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To: Quan, Jean; Reid, Larry; Everhart, Maisha; Leon, Ray T.; Campbell-Washington, Anne; Santana, Deanna; Blackwell, Fred; Landreth, Sabrina; Schlenk, Sarah; Johnson, Scott

Subject: RDA Legislation Update/State Budget for Friday, May 18, 2012

Team Oakland,

Following up on our past RDA/State Budget updates, here is a summary of where things currently stand.

State Budget

As we reported a few weeks back, then confirmed on Monday, the projected State budget deficit increased from roughly $9 billion in January to an estimated $16 billion. The Governor officially pegs the deficit at $15.7 billion on a $91.4 billion budget, and proposes a total of $8.3 billion in cuts (an additional $4.1 billion from the January proposal).

As I raised at the presentation to the Successor agency, and then confirmed with the release of the May Revise, the Governor recommends a transfer $1.4 billion in redevelopment funds from local agencies to the General Fund. To do this, the Governor needs legislative approval. The Department of Finance has distributed a proposed budget trailer bill which will be heard on Wednesday, May 23 at the Assembly Budget Sub-committee No. 4. For simplicity sake I will refer to this bill as the DOF Budget Bill. Among the many elements of this proposed bill, which is unfriendly to cities, it limits the authority of oversight boards to approve contracts, and gives the final approval of all matters to DOF.

As I also reported to the Successor Agency, the RDA related piece of legislation (updated below) that has the most support/momentum to move forward is still AB 1585 (Speaker Perez). This bill was the subject of extensive work by a RDA task force organized by the Speaker and discussed by many Assembly committees and Members. As we discussed, this bill is stalled in the Senate. The DOF Budget Bill would strip AB 1585 of the remaining unencumbered funds, but could very well keep other provisions in it such as the 'for government/public purposes' clause.

Bottom line, if the Governor wants the DOF Budget Bill to move forward, he needs support from both the Senate and the Assembly. In order to get Assembly support, it has been conveyed to us the Assembly wants a majority of AB 1585 to move forward. With the budget negotiations officially in high gear, what will be debated are which key portions of AB 1585 stay in the bill.

RDA related legislation:

Regarding the status on the 6 major RDA related bills, below is where they stand:

AB 1585 (Perez)

This bill, among other items, makes changes to the process of dissolving redevelopment agencies, including requiring the funds on deposit in the Low-and Moderate-Income Housing Fund of the former RDA to remain with the entity that

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assumes the housing functions rather than being distributed as property tax revenue. This is the most detailed, most encompassing of all RDA clean up bills.

Status: This bill has successfully moved through the Assembly and is waiting to be heard in the Senate Government and Finance Committee then go through the Senate. This bill will be a major source of budget negotiations.

SB 986 (Dutton)
This bill requires that unencumbered balances of funds that are derived from tax exempt bond proceeds be used for purposes outlined within the bill. This bill would also require that the proceeds of bonds issued by a former redevelopment agency on or before December 31, 2010, be used by the successor agency for the purposes for which the bonds were sold. SB 986 specifies how critical public infrastructure is defined.

Status: The bill has been sent to the Suspense file and will be heard on May 24th.

SB 1151 (Steinberg)
This bill provides that the AB 26X process for disposing of redevelopment agency assets and remitting unencumbered balances funds for distribution to the taxing entities does not apply to a jurisdiction that has by August 1, 2012 formed a Community Development and Housing Joint Powers Authority (authority) pursuant to SB 1156 (Steinberg). In addition, directs an authority to prepare a long-range asset management plan to govern the disposition and ongoing use of the Sustainable Economic Development and Housing Trust Fund. The plan must:

- Inventory all assets, assess the value and purpose of acquisition of these assets, and determine the current value of real property assets.
- Address the use or disposition of all of the assets in the trust.
- Outline a strategy for maximizing the long-term social and monetary value of the real property and assets in the trust consistent with the provisions of SB 1156 and so as to create high wage and high skill jobs, plus affordable housing.

Status: The bill has been sent to the Suspense file and will be heard on May 24th.

SB 1156 (Steinberg)
This bill permits a city and county representing the geographic territory covering the area served by a former redevelopment agency to form a Community Development and Housing Joint Powers Authority (authority) after July 1, 2012 to carry out the Community Redevelopment Law. If a county formed a redevelopment agency, then the county may form an authority. An authority so formed may adopt a redevelopment plan for a project area. This plan must terminate on a specified date not more than 30 years after the first issuance of bond indebtedness by the authority.

Status: The bill has been sent to the Suspense file and will be heard on May 24th.

SB 1220 (DeSaulnier)
This bill creates the Home Opportunity and Market Stabilization Trust Fund Act of 2012, which creates the Housing Opportunity and Market Stabilization Fund in the State Treasury. SB 1220 imposes a fee of $75 whenever a person records a real estate instrument, paper, or notice required or permitted by law to be recorded, The Legislature may appropriate moneys in the fund to support development, acquisition, rehabilitation, and preservation of low and moderate income households. With the potential loss of the existing Low Moderate Affordable Housing set aside, this bill becomes more and more relevant.

Status: The bill has been sent to the Suspense file and will be heard on May 24th.

SB 1335 (Pavley)
This bill was amended and authorizes a redevelopment successor agency to retain property obtained *by* the former redevelopment agency for remediation or removal purposes of the release of hazardous substances at a brownfield site using available financing, funds, and grants, subject to approval of the oversight board pursuant to specified procedures. Upon completion of remediation, the bill would require the successor agency to dispose of the property pursuant to existing asset disposition provisions.

Status: The bill has been sent to the Suspense file and will be heard on May 24th.

As a side note, there are two bills (below) that have been introduced that give the Controller more teeth. They are:

AB 1692 (Wieckowski)
This bill would revise and recast the bankruptcy procedures that apply to the neutral evaluation process. The bill would authorize the neutral evaluator to toll the limitation period for the neutral evaluation process based upon a finding that the local public entity or any interested parties' conduct in presenting information required under this process prevented the parties from effectively proceeding in the neutral evaluation process.

SB 186 (Kehoe)
This bill is positioned to work with AB 1692. The bill would raise fines for local governments who the Controller believes do not provide sufficient financial reports. The bill also gives the Controller greater authority to audit local governments.

In addition, there is a bill from Speaker Perez to facilitate the formation and broaden the purposes of independent financing districts in order to make them more useful local tools, particularly in light of the end of redevelopment agencies, for economic development, affordable housing, sustainable communities, military base re-use and brownfields cleanup and mitigation.

AB 2144 (Perez)
This bill expands the powers of an infrastructure financing district (IFD) and renames IFDs infrastructure and refinancing districts (IFRD). Specifically, this bill: expands the types of public capital facilities or projects of communitywide significance an IRFD can finance, authorizes an IRFD to utilize the powers under the Polanco Redevelopment Act in order to finance environmental remediation and brownfield restoration, specifies that a city may form an IRFD to finance a project or projects on a former military base as long as the project is consistent with the authority reuse plan and is approved by the military base reuse authority, removes the voter threshold for the issuance of debt by an IRFD if the project to be financed is on land of a former military base that is publicly owned and reduces the vote threshold for creating an IRFD and issuing bonds from two-thirds voter approval to 55% voter approval.

As always, please let me know if there are any questions.

Thank you.

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