City of Culver City, California

Joint City Council and Redevelopment Agency Agenda Item Report

Meeting Date: 06/01/2009	Item Number: J-1
AGENDA ITEM: JOINT ITEM - Approval of the Second Amendment to the Cooperation Loan Agreement By and Between the City of Culver City and the Culver City Redevelopment Agency	
Contact Person/Dept.: John Fisanotti	Phone Number: (310) 253-5767
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: []
Public Notification: Master E-Mail Notification List (05/27/09)	
Department Approval: Sol Blumenfeld (05/20/09)	Agency General Counsel Approval: Murray Kane (05/19/09) City Attorney Approval: Carol Schwab (by H. Baker) (05/27/09)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball)(5/27/29)	Executive Director/City Manager Approval: Mark Scott (05/28/09)

RECOMMENDATION:

Staff recommends the City Council and Culver City Redevelopment Agency (the "Agency") approve a second amendment to the "Cooperation Loan Agreement By and Between the City of Culver City and the Culver City Redevelopment Agency" (the "Amendment".)

BACKGROUND:

On May 29, 2007 the Council and Agency approved a cooperation agreement whereby the City loaned $9 million to the Agency in order reallocate its tax exempt bond fund proceeds in accordance with the bond documents. The loan was to be re-paid in full by June 21, 2008 and the Agency expected that the sales of various Agency-owned properties would become the revenue source from which the loan re-payment to the City would be made. However, because of the slowing economy, none of the anticipated sales have occurred yet.

On June 16, 2008, the Council and Agency approved a *"First Amendment To Cooperation Loan Agreement By and Between the City of Culver City and the Culver City Redevelopment Agency"* (the "First Amendment.") Pursuant to the First Amendment, the Agency made a $2 million principal payment in 2008, and has until June 21, 2009 to re-pay the remaining balance. The interest rate on the loan is

5.7% and the Agency has been making its semi-annual interest payments to the City.

At this time, the anticipated sales of Agency owned properties still have not occurred, which necessitates another adjustment to the loan terms.

DISCUSSION:

The proposed Amendment would make the following modifications to the loan terms:

Revise the requirement for full repayment by June 21, 2009 and instead allow the Agency to repay the remaining balance (principal plus interest) in two installments:

Due by June 21, 2010: Principal of $3,500,000 and interest of $399,000
Due by June 21, 2011: Principal of $3,500,000 and interest of $199,500

The Agency has an open escrow with Axis Mundi RE II, LLC for the sale of the Baldwin Site (12803-23 W. Washington Boulevard) for $3,200,000 by December 10, 2009. The Agency is also in escrow with Rush Pacifica for the sale of the Parcel B site in downtown for $5,900,000. The Agency is also continuing to negotiate with Reiss/Paris for the sale of the Washington/Centinela site. Any combination of these sales could generate adequate income for the Agency to meet its repayment obligation earlier than proposed in the Amendment. If the anticipated sales do not occur by June 2011, then, depending on economic conditions at the time, it may be necessary to request another amendment to the Agreement. However, staff has assumed that the remainder of the loan will be repaid from tax increment funds rather than land sale proceeds. Therefore, repayment of the loan is not dependent on receiving land sale proceeds unless the economic conditions cause tax increment receipts to decrease.

FISCAL ANALYSIS:

The City's Chief Financial Officer has reviewed the proposed terms and believes that the terms should not place a burden on the City's finances. The current interest rate that the City is earning from the RDA note (5.7%) is significantly better than the rate the City is receiving on most of its current investments. If the loan is extended for two years, the City will earn approximately $600,000 in interest.

MOTION:

That the City Council

1. Approve a second amendment to the "Cooperation Loan Agreement By and Between the City of Culver City and the Culver City Redevelopment Agency"; and,

2. Authorize the City Attorney to review/prepare the necessary documents; and,

3. Authorize the City Manager to execute such documents on behalf of the City.

That the Redevelopment Agency:

1. Approve a second amendment to the "Cooperation Loan Agreement By and Between the City of Culver City and the Culver City Redevelopment Agency"; and,

2. Authorize the Agency General Counsel to review/prepare the necessary documents; and,

3. Authorize the Executive Director to execute such documents on behalf of the Agency.