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Shutting down agencies hardly a simple process

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California's 425 redevelopment agencies will disband Wednesday in the wake of a state Supreme Court ruling.

But dissolving a 62-year-old government institution deeply embedded into city and county governments won't be easy.

Details will change as interpretations of the new law evolve, but here is a primer based on a review of the legislation and interviews with redevelopment experts and attorneys:

Q When will redevelopment agencies cease to exist?

A Wednesday, although there is a pending Assembly bill that would move the date to April 15.

In reality, it will take decades for cities and counties to pay off all the debts, wrap up contracts, sell the assets and settle the inevitable lawsuits.

Q Who will carry out the dissolution?

A Every redevelopment agency must choose a "successor" to wind down its affairs, which, in most cases, is the host city or county.

It will pay the bills, wrap up contracts and sell the assets "expeditiously and in a manner aimed at maximizing value," the law reads.

A seven-member oversight board will monitor each successor and determine whether contracts should be terminated or renegotiated.

The boards must be seated by May 1 with individuals who represent agencies that will benefit from the return of redevelopment money into the property tax pool.

The makeup varies slightly between cities and counties,

but it includes appointees from the county board of supervisors, cities, the largest property tax recipient, county superintendent of education, community colleges and former redevelopment agency staff.

Contra Costa County, home to the most redevelopment agencies in the Bay Area, will have 17 oversight boards, compared with a dozen in Alameda County.

Throughout the Bay Area, there are 69.

County auditor-controllers must audit each agency.

Finally, the state Department of Finance may modify or disapprove the oversight boards' decisions.

Q What will happen to an agency's land and other assets?

A They will be sold, with some exceptions.

The city or county will keep properties purchased with redevelopment revenues restricted to housing but will receive no more money for this purpose unless lawmakers enact a new program. The law also contains a provision that allows cities and counties to retain public facilities built with redevelopment money, such as roads, libraries or fire stations.

It's unclear what will happen to properties in which



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the agency shares ownership with a private developer.

The sales proceeds and any unspent money the agencies have in the bank will defray the agency's debts.

After all the bills are paid, any surplus will return to the property tax pool and dispersed among public agencies such as schools, cities and special districts.

Q What if everything is sold and debt remains?

A The county auditor-controller will allocate enough property tax money each year to meet the agency's loan payments for as long as it takes to pay them off.

Q In a pre-emptive strike intended to shield their assets, many redevelopment agencies transferred properties to their host cities or counties. Will the transfers stand?

A It depends. The state controller's staff is reviewing transfers made since Jan. 1, 2011. If deemed improper, the successor agency will be required to dispose of them in the same manner as the rest of the holdings.

Q Many cities and counties have loaned money to their redevelopment agencies, or visa versa. Will they be repaid?

A Loans and other financial agreements between cities and counties and their redevelopment agencies are void, with two exceptions.

The law allows interagency loans made before Dec. 31, 2010, specifically for the purposes of paying bonds or similar debts. It also permits startup loans made within the first two years of an agency's creation.

Q What will happen to partially completed redevelopment projects?

A The successor agency will honor signed contracts but cannot incur new debts.

If cities and counties want to complete a project where portions of the work are not yet under contract, they will need to find the money elsewhere.

Q What happens to the people who work for redevelopment agencies?

A Many will lose their jobs, but it won't happen overnight.

It could take months or years to wind down the agency's affairs, and staff members may take other jobs in city or county government.

The issue is murkier in agencies where staff members are represented by unions and their contracts contain conflicting provisions.

The number of jobs at risk varies widely among agencies depending on how they spent their redevelopment money.

Q Who will pay for the overhead costs associated with closing the agencies?

A Taxpayers, of course. However, the dissolution law caps administrative costs at 5 percent of property tax receipts this year and 3 percent annually in subsequent years as needed.

Q How does a member of the public track how much money a former redevelopment agency owes and the decisions of its oversight board?

A Every successor agency must post online its payment schedule, or a list of what it owes.

The oversight boards also fall under the state's open meeting, public records and political reform laws. Its agendas must be posted online, too.



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