AGENDA

City of El Cajon
Successor Agency – Oversight Board
8:00 a.m., Wednesday, January 15, 2014

Meeting Location: El Cajon Police Station
Community Room #161
100 Civic Center Way, El Cajon, CA 92020

I. CALL TO ORDER & PLEDGE OF ALLEGIANCE:

II. ROLL CALL:

III. AGENDA CHANGES:

IV. PUBLIC COMMENT: (This is the opportunity for a member of the public to address the Oversight Board on any item of business within the jurisdiction of the Board that is not on the agenda. Under State law no action can be taken on items brought forward under Public Comment, except to refer the item to the staff for administrative action or to place it on a future agenda.)

V. ACTION ITEMS:

1. Approval of Action Minutes – November 20, 2013, meeting
2. Termination of DDA – NW Corner Project
3. Termination of DDA – SW Corner Project
4. Termination of DDA – The Corners Project
5. Termination of DDA – Magnolia Villas Project
6. Request to make findings for the loan from the City of El Cajon to the El Cajon Redevelopment Agency dated June 15, 2011, and approval of Modification of Note Secured by Deed of Trust.
7. Approval of Promissory Note for $1,000,000, findings and authorization for remittance.
8. Approval of Amended Long Range Property Management Plan

VI. OTHER ITEMS FOR CONSIDERATION:

VII. STAFF COMMUNICATIONS:

1. Basic Financial Statements and Independent Auditor's Report and Written Communication on Statement on Auditing Standards 114 for the Fiscal Year Ended June 30, 2013.
2. Use of 2005 Low and Moderate-Income Housing Fund Bond Proceeds.
3. Department of Finance – Recognized Obligation Payment Schedule (ROPS 13-14B) Determination Letter.
4. Upcoming work program

VIII. BOARD REPORTS/COMMENTS:

IX. ADJOURNMENT:

BOARD MEMBERS:

SAHAR ABUSHABAN
Chancellor of the California Community Colleges Representative

SCOTT BUXBAUM
County Board of Education Representative

GLORIA CHADWICK
Grossmont Healthcare District Representative

JIM GRIFFIN
County Board of Supervisors Representative

MICHAEL GRIFFITHS
City of El Cajon

MANJEET RANU
(Former RDA/MMPEG Employee) City of El Cajon

DEBRA TURNER-EMERSON
County Board of Supervisors Representative

OB LEGAL COUNSEL:
MEYERS NAVE

SUCCESSOR AGENCY STAFF:

DOUGLAS WILLIFORD
Executive Director/ City Manager

MAJED AL-GHAFRY
OB Secretary / Assistant City Manager

MORGAN FOLEY
General Counsel

JENNY FICACCI
Housing Manager

HOLLY REED-FALK
Financial Operations Manager

VICTORIA DANGANAN
Senior Accountant

RON LUIS VALLES
Administrative Secretary

We endeavor to be in total compliance with the Americans with Disabilities Act. If you require assistance or auxiliary aids in order to participate at Oversight Board meetings, please contact staff at (619) 441-1741 as far in advance of the meeting as possible.

DRAFT SUMMARY MINUTES

Successor Agency to the El Cajon Redevelopment Agency Oversight Board

Meeting - Wednesday, November 20, 2013
El Cajon Police Station Community Room #161
100 Civic Center Way, El Cajon, CA 92020

BOARD PRESENT: Sahar Abushaban, Scott Buxbaum, Gloria Chadwick, Jim Griffin, Michael Griffiths, Manjeet Ranu and Debra Turner-Emerson (Chair)

BOARD ABSENT: None

OB LEGAL COUNSEL: George Eiser III, representing law firm of Meyers Nave

STAFF PRESENT: Assistant City Manager Majed Al-Ghafry, Housing Manager Jenny Ficacci, Financial Operations Manager Holly Reed-Falk, and Administrative Secretary Ron Luis Valles

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CALL TO ORDER AND PLEDGE OF ALLEGIANCE:

The meeting was called to order at 8:00 a.m. by TURNER-EMERSON.

PUBLIC COMMENT:

No public comment.

ACTION ITEM NO. 1: APPROVAL OF ACTION MINUTES – October 29, 2013

CHADWICK made a motion, seconded by GRIFFIN, to approve the minutes of the special meeting. **Motion carried 6-0 (ABUSHABAN, abstained due to absence at previous meeting).**

ACTION ITEM No. 2: TERMINATION OF OWNER PARTICIPATION AGREEMENT FOR PROPERTY KNOWN AS EL CAJON TOWNE CENTER

FICACCI summarized the staff report, and provided to Board and staff a revised resolution that added ", substantially in the form as presented," in finding #B on page 3 in between "restrictive covenants" and ("Termination Documents").

GRIFFIN made a motion, seconded by BUXBAUM, that adopted the revised Resolution OB-14-13 as presented by staff, approving the termination of the Owner Participation Agreement and related restrictive covenants with Shadow Mountain Church, Inc., its

Successor and/or assignments, governing the land use restrictions for the property known as El Cajon Towne Center, located at Magnolia Avenue between Park Avenue and Wells Avenue.
Motion carried 7-0.

STAFF COMMUNICATIONS:

Staff presented the Department of Finance's determination letter for the Recognized Obligation Payment Schedule (ROPS 13-14B) and summarized several project management, enforceable obligation and administrative costs that were denied. Staff will submit additional information to the state this afternoon. The final determination should be made by December 17, 2013.

For the upcoming work program, staff will have additional termination agreements, but they might possibly be presented at the January 15, 2014, Oversight Board meeting, as staff needs to work with the City Attorney's office, as the agreements have be approved first by the City Council/Successor Agency. The board members will be notified in a timely manner if the December meeting will be cancelled.

BOARD REPORTS/COMMENTS:

There were none.

ADJOURNMENT:

CHADWICK made a motion, seconded by GRIFFITHS, to adjourn the meeting of the El Cajon Successor Agency Oversight Board at 8:14 a.m. this 20th day of November 2013, to 8:00 a.m., December 18, 2013, in the Police Station's Community Room, 100 Civic Center Way, El Cajon, California.
Motion carried 7-0.

APPROVED:

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Majed Al-Ghafry, Oversight Board Secretary

AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 15, 2014, Meeting

SUBJECT: TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT WITH PRIEST DEVELOPMENT CORPORATION FOR THE NW CORNER PROJECT.

RECOMMENDED ACTION: That the Oversight Board:

1. Adopt the attached resolution approving that certain Termination of Disposition and Development Agreement, substantially in the form as presented, and all related documents required to eliminate unnecessary restrictive covenants ("Termination Documents") with Priest Development Corporation, its successors and/or assigns, governing the land use restrictions for the property known as the NW Corner Project, more particularly described in Exhibit "A", reserving and retaining, however, the nondiscrimination covenants set forth in section 3.9 and hazardous waste covenants set forth in section 4.3, which shall survive the termination of the Disposition and Development Agreement ("DDA") and continue to be covenants running with the land; and
2. Approve execution by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, of the termination documents necessary to formalize and complete the termination of the DDA and its related documents as outlined in this report.

BACKGROUND:

The City of El Cajon as Successor Agency is charged with the winding down of the affairs of the former El Cajon Redevelopment Agency ("Agency"), including terminating any agreement that would be in the best interests of the taxing entities, or would result in decreasing liabilities or increasing revenues.

On October 30, 2000, the former Agency entered into a DDA with Priest Development Corporation for the acquisition of .554 acres, more particularly described in **Exhibit "A"**, and development of a two story mixed-use project, consistent with the El Cajon Downtown Master Design Plan in Specific Plan 182 (the "Plan"). The purchase price of the Property of $65,000 was paid through close of escrow in December 2000, and no financial assistance remains due to the Agency or the Developer.

Development of the project is fully complete and only land use conditions remain a part of the DDA, which can be addressed through the Zoning Code.

Because several sections of the DDA and attachments limit the types of uses that are allowed on the property ("Restrictive Covenants"), they become land use restrictions that must be addressed prior to approval of any discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code. For these reasons, staff is recommending that the DDA be terminated with the current property owner.

Termination of the DDA also complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated...." Section 34181(e) allows the termination of such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

By terminating the DDA, the Developer or current owner will have the flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the property and neighboring properties much sooner than is presently realized. Staff finds no reasons to any longer maintain these land use restrictions.

Staff's recommendation, however, includes the retention and continued enforcement of those covenants contained in Section 3.9 ("Form of Nondiscrimination and Nonsegregation Clauses") and Section 4.3 ("Hazardous Waste"). The nondiscrimination language was mandated by Redevelopment Law and is required to survive the termination of the DDA and any of its operation, or use, covenants. The hazardous waste covenant is required to remain in place because the underlying property remains the subject of an open Underground Storage Tank (groundwater contamination) case, for which the Agency committed to remain responsible until a clearance letter is received from the County Department of Environmental Health.

Due to the size of the DDA documents and amendments, all DDA's are on file with the City Clerk and on the City website for public review at: http://www.ci.el-cajon.ca.us/comm/Successor_agendas.aspx

FISCAL IMPACT:

The requested action will terminate the former Agency DDA regulating land use for the NW Corner Project. By terminating the DDA, revenues to the taxing entities will increase as a result in the elimination of future direct project management costs for management of the DDA.

ATTACHMENTS:

1. Proposed Resolution
2. Termination of Disposition and Development Agreement
3. Exhibit "A" – NW Corner Project parcel map

Prepared by:

Jenny Ficacci
Housing Manager

Reviewed by:

Majed Al-Ghafry
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-01-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED RESTRICTIVE COVENANTS WITH PRIEST DEVELOPMENT CORPORATION, ITS SUCCESSOR AND/OR ASSIGNMENTS, GOVERNING THE LAND USE RESTRICTIONS FOR THE PROPERTY KNOWN AS THE NW CORNER PROJECT, MORE PARTICULARLY DESCRIBED IN EXHIBIT "A", AND APPROVING EXECUTION BY THE EXECUTIVE DIRECTOR, AND SUCH PERSONS DESIGNATED BY THE EXECUTIVE DIRECTOR, OF ANY DOCUMENTS NECESSARY FOR THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREMEENT.

WHEREAS, on October 30, 2000, the former El Cajon Redevelopment Agency (the "Agency") entered into an Disposition and Development Agreement ("DDA") with Priest Development Corporation (the "Developer") for the sale and development of that certain property located on the north side of Magnolia Avenue at Main Street (the "NW Corner Project", more particularly described in Exhibit "A" (the "Property"); and

WHEREAS, the purchase price of the Property of $65,000 was paid through close of escrow in December 2000, and no financial assistance remains due to the Agency or the Developer; and

WHEREAS, Development of the project is fully complete and only land use conditions remain a part of the DDA, which can be addressed through the Zoning Code; and

WHEREAS, because several sections of the DDA and attachments limit the types of uses that are allowed on the property (the "Restrictive Covenants"), they become a land use restriction that must be addressed prior to approval of any discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code; and

WHEREAS, Section 3.9 of the DDA is mandated by Health and Safety Code Sections 33435 and 33436 which require covenants prohibiting discrimination and segregation, and specifies language required to be included in all deeds and leases related to the Property, in perpetuity (the "Nondiscrimination Covenant"); and

WHEREAS, Section 4.3 of the DDA further provides covenants indemnifying the Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the subject Property prior to the close of escrow; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any

Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of close of escrow (the "Hazardous Waste Covenant"); and

WHEREAS, for these reasons staff is recommending the DDA be terminated with the Developer, its successors and/or assigns, while retaining and reserving the Nondiscrimination and Hazardous Waste Covenants for the Property; and

WHEREAS, termination of the DDA also complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated....''; and

WHEREAS, Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities; and

WHEREAS, by terminating the DDA, the Developer, its successors and/or assigns, will have the flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the Property and neighboring properties much sooner than is presently realized; and

WHEREAS, staff finds no reason to any longer maintain these land use restrictions, except for the Nondiscrimination and Hazardous Waste Covenants.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The recitals above are true and correct and are the findings of the Oversight Board as if incorporated herein by this reference.

2. Approval of the Termination Agreement of Disposition and Development Agreement, related restrictive covenants, and preparation of reasonable and required documentation is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed agreements will not cause a significant adverse physical change to the environment either directly or indirectly.

3. The proposed terms would be in the best interests of the affected taxing entities and the public because it will allow the Developer, its successors and/or assigns, to have flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of

the Property and neighboring properties much sooner than is presently realized.

B. The Oversight Board hereby approves the Termination of Disposition and Development Agreement, and all related restrictive covenants, substantially in the form as presented in Exhibit "A-1" (the "Termination Documents") with Priest Development Corporation, its successors and/or assigns, governing the land use restrictions for the property known as the NW Corner Project, located on the north side of Magnolia Avenue at Main Street, more particularly described in Exhibit "A"; provided, however, that the Termination Documents shall expressly reserve and retain those covenants and restrictions contained in Section 3.9 (Nondiscrimination Covenant) and Section 4.3 (Hazardous Waste Covenant) in perpetuity.

C. The Oversight Board hereby approves the execution of all reasonable and required documentation by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, necessary to formalize and complete the Termination Documents as outlined in this Resolution.

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PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15TH day of January 2014, by the following vote to wit:

AYES :

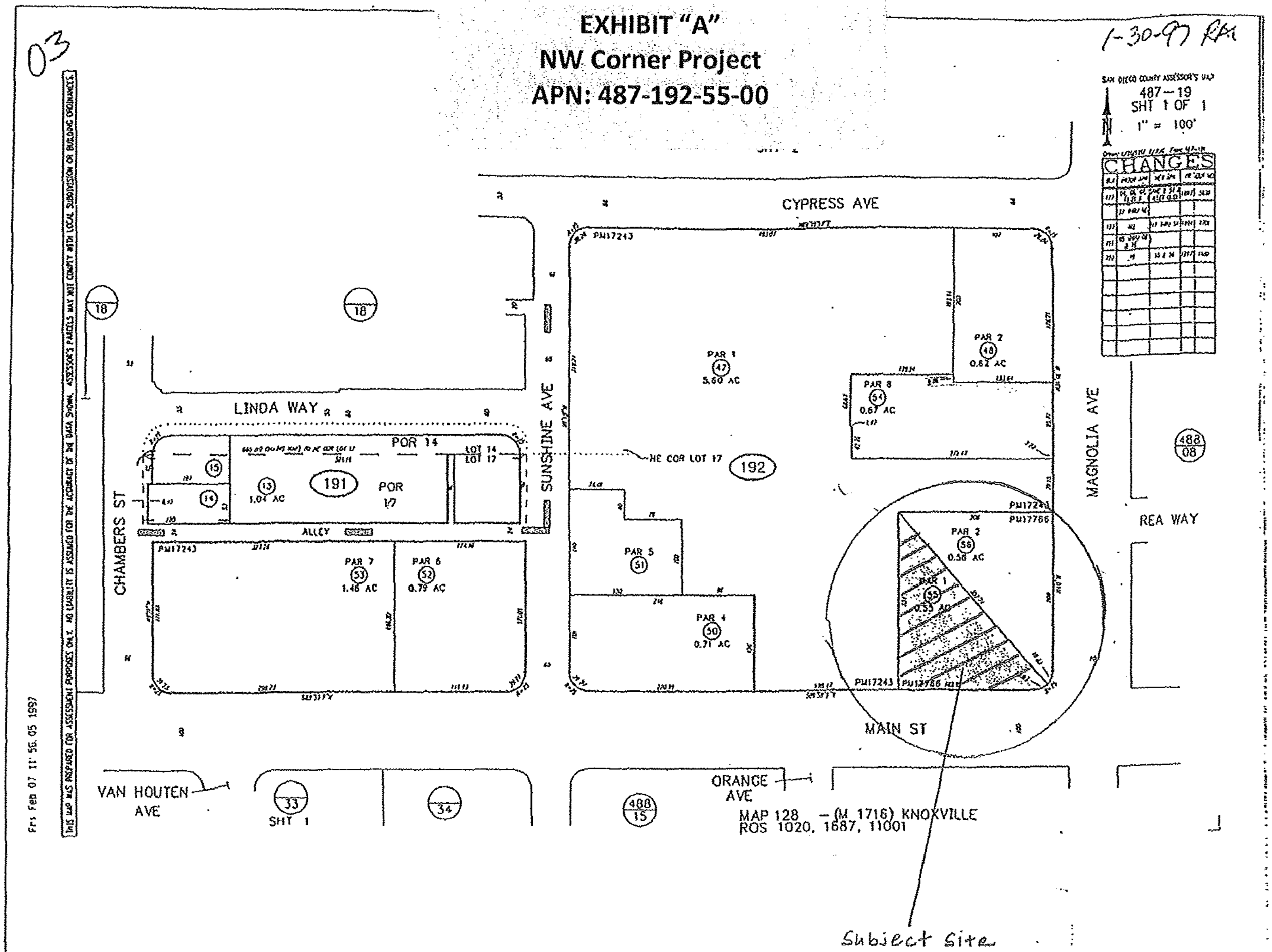
NOES :
ABSENT :

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Majed Al-Ghafry, Oversight Board Secretary

EXHIBIT "A"
NW Corner Project
APN: 487-192-55-00



LEGAL DESCRIPTION:

PARCEL 1 OF PARCEL MAP NO. 17766 IN THE CITY OF EL CAJON, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, OCTOBER 15, 1996.

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TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT

This TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT ("Termination Agreement") is entered into as of ____________________ ("Date of Agreement") by and between the SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and PRIEST DEVELOPMENT CORPORATION, a California Corporation, its successors and/or assignments (the "Developer").

RECITALS

A. The Former El Cajon Community Redevelopment Agency, (the "Former Agency"), entered into an Disposition and Development Agreement ("DDA") dated October 30, 2000, with Priest Development Corporation (the "Developer"), for the development of that certain property known as the NW Corner Project, more particularly described in Exhibit "A" (the "Site").

B. Section 3.1 of the DDA provides, among other things, that Developer and its successors and assignees devote the Site to commercial retail, and other accessory uses, as specified in the Redevelopment Plan, and that the covenant shall run with the land (the "Restrictive Covenant") indefinitely. Section 3.9 of the DDA further provides covenants prohibiting discrimination and specifies language required to be included in all deeds and leases related to the Site in perpetuity (the "Nondiscrimination Covenant").

C. Section 4.3 of the DDA further provides covenants indemnifying the Original Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the subject property prior to the close of escrow; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of close of escrow (the "Hazardous Waste Covenant").

D. Because the Restrictive Covenant limits the use of the Site in accordance with the DDA, it becomes a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for anything other than retail commercial purposes for properties sold for commercial development. In the case for properties sold for residential development, rental of the units in order to meet financial obligations is prohibited and could therefore jeopardize the viability of completion of the project. Termination of the DDA would provide the Developer the flexibility to market the commercial properties to a greater number of possible tenants, which could result in an increased valuation of the Site and neighboring properties much sooner than is presently realized.

E. Termination of the DDA also meets Section 34181(e) of California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated...." Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

F. For these reasons, the Developer now wishes to terminate the DDA with the Agency while retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site.

NOW, THERFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Agency and Developer hereby agree as follows:

1. Termination of the DDA. Effective upon the Date of Agreement of this Termination Agreement, Agency and Developer hereby acknowledge and agree that the DDA shall be terminated and discharged, and shall be of no further force or effect, except retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site. Upon the effectiveness of the termination of the DDA as provided in the immediately preceding sentence, neither Agency nor Developer shall have any rights or obligations pursuant to the DDA, except those respecting reservation of the Nondiscrimination and Hazardous Waste Covenants.

2. Mutual Releases. In consideration of the foregoing, Agency and Developer hereby irrevocably and unconditionally release, acquit, and forever discharge each other, and each of the other's successors, predecessors, assigns, owners, stockholder, directors, officers, employees, agents, guarantors, representatives, attorneys, divisions, parent corporations, subsidiaries, affiliates, partners, joint venturers, unincorporated associates, trusts, trustors, trustees, beneficiaries, heirs, insurers, and affiliated persons or entities (which specifically includes, but is not limited to, with respect to the Agency, the Former Agency, and the City of El Cajon, from any and all charges, complaints, claims, contracts, liabilities, duties, obligations, promises, agreements, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses, including attorney's fees and court costs, anticipated or actual incurred, of any nature whatsoever, known or unknown, suspected or unsuspected, which Agency or Developer, or their successors and assigns, including the Original Developer, or any related person or entitled as described above, now has, owns or holds, or claims to have, own or hold, or which said parties at any time heretofore had, owned or held, or claimed to have had, owned or held, against one another, or any of the other related persons or entities as described above, in any way arising out of or relating to the DDA, or to implementation of the DDA by either party.

3. Waiver of Civil Code Section 1542. Agency and Developer both understand and agree that the releases provided in Section 2 above extend to all claims of every kind of nature, whether known or unknown, suspected or unsuspected, arising out of, in connection with, or raised in relation to the DDA, or implementation of the DDA by Agency or Developer. It is expressly understood and agreed that Agency and Developer each hereby waives the provisions of Section 1542 of the California Civil Code, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Agency: _____________ Developer: ______________

4. Counterparts. This Termination Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, this Termination Agreement has been executed by each party's respective duly authorized officers, as of the date first above written.

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY,
a public body, corporate and politic

____
Douglas Williford, Executive Director

ATTEST:

____
Belinda Hawley, Secretary

APPROVED AS TO FORM:

____
Morgan Foley, Agency Counsel

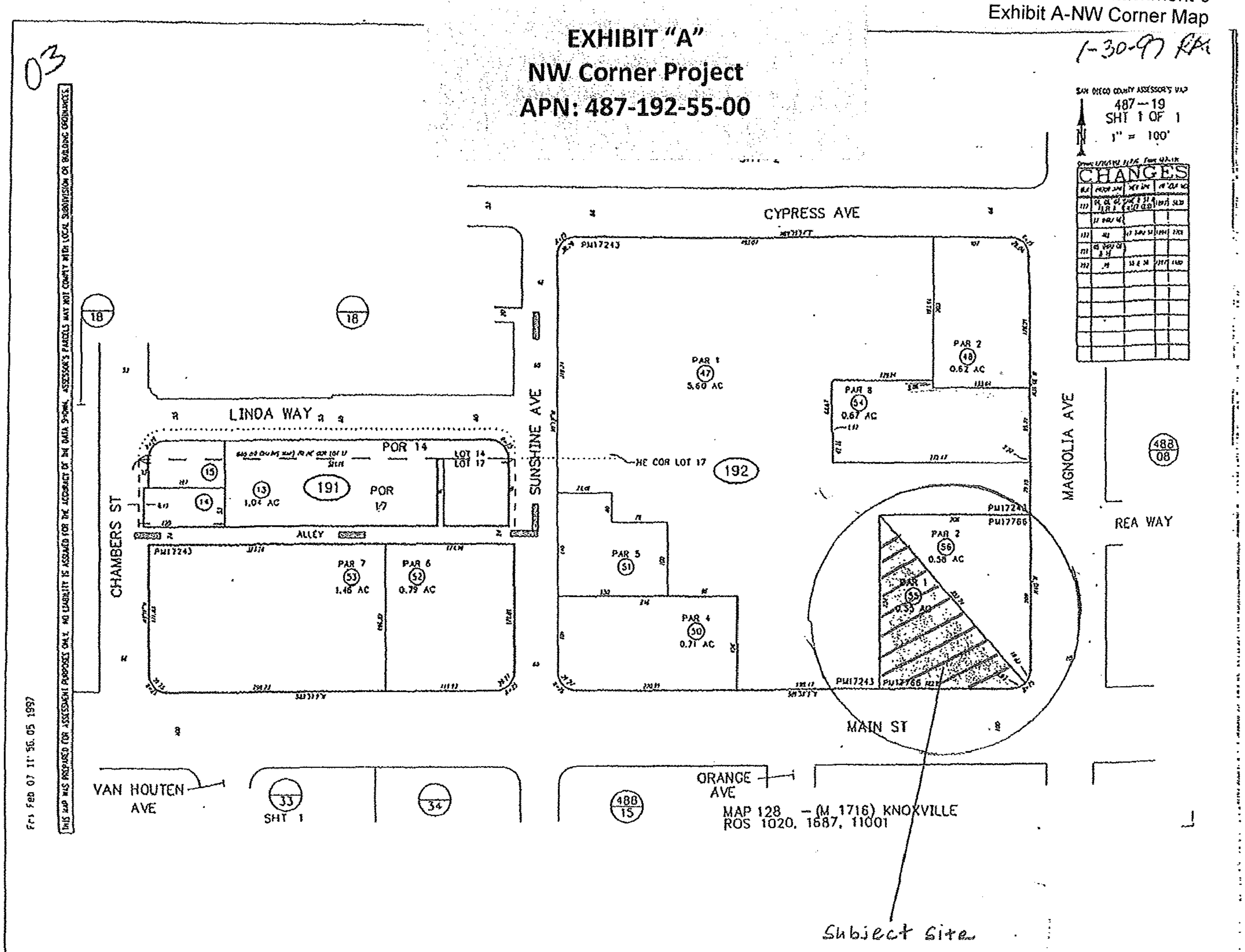
DEVELOPER:

PRIEST DEVELOPMENT CORPORATION,
a California Corporation

By:____
Darryl R. Priest, Priest Development Corporation

By:____
_____________, _____________________

EXHIBIT "A"
NW Corner Project
APN: 487-192-55-00



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AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 15, 2014, Meeting

SUBJECT: TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT WITH PRIEST DEVELOPMENT CORPORATION FOR THE SW CORNER PROJECT.

RECOMMENDED ACTION: That the Oversight Board:

1. Adopt the attached resolution approving the Termination of Disposition and Development Agreement, substantially in the form as presented, and all related documents required to eliminate unnecessary restrictive covenants ("Termination Documents") with Priest Development Corporation, its successors and/or assigns, governing the land use restrictions for the property known as the SW Corner Project, more particularly described in Exhibit "B", reserving and retaining, however, the nondiscrimination covenants set forth in section 3.9 and hazardous waste covenants set forth in section 4.3, which shall survive the termination of the Disposition and Development Agreement ("DDA") and continue to be covenants running with the land; and
2. Approve execution by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, of the termination documents necessary to formalize and complete the termination of the DDA and its related documents as outlined in this report.

BACKGROUND:

The City of El Cajon as Successor Agency is charged with the winding down of the affairs of the former El Cajon Redevelopment Agency ("Agency"), including terminating any agreement that would be in the best interests of the taxing entities, or would result in decreasing liabilities or increasing revenues.

On December 4, 2001, the former Agency entered into a "DDA" with Priest Development Corporation for the acquisition of 2.27 acres, bounded by Magnolia Avenue, Douglas Avenue, Orange Avenue, and Main Street, and more particularly described in **Exhibit "B"**, for development of 96,064 sq. ft. of commercial/retail space with residential, including twenty-eight single-family townhouse units. The DDA was amended on May 31, 2011 to provide additional time to develop the Project in two phases and again on July 18, 2012 to remove the condition to lease space for a family-style restaurant. The purchase price of the Property of $367,996 was paid through close of escrow in June 2002, and no financial assistance remains due to the Agency or the Developer.

Development of the project is fully complete and only land use conditions remain a part of the DDA, which can be addressed through the Zoning Code.

Because several sections of the DDA, attachments and Amendments limit the types of uses that are allowed on the property ("Restrictive Covenants"), it becomes a land use restriction that must be addressed prior to approval of any discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code. For these reasons, staff is recommending that the DDA be terminated with the current property owner.

Termination of the DDA also complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…." Section 34181(e) allows the termination of such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

By terminating the DDA, the Developer or current owner will have the flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the property and neighboring properties much sooner than is presently realized. Staff finds no reasons to any longer maintain these land use restrictions.

Staff's recommendation, however, includes the retention and continued enforcement of those covenants contained in Section 3.9 ("Form of Nondiscrimination and Nonsegregation Clauses") and Section 4.3 ("Hazardous Waste"). The nondiscrimination language was mandated by Redevelopment Law and is required to survive the termination of the DDA and any of its operation, or use, covenants. The hazardous waste covenant is required to remain in place because the underlying property remains the subject of an open Underground Storage Tank (groundwater contamination) case, for which the Agency committed to remain responsible until a clearance letter is received from the County Department of Environmental Health.

Due to the size of the DDA documents and amendments, all DDA's are on file with the City Clerk and on the City website for public review at: http://www.ci.el-cajon.ca.us/comm/Successor_agendas.aspx

FISCAL IMPACT:

The requested action will terminate the former Agency DDA regulating land use for the SW Corner Project. By terminating the DDA, revenues to the taxing entities will increase as a result in the elimination of future direct project management costs for management of the DDA.

ATTACHMENTS:

1. Proposed Resolution
2. Termination of Disposition and Development Agreement
3. Exhibit "B" – SW Corner Project parcel map

Prepared by:

Jenny Ficacci
Housing Manager

Reviewed by:

Majed Al-Ghafry
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-02-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED RESTRICTIVE COVENANTS WITH PRIEST DEVELOPMENT CORPORATION, ITS SUCCESSOR AND/OR ASSIGNMENTS, GOVERNING THE LAND USE RESTRICTIONS FOR THE PROPERTY KNOWN AS THE SW CORNER PROJECT, MORE PARTICULARLY DESCRIBED IN EXHIBIT "B", AND APPROVING EXECUTION BY THE EXECUTIVE DIRECTOR, AND SUCH PERSONS DESIGNATED BY THE EXECUTIVE DIRECTOR, OF ANY DOCUMENTS NECESSARY FOR THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREMEENT.

WHEREAS, on December 4, 2001, the former El Cajon Redevelopment Agency (the "Agency") entered into an Disposition and Development Agreement ("DDA") with Priest Development Corporation (the "Developer") for the sale and development of that certain property known as the "SW Corner Project", more particularly described in Exhibit "B" (the "Property"); and

WHEREAS, the purchase price of the Property of $367,996 was paid through close of escrow in June 2002, and no financial assistance remains due to the Agency or the Developer; and

WHEREAS, development of the project is fully complete and only land use conditions remain a part of the DDA, which can be addressed through the Zoning Code; and

WHEREAS, because several sections of the DDA, attachments and Amendments limits the types of uses that are allowed on the Property (the "Restrictive Covenants"), they become a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code; and

WHEREAS, Section 3.9 of the DDA is mandated by Health and Safety Code Sections 33435 and 33436 which require covenants prohibiting discrimination and segregation, and specifies language required to be included in all deeds and leases related to the Property, in perpetuity (the "Nondiscrimination Covenant"); and

WHEREAS, Section 4.3 of the DDA further provides covenants indemnifying the Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the subject Property prior to the close of escrow; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of close of escrow (the "Hazardous Waste Covenant"); and

WHEREAS, for these reasons staff is recommending the DDA be terminated with the Developer, its successors and/or assigns, while retaining and reserving the Nondiscrimination and Hazardous Waste Covenants for the Property; and

WHEREAS, termination of the DDA also complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…."; and

WHERAS, Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities; and

WHEREAS, by terminating the DDA, the Developer, its successors and/or assigns, will have the flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the Property and neighboring properties much sooner than is presently realized; and

WHEREAS, staff finds no reason to any longer maintain these land use restrictions, except for the Nondiscrimination and Hazardous Waste Covenants.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The recitals above are true and correct and are the findings of the Oversight Board as if incorporated herein by this reference.

2. Approval of the Termination Agreement of Disposition and Development Agreement, and related restrictive covenants and preparation of reasonable and required documentation is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed agreements will not cause a significant adverse physical change to the environment either directly or indirectly.

3. The proposed terms would be in the best interests of the affected taxing entities and the public because it will allow the Developer, its successors and/or assigns, to have flexibility to market the property to a greater

number of possible tenants, which could result in an increased valuation of the Property and neighboring properties much sooner than is presently realized.

B. The Oversight Board hereby approves the Termination of Disposition and Development Agreement and all related restrictive covenants, substantially in the form as presented in Exhibit "B-1" (the "Termination Documents") with Priest Development Corporation, its successors and/or assigns, governing the land use restrictions for the property known as the SW Corner Project, bounded by Magnolia Avenue, Douglas Avenue, Orange Avenue, and Main Street, more particularly described in Exhibit "B"; provided, however, that the Termination Documents shall expressly reserve and retain those covenants and restrictions contained in Section 3.9 (Nondiscrimination Covenant) and Section 4.3 (Hazardous Waste Covenant) in perpetuity.

C. The Oversight Board hereby approves the execution of all reasonable and required documentation by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, necessary to formalize and complete the Termination Documents as outlined in this Resolution.

[The remainder of this page intentionally left blank.]

PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15TH day of January 2014, by the following vote to wit:

AYES :

NOES :
ABSENT :

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Majed Al-Ghafry, Oversight Board Secretary

TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT

This TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT ("Termination Agreement") is entered into as of ____________________ ("Date of Agreement") by and between the SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and PRIEST DEVELOPMENT CORPORATION, a California Corporation, its successors and/or assignments (the "Developer").

RECITALS

A. The Former El Cajon Community Redevelopment Agency, (the "Former Agency"), entered into an Disposition and Development Agreement ("DDA") dated December 4, 2001, with Priest Development Corporation (the "Developer"), for the development of that certain property known as the SW Corner Project, more particularly described in Exhibit "B" (the "Site"). The DDA was amended on May 31, 2011 to provide additional time to develop the project in two phases and again on July 18, 2012, to remove the condition to lease the space for a family-style restaurant.

B. Section 3.1 of the DDA provides, among other things, that the Developer and its successors and assignees devote the Site to a mixed-use development consisting of three commercial/retail buildings with five (5) residential lofts, a family style restaurant, twenty-eight single family residential town house units, and other accessory uses, as specified in the Redevelopment Plan, and that the covenant shall run with the land (the "Restrictive Covenant") indefinitely. Section 3.9 of the DDA further provides covenants prohibiting discrimination and specifies language required to be included in all deeds and leases related to the Site in perpetuity (the "Nondiscrimination Covenant").

C. Section 4.3 of the DDA further provides covenants indemnifying the Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the subject property prior to the close of escrow; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of close of escrow (the "Hazardous Waste Covenant").

D. Because the Restrictive Covenant limits the use of the Site in accordance with the DDA, it becomes a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for anything other than retail commercial purposes for properties sold for commercial development. In the case for properties sold for residential development, rental of the units in order to meet financial obligations is prohibited and could therefore jeopardize the viability of completion of the project. Termination of the DDA would provide the Developer the flexibility to market the commercial properties to a greater number of possible tenants, which could result in an increased valuation of the Site and neighboring properties much sooner than is presently realized.

E. Termination of the DDA also meets Section 34181(e) of California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…." Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

F. For these reasons, the Developer now wishes to terminate the DDA with the Agency while retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site.

NOW, THERFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Agency and Developer hereby agree as follows:

1. Termination of the DDA. Effective upon the Date of Agreement of this Termination Agreement, Agency and Developer hereby acknowledge and agree that the DDA shall be terminated and discharged, and shall be of no further force or effect, except retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site. Upon the effectiveness of the termination of the DDA as provided in the immediately preceding sentence, neither Agency nor Developer shall have any rights or obligations pursuant to the DDA, except those respecting reservation of the Nondiscrimination and Hazardous Waste Covenants.

2. Mutual Releases. In consideration of the foregoing, Agency and Developer hereby irrevocably and unconditionally release, acquit, and forever discharge each other, and each of the other's successors, predecessors, assigns, owners, stockholder, directors, officers, employees, agents, guarantors, representatives, attorneys, divisions, parent corporations, subsidiaries, affiliates, partners, joint venturers, unincorporated associates, trusts, trustors, trustees, beneficiaries, heirs, insurers, and affiliated persons or entities (which specifically includes, but is not limited to, with respect to the Agency, the Former Agency, and the City of El Cajon, from any and all charges, complaints, claims, contracts, liabilities, duties, obligations, promises, agreements, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses, including attorney's fees and court costs, anticipated or actual incurred, of any nature whatsoever, known or unknown, suspected or unsuspected, which Agency or Developer, or their successors and assigns, or any related person or entitled as described above, now has, owns or holds, or claims to have, own or hold, or which said parties at any time heretofore had, owned or held, or claimed to have had, owned or held, against one another, or any of the other related persons or entities as described above, in any way arising out of or relating to the DDA, or to implementation of the DDA by either party.

3. Waiver of Civil Code Section 1542. Agency and Developer both understand and agree that the releases provided in Section 2 above extend to all claims of every kind of nature, whether known or unknown, suspected or unsuspected, arising out of, in connection with, or raised in relation to the DDA, or implementation of the DDA by Agency or Developer. It is expressly understood and agreed that Agency and Developer each hereby waives the provisions of Section 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Agency: ____________ Developer: ____________

4. Counterparts. This Termination Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, this Termination Agreement has been executed by each party's respective duly authorized officers, as of the date first above written.

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY,
a public body, corporate and politic

____
Douglas Williford, Executive Director

ATTEST:

____
Belinda Hawley, Secretary

APPROVED AS TO FORM:

____
Morgan Foley, Agency Counsel

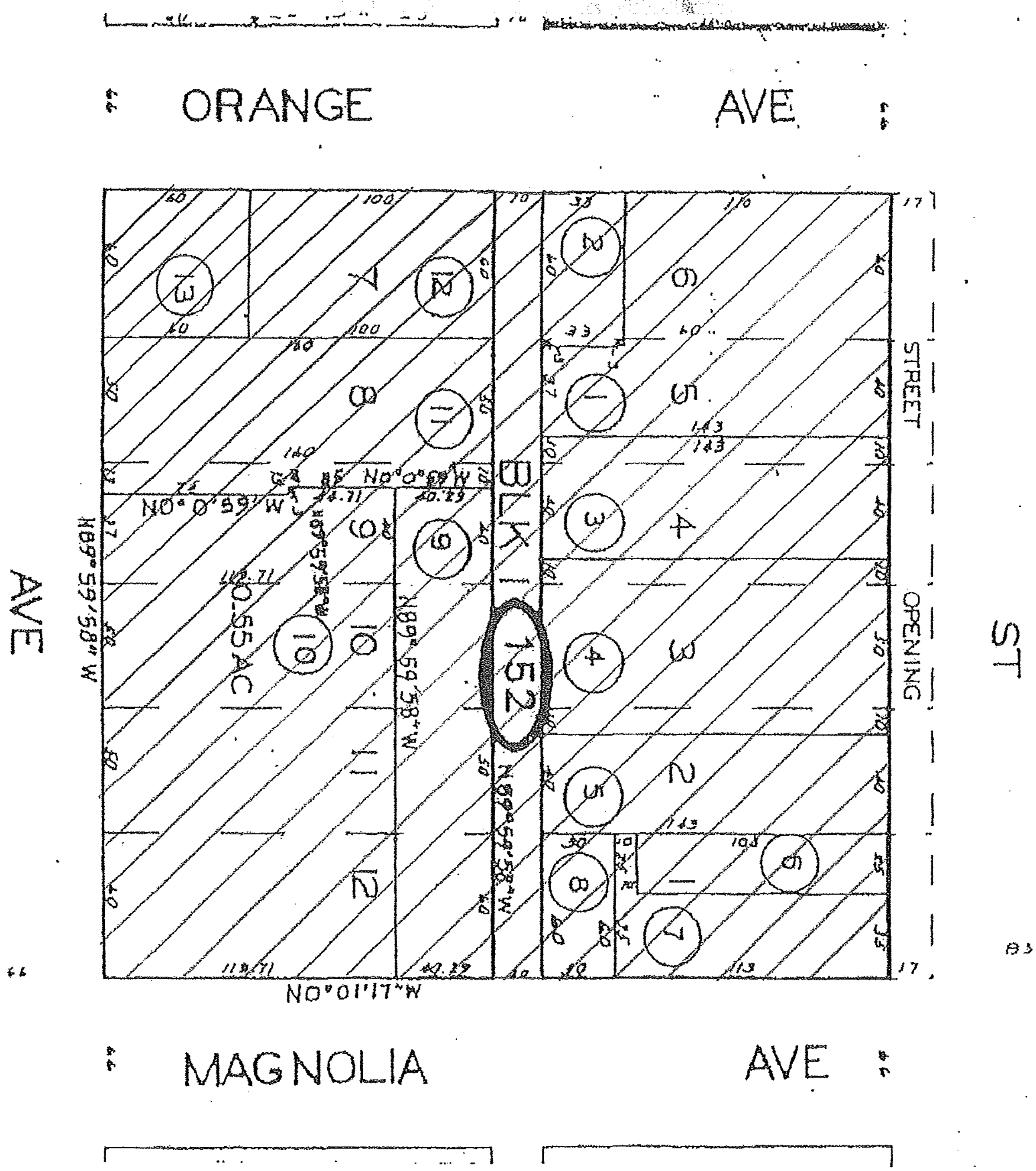
DEVELOPER:

PRIEST DEVELOPMENT CORPORATION,
a California Corporation

By:____
Darryl R. Priest, Priest Development Corporation

By:____
,______________________

EXHIBIT "B"
SW Corner Project



AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 15, 2014, Meeting

SUBJECT: TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT WITH SMITH'S FOOD & DRUG CENTERS, INC. FOR THE CORNERS PROJECT.

RECOMMENDED ACTION: That the Oversight Board:

1. Adopt the attached resolution approving that certain Termination of Disposition and Development Agreement, substantially in the form as presented, and all related documents required to eliminate unnecessary restrictive covenants ("Termination Documents") with Smith's Food & Drug Centers, Inc., its successors and/or assigns, governing the land use restrictions for the property known as the The Corners Project, more particularly described in Exhibit "C", reserving and retaining, however, the nondiscrimination covenants set forth in section 401 and hazardous waste covenants set forth in section 210 and 305, which shall survive the termination of the Disposition and Development Agreement ("DDA") and continue to be covenants running with the land; and
2. Approve the execution by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, of the termination documents necessary to formalize and complete the termination of the DDA and its related documents.

BACKGROUND:

The City of El Cajon as Successor Agency is charged with the winding down of the affairs of the former El Cajon Redevelopment Agency ("Agency"), including terminating any agreement that would be in the best interests of the taxing entities, or would result in decreasing liabilities or increasing revenues.

On December 16, 1992, the former Agency entered into a Disposition and Development Agreement #1 (DDA-I) with Smith's/OliverMcmillan El Cajon J.V. ("Developer") and Smith's Food & Drug Centers, Inc. ("Buyer") for the acquisition and development of approximately 12 acres, more particularly described in **Exhibit "C"**, for retail commercial use, including a Smith's Food and Drug Super Store, dinner house restaurant and accessory shop space that compliments the community.

The DDA was amended on December 19, 1995 to address the remaining partially developed Smith's parcels ("DDA"), including conveyance of a parcel to the Agency (now known as the NW Corner Project).

The purchase price of the Property of $2,955,509, the balance of which was paid through close of escrow in 1996, and no financial assistance remains due to the Agency or the Developer. Development of the project is fully complete and only land use conditions remain a part of the DDA, which can be addressed through the Zoning Code.

Because the DDA, attachments and Amendments limit the types of uses that are allowed on the property ("Restrictive Covenants"), it becomes a land use restriction that must be addressed prior to approval of any discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code. For these reasons, staff is recommending that the DDA be terminated with the current property owner.

Termination of the DDA complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…." Section 34181(e) allows the termination of such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

By terminating the DDA, the Developer or current owner will have the flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the property and neighboring properties much sooner than is presently realized. Staff finds no reasons to any longer maintain these land use restrictions.

Staff's recommendation, however, includes the retention and continued enforcement of those covenants contained in Section 401 "Uses", as they pertain to nondiscrimination clauses, and Section 305 of the DDA and Section 210 of DDA-I "Condition of the Site" pertaining to hazardous waste materials, are required to remain in place. The nondiscrimination language was mandated by Redevelopment Law and is required to survive the termination of the DDA and any of its operation, or use, covenants. The hazardous waste covenant is required to remain in place because the underlying property remains the subject of an open Underground Storage Tank (groundwater contamination) case, for which the Agency committed to remain responsible until a clearance letter is received from the County Department of Environmental Health.

Due to the size of the DDA documents and amendments, all DDA's are on file with the City Clerk and on the City website for public review at: http://www.ci.el-cajon.ca.us/comm/Successor_agendas.aspx

FISCAL IMPACT:

The requested action will terminate the former Agency DDA regulating land use for the The Corners Project. By terminating the DDA, revenues to the taxing entities will increase as a result in the elimination of future direct project management costs for management of the DDA.

ATTACHMENTS:

1. Proposed Resolution
2. Termination of Disposition and Development Agreement
3. Exhibit "C" – The Corners Project parcel map

Prepared by:

Jenny Ficacci
Housing Manager

Reviewed by:

Majed Al-Ghafry
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-03-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED RESTRICTIVE COVENANTS WITH SMITH'S FOOD & DRUG CENTERS, INC., ITS SUCCESSOR AND/OR ASSIGNMENTS, GOVERNING THE LAND USE RESTRICTIONS FOR THE PROPERTY KNOWN AS THE CORNERS PROJECT, MORE PARTICULARLY DESCRIBED IN EXHIBIT "C", AND APPROVING EXECUTION BY THE EXECUTIVE DIRECTOR, AND SUCH PERSONS DESIGNATED BY THE EXECUTIVE DIRECTOR, OF ANY DOCUMENTS NECESSARY FOR THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREMEENT

WHEREAS, on December 16, 1992, the former El Cajon Redevelopment Agency (the "Agency") entered into an Disposition and Development Agreement ("DDA-I") with Smith's/OliverMcMillan El Cajon J.V. ("Developer") and Smith's Food & Drug Centers, Inc. ("Buyer") for the sale and development of that certain property known as the "The Corners Project", more particularly described in Exhibit "C" (the "Property"); and

WHEREAS, the DDA was amended on December 19, 1995, to address the remaining partially developed Smith's parcels ("DDA"), including conveyance of a parcel to the Agency (now known as the NW Corner Project); and

WHEREAS, the purchase price of the Property of $2,955,509 was paid through close of escrow in 1996, and no financial assistance remains due to the Agency or the Developer; and

WHEREAS, development of the project is fully complete and only land use conditions remain a part of the DDA, which can be addressed through the Zoning Code; and

WHEREAS, because several sections of the DDA, attachments and Amendments limits the types of uses that are allowed on the Property (the "Restrictive Covenants"), they becomes a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code; and

WHEREAS, Section 401 of the DDA is mandated by Health and Safety Code Sections 33435 and 33436 which require covenants prohibiting discrimination and segregation, and specifies language required to be included in all deeds and leases related to the Property, in perpetuity (the "Nondiscrimination Covenant"); and

WHEREAS, Sections 305 and 210 of the DDA further provides covenants indemnifying the Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the Project Site; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of transfer of the Project Site to Buyer (the "Hazardous Waste Covenant"); and

WHEREAS, for these reasons staff is recommending the DDA be terminated with the Developer, its successors and/or assigns, while retaining and reserving the Nondiscrimination and Hazardous Waste Covenants for the Property; and

WHEREAS, termination of the DDA complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…."; and

WHERAS, Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities; and

WHEREAS, by terminating the DDA, the Developer, its successors and/or assigns, will have the flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the Property and neighboring properties much sooner than is presently realized; and

WHEREAS, staff finds no reason to any longer maintain these land use restrictions, except for the Nondiscrimination and Hazardous Waste Covenants.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The recitals above are true and correct and are the findings of the Oversight Board as if incorporated herein by this reference.

2. Approval of the Termination Agreement of Disposition and Development Agreement, related restrictive covenants, and preparation of reasonable and required documentation is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed agreements will not cause a significant adverse physical change to the environment either directly or indirectly.

3. The proposed terms would be in the best interests of the affected taxing

entities and the public because it will allow the Developer, its successors and/or assigns, to have flexibility to market the property to a greater number of possible tenants, which could result in an increased valuation of the Property and neighboring properties much sooner than is presently realized.

B. The Oversight Board hereby approves the Termination of Disposition and Development Agreement and all related restrictive covenants, substantially in the form as presented in Exhibit "C-1" (the "Termination Documents") with Smith's Food & Drug Centers, Inc., its successors and/or assigns, governing the land use restrictions for the property known as The Corners Project, more particularly described in Exhibit "C"; provided, however, that the Termination Documents shall expressly reserve and retain those covenants and restrictions contained in Section 401 (Nondiscrimination Covenant) and Sections 305 and 210 (Hazardous Waste Covenant) in perpetuity.

C. The Oversight Board hereby approves the execution of all reasonable and required documentation by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, necessary to formalize and complete the Termination Documents as outlined in this Resolution.

[The remainder of this page intentionally left blank.]

PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15TH day of January 2014, by the following vote to wit:

AYES :

NOES :
ABSENT :

Debra Turner-Emerson, Chairperson

ATTEST:

Majed Al-Ghafry, Oversight Board Secretary

TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT

This TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT ("Termination Agreement") is entered into as of ____________________ ("Date of Agreement") by and between the SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and SMITH'S FOOD & DRUG CENTERS, a Delaware Corporation, its successors and/or assignments (the "Developer").

RECITALS

A. The Former El Cajon Community Redevelopment Agency, (the "Former Agency"), entered into an Disposition and Development Agreement ("DDA-1") dated December 16, 1992, with Smith's/OliverMcmillan El Cajon J.V. (the "Original Developer") and Smith's Food & Drug Centers, Inc. ("Developer"), for the development of that certain property known as the The Corners Project, more particularly described in Exhibit "C" (the "Site"). The Disposition and Development Agreement was amended on December 19, 1995, to address the remaining partially developed Smith's parcels ("DDA"), including conveyance of a parcel to the Agency (now known as the NW Corner Project).

B. Section 101 of the DDA provides, among other things, that the Original Developer and its successors and assignees devote the Site as a retail shopping center, including a food and drug store facility or other retail operation operated by Smith's or Smith's subsidiary or successor, and other accessory uses, as specified in the Redevelopment Plan, and that the covenant shall run with the land (the "Restrictive Covenant") indefinitely. Section 401 of the DDA further provides covenants prohibiting discrimination and specifies language required to be included in all deeds and leases related to the Site in perpetuity (the "Nondiscrimination Covenant").

C. Section 305 of the DDA and Section 210 of DDA-1 further provides covenants indemnifying the Original Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the Site; (b) any past or current violations unremediated and currently existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste now known, which was then known or thereafter discovered to exist on the subject Property as of the date of transfer of the Site to Smith's (the "Hazardous Waste Covenant").

D. Because the Restrictive Covenant limits the use of the Site in accordance with the DDA, it becomes a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for anything other than retail commercial purposes for properties sold for commercial development. In the case for properties sold for residential development, rental of the units in order to meet financial obligations is prohibited and could therefore jeopardize the viability of completion of the project. Termination of the DDA would provide the Developer the flexibility to market the commercial properties to a greater number of possible tenants, which could result in an increased valuation of the Site and neighboring properties much sooner than is presently realized.

E. Termination of the DDA also meets Section 34181(e) of California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…." Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

F. For these reasons, the Developer now wishes to terminate the DDA with the Agency while retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site.

NOW, THERFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Agency and Developer hereby agree as follows:

1. Termination of the DDA. Effective upon the Date of Agreement of this Termination Agreement, Agency and Developer hereby acknowledge and agree that the DDA shall be terminated and discharged, and shall be of no further force or effect, except retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site. Upon the effectiveness of the termination of the DDA as provided in the immediately preceding sentence, neither Agency nor Developer shall have any rights or obligations pursuant to the DDA, except those respecting reservation of the Nondiscrimination and Hazardous Waste Covenants.

2. Mutual Releases. In consideration of the foregoing, Agency and Developer hereby irrevocably and unconditionally release, acquit, and forever discharge each other, and each of the other's successors, predecessors, assigns, owners, stockholder, directors, officers, employees, agents, guarantors, representatives, attorneys, divisions, parent corporations, subsidiaries, affiliates, partners, joint venturers, unincorporated associates, trusts, trustors, trustees, beneficiaries, heirs, insurers, and affiliated persons or entities (which specifically includes, but is not limited to, with respect to the Agency, the Former Agency, and the City of El Cajon, from any and all charges, complaints, claims, contracts, liabilities, duties, obligations, promises, agreements, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses, including attorney's fees and court costs, anticipated or actual incurred, of any nature whatsoever, known or unknown, suspected or unsuspected, which Agency or Developer, or their successors and assigns, including the Original Developer, or any related person or entitled as described above, now has, owns or holds, or claims to have, own or hold, or which said parties at any time heretofore had, owned or held, or claimed to have had, owned or held, against one another, or any of the other related persons or entities as described above, in any way arising out of or relating to the DDA, or to implementation of the DDA by either party.

3. Waiver of Civil Code Section 1542. Agency and Developer both understand and agree that the releases provided in Section 2 above extend to all claims of every kind of nature, whether known or unknown, suspected or unsuspected, arising out of, in connection with, or raised in relation to the DDA, or implementation of the DDA by Agency or Developer. It is expressly

understood and agreed that Agency and Developer each hereby waives the provisions of Section 1542 of the California Civil Code, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Agency: ____________ Developer: ____________

4. Counterparts. This Termination Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, this Termination Agreement has been executed by each party's respective duly authorized officers, as of the date first above written.

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY,
a public body, corporate and politic

____
Douglas Williford, Executive Director

ATTEST:

____
Belinda Hawley, Secretary

APPROVED AS TO FORM:

____
Morgan Foley, Agency Counsel

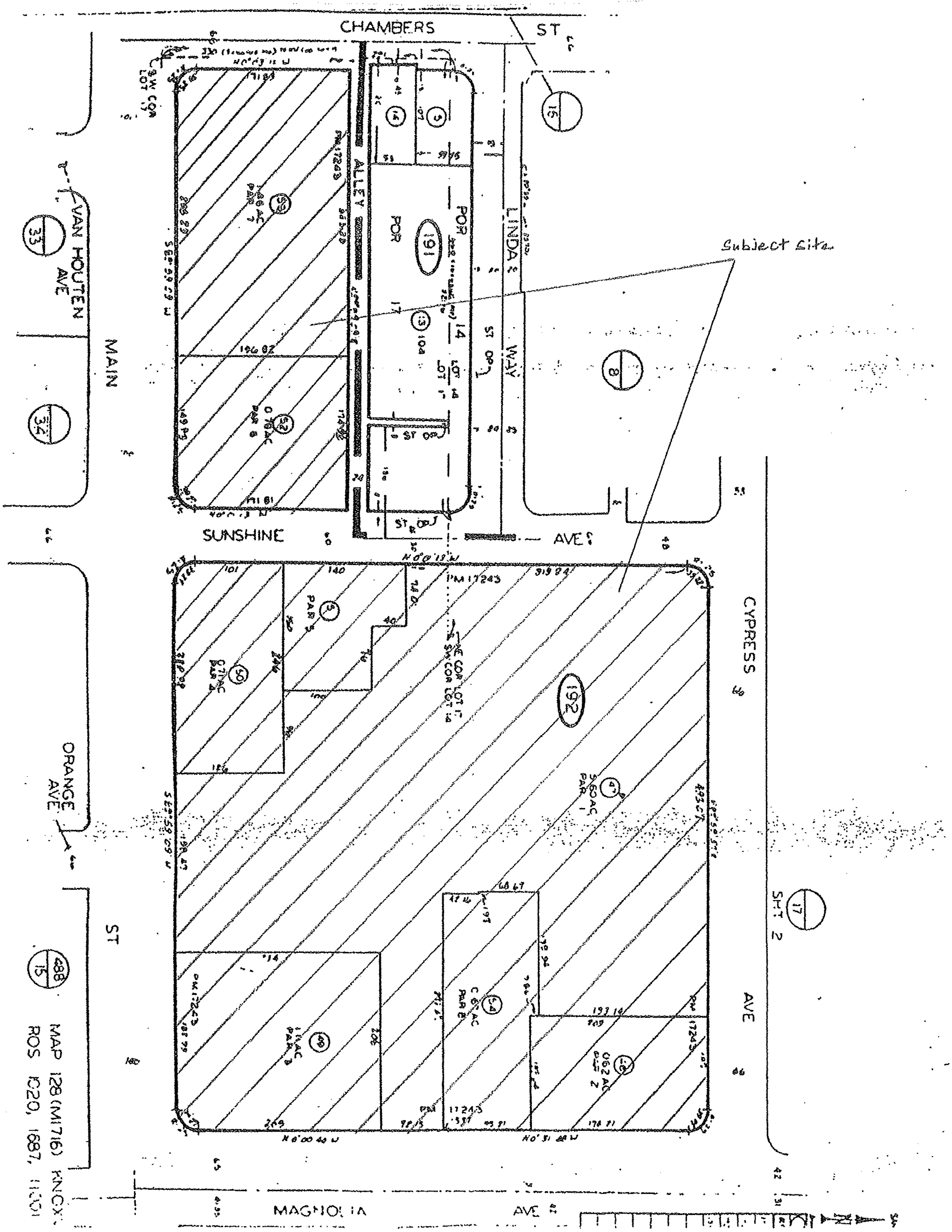
DEVELOPER:

SMITH'S FOOD & DRUG CENTERS, INC.,
a Delaware Corporation

By:______________________________________

By:______________________________________
,____________________

EXHIBIT "C"
The Corners Project



AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 15, 2014, Meeting

SUBJECT: TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT WITH PARK AVENUE HOMES, LP - MAGNOLIA VILLAS PROJECT.

RECOMMENDED ACTION: That the Oversight Board:

1. Adopt the attached resolution approving that certain Termination of Disposition and Development Agreement, substantially in the form as presented, and all related documents required to eliminate unnecessary restrictive covenants ("Termination Documents") with Park Avenue Homes, LP, its successors and/or assigns, governing the land use restrictions for the property known as the Magnolia Villas Project, more particularly described in Exhibit "D", reserving and retaining, however, the nondiscrimination covenants set forth in section 3.8 and hazardous waste covenants set forth in section 4.3, which shall survive the termination of the Disposition and Development Agreement ("DDA") and continue to be covenants running with the land; and
2. Approve execution by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, of the termination documents necessary to formalize and complete the termination of the DDA and its related documents as outlined in this report.

BACKGROUND:

The City of El Cajon as Successor Agency is charged with the winding down of the affairs of the former El Cajon Redevelopment Agency ("Agency"), including terminating any agreement that would be in the best interest of the taxing entities, or would result in decreasing liabilities or increasing revenues.

On January 29, 2003, the former Agency entered into a DDA with Priest Development Corporation ("Original Developer") for the acquisition and development of approximately 5.85 acres, more particularly described in **Exhibit "D"**, for the development of 103 single-family residential units.

The DDA was amended on January 31, 2006, with Park Avenue Homes, LP ("Developer"), as successor in interest to Original Developer, to relieve the Developer of his obligation to construct sixteen (16) affordable units through payment of an In Lieu Fee, and again on May 13, 2008, authorizing Developer to allow temporary rental of ten (10) single-family units and provide an extension of time for completion of phase 3 and 4 due to the economic downturn.

The purchase price of the Property was $2,500,000, the balance of which was paid through close of escrow in 2004, and no financial assistance remains due to the Agency or the Developer. Development of the project is not yet fully complete. However, only land use conditions remain a part of the DDA, specifically for construction of phase 3 and 4 units, which can be addressed as construction commences.

Because the DDA, attachments and Amendments limit the types of uses that are allowed on the property ("Restrictive Covenants"), it becomes a land use restriction that must be addressed prior to approval of any discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code. For these reasons, staff is recommending that the DDA be terminated with the current property owner.

Termination of the DDA complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…." Section 34181(e) allows the termination of such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

By terminating the DDA, the Developer or current owner will have the flexibility to lease units in order meet financial obligations to its primary lender, while preparing the Project for construction of phase 3 and 4 units. Staff finds no reasons to any longer maintain these land use restrictions.

Staff's recommendation, however, includes the retention and continued enforcement of those covenants contained in Section 3.8 "Form of Nondiscrimination and Nonsegregation Clauses" and Section 4.3 "Hazardous Waste". The nondiscrimination language was mandated by Redevelopment Law and is required to survive the termination of the DDA and any of its operation, or use, covenants. The hazardous waste covenant is required to remain in place because the underlying property remains the subject of an open Underground Storage Tank (groundwater contamination) case, for which the Agency committed to remain responsible until a clearance letter is received from the County Department of Environmental Health.

Due to the size of the DDA documents and amendments, all DDA's are on file with the City Clerk and on the City website for public review at: http://www.ci.el-cajon.ca.us/comm/Successor_agendas.aspx

FISCAL IMPACT:

The requested action will terminate the former Agency DDA regulating land use for the Magnolia Villas Project. By terminating the DDA, revenues to the taxing entities will increase as a result in the elimination of future direct project management costs for management of the DDA.

ATTACHMENTS:

1. Proposed Resolution
2. Termination of Disposition and Development Agreement
3. Exhibit "D" – Magnolia Villas Project site map

Prepared by:

Jenny Ficacci
Housing Manager

Reviewed by:

Majed Al-Ghafry
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-04-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED RESTRICTIVE COVENANTS WITH PARK AVENUE HOMES, LP, ITS SUCCESSOR AND/OR ASSIGNMENTS, GOVERNING THE LAND USE RESTRICTIONS FOR THE PROPERTY KNOWN AS THE MAGNOLIA VILLAS PROJECT, MORE PARTICULARLY DESCRIBED IN EXHIBIT "D", AND APPROVING EXECUTION BY THE EXECUTIVE DIRECTOR, AND SUCH PERSONS DESIGNATED BY THE EXECUTIVE DIRECTOR, OF ANY DOCUMENTS NECESSARY FOR THE TERMINATION OF THE DISPOSITION AND DEVELOPMENT AGREMEENT.

WHEREAS, on January 29, 2003, the former El Cajon Redevelopment Agency (the "Agency") entered into an Disposition and Development Agreement ("DDA") with Priest Development Corporation ("Original Developer") for the sale and development of that certain property known as the "Magnolia Villas Project", more particularly described in Exhibit "D" (the "Property"); and

WHEREAS, the DDA was amended on January 31, 2006, with Park Avenue Homes, LP ("Developer"), as successor in interest to Original Developer, to relieve the Developer of his obligation to construct sixteen (16) affordable units through payment of an In Lieu Fee, and again on March 13, 2008, authorizing Developer to allow temporary rental of ten (10) single-family units and provide an extension of time for completion of phase 3 and 4 due to the economic downturn; and

WHEREAS, the purchase price of the Property of $2,500,000 was paid through close of escrow in 2004, and no financial assistance remains due to the Agency or the Developer; and

WHEREAS, development of the project is not yet fully complete, however only land use conditions remain a part of the DDA, specifically for construction of phase 3 and 4 units, which can be addressed as construction commences; and

WHEREAS, because several sections of the DDA, attachments and Amendments limits the types of uses that are allowed on the Property (the "Restrictive Covenants"), they becomes a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for purposes that would normally be approved under the current Zoning Code; and

WHEREAS, Section 3.8 of the DDA is mandated by Health and Safety Code Sections 33435 and 33436 which require covenants prohibiting discrimination and segregation, and specifies language required to be included in all deeds and leases related to the Property, in perpetuity (the "Nondiscrimination Covenant"); and

WHEREAS, Section 4.3 of the DDA further provides covenants indemnifying the Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the subject Property prior to the close of escrow; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of close of escrow (the "Hazardous Waste Covenant"); and

WHEREAS, for these reasons staff is recommending the DDA be terminated with the Developer, its successors and/or assigns, while retaining and reserving the Nondiscrimination and Hazardous Waste Covenants for the Property; and

WHEREAS, termination of the DDA complies with the provisions of Section 34181(e) of the California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated....."; and

WHERAS, Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities; and

WHEREAS, by terminating the DDA, the Developer, its successors and/or assigns, will have the flexibility to lease units in order to meet financial obligations to its primary lender, while preparing the Project for construction of phase 3 and 4 units; and

WHEREAS, staff finds no reason to any longer maintain these land use restrictions, except for the Nondiscrimination and Hazardous Waste Covenants.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The recitals above are true and correct and are the findings of the Oversight Board as if incorporated herein by this reference.

2. Approval of the Termination Agreement of Disposition and Development Agreement, related restrictive covenants and preparation of reasonable and required documentation is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed agreements will not cause a significant adverse physical change to the environment either directly or

indirectly.

3. The proposed terms would be in the best interests of the affected taxing entities and the public because it will allow the Developer, its successors and/or assigns, to have flexibility to lease Project units to meet financial obligations to its primary lender, while preparing the Project for construction of phase 3 and 4 units, and result in the elimination of future project management cost for management of the DDA.

B. The Oversight Board hereby approves the Termination of Disposition and Development Agreement and all related restrictive covenants, substantially in the form as presented in Exhibit "D-1" (the "Termination Documents") with Park Avenue Homes, LP, its successors and/or assigns, governing the land use restrictions for the property known as the Magnolia Villas Project, bounded by East Park Avenue, Ballantyne Street, and Wells Avenue, more particularly described in Exhibit "D"; provided, however, that the Termination Documents shall expressly reserve and retain those covenants and restrictions contained in Section 3.8 (Nondiscrimination Covenant) and Section 4.3 (Hazardous Waste Covenant) in perpetuity.

C. The Oversight Board hereby approves the execution of all reasonable and required documentation by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of the chief executive officer for the Successor Agency, necessary to formalize and complete the Termination Documents as outlined in this Resolution.

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PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15TH day of January 2014, by the following vote to wit:

AYES :

NOES :
ABSENT :

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Majed Al-Ghafry, Oversight Board Secretary

TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT

This TERMINATION OF DISPOSITION AND DEVELOPMENT AGREEMENT ("Termination Agreement") is entered into as of ____________________ ("Date of Agreement") by and between the SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and PARK AVENUE HOMES, LP, a California Limited Partnership, its successors and/or assignments (the "Developer").

RECITALS

A. The Former El Cajon Community Redevelopment Agency, (the "Former Agency"), entered into an Disposition and Development Agreement ("DDA") dated January 29, 2003, with Priest Development Corporation (the "Original Developer"), for the development of that certain property known as the Magnolia Villas Project, more particularly described in Exhibit "D" (the "Site"). The DDA was amended on January 31, 2006, with Park Avenue Homes, LP ("Developer"), as successor in interest to Original Developer, to relieve the Developer of his obligation to construct sixteen (16) affordable units through an In Lieu Fee, and again on May 13, 2008, authorizing Developer to allow temporary rental of ten (10) single-family units and provide an extension of time for completion of phase 3 and 4 due to the economic downturn.

B. Section 3.1 of the DDA provides, among other things, that the Original Developer and its successors and assignees devote the Site as a Planned Residential Development project comprised of one hundred-three (103) single-family residential units, and other accessory uses, as specified in the Redevelopment Plan, and that the covenant shall run with the land (the "Restrictive Covenant") indefinitely. Section 3.8 of the DDA further provides covenants prohibiting discrimination and specifies language required to be included in all deeds and leases related to the Site in perpetuity (the "Nondiscrimination Covenant").

C. Section 4.3 of the DDA further provides covenants indemnifying the Original Developer against any and all liabilities, losses, claims, demands, or orders in connection with: (a) the existence of any hazardous waste or toxic substances as defined or regulated by federal and state law ("Hazardous Waste") on or about the subject property prior to the close of escrow; (b) any past or current violations not remediated and then existing as to any Hazardous Waste; and (c) the removal of any Hazardous Waste, which was then known or thereafter discovered to exist on the subject Property as of the date of close of escrow (the "Hazardous Waste Covenant").

D. Because the Restrictive Covenant limits the use of the Site in accordance with the DDA, it becomes a land use restriction that must be addressed prior to approval of a discretionary entitlement process to use the property for anything other than purposes described in the DDA. In the case for properties sold for residential development, rental of the units in order to meet financial obligations is prohibited and could therefore jeopardize the viability of completion of the project. Termination of the DDA would provide the Developer the flexibility to market the unsold properties to tenants in order to meet financial obligations to its primary lender, while preparing the project for construction of phase 3 and 4 units.

E. Termination of the DDA also meets Section 34181(e) of California Health and Safety Code, which requires that successor agencies "(d)etermine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated…." Section 34181(e) allows the parties to terminate such agreements if the Oversight Board finds that early termination is in the best interests of the taxing entities.

F. For these reasons, the Developer now wishes to terminate the DDA with the Agency while retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site.

NOW, THERFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Agency and Developer hereby agree as follows:

1. Termination of the DDA. Effective upon the Date of Agreement of this Termination Agreement, Agency and Developer hereby acknowledge and agree that the DDA shall be terminated and discharged, and shall be of no further force or effect, except retaining and reserving the Nondiscrimination Covenant and the Hazardous Waste Covenant for the Site. Upon the effectiveness of the termination of the DDA as provided in the immediately preceding sentence, neither Agency nor Developer shall have any rights or obligations pursuant to the DDA, except those respecting reservation of the Nondiscrimination and Hazardous Waste Covenants.

2. Mutual Releases. In consideration of the foregoing, Agency and Developer hereby irrevocably and unconditionally release, acquit, and forever discharge each other, and each of the other's successors, predecessors, assigns, owners, stockholder, directors, officers, employees, agents, guarantors, representatives, attorneys, divisions, parent corporations, subsidiaries, affiliates, partners, joint venturers, unincorporated associates, trusts, trustors, trustees, beneficiaries, heirs, insurers, and affiliated persons or entities (which specifically includes, but is not limited to, with respect to the Agency, the Former Agency, and the City of El Cajon, from any and all charges, complaints, claims, contracts, liabilities, duties, obligations, promises, agreements, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses, including attorney's fees and court costs, anticipated or actual incurred, of any nature whatsoever, known or unknown, suspected or unsuspected, which Agency or Developer, or their successors and assigns, including the Original Developer, or any related person or entitled as described above, now has, owns or holds, or claims to have, own or hold, or which said parties at any time heretofore had, owned or held, or claimed to have had, owned or held, against one another, or any of the other related persons or entities as described above, in any way arising out of or relating to the DDA, or to implementation of the DDA by either party.

3. Waiver of Civil Code Section 1542. Agency and Developer both understand and agree that the releases provided in Section 2 above extend to all claims of every kind of nature, whether known or unknown, suspected or unsuspected, arising out of, in connection with, or raised in relation to the DDA, or implementation of the DDA by Agency or Developer. It is expressly understood and agreed that Agency and Developer each hereby waives the provisions of Section 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Agency: ____________ Developer: ____________

4. Counterparts. This Termination Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one agreement.

IN WITNESS WHEREOF, this Termination Agreement has been executed by each party's respective duly authorized officers, as of the date first above written.

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY,
a public body, corporate and politic

____
Douglas Williford, Executive Director

ATTEST:

____
Belinda Hawley, Secretary

APPROVED AS TO FORM:

____
Morgan Foley, Agency Counsel

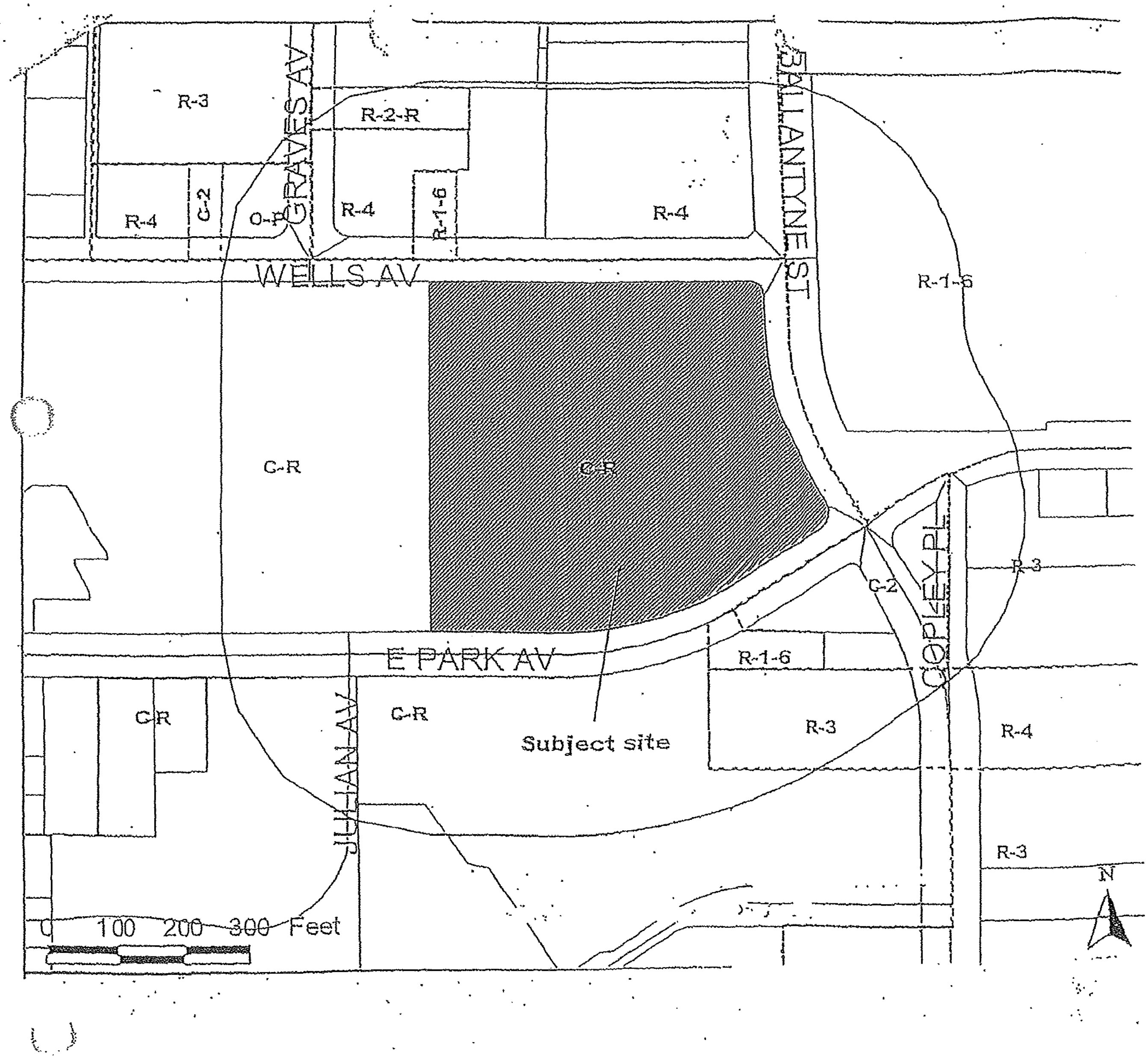
DEVELOPER:

PARK AVENUE HOMES, LP,
a California limited partnership

By:______________________________________
,

By:______________________________________
,____________________

EXHIBIT "D"
Magnolia Villas Project



AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD

January 15, 2014, Meeting

SUBJECT: REQUEST FOR OVERSIGHT BOARD TO ADOPT A RESOLUTION FINDING THAT THE LOAN BY THE CITY OF EL CAJON TO THE EL CAJON REDEVELOPMENT AGENCY, DATED JUNE 15, 2011, IS AN ENFORCEABLE OBLIGATION, MADE FOR LEGITIMATE REDEVELOPMENT PURPOSES, AND APPROVING A MODIFICATION OF NOTE SECURED BY DEED OF TRUST.

RECOMMENDED ACTION: That the Oversight Board adopt the proposed Resolution to:

1. Find that the Promissory Note ("Note") by the City of El Cajon to the former El Cajon Redevelopment Agency, in the amount of $3,850,000 for the purchase of 100 Fletcher Parkway, is an enforceable obligation;
2. Find that the Loan Agreement, secured by the Promissory Note, is for a legitimate redevelopment purpose; and
3. Approve a Modification of Note Secured by Deed of Trust ("Note Modification"), substantially in the form as presented, to reduce the interest from 3.0% to 0.26%, as required under California Health and Safety Code Section 34191.4(b)(2).

BACKGROUND: On May 24, 2011, the former El Cajon Redevelopment Agency ("Agency") approved acquisition of the former police station headquarters at 100 Fletcher Parkway from the City of El Cajon ("City") for the as-demolished value of $4,850,000. The property was programmed for acquisition by the Agency specifically due to completion of the new Public Safety Center in 2011 and to redevelop the site with new commercial/retail activities that would yield significant economic benefits to the City and taxing entities, including creation of new sales tax, property taxes, and job creation.

Pursuant to a Loan Agreement between the Agency and the City, evidenced a Purchase and Sale Agreement, Promissory Note and Deed of Trust ("Security Documents") the Agency deposited $1 million for a down payment at close of escrow, and financed the balance of $3,850,000 at 3% per annum over five years, with payments of $840,665 due each December 1st, beginning December 1, 2011. Close of escrow occurred on June 16, 2011.

The Security Documents were included on the Enforceable Obligations Payment Schedule ("EOPS") approved by the Agency on August 23, 2011, and the amended EOPS dated January 24, 2012, which were later approved by the California Department of Finance ("DOF") on April 6, 2012.

However, the DOF denied the funding for the December 2013 Note payment pursuant to Health and Safety Code Section 34191.4(b)(1), which states that "upon application by the successor agency and approval by the oversight board, loan agreements entered between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes." Further, a Finding of Completion must be also be received by the successor agency before the loan agreement can be deemed an enforceable obligation, and Section 34191.4 provides that loan repayments shall be made under a defined schedule over a reasonable term of years at an interest rate not to exceed the Local Agency Investment Fund ("LAIF") rate, with limitations to the amount of repayment to be applied prior to placement on the next Recognized Obligation Payment Schedule ("ROPS").

Under the provisions of Assembly Bill 1484 ("AB 1484"), as interpreted by the DOF, the interest rate applicable to the Note shall also be the rate paid by LAIF at the time the Oversight Board makes the required finding as set forth in the attached resolution.

The current LAIF rate of interest is 0.26%. The applicable AB 1484 provision (Health & Safety Code Section 34191.4(b)(2)) requires the Note to be recalculated from the date of origination (June 16, 2011) with interest at the current LAIF rate added to the principal. Based on the current 0.26% LAIF rate, the existing balance of the loan is $2,181,134.86 as of December 1, 2012. The proposed amortization schedule ensures that sufficient tax increment revenue is available to meet all other obligations. The loan is proposed to be repaid by January 2016 or upon close of escrow, whichever occurs first.

Because the Successor Agency received its Finding of Completion on April 11, 2013, the attached resolution will make the required findings, which will allow placement of the loan repayments, with an amended interest rate, to be placed on future ROPS.

FISCAL IMPACT: The requested action will approve the Loan Agreement evidenced by the Promissory Note between the City of El Cajon and the former El Cajon Redevelopment Agency dated June 15, 2011, in the amount of $3,850,000, and a Note Modification reducing the interest rate from 3.0% to 0.26% as required under Health and Safety Code Section 34191.4(b)(2), resulting in a reduction of interest payments to the City by approximately $249,762. The payments for the Promissory Note will be included on the next and each subsequent ROPS for reimbursement through Redevelopment Property Tax Trust Fund monies until paid.

ATTACHMENTS:
1. Proposed Resolution
2. Promissory Note between the City El Cajon and the former El Cajon Redevelopment Agency dated June 15, 2011
3. Draft Modification of Note Secured by Deed of Trust
4. Department of Finance – notice of finding of completion dated April 11, 2013

Prepared by:

Jenny Ficacci,
Housing Manager

Reviewed by:

Majed Al-Ghafry
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-05-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY FINDING THAT THE LOAN AGREEMENT EVIDENCED BY THE PROMISSORY NOTE BETWEEN THE FORMER EL CAJON REDEVELOPMENT AGENCY AND THE CITY OF EL CAJON IS AN ENFORCEABLE OBLIGATION, MADE FOR LEGITIMATE REDEVELOPMENT PURPOSES; AND APPROVING A MODIFICATION TO SAID PROMISSORY NOTE PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34191.4(b)(2).

WHEREAS, on May 24, 2011, the former El Cajon Redevelopment Agency ("Agency") approved acquisition of the former police station headquarters at 100 Fletcher Parkway (the "Site") from the City of El Cajon ("City") under a Purchase and Sale Agreement ("PSA") for the as-demolished value of $4,850,000; and

WHEREAS, the property was programmed for acquisition of the Site by the Agency specifically due to completion of the new Public Safety Center in 2011 and to redevelop the site with new commercial/retail activities that would yield significant economic benefits to the City and taxing entities, including creation of new sales tax, property taxes, and job creation; and

WHEREAS, under the PSA, the Agency and City entered into a loan agreement (the "Loan Agreement") wherein the Agency deposited $1 million as a down payment at close of escrow, and the Agency financed the balance of $3,850,000 at 3% per annum over five years, with payments of $840,665 due each December 1st, beginning December 1, 2011, pursuant to a Promissory Note and Deed of Trust (collectively, the Security Documents"), and escrow closed on June 16, 2011, at which time title to the Site was conveyed to the Agency; and

WHEREAS, the Security Documents were included on the Enforceable Obligations Payment Schedule ("EOPS") approved by the Agency on August 23, 2011, and the amended EOPS dated January 24, 2012, which were later approved by the California Department of Finance ("DOF") on April 6, 2012; and

WHEREAS, the DOF denied the December 2012 and 2013 Note payments pursuant to Health and Safety Code Section 34191.4(b)(1), which states that "upon application by the successor agency and approval by the oversight board, loan agreements entered between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes"; and

WHEREAS, Section 34191.4 requires that a Finding of Completion must be also be received by the successor agency in order for a loan agreement between a redevelopment agency and the city that created the redevelopment agency to be deemed an enforceable obligation, and Section 34191.4 further provides that loan repayments must be made under a defined schedule over a reasonable term of years at an interest rate not to exceed the Local Agency Investment Fund ("LAIF") rate, and limitations to the amount of repayment apply prior to placement on the next Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, under the provisions of Assembly Bill 1484 ("AB 1484"), as interpreted by the DOF, the interest rate applicable to the Note shall also be the rate paid by LAIF at the time the Oversight Board makes the required finding as set forth in this resolution; and

WHEREAS, the current LAIF rate of interest is 0.26%, and the applicable AB 1484 provisions require the Note to be recalculated from the date of origination (i.e., June 16, 2011) with interest at the current LAIF rate added to the principal; and

WHEREAS, based on the current 0.26% LAIF rate, the existing balance of the loan is $2,181,134.86 as of December 1, 2012, the proposed amortization schedule ensures that sufficient tax increment revenue is available to meet all other obligations, and the loan is proposed to be repaid by December 2015 or upon close of escrow, whichever occurs first; and

WHEREAS, the Successor Agency received its Finding of Completion on April 11, 2013; and

WHEREAS, the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency held a regularly scheduled meeting on January 15, 2014, for the purpose of requesting that the Oversight Board find that the Loan Agreement evidenced by the Promissory Note ("Note") entered into between the City of El Cajon and the former El Cajon Redevelopment Agency, is an enforceable obligation that was made for legitimate redevelopment purposes, and to approve a modification to Note to reduce the interest rate from 3.0% to 0.26% pursuant to Health and Safety Code Section 34191.4(b)(2).

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The above recitals are true and correct and by incorporation herein by this reference are the findings of the Oversight Board.

2. Approval of the Loan Agreement is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed agreements will not cause a significant adverse physical change to the environment either directly or indirectly.

3. The Oversight Board has reviewed the Finding of Completion issued to the Successor Agency by the Department of Finance, dated April 11, 2013, a copy of which is attached hereto as Exhibit "1" and incorporated herein by reference.

4. The Loan Agreement, evidenced by the Promissory Note, as reflected in Exhibit "2" and herein modified, is an enforceable obligation and the Note should be included on the next Recognized Obligation Payment Schedule ("ROPS") for reimbursement until paid.

5. The Loan Agreement, evidenced by the Promissory Note, is for a legitimate redevelopment purpose, specifically to acquire the former police station headquarters property for redevelopment with new commercial/retail activities that would yield significant economic benefits to the City and taxing entities, including creation of new sales tax, property taxes, and job creation.

6. The Promissory Note Modification, as reflected in Exhibit "3", to reduce the interest rate from 3.0% to 0.26%, or the LAIF rate as of the date of adoption of this resolution as required under Health and Safety Code Section 34191.4(b)(2).

B. A true and correct copy of this Resolution shall be submitted to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and to post on the Successor Agency website upon approval by the Oversight Board.

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PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15TH day of January 2014, by the following vote to wit:

AYES :

NOES :
ABSENT :

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Majed Al-Ghafry, Oversight Board Secretary

**PROMISSORY NOTE SECURED BY
DEED OF TRUST WITH ASSIGNMENT OF RENTS**

June 15, 2011 ("Note Date")

FOR VALUE RECEIVED, the undersigned, EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic, hereinafter referred to as "Borrower," promises to pay to the CITY OF EL CAJON, a municipal corporation, hereinafter referred to as "City," so much principal as may be outstanding in accordance with the terms of this Promissory Note (the "Note") and that certain Deed of Trust of even date hereof, by and between Borrower and City (as these documents may be amended, supplemented, replaced, or otherwise modified from time to time), not exceeding THREE MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS ($3,850,000), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions hereinafter set forth.

1. Principal Amount; Interest Amount. The principal amount of the City's loan to Borrower (the "City Loan") is THREE MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS ($3,850,000) ("Loan Amount"). Interest shall accrue on the outstanding principal balance at three percent (3%) per annum during the term hereof, starting on the date of this Note. Interest shall accrue as set forth in Paragraph 4 in the event of a Borrower default.

2. Term of Promissory Note. Subject to the provisions of Paragraph 4 herein, which provide for acceleration of the then outstanding principal and accrued interest and immediate payment thereof in the event of a default by Borrower, the term of this Note shall commence on the date hereof and continue until the date Borrower's obligation is paid in full.

3. Repayment. Repayment shall commence on December 1, 2011, in the initial amount of $840,665.10, with annual installments thereafter on the 1st day of every December, until paid in full. Borrower shall have the right to prepay all or any portion of this Note at any time without penalty.

4. Default; Acceleration; Cross-Default. In the event Borrower is in default of any of the covenants, terms, or provisions of this Note, and Borrower fails to timely cure such default under the terms herein, Borrower shall be in default of this Note and all accrued interest thereon shall become immediately due and payable. The rate of interest applicable to periods of default for the defaults set forth in this Paragraph 4 shall be calculated at the lesser of ten percent (10%) per annum or the maximum legal rate, and shall accrue as of the date such payment was originally due.

5. Additional Terms.

a. All payments shall be first credited to accrued interest, next to costs, charges, and fees, which may be owing from time to time, and then to principal. All payments shall be made in lawful money of the United States. Payments shall be made to City at the address set forth in Paragraph 8 herein or at such other address as City or the holder of this Note may direct pursuant to notice delivered to Borrower in accordance with Paragraph 8.

b. Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collections, costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed; and (ii) costs of suit and such sums as the court may adjudge as attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

6. Nonassumability. This Note shall not be assumable without the prior, express, written consent of City Manager, which shall not be unreasonably withheld or delayed.

7. Presentment, Etc. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (a) notice of default or delinquency; (b) notice of acceleration; (c) notice of nonpayment; (d) notice of costs, expenses and losses and interest thereon; (e) notice of interest on interest and late charges; (f) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (g) the benefits of all waivable exemptions; and (h) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

8. Notices. Any notices required by law or this Note shall be given either by: (i) personal service; (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery; or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested.

To City:	City of El Cajon 200 Civic Center Way El Cajon, CA 92020 Phone No.: 619-441-1716 Attention: City Manager
With a copy to:	El Cajon City Attorney 200 Civic Center Way El Cajon, CA 92020 Phone No.: 619-441-1798 Attention: Morgan Foley, Esq.

To Borrower: El Cajon Redevelopment Agency
200 Civic Center Way
El Cajon, CA 92020
Phone No.: 619-441-1716
Attention: Executive Director

With a copy to: El Cajon City Attorney
200 Civic Center Way
El Cajon, CA 92020
Phone No.: 619-441-1798
Attention: Morgan Foley, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Either party may designate that notices be sent to other or additional addresses by complying with the requirements of this section.

9. Litigation. This Note shall be governed by and construed under the internal laws of the State of California without regard to conflicts of law. The parties agree that in any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of San Diego shall have exclusive jurisdiction. Borrower hereby waives any right to remove any such action from San Diego County as is otherwise permitted by California Code of Civil Procedure section 394. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal. In the event of such legal action, service of process on City shall be made in such manner as provided by law for service on a California public entity; service of process on Borrower shall be made in such manner as may be provided for by law, and shall be valid whether made within or without the State of California.

10. Waiver. No waiver of any breach, default, or failure of condition under the terms of this Note, or the obligations secured hereby, shall be implied from any failure of City to take, or any delay by City in taking, action with respect to such breach, default, or failure from any previous waiver or any similar or unrelated breach, default, or failure; and a waiver of any term of this Note must be made in writing and shall be limited to the express written terms of such waiver.

11. Time of Essence. Time is of the essence in this Note.

12. Severability. In the event that any term or provision of this Note is held to be unenforceable, the remainder of this Note shall remain in full force and effect to the fullest extent without inclusion of the unenforceable term or provision.

13. Interpretation. The terms of this Note shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Note or any other rule of construction which might otherwise apply. The paragraph headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Note.

14. Assignment. City, at its option, may assign its right to receive payment under this Note without obtaining the consent of the Borrower or the holder or beneficiary of the lien of any deed of trust or other security instrument, whether recorded or unrecorded. Borrower shall not be permitted to assign or transfer this Note or any portion thereof without the prior express written consent of the City Manager, which shall not be unreasonably withheld or delayed.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Note Date.

"Borrower"

EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic.

Date: June 15, 2011

By: Kathi Henry
Kathi J. Henry, Executive Director

By: Kathie J. Rutledge
Kathie J. Rutledge, Agency Secretary

FREE RECORDING REQUESTED PURSUANT TO GOVERNMENT CODE SECTION 27383

WHEN RECORDED PLEASE MAIL TO:

City of El Cajon
Housing Division
200 Civic Center Way
El Cajon, CA 92020-3996

(SPACE ABOVE FOR RECORDER'S USE ONLY)

APN# 483-071-52 (formerly 483-071-31 and -30) **LOAN#**

MODIFICATION OF NOTE SECURED BY DEED OF TRUST

This agreement made and entered into this ____ day of ________, 2014, by and between the CITY OF EL CAJON as Beneficiary, and THE CITY OF EL CAJON AS SUCCESSOR IN INTEREST TO THE EL CAJON REDEVELOPMENT AGENCY as Trustor;

WITNESSETH:

WHEREAS, Beneficiary is the owner and holder of a promissory note secured by a Deed of Trust recorded on the 16th day of June, 2011, as Instrument No. 2011-0306746 of Official Records of San Diego County, California, and,

WHEREAS, Trustor is the owner of real property described in said Deed of Trust subject to the lien thereof, and,

WHEREAS, the parties hereto desire to change and modify the terms of said promissory note.

NOW THEREFORE, in consideration of the promises and covenants herein contained it is mutually agreed as follows:

1. That the principal balance of said promissory note is the sum of $3,850,000 with interest thereon at the rate of 0.26% per annum, or the Local Agency Investment Fund ("LAIF") rate as of the date of adoption of the resolution approving this Modification of Note by the Oversight Board from June 16, 2011.
2. That the terms of said promissory note are changed and modified as follows, TO-WIT:
   a. Section 1. Principal Amount; Interest Amount. The principal amount of the City's loan to Borrower (the "City Loan") is THREE MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS ($3,850,000) ("Loan Amount"). Interest shall accrue on the outstanding principal balance at the Local Agency Investment Fund ("LAIF") rate of 0.26% per annum, or the LAIF rate as of the date of adoption of the resolution approving any Modification of Note Secured by Deed of Trust by the Oversight Board, during the term hereof, starting on the date of this Note.
3. That in all other respects said note and Deed of Trust shall remain unaffected, unchanged, and unimpaired by reason of the execution of this agreement.
4. That the Trustor agrees to pay said promissory note according to the terms thereof that are herein changed and modified and agrees to perform all of the acts to be performed by the Trustor under the terms of said Deed of Trust.

IN WITNESS WHEREOF, The parties hereto have executed this agreement the date and year first above written.

Initials __________

CITY OF EL CAJON

By:
Its:

ATTEST

BY: Belinda Hawley, Secretary

CITY OF EL CAJON AS SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY

ACKNOWLEDGMENT:

State of California,
County of San Diego

On ________________________ before me, ____
(insert name and title of the officer) personally appeared ____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____
Signature of Notary

APN: 483-071-52 (formerly 483-071-31 and -30)

EXHIBIT "A"

Legal Description of the Property

Real property in the City of El Cajon, County of San Diego, State of California, described as follows:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF EL CAJON, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel 1:

That portion of Lot 14 of Magnolia Ranch Tract, in the City of El Cajon, County of San Diego, State of California, according to Map thereof No. 1674, filed in the Office of the County Recorder of San Diego County, September 29, 1915, described as follows:

Beginning at a point on the North line of the East one-half of said Lot 14, distant along said North line, North 89°57'39" East, 234.20 feet from the Northwest corner of said East one-half of Lot 14; thence along the following courses:

1. Leaving said North line, South 67°17'57" East, 286.37 feet; thence 2. From a tangent that bears North 6°39'55" East, Southwesterly along a curve concave to the Northwest, with a radius of 218 feet, through an angle of 83°17'44", a distance of 316.92 feet; thence 3. Tangent to said curve South 89°57'39" West 281.84 feet to said West line of the East one-half of said Lot 14; thence 4. Continuing South 89°57'39", 6.67 feet; thence 5. From a tangent that bears North 19°13'16" West, Northerly along a curve concave to the East with a radius of 70 feet, through an angle of 33°48'51", a distance of 41.31 feet to a point of compound curvature; thence 6. From a tangent that bears North 14°35'35" East, Northeasterly along a curve concave to the Southeast with a radius of 365 feet, through an angle of 47°12'41", a distance of 300.76 feet; thence 7. Tangent to said curve North 61°48'16" East, 69.85 feet to the Point of Beginning.

Parcel 2:

That portion of the East Half of Lots 13 and 14 of Magnolia Ranch Tract, in the City of El Cajon, County of San Diego, State of California, according to Map thereof No. 1674, filed in the Office of the County Recorder of San Diego County, September 29, 1915, described as follows:

Commencing at the Northwest corner of the East Half of said Lot 14; thence along the Northerly line of said Lot 14, North 89°57'39" East, 234.20 feet to the Southeasterly corner of land described in Deed to the City of El Cajon, recorded August 25, 1965 as File No. 154881and the True Point of Beginning; thence along the Southeasterly boundary of said land as follows; North 61°48'16" East, 99.67 feet to the Southwesterly terminus of a tangent 435.00 foot radius curve therein, concave Northwesterly and Northeasterly along the arc of said curve through a central angle of 24°48'31", a distance of 188.35 feet to the Northwesterly corner of land described in Deed to Title Insurance and Trust Company, recorded August 25, 1965 as File No. 1548821; thence along the boundary of said land as follows; continuing Northeasterly along the arc of said 435.00 foot radius curve, through a central angle of 23°01'28", a distance of 174.81 feet; South 05°16'03" West, 432.50 feet to the beginning of a tangent 218.00 foot radius curve, concave Northwesterly; Southwesterly along the arc of said curve through a central angle of 01°23'52", a distance of 5.32 feet and North 67°17'57" West 286.37 feet to the True Point of Beginning.

Initials __________

EL CAJON REDEVELOPMENT AGENCY

EXHIBIT "B"

Due to the City of El Cajon for Sale of 100 Fletcher Parkway

AMENDED AMORTIZATION SCHEDULE

NOTE AMOUNT: $3,850,000.00
DATE OF NOTE: June 16, 2011
INTEREST RATE: **LAIF Interest Rate per AB1484**

Date	LAIF Interest Rate	Beginning Loan Balance	Interest	Payment	Ending Loan Balance
06/16/11		3,850,000.00		0.00	3,850,000.00
12/01/11	0.26%	3,850,000.00	4,607.34	(840,665.10)	3,013,942.24
12/01/12	0.26%	3,013,942.24	7,857.72	(840,665.10)	2,181,134.86
12/01/13	0.26%	2,181,134.86	5,670.95		2,186,805.81
03/01/14	0.26%	2,186,805.81	1,401.95	840,665.10	3,028,872.86
07/01/14	0.26%	3,028,872.86	2,632.21	(840,665.10)	2,190,839.98
01/01/15	0.26%	2,190,839.98	4,775.43	(840,665.10)	1,354,950.31
07/01/15	0.26%	1,354,950.31	4,700.38	(840,665.10)	518,985.59
01/01/16	0.26%	518,985.59	2,029.59	(521,015.18)	0.00
	Total		33,675.58	(3,883,675.58)	

ORIGINAL AMORTIZATION SCHEDULE

NOTE AMOUNT: $3,850,000.00
DATE OF NOTE: June 16, 2011
INTEREST RATE: **3.000% per Promissory Note**

Date	Note Interest Rate	Beginning Loan Balance	Interest	Payment	Ending Loan Balance
06/16/11		3,850,000.00		0.00	3,850,000.00
12/01/11	3.00%	3,850,000.00	53,161.64	(840,665.10)	3,062,496.54
12/01/12	3.00%	3,062,496.54	92,126.61	(840,665.10)	2,313,958.05
12/01/13	3.00%	2,313,958.05	69,418.74	(840,665.10)	1,542,711.69
12/01/14	3.00%	1,542,711.69	46,281.35	(840,665.10)	748,327.94
12/01/15	3.00%	748,327.94	22,449.84	(770,777.78)	0.00
			283,438.18	(4,133,438.18)	
			(249,762.61)	(249,762.61)	

Initials ___________

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
915 L STREET ▪ SACRAMENTO CA ▪ 95814-3706 ▪ WWW.DOF.CA.GOV

April 11, 2013

Ms. Victoria Danganan, Senior Accountant
City of El Cajon
200 Civic Center Way
El Cajon, CA

Dear Ms. Danganan:

Subject: Request for a Finding of Completion

The California Department of Finance (Finance) received the City of El Cajon'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 Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Ron Luis Valles, Administrative Secretary
Ms. Tracy Sandoval, Assistant Chief Financial Officer
State Controller's Office

AGENDA REPORT

CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 15, 2014, Meeting

SUBJECT: APPROVAL OF PROMISSORY NOTE AND DEED OF TRUST TO OBLIGATE THE CITY OF EL CAJON ACTING AS SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY TO REPLACE THE $1,000,000 DOWN PAYMENT RETURNED BY THE CITY OF EL CAJON TO THE SUCCESSOR AGENCY FOR THE PURCHASE OF 100 FLETCHER PARKWAY AS REQUIRED BY THE CALIFORNIA STATE CONTROLLER'S OFFICE IN ITS ASSET TRANSFER REVIEW REPORT DATED DECEMBER 11, 2013; FIND THAT THE PROMISSORY NOTE AND DEED OF TRUST CONSTITUTE AN ENFORCEABLE OBLIGATION MADE FOR A LEGITIMATE REDEVELOPMENT PURPOSE; AND AUTHORIZE REMITTANCE OF $1,840,665 PLUS ACCRUED INTEREST TO THE COUNTY AUDITOR CONTROLLER.

RECOMMENDED ACTION: That the Oversight Board adopt the proposed Resolution to:

1. Approve the Promissory Note ("Note") and Deed of Trust to replace the $1,000,000 down payment returned by the City of El Cajon for the purchase of 100 Fletcher Parkway as required by the California State Controller's Office in the Asset Transfer Review Report dated December 11, 2013;
2. Find that the approved Note and Deed of Trust constitute an enforceable obligation for a legitimate redevelopment purpose and should be included on the next Recognized Obligation Payment Schedule ("ROPS") for reimbursement until paid;
3. Approve execution by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of chief executive officer for the Successor Agency (the "Authorized Officer"), of the Note and Deed of Trust on behalf of the Successor Agency, and deliver copies of the executed Note to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and posting of the Note and Deed of Trust on the Successor Agency website; and
4. Approve delivery by the Authorized Officer to the City of El Cajon of the Note in the amount of $1,000,000, and recordation of the Deed of Trust, all on behalf of the Successor Agency, in consideration of the receipt of the principal amount of $1,840,665, with accrued interest thereon (the "Repayment"), from the City, representing the Successor Agency's obligation for the disallowed and returned payments previously made by the Redevelopment Agency to the City; and, upon recording of the Deed of Trust, approve remittance of the Repayment to the County Auditor Controller for distribution to the affected taxing entities.

BACKGROUND: On May 24, 2011, the former El Cajon Redevelopment Agency ("Agency") approved acquisition of the former police station headquarters at 100 Fletcher Parkway (the "Property") from the City of El Cajon ("City") for the as-demolished value of $4.85 million. The property was programmed for acquisition by the Agency specifically due to completion of the new Public Safety Center in 2011 and to redevelop the site with new commercial/retail activities that would yield significant economic benefits to the City and taxing entities, including creation of new sales tax, property taxes, and job creation.

Pursuant to a Loan Agreement between the Agency and the City, evidenced by a Purchase and Sale Agreement, the original Promissory Note and original Deed of Trust (the "Original Security Documents"), the Agency made a down payment to the City of $1,000,000 (the "Down Payment"), and financed the balance of $3,850,000 at 3% per annum over five years, with payments of $840,665 due each December 1st, beginning December 1, 2011, (each, an "Installment Payment"). Close of escrow occurred on June 16, 2011.

The Security Documents were included on the Enforceable Obligations Payment Schedule ("EOPS") approved by the Agency on August 23, 2011, and the amended EOPS dated January 24, 2012, which were later approved by the California Department of Finance ("DOF") on April 6, 2012. The Security Documents were also included on the Amended Draft ROPS, ROPS II and the Due Diligence Review – All Other Funds and Accounts, each of which were approved by the DOF.

On June 24, 2013, the State Controller's Office ("SCO") reviewed all asset transfers made by the former El Cajon Redevelopment Agency to the City of El Cajon or any public agency after January 1, 2011. The SCO issued the final Asset Transfer Review Report ("Final Report") on December 11, 2013, finding that the Down Payment and the first Installment Payment to the City (in the amount of $840,665) were unallowable transfers and that the City must return $1,840,665, plus any interest earned, to the Successor Agency for remittance to the County Auditor Controller's Office ("CAC").

The SCO's order to reverse the two payments has created an impairment of contract for which no security of the Down Payment to the City exists and therefore a new Note and Deed of Trust are required for that obligation. The amount of the first Installment Payment being returned by the City will continue to be secured by the Original Security Documents and through appropriate accounting methods its prior payment will be reversed, as if it had not occurred. In Agenda Item No. 6 of this meeting the Oversight Board is being asked to approve the modified amortization schedule for the Original Security Documents to be consistent with the SCO's orders contained in the Final Report. Because the Property is held in the name of the Successor Agency and subject to disposition under the Long Range Property Management Plan that has not yet been approved by the DOF, the City must recapture funds owed through these new mechanisms.

Staff is seeking Oversight Board approval for the Successor Agency to execute a Promissory Note and Deed of Trust for the principal amount owed to the City for the Down Payment at an interest rate not to exceed the Local Agency Investment Fund ("LAIF") rate.

Repayment for the full principal amount and interest, calculated based on the current 0.26% LAIF rate, is estimated at $1,000,855 and will be due on July 1, 2014, with reimbursement requested through ROPS 14-15A.

Return of the $1,840,665 to the Successor Agency, approval of the Note, Deed of Trust and the appropriation of funds, under terms outlined in this report, must be requested from the City Council prior to remittance of funds, which is anticipated for placement on the agenda for the regularly scheduled City Council meeting to be held on January 28, 2014.

As the proposed resolution, if approved, will be transmitted to the DOF on January 15, 2014, and staff anticipates a DOF decision on/before March 1, 2014, at which time staff will have the Note and Deed of Trust executed and/or recorded. Upon receipt of the Repayment the entire amount will be transmitted to the CAC.

FISCAL IMPACT: The requested action will approve the Note and Deed of Trust between the Successor Agency and the City, in favor of the City, in order to secure the obligation for the returned Down Payment ordered by the SCO in the Final Report. The payment for the Note, and each Installment Payment under the Original Security Documents, each with interest at the LAIF rate, will be included on the ROPS 14-15A and each subsequent ROPS for reimbursement through Redevelopment Property Tax Trust Fund monies until paid.

This action will also approve remittance of $1,840,655, plus accrued interest, to the CAC for remittance to the affected taxing entities, upon receipt of funds by the City of El Cajon as outlined in this report.

ATTACHMENTS:

1. Proposed Resolution
2. Proposed Promissory Note and Deed of Trust
3. California State Controller – Asset Transfer Report, dated December 11, 2013

Prepared by:

Jenny Ficacci,
Housing Manager

Reviewed by:

Majed Al-Ghafry
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

RESOLUTION NO. OB-06-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING A PROMISSORY NOTE AND DEED OF TRUST FOR THE BENEFIT OF THE CITY OF EL CAJON TO REPLACE THE $1,000,000 DOWN PAYMENT RETURNED BY THE CITY OF EL CAJON FOR THE PURCHASE OF 100 FLETCHER PARKWAY AS REQUIRED BY THE CALIFORNIA STATE CONTROLLER'S OFFICE; FINDING THAT THE PROMISSORY NOTE AND DEED OF TRUST CONSTITUTE AN ENFORCEABLE OBLIGATION MADE FOR A LEGITIMATE REDEVELOPMENT PURPOSE; AND APPROVING REMITTANCE OF $1,840,665 PLUS ACCRUED INTEREST TO THE COUNTY AUDITOR CONTROLLER.

WHEREAS, on May 24, 2011, the former El Cajon Redevelopment Agency ("Agency") approved acquisition of the former police station headquarters at 100 Fletcher Parkway (the "Site") from the City of El Cajon ("City") under a Purchase and Sale Agreement ("PSA") for the as-demolished value of $4,850,000; and

WHEREAS, the Site was programmed for acquisition by the Agency specifically due to completion of the new Public Safety Center in 2011 and to redevelop the Site with new commercial/retail activities that would yield significant economic benefits to the City and taxing entities, including creation of new sales tax, property taxes, and job creation; and

WHEREAS, under the PSA, the Agency and the City entered into a loan agreement (the "Loan Agreement") wherein the Agency deposited $1,000,000 as a down payment at close of escrow (the "Down Payment"), and the Agency financed the balance of $3,850,000 at 3% per annum over five years, with payments of $840,665 due each December 1st, beginning December 1, 2011 (each, an "Installment Payment") pursuant to a Promissory Note and Deed of Trust (collectively, the "Original Security Documents"), and escrow closed on June 16, 2011, at which time title to the Site was conveyed to the Agency; and

WHEREAS, the Original Security Documents were included on the Enforceable Obligations Payment Schedule ("EOPS") approved by the Agency on August 23, 2011, and the amended EOPS dated January 24, 2012, which were later approved by the California Department of Finance ("DOF") on April 6, 2012; and

WHEREAS, the On June 24, 2013, the State Controller's Office ("SCO'") reviewed all asset transfers made by the former El Cajon Redevelopment Agency to the City of El Cajon or any public agency after January 1, 2011. The SCO issued the final Asset Transfer Review Report ("Final Report") on December 11, 2013, finding that the Down Payment and the first Installment Payment to the City (in the amount of $840,665) were unallowable transfers and that the City must return $1,840,665, plus any interest earned, to the Successor Agency for remittance to the County Auditor Controller's

Office ("CAC"); and

WHEREAS, the SCO's order to reverse the two payments has created an impairment of contract for which no security of the Down Payment to the City exists and therefore a new promissory note (the "Note") and a new deed of trust (the "Deed of Trust") are required for that obligation; and

WHEREAS, because the Property is held in the name of the Successor Agency and subject to disposition under the Long Range Property Management Plan that has not yet been approved by the DOF, the City must recapture funds owed through these new methods of financing the purchase of the Site, which includes creating a new obligation for the Down Payment and restoring the first Installment Payment obligation under the Original Security Documents, as if it was never made; and

WHEREAS, repayment of all or part of the Down Payment will be requested on the next or a subsequent ROPS, or at close of escrow, whichever occurs first; and

WHEREAS, staff is seeking approval for the Successor Agency to execute the Note and Deed of Trust for the principal amount owed to the City for the Down Payment at an interest rate not to exceed the LAIF rate; and

WHEREAS, the current LAIF rate is 0.26% per annum, resulting in an estimated payment of $1,000,855, due and payable on July 1, 2014, with reimbursement requested through ROPS 14-15A; and

WHEREAS, return of the $1,840,665 to the Successor Agency, approval of the $1,000,000Note and Deed of Trust, and the appropriation of funds, under terms as set forth herein, must be requested from the City Council prior to remittance of funds, which is anticipated for placement on the agenda for the regularly scheduled City Council meeting to be held on January 28, 2014; and

WHEREAS, upon approval, this resolution will be transmitted to the DOF on January 15, 2014, and staff anticipates a DOF decision on/before March 1, 2014, at which time staff will have the Promissory Note and Deed of Trust executed and/or recorded; and

WHEREAs, upon receipt of the payment in the amount of$1,840,665, plus accrued interest, the full amount will be transmitted to the CAC upon the date of recordation of the Deed of Trust; and

WHEREAS, the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency held a regularly scheduled meeting on January 15, 2014, for the purpose of considering approval of the Note and Deed of Trust to create an obligation of the City of El Cajon acting as the Successor Agency to the former El Cajon Redevelopment Agency to replace the Down Payment to the City of El Cajon for the purchase of 100 Fletcher Parkway, which is to be returned by the City in compliance with the California State Controller's Office Asset Transfer Review Report dated

December 11, 2013; and to consider whether the Promissory Note and Deed of Trust constitute an enforceable obligation made for a legitimate redevelopment purpose, and to consider approval (upon receipt from the City) of the remittance of $1,840,665 plus accrued interest to the County Auditor Controller.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The above recitals are true and correct and by incorporation herein by this reference are the findings of the Oversight Board.

2. Approval of the Note and Deed of Trust is exempt from the California Environmental Quality Act (CEQA) under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed documents will not cause a significant adverse physical change to the environment either directly or indirectly.

B. The Oversight Board hereby approves the Note and Deed of Trust, as reflected in Exhibit "1", in the principal amount of $1,000,000, with interest not to exceed the interest rate for deposits with the Local Agency Investment Fund as of the date of this resolution, and further approves the Deed of Trust, both of which represents an obligation of the Successor Agency in the amount of as the down payment described in the PSA for the purchase of 100 Fletcher Parkway.

C. The Oversight Board further finds that the Note is an enforceable obligation for a legitimate redevelopment purpose and should be included on the next Recognized Obligation Payment Schedule ("ROPS"), and each ROPS thereafter, for reimbursement until paid.

D. The Oversight Board approves execution by the City Manager of the City of El Cajon, or such person designated by the City Manager, acting in the capacity of chief executive officer for the Successor Agency (each, an "Authorized Officer"), of the Note and the Deed of Trust on behalf of the Successor, and approves delivery of copies of the executed Note and Deed of Trust to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and posting on the Successor Agency website upon approval by the Oversight Board of the Note and Deed of Trust. The Oversight Board further approves recordation of the Deed of Trust in the Official Records for San Diego County upon the delivery, by the City of El Cajon, of the amount of $1,840,665 (plus accrued interest) to the Successor Agency.

E. The Oversight Board hereby approves remittance of $1,840,665 (plus accrued interest) to the County Auditor Controller after approval by the City Council for the appropriation of funds and the Note, and upon recordation of the Deed of Trust for remittance to the affected taxing entities.

F. A true and correct copy of this Resolution shall be submitted to the County Auditor Controller, the State Department of Finance, the County Administrative Officer, the State Controller's Office, and to post on the Successor Agency website upon approval by the Oversight Board.

[The remainder of this page intentionally left blank.]

PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15^{TH} day of January 2014, by the following vote to wit:

AYES :

NOES :
ABSENT :

Debra Turner-Emerson, Chairperson

ATTEST:

Majed Al-Ghafry, Oversight Board Secretary

[This page intentionally left blank.]

PROMISSORY NOTE
(Variable Interest)

$1,000,000 El Cajon, California
_______________, 2014

FOR VALUE RECEIVED, the CITY OF EL CAJON, solely in its capacity as the SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic ("Borrower") promises to pay to the CITY OF EL CAJON, a charter city and municipal corporation in the state of California ("Lender") at 200 Civic Center Way, El Cajon, California 92020, or at such other address as Lender may direct from time-to-time in writing, the amount of One Million and no/100 Dollars ($1,000,000.00) (the "Note Amount"). All sums payable hereunder shall be payable in lawful money of the United States of America.

1. Interest Rate. The loan shall bear interest on an adjustable rate, to be equivalent to the rate of interest that the Lender would otherwise have received on its investments with the Local Agency Investment Fund ("LAIF") effective upon the date of adoption of the resolution to approve this Promissory Note, with interest accruing from the date of disbursement by Lender until paid.

2. Installments. Borrower promises to pay the Note Amount in one or more installments (each, an "Installment") from Redevelopment Property Tax Trust Fund ("RPTTF") monies received by Borrower from the County Auditor-Controller's office for enforceable obligation project expenditures listed on a Recognized Obligations Payment Schedule ("ROPS") approved by the California Department of Finance ("DOF") in the following manner: On or about July 1, 2014, or such date as the Borrower next receives payment of RPTTF monies based on a DOF-approved ROPS the Borrower shall pay to the Lender the Note Amount, plus interest accrued through the date of this first Installment, with the payment first applied to interest accrued and the balance applied to the payment of principal. Should the first Installment of RPTTF funds be insufficient to pay the entire Note Amount, the unpaid balance shall continue to accrue interest and the balance of the Note Amount, plus interest accrued through the date of payment, shall be due at the second Installment, which shall be on or about January 2, 2015, or such date as the Borrower receives its next payment of RPTTF funds from the County Auditor-Controller's office. The Note Amount, including accrued interest, may be prepaid without penalty.

3. Acceleration. At its option, Lender may determine that Borrower is in default and may, consequently, accelerate the maturity of all installments, making the

unpaid balance of the Note Amount due immediately without presentment for payment or any notice, if Borrower fails to pay an installment when due.

4. Borrower Assignment Prohibited. In no event shall Borrower assign or transfer any portion of this Promissory Note without the prior express written consent of Lender, which consent may be given or withheld at Lender's sole discretion.

5. Non-Waiver. Failure or delay in giving any notice required hereunder shall not constitute a waiver of any default or late payment, nor shall it change the time for any default or payment.

6. Successors Bound. This Promissory Note shall be binding upon the parties hereto and their respective successors and assigns.

Executed the date set forth above.

"BORROWER"

CITY OF EL CAJON, solely in its capacity as the SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY, a public body, corporate and politic

By:____________________________________
Douglas Williford, City Manager

ATTEST:

____
Belinda Hawley, City Clerk

Recording Requested by and
When recorded mail to:

City of El Cajon
200 Civic Center Way
El Cajon, CA 92020
Attn: City Manager

SPACE ABOVE THIS LINE FOR RECORDER'S USE
EXEMPT FROM RECORDING FEE PER GOV. CODE SECTION 27383
APN: 483-071-52 (formerly 483-071-31 and -30

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Deed of Trust"), is made ______________, 2014, between CITY OF EL CAJON, SOLELY IN ITS CAPACITY AS THE SUCCESSOR AGENCY TO THE **EL CAJON REDEVELOPMENT AGENCY,** a public body, corporate and politic, herein called "Trustor," whose address is 200 Civic Center Way, El Cajon, California 92020, and **CITY OF EL CAJON, a charter city and municipal corporation,** herein called "Trustee," whose address is 200 Civic Center Way, El Cajon, California, and **CITY OF EL CAJON, a charter city and municipal corporation,** herein called "Beneficiary," whose address is 200 Civic Center Way, El Cajon, California.

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, Trustor's fee interest in that property in the City of El Cajon, County of San Diego, State of California, described as:

(See Legal Description in Attachment A, attached hereto and made a part hereof)

ASSESSOR'S PARCEL NUMBER: 483-071-52 (formerly 483-071-31 and -30

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment of the sum of ONE MILLION DOLLARS ($1,000,000) with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof; (2) the performance of each agreement of Trustor incorporated by reference or contained herein; and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to it at its address hereinbefore set forth.

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay its reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by it in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

"Trustor"

CITY OF EL CAJON, SUCCESSOR AGENCY TO THE EL CAJON REDEVELOPMENT AGENCY,

a public body, corporate and politic.

Date:____________________, 2014

By: ________________________________

Its: ________________________________

State of California)
)
County of San Diego)

On ____________________, before me, ______________________________, Notary Public,
(here insert name and title of the officer)
personally appeared ____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_________________________________ (seal)

DO NOT RECORD
REQUEST FOR FULL RECONVEYANCE

TO ________________________________, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes and of all indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated ______________________________ ____________________________________
____

Please mail Deed of Trust, Note and Reconveyance to ____

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

ATTACHMENT A

(Legal Description of Property)

Real property in the City of El Cajon, County of San Diego, State of California, described as follows:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF EL CAJON, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel 1:

That portion of Lot 14 of Magnolia Ranch Tract, in the City of El Cajon, County of San Diego, State of California, according to Map thereof No. 1674, filed in the Office of the County Recorder of San Diego County, September 29, 1915, described as follows:

Beginning at a point on the North line of the East one-half of said Lot 14, distant along said North line, North 89°57'39" East, 234.20 feet from the Northwest corner of said East one-half of Lot 14; thence along the following courses:

1. Leaving said North line, South 67°17'57" East, 286.37 feet; thence 2. From a tangent that bears North 6°39'55" East, Southwesterly along a curve concave to the Northwest, with a radius of 218 feet, through an angle of 83°17'44", a distance of 316.92 feet; thence 3. Tangent to said curve South 89°57'39" West 281.84 feet to said West line of the East one-half of said Lot 14; thence 4. Continuing South 89°57'39", 6.67 feet; thence 5. From a tangent that bears North 19°13'16" West, Northerly along a curve concave to the East with a radius of 70 feet, through an angle of 33°48'51", a distance of 41.31 feet to a point of compound curvature; thence 6. From a tangent that bears North 14°35'35" East, Northeasterly along a curve concave to the Southeast with a radius of 365 feet, through an angle of 47°12'41", a distance of 300.76 feet; thence 7. Tangent to said curve North 61°48'16" East, 69.85 feet to the Point of Beginning.

Parcel 2:

That portion of the East Half of Lots 13 and 14 of Magnolia Ranch Tract, in the City of El Cajon, County of San Diego, State of California, according to Map thereof No. 1674, filed in the Office of the County Recorder of San Diego County, September 29, 1915, described as follows:

Commencing at the Northwest corner of the East Half of said Lot 14; thence along the Northerly line of said Lot 14, North 89°57'39" East, 234.20 feet to the Southeasterly corner of land described in Deed to the City of El Cajon, recorded August 25, 1965 as File No. 154881and the True Point of Beginning; thence along the Southeasterly boundary of said land as follows; North 61°48'16" East, 99.67 feet to the Southwesterly terminus of a tangent 435.00 foot radius curve therein, concave Northwesterly and Northeasterly along the arc of said curve through a central angle of 24°48'31", a distance of 188.35 feet to the Northwesterly corner of land described in Deed to Title Insurance and Trust Company, recorded August 25, 1965 as File No. 1548821; thence along the boundary of said land as follows; continuing Northeasterly along the arc of said 435.00 foot radius curve, through a central angle of 23°01'28", a distance of 174.81 feet; South 05°16'03" West, 432.50 feet to the beginning of a tangent 218.00 foot radius curve, concave Northwesterly; Southwesterly along the arc of said curve through a central angle of 01°23'52", a distance of 5.32 feet and North 67°17'57" West 286.37 feet to the True Point of Beginning.

APN: 483-071-52 (formerly 483-071-31 and -30)

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EL CAJON
REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012

JOHN CHIANG
California State Controller

December 2013

JOHN CHIANG
California State Controller

December 11, 2013

Nancy Palm, Deputy City Manager/Director of Finance
City of El Cajon Redevelopment/Successor Agency
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Palm:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the El Cajon Redevelopment Agency to the City of El Cajon or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of El Cajon or any other public agencies have been reversed.

Our review found that the El Cajon Redevelopment Agency transferred $70,795,150 in assets after January 1, 2011, including unallowable transfers of assets totaling $23,096,415 ($1,840,665 to the City of El Cajon and $21,255,750 to the Successor Housing Authority), or 32.62% of the transferred assets.

However, the following corrective actions have been taken since the unallowable transfers occurred:

- On July 18, 2012, the Oversight Board approved $21,255,750 of the transferred assets (including $2,038,628 in unencumbered cash assets) because the assets are used for housing purposes. To accomplish this, the Oversight Board passed and adopted Resolution OB-03-12.

- On December 21, 2012, the Successor Housing Authority remitted the $2,038,628 in Oversight Board-approved unencumbered cash directly to the county auditor-controller based on direction from the California Department of Finance.

The remaining $1,840,665 of assets transferred must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth Gonzalez, Bureau Chief, Local Government Compliance Bureau, by phone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

Attachment

cc: Debra Turner-Emerson, Chair of Oversight Board
City of El Cajon Redevelopment/Successor Agency
Tracy Sandoval, Auditor-Controller
San Diego County Auditor-Controller
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth Gonzalez, Bureau Chief
Division of Audits, State Controller's Office
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Daniel Tobia, Auditor-in-Charge
Division of Audits, State Controller's Office
Shadi Ahmadi, Auditor
Division of Audits, State Controller's Office

Contents

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the El Cajon Redevelopment Agency after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the El Cajon Redevelopment Agency transferred $70,795,150 in assets after January 1, 2011, including unallowable transfers of assets totaling $23,096,415 ($1,840,665 to the City of El Cajon and $21,255,750 to the Successor Housing Authority), or 32.62% of the transferred assets.

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The remaining $1,840,665 of assets transferred must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of RDAs beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred after January 1, 2011, between the El Cajon Redevelopment Agency, the City of El Cajon, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the El Cajon City Council and the El Cajon Redevelopment Agency.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the El Cajon Redevelopment Agency transferred $70,795,150 in assets after January 1, 2011, including unallowable transfers of assets totaling $23,096,415 ($1,840,665 to the City of El Cajon and $21,255,750 to the Successor Housing Authority), or 32.62% of the transferred assets.

However, the following corrective actions have been taken since the unallowable transfers occurred:

- On July 18, 2012, the Oversight Board approved $21,255,750 of the transferred assets (including $2,038,628 in unencumbered cash assets) because the assets are used for housing purposes. To accomplish this, the Oversight Board passed and adopted Resolution OB-03-12.

- On December 21, 2012, the Successor Housing Authority remitted the $2,038,628 in Oversight Board-approved unencumbered cash directly to the county auditor-controller based on direction from the California Department of Finance.

The remaining $1,840,665 of assets transferred must be turned over to the Successor Agency.

Details of our findings are in the Findings and Orders of the Controller section of this report.

Views of Responsible Official

We issued a draft review report on August 23, 2013. Holly Reed-Falk, Financial Operations Manager, responded by letter dated September 6, 2013, disagreeing with the review results. The City's response is included in this final review report.

Restricted Use

This report is solely for the information and use of the City of El Cajon, the Successor Agency, the Oversight Board, the Successor Housing Authority, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 11, 2013

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of El Cajon

The El Cajon Redevelopment Agency (RDA) transferred $1,840,665 in assets to the City of El Cajon (City). All of the asset transfers to the City occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

Unallowable asset transfers were as follows:

- On May 24, 2011, the RDA purchased real property from the City for $4,850,000. To purchase the property, the RDA transferred $1,000,000 in cash assets as a down payment and executed a promissory note for the remaining $3,850,000. To accomplish this transfer, the City and the RDA entered into an agreement under Resolution ECRA-418 and Meeting Agenda Item No. 4.2.
- On December 7, 2011, the RDA transferred $840,665 in cash assets to the City as a loan repayment for the $3,850,000 promissory note.

Pursuant to H&S Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e). However, it appears that some of those assets also may be subject to the provisions of H&S Code section 34181(a). H&S Code section 34181(a) states, "The oversight board shall direct the successor agency to do all of the following:

> (a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a government purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such as asset...."

<u>Order of the Controller</u>

Pursuant to H&S Code section 34167.5, the City of El Cajon is ordered to reverse the transfer of the above assets, described in Schedule 1, in the amount of $1,840,665, plus any interest earned, and turn them over to the Successor Agency.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code section 34177(d) and (e) with approval by the Oversight Board pursuant to H&S Code section 34181(a).

City's Response

As stated in the draft report, RDA purchased real property from the City. The City sold the property to the RDA for $4,850,000, a price determined to be fair market value by an independent appraiser, and conveyed title to the property in consideration of the down payment and the RDA's promise to pay the remaining amount of the purchase price, as set forth in the Purchase and Sale Agreement and secured by the Promissory Note and Deed of Trust. The Purchase and Sale Agreement and the Promissory Note and Deed of Trust were approved and duly executed by both the RDA and the City.

The City received a cash down payment of $1,000,000 and a Promissory Note for the balance of the purchase price. The RDA made the first installment payment of $840,665 on December 7, 2011, in accordance with the terms of the promissory note, an enforceable obligation of the RDA. The down payment and first installment payment comprise the $1,840,665 noted in this finding.

The down payment and Promissory Note payments totaling $1,840,665 were fully disclosed on the OFA DDR. Rogers, Anderson, Malody and Scott, LLP, the firm hired by the Successor Agency to conduct the DDR, reviewed the legal documents that formed the basis for the enforceable obligations of and payments made by the Successor Agency. No exceptions were reported for the down payment of Promissory Note payment. The DOF completed its review of the OFA DDR and issued a determination letter on March 27, 2013, that made ***no findings and no adjustments*** to the $1,000,000 and $840,665 identified on the DDR. DOF issued the Successor Agency its Finding and Completion on April 11, 2013.

We strongly request the Controller to reconsider its order "to reverse the transfer" of the $1,840,665. The City provided an asset valued at $4,850,000 in exchange for the $1,840,665 and the RDA's promise of payment for the remainder of the purchase price. Further, the order will result in an unconstitutional impairment of a contract, leave the City without the benefit of full consideration for the assets sold to the RDA, and constitute a default under Section 4 of the Promissory Note.

SCO's Comment

We discussed this issue with the California Department of Finance (DOF) and it agreed that both payments should have been addressed by them as part of the due diligence review, and it agreed with our conclusion. As a result, the DOF has taken action to deny the $840,665 payment on ROPS 4. The remaining $1 million is still required to be returned to the Successor Agency.

The finding and Order of the Controller remains as stated.

FINDING 2— Unallowable transfers of assets to the Successor Housing Authority

The El Cajon Redevelopment Agency (RDA) made unallowable transfers of assets of $21,255,750 to the Successor Housing Authority. The asset transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

The RDA transferred $21,255,750 in assets to the Successor Housing Authority on February 1, 2012. Those assets consisted of $8,890,450 in loan receivables, $4,724,453 in encumbered cash, $4,251,309 in land held for resale, $2,038,628 in unencumbered cash, and $1,350,910 in land.

Pursuant to H&S Code section 34175(b) the RDA is required to transfer all assets, including housing assets, to the Successor Agency.

H&S Code section 34175(b) states that all assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the Successor Agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012.

Additionally, H&S Code section 34181(c) requires the Oversight Board to direct the Successor Agency to transfer housing assets pursuant to section 34176.

Also, pursuant to H&S Code section 34177(d), the Successor Agency is to:

> Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency…for allocation and distribution...[in accordance with]…Section 34188.

However, the following corrective actions have been taken since the unallowable transfers occurred:

- On July 18, 2012, the Oversight Board approved $21,255,750 of the transferred assets (including $2,038,628 in unencumbered cash assets) because the assets are used for housing purposes. To accomplish this, the Oversight Board passed and adopted Resolution OB-03-12.
- On December 21, 2012, the Successor Housing Authority remitted the $2,038,628 in Oversight Board-approved unencumbered cash directly to the county auditor-controller based on direction from the California Department of Finance (DOF).

Order of the Controller

Pursuant to H&S Code section 34167.5, the Successor Housing Authority is ordered to return the assets, in the amount of $21,255,750, to the Successor Agency. However, because the Oversight Board retroactively approved the transfer of $21,255,750 in assets (including $2,038,628 in unencumbered cash), and $2,038,628 in assets already have been remitted directly to the county auditor-controller, no further action is necessary in relation to the transfer of these assets.

Please note that the DOF must approve the Oversight Board's decision. If the DOF does not approve the decision, then the City of El Cajon is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

City's Response

> The RDA, City, and El Cajon Housing Authority believe that all housing assets of the RDA were properly transferred under applicable law as it existed on the date of the transfer, January 31, 2012. Subsequent legislation, with a retroactive effective date, required the Successor Agency Oversight Board to take action later to reaffirm the transfers that occurred on January 31, 2012. The Successor Agency, City, and El Cajon Housing Authority respectfully disagree to the characterization of these transfers as "unallowable" which implies the transfers were illegal or improper.

SCO's Comment

H&S Code section 34181(c) states that the Oversight Board shall direct the Successor Agency to transfer the housing assets to the housing agency pursuant to section 34176. This review identified unallowable transfers during the period of January 1, 2011, through January 31, 2012. However, the Successor Agency and the City have taken actions to retroactively approve the transfer of some assets, and paid the remainder to the county auditor-controller. Therefore, no further action is needed in this matter.

Please note that the DOF must approve the Oversight Board's decision to transfer assets to the City. If the DOF does not approve the decision, then the City is ordered to transfer the assets to the Successor Agency pursuant to H&S Code section 34167.5.

Schedule 1— Unallowable RDA Asset Transfers to the City of El Cajon January 1, 2011, through January 31, 2012

Unallowable asset transfers to the City of El Cajon

Current assets		
Cash–down payment for purchase of real property	$	1,000,000
Cash–loan repayment for promissory note		840,665
Total unallowable asset transfers	$	1,840,665

Schedule 2— Unallowable RDA Asset Transfers to the Successor Housing Authority January 1, 2011, through January 31, 2012

Unallowable asset transfers to the Successor Housing Authority		
Current assets		
Unencumbered cash	$	2,038,628
Loan receivables		8,890,450
Encumbered cash		4,724,453
Land held for resale		4,251,309
Capital assets		
Land		1,350,910
Total unallowable asset transfers		21,255,750
Unencumbered cash transferred to county auditor-controller		(2,038,628)
Oversight Board approval of asset transfers (Resolution OB-03-12)		(19,217,122)
Total transfers subject to H&S Code section 34167.5	$	—

Schedule 3—
Detail of Finding 1 Transfer Reversal
January 1, 2011, through January 31, 2012

Journal Entries for Successor	Account	Debit	Credit
City returns down payment	Cash	$ 1,000,000	
City returns first payment	Cash	840,665	
City returns any subsequent payments/ removes remaining liability	Due to other agencies	3,009,335	
Successor returns land to City	Land held for resale	—	$ 4,850,000
Ending Balance		$ 4,850,000	$ 4,850,000

Attachment—
City's Response to Draft Review Report

September 6, 2013

Mr. Steven Mar, Chief, Local Governments Audit Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Mar,

The Successor Agency to the El Cajon Redevelopment Agency ("Successor Agency") received the draft report of the Asset Transfer Review ("ATR") prepared by the California State Controller ("SCO") for the former El Cajon Redevelopment Agency ("RDA") pursuant to California Health and Safety Code ("HSC") Section 34167.5, on August 29, 2013, and is submitting this response within 10 calendar days as you requested. The Successor Agency respectfully disagrees with the conclusion reached by the SCO and the determination that the former Redevelopment Agency made "unallowable asset transfers" totaling $23,096,415 to the City of El Cajon ("City") and the El Cajon Housing Authority ("Housing Authority"). It is the firm belief of the Successor Agency, City, and Housing Authority that any and all assets of the former Redevelopment Agency have been lawfully handled and provided for under applicable law, including without limitation the HSC as it existed when assets were transferred and as the HSC was amended by Assembly Bill No. X1 26 ("ABX1 26") and further amended by Assembly Bill No. 1484 ("AB 1484").

Finding 1 - Unallowable assets transfers to the City of El Cajon

Exchange of assets, not a transfer

As stated in the draft report, RDA purchased real property from the City. The City sold the property to the RDA for $4,850,000, a price determined to be fair market value by an independent appraiser, and conveyed title to the property in consideration of the down payment and the RDA's promise to pay the remaining amount of the purchase price, as set forth in the Purchase and Sale Agreement and secured by the Promissory Note and Deed of Trust. The Purchase and Sale Agreement and the Promissory Note and Deed of Trust were approved and duly executed by both the RDA and the City. According to Governmental Accounting, Auditing, and Financial Reporting (GAAFR) published by the Government Finance Officer Association, this meets the definition of an exchange transaction (i.e. transaction in which each party receives and surrenders essentially equal values *[Appendix G, page 1063]*).

The RDA received a 3.48 acre real estate parcel within the redevelopment project area. This parcel is located at the intersection of Interstate 8 and State Route 67 and across the street from a regional shopping center, Westfield Parkway, a prime location for redevelopment activity. In accordance with AB 1484, this parcel is included in the Long Range Property Management

Plan, approved by the Oversight Board on November 21, 2013, and most recently submitted to DOF for approval on April 11, 2013.

The City received a cash down payment of $1,000,000 and a Promissory Note for the balance of the purchase price. The RDA made the first installment payment of $840,665 on December 7, 2011, in accordance with the terms of the promissory note, an enforceable obligation of the RDA. The down payment and first installment payment comprise the $1,840,665 noted in this finding.

Past recognition of the Down Payment and Promissory Note as an enforceable obligation by the Successor Agency, Oversight Board, and the State Department of Finance
After the California Supreme Court ruling on ABX1 26, the RDA prepared the initial and amended Enforceable Obligation Payment Schedules (EOPS) and the draft Recognized Obligation Payment Schedule (ROPS), all of which included the Promissory Note as an enforceable obligation. Both these documents were accepted by the State Department of Finance (DOF).

On September 26, 2012, the County of San Diego filed with the DOF and SCO the Agreed Upon Procedures (AUP) Report pursuant to the provisions of HSC 34182 (b). Macias, Gini, & O'Connell, the firm hired by the County to perform the AUP, reviewed the legal documents that formed the basis for the enforceable obligations of the Successor Agency. No exceptions were noted for the Promissory Note which was reported as an obligation on the initial and amended EOPS and draft ROPS.

In addition, the Successor Agency included in its second ROPS for the period July 1, 2012, through December 31, 2012 (ROPS II), the second installment payment on the Promissory Note due December 1, 2012. The Oversight Board approved ROPS II at its April 26, 2012, meeting and submitted ROPS II to the State Department of Finance (DOF) for its review and approval pursuant to the Dissolution Act. The DOF, upon review of the Promissory Note, Purchase/Sale Agreement and related documents, approved the expenditure as an enforceable obligation and provided funding for the second installment obligation from the Redevelopment Property Tax Trust Fund (RPTTF) on May 25, 2012.

On November 12, 2012, after approval by the Oversight Board, the Successor Agency submitted its Other Funds and Accounts Due Diligence Report (OFA DDR) to the DOF to comply with the requirements of HSC Section 34179.5(a). The Successor Agency, pursuant to HSC Section 34179.5(c)(3), reported all cash or cash equivalent transfers from the former Redevelopment Agency to other public agencies or to private parties for the period January 1, 2011, through January 31, 2012. For each transfer, the Successor Agency described the purpose, enforceable obligation, and other legal requirements that required the cash transfer. The down payment and Promissory Note payment, totaling $1,840,665, were fully disclosed on the OFA DDR. Rogers, Anderson, Malody and Scott, LLP, the firm hired by the Successor Agency to conduct the DDR, reviewed the legal documents that formed the basis for the enforceable obligations of and payments made by the Successor Agency. No exceptions were reported for the down payment or Promissory Note payment. The DOF completed its review of the OFA DDR and issued a determination letter on March 27, 2013, that made ***no findings and no adjustments*** to the $1,000,000 and $840,665 identified on the DDR. DOF issued the Successor Agency its Finding of Completion on April 11, 2013.

The purchase of this parcel has been reviewed multiple times and was recognized as an enforceable obligation during the time period that the down payment and first two installment payments were made. This determination has been relied upon by the Successor Agency, its Oversight Board, and the City.

Order of the Controller

We strongly request the Controller to reconsider its order "to reverse the transfer" of the $1,840,665. The City provided an asset valued at $4,850,000 in exchange for the $1,840,665 and the RDA's promise of payment for the remainder of the purchase price. Further, the order will result in an unconstitutional impairment of a contract, leave the City without the benefit of full consideration for the asset sold to the RDA, and constitute a default under Section 4 of the Promissory Note.

Finding 2 - Unallowable assets transfers to Successor Housing Authority

The RDA, City, and El Cajon Housing Authority believe that all housing assets of the RDA were properly transferred under applicable law as it existed on the date of the transfer, January 31, 2012. Subsequent legislation, with a retroactive effective date, required the Successor Agency Oversight Board to take action later to reaffirm the transfers that occurred on January 31, 2012. The Successor Agency, City, and El Cajon Housing Authority respectfully disagree to the characterization of these transfers as "unallowable" which implies the transfers were illegal or improper.

Thank you for the opportunity to respond to the draft report. You may contact Holly Reed-Falk, Financial Operations Manager at (619) 441-1722 or hrfalk@cityofelcajon.us if you require further information or clarification on this response.

Sincerely,

Holly Reed Falk

for Nancy Palm
Deputy City Manager / Director of Finance
City of El Cajon

cc: Oversight Board, at its meeting of September 18, 2013

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

S13–RDB–909

AGENDA REPORT
CITY OF EL CAJON SUCCESSOR AGENCY OVERSIGHT BOARD
January 15, 2014, Meeting

SUBJECT: AMENDMENT OF SUCCESSOR AGENCY'S LONG RANGE PROPERTY MANAGEMENT PLAN; AUTHORIZATION TO SUBMIT TO DEPARTMENT OF FINANCE FOR APPROVAL; AUTHORIZATION FOR TRANSFER AND DISPOSAL OF PROPERTIES CONSISTENT WITH THE AMENDED PLAN, ITS ATTACHMENTS AND APPENDICES, FOLLOWING DEPARTMENT OF FINANCE APPROVAL

RECOMMENDED ACTION: That the Oversight Board adopts the proposed resolution to:

1. Approve amendments to the previously approved Long Range Property Management Plan (the "Plan") with such changes as may be directed by the Board (the "Amended Plan");
2. Authorize transmission of the Amended Plan to the Department of Finance ("DOF") and required regulatory agencies upon approval; and
3. Authorize transfer and disposal of properties as specified in the Plan upon receipt of, and in compliance with, the final approval by the DOF.

BACKGROUND:

At the Oversight Board's meeting on November 21, 2012, the Board approved the Successor Agency's proposed long-range property management plan ("Plan") as Resolution No. OB-09-12, and required by California Health and Safety Code ("H&SC") Section 34191.5, which was added by Assembly Bill 1484 ("AB 1484"). H&SC Section 34191.5 requires all successor agencies remit a long-range property management plan within 6-months of receipt of DOF's finding of completion of the successor agency's due diligence review of unobligated balances available for transfer to taxing entities. (H&SC Section 34179.7). The Successor Agency received its finding of completion on April 11, 2013, and staff transmitted the Long Range Property Management Plan immediately upon receipt.

Following DOF's review of the Plan it has provided a response that affects certain proposed transactions identified in the Plan. After a recent "meet and consult" conference with DOF representatives the Successor Agency is proposing amendments to the Plan in order to obtain DOF approval of certain of its proposed transactions. Those amendments are contained in the attached resolution, and (together with such other amendments directed by the Board) will be incorporated into the Amended Plan by an amendment, resulting in the City of El Cajon Successor Agency Amended and Restated Long Range Property Management Plan (the "Amended Plan"). The amendments are generally described as follows:

1. Amended Plan: inclusion of language addressing execution of compensation agreements, remittance of net proceeds to the Affected Taxing Entities, and transfer of properties subject to enforceable obligations, including Lease Option Agreements, and other minor clarifying changes.
2. Site 1 and 2 Property Profiles: inclusion that Lessee has completed conditions precedent to acquisition of the property, that the Oversight Board approved the Purchase and Sale Agreement, and that the transfer of the property to the Lessee should be the first order of action upon approval of the Amended Plan by DOF.
3. Site 9, 13 and 14 Property Profiles: inclusion of language requiring execution of a compensation agreement between the City and Affected Taxing Entities ("ATE's"), removing of the transfer of property at no cost, removing demolition, and the requirement to remit proceeds to the ATE's within five working days upon consummation of the sale.
4. Site 10, 11 and 12 Property Profiles: inclusion of language requiring remittance of proceeds to the ATE's within five working days upon consummation of the sale.
5. Site 15: removal of language pertaining to the demolition of the property and acquisition of the CalTrans land, and requiring remittance of net proceeds to the ATE's within five working days upon consummation of the sale.

The Assets Inventory for the Amended Plan will provide a property summary of each of the 15 parcels and a separate property profile detailing historical and current property information, including references to appendices provided. The proposed Amended Plan, its attachments and all of its appendices, is available in the Community Development Department and the City website for public review.

FISCAL IMPACT: No impact at this time. Price and terms for properties designated for sale (versus properties to be transferred to the City or Housing Authority for governmental or redevelopment activities), will be brought back to the Oversight Board for approval. The proceeds of compensation paid for properties will then be distributed to each of the ATE's proportionate to their property tax shares.

ATTACHMENTS:

1. Proposed Resolution
2. Proposed amendments to the Long Range Property Management Plan with appendices, marked to reflect changes

Prepared by:

Jenny Ficacci,
Housing Manager

Reviewed by:

Majed Al-Ghafry,
Secretary / Assistant City Manager

Approved by:

Douglas Williford
Executive Director/City Manager

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RESOLUTION NO. OB-07-14

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE FORMER EL CAJON REDEVELOPMENT AGENCY APPROVING THE LONG RANGE PROPERTY MANAGEMENT PLAN, AS AMENDED JANUARY 15, 2014; AUTHORIZING THE BOARD SECRETARY TO TRANSMIT THE PLAN TO THE STATE OF CALIFORNIA DEPARTMENT OF FINANCE; AND AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE SUCH DOCUMENTS AND TAKE SUCH ACTION NECESSARY TO CONVEY TITLE TO PROPERTY FORMERLY HELD BY THE EL CAJON REDEVELOPMENT AGENCY CONSISTENT WITH THE FINAL PLAN, ITS ATTACHMENTS AND APPENDICES, AS APPROVED BY THE DEPARTMENT OF FINANCE.

WHEREAS, California Health and Safety Code section 34179.5 (the "Act") provides that the Successor Agency of the former El Cajon Redevelopment Agency (the "Successor Agency") is required to prepare a Long Range Property Management Plan (the "Plan") that addresses the disposition and use of real properties of the former redevelopment agency; and

WHEREAS, section 34179.5 of the Act also requires the Successor Agency to submit the Plan to the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency (the "Oversight Board") and the Department of Finance, and required regulatory agencies, not later than six months following the issuance to the Successor Agency of the finding of completion; and

WHEREAS, the Successor Agency approved the Plan, as presented at a joint meeting of the El Cajon City Council and El Cajon Housing Authority on November 13, 2012; and

WHEREAS, the Successor Agency staff submitted the Plan to the Oversight Board for approval in an effort to expedite disposition of Plan properties upon receipt from the Department of Finance of a final finding of completion; and

WHEREAS, the Oversight approved the Plan on November 21, 2012, as Resolution No. OB-09-12, which was subsequently submitted to the Department of Finance for consideration; and

WHEREAS, the Successor Agency received the finding of completion on April 11, 2013, and re-submitted the Plan to the Department of Finance upon receipt; and

WHEREAS, the Department of Finance has returned the Plan without approval, providing recommendations for amendments to the Plan or its attachments, including the requirement that the Successor Agency enter into compensation agreements with all affected taxing entities where the Plan provides that the asset will be sold to the City of El Cajon for redevelopment purposes; and

WHEREAS, it is necessary, before the Successor Agency can proceed with the disposition of any of its real property, for the Plan to be amended to obtain the approval of the Department of Finance.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE FORMER CITY OF EL CAJON REDEVELOPMENT AGENCY, AS FOLLOWS:

A. The Oversight Board finds that:

1. The recitals above are true and correct and have been incorporated herein by reference.

2. Approval of the amended Long Range Property Management Plan is exempt from the California Environmental Quality Act ("CEQA") under Section 15061 (b) (3) (General Rule) of the CEQA Guidelines because the proposed amendments will not cause a significant adverse physical change to the environment either directly or indirectly.

3. Approval of the compensation agreements with each of the affected taxing entities is necessary prior to the sale of any Successor Agency asset to the City of El Cajon, for redevelopment purposes.

B. The Oversight Board hereby APPROVES the Long Range Property Management Plan, its attachments and appendices, as amended January 15, 2014, substantially in the form as presented to the Board at its January 15, 2014 meeting (the "Amended Plan") on file in the Community Development Department of the City of El Cajon and the City of El Cajon website.

C. The Oversight Board hereby AUTHORIZES transmission of the Amended Plan to the Department of Finance and other required regulatory agencies at the earliest possible date.

D. The Oversight Board hereby APPROVES the Executive Director for the Successor Agency, any Deputy Executive Director, or the Executive Director's designee, to take such action and execute such deeds and other documents, including approved compensation agreements with affected taxing entities where an asset is approved for sale to the City of El Cajon for redevelopment purposes, and for the Secretary of the Successor Agency, or any Deputy Secretary, to attest such signatures, all as necessary for the disposal of properties, as specified in the Amended Plan, upon receipt of, and compliance with, the final approval by the Department of Finance.

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PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the former El Cajon Redevelopment Agency at a regularly scheduled meeting held this 15th day of January 2014, by the following vote to wit:

AYES :
NOES :
ABSENT :
ABSTAIN :

____
Debra Turner-Emerson, Chairperson

ATTEST:

____
Majed Al-Ghafry, Oversight Board Secretary

AGENDA ITEM NO. 6
Attachment 2
Proposed amendments

Long Range Property Management Plan—Amended January 15, 2014

Table of Contents

City of El Cajon
Successor Agency
Oversight Board
200 Civic Center Way
El Cajon, CA 92020
Phone: 619.441.1741
Fax: 619.441.1743
Website: www.cityofelcajon.us

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LONG RANGE PROPERTY MANAGEMENT PLAN – AMENDED JANUARY 15, 2014
For the disposition of
CITY OF EL CAJON - SUCCESSOR AGENCY REAL PROPERTY ASSETS

Consistent with State Legislation ABx1 26 (the "Dissolution Act") and Assembly Bill No. 1484 ("AB 1484"), this amended Long Range Property Management Plan (the "Amended Plan") supersedes and replaces the Long Range Property Management Plan ("Original Plan") approved by the Oversight Board on November 21, 2012, as Resolution No. OB-09-12, and sets forth the strategy and process of the City of El Cajon as Successor Agency ("Successor Agency") to dispose of former El Cajon Redevelopment Agency real property assets ("Assets" or "Asset") within its Community Redevelopment Property Trust Fund (the "Trust"). The Successor Agency's goal is to dispose of the Assets expeditiously and in a manner aimed to maximize value to the taxing entities, while still advancing the planning objectives for which the properties were originally acquired.

Based on the above premise, and with the approval of the Successor Agency and Oversight Board, all Assets will undergo a disposition evaluation process to determine if the properties should be: 1) transferred to the El Cajon Housing Authority for a governmental purpose; 2) transferred to the City of El Cajon for a governmental purpose; 3) transferred/sold to the City of El Cajon for redevelopment activities; 4) retained by the Successor Agency to fulfill an enforceable obligation; 5) offered for sale to adjoining property owners or tenants; 6) offered for sale to persons on established interest lists; or 7) listed for sale with an approved broker on the open market.

I. GOALS OF THE ~~PLAN~~AMENDED PLAN

A. Transfer properties to the City or Housing Authority that were acquired for public purposes, acquired with restricted funding (including CDBG, tax-exempt bond proceeds, Low or Moderate-Income Housing Funds), or properties that were transferred from the City to the former redevelopment agency for a public purpose at no cost, in accordance with CH&SC Section 34181(a).

B. Leverage Asset sites to maximize community benefits and implement planning objectives for which the properties were originally acquired.

C. Maximize the sales price, property tax, sales tax or any combination thereof for properties deemed appropriate for private development.

D. Engage all public, private, and non-profit groups affected by the disposition of Successor Agency Assets.

E. Hire highly experienced Brokers who will market Successor Agency Assets, where appropriate, to yield the best development and the highest return, whether immediate or long-term.

F. Be responsive, equitable and sensitive to the needs and concerns of adjacent private property owners.

G. Present purchase offers to the Successor Agency and Oversight Board as early as possible.

H. Comply with the Dissolution Act and AB 1484.

II. COMMUNITY REDEVELOPMENT PROPERTY TRUST FUND (the "Trust")

The Successor Agency has segregated former El Cajon Redevelopment Agency real property assets from the City fixed asset account as of February 1, 2012:

A. Land held for resale is accounted for in the Successor Agency Fund 0590.

B. Regular land and other capital assets are accounted for in Fund 0860 - Successor Agency Fixed Asset Account.

III. REQUIRED COMPONENTS OF THE ~~PLAN~~AMENDED PLAN

Pursuant to Health and Safety Code Section 34191.5 et seq., the ~~Plan~~Amended Plan shall do all of the following ("Required Components"):

A. Include an inventory of all properties in the Trust ("Asset Inventory").

B. The inventory or profile for each site shall consist of all of the following information:

1. The date of acquisition of the property and value/purchase price of the property at that time.
2. The purpose for which the property was acquired.
3. Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.
4. An estimate of the current value of the parcel including, if available, any appraisal information.
5. An estimate of any lease, rental, or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.
6. The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.
7. A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.
8. A brief history of previous development proposals and activity, including the rental or lease of property.

C. Address the use or disposition of all of the properties in the Trust. Permissible uses authorized under AB1484 include: 1) the retention of the property for governmental use pursuant to subdivision (a) of Section 34181; 2) the retention of the property for future development; 3) the sale of the property; or 4) the use of the property to fulfill an enforceable obligation. The ~~plan~~Amended Plan shall separately identify and list properties in the trust dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation. All of the following conditions shall apply:

   1. If the ~~Plan~~Amended Plan directs the use or liquidation of the property for a project identified in an approved redevelopment plan, the property shall transfer to the city, county, or city and county.
   2. If the ~~Plan~~Amended Plan directs the liquidation of the property or the use of revenues generated from the property, such as lease or parking revenues, for any purpose other than to fulfill an enforceable obligation or other than that specified in subparagraph (a), the proceeds from the sale shall be distributed as property tax to the taxing entities in accordance with Section VI or VII.
   3. Property shall not be transferred to a successor agency, city, county, or city and county, unless the long-range property management plan has been approved by the Oversight Board and the California Department of Finance.

IV. PROPERTY PROFILE

The ~~Plan~~Amended Plan shall include a profile of each Asset by site number, along with other pertinent information to support the disposal strategy recommended, including:

A. Each "Property Profile" shall include:

   1. Required Components.
   2. Classification of property - Properties will be categorized into one or more of four classifications:
      a. Transfer to City/El Cajon Housing Authority – Governmental Purpose: properties that should be transferred for public benefit ("Public Properties") and have minimal or no market value or are restricted by the source funding at acquisition (Parks, Parking Lot, etc. CH&SC Section 34181(a)).
      b. Enforceable Obligation: properties subject to a contract or enforceable obligation.
      c. Transfer to City – Redevelopment Activities: properties to be transferred to the City for redevelopment activities (CH&SC Section 34180(f)(1)).

d. Available for Sale: properties are available to sell.

3. Disposal Strategy.

4. Appendices - all supporting Asset documentation will be included in ~~Plan~~Amended Plan binders in the "Appendices" section and available for access from the City website.

B. Aerial/Site Map.

C. Site photos.

V. DISPOSITION PROCESS

Approval and Application of the ~~Plan~~Amended Plan.

A. Present the ~~Plan~~Amended Plan to the Successor Agency for review and approval.

B. Present the ~~Plan~~Amended Plan to the Oversight Board for review and approval.

C. Submit the ~~Plan~~Amended Plan, as may be amended, to the California Department of Finance for approval.

D. Transfer properties for governmental purposes to the Housing Authority, where applicable.

E. Transfer properties for governmental purposes to the City of El Cajon, where applicable.

F. Transfer properties for redevelopment activities to the City of El Cajon, where applicable.

~~F.~~G. Maintain ownership of properties until enforceable obligations can be fulfilled.

~~G.~~H. Offer properties for sale to adjacent property owners, tenants and/or owners on interest list, where applicable.

~~H. Demolish buildings and remove hazards/blight, where applicable.~~

I. Select Broker or Broker's from Approved Broker List ("Broker") and execute listing agreement(s), if listing the Asset through a broker is authorized.

J. Gather all pertinent parcel information for each site under consideration including, but not limited to: Phase 1, environmental clearance, enforceable obligations, resolutions, ordinances, etc.

VI. TRANSFER/SALE OF ASSETS TO CITY OF EL CAJON OR EL CAJON HOUSING AUTHORITY - PROCESS

This process applies to the sale or transfer of Assets to the City of El Cajon or El Cajon Housing Authority for Governmental Purposes or Redevelopment Activities:

A. Secure a property appraisal (Redevelopment Activities only).

B. Prepare a report to the Successor Agency with attachments for acquisition/transfer:

   1. ~~Open session~~Conduct a ~~, with~~ public hearing ~~notice (price/terms)~~with at least 10 days' ~~public hearing~~ notice ~~(~~including proposed action (including price/terms).

C. Prepare an agenda report for the Oversight Board for offer acceptance/terms.

   1. ~~Open session,~~Approval by resolution of the Oversight Board at a public meeting with at least 10 days public hearing notice (34181(f)) (price/terms).

D. For approved transfers/purchases of any Asset for Redevelopment Activities, negotiate a Compensation Agreement with Affected Taxing Entities ("ATE's") to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained (Section 34180(f)(1)):~~;~~

   1. ATE's will be contacted for approval of the Disposal Strategy for properties to be retained by the City for Redevelopment Activities.

   2. If no other agreement is reached on valuation of the retained assets identified in the Disposal Strategy with ATE's, the value will be the fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the Oversight Board.

   ~~2.~~3. ATE's shall enter into a compensation agreement with the City or Housing Authority prior to the transfer of any property under this Section VI.

E. Staff to prepare documents and consummate transfer (internally or through an El Cajon escrow company).

~~E.~~F. The Successor Agency shall remit net proceeds, if any, within five working days upon consummation of each transfer/sale, for distribution to the ATE's.

VII. TRANSFER OF PROPERTIES TO FULFILL AN ENFORCEABLE OBLIGATION – PROCESS

This process applies to Assets to be retained by the Successor Agency in order to fulfill an enforceable obligation, including Lease Option Agreements or other agreements, and the subsequent transfer of the property:

A. Secure property appraisal, if required.

B. If property is to be sold without a Broker, staff will proceed to communicate/negotiate with the party to the agreement creating the ~~entitled~~ enforceable obligation ~~party~~.

C. Staff to prepare a report to the Successor Agency with attachments for acquisition/transfer:

1. Present the proposed transaction in ~~C~~closed session (~~until~~to discuss price/terms approved), if applicable.

2. Conduct ~~Open session, with~~a public hearing ~~notice~~ (once price/terms approved) with at least 10 days' ~~public hearing~~ notice.

D. Staff to prepare an agenda report for the Oversight Board for offer acceptance/terms.

1. Conduct ~~Open session, with at least 10 days~~ a public hearing with at least ten days' notice (34181(f)) (once price/terms approved).

E. Staff to prepare documents and consummate transfer internally or through an El Cajon escrow company.

F. The Successor Agency shall remit net proceeds, if any, within five working days upon consummation of each transfer/sale, for distribution to the ATE's.

~~VII.~~VIII. SALE OF ASSETS IN OPEN MARKET – PROCESS

This process applies to Assets to be sold to parties, other than the City or the El Cajon Housing Authority, in the open market:

A. Secure property appraisal.

B. If property is to be sold without a Broker, staff will proceed to communicate/negotiate with interested parties.

C. If property to be sold with a Broker, Broker to list Asset for sale on MLS, Co-Star, Loop-Net, website, and/or other marketing resources.

D. Broker to accept, evaluate and present offers to Successor Agency staff.

E. Staff to prepare a report to the Successor Agency with attachments for acquisition/transfer:

1. Present the proposed transaction in -c~~C~~losed session (until price/terms approved), if applicable.

2. ~~Open session, with~~Conduct a public hearing with at least ten days' notice (once price/terms approved) ~~with at least 10 days public hearing notice~~.

F. Staff to prepare an agenda report for the Oversight Board for offer acceptance/terms.

~~1. Closed session.~~

~~2.~~1. Conduct a ~~Open session, with at least 10 days~~ public hearing with at least ten days' notice (34181(f)) (once price/terms approved).

G. Staff to prepare documents and consummate transfer through an El Cajon escrow company.

~~G.~~H. The Successor Agency shall remit net proceeds, if any, within five working days upon consummation of each sale to the ATE's.

~~VIII.~~IX. TIMING

A. This ~~Plan~~Amended Plan shall be submitted to and approved by the Successor Agency and Oversight Board prior to submission to the California Department of Finance.

B. The ~~Plan~~Amended Plan, as may be amended by the Successor Agency or Oversight Board, shall be submitted to the California Department of Finance ~~upon~~:

1. Upon ~~a~~Approval of both Due Diligence Review ("DDR") reports and transmission of approved DDR amounts.
2. ~~The Plan must be submitted to the DOF~~ N~~n~~ot later than six months following the issuance of the "Finding of Completion"[1] to the Successor Agency pursuant to Health and Safety Code Section 34179.7.

C. Upon notification of approval of the ~~Plan~~Amended Plan by the California Department of Finance, Assets shall be disposed of in an expedited manner in accordance with this ~~Plan~~Amended Plan, ~~and~~ the Asset Inventory and the Property Profiles that supplement the Amended Plan.

~~C.~~D. If the DOF has not approved the Amended Plan by January 1, 2015, subdivision (e) of Section 34177 and subdivision (a) of Section 34181 shall be operative.

~~IX.~~X. SUCCESSOR AGENCY STAFF CONTACTS

City Manager's Office:

Douglas Williford, City Manager, (619) 441-1716, Dwillifo@cityofelcajon.us

Majed Al-Ghafry, Assistant City Manager, (619) 441-1653, Malghafr@cityofelcajon.us

Community Development Department:

Jenny Ficacci, Housing Manager, (619) 44~~1~~1-1768, Jficacci@cityofelcajon.us

[1] A **Finding of Completion** will be issued by the California Department of Finance (DOF) upon submission, approval and remittance of funds identified in a Due Diligence Review for: a) the Low and Moderate Income Housing Fund; and 2) All Other Funds and Accounts. The ~~DOF must complete its review of all Due Diligence Review reports on/before April 1, 2013~~Successor Agency received its Finding of Completion on April 11, 2013, and the Original Plan was submitted to DOF immediately upon receipt.

Finance Department:

Victoria Danganan, Sr. Accountant, (619) 441-1720, Vdangana@cityofelcajon.us

Holly Reed-Falk, Financial Operations Manager, (619) 441-1722, Hrfalk@cityofelcajon.us.

Successor Agency to the El Cajon Redevelopment Agency - Asset Inventory

Effective 1/31/2012

Site #	Parcel #	Address	# Acres	Lot Size	Building SF	Zoning	Purchase Price (Final HUD / Other Documents)	Current Use	Tenant	City/HA Acq - 34181(a) Governmental Purpose	City Acq - Redev Activities 34180(f)(1)	Enforceable Obligation (Yes / No)	Disposal Strategy	Disposition Timing (Phase)	Dispose - FY
1	488-083-15-00	Lot adj to 156 E. Main Street, El Cajon, CA 92020	0.05	2,178	N/a	C-R	$ 150,000.00	Lease Purchase	Por Favor			YES; Bond Restrictions	Transfer to Por Favor or Successor Agency - **Hold until May 2018** - Enforceable Obligation	**Phase 1**	**2012-13**
2	488-083-16-00	156 E. Main Street, El Cajon, CA 92020	0.05	2,178	N/a	C-R	Combined with 488-083-15-00	Lease Purchase	Por Favor			YES; Bond Restrictions	Transfer to Por Favor or Successor Agency - **Hold until May 2018** - Enforceable Obligation	**Phase 1**	**2012-13**
3	488-083-27-00	149 Rea Avenue, El Cajon, CA 92020	0.50	21,780	N/a	C-R	$ 208,038.94	Long Term Lease	Wieghorst Museum	YES		YES; Bond Restrictions	Transfer to **City** - Governmental Use and Enforceable Obligation	**Phase 2**	**2012-13 through 2013-2014**
4	488-211-21-00	201 E. Main St; Prescott Promenade	0.35	15,423	N/a	C-G	$ 331,090.93	Municipal Park	Mangia Bene (portion); Clear Channel (billboard)	YES		YES; Bond and Federal Funds Restrictions	Transfer to **City** - Governmental Use and Enforceable Obligation	**Phase 2**	**2012-13 through 2013-2014**
5	488-212-19-00	Vacated Alley adjacent to Lexington Sr. Apartments	0.18	7,841	N/a	RM-1500	No cost - Vacation of Alley	Vacated Alley	N/a	YES		Bond Restrictions	Transfer to **Housing Authority** - Governmental Use	**Phase 2**	**2012-13 through 2013-2014**
6	488-212-20-00	Surplus parcel adjacent to Community Center Parking Lot	0.16	6,839	N/a	RM-1500	No cost - Vacation of Prescott Ave	Municipal Facility	N/a	YES		Bond Restrictions	Transfer to **Housing Authority** - Governmental Use	**Phase 2**	**2012-13 through 2013-2014**
7	488-212-22-00	Community Center Parking lot adjacent to Lexington Sr. Apartments	0.91	39,640	N/a	RM-1500	$ 1,048,467.42	Public Parking for Municipal Facilities	N/a	YES		Bond Restrictions	Transfer to **Housing Authority** - Governmental Use	**Phase 2**	**2012-13 to 2013-2014**
8	488-072-38-00	Magnolia Ave frontage; Parcel 1 of PM 20625	1.10	47,916	N/a	C-R	$ 4,442,183.49	Public Parking for Municipal Facilities	N/a	YES		YES	Transfer to City - Governmental Use and Enforceable Obligation	**Phase 2**	**2012-13 through 2013-2014**
9	488-072-40-00	Rea Avenue properties; Parcel 3 of PM 20625	0.65	28,314	N/a	C-R	Combined with 488-072-38	Public Parking for Muncipal Facilities	N/a		YES		**City to acquire** - redevelopment activities	**Phase 1**	**2012-13**
10	482-250-34-00	572-588 N. Johnson Avenue, El Cajon, CA 92020	1.36	59,242	N/a	C-M	$ 2,981,050.12	Vacant Land	N/a				Negotiate with interested parties, then public through broker	**Phase 3**	**2013-14**
11	482-250-36-00	531-555 Raleigh Avenue, El Cajon, CA 92020	0.56	24,394	9,008	C-M	$ 1,056,917.77	Leased Commercial	Drummond Coach & Paint; Crystal Cleaners; Russells Metalfab Co. (sublease)				Negotiate with tenants, then public through broker	**Phase 3**	**2013-14**
12	488-083-03-00	115 Rea Ave, El Cajon, CA 92020	0.10	4,356	3,600	C-R	$ 653,471.53	Vacant Commercial	N/a				Negotiate with interested parties, then public through broker	**Phase 3**	**2013-14**
13	488-082-18-00	141 N. Magnolia Avenue, El Cajon, CA 92020	0.81	35,284	17,434	C-R	$ 2,068,893.33	Vacant Commercial	Ledcor		YES		~~Demolish;~~ **City to acquire** - redevelopment activities	**Phase 1**	**2012-13**
14	488-082-12-00	118-130 Rea Avenue, El Cajon, CA 92020	0.22	9,583	5,802	C-R	$ 1,035,454.29	Vacant Commercial	N/a		YES		~~Demolish;~~ **City to acquire** - redevelopment activities	**Phase 1**	**2012-13**
15	483-071-52-00	100 Fletcher Parkway, El Cajon, CA 92020	3.48	151,589	23,870	C-R	$ 4,850,000.00	Vacant Former Police Headquarters	N/a				~~Demolish;~~ Offer to public through broker	**Phase 3**	**2013-14**
		TOTALS		**456,556**	**59,714**	**59,714**	**$ 18,841,793.20**								

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Former El Cajon Redevelopment Agency Properties

CITY OF EL CAJON · INCORPORATED 1912

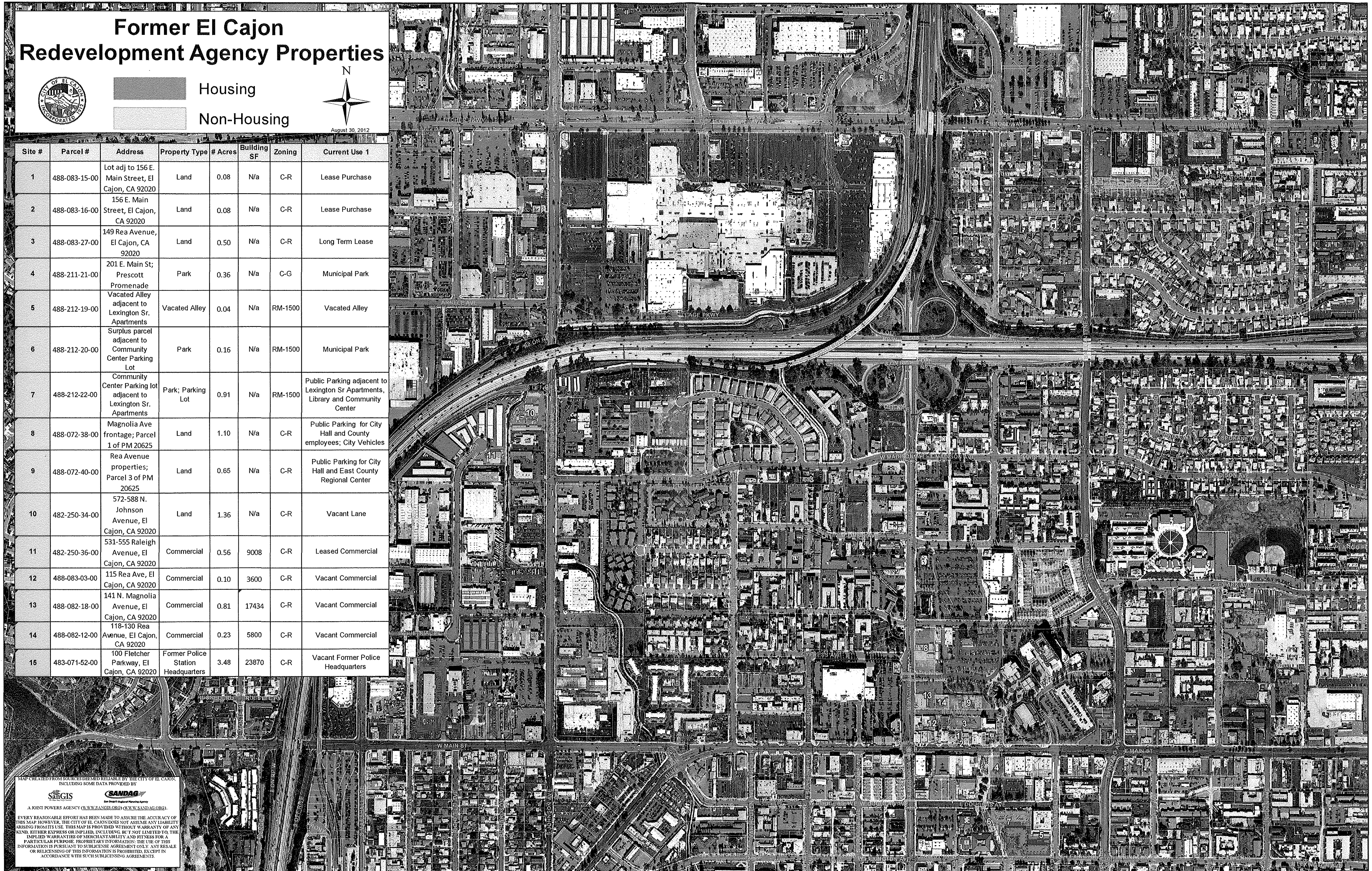
Housing

Non-Housing

N

August 30, 2012

Site #	Parcel #	Address	Property Type	# Acres	Building SF	Zoning	Current Use 1
1	488-083-15-00	Lot adj to 156 E. Main Street, El Cajon, CA 92020	Land	0.08	N/a	C-R	Lease Purchase
2	488-083-16-00	156 E. Main Street, El Cajon, CA 92020	Land	0.08	N/a	C-R	Lease Purchase
3	488-083-27-00	149 Rea Avenue, El Cajon, CA 92020	Land	0.50	N/a	C-R	Long Term Lease
4	488-211-21-00	201 E. Main St; Prescott Promenade	Park	0.36	N/a	C-G	Municipal Park
5	488-212-19-00	Vacated Alley adjacent to Lexington Sr. Apartments	Vacated Alley	0.04	N/a	RM-1500	Vacated Alley
6	488-212-20-00	Surplus parcel adjacent to Community Center Parking Lot	Park	0.16	N/a	RM-1500	Municipal Park
7	488-212-22-00	Community Center Parking lot adjacent to Lexington Sr. Apartments	Park; Parking Lot	0.91	N/a	RM-1500	Public Parking adjacent to Lexington Sr Apartments, Library and Community Center
8	488-072-38-00	Magnolia Ave frontage; Parcel 1 of PM 20625	Land	1.10	N/a	C-R	Public Parking for City Hall and County employees; City Vehicles
9	488-072-40-00	Rea Avenue properties; Parcel 3 of PM 20625	Land	0.65	N/a	C-R	Public Parking for City Hall and East County Regional Center
10	482-250-34-00	572-588 N. Johnson Avenue, El Cajon, CA 92020	Land	1.36	N/a	C-R	Vacant Lane
11	482-250-36-00	531-555 Raleigh Avenue, El Cajon, CA 92020	Commercial	0.56	9008	C-R	Leased Commercial
12	488-083-03-00	115 Rea Ave, El Cajon, CA 92020	Commercial	0.10	3600	C-R	Vacant Commercial
13	488-082-18-00	141 N. Magnolia Avenue, El Cajon, CA 92020	Commercial	0.81	17434	C-R	Vacant Commercial
14	488-082-12-00	118-130 Rea Avenue, El Cajon, CA 92020	Commercial	0.23	5800	C-R	Vacant Commercial
15	483-071-52-00	100 Fletcher Parkway, El Cajon, CA 92020	Former Police Station Headquarters	3.48	23870	C-R	Vacant Former Police Headquarters



MAP CREATED FROM SOURCES DEEMED RELIABLE BY THE CITY OF EL CAJON, INCLUDING SOME DATA PROVIDED BY

SanGIS

SANDAG San Diego's Regional Planning Agency

A JOINT POWERS AGENCY (WWW.SANGIS.ORG) (WWW.SANDAG.ORG).

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PROPERTY PROFILE

Site # 1	One of two parcels leased to Por Favor Restaurant under Lease Purchase Agreement
Location:	156 E. Main Street and adjacent lot, El Cajon, CA 92020
APN:	488-083-15-00
Lot Size (SF):	3,500
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Patio dining for Por Favor Restaurant
Date Acquired:	May 14, 1986
Purchase Price:	$150,000.00[1]
Source of Funds:	Loan obtained from City of El Cajon for acquisition which was subsequently paid with $2M in taxable and $11M in tax-exempt financing from California Federal Savings & Loan Assoc (CalFed). CalFed was satisfied with $35,600,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1992. The 1992 bonds were refinanced with $35,745,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1997. The 1997 bonds were satisfied with $40,000,000 in tax exempt bond proceeds of the Tax Exempt Allocation Refunding Bonds Issue of 2005 and remain an outstanding enforceable obligation.
Purpose of Acquisition:	The property was acquired for purposes of redevelopment in the Civic Center Superblock where City Hall, the County Regional Courthouse, and the El Cajon Performing Arts Center are located.
Status & Revenues:	Land with leasehold improvements; Currently leased to Por Favor Restaurant at $1.00 per year plus reimbursement of Property Business Improvement (PBID) assessments of approximately $356.00. The Agency entered into a 10-year Lease Option Agreement with Por Favor Restaurant for a price of $38,250.00 on May 28, 1998, with one 10-year extension. Lessee was required to pay $3,825 per year until the lease-option price was paid. The 10-year extension was requested on April 17, 2008, and now expires on May 28, 2018, if not exercised. Lessee now pays $1.00 per year, plus any PBID taxes assessed to the property. Lessee completed the conditions precedent to acquiring the property on April 5, 2013, and the Oversight Board adopted Resolution No. OB-17-13 on June 19, 2013, approving the Purchase and Sale Agreement with Por Favor, Inc. If Lessee does not acquire the property by May 28, 2018, under the Lease-Option period, the Lease provides both parties will negotiate in good faith for new terms and conditions.
Environmental issues, Brownfield or other Restrictions:	**Environmental**: None known **Brownfield**: None known **Restrictions**: Sales proceeds, if any, must be used in accordance with bond covenants.

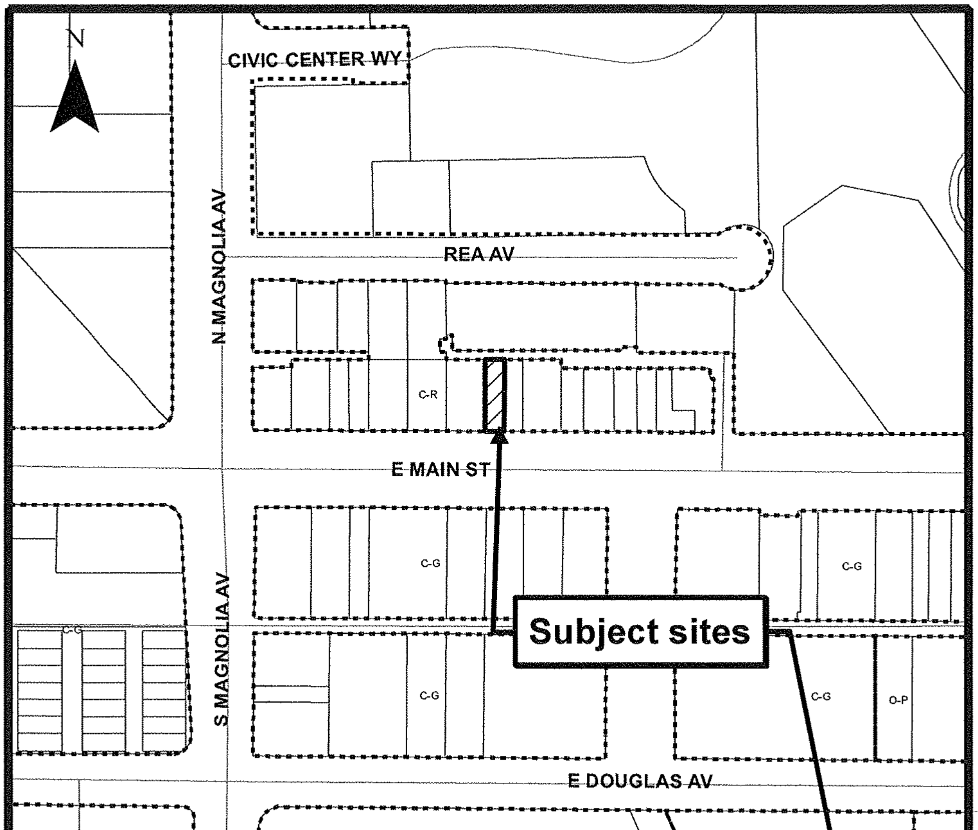
PROPERTY PROFILE

Transit Oriented Development Site:	Not applicable; currently utilized for patio dining for Por Favor restaurant.	
Discussion & History:	The Agency acquired this property on May 14, 1986 jointly with APN 488-083-16-00 for $150,000 plus closing costs.	
Site # 1	**One of two parcels leased to Por Favor Restaurant under Lease Purchase Agreement**	
Classification:	**Enforceable Obligation; Retain by Successor Agency**: The properties are subject to a 10-year Lease Option Agreement dated 5/28/1998 with Por Favor Restaurant, with one 10-year extension that expires on May 28, 2018 and requires Lease renegotiation.	
Use of Broker:	See Disposal Strategy	
Value As-Is:	1. Not applicable at this time	
Disposal Strategy:	In accordance with requirements for property acquired/satisfied with tax exempt bond proceeds, authorize the Successor Agency to: 1. <u>Transfer the property to Por Favor Inc. upon approval of the Long Range Property Management Plan by the Department of Finance, pursuant to Oversight Board Resolution No. OB-07-13 approved June 19, 2013; or</u> 2. Maintain ownership of the property until 5/28/2018; 3. If the option to purchase is not exercised by 5/28/2018, then: a. Appraise the property; b. Negotiate with Lessee for new Lease terms and conditions; c. Offer for sale to the adjacent property owner (owner of Por Favor Restaurant property, APN 488-083-14); d. Offer for sale in the open market through an approved Broker Utilize all sales proceeds, if any, in accordance with bond covenants.	
Appendices:	3,22,23,24	

[1] The purchase price for this property includes the acquisition of both APN 488-083-15-00 and 488-083-16-00

Long Range Property Management Plan

Site No. 1
Lot adjacent to 156 East Main Street



Property Features:

- C-R Zoning
- 0.05 Acres
- APN Nos. 488-083-15
- Successor Agency hold until May 2018 Enforceable obligation
- Disposition timing phase 1

City of El Cajon Successor Agency Oversight Board

200 Civic Center Way
El Cajon, CA 92020
Phone: 619.441.1741
Fax: 619.441.1743
cityofelcajon.us

PROPERTY PROFILE

Site # 2	One of two parcels leased to Por Favor Restaurant under Lease Purchase Agreement
Location:	156 E. Main Street and adjacent lot, El Cajon, CA 92020
APN:	488-083-16-00
Lot Size (SF):	3,500
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Patio dining for Por Favor Restaurant
Date Acquired:	May 14, 1986
Purchase Price:	See APN 488-053-15-00[1] for acquisition terms
Source of Funds:	Loan obtained from City of El Cajon for acquisition which was subsequently paid with $2M in taxable and $11M in tax-exempt financing from California Federal Savings & Loan Assoc (CalFed). CalFed was satisfied with $35,600,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1992. The 1992 bonds were refinanced with $35,745,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1997. The 1997 bonds were satisfied with $40,000,000 in tax exempt bond proceeds of the Tax Exempt Allocation Refunding Bonds Issue of 2005 and remain an outstanding enforceable obligation.
Purpose of Acquisition:	The property was acquired for purposes of redevelopment in the Civic Center Superblock where City Hall, the County Regional Courthouse, and the El Cajon Performing Arts Center are located.
Status & Revenues:	Land with leasehold improvements; Currently leased to Por Favor Restaurant at $1.00 per year plus reimbursement of Property Business Improvement (PBID) assessments of approximately $356.00. The Agency entered into a 10-year Lease Option Agreement with Por Favor Restaurant for a price of $38,250.00 on May 28, 1998, with one 10-year extension. Lessee was required to pay $3,825 per year until the lease-option price was paid. The 10-year extension was requested on April 17, 2008, and now expires on May 28, 2018, if not exercised. Lessee now pays $1.00 per year, plus any PBID taxes assessed to the property. Lessee completed the conditions precedent to acquiring the property on April 5, 2013, and the Oversight Board adopted Resolution No. OB-17-13 on June 19, 2013, approving the Purchase and Sale Agreement with Por Favor, Inc. If Lessee does not acquire the property by May 28, 2018, under the Lease-Option period, the Lease provides both parties will negotiate in good faith for new terms and conditions.
Environmental issues, Brownfield or other Restrictions:	**Environmental**: None known **Brownfield**: None known **Restrictions**: Sales proceeds, if any, must be used in accordance with bond covenants.

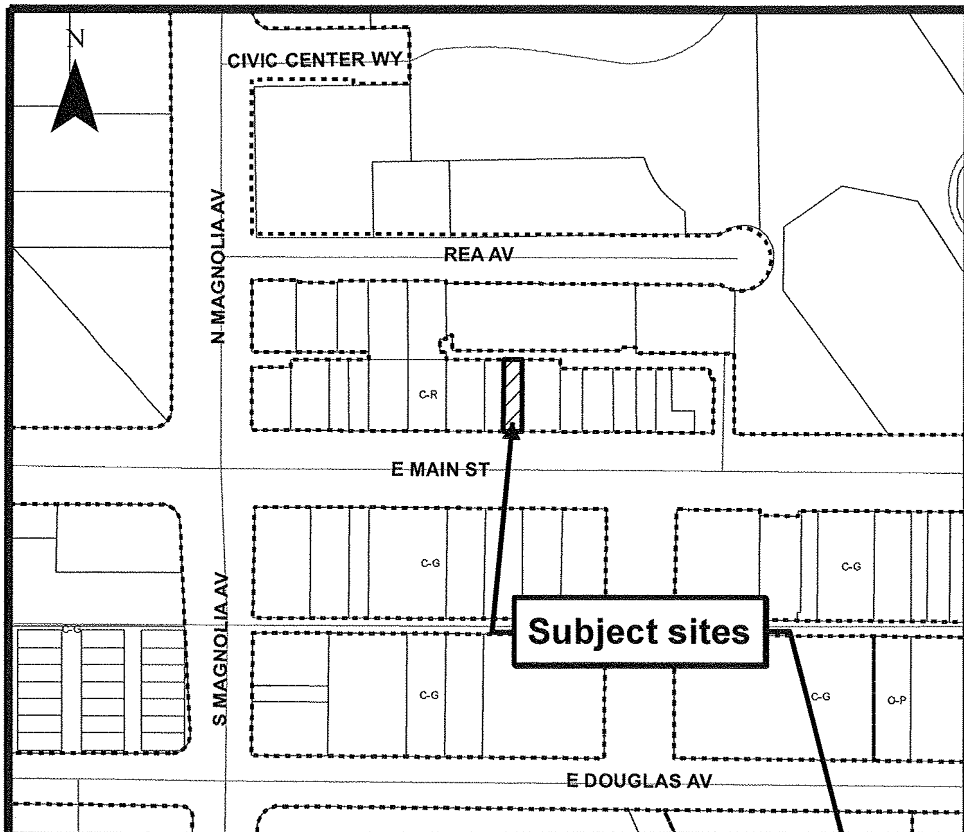
PROPERTY PROFILE

Transit Oriented Development Site:	Not applicable; currently utilized for patio dining for Por Favor restaurant.
Discussion & History:	The Agency acquired this property on May 14, 1986 jointly with APN 488-083-15-00 for $150,000 plus closing costs.
Site # 2	**One of two parcels leased to Por Favor Restaurant under Lease Purchase Agreement**
Classification:	**Enforceable Obligation; Retain by Successor Agency**: The properties are subject to a 10-year Lease Option Agreement dated 5/28/1998 with Por Favor Restaurant, with one 10-year extension that expires on May 28, 2018 and requires Lease renegotiation.
Use of Broker:	See Disposal Strategy
Value As-Is:	1. Not applicable at this time
Disposal Strategy:	In accordance with requirements for property acquired/satisfied with tax exempt bond proceeds, authorize the Successor Agency to: 1. Transfer the property to Por Favor Inc. upon approval of the Long Range Property Management Plan by the Department of Finance, pursuant to Oversight Board Resolution No. OB-07-13 approved June 19, 2013; or 2. Maintain ownership of the property until 5/28/2018; 3. If the option to purchase is not exercised by 5/28/2018, then: a. Appraise the property; b. Negotiate with Lessee for new Lease terms and conditions; c. Offer for sale to the adjacent property owner (owner of Por Favor property); d. Offer for sale in the open market through an approved Broker Utilize all sales proceeds, if any, in accordance with bond covenants.
Appendices:	3,22,23,24

[1] The purchase price for this property includes the acquisition of both APN 488-083-15-00 and 488-083-16-00

Long Range Property Management Plan

Site No. 2
156 East Main Street



Property Features:

- C-R Zoning
- 0.05 Acres
- APN Nos. 488-083-16
- Successor Agency hold until May 2018 Enforceable obligation
- Disposition timing phase 1

City of El Cajon Successor Agency Oversight Board

200 Civic Center Way
El Cajon, CA 92020
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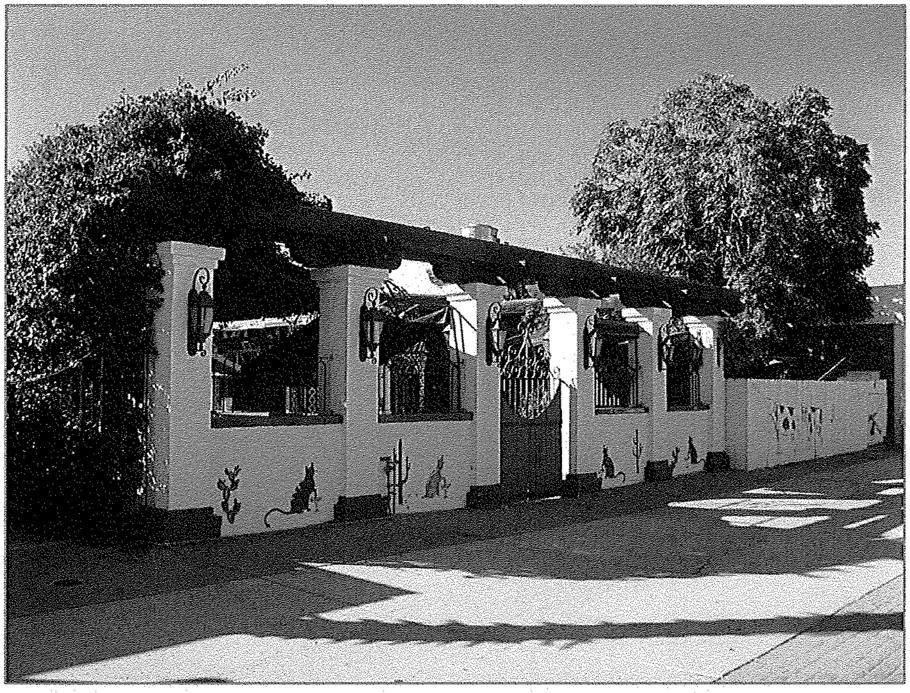
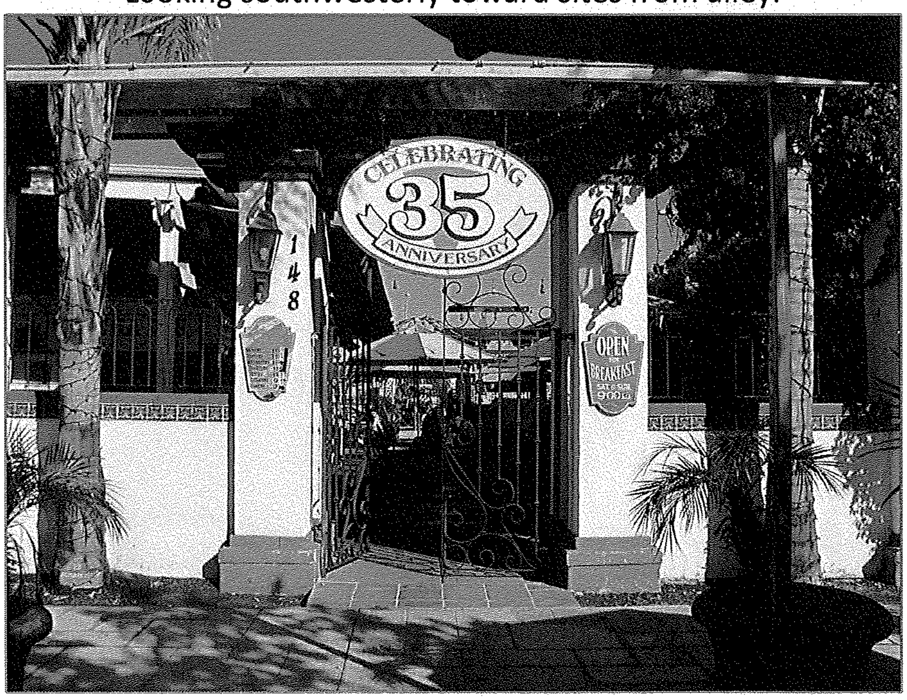
SUBJECT PHOTOGRAPHS
November 5, 2012



Looking southwesterly toward sites from alley.



Looking northerly toward sites from E. Main Street.

PROPERTY PROFILE

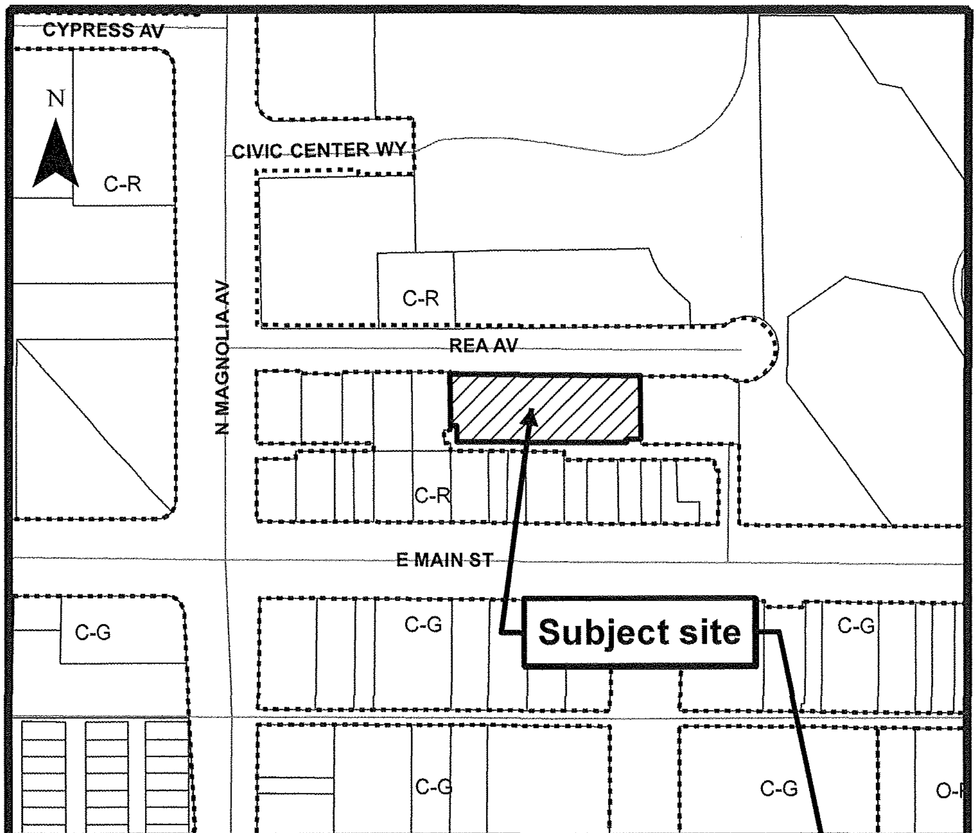
Site # 3	Parcel leased to Olaf Wieghorst Museum
Location:	149 Rea Avenue, El Cajon, CA 92020
APN:	488-083-27-00
Lot Size (SF):	21,780
Building SF:	Not applicable; former Olaf Wieghorst home moved to property
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Museum
Date Acquired:	June 18, 1993 and March 24, 1987; lots consolidated to 488-083-27-00 in 2003, PW cut 1280.
Purchase Price:	$208,038.94
Source of Funds:	Loan obtained from City of El Cajon for acquisition which was subsequently paid with $2M in taxable and $11M in tax-exempt financing from California Federal Savings & Loan Association (CalFed). CalFed was satisfied with $35,600,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1992. The 1992 bonds were refinanced with $35,745,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1997. The 1997 bonds were satisfied with $40,000,000 in tax exempt bond proceeds of the Tax Exempt Allocation Refunding Bonds Issue of 2005 and remain an outstanding enforceable obligation.
Purpose of Acquisition:	The Redevelopment Plan for the El Cajon Central Business District Redevelopment Project dated November, 1971, Section 407, authorizes the establishment of public, semi-public, institutional or nonprofit uses, including, but not limited to: educational, philanthropic and charitable institutions, and facilities or other similar associations or organizations. The property was acquired for purposes of redevelopment in the Civic Center Superblock where City Hall, the County Regional Courthouse, and the El Cajon Performing Arts Center are located. The initial parcel became available as the result of an unsafe/substandard abatement case that was destroyed due to fire and eventually was identified as the location of the historic home of Olaf Wieghorst, now a museum as part of the Wieghorst Western Heritage Center.
Status & Revenues:	Land with Leasehold Improvements; The lease generates revenue of $1.00 per year through July 22, 2049, plus reimbursement of Property Business Improvement District (PBID) assessments.
Environmental issues, Brownfield or other Restrictions:	**Environmental**: None known **Brownfield**: Not applicable **Restrictions**: Any sales proceeds must be used in accordance with bond covenants.
Transit Oriented Development Site:	Not applicable

PROPERTY PROFILE

Site # 3	Parcel leased to Olaf Wieghorst Museum
Discussion & History:	The Agency acquired this property through two acquisitions on June 18, 1993, for $87,807 and March 24, 1987, for $120,231.94. The lots were consolidated as part of a request by the Olaf Weighorst Museum under CUP 1758 approved October 19, 1998, for a Museum in the C-R (Regional Commercial) Zone. The Agency then entered into a long term Lease Agreement with the museum on July 22, 1999, for fifty years which expires on July 22, 2049. The lessee is required to pay $1.00 per year, plus PBID assessments of approximately $1,425. The historic home of Olaf Wieghorst is currently located on the property and the Wieghorst Western Heritage Museum operates in an adjacent building at 131 Rea Avenue.
Classification:	**Enforceable Obligation** and **Transfer to City – Governmental Purposes** The Property is currently encumbered by a long term Lease Agreement dated July 22, 1999. Lease expires on July 22, 2049, with rent of $1.00 per year plus PBID reimbursement of approximately $1,425.
Use of Broker:	Not applicable; see Disposal Strategy
Value As-Is:	Not applicable at this time
Disposal Strategy:	In accordance with requirements for property acquired/satisfied with tax exempt bond proceeds, authorize the Successor Agency to: • Transfer the property to the City of El Cajon for Governmental Purposes pursuant to CH&SC Section 34181(a) and 34191.3 at no cost due to the source of funding for acquisition and the long-term enforceable obligation encumbering the property that expires on July 22, 2049.
Appendices:	1,4,22,23,24

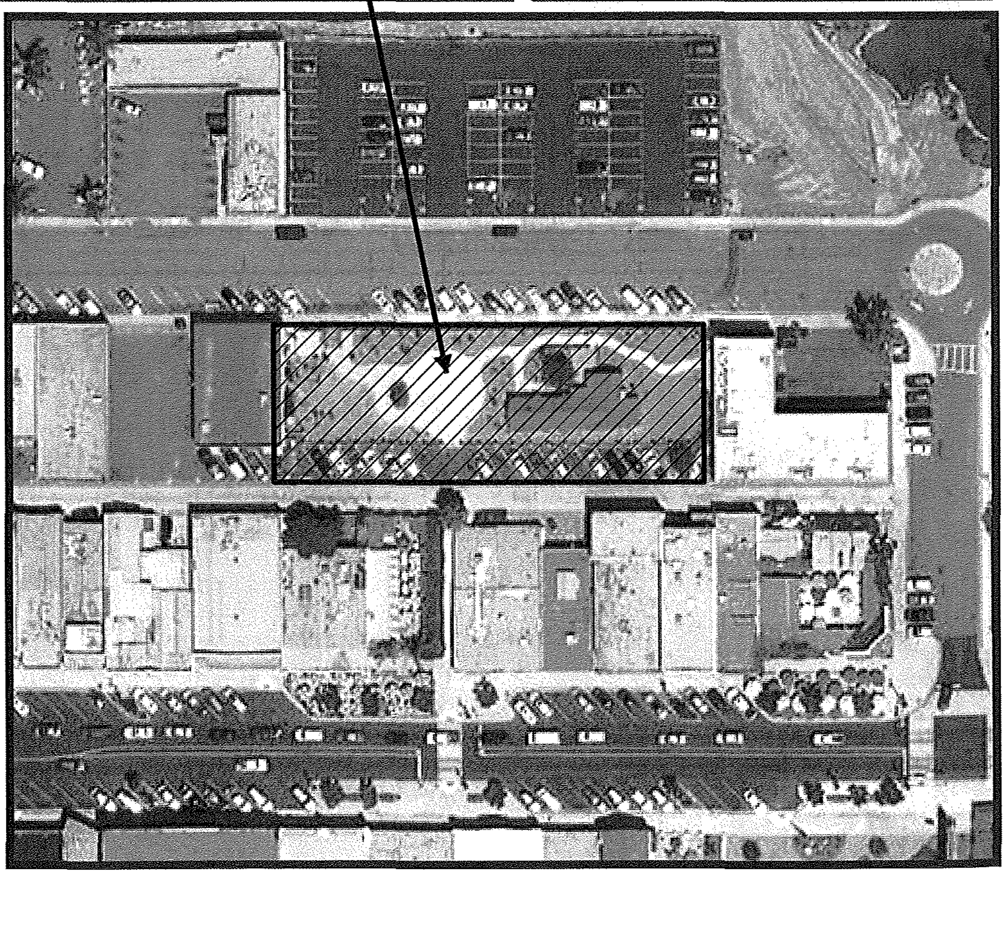
Long Range Property Management Plan

Site No. 3
149 Rea Avenue



Property Features:

- C-R Zoning
- 0.50 Acres
- APN No. 488-083-27
- Transfer to City - Governmental use and enforceable obligation
- Disposition timing phase 1



City of El Cajon Successor Agency Oversight Board

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SUBJECT PHOTOGRAPHS

November 5, 2012

Looking southwesterly toward site from Rea Ave.

Looking westerly toward site Museum entrance from Rea Ave.

PROPERTY PROFILE

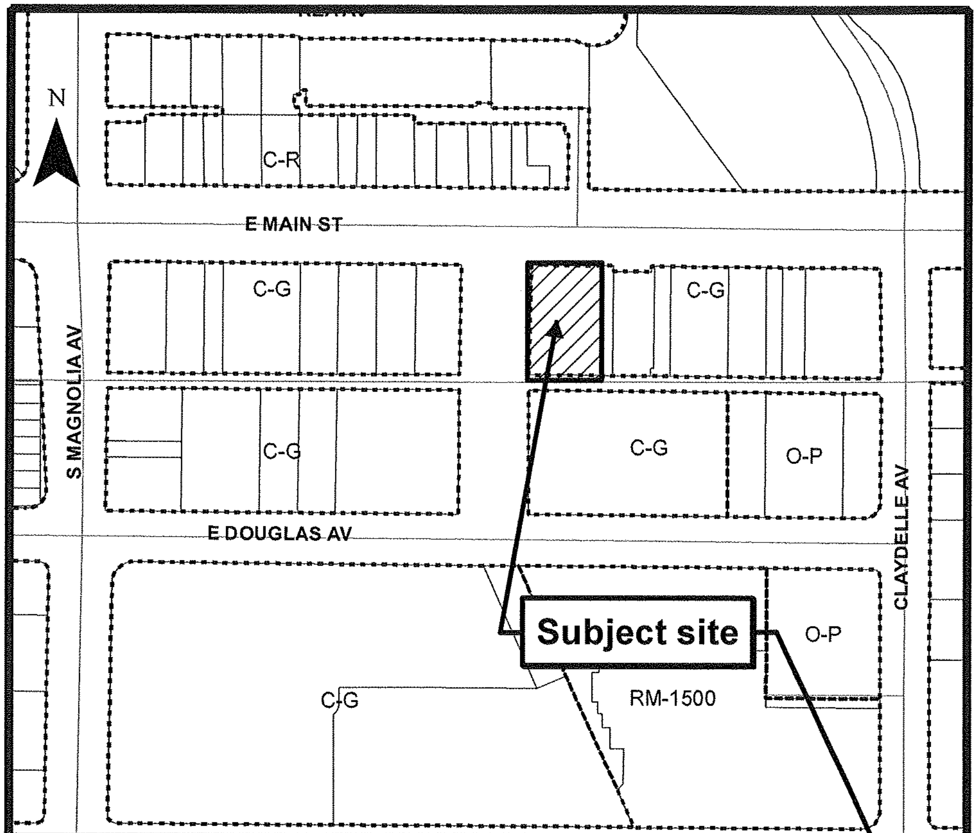
Site # 4	Municipal Park; Prescott Promenade
Location:	201 E. Main Street, El Cajon, CA 92020
APN:	488-211-21-00
Lot Size (SF):	15,423
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-G, General Commercial
Highest/Best Use:	Municipal Park; 492 sq. ft. encroachment Ground Lease to Mangia Bene for outdoor dining; remaining 450 sq. ft. of Ground Lease is for sidewalk area in the public (City) right of way; an additional 205 sq. ft. of restricted premises is leased for $1.00.
Date Acquired:	July 12, 1984 (215 E. Main St.) and February 16, 1989 (217 E. Main St.)
Purchase Price:	$331,090.93
Source of Funds:	Loan obtained from City of El Cajon for acquisition which was subsequently paid with $2M in taxable and/or $11M in tax-exempt financing from California Federal Savings & Loan Association (CalFed). CalFed was satisfied with $35,600,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1992. The 1992 bonds were refinanced with $35,745,000 in tax exempt bond proceeds of the Tax Allocation Refunding Bonds Issue of 1997. The 1997 bonds were satisfied with $40,000,000 in tax exempt bond proceeds of the Tax Exempt Allocation Refunding Bonds Issue of 2005 and remain an outstanding enforceable obligation.
Purpose of Acquisition:	The property was acquired for redevelopment purposes set forth in the 1971 Redevelopment Plan, and was/continues to be the site of a hydrocarbon contamination case. The Seller, Phyllis Chrisman, the Agency, Texaco Refining and Marketing Inc., Shell Oil Company, Inc., and Union Oil Company of California dba Unocal, are all parties to a Settlement Agreement for the remediation and cleanup of the site.
Status & Revenues:	Land with leasehold improvements; Municipal Park. 492 sq. of the Municipal Park is encumbered by a Ground Lease dated 11/22/2002, with Mangia Bene for outdoor dining. The remaining 450 sq. ft. is leased sidewalk or restricted premises area in the public (City) right-of-way. Lease rate is $0.84 PSF for total rent of $792.28, of which $413.28 is associated with this parcel. An additional 205 sq. ft. of restricted premises is leased for $1.00. The Lease expires 30-years upon issuance of the certificate of occupancy dated April 16, 2003. The property is also encumbered by a lease dated May 1, 1972, assigned to Clear Channel Outdoor, for installation of a billboard sign. The lease term renews each 15-year period, unless terminated by Lessor with 30-days' notice. The lease now expires on April 30, 2017, and generates revenue of $480.00 per year.
Environmental issues, Brownfield or other Restrictions:	**Environmental**: The Agency acquired the property in 1984 and 1989. A portion of the property, originally located at 201-215 E. Main Street, is the subject of an existing Underground Storage Tank (UST) case for hydrocarbon contamination and Corrective Action Plan until site clearance and closure. The Agency also entered into a Settlement Agreement with the seller and three oil companies in 1985, under which the Seller is responsible for 80% of the site cleanup and the Agency is responsible for 20%, until closure. Through close of escrow, a portion of the seller's proceeds were held in trust with a law firm for management and payment of site remediation costs. The Seller is responsible for 80% of remediation costs and the Agency is responsible for 20%, until closure status can be achieved. **Brownfield**: Not applicable

PROPERTY PROFILE

Site # 4	Municipal Park; Prescott Promenade
	Restrictions: Sales proceeds, if any, must be used in accordance with bond covenants.
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Redevelopment Plan for the adopted El Cajon Central Business District Redevelopment Project dated November, 1971, Section 317, authorizes installation and construction of public improvements, public facilities, including, but not limited to: parks, plazas, and landscaped areas. Section 407 also authorizes the establishment of public or other park and recreational facilities. The Preliminary Report for the adopted El Cajon Redevelopment Project Area dated May, 1987, Table 3, identifies a new City park as a proposed redevelopment project. On July 12, 1984, and February 16, 1989, the Agency acquired the subject properties for a total $331,090.93 through a loan from the City of El Cajon that was ultimately satisfied with tax exempt bond proceeds. "Prescott Promenade", a municipal park, was subsequently developed and dedicated as a City park in November 1996 with funding through a combination of CDBG and tax increment funds on both Agency and City property. In Fiscal Year 2009-10, Prescott Promenade was completely renovated with approximately $2M in 2007 Tax Exempt Bond Proceeds to remove and replace impervious concrete with new pavements systems, install energy efficient lighting, electrical and surveillance cameras, high-efficiently irrigation systems, low water usage turf, new landscaping, a new stage with canvas sails, increased seating, park furniture, and wayfinding signage.
Classification:	**Enforceable Obligation**; **Transfer to City – Governmental Purposes** 1. Site is/has been utilized as a municipal park since 1996. 2. Under Ground Lease that encumbers a portion of the park for outdoor dining; currently utilized as a municipal park known as Prescott Promenade; and a Lease for installation of a billboard sign. 3. Under a Settlement Agreement for site remediation until closure
Use of Broker:	See Disposal Strategy
Value As-Is:	Not applicable at this time
Disposal Strategy:	In accordance with requirements for property acquired/satisfied and developed with tax exempt bond proceeds and Federal funds, authorize the Successor Agency to: 1. Transfer the property to the City of El Cajon for Governmental Purposes pursuant to CH&SC Section 34181(a) and 34191.3 at no cost due to the source of funding for acquisition, public improvements paid with Federal and Tax Exempt Bonds; and 2. Transfer the Mangia Bene and Clear Channel Outdoor Leases to the City of El Cajon for application of lease revenues toward maintenance costs and ongoing contamination cleanup costs, along with Redevelopment Property Tax Trust Funds (RPTTF). The Mangia Bene Lease area equals approximately 3.1% of the total lot square footage of the overall parcel; and 3. The Successor Agency to remain responsible for environmental remediation costs under the existing enforceable obligation/Settlement Agreement until site closure from the County Department of Environmental Health is obtained.
Appendices:	1,2,5,6,7,25

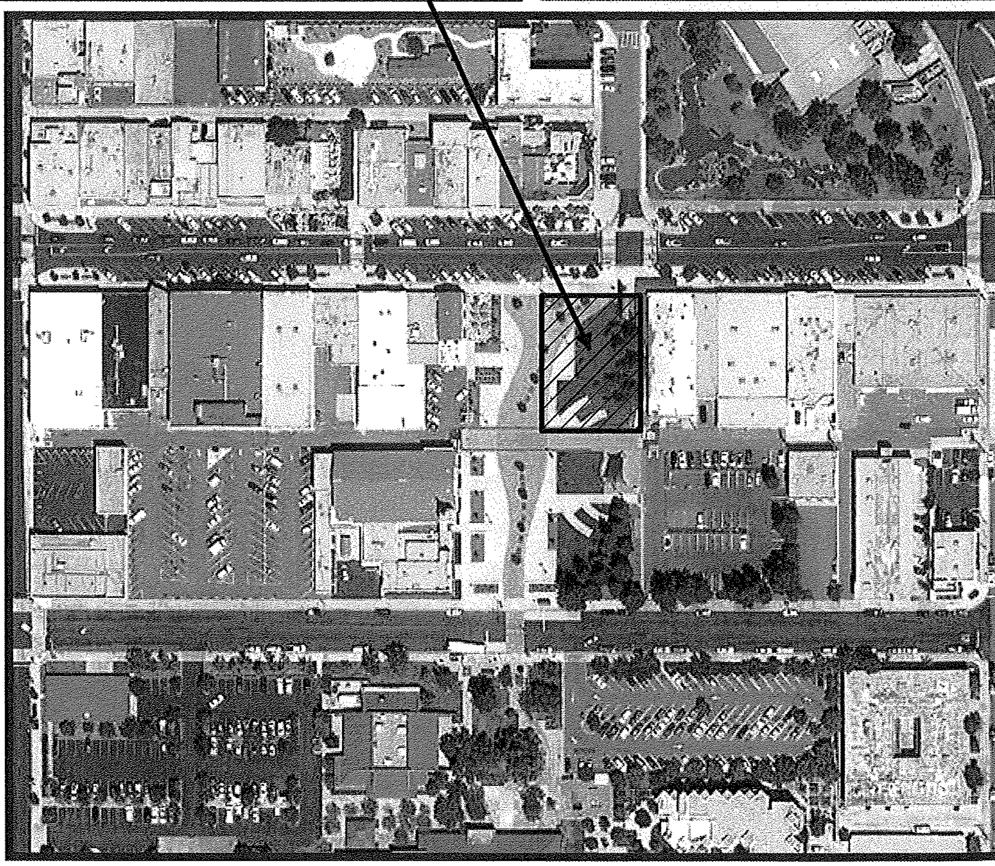
Long Range Property Management Plan

Site No. 4
201 E Main Street & Prescott Promenade



Property Features:

- C-G Zoning
- 0.35 Acres
- APN No. 488-211-21
- Transfer to City - Governmental use and enforceable obligation
- Disposition timing phase 2



City of El Cajon Successor Agency Oversight Board

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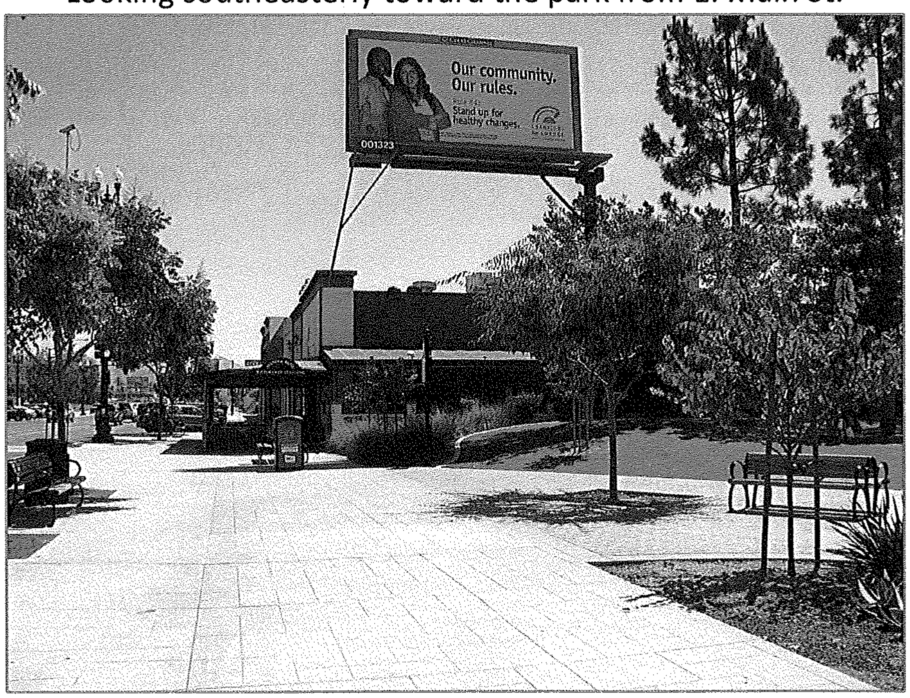
SUBJECT PHOTOGRAPHS

November 5, 2012

Looking southeasterly toward the park from E. Main St.



Looking easterly toward E. Main Street. View of Mangia Bene patio structure and billboard lease.

Looking southerly toward the park from E. Main St.

Looking northeasterly toward the park from Douglas Ave.

PROPERTY PROFILE

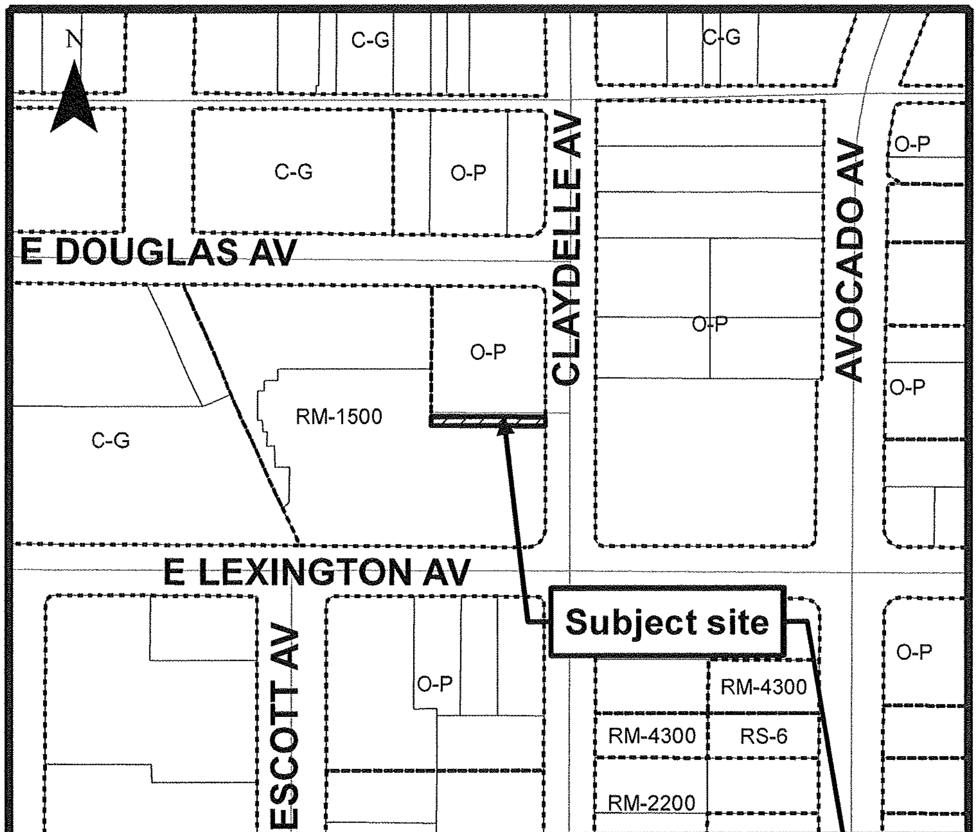
Site # 5	Vacated Alley adjacent to Lexington Sr. Apartments
Location:	Vacated alley off Claydelle Avenue; North of Lexington Sr. Apartments and adjacent to 250 E. Lexington Avenue, El Cajon, CA 92020
APN:	488-212-19-00
Lot Size (SF):	7,841
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	Adjacent zoning = RM-1500 (south) and O-P (north)
Highest/Best Use:	Alley; driveway access for 275 E. Douglas Avenue
Date Acquired:	March 16, 1993, Resolution No. 98-93 and recorded March 18, 1993, through a vacation of the alley from the City of El Cajon. The vacation resulted in the conveyance of one-half of the property to adjacent property owners.
Purchase Price:	No cost. Alley vacated by the City of El Cajon pursuant to Resolution No. 98-93, dated March 16, 1993, recorded March 18, 1993.
Source of Funds:	No cost. Alley vacated by the City of El Cajon and resulted in the conveyance of one-half of the property to each adjacent property owner. Because the adjacent properties were owned by the El Cajon Redevelopment Agency and acquired with Low and Moderate-Income Housing Tax Exempt Bond proceeds, the property must be conveyed to the El Cajon Housing Authority.
Purpose of Acquisition:	The property was acquired through the vacation of an alley to extend the size of the Lexington Avenue Sr. Apartment project, to add required parking for the senior project, and provide public open space for the adjacent Library and Community Center.
Status & Revenues:	Land; Currently used by 275 E. Douglas Avenue as driveway access; The site does not generate revenue.
Environmental issues, Brownfield or other Restrictions:	**Environmental**: None Known **Brownfield**: Not applicable **Restrictions**: Sales proceeds, if any, must be used in accordance with bond covenants and low and moderate income housing activities.
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Agency acquired this property through the approval of Resolution No. 98-93 on March 18, 1993, ordering vacation of Prescott Avenue Between Douglas Avenue and Lexington Avenue and the alley south of Douglas Avenue. Vacation of this land conveyed one half of the alley to the adjacent property owners.
Classification:	**Transfer to El Cajon Housing Authority – Governmental Purposes**
Use of Broker:	See Disposal Strategy

PROPERTY PROFILE

Site # 5	**Vacated Alley adjacent to Lexington Sr. Apartments**
Value As-Is:	Not applicable at this time
Disposal Strategy:	In accordance with requirements for property acquired/satisfied with tax exempt bond proceeds, authorize the Successor Agency to: 1. Transfer the property to the El Cajon Housing Authority for Governmental Purposes pursuant to CH&SC Section 34181(a) and 34191.3 at no cost due to the source of funding for acquisition of adjacent properties; or 2. Transfer the property, previously vacated by the City of El Cajon, back to the City of El Cajon at no cost.
Appendices:	1,2,8,9,11,12,22,23,24

Long Range Property Management Plan

Site No. 5
Alley between E Douglas Ave. and E Lexington Ave.



Property Features:

- RM-1500 Zoning
- 0.18 Acres
- APN No. 488-212-19
- Transfer to Housing Authority - Governmental use
- Disposition timing phase 2

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SUBJECT PHOTOGRAPHS

July 11, 2012

Looking westerly and directly to site. Lexington Sr. Apts to left.

Looking northwesterly to site. Lexington Sr. Apts to left.

PROPERTY PROFILE

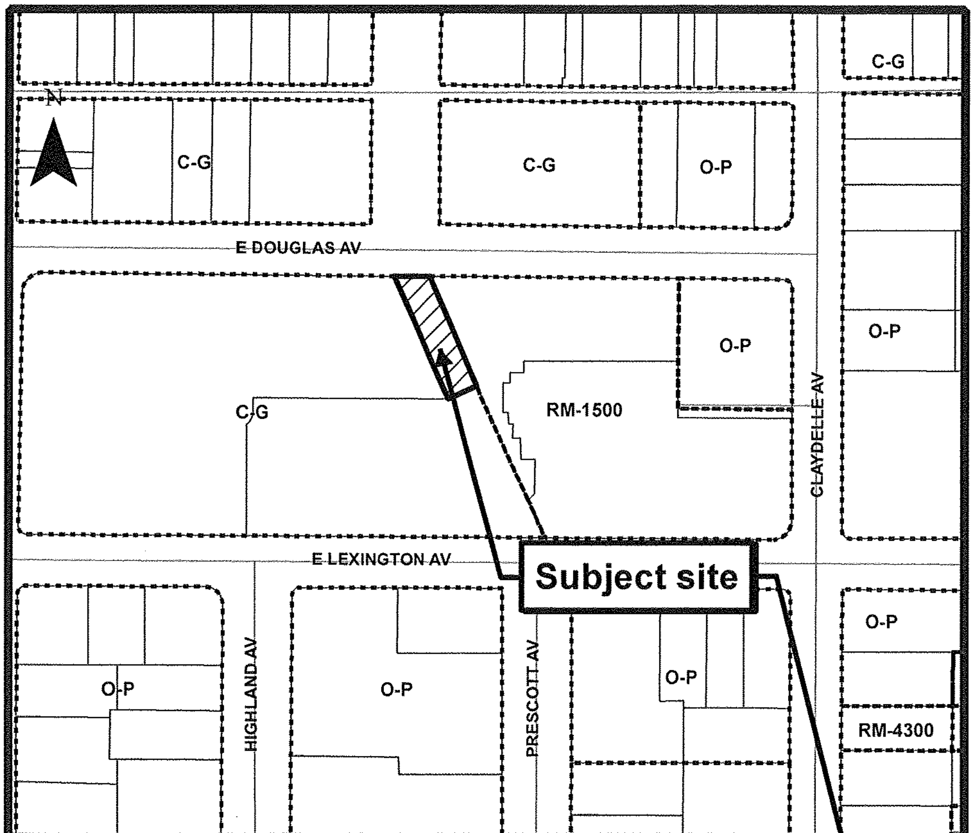
Site # 6	Surplus Parcel adjacent to the Community Center Parking Lot
Location:	Municipal Facilities parcel adjacent to Community Center, Library and public parking lot; El Cajon, CA 92020
APN:	488-212-20-00
Lot Size (SF):	6,839
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	RM-1500 (Residential)
Highest/Best Use:	Public Open Space and walkway for Municipal Facilities
Date Acquired:	September 26, 1994, as a result of the vacation of Prescott Avenue from the City of El Cajon at no cost, Resolution No. 98-93. The vacation resulted in the conveyance of one-half of the property to adjacent property owners.
Purchase Price:	No cost. Prescott Avenue vacated by the City of El Cajon pursuant to Resolution No. 262-94, September 13, 1994, recorded September 26, 1994.
Source of Funds:	A portion of Prescott Avenue was vacated by the City of El Cajon and conveyed to the El Cajon Redevelopment Agency at no cost as the adjacent property owner. Because the adjacent properties were acquired with Low and Moderate-Income Housing Tax Exempt Bond proceeds, the property must be conveyed to the El Cajon Housing Authority.
Purpose of Acquisition:	The property was acquired through the vacation of an alley and street, and was required to be developed as open space amenities and a pedestrian walkway for the adjacent Lexington Sr. Apartments, Library and Community Center. The property is part of a public thoroughfare that extends from Lexington Avenue to Douglas, connecting Prescott Promenade and City Hall, ECPAC, and the East County Regional Center.
Status & Revenues:	Land; Municipal Facility parcel adjacent to Community Center, Library and public parking lot. This site does not generate revenue.
Environmental issues, Brownfield or other Restrictions:	**Environmental**: None Known **Brownfield**: Not applicable **Restrictions**: Sales proceeds, if any, must be used in accordance with bond covenants and low and moderate-income housing activities.
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Agency acquired this property with the approval of Resolution No. 262-94, September 13, 1994, ordering vacation of Prescott Avenue Between Douglas Avenue and Lexington Avenue. The purpose of the vacation was to extend the open space/pedestrian walkway adjacent to the Lexington Sr. Apartment project, Library and Community Center. The Disposition and Development Agreement for Lexington Senior Apartments "Scope of Development – Attachment No. 5" states that "(t)he City of El Cajon Master Design Plan designates an open space amenity

PROPERTY PROFILE

Site # 6	Surplus Parcel adjacent to the Community Center Parking Lot
	within the Prescott Avenue right-of-way. The Agency shall be responsible for the demolition of improvements in this abandoned right-of-way pursuant to the Agreement. Landscape and hardscape pedestrian walk areas shall be constructed as open space amenities pursuant to the City of El Cajon Master Design Plan." Vacation of this land conveyed one half of the street to each adjacent property owner and APN 488-212-20-00 is a result of this vacation. This parcel is a small remainder parcel adjacent to APN 488-212-22-00 that was acquired with Low and Moderate-Income Housing Bond proceeds.
Classification:	**Enforceable Obligation; Transfer to El Cajon Housing Authority – Governmental Purposes**
Use of Broker:	See Disposal Strategy
Value As-Is:	Not applicable at this time
Disposal Strategy:	In accordance with requirements for property acquired/satisfied with tax exempt bond proceeds, authorize the Successor Agency to: 1. Transfer the property to the El Cajon Housing Authority for Governmental Purposes pursuant to CH&SC Section 34181(a) and 34191.3 at no cost due to the source of funding for acquisition of adjacent properties and the Enforceable Obligation with the Lexington Senior Apartments Disposition and Development Agreement; or 2. Transfer the property, previously vacated by the City of El Cajon, back to the City of El Cajon at no cost.
Appendices:	1,2,8,9,10,11,12,22,23,24

Long Range Property Management Plan

Site No. 6
Portion of Prescott Avenue adjacent to the library



Property Features:

- RM-1500 Zoning
- 0.16 Acres
- APN No. 488-212-20
- Transfer to Housing Authority - Governmental use
- Disposition timing phase 2

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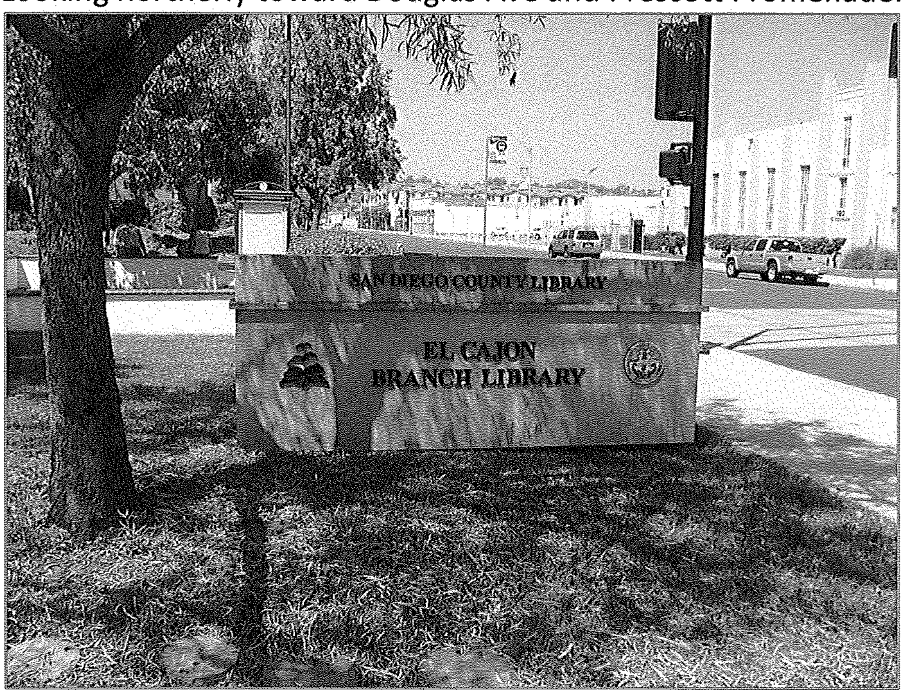
SUBJECT PHOTOGRAPHS

July 11, 2012

Looking northerly toward Douglas Ave and Prescott Promenade.



Looking westerly from the parking lot onto Douglas Ave.

PROPERTY PROFILE

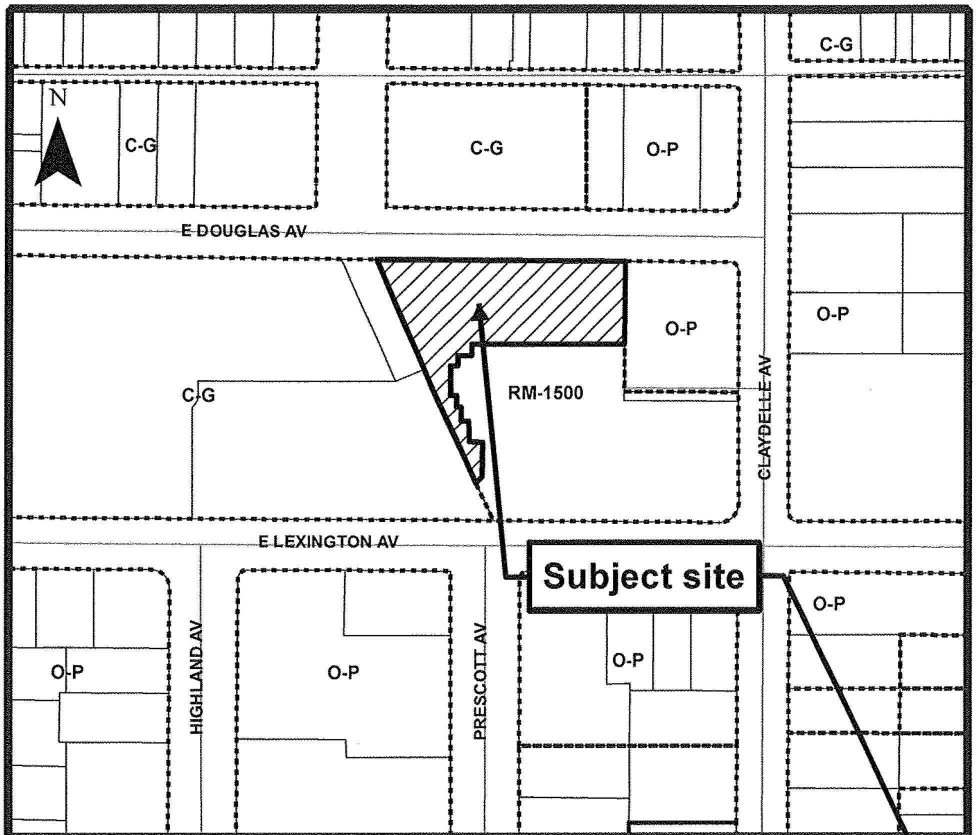
Site # 7	Community Center Parking Lot adjacent to Lexington Sr. Apartments
Location:	Parking lot for Senior Housing and Municipal Facilities: Community Center, El Cajon Library, and Lexington Sr. Apartments; El Cajon, CA 92020
APN:	488-212-22-00
Lot Size (SF):	39,640
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	RM-1500 (Residential)
Highest/Best Use:	Public Parking lot for Senior Housing and Municipal Facilities
Date Acquired:	Multiple parcel acquisition dates in 1992 and 1993.
Purchase Price:	$1,048,467.42 (pro-rata share of total acquisition costs).
Source of Funds:	Low and Moderate-Income Housing Tax Exempt Bond Proceeds
Purpose of Acquisition:	Twelve parcels bounded by Douglas Avenue, Claydelle Avenue, Lexington Avenue, and Prescott Avenue were acquired by the Agency through 1993 for development of a 100 unit senior project. The subject parcel is a parking lot and was developed for resident overflow and guest needs under the Disposition and Development Agreement with Lexington Avenue Senior Apartments, L.P. and required by Ordinance 4444 adopted June 21, 1994. The project required development of not less than 125 parking spaces: 45 on-site and 80 for resident overflow and guests. During construction of the project, the developer elected to reduce the footprint of the building and transferred title and interest in the eighty space parking lot and pedestrian walkways, developed with Agency Low-Moderate Income Housing Bond Proceeds, back to the Agency in 1995.
Status & Revenues:	Land; Improved parking lot for Municipal Facilities and Senior Housing: Community Center, Library, Fire Station 6, and Lexington Sr. Apartments. This site does not generate revenue.
Environmental issues, Brownfield, or other Restrictions:	**Environmental Issues**: None known **Brownfield**: Not applicable **Restrictions**: Sales proceeds, if any, must be used in accordance with bond covenants for low and moderate income housing activities. In addition, the parking lot was developed as resident overflow and guest needs under a Disposition and Development Agreement with Lexington Avenue Senior Apartments, L.P. and required by Ordinance 4444 adopted June 21, 1994. Ordinance 4444, approving Specific Plan No. 457, (PC resolution 8636) requires designation of 18 parking spaces in Lexington Avenue and/or Douglas Avenue parking lots for the Lexington 100-unit Senior Housing Project.
Transit Oriented Development Site:	Not applicable.

PROPERTY PROFILE

Site # 7	Community Center Parking Lot adjacent to Lexington Sr. Apartments
Discussion & History:	The Agency acquired this property through multiple acquisitions for a Senior Citizens Project, funded with Low and Moderate-Income Housing tax exempt bond proceeds. The parking lot was developed as resident overflow and guest needs under a Disposition and Development Agreement with Lexington Avenue Senior Apartments, L.P. and required by Ordinance 4444 adopted June 21, 1994. The project required development of not less than 125 parking spaces: 45 on-site and 80 for resident overflow and guests. As the properties were acquired with low and moderate income tax exempt bond proceeds, proceeds can only be used in accordance with bond covenants for low and moderate income housing activities.
Classification:	**Enforceable Obligation**; **Transfer to the El Cajon Housing Authority – Governmental Purpose**
Use of Broker:	See Disposal Strategy
Value As-Is:	Not applicable at this time
Value As-Demolished:	Not applicable
Disposal Strategy:	In accordance with requirements for property acquired/satisfied with tax exempt bond proceeds, authorize the Successor Agency to: • Transfer the property to the El Cajon Housing Authority for governmental purposes pursuant to CH&SC Section 34181(a) and 34191.3 at no cost due to the source of funds at acquisition and the enforceable obligations that exist under the Disposition and Development Agreement and Ordinance 4444 to maintain parking for Lexington Senior Apartments residents and guests.
Appendices:	1,2,8,9,10,11,12,22,23,24

Long Range Property Management Plan

Site No. 7
Parking lot adjacent to Lexington Senior Apartments



Property Features:

- RM-1500 Zoning
- 0.91 Acres
- APN No. 488-212-22
- Transfer to Housing Authority - Governmental use
- Disposition timing phase 2

City of El Cajon Successor Agency Oversight Board

200 Civic Center Way
El Cajon, CA 92020
Phone: 619.441.1741
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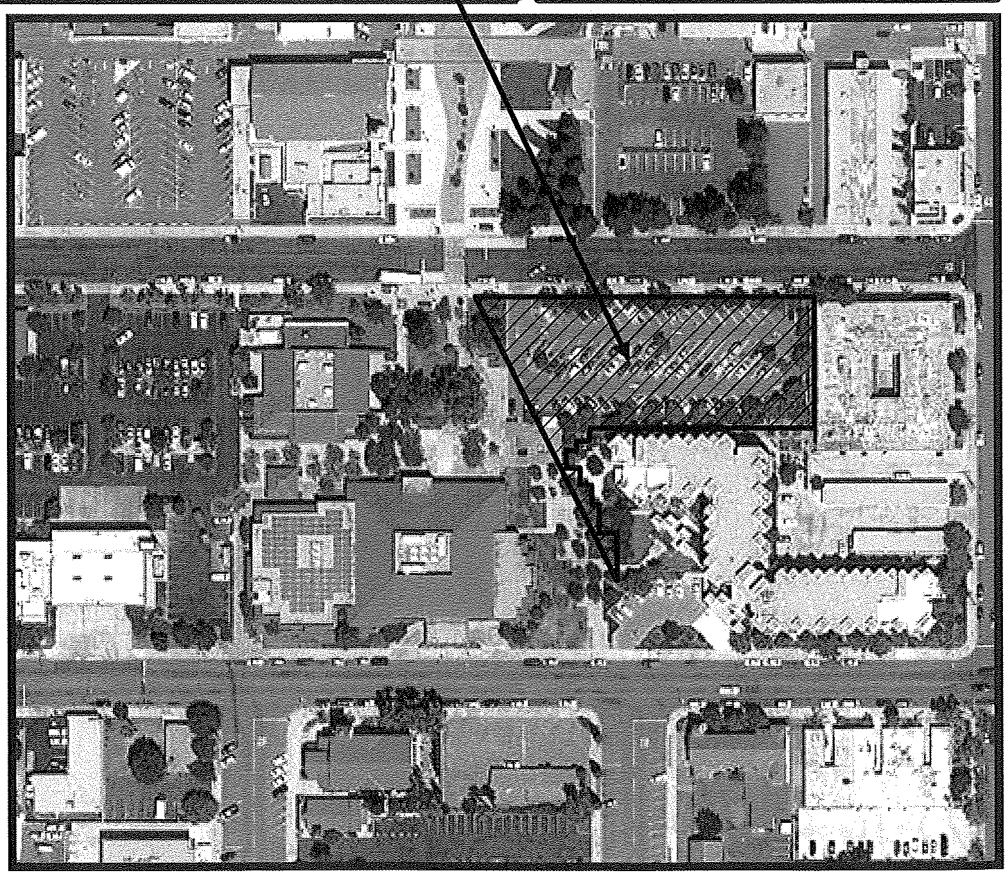
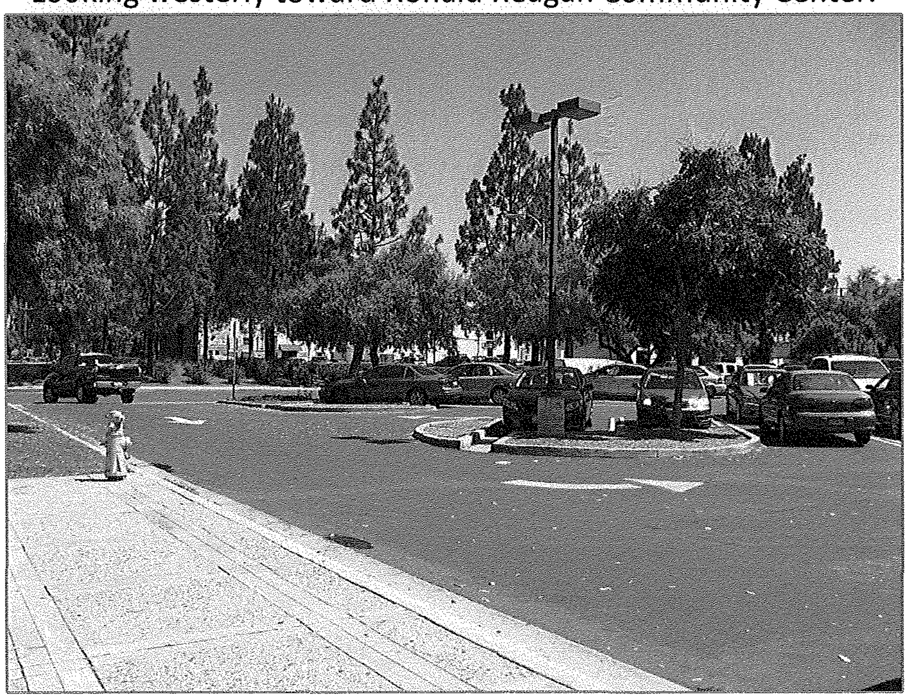


SUBJECT PHOTOGRAPHS

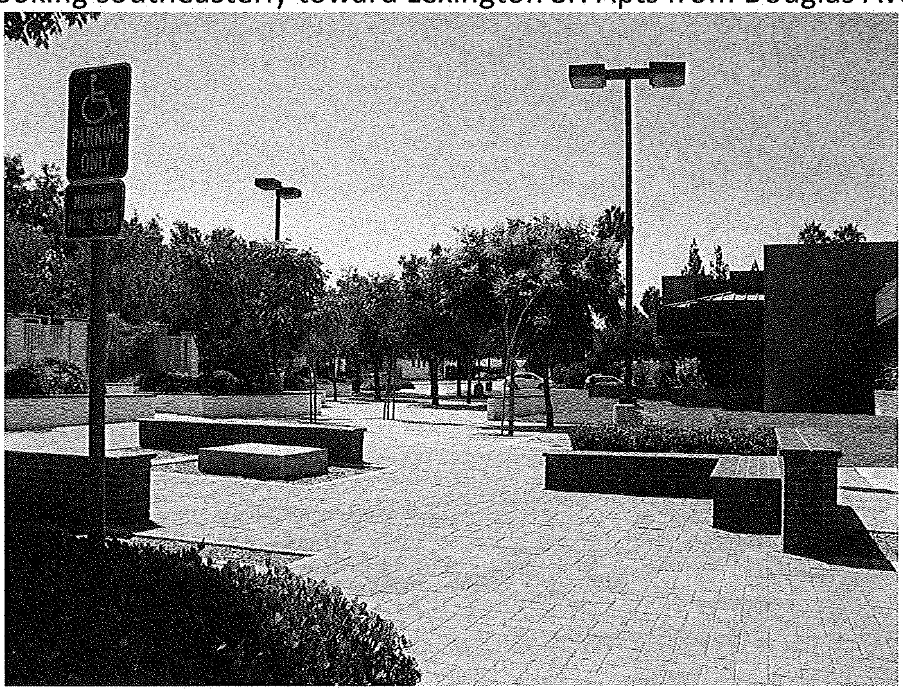
July 11, 2012

Looking westerly toward Ronald Reagan Community Center.



Looking northerly toward Douglas Avenue.

Looking southeasterly toward Lexington Sr. Apts from Douglas Ave.



Looking southerly toward Lexington Avenue from parking lot.

PROPERTY PROFILE

Site # 8	Magnolia Avenue Frontage - Parcel 1 of Parcel Map 20625
Location:	No site address; NE corner Magnolia Avenue and Civic Center Way, El Cajon, CA 92020
APN:	488-072-38-00
Lot Size (SF):	47,916
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Improved Parking for the El Cajon civic campus, which includes City, County and State functions, including: City Hall, the El Cajon Performing Arts Center (ECPAC), Council Chambers, and the East County Regional Center. The East County Regional Center is a facility occupied by the Superior Court, Sheriff, Probation, District Attorney, Revenue and Recovery, and the Board of Supervisors. The East County Regional Center hears Civil, Criminal, Family and Juvenile Dependency cases. The court is supported by calendar, jury services, arbitration, exhibit, and business office sections.
Date Acquired:	June 11, 2009
Purchase Price:	$4,442,183.49[1]
Source of Funds:	Tax Increment
Purpose of Acquisition:	The Agency acquired this property for redevelopment purposes through a land swap on June 11, 2009, as surplus property not needed for the new Public Safety Center. Future redevelopment considerations included a mixed-use project with public parking opportunities, or a public parking structure.
Status & Revenues:	Land; Improved parking lot; currently utilized for restricted City of El Cajon and employee parking, parking for City vehicles, and supplemental parking for County District Attorney lease obligations (Permit Parking Only); This site does not generate revenue.
Environmental issues, Brownfield, or other Restrictions:	**Environmental**: None known other than the site currently has a box drainage culvert running along the East and Northern portions of the property. **Brownfield**: Not applicable **Restrictions**: The property is currently the site of restricted City of El Cajon and employee parking, parking for City vehicles, and supplemental parking for County District Attorney lease obligations (Permit Parking only).
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Redevelopment Plan for the El Cajon Central Business District Redevelopment Project dated November, 1971, Section 317, authorizes the Agency to install and construct public improvements, public facilities, and public utilities, including, but not limited to: streets, curbs, gutters, sidewalks, street lights, sewers, storm drains, traffic signals, and motor

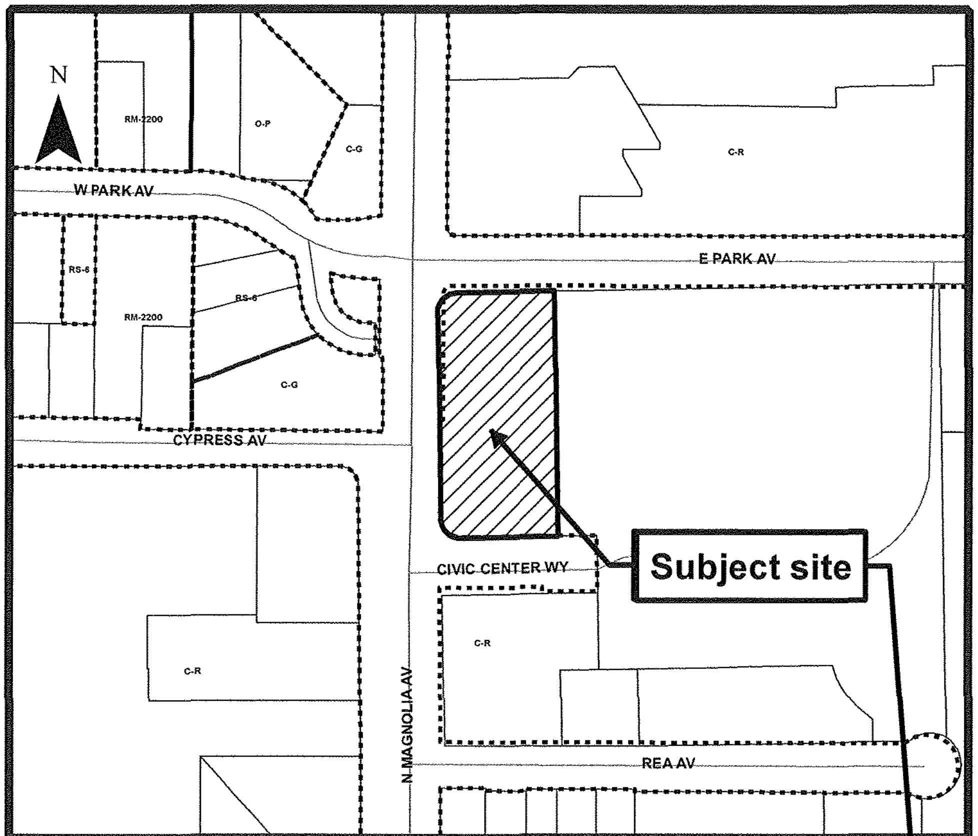
PROPERTY PROFILE

Site # 8	Magnolia Avenue Frontage - Parcel 1 of Parcel Map 20625
	vehicle parking facilities. On February 26, 2008, the City entered into a "Sixth Floor Lease" with the County of San Diego for the lease of office space in El Cajon City Hall. The lease **requires** use of fifty (50) parking spaces in Permit Parking Only areas for County District Attorney employee parking. This site provides supplemental parking to Site 9 required under the lease. In October 2008, new City Hall employee and public parking lots were constructed, including the subject property parking lot, in preparation of the construction of the new Public Safety Center ("PSC"). The 5.7 acre PSC project included grading and removal of the existing 300 space surface parking lot, construction of a 5-story structure housing the 120,000 S.F. police facility, 89 surface parking spaces for the public, a pedestrian plaza, utility/drainage improvements, and extensive landscaping to encourage pedestrian access to and from new parking facilities. On March 22, 2011, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with E. Neal Arthur for the development of a full-service, upscale hotel with name brand identity to serve business and leisure travelers. The proposed hotel was to include separate public parking structures/facilities. The ENA expired six months later due to the dissolution of the Redevelopment Agency. For the past three years, this site has provided parking for restricted use to City of El Cajon employees, City vehicles, and for supplemental County District Attorney lease obligations. Effective November 1, 2012, parking was made available in the newly constructed police facility and parking structure for most of these users, thereby freeing this property for other parking uses for public purposes under conditions similar to Site 9. The City now has an interest in acquiring the property for Governmental Purposes in order to maintain public parking for the El Cajon civic campus which includes City, County and State functions, including: City Hall, the El Cajon Performing Arts Center (ECPAC), Council Chambers, and the East County Regional Center.
Classification:	**Enforceable Obligation; Transfer to City – Governmental Purposes**
Use of Broker:	See Disposal Strategy
Value As-Is:	$1,200,000 as of July 6, 2012
Disposal Strategy:	Authorize the Successor Agency to: • Transfer the property to the City of El Cajon for Governmental Purposes pursuant to CH&SC Section 34181(a) and 34191.3.
Appendices:	1,2,13

[1] The purchase price for this property includes the acquisition of both APN 488-072-38-00 and 488-072-40-00

Long Range Property Management Plan

Site No. 8
Magnolia Avenue parking lot for city hall employees



Property Features:

- C-R Zoning
- 1.10 Acres
- APN No. 488-072-38
- Transfer to city - Governmental use and enforceable obligation
- Disposition timing phase 2

City of El Cajon Successor Agency Oversight Board

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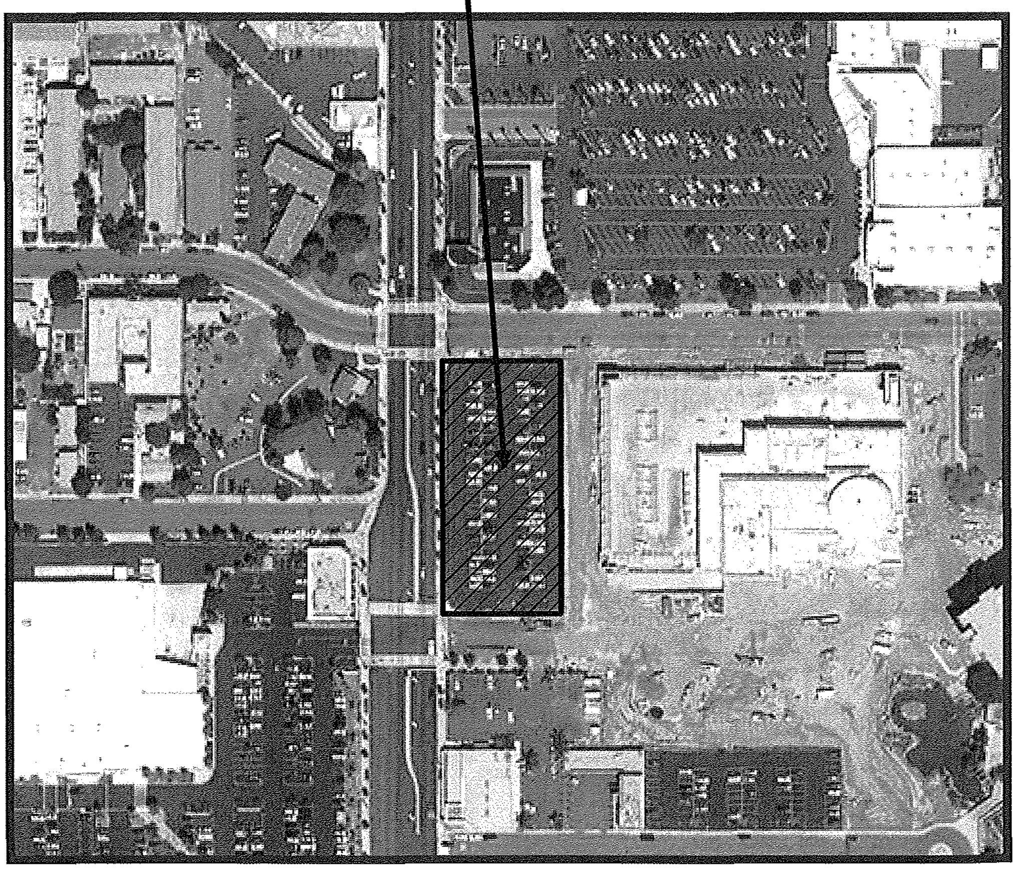


SUBJECT PHOTOGRAPHS
April 19, 2010

Looking easterly toward site. 531, 549 & 555 Raleigh Ave.

Looking westerly toward 549 & 555 Raleigh Ave.

PROPERTY PROFILE

Site # 9	Rea Avenue Properties; Parcel 3 of Parcel Map 20625
Location:	No site address; Rea Avenue parking lot
APN:	488-072-40-00
Lot Size (SF):	28,314
Building SF:	Not applicable
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Hotel
Date Acquired:	Multiple acquisition dates in 2006, 2007, and 2009.
Purchase Price:	$2,129,993.27. Parcels consolidated as Parcel 3 of Parcel Map 20625 in 2009.
Source of Funds:	Tax Increment
Purpose of Acquisition:	The Agency acquired these properties for redevelopment purposes in 2006 and 2007 in anticipation of a development of a mixed-use project. The parcels were consolidated as part of Parcel Map 20625 in 2009 in preparation for construction of the new Public Safety Center.
Status & Revenues:	Land; Improved parking lot; currently used for restricted and public parking; This site does not generate revenue.
Environmental, Brownfield or other Restrictions:	**Environmental**: None known other than the site currently has a box drainage culvert running along the East and Northern portions of the property. **Brownfield**: Not applicable **Restrictions**: The property is currently the site of restricted 2-hour public parking and for County District Attorney employees under existing lease obligations.
Transit Oriented Development Site:	Not applicable.
Discussion & History:	On January 4, 2006, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with Urban Betterment Company: Smith & Cowan for development of a mixed-use project requiring the acquisition of thirteen (13) parcels. The ENA expired in August 2008 after the developer was unsuccessful in acquiring/negotiating for acquisition of the remaining properties. On February 26, 2008, the City entered into a "Sixth Floor Lease" with the County of San Diego for the lease of office space in El Cajon City Hall. The lease **requires** use of fifty (50) parking spaces in Permit Parking Only areas for County District Attorney employee parking. This site provides a majority of the parking required under the lease: Site 8 provides the remainder. In October 2008, new City Hall employee and public parking lots were constructed, including the subject property parking lot, in preparation of the construction of the new Public Safety Center ("PSC"). The 5.7 acre

PROPERTY PROFILE

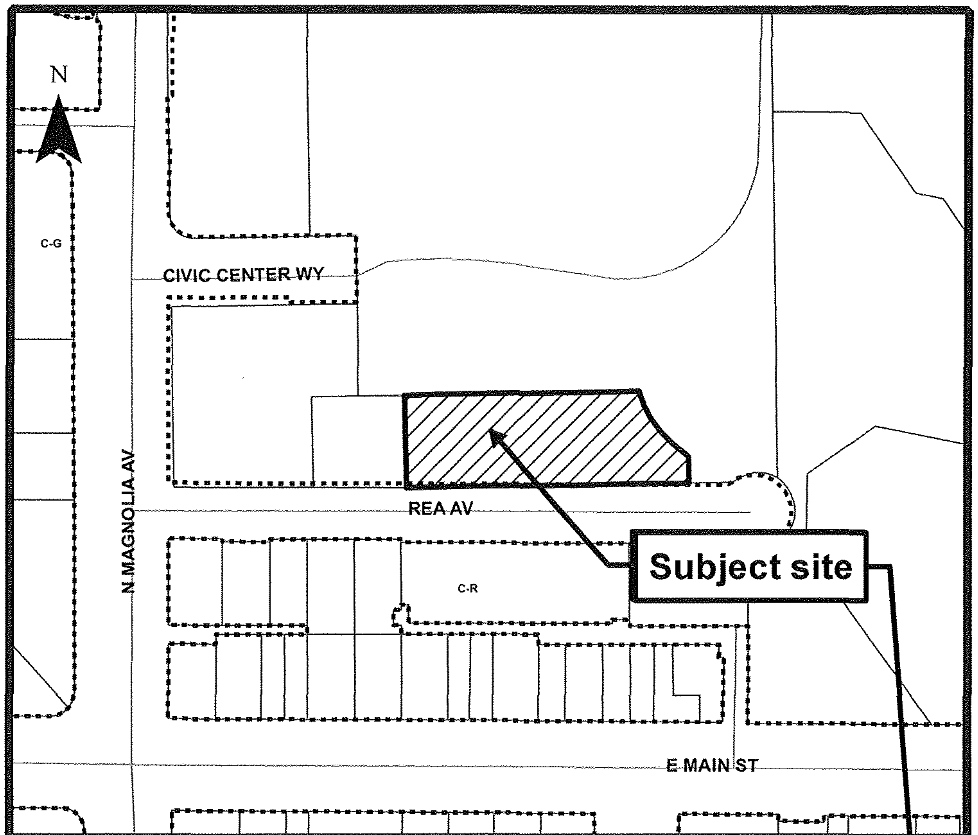
Site # 9	Rea Avenue Properties; Parcel 3 of Parcel Map 20625
	PSC project included grading and removal of the existing 300 space surface parking lot, construction of a 5-story structure housing the 120,000 S.F. police facility, 89 surface parking spaces for the public, a pedestrian plaza, utility/drainage improvements, and extensive landscaping to encourage pedestrian access to and from new parking facilities. On March 22, 2011, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with E. Neal Arthur for the development of a full-service, upscale hotel with name brand identity to serve business and leisure travelers. The ENA expired six months later due to the dissolution of the Redevelopment Agency. For the past three years and until development occurs, this site provides interim restricted parking for County District Attorney employees and 2-hour parking for the general public to conduct activities typically shorter in duration at the El Cajon civic campus. The civic campus includes City, County and State functions, including: City Hall, the El Cajon Performing Arts Center (ECPAC), Council Chambers, and the East County Regional Center. Because of the proximity to the East County Regional Center, this public parking site often serves as overflow when County provided parking facilities are full or less convenient. The City now has an interest in acquiring the property for redevelopment activities and continued discussions for development of a hotel on the subject site. Development of this site will deplete existing public parking options, which must then be provided elsewhere.
Classification:	**Transfer to City – Redevelopment Activities**
Use of Broker:	See Disposal Strategy
Value As-Is:	$665,000.00
Disposal Strategy:	Allow the Successor Agency to: 1. Transfer the property to the City of El Cajon for Redevelopment Activities pursuant to CH&SC Section 34181(a) and 34191.3 ~~for $0.00 (below-market cost) based on the attached financial analysis dated October 25, 2012 for "Rea and Magnolia Former RDA Properties"~~upon execution of a compensation agreement with all Affected Taxing Entities ("ATE's") in proportion to their shares of the base property tax in accordance with CH&SC Section 34188. ~~City acquisition and subsequent redevelopment of the property as proposed as a hotel, in concert with adjacent parcels, will generate a greater return to the taxing entities than sale of the property as-is~~If no agreement is reached on valuation with the ATE's, the City shall pay fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the Oversight Board; 2. Offer for sale to private party through an RFP process for hotel development; 3. Offer for sale in the open market through an approved Broker ~~3.~~ The Successor Agency shall remit net proceeds, if any, within five

PROPERTY PROFILE

Site # 9	Rea Avenue Properties; Parcel 3 of Parcel Map 20625
	working days upon consummation of each transfer/sale, for distribution to the ATE's.
Appendices:	1,2,13,14,15,16,17

Long Range Property Management Plan

Site No. 9
Rea Ave. parking lot for city hall complex



Property Features:

- C-R Zoning
- 0.65 Acres
- APN No. 488-072-40
- City to acquire - Redevelopment activities
- Disposition timing phase 1

City of El Cajon Successor Agency Oversight Board

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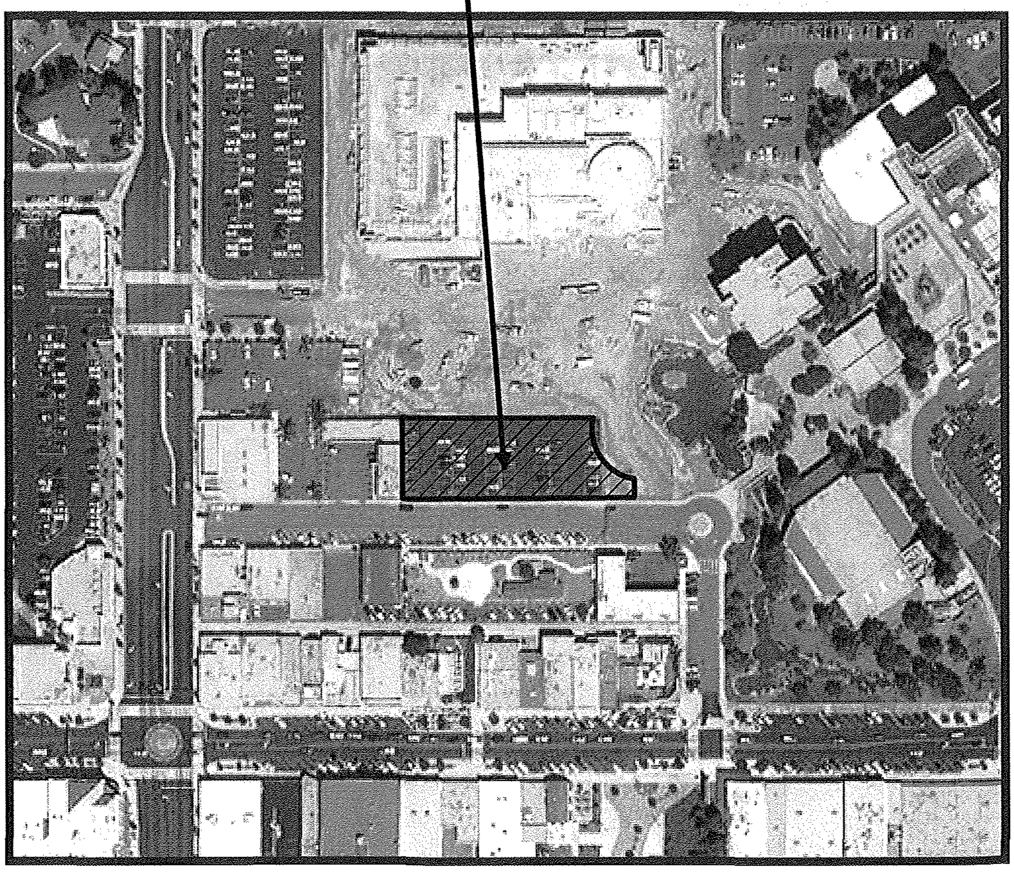
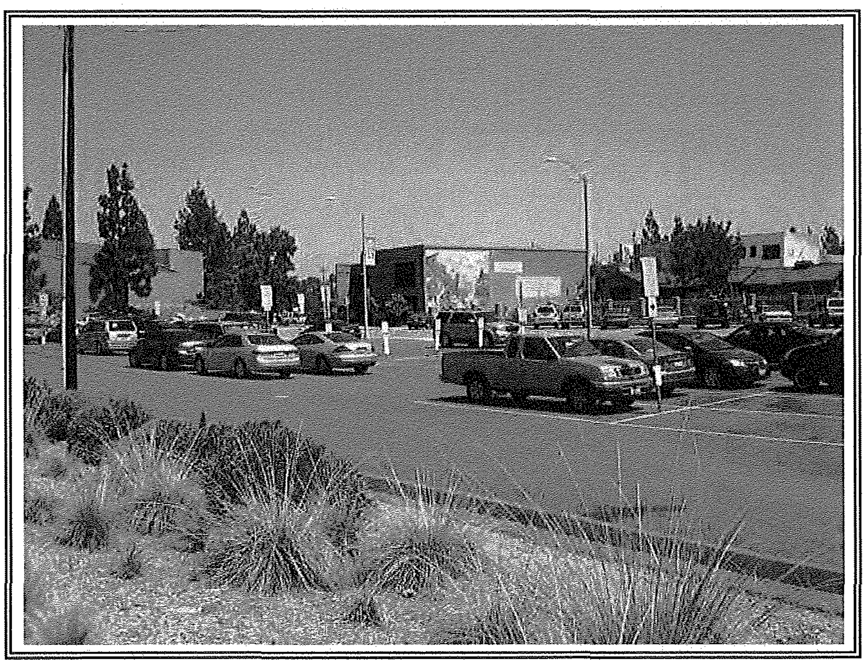


SUBJECT PHOTOGRAPHS

July 5, 2012

Looking in a southwesterly direction over the subject site.



Looking in a southeasterly direction over the subject site.

PROPERTY PROFILE

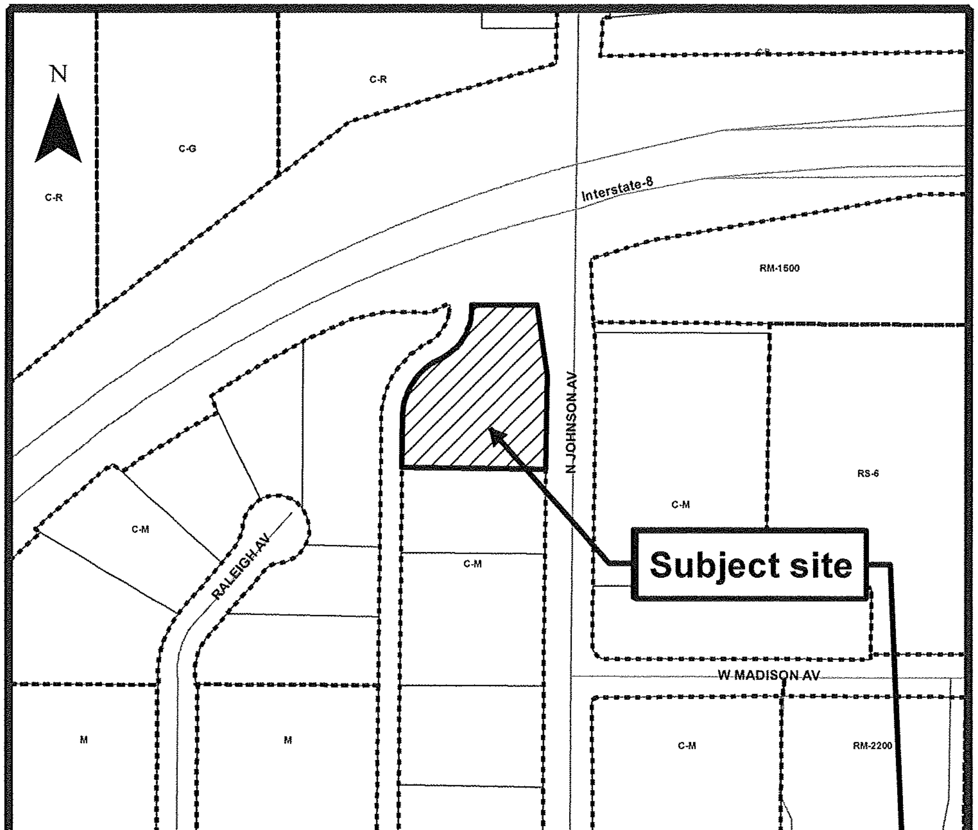
Site # 10	572-588 North Johnson Avenue
Location:	572-588 North Johnson Avenue, El Cajon, CA 92020
APN:	482-250-34-00
Lot Size (SF):	59,242
Building SF:	Not applicable
General Plan:	SDA #10
Zoning:	C-M, Heavy Commercial – Light Manufacturing
Highest/Best Use:	New automotive sales and big box retail
Date Acquired:	August 24, 2009
Purchase Price:	$2,981,050.12
Source of Funds:	Tax Increment
Purpose of Acquisition:	The Agency acquired this property on August 24, 2009 as one of four parcels acquired from Ynez Two, LLC. (Toyota of El Cajon) to assist in retention of the Toyota dealership in El Cajon and further redevelopment activities on the Johnson Corridor.
Status & Revenues:	Land; Vacant; This site does not generate revenue.
Environmental, Brownfield or other Restrictions:	**Environmental**: Closure letter obtained from the County Department of Environmental Health ("DEH") in November 2012 for removal of oil stained soil, sampling and laboratory testing, and reporting testing results. **Brownfield**: Not applicable **Restrictions**: Agreement of Use Restrictions ("home improvement restriction"), recorded as document #2008-0539364, prohibiting use of property as a "retail home improvement center".
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Agency acquired this property on August 24, 2009, as one of four parcels acquired from Ynez Two, LLC. (Toyota of El Cajon) to assist in retention of the Toyota dealership in El Cajon further redevelopment activities on the Johnson Corridor. During Fiscal Year 2009-10, six vacant and substandard properties in the Johnson Avenue Project plagued by continuous homeless activities were demolished, contaminated soils and materials were removed, and the properties were cleared for redevelopment. Two of the four parcels were sold to Inland Properties (US), Inc. on June 23, 2011, to construct and operate full service medium duty truck dealership sales and service facility. This parcel is the single remaining property that has been cleared of blighted structural conditions and is ready for new development. The property is premium parcel located immediately adjacent to Interstate 8, with great freeway access totaling 1.36 acres.
Classification:	**Available for Sale**

PROPERTY PROFILE

Site # 10	572-588 North Johnson Avenue
Use of Broker:	See Disposal Strategy
Value As-Is:	TBD
Disposal Strategy:	Allow the Successor Agency to: 1. Offer for sale directly to the adjacent auto dealership; 2. Offer for sale to persons on interest list; 3. Offer for sale in the open market through an approved Broker ~~3.~~ Remit net proceeds to the Affected Taxing Entities within five working days upon consummation of the sale.
Appendices:	18

Long Range Property Management Plan

Site No. 10
572-588 N. Johnson Avenue



Property Features:

- C-M Zoning
- 1.36 Acres
- APN No. 482-250-34
- Negotiate with interested party
- Disposition timing phase 3

City of El Cajon Successor Agency Oversight Board

200 Civic Center Way
El Cajon, CA 92020
Phone: 619.441.1741
Fax: 619.441.1743
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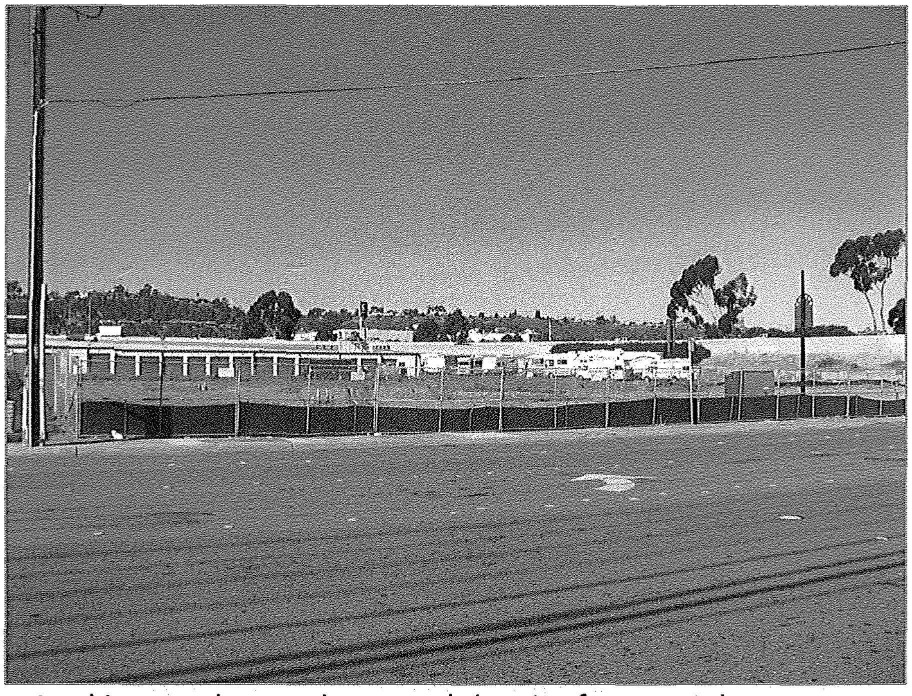
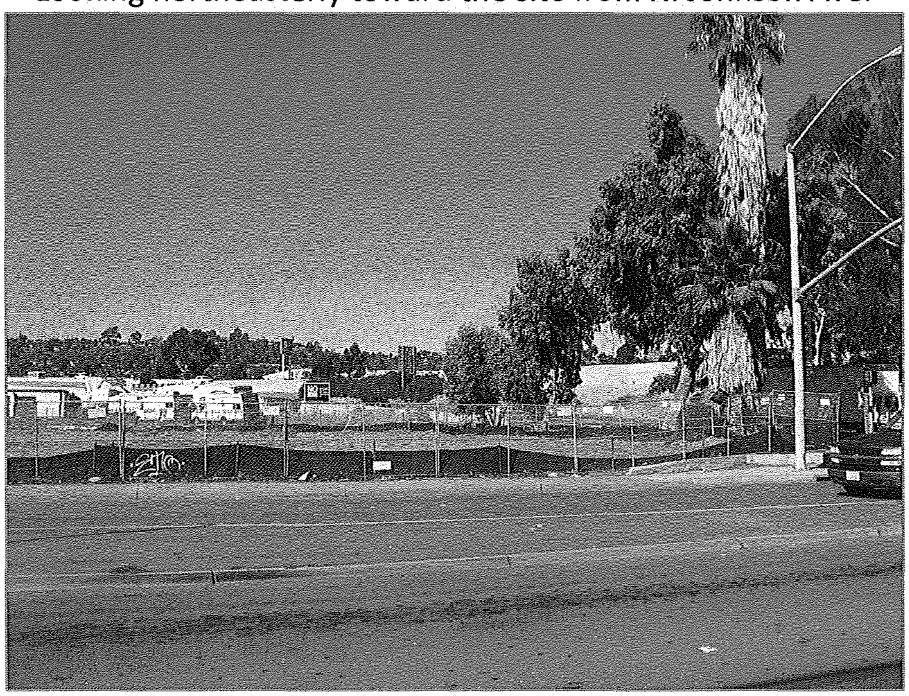
SUBJECT PHOTOGRAPHS
November 5, 2012



Looking northeasterly toward the site from N. Johnson Ave.



Looking northeasterly toward the site and Johnson Avenue offramp from N. Johnson Ave.

PROPERTY PROFILE

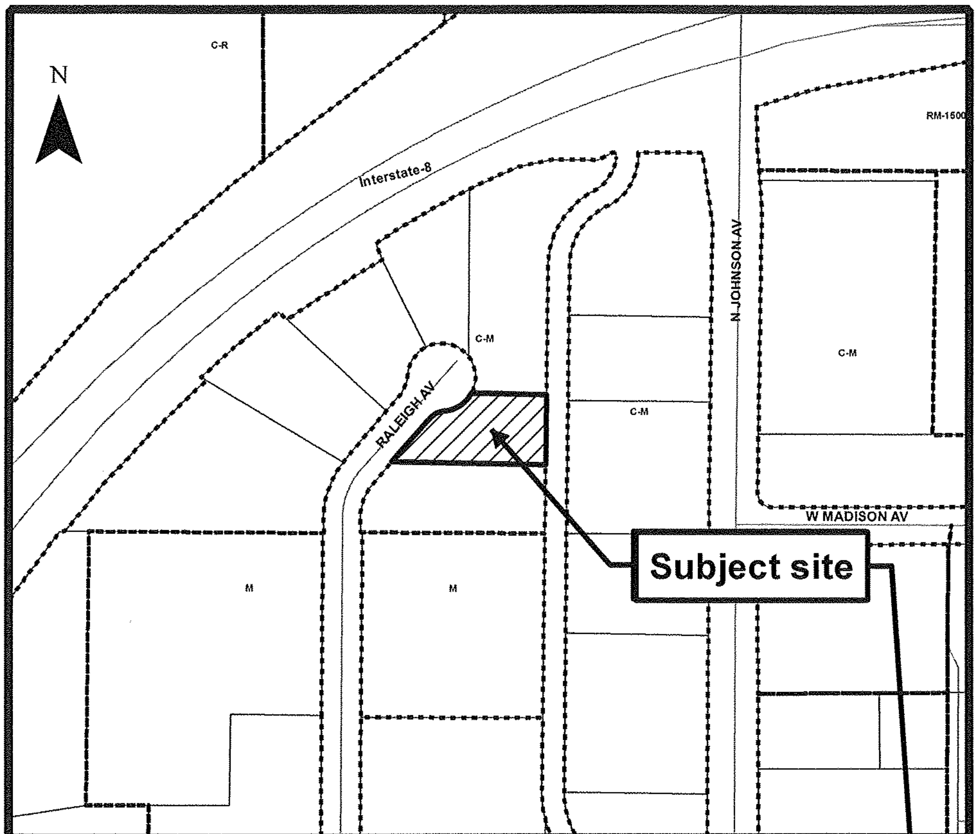
Site # 11	531-555 Raleigh Avenue
Location:	531-555 Raleigh Avenue, El Cajon, CA 92020
APN:	482-250-36-00
Lot Size (SF):	24,394
Building SF:	9,008
General Plan:	SDA # 10
Zoning:	C-M, Heavy Commercial – Light Manufacturing
Highest/Best Use:	Light Industrial
Date Acquired:	August 24, 2009
Purchase Price:	$1,056,917.77
Source of Funds:	Tax Increment
Purpose of Acquisition:	The Agency acquired this property on August 24, 2009 as one of four parcels acquired from Ynez Two, LLC. (Toyota of El Cajon) to assist in retention of the Toyota dealership in El Cajon and further redevelopment activities on the Johnson Corridor.
Status & Revenues:	Commercial construction; Two of three units leased; one unit vacant; The Site currently generates revenue of approximately $51,000 per year.
Environmental, Brownfield or other Restrictions:	**Environmental**: None known **Brownfield**: Not applicable **Restrictions**: Agreement of Use Restrictions ("home improvement restriction"), recorded as document #2008-0539364, prohibiting use of property as a "retail home improvement center".
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Agency acquired this property on August 24, 2009, as one of four parcels acquired from Ynez Two, LLC. (Toyota of El Cajon) to assist in retention of the Toyota dealership in El Cajon further redevelopment activities on the Johnson Corridor. Two of the four parcels were sold to Inland Properties (US), Inc. on June 23, 2011 to construct and operate of a full service truck dealership sales and service facility. This parcel is located on a cul-de-sac in an area dominated by industrial and manufacturing uses.
Classification:	**Available for sale**
Use of Broker:	See Disposal Strategy
Value As-Is:	TBD
Disposal Strategy	Allow the Successor Agency to: 1. Offer for sale to tenants; 2. Offer for sale in the open market through an approved Broker ~~2.~~ Remit net proceeds to the Affected Taxing Entities within five working days of consummation of the sale.

PROPERTY PROFILE

Appendices:	18

Long Range Property Management Plan

Site No. 11
531-555 Raleigh Avenue



Property Features:

- C-M Zoning
- 0.56 Acres
- APN No. 482-250-36
- Negotiate with tenants then public through approved broker
- Disposition timing phase 3

City of El Cajon Successor Agency Oversight Board

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El Cajon, CA 92020
Phone: 619.441.1741
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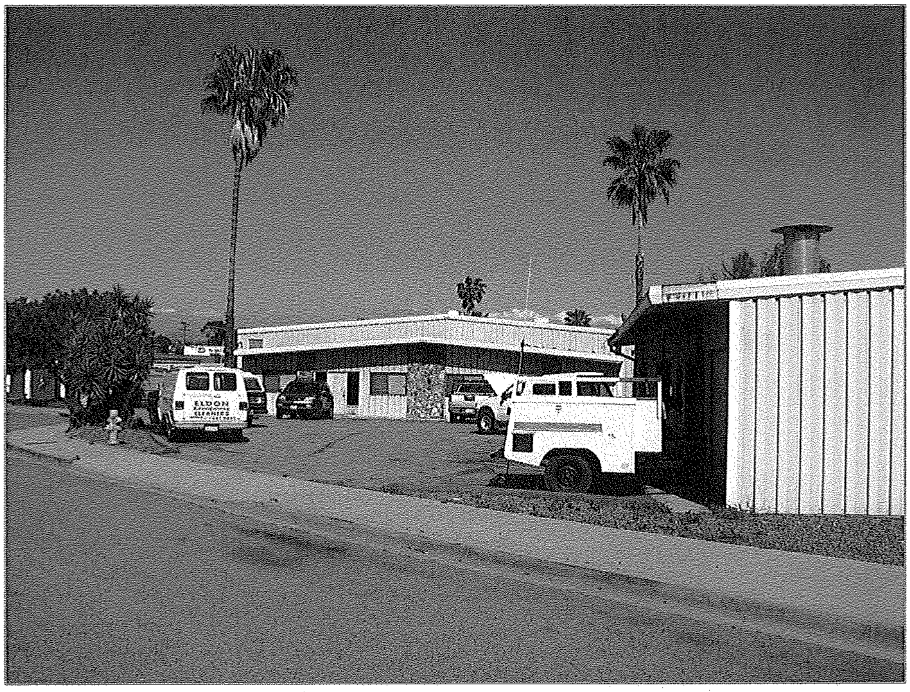
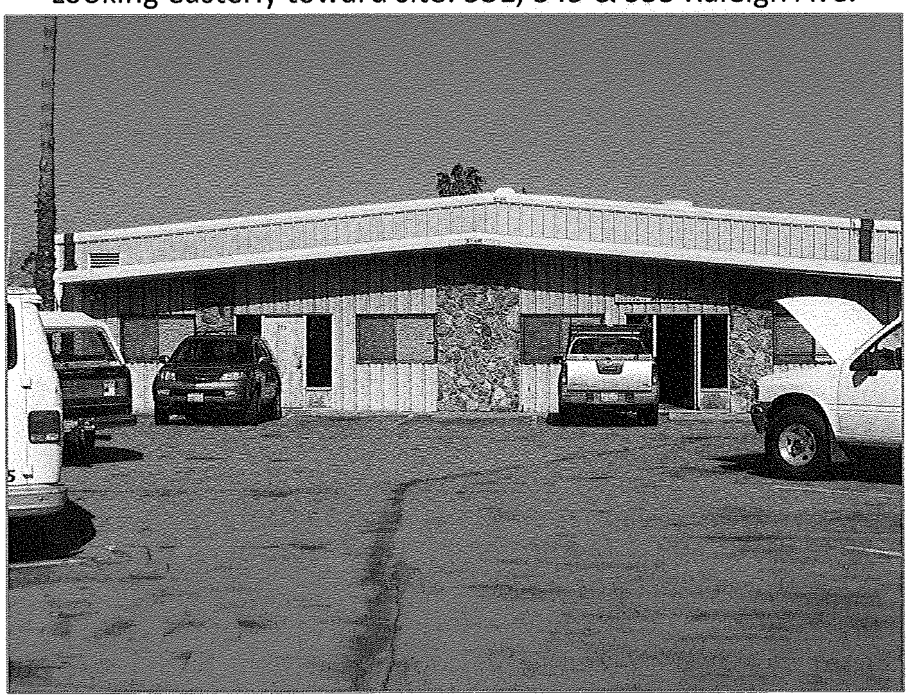
SUBJECT PHOTOGRAPHS

April 19, 2010



Looking easterly toward site. 531, 549 & 555 Raleigh Ave.



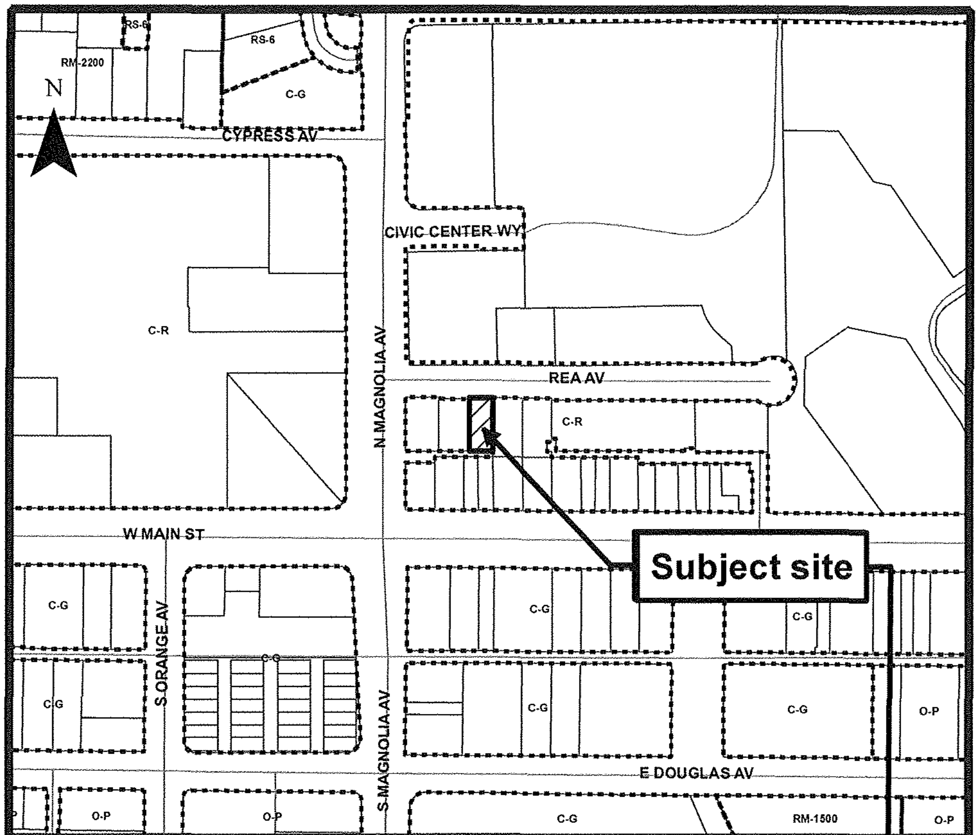
Looking westerly toward 549 & 555 Raleigh Ave.

PROPERTY PROFILE

Site # 12	**115 Rea Avenue, El Cajon, CA 92020**
Location:	115 Rea Avenue, El Cajon, CA 92020
APN:	488-083-03-00
Lot Size (SF):	4,356
Building SF:	3,600
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Museum; retail art store
Date Acquired:	October 1, 2009
Purchase Price:	$653,471.53
Source of Funds:	Tax Increment
Purpose of Acquisition:	The property was acquired on October 1, 2009 for the purpose of redevelopment activities to enhance and revitalize the arts and cultural district on Rea Avenue.
Status & Revenues:	Vacant; This site does not generate revenue.
Environmental, Brownfield or other Restrictions:	**Environmental**: None known **Brownfield**: Not applicable **Restrictions**: None known
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The Agency acquired this property on October 1, 2009, with the intent of leasing the property to a tenant to further enhance the arts and cultural district on Rea Avenue. Prior to dissolution, the Agency was in discussions with the El Cajon Firemen's Relief Association for the establishment of a firefighters' museum.
Classification:	**Available for Sale**
Use of Broker:	See Disposal Strategy
Value As-Is:	TBD
Disposal Strategy:	Authorize the Successor Agency to: 1. Offer the property for sale to the adjacent property owners/lessees; 2. Offer for sale to persons on interest list; 3. Offer for sale in the open market through an approved Broker. ~~3.~~ Remit net proceeds to the Affected Taxing Entities within five working days upon consummation of the sale.
Appendices:	1,2

Long Range Property Management Plan

Site No. 12
115 Rea Avenue



Property Features:

- C-R Zoning
- 0.10 Acres
- APN No. 488-083-03
- Negotiate with interested party then public through approved broker
- Disposition timing phase 3

City of El Cajon Successor Agency Oversight Board

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El Cajon, CA 92020
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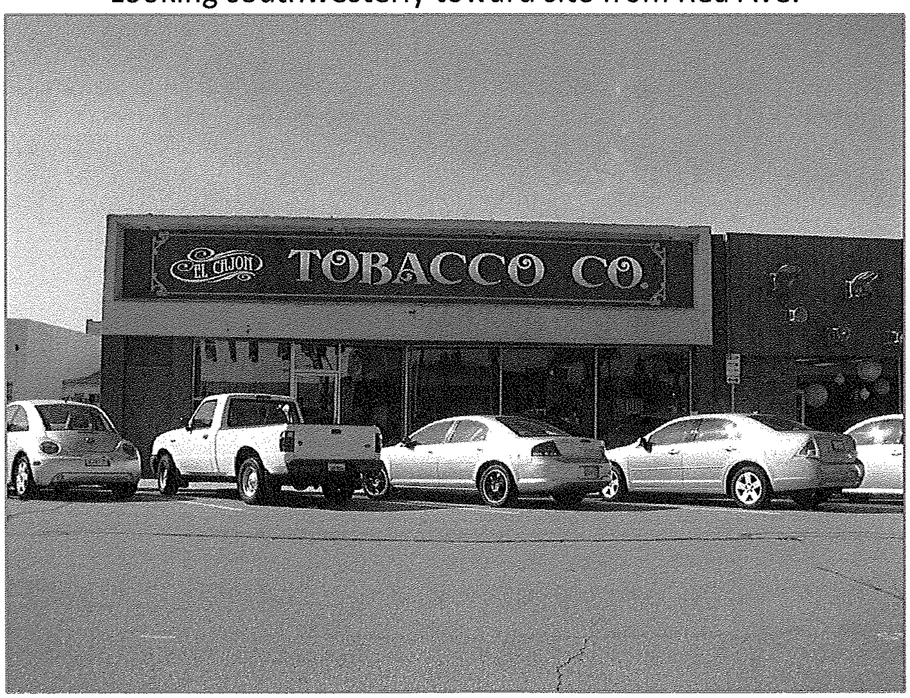
SUBJECT PHOTOGRAPHS

April 26, 2010

Looking southwesterly toward site from Rea Ave.



Looking southerly toward site from Rea Avenue.

PROPERTY PROFILE

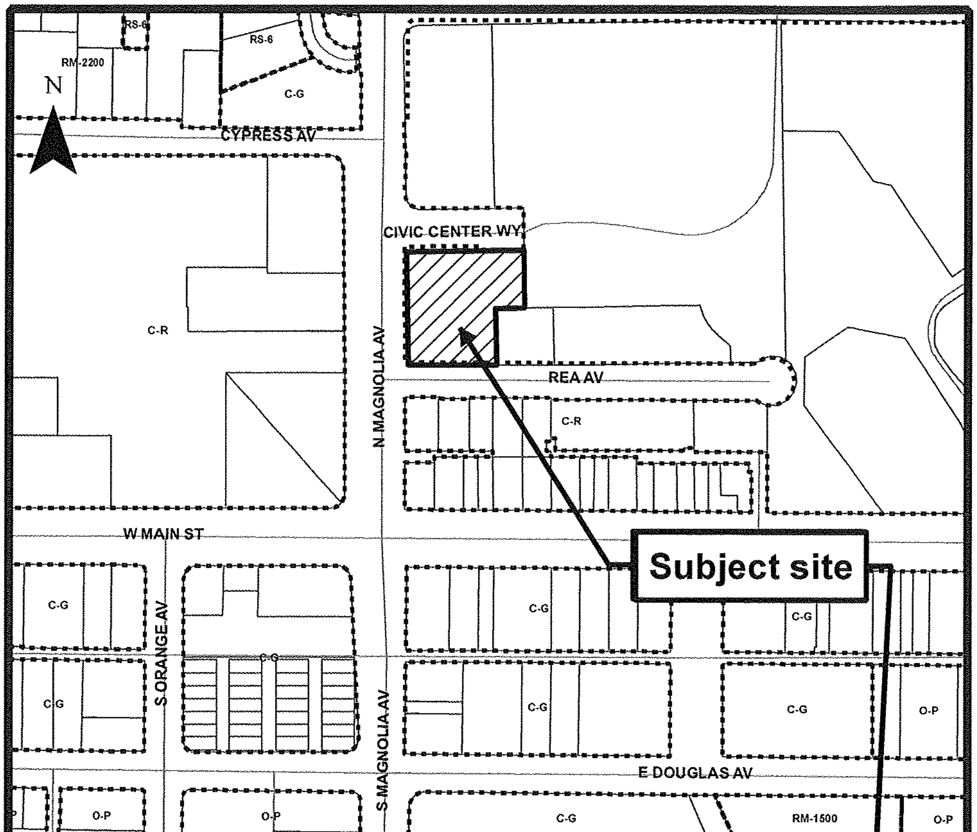
Site # 13	141 N. Magnolia Avenue, El Cajon, CA 92020
Location:	141 N. Magnolia Avenue, El Cajon, CA 92020
APN:	488-082-18-00
Lot Size (SF):	35,284
Building SF:	17,434 (includes basement)
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Hotel
Date Acquired:	December 29, 2009
Purchase Price:	$2,068,893.33
Source of Funds:	Tax Increment
Purpose of Acquisition:	The Agency acquired this property on December 29, 2009, for the purpose of redevelopment and revitalization of the arts and culture district on Rea Avenue, and commercial development along N. Magnolia Avenue.
Status & Revenues:	Vacant; This site does not generate revenue.
Environmental, Brownfield or other Restrictions:	**Environmental**: A Hazardous Building Materials Survey report was prepared August 2, 2011, for the subject site and adjacent site located at 141 N. Magnolia and 118-130 Rea, which outlines the location of asbestos and lead containing surfaces, required for abatement. **Brownfield**: Not applicable **Restrictions**: None known
Transit Oriented Development Site:	Not applicable.
Discussion & History:	On January 4, 2006, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with Urban Betterment Company: Smith & Cowan for development of a mixed-use project requiring the acquisition of thirteen (13) parcels. The ENA expired in August 2008 after the developer was unsuccessful in acquiring/negotiating for acquisition of the remaining properties. On March 22, 2011, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with E. Neal Arthur for the development of a full-service, upscale hotel with name brand identity to serve business and leisure travelers. The ENA expired six months later due to the dissolution of the Redevelopment Agency. The City now has an interest in acquiring the property for redevelopment activities and the possibility of continued discussions for development of a hotel on the subject site. Because the property has been operated as a bank since 1953, has a basement with an area equal to the footprint of the building that -has continuous flooding activity, reuse of the existing building for large scale commercial/hotel activity is unlikely and should be cleared in preparation for new commercial or hotel development.

PROPERTY PROFILE

Site # 13	141 N. Magnolia Avenue, El Cajon, CA 92020
Classification:	**Transfer to City – Redevelopment Activities**
Use of Broker:	See Disposal Strategy
Value As-Is:	$1,300,000.00 as of July 26, 2012
Value As-Demolished:	$900,000.00 as of July 6, 2012
Disposal Strategy:	Authorize the Successor Agency to: ~~1. Demolish the property in preparation for new development; and~~ ~~2.~~1. Transfer the property to the City of El Cajon for Redevelopment Activities pursuant to CH&SC Section 34181(a) and 34191.3 upon execution of a compensation agreement with all Affected Taxing Entities ("ATE's") in proportion to their shares of the base property tax in accordance with CH&SC Section 34188. If no agreement is reached on valuation with the ATE's, the City shall pay fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the Oversight Board~~for $0.00 (below-market cost) based on the attached financial analysis dated October 25, 2012 for "Rea and Magnolia Former RDA Properties". City acquisition and subsequent redevelopment of the property as proposed as a hotel, in concert with adjacent parcels, will generate a greater return to the taxing entities than sale of the property as-is~~; ~~3.~~2. Offer for sale to private party through an RFP process for hotel development; 3. Offer for sale in the open market through an approved Broker ~~4.~~ The Successor Agncy shall remit net proceeds, if any, within five working days upon consummation of each transfer/sale, for distribution to the ATE's.
Appendices:	14,15,16,17,19

Long Range Property Management Plan

Site No. 13
141 N. Magnolia Avenue



Property Features:

- C-R Zoning
- 0.81 Acres
- APN No. 482-082-18
- City to acquire - redevelopment activities
- Demolish property in preparation of sale
- Disposition timing phase 1

City of El Cajon Successor Agency Oversight Board

200 Civic Center Way
El Cajon, CA 92020
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cityofelcajon.us

SUBJECT PHOTOGRAPHS

July 5, 2012

Looking northeasterly toward the subject from N. Magnolia Avenue.

Looking southeasterly toward the subject from N Magnolia Avenue.

PROPERTY PROFILE

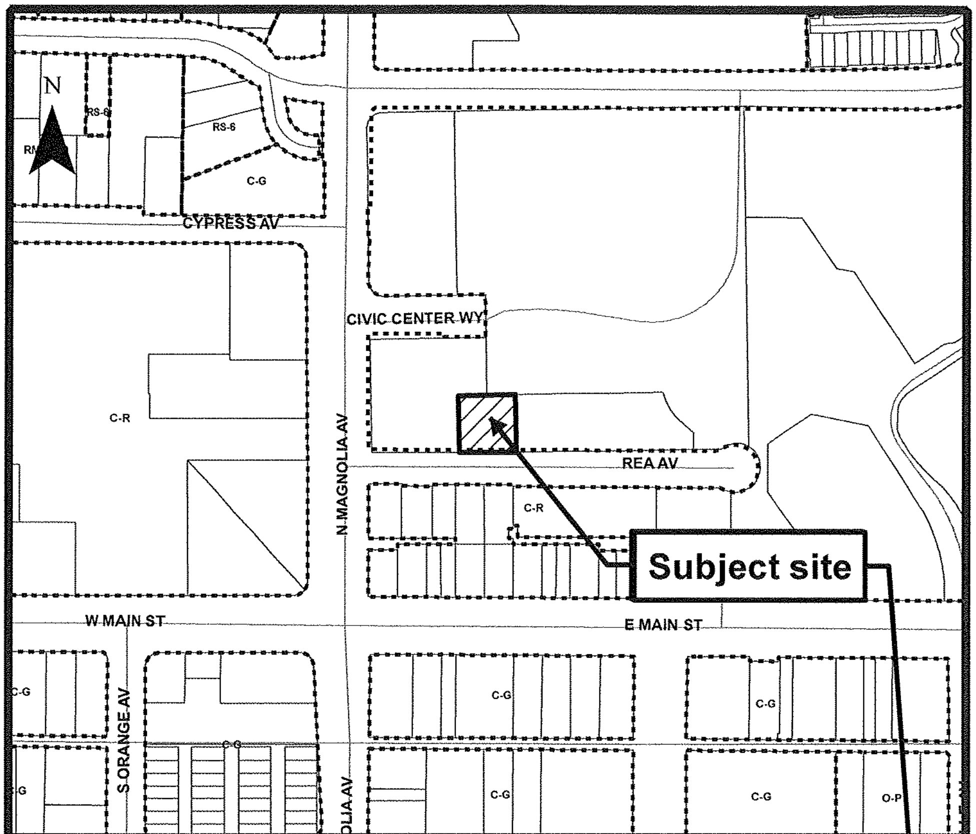
Site # 14	118-130 Rea Avenue, El Cajon, CA 92020
Location:	118-130 Rea Avenue, El Cajon, CA 92020
APN:	488-082-12-00
Lot Size (SF):	9,583
Building SF:	5,802
General Plan:	SDA # 9 (Also within Specific Plan 182)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Hotel
Date Acquired:	November 10, 2010
Purchase Price:	$1,035,454.29
Source of Funds:	Tax Increment
Purpose of Acquisition:	The Agency acquired this property on November 10, 2010 for the purpose of redevelopment and revitalization of the arts and culture district on Rea Avenue.
Status & Revenues:	Vacant; blighted; This site does not generate revenue.
Environmental, Brownfield or other Restrictions:	**Environmental**: A Hazardous Building Materials Survey report was prepared August 2, 2011, for the subject site and adjacent site located at 141 N. Magnolia, which outlines the location of asbestos and lead containing surfaces, required for abatement. **Brownfield**: None known **Restrictions**: None known
Transit Oriented Development Site:	Not applicable.
Discussion & History:	On January 4, 2006, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with Urban Betterment Company: Smith & Cowan for development of a mixed-use project requiring the acquisition of thirteen (13) parcels. The ENA expired in August 2008 after the developer was unsuccessful in acquiring/negotiating for acquisition of the remaining properties. The last tenant vacated the subject property in June 2011. Upon vacation, the owner/tenant provided keys to the building to several homeless individuals and the property has been plagued by illegal lodging and criminal activity (Police Department Memo attached). On March 22, 2011, the Agency entered into an Exclusive Negotiating Agreement ("ENA") with E. Neal Arthur for the development of a full service, upscale hotel with name brand identity to serve business and leisure travelers. The ENA expired six months later due to the dissolution of the Redevelopment Agency. The City now has an interest in acquiring the property for redevelopment activities and the possibility of continued discussions for development of a hotel on the subject site. Because the property has been operated as office and medical uses since the 1950's, reuse of the existing buildings for new commercial activity is

PROPERTY PROFILE

Site # 14	118-130 Rea Avenue, El Cajon, CA 92020
	unlikely as the property is functionally obsolete, has considerable deferred structural maintenance, hazardous materials abatement is required and cannot be rehabilitated cost-effectively, and should be cleared in preparation for new commercial or hotel development.
Classification:	**Transfer to City – Redevelopment Activities**
Use of Broker:	See Disposal Strategy
Value As-Is:	$325,000.00 as of August 7, 2012
Value As-Demolished:	$255,000.00 as of July 6, 2012
Disposal Strategy:	Authorize the Successor Agency to: ~~1. Demolish the property in preparation for new development; and~~ ~~2.~~1. Transfer the property to the City of El Cajon for Redevelopment Activities pursuant to CH&SC Section 34181(a) and 34191.3 upon execution of a compensation agreement with all Affected Taxing Entities ("ATE's") in proportion to their shares of the base property tax in accordance with CH&SC Section 34188. If no agreement is reached on valuation with the ATE's, the City shall pay fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the Oversight Board~~for $0.00 (below-market cost) based on the attached financial analysis dated October 25, 2012 for "Rea and Magnolia Former RDA Properties". City acquisition and subsequent redevelopment of the property as proposed as a hotel, in concert with adjacent parcels, will generate a greater return to the taxing entities than sale of the property as-is~~; ~~3.~~2. Offer for sale to private party through an RFP process for hotel development; 3. Offer for sale in the open market through an approved Broker ~~4.~~ The Successor Agency shall remit net proceeds, if any, within five working days upon consummation of each transfer/sale, for distribution to the ATE's.
Appendices:	14,15,16,17,19

Long Range Property Management Plan

Site No. 14
118-130 Rea Avenue



Property Features:

- C-R Zoning
- 0.22 Acres
- APN No. 482-082-12
- City to acquire - redevelopment activities
- Demolish property in preparation of sale
- Disposition timing phase 1

City of El Cajon Successor Agency Oversight Board

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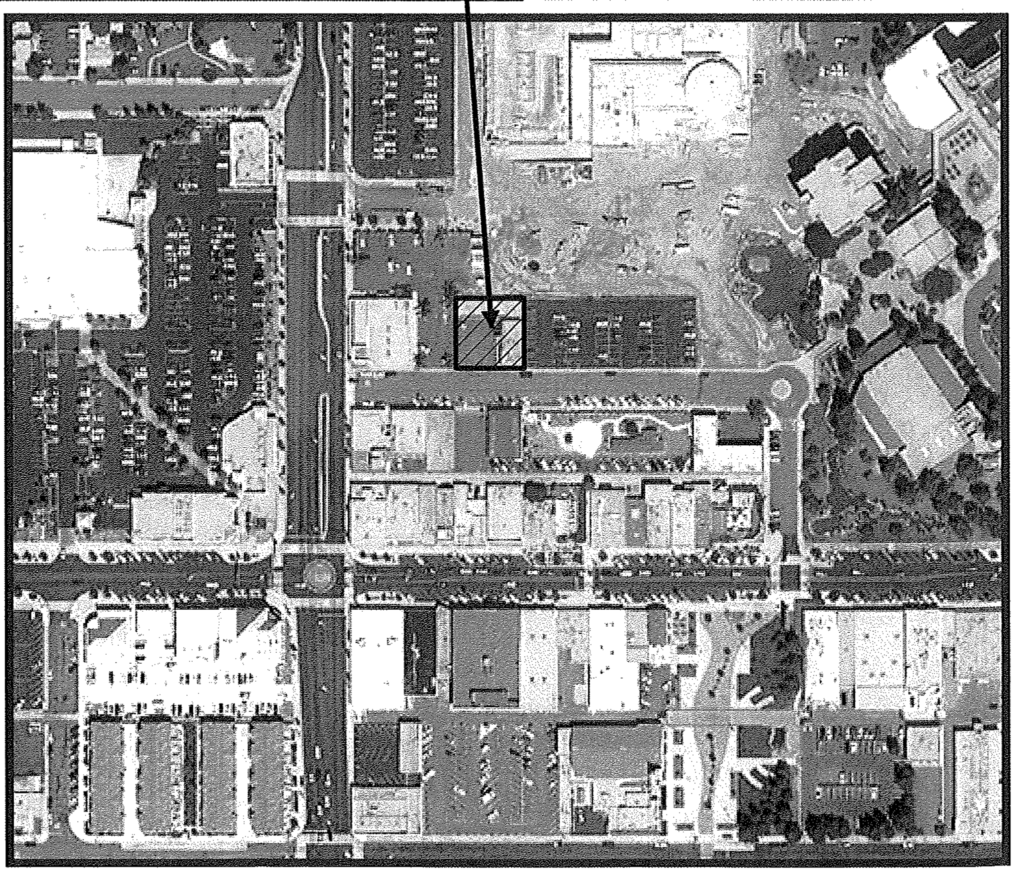
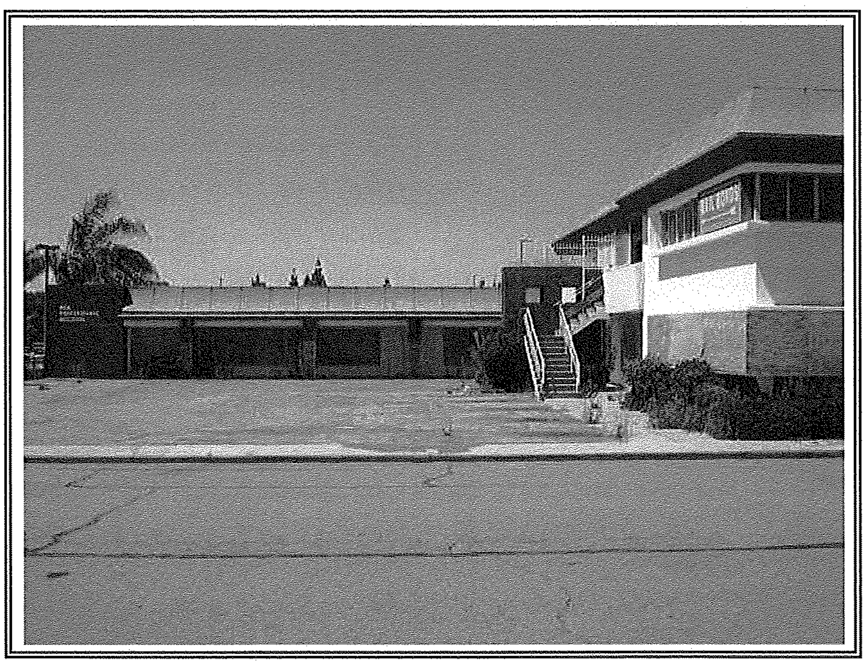


SUBJECT PHOTOGRAPHS

July 5, 2012

Looking northeasterly toward the subject from Rea Avenue.



Looking northerly toward the subject from Rea Avenue.

PROPERTY PROFILE

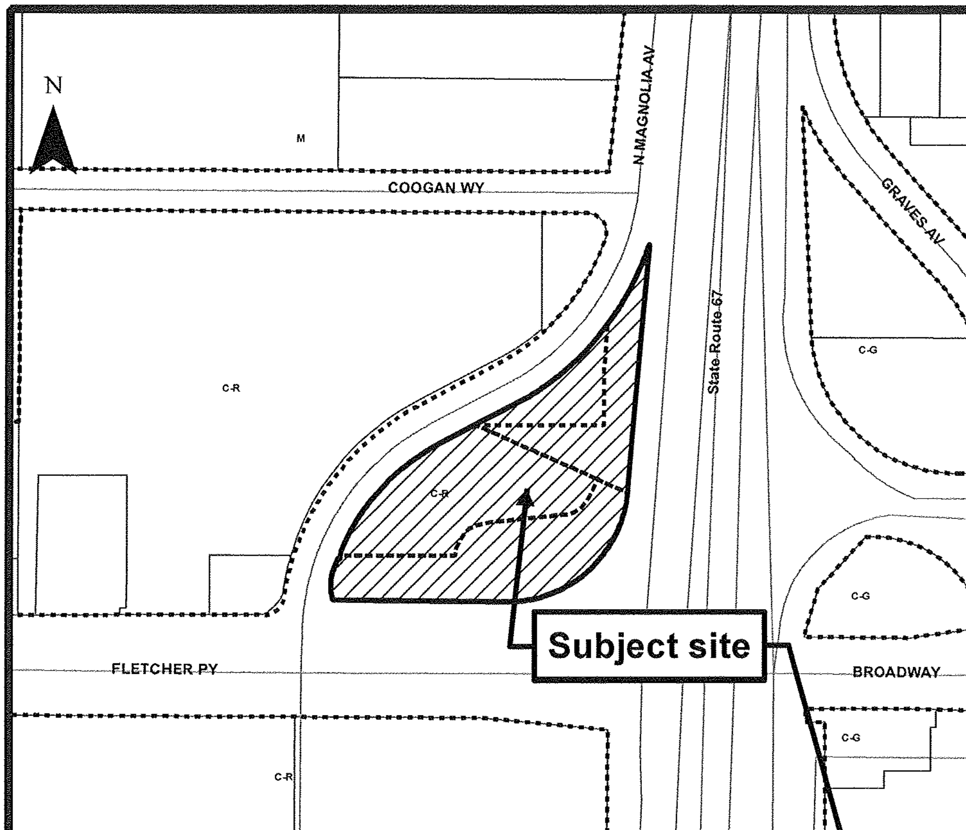
Site # 15	Former El Cajon Police Department Headquarters
Location:	100 Fletcher Parkway, El Cajon, CA 92020
APN:	483-071-52-00
Lot Size (SF):	151,589
Building SF:	23,870 (including basement)
General Plan:	RC (Regional Commercial)
Zoning:	C-R, Regional Commercial
Highest/Best Use:	Regional commercial, hotel, office
Date Acquired:	June 16, 2011
Purchase Price:	$4,850,000.00
Source of Funds:	Tax Increment
Purpose of Acquisition:	This property was acquired on June 16, 2011, at fair market as-demolished value of $4,850,000 for redevelopment activities on a key parcel located at the intersection of Highway 67 and Highway 8 within the Redevelopment Project Area. A down-payment of $1,000,000 was provided to the City and the balance was financed over five-years at 3% per annum. The site became available for redevelopment opportunities as a result of completion and relocation of the former El Cajon Police Department Headquarters to the new Public Safety Center at 100 Civic Center Way.
Status & Revenues:	Vacant; This site does not generate revenue
Environmental issues, Brownfield or other Restrictions:	**Environmental**: Phase 1 Environmental Site Assessment report dated September 7, 2011; Hazardous Building Materials Survey dated December 14, 2011. Asbestos and lead-containing surfaces identified and will be removed through an abatement plan and the demolition process. Reports available in the Public Works Division. **Brownfield**: Not applicable **Restrictions**: The site is governed by the Gillespie Field Airport Land Use Compatibility Plan and is located in the Airport Influence Area Review Area No. 1. An Airport Land Use Commission Determination of Consistency Finding will be required as part of any future development entitlement process.
Transit Oriented Development Site:	Not applicable.
Discussion & History:	The City initiated the decommissioning process on April 26, 2011, in anticipation of the Police Department's move to the Public Safety Center upon completion in Fall 2011. The Agency acquired this property on June 16, 2011. On March 13, 2012, the City Council adopted the Mitigated Negative Declaration and Mitigation, Monitoring and Reporting Program; approved General Plan Amendment No. 2011-01 changing the land use designation from Public Institution/ Special Development Area No. 8 to Regional Commercial; and introduced an ordinance amending Specific Plan No. 19 to remove the subject site from its governance; and introduced an ordinance rezoning the

PROPERTY PROFILE

Site # 15	Former El Cajon Police Department Headquarters
	site from M, C-N and RS-6 to the C-R zone. The zoning and specific plan amendment became effective on May 10, 2012. Because the property has been operated as the former Police Station Headquarters since the 1960's, reuse of the existing building for large scale commercial activity is unlikely as the property is functionally obsolete, hazardous materials abatement is required, the building cannot be rehabilitated cost-effectively, and should be cleared in preparation for new development.
Classification:	**Available for Sale**
Use of Broker:	See Disposal Strategy
Value As-Is:	$5,100,000 as of March 9, 2011
Value As-Demolished:	$4,850,000 as March 9, 2011
Disposal Strategy:	Authorize the Successor Agency to: ~~1. Demolish the property in preparation for new development; and~~ ~~2. Acquire the adjacent CalTrans land for $268,000 plus closing costs (or City to buy) to enhance development potential;~~ ~~3.~~ 1. Offer for sale to persons on interest list; 2. Offer for sale in the open market through an approved Broker. ~~4.~~ The Successor Agency shall remit net proceeds, if any, within five working days upon consummation of each transfer/sale, for distribution to the Affected Taxing Entities.
Appendices:	21

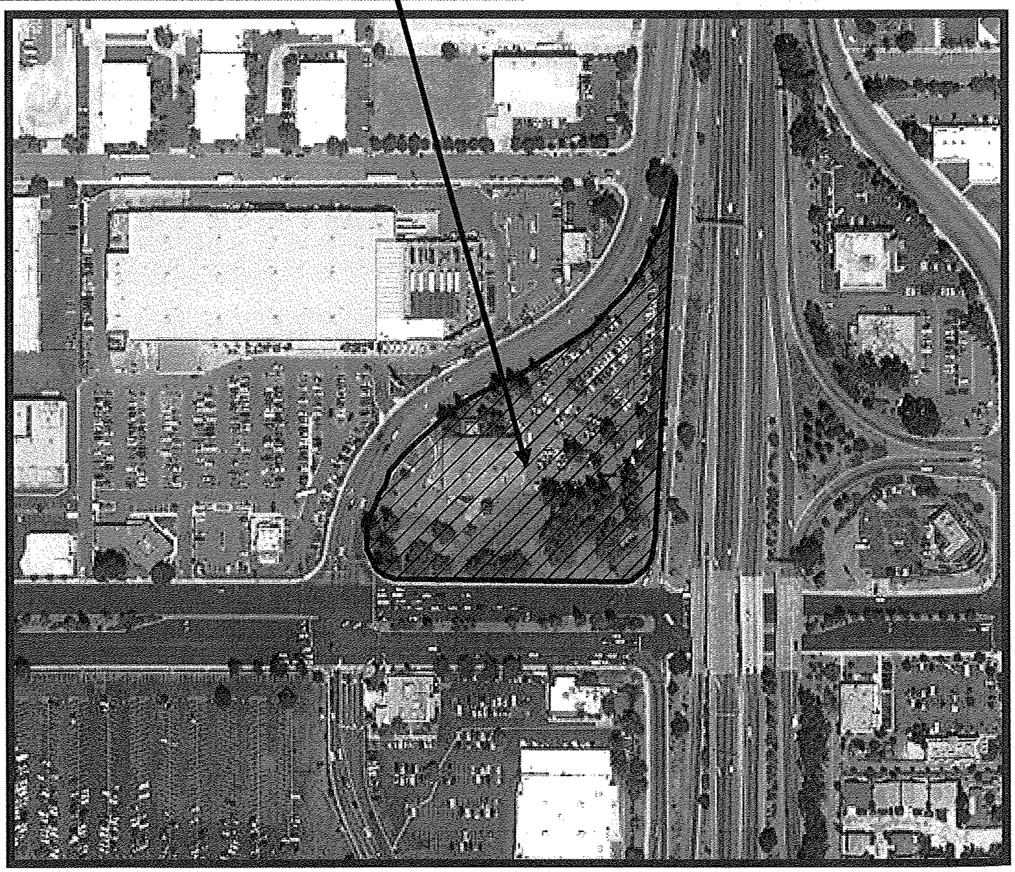
Long Range Property Management Plan

Site No. 15
100 Fletcher Parkway



Property Features:

- C-R Zoning
- 3.48 Acres
- APN No. 483-071-52
- Demolish property in preparation of sale
- Offer for sale and development through an approved broker
- Disposition timing phase 3



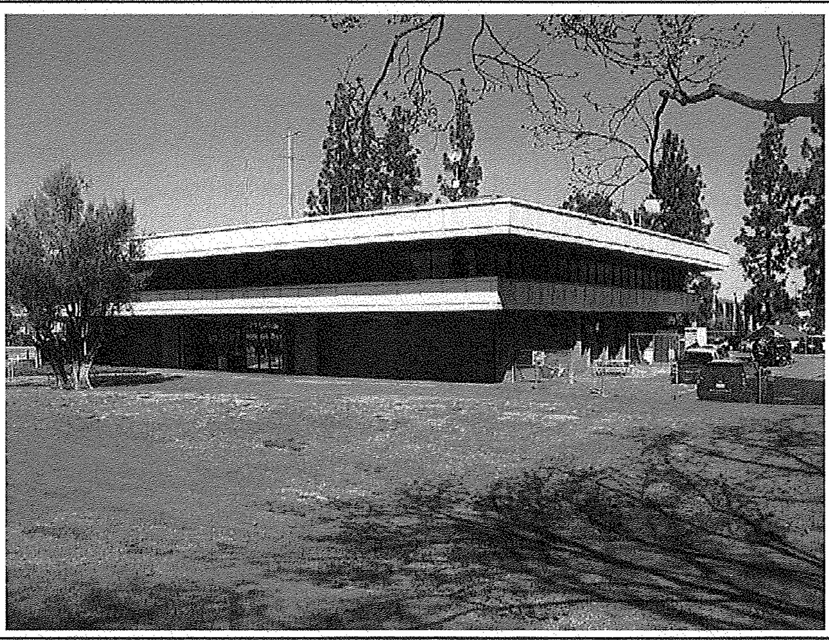
City of El Cajon Successor Agency Oversight Board

200 Civic Center Way
El Cajon, CA 92020
Phone: 619.441.1741
Fax: 619.441.1743
cityofelcajon.us

SUBJECT PHOTOGRAPHS

March 9, 2011

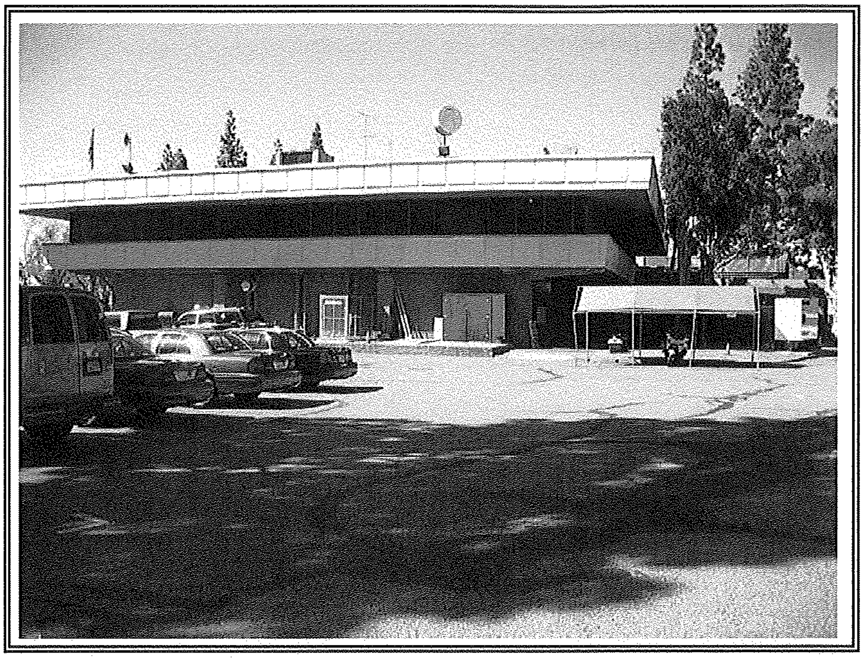
Looking northeasterly toward the front of the subject.



Looking northwesterly toward the front of the subject.

SUBJECT PHOTOGRAPHS

March 9, 2011



Looking in a westerly direction toward the subject from the parking lot.

Looking in an easterly direction toward the subject parking lot from Magnolia Avenue.

APPENDICES[1]

Long Range Property Management Plan
City of El Cajon, Successor Agency

Appendix No.	Document/Item	# Pages	Applicable to Site #'s
1	Ordinance 2437 – Approving and Adopting the Redevelopment Plan for the El Cajon Business District Redevelopment Project, dated December 28, 1971; Description of Land within the El Cajon Business District Redevelopment Project Area and Statement that Redevelopment Proceedings have been instituted, dated December 29, 1971; and El Cajon Redevelopment Agency, Proposed Redevelopment Plan for the El Cajon Business District Redevelopment Project, dated November, 1971.	25	All
2	Redevelopment Plan for the El Cajon Redevelopment Project Area – June, 1987	41	All
3	Por Favor, Inc. – 10-year lease renewal option dated April 17, 2008; Lease Option Agreement – Por Favor Restaurant, dated 5/28/98	7	1,2
4	Lease - Olaf Wieghorst Museum Foundation, dated July 22, 1999	7	3
5	Settlement Agreement between, Chrisman, ECRA, Texaco, Shell, and Unocal dated August 28, 1995	30	4
6	First Amendment to Ground Lease, Domenico Donato, dated January 22, 2003; Ground Lease – Domenico Donato, Dated November 22, 2002	19	4
7	Lease - Foster and Kleiser, dated April 26, 1972; Letter dated May 31, 1989, Patrick Media Group, Inc.; Letter Dated May 23, 1989, City of El Cajon	3	4
8	Resolution No. 98-93 ordering vacation of Prescott Avenue between Douglas Avenue and Lexington Avenue and the Alley South of Douglas, recorded March 18, 1993	4	5,6,7
9	Agenda Report dated November 19, 1993, Disposition and Development Agreement – Lexington Avenue Senior Apartments; Disposition and Development Agreement, Lexington Avenue Senior Apartments, executed November 30, 1993.	137	5,6,7
10	Resolution No. 262-94, Resolution Authorizing Quitclaim Deed of Westerly Half of Vacated Portion of Prescott Avenue, Between Douglas and Lexington Avenues, to the El Cajon Redevelopment Agency; Quitclaim Deed, recorded September 26, 1994, document #1994-056904	5	6,7
11	Letter from Goldrich, Kest & Associates dated October 31, 1995 for the Quitclaim of Pedestrian Walkway and Public Parking Lot	3	5,6,7
12	Ordinance 4444 – an Ordinance approving Specific Plan No. 457 for a Density Bonus, an increased number of stories and a modified parking requirement for a proposed 100-unit senior housing project in the R-4 zone, dated June 21, 1994; Resolution No. 8636, recommending approval of Specific Plan 457; Lexington Avenue Senior Apartments, GMP Architects Site Plan	7	5,6,7
13	County of San Diego letter dated February 1, 2008; City Council Agenda Report dated 2/26/2008; and El Cajon City Hall/Sixth Floor Lease	46	8,9

APPENDICES[1]

Long Range Property Management Plan
City of El Cajon, Successor Agency

Appendix No.	Document/Item	# Pages	Applicable to Site #'s
14	Memorandum dated October 25, 2012 – Rea and Magnolia Former RDA Properties (Financial Analysis for Sites 9,13,14)	5	9,13,14
15	Exclusive Negotiation Agreement, Urban Betterment Company: Smith & Cowan, dated January 4, 2007; First Amendment to Exclusive Negotiation Agreement dated September 13, 2007; and Second Amendment to Exclusive Negotiation Agreement dated February 8, 2008.	5	9,13,14
16	Exclusive Negotiation Agreement, E. Neal Arthur, dated March 22, 2011, and Resolution No. ECRA-415	10	9,13,14
17	Taxing Entities – Tax Rate Area 003107	1	9,13,14
18	Assignment and Assumption of Lease and Agreement of Use Restrictions, dated October 3, 2008, recorded October 15, 2008, document #2008-0539364.	21	10,11
19	Ninyo & Moore, Hazardous Building Materials Survey, 141 Magnolia Avenue and 118-130 Rea Avenue, dated August 2, 2011	125	13,14
20	Memorandum to Chief of Police dated July 31, 2012, calls for service – 118 to 130 Rea Street	1	14
21	Ninyo & Moore, Hazardous Building Materials Survey, Former El Cajon Police Station, dated December 14, 2011.	82	15
22	$35,600,000 El Cajon Redevelopment Agency, El Cajon Redevelopment Project, Tax Allocation Refunding Bonds Issue of 1992.	80; Available on City website	1,2,3,4,5,6,7
23	$35,745,000 El Cajon Redevelopment Agency, El Cajon Redevelopment Project, Tax Allocation Refunding Bonds Issue of 1997.	86; Available on City website	1,2,3,4,5,6,7
24	$40,000,000 El Cajon Redevelopment Agency, El Cajon Redevelopment Project, Refunding Bonds Issue of 2005.	116; Available on City website	1,2,3,4,5,6,7
25	$15,750,000 El Cajon Redevelopment Agency, El Cajon Redevelopment Project Tax Allocation Bonds Issue of 2007.	158; Available on City website	1,2,3,4,5,6,7

[1] All appendices can be found on the City of El Cajon website from the following webpage: http://www.ci.el-cajon.ca.us/comm/Successor.html

The Valley of Opportunity
Incorporated 1912

CITY OF EL CAJON SUCCESSOR AGENCY

MEMORANDUM

DATE: January 15, 2014

TO: Oversight Board Members

FROM: Interim Director of Finance

SUBJECT: Basic Financial Statements and Independent Auditor's Report for the Fiscal Year Ended June 30, 2013, and Written Communication Between Auditor and Client

The Basic Financial Statements are prepared annually to present the Successor Agency's financial condition and fiscal year end results of the Agency's activities and to comply with the bonds' continuing disclosure requirement to file an Annual Report that included audited financial statements. The financial statements have been audited by the firm of Rogers, Anderson, Malody & Scott, LLP, whose Independent Auditor's Report states that, in their opinion, the financial statements are presented fairly in all material respects and are in conformance with GAAP.

The Statement on Auditing Standards 114 (SAS114) requires communication between the auditor and client in relation to the audit of financial statements. SAS 114 identifies certain information that must be provided such as qualitative aspects of accounting practices, management representation, and other audit findings or issues, among others. This information is communicated to the Oversight Board in the attached auditor's letter dated December 4, 2013.

Holly Reed-Falk

Holly Reed-Falk
Interim Director of Finance

Successor Agency to the El Cajon Redevelopment Agency

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2013

Successor Agency to the El Cajon Redevelopment Agency
Basic Financial Statements
Table of Contents

ROGERS, ANDERSON, MALODY & SCOTT, LLP
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To the Oversight Board
Successor Agency of the El Cajon Redevelopment Agency
El Cajon, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Successor Agency of the El Cajon Redevelopment Agency (the Agency), California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Successor Agency of the El Cajon Redevelopment Agency, California, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on summarized comparative information

We have previously audited the Agency's 2012 financial statements, and our report dated November 30, 2012, we expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other matters

Implementation of new pronouncements

As discussed in Note A-10 of the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Required supplementary information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Rogers Anderson Malody & Scott, LLP

San Bernardino, CA
December 4, 2013

Successor Agency of the
El Cajon Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2013
(with comparative data for prior year)

	2013	2012
ASSETS		
Cash and investments	$ 6,718,033	$ 13,037,412
Cash and investments with fiscal agent	6,357,881	6,460,257
Receivables:		
Accounts	-	54,239
Interest	1,575	1,914
Loans	4,527,304	4,880,724
Prepaid bond insurance	146,974	153,098
Assets held for resale	20,445,918	20,039,418
Capital assets:		
Land and nondepreciable capital assets	1,934,508	1,753,823
Depreciable assets, net	5,190,263	5,789,536
Total assets	45,322,456	52,170,421
LIABILITIES		
Accounts payable and accrued liabilities	724,247	5,873,290
Interest payable	853,857	880,684
Deposits payable	2,000	2,000
Current portion of long-term debt	2,181,246	2,151,879
Long-term debt	62,768,606	64,949,852
Total liabilities	66,529,956	73,857,705
NET POSITION (DEFICIT)		
Held in trust for other purposes	$ (21,207,500)	$ (21,687,284)

The accompanying notes are an integral part of these financial statements.

Successor Agency of the
El Cajon Redevelopment Agency
Statement of Changes in Fiduciary Net Position
For the fiscal year ended June 30, 2013
(with comparative data for prior year)

	2013	2012
ADDITIONS		
Property taxes	$ 7,833,273	$ 4,227,883
Intergovernmental	1,737,912	18,974
Investment earnings	36,284	45,338
Other	43,412	73,916
Total additions	9,650,881	4,366,111
DEDUCTIONS		
Administrative expenses	253,016	101,514
Program expenses of former redevelopment agency	2,287,345	193,011
Payments to affected taxing entities	3,170,390	3,876,651
Interest and fiscal agency expenses of former redevelopment agency	3,460,346	1,654,814
Total deductions	9,171,097	5,825,990
Extraordinary loss	-	(20,227,405)
Change in net position	479,784	(21,687,284)
Net position (deficit), beginning of the fiscal year, restated	(21,687,284)	-
Net position (deficit), ending of the fiscal year	$ (21,207,500)	$ (21,687,284)

The accompanying notes are an integral part of these financial statements.

Note A: Organization and Summary of Significant Accounting Policies

The basic financial statements of the Successor Agency of the El Cajon Redevelopment Agency, California (the Successor Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Successor Agency's accounting policies are described below.

1. *Reporting entity*

On January 10, 2012, the City of El Cajon elected to be the successor agency to the former El Cajon Redevelopment Agency, California (the Agency). Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is tasked with the responsibility of winding down the dissolved redevelopment agency's affairs, continuing to meet the former agency's enforceable obligations, overseeing completion of redevelopment projects, and disposing of the assets and properties of the former redevelopment agency; all as directed and approved by the Oversight Board. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area. The Oversight Board of the Successor Agency is comprised of seven members appointed by the:

- County Board of Supervisors (two members)
- Mayor of the City of El Cajon (one member)
- County Superintendent of Education (one member)
- Chancellor of California Community Colleges (one member)
- Largest special district taxing entity (one member); and
- Mayor of City of El Cajon representing the employees of the former redevelopment agency (one member).

City of El Cajon employees perform the necessary day-to-day activities of the Successor Agency to bring existing projects to completion, collect information and perform analysis regarding disposal of agency assets, and provide administrative support to the Oversight Board.

The Successor Agency's assets and activities are accounted for in a fiduciary fund (private-purpose trust fund), since the Successor Agency is not a component unit of the City of El Cajon's financial reporting entity.

Note A: Organization and Summary of Significant Accounting Policies (continued)

2. ***Basis of accounting and measurement focus***

The Successor Agency serves as the custodian of the assets for the dissolved redevelopment agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved redevelopment agency are reported as a fiduciary fund (private-purpose trust fund.) The private-purpose trust fund financial statements consist of a Statement of Fiduciary Net Position ("balance sheet') and a Statement of Changes in Fiduciary Net Position ('income statement".)

Private-purpose trust funds are accounted for using the "economic resources" measurement focus and accrual basis of accounting. Accordingly, all of the Successor Agency's assets and liabilities (both current and noncurrent) are included in the Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents additions to (revenues) and deductions from (expenses) the total net position. Expenses are recorded in the period in which the liability is incurred while revenues are recognized in the period in which they are earned. Property tax revenues are recognized in the fiscal year for which they are levied.

3. ***Property Tax***

The Successor Agency's primary source of funding is property taxes allocated by the San Diego County-Auditor's Office (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former redevelopment agency's enforceable obligations. The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January-June and July-December.) The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payments of the County's administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated annually an administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of $250,000, whichever is greater.

The County of San Diego (County) assesses bills and collects property taxes on behalf of numerous special districts and incorporated cities. The County distributes property taxes collected and deposited in the RPTTF to the successor agencies and the residual balances to other taxing entities in January and June of each year.

The Successor Agency has no power to levy and collect taxes, and any legislative property tax reduction might decrease the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds and other obligations. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions, would increase the amount of tax revenues that would be available to pay enforceable obligations.

Note A: Organization and Summary of Significant Accounting Policies (continued)

4. *Annual Budget*

Prior to the beginning of the fiscal year, the Oversight Board of the Successor Agency adopts an annual budget for the conduct of necessary activities, including administration, of the former redevelopment agency. Supplemental appropriations required during the period may also be approved by the Board.

5. *Cash and investments*

The cash and investments held by the Successor Agency are pooled in the City's cash and investments, except for cash held by the fiscal agents and funds invested in a Successor Agency Local Agency Investment Fund (LAIF) account. The Successor Agency's share in this pool is displayed in the accompanying basic financial statements as *cash and investments.* Based on monthly average cash and investment balances, investment income earned by the pooled investments is allocated quarterly to the various City funds, City component units and for certain agencies, including the Successor Agency.

The Successor Agency participates in LAIF, an investment pool managed by the State of California. Investments are reported at fair value and changes in fair value that occur during a fiscal year are reported as *investment earnings* for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

6. *Assets held for resale*

Assets held for resale, consisting of real property and equipment, are capitalized at the lower of acquisition cost or estimated resale value.

7. *Capital assets*

Capital assets are reported at historical costs where records are available and at an estimated cost, if no historical records exist. Contributed fixed assets are valued at their estimated fair market value at the date of donation. Equipment purchases and capital projects with costs in excess of $10,000 and estimated useful life in excess of two years are capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset	Useful Life
Infrastructure	20 - 60 years
Buildings and improvements	10 - 50 years
Machinery and equipment	2 - 20 years

Note A: Organization and Summary of Significant Accounting Policies (continued)

8. *Liabilities*

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former redevelopment agency. Bond issuance and discount costs are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of bond discount.

9. *Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the related reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

10. *Implementation of new Governmental Accounting Standards Board (GASB) pronouncements*

The Successor Agency implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the accompanying financial statements as of June 30, 2013.

Note B: Cash and Investments

Cash and investments, as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Cash and investments	$ 6,718,033
Restricted cash and investments with fiscal agent	6,357,881
Total cash and investments	$ 13,075,914

Cash and investments, as of June 30, 2013, consist of the following:

Cash on hand and deposits	$ 1,831,749
Investments	11,244,165
Total cash and investments	$ 13,075,914

Note B: Cash and Investments (continued)

Equity in the cash and investment pool of the City of El Cajon

The Successor Agency participates in the cash and investment pool managed by the City of El Cajon. The pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council. The Successor Agency did not adopt an investment policy separate from that of the City of El Cajon. The cash and investment pool, other than debt proceeds held in restricted accounts, may be invested in any instrument authorized by the California Government Code Section 53601 and by the City's investment policy. The list of investment types authorized for the City is provided in the cash and investment notes to the basic financial statements of the City.

The Successor Agency's cash and investment pooled in the City's cash and investment is reported in the accompanying financial statements at fair value amounts based upon the Successor Agency's pro-rata share of the fair value calculated for the entire City portfolio.

Investments authorized by debt agreements

Investment of debt proceeds with fiscal agents is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments with fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
General Obligations of States	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Pre-Refunded Municipal Obligations	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Note B: Cash and Investments (continued)

Investment in State investment pool

The Successor Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the investment in this pool is stated at amounts based upon the Successor Agency's pro-rata share of fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is $50,000,000.

Risk Disclosures

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. Exposure to interest rate risk is minimized by purchasing a combination of shorter term and longer term investments and by timing the cash flows from maturities so that a portion of the portfolio is maturing and or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

The Successor Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City is provided by disclosures in the notes to the basic financial statements of the City that show the distribution of the City's investments by maturity.

The sensitivity of the Successor Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

		Remaining maturity			
Investment Type	Amounts	12 Months Or Less	13-24 Months	25-60 Months	More Than 60 Months
State Investment Pool	$ 4,886,284	$ 4,886,284	$ -	$ -	$ -
Held by fiscal agent:					
Invesco Treasury Private Fund	1,317,320	1,317,320	-	-	-
State Investment Pool	5,040,561	5,040,561	-	-	-
Total	$ 11,244,165	$ 11,244,165	$ -	$ -	$ -

Note B: Cash and Investments (continued)

Risk Disclosures (continued)

Credit Risk – This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table is the minimum rating required by (where applicable) the California Government Code, the Successor Agency's investment policy or debt agreements, and the actual rating as of June 30, 2013, for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings at June 30, 2013 AAA	Not Rated
State Investment Pool	$ 4,886,284	N/A	$ -	$ 4,886,284
Held by fiscal agent:				
Invesco Treasury Private Fund	1,317,320	AAA	1,317,320	-
State Investment Pool	5,040,561	N/A	-	5,040,561
Total	$ 11,244,165		$ 1,317,320	$ 9,926,845

Custodial Credit Risk – The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or collateral securities that are held by an outside party. As of June 30, 2013, none of the Successor Agency's deposits pooled with the City's deposits was held in uncollateralized accounts. The Successor Agency does not have significant separate certificates of deposit or demand accounts held by the fiscal agent that are subject to custodial credit risk disclosure.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Successor Agency does not have direct investments in securities subject to custodial credit disclosure. For the investments held by the fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Note C: Loans Receivable

The Successor Agency is tasked with monitoring the loan agreements entered into by the former El Cajon Redevelopment Agency for financing construction and tenant improvements of businesses in the project area. As of June 30, 2013, the Successor Agency had the following loans receivables:

	Balance at June 30, 2013
Parkway Plaza GP, LLC	
In March 2011, the former Agency entered into an Owner Participation Agreement with Parkway Plaza GP, LLC (Developer) to rehabilitate and renovate the Westfield Parkway Shopping Mall (Site). The Agency agreed to loan the Developer up to $2,000,000 for the construction of new façade improvements and landscaping within the shopping center and completion of tenant improvements to accommodate new retail uses. The terms and conditions of the Agency loan are stated in a promissory note. Interest accrues annually on the outstanding principal balance at the LIBOR Rate. The Agency shall forgive accrued interest first, then principal, in an amount equal to the sales taxes and net property taxes generated from the Site each year. The balance of outstanding principal and accrued interest must be paid to the Agency within ten years of the note date. Total loan disbursed was $1,972,400 and accrued interest was $4,904 as of June 30, 2013.	$ 1,977,304
JKC Palm Springs Automotive, Inc.	
In March 2011, the former Agency entered into an Owner Participation Agreement with JKC Palm Springs Automotive, Inc. (Developer) to rehabilitate the real property, buildings, and facilities operated as the Team KIA El Cajon motorcar dealership (Site). The Agency agreed to loan the Developer up to $650,000 for the costs the Developer incurs in planning, designing, and constructing the Site improvements. The note was secured by a Deed of Trust. The loan accrues an annual interest rate of 3% starting on the fourth Operating Year following the date of recordation of the Release Construction Covenants. In the fifth Operating year, the Agency shall forgive accrued interest first, then principal, in an amount equal to the sales taxes generated from the Site each year. In the tenth year from the date of recordation of the Release Construction Covenants, the Developer must pay any balance of outstanding principal and accrued interest to the Agency. As of June 30, 2013, the outstanding principal was $650,000.	650,000

Note C: Loans Receivable (continued)

	Balance at June 30, 2013
Inland Properties (US) Inc.	
In April 2011, the former Agency authorized the sale of the 440 and 542 N. Johnson Avenue property (Site) to Inland Properties (US) Inc. (Developer) for $2,500,000. The Developer made a down payment of $600,000 and a promissory note was executed for the remaining $1,900,000. The note was secured by a Deed of Trust. In the sixth year following the date of recordation of the Release Construction Covenants, repayment begins for a period of ten years, with an annual interest rate of 3.25% on the outstanding principal loan balance. The Agency shall forgive accrued interest first, then principal, in an amount equal to the sales and use taxes generated from sales occurring on the Site in each year.	$ 1,900,000
Downtown El Cajon Brewery Company, Inc.	
On October 1, 2012, the Downtown El Cajon Brewing Co. Inc. (Borrower) filed for reorganization under Chapter 11 of the Bankruptcy Code. The Successor Agency held three promissory notes (Notes) with outstanding principal balances totaling $617,702. All three Notes were secured by a Participation Agreement, Leasehold Deed of Trust, and Promissory Notes (Loan Documents).	-
On April 1, 2013, the Borrower executed a Settlement Agreement with the Successor Agency, surrendering possession of all furniture, fixtures and equipment, and inventory assets related to the operation of the business located at 110 N. Magnolia Avenue. Based on an appraisal that was obtained on May 15, 2013, the Successor Agency recorded the furniture, fixtures and equipment, and inventory as assets held for resale at a market value of $256,500. As of June 30, 2013, the balance of the loan, totaling $361,202, was written off as bad debt expense.	
Total	$ 4,527,304

Note D: Capital Assets

At June 30, 2013, the capital assets held by the Successor Agency consisted of the following:

	Beginning balance	Additions		Deletions	Ending balance
Nondepreciable assets:					
Land	$ 1,753,823	$ 180,685	*	$ -	$ 1,934,508
Total nondepreciable assets	1,753,823	180,685		-	1,934,508
Depreciable assets:					
Land improvements	5,992,732	-		-	5,992,732
Total depreciable assets	5,992,732	-		-	5,992,732
Less accumulated depreciation:					
Land improvements	(203,196)	(599,273)		-	(802,469)
Total accumulated depreciation	(203,196)	(599,273)		-	(802,469)
Capital assets, net	$ 7,543,359	$ (418,588)		$ -	$ 7,124,771

*This amount was the change in the book value of a parcel of land based on historical records collected during the preparation of the Successor Agency's Long Range Property Management Plan.

Note E: Long-Term Liabilities

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former El Cajon Redevelopment Agency. The following is a schedule of changes in long-term liabilities for the fiscal year ended June 30, 2013:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds:					
2000 Tax allocation refunding bonds	$ 15,915,000	$ -	$ 30,000	$ 15,885,000	$ 35,000
2005 Tax allocation refunding bonds	34,770,000	-	1,010,000	33,760,000	1,045,000
2007 Tax allocation bonds	14,330,000	-	315,000	14,015,000	330,000
Subtotal bonds	65,015,000	-	1,355,000	63,660,000	1,410,000
Less Unamortized discount	(1,068,635)	-	(44,529)	(1,024,106)	-
Total bonds	63,946,365	-	1,310,471	62,635,894	1,410,000
Due to the City of El Cajon	3,062,497	-	748,539	2,313,958	771,246
Compensated absences	92,869	-	92,869	-	-
Total long-term debt	$ 67,101,731	$ -	$ 2,151,879	$ 64,949,852	$ 2,181,246

Note E: Long-Term Liabilities (continued)

2000 Tax allocation refunding bonds

On August 15, 2000, the former Agency issued $16,000,000 Taxable Tax Allocation Refunding Bonds, Issue of 2000, and (the Bonds) to refund the bank notes payable. The Bonds are being issued on a parity basis with the Agency's Tax Allocation Refunding Bonds, Issue of 1997. The Bonds are term bonds maturing on October 1, 2020, and October 1, 2030, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, by October 1, 2006, and October 1, 2021, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 7.6% to 7.7%. The Agency pledged 100% of property tax from the RPTTF as security for the bonds.

The debt service requirements for the 2000 Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 35,000	$ 1,221,405	$ 1,256,405
2015	40,000	1,218,555	1,258,555
2016	50,000	1,215,135	1,265,135
2017	55,000	1,211,145	1,266,145
2018	55,000	1,206,965	1,261,965
2019 – 2023	330,000	5,967,228	6,297,228
2024 – 2028	8,495,000	4,359,933	12,854,933
2029 – 2032	6,825,000	814,082	7,639,082
Totals	$ 15,885,000	$ 17,214,448	$ 33,099,448

Note E: Long-Term Liabilities (continued)

2005 Tax allocation refunding bonds

On October 1, 2005, the former Agency issued $40,000,000 Tax Allocation Refunding Bonds, Issue of 2005, (the Bonds) to advance refund the 1997 Tax Allocation Refunding Bonds, of which $29,440,000 were outstanding as of October 1, 2005. As of June 30, 2006, the 1997 bonds had been paid in full. This resulted in a present value cash flow savings of $1,070,000 and a deferred amount on refunding (difference between the present value of the new debt service payments and the old debt service payments) of $10,176,549. The Bonds are term bonds maturing on October 1, 2030 and October 1, 2036, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3% to 4.5%. The Agency pledged 100% of property revenues from the RPTTF as security for the bonds. The bonds are presented net of unamortized discount of $1,024,109.

The debt service requirements for the 2005 Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 1,045,000	$ 1,464,805	$ 2,509,805
2015	1,085,000	1,420,849	2,505,849
2016	1,125,000	1,373,886	2,498,886
2017	1,170,000	1,325,118	2,495,118
2018	1,225,000	1,272,693	2,497,693
2019 – 2023	6,965,000	5,523,908	12,488,908
2024 – 2028	1,000,000	4,645,125	5,645,125
2029 – 2033	6,550,000	4,173,300	10,723,300
2034 – 2038	13,595,000	1,256,962	14,851,962
	33,760,000	22,456,646	56,216,646
Less Unamortized Discount	(1,024,106)	-	(1,024,106)
Totals	$ 32,735,894	$ 22,456,646	$ 55,192,540

Note E: Long-Term Liabilities (continued)

2007 Tax allocation bonds

On October 1, 2006, the former Agency issued $15,750,000 Tax Allocation Bonds, Issue of 2007, (the Bonds) to finance redevelopment project activities within or for the benefit of the City of El Cajon Redevelopment Project Area of the Agency. The Bonds are being issued on a parity basis with the Agency's Taxable Tax Allocation Refunding Bonds, Issue of 2000, and Tax Allocation Refunding Bonds, Issue of 2005. The Bonds are term bonds maturing October 1, 2030, and October 1, 2037, and are subject to mandatory redemption from mandatory sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3.45% to 4.25%. The Agency pledged 100% of property tax revenues from the RPTTF as security for the bonds.

The debt service requirements for the 2007 Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 330,000	$ 593,707	$ 923,707
2015	345,000	579,362	924,362
2016	355,000	564,488	919,488
2017	375,000	548,975	923,975
2018	390,000	532,718	922,718
2019 – 2023	2,210,000	2,400,280	4,610,280
2024 – 2028	1,810,000	1,986,606	3,796,606
2029 – 2033	3,000,000	1,512,635	4,512,635
2034 – 2038	5,200,000	627,813	5,827,813
Totals	$ 14,015,000	$ 9,346,584	$ 23,361,584

Note E: Long-Term Liabilities (continued)

The annual requirements to amortize all bonds outstanding at June 30, 2013, including interest payments to maturity, are as follows:

Year Ending at June 30,	Principal	Interest	Total
2014	$ 1,410,000	$ 3,279,917	$ 4,689,917
2015	1,470,000	3,218,766	4,688,766
2016	1,530,000	3,153,509	4,683,509
2017	1,600,000	3,085,238	4,685,238
2018	1,670,000	3,012,376	4,682,376
2019 – 2023	9,505,000	13,891,416	23,396,416
2024 – 2028	11,305,000	10,991,664	22,296,664
2029 – 2033	16,375,000	6,500,017	22,875,017
2034 – 2038	18,795,000	1,884,775	20,679,775
	63,660,000	49,017,678	112,677,678
Less Unamortized Discount	(1,024,106)	-	(1,024,106)
Totals	$ 62,635,894	$ 49,017,678	$ 111,653,572

Due to the City of El Cajon

The Agency entered into an agreement with the City of El Cajon to purchase the property at 100 Fletcher Parkway on June 15, 2011. The property was the site of the former police facility. Amendments to the general plan and zoning designations were adopted prior to the purchase in order to facilitate future commercial development and to increase the marketability of the property. The appraisal was for $4,850,000, which was the purchase price of the property. The former Agency made a $1 million down payment and executed a Promissory Note secured by a Deed of Trust for $3,850,000. The note bears an interest rate of 3% and requires an annual payment (total principal and interest) of $840,665 for five years. The Successor Agency received funds from the RPTTF to make the annual payment due on December 1, 2012 and the balance of outstanding principal at June 30, 2013 was $2,313,958. See Note I, Subsequent Events, for additional information regarding this loan.

Note F: Debt Without Government Commitment

In April 1998, the former El Cajon Redevelopment Agency issued $5,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds, Series 1998 (Park-Mollison and Madison apartments) to provide for the acquisition and rehabilitation of two multifamily rental housing developments owned by Madison/Mollison, L.P., a California limited partnership. Pursuant to a Loan Agreement, the former redevelopment agency loaned the proceeds of the Bonds to the Owner for its use in financing the project. The bonds were called and paid in full in May 2013. At June 30, 2013, $0 was outstanding.

Note G: Commitments and Contingencies

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.

Note H: Restatements

The Successor Agency restated its beginning balance of net position as follows:

Net position, beginning as previously reported	$ (21,483,047)
Restatements	(204,237)
Net position, beginning as restated	$ (21,687,284)

The restatement was due to a change in accounting principle with the implementation of GASB Statement No. 65. Unamortized bond issuance costs, except for the portion related to prepaid bond insurance costs, were reclassified as expenses in the period incurred.

Note I: Subsequent Events

State Controller's Office Asset Transfer Review

On June 24, 2013, pursuant to HSC Section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the former El Cajon Redevelopment Agency (RDA) to the City of El Cajon or any public agency after January 1, 2011. In the draft report, received on August 29, 2013, the SCO made a preliminary determination that the former RDA made "unallowable asset transfers" totaling $23,096,415 ($21,255,750 to the El Cajon Housing Authority and $1,840,665 to the City of El Cajon) after January 1, 2011.

The asset transfer of $21,255,750 to the El Cajon Housing Authority on February 1, 2012, consisted of cash, loan receivables, and real properties that were acquired with Low and Moderate Income Housing funds for housing purposes. The SCO acknowledged corrective actions were taken by the Successor Agency subsequent to the transfer, and prior to SCO's review; therefore, the SCO made no recommendation for further action.

The asset transfer of $1,840,665 was comprised of the $1,000,000 down payment and the first installment payment of $840,665 on a promissory note for the former RDA's purchase of real property from the City for $4,850,000 on June 16, 2011. The SCO preliminarily ordered the City to turn over the $1,840,665 of cash assets to the Successor Agency for remittance to the county auditor-controller.

On September 6, 2013, the Successor Agency issued a response to the draft report disagreeing with the preliminary findings. The Successor Agency and the City will take the necessary actions once the final report is received from the SCO.

Due to the City of El Cajon, Land Purchase

The State Department of Finance denied the Successor Agency's funding request for the third installment payment of $840,665 due to the City on December 1, 2013. Based on AB1484 requirements, loan payments by the Successor Agency to the City must be recalculated at an interest rate not to exceed the LAIF interest rate, and loan payments cannot begin until fiscal year 2014-15 with the maximum payments strictly limited by a statutory formula.

CITY OF EL CAJON – SUCCESSOR AGENCY

EL CAJON
The Valley of Opportunity
Incorporated 1912

OVERSIGHT BOARD MEMORANDUM

DATE: December 17, 2013

TO: Oversight Board Members

FROM: Jenny Ficacci, Housing Manager

SUBJECT: Request to commit 2005 Low and Moderate-Income Housing Fund Bond Proceeds for El Cajon Housing Authority Project #HA1501

Please find attached a request from the El Cajon Housing Authority Executive Director, Douglas Williford, requesting the Successor Agency commit the remaining 2005 Low and Moderate Income Housing Fund Bond Proceeds ("LMIHF Bond Proceeds") balance, required for set-aside as part of the Tax Allocation Refunding Bonds issue of 2005, for a Housing Authority project during FY2014-15. The LMIHF Bond Proceeds balance is estimated at $689,617 as of June 30, 2014.

The proposed project, "Hsg Auth Development & Revitalization Activities" #HA1501, was included as part of the City/Housing Authority annual Capital Improvement Plan ("CIP") process, and anticipates the use of LMIHF Bond Proceeds to be leveraged with other funding sources for the production, replacement or preservation of affordable housing units, which meets the covenants of the Tax Allocation Refunding Bonds Issue of 2005.

Staff anticipates the LMIHF Bond Proceeds to be programmed in the FY2014-15 budget for the acquisition of property, and will be spent immediately upon close of escrow.

Jenny Ficacci
Housing Manager

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EL CAJON HOUSING AUTHORITY

MEMORANDUM

DATE: December 17, 2013

TO: Successor Agency Staff

FROM: Douglas Williford, Executive Director

SUBJECT: Request to commit 2005 Low and Moderate Income Housing Bond Proceeds for Housing Authority Project and placement on ROPS 14-15A.

The Housing Authority is the Successor Housing Entity to the former El Cajon Redevelopment Agency housing assets and functions. Through the annual Capital Improvement Plan ("CIP") process, which is currently underway, the Housing Authority has developed a project to acquire multi-family property intended to produce, replace or preserve affordable housing units, at risk of conversion to market rate, for extremely low- and low-income households. With the loss of redevelopment and ongoing housing revenues, the Housing Authority must leverage several funding sources, including the use of 2005 Low and Moderate-Income Housing Bond Proceeds (Housing Bond Proceeds), to allow the project to come to fruition. A copy of the project sheet, "Hsg Auth Development & Revitalization Activities", is attached.

In order to utilize the Housing Bond Proceeds, the Housing Authority must request use of funds from the Successor Agency at least 20 days prior to the deadline for submission of the Recognized Obligation Payment Schedule (ROPS) to the Oversight Board. Review of requests by the Successor Agency, Oversight Board and California Department of Finance (DOF) are limited to a determination that requests are consistent with bond covenants and that there are sufficient funds.

At the end of Fiscal Year 2013-14, the Successor Agency anticipates that the balance of the Low and Moderate-Income Housing proceeds of the Tax Allocation Refunding Bonds Issue of 2005 (2005 Housing Bond Proceeds) will be approximately $689,617. The Official Statement for the issuance of these bonds requires that the 2005 Housing Bond Proceeds must be used for projects benefitting low and moderate income housing.

As the proposed project is intended for the purpose of acquiring property intended to produce, replace or preserve affordable housing units for extremely low- and low-income households, which meets the requirements of the bond covenants, and sufficient Housing Bond Proceeds exist, please include this request on ROPS 14-15A for review and approval by the Oversight Board and DOF.

Attachments:
1. Hsg Auth Development & Revitalization Activities – 5 Year CIP Project Sheet
2. 2005 Low and Moderate-Income Housing Bond Proceeds – Fund Balance
3. Tax Allocation Refunding Bonds Issue of 2005 – Official Statement cover and page 3

Project Category:	**Economic Development**	**Title:**	**Hsg Auth Development & Revitilization Activities**
Project Manager:	**Assistant City Manager**	**Location:**	**To be determined**

Activity and Project Number	**Project Ranking:**	**Preliminary Cost Est:**
HA1501		$4,536,000
Department: Community Development	_X_ New Project ___ Prior Year Project	Total Est Exp. as of 6/30/14: None

Description:

This project provides for the acquisition and ongoing management of a multi-family residential complex, to be acquired by the El Cajon Housing Authority, during FY2014-15, and intended to produce, replace or preserve affordable housing units for extremely low- and low-income households, that are potentially at risk of conversion to market rate, pursant to Senate Bill 341.

Justification:

Prior to the dissolution of the El Cajon Redevelopment Agency effective February 1, 2013, the Housing Authority elected to become the successor housing entity and accept the transfer of housing assets and functions. Housing Authorities Law provides that the primary purpose of a Housing Authority is to provide decent, safe and sanitary housing for persons of low income. In addition, Senate Bill 341 (SB 341) that was approved on October 13, 2013, futher deepend the income levels for which successor housing entities must spend Low and Moderate Income Housing Funds (LMIHAF). This project anticipates the return of two loan receivables from the Laurel Village Project, which will be reprogrammed for acquisition of the subject or other property.

Project Status and/or Timeline for Project Completion:

As LMIHAF and other funds are returned or reprogrammed by the City and Housing Authority, properties will be identified and presented to Housing Authority Commissioners for potential acquisition. Use of 2005 Low and Moderate-Income Housing Fund bond proceeds for acquisition and or rehabilitation will be subject to approval by the Oversight Board and the California Department of Finance (DOF).

Relationship to General and Community Plans:

This project is consistent with the General Plan for designation for housing and meets the objectives of both SB 341 and Housing Authorities Law for the production or preservation of affordable housing units at risk of conversion to market rate.

Operating Budget Effect and Amount:

Project costs to be paid from the return of Low- and Moderate-Income Housing Asset or other funds received by the Housing Authority or City. Use of 2005 Low- and Moderate Income Housing Bond Proceeds will be subject to approval for use by the Oversight Board and DOF.

COSTS	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Five-Year Total
Legal Services (8345)	12,000	12,240	12,485	12,734	12,989	62,448
Other Prof/Tech Services (8395)	46,433	47,121	47,824	48,540	49,271	239,189
Interal Prof/Tech Services (8396)	32,711	33,365	34,033	34,713	35,408	170,230
Property Insurance (8516)	10,000	10,200	10,404	10,612	10,824	52,040
Property Taxes (8573)	4,020	4,100	4,182	4,266	4,351	20,920
Rent Expense (8574)	17,216	17,561	17,912	18,270	18,636	89,595
Repairs & Maintenance (8576)	50,000	51,000	52,020	53,060	54,121	260,201
Service Maintenance Contracts (8584)	13,200	13,464	13,733	14,007	14,288	68,692
Utilities (8598)	42,000	42,840	43,697	44,571	45,462	218,570
Land Acquisition (9050)	3,350,000					3,350,000
Construction-Buildings (9060)						-
Land Improvements (9055)						-
Relocation Costs (9080)						-
Other: Contingency	2,420	109	710	227	649	4,115
PROJECT TOTAL:	**3,580,000**	**232,000**	**237,000**	**241,000**	**246,000**	**4,536,000**
Source(s) of Funds:						
2005 LMIHAF Bond Proceeds (0295)	689,217					689,217
LMIHAF (298)	2,058,740					2,058,740
HOME Funds (275)	832,043					832,043
Rental Income	-	232,000	237,000	241,000	246,000	956,000
						-
FUNDING TOTAL:	**3,580,000**	**232,000**	**237,000**	**241,000**	**246,000**	**4,536,000**

City of El Cajon - Successor Agency
Cash/Fund Balances
as of November 26, 2013

	Bonds 2005 Bonds Fund 0295
Fund Balances 06/30/2013 (Balance Sheets) per 13	**687,896.80**
Adjustments to Balance Sheets:	
Unspent proceeds from Promissory Note	
DDR Restrictions (OFA)	
ROPS 13-14A RPTTF	
	687,896.80
Revenues	
Investment Earnings (.25%) - thru June 2014	**1,719.74**
Unrealized gain (loss)	-
Total Revenues	1,719.74
Administrative Expenditures	
Administrative Expenditures	-
Capital Project Expenditures	
HA1201 - Housing Auth Project #1	
Total Expenditures	-
Ending Balance, 06/30/2014	**689,616.54**
Balances per Finance Plus as of	*688,090.37*

NEW ISSUE - FULL BOOK-ENTRY

Standard & Poor's: "AAA/BBB+"
(Ambac Insured—See "Ratings" herein)

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with covenants of the El Cajon Redevelopment Agency (the "Agency") intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is also exempt from present State of California personal income taxes. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity is original issue discount. See "TAX EXEMPTION" herein for a discussion of the effect of certain provisions of the Code on Owners of the Bonds.

$40,000,000
EL CAJON REDEVELOPMENT AGENCY
EL CAJON REDEVELOPMENT PROJECT
TAX ALLOCATION REFUNDING BONDS
ISSUE OF 2005

Dated: Delivery Date **Due: October 1, as shown below**

The $40,000,000 El Cajon Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 2005 (the "Bonds") will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of $5,000, or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium, if any, and semiannual interest (due April 1 and October 1 of each year, commencing April 1, 2006) on the Bonds will be payable by The Bank of New York Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see "THE BONDS—Book-Entry System" herein).

The Bonds maturing on October 1, 2030 and October 1, 2036 are subject to mandatory redemption from mandatory sinking account payments, in part by lot, on October 1, 2023 and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

The Bonds maturing on or after October 1, 2015 are subject to optional redemption prior to maturity, in whole or in part, on October 1, 2014 and on any date thereafter, without premium, as described herein.

The Bonds are being issued (i) to refund the Agency's $35,745,000 El Cajon Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1997, of which $29,440,000 is currently outstanding (the "1997 Bonds") (ii) finance additional redevelopment project activities within or for the benefit of the El Cajon Redevelopment Project Area (the "Project Area") of the El Cajon Redevelopment Agency (the "Agency"), (iii) purchase a surety bond to be held for the benefit of the Bonds in the Reserve Account, and (iv) pay costs of issuing the Bonds. The Bonds are being issued on a parity basis with the Agency's currently outstanding $16,000,000 El Cajon Redevelopment Project, Taxable Tax Allocation Refunding Bonds, Issue of 2000 (the "2000 Bonds"), and are payable from and secured by the Pledged Revenues (as defined herein) to be derived by the Agency from the Project Area. Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the base year property roll (Fiscal Year 1970-71 for the original portion of the Project Area and Fiscal Year 1986-87 for the added portion of the Project Area) to the extent they constitute Pledged Revenues shall be deposited in the Special Fund and administered by the Trustee for the payment of the principal of and interest on the Bonds and the 2000 Bonds. In addition, payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Bonds.

Ambac

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to making an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein. The Bonds are being issued for sale to the El Cajon Public Financing Authority (the "Authority"). The Authority will resell the Bonds to the Underwriter.

The Bonds are not a debt of the City of El Cajon, the State of California or any of its political subdivisions and neither said City, said State or any of its political subdivisions is liable therefor. The principal of and interest on the Bonds are payable solely from the Pledged Revenues allocated to the Agency from the Project Area and in the Indenture (as defined herein).

The Bonds are offered when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the Agency by McDougal, Love, Eckis, Smith, Boehmer & Foley El Cajon, California, Agency Counsel and by Quint & Thimmig LLP, San Francisco, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York on or about August 25, 2005.

WEDBUSH MORGAN SECURITIES

The Date of this Official Statement is August 17, 2005.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is summarized as follows:

Sources	
Principal Amount of Bonds	$40,000,000.00
1997 Bonds Special Fund and Accounts	2,757,631.77
Reoffering Premium	37,701.55
Total Sources	$42,795,333.32
Uses	
Underwriter's Discount	316,000.00
Original Issue Discount	490,092.95
Deposit to Escrow Fund (1)	30,667,170.77
Deposit to Costs of Issuance Fund (2)	992,108.23
Deposit to Redevelopment Fund (3)	10,329,961.37
Total Uses	$42,795,333.32

(1) The Escrow Fund will be funded in an amount necessary to provide for the purchase of Federal Securities and/or cash necessary for the payment of the principal and interest and redemption premium on the 1997 Bonds through and including October 1, 2005.
(2) To be used to pay a portion of the fees and expenses of bond counsel, disclosure counsel, Agency counsel and the Trustee and its counsel, among others, Financial Guaranty Insurance Policy premium, the Reserve Account Surety Bond premium, printing costs and other costs of issuance.
(3) Not less than twenty percent (20%) of the net proceeds of the Bonds deposited into the Low and Moderate Income Housing Fund to be used for projects benefiting low and moderate income housing.

THE FINANCING PLAN

Refunding of 1997 Bonds

On the Delivery Date, a portion of the proceeds of the Bonds, together with certain other funds, will be deposited in trust with The Bank of New York Trust Company, N.A., Los Angeles, California, as escrow holder (the "Escrow Bank") pursuant to the Indenture and an escrow deposit and trust agreement dated August 1, 2005, between the Agency and the Escrow Bank (the "Escrow Agreement").

The deposit will be in an amount sufficient to pay principal, premium and interest on the 1997 Bonds through and including October 1, 2005. The lien of the 1997 Bonds created by the 1997 Indenture, including, without limitation, the pledge of the Pledged Revenues, will be discharged, terminated and of no further force and effect upon the deposit with the Escrow Bank of the amounts required pursuant to the Escrow Agreement.

New Financing

A portion of the proceeds of the Bonds will be used to fund redevelopment activities of the Agency within or for the benefit of the Project Area. At present, the Agency anticipates using the proceeds of the Bonds for capital improvement projects including but not limited to road improvements, landscape, under-grounding utilities, intersections and downtown sidewalks.

CITY OF EL CAJON – SUCCESSOR AGENCY

EL CAJON
The Valley of Opportunity
Incorporated 1912

OVERSIGHT BOARD MEMORANDUM

DATE: January 7, 2014

TO: Oversight Board Members

FROM: Jenny Ficacci, Housing Manager

SUBJECT: Department of Finance Determination Letter – ROPS 13-14B

As a result of a Meet and Confer held on November 14, 2013, the Department of Finance (DOF) issued a determination letter for ROPS 13-14B dated December 17, 2013, and the net result is as follows:

1. DOF no longer denied legal costs totaling $27,250 to be paid with RPTTF and Other Funding, but instead requires the Successor Agency to charge legal expenses for those activities to administration without additional funding;
2. DOF continues to disallow $17,134 in administration costs so not exceed the administration cap of $250,000 per fiscal year. DOF approved $187,671 for ROPS 13-14A plus the revised amount of $62,329 for ROPS 13-14B, totals $250,000;
3. DOF continues to deny the Promissory Note payment for 100 Fletcher Parkway of $840,665 at this time;
4. DOF continues to deny $361,020 in demolition costs for 100 Fletcher Parkway; and
5. DOF continues to deny $367,650 in demolition costs for the Civic Center Complex Revitalization Project.

Based on the December 17, 2013, determination letter, DOF denied a total of $1,611,219 in RPTTF funded expenditures, including Administration, plus $2,500 in "Other" expenditures, for total denied expenditures of $1,613,719.

Jenny Ficacci
Housing Manager

Attachments:
1. DOF ROPS 13-14B Determination Letter - December 17, 2013
2. DOF Denied Expenditures

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR

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

December 17, 2013

Ms. Victoria Danganan, Senior Accountant
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Ms. Danganan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 30, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Cajon Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 18, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 30, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 14, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item Nos. 62, 66, 70, 75, 82, and 86 – Legal Costs totaling $27,250 funded by RPTTF (Item Nos. 62, 66, 70, 82, and 86) and $2,500 funded by Other Funds (Item No. 75). Finance no longer denies these items; however, we have determined these are administrative costs. Per the meet and confer request, the Agency claims these projected costs are directly associated with the management of the Agency's projects. Our review indicates these costs are pursuant to a contract between the City, the Agency, and MCDougal, Love, Eckis, Boehmer & Foley, a legal firm, entered into on June 15, 2000 for the City Attorney and other supportive legal staff costs. This agreement was amended once on June 25, 2008 and again on July 26, 2013 to increase the benefits and compensation of the attorneys. Per HSC section 34171, administrative cost allowances shall exclude any litigation expenses related to assets or obligations, settlements and judgments, and the costs of maintaining assets prior to disposition. The contract provided by the Agency is not for any of these situations. In addition, while employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs and shall not constitute administrative costs, the attorneys are not employees of the Agency but rather contracted services.

- Claimed administrative costs exceed the allowance by $47,134 ($17,134 + $30,000). Finance previously determined that the Agency exceeded its administrative cost allowance by $17,134. We note that this amount is increased to $47,134 due to the above reclassification. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The San Diego County Auditor-Controller's Office distributed $187,671, thus leaving a balance of $62,329 available for ROPS 13-14B. Although 109,463 ($79,463 + $30,000) is claimed for administrative cost, only $62,329 is available pursuant to the cap. Therefore, $47,134 of excess administrative cost is not allowed. We also note that $2,500 of that amount was not payable with RPTTF; therefore, the adjustment to the approved RPTTF is $44,634.

In addition, per Finance's letter dated October 30, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 16 – City of El Cajon Loan Repayment in the amount of $840,665 is not allowed at this time. The Agency received a Finding of Completion on April 11, 2013. As such, the Agency may 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). While ROPS 13-14B falls within fiscal year 2013-14, the repayment of this loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

  HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) at this time.

- Item Nos. 73 and 88 – Disposition Costs totaling $728,670 are not enforceable obligations. No documentation was provided to support the amounts claimed. In addition, a Long Range Property Management Plan has not been approved supporting the necessity of the demolition costs for these properties. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding on ROPS 13-14B.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is $1,509,658 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	4,275,964
Total RPTTF requested for administrative obligations	79,463
Total RPTTF requested for obligations	**$ 4,355,427**
Total RPTTF requested for non-administrative obligations	**4,275,964**
Denied Items	
Item No. 16	840,665
Item No. 62*	1,250
Item No. 66*	1,000
Item No. 70*	5,000
Item No. 73	361,020
Item No. 82*	7,500
Item No. 86*	10,000
Item No. 88	367,650
	1,594,085
Total RPTTF approved for non-administrative obligations	**2,681,879**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**62,329**
Total RPTTF approved for obligations	**2,744,208**
ROPS III prior period adjustment	(1,234,550)
Total RPTTF approved for distribution	**$ 1,509,658**

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	4,060,555
Total RPTTF for 13-14B (January through June 2014)	2,681,879
Total RPTTF for 13-14A (July through December 2013)	**6,742,434**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	187,671
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**62,329**

* Reclassified to administrative costs.

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Holly Reed-Falk, Financial Operations Manager, City of El Cajon
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office

DEPARTMENT OF FINANCE
ROPS 13-14B Determination Letter dated December 17, 2013
Denied Expenditures

Line	Purpose	Amt Requested	Amt Denied RPTTF	Amt Denied Other	Total Denied	Amt Revised
16	Promissory Note - 100 Fletcher Pkway	$ 840,665	$ (840,665)	$ -	$ (840,665)	$ -
62	Legal - Hazmat Park Ballantyne*	$ 1,250	$ (1,250)	$ -	$ (1,250)	$ -
66	Legal - Hazmat Prescott Promenade*	$ 1,000	$ (1,000)	$ -	$ (1,000)	$ -
70	Legal - 100 Fletcher Pkway*	$ 5,000	$ (5,000)	$ -	$ (5,000)	$ -
73	Demolition - 100 Fletcher Pkway	$ 361,020	$ (361,020)	$ -	$ (361,020)	$ -
75	Legal - Johnson Avenue Corridor*	$ 2,500	$ -	$ (2,500)	$ (2,500)	$ -
82	Legal - Real Property Asset Mgmt*	$ 7,500	$ (7,500)	$ -	$ (7,500)	$ -
86	Legal - Civic Center Complex Revitilization Proj*	$ 10,000	$ (10,000)	$ -	$ (10,000)	$ -
88	Demolition - Civic Center Complex Revitilization Proj	$ 367,650	$ (367,650)	$ -	$ (367,650)	$ -
		$ 1,596,585	**$ (1,594,085)**	**$ (2,500)**	**$ (1,596,585)**	**$ -**
8	Administration	$ 79,463	$ (17,134)	$ -	$ (17,134)	$ 62,329
	TOTALS	**$ 1,676,048**	**$ (1,611,219)**	**$ (2,500)**	**$ (1,613,719)**	**$ 62,329**

*Legal Costs may now be paid out of Administration