

CITY COUNCIL

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APPROVED

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DENIED

Reso No. _____

File No. _____

Ord No. _____

Agenda Item No.: 19

Date: February 16, 2011

TO: Honorable Mayor and Members of the City Council
FROM: Gilbert Rojas, Director of Finance
SUBJECT: Community Development Commission Partial Loan Repayment

RECOMMENDATION:

It is requested that the Community Development Commission (CDC) adopt CDC Resolution No. 2011-04. This resolution directs a partial repayment of the obligation owed by the CDC to the City and directs the transfer of certain properties from the CDC to the City for further public use.

FISCAL ANALYSIS:

\$20 million dollar payback to the General Fund proposed by this Resolution will result in short term cash flow issues for the Commission. The City will need to make policy decisions regarding the reservation and use of the funds.

BACKGROUND:

The Escondido Redevelopment Agency ("Agency") was established in December 1984 in connection with the adoption of the Escondido Redevelopment Plan ("Plan") and formation of a redevelopment project area ("Escondido Redevelopment Project Area"). The Agency later combined with the Escondido Housing Authority to form the Community Development Commission ("CDC"). The Agency was created by Ordinance 84-46 and the Escondido Redevelopment Plan was adopted by City Council Ordinance No. 84-85 on December 26, 1984. Ordinance 85-2 created the Escondido Community Development Commission.

The Commission consists of the members of the Escondido City Council, although the City and the Commission are legally separate entities. The cap on total tax increment that may be collected by the redevelopment agency is \$1.499 billion and the life of the Agency extends until 2025.

In December of 1984, the Commission entered into tax sharing agreements with the School Districts ("1984 Tax Sharing Agreements"), along with other taxing entities including the County of San Diego, the Rincon del Diablo Municipal Water District, the North County Cemetery District, the Palomar Pomerado Hospital District, the Palomar Community College District, and the San Marcos Unified School District. The original agreements with the Elementary School District and High School District were modified by Settlement Agreements in 1991 and 2009. All parties are now cooperatively sharing tax revenues. The present Settlement Agreement with the School Districts, approved and adopted by the City Council in 2009 provides that "Legislation adopted by the State Legislature...fundamentally

altering the statutory scheme on which this Agreement is based" is an act of uncontrollable force and the parties are excused from further compliance with the Settlement Agreement.

In 1988, the City and the Commission entered into a Cooperation Agreement. The Cooperation Agreement consolidated a number of prior City loans and advances which the City had made to the Commission into a single agreement that provided for repayment to the City from future tax increment, and provided for an interest rate which was tied to the City's cost of funds. Any balances remaining unpaid roll over to the next year.

The City and the Commission have operated under the terms of this Cooperation Agreement since its adoption. Regular filing required by state statutes have evidenced the outstanding obligations of the Commission, including interest. The current amount owed by the Commission to the City is approximately \$32,602,134. The Housing Fund is owed \$3,399,292 by the Community Development Commission and the Traffic Impact Fund is owed \$922,095 by the Community Development Commission.

The proposed CDC Resolution 2011-04 transfers monies on hand in redevelopment funds to the City's general fund as a partial, advance repayment of the City Loan referenced above in the discussion of the Cooperative Agreement. Currently, redevelopment funds on hand include \$10 million set aside for the hotel, and \$10 million for cash flow purposes.

The City will segregate the 20 million dollars by recognizing that these funds will be a committed fund balance (self imposed limitations on the use of these funds) as defined in Governmental Accounting Standards Board (GASB) Statement No. 54. The commitment will be to spend the funds on capital projects that spur economic development. This could include the hotel project in the event it proceeds.

In addition to the proposed repayment of a portion of the outstanding loan made by the City to the CDC, it is also proposed that the Commission transfer certain parcels of real property to the City. These properties were originally purchased by the Commission and title is currently held by the Commission. Generally speaking the title arrangements were originally made based on financing needs (such as a bond issue secured by tax increment funding) or based on anticipated future use. To avoid any future uncertainty over the control or disposition of these properties, it is proposed that ownership be transferred to the City. These properties consist of 480 North Spruce Street and four vacant lots addressed as 314 E. Grand Avenue, 304 E. Grand Avenue, 112-118 N. Juniper Street and 316 E. Grand Avenue.

Respectfully submitted,



Gil Rojas
Director of Finance

RESOLUTION CDC NO. 2011-04

A RESOLUTION OF THE ESCONDIDO
COMMUNITY DEVELOPMENT COMMISSION,
AUTHORIZING A LOAN PAYMENT TO THE
CITY OF ESCONDIDO, AND FURTHER
AUTHORIZING THE TRANSFER OF
CERTAIN REAL PROPERTY

WHEREAS, in 1988, the City of Escondido and the Escondido Community Development Commission ("Commission") entered into a Cooperation Agreement which consolidated a number of prior City loans and advances made to the Commission into a single agreement that provided for repayment to the City from anticipated future tax increment, and provided for an interest rate which was tied to the City's cost of funds; and

WHEREAS, the City and the Commission have operated under the terms of this Cooperation Agreement since its adoption, and have duly made regular filings required by state statute, all of which have evidenced the outstanding obligations of the Commission, including interest; and

WHEREAS, the current amount owed by the Commission to the City is approximately \$32,602,134; and

WHEREAS, the Housing Fund is owed \$3,399,292 by Commission and the Traffic Impact Fund is owed \$922,095 by Commission; and

WHEREAS, the Commission wishes to make a payment of \$20 million on the outstanding loan balance owed to the City of Escondido; and

WHEREAS, the Commission has also acquired properties and wishes to transfer the properties to the City for either use or disposition which would be consistent with the original intent of the acquisitions.

NOW, THEREFORE, BE IT RESOLVED by the Community Development Commission, as follows:

1. That the above recitations are true.
2. That a payment in the amount of \$20 million dollars of accumulated Community Development Commission tax increment be made immediately to the City of Escondido, for the purpose of reducing the amount of outstanding debt owed by the Commission to the City of Escondido.
3. The Chair and Secretary are hereby authorized and directed to transfer title of real property addressed as 480 North Spruce St., and title to four vacant lots addressed as 314 E. Grand Ave, 304 E. Grand Ave, 112-118 N. Juniper St., and 316 E. Grand Ave. to the City of Escondido.