

Agenda Report

December 10, 2012

TO: Honorable Mayor and City Council
FROM: Economic Development, Office of the City Manager
SUBJECT: ADOPTION OF A RESOLUTION ELECTING TO RECEIVE TAX INCREMENT FROM FORMER REDEVELOPMENT PROJECT AREAS

RECOMMENDATION:

It is recommended that the City Council adopt a resolution electing to receive a share of statutory pass-through payments pursuant to California Health and Safety Code Sections 33607.5 and 33607.7.

BACKGROUND:

In 1994, the State legislature enacted Assembly Bill (AB) 1290 adding Health and Safety Code (H&S) Sections 33607.5 and 33607.7 with provisions affecting both existing and new redevelopment project areas. Pursuant to this legislation, project areas formed after the effective date of the legislation were mandated to make statutory pass-through payments of tax increment to other taxing agencies.

Project areas in place prior to AB 1290 were unaffected. However, if the project area was modified in any way, such as lengthening its effective date, the requirement to make pass-through payments was triggered. In the event pass-through payments were triggered, a city, as a taxing entity, could elect to receive a portion of the pass-through payments.

In June 2003, the City of Pasadena amended each of the Northwest project areas and adopted resolutions that eliminated the time limit on the establishment of loans, advances, and indebtedness of the respective redevelopment plans. The amendment triggered statutory pass-through payments to each of the affected taxing entities. However, the City did not elect to receive its portion of the pass-through payment, allowing the City share to be retained by the former Redevelopment Agency, the Pasadena Community Development Commission (PCDC).

Although redevelopment in California was eliminated, statutory pass-through payments remain in place and will be administered by the County Auditor-Controller's Office until all of the debt of the Successor Agencies is repaid. In the case of Pasadena's Successor Agency, all debts will be exhausted on July, 2021.

Recently, the City was notified by the Auditor Controller's Office that the City has until December 12, 2012 to send evidence that the City has made an election to receive pass-through payments. If the City elects not to receive its share of the pass-through payments, its portion will be distributed by the County Auditor-Controller to the other affected taxing entities under the AB 1484 distribution formula.

Staff recommends that the City adopt a resolution to receive the amount authorized by the Health and Safety Code, which is approximately 26% of the future annual statutory pass through payment as shown in the table below:

Fiscal Year	City Share to General Fund
2014	\$75,887
2015	\$80,981
2016	\$86,177
2017	\$91,477
2018	\$96,883
2019	\$102,397
2020	\$108,022
2021	\$113,759
2022	\$119,611
Total*	\$875,194

Note* Present Value 5% discount \$678,315

COUNCIL POLICY CONSIDERATION:

Taking this action is consistent with the City Council Strategic Plan Goal to Maintain Fiscal Responsibility and Stability.

ENVIRONMENTAL ANALYSIS:

Under the CEQA Guidelines Article 5 (Section 15061 (b) (3) describes the "general rule." The general rule states that CEQA applies only to projects which have the potential for causing a significant effect on the environment. In this case, electing to receive its' share of the property tax is a council policy decision that does not have the potential of impacting the environment.

FISCAL IMPACT:

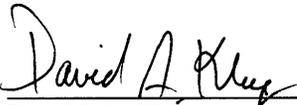
If the City adopts the proposed resolution to elect to receive its share of the Northwest Project Areas tax increment pass-through payments, the General Fund would be eligible to receive from the County Auditor-Controller an estimated statutory pass-through allocation of approximately \$75,887 commencing in FY 2013-2014. The City will continue to receive pass-through payments until the outstanding debt is paid as an Enforceable Obligation through FY 2021-22. Up to that time, the General Fund could receive an estimated \$875,194 in total payments.

Respectfully submitted,



Steve Mermell
Assistant City Manager

Prepared by:



David A. Klug
Redevelopment Manager

Approved by:



Michael J. Beck
City Manager

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA CALIFORNIA, MAKING AN ELECTION TO RECEIVE PAYMENTS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33607.5 (b) FOR THE ORANGE GROVE, FAIR OAKS, VILLA PARKE, LAKE WASHINGTON AND LINCOLN PROJECT AREAS

WHEREAS, the Redevelopment Agency of the City of Pasadena ("Agency") has prepared an amendment to the redevelopment plan (the "Redevelopment Plan") for the Orange Grove, Fair Oaks, Villa Parke, Lake Washington and Lincoln Project Area to eliminate the timeframe for debt incurrence per Health and Safety Code Section 33333.6(e)(2); and

WHEREAS, Section 33333.6 (e)(2) of the Health and Safety Code provides that if an Agency amends the redevelopment plan to eliminate the timeframe for debt incurrence then the Agency shall make the payment to affected taxing entities required by Section 33607.7; and

WHEREAS, Section 33607.7 of the Health and Safety Code provides that if the Agency amends the redevelopment plan to eliminate the timeframe for debt incurrence and no pass through agreement exists, the amounts required pursuant to subdivisions (b), (c) (d) and (e) of Section 33607.5 must be paid to each affected taxing entity, including the City, if the City elects to receive such tax increments; and

WHEREAS, the City of Pasadena is an affected taxing entity under Section 33607.5;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Pasadena, California, as follows:

Section 1. Pursuant to Health and Safety Code Sections 33333.6 (e)(2) and 33607.5, the City Council hereby elects to receive its share of the twenty-five percent (25%) tax increment pass-through payment authorized by Health and Safety Code Section 33607.5(b) commencing with the first fiscal year the Agency is required to make such payments to the affected taxing entities and continuing each year thereafter.

Section 2. That the Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Resolution and thereupon the same shall take effect and be in force.

ADOPTED at the _____ meeting of the City Council on the _____ day of _____, 2012, by the following vote:

AYES:

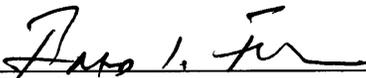
NOES:

ABSENT:

ABSTAIN:

Mark Jomsky, CMC
City Clerk

APPROVED AS TO FORM:



Brad L. Fuller
Assistant City Attorney