



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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