

## **ACTION ALERT!!**

### **Major Outstanding Issues in Governor's May Revise on RDA Dissolution Process** **League Continues to Oppose**

#### **ACTION:**

**All cities should contact the members of the Assembly & Senate Budget Sub-Committee #4 to OPPOSE this measure.** Committee contact information and Talking Points are listed below.

#### Assembly Budget Sub #4 Committee Members

- Adrin Nazerian (D, Chair): 916-319-2046
- Travis Allen (R): 916-319-2072
- Jim Cooper (D): 916-319-2009
- Kevin Mullin (D): 916-319-2022
- Scott Wilk (R): 916-319-2038

#### Senate Budget Sub #4 Committee Members

- Janet Nguyen (R): 916-651-4034
- Richard Pan (D): 916-651-4006
- Richard Roth (D, Chair): 916-651-4031

#### **Talking Points:**

- I **OPPOSE** the Governor's Budget RDA Dissolution Proposal for two reasons: 1) the LAIF Rate provision as currently written **will mean a loss millions of dollars to my city's general fund** and 2) this proposal does not recognize City-RDA Reimbursement Agreements as Loans.
- As proposed, the current LAIF rate provision would cost my city up to \$XXXXX. The difference for **CITY OF \_\_\_\_\_** would be between \$XXXX to DOFs current proposal \$XXXX.
  - The City of Glendale has already won a case on this issue and this proposal changes the rules of the game by reversing that decision.
- Not recognizing city-RDA reimbursement agreements as loans would declare that loans structured as reimbursement agreements no longer qualify as an incentive.
  - The City of Watsonville has prevailed in court on this issue and once again DOF is seeking to reverse this court decision. This case is now in the appeals court.
- If enacted, these provisions undercut the integrity of the current judicial process and create an uneven playing field for cities that currently have **pending disputes and litigation** with DOF.
- Changing the rules of the game while litigation is still occurring is unfair and will do more harm than good to cities in your district.

#### **Background on Governor's May Revise RDA Dissolution Process:**

After careful review of the Governor's May Revision, I wanted to inform you that that the RDA Dissolution proposal has **two major outstanding issues of broadest impact on cities and encourage cities to continue to OPPOSE this proposal:**

1. **LAIF rate.** This affects every city that expects to have a loan repaid. Additionally, it has major impacts on affordable housing funding since 20% of any repayment must go to affordable housing. Existing Law says that the interest rate will be calculated at the LAIF rate. Glendale won a case on this issue. The trailer bill proposes to delete all references to LAIF and insert "up to 1%." (See analysis below)
2. **Not Recognizing City-RDA Reimbursement Agreements as Loans.** This is a major issue for many cities. AB 1484 offered that former city-agency loans would be repaid for those agencies that agreed to make specified payments required to obtain a DOF "finding of completion." The trailer bill would

declare that loans that were structured as reimbursement agreements no longer qualify as an enforceable obligation.

#### **LAIF RATE ANALYSIS**

Cities that had outstanding loans to their former redevelopment agencies need to pay attention to a pending dispute over the interest rate to be paid on those loans (LAIF Rate issue)—**it could mean millions of dollars to your city's general fund.**

Many cities made loans to their former RDA's. The redevelopment dissolution statute says that these loans can be repaid after the city's successor agency receives a "finding of completion." The debate is about what is the interest rate to be paid on those loans.

The City of Glendale litigated this issue and the Court held that the interest rate was the LAIF rate since the date of origination of the loan. DOF had argued it was only the low LAIF rate in existence at the time the Oversight Board approved the repayment. **The difference for Glendale was between \$30 million to DOF's \$900,000.**

**Part of the DOF RDA budget proposal is attempting to undo the Glendale case.** Needless to say, this will have **significant financial consequences to local general funds for all cities with outstanding RDA loans.**

Attached is the City of Glendale case. Collectively, this is a debate with hundreds of millions in potential consequences to cities that have outstanding loans to former RDAs that are counting on getting them repaid because they have obtained a DOF "Finding of completion".

Please consult your Fiscal Officer to identify the loss of revenue under this proposal.