

**SPECIAL MEETING OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY TO THE FORMER
COSTA MESA REDEVELOPMENT AGENCY**

April 19, 2012

These meeting minutes represent an "action minute" format. A copy of the meeting can be obtained at Costa Mesa Housing Authority Office located on the 2nd floor of the Costa Mesa City Hall.

The Oversight Board of the Successor Agency to the Former Costa Mesa Redevelopment Agency held their first Special Meeting on Thursday, April 19, 2012, in Conference Room 1A of the Costa Mesa City Hall, 77 Fair Drive, Costa Mesa.

Acting Deputy City Clerk Christine Cordon called the meeting to order at 2:00 p.m. and led in the Pledge of Allegiance.

I. ROLL CALL

Members Present: Gary Monahan, City Council Appointee
Dan Baker, City Council Appointee
Jim Righeimer, O.C. Board of Supervisors Appointee
Thomas Hatch, O.C. Board of Supervisors Appointee
Rick Francis, O.C. Flood Control Appointee
Andy Dunn, Calif. Comm. Colleges District Appointee
Jeff Trader, OC Department of Education Appointee

Members Absent: None

Officials Present: Khanh Nguyen, Interim Development Services Director
Muriel Ullman, Neighborhood Improvement Manager
Bobby Young, Finance and I.T. Director
Colleen O'Donogue, Assistant Finance Director
Hilda Veturis, Management Analyst
Bart Mejia, Parks Project Manager
Celeste Brady, Successor Agency Special Counsel
Kathe Head, Economic Consultant
Christine Cordon, Acting Deputy City Clerk
Martha Rosales, Executive Secretary

II. AFFIDAVIT OF POSTING

The Agenda and Notice and Call for the Special Meeting of the Oversight Board was posted at the City Council Chambers, Adams Postal Office, Headquarters Police Department, Neighborhood Community Center and the Mesa-Verde Public Library on Friday, April 13, 2012.

III. PRESENTATIONS

1. Self-introductions of the Oversight Board members and staff were conducted.

Ms. Celeste Brady announced she was with Stradling Yocca Carlson & Rauth and added she was Counsel to the Successor Agency and not the Oversight Board.

2. Acting Deputy City Clerk Christine Cordon administered the Oath to the 7 Oversight Board Members. Each Board member completed and signed an "Oath or Affirmation of Allegiance for Public Officers and Employee" form.

IV. PUBLIC COMMENTS

Acting Deputy City Clerk Christine Cordon opened the session for public comments. There being none, she closed the public comments session.

V. INFORMATIONAL ITEMS

Overview of the former Costa Mesa Redevelopment Agency and Successor Agency Projects and Programs

Ms. Celeste Brady provided a detailed overview that included insight regarding the Redevelopment Agency Dissolution Act, Assembly Bill x1 26, Assembly Bill x1 27, tax increment, and responsibilities of the Oversight Board. She stated the Oversight Board would have to review all actions taken by the Successor Agency for approval, denial or modification. Successor Agency staff would transmit the Board's actions to the Department of Finance (DOF), State Controller's Office and the County Auditor-Controller. The Dissolution Act allowed the Department of Finance 3 days to review the submittals. If the Department of Finance agreed to review the actions, they would have 10 additional days to thoroughly review the Successor Agency's submittals. Board members were informed that a quorum consisted of 4 members out of the 7 and that a majority was not required to take action. Every action of the Oversight Board would require a minimum of 4 votes in order to take unanimous action or the items would need to be continued. Ms. Brady advised that the Acting Deputy City Clerk would be assisting Board Member with the completion of the 700 Form (Council Members excluded). She reiterated she was Counsel to the Successor Agency and the rules of conduct did not allow her to be Counsel to the Oversight Board. No monies would be flowing to the Oversight Board because the Dissolution Act had set up Oversight Boards without compensation and reimbursement for expenses. She advised that the objectives of the Successor Agency staff were similar to those of the Oversight Board in that they too were looking to review the enforceable obligations and wind down the affairs of the former Redevelopment Agency.

Prior to making his presentation, Finance and I.T. Director Bobby Young requested that action be taken on New Item Business No. 1 (Selection of Officers for 2012).

VI. NEW BUSINESS

1. Selection of Officers for 2012; Designation of Oversight Board Secretary; and Designation of Identified Point of Contact for Department of Finance Review Requests
 - a. Selection of an Oversight Board Chair for the 2012 calendar year

MOTION: Select Mayor Pro Tem Jim Righeimer as Chair of the Oversight Board for the 2012 calendar year. Moved by Council Member Gary Monahan, second by Member Rick Francis

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Member Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

b. Select an Oversight Board Vice-Chair for the 2012 calendar year

MOTION: Select Member Jeff Trader as Vice-Chair of the Oversight Board for the 2012 calendar year. Moved by Chair Jim Righeimer, second by Member Andy Dunn.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Member Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

c. Designate the Secretary of the Oversight Board

MOTION: Designate Executive Secretary Martha Rosales as Secretary of the Oversight Board. Moved by Council Member Gary Monahan, second by Member Rick Francis.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Member Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

d. Designate California Department of Finance ("DOF") points of contact for the Oversight Board (and Successor Agency)

MOTION: Designate Assistant Finance Director Colleen O'Donogue as the California Department of Finance ("DOF") primary point of contact for the Oversight Board (and Successor Agency). Moved by Member Andy Dunn, second by Member Rick Francis.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

MOTION: Designate Finance and I.T. Director Bobby Young as the California Department of Finance (“DOF”) second point of contact for the Oversight Board (and Successor Agency). Moved by Member Andy Dunn, second by Vice-Chair Jeff Trader.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch,
Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader,
Member Andy Dunn

Noes: None

Absent: None

MOTION: Adopt Oversight Board Resolution No. 2012-01, affirming selection of officers noted in 1.a. to 1.d. Moved by Chair Jim Righeimer, second by Vice-Chair Jeff Trader.

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY AFFIRMING SELECTION OF OFFICERS, DESIGNATION OF THE SECRETARY, AND DESIGNATION OF POINTS OF CONTACT FOR D.O.F. REVIEW REQUESTS PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, DIVISION 24, PART 1.85, SECTION 34179.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch,
Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader,
Member Andy Dunn

Noes: None

Absent: None

- 2 a. Review and Approval of Successor Agency’s Enforceable Obligations Schedule (“EOPS”) and First and Second Recognized Obligation Payment Schedule (“ROPS”)

Ms. Brady advised that New Business Item No. 2 was broken down into 2a. and 2b. New Business Item No. 2a. was the Successor Agency’s actual Enforceable Obligation Payment Schedule (EOPS) in its current form. New Business Item No. 2b. consisted of the First Recognized Obligation Payment Schedule (ROPS) from February 2, 2012 to June 30, 2012 and the Second ROPS from July 1, 2012 to December 31, 2012. The 3 payment schedules were memorialized in Oversight Board Resolution 2012-02.

Finance and I.T. Director Bobby Young presented the staff report. He went down the list of enforceable obligations payment schedule (adopted as enforceable obligations by the Successor Agency) and provided overviews for Line Item Nos. 1 thru 12.

Line Item No. 1 – TAB Refunding 2003 – an outstanding bond obligation of the former Redevelopment Agency that provided work and funds for development within the Project Area that had been refunded in 2003. The current total outstanding obligation was \$4.8 million dollars.

Vice-Chair Jeff Trader asked if the bonds were callable. Ms. Brady reported there were no proceed funds to defease the bonds; therefore, the Board could evaluate whether or not they wanted staff to explore requesting monies from a Trust Fund in order to defease the bonds. Economic Consultant Kathe Head stated that defeasement normally took place when fund proceeds were unspent. Since the proceeds were spent, funds would need to be obtained from the Property Tax Increment Trust Fund in order to defease the bonds. She added that defeasing would be more expensive than paying the debt service.

Chair Jim Righeimer made a request that staff provide the terms of defeasement, as well as, a list of debts and costs for the next meeting.

A conversation regarding defeasement took place.

Line Item No. 2 - County Property Tax Admin. Fee - a standard fee that was included in the EOPS in the event the Successor Agency was charged an administrative fee for collection of property tax increment. Ms. Brady said the fee was being charged prior to dissolution. The monies to the County Auditor-Controller would come straight from the Trust Fund rather than through the enforceable obligation but it could be removed if directed by the Department of Finance.

Line Item No. 3 - contract for Consulting Services with Mayer, Hoffman and McCann - included in the obligation schedule because it related to the former Agency's annual audit and there were residual payments that needed to be made.

Line Item No. 4- Promissory Note Payable to the City of Costa Mesa - an outstanding loan obligation that the City's General Fund loaned to the former Redevelopment Agency for administrative expenses and development work within the former Redevelopment Area that had accumulated over time. The total obligation, including principal and interest was \$19 million; principal was \$10 million and the total projected accumulated interest should it run through the year 2324 was \$8 million for a total of \$19.4 million dollars.

Vice-Chair Jeff Trader asked when the loan originated and if the money was spent. Mr. Young confirmed the money had been spent. Ms. Brady stated the first note was in 1971 before the Agency was formed and in order to form the Agency into a Project Area; the next note was in 1973 when the Project Area was adopted and there were subsequent notes thereafter. The loan had been included in the EOPS and ROPS because it was a valid enforceable obligation that had been entered into within 2 years of formation of the Agency and should be affirmed by the Department of Finance.

Vice-Chair Jeff Trader made the comment that not all the notes fell within the 2-year period. Ms. Brady confirmed Vice Chair Trader's comment.

Chair Jim Righeimer asked when the City had last put money in. Ms. Brady reported the City had been receiving interest every year and a refunding portion of the tax allocation increment bond was used to pay down the principal amount of the City note. She did not believe that additional

advances had taken place since the 1990's. Mr. Young confirmed that no additional advances had taken place since the early 1990's and proceeded to give a detailed background regarding the City-Redevelopment Agency. He reported that in the mid to late 1990's through the early 2000's, the Agency did not have any cash flow; hence, it was not able to make interest payments to the City. In 2002-03 a developer agreement from Triangle Square was completely obligated and paid off, making it possible for the Agency to have positive cash flow. In 2003-04, an amortized schedule over the next 20 years (through 2023-24) was established to make principal and interest payments back to the City every year. The loan that was due to sunset in 2324 and full principal and interest payments were currently being made.

Member Rick Francis asked for the interest rate the City charged. Mr. Young reported that in the 1990's the interest rate was 8% and the City had left the interest rate intact.

Line Item No. 5 - Rental Revenue Agreement and Line Item No. 6 – Loan from CDBG Fund – an agreement with the City of Costa Mesa and CDBG funds relating to Costa Mesa Family Village. The former Redevelopment Agency received rental revenue as part of said agreement and it was repaid back to the Community Development Block Grant (CDBG) fund. The Agency had taken a loan from CDBG funds to fulfill that project with the promise to repay from the rental revenue.

Chair Jim Righeimer asked why the matter had to go through the Agency. Ms. Brady explained there was a crossover issue due to cooperation agreements between the City and the Redevelopment Agency for the City to loan federal monies to the Agency - the repayment was to be through the residual receipts loans. She added that HUD was very involved in the California Dissolution Act and were not happy that they were not consulted or incorporated in the administration of the rental revenue HUD loans. HUD was expecting to be repaid and all affordable housing covenants to be monitored, enforced and compliance occurring. HUD met with the Department of Finance and the Governor's Office to ensure that the HUD obligations would be met. HUD was not going to let the State of California or any Redevelopment Agencies off the hook with regards to compliance.

Mr. Young advised the Agency was involved with two rental revenue projects – one was Costa Mesa Family Village and the other was Costa Mesa Village. Ms. Brady clarified Costa Mesa Village was an SRO and Costa Mesa Family Village was a Shappell project from the 1980's.

Chair Jim Righeimer asked if the \$90,000 from the Rental Revenue Agreement would be paid off or if it would continue for years. Ms. Brady advised it would continue for many years because residual cash flow went to the repayment of this Rental Revenue Agreement loan.

Line Item No. 7 – Davis Field Lighting Project – was the most recent project that the former Redevelopment Agency committed to. Once payments were completed, the obligation would be met and the project would be completed.

Line Item No. 8 Successor Agency Formation Consulting - these were estimates for expected ongoing costs.

Mr. Young stated the remaining line items (No. 9, Neighborhood Stabilization Program; No. 10, 1901 Newport Housing Project; No. 11, First Time Homebuyer Program and No. 12, Single Family Rehabilitation Program), were related to what was previously the low and moderate housing obligations under the former Redevelopment Agency. They were all related to some type of oversight or consulting services necessary for monitoring of former projects.

Chair Jim Righeimer asked if the projects pertained to the 20% set-aside. Ms. Brady advised there was no longer a distinction between the non-housing 80% monies and the housing fund 20% monies. The Trust Fund of the former increment did not distinguish between the two but from an accounting perspective they did. The housing obligations were listed on both the EOPS and ROPS in the event monies may be needed from the Trust Fund to satisfy those obligations. Ms. Brady and Ms. Head provided detailed insight in response to Chair Righeimer's question.

Member Andy Dunn commented that in the coming year budget, the Governor was proposing to reduce support to the community colleges by about \$150 million dollars because he was expecting additional tax increment from the dissolved redevelopment agencies to flow into the State. He asked if the increment would flow to the State if the Department of Finance refuted the payments. Ms. Head responded that as previously explained by Ms. Brady, the tax increment would flow to the tax entities.

A lengthy conversation regarding the EOPS, ROPS and tax increment funds ensued.

Chair Jim Righeimer asked how many years the Agency had before it would wind down. Ms. Brady reported the Agency would unwind in 2014 but the ERAF (Education Revenue Augmentation Fund) benefits allowed the Agency to collect tax increment for 10 additional years through 2023-2024.

Chair Jim Righeimer inquired if the Housing Authority owned land. Ms. Ullman stated staff was conducting a title research on the Vehicle Parking District. Ms. Brady added staff did not know if the Vehicle Parking District had vested ownership on any of the lots. If the lots were vested in the Agency, staff would return with disposition procedures.

Line Item No. 9 - Mercy Housing – Ms. Head said she failed to include a May payment of \$130,288.14. It was crucial that it be added because the money had been spent. In 2009 the City Council approved putting money into the NSP program. The City of Fullerton administered the funds because they were combined Federal and Costa Mesa's Redevelopment funds. The City of Fullerton fronted the Federal money (\$130,288.14) and now the City of Costa Mesa Housing Successor Agency had until May to pay back the City of Fullerton. The amount approved in 2009 was for \$321,316 and the \$130,288.14 was not new money.

Member Gary Monahan asked if adding the \$130,288.14 could be modified today. Ms. Brady said the Board could modify the amendment prior to taking action.

Mr. Young advised that staff had recognized another amendment and because the State wanted consistency between the EOPS and the ROPS, Line No. 8 (Successor Agency Formation Consulting) for the month of January needed to be amended to include \$10,300 for Stradling, Yocca, Carlson & Rauth and \$6,300 Keyser-Marston Associates.

Line Item No. 10 - 1901 Newport Housing Project – Ms. Brady stated that 1901 Newport was an affordable housing agreement that was approved in 2005 in settlement of litigation filed by the developer against the City and a neighborhood group. A detailed conversation ensued.

Vice-Chair Jeff Trader mentioned the 1901 Newport Housing Project could attract litigation if they walked away. Mr. Brady concurred. Ms. Ullman felt the 1901 Newport housing obligation had been satisfied. Ms. Brady said the Redevelopment Agency had performed its part of the bargain into this agreement and believed they had provided the inclusionary housing but other on-site units that would have been provided had not occurred. Staff did not want to open the City's General Fund to any kind of issues because the City was a party to the agreement.

Line Item No. 11 - First Time Homebuyer Program – was for estimated administrative costs in reviewing documents necessary for the current outstanding first time homebuyer loans.

Line Item No. 12 - Single Family Rehabilitation Program – Ms. Ullman stated the Housing & Community Development Division had a HOME Program and a former Redevelopment Program that issued grants and loans to low income and moderate-income homeowners. The Single Family Rehabilitation Program was on the EOPS because staff had several outstanding loans and although they were not anticipating a lot of administrative costs, staff would continue to be responsible for monitoring the loans, annual occupancy and any violations.

Member Tom Hatch commented that Line Item Nos. 13 through 18 pertained to the same situation – existing projects and administration of existing projects. Ms. Brady agreed and added that the Costa Mesa Housing Authority as the Housing Successor Agency was the beneficiary on the promissory notes due to the transfer and if the Oversight Board approved it.

Chair Jim Righeimer asked if there were any questions on the remaining Line Item Nos. 13 through 18. Ms. Brady stated both of the ROPS were listed as a companion item. While similar to the EOPS, the ROPS identified the items for which money was needed in the fiscal period that each ROPS applied to. Mr. Young mentioned there was a page 2 to each of the ROPS that further broke down the administrative costs for the budget that would be presented to the Board in New Business Item No. 3, ensuring they were included on an obligation payment schedule.

Member Tom Hatch asked if a separate action was required to approve the amendment on New Business Item 2a. Ms. Brady set the EOPS and ROPS as separate items and said the Board could take action on 2a. and 2b. and the resolution (No. 2012-02), or simply adopt the resolution (No. 2012-02). Ms. Head added a caveat that the Mercy Housing amendment to the EOPS also be reflected on the ROPS.

MOTION: Approve the Enforceable Obligation Payment Schedule (EOPS) with amendments to Line Item No. 8, Successor Agency Formation Consulting (reflecting \$10,300 in January for Stradling, Yocca, Carlson & Rauth and \$6,300 in January for Keyser-Marston); and Line Item No. 9, Neighborhood Stabilization Program-Mercy Housing (reflecting \$130,288.14 in May). Moved by Chair Jim Righeimer, second by Member Tom Hatch.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

Vice-Chair Jeff Trader expressed concern with Line Items No. 1 (TAB Refunding 2003), #4 (Promissory Note Payable to City of Costa Mesa) and #10 (1901 Newport Project) and requested the items be pulled and placed on consent calendar.

MOTION: Approve the 1st Recognized Obligation Payment Schedule (ROPS-January 1, 2012 thru June 30, 2012) with the exception of Line Item Nos. 1 (TAB Refunding 2003), No. 4 (Promissory Note Payable to City of Costa Mesa) and No. 10 (1901 Newport Project); and an amendment to Line Item No. 9, Neighborhood Stabilization Program-Mercy Housing (reflecting \$130,288.14 in May). Moved by Chair Jim Righeimer, second by Member Rick Francis.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

Vice-Chair Jeff Trader asked if releasing some of the obligations would generate monies to pay off a promissory note or defease some of the bonds. Ms. Brady said the Oversight Board did not have authority; the bonds were all subject to the trust indentured bond documents. The Board could direct staff to evaluate and investigate the feasibility or infeasibility of defeasance of the bonds. Because the dissolved Redevelopment Agency did not have money on account to make debt service on bonds, in order to receive money from the trust fund to make debt service on the bonds and prevent the bonds from defaulting, the bonds needed to be reflected on the EOPS and ROPS. Ms Head, in reference to the discussion, pointed out in the 1st ROPS that Line

Item No. 1 (TAB Refunding 2003) had a March payment that had been spent and Line Item Nos. 4 and 10 (Promissory Note Payable and 1901 Newport Project) did not have expenditures during this ROPS period. Her example gave the Board an opportunity to have a full discussion, ask any questions of staff/consultants they wanted researched without jeopardizing the ROPS because funds had been spent in this period.

Member Andy Dunn stated Line Item No. 1 (TAB Refunding 2003) had a total obligation of \$690,000 during January 2012 through June 2012 and the total payment for the first 6 months was \$78,000. Mr. Young explained that the principal payments and one-half of the interest payments were made in October 2011. Mr. Young referred to the 2nd ROPS (July 2012 through December 2012) and said the large September payment that appeared for Line Item No. 1 (\$623,087.50) was the principal and one-half of the interest. Ms. Brady added that lopsided payments were common with bonds.

Vice-Chair Jeff Trader referring to Line Item No. 4 (Promissory Note Payable) asked what portion of the loan qualified and what portion did not qualify. Ms. Brady stated the City's position was that the whole amount should qualify. Worse case scenario would be the Department of Finance authorizing only the first couple of Notes that might only amount to \$100,000.

A conversation regarding indebtedness and proposed legislation (AB 1585) took place.

MOTION: Approve Line Item Nos. 1 (TAB Refunding 2003), No. 4 (Promissory Note Payable to City of Costa Mesa) and No. 10 (1901 Newport Project); approve 2nd ROPS (July 1, 2012 through December 31, 2012); approve Oversight Board Resolution 2012-02 subject to the modifications to all 3 schedules. Moved by Chair Jim Righeimer, second by Member Dan Baker.

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY APPROVING THE ENFORCEABLE OBLIGATION PAYMENT SCHEDULE AND THE FIRST AND SECOND RECOGNIZED OBLIGATION PAYMENT SCHEDULES PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, DIVISION 24, PART 1.85; AUTHORIZE POSTING AND TRANSMITTAL THEREOF.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Gary Monahan, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: None

Member Gary Monahan exited the meeting at 3:25 p.m.

3. Oversight Board Review and Approval of the Successor Agency's Proposed Administrative Budgets and Successor Agency's Request to the Oversight Board for Authorization to Enter into "Agreement for Reimbursement of Costs and City/Successor Agency Operations Loan"

Ms. Brady advised that two proposed administrative budgets and a reimbursement contract between the City and Successor Agency (approved by the City and Successor Agency) were being presented to the Board for their consideration and approval.

Ms. Brady reported that Successor Agency staffing was by City staff and the City staff did not provide staffing services. The Dissolution Act contemplated that staffing services be provided with compensation. In addition to staff preparing the administrative budgets, a cost reimbursement agreement was prepared to memorialize the provision of City services to the Successor Agency and the contractual promise by the Successor Agency to pay the City for those services. The Dissolution Act did contemplate that the Successor Agency could enter into contracts, including with the City, for its resources. Ms. Brady encouraged the Board to approve the contract.

Revised copies of the proposed Successor Agency's Administrative Budget for 7/1/12 thru 12/31/12 were distributed to the Board.

MOTION: Approve the Successor Agency's proposed Administrative Budgets pursuant to Section 34177(j) of the Dissolution Act. Moved by Chair Jim Righeimer, second by Member Dan Baker

Vice-Chair Jeff Trader asked if there was a wind down period. Ms. Head reported the notion was it would eventually go away. The Successor Agency was to be in place until completely dissolved and the Costa Mesa Housing Authority would have its own budget.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Tom Hatch, Member Rick Francis,
Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: Member Gary Monahan

MOTION: Authorize the Successor Agency to enter into an "Agreement for Reimbursement of Costs and City/Successor Agency Operations Loan" ("Costs Reimbursement Agreement") with the City of Costa Mesa pursuant to Section 34171(d)(1)(F) and 34178(a) of the Dissolution Act for reimbursement of costs incurred by the City to support Successor Agency operations and obligations consistent with the Administrative Budgets proposed to be approved by the Successor Agency.

Vice-Chair Jeff Trader inquired about No. 8 (Repayment of Operations Loan) on the Reimbursement Agreement. Board Member Tom Hatch clarified that No. 8 pertained to administrative costs related to the \$250,000. Ms. Brady added it was a contract that memorialized the obligation to make the payment. By saying "loan" it was a promise by the Successor Agency to pay the City.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Tom Hatch, Member Rick Francis,
Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: Member Gary Monahan

MOTION: Adopt Oversight Board Resolution 2012-03. Moved by Chair Jim Righeimer, second by Member Dan Baker.

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S PROPOSED ADMINISTRATIVE BUDGETS PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177(j), AND AUTHORIZING THE SUCCESSOR AGENCY TO ENTER INTO AN AGREEMENT WITH THE CITY OF COSTA MESA FOR ADMINISTRATIVE SUPPORT PURSUANT TO HEALTH AND SAFETY CODE SECTION 34171; AND MAKING OTHER FINDINGS IN CONNECTION THEREWITH

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Tom Hatch, Member Rick Francis,
Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: Member Gary Monahan

4. Confirm the transfer by operation of law of the former Agency's housing assets and responsibilities and all rights, powers, duties and obligations along with the encumbered amounts from the low and moderate income housing fund to the Costa Mesa Housing Authority pursuant to Sections 34176 and 34181

Ms. Brady reported that the City Council, by action on January 17, 2012, declined to assume the housing assets and functions of the former Redevelopment Agency and established the Costa Mesa Housing Authority. One of the first actions of the Housing Authority was to assume the housing functions as of February 1, 2012 (by operation of law per Section 34176). The mandatory responsibilities of an Oversight Board included a statement that the Board would authorize the transfer by the Successor Agency to the Housing Successor. Hence, a resolution for approval was prepared confirming what had transpired since February 1, 2012 - that the Housing Authority would carry out the duties and functions of the former Redevelopment Agency and hold its assets, such as the first time homebuyer loans, the promissory notes for residual receipts payments, the affordable housing covenants of which the former Agency (now the Housing Authority) was a beneficiary, to make certain that projects such as the St. John's Manor Senior rental project that had 55 year covenants was monitored and in compliance.

Member Andy Dunn asked what the City of Costa Mesa's rationale was for declining to accept the housing assets and functions of the former Redevelopment Agency and created a Housing Authority instead. Ms. Brady reported that the Dissolution Act provided a buffer to the Successor Agency as far as liabilities and limited the liability of a Successor Agency if sued, to the assets of a Successor Agency. The City's general fund was not at risk pursuant to the Dissolution Act but it was silent as to the housing functions. There was no incentive for a city to assume those functions if they were going to expose the general fund. When the Housing Authority was formed it had no assets. Since February 1, 2012, it acquired the housing functions but it does not have a funding source.

Chair Jim Righeimer asked for a magnitude of dollars that were going through. Ms. Ullman reported there were about \$3 million dollars in first time homebuyer assets alone. She stated that a Housing Authority gave staff certain development functions that the City would not have. As an example, she mentioned that staff would be going to the Successor Agency because they were in the threat of losing HOME funds but staff received special approval from HUD to commit the HOME funds that would have been lost to the Orange County Housing Authority. By having a Housing Authority, staff could "park their money in another place". Ms. Brady added that under the California Housing Authority Law, the Costa Mesa Housing Authority had a lot of powers.

Chair Jim Righeimer said a decision could be made stating no funds on the residuals were coming in. Ms. Brady stated if that stood, they might want to dissolve the Costa Mesa Housing Authority and transfer the housing functions to the Orange County Housing. She stated the statute was silent as to whether they could change their mind but it did not say they could not change their mind. Many Housing Authorities did not want the responsibility of the housing functions because they were not receiving funds for it - they were going to try and transfer the housing assets to the State Housing & Community Development Department. Chair Jim Righeimer provided a definition of residual receipts.

Vice-Chair Jeff Trader asked for the timing on the Vehicle Parking District properties. Ms. Ullman said staff had inquired into the County but the County had not been able to find it. Ms. Brady stated the Vehicle Parking District was not a housing asset; if it was held by title and fee by the former Redevelopment Agency, staff would have to prepare a set of disposition procedures for it to be sold.

A conversation regarding the Vehicle Parking District ensued.

MOTION: Adopt Oversight Board Resolution No. 2012-04. Motion by Chair Jim Righeimer, second by Member Rick Francis.

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY CONFIRMING THE TRANSFER BY OPERATION OF LAW OF THE FORMER AGENCY'S HOUSING ASSETS AND RESPONSIBILITIES AND ALL RIGHTS, POWERS, DUTIES AND OBLIGATIONS ALONG WITH THE ENCUMBERED AMOUNTS FROM THE LOW AND MODERATE INCOME HOUSING FUND TO THE COSTA MESA HOUSING AUTHORITY PURSUANT TO SECTIONS 34176 AND 34181

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: Member Gary Monahan

5. Proposed Regular Meeting Dates/Schedule of the Oversight Board Discussion and Concurrence of a Process for Agendizing of Future Oversight Board Agenda Items

Ms. Brady reported that a resolution had not been prepared for Item No. 5 because it was unknown what the Oversight Board wanted. It was suggested to keep the third Thursday of the month at 2 p.m. but the Board could select an alternate date and time. The Board also needed to approve a process for agendizing items.

Chair Jim Righeimer asked if the Oversight Board was required by law to meet every month. Ms. Brady mentioned it was silent and did not say.

Member Andy Dunn hoped that by the next meeting the Board would have feedback from the Department of Finance on the actions the Board had taken today.

MOTION: Approve the proposed regular meeting dates of the Oversight Board as the third Thursday of each month at 2 p.m. to be held in the Costa Mesa City Hall; Notice of and Agenda packages for regular meetings of the Oversight Board to be prepared and provided to the Oversight Board by staff of the Successor Agency, which is the City of Costa Mesa Acting and Serving as the Successor Agency to the Costa Mesa Redevelopment Agency; and if no agenda items are scheduled or anticipated, there is no need for an Oversight Board meeting; approve a process for agendizing of future items that would permit matters to be placed on an Oversight Board regular or special meeting agenda as follows: (a) by staff of the Successor Agency (or, if and when necessary, by staff of the Housing Authority); of (b) by the Chair of the Oversight Board, or (c) by motion request by an Oversight Board Member.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None.

Absent: Member Gary Monahan

6. Review and Authorization to the Successor Agency to Implement Change Order Nos. 2 and No. 3 to the Davis Field Project

Ms. Brady presented the staff report and stated the contract was with a third party construction contractor for a Public Works project that generated change orders as a result of a modification to the existing enforceable obligation contract. Modifications to a contract, such as a change order, required approval by the Oversight Board because the contract involved former tax increment.

Chair Jim Righeimer asked if the change orders occurred after the original contract. Ms. Brady responded affirmatively and added that the original contract was before June 27, 2011 so it would be a valid enforceable obligation and the change orders were within the original scope of the contract.

MOTION: Authorize Construction Change Order Nos. 2 and No. 3 to the Davis Field Project and Adopt Oversight Board Resolution No. 2012-06. Motion by Chair Jim Righeimer, second by Member Andy Dunn.

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY AUTHORIZING THE SUCCESSOR AGENCY AUTHORIZING CHANGE ORDER NOS. 2 AND 3 TO THE DAVIS FIELD PROJECT; AND MAKING OTHER FINDINGS IN CONNECTION THEREWITH.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Member Tom Hatch, Member Rick Francis, Member Dan Baker, Vice-Chair Jeff Trader, Member Andy Dunn

Noes: None

Absent: Member Gary Monahan

Vice-Chair Jeff Trader asked if there was a revenue and expenditure report for the Successor Agency. Mr. Young responded there was no revenue and expenditure report at the time. He added that the EOPS and ROPS were the Successor Agency's basis for solidifying what the expenditures would be and determining how much of the revenues they would receive through the Trust Fund.

Vice-Chair Jeff Trader made the comment the State skimmed and then redistributed to the taxing entities. Ms. Brady said it stayed with the County Auditor-Controller - the County Auditor-Controller controlled the money and the State was the complete oversight veto power on what could be distributed by the County to each Successor Agency.

Vice-Chair Jeff Trader asked if the Successor Agency entered into an agreement with the Auditor-Controller. Ms. Brady said the Dissolution Act called for the County Auditor-Controller's Office and the State Controller's Office to do an audit on all 425 redevelopment agencies. Assistant Finance Director Colleen O'Donoghue had an appointment to conduct an audit of the former Redevelopment Agency scheduled for May 21, 2012

Chair Jim Righeimer asked the Oversight Board Secretary to distribute contact information to Board Members and cautioned Board Members about the Brown Act. Ms. Brady requested that individual matters be sent to the Secretary and she would coordinate with the Chair.

VII. ADJOURN – to the next regularly scheduled meeting of May 17, 2012 at 2 p.m.