none of the $1.2 million Longo Toyota Expansion Project Loan has been repaid to the City, and the accumulated interest on the $1.2 million principal amount of the loan as of the February 1, 2018 deadline of Recognized Obligation Payment Schedule (“ROPS”) 18-19 will be $648,000, pursuant to HSC Section 34191.4(b)(3); and

WHEREAS, the Successor Agency wishes to repay the Longo Toyota Expansion Project Loan through the ROPS process; and

WHEREAS, in accordance with HSC Section 34191.4(b), upon receiving a finding of completion by the California Department of Finance (“DOF”), loan agreements entered into between a redevelopment agency and the city that created it shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loans were for legitimate redevelopment purposes; and

WHEREAS, the Successor Agency received a finding of completion from DOF on April 26, 2013; and

WHEREAS, the Oversight Board desires to make a finding that the Longo Toyota Expansion Project Loan was for legitimate redevelopment purposes pursuant to HSC Section 34191.4(b).

NOW THEREFORE, BE IT RESOLVED THAT THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, PASS, AND APPROVE AS FOLLOWS:

SECTION 1. The recitals set forth above are true and correct and incorporated herein by reference.

SECTION 2. The Oversight Board for the Successor Agency to the former El Monte Community Redevelopment Agency hereby finds that the Longo Toyota Expansion Project Loan was for legitimate redevelopment purposes pursuant to HSC Section 34191.4(b). This finding is based on the information and evidence set out in the Oversight Board staff report dated January 16, 2018, the information presented by the City staff to the Oversight Board at the meeting at which this Resolution was adopted as well as the Exhibit to this Resolution.

SECTION 3. The Oversight Board hereby approves repayment of the Longo Toyota Expansion Project Loan by placing it as an enforceable obligation on the ROPS.

SECTION 4. The officers of the Oversight Board and the staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all
things which they may deem necessary or advisable to effectuate this Resolution, including responding to additional requests for review by DOF and any such actions previously taken by such officers, and staff are hereby ratified and confirmed.

SECTION 5. The Oversight Board authorizes Successor Agency staff to abide by the attached estimated repayment schedule for the Longo Toyota Expansion Project Loan, and amend it from time to time in recognition that the annual maximum repayment amount cannot be determined until the completion of the prior fiscal year, based on the formula mandated by HSC Section 34191.4(b)(2).

SECTION 6. This Resolution shall take effect upon adoption. The City Clerk shall certify to the adoption of this Resolution.

PASSED AND ADOPTED by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency at its regular meeting on this 25th of January, 2018.

Chair of the Oversight Board
STATE OF CALIFORNIA  )
COUNTY OF LOS ANGELES  ) SS:
CITY OF EL MONTE     )

I, Chair of the Oversight Board, do hereby certify that the above and foregoing Resolution No. OB-74 was passed, approved, and adopted by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency, signed by the Chair and attested by the Chair at a special meeting of said Oversight Board held on this 25th day of January 2018, and that said Resolution was adopted by the following votes to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

Chair of the Oversight Board
EXHIBIT A

LONGO TOYOTA EXPANSION PROJECT LOAN
ESTIMATED LOAN REPAYMENT SCHEDULE

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<th>Amount to General Fund</th>
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Principal $1,200,000
Interest $710,055
January 23, 2018

The Honorable Chair and Oversight Board Members
Oversight Board for the Successor Agency to the
Former El Monte Community Redevelopment Agency
11333 Valley Boulevard
El Monte, CA 91731

Dear Chair and Oversight Board Members:

MAKE A FINDING THAT THE ORCHARD STREET EXTENSION PROJECT LOAN FROM THE CITY TO THE FORMER REDEVELOPMENT AGENCY WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES.

IT IS RECOMMENDED THAT THE OVERSIGHT BOARD:

1. Consider and adopt a resolution making a finding that the Orchard Street Extension Project Loan to the former El Monte Community Redevelopment Agency by the City of El Monte was for legitimate redevelopment purposes (Attachment 1).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Prior to the dissolution of redevelopment, the City of El Monte ("City") made a loan to the former El Monte Community Redevelopment Agency ("Agency") to help implement the Redevelopment Plan for the Downtown El Monte Project Area. The Orchard Street Extension Project Loan was part of a larger plan to provide for the redevelopment of the former railroad right-of-way along Iris Lane as an affordable single family housing development project. The Orchard Street Extension Project loan enabled the City and the former redevelopment agency to open the "Medina Court" neighborhood to a better and safer public street condition as part of the Iris Lane affordable housing project.

The Dissolution Act, enacted by Assembly Bill ("AB") x1 26 in 2011, and subsequently amended by AB 1484 in 2012 and Senate Bill ("SB") 107 in 2015 and codified in the California Health and Safety Code ("HSC"), permits loans between cities and former redevelopment agencies to be repaid through Recognized Obligation Payment Schedules ("ROPS") if certain conditions are met. Conditions include (a) the successor agency receiving a Finding of Completion from the California Department of Finance ("DOF") and (b) the successor agency’s oversight board making a finding that the loan was for legitimate redevelopment purposes.
LEGISLATIVE BACKGROUND

The Dissolution Act established a strict definition of “enforceable obligations” that may be paid through a ROPS. Certain loans between cities and former redevelopment agencies (“City/Agency Loans”) are eligible for repayment if a successor agency has received its finding of completion from DOF, and if the oversight board makes a finding that the City/Agency Loans were made for legitimate redevelopment purposes. Pursuant to HSC Section 34191.4(b), City/Agency Loans eligible for repayment include:

A. **Cash Advances.** Loans where a city transferred money to the former redevelopment agency (“RDA”) for a lawful purpose, and the RDA was obligated to repay the city pursuant to a required repayment schedule.

B. **Property Transfer.** Agreements where a city transferred real property to the RDA, and the RDA was obligated to pay the city for the property.

C. **Third-Party Infrastructure Development.** Agreements where a city contracted with a third party to develop infrastructure, and the RDA was obligated to reimburse the city. Repayments on this type of loan are capped at $5 million.

In 1994, the City loaned $42,881 to the former Agency for the Orchard Street Extension Project (“Orchard Project Loan”). The loan was a cash advance from the City to the former Agency for a lawful purpose (option A as described above). The Successor Agency received its Finding of Completion from the DOF on April 26, 2013. The Successor Agency to the El Monte Community Redevelopment Agency (“Successor Agency”) believes that the loan is eligible for repayment pursuant to HSC Section 34191.4(b).

The Orchard Project Loan is already included on the Successor Agency's ROPS as Line Item 26, however the Successor Agency is not permitted to request payment for the line item until the DOF approves an Oversight Board resolution that makes a finding that the Orchard Project Loan was made for legitimate redevelopment purposes. At this time, the Successor Agency requests that the Oversight Board make a finding to confirm that the Orchard Project Loan was made for legitimate redevelopment purposes. If the Oversight Board approves the proposed resolution making this finding, the resolution will be sent to DOF for review and approval.

**ORCHARD STREET EXTENSION PROJECT LOAN**

Agency Resolution No. R-562, approved on September 27th, 1994, approved an agreement between the City and the Agency, whereby the City agreed to advance $42,881 of U.S. Department of Housing and Urban Development (“HUD”) Community Development Block Grant (“CDBG”) funds to the Agency to assist with the design, construction and installation of public street improvements. To open the Medina Court neighborhood to improved public street and energy services access. The advance was
made to fund economic development activities, including, but not limited to, public street right-of-way, relocation payments and public street improvements.

The former Agency was established to improve, rehabilitate, and redevelop blighted areas, pursuant to the Redevelopment Plans for the redevelopment project areas. HSC Sections 33132 and 33601 authorized a redevelopment agency to accept financial assistance from any public or private source for the agency’s activities. The Orchard Project Loan was advanced to assist the Agency with undertaking its redevelopment activities, pursuant to and as authorized under the Community Redevelopment Law, the Redevelopment Plan for the Downtown El Monte Project Area.

**LOAN REPAYMENT**

If the Oversight Board and DOF find that the Orchard Project Loan served a legitimate redevelopment purpose then it may be enrolled for repayment to the City as an enforceable obligation, subject to specific requirements and limitations in accordance with HSC Section 34191.4(b)(3):

1. The accumulated interest on the principal amount of the loan must be recalculated from origination, on a quarterly basis, at a simple interest rate of three percent (3%), and moneys repaid shall be applied first to the principal, and second to the interest;

2. Supplemental Educational Revenue Augmentation Fund ("SERAF") loans and deferred housing set-aside repayments are senior to City/Agency Loans and must be repaid first;

3. Scheduled repayments on the ROPS cannot exceed 50% of the annual incremental growth of residual Redevelopment Property Tax Trust Fund ("RPTTF") revenues, using a Fiscal Year ("FY") 2012-13 base year; and

4. Twenty percent (20%) of City/Agency Loan repayments must be deducted and transferred to the Housing Successor Agency’s Low and Moderate Income Housing Asset Fund for use on affordable housing activities, as required by law. The remaining balance may be deposited in the City’s General Fund.

To date, none of the $42,881 Orchard Project Loan has been repaid to the City. Pursuant to the first point, the accumulated interest on the $42,881 principal amount of the loan as of the February 1, 2018 ROPS 18-19 deadline will be $29,588. Accordingly, the $72,469 sum of the principal and interest is included on ROPS 18-19 for repayment. However, DOF will approve repayment only if the loan is found to be enforceable obligations by the Oversight Board and DOF. It should be noted that any interest rate previously specified is no longer valid, as the Successor Agency must calculate interest as detailed in the first point above.
To elaborate on the third point, the maximum City repayment in any given year is:

\[
\frac{\text{(Prior Fiscal Year Residual RPTTF – FY 2012-13 Residual RPTTF)}}{2}
\]

For example, if residual RPTTF was $1 million in FY 2017-18 and $500,000 in FY 2012-13, the maximum loan repayment in FY 2018-19 would be:

\[
\frac{($1,000,000 - $500,000)}{2} = $250,000
\]

In the Successor Agency’s case, the FY 2012-13 Residual RPTTF was zero. The maximum loan repayment amount in FY 2018-19 is $985,190. The Successor Agency does not have any SERAF loans or deferred housing set-aside that require repayment before the Orchard Project Loan. It is anticipated that the loan will be repaid in FY 2019-20. An estimated repayment schedule is included as an exhibit to the attached resolution, but the annual loan repayment amount in any given year cannot be determined until the completion of the prior fiscal year. Actual payments will depend on the final amount of RPTTF available to fund approved enforceable obligations in each ROPS period.

**FISCAL IMPACT**

Adoption of the proposed resolution is required to repay the City the balance on the Orchard Project Loan, which will be $72,469 as of the February 1, 2018 deadline for the ROPS 18-19.

It should be noted that when the Orchard Project Loan is repaid to the City, the loan repayment proceeds received by the City will deemed to be “CDBG Program income” and must be used and applied by the City in accordance with the Community Development Block Grant Program regulations for the benefit of low and moderate income residents of the City.

**CONCLUSION**

Staff recommends that the Oversight Board consider and adopt a resolution making a finding that the Orchard Project Loan to the former El Monte Community Redevelopment Agency by the City of El Monte was for legitimate redevelopment purposes (Attachment No. 1).
Respectfully submitted,

JESUS M. GOMEZ
Executive Director

ALEXANDER HAMILTON
Assistant Executive Director

Attachment:

1. Resolution

<table>
<thead>
<tr>
<th>DATE: January 25, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESENTED TO THE</td>
</tr>
<tr>
<td>OVERSIGHT BOARD</td>
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<tr>
<td>☐ APPROVED</td>
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<td>☐ DENIED</td>
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<td>☐ PULLED</td>
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CHIEF DEPUTY CITY CLERK
OB RESOLUTION NO. OB-75

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSION AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY MAKING A FINDING THAT THE ORCHARD STREET EXTENSION PROJECT LOAN ENTERED INTO BY AND BETWEEN THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY AND THE CITY OF EL MONTE WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.4(b)(1)

WHEREAS, by virtue of the enactment of Health and Safety Code ("HSC") Section 34173(d), the City of El Monte ("City") is the successor agency to the former El Monte Community Redevelopment Agency ("Successor Agency"); and

WHEREAS, the Oversight Board for the Successor Agency ("Oversight Board") has been established to direct the City as Successor Agency to take certain actions to conclude the business affairs of the dissolved former El Monte Community Redevelopment Agency ("Agency") in accordance with HSC Section 34179, et seq.; and

WHEREAS, prior to the dissolution of redevelopment, the City Council of the City ("City Council") adopted and amended from time to time the Redevelopment Plan ("Redevelopment Plan") for the El Monte Center Project Area ("Project Area"); and

WHEREAS, in keeping with the goals of the Agency to eliminate blight in the Project Area, the City and the Agency worked cooperatively to implement the Redevelopment Plan; and

WHEREAS, the City and the Agency previously entered into transactions whereby the City undertook activities and incurred costs on behalf of the Agency, and whereby the Agency agreed to repay the cost of such activities to the City, or the amount of such funds paid or moneys loaned; and

WHEREAS, Agency Resolution No. R-562 dated September 27th, 1994 approved an agreement between the City and Agency, whereby the City agreed to advance $42,881 of U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") funds to the Agency to assist with the Orchard Project ("Orchard Project Loan"); and

WHEREAS, HSC Section 34191.4(b)(3) specifies that the accumulated interest on the principal amount of loans between the redevelopment agency and the city, county, or city and county that created the redevelopment agency must be recalculated
from origination, on a quarterly basis, at a simple interest rate of three percent (3%), and moneys repaid shall be applied first to the principal, and second to the interest; and

WHEREAS, none of the $42,881 Orchard Project Loan has been repaid to the City, and the accumulated interest on the $42,881 principal amount of the loan as of the February 1, 2018 deadline of Recognized Obligation Payment Schedule ("ROPS") 18-19 will be $29,588, pursuant to HSC Section 34191.4(b)(3); and

WHEREAS, the Successor Agency wishes to repay the Orchard Project Loan through the ROPS process; and

WHEREAS, in accordance with HSC Section 34191.4(b), upon receiving a finding of completion by the California Department of Finance ("DOF"), loan agreements entered into between a redevelopment agency and the city that created it shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loans were for legitimate redevelopment purposes; and

WHEREAS, the Successor Agency received a finding of completion from DOF on April 26, 2013; and

WHEREAS, the Oversight Board desires to make a finding that the Orchard Street Extension Project Loan was for legitimate redevelopment purposes pursuant to HSC Section 34191.4(b).

NOW THEREFORE, BE IT RESOLVED THAT THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL MONTE COMMUNITY REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, PASS, AND APPROVE AS FOLLOWS:

SECTION 1. The recitals set forth above are true and correct and incorporated herein by reference.

SECTION 2. The Oversight Board for the Successor Agency to the former El Monte Community Redevelopment Agency hereby finds that the Orchard Project Loan was for legitimate redevelopment purposes pursuant to HSC Section 34191.4(b). This finding is based on the information and evidence set out in the Oversight Board staff report dated January 16, 2018, the information provided by the City staff to the Oversight Board at the meeting at which the Resolution was adopted, as well as the Exhibit to this Resolution.

SECTION 3. The Oversight Board hereby approves repayment of the Orchard Project Loan by placing it as an enforceable obligation on the ROPS.

SECTION 4. The officers of the Oversight Board and the staff of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution,
including responding to additional requests for review by DOF and any such actions previously taken by such officers, and staff are hereby ratified and confirmed.

SECTION 5. The Oversight Board authorizes Successor Agency staff to abide by the attached estimated repayment schedule for the Orchard Project Loan, and amend it from time to time in recognition that the annual maximum repayment amount cannot be determined until the completion of the prior fiscal year, based on the formula mandated by HSC Section 34191.4(b)(2).

SECTION 6. This Resolution shall take effect upon adoption. The City Clerk shall certify to the adoption of this Resolution.

PASSED AND ADOPTED by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency at its regular meeting on this 25th of January, 2018.

Chair of the Oversight Board
I, Chair of the Oversight Board, do hereby certify that the above and foregoing Resolution No. OB-75 was passed, approved, and adopted by the Oversight Board to the Successor Agency to the former El Monte Community Redevelopment Agency, signed by the Chair and attested by the Chair at a special meeting of said Oversight Board held on this 25th day of January 2018, and that said Resolution was adopted by the following votes to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

Chair of the Oversight Board
EXHIBIT A

ORCHARD STREET EXTENSION PROJECT LOAN
ESTIMATED LOAN REPAYMENT SCHEDULE

Projected Orchard Street Extension Project Loan Repayments (ROPS Line Item #26)
El Monte Successor Agency

<table>
<thead>
<tr>
<th>FY</th>
<th>Total Loan Payment</th>
<th>Amount to General Fund</th>
<th>Amount to Housing Asset Fund</th>
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<tbody>
<tr>
<td>2019-20</td>
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Principal $42,881
Interest $31,518
## ORCHARD STREET EXTENSION PROJECT LOAN
### ESTIMATED LOAN REPAYMENT SCHEDULE

**Projected Orchard Street Extension Project Loan Repayments (ROPS Line Item #26)**

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**Principal** $42,881  
**Interest** $31,518
January 11, 2018

Kelvin Aikens  
Office of Auditor-Controller  
Los Angeles County  
500 West Temple St., Room 525  
Kenneth Hahn Hall of Administration  
Los Angeles, CA 90012

Jeffrey Prang  
Office of the Assessor  
Los Angeles County  
500 West Temple St., Room 225  
Kenneth Hahn Hall of Administration  
Los Angeles, CA 90012

City of El Monte  
Notice of Acquisition of Certain Successor Agency Lands  
And  
Notice of Creation of Possessory Interest In  
Los Angeles County Assessor Parcel Numbers:

8575-023-903  
8575-023-904  
8575-023-905  
8575-023-906  
8575-023-907

Ladies and Gentlemen:

PLEASE TAKE NOTICE that the City of El Monte has acquired certain lands ("Parcel 1 of Parcel Map No. 74460") from the Successor Agency to the former El Monte Community Redevelopment Agency as authorized by El Monte Oversight Board Resolution No. OB-71, dated November 7, 2017.

The City of El Monte (the "City") has paid the Successor Agency to the former El Monte Community Redevelopment Agency (the "Successor Agency") the sum of Eight Hundred Sixteen Thousand Five Hundred and Fifty Two Dollars ($816,552) for the City’s acquisition of Parcel 1 of Parcel Map No. 74460 from the Successor Agency.

Pursuant to El Monte Oversight Board Resolution No. OB-71 and Health and Safety Code Section 34177(e), the sum of $816,552 as remitted by the Successor Agency to the Los Angeles County Auditor-Controller is subject to distribution by the Auditor-Controller in accordance with Health and Safety Code Section 34188 to the taxing entities.

PLEASE TAKE FURTHER NOTICE that the City has entered into an agreement entitled "2018 Norms Restaurant Project Ground Lease and Option to Purchase the Norms Property," dated as of January 8, 2018 (the "2018 Lease With Option to Purchase") by and between Norms Restaurant LLC, a Delaware limited liability company ("Norms") and the City.

The 2018 Lease With Option to Purchase creates a possessory interest, as this term is defined in Revenue and Taxation Code Section 107, for Norms in Parcel 1 of Parcel Map No. 74460. In light of its possessory interest in Parcel 1 of Parcel Map No. 74460, Norms is responsible
for the payment of personal property taxes and ad valorem property taxes assessed to the lessee/tenant of Parcel 1 of Parcel Map No. 74460 as provided in Sections 12.1 and 12.2 of the 2018 Lease With Option to Purchase.

Pursuant to Revenue and Taxation Code Section 480.5, please be advised of the following information:

(1) **The name and address of the owner.**
    City of El Monte  
    11333 Valley Boulevard  
    El Monte, CA 91731  
    Attn: City Manager

(2) **The names and addresses of all other parties to the transaction, including an identification of each party and of his or her possessory interest.**
    Norms Restaurant, LLC, a Delaware Limited Liability Company  
    Attn: Michael Colonna  
    17904 Lakewood Boulevard  
    Bellflower, CA 90706  
    Email: mcolonna@thermg.com

(3) **The type of transaction, whether creation, renewal, sublease, or assignment.**
    Lease of property (Parcel 1 of Parcel Map No. 74460) and option to purchase property

(4) **A description of the property.**
    Parcel 1 of Parcel Map No. 74460 and the “Premises” as this term is defined in the 2018 Lease With Option to Purchase—See also listing the Los Angeles County Assessors Parcel Numbers at the caption of this Notice

(5) **The date of the transaction.**
    January 8, 2018

(6) **The terms of the transaction, including all of the following:**
    (A) **The consideration for the possessory interest, whether paid in money or otherwise.**
        $8,000 per month rent payable to the City of El Monte and other charges authorized under the 2018 Lease With Option to Purchase
    (B) **The term of the possessory interest, including any renewal or extension options.**
        3 years (See Section 2.1 of the 2018 Lease With Option to Purchase)
    (C) **If a sublease, the original term, the remaining term, and the consideration paid for the master lease.**
        N/A
(D) If an assignment, the original term, the remaining term, and the consideration paid for the underlying lease. 
N/A

TRANSMITTAL OF DOCUMENTS RELEVANT TO THIS CITY OF EL MONTE NOTICE TO THE LOS ANGELES COUNTY AUDITOR-CONTROLLER AND THE LOS ANGELES COUNTY TAX ASSESSOR

The following documents accompany this Notice:

1) Copy of City of El Monte Warrant No. 1071105 payable to Los Angeles County Auditor-Controller, dated January 4, 2018 in the amount of $816,552;

2) El Monte Oversight Board Resolution No. OB-71, dated November 7, 2017;

3) Correspondence dated December 22, 2017, from the State Department of Finance regarding El Monte Oversight Board Resolution No. OB-71;

4) Property Tax Bond Estimate Declaration, dated August 15, 2017 prepared for the recordation of Parcel Map No. 74460 [Note: Parcel 1 of Parcel Map NO. 74460 is the “Property” under the 2018 Lease With Option to Purchase];

5) Memorandum of Lease and Option to Purchase, dated January 8, 2018;

6) Copy of the 2018 Lease with Option to Purchase.

If you have any question regarding this matter, please do not hesitate to contact me at (626) 580-2029.

Very truly yours,

Daniel S. Briney  
Accounting Manager  
City of El Monte

Enclosures

cc: Jesus Gomez, City Manager  
Minh Thai, Economic Development Director  
Griselda Contreras, Deputy City Clerk  
Mark Okuma, Esq.  
David F. Gondek, Esq.
PAY Eight Hundred Sixteen Thousand Five Hundred Fifty Two Dollars and No Cents

PAY TO THE ORDER OF LOOK ANGELES COUNTY AUDITOR, CONTROLLER 500 WEST TEMPLE ST, ROOM 525 LOS ANGELES, CA 90012

CHECK NUMBER: 1071105

816,552.00