

RESOLUTION NO. HA-12-12

A RESOLUTION OF THE IMPERIAL BEACH HOUSING AUTHORITY AUTHORIZING THE SUCCESSOR AGENCY'S USE AND EXPENDITURE OF LOW AND MODERATE INCOME HOUSING TAX EXEMPT BOND PROCEEDS FROM THE 2003 TAX ALLOCATION BONDS AND RELATED INTEREST EARNINGS TO MAKE THE 2003 TAX ALLOCATION BOND DEBT SERVICE PAYMENT DUE IN NOVEMBER 2012

WHEREAS, the Imperial Beach Redevelopment Agency ("Redevelopment Agency") was a redevelopment agency in the City of Imperial Beach ("City"), duly created pursuant to the California Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code ("Health and Safety Code")) ("Redevelopment Law"); and

WHEREAS, the Redevelopment Agency was responsible for the administration of redevelopment activities within the City; and

WHEREAS, Sections 33334.2 and 33334.3 of the Redevelopment Law required the Redevelopment Agency to deposit into its Low and Moderate Income Housing Fund not less than twenty percent (20%) of taxes allocated to the Redevelopment Agency pursuant to Section 33670 of the Redevelopment Law for the purposes of increasing, improving, and preserving the community's supply of low and moderate income housing; and

WHEREAS, certain Tax Allocation Revenue Bonds, 2003 Series A (Palm Avenue/Commercial Redevelopment Project) ("Housing Bonds") were issued pursuant to an Indenture Trust, dated as of November 1, 2003, by and among the Imperial Beach Public Financing Authority, the Redevelopment Agency and Wells Fargo Bank, National Association, as trustee, backed by the Low and Moderate Income Housing Fund, to provide funds to the Redevelopment Agency for use toward increasing, improving, and preserving the community's supply of low and moderate income housing; and

WHEREAS, Assembly Bill No. x1 26 ("AB 26" or the "Dissolution Act") and Assembly Bill No. x1 27 ("AB 27") were signed by the Governor of California on June 28, 2011, making certain changes to the Redevelopment Law and the Health and Safety Code, including adding Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) ("Part 1.85") to Division 24 of the Health and Safety Code; and

WHEREAS, the California Redevelopment Association and League of California Cities filed a lawsuit in the Supreme Court of California (*California Redevelopment Association, et al. v. Matosantos, et al.*, Case No. S194861) alleging that AB 26 and AB 27 were unconstitutional; and

WHEREAS, on December 29, 2011, the Supreme Court issued its opinion in the *Matosantos* case largely upholding as constitutional AB 26, invalidating as unconstitutional AB 27, and holding that AB 26 may be severed from AB 27 and enforced independently; and

WHEREAS, the Supreme Court generally reformed and revised the effective dates and deadlines for performance of obligations under Health and Safety Code Part 1.85 of the Dissolution Act arising before May 1, 2012 to take effect four months later, while leaving the effective dates or deadlines for performance of obligations under Health and Safety Code Part 1.8 of the Dissolution Act unchanged; and

WHEREAS, as a result of the Supreme Court's decision, and on February 1, 2012, all California redevelopment agencies, including the Redevelopment Agency, were dissolved, successor agencies were established as successor agencies to the former redevelopment agencies pursuant to Health and Safety Code Section 34173 of the Dissolution Act, and successor agencies are tasked with paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and winding down the affairs of the former redevelopment agencies; and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7136 on January 5, 2012, pursuant to Part 1.85 of the Dissolution Act, electing for the City to serve as the successor agency to the Redevelopment Agency upon the dissolution of the Redevelopment Agency under the Dissolution Act ("Successor Agency"); and

WHEREAS, the City Council of the City adopted Resolution No. 2012-7137 on January 5, 2012, pursuant to Part 1.85 of the Dissolution Act, designating the City of Imperial Beach Housing Authority ("Housing Authority") to serve as the successor housing entity ("Successor Housing Entity") upon the dissolution of the Redevelopment Agency on February 1, 2012 and to receive the dissolved Redevelopment Agency's housing assets, rights, powers, duties, obligations, liabilities and functions relating to affordable housing previously performed by the Redevelopment Agency upon its dissolution, including enforcement of affordability covenants and performance of related activities pursuant to applicable provisions of the Redevelopment Law, including, but not limited to, Section 33418; and

WHEREAS, the Housing Authority adopted Resolution No. HA-12-06 on January 5, 2012 accepting the transfer of the housing assets, rights, powers, duties, obligations, liabilities and functions relating to affordable housing previously performed by the Redevelopment Agency upon its dissolution; and

WHEREAS, Health and Safety Code Section 34179 of the Dissolution Act establishes a seven (7) member local entity with respect to each successor agency and such entity is titled the "oversight board." The oversight board has been established for the Successor Agency (hereinafter referred to as the "Oversight Board") and all seven (7) members have been appointed to the Oversight Board pursuant to Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are primarily set forth in Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, as part of the FY 2012-2013 State budget package, on June 27, 2012, the Legislature passed and the Governor signed Assembly Bill No. 1484 ("AB 1484", Chapter 26, Statutes 2012), which amended AB 26 (reference hereinafter to the Dissolution Act means AB 26 as amended by AB 1484); and

WHEREAS, Health and Safety Code Section 34183(a)(2)-(3) of the Dissolution Act obligates the County of San Diego ("County") to allocate to the Successor Agency moneys in the Redevelopment Property Tax Trust Fund ("RPTTF") maintained for the Successor Agency, on January 2 and June 1 of each year, for payments listed on an approved Recognized Obligation Payment Schedule ("ROPS") prepared for each six (6) month fiscal period and for payment of the administrative cost allowance, subject to pass-through payments required to be made to taxing entities in accordance with Section 34183(a)(1); and

WHEREAS, Health and Safety Code Section 34185 of the Dissolution Act obligates the County to transfer from the RPTTF into the Redevelopment Obligation Retirement Fund of the Successor Agency on January 2 and June 1 of each year, an amount of property tax revenues equal to the amount specified in the Successor Agency's ROPS for obligations to be paid from the RPTTF, up to the amount of property tax available in the RPTTF; and

WHEREAS, as required by the Dissolution Act, the Successor Agency and the Oversight Board approved the ROPS for the period July 1, 2012 through December 31, 2012 ("Second ROPS"), which was subsequently deemed effective pursuant to the Dissolution Act. The Second ROPS provides for the required payment of debt service on the Housing Bonds due in November 2012 and identifies as the source of such payment funds that would be distributed to the Successor Agency by the County from the RPTTF. The debt service payment on the Housing Bonds totals approximately \$533,092 and is due five (5) working days before December 1, 2012; and

WHEREAS, pursuant to Health and Safety Code Section 34183(b), the Successor Agency issued a notice to the County advising the County that the Successor Agency does not have enough funds available to pay all enforceable obligations listed on the Second ROPS ("Notice of Insufficient Funds"); and

WHEREAS, there exists \$913,000 of unspent housing bond proceeds derived from the Housing Bonds and related interest earnings ("Excess Housing Bonds Proceeds") to be expended in accordance with the Housing Bonds covenants, including requirements relating to their tax exempt status; and

WHEREAS, pursuant to prior actions of the Housing Authority and Successor Agency in accordance with Health and Safety Code Section 34176(g) of the Dissolution Act and consistent with the Housing Bonds covenants, the Excess Housing Bonds Proceeds were designated for the use and commitment toward certain affordable housing projects known as the Clean & Green Program in the approximate amount of \$380,000 and the Habitat for Humanity Project in the approximate amount of \$533,000 ("Affordable Housing Projects"); and

WHEREAS, the Successor Agency's and the Housing Authority's use and commitment of the Excess Housing Bonds Proceeds for the Affordable Housing Projects was listed on the ROPS for the period of January 1, 2013 through June 30, 2013 ("Third ROPS") and approved by the Successor Agency and Oversight Board, but has not yet been approved by the California Department of Finance ("DOF"), as required by the Dissolution Act; and

WHEREAS, in order for the Successor Agency to timely make the debt service payment on the Housing Bonds, the Successor Agency desires to fund the debt service payment from a portion of the Excess Housing Bonds Proceeds in the approximate amount of \$533,092; and

WHEREAS, because the Successor Agency issued its Notice of Insufficient Funds pursuant to the Dissolution Act and determined it would not have enough RPTTF or other funds to pay for all approved enforceable obligations on the Second ROPS including the subject November 2012 debt service payment on the Housing Bonds, the Successor Agency and the Oversight Board approved on the Third ROPS an item seeking reimbursement from the RPTTF to be paid in January 2013 for having to use other committed funds or a loan to make the subject bond debt service payment due during this Second ROPS period. If this item for reimbursement included on the Third ROPS is approved by the DOF and the Successor Agency receives payment of RPTTF for such reimbursement, then the Successor Agency intends on

replenishing the portion of the Excess Housing Bonds Proceeds used to make the subject bond debt service payment for their ultimate use toward the Affordable Housing Projects; and

WHEREAS, the Successor Agency's proposed use and expenditure of a portion of the Excess Housing Bonds Proceeds to make the bond debt service on the Housing Bonds in the total approximate amount of \$533,092 due five (5) working days before December 1, 2012 is based on the following justifications: (1) the Successor Agency has determined that there are no other funds available to the Successor Agency to timely make the debt service payment on the Housing Bonds and pay additional approved enforceable obligations on the Second ROPS; (2) the use of a portion of the Excess Housing Bonds Proceeds will prevent a default on the Housing Bonds and will preserve the tax exempt status of the Housing Bonds; and (3) the alternative of defaulting on the Housing Bonds will negatively affect the financial creditworthiness of the Successor Agency and possibly the City and would foreseeably create long term devastating financial impacts on the Successor Agency and possibly the City; and

WHEREAS, notwithstanding the Housing Authority's prior action designating the use and commitment of the Excess Housing Bonds Proceeds for the Affordable Housing Projects, the Housing Authority recognizes the urgent need for the Successor Agency's use and expenditure of a portion of the Excess Housing Bonds Proceeds in order for the Successor Agency to timely make the imminent debt service payment on the Housing Bonds and to avoid a default on the Housing Bonds obligations; and

WHEREAS, this Resolution has been reviewed with respect to applicability of the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, Sections 15000 *et seq.*, hereafter the "Guidelines"), and the City's environmental guidelines; and

WHEREAS, this Resolution is not a "project" for purposes of CEQA, as that term is defined by Guidelines Section 15378, because this Resolution is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per Section 15378(b)(5) of the Guidelines; and

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, BE IT RESOLVED, by the Imperial Beach Housing Authority, as follows:

Section 1. The foregoing recitals are true and correct and are a substantive part of this Resolution.

Section 2. The adoption of this Resolution is not intended to waive, and shall not constitute a waiver, by the Housing Authority of any constitutional, legal or equitable rights that the Housing Authority may have to challenge, through administrative or judicial proceedings, the effectiveness and/or legality of all or any portion of AB 26/AB 1484, any determinations rendered or actions or omissions to act by any public agency or government entity or division in the implementation of AB 26/AB 1484, and any and all related legal and factual issues, and the Housing Authority expressly reserves any and all rights, privileges, and defenses available under law and equity.

Section 5. This Resolution shall take effect upon the date of its adoption.

AYES: BOARDMEMBERS: BILBRAY, BRAGG, SPRIGGS, JANNEY
NOES: BOARDMEMBERS: NONE
ABSENT: BOARDMEMBERS: KING

/s/
JACQUELINE M. HALD, MMC
SECRETARY