

Agenda Report

January 18, 2011

TO: Honorable Mayor and City Council
Pasadena Community Development
Commission

FROM: Office of the City Manager/Chief Executive Officer

SUBJECT: JOINT ACTION: AUTHORIZE THE CITY MANAGER/CHIEF EXECUTIVE OFFICER TO TAKE ALL APPROPRIATE ACTIONS RELATED TO ENTERING INTO A SERIES OF PROMISSORY NOTES MEMORIALIZING INDEBTEDNESS PREVIOUSLY INCURRED BY THE PASADENA COMMUNITY DEVELOPMENT COMMISSION AND OWING TO THE CITY OF PASADENA FROM A SERIES OF LOANS MADE FROM THE CITY TO THE COMMISSION OVER THE LAST THIRTY YEARS

RECOMMENDATION: It is recommended that the City Council/Pasadena Community Development Commission:

Authorize the City Manager/Chief Executive Officer to take all appropriate actions related to entering into a series of Promissory Notes memorializing indebtedness previously incurred by the Commission and owing to the City from a series of loans made from the City to the Commission over the last thirty years.

BACKGROUND:

On January 10, 2011 Governor Brown proposed to do away with local redevelopment agencies by July 1, 2011. His proposal abolishes local redevelopment in the following manner:

- Statutory elimination of redevelopment agencies that will protect obligations for existing projects and will divert \$1.7 billion to the State's General Fund in 2011-12 for Medi-Cal and trial courts. There will be \$210 million leftover for distribution to schools, cities, and counties, according to their proportionate share of current property tax.
- In subsequent budget years, after deducting for existing debt obligations, the remaining tax increment property tax will go to the cities, counties, and schools.

There will be a \$50 million exception in the amount currently going to enterprise special districts which are fee supported – this will go to counties.

- The current balances in redevelopment agencies housing set-aside funds will be shifted to local housing authorities.
- A constitutional amendment to provide for 55-percent voter approval for local, limited tax increases and bonding against local revenues for economic development projects similar to those currently funded through redevelopment.
- Existing agencies will be required to cease creation of new obligations. The local governmental entity will be required to designate a successor agency to be responsible for retiring current redevelopment debt obligations in accordance with existing payment schedules.

The Legislative Analyst's Office (LAO) is responsible for providing an analysis of the Governor's proposed budget. In referencing the Governor's proposal to eliminate redevelopment agencies, the LAO, recognizes that developing the statutory measures to implement the elimination of redevelopment agencies is a complex, proposal that will take considerable work by the Legislature. During this time—potentially several weeks or months—it is possible that redevelopment agencies could take actions that increase their bonded indebtedness and contractual obligations. If so, these new financial obligations could constrain the state's ability to redirect redevelopment revenues and to realize the state savings and local benefits anticipated in the administration's proposal. Accordingly, the LAO is recommending that the Legislature pass urgency legislation as soon as possible prohibiting redevelopment agencies—during this period of legislative review—from taking actions that increase their debt. Specifically, the urgency legislation would prohibit redevelopment agencies from

- (1) Taking on any new debt that would be included on their Statement of Indebtedness—the statement that identifies redevelopment agency debt and makes the agency eligible for property tax revenues, or
- (2) Creating, amending, or extending any redevelopment project areas. This approach would preserve the Legislature's options as it reviews the administration's proposal, but would not have a lasting effect on redevelopment agencies if the Legislature elects not to adopt it.

Historically, the City has advanced certain amounts to the PCDC to assist in funding administrative and other expenses necessary for the implementation of the redevelopment plans as well as for the purchase of properties. As of June 30, 2010 the total amount of debt owed to the General Fund by PCDC was \$183,068,049 comprised of advances payable and reimbursement agreements. The following represents the breakdown of PCDC obligations in each of the project areas:

Project Areas	Debt Documented with contractual agreements	Debt Documented with resolutions/agenda reports	Total	Tax Allocation Bonds	Total Commission Debt
Downtown	\$76,284,552	\$364,397	\$76,648,949	\$0	\$76,648,949
Fair Oaks	\$15,820,835	\$3,518,780	\$19,339,615	\$2,095,000	\$21,434,615
Orange Grove	\$0	\$286,568	\$286,568	\$1,029,000	\$1,315,568
Villa Parke	\$11,736,455	\$286,661	\$12,023,116	\$1,025,000	\$13,048,116
Old Pasadena	\$55,215,585	\$1,587,987	\$56,803,572	\$0	\$56,803,572
Lake Washington	\$14,194,659	\$286,203	\$14,480,862	\$620,000	\$15,100,862
Lincoln Avenue	\$2,900,102	\$585,265	\$3,485,367	\$0	\$3,485,367
	\$176,152,188	\$6,915,861	\$183,068,049	\$4,769,000	\$187,837,049

In an effort to preserve and secure the repayment from future tax increments of the General Fund advances made to the Pasadena Community Development Commission, it is staff's recommendation to memorialize the existing Debt documented with Resolutions and agenda reports with promissory notes. Although these outstanding advances are not new debt, staff believes that memorializing them with promissory notes would be prudent. Those are advances that were made in the past to the various redevelopment project areas and reported annually on the Commission's annual Statement of Indebtedness report filed with the County of Los Angeles.

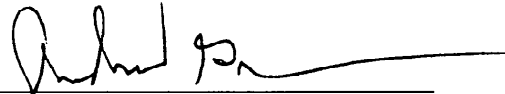
COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The recommended action memorializes existing City advances made to the Pasadena Community Development Commission and secures approximately \$7 million in obligations from PCDC to the General Fund.

Respectfully submitted,



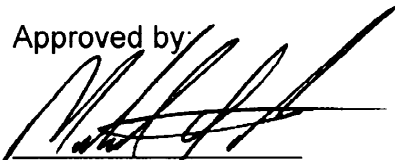
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