

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-1

Urgent Routine

AGENDA DATE October 16, 2012

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Formally Suspend the Stanislaus County Economic Development Bank Until Further Notice and Establish a Procedure for Granting Loan Repayment Modification Terms for Previously Funded Projects and Related Actions

STAFF RECOMMENDATIONS:

1. Formally suspend the Stanislaus County Economic Development Bank until further notice.
2. Establish a procedure for granting loan repayment modification terms for previously funded projects based on past performance, nature of request, timeliness of repayment and the application of an annual interest charge equal to the County Treasury rate, or at a minimum 1%, on the remaining loan balance.
3. Authorize the Chief Executive Officer, or her designee, to sign amendments to the executed project funding agreements consistent with the newly established procedure.

FISCAL IMPACT:

There is no fiscal impact to the General Fund associated with this item. The Economic Development Bank program earmarked \$1.5 million dollars annually for five years (Fiscal Year 2001-2002 - Fiscal Year 2005-2006) for economic development projects with strong job creation and retention emphasis. Over that five-year period, appropriations were decreased three of those years (total appropriations \$6,211,950). The Board approved an additional \$1.5 million for Fiscal Year 2006-2007 as part of the annual budget approval process. For Fiscal Year 2007-2008, \$1.5 million was approved for the Economic Development
(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2012-519

On motion of Supervisor Monteith, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: Chiesa, Withrow, Monteith, De Martini and Chairman O'Brien

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

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FISCAL IMPACT: (Continued)

Bank but redirected to establish the Community Development Fund under the existing program. Since that time, no additional funding has been approved for the Economic Development Bank as a result of the County's fiscal position. Additionally, as part of the budget strategy for Fiscal Year 2009-2010, the Board released \$3 million dollars of Economic Development Bank fund balance to the General Fund during the Final Budget process as part of the County's budget balancing strategy that fiscal year.

To date, the Economic Development Bank has committed \$7,767,212.94 for 25 projects (6 previously funded economic development projects have withdrawn their proposals and others have used only those funds necessary for implementation) and associated administrative costs. Projects have varied from road infrastructure and water system improvements to business park development, renovation efforts and workforce development. 99% of committed funds have been distributed to date. 7% of total funds committed were allocated to grant based projects during the early life of the program. In total, the amount granted for a variety of economic development projects totaled \$551,693. These grants occurred during the early life of the program and this component was ultimately removed in Fiscal Year 2005-2006.

As of September 30, 2012, the uncommitted balance available in the Stanislaus County Economic Development Bank was approximately \$925,000 and includes loan repayments and accrued interest.

DISCUSSION:

On February 13, 2001, the Stanislaus County Board of Supervisors approved the formation of an Economic Development Bank (Bank) for the purpose of providing resources for economic development projects throughout the County. It was the Board's intent that the funds be used by the nine cities (Ceres, Hughson, Modesto, Newman, Oakdale, Patterson, Riverbank, Turlock, and Waterford) and Stanislaus County to finance infrastructure projects that make possible greater opportunities for job retention, creation, and workforce development.

Eligible jurisdictions with an interest in obtaining funding from the Bank were required to complete an application and submit it to the Stanislaus Economic Development and Workforce Alliance (Alliance). The Chief Executive Officer of the Alliance, and his designees, reviewed each application for completeness and eligibility and provided assistance in the application process as necessary. An Advisory Committee, consisting of representatives from each City and the County, evaluated all applications and made recommendations to the Alliance Board. The Alliance Board acted on the Advisory Committee's recommendation. A majority vote of the Alliance Board members was required before an application is forwarded to the Board of Supervisors for their formal

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review. A majority vote of the Board of Supervisors was required to award funds from the Economic Development Bank.

Completed Projects: Awarded Grants and Loans

The following is a summarized list of completed economic development projects funded from the Economic Development Bank in the form of grants or loans. All loans in this completed list have been repaid in full by the applicant jurisdiction. Grant recipients were not required to pay back awarded funding.

- Ceres Water System Improvements - water system improvements included extension of water mains and a new well to serve the Service Road Industrial Area. Approved on April 9, 2002. \$141,331 loan.
- Denair Community Services District Water Trunk Line - improvements to water line to improve fire flow capacity for downtown business district. Approved on April 9, 2002. \$50,000 grant and \$125,000 loan.
- Hickman Community Development Plan - development of plan with the specific goal of identifying economic development job creation opportunities for Hickman. Approved on April 9, 2002. \$2,310 grant.
- Modesto State Theater Restoration - restoration of the historic state theater located in downtown Modesto. Approved on March 9, 2004. \$150,000 grant.
- Newman Industrial Park Expansion - addition of well and extension of roads and utilities to serve new area (L, M, and Stanislaus Streets) of existing Industrial Park. Approved on April 9, 2002. \$190,000 loan.
- Patterson Baldwin Road Improvements - advanced engineering to design street improvement for the main entry (Baldwin Road) to the West Patterson Business Park. Approved on April 9, 2002. \$210,000 loan.
- Riverbank Enterprise Facilitation - facilitation program that offered technical assistance to existing and proposed small businesses. Approved on March 9, 2004. \$65,248 grant.
- Stanislaus County Enterprise Zone Environmental Impact Report - preparation of Environmental Impact Report document associated with development of Stanislaus County Enterprise Zone. Approved on December 14, 2004. \$65,248 grant.

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- Riverbank Roselle Master Sewer Line Project - installation of master sewer line serving commercial and industrial development along Roselle Avenue. Approved on July 8, 2003. \$350,000 loan.
- Riverbank Sports Complex - infrastructure improvements (street, sewer, water and storm drain) to serve Riverbank Sports Complex along Morrill Road. Approved on December 19, 2006. \$400,000 loan.
- Stanislaus County North Gateway Business Park Master Development Plan - master development plan for Planned Industrial area in former Salida Community Plan that identified infrastructure requirements and design and use standards. Approved on January 7, 2003. \$67,483 loan.
- Stanislaus County Route 132 East Improvements - widening and improvements of Route 132 East to provide transportation, economic development and responsible growth benefits to Stanislaus County. Approved on October 28, 2003. \$380,765 loan.
- Stanislaus County Targeted Technology Training - computer and software training using several pieces of curriculum with emphasis on job readiness. Approved on July 8, 2003, December 14, 2004 and June 27, 2006. \$187,478 grant.
- Turlock Francil West Main Infrastructure Project - installation of a sewer line system that will serve the Westside Industrial Specific Plan project area to provide necessary infrastructure. Approved on December 14, 2004. \$600,000 loan.
- Waterford Grange Hall - acquisition of Grange Hall building to establish Waterford Museum and Visitor's Center. Approved on April 9, 2002. \$40,000 grant.

Pending Projects: Active Loans

The following is a list of economic development projects funded from the Economic Development Bank through a loan with active repayment schedules. Project funding agreements were executed by the County and each respective government jurisdiction (city, redevelopment agency (now successor agency), or community services district) as appropriate. With the exception of the Riverbank Industrial Park Specific Plan Project, all awarded Economic Development Bank loans have been drawn down by the applicant jurisdiction. Per the executed project funding agreement, the City of Riverbank continues to draw down funds from the Economic Development Bank for the Specific Plan Project as the work is completed and anticipates using the full allocation in the current fiscal year.

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Knights Ferry Community Services District - Total Loan Balance \$59,820

Knights Ferry Water Treatment Plant - improvements to bring the public water system into compliance with State requirements.

- Loan amount/repaid: \$83,450/\$23,630.
- Repayment terms: to begin within 60 days after project completion in the amount of \$278 per month. Full repayment by December 31, 2028.

Modesto - Total Loan Balance \$500,000

Kiernan Business Park - implementation plan for the development of business park (industrial, residential, commercial and medical office).

- Loan amount/repaid: \$500,000/\$0.
- Repayment terms: to occur when financing mechanism is established which may include Community Facilities District established within the Kiernan Business Park area, loan repayment from developers, specific plan reimbursement fees or other funding mechanism established. If not repaid by March 1, 2014, parties agree to renegotiate another repayment schedule.

Modesto Redevelopment Agency - Total Loan Balance \$405,000

Kansas Avenue Business Park - development of master plan for the revitalization and redesign of the business park.

- Loan amount/repaid: \$405,000/\$0.
- Repayment terms: to occur from development (tax increment, proceed of land sale, tax allocations bonds, etc.). Repayment anticipated to begin when revenue streams become available. If not repaid in full by June 30, 2015, parties agree to renegotiate terms and conditions of loan repayment.
- Listed on Modesto Successor Agency to Former Redevelopment Agency ROPS (Recognized Obligation Payment Schedule) as required per the Redevelopment Dissolution Act.

Newman Redevelopment Agency - Total Loan Balance \$300,000

Newman Downtown Plaza - gateway to downtown plaza from State Highway Route 33 providing both a visual link and pedestrian connection.

- Loan amount/repaid: \$300,000/\$0.
- Repayment terms: to begin on July 1, 2012 at \$60,000 annually. Repayment terms renegotiated in September 2011. Full repayment by July 1, 2016.
- Listed on Newman Successor Agency to Former Redevelopment Agency ROPS (Recognized Obligation Payment Schedule) as required per the Redevelopment Dissolution Act.

Oakdale - Total Loan Balance \$104,000

Wakefield Drive Extension Phase I/II - construction of Gregor Avenue to Wakefield Drive to improve access to the Oakdale Business Park.

- Loan amount/repaid: \$293,000/\$189,000.

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- Repayment terms: Phase I: repayment of \$115,000 by December 31, 2007. Phase II: repayment of \$178,000 to begin on January 1, 2004 and loan shall be retired within 20 years or by January 1, 2024. City of Oakdale is currently making annual payments of \$9,000.

Patterson - Total Loan Balance \$600,000

Patterson Waste Water Treatment Facility - design of waste water treatment facility expansion to provide sewer capacity for further development in the West Patterson Business Park beyond the Keystone development.

- Loan amount/repaid: \$665,186.37/\$65,186.37.
- Repayment terms: to begin on January 31, 2012 with initial payment of \$65,186.37 and \$100,000 annually in each subsequent year. Repayment terms renegotiated in January 2012. Full repayment by January 31, 2018.

Riverbank - Total Loan Balance \$1,387,805

Riverbank Downtown Improvements - infrastructure improvements, reconstruction of streets, sidewalks, lighting, landscape and Plaza Del Rio in downtown area.

- Loan amount/repaid: \$500,000/\$100,000.
- Repayment terms: to begin on August 1, 2009 with initial \$100,000 payment (already provided to County) and then August 1, 2012 (\$100,000), August 1, 2013 (\$100,000) and August 1, 2014 (\$200,000). Repayment terms renegotiated in October 2010. Full repayment by August 1, 2014.

Riverbank Industrial Park Business Loan Program - development of loan program to create a fund to infuse existing manufacturing business at industrial park with the necessary capital to expand.

- Loan amount/repaid: \$750,000/\$0.
- Repayment terms: City anticipated using tax increment upon Riverbank Army Ammunition Plant property conveyance for repayment. Other repayment sources anticipated included lease revenue and business participation generated from the Riverbank Army Ammunition Plant. Full repayment by November 1, 2013.

Riverbank Industrial Park Specific Plan - development of specific plan for the revitalization and redevelopment of business park.

- Loan amount/repaid: \$300,000/\$0. (Drawn: \$237,804.52)
- Repayment terms: within 60 months of the first disbursement of funding and no later than December 31, 2014, the project will be complete and the loan repaid. City anticipated using a land-secured financing mechanism for repayment (Community Facilities District, Industrial Revenue Bond, Mello Roos, etc.). Full repayment by December 31, 2014.

Turlock/Turlock Redevelopment Agency - Total Loan Balance \$889,305

Fransil Lane/West Main Traffic Signal Construction - development and construction of a traffic signal system at Fransil Lane/West Main intersection.

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- Loan amount/repaid: \$889,305/\$0.
- Repayment terms: to occur three years after project completion and in annual payments of \$127,043.57 (commencing January 1, 2014). Full repayment by January 1, 2020.
- Listed on Turlock Successor Agency to Former Redevelopment Agency ROPS (Recognized Obligation Payment Schedule) as required per the Redevelopment Dissolution Act.

Status of the Economic Development Bank

On May 2, 2012, the Stanislaus County Chief Executive Officer, administratively suspended the Economic Development Bank loan program in light of the limited jurisdictional interest in utilization (by the few project submissions received in past funding cycles) and the growing uncertainty of repayment of outstanding bank loan obligations by former redevelopment agencies (now successor agencies). The Stanislaus Economic Development and Workforce Alliance was notified of this “soft freeze” of the program and directed not to initiate any additional funding cycles until further notice. At the core of this action was to provide an opportunity for the oversight boards of successor agencies with Economic Development Bank obligations to take action to formalize these as “enforceable obligations” per the Redevelopment Dissolution Act (AB1x 26). In addition, this would also provide an opportunity for Chief Executive Office staff to conduct an evaluation of the program and make recommendations regarding modifications and changes in order to make it a more effective economic development tool. This evaluation is scheduled to be completed during the mid-year review in the current fiscal year. Board action is recommended at this time to formalize the suspension of the Economic Development Bank.

Procedure for Granting Loan Repayment Modification Terms

The Stanislaus County Chief Executive Office has received two recent requests (Newman Redevelopment Agency and City of Riverbank) for modifications to current loan repayment schedules (Attachment A). In the past, such modification requests were considered and approved administratively by the Chief Executive Officer or designee. Given the current economic downturn and local climate, the Chief Executive Officer directed staff to develop a procedure for the granting of loan repayment modifications moving forward. Past history and performance have always been a considering factor and will continue to be so. Additionally, it is appropriate to establish an interest payment component for any changes in repayment schedules in order to recover what it would be earning in the County Treasury. Thus, it is recommended that an annual interest charge equal to the County Treasury rate, or at a minimum 1%, on remaining loan balances be instituted with any future loan repayment modification approvals. The interest based on the County Treasury rate will be calculated for the fiscal year at the time of payment. The current interest rate in the County Treasury earned on pooled cash is approximately 1% and hence the baseline amount. A final considering factor for

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future requests will be the timing of said payments and specifically the final payoff. Although providing a level of flexibility, payment schedules will not be modified whereby the final payment exceeds three years from the current payoff date. In addition, requests for loan repayment modifications will only be granted approval on a one-time basis. This will prevent jurisdictions from requesting extensions over the three year threshold and more than one time. It is also recommended that Chief Executive Officer, or her designee, be authorized to sign any future project funding agreement amendments consistent with these newly established procedures.

Recent Requests for Loan Repayment Modification Terms

In summary, the requests from the Newman Successor Agency (former Redevelopment Agency) and City of Riverbank would make the following changes to the repayment schedules of their current Economic Development Bank loans.

Newman Successor Agency (Former Redevelopment Agency) Downtown Plaza Project (\$300,000) – modify the five year repayment schedule for annual payments of \$60,000 to begin on March 1, 2013 (rather than July 1, 2012). Full repayment would be achieved by March 1, 2017 (rather than July 1, 2016 or 8 months later). The interest calculation at the current County Treasury rate of 1% of the available balance would be as follows: Fiscal Year 1 - \$3,000; Fiscal Year 2 - \$2,400; Fiscal Year 3 - \$1,800; Fiscal Year 4 - \$1,200; Fiscal Year 5 - \$600; or Five Year Total of \$9,000. The County Treasury rate will be revisited annually each fiscal year to see if an adjustment is necessary for this interest charge calculation. It is important to note that the City of Newman has fully met their past Economic Development Bank loan obligations (Newman Industrial Park). Furthermore, as part of the Downtown Plaza Project, the Newman Successor Agency de-obligated \$100,000 of the total amount approved (\$400,000) for the project originally awarded since other funding sources were accessed and the full allocation from the Economic Development Bank was not needed.

City of Riverbank Downtown Beautification Project (\$400,000) – modify the repayment schedule so that payments are spread into smaller payments over the upcoming years. The current obligation calls for annual payments of \$100,000 in August 1, 2012 and August 1, 2013 and \$200,000 in August 1, 2014. First payment, under the modified schedule, would include an initial payment of \$35,000 in August 1, 2012 (already received in good faith); \$40,000 in January 1, 2013; \$50,000 in August 1, 2013; \$50,000 in January 1, 2014; \$50,000 in August 1, 2014; \$50,000 in January 1, 2015; \$50,000 in August 1, 2015; and \$75,000 in January 1, 2016. Full repayment would be achieved by January 1, 2016 (rather than August 1, 2014 or 17 months later). The interest calculation at the current County Treasury rate of 1% of the available balance would be as follows: Fiscal Year 1 - \$4,000; Fiscal Year 2 - \$3,250; Year 3 - \$2,250; Year 4 - \$1,250; or Four Year Total of \$10,750. The County Treasury rate will be revisited annually each fiscal year to see if an adjustment is necessary for this interest charge calculation. It is important to note that the City of Riverbank has fully

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met their past Economic Development Bank loan obligations (Riverbank Sports Complex and Riverbank Roselle Master Sewer Line) and intend to meet other current obligations relative to the Riverbank Industrial Park. Furthermore, as part of the Downtown Beautification Project, the City of Riverbank repaid \$100,000 of the total amount approved (\$500,000) for the project originally prior to the changes in economic conditions and dissolution of redevelopment agencies.

POLICY ISSUES:

The recommended action is consistent with the Board priority of A Strong Local Economy and Effective Partnerships. The Stanislaus County Economic Development Bank has successfully provided economic benefits to the community and the effective administration of the program ensures the appropriate use of public funds.

STAFFING IMPACT:

The Chief Executive Office will continue to manage the Stanislaus County Economic Development Bank portfolio with technical assistance provided by the Auditor-Controller and County Counsel. An evaluation of the Economic Development Bank program will be conducted by the Chief Executive Office and brought back for Board consideration during the Fiscal Year 2012-2013 Mid-Year Financial Report as stated in the Adopted Proposed Budget.

CONTACT PERSONS:

Keith Boggs, Assistant Executive Officer, 209.525.6333
Raul Mendez, Senior Management Consultant, 209.525.6333



May 30, 2012

Raul L. Mendez, Community Manager
Stanislaus County Chief Executive Office
1010 Tenth Street, Suite 6800
Modesto, CA 95354

RE: Stanislaus County Economic Development Bank Loan – Payment extension.

Dear Raul:

As you know with the passage of AB 1X26, cities and counties are struggling to adhere to the complicated and confusing criteria. The Newman Successor Agency has two ROPS approved by the Department of Finance. Each ROPS included the Economic Development loan for repayment. However, the current level of tax increment being provided in June 2012 will only cover the bond payment. As a result, the Successor Agency is requesting a modification to the payment schedule that would allow for March payments instead of July. If approved, the first payment would be scheduled for March 1, 2013, with the remaining four payments in March of subsequent years.

Should you have any questions, please feel free to contact me.

Sincerely,

Michael E. Holland
City Manager



City of Riverbank

6707 Third Street
Riverbank, CA 95367
(209) 869-7101 Ph.
(209) 869-7126 Fax

July 20, 2012

Raul Mendez
1010 10th Street Place
County CEO Suite 6800
Modesto, CA 95354

RE: Riverbank Downtown Beautification Project ED Bank Loan Deferment Request

Dear Mr. Mendez,

On August 2010, the Stanislaus County Economic Development Bank approved a deferment for the Riverbank Downtown Beautification Project which modified our repayment schedule to be paid in full by August 2014.

Due to the current economic conditions we still face and the closure of the RDA, the City of Riverbank is asking for a loan extension and a change in repayment terms. If acceptable, the proposed schedule would be payable in the following manner:

- August 1, 2012 (\$35,000)
- January 01 & August 1 2013 (\$40,000 & \$50,000)
- January 01 & August 1 2014 (\$50,000 & \$50,000)
- January 01 & August 1 2015 (\$50,000 & \$50,000)
- January 01, 2016 (\$75,000)

The City of Riverbank is fully committed to meeting its financial obligations and appreciates your patience while we work through these difficult times.

Thank you,

Dawndi Morrell
City of Riverbank
209-863-7112

**ECONOMIC DEVELOPMENT "BANK"
PROJECT FUNDING AGREEMENT**
(Riverbank Downtown Beautification Project)

2013 APR 19 A 10: 27

Amendment No. 1

This Amendment No. 1 to the Project Funding Agreement for the Riverbank Downtown Beautification Project by and between the County of Stanislaus (County) and the City of Riverbank (Applicant) is made and entered into on February 1, 2013.

WHEREAS, the County of Stanislaus and the City of Riverbank hereto previously entered into an agreement dated August 1, 2008, whereby the County would advance funds from the Economic Development "Bank" in the amount of \$500,000 to complete the Riverbank Downtown Beautification Project (hereinafter the Agreement).

WHEREAS, the County approved on October 6, 2010 a modification of the original repayment schedule for the funds drawn in the amount of \$500,000 by the Applicant for completion of the project. At that time, one annual payment of \$100,000 had been made by the applicant leaving a loan balance of \$400,000. The new repayment schedule consisted of the following payments: August 1, 2012 - \$100,000; August 1, 2013 - \$100,000; and August 1, 2014 - \$200,000.

WHEREAS, based on the Redevelopment Dissolution Act ABx1 26 that dissolved redevelopment agencies in the State of California as of February 1, 2012 and as such a source of repayment for Agreement, the Applicant requested a modification to the current repayment schedule that would change the terms of the repayment schedule as follows: August 1, 2012 - \$35,000; January 1, 2013 - \$40,000; August 1, 2013 - \$50,000; January 1, 2014 - \$50,000; August 1, 2014 - \$50,000; January 1, 2015 - \$50,000; August 1, 2015 - \$50,000; and January 1, 2016 - \$75,000.

WHEREAS, on October 16, 2012, the Board of Supervisors established a procedure for granting loan repayment modification terms for previously funded projects based on past performance, nature of request, timeliness of repayment and the application of annual interest charge equal to the County Treasury rate, or at a minimum 1%, on the remaining loan balance.

NOW, THEREFORE, the parties hereto mutually agree to amend said Agreement as follows:

1. Paragraph 1.4 of the Agreement is amended to read as follows:

1.4. The payments of up to \$500,000 from the "Bank" to the Applicant shall be set up as an account receivable by the County Auditor-Controller which shall be retired over time by the Applicant. This receivable shall be entirely retired by the Applicant by the date specified in the repayment schedule set forth in Section 2.2 or any extension agreed to in writing by the County. An annual interest charge equal to the County Treasury rate, or at a minimum 1%, on the remaining loan balance shall be due within 30 days of the annual payment. The annual interest charge shall be calculated by the Chief Executive Office and an invoice for the amount due will provided to the Applicant a month prior to the date of the first annual payment (in August). The County shall designate that the

County Auditor-Controller provide the Applicant with the status of the receivable account upon receiving a written request from the Applicant; otherwise, a statement showing the status of the account will be provided to the Applicant at the end of each fiscal year.

2. Paragraph 2.2 of the Agreement is amended to read as follows:


2.2 Applicant agrees that the Project will be completed and repayment to the "Bank will be as follows: August 1, 2009 - \$100,000; August 1, 2012 - \$35,000; January 1, 2013 - \$40,000; August 1, 2013 - \$50,000; January 1, 2014 - \$50,000; August 1, 2014 - \$50,000; January 1, 2015 - \$50,000; August 1, 2015 - \$50,000; and January 1, 2016 - \$75,000. The payments will also include an additional annual interest charge of 1% of the balance due to the "Bank" within 30 days of receipt of invoice. If the funds advanced by the "Bank" to the Applicant are not repaid in full by the date specified, the Applicant agrees to meet with the County to renegotiate the repayment terms and conditions of this Agreement.

All other term and conditions of the Agreement shall remain in full force and effect. IN WITNESS WHEREOF, the parties hereto have caused Amendment No. 1 to the Agreement to be executed on the day and year first written above.

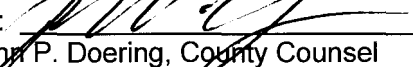
COUNTY OF STANISLAUS

By: 
Monica Nino, Chief Executive Officer

CITY OF RIVERBANK

By: 
Jill Anderson, City Manager

APPROVED AS TO FORM:

By: 
John P. Doering, County Counsel

APPROVED AS TO FORM:

By: 
Tom Hallinan Jr., Attorney for Applicant