

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your **HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT** Committee

reports as follows:

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT and RESOLUTIONS relative to the implications of the California Supreme Court ruling on the case Community Redevelopment Association v. Matosantos to the City, and relevant issues and dates associated with the resulting elimination of the Community Redevelopment Agency of Los Angeles (CRA/LA) and a possible Successor Entity for the CRA/LA, and related actions.

SUBMITS WITHOUT RECOMMENDATION the following recommendations of the Chief Legislative Analyst (CLA) and the City Administrative Officer (CAO) relative to the City taking on the role as the Successor Agency, SUBJECT TO THE APPROVAL OF THE MAYOR:

- 1a. ADOPT the accompanying Resolution to elect not to become the Successor Agency to the former redevelopment agency; and submit to the County Auditor-Controller by January 13, 2012. Seek legislation to reduce liability and allow the City to elect to later be Successor Agency if areas of concern are mitigated.

OR

- 1b. ADOPT the accompanying Resolution to affirm the City's election to assume the role as the Successor Agency. However seek legislation to reduce and eliminate liability and minimize the impact to the General Fund.
2. INSTRUCT the CLA and the CAO with the assistance of the Los Angeles Housing Department (LAHD) to report with an analysis of the implications relevant to the transfer of the housing functions of the former redevelopment agency to the City and request the City Attorney, with the assistance of the CLA and CAO, to prepare the required Resolutions for Council adoption before January 31, 2012.
3. REQUEST the City Attorney, with the assistance of the CLA and the CAO, to identify and prepare the required Resolutions and/or actions that are technical in nature that the Council must take before January 31, 2012.
4. AUTHORIZE the CLA and the CAO to make any technical corrections and take any actions required to implement the intentions of Council's action.
5. REQUEST the City Attorney to report in Closed Session relative to the Cooperation Agreement between the City and the CRA/LA.
6. INSTRUCT the CLA and the CAO to report on the current economic development functions conducted in the City and provide alternatives/models on how the City can conduct

economic development in the future (consolidation of city departments, creation of a non-profit, other).

7. INSTRUCT the CLA to continue to monitor: (1) State Legislation and prepare the necessary Resolutions for Council Adoption; and (2) litigation relative to AB1x26 and report to Council with any future impacts to the City.

Fiscal Impact Statement: The CLA and CAO report that if the City becomes the Successor Agency, there is a potential General Fund Impact of \$109.3 million based on an estimated cost of \$103.8 million for the retirement and OPEB Payment based on the assumption that a determination is made that these costs are not classified as an enforceable obligation and are not approved by the Oversight Board and the State Department of Finance (DOF). This analysis assumes full payment in Fiscal Year (FY) 2012-13 of the amortized unfunded pension liability costs of \$51.8 million (which is double the \$25.9 million) and the retiree healthcare liability costs of \$52 million. The City as the Successor Agency could be responsible for paying these liabilities which could be substantially higher once CalPERS completes an actuarial valuation. Additionally, the City would not receive any additional property tax payment or the Administration Cost allowance for FY2012-13 because these funds will be used toward the payment of the pension and the retiree healthcare liability costs.

There is a potential General Fund Impact of \$31.7 million if a determination is made that these costs are classified as an enforceable obligation and are approved by the Oversight Board and the DOF. This scenario still assumes full payment of the \$103.8 million unfunded pension and retiree healthcare liability costs in FY 2012-13. If insufficient funds are available to cover the enforceable obligations, the City would need to obtain a \$34.9 million loan from the County Treasurer to cover the shortfall. For this scenario, the City also would not receive any additional property tax payment or the Administration Cost allowance for FY 2012-13 because these funds will be used toward the payment of the pension and the retiree healthcare liability costs.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on January 11, 2012, the Housing, Community and Economic Development Committee considered Motion (Wesson for Cardenás - Huizar) and a joint CLA / CAO report and accompanying Resolutions relative to the implications of the California Supreme Court ruling on the case Community Redevelopment Association v. Matosantos to the City, and relevant issues and dates associated with the resulting elimination of the Community Redevelopment Agency of Los Angeles (CRA/LA) and a possible Successor Entity for the CRA/LA, and related actions.

The CLA and CAO appeared before the Committee to discuss the matter and responded to related questions. After providing an opportunity for public comment, the Committee recommended to submit without recommendation to the Council, the recommendations contained in the joint CLA / CAO report dated January 10, 2012. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CARDENAS:	YES
REYES:	YES
ALARCON:	YES
PERRY:	YES
WESSON:	YES

REW
1/11/12
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Not Official Until Council Acts

RESOLUTION

A resolution adopted pursuant to Section 34173(d)(1) of the California Health & Safety Code indicating the City of Los Angeles' election not to serve as the successor agency to The Community Redevelopment Agency of the City of Los Angeles, California.

WHEREAS, the Council of the City of Los Angeles, by the adoption a Resolution on April 15, 1948, established The Community Redevelopment Agency of the City of Los Angeles, California (CRA/LA) pursuant to the Community Redevelopment Law (CRL) contained in the California Health & Safety Code (Section 33000 *et. seq.*) (Council File No. 32417); and

WHEREAS, CRA/LA has, since its establishment, taken various actions to, among other things, eliminate blight, develop housing opportunities for persons and families of low and moderate-income, provide assistance for community-serving commercial projects and create employment opportunities; and

WHEREAS, the California State Legislature, in conjunction with its adoption of the 2011-2012 State budget, passed Assembly Bill 1x 26 (AB 26) on June 15, 2011 and the Governor signed the bill on June 28, 2011; and

WHEREAS, AB 26 amended various provisions of the CRL and added Parts 1.8 and 1.85 thereto which, among other things, immediately suspended most of the powers and authorities of redevelopment agencies and provides for their dissolution as of October 1, 2011; and

WHEREAS, AB 26 also designates the city or county or city and county that created the redevelopment agency to be the "successor agency" to the dissolved redevelopment agency unless it adopts a resolution thereby electing not to be the successor agency and files a copy of such resolution with the County Auditor-Controller no later than one month prior to the effective date of Part 1.85; and

WHEREAS, the successor agency, under AB 26, is generally tasked with winding down the affairs of the former redevelopment agency, making payments on and carrying out enforceable obligations of the former redevelopment agency, disposing of agency assets and properties and remitting the proceeds and other unencumbered funds to the County Auditor-Controller for distribution to local taxing entities; and

WHEREAS, the deadline date upon which a city, county or city and county have to elect not to serve as the successor entity and submit a duly authorized resolution to the County Auditor-Controller was extended to January 13, 2012 as a result of the stay issued by the California Supreme Court in *California Redevelopment Association, et al.*

v. Ana Matosantos, et. al. (Case No. S1914861), and the Court's upholding the constitutionality of AB 26; and

WHEREAS, the provisions of Parts 1.8 and 1.85 do not provide the City with sufficient protection against claims and liabilities as the successor agency to the CRA/LA which could result in the expenditure of City funds to meet former CRA/LA debts, liabilities and other obligations; and

WHEREAS, the City of Cerritos and the Cerritos Redevelopment Agency and a number of other cities and redevelopment agencies filed an action in Sacramento Superior Court seeking to enjoin the implementation of most of the provisions of AB 26 and challenging the legality of provisions of the statute on various constitutional grounds (*City of Cerritos, et. al. v. State of California, et. al.* (Sacramento County Superior Court No. 34-2011-80000952)); and

WHEREAS, the City Council does not intend, by adoption of this Resolution or by the taking of any actions authorized hereby, to waive any of its constitutional and/or legal rights it has in regards to AB 26, and, therefore, reserves all of its rights to join the litigation filed by the City of Cerritos and/or to otherwise challenge the validity of any or all provisions of AB 26 in any administrative or judicial proceeding and/or repeal this Resolution; and

WHEREAS, the City Council does not intend, by adoption of this Resolution or by taking any action provided hereby, to waive any of its rights under Part 1.85 to adopt a resolution electing to become the successor agency.

NOW, THEREFORE, BE IT RESOLVED that:

1. The City, pursuant to California Health & Safety Code Section 34173(d)(1), hereby elects not to serve as the successor entity to CRA/LA.
2. The City Administrative Officer is directed to file a copy of this Resolution with the County Auditor-Controller by January 13, 2012.
3. The City Council does not intend, by adopting this Resolution and authorizing actions hereby, to, in any way, acknowledge the legal validity or enforceability of AB 26 or waive its rights to challenge the validity or enforceability of AB 26 and therefore reserves its rights to challenge the validity of any and all provision of AB 26 in any administrative or judicial proceeding.
4. The City Council further does not intend, by adopting this Resolution and authorizing actions thereto, to waive any of its rights under Part 1.85 to adopt a resolution electing to become the successor agency.
5. Should a court of competent jurisdiction determine that AB 26 is unconstitutional or otherwise illegal, and, therefore, invalid and

unenforceable, as of the date that judgment, order or decree becomes final and non-appealable, this Resolution shall be deemed repealed and of no further force or effect.

RESOLUTION

A resolution confirming that the City of Los Angeles will serve as the successor agency to The Community Redevelopment Agency of the City of Los Angeles, California, under Part 1.85 of the California Redevelopment Law.

WHEREAS, the Council of the City of Los Angeles, by the adoption of a Resolution on April 15, 1948, established The Community Redevelopment Agency of the City of Los Angeles, California (CRA/LA) pursuant to the Community Redevelopment Law (CRL) contained in the California Health & Safety Code (Section 33000 *et. seq.*) (Council File No. 32417); and

WHEREAS, CRA/LA has, since its establishment, taken various actions to, among other things, eliminate blight, develop housing opportunities for persons and families of low and moderate-income, provide assistance for community-serving commercial projects and create employment opportunities; and

WHEREAS, the California State Legislature, in conjunction with its adoption of the 2011-2012 State budget, passed Assembly Bill 1x 26 (AB 26) on June 15, 2011 and the Governor signed the bill on June 28, 2011; and

WHEREAS, AB 26 amended various provisions of the CRL and added Parts 1.8 and 1.85 thereto which, among other things, immediately suspended most of the powers and authorities of redevelopment agencies and provides for their dissolution as of October 1, 2011; and

WHEREAS, Part 1.85 designates the city or county or city and county that created the redevelopment agency to be the "successor agency" to the dissolved redevelopment agency unless it adopts a resolution thereby electing not to be the successor agency and files a copy of such resolution with the County Auditor-Controller no later than one month prior to the effective date of that part; and

WHEREAS, the date of dissolution of redevelopment agencies was extended to February 1, 2012, and the filing date for resolutions electing not to become the successor entity was extended to January 13, 2012 as a result of the stay issued by the California Supreme Court in *California Redevelopment Association, et al. v. Matosantos, et al.* (Case No. S1914861) and the Court's upholding of the constitutionality of AB 26; and

WHEREAS, the successor agency, under Part 1.85, is generally tasked with winding down the affairs of the former redevelopment agency, making payments and carrying out the enforceable obligations of the former redevelopment agency, disposing of agency assets and properties and remitting the proceeds and other unencumbered funds to the County Auditor-Controller for distribution to local taxing entities; and

WHEREAS, the successor agency, under Part 1.85, is vested with all of the authority, rights, powers, duties, and obligations of the former redevelopment agency under the CRL; and

WHEREAS, the successor agency, under Part 1.85, is required to become the employer of all employees of the redevelopment agency as of the date of its dissolution, subject to the terms and conditions of applicable collective bargaining agreements; and

WHEREAS, the successor agency's liability, acting under the authority provided by Part 1.85, is limited to the total amount of property taxes it receives under Part 1.85 and the value of the assets transferred to it as the successor agency to the dissolved redevelopment agency; and

WHEREAS, the City Council is desirous of the City becoming the successor agency, but only if the City is not subject to financial obligations or liabilities of CRA/LA or otherwise that are above and beyond the limitation on liability set forth in Section 34173(e) of Part 1.85 and the City does not intend, by adoption of this Resolution, to pledge any of its general fund revenues or other assets to make any of the payments required of a successor agency or to meet any of its other obligations under Part 1.85; and

WHEREAS, the City of Cerritos and the Cerritos Redevelopment Agency and a number of other cities and redevelopment agencies filed an action in Sacramento County Superior Court seeking to enjoin the implementation of most of the provisions of AB 26 and challenging the legality of the statute on various constitutional grounds (*City of Cerritos et. al. v. State of California, et. al.* (Sacramento County Superior Court No. 34-2011-80000952)); and

WHEREAS, the City Council does not intend, by adoption of this Resolution or by the taking of any actions authorized hereby, to waive any of its constitutional and/or legal rights it has in regards to AB 26, and, therefore, reserves all of its rights to join the litigation filed by the City of Cerritos and/or to otherwise challenge the validity of any or all provisions of AB 26 and Parts 1.8 and 1.85 of the California Health & Safety Code in any administrative or judicial proceeding and/or repeal this Resolution; and

WHEREAS, the City Council does not intend, by adoption of this Resolution or by taking any action authorized hereby, to waive its right to amend or repeal this Resolution should the City be required to fund obligations or liabilities of the former CRA/LA from general fund revenues above and beyond the funds provided under Part 1.85.

NOW, THEREFORE, BE IT RESOLVED that:

1. The City, pursuant to Part 1.85 of the California Health & Safety Code, hereby confirms that it will serve as the successor entity to CRA/LA contingent on its

financial obligations and liabilities being limited as set forth in Section 34173(e) of the CRL.

2. The City Administrative Officer is directed to file a copy of this Resolution with the County Auditor-Controller by January 13, 2012.
3. The City Administrative Officer is hereby authorized to execute any documents and to take such other actions as necessary for the City to serve as the successor agency to CRA/LA.
4. The City Council does not intend, by adoption of this Resolution and authorizing actions hereby, to, in any way acknowledge the legal validity or enforceability of AB 26 or waive its rights to challenge the validity or enforceability of AB 26 and, therefore, reserves its rights to challenge the validity of any and all provisions of AB 26 in any administrative or judicial proceeding.
5. Should a court of competent jurisdiction determine that AB 26 is unconstitutional or otherwise illegal, and, therefore, invalid and unenforceable, as of the date that judgment, order or decree becomes final and non-appealable, this Resolution shall be deemed repealed and of no further force and effect.