

ASSEMBLY THIRD READING
AB 411 (Mark Stone)
As Amended March 27, 2019
Majority vote

SUMMARY:

Authorizes the City of Santa Cruz to use bond proceeds that are required to be used to defease bonds issued by the former redevelopment agency (RDA), to increase, improve, and preserve affordable housing and facilities for homeless persons.

Major Provisions

- 1) Provides that if the City of Santa Cruz uses remaining bond proceeds for affordable housing and facilities for homeless persons, then the Last and Final Recognized Obligation Payment Schedule (ROPs) must be adjusted to allow for the allocation of revenues from the Redevelopment Property Tax Trust Fund (RPTTF) to the successor agency (SA) of the City Santa Cruz, to pay down principal and interest on the bonds. Specifies the following:
 - a) Up to 10% of the bond proceeds may be used for affordable housing for persons or families of moderate income; and,
 - b) The remainder of the bond proceeds must be expended consistent with the requirements of the Low and Moderate Income Asset Fund.

COMMENTS:

Background: In 2011, facing a severe budget shortfall, Governor Brown proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Redevelopment redirected 12% of property taxes statewide away from schools and other local taxing entities and into economic development and affordable housing. As part of the winding down, RDAs were required to submit a Recognized Obligations Payment Schedule (ROPS) to the Department of Finance (DOF) that listed all of the enforceable obligations (EO) or the outstanding debts of the RDA including bonds, documented contracts, loans borrowed from the RDA, and payments required by the federal government. DOF reviews and approves all ROPS.

Property taxes that had previously gone to a RDA in the form of tax increment now go to the RPTTF to pay the former obligations of the RDA and any remaining amounts are divided up among the taxing entities – schools, counties, and special districts. Funds in the RPTTF are first used to pay for enforceable obligations on the former RDA included on the ROPS and approved by DOF and any preexisting pass-through payments such as pension obligations. If funds remain in the RPTTF after payments are made for each successor agency's ROPS, they are considered to be residual RPTTF funds, and are distributed proportionally to the taxing entities that would otherwise have received property tax revenues from the former project areas.

Bond proceeds: Generally, successor agencies were given limited discretion to use bond proceeds issued prior to dissolution that were not clearly obligated to pay for enforceable obligations of the RDA. However, successor agencies that received a "finding of completion" from DOF were given some additional discretion regarding the use of proceeds from bonds. In order to receive the finding of completion, a SA had to undergo specified due diligence reviews and make the required payments to DOF. Once a SA received its Last and Final ROPS, it could

use bonds issued prior to December 31, 2010 consistent with the bond covenants. Any bond proceeds that could not be used consistent with the underlying bond covenants were required to defease the bonds or to purchase those same outstanding bonds on the open bond market. Successor agencies with a Last and Final ROPS were also given authority to use bond proceeds issued after January 1, 2011 in a manner consistent with the bond covenants. Successor agencies were given greater latitude to use bond proceeds issued earlier in 2011.

This bill would allow the City of Santa Cruz to use both housing and non-housing bond proceeds for affordable housing and homelessness services. According to DOF's website, 20 cities have bond proceeds from housing bonds totaling over \$135 million in the state that could be used for affordable housing purposes. Thirty-three cities have over \$264 million in bond proceeds from non-housing bonds. This bill would apply to bonds issued for both housing and non-housing purposes. Some general bonds could have been issued for housing purposes, provided the bond covenants allowed for affordable housing. The City of Santa Cruz would be require to use the bond proceeds for affordable housing consistent with the requirements of the Low and Moderate Income Asset Fun.

According to the Author:

According to the author, "the City of Santa Cruz is facing an affordable housing crisis. For bonds issued on or after January 1, 2011, only a limited percentage of the proceeds may be expended based on the issuance date of the bonds and approval of a successor agency's Last and Final Recognized Obligation Payment Schedule (ROPS) by the Department of Finance. The City of Santa Cruz is permitted to expend 35% of the 2011 bond proceeds from its former redevelopment agency, but state law requires that all remaining funds must be used to defease or cancel the bonds. AB 411 will allow the City of Santa Cruz to use funds from its former redevelopment agency to create much needed affordable housing -- \$16 million for affordable housing and facilities for individuals experiencing homelessness."

Arguments in Support:

Supporters argue that this bill "will allow the City's Redevelopment Successor Agency to complete affordable housing projects previously planned before the dissolution of Redevelopment Agencies. In addition, AB 411 will allow the City to fund much-needed facilities to address the City's homelessness crisis."

Arguments in Opposition:

None on file.

FISCAL COMMENTS:

According to the Assembly Committee on Appropriations, estimated costs of \$9.2 million (General Fund (GF)) over approximately six years, until the bonds mature in 2026. This assumes \$16 million in available bond proceeds for the City of Santa Cruz and a 57.5% school share of property tax in Santa Cruz County that would be backfilled by the GF.

VOTES:

ASM HOUSING AND COMMUNITY DEVELOPMENT: 6-0-2

YES: Chiu, Gabriel, Gloria, Limón, Maienschein, Quirk-Silva

ABS, ABST OR NV: Diep, Kiley

ASM LOCAL GOVERNMENT: 8-0-0

YES: Aguiar-Curry, Lackey, Bloom, Boerner Horvath, Ramos, Luz Rivas, Robert Rivas, Voepel

ASM APPROPRIATIONS: 14-0-4

YES: Gonzalez, Bloom, Bonta, Calderon, Carrillo, Chau, Diep, Eggman, Gabriel, Eduardo Garcia, Maienschein, Petrie-Norris, Quirk, Robert Rivas

ABS, ABST OR NV: Bigelow, Brough, Fong, Obernolte

UPDATED:

VERSION: March 27, 2019

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