Date of Hearing: April 24, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 1437 (Chen) – As Amended March 26, 2019

SUBJECT: Local government: redevelopment: revenues from property tax override rates.

SUMMARY: Allows a portion of property taxes to be paid out of the Redevelopment Property Tax Trust Fund (RPTTF) to pay voter approved taxes for a mobile intensive care program called "Paramedics."

EXISTING LAW:

1) Provides that once the enforceable obligations of the former redevelopment agency (RDA) are paid out of the RPTTF, the county-auditor controller shall transfer property taxes from the RPTTF to pay voter authorized taxes to support pension programs, and capital projects and programs related to the State Water Project that were levied in addition to the property tax rate limited by Proposition 13.

2) Provides that all allocations above one cent ($0.01) from property tax rate approved by the voters to make payments in support of pension programs and capital projects and programs for the State Water Project made prior to June 15, 2015, are valid.

3) Provides that any city, county, city and county, county auditor-controller, successor agency, department, or affected taxing entity is not subject to any claim for money, damages or reallocated revenues based on any allocation of such revenues above one cent ($0.01) prior to June 15, 2015.

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

COMMENTS:

1) **Redevelopment.** From the early 1950s until they were dissolved in 2011, California RDAs used property tax increment financing to pay for economic development projects in "blighted" areas pursuant to the provisions of the Community Redevelopment Law. 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.

Citing a significant State General Fund deficit, Governor Brown's 2011-12 budget proposed eliminating RDAs and returning billions of dollars of property tax revenues to schools, cities, and counties to fund core services. Among the statutory changes that the Legislature adopted to implement the 2011-12 budget, AB X1 26 (Blumenfield, 2011) dissolved all RDAs. The California Supreme Court's 2011 ruling in *California Redevelopment Association v. Matosantos* upheld AB X1 26, but invalidated AB X1 27 (Blumenfield, 2011), which would have allowed most RDAs to avoid dissolution. Dissolution removed the primary tool local governments used to eliminate physical and economic blight, finance new construction, improve public infrastructure, rehabilitate existing buildings, and increase the supply of affordable housing.

2) **Voter-Approved Taxes**. As part of the winding down of redevelopment agencies, AB 1484 (Blumenfield), Chapter 26, Statutes of 2012, made various statutory changes associated with the dissolution of redevelopment agencies and addressed a number of substantive issues related to administrative processes, affordable housing activities, repayment of loans from communities, use of existing bond proceeds and the disposition or retention of former redevelopment agency assets. Existing law requires dissolved agencies to make payments due for enforceable obligations and to perform duties required pursuant to any enforceable obligation, and additionally requires the county auditor controller to determine annually the amount of property taxes that would have been allocated to each RDA had the agency not been dissolved and to deposit that amount into the RPTTF. County auditor controllers then allocate moneys in the Fund for passthrough payment obligations, enforceable obligations of the dissolved RDA, and administrative costs.

   In some cases, cities passed voter approved incremental taxes for specific purposes. Before RDA dissolution, the RDA would pass through a portion of taxes for those special purpose programs to the appropriate taxing entity. SB 107 (Leno), Chapter 325, Statutes of 2015, required that voter-approved taxes for state water projects and pensions to be paid out of the RPTTF after the enforceable obligations of the redevelopment agency are paid.

   This bill would require voter-approved taxes for a program to provide paramedic services be paid after the debts of the former RDA and before the county-auditor distributes what is left in the RPTTF to the other taxing entities. According to the author's office, in addition to the City of Brea, the following cities also had voter-approved taxes for paramedic services and may benefit from this bill: Fremont, San Anselmo, Redlands, and Garden Grove.

3) **Bill Summary and Author's Statement.** This bill authorizes a portion of property taxes to be paid out of the RPTTF to pay voter approved taxes for a mobile intensive care program called "Paramedics." The City of Brea is the sponsor of this bill.

   According to the author, "In 1978, the City of Brea approved a paramedic tax by 80% of the voters to establish and fund a paramedic program, hiring specially trained personnel who can provide lifesaving care. Brea property owners pay a tax for the Mobile Intensive Care Paramedic Program. The paramedic tax rate today is the same as it was in 1981, which is $0.045 per $100 of valuation.

   "In 2012, when RDAs were dissolved, Brea's incremental property taxes, including a substantial portion of the paramedic tax, was allocated to pay down the debt service bonds and other obligations of the former Brea RDA. As those bonds and other obligations are paid down, a percentage of the paramedic tax is reverting back to the City. Once the redevelopment bonds and other obligations are completely paid in 2036, all of the paramedic tax now directed to the Brea Redevelopment Successor Agency, will come back to the City. While property owners that are paying the paramedic tax still benefit from the paramedic program, that program is currently being subsidized by general fund revenues instead of the revenues generated by the paramedic tax due to the fact that a portion of the paramedic taxes are being allocated to pay debt service on RDA bonds and other obligations.

"This legislation will allow the City to access the full amount of the paramedic tax that is being remitted and will allow the City to allocate that funding for the purposes approved by the voters, hiring specially trained personnel who can provide lifesaving care so long as the tax revenues are not needed to pay debt service on outstanding RDA obligations. The City has determined that debt service on outstanding RDA obligations can be paid from other available tax increment revenue resources, and that the paramedic tax is not needed for that purpose. Therefore, the paramedic tax can be allocated for the purpose intended by the voters, a paramedic program."

4) **Arguments in Support.** According to the sponsors, "This legislation will provide much needed financial relief to the City and allow the paramedic tax to continue to fund the paramedic program and our general fund to continue to fund critical City services."

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

6) **Double-Referral.** This bill was heard by the Housing and Community Development Committee on April 10, 2019, and passed with an 8-0 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Brea [SPONSOR]

Opposition

None on file

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