

# HOUSING, COMMUNITY & ECONOMIC DEVELOPMENT POLICY COMMITTEE

Friday, March 30, 2012

10:00 a.m. – 3:00 p.m.

DoubleTree Hotel, Harvest Room, Ontario, CA

Individuals who wish to review the full text of bills included in this packet are encouraged to do so by visiting the League's website at [www.cacities.org/billsearch](http://www.cacities.org/billsearch). Be sure to review the most recent version of the bill.

## REVISED AGENDA

<b>Special Order of Business</b> <b>Post Redevelopment &amp; State Budget Update</b> <b>10:00 – 10:45 a.m., Harvest Room, Doubletree Hotel, Ontario</b>
---

- I. Welcome and Introductions**
- II. Public Comment**
- III. Approval of 2012 Committee Work Program (Attachment A)** (Informational)
- IV. Update on Economic Development Task Force NEW** (Handout) (Action)
  - Dan Carrigg, Legislative Director
- V. What's Next in the Post-Redevelopment Era?** (Informational)
  - Assembly Member Norma Torres, Chair of Housing and Community Development Committee
- VI. State Legislative Update (Attachment B)**
  - AB 1897 (Campos). General plan: healthy food element. (Action)
  - AB 2007 (Williams). Alcohol and drug abuse counselors. NEW (Action)
- VII. AB 1627 (Dickinson) (Attachment C)** (Informational)
- VIII. Informational Discussions (Attachment D) NEW** (Informational)
  - SB 1498 (Emmerson). Local agency formation commission: powers.
  - AB 484 (Alejo). Enterprise zones: expiration of designation.
  - Mortgage/Foreclosure issues
  - Disability Access
- IX. Next Meeting: FRIDAY, June 15, 2012, Sacramento Convention Center**

*Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:*

- 1) Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or*
- 2) A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.*

*A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.*

*NOTE: Policy committee members should be aware that lunch is usually served at these meetings. The state's Fair Political Practices Commission takes the position that the value of the lunch should be reported on city officials' statement of economic interests form. Because of the service you provide at these meetings, the League takes the position that the value of the lunch should be reported as income (in return for your service to the committee) as opposed to a gift (note that this is not income for state or federal income tax purposes—just Political Reform Act reporting purposes). The League has been persistent, but unsuccessful, in attempting to change the FPPC's mind about this interpretation. As such, we feel we need to let you know about the issue so you can determine your course of action.*

*If you would prefer not to have to report the value of the lunches as income, we will let you know the amount so you can reimburse the League. The lunches tend to run in the \$30 to \$45 range. To review a copy of the FPPC's most recent letter on this issue, please go to [www.cacities.org/FPPCletter](http://www.cacities.org/FPPCletter) on the League's Web site.*

**HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT**  
**Legislative Agenda**  
**March 2012**

**Staff:** Lobbyist: Kirstin Kolpitke (916) 658-8250

**1. AB 1897 (Campos)- Local use: general plan: healthy food element.**

**Bill Summary:**

This bill will require cities and counties to add the general plan an element for healthy food. The element shall include a plan to increase access to healthy affordable food within the jurisdiction of the city and county. Access to healthy food includes:

- Access to full and discount grocery stores
- Access to urban farming
- Access to community or school gardens
- Access to farmers markets
- Access to affordable food, including retail spaces that accept CalFresh or WIC benefits
- Access to transportation when approving a grocery stores, including bus stops or other mass transportation stops, free or low cost shuttles to and from the store, taxi vouchers, and car pool programs

This bill would have cities and counties consider developing incentives for new grocery stores that do one or more of the following:

- Incorporate green energy
- Provide community meeting space
- Conduct nutrition and cooking classes in store
- Commit a certain percentage of fair trade products within the store
- Hire locally
- Offer composting and environmentally friendly cleaning supplies
- Offer nutritional label tags on the shelves

The current language in the bill requires cities and counties to comply with this element. However, the author's office has indicated that they have amendments into Leg. Counsel to change it from a mandate to "encourage".

**Background:**

The purpose of this bill to increase access to healthy foods which can improve health, decrease health care costs, and increase revenue to the area by recapturing dollars spent at grocery stores outside the local area. The author believes that local governments should plan for the health and economic well-being of their area by including strategies to increase access to healthy food.

**Staff Recommendation:**

Discuss whether the League should or should not recommend a position to the Board, and what that position should be.

Some of the issues the committee may want to discuss are:

- Does encouraging healthy food and lifestyles *need* to be incorporated into a general plan?
- If the committee decides to support or oppose the bill based on the current language, does the position change if the mandate is removed and instead uses language to "encourage".
- The League has supported efforts such as Healthy Eating Active Living (HEAL) which works with cities to adopt policies that improve the physical activity and food environments for municipal residents and employees through land use, healthy food, and wellness.
- If the committee opposes the bill, are there amendments that would remove the League's opposition.

**Committee Recommendation:**

**Board Action:**

**Fiscal Impact:**

The cost could be substantial because cities will have to develop a new element to their general plan. In addition, local governments are supposed to zone sufficient land for grocery stores and urban agriculture.

**Existing League Policy:**

Planning and Zoning- General Plans- A city's general plan should guide the individual city's land use planning and strategic decision-making. A city's general plan should not be subject to mandatory reviews by regional or state agencies. General plan requirements should be flexible and provide guidance to local communities without requiring inappropriate levels of detail or mandating new topics or elements.

Community Services- Healthy Cities- The League encourages California cities to help parents make healthy family choices; create healthy schools; provide access to healthy and affordable foods; and promote physical activity.

**Comments:**

**Support-Opposition:**

Support: (as of March 14, 2012)

None

Opposition: (as of March 14, 2012)

None.

**2. AB 2007 (Williams)- Alcohol and drug abuse counselors.**

**Bill Summary:**

Several bills were introduced on group homes this year. Unfortunately, given the political nature of this topic, Republican bills are not likely to make it all the way through the process. The League is interested in working with a member of the Legislature that has a bill on group homes whereby the League could advance one of our existing policies on group homes. AB 2007 (Williams) would require the State Public Health Officer within the Department of Public Health, to adopt regulations that create a license for alcohol and drug abuse counselors. The licensure requirements would be funded by fees paid by counselors seeking licensure.

Under current law, counselors can receive a certification, however, there is no facility license which can be revoked for incompetent or abusive behavior, nor any governmental agency with whom to file a grievance or report. Licensure would give patients, employers, referring agents, the ability to choose counselors with a given set of competencies as well as a grievance procedure.

The League is looking into adding sober living homes as eligible for this licensure. While not giving local jurisdictions as much authority as we would like, it is the "foot in the door" the committee was seeking and would give local jurisdictions the ability to know where some of these businesses are located as well as a point of contact within a state agency.

A licensee would be required to have a master's degree or higher from a program specializing in alcohol or drug abuse counseling, a valid certification from the Department of Alcohol and Drug Programs, and a demonstrated competence by an examination administered or approved by the Department of Public Health. To renew a license, a licenseholder shall also have at least 90 hours of continuing education credits during a three-year period.

**Background:**

During the last policy committee meeting, the committee approved the possible introduction of legislation designed to get the League's "foot in the door" regarding group homes. Typically, legislation on group homes has failed to pass the Legislature and the rare few that have passed, have been vetoed by various Governors.

**Staff Recommendation:**

Consider whether the League should support AB 2007 as is, but work with the author and sponsor for ways to amend the bill that more directly benefit cities with sober living homes.

**Committee Recommendation:****Board Action:****Fiscal Impact:**

None.

**Existing League Policy:**

Residential Care Facilities- The League supports permitting cities to exercise review and land use regulation of group home facilities and residential care facilities in residential neighborhoods including the application of zoning, building, and safety standards. State and county licensing agencies should be required to confer with the city's planning agency in determining whether to grant a license to a community care facility. The League recognizes that better review and regulation of residential care facilities will protect both the community surrounding a facility and the residents within a facility from a poorly managed facility or the absence of state oversight.

**Comments:****Support-Opposition:**

Support: (as of March 14, 2012)

California Association of Alcoholism and Drug Abuse Counselors

Opposition: (as of March 14, 2012)

None.

## HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT INFORMATIONAL ITEMS

March 2012

**Staff:** Lobbyist: Kirstin Kolpitcke (916) 658-8250

### **1. SB 1498 (Emmerson)- Local agency formation commission: powers. LEAGUE SPONSORED**

#### **Bill Summary:**

The League is sponsoring this bill that would authorize LAFCo's to approve service extensions to disadvantaged unincorporated communities without the burdensome requirement to annex the territory. Under current law, LAFCOs have the ability to approve extended services outside an agency's boundaries as long as it is *within* an agency's sphere of influence, the agency requests approval to provide the services, and the LAFCo determines that there is an existing or pending threat to the health and safety of the public. This proposal would expand LAFCo's ability to approve the extension of services *beyond* an agency's sphere of influence as long as the LAFCo makes three findings: 1) the extension was contemplated in a municipal service review; 2) the extension will not result in adverse impacts on open-space and agricultural lands or growth; 3) a later change of organization is not expected or desired based on local policies. This bill is intended to address some of the service deficiencies that disadvantaged unincorporated communities face, without the hammer of the annexation requirement.

#### **Background:**

Last year, the Legislature passed SB 244 (Wolk) which, among other provisions, requires a LAFCo to deny any application by a city to annex a territory that is contiguous to a disadvantaged community, unless an application for annexation is submitted for the disadvantaged community as well. Given the complicated nature of the revenue sharing negotiations relating to annexing territory and last year's sweep of \$130 million of city general fund dollars under SB 89, (part of which went to cities that annexed inhabited areas) the effective result of SB 244 is that a critical incentive to annex inhabited territory is gone.

As a result, the committee voted, and the board approved the League to introduce legislation that would remove the annexation provision that was in SB 244 from last year. SB 1498 is that bill. There is a sample letter of support on the League's web site. Please make sure your city sends a letter of support. There is also a California Cities Advocate article from March 13 about SB 1498 (Emmerson). This bill is very important to a lot of cities, but it may not be on a lot of radars until a city looks to annex a territory and runs into this requirement.

#### **Existing League Policy:**

Annexation and Incorporation- The League adopted new policy as a result of the passage of SB 244 last year. "The League supports strengthening city control over urban boundaries. Sphere of influence law should be modified to ban county development and to allow cities to annex logical growth. The Revenue and Taxation Code should not allow counties to block annexations in exchange for unreasonable property tax sharing agreements. In addition, cities should have expanded authority over adjacent lands outside of their sphere of influence regardless of jurisdictional lines so long as the land is not within another city's sphere. Cities should not be required to incur costs for planning to meet infrastructure needs of unincorporated areas or leveraged to annex areas which would result in unfunded costs.

### **2. AB 484 (Alejo)- Enterprise Zones. SUPPORT**

#### **Bill Summary:**

The League is supporting AB 484 which would allow businesses within an expiring enterprise zone to continue to be eligible to receive all enterprise zone benefits, if the jurisdiction has sent a letter to HCD

expressing the intent of the jurisdiction to reapply for a new enterprise zone designation at least until HCD completes any regulatory or administrative review, issues a request for proposal, and issues conditional designation letters to the maximum number of enterprise zones within the state.

**Background:**

Last year, the Governor proposed the elimination of enterprise zones. Partially because of the 2/3 vote requirement, enterprise zones were not eliminated. However, HCD is looking to “reform” how enterprise zones work. Colin Parent, Director of External Affairs for HCD spoke at our policy committee meeting about HCD’s plans to revamp the program. Changes that HCD is considering include: limiting retroactive vouchering, making target employment areas smaller and more focused, updating vouchering requirements, limiting expansions for Enterprise Zones, and collecting better data. HCD has also indicated that they have no plans to seek applications for new enterprise zone designations until reforms are made.

It is unfair that HCD hold hostage two enterprise zone designations as well as other areas seeking to apply for a designation until the reforms they are seeking are made. This bill will simply allow Watsonville and Lancaster to keep their enterprise zone benefits until such time that HCD has issued a request for proposal and has the maximum number of enterprise zones within the state. There is a sample letter of support on the League’s web site as well as a California Cities Advocate article from February 16 about AB 484 (Alejo). Please send in your letter of support.

**Existing League Policy:**

Enterprise Zones- The League supports the expansion of enterprise zones to assist city economic development. The definition of enterprise zones should be expanded to include a range of activities including base closure and gang suppression.

**3. Mortgage/Foreclosures.**

**Policy Discussion:**

There are over well over 20 bills relating to the mortgage/foreclosure crisis. A package of 12 bills has been introduced by the Attorney General. Some of these bills are based upon the settlement that should be finalized shortly between the Attorney General and some of the major banks. Generally, the topics of the AG’s package include bills that:

- Would authorize an additional \$25 fee for each recording of a notice of default to go to the State Real Estate Fraud Prosecution Account for expenditure by the Department of Justice for determining, investigating and prosecuting real estate fraud crimes.
- Would authorize the Attorney General to impanel a special grand jury relating to fraud or theft that results in the loss of public funds over \$100,000; activities relating to fine, imprisonment or asset forfeiture; any fraud or theft that occurs in more than one county and cannot otherwise be brought in a single county; or any activity which could result in a sentencing enhancement under section 186.11 (embezzlement)
- Would require owners of a foreclosed property to honor the lease of the tenant.
- Would require banks to follow additional steps prior to foreclosing on a property.
- (SB 1472 (Pavley) and AB 2314 (Carter)) Would increase the fine local governments could impose for failing to maintain a foreclosed property (from \$1,000 a day to \$5,000 a day), but would also allow a person that has purchased the property and is in the process of abating any violation 60 days after the person takes title to the property, unless a shorter time is deemed necessary by the enforcement agency.

**Existing League Policy:**

In the past the League supported SB 1137 (Perata, 2008) which established requirements that mortgage lenders had to adhere to before issuing a notice of default on a homeowner. It also authorized local

governments to fine banks for failing to maintain foreclosed properties. Both of these provisions expire at the end of 2012.

### **Policy Questions:**

The League is already supporting three bills that would extend or eliminate the sunset date that authorizes local governments to fine banks for failure to maintain a foreclosed property. Since there is no other policy on this issue, what are cities looking for regarding the mortgage/foreclosure issue? Are cities benefitted or harmed by extending the foreclosure process? Is this committee interested in bringing more of these bills into the HCED policy committee? SB 1472 and AB 2314 are in their infancy. As these two bills move forward, the committee may want to bring these bills back into the committee. Some of the questions relating to these bills include: Is increasing the fine authority of local governments an additional tool? Is there a point where a fine is too high? Are there tools that might be more effective to add to this bill?

### **4. Disability Access.**

#### **Bill Summary:**

There is almost a dozen bills introduced dealing with disability access. The League does not have any policy on this issue. In the past, most legislation dealing with this issue applies only to the private sector. Legislation this year varies from:

- Requiring counties to refer complaints received to a certified access specialist to determine what measures are necessary to remedy the alleged violation;
- Requiring press boxes in stadium bleachers to be accessible to person with disabilities;
- Requiring the Division of State Architect to prepare a report noting any state disability access regulations that are in direct conflict with federal disability access regulations.
- There is also a possibility of a notice provision so that businesses, especially small businesses are aware that they should look through both Federal ADA requirements and the California Building Code. This could affect local governments because we would be the most likely entity required to notice.

Since many of the disability access bills are being carried by Republicans, it is not likely that many of these bills will pass. In addition, there was reportedly an agreement struck by the trial attorneys and groups such as the Chamber of Commerce to have a truce on ADA bills until the end of this year.

#### **Background:**

In January, the Division of the State Architect sought input from the League of California Cities and other stakeholders regarding the update of the California Building Code accessibility provisions for the upcoming 2013 building code cycle. There were three options to choose from: Option 1) a continuation of current provisions with amendments for state statutory mandates and consistency with the 2010 ADA Standards; Option 2) Replacement of current California provisions with the International Building Code Chapter 11 language and ICC A117.1-2009 reference standard, amended for state statutory mandates and consistency with the 2010 ADA Standards; Option 3) replacement of the current California provisions with the federal 2010 ADA Standards amended for state statutory mandates.

The League of California Cities first choice is Option 3- 2010 ADA Standards with Option 2- IBC Chapter 11 Provisions as an acceptable substitute. Since Title II and Title III of the ADA already require local government buildings, commercial facilities and public accommodations to meet the ADA Standards for accessible design, Option 3 would be helpful as well as provide clear uniformity between both the state and federal access standards. Given the consistency Option 3 would provide, it would also be the most practical option to receive DOJ certification. Both Option 2 and Option 3 would put California in line with the federal regulations and reduce the potential for litigation because of the technical differences between our state code and federal regulations.

Recently, the Division of State Architect announced that they selected Option 3. In order to eliminate confusion prior to the adoption and enforcement of the 2013 CBC, these items will be included in a

request to the California Building Standards Commission for adoption as emergency regulations with an effective date of 1 July 2012.

**Policy Questions:**

How are cities affected by ADA issues? What kind of ADA issues should the League weigh in on?

**5. Mobile Homes.**

**Background:**

The policy committee has a subcommittee on mobile home issues. Last policy committee meeting we discussed the mobile home issues and the fact that the mobile home owners agreed not to introduce rent control legislation this year while the mobile home tenants agreed not to introduce legislation on the conversion issue. While neither of those bills have been introduced, there are at least 10 bills introduced that affect mobile homes. These bills were either introduced by the lobbyists representing tenants' interests or the mobile homeowners and seem to be very self-interested bills. I don't know that any of the substantial bills are likely to pass or that the League and its cities have a vested interest in taking positions on these bills. Examples of these bills include:

- (AB 1830 V. Manuel Perez)- Would authorize the Public Utilities Commission to order a mobile home park to reimburse tenants based upon an unjust or unreasonable rate charge. Either current or former tenants may complain.
- AB 1938 (Williams)- Would require the mobile home park to include in a rental agreement a written summary of all rent, utilities, and other specified charges a homeowner would be obligated to pay and would prohibit the inclusion of any provisions in the rental agreement that would authorize an increase in the homeowner's rent or separately charge the homeowner for losses incurred by the park owner. This bill would prohibit mandated binding arbitration in a rental agreement. Furthermore this bill would allow a rental agreement to be voided within 72 hours of the homeowner receiving the executed copy of the rental agreement as opposed to 72 hours of the execution of the agreement.
- AB 2150 (Atkins)- Would require a rental agreement to include a notice entitled "HOMEOWNERS' BILL OF RIGHTS" and would require management to provide a copy of notice to all homeowners each year.

I have made contact with HCD's representative on mobile homes and RHNA requirements and will meet with him to see if there are some tweaks to the current system that I can bring forth to the subcommittee and/or the policy committee. In addition, the subcommittee heard from Catherine Borg from the Western Manufactured Housing Communities Association about a possible event with her folks and ours. Lastly, we will have an in person meeting with our subcommittee at the next policy committee meeting,

**Existing League Policy:**

Mobile Home Regulation- The League supports initiatives that maintain cities as the enforcement authority for mobile home regulation.

The League supports the preservation of existing mobile home parks as an important source of affordable housing.

**Policy Questions:**

The existing League Policy on mobile homes is very limited. In what way does mobile home legislation affect cities? What types of changes to mobile home policy would help cities? What type of legislation regarding mobile homes would cities oppose?

**Task Force Report: Next Generation of Economic Development Tools**

*Report for League Policy Committees on Revenue and Taxation  
and Housing, Community and Economic Development*

The League Task Force on the Next Generation of Economic Development Tools is looking at a wide range of existing and potential future tools that cities could use to promote economic development in the aftermath of the elimination of redevelopment agencies. Numerous bills have also been introduced that offer possible vehicles for advancing this agenda, which the Task Force believes should be focused on the following goals:

- Provide ongoing funding for local infrastructure and economic development projects through tax increment financing authority, land assembly and conveyance, and other tools.
- Address local concerns with: (a) cleaning-up brownfields now held by successor agencies, (b) preserving critical community assets that will be needed for future community revitalization TOD, etc., and (c) allow unspent bond proceeds to be used to finish quality projects, as in SB 986 (Dutton).

**Recommended Strategy: Short and Longer Term:** In keeping with these recommended areas of focus, the Task Force recommends the following strategy be implemented by the League:

**Short Term: Next Few Months**

- 1) **Cleanup of AB X1 26:** Cities and successor agencies are facing real challenges dealing with many unresolved issues from AB X1 26. Pursuing and supporting legislation that would address these challenges is the most important thing that can be done in the short term. AB 1585 (Pérez), is a great first step, but other legislation addressing asset management, brownfields, unspent bond proceeds and other matters should be pursued however possible.
- 2) **IFD:** Draft and support amendments to make SB 214 (Wolk) and the IFD tool a workable option for cities to finance infrastructure. Make this tool as flexible as possible, including allowing its use for revitalization/redevelopment as well as new development purposes.
- 3) **Other Opportunities:** Review and consider support for other legislation (SB 1151 (Steinberg), AB 2144 (Perez), etc.) that can expand local economic development and infrastructure options as opportunities present themselves.
- 4) **Research:** Continue to research, examine and develop new possibilities and flexibility for: tax increment financing, assessment districts, economic development corporations, ideas suggested by the task force and other options that would expand the ability of cities to develop infrastructure, provide services, pursue economic development, remove blight, assemble land and develop affordable housing.

**Longer Term: (Before End of the Year)**

- 1) Draft concept legislation that would authorize the state, via the State Infrastructure Bank or another entity, to approve the use of some or all of the local school share of property tax to support tax increment financing for projects which advance important state priorities:
  - a. Projects consistent with SB 375.
  - b. Affordable housing.
  - c. Military base reuse.
  - d. Projects to attract high-wage employers to the state.
- 2) Work with legislators to develop and refine legislation derived from further League research, or ideas offered by other stakeholders.

- 3) Work with legislators and the Governor to encourage the development and adoption of a state economic development strategy, with appropriate state and local fiscal incentives for job creation, urban revitalization and sustainable development.

**Background:** The League's Task Force on the Next Generation of Economic Development Tools was created to examine a wide range of existing and potential tools cities can use to develop infrastructure and promote economic development; so far it has met three times. Its members (*See Attachment 1*) include representatives from the League's leadership, policy committees, departments and geographical divisions.

The first meeting of the Task Force on February 22 set the stage for discussions by reviewing the current legal and political landscape and framing issues. The members received an overview by League staff of existing State and federal grant, bond and tax credit programs that currently support community and economic development.

[http://www.cacities.org/resource\\_files/30608.EconomicDevelopmentBackground.pdf](http://www.cacities.org/resource_files/30608.EconomicDevelopmentBackground.pdf) Additional approaches using local tax authority and revenue streams were also presented. League Special Counsel Betsy Strauss explained the legal framework governing future tax increment financing proposals. Also reviewed and discussed was the legislative environment, including efforts to clean up and interpret AB X1 26 and consider new tools.

With this background in mind, the Task Force focused on key questions to guide League advocacy. Participants identified what they most needed to promote infrastructure and economic development in their communities.

While a broad range of issues were listed, the two highest priority needs were identified as

- 1) New funding for public-private economic development partnerships. This might come from (a) new tax increment financing, including the school share if the project met State or regional policy objectives; (b) sale of former RDA assets; (c) new State grants or (d) funding for public infrastructure and affordable housing through bonds, local taxes or state or federal tax credits.
- 2) New authority for public private economic development partnerships to remediate brownfields, and assemble and convey land.

On March 8, a subcommittee of the Task Force met by conference call to clarify and narrow these goals to develop a recommended strategy for Task Force consideration. (*Subcommittee members are identified in Attachment 1 with an asterisk.*)

Initial discussions surrounded the range of possible authority and tools. The Subcommittee considered whether re-authorizing RDA's was a viable option. While helpful, such an effort would likely awaken many controversies and future agencies would face constraints to their scope and authority. The Subcommittee also reviewed whether and under what circumstances, joint powers agencies (JPA's) might be useful, given their broad authority. More discussions of JPA's are likely given Senator Steinberg's interest in this approach in SB 1156, which would establish a JPA between a city and county for community development and housing. While JPA's may be a useful tool, more issues remain to be explored. Other items discussed were funding for public private partnerships, legal authority for cities to assemble and convey land within such partnerships, and the need to retain RDA bond proceeds and real estate assets.

**IFD Discussion:** The Subcommittee examined, at length, the feasibility of using infrastructure financing districts (IFD's) for local infrastructure. They discussed the feasibility and limitations of IFD's, including

SB 214 (Wolk), and if/how they could be made into a workable tool to finance local infrastructure and broader economic development activity. While IFD's have been around for a long time, they have not been used due to the constitutional debt limit issue, a supermajority 2/3 vote requirement, and their limited scope for public infrastructure. But these issues, however, could be addressed. The Subcommittee recognized that SB 214 already proposes to remove the supermajority vote requirement, authorizes IFD's to finance any actions necessary to implement the Polanco Redevelopment Act and projects that implement a SB 375 sustainable communities strategy. League Special Counsel, Betsy Strauss, reported that according to her research and discussions with bond counsel, a key legal concern with the constitutional debt limit issue could be remedied with amendments that ensured that an IFD was established as a separate legal entity.

Other comments and questions included: (a) the shares of tax increment that could be captured, (b) the scope of infrastructure covered, (c) the ability of a city to pledge other local revenue for its purposes and (d) how the measure could be used for broader economic development activity.

At the conclusion of the discussion, there was consensus among Subcommittee members that it was worthwhile for the League to pursue a workable IFD tool to fund infrastructure. They also acknowledged that efforts to expand the scope of IFD authority and other options must be based on careful consideration of the political environment, and recognized that no single bill would address all issues. Thus, it was best for the League to remain flexible and pursue its priorities in a variety of ways. Chair Bogaard then asked staff to develop a near and longer term strategy to the Task Force meeting on March 22.

At the March 22 meeting, members of the full Task Force reviewed the subcommittee report including draft recommendations on a strategy for moving forward. Also timely and informative were separate discussions about the Assembly and Senate's activities and perspectives.

**Comments from Assembly Member Toni Atkins (D-San Diego):**

Assembly Member Toni Atkins (D-San Diego), who has been appointed by Assembly Speaker John Perez to lead a working group of Assembly Democrats on redevelopment-related issues, addressed the task force. She said that it had not been the intent of the Legislature to eliminate RDA's, and the Court's decision was the worst possible outcome. She also said that her working group had considered the benefits of extending the dissolution deadline, but that was made difficult by efforts by other groups to leverage additional items that cities would not have liked, which limited the ability to move forward.

She said that the clean-up effort to AB X1 26 is the biggest focus now. She said that AB 1585 reflects many issues raised by cities, including the League and CRA, but it is not a "shoe-in" that the bill will be passed. She said she remained worried about the Governor's support. She announced that 1585 will take an accelerated path in the Assembly, with the goal of passing it by Monday, March 26, prior to the Legislative Spring break. This would give the Senate a month to review the measure. Time was a concern, however, because the housing funds would be dispersed to taxing entities if the measure was delayed. She said the bill was a high priority for the Speaker. Support from Republican members was important for the upcoming floor vote, and cities should continue to lobby the Senate and the Governor. "We have a job to do despite what has been dealt us," she said. "We need to band together and get it done."

As for next steps, Assembly Member Atkins said there were many challenges. Solutions were needed for affordable housing and brownfields. She said the working group had started developing tools for

economic development, but there were many questions. Creative thinkers are needed. Solutions must include money, and it was difficult to maneuver through the ballot measures and court decisions. Getting good advice from legal counsel has been difficult because most of the outside experts are busy on dissolution issues. Ms. Atkins said that her working group had recently been focused on military bases, including determining the position of the Governor. She concluded by offering to work with the League and was open to ideas it developed.

#### **Comments from Steve Shea, Consultant to Senator Darrell Steinberg:**

At a later point in the meeting, the task force heard from Steve Shea, Consultant to Senator Darrell Steinberg. Mr. Shea said the Assembly was doing good work cleaning up redevelopment dissolution issues and that the Senate was working more on next steps. He said they were beginning to put out ideas and trying to develop broad coalitions, without alienating anyone. A goal was to get something enacted this year as new model for going forward, but it did not have to be perfect and could be improved in the future.

Mr. Shea said that the two main bills shaping the post-RDA environment that he was working on was SB 1151 and SB 1156 by Senator Steinberg. The plan was to have these bills amended and in print by the end of the month, and in position to be heard in mid-April in Senate policy committees.

SB 1151, intended to work in tandem with SB 1156, was designed to focus on RDA assets including cash, investments, and real property. He said that AB X1 26 provided no timeframe for asset disposal and there was concern about a “fire sale” resulting in a cherry-picking transfer of wealth from the public to private sector. Mr. Shea said that it was better to know what you have, compile information into thoughtful plan with environmental data, value of the property, etc. Further, economic value for the State was not necessarily the most important thing; the most important thing is to integrate assets into city and county planning, including SB 375 goals.

SB 1156 was intended to include a process to manage assets in trust plus provide a new tool of tax increment financing. California’s reality is that its finances are in a Gordian knot where it is almost impossible to get anything done. Redevelopment was an anomaly. It allowed things to be done quickly and efficiently. Mr. Shea said the goal is to re-energize this framework for new policy arena. A JPA consisting of both the city and county was the template. It was necessary to bring in counties because counties were often disadvantaged historically with RDA and counties are also agencies of the state in many ways-so their interests and state’s are aligned. The goal is to put lots of tools in a toolbox and build on over time.

A task force member questioned whether a city-county JPA structure would always work, especially if they are not in sync, and asked if a city could go it alone if necessary. Mr. Shea responded that nothing was set in stone.

#### **Major RDA Cleanup Bills**

Cities and successor agencies are facing real challenges dealing with many unresolved issues from AB X1 26. Pursuing and supporting legislation that would address these challenges is the most important priority for the short term.

- 1) **AB 1585 (Perez).** This is the most developed cleanup bill. The League and CRA worked to draft and suggest many of its provisions and are continuing to work with the Speaker’s staff on additional

minor amendments. The bill makes many appropriate policy changes and technical clarifications to reduce confusion and provide greater direction to successor agencies, oversight boards and successor housing entities. Among its most important provisions, AB 1585:

**Major Policy Provisions:**

- i. **Preserves affordable housing funding.** Requires any amounts on deposit in the Low and Moderate Income Housing Fund (L&M Fund) of a former RDA be transferred to the successor housing entity and used for affordable housing rather than being distributed as property tax revenue. (If there is no successor housing entity, funds revert to HCD to be awarded on a competitive basis to extremely/very/low income projects within the counties in which the funds were collected.) At least 80% of L&M Funds must be contracted for expenditure within two years of receipt unless a waiver is granted.
- ii. **Ensures loan repayments to help provide local services.** This provision goes a long way to addressing the inequity in AB X1 26 that excluded most outstanding loans between a city or county to a RDA from being considered an “enforceable obligation.” Left unaddressed, this provision would result in severe hardship to local budgets and critical public safety and other vital services. In brief, the measure adds the following types of loans to be considered as an enforceable obligation:
  - o Loan agreements between the former RDA and the city, county, or city and county that created it, made within two years of the date of the creation of a project area, if the loan was for the project area;
  - o Loans made from the city or county to the former RDA to make a payment to the State's Supplemental Educational Revenue Augmentation Fund (SERAF); and
  - o Any other loan, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes; the oversight board may also condition its approval of the loan being repaid on a defined schedule over a reasonable term, at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund.
- iii **Preserves asset value.** Requires the compilation of a complete inventory of existing real property assets, by project area, including the general categories of such assets, the purpose for which they were originally acquired, the original purchase price and the estimated current market value. Authorizes an oversight board to direct the transfer of assets integral for a governmental purpose, such as a parking facility, to an appropriate governmental jurisdiction. Prior to disposing of any assets, the oversight board must receive and review this inventory and adopt a strategy for disposal or transfer that ensures it is done in an expeditious but orderly manner that preserves the asset's value.

**Important Procedural/Technical Changes:**

- i. Ensures that a successor agency can use the initial estimated obligation repayment schedule (EOPS) until a final recognized obligation payment schedule (ROPS) is adopted. This resolves a major concern that bond defaults could occur if obligations came due to successor agencies, but the county auditor-controllers would not release the funds because the ROPS had not yet been finalized.

- ii. Ensures that a full year of bond debt service requirements and other obligations may be provided on the first six-month enforceable obligation list, and requires the auditor-controller to ensure that sufficient funds are reserved to make necessary payments. This resolves another major concern that bond defaults could occur based upon insufficient funds being retained to make interest and principal payments according to the schedule in the bond indenture documents.
- iii. Ensures that successor entities can refinance outstanding debt when outstanding obligations exceed available revenue with the approval of an oversight board. This provision can help avoid possible bond defaults where the former RDA had a bond obligation coming due, such as a balloon payment, and a refinancing was anticipated. Absent this clarification there would be insufficient tax increment funds available to repay the debt.
- iv. Clarifies that a successor agency is a legally distinct and separate body that acts by resolution, can sue and be sued, and can have additional powers that may be conferred upon it. This resolves a very important legal question that provides helpful clarity and will improve the functioning of successor agencies.
- v. Clarifies important questions regarding the ability of a successor agency to have sufficient administrative cost allowances to administer its assigned duties, including clarifying that employee costs associated with specific project implementation activities are not subject to the existing 5% administrative cap.
- vi. Resolves several questions regarding selection of oversight board members from special districts and former employees of the RDA. These are important changes that reduce confusion with the selection of oversight board members.
- vii. Makes many other helpful and clarifying changes that assist with implementation.

For a description of all the bill's extensive changes, see the analysis by the Assembly Local Government Committee here: [http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab\\_1551-1600/ab\\_1585\\_cfa\\_20120320\\_123010\\_asm\\_comm.html](http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_1551-1600/ab_1585_cfa_20120320_123010_asm_comm.html)

AB 1585 is a significant first step; other legislation addressing asset management, brownfields, unspent bond proceeds and other matters should also be pursued.

**2) Other Legislation** A complete list of pending bills is at the end of this report; the more important of current pending bills include the following:

- **SB 1151 (Steinberg)** requires successor agencies to develop an asset management plan by December, 2012, and prohibits assets from being disposed of until this plan has been approved by both the oversight board and DOF. Additional amendments are expected which would require these assets to be placed in trust.
- **SB 1335 (Pavley)** focuses on brownfield issues and authorizes successor agencies to retain brownfield sites, and in the future develop transit-oriented development type projects on those properties, upon appropriation by the Legislature.
- **SB 986 (Dutton)** deems all former RDA bond proceeds encumbered, and requires them to be used for their intended purpose. This League-supported bill provides a forum to discuss what happens with projects that are stalled even though bonds have been issued.

- **AB 2144 (Perez)** is a spot bill that states intent to enact legislation that establishes long-term, targeted programs giving local governments tools and resources for public infrastructure, affordable housing, economic development and job creation, and environmental protection and remediation in a manner that encourages local cooperation and includes appropriate protections for state and local taxpayers.

The Task Force will continue its work on legislative proposals and researching options and will meet again on May 16, after the May budget revision is released.

### **List of 2012 Post-RDA Legislation**

*(Draft, as of 3-23-12)*

#### **AB X1 26 Related Clean-Up**

- AB 1585 (Perez) Major clean-up vehicle to AB X1 26, includes retaining RDA housing funds.
- SB 654 (Steinberg) Retain RDA Housing funds. (In Assembly, not yet assigned to committee)
- SB 986 (Dutton) Deems all former RDA bond proceeds encumbered, and requires them to be used for their intended purpose.
- AB 1555 (Norby) Imposes various prohibitions and limitations on loan forgiveness.
- AB 1644 (Carter) States Intent to address military base closure issues.
- SB 1157 (Berryhill) Successor agency spot.
- SB 1439 (Huff) Exempts City of Monrovia RDA from dissolution.
- SB 1056 (Hancock) Deems a project with funding from a Federal Qualified School Construction Bond an enforceable obligation.
- SB 1335 (Pavley) Brownfields: authorizes successor agencies to retain brownfield sites. Authorizes a successor agency to develop a transit-oriented development type project on those properties, upon appropriation by the legislature.
- SB 1151 (Steinberg) Requires the preparation of a long range asset management plan by Dec 1, 2012. (Suspends asset disposal until such a plan has been approved by both oversight board and DOF by Dec 31, 2012.)

#### **Next Steps Post-RDA Vehicles**

##### **Bills by Leadership:**

- AB 2144 (Perez): Spot bill states intent to enact legislation that establishes long-term, targeted programs giving local governments tools and resources for public infrastructure, affordable housing, economic development and job creation, and environmental protection and remediation in a manner that encourages local cooperation and includes appropriate protections for state and local taxpayers.
- SB 1156 (Steinberg) Authorizes the creation of a Community Development and Housing JPA between a city and a county.

##### **IFD Bills:**

- SB 214 (Wolk) Infrastructure Financing District (IFD)
- AB 485 (Ma) IFD for transit-oriented development.
- AB 910 Torres-IFD- (Author is open to working with the League with this vehicle)
- AB 2551 (Hueso) Authorizes the creation of IFD's called "Renewable Energy Zones."
- SB 1417 (Hancock) Spot. Interested in ways to make SB 310 (Hancock) of 2011 more useable.

## Attachment 1

**Membership, League Task Force on Next Generation Economic Development Tools**

**Chair:** \*Bill Bogaard, League First Vice President and Mayor, Pasadena

**Vice Chair:** \*Jose Cisneros, League Second Vice President, Treasurer, San Francisco

**Members:**

Alejandro Esparza (Lobbyist, Los Angeles)  
 Amy Bodek, Exec Dir, Long Beach RDA;  
 Art Madrid, Mayor, La Mesa; Asst to Julio Fuentes  
 Ben Johnson, Mayor, Pittsburg;  
 Brad Kilger, City Mgr, Benicia;  
 Brian Ambrose (Leg Analyst for McAllister);  
 \*Bryan Briggs, Economic & Redevelopment Manager, Ceres  
 Curtis Hunt, Cnclmbr, Vacaville  
 Daniel Parra, Mayor Pro Tem, Fowler  
 \*L. Dennis Michael, Mayor, Rancho Cucamonga  
 Dominique Sayer (admin to Paul Navazio)  
 Doug McAllister, Mayor, Murrieta  
 Emil Marzullo, San Bern. Eco Devel Agency Int Dir  
 Frank Robinson, City Mgr, Apple Valley  
 \*Iris Yang, City Attorney, Paso Robles  
 Ivania Sobalvarro, Leg Analyst, LA City Council  
 J Davis (asst to Daniel Parra)  
 \*Jan Arbuckle, Mayor, Grass Valley (Sac Valley Rep)  
 Jander Lacerda, Admin to Jose Cisneros  
 \*Julio Fuentes, City Manager, Alhambra  
 \*Jim Kennedy, Interim Executive Director, CRA  
 \*Jim Starbird, L.A. Division Representative/Consultant, HDL (League Partner)  
 June Catalano, City Mgr, Pleasant Hill RDA  
 L. Dennis Michael, Mayor, Rancho Cucamonga  
 LaShelle Dozier, Exec Dir, Sacramento Housing and Redevelopment Agency  
 Lidia Simms (Art Madrid's asst)  
 Lorain Nagahiro (Bill Bogaard's Exec Asst)  
 Lynn Boardman (asst to June Catalano)  
 Mark Wheatley, Council Member, Arcata  
 \*Pat Eklund, Mayor Pro Tem, Novato  
 Paul Navazio, Asst City Mgr, Davis  
 \*Peter Pirnejad, Asst Dir, Economic and Community Development, Daly City  
 Ray Kerridge, City Mgr, Roseville  
 \*Rene Mendez, City Manager, Gonzales  
 \*Robert Ross, Council Member, San Mateo  
 Scott Miller, Admin Svcs Dir, Beverly Hills  
 Scott Nelson, Council Member, Placentia

**League Staff and Consultants:** Chris McKenzie, Dan Carrigg, Betsy Strauss, Dwight Stenbakken, Mimi Sharpe, Michael Coleman, Ellen Powell, Patrick Whitnell. Other attendees: David Jones (RDA lobbyist), Roxanne Miller (City of San Jose lobbyist), Jim Kennedy (Interim Exec Dir CRA), Jim Starbird, Consultant, HDL.

*\*Indicates member of Subcommittee of March 8*