

Honorable Chair and Members
of the City of Torrance Oversight Board
City Hall
Torrance, California

SUBJECT: Approval of a Loan Repayment Schedule in the amount of \$1,873,725

RECOMMENDATION

Recommendation that the Oversight Board adopt a **RESOLUTION** approving a Repayment Schedule for loans made by the Low and Moderate Income Housing Fund to the former Redevelopment Agency of the City of Torrance in the amount of \$1,873,725.

BACKGROUND AND ANALYSIS

In July 2009, the State Legislature passed AB26-4X which was a bill authorizing the redirection of local redevelopment agencies funds to pay (for a two-year period) for the Supplemental Educational Revenue Augmentation Fund (SERAF). The Torrance RDA SERAF amount owed to the State for FY2009-10 was \$2,123,409 and for FY2010-11 was \$437,172. The City of Torrance RDA borrowed the funds from the Low and Moderate Income Housing Fund - see Attachment A for the agenda item and letter from the California Department of Finance (DOF) - to make its SERAF payments to the State. The current balance of the outstanding loan, which is recorded on the 2015-16A Recognized Obligation Payment Schedule (ROPS) as items 18 and 19, totals \$1,873,725.

In June 2011, the California State Supreme Court ruled that ABX1-26 was legal and the law was passed. ABX1-26 is a law that put in place the dissolution of redevelopment agencies. The passing of ABX1-26 made loans between the City and the RDA and loans between the RDA and LMIHF unenforceable.

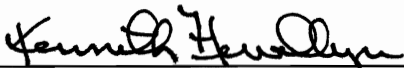
In June 2012, the legislature passed AB1484. AB1484 was an RDA clean-up bill that corrected some of the concerns identified in ABX1-26. In addition to many other changes, AB1484 allowed Successor Agencies to place on their ROPS, loans made between the City and the former RDA and Loans made from the LMIHF to the former RDA if the Successor Agency met all of the conditions of the law. In order to place the loans on the ROPS a Successor Agency must receive a Finding of Completion (FOC) letter from the California Department of Finance. On March 21, 2013, the Torrance Successor Agency received its Finding of Completion letter from the DOF (Attachment B). Upon receiving the FOC, AB1484 requires that the Successor Agency and Oversight Board approve a payment schedule for all loans placed on the ROPS after receiving the FOC.

Attached is a copy of the payment schedule that uses the payback formula that is outlined in AB1484.

Staff recommends that the Oversight Board adopt a **RESOLUTION** approving the SERAF Repayment Schedule (Attachment C). The approved repayment schedule will then be posted on the Successor Agency's website and submitted to the County Auditor-Controller, State Controller, and State Department of Finance.

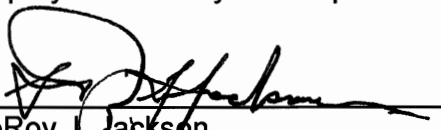
Respectfully submitted,

Eric E. Tsao
Finance Director

By 
Kenneth A. Flewellyn
Assistant Finance Director

CONCUR:


Linda Cessna
Deputy Community Development Director


LeRoy J. Jackson
City Manager

Attachments

- A) City of Torrance Agenda item on SERAF and letter from DOF on SERAF
- B) FOC letter from the California Department of Finance dated March 21, 2013
- C) Resolution to approve SERAF payment schedule

Redevelopment Agency Meeting of
February 23, 2010

Agency Agenda Item 4A

Honorable Chairman and Members
of the Redevelopment Agency
City Hall
Torrance, California

Members of the Agency:

SUBJECT: Redevelopment Agency - Approve obligation of funds for payment to the Supplemental Educational Revenue Augmentation Fund (SERAF)

RECOMMENDATION

Recommendation of the Deputy Executive Director that the Redevelopment Agency approve the obligation of funds to the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$2,123,409 from the FY09-10 Low-Mod Housing Set-Aside Fund.

BACKGROUND AND ANALYSIS

On September 30, 2008, the State of California passed AB 1389, a bill authorizing the raid of \$350 million of redevelopment funds for state budgetary purposes. In April 2009, the California Redevelopment Association won its lawsuit in Sacramento County Superior Court invalidating the constitutionality of this raid. Article XVI, Section 16 of the California Constitution states that redevelopment tax increment funds can only be used for specified redevelopment activities, specifically "to finance or refinance ... the redevelopment project." Taking redevelopment funds to balance the State's budget was found to be unconstitutional, and AB1389 was overturned as a result of this lawsuit.

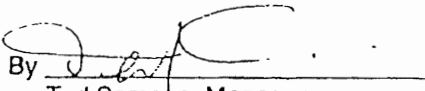
In July of 2009, three months after AB1389 was overturned, the State passed AB26 4X, a bill authorizing the raid of \$2.05 billion of local redevelopment funds over the next two years to the Supplemental Educational Revenue Augmentation Fund (SERAF). The intent of AB26 4X is to redirect local redevelopment funds to school districts, thereby decreasing the State's financial obligations to local schools. On October 30th, 2009, the California Redevelopment Association filed its second lawsuit challenge against the State of California arguing the same constitutional protections on local redevelopment funds still apply for AB26 4X.


Although the outcome of this lawsuit is still pending, the Agency is still required to notify the county auditor as to how it intends to fund the SERAF payment, no later than March 1, 2010, (Health & Safety Code § 33600(d)). Payment is not due until May 10, 2010, whereby the Agency must make its required payment in the amount of \$2,123,409. Per the State of California Department of Finance letter dated November 13, 2009, the Redevelopment Agency may borrow from monies contained in the Low-Moderate Income Housing fund and amounts otherwise required to be remitted in 2009-10 to its Low-Moderate Income Housing Fund. All borrowed funds must be fully repaid by June 30, 2015.


Redevelopment Agency staff recommends that the Agency approve the obligation of funds to the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$2,123,409 from the FY09-10 Low-Mod Housing Set-Aside Funds.

Respectfully submitted,

Jeffery W. Gibson
Deputy Executive Director

By 
Ted Semaan, Manager
Redevelopment & General Plan Division

CONCUR: 
Jeffery W. Gibson
Deputy Executive Director


Eric E. Tsao
Chief Accountant of the Agency


LeRoy J. Jackson
Executive Director





ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1149 ■ SACRAMENTO, CA ■ 95833 ■ (916) 227-2000 ■ WWW.DOF.CA.GOV

November 13, 2009

TO ALL COUNTY AUDITORS, REDEVELOPMENT AGENCIES, AND THEIR LEGISLATIVE BODIES

Chapter 21, Statutes of 2009, requires redevelopment agencies to shift \$1.7 billion in property tax revenues to K-12 schools during the 2009-10 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF) that the Chapter created in each county. The Director of Finance is required to determine the amount each redevelopment agency shall transfer to the SERAF, and is further required to notify each redevelopment agency and legislative body of those amounts.

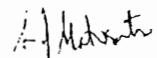
In accordance with the above requirements, the attached document provides the amount determined for your redevelopment agency.

Each redevelopment agency must allocate the specified amount to the county auditor-controller for deposit into the SERAF on or before May 10, 2010. By March 1, 2010, the legislative body shall either report to the county auditor-controller how the redevelopment agency intends to fund its SERAF obligation, or report that the legislative body intends to fund the SERAF obligation on behalf of the redevelopment agency pursuant to Section 33692 of the Health and Safety Code (HSC).

If a redevelopment agency determines that it will not be able to allocate to the SERAF the full amount required, it may enter into an agreement with its legislative body by February 15, 2010, for the legislative body to fund either the full SERAF obligation, or a portion thereof. Alternatively, pursuant to HSC Section 33690 (c), a redevelopment agency that makes a finding that insufficient monies are available to fund its SERAF obligation may borrow from monies contained in its Low and Moderate Income Housing Fund. Redevelopment agencies also may borrow from the amount otherwise required to be remitted in 2009-10 to its Low and Moderate Income Housing Fund. All borrowed funds must be fully repaid by June 30, 2015.

If you have any questions regarding this matter, please contact Chris Hill, Principal Program Budget Analyst, at (916) 322-2263.

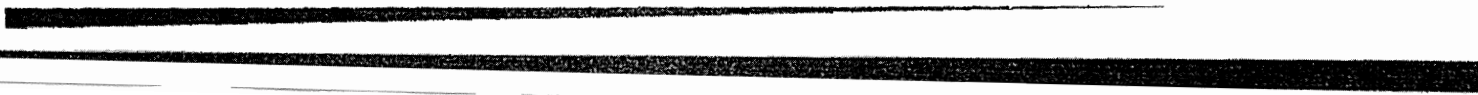
MICHAEL C. GENEST
Director
By:


ANA MATOSANTOS
Chief Deputy Director

NOV 17 2009

Attachment

Redevelopment Agency Name		2009-10 Redevelopment Agency SERAF Shift Health and Safety Code Section 33690			
Redevelopment Agency of the City of Torrance	4,362,566	6,338,092	850,000,000 on Net Tax Increment Based on Net Factor (0.2261168310) 986,447	850,000,000 on Net Tax Increment Based on Gross Factor (0.1793855082) 1,136,982	Total SERAF 2,123,409





DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
SUTHERLAND BUILDING ROOM 1140 SACRAMENTO CA 95834-4098 WWW.DOF.CA.GOV

November 12, 2010

TO ALL COUNTY AUDITORS, REDEVELOPMENT AGENCIES, AND THEIR LEGISLATIVE BODIES.

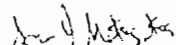
Chapter 21, Statutes of 2009, requires redevelopment agencies to shift \$350 million in property tax revenues to K-12 schools during the 2010-11 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF) that the Chapter created in each county. The Director of Finance is required to determine the amount each redevelopment agency shall transfer to the SERAF, and is further required to notify each redevelopment agency and legislative body of those amounts.

In accordance with the above requirements, the attached document provides the amount determined for your redevelopment agency.

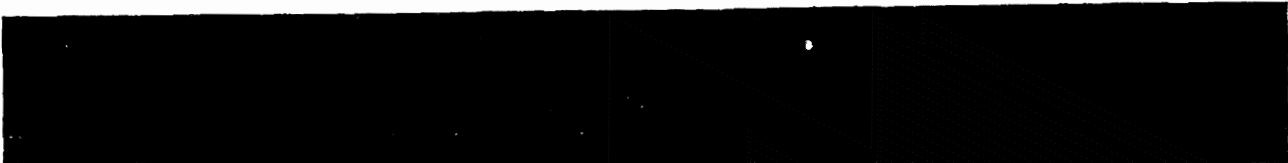
Each redevelopment agency must allocate the specified amount to the county auditor-controller for deposit into the SERAF on or before May 10, 2011. By March 1, 2011, the legislative body shall either report to the county auditor-controller how the redevelopment agency intends to fund its SERAF obligation, or report that the legislative body intends to fund the SERAF obligation on behalf of the redevelopment agency pursuant to Section 33692 of the Health and Safety Code (HSC).

If a redevelopment agency determines that it will not be able to allocate to the SERAF the full amount required, it may enter into an agreement with its legislative body by February 15, 2011, for the legislative body to fund either the full SERAF obligation, or a portion thereof. Alternatively, pursuant to HSC Section 33690 (c), a redevelopment agency that makes a finding that insufficient monies are available to fund its SERAF obligation may borrow from monies contained in its Low and Moderate Income Housing Fund. Redevelopment agencies also may borrow from the amount otherwise required to be remitted in 2010-11 to its Low and Moderate Income Housing Fund. All borrowed funds must be fully repaid by June 30, 2016.

If you have any questions regarding this matter, please contact Chris Hill, Principal Program Budget Analyst, at (916) 322-2263.


ANA MATOSANTOS
Director

Attachment



2010-11 Redevelopment Agency SERAF Shift
Health and Safety Code Section 33690.5

Redevelopment Agency Name	2006-07 Tax Increment Net of Pass-Throughs	2006-07 Gross Tax Increment	175,000,000 on Net Tax Increment Based on Net Factor	175,000,000 on Net Tax Increment Based on Gross Factor	Total SERAF
Redevelopment Agency of the City of Torrance	4,362,556	6,338,092	(0.0465534652) 203,092	(0.0369323105) 234,080	437,172



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

March 21, 2013

Mr. Kenneth Flewellyn, Assistant Finance Director
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503

Dear Mr. Flewellyn:

Subject: Request for a Finding of Completion

The California Department of Finance (Finance) received the City of Torrance's request for a Finding of Completion.

Finance has completed its review of your request, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance concurs that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by the criteria in HSC section 34191.4 (a) (2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Wendy Wu, Accountant, City of Torrance
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office

RESOLUTION NO. OB2015-____**A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF TORRANCE AS SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF TORRANCE ESTABLISHING A REPAYMENT SCHEDULE FOR LOANS IN THE AMOUNT OF \$1,873,725 MADE BY THE LOW AND MODERATE INCOME HOUSING FUND TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF TORRANCE**

WHEREAS, Redevelopment Dissolution Bill ABX1-26 and AB1484 require each Oversight Board to approve a Repayment Schedule upon receiving a Finding of Completion Letter from the California Department of Finance and

WHEREAS, the Repayment Schedule is a formal description of legitimate obligations of the former Redevelopment Agency.

NOW, THEREFORE, the Oversight Board to the City of Torrance as Successor Agency to the former Redevelopment Agency of the City of Torrance does hereby resolve as follows:

SECTION 1

The Oversight Board approved the attached Repayment Schedule listed as Exhibit A at its meeting on February 25, 2015.

SECTION 2

The Oversight Board Secretary shall certify to the adoption of this Resolution.

SECTION 3

The Oversight Board directs that the repayment schedule be forwarded to the California Department of Finance.

INTRODUCED, APPROVED, AND ADOPTED this 25th day of February, 2015.

ATTEST:

Steve Maguin, Chairperson,
Oversight Board of the Successor Agency
to the former Redevelopment Agency of
the City of Torrance

Secretary to the Oversight Board

**CITY OF TORRANCE
SERAF LOAN REPAYMENT SCHEDULE**

		Loan	Payment
		Balance	Source
Total SERAF loan balance		\$ 1,873,725	\$ 1,873,725
payment for ROPS 15-16A - pay on 6/1/15		(269,426)	RPTTF
payment for ROPS 15-16B - pay on 1/1/16		(376,406)	RPTTF
payment for ROPS 16-17A - pay on 6/1/16		(323,333)	RPTTF
payment for ROPS 16-17B - pay on 1/2/17		(505,787)	RPTTF
payment for ROPS 17-18A - pay on 6/1/17		(346,935)	RPTTF
payment for ROPS 17-18B - pay on 1/1/18		(51,838)	RPTTF
Total SERAF loan balance		<u>\$ -</u>	<u>\$ -</u>

