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DATE: June 18, 2008

TO: Honorable Mayor and City Councilmembers  
Chairman and Members of the Community Development Commission

FROM: Economic and Community Development Department

SUBJECT: **APPROVAL OF A LOAN AGREEMENT RESTRUCTURING THE TERMS AND CONDITIONS OF LOANS BETWEEN THE CITY AND THE CDC PREVIOUSLY APPROVED IN 1986 AND 1989**

### **SYNOPSIS**

Approval of a loan agreement restructuring the terms and conditions of loans between the City and the Community Development Commission previously approved in 1986 and 1989 of approximately \$8,918,796 for the purpose of conducting redevelopment activities in the Downtown Redevelopment Project Area; extending the deferral of initial principal and interest payments from 2015 to 2018; authorizing optional early payments on the loan with the approval of the City Manager/Executive Director; and authorizing the Mayor/Chairman and the City Manager/Executive Director to execute the agreement.

### **BACKGROUND**

The City of Oceanside's General Fund made a total of approximately \$3.5 Million in loans to the Redevelopment Agency in 1986 and 1989 for costs associated with the Railroad Switching Yard relocation and improvements to The Strand Beach Park. The loan terms originally required that interest-only payments begin in 1990. While payments were made from fiscal years 1990 through 1996, they were suspended due to low tax-increment revenue. In June of 2001, the City and the Redevelopment Agency reached an agreement to delay the loan repayment until 2015.

In December 2006 and January 2007, the CDC extended the life of the Redevelopment Plan for three years, to 2018. This was allowed by State Law to compensate for payments made to the Educational Augmentation Relief Fund ("ERAF") in Fiscal Years 2003-04, 2004-05 and 2005-06. This action will conform the General Fund loan structure to the ERAF extension date of 2018.

### **ANALYSIS**

In the new Loan Agreement, the first scheduled payment on the General Fund Loan would change from 2015 to 2018. The City's General Fund would begin collecting annual principal and interest payments of \$2,870,000 from the Redevelopment Agency beginning on December 1, 2018. The interest rate on the loan would remain at the previously

negotiated amount of 8 percent until 2018. On December 1, 2019, the interest rate on the loan would adjust to 10 percent, the same rate as agreed to in 2001, and the principal and interest payment of \$3,115,000 would commence. The final loan payment of \$3,079,370 would be made on December 1, 2027. The Loan Agreement is attached for further reference.

An option has been added to the Loan Agreement that allows the Agency to make optional unspecified annual payment amounts on the loan prior to 2018 with the approval of the City Manager/Executive Director of the Redevelopment Agency. The amount of the payment would be subtracted from the accrued loan balance and the loan adjusted to reflect the new payment amount.

**FISCAL IMPACT**

The General Fund would receive revenues of \$2.9 million in FY2018-19 and \$3.1 million from FY2019-20 until repayment is complete in 2027.

**COMMISSION/COMMITTEE REPORT**

The Redevelopment Advisory Committee reviewed this item at the May 14, 2008, meeting, and they recommended approval of the loan agreement by a 9-0 vote.

**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

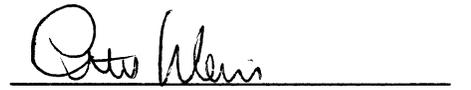
**RECOMMENDATION**

Approval of a loan agreement restructuring the terms and conditions of loans between the City and the Community Development Commission previously approved in 1986 and 1989 of approximately \$8,918,796 for the purpose of conducting redevelopment activities in the Downtown Redevelopment Project Area; extending the deferral of initial principal and interest payments from 2015 to 2018; authorizing optional early payments on the loan with the approval of the City Manager/Executive Director; and authorizing the Mayor/Chairman and the City Manager/Executive Director to execute the agreement.

PREPARED BY:

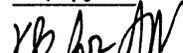
SUBMITTED BY:

  
Tracey Bohlen  
Development Project Coordinator

  
Peter Weiss  
City Manager/Executive Director

REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager  
Jane McVey, Economic & Community Development Director  
Rosemary R. Jones, City Treasurer  
Kathy Baker, Redevelopment Manager  
Michele Lund, Treasury Manager  
Teri Ferro, Financial Services Director


**ATTACHMENTS:**

1. General Fund Loan Agreement

1 **LOAN AGREEMENT**

2  
3 THIS LOAN AGREEMENT, dated \_\_\_\_\_ amends and supersedes all  
4 other Loan Agreements by and between the Community Development Commission of the City  
5 of Oceanside (the "Commission") and the City of Oceanside (the "City");

6 **WITNESSETH:**

7 WHEREAS, the commission is a duly constituted redevelopment agency under the laws of  
8 the State of California and pursuant to such laws is duly proceeding with the redevelopment of the  
9 Downtown Redevelopment Project within the City;

10 WHEREAS, the Redevelopment Plan for said project provides for tax increment financing in  
11 accordance with the provisions of Chapter 6 of Part 1 of Division 24 of the Health and Safety Code  
12 of the State of California and Section 16 of Article XVI of the Constitution of the State of California;  
13 and

14 WHEREAS, the Commission is authorized to borrow money and accept financial assistance  
15 under Chapter 6 of Part 1 of Division 24 of the California Health and Safety Code and to expend  
16 such funds for any lawful purposes of the Commission;

17 WHEREAS, on June 25, 1986, the City made a loan to the Commission in the amount of  
18 Two million dollars (\$2,000,000) for the purpose of conducting redevelopment activities in the  
19 Downtown Redevelopment Project Area;

20 WHEREAS, on March 21, 1989, the City made a loan to the Commission in the amount of  
21 One million, four hundred seven thousand, nine hundred ninety-five dollars and twenty-three cents  
22 (\$1,407,995.23) for the purpose of conducting redevelopment activities in the Downtown  
23 Redevelopment Project Area, more specifically for the implementation of the Strand Beach Park;

24 WHEREAS, said loan amount has subsequently increased by Thirty-five thousand, sixteen  
25 dollars and seventeen cents (\$35,016.17) to the aggregate amount of One Million, four hundred  
26 forty-three thousand, one dollars and four cents (\$1,443,001.04);

27 WHEREAS, the aggregate amount of said loans with accrued interest is now Eight million,  
28 nine hundred eighteen thousand, two hundred ninety-six dollars and seventy-six cents

1 (\$8,918,296.76);

2 WHEREAS, the Commission and the City wish at this time formally to augment,  
3 memorialize and restate said loan agreements and specify the terms and conditions for the repayment  
4 thereof by the Commission, all as more fully set forth in this Agreement; and

5 NOW, THEREFORE, in consideration of the mutual covenants herein contained it is agreed  
6 by and between the parties hereto as follows:

7 SECTION 1. Definitions. Unless the context otherwise requires, the terms defined in this  
8 Section shall, for all purposes of this Agreement, have the meanings herein specified.

9 "Available Tax Revenues" means, for any Fiscal Year, the amount of all income and  
10 revenues, including but not limited to Tax Revenues, available for repayment of the Loan and  
11 remaining, or estimated by the Commission to be remaining, after payment of all other  
12 obligations of the Commission in such Fiscal Year which are payable from such income and  
13 revenues.

14 "City" means the City of Oceanside, a municipal corporation organized and existing under  
15 and by virtue of the laws of the State of California.

16 "Commission" means the Community Development Commission of the City of Oceanside,  
17 a redevelopment agency and public body corporate and politic duly organized and existing under  
18 and by virtue of the laws of the State of California.

19 "Fiscal Year" means any twelve-month period extending from July 1 in one calendar year  
20 to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period  
21 hereafter selected and designated by the Commission as its official fiscal year period.

22 "Law" means the Community Development Law of the State of California constituting  
23 Part 1 of Division 24 of the Health and Safety Code of the State of California and the acts  
24 amendatory thereof and in supplement thereto. Whenever reference is made in this Agreement to  
25 the Law, reference is made to the Law as in force on the date of the execution of this Agreement,  
26 unless the context otherwise requires.

27 "Loan" means the loans made by the City to the Commission in the aggregate principal  
28 amount of Eight million, nine hundred eighteen thousand, two hundred ninety-six dollars and

1 seventy-six cents (\$8,918,296.76) as originally authorized by the City Council on June 25, 1986  
2 under Resolution No. 86-026C and November 16, 1988 under Resolution No. 88-265.

3 “Project Area” means the Downtown Redevelopment Project Area of the Commission,  
4 which project area and the boundaries thereof are described more fully in the redevelopment plan  
5 therefore approved by Ordinance No. 75-35 adopted by the City Council of the City on  
6 November 19, 1975, as amended from time to time in accordance with the Law.

7 “Tax Allocation Bonds” means all bonds heretofore issued by the Commission pursuant to,  
8 and outstanding under, Resolution No. 86 C-32 adopted by the Commission on June 11, 1986 and  
9 Resolution 87 C-24 adopted by the Commission on March 11, 1987; and any other obligations  
10 payable from Tax Revenues and issued or incurred by the Commission pursuant to the Law.

11 “Tax Revenues” means, with respect to the Project Area; all taxes allocated to, and paid  
12 into a special fund of, the Commission with respect to such project area pursuant to Article 6 of  
13 Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California,  
14 and as provided in the Community Development plan for the Project Area, including all payments  
15 and reimbursements, if any, to the Commission specifically attributable to ad valorem taxes lost  
16 by reason of tax exemptions and tax rate limitations.

17 SECTION 2. Authorization. Each of the parties hereby represents and warrants that it has  
18 full legal authority and is duly empowered to enter into this Agreement, and has taken all actions  
19 necessary to authorize the execution of this Agreement by the officers and persons signing it.

20 SECTION 3. Loan. The City and the Commission hereby represent and warrant that the  
21 Loan was made by the City to the Commission in the aggregate principal amount of Eight million,  
22 nine hundred eighteen thousand, two hundred ninety-six dollars and seventy-six cents  
23 (\$8,918,296.76), for the purpose of conducting redevelopment activities in the Downtown  
24 Redevelopment Project Area.

25 SECTION 4. Repayment Obligations. Both principal and interest payments on behalf of  
26 the Commission shall be deferred until 2018, annual principal and interest payments would be  
27 due on December 1, 2018, and each year thereafter through December 1, 2027. The initial  
28 interest rate would be 8%, increasing to 10% on December 1, 2019, throughout the remainder of

1 the term. The City Manager/Executive Director shall have the authority to promulgate a Loan  
2 Amortization Table consistent with the terms of this Resolution.

3 There shall be an option to make unspecified annual payments on the loan with the  
4 approval of the City Manager / Executive Director of the Redevelopment Agency. The optional  
5 unspecified payment amounts shall be subtracted from the accrued loan balance and the loan  
6 amortization table shall be adjusted to reflect the new loan payment amounts to begin on  
7 December 1, 2018.

8 SECTION 5. General Obligation; Pledge of Tax Revenues. The obligation of the  
9 Commission to make the payments required under Section 4 shall be a general obligation of the  
10 Commission payable from any lawfully available funds of the Commission. The Commission  
11 hereby pledges the Tax Revenues to the extent required to pay such obligations of the  
12 Commission under Section 4, subject and subordinate in all respects to the pledge of the Tax  
13 Revenues to the payment of the Tax Allocation Bonds.

14 SECTION 6. Applicable Law. This Agreement shall be governed by and construed in  
15 accordance with the laws of the State of California.

16 SECTION 7. Captions. The captions or headings in this Agreement are for convenience  
17 only and in no way define, limit or describe the scope or intent of any provisions of Sections of  
18 this Agreement.

19 IN WITNESS WHEREOF, the Commission and the City have caused this Agreement to be  
20 executed by their duly authorized respective officers and sealed with their respective corporate  
21 seals, all as of the date first above written.

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1 PASSED AND ADOPTED by the Community Development Commission of the City of Oceanside  
2 and the City of Oceanside, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by  
3 the following vote:

4 AYES:

5 NAYS:

6 ABSENT:

7 ABSTAIN:

8 **CITY OF OCEANSIDE**

9 By: \_\_\_\_\_  
10 **MAYOR**

By: \_\_\_\_\_  
**CITY MANAGER**

11 (SEAL)  
12 ATTEST:

APPROVED AS TO FORM:

13  
14 By: \_\_\_\_\_  
15 **CITY CLERK**

By: \_\_\_\_\_  
**CITY ATTORNEY**

16  
17 **COMMUNITY DEVELOPMENT COMMISSION**  
18 **OF THE CITY OF OCEANSIDE**

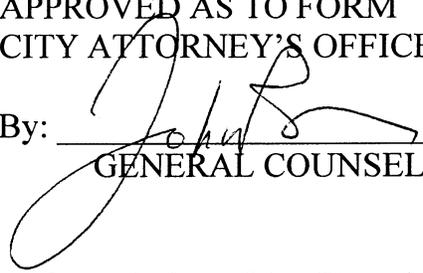
19 By: \_\_\_\_\_  
20 **CHAIRMAN**

By: \_\_\_\_\_  
**EXECUTIVE DIRECTOR**

21 (SEAL)  
22 ATTEST:

APPROVED AS TO FORM  
CITY ATTORNEY'S OFFICE:

23  
24 By: \_\_\_\_\_  
25 **SECRETARY**

By:   
26 **GENERAL COUNSEL**

27 "Loan Agreement by and between the Community Development Commission of the City of  
28 Oceanside (the "Commission") and the City of Oceanside (the "City")"