



APPLE VALLEY TOWN COUNCIL/ SUCCESSOR AGENCY OF THE DISSOLVED APPLE VALLEY REDEVELOPMENT AGENCY

To: Honorable Mayor and Town Council **Date:** April 22, 2015
From: Marc Puckett, Assistant Town Manager **Item No:** 4
Subject: **ADOPTION OF A RESOLUTION OF THE TOWN OF APPLE VALLEY APPROVING AND ADOPTING AN AGREEMENT TO RATIFY AND RE-ENTER LOAN AGREEMENTS BETWEEN THE TOWN OF APPLE VALLEY AND THE APPLE VALLEY REDEVELOPMENT AGENCY, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.4**

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION

It is recommended that the Town Council adopt Resolution No. 2015-11 approving and adopting an agreement to ratify and re-enter loan agreements between the Town of Apple Valley ("Town") and the former Apple Valley Redevelopment Agency ("Agency") pursuant to Health and Safety Code Section 34191.4 and finding that the loans were for legitimate redevelopment purposes.

GOAL STATEMENT

The proposed action will support the Oversight Board's goal to satisfy the legal requirements for dissolving the Agency.

BACKGROUND

The Agency was dissolved, as of February 1, 2012, pursuant to Health and Safety Code sections 34161, et seq. ("Dissolution Act").

TOWN LOAN AGREEMENTS

Under the Dissolution Act, the repayment of many loans made in good faith by the Town to the Agency became unenforceable, as of February 1, 2012, and not eligible for repayment. Specifically, Health and Safety Code Section 34171(d)(2) states that agreements, contracts, or arrangements between the Town and the Agency are not enforceable, unless the loans were entered into within the first two years of the Agency's formation. The Agency was formed December 14, 1993.

AB 1484 added Health and Safety Code Section 34191.4(b)(1), allowing the Successor Agency to secure approval of loan agreements entered into between the Agency and the Town, by the Oversight Board. Such loan agreements may be deemed an enforceable obligation on the ROPS if: (1) the Agency has received a Finding of Completion; (2) the Oversight Board approves the loan as an enforceable obligation; and (3) the Oversight Board finds that the loan was for legitimate redevelopment purposes.

The Successor Agency received its Finding of Completion from DOF on October 10, 2013. The Oversight Board must find that loans made by the Town to the Agency were for legitimate redevelopment purposes by a separate resolution from the resolution approving the ROPS. The Oversight Board's action must be approved by DOF before any Town loan repayment is made.

The Town has several outstanding loans to the Agency, as of February 1, 2012. These loans are:

1. A 1997 Town of Apple Valley loan to the Agency (Apple Valley Redevelopment Project Area) in the amount of \$307,300 for the preparation and adoption of the Redevelopment Project No. 2 Plan and other related administrative and operational expenses. Interest: 0%. Origination Date: June 24, 1997. Loan balance remaining at time of dissolution: \$307,300.
2. A 1997 Town of Apple Valley loan to the Agency in the amount of \$602,000 for funds for the implementation of certain projects to cover such expenses of the Agency related to the implementation of the FY 1997-98 budget from the following sources: (1) Community Development Block Grant (\$582,000) and (2) General Fund (\$20,000). Interest Rate: 0%. Origination Date: June 24, 1997. Loan balance remaining at time of dissolution: \$602,000.
3. A 1997 Town of Apple Valley loan to the Agency in the amount of \$350,000 to cover Agency expenses for administrative, operational, and other project related expenses from the Economic Development Fund. Interest Rate: 0%. Origination Date: September 9, 1997. Loan balance remaining at time of dissolution: \$350,000.
4. A 1998 Town of Apple Valley loan to the Agency in the amount of \$833,600 for the implementation of certain projects related to FY 1998-99. The Town advanced these funds to the Economic Development Fund from the following sources: (1) Community Development Block Grant (\$569,000), and (2) General Fund (\$264,600). Interest Rate: 0%. Origination Date: June 9, 1998. Loan balance remaining at time of dissolution: \$833,600.
5. A 1999 Town of Apple Valley loan to the Agency in the amount of \$76,498 for the implementation of certain projects related to FY 1999-2000. The Town advanced these funds to the Economic Development Fund from the General Fund. Interest Rate: 0%. Origination Date: June 22, 1999. Loan balance remaining at time of dissolution: \$76,498.

6. A 2000 Town of Apple Valley loan to the Agency in the amount of \$840,000 for the implementation of certain projects related to FY 2000-01. The Town advanced these funds to the Economic Development Fund from the following sources: (1) Community Development Block Grant (\$573,000), and (2) General Fund (\$267,000). Interest Rate: 0%. Origination Date: June 27, 2000. Loan balance remaining at time of dissolution: \$840,000.
7. A 2001 Town of Apple Valley loan to the Agency in the amount of \$662,330 for the implementation of certain projects related to FY 2001-02. The Town advanced these funds to the Economic Development Fund from the following sources: (1) Community Development Block Grant (\$596,000), and (2) General Fund (\$66,330). Interest Rate: 0%. Origination Date: June 26, 2001. Loan balance remaining at time of dissolution: \$662,330.
8. A 2003 Town of Apple Valley loan to the Agency in the amount of \$216,219 for the implementation of certain projects for FY 2003-04. The Town advanced these funds to the Economic Development Fund from the General Fund. Interest Rate: 0%. Origination Date: June 24, 2003. Loan balance remaining at time of dissolution: \$216,219.
9. A 2004 Town of Apple Valley loan to the Agency in the amount of \$247,813 for the implementation of certain projects for FY 2004-05. The Town advanced these funds to the Economic Development Fund from the General Fund. Interest Rate: 0%. Origination Date: June 22, 2004. Loan balance remaining at time of dissolution: \$247,813.
10. A 2006 Town of Apple Valley loan to the Agency in the amount of \$9,822,843 for the implementation of certain projects related to FY 2006-07. The Town advanced these funds to the Economic Development Fund from the following sources: (1) General Fund (\$800,224), (2) Sewer Fund (\$7,550,000), and Measure I and Traffic Impact Fees (\$1,472,619). Interest Rate: 0%. Origination Date: September 26, 2006. Loan balance remaining at time of dissolution: \$9,822,843.

The loans described above were used, pursuant to Health & Safety Code sections 33391 and 33410, for legitimate redevelopment purposes.

All ten (10) loans made to the former Agency were authorized by, and made in compliance with, then-applicable provisions of the California Community Redevelopment Law, Health and Safety Code section 33000, et. seq.

The Department of Finance OB Action Letter requires the OB to reconsider the previous action. As part of that reconsideration, the Successor Agency and Town Council desire to enter into this new Agreement authorizing the repayment of the outstanding principal due on the Loans to the Town. At the time of Dissolution, the Redevelopment Agency's Financial Statements show an outstanding balance due to the Town of \$4,647,107.

Following the Dissolution, the Town has been repaid \$1,365,593 through the Due Diligence Review process. The parties now desire to enter into this Agreement in order to ratify the existence and validity of the Loans with an outstanding balance of \$3,281,514, authorize the repayment of that amount, and to acknowledge the limitations and restrictions that will apply to the repayment to the Town of the outstanding amounts due and owing the Town by the former Redevelopment Agency under the Repayment Schedule (Attachment 1) pursuant to the Dissolution Act; and

ISSUE/ANALYSIS

The Successor Agency has received its Finding of Completion and has prepared the attached Resolution (Oversight Board Resolution No. OB-2015-04) making findings pursuant to Health and Safety Code section 34191.4(b)(1) that the Town loans to the Agency were made for valid redevelopment purposes. These loans will become enforceable obligations, upon approval by DOF, subject to strict repayment limitations described below.

Pursuant to Health and Safety Code section 34191.4(b)(2), if the Oversight Board finds that the loans are enforceable obligations, the loan principal must be repaid to the Town in accordance with a defined schedule over a reasonable term of years at an interest rate not-to-exceed the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF), and the annual loan repayments provided for in the ROPS are subject to the following additional provisions:

- A. Repayment shall not be made prior to the 2013-2014 fiscal year;
- B. Beginning in the 2013-14 fiscal year, the maximum repayment amount authorized each fiscal year for the repayments made for a reestablished Town/Redevelopment Agency loan and repayments for any amounts owed to the funding of the Supplemental Education Revenue Augmentation Fund (SERAF) shall be equal to one-half of the increase between the residual amount distributed to the taxing entities pursuant to Health and Safety Code section 34183(a)(4) in that fiscal year and the residual amount distributed to taxing entities in the 2012-2013 base year;
- C. Repayment of Town/Redevelopment Agency loans is second in priority to repayment of any SERAF loan;
- D. Residual cash balance shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Asset Fund for SERAF payment loans and shall be distributed to the Low and Moderate Income Housing Asset Fund established pursuant to Health and Safety Code section 34176(d);
- E. Twenty percent of any repayment of a Town/Redevelopment Agency loan shall be deducted from the loan repayment amount and transferred to the Low and Moderate Income Housing Asset Fund.

FISCAL IMPACT

Repayment of Town loans to the Agency only occurs after satisfaction of all other obligations of the Successor Agency and subject to an interest rate limitation, such that the fiscal impact of these loan repayments on the Successor Agency and the effected taxing entities is statutorily authorized and minimized.

ALTERNATIVE

The Oversight Board may wish to consider the following alternative:

1. Approve Staff Recommendation
2. Provide alternative direction to staff.

ATTACHMENTS:

1. Letter from Department of Finance dated April 10, 2015
2. Town Council Resolution No. 2015-11
3. Agreement Between Town of Apple Valley and the Successor Agency to the Apple Valley Redevelopment Agency



April 10, 2015

Mr. Marc Puckett, Assistant Town Manager - Finance and Administration
Town of Apple Valley
14975 Dale Evans Parkway
Apple Valley, CA 92307

Dear Mr. Puckett:

Subject: Objection to Oversight Board Action

The Town of Apple Valley Successor Agency (Agency) notified the California Department of Finance (Finance) of its February 25, 2015 Oversight Board (OB) resolution on March 2, 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, OB Resolution No. 2015-04, approving and adopting ratifications and amendments to loan agreements between the Town of Apple Valley (Town) and the Agency pursuant to HSC section 34191.4, is not approved.

The Agency received a Finding of Completion on October 10, 2013. Pursuant to HSC section 34191.4 (b) (1), loan agreements entered into between the former redevelopment agency (RDA) and the Town shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

Pursuant to HSC section 34171 (d) (1), loans are defined as loans of moneys borrowed by the RDA for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. During our review of documentation provided, the Agency was not able to establish the amount of actual funds received by the RDA from the Town with respect to each of the loans. Further, while the aggregate loan amount claimed to be outstanding from all loans as approved by the OB is \$13,961,603, the RDA's audited Financial Statements as of June 30, 2011, and the General Ledger/Trial Balance for the period ended June 30, 2011 do not support such an outstanding loan balance.

As authorized by HSC section 34179 (h), Finance is returning your OB action to the board for reconsideration.

Mr. Marc Puckett
April 10, 2015
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Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Orlando Acevedo, Economic Development Manager, Town of Apple Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office

RESOLUTION NO. 2015-11

A RESOLUTION OF THE TOWN OF APPLE VALLEY APPROVING AND ADOPTING AN AGREEMENT TO RATIFY AND RE-ENTER LOAN AGREEMENTS BETWEEN THE TOWN OF APPLE VALLEY AND THE APPLE VALLEY REDEVELOPMENT AGENCY, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.4

WHEREAS, over the years, prior to dissolution, the Town Council and Redevelopment Agency entered into a series of loans from the Town to the Redevelopment Agency for redevelopment purposes and specifically costs associated with preparation and implementation of the Redevelopment Plan, and other administrative and operational expenses. The Town and Agency entered into the following loans (“Loans”):

<u>Date:</u>	<u>Amount:</u>	<u>Council/RDA Resolution Numbers:</u>
6/24/97	\$307,300	Council 97-24/RDA Reso 97-03
6/27/97	\$602,000	Council 97-25/RDA Reso 97-04
9/9/97	\$350,000	Council 97-42/RDA Reso 97-05
6/9/98	\$833,600	Council 98-40/RDA Reso 98-02
6/22/99	\$76,498	Council 99-23/RDA Reso 99-02
6/27/00	\$840,000	Council 2000-23/RDA Reso 2000-03
6/26/01	\$662,330	Council 2001-39/RDA Reso 2001-03
6/24/03	\$216,219	Council 2003-33/RDA Reso 2003-03
6/22/04	\$247,813	Council 2004-36/RDA Reso 2004-02
9/26/06	\$9,822,843	Council 2006-79/RDA Reso 2006-03

WHEREAS, in February 2015, the Town and Successor Agency approved a series of agreements ratifying and amending the Loans (“Ratified Loan Agreements”). The Ratified Loan Agreements were submitted to and approved by the Oversight Board on February 25, 2015, OB Resolution 2015-04. OB Resolution 2015-04 was submitted to the Department of Finance for approval; and

WHEREAS, on April 10, 2015, the Successor Agency received notification from the Department of Finance that OB Resolution 2015-05 approving and adopting the Ratified Loan Agreements was rejected by the Department of Finance (“OB Action Letter”) and therefore the Ratified Loan Agreements are not in effect; and

WHEREAS, the Department of Finance OB Action Letter requires the Oversight Board to reconsider the previous action. As part of that reconsideration, the Successor Agency and Town Council desire to enter into this new Agreement authorizing the repayment of the outstanding principal due on the Loans to the Town; and

WHEREAS, at the time of Dissolution, the Redevelopment Agency's Financial Statements show an outstanding balance due to the Town of \$4,647,107; and

WHEREAS, following the Dissolution, the Town has been repaid \$1,365,593 through the Due Diligence Review process; and

WHEREAS, the parties now desire to enter into this Agreement in order to ratify the existence and validity of the Loans with an outstanding balance of \$3,281,514, authorize the repayment of that amount, and to acknowledge the limitations and restrictions that will apply to the repayment to the Town of the outstanding amounts due and owing the Town by the former Redevelopment Agency under the Repayment Schedule (Attachment 1) pursuant to the Dissolution Act; and

WHEREAS, Health and Safety Code Section 34179.7, added by AB 1484, provides that upon completion of certain requirements and payment of certain amounts as required by Sections 34179.6 and 34183.5, the Department of Finance shall issue, within five (5) business days, a finding of completion of the requirements of Section 34179.6 to the Successor Agency; and

WHEREAS, the Successor Agency received a Finding of Completion from the State of California Department of Finance on October 10, 2013; and

WHEREAS, Health and Safety Code section 34191.4(b) provides that, after the Successor Agency has received a Finding of Completion and upon application by the Successor Agency and approval by the Oversight Board, loans between the Successor Agency and the Town shall be deemed enforceable obligations, subject to certain limitations; and

WHEREAS, Health and Safety Code section 34191.4(b) requires that the Successor Agency's Oversight Board ("Oversight Board") make a finding that the Redevelopment Loans were for legitimate redevelopment purposes; and

WHEREAS, Health and Safety Code section 34191.4(b) requires that reinstated loans must have a defined repayment schedule and interest on the loans must be calculated using the Local Agency Investment Fund rate; and

WHEREAS, following approval by the Successor Agency and the Town, the Agreement will be submitted to the Oversight Board for approval and making the required findings.

NOW, THEREFORE, BE IT RESOLVED 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. CEQA Compliance. The approval of the Agreement through this Resolution does not commit the Town to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act. The Town Clerk is authorized to file a Notice of Exemption under the California Environmental Quality Act with the appropriate official of the County of San Bernardino, California, within five (5) days following the date of adoption of this Resolution.

Section 3. Approval of Agreement. The Town Council hereby approves the Agreement in substantially the form of the Agreement currently on file with the Town Clerk.

Section 4. Transmittal of Agreement to Oversight Board. The Town Manager is hereby authorized and directed to take any action necessary to carry out the purposes of this Resolution, including without limitation, providing any documentation and evidence to the Oversight Board as necessary to obtain from the Oversight Board approval of the Agreement.

Section 5. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Town Council declares that the Town Council would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 5. Certification. The Town Clerk shall certify to the adoption of this Resolution.

Section 6. Effective Date. This Resolution shall become effective immediately upon its adoption.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley
this 22nd day of April, 2015.

ATTEST:

Barb Stanton, Mayor Pro Tem

La Vonda M-Pearson, Town Clerk

**AGREEMENT TO RATIFY AND RE-ENTER LOAN AGREEMENTS
BETWEEN THE TOWN OF APPLE VALLEY AND THE
FORMER APPLE VALLEY REDEVELOPMENT AGENCY**

This Agreement to Ratify and Re-enter Loan Agreements (this “Agreement”) is entered into this ____ day of _____, 2015, by and between the TOWN OF APPLE VALLEY, a municipal corporation (“Town”), and the SUCCESSOR AGENCY TO THE APPLE VALLEY REDEVELOPMENT AGENCY, a public body, corporate and politic (“Successor Agency”), with reference to the following facts and circumstances.

RECITALS

A. Pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.), the Town Council of Town activated the Apple Valley Redevelopment Agency (“Redevelopment Agency”) in 1993 and subsequently adopted the Redevelopment Plan for Redevelopment Project Area No. 2 (the “Redevelopment Plan”).

B. Assembly Bill 1X 26 (“AB 26”), enacted as part of the 2011-2012 State of California budget bill, and as modified by the Supreme Court of the State of California in the matter of *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861, and further modified by Assembly Bill 1484 (collective with AB 26, the “Dissolution Act”), dissolved and set out procedures for the wind-down of all redevelopment agencies throughout the State effective February 1, 2012.

C. The Successor Agency is the successor entity to the former Redevelopment Agency and, pursuant to the Dissolution Act, is responsible for the wind-down of the former Redevelopment Agency, including without limitation the performance and repayment of all enforceable obligations of the former Redevelopment Agency.

D. Health and Safety Code Section 34171(d)(2) provides, with a few exceptions, that “enforceable obligation” does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency.

E. Health and Safety Code Section 34179.7 provides that upon completion of certain requirements and payment of certain amounts as required by Sections 34179.6 and 34183.5, the Department of Finance (“DOF”) shall issue, within five (5) business days, a finding of completion of the requirements of Section 34179.6 to the successor agency. Health and Safety Code Section 34191.4 provides in part that, following issuance of a finding of completion by DOF, and upon application by the successor agency and approval by the oversight board, loan agreements entered into between the

redevelopment agency and the city, county or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

F. In addition to establishing when a loan will be deemed to be an enforceable obligation, Section 34191.4 further establishes certain restrictions and limitations on, among other things, the calculation of interest on the remaining principal amount of the loan, the amounts that can be repaid from time to time under the loan agreement, and requires that twenty (20) percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to a Low and Moderate Income Housing Asset Fund.

G. Over the years, prior to dissolution, the Town Council and Redevelopment Agency entered into a series of loans from the Town to the Redevelopment Agency for redevelopment purposes and specifically costs associated with preparation and implementation of the Redevelopment Plan, and other administrative and operational expenses. The Town and Agency entered into the following loans (“Loans”):

Date:	Amount:	Council/RDA Resolution Numbers:
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6/22/04	\$247,813	Council 2004-36/RDA Reso 2004-02
9/26/06	\$9,822,843	Council 2006-79/RDA Reso 2006-03

H. In February 2015, the Town and Successor Agency approved a series of agreements ratifying and amending the Loans (“Ratified Loan Agreements”). The Ratified Loan Agreements were submitted to and approved by the Oversight Board on February 25, 2015, OB Resolution 2015-04. OB Resolution 2015-04 was submitted to the Department of Finance for approval.

I. On April 10, 2015, the Successor Agency received notification from the Department of Finance that OB Resolution 2015-05 approving and adopting the Ratified Loan Agreements was rejected by the Department of Finance (“OB Action Letter”) and therefore the Ratified Loan Agreements are not in effect.

J. The Department of Finance OB Action Letter requires the Oversight Board to reconsider the previous action. As part of that reconsideration, the Successor Agency and Town Council desire to enter into this new Agreement authorizing the repayment of the outstanding principal due on the Loans to the Town.

K. At the time of Dissolution, the Redevelopment Agency's Financial Statements show an outstanding balance due to the Town of \$4,647,107.

L. Following the Dissolution, the Town has been repaid \$1,365,593 through the Due Diligence Review process.

M. The parties now desire to enter into this Agreement in order to ratify the existence and validity of the Loans with an outstanding balance of \$3,281,514, authorize the repayment of that amount, and to acknowledge the limitations and restrictions that will apply to the repayment to the Town of the outstanding amounts due and owing the Town by the former Redevelopment Agency under the Repayment Schedule (Attachment 1) pursuant to the Dissolution Act.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the mutual promises and covenants contained herein, the Parties mutually agree as follows:

1. Purpose. The purpose of this Agreement is (a) to ratify the existence and validity of the Loans, including the amount still due under the Loans, and (b) to acknowledge the limitations and restrictions that will apply to the repayment to the Town of all amounts due and owing the Town by the former Redevelopment Agency under the Loans pursuant to the Dissolution Act.

2. Loan Amount. The outstanding principal amount owed to the Town under the Loans, as of February 1, 2012 (the date of dissolution of the former Redevelopment Agency), is \$4,742,556. The amount due under the Loans was reduced by \$1,365,593. The current amount of the Loans due to the Town and subject to repayment under this Agreement is \$3,281,514.

3. Interest. Health and Safety Code Section 34191.4(b)(2) provides that the Loan may be repaid to the Town at an interest rate not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). As such, interest shall accrue on the unpaid principal balance outstanding from time to time, at the LAIF rate, as published on the California State Treasurer's web site from time to time, to be calculated from February 1, 2012, until paid in full.

4. Loans were for Legitimate Redevelopment Purposes. The parties acknowledge and agree that the amounts due to the Town under the Note reflect:

a. Amounts due and owing to Town to reimburse Town for costs incurred by Town to provide staff assistance, supplies, technical services and other services and facilities to the Economic Development Fund of the Redevelopment Agency to be used to draft and implement the Redevelopment Plan. Health and Safety Code Section 33127 provides a redevelopment agency with the power to obtain, hire, purchase or rent office space, equipment, supplies, insurance or services in order to carry out its redevelopment activities. Health and Safety Code Section 33133 authorizes a redevelopment agency to accept assistance from any public or private source for the agency's activities, powers and duties. The Redevelopment Agency was established for the purpose of improving, rehabilitating and redeveloping the blighted areas constituting the Redevelopment Project Area pursuant to the adopted Redevelopment Plan, and the Redevelopment Agency entered into the Loan with Town in order to obtain the staffing services, equipment and facilities required to carry out its duties under the Community Redevelopment Law and the Redevelopment Plan.

b. Repayment to Town of amounts loaned to or advanced on behalf of the Redevelopment Agency to further the Redevelopment Agency's redevelopment activities.

5. Conditions Precedent to Repayment. The Parties understand and agree that, pursuant to the Dissolution Act, the Loans and Note will be deemed to be an "enforceable obligation" only after completion of the following actions:

a. The Successor Agency shall have been issued a finding of completion by the DOF pursuant to Health and Safety Code Section 34179.7; and

b. The Successor Agency shall have applied for and the Oversight Board shall have approved the Loans, and made a finding that the loan was for legitimate redevelopment purposes.

The Parties acknowledge and agree that the DOF has issued a finding of completion to the Successor Agency pursuant to Health and Safety Code Section 34179.7. The Successor Agency and Town shall cooperate in providing any documentation and evidence to the Oversight Board as necessary to obtain from the Oversight Board approval of the Loan, together with a finding that the Loan was for legitimate redevelopment purposes.

6. The Parties acknowledge and agree that the repayment of amounts owing to the Town under the Note shall be subject to the limitations and restrictions set forth in

Health and Safety Code Section 34191.4(b). The repayment of the Note each fiscal year shall be equal to the maximum amount allowed under Health and Safety Code Section 34191.4(b).

[Signatures on following page]

IN WITNESS WHEREOF, the Town and Successor Agency have executed this Agreement as of the date first set forth above.

TOWN OF APPLE VALLEY

By: _____
Barb Stanton, Mayor Pro Tem

ATTEST:

By: _____
La Vonda M-Pearson, Town Clerk

SUCCESSOR AGENCY TO THE APPLE VALLEY REDEVELOPMENT AGENCY

By: _____
Barb Stanton, Vice-Chair

ATTEST:

By: _____
La Vonda M-Pearson, Secretary

Attachment 1

Repayment Schedule

(To be distributed at the Special Meeting of April 22, 2015.)