

Date of Hearing: May 4, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT  
Susan Talamantes Eggman, Chair  
AB 2031 (Bonta and Atkins) – As Amended March 17, 2016

**SUBJECT:** Local government: affordable housing: financing.

**SUMMARY:** Allows a successor agency to create an affordable housing beneficiary district for the purpose of receiving rejected distributions of property tax revenues and providing financing assistance to promote affordable housing within its boundaries. Specifically, **this bill:**

- 1) Defines the following terms:
  - a) “Affordable housing” to mean a dwelling available for purchase or lease by persons and families who qualify as low- or moderate-income, very low-income households, or extremely low-income households, as defined;
  - b) “Beneficiary district” to mean an affordable housing special beneficiary district that exists for a limited duration as a distinct local governmental entity for the purposes of receiving rejected distributions of property tax revenues and providing financing assistance to promote affordable housing within its boundaries; and,
  - c) “Distributions of property tax revenues” means all property tax revenues a city or county would be entitled to receive pursuant to state law regarding the dissolution of RDAs.
- 2) Specifies that when a successor entity receives a finding of completion pursuant to redevelopment agency (RDA) dissolution law, that there exists, within the same geographical boundaries of the jurisdiction of that successor agency, an affordable housing special beneficiary district (beneficiary district).
- 3) Allows a city or county that formed a redevelopment agency (RDA) and became the successor agency that received a finding of completion to, by ordinance or resolution, reject its distributions of property tax revenues from the trust fund. Requires that on or after the date that a city or county rejects its distributions of property tax revenues, the city or county shall not have any claim to, or control over, the distributions of property tax revenues it would have otherwise received, the county auditor-controller to transfer all of that distribution of property tax revenues to the beneficiary district.
- 4) Requires a beneficiary district to only promote the development of affordable housing within its boundaries, and allows the beneficiary district to do this by any of the following:
  - a) Issue bonds to be repaid from the property tax revenues directed to the district;
  - b) Provide financial assistance for the development of affordable housing, including, but not limited to, providing loans, grants, and other financial incentives and support; and,
  - c) Take other actions the board determines will promote the financing of development of affordable housing within its boundaries.

- 5) Requires a beneficiary district to be governed by a Board composed of the following five members:
  - a) Three members of the city council, if a city formed the RDA and became the successor agency that received the finding of completion, or three members of the board of supervisors, if a county formed the RDA and became the successor agency that received the finding of completion. Specifies that the three members shall be appointed by the city council or board of supervisors;
  - b) The treasurer of the city or county that formed the RDA and became the successor agency that received the finding of completion; and,
  - c) One member of the public who lives within the boundaries of the beneficiary district who is appointed by the city council or county board of supervisors of the city or county that formed the RDA that became the successor agency that received a finding of completion.
- 6) Requires the Board to elect one of its members as the chairperson.
- 7) Provides that each member shall serve a term of four years from the date of his or her appointment, and specifies that vacancies on the Board shall be filled by the appointing authority for a new four-year term. Allows a member to be reappointed.
- 8) Prohibits a Board member from receiving compensation.
- 9) Prohibits a beneficiary district from undertaking any obligation that requires an action after the date it will cease to exist, including, but not limited to, issuing a bond that requires any repayment of the bond obligation after the date the beneficiary district will cease to exist.
- 10) Provides that a beneficiary district ceases to exist on the 90<sup>th</sup> calendar day after the date the county auditor-controller makes the final transfer of distributed property tax revenues to the beneficiary district. Provides that on and after the date a beneficiary district ceases to exist, that the beneficiary district shall not have the authority to conduct any business, including, but not limited to, taking any action or making any payment, and any funds of the beneficiary district shall automatically transfer to the city or county that rejected its distributions of property tax revenues that were thereafter directed to the district.
- 11) Provides that the terms of the members of the Board of a beneficiary district shall expire on the date the beneficiary district ceases to exist.
- 12) Provides that any legal right of the beneficiary district on or after the date the beneficiary district ceases to exist, including, but not limited to, the right to repayment pursuant to a loan made by the beneficiary district, is the right of the city or county that rejected its distributions of property tax revenues that was thereafter directed to the district.
- 13) Requires a beneficiary district to comply with the Ralph M. Brown Act and the California Public Records Act.
- 14) Requires a public record of the beneficiary district to be the property of the city or county that rejected its distribution of property tax proceeds, when a beneficiary district ceases to exist.

**EXISTING LAW:**

- 1) Dissolves RDAs as of February 1, 2012, and institutes a process for winding down their activities.
- 2) Requires the Department of Finance (DOF) to issue a finding of completion to the successor agency, within five business days, once the following conditions have been met and verified:
  - a) The successor agency has paid the full amount as determined during the due diligence reviews and the county auditor-controller has reported those payments to DOF; and,
  - b) The successor agency has paid the full amount as determined during the July True-up process; or,
  - c) The successor agency has paid the full amount upon a final judicial determination of the amounts due and confirmation that those amounts have been paid by the county auditor-controller.
- 3) Allows the successor agency, upon receiving the finding of completion, to:
  - a) Retain dissolved RDA assets;
  - b) Place loan agreements between the former RDA and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes; and,
  - c) Utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.
- 4) Requires, after DOF issues a finding of completion, the successor agency to prepare a long-range property management plan that addresses the disposition and use of the real properties of the former RDA, and requires the report to be submitted to the oversight board and DOF for approval no later than six months following the issuance to the successor agency of the finding of completion.

**FISCAL EFFECT:** None

**COMMENTS:**

- 1) **Bill Summary.** This bill would allow a city or county that serves as the successor agency to an RDA that has received a finding of completion from DOF, to redirect the property taxes it receives as a result of redevelopment dissolution, also known as "boomerang funds," to a beneficiary district. The boomerang funds would be redirected before they are deposited into the city's or county's general fund. A beneficiary district could bond against the revenues from the boomerang funds, provide loans and grants for an affordable housing development, and take other actions that the Board of the beneficiary district determines support the development of affordable housing within its boundaries.

Because the property taxes are deposited into the beneficiary district and not into the city's or county's general fund, no voter approval is required to allow the affordable housing beneficiary district to bond against the income stream from the ongoing property tax distribution. The geographic boundaries of the affordable housing beneficiary district are limited to the jurisdiction of the city or county that serves as the successor agency. A five-member Board made up of three representatives of either the city or county, the treasurer of the city or county, and one member of the public would oversee the activities of a housing beneficiary district. Once the duties of the successor agency are complete and all of the bonds and obligations of the former RDA are paid, then the beneficiary district would cease to exist and any money held by the beneficiary district will transfer to the city or county that created it.

This bill is sponsored by the City of Oakland.

- 2) **Author's Statement.** According to the author, "The proposal is to give cities and counties the authority to approve issuance of affordable housing bonds to be paid for with any portion of its 'net available revenue' without voter approval. The net available revenue is referred to as 'boomerang funds' distributed by the county auditor-controller to cities from the Redevelopment Property Tax Trust Fund (RPTTF). There is no fiscal impact to the State's general fund and no property taxes would be diverted from the other taxing entities."
- 3) **Background.** When RDAs were dissolved, successor agencies were established to wind down their obligations and responsibilities. Generally, the city or county that formed the RDA serves as the successor agency. Successor agencies are required to receive a "finding of completion" from DOF. In order to receive a finding of completion, a successor agency has to undergo due diligence reviews and make required payments to DOF. Once it receives a finding of completion, a successor agency has additional discretion regarding former agency real property assets, loan repayments to the local government community that formed the agency, and use of proceeds from bonds issued by the former RDA.  
  
RDAs froze the property tax rate at the time they were created and captured any increase in property taxes to pay for their activities. Dissolution redirected those property taxes into an RPTTF, which the county-auditor controller distributes to the taxing entities, including cities, counties, and special districts.
- 4) **Arguments in Support.** Supporters argue that this bill will authorize successor agencies to direct the incoming allocation of property tax revenues to an affordable housing special beneficiary district, a creative solution that will greatly help restore affordable housing funding lost when over 400 RDAs were eliminated in 2012.
- 5) **Arguments in Opposition.** Howard Jarvis Taxpayers Association argues that this bill sets a bad precedent, not only by not requiring a vote, but also because it opens the door for a scheme like this to occur with taxes or other forms of property assessment.
- 6) **Double-Referral.** This bill was heard by the Housing and Community Development Committee on April 27, 2013, where it passed with a 5-2 vote.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

City of Oakland [SPONSOR]  
California Apartment Association  
Burbank Housing Development Corporation  
City of Walnut Creek  
Community Housing Opportunities Corporation  
East Bay Asian Local Development Corporation  
Equity Community Builders  
EveryOne Home  
Housing Leadership Council of San Mateo County  
MidPen Housing Corporation  
Non-profit Housing Association of Northern California  
Northern California Community Loan Fund  
San Diego Housing Federation  
Sonoma County

**Opposition**

Howard Jarvis Taxpayers Association

**Analysis Prepared by:** Debbie Michel / L. GOV. / (916) 319-3958