



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 24-002

Meeting Date: 2/20/2024

TITLE:

ADOPT RESOLUTION APPROVING FY 2024-25 RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS) FOR THE COSTA MESA SUCCESSOR AGENCY AND THEN APPROVE DISSOLUTION OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, AGENCY FINANCE DIRECTOR

CONTACT INFORMATION: CAROL MOLINA, AGENCY FINANCE DIRECTOR

RECOMMENDATION:

Staff recommends the City Council/Successor Agency Board:

1. Approve a Resolution of the City Council/Successor Agency Board of the City of Costa Mesa, California, approving the Recognized Obligation Payment Schedule (ROPS) in the amount of \$0 for the Fiscal Year 2024-25 (Attachment 1 and Exhibit A).
2. Approve a Resolution of the City Council/Successor Agency Board of the City of Costa Mesa, California, requesting the Oversight Board, Orange County Auditor-Controller and California Department of Finance approve of the dissolution of the Successor Agency to the Costa Mesa Redevelopment Agency (Attachment 2).
3. Direct the submission of the Resolutions to the Orange County Auditor-Controller and the California State Department of Finance.

BACKGROUND:

On January 3, 1972, the City Council created the City of Costa Mesa Redevelopment Agency (CMRA) for the purpose of redeveloping areas that needed assistance in the interest of the health, safety, and general welfare of the people of the community. Thus, the Redevelopment Plan for the Downtown Redevelopment Project Area, which was approximately 198 acres of mixed commercial and residential uses, was adopted on December 24, 1973.

In an effort to balance the State's budget, all redevelopments in the State were ordered to be dissolved with Assembly Bill x1 26 (the Dissolution Act) so that the State could backfill its obligations to schools. The Dissolution Act was challenged in the California Supreme Court. In compliance with the Dissolution Act, the City Council elected to serve as the Successor Agency to the dissolved Costa Mesa Redevelopment Agency on September 6, 2011, with the responsibility of winding up its affairs

and undertaking the administrative tasks required for the dissolution process.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and directed all redevelopment agencies in the State to be dissolved effective February 1, 2012. Subsequent modifications to the dissolution process were enacted with the passage of Assembly Bill 1484 in 2012 and Senate Bill 107 in 2015.

1993 Downtown Development Project

In 1993, the CMRA issued its \$9,955,000 Downtown Redevelopment Project 1993 Tax Allocation Refunding Bonds (TAB) that were designated for Downtown Redevelopment Projects. The monies to pay the bonds yearly came from CMRA property tax increment.

Then in 2003, the 2003 Tax Allocation Bonds Refunding Bonds refinanced the 1993 TABs and were issued on October 9th, 2003, for \$7,470,000. At the time that the CMRA was dissolved, the outstanding payments on the bonds were \$4,818,000 and were paid by the Redevelopment Property Tax Trust Funds (RPTTF). The bonds matured and were paid off in October 2017.

1971 - 1993 Redevelopment Activities

The City loaned funds to CMRA from 1971 through 1993 to finance redevelopment activities. Each advance was documented by a promissory note. In 1993 all the outstanding notes were consolidated into a single note of principal sum of \$12,596,074 at 8% interest. During the initial years of the dissolution process, the State Department of Finance (DOF) disallowed the enforceable obligation of the outstanding loan from the City citing Health and Safety Code section 34171(d)(2) which states that any agreement or contract between the city that created the redevelopment agency, and the former redevelopment agency, are not considered enforceable obligations.

As a result of the DOF finding, on October 29, 2013, the City filed a lawsuit in the Sacramento Superior Court, Case No. 34-2013-80001675, against the DOF and the Orange County Auditor-Controller. The lawsuit sought to require the DOF to approve annual loan repayments to the City on future ROPS submitted by the Successor Agency.

On April 17, 2014, the local Oversight Board approved the finding that the loan was for legitimate redevelopment purposes pursuant to Health and Safety Code section 34191.4. which states in essence that "if the financial agreement between the City and the former Redevelopment Agency was made within two years of the inception of the Agency the agreement is an enforceable obligation." Once the Oversight Board makes such a finding, Health and Safety Code 34171(d)(2) requires "the accumulated interest on the remaining principal amount of the loan shall be recalculated from the origination at the interest rate earned by the Local Agency Investment Fund." As a result of the interest recalculation, the amount of remaining principal was determined to be \$10,237,174.

On May 6, 2014, the DOF sent a letter affirming the Oversight Board's decision that the loan was for legitimate redevelopment purposes and reestablished the loan agreement.

The City dismissed the referenced lawsuit in January 2019, after obtaining the primary objective of the lawsuit, by reviving the City's loan to its former redevelopment agency. This loan was paid off in July 2023.

Successor Agency

As mandated by AB 1484, all successor agencies were required to develop a Long-Range Property Management Plan (LRPMP) that governed the disposition and use of all former redevelopment agency properties. The LRPMP was approved by the Successor Agency September 18, 2013. It disclosed that upon dissolution that the Successor Agency did not hold any property. The LRPMP was approved by the California State Department of Finance on January 22, 2014.

ANALYSIS:

Below are the amounts of annual allocations of RPTTF that were paid to the General Fund after the CMRA was dissolved. This represents 80% of the allowable RPTTF. The other 20% was paid to the Housing Authority.

Fiscal Year	General Fund	Housing Authority
FY 2023/24	\$1,368,045	\$0
FY 2022/23	\$1,399,669	\$342,011
FY 2021/22	\$1,524,562	\$349,917
FY 2020/21	\$1,032,836	\$381,141
FY 2019/20	\$1,060,817	\$258,209
FY 2018/19	\$962,362	\$265,204
FY 2017/18	\$556,850	\$240,591
FY 2016/17	\$649,100	\$139,212
FY 2015/16	\$287,740	\$162,275
FY 2014/15	\$626,386	\$71,935
FY 2013/14	\$0	\$156,597
Total	\$9,468,367	\$2,367,092

With all enforceable obligations paid in full as of August 2023, all land disposed of, and all litigation settled, there is no need for the Agency to continue to exist and the criteria to proceed with formally dissolving has been met. Therefore, the Costa Mesa Successor Agency is not requesting any RPTTF allocation for FY 2024-25 and requests to submit a ROPS in the amount of \$0. This action is in keeping with Health & Safety Code Section 34177(m)(1)(B) which mandates a ROPS must be filed or mandates a \$10,000 daily fine.

Pursuant to HSC Section 34187(b), the County Oversight Board must act within 30 days to approve the Successor Agency's request to dissolve and then submit the request to the State Department of Finance (DOF). The DOF will have 30 days to approve or deny the request.

ALTERNATIVES:

The Board of Directors may choose not to approve the dissolution of the Successor Agency. However, this is not advisable, as the Agency would exist in an inactive state and would be required to submit a ROPS in the amount of \$0 annually.

FISCAL REVIEW:

After the Oversight Board's adoption of the Oversight Board's resolution and the DOF's approval of the Successor Agency's request to dissolve, the County Auditor-Controller will disburse such property tax monies to the taxing entities, including the City of Costa Mesa's General Fund. The Housing Authority will cease receiving 20% of the RPTTF.

LEGAL REVIEW:

The Agency Attorney's Office has reviewed this agenda report and approves as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Achieve Long Term Fiscal Sustainability

CONCLUSION:

Staff recommends the City Council/Successor Agency Board:

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