

**SPECIAL JOINT MEETING OF THE COSTA MESA COUNCIL  
AND REDEVELOPMENT AGENCY**

**January 10, 2012**

*These meeting minutes represent an "action minute" format with a concise summary of the meeting. A video of the meeting may be viewed on the City's website at [www.ci.costa-mesa.ca.us](http://www.ci.costa-mesa.ca.us).*

The Costa Mesa City Council and Redevelopment Agency met in a Special Joint Meeting held on Tuesday, January 10, 2012, in the Council Chambers of City Hall, 77 Fair Drive, Costa Mesa. Mayor Pro Tem/Agency Chair Jim Righeimer called the meeting to order at 6:03 p.m. and Council/Agency Member Wendy Leece led in the Pledge of Allegiance.

**I. ROLL CALL**

Members Present: Mayor Pro Tem/Agency Chair Jim Righeimer  
Council/Agency Member Wendy Leece  
Council Member/Agency Vice Chair Stephen Mensinger

Members Absent: Mayor/Agency Member Gary Monahan  
Council/Agency Member Eric Bever

Officials Present: Executive Director Tom Hatch  
Assistant Executive Director Khanh Nguyen  
Agency Attorney Tom Duarte  
Interim Public Services Director Ernesto Munoz  
Neighborhood Improvement Manager Muriel Ullman  
Management Analyst Alma Penalosa  
Management Analyst Hilda Veturis  
Agency Special Counsel Celeste Brady  
Executive Secretary Martha Rosales

**II. CLERK'S STATEMENT**

The Agenda and Notice and Call for the Special Joint City Council and Redevelopment Agency Meeting were posted at the City Council Chambers, Adams Postal Office, Headquarters Police Department, Neighborhood Community Center and the Mesa Verde Public Library on Friday, January 6, 2012.

**III. MINUTES**

Joint Council/Redevelopment Agency meeting of July 12, 2011 and Special Joint Council/Redevelopment Agency meetings of August 26, 2011 and September 20, 2011

**MOTION: Approve Minutes. Moved by Council/Agency Member Wendy Leece, second by Council Member/Agency Vice Chair Stephen Mensinger.**

The motion carried by the following roll call vote:

Ayes: Mayor Pro Tem/Agency Chair Jim Righeimer, Council/Agency Member Wendy Leece, Council Member/Agency Vice Chair Stephen Mensinger

Noes: None.

Absent: Mayor/Agency Member Gary Monahan, Council/Agency Member Eric Bever

**IV. PUBLIC COMMENTS - None**

**V. APPROVAL OF WARRANTS – Ratify CMRA-409, CMRA-410, CMRA-411 and CMRA-412**

Council/Agency Member Wendy Leece questioned a legal expense on Page 1 regarding the Baker Street Senior Housing project and asked if it would be the last legal expense. Ms. Ullman reported the Baker Street Senior Housing project had been suspended in the summer and confirmed it would be the last legal expense.

**MOTION: Ratify CMRA-409, CMRA-410, CRMA-411 and CMRA-412. Moved by Council/Agency Member Wendy Leece and second by Council/Agency Vice Chair Stephen Mensinger.**

The motion carried by the following roll call vote:

Ayes: Mayor Pro Tem/Agency Chair Jim Rigeimer, Council/Agency Member  
Wency Leece, Council Member/Agency Vice Chair Stephen Mensinger

Noes: None.

Absent: Mayor/Agency Member Gary Monahan, Council/Agency Member Eric  
Bever

## **VI. COUNCIL/AGENCY MEMBERS' COMMENTS AND SUGGESTIONS**

- None

## **VII. OLD BUSINESS - None**

## **VIII. NEW BUSINESS**

### 1. Legislative Update

Mayor Pro Tem/Agency Chair Jim Rigeimer gave a brief summary regarding the California Supreme Court's decision in December 2011 that allowed the State to abolish Redevelopment Agencies.

Mayor/Agency Member Gary Monahan arrived at 6:15 p.m.

Special Agency Counsel Celeste Brady presented the staff report and provided a legislative update. She reported the California Supreme Court upheld the decision that AB X1 26, the Dissolution Act, was valid and constitutional; and AB X1 27, the Voluntary Payment Act, was invalid and unconstitutional. Ms. Brady summarized the 83-page opinion and provided an explanation of the 3 prongs used to make the decision.

Mr. Brady handed out an outline (*Supreme Court in California Redevelopment Association v. Matosantos Assembly Bill X1 26 – valid and constitutional and Assembly Bill X1 27 – invalid and unconstitutional*) and pointed out important reformed dates to the Council/Agency Members.

Ms. Brady said the Agency took action in August 2011 to establish the Enforceable Obligation Payment Schedule (what the Agency and Successor Agencies were allowed to carryout and implement) and the Agency could amend the schedule anytime in an open public meeting until January 31, 2012. After January 31, 2012, the Successor Agency could amend the schedule.

In September 2011 the Council, by action, elected to serve as the Successor Agency for the Redevelopment Agency. The Council had until January 13, 2012 to change their minds. If the Council did not change their mind they would become the Successor Agency on February 1, 2012.

The Council needed to decide if they wanted or not to assume the housing assets and functions of the former Redevelopment Agency (statute Section 34761). If the Council declined to assume the housing assets and functions, a local housing authority would assume the housing duties. Since Costa Mesa did not have a local housing authority, Council could take action in January to establish a local housing authority and assume the housing assets and responsibilities. The Council could also transfer the housing assets and responsibilities to the Orange County Housing Authority. Ms. Brady spoke about amended Senate Bill 654 (Steinberg) that proposed allowing the Successor Housing Agency to keep the existing fund balances. Currently, Section 34176 excluded the City or local housing authority (assuming the housing assets and responsibilities) from the existing fund balances.

Mayor Pro Tem/Agency Chair Jim Rigeimer asked which bill excluded Successor Agencies from existing fund balances. Ms. Brady advised AB X1 26, Section 34176 excluded existing housing fund balances.

Council/Agency Member Wendy Leece inquired about the Agency's debt to the City. Ms. Brady could not provide an answer because she needed documentation linking the 1973 obligation and staff was still researching documents. Ms. Brady advised that AB X1 26 did state that contracts, loans and obligations were invalid, unenforceable and void unless they were validly set-up and had the proper

provisions within 2 years of formation of the Agency. The Agency's debt was included on the list of enforceable obligations because it was originally started in 1973.

Council/Agency Member Wendy Leece asked if they would be receiving a list of the Agency's enforceable obligations. Ms. Brady explained that in August 2011, Mr. Young provided the list of enforceable obligations and the Agency took action. The Agency had until January 31, 2012 to update the enforceable obligations list - Mr. Young was currently evaluating and updating the list. Effective February 1, 2012 and following, the City Council, as the Successor Agency, would have the ability to amend and update the list of enforceable obligations in any public meeting.

A detailed explanation regarding the three payment schedules - EOPS (enforceable obligation payment schedule), IROPS (initial recognized obligation payment schedule) and ROPS (recognized obligation payment schedule) was provided. Ms. Brady mentioned the first payment schedule (prepared by the Successor Agency) would be due on March 1, 2012 as reformed by the Supreme Court decision. However, the EROPS, IROPS and ROPS had to be approved by the Oversight Board and the Oversight Boards would not be formed until May 1, 2012. Between March 1 and May 1, the Successor Agency would pay what it had to pay.

Mayor Pro Tem/Agency Chair Jim Righeimer requested the amount of the City's loan to the Agency and asked if the City had loaned the Agency \$4 million in 1978. Ms. Brady reported the loan was approximately \$10 million dollars and the original loan had to have been made within 2 years from the formation of the Agency in 1972. Documentation was necessary to see what the original loan called for (additional advances, amendments and consolidations).

Mayor/Council Member Gary Monahan asked how solid the deadlines were for Council to take action given the daily changes. Ms. Brady reported that per the Supreme Court's decision, the deadlines were solid as reformed. Ms. Brady gave a narrative on the various deadlines.

Mayor/Council Member Gary Monahan asked what the drawbacks would be if the City transferred their housing assets and functions to the County. Ms. Brady said there were pluses and minuses – as a Housing Authority, the Council would decide on the monitoring and oversight of former obligations. Costa Mesa did not have a lot of housing responsibilities because they complied diligently with their housing laws. As a former Redevelopment Agency, the revenue source would have come from the existing housing fund balance and currently Costa Mesa did not have that revenue source. She added if the Steinberg bill passed, Costa Mesa would get the housing fund balance.

Mayor/Council Member Gary Monahan asked if it would be beneficial for Costa Mesa to form a Housing Authority if the Steinberg bill passed. Ms. Brady responded affirmatively and added that as the Successor Housing Agency to the dissolved Redevelopment Agency, the existing fund balance would be theirs, as well as all the powers and authorities of the local housing authority under the California Housing Authority Act.

Mayor/Council Member Gary Monahan requested the amount of the housing fund balance. Neighborhood Improvement Manager Muriel Ullman reported that as of the beginning of the new fiscal year (2012-2013), they would have between \$750,000 to \$1 million due to the suspension of the Harper's Pointe project and carryover money. She added there was about \$7.5 million dollars in receivables from the Costa Mesa Village, St. John's Manor and Costa Mesa Family Village projects that would be turned over to the Orange County Housing Authority.

Mayor/Council Member Gary Monahan reiterated what the drawbacks or benefits would be. Ms. Ullman reported the drawbacks would be 1) the funds from the projects that could be used by the Successor Agency would go to the Orange County Housing Authority 2) the projects in Costa Mesa that were diligently monitored by HCD staff would be monitored by the Orange County Housing Authority and 3) if SB 654 passed and Costa Mesa did not have a Housing Authority the City would lose the existing fund balances.

Agency Vice-Chair/Council Member Stephen Mensinger asked Executive Director Tom Hatch what the fiscal impact to the general fund would be, if any, and what it meant in practical terms to the community. Mr. Hatch announced that the legislative update presentation was to clarify that staff did not have all the answers due to the rapid movement. One of the immediate issues was the \$10 million dollar loan between the Agency and the City; staff salaries; and the loss of the ongoing revenue stream that the Redevelopment Agency generated. As a community, they were looking forward to the potential of having \$1 to \$1.5 million dollars available each year from Redevelopment funds for capital projects that would have made a great impact to the community over the years. With regards to the Housing Authority, Executive Director Hatch urged the Council to seriously consider forming a Housing Authority because it would give them a full understanding of the issues involved. The Council could then at a later point make a decision about continuing the Housing Authority or having the assets flow to a different Successor Agency.

Agency Vice-Chair/Council Member Stephen Mensinger summarized Executive Director Hatch's comments and stated there were two issues – 1) staffing and what to ultimately do, and 2) a \$1.5 impact to the general fund due to projects the Council wanted to do with Redevelopment money. Executive Director Hatch reported the projects would be prioritized with other capital projects and would compete for funding through the general fund.

Council/Agency Member Wendy Leece asked if they had to take action on the formation of a Housing Authority and requested information on other city's demographics. Ms. Brady responded it would be helpful to give staff direction and stated the Council would not have to take action on forming a Housing Authority because the item had not been agendaized. The Council, however, would have to take action regarding the formation of a Housing Authority in January.

Ms. Ullman clarified that 3 or 4 of the projects that were on the books were multi-funded with H.U.D. money. Therefore, due to existing federal obligations, she did not think the projects could be transferred to the Orange County Housing Authority; staff would have to continue monitoring them.

Ms. Brady summarized the responsibilities of the Successor Agency. She stated that all assets of the former Redevelopment Agency would be transferred to the Successor Agency whose responsibility would be to evaluate all the enforceable obligations and contracts - implement and unwind them.

Mayor Pro Tem/Agency Chair Jim Righeimer requested a list of all of the enforceable obligations to know if they had dollars for staff. Ms. Brady said there was a component defined within the bill for administrative costs in the first fiscal year 2011-2012 - 5% of the former increment to be allocated to the Successor Agency to pay enforceable obligations. In the next fiscal year, 2012-2013 and following, it would be 3% but not less than \$250,000 for administrative costs. It was unclear within the bill and clients were being encouraged to include as enforceable obligations, the existing contracts that had covenants and monitoring, as they believed those would be direct costs of an enforceable obligation. It was their understanding that the County and State would perceive them as administrative costs. Ms. Brady reported that if the Council assumed the housing functions they would not receive administrative money to run it. If a local housing authority was formed, staff would be needed to run the Housing Authority and functions but administrative money would not be coming from the former Redevelopment Agency because only the Successor Agency received money for administration. The Successor Agency was not listed as an entity that could assume the housing functions. Only the City, a local housing authority or State HCD could assume the housing functions.

Mayor Pro Tem/Agency Chair Jim Righeimer stated the money could come from the payments on the \$7.5 million. Ms. Brady clarified it could not come from the \$7.5 million because they were separate and distinct entities. The Successor Agency would be receiving money to carryout enforceable obligations and the housing functions will have been transferred. Money was not being provided to carryout the responsibilities.

Mayor/Agency Member Gary Monahan commented that turning over their authority to the Orange County Housing Authority sounded like a positive because money was not being provided. Ms. Brady stated that the Orange County Housing Authority did

not have the ability to decline. If the Steinberg bill passed, the Housing Authorities would have the ability to decline and it would then go to the State HCD.

Mayor/Agency Member Gary Monahan asked if the housing funds charged to administration was 15%. Ms. Ullman said it was 20% for CDBG; 10% for HOME and 20-30% for Redevelopment. Mayor/Agency Member Gary Monahan said we were charging 10%, 20% and 30% and they were offering us 3% and 5%--a nice trade off.

**MOTION: Receive and file legislative update provided by Agency Special Counsel. Moved by Council Member/Agency Vice Chair Stephen Mensinger, second by Council/Agency Member Wendy Leece.**

The motion carried by the following roll call vote:

Ayes: Mayor Pro Tem/Agency Chair Jim Righeimer, Council/Agency Member Wendy Leece, Council Member/Agency Vice Chair Stephen Mensinger, Mayor/Agency Member Gary Monahan

Noes: None.

Absent: Council/Agency Member Eric Bever

Agency Chair/Mayor Pro Tem Jim Righeimer adjourned the Special Joint meeting at 6:54 p.m.

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Chairperson of the Redevelopment Agency

ATTEST:

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City Clerk of the City of Costa Mesa  
and ex-officio of the Costa Mesa  
Redevelopment Agency