



EDMUND G. BROWN JR. ■ GOVERNOR

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

December 18, 2015

Mr. Micah Runner, Economic Development Director
City of Stockton
425 North El Dorado Street, Room 317
Stockton, CA 95202

Dear Mr. Runner:

Subject: Oversight Board Action Determination

The City of Stockton Successor Agency (Agency) notified the California Department of Finance (Finance) of its November 4, 2015 Oversight Board (OB) resolution on November 4, 2015. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, the Agency's OB Resolution No. OB 2015-11-04-0601-02 related to approving terms and finding 51 loans from the City of Stockton (City) to the former redevelopment agency (RDA) were for legitimate redevelopment purposes, is partially approved.

HSC section 34191.4 (b) (2) outlines the definition of a "loan agreement" as either loans for money, a transfer of real property interest, or an infrastructure contract entered into between the sponsoring entity and a third party, on behalf of the agency. Based on the definition of a loan, Finance is approving 26 of the 51 loans identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02 as eligible for repayment on the Recognized Obligation Payment schedule (ROPS).

Specifically, Loan Nos. 1-4, 6, 18-19, 28-34, 36, 38-46, and 48-49 identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02 are approved. The Agency received a Finding of Completion on October 30, 2014. As a result of the OB finding these loan were for valid redevelopment purposes and Finance's subsequent approval of these loans, the Agency may now place these loans on a ROPS. However, the loan repayment amounts are subject to Finance's review and the repayment formula outlined in HSC section 34191.4 (b) (1).

In addition, HSC section 34191.4 (b) (3) (A) requires any interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan to be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent. Moneys repaid shall be applied first to the principal, and second to the interest. This will supersede any existing interest rates in the previous loan agreements. Therefore, the repayment amounts of the Agreement are subject to Finance's review and approval on subsequent ROPS.

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The remaining 25 loans do not qualify as loans eligible for repayment on the ROPS. Specifically:

- Loan Nos. 7-11 identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02. These loans are actually reimbursements to the City for personnel, support services, and financial assistance. Since these are a reimbursement of services, and not a loan of monies, these loans do not meet the definition of a loan as defined in statute.
- Loan Nos. 12-17, 35, 37, and 51 identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02. These purported loans are only supported by a City Resolution. Within the City Resolutions, it is not clear whether the funds transferred to the former RDA were a grant or a loan. Without an executed loan agreement, or corresponding RDA Resolution, it is not evident the RDA agreed to any repayment terms or committed to repay these funds. To the extent the Agency can provide sufficient documentation to support the RDA's acceptance of these loans, these items may be eligible for repayment on the ROPS.
- Loan No. 20 identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02. The Agency provided a Memo from the City Housing Department to the City Manager's Office as support for this loan. Without an executed loan agreement, or corresponding RDA Resolution, it is not evident the RDA agreed to any repayment terms or committed to repay these funds. To the extent the Agency can provide sufficient documentation to support the RDA's acceptance of this loan, it may be eligible for repayment on the ROPS.
- Loan Nos. 21-27 identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02. These loans relate to the conveyance of property. The Agency provided City Ordinances to support the purchase price for these properties. However, with the documents provided, it is not clear whether the properties ever transferred to the former RDA or whether the RDA committed to repay the City for these properties. To the extent the Agency can provide an executed Purchase and Sale Agreement, an RDA Resolution, or some other form of support showing the property actually transferred to the former RDA and the RDA promised to repay, these items may be eligible for repayment on the ROPS.
- Loan Nos. 5, 47, and 50 identified in Exhibit 1 of OB Resolution No. OB 2015-11-04-0601-02. The development fee deferrals for the Parole Office Project, the Cineplex Project, and the WorkNet Office Project do not constitute a loan of monies. Therefore, these loans do not meet the definition of a loan as defined in statute.

This is our determination with respect to the OB action taken.

In the event the OB desires to amend the portion of the resolution not approved by Finance, Finance is returning it to the board for reconsideration. However, the Agency can move forward with the portion of the resolution approved by Finance.

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Please direct inquiries to Wendy Griffe, Supervisor, or Erika Santiago, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. LaVerna Blanco, Program Manager II, City of Stockton
Mr. Jay Wilverding, Auditor-Controller, San Joaquin County

Redevelopment Agency of the City of Stockton
City Provided Loans
Previously reported in annual Statement of Indebtedness Report to the State Controller's Office

Item No.	Project Area	Purpose of Loan	Date Debt Incurred	Loan Authority	Pg No	Original Amount	Rate	Term	Fund	Outstanding at 6/30/2015	Total P&I (adjusted)	DOF Review 12/18/15	DOF Approved 12/18/15	DOF Denied (loss) 12/18/15
1	Midtown	Establishment of the Eastland Project Area	12/12/1989	C-89-150	3	\$ 120,000	10%	Open	CDBG	\$ 711,433	\$ -	Approved	\$ -	-
2	Midtown	Implementation of the Eastland Red. Project: acquisition, relocation, and demolition	3/1/1993	C-93-018	9	\$ 500,000	-	Open	CDBG	\$ 120,000	\$ 120,000	Approved	\$ 120,000	-
3	Midtown	Implementation of the Eastland Red. Project: acquisition, relocation, and demolition	1/4/1994	C-94-002	12	\$ 500,000	-	Open	CDBG	\$ 500,000	\$ 500,000	Approved	\$ 500,000	-
4	Midtown	Infrastructure, traffic lights at CSU Stanislaus and Harding	11/26/2002	C-02-437	15	\$ 276,000	-	Open	CIP	\$ 1,000	\$ 1,000	Approved	\$ 1,000	-
5	Midtown	Development fees for the Parole office project	11/26/2002	Resolution R03-014	18	\$ 143,954	-	55 Years	PFF	\$ 143,954	\$ 143,954	Not a loan of money. Not eligible.		\$ (143,954)
6	North Stockton	Establishment of the North Stockton Project Area	7/15/2003	C-03-280	22	\$ 162,000	-	Open	CDBG	\$ 67,000	\$ 67,000	Approved	\$ 67,000	-
7	South Stockton	Administration and project costs for McKinley Neighborhood redevelopment projects	5/16/1976	C-77-280	24	\$ 1,016,766	-	Open	CDBG	\$ 266,379	\$ 266,379	Not eligible (reimbursement)		\$ (266,379)
8	Waterfront	Administrative and project costs for West End redevelopment projects	5/16/1976	C-77-280	24	\$ 213,171	-	Open	CDBG	\$ 213,171	\$ 213,171	Not eligible (reimbursement)		\$ (213,171)
9	South Stockton	Administration and project costs for McKinley Neighborhood redevelopment projects	7/1/1977	C-77-280	24	\$ 1,558,663	-	Open	CDBG	\$ 1,558,663	\$ 1,558,663	Not eligible (reimbursement)		\$ (1,558,663)
10	South Stockton	Administrative and project costs Sharps Lane Villa neighborhood redevelopment projects	7/1/1977	C-77-280	24	\$ 420,669	-	Open	CDBG	\$ 420,669	\$ 420,669	Not eligible (reimbursement)		\$ (420,669)
11	Waterfront	Administrative and project costs West End acquisition, relocation, and demolition projects	10/6/1977	C-77-280	24	\$ 331,940	-	Open	CDBG	\$ 331,940	\$ 331,940	Not eligible (reimbursement)		\$ (331,940)
12	Waterfront	West End acquisition, relocation, and demolition projects	6/28/1978	Resolution 34,968	26	\$ 351,476	-	Open	CDBG	\$ 351,476	\$ 351,476	No loan agreement. May be eligible with proof of RDA commitment		\$ (351,476)
13	South Stockton	McKinley Neighborhood redevelopment projects - elimination of blight, and to conserve/renew area	7/1/1978	Resolution 34,968	26	\$ 1,380,013	-	Open	CDBG	\$ 1,380,013	\$ 1,380,013	No loan agreement. May be eligible with proof of RDA commitment		\$ (1,380,013)
14	South Stockton	McKinley Neighborhood redevelopment projects - elimination of blight, and to conserve/renew area	7/1/1979	Resolution 35,988	28	\$ 861,433	-	Open	CDBG	\$ 861,433	\$ 861,433	No loan agreement. May be eligible with proof of RDA commitment		\$ (861,433)
15	South Stockton	McKinley Neighborhood redevelopment projects - elimination of blight, and to conserve/renew area	7/1/1980	Resolution 37,042	31	\$ 867,651	-	Open	CDBG	\$ 867,651	\$ 867,651	No loan agreement. May be eligible with proof of RDA commitment		\$ (867,651)
16	South Stockton	McKinley Neighborhood redevelopment projects - elimination of blight, and to conserve/renew area	7/1/1981	Resolution 38,050	34	\$ 702,959	-	Open	CDBG	\$ 702,959	\$ 702,959	No loan agreement. May be eligible with proof of RDA commitment		\$ (702,959)
17	South Stockton	McKinley Neighborhood redevelopment projects - elimination of blight, and to conserve/renew area	7/1/1982	Resolution 39,082	37	\$ 536,014	-	Open	CDBG	\$ 536,014	\$ 536,014	No loan agreement. May be eligible with proof of RDA commitment		\$ (536,014)
18	South Stockton	Manhattan Plaza affordable housing project	6/29/1999	C-90-081	41	\$ 563,978	-	Open	CDBG	\$ 563,978	\$ 563,978	Approved	\$ 563,978	-
19	Waterfront	Union Pacific project - legal and professional costs for clean up of the UP site.	4/12/2005	C-05-083	43	\$ 146,800	-	Open	CDBG	\$ 146,800	\$ 146,800	Approved	\$ 146,800	-
20	Waterfront	Union Pacific project - legal and professional costs for clean up of the UP site.	6/5/2007	C-05-083 memo	46	\$ 289,922	-	Open	CDBG	\$ 289,922	\$ 289,922	No loan agreement or resolution		\$ (289,922)
21	Waterfront	Land acquisition for the Steamboat Landing project	4/16/1981	Ordinance 3449	48	\$ 79,323	-	Open	CIP	\$ 79,323	\$ 79,323	Need proof property transferred and RDA committed to repay.		\$ (79,323)
22	Waterfront	Land acquisition for the Office Towers project	8/20/1981	Ordinance 3492	52	\$ 525,987	-	Open	CIP	\$ 525,987	\$ 525,987	Need proof property transferred and RDA committed to repay.		\$ (525,987)
23	Waterfront	Land acquisition for the Waterfront Warehouse project	12/24/1980	Ordinance 3417	56	\$ 432,551	-	Open	CIP	\$ 432,551	\$ 432,551	Need proof property transferred and RDA committed to repay.		\$ (432,551)
24	Waterfront	Land acquisition for the Delta Gateway I project	11/5/1981	Ordinance 3506	63	\$ 99,578	-	Open	CIP	\$ 99,578	\$ 99,578	Need proof property transferred and RDA committed to repay.		\$ (99,578)
25	Waterfront	Land acquisition for the Delta Gateway II project	12/15/1982	Ordinance 3605	66	\$ 184,834	-	Open	CIP	\$ 184,834	\$ 184,834	Need proof property transferred and RDA committed to repay.		\$ (184,834)
26	Waterfront	Land acquisition for the Townhouse I project	3/28/1983	Ordinance 3640	71	\$ 20,230	-	Open	CIP	\$ 20,230	\$ 20,230	Need proof property transferred and RDA committed to repay.		\$ (20,230)
27	Waterfront	Land acquisition for the Main Street project	9/29/1983	Ordinance 3688	74	\$ 80,800	-	Open	CIP	\$ 80,800	\$ 80,800	Need proof property transferred and RDA committed to repay.		\$ (80,800)
28	Waterfront	Loan and Development Agreement for Water Front Project - Downtown Marina	6/17/1981	DA dated 12-01-80	77	\$ 206,406	10%	Open	CDBG	\$ 5,498,379	\$ 418,709	Approved	\$ 418,709	-
29	Waterfront	Loan and Development Agreement for Water Front Project - Waterfront Warehouse	9/10/1981	DA dated 12-01-80	77	\$ 753,056	10%	Open	CDBG	\$ 19,646,887	\$ 1,522,365	Approved	\$ 1,522,365	-
30	Waterfront	Loan and Development Agreement for Water Front Project - Steamboat Landing Project	5/10/1982	DA dated 12-01-80	77	\$ 1,025,078	10%	Open	CDBG	\$ 24,963,093	\$ 2,051,890	Approved	\$ 2,051,890	-
31	Waterfront	Loan and Development Agreement for Water Front Project - Office Tower II Project	5/10/1982	DA dated 12-01-80	77	\$ 854,220	10%	Open	CDBG	\$ 20,802,334	\$ 1,709,885	Approved	\$ 1,709,885	-
32	Waterfront	Loan and Development Agreement for Water Front Project - Office Tower I Project	7/7/1982	DA dated 12-01-80	77	\$ 854,220	10%	Open	CDBG	\$ 20,659,001	\$ 1,706,515	Approved	\$ 1,706,515	-
33	Waterfront	Loan and Development Agreement for Water Front Project - Delta Gateway I Project	8/26/1982	DA dated 12-01-80	77	\$ 555,546	10%	Open	CDBG	\$ 14,546,961	\$ 1,107,100	Approved	\$ 1,107,100	-

ATTACHMENT B

Item No.	Project Area	Purpose of Loan	Date Debt Incurred	Loan Authority	Pg No	Original Amount	Rate	Term	Fund	Outstanding at 6/30/2015	Total P&I (adjusted)	DOF Review 12/18/15	DOF Approved 12/18/15	DOF Denied (loss) 12/18/15
34	Waterfront	Loan and Development Agreement for Water Front Project - Delta Gateway II Project	6/20/1984	DA dated 12-01-80	77	\$ 437,048	10%	Open	CDBG	\$ 9,690,046	\$ 847,140	Approved	\$ 847,140	-
35	Waterfront	West End projects - South Seawall extension, Weber Ave improvements, Edison St extension	10/14/1986	Resolution 86-0658	82	\$ 3,183,132	-	Open	CIP	\$ 1,598,548	\$ 1,598,548	No loan agreement. May be eligible with proof of RDA commitment		\$ (1,598,548)
36	Waterfront	Construction of South Shore Seawall	9/4/1990	C-90-171	83	\$ 2,954,347	-	Open	CIP	\$ 2,954,347	\$ 2,954,347	Approved	\$ 2,954,347	-
37	Waterfront	Remediation on North Shore	4/25/2000	Resolution 00-0080	86	\$ 21,040	-	Open	GF	\$ 21,040	\$ 21,040	No loan agreement. May be eligible with proof of RDA commitment		\$ (21,040)
38	Waterfront	Remediation on North Shore	2/29/2000	Resolution R00-008	90	\$ 57,117	-	Open	GF	\$ 57,117	\$ 57,117	Approved	\$ 57,117	-
39	Waterfront	Remediation on North Shore	2/29/2000	Resolution R00-007	93	\$ 274,800	-	Open	GF	\$ 274,800	\$ 274,800	Approved	\$ 274,800	-
40	Waterfront	Fox (Bob Hope) Theatre Renovations	12/5/2000	C-00-442 amended	97	\$ 4,433,103	-	Open	CIP	\$ 4,543,103	\$ 4,543,103	Approved	\$ 4,543,103	-
41	Waterfront	Remediation on Banner Island	5/29/2001	Resolution R01-037	103	\$ 375,000	-	30 Years	GF	\$ 375,000	\$ 375,000	Approved	\$ 375,000	-
42	Waterfront	Land acquisition for Weber Point Grill project	8/28/2002	C-02-314	105	\$ 68,800	-	Open	CIP	\$ 68,800	\$ 68,800	Approved	\$ 68,800	-
43	Waterfront	Land acquisition for Cineplex Project	10/8/2002	C-02-369	111	\$ 635,000	-	Open	CIP	\$ 635,000	\$ 635,000	Approved	\$ 635,000	-
44	Waterfront	Land acquisition for Cineplex Project	10/8/2002	C-02-369	111	\$ 511,000	-	Open	CPD	\$ 511,000	\$ 511,000	Approved	\$ 511,000	-
45	Waterfront	Land acquisition for San Joaquin Council of Governments project	1/7/2003	C-02-440	115	\$ 332,000	-	Open	CIP	\$ 332,000	\$ 332,000	Approved	\$ 332,000	-
46	Waterfront	Land acquisition for San Joaquin Council of Governments project	1/7/2003	C-02-440 amended	119	\$ 161,000	-	Open	CPD	\$ 161,000	\$ 161,000	Approved	\$ 161,000	-
47	Waterfront	Development fees for the Cineplex project	8/29/2003	C-03-578	122	\$ 102,109	Varies	10 Years	PFF	\$ 4,315	\$ 4,315	Not a loan of money. Not eligible.		\$ (4,315)
48	Waterfront	Construction costs - Cineplex project	2/18/2003	C-03-038	129	\$ 3,000,000	-	Open	CIP	\$ 3,000,000	\$ 3,000,000	Approved	\$ 3,000,000	-
49	Waterfront	Land acquisition for Stockton Record project	7/1/2003	C-00-122	132	\$ 175,000	-	Open	CPD	\$ 175,000	\$ 175,000	Approved	\$ 175,000	-
50	Waterfront	Development fees for the WorkNet Office project	8/4/2004	C-04-355	136	\$ 196,950	-	Open	PFF	\$ 196,950	\$ 196,950	Not a loan of money. Not eligible.		\$ (196,950)
51	Waterfront	Renovation - Hotel Stockton restaurant project	9/12/2006	Resolution 06-0470	138	\$ 2,500,000	-	Open	CIP	\$ 2,500,000	\$ 2,500,000	No loan agreement. May be eligible with proof of RDA commitment		\$ (2,500,000)
						\$ 36,032,684				\$ 144,672,479	\$ 37,517,949		\$ 23,849,549	\$ (13,668,400)

Note ¹ Effective September 22, 2015, interest must be recalculated quarterly, at 3% simple interest from the date the Redevelopment Agency approved the loan.

Totals by Repayment Fund

City General Fund
City Capital Improvement Fund
Public Facility Fees
Community Development Block Grant
Central Parking District

Original P&I 6/30/15	Requested P&I 09/30/15
727,957	\$ 727,957
17,056,102	\$ 17,056,102
345,220	\$ 345,220
125,696,201	\$ 18,541,671
847,000	\$ 847,000
144,672,479	\$ 37,517,949

	Approved Loans	Denied Difference
GF 2.96%	\$ 706,917	\$ (21,040)
CIP 48.36%	\$ 11,534,250	\$ (5,521,851)
PFF 0%	\$ -	\$ (345,220)
CDBG 45.12%	\$ 10,761,382	\$ (7,780,289)
CPD 3.55%	\$ 847,000	\$ -
	\$ 23,849,549	\$ (13,668,400)

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