

Date of Hearing: April 10, 2024

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 2213 (Blanca Rubio) – As Amended April 1, 2024

**SUBJECT:** Redevelopment: oversight boards.

**SUMMARY:** Provides for updates to the boundaries of specified redevelopment agency (RDA) oversight boards. Specifically, **this bill**:

- 1) Specifies that the RDA oversight board boundaries of a county that has five oversight boards shall encompass the same territory located within the respective borders of the first through fifth county board of supervisors districts, as those district boundaries are determined and adjusted by the Citizen’s Redistricting Commission of the County.
- 2) Specifies that by July 15, 2025 and by July 15 of the year following a year that a county board of supervisors district’s boundaries are adjusted pursuant to 1) above, if a successor agency has territory located within more than one county board of supervisors’ district, the county board of supervisors shall determine which oversight board shall have jurisdiction over the successor agency. The county board of supervisors or their designee shall report this information to the successor agency and the department of finance (DOF) by the aforementioned dates.
- 3) Makes numerous technical changes to oversight board law.
- 4) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made.

**FISCAL EFFECT:** This bill is keyed fiscal and contains a state mandated local program.

**COMMENTS:**

- 1) **Bill Summary and Author’s Statement.** This bill specifies that the RDA oversight board boundaries of a county that has five oversight boards shall encompass the same territory located within the respective borders of the first through fifth county board of supervisors districts, as those district boundaries are determined and adjusted by the Citizen’s Redistricting Commission of the County. Los Angeles County is the sponsor of this bill.

According to the author, “AB 2213 would ensure that the territorial jurisdictions of each of the County’s five oversight boards are always appropriately adjusted after redistricting so that they are exactly the same as the territorial boundaries of the supervisorial districts they belong to.”

- 2) **Redevelopment.** Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of RDAs to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment). Generally, property tax increment financing involves a local government

forming a tax increment financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues that are generated when projects financed by the bonds increase assessed property values within the project area.

To calculate the increased property tax revenues captured by the district, the amount of property tax revenues received by any local government participating in the district is “frozen” at the amount it received from property within a project area prior to the project area’s formation. In future years, as the project area’s assessed valuation grows above the frozen base, the resulting additional property tax revenues — the so-called property tax “increment” revenues — flow to the tax increment financing district instead of other local governments. After the bonds have been fully repaid using the incremental property tax revenues, the district is dissolved, ending the diversion of tax increment revenues from participating local governments.

Prior to Proposition 13 very few RDAs existed; however, after its passage, RDAs became a source of funding for a variety of local infrastructure activities. Eventually, RDAs were required to set-aside 20% of funding generated in a project area to increase the supply of low and moderate income housing in the project areas. At the time RDAs were dissolved, the Controller estimated that statewide, RDAs were obligated to spend \$1 billion on affordable housing. At the time of dissolution, over 400 RDAs statewide were diverting 12% of property taxes, over \$5.6 billion yearly.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 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 ABX1 26. However, the Court did grant CRA’s petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

- 3) **RDA Dissolution.** AB X1 26 (2011) established successor agencies to manage the process of unwinding former RDA affairs. With the exception of seven cities, the city or county that created each former RDA now serves as that RDA’s successor agency. One of a successor agency’s primary responsibilities is to make payments for the enforceable obligations RDAs entered into. These payments are supported by property tax revenues that would have gone to RDAs, but are instead deposited in a Redevelopment Property Tax Trust Fund (RPTTF). Enforceable obligations include bonds, bond-related payments, some loans, payments required by the federal government, obligations to the state or imposed by state law, payments to RDA employees, judgements or settlements, and other legally binding and enforceable agreements or contracts. Any remaining property tax revenues that exceed these enforceable obligations return to cities, counties, special districts, and school and community college districts to support core services.

Each successor agency had an oversight board responsible for supervising and approving its actions. DOF can review and request reconsideration of an oversight board’s decision.

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. However, on and after July 1, 2018, in each county where more than one oversight board was created, the oversight boards were required to consolidate to one countywide oversight board, which is staffed by the county auditor-controller, by another county entity selected by the county auditor-controller, or by a city within the county that the county-auditor controller may select after consulting with DOF. The membership of the oversight boards generally consist of the following:

- a) One member may be appointed by the county board of supervisors.
- b) One member may be appointed by the specified city selection committee.
- c) One member may be appointed by the specified independent special district selection committee for the types of special districts that are eligible to receive property tax revenues.
- d) One member may be appointed by the county superintendent of education or the county board of education to represent schools, as specified.
- e) One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.
- f) One member of the public may be appointed by the county board of supervisors.
- g) One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.

An exception to the one oversight board per county requirement exists for a county that had more than 40 oversight boards. In a county with more than 40 oversight boards, by July 15, 2018, the number of oversight boards was reduced to five. The oversight boards are required to have jurisdictions that encompass the territory located within the respective borders of the first through fifth county board of supervisor's districts, as those borders existed on July 1, 2018. Additionally, if a successor agency has territory located within more than one county board of supervisors' district, the county board of supervisors were required to, no later than July 15, 2018, determine which oversight board has jurisdiction over that successor agency. The county board of supervisors or their designee was required to report this information to the successor agency and DOF.

Los Angeles County had more than 70 oversight boards. Because redistricting has since altered the boundaries of the supervisorial districts in the County, it is seeking to update existing law to realign the oversight board boundaries with the boundaries of each supervisorial district.

- 4) **Arguments in Support.** According to Los Angeles County, sponsor of this bill, "As part of the 2011 State Budget Act, the Legislature approved the dissolution of the State's 400-plus Redevelopment Agencies (RDAs). The County had 71 RDAs, which were officially dissolved in 2012. To help facilitate the wind-down process at the local level, Successor Agencies (SAs) were established to manage redevelopment projects currently underway,

make payments on enforceable obligations, and dispose of redevelopment assets and properties. Each SA is overseen by an OB, which is comprised of representatives of the local agencies that serve the redevelopment project area, i.e., the city, county, special districts, and K-14 educational agencies.”

“Effective July 1, 2018, all 71 SAs in the County were consolidated into five OBs, numbered one through five, to correspond with the County’s five SDs. Each OB has jurisdiction over each SA located within its border. Following the adoption of the County’s redistricting plan in 2021, the territorial boundaries of the County’s five OBs no longer align with the territorial boundaries of the County’s five SDs, causing:

- 1.) Some cities to be located outside of their respective OB’s territory.
- 2.) OBs to hear, assess, and act upon matters for which they have no vested interest.
- 3.) OBs to be unable to adequately weigh in on matters that pertain to the SAs they previously oversaw.

“AB 2213 simply would ensure that the County oversight boards’ territories always reflect the current boundaries of each supervisorial district.”

5) **Arguments in Opposition.** None on file.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Los Angeles County [SPONSOR]

**Opposition**

None on file.

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