

AB 2493 (Bloom)

Redevelopment Agencies: Statewide Economic Development, Infrastructure Construction, Affordable Housing and Job Creation Fact Sheet

PURPOSE

It is estimated that approximately \$750 million in 2011 redevelopment bond proceeds are currently sitting idle and cannot be used. If these proceeds were spent on their intended projects, it is estimated that approximately 19,000 high wage construction and related jobs would be generated.

During the first half of 2011, prior to the dissolution of all redevelopment agencies, approximately 50 agencies legally issued bonds, of those cities, 39 have outstanding bond proceeds they are now not allowed to use.

If these funds were put to work, it is estimated they would generate approximately 19,000 jobs, \$2.8 billion in statewide economic activity and over \$130 million dollars in new State and local tax revenues.

These figures were calculated by Smart Cities Prevail, a nonprofit that advocates for prevailing wage jobs. Their economic impact analysis utilized IMPLAN software, a widely used tool for analyzing the economic impacts of a broad range of policy alternatives and projects, including construction.

The State has asserted that the vast majority of the 2011 redevelopment bonds must be defeased and their proceeds not spent on projects, however, over 90% of these bonds cannot be defeased for 10 years.

During this ten year period nearly \$1 billion will be spent on the debt service payments for these bonds, and the bond proceeds will continue to go unused. If the proceeds were used for their intended purposes, the construction of these projects would generate \$2.8 billion in statewide economic activity; nearly triple the debt service payments during the ten year period.

The vast majority of these bonds were issued for public works projects such as infrastructure construction and repair, new public facilities, and affordable housing. Utilization of the proceeds would

result in the completion of over 200 projects, and an estimated 2,000 affordable housing units.

Bondholders who purchased tax-exempt bonds (approximately 70% of the bonds in question) for specific public works projects were promised tax-free returns.

Per Federal Tax Law, tax-exempt bond proceeds must be used for their intended purpose, or the bonds could be subject to losing their tax-exempt status.

SUMMARY

AB 2493 would adjust the cutoff date for the use of redevelopment bond proceeds, from December 31, 2010, as currently established in AB 1484, to June 28, 2011, the date the dissolution legislation was signed, thus allowing 2011 bond funds to be used for economic development and job creation.

AB 2493 is a reincarnation of AB 981 (introduced in 2013), however, various provisions have been added to AB 2493, reflecting conversations with the Governor's Office, Department of Finance, legislative leadership, and construction trade groups. These provisions are designed to ensure that cities that rushed to issue bonds in 2011, in order to "lock-up" funds for future projects, they were not currently working on, would not be able to utilize their 2011 bond proceeds. Specifically, 2011 bond proceeds could only be used if the following criteria were met:

1. The project is consistent with the sustainable communities strategy adopted by the appropriate metropolitan planning organization, pursuant to SB 375.
2. For each project two or more significant planning or implementation actions occurred on or before December 31, 2010.
3. Documentation dated on or before December 31, 2010, can be provided showing the intention to finance all or a portion of the project with the future issuance of long term debt, or documentation can be provided showing that the issuance of long-term debt was being planned.

4. Prevailing wage shall be paid by the contractor. The contractor shall also be required to establish their financial ability and experience performing large construction projects.

EXISTING LAW

AB 1484, a clean-up bill to AB X1 26 (the dissolution legislation), granted successor agencies the ability to use bond proceeds issued prior to January 1, 2011, but was ambiguous on the use of bonds issued between January 1, 2011 and June 28, 2011 (legally issued prior to the dissolution of redevelopment).

The Department of Finance has interpreted AB 1484 to mean that successor agencies cannot use 2011 bond proceeds unless the former redevelopment agency had entered into third party contract to expend the proceeds, prior to agency dissolution. The Department of Finance contends that the bonds must be defeased using the remaining proceeds. However, the majority of the 2011 bonds cannot be defeased for 10 years.

BACKGROUND

Prior to the dissolution of redevelopment agencies in the State, several cities through their local Redevelopment Agencies (RDA) legally issued bonds between January 1, 2011 and June 28, 2011, for qualified local projects, including infrastructure, public works, and affordable housing projects.

Chapter 5, Statutes of 2011 (AB X1 26, Blumenfield), imposed an immediate freeze on RDA authority to engage in most of their previous functions, including incurring new debt, making loans or grants, entering into new contracts or amending existing contracts, acquiring or disposing of assets, or altering redevelopment plans. The bill also dissolved RDAs, effective February 1, 2012 (Supreme Court adjusted date) and created a process for winding down redevelopment financial affairs and distributing any net funds from assets or property taxes to other local taxing agencies.

Chapter 6, Statutes of 2011 (ABX1 27, Blumenfield) allowed RDAs to opt into a voluntary alternative program to avoid the dissolution included in AB X1 26. The program included annual payments to K-12 districts (\$1.7 billion in 2011-12 and about \$400 million in future years) to offset the fiscal effect of redevelopment. AB X1 27 was struck down by the State Supreme court on a 6-1 vote in 2011, on the grounds that it violated Prop 22.

Because of the decision, redevelopment agencies were dissolved and replaced by successor agencies and oversight boards. After the court decisions, AB 1484 was enacted and specifies how the successor agencies will manage and administer the functions of the former redevelopment agencies, the role of the oversight boards and state Department of Finance in the Redevelopment Dissolution process.

SPONSOR

Author Sponsored

CO-AUTHORS

- Asm. Katcho Achadjian (R-San Luis Obispo)
- Asm. Luis Alejo (D-Salinas)
- Asm. Cheryl R. Brown (D-San Bernardino)
- Asm. Bonnie Lowenthal (D-Long Beach)
- Asm. Kevin Mullin (D-South San Francisco)
- Asm. Brian Nestande (R-Palm Desert)
- Asm. V. Manuel Perez (D-Coachella)
- Asm. Nancy Skinner (D-Berkeley)
- Asm. Marie Waldron (R-Escondido)
- Sen. Ricardo Lara (D-Bell Gardens)
- Sen. Ted Lieu (D-Torrance)

SUPPORT

- California Building Industry Association
- Cities of Calexico, Culver City, Folsom, Galt, Glendale, La Quinta, Lynwood, National City, Oakdale, Riverbank, Santa Cruz, Santa Monica, Signal Hill, Sonoma, Stanton, Ukiah, Union City, West Hollywood, and Yorba Linda
- Glendale Successor Agency
- Housing California
- League of California Cities
- Los Angeles County Division of the League of California Cities
- MuniServices
- National City Chamber of Commerce
- Northern California Carpenters Regional Council
- Stanton Housing Authority
- Southwest California Legislative Council
- West Hollywood Chamber of Commerce

OPPOSITION

- County of Santa Clara
- California Special Districts Association
- California State Association of Counties

Version: 6/23/2014