



# City of Hollister Development Services

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375 Fifth Street, Hollister, CA 95023

**Via Certified Mail**

May 15, 2019

Mr. Ray Espinosa  
County Administrative Officer  
San Benito County  
411 Fourth Street  
Hollister, California 95023

**Subordination Request Relating to Refunding Bonds Issued by the Successor Agency to the Redevelopment Agency of the City of Hollister for the Hollister Community Development Project**

Dear Mr. Espinosa:

I am writing to the County of San Benito (the "County") on behalf of the Successor Agency to the Redevelopment Agency of the City of Hollister (the "Agency") with respect to the Agency's proposed issuance of its 2019 subordinate tax allocation refunding bonds (the "2019 Bonds"), which will be used to refinance previously issued and outstanding 2009 tax allocation bonds (the "2009 Bonds") to take advantage of reduced interest rates which benefits all taxing entities, including the County. To issue the 2019 Bonds at the lowest possible interest rates, the Agency seeks to present the bond investor with the most senior lien possible on the Agency's tax revenues. **Please note that this is the same process as was undertaken with respect to the Agency's 2014 bonds, and to which the County agreed to subordinate; however, in this case the Agency will be issuing 2019 Bonds to refund the outstanding 2009 Bonds.**

Enclosed please find a copy of the "Agreement" between the former Redevelopment Agency and the County, dated December 10, 1984 (the "Tax Sharing Agreement"). As set forth in Section 2 of the Tax Sharing Agreement ("Section 2"), upon the consent of the County, the pass-through payment entitlement of the County may be subordinated to debt service on the 2019 Bonds.

The purpose of this letter is to request the written consent of the County to the subordination of the County's pass-through payment entitlement to debt service on the 2019 Bonds. Such subordination is essential to achieving the Agency's goal of establishing the strongest possible senior lien and, as a result, the lowest possible interest rates for the 2019 Bonds. Please note that the County has previously subordinated its pass-through payments to debt service on the Agency's outstanding debt (including with respect to the 2009 Bonds, which the 2019 Bonds are refinancing and the 2014 tax allocation refunding bonds, which are also currently outstanding). As a result, this consent would serve as a continuation of the subordination of the County's pass-through payment entitlement to outstanding Agency debt. Since the 2019 Bonds are a refinancing of existing debt, to do so at the lowest borrowing costs would function to increase the pass-through payments to the County.

In furtherance of the Agency's request, enclosed for your review is a financial analysis (the "Financial Analysis"), prepared for the Agency which demonstrates that (a) the Agency can reasonably expect to pay its pass-through payment obligations and debt service on outstanding Agency debt (including the 2019 Bonds and excluding the 2009 Bonds, which are anticipated to be refunded, in full, by the 2019 Bonds) and (b) upon issuance of the 2019 Bonds, the Agency will be in compliance with the requirements and limitations prescribed by Section 2.

Based upon the Financial Analysis, the Agency does not foresee that it will be required to use tax increment revenues representing any of its pass-through payment obligations, including the obligation to the County, for debt service. Specifically, the projected tax increment after the payment of bond debt service and property tax administration fees is projected to exceed by a significant amount the pass-through payments payable to the County under the Tax Sharing Agreement.

The subordination would come into play only if there was a substantial and unforeseen decrease in tax revenues available to the Agency, and in that event, as provided by Section 2, the amount unpaid to the County due to such subordination shall be treated as an advance by the County and shall be repaid by the Agency with interest and upon such other terms as are agreed upon by the Agency and the County at the time such tax revenues are first advanced to the Agency.

Please have the County Board of Supervisors authorize written consent to subordination as requested by this letter (just like as was done in 2014), and return a copy of this letter signed by an authorized representative of the County to me at your first convenience. I would appreciate receipt of your agreement **no later than June 15, 2019.**

Thank you in advance for your cooperation in this matter. If you have any questions regarding this matter, please do not hesitate to contact me at 831.636.4300 Extension 15.

Sincerely,



William Avera

Executive Director of the Successor Agency to the  
Redevelopment Agency of the City of Hollister

Enclosure

**ACCEPTED:**

County of San Benito

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_



AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this 10th day of December, 1984, by and between the COUNTY OF SAN BENITO (the "County") and the REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER (the "Agency").

Recitals

A. The City Council of the City of Hollister (the "City Council") adopted and approved a certain Redevelopment Plan (the "Plan") for the Hollister Community Development Project (the "Project") by Ordinance No. 611 on July 19, 1983.

B. Pursuant to the Community Redevelopment Law of the State of California (Health & Safety Code Section 33000 et seq.), the Agency is charged with the responsibility of carrying out the Plan for the Project in the Redevelopment Project Area (the "Project Area").

C. Pursuant to Article XVI, Section 16, of the California Constitution, Section 33670 et seq. of the Community Redevelopment Law and the Plan for the Project, increases in the assessed values of property within the Project Area above the sum of the assessed values as shown on the 1982-83 assessment roll will result in that portion of property taxes levied each year on such increases in assessed values (the "tax increments") being allocated and paid to the Agency to pay the principal of and interest on loans, monies advanced to or indebtedness incurred by the Agency to finance or refinance, in whole or in part, redevelopment of the Project.

D. On August 19, 1983, the County and the San Benito County Water Conservation and Flood Control District filed an action entitled County of San Benito et al. v. All Persons, etc., et al., San Benito County Superior Court

No. 12962, as amended by the First Amended Complaint, filed on January 11, 1984, and corrected by the Erratum in the First Amended Complaint filed on January 30, 1984, challenging the validity of the Plan and the Ordinance adopting the Plan (the "Ordinance").

E. Pursuant to Section 33401 of the Community Redevelopment Law, the Agency may pay to any taxing entity with territory located within a project area any amounts of money which the Agency has found are necessary and appropriate to alleviate any financial burden or detriment caused to any taxing entity by the Project.

F. The County, as a taxing entity with territory located within the Project Area, has documented to the satisfaction of the Agency, the extent of the financial burden or detriment caused to the County by the Project. Such financial burden or detriment is based, in part, on the following:

1. There will be a net increase in the quantity and quality of the services which the County will be required to provide because of the implementation of the Redevelopment Plan. The Project Area includes more than sixty-five percent (65%) of the City of Hollister; about forty percent (40%) of the Project Area is undeveloped or vacant land. Population within the city is expected to increase from 13,488 to 35,800 over the life of the Project, according to the Environmental Impact Report for the Project. Accordingly, there will be a much greater demand on such county services as the courts, human resources and environmental health which the County would not be able to provide without a substantial increase in property tax revenues to the County.

Further, the County's costs of providing services to the Project Area currently exceed the revenues received from the Project Area. With the loss of revenue snaring monies to help make up the deficit, the gap between



the costs of providing services to the Project Area and the revenues received will grow even wider.

2. The County would lose property tax revenues from the implementation of the Redevelopment Plan which it would otherwise have received due to changes of ownership or new construction. The average growth in assessed valuation in the Project Area in the last four (4) years has ranged from thirteen percent (13%) to nearly twenty percent (20%). The implementation of the Plan, as it would divide taxes pursuant to Section 33670 of the Community Redevelopment Law, would have a severe financial impact on the County.

G. The County and the Agency have entered into a stipulation for the entry of judgment in settlement of the action entitled County of San Benito et al. v. All Persons, etc., et al., San Benito County Superior Court No. 12962.

H. The County and the Agency have further agreed to settle all claims, demands and disputes between themselves, arising from the adoption of the Plan by making and executing this Agreement.

I. The County and the Agency agree that the terms of this Agreement shall be contingent upon the acceptance by the Superior Court and entry of the stipulated judgment in San Benito County Superior Court in County of San Benito et al. v. All Persons, etc., et al., No. 12962.

#### Agreements

NOW, THEREFORE, THE COUNTY AND THE AGENCY AGREE AS FOLLOWS:

Section 1. (a) The Agency agrees to pass through to the County each year one hundred percent (100%) of the amount of the County's Share (as defined below) of tax increments payable to the Agency during the life of the Project. The "County's Share" as used in this Agreement, shall mean the proportionate share or percentage of each

property tax dollar which would have been received by the County if all the property tax revenues from the Project Area had been allocated to all the affected taxing agencies without regard to the division of taxes permitted by Section 33670 of the Community Redevelopment Law and had there been no provision in the Plan for the allocation of tax increment revenues to the Agency. "Affected taxing agency" means any governmental taxing agency which levied, or had levied on its behalf, a property tax on all or a portion of the property located in the Project Area.

(b) It is recognized that the County's Share could be changed by amendment to existing State law. Therefore, it is agreed that, in the event the Agency desires to obtain a loan or advance or to incur an indebtedness to be secured by tax increment revenues, the Agency may project its tax increment revenues, obligate itself to repay such loan or advance or indebtedness, and secure the same by a pledge of the tax increment revenues remaining after deducting the amount of the County's Share therefrom, as such County's Share is calculated under State law in existence at the time the loan or advance is entered into or the indebtedness is incurred.

In the event State law is amended after the Agency has entered into such loan or advance or incurred such indebtedness to increase the County's Share, then the monies representing such increase in the amount of the County's Share shall be payable to the County in accordance with this Agreement; provided, however, that if the Agency needs all or a portion of such monies to avoid a default or condition of default on the repayment of such loan, advance, or indebtedness, the Executive Director of the Agency shall submit a written statement to the County's Auditor documenting the need for such additional monies. To the extent documented in the Executive Director's statement, the additional monies shall be allocated and paid directly to the



Agency, however the Agency shall be obligated to make prompt and full reimbursement to the County therefor.

Additionally, the Agency may, pursuant to Section 2 hereof, request the County to subordinate its interest in the tax increment revenues allocated and paid to it pursuant to this Agreement.

Section 2. The Agency may request the County to subordinate its interests herein and to allow the Agency to pledge all or any portion of the tax increments otherwise payable to the County under this Agreement in order to secure repayment of Agency indebtedness incurred for the Project. The County agrees to comply with such request, provided that the Agency first demonstrates, to the satisfaction of the County, the Agency's anticipated ability to repay such indebtedness incurred for the Project without demand anticipated to be made on the payments due the County under the terms of this Agreement. Any such demonstration shall include, without limitation, revenue forecasts, debt service schedules and satisfactory assurance by the Agency that it will reimburse the County in full for any amounts which are due to the County and which the County agrees the Agency may use, if necessary, to repay any such indebtedness. Any such tax increment revenues used by the Agency shall be treated as an advance by the County and shall be repaid by the Agency with interest and upon such other terms as are agreed upon by the parties at the time such tax increment revenues are first advanced to the Agency.

Section 3. In no event shall payments be made to the County by the Agency which would:

(a) Exceed the amount that the County would have otherwise received from property taxes from the Project Area had the Plan not provided for the division of taxes required by Section 33670 of the Community Redevelopment Law; or

(b) Be contrary to the provisions of Section 33401 of the Community Redevelopment Law or the laws of the State of California; or

(c) Violate the County's expenditure limitation under Article XIII B of the California Constitution.

Section 4. The Agency may, by written notice to the



County Auditor direct the Auditor to pay such sums due to the County under the terms of this Agreement directly to the County, rather than have tax increments transferred by the Auditor to the Agency prior to payment to the County.

Section 5. The obligations of the Agency under this Agreement shall constitute an indebtedness of the Agency and a pledging of tax increments from the Project to repay such indebtedness within the meaning of Section 33670 et seq. of the Community Redevelopment Law and Article XVI, Section 16, of the California Constitution.

Section 6. Upon execution of this Agreement, the County agrees not to file or engage in any further litigation to directly or indirectly test or challenge the validity of the Plan, the Ordinance adopting the Plan or the environmental documents prepared and certified pursuant thereto. The County further agrees that it shall withdraw its pending challenge to the statement of indebtedness filed by the Agency for the year 1983-84 and that any challenges to future statements of indebtedness filed by the Agency shall be conducted by the county auditor or other officer as defined in Section 33675 of the Health and Safety Code.

Section 7. This Agreement is contingent upon and shall become effective upon the entry of judgment in County of San Benito et al. v. All Persons, etc., et al., No. 12962, San Benito County Superior Court declaring the Plan and the Ordinance adopting the Plan lawful and valid. In the event such judgment is not entered by February 28, 1985, this Agreement shall become null and void.

Section 8. The provisions of this Agreement shall remain in effect during the life of the Project and as long as the Agency is entitled to receive and does receive tax increments from the Project Area.

Section 9. If any party fails to comply with its obligations under this Agreement, the prevailing party in any litigation arising from such failure shall be entitled to recover its attorneys' fees and costs.

IN WITNESS WHEREOF, the County and the Agency have entered into this Agreement as of the date first above written.

COUNTY OF SAN BENITO

By *David J. Perato*  
"COUNTY"

REDEVELOPMENT AGENCY OF THE  
CITY OF HOLLISTER

By *John J. [Signature]*  
Chairman

By *Margaret L. Dick*  
Secretary  
"AGENCY"



# Successor Agency to the Hollister Redevelopment Agency Residual RPTTF Projection

Assuming No Growth from FY18-19 Tax Increment Revenues Received<sup>1</sup>

Bond Year	Gross TI	Total TI Received	Sr. Neg. Passthroughs			Net Revenues	2014 Bonds		2009/2019 Bond DS	Sub. County Payments	Subordinate Statutory Payments (Tier 1 and Tier 2)				Residual RPTTF			
			Water & Flood	District	Hospital		Senior DS	Cem. Dist.			Hollister ESD	San Benito High	Aromas Unified	Gavilan JC		SB Equal	SC Equal	
2019	\$14,338,315	\$14,172,699	\$500,744	\$297,084	\$297,084	\$13,374,871	\$2,429,600	\$681,919	\$2,638,250	\$125,358	\$3	\$491,822	\$405,625	\$99	\$140,323	\$55,287	\$368	\$6,406,218
2020	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,430,100	515,165	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,572,472
2021	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,432,600	513,211	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,571,925
2022	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,431,850	515,801	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,570,085
2023	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,432,850	512,935	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,571,952
2024	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,435,350	519,613	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,562,774
2025	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,429,100	510,743	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,577,894
2026	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,436,250	511,508	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,569,979
2027	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,433,750	516,725	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,567,262
2028	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,432,250	511,304	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,574,183
2029	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,436,500	515,426	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,565,810
2030	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,431,000	513,910	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,572,827
2031	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,431,000	516,664	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,570,073
2032	14,338,315	14,172,699	500,744	297,084	297,084	13,374,871	2,431,000	518,779	2,638,250	125,358	3	491,822	405,625	99	140,323	55,287	368	6,567,958

Source: San Benito County

<sup>1</sup> Assumes FY18-19 Tax Increment received held constant through the life of the bonds