

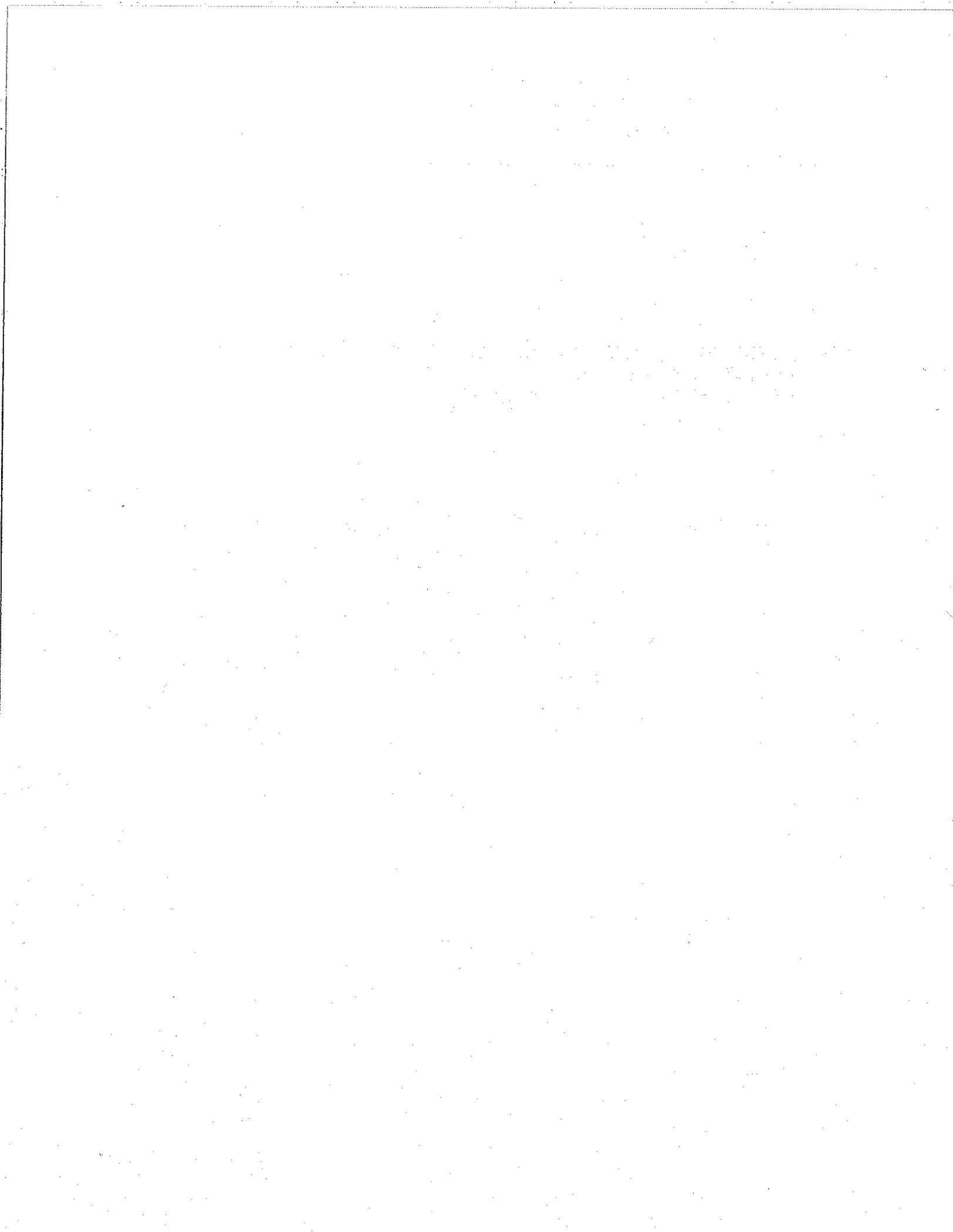
OVERSIGHT BOARD  
FOR THE SUCCESSOR AGENCY TO THE  
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY

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- 2.B. OVERVIEW OF THE FORMER CITY OF PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY:**  
**RECOMMENDATION:** Receive report from staff.

PRESENTATION MATERIALS WILL BE PROVIDED AT THE MEETING

**ITEM NO 2.B.**



Initial Oversight Board Meeting  
April 3, 2012

**SUCCESSOR AGENCY OF THE  
COMMUNITY REDEVELOPMENT  
AGENCY OF THE CITY OF  
PALM SPRINGS**

Oversight Board to the Successor Agency of the  
Community Redevelopment Agency of the City of Palm  
Springs

**Dissolution of the  
Redevelopment Agency under  
AB 1X 26**

04/03/2012  
ITEM 2.B.

## Contents

- What is Redevelopment
- RDA Terminology and Concepts
- Dissolution of Redevelopment Agencies AB X1 26
- Successor Agency
- RDA Dissolution
- Oversight Board
- Audit

## Redevelopment in California

- ⊙ Created after World War II to eliminate blight in the State
- ⊙ Constitution amended in 1952 to allow the collection of property tax increment
- ⊙ Especially important after Prop 13 to:
  - Eliminate blighting influences
  - Stimulate economic development
  - Undertake capital improvement projects
  - Improve and expand affordable housing stock

## RDA Terminology & Concepts

- Legislative body is the host community that established the RDA
- Project Area is a geographical area on the map established to improve blight in that area
- When RDA was established, property taxes generated within that Project Area are frozen, this is known as the Base
- The base is distributed like normal property taxes to taxing entities in the RDA

## Redevelopment in California

- In 2011, there were more than 400 agencies in California
- State began to shift tax increment to schools in the 1990's through ERAF
- Eminent domain became controversial after *Kelo* decision at Supreme Court
- State took a total of \$2.05 billion from agencies in 2009-10 and 2010-11

## RDA Terminology & Concepts

- ⊙ Over time, property taxes generally increase
- ⊙ Property tax increases above a "frozen base" go to the RDA, this is known as Tax Increment
- ⊙ As a result, Tax Increment is shifted from the taxing entities (schools, county, city, districts) to the RDA
- ⊙ RDAs are required to return some Tax Increment back to the entities that gave it up; this is known as "pass through payments"
- ⊙ "Pass throughs" in project areas created before 1994 were negotiated. This is the case for Palm Springs

## RDA Terminology & Concepts

- ⊙ All RDAs must have debt to receive tax increment.
- ⊙ The practice was to issue debt to do capital improvements, remove blight, foster economic development and then pay debt over the life of the RDA
- ⊙ Mostly RDA debt is bonded debt, but could be loans from the City and/or other obligations to meet the intent of the Redevelopment Plan

## RDA Terminology & Concepts

- ⊙ Before tax increment is distributed, 20% had to be set aside exclusively for Low and Moderate Income Housing programs in the host community (LMIH), called the 20% Housing "Setaside"
- ⊙ Setaside funds did not have to be spent inside project area boundaries; could be spent anywhere in the host community

## Community Redevelopment Agency

- ⊙ Palm Springs CRA created in 1973 with CBD Project Area
- ⊙ City added nine more new areas between 1983 and 1991
- ⊙ The 10 areas were merged into two areas in 2000: one largely Indian land and one mostly non-Indian land
- ⊙ Agency also set aside 20% of increment for Low/Mod Housing

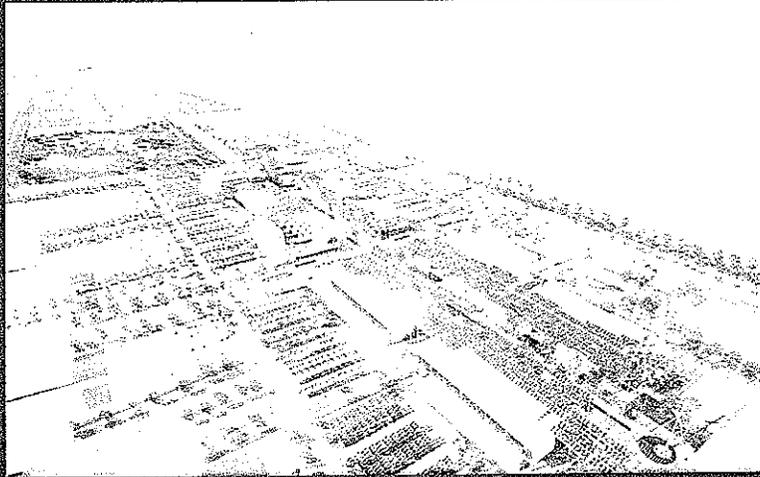
## Community Facilities Funded with Redevelopment

- College of the Desert Campus (Land)
- New Animal Shelter Construction
- Plaza Theater Acquisition/Rehab
- Frances Stevens Park/Palm Canyon Theatre Renovation
- Jackie Lee Houston Plaza
- Part of Convention Center Debt Service
- Visitor Center Improvements

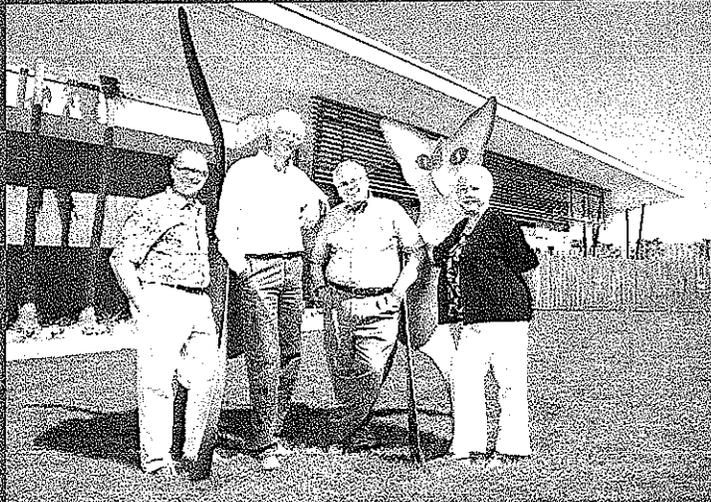
## COD Campus



## COD Campus



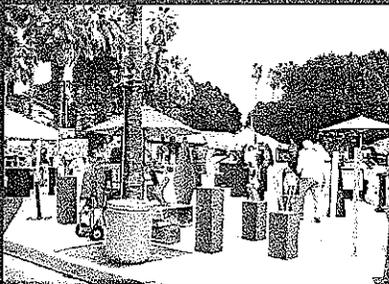
## New Animal Shelter



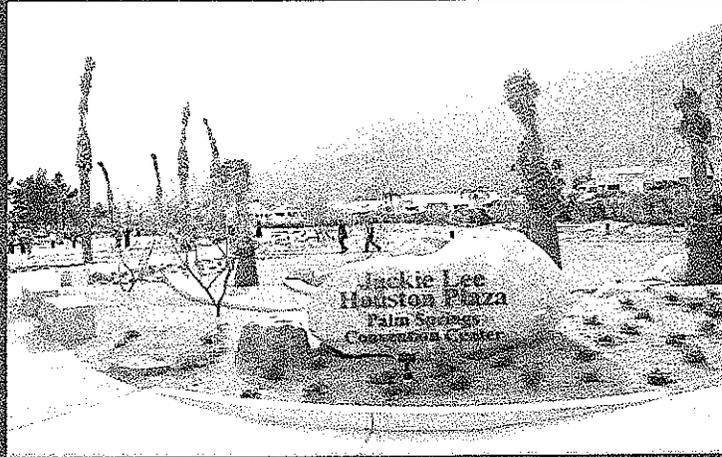
## Plaza Theatre



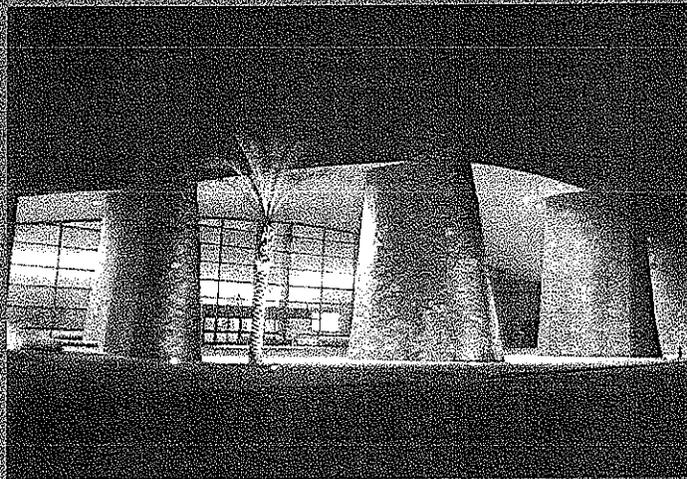
## Frances Stevens Park/PCT



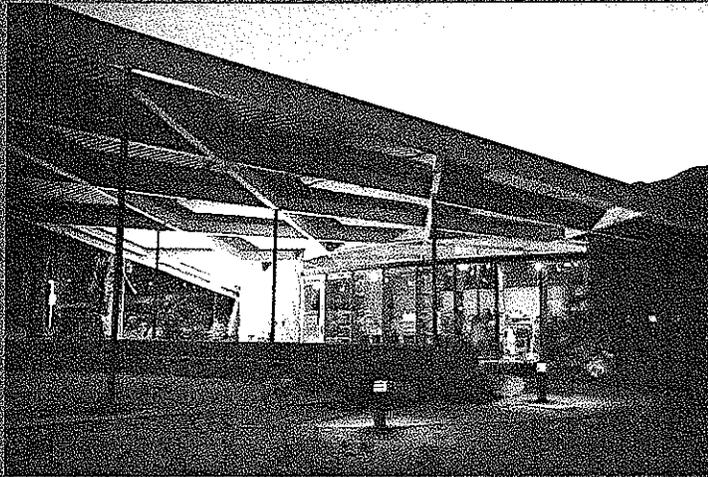
## Jackie Lee Houston Plaza



## Convention Center



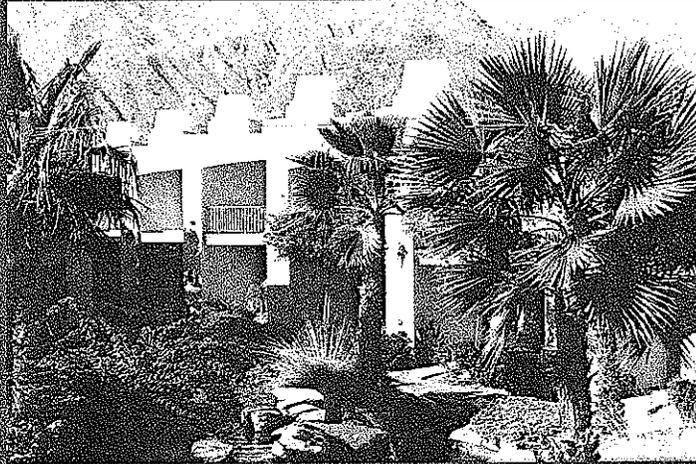
## Visitor Center Improvements



## Hotel and Hospitality Projects

- Desert Shadows Inn Parcel Acquisition and Street Improvements
- Spa Resort Casino Disposition & Development Agreement
- Wyndham Land Assembly (1984)/Renaissance Renovation (2009)
- Palm Mountain Resort
- Mondrian Project
- Hard Rock Project

## Desert Shadows Inn



## Spa Resort Casino



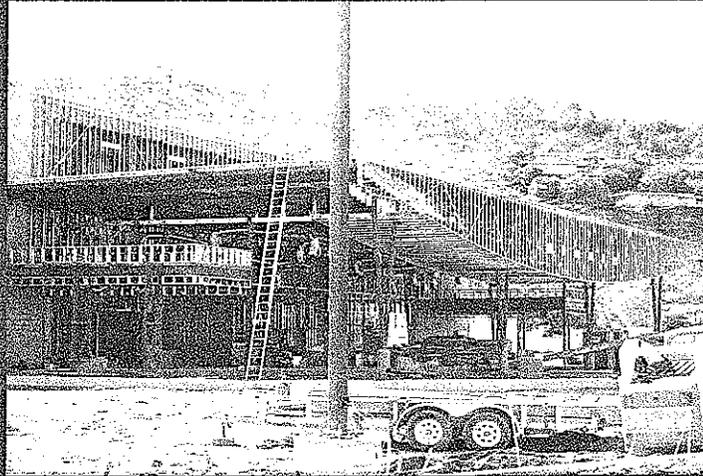
## Wyndham/Renaissance



## Retail and Commercial Projects

- Improving, Expanding BMW and Mercedes Dealership
- The Springs Shopping Center
- Ralphs Shopping Center Street Improvements
- Stein Mart Center
- Façade/Interior Improvement Programs

## BMW, Mercedes Expansion



## The Springs Shopping Center



## Ralphs Shopping Center



## Stein Mart



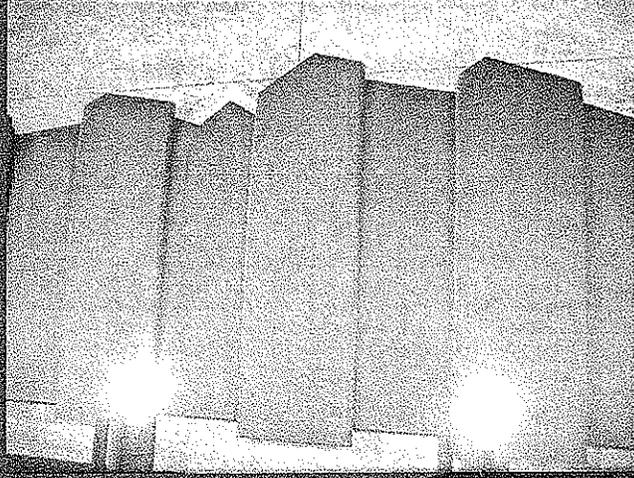
## Street Projects

- ⊙ South Palm Canyon Street Widening
- ⊙ Radio Road Street Improvements
- ⊙ Uptown Street Lighting Program
- ⊙ East Tahquitz Lighting Program
- ⊙ KFC Public Improvements
- ⊙ Mesquite Avenue Median and Road Improvements

## Downtown Infrastructure

- ⊙ Indian Canyon Drive Two-Way Traffic Improvements
- ⊙ Palm Canyon Drive and Indian Canyon Drive Public Improvements
- ⊙ Downtown Trash Enclosure and Alleyway Enhancements
- ⊙ Desert Fashion Plaza Street Improvements

## Trash Enclosure/Walkway



## DFP Street Improvements



## Downtown Parking Lots

- Catholic Church Parking Lot
- Blue Coyote Parking Lot
- Vineyard Parking Lot
- Terrace Eateries Parking Lot
- Las Casuelas Parking Lot
- Henry Frank Arcade Parking Lot
- Prairie Schooner
- Plaza Mercado Parking Lot

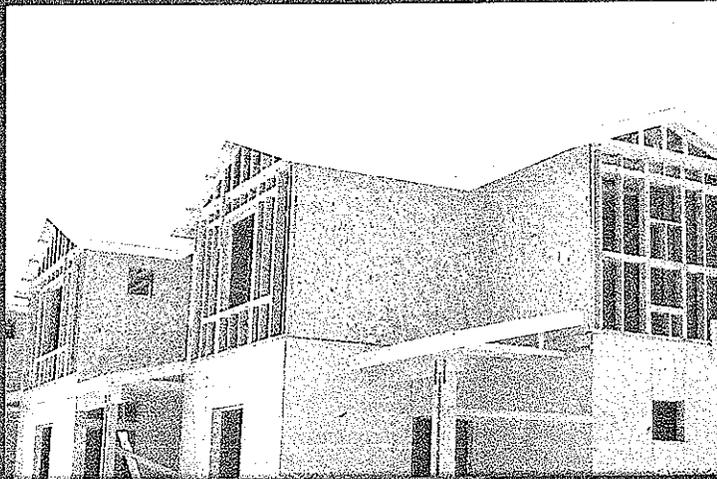
## Low/Mod/Other Housing

- Vista Sunrise Apartments/Riverside County Family Care Center
- Coyote Run Apartments (I & II)
- Cottonwood/Chuckwalla SF Homes
- Desert Highland Single Family Homes
- Palos Verdes Villas
- K. Hovnanian Four Seasons

## Vista Sunrise Apartments



## Coyote Run



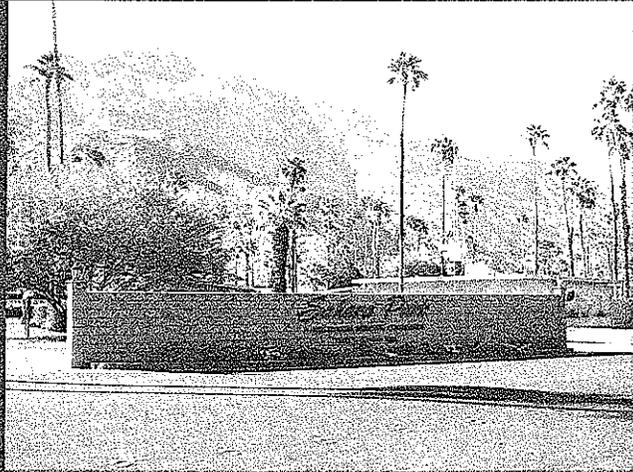
## Desert Highland Infill Homes



## Other Low/Mod Housing

- Vista Serena/Vista Del Monte Co-op Senior Housing
- Sunrise Village Mobile Home Park
- El Dorado Mobile Home Park
- Sahara Mobile Home Park
- Neighborhood Revitalization Program
- Tahquitz Court Apartments
- La Ventana (formerly Heritage) Apartments

## Sahara Mobilehome Park



## Governor, Legislature, Supreme Court Eliminate Redevelopment

- Court upheld dissolution of redevelopment agencies, but overturned law allowing agencies to continue
- All agencies dissolved as of February 1, 2012.

## AB X1 26 Deadlines

- Original dissolution deadline was October 1, 2011 but Supreme Court provided a 4 month extension for most deadlines; October 1 became February 1, 2012
- Audit by County Auditor that was to be completed by March 1, 2012 became July 1, 2012

## Successor Agency

- The city that created the former redevelopment agency typically automatically becomes Successor Agency (§34173), which is
  - Vested with any remaining authority, rights, powers, duties and obligations formerly vested to the redevelopment agency; and
  - Responsible for winding down the affairs of the former redevelopment agency (in conjunction with the Oversight Board)

## Successor Agency Responsibilities

- ⊙ Continue to make payments due for enforceable obligations
- ⊙ Maintain reserves required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds
- ⊙ Perform obligations required pursuant to any enforceable obligation
- ⊙ Remit unencumbered balances of Agency funds to the county auditor-controller for distribution to the taxing entities

## Successor Agency Responsibilities

- ⊙ Dispose of assets and properties of the former redevelopment agency as directed by the oversight board; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181.
- ⊙ Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency

## Successor Agency Responsibilities

- ⊙ Prepare proposed administrative budget and submit to Oversight Board for approval; it shall include all of the following:
  1. Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period.
  2. Proposed sources of payment for those costs.
- ⊙ Before each six-month fiscal period, prepare a ROPS identifying one or more of the following sources of payment: Low and Moderate Income Housing Fund, Bond proceeds, Reserve balances, Administrative cost allowance, Redevelopment Property Tax Trust Fund, Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency.

## What Does Successor Agency Do?

- ⊙ Successor Agency power over financial and planning issues in the community, including:
  - ⊙ Making payments and performing obligations (per enforceable obligations)
  - ⊙ Taking control of all redevelopment agency assets, properties, contracts, leases, books and records, buildings and equipment
  - ⊙ Disposing of assets and properties of the former redevelopment agency
  - ⊙ Transferring housing functions
  - ⊙ Overseeing development of projects currently underway

## What is a Successor Housing Agency?

- AB X1 26 provides cities may retain affordable housing assets and functions, assuming all rights, powers, duties and obligations of the former Agency's affordable housing functions.
- Succeeding housing entity receives all former redevelopment agency housing assets, including repayment of loans or other obligations but excluding cash deposits.

## Redevelopment Dissolution

- Oversight Board is the governing Board over the Successor Agency
- RDA assets transferred to the Successor Agency, along with all debt and all tax increment
- Housing assets transferred to the City (host community) as the Successor for housing

## Oversight Boards

- All RDAs are separate legal entities from host jurisdiction and established in the California Health and Safety (H&S) Code.
- Most RDA governing boards were the same as the City Council
- This is true for Palm Springs, but some exceptions for the largest RDAs in the State
- That responsibility is now shifted to the Oversight Boards, which oversee the winding down of the RDAs
- Oversight Boards subject to the Brown Act

## Oversight Board

- Oversight Board – is the governing Board over the Successor Agency's activities
- RDA assets transferred to the Successor Agency, along with all debt and all tax increment
- Housing assets transferred to the City as the Housing Successor Agency

## Oversight Board Composition

### ⊙ Seven Member Oversight Board

1. One appointed by the County Board of Supervisors
2. One appointed by the Mayor
3. One appointed by the largest special district, by property tax share, within the RDA area
4. One appointed by the County Superintendent of Education
5. One appointed by the Chancellor of the California Community Colleges
6. One member of the public appointed by the Board of Supervisors
7. One appointed by the Mayor from union representing former RDA employees.

## Oversight Board Responsibilities

- ⊙ Unless otherwise noted, the Oversight Board has review of the "80%," or non-housing funds
- ⊙ The 80% could only be spent inside the project area, with very few exceptions

## Oversight Board Responsibilities

Direct the Successor Agency to:

- ⊙ Dispose of all assets and properties of the former RDA
- ⊙ Transfer ownership of governmental assets to the appropriate jurisdiction
- ⊙ Cease performance on and terminate existing agreements that are not enforceable obligations
- ⊙ Terminate agreements between the dissolved RDA and any public entity in the county, if this is in the best interest of the taxing entities
- ⊙ Approve Administrative Budget

## Oversight Board Responsibilities

- ⊙ Approve ROPS by required timetables
- ⊙ Determine whether any contracts or agreements between the dissolved RDA and private parties should be terminated or renegotiated
- ⊙ The Board has fiduciary responsibilities
- ⊙ Approve ROPS by required timetable
- ⊙ Approve Administrative Budget
- ⊙ Open meetings, subject to the Brown Act
- ⊙ California Department of Finance to review Oversight Board Actions
- ⊙ All Oversight Boards will collapse into one County-wide Board on July 1, 2016

## Redevelopment Dissolution

- ⊙ RDA Tax Increment is now called the Redevelopment Property Tax Trust Fund, distributed by County Auditor-Controller
- ⊙ Order of priority in distributing property taxes:
  1. Auditor-Controller costs of administration and audit
  2. Pass-throughs as if the RDA still existed
  3. Enforceable obligations (debt, invoices, contracts) gets distributed to Successor Agency for payment
  4. Successor Agency administrative costs (5%/3%)
  5. Remainder to be proportionately distributed among taxing entities in addition to proceeds of sale of assets.

## EOPS & ROPS

- ⊙ Enforceable Obligations Payment Schedule ("EOPS"). Prepared by RDA and lists project name/debt obligation, payee, total remaining outstanding debt obligation, total due during Fiscal Year, and monthly payments for the next 6 months.
- ⊙ Recognized Obligations Payment Schedule ("ROPS"). Prepared by Successor Agency and lists project name/debt obligation, payee, total remaining outstanding debt obligation, source of total due during Fiscal Year, and monthly payments for the next 6 months and administrative budget. Approved ROPS must be posted on the successor agency's Internet Web site by April 15, 2012.

## ROPS Deadlines

- ◎ March 1, 2012 . Draft ROPS prepared for Jan 1 through June 30, 2012. Completed Feb, 2012 and forwarded to County Auditor, State Controller's Office and State Department of Finance
- ◎ April 15, 2012. ROPS for period of Jan 1 through June 30, 2012 must be approved by Oversight Board and submitted to same agencies. Must also be Certified by County.

## Other Deadlines

- ◎ April 1, 2012. Successor agency must report to the county auditor-controller if the property tax to be allocated to the successor agency, together with other funds available through asset sales and operations, will be insufficient to pay enforceable obligations and administrative expenses payable during the next six-month period.

## Additional Deadlines

- May 1, 2012
  - Oversight Board members' names provided to the State
  - Only items listed on the approved ROPS can be paid from now on, unless approved by Oversight Board
  - Successor Agency to prepare 2nd ROPS for July 1, 2012 through Dec 31, 2012
- May 11, 2012 ROPS for period July 1 to Dec 31, 2012 must be submitted
- County Auditor to estimate property taxes (former Tax Increment) for July 1 - Dec 31, 2012
- June 1, 2012 County Auditor-Controller to distribute property taxes to Successor Agency and taxing entities for July 1 through Dec 31, 2012.

## Audit of RDAs

- AB X1 26 requires County Auditor-Controllers to perform, or cause to be performed, an "audit" of each RDA by July 1, 2012.
- County just released contract for outside auditor "Agreed Upon Procedures" engagement
- Audit will not be complete by April 15.

## Audit of RDAs

- The State Controller's Office, California Department of Finance, and County Audit Managers wrote the procedures.
- Successor Agency notified of audit firm March 22, 2012, which is Brown Armstrong Accountancy Corporation of Bakersfield
- Audits not yet scheduled
- Must be completed by July 1, 2012 and sent to the State by July 15, 2012.

## Contact Information

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