

Summary of Redevelopment Clean-up Bills

AB 1X 25 and SB 1X 8, as amended September 2, 2011

These two bills are identical. They include amendments to the Community Redevelopment Law that are intended to lessen the impact of AB 1X 26 and 27 on redevelopment agencies and the cities and counties that have formed redevelopment agencies. The bills also include an amendment to provide redevelopment agencies additional time to repay housing funds borrowed to make payments into the Supplemental Educational Revenue Augmentation Fund ("SERAF"). The provisions of these bills include the following:

1. For redevelopment agencies that borrowed from their housing fund to make the required payments into the SERAF pursuant to AB 4X 26 (adopted in 2009), these bills allow an additional five years to repay the housing fund if the agency holds a noticed public hearing and finds that there is insufficient other money to accomplish currently planned activities and investments. An agency could extend the repayment date for funds borrowed to make the 2009-10 SERAF payment from June 30, 2015 to June 30, 2020, and could extend to the repayment date for funds borrowed to make the 2010-11 payment from June 30, 2016 to June 30, 2021.
2. AB 1X 26 added provisions to the CRL that prohibit agencies from amending existing agreements. These bills would carve out an exception that would allow agencies to amend agreements with a third party credit enhancer that were entered into in connection with any bond issuance prior to January 1, 2011 in order to delay or avoid reimbursement obligations that are immediately due or payable over a shorter time than the scheduled amortization schedule for the bonds.
3. These bills would allow redevelopment agencies to issue "Emergency Refunding Bonds" to pay off lines of credit that expire prior to October 1, 2011.
4. These bills would clarify the restrictions on increasing pay, providing bonuses to employees and increasing staff to make clear that an agency must comply with any existing MOUs, and may pay an employee the appropriate established compensation if the employee has been reassigned or promoted to fulfill an existing vacancy.
5. The bills provide that a loan from a city or county to a redevelopment agency that is made in connection with a specific project area is an enforceable obligation that must be repaid to the city so long as the loan was made within two years of the creation of the project area. This provision would enable more cities and counties to recover money loaned to the redevelopment agency for plan adoption and start up costs.
6. The bills provide that if the redevelopment agency dissolves, the entity that takes over the redevelopment agency's housing functions will receive any unencumbered fund balance held in the low and moderate income housing fund. The law enacted by AB 1X 26 currently provides that unencumbered housing funds would be divided amongst the taxing entities.
7. The bills allow a city or county to appeal the calculation of the payment due under AB 1X 27 if the agency received tax increment from a redevelopment plan in 2008-09, but prior

to the 2012-13 fiscal year the redevelopment agency ceased receiving tax increment from that redevelopment plan. This could be the case if the redevelopment plan expired and the agency repaid all outstanding debt, or the agency hits its tax increment cap. If the Director of Finance approves an appeal on this basis, she will recalculate the payment excluding the amounts derived from the redevelopment plan that is no longer generating any tax increment. The redevelopment agency has until September 30 to file an appeal on this basis, and the Director has until October 28 to render a decision on the appeal.

8. The bills provide that if a city or county makes the required payment under AB 1X 27 for the 2011-12 fiscal year, then in the 2012-13 and 2013-14 fiscal years only, the redevelopment agency can pay the city an additional amount of tax increment (in addition to the amount needed to make the required annual payments under AB 1X 27) to cover any shortfall between the amount of tax increment paid to the city or county for the 2011-12 fiscal year, and the amount actually paid by the city pursuant to AB 1X 27. In other words, if the city or county opted to use its own money to make the payment under AB 1X 27 and keep the redevelopment agency alive, the agency can pay the city or county additional tax increment in 2012-13 and 2013-14 to make up the amount that the city or county had to pay from its own funds.

9. The bill includes other minor clean up to the provisions added by AB 1X 26 and 27.

AB 1X 31, as amended September 2, 2011

This bill provides that notwithstanding the restrictions on redevelopment activity in AB 1X 26, where a redevelopment agency has committed to use tax increment funds to purchase and develop state surplus property, the State Public Works Board has approved the sale at issue, and the purchase and sale agreement was executed on or before June 30, 2011, then local redevelopment funds are deemed obligated for the purchase and development of the project and will be available for use by the redevelopment agency or any successor agency to complete the purchase and development of the property. This bill is intended to exempt a single pending project in the City of Whittier from the restrictions of AB 1X 26.

SB 1X 13, as amended September 2, 2011

This bill would allow a city or county to apply for relief from the amount of the payment due under AB 1X 27, or an extension of time in which to pay the required amount. The appeal must be filed with the Director of Finance on or before November 1, 2011 and must be based on the fact that the payment will place a significant and detrimental fiscal requirement on the city or county. The city must include in its application (1) evidence that the agency's available funds and assets, including net tax increment, are less than the payment due; (2) a finding that the city or county does not have the necessary financial resources, together with the amount that could be made available by the agency, to make the payment; and (3) demonstrate that the city or county is experiencing economic distress substantially worse than other cities and county. The Director must notify the city or county of her decision by December 15, 2011. The bill does not include any criteria that govern the Director in deciding whether or not to grant relief under this bill. It appears to be entirely within her discretion to grant or deny any applications for relief from the AB 1X 27 payment.