

**AGENDA
COUNTYWIDE OVERSIGHT BOARD
(Teleconference)**

MONDAY

MAY 10, 2021

1:30 PM

MEMBERS:

Troy Givans (Vice-Chair), Sacramento County Board of Supervisors appointee; Jay Schenirer (Chair), City Selection Committee appointee; LaShelle Dozier, Employee Organization appointee; Nick Schweizer, Sacramento County Office of Education appointee; Terri Leimbach, Special District appointee; Jeff Frye, Special District alternate; Mario Rodriguez, Community College appointee; Amar Hariharan, Member of the Public

STAFF:

Deon Merene, Legal Counsel; Wendy Hartman, Oversight Board Administrator; Alma Munoz, Assistant Clerk; Grazyna Dawlewicz, Deputy Clerk; John Lundgren, Oversight Board Staff

PUBLIC COMMENT PROCEDURES

In compliance with directives of the County, State, and Centers for Disease Control and Prevention (CDC), this meeting is live stream and closed to public attendance. Meeting procedures are subject to change pursuant to guidelines related to social distancing and minimizing person-to-person contact.

Live Meeting Comment

Make a verbal public comment during a meeting. The public comment phone line will open 15-minutes prior to the start of the meeting. Refer to the agenda and listen to the live meeting to determine when is the best time to call to be placed in queue to make a public comment. Callers may be on hold for up to an extended period of time and should plan accordingly. Dial (916) 875-2500 and follow the prompts to be placed in queue for a specific agenda item or off-agenda matter. When the Chair opens public comment for a specific agenda item or off-agenda matter, callers will be transferred from the queue into the meeting to make a verbal comment. Each agenda item queue will remain open until the public comment period is closed for that specific item.

Written Comment

- Send an email comment to BoardClerk@saccounty.net. Include meeting date and agenda item number or off-agenda item. Contact information is optional.
- Mail a comment to 700 H Street, Suite 2450, Sacramento, CA 95814. Include meeting date and agenda item number or off-agenda item. Contact information is optional.
- Written comments are distributed to members, filed in the record, and will not be read aloud.

May 10, 2021

VIEW MEETING

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- Audio from a PC: <https://primetime.bluejeans.com/a2m/live-event/awdevrdy>
- Audio from a mobile device: <https://primetime.bluejeans.com/a2m/live-event/awdevrdy> (Enter Event ID Code: **awdevrdy**)
- Teleconference (audio only) dial: (415) 466-7000 (Enter PIN Code: **4343721#**)

MEETING MATERIAL

The online version of the agenda and associated material is available at <http://sccob.saccounty.net> (click "Public Meetings" and "Sacramento Countywide Oversight Board"). Some documents may not be posted online because of size or format limitations. Contact the Clerk's Office at (916) 874-5411 for arrangements to obtain copies of documents.

ACCOMODATIONS

Requests for accommodations pursuant to the Americans with Disabilities Act (ADA) should be made with the Clerk's Office by telephone at (916) 874-5411 (voice) and CA Relay Services 711 (for the hearing impaired) or email at BoardClerk@saccounty.net prior to the meeting.

SECTION I - CALL TO ORDER

SECTION II - ROLL CALL

SECTION III - ACTION / DISCUSSION MATTERS

1. Approval Of A Resolution Of The Sacramento Countywide Oversight Board Directing And Approving The Issuance Of Refunding Bonds By The Successor Agency To The Former Galt Redevelopment Agency, Making Certain Determinations, And Providing For Other Matters Properly Relating Thereto
2. Approval Of A Resolution Of The Sacramento Countywide Oversight Board Approving The City of Sacramento Redevelopment Agency Successor Agency Orleans Hotel Restaurant Loan Modification Request

SECTION IV – SUCCESOR AGENCY STAFF COMMENTS

3. Comments From The Agency Staff

SECTION V – BOARD MEMBER COMMENTS

4. Comments From The Board Members

SECTION VI – CITIZENS COMMENTS

5. Comments From The Public

SECTION VII - ADJOURNMENT

City of Folsom
City of Galt
City of Isleton
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
Nick Schweizer

For the Agenda of: May 10, 2021
Agenda Item: 1

To: Sacramento Countywide Oversight Board

From: Successor Agency to the Galt Redevelopment Agency

Subject: Resolution Of The Sacramento Countywide Oversight Board Directing And Approving The Issuance Of Refunding Bonds By The Successor Agency To The Former Galt Redevelopment Agency, Making Certain Determinations, And Providing For Other Matters Properly Relating Thereto

Report Type: Action

Contact: Claire Tyson, Finance Director, City of Galt (209) 366-7145

Overview

The former Galt Redevelopment Agency (the "Agency") previously issued its \$7,720,000 2011 Tax Allocation Refunding Bonds, Series A (the "2011A Bonds") and \$6,005,000 2011 Taxable Tax Allocation Bonds, Series B (the "2011B Bonds" and combined the "2011 Bonds") on March 2, 2011. The 2011 Bonds can be called and prepaid without premium on September 1, 2021 for savings as described below. The Agency would like to refund the bonds in order to lower interest rates and reduce debt service payments, resulting in savings that flow through to all affected taxing agencies. The refunding will also apply available 2011 Bond proceeds remaining on-hand toward paying off a large portion of the 2011 Bonds, which the Department of Finance encouraged in its ROPS 21-22 determination letter.

Background

Former California redevelopment agencies issued Tax Allocation Bonds to finance redevelopment projects in redevelopment project areas. The Agency issued the 2011 Bonds for redevelopment projects. Debt service for such bonds is a payable from the Redevelopment Property Tax Trust Fund ("RPTTF") that was established to fund outstanding obligations of the former Agency. Payment of debt service on the

Resolution of the Sacramento Countywide Oversight Board Directing and Approving the Issuance of Refunding Bonds by the Successor Agency to the Former Galt Redevelopment Agency, Making Certain Determinations, and Providing for Other Matters Properly Relating Thereto
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2011 Bonds is an enforceable obligation and must be approved by the Oversight Board and DOF on an Annual Recognized Obligation Payment Schedule ("ROPS"). Any RPTTF remaining after funding debt service, pass-through payments and enforceable obligations is distributed to affected taxing agencies as residual RPTTF. The 2011 Bonds can now be refinanced with savings that will flow back to the affected agencies through an increased RPTTF.

Discussion

2011A Bonds: The 2011A Bonds have a final maturity of September 1, 2033. There remains unexpended bond proceed amounts of approximately \$4,113,813 from the 2011A Bonds which will be used to pay-off these bonds as described below.

2011B Bonds: The 2011B Bonds have a final maturity of September 1, 2026. There remains unexpended bond proceed amounts of approximately \$2,851,518 from the 2011B Bonds which will allow for a cash defeasance for these bonds as described below.

Proposed 2021 Refunding Bonds: The proposed 2021 Tax Allocation Refunding Bonds (the "2021 Bonds") are anticipated to be issued in one series, that will be tax-exempt and payable from available tax increment in the RPTTF. The issuance will allow the Successor Agency to:

1. Provide savings that will flow back to the affected agencies as described below; and
2. Pay off in full the 2011 Bonds through the issuance of the 2021 Bonds; the 2021 Bonds will not extend the original final maturity date of the 2011 Bonds.

Estimated Savings and Benefits to Affected Agencies: To maximize the cashflow savings to benefit the City and the affected agencies, the 2021 Bonds will be structured with upfront savings. As of April 1, 2021 it is estimated that the total gross (nominal) savings, combined with the savings from the cash defeasance of the 2011B Bonds, would be \$12,948,906 with net present (today's dollars) savings of \$2,636,739. This represents a net present value of 24.02 percent of the 2011 Bonds that are being refunded. The savings is net of all cost of issuance; thus, such costs are included in the savings analysis. This assumes a public offering of the 2021 Bonds based on a receiving bond insurance with a rating of AA, a debt service reserve fund surety, and current interest rates of April 1st. Savings figures account for costs of issuance. This high level of savings more than meets the requirements

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for issuing tax allocation refunding bonds set forth in Health and Safety Code Section 34177.5(a)(1).

The savings will be in the form of an increase in Residual RPTTF to affected taxing agencies. Therefore, all taxing agencies that currently receive a share of RPTTF will benefit by the Successor Agency refinancing the 2011 Bonds.

The following table presents an estimate of total gross savings, based on current interest rates, that the affected agencies will see over a 10-year period:

<u>Taxing Agency</u>	<u>Factor</u>	<u>Total Gross Savings</u>
GALT JT UNION ELEMENTARY	0.0651945	\$ 844,198
GALT JT UNION HIGH SCHOOL	0.1087776	1,408,550
COUNTY WIDE EQUAL	0.0010172	13,172
EQUALIZATION GALT	0.0508623	658,611
COUNTY LIBRARY	0.0158466	205,196
COUNTY GENERAL	0.1250201	1,618,874
GALT ARNO CEMETERY	0.0058860	76,217
SLOUGHHOUSE RESOURCES	0.0000010	13
SMR EDUCATION	0.0024413	31,612
PHYSICAL HANDICAPPED ELEM	0.0040238	52,104
JUVENILE HALL	0.0004294	5,560
REGIONAL OCCUP CENTER	0.0007459	9,658
INFANT DEV PHYS HANDICAPP	0.0000451	585
INFANT DEV MENT HANDICAPPED	0.0000451	585
GALT ELEMENTARY CSBA	0.0001354	1,754
GALT HIGH SCHOOL CSBA	0.0000451	585
CHILDREN'S INSTITUTIONS	0.0034811	45,076
COUNTY SUPT ADMINISTRATION	0.0020119	26,052
SACT YOLO MOSQUITO	0.0067365	87,230
SAN JOAQUIN DELTA JR. COLLEGE	0.0261770	338,964
DEV CENTER HANDICAPPED	0.0011301	14,634
ERAF COMMUNITY COLLEGE	0.0228616	296,033
ERAF K 12	0.1818520	2,354,785
CITY OF GALT	0.1680543	2,176,119
COSUMNES CSD GALT FIRE	0.2071775	2,682,722
	1.0000000	\$ 12,948,887

Source: Sacramento County Auditor-Controller; Based on FY 2020-21 Factors

Method of Sale: This analysis is based on a public offering of the 2021 Bonds. The 2011 Bonds were also issued through a public offering. In a public offering a rating for the bonds is obtained and is sold to many investors through a Preliminary Official Statement. A Debt Service Reserve Fund, typically about 10% of the par amount of the bonds, is funded into the issue, which will then be used to make the last payment on the bonds or funded with a reserve fund surety policy from an insurer.

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A private placement will also be considered to sell the 2021 Bonds. In a private placement, a Term Sheet is prepared that is then sent to several banks who bid on tax-exempt debt. Bids are requested by a certain date and then evaluated by the Staff and Financial Advisor, with input from other members of the Financing Team. City of Galt Staff ("City Staff"), in discussion with its Financial Advisor and input from other members of the Financing Team, will determine whether it is best to proceed with a public offering or to go with a private placement of the 2021 Bonds in May and proceed accordingly.

Tentative Schedule* of Bond Refunding: If the Oversight Board approves this recommended action, the estimated timeline and steps to issue the Series 2021 Bonds are as follows:

- May 10 Oversight Board approves Resolution
- May 12 Oversight Board Resolution sent to Department of Finance
- May 24 Determine Method of Sale: Public Offering or Private Placement
- June 15 Successor Agency approves Preliminary Official Statement**
- July 16 Department of Finance approves Refinancing
- July 28-29 Preprice and Price Bonds**
- August 1 Conditional Call Notice sent to Series 2011 Bondholders
- August 17-18 Preclosing and Closing
- September 1 Series 2011 are paid off

* Subject to change

** If Public Offering is used

In accordance with Government Code Section 5852.1, the following information has been obtained and disclosed to the Oversight Board in connection with the approval of the issuance of the Refunding Bonds: (i) the estimated true interest cost of the Refunding Bonds (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Refunding Bonds) is 2.45%, (ii) the estimated finance charge of the Refunding Bonds (being the sum of all fees and charges paid to third parties) is \$ 376,568.98, (iii) the estimated proceeds of the Refunding Bonds expected to be received, net of proceeds for finance charges in (vi) above to paid from the principal amount of the Refunding Bonds and any reserves or capitalized interest paid or funded with Refunding Bonds is \$3,092,629.22, and (v) the estimated total payment amount of the Refunding Bonds (being the sum of debt service plus finance to be paid to final maturity, plus any financing costs not paid from proceeds of the Refunding Bonds)

Resolution of the Sacramento Countywide Oversight Board Directing and Approving the Issuance of Refunding Bonds by the Successor Agency to the Former Galt Redevelopment Agency, Making Certain Determinations, and Providing for Other Matters Properly Relating Thereto
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is \$4,317,290.00. This information is based on good-faith estimates provided by the Successor Agency's municipal advisor and underwriter.

Recommendation

It is recommended that the Sacramento Countywide Oversight Board direct and approve the issuance of Refunding Bonds by the Successor Agency to the former Galt Redevelopment Agency, Making Certain Determinations, and providing for other matters properly relating thereto.

Respectfully submitted,

Claire Tyson, Finance Director, City of Galt

Attachments:

RES - Resolution of the Sacramento Countywide Oversight Board Directing and Approving the Issuance of Refunding Bonds by the Successor Agency to the Former Galt Redevelopment Agency, Making Certain Determinations, and Providing for Other Matters Properly Relating Thereto

RESOLUTION NO. 2021 –

ADOPTED BY THE SACRAMENTO COUNTYWIDE OVERSIGHT BOARD

RESOLUTION OF THE SACRAMENTO COUNTYWIDE OVERSIGHT BOARD DIRECTING AND APPROVING THE ISSUANCE OF REFUNDING BONDS BY THE SUCCESSOR AGENCY TO THE FORMER GALT REDEVELOPMENT AGENCY, MAKING CERTAIN DETERMINATIONS, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, pursuant to Assembly Bill ("AB") x1 26, enacted on June 28, 2011, and as subsequently amended by AB 1484, AB 471, Senate Bill ("SB") 341, and SB 107 ("Dissolution Act"), the Galt Redevelopment Agency was dissolved as of February 1, 2012, and the City of Galt elected to serve as the Successor Agency to the former Redevelopment Agency to the City of Galt (the "Former Agency"); and

WHEREAS, pursuant to Health and Safety Code Section 34179(q), commencing on and after July 1, 2018, the County of Sacramento shall have a consolidated oversight board; and

WHEREAS, in order to finance redevelopment activities of the Former Agency, the Former Agency previously issued its Galt Redevelopment Project 2011 Tax Allocation Bonds, Series A and Galt Redevelopment Project 2011 Taxable Tax Allocation Bonds, Series B (the "Prior Bonds");

WHEREAS, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters");

WHEREAS, to determine compliance with the Savings Parameters for purposes of the issuance by the Successor Agency of its 2021 Tax Allocation Refunding Bonds, Series A and 2021 Taxable Tax Allocation Refunding Bonds, Series B (together, the "Refunding Bonds"), the Successor Agency has caused its municipal advisor to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to refund the Prior Bonds (the "Debt Service Savings Analysis");

WHEREAS, the Successor Agency by its resolution adopted on May 10, 2021 (the "Successor Agency Resolution") approved the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1);

WHEREAS, in the Successor Agency Resolution, the Successor Agency authorized the execution and delivery of the Indenture of Trust, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, providing for the issuance of the Refunding Bonds;

WHEREAS, in the Successor Agency Resolution, the Successor Agency also requested that this Oversight Board approve the issuance of the Refunding Bonds and that this Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds;

WHEREAS, Sections 34177.5(f) and 34180(b) require Oversight Board approval of the issuance of the Refunding Bonds;

NOW, THEREFORE, BE IT RESOLVED that the Sacramento Countywide Oversight Board of Sacramento, State of California, hereby approves as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Determination of Savings. This Oversight Board acknowledges that the Debt Service Savings Analysis on file with the Secretary of the Oversight Board demonstrates that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters that would result from the issuance by the Successor Agency of the Refunding Bonds to refund and defease the Prior Bonds. The Oversight Board finds that the issuance of the Refunding Bonds is in the financial interests of the taxing entities, provided that the limitations set forth in Section 34177.5(a)(1) are satisfied and the Savings Parameters are achieved.

Section 3. Direction and Approval of Issuance of the Bonds. As authorized by Sections 34177.5(f) and 34180(b), the Oversight Board hereby authorizes the Successor Agency to undertake the refunding proceedings and approves the issuance of the Refunding Bonds in the aggregate principal amount not to exceed the amount necessary to refund the Prior Bonds, pay issuance costs as permitted by applicable law, and establish required debt

service reserves, provided that the principal and interest payable with respect to the Refunding Bonds complies in all respects with the requirements of the Savings Parameters. The Refunding Bonds may be issued as a single issue, or from time to time, in separate series, each of which may be issued on a taxable or tax-exempt basis, as the Successor Agency shall determine is necessary to comply with Federal tax laws. The Oversight Board's approval of the issuance of the Refunding Bonds pursuant to this Resolution shall constitute the approval of each and every separate series of Refunding Bonds, and the sale of the Refunding Bonds in whole or in part, provided that in each such instance the Refunding Bonds so sold and delivered are in compliance with the Savings Parameters.

Section 4. Determinations by the Oversight Board. The Oversight Board makes the following determinations upon which the Successor Agency shall rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

- a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City of Galt for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds, to the extent not paid from property tax revenues available to the Successor Agency;
- b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of all or a portion of the Prior Bonds, as well as the payment by the Successor Agency of costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, notwithstanding Section 34177.3 or any other provision of law to the contrary, without requiring further approval of the Oversight Board, the California Department of Finance, the Sacramento County Auditor-Controller-Treasurer-Tax Collector or any other person or entity other than the Successor Agency; and
- c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance (as defined in Section 34171) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of

Issuance”), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition, if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings of the Refunding Bonds from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

Section 5. Further Actions Authorized. The Successor Agency is authorized to take all such further actions as necessary to implement the intent of this Resolution, including without limitation, the execution of agreements required in connection with the issuance and sale of the Refunding Bonds by the Successor Agency.

Section 6. Effective Date. Pursuant to Section 34177(f) and Section 34179(h), this Resolution shall be effective five (5) business days after proper notification hereof is given to the California Department of Finance unless the California Department of Finance requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the California Department of Finance.

Section 7. Transmittal. Staff to the Oversight Board are hereby directed to transmit this Resolution to the California Department of Finance.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Sacramento County Oversight Board this 10th day of May 2021, by the following vote, to wit:

AYES: Directors,

NOES: Directors,

ABSENT: Directors,

ABSTAIN: Directors,

RECUSAL: Directors,
(PER POLITICAL REFORM ACT (§ 18702.5.))

Chairperson, Sacramento Countywide
Oversight Board

ATTEST: _____
Clerk, Sacramento Countywide
Oversight Board



Transmitted via e-mail

April 8, 2021

Claire Tyson, Finance Director
City of Galt
380 Civic Drive
Galt, CA 95632

2021-22 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Galt Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to the California Department of Finance (Finance) on January 28, 2021. Finance has completed its review of the ROPS 21-22.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 1 and 2 – 2011 Tax Allocation Bonds Series A and B. The scheduled debt service payments for the 2011 bonds are approved. However, Finance notes the Agency has excess 2011 bond proceeds. Pursuant to HSC section 34191.4 (c) (2) (C), the remaining proceeds that cannot be spent pursuant to HSC section 34191.4 (c) (2) (A) or (B) shall be used at the earliest date permissible under the applicable bond covenants to defease the bonds or purchase those same outstanding bonds on the open market for cancellation. Therefore, Finance encourages the Agency to use remaining 2011 proceeds to defease the 2011 bonds on the earliest date permitted under the indenture to successfully wind down the Agency.
- Item No. 42 – Continuing Disclosure underfunded as Item No. 6 during the period July 1, 2018 through June 30, 2019 (ROPS 18-19) in the amount of \$214 is not allowed. It is our understanding this item was paid with Other Funds during the ROPS 18-19 period. Therefore, this item is not an enforceable obligation and the requested amount of \$214 from Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.
- Item No. 43 – Trustee Fees underfunded as Item No. 7 during the ROPS 18-19 period in the amount of \$1,150 is not allowed. It is our understanding this item was paid with Other Funds during the ROPS 18-19 period. Therefore, this item is not an enforceable obligation and the requested amount of \$1,150 from RPTTF is not allowed.

- On the ROPS 21-22 form, the Agency reported cash balances and activity for the ROPS 18-19 period. According to our review, the Agency has approximately \$28,974 in Other Funds available to fund enforceable obligations on the ROPS 21-22. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funding. This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 1 – 2011 Tax Allocation Bond Series A in the amount of \$567,568 is partially reclassified. Finance is approving RPTTF in the amount of \$538,594 and the use of Other Funds in the amount of \$28,974, totaling \$567,568.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 18-19 period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The County Auditor-Controller's review of the PPA form submitted by the Agency resulted in no PPA.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,571,888, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance does not object to the remaining items listed on the ROPS 21-22. If the Agency disagrees with our determination with respect to any items on the ROPS 21-22, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>


This determination is effective for the ROPS 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Anna Kyumba, Supervisor, or Michael Barr, Staff, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Michelle Neeley, Accounting Manager, City of Galt
Ben Lamera, Finance Director, Sacramento County

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 930,692	\$ 421,534	\$ 1,352,226
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,055,692	546,534	1,602,226
RPTTF Requested	930,692	421,534	1,352,226
<u>Adjustment(s)</u>			
Item No. 1	(28,974)	0	(28,974)
Item No. 42	(214)	0	(214)
Item No. 43	(1,150)	0	(1,150)
	(30,338)	0	(30,338)
RPTTF Authorized	900,354	421,534	1,321,888
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 1,025,354	\$ 546,534	\$ 1,571,888

**City of Folsom
City of Galt
City of Isleton
City of Sacramento
County of Sacramento**

**SACRAMENTO COUNTYWIDE
OVERSIGHT BOARD**

Oversight Board Members
La Shelle Dozier
Troy Givans
Amar Hariharan
Terri R. Laimbach
Mario Rodriquez
Jay Schenirer
Nick Schweizer

**For the Agenda of: May 10, 2021
Agenda Item: 2**

To: Sacramento Countywide Oversight Board
From: City of Sacramento Redevelopment Agency Successor Agency (RASA)
Subject: Orleans Hotel Restaurant Loan Modification
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 (Agency) 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 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 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 modify the existing loan for the Orleans Hotel to accommodate a refinancing of their existing first loan which is becoming due at a time when revenues for the business have been dramatically lowered. This action will help stabilize the business so that the Agency loan payments can be made and avoid foreclosure. The terms of the Agency loan would reduce the annual payment for the next four years but would resume back to \$65,000 in 2030, with a six-year extension of the loan term with a full pay-out accomplished in 2032.

Background

In 1970, the City of Sacramento condemned the property located at 1022 2nd Street in Old Sacramento, took ownership of the parcel and demolished the then existing building. The parcel sat vacant and boarded up until the early 2000's at which time the City of Sacramento issued an RFP to develop the site along with three other undeveloped sites in Old Sacramento. After various

proposals by large developers, nothing came to fruition. In 2006, the Harvego family, a local family developer and owner of the Firehouse Restaurant, came forward with a proposal to develop the site through a new entity, Old Sac Properties, LLC. In 2007, the Redevelopment Agency provided a loan and a forgivable grant to develop a new building on the vacant site which replicated the façade of the previous historic building.

The project was developed into 24 modern residential rental units, underground parking and a shell space for a ground floor restaurant including a large back patio. While there was great interest in the restaurant space as development began, the great recession of 2008 hit and by the time the building was finished in late 2008, all interest in the space vanished. Knowing the importance of activating the ground floor of the new building, the Harvego family began planning the opening of a new restaurant for the space which became known as Ten22. To help with the costs of development, the Agency provided the landlord, Old Sac Properties, LLC with a \$650,000 loan.

Ten22 operated from 2009 until early 2018. In late 2018 a lease for the space was signed with Hoppy Brewing Company, who formerly operated their brewery and restaurant on Folsom Boulevard for the previous 21 years.

The restaurant business has been more than challenging and the revenue generated by Hoppy Brewing Company is below the 2018 revenues. The restaurant has been closed or limited to outdoor dining throughout the last year because of government COVID-19 restrictions. This decrease in revenue and dramatically decreased ability to pay projected rent and has caused a financial challenge for the property owner, Old Sac Properties.

Discussion

Repayment of the \$650,000 Agency loan was to be in the form of ten, \$65,000 annual payments beginning in December of 2017. Old Sac Properties has made three payments to date and the outstanding balance is \$455,000. The 2020 payment was deferred because of the COVID-19 pandemic under the prior Oversight Board authorization.

Old Sac Properties is in the process of refinancing its primary loan with Umpqua Bank who provided the original construction financing and has been invested in Old Sacramento ever since. While the loan is due on May 10, 2021, the lender has provided an extension until July 31, 2021. The \$65,000 annual payment for the Agency loan is counted as an expense to the borrower and included when the lender calculates the debt coverage ratio (income divided by debt payment). If Old Sac Properties is required to pay the full \$65,000 annual payment, it will not be in compliance with the minimum of 1.2 Debt Coverage Ratio required by the bank. At any point should the debt coverage ratio drop below that threshold of 1.2, Old Sac Properties will be in default on the loan. Old Sac Properties is seeking to modify the repayment schedule of the Agency loan to provide the best opportunity to maintain the Debt Coverage Ratio and not default on its bank loan. They are not

seeking forgiveness, but rather extending the term by six years to allow for a reduction in the Agency payments in the short term to allow the project to improve its financial performance as we emerge from the COVID-19 pandemic, meet Umpqua Bank's requirements, and still pay the Agency's loan back in full.

To protect the financial interests of RASA by ensuring that the senior loan does not go into default, staff is recommending modifying the Orleans loan to allow for a refinancing of the senior debt. The terms of the loan would be extended for an additional five years and payments would be set to allow for a debt coverage ratio of 1.25 (a cash flow pro-forma is included as Attachment 1). RASA would receive lower annual revenues in the short term but would be totally repaid over the new term thus preventing a default on its loan and allowing the senior loan to be refinanced for a 25-year period.

Loan payments on the RASA loan would be reduced initially but would exceed original levels in 2030 with a full pay-out accomplished in 2032.

Recommendation

Staff is recommending the proposed loan modification because it provides for a refinancing of the project's senior debt which will stabilize the financial position of the project. By allowing this increased flexibility in the loan repayment terms, RASA enhances the likelihood that its loan does not go into default and that full repayment of the indebtedness can occur. The turbulent nature of the restaurant business combined with the challenging location of Old Sacramento and impact of COVID have resulted in uneven cash flows for the Orleans project and provide support for changing the terms of the restaurant loan to reflect the project's condition.

Respectfully submitted,

Leslie Fritzsche, RASA Staff

Attachments:

- RES – Repayment Schedule for Orleans Hotel Restaurant Loan
- Exhibit A - Repayment Schedule for Orleans Hotels Restaurant
- ATT 1 - Income Statement

**RESOLUTION NO. 2021 -
ADOPTED BY THE SACRAMENTO
COUNTYWIDE OVERSIGHT BOARD**

**AUTHORIZING ORLEANS HOTEL
RESTAURANT LOAN MODIFICATION**

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 is 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, COVID-19 has also impacted visitor travel negatively impacting areas like Old Sacramento and

WHEREAS, in order to avoid loan defaults and business closures, which would result in significant revenue losses for taxing entities, allowing modifications to loan terms as needed to increase the likelihood for full repayment of the indebtedness under the Redevelopment Agency of the City of Sacramento's loan is appropriate.

NOW, THEREFORE, BE IT RESOLVED that the Sacramento Countywide Oversight Board of Sacramento, State of California, hereby authorizes the Sacramento Redevelopment Agency Successor Agency to modify the terms of the Orleans Hotel Restaurant Loan to provide for an extension of the loan by six years and modify the payments as provided for in Exhibit A in order to prevent loan default.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Sacramento County Oversight Board this 10th day of May 2021, by the following vote, to wit:

AYES: Directors,

NOES: Directors,

ABSENT: Directors,

Resolution Authorizing the Orleans Hotel Loan Modification
Page 2 of 2, May 10, 2021

ABSTAIN: Directors,

RECUSAL: Directors,
(PER POLITICAL REFORM ACT (§ 18702.5.))

Chairperson, Sacramento Countywide
Oversight Board

ATTEST: _____
Clerk, Sacramento Countywide
Oversight Board

EXHIBIT A - ORLEANS HOTEL RESTAURANT LOAN MODIFICATION
May-21

Proposed Payback Schedule	Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	TOTAL
Original Payment		\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000				\$455,000
Proposed		\$0	\$13,000	\$20,000	\$27,000	\$34,000	\$41,000	\$47,000	\$55,000	\$62,000	\$70,000	\$78,000	\$8,000	\$455,000

Income Statement

Attachment 1

Orleans Building

	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Total-21	Total-22	Total-23	Total-24	Total-25	Total-26	Total-27	Total-28	Total-29	Total-30	Total-31	Total-32	Total-33	Total-34	Total-35	Total-36	Total-37
Income																	
Application Fee Income	200	200	208	216	\$225	\$234	\$243	\$253	\$263	\$274	\$285	\$296	\$307	\$318	\$329	\$340	\$351
Parking Income	25100	27600	28704	29852	\$31,046	\$32,288	\$33,580	\$34,923	\$36,320	\$37,773	\$39,283	\$40,855	\$42,489	\$44,185	\$45,944	\$47,767	\$49,655
Rent Income	499795	516000	536640	558106	\$580,640	\$603,679	\$627,793	\$652,905	\$679,021	\$706,182	\$734,429	\$763,806	\$794,324	\$826,083	\$859,084	\$893,429	\$929,130
Retail Income	66000	81000	84240	87610	\$91,114	\$94,759	\$98,549	\$102,491	\$106,590	\$110,854	\$115,288	\$119,900	\$124,691	\$129,661	\$134,810	\$140,139	\$145,649
Storage Income	4195	4800	4992	5192	\$5,399	\$5,615	\$5,840	\$6,074	\$6,316	\$6,569	\$6,832	\$7,105	\$7,388	\$7,680	\$7,981	\$8,291	\$8,610
Total Income	593790	629600	654784	680975	\$708,214	\$736,543	\$766,005	\$796,645	\$828,511	\$861,651	\$896,117	\$931,962	\$969,191	\$1,007,815	\$1,047,944	\$1,089,579	\$1,132,720
Expense																	
Cleaning and Maintenance	3360	3528	3704	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cleaning and Maintenance - Other	31439	33011	34661	36394	\$4,084	\$4,288	\$4,503	\$4,728	\$4,964	\$5,212	\$5,473	\$5,747	\$6,034	\$6,334	\$6,647	\$6,973	\$7,311
Maintenance Contracts	7944	8341	8758	9196	\$9,656	\$10,139	\$10,646	\$11,178	\$11,737	\$12,324	\$12,940	\$13,587	\$14,256	\$14,947	\$15,671	\$16,428	\$17,219
Dues & Subscriptions	21870	22963	24111	25317	\$26,583	\$27,912	\$29,307	\$30,773	\$32,312	\$33,927	\$35,623	\$37,405	\$39,274	\$41,231	\$43,276	\$45,407	\$47,625
Comm/Umhrella Insurance	3900	4095	4300	4515	\$4,740	\$4,977	\$5,226	\$5,488	\$5,762	\$6,050	\$6,353	\$6,670	\$7,001	\$7,347	\$7,709	\$8,086	\$8,479
Flood Insurance	200	210	221	232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$376	\$394	\$412	\$431
Background and App Fees	1100	1155	1213	1273	\$1,337	\$1,404	\$1,474	\$1,548	\$1,625	\$1,706	\$1,792	\$1,881	\$1,974	\$2,071	\$2,172	\$2,277	\$2,386
Legal Fees	1960	2058	2161	2269	\$2,382	\$2,502	\$2,627	\$2,758	\$2,896	\$3,041	\$3,193	\$3,352	\$3,517	\$3,688	\$3,864	\$4,046	\$4,233
Licenses and Permits	9000	9450	9923	10419	\$10,940	\$11,487	\$12,061	\$12,664	\$13,297	\$13,962	\$14,660	\$15,393	\$16,161	\$16,964	\$17,802	\$18,675	\$19,583
Management Fee Expense	1575	1654	1736	1823	\$1,914	\$2,010	\$2,111	\$2,216	\$2,327	\$2,443	\$2,566	\$2,694	\$2,827	\$2,965	\$3,108	\$3,256	\$3,409
Memberships	36901	38116	40022	42023	\$44,124	\$46,330	\$48,647	\$51,079	\$53,633	\$56,315	\$59,131	\$62,087	\$65,181	\$68,414	\$71,786	\$75,297	\$78,947
Repairs & Maintenance	1100	1155	1213	1273	\$1,337	\$1,404	\$1,474	\$1,548	\$1,625	\$1,706	\$1,792	\$1,881	\$1,974	\$2,071	\$2,172	\$2,277	\$2,386
Supplies	112000	117600	123480	129654	\$136,137	\$142,944	\$150,091	\$157,595	\$165,475	\$173,749	\$182,436	\$191,558	\$201,124	\$211,144	\$221,618	\$232,547	\$243,931
Property Taxes	3300	3465	3638	3820	\$4,011	\$4,212	\$4,422	\$4,643	\$4,876	\$5,119	\$5,375	\$5,644	\$5,925	\$6,218	\$6,523	\$6,840	\$7,169
State Taxes	38324	40240	42252	44365	\$46,583	\$48,912	\$51,358	\$53,926	\$56,622	\$59,453	\$62,426	\$65,547	\$68,811	\$72,216	\$75,762	\$79,450	\$83,281
Gas & Electric	8291	8705	9140	9597	\$10,077	\$10,581	\$11,110	\$11,666	\$12,249	\$12,861	\$13,504	\$14,180	\$14,890	\$15,634	\$16,412	\$17,225	\$18,073
Telephone	39074	41028	43080	45343	\$47,495	\$49,879	\$52,363	\$54,982	\$57,731	\$60,617	\$63,648	\$66,831	\$70,165	\$73,658	\$77,310	\$81,121	\$85,091
Waste & Recycling	320738	336774	353613	371294	\$389,859	\$409,351	\$429,819	\$451,310	\$473,875	\$497,569	\$522,448	\$548,570	\$576,031	\$604,841	\$635,009	\$666,544	\$699,555
Total Expense	279052	292826	301171	309682	\$318,356	\$327,192	\$336,186	\$345,335	\$354,635	\$364,082	\$373,669	\$383,392	\$393,261	\$403,284	\$413,461	\$423,792	\$434,277
Net Operating Income																	
Percentage Revenue Increase #																	
Percentage Cost Increase #																	
City Debt																	
Umpqua Debt Service																	
Cash Flow	\$51,629.44	\$58,402.56	\$59,747.84	\$61,258.54	\$62,993	\$64,769	\$67,763	\$68,912	\$71,212	\$72,659	\$74,246	\$75,969	\$77,726	\$79,519	\$81,348	\$83,213	\$85,115
DCR	1.23	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Umpqua Principal																	
Interest Rate																	
Amortization																	
Hoppy Rent																	
Annual sales	\$1,100,000	\$1,350,000	\$1,500,000	\$1,600,000	\$1,700,000	\$1,800,000	\$1,900,000	\$2,000,000	\$2,100,000	\$2,200,000	\$2,300,000	\$2,400,000	\$2,500,000	\$2,600,000	\$2,700,000	\$2,800,000	\$2,900,000
Monthly sales	\$91,667	\$112,500	\$125,000	\$133,333	\$141,667	\$150,000	\$158,333	\$166,667	\$175,000	\$183,333	\$191,667	\$200,000	\$208,333	\$216,667	\$225,000	\$233,333	\$241,667
Percentage Rent	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Annual rent	\$66,000	\$81,000	\$90,000	\$96,000	\$102,000	\$108,000	\$114,000	\$120,000	\$126,000	\$132,000	\$138,000	\$144,000	\$150,000	\$156,000	\$162,000	\$168,000	\$174,000
Monthly rent	\$5,500	\$6,750	\$7,500	\$8,000	\$8,500	\$9,000	\$9,500	\$10,000	\$10,500	\$11,000	\$11,500	\$12,000	\$12,500	\$13,000	\$13,500	\$14,000	\$14,500
Proposed Payback Schedule																	
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Original Payment	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Proposed	\$13,000	\$13,000	\$20,000	\$27,000	\$34,000	\$41,000	\$47,000	\$55,000	\$62,000	\$70,000	\$78,000	\$8,000	\$455,000				

COUNTYWIDE OVERSIGHT BOARD

No Material Memo

Date: Monday, May 10, 2021

Subject: Comments From The Agency Staff

MATERIAL NOT INCLUDED

COUNTYWIDE OVERSIGHT BOARD

No Material Memo

Date: Monday, May 10, 2021

Subject: Comments From The Board Members

MATERIAL NOT INCLUDED

COUNTYWIDE OVERSIGHT BOARD

No Material Memo

Date: Monday, May 10, 2021

Subject: Comments From The Public

MATERIAL NOT INCLUDED