

REGULAR MEETING OF THE
OVERSIGHT BOARD

For the Successor Agency of the Former Redevelopment Agency of the City of
Redlands

Members of the Board:

Paul Foster, Chairperson, appointed by the Mayor of the City of Redlands

Oscar Orci, Vice Chairperson, appointed by the Mayor, representing former
redevelopment agency employees

Brad Mason, appointed by County Superintendent of Education

Cindy Saks, appointed by County Flood Control District

David Wert, appointed by County Board of Supervisors

Donna Ferracone, appointed by Chancellor of California Community Colleges

Jose Sandoval, appointed by County Board of Supervisors, representing the public

A G E N D A

The regular meeting of the Oversight Board of the Successor Agency for the former
Redevelopment Agency of the City of Redlands is at the date and time noted below in
the City Council Chambers, Civic Center, 35 Cajon Street, Redlands, California, on:

**THURSDAY, July 18, 2013
4:30 P.M.**

Anyone desiring to speak at this meeting is encouraged, but not required, to turn in a
"Speaker Sign-up Sheet." Forms are available prior to the meeting date in the
Development Services Department, 210 E. Citrus Avenue, or in the City Council
Chambers during the meeting. Speakers are limited to three (3) minutes each.
Speakers may not "donate" their time to others.

In compliance with the Americans with Disabilities Act, if you need special assistance to
participate in this meeting, please contact Jason Montgomery of Municipal Utilities &
Engineering Department, 909-798-7584 x5. Notification 48 hours prior to the meeting
will enable the City to make reasonable arrangements to ensure accessibility to this
meeting (28 CFR 35.102-35.104 ADA Title II).

NOTE: Any writings or documents distributed to a majority of the Oversight Board
regarding an open session agenda item less than 72 hours before this meeting are
available for public inspection at the Development Services Department.

I. CALL TO ORDER AND PUBLIC COMMENT PERIOD - 3 MINUTES

(At this time, the public has the opportunity to address the Oversight Board on
any item of interest within the subject matter jurisdiction of the Oversight Board
that does not appear on this agenda. The Oversight Board may not discuss or
take any action on any public comment made, except that the Oversight Board

members or Successor Agency staff may briefly respond to statements made or questions posed by members of the public)

II. CONSENT CALENDAR/APPROVAL OF MINUTES

- A. Consideration to adopt Resolution No. OB 2013-026; approval of the consent calendar for the July 18, 2013 Regular Meeting for the following matters:
- i. Minutes of the February 14, 2013 Special Meeting

III. COMMUNICATIONS

None.

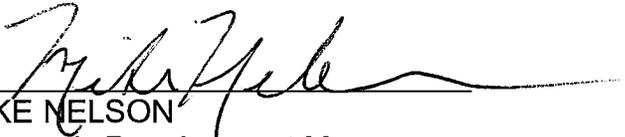
IV. NEW BUSINESS

Consideration to adopt Resolution No. OB 2013-027; approval of a loan in the amount of \$75,000 from the City of Redlands to the Successor Agency for estimated litigation expenses.

V. OLD BUSINESS

None.

VI. ADJOURNMENT


MIKE NELSON
Economic Development Manager
Successor Agency Staff

RESOLUTION NO. OB 2013-026

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF REDLANDS
APPROVING THE CONSENT CALENDAR FOR THE JULY 18, 2013
OVERSIGHT BOARD MEETING

WHEREAS, the Oversight Board to the Successor Agency to the former Redevelopment Agency of the City of Redlands (the "Oversight Board") has taken up for consideration the consent calendar for the July 18, 2013 meeting of the Oversight Board; and

WHEREAS, Section 34179(e) of the Health and Safety Code requires all actions by the Oversight Board to be taken by resolution.

NOW, THEREFORE, BE IT RESOLVED, BY the Oversight Board of the Successor Agency to the former Redevelopment Agency of the City of Redlands as follows:

Section 1. The Oversight Board hereby approves the consent calendar for the July 18, 2013 meeting of the Oversight Board, which includes the matters described in Exhibit "A", which is attached to this Resolution.

Section 2. The Secretary for the Oversight Board shall certify to the adoption of this Resolution.

Section 3. Pursuant to California Health and Safety Code section 34179, all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

PASSED, APPROVED and ADOPTED at a regular meeting of the Oversight Board of the Successor Agency to the former Redevelopment Agency of the City of Redlands held this 18th day of July, 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Paul Foster, Chairperson
Oversight Board of Successor Agency
To Redevelopment Agency

ATTEST:

Linda McCasland
Oversight Board Secretary

EXHIBIT "A"

1. Minutes of February 14, 2013 Special Oversight Board Meeting

Minutes of a Special meeting of the Oversight Board for the Successor Agency of the Former Redevelopment Agency of the City of Redlands held in the Council Chambers, 35 Cajon Street, on February 14, 2013 at 4:30 P.M.

PRESENT: Paul Foster, Chairman
Oscar Orci, Vice Chairman
Brad Mason, Board Member
Cindy Saks, Board Member
Jose Sandoval, Board Member
David Wert, Board Member

ABSENT: Board Member Donna Ferracone (Excused)

STAFF: Tina Kundig, Finance Director/City Treasurer
Mike Nelson, Economic Development Manger

I. CALL TO ORDER AND PUBLIC COMMENT PERIOD - 3 MINUTES

(At this time, the public has the opportunity to address the Oversight Board on any item of interest within the subject matter jurisdiction of the Oversight Board that does not appear on this agenda. The Oversight Board may not discuss or take any action on any public comment made, except that the Oversight Board members or Successor Agency staff may briefly respond to statements made or questions posed by members of the public)

Chairman Paul Foster opened up the Public Comment Period. There were no comments forthcoming and the Public Comment Period was closed.

II. CONSENT CALENDAR

A. Consideration to adopt Resolution No. OB 2013-024; approval of the consent calendar for the following matter:

i. Minutes of December 20, 2012 Regular Oversight Board Meeting

MOTION

It was moved by Vice Chairman Oscar Orci, seconded by Board Member Wert, and carried on a 6-0-1 vote (Board Member Donna Ferracone absent) that the Oversight Board approve Resolution No. OB 2013-024.

III. COMMUNICATIONS

None

IV. NEW BUSINESS

Resolution No. OB 2013-025 – Approval of a Recognized Obligation Payment Schedule for July 1, 2013 to December 31, 2013 (ROPS 13-14A). The Recognized Obligation Payment Schedule sets for the payment amounts required for enforceable obligations for the six-month fiscal period.

MOTION

It was moved by Vice Chairman Orci, seconded by Board Member Cindy Saks, and carried on a 6-0-1 vote (Board Member Ferracone absent) that the Oversight Board approve Resolution No. OB 2013-025.

V. OLD BUSINESS

None

VI. ADJOURNMENT TO THE MARCH 21, 2013 OVERSIGHT BOARD MEETING.

There being no further business to address, Chairman Foster adjourned the meeting at 4:37 p.m. to the regularly scheduled Oversight Board meeting of March 21, 2013.

REQUEST FOR OVERSIGHT BOARD ACTION

SUBJECT: CONSIDERATION OF RESOLUTION NO. OB 2013-027 TO APPROVE A LOAN IN THE AMOUNT OF \$75,000 FROM THE CITY OF REDLANDS TO THE SUCCESSOR AGENCY FOR LITIGATION EXPENSES.

MOTION:

“I move to approve Resolution No. OB 2013-027.”

BACKGROUND

On October 22, 2012, the State Department of Finance (“DOF”) issued its determination regarding the Successor Agency’s (“Agency”) ROPS III and identified several items that the DOF disputed as enforceable obligations, including a loan from the City to the Agency in the amount of \$65,607. The Successor Agency subsequently participated in a “meet and confer” conference with the DOF to further discuss the disputed items on the Agency’s ROPS III.

On December 18, 2012, and in a follow-up contact on January 8, 2013, the Agency was notified that the DOF completed its review of the Agency’s ROPS III, and that the DOF had disallowed the \$65,607 loan from City to Agency as an enforceable obligation. A separate City loan in the amount of \$3,157,400, which was made to the Agency to pay prior enforceable obligations, was neither questioned by the DOF, nor denied as an enforceable obligation as part of the DOF’s review of Agency’s ROPS III.

On February 19, 2013, the Agency submitted its ROPS 13-14A to the DOF using the template provided by the DOF, and on April 6, 2013 the DOF issued its determination regarding the Agency’s ROPS 13-14A, questioning the Agency’s repayment terms for City’s \$3,157,400 loan to the Agency. During April and May of 2013, the Agency participated in a “meet and confer” process with the DOF, and on May 17, 2013, the DOF issued its final determination which denied a significant portion of the City’s \$3,157,400 loan to Agency as an enforceable obligation.

The Agency disputes the determinations of the DOF that the City’s loans to the Agency are not enforceable obligations and has determined to pursue all legal remedies available to the Agency. Additionally, the Agency and the City have further determined that it is in their respective best interests for the City to loan the Agency sufficient funds to enable the Agency to pay the Agency’s estimated litigation costs.

At its July 16, 2013 meeting, it is anticipated that the Successor Agency Board will adopt Resolution No. 460, approving of a \$75,000 loan from the City of Redlands to the Successor Agency for litigation expenses. The loan amount, if approved by the Oversight Board, will be added to the Agency’s January to June 2014 ROPS (ROPS 13-14B) as an enforceable obligation.

ACTION:

To ensure that the Agency can pursue all legal remedies available to the Agency, the Agency seeks Oversight Board approval of Resolution No. OB 2013-027 for a loan from the City of Redlands to the Successor Agency in the amount of \$75,000.

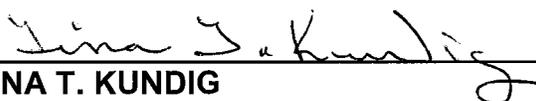
ATTACHMENTS:

1. Resolution No. OB 2013-027
2. Loan Agreement

Respectfully submitted,



MIKE NELSON
Economic Development Manager
Successor Agency to the Redevelopment Agency

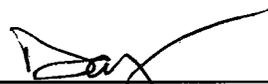


TINA T. KUNDIG
Finance Director
Successor Agency to the Redevelopment Agency

Approved for submission by:



N. ENRIQUE MARTINEZ
Executive Director,
Successor Agency to the Redevelopment Agency



DANIEL J. McHUGH
General Counsel,
Successor Agency to the Redevelopment Agency

RESOLUTION NO. OB 2013-027

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF REDLANDS APPROVING A \$75,000 LOAN BETWEEN THE CITY OF REDLANDS AND THE SUCCESSOR AGENCY TO PAY FOR ENFORCEABLE OBLIGATIONS OF THE SUCCESSOR AGENCY

WHEREAS, on November 1, 2011, the City Council of the City of Redlands (herein the "City") approved Resolution 7089 electing to serve as the Successor Agency to the former Redevelopment Agency of the City of Redlands (the "Agency") under Section 34173 of the Health and Safety Code; and

WHEREAS, Assembly Bill No. 1484 was signed by the Governor of California on June 27, 2012, which, among other things, added Chapter 9 (commencing with Section 34191.1) to Part 1.85 of Division 24 of the Health and Safety Code; and

WHEREAS, on July 9, 2012 the Agency received a demand for payment in the amount of \$2,867,052 from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector pursuant to Section 34183.5(b)(2)(A) of the Health and Safety Code; and

WHEREAS, On July 11, 2012 the Agency received a revised demand for payment in the amount of \$2,601,269 (the "Payment") from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector pursuant to Section 34183.5(b)(2)(A) of the Health and Safety Code; and

WHEREAS, On July 12, 2012, the Agency made the Payment to the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector, using the \$2,535,662 balance held in its Agency Funds and a \$65,607.37 loan from the City; and

WHEREAS, as a result of making the Payment, the Agency no longer had any fund balance in its Agency funds and had enforceable obligations from July through December 2012 in the amount of \$3,157,400 and;

WHEREAS, pursuant to Section 34173(h) of the Health and Safety Code, a city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion; and

WHEREAS, the City and the Agency determined that it was in their respective best interests that the Agency pay the enforceable obligations, which included \$2,880,794 in bond principal payments, as default by the Agency could potentially affect the creditworthiness of the City and the Agency; and

WHEREAS, because the Agency had insufficient funds to make the payments required pursuant to the ROPS out of existing Agency funds, the City Council of the City of Redlands

determined that the City would provide a loan to the Agency in the amount of \$3,157,460 to make these payments; and

WHEREAS, the Agency subsequently listed the loan as an enforceable obligation on its ROPS III (January 2013 through June 2013); and

WHEREAS, on October 22, 2012, the State Department of Finance (“DOF”) issued its determination regarding the Agency’s ROPS III and identified several items that the DOF disputed as enforceable obligations, including the loan from the City to the Agency in the amount of \$65,607; and

WHEREAS, the Agency subsequently participated in a “meet and confer” with the DOF to further discuss the disputed items on the Agency’s ROPS III. On December 18, 2012, and in a follow-up contact on January 8, 2013, the Agency was notified that the DOF completed its review of the Agency’s ROPS III, and that the DOF disallowed the \$65,607 loan from the City to the Agency as an enforceable obligation. The City’s loan to the Agency in the amount of \$3,157,400 was neither questioned by the DOF, nor denied as an enforceable obligation as part of the DOF’s review of the Agency’s ROPS III; and

WHEREAS, on February 19, 2013, the Agency submitted its ROPS 13-14A to the DOF using the template provided by the DOF, and on April 6, 2013, the DOF issued its determination regarding the Agency’s ROPS 13-14A and questioned the Agency’s repayment terms for the City’s \$3,157,400 loan to the Agency; and

WHEREAS, during April and May of 2013, the Agency participated in a “meet and confer” with the DOF, and on May 17, 2013, the DOF issued its final determination which denied as an enforceable obligation a significant portion of the City’s \$3,157,400 loan to the Agency; and

WHEREAS, the Agency disputes the determinations of the DOF that the City’s loans to the Agency are not enforceable obligations and has determined to pursue all legal remedies available to the Agency; and

WHEREAS, the Agency and the City have further determined it is in their respective best interests for the City to loan to the Agency sufficient funds to enable the Agency to pay the estimated costs of the Agency’s pursuit of such remedies; and

WHEREAS, the loan would be evidenced by a promissory note requiring repayment of the loan by the Agency, including interest accrued at the current State of California Local Agency Investment Fund interest rate of .28 percent per annum, and the receipt of the funds shall be reflected on Recognized Obligation Payment Schedule or the administrative budget of the Agency and therefore subject to the oversight and approval of the Oversight Board;

WHEREAS, pursuant to Health and Safety Code section 34180, the Oversight Board approval is required for the Agency’s loan;

NOW, THEREFORE, BE IT RESOLVED, BY the Oversight Board of the Successor Agency to the former Redevelopment Agency of the City of Redlands as follows:

Section 1. The Oversight Board hereby approves a loan between the City of Redlands and the Successor Agency in the amount of Seventy Five Thousand Dollars (\$75,000)

Section 2. The Oversight Board hereby directs the Successor Agency to reflect the receipt of the funds as an enforceable obligation on the Recognized Obligation Payment Schedule.

Section 3. The Secretary for the Oversight Board shall certify to the adoption of this Resolution.

Section 4. Pursuant to California Health and Safety Code section 34179, all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance, and, therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the State of California Department of Finance.

PASSED, APPROVED and ADOPTED at a regular meeting of the Oversight Board of the Successor Agency to the former Redevelopment Agency of the City of Redlands held this 18th day of July, 2013 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Paul Foster, Chairperson
Oversight Board of Successor Agency
To Redevelopment Agency

ATTEST:

Linda McCasland
Oversight Board Secretary

LOAN AGREEMENT

This Loan Agreement (“Agreement”) is dated as of this 16th day of July, 2013, by and between the Successor Agency to the Former Redevelopment Agency of the City of Redlands, a public body corporate and politic (“Agency”), and the City of Redlands, a California municipal corporation (“City”). Agency and City are sometimes individually referred to in this Agreement as a “Party” and, together as the “Parties.” This Agreement is entered into with reference to the following recitals of fact (“Recitals”) that Agency and City believe to be true, as of the Effective Date (as hereinafter defined) of this Agreement:

RECITALS

A. Pursuant to the Community Redevelopment Law (Health and Safety Code section 33000 *et seq.*), the City Council of City created the Redevelopment Agency of the City of Redlands.

B. On June 28, 2011, the State of California enacted Health and Safety Code section 34161 *et seq.* as part of the State’s enactment of Assembly Bill 1X 26 (“AB 1X 26”), immediately prohibiting further redevelopment activity by redevelopment agencies and dissolving all redevelopment agencies in the State of California on October 1, 2011.

C. On July 18, 2011, a Petition for Writ of Mandate was filed in the Supreme Court of the State of California in the matter of *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 which, among other things, challenged the constitutionality of AB 1X 26, on behalf of cities, counties and redevelopment agencies and requested a stay of enforcement of AB 1X 26, pending the Supreme Court’s determination of the constitutionality of AB 1X 26.

D. On December 29, 2011, the Supreme Court issued its opinion in the above referenced case which, among other things, upheld AB 1X 26 and dissolved all redevelopment agencies throughout the State of California, effective February 1, 2012.

E. Pursuant to Health and Safety Code section 34173(d), City elected to become the successor agency to the dissolved Redevelopment Agency of the City of Redlands, confirmed by Resolution No. 7089 adopted on November 1, 2011.

F. On June 27, 2012, Assembly Bill 1484 (“AB 1484”) was signed by the Governor of California which, among other things, significantly modifies AB 1X 26.

G. On July 11, 2012, Agency received a demand for payment in the amount of \$2,601,269 (the “Payment”) from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector pursuant to Health and Safety Code section 34183.5(b)(2)(A), as added by AB 1484.

H. On July 12, 2012, Agency made the Payment to the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector, using the \$2,535,662 balance held in its Redevelopment Obligation Retirement Fund and a \$65,607 loan from City.

I. After making the Payment, Agency no longer had any fund balance in its Redevelopment Obligation Retirement Fund and had enforceable obligations from July through

December 2012, as set forth in its Recognized Obligation Payment Schedule for July through December 2012 (“ROPS”) in the amount of Three Million One Hundred Fifty Seven Thousand Four Hundred Dollars (\$3,157,400).

J. Pursuant to Health and Safety Code section 34173(h), City may loan or grant funds to Agency for administrative costs, enforceable obligations, or project-related expenses at City’s discretion.

K. City and Agency determined that it was in their respective best interests that Agency pay the enforceable obligations, which included \$2,880,794 in bond principal payments, as default by Agency could potentially affect the creditworthiness of City and Agency.

L. Because Agency had insufficient funds to make the payments required pursuant to the ROPS out of existing Agency funds, the City Council of City determined that City would provide a loan to the Agency in the amount of \$3,157,400 to make these payments.

M. Agency subsequently listed the loan as an enforceable obligation on its ROPS III (January 2013 through June 2013).

N. On October 22, 2012, the State Department of Finance (“DOF”) issued its determination regarding Agency’s ROPS III and identified several items that the DOF disputed as enforceable obligations, including the loan from City to Agency in the amount of \$65,607.

O. Agency subsequently participated in a “meet and confer” with the DOF to further discuss the disputed items on Agency’s ROPS III. On December 18, 2012, and in a follow-up contact on January 8, 2013, Agency was notified that the DOF completed its review of Agency’s ROPS III, and that the DOF disallowed the \$65,607 loan from City to Agency as an enforceable obligation. City’s loan to Agency in the amount of \$3,157,400 was neither questioned by the DOF, nor denied as an enforceable obligation as part of the DOF’s review of Agency’s ROPS III.

P. On February 19, 2013, Agency submitted its ROPS 13-14A to the DOF using the template provided by the DOF, and on April 6, 2013, the DOF issued its determination regarding Agency’s ROPS 13-14A and questioned Agency’s repayment terms for City’s \$3,157,400 loan to Agency.

Q. During April and May of 2013, Agency participated in a “meet and confer” with the DOF, and on May 17, 2013, the DOF issued its final determination which denied as an enforceable obligation a significant portion of City’s \$3,157,400 loan to Agency.

R. Agency disputes the determinations of the DOF that City’s loans to Agency are not enforceable obligations and has determined to pursue all legal remedies available to Agency. Agency and City have further determined it is in their respective best interests for City to loan Agency sufficient funds to enable Agency to pay the estimated costs of Agency’s pursuit of such remedies.

S. The Parties now desire to enter into this Agreement to memorialize the terms and conditions of City’s loan to Agency for the payment of enforceable obligations, administrative expenses, and project-related expenses of Agency.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by Agency and City, the Parties agree as follows:

1. EFFECTIVE DATE.

1.1 **Effective Date of Agreement.** This Agreement is dated this 16th day of July, 2013, for reference purposes only. This Agreement shall not become legally effective or binding until the date on which all of the following are true (“Effective Date”):

1.1.1 This Agreement is ratified by the Board of Agency and the City Council of City, and executed by the authorized representatives of Agency and City, respectively;

1.1.2 This Agreement is approved by the Oversight Board of Agency; and

1.1.3 Pursuant to Health and Safety Code section 34179(h), written notice and information about the approval of this Agreement by the Oversight Board is provided to the State of California Department of Finance and this Agreement becomes effective five (5) business days after notice has been provided to the State of California Department of Finance, pending a request for review by the State of California Department of Finance.

2. LOAN.

2.1 **Loan Amount.** No later than 12:00 p.m. August 1, 2013, City shall loan the amount of Seventy Five Thousand Dollars (\$75,000) (“Loan Amount”) from the City Water Fund 501 to the City General Fund, as evidenced by a Promissory Note in substantially the form attached hereto as Exhibit “A.” Upon execution of a Promissory Note and transfer of the Loan Amount from the City Water Fund 501 to the City General Fund, Agency shall execute a Promissory Note in substantially the form attached hereto as Exhibit “B” and City shall loan the Loan Amount to Agency in immediately available funds.

2.2 **Use of Loan Amount.** The Loan Amount shall be used by Agency for the sole purpose of paying Agency’s enforceable obligations, administrative expenses, and project-related expenses as set forth in the Agency’s ROPS.

2.3 **Repayment of Loan Amount.** Agency agrees to repay the Loan Amount pursuant to the terms and conditions of this Agreement and the Promissory Note executed by Agency in substantially the form attached hereto as Exhibit “B.”

2.4 **Enforceable Obligation.** Pursuant to Health and Safety Code section 34173(h), the Loan Amount shall be reflected on the ROPS and, upon approval of this Agreement by the Oversight Board to the Agency, the repayment of the Loan Amount shall be deemed to be an enforceable obligation.

3. GENERAL TERMS.

3.1 **Time Is Of The Essence.** Time is of the essence in the performance of the Parties’ obligations under this Agreement.

3.2 **No Third Party Beneficiaries.** This Agreement is expressly declared to be for the sole benefit of the Parties. No other person or entity not a signatory to this Agreement shall have any rights or causes of actions against any Party to this Agreement because of that Party's entry into this Agreement.

3.3 **Assignment.** City may not assign any of its rights or obligations under this Agreement without the prior express written consent of Agency, which may be given or withheld in Agency's sole and absolute discretion.

3.4 **Failure to Strictly Enforce Not a Waiver.** Failure by any Party to this Agreement to insist upon the strict performance of any provision of this Agreement or at any one or more times shall not be deemed to constitute a waiver of that Party's right to insist upon strict performance of that or any other provision of this Agreement on future occasions. No alleged waiver of any right afforded to any Party under this Agreement shall be effective unless in writing.

3.5 **Attorneys' Fees.** In the event that any action or proceeding is commenced by either Agency or City against the other to interpret or enforce any provision of this Agreement, the prevailing Party in such action or proceeding shall be entitled to recover from the non-prevailing Party, in addition to all other relief to which the prevailing Party may be entitled, the prevailing Party's reasonable attorneys' fees and litigation costs, including fees for use of in-house legal counsel by a Party, as established by a court of law. Recoverable costs and fees shall include those incurred on appeal and in the enforcement of any judgment.

3.6 **Amendments and Modifications,** This Agreement may be amended only by written agreement of the Parties.

3.7 **Severability.** If any provision of this Agreement or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Agreement that can be given effect without the invalid provision or application, and to this end the provisions of this Agreement are severable.

[Signatures on Following Page]

SIGNATURE PAGE
TO
LOAN AGREEMENT

AGENCY:

SUCCESSOR AGENCY TO THE
FORMER REDEVELOPMENT AGENCY
OF THE CITY OF REDLANDS
a public body, corporate and politic

CITY:

CITY OF REDLANDS
a California municipal corporation

By: _____
Pete Aguilar, Chairman

By: _____
Pete Aguilar, Mayor

ATTEST:

ATTEST:

By: _____
Sam Irwin, Secretary

By: _____
Sam Irwin, City Clerk

EXHIBIT A
TO
LOAN AGREEMENT

City Promissory Note

[Attached Behind This Cover Page]

**CITY OF REDLANDS
UNSECURED PROMISSORY NOTE**

FOR VALUE RECEIVED, this Unsecured Promissory Note is dated as of the 16th day of July, 2013 (“Promissory Note”) and evidences an indebtedness of the general fund of the City of Redlands (“Maker”) to the City of Redlands Water Fund 501 (“Holder”). For value received, Maker hereby promises to pay to the order of Holder, at such address as Holder shall designate, the amount Seventy Five Thousand Dollars (\$75,000) (“Loan Amount”), with interest, in accordance with the terms of this Promissory Note.

1. **Unsecured Obligation.** The Maker’s obligations under this Promissory Note are not secured by any instrument encumbering any property or asset of Maker.

2. **Repayment of Promissory Note.** Maker shall pay to the order of Holder the Loan Amount, with interest accruing at the current Local Agency Investment Fund (LAIF) interest rate of .28 percent per annum, as follows:

2.1 Maker promises to pay to the order of Holder the Loan Amount, with interest, within ten years from the date of this Promissory Note. The first installment shall be paid during the period of January 2014–June 2014, if sufficient tax allocation funds are available from the Successor Agency to the former Redevelopment Agency of the City of Redlands. Subsequent installments will be paid over multiple ROPS cycles of such Successor Agency, as sufficient funds are available, with the unpaid balance of the Loan Amount to be paid no later than July 15, 2023 (“Maturity Date”).

2.2 All payments due hereunder are payable in lawful money of the United States in same day funds. The Loan Amount may be prepaid, in whole or in part, at any time and from time to time without penalty or premium.

2.3 The entire unpaid balance of the Loan Amount shall be due and payable, prior to the Maturity Date, upon Maker’s material breach of any of the obligations of this Promissory Note.

2.4 Maker’s obligation to pay the unpaid principal balance of the Loan Amount shall be limited to the available funds of Maker which are not otherwise encumbered as of the date of this Promissory Note.

3. **Assignment.** Holder shall have no power to transfer or assign its right to receive any payment under this Promissory Note, unless Maker has first granted written approval to Holder for such a proposed assignment, in the Maker’s sole and absolute discretion.

4. **Severability.** The unenforceability or invalidity of any provision or provisions of this Promissory Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other person or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

5. **Governing Law.** The validity, interpretation and performance of this Promissory Note shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles.

6. **Jurisdiction and Venue.** The Holder and the Maker acknowledge and stipulate that the obligation hereunder was entered into in the County of San Bernardino, California. Any legal action or proceeding to interpret, enforce, or which in any way arises out of this Promissory Note shall be instituted and prosecuted in the appropriate court in the County of San Bernardino, California. Holder and Maker expressly waive, to the maximum legal extent, any legal right either Party may have to have such action or proceeding transferred to or prosecuted in any other court or jurisdiction.

7. **Amendments and Modifications.** This Promissory Note may be amended or modified only in writing signed by the Holder and the Maker.

8. **Time of the Essence.** Time is of the essence of this Promissory Note.

[Signatures on Following Page]

SIGNATURE PAGE
TO
CITY OF REDLANDS
UNSECURED PROMISSORY NOTE

MAKER:

CITY OF REDLANDS,
a California municipal corporation

By: _____
Pete Aguilar, Mayor

Date: July 16, 2013

ATTEST:

By: _____
Sam Irwin, City Clerk

EXHIBIT B
TO
LOAN AGREEMENT

Successor Agency Promissory Note

[Attached Behind This Cover Page]

**SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE
CITY OF REDLANDS
UNSECURED PROMISSORY NOTE**

FOR VALUE RECEIVED, this Unsecured Promissory Note is dated as of this 16th day of July, 2013 (“Promissory Note”) and evidences an indebtedness of the Successor Agency to the former Redevelopment Agency of the City of Redlands, a public body, corporate and politic (“Maker”), to the City of Redlands, a California municipal corporation (“Holder”). For value received, Maker hereby promises to pay to the order of Holder, at such address as Holder shall designate, the Loan Amount (as defined in the Agreement), with interest, in accordance with the terms of this Promissory Note.

1. **Loan Agreement.** The rights and obligations of Maker and Holder under this Promissory Note are made with respect to that certain agreement entitled “Loan Agreement” dated the 16th day of July, 2013 by and between Maker and Holder (“Agreement”), as approved by Resolution Number 460 of Maker, dated July 16, 2013 and Resolution Number 7301 of Holder, dated July 16, 2013. The terms and provisions of the Agreement are incorporated into this Promissory Note by this reference. All initially capitalized terms used but not otherwise defined in this Promissory Note shall have the meaning ascribed to them in the Agreement.

2. **Unsecured Obligation.** The Maker’s obligations under this Promissory Note are not secured by any instrument encumbering any property or asset of Maker.

3. **Repayment of Promissory Note.** Maker shall pay to the order of Holder the Loan Amount, with interest accruing at the current Local Agency Investment Fund (LAIF) interest rate of .28 percent per annum, as follows:

3.1 Maker promises to pay to the order of Holder the Loan Amount, with interest, within ten years from the date of this Promissory Note. The first installment shall be paid during the period of January 2014-June 2014, if sufficient tax allocation funds are available. Subsequent installments will be paid over multiple ROPS cycles of Maker, as sufficient funds are available, with the unpaid balance of the Loan Amount to be paid no later than July 15, 2023 (“Maturity Date”). It is the express intent of Maker and Holder that the Loan Amount be paid by Maker to Holder as soon as reasonably and fiscally practical within the ten year repayment period, as tax allocation funds are made available to Maker.

3.2 All payments due hereunder are payable in lawful money of the United States in same day funds. The Loan Amount may be prepaid, in whole or in part, at any time and from time to time without penalty or premium.

3.3 The entire unpaid balance of the Loan Amount shall be due and payable, prior to the Maturity Date, upon Maker’s material breach of any of the obligations of this Promissory Note or the Agreement.

3.4 Maker's obligation to pay the unpaid principal balance of the Loan Amount shall be limited to the available funds of Maker which are not otherwise encumbered as of the date of this Promissory Note.

4. **Assignment.** Holder shall have no power to transfer or assign its right to receive any payment under this Promissory Note, unless Maker has first granted written approval to Holder for such a proposed assignment, in the Maker's sole and absolute discretion.

5. **Severability.** The unenforceability or invalidity of any provision or provisions of this Promissory Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other person or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

6. **Governing Law.** The validity, interpretation and performance of this Promissory Note shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles.

7. **Jurisdiction and Venue.** The Holder and the Maker acknowledge and stipulate that the obligation hereunder was entered into in the County of San Bernardino, California. Any legal action or proceeding to interpret, enforce, or which in any way arises out of this Promissory Note shall be instituted and prosecuted in the appropriate court in the County of San Bernardino, California. Holder and Maker expressly waive, to the maximum legal extent, any legal right either Party may have to have such action or proceeding transferred to or prosecuted in any other court or jurisdiction.

8. **Amendments and Modifications.** This Promissory Note may be amended or modified only in writing signed by the Holder and the Maker.

9. **Time of the Essence.** Time is of the essence of this Promissory Note.

[Signatures on Following Page]

SIGNATURE PAGE
TO
CITY OF REDLANDS, AS SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF REDLANDS
UNSECURED PROMISSORY NOTE

MAKER:

CITY OF REDLANDS, AS SUCCESSOR AGENCY TO
THE FORMER REDEVELOPMENT AGENCY OF THE
CITY OF REDLANDS,
a public body, corporate and politic

By: _____
Pete Aguilar, Mayor

Date: _____

ATTEST:

By: _____
Sam Irwin, Secretary