

**City of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

***Garden Grove Agency for Community Development***

To: Matthew Fertal  
Dept: Director  
Subject: EDUCATIONAL REVENUE  
AUGMENTATION FUND (ERAF)  
PAYMENT FOR FISCAL YEAR 2008-09

From: Chet Yoshizaki  
Dept: Economic Development  
Date: February 24, 2009

OBJECTIVE

The purpose of this report is to request that the Garden Grove Agency for Community Development (Agency) adopt a resolution approving the borrowing of a portion of its Low and Moderate Income Housing Funds for the purpose of paying its Educational Revenue Augmentation Fund (ERAF) Payment for fiscal year 2008-09.

BACKGROUND/DISCUSSION

As part of the state budget process, the Legislature has mandated that redevelopment agencies make certain payments intended to offset expenses for public education; these payments are referred to as Educational Revenue Augmentation Fund (ERAF) payments. In fiscal year 2008-09, the estimated ERAF shift for all redevelopment agencies is \$350 million; of this, Garden Grove's share is \$1,626,274.

A provision of the ERAF legislation, Section 33685(b)(1) of the California Health and Safety Code, purports to mitigate the impact of the ERAF payments by authorizing agencies to borrow up to 50 percent of the amount required to be allocated to the Low and Moderate Income Housing Fund during this fiscal year to make the full allocation required by this mandate. In fiscal year 2008-09, it is estimated that the Agency will have \$4.8 million in its Low and Moderate Income Housing Fund, of which \$2.4 million can be used to cover the \$1,626,274 obligation.

FISCAL IMPACT

In fiscal year 2008-09, there is insufficient money in the Agency and City's general fund budgets to meet the required ERAF payment. The Low and Moderate Income Housing Fund has sufficient funds available to carry out the Agency's affordable housing program, and has not executed contracts that

would be impaired if the Agency reduced the amount allocated to the Low and Moderate Income Housing Fund.

Per Section 33685(b)(2) of the California Health and Safety Code, it is required that funds borrowed pursuant to this subdivision be repaid in full within ten (10) years following the date on which they were borrowed.

COMMUNITY VISION IMPLEMENTATION

- Not applicable.

RECOMMENDATION

Staff recommends that the Agency adopt the attached resolution approving the borrowing of a portion of its Low and Moderate Income Housing Funds for the purpose of paying its Educational Revenue Augmentation Fund (ERAF) Payment of \$1,626,274 for fiscal year 2008-09.

  
CHET YOSHIZAKI  
Economic Development Director

By:   
Stacy Margolin  
Administrative Analyst

Recommended for Approval

  
Matthew Fertal  
Director

Attachment: Resolution

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT (AGENCY) APPROVING THE BORROWING OF A PORTION OF ITS LOW AND MODERATE INCOME HOUSING FUNDS FOR THE PURPOSE OF PAYING ITS EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF) PAYMENT FOR FISCAL YEAR 2008-09

THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT HEREBY FINDS AS FOLLOWS:

WHEREAS, as a part of the state budget process, the Legislature has mandated that redevelopment agencies make certain payments intended to offset expenses for public education; and

WHEREAS, these payments are referred to as Educational Revenue Augmentation Fund ("ERAF") payments; and

WHEREAS, a provision of the ERAF legislation, now Section 33685(b) of the California Health and Safety Code, purports to mitigate the impact of the ERAF payments by authorizing agencies to borrow up to 50 percent of the amount required to be allocated to the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, and 33334.6 during the 2008-09 fiscal year to make the full allocation required by said Section, and

WHEREAS, there are insufficient moneys in the Agency's and the City's general fund budget, and any other funds, to meet the requirements of the ERAF payments as required by Section 33685 of the California Health and Safety Code, and

WHEREAS, the Low and Moderate Income Housing Fund has sufficient funds available to carry out the Agency's affordable housing program, and has not executed contracts that would be impaired if the Agency reduced the amount allocated to the Low and Moderate Income Housing Fund pursuant to the authority of this subdivision; and

WHEREAS, the funds borrowed pursuant to this subdivision are required to be repaid in full within ten (10) years following the date on which moneys were borrowed,

NOW, THEREFORE, BE IT RESOLVED THAT THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT (AGENCY):

1. The Agency is hereby authorized to borrow up to 50 percent of the amount required to be allocated to the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, and 33334.6 during the 2008-09 fiscal year to make the full allocation required by Section 33685(a)(1) of the California Health and Safety Code.
2. The Agency shall repay the borrowed amount in full to the Low and Moderate Income Housing Fund no later than ten (10) years following the date on which the funds are remitted to the county auditor for deposit in the ERAF fund.
3. The City Council shall, by March 1, 2009, report to the county auditor as to how the Agency intends to fund the allocation required by Section 33685.
4. Prior to May 10, 2009, the Agency shall remit an amount equal to the amount determined for the Agency pursuant to Section 33685 to the county auditor for deposit in the county's Educational Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code.
5. The ERAF payment obligation imposed by this Section 33685(a), including amounts owed, if any, under this Resolution, are hereby declared to be an indebtedness of the redevelopment project to which they relate, payable from taxes allocated to the Agency pursuant to Section 33670, and shall constitute an indebtedness of the Agency with respect to the redevelopment project until paid in full.