

2012 Legislative Action Days

Background:

Post-redevelopment issues are among the most critical issues facing cities this session. Ensuring a thoughtful and prudent dissolution process and creating new economic development tools for local agencies are top priorities for the League.

AB 1585 (Perez) is the most comprehensive clean-up bill to the dissolution process. Legislators have also introduced a number of bills to support economic development including Infrastructure Financing Districts and other mechanisms. Last week Senator Lois Wolk (D-Davis) announced the formation of a working group in the Senate that will meet with Assembly Members to discuss and reach consensus on which post-redevelopment bills should be moved forward.

Passing AB 1585 is particularly important to:

- Avoid possible bond defaults: AB 1585 addresses a variety of process issues involving debt payment; without these changes, there are major concerns that bond defaults could occur.
- Preserve asset value: AB 1585 helps avert “fire sales” of RDA property by requiring an oversight board to adopt a strategy to dispose or transfer assets in an expeditious but orderly manner that preserves the asset’s value. It also requires a complete inventory of existing real property assets and authorizes an oversight board to transfer assets integral for a governmental purpose to a governmental jurisdiction.
- Ensure loan repayments: Many cities invested in revitalizing their communities by making loans to their RDAs. Unless outstanding loans are considered an “enforceable obligation,” cities could lose millions and jeopardize vital local services.
- Preserve affordable housing funding: Low and Moderate Income Housing funds have been key resources for cities to build affordable housing. AB 1585 keeps these funds with the successor housing entity to be used for affordable housing.

Key Messages:

Move AB 1585 quickly through the Senate. AB 1585 helps resolve outstanding legal and technical questions, ensures loan repayments to cities and preserves affordable housing funds. The bill passed with bi-partisan support in the Assembly. *Ask your Senator to help move this bill quickly.*

New economic development tools are needed: The loss of redevelopment leaves a major void. Recognizing that a variety of approaches will be necessary, legislators should be encouraged to develop tools that are:

- Workable: Communities need practical and useful tools to improve infrastructure, clean up brownfields, develop transit-oriented development and affordable housing.
- Flexible: A tool loaded with restrictions may not be used. Placing overly-prescriptive conditions on new tools limits their usefulness.

If your city issued a loan to its redevelopment agency that AB 1585 would enable to be repaid, it is important to stress the importance of this provision to your legislator. Legislators should be clear on how important this provision is to their cities.

Talking Points:

- AB 1585 contains a provision that will help ensure that loans our city made to our RDA are repaid.
- ABX1 26 excluded most outstanding loans between a city or county to a redevelopment agency from being considered an “enforceable obligation,” which if left unaddressed, will result in budget hardships and will threaten public safety and other vital services in our city.
- Cities often served as a helpful lender to their RDA. Loans between host jurisdictions and agencies were a common practice, and in some cases were much less costly to the taxpayer than bond indebtedness. These loans helped avoid bond counsel and other costs that were excessive for small issuances.
- Repaying these loans is the right policy. Choosing to honor one form of legal debt over another (bonds over loans from cities/counties) is excessively punitive and inequitable. Cities should not be penalized for simply assisting their RDA in the effort to revitalize their communities.

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