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Date: 11/11/12

Submitted in HCED Committee

Council File No: 12-0049

Item No.: 6

~~Report~~ Communication from the Public

January 11, 2012

City Council Members

As you may already know, AFSCME represents nearly all of the employees at the Community Redevelopment Agency of Los Angeles – Locals 164, 585, 1890, and 2204. We take seriously the reality that redevelopment as we currently know it is coming to an end and that a new paradigm to accomplish similar economic and social benefit for the citizens of Los Angeles and across the State must and therefore **will** emerge. We know that the City recognizes the value of these benefits and has fought valiantly to retain them. We call upon the City to remember this as we urge you to become the Successor Agency identified in the State’s legislation dissolving redevelopment agencies – ABx1 26¹.

While the prospect of this new reality is largely uncharted territory, it is not as dire a consequence as the CLA/CAO’s report paints.

To begin, the CLA/CAO conveniently omits that the MOU is specifically recognized as an enforceable obligation (Chapter 1, Section 34170(d)(C) and Chapter 7, Section 34190(e)). The MOU covers all of the wages and benefits of existing redevelopment employees, including pension obligations, retiree health obligations, and more. This recognition is important because it brings with it the tax increment funding to pay for those costs.

Second, the risk of excessive administrative cost can be mitigated or controlled by the Successor Agency. While it is true that the legislation sets a cap on administrative costs, it does allow the costs associated with properly approved projects to be paid from tax increment. Improved accounting of project work by all staff would therefore reduce the draw on the administrative allowance. Furthermore, the new revenues flowing to the City provide more than enough funding to cover any overage.

Third, both the legislation and the MOU contemplate a process to accommodate the wind down of current redevelopment projects. Though the CLA/CAO casts it as a threat to the City, the layoff procedures allow for the reduction of staff when there is a lack of work or lack of funds. Though it is not a prospect we relish, it is a tool that successor agencies retain to deal with a declining workload. It should be noted that the CRA/LA recently employed this tool, which lead to the successful negotiation of an early retirement incentive and the reduction of over 20% of the staff. It is reasonable to expect that at least some of the existing staff will be at risk, which could lead to similar agreements; however, we believe that the City’s commitment to continuing economic development will provide additional relief.

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¹ All references or citations provided are from the specific provisions of ABx1 26 unless otherwise noted.

Fourth, the potential liabilities due to cancellation of agreements are unfairly represented. Though they are dismissive, the CLA/CAO recognizes that the liabilities are limited to the amount of tax increment and assets that are transferred to the Successor Agency (Chapter 1, Section 34173(e)). The CLA/CAO however failed to recognize that the “necessary and required compensation or remediation” for terminating such agreements are specifically recognized as part of the enforceable obligation (Chapter 1, Section 34170 (d)(E) – again bringing with it the tax increment funding to pay for such costs. The CLA/CAO also fail to recognize that the Successor Agency, the Oversight Board, and the State all have an obligation to honor the enforceable obligations and act with fiduciary responsibility (Chapter 2, Section 34175, Chapter 3, Section 34177, and Chapter 4, Section 34179(i)). The CRA/LA also currently has liability insurance coverage of at least \$75 million dollars. The most glaring omission however, is the CLA/CAO’s failure to recognize that if the costs are not covered by tax increment, as the legislation clearly intends, then any costs imposed upon the Successor Agency represent a reimbursable, state-mandated cost (Chapter 7, Section 34190(f)).

Finally, the CLA/CAO’s report misrepresents many of the facts. For example, CRA/LA employees do contribute toward the costs of their pensions (2.25% of the PERS cost as a result of the ERIP agreement and approximately 6% for social security). In addition, the current contract with CalPERS for retirement benefits are automatically assigned to the Successor Agency as a function of the legislation and though may need reforming, do not constitute a new agreement. Lastly, the CLA/CAO improperly compares the wages and benefits of highly technical and professional staff of redevelopment workers to all city workers, which includes a substantial number of non-professional and non-technical employees.

The Successor Agency will be in substantial control of how projects are completed.

The CLA/CAO opines that the City will retain the same amount of influence over current projects whether or not it becomes the successor. This contradicts all logic and reason.

The Successor Agency employees will be the ones doing the wind down work. The CLA/CAO cannot possibly figure that the City will retain the same access as it would to its own employees. Furthermore, if you took the same “sky if falling” scenario as the CLA/CAO paints, the likelihood that the City would be prevented from accessing another agency’s employees is even greater.

Though there may be conflicts between the Successor Agency and the Oversight Board, unless the City stands in the role of successor there would likely be no barrier to the will of the Oversight Board. The City stands in the best position to defend and protect its priorities if it does not step aside and let someone else (most likely the County) recommend how to proceed. If the City does not act as successor, its input could be more easily disregarded.

The Successor Agency will get a highly experienced and talented economic development team.

The City has often recognized the talent and results that the CRA/LA brings to the citizens of Los Angeles. There is no doubt that the City will actively pursue the ability to continue economic development in some form or fashion. While opinions may differ, it is hard to imagine that the State legislature would be unwilling to grant Cities the former powers of redevelopment agencies as long as they execute them with their own funds. We understand the City has already begun developing these alternatives.

With the likelihood that the City would continue such work, the City would benefit from welcoming the employees of the CRA/LA. Unless the City becomes the Successor Agency, how will it lure these employees away from their new employer? If the CLA/CAO complained before about the cost of these employees, consider the added cost it would take to replace or recruit them back.

Finally, since one of the members of the Oversight Board is dedicated to a former redevelopment employee, the City would be in an even better position if this were one of their employees.

The Successor Agency will get additional funding to do redevelopment.

Though the CLA/CAO failed to cite this in their conclusion, they did identify at least \$122 million dollars of additional funding (on top of the \$95 million it will receive in any event). As many smaller cities have done for years, this provides substantial assistance in retaining redevelopment employees. As we noted before, as the existing redevelopment work winds down, new work will increase and the additional revenue provides substantial assistance to the City as it makes the transition.

In addition, with over \$420 million in grants currently at stake, the City maintains its best position if it remains the successor. In the unlikely event that the Oversight Board rejects any of these grants, they may be transferable to the City. If the City is not the successor, the likelihood that the Oversight Board will reject all grants increases and the City would not have any claim to these funds.

We urge the City to become the Successor Agency

While we understand the fear and uncertainty, we believe the benefits of becoming the Successor Agency far outweigh the risks. While it is reasonable to expect some risks, those risks can be accounted for in a variety of ways – none of which cause any additional burden upon the City's General Fund.

Nevertheless, the City stands in the best position to control how the redevelopment work is finished if it becomes the successor. Finally, the City receives the greatest benefit and best positions itself to face its future by keeping the talent and additional funding that flows to the Successor Agency.

AFSCME has been a valuable ally to both the City and the CRA/LA as we have fought together to save redevelopment. We want to continue that partnership as we work to develop new economic development tools and deal with the challenges and opportunities that will surely come. We respectfully ask that you act to become the Successor Agency so we can do so.

Thank you,



Steve Koffroth
On behalf of AFSCME
Local 164
Local 585
Local 1890
Local 2204



Los Angeles Area
Chamber of Commerce

January 11, 2012

Date: 1/11/12

Submitted in HCED Committee

Council File No: 12 0049

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~~Item~~: Communication from the Public

The Honorable Herb Wesson
Council President
City of Los Angeles
200 N Spring Street
Los Angeles, CA 90012

Dear President Wesson and Members of the City Council,

The members of the Los Angeles Area Chamber of Commerce understand that your decision whether to take on the legal and financial obligations as the Successor Agency to CRA/LA as outlined in AB1x26 is not a clear choice. As the CLA and CAO articulated in their report released yesterday, both options carry risks, with the greater financial risk to the City's General Fund being the decision to become the Successor Agency.

The Chamber is part of a statewide coalition that is calling on the Legislature and Governor Brown to pass and sign SB 659 (Padilla) and temporarily postpone the dissolution of redevelopment agencies beyond the scheduled February 1, 2012 date. Temporarily postponing this deadline will allow time for cities, the Legislature and the Governor to develop a new job creation and neighborhood renewal program with a solution that ensures that schools and the State budget receive the funding intended by the Legislature when they passed the budget last year.

As the CLA and CAO noted on page two of their report, "Regardless of the Successor Agency decision, over the next few months the City will face a number of policy decisions relative to how it will pursue economic development in the future and funding options for that effort. Possible models include the establishment of a non-profit economic development corporation, creation of a City department or some combination of the two. Additionally, the role of the Housing Department and Housing Authority of the City of Los Angeles and the Community Development Department will need to be evaluated in the context of a new economic development model."

The Los Angeles Area Chamber of Commerce is ready to assist you in developing this new model. We also stand poised to partner with you and Mayor Villaraigosa in Sacramento as we seek legislation that will enable the City to continue a major economic development focus by utilizing many of the tools currently available to CRA's.

Sincerely,

Gary L. Toebben
President & CEO