



# Building A Better Long Beach

February 2, 2009

## REDEVELOPMENT AGENCY BOARD MEMBERS

City of Long Beach  
California

### RECOMMENDATION:

Authorize the Executive Director to amend project area budgets as necessary and submit the required Educational Revenue Augmentation Fund payment to the State as specified; and adopt a resolution finding that there are insufficient funds to make the payment required by Section 33685 of the Health and Safety Code unless funds from the Low and Moderate-Income Housing Fund are used. (All Project Areas – Citywide)

### DISCUSSION

On September 30, 2008, Governor Arnold Schwarzenegger signed Assembly Bill (AB) 1389, a budget trailer bill requiring redevelopment agencies statewide to pay a collective amount of \$350 million into the Educational Revenue Augmentation Fund (ERAF). The bill directed the California Director of Finance (DOF) to allocate the \$350 million amongst the state's redevelopment agencies based on a formula of gross and net tax increment. On November 12, 2008, the DOF provided the Long Beach Redevelopment Agency (Agency) with its required Fiscal Year 2008-09 (FY09) ERAF payment of \$6,070,996.

Redevelopment agencies have options for making the ERAF payment if certain findings are made. AB 1389 allows a redevelopment agency's host government (i.e., a city or county) to make the ERAF payment; or, redevelopment agencies may use up to 50 percent of the current fiscal year's low and moderate-income housing fund to make the ERAF payment if the agency finds that there are insufficient funds to meet the ERAF obligation. Any amount borrowed from the low and moderate-income housing fund for the ERAF payment must be repaid within 10 years.

In the event that a redevelopment agency, or its host government, cannot or does not make its full ERAF payment by the May 10, 2009 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-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 ERAF payment has been made in full by the redevelopment agency or on the redevelopment agency's behalf.

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Economic conditions have led to high property assessment appeals and low property tax collection rates, which at this point in the fiscal year are estimated to result in less tax increment revenue being allocated to the Agency during FY09 than previously anticipated. The result is that all of the project areas will have insufficient funds to cover estimated expenses and will not have sufficient fund balance for obligations in early FY10. As a result, \$1,214,199 of the estimated \$18 million FY09 allocation to the Low and Moderate-Income Housing Fund is necessary for the ERAF payment. The Low and Moderate-Income Housing Fund's share of the ERAF payment will be repaid within ten years of May 10, 2009, the date by which the ERAF payment must be remitted to the County Auditor-Controller.

It is recommended that the ERAF payment be allocated from the Agency's FY09 project area tax increment and the Low and Moderate-Income Housing Fund in proportion to the amount of FY09 tax increment that is received prior to the May 10, 2009 deadline for making the ERAF payment. Based on current tax increment estimates, the ERAF payment would be apportioned as follows:

Central	\$1,118,427
Downtown	1,111,743
Los Altos	38,866
North	2,068,381
Poly High	41,328
West Beach	93,592
WLBI	384,460
Housing Set-Aside	<u>1,214,199</u>
<b>Total</b>	<b><u>\$6,070,996</u></b>

AB 1389 requires the City Council to inform the Los Angeles County Auditor-Controller by March 1, 2009, on how the Agency intends to fund its ERAF 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 February 10, 2009 meeting.

SUGGESTED ACTION:

Adopt recommendation.

Respectfully submitted,



CRAIG BECK  
EXECUTIVE DIRECTOR

CB:AJB:LAF

Attachment: Redevelopment Agency Resolution

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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 EDUCATIONAL REVENUE  
AUGMENTATION FUND (ERAF) ALLOCATION FOR  
FISCAL YEAR 2008-2009

WHEREAS, Chapter 751, Statutes of 2008 requires redevelopment agencies to shift property tax revenues to schools and community colleges through the Educational Revenue Augmentation Fund (ERAF) for fiscal year 2008-2009; and

WHEREAS, the Redevelopment Agency has insufficient funds to pay its 2008-2009 ERAF 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 the following amounts from funds allocated to following project areas' Low and Moderate Income Housing Funds for fiscal year 2008-2009:

Central Redevelopment Project Area	\$279,607
Downtown Redevelopment Project Area	\$277,936
Los Altos Redevelopment Project Area	\$9,716
North Redevelopment Project Area	\$517,095
Poly High Redevelopment Project Area	\$10,332
West Beach Redevelopment Project Area	\$23,398
West Long Beach Industrial Redevelopment Project Area	\$96,115

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

Section 2. The Agency determines that there are insufficient other moneys to meet the Agency's ERAF contribution requirement for fiscal year 2008-2009. This finding is supported by the following facts:

Economic conditions have led to high property assessment appeals and low property tax collection rates, which at this point in the fiscal year are estimated to result in less tax increment revenue being allocated to the Agency during fiscal year 2009 than previously anticipated. The result is that all of the project areas will have insufficient funds to cover estimated expenses. At this point in the fiscal year, each project area's expenses are expected to exceed available funds, leading to insufficient funds to make the entire ERAF payment from gross tax increment net of the Low and Moderate Income Housing Fund.

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.

APPROVED AND ADOPTED by the Redevelopment Agency of the City of Long Beach, California this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

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Executive Director/Secretary

APPROVED:

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Chair