

Overview of Roles and Responsibilities of the South Tahoe Redevelopment Successor Agency and the Oversight Board

Presentation to Oversight Board

April 26, 2012

How did we get here?

- South Lake Tahoe Redevelopment Agency was established June, 1988.
- Plan “effectiveness date” (date the project area was expected to remain established until) was June, 2028.
- Tax Increment (TI) was collected in the project area(s) and dedicated to
 - *(a) affordable housing and (b) redevelopment activities, which could include infrastructure, project financing, economic development and project / program administration.*
- Tax Increment was authorized to be collected and thus available for repayment of financing of projects through June, 2038.
- South Lake Tahoe City Council established a second Project Area in November, 2010.
- Governor Brown signed into law AB X1 26 dissolving redevelopment agencies.
 - *Several cities sued; the Supreme Court upheld the decision on December 29, 2011 dissolving agencies on February 1, 2012.*
 - *AB x1 26 provided for the establishment of the Successor Agency and Oversight Board and set forth an expansive list of reporting and oversight requirements.*

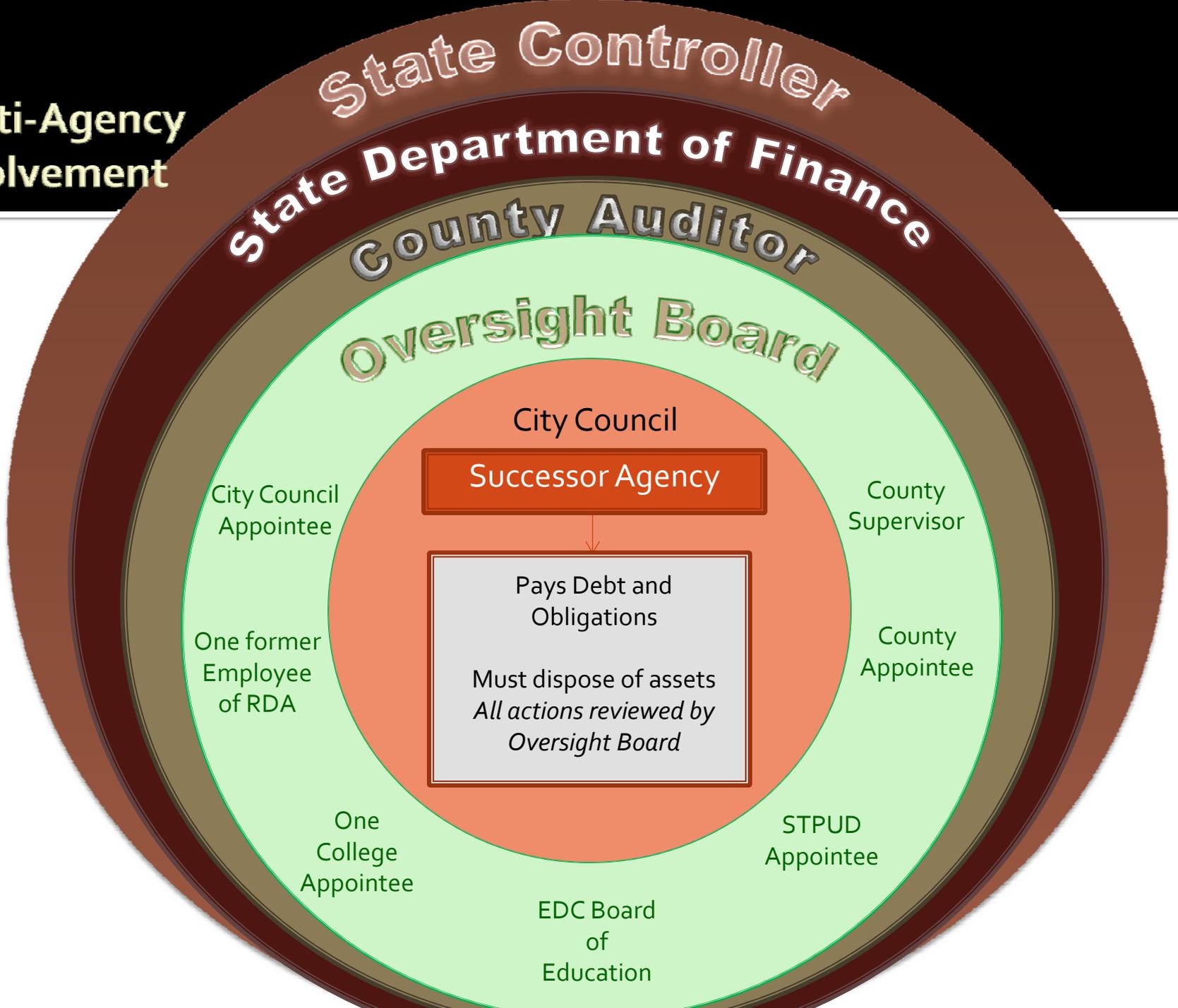
Successor Agency

- AB 1x 26 "AB 26" allowed Redevelopment *Sponsoring Agency* to choose to become the Successor Agency.
- September 27, 2011, City Council adopted a resolution electing to become the Successor Agency (SA).
- The SA continues the debt/obligations side of the former RDA and:
 - **Make payments**, perform other "enforceable obligations."
 - Transfer housing functions to appropriate entity (City established Housing Authority)
 - Adopt (& Amend) **Enforceable Obligations Payment Schedule** (Jan 30, 2012).
 - Adopt a **Recognized Obligation Payment Schedule** (sent to County Auditor)
 - Create Redevelopment Obligation Retirement Fund (Jan 30, 2012).
 - Dispose of former RDA assets / properties (ratified by OB).
 - Wind down the activities of the former RDA.

Oversight Board

- Oversight Board (OB) members identified by state code; serve without compensation.
- May direct staff of Successor Agency in furtherance of duties.
- DOF reviews the actions of the oversight board (within 3 days).
- OB in place until debt is paid; in 2016 one OB per county (*not applicable*).
- OB's **primary responsibility** H&S Code 34179(10i) is fiduciary responsibility to the enforceable obligations.
- In addition, the OB may due any of the following:
 - Establish new repayment terms for outstanding loans *where terms have not be specified*.
 - Issue refunding of bonds (if funding available and legally allowable).
 - Approve the **Recognized Obligation Payment Schedule** (every 6 months).
 - Direct the SA to dispose of assets and properties "expeditiously maximizing value."
 - Terminate agreements that do not qualify as enforceable obligations.
 - Transfer housing responsibilities to appropriate entity (not applicable in this case).

Multi-Agency
Involvement



What is an “Enforceable Obligation”?

AB x1 26, (Health and Safety Code Section 34171) defines EO as:

- **Bonds**, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency.
- **Loans** of monies borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.
- Payment required by **federal gov't**, pre-existing **obligation to the state** or obligations imposed by **state law**.
- **Judgment/settlement** by competent **court** or binding arbitration against the former RDA .
- Any **legally binding agreement** or contract not otherwise void (the legislation allows the Successor Agency with approval of oversight board to terminate agreements by providing requirement compensation or remediation for termination).
- **Contracts or agreements** necessary for the **administration** of a **successor agency** including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay related expenses and for carrying insurance.
- Amounts borrowed from or **payments owing to the low and moderate income housing fund** of a redevelopment agency, which had been deferred as of the effective date of the act adding this part, provided however, that the repayment schedule is approved by the oversight board.

What is Not Enforceable Obligation ?

AB x1 26, (Health and Safety Code Section 34171(d)) describes the following as not allowable under the “enforceable obligations” definition:

- Agreements between the Sponsoring Agency (City of South Lake Tahoe) and Redevelopment Agency.
 - *South Tahoe RDA and City had a loan agreement for \$7.5M, of which \$3M remained owing. The agreement does not meet the definition and is therefore not listed as an obligation. (pending legislation may change that and honor these agreements)*
- Any agreement not signed prior to December 31, 2010
 - *South Tahoe RDA was working with local developer on a 48-unit housing project at the time of dissolution; projecting a potential contribution of \$2.5M in Housing funds. Agreements were not signed prior to dissolution of RDA; therefore not listed as obligation.*

Process from RDA to Dissolution

CURRENT

Process & Functions of RDA

Tax Increment Collected
(amt varies w/prop tax, \$5.7 million)

South Tahoe Redevelopment Agency

Redevelopment
Projects/Programs

Housing Projects
and Programs
(20% set aside)

Projects
Bond Debt
Financing
Economic
Development

Affordable Housing Projects
(Aspens) Homebuyer
Programs
Multi-family Inspection
Housing Rehab
Lead Paint Program
Monitoring

FOLLOWING DISSOLUTION

Process & Functions

Tax Increment Collected
(amt varies w/prop tax, \$5.7 million)

Successor Agency

Purpose :
Pay debt/obligations
and
Dispose of Assets

No new debt
No new projects
No housing set-aside
Pay debt/sell assets

Process for Paying Obligations

Tax increment is collected.

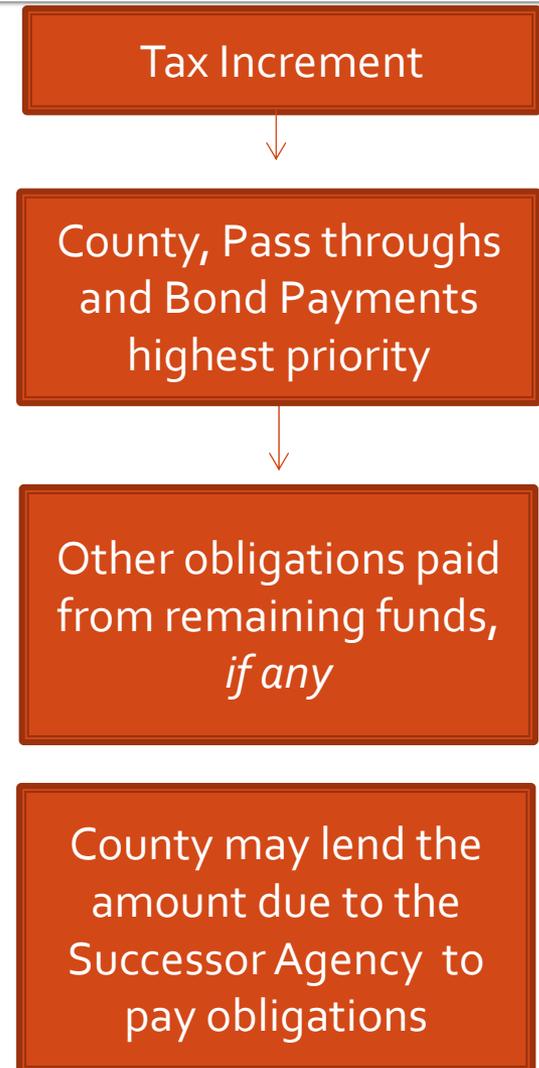
Highest Priorities are paid first:

- *Pass throughs (taxing entities)*
- *Bond payments pledged by tax increment*

If any remaining tax increment, pays other obligations (Listed on EOPS/ROPS).

If insufficient tax increment available, County may lend to the Successor Agency the amount necessary to pay the obligations.

AB 1x 26 is watershed legislation with unknown variables and financial implications for all agencies involved.



Affordable Housing

- Prior to dissolution, 20% of all Tax Increment was required to be “set-aside” for affordable housing programs and projects.
- South Tahoe Redevelopment Agency provided over 300 units of affordable housing to community members and operated a broad range of housing programs. AB x1 26 caused most programs to be stalled or eliminated.
- AB x1 26 eliminates the requirement to set aside housing funds.
- At the time of dissolution, (February 1, 2012) any funds remaining in “Housing Fund Balance” were to be available for use by Successor Agency / Oversight Board.
 - *On February 1, 2012, South Tahoe Redevelopment Agency's Housing Fund Balance was \$1.5M.*
 - *Pending Legislation (Steinberg and Perez) will authorize the Successor Agency to transfer the Housing Fund Balance to its Housing Authority.*
 - *Legislation has broad support for passage, but outcome remains unknown.*

Pending legislation

Although AB 26 was upheld, pending legislation could alter some or all of the functions of Successor Agency / Oversight Board

- AB 1585 (Perez) amended March 21, 2012 Major Policy and Technical Clean-up legislation (*wide support*).
 - *Preserves funding for affordable housing (allows transference of \$1.5M to housing authority).*
 - *Allows Oversight Boards more flexibility to transfer RDA assets to City (Police stations, parks, streets, infrastructure).*
 - *Reaffirms as Enforceable Obligations loans between Sponsoring Agencies (Cities) and RDA*
 - *Cleans up the direction to dispose of assets ("avoid the fire sale") requires adoption of a strategy for disposition.*
 - *Clarifies the bond repayments schedules (avoids the 6-month intervals).*
- SB 654 (Steinberg) would transfer the housing fund *balance* for use by Cities, provides new funding options.

Questions?
