



Board of Directors
Howard Rudd, Chair
John Norman, Secretary/Treasurer
Nick Alexander
Louise Walker

AGENDA
Special Board Meeting
June 24, 2021 @ 8:30 a.m.
Conference Rooms 1 & 2
311 Vernon Street
Roseville, CA

- I. Silent Roll Call**
- II. Non-Agenda Public Comment**
- III. Action Items**
 - a. Approve the November 18, 2020 Special Board Meeting Minutes
 - b. Adopt a Resolution Approving Loan Forgiveness Agreement, Plan of Liquidation and Distribution of Assets
- IV. Board and Staff Comments**
- V. Adjournment**



Meeting Minutes

Special Board Meeting

November 18, 2020

Present: Chairman Howard Rudd, Secretary/Treasurer John Norman, and Director Alexander

Corporate Counsel: Larry Larsen, Law Offices of Gregory D. Thatch

Corporate Staff: CEO Mike Isom

II. Non-Agenda Public Comment

Chairman Rudd opened the floor for public comment

None Received

III. Action Items

a. Approve the July 23, 2020 Board Meeting Minutes

Secretary/Treasurer Norman made a motion to approve the minutes for the June 25, 2020 Board Meeting. Director Alexander seconded the motion.

Votes: Motion Carried 3-0

Yes: Chairman Rudd, Secretary/Treasurer Norman, Director Alexander

b. Accept the RCDC FY2019-20 Audited Financial Statement Report

Director Alexander made a motion to accept the RCDC 2019-20 audited financial statement report. Secretary/Treasurer Norman seconded the motion.

Votes: Motion Carried 3-0

Yes: Chairman Rudd, Secretary/Treasurer Norman, Director Alexander

c. Adopt a resolution authorizing dissolution and winding up of 110 Pacific Street, LLC.

Secretary/Treasurer Norman made a motion to adopt a resolution authorizing dissolution and winding up of 110 Pacific Street, LLC. Director Alexander seconded the motion.

Votes: Motion Carried 3-0

Yes: Chairman Rudd, Secretary/Treasurer Norman, Director Alexander

V. Board and Staff Comments

No reports from Board or staff.

VII. Adjournment – 11:40 a.m.



**RCDC Board Meeting
June 24, 2021
Staff Report**

**Mike Isom – Chief Executive Officer
(916) 774-5527**

Item III-B (Action): Resolution Approving Loan Forgiveness Agreement, and Plan of Liquidation and Distribution of Assets

RECOMMENDATION

RCDC staff recommends the Board adopt a resolution (Exhibit A) approving and authorizing execution of a Loan Forgiveness Agreement between the RCDC and the City of Roseville, Approving the Plan of Liquidation and Distribution of Remaining Assets, and authorizing directors and officers to execute all instruments necessary to complete the dissolution and wind up of the corporation's affairs.

BACKGROUND

At a joint City Council/RCDC Workshop held on February 7, 2018, RCDC staff was directed to conduct the actions necessary to complete a "strategic pause" of corporation activities. In doing so, the Council directed the Corporation to proceed in a manner that resolves all liabilities and liquidates all assets, thus providing the sole member a cash payout as soon as reasonably possible.

As of November 2020, all Corporation-owned properties have been sold, consistent with Council direction. The 242-246 and 240 Vernon Street properties were marketed for sale and subsequently closed escrow on June 11, 2018 and October 1, 2018, respectively. The 238 Vernon Street property closed escrow on February 14, 2020. After a lengthy and unexpected delay, the 110 Pacific Street property closed escrow on November 6, 2020. For the past several years, 110 Pacific Street was the subject of litigation filed by a neighboring property owner under various causes of action in state and federal court. The state and federal suits were dismissed in 2019. However, the delay caused by these court actions resulted in significant financial cost to the Corporation, most notably the scuttling of an imminent purchase agreement for the building with a notable regional brewery, in addition to legal defense fees.

The extended delay caused by the court actions also delayed the Corporation's ability to begin the dissolution process, which resulted in more than two years' worth of unexpected operational costs without offsetting revenue (since the other revenue-producing assets had already been sold). As a direct result, the Corporation is not in as strong a cash position as it had expected following Council's direction to liquidate assets. Consequently, the Corporation's liabilities to the City of Roseville and Successor Agency exceed available resources.

At its meeting of January 13, 2021, the Roseville City Council, as sole member of the RCDC, adopted a resolution directing the RCDC directors and officers to take all actions necessary to wind up and dissolve the RCDC. The Council also authorized the City Manager to take all actions necessary to assist in the dissolution process and all actions necessary for the disposition of the City's loan.

Loan Settlements

On April 7, 2021, the Placer County Consolidated Oversight Board (OSB) adopted a resolution to accept a pro-rated loan settlement that would have resulted in approximately 71% of the RCDC's remaining assets being distributed to the Successor Agency, and 29% to the City. The proposed split was proportional to the outstanding loan amounts. All OSB actions are subject to review by the state Department of Finance. After requesting a 40-day extension to review the decision, the DOF ultimately rejected the pro-rated settlement proposal, finding that the Oversight Board's resolution did not find that the pro-ration was in the best interest of the taxing entities, as required by law.

The City of Roseville subsequently withdrew its proposal for a pro-rated share and presented a new resolution to the OSB on June 9, 2021 proposing the distribution of 100% of remaining RCDC assets to the Successor Agency and none to the City. The OSB approved the resolution, which was sent to the DOF for review on June 11, 2021. Per state law, if the DOF does not request to review the OSB's decision within five business days, the decision is deemed approved. RCDC staff had not heard otherwise and was operating on the assumption that the DOF had not requested a review. However, RCDC staff became aware June 22 that DOF had sent a formal request to City staff on June 15, 2021 to review the OSB's most recent decision. Under state law, the DOF has an additional 40 days to make its determination once it makes the request to review.

Staff is hopeful that the DOF will expedite its review and uphold the OSB's decision. The only other alternative would be to force the RCDC into costly bankruptcy proceedings, which would ultimately result in fewer cash assets distributed to the Successor Agency, which is clearly not in the best interest of the taxing entities. For expediency's sake, staff is requesting that the RCDC Board approve the attached resolution authorizing its directors and officers to execute all instruments necessary – including execution of a loan forgiveness agreement with the City – to complete the dissolution and wind up process once the DOF makes its final determination.

In light of the OSB and DOF decisions, the City of Roseville has agreed to forgive its outstanding loan balance with the RCDC. With principal and deferred interest, the outstanding balance as of June 24, 2021 is \$1,765,970.17. Note that the City anticipates receiving approximately 15%-20% of this amount back as General Fund property tax revenue through residual distributions from the County's Redevelopment Property Tax Trust Fund after all of the Successor Agency's obligations have been paid.

As of June 24, 2021, RCDC staff has satisfactorily settled its debt with the City of Roseville, and has received conditional approval to settle the Successor Agency loan from the Oversight Board, pending DOF review. Once final DOF approval is received, CEO Mike Isom and Treasurer/Secretary John Norman would execute the Loan Forgiveness Agreement with the City, consistent with the authority granted by the Board in the attached resolution.

Plan of Liquidation and Distribution of Assets

If approved by the Board, staff proposes to set aside \$50,000 in a reserve fund for payment of estimated expenses, taxes, unascertained liabilities, and expenses and costs of winding up and distribution of assets and dissolution. RCDC legal counsel will then submit a written request to the California Attorney General to waive objections to the disposition of corporate assets. Upon receipt of the Attorney General's written waiver and setting aside the reserve fund, the remaining assets described in Exhibit A to the attached resolution shall be paid to the Successor Agency to the Redevelopment Agency of the City of Roseville. After completion of the winding up and

dissolution process, any remaining funds in the reserve fund shall also be paid to the Successor Agency. The RCDC has 2,970,330.38 in total cash assets as of June 21, 2021.

Next Steps

Pending Board approval, next steps are as follows:

1. Pursue waiver of objections to proposed distribution from the Attorney General
2. Send notice of dissolution to members and creditors (if applicable)
3. Wind up business operations
4. Pay or adequately provide for all liabilities.
5. Distribute assets in accordance with approved plan.
6. File Certificate of Dissolution with Secretary of State [electronically, by mail or hand delivered for over-the-counter processing in Sacramento], including Attorney General Waiver letter
7. Notify Attorney General of Dissolution
8. File final tax return

Exhibits

- A. Resolution Approving Loan Forgiveness Agreement, and Plan of Liquidation and Distribution of Assets
 - Balance Sheet as of June 21, 2021 (Exhibit A to Resolution)
 - Loan Forgiveness Agreement (Exhibit B to Resolution)

ROSEVILLE COMMUNITY DEVELOPMENT CORPORATION, INC.
**RESOLUTION APPROVING LOAN FORGIVENESS AGREEMENT, PLAN OF
LIQUIDATION AND DISTRIBUTION OF ASSETS**

WHEREAS, on January 13, 2021, the Roseville City Council adopted Resolution No. 21-005 directing, as the sole member of the RCDC, the directors and officers of the RCDC to take all actions necessary to wind up and dissolve the RCDC; and

WHEREAS, RCDC has diligently proceeded to sell off all of its real estate assets, the last of which was disposed of on November 6, 2020; and

WHEREAS, RCDC currently holds the cash and other assets listed in Exhibit A to this resolution and RCDC's liabilities to the City and the Successor Agency exceeded its assets; and

WHEREAS, the Oversight Board for the Successor Agency and the City have agreed to accept reduced final payments and to write-off resulting unpaid portions so that all debts and liabilities of RCDC are provided for; and

WHEREAS, the City and RCDC have negotiated a Loan Forgiveness Agreement to memorialize these facts, a copy of which is attached hereto as Exhibit B.

IT IS THEREFORE RESOLVED THAT the Loan Forgiveness Agreement is hereby approved and that Mike Isom and John Norman are authorized to execute the Loan Forgiveness Agreement substantially in the form attached as Exhibit B and deliver it to the City;

IT IS FURTHER RESOLVED THAT this corporation shall set aside in reserve the amount of \$50,000 in cash ("Reserve Fund") for the payment of estimated expenses, taxes, unascertained liabilities, and expenses and costs of winding up and distribution of assets and dissolution;

IT IS FURTHER RESOLVED THAT legal counsel for RCDC is authorized to submit a written request to the California Attorney General to waive objections to the disposition of corporate assets; and

IT IS FURTHER RESOLVED THAT after setting aside the Reserve Fund and securing the Attorney General's written waiver of objections to the disposition, the corporate assets described in Exhibit A shall be paid to the Successor Agency to the Redevelopment Agency of the City of Roseville; and

IT IS FURTHER RESOLVED THAT after completion of winding up and dissolution any remaining funds in the Reserve Fund shall be paid to the Successor Agency to the Redevelopment Agency of the City of Roseville, after which no assets will remain for distribution; and

IT IS FURTHER RESOLVED THAT the directors and officers are authorized and directed to execute any instrument as may be necessary or reasonable to complete the dissolution and wind up the corporation's affairs, including the filing of a certificate of dissolution in accordance with Corporations Code Section 6716.

The undersigned constitute a majority of the Board of Directors of the Roseville Community Development Corporation, Inc., and this action was taken at its Board Meeting of June 24, 2021.

By: _____

Dated: _____

By: _____

Dated: _____

By: _____

Dated: _____

By: _____

Dated: _____

7:29 AM

ROSEVILLE COMMUNITY DEVELOPMENT CORPORATION

06/21/21

Statement of Financial Position

Accrual Basis

As of June 21, 2021

| | <u>Jun 21, 21</u> |
|---|----------------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| 10000 · River City Bank-Bus Checking | 29,322.56 |
| 10020 · Money Market Acct | 2,941,007.82 |
| Total Checking/Savings | <u>2,970,330.38</u> |
| Total Current Assets | <u>2,970,330.38</u> |
| TOTAL ASSETS | <u>2,970,330.38</u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | |
| 20000 · Accounts Payable | (22,954.55) |
| Total Accounts Payable | <u>(22,954.55)</u> |
| Total Current Liabilities | (22,954.55) |
| Long Term Liabilities | |
| 21000 · Deferred Liability-Int (COR) | 433,034.01 |
| 21010 · Deferred Liability-Int - 240 VS | 113,265.74 |
| 21020 · Deferred Liability Int - 242 VS | 104,195.44 |
| 21030 · Deferred Liability Int- 238 VS | 209,948.37 |
| 27220 · Loan Payable City of Roseville | 1,475,951.00 |
| 27240 · Loan Payable-Successor Agency | 3,469,049.00 |
| Total Long Term Liabilities | <u>5,805,443.56</u> |
| Total Liabilities | 5,782,489.01 |
| Equity | |
| 32000 · Unrestricted Net Assets | (2,706,797.50) |
| 32110 · Unrestricted Net Assets (Trsfr) | 192,890.27 |
| Net Income | (298,251.40) |
| Total Equity | <u>(2,812,158.63)</u> |
| TOTAL LIABILITIES & EQUITY | <u>2,970,330.38</u> |

LOAN FORGIVENESS AGREEMENT

City Loan to the RCDC for the
Advancement of Economic Development

THIS LOAN FORGIVENESS AGREEMENT (“Agreement”) is made and entered into this 24th day of June, 2021, by and between the City of Roseville, a municipal corporation (“City”), and the Roseville Community Development Corporation, Inc., a California nonprofit public benefit corporation (“RCDC”).

W I T N E S S E T H:

WHEREAS, in November 2010, the City of Roseville (“City”) formed a California 501(c)(3) nonprofit public benefit corporation called the Roseville Community Development Corporation (“RCDC”) for the purpose of implementing the revitalization and economic goals of the City and the former City of Roseville Redevelopment Agency (“RDA”); and

WHEREAS, the City was the RCDC’s sole member; and

WHEREAS, on February 28, 2011, the City loaned the RDA \$5,000,000 in order to fund a startup loan to the RCDC and thereafter the RDA and the RCDC entered into a loan agreement in May 2011 for the \$5,000,000 loan; and

WHEREAS, on June 29, 2011, the Governor signed ABx1 26 (the “RDA Dissolution Bill”) into law, and on December 29, 2011, the California Supreme Court upheld ABx1 26; and

WHEREAS, this court decision halted the remaining disbursements of the loan from the RDA to the RCDC which had begun in August of 2011 and by that time totaled \$3,469,049; and

WHEREAS, on March 7, 2013, the California State Controller's Office and the Department of Finance published a report which required the Successor Agency (the agency responsible for the former RDA's assets and liabilities) to make a payment to Placer County in the amount of \$1,831,499, which was cash that was determined as "not restricted" for the payment of any outstanding obligations of the former RDA; and

WHEREAS, within that balance paid to Placer County was the remaining \$1,530,951 that had not been allowed to be disbursed by the Successor Agency to the RCDC; and

WHEREAS, because the City had made a commitment to the RCDC to fund a \$5,000,000 startup loan and the Successor Agency was not able to complete the loan disbursements, on May 2, 2012, the City and the RCDC entered into that certain "Agreement between the City of Roseville and the Roseville Community Development Corporation for the Advancement of Economic Development" whereby City loaned \$1,530,951 to the RCDC ("City Loan"); and

WHEREAS, on March 18, 2015, the City and the RCDC entered into that certain "First Amendment to Agreement between the City of Roseville and the Roseville Community Development Corporation for the Advancement of Economic Development" ("First Amendment") whereby City provided grant funds to the RCDC which were not required to be repaid; and

WHEREAS, on February 7, 2018, the Roseville City Council and the RCDC Board held a joint meeting whereby the City Council passed a motion directing the RCDC to proceed with due diligence toward a strategic pause of the RCDC's activities; and

WHEREAS, as part of the strategic pause of activities, the Council directed the RCDC to proceed in a manner that resolved all liabilities and liquidated all assets, including real estate

assets, so that the RCDC could repay its loans, thus providing the sole member (the City) a cash payout as soon as reasonably possible; and

WHEREAS, on September 5, 2018, the City and the RCDC entered into that certain “Second Amendment to Agreement between the City of Roseville and the Roseville Community Development Corporation for the Advancement of Economic Development” (“Second Amendment”) whereby the RCDC agreed to convey to the City real property located at 98 Jefferson Street in exchange for the City reducing the City Loan amount by \$55,000, the appraised value of the property; and

WHEREAS, escrow closed on September 6, 2018, thus reducing the principal balance of the City Loan from \$1,530,951 to \$1,475,951; and

WHEREAS, the RCDC staff diligently proceeded to sell off the RCDC’s remaining real estate assets but unfortunately one of its properties became involved in litigation that lasted over two years thus preventing the RCDC from commencing the dissolution process, which resulted in more than two years’ worth of unexpected operational costs without offsetting revenue; and

WHEREAS, the RCDC disposed of its last property on November 6, 2020; and

WHEREAS, on January 13, 2021, the Roseville City Council adopted Resolution No. 21-005 directing, as the sole member of the RCDC, the directors and officers of the RCDC to take all actions necessary to wind up and dissolve the RCDC; and

WHEREAS, the Roseville City Council also adopted Resolution No. 21-004 authorizing the City Manager to take all actions necessary to assist in the RCDC dissolution process and all actions necessary for the disposition of the City Loan; and

WHEREAS, because the RCDC’s liabilities to the City and the Successor Agency exceeded its assets, on April 7, 2021, the Placer County Consolidated Oversight Board

(“Oversight Board”) adopted Resolution No. 2021-002 (“First Resolution”) approving a reduced payment on a loan receivable to the Successor Agency from the RCDC in the amount of 70.15% of the RCDC’s remaining assets and approving the write-off of the resulting unpaid portion of the loan; and

WHEREAS, as a result of this First Resolution, the City would have received 29.85% of the RCDC’s remaining assets for partial payment of the City Loan; and

WHEREAS, after the April 7 meeting, Roseville staff transmitted the First Resolution to the California Department of Finance (“DOF”) for approval and on May 24, 2021, Roseville staff received notification that the DOF had rejected the First Resolution; and

WHEREAS, although the DOF acknowledged that the Oversight Board had the authority to terminate or renegotiate an agreement between the Successor Agency and the RCDC as long as it finds that an amendment or early termination would be in the best interest of the taxing entities, which the DOF opined that the Oversight Board failed to do; and

WHEREAS, accordingly, on June 9, 2021, the Oversight Board adopted Resolution No. 2021-008 (“Second Resolution”) approving a reduced payment on a loan receivable to the Successor Agency from the RCDC in the amount of 100% of the RCDC’s remaining assets and approving the write-off of the resulting unpaid portion of the loan as in the best interests of the taxing entities; and

WHEREAS, by law all taxing entities including the City will receive a residual distribution of any funds remaining in the County’s Redevelopment Property Tax Trust Fund after all of the Successor Agency’s obligations have been paid; and

WHEREAS, the City anticipates receiving 15%-20% of the residual distribution as General Fund property tax revenue; and

WHEREAS, the Second Resolution was submitted to the DOF on June 11, 2021 and it became effective on June 18 pursuant to Health and Safety Code Section 34179(h)(2) since the DOF did not request a review of the action; and

WHEREAS, as a result, the RCDC has no assets remaining to pay off any portion of the City Loan and the City must either forgive the balance of the City Loan and interest or force the RCDC to file bankruptcy in order to dissolve; and

WHEREAS, forgiving the City Loan and interest is in the best interests of the City because the City will receive a portion of the proceeds paid on the Successor Agency loan and forcing the RCDC to file for bankruptcy will cost time and money and will reduce the RCDC's available assets for the taxing entities, including the City; and

WHEREAS, accordingly the City has determined to forgive the remaining balance of principal and interest due on the City Loan.

NOW, THEREFORE, the parties agree as follows:

1. Loan Forgiveness. The City hereby agrees to forgive the remaining balance of principal (\$1,475,951) and interest (\$290,019.17) due on the City Loan.
2. Termination of Prior Agreement. Effective upon execution of this Agreement, the Agreement between the City of Roseville and the Roseville Community Development Corporation for the Advancement of Economic Development is hereby terminated, voided and of no further force or effect. However, all other provisions of the First and Second Amendments to the original loan agreement shall remain unchanged and in full force and effect.
3. Cancellation of Note. Effective upon the execution of this Agreement, the promissory note for the City Loan is hereby cancelled, voided and of no further force or effect.

4. Successors in Interest. This Agreement shall be binding upon the heirs, successors, executors, administrators and assigns of the respective parties hereto.

5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

6. Modification. This Agreement and each provision contained herein may be waived, amended, supplemented or eliminated only by mutual written agreement of the parties.

7. Severability. If any of the provisions contained in this Agreement are for any reason held invalid or unenforceable, such holding shall not affect the remaining provisions or the validity and enforceability of the Agreement as a whole.

8. Integrated Agreement. This is an integrated agreement and contains all of the terms, considerations, understanding and promises of the parties. It shall be read as a whole.

IN WITNESS WHEREOF, the City of Roseville, a municipal corporation, has authorized the execution of this Agreement in duplicate by its City Manager and attestation by its City Clerk under the authority of Resolution No. 21-004, adopted by the Council of the City of Roseville on the 13th day of January 2021, and RCDC has caused this Agreement to be executed.

CITY OF ROSEVILLE, a
municipal corporation

ROSEVILLE COMMUNITY
DEVELOPMENT CORPORATION, INC.,
a California nonprofit public benefit
corporation

BY: _____
DOMINICK CASEY
City Manager

BY: _____
MIKE ISOM
Chief Executive Officer

[Signatures Continued Next Page]

ATTEST:

and

BY: _____

SONIA OROZCO
City Clerk

BY: _____

JOHN NORMAN
Secretary

APPROVED AS TO FORM:

APPROVED AS TO FORM:

BY: _____

MICHELLE SHEIDENBERGER
City Attorney

LAW OFFICES OF
GREGORY D. THATCH
Legal Counsel

BY: _____

APPROVED AS TO SUBSTANCE:

NAME: _____

BY: _____

DENNIS KAUFFMAN
Assistant City Manager/Chief Financial Officer