



Building A Better Long Beach

January 4, 2009

REDEVELOPMENT AGENCY BOARD MEMBERS

City of Long Beach
California

RECOMMENDATION:

Approve and authorize the Executive Director to submit the required Supplemental Educational Revenue Augmentation Fund payment to the State of California as specified; and adopt a resolution finding that there are insufficient funds to make the payment required by Section 33690 of the Health and Safety Code unless funds from the Low- and Moderate-Income Housing Fund are used. (All Project Areas – Citywide)

DISCUSSION

On July 28, 2009, Governor Arnold Schwarzenegger signed Assembly Bill 26 (ABX4 26), a budget trailer bill requiring redevelopment agencies statewide to pay a collective \$2.05 billion over two years into the Supplemental Educational Revenue Augmentation Fund (SERAF). The bill directed the California Director of Finance (DOF) to allocate \$1.7 billion in Fiscal Year 2009-2010 (FY10) amongst the State's redevelopment agencies based on a formula of gross and net tax increment, with the remaining \$350 million allocated in Fiscal Year 2010-2011 (FY11). On November 15, 2009, the DOF provided the Long Beach Redevelopment Agency (Agency) with the exact amount of its required FY10 SERAF payment: \$29,516,137.

Redevelopment agencies have options for making the FY10 SERAF payment if certain findings are made. If an agency finds that there are insufficient funds to meet the SERAF obligation, ABX4 26 allows that redevelopment agency's host government (i.e., a city or county) to make the SERAF payment; or, it may borrow up to 100 percent of its current year low- and moderate-income housing fund allocation, or any moneys in that fund, or both, to make the SERAF payment. Any amount borrowed from the low- and moderate-income housing fund's current year allocation or balance must be repaid on or before June 30, 2015.

In the event that a redevelopment agency, or its host government, cannot or does not make its full SERAF payment by the May 10, 2010 deadline, that agency is subject to what is referred to as the "death penalty" until those payments are made. Specifically, an agency cannot encumber funds or expend money derived from any source except to pay previously issued bonds or other financial obligations, make contractual pass-

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through payments, or expend an amount on administration exceeding 75 percent of the average monthly amount spent for that purpose in the preceding fiscal year. This penalty would essentially make it impossible for the Agency to implement its redevelopment program in any of its redevelopment project areas. In other words, all redevelopment activities would cease. The penalties are not lifted until the Los Angeles County Auditor-Controller certifies to the DOF that the required SERAF payment has been made in full by the redevelopment agency or on the redevelopment agency's behalf.

The full SERAF payment of \$29,516,137 is equivalent to 30% of the Agency's FY10 budget as originally adopted in May. In order to reflect and plan for the multi-year reality of its projects, the Agency prepares a three-year budget. If the Agency had to make the full SERAF payment, the 30% reduction would impair vital multi-year projects currently underway, such as the new Fire Station 12, street reconstruction, and loans and façade grants to help local businesses. In order to avoid significantly reducing its contribution to public safety, infrastructure and economic development, it is necessary for the Agency to borrow the current year's housing set-aside allocation (currently projected at \$19,355,486) from the Low- and Moderate-Income Housing Fund to make a portion of the SERAF payment. The Low- and Moderate-Income Housing Fund's share of the SERAF payment will be repaid in full by June 30, 2015. To accommodate the remainder of the payment, the Agency has eliminated from its budget over \$10 million in projects and programs.

On August 5, 2009, the Long Beach Housing Development Company (LBHDC) Board considered the proposed use of the current year's housing set-aside allocation to make the SERAF payment. The LBHDC supported staff's recommendation to utilize the FY10 Housing Set-Aside for the SERAF shift. In addition, LBHDC requested that a memorandum of understanding between the Agency and LBHDC be executed to memorialize the five-year repayment plan.

On August 24, 2009, the Agency authorized the Executive Director to execute a Memorandum of Understanding with LBHDC. On the same date, the Agency also amended its FY10 budget with reductions to projects and programs based upon an estimated FY10 SERAF payment of \$30,005,486. The DOF has since provided the Agency with the exact payment amount of \$29,516,137. Adjusting for the difference, the current apportionment based on the projected housing set-aside allocation is:

Central	\$3,200,000
Downtown	4,250,000
North	1,710,651
WLBI	1,000,000
Housing Set-Aside	19,355,486
Total	<u>\$29,516,137</u>

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ABX4 26 requires the City Council to inform the Los Angeles County Auditor-Controller by March 1, 2010, on how the Agency intends to fund its SERAF payment (i.e. the City general fund, tax increment, housing set-aside). The City Council is scheduled to take action on the Agency's recommendation at its January 19, 2010 meeting.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



AMY J. BODEK
ASSISTANT EXECUTIVE DIRECTOR

AJB:LAF:SP:sp

Attachment: Redevelopment Agency Resolution

RESOLUTION NO. R.A.

A RESOLUTION OF THE REDEVELOPMENT
AGENCY OF THE CITY OF LONG BEACH, CALIFORNIA,
MAKING CERTAIN FINDINGS REGARDING THE
PAYMENT OF THE AGENCY'S SUPPLEMENTAL
EDUCATIONAL REVENUE AUGMENTATION FUND
(SERAF) ALLOCATION FOR FISCAL YEAR 2009-2010

WHEREAS, Chapter 21, Statutes of 2009 requires redevelopment agencies to shift property tax revenues to schools and community colleges through the Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal year 2009-2010; and

WHEREAS, the Redevelopment Agency has insufficient funds to pay its 2009-2010 SERAF allocation amount from non-setaside funds, and must borrow certain funds from the Agency's Low and Moderate Income Housing Fund in order to pay such allocation;

NOW, THEREFORE, the Redevelopment Agency of the City of Long Beach, California resolves as follows:

Section 1. The Agency hereby borrows each project areas' Low and Moderate Income Housing Fund allocation for fiscal year 2009-2010. Those allocations are currently estimated as follows:

Central Redevelopment Project Area	\$4,029,460
Downtown Redevelopment Project Area	\$4,132,642
Los Altos Redevelopment Project Area	\$144,398
North Redevelopment Project Area	\$8,438,657
Poly High Redevelopment Project Area	\$168,093
West Beach Redevelopment Project Area	\$363,400
West Long Beach Industrial Redevelopment Project Area	\$2,078,836

Such funds shall be utilized solely to pay the Agency's required contribution to the SERAF, and shall be repaid to each project area's Low and Moderate Income Housing Fund within five years of remittance of such funds.

Section 2. The Agency determines that there are insufficient other moneys to meet the Agency's SERAF contribution requirement for fiscal year 2009-2010. This finding is supported by the following facts:

The full SERAF payment of \$29,516,137 is equivalent to 30% of the Agency's FY10 budget as originally adopted in May. In order to reflect and plan for the multi-year reality of its projects, the Agency prepares a three-year budget. If the Agency had to make the full SERAF payment, the 30% reduction would impair vital multi-year projects currently underway, such as the new Fire Station 12, street reconstruction, and loans and façade grants to help local businesses. In order to avoid significantly reducing its contribution to public safety, infrastructure and economic development, it is necessary for the Agency to borrow the current year's housing set-aside allocation (currently projected at \$19,355,486) from the Low- and Moderate-Income Housing Fund to make a portion of the SERAF payment. The Low- and Moderate-Income Housing Fund's share of the SERAF payment will be repaid in full by June 30, 2015. To accommodate the remainder of the payment, the Agency has eliminated from its budget over \$10 million in projects and programs.

Section 3. The Agency further determines there are no executed contracts that would be impaired as a result of the loan described in Section 1 above.

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APPROVED AND ADOPTED by the Redevelopment Agency of the City of
Long Beach, California this _____ day of _____, 2010.

Executive Director/Secretary

APPROVED:

Chair