

CITY OF YUBA CITY
STAFF REPORT

Date: January 17, 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 designating a “Successor Housing 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 a Resolution (to be presented prior to the meeting), appointing a “Successor Housing 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 Low and Moderate Housing Fund has an approved budget for FY 11/12 of \$1.8 million of which \$304,585 is obligated for debt service payments on a 2004 Housing Bond and the remaining \$1.5 million was planned for construction, or acquisition of affordable housing projects. In compliance with AB 1X26, all of the remaining funds (not encumbered) would be transferred to a newly created *Redevelopment Property Tax Trust Fund* which is administered by the Sutter County Auditor-Controller.

Purpose:

Designating a “Successor Housing 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.

At a special City Council meeting conducted on January 10, 2012, the Council passed a Resolution electing to serve as the Successor Agency. The next necessary action is the appointment of a "Successor Housing Agency" who will be responsible for administering the Agency's Low and Moderate Housing Fund.

Discussion:

Under AB 1X26, the City must affirmatively elect to retain the housing functions and assets of the former redevelopment agency. If the City does not elect to retain those housing responsibilities, AB 1X26 provides that all rights, powers, assets, liabilities, duties and obligations associated with the housing activities of the former redevelopment agency will be transferred to the local housing authority, or if there is no local housing authority, to the California Department of Housing and Community Development. A formal action on this matter is required prior to January 31, 2012. As of this writing, there are multiple unanswered questions relating to the potential long-term ramifications associated with this obligation and therefore a formal recommendation for which agency should serve as the Successor Housing Agency has not been provided. Staff is meeting with legal counsel on this matter to gain more insight on these potential issues and will present a specific recommendation (with associated Resolution) prior to the City Council meeting.

Fiscal Impact:

The City's Redevelopment Agency Low and Moderate Housing Fund has an approved budget for FY 11/12 of \$1.8 million of which \$304,585 is obligated for debt service payments on a 2004 Housing Bond and the remaining \$1.5 million was planned for construction, or acquisition of affordable housing projects. In compliance with AB 1X26, all of the remaining funds (not encumbered) would be transferred to a newly created *Redevelopment Property Tax Trust Fund* which is administered by the Sutter County Auditor-Controller.

Recommendation:

Adopt a Resolution (to be presented prior to the meeting), appointing a "Successor Housing 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:

/s/ Aaron Busch

Aaron M. Busch
Community Development Director

Submitted By:

/s/ Steven R. Jepsen

Steven R. Jepsen
City Manager

Reviewed By:

Finance

SM

City Attorney

TH