

Date of Hearing: April 27, 2011

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 936 (Hueso) – As Introduced: February 18, 2011

SUBJECT: Redevelopment: debt forgiveness: public notice

SUMMARY: Requires that whenever a local legislative body considers any matter on a meeting agenda to forgive a loan, advance, or indebtedness of a redevelopment agency that the matter be consider in a public meeting at least two weeks prior to the adoption of any action. Specifically, this bill:

- 1) Requires the chief financial officer to be present at the public meeting of the local legislative body to provide information at the public meeting as to:
 - a) the status of the financial health of the agency's funds;
 - b) to demonstrate how the agency is able to effectively continue providing services to the public absent the repayment of the debt proposed to be forgiven; and
 - c) the public interest in forgiving loan, advance or indebtedness.
- 2) Provides that the adoption of any redevelopment agency debt forgiveness proposal from being placed on consent.

EXISTING LAW

Requires a local governing body to do all of the following before adopting a redevelopment plan: hold a public meeting and provide a description of the physical and economic blight; an implementation plan describing the agency's goals and potential projects; the proposed method of financing; and an analysis of the effect the plan will have on the affected taxing agencies (Health & Safety Code Section 33333.2).

FISCAL EFFECT: None.

COMMENTS:

When establishing a redevelopment agency, cities and counties may provide some capital to the agency in the form of a loan. The loan is used to allow the redevelopment agency to show debt on their statement of indebtedness so that the agency has something to bond against. In some communities, the loan is made with a high interest rate, creating more debt to bond against and generate tax increment to fund redevelopment projects.

In a case provided by the author, in San Diego, the city capitalized the redevelopment agency by using Community Development Block Grant (CDBG) funds. The redevelopment agency carried amounts equal to CDBG allocations and the United States Department of Housing and Urban Development (HUD) Section 108 loan proceeds as part of the agency debt to the city. The city

was audited by HUD which required that the city initiate the agency's repayment of CDBG funds to the city. As part of the hearing in which the city approved the repayment, it also considered forgiving the sizable amount of interest that was outstanding from the original loan that the city made to capitalize the redevelopment agency. The city decided against this action and instead agreed to have the redevelopment agency pay back the interest as it could.

The Brown Act (Government Code Sections 54950, *et seq.*) requires that any time a city council or board of supervisors meets that the meeting is public and meets standards to provide for public participation. Redevelopment agency governing boards are also subject to these requirements. With a few exceptions (emergencies, previously discussed items and an action needing immediate vote not on an agenda) the Brown Act requires at least 72 hours prior to meeting, the a governing body, must post an agenda containing a brief general description of each action or discussion item to be considered, including items to be considered at closed sessions. The purpose is to notify members of the public of items in which they may wish to participate.

This bill would require that any time a local governing body meets to consider the forgiveness of a debt of the redevelopment agency, that the chief financial officer is present at the meeting and that the item may not go on consent. In addition, forgiveness of the loan or indebtedness must be considered two weeks prior to taking any action on the forgiveness of debt.

Purpose of this bill: The author states, " AB 936 is needed to ensure that the public has the opportunity to understand the financial implications of the debt forgiveness. This bill does not hinder the ability, of a city to forgive a loan to a redevelopment agency. The two week notice will ensure that the public has the opportunity to evaluate these important financial decisions."

Committee amendments:

The following amendments clarify the bill:

The chief financial officer at the public meeting described in Section 33354.7 shall be present to provide information at the public **financial status of the agency.** ~~meeting as to the status of the financial health of the agency's funds and demonstrate how the agency is able to effectively continue providing services to the public absent the repayment of the debt proposed to be forgiven and the public interest in doing so.~~

Double referred: The Assembly Committee on Rules referred AB 936 to the Committee on Housing and Community Development and Local Government. If AB 936 passes this committee, the bill must be referred to the Committee on Local Government.

REGISTERED SUPPORT / OPPOSITION:

Support

California Professional Firefighters (sponsor)
California Rural Legal Assistance Foundation
Stockton Professional Firefighters, Local 456
Western Center on Law & Poverty

Opposition

None on file.

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