

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: Community Development – Accept a Loan from the Housing Successor Agency Low and moderate income housing to the Successor Agency to the former Redevelopment Agency of the City of Torrance.

RECOMMENDATION

Recommendation of the Community Development Director that City Council, acting as the Successor Agency to the former Redevelopment Agency of the City of Torrance, accept a loan from the Housing Successor Agency low and moderate income housing fund in an amount of \$3,192,500 to pay for bonded indebtedness and the senior housing subsidy program.

Funding: The funding is available from the Low and moderate income housing fund.

BACKGROUND AND ANALYSIS

The redevelopment dissolution bill ABX1-26 and AB 1484 requires Successor Agencies to pay bonded indebtedness and obligations. There was a debt service payment made on July 1, 2012 for \$176,071. In addition on September 1, 2012 and March 1, 2013 debt service payments are due of \$2,285,378 and \$747,764, respectively. The July payment was made which resulted in the Successor Agency cash account being overdrawn and having a deficit cash balance of \$116,000. Total bonded debt service payments including bond administration cost for fiscal year 2012-13 is \$3,150,000. The Senior Housing Subsidy Program of \$42,500 annually also requires funding and is needed to offset projected negative cash balance at November 30, 2012. The contractual requirement for the Senior Housing Subsidy program was established through the Disposition and Development Agreement (DDA) contract number C-85-RA-143 and was implemented in City Council resolution #RA86-7. The DDA ties the term of the program to the term of the ground lease for the properties, a period of 55 years, beginning January 1 1986 and continuing until January 1, 2041. The program subsidizes rents up to the amount of \$205 per qualifying tenant in the Coleman Court and Ocean Terrace Senior Housing buildings. The aggregate total of the obligations required for the loan is \$3,192,500.

The dissolution bill ABX1-26 has caused financial issues as cities move forward in a post redevelopment environment. Specifically, the dissolution bill has caused issues based on how funds have been sent to the Successor Agency, these issues were resolved until the Los Angeles County Assessor's office reassessed several properties in Torrance reducing their valuation by millions of dollars and therefore lowering their property tax. The reassessment has resulted in a significant reduction to the tax increment normally received by the City. Because of this, the Successor Agency to the former Redevelopment Agency of the City of Torrance did not receive enough funding from the Los Angeles County Auditors/State of California to pay for the bond debt service and the senior housing subsidy

payments. The bonds are for the Series B & C Industrial bonds and the Downtown/Skypark Project bonds were issued to fund non-housing projects. The debt service payments in the amount of \$3,150,000 will go unpaid without the loan from these unencumbered low and moderate income housing funds. Currently there is a remaining balance of \$7,047,175.48 in the low and moderate income housing fund.

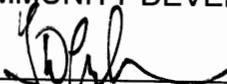
There is legislation that allows Cities to borrow funds from the Los Angeles County Auditor Controller in instances of insufficient funds available to pay for bond payments or other obligations. Staff met with the Los Angeles County Auditor Controller to ask for a loan and that request was denied.

At this time, utilization of the low and moderate income housing is necessary to fulfill these payment obligations. The Loan Agreement requires an interest rate of 0.363% (simple interest). The Successor Agency to the former Redevelopment Agency of the City of Torrance will repay the Housing Successor Agency, from future tax increment from the Redevelopment Property Tax Trust Fund (RPTTF), on January 4, 2013 in the amount of \$2,000,000 and on June 3, 2013 in the amount of \$1,198,800 inclusive of \$6,300 in accrued interest.

Staff is recommending that City Council, acting as the Successor Agency to the former Redevelopment Agency of the City of Torrance, accept the attached loan agreement and the loan of \$3,192,500 from the low and moderate income housing fund from the Housing Successor Agency to the Successor Agency to the former Redevelopment Agency of the City of Torrance to pay bonded debts and the senior housing subsidy.

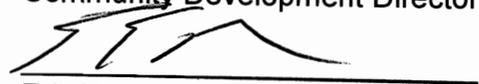
Respectfully submitted,

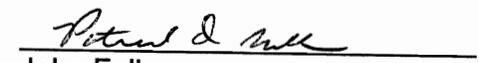
JEFFERY W. GIBSON
COMMUNITY DEVELOPMENT DIRECTOR

By 
Gregg Lodan, AICP
Planning Manager

CONCUR:


Jeffery W. Gibson
Community Development Director


Eric Tsao
Finance Director


John Fellows
City Attorney


LeRoy J. Jackson
City Manager

Attachment: A) Loan Agreement

LOAN AGREEMENT

This Grant/Loan Agreement is made and entered into this 14th day of August, 2012 by and between the Housing Successor Agency (“HSA”) and the Successor Agency to the former Redevelopment Agency of the City of Torrance (“SA”).

RECITALS:

WHEREAS, the SA has to make a payment on annual bond debt service of \$176,071.00 on July 1, 2012; and

WHEREAS, the SA has to make a payment on annual bond debt service of \$2,278,379.00 on September 1, 2012; and

WHEREAS, the SA has to make a payment on annual bond debt service of \$747,765.00 on March 1, 2013; and

WHEREAS, the SA has to make an annual bond administration cost of \$7,000.00; and

WHEREAS, the SA has to make an annual payment on the Senior Housing Subsidy Program of \$42,500.00;

WHEREAS, the SA does not have sufficient funds to make these payments due to the fact that dissolution bill ABX1-26 has caused financial issues as cities move forward in a post redevelopment environment. Specifically, the dissolution bill has caused issues based on how funds have been sent to the Successor Agency, these issues were resolved until the Los Angeles County Assessor’s office reassessed several properties in Torrance reducing their valuation by millions of dollars and therefore lowering their property tax. The reassessment has resulted in a significant reduction to the tax increment normally received by the City. Because of this, the Successor Agency to the former Redevelopment Agency of the City of Torrance did not receive enough funding from the Los Angeles County Auditors/State of California to pay for the bond debt service and the senior housing subsidy payments; and

WHEREAS, the SA currently has a negative cash balance of \$116,000.00; and

WHEREAS, the HSA has available funds in the Low and Moderate Income Housing Fund.

NOW, THEREFORE, the parties hereto agree as follows:

AGREEMENT:

1. **Performance By HSA**

HSA will provide SA with a loan of \$3,192,500.00.

2. **Performance By SA**

A) SA will repay HSA as follows:

1) Repayment of \$2,000,000.00 on January 4, 2013.

2) Repayment of \$1,192,500.00 on June 3, 2013 with accrued interest of \$6,300.00 calculated at the California State Local Agency Investment Fund Rate as the August 10, 2012 rate of 0.363% (simple interest)

B) The SA agrees that it will not assign any of the rights or entitlements of this Agreement to any other person, firm or corporation without the express written consent of the HSA.

3. **Amendment or Modification**

This Agreement may not be amended or modified in any way except by written instrument, agreed to by the parties, and executed by the parties hereto.

4. **Conflict of Interest**

- a. No officer or employee of the City may have any financial interest, direct or indirect, in this Agreement, nor may any officer or employee participate in any decision relating to the Agreement that effects the officer or employee's financial interest or the financial interest of any corporation, partnership or association in which the officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.
- b. No person may offer, give, or agree to give any officer or employee or former officer or employee, nor may any officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

5. **Governing Law; Jurisdiction**

This Agreement will be administered and interpreted under the laws of the State of California. Jurisdiction of any litigation arising from the Agreement will be in Los Angeles County, California.

6. **Notice**

In the event either party wishes to give notice to the other, notice will be made by first class United States mail, postage prepaid, or by personal service to the other party at the address listed

below, except that either party may change its address by giving notice to the other party of the new address:

HSA: Housing Successor Agency
c/o Clerk of the Agency
3031 Torrance Blvd.
Torrance, CA 90503

SA: Successor Agency to the former Redevelopment
Agency of the City of Torrance
c/o Clerk of the Agency
3031 Torrance Blvd.
Torrance, CA 90503

This Agreement is executed by the parties hereto as of the date first written above.

Housing Successor Agency

Successor Agency to the former Redevelopment
Agency of the City of Torrance

Frank Scotto, Chair

Frank Scotto, Chair

ATTEST:

ATTEST:

Sue Herbers
Clerk of the Agency

Sue Herbers
Clerk of the Agency

APPROVED AS TO FORM:

APPROVED AS TO FORM:

JOHN L. FELLOWS III
Agency Counsel

JOHN L. FELLOWS III
Agency Counsel

By: _____
Patrick Q. Sullivan
Assistant Agency Counsel

By: _____
Patrick Q. Sullivan
Assistant Agency Counsel