Date of Hearing: March 11, 2020

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
David Chiu, Chair
AB 1857 (Chen) – As Introduced January 7, 2020

SUBJECT: Local government: redevelopment: revenues from property tax override rates

SUMMARY: Allows a portion of property taxes to be paid out of the Redevelopment Property Tax Trust Fund (RPTTF) to pay voter approved taxes for a mobile intensive care program called "Paramedics." Specifically, **this bill**:

EXISTING LAW:

1) Provides that once the enforceable obligations of the former redevelopment agency are paid out of the RPTTF, the county-auditor controller shall transfer property taxes from the RPTTF to pay voter authorized taxes to support of pension programs or capital projects and programs related to the State Water Project that were levied in addition to the property tax rate limited by Proposition 13.

2) Provides that all allocation above one cent ($0.01) from property tax rate approved by the voters to make payments in support of pension programs and capital projects and programs for State Water Project made prior to June 15, 2015 are valid. Provides that any city, county, city and county, county auditor-controller, successor agency, department, or affected taxing entity is not subject to any claim for money, damages or reallocated revenues based on any allocation of such revenues above one cent ($0.01) prior to June 15, 2015.

FISCAL EFFECT: Unknown.

COMMENTS:

Background: The Community Redevelopment Law (CRL) allowed a local government to establish a redevelopment project area and capture all of the increase in property taxes generated within the area (referred to as "tax increment") over a period of decades. RDAs were authorized to issue bonds against the tax increment and use the proceeds of the bonds to support their efforts to eliminate blight through economic development. RDAs were required to deposit 20% of tax increment into a Low- and Moderate-Income Housing Fund (L&M Fund) to be used to increase, improve, and preserve the community's supply of low- and moderate-income housing available at an affordable housing cost.

In 2011, facing a severe budget shortfall, Governor Brown proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Redevelopment redirected 12% of property taxes statewide away from schools and other local taxing entities and into economic development and affordable housing. Ultimately, the Legislature approved and the Governor signed two measures, AB 26 X1 (Blumenfield), Chapter 5, Statutes of 2011-12 First Extraordinary Session, and AB 27 X1 (Blumenfield), Chapter 6, Statutes of 2011-12 First Extraordinary Session, 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 AB 26 X1. However, the Court did grant the petition with respect to AB 27 X1. As a result, all RDAs were required to dissolve as of February 1, 2012.

Pass-through: Under redevelopment law, RDAs created project areas that captured incremental property tax growth within the project areas. RDAs collected the increase in property tax that would otherwise have gone to cities, counties, special districts, and schools. To alleviate the fiscal burden of redevelopment, RDAs entered into pass through payments with other local taxing entities out of tax increment it collected. Under RDA dissolution, RDAs no longer pass on the tax increment growth to pay pass through agreements. This is because property tax increment is no longer allocated to RDAs. Instead, a county auditor-controller deposits former RDA property tax increment, including tax increment into a trust fund. After deducting a share of the tax increment for its administrative cost, the auditor-controller uses the revenues deposited into the trust fund to pay the following 1) pass through payments, 2) enforceable obligations of the RDA, and 3) successor agencies administrative costs. Remaining revenues are then distributed to the other local governments whose jurisdiction overlaps with the former RDA based on each local government's share of the 1% property tax.

In some cases, cities passed voter approved incremental taxes for specific purposes. Before redevelopment dissolution the redevelopment agency would pass through a portion of taxes for those special purpose programs to the appropriate taxing entity. After redevelopment dissolution, SB 107 (Leno), Chapter 325, Statues of 2015, required that voter-approved taxes for state water projects and pensions to be paid out of the RPTTF after enforceable obligations of the redevelopment agency are paid. This bill would require voter-approved taxes for a program to provide paramedic services be paid after the debts of the former RDA and before the county-auditor distributes what is left in the RPTTF to the other taxing entities.

Purpose of this bill: According to the author, "In 1978, the City of Brea approved a paramedic tax by 80% of the voters to establish and fund a paramedic program, hiring specially trained personnel who can provide lifesaving care. Brea property owners pay a tax for the Mobile Intensive Care Paramedic Program. The paramedic tax rate today is the same as it was in 1981 which is $0.045 per $100 of valuation.

In 2012, when redevelopment agencies were dissolved, Brea's incremental property taxes, including a substantial portion of the paramedic tax, was allocated to pay down the debt service bonds and other obligations of the former Brea Redevelopment Agency. As those bonds and other obligations are paid down, a percentage of the paramedic tax is reverting back to the City. Once the redevelopment bonds and other obligations are completely paid in 2036, all of the paramedic tax now directed to the Brea Redevelopment Successor Agency, will come back to the City.

While property owners that are paying the paramedic tax still benefit from the paramedic program, that program is currently being subsidized by general fund revenues instead of the revenues generated by the paramedic tax due to the fact that a portion of the paramedic taxes are being allocated to pay debt service on redevelopment agency bonds and other obligations.

This legislation will allow the City to access the full amount of the paramedic tax that is being remitted and will allow the City to allocate that funding for the purposes approved by the voters, hiring specially trained personnel who can provide lifesaving care so long as the tax revenues are not needed to pay debt service on outstanding redevelopment obligations. The City has determined that debt service on outstanding redevelopment obligations can be paid from other available tax increment revenue resources, and that the paramedic tax is not needed for that purpose. Therefore, the paramedic tax can be allocated for the purpose intended by the voters, a paramedic program."

Previous legislation: AB 1437 (Chen) (2019) was identical to this bill and was vetoed by the Governor. Governor's veto message:

I am returning Assembly Bill 1437 without my signature.

This bill allows a portion of property taxes in the City of Brea to be paid out of the Redevelopment Property Tax Trust Fund to pay for a voter-approved paramedic program.

The dissolution of redevelopment agencies (RDAs) in 2011 has returned substantial property tax revenues to cities, counties and special districts to support core services. This bill would increase General Fund costs outside of the budget process. Further, it is important to note that when existing obligations are paid off, all of the paramedic tax will revert to the City.

For these reasons, I cannot sign this bill.

Addressing previous veto message: The author's office has indicated that it is has submitted a budget request to the Assembly Budget Committee to fund the impact of this bill to property tax lost to schools. According to Assembly Appropriations Committee analysis, for AB 1437 from 2019, it would cost $500,000 annually for the state to backfill lost property tax revenues to schools within the taxing jurisdiction of the City of Brea, based on data provided by the City of Brea.

Double referred: This bill was also referred to the Assembly Committee on Local Government where it will be heard should it pass out of this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Brea (Sponsor)
Brea Chamber of Commerce
Brea Firefighters Association
Brea Olinda Unified School District
Brea Police Association
California Professional Firefighters

Opposition

None on file

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