

Redevelopment agency dissolution gets stickier, more complicated in South Lake Tahoe

Updated Nov. 28 2:30pm: The oversight committee has been changed to Dec. 7 at 2pm at Lake Tahoe Airport.

By Kathryn Reed

The agency left dealing with South Lake Tahoe's redevelopment issues is fighting the state Department of Finance regarding nearly a half million dollars.

The DOF on Nov. 9 wrote a letter to city officials saying the \$426,210 must be given to the taxing entities and not kept in the Low and Moderate Income Housing Fund, as the oversight board voted to do.

The oversight committee at its Thursday meeting has on the agenda a discussion and possible action item regarding the yet-to-be scheduled meeting with the DOF regarding this issue. The agency is appealing the DOF's decision.

"I'm not surprised the Department of Finance wrote a letter supporting the conclusions in my report. I understand that the city is appealing that decision. Regardless, very soon we need to focus on how the bond payments are going to be made," El Dorado County Auditor Joe Harn told *Lake Tahoe News*.



Heavenly Village is one redevelopment area in South Lake Tahoe that comes with outstanding debt. Photo/LTN file

Bondholders from redevelopment projects throughout South Lake Tahoe are owed more than \$100 million. The problem is there is likely not going to be enough revenue to pay those bonds.

Harn believes that is where the successor agency should be focusing its attention and not trying to keep the \$426,210 for housing.

"I agree with (Joe Harn) when he argued to the state. The revenue should go to pay all bond debt and not distributed to taxing entities. What we disagree on is the revenue," South Lake Tahoe City Manager Nancy Kerry told *Lake Tahoe News*. "The Redevelopment Agency borrowed it from its own housing fund account, so it's an internal loan. It's not between the city and Redevelopment Agency."

Part of the successor agency's arguments to the state is that in addition to disputing the \$426,210, the agency believes any money should go to bondholders and not the taxing entities, as the DOF would like to happen.

When California officials decided to disband redevelopment agencies throughout the state they didn't fully think through what happens if there is remaining debt and what happens to items like stormwater basins that are owned by the redevelopment agencies. No one is going to buy those basins.

And as the process went along the Legislature passed a few contradicting laws. So, depending on when an action was taken, it may have been the correct protocol at the time, but not so a few months later. Timing plays into the dispute between the local successor agency and the state.

Kerry said if cash is not in hand to pay bondholders the successor agency can seek a loan from the county or Department of Finance.

But Harn said there is no guarantee either entity would grant such a loan.

Then what?

The state in the Assembly Bill 26 decision promised the California Supreme Court that debtors, bondholders and everybody would be made whole – meaning they would all get their money. Where the state would come up with the money, though, is the big unknown.

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Note:

The successor agency meets Nov. 29 at 3pm at Lake Tahoe Airport in the downstairs conference room. Here is the agenda.