

NEW BUSINESS c

**STAFF REPORT  
OF  
Oversight Board to the Successor Agency of the  
South Tahoe Redevelopment Agency  
Meeting July 25, 2014**

**TO:** Honorable Chair and Members of the Oversight Board to the Successor Agency to the South Tahoe Redevelopment Agency

**FROM:** Thomas Watson, Legal Counsel for Successor Agency

**RE:** Re-Establishment of a 2004 Loan Agreement, Between the Former South Tahoe Redevelopment Agency and the City Of South Lake Tahoe, as an Enforceable Obligation

**RECOMMENDATION:**

Staff recommends that the Oversight Board adopt the attached Resolution to make a finding in order to re-establish a "Loan and Repayment Agreement" entered into by the South Tahoe Redevelopment Agency (the "Former RDA") and the City of South Lake Tahoe (the "City") on March 16, 2004 ("the 2004 Loan Agreement"), as an enforceable obligation for the purposes of Section 34191.4(b) of the California Health and Safety Code ("HSC").

**BACKGROUND:**

Pursuant to AB X1 26 and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), the Former RDA was dissolved as of February 1, 2012, and the Successor Agency was constituted. Pursuant to AB X1 26, with narrow exceptions, agreements by and between the City and the Former RDA became unenforceable, invalid and non-binding on the Successor Agency as of February 1, 2012, when the Former RDA was dissolved.

One agreement which became invalid and non-binding was the 2004 Loan Agreement. Pursuant to the 2004 Loan Agreement, City made a loan to the Former RDA for costs and expenses related to the implementation of the Former RDA's redevelopment program (the "2004 City Loan"). The current outstanding unpaid principal amount of the Loan is \$4,035,370.

**ISSUE AND DISCUSSION:**

This item is before the Oversight Board to re-establish the 2004 Loan Agreement between the Former Redevelopment Agency and the City of South Lake Tahoe and place the Loan Agreement on the Recognized Obligation Payment Schedule (ROPS) as an Enforceable Obligation. AB 1484, which became effective at the end of June 2012, amended and supplemented AB X1 26. AB 1484, among other things, added HSC Section 34191.4(b), which provides that the 2004 City Loan will be re-established and 2004 Loan Agreement will be deemed an enforceable obligation, if certain prerequisites have been met and other requirements are followed.

Prerequisite Conditions to Re-Establish the Loan

One prerequisite is the Successor Agency's receipt of a Finding of Completion from the State Department of Finance (the "DOF"). The Successor Agency received its Finding of Completion on February 6, 2014.

Another prerequisite is a finding by the Oversight Board that the 2004 City Loan was made for legitimate redevelopment purposes. On July 15, 2014, the Successor Agency Board of Directors adopted Resolution No. 2014-6 (Attachment 2), requesting the Oversight Board to make such a finding.

Any repayment of the 2004 City Loan must be listed on a Recognized Obligation Payment Schedule (the "ROPS"), as approved by the Oversight Board and the DOF. The Successor Agency is required to prepare two ROPS each year. Each ROPS lists the Successor Agency's enforceable obligations payable during the six month fiscal period covered by such ROPS. The adoption of the attached Resolution (and the Oversight Board's adoption of the related resolution soon after) will enable the Successor Agency to include the repayment of the 2004 City Loan on future ROPS.

AB 1484 provides that 20 percent of each 2004 City Loan repayment will be deducted and transferred to the Low and Moderate Income Housing Asset Fund (the "Housing Asset Fund"). The Housing Asset Fund is a fund established and held by City of South Lake Tahoe Housing Authority in its capacity as the Housing Successor to the Former RDA (re-established by the South Lake Tahoe City Council on January 30, 2012). Moneys in the Housing Asset Fund must be used for qualified low and moderate income housing purposes in accordance with the Community Redevelopment Law.

AB 1484 requires that interest on the 2004 City Loan must not exceed the interest rate payable by the Local Agency Investment Fund ("LAIF") administered by the State Treasurer. AB 1484 also provides that all accumulated unpaid interest must be recalculated from the origination of the 2004 City Loan at the LAIF rate. Per the DOF's interpretation of AB 1484, the accumulated unpaid interest must be recalculated at the LAIF rate in effect at the time when the Oversight Board resolution re-establishing the 2004 City Loan is adopted.

AB 1484 also imposes an annual cap on the amount that may be repaid for the 2004 City Loan. Under the Dissolution Act, twice a year (on January 2 and June 1), taxing entities receive residual moneys ("Taxing Entities Residual"), if any, remaining in the Redevelopment Property Tax Trust Fund ("RPTTF"), after the County Auditor-Controller's disbursement of pass-through payments and disbursement to the Successor Agency for enforceable obligation payments and administrative costs allowance, as listed on the DOF-approved ROPS. Concurrently with the submission of this report, Staff is also submitting another report (and a companion draft resolution) regarding the approval of the Successor Agency's repayment on a loan incurred by the Former RDA in connection with a statutorily required remittance to the El Dorado County Supplemental Educational Revenue Augmentation Fund for fiscal year 2010-11 (the "SERAF Loan"). Under AB 1484, each fiscal year, the aggregate repayment amount for the SERAF Loan and the 2004 City Loan to be repaid by the Successor Agency must not exceed one-half of the increase between the amount of the Taxing Entities Residual in that fiscal year and Taxing Entities Residual in the 2012-13 base year.

Furthermore, the repayment of the SERAF Loan will have priority over the repayment of the 2004 City Loan. The Successor Agency will have to repay the SERAF Loan in full before making any repayment on the re-established 2004 City Loan.

Upon the Oversight Board's approval of the re-establishment of the 2004 City Loan (and no objection from the DOF upon the DOF's review of the Oversight Board resolution), the actual dollar amount to be repaid by the Successor Agency for each 2004 City Loan repayment will be subject to the availability of RPTTF funds after the repayment of the SERAF Loan and the annual cap imposed by AB 1484. The attached resolution authorizes the Finance Officer of the Successor Agency to develop a repayment schedule in accordance with AB 1484 requirements and also authorizes the Finance Officer to modify the repayment schedule from time to time based on AB 1484 requirements and the actual circumstances.

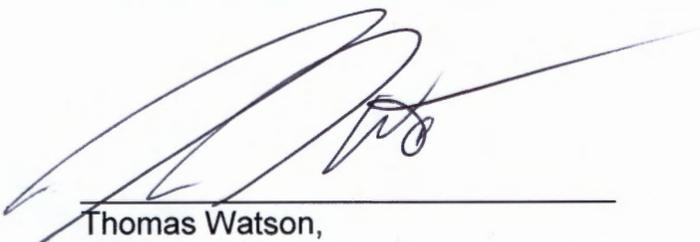
**FINANCIAL AND/OR POLICY IMPLICATIONS:**

Upon the Oversight Board's adoption of the attached resolution (and the Oversight Board resolution is subsequently approved by the DOF), the 2004 City Loan will be re-established and 2004 City Loan Agreement will be deemed an enforceable obligation. The amount of each repayment will be subject to the availability of RPTTF funds and the other requirements of AB 1484.

**CONCLUSION:**

Staff recommends that the Oversight Board adopt the attached Resolution to make a finding that the 2004 City Loan was for legitimate redevelopment purposes in order to re-establish 2004 Loan Agreement as an enforceable obligation and taking related actions.

Reviewed and Approved by:



Thomas Watson,  
Legal Counsel for Successor Agency  
of the Former Redevelopment Agency

**Attachments:**

1. Resolution for Adoption
2. Resolution No. 2014-6, adopted by Successor Agency, on July 15, 2014
3. DOF Finding of Completion
4. 2004 Loan Agreement

# Attachment 1

RESOLUTION  
for Adoption

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE OVERSIGHT BOARD TO THE  
SUCCESSOR AGENCY OF THE SOUTH TAHOE  
REDEVELOPMENT AGENCY MAKING A FINDING TO RE-  
ESTABLISH A 2004 LOAN AGREEMENT BETWEEN THE  
SUCCESSOR AGENCY AND THE CITY OF SOUTH LAKE  
TAHOE AS AN ENFORCEABLE OBLIGATION AND TAKING  
CERTAIN RELATED ACTIONS**

WHEREAS, the South Tahoe Redevelopment Agency (the "Former RDA") was a duly constituted redevelopment agency pursuant to provisions of the Community Redevelopment Law (the "Redevelopment Law") set forth in Section 33000 et seq. of the Health and Safety Code ("HSC") of the State of California (the "State"); and

WHEREAS, the Former RDA and the City of South Lake Tahoe (the "City") entered into Loan and Repayment Agreement on March 16, 2004 ("the 2004 Loan Agreement"), pursuant to which the City made a loan to the Former RDA for costs and expenses related to the implementation of the Former RDA's redevelopment program (the "2004 City Loan"); and

WHEREAS, as of the date of this Resolution, a portion of the 2004 City Loan remain outstanding and unpaid; and

WHEREAS, pursuant to AB X1 26 (which became effective at the end of June 2011), and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), the Former RDA was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former RDA, and an oversight board of the Successor Agency (the "Oversight Board") was established; and

WHEREAS, pursuant to AB X1 26, except for those provisions of the Redevelopment Law that are repealed, restricted or revised pursuant to AB X1 26, all authority, rights, powers, duties and obligations previously vested with the Former RDA under the Redevelopment Law are vested in the Successor Agency, and

WHEREAS, pursuant to HSC Sections 34171(d) and 34178, the 2004 Loan Agreement became invalid and non-binding on the Successor Agency as of February 1, 2012; provided, however, that pursuant to HSC Section 34191.4(b), the 2004 City Loan shall be re-established and the 2004 Loan Agreement shall be deemed to be an enforceable obligation after the Successor Agency receives a finding of completion (a "Finding of Completion") from the State Department of Finance (the "DOF") under HSC 34179.7, if the Oversight Board makes a finding that the 2004 City Loan was for legitimate redevelopment purposes, and

WHEREAS, the DOF issued a Finding of Completion to the Successor Agency on February 6, 2014; and

WHEREAS, the Board desires to adopt this Resolution and requests the Oversight Board to make a finding that the 2004 City Loan was made for legitimate purposes in order to re-establish the 2004 Loan Agreement as an enforceable obligation for the purposes of HSC Section 34191.4(b); and

WHEREAS, the funds advanced by the City of South Lake Tahoe to the Former Redevelopment Agency between 1999 and 2003 were used to pay for public improvements in Redevelopment Project Area No. 1 ("Project Area"), which included but are not limited to, the realignment of Park Avenue, the construction of a right turn land between Pioneer Trail and Park Avenue, the reconstruction of Van Sickle Avenue, construction of Drainage Basins, improvements to Fern Avenue, the Intermodal Transit Center, the Stream Environment Zone ("SEZ") Restoration area, Transit Way and other streetscape improvements in the Project Area; and

WHEREAS, the project activities and costs as described above improved or eliminated conditions of physical blight in the Project Area, which are legitimate redevelopment purposes; and

WHEREAS, on this date, the Oversight Board will also consider the adoption of a separate resolution regarding the Successor Agency's repayment with respect to a loan incurred by the Former RDA in connection with a statutorily required remittance to the El Dorado County Supplemental Educational Revenue Augmentation Fund for fiscal year 2010-11 (the "SERAF Loan"); and

WHEREAS, it is recognized that, pursuant to HSC Section 34191.4(b), the aggregate repayment amount authorized each fiscal year for the SERAF Loan and the 2004 City Loan to be repaid by the Successor Agency shall not exceed one-half of the increase between the amount distributed to taxing entities pursuant to HSC Section 34183(a)(4) in that fiscal year and the amount distributed to taxing entities pursuant to HSC Section 34183(a)(4) in the 2012-13 base year; and

WHEREAS, it is recognized that, pursuant to HSC Sections 34176(e)(6)(B) 34191.4(b), the repayment of the SERAF Loan will have priority over the repayment of the 2004 City Loan and the SERAF Loan will be repaid in full before any repayment of the re-established 2004 City Loan; and

WHEREAS, it is further recognized that HSC Section 34191.4(b)(2) provides that 20 percent of each repayment on the 2004 City Loan will be deducted and transferred to the Low and Moderate Income Housing Asset Fund established and held by the housing successor to the Former RDA pursuant to HSC Section 34176;

**NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SOUTH TAHOE REDEVELOPMENT SUCCESSOR AGENCY HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. For the purposes of HSC Section 34191.4, the Oversight Board hereby finds that the 2004 City Loan was for legitimate redevelopment purposes, and the 2004 Loan Agreement is an enforceable obligation; provided, that the repayment terms thereunder shall be modified in accordance with the requirements of HSC Section 34191.4(b).

Section 3. The Administrative Services Director of the City, who is the Finance Officer of the Successor Agency, is hereby authorized to develop a repayment schedule for the 2004 City Loan in accordance with the requirements of Section 34191.4(b). Recognizing that the actual dollar amount to be repaid by the Successor Agency for each scheduled repayment is subject to the availability of funds from the Redevelopment Property Tax Trust Fund and the limitations set forth in HSC Section 34191.4(b), the Finance Officer is hereby authorized to modify the repayment schedule from time to time based on the requirements of HSC Section 34191.4(b) and the actual circumstances at the time of the modification.

Section 4. The members of the Oversight Board and the officers of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all instruments which they may deem necessary or advisable in order to effectuate the purposes of this Resolution.

PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the South Tahoe Redevelopment Agency at a duly noticed meeting held on July 25, 2014 by the following vote:

AYES: Members \_\_\_\_\_

NOES: Members \_\_\_\_\_

ABSTAIN: Members \_\_\_\_\_

ABSENT: Members \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Ellen Palazzo, Secretary

\_\_\_\_\_  
Hal Cole, Chair

# Attachment 2

Successor Agency  
Resolution No. \_\_\_\_\_,  
Adopted by the Board of Directors of the  
Successor Agency, on July 15, 2014

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH TAHOE REDEVELOPMENT SUCCESSOR AGENCY REQUESTING THE OVERSIGHT BOARD TO MAKE A FINDING THAT THE 2004 LOAN INDEBTEDNESS OF THE FORMER SOUTH TAHOE REDEVELOPMENT AGENCY TO THE CITY OF SOUTH LAKE TAHOE IS AN ENFORCEABLE OBLIGATION OF THE SOUTH TAHOE REDEVELOPMENT SUCCESSOR AGENCY, FINDING THAT THE LOAN WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES AND TAKING CERTAIN RELATED ACTIONS**

WHEREAS, the South Tahoe Redevelopment Agency (the "Former RDA") was a duly constituted redevelopment agency pursuant to provisions of the Community Redevelopment Law (the "Redevelopment Law") set forth in Section 33000 et seq. of the Health and Safety Code ("HSC") of the State of California (the "State"); and

WHEREAS, the Former RDA and the City of South Lake Tahoe (the "City") entered into Loan and Repayment Agreement on March 16, 2004 ("the 2004 Loan Agreement"), pursuant to which the City made a loan to the Former RDA for costs and expenses related to the implementation of the Former RDA's redevelopment program (the "2004 City Loan"); and

WHEREAS, as of the date of this Resolution, a portion of the 2004 City Loan remains outstanding and unpaid; and

WHEREAS, pursuant to AB X1 26 (which became effective at the end of June 2011), and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), the Former RDA was dissolved as of February 1, 2012, the Successor Agency was constituted as the successor entity to the Former RDA, and an oversight board of the Successor Agency (the "Oversight Board") was established; and

WHEREAS, pursuant to AB X1 26, except for those provisions of the Redevelopment Law that are repealed, restricted or revised pursuant to AB X1 26, all authority, rights, powers, duties and obligations previously vested with the Former RDA under the Redevelopment Law are vested in the Successor Agency, and

WHEREAS, pursuant to HSC Sections 34171(d) and 34178, the 2004 Loan Agreement became invalid and non-binding on the Successor Agency as of February 1, 2012; provided, however, that pursuant to HSC Section 34191.4(b), the 2004 City Loan shall be re-established and the 2004 Loan Agreement shall be deemed to be an enforceable obligation after the Successor Agency receives a finding of completion (a "Finding of Completion") from the State Department of Finance (the "DOF") under HSC 34179.7, if the Oversight Board makes a finding that the 2004 City Loan was for legitimate redevelopment purposes, and

WHEREAS, the DOF issued a Finding of Completion to the Successor Agency on February 6, 2014; and

WHEREAS, the Board desires to adopt this Resolution and requests the Oversight Board to make a finding that the 2004 City Loan was made for legitimate purposes in order to re-establish the 2004 Loan Agreement as an enforceable obligation for the purposes of HSC Section 34191.4(b); and

WHEREAS, the funds advanced by the City to the Former Redevelopment Agency between 1999 and 2003 were used to pay for public improvements in Redevelopment Project Area No. 1 ("Project Area"), which included but are not limited to, the realignment of Park Avenue, the construction of a right turn land between Pioneer Trail and Park Avenue, the reconstruction of Van Sickle Avenue, construction of Drainage Basins, improvements to Fern Avenue, the Intermodal Transit Center, the Stream Environment Zone ("SEZ") Restoration area, Transit Way and other streetscape improvements in the Project Area; and

WHEREAS, the project activities and costs as described above improved or eliminated conditions of physical blight in the Project Area, which are legitimate redevelopment purposes; and

WHEREAS, on this date, the Board will also consider the adoption of a separate resolution to make a request to the Oversight Board for the approval of the Successor Agency's repayment with respect to a loan incurred by the Former RDA in connection with a statutorily required remittance to the El Dorado County Supplemental Educational Revenue Augmentation Fund for fiscal year 2010-11 (the "SERAF Loan"); and

WHEREAS, it is recognized that, pursuant to HSC Section 34191.4(b), the aggregate repayment amount authorized each fiscal year for the SERAF Loan and the 2004 City Loan to be repaid by the Successor Agency shall not exceed one-half of the increase between the amount distributed to taxing entities pursuant to HSC Section 34183(a)(4) in that fiscal year and the amount distributed to taxing entities pursuant to HSC Section 34183(a)(4) in the 2012-13 base year; and

WHEREAS, it is recognized that, pursuant to HSC Sections 34176(e)(6)(B) 34191.4(b), the repayment of the SERAF Loan will have priority over the repayment of the 2004 City Loan and the SERAF Loan will be repaid in full before any repayment of the re-established 2004 City Loan; and

WHEREAS, it is further recognized that HSC Section 34191.4(b)(2) provides that 20 percent of each repayment on the 2004 City Loan will be deducted and transferred to the Low and Moderate Income Housing Asset Fund established and held by the housing successor to the Former RDA pursuant to HSC Section 34176;

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SOUTH TAHOE REDEVELOPMENT SUCCESSOR AGENCY HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Board hereby requests the Oversight Board to make a finding that the 2004 City Loan was for legitimate redevelopment purposes and the 2004 Loan Agreement is an enforceable obligation, with the recognition that the repayment terms thereunder shall be modified in accordance with the requirements of HSC Section 34191.4(b). The Secretary of the Successor Agency is hereby authorized and directed to transmit a copy of this Resolution to the Oversight Board.

Section 3. The Administrative Services Director of the City, who is appointed the Finance Officer of the Successor Agency, is hereby authorized to develop a repayment schedule for the 2004 City Loan in accordance with the requirements of Section 34191.4(b). Recognizing that the actual dollar amount to be repaid by the Successor Agency for each scheduled repayment is subject to the availability of funds from the Redevelopment Property Tax Trust Fund and the limitations set forth in HSC Section 34191.4(b), the Finance Officer is hereby authorized to modify the repayment schedule from time to time based on the requirements of HSC Section 34191.4(b) and the actual circumstances at the time of the modification.

Section 4. The officers of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all instruments which they may deem necessary or advisable in order to effectuate the purposes of this Resolution.

PASSED AND ADOPTED by the Board of Directors of the Successor Agency of the South Tahoe Redevelopment Agency at a duly noticed meeting held on July 15, 2014 by the following vote:

AYES: Councilmembers \_\_\_\_\_

NOES: Councilmembers \_\_\_\_\_

ABSTAIN: Councilmembers \_\_\_\_\_

ABSENT: Councilmembers \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Susan Alessi, Agency Secretary

\_\_\_\_\_  
Hal Cole, Chair

# Attachment 3

**“Finding of Completion”**  
from the  
Department of Finance



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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

February 6, 2014

Ms. Debbie McIntyre, Accounting Manager  
City of South Lake Tahoe  
1901 Airport Road  
South Lake Tahoe, CA 96150

Dear Ms. McIntyre:

Subject: Request for a Finding of Completion

The California Department of Finance (Finance) received the City of South Lake Tahoe Successor Agency's request for a Finding of Completion.

Finance has completed its review of your request, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance concurs that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Derk Symons, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Olga Tikhomirova, Accountant, City of South Lake Tahoe  
Ms. Sally Zutter, Property Tax Division Manager, El Dorado County  
California State Controller's Office

# Attachment 4

2004 Loan Agreement

**LOAN AND REPAYMENT AGREEMENT BETWEEN  
SOUTH TAHOE REDEVELOPMENT AGENCY AND  
THE CITY OF SOUTH LAKE TAHOE  
FOR FISCAL YEARS 1999-2003**

This Loan and Repayment Agreement is entered into this 16th day of March, 2004, by and between the South Tahoe Redevelopment Agency ("Agency") and the City of South Lake Tahoe ("City").

**RECITALS**

- A. Pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000 *e seq.*), the City Council of the City of South Lake Tahoe activated the Agency on February 3, 1981, and adopted the Redevelopment Plan (the "Redevelopment Plan") for the South Tahoe Redevelopment Project (the "Project") on June 28, 1988.
- B. Pursuant to the Community Redevelopment Law, the Agency is performing a public function of the City and has access to services and facilities of the City.
- C. Since the establishment of the Project, it has been the practice of the Agency and the City that the City has agreed to undertake public improvements and activities and to provide services and facilities to the Agency, and the Agency has repaid or has agreed to repay City, with interest, for such public improvements, activities, services, and facilities which are of benefit to the Project and the project area thereof (the "Project Area").
- D. The Agency adopted an Implementation Plan, which applies to the Project Area on December 3, 1994, and updated the Implementation Plan on December 14, 1999.
- E. Pursuant to the Master Disposition and Development Agreement for the Redevelopment Project the Agency has constructed public improvements including, but not limited to, the realignment of Park Avenue and the relocation of utilities located under Park Avenue, the construction of a right turn lane between Pioneer Trail and park Avenue, the reconstruction of

Van Sickle Avenue, the Drainage Basins, improvements to Fern Avenue to create a cul-de-sac, the Intermodal Transit Center, the SEZ Restoration and Transit Way, and other streetscape improvements.

F. The relationship and undertakings by the City on behalf of the Agency and by the Agency on behalf of the City have been set forth in agreements between the Agency and the City, including the Cooperation Agreement dated December 15, 1981.

G. Without amending, limiting, or modifying the Prior Agreements and the ongoing effectiveness of such Prior Agreements, which shall remain in effect according to their terms for the greatest time legally allowable, the Agency and the City desire to memorialize in this Agreement certain matters relating to the financial relationship between the Agency and the City as it relates to the Redevelopment Plan and its implementation.

## AGREEMENT

For and in consideration of the mutual promises and agreements herein contained, Agency and City agree as follows:

### 1. PURPOSES

The purposes of this Agreement are:

- a. To provide for reimbursement by the Agency to the City of costs and expenses related to the implementation of the South Tahoe Redevelopment Plan.
- b. To provide a mechanism for reimbursement of specified administrative costs incurred by the City in furtherance of the redevelopment program for the Redevelopment Project Area ("Project Area"), as more fully set forth in Section 3.
- c. To provide a mechanism for reimbursement of specified public works improvement costs incurred by the City in furtherance of the redevelopment program for the Project Area, as more fully set forth in Section 4.

Project Area during the life of the Redevelopment Plan. It is understood that if the tax funds from the Project Area fail to yield sufficient revenue to pay the repayment or reimbursement obligations of the Agency under this Agreement and interest thereon, the Agency is under no obligation to make such repayment or reimbursement to the extent tax increment and transient occupancy funds are insufficient. It is anticipated that principle payments will be made from bond issuances. To the extent funds borrowed pursuant to this agreement are used for purposes in accordance with Section 33334.2E, funds from the low- and moderate-income fund may be used to repay funds borrowed. The Finance Director shall report annually to the Agency the status of the principle and interest owed by the Agency to the City. Agency Staff shall report annually, through the budget process, to the Agency Board of Directors the status of the principal and interest owed by the Agency to the City. Staff will make recommendations on the interest rate to be charged and availability to make payments to the City.

It is agreed by the parties hereto that all repayments and reimbursement to the City pursuant to this Agreement are hereby subordinated to any and all payment necessary to satisfy the Agency's obligations in connection with any existing or future bonded indebtedness or obligation which may be incurred by the Agency for the benefit of the redevelopment program or to the extent necessary to pay bonded indebtedness for which the Agency has pledged as a security or source of repayment tax increment or transient occupancy tax generated within the Project Area.

6. VALIDITY OF AGREEMENT

If any provisions of this Agreement, or the application thereof to any person, party transaction, or circumstances, is held invalid, the remainder of this Agreement, or the application of such provision to other persons, parties, transactions or circumstances, shall not be affected thereby.

7. MODIFICATION OF AGREEMENT

This Agreement may be modified with the consent of both parties in writing.

Executed at the City of South Lake Tahoe, County of El Dorado, California.

2. TERMS OF AGREEMENT

This Agreement shall be in full force and effect commencing as of October 1, 2003, and continuing until all repayment and reimbursement obligations of the Agency to the City are satisfied in full accordance with the terms of this Agreement.

3. REIMBURSEMENT OF ADMINISTRATIVE AND PROGRAM COSTS

The Agency agrees to reimburse the City for all administrative and program costs incurred by the City prior to and after the execution of this Agreement for Fiscal Years 1999-2003 in furtherance of the redevelopment programs for the Project Area. Agency administrative costs may include, but are not limited to, costs to the City for consulting services, legal services, City staff time and other related administrative expenses. Program costs include programs outlined in the Redevelopment Plan. The Agency shall become indebted to reimburse the City for such City Administrative Costs. The debt shall bear interest at the Applicable Interest Rate (defined in Section 5) beginning on October 1 of the applicable fiscal year, and shall be repayable as provided in Section 5. Administrative and Program costs incurred through September 30, 2003, total \$3,178,000.

4. REIMBURSEMENT OF PUBLIC IMPROVEMENTS

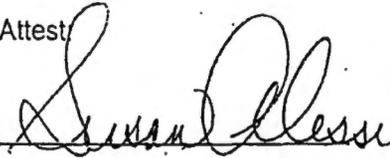
The Agency agrees to reimburse the City for all costs incurred for public improvements in the Project Area on behalf of the Agency, which costs shall become a debt of the Agency. These costs shall bear interest at the Applicable Interest Rate (defined in Section 5), and shall be repayable as provided in Section 5. Public improvement costs incurred through September 30, 2003, total \$3,829,000.

5. REPAYMENT TERMS: SUBORDINATION

Each repayment or reimbursement obligation of the Agency pursuant to this Agreement shall bear interest at the lesser of (a) the applicable LAIF rate, or (b) ten percent (10%) per annum. Interest shall begin to accrue on November 3, 2003, and shall be calculated at simple interest. Each such repayment or reimbursement obligation of the Agency and interest thereon shall be repayable from tax increment or transient occupancy funds, if any, generated within the

SOUTH TAHOE REDEVELOPMENT AGENCY

BY:   
CHAIR, Tom Davis

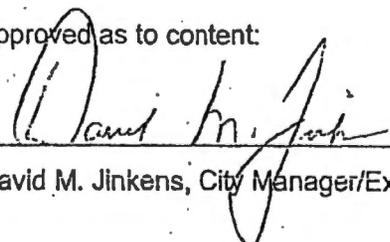
Attest:  
  
Agency Secretary

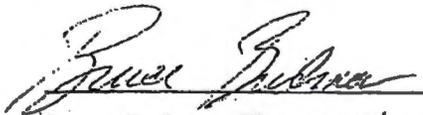
CITY OF SOUTH LAKE TAHOE

BY:   
Mayor, Tom Davis

Attest:  
  
Susan Alessi, City Clerk



Approved as to content:  
  
David M. Jinkens, City Manager/Executive Director

Approved as to content:  
  
Bruce Budman, Finance Director

Approved as to form:  
  
Catherine L. DiCamillo, City Attorney