



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: CEO  
Department No.: 012  
For Agenda Of: May 1, 2012  
Placement: Departmental  
Estimated Time: 30 minutes  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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TO: Board of Supervisors CJ  
Department Chandra L. Wallar, County Executive Officer, 568-3400  
FROM: Director(s)  
Contact Info: Renée Bahl, Assistant County Executive Officer, 568-3407  
SUBJECT: Response to the Grand Jury Report titled "Requiem for Redevelopment"

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County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors of the County of Santa Barbara, acting as the Successor Agency to the former County of Santa Barbara Redevelopment Agency:

- A. Consider and adopt responses in Attachment A as the responses by the County of Santa Barbara, as the Successor Agency to the former County of Santa Barbara Redevelopment Agency, to the 2011 – 2012 Grand Jury report entitled "Requiem for Redevelopment"; and
- B. Authorize the Chair to sign the letter included as Attachment A forwarding the responses to the Presiding Judge.

Summary Text:

On March 5, 2012 the Grand Jury released a report entitled "Requiem for Redevelopment" (Attachment B). The Successor Agency to the former County of Santa Barbara Redevelopment Agency (RDA) is named as a responder to Findings 7 and 8 as well as Recommendations 1, 2a, 2b and 3.

It is recommended that the Board disagree partially with Findings 7 and 8 and include explanations for each. It is recommended that Board implement Recommendations 1, 2b and 3 and not implement Recommendation 2a. The specific recommendations are provided in the proposed letter to the Presiding Judge. (Attachment A)

**Background:**

The Grand Jury Report titled “Requiem for Redevelopment” found that the former County of Santa Barbara Redevelopment Agency received \$39.0 million and spent \$44.1 million over the past 11 years and has \$17 million in outstanding long-term debt and obligations.

The Report recommends that data and information detailing certain aspects of the Agency’s expenditures, along with its debt retirement schedule be posted on its website. The Report further recommends that the Successor Agency to the former RDA provide on its website plans for defining and eliminating blight and how it plans to provide low and moderate-income housing in the absence of RDAs.

**Fiscal and Facilities Impacts:**

Budgeted: No fiscal analysis required for consideration and adoption of this response.

**Special Instructions:**

Please forward the Board Minute Order to Errin Briggs in Planning & Development.

**Attachments:**

- A. Response to the Grand Jury report “Requiem for Redevelopment” dated May 1, 2012
- B. Grand Jury Report – “Requiem for Redevelopment”

**Authored by:**

Errin Briggs, RDA Successor Agency Program Manager, 568-2047

**cc:**

Mark Paul, Public Works  
Ted Sten, Foreman, 2011-2012 Santa Barbara County Grand Jury





**DOREEN FARR**

Third District, Chair

**SALUD CARBAJAL**

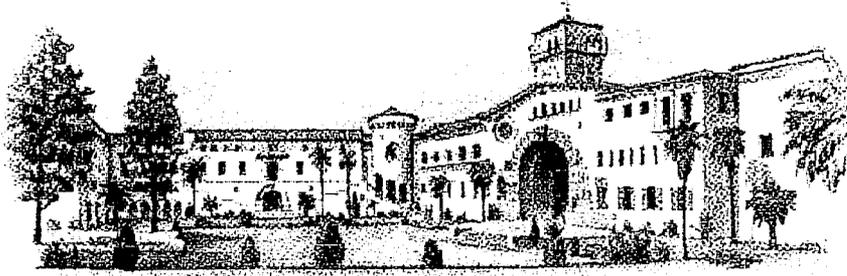
First District, Vice Chair

**JANET WOLF**

Second District

**JONI GRAY**

Fourth District



**BOARD OF SUPERVISORS**

County Administration Building

105 East Anapamu Street

Santa Barbara, CA 93101

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**STEVE LAVAGNINO**

Fifth District

## COUNTY OF SANTA BARBARA

May 1, 2012

Honorable Brian Hill

Presiding Judge of the Superior Court of Santa Barbara County

1100 Anacapa Street

Santa Barbara, CA 93101

**Reference:** Response to Santa Barbara Grand Jury Titled, "*Requiem for Redevelopment*"

Judge Hill:

The County of Santa Barbara, acting as the Successor Agency to the former County of Santa Barbara Redevelopment Agency, is providing its response to the above-referenced Grand Jury Report. Like the Grand Jury, the Board of Supervisors recognizes the value of providing comprehensive disclosure of the former County of Santa Barbara Redevelopment Agency's financial transactions, recipients of the former Agency's financial resources and how the expenditure of such resources contributed to the elimination of blight. We appreciate the Grand Jury's desire to keep former Redevelopment Agencies throughout the County of Santa Barbara accountable for their respective actions.

As directed by the Grand Jury, responses are provided in accordance with Section 933.05 of the California Penal Code.

**Finding 7:** "*County of Santa Barbara (Isla Vista): over the past 11 years spent \$44.1 million; received \$39.0 million in Tax Increment; has \$17 million in outstanding long-term debt and obligations.*"

The Board disagrees partially with the finding and includes the following explanation.

While the estimated amounts stated in Finding 7 regarding what the former County of Santa Barbara Redevelopment Agency (Isla Vista) received, spent and maintains in outstanding long-term debt and obligations are close to the actual figures, we include the following specific data gathered from our records.

Revenues received: \$37,957,445

Debt issued: \$17,000,000

Expenditure spent: \$39,073,204

The Oversight Board for the Successor Agency to the former County of Santa Barbara Redevelopment Agency met on April 12, 2012 and unanimously approved the Agency's Recognized Obligation Payment Schedule (ROPS). The ROPS is a payment schedule which details the outstanding financial obligations of the Successor Agency including the amounts, dates of payment, source of funding and payee for each payment. The approved ROPS was then forwarded to the State Department of Finance on April 13, 2012 as required by ABX1 26.

**Finding 8:** *"Detailed data are not available on the amount of money spent on individual projects, the recipients of this money, or how these projects have contributed to eliminating blight."*

The Board disagrees partially with the finding and includes the following explanation.

Detailed data regarding the amount of money spent on past individual projects including housing and non-housing projects, and the recipients of the money spent, is available in the "Other Supplementary Information" section of the former RDA's Annual Financial Report for the fiscal year 2010/2011 on pages 40-59. The Annual Financial Report is posted on the Agency's website located here:

[http://www.countyofsb.org/uploadedFiles/ceo/RDA/Financial\\_Report\\_of\\_the\\_Santa\\_Barbara\\_County\\_Redevelopment\\_Agency.pdf](http://www.countyofsb.org/uploadedFiles/ceo/RDA/Financial_Report_of_the_Santa_Barbara_County_Redevelopment_Agency.pdf)

While the former Agency's Annual Report does not specifically detail how each individual project has contributed to eliminating blight, a characterization of blighted conditions within the Project Area can be found on page 2 of the Annual Report and the former Agency's "Major Initiatives" intended to eliminate such blight can be found on pages 5 and 6.

**Recommendation 1:** *"That all successor agencies provide on their websites the following for projects funded over the past 10 years, including projects that have been funded, but not completed:*

- 1. List of all projects funding (completed or not) and the designated blight they eliminated.*
- 2. The amounts spent (or to be spent) on each individual project.*
- 3. The names and locations of recipients of over \$25,000 associated with each project.*
- 4. Administrative costs and professional services associated with each project.*
- 5. Amounts of principal and interest payments associated with each project."*

This recommendation has not yet been implemented, but will be implemented in the future.

In response to this recommendation, the County is currently developing this detailed information and intends to post it on the website located here:

[http://www.countyofsb.org/ceo/rda.aspx?id=1648&ekmense1=e2f22c9a\\_688\\_690\\_btnlink](http://www.countyofsb.org/ceo/rda.aspx?id=1648&ekmense1=e2f22c9a_688_690_btnlink)

The anticipated date of posting this information to the Successor Agency's website is May 15, 2012.

**Recommendation 2a:** *“That all successor agencies provide on their websites their plans for defining and eliminating blight in the absence of RDAs.”*

This recommendation will not be implemented because it is not warranted or is not feasible.

With the elimination of the County's former Redevelopment Agency, significant tax revenues previously used to improve the community of Isla Vista and eliminate blight were lost. This, in combination with the general downturn in the economy and the resultant drop in overall tax revenues realized by the County will make it challenging for the County to continue to expend monies specifically aimed at improving blighted communities. Prior to their elimination, all Redevelopment Agencies, including the County of Santa Barbara's former Redevelopment Agency, were required by Redevelopment Law to specifically define existing blighted conditions within their project areas and articulate the mechanisms and projects they intended to carry out in order to eliminate such blight. While this was required by law of former RDAs, there are no such legal requirements of Counties to do so in the absence of RDAs. The County will continue to support the economic vitality of communities throughout its jurisdiction to the best of its ability based upon available resources including funding sources such as the Federal Community Development Block Grant program. However, developing specific plans for defining and eliminating blight in the absence of RDAs, and posting such plans on the County's website is not a current requirement of the County.

**Recommendation 2b:** *“That all successor agencies provide on their websites their plans for providing low-income and moderate-income housing in the absence of RDAs.”*

This recommendation has been implemented.

Detailed information articulating the County's plans for providing low-income and moderate-income housing can be found within the “Draft 2012 Action Plan” on the County's Housing and Community Development website located here:

[http://www.countyofsb.org/uploadedFiles/housing/HDGA/REVISED%202012%20Action%20Plan%20FINAL%20DRAFT\\_4112%20\(MAM%20Comments%20to%20SF\)\(1\).pdf](http://www.countyofsb.org/uploadedFiles/housing/HDGA/REVISED%202012%20Action%20Plan%20FINAL%20DRAFT_4112%20(MAM%20Comments%20to%20SF)(1).pdf)

The County's Housing and Community Development Department seeks outside funds from several sources on an annual basis including the Community Development Block Grant (CDBG) and HOME programs administered by the United States Department of Housing and Urban Development (HUD). The County leverages these funds with local affordable housing in-lieu funds to partner with local affordable housing providers such as the Housing Authority of the County of Santa Barbara to develop, operate and maintain affordable housing developments throughout the County's jurisdiction.

**Recommendation 3:** *"That all successor agencies provide on their websites debt retirement schedules."*

This recommendation has not yet been implemented, but will be implemented in the future.

In response to this recommendation, the County has prepared the information requested and will post the information to the Successor Agency's website located here:

[http://www.countyofsb.org/ceo/rda.aspx?id=1648&eknensel=e2f22c9a\\_688\\_690\\_btnlink](http://www.countyofsb.org/ceo/rda.aspx?id=1648&eknensel=e2f22c9a_688_690_btnlink)

The anticipated date of posting this information to the Successor Agency's website is May 15, 2012.

Sincerely,

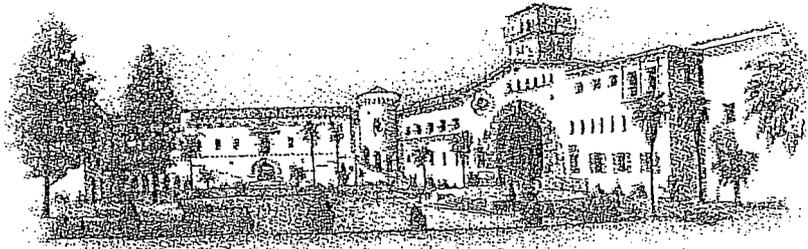
Doreen Farr, Chair  
Santa Barbara County Board of Supervisors

Cc: Santa Barbara County Board of Supervisors  
Ted Sten, Foreman, 2011-2012 Santa Barbara Grand Jury, 1100 Anacapa Street, Santa Barbara, CA 93101  
Chandra Wallar, County Executive Officer  
Renée Bahl, Assistant County Executive Officer  
Mark Paul, Public Works





# ATTACHMENT B



MAILING ADDRESS:  
GRAND JURY ROOM  
COUNTY COURTHOUSE  
SANTA BARBARA, CA  
93101

TEL: (805) 568-2291  
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## GRAND JURY SANTA BARBARA COUNTY

March 5, 2012

County of Santa Barbara  
Redevelopment Agency Successor  
105 East Anapamu Street  
Santa Barbara, CA 93101

Dear Agency Successor:

Enclosed is the report of 2011-12 Santa Barbara County Grand Jury entitled "Requiem for Redevelopment", in which your organization, district, department, office or position is named as an affected agency.

You are required to respond to each finding and recommendation contained in the report in the manner provided by *California Penal Code Section 933*.

- Within 60 days of the date of receipt of the report if you are an elected County officer, agency head or city mayor; or
- Within 90 days of the date of receipt of the report if you are a public agency

You are required to send your signed response to:

The Honorable Judge Brian Hill  
Presiding Judge of the Superior Court of Santa Barbara County  
1100 Anacapa Street  
Santa Barbara, California 93101

Santa Barbara County Grand Jury  
1100 Anacapa Street  
Santa Barbara, California 93101

The report will be released to the public not less than two working days following the date of delivery. The report is confidential until public release.

If you have any questions, please contact me at the above address.

Sincerely yours,

Ted Sten  
Foreman

Enclosure

## REQUIEM FOR REDEVELOPMENT

### The Life and Death of Redevelopment Agencies in Santa Barbara County

#### SUMMARY

On December 29, 2011, the California Supreme Court ended the 66-year reign of redevelopment agencies throughout the Golden State. The Court upheld state law AB 26 allowing for the dissolution of all redevelopment agencies (RDAs). It also struck down AB 27 that would have allowed RDAs to continue if they directed more money to schools and special districts. Since AB 26 prevailed, RDAs are history. Given the far-reaching effects of this legislation, the 2011-12 Santa Barbara County Grand Jury examined the accomplishments and residual financial condition of all seven RDAs in Santa Barbara County.

RDAs were established as independent government entities funded by property taxes to improve deteriorated or blighted urban areas. RDAs paid for projects by borrowing and issuing bonds, which they did without a public vote. They were allocated property tax dollars to pay the interest and repay the debt on these loans and bonds.

Seven local governments in Santa Barbara County had RDAs: Buellton, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Santa Barbara County (Isla Vista). In the 11 years through fiscal 2010, the seven RDAs in Santa Barbara County combined received almost \$270 million in property tax dollars -- about 5 percent of the County property tax receipts.

In this same period, the seven RDAs spent over \$350 million: \$220 million on administration and projects, and over \$130 million on debt service.

These RDAs have dissolved owing almost \$300 million in bonds, loans, and other obligations. Even though the agencies themselves no longer exist, the cities and counties that established them must now repay all existing indebtedness with future property tax dollars.

Although the RDAs cease to exist, their legacy and their debt remain. The public officials who served as directors of RDAs also remain since they are the council members of the sponsoring cities and Board of Supervisors of the County. The purpose of this report is to help citizens understand how their elected officials have spent property taxes through RDAs and how much debt remains to be paid.

## REQUIEM FOR REDEVELOPMENT

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### BACKGROUND

The California State Legislature passed the California Community Redevelopment Act in 1945 giving cities and counties the authority to establish redevelopment agencies to combat urban blight. AB 1290, passed in 1993, specified that a blighted area had to be predominantly urban. The blight must have caused a lack of "proper utilization" of the area and constituted a serious physical and economic burden to the community that would not likely be reversed by private or government actions without redevelopment (Legislative Analyst's Office, 1994).

At the time an RDA was established, a city council or board of supervisors could either appoint a five member governing board or could declare itself to be the board (Community Redevelopment Law, California Health and Safety Code 33110 and 33200). The respective council members or supervisors chose to make themselves the Boards of all RDAs in Santa Barbara County.

While RDAs were not permitted to levy taxes, they could issue bonds without a vote of the people.

In 1952, California voters passed Proposition 18, Community Redevelopment Projects, authorizing taxing agencies to identify assessed values of properties within designated redevelopment project areas. At the time of approval of a redevelopment plan and thereafter, the additional taxes generated by increases in assessed value of these properties were awarded to the redevelopment agency. This additional tax revenue based on increased assessed values is known as "Tax Increment." It was designated to be used as security for obligations and to repay debt. The rationale behind Tax Increment funding was, as RDAs improved their blighted areas, assessed values would go up, and RDAs would in effect become self-supporting. This rationale assumed that improvements made by RDAs would be responsible for the rising property values. However, if general economic trends were responsible for increasing property values, diverting property tax revenues to RDAs could be seen as a subsidy that may or may not serve the tax payers well.

Allocating Tax Increment to RDAs meant that other entities that benefit from property tax, such as schools, fire departments, and special districts, would receive the same amount of property tax that they received in the year in which the redevelopment plan took effect. They would not benefit from increased property values, though they could negotiate with RDAs to get a share of the Tax Increment money. Subsequently, AB 1290 established a statutory formula for "passing through" part of the Tax Increment revenue back to schools, fire departments, and special districts. In addition to passing part of Tax Increment revenues back, RDAs were required to set aside 20 percent of the Tax Increment to use on low/moderate income housing.

RDAs had a significant impact on the State General Fund. Even with AB 1290 "pass-throughs" to schools, RDAs still received property taxes that would otherwise have gone to schools. The State then had to reimburse schools to fund them at minimal levels set by

## REQUIEM FOR REDEVELOPMENT

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Proposition 98. Thus, the State spent money from its General Fund to support schools while property taxes that would otherwise have gone to schools went to redevelopment agencies.

Given the budget deficit California is facing, the State attempted to limit demands on its General Fund by cutting the amount of property tax going to RDAs thereby lessening the need for State support of schools. To accomplish this goal, on June 29, 2011, Governor Brown signed bills AB 26 and AB 27. AB 26 dissolved current RDAs. AB 27 would have created an Alternative Voluntary Redevelopment Program in which RDAs gave more money to schools, special districts, cities, and counties.

The League of California Cities, the California Redevelopment Association, and the cities of San Jose and Union City filed a petition with the California Supreme Court, challenging the constitutionality of AB 26 and AB 27. The petition claimed that AB 26 and AB 27 violated Proposition 22 passed in November 2010, the stated purpose of which was “ ‘to conclusively and completely prohibit state politicians in Sacramento from seizing, diverting, shifting, borrowing, transferring, suspending, or otherwise taking or interfering with’ revenue dedicated to local government” (Petition for Writ of Mandate. California Redevelopment Association, et. al. vs. Matosantos, et. al. 2011).

The California Supreme Court heard oral arguments on November 10, 2011 and ruled on the case December 29, 2011. The Court ruled that AB 26 was constitutional stating, “Assembly Bill 1X 26, the dissolution measure, is a proper exercise of the legislative power vested in the Legislature by the state Constitution.” Since the Legislature had the power to create RDAs, it had the corollary power to dissolve them. The Court ruled that AB 27, however, was unconstitutional. The Court stated: “Assembly Bill 1X 27, the measure conditioning further redevelopment agency operations on additional payments by an agency’s community sponsors to state fund benefiting schools and special districts [is not a proper exercise of legislative power]. Proposition 22 . . . expressly forbids the Legislature from requiring such payments.”

With this decision, the Court eliminated RDAs rather than limiting them as the Legislature had intended.

## METHODOLOGY

The Jury obtained material for this analysis from a variety of sources:

- Assembly Bills AB 26 and AB 27
- Budgets and reports made to RDA boards
- California Assembly Budget Committee. “Joint Hearing on Enterprise Zones and Redevelopment.” 2011
- California Community Redevelopment Law, California Health and Safety Code, Division 24
- California Redevelopment Association et al. v. Ana Matosantos, as Director, etc., et al. S194861 (Supreme Court of California, 2011)

## REQUIEM FOR REDEVELOPMENT

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- California State Controller's Office, *Community Redevelopment Agencies Annual Reports 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010*
- Enforceable Obligation Payment Schedule for each RDA in Santa Barbara County
- Interviews with government staff
- Legislative Analyst's Office. *Governor's Redevelopment Proposal 2011*
- Legislative Analyst's Office. *Redevelopment After Reform: A Preliminary Look 1994*
- Municipal Officials for Redevelopment Reform. *Redevelopment: The Unknown Government 2004*
- Various news articles
- Web sites for all RDAs in Santa Barbara County

## OBSERVATIONS AND ANALYSIS

### **The RDAs of Santa Barbara County**

With the implementation of AB 26, Santa Barbara County loses seven RDAs. Six cities had RDAs: Buellton, Goleta, Guadalupe, Lompoc, Santa Barbara, and Santa Maria. Santa Barbara County created an RDA in unincorporated Isla Vista. The six city RDAs were governed by their respective City Councils; the Isla Vista RDA was governed by the County Board of Supervisors.

The Buellton RDA was established in 1993. It encompassed 180 acres, approximately 17 percent of the incorporated city's total land area.

The Goleta Old Town Redevelopment Project Area was adopted in 1998 by the County of Santa Barbara Redevelopment Agency when Goleta was an unincorporated part of the County. When the City of Goleta incorporated in 2002, it established the Redevelopment Agency for the City of Goleta to take over the Old Town Project Area. The Project Area encompassed 595 acres, about 3.5 percent of the incorporated city.

The Guadalupe Community Redevelopment Agency, established in 1985 and amended in 2009, encompassed 581 acres, about 70 percent of the incorporated city.

In 1984, Lompoc approved the Old Town Redevelopment Project area to encompass 80 acres in downtown. The Project Area Redevelopment Plan was amended to add 920 acres surrounding downtown in 1998 and again to add 80 acres on the eastern portion of the City in 2002 totaling 1,080 acres, about 14 percent of the city.

The City of Santa Barbara Redevelopment Agency was created in 1968 and the Central City Redevelopment Project area was established in 1972 encompassing 850 acres, about 7 percent of the city.

## REQUIEM FOR REDEVELOPMENT

The Santa Maria Redevelopment Agency was established in 1959. The Town Center Project Area was created in 1972 and amended in 1994 encompassing 13 acres, less than 0.1 percent of the city.

Santa Barbara County established the Isla Vista project area in 1990 to include 429 acres adjacent to the University of California Santa Barbara.

### RDAs IN SANTA BARBARA COUNTY

	Buellton	Goleta	Guadalupe	Lompoc	SB	SM	SBC-IV
Year Plan established	1993	1998	1985	1984	1972	1972	1990
Year amended	-	2002	2009	1998, 2002	-	1994	-
Number of acres	1.8	595	581	1,080	850	13	429
% of City in RDA	17%	4%	70%	14%	7%	<0.1%	-

Source: California State Controller's Office, *Community Redevelopment Agencies Annual Reports*

### Expenditures

The California State Controller's Office has published detailed reports of RDAs' financial activities for the years FY 2000 – FY 2010. These are compiled and presented below.

#### RDA TOTAL EXPENDITURES FY 2000 – FY 2010

	Buellton	Goleta	Guadalupe	Lompoc	SB	SM	SBC-IV	Total
11 Yr Total	\$7.4 mil	\$21.7 mil	\$10.9 mil	\$24.0 mil	\$210.4 mil	\$34.7 mil	\$44.1 mil	\$353.2 mil

Calculated from: California State Controller's Office, *Community Redevelopment Agencies Annual Reports*

#### RDA EXPENDITURES FY 2000 – FY 2010

##### Percentages Spent in Each Category\*

	Buellton	Goleta	Guadalupe	Lompoc	SB	SM	SBC-IV
Admin & Prof Services	78%	21%	21%	14%	10%	2%	13%
Debt Interest	4%	2%	23%	12%	15%	34%	8%
Debt Principal	3%	21%	8%	9%	25%	51%	8%
Real Estate Dev	9%	31%	36%	46%	48%	0%	36%
Property Acquisition	0%	0%	4%	0%	3%	4%	0%
Housing Subsidies	0%	0%	0%	0%	0%	0%	1%

## REQUIEM FOR REDEVELOPMENT

Other	6%	26%	8%	19%	0%	9%	34%
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Calculated from: California State Controller's Office, *Community Redevelopment Agencies Annual Reports*  
 \* For the list of line items grouped in each category and data source, see Appendix 1.

A comparison of percentages of each RDA's expenditures reveals several differences. Buellton spent the largest percentage on administration and professional services. Santa Maria spent virtually its entire RDA budget on paying debt service (principal and interest) incurred for the earlier construction of parking structures and lots. Santa Maria had no real estate development expenditures during the 11 years examined and Buellton had minimal. Real estate development accounted for almost half of expenditures in Santa Barbara and Lompoc and about a third of those in Goleta, Guadalupe, and Isla Vista. While the data offer a breakdown into various aspects of real estate development (see Appendix 1 for categories), they do not disclose the details of individual projects such as payments to developers, non-profits, and consultants. Goleta and Isla Vista report a quarter and a third respectively of expenditures as "other," precluding a detailed analysis of this spending.

### Revenue

RDA's had several sources of revenue: Tax Increment, interest income, rental and lease income, grants from other agencies, and "other." The main revenue source was Tax Increment: property tax on the increase in assessed value of the parcels in a project area since the RDA was established. As presented in the table below, Tax Increment typically represented about 85 percent of RDA's revenue.

### RDA REVENUE FY 2000 – FY 2010

	Buellton	Goleta	Guadalupe	Lompoc	SB	SM	SBC-IV	Total
11 Yr Total Property Tax Increment	\$5.2 mil	\$19.4 mil	\$11.5 mil	\$18.6 mil	\$162.7 mil	\$12.0 mil	\$39.0 mil	\$268.5 mil
11 Yr total Other Revenue	\$1.0 mil	\$2.7 mil	\$2.7 mil	\$2.0 mil	\$30.1 mil	\$2.8 mil	\$7.0 mil	\$48.3 mil
11 Yr Total Revenue	\$6.2 mil	\$22.1 mil	\$14.2 mil	\$20.6 mil	\$192.8 mil	\$14.8 mil	\$46.0 mil	\$316.8 mil

Calculated from: California State Controller's Office, *Community Redevelopment Agencies Annual Reports*

### Debt

In addition to Tax Increment, RDA's were able to use a variety of other funding sources including long-term bonds, refinancing debt, selling assets, and borrowing from their city or county. Loans, bonds, and interest were usually secured by and repayable from the RDA's property Tax Increment.

AB 26 required all RDA's to adopt and post an "Enforceable Obligation Payment Schedule." While there was variation in the way different RDA's report, the data

## REQUIEM FOR REDEVELOPMENT

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permitted identifying long-term obligations that will not be paid off within one year as presented below.

### ENFORCEABLE OBLIGATION PAYMENT SCHEDULES (2011) Long-term Outstanding Debt or Obligation

Buellton	Goleta	Guadalupe	Lompoc	SB	SM	SBC-IV
\$1.8 mil	\$33.6 mil	\$19.9 mil	\$43.8 mil	\$167.2 mil	\$29.3 mil	\$17.0 mil

Calculated from Enforceable Obligation Payment Schedules; includes debt service on loans and bonds, and money owed to funds and accounts that will not be paid within one year.

### RDA Accomplishments

What did tax payers get for these expenditures of property Tax Increment and accumulated debt? An accounting of accomplishments is provided by the State Controller's Office. Each RDA was required to list the activities it completed in its annual Financial Transactions Report. These activities are listed in Appendix 2. They do not include projects in progress such as the Dick DeWees Community and Senior Center in Lompoc nor projects completed prior to 1999-2000, such as the Paseo Nuevo project in Santa Barbara or the parking structures and lots at Town Center Malls East and West in Santa Maria. Nevertheless, they are the official enumeration.

### Effects of Dissolution

AB 26, the act dissolving RDAs, ruled constitutional by the California Supreme Court, authorizes successor agencies, typically the cities or counties creating RDAs, to receive property Tax Increment the RDAs would have received in order to make payments on legally enforceable obligations. In addition, AB 26 authorized establishment of an Oversight Board for each successor agency to approve actions of successor agencies including the Enforceable Obligations Schedule.

The table below shows each RDA's report of anticipated expenditures for the coming fiscal year listed in each RDA's Enforceable Obligation Payment Schedule and expected Tax Increment that the successor agency will use to pay off obligations. Successor agencies and Oversight Boards may not approve all of the projected expenses. Per AB 26, when the Tax Increment exceeds the amount needed to pay debt obligations and "pass-throughs," the excess will go to a fund established by the county auditor-controller to distribute to schools and special districts in the proportion they would have received property taxes had there been no RDAs.

## REQUIEM FOR REDEVELOPMENT

### ENFORCEABLE OBLIGATION PAYMENT SCHEDULES

#### Projected expenses and Tax Increment

	Buellton	Goleta	Guadalupe	Lompoc	SB	SM	SBC-IV
Projected debt service 2012	\$0.1 mil	\$4.5 mil	\$1.1 mil	\$1.7 mil	\$11.8 mil	\$2.7 mil	na
Projected expenses 2012 *	\$1.5 mil	\$0.7 mil	\$0.7 mil	\$2.7 mil	\$3.6 mil	\$0.00	na
Total projected cash outflow 2012	\$1.6 mil	\$5.2 mil	\$1.8 mil	\$4.5 mil	\$15.5 mil	\$2.7 mil	na
Current year Tax Increment	\$0.8 mil	\$3.9 mil	\$1.5 mil	\$2.6 mil	\$19.9 mil	\$1.1 mil	\$6.6 mil

Calculated from Enforceable Obligation Payment Schedules and Source; California Department of Finance, "Estimated AB27 Payment"

\* Short-term liabilities, operating expenses, and one-time "pass-throughs."

na = Not available from Enforceable Obligation Payment Schedule

As RDA liabilities are paid off, schools and special districts as well as cities, and the County will receive additional revenue from property taxes.

Existing bond proceeds will continue to be spent on the purposes for which they were borrowed. Any project already fully funded will continue to be pursued by the successor agency. Bond indebtedness will be paid off by the successor agency with Tax Increment dollars.

Since RDAs employed people to administer them, there may be job losses. RDAs had full-time employees as well as employees shared with their respective cities or the county. These employees could remain if the successor agency accepts them.

Among the casualties from the termination of RDAs is low-income and moderate-income housing and the elimination of blight. Each city or county will now be forced to examine how to address these needs without having an RDA as a funding source.

Cities, counties, schools, and special districts will receive more funds as RDA debts are repaid. The biggest beneficiary of the dissolution of RDAs is the State of California. Since the State General Fund made up for losses of property tax to schools caused by RDAs receiving those property taxes, when the dissolved RDAs' debts are paid off, schools will get more property tax revenues.

## REQUIEM FOR REDEVELOPMENT

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### CONCLUSION

The seven redevelopment agencies in Santa Barbara County spent over \$350 million in 11 years on projects, administration, and debt service. They incurred substantial debt secured by future property tax revenue. Although AB 26 has ended the existence of the redevelopment agencies themselves, their debt must be assumed by successor agencies, most likely their sponsoring cities and, in the case of Isla Vista, the County of Santa Barbara. This debt will be repaid from future property Tax Increment. Throughout the existence of redevelopment agencies, available documents have not sufficiently delineated the recipients of RDA funds – the developers, non-profits, and consultants. The Enforceable Obligation Payment Schedules submitted by each RDA to the State do not break out the payment of interest and the repayment of principal. Additional questions about projects already funded but not completed have yet to be answered.

Finally, while some RDAs enumerate and describe projects accomplished, few demonstrate how their expenditures have specifically helped eliminate blight. If blight is still an issue, how will it be addressed? What about the future of affordable housing? Has this been an effective use of property tax?

The 2011-12 Santa Barbara County Grand Jury concludes that there is a need for greater transparency as the debt is transferred to cities and the County. A final reckoning is needed.

If nothing else, the elimination of redevelopment agencies can be seen as an opportunity to re-examine issues such as blight and affordable housing. Given the current economic reality, this is imperative.

### FINDINGS AND RECOMMENDATIONS

#### **Finding 1**

**Buellton:** over the past 11 years spent \$7.4 million; received \$5.2 million in Tax Increment; has \$1.8 million in outstanding long-term debt and obligations.

#### **Finding 2**

**Goleta:** over the past 11 years spent \$21.7 million; received \$19.4 million in Tax Increment; has \$33.6 million in outstanding long-term debt and obligations.

#### **Finding 3**

**Guadalupe:** over the past 11 years spent \$10.9 million; received \$11.5 million in Tax Increment; has \$19.9 million in outstanding long-term debt and obligations.

#### **Finding 4**

**Lompoc:** over the past 11 years spent \$24 million; received \$18.6 million in Tax Increment; has \$43.8 million in outstanding long-term debt and obligations.

## REQUIEM FOR REDEVELOPMENT

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### **Finding 5**

**City of Santa Barbara:** over the past 11 years spent \$210.4 million; received \$162.7 million in Tax Increment; has \$167.2 million in outstanding long-term debt and obligations.

### **Finding 6**

**City of Santa Maria:** over the past 11 years spent \$34.7 million; received \$12.0 million in Tax Increment; has \$29.3 million in outstanding long-term debt and obligations.

### **Finding 7**

**County of Santa Barbara (Isla Vista):** over the past 11 years spent \$44.1 million; received \$39.0 million in Tax Increment; has \$17 million in outstanding long-term debt and obligations.

### **Finding 8**

Detailed data are not available on the amount of money spent on individual projects, the recipients of this money, or how these projects have contributed to eliminating blight.

### **Recommendation 1**

That all successor agencies provide on their websites the following for projects funded over the past 10 years, including projects that have been funded, but not completed:

1. list of all projects funded (completed or not) and the designated blight they eliminated
2. the amounts spent (or to be spent) on each individual project
3. the names and locations of recipients of over \$25,000 associated with each project
4. administrative costs and professional services associated with each project
5. amounts of principal and interest payments associated with each project

### **Recommendation 2a**

That all successor agencies provide on their websites their plans for defining and eliminating blight in the absence of RDAs.

### **Recommendation 2b**

That all successor agencies provide on their websites their plans for providing low-income and moderate-income housing in the absence of RDAs.

### **Recommendation 3**

That all successor agencies provide on their websites debt retirement schedules.

## REQUEST FOR RESPONSE

In accordance with *California Penal Code Section 933.05*, each agency and government body affected by or named in this report is requested to respond in writing to the findings and recommendations in a timely

## REQUIEM FOR REDEVELOPMENT

manner. The following are the affected agencies for this report, with the mandated response period for each.

### **Buellton Redevelopment Agency Successor Agency – 90 days**

Findings 1, 8

Recommendations 1, 2a, 2b, 3

### **Redevelopment Agency for the City of Goleta Successor Agency – 90 days**

Findings 2, 8

Recommendations 1, 2a, 2b, 3

### **Guadalupe Community Redevelopment Agency Successor Agency – 90 days**

Findings 3, 8

Recommendations 1, 2a, 2b, 3

### **Redevelopment Agency of the City of Lompoc Successor Agency – 90 days**

Findings 4, 8

Recommendations 1, 2a, 2b, 3

### **Redevelopment Agency of the City of Santa Barbara Successor Agency – 90 days**

Findings 5, 8

Recommendations 1, 2a, 2b, 3

### **City of Santa Maria Redevelopment Agency Successor Agency – 90 days**

Findings 6, 8

Recommendations 1, 2a, 2b, 3

### **Redevelopment Agency of the County of Santa Barbara Successor Agency – 90 days**

Findings 7, 8

Recommendations 1, 2a, 2b, 3

# REQUIEM FOR REDEVELOPMENT

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## APPENDIX 1

### **RDA Expenditure Categories**

**Admin & Prof Services** includes Administrative Costs and Professional Services

**Debt Interest Payments** include Interest Expense and Debt Issuance Costs

**Debt Principal** includes Tax Allocation Bonds, Revenue Bonds, City/County Loans, and Other Long-term Debt

**Real Estate Development** includes Site Clearance Costs, Planning Survey & Design, Project Improvement/Construction Costs, Disposal Costs, Loss on Disposition of Land Held for Resale, Decline in Value of Land Held for Resale, Rehabilitation Costs/Grants, Operation of Acquired Property

**Property Acquisitions** include Real Estate Purchases, Acquisition Expense, Relocation Costs/Payments, Fixed Asset Acquisitions

**Housing Subsidies** include Subsidies to Low & Moderate Income Housing

**Other** includes Other Expenditures

# REQUIEM FOR REDEVELOPMENT

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## APPENDIX 2

### RDA Accomplishments 1999-2000 through 2009-2010

Source: The following list of accomplishments comes from the 1999-2000 through 2009-2010 State Controller's *Community Redevelopment Agencies Annual Report*. These Reports are based on information provided as part of each RDA's annual Financial Transactions Report.

#### **Buellton Redevelopment Agency**

None listed

#### **Goleta Redevelopment Agency**

- Rehabilitating 30 housing units for very-low-income families
- Rehabilitating 18 housing units for low-income families in Goleta Old Town
- Completing construction of 16 housing units for very-low and low-income families in the El Encanto Apartment project
- Providing funding for several capital projects (2006-2007)
- Providing affordable housing rehab assistance to four households (2006-2007)
- Providing funding for several capital projects (2007-2008)
- Providing affordable housing rehabilitation assistance to four households (2007-2008)
- Providing funding to Hollister Avenue Redesign Project
- Upgrading Amtrak Railroad Station
- Extending Ekwill and Fowler roads
- Increasing capacity of San Jose Creek Flood Channel
- Providing residential rehabilitation assistance to 19 low- and moderate-income households
- Providing residential rehabilitation assistance to six owner-occupied single-family units

#### **Guadalupe Community Redevelopment Agency**

- Completing earthquake retrofitting of a downtown business office complex
- Completing improvements to the Royal Theatre
- Constructing a gazebo downtown
- Completing improvements to the Veterans Hall and a parking lot
- Providing facade program grants to businesses
- Completing the former Lantern Hotel project
- Continuing to revitalize the downtown with a decorative street lighting improvement project, facade grants, and improved entrance signs with the city logo
- Providing grants to property owners for retrofitting
- Providing several facade grants
- Improving commercial buildings under retrofit
- Renovating housing through the Housing Rehabilitation grants

# REQUIEM FOR REDEVELOPMENT

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## APPENDIX 2 (Cont.)

- Purchasing four units for new construction under the directions of Habitat for Humanity
- Improving existing homes
- Assisting low-income families with Housing Rehabilitation Grants

### **Lompoc Redevelopment Agency**

- Rehabilitating the Courtyard Apartments
- Providing financial assistance for the new Community Center
- Assisting Habitat for Humanity in completing construction of two single-family homes
- Providing two loans for facade improvements on two commercial buildings
- Providing assistance to businesses through the Commercial Rehabilitation Program
- Completing three commercial projects utilizing the Commercial Facade Program and the Commercial Rehabilitation Program
- Completing the Infant Child Care Facility and four affordable housing units
- Completing rehabilitation of a 35-unit apartment complex...
- Providing three loans through CalHFA Help Loan Program
- Providing a loan to Habitat for Humanity
- Completing the Aquatic Center
- Creating approximately 50 jobs
- Providing funding to a business owner for commercial facade facilitation
- Providing funding for a new roof at the Historic Lompoc Museum
- Providing funding for the Crown Laurel Housing Project
- Providing funding for the Homebase and G Street Housing Project
- Completing a 35-unit affordable housing project
- Assisting Lompoc City to purchase a vacant lot that will be developed as part of the New Lompoc Valley Senior Center

### **City of Santa Barbara Redevelopment Agency**

- Completing the restoration of the city's railroad station and adjacent Depot Park
- Completing renovation of Storke Placita, a plaza in the Downtown Corridor
- Completing Phase II of the State Street Sidewalk Improvement Project
- Providing funding for construction of a 75-unit rental housing project for low-income families
- Providing funding for a 95-unit rental housing project for low-income seniors
- Completing the Granada Garage
- Completing the Louise Lowry Davis Center restoration
- Completing 61 studio apartment rental units for the homeless, and very low-income downtown workers
- Providing loans for the El Carrillo Project
- Providing financial assistance for the East Anapamu Street Housing Project
- Completing 20 affordable housing units at South Voluntario Street

## REQUIEM FOR REDEVELOPMENT

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### APPENDIX 2 (Cont.)

Completing public restrooms on State Street  
Completing the final phase of the State Street Sidewalk Improvement Project  
Completing the Twelve 35 Teen Center  
Completing the State Street underpass improvements  
Providing several community cultural grants for capital projects  
Completing 61 small studio-apartment rental units for the homeless, and a 2-bedroom manager's unit  
Completing three new low-income ownership-units through Habitat for Humanity  
Completing the Chapala Street Improvement Project  
Completing the Thompson Avenue Improvement Project  
Completing two low-income rental housing projects  
Completing construction of the East Anapamu Street Project  
Providing several community cultural grants for capital projects  
Completing the Granada Theatre Renovation Project  
Providing funding for the Lobero Theatre for system improvements  
Providing funding for capital improvement of the Arts Mentorship Program  
Providing funding for the Center Stage Theater improvements  
Providing funding for community parking lots through the Transportation Management Program  
Completing Plaza Vera Cruz Project  
Completing improvements Spencer Adams Parking Lot  
Operating Bradley Property, affordable rental housing  
Completing construction on East Anapamu Street  
Funding the acquisition of property at 416-424 East Cota Street  
Completing the Fire Station No. 1 Seismic Renovation Project

#### **Santa Maria**

None listed

#### **Santa Barbara County – Isla Vista**

Rehabilitating 30 housing units for very-low-income families with Community Development Block Grant and RDA funds  
Completing construction of 56 housing units for very-low-income and low-income families on Abrego Road in Isla Vista