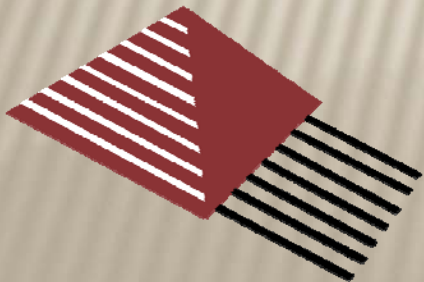

ABX1 26/AB 1484

Update on Oversight Board Issues and Responsibilities

*Prepared for FCMAT
April 10, 2013*

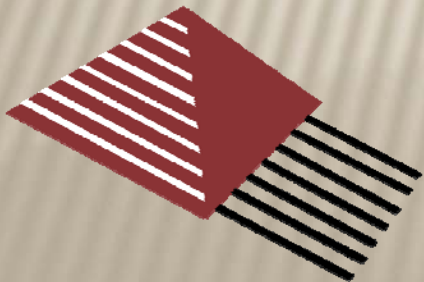


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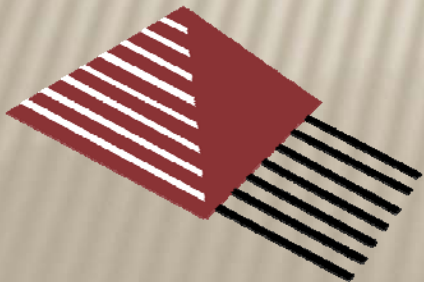
Overview of Presentation

- ◆ Provide overview for Oversight Boards, including:
 - Oversight Board (“OB”) mechanics
 - Potential concerns and issues
 - Upcoming activities
 - Looking back: Due Diligence Reviews (“DDR”)
 - Looking forward: Finding of Completion (“FOC”)
 - Looking forward: Long Range Property Management Plan (“LRPMP”)



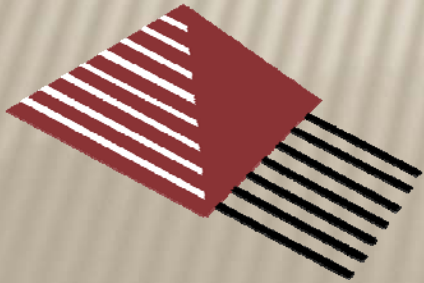
Oversight Board Mechanics

- ◆ Successor Agency typically City for former City RDAs, and County for former County RDA
- ◆ **Successor Agencies are supposed to report to “Oversight Boards”:**
One OB for each Successor Agency
- ◆ Oversight Boards oversee “**wind down**” of RDAs
- ◆ Oversight Boards are **fiduciaries** for (i) former RDA obligations, and (ii) affected taxing entities that receive pass through payments and Excess and Other Revenues
- ◆ As of July 1, 2016, individual Oversight Boards will be replaced by one **Countywide OB** for all Successor Agencies



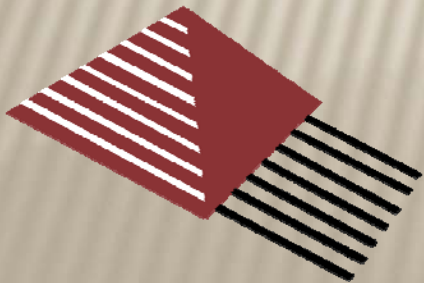
Oversight Boards: Issues and Concerns

- ◆ Many Successor Agencies *continue to report to City Councils or County Board of Supervisors*, as well as employ some if not all former RDA staff, and retain former RDA legal counsel and consultants
- ◆ Most Oversight Boards do not have independent legal counsel, etc. , unless a majority votes to retain such (presumably paid by Successor Agency)
- ◆ Otherwise, one or more Oversight Board members will have to rely on:
 - County Counsel, COE counsel, or individual LEA's special counsel
 - COE and/or individual LEA staff and/or consultants, in addition to FCMAT (presumably paid by County, COE, or individual LEA)



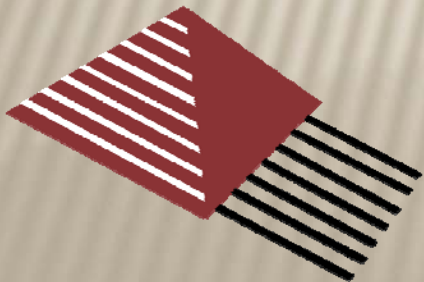
Oversight Boards: Issues and Concerns

- ◆ Political alliances between Council members and Supervisors may result in Oversight Boards “packed” with current or former Council members, planning commissioners, and/or City/RDA staff person
- ◆ “Largest special district may be dependent on Board of Supervisors,” i.e., may not have independent legislative body



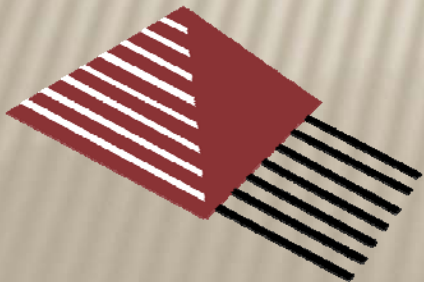
Oversight Boards: Issues and Concerns

- ◆ If individual Oversight Board member is sufficiently concerned about action item presented by Successor Agency, or pending OB vote on action item, OB member may initiate contact with DOF and/or LEA, County Superintendent, etc. re: his/her concern
- ◆ DOF, State Controller's Office (SCO), or any affected taxing entity "shall have standing to file a judicial action to prevent a violation under [Part 1.85] and to obtain injunctive or other appropriate relief" (HSC 34177(a)(2))



Oversight Boards: Issues and Concerns

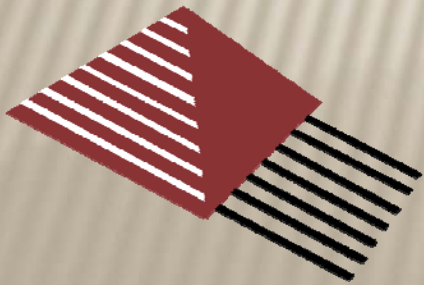
- ◆ AB 1484 added subdivision (b) to HSC 34187, which may result in premature termination of pass-throughs within one year of repayment of **“all of the debt of a redevelopment agency”**
- ◆ HSC 34187(b) ignores fact that:
 - Pass-through agreements, and arguably AB 1290 pass-throughs, **are also debt of former RDA**
 - ABX1 26 requires County A-C to:
 - Remit pass-throughs in the amount “which would have been received . . . had the [RDA] existed at that time” (HSC 34183(a)(1)) and
 - “Determine the amount of [pass-throughs] that would have been allocated to . . . other taxing agencies . . . had the [RDA] not been dissolved pursuant to the operation of [ABX1 26]” (HSC 34183(c)(1))



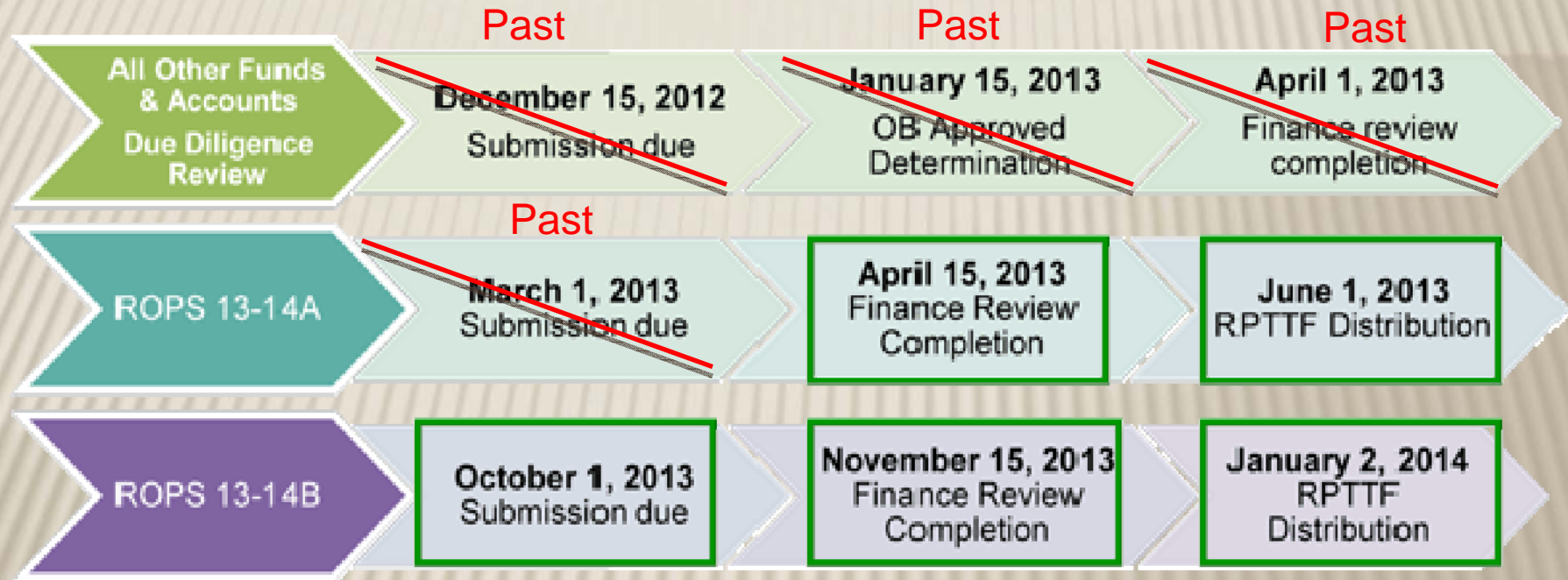
Oversight Boards: Issues and Concerns

IMPORTANT:

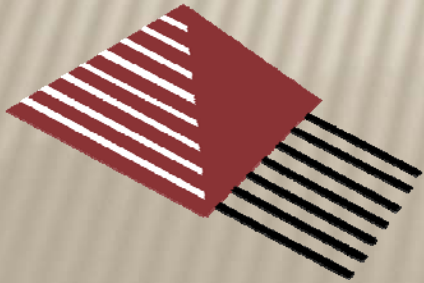
Oversight Board appointees need to know when their pass-throughs are scheduled to end under prior law, so as NOT to accelerate payment of ROPS obligations in a way that may prematurely terminate pass-throughs



Upcoming Deadlines



Source: DOF Website (<http://www.dof.ca.gov/redevelopment/>)

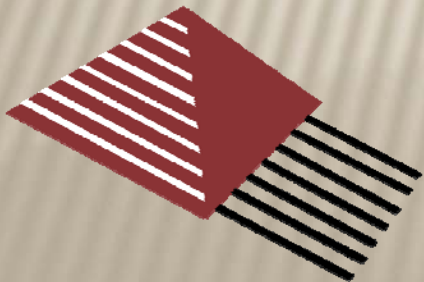


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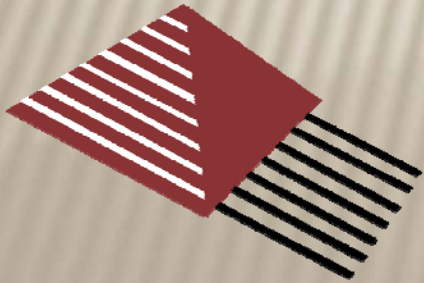
Looking Back: Due Diligence Reviews

- ◆ Due Diligence Review (“DDR”)
 - Includes determination of amount of cash/cash equivalents available for disbursement to affected taxing entities
 - Upon approval by DOF, DDR is first step in Successor Agency’s obtaining Finding of Completion
 - DDR gives OB members detailed look at fund balances and cash or asset transfers for Successor Agency
 - DDR results may be useful in property disposition decisions and creating Long Range Property Management Plan



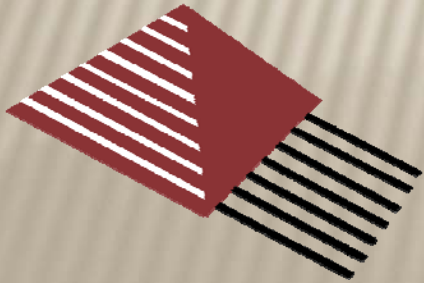
Looking Back: Due Diligence Reviews

- ◆ DDR for Low and Moderate Income Housing Fund (“**LMIHF**”) was to be reviewed and approved by OB and transmitted to DOF by **October 15, 2012**
- ◆ DDR for **all other fund and account (“OFA”) balances** was to be reviewed and approved by OB and transmitted to DOF by **January 15, 2013**



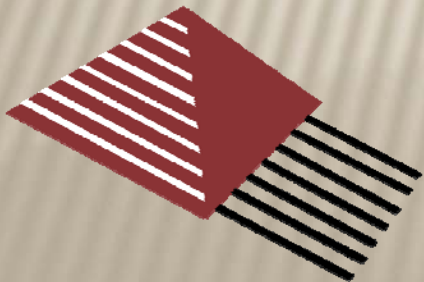
Looking Ahead: Finding of Completion

- ◆ **Finding of Completion** (“FOC”) is issued by DOF once it has been determined that Successor Agency has paid amounts due determined by DDRs for LMIHF and other funds and accounts, as well as all outstanding pass-through payments for FY 2011-12 (pursuant to HSC 34183.5).
 - Once County A-C confirms all required amounts have been paid, DOF has **5 business days** to issue FOC to Successor Agency



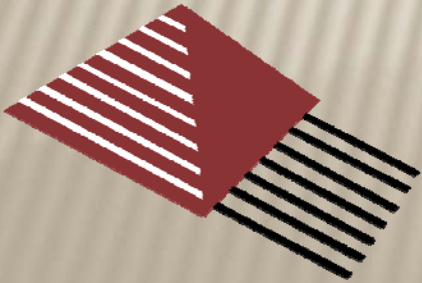
Looking Ahead: Finding of Completion

- ◆ **Finding of Completion** gives Successor Agency authority to:
 - Re-enter into previously denied loan agreements between former redevelopment agency and city or county that created RDA; provided that:
 - Oversight Board approves item as enforceable obligation
 - Oversight Board makes finding that loan was for legitimate redevelopment purposes
 - Spend bonds proceeds derived from bonds issued on or before December 31, 2010 (proceeds to be used solely for purposes for which bonds were sold)
 - Transfer all real property and interests in real property to Community Redevelopment Property Fund, upon approval by DOF of long-range property management plan



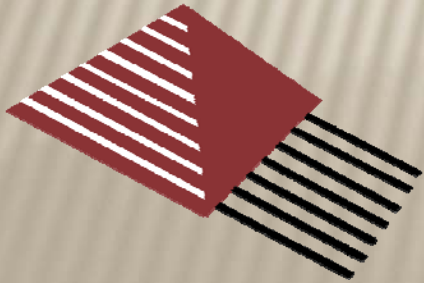
Looking Ahead: Finding of Completion

- ◆ Reinstatement of City/Agency loan agreements comes with certain repayment restrictions:
 - No payment prior to FY 2013-14
 - Payment only according to “defined schedule” over “reasonable term of years” (pursuant to HSC 34191.4(b)(2))
 - Cap on annual loan payment amount (as defined in HSC 34191.4(b)(2)(A))
 - Interest on loans limited to Local Agency Investment Fund (LAIF) rate
 - Any outstanding amounts owed to LMIHF shall take priority over these loan payments
 - 20% of loan repayment amount must be transferred to LMIHF



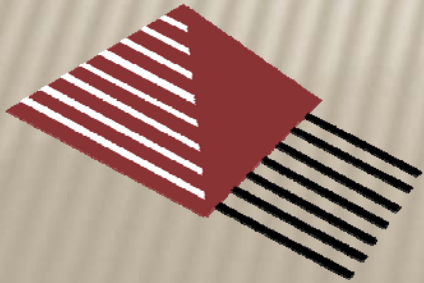
Looking Ahead: Finding of Completion

- ◆ Requirements for expenditure of bond proceeds on bonds issued on or before December 31, 2010:
 - Spend only in manner consistent with original bond covenants
 - Bond proceeds not spent in manner consistent with original covenants must be used to defease or repay bonds
 - Excess bond proceeds obligations must be created and listed separately on ROPS



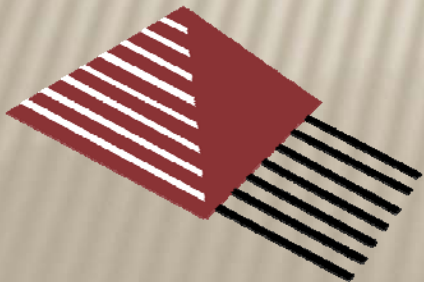
Looking Ahead: Long Range Property Management Plan

- ◆ **Long Range Property Management Plan** (“LRPMP”): “addresses disposition and use of real properties of former redevelopment agency” (pursuant to HSC 34191.5(b))
- ◆ Must be submitted to OB and DOF for approval within **6 months of FOC** (pursuant to HSC 34191.5(b))
 - DOF has 40 days to review LRPMP



Looking Ahead: Long Range Property Management Plan

- ◆ LRPMP shall include inventory of all properties
- ◆ Inventory shall contain following information:
 - Date of acquisition, value at that time, and an estimate of current value
 - Purpose for which property was acquired
 - Parcel data and current zoning
 - Estimate of current parcel value (including appraisal information)
 - Estimate of any lease, rental or other revenues generated by property
 - History of environmental information
 - Description of property's potential for advancement of planning objectives of successor agency
 - Brief history of previous development proposals and activity



Sources of Additional Information

- ◆ FCMAT

[http://www.fcmat.org/stories/storyReader\\$18321](http://www.fcmat.org/stories/storyReader$18321)

- + DOF ABX1 26 Website:

<http://www.dof.ca.gov/redevelopment/>

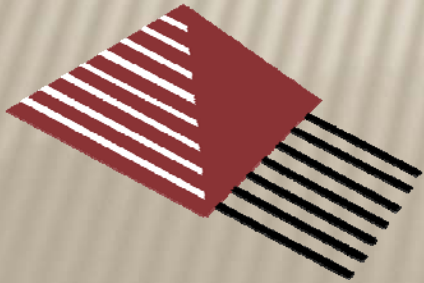
Or call or contact **Dante Gumucio** or **Carly Simard** at
Public Economics, Inc.

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