



Item Number: 19

City Council / Successor Agency Board

Written Communications

Meeting of: August 16, 2022

Submitted By:

Sophie Smith, Deputy City Manager

Subject:

Two Loan Agreements between the Successor Agency to the Victorville Redevelopment Agency ("Successor Agency") and the Victorville Housing Successor Agency ("Housing Successor") to repay amounts borrowed by the Victor Valley Economic Development Authority

Recommendation:

That the Successor Agency Board adopt Resolution No. R-SA-22-006, finding that the original loans were for legitimate redevelopment purposes and approving both Loan Agreements.

Fiscal Impact:

Under the Loan Agreements, the Successor Agency would repay \$8,750,000 in principal, plus interest, to the Housing Successor. Payments would come from the Successor Agency's Redevelopment Property Tax Trust Fund and would be subject to approval on a future Recognized Obligation Payment Schedule ("ROPS"). The Housing Successor would be able to spend payments received on affordable housing, subject to the requirements of HSC Sections 34170 et seq., (Redevelopment Dissolution Law).

Background:

Prior to the dissolution of redevelopment agencies, the Victor Valley Economic Development Authority ("VVEDA") entered into two loans. As part of the "SERAF Loan," dated May 4, 2010, VVEDA borrowed \$5,000,000 from its Low- and Moderate-Income Housing Fund ("Housing Fund") to partially fund the \$7,177,655 payment representing the City of Victorville's portion of the VVEDA Project Area 2009-10 Supplemental Educational Revenue Augmentation Funds ("SERAF") payment. This payment was

required by State Assembly Bill X4 26, and borrowing from the Housing Fund to make the payment was permitted by State Senate Bill 68.

As part of the "Property Acquisition Loan," dated October 3, 2006, VVEDA borrowed \$3,750,000 to acquire a property for redevelopment, in accordance with the Redevelopment Plan. The property is known as the Clauson Property and is located near the northwest corner of Amargosa Road and Eucalyptus Street. The Assessor's Parcel Number is 3072-251-29. The property was purchased for use in the planned Eucalyptus freeway interchange and remains vacant. The funds were also borrowed from the Housing Fund. The original promissory note was amended by a promissory note dated March 16, 2010 that extended the loan term.

Both the SERAF Loan and the Property Acquisition Loan (collectively the "Housing Loans") were included on the Victorville Housing Successor Agency's Housing Assets Transfer form, reviewed and approved by the California Department of Finance ("DOF").

Discussion:

HSC Section 34171 (d)(1)(G) indicates that "amounts borrowed from, or payments owing to, the Low- and Moderate-Income Housing Fund of a redevelopment agency" can be considered an enforceable obligation, "provided, however, that the repayment schedule is approved by the oversight board." This applies to the SERAF and Property Acquisition loans as both loans were advances from the Housing Fund.

On January 10, 2022, VVEDA requested and received approval from the San Bernardino Countywide Oversight Board ("CWOB") to re-establish and to repay the Housing Loans. However, DOF issued a determination letter dated March 11, 2022, stating that the Housing Loans are not enforceable obligations of the VVEDA Successor Agency, but "may be enforceable obligations for the Victorville Successor Agency." Based on DOF's suggestion and the fact that the amounts borrowed were from the Victorville portion of VVEDA funds, the Victorville Successor Agency seeks approval to repay the Housing Loans itself.

Per Dissolution Law, the Successor Agency's actions are subject to the review and approval of the CWOB, whose actions are subject to the review and approval of DOF.

HSC Section 34171 (d)(1)(G) also specifies that housing loan repayment proceeds "shall be used in a manner consistent with the affordable housing requirements" that applied to affordable housing funding under Community Redevelopment Law. HSC Section 34191.4 (b) details that "loan agreements entered into between the redevelopment agency and the city... that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for

legitimate redevelopment purposes” and provides guidelines regarding loan repayment, including how interest is to be calculated, when payments can be made, and a limit on payments in any given year.

Finding that the Housing Loans were for legitimate redevelopment purposes and approving estimated repayment schedules will further the Victorville Successor Agency dissolution by paying down outstanding loan liabilities.

Staff remains available for any questions or comments you may have.

- Attachments:**
- A. Successor Agency Resolution No. R-SA-22-006
 - B. Supplemental Educational Revenue Augmentation Fund Loan Original Promissory Note
 - C. Property Acquisition Loan Original Agreement
 - D. Supplemental Educational Revenue Augmentation Fund Loan Journal Entry
 - E. Property Acquisition Loan Journal Entry