

**City of Culver City, California
Agenda Item Report**

Meeting Date: 01/09/12		Item Number: <u>J-1</u>	
JOINT CITY COUNCIL AND AGENCY BOARD AGENDA ITEM: (1) Presentation of Comments from the City Manager/Executive Director Related to the Impacts of the Implementation of AB 1X 26 (the Redevelopment Agency Dissolution Bill) and (2) City Council Adoption of a Resolution Designating the City of Culver City as the Successor Agency to the Culver City Redevelopment Agency.			
Contact Person/Dept.: John Nachbar, City Manager		Phone Number: (310) 253-6000	
Fiscal Impact: Yes ☐ No ☒		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification (E-Mail) Meetings and Agendas – City Council (01/06/12)			
Department Approval: John Nachbar (01/6/12)		City Attorney Approval: Carol Schwab (by H. Baker) (01/06/12)	
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (01/06/12)		City Manager Approval: John Nachbar (01/06/12)	
<u>RECOMMENDATION:</u> Staff recommends the City Council and Agency Board (1) receive the comments from the City Manager regarding the impacts of the implementation of AB 1X 26 (the Redevelopment Agency Dissolution Bill) and (2) the City Council adopt a proposed resolution designating the City of Culver City as the Successor Agency to the Culver City Redevelopment Agency (the “Agency”). <u>BACKGROUND:</u> As part of his budget proposal for Fiscal Year 2011/2012, Governor Brown proposed the elimination of redevelopment agencies throughout the State of California to assist the State in addressing its chronic, multi-billion dollar budget deficit. Despite intense advocacy from the League of California Cities, the California Redevelopment Association, and others (including the Mayor and Council Members of Culver City), the Legislature ultimately adopted, and the Governor signed into law, AB 1X 26 (AB 26) and AB 1X 27 (AB 27). In brief summary, AB 26 provided for the dissolution of redevelopment agencies throughout the State and AB 27 provided for an alternative redevelopment program subject to the payment to the State and others of an opt-in payment. The City Council, acting as itself and as the Agency Board, took various steps to protect the vital projects and programs supported by Agency funds here in Culver City. These steps included, but were not limited to, the adoption of cooperation agreements between the City and the Agency which allow the City to continue to			

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pursue the goals of the Redevelopment Plan of elimination of blight through the completion of redevelopment projects and economic development programs.

In July, 2011, the League of California Cities and the California Redevelopment Association (Plaintiffs) filed suit in the California Supreme Court challenging the constitutionality of AB 26 and AB 27. Additionally, the Plaintiffs requested the California Supreme Court stay the implementation of AB 26 and AB 27 pending the issuance of the final ruling from the Court. In August, 2011 the California Supreme Court issued a Stay related to the implementation of AB 27 and most parts of AB 26. On December 29, 2011, the California Supreme Court issued its ruling which declared AB 26 constitutional and AB 27 unconstitutional. Also, using its power of reformation, the California Supreme Court amended certain dates for compliance with various provisions of AB 26 (see below for a list of the most pressing deadlines).

DISCUSSION:

The ruling of the California Supreme Court was the worst outcome from the viewpoint of California's redevelopment agencies (including the Culver City Redevelopment Agency). Given the state of the law as of the writing of this report, effective on Wednesday, February 1, 2012, all redevelopment agencies in California will be dissolved with ministerial duties of administering "enforceable obligations" of the former redevelopment agencies and the wind down of the former agencies' activities being vested in "Successor Agencies."

The result of the California Supreme Court's ruling will have a severe impact on both the Culver City Redevelopment Agency and the City of Culver City. As mentioned above, the Culver City Redevelopment Agency will cease to exist on February 1, 2012. This dissolution will also have a multi-million dollar negative impact on the finances of the City, since the Agency supports, in whole or in part, many City projects and programs. And, with the elimination of or significant cutbacks in projects and programs, funding for staff positions which supported those projects and programs is also severely impacted.

Dissolution of entities as large and long tenured as California's redevelopment agencies is unprecedented. Also, AB 26 does not clearly address (or does not address at all) many questions raised by staff and others. While everyone is seeking clarity as to the path forward, experts throughout the state continue to evaluate the provisions of AB 26, the intent of the Legislature expressed during the debate of this measure, and the ruling of the California Supreme Court. One thing is clear – the path forward will involve additional litigation and lower revenues to support local redevelopment projects, economic development efforts, and cultural programming (all of which were funded in whole or in part from the Agency). The City Manager will provide additional comments on this important subject during the presentation of this report.

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Successor Agency

AB 26 provides that “Successor Agencies” are designated as successor entities to the former redevelopment agencies. The Successor Agencies possess “all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies under the Community Redevelopment Law. However, this power is severely limited with the creation of several layers of oversight of the Successor Agency, including the creation of an “Oversight Board” and increased powers provided to the County Auditor-Controller, the State Controller, and the State Department of Finance.

AB 26 provides that the City may elect NOT to serve as the Successor Agency by adopting a resolution to that effect. While the law seems to infer that the City automatically becomes the Successor Agency absent the adoption of the resolution mentioned in the prior sentence, City Special Counsel recommends that if the City Council does wish to name the City of Culver City as the Successor Agency, then the City Council adopt a resolution affirmatively stating such election and reserving all other constitutional and legal rights under law and/or equity.

So that the City may, to the limited extent allowed by AB 26, continue to perform certain functions of the former Agency, staff recommends the City Council adopt the proposed resolution presented this evening.

FISCAL ANALYSIS:

AB 26 provides that “...the liability of any successor agency, acting pursuant to the powers granted under the act adding this part, shall be limited to the extent of the total sum of property tax revenues it receives pursuant to this part and the value of assets transferred to it as a successor agency for a dissolved redevelopment agency.”

While this provides some guidance, such guidance may not be definitive. There is concern that, in some cases, the City’s General Fund could become encumbered with costs previously borne by the Culver City Redevelopment Agency if the Oversight Board, the County Auditor-Controller, the State Controller, or the State Department of Finance were to disagree with or invalidate certain “enforceable obligations.” Unfortunately, collectively, these oversight bodies may take months or years to make such determinations. This provides significant potential risk to the City’s General Fund. The City Manager will address this important issue in more detail during his oral remarks.

ATTACHMENT:

Proposed Resolution.

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MOTION:

That the City Council:

1. Receive a presentation from the City Manager related to the impacts of the dissolution of the Culver City Redevelopment Agency; and,
2. Adopt a resolution designating the City of Culver City as the “Successor Agency” to the Culver City Redevelopment Agency.