

Date of Hearing: April 17, 2024

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 2945 (Alvarez) – As Amended March 21, 2024

SUBJECT: Reconnecting Communities Redevelopment Act.

SUMMARY: Authorizes the formation of reconnecting communities investment agencies (RCIAs). Specifically, **this bill:**

1) Defines the following terms:

- a) “Affected taxing entity” as any governmental agency that levied or had levied on its behalf an ad valorem property tax on all or a portion of the property located in the proposed agency in the fiscal year before the designation of the RCIA district.
- b) “Affected taxing entity equity amount” as the amount of ad valorem property tax revenue that the affected taxing entity would have received from property located within the redevelopment project area in absence of the RCIA, calculated as specified.
- c) “Agency” as a RCIA created by this bill.
- d) “County” as a county or a city and county.
- e) “Debt” as any binding obligation to repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals.
- f) “Designated official” as the appropriate office, such as an engineer of a city or county that is an affected taxing entity, designated pursuant to this bill.
- g) “Governing board” as the governing board of a RCIA.
- h) “Landowner” as any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of the land by the governing board. The governing board has no obligation to obtain other information as to the ownership of land, and its determination of ownership shall be final and conclusive for the purposes of this title. A public agency is not a landowner or owner of land for purposes of this title, unless the public agency owns all of the land to be included within the proposed RCIA.
- i) “Legislative Body” as the city council or the city or board of supervisors of the county.
- j) “Redevelopment project” as any undertaking of an agency pursuant to this bill.
- k) “Special district” as an agency of the state formed for the performance of governmental or proprietary functions within limited geographic boundaries.

- 2) Declares that this bill constitutes the Community Redevelopment Law within the meaning of Article XVI of Section 16 of the California Constitution, and that a RCIA formed pursuant to this bill shall have all powers granted to a redevelopment agency (RDA), as specified.
- 3) Allows the legislative body of a city or county to propose to form a RCIA by adopting a resolution of intention to establish the RCIA. The resolution of intention shall contain all the following:
 - a) A statement that a RCIA is proposed to be established in accordance with the terms of this bill.
 - b) A statement of the need for the proposed RCIA and the goals that the proposed RCIA seeks to achieve.
 - c) A preliminary project plan prepared by the legislative body. The preliminary project plan shall, at a minimum, include the following:
 - i) A description of the proposed boundaries of the project area. The project area shall be an area that is centered around a highway with a radius of one-half mile. This may be accomplished by reference to a map on file in the office of the clerk of the city or in the office of the recorder of the county, as applicable.
 - ii) A general statement of the land uses, layout of principal streets, population densities and building intensities, and standards proposed as the basis for the redevelopment of the project area.
 - iii) Evidence that redevelopment will achieve the purposes of this bill.
 - iv) Evidence that the proposed redevelopment is consistent with the general plan of each applicable city or county in which the projects are proposed to be located.
 - v) A general description of the impact of the project upon the area's residents and upon the surrounding neighborhood.
 - vi) A description of the reconnecting communities infrastructure and other infrastructure projects that are proposed to be financed by the RCIA. A reconnecting communities infrastructure project means an infrastructure project that is located on top, below or immediately adjacent of a highway, that will increase mobility and active transportation by reuniting communities split by the creation of the interstate highway system.
 - d) A financing section that shall contain all specified information.
 - e) A statement that the city or county adopting the resolution thereby elects to not receive, whether by passthrough or otherwise, a portion of those ad valorem property tax revenues that are in excess of the base year amount that the city or county would have otherwise been entitled to from property in the redevelopment project area in the absence of the RCIA. This statement is irrevocable unless and until the agency ceases to exist pursuant

to the redevelopment project plan.

- f) A statement that a public hearing shall be held on the proposal, and a statement of the time and place of that hearing.
- 4) Requires the legislative body to direct the city clerk or county recorder, as applicable, to mail a copy of the resolution of intention to each affected taxing entity.
- 5) Authorizes the legislative body of two or more cities to propose to jointly form a RCIA by adoption of a resolution of intention by each city proposing to jointly form the agency.
- 6) Provides that in order to jointly form a RCIA, each city shall do the following:
 - a) Include all of the required elements in its resolution of intention.
 - b) Comply with all other applicable requirements of this bill with respect to the formation of a RCIA.
- 7) Specifies that the proposed boundaries of the project area of a RCIA proposed to be jointly formed may include any or all territory within each city proposing to jointly form a RCIA.
- 8) Provides that the city or county that adopted the resolution of intention, or each of the cities that adopted a resolution of intention, as applicable, shall consult with each affected taxing entity. Any affected taxing entity may suggest revisions to be included in the resolution of formation.
- 9) Provides that any affected taxing entity entitled to receive a passthrough may submit a written election to the city or county that adopted the resolution of intention and the county auditor to not receive an amount that the entity otherwise would have received under a passthrough provision. The affected taxing entity shall include in that written election a statement that the affected taxing entity consents to not receive any amount that would have been received under a passthrough provision, and that the entity is aware that statement is irrevocable unless and until the agency ceases to exist pursuant to the redevelopment project plan.
- 10) Requires the legislative body to, no sooner than 60 days after the resolution of intention was provided to each affected taxing entity, hold a public hearing on the proposal.
- 11) Specifies that the legislative body shall provide notice of the public hearing by publication not less than once a week for four successive weeks in a newspaper of general circulation published in each city or county in which the proposed agency is located. The notice shall state that the RCIA will be used to finance reconnecting communities infrastructure or other infrastructure projects, briefly describe the proposed reconnecting communities infrastructure or other infrastructure projects, briefly describe the proposed financial arrangements, including the proposed commitment of incremental tax revenue, describe the boundaries of the proposed RCIA and state the day, hour, and place when and where any persons having any objections to the proposed RCIA or the regularity of any of the prior proceedings, may appear before the legislative body and object to the formation of the RCIA.

- 12) Requires, at the public hearing, the legislative body to proceed to hear and pass upon all written and oral objections to the formation of the RCIA. The hearing may be continued from time to time. The legislative body shall consider the recommendations, if any, of affected taxing entities, and all evidence and testimony for and against the formation of the RCIA.
- 13) Provides that at the conclusion of the public hearing, the legislative body may adopt a resolution proposing the formation of the RCIA. The resolution of formation shall contain all required information, and shall consider the recommendations, if any, of affected taxing entities, and all evidence and testimony for and against the adoption of the plan. The legislative body shall direct the city clerk or county recorder, as applicable, to mail the resolution of formation to each affected taxing entity.
- 14) Requires the legislative body that adopted the resolution of formation to submit that resolution, along with all supporting documents, to the Strategic Growth Council (SGC) for review.
- 15) Specifies that the SGC shall determine whether establishment of a RCIA, as provided in the resolution of intention, would promote statewide greenhouse gas reduction goals. In making the determination as required, the SGC shall ensure that the projects proposed in the resolution of intention equitably represent rural, suburban, and urban communities, and that establishing the agency would not result in an inequitable geographic distribution of agencies throughout the state.
- 16) Requires the SGC to approve the resolution of formation of a RCIA if it determines that the formation of the RCIA would promote statewide greenhouse gas reduction goals.
- 17) Specifies that if the SGC approves the resolution of formation, the agency shall be deemed to be in existence as of the date of that approval. If the SGC determines that either or both of the criteria specified in 16) above, are not met, it shall disapprove the formation of the agency and provide a written explanation of its disapproval to the legislative body and to each affected taxing entity.
- 18) Requires the SGC to adopt policies and procedures for the receipt and evaluation of resolutions of intention.
- 19) Specifies that the SGC shall establish a program to provide technical assistance to a city or county that desires to form a RCIA. The SGC shall provide that technical assistance by entering into a contract with that city or county, and may include a provision in that contract to recover the reasonable cost of the SGC in providing the technical assistance. In providing technical assistance, the SGC shall encourage that the proposed RCIA promote statewide greenhouse gas reduction goals.
- 20) Requires the governing board of the RCIA to consist of the following:
 - a) One member appointed by the legislative body that adopted the resolution of intention. In the case of an agency jointly formed by two or more cities, one member appointed by the legislative body of each city that adopted the resolution of intention.

- b) One member appointed by each affected taxing entity.
 - c) Two public members initially appointed by the members appointed by the board composed of the members described in a) and b) above, and then thereafter appointed by the board as a whole. The public members shall not be an elective officer or employee of any affected taxing entity.
- 21) Specifies that a majority of the membership of the board constitutes a quorum for the transaction of any business, the performance of any duty, or the exercise of any power of the board. If a vacancy in the board occurs, then a majority of the remaining members of the board constitutes a quorum.
- 22) Provides that the members of the governing board shall not receive compensation but may receive reimbursement for actual and necessary expenses incurred in the performance of official duties.
- 23) Specifies that members of the governing board are subject to existing ethics training requirements and that the RCIA shall be a public agency subject to the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act.
- 24) Authorizes a RCIA to finance the following:
- a) The purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer that constitutes reconnecting communities infrastructure and other infrastructure projects, as defined.
 - b) The planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of property.
 - c) Costs related to the replacement of dwelling units that are removed or destroyed.
- 25) Specifies that facilities financed pursuant to this bill are not required to be physically located within the boundaries of the RCIA. However, any facilities financed outside of an RCIA's boundaries shall have a tangible connection to the work of the RCIA, as detailed in the redevelopment project plan.
- 26) Provides that a RCIA shall not finance routine maintenance, repair work, or the costs of an ongoing operation or providing services of any kind.
- 27) Specifies that a RCIA shall only finance redevelopment projects the agency finds appropriate or necessary in the interests of the general welfare. For purposes of this bill, redevelopment projects shall only include the following reconnecting communities infrastructure and other infrastructure projects:
- a) Highways and associated highway infrastructure, including lids, tunnels, interchanges, ramps and bridges, arterial streets, parking facilities, and transit facilities.

- b) Facilities for collection, transportation, and diversion of water, including interceptor pipes and drainage channels.
 - c) Childcare facilities.
 - d) Libraries.
 - e) Parks, recreational facilities, and open space.
 - f) Facilities that capture or reduce air emissions caused by a highway located within the proposed boundaries of the project plan.
 - g) Brownfield restoration and other environmental mitigation.
 - h) The acquisition, construction, or rehabilitation of housing for persons of very low, low, and moderate income, as defined, for rent or purchase. The RCIA may finance mixed-income housing developments, but may only finance those units in mixed-income developments that are restricted to occupancy by persons of very low, low, or moderate income, as defined, and those onsite facilities for childcare, after school care, and social services that are integrally linked to the tenants of the restricted units.
 - i) Transit priority projects, as defined. An agency may reimburse a developer of a project within the boundaries of that agency for any permit expenses incurred and to offset additional expenses incurred by the developer in constructing affordable housing units, as specified.
 - j) Projects that implement a sustainable communities strategy, as specified.
 - k) Port or harbor infrastructure, as defined.
 - l) Acquisition of air leases.
- 28) Provides that a RCIA shall not finance any project that is not described in 27) above.
- 29) Specifies that the RCIA shall require, by recorded covenants or restrictions, that housing units built pursuant to this bill shall remain available at affordable housing costs to, and occupied by, persons and families of very low, low, or moderate income households for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units.
- 30) Authorizes a RCIA to utilize any powers under the Polanco Redevelopment Act and other existing laws related to hazardous material cleanup.
- 31) Allows a RCIA to enter into a public-private partnership for the purpose of financing any action necessary to implement this bill.
- 32) Prohibits a RCIA from directly or indirectly allocating or transferring any funds received by the RCIA to any city, county, or special district, unless otherwise specified.

- 33) Requires a RCIA to make any payment required by a passthrough provision that was included in the financing section of its resolution of formation and included within the redevelopment project plan. In making payments, the RCIA shall comply with specified requirements. A RCIA shall not, directly or indirectly, make passthrough payments to any affected taxing entity, including by entering into a passthrough agreement, unless that passthrough provision was included in the resolution of formation.
- 34) Authorizes a RCIA to, within the area established in an approved redevelopment project plan, do either of the following:
- a) Purchase, lease, obtain option upon, acquire by gift, grant, bequest, devise, or otherwise, any real or personal property, any interest in property, and any improvements on it, including repurchase of developed property previously owned by the RCIA, to be used in a redevelopment project. A RCIA shall obtain an appraisal from a qualified independent appraiser to determine the fair market value of property before the RCIA acquires or purchases real property.
 - b) Acquire real property by eminent domain to be used in a redevelopment project. Property already devoted to a public use may be acquired by the agency through eminent domain, but the agency shall not acquire property of a public body without the consent of that public body.
- 35) Allows a RCIA to rent, maintain, manage, operate, repair, and clear real property owned by the agency within the area established in an approved redevelopment project plan for the purpose of providing reconnecting communities infrastructure or other infrastructure projects.
- 36) Specifies that a city or county that created a former RDA shall neither initiate the creation of a RCIA, either on its own or jointly, nor participate in the governance or financing of a RCIA, until each of the following has occurred:
- a) The successor agency for the former RDA created by the city or county has received a finding of completion.
 - b) The city or county certifies to the Department of Finance (DOF) and to the agency that no former RDA assets that are the subject of litigation involving the state, where the city or county, the successor agency, or the designated local authority are a named plaintiff, have been or will be used to benefit any efforts of an agency formed under this bill, unless the litigation and all possible appeals have been resolved in a court of law. The city or county shall provide this certification to the DOF within 10 days of its legislative body's action to participate or initiate the formation of an agency under this bill.
 - c) The Controller has completed its review, as specified.
 - d) The successor agency and the entity that created the former RDA have complied with all of the Controller's findings and orders stemming from the reviews, as specified.

- 37) Authorizes a RCIA to include any portion of a former redevelopment project area, as specified.
- 38) Provides that a RCIA may finance only those facilities authorized by this bill to the extent that the facilities are in addition to those provided in the territory of the RCIA before the RCIA was created. The additional facilities may not supplant facilities already available within that territory when the agency was created but may supplement, rehabilitate, upgrade, or make more sustainable those facilities.
- 39) Specifies that a RCIA may include areas that are not contiguous.
- 40) Provides requirements for the replacement of dwelling units that are removed or destroyed in the course of public works construction within the area of the RCIA.
- 41) Specifies that any action or proceeding to attack, review, set aside, void, or annul the creation of a RCIA or adoption of a redevelopment project plan, including a division of taxes thereunder, shall be commenced within 30 days after the formation of the RCIA or adoption of the redevelopment project plan, as applicable. Consistent with the time limitations of this bill, action or proceeding with respect to a division of taxes under this bill may be brought pursuant to existing validation proceeding laws.
- 42) Allows an action to determine the validity of the issuance of bonds pursuant to this bill to be brought pursuant to existing validation proceeding laws. However, notwithstanding the time limits specified in the existing validation proceeding laws, the action shall be commenced within 30 days after adoption of the resolution providing for issuance of the bonds if the action is brought by specified interested persons. Any appeal from a judgment in that action or proceeding shall be commenced within 30 days after entry of judgment.
- 43) Requires a RCIA to maintain detailed records of every action taken by the RCIA, as specified.
- 44) Specifies that a RCIA shall adopt an annual budget containing all of the following specific information:
 - a) The proposed expenditures of the RCIA.
 - b) The proposed indebtedness to be incurred by the RCIA.
 - c) The anticipated revenues of the RCIA.
 - d) The work program planned by the RCIA with respect to projects approved for the coming year, including goals.
 - e) An examination of the previous year's achievements and a comparison of the achievements with the goals of the previous year's work program.
- 45) Allows a RCIA to amend the annual budget from time to time. All expenditures and indebtedness of the agency shall be in conformity with the adopted or amended budget.

- 46) Requires a RCIA to submit an annual report to its governing board within six months of the end of the RCIA's fiscal year. The RCIA shall also submit the final report of any audit taken by any other local, state, or federal governmental entity to its governing board within 30 days of receipt of that audit. The annual report shall contain specified information, including an independent financial audit report and a fiscal statement for the previous fiscal year, as specified.
- 47) Specifies that the RCIA shall file with the Controller within six months of the agency's fiscal year a copy of the annual report. In addition, the RCIA shall file with the Department of Housing and Community Development a copy of the audit report. The reports shall be made in the time, format, and manner prescribed by the Controller after consultation with the Department of Housing and Community Development.
- 48) Requires the RCIA to provide a copy of the annual report, upon written request of any person or any affected taxing entity, as specified.
- 49) Specifies that when the RCIA presents the annual report to the governing board, the RCIA shall inform the governing board of any major audit violations based on the independent financial audit report. The agency shall inform the governing board that the failure to correct a major audit violation may result in the filing of an action by the Attorney General, as specified.
- 50) Requires the governing board to review any report that is submitted and take any action it deems appropriate on that report no later than the first meeting of the governing board occurring more than 21 days from the receipt of the report.
- 51) Provides that the State Controller shall develop and periodically revise the guidelines for the contents of the report. The Controller shall appoint an advisory committee to advise in the development of guidelines. The advisory committee shall include representatives from among those persons nominated by the Department of Housing and Community Development, the Legislative Analyst, the California Society of Certified Public Accountants, and any other authorities in the field that the Controller deems necessary and appropriate.
- 52) Specifies requirements for the purposes of compliance with the annual reporting requirements.
- 53) Requires, on or before May 1 of each year, the Department of Housing and Community Development to compile and publish reports of the activities of each RCIA for the previous fiscal year, based on the information reported and reporting the types of findings made by agencies, including the date of the findings. The department shall publish this information for each redevelopment project of each agency. These reports may also contain the biennial review of any required relocation assistance and shall contain a list of those project areas that are not subject to the requirements for the replacement of dwellings that are removed or destroyed.
- 54) Specifies that the Department of Housing and Community Development shall send a copy of the executive summary of its report to each agency for which information was reported for the fiscal year covered by the report. The Department shall send a copy of its report to each

RCIA that requests a copy.

- 55) Provides that, on or before April 1 of each year, the Controller shall compile a list of agencies that appear to have major audit violations based on the independent financial audit reports filed with the Controller.
- 56) Defines “major audit violation” and contains numerous additional requirements that the Controller, the Attorney General, RCIA’s, and courts shall adhere to when a major audit violation is identified.
- 57) Specifies that after a RCIA is formed, the governing board of the RCIA shall designate an appropriate official, such as an engineer of a city or county that is an affected taxing entity, to prepare a redevelopment project plan, as specified.
- 58) Requires the designated official to prepare a proposed redevelopment project plan. The redevelopment project plan shall be consistent with the general plan of each city or county with the RCIA’s boundaries, with the general plan of the city or county that the project is located. The plan shall include specified information, including:
 - a) A map and legal description of the proposed RCIA.
 - b) A description of the public facilities and other forms of development or financial assistance that is proposed in the area of the agency.
 - c) If tax increment funding is incorporated into the financing plan, a finding that the development and financial assistance further the purposes of this bill and are for redevelopment purposes.
 - d) A financing section that contains specified information.
 - e) A housing program that describes how the RCIA will comply with this bill’s provisions, as specified.
 - f) Those components required to be included regarding replacement housing requirements.
 - g) The goals the RCIA proposes to achieve for each financed project.
- 59) Specifies that, when preparing the plan, the designated official shall consult with each affected taxing entity, and, at the request of any affected taxing entity, shall meet with representatives of an affected taxing entity. Any affected taxing entity may suggest revisions to the plan.
- 60) Requires the designated official to mail the redevelopment project plan to each owner of land within the agency’s boundaries and to each affected taxing entity together with any report required by the California Environmental Quality Act that pertains to the proposed public facilities or the proposed development project for which the public facilities are needed, and to be made available for public inspection. The report shall also be sent to the governing board.

- 61) Specifies that the governing board shall, no sooner than 60 days after the redevelopment project plan was submitted to each affected taxing entity, hold a public hearing on the proposal and specifies the process for noticing the public hearing and what shall take place at the hearing.
- 62) Authorizes, at the conclusion of the public hearing, the governing board to adopt a resolution proposing the adoption of the redevelopment project plan, or it may adopt a resolution to abandon the proceedings. If the proceedings are abandoned, then the RCIA shall cease to exist with no further action required of the legislative body that initially proposed to form the RCIA and the legislative body may not enact a resolution of intention to form an RCIA that includes the same geographic area within one year of the date of the resolution abandoning the proceedings.
- 63) Specifies that the redevelopment project plan shall take effect upon the adoption of the resolution. The redevelopment project plan shall specify if the RCIA shall be funded solely through the RCIA's share of tax increment, governmental or private loans, grants, bonds, assessments, fees, or some combination thereof. However, the RCIA shall not issue bonds or levy assessments or fees that may be included in the redevelopment project plan before one or more of the following:
 - a) Approval, as specified, to issue bonds to finance the redevelopment project plan.
 - b) Compliance with this bill's required procedures to levy assessments or fees to finance the redevelopment project plan.
- 64) Authorizes the RCIA to expend up to 10% of any accrued tax increment in the first two years of the effective date of the formation of the agency on planning and dissemination of information to the residents within the RCIA's boundaries about the redevelopment project plan and planned activities to be funded by the RCIA.
- 65) Provides that any redevelopment project plan may contain a provision that taxes, if any, levied upon taxable property in the area included within the RCIA each year by or for the benefit of the State of California, or any affected taxing entity after the effective date of the resolution approving the redevelopment project plan, shall be divided as follows:
 - a) That portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for each of the affected taxing entities upon the total sum of the assessed value of the taxable property in the agency as shown upon the assessment roll used in connection with the taxation of the property by the affected taxing entity, last equalized prior to the effective date of the formation of the RCIA, shall be allocated to, and when collected shall be paid to, the respective affected taxing entities as taxes by or for the affected taxing entities on all other property are paid. For the purpose of allocating taxes levied by or for any affected taxing entity or entities that did not include the territory in a redevelopment project on the effective date of the resolution but to which that territory has been annexed or otherwise included after that effective date, the assessment roll of the county last equalized on the effective date of the resolution shall be used in determining the assessed valuation of the taxable property in the project on the effective date.

- b) That portion of the levied taxes each year in excess of the amount specified in a) above, shall be allocated to and when collected shall be paid into a special fund of the RCIA to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the RCIA to finance or refinance, in whole or in part, the redevelopment project. Unless and until the total assessed valuation of the taxable property in a redevelopment project exceeds the total assessed value of the taxable property in that project as shown by the last equalized assessment roll referred to in a) above, all of the taxes levied and collected upon the taxable property in the redevelopment project shall be paid to the affected taxing entities. When the loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the redevelopment project shall be paid to the affected taxing entities as taxes on all other property are paid. When the RCIA ceases to exist pursuant to the adopted redevelopment project plan, all moneys thereafter received from taxes upon the taxable property in the RCIA shall be paid to the respective affected taxing entities as taxes on all other property are paid.
- c) That portion of the taxes in excess of the amount identified in a) above, that are attributable to a tax rate levied by an affected taxing entity for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that affected taxing entity. This subdivision shall only apply to taxes levied to repay bonded indebtedness approved by the voters of the affected taxing entity on or after January 1, 1989.
- 66) Specifies, where an RCIA's boundaries overlap with the boundaries of any former RDA project area, any debt or obligation of an agency shall be subordinate to any and all enforceable obligations of the former RDA, as approved by the Oversight Board and DOF, as specified. Specifies that the division of taxes allocated to the RCIA, as specified, shall not include any taxes required to be deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund (RPTTF).
- 67) Allows the legislative body of the city or county forming the RCIA, or of each city that jointly formed the RCIA, to choose to dedicate any portion of its net available revenue to the agency through the redevelopment project plan, and defines "net available revenue" for its purposes.
- 68) Requires that portion of any ad valorem property tax revenue annually allocated to a city or county pursuant to existing law related to the Educational Revenue Augmentation Fund (ERAF) that is specified in the adopted plan and that corresponds to the increase in the assessed valuation of taxable property, to be allocated to, and when collected to be apportioned to a special fund of the RCIA for all lawful purposes of the RCIA.
- 69) Provides that when the RCIA ceases to exist pursuant to the adopted redevelopment project plan, the revenues described in the division of taxes section of the bill shall be allocated to, and when collected, shall be apportioned to the respective city or county.
- 70) Provides that the bill's provisions shall not be construed to prevent a RCIA from utilizing revenues from any of the following sources to support its activities provided that the

applicable voter approval has been obtained, and the redevelopment project plan has been approved: the Improvement Act of 1911; the Municipal Improvement Act of 1913; the Improvement Bond Act of 1915; the Landscaping and Lighting Act of 1972; the Vehicle Parking District Law of 1943; the Parking District Law of 1951; the Park and Playground Act of 1909; the Mello-Roos Community Facilities Act of 1982; the Benefit Assessment Act of 1982; and, the so-called facilities benefit assessment levied by the charter city of San Diego or any substantially similar assessment levied for the same purpose by any other charter city pursuant to any ordinance or charter provision.

- 71) Provides that the portion of specified taxes shall be allocated and paid into a special fund held in trust for the RCIA by the county auditor or officer responsible for the payment of taxes into funds of the affected taxing entities pursuant to specified procedures.
- 72) Requires, not later than October 1 of each year, for each redevelopment project for which the redevelopment project plan provides for the division of taxes, the RCIA to file, with the county auditor or officer, a statement of indebtedness, a reconciliation statement, a passthrough statement, and an override passthrough statement, as specified, and requires each statement to include specified information. All statements required to be filed shall be certified by the chief financial officer of the RCIA.
- 73) Specifies that available revenues for the required statements shall include all cash or cash equivalents held by the RCIA that were received by the agency, as specified, and all cash or cash equivalents held by the RCIA that are irrevocably pledged or restricted to payment of a loan, advance, or indebtedness that the agency has listed on a statement of indebtedness. However, available revenue shall not include the amount of any payment that the RCIA is required to make under a passthrough provision as described in the passthrough statements.
- 74) Contains a provision for county auditors to allocate funds, as specified.
- 75) Provides that the statement of indebtedness constitutes prima facie evidence of the loans, advances, or indebtedness of the agency and provides a process for a county auditor or other officer to dispute the statement of indebtedness, as specified.
- 76) Requires the Controller to prescribe a uniform form for a statement of indebtedness, reconciliation, passthrough, and override passthrough. These forms shall be consistent with this bill, and in preparing these forms, the Controller shall obtain the input of county auditors, agencies, and organizations of county auditors and agencies.
- 77) Provides that for the purposes of the above statements, a fiscal year shall be a year that begins on July 1 and ends the following June 30.
- 78) Provides provisions declaring that this bill fulfills the intent of specified constitutional requirements.
- 79) Requires the county auditor to, after deducting its administrative costs for activities as specified, allocate the funds deposited in a special trust fund established for a RCIA and shall distribute those taxes in the same manner and at the same time or times as the payment of taxes into the funds of the affected taxing entities of the county, as specified.

- 80) Requires not less than 30% of all taxes allocated to the RCIA from any affected taxing entity, as specified, to be deposited into a separate fund established pursuant to this bill, which shall be used for the purposes of increasing, improving, and preserving the community's supply of low and moderate income housing available at affordable housing cost, as specified. Provides for the powers the RCIA may exercise and the requirements the RCIA must follow in carrying out these specified purposes, and limits on how the agency can use the funds.
- 81) Requires each RCIA to expend over each 10-year period of the project plan the moneys in the separate fund, as specified.
- 82) Requires every redevelopment project plan to contain both of the following:
- a) A provision that requires, whenever dwelling units housing persons and families of low or moderate income are destroyed or removed as part of a project, the agency to, within two years, rehabilitate, develop or construct an equal number of replacement dwelling units, as specified.
 - b) A provision that prohibits the number of housing units occupied by extremely low, very low, and low income households, including the number of bedrooms in those units, at the time the plan is adopted, from being reduced in the plan area during the effective period of the plan.
- 83) Specifies that programs to assist or develop low and moderate income housing pursuant to this bill shall be entitled to priority consideration after a program implemented by a housing successor, as specified, for assistance in housing programs administered by the California Housing Finance Agency, the Department of Housing and Community Development, and other state agencies and departments, if those agencies or departments determine that the housing is otherwise eligible for assistance under a particular program.
- 84) Provides that assistance provided by an agency to preserve the availability to lower income households of affordable housing units within the plan area that are assisted or subsidized by public entities and that are threatened with imminent conversion to market rates may be credited and offset against an agency's obligations, as specified.
- 85) Allows an agency to adopt a plan for expenditure of all moneys in the separate fund, in the event that an excess surplus accumulates, as specified.
- 86) Contains procedures specifying what happens if the agency fails to expend or encumber excess surplus in the separate fund, as specified.
- 87) Provides that certain required covenants or restrictions may be subordinated under specified alternatives.
- 88) Specifies that certain subsidies may include payment of a portion of the principal and interest on bonds issued by a public agency to finance housing for specified persons and families if the agency ensures by contract that the benefit of the subsidy will be passed on to those persons and families in the form of lower housing costs.

- 89) Provides that, for each interest in real property acquired using moneys from the separate fund, the agency shall, within five years from the date it first acquires the property interest for the development of housing affordable to persons and families of low and moderate income, initiate activities consistent with the development of the property for that purpose, as specified.
- 90) Allows the agency, by majority vote of its governing board, to initiate proceedings to issue bonds by adopting a resolution stating its intent to issue bonds. The resolution shall contain specified information.
- 91) Provides requirements for the clerk of the RCIA to publish the resolution to issue bonds to publish the resolution in specified newspapers.
- 92) Specifies requirements if the RCIA adopts a resolution proposing initiation of proceedings to issue bonds for port or harbor infrastructure.
- 93) Requires the RCIA to issue bonds by adopting a resolution with specified information regarding the bonds.
- 94) Allows the RCIA to provide for the refunding of bonds, as specified.
- 95) Prohibits the RCIA or any person executing the bonds from being personally liable on the bonds by reason of their issuance, and provides that the bonds and other obligations of an agency are not a debt of the city, county, or state or any of its political subdivisions, other than the RCIA, and none of those entities, other than the RCIA, shall be liable on the bonds. Requires the bond obligations to be payable exclusively from funds or properties of the RCIA. Requires the bonds to contain a statement to this effect on their face. States that the bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.
- 96) Allows the bonds to be sold at a discount not to exceed 5% of par at public sale. Requires, at least five days prior to the sale, notice to be published, as specified, in a newspaper of general circulation and in a financial newspaper published in the City and County of San Francisco and in the City of Los Angeles. Prohibits bonds from being sold at not less than par to the federal government at a private sale without any public advertisement.
- 97) Provides that, if any member of the RCIA whose signature appears on bonds ceases to be a member of the agency before delivery of the bonds, the member's signature is as effective as if the member had remained in office. Provides that bonds issued pursuant to the bill's provisions are fully negotiable.
- 98) Authorizes, upon approval of its legislative body, a city, county, or special district, as specified, to loan moneys to the RCIA, as specified.
- 99) Requires the agency to contract for an independent financial and performance audit every two years after the issuance of debt, conducted according to guidelines established by the Controller, as specified. A copy of the completed audit shall be provided to the Controller, the Director of Finance, and to the Joint Legislative Budget Committee.

- 100) Provides that, upon request of the governor or of the Legislature, the Bureau of State Audits may conduct financial and performance audits of districts, as specified.
- 101) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school district for those costs shall be made.

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

COMMENTS:

- 1) **Bill Summary.** This bill would allow cities and counties to create RCIA's to fund infrastructure and would require that 30% of funding generated be set-aside for affordable housing activities, as specified. The project area must be an area that is centered around a highway with a radius of one-half mile. To establish a RCIA, all taxing entities would be required to participate; however, the local agency that establishes the RCIA would be required to passthrough property tax sufficient to keep the other taxing entities whole, excluding the schools' portion. RCIA's are also required to obtain state approval by the SGC. RCIA's would provide the SGC with a copy of the resolution to create the RCIA and their plan to fund infrastructure and affordable housing, and finance their activities, including the issuance of bonds. This bill contains numerous additional provisions related to the formation, board membership, powers, and duties of RCIA's, and reporting requirements. This bill is sponsored by the author.
- 2) **Author's Statement.** According to the author, "During the 1960s and 1970s, California undertook its largest infrastructure development to modernize the roadway system into an extensive network of freeways. Many of them tore through urban areas, often with intention and indifference, and carved up minority communities. Overall, within the first two decades of highway construction alone, more than 1 million people had lost their homes nationwide.

"In recent years, there's been a reckoning of the damage caused and efforts have been made, such as state and federal grant programs with over \$3 billion, to undo some of these wrongs. AB 2945 is intended to create a framework to better leverage the funds that have been made available.

"Redevelopment Agencies (RDA) were entities that funded development projects through tax increment financing. Although the intent was good, historically RDAs lacked oversight and robust protections resulting in superfluous projects and financial inefficiencies. RDAs were dissolved in 2012. Recognizing the significant contributions RDAs made to communities and the inefficiencies that led to their dissolution, AB 2945 re-establishes them with stricter protections and oversight, and shifts their intent to help develop areas that have been split by a highway. Several communities in California have already received funds to begin planning and designing Reconnecting Communities projects, such as freeway lids, and AB-2945 can provide a valuable framework in order to access these resources.

"This bill focuses RDAs to be located near a Reconnecting Communities project such as a freeway lid, in addition to strengthening oversight powers, requiring annual audits of the agencies and includes housing development requirements. With these provisions and

protections, AB 2945 would be an important tool for some of California's neighborhoods that were divided by freeway development.”

- 3) **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.

- 4) **Attempts to Replace RDAs.** After the Supreme Court's 2011 Matosantos decision dissolved all RDAs, legislators enacted several measures creating new tax increment financing tools to pay for local economic development. The Legislature authorized the creation of Enhanced Infrastructure Financing Districts (EIFDs) [SB 628 (Beall), Chapter 785, Statutes of 2014] quickly followed by Community Revitalization and Investment Authorities (CRIAs) [AB 2 (Alejo), Chapter 319, Statutes of 2015]. Similar to EIFDs, CRIAs use tax increment financing to fund infrastructure projects. CRIAs may currently only be formed in

economically depressed areas.

The Legislature has also authorized the formation of affordable housing authorities (AHAs), which may use tax increment financing exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds [AB 1598 (Mullin), Chapter 764, Statutes of 2017]. SB 961 (Allen), Chapter 559, Statutes of 2018, removed the vote requirement for a subset of EIFDs to issue bonds and required these EIFDs to instead solicit public input, and AB 116 (Ting), Chapter 656, Statutes of 2019, removed the voter requirement for any EIFD to issues bonds in favor of a formal protest process. SB 852 (Dodd), Chapter 266, Statutes of 2022, created climate resilience districts (CRDs), which can also utilize tax-increment financing. CRDs were also given the authority to issue general obligation bonds and impose special taxes. While these entities share fundamental similarities with RDAs in terms of using various forms of tax-increment financing, they differ in two significant aspects, 1) not having access to the school's share of property tax increment, and 2) not automatically including the tax increment of other taxing entities.

- 5) **Governor's Office of Planning and Research (OPR) Report.** SB 961 (Allen), Chapter 559, Statutes of 2018, required OPR to, on or before January 1, 2021, complete a study and make recommendations on (1) the effectiveness of tax increment financing tools, (2) the relative advantages and disadvantages of different types of tax increment financing tools, and (3) the impacts of extending the Second Neighborhood Infill Finance and Transit Improvement Act (NIFTI-2s) to areas around bus stops, including segregated bus lanes. The first report identified several key limitations current tax increment financing districts share:
 - a) They have limited revenue potential to make district formation worthwhile.
 - b) Unlike redevelopment, where taxing entity participation was mandatory, current tax increment financing districts rely on volunteer participation.
 - c) They have limited powers compared to RDAs.
 - d) Some technical challenges interfere with their development.
- 6) **RDA 2.0?** RDAs were dissolved during a severe budget shortfall and were often criticized for a number of reasons. The February 2011 Legislative Analyst's Office (LAO) report, "Should California End Redevelop Agencies?" proclaimed that there was no reliable evidence that redevelopment increased regional or state wide economic development, and that RDAs "lacked key accountability elements that are common to state-supported local assistance programs. Specifically, no state agency reviews redevelopment economic development activities or ensures that projects areas focus on the program's mission."

The LAO also reported that, "In terms of housing production efficiency and effectiveness, we are not aware of any studies that compare redevelopment agencies' results in producing affordable housing with other financing approaches. We note, however, that state audits and oversight reports frequently conclude that a significant number of redevelopment agencies take actions that have the effect of reducing their housing program productivity, including:

- a) Maintaining large balances of unspent housing funds. (The Department of Housing and Community Development's most recent report indicates that the agencies collectively had

an unencumbered balance of more than \$2.5 billion.)

- b) Using most of their housing funds for planning and administrative costs.
- c) Spending housing funds to acquire land for housing, but not building the housing for a decade or longer.”

AB 2945 includes the following provisions, among others:

- a) Robust replacement housing policies and anti-displacement policies.
 - b) Requires agencies to keep detailed records of use of funds. Creates a \$10,000 fine per violation of the record keeping requirements.
 - c) Requires an independent audit each year by a certified public accountant. Requires the audit be submitted to the Controller.
 - d) The Controller annually determines major audit violations and refers any violations that are not corrected to the Attorney General.
 - e) Authorizes fines for major audit violations that are not corrected up to \$250,000.
 - f) The agency is governed by a board that includes members of the public.
- 7) **Property Taxes and Schools.** Unlike non-school taxing entities without a minimum funding guarantee, school districts receive both local property tax revenue and state General Fund dollars, if necessary, to meet their minimum funding guarantee under Proposition 98 (1988). The state calculates the minimum guarantee by comparing three main formulas or “tests.” Which test is used depends on certain inputs, such as State General Fund revenue, per capita personal income, and K-12 student attendance.

In Test 1 years, where schools receive a set percentage of State General Fund Revenue, decreased property tax revenues, which could occur by annually reducing the total amount of ad valorem property tax that is otherwise required to be allocated to ERAF, would not be backfilled by the State General Fund. Test 1 is expected to be the operative test for at least the next few years. If economic circumstances change, and Test 2 or Test 3 becomes the operative test, which guarantee funding based on prior year funding levels (including local property tax revenue) and other economic factors, the State General Fund would backfill decreased property tax revenues for nonbasic aid districts, which need both local property tax revenue and State General Fund revenue to meet their minimum funding guarantee.

- 8) **Policy Considerations.** The Committee may wish to consider the following:
- a) **Different Approach.** The report conducted by OPR identified several key limitations current tax increment financing districts share, including the limited revenue potential to make district formation worthwhile. In addition, unlike RDAs, where taxing entity participation was mandatory, current tax increment financing districts rely on volunteer participation, and they have limited powers compared to RDAs. The reports found that,

despite the multitude of tax increment financing tools available for local agencies to choose from, only five EIFDs had been created by the end of 2020.

Despite the authority to finance infrastructure with tax increment financing, these financing mechanisms have been used infrequently in part because they do not have access to the school share of property tax increment like RDAs did. However, AB 2945 does allow an agency to access to the school's share of property tax increment, allowing for agencies created under this bill to collect more funding than other existing tax increment financing tools. In light of this, the Committee may wish to consider the potential effect on school financing and if the school's share of tax increment will make these agencies more successful.

- b) **P3.** This bill would allow an RCIA to utilize public-private partnerships (P3s) for the purpose of financing any action to implement this bill. Existing law authorizes local agencies to use P3s to solicit proposals and enter into agreements with private entities for the design, construction or reconstruction by private entities for specific types of fee-producing infrastructure projects. Current P3 statutes contain a number of protections for local agencies, including the requirement for performance bonds, among others. The Committee may wish to consider if the P3 authority in this bill should be subject to the same requirements.

- 9) **Committee Amendment.** To address policy consideration b) above, the Committee may wish to consider the following amendment:

100630 (f). An agency may enter into a public-private partnership for the purpose of financing any action necessary to implement this act pursuant to Chapter 14 (commencing with Section 5956) of Division 6 of Title 1).

Due to timing constraints, these amendments should be adopted in the Housing and Community Development Committee.

- 10) **Previous Legislation.** AB 3037 (Chiu) of 2018 was very similar to this bill and would have created the Community Development Law of 2018. AB 3037 was held in the Assembly Appropriations Committee.

AB 11 (Chiu) of 2019 was almost identical to this bill and would have created the Community Redevelopment Law of 2019. AB 11 was held in the Assembly Appropriations Committee.

AB 1476 (Alvarez) Of 2023 was similar to this bill and would have created the Community Redevelopment Law of 2023. AB 1476 was never heard in the Assembly Appropriations Committee.

- 11) **Arguments in Support.** According to Habitat for Humanity California, "The California Constitution, with respect to any taxes levied on taxable property in a redevelopment project established under the Community Redevelopment Law, authorizes the Legislature to provide for the division of those taxes under a redevelopment plan between the taxing agencies and the RDA, as provided. Existing law dissolved redevelopment agencies as of February 1, 2012, eliminating \$2 Billion in funding for low and moderate income housing production.

Habitat for Humanity affiliates throughout the state relied on that funding source, which has never been replaced by state or local funding alternatives.

“This bill, the Reconnecting Communities Redevelopment Act, would authorize a city or county, or two or more cities acting jointly, to propose the formation of a reconnecting communities investment agency by adoption of a resolution of intention that meets specified requirements, including that the resolution of intention include a passthrough provision and an override passthrough provision. This would require the city or county to submit that resolution to each affected taxing entity and would authorize an entity that receives that resolution to elect not to receive a passthrough payment. The city or county that adopted that resolution is also required to hold a public hearing on the proposal to consider all written and oral objections to the formation, as well as any recommendations of the affected taxing entities, and would authorize that city or county to adopt a resolution of formation at the conclusion of that hearing.

“This will allow cities and counties greater flexibility to collaborate and coordinate with other local governments to promote the state’s housing and greenhouse gas reduction goals. In order for the state to proportionately address the housing supply crisis in the state, it must adopt bold funding proposals to address the needs in our local communities to construct new housing units for low and moderate income homebuyers and tenants.”

- 12) **Arguments in Opposition.** The California Teachers Association states that, “We agree that the state’s affordable housing crisis cannot be ignored. The state’s shortage of affordable housing directly impacts many of the families and the students we serve, as well as members of our own organization. We continually hear from our teachers, school staff and countless others about the high cost of housing or how they must commute hours each day because they cannot afford to live in the communities in which they work. While we agree with the goal of addressing the state’s affordable housing shortage, we cannot support a solution that would harm California’s schools and destabilize education funding.

“Proposition 98, passed by voters as an amendment to the California Constitution in 1988, is designed to guarantee a minimum level of funding for public schools and community colleges that keeps pace with growth in the K–12 student population and the personal income of Californians. Proposition 98 funds include both state and local property tax revenues. The minimum spending level under Proposition 98 is determined by one of three “tests” or formulas. Under “test 1,” K–14 education receives a minimum percentage of General Fund revenues (about 38 percent) plus its share of local property tax revenues, which account for approximately 25 percent of all education funding. Any reduction in property taxes in “test 1” years would have a dollar-for-dollar impact on the overall Proposition 98 calculation. The 2023-24 budget projects “test 1” would be operable in three-year budget period. Therefore, any reduction in property tax revenues would have an impact on the Proposition 98 funding level.

“The elimination of redevelopment agencies was stirred in large part by a desire to increase schools’ share of local property tax revenue, which remains stable even when General Fund revenues decline. While we support finding solutions to the state’s affordable housing crisis, we urge the Legislature to consider other solutions that do not harm our schools.”

13) **Double-Referral.** This bill is double-referred to the Assembly Committee on Housing and Community Development.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Realtors (If Amended)
Habitat For Humanity California

Opposition

California Teachers Association

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