

Date of Hearing: April 10, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

AB 1084 (Mayes) – As Introduced February 21, 2019

**SUBJECT:** Redevelopment: housing successor: Low and Moderate Income Housing Asset Fund.

**SUMMARY:** Allows a housing successor that owns and operates a housing asset of a former redevelopment agency (RDA) to retain “excess surplus” accumulated over eight years rather than four years.

**EXISTING LAW:**

- 1) Defines “excess surplus” to mean an unencumbered amount in the Low and Moderate Income Housing Asset Fund (LMIHF) that exceeds \$1,000,000 dollars or the aggregate amount deposited into the account during the housing successors preceding four fiscal years, whichever is greater.
- 2) Requires a housing successor to encumber any “excess surplus” for specified purposes or transfer the funds within three fiscal years to a housing successor within the county for transit priority projects, permanent supportive housing, housing for agricultural employees, special needs housing, or a regional homeless shelter.
- 3) Requires a housing successor that fails to encumber funds within three years or transfer it to a housing successor in the county to transfer any excess surplus to the Department of Housing and Community Development (HCD) within 90 days of the end of the third fiscal year for expenditure by the Multi-family Housing Program or the Joe Serna Jr., Farmworker Housing Program.

**FISCAL EFFECT:** This bill is keyed fiscal.

**COMMENTS:**

- 1) **Background.** In 2011, as a result of serious budget shortfalls, the Governor proposed eliminating RDAs and creating a Voluntary Alternative Redevelopment Program (VARP) to replace them. Two pieces of budget trailer legislation, AB1X 26 (Chapter 5, Statutes of 2011-12 First Extraordinary Session) and AB1X 27 (Chapter 6, Statutes of 2011-12 First Extraordinary Session), were enacted to achieve this goal. AB1X 26 provided for the dissolution of RDAs and for the winding up of their obligations by successor agencies. AB1X 27 established VARP, which would have allowed RDAs to continue operations if their local city or county made voluntary annual payments benefitting schools, for the purpose of offsetting state education costs. In *CRA v. Matosantos* (2011), the California Supreme Court upheld the constitutionality of AB1X 26, but invalidated AB1X 27. This had the effect of dissolving RDAs without giving them the option of continuing operations by offsetting state education costs.

RDAs were required to dedicate 20% of the tax increment to be used to increase, improve, and preserve the community's supply of low- and moderate-income housing available at an affordable housing cost. When RDAs were dissolved, successor agencies were established to wind down the RDAs' obligations. Successor agencies were required to effectuate the transfer of an RDA's housing functions and assets to a "housing successor." Cities and counties were given the option of acting as housing successors and taking over the housing assets of their jurisdiction's RDA. If they did not wish to take on this role, the local housing authority was required to act as housing successor. If there was no local housing authority, HCD was required to act as housing successor.

- 2) **Bill Summary and Author's Statement.** This bill allows a housing successor that owns and operates a housing asset of a former RDA to retain "excess surplus" accumulated over eight years rather than four years. This bill allows these funds to be retained without triggering the requirement to encumber the funds or transfer the funds to HCD within three years. This bill is author-sponsored.

According to the author, "The Indian Wells Housing Authority would like to develop a long-term capital reserve to fund capital repairs and replacements. The capital reserve is essential for the long-term fiscal viability of the housing communities. The Authority would like consideration to narrowly amend California Health and Safety Code (HSC) Excess/Surplus computation only for Housing Authorities that own and operate their own housing communities. Housing Authorities operating their own housing communities would be subject [to] the authority's preceding eight fiscal years instead of four fiscal years which is currently the law."

- 3) **Arguments in Support.** According to the City of Indian Wells, "The City takes great pride in owning and operating its two affordable senior housing properties. The four-year extension in AB 1084 allows authorities to create a comprehensive capital replacement plan and improve long term operational management. The longer timeframe allows authorities not only to reserve additional funding for capital replacement; but it also allows for the development of a meaningful replacement schedule that addresses the needs of the property not just meeting current excess surplus timelines."
- 4) **Arguments in Opposition.** None on file.
- 5) **Double-Referral.** This bill was heard by the Housing and Community Development Committee on April 3, 2019, and passed with an 8-0 vote.

## REGISTERED SUPPORT / OPPOSITION:

### Support

California Apartment Association  
City of Indian Wells

### Opposition

None on file

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