

Repayments of Loan Agreements between RDA and Sponsoring Entities

Under ABx1 26, loans made by a sponsoring entity to a former redevelopment agency (RDA) were generally ineligible for repayments. Under AB 1484, repayments of loans between the former RDA and the sponsoring entity may be deemed to be enforceable following the successor agency's receipt of a Finding of Completion (FOC). Health and Safety Code (HSC) section 34191.4 outlines specific requirements as provided below:

- Loan agreements entered into between former RDAs and sponsoring entities may be deemed to be enforceable if the following requirements are met: (HSC section 34191.4 (b)(1))

- The Agency has received a FOC.
- The Agency's oversight board (OB) approves that loan is an enforceable obligation.
- The OB makes a finding that the loan was for legitimate redevelopment purposes.

- Conditions on the loan repayments by the successor agency to the sponsoring entity include: (HSC 34191.4 (b)(2))

- The accumulated interest on the remaining principal amount is recalculated from loan origination at the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF).
- Loan repayments are to be paid in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the LAIF rate.
- Loan repayments shall not be made prior to fiscal year 2013-14.
- The maximum repayment amount authorized in each fiscal year, combined with repayment of Supplemental Education Revenue Augmentation Fund (SERAF) loans and deferred deposits to the Low and Moderate Income Housing Fund (LMIHF), shall be equal to one-half of the increase between the Recognized Obligation Payment Schedule (ROPS) residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts distributed to the taxing entities in the 2012-13 base year.

- Amounts borrowed from the LMIHF take priority over these loan repayments as follows: (HSC 34191.4 (b)(2) (B) and (C))

- Repayments received by the sponsoring entity shall first be used to retire any outstanding amounts borrowed from the LMIHF to make the SERAF payments and shall be distributed to the Low and Moderate Income Housing Asset Fund (LMIHAF).
- After all monies owed to the LMIHF have been repaid, 20 percent of sponsoring entity loan repayments shall be deducted from the loan repayment amount and shall be transferred to the LMIHAF.

Sponsoring Entity Loan Repayments Frequently Asked Questions