

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL/SUCCESSOR
AGENCY BOARD

FROM: Richard A. Keit
Leslye Corsiglia
Jennifer A. Maguire

SUBJECT: 2011-2012 BUDGET ACTIONS AND
COOPERATION AGREEMENT
RELATED TO SUCCESSOR AGENCY

DATE: May 21, 2012

Approved

Date

6/1/12

RECOMMENDATION

1. Adopt City Appropriation Ordinance and Funding Sources Resolution amendments to repeal Ordinance No. 29029 and Resolution No. 76133 in the Redevelopment Obligation Retirement Fund.
2. Adopt City Appropriation Ordinance and Funding Sources Resolution amendments for 2011-2012 in the Low and Moderate Income Housing Fund to amend Ordinance No. 29027 and Resolution 76131, to be effective from July 1, 2011 through January 31, 2012, as outlined in Attachment A.
3. Approval by the City Council and City Council in its capacity as the Successor Agency Board of a Cooperation Agreement between the City of San José and the Successor Agency to the Redevelopment Agency of the City of San Jose for Operating Expenses February 2012 through June 2012.

OUTCOME

Approval of the ordinance and resolution actions pertaining to the Successor Agency and Successor Housing Agency Budgets continues to facilitate: the winding down of the former Redevelopment Agency's affairs and the transition to Successor Agency and Successor Housing Agency; and, the continuation of the cooperation agreement outlining City expenditures on behalf of the Successor Agency.

BACKGROUND

On January 24, 2012, the City Council and the City Council in its capacity as the Successor Agency approved actions to establish the Redevelopment Obligation Retirement Fund consistent with AB X1 26 and approved the formal transfer of assets and liabilities from the former Redevelopment Agency to the Successor Agency. Funding was budgeted for the period of February 1, 2012 and June 30, 2012, to execute the responsibilities of the Successor Agency, and reflected the most current information at that time. Since January, the Administration has been working to transition the former Redevelopment Agency internally with a multi-departmental team as well as closely coordinating with the Santa Clara County to refine analysis of the intent and impacts of the legislation governing the Successor Agency and its finances.

In addition, pursuant to the requirements outlined in AB X1 26, the Successor Agency must prepare an administrative budget as well as a Recognized Obligation Payment Schedule (ROPS) every six-months for the City Council in its capacity as the Successor Agency Board as well as the Oversight Board to review and approve. These requirements have been met with the preparation and submittals of administrative budgets and ROPS for both the period February 1 through June 30, 2012, and July 1, through December 31, 2012, which were considered and approved by the City Council as Successor Agency Board and the Oversight Board.

ANALYSIS

Successor Agency and Successor Housing Agency Budget Adjustments

On January 24, 2012, a number of actions were brought forth approving the establishment of the Redevelopment Obligation Retirement Fund and amending the authority over the Low and Moderate Income Housing Fund from the City designating it to be a Successor Agency Fund. Upon further analysis, it has been determined it is not appropriate for the budget to be approved by City ordinances as previously recommended and approved by the Board. To continue to reflect the separate nature of the Successor Agency operations from the City's operations and remaining consistent with the intent of the legislation, the administration recommends that the February 1, 2012 through June 30, 2012, Successor Agency five month budgeted City appropriation ordinance and funding sources resolutions be repealed in the Redevelopment Retirement Obligation Fund and amended in the Low and Moderate Income Housing Fund to be effective from July 1, 2011 through January 31, 2012 (as discussed in more detail below). Authority for financial activities beginning February 1st for both the Successor Agency and the Successor Housing Agency have been provided through the approval of the scheduled payments for enforceable obligations as detailed on the ROPS and will continue to be approved as part of the bi-annual ROPS in future years.

A second action taken on January 24, 2012, was the transfer of all affordable housing assets to the City, as the Successor Housing Agency. This action included the transfer of the loan portfolio holding more than \$550,000,000 representing over 900 loans, land held for future

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housing development, and leases and contracts. In further review of AB X1 26, it has become clear that encumbered contracts and other affordable housing projects obligated to be completed should be treated as housing assets and will also be transferred to the City as Successor Housing Agency. Additionally, cash balances generated from loan repayments were also transferred to the Successor Housing Agency. The City established a new City fund, the Affordable Housing Investment Fund (Fund 346) to manage all of the affordable housing assets which will be managed as a part of the City budget in future years. As mentioned above, the expenditures in the Low and Moderate Income Housing Fund (Fund 443) will be approved as a part of the bi-annual ROPS in future years. Therefore, the recommended Appropriation Ordinance and Funding Source Resolution actions related to the Low and Moderate Housing Income Fund in 2011-2012 are related to the limited time period of July 1, 2011 to January 31, 2012 and the transfer of assets to the Successor Housing Agency.

Cooperation Agreement between the City of San José and the Successor Agency

On June 17, 2011, the City Council approved the 2011-2012 Cooperation Agreements for 1) Capital Improvement Projects in the Merged Redevelopment Area and 2) Operating Expenses between the City of San Jose and the Redevelopment Agency. Effective February 1, 2012 AB X1 26 invalidated those agreements. On April 12, 2012, the Oversight Board adopted a resolution authorizing the Successor Agency to enter into a Cooperation Agreement with the City of San José for Operating Expenses from February 1, 2012 through June 30, 2012, under the terms previously established in the invalidated Cooperation Agreement. The Cooperation Agreement is recommended for City Council approval to continue already budgeted funding and support for the remainder of 2011-2012.

It should be noted that there has been a significant contribution of City staff resources to the increased activity associated with the winding down and transition of the former Redevelopment Agency's business transactions. Due to the limited financial ability of the former Redevelopment Agency/Successor Agency, the amounts funded in today's budget action and shown in the cooperation agreement do not fully cover the City's costs.

Tax Increment Projections

Successor Agency and City staffs have been engaged in conversation with staff from Santa Clara County in an effort to find consensus on the implementation of AB X1 26. The County Auditor-Controllers Office is responsible for the distribution of tax increment to all Successor Agencies in the County. Assumptions used in this memorandum to determine the amount of tax increment for the 2011-2012 budget year have not yet been confirmed by the County.

EVALUATION AND FOLLOW-UP

Successor Agency staff will continue to return to the City Council and the Successor Agency Board regarding Oversight Board actions and budgetary authority through the bi-annual approval of the Recognized Obligation Payment Schedule and Administrative Budget.

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PUBLIC OUTREACH/INTEREST

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action meets Criteria 1 above and will be posted to be considered by the City Council on the June 12, 2012 meeting.

COORDINATION

This item was coordinated with the City Attorney's Office.

CEQA

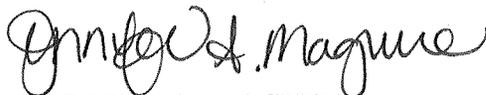
Exempt, File No. PP12-008.



RICHARD A. KEIT
Managing Director
Successor Agency



LESLEYE CORSIGLIA
Housing Director



JENNIFER A. MAGUIRE
Budget Director

For questions, please contact Abe Andrade, Chief Fiscal Officer of the Successor Agency (408 795-1821) or Rachel VanderVeen in the Housing Department (408 535-8235).

Attachment A: Statement of Source and Use of Funds Low and Moderate Income Housing Fund and appropriation recommendation language.

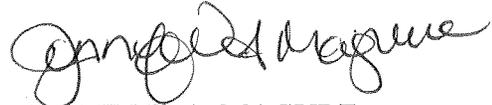
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I hereby certify that there will be available for appropriation in the Low and Moderate Income Housing Fund in the Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated therefrom, said excess being at least \$2,093,116.



JENNIFER A. MAGURE

Budget Director

1. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Low and Moderate Income Housing Fund:
 - a. Increase the Beginning Fund Balance by \$18,934,365;
 - b. Increase the revenue estimate for Earned Revenue by \$2,093,116;
 - c. Decrease the revenue estimate for the Transfer from the Redevelopment Obligation Retirement Fund by \$3,556,000;
 - d. Establish a Transfer to the Affordable Housing Investment Fund by \$18,934,345;
 - e. Establish a Transfer to the Redevelopment Obligation Retirement Fund by \$5,600,000;
 - f. Decrease the Housing Loans and Grants appropriation by \$531,861;
 - g. Decrease the Reserve for Enforceable Obligations by \$3,792,085;
 - h. Decrease the Housing Rehabilitation Loan appropriation by \$325,000;
 - i. Decrease the Loan Management appropriation by \$250,000
 - j. Decrease the Commercial Paper Debt Service appropriation by \$608,272;
 - k. Decrease the Debt Service appropriation by \$1,613,555; and
 - l. Increase the Housing Non-Personal/Equipment appropriation by \$57,909.

LOW AND MODERATE INCOME HOUSING FUND (443)

STATEMENT OF SOURCE AND USE OF FUNDS

	2010-2011 Actual	2011-2012 Adopted	2011-2012 Modified	Recommended Changes	2011-2012 Revised Modified
SOURCE OF FUNDS					
Beginning Fund Balance					
Contingency Reserve	150,000	150,000	150,000	0	150,000
Reserve for Encumbrances	40,360,001	40,360,001	10,780,926	0	10,780,926
Reserve for Enforceable Obligations	0	0	0	0	0
Retirement Pre-Payment Reserve	58,220	58,220	58,220	0	58,220
Unrestricted	18,832,240	11,021,962	9,688,175	18,934,365	28,622,540
Total Beginning Fund Balance	59,400,461	51,590,183	20,677,321	18,934,365	39,611,686
Revenues					
20% Tax Increment	36,729,077	34,922,188	17,534,000	0	17,534,000
Commercial Paper Proceeds	1,200,000	745,003	0	0	0
Homebuyer Subordination Fee	12,840	4,200	2,680	0	2,680
Interest	170,131	250,000	100,000	0	100,000
Loan Repayments	17,709,943	5,592,000	392,000	1,993,116	2,385,116
Miscellaneous Revenue	20,761	100,000	50,000	100,000	150,000
Multi-Family Proj Ownership Transfer Fee	0	2,550	0	0	0
Net Bond Sale Proceeds	10,032	0	0	0	0
Revolving Loan Fd - Tchr Hsng Prgm	303,617	55,000	55,000	0	55,000
Total Revenues	56,156,401	41,670,941	18,133,680	2,093,116	20,226,796
Transfers					
General Fund (GASB 34/35)	39,843	0	0	0	0
Redevelopment Obligation Retirement Fund	0	0	17,420,000	(3,556,000)	13,864,000
Total Transfers	39,843	0	17,420,000	(3,556,000)	13,864,000
TOTAL SOURCE OF FUNDS	115,596,705	93,261,124	56,231,001	17,471,481	73,702,482
USE OF FUNDS					
Expenditures					
Attorney Non-Pers/Equip	7,783	16,724	4,724	0	4,724
Attorney Personal Services	644,474	496,232	382,189	0	382,189
City Mgr Non-Pers/Equip	16,596	18,375	3,375	0	3,375
City Mgr Personal Services	19,164	27,012	15,685	0	15,685
Commercial Paper Debt Service	552,235	745,003	745,003	(608,272)	136,731
Tax Allocation Bond Debt Service	25,357,262	24,967,555	24,967,555	(1,613,555)	23,354,000
Finance Personal Services	158,698	215,001	62,411	0	62,411
Hazard Mitigation Grant Match	61,839	800,000	800,000	0	800,000
Homeless Mgmt Info System Support	31,660	0	0	0	0
Homeowner Education Program	139,870	57,000	0	0	0
HR Personal Services	25,853	30,022	18,649	0	18,649
Hsg Non-Pers/Equip	724,780	795,634	95,634	57,909	153,543
Hsg Personal Services	6,997,904	5,747,061	2,884,588	0	2,884,588
Hsg Predevelopment Activity	31,641	100,000	0	0	0
Hsg Rehab Loan	2,671,199	3,000,000	375,000	(325,000)	50,000
Info Tech Personal Services	148,733	0	0	0	0
Loan Management	130,358	250,000	250,000	(250,000)	0
Housing Loans and Grants	22,579,288	11,200,000	9,326,834	(531,861)	8,794,973
Overhead	864,180	655,100	655,100	0	655,100
PBCE Personal Services	74,009	0	0	0	0
PW Non-Pers/Equip	6,076	7,650	3,650	0	3,650
PW Personal Services	130,092	130,471	81,940	0	81,940
Rental Assistance Web Search	0	31,000	0	0	0
Santa Clara County Housing Trust	250,000	250,000	0	0	0
SJRA Loan	12,815,668	0	0	0	0
Teacher/1st Time Buyer Loan Prog.	355,000	1,000,000	50,000	0	50,000
Workers' Comp Claims	85,721	150,000	20,000	0	20,000
Total Expenditures	74,880,083	50,689,840	40,742,337	(3,270,779)	37,471,558
Transfers					
City Hall Debt Service Fund	917,436	725,856	725,856	0	725,856
Federated Retirement Fund	0	0	165,554	0	165,554
Affordable Hsg Investmt Fund	0	0	0	18,934,345	18,934,345
General Fund - HR/Payroll System Upgrade	0	24,243	24,243	0	24,243
General Fund - Loan Orig. & Mntng Fee	187,500	0	0	0	0
Rdvlpmnt Obligation Retirement Fund	0	0	0	5,600,000	5,600,000
Total Transfers	1,104,936	750,099	915,653	24,534,345	25,449,998
Ending Fund Balance					
Contingency Reserve	150,000	150,000	0	0	0
Reserve for Encumbrances	29,715,291	40,360,001	10,780,926	0	10,780,926
Retirement Pre-Payment Reserve	58,220	58,220	0	0	0
Reserve for Enforceable Obligations	0	0	3,792,085	(3,792,085)	0
Unrestricted	9,688,175	1,252,964	0	0	0
Total Ending Fund Balance	39,611,686	41,821,185	14,573,011	(3,792,085)	10,780,926
TOTAL USE OF FUNDS	115,596,705	93,261,124	56,231,001	17,471,481	73,702,482