

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.

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?