



ANTONIO R. VILLARAIGOSA  
MAYOR

January 10, 2012

The Honorable Members of the City Council  
City of Los Angeles  
c/o City Clerk, Room 395, City Hall  
200 North Spring Street  
Los Angeles, CA 90012

Re: Dissolution of the Community Redevelopment Agency of the City of Los Angeles

Honorable Members:

The California Supreme Court's decision to uphold AB1x26 and strike down AB1x27 will effectively eliminate the Community Redevelopment Agency of Los Angeles (CRA/LA) as of February 1, 2012. We must acknowledge that the economic development landscape has been drastically altered, but given the City's high unemployment rate and sluggish economy, we should turn our focus on a new model to build affordable housing, revitalize our local economy, and create the jobs desperately needed.

The most urgent and immediate action before you is to decide whether or not the City assumes the role of Successor Agency for the close-out of CRA/LA activities. After extensive and exhaustive deliberation, I believe that assuming the role of Successor Agency, as currently structured under State legislation, is not in the best interest of the City due to gaps in the legislation that create potential liabilities and risk, while yielding very little benefit. I therefore strongly urge the City Council to decide that the City not become the Successor Agency by adopting and filing a Resolution to that effect.

I have been informed that the only benefit accruing to the Successor Agency is that it would give us a seat at the table to fight for the completion of our projects. But the seat it provides is not of strength, authority or independence – only liability. The City will have only two of the seven votes on the Oversight Committee, to which the Successor Agency reports, while the other five votes would have a significant financial incentive to liquidate CRA assets as quickly and to the greatest extent possible. At the same time, the City would assume unknown liabilities that could negatively impact City services and the employees who deliver them.



For example:

- The City could be exposed to lawsuits from contractors, developers and others because the Oversight Board or the State Department of Finance chooses not to honor commitments or agreements made with CRA/LA
- The long-term pension and retiree health liabilities associated with CRA employees create a potential liability of up to \$109 million to the City's General Fund
- The City would assume up to 192 active CRA/LA employees without full funding to sustain them

In my assessment, these obligations and potential liabilities and legal and financial risks outweigh the perceived benefits of the City assuming the role of Successor Agency. Given the City's ongoing effort to balance the budget, close the structural deficit and protect City services, we can't afford to take on a penny of new liability – let alone \$109 million.

I am confident that State lawmakers did not intend for cities to bear such significant liabilities when assuming the role of Successor Agency. Indeed, the structure of CRA/LA its relationship to the City present unique challenges not necessarily facing smaller municipalities as they make this decision.

I believe we can work together with State legislators to mitigate these liabilities and identify and vest within cities some economic development tools essential for creating jobs and fostering economic growth.

Very truly yours,



ANTONIO R. VILLARAIGOSA  
Mayor

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cc: The Honorable Wendy Greuel, Controller  
The Honorable Carmen Trutanuch, City Attorney  
Miguel Santana, City Administrative Officer  
Gerry Miller, Chief Legislative Analyst  
June Lagmay, City Clerk