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## REDEVELOPMENT'S FUTURE

### Effects of California Supreme Court Decision re: AB X1 26 & AB X1 27

Presented to the City Council  
January 17, 2012

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## ABX1 26 & ABX1 27 Refresher

- Senate and Assembly passed two state budget trailer bills on June 15, 2011
  - Bills signed by Governor on June 29, 2011
- Assembly Bill X1 26 (ABX1 26)
  - **Suspended** redevelopment powers effective June 29, 2011
  - **Abolished** redevelopment agencies effective October 1, 2011
- Assembly Bill X1 27 (ABX1 27)
  - Created Alternative Voluntary Redevelopment Program
  - Imposed "voluntary payments" to avoid AB X1 26 impacts

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## CRA v. Matosantos

- July 18, 2011 – The League of California Cities and CRA Filed a lawsuit in the California Supreme Court challenging the constitutionality of ABX1 26 and ABX1 27.
- August 2011 – Court agreed to take the case and issued an immediate stay on most of AB1X 26 and all of AB1X 27.
- December 29, 2011 – Court upheld AB1X 26 and invalidated AB1x 27; certain deadlines extended.

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## Court Findings

- Court found AB1X 26 constitutional because the Legislature has the broad power to establish or dissolve local agencies as it sees fit.
  - Nothing in Article XVI, Section 16 of the California Constitution or Proposition 22 voids the Legislature's power to dissolve redevelopment agencies.
- Court found AB1X 27 unconstitutional because the "opt-in" payments were not truly voluntary.
  - The "Voluntary" Payment violated Proposition 22 (Article XIII, Section 25.5 of the California Constitution).
- Court severed AB1X 26 and AB1X 27 because of differences in the application of their severability clauses and AB1X 26 is independently enforceable.

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## Successor Agency

- On February 1, 2012, all redevelopment agencies are dissolved.
- Successor Agency is the Sponsoring Community (i.e., the City Council) unless it elects not to be.
  - Otherwise first local agency submitting to the County Auditor-Controller a duly adopted resolution electing to become Successor Agency.
- All Agency authority, assets (cash, land, etc.) and obligations are transferred to the Successor Agency.

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## Successor Agency

- Successor Agency is responsible for discharging the redevelopment agency's obligations via a Recognized Obligation Payment Schedule.
  - Schedule covers 6-month periods, starting January 1, 2012.
  - First draft is due by March 1, 2012.
- ROPS totals \$1.28 billion
- Successor Agency must dispose of the former redevelopment agency's assets or properties.
- Successor Agency must wind down all affairs of the former redevelopment agency.
- Successor Agency must prepare an administrative budget for the Oversight Board's approval and pay administrative costs.
  - Administrative budget may be up to 5 percent of the property tax allocated to the Successor Agency for FY2011-2012 and up to 3 percent in each succeeding fiscal year.

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## Agency Assets

- **Fixed Assets**
  - Equipment
  - Wrigley Market Place and Ren Sq.     **\$ 14,100,000**
  
- **Land Held For Resale**
  - Westside (misc. parcels)
  - Ocean and Alamitos (OPA)
  - Courthouse (lease)
  - 34 E Sunset St.(North LB)             **\$ 33,920,000**
  
- **Remaining Bond Proceeds             \$ 15,200,000**

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## Oversight Board Membership

- **Oversight Board established as follows:**
  - 1 member appointed by County Board of Supervisors
  - 1 member appointed by County to represent the public
  - 1 member appointed by the Mayor to represent the City
  - 1 member appointed by largest special district
  - 1 member appointed by County Superintendent of Education
  - 1 member appointed by the Chancellor of the Community College Districts
  - 1 member appointed by the Mayor to represent employees of the redevelopment agency
  
- **To be established by May 1, 2012**

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## Oversight Board Purpose

- **Oversight Board for successor agency established to:**
  - Take control of land assets and dispose as expeditiously as possible at highest value, regardless of best land use.
    - All land sale proceeds are transferred to County Auditor-Controller for distribution to taxing agencies (schools, counties, special districts, cities).
  - Define enforceable obligations (excludes any agreement between the Agency and the City).
    - Board has ability to renegotiate and terminate contracts.
    - Remaining unencumbered funds would be transferred to the County Auditor-Controller for distribution to taxing agencies.
- **Oversight Board activities subject to review by the State Dept. of Finance**

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## Housing Requirements

- **Sponsoring Community may also elect to assume the housing functions of the Redevelopment Agency.**
  - Includes housing assets (excluding amounts in the Low and Moderate Income Housing Fund) along with related rights, powers, liabilities, duties and obligations.
  - If Sponsoring Community does not elect to assume these functions, the functions and all related assets will be transferred to the local housing authority.

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## Administration Budget

- **AB1X 26 allows the Successor Agency an administration budget.**
  - Defined as up to 5% of property tax allocated to Successor Agency for FY 2011-2012 and up to 3% each succeeding fiscal year.
  - Required to support the Oversight Board and the work of the Successor Agency in dissolving the Redevelopment Agency's assets:
    - Appraisals
    - Real estate transactions
    - Basic administrative support
    - State-mandated monitoring and compliance of affordable housing assets
  - It is unclear at this time if the available funding will be sufficient to cover expenses or if General Fund resources will also be required.
  - Minimum budget is \$250,000; current estimates range from \$1.9M to \$4.5M

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## Fiscal Impact

- **Estimated Positions Impacted – 59 Full Time Equivalents (FTE)**
  - 20.75 FTE in the Redevelopment Bureau
  - 15.25 FTE in the Housing Services Bureau
  - 23 FTE in within other bureaus in Development Services and other City departments
- **Impact to General Fund**
  - Exact impact unknown at this time due to several unknown variables
  - Redevelopment supports approximately \$6 million in services annually that would otherwise be paid by General Fund. Examples include:
    - Code enforcement
    - Graffiti abatement
    - Neighborhood improvements
    - CityPlace parking structure debt service
  - City's position is that \$119 million debt repayment to General Fund is an enforceable obligation, although AB1X 26 specifically excludes such debt.

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## Community Improvement Commission

- Prior to dissolution of redevelopment, three boards and commissions have provided guidance and direction on housing and community improvements:
  - Redevelopment Agency Board
  - Long Beach Housing Development Corporation (LBHDC)
  - Community Development Advisory Commission
- Establishment of a Community Improvement Commission is proposed to consolidate these three boards and commissions into one new entity.

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## Community Improvement Commission

- The Community Improvement Commission would:
  - Advise City Council on:
    - Community services
    - Housing and neighborhood revitalization services
    - Use of CDBG funding
    - Management of the City's non-profit housing corporation
  - Have the potential to tap into new funding sources through grants, loans and endowments.
  - Consolidate community services, reduce redundancies, improve efficiencies and enhance the delivery of programs and services.

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