

REPORT TO REDEVELOPMENT AGENCY

DATE: FEBRUARY 10, 2010

TO: HONORABLE CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

FROM: GREG RAMIREZ, EXECUTIVE DIRECTOR

BY: NATHAN HAMBUGRER, ASSISTANT EXECUTIVE DIRECTOR

SUBJECT: UPDATE ON PROPOSED SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF) SHIFTS FOR FISCAL YEARS 2009-2010 AND 2010-2011

At the request of Agency member Schwarz, staff is providing an update on the State of California's proposed Supplemental Educational Revenue Augmentation Fund (SERAF) shifts for the fiscal years of 1009-2010 and 2010-2011.

The State of California budget approved by the Legislature and signed by the Governor in July 2009, included Assembly Bill (AB) X4-26 which authorized a \$2.05 billion raid of redevelopment funds. On a more personal level, this raid of redevelopment funds affects the Agoura Hills Redevelopment Agency negatively in the amount of \$1,256,369. This proposed taking is similar to one that was ruled unconstitutional by a Sacramento Superior Court in April 2009. The State's intent with AB X4-26 is to redirect redevelopment funds to school districts in order to reduce the State's obligation to fund education. The Agoura Hills Redevelopment Agency already makes the local school district "whole" via an annual pass through payment that was agreed upon by both entities when the Redevelopment Agency was created in 1992. It is not a question of whether or not the City and Redevelopment Agency support the local school district, as history has shown overwhelmingly that this community, as a whole, supports its local educational institutes. The issue is the State's shifting of that financial responsibility unconstitutionally that brings this issue before the Board.

The taking of these redevelopment funds would have a detrimental affect on projects within the Redevelopment Agency. Infrastructure improvements such as the U.S. 101/Reyes Adobe Road Interchange and recently completed Kanan Road Interchange would not be possible. Due to the Agency's contractual obligation to repay bond funds for the Redevelopment Agency, the State's take of funds could also halt the progress made by the Agency on meeting its affordable housing obligation, which would prevent the Agency from attracting public safety workers, nurses, teachers and other public service employees from being part of the local community, due to the lack of housing stock that is affordable. Long-term projects such as the Agoura Village Specific Plan Area would be negatively affected as the Agency would not be able to make the necessary infrastructure improvements and utilize other economic development tools to attract quality

businesses that fit within our community and provide a stable tax base due to these proposed takings.

The California Redevelopment Association has filed a lawsuit against the State, arguing that the purpose of AB X4-26 does not qualify as a constitutionally permitted use of redevelopment funds. The lawsuit's intent is to prove the invalidity of the statute, which will help preserve local money, preserve economic development programs, and create jobs. This lawsuit does not require or encourage other Redevelopment Agencies to file additional lawsuits or join the existing lawsuit. The case is before the Sacramento Superior Court and the hope is that a decision will be rendered prior to May 10, 2010, when the first payment is scheduled to be made.

In addition, each Redevelopment Agency must inform its county auditor how it intends to pay the SERAF prior to March 1, 2010. It is staff's recommendation that the Agoura Hills Redevelopment Agency initially plan to make the payment through existing Redevelopment funds, which will essentially erase all funds earmarked for infrastructure projects and economic development programs. AB X4-26 does allow for the borrowing of funds from housing set-aside funds but, at this time is not being recommended by staff due to the many provisions of doing so. Although staff does feel that AB X4-26 is unconstitutional and will ultimately be deemed such, it is recommended that the Agency remain in compliance with this legislation until such time as a ruling is rendered.

RECOMMENDATION

Staff respectfully recommends the City Council review the provided information and authorize the Executive Director to issue a letter of compliance to the Los Angeles County Auditor's office stating the Agency's protest of the legislation but that if the legislation remains constitutional, the Agency intends to make the required Supplemental Educational Revenue Augmentation Fund payment via existing Redevelopment Funds.