

Redevelopment Agency Meeting of  
February 23, 2010

Agency Agenda Item 4A

Honorable Chairman and Members  
of the Redevelopment Agency  
City Hall  
Torrance, California

Members of the Agency:

**SUBJECT: Redevelopment Agency - Approve obligation of funds for payment to the Supplemental Educational Revenue Augmentation Fund (SERAF)**

### **RECOMMENDATION**

Recommendation of the Deputy Executive Director that the Redevelopment Agency approve the obligation of funds to the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$2,123,409 from the FY09-10 Low-Mod Housing Set-Aside Fund.

### **BACKGROUND AND ANALYSIS**

On September 30, 2008, the State of California passed AB 1389, a bill authorizing the raid of \$350 million of redevelopment funds for state budgetary purposes. In April 2009, the California Redevelopment Association won its lawsuit in Sacramento County Superior Court invalidating the constitutionality of this raid. Article XVI, Section 16 of the California Constitution states that redevelopment tax increment funds can only be used for specified redevelopment activities, specifically "to finance or refinance ... the redevelopment project." Taking redevelopment funds to balance the State's budget was found to be unconstitutional, and AB1389 was overturned as a result of this lawsuit.

In July of 2009, three months after AB1389 was overturned, the State passed AB26 4X, a bill authorizing the raid of \$2.05 billion of local redevelopment funds over the next two years to the Supplemental Educational Revenue Augmentation Fund (SERAF). The intent of AB26 4X is to redirect local redevelopment funds to school districts, thereby decreasing the State's financial obligations to local schools. On October 30<sup>th</sup>, 2009, the California Redevelopment Association filed its second lawsuit challenge against the State of California arguing the same constitutional protections on local redevelopment funds still apply for AB26 4X.

Although the outcome of this lawsuit is still pending, the Agency is still required to notify the county auditor as to how it intends to fund the SERAF payment, no later than March 1, 2010, (Health & Safety Code § 33690(d)). Payment is not due until May 10, 2010, whereby the Agency must make its required payment in the amount of \$2,123,409. Per the State of California Department of Finance letter dated November 13, 2009, the Redevelopment Agency may borrow from monies contained in the Low-Moderate Income Housing fund and amounts otherwise required to be remitted in 2009-10 to its Low-Moderate Income Housing Fund. All borrowed funds must be fully repaid by June 30, 2015.

Redevelopment Agency staff recommends that the Agency approve the obligation of funds to the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$2,123,409 from the FY09-10 Low-Mod Housing Set-Aside Funds.

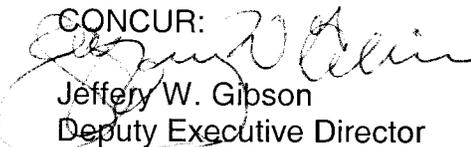
Respectfully submitted,

Jeffery W. Gibson  
Deputy Executive Director

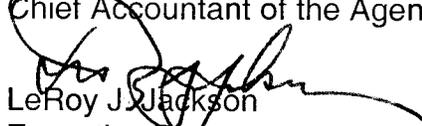
By 

Ted Semaán, Manager  
Redevelopment & General Plan Division

CONCUR:

  
Jeffery W. Gibson  
Deputy Executive Director

  
Eric E. Tsao  
Chief Accountant of the Agency

  
LeRoy J. Jackson  
Executive Director