

RESOLUTION NO. 12-12 (OB)

**A RESOLUTION OF THE OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE CITY OF WATSONVILLE
APPROVING (1) THE RECOGNIZED OBLIGATION PAYMENT
SCHEDULE FOR THE PERIOD COMMENCING JANUARY 1, 2013
THROUGH JUNE 30, 2013, AS REQUIRED BY HEALTH & SAFETY
CODE SECTION 34177(I) (INCLUDING AN ADMINISTRATIVE
BUDGET) AND (2) TWO LOAN AGREEMENTS BETWEEN THE CITY
AND SUCCESSOR AGENCY UNDER HEALTH & SAFETY CODE
SECTION 34173(H)**

WHEREAS, in accord with the provisions of the California Community
Redevelopment Law (Health and Safety Code Section 33000, et seq. ("**CRL**"), the
City Council of the City of Watsonville ("**City**") previously established the
Redevelopment Agency of the City of Watsonville, a public body, corporate and
politic ("**Agency**") to carry out the purposes of and exercise the powers granted to
community redevelopment agencies under the CRL; and

WHEREAS, on February 1, 2012, the Agency was dissolved pursuant to
Assembly Bill 1X26 (Stats. 2011, 1st Ex. Sess., Ch. 5) ("**AB 26**"), and its rights,
powers, duties and obligations were transferred to a "successor agency" (as defined
by CRL Section 34171(j) and Section 34173); and

WHEREAS, the City Council elected to act as the Agency's successor agency
("Successor Agency") under CRL Section 34173; and

WHEREAS, pursuant to Section 34177(I), the Successor Agency is required to
prepare "Recognized Obligation Payment Schedules" (each such Schedule, a
"**ROPS**") and must submit it for approval to the oversight board ("**Oversight Board**")
established for the Successor Agency under CRL Section 34179; and

WHEREAS, each ROPS must identify, on a prospective six-month basis, the
funds required by the Successor Agency to satisfy the Successor Agency's
enforceable obligations and to pay administrative expenses; and

WHEREAS, on April 24, 2012, the Oversight Board adopted Resolution No. 5-
12 (OB), approving a "Cooperation Agreement for Administrative Services"
 ("**Cooperation Agreement**") between the City and the Successor Agency, whereby
the City agreed to provide administrative services for the Successor Agency for FY
2012-13 for a total amount of \$250,000, to be paid in equal installments during the
twelve-month period; and

WHEREAS, the Successor Agency prepared the ROPS for the period
commencing January 1, 2013 through June 30, 2013 (the "**January-June 2013
ROPS**" or "**Third ROPS**") (a copy of which is attached as Exhibit A) in accord with the
requirements of CRL Section 34177(I) and other applicable law and has transmitted
the Third ROPS electronically to the County Administrative Officer, the County
Auditor-Controller and the State Department of Finance; and

WHEREAS, the Successor Agency has recommended that the Oversight Board approve the January-June 2013 ROPS, including compensation of One Hundred Twenty-Five Thousand Dollars (\$125,000) to the City for providing the Successor Agency's administrative services pursuant to the Cooperation Agreement during the January-June 2013 ROPS period; and

WHEREAS, the January-June 2013 ROPS serves as the budget document for the Successor Agency during the January 1, 2013 through June 30, 2013 period and appropriates funds as identified; and

WHEREAS, with the Oversight Board's approval, CRL section 34173(h) permits the City to loan the Successor Agency funds to pay the Successor Agency's administrative costs, enforceable obligations, and project-related expenses; and

WHEREAS, immediately prior to the December 2011 distribution of property tax increment, the Agency's funds reflected a negative cash balance and, following the County Auditor-Controller's subsequent adjustment to the Successor Agency's June 2012 distribution from the RPTTF to reflect the December 2011 property tax distributions, the Successor Agency lacked the funds required to meet the entirety of its obligations arising under the Amended Recognized Obligation Payment Schedule for the period of July 1, 2012 through December 31, 2012 ("**Amended Second ROPS**"), approved by the Oversight Board on May 9, 2012 by its adoption of Resolution 8-12 (OB); and

WHEREAS, under CRL Section 34179.5, the Successor Agency is required to conduct a due diligence review of its accounts and to employ a licensed accountant to conduct the review at an estimated cost of Twenty Thousand Dollars (\$20,000); and

WHEREAS, the City and the Successor Agency have prepared two (2) agreements (collectively, "**Loan Agreements**") (copies of which are attached as Exhibit B and Exhibit C) providing for two (2) loans from the City to the Successor Agency in the respective amounts of: (1) One Million One Hundred Twenty-Nine Thousand Eight Hundred Eighty-Eight Dollars (\$1,129,888), and (2) Twenty Thousand Dollars (\$20,000); and

WHEREAS, the Successor Agency has transmitted the Loan Agreements electronically to the County Administrative Officer, County Auditor-Controller, and the State Department of Finance.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE AS FOLLOWS:

Section 1. In accord with CRL Section 34180(g), the Oversight Board approves the January-June 2013 ROPS (inclusive of the administrative budget and the administrative cost allocation of \$125,000 payable to the City pursuant to the Cooperation Agreement), in the form attached as Exhibit A.

Section 2. In accord with CRL Section 34173(h), the Oversight Board approves the Loan Agreements, in the forms attached as Exhibit B and Exhibit C.

Section 3. The Oversight Board directs the City Manager to (a) transmit the Oversight Board-approved January-June 2013 ROPS to the County Auditor-Controller, the State Controller's Office, and the State Department of Finance, or, alternatively, to provide notice of the Oversight Board's approval to those entities, together with the City's website address, and (b) post the January-June 2013 ROPS to the City's website.

Section 4. The Oversight Board directs the City Manager to (a) transmit the Oversight Board-approved Loan Agreements to the County Auditor-Controller, the State Controller's Office, and the State Department of Finance, or alternatively, to provide notice of the Oversight Board's approval to those entities, together with City's website address, and (b) post the Loan Agreements to the City's website.

Section 5. This Resolution will become effective in accord with CRL Section 34177(m) and Section 34179(h).

The foregoing resolution was introduced at a regular meeting of the Oversight Board of Successor Agency to the City of Watsonville Redevelopment Agency, held on the 15th day of August, 2012, by Member Pirie, who moved its adoption, which motion being duly seconded by Member McFadden, was upon roll call carried and the resolution adopted by the following vote:

AYES: **BOARD MEMBERS: Caput, Cortez, McFadden, Medina, Pirie, Tavantzis**

ABSENT: **BOARD MEMBERS:** Montesino

ATTEST:

Prof. V. Flores

Beatríz Vázquez Flores, Board Secretary



Margarita Cortez, Vice-Chair

Margarita Cortez, Vice-Chair

Successor Agency Contact Information

Name of Successor Agency:
County:

Redevelopment Agency of the City of
Watsonville
Santa Cruz

Primary Contact Name:
Primary Contact Title:
Address
Contact Phone Number:
Contact E-Mail Address:

Jan Davison
Redevelopment and Housing Director
250 Main Street, Watsonville, CA 95076
831-768-3083
jan.davison@cityofwatsonville.org

Secondary Contact Name:
Secondary Contact Title:
Secondary Contact Phone Number:
Secondary Contact E-Mail Address:

Ezequiel Vega
Administrative Service Director
831-768-3470
ezequiel.vega@cityofwatsonville.org

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: Redevelopment Agency of the City of Watsonville

	Total Outstanding Debt or Obligation
Outstanding Debt or Obligation	\$ 37,827,030
Current Period Outstanding Debt or Obligation	Six-Month Total
A Available Revenues Other Than Anticipated RPTTF Funding	-
B Anticipated Enforceable Obligations Funded with RPTTF	1,641,570
C Anticipated Administrative Allowance Funded with RPTTF	125,000
D Total RPTTF Requested (B + C = D)	1,766,570
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>(Should be the same amount as ROPS form six-month total)</i>	\$ 1,766,570
E Enter Total Six-Month Anticipated RPTTF Funding <i>(Obtain from county auditor-controller)</i>	2,769,490
F Variance (E - D = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ 1,002,920
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)</i>	1,806,592
H Enter Actual Obligations Paid with RPTTF	1,610,748
I Enter Actual Administrative Expenses Paid with RPTTF	171,240
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	24,604
K Adjusted RPTTF (The total RPTTF requested shall be adjusted if actual obligations paid with RPTTF are less than the estimated obligation amount.)	\$ 1,741,966

Certification of Oversight Board Chairman:

Pursuant to Section 34177(m) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Obligation Payment Schedule for the above named agency.

Name

Signature

Margarita Cortez
Margarita Cortez

Vice Chair

Title

8/15/12

Date

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)
January 1, 2013 through June 30, 2013

Pursuant to Health and Safety Code section 34186 (a)
**PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENT:
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS I)**
January 1, 2012 through June 30, 2012

Page/Form	Line	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	LMIHF		Bond Proceeds		Reserve Balance		Admin Allowance		RPTTF		Other	
						Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Grand Total															
1	2004 Tax Allocation, Series A (P&I)	US Bank	Civic Plaza													\$ 361,994.79	\$ 361,994.79
2	2004 Tax Allocation, Series B1 & B2 (P&I)	US Bank	Housing Projects													\$ 145,569.23	\$ 145,569.23
3	Project costs - Bond Required Audits	Moss, Levy & Hartzheim	prepare annual audits														
4	U.S. Bank trustee fees	US Bank	Bond covenants - annual trustee fees														
5	For Bond Disclosure	City of Watsonville	Bond covenants - annual continuing disclosures														
6	Tax Increment overpayment by County '04	County of Santa Cruz	Repayment per 0% agreement														
7	2006-07, 2007-08, 2008-09	County of Santa Cruz	Repayment per 0% agreement														
8	Rate Area 02-078 allocation Error	County of Santa Cruz	Repayment														
9	County Error for FY's 2001-02 & 2002-03	Fund	Advance for Civic Plaza Project														
10	Parking Garage Equipment	Caracal Enterprises (dba Ventek)	Parking Garage Equip													698	698
11	Consultant Services	Best, Best & Krieger LLP	Legal Services for Civic Plaza													187	187
12	Consultant Services	RBF Consulting	Manabe-Ow Project														
13	Civic Center Project Impact Fees	Fund	Deferred Impact fees from RDA Project														
14	Downtown Business Parking subsidy	City of Watsonville	Subsidize downtown parking (5yr trial)													25,460	25,460
15	costs	City of Watsonville	Funding for project management of business park													19,617	16,318
16	Strategy	Services Dept	Develop annual CEDS performance report													9,985	9,985
17	Estimated project management costs	City of Watsonville	Affordable housing projects-55 years													7,796	6,652
18	Estimated project management costs	City of Watsonville	Loan and project portfolio - Syrs													2,038	2,038
19	estimate	Vendors	Dispose of Assets held by successor Agency														
20	Legal Support	Goldfarb & Lipman	Legal Services													18,810	7,852
21	Affordable Housing Project	MP Sunny Meadows, LLP	Affordable Housing Rehab Project													1,000,000	1,000,000
22	Home Owners Association- 59 Del Rio Ct	Sea View Ranch	Home Owners Association Dues (2yrs)													488	505
23	Small Business Development	Development Center	Assistance on new restaurant selection													5,000	5,000
24	Reserve	Home Owners	Construction defects liability for 10 years.														
25	Administrative Cost Allowance															180,460	171,240
26	Pass Through Payments															28,489	28,489

**LOAN AGREEMENT FOR ENFORCEABLE OBLIGATIONS,
ADMINISTRATIVE COSTS AND PROJECT-RELATED EXPENSES
(FOR THE PERIOD JULY 1, 2012 – DECEMBER 31, 2012)**

ARTICLE I.

PARTIES AND EFFECTIVE DATE

1.1 Parties. This Loan Agreement for Enforceable Obligations, Administrative Costs and Project-Related Expenses (For the Period July 1, 2012 – December 31, 2012) (“Agreement”) is reference dated as of _____, 2012. This Agreement is entered into between (1) the City of Watsonville, a California charter law city and municipal corporation (“City”) and (2) The Successor Agency to the Redevelopment Agency of the City of Watsonville, formed and existing in accord with Section 34173 of the California Community Redevelopment Law (“CRL”) (Health & Safety Code Section 33000, *et seq.*) (“Successor Agency”).

1.2 Effective Date. This Agreement will not become effective until the date (“Effective Date”) all of the following have occurred:

A. This Agreement has been approved by the City Council as the City’s governing body and by the City Council as the Successor Agency’s governing board and has been executed by the City’s and the Successor Agency’s authorized officials.

B. This Agreement has been approved by the Successor Agency’s oversight board (“Oversight Board”) formed in accord with CRL Section 34179.

C. As provided in CRL Section 34179(h), five (5) business days have elapsed since notice of the Oversight Board’s action approving this Agreement was provided to the State Department of Finance (“DOF”), unless the DOF requests to review the Oversight Board’s action, in which case this paragraph C will be deemed satisfied upon the DOF’s approval of the Oversight Board’s action.

ARTICLE II.

RECITALS

2.1 Under the provisions of the CRL, the City Council of the City of Watsonville previously established the Redevelopment Agency of the City of Watsonville, a public body, corporate and politic (“Agency”), to carry out the purposes of and exercise the powers granted to community redevelopment agencies under the CRL.

2.2 On February 1, 2012, the Agency was dissolved by operation of Assembly Bill 1X26 (Stats. 2011, 1st Ex. Sess., Ch. 5) (“AB 26”), and its rights, powers, duties and obligations were transferred to a “successor agency” (as defined in CRL Section 34171(j) and Section 34173).

2.3 As provided by AB 26, the City Council took official action electing to become the Agency's successor agency ("Successor Agency") under CRL Section 34173.

2.4 On or about June 27, 2012, the provisions of Assembly Bill 1484 ("AB 1484") became law. AB 1484 modified the CRL and AB 26 in various ways. As used herein, the term "CRL" means Health & Safety Code Section 33000, *et seq.*, as modified by AB 26 and AB 1484. Specific terms used and not otherwise defined in this Agreement will have the meanings given to those terms in the CRL.

2.5 CRL Section 34173(h) permits the City, as the former Agency's creating authority, to loan or grant funds to the Successor Agency to pay for enforceable obligations, administrative costs, and project-related expenses.

2.6 Immediately prior to the December 2011 distribution of property tax increment, the Agency's funds reflected a negative cash balance. Moreover, following the DOF's and County Auditor-Controller's subsequent adjustment to the Successor Agency's June 2012 distribution from the RPTTF (defined in Section 3.3, below) to reflect the December 2011 property tax distributions, the Successor Agency lacked the funds required to meet the entirety of its obligations arising under the Amended Recognized Obligation Payment Schedule for the period of July 1, 2012 through December 31, 2012 ("Amended Second ROPS"), approved by the Oversight Board on May 9, 2012 by its adoption of Resolution 8-12 (OB).

2.7 The Successor Agency has requested that the City loan it the principal sum of One Million One Hundred Twenty-Nine Thousand Eight Hundred Eighty-Eight Dollars (\$1,129,888) ("Loan") so that the Successor Agency may pay its enforceable obligations, administrative costs and project-related expenses set forth in the Second ROPS. The City is willing to make the Loan under the authority of CRL Section 34173(h) on the terms set forth in this Agreement.

ARTICLE III.

TERMS

3.1 Loan Agreement. The City agrees to disburse the Loan to the Successor Agency upon the Successor Agency's request. The Loan will be disbursed to the Successor Agency to be held in its accounts and may be used to pay any of the Successor Agency's enforceable obligations, administrative costs and project-related expenses set forth in the Amended Second ROPS.

3.2 Interest and Repayment Terms. All disbursed and outstanding Loan amounts will accrue interest at the rate earned by funds deposited by the City into the Local Agency Investment Fund, as it may be adjusted from time-to-time ("LAIF Rate"), from the date of disbursement until fully repaid. The Loan will be repaid in two (2) installments, with the first (1st) installment due no later than January 31, 2013 and the second (2nd) installment due no later than July 31, 2013 ("Maturity Date"). The amount of the first (1st) payment will be equal to the sum of one-half (1/2) of the Loan plus interest accrued through the date of payment. The amount of the second (2nd) payment will be equal to the then-current unpaid balance of the Loan plus all accrued and unpaid interest through the date of payment.

3.3 Inclusion on Recognized Obligation Payment Schedule.

A. The Successor Agency will indentify this Agreement as an enforceable obligation under CRL 34173(h) on the ROPS to be submitted by the Successor Agency to the Department of Finance for the period covering January 1, 2013 through June 30, 2013 ("Third ROPS"). The Successor Agency will request an allocation of property taxes from the "Redevelopment Property Tax Trust Fund" (established pursuant to CRL Section 34170.5 and administered by the County Auditor-Controller in accord with CRL Sections 34182 and 34183) ("RPTTF") on the Third ROPS and each subsequent ROPS covering any fiscal period in which the Successor Agency has a Loan repayment obligation under this Agreement. If, for any reason whatsoever, the Successor Agency does not receive sufficient allocations of property taxes from the RPTTF so as to fully repay the Loan and accrued interest on or before the Maturity Date, the Successor Agency will continue to make allocation requests on all subsequent ROPS until the Loan and all accrued interest has been fully repaid. The amount of each allocation request will be equal to the sum of the Successor Agency's repayment obligation arising during the period covered by the ROPS plus the remaining balance (if any) of any repayment due during a prior ROPS period which was not fully paid.

B. The Successor Agency will prepare each ROPS as required by the CRL and submit it to the Oversight Board and such other governmental agencies as the CRL may require from time-to-time. The Successor Agency will take all other actions as required by the CRL or other applicable authority to ensure that the Successor Agency receives an allocation of taxes from RPTTF in the amounts necessary to satisfy the Successor Agency's payment obligations under this Agreement.

3.4 Amendment or Modification. This Agreement and the Successor Agency's obligations under it may be amended or modified only in the following ways:

A. By the mutual written agreement of the City and the Successor Agency, following all notices, hearings and approvals required by then-applicable provisions of the CRL and other legal authority.

B. As required to conform to future changes in the CRL, other applicable legal authority, or pursuant to an order or judgment of a court of competent jurisdiction.

3.5 No Other Successor Agency Income or Assets Subject to Repayment Obligation. No funds or other assets of the Successor Agency other than property tax allocations from the RPTTF may be used for the repayment of the Successor Agency's obligations under this Agreement.

3.6 Remedies for Breach. If the Successor Agency fails for any reason whatsoever to fulfill its obligations under this Agreement, and regardless of whether the Maturity Date has passed, the City may, without notice or demand, accelerate all payments to become due under this Agreement and declare the entirety of the unpaid Loan principal and accrued interest immediately due and payable.

**SIGNATURE PAGE TO
LOAN AGREEMENT FOR ENFORCEABLE OBLIGATIONS,
PROJECT-RELATED ADMINISTRATIVE COSTS AND EXPENSES
(FOR THE PERIOD JULY 1, 2012 – DECEMBER 31, 2012)**

CITY

City of Watsonville, a California charter law city and
municipal corporation

By: _____
Name: Eduardo Montesino
Title: Mayor

ATTEST:

Beatriz Vázquez Flores, City Clerk

APPROVED AS TO FORM:

By: _____
Alan J. Smith, City Attorney

**SIGNATURE PAGE TO
LOAN AGREEMENT FOR ENFORCEABLE OBLIGATIONS,
PROJECT-RELATED ADMINISTRATIVE COSTS AND EXPENSES
(FOR THE PERIOD JULY 1, 2012 – DECEMBER 31, 2012)**

SUCCESSOR AGENCY

**The Successor Agency to the Redevelopment
Agency of the City of Watsonville, a public entity
created and existing under the authority of CRL
Section 34173**

By: _____
Name: []

ATTEST:

Beatriz Vázquez Flores, City Clerk as
Secretary to the Successor Agency

APPROVED AS TO FORM:

Gresham Savage Nolan & Tilden, PC

By: _____
Kevin K. Randolph
Special Counsel

LOAN AGREEMENT FOR DUE DILIGENCE REVIEW COSTS (FOR THE PERIOD JULY 1, 2012 – DECEMBER 31, 2012)

ARTICLE I.

PARTIES AND EFFECTIVE DATE

1.1 **Parties.** This Loan Agreement for Due Diligence Review Costs (For the Period July 1, 2012 – December 31, 2012) (“**Agreement**”) is reference dated as of _____, 2012. This Agreement is entered into between (1) the City of Watsonville, a California charter law city and municipal corporation (“**City**”) and (2) the successor agency to the former Redevelopment Agency of the City of Watsonville, formed and existing in accord with Section 34173 of the California Community Redevelopment Law (“**CRL**”) (Health & Safety Code Section 33000, *et seq.*) (“**Successor Agency**”).

1.2 **Effective Date.** This Agreement will not become effective until the date (“Effective Date”) all of the following have occurred:

A. This Agreement has been approved by the City Council as the City’s governing body and by the City Council as the Successor Agency’s governing board and has been executed by the City’s and the Successor Agency’s authorized officials.

B. This Agreement has been approved by the Successor Agency’s oversight board (“**Oversight Board**”) formed in accord with CRL Section 34179.

C. As provided in CRL Section 34179(h), five (5) business days have elapsed since notice of the Oversight Board’s action approving this Agreement was provided to the State Department of Finance (“**DOF**”), unless the DOF requests to review the Oversight Board’s action, in which case this paragraph C will be deemed satisfied upon the DOF’s approval of the Oversight Board’s action.

ARTICLE II.

RECITALS

2.1 Under the provisions of the CRL, the City Council of the City of Watsonville previously established the Redevelopment Agency of the City of Watsonville, a public body, corporate and politic (“**Agency**”), to carry out the purposes of and exercise the powers granted to community redevelopment agencies under the CRL.

2.2 On February 1, 2012, the Agency was dissolved by operation of Assembly Bill 1X26 (Stats. 2011, 1st Ex. Sess., Ch. 5) (“**AB 26**”), and its rights, powers, duties and obligations were transferred to a “successor agency” (as defined in CRL Section 34171(j) and Section 34173).

2.3 As provided by AB 26, the City Council took official action electing to become the Agency's successor agency ("Successor Agency") under CRL Section 34173.

2.4 On or about June 27, 2012, the provisions of Assembly Bill 1484 ("AB 1484") became law. AB 1484 modified the CRL and AB 26 in various ways. As used herein, the term "CRL" means Health & Safety Code Section 33000, et seq., as modified by AB 26 and AB 1484. Specific terms used and not otherwise defined in this Agreement will have the meanings given to those terms in the CRL.

2.5 CRL Section 34173(h) permits the City, as the former Agency's creating authority, to loan or grant funds to the Successor Agency for enforceable obligations, administrative costs, and project-related expenses.

2.6 Under CRL Section 34179.5, the Successor Agency is required to conduct a due diligence review of its accounts and is required to employ a licensed accountant to conduct the review. The estimated cost of the review is Twenty Thousand Dollars (\$20,000).

2.7 The Successor Agency has requested that the City loan it the principal sum of Twenty Thousand Dollars (\$20,000) ("Loan") so that the Successor Agency may pay its due diligence review costs. The City is willing to make the Loan under the authority of CRL Section 34173(h) on the terms set forth in this Agreement.

ARTICLE III.

TERMS

3.1 Loan Agreement. The City agrees to disburse the Loan to the Successor Agency upon the Successor Agency's request. The Loan will be disbursed to the Successor Agency to be held in its accounts and may be used to pay the Successor Agency's costs of the licensed accountant retained by the Successor Agency to perform the due diligence review required by CRL Section 34179.5. Any portion of the Loan which is not needed for this purpose will be immediately returned to the City.

3.2 Interest and Repayment Terms. The Loan will not accrue interest. The Loan will be repaid in full no later than January 31, 2013 ("Maturity Date").

3.3 Inclusion on Recognized Obligation Payment Schedule.

A. The Successor Agency will identify this Agreement as an enforceable obligation under CRL 34173(h) on the ROPS to be submitted by the Successor Agency to the Department of Finance for the period covering January 1, 2013 through June 30, 2013 ("Third ROPS"). The Successor Agency will request an allocation of property taxes from the "Redevelopment Property Tax Trust Fund" (established pursuant to CRL Section 34170.5 and administered by the County Auditor-Controller in accord with CRL Sections 34182 and 34183) ("RPTTF") on the Third ROPS in an amount equal to the Loan. If, for any reason whatsoever, the Successor Agency does not receive sufficient allocations of property taxes from the RPTTF

so as to fully repay the Loan on or before the Maturity Date, the Successor Agency will continue to make allocation requests on all subsequent ROPS until the Loan has been fully repaid.

B. The Successor Agency will prepare each ROPS as required by the CRL and submit it to the Oversight Board and such other governmental agencies as the CRL may require from time-to-time. The Successor Agency will take all other actions as required by the CRL or other applicable authority to ensure that the Successor Agency receives an allocation of taxes from RPTTF in the amounts necessary to satisfy the Successor Agency's payment obligations under this Agreement.

3.4 Amendment or Modification. This Agreement and the Successor Agency's obligations under it may be amended or modified only in the following ways:

A. By the mutual written agreement of the City and the Successor Agency, following all notices, hearings and approvals required by then-applicable provisions of the CRL and other legal authority.

B. As required to conform to future changes in the CRL, other applicable legal authority, or pursuant to an order or judgment of a court of competent jurisdiction.

3.5 No Other Successor Agency Income or Assets Subject to Repayment Obligation. No funds or other assets of the Successor Agency other than property tax allocations from the RPTTF may be used for the repayment of the Successor Agency's obligations under this Agreement.

3.6 Remedies for Breach. If the Successor Agency fails for any reason whatsoever to fulfill its obligations under this Agreement, and regardless of whether the Maturity Date has passed, the City may, without notice or demand, accelerate all payments to become due under this Agreement and declare the entirety of the unpaid Loan principal and accrued interest immediately due and payable.

[Signature pages follow]

**SIGNATURE PAGE TO
LOAN AGREEMENT FOR DUE DILIGENCE REVIEW COSTS
(FOR THE PERIOD JULY 1, 2012 – DECEMBER 31, 2012)**

CITY

City of Watsonville, a California charter law city and
municipal corporation

By: _____
Name: Eduardo Montesino
Title: Mayor

ATTEST:

Beatriz Vázquez Flores, City Clerk

APPROVED AS TO FORM:

By: _____
Alan J. Smith, City Attorney

**SIGNATURE PAGE TO
LOAN AGREEMENT FOR DUE DILIGENCE REVIEW COSTS
(FOR THE PERIOD JULY 1, 2012 – DECEMBER 31, 2012)**

SUCCESSOR AGENCY

**The Successor Agency to the Redevelopment
Agency of the City of Watsonville, a public entity
created and existing under the authority of CRL
Section 34173**

By: _____
Name: [_____]

ATTEST:

Beatriz Vázquez Flores, City Clerk as
Secretary to the Successor Agency

APPROVED AS TO FORM:

Gresham Savage Nolan & Tilden, PC

By: _____
Kevin K. Randolph
Special Counsel