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City Administrator's Office

MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Fred Blackwell
Scott Johnson

**SUBJECT: STATUS OF DISSOLUTION
OF REDEVELOPMENT AGENCY
& TRANSITION TO SUCCESSOR
AGENCY**

DATE: March 21, 2012

City Administrator
Approval

Deana Shea

Date

3/21/12

INFORMATION

As you are aware, the dissolution of redevelopment agencies throughout the state became effective February 1, 2012. Staff began preparing for the dissolution of the Redevelopment Agency of the City of Oakland prior to February 1st and is continuing to work through transition issues. The following summarizes the status of various aspects of the transition from the Redevelopment Agency to the City as successor agency.

Funding Agreement and Property Transfers

On March 3, 2011, the City Council authorized a Funding Agreement between the City and the Redevelopment Agency providing for the City to undertake a variety of development projects and programs and the Agency to fund the City for the costs of those undertakings. On January 31, 2012, staff transferred funds for a portion of the Funding Agreement as an advance for City contracted projects and staff/contingency funding for a total of \$107.5 million. The source of funding for the advance was roughly one-half existing tax increment and other operating sources, and the other half from bond proceeds. These funds are currently held by the City to fulfill existing projects authorized in the Funding Agreement.

On March 3, 2011, the City Council also authorized the sale of various real properties from the Agency to the City and from the City to the Agency. All of those transactions were completed prior to dissolution, and the City now owns most of the real property formerly owned by the Agency.

- 77 properties were conveyed from the Agency to the City in the City's own capacity prior to dissolution.
- 30 properties previously owned by the Agency but not transferred to the City prior to dissolution are now owned by the City as successor agency.
- Eight properties were retained by the City as housing assets.

- Five properties were purchased by the Agency from the City, including the Kaiser Convention Center. These properties are now owned by the City as successor agency.

Successor Agency

Per Council action, the City has elected to serve in the capacity as successor agency to the dissolved Redevelopment Agency, and that transition took place on February 1. All remaining pooled cash and bond proceeds were transferred from the Redevelopment Agency to the City as successor agency, which are held in Wells Fargo and bond trustee accounts separate from other City assets. Existing budgets have been transferred to the new successor agency and fund structure. Invoices on outstanding Agency obligations are being processed by the City as successor agency based on the adopted Enforceable Obligation Payment Schedule (EOPS).

Remaining CEDA Redevelopment staff members have been transitioned to the newly created Office of Neighborhood Investment.

Staff is in the process of finalizing the Recognized Obligation Payment Schedules (ROPS) for the remainder of this fiscal year, which will replace the EOPS on May 1, and a ROPS for the first half of FY 2012-13, as well as an administrative budget for the successor agency. The ROPS and administrative budget must be approved by the oversight board, subject to review by the California Department of Finance, before any eligible payments may be made by the successor agency. The initial ROPS must also be certified by the County Auditor-Controller prior to oversight board approval. Council approval of the submission of the ROPS and administrative budget to the oversight board is expected to be scheduled for the CED committee on March 27th with full Council review and approval scheduled for April 3rd.

Staff has received initial inquiries from the Department of Finance on the amended EOPS submitted on January 27, 2012 in order to anticipate questions they might have on the ROPS.

Housing Functions

All affordable housing assets (except the balances in the Low and Moderate Income Housing Fund) and functions of the former Redevelopment Agency have been transferred to the City, per the dissolution statute. This includes real property, loans receivable, and amounts due the Low and Moderate Income Housing Fund from other redevelopment funds. It also includes all of the affordable housing obligations, including disbursement of funds and oversight of housing projects still under development, monitoring of completed projects for ongoing compliance with affordability restrictions, and compliance with requirements for production of replacement housing and affordable housing in certain redevelopment project areas.

The dissolution statute provides that balances in the Low and Moderate Income Housing Fund be retained by the successor agency. Amounts that are tied to enforceable obligations (such as housing development loans and housing-related contracts) will be transferred from the accounts of the City in its capacity as successor agency to the accounts of the City as housing successor as needed for disbursement to borrowers and contractors.

Oversight Board

The oversight board is a seven member body that must be established prior to May 1st. To date the following appointments have been made:

1. Elsa Ortiz - AC Transit district
2. Tony Smith - School District
3. Keith Carson - County Supervisor
4. Mayor Quan - City of Oakland
5. Jeffrey Levin - Mayor's Labor appointee

Since this is a quorum, staff plans to schedule the inaugural meeting of the oversight board during the week of April 9.

Controller Review of Asset Transfers

As previously mentioned, the dissolution bill allows the State Controller to review and order the return of any assets transferred by a redevelopment agency to a city or other public agency after January 1, 2011, i.e., the so-called "clawback" provision. We expect to receive a questionnaire from the County and the Controller in mid-March asking the City for details on Agency to City asset transfers, with the information due back to the County and Controller in early May.

Legislative Update

The Assembly Local Government and Housing and Community Development committees held a joint hearing on Wednesday, March 7 focused on post-redevelopment tools for creating economic development. There was also discussion around making various technical fixes to AB 1x 26 to clarify the functions of successor agencies and oversight boards and protect affordable housing funds.

Two bills, Senate Bill 654 (Steinberg) and Assembly Bill 1585 (Perez), have been introduced to return the affordable housing fund balances of dissolved redevelopment agencies (including unobligated balances) back to the cities. SB 654 has passed the Senate without an urgency provision, while AB 1585, still pending in the Assembly, currently has urgency language included (if approved this would make the bill effective immediately upon passage by the Legislature and signature by the Governor).

Senate Bill 986 (Dutton) would ensure that bond proceeds are expended on the projects for which they were issued. The bill is pending in the Senate and so far no action has occurred. SB 986 provides that all bond proceeds that were generated by a former redevelopment agency shall be deemed to be encumbered and prohibits a successor agency from sending these proceeds to the county auditor-controller. The bill requires that these bond proceeds must be used by the successor agency for the purposes for which the bonds were sold pursuant to an enforceable obligation that was entered into either by the former agency or its successor agency by December 14, 2014. This bill would allow the City to enter into new enforceable obligations using unencumbered bond proceeds until the end of 2014.

