

OVERSIGHT BOARD  
SUCCESSOR AGENCY  
TO THE WEST HOLLYWOOD  
COMMUNITY DEVELOPMENT COMMISSION

JULY 27, 2017

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION APPROVING AMENDMENT NO. 1 TO THE AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT BETWEEN THE CITY OF WEST HOLLYWOOD AND THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION

INITIATED BY: SUCCESSOR AGENCY  
(David Wilson, Director/Deputy City Manager) *DW*  
(John Leonard, Revenue Management Manager) *JPL*

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**STATEMENT ON THE SUBJECT:**

This item recommends that the Oversight Board adopt Amendment No. 1 to the Affordable Housing Bond Proceed Expenditure Agreement dated January 23, 2017, between the City of West Hollywood and the Successor Agency, to add \$9,276,757 in 2011 Series A non-housing bond proceeds to the Agreement.

**RECOMMENDATIONS:**

- 1) Approve Resolution No. OB17-021 "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION APPROVING AMENDMENT NO. 1 TO THE AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT BETWEEN THE CITY OF WEST HOLLYWOOD AND THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION".
- 2) Direct staff to submit Amendment No. 1 to the California Department of Finance for Review.

**BACKGROUND / ANALYSIS:**

On February 1, 2012, pursuant to Assembly Bill x1 26 all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. On September 19, 2011, the West Hollywood City Council adopted Resolution No. 11-4219, electing for the City to serve as the Successor Agency to the West Hollywood Community Development Commission ("Successor Agency").

On January 23, 2017, the Successor Agency and the City of West Hollywood both approved an Affordable Housing Bond Proceed Expenditure Agreement ("Agreement"),

which allowed the transfer of \$5,647,427 in affordable housing bond proceeds from the Successor Agency to the City. The Agreement was approved by the Oversight Board on January 26, 2017, and the California Department of Finance on February 27, 2017.

**Background Information on the Original Agreement (Approved on 1/23/17)**

In March 2011, the former West Hollywood Community Development Commission (“former CDC”) issued Tax Allocation Bonds (2011 Series B) in the principal amount of \$9,420,000 for affordable housing projects within the Eastside Redevelopment Project Area (\$8,129,453 of the principal amount was available for projects, and the remaining amount was used for issuance fees and to fund required debt service reserves).

Shortly after the former CDC issued the 2011 affordable housing bonds, all redevelopment agencies were eliminated by the State Legislature on June 28, 2011. Prior to that date the former CDC provided an affordable housing loan in the amount of \$2,482,026 from the bond proceeds, to the Janet L. Witkin Center located at 937 N Fairfax Ave, to assist with the construction of 17 low- and very-low income affordable housing units for seniors. With this in mind, at the time the former CDC was eliminated \$5,647,427 in unspent bond proceeds remained.

Until recently, laws regulating the dissolution of redevelopment agencies did not permit successor agencies to utilize unspent bond proceeds if the bonds were issued on or after January 1, 2011 (the former CDC bonds were issued on March 2, 2011). For this reason the Successor Agency had been unable to utilize the \$5,647,427 in unspent affordable housing bond proceeds.

Successor Agency staff worked diligently for several years with the City’s Assemblymember (Richard Bloom), the Assembly Speaker’s Office, and the Governor’s Office to enact legislative changes that would permit the use of unspent 2011 bond proceeds. In September 2015, the State Legislature enacted Senate Bill 107, which made amendments to the State Health and Safety Code allowing successor agencies to spend all of their remaining affordable housing bond proceeds. Specifically, Health and Safety Code Sections 34176(g)(1)(A) and 34191.4(c)(2) permit successor agencies to spend 100 percent of remaining unspent bond proceeds from bonds issued prior to June 28, 2011, for the purposes of affordable housing.

The Agreement authorized the transfer of the unspent affordable housing bond proceeds from the Successor Agency to the City in order to complete projects and activities consistent with the bond covenants (the covenants state that the proceeds must be used for affordable housing projects within the Eastside Project Area).

The Agreement allowed for the one-time transfer of the \$5,647,427 in affordable housing bond proceeds to the City to expend on affordable housing projects, rather than requiring the Successor Agency to request money on a project-by-project basis on the ROPS; which would require approval by the State each time.

### Background Information on **Amendment No. 1** to the Agreement

In addition to the affordable housing bonds issued in March 2011, the former CDC also issued non-housing tax allocation bonds (2011 Series A) in the principal amount of \$30,560,000 for improvements to Plummer Park (\$27,202,243 of the principal amount was available for projects, and the remaining amount was used for issuance fees and to fund required debt service reserves). At this time, the Successor Agency holds \$26,505,020 in unspent bond proceeds from the 2011 Series A non-housing bonds.

Similar to the affordable housing bond proceeds described earlier, laws regulating the dissolution of redevelopment agencies did not permit successor agencies to utilize unspent non-housing bond proceeds if the bonds were issued on or after January 1, 2011 (the former CDC bonds were issued on March 2, 2011). For this reason the Successor Agency has been unable to utilize the \$26,505,020 in unspent non-housing bond proceeds.

As described earlier, in September 2015 the State Legislature enacted Senate Bill 107, which made amendments to the Health and Safety Code to allow successor agencies to spend all of their remaining affordable housing bond proceeds, but only a portion of their remaining non-housing bond proceeds. Specifically, Health and Safety Code Section 34191.4(c)(2) permits successor agencies to spend between 45% and 25% of any remaining unspent non-housing bond proceeds once they have an approved Last and Final Recognized Obligation Payment Schedule (“Last and Final ROPS”) from the California Department of Finance. Where a successor agency falls in the 45%-25% range depends on when their bonds were issued in 2011; based on the March 2011 issuance date, West Hollywood is allowed to spend 35%. On June 14, 2017, the Successor Agency received State approval of its Last and Final ROPS and is now allowed to spend \$9,276,757 of its unspent 2011 Series A non-housing bonds (35% of \$26,505,020).

As part of the Last and Final ROPS, the California Department of Finance permitted an increase of \$9,276,757 to the original Agreement that was approved in January 2017. For this reason, staff is bringing forward Amendment No. 1 to the Agreement, which will increase the Agreement by \$9,276,757, and will change the Agreement from an “Affordable Housing Bond Proceed Expenditure Agreement” to simply a “Bond Proceed Expenditure Agreement”, since both affordable housing and non-housing bond proceeds will now be included.

Once Amendment No. 1 is approved by the State, staff will transfer \$9,267,757 in non-housing bond proceeds from the Successor Agency to the City to be used for improvements to Plummer Park at a future date.

The remaining 65% of the unspent non-housing bond proceeds will continue to be held by the Successor Agency and will be used to pay down a portion of the bond principal in 2021 (the earliest date allowed by the bond covenants) in order to reduce debt service payments. Using the remaining 65% of the bond proceeds to pay down the bond principal amount is a requirement of the redevelopment dissolution legislation.

**FISCAL IMPACT:**

This item will allow the transfer of \$9,267,757 in 2011 Series A redevelopment non-housing bond proceeds from the Successor Agency to the City. These bond proceeds will be used to make improvements to Plummer Park at a future date.

**ATTACHMENTS / EXHIBITS:**

- Attachment: Resolution No. OB17-021 "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION APPROVING AMENDMENT NO. 1 TO THE AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT BETWEEN THE CITY OF WEST HOLLYWOOD AND THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION"
- Exhibit A to Attachment: Amendment No. 1 to the Affordable Housing Bond Proceed Expenditure Agreement

# **ATTACHMENT**

Oversight Board

Resolution

for

Amendment No. 1

to Affordable Housing

Bond Proceed

Expenditure Agreement

**RESOLUTION NO. OB17-021**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION APPROVING AMENDMENT NO. 1 TO THE AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT BETWEEN THE CITY OF WEST HOLLYWOOD AND THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION**

The Oversight Board of the Successor Agency to the West Hollywood Community Development Commission (“Oversight Board”), does resolve as follows:

Section 1. The Oversight Board finds and declares that:

- A. City and Successor Agency entered into an Affordable Housing Bond Proceed Expenditure Agreement dated January 23, 2017 (the “Agreement”) wherein Successor Agency agreed to transfer to the City the excess affordable housing bond proceeds from the former West Hollywood Community Development Commission’s 2011 Series B Housing Tax Allocation Bonds in the amount of \$5,647,427.
- B. The Oversight Board approved the Agreement on January 26, 2017, and the California Department of Finance approved the Agreement on February 27, 2017.
- C. California Health and Safety Code Section 34191.4(c)(2) permits successor agencies with an approved Last and Final Recognized Obligation Payment Schedule (“Last and Final ROPS”) to spend up to forty-five percent (45%) of any excess non-housing bond proceeds of their former redevelopment agency.
- D. Pursuant to California Health and Safety Code Section 34191.4(c)(B)(iii) the Successor Agency is permitted to expend thirty-five percent (35%) of the remaining excess non-housing bond proceeds of the former West Hollywood Community Development Commission (former “CDC”), once it has an approved Last and Final ROPS.
- E. Thirty-five percent (35%) of the excess 2011 Series A non-housing bond proceeds of the former CDC is equal to \$9,276,757.
- F. On June 14, 2017, the California Department of Finance approved the Successor Agency’s Last and Final ROPS; the Agreement was included as Item No. 39.
- G. As part of its approval of the Successor Agency’s Last and Final ROPS the California Department of Finance approved a \$9,276,727 increase to Item No. 39 (the Agreement); the addition of the non-housing bond proceeds.

- H. Based on the California Department of Finance’s approval of the Last and Final ROPS, and approved increase of \$9,276,757 to Item No. 39, the City and Successor Agency desire to amend the Agreement to include \$9,276,727 in 2011 Series A non-housing bond proceeds; and
- I. The Oversight Board desires to approve Amendment No. 1 to the Affordable Housing Bond Proceed Expenditure Agreement between the City and Successor Agency to amend the title of the Agreement to “Bond Proceed Expenditure Agreement” and to increase the amount of excess bond proceeds to be transferred to the City from the Successor Agency by \$9,276,727, the amount of 2011 Series A non-housing bond proceeds the Successor Agency is allowed to expend pursuant to Health and Safety Code Section 34191.4(c)(B)(iii) and as approved by the California Department of Finance on the Successor Agency’s Last and Final ROPS.

Section 2. *Amendment No. 1 Affordable Housing Bond Proceed Expenditure Agreement.* The Oversight Board hereby approves Amendment No. 1 to the Affordable Housing Bond Proceed Expenditure Agreement, attached as Exhibit A to this Resolution and herein approves the execution of the attached Amendment and the provision of Excess Bond Proceeds to the City for the purposes described.

Section 3. *Authorization.* The officers and staff of the Oversight Board and Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, including but not limited to submitting it to the California Department of Finance for review.

Section 4. *Environmental Determination.* This Resolution is exempt from review under the California Environmental Quality Act (California Public Resources Code §§ 2100, et seq., “CEQA”) and CEQA regulations (14 California Code of Regulations §§ 15000, et seq.) because it establishes rules and procedures to implement government funding mechanisms; does not involve any commitment to a specific project which could result in a potentially significant physical impact on the environment; and constitutes an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. Accordingly, this Resolution does not constitute a “project” that requires environmental review (see specifically 14 CCR § 15378(b)(4-5)).

Section 5. *Reliance on Record.* Each and every one of the findings and determinations in this Resolution are based on the competent and substantial evidence, both oral and written, contained in the entire record relating to the Oversight Board and applicable law. The findings and determinations constitute the independent findings and determinations of the Oversight Board in all respects and are fully and completely supported by substantial evidence in the record as a whole.

Section 6. *Summaries of Information.* All summaries of information in the findings, which precede this Section, are based on the substantial evidence in the record including, without limitation, verbal and documentary evidence submitted to the Oversight Board. The absence of

any particular fact from any such summary is not an indication that a particular finding is not based in part on that fact.

Section 7. The Board Secretary is directed to certify the adoption of this Resolution, record this Resolution in the book of the Oversight Board's original resolutions, and make a minute of the adoption of the Resolution in the Oversight Board's records and the minutes of this meeting.

Section 8. This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded.

PASSED, APPROVED, AND ADOPTED this 27th day of July, 2017.

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Martin Zimmerman, Chair

ATTEST:

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Cesar Hernandez, Deputy Clerk  
Los Angeles County Board of Supervisors  
Acting as Secretary for the Oversight Board  
of the Successor Agency to the  
West Hollywood Community Development Commission

I HEREBY CERTIFY that the above and foregoing ordinance was duly passed and adopted by the Oversight Board of the Successor Agency to the West Hollywood Community Development Commission its regular meeting held on the 27th day of July, 2017, by the following vote, to wit:

AYES;

NOES;

ABSENT:

ABSTAIN:

**EXHIBIT A**  
**TO RESOLUTION**

Amendment No.1  
to Affordable Housing  
Bond Proceed  
Expenditure  
Agreement

**AMENDMENT No. 1  
AFFORDABLE HOUSING  
BOND PROCEED  
EXPENDITURE AGREEMENT**

This Amendment No. 1 to the Affordable Housing Bond Proceed Expenditure Agreement (“Amendment No. 1”), is made on this 17<sup>th</sup> day of July, 2017, and amends the Affordable Housing Bond Proceed Expenditure Agreement dated January 23, 2017, by and between the City of West Hollywood, a municipal corporation (referred to herein as “City”) and the Successor Agency to the West Hollywood Community Development Commission (hereinafter referred to as the “Successor Agency”).

**RECITALS**

- A. City and Successor Agency entered into an Affordable Housing Bond Proceed Expenditure Agreement dated January 23, 2017 (the “Agreement”), wherein Successor Agency agreed to transfer to the City the excess affordable housing bond proceeds from the former West Hollywood Community Development Commission’s 2011 Series B Housing Tax Allocation Bonds in the amount of \$5,647,427.
- B. The Oversight Board to the Successor Agency approved the Agreement on January 26, 2017, and the California Department of Finance approved the Agreement on February 27, 2017.
- C. California Health and Safety Code Section 34191.4(c)(2) permits successor agencies with an approved Last and Final Recognized Obligation Payment Schedule (“Last and Final ROPS”) to spend up to forty-five percent (45%) of any excess non-housing bond proceeds of their former redevelopment agency.
- D. Pursuant to California Health and Safety Code Section 34191.4(c)(B)(iii) the Successor Agency is permitted to expend thirty-five percent (35%) of the remaining excess non-housing bond proceeds of the former West Hollywood Community Development Commission (former “CDC”), once it has an approved Last and Final ROPS.
- E. Thirty-five percent (35%) of the excess 2011 Series A non-housing bond proceeds of the former CDC is equal to \$9,276,757.
- F. On June 14, 2017, the California Department of Finance approved the Successor Agency’s Last and Final ROPS; the Agreement was included as Item No. 39.
- G. As part of its approval of the Successor Agency’s Last and Final ROPS the California Department of Finance approved a \$9,276,727 increase to Item No. 39 (the Agreement); the addition of the non-housing bond proceeds.
- H. Based on the California Department of Finance’s approval of the Last and Final ROPS, and approved increase of \$9,276,757 to Item No. 39, the City and Successor Agency desire to amend the Agreement to amend the title of the

**AMENDMENT No. 1**  
**AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT**

Agreement to “Bond Proceed Expenditure Agreement” and to add \$9,276,727 in 2011 Series A non-housing bond proceeds.

NOW, THEREFORE, the City and Successor Agency hereto do mutually agree as follows:

1. The words “Affordable Housing” shall be deleted from the title of the Agreement. The amended Agreement shall be titled “Bond Proceed Expenditure Agreement”.
2. Amend Recitals D, E, F, G, H, and I to read as follows:
  - D. Health and Safety Code Section 34176(g)(1)(A) permits a housing successor to designate the use of and commit bond proceeds derived from bonds issued for the purposes of affordable housing prior to June 28, 2011, that were backed by the Low and Moderate Income Housing Fund, that remain after the satisfaction of enforceable obligations that have been approved on a ROPS and that are consistent with the bond covenants. It is the intent of the State Legislature to authorize housing successors to designate the use of and commit 100 percent of such proceeds.
  - E. The Successor Agency has affordable housing bond proceeds that remain after the satisfaction of enforceable obligations from the 2011 Tax Allocation Bonds, Series B, issued by the former CDC dated March 2, 2011 (“2011 Housing TAB”). The Housing Successor wishes to use such proceeds for affordable housing purposes consistent with applicable bond covenants pursuant to Health and Safety Code Section 34176(g)(1)(A).
  - F. Health and Safety Code Section 34191.4(c)(2) states that bond proceeds (non-housing proceeds) derived from bonds issued on or after January 1, 2011, in excess of the amounts needed to satisfy approved enforceable obligations, shall be used in a manner consistent with the original bond covenants, subject to the following provisions: If the successor agency has an approved Last and Final ROPS the agency may expend no more than twenty percent (20%) of the proceeds derived from the bonds, subject to the following adjustment: If the bonds were issued during the period of March 1, 2011, to March 31, 2011, the successor agency may expend an additional fifteen percent (15%) of the proceeds derived from the bonds, for a total authorized expenditure of no more than thirty-five percent (35%).
  - G. The Successor Agency received its approved Last and Final Recognized Obligation Payment Schedule (“Last and Final ROPS”) under Health and Safety Code Section 34191.6 from the California Department of Finance on June 14, 2017.
  - H. The Successor Agency has non-housing bond proceeds that remain after the satisfaction of enforceable obligations from the 2011 Tax Allocation

**AMENDMENT No. 1**

**AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT**

Bonds, Series A, issued by the former CDC dated March 2, 2011 (“2011 Non-Housing TAB”). The Successor Agency wishes to use thirty-five percent (35%) of such proceeds for non-housing purposes consistent with applicable bond covenants pursuant to Health and Safety Code Section 34191.4(c)(2).

- I. The California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) provides for a cooperative relationship between cities and their redevelopment agencies, as well as their successor agencies who have assumed the duties and obligations of former redevelopment agencies. Under Health and Safety Code Section 33220, a city may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment projects. Health and Safety Code Section 33220(e) specifically authorizes a city to enter into an agreement with its redevelopment agency or any other public entity to further redevelopment purposes. Health and Safety Code Section 34178 allows a successor agency and its sponsoring city to enter into agreements with the approval of the oversight board.

3. Add Recitals J and K, which shall read as follows:

- J. The Successor Agency desires to provide one-hundred percent (100%) of the bond proceeds remaining from the 2011 Housing TAB and thirty-five percent (35%) of the bond proceeds remaining from the 2011 Non-Housing TAB (“Excess Bond Proceeds”) to the City to enable the City to use such funds in a manner consistent with the original bond covenants. The transfer of these funds to the City would advance the City’s community development goals while maximizing fiscal and social benefits flowing to the taxing entities from successful development. The City Council has found that the use of Excess Bond Proceeds to fund projects is in accordance with Health and Safety Code Sections 33445, 33445.1, and 33679, the bond covenants, and other applicable law. The Oversight Board has determined that the expenditure of Excess Bond Proceeds in accordance with this Agreement will benefit the affected taxing entities, and has approved the execution of this Agreement and the provision of Excess Bond Proceeds to the City for the purposes described herein.
- K. In order to facilitate the use of Excess Bond Proceeds consistent with the bond covenants, the Successor Agency and the City have negotiated this Agreement requiring the transfer of current Excess Bond Proceeds by the Successor Agency to the City, and the City’s use of such proceeds consistent with applicable bond covenants. The parties intend that this Agreement shall constitute an excess bond proceeds obligation within the meaning of Health and Safety Code Sections 34191.4(c)(2) (“Excess Bond Proceeds Obligation”) to be paid from Excess Bond Proceeds. The Successor Agency will list this Agreement, and the requirement to transfer Excess Bond Proceeds herein, on its Last and Final ROPS as an Excess

**AMENDMENT No. 1**

**AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT**

Bond Proceeds Obligation. The California Department of Finance shall review such listing pursuant to its statutory right of review and approval of a ROPS.

4. Amend Section 2.1 to read as follows:

- 2.1 **CURRENT EXCESS BOND PROCEEDS.** The Successor Agency shall transfer to the City Excess Bond Proceeds held by the Successor Agency in the amount of \$5,647,427 from the 2011 Housing TAB and \$9,276,727 from the 2011 Non-Housing TAB, which is equal to a total of \$14,924,154. The two amounts are equal to one-hundred percent (100%) of the remaining proceeds derived from the 2011 Housing TAB and thirty-five percent (35%) of the remaining proceeds derived from the 2011 Non-Housing TAB.

**AMENDMENT No. 1**  
**AFFORDABLE HOUSING BOND PROCEED EXPENDITURE AGREEMENT**

Except as herein amended, in all other respects the Agreement are reaffirmed and are in full force and effect.

IN WITNESS WHEREOF, the undersigned parties have executed Amendment No. 1 to the Agreement on the 17<sup>th</sup> day of July, 2017.

**“CITY”**

**THE CITY OF WEST HOLLYWOOD,**  
**a municipal corporation**

By: \_\_\_\_\_  
Paul Arevalo, City Manager

Attest:  
By: \_\_\_\_\_  
Yvonne Quarker, City Clerk

Approved as to form:

By: \_\_\_\_\_  
Mike Jenkins, City Attorney

**“SUCCESSOR AGENCY”**

**SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY  
DEVELOPMENT COMMISSION, the Successor Agency to the West Hollywood  
Community Development Commission under Health and Safety Code Section 34173**

By: \_\_\_\_\_  
Paul Arevalo, Agency Executive Director

Attest:  
By: \_\_\_\_\_  
Yvonne Quarker, Agency Secretary

Approved as to form:

By: \_\_\_\_\_  
Mike Jenkins, Agency Counsel