

# STAFF REPORT

## City of Lancaster

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08/09/2011
MVB

DATE: August 9, 2011

TO: Mayor Parris and City Council Members

FROM: Mark V. Bozigian, City Manager

SUBJECT: **Approve Payment of State-Mandated Remittance in Order to Continue Redevelopment in the City of Lancaster**

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### Recommendation:

a. Adopt **Resolution No. 11-61**, declaring its intention to enact an ordinance whereby the City shall elect to comply with and participate in the Alternative Voluntary Redevelopment Program contained in part 1.9 of division 24 of the California Health and Safety Code.

**NOTE: typographical error; Resolution Number should be and has been changed to 11-62**

b. Introduce **Ordinance No. 970**, electing to comply with and participate in the so-called Alternative Voluntary Redevelopment Program contained in part 1.9 of division 24 of the California Health and Safety Code.

**Fiscal Impact:** Approximately \$15,300,000.00 in fiscal year 2011-2012, in addition to approximately \$3,600,000.00 in fiscal year 2012-2013 and every year thereafter indefinitely. Funds would originate from various accounts in the Agency's budget for the current fiscal year, including funds initially allocated for the Low and Moderate Income Housing Fund as provided in ABX1 27. The City estimates it will have sufficient revenues to fund an amount equal to the payment of the first remittance and further expects to have sufficient revenues to fund the subsequent annual remittances.

### Summary:

Regardless of the state's economic climate, the State of California has struggled over the past several years to balance its budget. This year's budget debate resulted in the short-sighted passage of Assembly Bills X1 26 and X1 27, which eliminate redevelopment agencies throughout California and offer a "voluntary" payment program to allow them to continue operating, respectively. These bills drain resources that have allowed the Agency to implement vital local projects, such as the newly revitalized Lancaster BLVD, and fly in the face of the spirit of voter-approved legislation such as Proposition 22, which aimed to prevent precisely such actions as this.

This resolution and ordinance declare the City of Lancaster's intent to participate in the "voluntary" payment program in order to continue redevelopment projects and activities that are

essential to the economic well-being of our community. It is understood that ABX1 26 and 27 are currently the subject of a judicial challenge; participation in this program in no way constitutes an endorsement of the constitutionality or validity of these bills. Should ABX1 26 and 27 be found invalid, this resolution and ordinance will be deemed null and void.

**Background:**

The California State Legislature took action on June 15, 2011 to pass AB X1 26 and 27, which were then signed into law by Governor Jerry Brown on June 29, 2011. These bills, which were negotiated behind closed doors, without input or support from the League of California Cities (League) or the California Redevelopment Association (CRA), and which were not made public until after being voted upon, effectively eliminated redevelopment by dissolving all redevelopment agencies (ABX1 26) and exempting agencies that make specified annual payments from elimination (ABX1 27). In order to continue operation, the Lancaster Redevelopment Agency (LRA) must pay approximately \$15,300,000.00 in fiscal year 2011-2012, to be paid in two equal installments on January 15, 2012 and May 15, 2012. In addition, LRA must pay approximately \$3,600,000.00 beginning in fiscal year 2012-2013 and every year thereafter indefinitely.

Redevelopment has played an essential role in stimulating local economic growth, business attraction and retention efforts, eliminating blight, rehabilitation of deteriorated and obsolete structures, development of housing, improvement of infrastructure and public facilities, crime reduction, and improving the Lancaster community throughout the history of the City of Lancaster. A short list of projects funded or assisted by LRA have included a hospital, several fire stations, the Lancaster Sheriff's Station, the Los Angeles County Library in downtown Lancaster, the Lancaster Museum/Art Gallery, Clear Channel Stadium, and the Lancaster Performing Arts Center. LRA has contributed over \$130 million in capital investment, along with an additional \$400 million in pass-through payments to other local agencies, consisting primarily of local school districts and Los Angeles County.

In addition, LRA has provided more than \$10 million in financial assistance to many school facilities in at least five different local school districts. These projects have included the construction of a gym for Lancaster School District, purchasing a school site for Eastside School District, and the creation of the Lancaster University Center, which serves as a satellite campus for multiple State universities offering undergraduate and graduate programs to Antelope Valley residents.

LRA also plays a significant role in job creation. Through just three of its major projects – the Fox Field Industrial Corridor, the Lancaster Business Park and The BLVD Transformation Project – the Agency has assisted in the establishment of more than 150 businesses representing nearly 6,000 jobs, in addition to hundreds of millions of dollars in private investment. The BLVD Transformation Project alone has generated more than \$100 million in investment from the private sector. This figure excludes the indirect impact of the Agency's efforts on the community. In 2009 and 2010, LRA's national-award-winning Local Economic Stimulus Package generated an estimated \$123 million in economic impact on the Antelope Valley.

Clearly, redevelopment is an asset Lancaster simply cannot afford to lose. The only alternative to paying these remittances is the dissolution of the Agency, which would be detrimental to the health, safety and economic well-being of the residents of the City and cause irreparable harm to

the community. In addition, dissolution of the Agency under the law would require the liquidation of Agency assets including the Lancaster Business Incubator, sites for the expansion of the Auto Mall, and strategically located parcels throughout the City which are positioned to jump-start a commercial renaissance. As illustrated above, the redevelopment projects made possible by the Agency are highly significant and provide enduring benefits to the community, and form an essential part of its future.

It is critical to note that AB X1 26 and 27 are currently the subject of a judicial challenge put forth by CRA and the League, in which the invalidation of the legislation and a stay of its implementation while the matter is being decided in court have both been requested. While staff recommends that the Council adopt the resolution and ordinance, this should be done only under protest and in no way constitutes an endorsement of the constitutionality or validity of the bills themselves. Should ABX1 26 and 27 be found invalid, this resolution and ordinance will be deemed null and void. Additionally, the legal battle regarding the 2009-2010 State-mandated SERAF payments, of which Lancaster's share was approximately \$21 million, is ongoing. Should this case be decided in favor of redevelopment agencies, this action would place LRA in a position to collect as a duly authorized redevelopment agency.

Staff recommends that you approve this resolution and introduce the ordinance and authorize the City Manager or his designee to take any necessary action and execute any necessary documents associated with the implementation of the ordinance.

VL:cd

**Attachments:**

1. Resolution No. 11-61
2. Ordinance No. 970