

# Orange Countywide Oversight Board

Agenda Item No. 5a

Date: July 23, 2024

From: Successor Agency to the Costa Mesa Redevelopment Agency

Subject: Resolution of the Orange Countywide Oversight Board Approving Dissolution Request of the Successor Agency to the Costa Mesa Redevelopment Agency and Taking Related Actions

## **Recommended Action:**

Adopt resolution to approve the request by the Successor Agency to the Costa Mesa Redevelopment Agency (the “Successor Agency”) to dissolve and taking related actions.

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The Successor Agency’s Board of Directors (the “SA Board”) adopted its Resolution No. SA 24-08, on February 20, 2024, to request the Countywide Oversight Board to approve the formal dissolution of the Successor Agency.

Pursuant to Health and Safety Code (“HSC”) Section 34187(b), the Successor Agency must submit to the Countywide Oversight Board a request, with a copy to the Orange County Auditor-Controller (the “County Auditor-Controller”), to formally dissolve the Successor Agency within 30 days of meeting the following criteria (collectively, the “Dissolution Criteria”):

- (i) all enforceable obligations have been retired or paid off,
- (ii) all real property has been disposed of pursuant to HSC Section 34181 or 34191.4, and
- (iii) all outstanding litigation has been resolved.

The SA Board has made a determination that the Successor Agency has met all of the Dissolution Criteria.

Pursuant to HSC Section 34187(b), the Countywide Oversight Board must take action within 30 days to approve the Successor Agency’s request to dissolve and then submit the request to the State Department of Finance (the “DOF”). The DOF will have 30 days to approve or deny the request.

If the DOF approves the request, the Successor Agency must take the following steps within 100 days of the DOF’s approval:

- (1) dispose of all remaining assets and transfer any proceeds to the County Auditor-Controller for distribution to the affected taxing entities, and
- (2) notify the Countywide Oversight Board that it has complied with such disposition and transfer of proceeds.

## **Orange Countywide Oversight Board**

The Successor Agency reports that its remaining assets consist of no remaining cash. Pursuant to the attached Resolution, the Countywide Oversight Board will direct the Successor Agency to transfer the Funds to the County Auditor-Controller following the DOF's approval of the dissolution request.

Pursuant to HSC Section 34187(f), upon receipt of notification from the Successor Agency that such transfer has been completed, the Countywide Oversight Board must verify that, with respect to the Successor Agency, all obligations have been retired or paid off, all outstanding litigation has been resolved, and all remaining assets have been disposed of with any proceeds remitted to the county auditor-controller for distribution to the affected taxing entities. Within 14 days of verification, the Countywide Oversight Board must adopt a final resolution to dissolve the Successor Agency, which will become effective immediately.

### Impact on Taxing Entities:

After the DOF's approval of the Successor Agency's request to dissolve, the Successor Agency has no remaining cash to submit to the County Auditor-Controller.

In conjunction with the retirement and pay-off of all the Successor Agency's enforceable obligation and the dissolution of the Successor Agency, all statutory and contractual pass-through payments relating to the project areas of the former Redevelopment Agency of the City of Costa Mesa will cease and no further property tax will be allocated to the Successor Agency's Redevelopment Property Tax Trust Fund.

### Staff Contact(s):

Carol Molina, City of Costa Mesa /Finance Director

Ash Hassan, City of Costa Mesa /Finance Officer- Accounting

### Attachments:

Attachment 1 -- Proposed Oversight Board Resolution (with Successor Agency Board Resolution No. SA 24-08, as Exhibit A).

**RESOLUTION OF THE ORANGE COUNTYWIDE OVERSIGHT BOARD  
RESOLUTION NO. 24-022**

APPROVING THE REQUEST OF THE SUCCESSOR AGENCY TO THE  
COSTA MESA REDEVELOPMENT AGENCY TO FORMALLY DISSOLVE  
AND TAKING RELATED ACTIONS

**WHEREAS**, pursuant to AB X1 26 (enacted in June 2011) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the Redevelopment Agency of the City of Costa Mesa (the "**Former Agency**") was dissolved as of February 1, 2012, and the Successor Agency to the Costa Mesa Redevelopment Agency (the "**Successor Agency**") was constituted; and

**WHEREAS**, pursuant to Section 34179(j) of the California Health and Safety Code ("**HSC**"), commencing on and after July 1, 2018, the Orange Countywide Oversight Board (the "**Countywide Oversight Board**") has jurisdiction over the Successor Agency; and

**WHEREAS**, the Successor Agency is tasked with winding down the Former Agency's affairs; and

**WHEREAS**, pursuant to HSC Section 34187(b), the Successor Agency shall submit to the Countywide Oversight Board a request, with a copy to the Orange County Auditor-Controller (the "**County Auditor-Controller**"), to formally dissolve the Successor Agency within 30 days of meeting the following criteria (collectively, the "**Dissolution Criteria**"):

- (i) all enforceable obligations have been retired or paid off,
- (ii) all real property has been disposed of pursuant to HSC Section 34181 or 34191.4, and
- (iii) all outstanding litigation has been resolved.; and

**WHEREAS**, the Board of Directors of the Successor Agency (the "**SA Board**") adopted its Resolution No. SA 24-08, on February 20, 2024 (the "**SA Resolution**"), and a copy of the SA Resolution is set forth in Exhibit A; and

**WHEREAS**, the SA Board found and determined that the Successor Agency has met all of the Dissolution Criteria and requested the Countywide Oversight Board to approve the Successor Agency's formal dissolution; and

**WHEREAS**, the Successor Agency submitted the SA Resolution requesting dissolution to the Countywide Oversight Board on June 27, 2024; and

**WHEREAS**, pursuant to HSC Section 34187(b), the Countywide Oversight Board shall approve the Successor Agency's request to dissolve within 30 days and submit such request to the California State Department of Finance (the "**DOF**"); and

**WHEREAS**, pursuant to HSC Section 34187(e), after the DOF's approval of the Successor Agency's request to dissolve, the Successor Agency shall dispose of all remaining assets as directed by the Countywide Oversight Board and transfer the proceeds of such disposition to the County Auditor-Controller (the "**Final Transfer**"); and

**WHEREAS**, the Successor Agency has represented in the SA Resolution that the Successor Agency's remaining assets consist only of the Released Bond Funds (as defined in the SA Resolution); and

**WHEREAS**, the Successor Agency shall transfer the Released Bond Funds to the County Auditor-Controller for the Final Transfer;

NOW, THEREFORE, BE IT RESOLVED BY THE ORANGE COUNTYWIDE OVERSIGHT BOARD THAT:

**SECTION 1.** The Recitals set forth above are incorporated into the Resolution by this reference, and constitute a material part of this Resolution.

**SECTION 2.** The Countywide Oversight Board hereby approves the Successor Agency's request to formally dissolve.

**SECTION 3.** The Countywide Oversight Board hereby directs the Successor Agency to transfer the Released Bond Funds to the County Auditor-Controller for the Final Transfer and notify the Countywide Oversight Board of such transfer within 100 days after the DOF's approval of the request to dissolve the Successor Agency, pursuant to HSC Section 34187(e).

**SECTION 4.** The Clerk of the Countywide Oversight Board is hereby directed to transmit a copy of this Resolution (including Exhibit A) to the DOF.

**SECTION 5.** The approval of this Resolution does not commit the Countywide Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act (California Public Resources Code Section 21000 *et seq.*)

**SECTION 6.** If any provision of this Resolution or the application of any such provision to any person or circumstance is held valid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Countywide Oversight Board declares that the Countywide Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

**SECTION 7.** The Clerk of the Countywide Oversight Board shall certify to the adoption of this Resolution.

EXHIBIT A

Resolution No. SA 24-08

adopted by the Board of Directors of the Costa Mesa Successor Agency

(Attached)

## SUCCESSOR AGENCY RESOLUTION NO. 2024-08

### A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY REQUESTING THE ORANGE COUNTYWIDE OVERSIGHT BOARD TO FORMALLY DISSOLVE THE SUCCESSOR AGENCY

#### RECITALS:

- A. Pursuant to AB X1 26 (enacted in June 2011) and the *California Supreme Court's decision in California Redevelopment Association, et. I v. Matasantos, et al., 53 Cal. 4<sup>th</sup> 231 (2011)*, the Redevelopment Agency of the City of Costa Mesa (the "Former Agency") was dissolved as of February 1, 2012, and the Successor Agency to the Costa Mesa Redevelopment Agency (the "Successor Agency") was constituted.
- B. Pursuant to Section 34179(j) of the California Health and Safety Code ("HSC"), from and after July 1, 2018, the Orange Countywide Oversight Board (the "Oversight Board") is the oversight board for the Successor Agency.
- C. The Successor Agency is tasked with winding down the Former Agency's affairs.
- D. Pursuant to HSC Section 34187(b), the Successor Agency shall submit to the Oversight Board a request, with a copy to the Orange County Auditor-Controller (the "County Auditor-Controller"), to formally dissolve the Successor Agency within 30 days of meeting the following criteria (collectively, the "Dissolution Criteria"):
  - i. All enforceable obligations have been retired or paid off: and,
  - ii. All real property has been disposed of pursuant to HSC Section 34181 or 34191.4; and,
  - iii. All outstanding litigation has been resolved.
- E. The Successor Agency is not a party to any outstanding litigation.
- F. All the Successor's Agency real property (transferred from the Former Agency upon dissolution) has been disposed of pursuant to HSC Section 34181 or the Successor Agency's long-range property management plan ("LRPMP"), which LRPMP was approved by the California State Department of Finance (the "DOF") on January 22, 2014, per HSC Section 34191.4.
- G. At the time of the Former Agency's dissolution, there was one outstanding series of bonds issued by the Former Agency: the 2003 Tax Allocation Bonds Refunding Bonds.
- H. The final maturity date of the 2003 Tax Allocation Bonds Refunding Bonds was October 1, 2017 and have been fully paid.

- I. With the Successor Agency having met the Dissolution Criteria of HSC Section 34187(b), this Board of Directors (the "Board") desires to request the Oversight Board to approve the Successor Agency's request to dissolve and, after such approval, submit the request to the DOF.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY, HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Board hereby finds and determines that all of the Dissolution Criteria set forth in HSC Section 34187(b) for the Successor Agency's dissolution have been met.

Section 3. The Board hereby requests the Oversight Board to adopt a resolution (the "OB Resolution") to: (i) approve the Successor Agency's request to formally dissolve, (ii) submit this Resolution and the OB Resolution to the DOF in accordance with HSC Section 34187(b).

Section 4. The Agency Clerk is hereby directed to cause copies of this Resolution to be submitted to: (i) the Oversight Board, and (ii) the County Auditor-Controller.

Section 5. The Board hereby finds and determines that the request to dissolve the Successor Agency set forth herein.

Section 6. The officers and the other staff members of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things, including the execution of any instruments, which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified and confirmed.

PASSED AND ADOPTED this 20<sup>th</sup> day of February, 2024.

  
\_\_\_\_\_  
John Stephens, Chair

ATTEST:

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Brenda Green, Agency Clerk

  
\_\_\_\_\_  
Kimberly Hall Barlow, Agency Attorney

STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) ss  
CITY OF COSTA MESA )

I, BRENDA GREEN, Agency Clerk of the Successor Agency of the Costa Mesa Redevelopment Agency, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. 2024-08 and was duly passed and adopted by the Board of Directors of the Successor Agency of the Costa Mesa Redevelopment Agency at a regular meeting held on the 20<sup>th</sup> day of February, 2024, by the following roll call vote, to wit:


AYES: Agency Members: CHAVEZ, GAMEROS, MARR, REYNOLDS, HARLAN, AND STEPHENS.

NOES: Agency Members: NONE.

ABSENT: Agency Members: HARPER.

ABSTAIN: Agency Members: NONE.

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 21<sup>st</sup> day of February, 2024.

  
\_\_\_\_\_  
Brenda Green, Agency Clerk



**TITLE:**

**ADOPT RESOLUTION APPROVING FY 2024-25 ROPS FOR THE COSTA MESA SUCCESSOR AGENCY AND THEN APPROVE DISSOLUTION OF THE SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY**

**DEPARTMENT: FINANCE DEPARTMENT**

**PRESENTED BY: CAROL MOLINA, AGENCY FINANCE DIRECTOR**

**CONTACT INFORMATION: CAROL MOLINA, AGENCY FINANCE DIRECTOR**

**RECOMMENDATION:**

Staff recommends the City Council/Successor Agency Board:

1. Approve a Resolution of the City Council/Successor Agency Board of the City of Costa Mesa, California, approving the Recognized Obligation Payment Schedule (ROPS) in the amount of \$0 for the Fiscal Year 2024-25 (Attachment 1 and Exhibit A).
2. Approve a Resolution of the City Council/Successor Agency Board of the City of Costa Mesa, California, requesting the Oversight Board, Orange County Auditor-Controller and California Department of Finance approve of the dissolution of the Successor Agency to the Costa Mesa Redevelopment Agency (Attachment 2).
3. Direct the submission of the Resolutions to the Orange County Auditor-Controller and the California State Department of Finance.

**BACKGROUND:**

On January 3, 1972, the City Council created the City of Costa Mesa Redevelopment Agency (CMRA) for the purposes of redeveloping areas that needed assistance in the interest of the health, safety, and general welfare of the people of the community. Thus, the Redevelopment Plan for the Downtown Redevelopment Project Area, which was approximately 198 acres of mixed commercial and residential uses, was adopted on December 24, 1973.

In an effort to balance the State's budget, all redevelopments in the State were ordered to dissolve with Assembly Bill x1 26 (the Dissolution Act) so that the State could backfill its obligations to schools. The Dissolution Act was challenged in the California Supreme Court. In compliance with the Dissolution Act, the City Council elected to serve as the Successor Agency to the dissolved Costa Mesa Redevelopment Agency on September 6, 2011, with the responsibility of winding up its affairs and undertaking the administrative tasks required for the dissolution process.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and directed all redevelopment agencies in the State be dissolved effective February 1, 2012. Subsequent modifications to the dissolution process were enacted with the passage of Assembly Bill 1484 in 2012 and Senate Bill 107 in 2015.

### 1993 Downtown Development Project

In 1993, the CMRA issued its \$9,955,000 Downtown Redevelopment Project 1993 Tax Allocation Refunding Bonds (TAB) that were designated for Downtown Redevelopment Projects. The monies to pay the bonds yearly came from CMRA property tax increment. Then in 2003, the 2003 Tax Allocation Bonds Refunding Bonds refinanced the 1993 TABs and were issued on October 9th, 2003, for \$7,470,000. At the time that the CMRA was dissolved, the outstanding payments on the bonds was \$4,818,000 and were paid by the Redevelopment Property Tax Trust Funds (RPTTF). The bonds matured and were paid off October 2017.

### 1971 – 1993 Redevelopment Activities

The City loaned funds to CMRA from 1971 through 1993 to finance redevelopment activities. Each advance was documented by a promissory note. In 1993 all the outstanding notes were consolidated into a single note of principal sum of \$12,596,074 at 8% interest. During the initial years of the dissolution process, the State Department of Finance (DOF) disallowed the enforceable obligation of the outstanding loan from the City citing Health and Safety Code section 34171(d)(2) which states that any agreement or contract between the city that created the redevelopment agency, and the former redevelopment agency, are not considered enforceable obligations.

As a result of the DOF finding, on October 29, 2013, the City filed a lawsuit in the Sacramento Superior Court, Case No. 34-2013-80001675, against the DOF and the Orange County Auditor-Controller. The lawsuit sought to require the DOF to approve annual loan repayments to the City on future ROPS submitted by the Successor Agency.

On April 17, 2014, the local Oversight Board approved the finding that the loan was for legitimate redevelopment purposes pursuant to Health and Safety Code section 34191.4. which states in essence that 'if the financial agreement between the City and the former Redevelopment Agency was made within two years of the inception of the Agency the agreement is an enforceable obligation.' Once the Oversight Board makes such a finding, Health and Safety Code 34171(d)(2) requires "the accumulated interest on the remaining principal amount of the loan shall be recalculated from the origination at the interest rate earned by the Local Agency Investment Fund." As a result of the interest recalculation, the amount of remaining principal was determined to be \$10,237,174.

On May 6, 2014, the DOF sent a letter affirming the Oversight Board's decision that the loan was for legitimate redevelopment purposes and reestablished the loan agreement.

The City dismissed the referenced lawsuit in January 2019, after obtaining the primary objective of the lawsuit, by reviving the City’s loan to its former redevelopment agency. This loan was paid back to the General Fund as of July 2023.

Successor Agency

As mandated by AB 1484, all successor agencies were required to develop a Long-Range Property Management Plan (LRPMP) that governed the disposition and use of all former redevelopment agency properties. The LRPMP was approved by the Successor Agency September 18, 2013. It disclosed that upon dissolution that the Successor Agency did not hold any property. The LRPMP was approved by the California State Department of Finance the DOF on January 22, 2014.

**ANALYSIS:**

Below are the amounts of annual allocations of RPTTF that were paid to the General Fund after the CMRA was dissolved. This represents 80% of the allowable RPTTF. The other 20% was paid to the Housing Authority.

<b>Fiscal Year</b>	<b>General Fund</b>	<b>Housing Authority</b>
FY 2023/24	\$1,368,045	\$0
FY 2022/23	\$1,399,669	\$342,011
FY 2021/22	\$1,524,562	\$349,917
FY 2020/21	\$1,032,836	\$381,141
FY 2019/20	\$1,060,817	\$258,209
FY 2018/19	\$962,362	\$265,204
FY 2017/18	\$556,850	\$240,591
FY 2016/17	\$649,100	\$139,212
FY 2015/16	\$287,740	\$162,275
FY 2014/15	\$626,386	\$71,935
FY 2013/14	\$0	\$156,597
<b>Total</b>	<b>\$9,468,367</b>	<b>\$2,367,092</b>

With all enforceable obligations paid in full as of August 2023, all land disposed of, and all litigation settled, there is no need for the Agency to continue to exist and the criteria to proceed with formally dissolving has been met. Therefore, the Costa Mesa Successor Agency is not requesting any RPTTF allocation for FY 2024-25 and requests to submit a ROPS in the amount of \$0. This action is in keeping with Health & Safety Code Section 34177(m)(1)(B) which mandates a ROPS must be filed or mandates a \$10,000 daily fine.

Pursuant to HSC Section 34187(b), the County Oversight Board must act within 30 days to approve the Successor Agency's request to dissolve and then submit the request to the State Department of Finance (DOF). The DOF will have 30 days to approve or deny the request.

### **ALTERNATIVES:**

There are no alternatives. It is expected each of the three agencies will approve of the dissolution, however, if one agency does not approve of the dissolution, then the Agency would exist in an inactive state and would be required to submit a ROPS in the amount of \$0 annually.

### **FISCAL REVIEW:**

After the Oversight Board's adoption of the Oversight Board's resolution and the DOF's approval of the Successor Agency's request to dissolve, the County Auditor-Controller will disburse such property tax monies to the taxing entities, including the City of Costa Mesa. The Housing Authority will cease receiving 20% of the RPTTF.

### **LEGAL REVIEW:**

The Agency Attorney's Office has reviewed this agenda report and approves as to form.

### **CITY COUNCIL GOALS AND PRIORITIES:**

This item supports the following City Council Goal:

- Achieve Long Term Fiscal Sustainability

### **CONCLUSION:**

Staff recommends the City Council/Successor Agency Board:

1. Approve a Resolution of the City Council/Successor Agency Board of the City of Costa Mesa, California, approving the Recognized Obligation Payment Schedule (ROPS) in the amount of \$0 for the Fiscal Year 2024-25 (Attachment 1 and Exhibit A).
2. Approve a Resolution of the City Council/Successor Agency Board of the City of Costa Mesa, California, requesting the Oversight Board, Orange County Auditor-Controller and California Department of Finance approve of the dissolution of the Successor Agency to the Costa Mesa Redevelopment Agency (Attachment 1).
3. Direct the submission of the Resolutions to the Orange County Auditor-Controller and the California State Department of Finance.

March 18, 2024

VIA ELECTRONIC MAIL:  
[KATHY.TAVOULARIS@AC.OCGOV.COM](mailto:KATHY.TAVOULARIS@AC.OCGOV.COM)

Kathy Tavoularis  
Orange County Oversight Board Manager  
1770 N. Broadway  
Santa Ana, California 92706

Re: City of Costa Mesa Successor Agency ROPS

Dear Ms. Tavoularis,

I serve as City Attorney for the City of Costa Mesa, and counsel to the Successor Agency to the Costa Mesa Redevelopment Agency (“Successor Agency”). Pursuant to your request to Andrea Pham, this letter will confirm that, as of this date, our office is not aware of any pending litigation involving the Successor Agency.

Very truly yours,



Kimberly Hall Barlow

KHB:wag  
Cc: Andrea Pham



## Costa Mesa Successor Agency Dissolution Timeline

<b>Actual Date</b>	<b>Legal Deadline</b>	<b>Action</b>
August 31, 2023		Last enforceable obligation of the Costa Mesa Successor Agency paid off
February 20, 2024	Within 30 days of August 31, 2023 (September 30, 2023)	Costa Mesa Successor Agency votes to request dissolution HSC §34187(b)
June 27, 2024		Costa Mesa Successor Agency transmits resolution requesting dissolution to the Countywide Oversight Board
July 23, 2024	Within 30 days	Orange Countywide Oversight Board votes for the dissolution request and submits it to the Department of Finance HSC §34187(b)
	Within 30 days of July 23, 2024 (August 22, 2024)	California Department of Finance approves or rejects dissolution request HSC §34187(d)
	Within 100 days of DOF approval	Costa Mesa Successor Agency must dispose of any remaining assets as directed by the Orange Countywide Oversight Board and then notifies the board of completion of disposal HSC §34187(e)
	No deadline specified (Despite the lack of a deadline, it would be ideal for the verification to be completed no earlier than September 3 but no later than September 11, so the Oversight Board can take its formal dissolution vote at its regular September meeting rather than calling a special meeting)	Orange Countywide Oversight Board verifies that all Costa Mesa obligations have been retired or paid off, all outstanding litigation has been resolved, and all remaining assets have been disposed of HSC §34187(f)
	Within 14 days of Oversight Board verification (See note above about September meeting rather than calling a special meeting)	Orange Countywide Oversight Board adopts resolution to formally dissolve Costa Mesa Successor Agency, which will take effect immediately upon vote of the Orange Countywide Oversight Board. HSC §34187(f)
	No deadline specified (Despite the lack of a deadline, this ought to be done promptly)	The Orange Countywide Oversight Board transmits copies of the dissolution resolution to the City of Costa Mesa (not the now-dissolved Costa Mesa Successor Agency), Orange County Auditor-Controller, California State Controller, and California Department of Finance to officially notify these entities of the dissolution. HSC §34187(f)