

Study of Redevelopment Agencies

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The Impact of RDA Revenue on School Districts in Sonoma County

Overview – Scope of RDA Study

- In 2016, the Sonoma County Office of Education received several requests from school districts to provide estimates of redevelopment (RDA) funds.
- In the course of our review of RDA funding, we discovered that predicting RDA revenue is not possible due to the number of variables involved in this calculation.

Overview – Scope of RDA Study

What Does the Study Include?

- Overview
- Acknowledgments
- History of Redevelopment in California
- Tables and Maps
- Variables
- Glossary
- References

History of Redevelopment in California

- Community Redevelopment Act of 1945
 - Created urban renewal (included affordable housing) from areas of blight – used federal funding
- California Proposition 18 (1952)
 - Created tax increment financing for Community Redevelopment Projects
- By 1966, there were only 27 project areas in California

History of Redevelopment in California

- 1970s – 1980s Community Redevelopment
 - SB 90 (1972) Revenue Limits created.
 - Proposition 13 (1978)
 - 1976 – 229 RDA project areas
 - 1988 – RDAs received 6% of property taxes and by 2008 RDAs were receiving 12% of property taxes.

History of Redevelopment in California

- Pass-Through Payments
 - Legislature allows school districts to receive a share of tax increment funds
 - The funds pass through the RDA before going to the school district; amounts negotiated

History of Redevelopment in California

- AB 1290 (1993)
 - Replaced negotiated pass-through payments
 - Must follow established formula
 - For school districts, 43.3% of pass-through is designated as property taxes; 56.7% is designated to fund facility needs.

Dissolution of RDAs

- Education Revenue Augmentation Funds (ERAF)
 - State attempted to require RDAs to transfer some of their revenues into ERAF for schools, and other taxing agencies (1993-2010)

Dissolution of RDAs

- Dissolution of RDAs
 - Prop 22 (2010) limits state's authority over redevelopment
 - Passage of Prop 22 prompts Governor to call for dissolution of RDAs (2011-12)
 - AB1X 26: dissolution and wind down of RDAs

Dissolution of RDAs

- Successor Agency
 - RDAs lose authority to successor agencies
(2/1/12)
 - 10 in Sonoma County
 - Responsible for winding down RDAs
 - Terminate/renege contracts, collect revenue due to RDAs, make required payments, dispose of RDA assets
 - Prepares ROPS – Recognized Obligation Payment Schedule

Dissolution of RDAs

- Oversight Boards
 - Supervise successor agencies
 - 7 members, including one appointed by County Superintendent of Schools
 - Approves ROPS – Recognized Obligation Payment Schedule
 - Will be consolidated in July 2018

Distributions and Variables

- RDA Residual Distributions
 - Tax increment that use to go to RDAs now deposited into RPTTF - Redevelopment Property Tax Trust Fund. Payments made from this fund.
 - Residual: Tax remaining after required payments are made
 - Allocated to schools based on their Residual Distribution Factor
 - Distributed January 1st and June 1st each year

Distributions and Variables

- RDA Residual Distributions
 - Residual received is considered property tax
 - It is not additional revenue to LCFF districts
 - It is additional revenue to basic aid districts
 - Significant residuals can change a LCFF district to a basic aid district

Distributions and Variables

- Residual Distribution Calculation and Variables
 - Calculation includes numerous variables
 - Variables: significant, volatile, unpredictable
 - Nature of variables makes it difficult to calculate reliable estimates of future revenue
 - Variables include tax increment, pass-through payments, debt, distribution factor, non-fixed variables

Distributions and Variables

- Asset Liquidation Distributions
 - Long-Range Property Management Plan addresses disposition and use of real property
 - Proceeds from sale of property are asset liquidation distributions; one-time revenue
 - Sales and related distributions occur infrequently and are considered property tax

Termination

- What happens when all obligations are paid off?
 - Successor agency disposes remaining assets and terminates its existence
 - Residual distributions and pass-through payments cease; RPTTF closes
 - Former tax increment reverts to ordinary property tax; increase in property tax revenue for all districts

Termination

- Impact to school districts and state
 - Basic aid districts: Revenue increases
 - LCFF districts: No increase in revenue funding; state back fills. But if increase in property tax is significant, LCFF district could become basic aid.

Termination

- Impact to school districts and state
 - State: Significant benefit; less back fill needed
 - LCFF districts receiving pass-through payments designated for facility needs: These payments become property taxes and therefore part of the LCFF calculation.

Residual Distribution Calculation-Scenarios

- Scenarios
 - Basic Scenario
 - DOF disallows part of the debt
 - Pass-through payments increase
 - Tax Increment decreases 5%
 - Tax Increment increases 5%
 - Debt Payments Increase
 - Debt is more than revenue

- History speaks for itself

Questions?