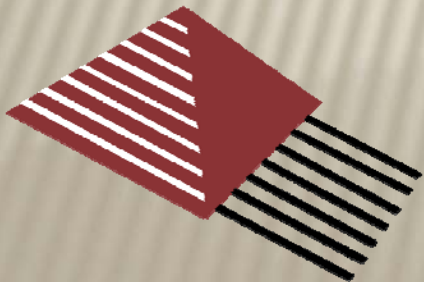


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# RDA PAYMENTS WITH ELIMINATION OF RDAs PER ABX1 26

*Prepared for FCMAT by  
Public Economics, Inc.*



134 S. Glassell Street, Suite A, Orange, CA 92866 Tel: (714) 647-6242 FAX: (714) 647-6232

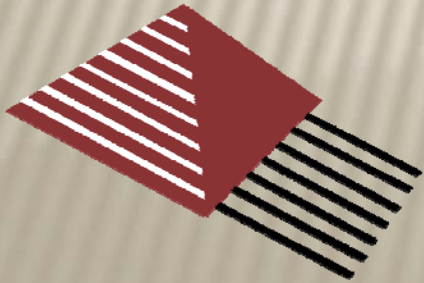
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# Overview of Presentation

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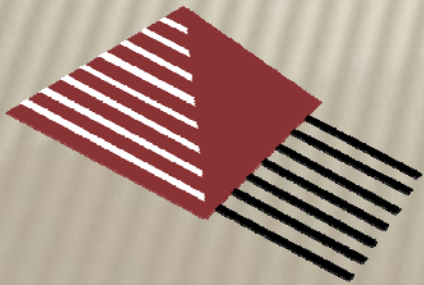
- ◆ Summarize previous RDA powers, activities, and impacts on LEAs
- ◆ Summarize how LEAs will be impacted by dissolution of RDAs under ABX1 26
- ◆ Identify next steps and answer questions



# REDEVELOPMENT BASICS

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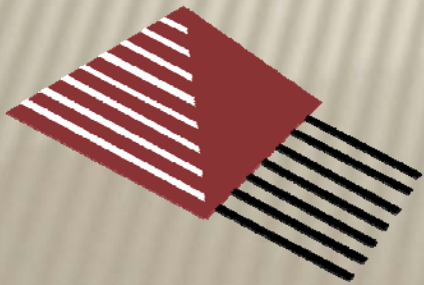
- ◆ Redevelopment Agency (RDA):
  - Created by City (within City limits) or County (in unincorporated areas) or Joint Powers Authority
  - Legislative body usually City Council or Board of Supervisors
  - Powers typically limited to redevelopment project area (Project), except for affordable housing and some public improvements
- ◆ Reasons for Redevelopment Projects:
  - Eliminate blighted conditions
  - Expand supply of low-and-moderate-income (LMI) housing
  - Expand employment opportunities



# REDEVELOPMENT BASICS

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- ◆ Selected Powers of RDAs:
  - Set forth in “redevelopment plan”
  - Use tax increment (TI) financing from growth in assessed value (AV) above “base year”
  - Set aside 20 percent of TI for LMI housing
  - Negotiate agreements to fund public improvements
  - Under certain circumstances, make “pass-through” payments to “affected taxing entities” (contractual and statutory)

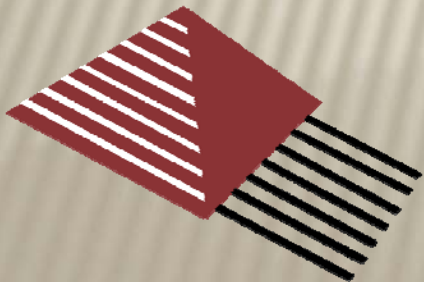




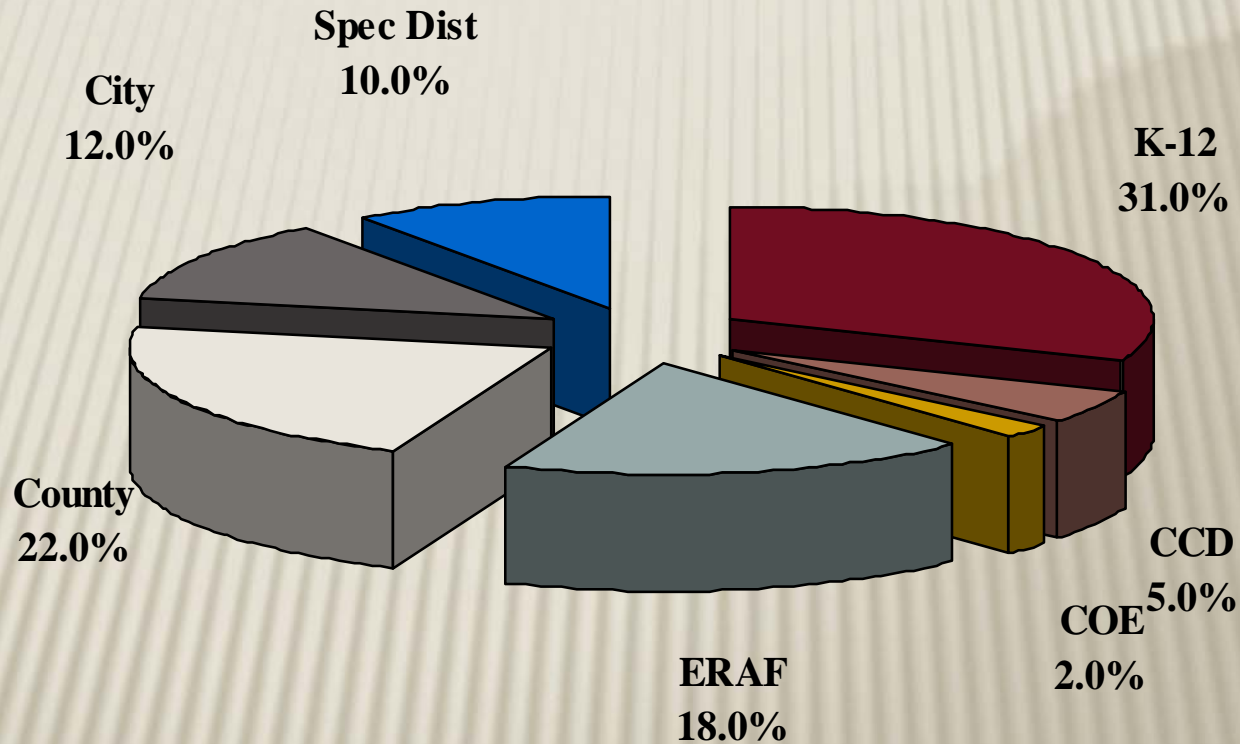
# Tax Increment Financing

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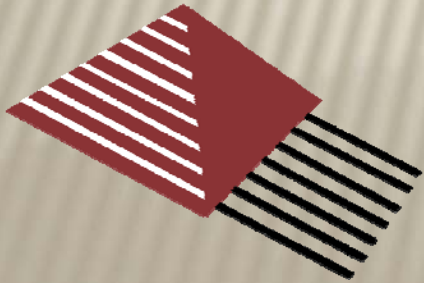
- ◆ TI financing diverts to RDA increases in property tax revenues (above stipulated base year amounts) that would otherwise be allocated to affected taxing entities, including local education agencies (LEAs)
  - Revenue limit LEAs' share of diverted TI is supposedly backfilled by State (i.e., TI imposes financial burden on State)
  - Basic aid LEAs' share of diverted TI is NOT backfilled by State (i.e., TI imposes financial burden on LEAs, since diverted revenues would otherwise be available for general purpose funding)



# Diversion of TI Revenues from Affected Taxing Entities



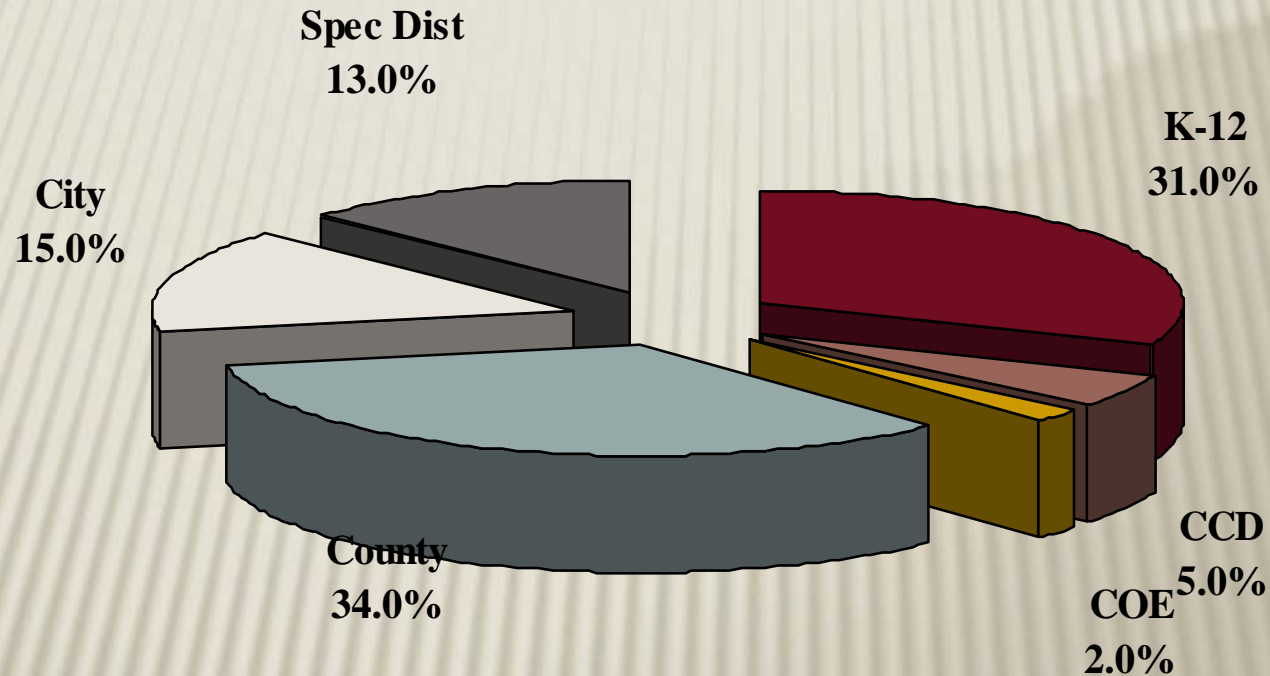
\* Statewide average shares where ERAF included in 1% levy within Project.



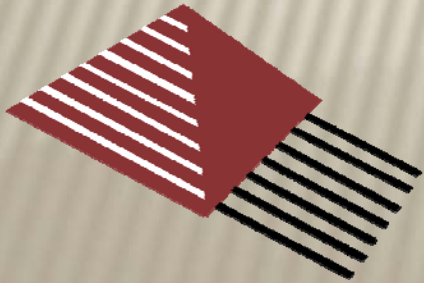
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# Diversion of TI Revenues from Affected Taxing Entities



\* Statewide average shares where 18% ERAF NOT included in 1% levy within Project (e.g., allocated on countywide basis).



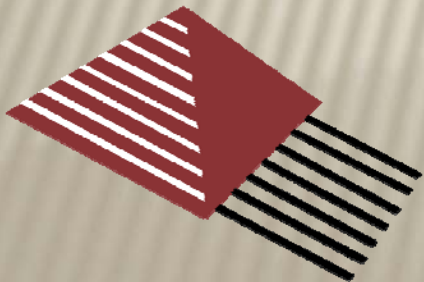
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# Previous RDA Limitations

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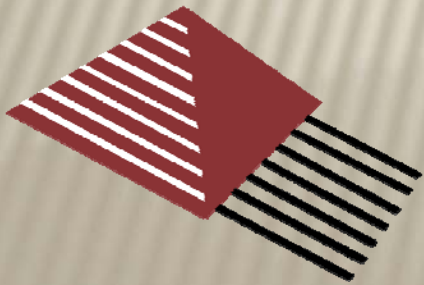
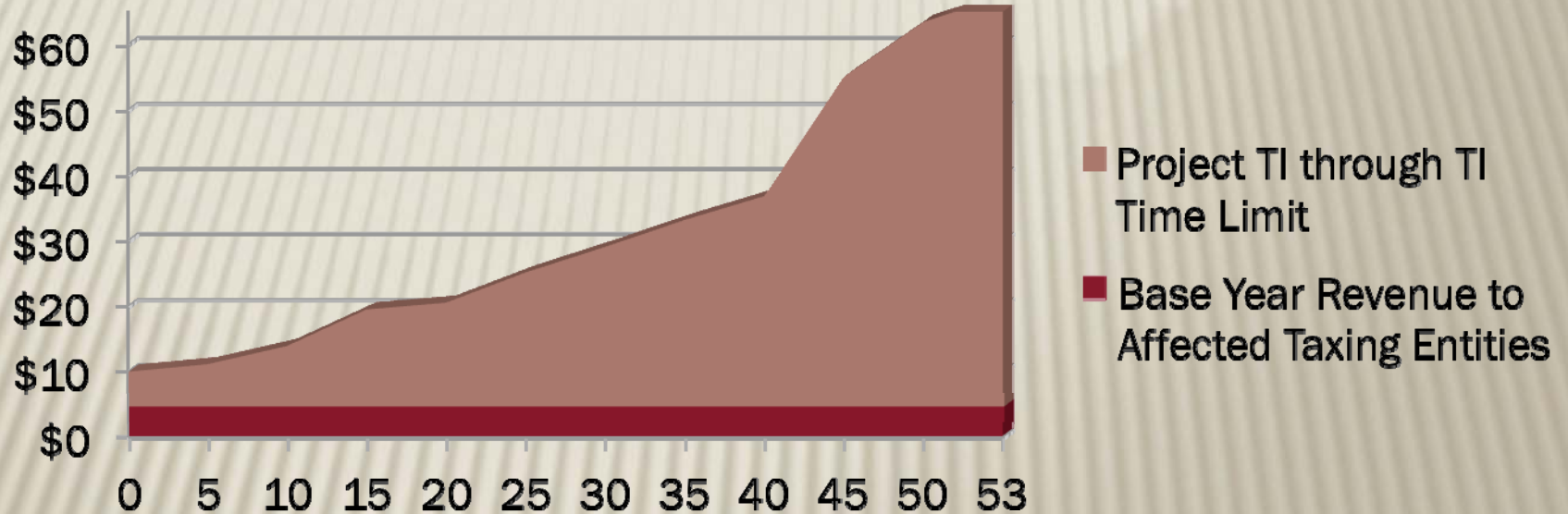
- ◆ RDA limitations set forth in redevelopment plan, and include:
  - Time limit to incur new RDA debt (typically between 20 and 43 years)
  - Time limit for most other RDA actions (typically 30 to 43 years)
  - Time limit to receive TI/repay RDA debt (typically 45 to 53 years)
  - Dollar limit on TI received (TI cap)—pre-1994 Projects only





# TI Revenues Consistent with RDA Limitations

Millions



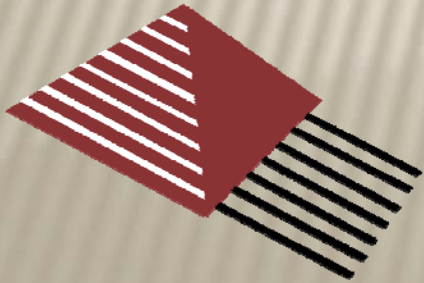
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# ABX1 26/27

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- ◆ In January 2011, Governor's initial budget for FY 2011-12 proposed eliminating RDAs
- ◆ On March 15, 2011, Governor's proposal became AB 101
- ◆ On June 14, 2011, ABX1 26/27 were introduced  
ABX1 26 is generally based on AB 101
- ◆ On June 15, 2011, ABX1 26/27 were approved by Legislature
- ◆ On June 28, 2011, ABX1 26/27 were signed by Governor
- ◆ On June 29, 2011, AB X1 26/27 became effective



# ABX1 26/27

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*ABX1 26/27 gave RDAs a “choice”:*

- ◆ Be **eliminated** by certain provisions in ABX1 26 as of October 1, 2011 resulting:
  - “Excess Revenues” to affected taxing entities (after ongoing payments of RDA debt service, pass-through payments, and certain admin costs)
  - Indirect benefits to State General Fund equal to revenue limit LEAs’ shares of Excess Revenues

OR

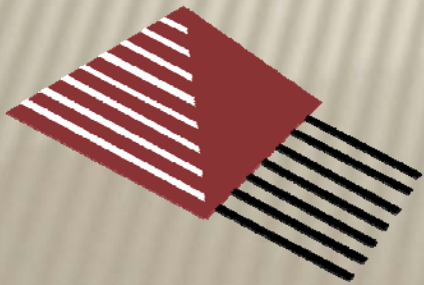
- ◆ Be **exempt** from elimination per ABX1 27, in exchange for:
  - A number of “reforms” in remainder of ABX1 26
  - Payment of annual “community remittances” (“pay-to-play” amounts) of:
    - \$1.7 billion for FY 2011-12, almost all for direct benefit of State
    - \$400 million for FY 2012-13 and annually thereafter, including a minimum of \$340 million of direct benefit to LEAs



# ABX1 26/27

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- ◆ On July 18, 2011, California Redevelopment Association (CRA) and League of California Cities filed a lawsuit before the California Supreme Court
- ◆ On August 11, 2011, Supreme Court announced it would hear the lawsuit, and suspended effectiveness of parts of ABX1 26 and all of ABX1 27
- ◆ CRA and most others expected ABX1 26/27 to be upheld or overturned together
- ◆ On December 29, Supreme Court upheld ABX1 26 but overturned ABX1 27

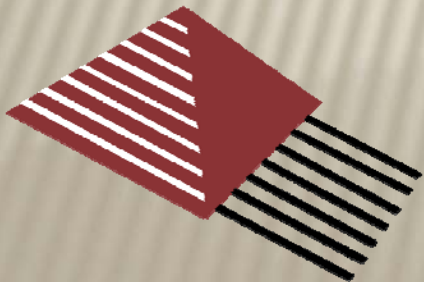




# ABX1 26

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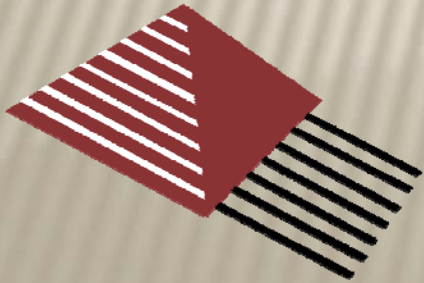
- ◆ After Supreme Court ruling, RDAs were eliminated on Feb. 1, 2012
- ◆ All RDA obligations and assets were transferred to “Successor Agencies” (typically City for former City RDAs, and County for former County RDA)
- ◆ Because ABX1 26 is new and complex legislation, some issues of interpretation and implementation are still being worked out (made worse by ABX1 26 having been hastily adopted)



# ABX1 26: Impacts on LEAs

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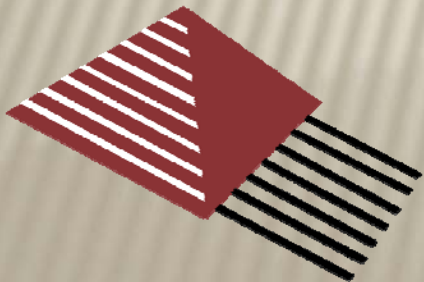
- ◆ All RDA pass-through payments (agreement, 2 percent, AB 1290) should continue to be paid as though RDAs still existed
- ◆ County Auditor-Controller (A-C), not RDAs, will be responsible for making all pass-through payments
- ◆ “Excess Revenues”—Net tax increment remaining after RDA pass-throughs, debt service on RDA bonds and other debts, and certain administrative costs—will be allocated as additional property taxes, including to LEAs
- ◆ For LEAs, pass-throughs continue to be effectively restricted to facilities, and should increase over time with growth in assessed value
- ◆ Excess Revenues should increase over time as RDA debts are paid down over many years



# ABX1 26: Wind Down Process

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- ◆ Successor Agency typically City for former City RDAs, and County for former County RDA
- ◆ Successor Agencies report to “Oversight Boards”: One Oversight Board for each Successor Agency
- ◆ Oversight Boards are *de facto* legislative bodies for Successor Agencies to 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 Revenues



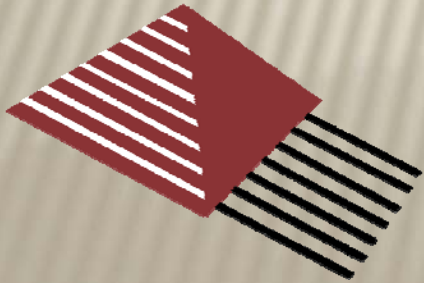


# ABX1 26: Wind Down Process

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- ◆ Oversight Boards consist of seven members
  - Two appointed by mayor (one for City and one for largest collective bargaining unit)\*
  - Two appointed by County Board of Supervisors (one for County and one for public-at-large)\*
  - One appointed by largest special district
  - One appointed by County Superintendent of Schools\*
  - One appointed by State Chancellor's Office
- ◆ Natural allies for LEA members may be special district and public-at-large appointees

\* For City RDAs. For County RDA which include cities, City with largest acreage gets 1 appointment; County Board of Supervisors gets three appointments, including collective bargaining appointment. For County RDA with no cities, County Superintendent gets two appointments, including former City appointment.

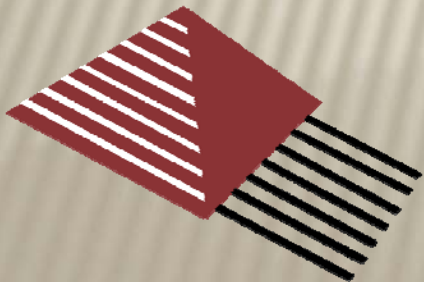




# ABX1 26: Wind Down Process

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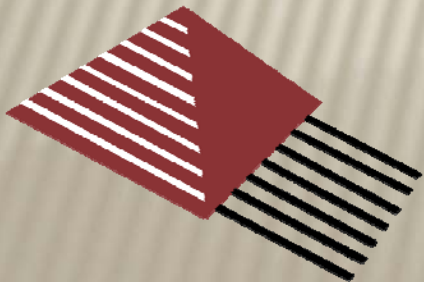
- ◆ Oversight Board appointments must be made by May 1, 2012
- ◆ Oversight Board decisions require four votes, even if some appointments have not yet been made or some members are not present
- ◆ State is concerned that:
  - Appointment of LEA members may be delayed
  - Successor Agencies may convene Oversight Boards as soon as there are four members, and present action items without input of LEA appointees
  - Highly specialized and technical nature of Oversight Board decisions may create an advantage for non-LEA appointees
  - LEA appointees need adequate one-time training and ongoing staff support to adequately represent LEA interests



# ABX1 26: Wind Down Process

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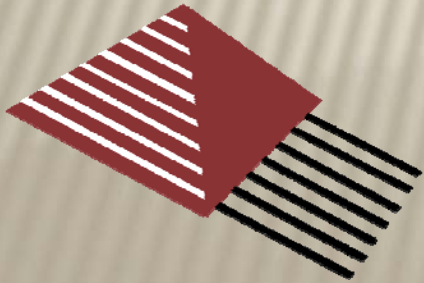
- ◆ ABX1 26 required RDAs to adopt:
  - Enforceable Obligation Payment Schedule (EOPS) for first six months of FY 2011-12
  - “Preliminary draft” of initial Recognized Obligation Payments Schedule (ROPS) for last six months of FY 2011-12
- ◆ ABX1 26 failed to require EOPS and initial ROPS to indicate “source of payment”
- ◆ RDAs failed to show obligations by individual Project, unique source of payment for each obligation, and/or non-TI sources of RDA revenue
- ◆ ABX1 26 requires missing information to determine actual amount of Excess Revenues



# ABX1 26: Wind Down Process

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- ◆ By Mar. 1, 2012, Successor Agencies approve draft ROPS (including sources of payment), and County A-C must prepare estimate of Excess Revenues to be paid to affected taxing entities (in spite of previous missing information)
- ◆ By Apr. 1, 2012, Successor Agencies must report to County A-C any shortfall in TI revenues
- ◆ By Apr. 15, 2012, Successor Agencies must approve and submit final ROPS to County A-C and State
- ◆ By May 16, 2012, County A-C must make first 50% payment of tax increment, pass-throughs, and Excess Revenues
- ◆ By June 1, 2012, County A-C must make second 50% payment of tax increment, pass-throughs, and Excess Revenues





# Next Steps

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- ◆ County Superintendent and State Chancellor should complete appointments to Oversight Boards ASAP
- ◆ Oversight Board appointees should participate in one-time training and ongoing staff support provided by FCMAT (working with PEI)
- ◆ PEI can provide additional ongoing staff report to LEA appointees, directly or through County Superintendent

