

City of Folsom
City of Galt
City of Isleton
City of Rancho Cordova
City of Sacramento
County of Sacramento

**SACRAMENTO COUNTYWIDE
OVERSIGHT BOARD**

Oversight Board Members
La Shelle Dozier
Troy Givans
Amar Hariharan
Terri R. Laimbach
Mario Rodriguez
Tamara J. Sanchez
Jay Schenirer

APPROVED
BOARD OF DIRECTORS
By Resolution No. 2020-0007
JUN 18 2020

BY 
Clerk of the Board

**For the Agenda of: June 18, 2020
Agenda Item: 1**

To: Sacramento Countywide Oversight Board
From: City of Sacramento Redevelopment Agency Successor Agency (RASA)
Subject: Authorizing loan payment deferral due to COVID-19 orders.
Report Type: Action
Contact: Leslie Fritzsche, RASA Staff, 916.808.5450

Overview

The City, in the role as the Redevelopment Agency Successor Agency (RASA), is responsible for the winding down of the obligations of the dissolved Redevelopment Agency of the City of Sacramento under the review of the Sacramento Countywide Oversight Board, the State Department of Finance the State Controller's Office, and the Sacramento County Auditor-Controller. Other cities in the County with redevelopment agencies including the County also have these same obligations. One of these obligations is the collection of loan payments under Agency loans. Due to COVID-19 public health orders, many businesses with redevelopment agency loans have had to close, impacting their revenues and ability to make loan payments, especially restaurants and retail businesses. This report requests the Oversight Board to authorize successor agencies to allow borrowers impacted by COVID-19 to defer loan payments for up to 12 months by allowing for extension of loan maturity dates to the extent necessary to avoid defaults. Borrowers would have to provide documentation to verify revenue losses and the period of such losses to verify that the loan payment deferral was necessary.

Background

One of the tasks of each successor agency under the redevelopment agency dissolution law is to service former redevelopment agency loan receivables. In that role, each successor agency is responsible for collecting loan payments. If a loan goes into default, the successor agency could proceed to foreclose, but typically such loans are subordinate to senior lenders and the subordination agreements limit the circumstances under which a deed of trust could be enforced. A default would usually mean that the successor agency could not collect any loan proceeds because there is

insufficient equity. Such action could force the business to close permanently, which would reduce property and sales tax proceeds and impact taxing entities.

On March 4, 2020, the Governor declared a State of Emergency in California due to the threat of the Novel Coronavirus Disease 19 ("COVID-19"). On March 5, 2020, the Sacramento County Public Health Officer declared a public health emergency in Sacramento County from COVID-19 and then issued an Order of the County Health Officer to Stay at Home or Place of Residence on March 19, 2020. That order imposes strong restrictions on the activities of persons and the operation of businesses throughout the county. Due to these and other actions from federal, state, and local health officials, there has been an unprecedented disruption of business throughout the country and locally throughout Sacramento County. These required business closures have dramatically affected the financial position of businesses including those in the successor agency's portfolio, often reducing their revenues to unprecedented lows. Only recently have public health officers allowed some businesses to reopen, but with restrictions which significantly limit patronage.

To date, RASA has received two requests for loan payment deferment; for the owner of Ella Dining Room and Bar restaurant at 12th and K for their tenant improvement loan due to the closure order and the Sacramento News and Review for their Del Paso Boulevard building loan due to a reduction in advertising revenue. The City of Galt, serving as that jurisdiction's Successor Agency, has also received a similar request from a restaurant and has negotiated a loan modification to defer payment and extend the loan term.

Discussion

Staff is seeking authorization from the Oversight Board to establish a framework for allowing successor agencies to address these requests for a loan workout. Staff is requesting flexibility to review each loan payment deferral request and make a determination based on the financial circumstances of each borrower with a maximum allowed deferment period of twelve (12) months from March 2020 through February 2021. A twelve-month window for deferment will allow the successor agencies flexibility to assess the needs of each business to recover from the temporary closure order, the continued reduction in revenues, and the potential spike in COVID-19 cases in the fall. Until a vaccine is developed so that social distancing is no longer needed, it is anticipated that the public will not resume the same level of robust business patronage as experienced earlier this year.

Recommendation

Successor agency staff is recommending that the Oversight Board authorize the deferral of loan payments based on COVID-19 financial impacts for a maximum period of twelve (12) months in consideration for extending the loan term by the same number of months. The loan terms would remain the same. Whether interest is charged on those deferred payments would be subject to the

discretion of each individual successor agency, since that would increase the loan payments or require a lump sum payment at maturity. The twelve-month period would begin with any payments due on or after March 1, 2020.

Respectfully submitted,

Leslie Fritzsche, RASA Staff

Attachments:

1 – Resolution

RESOLUTION NO. 2020 - 0007

ADOPTED BY THE SACRAMENTO COUNTYWIDE OVERSIGHT BOARD

AUTHORIZING LOAN PAYMENT DEFERRAL TO COVID-19 ORDERS

WHEREAS, pursuant to Health and Safety Code (HSC) Section 34173(d)(2), cities within the County of Sacramento and Sacramento County elected to serve as the successor agency to the prior redevelopment agencies. The actions of successor agencies are now overseen by the Sacramento Countywide Oversight Board; and

WHEREAS, one of the duties of successor agencies is to collect loan payments under loans issued by the dissolved redevelopment agency, which revenues are applied to making payments on agency obligations such as bond debt; and

WHEREAS, due to COVID-19 public health orders to shelter in place, many businesses with redevelopment agency loans have had to close temporarily, impacting their revenues and ability to make loan payments, especially restaurants and retail businesses; and

WHEREAS, although public health officials are now allowing businesses to reopen, the COVID-19 mitigations impact the level of patrons they can serve and the public is still hesitant to frequent businesses while the risk of contracting COVID-19 persists; and

WHEREAS, some borrowers have asked successor agencies to allow deferment of payments on redevelopment agency loans due to COVID-19 related revenue losses in order to avoid loan defaults; and

WHEREAS, to avoid loan defaults and business closures, which would result in significant revenue losses for taxing entities, allowing deferral of loan payments for up to twelve (12) months for the period March 2020 through February 2021, is in the best interest of the taxing entities.

NOW, THEREFORE, BE IT RESOLVED that the Sacramento Countywide Oversight Board of Sacramento, State of California, hereby authorizes redevelopment agency successor agencies to allow deferral of redevelopment agency loan payments for borrowers financially impacted by COVID-19 public health orders, for up to twelve (12) months, March 2020 to February 2021.

On a motion by Member Dozier, seconded by Member Frye, the foregoing Resolution was passed and adopted by the Sacramento County Oversight Board this 18th day of June 2020, by the following vote, to wit:

AYES: Directors Dozier, Frye, Harriharan, Sanchez

NOES: Directors, (None)

ABSENT: Directors, Shenirer, Givans, Rodriquez

ABSTAIN: Directors, (None)

RECUSAL: Directors, (None)
(PER POLITICAL REFORM ACT (§ 18702.5.))



[Handwritten Signature]

Clerk, Sacramento Countywide
Oversight Board

[Handwritten Signature]

Chairperson, Sacramento Countywide
Oversight Board

FILED
BOARD OF DIRECTORS
JUN 18 2020
[Handwritten Signature]
BY _____
CLERK OF THE BOARD

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chair on June 18, 2020
By: *[Handwritten Signature]*
Deputy Clerk, Board of Directors

No Board Action Memo

COUNTYWIDE OVERSIGHT BOARD

MEETING DATE:

Thursday, June 18, 2020

Subject: Comments From The Agency Staff

Board Action: No comments were made.

COUNTYWIDE OVERSIGHT BOARD

MEETING DATE:

THURSDAY, JUNE 18, 2020

Subject: Comments From The Agency Staff

**NO MATERIAL AVAILABLE
AT THE TIME OF AGENDA PREPARATION**

No Board Action Memo

COUNTYWIDE OVERSIGHT BOARD

MEETING DATE:

Thursday, June 18, 2020

Subject: Comments From The Board Members

Board Action: No comments were made.

COUNTYWIDE OVERSIGHT BOARD

MEETING DATE:

THURSDAY, JUNE 18, 2020

Subject: Comments From The Board Member

**NO MATERIAL AVAILABLE
AT THE TIME OF AGENDA PREPARATION**

No Board Action Memo

COUNTYWIDE OVERSIGHT BOARD

MEETING DATE:

Thursday, June 18, 2020

Subject: Comments From The Public

Board Action: No public comments were made.

COUNTYWIDE OVERSIGHT BOARD

MEETING DATE:

THURSDAY, JUNE 18, 2020

Subject: Comments From The Public

**NO MATERIAL AVAILABLE
AT THE TIME OF AGENDA PREPARATION**