

Date of Hearing: April 10, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

AB 1732 (Flora) – As Amended March 25, 2019

SUBJECT: Redevelopment: successor agencies: asset disposal: City of Manteca.

SUMMARY: Authorizes the successor agency to Manteca’s former redevelopment agency (RDA) to sell property at less than market value to a nonprofit organization. Specifically, **this bill:**

- 1) Allows the successor agency to the RDA of the City of Manteca to dispose of assets previously used as Qualex Incorporated for an amount less than fair market value provided that the agency requires that the property be used to provide resources to homeless and low-income individuals.
- 2) Defines the following terms:
 - a) “Assets previously used as Qualex Incorporated” to mean the property located at 555 Industrial Park Drive; and,
 - b) “Dispose of” to mean transfer or sell the property to a nonprofit organization that provides resources to homeless and low-income individuals.
- 3) Finds and declares that the bill serves a public purpose of encouraging the provision of resources for homeless and low-income individuals, 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 the Department of Finance (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) **City of Manteca RDA Dissolution.** The City of Manteca elected to serve as the successor agency to the RDA 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 May 31, 2013, and received Oversight Board approval of its revised LRPMP on September 22, 2015. 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 \$1,500,000. According to the LRPMP, “This land was originally purchased to become the site for the city’s new Police Station. There are currently no plans for future development of the property. The building located on the property is currently used for storage, and for Police and Fire training exercises. The building has deteriorated during the long vacancy period, and will need repairs or a discount in the purchase price to convey the property to a private party. The Agency plans to sell or lease this property to a private party for development.”

- 3) **Bill Summary and Author’s Statement.** This bill allows the successor agency of the City of Manteca’s former RDA to transfer or sell property previously used as Qualex Incorporated below market value. The property can be sold to a nonprofit organization to provide resources to homeless and low-income individuals. This bill also finds and declares that this does not constitute a gift of public funds.

According to the author, “Homelessness continues to be of main concern for communities in the Central Valley and throughout California. AB 1732 would provide the City of Manteca the opportunity to utilize an unused government owned property to provide critical resources to a growing homeless population in the region through a dedicated nonprofit. AB 1732 takes advantage of existing resources and provides the region with the necessary tools to combat homelessness and ensures that homeless individuals have a central permanent location to go to for much needed assistance.”

- 4) **Policy Consideration.** The author indicates that the plan is to sell the property, below market value, to a nonprofit organization that provides resources to the region's homeless and low-income population. As currently drafted, this bill would allow the nonprofit to keep ownership of the property whether the service is being provided or not. The Committee may wish to consider adding a requirement that the property be conveyed back to the City if the nonprofit discontinues providing service.
- 5) **Committee Amendment.** To address the concern raised above, the Committee may wish to consider amending the bill to specify that if the property is no longer being used for the purpose stated in the bill, it must be transferred back to the city.
- 6) **Arguments in Support.** None on file.
- 7) **Arguments in Opposition.** None one file.
- 8) **Double-referral.** This bill has been double-referred to the Housing and Community Development Committee.

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file

Opposition

None on file

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