

CITY OF YUBA CITY
STAFF REPORT

Date: January 10, 2012
To: Honorable Mayor and Members of the City Council
From: Community Development Department
Presentation By: Aaron M. Busch, Community Development Director

Summary

Subject: Consideration of a Resolution designating the City of Yuba City as the “Successor Agency” to the Redevelopment Agency which will be dissolved on February 1, 2012 as a result of the State Supreme Court’s recent decision on AB 1X26.

Recommendation: Adopt the attached Resolution (Exhibit A), electing to become the “Successor Agency” to the Redevelopment Agency of the City of Yuba City pursuant to Part 1.85 of Division 24 of the California Health and Safety Code.

Fiscal Impact: The City’s Redevelopment Agency is one of four agencies in the state currently operating with a budget deficit. For FY 11/12, the amount of tax increment funds received (\$2.8 million) is less than the outgoing expenses which total nearly \$3.5 million. Of this amount only \$223,000 are for operating administrative costs; the balance of the \$3.5 million budget is for mandatory obligations such as pass through funding of other taxing agencies or debt service. This is a budget trend that is forecasted to continue at a deficit through FY 16/17. As of February 1, 2012, all assets and liabilities will be transferred to a Successor Agency which will be responsible for the continued funding of those redevelopment projects that are “Enforceable Obligations” as defined in AB 1X26.

Purpose:

Approve the City of Yuba City serving as the required “Successor Agency” for the former Yuba City Redevelopment Agency which will be dissolved as of February 1, 2012.

Background:

On December 29, 2011 the California Supreme Court issued its ruling in the case of *California Redevelopment Association et al. v. Ana Matosantos et al.* which challenged the legality of Assembly Bills 1X26 (AB 26) and 1X27 (AB 27) that related to the future of redevelopment in California. In its ruling, the Supreme Court upheld AB 26, the bill that dissolves all redevelopment agencies, but found that AB 27 which would have allowed redevelopment

agencies to avoid elimination by making specific payments was unconstitutional. Based on the Supreme Court's decision, all redevelopment agencies will be dissolved as of February 1, 2012 absent any emergency legislation delaying or reversing the decision. As a result, all redevelopment agencies are required to dissolve and transfer their assets and liabilities to "Successor Agencies" that will bring to a close the redevelopment agencies' business matters.

As part of this decision, Redevelopment Agencies are required to take several immediate actions to close out all existing redevelopment operations. The first of these is the decision regarding the "Successor Agency" that is required to work with an appointed "Oversight Board" on the final disposition of all redevelopment funds and activities.

Discussion:

Although there are many unknown details regarding the implementation (and associated consequences) of the Court's decision to eliminate redevelopment, staff continues to consult with legal counsel on this matter to ensure the City is responding in a timely and appropriate manner. The following is a summary of the next steps necessary for Redevelopment Agency disposition:

1. The City must decide if they want to serve as the Successor Agency by January 13, 2012.
 - The City is designated (by default) as the Successor Agency unless the City elects not to serve in this capacity. Adoption of the attached Resolution confirms the City's role as the Successor Agency.
 - If the City elects not to serve in this capacity, then the City must adopt a Resolution declaring so by January 13, 2012.
 - Such action then allows other public agencies (i.e. Sutter County, School District) to have the opportunity to apply and serve as the Successor Agency.
2. Prior to the elimination of Yuba City's Redevelopment Agency (on February 1, 2012), the Yuba City RDA must prepare a preliminary "Draft" *Recognized Obligation Payment Schedule (ROPS)* by January 30, 2012.
 - The ROPS identifies all funding obligations held by the Agency and includes bonds; loans borrowed by the RDA; and, set aside reserves as required for bonds (i.e. Gauche Park bonds).
 - The ROPS should closely resemble the *Enforceable Obligation Payment Schedule* (Attachment 1) that was approved by the City Council and RDA Board at their August 16, 2011 meeting.
 - The Successor Agency must then prepare a subsequent "Draft" ROPS by March 1, 2012.
 - The "Final Draft" ROPS must be submitted to an "Oversight Board" for approval and then forwarded to the State Controller and State Department of Finance no later than April 15, 2012.

3. If the City wishes to retain the RDA's affordable housing assets and functions (excluding unencumbered amounts in the low and moderate income housing fund), then the City should adopt a Resolution to that effect prior to the February 1, 2012 deadline.
 - No new transactions with the low and moderate housing set aside funds may be approved.
 - A Resolution for the transfer of affordable housing assets and functions will be presented to the Council at their January 17, 2012 meeting.
4. The City will need to consider future appointments to the required "Oversight Board" which is comprised of seven members who are responsible for the approval and implementation of the ROPS.
 - The Oversight Board includes representation from the following:
 - One member appointed by the County Board of Supervisors
 - One member appointed by the City Council
 - One member appointed by the largest special district, by property tax share
 - One member appointed by the County Superintendent of Education
 - One member appointed by the Chancellor of California Community Colleges
 - One member of the public appointed by the County Board of Supervisors
 - One member representing the employees of the former RDA
 - Appointments to the Oversight Board must occur by the beginning of March 2012 to ensure compliance with the ROPS approval and submittal by the April 15, 2012 deadline.
5. The City will need to rescind its prior actions of August 16, 2011 where the Council approved a "Continuation Ordinance" in compliance with the provisions of AB 1X27. .
 - Since the Supreme Court invalidated the provision allowing cities the ability to make payments to retain their redevelopment agency, the City must officially rescind the approval of the Continuation Ordinance. This action should occur prior to May 1, 2012.

The critical components of the dissolution process are the preparation of the *Recognized Obligation Payment Schedule (ROPS)*, the role of the Successor Agency and the future actions by the Oversight Board. Given the importance of the funding obligations to be identified in the ROPS based on prior obligations and contracted commitments, it is essential for the City to serve as the Successor Agency. This action will aid in the City's efforts to ensure that important obligations, such as the continued repayment of bonds for Gauche Park and Plumas Street, along with on-going contamination clean-up efforts continue to be met. It should be noted that it is expected that serving as the Successor Agency will require a significant amount of time and resources in coordinating with the future Oversight Board and that the City will not likely recover all administrative costs associated with this effort. The provisions of AB 1X26 limit the reimbursement amount for administrative costs which are also reviewed and approved by the future Oversight Board.

Fiscal Impact:

The City's Redevelopment Agency is one of four agencies in the state currently operating with a budget deficit. For FY 11/12, the amount of tax increment funds received (\$2.8 million) is less than the outgoing expenses which total nearly \$3.5 million. Of this amount only \$223,000 are for operating administrative costs; the balance of the \$3.5 million budget is for mandatory obligations such as pass through funding of other taxing agencies or debt service. This is a budget trend that is forecasted to continue at a deficit through FY 16/17. As of February 1, 2012, all assets and liabilities will be transferred to a Successor Agency which will be responsible for the continued funding of those redevelopment projects that are "Enforceable Obligations" as defined in AB 1X26.

Recommendation:

Adopt the attached Resolution (Exhibit A), electing to become the "Successor Agency" to the Redevelopment Agency of the City of Yuba City pursuant to Part 1.85 of Division 24 of the California Health and Safety Code.

Prepared By:

Submitted By:

/s/ Aaron M. Busch

Aaron M. Busch
Community Development Director

/s/ Steven R. Jepsen

Steven R. Jepsen
City Manager

Reviewed By:

Finance

City Attorney

Other: (Name, Title)

Attachments

1. Enforceable Obligation Payment Schedule

Exhibits

- A. Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY, CALIFORNIA, ELECTING TO BECOME THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY PURSUANT TO PART 1.85 OF DIVISION 24 OF THE CALIFORNIA HEALTH AND SAFETY CODE

WHEREAS, the City Council of the City of Yuba City (“City”) approved and adopted the Redevelopment Plan for the Yuba City Redevelopment Project (“Redevelopment Plan”) covering certain properties within the City (the “Project Area”); and

WHEREAS, the Redevelopment Agency of the City of Yuba City (“Agency”) has been engaged in activities to execute and implement the Redevelopment Plan pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code § 33000, et seq.) (“CRL”); and

WHEREAS, since adoption of the Redevelopment Plan, the Agency has undertaken redevelopment projects in the Project Area to eliminate blight, to improve public facilities and infrastructure, to renovate and construct affordable housing, and to enter into partnerships with private industries to create jobs and expand the local economy; and

WHEREAS, as part of the 2011-12 State budget bill, the California Legislature enacted, and the Governor signed , companion bills AB 1X 26 and AB 1X 27, requiring that each redevelopment agency be dissolved unless the community that created it enacts an ordinance committing it to making certain payments; and

WHEREAS, a Petition for Writ of Mandate was filed in the Supreme Court of the State of California on July 18, 2011 (*California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861), challenging the constitutionality of AB 1X 26 and AB 1X 27 on behalf of cities, counties and redevelopment agencies and requesting a stay of enforcement; and

WHEREAS, on August 11, 2011, and modified on August 17, 2011, the Supreme Court stayed portions of AB 1X 26, and AB 1X 27 in its entirety during the pendency of the matter; and

WHEREAS, on December 29, 2011, the Supreme Court issued its final decision in the aforesaid litigation, upholding AB 1X 26, invalidating AB 1X 27, and extending all statutory deadlines under AB 1X 26, essentially dissolving all redevelopment agencies throughout the State effective February 1, 2012; and

WHEREAS, AB 1X 26 further provides that, upon their dissolution, any property taxes that would have been allocated to redevelopment agencies will no longer be deemed tax increment, and will be allocated first to successor agencies to make payments on the existing

indebtedness of the dissolved redevelopment agencies, with remaining balances allocated in accordance with applicable constitutional and statutory provisions; and

WHEREAS, AB 1X 26 provides that successor agencies be designated as successor entities to the former redevelopment agencies, and provides that, with certain exceptions, all authority, rights, powers, duties and obligations previously vested with the former redevelopment agencies, under the CRL, are vested in the successor agencies; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

THE CITY COUNCIL OF THE CITY OF YUBA CITY CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and incorporated herein by reference.

Section 2. Election to be Successor Agency. In accordance with Health and Safety Code Section 34173, and based on the Recitals set forth above, the City Council hereby elects to become the “successor agency” to the former Redevelopment Agency of the City of Yuba City upon dissolution of the Agency pursuant to Part 1.85 of Division 24 of the California Health and Safety Code, and except as provided under the CRL, all authority, rights, powers, duties and obligations previously vested with the former Agency, under the CRL, shall be vested in the City as the successor agency to the Agency.

Section 3. Implementation. The City Council hereby authorizes and directs the City Manager to take any action and execute any documents necessary to carry out the purposes of this Resolution, including but not limited to notifying the Sutter County Auditor-Controller, the Controller of the State of California, and the California Department of Finance of the adoption of this Resolution and the City’s election to be the successor agency to the Agency, in accordance with AB 1X 26.

Section 4. Severability. If any provision of this Resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The City Council hereby declares that it would have adopted this Resolution irrespective of the invalidity of any particular portion thereof.

Section 5. Certification. The City Clerk shall certify to the adoption of this Resolution.

Section 6. Effective Date. This Resolution shall become effective upon its adoption.

PASSED AND ADOPTED at a regular meeting of the City Council on the 10th day of January 2012, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Mayor

ATTEST:

City Clerk