



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Redevelopment Agency
Department No.: 993
For Agenda Of: January 24, 2012
Placement: Departmental
Estimated Tme: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Directors, Santa Barbara County Redevelopment Agency
Board of Supervisors, County of Santa Barbara

FROM: Agency Director: Chandra L. Wallar, County Executive Officer
Contact Info: Glenn Russell, Ph.D., Director, Planning and Development (x 2085)
Errin Briggs, Program Manager, Redevelopment Agency (x 2047)

SUBJECT: Report on Dissolution of the County Redevelopment Agency

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions

That the Board of Directors of the Santa Barbara County Redevelopment Agency:

1. Adopt a Resolution adopting an Amended Enforceable Obligation Payment Schedule pursuant to Health and Safety Code Section 34169(g) [Attachment 1].
2. Approve a Budget Revision providing the necessary appropriations for the Redevelopment Agency to transfer all assets and liabilities to the control of the County of Santa Barbara, as "Successor Agency" to the Santa Barbara County Redevelopment Agency, consistent with the asset transfer pursuant to Health and Safety 34175(b) [Attachment 2]. (4/5 Vote Required)
3. Determine, that the above actions do not constitute approval of a "project" under the California Environmental Quality Act ("CEQA") but instead consist of the creation or continuation of a governmental funding mechanism for potential future projects and programs and/or governmental organizational activities pursuant to CEQA Guideline Sections 15378(b)(4) and 15378(b)(5) and direct staff to file a Notice of Exemption. [Attachment 3]

That the Board of Supervisors of the County of Santa Barbara:

4. Approve a Budget Revision providing the necessary appropriations for the establishment of the Successor Agency Funds and to fund the Amended Enforceable Obligations Payment Schedule [Attachment 4]. (4/5 Vote Required)
5. Receive a report on the requirement under Health & Safety Code Section 34179 that members be selected by May 1, 2012 for the seven-member Successor Agency Oversight Board.
6. Determine, that the above actions do not constitute approval of a “project” under the California Environmental Quality Act (“CEQA”) but instead consist of the creation or continuation of a governmental funding mechanism for potential future projects and programs and/or governmental organizational activities pursuant to CEQA Guideline Sections 15378(b)(4) and 15378(b)(5) and direct staff to file a Notice of Exemption [Attachment 5].

Summary Text/Background

On December 29, 2011, the California Supreme Court decided the case of *California Redevelopment Association v. Matosantos* (S194861). In that litigation, California Redevelopment Association and others had challenged the State of California’s amendment of California Redevelopment Law through ABX1 26 and ABX1 27. Summarized, the California Supreme Court’s action on December 29th included upholding almost all of ABX1 26 (the “dissolution” measure), invalidating all of ABX1 27 (the “continuation” measure) and revising many deadlines within ABX1 26, to take effect four months later than stated within ABX1 26. This included extending the date on which RDAs become dissolved, from October 1, 2011 to February 1, 2012.

On January 10th, your Board made the following decisions: 1) Took no action so as to allow the County to automatically become the “Successor Agency” to the County Redevelopment Agency (RDA) in Isla Vista; and 2) Adopted a resolution pursuant to Health and Safety Code Section 34176(a), through which the County of Santa Barbara retains the housing assets, functions and powers previously performed by the County RDA.

The Board has been briefed previously on many of the items discussed here in prior Board Letters on August 9, 2011, September 6, 2011, October 4, 2011 and October 11, 2011 while the outcome of such issues was uncertain due to the California Supreme Court’s previous stay on ABX1 26. Now that the Court has delivered its opinion, the items below are discussed in greater detail and with more certainty.

This Board Agenda item is focused only on the County of Santa Barbara’s relationship with the County Redevelopment Agency in Isla Vista, not the County’s potential roles with respect to other redevelopment agencies within the boundaries of the County of Santa Barbara. The Auditor-Controller will address the County’s roles with respect to those other redevelopment agencies in a separate Board Agenda item on today’s agenda.

There may be further legislative action about redevelopment agencies. For example, Senate Bill 654 (Steinberg) is currently under consideration and, if enacted, would clarify the treatment of both Certificate of Participation reimbursement agreements and Low and Moderate Income Housing Funds. Senate Bill 659, which would extend the deadline on RDA’s dissolution statewide until April 15, is also currently under consideration.

Discussion of Action to be Taken on January 24th

The items discussed in this section must be acted upon prior to the February 1, 2012 deadline for dissolution of the RDA. January 24th is the last scheduled Board hearing prior to this deadline.

Enforceable Obligation Payment Schedule

In order to fulfill the requirements of ABX1 26, the RDA must disclose in the Enforceable Obligation Payment Schedule (EOPS) all existing “enforceable obligations” of the RDA including the payee, the amount of the obligation and a brief description of each obligation. Since August 28, 2011, Health & Safety Code Section 4167(h) provides that the RDA cannot make a payment unless it is listed on its EOPS.

The Board adopted resolution number 11-291 initially adopting the RDA’s EOPS on August 9, 2011 and staff subsequently forwarded the EOPS to the County Auditor-Controller, the State Department of Finance and the State Controller. The list of payees included in the EOPS adopted by the Board on August 9, 2011 was incomplete with respect to the contractors the RDA has used to perform certain work activities. Additionally, the originally approved EOPS covered the time period from July 1, 2011 to December 31, 2011. Staff has amended the EOPS to include a complete list of RDA contractors and extended the time period covered by the EOPS to June 30, 2012 as shown in Attachment 1.

Extension of that time period to June 30, 2012 takes into account the ABX1 26 deadlines that the *Matosantos* decision extended and would allow the County as Successor Agency to pay “enforceable obligations” until it has an approved Recognized Obligation Payment Schedule. Staff recommends that the RDA Board of Directors adopt a Resolution adopting the amended Enforceable Obligation Payment Schedule [Attachment 1].

Budget Revisions

The actions recommended herein related to the Budget Revisions are intended to provide the necessary appropriations for the Redevelopment Agency to transfer all assets and liabilities to the control of the County of Santa Barbara, as “Successor Agency” to the Santa Barbara County Redevelopment Agency consistent with the asset transfer pursuant to Health and Safety 34175(b). The recommended actions also provide the appropriations necessary for the County as Successor Agency to fund the obligations listed in the Enforceable Obligations Payment Schedule and, should it be approved by the Oversight Board prior to the end of the fiscal year, the Recognized Obligation Payment Schedule. The total amount appropriated for the payment of enforceable obligations (and/or recognized obligations) over the time period covering the fiscal year 2011/2012 is approximately \$3.5 Million.

Fund Structure

For the purposes of meeting the requirements of Health and Safety Code Sections 34175(b) and 34170.5, staff has created four new funds for the Successor Agency. These funds are intended to replicate the current accounting structure of the existing Redevelopment Agency. The table below displays the existing account structure of the Redevelopment Agency and the proposed accounting structure of the Successor Agency.

Fund Purpose	Existing RDA Fund	Successor Agency Fund
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RDA General Fund (general operations)	3100 - SB RDA Isla Vista Project	3120 - RDA Successor Agency Operations (Redevelopment Obligation Retirement Fund)
RDA Housing Fund	3102 - SB RDA Housing – Isla Vista	3122 - RDA Successor Agency Housing
RDA Debt Service	3104 - SB RDA 2008 Loan	0037 - RDA Successor Agency – Debt
RDA Bond Proceeds	3107 - SB RDA Projects	3227 - RDA Successor Agency – Projects

The Effect of the Budget Revisions

The recommended Budget Revisions simply create the appropriations necessary to eliminate the balances of the Redevelopment Agency in its existing fund structure and establish the same balances, at the same values in the new fund structure. Additionally, the budget revision provides the appropriations necessary to fund the Enforceable Obligations Payment Schedule also presented for adoption as part of this Board Item. The deadlines of ABX1 26 require that the Board of Supervisors and the Board of Directors take action on these items prior to the actual dissolution of the Redevelopment Agency. Accordingly, the appropriations requested are estimates to close out the existing funds and affect the necessary transfers to the Successor Agency. However, due to the timing, some incidental expenses may be incurred subsequent to this Board action. In this regard, the Auditor-Controller’s office will be using its statutory authority to make minor revisions to appropriations in order to balance and close the funds from a budgetary perspective. This is a similar practice to that which occurs at the close of any fiscal year and any changes to appropriations will be reported back to the Board of Supervisors subsequent to closing the funds. Staff recommends the RDA Board of directors approve a Budget Revision providing the necessary appropriations for the Redevelopment Agency to transfer all assets and liabilities to the control of the County of Santa Barbara, as “Successor Agency” to the Santa Barbara County Redevelopment Agency consistent with the asset transfer pursuant to Health and Safety 34175(b) and that the Board of Supervisors approve a Budget Revision providing the necessary appropriations for the establishment of the Successor Agency Funds and to fund the amended Enforceable Obligations Payment Schedule.

Discussion of Non-Action Items

The Successor Agency

On January 10, 2012, the Board reaffirmed its decision that the County of Santa Barbara become the “Successor Agency” to the Santa Barbara County Redevelopment Agency by taking no action under Health & Safety Code Section 34173(d)(1). The County, as the Successor Agency and pursuant to Health & Safety Code Section 34177(h), is now required to expeditiously wind down the affairs of the former RDA after February 1, 2012, when the former RDA’s assets are transferred to it. It is also required to dispose of those assets and to make payments and perform other obligations of the former RDA, which include:

- Repayment of bonds and/or loans borrowed by the RDA;
- Payments required by Federal or State government or for employee pension obligations;
- Judgments or settlements;
- “Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy” (at Oversight Board direction, a Successor Agency may

terminate existing agreements and pay required compensation or remediation for such termination); and

- Effectuate the transfer of housing functions of the former RDA to the County.

As part of these responsibilities, the Successor Agency must remit the former RDA's unencumbered fund balances and proceeds from the sale of RDA assets to the County Auditor-Controller for distribution to local taxing agencies (proceeds to be distributed similar to normal property tax proceeds). The Successor Agency is required to dispose of the former RDA's assets and properties expeditiously and in a manner aimed at maximizing value under the supervision of the "Oversight Board". The assets to be transferred from the RDA to the Successor Agency are generally discussed below and will be more specifically discussed when staff returns to the Board with more information in the near future.

Note that the Redevelopment Agency's actions remain essentially frozen, as required by Part 1.8 of ABX1 26 "suspension of Agency activities and prohibition of creation of new debts" [Health & Safety Code Sections 34161 – 34167], which has been effective since June 29, 2011.

Disposition of Agency Assets

Non-Housing Assets

The Agency's existing non-housing assets fall into the following categories:

- Cash balances - restricted
- Cash balances - unrestricted
- Property held for resale

ABX1 26 directs the Successor Agency to liquidate the assets of the Agency and place them into a "Redevelopment Property Tax Trust Fund" administered by the County Auditor-Controller. The existing balances in the Agency's unrestricted cash accounts would be placed directly into the Redevelopment Property Tax Trust Fund. Additionally, the Agency's properties held for resale would be sold by the Successor Agency and the proceeds of such sales placed into the Trust Fund. The Auditor-Controller would then distribute monies from the trust fund to the taxing agencies consistent with their applicable percentage share of property tax revenues.

Housing Assets

On January 10, 2012, the Board of Supervisors adopted Resolution 12-7 designating the County as the Successor Housing Agency to the former RDA upon its dissolution on February 1, 2012. As such, the County will retain the housing assets and functions of the Redevelopment Agency pursuant to Health and Safety Code Section 34176(a) and may execute the housing powers previously performed by the RDA under California Redevelopment Law.

The Agency's existing housing assets fall into three categories:

- Cash balances
- Property held for resale
- Loans receivable

Because the County chose to retain the housing assets, functions and powers previously performed by the RDA, the Agency's cash balances, property held for resale and loans receivable would all be transferred directly to the County. The Agency owns property located at 761 Camino Pescadero and has partnered with the County of Santa Barbara Housing Authority to seek entitlements for construction of a 100% affordable housing project including 33 studio units. The County, as the Successor Housing Agency, would assume ownership of this property and oversee the remaining entitlement process in cooperation with the County Housing Authority.

The Agency also has several affordable housing-related loans outstanding to private parties associated with past development projects and/or agreements. Any payments made on behalf of these loans would be directed to the County as the Successor Housing Agency. Such funds would be available for use consistent with the former Agency's Redevelopment Law housing powers.

Fiscal Impacts

Future administrative costs for County support of the Successor Agency are currently unknown. However, such costs are recoverable from the Redevelopment Property Tax Trust Fund in an amount up to 5% of property tax allocated to the Successor Agency for fiscal year 2011-12 (approximately \$300,000) and up to 3% each year thereafter. In all cases, the annual amount shall not be less than \$250,000. Administrative costs in excess of the amount received from the Redevelopment Property Tax Trust Fund would need to be funded from alternative sources.

Detailed financial information regarding the Santa Barbara County Redevelopment Agency will be provided to the Board at an upcoming hearing.

Attachments

1. Resolution Setting Forth the RDA Enforceable Obligation Payment Schedule
2. Budget Revision to Close RDA Funds
3. Agency Notice of Exemption
4. Budget Revision to Open Successor Agency Funds
5. County Notice of Exemption

Authored by:

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cc:

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