

Date of Hearing: May 1, 2013

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Norma Torres, Chair

AB 981 (Bloom) – As Introduced: February 22, 2013

SUBJECT: Redevelopment dissolution.

SUMMARY: Allows successor agencies greater flexibility to use bond obligation proceeds issued between January 1, 2011 and June 28, 2011. Specifically, this bill:

- 1) Extends, from January 1, 2011 to June 28, 2011, the date by which an entity that has assumed the housing functions in the winding down of redevelopment can designate the use of, and commit, indebtedness obligation proceeds that were issued for affordable housing purposes.
- 2) Allows, upon the issuance of a finding of completion by the Department of Finance (DOF), a successor agency to use redevelopment bond proceeds issued between January 1, 2011 and June 28, 2011.

EXISTING LAW

- 1) Dissolves redevelopment agencies and institutes a process for winding down their activities (Health and Safety Code Section 34170).
- 2) Requires the proceeds to be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011 and were backed by the Low- and Moderate-Income Housing Fund. (Health and Safety Code Section 34176)
- 3) 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).
- 4) 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 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. (Health and Safety Code Section 34191.4)

- 5) 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. 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 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.

AB 1484 limited successor housing agencies to using housing bond proceeds that were issued prior to January 1, 2011. All proceeds issued in 2011 must be defeased. AB 1484 also 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: 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, the ability to repay city loans made to the redevelopment agency, and the ability to use unspent bond proceeds issued by redevelopment agency prior to December 31, 2010.

Purpose of this bill: AB 981 extends from January 1, 2011 to June 28, 2011, the date by which an entity that has assumed the housing functions in the winding down of a redevelopment agency can designate the use of, and commit, indebtedness obligation proceeds that were issued for affordable housing purposes. This change will allow successor agencies to use an additional six months of housing bond proceeds that were issued by the former redevelopment agency. The bill also expands the cutoff date for the use of non-housing redevelopment bond proceeds from December 31, 2010 (as established by AB 1X 26) to June 28, 2011, upon issuance of a finding of completion by DOF. June 28, 2011, is the date the dissolution legislation (AB 1X 26) was signed.

The author estimates that there are approximately \$670 million in non-housing redevelopment bond proceeds and \$134 million in housing bond proceeds issued in 2011 that cannot be spent due to the deadline by which bonds would have needed to have been sold to be eligible. These bonds were issued to finance a variety of public works projects such as infrastructure construction and repair, new public facilities, and affordable housing. The bonds are held by 37 successor agencies throughout the state. DOF has directed successor agencies to defease the 2011 bonds. According to the author, 90% of these bonds cannot be defeased for ten years, during which time nearly \$1 billion would be spent on debt service payments for the bonds.

According to Smart Cities Prevails, if these bond proceeds could be used, they could generate between 16,000 and 18,000 jobs statewide, between \$2.3 and \$2.7 million in statewide economic activity, and between \$117 and \$135 million in new state and local tax revenues. Between 74 percent and 86 percent of those impacts would be in counties with an average unemployment rate of 9.2 percent.

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

REGISTERED SUPPORT / OPPOSITION:

Support

California Association for Local Economic Development
California Building Industry Association
California Contract Cities Association
California Teamsters Public Affairs Council
City of Brea
City of Culver City
City of Fortuna
City of Glendale
City of Grand Terrace
City of Lemoore
City of Lynwood
City of Novato
City of San Marcos
City of Santa Ana
City of Santa Clara
City of Santa Monica
City of Signal Hill

City of West Hollywood
City of Yorba Linda
Culver City Chamber of Commerce
Glendale Chamber of Commerce
Glendale City Employees Association
Glendale Successor Agency and Oversight Board
League of California Cities
Non-Profit Housing Association of Northern California
Organization of SMUD Employees
Palm Communities
San Bernardino Public Employees Association
San Luis Obispo County Employees Association
Santa Clara Chamber of Commerce and Convention-Visitors Bureau
Santa Rose City Employees Association
Smart Cities Prevail
West Hollywood Chamber of Commerce

Opposition

None on file.

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