



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

June 29, 2015

Mr. David Loya, Community Development Deputy Director
City of Arcata
736 F Street
Arcata, CA 95521

Dear Mr. Loya:

The California Department of Finance (Finance) is pleased to accept the Arcata Successor Agency's proposal for retiring its Due Diligence Review (DDR) obligation via an installment payment plan. According to our records, as confirmed by the Humboldt County Auditor-Controller's Office, the Successor Agency has a total outstanding DDR obligation of \$2,288,719, of which \$1,276,281 is related to the Low and Moderate Income Housing Fund (Low-Mod DDR) and \$1,012,438 is related to the Other Funds and Assets DDR (OFA DDR).

We understand the Successor Agency proposes to pay the OFA DDR amount in three annual installments of \$300,000 beginning in 2015, with the outstanding balance of \$112,438 to be paid in 2018. This is based on the attached payment schedule titled "Attachment A", as modified by the attached "Due Diligence Demand Installment Payment Plan Agreement" dated April 7, 2015.

We further understand the Successor Agency proposes to begin paying the Low-Mod DDR amount after the OFA DDR balance has been retired. Based on the aforementioned two documents, we understand the first Low-Mod DDR payment will be made in 2018 in the amount of \$187,562 so that, when combined with that year's final OFA DDR payment, a total of \$300,000 in DDR payments will be remitted. We understand the Successor Agency will then make \$300,000 in annual Low-Mod DDR payments in 2019, 2020, and 2021. Finally, we understand the remaining Low-Mod DDR balance of \$188,719 will be paid in 2022.

Current law does not allow Finance to issue a Finding of Completion to the Arcata Successor Agency until the \$2,288,719 in outstanding DDR amounts has been paid in full. As you know, a Finding of Completion provides several benefits to Successor Agencies, including the ability to expend the unencumbered proceeds of redevelopment agency (RDA) bonds issued prior to 2011, and the ability to receive repayment of loans of money that the City made to the RDA prior to its dissolution.

There is pending legislation (AB 113) that will allow Finance to issue Findings of Completion to Successor Agencies before their DDR amounts are paid in full, provided they have entered into a DDR repayment agreement similar to this one with Finance. I respectfully suggest it may be beneficial for Arcata to contact Senator Mike McGuire and Assemblymember Jim Wood, and to urge them to support AB 113 so that the Arcata Successor Agency can receive a Finding of Completion in 2015, instead of having to wait until 2022.

Under AB 113, your Successor Agency may also qualify to participate in the "Last and Final" ROPS process, which will relieve the Successor Agency of submitting a ROPS to the Oversight

Board and to Finance two times per year. Under the Last and Final ROPS, the City will also receive a four percent interest rate on the repayment of money loaned to the RDA prior to dissolution. This is significantly higher than the current Local Agency Investment Fund rate that the State Attorney General's Office has determined applies to city loan repayments under current law.

If the terms of the DDR repayment proposal that are outlined in this letter are acceptable to the Arcata Successor Agency, please sign the letter in the indicated spot below, and return the letter to Chris Hill, Principal Program Budget Analyst, at chris.hill@dof.ca.gov. You may also direct any questions to him at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

Attachments

The Arcata Successor Agency hereby agrees to the repay, in accordance with the terms outlined in this letter, the \$2,288,719 that it owes pursuant to the Low and Moderate Income Housing Fund and Other Funds and Assets Due Diligence Reviews.

DAVID LOYA
City of Arcata

Email addresses of recipients

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Successor Agency to the City of Arcata Community Development Agency
Due Diligence Demand Installment Payment Plan Agreement
Progress Report No. 1

April 7, 2015

This report documents payments made to date pursuant to the Installment Payment Plan Agreement Between the California Department of Finance and Successor Agency to the Arcata Community Development Agency for Payment of Due Diligence Review Balances, adopted by the Successor Agency to the City of Arcata Community Development Agency (“Agency”) on October 24, 2013 (“Payment Plan Agreement”). The report is intended to keep the DOF apprised of payments made against the Due Diligence Review Demands (“Demands”) pursuant to the Payment Plan Agreement. The report summarizes amounts paid, to which of the Demands the payments apply, and the date of payment (Table 1). Reports will be submitted annually and numbered consecutively. This report is appended to and incorporated into the Payment Plan Agreement.

Table 1. Satisfaction of Due Diligence Review Balances by Fund.

	<u>Housing DDR</u>	<u>OFA DDR</u>	<u>Total</u>
Total Amount of Successor Assets to Remit	2,415,359	2,126,209	4,541,568
Less Remittance Made			
12/18/2012	(306,927)	-	(306,927)
1/18/2013	(182,151)	-	(182,151)
1/15/2015	(650,000)	(650,000)	(1,300,000)
ROPS 14/15B Withhold		(57,212)	(57,212)
4/24/2015		(406,559)	(406,559)
Remaining Balance Owed	1,276,281	1,012,438	2,288,719

Attachment A. Installment Plan Sources and Annual Minimum Payment

Year	FY	OFA DDR Annual	Housing DDR	Cumulative		Source
		Payment	Annual Payment	Payment		
Remitted	2013	\$ -	\$ 489,078	\$ 489,078	SA Transferred Funds On Hand	
0	2014	350,000	650,000	1,489,078	SA Transferred Funds On Hand	
1	2015	300,000		1,789,078	Sale of Sandpiper Units	
2	2016	300,000		2,089,078	Sale of Sandpiper Units	
3	2017	300,000		2,389,078	Sale of Sandpiper Units/City	
4	2018	300,000		2,689,078	City	
5	2019	300,000		2,989,078	City	
6	2020	276,209	23,791	3,289,078	City	
7	2021		300,000	3,589,078	City	
8	2022		300,000	3,889,078	City	
9	2023		300,000	4,189,078	City	
10	2024		300,000	4,489,078	City	
11	2025		52,490	4,541,568	City	
	TOTAL	\$ 2,126,209	\$ 2,415,359	\$ 4,541,568		
	DEMAND	\$ 2,126,209	\$ 2,415,359	\$ 4,541,568		

Notes:

1. the Fiscal Year (FY) is July 1 - June 30
2. Successor Agency may prepay at any time.