



Legislation Text

File #: 13-015SA, **Version:** 1

Recommendation to approve a repayment schedule for the amounts of Property Tax (formerly 20 Percent Tax Increment Set-Aside) funds the former Redevelopment Agency owes to the Low- and Moderate-Income Housing Fund. (Citywide)

“Enforceable Obligations” in regards to the Dissolution Act (AB x1 26) and the unwinding process of the former redevelopment agencies. In particular, Section 34171(d)(1)(G) defines an “Enforceable Obligation” as the amounts borrowed from, or payments owing to, the Low- and Moderate-Income Housing Fund of a redevelopment agency that had been deferred as of the effective date of the Dissolution Act, provided that the repayment schedule is approved by the Oversight Board. For informational purposes and continuity of procedures, staff is also requesting that the Successor Agency review and approve the repayment schedule for the funds the former Redevelopment Agency (Agency) owes to the Low- and Moderate-Income Housing Fund.

Deferred Downtown 20 Percent Tax Increment

Pursuant to Section 33334.6(d) of the California Health and Safety Code, the Agency was authorized to deposit less than the amount required to be deposited into the Low- and Moderate-Income Housing Fund if the Agency found that the difference between the amount actually deposited and the amount required to be deposited would be necessary to make payments under existing obligations identified on an adopted Statement of Existing Obligations.

Between 1986 and 2001, the Agency Board adopted resolutions finding that, due to the need to pay existing obligations in the Downtown Redevelopment Project Area, it was necessary to deposit less than the amount required by statute into the Low- and Moderate-Income Housing Fund. From Fiscal Years 1986 to 2004, the Downtown Redevelopment Project Area’s 20 Percent Tax Increment obligation to the Low- and Moderate-Income Housing Fund totaled \$28,074,322. During this time period, the Agency transferred \$11,712,870 in 20 Percent Tax Increment Set-Aside, and deferred \$16,361,451. However, as a result of positive Downtown Redevelopment Project Area cash flows in Fiscal Years 2000, 2002 and 2004, the Tax Increment transfers to the Low- and Moderate-Income Housing Fund were \$2.8 million more than the required 20 percent transfer, thereby reducing the deferred balance. Between Fiscal Years 2005 and 2011, the Agency transferred the full Downtown Redevelopment Project Area 20 Percent Tax Increment obligation to the Low- and Moderate-Income Housing Fund, and no funds were deferred. See Exhibit A for an accounting of the deferrals.

Pursuant to Section 33334.6(g) of the California Health and Safety Code, these Tax Increment deferrals created a deficit for the Downtown Redevelopment Project Area, and the Agency was required to adopt a plan to eliminate the deficit. In 1995, the Agency approved Resolution R.A. 21-95 adopting a plan for the repayment of the deferred set-aside commencing upon the termination of the Downtown Redevelopment Project Area. Prior to the Agency’s dissolution, it was anticipated that upon the termination of the Downtown Redevelopment Project Area in 2017, a larger portion of the tax increment would be available for debt service and the Agency could begin to repay the deferred tax

increment to the Low- and Moderate-Income Housing Fund.

Repayment Schedule

The proposed repayment schedule is as follows:

Fiscal Year	Payment Amount	Balance
Beginning Deferred Balance		\$16,361,451
2015/16 - ROPS 15-16A	\$ 8,180,726	\$ 8,180,725
2016/17 - ROPS 16-17A	\$ 8,180,725	\$ 0

As of January 1, 2013, amounts owed to the Low- and Moderate-Income Housing Fund totaled \$16.3 million.

The above repayment amounts are estimates based on a schedule to retire the debt by September 2017, and are subject to change. The State Department of Finance and County Auditor-Controller have ultimate approval authority as to the amounts available for repayment.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on October 8, 2013, and Budget Management Officer Victoria Bell on October 9, 2013.

Successor Agency approval is requested to allow for submittal to the Oversight Board on November 4th, and to the State Department of Finance for final approval. This action completes a significant milestone in the statutory dissolution process and furthers the City's ability to receive funds from the former Redevelopment Agency City/Agency loans that were disallowed in ABx1 26 (dissolution act). AB 1484 provided several benefits to Successor Agencies that remitted their unencumbered fund balances to the County Auditor-Controller for distribution to the taxing entities, and received their Finding of Completion. In particular, AB 1484 provides Successor Agencies the authority to establish repayment schedules for funds borrowed from, and owed to, the Low-Mod Housing Fund of the former Redevelopment Agency. Establishment of these repayment schedules sets the stage for the Successor Agency to reinstate the City/Agency loans that were disallowed under the dissolution act. Once the funds owed to Low-Mod Housing have been repaid, and the City/Agency loans have been reinstated, the Successor Agency may begin requesting funds through the Recognized Obligation Payment Schedule to repay these loans.

Repayments of \$16,361,451 will be funded from the residual proceeds in the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller, which will satisfy property tax deferrals in the Low- and Moderate-Income Housing Fund (SR 135) in the Department of Development Services (DV).

Approve recommendation.

APPROVED:

PATRICK H. WEST
CITY MANAGER