

CITY OF  
**HAYWARD**  
HEART OF THE BAY

*State Budget Update/Governor's  
Redevelopment Proposal -  
Possible Hayward Responses*

Council Meeting  
February 22, 2011



# Governor's Proposal

- Eliminate all redevelopment in California effective July 1, 2011
- “Successor agency” takes over all administrative functions of California’s 400 redevelopment agencies, including administration of bonds
- All assets of agencies seized by State and sold off, with sale proceeds going to State
- Cities may issue voter approved debt with a 55% majority, secured by an increase in property taxes, to fund economic development



# Rumors

- Draft legislation will eliminate the ability of redevelopment agencies to incur new debt or other obligations at the time it is signed (as early as March 10th)
- Any unspent bond proceeds as of date of enactment must be used to call bonds
- State will not recognize debt obligations between “related entities”
  - Probably means that State will not recognize a loan from a City’s general fund to its redevelopment agency, for example



# Outstanding Agency Obligations

- Agency has two outstanding bond issues:
  - 2004 bonds - \$44,790,000 (matures 2027)
    - Annual debt service: \$3.7M in FY2010
  - 2006 bonds - \$11,800,000 (matures 2036)
    - Annual debt service: \$559,000 in FY2010
- Agency has other outstanding loans:
  - Water Enterprise Fund: \$1,041,075 outstanding balance
  - Sewer Enterprise Fund: \$831,877 outstanding balance
  - General Fund: \$9,144,570 outstanding balance; \$800,000 annual payment
  - Low/Moderate Income Housing Fund: \$4,421,374 (for required Supplemental ERAF payments to State)



# Current Agency Land Holdings

## Land Held for Resale & Redevelopment:

- Russell Way
- 24311 Mission Blvd
- 24491 Mission Blvd
- Burbank School Residual Site
- 123-197 A Street (Low/Mod Housing)

Estimated Value: \$10.3 Million (as of 6/30/2010)

## Other Agency Property:

- City Hall Parking Structure (land and building)
- Muni Lot #2 (land and imps)
- City Hall Plaza Park
- Cinema Place Parking (land and building)

Estimated Value: \$20.9 Million (as of 6/30/2010)



## Programs Supported by Redevelopment

- BIA Support: \$55,000
- Community Promotions Support: \$75,000
- Public Art: \$90,000
- Planning reimbursement for project review: \$50,000
- Economic Development staff support: \$169,517
- Finance staff support: \$37,733
- General Fund administrative support to RDA: \$448,545

**Total Program Support: \$925,795**

***Total General Fund activities in support of RDA: \$795,795***



## Actions Taken to Date

- Cooperative Agreements
- Confirming Loan Agreements
- Researching Financing Options



# How Much Money the Agency Might Lose

<u>FY2011 TOTALS</u>	<u>RDA</u>	<u>Housing</u>	<u>Totals</u>
Gross Tax Increment	\$ 8,086,463	\$ 2,021,616	\$ 10,108,079
Pass Through Payments/SERAF	\$ (1,853,016)	\$ (459,401)	\$ (2,312,417)
<u>Debt Service (Bonds only)</u>	<u>\$ (3,939,158)</u>	<u>\$ -</u>	<u>\$ (3,939,158)</u>
<b>Tax Increment Remaining</b>	<b>\$ 2,294,289</b>	<b>\$ 1,562,215</b>	<b>\$ 3,856,504</b>



# Process for Next Steps

1. Confidence in State's ability to collapse Redevelopment
2. What needs to happen to protect existing Redevelopment obligations?
  - Sewer
  - Water
  - General Fund
3. If State successful, what are options for Redevelopment/City?
  - Securitize obligations to protect getting repaid
  - Identify key projects or other Agency projects that may need to be funded
  - Leverage available tax increment
  - Do nothing – lose tax increment for operations, projects and potentially existing loan repayments



# Financing Options

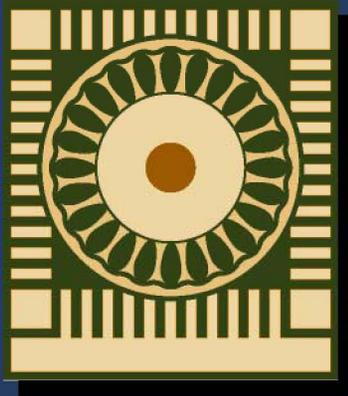
- Approximately \$2.3 million remains after bond payments and pass-through amounts
- Redevelopment Agency could potentially leverage \$1,000,000 to \$1,500,000 new bond
  - Could pay off existing loans (water/sewer/general fund)
  - Fund identified projects
  - Fund operations for limited period of time
- Exit strategy if State unsuccessful with Redevelopment termination
  - If Bonds remain outstanding, less tax increment for operations projects
  - Unwind financing and go back to status quo



# Options for Council Consideration

1. Rely on Cooperative and Loan Agreements
  
2. Options for Land:
  - a. Land exchange agreement between Agency & City for payment of debt
  - b. Create an economic development corporation and transfer property from Agency
  
3. Options for Financing:
  - a. Securitize existing obligations between Agency and City (create a bond for existing debt)
  - b. Sell a real bond on market leveraging tax increment
    - \* Taxable
    - \* Tax Exempt





# Questions/Discussion

