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May 17, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

MOTION FOR THE BOARD OF SUPERVISORS TO DIRECT THE CHIEF EXECUTIVE OFFICE TO REMOVE THE COUNTY'S OPPOSITION TO AB 2065 UPON INCLUSION OF THE PROPOSED AMENDMENTS, AND TAKE A NEUTRAL POSITION ON THIS BILL (ITEM NO. 66-A - AGENDA OF MAY 18, 2010)

Item No. 66-A on the May 18, 2010 Agenda is a motion by Supervisor Knabe for the Board of Supervisors to direct the Chief Executive Office to remove the County's opposition to AB 2065 and take a neutral position on this bill, upon the inclusion of amendments to specify a hard cap on the amount of property tax increment funds to be collected by the redevelopment agency of the City of Downey with respect to the addition of parcels of land to an existing redevelopment project and to clarify the extraordinary circumstances requiring exception to existing redevelopment law.

County-opposed AB 2065 (Calderon and De La Torre) would allow the City of Downey to make changes to a redevelopment project area for the construction of a new manufacturing facility to build electric vehicles. This measure would: 1) authorize the redevelopment agency of the City of Downey to amend a redevelopment plan to add parcels of land to an existing City of Downey redevelopment project area; 2) find that the Legislature conclusively determines the parcels of land are blighted territory; 3) exempt the redevelopment plan amendment from various requirements of the Community Redevelopment Law; and 4) state that the Legislature finds and declares the need for the special law because of the unique circumstances pertaining to the City of Downey and this project. The bill also would exempt the adoption of the amendment of the redevelopment plan from the California Environmental Quality Act (CEQA).

According to County Counsel, while the bill allows for the CEQA exemption of the redevelopment plan amendment, AB 2065 contains specific language stating that all projects that implement the plan would be subject to CEQA requirements, and the bill does not prevent the County from challenging any proposals to circumvent CEQA.

AB 2065 was amended on May 3, 2010 to: 1) specify that the redevelopment agency of the City of Downey may only collect tax increment funds to reimburse the City for rental property expenses in the added territory, an amount not to exceed $30.0 million, after allocating 20 percent of that revenue for specified housing obligations; 2) provide that the Legislature finds and determines that the prior comprehensive environmental analysis conducted and certified by the City through an Environmental Impact Report for the Downey Landing Specific Plan dated February 2002, which encompasses the added territory, meets CEQA requirements for the purposes of adopting the expanded project area plan; 3) make the provisions of the measure inoperative on January 1, 2012, if the City of Downey finds and declares that Tesla Motors has not constructed a manufacturing operation in the added territory; and 4) declare an urgency statute making the bill effective immediately if passed by the Legislature and signed by the Governor.

On April 28, 2010, the County took an oppose position on AB 2065 based on existing Board policy to: 1) support measures that strengthen blight findings requirement to prevent redevelopment abuse; and 2) oppose any redevelopment legislation which would cause the County to lose revenues or would limit or repeal provisions of the Community Redevelopment Reform Act of 1993 (AB 1290), which tighten the definition of physical and economic blight.

AB 2065 passed the Assembly Committee on Housing and Community Development on April 28, 2010 by a vote of 8 to 0 and the Assembly Committee on Local Government on May 5, 2010 by a vote of 9 to 0. The measure is set for a hearing in the Assembly Appropriations Committee on May 19, 2010.

Because the County has an oppose position on this measure based on existing Board policy, <u>the recommendation to take a neutral position on AB 2065 upon the inclusion of clarifying amendments, is a matter of Board policy determination</u>.

<u>City of Downey Proposed Amendments</u>

The City of Downey has been in communication with the County on proposed amendments to specify a hard cap on the amount of tax increment funds to be collected by the Downey Redevelopment Agency with respect to the added territory and to clarify the extraordinary circumstances requiring exception to current redevelopment law. The

City is willing to recommend amendments to specify that the tax increment statutory cap would be limited to $30.0 million, and once the $30.0 million is collected, the County and other local taxing entities would begin receiving their full share of the property tax increment generated by the proposed project area.

This Office and County Counsel reviewed the City of Downey proposed redevelopment project, and based on our preliminary findings, we believe that the $30.0 million hard cap would significantly limit the amount of tax increment funds redirected to the redevelopment project in comparison to other redevelopment projects which redirect funds for 45 years.

If the proposed project is approved, the County will continue to receive its share of property tax revenues based on current assessed values, while tax increments would be collected by the Downey Redevelopment Agency. However, when the proposed $30.0 million cap is reached, which we estimate would be in 15 years, the County and other local taxing agencies would begin receiving the property tax increment which should be significantly higher based on the assessed value of the project at that time.

Recommendation

As a result of the City of Downey's willingness to work with the County to address concerns relating to AB 2065 and the potential economic benefits identified in Supervisor Knabe's motion, **we recommend that your Board instruct the Chief Executive Officer, County Counsel and the Sacramento Advocates to work with the City of Downey, and other affected agencies, to address the County's concerns relating to: 1) a hard cap to limit the amount of tax increment funds collected the Downey Redevelopment Agency; and 2) language to clarify the extraordinary circumstances to exempt this project from existing redevelopment law.**

WTF:RA
MR:er

c: Executive Office, Board of Supervisors
County Counsel