

**Mayor**  
Willard Rodarmel  
**Mayor Pro Tem**  
John Plourde  
**Council Members**  
John Gordon  
John Murray  
William Siegel



**Successor Agency**

119 Fox Street  
Lemoore ♦ CA 93245  
Phone ♦ (559) 924-6701  
FAX ♦ (559) 924-9003

## Staff Report

**STUDY  
SESSION  
ITEM NO.**

2

**To:** Lemoore City Council as Successor Agency  
**From:** Judy Holwell, Project Manager  
**Date:** March 12, 2012  
**Subject:** Update regarding the Dissolution of Redevelopment

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### Discussion

This report is to brief Council on upcoming activities required by the Successor Agency as a result of the dissolution of redevelopment and to provide a status update on several bills that have been introduced into legislation. The bills address topics such as, provisions for affordable housing, bond proceeds, economic development, and clean up language for AB X1 26 (AB 26).

As you know, the final action of the Lemoore Redevelopment Agency (RDA) was to approve an Enforceable Obligation Payment Schedule (EOPS) and provide it to the Successor Agency. The EOPS is posted on our website and was submitted to the California Department of Finance (DOF), the State Controller, and the Kings County Auditor-Controller. Currently, only expenditures listed on the EOPS can be paid by the Successor Agency until the Recognized Obligation Payment Schedule (ROPS), which was previously approved by the Successor Agency for the period of February 1, 2012 to June 30, 2012, is certified by an external audit, and approved by the Oversight Board (Board) to the Successor Agency. The ROPS for the following six-month period, July 1, 2012 to December 31, 2012, will be presented to the Successor Agency for approval during the April 17<sup>th</sup> Council meeting and will require approval from the Oversight Board as well.

The Oversight Board is to be composed of seven members appointed by the five entities listed below. The intent of each appointing entity is to appoint members that will best represent its financial interest.

- City of Lemoore (2 appointments by Mayor)
  - 1 – Council Member or other person representing the City
  - 1 – Employee of the former RDA
- Kings County Board of Supervisors – (2 appointments)
  - 1 – Board of Supervisor or member of the public
  - 1 – Member of the public – Maddy Act timing requirements
- Largest Special District by property tax share with property in the former RDA

1 – Mosquito Abatement District  
Kings County Superintendent of Schools  
1 – Steve Corl appointed  
West Hills Community College District  
1 – Appointment by the Chancellor of the CA Community Colleges

The two members representing the City of Lemoore are to be appointed by Mayor Rodarmel and this action is calendared for the April 3<sup>rd</sup> Council meeting. According to the State, the appointment of an employee of the former RDA does not need to be an employee of the RDA; the appointment can be made from any City employee who performed work for the former RDA.

On or before May 1<sup>st</sup>, the Oversight Board must meet, elect a Chairperson, and report the name of the Chairperson and all other Board Members to the DOF. The City of Lemoore as Successor Agency is responsible for hosting all meetings of the Oversight Board and for providing staff services. All costs associated with such meetings may be included in the Successor Agency's administrative budget. However, as a requirement of AB 26, Oversight Board members are to serve without compensation or reimbursement for expenses.

As previously reported to you, the Successor Agency will receive an administrative cost allowance of up to five percent (5%) of the property tax revenues payable to the Successor Agency for fiscal year 2011-12 and up to three percent (3%) for all subsequent years. The amount shall not be less than \$250,000 per year unless agreed upon by the Successor Agency. However, the administrative cost is payable only after all other payments are subtracted from the amount available and paid in the following order:

- 1) County administrative costs
- 2) Pass thru payments
- 3) All other payments identified on the ROPS
- 4) State Controller's costs
- 5) Successor Agency administrative costs

The Kings County Auditor-Controller shall perform or cause to be performed a procedures audit of the former RDA in order to establish its assets and liabilities, determine its pass through payment obligations, determine the amount and terms of indebtedness, and certify its ROPS. As reported by Becky Carr, the Kings County Finance Director, an external auditor has been hired to perform the audit, which is expected to cost from \$3,000 to \$5,000. AB 26 allows the County to recover its costs to perform the requirements associated with the dissolution of redevelopment from property tax increment, including the cost of the audit. As listed above, the reimbursement to the County shall be paid prior to disbursing any other funds.

Regarding our bonds proceeds, only projects that are already under contract are allowed to proceed and none of our projects are under contract. Mark Hill, Program Budget Manager for the DOF, stated in a webinar that the DOF will need to review the contractual obligations written in the bond documents to determine whether there is a pledge for the completion of the projects listed or whether the proceeds can be retained until such time the funds can be used to retire the bonds.

As you know, the City previously created the Lemoore Housing Authority (LHA) and during the January 31, 2012 Council meeting, the City elected to transfer the housing functions to the LHA as permitted under AB 26 Section 34176(b). The same Section also defines the transfer, which includes "all rights, powers, assets, liabilities, duties, and obligation associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund." At this time, none of the tax increment revenues are available to administer the housing functions. In the coming weeks, staff will present the City and the LHA an agreement for staffing services.

As reported, several bills have been introduced into legislation regarding redevelopment. The following is a brief summary of each and attached is the current status as of March 15, 2012:

**SB 654 (Steinberg) re Housing. Non-urgency.** This bill would revise the definition of the term "enforceable obligation" and permit the retention of unencumbered balances in the Low and Moderate Income Housing Fund.

**AB 1585 (Perez) re Cleanup language for enforceable obligations, housing, oversight board members and successor agency responsibilities.** This bill would modify the scope of the term "enforceable obligation" and permit the retention of unencumbered balances in the Low and Moderate Income Housing Fund. Existing law provides that, upon a specified date, agreements, contracts, or arrangements between the city and the RDA are invalid. The bill would expand this exception to include an agreement involving a loan specific to a project area and other specified obligations. The bill would provide that other loan agreements entered into between the RDA and the city are deemed to be enforceable obligations. The bill would further expand upon, and clarify, the scope of the successor agency and oversight board responsibilities. This bill would take effect immediately as an urgency statute.

**SB 986 (Dutton) re Bond Proceeds.** This bill would provide that all bond proceeds shall be deemed encumbered and prohibit the transfer of such proceeds to the County Auditor-Controller. It would require that the proceeds be used for the purposes for which the bonds were sold pursuant to an enforceable obligation that was entered into prior to dissolution, or is entered into by December 14, 2014. It would also provide that if an enforceable obligation is not entered into by that time, or if the purpose for which the bonds were sold can no longer be achieved, then the bond proceeds shall be used to defease the bonds or to purchase outstanding bonds on the open market for cancellation. It would take effect immediately as an urgency statute. Senator Rubio has indicated that he is not interested in co-authoring this bill.

**SB 1151 (Steinberg) re RDA long range asset management plan for ongoing economic development & affordable housing.** This bill would require the successor agency to prepare a long range asset management plan that outlines a strategy for maximizing the long-term value of the real property and assets of the RDA for ongoing economic development and housing functions. It would require the successor agency to submit the plan to the DOF and the Oversight Board by December 1, 2012, and would require approval of the plan by the DOF and Oversight Board by December 31, 2012.

**SB 1156 (Steinberg) re Community Development & Housing JPA w/County. Permits JPA to establish new sales tax to fund economic development & affordable housing.** This bill would authorize localities to add an increment to the sales tax to finance housing and economic development activities.

**SB 1220 (DeSaulnier & Steinberg) re new ongoing revenue source for affordable housing - \$75 for every real estate document recorded.** This bill would enact the Housing Opportunity Trust Fund Act of 2012. It would impose a \$75 recording fee on all real estate transactions to finance affordable housing activities. The proceeds would go into a statewide fund, not directly to the localities.

**Budget Impact**

None.

**Recommendation**

Update and discussion only.