

Date of Hearing: June 20, 2018

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
SB 481 (Pan) – As Amended June 6, 2018

SENATE VOTE: Not relevant

SUBJECT: Successor agencies: assets: disposal.

SUMMARY: Allows the County of Sacramento to dispose of a parcel for an amount less than fair market value provided that the property is used for affordable housing purposes. Specifically, **this bill:**

- 1) Allows the successor agency to the Redevelopment Agency of the County of Sacramento, until January 1, 2022, to dispose of assets previously used as the San Juan Hotel and Mobile Home Park for an amount less than fair market value provided that the successor agency requires that the property be used for housing affordable to, and occupied by, persons and families of low and moderate income, and very low-income and extremely low-income households, and include an enforceable covenant, as specified.
- 2) Defines “assets previously used as the San Juan Hotel and Mobile Home Park” to mean a property, consisting of 2.55 acres, formerly known as the San Juan Hotel and Mobile Home Park located at 5700 Stockton Boulevard in Sacramento County.
- 3) Finds and declares that the bill serves a public purpose of encouraging the construction of affordable housing in Sacramento County, and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.
- 4) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique need of the successor agency to ensure that the assets of the former redevelopment agency are disposed of in a way that provides the maximum benefit to the community.

FISCAL EFFECT: None

COMMENTS:

- 1) **RDA Dissolution.** As part of the 2011 Budget Act, and in order to protect funding for core public services at the local level, the Legislature approved the dissolution of the state’s 400 plus RDAs. After a period of litigation, RDAs were officially dissolved as of February 1, 2012. As a result of the elimination of the RDAs, property tax revenues are now being used to pay required payments on existing bonds, other obligations, and pass-through payments to local governments. The remaining property tax revenues that exceed the enforceable obligations are now being allocated to cities, counties, special districts, and school and community college districts, thereby providing critical resources to preserve core public services.

To help facilitate the wind-down process at the local level, successor agencies were established to manage redevelopment projects currently underway, make payments on enforceable obligations, and dispose of redevelopment assets and properties. Each successor agency had an Oversight Board that supervised its work. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area.

Within six months after receiving a Finding of Completion from DOF, successor agencies were required to submit for approval to their Oversight Boards and to DOF a Long-Range Property Management Plan (LRPMP) that addresses the disposition and use of the real properties of the former redevelopment agency. Existing law requires the disposal of property pursuant to the LRPMP to be done expeditiously and in a manner aimed at maximizing value, so that distribution of income to taxing entities is property to their property tax share.

- 2) **County of Sacramento RDA Dissolution.** The County of Sacramento elected to serve as the successor agency to the Redevelopment Agency of the County of Sacramento for its non-housing assets and functions, which began on February 1, 2012. Sacramento County received notice of its Finding of Completion by DOF on July 16, 2013, and received Oversight Board approval of its revised LRPMP on January 27, 2014. The LRPMP addresses the disposition and use of the real properties of the former RDA, and was transmitted to DOF.

The property that is the subject of this bill is listed on that LRPMP, with an estimated fair market value of \$900,000. The LRPMP from 2014 shows that the County plans to sell the property.

- 3) **Bill Summary.** This bill allows the successor agency to the Redevelopment Agency of the County of Sacramento, until January 1, 2022, to dispose of assets previously used as the San Juan Hotel and Mobile Home Park for an amount less than fair market value, provided that the successor agency requires that the property be used for housing affordable to, and occupied by, persons and families of low and moderate income, and very low-income and extremely low-income households, and include an enforceable covenant, as specified. This bill also finds and declares that this does not constitute a gift of public funds.

This bill is sponsored by the City of Sacramento.

- 4) **Author's Statement.** According to the author, "SB 481 will provide the City of Sacramento with the much-needed opportunity to provide affordable housing at the site of the former San Juan Motel along Stockton Boulevard. Our city is in the midst of a housing crisis – the parcels in question are the only site in District 6 that can directly be used to provide affordable housing, and they are ideally situated along a convenient transportation corridor. Currently, the site is an unused empty lot which contributed to neighborhood blight due to the crime and illegal dumping which take place.

“By allowing the County’s Redevelopment Agency Successor Agency to dispose of the property for below market value, the City of Sacramento’s Housing Authority Successor Agency will be able to assume control of the former San Juan Motel property and aggregate it with adjacent parcels. Aggregating the parcels is the optimum strategy for ensuring that the future development will achieve its full potential to remove neighborhood blight and provide quality affordable housing to low-income residents.

“We must act now to address the technicality that is standing in the way of the development of affordable housing at this site. Each month that we delay the aggregation of these parcels, and postpone further development, more Sacramento residents fall victim to the housing crisis as they are removed from their homes.”

- 5) **Policy Considerations.** The Committee may wish to consider the following:
 - a) **Fulfilling the Intent.** The author and sponsor indicate that the bill is intended to allow the County Successor Agency to sell the property, at less than market value, to the City of Sacramento, so that the property can be aggregated with other surrounding parcels already owned by the Sacramento Housing and Redevelopment Agency (SHRA). However, there is nothing in the bill that requires the County to sell to the City or SHRA (which serves as the housing successor), and instead, leaves the issue of who the County can sell to unaddressed.
- 6) **Committee Amendments.** To address the concern raised above, the Committee may wish to consider amending the bill to specifically require the County to sell the property to the City or to the City of Sacramento’s housing successor. Due to timing with the double-referral, amendments will be taken in the Housing and Community Development Committee.
- 7) **Arguments in Support.** Supporters argue that this bill will help revitalize a blighted area in the Stockton Boulevard Corridor and that this parcel that was housing is now locked in a bureaucratic situation that has prevented any progress.
- 8) **Arguments in Opposition.** None on file.
- 9) **Double-referral.** This bill was gutted and amended on June 6, 2018, and is double-referred to the Housing and Community Development Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Sacramento [SPONSOR]
Eric Guerra, Councilmember, City of Sacramento
Sacramento Housing and Redevelopment Agency

Opposition

None on file

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