

**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 RESOLUTION relative to an analysis of the implications relevant to the transfer of the housing functions of the former Community Redevelopment Agency of Los Angeles (CRA/LA) to the City, and related actions.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ADOPT the accompanying Resolution wherein the City elects to opt-in as the Housing Entity to carry out the former redevelopment agency's housing functions and responsibilities; identifies the Los Angeles Housing Department (LAHD) as the City's representative in carrying out the housing functions and responsibilities; and submit to the State Department of Finance and County Auditor-Controller by January 31, 2012.
2. INSTRUCT the LAHD, with the assistance of the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA), to report to the Mayor and Council with a transition plan that details the necessary resources for short and long-term management of the former redevelopment agency's housing assets, functions and responsibilities.
3. REQUEST the Successor Agency or the Designated Local Authority, as applicable, and the Oversight Board to assist in effectuating the transfer of all housing assets to the City of Los Angeles in an expeditious manner.
4. INSTRUCT the CAO and the CLA to report back on the development of an Economic Development Department and the inclusion of these housing assets, so that when a department is established, these assets are part of the consideration; and report back on the development of a Citywide Economic Development plan.
5. INSTRUCT the CAO and the CLA to report back on what obligations the City has to the employees of the CRA/LA, under the CRA/LA's existing collective bargaining agreements with the employees, relative to transfer of services from the CRA/LA to the LAHD, and REQUEST the City Attorney to provide a legal analysis on this issue.

Fiscal Impact Statement: The CLA and CAO report that while the fiscal impact of the City becoming the Housing Entity is not entirely quantifiable at this time, the City will receive additional property tax as a result of the dissolution of the redevelopment agencies statewide; however, the exact amount is not known. In addition, as the Housing Entity, encumbered funds in the Low and Moderate Income Housing Fund (LMIHF) will transfer to the City for housing projects. Should Senate Bill 654 (Steinberg) pass, and the City opts-in as the Housing Entity, the bill provides that any unencumbered funds in the LMIHF will transfer to the Housing Entity. LAHD estimates that there is approximately \$104 million in unencumbered funds in the LMIHF. However, if the City opts out, the legislation has identified that the Housing Authority of the City of Los Angeles (HACLA) is the default entity that assumes the housing assets and functions previously performed by the CRA/LA, including any funds in the LMIHF.

In addition to the LMIHF funds that will come to the City as the Housing Entity, the City may receive program income from repayment of loans transferred from the former redevelopment agency that could be used to offset the short and long-term costs associated with assuming the housing functions and responsibilities and mitigate the potential impact to the General Fund.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on January 25, 2012, the Housing, Community and Economic Development Committee considered a joint CAO / CLA report, and accompanying Resolution, relative to an analysis of the implications relevant to the transfer of the housing functions of the former CRA/LA to the City, and related actions.

The joint CAO / CLA report and accompanying Resolution were provided pursuant to Council action of January 11, 2012 (C.F. 12-0049) in which the CLA and the CAO, with the assistance of the LAHD, were instructed to report on this matter and the City Attorney was requested to prepare the required Resolution for Council adoption before January 31, 2012. The January 11, 2012 Council action was in response to the December 29, 2011 California Supreme Court Ruling in the case entitled Community Redevelopment Association, et. al., v. Matosantos which upheld the redevelopment elimination bill (Assembly Bill 1x-26) that eliminated the CRA/LA and necessitated Council act to determine whether the housing functions and assets of the former CRA/LA should revert to HACLA or be transferred to the LAHD.

Representatives of the CLA, CAO, and the City Attorney, and the General Manager and the Executive Officer of the LAHD, appeared before the Committee to discuss the implications relevant to the transfer of the housing functions of the former CRA/LA to the City and respond to related questions. During discussion of this matter the Committee moved to instruct the CAO and the CLA to report back on the development of an Economic Development Department and the inclusion of CRA/LA housing assets and to report back on the development of a Citywide Economic Development plan. Additionally, the Committee requested an analysis from the CAO, CLA and the City Attorney regarding what obligations the City has under the CRA/LA's existing collective bargaining agreements with its employees relative to the transfer of the CRA/LA's housing assets and services to the LAHD.

After providing an opportunity for public comment, the Committee recommended approval of the recommendations contained in the joint CLA / CAO report dated January 24, 2012 and the instructions to the CLA, CAO, and City Attorney. 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:	ABSENT
ALARCON:	YES
PERRY:	YES
WESSON:	YES

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1/25/12
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Not Official Until Council Acts

RESOLUTION

A resolution adopted pursuant to Section 34176(a) of the California Health & Safety Code indicating the City of Los Angeles' election to retain the housing assets and functions of The Community Redevelopment Agency of the City of Los Angeles, California.

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, been required to set aside twenty percent (20%) of the annual property tax increment it receives for the provision of housing opportunities for persons and families of low and moderate-income and to take various other actions related to the provision of affordable housing as required by the CRL; and

WHEREAS, CRA/LA has, in exercising its rights and powers and performing its duties and obligations with regards to the provision of affordable housing under the CRL, made loans for the development and/or retention of affordable housing, acquired various interests in real property for such purposes and, in agreement with the City, set aside an additional five percent (5%) of the annual property tax increment it receives for affordable housing activities; 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 (Restrictions on Redevelopment Agency Operations) and 1.85 (Dissolution of Redevelopment Agencies and Designation of Successor Agencies) 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, Section 34176(a) of Part 1.85 provides that the city or county or city and county that authorized the creation of the redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency; and

WHEREAS, Section 34176(a) of Part 1.85 further provides that, should such an election be made, all rights, powers, duties, and obligations, excluding any funds on

deposit in the redevelopment agency's Low and Moderate Income Housing Fund, shall be transferred to the city, county or city and county; and

WHEREAS, the City desires to retain the housing assets obtained or acquired with the funds identified above and to perform the housing functions previously performed by CRA/LA, but only if the City is not subject to financial obligations or liabilities of CRA/LA or otherwise that are significantly above and beyond the value of the housing assets retained by the City and the funds that may be obtained from any successor agency to CRA/LA and the City Council does not intend, by adoption of this Resolution, to pledge, at this time, any of its general fund revenues or other assets to make any payments required under Part 1.85 or to meet any of the housing obligations assumed hereby; and

WHEREAS, the date for dissolution for redevelopment agencies was extended to February 1, 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 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.

NOW, THEREFORE, BE IT RESOLVED that:

1. The City, pursuant to California Health & Safety Code Section 34176(a), hereby elects to retain the housing assets of CRA/LA and to perform the housing functions under the CRL previously performed by CRA/LA and accept transfer of all rights, powers, duties and obligations, except as otherwise provided in Part 1.85, of CRA/LA related to the housing assets and functions.
2. The City Administrative Officer is directed to file a copy of this Resolution with the County Auditor-Controller, California Department of Finance and other appropriate governmental officials by January 31, 2012.

3. The Los Angeles Housing Department (LAHD) is designated to perform the housing functions accepted hereby and the LAHD General Manager, or designee, is authorized to execute any documents and to take such other actions as necessary to retain the housing assets of CRA/LA, to enter into agreements or amendments to agreements regarding enforceable housing obligations of CRA/LA and to exercise the rights and powers and perform the duties and obligations under the CRL previously exercised or performed by CRA/LA.
4. 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.