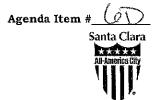
Meeting Date: 110/12

# AGENDA REPORT

City of Santa Clara, California



Date:

January 4, 2012

To:

City Manager Council Action

From:

Assistant City Manager

Subject:

Adoption of a Resolution to Express the City's Intent to Serve as the Successor Agency of

the Redevelopment Agency of the City of Santa Clara

#### **EXECUTIVE SUMMARY:**

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 (the "Dissolution Act") largely constitutional and AB1x 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's bifurcated decision means that all California redevelopment agencies, including the Redevelopment Agency of the City of Santa Clara (the "Redevelopment Agency"), will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

As a result, the Redevelopment Agency will be dissolved on February 1, 2012. The Redevelopment Agency's non-housing funds and assets will then be turned over to a successor agency (the "Successor Agency") charged with the responsibility of paying off the former Redevelopment Agency's existing debts, disposing of the former Redevelopment Agency's properties and assets to help pay off debts and return revenues to the local government entities that receive property taxes (the "Taxing Entities"), and winding up the affairs of the former Redevelopment Agency. The Redevelopment Agency's affordable housing assets, other than its existing housing fund balance, will be turned over to a successor housing agency (the "Successor Housing Agency") to continue performing affordable housing activities. The former Redevelopment Agency's affordable housing fund balance will be used to repay existing housing fund debts and/or remitted to the County Auditor-Controller for distribution to the Taxing Entities.

The Dissolution Act provides that the City, as the community that established the Redevelopment Agency, will be the Successor Agency to the former Redevelopment Agency unless the City elects not to serve as the Successor Agency, in which case the first other Taxing Entity making a proper election will be designated as the Successor Agency. If the City elects <u>not</u> to be the Successor Agency, it must adopt a resolution to that effect and notify the County Auditor-Controller by not later than January 13, 2012. Even if it elects to be the Successor Agency, the Redevelopment Agency's special redevelopment counsel recommends that a resolution to that effect and accompanying notice be provided by the County Auditor-Controller in order to have a clear record of the City's intention.

The Dissolution Act also authorizes the City to elect to become the Successor Housing Agency of the former Redevelopment Agency and to retain the housing assets (other than any existing housing fund balance) and affordable housing functions of the former Redevelopment Agency. If the City does not elect to become the Successor Housing Agency, then the local Housing Authority will become the Successor

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Housing Agency. If there is more than one housing authority operating in the territorial jurisdiction of the Redevelopment Agency, then the City can elect which housing authority will serve as the Successor Housing Agency. The legislation does not set a specific time for the City to make the election on whether it intends to serve as the successor housing agency, but such election should be made before the Redevelopment Agency is dissolved on February 1, 2012. Because the City has several options with regards to the election on the Successor Housing Agency and staff is still evaluating the pros and cons of each option, staff is not recommending that the City Council take action on the election regarding the Successor Housing Agency at the January 10, 2012 Council meeting. A recommendation on this issue will be brought forward to the City Council at the January 24, 2012 meeting.

## ADVANTAGES AND DISADVANTAGES OF ISSUE:

The Successor Agency will play a key day-to-day role in assuring that the existing obligations of the former Redevelopment Agency are properly paid, and that the former Redevelopment Agency's properties and other assets are disposed of in an appropriate manner. While the Successor Agency will be overseen by an "Oversight Board" of seven representatives selected largely by the County and various local education districts, the staff of the Successor Agency will have a strong role in initiating and implementing actions in a way that achieves not only the requirements of the Dissolution Act but also is sensitive to the long-term development needs of the City and local community, and that protects the good name of the City in the financial markets by assuring timely repayment of the former Redevelopment Agency's existing debts.

If the City elects not to serve in this role, the Successor Agency will be some other Taxing Entity that is likely to have no experience in redevelopment financial and land disposition matters and that may not necessarily take into account the interests of the City and local community in performing its functions. The Dissolution Act provides that the liability of the Successor Agency is limited to the funds and assets it receives under the Dissolution Act to perform its functions. Thus, if it takes on the role of Successor Agency, the City would not expose its General Fund to liability to discharge the obligations of the former Redevelopment Agency (unless it was found to have mismanaged or misappropriated the funds and assets it does receive under the Dissolution Act). The City as the Successor Agency will exercise the same care and prudence in the management and protection of the funds and assets that it receives from the former Redevelopment Agency as the City applies with its own funds and assets.

#### **ECONOMIC/FISCAL IMPACT:**

In February and March of 2011, the City took several actions to protect the existing redevelopment projects, assets, and revenue streams to the General Fund. However, while it is not yet clear how certain provisions in the Dissolution Act will be interpreted and implemented by the State, the impact of the dissolution on the City remains uncertain. Staff and legal counsel are actively analyzing the potential impacts.

Subject to the approval of the Oversight Board and to specified reductions if other funds are available for administration, the Dissolution Act permits the Successor Agency to receive an annual operating budget

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to defray its administrative costs in an amount up to five percent of the property tax allocated to the Successor Agency for FY 2011-12 to pay the former Redevelopment Agency's existing debts, and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year; provided, however, that the annual amount shall not be less than \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency).

### **RECOMMENDATION:**

That the Council adopt the Resolution to Express the City's Intent to Serve as the Successor Agency of the Redevelopment Agency of the City Of Santa Clara.

Alan Kurotori

Assistant City Manager

APPROVED:

City Manager

Documents Related to this Report:

1. Resolution to Express the City's Intent to Serve as the Successor Agency of the Redevelopment Agency

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#### RESOLUTION NO. 12-7897

A RESOLUTION OF THE CITY OF SANTA CLARA, CALIFORNIA, TO EXPRESS ITS INTENT TO SERVE AS THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF CITY OF SANTA CLARA, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34171(j) AND SECTION 34173

#### BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, Assembly Bill 1X 26 (the "Dissolution Act") and Assembly Bill 1X 27 (the "Alternative Redevelopment Program Act") were enacted on June 28, 2011, to significantly modify the Community Redevelopment Law (Health & Safety Code §33000, et seq.; the "Redevelopment Law");

WHEREAS, on August 11, 2011, the California Supreme Court agreed to review the California Redevelopment Association and League of California Cities' petition challenging the constitutionality of the Redevelopment Restructuring Acts;

WHEREAS, on December 29, 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional; WHEREAS, the Court's decision means that all California redevelopment agencies will dissolve on February 1, 2012 pursuant to the Dissolution Act;

WHEREAS, the Dissolution Act provides that the city that authorized the creation of the redevelopment agency shall be the "successor agency" to the dissolved redevelopment agency unless the city elects not to serve as the successor agency under Section 34173(d)(1) of the Redevelopment Law; and,

WHEREAS, the City intends to, and shall serve as, the successor agency for the Redevelopment Agency of the City of Santa Clara (the "Agency") in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law.

Resolution/RDA Successor Agency Rev. 03-09-10; Typed: 01-04-12 NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA

AS FOLLOWS:

1. That the City hereby accepts the designation, and hereby declares its intent, to serve as

the successor agency for the Agency in accordance with Section 34171(j) and Section 34173 of

the Redevelopment Law.

2. That the City Manager, or his or her designee, is hereby directed to file a copy of this

resolution with the County Auditor-Controller

3. That the City Manager, or his or her designee, is hereby authorized to take such

additional actions, and to execute all documents necessary and appropriate, for the City to

transfer the assets of the Agency to the City, in its capacity as successor agency to the Agency,

pursuant to Sections 34175 of the Redevelopment Law.

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Resolution/RDA Successor Agency Rev. 03-09-10; Typed: 01-04-12 Page 2 of 3

4. <u>Constitutionality, severability.</u> If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

5. <u>Effective date</u>. This resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE  $10^{th}$  DAY OF JANUARY, 2012, BY THE FOLLOWING VOTE:

AYES:

COUNCILORS:

Gillmor, Kennedy, Kolstad, McLeod and Moore

and Mayor Matthews

NOES:

COUNCILORS:

None

ABSENT:

COUNCILORS:

Mahan

ABSTAINED:

COUNCILORS:

None

ATTEST:

CITY OF SANTA CLARA

Attachments incorporated by reference: None