COUNTY OF LOS ANGELES
CHIEF EXECUTIVE OFFICE

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# SUCCESSOR AGENCIES

# DEFERRED PASSTHROUGH OBLIGATIONS

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## Origination of County Deferred Passthrough

- Community Redevelopment Act (1945) – provided the mechanism to create redevelopment agencies (RDAs)

- Proposition 18 (1952) – established "tax increment financing", wherein the tax revenues calculated from the assessed values above the base year values (Tax Increment Revenue or TIR) would be diverted from affected taxing entities (ATEs) and used to fund redevelopment projects of the former RDAs

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- **Pre-1994: Contractual Passthrough**
  - ✓ Diversion of tax increment often caused financial detriment to ATEs
  - ✓ To remedy this, RDAs and ATEs were allowed to negotiate contracts to return a portion of tax increment to the ATEs
  - ✓ These agreements are referred to as contractual or negotiated "passthrough" because the tax increment would flow to the RDA, which would then pass the revenue along to the ATE

- **Post 1994: Statutory Passthrough**
  - ✓ In 1994 the law changed for passthroughs (AB 1290)
  - ✓ New passthrough agreements were prohibited
  - ✓ Certain ATEs that did not already receive contractual passthrough would begin receiving passthrough pursuant to statute, which is referred to as "statutory passthrough"

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## Deferral of Contractual Passthrough

- Prior to the effective date of AB 1290 in 1994, the law allowed ATEs to temporarily defer receipt of contractual passthrough
- Deferral helped RDAs with additional funding at the beginning of redevelopment projects
- Deferred passthrough benefited ATEs by providing the ATE passthroughs in the future, sometimes plus interest (similar to a loan)
- There are 45 project areas with Deferred Passthrough agreements with LA County
- These include project areas of the following nine (9) Successor Agencies within Supervisorial District 1: Baldwin Park, Commerce, Cudahy, El Monte, Huntington Park, Monterey Park, Pico Rivera, Pomona, and West Covina

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## RDA Dissolution Law

- In 2011, State law dissolved all RDAs
- Successor Agencies (SAs): Responsible for winding-down the affairs of the dissolved RDAs
- Consolidated Oversight Boards (COB): Oversee the SAs
- Recognized Payment Obligation Schedules (ROPS): SAs prepare ROPS that list former RDA's enforceable obligations
- ROPS are subject to approval by the SA's governing board, COB, and the California Department of Finance (DOF)
- County Auditor-Controllers administer the real property tax trust fund (RPTTF) for each SA, <u>including calculation and distribution of passthrough owed to ATEs</u>

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## Repayment of Passthrough Deferral Balances

- Prior to 2018, DOF guidance generally treated repayment of the balance owed on passthrough deferrals as enforceable obligations
- In 2018, DOF issued new guidance that repayment of deferred passthrough for certain SAs (including Baldwin Park), should instead be administered by the County Auditor-Controller as passthrough
- In light of DOF's 2018 guidance, the County of Los Angeles conducted a legal analysis of other passthrough agreements with deferral components
- For those passthrough agreements that have undergone legal analysis, it was determined that DOF's guidance applies and that these should be administered by the Auditor-Controller as passthroughs

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## Deferred Passthrough Repayment Status

| SUCCESSOR AGENCY | PROJECT NAME | REPAYMENT TRIGGER | NEXT PAYMENT DATE | CATEGORY |
|---|---|---|---|---|
| BALDWIN PARK | Puente | Not Activated | TBD | TBD |
| BALDWIN PARK | CBD | Not Activated | TBD | TBD |
| BALDWIN PARK | Sierra Vista | Activated | January 2020 - ROPS B | Passthrough |
| COMMERCE | Redevelopment Project No III | Fully Paid | Fully Paid | Fully Paid |
| CUDAHY | Commercial Industrial | TBD | TBD | TBD |
| CUDAHY | Commercial Industrial - 3rd Amendment | TBD | TBD | TBD |
| EL MONTE | Northwest Redevelopment Project | TBD | TBD | TBD |
| HUNTINGTON PARK | CBD | TBD | TBD | TBD |
| HUNTINGTON PARK | Industrial | TBD | TBD | TBD |
| HUNTINGTON PARK | North Redevelopment Project | TBD | TBD | TBD |
| HUNTINGTON PARK | Santa Fe Redevelopment Project | TBD | TBD | TBD |
| MONTEREY PARK | Central Commercial | Not Activated | TBD | TBD |
| MONTEREY PARK | Atlantic Garvey Amendment #6 | Not Activated | TBD | TBD |
| MONTEREY PARK | Central Commercial '99 Annex | Activated | June 2019 - ROPS A | Passthrough |
| PICO RIVERA | Project # 1 | Activated | June 2019 - ROPS A | Passthrough |
| PICO RIVERA | Project # 1 '78 Annex | Activated | June 2019 - ROPS A | Passthrough |
| PICO RIVERA | Project # 1 '84 Annex | Activated | June 2019 - ROPS A | Passthrough |
| POMONA | Southwest | Activated | June 2019 - ROPS A | Passthrough |
| POMONA | South Garey / Freeway Corridor | Activated | June 2019 - ROPS A | Passthrough |
| WEST COVINA | Eastland Amendment #1 | Activated | June 2019 - ROPS A | TBD |

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## Deferral Balance as of June 30, 2018

| SUCCESSOR AGENCY | PROJECT NAME | PROJECT AREA | AGENCY TOTAL |
|---|---|---|---|
| BALDWIN PARK | Puente | $ 4,045,033 | |
| BALDWIN PARK | CBD | $ 3,090,664 | $ 17,131,383 |
| BALDWIN PARK | Sierra Vista * | $ 9,995,686 | |
| COMMERCE | Redevelopment Project No III | Fully Paid | Fully Paid |
| CUDAHY | Commercial Industrial | $ 670,402 | |
| CUDAHY | Commercial Industrial - 3rd Amendment | $ 433,140 | $ 1,103,542 |
| EL MONTE | Northwest Redevelopment Project | $ 809,796 | $ 809,796 |
| HUNTINGTON PARK | CBD | $ 81,562,042 | |
| HUNTINGTON PARK | Industrial | $ 42,588,301 | |
| HUNTINGTON PARK | North Redevelopment Project | $ 91,265,896 | $ 215,990,060 |
| HUNTINGTON PARK | Santa Fe Redevelopment Project | $ 573,821 | |
| MONTEREY PARK | Central Commercial | $ 49,259,152 | |
| MONTEREY PARK | Atlantic Garvey Amendment #6 | $ 11,279,450 | $ 64,110,416 |
| MONTEREY PARK | Central Commercial '99 Annex | $ 3,571,814 | |
| PICO RIVERA | Project # 1 | $ 10,830,959 | |
| PICO RIVERA | Project # 1 '78 Annex | $ 9,849,233 | $ 47,227,151 |
| PICO RIVERA | Project # 1 '84 Annex | $ 26,546,959 | |
| POMONA | Southwest | $ 50,349,437 | |
| POMONA | South Garey / Freeway Corridor | $ 10,177,150 | $ 60,526,587 |
| WEST COVINA | Eastland Amendment #1 | $ 1,286,752 | $ 1,286,752 |

*Source:* Auditor-Controller as of October 4, 2018

* Does not reflect the $591,000 payment for Sierra Vista that was processed on January 2, 2019

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# CONCLUSION

The County of Los Angeles is continuing its review of the remaining deferral agreements, and is preparing estimated deferral repayment schedules that conform to the respective contractual passthrough agreements, Dissolution law, and DOF guidance.