

Date of Hearing: April 27, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2031 (Bonta) – As Amended March 17, 2016

SUBJECT: Local government: affordable housing: financing

SUMMARY: Authorizes a city or county that formed a redevelopment agency (RDA) that has received a finding of completion from Department of Finance (DOF), to bond against the property tax revenues it receives as a result of redevelopment dissolution for affordable housing purposes, without voter approval. Specifically, **this bill:**

- 1) Defines "affordable housing" to mean a dwelling available for purchase or lease by persons and families who qualify as low-, very low-, extremely low- and moderate income.
- 1) Defines "distributions of property tax revenues" to mean all additional property tax revenues a city or county is entitled to receive as a result of the dissolution of RDAS.
- 2) Defines "beneficiary district" to mean an affordable housing special beneficiary district that exists for a limited duration as a distinct local government entity for the purposes of receiving the rejected distribution of property tax revenues of a city or county and providing financial assistance to promote affordable housing within its boundaries.
- 3) Authorizes a city or county that formed a RDA and is the successor agency that received a finding of completion after dissolving its RDA from DOF to adopt an ordinance or resolution to reject its distribution of property tax revenues as a result of redevelopment dissolution.
- 4) Provides that once a city or county rejects its distribution of property taxes and it is redirected to a beneficiary district it has no claim or control over it except for its role in governing the beneficiary district.
- 5) Requires the county auditor-controller upon request to transfer all of a city's or county's rejected property taxes to the beneficiary district.
- 6) Provides that a beneficiary district can only promote the development of affordable housing within its boundaries.
- 7) Allows a beneficiary district to promote the development of affordable housing by doing any of the following:
 - a) Issuing bonds to be repaid from the property tax revenues directed to the beneficiary district;
 - b) Providing financial assistance for the development of affordable housing, including but not limited to, providing loans, grants, and other financial incentives and support;
 - c) Taking other actions the board determines will promote the development of affordable housing within its boundaries;

- d) Prohibits a beneficiary district from undertaking any obligation that requires an action after the date it ceases to exist including issuing a bond that requires any repayment of the bond obligation.
- 8) Requires a beneficiary district to comply with the Ralph M. Brown Act.
- 9) Provide that when a beneficiary district ceases to exist, its public record will be the property of the city or county that rejected its distribution of property tax proceeds.
- 10) Provides that beginning when a successor entity receives a finding of completion, there exists within the same geographical boundaries of the jurisdiction of the successor agency a beneficiary district.
- 11) Provides that a beneficiary district ceases to exist on the 90th calendar day after the date that the county auditor-controller makes the final transfer of distributed property tax revenues to the beneficiary district.
- 12) Provides that on or after the date a beneficiary district ceases to exist the beneficiary district will no longer have authority to conduct any business include but not limited to taking an action or making any payment, and any funds of the beneficiary district will automatically transfer to the city or county that rejected its distribution of property tax revenues that had been redirected to the beneficiary district.
- 13) Provides that any legal right of the beneficiary district on or after the date that it ceases to exist, including but not limited to, the right to repayment of a loan made by the beneficiary district is the right of the city or county that created it.
- 14) Provides that a beneficiary district will be governed by a Board composed of the following five members:
 - a) Three members of the city council, if the city council formed the RDA and become the successor agency to the RDA; or
 - b) Three members of the county board of supervisors, if the county formed the RDA and become the successor agency to the RDA; and
 - c) The treasurer of the city or county that formed the RDA and become the successor agency to the RDA; and
 - d) One member of the public who lives within the boundaries of beneficiary district who is appointed by the city or county that formed the RDA and become the successor agency.
- 15) Provides that the Board members will serve a term of four years from the date of appointment and vacancies on the Board will be filled by the appointing authority for a new four year term.
- 16) Provides that the Board will select one of its members as chairperson.
- 17) Provides that Board members will serve without compensation.

18) Provides that the terms of the Board members expire once the beneficiary district ceases to exist.

EXISTING LAW:

- 1) Dissolves RDAs as of February 1, 2012 and institutes a process for winding down their activities.
- 2) Requires DOF to issue a finding of completion to the successor agency, within five business days, once the following conditions have been met and verified:
 - a) The successor agency has paid the full amount as determined during the due diligence reviews and the county auditor-controller has reported those payments to DOF; and,
 - b) The successor agency has paid the full amount as determined during the July True-up process; or,
 - c) The successor agency has paid the full amount upon a final judicial determination of the amounts due and confirmation that those amounts have been paid by the county auditor-controller.
- 3) Allows the successor agency, upon receiving the finding of completion, to:
 - a) Retain dissolved RDA assets;
 - b) Place loan agreements between the former RDA and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes; and,
 - c) Utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.
- 4) Requires, after DOF issues a finding of completion, the successor agency to prepare a long-range property management plan that addresses the disposition and use of the real properties of the former RDA, and requires the report to be submitted to the oversight board and DOF for approval no later than six months following the issuance to the successor agency of the finding of completion.

FISCAL EFFECT: None.

COMMENTS:

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Statewide, redevelopment redirected 12% of property taxes away from schools and other local taxing entities and into community development and affordable housing. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response the California Redevelopment Association (CRA) and

the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

When RDAs were dissolved, successor agencies were established to wind down their obligations and responsibilities. Generally, the city or county that formed the RDA serves as the successor agency. Successor agencies are required to receive a "finding of completion" from DOF. In order to receive a finding of completion, a successor agency has to undergo due diligence reviews and make required payments to DOF. Once it receives a finding of completion, a successor agency has additional discretion regarding former agency real property assets, loan repayments to the local government community that formed the agency, and use of proceeds from bonds issued by the former RDA.

RDAs froze the property tax rate at the time they were created and captured any increase in property taxes to pay for their activities. Dissolution redirected those property taxes into a Redevelopment Property Tax Trust Fund (RPTTF) which the county-auditor controller distributes to the taxing entities including cities, counties, and special districts. This bill would allow a city or county that serves as the successor agency to a RDA that has received a finding of completion from DOF, to redirect the property taxes it receives as a result of redevelopment dissolution, also known as "boomerang funds," to a beneficiary district. The boomerang funds would be redirected before they are deposited into the city's or county's general fund. A beneficiary district could bond against the revenues from the boomerang funds, provide loans and grants for an affordable housing development, or take other actions that the board of the beneficiary district determines support the development of affordable housing within its boundaries. Because the property taxes are deposited into the beneficiary district and not into the city's or county's general fund no voter approval is required to allow the affordable housing beneficiary district to bond against the income stream from the ongoing property tax distribution. The geographic boundaries of the affordable housing beneficiary district are limited to the jurisdiction of the city or county that serves as the successor agency. A five member Board made of up three representatives of either the city or county, the treasurer of the city or county, and one member of the public would oversee the activities of a housing beneficiary district. Once the duties of the successor agency are complete and all of the bonds and obligations of the former RDA are paid then the beneficiary district would cease to exist and any money held by the beneficiary district will transfer to the city or county that created it.

Purpose of this bill: According to the author, "the proposal is to give cities and counties the authority to approve issuance of affordable housing bonds to be paid for with any portion of its "net available revenue" without voter approval. The net available revenue is referred to as "boomerang funds" distributed by the county auditor-controller to cities from the Redevelopment Property Tax Trust Fund (RPTTF). There is no fiscal impact to the State's general fund and no property taxes would be diverted from the other taxing entities."

Arguments in support: According to supporters, "since the dissolution of redevelopment agencies no permanent source of funds from the State has been made available to support the construction of much need affordable housing. What local governments need, is a stable ongoing source of funding in order to build and support the construction of affordable and workforce housing immediately. This bill offers a mechanism for meeting California's high demand for affordable housing development by allowing cities to bond against the revenue stream without raising taxes

or diverting property taxes from other taxing entities and there is no fiscal impact to the State's general fund."

Double referred: If AB 2031 passes this committee, the bill will be referred to the Committee on Local Government.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Oakland (Sponsor)
Non-profit Housing Association of California (Co- Sponsor)
American Federation of State, County and Municipal Employees
Burbank Housing Development Corporation
California Apartment Association
California Coalition for Rural Housing
California Housing Consortium
California Housing Partnership Corporation
City of Walnut Creek
Community Housing Opportunities Corporation
East Bay Asian Local Development Corporation
Equity Community Builders
EveryOne Home
Housing Leadership Council of San Mateo County
MidPen Housing
Northern California Community Loan Fund
San Diego Housing Federation
Sonoma County Board of Supervisors

Opposition

Howard Jarvis Taxpayers Association

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