



CITY OF LONG BEACH

DEPARTMENT OF DEVELOPMENT SERVICES

R-12

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January 17, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a resolution designating the City of Long Beach as the Successor Agency to the Redevelopment Agency of the City of Long Beach and transferring all housing functions and assets from the Redevelopment Agency of the City of Long Beach to the City of Long Beach, each effective as of February 1, 2012; and,

Direct the City Manager to establish a Community Improvement Commission and return to Council with the implementation ordinances. (Citywide)

DISCUSSION

On December 29, 2011, the California State Supreme Court (Court) issued its decision in *California Redevelopment Association v. Matosantos*. The Court found AB1X 26 (ABX 26) constitutional, thus dissolving all redevelopment agencies throughout the State, and AB1X 27 (allowing redevelopment agencies to continue with voluntary payments to the State) unconstitutional. The Court also delayed by four months certain deadlines in ABX 26 that occur prior to May 1, 2012. The Court's decision is immediately effective.

Based on the revised schedule, the Redevelopment Agency of the City of Long Beach (Redevelopment Agency) will be dissolved as of February 1, 2012. ABX 26 suspends all new redevelopment activities after June 2011. ABX 26 also prescribes the steps the Redevelopment Agency must follow to wind down its activities in anticipation of its dissolution, such as preparing an enforceable obligations schedule (an "Enforceable Obligation" is generally defined as debt service on bonds or a pre-existing third-party contract) and preserving its assets. The Successor Agency, which must be formed as of February 1, 2012, and an oversight board are responsible for managing Enforceable Obligations and for redistributing Redevelopment Agency assets to the various taxing entities such as the school district, the County and other entities that receive property tax.

ABX 26 designates the community sponsoring the redevelopment agency (Sponsoring Community) as the "Successor Agency" unless that Sponsoring Community elects not to serve in that capacity. While the Sponsoring Community, in this case the City of Long Beach, is not required to adopt a resolution unless it elects not to become the Successor Agency, staff recommends the adoption of a resolution designating the City Council as the Successor Agency to provide a clear statement of intent. In the event that the City declines to be the Successor Agency, the Successor Agency shall be the first local agency (defined

by ABX 26 as a city, county or special district within the county of the former redevelopment agency) that submits to the Los Angeles County Auditor-Controller a resolution electing to be the Successor Agency.

The Successor Agency's activities shall be supervised by an independent oversight board established pursuant to ABX 26 (Oversight Board). The Oversight Board shall have, at most, seven members appointed by or representing the following:

- County Board of Supervisors (two members)
- Mayor (one member)
- County Superintendent of Education (one member)
- Chancellor of California Community Colleges (one member)
- Largest special district taxing entity (one member appointed by the Los Angeles County Sanitation District)
- Former employee of the redevelopment agency appointed by Mayor (one member)

The Oversight Board has a fiduciary responsibility to the holders of Enforceable Obligations and to the taxing entities that benefit from the distribution of property tax and other revenues that remain following the disposition of the Enforceable Obligations. ABX 26 requires the Oversight Board to direct the Successor Agency to determine whether contracts, agreements, or other arrangements between the Redevelopment Agency and private parties should be terminated or renegotiated to reduce the Successor Agency's liabilities and to increase net revenues to the taxing entities. The Oversight Board is also required to dispose of RDA property and assets as expeditiously as possible, and for maximum value. The actions of the Oversight Board are subject to review by the Director of the State's Department of Finance and may be subject to disapproval or modification.

The Sponsoring Community may also elect to assume the housing functions of the Redevelopment Agency and take over its housing assets (excluding amounts in the Low and Moderate Income Housing Fund), along with related rights, powers, liabilities, duties, and obligations. If the Sponsoring Community does not elect to assume the Redevelopment Agency's housing functions, such functions and all related assets will be transferred to the local housing authority. The City has traditionally contracted with Long Beach Housing Development Company (LBHDC) to implement the housing requirements of the California Redevelopment Law, so the real property housing assets of the Redevelopment Agency are minimal. It is the recommendation of staff that the City elect to become both the Successor Agency for discharging redevelopment obligations, and to assume the housing obligations of the Redevelopment Agency. By assuming the role of the Successor Agency, the City is in a better position to influence the disposition of the Redevelopment Agency's assets, which has financial, land use, and policy considerations for the City.

Delivery of Community Services

While there may be efforts to pursue potential legislation to reformulate redevelopment agencies, the ultimate success of these efforts is not assured. No matter the outcome of the potential legislation, it is expected that the future landscape for the delivery of needed community development-type services will be drastically different.

Without redevelopment tax increment funding and other financial and real property resources, the City Council must now carefully review and allocate the extremely limited funding available to support housing and community improvements. The remaining sources consist of limited program income from previous affordable housing transactions and Community Development Block Grant (CDBG) funding.

Prior to the dissolution of redevelopment functions, three boards and commissions (the Redevelopment Agency Board, the Long Beach Housing Development Company (LBHDC) and the Community Development Advisory Commission) existed to provide guidance and direction on the distribution of programs and services. In light of the passage of ABX 26, the programs and services delivered by these three commissions have been eliminated, dramatically altered or must be reprioritized to continue to be effective. The existence of three separate commissions to oversee a vastly reduced function is no longer viable. With extremely limited resources and significantly different responsibilities, it is important for the City to consolidate the three boards and commissions into one new entity.

To provide a new, more agile organization to deliver housing and community programs and services, staff proposes the establishment of a Community Improvement Commission. The new commission would assume the responsibility of advising the City Council on community services, housing and neighborhood revitalization services, the use of CDBG funding, and management of the City's non-profit housing corporation, in a new model of delivery throughout the City focusing on areas of need. The proposed commission also has the potential for tapping into new funding sources through grants, loans and endowments, in addition to traditional funding sources like CDBG funds and the General Fund.

The formation of a broad-based Community Improvement Commission is an opportunity to consolidate community services, reduce redundancies, improve efficiencies and enhance the delivery of programs and services. Based on City Council direction, staff would return to Council with the formation of the commission and prepare the necessary documents to transition the activities and oversight of the former Redevelopment Agency, the LBHDC and the Community Development Advisory Commission, among others, into a single entity named the Community Improvement Commission. When completed, such plans and documents will be presented to the City Council for consideration.

Through these steps, and through the establishment of a Successor Agency, staff believes that the core ideals of eliminating blight, creating economic opportunities, providing affordable housing and revitalizing neighborhoods will continue, albeit in a diminished capacity. It is an opportunity to honor the commitment to enhancing quality of life for residents, businesses and community stakeholders throughout the City.

This matter was reviewed by Deputy City Attorney Richard Anthony and Budget Management Officer Victoria Bell on January 9, 2012.

TIMING CONSIDERATIONS

City Council action is requested on January 17, 2012, to comply with the Court-mandated deadline of February 1, 2012, to act on the establishment of a Successor Agency and assumption of housing functions.

FISCAL IMPACT

ABX 26 allows the Successor Agency an administration budget up to 5 percent of the property tax allocated to the Successor Agency for FY 2011-2012 and up to 3 percent of the property tax allocated to the Successor Agency each succeeding fiscal year. Staff is still calculating the amount that will be available based on property tax projections, though it is anticipated that the actual amount will be minimal in light of the responsibilities required under ABX 26. This administrative funding will be extremely limited and is required to support the Oversight Board and the work of the Successor Agency in dissolving the Redevelopment Agency's assets. The budget of the Successor Agency will be required to fund such things as appraisals, real estate transactions, and basic administrative support. It may also be required to continue State-mandated monitoring and compliance of affordable housing assets. It is unclear at this time if the available funding will be sufficient to cover these expenses and provide support to the Successor Agency and the Oversight Board, or if General Fund resources will also be required.

There are approximately 20.75 FTE positions in the Redevelopment Bureau and 15.25 FTE positions in the Housing Services Bureau within the Department of Development Services. In addition to these 36 positions, there are an additional 23 FTE positions within other bureaus in Development Services and other City departments that are partially or fully funded through tax increment. With the near total elimination of tax increment funding, there will be a direct impact to a significant portion of these 59 positions both within the Department of Development Services and elsewhere in the City.

It is expected that the dissolution of the Redevelopment Agency will have an impact to the General Fund. While it is premature to provide definitive data, it is estimated that Redevelopment in FY12 supports approximately \$6 million in services that would otherwise be paid by the General Fund. The Redevelopment Agency previously funded a variety of programs and administrative services such as code enforcement, graffiti abatement, NEA target areas, neighborhood improvements, CityPlace parking structure debt service, and many other redevelopment services. Staff continues to analyze the immediate and long-term impacts and will keep the Council informed as information becomes available.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

AJB:LAF

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Attachment: City Council Resolution


PATRICK H. WEST
CITY MANAGER

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH TO EXPRESS ITS INTENT TO SERVE AS THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34171(j) AND SECTION 34173, AND TO ELECT TO RETAIN THE HOUSING ASSETS AND FUNCTIONS PREVIOUSLY PERFORMED BY THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34176

WHEREAS, Assembly Bill 1X 26 (the "Dissolution Act") and Assembly Bill 1X 27 (the "Alternative Redevelopment Program Act", and together with the "Dissolution Act", the "Redevelopment Restructuring Acts") were enacted on June 28, 2011, to significantly modify the Community Redevelopment Law (Health & Safety Code §33000, et seq.; the "Redevelopment Law"); and

WHEREAS, on August 11, 2011, the California Supreme Court agreed to review the California Redevelopment Association and League of California Cities' petition challenging the constitutionality of the Redevelopment Restructuring Acts; and

WHEREAS, on December 29, 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional; and

WHEREAS, the Court's decision means that all California redevelopment agencies will dissolve on February 1, 2012 pursuant to the Dissolution Act; and

WHEREAS, the Dissolution Act provides that the city that authorized the creation of the redevelopment agency shall be the "successor agency" to the dissolved

1 redevelopment agency unless the city elects not to serve as the successor agency under
2 Section 34173(d)(1) of the Redevelopment Law; and

3 WHEREAS, Section 34176(a) of the Redevelopment Law provides that the
4 city that authorized the creation of a redevelopment agency may elect to retain the
5 housing assets and functions previously performed by the former redevelopment agency;
6 and

7 WHEREAS, the City of Long Beach intends to, and shall serve as, the
8 successor agency for the Redevelopment Agency of the City of Long Beach (the
9 "Agency") in accordance with Section 34171(j) and Section 34173 of the Redevelopment
10 Law; and

11 WHEREAS, the City of Long Beach desires to elect to retain the housing
12 assets and functions previously performed by the Agency in accordance with Section
13 34176 of the Redevelopment Law;

14 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
15 follows:

16 Section 1. The City of Long Beach accepts the designation, and hereby
17 declares its intent, to serve as the successor agency for the Agency in accordance with
18 Section 34171(j) and Section 34173 of the Redevelopment Law.

19 Section 2. The City of Long Beach hereby elects to retain the housing
20 assets and functions previously performed by the Agency in accordance with Section
21 34176 of the Redevelopment Law.

22 Section 3. The City Manager, or his or her designee, is hereby directed
23 to file a copy of this resolution with the Los Angeles County Auditor-Controller.

24 Section 4. The City Manager, or his or her designee, is hereby
25 authorized to take such additional actions, and to execute all documents necessary and
26 appropriate, for the City of Long Beach to transfer the assets of the Agency to the City of
27 Long Beach, in its capacity as successor agency to the Agency, pursuant to Sections
28 34175 and 34176 of the Redevelopment Law.

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Section 5. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 20__ by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk