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6/21

RESOLUTION NUMBER R- **305920**

DATE OF FINAL PASSAGE JUN 28 2010

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO: (i) APPROVING A REPAYMENT AGREEMENT BY AND BETWEEN THE CITY AND THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO FOR THE REPAYMENT OF CERTAIN INDEBTEDNESS OF THE AGENCY TO THE CITY RELATED TO COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS USED IN CONNECTION WITH REDEVELOPMENT ACTIVITIES; (ii) APPROVING THE AGENCY'S REPAYMENT TO THE CITY OF \$78,787,000 TO BE PAID IN ANNUAL PAYMENTS FOR A TERM OF TEN YEARS COMMENCING ON JUNE 30, 2010; AND (iii) APPROVING OTHER ACTIONS RELATED TO THE REPAYMENT AGREEMENT.

WHEREAS, Redevelopment Agency of the City of San Diego (Agency) conducts redevelopment activities within the City; and

WHEREAS, the City has provided funds to the Agency on a long term basis (Long Term Debt) to assist the Agency in carrying out activities within various Redevelopment Project Areas (Project Areas) established by the City; and

WHEREAS, as part of the Long Term Debt, the City provided capital assistance to the Agency consisting of Community Development Block Grant (CDBG) funds in the form of loans to the Agency (CDBG Debt) for investment in various Project Areas; and

WHEREAS, in 2008, the Office of Inspector General (OIG) of the U.S. Department of Housing and Urban Development (HUD) audited the City's CDBG Program with specific attention to certain CDBG funded activities within the Agency Redevelopment Project Areas; and

WHEREAS, on December 30, 2008, OIG issued its audit report (2008 OIG Audit Report) to HUD's Office of Community Planning and Development, which report provided findings and

recommendations including, without limitation, that the City and Agency execute written interagency agreements for certain CDBG debt totaling approximately \$139,201,997 and initiate repayment plans; and

WHEREAS, representatives of the Agency, the City and HUD have worked diligently to develop reasonable repayment schedules and terms to make meaningful payments in response to the OIG recommendations without undermining redevelopment efforts; and

WHEREAS, the Agency and the City desire to provide, by and through the proposed Repayment Agreement, the terms for the Agency's repayment of the CDBG Debt to the City in the total amount of \$78,787,000 to be paid in annual payments for a ten year term in accordance with the Repayment Agreement; and

WHEREAS, the City hereby determines that the proposed repayment plan set forth in the Repayment Agreement serves a public purpose in that: (a) the Agency will be reducing its indebtedness to the City; (b) the City will benefit from the resolution of certain HUD concerns raised in the 2008 OIG Audit Report and from the provision of additional CDBG Program funds to be allocated to eligible projects and activities, used for administration and planning, and committed to repay certain outstanding HUD Section 108 Loan Guarantee Program loans; and (c) the City has benefitted, and will continue to benefit, significantly from the Agency's redevelopment projects which have resulted in City assets such as public improvements, parks, buildings and land, in increased revenues to the City in the form of transient occupancy tax, sales tax and property tax, in economic revitalization within the City, in increased public infrastructure and improvements within the City such as improved streets, transit corridors, pedestrian walkways and storm drains, and in increased affordable housing within the City; and

WHEREAS, the City has duly considered all terms and conditions of the proposed Repayment Agreement and believes that it is in the best interests of those Project Areas that will be reducing their indebtedness to the City, and to the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local law; NOW, THEREFORE,

BE IT RESOLVED, by the City Council of the City of San Diego as follows:

1. That the City hereby approves the Repayment Agreement by and between the Agency and the City providing the terms for the Agency's repayment of the CDBG Debt to the City in the total amount of \$78,787,000 to be paid in annual payments over a ten year term in accordance with the Repayment Agreement, a copy of which is on file with the Clerk's office as document no. RR **305920**.

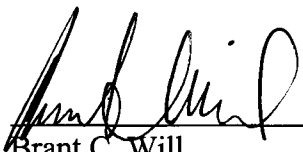
2. That the Mayor, or designee, is hereby authorized, on behalf of the City, to execute the Repayment Agreement and any other documents necessary and appropriate to carry out and implement the Repayment Agreement, and to administer the City's obligations, responsibilities and duties to be performed under the Repayment Agreement.

3. That all payments pursuant to the Repayment Agreement and any other obligations and indebtedness of the Agency to the City created by the Repayment Agreement shall be subordinate to any bonded indebtedness which has been issued or may be issued by the Agency and shall not be deemed a first pledge of tax increment allocations received by the Agency pursuant to California Health and Safety Code section 33670.

4. That the payments received by the City pursuant to the Repayment Agreement shall be used first to make payments to defease the Mercado del Barrio and Valencia Business Park HUD Section 108 Loan Guarantee Program Loans.

5. That the acceptance by the City of payments pursuant to the Repayment Agreement in an amount less than the outstanding CDBG Debt does not constitute forgiveness of any portion of the CDBG Debt or cease the accrual of interest thereon.

APPROVED: JAN I. GOLDSMITH, City Attorney

By  \_\_\_\_\_  
Brant C. Will  
Deputy City Attorney

BCW:jdf  
05/27/2010  
06/23/2010 REV.  
Or.Dept:RDA  
R-2010-863

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of JUN 21 2010.

ELIZABETH S. MALAND  
City Clerk

By  \_\_\_\_\_  
Deputy City Clerk

Approved: 6-28-10  
(date)

 \_\_\_\_\_  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

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JERRY SANDERS, Mayor