

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

MEMORANDUM

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VARIOUS

DATE: MARCH 3, 2011

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

STAFF: DALILA SOTELO, DEPUTY CHIEF OF OPERATIONS

SUBJECT: APPROVAL OF REVISED RECOMMENDATIONS REGARDING COOPERATION AGREEMENT WITH CITY OF LOS ANGELES FOR PAYMENT OF UP TO \$930,000,000 FOR COSTS ASSOCIATED WITH CERTAIN CRA/LA FUNDED CAPITAL IMPROVEMENT, PUBLIC IMPROVEMENT AND AFFORDABLE HOUSING PROJECTS LOCATED WITHIN THE CURRENTLY DESIGNATED 31 REDEVELOPMENT PROJECT AREAS.

RECOMMENDATIONS

That the CRA/LA Board of Commissioners consolidate, revise, and affirm its previous actions by:

1. Authorizing the CRA/LA Chief Executive Officer (CEO) or designee to negotiate, execute, and take any action to carry out a Cooperation Agreement (Agreement) in an amount up to \$930,000,000 with the City of Los Angeles (the City) for the implementation of capital and public improvements, affordable housing projects, and other redevelopment projects, all of which are listed on the consolidated list attached as Attachment A to this memorandum, (including program delivery costs) in the currently designated CRA/LA redevelopment project areas, subject to the review and approval as to form by the City Attorney;
2. Authorizing the Chair of the CRA/LA's Board of Commissioners to negotiate, on behalf of CRA/LA, provisions within the Agreement or other document(s) regarding the designation of a successor entity to implement the City's obligations under the Agreement on behalf of the City upon the conclusion of the CRA/LA's statutory authority, which successor entity may be either a non-profit organization or development corporation approved by or established by the City Council and the CRA/LA Board of Commissioners; and
3. Acknowledging and affirming the previous adoption by the CRA/LA Board of certain findings required by California Health and Safety Code Sections 33421.1 and 33445.

## SUMMARY

The main purposes of this memorandum are to consolidate, revise, and affirm certain actions previously taken by the CRA/LA Board in connection with the Agreement and update the CRA/LA Board on the status of negotiation of the Agreement.

This action, if approved, consolidates, revises, affirms, and supersedes certain actions previously taken by the CRA/LA Board of Commissioners relative to the Agreement. Specifically, this action replaces: (i) all of the recommendations that were approved by the CRA/LA Board on January 14, 2011; and (ii) only that certain recommendation relating to the negotiation and execution of an amendment to the Agreement, as approved by the CRA/LA Board on February 3, 2011. Statutory findings required under California Health and Safety Code Sections 33421.1 and 33445 have already been adopted by the CRA/LA Board on February 3, 2011. Such findings and the adoption thereof are acknowledged and reaffirmed by the proposed actions in this memorandum.

The original intent of the Agreement remains the same. Under the Agreement, the City is agreeing to take on activities that are beyond those normally provided by the City and are specifically intended to assist CRA/LA in addressing the removal of blight and prevention of the recurrence of blight. The obligation to pay tax increment, as set forth in the Agreement, shall constitute an indebtedness of the CRA/LA for the purpose of carrying out the Redevelopment Plans for each of the affected project areas.

## PREVIOUS ACTIONS

January 14, 2011 – Board of Commissioners adoption of recommendations relative to a Cooperation Agreement with the City of Los Angeles

February 3, 2011 – Board of Commissioners adoption of recommendations relative to an Amendment to the Cooperation Agreement with the City of Los Angeles and adoption of joint resolutions for the relevant projects

## DISCUSSION AND BACKGROUND

The CRA/LA Board action on January 14, 2011 and its subsequent action on February 3, 2011 included all actions necessary to obligate funds for the list of projects that have been identified in the 31 Five-year Implementation Plans. Many of the identified projects will accelerate the economic recovery of the City as well as ensure the creation of locally based, quality jobs. The projects are listed in Attachment A which includes all activities originally identified on January 14, 2011 and the supplemental list of activities identified on February 3, 2011.

The purpose of the Agreement is to facilitate the implementation of the activities listed in Attachment A (which attachment is comprised of the original list [A-1] and the supplemental list [A-2]) pursuant to the terms and conditions outlined in the Agreement). The Agreement has a variety of concepts that are important to ensure that the work program is properly implemented. There has been active negotiation between City staff and CRA/LA staff regarding various aspects of the Agreement. As of the time when this memorandum was being prepared, some of the more critical terms and conditions include without limitation:

- a. Projects/activities listed on Attachment A that have been obligated prior to the execution of the Agreement will not be subject to the Agreement;

- b. City has the right to eliminate any project if the City determines that such project is not feasible;
- c. The pledge of future tax increment funds will not be limited to CRA/LA fiscal years 2011/2012 through 2015/2016 (as previously approved by the CRA/LA Board); rather the pledge will run for as long as necessary to reach, if ever, the maximum dollar amount of \$930,000,000; and
- d. CRA/LA will perform City's obligations under the Agreement on behalf of the City commencing upon the effective date of the Agreement until CRA/LA is required to be disestablished.

It is possible that, as negotiations progress, some or all of these terms and conditions may be modified or eliminated.

#### SOURCE OF FUNDS

The source of funds Tax Increment, Bond Proceeds, Low and Moderate Income Housing Funds, City AB1290 Funds, City Affordable Housing Trust Funds, CRA/LA Special Revenue, Grant Funds, Developer Deposits, Art Funds, and future Net Tax Increment

#### PROGRAM AND BUDGET IMPACT

The actions are consistent with the Board and City Council approved current FY2010-11 Budget and Work Program and will pledge up to \$344,000,000 from the current available resources and the balance from anticipated "Net Available Tax Increment" receipts starting in FY2011-12 and subsequent fiscal years for a total not to exceed sum of \$930,000,000. "Net Available Tax Increment", as defined in the Agreement, means all of the tax increment funds from all of the Project Areas actually received by the CRA/LA (or any lawful successor of the CRA/LA) during CRA/LA's fiscal year 2011-12 and the following fiscal years thereafter, minus the amount of money required to service all existing (as of the effective date of the Agreement) contractual and statutory payment obligations of the CRA/LA to another party.

All payment obligations of CRA/LA under the Agreement shall be payable solely out of Pledged Funds (defined as both the Currently Available Funds and the Net Available Tax Increment, combined), subject to the availability of such Pledged Funds at any given time. The CRA/LA's cumulative obligation to compensate the City under the Agreement from Pledged Funds shall not exceed the sum of NINE HUNDRED THIRTY MILLION DOLLARS (\$930,000,000).

#### ENVIRONMENTAL REVIEW

Under the Agreement, the City is required to perform its obligations thereunder in accordance with environmental laws such as the California Environmental Quality Act ("CEQA"), as set forth at California Public Resources Code Section 21000 et seq., the State CEQA Guidelines ("CEQA Guidelines"), as set forth at California Code of Regulations, Title 14, Chapter 3, Section 15000 et seq., and related local regulations and guidelines adopted pursuant thereto. The approval and execution of the Agreement is not a "project" for purposes of CEQA because the Agreement creates a governmental funding mechanism that binds the CRA/LA to fund projects but does not involve any absolute commitment to any specific project on the City's part.

To the extent, however, that the Agreement is deemed to be a "project" for purposes of CEQA, it is important to note that various projects subject to the Agreement have already undergone environmental review in compliance with CEQA, and that consistent with CEQA Guidelines Section

15004, approval of the Agreement is not the appropriate time to conduct environmental review of the balance of the projects because (a) the development concept for such projects has not been formulated to a sufficient level of detail to enable meaningful environmental review at this juncture and (b) environmental review of such projects is thus unripe and too premature at this stage.

Moreover, consistent with CEQA Guidelines Section 15352, by entering into the Agreement, the CRA/LA is presently committing to provide funds for certain projects, but the City is not committing to a definite course of action in regard to any project intended to be carried out. The City shall not be obligated to complete any individual project identified in the Agreement if the City later determines that such project: (i) is not exempt from CEQA, (ii) has not already undergone complete CEQA review, and (iii) requires the preparation of a mitigated negative declaration, environmental impact report ("EIR") or supplemental or subsequent EIR. In that regard, the City shall retain the discretion to impose mitigation measures and to adopt project alternatives, consistent with the requirements of CEQA, that may be identified during future environmental review of any specific project. It is presently anticipated that certain projects will be determined to be exempt from CEQA due to the nature of the proposed development and construction involved in such projects and consistent with prior CEQA protocol used with respect to similar types of redevelopment projects and activities. The City reserves the right, however, to evaluate whether each project is exempt from CEQA based on the prevailing facts and circumstances at such time as the development concept for each project has been formulated to a sufficient level of detail to enable meaningful environmental review.

Christine Essel  
Chief Executive Officer

By

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Calvin E. Hollis  
Chief Operating Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

#### ATTACHMENTS

Attachment A: List of Activities (including programs, projects)