



AGENDA REPORT

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE SAN CLEMENTE REDEVELOPMENT AGENCY
Meeting Date: July 3, 2013

Agenda Item 7-A
Approvals:
City Manager RJ
Dept. Head _____
Attorney _____
Finance _____

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

Subject: *STATUS UPDATE ON REDEVELOPMENT AGENCY DISSOLUTION*

Fiscal Impact: None.

Summary: The Successor Agency has been completing steps to dissolve the Redevelopment Agency (RDA). These steps include the distribution of assets that were held by the RDA and paying enforceable obligations that existed as of February 1, 2012 (date of dissolution). This report outlines steps completed and the remaining steps to be approved by the Oversight Board prior to dissolution.

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

The following activities have been completed as part of the dissolution process:
April 4 and 16, 2012: The Oversight Board 1) approved the Administrative requirements for 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 (asset management plan).

June 27, 2012: The Oversight Board approved the ROPS II for the period from July 1, 2012 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.

July 10, 2012: The Successor Agency, based on an invoice by the County, made a payment to auditor-controller in the amount of \$1,161,479 from the Redevelopment Agency as required under AB 1484.

August 1, 2012: The Housing Successor Agency prepared and submitted to the Department of Finance (DOF) a list of housing assets transferred to the Successor Agency from February 1, 2012 to August 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.

August 23, 2012: The Oversight Board approved the ROPS III for January 1, 2013 through June 30, 2013, which was submitted electronically to DOF.

October 14, 2012: The DOF issued the approval to the City (Successor Agency) for the ROPS III for the period of January 1, 2013 to June 30, 2013.

December 10, 2012: 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.

January 4, 2013: DOF completed the review of LMIHF audit and reports findings, determinations allowed \$13,595 of payments to qualify as enforceable.

January 11, 2013: The Successor Agency requested a "meet and confer" to resolve disputes with DOF findings on LMIHF audit. This meet and confer was scheduled for January 28th.

January 28, 2013: The meet and confer was held and additional information was requested from the Successor Agency staff. This information was subsequently provided in electronic format to the DOF.

February 8, 2013: The DOF reissued a revised letter allowing \$87,051 of payments to qualify as enforceable.

February 2013: Successor Agency submitted to Oversight Board, County Auditor-Controller, State Controller, and DOF results of the agreed upon procedure report of all other Redevelopment Agency funds and account balances by a licensed accountant. Also, the ROPS IV(a) is prepared and submitted to the Oversight Board for approval for the period of July 1, 2013 to December 31, 2013.

May 29, 2013: DOF completed the other Redevelopment Agency funds agreed upon procedures report review and made adjustments totaling \$376,577. The adjustments were for loan payments of \$292,316 made from January 1, 2011 to January 1, 2012 and \$84,261 related to accounts payable at June 30, 2012, which are to be paid from the FY 2013 tax increment allocation.

June 5, 2013: The Successor Agency made payment of \$412,450, which included the adjustments listed above totaling \$376,577 and a residual balance of \$35,873.

June 18, 2013: A Finding of Completion was requested from the State of California.

June 2013: California State Controller's office review and assessment of asset transfers fieldwork was done. The City is currently waiting on this report.

June 2013: Prepared a finding for the Oversight Board that the General Fund Loan was used for legitimate redevelopment agency purposes.

In the future, the Successor Agency must bring before the Oversight Board the following items to advance the dissolution of the RDA:

- Receive the Asset Transfer Review Report from the State Controllers Office,
- 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 on each step that must be completed so that the former RDA may be effectively dissolved. Information on the Asset Transfer Review, the Long Range Property Management Plan and Recognized Obligation Payment Schedules and the related steps are listed below:

Asset Transfer Review

The State Controllers Office conducted fieldwork at City offices from June 3, 2013 through June 6, 2013 requesting and reviewing various documents related to the dissolution of the RDA. This review included assessing transfers made from the RDA to the Successor Agency to the City. The period reviewed was the period of January 1, 2011 to January 31, 2012. This review was to determine if any assets were moved from the RDA to the City without Oversight Board approval.

The Oversight Board as indicated previously was not composed of until April 2012. During the interim timeframe of uncertainty the RDA, upon Council approval, transferred to the City the Casa Romantica property since this is a public use asset. This action was subsequently approved by the Oversight Board at its April 4, 2012 meeting. In addition, during the normal operations of the RDA there were various improvements made to City owned assets paid with RDA funds, including improvements to the pier, lights and landscaping. These improvements are recorded during construction by the RDA; however, assets are capitalized by the City when completed.

Once the report is completed by the State Controller's Office, it will be presented to the Oversight Board.

Long-Range Property Management Plan (LRPMP):

The LRPMP must be completed within 6 months of the Finding of Completion 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.

The San Clemente RDA properties to be reported include grassy parkway areas in the Pier Bowl area, the Casa Romantica Cultural Center and other improvements. The transfer of these assets was previously approved by the City Council and the Oversight Board; however, State law 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.

Enforceable Obligations (as listed on the ROPS):

The ROPS lists the outstanding financial obligations of the redevelopment agency including the General Fund loan, the operating lease agreement maintenance costs for the Casa Romantica and the administrative costs for dissolving the RDA. The General Fund revised loan repayment is addressed in a separate agenda report.

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 continues to be funded through the RDA Property Tax Trust Funds. The lease and operating agreement 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 Oversight Board:

- 1) Receive and file the report.