Agenda Item No._____

CITY OF SANTA BARBARA

REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: August 23, 2011

TO: Chair and Board Members

FROM: Community Development Department

SUBJECT: Redevelopment Agency's Enforceable Obligation Payment Schedule

RECOMMENDATION: That the Agency Board adopt, by reading of title only, A Resolution of the Redevelopment Agency of the City of Santa Barbara Adopting an Enforceable Obligation Payment Schedule and Authorizing the Filing of the Schedule, Subject to the Restrictions Provided Herein, with the State Department of Finance, the State Controller's Office and the Auditor-Controller of the County of Santa Barbara.

DISCUSSION:

State Legislation Impacts to Redevelopment Agency

On June 29, 2011, the Governor signed the 2012 budget bill (SB 87) and bills AB X1 26 (RDA Dissolution Bill) and AB X1 27 (RDA Continuation Bill) which, in their simplest form, result in the dissolution of all redevelopment agencies in the State on October 1, 2011 (AB X1 26) unless the city that created the redevelopment agency enacts a "Continuation Ordinance" (AB X1 27) which commits the RDA to make certain payments for Fiscal Year 2012 and additional payments each year thereafter until, presumably, the Project Area expires and the RDA no longer receives tax increment payments.

AB X1 26 requires each redevelopment agency to undertake certain actions in anticipation of the agency's dissolution. One such action is the adoption of an enforceable obligation payment schedule ("EOPS") no later than 60 days after the effective date of AB X1 26 (June 29, 2011). The EOPS must list and provide specific information as to each obligation that an agency is obligated to pay. The EOPS is then to be transmitted to the State Department of Finance and ultimately to the agency's "successor agency" which is obligated to make the payments according to the EOPS. The EOPS must include the following elements about each obligation:

- The project name associated with the obligation;
- The payee;
- A short description of the nature of the work, product, service, facility, or other thing of value for which payment is to be made;
- The amount of payments obligated to be made, monthly from July 2011 through December 2011. (*Health & Safety Code Sec.* 34169(g)(1)); and

- The Enforceable Obligation Payment Schedule must be posted on the Agency's website and submitted to the County-Auditor Controller, the State Controller's Office and the State Department of Finance.

Legal Challenge

In response to the State's budget action, on July 18, 2011 the California Redevelopment Association (CRA), League of California Cities, and two cities, including a charter city and a general law city, filed a legal challenge with the California Supreme Court seeking an immediate stay of the Dissolution and Continuation Bills in order to preserve local redevelopment funds pending a decision on the constitutionality of the Bills. The legal challenge asserts, among other things, that the Bills, taken together, violate Proposition 22 approved by voters in the November 2010 election which prohibits further State raids on local funds.

On August 11, 2011, the California Supreme Court granted the request to stay AB X1 26 (in part) and all of AB X1 27. The requirement to adopt the EOPS within 60 days of the effective date of AB X1 26 is included within the stay. Several other provisions of the Bill, however, that also pertain to the EOPS are not included in the stay. While it is anticipated that further clarification on this ambiguity will be provided, at this time, and in an abundance of caution, staff recommends that the Agency Board adopt a resolution approving the EOPS attached as Exhibit A thereto. Staff further recommend that the EOPS not be filed with the State or County until there is clarity as to whether it is required or not and as to whether AB X1 26 and AB X1 27 pass constitutional scrutiny and are otherwise legal.

The Court also ordered the State to file briefs opposing the CRA's petition, and for the CRA to file briefs responding to the State's opposition, by the end of September 2011. The Court indicated its intent to decide the case on its merits before January 15, 2012.

BUDGET/FINANCIAL INFORMATION:

There are no direct financial impacts to approving the EOPS as these are already current obligations of the Redevelopment Agency.

PREPARED BY: Brian J. Bosse, Housing and Redevelopment Manager/MEA

SUBMITTED BY: Paul Casey, Assistant City Administrator

APPROVED BY: City Administrator's Office