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**CITY OF CARSON**  
**INTEROFFICE MEMORANDUM**

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**TO:** MAYOR AND COUNCILMEMBERS  
CITY CLERK  
CITY TREASURER

**FROM:** DAVID C. BIGGS 151  
CITY MANAGER

**SUBJECT:** REDEVELOPMENT REPORT

**DATE:** JANUARY 17, 2012

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AB1X26, which was upheld by the California Supreme Court last December, effectively eliminates redevelopment agencies in the state effective February 1, 2012. The Carson City Council has acted to preserve its role in developing affordable housing, and to become the "Successor Agency" to manage and dispose of the redevelopment agency's assets.

This report summarizes where we stand in the process of terminating the Carson Redevelopment Agency (RDA), the transition of resources to the Carson Housing Authority (CHA) and Carson Successor Agency (CSA), and the impact on Carson's investment plans and partnerships. It also notes the unknowns in the process (there are quite a few), and prospects for clarification in the weeks and months ahead. A copy of the California Redevelopment Association's Frequently Asked Questions is attached as Exhibit No. 1

Carson is facing an immediate reduction in funds, staff and authority to carry out the city's plans. Several important projects will not be undertaken until other funds become available. The full impact of these changes will be felt by the city next fiscal year when RDAs annual contribution to the city (\$3.6 million this year) stops.

CARSON HOUSING AUTHORITY

The CHA will take title to several properties owned by RDA February 1. A list of those parcels is attached as Exhibit No. 3. These include the properties in the Carson Corridor and the site assembled by the agency at Dominguez and Tyler Streets.

Although AB1X26 is ambiguous on the issue, I expect the CHA to receive the cash and bond proceeds for housing set aside in RDA accounts. This amounts to \$6.3 million and \$30.1 million, respectively. Most of these funds are already programmed for agency-approved projects. A list of these projects is attached as Exhibit No. 2.

The Good News is that Carson can continue to implement its housing element and support residential development in the Carson Corridor. The Bad News is that AB1X26 provides no revenue stream to continue the housing program when current funds are exhausted. Absent new resources, the CHA will run out of money in 3-5 years.

Based on the funds available and workload, I will transfer nine of the 20 persons on the RDA staff to the CHA. Another five persons partially funded by RDA will be transferred. These include the city manager and staff that manage the CDBG, Neighborhood Stabilization, and mobilehome rent control, and

workforce development programs. These programs do not have administrative funds sufficient to operate alone. I will propose changes to make them self-sufficient for FY2012/13.

#### UNKNOWNNS

- AB1X26 isn't clear as to whether the housing authority operates under state redevelopment rules or housing authority rules. The latter is much more restrictive.
- Will the CHA have the authority to amend existing OPAs and DDAs?
- Can the CHA charge fees for monitoring existing housing projects?
- Will all cash and bond proceeds be transferred, or only funds for current enforceable obligations?

#### SUCCESSOR AGENCY

The non-housing role for Carson (and the 400+ other former RDAs) is very restrictive and very complicated. AB1X26 establishes new machinery for the distribution of property taxes, sets the table for conflict and litigation, and redefines the traditional roles of cities, counties, and the state regarding property taxes. Put simply, Carson (through CSA) is accountable to other taxing jurisdictions (schools, colleges, special districts, and Los Angeles County) for every transaction it enters into going forward, and every transaction by the RDA for the past two years. Starting May 1, a Carson Oversight Board representing these entities can challenge any action by the CSA.

The CSA is responsible for paying items listed on its Enforceable Obligation Payment Schedule (EOPS). It will receive what Los Angeles County determines to be sufficient funds to meet these obligations, plus an administrative fee (5% of the total in 2011-2012, 3% thereafter). I estimate that fee to be approximately \$600,000 this fiscal year and \$400-500,000 next year. The CSA will remit all cash on hand not needed for its EOPS, and proceeds from the future sale or lease of properties transferred to it, to Los Angeles County.

Exhibit No. 3 is a list of properties going to the CSA. Note that the list includes the former Altman's property acquired by the RDA (by Deed in lieu of Foreclosure) last month.

Exhibit No. 5 is a set of figures illustrating the impact of these changes on the CSA's revenues.

Based on this assessment, I will transfer four persons from the RDA staff, plus one partially RDA-funded position, to the CSA for the remainder of this year. Based on cash flow and workload, no more than 3 positions can be supported in 2012-2013.

#### UNKNOWNNS

- Los Angeles County's capacity to carry out its new functions in a timely manner.
- State confirmation of administrative cost computation.
- CSA's latitude in negotiating sales of its property.
- How the 2011-2012 allocations will be determined this late in the fiscal year.
- How the Carson Oversight Board will carry out its role.

#### PROJECTS ON THE BUBBLE (APPROVED BUT NOT UNDER CONSTRUCTION)

I expect the projects below to move forward under the jurisdiction of the CHA or CSA. In my opinion, they meet the standard set forth in AB1X26:

- Cityview (616 E Carson St)
- I-405/Wilmington Interchange
- The Boulevards
- Olson (2535 E. Carson Street)
- Affirmed (21227 Figueroa Street)
- Carson Sheriff's Station Remodel

#### PROJECTS LOST

The following projects are budgeted and have funding available but no agreements per AB1X26:

- 223<sup>rd</sup> Street (auto row) improvements
- Carson Streetscape project construction
- Teen Center
- South Bay Pavilions Restaurants

The first three can be revived as new funds are identified.

A full list of capital improvement projects in the RDA budget for the next five years, and their status is attached as Exhibit No. 6

#### CONCLUSION

Exhibit No. 4 contains material from the California Redevelopment Association advising its members regarding implementation of the new law, and describing activities to clarify the law and move on to a new form of redevelopment. With February 1 looming, I believe that Carson has no choice but to act according to the law as it stands.

cc: Administrative Services General Manager  
Development Services General Manager  
Economic Development General Manager  
Public Services General Manager

## **CALIFORNIA REDEVELOPMENT AGENCY – FREQUENTLY ASKED QUESTIONS**

### **IMPLEMENTING AB 26**

**Q: What do we do about amending our EOPS and how is it used?**

**A:** In order to make payments on obligations, an RDA needs to have an adopted EOPS. As the original EOPS adopted last fall only included payments until December, therefore the EOPS must be amended to extend its time horizon. The amendment must be done at a public meeting by January 31st, sent to the county auditor controller and DOF, and posted on the RDA or City website as before.

**Q: What time period does the amended EOPS cover?**

**A:** We recommend amending the EOPS cover the time period between Jan 1, 2012 and June 30, 2012 to clarify any cash flow issues, and accommodate further adjustments to the dissolution timeline that could arise.

**Q: What should be included in the EOPS?**

**A:** All obligations that need to be paid until June 30th. This would include administrative costs, and the entire amount of any bond or loan debt that needs to be put into reserve or kept in order to make payments as required by indentures and agreements.

**Q: What about the IROPS, do we have to amend it?**

**A:** The IROPS has no legal stature, and is essentially a first draft of the ROPS. If the RDA previously adopted one, it makes sense to formally amend it to match the amended EOPS as needed. Otherwise, it should be prepared/revised as an administrative task by Jan. 30th.

**Q: What happens to the IROPS if it has no legal stature?**

**A:** The IROPS is the responsibility of the redevelopment agency. Once the successor agency is in place, it can make any further updates and revisions it sees fit before submitting its version (the Draft ROPS) to the county for certification. That version must be prepared by March 1st.

**Q: When and how does the ROPS become effective?**

**A:** Following dissolution, a ROPS must be prepared twice annually until all debt is repaid. The first ROPS becomes effective May 1st and lasts until June 30th. An independent certification conducted by the County, approval from the Oversight Board (“OB”), and submittal to the State are all required by April 15th. The subsequent ROPS will cover the July 1 to December 31st time period. Given the short time frame of the first ROPS, we suggest preparing both the first and the second ROPS at the same time if possible.

**Q: Should cooperative agreements remain on the ROPS?**

**A:** We recommend leaving cooperative agreements on the ROPS at this time, in order to reserve the right to challenge the invalidation of these agreements. Please seek legal counsel on this issue as it pertains to your specific situation.

**Q: Should we make pass through payments to taxing entities from tax increment received in December and January?**

**A:** As the legislation and Court-modified timeline make it unclear how taxing agencies should be paid between Jan 1 and June 30th of this year, we suggest holding off on payments at this time until a resolution can be reached with your county. Calculate the pass through obligations, but just earmark and maintain the funds needed to pay these pass throughs.

**Q: When will the limitations on administrative expenses kick in?**

**A:** It's unclear how administration expenses will be accounted for prior to July 1st 2012. We recommend continuing to pay for all reasonable expenses as needed to wind down the affairs of the agency and uphold agreements with employee labor organizations. Include these costs on the EOPS and ROPS.

**Q: I have administration expenses associated with an ongoing project. Do I have to provide for those costs within the 5%/\$250,000 allowance?**

**A:** We recommend including any administrative costs directly tied to a project with the project cost itself, not within the catch-all administrative budget.

**Q: Do we need to select a successor housing entity?**

**A:** Yes. We recommend all cities to either designate themselves as the successor housing entity, or declare which local housing authority should assume these responsibilities. Cities should discuss the potential liability issues for assuming the obligations for Housing with their legal counsel. Cities may also like to incorporate language into any resolution allowing them to rescind a selection if the obligations are found to exceed any assets or resources to be received.

**Q: How is an Oversight Board formed?**

**A:** Though the law does not specifically task the Successor Agency with ensuring formation, we recommend initiating this process soon to allow time to organize and educate the OB, as well as have the first ROPS (covering May and June) approved no later than April 15th.

**Q: How is the largest special district determined?**

**A:** The Successor Agency will likely need to work with the county to determine this. The legislation does not identify whether the "largest share" is determined on a pre- or post-ERAF basis.

**Q: When will I remit the existing unencumbered fund balances to the county auditor controller?**

**A:** The legislation does not give a specific deadline for this action. We recommend holding off on any transfer of funds or assets until specifically directed to by the Oversight Board and once all accounting and cash flow issues are resolved.

**Q: What about bond proceeds?**

**A:** At this time, there is no definitive answer on whether or not unencumbered bond proceeds can be spent by the Successor Agency. Many redevelopment professionals believe the bond covenants constitute a contract with the bond holders and thus must be spent accordingly. As with other fund balances, we recommend holding off on remitting these proceeds as more information may become available.

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**LIST OF PROPERTIES TO BE CONVEYED TO  
THE CARSON HOUSING AUTHORITY**

<u>Property Address</u>	<u>APN No.</u>
600-610 W. Carson St.	7343-020-902, 903, 904
21704 S. Figueroa St.	343-019-900
526 W. Carson St.	7343-019-901
21227 S. Figueroa St.	7343-007-903
415 E. Carson St.	7334-018-902
425 E. Carson St.	7334-018-900
437 E. Carson St.	7334-018-901
615 E. Carson St.	7337-011-900, 901
21521 S. Avalon Blvd.	7337-011-902
542 E. Carson St.	7335-010-905
550 E. Carson St.	7335-010-904
616 E. Carson St.	7335-010-905, 907, 908
21009 S. Prospect Ave	7309-002-900
2671 E. Tyler St.	7308-002-034
2673 E. Tyler St.	7308-002-901
2677 E. Tyler St.	7308-002-036

**LIST OF PROPERTIES TO BE CONVEYED TO  
SUCCESSOR AGENCY**

<u>Property Address</u>	<u>APN No.</u>
20820 S. Main St.	7336-016-900 thru 906
17505 S. Main St.	7339-003-900
401 E. Carson St.	7334-018-903
2403 E 223 <sup>rd</sup> St.	7315-012-900
2254 E. 223 <sup>rd</sup> St.	7315-007-903
24219 S. Avalon Blvd.	7406-018-908, 909
2201 E. 223 <sup>rd</sup> St.	7315-004-903
2535-2569 E. Carson St.	7316-009-902, 03, 04, 05, 06, 07, 08, 09

**CRA Advocacy Team Working Aggressively on the  
Future of Job-Creation and Community Revitalization**

***Two-Phase Approach: Immediate Legislation Sought to Postpone Feb 1 Dissolution/Long-Term  
Plan Working with Lawmakers on Permanent Solution***

by James Kennedy, CRA Interim Executive Director

Since the California Supreme Court decision in late December, the CRA Board, staff and its team of well-respected lobbyists and consultants have been working aggressively on a legislative program to reshape and redefine the future of community-based job-creation and neighborhood revitalization. We are collaborating closely with Legislators and our partners in local government, affordable housing, business and labor.

The team has developed a two-phase approach: First, we are seeking immediate legislation to postpone the February 1 deadline set by the Supreme Court to start the dissolution process. Second, we are collaborating with lawmakers and our allies to determine what an appropriate long-term job-creation and neighborhood revitalization tool should look like.

**SB 659 (Padilla) Seeks To Postpone February 1 Dissolution Date**

State Senator Alex Padilla has agreed to carry SB 659 with a host of Senate and Assembly co-authors. The bill would postpone the February 1 dissolution deadline until April 15, 2012. That would provide needed time to fix the many issues and legal questions that have come up as the result of the Supreme Court decision and AB 1X 26. Implementing AB 1X 26 is proving to be fraught with uncertainties, legal liabilities and even the potential that the State could be left holding the bag due to gaps and ambiguities in the law.

Cities and counties, along with the private sector, have raised many questions – and concerns – associated with shuttering redevelopment. Concerns include restrictions on the ability to transfer property, restrictions on repaying interagency loans, the legal status of successor agencies, the risk associated with bond payments and the inability to commit bond proceeds or defease certain bonds legally.

The biggest unknown, and therefore concern, is the question of responsibility for payment of the more than \$20 billion in outstanding bond debt and tens of billions in additional liabilities that the State Controller reports are on the redevelopment agencies' books. While AB 1X 26 is intended to ensure that all outstanding debt and liabilities get paid, bond experts are raising serious concerns about the lack of clarity about how this massive debt will be repaid in a timely way to avoid defaults once agencies are dissolved. This alone is reason enough to take a brief timeout to make sure the dissolution of agencies is done properly.

We encourage you to talk to your legislators immediately about the need to approve SB 659. Enlist the help of your neighborhood and community partners as well. The most important message—do it now. You can use the suggested talking points prepared by CRA found at our website ([www.calredevelop.org](http://www.calredevelop.org)).

## **Compliance with AB 1X 26**

Until and unless legislation is passed to postpone the dissolution process, agencies are advised to continue following the process prescribed in AB1X 26. Please consult with your legal counsel or with CRA with any questions.

## **Long-Term Program Should Maximize Best of Redevelopment—Provide Budget Relief for State and Local Entities**

CRA and our partners are committed to working collaboratively with lawmakers to create a new program that is appropriately focused on combined state and local priorities of job creation, environmentally sustainable growth, affordable housing, and the elimination of blight and economic disparity. On January 15, Senator Darrell Steinberg published an op-ed piece in a number of California newspapers, including the Sacramento Bee and the San Diego Union-Tribune. He also suggests that a redesigned tool be created to provide local government with a continued capacity for local economic development, and to advance the goal of changing land use patterns to achieve long term transportation and environmental sustainability goals. CRA and the League of California Cities welcome the opportunity for this conversation. We are firmly of the belief that we have shared mutual goals. We are also firmly of the belief that a delay in the dissolution will serve to advance these mutual goals much sooner than allowing redevelopment agencies to dissolve on February 1.

We recognize that any new program must provide the State and local entities with additional budgetary relief. That state budgetary relief is now put in question because of the California Supreme Court ruling. Any successor job-creation and neighborhood renewal program must give the state and education increased revenues for this fiscal year and beyond.

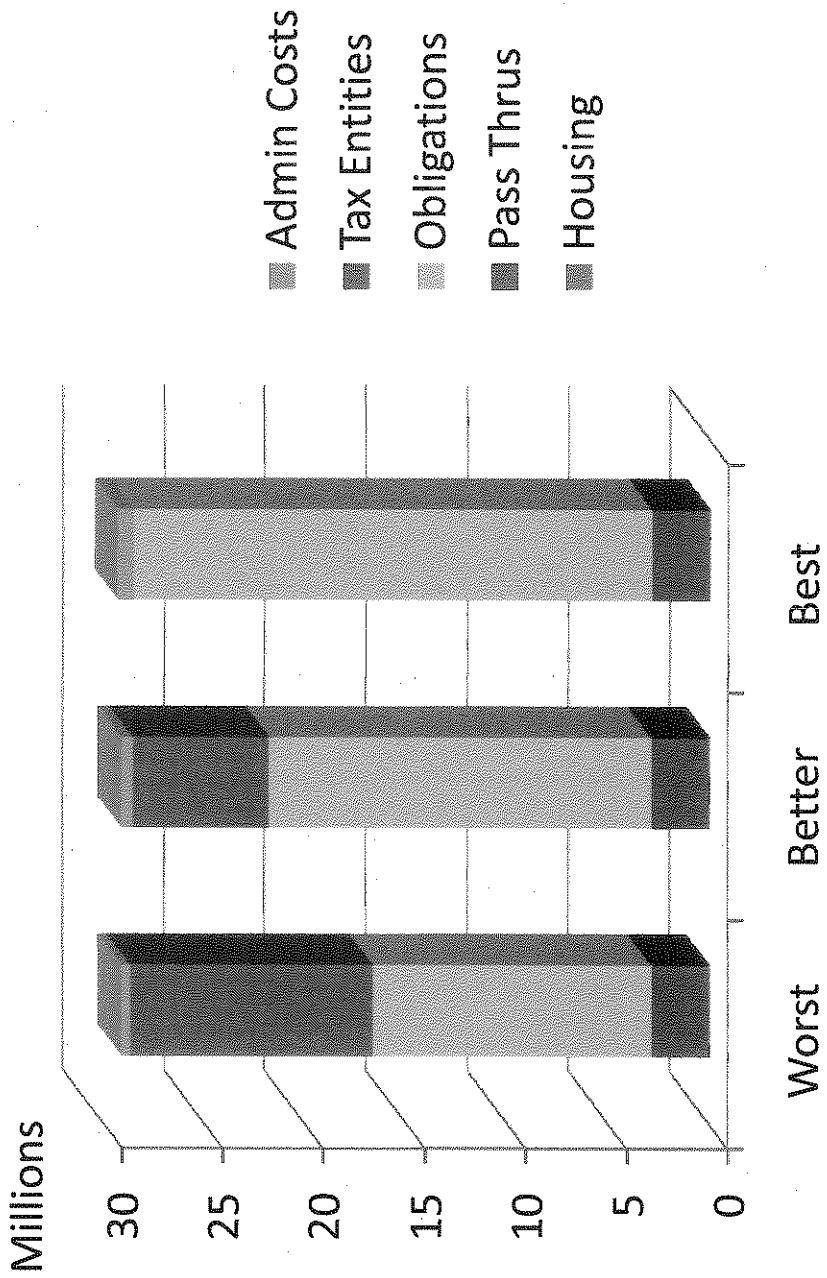
## **We Need Your Help Now More Than Ever**

In the immediate, CRA calls on its members, their underlying local governments and all allies of redevelopment to engage now in contacting legislators to urge support of SB 659. Over the long-term, CRA will keep you apprised of new developments and any policies to create a successor program. It is important that the redevelopment community work together and speak with a clear and consistent message. Visit the CRA website for tools and action alerts.

We know these are anxious times for redevelopment professionals. The CRA Board of Directors and staff are implementing an aggressive plan and are committed to frequent communications with our members and allies.

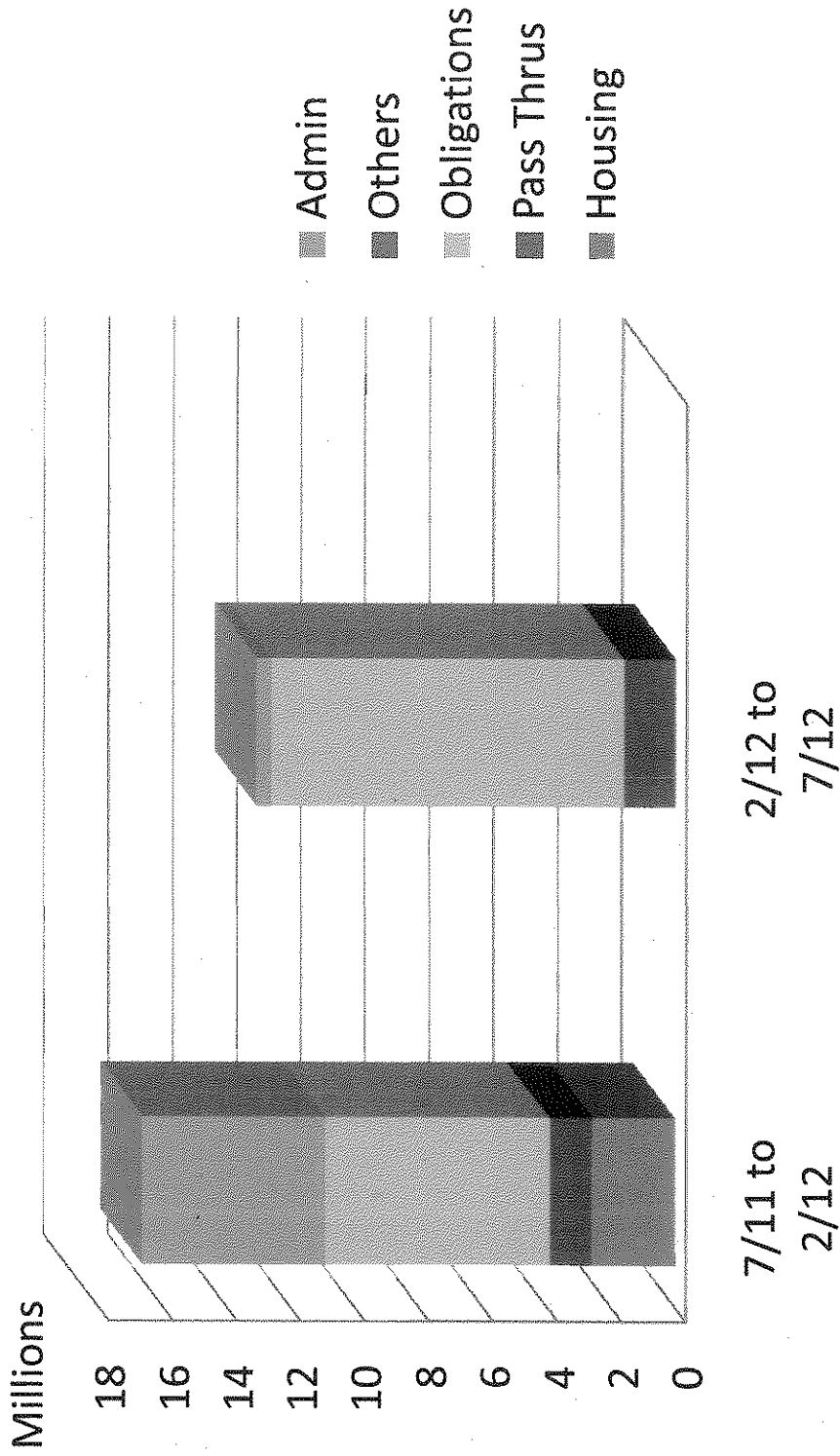
Please be on the lookout for more information and don't hesitate to contact CRA staff by phone, email or visit us on the web at [www.calredevelop.org](http://www.calredevelop.org).

# Estimated Distribution of Tax Increment for 2012-13+



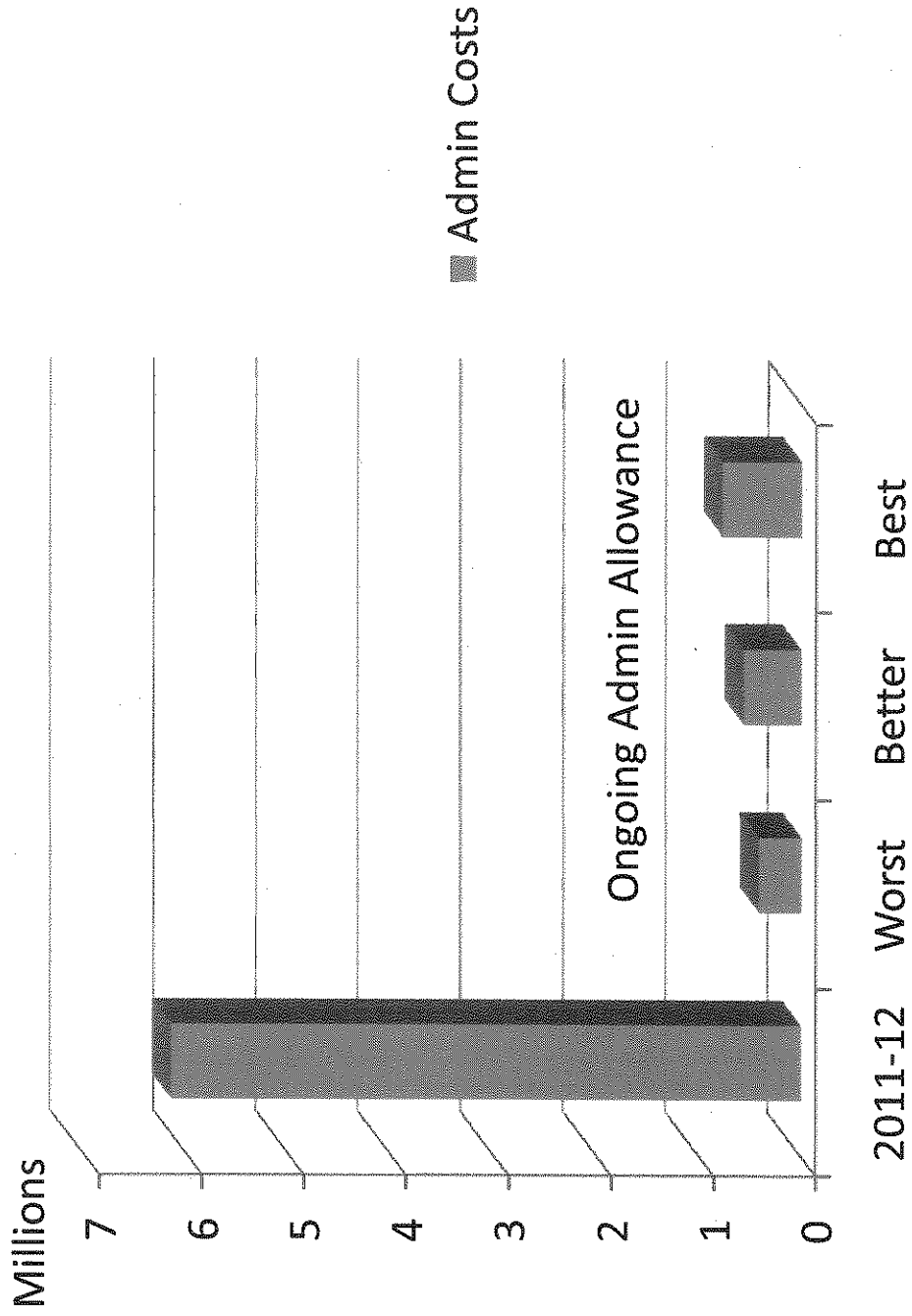
Commencing in 2012-13 and thereafter, administrative costs are likely to range from slightly over \$400,000 to about \$550,000. The best case scenario, shown above, of \$775,000 would likely only occur in the first year, if ever.

# Estimated Distribution of Tax Increment for 2011-12



Any administrative costs incurred by the Agency before February should be payable from tax increment; after February, administration costs funded by tax increment will be limited.

# Administrative Cost Reimbursement Comparison



Amount shown for 2011-12 includes 7 months of normal administrative expenses and 5 months of the allowance.

# Impacts of AB 26

## Before AB 26

- All revenue in payments from Nov. to August
- All revenue collected
- True-up on overall net debt only
- No Fund Balance Limitations

## After AB 26

- Limited revenue in two payments: Jan. and June
- Amt. needed for approved obligations
- True-up required every 6 months
- Fund balance transferred to County

# Tax Allocation Schedule

## Before AB 26

## After AB 26

- Nov/Dec = 45%
- January = 5%
- April/May = 30%
- June = 1%
- July/Aug = 10%
- January = 50%/EOPS
- June = 50%/EOPS

Project No.	Description	Engineer/ Construction Manager	Contractor	Date Awarded/ Amended	CRA Contract Amount		Other Funds	Total Cost
					Awarded	To be Awarded		
921	Avalon Blvd Interchange Modification at the I-405 Freeway	AECOM		11/15/2005 12/15/2009	\$1,476,350.00		\$769,125 Fed	\$2,245,475
921	Avalon Blvd Interchange Modification at the I-405 Freeway	Parsons (CM)		12/16/2008	\$2,403,506.43			\$2,403,506.43
921	Avalon Blvd Interchange Modification at the I-405 Freeway		Powell Constructors	6/15/2010	\$5,964,054.00		\$6,770,000 MTA	\$12,734,054
919	Wilmington Avenue Interchange Modification at the I-405 Freeway	Parsons Transportation Group		9/5/2006 11/16/2010	\$2,509,424.52			\$2,509,424.52
919	Wilmington Avenue Interchange Modification at the I-405 Freeway	TCM Group, Inc (CM)		2/17/2009	\$2,994,788.00			\$2,994,788.00

CRA Funded project (CRA Amount only)

1/17/2012

Project No.	Description	Engineer/ Construction Manager	Contractor	Date Awarded/ Amended	CRA Contract Amount		Other Funds	Total Cost
					Awarded	To be Awarded		
919	Wilmington Avenue Interchange Modification at the I-405 Freeway		to be advertised			\$6,703,788.00	\$11,362,000 MTA \$4,000,000 Fed	\$22,065,788.00
919	Wilmington Avenue Interchange Modification at the I-405 Freeway	Right of way		TBD		\$1,500,000.00		\$1,500,000.00
1281/ 1286	Citywide Annual Overlay and Concrete Project	n/a	All American Asphalt, Inc.	9/6/2011	\$215,000.00		\$1,065,000 State / Gas Tax	\$1,280,000.00
675	Sepulveda Widening, Alameda Street to East City Limit		to be advertised			\$1,100,000.00	\$1,300,000 Fed \$2,700,000 ICTF	\$5,100,000.00
839	Broadway Improvements, Main Street to Griffith street		to be advertised			\$982,900.00		\$982,900.00

Project No.	Description	Engineer/ Construction Manager	Contractor	Date Awarded/ Amended	CRA Contract Amount		Other Funds	Total Cost
					Awarded	To be Awarded		
1297	FY 2011-12 Citywide Annual Overlay		to be advertised			\$500,000.00	\$450,000 State \$250,000 Gas Tax	\$1,200,000.00
1223	Carson Park Master Plan		CWS Systems, Inc.	11/15/2011 (09-06-2011)	\$9,351,000.00			\$9,351,000.00
1317	Community Center HVAC, Roof and Solar		Eberhard	12/21/2010	\$4,329,060.00		\$899,900 Fed \$95,000 City	\$4,323,960.00
1003	223rd Street Improvement from Lucerne to Alameda		to be advertised			\$4,799,679.00		\$4,799,679.00
1043	Carson Street Master Plan	Gruen Associates		11/16/2010	\$795,059.00			\$795,059.00
1043	Carson Street Master Plan		to be advertised			\$4,000,000.00		\$4,000,000.00

G/Engineering/Projects/CRA Funded Projects