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Redevelopment Dissolution Basics

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Background



- California's expansive use of redevelopment was the cause of much controversy.
- Ultimately, California Redevelopment Agencies (RDA) were dissolved on February 1, 2012, and their rights, powers, duties, and obligations were vested in the successor agencies.
- In most cases, the city or county that created the RDA is managing its dissolution as the successor agency. This is the case with the City of San Diego.
- An oversight board with representatives from the affected local taxing entities supervises the successor agency's work.

Background



- Since dissolution, successor agencies across the State have faced challenges and uncertainty, particularly since AB 26 did not provide specific direction for the administration of the dissolution and wind up activities.
- An additional dissolution law—AB 1484—was passed on June 27, 2012 which required successor agencies to learn and implement significant new rules of conduct and included new deadlines and severe late penalties for wind down activities.

Background



- A large part of winding down activities includes making payments on the former RDA's enforceable obligations.
- Successor agencies are required to prepare Recognized Obligation Payment Schedules (ROPS) for enforceable obligations made during each applicable six-month period until all obligations are fulfilled.
- Dissolution law includes restrictions on what constitutes an enforceable obligation and each ROPS must be approved by the City Council; Oversight Board; and State Department of Finance (DOF).

Background



- Sources of funds for making payments on ROPS include the Redevelopment Property Tax Trust Fund (RPTTF), formerly known as tax increment; bond proceeds; and other revenues.
- RPTTF is distributed by the County Auditor and Controller (CAC) in January and June for each related ROPS period to each of the 17 successor agencies in the County of San Diego.
- From the State's perspective, a primary goal of dissolution and unwinding activities is to maximize the amount of property tax revenue—previously provided to former RDA's in the form of tax increment—for distribution to local taxing entities.



1. If Redevelopment Agencies have been dissolved, why does the redevelopment money allocation continue?

Former RDAs entered into many legally binding obligations prior to dissolution that must be honored. Some of these obligations will be completed and paid off in the near term, while others may take many years. Redevelopment money, formerly known as tax increment, will continue to be deposited into the RPTTF and distributed to successor agencies until all obligations of the former RDAs have been paid.

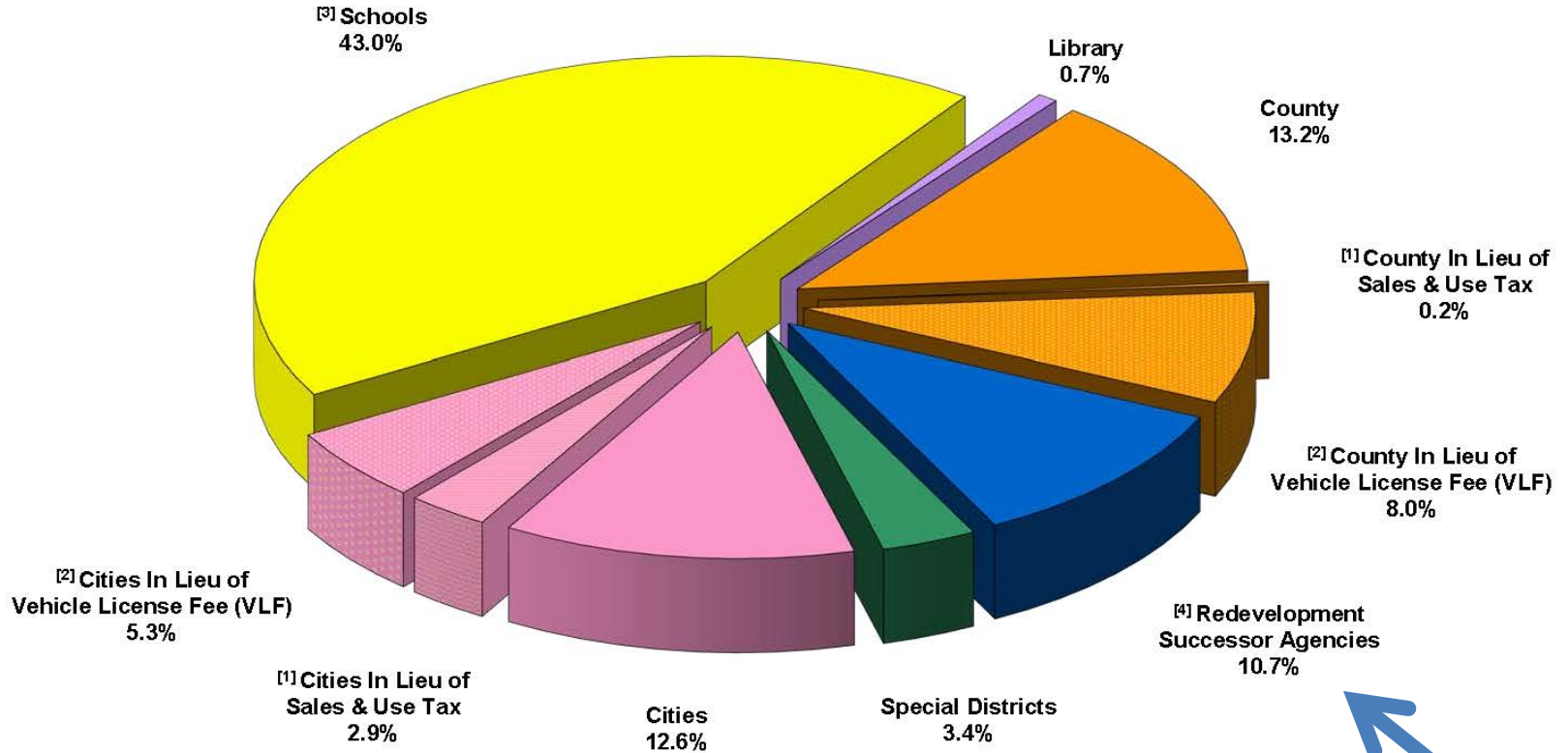


2. Where is the redevelopment money that is being collected through property taxes, and channeled to the City, which is 10.7% of the total Property Tax Revenue Allocation?

The County Auditor and Controller (CAC) allocates RPTTF which is about 10.7% of the total property tax allocation to the 17 successor agencies for each of the former RDAs within the County of San Diego.

1% PROPERTY TAX ALLOCATION OF FY 2012-2013 RECEIVABLE

TOTAL REVENUE \$3,821,244,316.40



^[1] Represents the exchange of Property Tax for Cities and County Sales and Use Tax as authorized under Assembly Bill 1766, chaptered August 2, 2003.

^[2] Represents the exchange of Property Tax for Cities and County Vehicle License Fees as authorized under Senate Bill 1096, chaptered August 5, 2004.

^[3] Revenue for Schools has been reduced by the ERAF deficit as authorized under Senate Bill 1096, chaptered August 5, 2004.

^[4] Effective February 1, 2012 Redevelopment Agencies were dissolved and related revenue is allocated as provided by Health & Safety Code, Division 24, Part 1.85.

This allocation is done using the “waterfall” method for each of the 17 successor agencies.

Initial RPTTF Deposits

Minus Administrative Fees

Minus Tax Sharing
Passthrough Payments

Minus Successor Agency
Enforceable Obligations

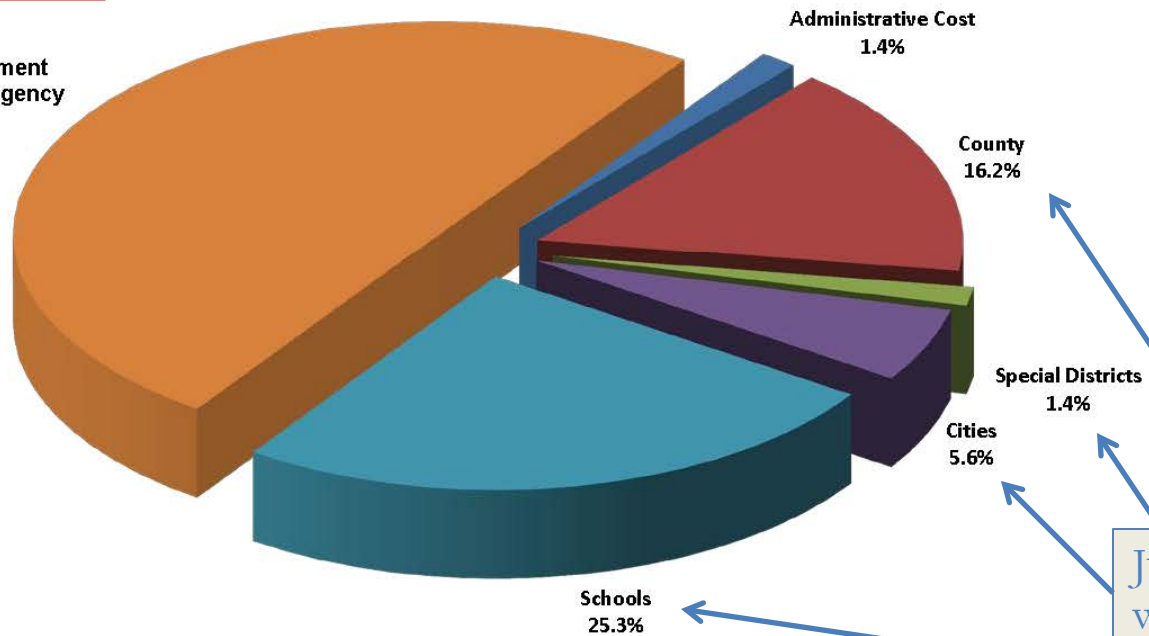
If any left over...residual RPTTF
distributed pro rata to local taxing
entities

REDEVELOPMENT PROPERTY TAX TRUST FUND (RPTTF) DISTRIBUTION FY 2012-2013

TOTAL DISTRIBUTION \$426,793,955.62

About half used to pay enforceable obligations of the successor agencies

Redevelopment
Successor Agency
50.1%



Just under half was distributed to local taxing entities



3. Why is the City of San Diego limited to a 21% share of the total property tax allocation?

The City of San Diego's former RDA was the largest in the County and receives the largest amount of initial RPTTF deposits, but also has the greatest amount of enforceable obligations to be paid. This affects the residual amount left over for distribution to local taxing entities, including cities and schools.

When residual RPTTF is left over, this is allocated based on each entity's pro rata share . This is about 21% for the City of San Diego.

4. How much additional property tax has the City received as a result of redevelopment dissolution, and how is this money being spent?

	Tax Sharing	Residual	Total
ROPS 1	\$ -	\$ -	\$ -
ROPS 2	2,432,511	2,426,997	4,859,508
One-time - True Up Payment	-	18,711,526	18,711,526
FY 2012 Total	\$ 2,432,511	\$21,138,523	\$ 23,571,034
ROPS 3	\$ 1,313,975	\$ 4,873,823	\$ 6,187,798
ROPS 4	2,354,075	3,574,818	5,928,893
One-time - Housing DDR Payment	-	2,800,000	2,800,000
FY 2013 Total	\$ 3,668,050	\$11,248,641	\$ 14,916,691
ROPS 5	\$ 1,825,940	\$ 7,880,862	\$ 9,706,802
ROPS 6	2,452,946	3,089,635	5,542,581
One-time - Non-housing DDR Payment	-	34,934,679.61	34,934,680
FY 2014 Total	\$ 4,278,886	\$45,905,177	\$ 50,184,063



- Of the \$88.7 million, the City loaned the Successor Agency \$21.1 million as part of the “clawback” of payments made for certain agreements between the City and the former RDA that have been disallowed by the DOF.
- The DOF is taking a hard line in its determinations, resulting in significant adverse affects to cities and a continued high level of uncertainty in the wind down process.
- When adverse determinations are made by the DOF, the denied payments or obligation may fall to the City’s General Fund.



- To mitigate future risks, the City has allowed much of the one-time residual RPTTF payments to fall to General Fund reserves.
- For example, one likely risk is that the State Controller will “claw back” an additional \$23.4 million as part of a future asset transfer review.
- Ongoing tax sharing payments and residual RPTTF are included as property tax revenue in the City’s operating budget. About \$15.3 million in ongoing RPTTF is budgeted in FY 2014.



5. There are some bond proceeds from the former RDA that were never expended. Can communities use unexpended bond proceeds to fund infrastructure improvements, and who controls the expenditure of these funds?

The Successor Agency received a Finding of Completion in December of 2013 and it is now able to expend excess non-housing bond proceeds for eligible projects. Eligible projects must be within the project area where the bonds were issued and be conducted within the original intent of the bond issuance.

Q&A



- The wind down of the former RDA is managed by Successor Agency staff which includes both City staff and staff from Civic San Diego with approval from the City Council, Oversight Board and State DOF.
- Several projects that utilize excess non-housing bond proceeds have been included on ROPS 5 and ROPS 6.
- However, since there are limited excess bond proceeds and many projects of the former RDA that need funding, Civic San Diego and the City's Public Works Department have begun to assess these projects and related issues and intend to develop a plan for moving forward.

	Project Area	Project Funded with Excess Bond Proceeds	\$ Amount
ROPS 5 January-June 2014	North Bay	5 Points Pedestrian Improvements	99,300
	North Bay	Washington Street Median Improvements	128,000
	Crossroads	University Ave Pedestrian Improvements	943,000
	Crossroads	El Cajon Blvd Pedestrian Improvements	565,000
	San Ysidro	West Camino de la Plaza Streetscape Improvements	600,000
	NTC	NTC Shoreline Design/Entitlements and Westside Improvements	750,000
ROPS 6 July-December 2014	City Heights	Historic Silverado Ballroom Restoration	1,379,358
	Centre City	Fire Station 2 - Environmental Remediation Oversight Services during Construction Phase for new fire station at Cedar and Pacific	68,342
	Centre City	Fire Station 2 - Archeological and Paleontological Oversight Services during Construction	30,000
	Centre City	Fire Station 2 - Construction Management Services through Construction Phase	100,000
	Centre City	Fire Station 2 – Construction Contract for General Contractor Selected through Bidding Process	5,575,733
	City Heights	City Heights Facelift – Street and Home Improvements	200,000
	City Heights	City Heights Area Improvements – Civil Engineering Services including design for sidewalk, streetlights, and neighborhood improvements	962,120

All projects utilizing the expenditure of excess bond proceeds must be approved by the DOF.



Conclusion

- ✦ Many communities are facing challenges funding needed infrastructure improvements.
- ✦ Underinvestment in infrastructure due to tight financial constraints in the City resulted in a significant backlog of deferred capital projects.
- ✦ The end of redevelopment further increases the City's challenges for funding needed infrastructure improvements.
- ✦ Addressing infrastructure issues is one of the highest priorities for the City, and there is some good news...



Conclusion

- ✦ The City Council adopted a Deferred Capital Funding Plan (FY 2012-2017) which uses lease-revenue bonds and cash to begin to address the backlog of projects.
- ✦ The City is gaining a better understanding of the magnitude of the problem by conducting condition assessments and obtaining public input on infrastructure needs and priorities.
- ✦ City staff are developing a Multi-Year Capital Improvements Plan to comprehensively assess needs, priorities, and funding.
- ✦ Discussions are beginning regarding a strategy for financing priority unfunded needs, such as a GO Bond Program.
Ultimately, citizens will play a critical role in this process.

Resources on Redevelopment Dissolution



- ✦ Office of the Independent Budget Analyst Reports:
<http://www.sandiego.gov/iba/reports/rd.shtml>
- ✦ Civic San Diego Website for Oversight Board:
<http://sandiegooversightboard.com/document/index.php>
- ✦ State Department of Finance Website:
<http://www.dof.ca.gov/redevelopment/>
- ✦ League of California Cities website:
<https://www.cacities.org/redevelopment.aspx>



Resources on Infrastructure

- ✦ Office of the IBA A Citizen's Guide to Infrastructure:
<http://www.sandiego.gov/iba/pdf/guidefullversion.pdf>
- ✦ Office of the IBA Infrastructure Reports:
<http://www.sandiego.gov/iba/reports/infrastructure.shtml>
- ✦ Office of the City Auditor Reports:
 - [Capital Improvements Program](#) (OCA-11-027, June 2011)
 - [Public Utilities Capital Improvement Program](#) (OCA-12-001, Sep. 2011)
 - [General Services – Facilities' Maintenance Division](#) (OCA-13-008, Nov. 2012)
 - [Street Divisions Pothole Repair Operations](#) (OCA-12-012, April 2013)
- ✦ Public Works Department:
 - [State of the CIP](#) (Report 13-036, May 22, 2013)
 - [State of the CIP](#) (Report 12-116, October 24, 2012)
 - [CIP Website \(http://www.sandiego.gov/cip/index.shtml\)](http://www.sandiego.gov/cip/index.shtml)