

OVERSIGHT BOARD RESOLUTION NUMBER OB-2016-3

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY APPROVING THE SUBORDINATION AGREEMENT BETWEEN THE SUCCESSOR AGENCY, THE CIVIC SAN DIEGO ECONOMIC GROWTH & NEIGHBORHOOD INVESTMENT FUND, AND URBAN CORPS OF SAN DIEGO COUNTY.

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in 2009, the Former RDA entered into a loan agreement (Loan Agreement) with Urban Corps of San Diego County (Urban Corps) to provide \$475,000 in gap assistance to fund a portion of the costs to construct and develop a recycling center (Program); and

WHEREAS, under the Loan Agreement, the Former RDA provided a residual receipts loan for \$225,000 (Residual Receipts Loan) secured by a Deed of Trust (Residual Receipts Loan Deed of Trust) and a forgivable loan for \$250,000 (Forgivable Loan) secured by a Deed of Trust (Forgivable Loan Deed Of Trust); and

WHEREAS, the Residual Receipts Loan has been paid in full through in-kind services that benefit the North Bay Redevelopment Project Area but the Residual Receipts Loan Deed of Trust has not been reconveyed because it also secures operating covenants that were recorded concurrently with the Deed of Trust and that require that Urban Corps continue to operate under its current mission for 20 years (Operating Covenants); and

WHEREAS, the Forgivable Loan has a 20 year term and is forgiven 5% per year each year after the anniversary date of the release of construction covenants of June 9, 2011 (the current loan balance is \$200,000) but is due and payable only if Urban Corps ceases to carry out its programs; and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26) enacted on June 28, 2011, the Former RDA dissolved as of February 1, 2012, at which time the City of San Diego, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, the Successor Agency is required to administer the winding down of the Former RDA's operations and to ensure compliance with the Former RDA's obligations in accordance with AB 26, as subsequently amended (collectively, the Dissolution Laws); and

WHEREAS, California Health and Safety Code section 34177(c) requires the Successor Agency to perform obligations required pursuant to any enforceable obligation; and

WHEREAS, certain enforceable obligations of the Successor Agency allow for refinancing, loan modifications, or loan subordinations, subject to the consent or approval of the Successor Agency; and

WHEREAS, the Dissolution Laws specify that the Oversight Board and the California Department of Finance (DOF) must review and approve certain actions and decisions of the Successor Agency; and

WHEREAS, the Successor Agency is now presenting, for approval by the Oversight Board and the DOF, the subordination agreement by and between the Successor Agency, the Civic San Diego Economic Growth & Neighborhood Investment Fund, and Urban Corps of San Diego County (Urban Corps) relating to a New Markets Tax Credit loan (NMTC Loan) with Urban Corps (Subordination Agreement); and

WHEREAS, a copy of the Subordination Agreement is included as Attachment A to the Staff Report dated January 25, 2016 accompanying this item; and

WHEREAS, on August 18, 2015, the Civic San Diego Economic Growth & Neighborhood Investment Fund closed an \$8.0 million NMTC Loan with Urban Corps; and

WHEREAS, as part of its approval of the NMTC Loan, Bank of America has requested that the Successor Agency consider subordinating the Forgivable Deed of Trust to the Deed of Trust securing the NMTC Loan; and

WHEREAS, in order to allow the NMTC Loan transaction to close in the interim with the NMTC Loan in a junior position, Urban Corps agreed to hold \$200,000 in escrow as additional security against the NMTC Loan; and

WHEREAS, the Subordination Agreement will allow Urban Corps will regain access to the \$200,000, which increases Urban Corps' capacity to carry out its Program; and

WHEREAS, the Subordination Agreement will benefit the local taxing entities and will be in their best interests, in that the expansion and continuance of Urban Corps' Program will aid in the elimination of blight, thereby also increasing property taxes in the area;

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

1. The Subordination Agreement is hereby approved.
2. The Board finds that the Subordination Agreement is in the best interests of the local taxing entities.

**PASSED AND ADOPTED** by the Oversight Board at a duly noticed meeting of the Oversight Board held on January 25, 2016.

  
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Chair, Oversight Board