

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

STATUS OF REDEVELOPMENT DISSOLUTION ACTIVITIES

Summary Statement:

On December 29, 2011, the California Supreme Court published its decision regarding the applicability of ABx1 26 and ABx1 27 to California redevelopment agencies, upholding the redevelopment dissolution bill (ABx1 26) and finding that ABx1 27 was unconstitutional. The effect of the Court's decision is to require dissolution of all redevelopment agencies effective February 1, 2012. Town staff is working diligently to carry out the provisions of ABx1 26 while, at the same time, attempting to develop a way forward in an effort to preserve jobs, programs, projects and activities.

The Economic Development & Housing Division of the Economic & Community Development Department is directly impacted by the Supreme Court decision, with a substantial portion of its budget being funded by redevelopment funds (both 80% and 20%) emanating from Redevelopment Project Area No. 1 (VVEDA) and Redevelopment Project Area No. 2 (AVRDA). Based upon an intensive budget analysis by staff, it has been determined that a revised budget through June 30, 2012 can be developed and implemented without an infusion of General Fund monies into the Economic Development & Housing Division FY 2011/2012 budget.

This can occur because the Division is also the recipient of Federal Community Development Block Grant (CDBG), Home Investment Partnership (HOME) and Neighborhood Stabilization Program (NSP-3) funds, plus a \$1 million competitive grant appropriation from the state of California's CAL-HOME program. Together, these Federal and state monies are unaffected by the Supreme Court decision upholding ABx1 26. With a fundamental retooling of the Division budget, including salary savings from recent retirements, employing the five-percent administrative fee provided for in ABx1 26, assumption of new funding-related duties and responsibilities by affected staff and the elimination of less critical budget items, a spending plan that enables the current staffing plan to remain in place through June 30, 2012 can be accomplished.

(Continued)

Recommendation:

That the Town Council/Redevelopment Agency Board of Directors receive, and file, this staff report.

Proposed by: Assistant Town Manager, Economic & Community Dev.

Item Number _____

Town Mgr. Approval: _____ **Budgeted Item** Yes No N/A

It is important to note that, in order for such a budget to be possible, several interrelated items must be approved and otherwise evolve in favor of the Apple Valley Redevelopment Agency. These items are listed immediately below for Council consideration:

1. SB 654 (Steinberg) must be passed by the state Legislature and be signed by the Governor (or the Legislature to have the ability to override the Governor's veto). This bill, if passed, would allow successor agencies to retain redevelopment low/mod housing funds and to use such funds for their intended purpose. Currently, successor agencies have the obligation to provide affordable housing but not the funds to do so;
2. Currently, there is considerable confusion regarding the exact status of tax allocation bond proceeds under ABx1 26 and whether these funds constitute an enforceable obligation as presently defined. It is important that the tax allocation bond proceeds for the Yucca Loma Bridge project and our affordable housing programs be characterized as enforceable obligations when the Town EOPS/ROPS are audited by the Auditor-Controller and approved by the Oversight Board, the state Department of Finance and the state Controller. The tax allocation bond proceeds relating to our Twenty-Percent Set-Aside housing programs will be needed if a revised budget as described above is to be achieved; and,
3. A determination in favor of the Victor Valley Economic Development Authority as to the applicability of ABx1 26 to joint powers authorities formed under different state and Federal rules than the state's 450+ redevelopment agencies. It is noted that passage of SB 654 would greatly assist the Apple Valley Redevelopment Agency even if it was, ultimately, determined that ABx1 26 applies to VVEDA.

The redevelopment dissolution process contains many moving pieces and requires decisions to be made in a murky decision-making environment. The fate of various bills, including SB 654 and the City of Cerritos lawsuit, could be significant factors in how the dissolution process is actually played out. As I mentioned to the Council in a recent meeting, it is important to be quick but not hurry in dealing with the challenges that confront the Town and every other community that has a redevelopment agency.

Based upon the foregoing, staff recommends adoption of the form motion.