



AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: June 4, 2013

Agenda Item 6-E
Approvals: _____
City Manager RF
Dept. Head _____
Attorney AT
Finance JV

Department: Finance and Administrative Services
Prepared By: Jake Rahn, Financial Services Officer

Subject: *STATUS UPDATE ON REDEVELOPMENT AGENCY DISSOLUTION*

Fiscal Impact: None. Approval of any actions taken by the Council is subject to approval of the Oversight Board and the State of California.

Summary: The City, as the successor agency, has been working on steps to dissolve the Redevelopment Agency (RDA). This requires the distribution of assets that were held by the RDA and paying the enforceable obligations that existed as of February 1, 2012 (date of dissolution). This report outlines steps completed and the remaining steps to be completed by the City (Successor Agency) for dissolution.

Background: As part of the State of California FY 2012 budget, legislation was passed dissolving redevelopment agencies. This legislation, and related subsequent legislation, provided procedures to dissolve redevelopment agencies statewide. This report provides a brief status on what the City, as successor agency to the former San Clemente Redevelopment Agency (RDA), has completed to dissolve the operations of the San Clemente RDA.

The following activities have been completed as part of the dissolution process:

- Oversight Board to the Successor Agency was created,
- Recognized Obligation Payment Schedules (ROPS) were submitted to the State,
- Redevelopment Agencies assets were distributed to the Successor Agency,
- Due Diligence Reports (DDR's) covering the Low and Moderate Income Housing fund (LMIHF) and the Other Funds were completed and submitted to the State, and
- Residual amounts held by the RDA were transferred to the County of Orange.

(See "Attachment 1" for a more detailed timeline of the steps taken above)

Now, the City (as Successor Agency) must complete, obtain and resolve the following items to advance the dissolution of the RDA:

- Obtain a Finding of Completion by the State of California,
- Present a finding to the Oversight Board that the General Fund Loan was used for legitimate redevelopment purposes,
- Complete a Long-Range Property Management Plan addressing property transfers (including former Agency properties whose previous transfer was approved by the City Council), and
- Pay the enforceable obligations as listed on the ROPS.

Discussion: Staff has prepared information for each step that must be completed in order to enforceable obligations are paid so that the former RDA may be effectively dissolved. Information on the Finding of Completion, the Long Range Property Management Plan and Recognized Obligation Payment Schedules and the related steps are listed below:

Finding of Completion (FOC):

The FOC may be obtained once 1) the successor agency has paid the July 2012 true-up payment to the County, 2) the LMIHF DDR amount has been paid, 3) the Other Funds DDR amount has been paid, 4) confirmation of the paid amounts is received from the County by the State. Currently, the City has completed steps 1 and 2. The City has submitted the Other Funds DDR to the State of California for review. Upon acceptance by the State, a payment from the dissolved RDA assets will be made, completing step 3.

Once the listed steps are complete and the State has confirmed the payment to the County, a FOC will be issued to the City by the State. Upon approval by the Oversight Board, the City (Successor Agency) is then allowed to list the General Fund Loan on the ROPS as an enforceable obligation, and the City can begin receiving loan payments. In addition, dissolved RDA property assets per Health and Safety Code (HSC) Section 34191.5 (c)(2) can then be retained by the City.

Long-Range Property Management Plan (LRPMP):

The LRPMP must be completed within 6 months of the FOC and include background information on RDA properties (including description, purpose, and parcel data). The LRPMP needs to address the disposition and use of the real properties of the former RDA (excluding housing properties). The San Clemente RDA properties to be reported include grassy parkway areas in the Pier Bowl area and the Casa Romantica Cultural Center. The transfer of these assets was previously approved by the City Council; however, State law now requires that we list these assets on the LRPMP. The City will list in the LRPMP that these properties are for governmental purposes under HSC Section 34181(a) and that the City should retain them.

The grassy parkway areas are located between Avenida Victoria and the railroad tracks, just above the sandy beach area. These parcels are public park parcels in the former redevelopment project area and will be maintained and held on a long term basis by the City of San Clemente. See Attachment 2 for the location of the grassy areas, which are located in the Pier Bowl area.

The Casa Romantica Cultural Center was the home of the City's founder, Ole Hanson, which is a designated landmark on the National Register of Historic Places. The property is leased on a long-term basis and operated as a cultural center and gardens for the benefit of the community. This property is of historic significance and provides various cultural activities and displays throughout the year. This asset will be maintained and held on a long-term basis by the City of San Clemente.

Upon completion of the FOC, the LRPMP will be completed and submitted for approval of the asset transfers from the Oversight Board. Upon approval, the plan

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will be submitted to the State of California Department of Finance (DOF) for a determination.

Enforceable Obligations (as listed on the ROPS):

The ROPS lists the outstanding financial obligations of the redevelopment agency including the General Fund loan of \$1.7 million which is currently disallowed by the State DOF as an obligation, the operating lease agreement maintenance costs for the Casa Romantica and the administrative costs for dissolving the RDA.

The General Fund loan repayment can resume once the FOC is received and a resolution (finding) is approved by the Oversight Board stating that the loan was for legitimate purposes. The General Fund loan repayments, based on HSC Section 34191.4(b)(2), have the following conditions:

- Repayment amount authorized in each fiscal year is limited based on available property tax increment amounts.
- Accumulated interest on the remaining principal is to be recalculated from the loan origination at the LAIF interest rate.
- Paid in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the LAIF rate.

Based on the above conditions, the General Fund loan amount will be recalculated and repayments can be made on an accelerated payment schedule based on available property tax increment. The payments will be listed on the ROPS and authorized through Oversight Board and State DOF approval.

The Casa Romantica Lease Obligation is a result of the rental/operating agreement with the Casa Romantica Cultural Center (CRCC). This operating lease was first approved in 2001 and was modified under an amendment dated July 1, 2008 requiring the Agency to assist in maintenance responsibilities. The obligation to perform certain maintenance items by the City (as Successor Agency) is continuing to be funded through the RDA Property Tax Trust Funds. The lease and operating agreement (Agency's obligation) will need to be addressed in the future as the RDA dissolution progresses.

The administrative costs related to the dissolution of the RDA are subject to the annual threshold allowed under State law of \$250,000, but only actual costs to dissolve the RDA are paid.

***Recommended
Action:***

STAFF RECOMMENDS THAT the City Council:

- 1) Direct staff to prepare a resolution for the Oversight Board finding that the General Fund loan was for legitimate redevelopment purposes,
- 2) Direct staff to prepare an accelerated General Fund loan payment plan for presentation to the Oversight Board to further the dissolution of the former Redevelopment Agency, and
- 3) Direct staff to prepare the Long-Range Property Management Plan finding that the properties of the former RDA are being used for governmental purposes.

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Attachments: Attachment 1 - Steps taken as part of the Redevelopment Agency Dissolution
Attachment 2 - Grassy area location

Notification: Oversight Board Members

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Attachment 1 – Steps taken as part of the Redevelopment Agency Dissolution

<i>April 2012:</i>	The Oversight Board 1) approved the Administrative requirements for the creation of the Oversight Board, 2) approved the Recognized Obligation Payment Schedule (ROPS) I for the period from January 1, 2012 to June 30, 2012, and 3) authorized the transfer of the public use assets to the City of San Clemente as a part of a review of the assets of the former Agency.
<i>June 2012:</i>	The Oversight Board approved the ROPS II for the period from July 1 to December 31, 2012. The Auditor Controller made payment into the Redevelopment Property Tax Trust Fund for collected property taxes and distributed excess amounts to taxing entities based on the approved ROPS I.
<i>July 2012:</i>	The successor agency made payment on an invoice to the County auditor-controller in the amount of \$1,161,479 as required under AB 1484. This was subsequently distributed to taxing entities by the County on July 16 th .
<i>August 2012:</i>	The housing successor agency prepared and submitted to the Department of Finance (DOF) a list of housing assets transferred to the Successor Agency from 2/1/2012 to 8/1/2012. The list includes the Avenida Serra property and \$2.3 million of long term loans that have restrictive affordable housing covenants and maturities from 2024 to 2065. The DOF prescribed the format for the list and made no objections to the transfer of these assets.
<i>August 2012:</i>	The Oversight Board approved the ROPS III for January 1, 2013 to June 30, 2013, which was submitted electronically to DOF.
<i>October 2012:</i>	The DOF issued the approval to the City (Successor Agency) for the ROPS III for the period of January 1 to June 30, 2013.
<i>December 2012:</i>	The Oversight Board reviewed and approved the Low and Moderate Income Housing Fund (LMIHF) agreed upon procedures, which was subsequently transmitted to the DOF, and the auditor-controller.
<i>January 2013:</i>	The DOF completed the review of the LMIHF audit and reports findings, with determinations allowing only \$13,595 of payments to qualify as enforceable. The Successor agency requested a “meet and confer” to resolve disputes with DOF findings on the LMIHF audit and was granted this request. The meet and confer was held on January 28 th and additional information was requested from the Successor Agency staff. This information was subsequently provided in electronic format to the DOF.
<i>February 2013:</i>	The DOF reissued a revised letter allowing \$87,051 of payments to qualify as enforceable. The Other Funds DDR was completed by a licensed accountant and submitted to the DOF. In addition, the ROPS IV(A) was prepared and submitted for approval for the period of July 1 to December 31, 2013.
<i>March 2013:</i>	The Other Funds DDR was submitted to the State of California for review.

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Attachment 2 - Grassy Area Location (page 1)



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Attachment 2 - Grassy Area Location (page 2)



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