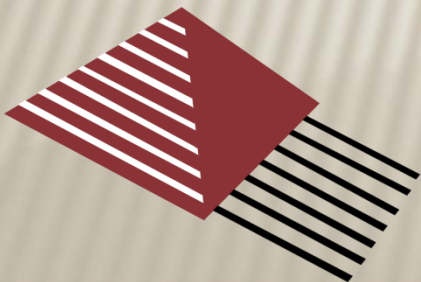

RDA Revenues

Huntington Beach City School District

January 25, 2022

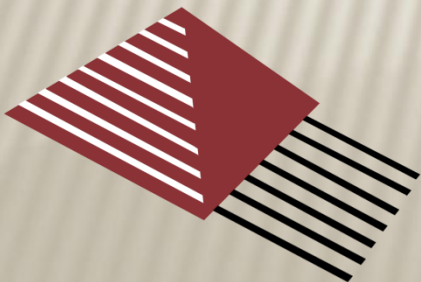
*Prepared by Public Economics, Inc. for
Huntington Beach City School District*



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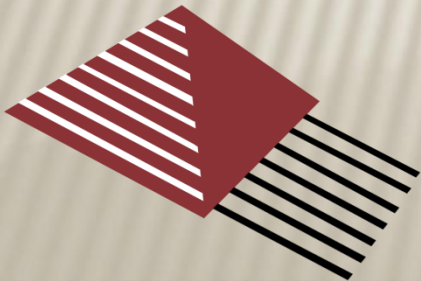
Questions to be Answered

1. What is an RDA?
2. What is “Tax Increment” (where does it come from, how is District affected, how long will it continue)?
3. What is RDA Dissolution?
4. “RDA Revenues” Past and Future



1. What is RDA?

- ◆ RDA = Redevelopment Agency
- ◆ Redevelopment was a funding mechanism designed to provide affordable housing, eliminate blight and encourage development and growth in cities and counties throughout California
- ◆ RDAs established “Project Areas” where they would capture the growth in property taxes over a base year in order to fund RDA activities in that Project Area
- ◆ Prior to RDA Dissolution, only a small portion of growth in property taxes from Project Areas came back to affected taxing entities (ATEs) via “Pass-Through” payments which were required by either contract or statute

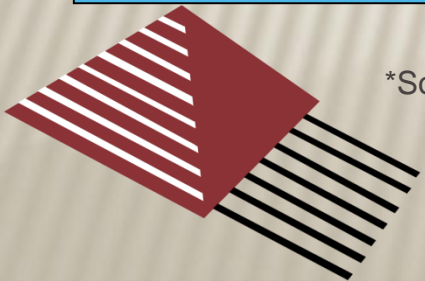


1. What is RDA?

Maps of Southeast Coastal Redevelopment Project Area*
(One of FOUR Project Areas within District boundaries)



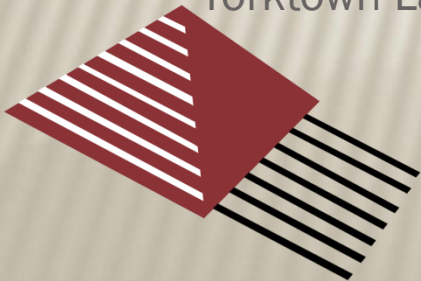
*Source: City of HB website



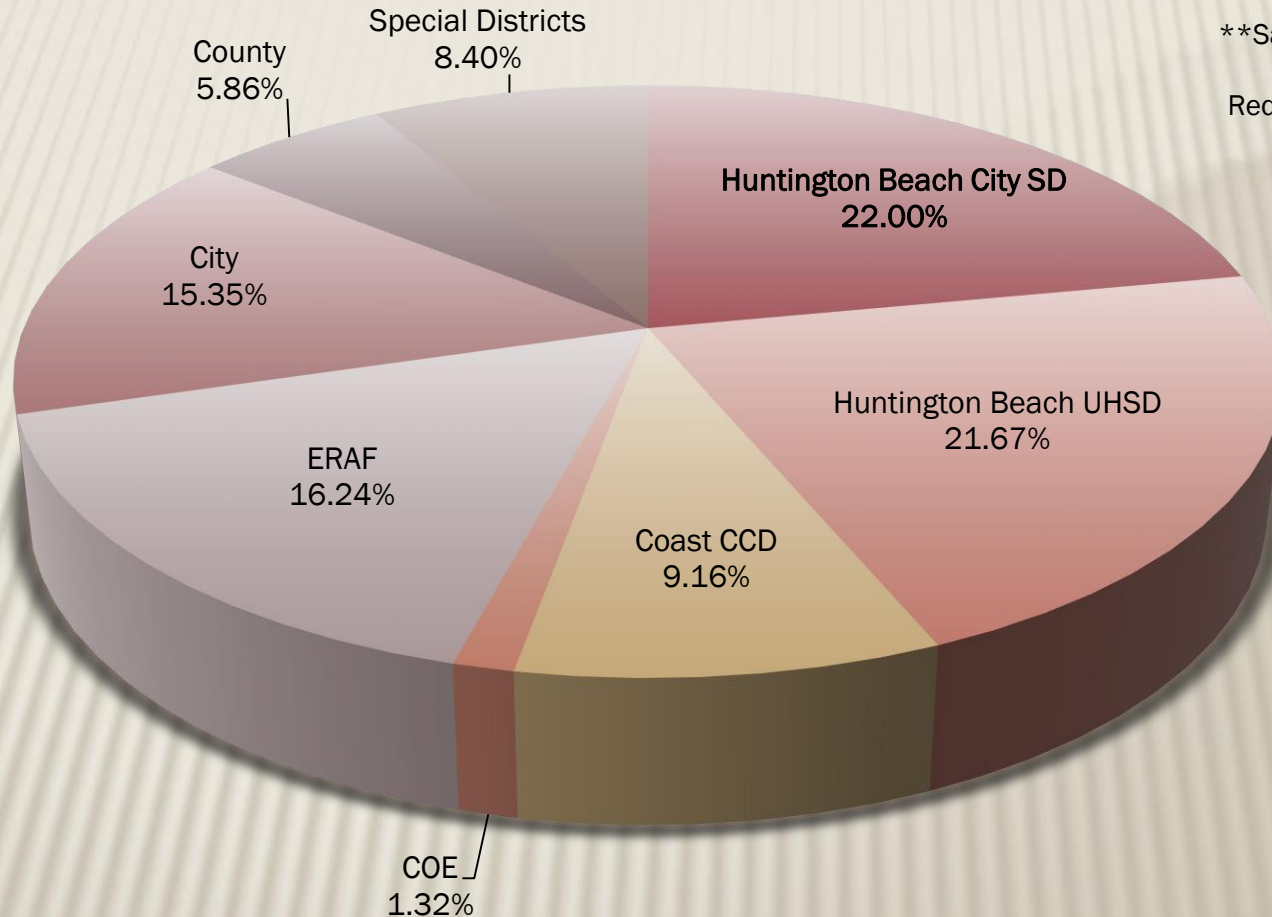
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2. What is Tax Increment?

- ◆ Tax Increment to RDAs comes from growth in property taxes paid since a base year within redevelopment project areas, and results from:
 - *Increases in assessed value* (AV) above base year AV in Project Area
 - Growth in property taxes paid *at existing 1% tax rate*, NOT from increase in 1% tax rate (unlike GO Bonds)
 - *Diversion from District* and other affected ATEs of 100% of their individual shares of property tax growth
- ◆ Huntington Beach RDA has seven total Project Areas, of which FOUR are within District:
 - Main Pier
 - Main Pier Annex
 - Southeast Coastal
 - Yorktown Lake



2. What is Tax Increment?



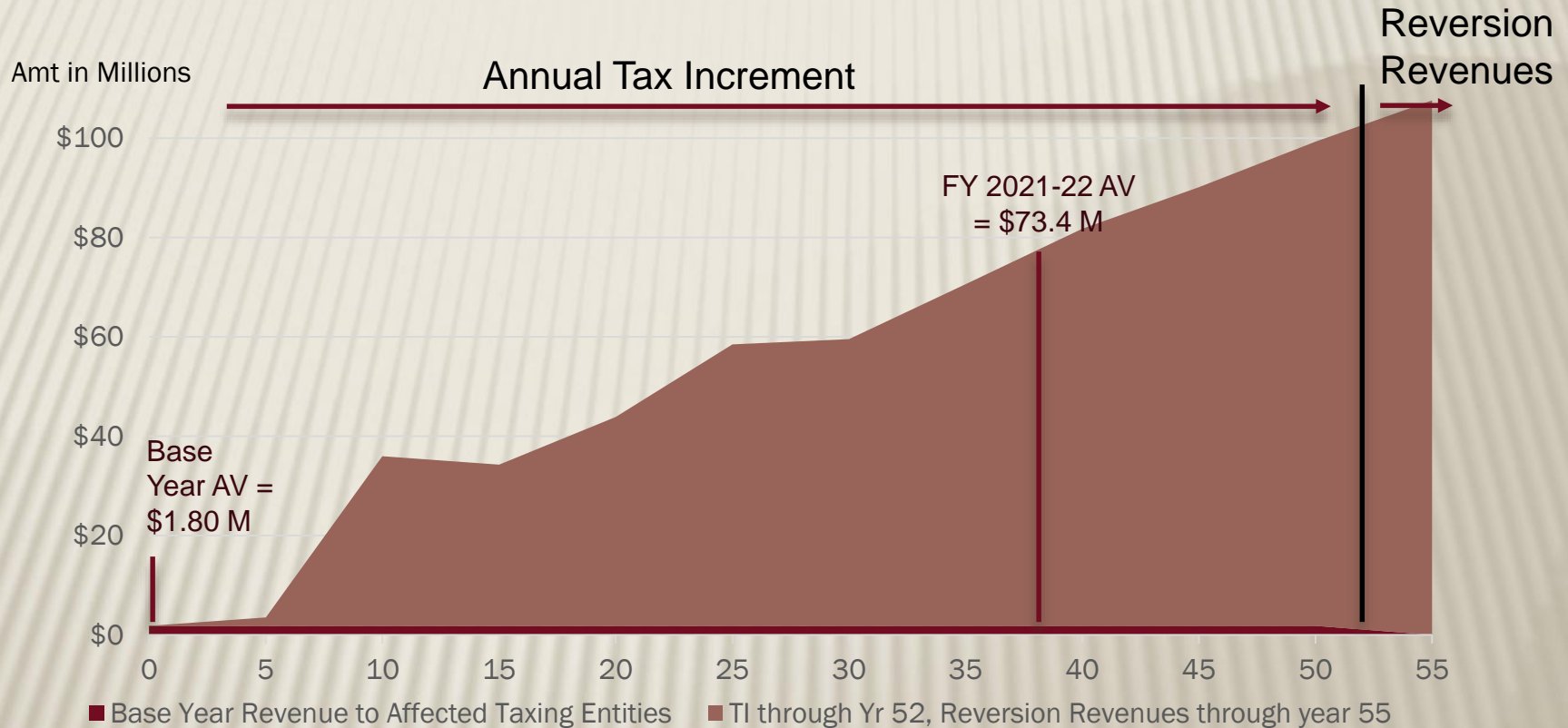
**Sample division of 1% taxes within a Redevelopment Project Area

Property tax shares for FY 2020-21 for Huntington Beach, Yorktown Lake Project Area

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2. What is Tax Increment?

Illustration of growth in Assessed Value (AV) and tax increment over 55 years for Huntington Beach, Yorktown Lake Project Area

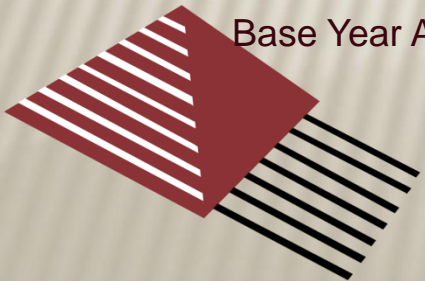


Base Year Assessed Value= \$1.80 M

FY 2021-22 Assessed Value= \$73.4 M

Growth in Assessed Value (as of FY 21-22) = \$71.6 M

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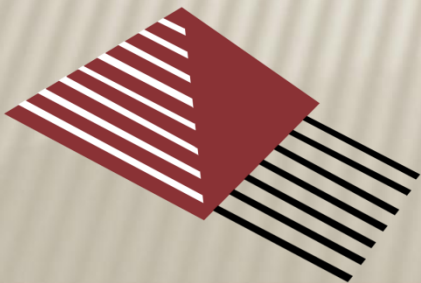
3. What is RDA Dissolution?

- ◆ On Feb. 1, 2012, all RDAs in California were dissolved by ABX1 26, as subsequently revised by AB 1484 and other RDA dissolution clean-up bills (RDA Dissolution Law)
- ◆ RDA Dissolution Law transferred all former RDA assets and obligations to **Successor Agencies (SAs)** (typically City for former City RDAs, and County for former County RDA)
- ◆ SAs only authorized to “**wind down**” former RDAs, including continue to pay debt service on enforceable obligations (e.g., bonds and agreements), liquidate real property assets, and resolve any litigation
- ◆ SAs may not enter into new enforceable obligations, except for refinancing existing obligations for interest savings



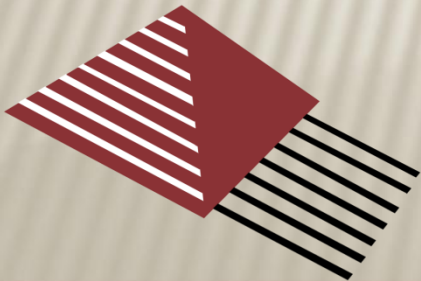
3. What is RDA Dissolution?

- ◆ Despite RDA dissolution, *Tax Increment continues to be diverted from District and other ATEs*, not to Huntington Beach RDA but to Huntington Beach Redevelopment Property Tax Trust Fund (RPTTF) for next 14 years (through FY 2035-36)
- ◆ After all former RDA bonds and other SA debts have been repaid (and other closure conditions met), 100% of Tax Increment/RPTTF will revert to affected taxing entities, including District, as property taxes (Reversion Revenues)



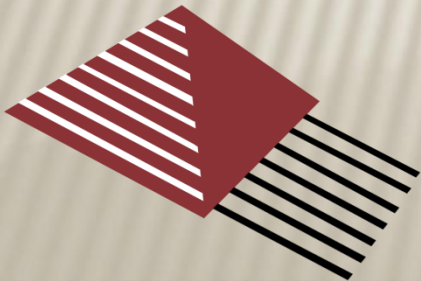
3. What is RDA Dissolution?

- ◆ County Auditor-Controller still allocates RDA “Tax Increment,” not to SA, but to **Redevelopment Property Tax Trust Fund (RPTTF)**
- ◆ County A-C now allocates only portion of Tax Increment to SA (as needed for SA to pay its enforceable obligations), and County A-C, not SA, pays “Pass-Throughs” and “Other RDA Revenues” to District and other affected taxing entities (ATEs)
- ◆ SA, RPTTF, Pass-Throughs, and Other RDA Revenues continue until all of SA’s enforceable obligations have been repaid, all former RDA real property assets have been liquidated, and all RDA/SA litigation has been settled



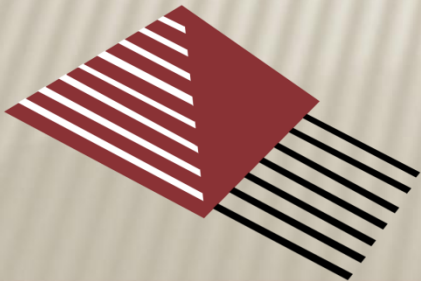
4. What are RDA Revenues?

- ◆ Under RDA Dissolution Law, significant percentages of District's 22.00% share of Tax Increment are returned to District as "RDA Revenues," including:
 - Recurring annual (i) **Pass-Throughs** (portion usable for facilities)
 - For offset against state aid, unless/until basic aid:
 - Recurring annual (ii) **Residual Distributions**
 - One-Time (iii) **Asset Liquidation Revenues**
- ◆ RDA Revenues are separately identifiable from other property taxes for as long as RPTTF continues to exist
- ◆ Certain RDA Revenues can be used for facilities/maintenance in order to relieve General Fund



4. What are RDA Revenues?

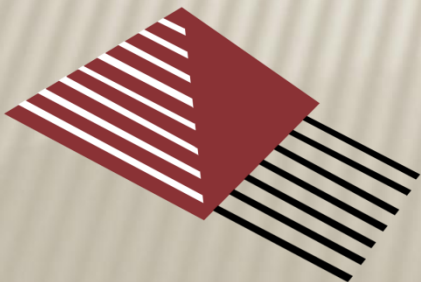
- ◆ 56.7% of AB 1290 Pass-Throughs (object 8625) are *effectively restricted* to educational facilities
- ◆ The District receives all of its object 8625 revenues from AB 1290 Pass-Through payments
- ◆ With passage of **AB 1290 compliance resolution**, these object 8625 (facilities) revenues can be for facilities use District-wide



4. How Much RDA Revenues has District Received in Past?

- ◆ Per District records, facilities fund balance through FY 2020-21:
 - \$ 2.995 M object 8625

- ◆ PEI will work with District staff to:
 - ◆ (i) determine how Pass-Through amounts through FY 2020-21 were used (if at all)
 - ◆ (ii) ensure proper categorization of all amounts received from County A-C, and
 - ◆ (iii) review the amounts received for accuracy



4. How Much RDA Revenues will District Receive in Future?

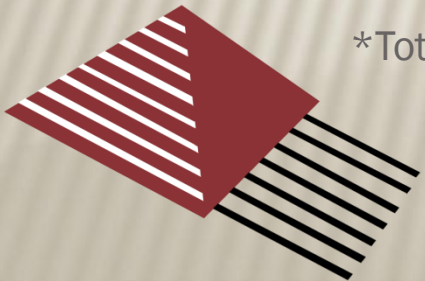
- As shown below, over next 4 years with conservative 2% growth in assessed values (AV), PEI projects that District should receive Pass-Throughs of about:

With passage of **AB 1290 Compliance Resolution**, these amounts can be used for projects throughout the District

Unless/Until District becomes totally **locally funded ("Basic Aid")**, these amounts are offsets against State Aid

Object Code:	8625	8047
	Facilities (56.7%)	Offset/Tax (43.3%)
Owed for	Pass-Thrus w/	Pass-Thrus w/
Fiscal Year	<u>2% AV Growth</u>	<u>2% AV Growth</u>
2021-22	944,319	721,147
2022-23	762,007	581,921
2023-24	791,688	604,587
2024-25	821,962	627,707

*Total and annual amounts will be larger with more than 2% AV growth



Other Questions/ Contact Info

- ◆ Other questions?
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 - Email: dgumucio@pub-econ.com

