MEMORANDUM

TO: Agency Commissioners
FROM: Fred Blackwell
Executive Director
SUBJECT: Approving An Amendment of the Agency's Fiscal Year 09/10 Budget To Allocate $35 Million For Payment To The Educational Revenue Augmentation Fund

EXECUTIVE SUMMARY

The Agency Commission recently approved, by Resolution No. 108-2009, an amendment to the Agency’s fiscal year 2009-2010 budget that allocated a state-mandated payment of approximately $28.6 million to the Educational Revenue Augmentation Fund (“ERAF”) of the City and County of San Francisco. This amendment is pending before the Budget and Finance Committee of the Board of Supervisors of the City and County of San Francisco (“Board”) and is necessary for the Board to approve a one year extension of the Yerba Buena Center Redevelopment Plan. On October 14, 2009, the California Senate approved Assembly Bill No. 182 (“AB 182”), which would increase the Agency’s ERAF payment by approximately $6 million to $34.8 million. AB 182 is pending in the California Assembly. The proposed action before the Agency Commission would allocate an amount not to exceed approximately $35 million for the ERAF payment in fiscal year 2009-2010.

Staff recommends approval of an amendment to the Agency’s fiscal year 2009-2010 budget that would allocate an amount not to exceed approximately $35 million to the ERAF.

DISCUSSION

On June 30, 2009, the Board approved, by Resolution No. 267-09, the fiscal year 2009-10 budget for the Redevelopment Agency (“Budget”). On July 24, 2009, the California Legislature enacted, in a special legislative session, Assembly Bill No. 26 (Statutes 2009, Chapter 21) (“AB 26”), which requires the Agency to make a payment this fiscal year of approximately $28.6 million to the ERAF.

Under AB 26, all California redevelopment agencies are required to make ERAF payments. The California Director of Finance will notify the Agency of the exact amount due by November 15, 2009. The Agency must remit the amount due in fiscal year 2009-10 to the ERAF by May 10, 2010. The Agency, however, is seeking, under AB 26, a one year extension of the Yerba
Buena Center (YBC) Redevelopment Plan, which is scheduled to expire on January 1, 2010. Under AB 26, a one year extension of redevelopment plans is authorized when an agency has “allocated” the full amount of the ERAF payment. Accordingly, the Agency is proposing to make immediate budget decisions to allocate funds for the ERAF payment to become eligible for the one year extension of the YBC Redevelopment Plan.

The Agency has tax increment funds available in the amount of $4.9 million dollars from current and prior year balances and bond proceeds of $23.7 million that the Agency received in September 2009 for the purposes of allocating the ERAF payment. On October 6, 2009, the Agency Commission approved, by Resolution No. 108-2009, an amendment to the Budget authorizing the use of these funds for ERAF. In addition, the Commission approved incurring additional debt in the amount of $28 million as an alternative means of making the ERAF payment.

Both the reprogramming of Agency funds and the authorization of additional debt (through bond sales) are pending before the Board’s Budget and Finance Committee. The Board has the option of authorizing only the reprogramming of currently-budgeted funds to make the ERAF payment or authorizing the additional bond issuance that would allow the Agency to maintain its current work program for fiscal year 2009-2010. If the Agency is forced to reprogram funds to make the ERAF payment, a large portion will be funds that were approved for affordable housing activities.

Recently, the California Legislature has taken action to “clean-up” AB 26 by considering urgency legislation that would give redevelopment agencies greater flexibility in borrowing funds from their Low and Moderate Income Housing Fund to make the ERAF payment. This clean-up legislation, AB 182, would also authorize a change in the formula for calculating a particular redevelopment agency’s ERAF obligation. Instead of using tax increment data from fiscal year 2006-2007, AB 182 would allow the state to use data from fiscal year 2007-2008. This change does not affect the overall amount that the state would collect from redevelopment agencies for education. The new formula, however, would increase the amount that the Agency would have to pay into the ERAF because it received a larger amount of tax increment in fiscal year 2007-08 than in fiscal year 2006-07. AB 182 is pending in the California Assembly where it could be considered at any time. It requires a two-thirds vote for approval and, if adopted, it becomes effective immediately. The Agency has sent a letter to the Assembly in opposition to AB 182.

The purpose of the proposed amendment to the Budget is to ensure that when the Board considers, in the near future, the one year extension of the YBC Redevelopment Plan, the Agency and Board will have allocated the appropriate amount for the fiscal year 2009-10 ERAF payment. If AB 182 is not approved (and thus the Agency will have to pay the lower amount of $28.6 million), this proposed amendment will be unnecessary and will not become effective.
The Amendment to the Budget is not a “Project,” as defined by the California Environmental Quality Act (“CEQA”) Guidelines Sections 15378(b)(4) and 15378(b)(5). The proposed action will not change conditions in any redevelopment project or survey area or at any affordable housing site, will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA.

*Originated by: Jim Morales, General Counsel*

Fred Blackwell  
Executive Director