



CITY OF LONG BEACH

R-18

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 4th Floor Long Beach, CA 90802 Phone: 570.5237 Fax: 570.6205

January 19, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to notify the Los Angeles County Auditor-Controller that the City of Long Beach and its Redevelopment Agency (Agency) intends to fund the payment required by Section 33690(d) of the California Health and Safety Code using the Agency's tax increment revenue and housing set-aside in the amount of \$29,516,137. (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

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previously issued bonds or other financial obligations, make contractual pass-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.

On August 5, 2009, the Long Beach Housing Development Company (LBHDC) Board of Directors considered the proposed use of the current year's housing set-aside allocation to make the SERAF payment. 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 the 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.

On January 4, 2010, the Agency made a finding that there are insufficient other moneys to make the SERAF payment without using the FY10 low- and moderate- income housing set-aside allocation. The Agency also took an action recommending that the apportionment of the SERAF payment be based on the housing set-aside allocation (currently projected at \$19,355,486) and reductions to projects and programs included in the Agency's amended budget adjusted for the DOF exact payment amount. Pursuant to ABX4 26, the housing set-aside share of the SERAF payment will be repaid in full by June 30, 2015.

The Agency's current apportionment of the SERAF payment based on the projected housing set-aside is:

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

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on December 15, 2009 and by Budget and Performance Management Bureau Manager David Wodynski on December 16, 2009.

TIMING CONSIDERATIONS

City Council action is requested on January 19, 2010, in order to leave ample time to meet the March 1, 2010 deadline set by ABX4 26 to inform the County Auditor-Controller of how the Agency intends to fund its SERAF obligation.

FISCAL IMPACT

There is no fiscal impact to the General Fund. The state-mandated payment of \$29,516,137 will be made from the Redevelopment Fund (RD) and the Development Services Department (DV) in the estimated amount of \$10,160,651 and Housing Development Fund (SR 135) and the Community Development Department (CD) in the estimated amount of \$19,355,486. Sufficient appropriation exists in these departments and funds, supported by tax increment collections, in the FY10 adopted budget. Future tax increment revenues will be jeopardized if the required payment is not made.

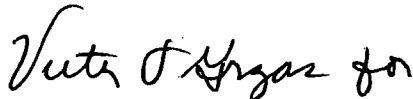
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



REGINALD I. HARRISON
INTERIM DIRECTOR OF DEVELOPMENT SERVICES



DENNIS J. THYS
DIRECTOR OF COMMUNITY DEVELOPMENT

RH:AJB:LAF:SP:sp

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APPROVED:



PATRICK H. WEST
CITY MANAGER