

**Assembly Bill No. 2493**

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Passed the Assembly August 28, 2014

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*Chief Clerk of the Assembly*

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Passed the Senate August 28, 2014

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2014, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Sections 34176 and 34191.4 of the Health and Safety Code, relating to community redevelopment.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2493, Bloom. Redevelopment dissolution: housing projects: bond proceeds.

Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, make payments due for enforceable obligations and to perform obligations required pursuant to any enforceable obligation. Existing law provides for the transfer of housing assets and functions previously performed by the dissolved redevelopment agency to one of several specified public entities. Existing law authorizes the successor housing entity to designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to January 1, 2011, and was backed by the Low and Moderate Income Housing Fund.

This bill would instead authorize a successor housing entity to designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to June 28, 2011, and would require the proceeds from bonds issued between January 1, 2011, and June 28, 2011, be used for projects meeting certain criteria established in this bill for projects, to be funded by successor agencies generally, from proceeds of bonds issued during the same period.

Existing law authorizes the Department of Finance to issue a finding of completion to a successor agency that completes a due diligence review and meets other requirements. Upon receiving a finding of completion, a successor agency is authorized to expend excess bond proceeds derived from bonds issued on or before December 31, 2010, in a manner consistent with the original bond covenants.

The bill would expand this authorization to include the expenditure of excess bond proceeds derived from bonds issued

on or before June 28, 2011, and would require proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, to be used by successor agencies only for projects meeting certain criteria.

This bill would incorporate additional changes to Section 34191.4 of the Health and Safety Code proposed by AB 1582 and SB 1129 that would become operative only if this bill and either AB 1582 or SB 1129 are enacted and this bill is enacted last.

*The people of the State of California do enact as follows:*

SECTION 1. Section 34176 of the Health and Safety Code is amended to read:

34176. (a) (1) The city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets, as defined in subdivision (e), excluding any amounts on deposit in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency, shall be transferred to the city, county, or city and county.

(2) The housing successor shall submit to the Department of Finance by August 1, 2012, a list of all housing assets that contains an explanation of how the assets meet the criteria specified in subdivision (e). The Department of Finance shall prescribe the format for the submission of the list. The list shall include assets transferred between February 1, 2012, and the date upon which the list is created. The department shall have up to 30 days from the date of receipt of the list to object to any of the assets or transfers of assets identified on the list. If the Department of Finance objects to assets on the list, the housing successor may request a meet and confer process within five business days of receiving the department objection. If the transferred asset is deemed not to be a housing asset as defined in subdivision (e), it shall be returned to the successor agency and the provision of Section 34178.8 may apply. If a housing asset has been previously

pledged to pay for bonded indebtedness, the successor agency shall maintain control of the asset in order to pay for the bond debt.

(3) For purposes of this section and Section 34176.1, “housing successor” means the entity assuming the housing function of a former redevelopment agency pursuant to this section.

(b) If a city, county, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, duties, and obligations associated with the housing activities of the agency, excluding enforceable obligations retained by the successor agency and any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

(1) If there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development.

(2) If there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.

(3) If there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city, county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the operative date of this part, the housing successor may enforce affordability covenants and perform related activities pursuant to applicable provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000)), including, but not limited to, Section 33418.

(d) Except as specifically provided in Section 34191.4, any funds transferred to the housing successor, together with any funds generated from housing assets, as defined in subdivision (e), shall be maintained in a separate Low and Moderate Income Housing Asset Fund which is hereby created in the accounts of the housing successor.

(e) For purposes of this part, “housing asset” includes all of the following:

(1) Any real property, interest in, or restriction on the use of real property, whether improved or not, and any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low- and

moderate-income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds.

(2) Any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing, as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)) unless required in the bond covenants to be used for repayment purposes of the bond.

(3) Any loan or grant receivable, funded from the Low and Moderate Income Housing Fund, from homebuyers, homeowners, nonprofit or for-profit developers, and other parties that require occupancy by persons of low or moderate income as defined by the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(4) Any funds derived from rents or operation of properties acquired for low- and moderate-income housing purposes by other parties that were financed with any source of funds, including residual receipt payments from developers, conditional grant repayments, cost savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

(5) A stream of rents or other payments from housing tenants or operators of low- and moderate-income housing financed with any source of funds that are used to maintain, operate, and enforce the affordability of housing or for enforceable obligations associated with low- and moderate-income housing.

(6) (A) Repayments of loans or deferrals owed to the Low and Moderate Income Housing Fund pursuant to subparagraph (G) of paragraph (1) of subdivision (d) of Section 34171, which shall be used consistent with the affordable housing requirements in the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(B) Loan or deferral repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this paragraph and subdivision (b) of Section 34191.4 combined shall be equal to one-half of the increase between the amount distributed to taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year. Loan or deferral repayments

made pursuant to this paragraph shall take priority over amounts to be repaid pursuant to subdivision (b) of Section 34191.4.

(f) If a development includes both low- and moderate-income housing that meets the definition of a housing asset under subdivision (e) and other types of property use, including, but not limited to, commercial use, governmental use, open space, and parks, the oversight board shall consider the overall value to the community as well as the benefit to taxing entities of keeping the entire development intact or dividing the title and control over the property between the housing successor and the successor agency or other public or private agencies. The disposition of those assets may be accomplished by a revenue-sharing arrangement as approved by the oversight board on behalf of the affected taxing entities.

(g) (1) (A) The housing successor may designate the use of and commit indebtedness obligation proceeds that remain after the satisfaction of enforceable obligations that have been approved in a Recognized Obligation Payment Schedule and that are consistent with the indebtedness obligation covenants. The proceeds shall be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to June 28, 2011. Bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, shall only be used for projects that meet the criteria set forth in subparagraph (A) or (B) of paragraph (1) of subdivision (c) of Section 34191.4. Enforceable obligations may be satisfied by the creation of reserves for the projects that are the subject of the enforceable obligation that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects.

(B) The housing successor shall provide notice to the successor agency of any designations of use or commitments of funds specified in subparagraph (A) that it wishes to make at least 20 days before the deadline for submission of the Recognized Obligation Payment Schedule to the oversight board. Commitments and designations shall not be valid and binding on any party until they are included in an approved and valid Recognized Obligation Payment Schedule. The review of these designations and commitments by the successor agency, oversight board, and Department of Finance shall be limited to a determination that the

designations and commitments are consistent with bond covenants and that there are sufficient funds available.

(2) Funds shall be used and committed in a manner consistent with the purposes of the Low and Moderate Income Housing Asset Fund. Notwithstanding any other law, the successor agency shall retain and expend the excess housing obligation proceeds at the discretion of the housing successor, provided that the successor agency ensures that the proceeds are expended in a manner consistent with the indebtedness obligation covenants and with any requirements relating to the tax status of those obligations. The amount expended shall not exceed the amount of indebtedness obligation proceeds available and such expenditure shall constitute the creation of excess housing proceeds expenditures to be paid from the excess proceeds. Excess housing proceeds expenditures shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

(h) This section shall not be construed to provide any stream of tax increment financing.

SEC. 2. Section 34191.4 of the Health and Safety Code is amended to read:

34191.4. The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

(a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.5 unless that property is subject to the requirements of any existing enforceable obligation.

(b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

(2) If the oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal

amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The loan shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligation payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year, provided, however, that calculation of the amount distributed to taxing entities during the 2012–13 base year shall not include any amounts distributed to taxing entities pursuant to the due diligence review process established in Sections 34179.5 to 34179.8, inclusive. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.

(B) Repayments received by the city, county, or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment agency for purposes of the Supplemental Educational Revenue Augmentation Fund and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.

(C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid.

(c) (1) Bond proceeds derived from bonds issued on or before June 28, 2011, shall be used for the purposes for which the bonds were sold.

(2) Notwithstanding Section 34177.3 or any other conflicting provision of law, bond proceeds derived from bonds issued on or before December 31, 2010, in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the original bond covenants. Enforceable obligations may be satisfied by the creation of reserves for projects that are the subject of the enforceable obligation and that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects. An expenditure made pursuant to this paragraph shall constitute the creation of excess bond proceeds obligations to be paid from the excess proceeds. Excess bond proceeds obligations shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

(3) (A) Bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, shall only be used for projects which meet the following criteria, as determined by a resolution issued by the oversight board:

(i) The project shall be consistent with the applicable regional sustainable communities strategy or alternative planning strategy adopted pursuant to Section 65080 of the Government Code that the State Air Resources Board has determined would, if implemented, achieve the greenhouse gas emission reduction targets established by the board or, if a sustainable communities strategy is not required for a region by law, a regional transportation plan that includes programs and policies to reduce greenhouse gas emissions.

(ii) Two or more significant planning or implementation actions shall have occurred on or before December 31, 2010. The term “significant planning and implementation actions” means any of the following:

(I) An action approved by the governing body of the city, county, city and county, the board of the former redevelopment agency, or the planning commission directly related to the planning or implementation of the project.

(II) The project is included within an approved city, county, city and county, or redevelopment agency planning document,

including, but not limited to, a redevelopment agency five-year implementation plan, capital improvement plan, master plan, or other planning document.

(III) The expenditure by the city, county, city and county, or project sponsor, of more than twenty-five thousand dollars (\$25,000) on planning-related activities for the project within one fiscal year, or fifty thousand dollars (\$50,000) in total, over multiple fiscal years.

(iii) Documentation dated on or before December 31, 2010, shall be provided indicating the intention to finance all or a portion of the project with the future issuance of long-term debt, or documentation showing that the issuance of long-term redevelopment agency debt was being planned on or before December 31, 2010.

(iv) Each construction contract over one hundred thousand dollars (\$100,000) shall include a provision that prevailing wage will be paid by the contractor and all of that contractor's subcontractors.

(v) For each construction contract over two hundred fifty thousand dollars (\$250,000), the successor agency shall require prospective contractors to submit a standardized questionnaire and financial statements as part of their bid package, to establish the contractor's financial ability and experience in performing large construction projects.

(B) Any city, county, or city and county that funded an eligible project, meeting the criteria listed in clauses (i) to (iii), inclusive, of subparagraph (A) with funds other than redevelopment funds, between June 28, 2011, and the effective date of the act adding this paragraph, shall be eligible to be reimbursed utilizing 2011 bond proceeds, if the project meets the purpose for which the bonds were issued.

(C) Any successor agency requesting the use of bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, in accordance with subparagraphs (A) and (B), shall place that request on its Recognized Obligation Payment Schedule. The successor agency shall place each project on a separate Recognized Obligation Payment Schedule line item. The successor agency shall detail in the resolution adopting the Recognized Obligation Payment Schedule how each project will meet the requirement in subparagraphs (A) and (B), and all documentation showing how

the project meets those criteria shall be attached to the resolution. The resolution adopting the Recognized Obligation Payment Schedule, including the supporting documentation, shall be forwarded to the Department of Finance for review and approval or denial. Pursuant to subdivision (h) of Section 34179, the Department of Finance may review and deny any action by the oversight board.

(4) If remaining bond proceeds derived from bonds issued on or before December 31, 2010, cannot be spent in a manner consistent with the bond covenants pursuant to paragraph (2), or if bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, cannot be used for projects that met the requirements in subparagraphs (A) and (B) of paragraph (3), the proceeds shall be used to defease all or a portion of the bonds or to purchase all or a portion of those same outstanding bonds on the open market for cancellation. If only a portion of the bonds proceeds will be used, the successor agency shall defease or purchase bonds for cancellation in a manner that maximizes fiscal savings.

SEC. 2.3. Section 34191.4 of the Health and Safety Code is amended to read:

34191.4. The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

(a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.5 unless that property is subject to the requirements of any existing enforceable obligation.

(b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements, contracts, or arrangements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be existing enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

(2) If the oversight board finds that the loan agreement, contract, or arrangement entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency is an existing enforceable obligation, the accumulated interest on the remaining principal amount of the loan shall be recalculated from the loan origination at the historic interest rate earned by funds deposited into the Local Agency Investment Fund at the time of the loan origination and adjusted quarterly over time. For purposes of this paragraph, the term “remaining principal amount” means the amount of principal calculated from the loan origination date and any increase thereto that remains unpaid as of the date of oversight board approval. After the interest on the remaining principal amount has been calculated, the loan shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the quarterly adjusted interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligation payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year, provided, however, that calculation of the amount distributed to taxing entities during the 2012–13 base year shall not include any amounts distributed to taxing entities pursuant to the due diligence review process established in Sections 34179.5 to 34179.8, inclusive. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.

(B) Repayments received by the city, county, or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment

agency for purposes of the Supplemental Educational Revenue Augmentation Fund and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.

(C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid.

(c) (1) Bond proceeds derived from bonds issued on or before June 28, 2011, shall be used for the purposes for which the bonds were sold.

(2) Notwithstanding Section 34177.3 or any other conflicting provision of law, bond proceeds derived from bonds issued on or before December 31, 2010, in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the original bond covenants. Enforceable obligations may be satisfied by the creation of reserves for projects that are the subject of the enforceable obligation and that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects. An expenditure made pursuant to this paragraph shall constitute the creation of excess bond proceeds obligations to be paid from the excess proceeds. Excess bond proceeds obligations shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

(3) (A) Bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, shall only be used for projects which meet the following criteria, as determined by a resolution issued by the oversight board:

(i) The project shall be consistent with the applicable regional sustainable communities strategy or alternative planning strategy adopted pursuant to Section 65080 of the Government Code that the State Air Resources Board has determined would, if implemented, achieve the greenhouse gas emission reduction targets established by the board or, if a sustainable communities strategy is not required for a region by law, a regional transportation plan that includes programs and policies to reduce greenhouse gas emissions.

(ii) Two or more significant planning or implementation actions shall have occurred on or before December 31, 2010. The term “significant planning and implementation actions” means any of the following:

(I) An action approved by the governing body of the city, county, city and county, the board of the former redevelopment agency, or the planning commission directly related to the planning or implementation of the project.

(II) The project is included within an approved city, county, city and county, or redevelopment agency planning document, including, but not limited to, a redevelopment agency five-year implementation plan, capital improvement plan, master plan, or other planning document.

(III) The expenditure by the city, county, city and county, or project sponsor, of more than twenty-five thousand dollars (\$25,000) on planning-related activities for the project within one fiscal year, or fifty thousand dollars (\$50,000) in total, over multiple fiscal years.

(iii) Documentation dated on or before December 31, 2010, shall be provided indicating the intention to finance all or a portion of the project with the future issuance of long-term debt, or documentation showing that the issuance of long-term redevelopment agency debt was being planned on or before December 31, 2010.

(iv) Each construction contract over one hundred thousand dollars (\$100,000) shall include a provision that prevailing wage will be paid by the contractor and all of that contractor’s subcontractors.

(v) For each construction contract over two hundred fifty thousand dollars (\$250,000), the successor agency shall require prospective contractors to submit a standardized questionnaire and financial statements as part of their bid package, to establish the contractor’s financial ability and experience in performing large construction projects.

(B) Any city, county, or city and county that funded an eligible project, meeting the criteria listed in clauses (i) to (iii), inclusive, of subparagraph (A) with funds other than redevelopment funds, between June 28, 2011, and the effective date of the act adding this paragraph, shall be eligible to be reimbursed utilizing 2011

bond proceeds, if the project meets the purpose for which the bonds were issued.

(C) Any successor agency requesting the use of bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, in accordance with subparagraphs (A) and (B), shall place that request on its Recognized Obligation Payment Schedule. The successor agency shall place each project on a separate Recognized Obligation Payment Schedule line item. The successor agency shall detail in the resolution adopting the Recognized Obligation Payment Schedule how each project will meet the requirement in subparagraphs (A) and (B), and all documentation showing how the project meets those criteria shall be attached to the resolution. The resolution adopting the Recognized Obligation Payment Schedule, including the supporting documentation, shall be forwarded to the Department of Finance for review and approval or denial. Pursuant to subdivision (h) of Section 34179, the Department of Finance may review and deny any action by the oversight board.

(4) If remaining bond proceeds derived from bonds issued on or before December 31, 2010, cannot be spent in a manner consistent with the bond covenants pursuant to paragraph (2), or if bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, cannot be used for projects that met the requirements in subparagraphs (A) and (B) of paragraph (3), the proceeds shall be used to defease all or a portion of the bonds or to purchase all or a portion of those same outstanding bonds on the open market for cancellation. If only a portion of the bonds proceeds will be used, the successor agency shall defease or purchase bonds for cancellation in a manner that maximizes fiscal savings.

SEC. 2.5. Section 34191.4 of the Health and Safety Code is amended to read:

34191.4. The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

(a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management

plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.5 unless that property is subject to the requirements of any existing enforceable obligation.

(b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loans made to a redevelopment agency by the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loans were for legitimate redevelopment purposes.

(2) If the oversight board finds that a loan is an enforceable obligation, the accumulated interest on the remaining principal balance of the loan shall be recalculated from origination using the interest rate earned by funds deposited into the Local Agency Investment Fund in effect on the date of loan origination, and as adjusted quarterly thereafter. The remaining principal balance of the loan and the accumulated interest shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund as the rate is adjusted on a quarterly basis. The annual loan repayments provided for in the recognized obligation payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year, provided, however, that calculation of the amount distributed to taxing entities during the 2012–13 base year shall not include any amounts distributed to taxing entities pursuant to the due diligence review process established in Sections 34179.5 to 34179.8, inclusive. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.

(B) Repayments received by the city, county, or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment agency for purposes of the Supplemental Educational Revenue Augmentation Fund and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.

(C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid.

(3) It is the intent of the Legislature that the amendments to this subdivision made by the act adding this paragraph be clarifying.

(c) (1) Bond proceeds derived from bonds issued on or before June 28, 2011, shall be used for the purposes for which the bonds were sold.

(2) Notwithstanding Section 34177.3 or any other conflicting provision of law, bond proceeds derived from bonds issued on or before December 31, 2010, in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the original bond covenants. Enforceable obligations may be satisfied by the creation of reserves for projects that are the subject of the enforceable obligation and that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects. An expenditure made pursuant to this paragraph shall constitute the creation of excess bond proceeds obligations to be paid from the excess proceeds. Excess bond proceeds obligations shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.

(3) (A) Bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, shall only be used for projects which meet the following criteria, as determined by a resolution issued by the oversight board:

(i) The project shall be consistent with the applicable regional sustainable communities strategy or alternative planning strategy adopted pursuant to Section 65080 of the Government Code that

the State Air Resources Board has determined would, if implemented, achieve the greenhouse gas emission reduction targets established by the board or, if a sustainable communities strategy is not required for a region by law, a regional transportation plan that includes programs and policies to reduce greenhouse gas emissions.

(ii) Two or more significant planning or implementation actions shall have occurred on or before December 31, 2010. The term “significant planning and implementation actions” means any of the following:

(I) An action approved by the governing body of the city, county, city and county, the board of the former redevelopment agency, or the planning commission directly related to the planning or implementation of the project.

(II) The project is included within an approved city, county, city and county, or redevelopment agency planning document, including, but not limited to, a redevelopment agency five-year implementation plan, capital improvement plan, master plan, or other planning document.

(III) The expenditure by the city, county, city and county, or project sponsor, of more than twenty-five thousand dollars (\$25,000) on planning related activities for the project within one fiscal year, or fifty thousand dollars (\$50,000) in total, over multiple fiscal years.

(iii) Documentation dated on or before December 31, 2010, shall be provided indicating the intention to finance all or a portion of the project with the future issuance of long-term debt, or documentation showing that the issuance of long-term redevelopment agency debt was being planned on or before December 31, 2010.

(iv) Each construction contract over one hundred thousand dollars (\$100,000) shall include a provision that prevailing wage will be paid by the contractor and all of that contractor’s subcontractors.

(v) For each construction contract over two hundred fifty thousand dollars (\$250,000), the successor agency shall require prospective contractors to submit a standardized questionnaire and financial statements as part of their bid package, to establish the contractor’s financial ability and experience in performing large construction projects.

(B) Any city, county, or city and county that funded an eligible project, meeting the criteria listed in clauses (i) to (iii), inclusive, of subparagraph (A) with funds other than redevelopment funds, between June 28, 2011, and the effective date of the act adding this paragraph, shall be eligible to be reimbursed utilizing 2011 bond proceeds, if the project meets the purpose for which the bonds were issued.

(C) Any successor agency requesting the use of bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, in accordance with subparagraphs (A) and (B), shall place that request on its Recognized Obligation Payment Schedule. The successor agency shall place each project on a separate Recognized Obligation Payment Schedule line item. The successor agency shall detail in the resolution adopting the Recognized Obligation Payment Schedule how each project will meet the requirement in subparagraphs (A) and (B), and all documentation showing how the project meets those criteria shall be attached to the resolution. The resolution adopting the Recognized Obligation Payment Schedule, including the supporting documentation, shall be forwarded to the Department of Finance for review and approval or denial. Pursuant to subdivision (h) of Section 34179, the Department of Finance may review and deny any action by the oversight board.

(4) If remaining bond proceeds derived from bonds issued on or before December 31, 2010, cannot be spent in a manner consistent with the bond covenants pursuant to paragraph (2), or if bond proceeds derived from bonds issued between January 1, 2011, and June 28, 2011, cannot be used for projects that met the requirements in subparagraphs (A) and (B) of paragraph (3), the proceeds shall be used to defease all or a portion of the bonds or to purchase all or a portion of those same outstanding bonds on the open market for cancellation. If only a portion of the bonds proceeds will be used, the successor agency shall defease or purchase bonds for cancellation in a manner that maximizes fiscal savings.

(d) Notwithstanding subdivision (b) of Section 34163, if a successor agency has received a finding of completion, the successor agency may enter into, or amend existing, contracts and agreements, or otherwise administer projects in connection with enforceable obligations approved pursuant to subdivision (m) of

Section 34177, including the substitution of private developer capital in a disposition and development agreement that has been deemed an enforceable obligation, if the contract, agreement, or project will not commit new property tax funds, and will not otherwise reduce property tax revenues or payments made pursuant to paragraph (4) of subdivision (a) of Section 34183 to the taxing agencies.

SEC. 3. (a) Section 2 of this bill shall become operative only if (1) this bill is enacted and becomes effective on or before January 1, 2015, (2) this bill amends Section 34191.4 of the Health and Safety Code, and (3) both Assembly Bill 1582 and Senate Bill 1129 are not enacted, or as enacted do not amend that section, in which case neither Section 2.3 nor 2.5 of this bill shall become operative.

(b) Section 2.3 of this bill incorporates amendments to Section 34191.4 of the Health and Safety Code proposed by both this bill and Assembly Bill 1582. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2015, (2) each bill amends Section 34191.4 of the Health and Safety Code, (3) Senate Bill 1129 is not enacted or as enacted does not amend that section, and (4) this bill is enacted after Assembly Bill 1582, in which case neither Section 2 nor Section 2.5 of this bill shall become operative.

(c) Section 2.5 of this bill incorporates amendments to Section 34191.4 of the Health and Safety Code proposed by both this bill and Senate Bill 1129. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2015, (2) each bill amends Section 34191.4 of the Health and Safety Code, and (3) this bill is enacted after Senate Bill 1129, in which case neither Section 2 nor Section 2.3 of this bill shall become operative.























Approved \_\_\_\_\_, 2014

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*Governor*