

City of Brisbane

Agenda Report

TO: Mayor and City Council

FROM: Hal Toppel, City Attorney

SUBJECT: City election to act as Successor Agency/Successor Housing Agency to dissolving Brisbane Redevelopment Agency

DATE: For Council Meeting on January 9, 2012

City Council Goals:

To provide for effective and efficient delivery of City services.
To promote economic development that stabilizes and diversifies the tax base.

Purpose:

The purpose of the Resolution is to confirm that the City has elected to serve as both the Successor Agency and Successor Housing Agency to the former Brisbane Redevelopment Agency, which has now been dissolved under State law.

Recommendation:

Adopt Resolution No. 2012-1 and direct staff to file the appropriate notification of these elections with the County Controller's Office.

Background:

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 (the "Dissolution Act") largely constitutional and AB1x 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's bifurcated decision means that all California redevelopment agencies, including the Redevelopment Agency of the City of Brisbane (the "Redevelopment Agency"), will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

As a result, the Redevelopment Agency will be dissolved on February 1, 2012. The Redevelopment Agency's non-housing funds and assets will then be turned over to a successor agency (the "Successor Agency") charged with the responsibility of paying off the former Redevelopment Agency's existing debts, disposing of the former Redevelopment Agency's properties and assets to help pay off debts and return revenues to the local government entities that receive property taxes (the "Taxing Entities"), and winding up the affairs of the former Redevelopment Agency. The Redevelopment Agency's affordable housing assets, other than its existing housing fund balance, will be turned over to a successor housing agency (the "Successor Housing Agency") to continue performing affordable housing activities. (The former Redevelopment Agency's affordable housing fund balance will be used to repay existing housing fund debts and/or remitted to the County Auditor-Controller for distribution to the Taxing Entities.)

The Dissolution Act provides that the City of Brisbane (the "City"), as the community that established the Redevelopment Agency, will be the Successor Agency to the former Redevelopment Agency unless the City elects not to serve as the Successor Agency, in which case the first other Taxing Entity making a proper election will be designated as the Successor Agency. If the City elects not to be the Successor Agency, it must adopt a resolution to that effect and notify the County Auditor-Controller by not later than January 13, 2012. Even if it elects to be the Successor Agency, the Agency's special redevelopment counsel recommends that a resolution to that effect and accompanying notice be provided by the County Auditor-Controller in order to have a clear record of the City's intention. A memorandum from redevelopment counsel containing a more detailed analysis of the court decision and suggested implementation actions is attached to this Agenda Report.

The Dissolution Act also authorizes the City to elect to become the Successor Housing Agency of the former Redevelopment Agency and to retain the housing assets (other than any existing housing fund balance) and affordable housing functions of the former Redevelopment Agency. If the City does not elect to become the Successor Housing Agency, then the local Housing Authority (or if there is no local Housing Authority, the California Department of Housing and Community Development) will become the Successor Housing Agency.

Discussion:

The Successor Agency and the Successor Housing Agency will play a key day-to-day role in assuring that the existing obligations of the former Redevelopment Agency are properly paid, and that the former Redevelopment Agency's properties and other assets are disposed of in an appropriate manner. While the Successor Agency will be overseen by an "Oversight Board" of seven representatives selected largely by the County and various local education districts, the staff of the Successor Agency will have a strong role in initiating and implementing actions in a way that achieves not only the requirements of the Dissolution Act but also is sensitive to the long-term development needs of the City and local community, and that protects the good name of the City in the financial markets by assuring timely repayment of the former Redevelopment Agency's existing debts.

If the City elects not to serve this role, the Successor Agency will be some other Taxing Entity that is likely to have no experience in redevelopment financial and land disposition matters and that may not necessarily take into account the interests of the City and local community in performing its functions. Similarly, if the City elects not to serve as the Successor Housing Agency, then some other entity outside the City's control will perform various affordable housing functions in the City using affordable housing assets of the former Redevelopment Agency.

The Dissolution Act provides that the liability of the Successor Agency is limited to the funds and assets it receives under the Dissolution Act to perform its functions. Thus, if it takes on the role of Successor Agency (and Successor Housing Agency), the City would not expose its General Fund to liability to discharge the obligations of the former Redevelopment Agency (unless it was found to have mismanaged or misappropriated the funds and assets it does receive under the Dissolution Act). That said, it would be important for the City, if it becomes the Successor Agency (and Successor Housing Agency), to exercise the same care and prudence in the management and protection of the funds and assets that it receives from the former Redevelopment Agency as the City applies with its own funds and assets.

Subject to the approval of the Oversight Board and to specified reductions if other funds are available for administration, the Dissolution Act permits the Successor Agency to receive an annual operating budget to defray its administrative costs in an amount up to five percent of the property tax allocated to the Successor Agency for FY 2011-12 to pay the former Redevelopment Agency's existing debts, and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year; provided, however, that the annual amount shall not be less than \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency). It is possible, but not clear in the currently written Dissolution Act, that the City could receive a portion of this amount to perform its functions as the Successor Housing Agency. Otherwise, the City would need to fund its Successor Housing Agency activities from asset-related revenues it receives, such as affordable housing loan repayments and other program income generated by the housing assets it inherits from the former Redevelopment Agency, or other revenue sources including the City General Fund.)

Fiscal Impact:

Funds and assets formerly held by the Brisbane Redevelopment Agency would be transferred to the City as the successor agency. Tax increment funds generated in the future would also be remitted by the County to the City, rather than to the Redevelopment Agency, to the extent required to repay Enforceable Obligations of the Agency (such as debt service on bonds issued by the Agency), as listed on Recognized Obligation Payment Schedules that must be filed with the County every 6 months.

Measure of Success:

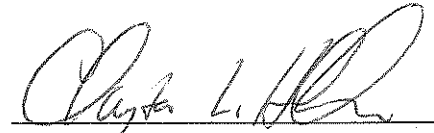
Transfer of Agency assets to the City and either the winding down or continuation of Agency activities as may be required or allowed by State law.

Attachments:

Proposed Resolution No. 2012-1

Memorandum from Goldfarb and Lipman dated December 30, 2011


City Attorney


City Manager

RESOLUTION NO. 2012-1

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE TO EXPRESS ITS INTENT TO SERVE AS THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34171(j) AND SECTION 34173, AND TO ELECT TO RETAIN THE HOUSING ASSETS AND FUNCTIONS PREVIOUSLY PERFORMED BY THE REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34176

WHEREAS, Assembly Bill 1X 26 (the "Dissolution Act") and Assembly Bill 1X 27 (the "Alternative Redevelopment Program Act") (collectively, the "Redevelopment Restructuring Acts") were enacted on June 28, 2011, to significantly modify the Community Redevelopment Law (Health & Safety Code §33000, et seq.; the "Redevelopment Law"); and

WHEREAS, on August 11, 2011, the California Supreme Court agreed to review the California Redevelopment Association and League of California Cities' petition challenging the constitutionality of the Redevelopment Restructuring Acts; and

WHEREAS, on December 29, 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional; and

WHEREAS, the Court's decision means that all California redevelopment agencies will dissolve on February 1, 2012 pursuant to the Dissolution Act; and

WHEREAS, the Dissolution Act provides that the city that authorized the creation of the redevelopment agency shall be the "successor agency" to the dissolved redevelopment agency unless the city elects not to serve as the successor agency under Section 34173(d)(1) of the Redevelopment Law; and

WHEREAS, Section 34176(a) of the Redevelopment Law provides that the city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the former redevelopment agency; and

WHEREAS, the City of Brisbane (the "City") intends to, and shall serve as, the successor agency for the Redevelopment Agency of the City of Brisbane (the "Agency") in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law; and

WHEREAS, the City desires to elect to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the Redevelopment Law.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Brisbane as follows:

1. That the City hereby accepts the designation, and hereby declares its intent, to serve as the successor agency for the Agency in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law.
2. That the City hereby elects to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the Redevelopment Law.
3. That the City Manager, or his designee, is hereby directed to file a copy of this resolution with the County Auditor-Controller.
4. That the City Manager, or his designee, is hereby authorized to take such additional actions, and to execute all documents necessary and appropriate, for the City to transfer the assets of the Agency to the City, in its capacity as successor agency to the Agency, pursuant to Sections 34175 and 34176 of the Redevelopment Law.

Cliff Lentz, Mayor

I hereby certify that the foregoing Resolution No. 2012-1 was duly and regularly adopted at the regular meeting of the Brisbane City Council on January 9, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Sheri Marie Spediacci, City Clerk

goldfarb lipman attorneys

Oakland Los Angeles San Diego

CALIFORNIA SUPREME COURT DECISION IN *CALIFORNIA REDEVELOPMENT ASSOCIATION V. MATOSANTOS* AND RELATED IMPLEMENTATION ACTIONS

UPDATED
DECEMBER 30, 2011

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This analysis summarizes the California Supreme Court's (the "Court") decision announced today in the *California Redevelopment Association v. Matosantos* case (Part A), outlines the key provisions of AB x1 26 (the "Dissolution Act") that the Court found constitutional and that will now control the dissolution and winding down of every California redevelopment agency (Part B), and provides upcoming milestones for implementation of the Dissolution Act (Part C).

As emphasized in Part B and Part C, there are certain decisions and actions that each city or county (the "Sponsoring Community") that established an existing redevelopment agency (a "RDA") must make in January 2012 to determine whether it intends to become the "Successor Agency" and/or "Successor Housing Agency" to its soon to be dissolved RDA. See particularly, Part B, Sections IV and V for a discussion of these decisions and actions.

PART A. SUMMARY OF COURT DECISION AND REASONING

I. The Decision

Today, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding the Dissolution Act constitutional and AB1x 27 (the "Alternative Redevelopment Program Act") unconstitutional.

The Court's bifurcated decision means that all RDAs will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

The Court also determined to push back the deadlines in the Dissolution Act arising prior to May 1, 2012 by four months. For instance, all RDAs will be dissolved and their successor agencies will begin to function on February 1, 2012 under the Court's decision (as opposed to the October 1, 2011 deadline specified in the Dissolution Act itself).

The Court's decision is final effective immediately.

II. The Court's Reasoning

The Court found the Dissolution Act constitutional because the Legislature has the broad power to establish or dissolve local agencies as it sees fit. The Court held that nothing in the text of Article XVI, Section 16 of the California Constitution

(the tax increment financing provision) or any constitutional mandates added under Proposition 22 in November 2010 withdraws from the Legislature the power to dissolve RDAs for the benefit of the State.

The Court found the Alternative Redevelopment Program Act unconstitutional concluding that the continuation payments required under the Alternative Redevelopment Program Act were not in fact “voluntary” and thus violate the prohibitions in Article XIII, Section 25.5 of the California Constitution (Proposition 22) related to the enactment of any laws that require RDAs to shift funds to schools or other agencies.

The Court held that the Dissolution Act and the Alternative Redevelopment Program Act are severable from one another because of the differences in the application of the severability clauses of each bill and because large parts of the Dissolution Act are independently enforceable despite the Court’s finding that the Voluntary Program Act is unconstitutional. Thus, the Court held that all but one minor portion of the Dissolution Act can survive despite the Court’s ruling to overturn the Alternative Redevelopment Program Act.¹

Finally, the Court reformed and revised the effective dates or deadlines for performance under the Dissolution Act arising before May 1, 2012, calling instead for those dates and deadlines to be advanced four months from the dates specified in the Dissolution Act.

III. Possible Future Legislation

The California Redevelopment Association and various housing and infill development advocacy groups have indicated their intent to seek legislative modifications or proposals for continuing economic development and affordable housing activities in California. It is premature to speculate on the nature or likely outcome of such proposals. Goldfarb & Lipman will continue to carefully monitor and provide timely information regarding the progress of any future legislative actions.

¹ Only those provisions of the Dissolution Act allowing communities to establish new RDAs and requiring them to make the continuation payments are unconstitutional.

PART B. DISSOLUTION ACT

I. Introduction

As detailed in this Part B, the Dissolution Act, as now found constitutional by the Supreme Court:

- Continues the suspension and prohibition of most redevelopment activities in effect since late June, 2011;
- Dissolves RDAs as of February 1, 2012 (the new dissolution date established by the Supreme Court);
- Creates successor agencies (“Successor Agency” or “Successor Agencies”) and oversight boards (“Oversight Board” or “Oversight Boards”) to continue to satisfy enforceable obligations of each former RDA, and administer the dissolution and wind down of each dissolved RDA; and
- Establishes roles for the County-Auditor Controller, the Department of Finance and the State Controller’s Office in the dissolution process and satisfaction of enforceable obligations of former RDAs.

II. Suspension of RDA Activities and Preservation of RDA Assets and Revenues

As has been the case since the enactment of the Dissolution Act in late June 2011, a RDA continues to be unauthorized to do any of the following pending its dissolution:

- Incur new indebtedness or other obligations or restructure existing indebtedness and other obligations;
- Make loans or grants;
- Enter into contracts;
- Amend existing agreements, obligations or commitments;
- Renew or extend leases or other agreements;

- Transfer funds out of the Low and Moderate Income Housing Fund (the “Housing Fund”);
- Dispose of or transfer assets;
- Acquire real property in most circumstances;
- Prepare, adopt, amend or merge redevelopment plans;
- Approve any program, project or expenditure;
- Prepare or amend implementation plans, relocation plans or other planning documents;
- Cause development or rehabilitation of housing units;
- Join a joint powers authority;
- Form or join a separate legal entity;
- Bring a validation action in connection with issuance of revenue bonds;
- Commence an eminent domain proceeding;
- Prepare a draft EIR;
- Undertake various affordable housing activities;
- Accept financial assistance; or
- Increase employee compensation, bonuses or number of RDA employees and officials.

According to the Dissolution Act, this suspension and prohibition of most redevelopment activities is intended, to the maximum extent possible, to preserve the revenues and assets of RDAs so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services including police and fire protection services and schools.

III. Permitted and Required RDA Activities Prior to Dissolution

Until February 1, 2012 (when RDAs are dissolved), a RDA is authorized to:

- Make scheduled payments on and perform obligations required under its "Enforceable Obligations,"² which include:
 - Bonds;
 - Loans borrowed by a RDA;
 - Payments required by federal or state government or for employee pension obligations;
 - Judgments or settlements;
 - Legally binding and enforceable agreements or contracts that are "not otherwise void as violating the debt limit or public policy"; and
 - Contracts for administration or operation of the RDA.
- Set aside reserves as required for bonds;
- Preserve all assets and records and minimize RDA obligations and liabilities;
- Cooperate with its Successor Agency and auditing entities (as described below); and
- Avoid triggering defaults under Enforceable Obligations.

In addition, by now the Dissolution Act has required each RDA to:

- Prepare an Enforceable Obligation Payment Schedule no later than late August, 2011, setting forth specified information about the RDA's Enforceable Obligations;
- Adopt the Enforceable Obligation Payment Schedule at a public meeting;

² With one exception, "Enforceable Obligations" are defined in the same way during the suspension period and the post-dissolution period. During the suspension period, the definition of "Enforceable Obligations" does not exclude agreements between a RDA and its Sponsoring Community (although asset transfers under such agreements may be subject to unwinding), while following dissolution most types of agreements between a RDA and its Sponsoring Community are excluded from the definition of "Enforceable Obligations" (see further discussion in Section VII below).

- Post the Enforceable Obligation Payment Schedule on the RDA's or its Sponsoring Community's website;
- Transmit the Enforceable Obligation Payment Schedule by mail or electronic means to the County Auditor-Controller, the State Controller and the Department of Finance;³
- Designate a RDA official to whom the department may make information requests;
- Prepare a preliminary draft of the initial Recognized Obligation Payment Schedule and deliver such schedule to the Successor Agency; and
- Produce documents associated with Enforceable Obligations upon request of the State Controller or Department of Finance.

The Department of Finance may review a RDA action or Successor Agency action pursuant to an Enforceable Obligation Payment Schedule or a Recognized Obligation Payment Schedule, and such actions will not be effective for three business days, pending a request for review by the department. If the department requests a review of a given RDA action, the department shall have ten days from the date of its request to approve the RDA action or return it to the RDA for reconsideration.

IV. Dissolution of RDAs/Creation of Successor Agencies

As of February 1, 2012:

- Every RDA will be dissolved; and
- A Successor Agency will be created for each RDA.

The Successor Agency will be the Sponsoring Community of the RDA unless it elects not to serve in that capacity. In that case, the Successor Agency will be the first taxing entity submitting to the County Auditor-Controller a duly adopted resolution electing to become the Successor Agency.

³ Notification providing the website location of the Enforceable Obligation Payment Schedule will suffice to meet this requirement.

Technically, a Sponsoring Community needs to adopt a resolution and deliver it to the County Auditor-Controller no later than **January 13, 2012** only if it elects not to act as the Successor Agency for its former RDA. We advise that a Sponsoring Community electing to serve as Successor Agency adopt a resolution as well to indicate a clear statement of intent.

The actions of the Successor Agency will be monitored, and in some cases approved, by the Oversight Board as described in Section VIII below.

All assets, properties, contracts, leases, records, buildings and equipment of former RDAs would be transferred to the control of the Successor Agency, except as described in Section V below for affordable housing assets.

V. Transfer of Housing Functions of Former RDA

The Sponsoring Community may elect to assume the housing functions and take over the housing assets of the former RDA, excluding amounts in the former RDA's Housing Fund, along with related rights, powers, liabilities, duties and obligations thereby becoming a "Successor Housing Agency" to the former RDA.⁴ While no specific date for such action is set forth in the Dissolution Act, we recommend that a Sponsoring Community desiring to serve as a Successor Housing Agency adopt a resolution to that effect by January 13, 2012.

If the Sponsoring Community does not elect to become the Successor Housing Agency and assume the former RDA's housing functions, such housing functions and all related assets will be transferred to the local Housing Authority (or Department of Housing and Community Development, if there is no local Housing Authority).

The entity that becomes the Successor Housing Agency and assumes the housing functions of a former RDA will be able to use its inherent powers (not limited by the Dissolution Act's restrictions on Successor Agencies) to fulfill housing obligations and will be able to exercise Redevelopment Law housing powers to fulfill such obligations.

The Dissolution Act requires Successor Agencies to repay amounts previously borrowed from the Housing Fund (i.e. to make SERAF payments in prior years),

⁴ However, in what is believed to be inadvertent drafting, the Dissolution Act makes it less clear how the former RDA's housing assets, such as property, will be transferred.

repayment of which had been deferred as of the effective date of the Dissolution Act. These repaid funds would presumably be paid to the entity that becomes the Successor Housing Agency and assumes the housing functions of the former RDA.

The Dissolution Act requires Oversight Boards to direct Successor Agencies to list amounts owed to the Housing Fund on the Recognized Obligation Payment Schedule.

VI. Role of Successor Agencies

All assets, properties, contracts, leases, books and records, buildings, equipment and the existing Housing Fund balance of a former RDA will be transferred to the control of the Successor Agency on February 1, 2012, according to the Supreme Court's modified timeline.

A Successor Agency is required to make payments and perform other obligations due for Enforceable Obligations⁵ of the former RDA, which include:

- Bonds;
- Loans borrowed by the RDA (including amounts borrowed in past years from the Housing Fund);
- Payments required by federal or state government or for employee pension obligations;
- Judgments or settlements; and
- Legally binding and enforceable agreements or contracts⁶ that are "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).

To facilitate this payment of Enforceable Obligations, a Successor Agency is required to prepare a Recognized Obligation Payment Schedule for each six month period of each fiscal year, including identifying the funding source for all

⁵ With one exception described in footnote 2 above, "Enforceable Obligations" are defined in the same way during the post-dissolution period and during the suspension period.

⁶ See Section VII below, regarding the exception that most contracts between a former RDA and its Sponsoring Community will be void and will not constitute an Enforceable Obligation upon dissolution of the RDA.

Enforceable Obligations of the former RDA. The first draft of the Recognized Obligation Payment Schedule is now due by March 1, 2012, and should cover the balance of the current fiscal year through June 30, 2012. Presumably, the Successor Agency's draft of the initial Recognized Obligation Payment Schedule should be based on the draft Recognized Obligation Payment Schedule prepared by the former RDA during the suspension period (See discussion in Part B, Section III).

A Successor Agency is required to dispose of the former RDA's assets or properties expeditiously and in a manner aimed at maximizing value (proceeds to be distributed similar to normal property tax proceeds).⁷

A Successor Agency is required to effectuate the transfer of housing functions of the former RDA to its Successor Housing Agency (i.e. the Sponsoring Community or applicable Housing Authority or the Department of Housing and Community Development).

A Successor Agency is required to wind down all other affairs of the former RDA.

A Successor Agency is required to prepare administrative budgets for Oversight Board approval and pay administrative costs.

Subject to the approval of the Oversight Board, the Successor Agency's annual administrative costs will be an amount up to five percent of the property tax allocated to the Successor Agency for FY 2011-12 and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year; provided, however, that the annual amount shall not be less than \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency).

VII. Treatment of Agreements between a RDA and its Sponsoring Community or Other Public Agency/Public Entity

With limited exceptions, the Dissolution Act expressly states that Enforceable Obligations to be paid by Successor Agencies do not include agreements, contracts or arrangements between a RDA and its Sponsoring Community, and that such agreements, contracts or arrangements are invalid and not binding on Successor Agencies upon dissolution of the RDA. These provisions do not apply to the

⁷ The Oversight Board may direct the Successor Agency to transfer ownership of those assets that were constructed and used for a governmental purpose to the appropriate public jurisdiction pursuant to any existing agreements related to the construction or use of such asset.

following agreements, which may be deemed Enforceable Obligations and binding upon Successor Agencies:

- A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of bonds, notes, certificates of participation or other similar indebtedness, and solely for the purpose of securing or repaying such indebtedness;
- A written agreement between a RDA and its Sponsoring Community that provided loans or other startup funds for the RDA that was entered into within two years of the formation of the RDA; or
- A joint exercise of powers agreement in which the RDA is a member of the joint powers authority.⁸

Beginning upon effectiveness of the Dissolution Act in late June 2011, the State Controller has been directed to review RDA activities and determine whether an asset transfer has occurred after January 1, 2011 between the RDA and its Sponsoring Community or other public agency. If the State Controller determines that such an asset transfer did occur and the recipient has not contractually committed such assets to a third party to expend or otherwise encumber those assets, such assets will be ordered returned to the RDA or Successor Agency for payment of recognized obligations or distribution as property taxes.

In any instance where the Oversight Board finds that early termination would be in the best interest of the taxing entities, the Dissolution Act directs Oversight Boards to ensure that Successor Agencies terminate any agreement between the former RDA and any local public entity within the same county that obligates the former RDA to provide funding for debt service obligations of such local public entity or for the construction or operation of facilities owned or operated by such local public entity.

VIII. Oversight Boards

An Oversight Board is generally intended to supervise the activities of the Successor Agency. The Oversight Board has a fiduciary responsibility to holders

⁸ However, upon assignment to the Successor Agency by operation of the Dissolution Act, the Successor Agency's rights, duties and performance obligations under that joint exercise of powers agreement will be limited by the constraints imposed on Successor Agencies by the Dissolution Act.

of Enforceable Obligations and the taxing entities that benefit from distributions of property tax and other revenues as described in Section X below.

The Oversight Board of the Successor Agency will consist of 7 members appointed by/representing:^{9 10}

- County Board of Supervisors (two members);
- Mayor (one member);
- County Superintendent of Education (one member);
- Chancellor of California Community Colleges (one member);
- Largest special district taxing entity (one member); and
- A former RDA employee appointed by Mayor/Board of Supervisors (one member).

Under the Court's decision, the Oversight Board membership must be completed by May 1, 2012.

The Dissolution Act requires the Oversight Board to direct the Successor Agency to determine whether contracts, agreements or other arrangements between the former RDA and private parties should be terminated or renegotiated to reduce the Successor Agency's liabilities and to increase net revenues to the taxing entities.

The actions of the Oversight Board of each Successor Agency will in turn be overseen by the Director of the Department of Finance and may be subject to disapproval or modification.

Oversight Board actions will not be effective for three business days pending a request for review by the Department of Finance. If the department requests a review of a given Oversight Board action, the department shall have ten days from the date of its request to approve the Oversight Board action or return it to the Oversight Board for reconsideration. The Oversight Board has specified

⁹ Different rules apply for the composition of the Oversight Board for the former RDA of a city and county (i.e., the City and County of San Francisco).

¹⁰ Commencing July 1, 2016, all of the Oversight Boards for the various former RDAs in a particular county will be consolidated into a single county-wide Oversight Board of specified composition.

obligations with respect to maintaining a website and providing specified notification to various state officials.

IX. Role of County Auditor-Controller

The Dissolution Act, as modified by the Court's decision, requires the County Auditor-Controller to:

- By July 1, 2012, conduct an audit of each former RDA's assets and liabilities, including pass-through payment obligations and the amount and terms of any RDA indebtedness, and provide the State Controller's Office with a copy of such audit by July 15, 2012;
- Annually determine the amount of property tax increment that would have been allocated to a RDA and deposit that amount in a Redevelopment Property Tax Trust Fund (the "Trust Fund"); and
- Administer the Trust Fund for the benefit of holders of former RDA debt, taxing entities that receive pass-through payments and distributions of property taxes, as described in Section X below.

Actions of the County Auditor-Controller will not be effective for three business days pending a request for review by the State Controller. If the department requests a review of a given County Auditor-Controller action, the department will have ten days from the date of its request to approve the County Auditor-Controller action or return it to the County Auditor-Controller for reconsideration.

X. Payments from Trust Fund

The Dissolution Act requires the County Auditor-Controller to allocate moneys in the Trust Fund established for each former RDA as follows:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former RDA not been dissolved;
- To the Successor Agency to enable the Successor Agency to pay Enforceable Obligations of the former RDA, including bonds;
- To the Successor Agency to pay for administrative costs under the administrative budget approved by the Oversight Board; and

- Any remaining balance in the Trust Fund, to school entities and other local taxing entities as property taxes.

If a Successor Agency determines, and the County Auditor-Controller and the State Controller verify, that the Successor Agency will not have sufficient funds to pay all amounts above, then the deficiencies shall be deducted in the following order from the Trust Fund payments to:

- School entities and local agencies (as normal property taxes);
- Administrative costs of the Successor Agency;
- Pass-through payments to school entities and local entities that have been subordinated to the payment of Enforceable Obligations;
- Enforceable Obligations payable by the Successor Agency; and
- Non-subordinated pass-through payments to school entities and local entities.

The Dissolution Act allows statutory pass-through payments received by school districts, community college districts and offices of education between FY 2011-2012 and FY 2015-2016 to be used for land acquisition, construction, reconstruction, remodeling, maintenance or deferred maintenance of educational facilities.

No later than May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, the County Auditor-Controller must transfer the amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule from the Trust Fund of each Successor Agency into a Redevelopment Obligation Retirement Fund to be administered by each Successor Agency. The Successor Agency must then make payments on listed Recognized Obligation Payment Schedule from that fund.

XI. Miscellaneous

The Dissolution Act clarifies that community development commissions may continue their housing authority and other local community development functions (other than redevelopment) unaffected by the Dissolution Act.

The Dissolution Act provides that a former RDA's obligations to its employees pursuant to a collective bargaining agreement become Enforceable Obligations of the Successor Agency. An employee's civil service status and classification remain the same for a minimum of two years.

The Dissolution Act includes a provision lengthening the period to challenge RDA actions taken after January 1, 2011 from ninety days to two years.

The Dissolution Act requires that any action contesting the validity of portions of the Dissolution Act or challenging acts taken pursuant to the Dissolution Act be brought in the Sacramento County Superior Court.

The Dissolution Act appropriates \$500,000 to the Department of Finance for allocation to the State Controller, State Treasurer and Director of Finance to undertake the duties listed above.

PART C. KEY MILESTONES FOR IMPLEMENTATION OF THE DISSOLUTION ACT

The Supreme Court promulgated simple reformation rules calling for a four month extension of those dates and deadlines contained in the Dissolution Act that were prior to May 1, 2012. The milestone schedule outlined below honors those rules, while pointing out some anomalies and inconsistencies that may be caused by those rules and that may merit further clarification.

- Upon effectiveness of the Dissolution Act: State Controller may commence review of RDA asset transfers after January 1, 2011.
- No specified date: State Controller may order the assets improperly transferred by a RDA to its Sponsoring Community after January 1, 2011 to be returned to the RDA (or to its Successor Agency).
- After Court decision: Redevelopment activities continue to remain suspended except for limited specified activities pending dissolution of RDAs.
- No later than January 13, 2012: Sponsoring Community decides whether to serve as a Successor Agency or Successor Housing Agency by resolution.

- No later than January 13, 2012: Sponsoring Community that elects not to serve as a Successor Agency files a copy of resolution to that effect with the County Auditor-Controller.
- No later than January 31, 2012: A RDA should consider any appropriate amendments to its previously adopted Enforceable Obligation Payment Schedule to reflect payments due after December 31, 2011.
- No later than January 31, 2012: A RDA that has not prepared a preliminary draft of the initial Recognized Obligation Payment Schedule should do so and provide it to the Successor Agency. Those RDAs that have prepared such preliminary drafts should forward it to the Successor Agency.
- January 30, 2012: The existing terms of any memorandum of understanding with an employee organization expires, unless a new agreement is reached with a recognized employee organization prior to that date.
- February 1, 2012: RDA is dissolved.
- February 1, 2012: RDA agreements with Sponsoring Community void (with limited exceptions).
- February 1, 2012: All dissolved RDA assets (including properties, contracts, leases, books and records, buildings and equipment, and existing Housing Fund balance), except other housing assets, transferred to Successor Agency. RDA delivers Enforceable Obligation Payment Schedule to Successor Agency. Transfer of RDA housing assets (excluding existing Housing Fund balances) to Successor Housing Agency.
- On and after February 1, 2012: Successor Agency permitted to make payments only as listed on Enforceable Obligation Payment Schedule.
- From February 1, 2012 to July 1, 2012: Successor Agency prohibited from accelerating payments or making any lump sum payments that are intended to prepay loans unless such accelerated repayments were required prior to February 1, 2012.
- By March 1, 2012: Successor Agency prepares initial draft of Recognized Obligation Payment Schedule for the Enforceable Obligations of the former RDA, subject to review and certification by external auditor as to accuracy and approval by Oversight Board.

- No later than April 1, 2012 and May 1, 2012, and each December 1 and May 1 thereafter: Successor Agency reports to the County Auditor-Controller if the total amount available to the Successor Agency is insufficient to fund the specified payments in the next six-month fiscal period. County Auditor-Controller notifies State Controller and DOF no later than 10 days from the date of that notification from the Successor Agency.
- April 15, 2012: Successor Agency submits first Recognized Obligation Payment Schedule to State Controller and DOF for the period of January 1, 2012 to June 30, 2012. Successor Agency prepares new Recognized Obligation Payment Schedule for each six month period thereafter for approval by Oversight Board. Approved Recognized Obligation Payment Schedules are posted on Successor Agency website and submitted to DOF, Controller and County Auditor-Controller.
- Commencing on May 1, 2012¹¹: Successor Agency may pay only those payments listed in the approved Recognized Obligation Payment Schedule. Statements of Indebtedness are no longer recognized for dissolved RDAs.
- By May 1, 2012: Oversight Board elects and reports name of chairperson and other members to DOF.
- No specified date but after formation of Oversight Board: Each Oversight Board informs DOF of a designated contact person and related contact information for the purpose of communicating with DOF.
- May 15, 2012: Governor appoints persons to unfilled positions on Oversight Board (or any member position that remains vacant for more than 60 days).
- No later than May 16, 2012 and June 1, 2012, and each January 16 and June 1 thereafter: County Auditor-Controller transfers an amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule from the Trust Fund of each Successor Agency into the Redevelopment Obligation Retirement Fund of that Successor Agency. Successor Agency makes payments on listed Recognized Obligation Payment Schedule from that fund.

¹¹ The Court's order to extend dates by four months, in this instance, leaves a gap for what payments Successor Agencies may make from the time they come into existence on February 1, 2012 until May 1, 2012. Clarification on this issue would be appropriate.

- By July 1, 2012: County Auditor-Controller completes audit of each dissolved RDA.
- By July 15, 2012: County Auditor-Controller provides the State Controller copy of all audits performed on dissolved RDAs.
- By October 1, 2012: County Auditor-Controller reports specified financial information to the Controller and DOF.
- January 1, 2013: California Law Revision Commission drafts a Community Redevelopment Law cleanup bill for consideration by the Legislature.
- July 1, 2016: Consolidation of all Oversight Boards into one county-wide Oversight board in each county where more than one Oversight Board was created.
- After July 15, 2016: Governor appoints persons to unfilled positions on county-wide Oversight Board (or any member position that remains vacant for more than 60 days).