

Date of Hearing: May 1, 2013

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 564 (Mullin) – As Amended: March 12, 2013

SUBJECT: Community redevelopment: successor agencies

SUMMARY: Prohibits the Department of Finance (DOF), once a finding of completion is issued, from modifying or reversing an oversight board's approval of specified enforceable obligations of a successor agency. Specifically, this bill:

- 1) Once a finding of completion has been issued, prohibits DOF from modifying, reversing or taking any further action on an oversight board's approval of the following enforceable obligations:
  - a) Transfers of former redevelopment agency-owned property to the city or county for redevelopment upon completion of a long-term property management plan approved by DOF;
  - b) Loan agreements entered into between a city, county, or city and county that created the redevelopment agency provided that the oversight board makes a finding that the loan was for a legitimate redevelopment purpose; and
  - c) Bond proceeds derived from bonds issued on or before December 31, 2010, that are used for the purpose for which they were sold.
- 2) Prohibits DOF from taking any future action to modify a transfer of property or the liquidation of property and the use of proceeds as long as the transfer or liquidation is consistent with the approved long-range property management plan of the successor agency.
- 3) Provides that an oversight board's approval of any of the enforceable obligations listed above can be relied upon by public and private entities.
- 4) Corrects a statutory cross-reference.

EXISTING LAW

- 1) Dissolves redevelopment agencies and provides for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies (Health and Safety Code Section 34170).
- 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 the successor agency has paid the full amount as determined during the July true-up process; or,

- b) The successor agency has paid the full amount upon a final judicial determination of the amounts due and DOF has received confirmation from the county auditor-controller that those amounts have been paid (Health and Safety Code Section 34179.7).

(Health and Safety Code Section 34191.4)

- 3) Allows the successor agency, upon receiving the finding of completion, to:
  - a) Retain dissolved redevelopment agency assets;
  - b) Place loan agreements between the former redevelopment agency and the sponsoring entity on the Recognized Obligation Payments Schedule (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 on or before December 31, 2010, in a manner consistent with the original bond covenants.

(Health and Safety Code Section 34191.4)

- 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 redevelopment agency, 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 (Health and Safety Code Section 34191.5).

FISCAL EFFECT: Unknown

COMMENTS:

In 2011, facing a severe budget shortfall, the Governor proposed eliminating redevelopment agencies 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 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 redevelopment agencies 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 redevelopment agencies were required to dissolve as of February 1, 2012.

Last year, AB 1484 (Blumenfield), Chapter 26, made the statutory changes needed to achieve a total of \$3.3 billion of budget savings related to the dissolution of redevelopment agencies as estimated in the Governor's May Revision of the Budget. AB 1484 clarified the process for dissolving all redevelopment agencies, made various statutory changes associated with the dissolution of redevelopment agencies, and addressed a number of substantive issues related to administrative processes, affordable housing activities, repayment of loans from communities,

use of existing bond proceeds, and the disposition or retention of former redevelopment agency assets. One of the provisions in AB 1484 allowed successor agencies that have received a "finding of completion" from DOF to have 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 redevelopment agency. In order to receive the finding of completion, the successor agency must undergo specified due diligence reviews and make the required payments to DOF.

Once the successor agency receives the finding of completion, the agency gains access to three specific benefits listed in statute. First, the successor agency has the ability to transfer former redevelopment agency-owned properties to the city or county for redevelopment upon completion of a long-term management plan approved by DOF. Second, the successor agency has the ability to repay city loans made to the redevelopment agency. Third, the successor agency can use unspent bond proceeds issued by redevelopment agencies prior to December 31, 2010. However, the repayment of city-agency loans and the expenditure of unspent bond proceeds becomes an "enforceable obligation." Successor agencies are required to submit a ROPS to DOF every six months. The enforceable obligations listed above would be subject to this review. DOF has authority to review and reject enforceable obligations on a ROPS.

Once a finding of completion is issued, the successor agency must prepare a long-range property management plan that addresses the disposition and use of the real properties of the former redevelopment agency. The report is required 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.

Purpose of this bill: This bill prohibits DOF, once a finding of completion is issued, from future modification or reversal of an action of approval by an oversight board of specified enforceable obligations of a successor agency. The enforceable obligations are those that the successor agency is able to approve once they receive their finding of completion. The bill specifies that private and public entities can rely upon the agency's finding as final. The bill also prohibits DOF from taking any future action to modify a transfer of property or the liquidation of property, as long as the transfer or liquidation is consistent with the approved long-range property management plan of the successor agency. Currently there are only a few agencies that have received a finding of completion, according to DOF's website.

According to the author, "The dissolution of former redevelopment agencies requires successor agencies to negotiate a series of complex reviews and audits overseen by DOF. From a successor agency perspective, the DOF process has been fraught with uncertainty due to changing and inconsistent interpretations of statutory requirements."

The author notes that this bill "clarifies the statute to reflect the legislative intent that successor agencies can rely on access to these benefits [from a finding of completion] over the long term. The bill requires that after the initial approval of oversight board action by the Department of Finance, the successor agency and all other public and private entities may rely with certainty upon that decision." This bill will clarify, as more successor agencies are granted a finding of completion, that the successor agency can count on these benefits without future disruption or reversal by DOF.

Double referred: The bill passed the Committee on Local Government on April 24, 2013, by a vote of 9 to 0.

REGISTERED SUPPORT / OPPOSITION:

Support

League of California Cities (sponsor)  
Glendale City Employees Association  
City of Goleta  
City of Grover Beach  
City of Morgan Hill  
City of Pasadena  
Organization of SMUD Employees  
San Bernardino Public Employees Association  
San Luis Obispo County Employees Association  
Santa Rosa City Employees Association

Opposition

None on file.

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