

Redlands Redevelopment Agency Q&A

What is a Redevelopment Agency?

[Redevelopment agencies](#) are local agencies formed under California law which focused exclusively on increasing quality of life in redevelopment project areas by removing blight. Redevelopment agencies were formed to administer and oversee the development of programs and projects within a project area for the life span of a project area.

What has happened to eliminate Redevelopment Agencies?

[In June 2011, the Governor signed new legislation](#) to immediately dissolve redevelopment agency activities, suspend most of their activities and appoint successor agencies to expeditiously wind down the affairs of the redevelopment agencies. In December 2011, the California Supreme Court upheld the Governor's actions and redevelopment was essentially eliminated statewide as of Feb. 1, 2012.

Who is responsible for winding down the affairs of the Redevelopment Agency?

The Governor's action provided for [successor agencies](#) to be formed to wind down the affairs of the redevelopment agencies.

Who makes up the Successor Agency and what is their purpose?

[On November 1, 2011, the Redlands City Council approved a resolution electing to become the successor agency to the Redevelopment Agency.](#) The Successor Agency is responsible for actions to manage the assets and obligations, including the disposition of property and payment of debt, of the dissolved Redevelopment Agency.

What happens to the assets of the Redevelopment Agency?

[The Redlands Redevelopment Agency held title to 13 separate parcels of real property \(including easement rights\)](#) which has been transferred to the City, as Successor Agency. The Successor Agency is responsible for the orderly disposition of the properties, which may include public sale of properties for which fair market value is greater than zero.

How much discretion does the Successor Agency have to hold onto assets in order to get the best price?

Successor Agencies must sell assets to [maximize the value](#), but in the most expeditious manner. Any sale of assets must be approved by a seven-member Oversight Board.

What happens to the profits realized from the sale of Redevelopment Agency assets?

[Any profits realized from the sale of assets are used to pay for existing obligations](#), which in turn increases the amount of property tax distributed to the various taxing agencies including the City.

What happens to the tax increment that once went to the Redevelopment Agency?

It is estimated that [\\$1.7 million in additional property tax](#) will be allocated back to the various taxing agencies, such as the school districts, each year. The City's general fund will retain 21.85% of that additional property tax, estimated at \$533,000 in 2012.

How much debt does the Redlands Redevelopment Agency have?

[There currently are \\$42 million in outstanding bonds for which the redevelopment agency was committed to make debt service payments through 2022.](#) The Redevelopment Agency also has other various other obligations, such as the lease for office space, contracts with consultants, and other project costs. The annual debt service for the bonds and other obligations is \$4.3 million for 2012.

Who will pay the debt service on Redevelopment Agency debt? Is the General Fund responsible for that debt?

[The outstanding debt is not an obligation of the General Fund.](#) The Successor Agency, has prepared a draft schedule listing the Agency obligations. Twice a year the county auditor-controller will allocate property tax

revenue to the City to pay these obligations. An Administrative Budget has also been prepared to allocate an annual allotment of \$250,000 for staff costs and administrative expenses of the Successor Agency.

What is the Oversight Board? What responsibility does it have? Who makes up the Oversight Board?

Under the State law, a seven-member [Oversight Board](#) must be in place before May 1, 2012 to approve the debt schedule and disposition of Agency assets. The Mayor appoints one member to represent the city and a second person who represents the employees of the former Redevelopment Agency. Other members are appointed by Board of Supervisors, County Superintendent of Education, local Community College District and the largest Special District.

For questions or additional information please feel free to contact Michael Lengyel with the Development Services Department at 909 335-3755 or mlengyel@cityofredlands.org.

Additional information regarding dissolution of the Redlands Redevelopment Agency

Background

Redevelopment is a process authorized under California law that enabled local government entities to revitalize deteriorated and blighted areas in their jurisdictions. The Redevelopment Agency of the City of Redlands was created pursuant to the Community Redevelopment Law of the California Health and Safety Code (the "Redevelopment Law"). The City Council approved and adopted the redevelopment plans for the Redlands Project Area and the North Redlands Revitalization Project (the "Project Areas") and served as the Redevelopment Agency Board.

Redevelopment agencies did not levy taxes or raise taxes. At the formation of each project area the current level of property tax assessments was determined and the redevelopment agency retained subsequent increases in property taxes when property values rose as a result of new investment. A portion of the "tax increment" – the difference between the base level and any increase as a result of RDA investment - was passed through to other taxing agencies and 20% was deposited in a low- and moderate-income housing fund to develop affordable housing. The remaining tax increment was used to fund projects, programs and infrastructure in each project area to address blight.

Redevelopment Agency Dissolution

In June 2011, the Governor signed new legislation, designated as AB 1X26 and AB 1X27, which amended the Redevelopment Law to immediately suspend most redevelopment agency activities and provided that on October 1, 2011, all redevelopment agencies were to be dissolved and that the affairs (disposal of assets) of the agencies would be transferred to successor agencies whose role is to expeditiously wind down the affairs of the dissolved redevelopment agencies.

In July 2011, the League of California Cities and the California Redevelopment Association filed suit in the California Supreme Court to challenge the constitutionality of AB 1X26 and AB 1X27 and also requested the Court to stay the new legislation pending the Court's decision on the matter. On December 29, 2011, the California Supreme Court ruled that AB 1X26 is enforceable and AB 1X27 is not, effectively eliminating redevelopment statewide as of February 1, 2012. Since the Court decision delayed implementation of AB 1X26, the Court also extended, by four months, deadlines for performance that arise before May 1, 2012.

Successor Agency to the Redevelopment Agency

On November 1, 2011, the Redlands City Council approved a resolution electing to become the successor agency to the Redevelopment Agency. Except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to AB 1X26, all authority, rights, powers, duties, and obligations previously vested with the former Redevelopment Agency, under the Community Redevelopment Law, are vested in the Successor Agency. The City Council, as the Successor Agency, is required to take certain actions in regards to managing the assets and obligations of the dissolved redevelopment agency. Attached is a schedule of required actions.

Successor Agency Financial Obligations

The Redevelopment Agency issued bonds, secured by future tax increment, to provide funding for the various projects and improvements. There currently are \$42 million in outstanding bonds for which the redevelopment agency was committed to make debt service payments through 2022. The Redevelopment Agency also has other various other obligations, such as the lease for office space, contracts with consultants, and other project costs. The annual debt service for the bonds and other obligations is \$4.3 million for 2012.

The outstanding debt is not an obligation of the General Fund. The City, as a Successor Agency, has prepared a draft Recognized Obligation Payment Schedule listing the obligations for which the county auditor-controller will allocate property tax revenue to the city each January 16th and June 1st to pay for the obligations. An Administrative Budget has also been prepared to allocate an annual allotment of \$250,000 for staff costs and administrative expenses of the Successor Agency.

In 2011, the Redevelopment Agency generated \$6.0 million in tax increment. Assuming the property values haven't declined, there will be \$1.7 million in additional property tax that will now be allocated back to the various taxing agencies, such as the school districts. The City's general fund will retain 21.85% of that additional property tax, estimated at \$533,000 in 2012.

However, other ancillary staff costs that were funded through tax increment must be discontinued or assumed by the General Fund or another funding source. Even when accounting for the additional property tax revenue, a Fiscal Year 2013 budget shortfall of approximately \$300,000 is anticipated due to the elimination of the Redevelopment Agency. The deficit may potentially decline as any profits realized from the sale of assets are used to pay for existing obligations, which in turn increases the amount of property tax distributed to the various taxing agencies including the city.

Disposition of Assets

The Redevelopment Agency holds title to 13 separate parcels of real property (including easement rights). By operation of law the title to each property was transferred to the City, as Successor Agency. The Successor Agency is responsible for the orderly disposition of the properties to maximize the value, but in the most expeditious manner, which may include public sale of properties for which fair market value is greater than zero. However, the properties are

not anticipated to be listed as available for sale until after an Oversight Board to the Successor Agency is in place in May. Property maintenance costs and expenditures for brokers, title services, etc. that will be needed to consummate the sale of the properties has been included on the Recognized Obligation Payment Schedule.

Oversight Board

The draft Recognized Obligation Payment Schedule and the sale of assets must be approved by a seven-member Oversight Board that must be in place before May 1, 2012. Each jurisdiction is required to fill their respective seat on the volunteer board. The Mayor shall appoint someone to represent the city and a second person who specifically represents the employees of the former Redevelopment Agency. The cost for the City to manage the Oversight Board is included on the Recognized Obligation Payment Schedule. Below is a list of the appointees:

Oversight Board Appointees
Board of Supervisors
Mayor
Largest Special District
County Superintendant of Education
California Community College
Board of Supervisors – Member of Public
Represented Employee of Former Redevelopment Agency

Below is a schedule of upcoming Successor Agency deadlines prepared by the California League of Cities based on the court ruling (abridged):

February 1	Redevelopment agencies are dissolved.
By February 1	Successor agency must create Redevelopment Obligation Retirement Fund.
By February 1	Successor agency must decide whether to retain affordable housing function of the redevelopment agency or transfer to the housing authority
By February 1	Successor agency must review the enforceable obligation payment schedule (EOPS) adopted by the redevelopment agency, modify it if necessary, and readopt.
By March 1	Successor agency must adopt a Recognized Obligation Payment Schedule (ROPS). This is a permanent schedule of obligations that replaces the interim EOPS once the ROPS has been approved.
By April 1	Successor agency reports to the County Auditor-Controller whether the total amount of property tax available to the agency will be sufficient to fund its ROPS obligations over the next six-month period. The County Auditor-Controller will allocate property tax increment to successor agencies to pay debts listed on ROPS.
By April 15	Successor agency must send the adopted ROPS to the State Controller and the State Department of Finance for approval. The ROPS is also subject to approval by the Oversight Board.
By May 1	Oversight Boards begin operations, files report of membership with State Department of Finance.
Starting May 1	Successor agency may only pay those obligations listed in the approved ROPS. The approved ROPS replaces the EOPS.