

# STAFF REPORT

## City of Lancaster

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09/13/11
MVB

DATE: September 13, 2011

TO: Mayor Parris and Council Members

FROM: Mark V. Bozigian, City Manager

SUBJECT: **Agreement and Resolution to Transfer Tax Increment by and Between the City of Lancaster and the Lancaster Redevelopment Agency**

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### **Recommendation:**

- A. Approve agreement to transfer tax increment by and between the City of Lancaster and the Lancaster Redevelopment Agency.
- B. Adopt **Resolution No. 11-67**, authorizing the City Manager or his designee to enter into a Remittance Agreement to transfer tax increment by and between the City of Lancaster and the Lancaster Redevelopment Agency.

### **Fiscal Impact:**

Approximately \$15,300,000.00 in fiscal year 2011-2012, in addition to approximately \$3,600,000 in fiscal year 2012-2013 and every year thereafter indefinitely. The City expects that it will have sufficient revenues to fund an amount equal to the City's payment of the first remittance and subsequent annual remittances. The Agency shall transfer a portion of its tax increment to the City in an amount equal to the first remittance, and any subsequent remittance which the City is required to make to the County Auditor-Controller pursuant to the Program ("Agreement to Transfer Tax Increment").

### **Summary:**

At the August 9, 2011 meeting, the City Council adopted a resolution and introduced an ordinance declaring its intention 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. The second reading of the ordinance was approved on August 23<sup>rd</sup>. This allows the redevelopment agency to continue to operate, rather than allowing it to be dissolved. The Lancaster Redevelopment Agency plays a crucial role in stimulating local economic growth, attracting and retaining businesses, eliminating blight, restoring deteriorated structures, developing housing, improving infrastructure and public facilities, reducing crime and improving the community as a whole. Thus, it has been determined that the Agency is indispensable to our community, and we must make the remittance payment in order to continue its operation.

The Agency has the ability to transfer funds to cover the ABX1 27 payments made on behalf of the Agency. In addition, ABX1 27 authorizes the Agency to reduce its allocation of Tax increment to the Low and Moderate Income Housing Fund for the 2011-2012 Fiscal Year to make the remittance payment.

It is critical to note that the California Supreme Court recently announced that it would hear a lawsuit against the redevelopment elimination bills (ABX1 26 and ABX1 27). Should this suit be decided in favor of redevelopment, these actions will be rendered unnecessary. However, it is advised that the Council proceed with these actions for the time being to ensure that redevelopment in Lancaster is protected regardless of the outcome of this lawsuit.

**Background:**

The Council took action on August 9, 2011 to approve the payment of state-mandated remittance in order to continue redevelopment in the City of Lancaster as required by ABX1 26. It also took action to approve the Enforceable Obligations Payment Schedule complying with the new laws of the State of California at the Council meeting on August 24<sup>th</sup>.

Beginning with the 2011-2012 fiscal year, the first remittance is to be paid in two equal installments on January 15, 2012 and May 15, 2012 to the County Auditor-Controller. Subsequent payments are also required thereafter. By executing a remittance agreement between the City and the Agency, the Agency will have the option to transfer sufficient tax increment funds to the City to make the remittance payments required.

It is important to understand that following the Council's action on August 9, the California Supreme Court announced on August 11 that it would hear the lawsuit filed by the California Redevelopment Association (CRA) and the League of California Cities (League) against ABX1 26 and ABX1 27, which eliminated redevelopment and instituted this "voluntary" payment program, respectively. The court also granted a partial stay on the implementation of the legislation. Should this lawsuit prove successful, the Council's action to remit payment to the State will be rendered unnecessary. However, it is recommended that the Council complete this action while the suit is being heard to ensure that Lancaster may continue its redevelopment activities should the CRA/League lawsuit prove unsuccessful. The City's adoption of the resolution does not change its position that the bills violate the California Constitution, including Propositions 1A and 22.

**Attachments:**

1. Resolution No. 11-67
2. Agreement to Transfer Tax Increment