COUNTY OF LOS ANGELES

CHIEF EXECUTIVE OFFICE

APPENDICES

Oversight Board Training Manual

FOR APPOINTEES OF THE COUNTY OF LOS ANGELES

updated May 2, 2012

TABLE OF CONTENTS

BROWN ACT REQUIREMENTS

COUNTY COUNSEL GUIDE

TO

BROWN ACT REQUIREMENTS

JOHN F. KRATTLI
Acting County Counsel
JUDY W. WHITEHURST
Assistant County Counsel
BARBARA Y. GOUL
Principal Deputy County Counsel
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Telephone: (213) 974-1834

2012

FORWARD

The following is a brief outline on the key provisions of the Brown Act and how they apply to the Board of Supervisors and County commissions, committees, etc.

This is an overview and is not intended to be a comprehensive summary.

The Ralph M. Brown Act was enacted by the Legislature in 1953. Beginning at Government Code section 54950[1], it contains a myriad of detailed and technical requirements governing the conduct of meetings of local agencies[2], as well as the conduct of the governing officials of those agencies.

Although there have been some revisions throughout the years, two key provisions of the Brown Act have remained unchanged since its passage. The first is the intent section, which provides as follows:

> "In enacting this chapter, the Legislature finds and declares that public commissions, boards and councils and the other public agencies in this State exist to aid in the conduct of the people's business. It is the intent of the law that their actions be taken openly and that their deliberations be conducted openly.
>
> The people of this state do not yield their sovereignty to the agencies which serve them. The people, in delegating their authority, do not give their public servants the right to decide what is good for them to know. The people insist on remaining informed so that they may retain control over the instruments they have created." (Section 54950)

The second key provision of the Act is contained in section 54953:

> "All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter."

The main focus of the Brown Act is the public's right to attend and participate in the decision making process of local legislative bodies.

---

[1] All references to sections refer to the Government Code.

[2] The terms "legislative body, local agency, and body," are used throughout this summary to refer to government entities subject to the Brown Act.

I. APPLICABILITY OF THE ACT

Section 54952 sets forth a comprehensive definition of "legislative body" which includes commission, committee, board, or other body of a local agency, whether permanent or temporary, decision making or advisory, created by charter, ordinance, resolution, or formal action of a legislative body.

Advisory committees comprised solely of less than a quorum of the legislative body are not legislative bodies as long as they are not standing committees. (Section 54952(b)) Standing committees of the legislative body, despite their composition, which have continuing subject matter jurisdiction, or a meeting schedule fixed by charter, ordinance, resolution, or formal action of the legislative body, are legislative bodies for purposes of the Act. (Section 54952(b))

Sections 54952.2(c)(4) and (6) provide for non-compliance by a Brown Act legislative body to attend a Brown Act meeting of another local agency provided that business within the subject matter jurisdiction of the attending body is not discussed. In addition, the majority of a legislative body may attend a Brown Act meeting of one of its standing committees, provided that they do not participate in the meeting unless they are members of that standing committee.

II. WHAT IS A MEETING?

If official business is discussed, any gathering of a quorum, no matter how informal, is a "meeting" subject to the requirements of the Brown Act. (61 Ops.Atty.Gen. 220 (1978).)

The Brown Act does not apply to:

A) individual contacts between a member and any other person that do not violate section 54952.2(b) (Section 54952.2(c)(1));

B) attendance by the majority at a conference or similar gathering open to the public that involves a discussion of issues of general interest, provided a majority of the members do not discuss business of a specified nature that is within the subject matter jurisdiction of the local agency (Section 54952.2(c)(2));

C) attendance by a majority at an open and publicized meeting organized to address a topic of local community concern by a person or organization other than the local agency, provided a majority of the members do not discuss business of a specified nature that is within the subject matter jurisdiction of the local agency (Section 54952.2(c)(3));

D) attendance by a majority at an open and noticed meeting of another body of the local agency, or at an open and noticed meeting of another legislative body of another local agency, provided that a majority do not discuss among themselves, other than as part of the scheduled meeting, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency (Section 54952.2(c)(4));

E) attendance by a majority at a purely social or ceremonial occasion, provided a majority of the members do not discuss business of a specified nature that is within the subject matter jurisdiction of the local agency (Section 54952.2(c)(5)); and

F) attendance by a majority at an open and noticed meeting of a standing committee of that body, provided that the members of the legislative body who are not members of the standing committee attend only as observers (Section 54952.2(c)(6)).

III. AGENDA REQUIREMENTS

Regular Meetings:

At least 72 hours before a regular meeting, the legislative body, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description is defined to generally not exceed twenty words. The agenda shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to members of the public.

In general, no action can be taken if the item is not listed on the agenda.

One exception is made upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as required. (Section 54954.2(b)(2))[3]

Action may also be taken on an item not listed in the agenda if a determination is made, by a majority vote, that an "emergency situation" exists. (Section 54954.2(b)(1)). "Emergency situation" is defined narrowly as either a work stoppage or other activity which severely impairs the public health or safety, or a crippling disaster which severely impairs public health or safety. (Section 54956.5)

[3] For our Board, if 5 members are present, two-thirds vote is 4; if 4 members are present, two-thirds vote is 3; and if 3 members are present, a unanimous vote is required.

Each legislative body shall provide, by ordinance, resolution, bylaws, or by whatever other rule is required, for the conduct of business of that body, and the time and place for holding regular meetings. This requirement does not apply to advisory and standing committees. (Section 54954)

Meetings of advisory committees or standing committees, for which an agenda is posted at least 72 hours in advance of the meeting, shall be considered as regular meetings of those bodies. (Section 54954)

Special Meetings:

A special meeting may be called at any time by the presiding officer of the legislative body, or by a majority of the members of the legislative body, by delivering personally or by any other means, written notice to each member of the legislative body and to each local newspaper of general circulation and radio or television station requesting notice in writing.

The notice shall be received at least 24 hours before the meeting and shall specify the time and place, and the business to be transacted or discussed. No other business shall be considered by the legislative body.

The written notice may be dispensed with as to any member who at, or prior to the time that the meeting convenes, files with the clerk or secretary of the legislative body a written waiver of the notice. The waiver may be given by telegram. The written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes.

Notice shall be required pursuant to the section, regardless of whether any action is taken at the special meeting. The call and notice shall be posted at least 24 hours prior to the special meeting, in a location that is freely accessible to members of the public. (Section 54956)

Emergency Meetings

There are two definitions of emergency situations which can result in the necessity for a legislative body to hold an emergency meeting.

Emergency situations are defined as either a work stoppage, crippling activity, or other activity that severely impairs public health, safety, or both, as determined by a majority of the members of the legislative body.

Dire emergency situations are defined as a crippling disaster, mass destruction, terrorist act, or threatened terrorist act that poses immediate and significant peril as determined by a majority of the members of the legislative body.

In both situations, the legislative body may hold an emergency meeting without complying with either the 24 hour notice or posting requirements. Instead, notice shall be given by telephone and each local newspaper of general circulation and radio or

television station which has requested notice of special meetings must be telephonically notified by the presiding officer of the legislative body one hour prior to the emergency meeting, or in the case of a dire emergency meeting, at or near the time of the emergency meeting, notice shall be given.

All telephone numbers provided in the most recent request of such newspaper or station for notification of special meetings must be exhausted. In the event that telephone services are not functioning, the notice requirements are waived and the legislative body or designee of the legislative body must notify those newspapers, radio and television stations, as soon as possible after the meeting, of the purpose of the meeting and any action taken

During an emergency meeting, the legislative body may meet in closed session if agreed to by two-thirds vote of the members of the legislative body present, or, if less than two-thirds of the members are present, by unanimous vote. In addition, with the exception of the 24 hour notice requirement, all of the requirements of special meetings must apply to emergency meetings. (Section 54956.5)

Regular & Special Meetings:

Any person may request a copy of the agenda, or a copy of all documents constituting the agenda packet of any meeting of the legislative body. Upon receipt of the written request, the legislative body or its designee shall mail the materials at the time the agenda is posted or upon distribution to the legislative body, whichever occurs first. Any request for mailed copies of agendas shall be valid for the calendar year in which it is filed, and must be renewed the following January 1 of each year. The legislative body may establish a fee that does not exceed the cost of providing the service.

Failure of the requesting person to receive the agenda pursuant to this section, shall not constitute grounds for invalidation of the actions of the legislative body taken at the meeting for which the agenda was not received. (Section 54954.1)

Supporting Documentation

All disclosable writings related to an agenda item that are distributed to a majority of the members of the legislative body must be made available to the public upon request without delay. (Section 54957.5(a))

If these writings are distributed to a majority of the members of the legislative body less than 72 hours before the meeting (i.e. after the agenda is posted), they must be made available for public inspection at a public office or location designated by the local agency. (Section 54957.5(b)(1)) The address of the designated office or location must be listed on the agenda. (Section 54957.5(b)(2))

If these writings are distributed to a majority of the members of the legislative body during the meeting, they must be made available for public inspection at the meeting if prepared by the local agency or a member of the legislative body, or after the meeting if prepared by another person. (Section 54957.5(c))

Compliance with ADA

The agenda and all disclosable writings related to an agenda item which are distributed to a majority of the members of the legislative body must be made available in appropriate alternate formats upon request by a person with a disability, as required by the Americans with Disabilities Act of 1990. (Sections 54954.2(a)(1) and 54957.5(c))

The agenda must include information regarding how, to whom, and when a request for disability related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting. (Section 54954.2(a)(1))

IV. TELECONFERENCING PERMITTED

All meetings of the legislative body shall be open and public, and all persons shall be permitted to attend any meeting, except as otherwise provided. Notwithstanding any other provision of law, the legislative body may use teleconferencing for the benefit of the public in connection with any meeting.

Teleconferencing may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. All votes taken during the teleconference meeting shall be by roll call. If the legislative body elects to use teleconferencing equipment, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body.

Each teleconference location shall be identified in the agenda and shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction. The agenda shall provide an opportunity for members of the public to address the legislative body directly at each location. (Section 54953.)

V. WHAT IS ACTION TAKEN?

"Action taken" means a collective decision made by a majority of the members of a legislative body, a collective commitment or promise by a majority of the members of a legislative body to make a positive or negative decision, or an actual vote by a majority of the members of a legislative body when sitting as a body, upon a motion, proposal, resolution, order or ordinance. (Section 54952.6)

Many items are discussed when no action is taken. However, if discussion has proceeded to a point where a general consensus by a majority of the members has been reached, a court could conclude that action has been taken, even though a formal vote is put off to a later date.[4]

VI. KNOWINGLY TAKING ACTION IN VIOLATION OF THE ACT MAY BE A CRIME

Each member of a legislative body who attends a meeting of that legislative body where action is taken in violation of any provision of the Act, with wrongful intent to deprive the public of information to which it is entitled under this chapter, is guilty of a misdemeanor. (Section 54959)

Examples of conduct which could constitute a violation are:

(1) taking action on an item in closed session when an open meeting is required;

(2) taking action on an item not listed on the agenda; and

(3) taking action at a meeting held without notice.

The standard for criminal culpability in terms of a mental state is "wrongful intent" to deprive the public of information to which it is entitled to, pursuant to the Brown Act.This is a very difficult standard to prove and there are no reported cases involving criminal liability.

VII. PUBLIC COMMENT

Every agenda for regular meetings must include an opportunity for members of the public to address the legislative body on any item of interest to the public, before or during the legislative body's consideration of the item.

In addition, every notice for a special meeting at which action is proposed to be taken on an item shall provide an opportunity to members of the public to address the legislative body concerning that item prior to action on that item. (Section 54954.3)

VIII. PUBLIC'S RIGHTS WHILE ATTENDING A MEETING

In order to attend a public meeting of a legislative body, a member of the public shall not be required to register his or her name, to complete a questionnaire, or otherwise to fulfill any condition in order to attend the meeting. (Section 54953.3)

[4] Pursuant to Section 54952.2(b), the sending of e-mails would be the "use of … technological devices, therefore, a majority of the board members of the legislative body may not e-mail each other to develop a collective concurrence as to action to be taken by the body.

If an attendance list or similar document is posted or circulated, it must clearly state that signing or completing it is voluntary.

In the absence of a reasonable finding by the legislative body that the recording would constitute a disruption of the proceeding, any member of the public has a right to record the proceeding with an audio, videotape recorder or motion picture camera. (Section 54953.5)

IX. CLOSED SESSIONS

Agenda items may be discussed in closed session under certain limited circumstances. The four exceptions are:

(1) litigation - to discuss actual or the threat of litigation involving the local agency (section 54956.9);

(2) personnel - to discuss matters posing a threat to the security of public buildings or a threat to the public's right of access to public services or facilities, to consider the appointment, employment, performance evaluation, discipline, or dismissal of a public employee, or to hear complaints or charges brought against the employee, unless the employee requests a public session (section 54957);

(3) real estate negotiations - to discuss the purchase, sale, exchange or lease of real property by or for the local agency (section 54956.8); and

(4) labor negotiations - to discuss with designated representatives the salaries, salary schedules, or compensation paid in the form of fringe benefits for represented and unrepresented employees (section 54957.6).

The legislative body shall describe the closed session item on the agenda and state the section that authorizes the closed session. (Section 54954.5) The local agency must disclose the name(s) of its real property negotiators prior to discussing the purchase, sale, exchange or lease of real property. This requirement also applies to disclosing the name(s) of designated representatives regarding labor negotiators. (Section 54954.5)

While still in open session, the local agency, must identify the negotiators, the real property and the persons with whom the negotiators may negotiate. Negotiators may be members of the local agency. (Section 54956.8)

The local agency must also identify its designated representatives, to discuss the salary, salary schedules, or fringe benefits of its represented and unrepresented employees, (Section 54957.6)

Prior to adjournment, the body must reconvene in open session and publicly report any action taken in closed session. (Section 54957.1)

Disclosure of confidential information that is acquired during closed session is prohibited unless the legislative body authorizes such disclosure. Confidential information is defined as a communication made in closed session that is specifically related to the basis for the legislative body to lawfully meet in closed session.

X. CIVIL REMEDIES AND ENFORCEMENT

A civil action can be commenced to stop or prevent violations or threatened violations of the Act. (Section 54960)

As a condition precedent to bringing the lawsuit, a demand of the legislative body to cure or correct the action must be made within 30 days from the date the alleged violation occurred. (Section 54960.1)

A civil action can then be filed against the legislative body. Any action taken in violation of the open meeting requirement, the agenda posting requirements or the special meeting requirements, can be declared null and void by the court. (Section 54960.1)

If a court determines that the Brown Act was violated, court costs and reasonable attorney fees may be awarded to the complaining party. (Section 54960.5)

ROPS SAMPLE TEMPLATE

Instructions for Recognized Obligation Payment Schedule (ROPS)

General Instructions:

There are four forms: RPTTF - Redevelopment Property Tax Trust Fund; Other - for items funded from other sources, including bond proceeds, reserves, and other including the Low and Moderate Income Housing Fund (where an agency has encumbered balances). There are also forms for the Administrative Allowance and Pass through payments.

Only the January through June 2012 ROPS might include expenditures for pass-through payments. Starting with the July through December 2012 ROPS, per HSC section 34183 (a) (1), the county auditor controller will make the required pass-through payments prior to transferring money into the successor agency's Redevelopment Obligation Retirement Fund for items listed in an oversight board approved ROPS. Therefore, starting with the July 2012 ROPS, pass through payments do not need to identified.

The totals from the Other, Admin Allowance and Pass thru pages are linked to the RPTTF to calculate the grand total at the bottom of that form.

Although not required, an agency may be interested in completing one set of forms for each of its project areas.

Specific Instructions by Column Heading:

Column Name	Description and Examples	Clarifications
Project Name / Debt Obligation	Names of projects associated with the enforceable obligation payment, which include the following:	Refer to ABX1 26, §34167(d) for the definition of an enforceable obligation. Please note: for each listed item, supporting documentation is not required to be provided in the ROPS, however, it is advisable to maintain such documentation and it may be requested by DOF.
	Bonds: Includes debt service, reserve set-asides and any other payments related to the repayment of bonds, notes, interim certificates, debentures, or other obligations. Examples include tax allocation bonds, revenue bonds, certificates of participation (COPs), and California Infrastructure and Economic Development Bank (IBANK) bonds. Other payments related to bonds could include fiscal agent fees, letter of credit bank fees, continuing disclosure fees, etc.	Includes bonds as defined by H&S Code §33602 and issued pursuant to Government Code §5838. On the form, bond payments may be grouped together, however, it is recommended that non-housing and housing bond payments be entered under separate project names. Also, please separate reserve set-asides from other payments related to the repayment of bonds.
	Loans or Moneys Borrowed by Agency: Includes loans or moneys borrowed for legal purposes. Examples include loans from the LMIHF and *certain* loans from the sponsoring entity—i.e. the city, county, or city and county that created the agency. Other examples include repayment of loans from other public agencies, such as CalHFA, HUD Section 108.	This schedule should include all sponsoring entity - Agency loan agreements. Note: Sponsoring Entity -Agency loan agreements are only enforceable if entered into the first two years of the agency's existence or if they were for the sole purpose of securing, or repaying indebtedness obligations written prior to December 31, 2010.
	Payments: required by the federal and state governments or in connection with agency employees.	Includes payments such as salaries, pension payments, pension obligation debt service, and unemployment payments. Does not include pass-through payments.
	Judgments and settlements.	Includes payments related to court or other binding decisions.
	Legally binding and enforceable agreements or contracts: Includes all obligations of agency not listed above, both housing and non-housing. Please note: report all regardless of source of funding, such as those that will be funded with bond or other debt proceeds. Examples include obligations such as construction contracts, Disposition and Development Agreements (DDAs), Owner Participation Agreements (OPAs), pre-development loans, Community Facilities District (CFD) reimbursements, rental subsidies, and professional services contracts. Also includes agreements pledging future receipt of tax increment to other entities, such as a matching grant or promissory note.	Per ABX1 26, §34167.(d)(5), includes any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, as noted above, pursuant to ABX1 26, §34171.(d)(2), the definition of enforceable obligations to be paid by a Successor Agency does not include any agreements, contracts, or arrangements between the sponsoring entity and the agency, except for two specific categories of loans as defined in the legislation. Please note: list all other sponsoring entity and agency agreements in the Other Obligations" section of this ROPS Form. Please also note: discuss with your legal counsel whether an agreement such as an Exclusive Negotiation Agreement (ENA) should be listed as an enforceable obligation under §34167 and §34169 Enforceable Obligations, or included in the "Other Obligations Payment Schedule" portion of this form. For DDAs or OPAs, please provide a breakdown of the various projects and corresponding expenditures associated with each DDA/OPA project.
	Contracts or agreements necessary for continued administration or operation of agency such as, but not limited to, office space rent, equipment, supplies, insurance, and services.	Per ABX1 26, §34167.(d)(5), includes contracts or agreements necessary for continued administration or operation of the agency including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to §33127 and for carrying insurance pursuant to §33134.
Payee	Recipient of debt or obligation payments.	Include name of public agency, entity or other organization to receive payment.
Description	Description of the nature of the work, product, service, facility or other thing [sic] of value for which payment is to be made.	
Project Area	List the name of the former redevelopment project area from which the payment was required	
Total Outstanding Debt or Obligation	Total remaining debt or obligation, including principal and interest, as applicable.	Although this amount is not required by §34169, it may be prudent to include the total amount for purposes of preparing the Recognized Obligation Payment Schedule (ROPS) or SOI. Please note: estimate for the remaining term of obligation. The SOI is a good source for this data.
Total Due During Fiscal Year	Total payments (including principal and interest) for the entire fiscal year, including months which may have already passed. For bonds, include all payments due from the fiscal year's tax increment, even if actually paid outside of the close of the fiscal year.	While not required to be included on the Schedule, this column is included to help with monthly payment calculations for those payments that are budgeted on an annual basis, rather than on a monthly basis.
Funding Source	List the funding source from which the obligation is to be made	Sources include the Redevelopment Property Tax Trust Fund; Other, including Bond Proceeds, LMIHF, and Other (rents, interest, reserves, etc.) and the Administrative Allowance
Payments by Month	Estimate payments by month for applicable period.. Please note: payments that have to be made in the month prior to their due date should be listed in the month preceding the actual debt service payment due date. For bonds, separate out payments that are required for reserves necessary to meet the entire fiscal year's indebtedness obligations. These additional payments can be shown in June with a footnote as to when the actual payments are due.	Notations should be made in cases where an agency is estimating the amount to be paid in any given month.

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - CONSOLIDATED
FILED FOR THE _____ to _____ PERIOD

Name of Successor Agency _____

	Current	
	Total Outstanding Debt or Obligation	**Total Due During Fiscal Year**
Outstanding Debt or Obligation	**$ -**	$ -
	Total Due for Six Month Period	
Outstanding Debt or Obligation	**$ -**	
Available Revenues other than anticipated funding from RPTTF	**$ -**	
Enforceable Obligations paid with RPTTF	**$ -**	
Administrative Cost paid with RPTTF	**$ -**	
Pass-through Payments paid with RPTTF	**$ -**	
Administrative Allowance (greater of 5% of anticipated Funding from RPTTF or 250,000. Note: Calculation should not include pass-through payments made with RPTTF. The RPTTF Administrative Cost figure above should not exceed this Administrative Cost Allowance figure)	**$ -**	

Certification of Oversight Board Chairman:
Pursuant to Section 34177(l) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized Enforceable Payment Schedule for the above named agency.

Name Title

Signature Date

Name of Redevelopment Agency: _____

Project Area(s) RDA Project Area All

FORM A - Redevelopment Property Tax Trust Fund (RPTTF)

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	*** Funding Source	Payable from the Redevelopment Property Tax Trust Fund (RPTTF) Payments by month Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)															$ -
2)															$ -
3)															$ -
4)															$ -
5)															$ -
6)															$ -
7)															$ -
8)															$ -
9)															$ -
10)															$ -
11)															$ -
12)															$ -
13)															$ -
14)															$ -
15)															$ -
16)															$ -
17)															$ -
18)															$ -
19)															$ -
20)															$ -
21)															$ -
22)															$ -
23)															$ -
24)															$ -
25)															$ -
26)															$ -
27)															$ -
28)															$ -
29)															$ -
30)															$ -
31)															$ -
32)															$ -
	Totals - This Page (RPTTF Funding)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Totals - Page 2 (Other Funding)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Totals - Page 3 (Administrative Cost Allowance)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Totals - Page 4 (Pass Thru Payments)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Grand total - All Pages					$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -

*** The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board before the final ROPS is submitted to the State Controller and State Department of Finance by April 15, 2012. It is not a requirement that the Agreed Upon Procedures Audit be completed before submitting the final Oversight Approved ROPS to the State Controller and State Department of Finance.**

**** All totals due during fiscal year and payment amounts are projected.**

***** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)**

RPTTF - Redevelopment Property Tax Trust Fund **Bonds - Bond proceeds** **Other - reserves, rents, interest earnings, etc**

LMIHF - Low and Moderate Income Housing Fund **Admin - Successor Agency Administrative Allowance**

Name of Redevelopment Agency:

Project Area(s) RDA Project Area All

FORM B - All Revenue Sources Other Than Redevelopment Property Tax Trust Fund (RPTTF)

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source ***	Payable from Other Revenue Sources Payments by month Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)															$ -
2)															$ -
3)															$ -
4)															$ -
5)															$ -
6)															$ -
7)															$ -
8)															$ -
9)															$ -
10)															$ -
11)															$ -
12)															$ -
13)															$ -
14)															$ -
15)															$ -
16)															$ -
17)															$ -
18)															$ -
19)															$ -
20)															$ -
21)															$ -
22)															$ -
23)															$ -
24)															$ -
25)															$ -
26)															$ -
27)															$ -
28)															$ -
29)															$ -
30)															$ -
31)															$ -
32)															$ -
33)															$ -
	Totals - LMIHF														$0.00
	Totals - Bond Proceeds														$0.00
	Totals - Other														$0.00
	Grand total - This Page					$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -

*** The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board before the final ROPS is submitted to the State Controller and State Department of Finance by April 15, 2012. It is not a requirement that the Agreed Upon Procedures Audit be completed before submitting the final Oversight Approved ROPS to the State Controller and State Department of Finance.**

**** All total due during fiscal year and payment amounts are projected.**

***** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)**

RPTTF - Redevelopment Property Tax Trust Fund **Bonds - Bond proceeds** **Other - reserves, rents, interest earnings, etc**

LMIHF - Low and Moderate Income Housing Fund **Admin - Successor Agency Administrative Allowance**

Name of Redevelopment Agency: _____

Project Area(s) RDA Project Area All

FORM C - Administrative Cost Allowance Paid With Redevelopment Property Tax Trust Fund (RPTTF)

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source **	Payable from the Administrative Allowance Allocation **** Payments by month						
								Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)							RPTTF							$ -
2)							RPTTF							$ -
3)							RPTTF							$ -
4)							RPTTF							$ -
5)														$ -
6)														$ -
7)														$ -
8)														$ -
9)														$ -
10)														$ -
11)														$ -
12)														$ -
13)														$ -
14)														$ -
15)														$ -
16)														$ -
17)														$ -
18)														$ -
19)														$ -
20)														$ -
21)														$ -
22)														$ -
23)														$ -
24)														$ -
25)														$ -
26)														$ -
27)														$ -
28)														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
	Totals - This Page				**$ -**	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$0.00**

*** The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board before the final ROPS is submitted to the State Controller and State Department of Finance by April 15, 2012. It is not a requirement that the Agreed Upon Procedures Audit be completed before submitting the final Oversight Approved ROPS to the State Controller and State Department of Finance.**

**** All total due during fiscal year and payment amounts are projected.**

***** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)**

RPTTF - Redevelopment Property Tax Trust Fund **Bonds - Bond proceeds** **Other - reserves, rents, interest earnings, etc**

LMIHF - Low and Moderate Income Housing Fund **Admin - Successor Agency Administrative Allowance**

****** - Administrative Cost Allowance caps are 5% of Form A 6-month totals in 2011-12 and 3% of Form A 6-month totals in 2012-13. The calculation should not factor in pass through payments paid for with RPTTF in Form D.**

Name of Redevelopment Agency: _____

FORM D - Pass-Through Payments

Project Area(s) RDA Project Area All

OTHER OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Source of Fund***	Pass Through and Other Payments **** Payments by month						
								Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)														$ -
2)														$ -
3)														$ -
4)														$ -
5)														$ -
6)														$ -
7)														$ -
8)														$ -
9)														$ -
10)														$ -
11)														$ -
12)														$ -
13)														$ -
14)														$ -
15)														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
														$ -
	Totals - Other Obligations				**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

*** The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board before the final ROPS is submitted to the State Controller and State Department of Finance by April 15, 2012. It is not a requirement that the Agreed Upon Procedures Audit be completed before submitting the final Oversight Approved ROPS to the State Controller and State Department of Finance.**

**** All total due during fiscal year and payment amounts are projected.**

***** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)**

RPTTF - Redevelopment Property Tax Trust Fund **Bonds - Bond proceeds** **Other - reserves, rents, interest earnings, etc**

LMIHF - Low and Moderate Income Housing Fund **Admin - Successor Agency Administrative Allowance**

****** - Only the January through June 2012 ROPS should include expenditures for pass-through payments. Starting with the July through December 2012 ROPS, per HSC section 34183 (a) (1), the county auditor controller will make the required pass-through payments prior to transferring money into the successor agency's Redevelopment Obligation Retirement Fund for items listed in an oversight board approved ROPS.**

LAO REPORT: UNWINDING REDEVELOPMENT

Mac Taylor
Legislative Analyst

February 17, 2012

The 2012-13 Budget:

Unwinding Redevelopment







EXECUTIVE SUMMARY

On February 1, 2012, all redevelopment agencies in California were dissolved and the process for unwinding their financial affairs began. Given the scope of these agencies' funds, assets, and financial obligations, the unwinding process will take time. Prior to their dissolution, redevelopment agencies (RDAs) received over $5 billion in property tax revenues annually and had tens of billions of dollars of outstanding bonds, contracts, and loans.

This report reviews the history of RDAs, the events that led to their dissolution, and the process communities are using to resolve their financial obligations. Over time, as these obligations are paid off, schools and other local agencies will receive the property tax revenues formerly distributed to RDAs.

The report discusses these major findings:

- Although ending redevelopment was not the Legislature's objective, the state had few practical alternatives.
- Ending redevelopment changes the distribution of property tax revenues among local agencies, but not the amount of tax revenues raised.
- Decisions about redevelopment replacement programs merit careful review.
- The decentralized process for unwinding redevelopment promotes a needed local debate over the use of the property tax.
- Key state and local choices will drive the state fiscal effect.

The report recommends the Legislature amend the redevelopment dissolution legislation to address timing issues, clarify the treatment of pass-through payments, and address key concerns of redevelopment bond investors.

HISTORY OF REDEVELOPMENT IN CALIFORNIA

Californians pay over $45 billion in property taxes annually. County auditors distribute these revenues to local agencies—schools, community colleges, counties, cities, and special districts—pursuant to state law. Property tax revenues typically represent the largest source of local general purpose revenues for these local agencies.

In 1945, the Legislature authorized local agencies to create RDAs. Several years later, as shown in Figure 1 (see next page), voters approved a redevelopment financing program referred to as "tax increment financing." Under this process, a city or county could declare an area to be blighted and in need of urban renewal. After this declaration, most of the growth in property tax revenue from the "project area" was distributed to the city or county's RDA as "tax increment revenues" instead of being distributed as general purpose revenues to other local agencies serving the area. Under law, tax increment revenues could be used only to address urban blight in the community that established the RDA.

During Its Early Years, Redevelopment Was a Small Program

During the 1950s and 1960s, few communities established redevelopment project areas and most project areas were small—typically 10 acres (about six square city blocks) to 100 acres (an area about one-fifth of a square mile). The small size of the early project areas reflected, in part, competing community interests in property tax revenues, particularly from school and community college districts that otherwise would receive about half of any growth in property tax revenues. (Under the state school financing system of the time, the state did not backfill K-14 districts if some of their property tax revenues were redirected to RDAs.) Community interest in education and other local programs, therefore, served as a fiscal check on redevelopment expansion.

The limited size of redevelopment project areas during this period also reflected the fiscal authority local governments had to raise funds from other sources to pay for local priorities. During this era, for example, the State Constitution allowed local governments to raise property and other tax rates upon a vote of their governing body and without local voter approval. Cities and counties also had wide authority to impose fees and assessments.

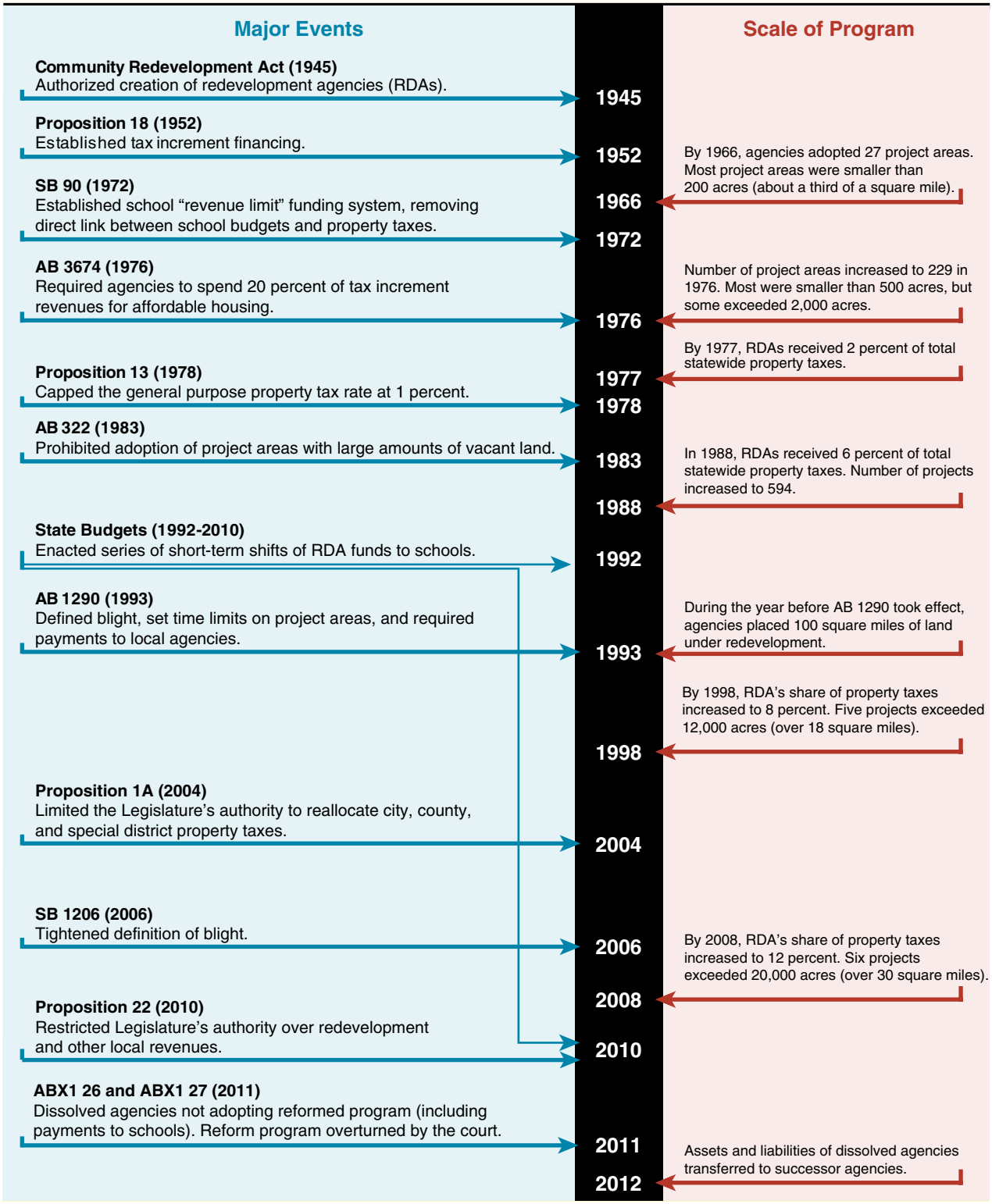
Use of Redevelopment Expanded After SB 90 and Proposition 13

After its modest beginnings, use of redevelopment expanded significantly in the 1970s and 1980s due to two major state policy changes. First, passage of Chapter 1406, Statutes of 1972 (SB 90, Dills) created a system of school "revenue limits," whereby the state guarantees each school district an overall level of funding from local property taxes and state resources combined. Thus, if a district's local property tax revenues do not grow—due to redevelopment or for other reasons—the state provides additional state funds to ensure that the district has sufficient funds to meet its revenue limit. Second, Proposition 13 in 1978 (and later Proposition 218 in 1996) significantly constrained local authority over the property tax and most other local revenues sources. These measures did not, however, reduce local authority over redevelopment.

With fewer fiscal checks and less revenue authority, cities (joined by a small number of counties) no longer limited their project areas to small sections of communities, but often adopted projects spanning hundreds or thousands of acres and frequently including large tracts of vacant land. Some jurisdictions placed farmland

Figure 1

History of Redevelopment



under redevelopment. At least two cities placed all privately owned land in the city under redevelopment.

Legislature Took Steps to Constrain Redevelopment

Over time, the expanded use of redevelopment led to these agencies receiving an increasing share of property taxes collected under the 1 percent rate. This, in turn, spawned concern that redevelopment—a program established as a tool to address defined pockets of urban blight—was decreasing funds needed for other local programs and increasing state costs to support K-14 education.

Beginning in the 1980s and increasingly through 2011, state lawmakers took actions to constrain local governments' use of redevelopment, including tightening the definition of blight, imposing timelines on project areas, and prohibiting new projects on bare land. Concerned that RDAs were not using their authority to develop affordable housing, the Legislature enacted laws strengthening the statutory requirement that RDAs spend 20 percent of their tax increment revenues developing housing for low and moderate income households. The Legislature also began restricting the amount of "pass-through" payments RDAs provided other local agencies in the hope that these other local agencies might provide more active oversight. (Two nearby boxes provide information on a major reform measure enacted in 1993 and pass-through payments [see next page].)

Because most of these new statutory restrictions applied only to new redevelopment project areas and existing projects could last for

Redevelopment Reform: AB 1290

Sponsored by the statewide redevelopment association, Chapter 942, Statutes of 1993 (AB 1290, Isenberg), sought to address long-standing concerns about the misuse of redevelopment and to refocus the program on eradicating urban blight.

This measure:

- Defined a "blighted" area as one that is predominately urbanized and where certain problems are so substantial that they constitute a serious physical and economic burden to a community that cannot be reversed by private or government actions, absent redevelopment.
- Replaced the process whereby local agencies and redevelopment agencies (RDAs) negotiated the amount of pass-through revenues on a case-by-case basis with a statutory formula for sharing tax increment revenues.
- Limited RDA ability to provide subsidies and assistance to auto dealerships, large volume retailers, and other sales tax generators.

One year after AB 1290 took effect, this office reviewed the new project areas adopted pursuant to the law. We found no evidence that redevelopment projects established in 1994 were smaller in size or more focused on eliminating urban blight than project areas adopted in earlier years. (This 1994 report, *Redevelopment After Reform: A Preliminary Look*, is available on our office's website: www.lao.ca.gov.)

over 50 years, many redevelopment projects were not affected substantially by the changes. The RDAs also continued to find ways of establishing large new project areas despite the increasingly narrow statutory definitions of blight and developed land.

By 2009-10, RDAs were receiving over $5 billion in property taxes annually—a redirection of 12 percent of property tax revenues from general purpose local government use for redevelopment purposes. The state's costs to backfill K-14 districts for the property taxes redirected to redevelopment exceeded $2 billion annually.

Budget Acts Shifted Funds From Redevelopment

Beginning in the 1990s, the state began taking actions in its annual state budget to require RDAs to shift some of their revenues to schools to offset the state's increased costs associated with redevelopment. The shifted funds typically were deposited into countywide accounts referred to as ERAF (Educational Revenue Augmentation Fund) or SERAF (Supplemental Educational Revenue Augmentation Fund). These state budgetary actions occurred nine times between 1992 and 2011.

Concerned about the magnitude and frequency of these budget shifts, redevelopment advocates (along with groups interested in transportation and other elements of local finance) sponsored Proposition 22. Among other things, this initiative measure (approved by the state's voters in November 2010), limits the Legislature's authority over redevelopment and prohibits the state from enacting new laws that require RDAs to shift funds to schools or other agencies.

Pass-Through Payments

Many redevelopment agencies (RDAs) made "pass-through payments" to local agencies to partly offset these agencies' property tax losses associated with redevelopment. State laws regulating these payments changed over the years.

Pre-1994 Law Allowed Amount of Payments to Be Negotiated. Before 1994, the terms of pass-through payments were negotiated between the RDA and a local agency. Most negotiations occurred between a city RDA and the county and special districts. (The K-14 districts typically were not active in these negotiations—in part because, after 1972, the state backfilled them for any property tax losses.) Pass-through agreements sometimes were negotiated as part of a settlement of a dispute over the legality of a proposed project area. Occasionally, RDAs agreed to provide 100 percent pass-through payments to the county and special districts, meaning that these agencies received their entire share of the property tax in pass-through payments. In these cases, the only property tax revenue that the RDA retained was the K-14 districts' and city's share.

Assembly Bill 1290 Replaced Negotiated Agreements With a Schedule of Payments. Seeking to encourage greater local oversight of RDA activities while still requiring RDAs to mitigate their fiscal effects on other local agencies, Chapter 942, Statutes of 1993 (AB 1290, Isenberg) eliminated RDA authority to negotiate pass-through payments and established a statutory formula for pass-through payment amounts. In contrast to the earlier negotiated agreements, post-1993 pass-through payments are distributed to all local agencies and the amount each agency receives is based on its proportionate share of the 1 percent property tax rate in the project area.

REDEVELOPMENT IN 2011

Governor's Budget Proposed Ending Redevelopment

Citing a need to preserve public resources that support core government programs, the Governor's 2011-12 budget proposed dissolving RDAs. Under the Governor's plan, property taxes that otherwise would have been allocated to RDAs in 2011-12 would be used to (1) pay existing redevelopment debts (such as bonds an agency sold to finance a retail or housing development), (2) make pass-through payments to other local governments, and (3) offset $1.7 billion of state General Funds costs. Any remaining redevelopment funds would be allocated to the other local agencies that serve the former project area, with the allocations based largely on each agency's share of property tax revenues in the project area.

In subsequent years under the Governor's plan, all remaining redevelopment funds (after payment of redevelopment debts and pass-throughs) would be allocated to local agencies based on their property tax shares, except that some funds were redirected from special districts to counties. The Governor's plan further specified that, beginning in 2012-13, the additional K-14 property tax revenues would be provided to schools to supplement any funds they would have received under the state's Proposition 98 guarantee.

Legislature Rejected Governor's Proposal

The administration's 2011 proposal—SB 77 (Committee on Budget and Fiscal Review) and AB 101 (J. Pérez)—launched a major debate within the Legislature regarding the role of redevelopment and the importance and costs of the program. Because the Governor's proposal distributed redevelopment property tax revenues in a manner that differed somewhat from existing property tax allocation laws (that is, it paid pass-through payments and shifted some special district property taxes to counties), the measures to implement it required approval by a two-thirds vote of the Legislature pursuant to the provisions of Proposition 1A (2004).

In March, SB 77 failed by one vote in the Assembly to secure the two-thirds vote it required to pass. Assembly Bill 101 was not taken up on the floor of the Senate. After March, legislative debate regarding redevelopment focused on proposals that (1) allowed RDAs to continue, albeit with modifications and with ongoing funding provided to schools, and (2) followed the existing statutory formulas related to property tax allocations, thereby avoiding Proposition 1A's two-thirds vote requirement.

Measures Enacted to Reform or End Redevelopment

In June 2011, the Legislature approved and the Governor signed two pieces of legislation:

- Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield), imposed an immediate freeze on RDA authority to engage in most of their previous functions, including incurring new debt, making loans or grants, entering into new contracts or amending existing contracts, acquiring or disposing of assets, or altering redevelopment plans. The bill also dissolved RDAs, effective October 1, 2011 and created a process for winding down redevelopment financial affairs and distributing any net funds from assets or property taxes to other local taxing agencies.

- Chapter 6, Statutes of 2011 (ABX1 27, Blumenfield) allowed RDAs to opt into a voluntary alternative program to avoid

the dissolution included in ABX1 26. The program included annual payments to K-12 districts ($1.7 billion in 2011-12 and about $400 million in future years) to offset the fiscal effect of redevelopment.

Recognizing the considerable legal uncertainties pertaining to both measures, the Legislature specified its policy preferences in the legislation. Specifically, if any major element of ABX1 27 (such as the required payments to schools) was determined to be unconstitutional, ABX1 27 specified that all of its provisions would be null and void. In addition, ABX1 26 specified that if ABX1 27 were rendered inoperative, this would have no effect on the provisions of ABX1 26. Thus, if the redevelopment reform measure were overturned, all RDAs would be subject to the dissolution provisions in ABX1 26.

One-Time State Fiscal Relief; Long-Term Funding for Schools

The budget assumed that the increased school funding from these two bills would raise $1.7 billion in 2011-12 (with most of the funds related to payments made by RDAs opting into the ABX1 27 program and a smaller amount resulting from increased school property taxes resulting from ABX1 26). Legislation adopted in March 2011 related to education directed the Department of Finance (DOF) to adjust the Proposition 98 calculations so that these increased funds would offset 2011-12 state General Fund spending obligations for schools. In 2012-13 and future years, ABX1 26 and ABX1 27 were estimated to generate a lower sum for K-12 school districts, potentially about $400 million initially. The March 2011 education bill directed DOF *not* to adjust the Proposition 98 calculations to reflect these increased funds in 2012-13 and later. As a result, going forward, any funds that K-12 districts received from ABX1 26 and ABX1 27 would be in addition to amounts required under Proposition 98.

RDAs Expedited Activities

During the legislative debate over redevelopment, many RDAs took actions to transfer or encumber assets and future tax increment revenues in case the Governor's proposal, or something similar, was enacted.

Rush to Issue Debt. Tax allocation bonds, which pledge future tax increment revenues to make principal and interest payments, are RDAs' primary borrowing mechanism. In the first six months of 2011, RDAs issued about $1.5 billion in tax allocation bonds, a level of debt issuance greater than during all 12 months of 2010 ($1.3 billion). The increase in bond issuance from 2010 to 2011 was even more notable because it occurred despite RDAs being required to pay higher borrowing costs. Specifically, about two-thirds of the bond issuances in 2011 had interest rates greater than 7 percent—compared with less than one-quarter of bond issuances in 2010. In fact, RDAs issued more tax allocation bonds with interest rates exceeding 8 percent during the first six months of 2011 than they had in the previous ten years.

Rush to Transfer Assets. Many RDAs also took actions to transfer redevelopment assets—land, buildings, parking facilities—to other local agencies, typically the city or county that created the RDA. One common approach was for the RDA and city council to hold a joint hearing in which the RDA transferred (and the city accepted) ownership of all RDA property and interests. After one city council called a special meeting in March to approve such a transfer, the mayor was reported in newspapers as saying, "We have no funds now in our redevelopment coffers that can be taken." In addition to transferring existing assets, many RDAs entered into "cooperation agreements" with their city, county, or another local agency. Under these agreements, the city, county, or other local agency would carry out existing and future redevelopment projects. Local agency staff and

officials assumed that—if the Governor's proposal were enacted—the cooperation agreements would be an enforceable contract, requiring the allocation of future tax increment revenues as payment for performing the agreement. For example, the RDA of the City of San Bernardino entered into a project funding agreement that pledged $525 million in future tax increment revenue to a local non-profit corporation. The corporation—controlled by local elected officials including the mayor and two city council members—was given the responsibility of carrying out a list of projects from the RDA's capital improvement plan. Local cooperation agreements typically were not arm's length transactions, but rather, were between closely related governmental bodies with no third party involved.

Court Found Redevelopment Reform Measure Unconstitutional

Within three weeks of the Governor signing the redevelopment legislation, the California Redevelopment Association (CRA) and the League of California Cities filed petitions with the California Supreme Court challenging ABX1 26 and ABX1 27 on constitutional grounds. The CRA/League's argument focused on sections of the Constitution (1) establishing a special fund for tax increment revenues (Article XVI, Section 16, added by Proposition 18 of 1952) and (2) restricting the Legislature's authority to shift funds from RDAs (Article XIII, Section 25.5, added by Proposition 22).

On December 29, 2011, the court upheld ABX1 26, saying that the Legislature had authority to dissolve entities that it created and that neither Article XVI, Section 16 (the tax increment financing provision), nor Article XIII, Section 25.5 (Proposition 22) limited the Legislature's power to dissolve RDAs.

In reviewing ABX1 27, in contrast, the court found the measure unconstitutional because it required RDAs to make payments to schools as a condition of these agencies' continuation. The court found this violated Proposition 22's prohibition against the state "directly or indirectly" requiring an RDA to transfer funds to schools or to any other agency. Finally, in order to address the delays associated with litigation and an earlier court stay, the court extended a variety of dates and deadlines in ABX1 26 by four months, including the date RDAs were required to shut down.

THE UNWINDING PROCESS

The Supreme Court's ruling meant all RDAs were subject to ABX1 26 and set in motion the process laid out in ABX1 26 for shutting down and disbursing their assets. The process focuses on two goals: (1) ensuring existing financial obligations are honored and paid and (2) minimizing any additional RDA obligations so that more funds are available to transfer for other governmental purposes.

The dissolution process contains four key elements:

- ***Local Management and Oversight.*** In most cases, the city or county that created the agency is managing its dissolution as its successor agency. An oversight board, with representatives from the affected local taxing agencies—K-14 districts, the county, the city, and special districts—supervises the successor agency's work. (We describe the work of the successor agency and oversight board further below.) All financial transactions associated with

redevelopment dissolution are handled by the successor agency and the county auditor-controller.

- ***List of Future Redevelopment Expenditures.*** Various local parties are tasked with developing and reviewing lists of redevelopment "enforceable obligations." This term includes payments for redevelopment bonds and loans with required repayment terms, but typically excludes payments for projects not currently under contract. Only those financial obligations included on these lists may be paid with revenues of the former RDA. The first list of redevelopment obligations is called the Enforceable Obligation Payment Schedule (EOPS); later versions of this list are called the Recognized Obligation Payment Schedule (ROPS). Each ROPS is forward looking for six months. Most local agency cooperation agreements may be included on the EOPS, but not the ROPS.

- ***Local Distribution of Funds.*** Funds that formerly would have been distributed to the RDA as tax increment are deposited into a redevelopment trust fund and used to pay obligations listed on the EOPS/ROPS. Any remaining funds in the trust fund—plus any unencumbered redevelopment cash and funds from asset sales—are distributed to the local agencies in the project area.

- ***State Review.*** Actions of local oversight boards are subject to review by DOF. Actions by the county auditor-controller are subject to review by the State Controller's Office (SCO). The SCO also reviews redevelopment asset transfers completed during the first half of 2011 to determine whether any of them were improper and should be reversed.

Below, we provide more information about the responsibilities of the state and local entities that play a role in winding down redevelopment.

Final Actions of the RDA and Its City or County

Before its dissolution, a key responsibility of an RDA was preparing an EOPS delineating the payments it must make through December 31, 2011. Assembly Bill X1 26 required the agency to post the EOPS to its website and to transmit copies to DOF, SCO, and its county auditor-controller by late August 2011. Under ABX1 26, payments or actions of an RDA pursuant to its EOPS do not take effect for three business days. During this time, DOF is authorized to request a review of the RDA action and DOF has ten days to approve the action or return it to the RDA for reconsideration.

In part due to confusion regarding a partial stay of ABX1 26 while the State Supreme Court reviewed this legislation, this initial oversight function was not implemented fully. The DOF advises us that many EOPS were delayed and that about two dozen of the state's approximately 400 agencies still have not provided an EOPS. Very few of these payment schedules were reviewed in detail by DOF and, in those cases in which it raised concerns, the department is uncertain whether local agencies corrected their EOPS.

Successor Agency

Unless it voted not to, each city or county that created an RDA became its successor agency on February 1, 2012. The successor agency manages redevelopment projects currently underway, makes payments identified on the EOPS (and later, the ROPS), and disposes of redevelopment assets and properties as directed by the oversight board. A separate agency (discussed later in the report) manages the RDA's housing assets. The work of

the successor agency is funded from the former tax increment revenues. (A nearby box discusses the limitations on the agency's administrative spending.) The agency's liability for any legal claims is limited to the funds and assets it receives to perform its functions.

Decision Whether to Serve as Successor Agency. Based on information available at this time, it appears that all cities and counties with RDAs became successor agencies with the exception of the Cities of Bishop, Los Angeles, Los Banos, Merced, Pismo Beach, Riverbank, and Santa Paula. In hearings to discuss this matter, local elected representatives and staff typically indicated that they thought that serving as a successor agency would put their community in a better position to advocate for continuing their projects and maintaining redevelopment properties. Cities electing not to serve as successor agencies, however, voiced offsetting concerns related to (1) the limitation on funds to pay successor agency administration expenses and (2) potential liabilities associated with terminated projects.

When a City or County Elects Not to Serve as a Successor Agency. Figure 2 (see next page) summarizes how a successor agency is designated in cases when a local agency that created an RDA declines the role. In the case of the City of Los Angeles and the cities in Merced, Ventura, and Stanislaus Counties, no other local agency in the county agreed to serve as their successor agency and the Governor appointed county residents to serve on three-member governing boards of the "designated local authorities." Each authority will serve as the successor agency until a local agency elects to serve in this capacity.

Develops Key Document: ROPS. The successor agency is responsible for drafting a ROPS delineating the enforceable obligations payable through June 30, 2012 and their source of payment, and then additional ROPS every six months thereafter. There are two major differences between the ROPS and the earlier EOPS. First, ROPS are subject to the approval of an oversight board (see next page) and certification by the county auditor-controller. Second, most debts owed to a city or county that created the RDA are no longer considered to be enforceable obligations and thus may not be listed on the ROPS. This includes most of the cooperation agreements established in 2011 and many other types of financial obligations between an RDA and the government that created it.

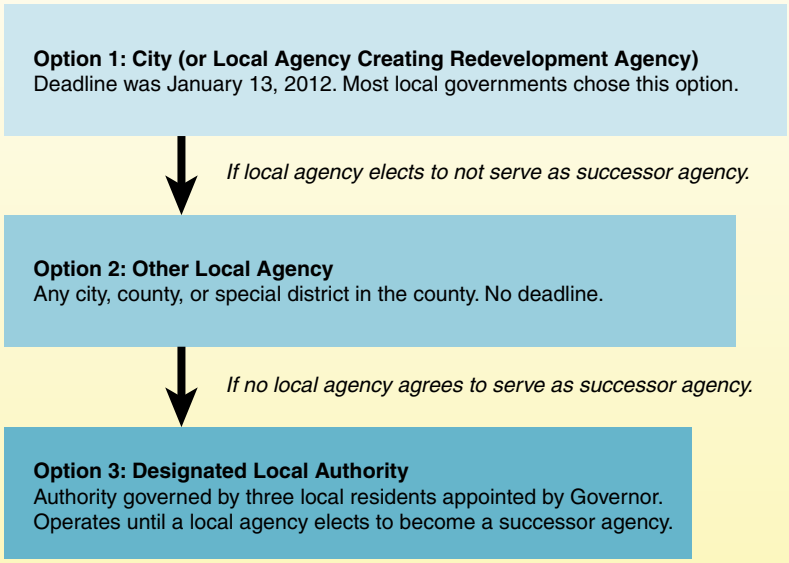
Frequently, RDA-city or RDA-county financial agreements were established for the purpose of reducing the sponsoring government's costs or increasing its revenues. For example, many RDAs paid a significant share of their sponsoring local government's administrative costs (such as part of the salaries for the city council and city manager). Doing so freed up city or county funds so that they

Successor Agency Administration Costs

Subject to the approval of the oversight board, Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield) specifies that successor agencies may spend $250,000 or up to 5 percent of the former tax increment revenues for administrative expenses in 2011-12 and $250,000 or up to 3 percent in future years. The county auditor-controller may reduce these amounts, however, if there are insufficient funds to pay enforceable obligations and the administrative costs of the county auditor-controller and State Controller. Funds for successor agency administration may be supplemented with money from other revenue sources, such as funds reserved for project administration.

Figure 2

Successor Agency Formation



could be used for other purposes. Some RDAs also lent money to their city or county without charging interest on the loans, allowing the city or county to invest the funds and keep the earnings. Other sponsoring governments charged their RDAs above market interest rates for loans, thereby allowing the city or county to benefit from unusually high interest earnings. Under ABX1 26, many of these obligations would not be eligible to be placed on the ROPS.

Oversight Board

Each successor agency has an oversight board that supervises it. The oversight board is comprised of representatives of the local agencies that serve the redevelopment project area: the city, county, special districts, and K-14 educational agencies. Oversight board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area. As discussed in a nearby box, the seven-member board is designed so that no local agency has dominant control.

Oversight Board Will Make Major Decisions. Assembly Bill X1 26 gives the oversight board considerable authority over the former RDA's financial affairs. In addition to approving the successor agency's administrative budget, the oversight board adopts the ROPS—the central document that identifies the financial obligations of the former RDA that the successor agency may pay over the next six months.

The oversight board may determine that a contract between the dissolved RDA and others should be terminated or renegotiated to increase property tax revenues to the affected local agencies. For example, the oversight board may cancel subsequent stages of a project if it finds that early termination would be in the best interest of the local agencies. Similarly, it may (1) direct the successor agency to dispose of assets and properties of the former RDA or transfer them to a local government and (2) terminate existing agreements that do not qualify as enforceable obligations.

Actions of an oversight board do not go into effect for three business days. During this time, DOF may request a review of the oversight board's action. The DOF, in turn, has ten days to approve the oversight board's action or return it to the oversight board for reconsideration.

Successor Housing Agency

Under ABX1 26, the former RDA's housing functions and most of its housing assets are transferred to a successor housing agency. Housing assets that transfer to the successor housing agency include property, rental payments, bond proceeds, lines of credit, certain loan repayments, and other small revenue sources. The unencumbered balance in the former RDA's Low and Moderate Income Housing Fund, however, does not transfer to the successor housing agency. Assembly Bill X1 26 directs the county auditor-controller to distribute the unencumbered balance in the housing fund as property tax proceeds to the affected local taxing entities. (The box on the next page provides more information on the Low and Moderate Income Housing Fund.)

Local Agencies Select Oversight Board Members

Most oversight boards are made up of the following:

- Two members appointed by the county board of supervisors, including one member representing the public.
- Two members appointed by the mayor, including one member representing the recognized employee organization with the largest number of former redevelopment agency (RDA) employees.
- One member appointed by the largest special district, by property tax share, within the boundaries of the dissolved RDA.
- One member appointed by the county superintendent of education or county board of education.
- One member appointed by the Chancellor of the California Community Colleges.

The Governor may appoint a representative for any position that has not been filled as of May 15, 2012. The oversight board may begin working as soon as it has a four-member quorum.

Board Member Compensation. Oversight board members do not receive compensation or reimbursement for expenses. No oversight board member may serve on more than five oversight boards simultaneously.

Open Government Requirement. The oversight board is a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974. Members are responsible for giving the public access to its hearings and deliberations, disclosing any private economic interests, and disqualifying themselves from participating in decisions in which they have a financial interest.

Future Consolidation of Oversight Boards. All oversight boards within a county are consolidated by July 1, 2016. The membership on the consolidated oversight board is similar to the membership of the initial oversight board, except that the city and special district members are appointed by countywide selection committees.

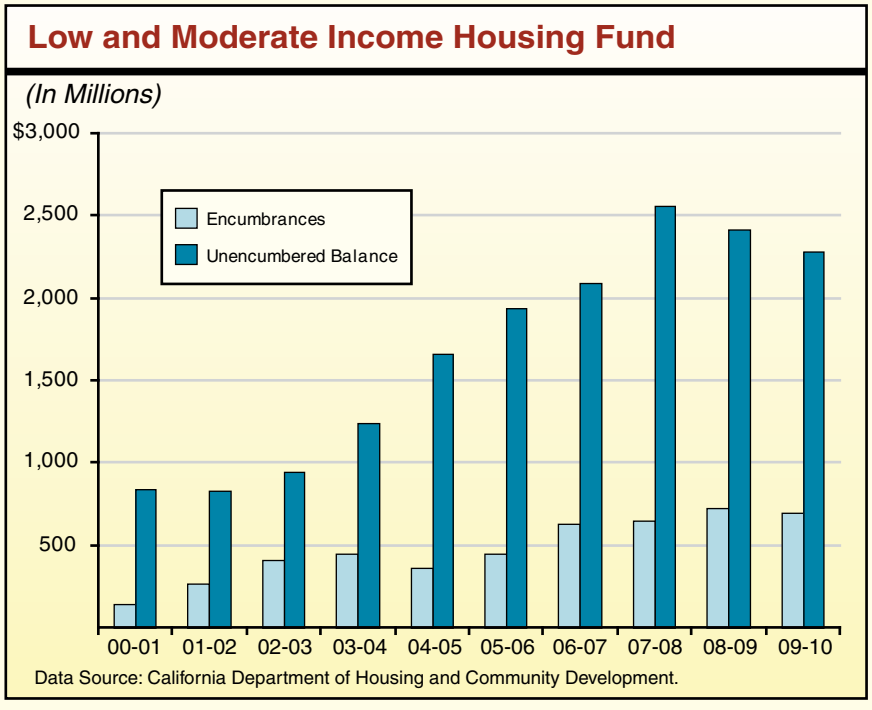
As shown in Figure 3, the sponsoring city or county may elect to become the successor housing entity. If the sponsoring community declines this role, then the former redevelopment agency's housing functions and assets are transferred to the local housing authority, or to the state Department

The Low and Moderate Income Housing Fund

Prior to their dissolution, state law required redevelopment agencies (RDAs) to deposit 20 percent of their annual tax increment revenues into the Low and Moderate Income Housing Fund to provide affordable housing. These housing funds were intended to maintain and increase affordable housing by acquiring property, rehabilitating or constructing buildings, providing subsidies for low- and moderate-income households, or preserving public subsidized housing units at risk of conversion to market rates.

For a variety of reasons, some RDAs retained large balances in their housing fund. As shown in the figure, RDAs' annual reports to the Department of Housing and Community Development (HCD) show that the unencumbered balances have grown over time to $2.2 billion in 2009-10. We would note, however, that there is some uncertainty about this figure. Redevelopment agencies provide a separate annual report to the State Controller's Office (SCO) that showed an unencumbered balance in the housing fund of about $1.3 billion. This difference occurs because HCD and SCO have separate criteria for distinguishing between encumbered and unencumbered funds. Also, the reports reflect balances for the 2009-10 fiscal year, balances that likely have changed. Some agencies may have accumulated additional balances, while others made large expenditures or transfers for affordable housing purposes or to shield assets from the proposed dissolution process.

Under Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield), the unencumbered balance is distributed as local property tax revenue. (The Legislature recently considered legislation that would require unencumbered balances in the housing fund to remain with the successor housing agency for affordable housing activities.) Based on the HCD and SCO reports, the unencumbered balance available for distribution likely is between $1 billion and $2 billon, but the actual balance will depend upon the spending of former RDAs since 2009-10 as well as how successor agencies and oversight boards distinguish between encumbered and unencumbered balances.



of Housing and Community Development if no local housing authority exists. Although ABX1 26 does not specify when sponsoring communities must elect to serve as the successor housing agency, it appears that most cities and counties elected to serve as the successor housing agency at the same time they considered becoming the successor agency. Unlike the successor agency, the successor housing agency's actions related to transferred redevelopment assets are not subject to the review of the oversight board or DOF.

County Auditor-Controller

The county auditor-controller administers each former RDA's Redevelopment Property Tax Trust Fund ("trust fund"). Revenues equal to the amounts that would have been allocated as tax increment are placed into the trust fund for servicing the former RDA's debt obligations, making pass-through payments, and paying certain administrative costs. The auditor then distributes any trust funds not needed for these purposes—as well as any remaining redevelopment cash balances and the proceeds of asset sales—to the local governments in the area as property taxes.

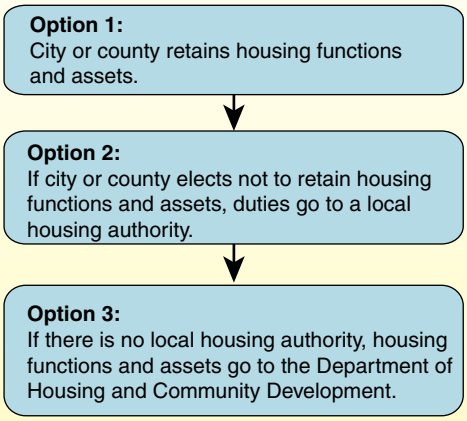
The auditor also is responsible for certifying the successor agency's draft ROPS and auditing each dissolved RDA's assets and liabilities. Assembly Bill X1 26 authorizes county auditor-controllers to recoup their administrative costs associated with these requirements from the trust fund.

State Controller

Assembly Bill X1 26 assigns the SCO responsibility for recouping redevelopment assets inappropriately transferred during the first half of 2011. Specifically, SCO is directed to determine whether the RDA transferred an asset to the city or county that created it (or to another public agency). If the asset has not been contractually committed to a third party, "the Controller shall order the available asset to be returned" to the successor agency. Under this authority, for example, the Controller could order the return of land or buildings transferred from RDA ownership to city ownership during the first half of 2011. For example, many RDAs during 2011 transferred all of their buildings and land to the city. The SCO could order the city to return these assets.

Figure 3

Options for Creating a Successor Housing Agency



The SCO also plays an oversight role with regard to activities of the county auditor-controller that is similar to the role DOF plays in regard to the oversight board. Specifically, actions of a county auditor-controller do not take effect for three business days. During this time, the SCO may request a review of the county auditor-controller's action. The SCO has ten days to approve the county auditor-controller's action or return it to the auditor-controller for reconsideration.

Assembly Bill X1 26 specifies that SCO may recoup its costs related to these activities from tax increment revenues that previously would have been allocated to the RDA.

REDISTRIBUTING REDEVELOPMENT FUNDS

Over time, the dissolution of RDAs will increase the amount of general purpose property tax revenues that schools, community colleges, cities, counties, and special districts receive by more than $5 billion annually. In the near term, however, there is uncertainty regarding the amount of property tax revenues that will be available, which local governments will receive the revenues, and the extent to which these increased funds will offset state General Fund education expenses.

This section begins with an example showing—for one fictional RDA—how the county auditor-controller would (1) determine the amount of redevelopment trust funds to distribute to affected taxing agencies and (2) how much additional property taxes each agency would receive. The section then examines these questions from a statewide perspective.

Example: Determining the Amount of Funds to Be Distributed

As shown in Figure 4, the county auditor-controller determined that the former RDA would have received $5 million in tax increment. The RDA had an agreement to pay other local governments $1 million in pass-through payments. The ROPS—prepared by the successor agency and approved by the oversight board—indicates that the former RDA had $20 million in bonded indebtedness and other enforceable obligations, $700,000 of which is due and payable from tax increment.

The successor agency's administrative costs total $250,000 and its cost for reimbursing the county auditor-controller and SCO for their work related to ABX1 26 totals $50,000. The successor agency reports that the dissolved RDA had assets of $200,000 in unencumbered cash (available for distribution immediately) and some land holdings (that will be sold over time).

In the example, the county auditor-controller would have a net of $3 million of residual trust funds and $200,000 in cash to distribute to the local agencies serving the redevelopment project area. This process for calculating the trust fund amount would continue every six months as long as the former RDA has enforceable obligations. After all of the enforceable obligations are paid, the project area will be closed and the property taxes formerly considered tax increment will be distributed to local agencies. These agencies also will receive funds from the liquidation of assets of the former RDA.

What if Trust Fund Costs Are Greater Than Revenues? In the example, there is $3 million to distribute because revenues deposited into the trust fund are greater than its expenses. What would happen if expenses exceeded revenues? In general, this should not

Figure 4

Example: Funds to Distribute

(In Thousands)

Trust Fund	
Property taxes formerly called tax increment	$5,000
Pass-through payments	-1,000
Enforceable obligations payable that year	-700
Successor agency administration	-250
County auditor-controller and State Controller administration	-50
Trust Funds to Distribute	**$3,000**
Cash and Assets	
Unencumbered agency cash	$200
Total Funds to Distribute	**$3,200**

be the case because ABX1 26 eliminates a major redevelopment expense—the requirement to set aside 20 percent of tax increment revenues for affordable housing. In addition, the maximum allowable expenditure for successor agency administration is lower than the amount most RDAs spent from tax increment on administration in previous years.

Given these two cost reductions, most trust funds likely will have ample resources to pay their enforceable obligations and administrative costs for the county auditor-controller and SCO. Should the trust fund's resources be insufficient, however, ABX1 26 directs the county auditor-controller to reduce the successor agency's funding for administration and, if necessary, reduce funding for some pass-through payments. (Some pass-through payments—those that must be paid *before* debt obligations—would not be reduced.) Assembly Bill X1 26 also specifies that the county treasurer may loan funds from the county treasury to ensure prompt payment of enforceable obligations.

Example: Allocating Redevelopment Residual Funds

In our example, $3.2 million is available for distribution to the other local agencies. Assembly Bill X1 26 directs the county auditor-controller to allocate the $200,000 to local agencies proportionately based on each agency's tax shares in the project area. In our fictional example, K-14 districts receive 50 percent of the property tax, counties receive 25 percent, cities receive 15 percent, and special districts receive 10 percent. Figure 5 displays how the $200,000 in cash would be distributed among local agencies.

Assembly Bill X1 26 is less clear, however, about the distribution of the $3 million of residual trust funds. The administration and some counties interpret the measure's provisions as requiring these funds to be distributed the same way that cash and funds from redevelopment asset sales are distributed: by tax shares.

In our view, however, the stronger interpretation is that these funds are distributed in a way that takes into account the payments each local agency received from pass-through payments (which, in our example, total $1 million). That is, the $3 million is distributed in a way that ensures that no agency receives more from the trust fund and pass-through payments *combined* than it would have if funds from both sources ($4 million) were distributed based on tax shares.

Our understanding is that this unusual section of the legislation was drafted in an effort to avoid reallocating property taxes and thus requiring approval by two-thirds of the Legislature under Proposition 1A. While technical in nature, this matter has significant implications for the distribution of revenues—particularly for schools and cities (which receive fairly low pass-through payments) and counties and special districts (which receive comparatively high pass-through payments).

Figure 6 (see next page) illustrates the fiscal effect of "netting out" pass-through payments. In our example, the county and special districts received pass-through payments of $750,000 and $250,000, respectively. If these payments are *excluded* from the calculation of distribution from

Figure 5

Example: Distribution of Funds From Cash and Assets

(In Thousands)

	Tax Share	Cash and Assets
K-14 districts	50%	$100
County	25	50
City	15	30
Special districts	10	20
Totals	**100%**	**$200**

the trust fund, counties and special districts receive $750,000 and $300,000, respectively, from the trust fund. Conversely, if these payments are *included* in the distribution of the $3 million of trust funds, the county and special district's distribution falls to $250,000 and $150,000, respectively, and the school's and city's distribution increases. In certain cases, it is possible that the county or special district might receive *lower* total funds under ABX1 26 than it did previously. This would be the case in our fictional RDA, for example, if there were only $1 million of trust funds to distribute. In that case, the county would get 25 percent (its property tax share) of $2 million ($1 million of trust fund revenues and $1 million of pass-through revenues), or $500,000. Using the same approach, the special district would receive 10 percent of $2 million, or $200,000. In effect, some of the funds that otherwise would have been distributed as pass-through payments to the county and special districts are instead distributed to other local agencies. Over time, however, as the enforceable obligations are paid off, trust fund distributions will increase for all local governments.

A nearby box provides additional information about this provision of ABX1 26.

Statewide Redevelopment Funds Available for Redistribution

Statewide, the amount of residual trust funds available to distribute to local governments will depend on the outcome of calculations—similar to Figure 4—undertaken for each former RDA in the state. These calculations will reflect the unique financial obligations, revenues, and assets of each RDA.

As shown in Figure 7, the administration estimates that $1.8 billion of trust funds will be distributed to local governments annually in 2011-12 and 2012-13. While this estimate is subject to considerable uncertainty, it may be high because the administration understates some significant costs.

- ***Understates Costs to Pay Enforceable Obligations.*** The administration's estimate assumes enforceable obligations will be paid over 20 years at a 4.6 percent interest rate. Our review of enforceable obligations indicates that some are short-term contracts and loans and others are bonds issued years ago. Amortizing all these obligations over 20 years understates their costs in the near term. We also note that the average interest rate on redevelopment bonds is higher than 4.6 percent. If we adjust the estimate to assume that these debts are paid over 15 years at a 5.6 percent interest rate (the average rate for bonds issued between 2006 and 2010), annual debt costs would increase by $600 million and local governments' distributions would fall by the same amount.

Figure 6

Example: Alternative Calculations for Distributing Redevelopment Trust Fund

(In Thousands)

	Treatment of Pass-Through Payments					
	Excluded			Included		
	Pass-Through	Trust Fund	Totals	Pass-Through	Trust Fund	Totals
K-14 districts	—	$1,500	$1,500	—	$2,000	$2,000
County	$750	750	1,500	$750	250	1,000
City	—	450	450	—	600	600
Special districts	250	300	550	250	150	400
Totals	**$1,000**	**$3,000**	**$4,000**	**$1,000**	**$3,000**	**$4,000**

- ***Assumes a Full Year of Implementation in Current Year.*** The administration's estimate of 2011-12 savings assumes that RDAs reduced their spending in the first half of the fiscal year. While ABX1 26 prohibited RDAs from paying during this time any obligation not listed on their EOPS, the EOPS that we reviewed appeared to authorize spending that was the same—or higher—than RDA spending in previous years. In addition, county auditor-controllers transferred half of total annual tax increment to RDAs in December or early January and

Figure 7

Governor's Estimate of Funds Available for Distribution

(In Billions)

Trust Fund	2011-12	2012-13
Property taxes formerly called tax increment	$5.4	$5.4
Pass-through payments	-1.2	-1.2
Enforceable obligations payable during year	-2.4	-2.4
Successor agency administration	—	—
County auditor-controller and State Controller administration	—	—
Trust Funds to Distribute	**$1.8**	**$1.8**
Cash and Assets		
Unencumbered agency cash	—	—
Total Funds to Distribute	**$1.8**	**$1.8**

The Pass-Through Netting Out Provision

What Is the Purpose? Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield), allocates the property tax revenues of former redevelopment agencies (RDAs) to K-14 districts, cities, counties, and special districts. Proposition 1A (2004) requires a two-thirds vote of the Legislature whenever it passes a law that alters the share of property tax revenues that cities, counties, and special districts receive.

Our understanding is that ABX1 26, a measure approved by a majority vote of the Legislature, took the approach of allocating all former tax increment funds (except funds pledged to enforceable obligations or required for administration) in a manner that was consistent with the state's existing property tax allocation laws. Under this approach, therefore, agencies that received a higher share of pass-through agreement funds would receive lower allocations from the trust fund.

Why Does Netting Out Affect Some Local Agencies More Than Others? Nearly two-thirds of all pass-through payments stem from pre-1994 negotiations between RDAs and local agencies. For various reasons, counties and special districts were particularly active in this negotiation process. As a result, counties and special districts receive about two-thirds of all pass-through payments. This share of pass-through payments is almost double the share that counties and special districts would receive if pass-through payments were distributed based on tax shares.

Because counties and special districts get a disproportionately large share of pass-through payments, they would get less money from trust fund distributions if these pass-through payments were included in the trust fund calculations. The K-14 districts and cities, in contrast, would get a higher share of redevelopment trust fund distributions.

did not reserve funds for deposit to the redevelopment trust fund. Due to these factors, the full fiscal effect of ABX1 26 may not begin until 2012-13. If we adjust the administration's estimate to reflect the half-year implementation of ABX1 26 in the current year, local governments' distributions would fall by at least several hundred millions of dollars.

- ***Overlooks Administrative Costs.*** Three parties may fund their dissolution-related administrative costs from property tax revenues that previously were tax increment: the successor agency, the county auditor-controller, and the SCO. While not known, these costs could be in the range of $200 million to $300 million in 2011-12 and 2012-13 and would reduce the funding distributions to local governments.

- ***Assumes Cooperation Agreements Are Not Paid.*** The administration's debt cost estimate implicitly assumes that the adopted ROPS will not include cooperation agreements and other non-arm's length transactions between an RDA and its city or county government. Many successor agencies, however, are listing these agreements on their draft ROPS and the statewide redevelopment association is encouraging them to do so to safeguard their right to "challenge the invalidation of these agreements." Under ABX1 26, the oversight boards can remove these costs from a ROPS before adopting it. In addition, DOF has authority over oversight board actions. We note, however, that (1) the court-revised schedule provides little time for the oversight board or DOF to complete the analyses needed to determine whether debts are appropriate for the ROPS and (2) DOF has limited staff working on dissolution matters and oversight boards have no independent staff. Given these factors, it is possible that some adopted ROPS will show higher costs than the administration estimates, reducing the amount of trust fund revenues that will be distributed to local governments in 2011-12 by potentially hundreds of millions of dollars. (This problem could be corrected going forward by removing inappropriate debts from the next adopted ROPS.)

Other elements of the administration's estimate, however, could result in gains that could more than offset the costs identified above. Specifically:

- The administration's estimate does not account for distributions of unencumbered cash transferred from the successor agency. This is notable because many RDAs were planning to participate in the revised redevelopment program authorized by ABX1 27 and reserved significant funds to make the required payments ($1.7 billion) to schools.

- The administration's estimate also does not account for distributions of other redevelopment assets, including the assets that were transferred during the first half of 2011 that the SCO may order returned to the successor agency and the up to $2 billion of unencumbered funds in the affordable housing account. (As mentioned earlier, however, legislation to eliminate the distribution of housing funds is pending in the Legislature.)

- Finally, the administration's estimate does not adjust the distribution of trust funds to account for netting out pass-through

payments. While this factor does not affect the administration's estimate of total funds to be distributed, it would provide more funds for K-14 districts and cities and, conversely, less to counties and special districts.

On balance, we think the administration's estimate of the amount of funds to be distributed to local governments in 2011-12 and 2012-13 could be low, possibly by hundreds of millions of dollars. We note, however, that this assessment assumes that the unencumbered RDA cash and assets are available for distribution and that successor agencies reduce their spending to comply with ABX1 26's provision. If some or all of the assets are not distributed or successor agencies do not reduce their spending, the administration's estimate might be overstated by several hundred million to over $2 billion. We expect to have a more refined estimate late this spring after the oversight boards begin their work and we get initial reports from county auditor-controllers.

K-14 District Share of Distribution. Under the administration's interpretation of the funding distribution process, slightly more than half of all net trust funds (about $1 billion of the $1.8 billion) would be distributed to K-14 districts. Under our interpretation, the schools receive more funds, because the trust fund distribution would reflect each agency's property tax share *and* its pass-through payments. If we modify the administration's estimate to reflect the netting out of pass-through payments, the schools would receive about 80 percent of the distributed funds. This percentage would decline over time (as more funds are distributed outside of the pass-through process) and eventually the K-14 district share would be in the range of 45 percent to 60 percent (the K-14 district share of property taxes in most parts of the state).

Interaction With State K-14 Education Funding

As the local agencies that receive the largest share of revenues raised from the 1 percent property tax rate, K-14 districts will receive the largest share of property tax revenues from the dissolution of RDAs. These funds will grow over time as enforceable obligations are retired and property tax revenues increase. Whether these additional property tax revenues provide additional resources to K-14 education, however, depends on their interaction with the state's education finance system. As noted earlier in the report, K-14 education funding is a shared state-local responsibility. Proposition 98 establishes a guaranteed funding level through a combination of state General Fund appropriations and local property tax revenues. The extent to which the dissolution of redevelopment provides additional resources to K-14 districts or offsets state General Fund costs is uncertain and will depend on three key issues.

- ***How Much Redevelopment Trust Funds Will Be Distributed and When?*** As discussed above, the administration's estimate that a total of $1.8 billion will be available to distribute to local governments in 2011-12 and 2012-13 could be off by hundreds of millions to billions of dollars. It is also possible that the administration's estimate will be correct, but that more funds will be distributed in 2011-12 and less in the following year—or the other way around. (This could be the case, for example, if county auditor-controllers need to delay trust fund distributions to local agencies because decisions regarding the payment of some redevelopment obligations are still outstanding at the end of the fiscal year—or if all of the agency's unencumbered cash reserves are distributed in 2011-12 and no cash

reserves remain available for distribution in 2012-13.) Finally, the decision regarding whether to take pass-through payments into account in the distribution of redevelopment trust proceeds will affect the share of total trust proceeds that are provided to K-14 districts.

- ***How Much of These Funds Will Be Distributed to Basic Aid Districts?*** In a few districts, local property tax revenues exceed these districts' general fund amounts provided through Proposition 98. These districts, commonly referred to as "basic aid" districts, keep the excess local revenue and use it for educational programs and services at their discretion. Any trust funds distributed to these basic aid districts therefore would give them additional revenues to use for educational purposes, but would not offset state General Fund education costs. At this point, we are not able to estimate the amount of trust funds that could be allocated to basic aid districts, but—based on the distribution of tax increment revenues across the state and other factors—do not expect that they would receive more than about 10 percent of the total trust fund revenues provided to K-14 districts.

- ***Will Proposition 98 Be Rebenched to Reflect These Additional Funds?*** The state has taken action many times to "rebench" the Proposition 98 guarantee when it made policy changes that shifted local property tax revenues to or away from schools. The net effect of these actions is that the amount of the Proposition 98 minimum guarantee is not affected by the shifts in local property taxes. The 2011-12 budget assumed that the state would rebench Proposition 98 so that the funds shifted from redevelopment would, in turn, reduce the state's education costs under Proposition 98. Going forward, however, Chapter 7, Statutes of 2011 (SB 70, Committee on Budget and Fiscal Review) directed the state not to rebench Proposition 98. As a result, the property taxes shifted from redevelopment would not reduce state education funding going forward. The 2012-13 budget plan, however, proposes to change this policy and rebench the minimum guarantee to account for the redevelopment revenues on an ongoing basis. If the Legislature adopts this proposal, therefore, the state would realize education cost savings from the amount of trust funds and assets provided to K-14 districts.

FINDINGS AND RECOMMENDATIONS

Over the coming months, the Legislature and administration will need to make many decisions regarding implementing redevelopment dissolution. Figure 8 summarizes our major findings and near-term recommendations.

Few Practical Alternatives to Ending Redevelopment

Redevelopment in 2011 bore little resemblance to the small, locally financed program the Legislature authorized in 1945. Statewide, the

RDAs received more property taxes in 2011 than all of the state's fire, parks, and other special districts combined and, in some areas of the state, more property taxes than the city or county received. Redevelopment also imposed considerable costs on the state's General Fund because the state backfilled K-14 districts for property tax revenues distributed to RDAs. Overall, redevelopment cost the state's General Fund about as much as the University of California or California State University systems, but did not appear to yield commensurate statewide benefits.

The last two decades were marked by considerable tension between RDAs and the state, with the state frequently requiring RDAs to shift money to schools and RDAs challenging these fund shifts in court. For a while, RDAs assumed that Proposition 1A (2004)—a measure that reduced the state's authority over the property tax—would insulate them from future funding shifts. After the courts found that Proposition 1A did not safeguard them from a $1.7 billion 2009 shift and a $350 million 2010 shift, however, RDA advocates (along with other parties) sponsored Proposition 22 to eliminate all state authority over property tax increment.

From the state's standpoint, Proposition 22's restrictions on the state's ability to control redevelopment costs and the ongoing nature of its fiscal difficulties left it with few options. The Governor proposed eliminating redevelopment. The Legislature attempted to offer RDAs an alternative: continue redevelopment, but with significant changes to reduce its state costs. A lawsuit filed by redevelopment program advocates overturned the Legislature's alternative, however, setting in motion dissolution of the redevelopment program statewide.

Over the coming months, the magnitude of administrative, policy, and legal issues associated with unwinding redevelopment inevitably will prompt proposals to slow down or stop the redevelopment dissolution process. Notwithstanding the considerable difficulties associated with ending redevelopment, the state has few practical alternatives. Simply put, the state does not have the ongoing resources to support redevelopment's continuation and the Constitution's many complex provisions prohibit the Legislature from taking actions that could revamp the program into something that the state could afford. For these reasons, we recommend that the Legislature

Figure 8

Summary of Major Findings and Near-Term Recommendations

- Although ending redevelopment was not the Legislature's goal, the state had few practical alternatives.
- Ending redevelopment changes the distribution of property tax revenues, not the amount collected.
- Design of replacement program merits careful consideration.
- The redevelopment agency unwinding process could yield important civic benefits.
  - Hold hearings to promote local review over use of the property tax.
  - Provide funding to train K-14 oversight board members.
- Alternative use of redevelopment assets raises difficult policy and fiscal issues.
- Key state and local choices will drive state fiscal effect.
- Clarifying amendments would help implementation of ABX1 26 (Blumenfield).
  - Clarify treatment of pass-through payments.
  - Address timing issues.
  - Clarify authority to take actions to ensure that funds are available to pay bonded indebtedness.

not take actions that slow or stop the dissolution process.

Ending Redevelopment Does Not Change Total State-Local Resources

Redevelopment dissolution does not change the amount of taxes property owners pay or the amount of funds local governments receive from this source. Contrary to some reports, ending redevelopment does not "lose" any funds. Instead, the key fiscal effects of redevelopment dissolution are that:

- ***More property tax revenues will be distributed to K-14 districts, counties, cities, and special districts—and less to agencies for redevelopment activities.*** This shift in property tax distributions will be modest in 2011-12, but will increase significantly over time. Within about 20 years, most redevelopment enforceable obligations will be paid and property tax revenues for K-14 districts, counties, cities, and special districts will be about 10 percent to 15 percent higher than they otherwise would have been. These property tax revenues may be used for any local program or local priority.

- ***The increased K-14 district property taxes will offset state costs for education.*** Under California law, education is a shared state-local funding responsibility. The increased property taxes for K-14 districts, therefore, will decrease the amount of state resources needed to pay for education.

- ***There is no requirement that the increased property tax revenues be used for economic development and affordable housing.*** Under prior law, RDAs annually reserved over $3 billion of tax increment revenues for economic development programs and over $1 billion for affordable housing. (The RDAs spent their remaining funds providing pass-through payments to other local governments.) Although the manner in which some RDAs spent these funds was controversial, economic development and affordable housing programs had a major, dedicated revenue source. Assembly Bill X1 26 does not impose requirements on how local governments spend property taxes that they receive. As a result, it is very likely that the amount of future spending on economic development and affordable housing will be lower than it was previously.

Design of Replacement Program Merits Careful Consideration

As described in this report, the redevelopment program of the 1950s and 1960s changed over the years. During its final decades, in addition to its use for "bricks and mortar" projects, redevelopment funds were used for projects more tangentially related to economic development (such as improving flood control for the region) and to free up local general fund revenues (for example, by paying part of the city manager's salary and other administrative costs). Redevelopment also was a major funding source for affordable housing, often providing money to start a project and additional resources to make it pencil out. Finally, redevelopment helped pay for many other local priorities, including subsidies for sport stadiums, businesses, and the arts.

The end of the redevelopment has prompted interest in developing a replacement program. This interest, in turn, prompts the question: Which elements of the redevelopment program should be replaced? If, for example, the goal is for local governments to have a focused tool for economic

development and affordable housing, then five approaches (summarized below) merit consideration. In reviewing the three approaches that provide local financing tools, we note that none has all of the elements that made redevelopment so attractive and valuable to California cities and counties. Specifically, redevelopment provided the sponsoring government with considerable resources and did so without: requiring the approval of local voters or business owners, directly imposing increased costs on local residents or business owners, or requiring additional voter approval prior to issuing debt. As a result, many communities may not be able to raise funds using these tools that are comparable in magnitude to the funds that they raised using redevelopment.

Business Improvement Districts (BIDs). Local governments could rely more extensively on existing law authorizing BID assessments. State law allows local governments to use these assessments for many targeted economic development projects and activities, such as rehabilitating existing structures, providing street improvements and lighting, building parking facilities, marketing, and sponsoring public events. The BID assessments do not require local voter approval, but may not be imposed if a majority of the affected business owners object.

Infrastructure Financing Districts (IFDs). Current law allows cities and counties to form IFDs to receive tax increment financing, provided that (1) every local agency that contributes property tax increment revenue to the IFD consents and (2) two-thirds of local voters approve their formation and any future bond issuances. In recent years, the Legislature has considered measures that would make it easier for local agencies to form these districts and issue debt. In reviewing proposals to revise IFD law, we would urge the Legislature to preserve one key component—the prohibition against redirecting another local agency's property tax revenues without their consent. Maintaining this provision reduces the likelihood that IFD funds are used for projects that do not benefit the broad local community.

Property Tax Debt Override. The Constitution limits property taxes to 1 percent of the value of property. Property taxes may exceed or "override" this limit only to pay for (1) local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive voter approval after July 1, 1978. The Constitution establishes a two-thirds voter approval requirement for local government bonds, but provides a lower voter-approval threshold (55 percent) for local school facility bonds that meet certain conditions. The Legislature could propose an amendment to the Constitution to extend the lower vote threshold to local property tax overrides for economic development and affordable housing purposes. Alternatively, the authority to propose overrides using the lower voter-approval threshold could be limited to local governments that satisfy certain affordable housing objectives.

Regulatory Changes. Local governments interested in promoting economic development and affordable housing could explore regulatory approaches to achieving their goals. For example, local government actions to relax on-sight parking requirements or modify zoning policies can significantly reduce the cost of constructing housing in urban areas. Similarly streamlining project approvals can help promote economic development by reducing developer uncertainty and the costs associated with time delays.

State Housing Assistance. The state administers a variety of programs aimed at reducing the cost that low- and moderate-income individuals and families pay to live in safe and adequate housing. Most notably, (1) the California Tax Credit Allocation Committee administers the federal and state Low-Income Housing Tax Credit Programs

that provide hundreds of millions of dollars of tax credits to developers annually to encourage private investment in affordable rental housing, (2) the Department of Housing and Community Development administers state general obligation bond financed programs that provide grants and low interest loans to developers of affordable housing, and (3) the California Housing Finance Agency assists first-time homebuyers and developers of affordable housing by offering them low interest loans financed through the sale of tax-exempt bonds. In considering new housing programs to replace redevelopment, the Legislature may wish to consider whether relying on the state's traditional approach (subsidizing development to increase the supply of affordable housing) or trying a different approach—such as providing housing vouchers to low-income households—might be more effective in providing aid to needy households.

The Unwinding Process Could Yield Important Civic Benefits

While criticized by some as complicated and lacking statewide uniformity, the decentralized oversight board process created by ABX1 26 could be a significant learning experience for everyone in the state. Currently, California's local governments and their residents do not have a forum to discuss and make decisions regarding the use of the local property tax by different local agencies. Instead, property taxes are allocated to each local government pursuant to a statewide formula.

Members of oversight boards will have significant authority and responsibility to compare the merits of continuing a specific redevelopment project against alternative uses for its resources by other local agencies. Oversight board members might decide that a redevelopment project meets local community priorities and continue it, or that the project's funds could be put to better use by the other local agencies in the area and terminate the contract. In many ways, the oversight board process allows local communities to have the first local debate regarding the use of property tax revenues that California has had in decades.

Given the importance of the oversight board, the amount of funds it controls, and its highly expedited schedule, we recommend the Legislature monitor its development and progress closely. Beginning in March, we recommend the Legislature hold hearings regarding the role and operations of oversight boards with the goal of promoting best practices, encouraging information sharing across boards, highlighting public accountability, and learning about unforeseen problems.

One area where we recommend that the Legislature pay particular attention is K-14 districts' participation on oversight boards. While representatives from the County Superintendents of Schools and the community colleges indicate that they plan to participate actively on the oversight boards, we note that the K-14 district representatives may have somewhat less familiarity with the types of projects and financial matters to be discussed. Moreover, absent action by the oversight board to retain separate staff, members of the oversight board will be reliant upon the staff support provided by the successor agency.

Given the significant financial link between the actions of the oversight board and state K-14 education costs, it would be beneficial for the state to offer some training for K-14 oversight board members. The Fiscal Crisis and Management Assistance Team (FCMAT) has significant experience helping California's local educational agencies fulfill their financial and management responsibilities and has previously assisted K-14 districts on redevelopment matters. Given their expertise and relationship with K-14 districts, we recommend the Legislature appropriate funding of up to $1 million to FCMAT to develop this training for interested K-14 oversight board members.

Alternative Use of Assets Raises Difficult Policy and Fiscal Issues

Prior to their dissolution, many RDAs owned considerable assets: land, buildings, and cash reserves. Some RDAs also had large unencumbered balances in their affordable housing funds. Under ABX1 26, successor agencies transfer all RDA assets used for a governmental purpose (such as a park or library) to the local government that provides the service. All other assets (except housing assets) are to be sold on the open market or to a local government "expeditiously and in a manner aimed at maximizing value." Proceeds from asset sales, along with all of the unencumbered cash, are to be distributed to the local agencies as property taxes.

Shortly after passage of ABX1 26, proposals began to surface to separate some of redevelopment assets for use for statewide objectives, such as affordable housing, economic development, and environmental programs. These proposals in turn, raise difficult policy and fiscal questions for the Legislature to consider. Specifically, which level of government should make the decisions over these assets? Should it be a local decision (because RDAs were local agencies) or partly a state decision (because the state indirectly helped pay for these assets through its backfill of K-14 district property taxes)? Should the housing funds remain with agencies that failed to spend them in previous years?

The proposals pose equally difficult fiscal issues. Specifically, ending redevelopment shifts some funds that formerly would have been allocated to RDAs to other local agencies. Many cities relied on RDA funds to pay city expenses and now are experiencing fiscal stress due to the redirection of these resources. Under ABX1 26, some of this fiscal stress would be offset by the city receiving its share of the distributed cash and assets. Reserving some of this cash and assets for statewide objectives, in contrast, would reduce the funds the city would receive from the dissolution of redevelopment.

The state General Fund also has a fiscal interest in the distribution of assets. Specifically, the budget assumes ending redevelopment will provide $1 billion (2011-12) and $1.1 billion (2012-13) in increased property taxes for K-14 districts and offset a comparable amount of state General Fund education expenses. While the administration's estimate does not directly reflect revenues from asset sales and cash, their estimate is subject to a wide range of error. The asset sales and cash, therefore, effectively serve as a reserve in case other elements of the administration's estimate do not materialize as expected.

Key State and Local Choices Will Drive State Fiscal Effect

While ending redevelopment will reduce state General Fund costs for K-14 education over the long term, many state and local decisions will affect the amount of these savings in the near term. These include:

- ***State policy decisions to use RDA cash and assets for purposes other than distribution to local agencies.*** Assembly Bill X1 26 assumes that all unencumbered RDA cash and many assets are liquidated and distributed to local agencies as property tax revenues. Reserving some of this cash and assets for use for other purposes might advance important statewide objectives, but reduces the revenues that K-14 districts receive and decreases the state's near term General Fund savings.

- ***Local oversight board decisions to limit the range of projects and obligations included on the ROPS.*** Oversight boards that decide not to continue multistage

projects and that narrowly interpret the range of obligations to be included on their ROPS (and thus eligible for payment) will retire their former RDA's enforceable obligations quicker. This, in turn, will result in more property tax revenues being allocated to all local agencies, including K-14 districts.

- ***State and local decisions regarding treatment of pass-through payments in distributing money from the redevelopment trust fund.*** Because K-14 districts received low pass-through payments, a policy of offsetting these low pass-through payments with greater sums from the redevelopment trust fund would increase K-14 revenues and decrease state costs.

Clarifying Amendments Would Help Implementation

The major elements of ABX1 26 are unambiguous. The legislation ends redevelopment and safeguards the repayment of debt. The roles of the parties are clearly delineated and focused on preserving the revenues and assets of RDAs "so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services."

That said, as with any major legislation, some elements of the measure would benefit from clarification. Below, we address three areas where prompt legislative action would aid the implementation process. We recommend the Legislature adopt these changes so that they take effect immediately, either in legislation with an urgency clause or as an amendment to last year's trailer bill.

Clarify Treatment of Pass-Through Payments in Distribution of Trust Fund Revenues. County auditor-controllers will begin distributing funds from the trust fund on May 16, 2012. (Due to the court's schedule changes, county auditor-controllers will distribute the revenues formerly considered tax increment twice this spring: a small distribution on May 16 and a larger distribution on June 1. In future years, all revenues will be distributed on June 1 and January 16.) The Legislature should clarify its intent as to whether pass-through payments should be counted in the calculations to distribute trust funds. As discussed earlier in this report, we think that there is a strong legal argument that ABX1 26 requires pass-through payments to be included in the distribution formula, but all parties do not agree. Equally important, however, we think that including pass-through payments in the trust fund calculation makes sense from a policy standpoint. Under this approach, all local agencies get property tax revenues (from pass-through payments and the trust fund) in proportion to their tax shares.

Address Timing Issues Associated With Court Modifications. Due to the court's postponement of certain dates in ABX1 26, there is no formal payment schedule for enforceable obligations due between January 1, 2012 (the end of the EOPS period) and the date the oversight board approves the ROPS (presumably in the late spring). Absent a payment schedule, (1) successor agencies are not authorized to pay enforceable obligations other than bonded indebtedness and (2) county auditor-controllers will not know how much former tax increment to provide to the successor agency for payment of enforceable obligations or to distribute to local agencies.

To address this ambiguity, many successor agencies are amending their EOPS to add enforceable obligation payments due through June 30, 2012. While this approach is not specifically authorized in ABX1 26, it may be a reasonable interpretation of ABX1 26's requirement that successor agencies take actions to avoid impairment of contracts. We note, however, that EOPS are lists

of enforceable obligations identified by the communities that created the RDAs and received minimal review by DOF. The ROPS, in contrast, are to be reviewed and approved by an oversight board and certified by the county auditor-controller.

Successor agency actions to extend their EOPS, therefore, prolong the period in which the successor agency may make payments based off of self-generated lists of enforceable obligations. The extension also poses questions about further extensions of the EOPS. For example, could a successor agency extend their EOPS for another six months if its oversight board did not reach agreement on its ROPS? To address these issues, we recommend the following:

- ***Expedite the establishment of oversight boards.*** We recommend the Legislature advance the date that the Governor may make appointments to unfilled oversight board positions from May 15, 2012 to April 15, 2012. This one month change will increase the likelihood that the oversight board will complete its review and adopt a ROPS before the first spring property tax distribution date—May 16.

- ***Delay the May 16th payment if ROPS not adopted.*** If an oversight board has not adopted a ROPS by May 15, 2012, direct the county auditor-controller to notify DOF and to delay the distribution of redevelopment property taxes until the second payment date—June 1, 2012. This short delay would give the oversight board additional time to complete its work and avoid the need for the county auditor-controller to distribute property taxes based on an EOPS.

- ***Limit extension of EOPS.*** We further recommend the Legislature specify that no agency's EOPS shall be effective after May 15, 2012 unless DOF approves the extension and identifies the successor agency on its website. This change would clarify that EOPS extensions are to be effective only for a short period, unless DOF agrees that there are extenuating circumstances.

- ***Authorize oversight boards to adopt ROPS before county auditor-controller certification.*** Under ABX1 26, county auditor-controllers play a key role auditing successor agency finances and reviewing draft ROPS before these drafts are considered by the oversight board. Notably, oversight boards are not authorized to adopt a ROPS unless the county auditor-controller has certified its accuracy. Under the court-revised time line, however, the time line of events is out of order: the county auditor-controller's audits (the basis for their determination as to whether a draft ROPS is accurate) are not due until July 2012—several weeks *after* the auditors distribute property taxes based on the ROPS. For some counties with few RDAs, the cure to this timing problem is simple: the county auditor-controller can complete the audits this spring and use them as the bases for reviewing successor agencies' draft ROPS. For counties with many RDAs, however, this may not be possible. In these cases, we recommend that the Legislature amend ABX1 26 to specify that, if a county auditor-controller's audit has not been completed by May 1, 2012, the oversight board may adopt an uncertified ROPS provided that the oversight board amends the ROPS later in response to the county auditor-controller's findings. While this

approach has its limitations, it reconciles the awkward sequence of events that result from the court's revisions to the time lines.

Clarify That Successor Agencies May Create Reserves for Future Bond Payments and County Auditor-Controllers May Reserve Property Tax Revenues for Future Bond Payments. After passage of ABX1 26, various parties expressed concerns that (1) successor agencies would not be authorized to compile the reserves necessary to pay bonds that have one semiannual payment that is larger than the other or that have payments that increase over time and (2) county auditors might be required to distribute as property tax revenues to local agencies certain revenues that are needed to pay increased bond payments. While our reading of ABX1 26 is that it requires successor agencies and auditors to perform all obligations necessary to safeguard enforceable debt obligations, uncertainty regarding these matters continue to elicit concern. For this reason, we recommend that the Legislature amend ABX1 26 to (1) explicitly allow the oversight board to include on the ROPS any amounts necessary to create reserves for future bond payments and (2) clarify that county auditor-controllers shall not distribute as property taxes any funds needed to pay enforceable obligations.

CONCLUSION

The end of RDAs earlier this year represented a major change in California finance. Over time, schools and other local governments will receive significantly more property tax revenues—and fewer funds will be reserved for redevelopment purposes. While the process for unwinding these complex agencies' financial affairs will be lengthy, it likely will launch important civic debates about the use of local property tax revenues and the role of government in promoting economic development and providing affordable housing.

LAO Publications

This report was prepared by Marianne O'Malley, with contributions from Mark Whitaker and Russia Chavis (housing issues). The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.

SELECT OVERSIGHT BOARD PROVISIONS OF ABx1 26

shall be modified in the manner described in Section 34191. All other dates shall be modified only as necessary to reflect the appropriate fiscal year or portion of a fiscal year.

Chapter 4. Oversight Boards

34179. (a) Each successor agency shall have an oversight board composed of seven members. The members shall elect one of their members as the chairperson and shall report the name of the chairperson and other members to the Department of Finance on or before January 1, 2012. Members shall be selected as follows:

(1) One member appointed by the county board of supervisors.

(2) One member appointed by the mayor for the city that formed the redevelopment agency.

(3) One member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is of the type of special district that is eligible to receive property tax revenues pursuant to Section 34188.

(4) One member appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public appointed by the county board of supervisors.

(7) One member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors, as the case may be, from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time.

(8) If the county or a joint powers agency formed the redevelopment agency, then the largest city by acreage in the territorial jurisdiction of the former redevelopment agency may select one member. If there are no cities with territory in a project area of the redevelopment agency, the county superintendent of education may appoint an additional member to represent the public.

(9) If there are no special districts of the type that are eligible to receive property tax pursuant to Section 34188, within the territorial jurisdiction of the former redevelopment agency, then the county may appoint one member to represent the public.

(10) Where a redevelopment agency was formed by an entity that is both a charter city and a county, the oversight board shall be composed of seven members selected as follows: three members appointed by the mayor of the city, where such appointment is subject to confirmation by the county board of supervisors, one member appointed by the largest special district, by

property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is the type of special district that is eligible to receive property tax revenues pursuant to Section 34188, one member appointed by the county superintendent of education to represent schools, one member appointed by the Chancellor of the California Community Colleges to represent community college districts, and one member representing employees of the former redevelopment agency appointed by the mayor of the city where such an appointment is subject to confirmation by the county board of supervisors, to represent the largest number of former redevelopment agency employees employed by the successor agency at that time.

(b) The Governor may appoint individuals to fill any oversight board member position described in subdivision (a) that has not been filled by January 15, 2012, or any member position that remains vacant for more than 60 days.

(c) The oversight board may direct the staff of the successor agency to perform work in furtherance of the oversight board's duties and responsibilities under this part. The successor agency shall pay for all of the costs of meetings of the oversight board and may include such costs in its administrative budget. Oversight board members shall serve without compensation or reimbursement for expenses.

(d) Oversight board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members.

(e) A majority of the total membership of the oversight board shall constitute a quorum for the transaction of business. A majority vote of the total membership of the oversight board is required for the oversight board to take action. The oversight board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974.

(f) All notices required by law for proposed oversight board actions shall also be posted on the successor agency's Internet Web site or the oversight board's Internet Web site.

(g) Each member of an oversight board shall serve at the pleasure of the entity that appointed such member.

(h) The Department of Finance may review an oversight board action taken pursuant to the act adding this part. As such, all oversight board actions shall not be effective for three business days, pending a request for review by the department. Each oversight board shall designate an official to whom the department may make such requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. In the event that the department requests a review of a given oversight board action, it shall have 10 days from the date of its request to approve the oversight board action or return it to the oversight board for reconsideration and such oversight board action shall not be effective until approved by the department. In the event that the department returns the

oversight board action to the oversight board for reconsideration, the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until approved by the department.

(i) Oversight boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188. Further, the provisions of Division 4 (commencing with Section 1000) of the Government Code shall apply to oversight boards. Notwithstanding Section 1099 of the Government Code, or any other law, any individual may simultaneously be appointed to up to five oversight boards and may hold an office in a city, county, city and county, special district, school district, or community college district.

(j) Commencing on and after July 1, 2016, in each county where more than one oversight board was created by operation of the act adding this part, there shall be only one oversight board appointed as follows:

(1) One member may be appointed by the county board of supervisors.

(2) One member may be appointed by the city selection committee established pursuant to Section 50270 of the Government Code. In a city and county, the mayor may appoint one member.

(3) One member may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188.

(4) One member may be appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public may be appointed by the county board of supervisors.

(7) One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.

(k) The Governor may appoint individuals to fill any oversight board member position described in subdivision (j) that has not been filled by July 15, 2016, or any member position that remains vacant for more than 60 days.

(*l*) Commencing on and after July 1, 2016, in each county where only one oversight board was created by operation of the act adding this part, then there will be no change to the composition of that oversight board as a result of the operation of subdivision (b).

(m) Any oversight board for a given successor agency shall cease to exist when all of the indebtedness of the dissolved redevelopment agency has been repaid.

34180. All of the following successor agency actions shall first be approved by the oversight board:

(a) The establishment of new repayment terms for outstanding loans where the terms have not been specified prior to the date of this part.

(b) Refunding of outstanding bonds or other debt of the former redevelopment agency by successor agencies in order to provide for savings or to finance debt service spikes; provided, however, that no additional debt is created and debt service is not accelerated.

(c) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants, or other forms of financial assistance from either public or private sources, where assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than 5 percent.

(f) (1) If a city, county, or city and county wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained.

(2) If no other agreement is reached on valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by the county assessor.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) A request by the successor agency to enter into an agreement with the city, county, or city and county that formed the redevelopment agency that it is succeeding.

(i) A request by a successor agency or taxing entity to pledge, or to enter into an agreement for the pledge of, property tax revenues pursuant to subdivision (b) of Section 34178.

34181. The oversight board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value.

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(c) Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176.

(d) Terminate any agreement, between the dissolved redevelopment agency and any public entity located in the same county, obligating the redevelopment agency to provide funding for any debt service obligations of the public entity or for the construction, or operation of facilities owned or operated by such public entity, in any instance where the oversight board has found that early termination would be in the best interests of the taxing entities.

(e) Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the oversight board for its approval. The board may approve any amendments to or early termination of such agreements where it finds that amendments or early termination would be in the best interests of the taxing entities.

Chapter 5. Duties of the Auditor-Controller

34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted an agreed-upon procedures audit of each redevelopment agency in the county that is subject to this part, to be completed by March 1, 2012.

(2) The purpose of the audits shall be to establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's passthrough payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and certify the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trust Fund for any costs incurred by the county auditor-controller pursuant to this part.

(b) By March 15, 2012, the county auditor-controller shall provide the Controller's office a copy of all audits performed pursuant to this section. The county auditor-controller shall maintain a copy of all documentation and working papers for use by the Controller.

(c) (1) The county auditor-controller shall determine the amount of property taxes that would have been allocated to each redevelopment agency in the county had the redevelopment agency not been dissolved pursuant to the operation of the act adding this part. These amounts are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution and are available for allocation and distribution in accordance with the provisions of the act adding this part.

FULL TEXT OF ABx1 26

COLOR CODE:
Yellow - Key information
Green - Oversight Boards/OB
Blue - Successor Agencies/SA

Assembly Bill No. 26

CHAPTER 5

An act to amend Sections 33500, 33501, 33607.5, and 33607.7 of, and to add Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of, the Health and Safety Code, and to add Sections 97.401 and 98.2 to the Revenue and Taxation Code, relating to redevelopment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 28, 2011. Filed with Secretary of State June 29, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

AB 26, Blumenfield. Community redevelopment.

(1) The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law provides that an action may be brought to review the validity of the adoption or amendment of a redevelopment plan by an agency, to review the validity of agency findings or determinations, and other agency actions.

This bill would revise the provisions of law authorizing an action to be brought against the agency to determine or review the validity of specified agency actions.

(2) Existing law also requires that if an agency ceases to function, any surplus funds existing after payment of all obligations and indebtedness vest in the community.

The bill would suspend various agency activities and prohibit agencies from incurring indebtedness commencing on the effective date of this act. Effective October 1, 2011, the bill would dissolve all redevelopment agencies and community development agencies in existence and designate successor agencies, as defined, as successor entities. The bill would impose various requirements on the successor agencies and subject successor agency actions to the review of oversight boards, which the bill would establish.

The bill would require county auditor-controllers to conduct an agreed-upon procedures audit of each former redevelopment agency by March 1, 2012. The bill would require the county auditor-controller to determine the amount of property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved and deposit this amount in a Redevelopment Property Tax Trust Fund in the county. Revenues in the trust fund would be allocated to various taxing entities in the county and to cover specified expenses of the former agency. By imposing additional duties upon local public officials, the bill would create a state-mandated local program.

GENERAL NOTES

Part 1.8 (page 9): "Suspend" and freezing of all activities

Part 1.85 (page 19): "Dissolve" and dissolution component

CA Supreme Court Opinion re Implementation: shifts short term dates out 4 months (all dates occurring before May 1, 2012). Exception are dates for actions that were to be taken before 9/1/2011 - which are now to be taken by 1/13/2012.

10/1/2011 --> 2/1/2012

3/1/2012 --> 7/1/2012

(3) The bill would prohibit a redevelopment agency from issuing new bonds, notes, interim certificates, debentures, or other obligations if any legal challenge to invalidate a provision of this act is successful.

(4) The bill would appropriate $500,000 to the Department of Finance from the General Fund for administrative costs associated with the bill.

(5) The bill would provide that its provisions take effect only if specified legislation is enacted in the 2011–12 First Extraordinary Session of the Legislature.

(6) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(7) The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. Governor Schwarzenegger issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 6, 2010. Governor Brown issued a proclamation on January 20, 2011, declaring and reaffirming that a fiscal emergency exists and stating that his proclamation supersedes the earlier proclamation for purposes of that constitutional provision.

This bill would state that it addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation issued on January 20, 2011, pursuant to the California Constitution.

(8) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

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

SECTION 1. The Legislature finds and declares all of the following:

(a) The economy and the residents of this state are slowly recovering from the worst recession since the Great Depression.

(b) State and local governments are still facing incredibly significant declines in revenues and increased need for core governmental services.

(c) Local governments across this state continue to confront difficult choices and have had to reduce fire and police protection among other services.

(d) Schools have faced reductions in funding that have caused school districts to increase class size and layoff teachers, as well as make other hurtful cuts.

(e) Redevelopment agencies have expanded over the years in this state. The expansion of redevelopment agencies has increasingly shifted property taxes away from services provided to schools, counties, special districts, and cities.

(f) Redevelopment agencies take in approximately 12 percent of all of the property taxes collected across this state.

(g) It is estimated that under current law, redevelopment agencies will divert $5 billion in property tax revenue from other taxing agencies in the 2011−12 fiscal year.

(h) The Legislature has all legislative power not explicitly restricted to it. The California Constitution does not require that redevelopment agencies must exist and, unlike other entities such as counties, does not limit the Legislature's control over that existence. Redevelopment agencies were created by statute and can therefore be dissolved by statute.

(i) Upon their dissolution, any property taxes that would have been allocated to redevelopment agencies will no longer be deemed tax increment. Instead, those taxes will be deemed property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agencies, with remaining balances allocated in accordance with applicable constitutional and statutory provisions.

(j) It is the intent of the Legislature to do all of the following in this act:

(1) Bar existing redevelopment agencies from incurring new obligations, prior to their dissolution.

(2) Allocate property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocate remaining balances in accordance with applicable constitutional and statutory provisions.

(3) Beginning October 1, 2011, allocate these funds according to the existing property tax allocation within each county to make the funds available for cities, counties, special districts, and school and community college districts.

10/1/2011 --> 2/1/2012

(4) Require successor agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies and to provide the successor agencies with limited authority that extends only to the extent needed to implement a winddown of redevelopment agency affairs.

SEC. 2. Section 33500 of the Health and Safety Code is amended to read:

33500. (a) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within 90 days after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred prior to January 1, 2011.

(b) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within 90 days after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred prior to January 1, 2011.

(c) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a

redevelopment plan at any time within two years after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred after January 1, 2011.

(d) Notwithstanding any other law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within two years after the date on which the agency or the legislative body made those findings or determinations, if the findings or determinations occurred after January 1, 2011.

SEC. 3. Section 33501 of the Health and Safety Code is amended to read:

33501. (a) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds and the redevelopment plan to be financed or refinanced, in whole or in part, by the bonds, or to determine the validity of a redevelopment plan not financed by bonds, including without limiting the generality of the foregoing, the legality and validity of all proceedings theretofore taken for or in any way connected with the establishment of the agency, its authority to transact business and exercise its powers, the designation of the survey area, the selection of the project area, the formulation of the preliminary plan, the validity of the finding and determination that the project area is predominantly urbanized, and the validity of the adoption of the redevelopment plan, and also including the legality and validity of all proceedings theretofore taken and (as provided in the bond resolution) proposed to be taken for the authorization, issuance, sale, and delivery of the bonds, and for the payment of the principal thereof and interest thereon.

(b) Notwithstanding subdivision (a), an action to determine the validity of a redevelopment plan, or amendment to a redevelopment plan that was adopted prior to January 1, 2011, may be brought within 90 days after the date of the adoption of the ordinance adopting or amending the plan.

(c) Any action that is commenced on or after January 1, 2011, which is brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity or legality of any issue, document, or action described in subdivision (a), may be brought within two years after any triggering event that occurred after January 1, 2011.

(d) For the purposes of protecting the interests of the state, the Attorney General and the Department of Finance are interested persons pursuant to Section 863 of the Code of Civil Procedure in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

(e) For purposes of contesting the inclusion in a project area of lands that are enforceably restricted, as that term is defined in Sections 422 and 422.5 of the Revenue and Taxation Code, or lands that are in agricultural use, as defined in subdivision (b) of Section 51201 of the Government Code, the Department of Conservation, the county agricultural commissioner, the

county farm bureau, the California Farm Bureau Federation, and agricultural entities and general farm organizations that provide a written request for notice, are interested persons pursuant to Section 863 of the Code of Civil Procedure, in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

SEC. 4. Section 33607.5 of the Health and Safety Code is amended to read:

33607.5. (a) (1) This section shall apply to each redevelopment project area that, pursuant to a redevelopment plan which contains the provisions required by Section 33670, is either: (A) adopted on or after January 1, 1994, including later amendments to these redevelopment plans; or (B) adopted prior to January 1, 1994, but amended, after January 1, 1994, to include new territory. For plans amended after January 1, 1994, only the tax increments from territory added by the amendment shall be subject to this section. All the amounts calculated pursuant to this section shall be calculated after the amount required to be deposited in the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, and 33334.6 has been deducted from the total amount of tax increment funds received by the agency in the applicable fiscal year.

LMI Funds

(2) The payments made pursuant to this section shall be in addition to any amounts the affected taxing entities receive pursuant to subdivision (a) of Section 33670. The payments made pursuant to this section to the affected taxing entities, including the community, shall be allocated among the affected taxing entities, including the community if the community elects to receive payments, in proportion to the percentage share of property taxes each affected taxing entity, including the community, receives during the fiscal year the funds are allocated, which percentage share shall be determined without regard to any amounts allocated to a city, a city and county, or a county pursuant to Sections 97.68 and 97.70 of the Revenue and Taxation Code, and without regard to any allocation reductions to a city, a city and county, a county, a special district, or a redevelopment agency pursuant to Sections 97.71, 97.72, and 97.73 of the Revenue and Taxation Code and Section 33681.12. The agency shall reduce its payments pursuant to this section to an affected taxing entity by any amount the agency has paid, directly or indirectly, pursuant to Section 33445, 33445.5, 33445.6, 33446, or any other provision of law other than this section for, or in connection with, a public facility owned or leased by that affected taxing agency, except: (A) any amounts the agency has paid directly or indirectly pursuant to an agreement with a taxing entity adopted prior to January 1, 1994; or (B) any amounts that are unrelated to the specific project area or amendment governed by this section. The reduction in a payment by an agency to a school district, community college district, or county office of education, or for special education, shall be subtracted only from the amount that otherwise would be available for use by those entities for educational facilities pursuant to paragraph (4). If the amount of the reduction exceeds the amount that otherwise would have been available for use for educational

facilities in any one year, the agency shall reduce its payment in more than one year.

(3) If an agency reduces its payment to a school district, community college district, or county office of education, or for special education, the agency shall do all of the following:

(A) Determine the amount of the total payment that would have been made without the reduction.

(B) Determine the amount of the total payment without the reduction which: (i) would have been considered property taxes; and (ii) would have been available to be used for educational facilities pursuant to paragraph (4).

(C) Reduce the amount available to be used for educational facilities.

(D) Send the payment to the school district, community college district, or county office of education, or for special education, with a statement that the payment is being reduced and including the calculation required by this subdivision showing the amount to be considered property taxes and the amount, if any, available for educational facilities.

(4) (A) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section to school districts, 43.3 percent shall be considered to be property taxes for the purposes of paragraph (1) of subdivision (h) of Section 42238 of the Education Code, and 56.7 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(B) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section to community college districts, 47.5 percent shall be considered to be property taxes for the purposes of Section 84751 of the Education Code, and 52.5 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(C) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section to county offices of education, 19 percent shall be considered to be property taxes for the purposes of Section 2558 of the Education Code, and 81 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(D) Except as specified in subparagraph (E), of the total amount paid each year pursuant to this section for special education, 19 percent shall be considered to be property taxes for the purposes of Section 56712 of the

Education Code, and 81 percent shall not be considered to be property taxes for the purposes of that section and shall be available to be used for education facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance.

(E) If, pursuant to paragraphs (2) and (3), an agency reduces its payments to an educational entity, the calculation made by the agency pursuant to paragraph (3) shall determine the amount considered to be property taxes and the amount available to be used for educational facilities in the year the reduction was made.

(5) Local education agencies that use funds received pursuant to this section for school facilities shall spend these funds at schools that are: (A) within the project area, (B) attended by students from the project area, (C) attended by students generated by projects that are assisted directly by the redevelopment agency, or (D) determined by the governing board of a local education agency to be of benefit to the project area.

(b) Commencing with the first fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, including the community if the community elects to receive a payment, an amount equal to 25 percent of the tax increments received by the agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. In any fiscal year in which the agency receives tax increments, the community that has adopted the redevelopment project area may elect to receive the amount authorized by this paragraph.

(c) Commencing with the 11th fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid pursuant to subdivision (b) and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the agency, which shall be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value is the assessed value of the project area in the 10th fiscal year in which the agency receives tax increment revenues.

(d) Commencing with the 31st fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid pursuant to subdivisions (b) and (c) and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the agency, which shall be calculated by applying the tax rate

against the amount of assessed value by which the current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the agency receives tax increments.

(e) (1) Prior to incurring any loans, bonds, or other indebtedness, except loans or advances from the community, the agency may subordinate to the loans, bonds, or other indebtedness the amount required to be paid to an affected taxing entity by this section, provided that the affected taxing entity has approved these subordinations pursuant to this subdivision.

(2) At the time the agency requests an affected taxing entity to subordinate the amount to be paid to it, the agency shall provide the affected taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service and the payments required by this section, when due.

(3) Within 45 days after receipt of the agency's request, the affected taxing entity shall approve or disapprove the request for subordination. An affected taxing entity may disapprove a request for subordination only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the affected taxing entity. If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive.

(f) (1) The Legislature finds and declares both of the following:

(A) The payments made pursuant to this section are necessary in order to alleviate the financial burden and detriment that affected taxing entities may incur as a result of the adoption of a redevelopment plan, and payments made pursuant to this section will benefit redevelopment project areas.

(B) The payments made pursuant to this section are the exclusive payments that are required to be made by a redevelopment agency to affected taxing entities during the term of a redevelopment plan.

(2) Notwithstanding any other provision of law, a redevelopment agency shall not be required, either directly or indirectly, as a measure to mitigate a significant environmental effect or as part of any settlement agreement or judgment brought in any action to contest the validity of a redevelopment plan pursuant to Section 33501, to make any other payments to affected taxing entities, or to pay for public facilities that will be owned or leased to an affected taxing entity.

(g) As used in this section, a "local education agency" is a school district, a community college district, or a county office of education.

SEC. 5. Section 33607.7 of the Health and Safety Code is amended to read:

33607.7. (a) This section shall apply to a redevelopment plan amendment for any redevelopment plans adopted prior to January 1, 1994, that increases the limitation on the number of dollars to be allocated to the redevelopment agency or that increases, or eliminates pursuant to paragraph (1) of subdivision (e) of Section 33333.6, the time limit on the establishing of loans, advances, and indebtedness established pursuant to paragraphs (1)

and (2) of subdivision (a) of Section 33333.6, as those paragraphs read on December 31, 2001, or that lengthens the period during which the redevelopment plan is effective if the redevelopment plan being amended contains the provisions required by subdivision (b) of Section 33670. However, this section shall not apply to those redevelopment plans that add new territory.

(b) If a redevelopment agency adopts an amendment that is governed by the provisions of this section, it shall pay to each affected taxing entity either of the following:

(1) If an agreement exists that requires payments to the taxing entity, the amount required to be paid by an agreement between the agency and an affected taxing entity entered into prior to January 1, 1994.

(2) If an agreement does not exist, the amounts required pursuant to subdivisions (b), (c), (d), and (e) of Section 33607.5, until termination of the redevelopment plan, calculated against the amount of assessed value by which the current year assessed value exceeds an adjusted base year assessed value. The amounts shall be allocated between property taxes and educational facilities, including, in the case of amounts paid during the 2011–12 fiscal year through the 2015–16 fiscal year, inclusive, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance, according to the appropriate formula in paragraph (3) of subdivision (a) of Section 33607.5. In determining the applicable amount under Section 33607.5, the first fiscal year shall be the first fiscal year following the fiscal year in which the adjusted base year value is determined.

(c) The adjusted base year assessed value shall be the assessed value of the project area in the year in which the limitation being amended would have taken effect without the amendment or, if more than one limitation is being amended, the first year in which one or more of the limitations would have taken effect without the amendment. The agency shall commence making these payments pursuant to the terms of the agreement, if applicable, or, if an agreement does not exist, in the first fiscal year following the fiscal year in which the adjusted base year value is determined.

SEC. 6. Part 1.8 (commencing with Section 34161) is added to Division 24 of the Health and Safety Code, to read:

PART 1.8. RESTRICTIONS ON REDEVELOPMENT AGENCY OPERATIONS

Freeze Language

Chapter 1. Suspension of Agency Activities and Prohibition on Creation of New Debts

34161. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, no agency shall incur new or expand existing monetary or legal obligations except as provided in this

part. All of the provisions of this part shall take effect and be operative on the effective date of the act adding this part.

34162. (a) Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this act, an agency shall be unauthorized and shall not take any action to incur indebtedness, including, but not limited to, any of the following:

(1) Issue or sell bonds, for any purpose, regardless of the source of repayment of the bonds. As used in this section, the term "bonds," includes, but is not limited to, any bonds, notes, bond anticipation notes, interim certificates, debentures, certificates of participation, refunding bonds, or other obligations issued by an agency pursuant to Part 1 (commencing with Section 33000), and Section 53583 of the Government Code, pursuant to any charter city authority or any revenue bond law.

(2) Incur indebtedness payable from prohibited sources of repayment, which include, but are not limited to, income and revenues of an agency's redevelopment projects, taxes allocated to the agency, taxes imposed by the agency pursuant to Section 7280.5 of the Revenue and Taxation Code, assessments imposed by the agency, loan repayments made to the agency pursuant to Section 33746, fees or charges imposed by the agency, other revenues of the agency, and any contributions or other financial assistance from the state or federal government.

(3) Refund, restructure, or refinance indebtedness or obligations that existed as of January 1, 2011, including, but not limited to, any of the following:

(A) Refund bonds previously issued by the agency or by another political subdivision of the state, including, but not limited to, those issued by a city, a housing authority, or a nonprofit corporation acting on behalf of a city or a housing authority.

(B) Exercise the right of optional redemption of any of its outstanding bonds or elect to purchase any of its own outstanding bonds.

(C) Modify or amend the terms and conditions, payment schedules, amortization or maturity dates of any of the agency's bonds or other obligations that are outstanding or exist as of January 1, 2011.

(4) Take out or accept loans or advances, for any purpose, from the state or the federal government, any other public agency, or any private lending institution, or from any other source. For purposes of this section, the term "loans" include, but are not limited to, agreements with the community or any other entity for the purpose of refinancing a redevelopment project and moneys advanced to the agency by the community or any other entity for the expenses of redevelopment planning, expenses for dissemination of redevelopment information, other administrative expenses, and overhead of the agency.

(5) Execute trust deeds or mortgages on any real or personal property owned or acquired by it.

(6) Pledge or encumber, for any purpose, any of its revenues or assets. As used in this part, an agency's "revenues and assets" include, but are not limited to, agency tax revenues, redevelopment project revenues, other agency revenues, deeds of trust and mortgages held by the agency, rents, fees, charges, moneys, accounts receivable, contracts rights, and other rights to payment of whatever kind or other real or personal property. As used in this part, to "pledge or encumber" means to make a commitment of, by the grant of a lien on and a security interest in, an agency's revenues or assets, whether by resolution, indenture, trust agreement, loan agreement, lease, installment sale agreement, reimbursement agreement, mortgage, deed of trust, pledge agreement, or similar agreement in which the pledge is provided for or created.

(b) Any actions taken that conflict with this section are void from the outset and shall have no force or effect.

(c) Notwithstanding subdivision (a), a redevelopment agency may issue refunding bonds, which are referred to in this part as Emergency Refunding Bonds, only where all of the following conditions are met:

(1) The issuance of Emergency Refunding Bonds is the only means available to the agency to avoid a default on outstanding agency bonds.

(2) Both the county treasurer and the Treasurer have approved the issuance of Emergency Refunding Bonds.

(3) Emergency Refunding Bonds are issued only to provide funds for any single debt service payment that is due prior to October 1, 2011, and that is more than 20 percent larger than a level debt service payment would be for that bond.

(4) The principal amount of outstanding agency bonds is not increased.

34163. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall not have the authority to, and shall not, do any of the following:

(a) Make loans or advances or grant or enter into agreements to provide funds or provide financial assistance of any sort to any entity or person for any purpose, including, but not limited to, all of the following:

(1) Loans of moneys or any other thing of value or commitments to provide financing to nonprofit organizations to provide those organizations with financing for the acquisition, construction, rehabilitation, refinancing, or development of multifamily rental housing or the acquisition of commercial property for lease, each pursuant to Chapter 7.5 (commencing with Section 33741) of Part 1.

(2) Loans of moneys or any other thing of value for residential construction, improvement, or rehabilitation pursuant to Chapter 8 (commencing with Section 33750) of Part 1. These include, but are not limited to, construction loans to purchasers of residential housing, mortgage loans to purchasers of residential housing, and loans to mortgage lenders, or any other entity, to aid in financing pursuant to Chapter 8 (commencing with Section 33750).

(3) The purchase, by an agency, of mortgage or construction loans from mortgage lenders or from any other entities.

(b) Enter into contracts with, incur obligations, or make commitments to, any entity, whether governmental, tribal, or private, or any individual or groups of individuals for any purpose, including, but not limited to, loan agreements, passthrough agreements, regulatory agreements, services contracts, leases, disposition and development agreements, joint exercise of powers agreements, contracts for the purchase of capital equipment, agreements for redevelopment activities, including, but not limited to, agreements for planning, design, redesign, development, demolition, alteration, construction, reconstruction, rehabilitation, site remediation, site development or improvement, removal of graffiti, land clearance, and seismic retrofits.

(c) Amend or modify existing agreements, obligations, or commitments with any entity, for any purpose, including, but not limited to, any of the following:

(1) Renewing or extending term of leases or other agreements, except that the agency may extend lease space for its own use to a date not to exceed six months after the effective date of the act adding this part and for a rate no more than 5 percent above the rate the agency currently pays on a monthly basis.

(2) Modifying terms and conditions of existing agreements, obligations, or commitments.

(3) Forgiving all or any part of the balance owed to the agency on existing loans or extend the term or change the terms and conditions of existing loans.

(4) Increasing its deposits to the Low and Moderate Income Housing Fund created pursuant to Section 33334.3 beyond the minimum level that applied to it as of January 1, 2011.

(5) Transferring funds out of the Low and Moderate Income Housing Fund, except to meet the minimum housing-related obligations that existed as of January 1, 2011, to make required payments under Sections 33690 and 33690.5, and to borrow funds pursuant to Section 34168.5.

(d) Dispose of assets by sale, long-term lease, gift, grant, exchange, transfer, assignment, or otherwise, for any purpose, including, but not limited to, any of the following:

(1) Assets, including, but not limited to, real property, deeds of trust, and mortgages held by the agency, moneys, accounts receivable, contract rights, proceeds of insurance claims, grant proceeds, settlement payments, rights to receive rents, and any other rights to payment of whatever kind.

(2) Real property, including, but not limited to, land, land under water and waterfront property, buildings, structures, fixtures, and improvements on the land, any property appurtenant to, or used in connection with, the land, every estate, interest, privilege, easement, franchise, and right in land, including rights-of-way, terms for years, and liens, charges, or encumbrances by way of judgment, mortgage, or otherwise, and the indebtedness secured by the liens.

(e) Acquire real property by any means for any purpose, including, but not limited to, the purchase, lease, or exercising of an option to purchase or lease, exchange, subdivide, transfer, assume, obtain option upon, acquire by gift, grant, bequest, devise, or otherwise acquire any real property, any interest in real property, and any improvements on it, including the repurchase of developed property previously owned by the agency and the acquisition of real property by eminent domain; provided, however, that nothing in this subdivision is intended to prohibit the acceptance or transfer of title for real property acquired prior to the effective date of this part.

(f) Transfer, assign, vest, or delegate any of its assets, funds, rights, powers, ownership interests, or obligations for any purpose to any entity, including, but not limited to, the community, the legislative body, another member of a joint powers authority, a trustee, a receiver, a partner entity, another agency, a nonprofit corporation, a contractual counterparty, a public body, a limited-equity housing cooperative, the state, a political subdivision of the state, the federal government, any private entity, or an individual or group of individuals.

(g) Accept financial or other assistance from the state or federal government or any public or private source if the acceptance necessitates or is conditioned upon the agency incurring indebtedness as that term is described in this part.

34164. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall lack the authority to, and shall not, engage in any of the following redevelopment activities:

(a) Prepare, approve, adopt, amend, or merge a redevelopment plan, including, but not limited to, modifying, extending, or otherwise changing the time limits on the effectiveness of a redevelopment plan.

(b) Create, designate, merge, expand, or otherwise change the boundaries of a project area.

(c) Designate a new survey area or modify, extend, or otherwise change the boundaries of an existing survey area.

(d) Approve or direct or cause the approval of any program, project, or expenditure where approval is not required by law.

(e) Prepare, formulate, amend, or otherwise modify a preliminary plan or cause the preparation, formulation, modification, or amendment of a preliminary plan.

(f) Prepare, formulate, amend, or otherwise modify an implementation plan or cause the preparation, formulation, modification, or amendment of an implementation plan.

(g) Prepare, formulate, amend, or otherwise modify a relocation plan or cause the preparation, formulation, modification, or amendment of a relocation plan where approval is not required by law.

(h) Prepare, formulate, amend, or otherwise modify a redevelopment housing plan or cause the preparation, formulation, modification, or amendment of a redevelopment housing plan.

(i) Direct or cause the development, rehabilitation, or construction of housing units within the community, unless required to do so by an enforceable obligation.

(j) Make or modify a declaration or finding of blight, blighted areas, or slum and blighted residential areas.

(k) Make any new findings or declarations that any areas of blight cannot be remedied or redeveloped by private enterprise alone.

(*l*) Provide or commit to provide relocation assistance, except where the provision of relocation assistance is required by law.

(m) Provide or commit to provide financial assistance.

34165. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall lack the authority to, and shall not, do any of the following:

(a) Enter into new partnerships, become a member in a joint powers authority, form a joint powers authority, create new entities, or become a member of any entity of which it is not currently a member, nor take on nor agree to any new duties or obligations as a member or otherwise of any entity to which the agency belongs or with which it is in any way associated.

(b) Impose new assessments pursuant to Section 7280.5 of the Revenue and Taxation Code.

(c) Increase the pay, benefits, or contributions of any sort for any officer, employee, consultant, contractor, or any other goods or service provider that had not previously been contracted.

(d) Provide optional or discretionary bonuses to any officers, employees, consultants, contractors, or any other service or goods providers.

(e) Increase numbers of staff employed by the agency beyond the number employed as of January 1, 2011.

(f) Bring an action pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of any issuance or proposed issuance of revenue bonds under this chapter and the legality and validity of all proceedings previously taken or proposed in a resolution of an agency to be taken for the authorization, issuance, sale, and delivery of the revenue bonds and for the payment of the principal thereof and interest thereon.

(g) Begin any condemnation proceeding or begin the process to acquire real property by eminent domain.

(h) Prepare or have prepared a draft environmental impact report. This subdivision shall not alter or eliminate any requirements of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

34166. No legislative body or local governmental entity shall have any statutory authority to create or otherwise establish a new redevelopment

agency or community development commission. No chartered city or chartered county shall exercise the powers granted in Part 1 (commencing with Section 33000) to create or otherwise establish a redevelopment agency.

34167. (a) This part is intended to preserve, to the maximum extent possible, the revenues and assets of redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services including police and fire protection services and schools. It is the intent of the Legislature that redevelopment agencies take no actions that would further deplete the corpus of the agencies' funds regardless of their original source. All provisions of this part shall be construed as broadly as possible to support this intent and to restrict the expenditure of funds to the fullest extent possible.

(b) For purposes of this part, "agency" or "redevelopment agency" means a redevelopment agency created or formed pursuant to Part 1 (commencing with Section 33000) or its predecessor or a community development commission created or formed pursuant to Part 1.7 (commencing with Section 34100) or its predecessor.

(c) Nothing in this part in any way impairs the authority of a community development commission, other than in its authority to act as a redevelopment agency, to take any actions in its capacity as a housing authority or for any other community development purpose of the jurisdiction in which it operates.

(d) For purposes of this part, "enforceable obligation" means any of the following:

(1) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 5850 of the Government Code, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the redevelopment agency.

(2) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, including, but not limited to, moneys borrowed from the Low and Moderate Income Housing Fund, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(3) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, and unemployment payments.

(4) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(5) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.

(6) Contracts or agreements necessary for the continued administration or operation of the redevelopment agency to the extent permitted by this part, including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(e) To the extent that any provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) conflicts with this part, the provisions of this part shall control. Further, if any provision in Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) provides an authority that this part is restricting or eliminating, the restriction and elimination provisions of this part shall control.

(f) Nothing in this part shall be construed to interfere with a redevelopment agency's authority, pursuant to enforceable obligations as defined in this chapter, to (1) make payments due, (2) enforce existing covenants and obligations, or (3) perform its obligations.

(g) The existing terms of any memorandum of understanding with an employee organization representing employees of a redevelopment agency adopted pursuant to the Meyers-Milias-Brown Act that is in force on the effective date of this part shall continue in force until September 30, 2011, unless a new agreement is reached with a recognized employee organization prior to that date.

(h) After the enforceable obligation payment schedule is adopted pursuant to Section 34169, or after 60 days from the effective date of this part, whichever is sooner, the agency shall not make a payment unless it is listed in an adopted enforceable obligation payment schedule, other than payments required to meet obligations with respect to bonded indebtedness.

(i) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(j) For purposes of this part, "auditor-controller" means the officer designated in subdivision (e) of Section 24000 of the Government Code.

34167.5. Commencing on the effective date of the act adding this part, the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the

extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). Upon receiving such an order from the Controller, an affected local agency shall, as soon as practicable, reverse the transfer and return the applicable assets to the redevelopment agency or, on or after October 1, 2011, to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170). The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in the furtherance of the Community Redevelopment Law and is thereby unauthorized.

Assets to be returned or given to successor agency.

Timing issue is major!

34168. (a) Notwithstanding any other law, any action contesting the validity of this part or Part 1.85 (commencing with Section 34170) or challenging acts taken pursuant to these parts shall be brought in the Superior Court of the County of Sacramento.

(b) If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end, the provisions of this part are severable.

Chapter 2. Redevelopment Agency Responsibilities

34169. Until successor agencies are authorized pursuant to Part 1.85 (commencing with Section 34170), redevelopment agencies shall do all of the following:

(a) Continue to make all scheduled payments for enforceable obligations, as defined in subdivision (d) of Section 34167.

(b) Perform obligations required pursuant to any enforceable obligations, including, but not limited to, observing covenants for continuing disclosure obligations and those aimed at preserving the tax-exempt status of interest payable on any outstanding agency bonds.

(c) Set aside or maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Consistent with the intent declared in subdivision (a) of Section 34167, preserve all assets, minimize all liabilities, and preserve all records of the redevelopment agency.

(e) Cooperate with the successor agencies, if established pursuant to Part 1.85 (commencing with Section 34170), and provide all records and information necessary or desirable for audits, making of payments required by enforceable obligations, and performance of enforceable obligations by the successor agencies.

(f) Take all reasonable measures to avoid triggering an event of default under any enforceable obligations as defined in subdivision (d) of Section 34167.

(g) (1) Within 60 days of the effective date of this part, adopt an Enforceable Obligation Payment Schedule that lists all of the obligations that are enforceable within the meaning of subdivision (d) of Section 34167 which includes the following information about each obligation:

(A) The project name associated with the obligation.

(B) The payee.

(C) A short description of the nature of the work, product, service, facility, or other thing of value for which payment is to be made.

(D) The amount of payments obligated to be made, by month, through December 2011.

(2) Payment schedules for issued bonds may be aggregated, and payment schedules for payments to employees may be aggregated. This schedule shall be adopted at a public meeting and shall be posted on the agency's Internet Web site or, if no Internet Web site exists, on the Internet Web site of the legislative body, if that body has an Internet Web site. The schedule may be amended at any public meeting of the agency. Amendments shall be posted to the Internet Web site for at least three business days before a payment may be made pursuant to an amendment. The Enforceable Obligation Payment Schedule shall be transmitted by mail or electronic means to the county auditor-controller, the Controller, and the Department of Finance. A notification providing the Internet Web site location of the posted schedule and notifications of any amendments shall suffice to meet this requirement.

(h) Prepare a preliminary draft of the initial recognized obligation payment schedule, no later than September 30, 2011, and provide it to the successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170).

(i) The Department of Finance may review a redevelopment agency action taken pursuant to subdivision (g) or (h). As such, all agency actions shall not be effective for three business days, pending a request for review by the department. Each agency shall designate an official to whom the department may make these requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. In the event that the department requests a review of a given agency action, the department shall have 10 days from the date of its request to approve the agency action or return it to the agency for reconsideration and this action shall not be effective until approved by the department. In the event that the department returns the agency action to the agency for reconsideration, the agency must resubmit the modified action for department approval and the modified action shall not become effective until approved by the department. This subdivision shall apply to a successor agency, if a successor agency is established pursuant to Part 1.85 (commencing with Section 34170), as a successor entity to a dissolved redevelopment agency, with

respect to the preliminary draft of the initial recognized obligation payment schedule.

Chapter 3. Application of Part to Former Participants of the Alternative Voluntary Redevelopment Program

34169.5. (a) It is the intent of the Legislature that a redevelopment agency, that formerly operated pursuant to the Alternative Voluntary Redevelopment Program (Part 1.9 (commencing with Section 34192)), but that becomes subject to this part pursuant to Section 34195, shall be subject to all of the requirements of this part, except that dates and deadlines shall be appropriately modified, as provided in this section, to reflect the date that the agency becomes subject to this part.

(b) For purposes of a redevelopment agency that becomes subject to this part pursuant to Section 34195, the following shall apply:

(1) Any reference to "January 1, 2011," shall be construed to mean January 1 of the year preceding the year that the redevelopment agency became subject to this part, but no earlier than January 1, 2011.

(2) Any reference to a date "60 days from the effective date of this part" shall be construed to mean 60 days from the date that the redevelopment agency becomes subject to this part.

(3) Except as provided in paragraphs (1) and (2), any reference to a date certain shall be construed to be the date, measured from the date that the redevelopment agency became subject to this part, that is equivalent to the duration of time between the effective date of this part and the date certain identified in statute.

SEC. 7. Part 1.85 (commencing with Section 34170) is added to Division 24 of the Health and Safety Code, to read:

PART 1.85. DISSOLUTION OF REDEVELOPMENT AGENCIES AND DESIGNATION OF SUCCESSOR AGENCIES

"Dissolve" language

Chapter 1. Effective Date, Creation of Funds, and Definition of Terms

34170. (a) Unless otherwise specified, all provisions of this part shall become operative on October 1, 2011.

(b) If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end, the provisions of this part are severable.

34170.5. (a) The successor agency shall create within its treasury a Redevelopment Obligation Retirement Fund to be administered by the successor agency.

RORF

(b) The county auditor-controller shall create within the county treasury a Redevelopment Property Tax Trust Fund for the property tax revenues related to each former redevelopment agency, for administration by the county auditor-controller.

34171. The following terms shall have the following meanings:

(a) "Administrative budget" means the budget for administrative costs of the successor agencies as provided in Section 34177.

(b) "Administrative cost allowance" means an amount that, subject to the approval of the oversight board, is payable from property tax revenues of up to 5 percent of the property tax allocated to the successor agency for the 2011–12 fiscal year and up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund money that is allocated to the successor agency for each fiscal year thereafter; provided, however, that the amount shall not be less than two hundred fifty thousand dollars ($250,000) for any fiscal year or such lesser amount as agreed to by the successor agency. However, the allowance amount shall exclude any administrative costs that can be paid from bond proceeds or from sources other than property tax.

(c) "Designated local authority" shall mean a public entity formed pursuant to subdivision (d) of Section 34173.

(d) (1) "Enforceable obligation" means any of the following:

(A) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency.

(B) Loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms.

(C) Payments required by the federal government, preexisting obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement.

(D) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to Section 34183. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, nothing in this act shall prohibit either the successor agency, with the approval or at the direction of the oversight board, or the oversight board itself from terminating any existing agreements or contracts and providing

Definitions - including Administrative Budgets

5% of Property Taxes allocated to successor agency in FY 1 and 3% thereafter.

ENFORCEABLE OBLIGATIONS (A - G)

34170.5 (d)(1)(E) can terminate agreements and contracts

any necessary and required compensation or remediation for such termination.

(F) Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.

(G) Amounts borrowed from or payments owing to the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date of the act adding this part; provided, however, that the repayment schedule is approved by the oversight board.

LMI funds borrowed are "enforceable obligation," but goes into fund for waterfall distribution. LMI funds not saved. LMI H.F to have a repayment schedule by oversight board.

(2) For purposes of this part, "enforceable obligation" does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations.

(3) Contracts or agreements between the former redevelopment agency and other public agencies, to perform services or provide funding for governmental or private services or capital projects outside of redevelopment project areas that do not provide benefit to the redevelopment project and thus were not properly authorized under Part 1 (commencing with Section 33000) shall be deemed void on the effective date of this part; provided, however, that such contracts or agreements for the provision of housing properly authorized under Part 1 (commencing with Section 33000) shall not be deemed void.

(e) "Indebtedness obligations" means bonds, notes, certificates of participation, or other evidence of indebtedness, issued or delivered by the redevelopment agency, or by a joint exercise of powers authority created by the redevelopment agency, to third-party investors or bondholders to finance or refinance redevelopment projects undertaken by the redevelopment agency in compliance with the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(f) "Oversight board" shall mean each entity established pursuant to Section 34179.

(g) "Recognized obligation" means an obligation listed in the Recognized Obligation Payment Schedule.

(h) "Recognized Obligation Payment Schedule" means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each six-month fiscal period as provided in subdivision (m) of Section 34177.

"ROPS"

(i) "School entity" means any entity defined as such in subdivision (f) of Section 95 of the Revenue and Taxation Code.

(j) "Successor agency" means the county, city, or city and county that authorized the creation of each redevelopment agency or another entity as provided in Section 34173.

(k) "Taxing entities" means cities, counties, a city and county, special districts, and school entities, as defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, that receive passthrough payments and distributions of property taxes pursuant to the provisions of this part.

Chapter 2. Effect of Redevelopment Agency Dissolution

34172. (a) (1) All redevelopment agencies and redevelopment agency components of community development agencies created under Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) that were in existence on the effective date of this part are hereby dissolved and shall no longer exist as a public body, corporate or politic. Nothing in this part dissolves or otherwise affects the authority of a community redevelopment commission, other than in its authority to act as a redevelopment agency, in its capacity as a housing authority or for any other community development purpose of the jurisdiction in which it operates. For those other nonredevelopment purposes, the community development commission derives its authority solely from federal or local laws, or from state laws other than the Community Redevelopment Law (Part 1 (commencing with Section 33000)).

(2) A community in which an agency has been dissolved under this section may not create a new agency pursuant to Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100). However, a community in which the agency has been dissolved and the successor entity has paid off all of the former agency's enforceable obligations may create a new agency pursuant to Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100), subject to the tax increment provisions contained in Chapter 3.5 (commencing with Section 34194.5) of Part 1.9 (commencing with Section 34192).

(b) All authority to transact business or exercise powers previously granted under the Community Redevelopment Law (Part 1 (commencing with Section 33000) is hereby withdrawn from the former redevelopment agencies.

(c) Solely for purposes of Section 16 of Article XVI of the California Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the dissolved redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness,

whether funded, refunded, assumed, or otherwise incurred by the redevelopment agency to finance or refinance, in whole or in part, the redevelopment projects of each redevelopment agency dissolved pursuant to this part.

(d) Revenues equivalent to those that would have been allocated pursuant to subdivision (b) of Section 16 of Article XVI of the California Constitution shall be allocated to the Redevelopment Property Tax Trust Fund of each successor agency for making payments on the principal of and interest on loans, and moneys advanced to or indebtedness incurred by the dissolved redevelopment agencies. Amounts in excess of those necessary to pay obligations of the former redevelopment agency shall be deemed to be property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution.

34173. (a) Successor agencies, as defined in this part, are hereby designated as successor entities to the former redevelopment agencies.

(b) Except for those provisions of the Community Redevelopment Law that are repealed, restricted, or revised pursuant to the act adding this part, all authority, rights, powers, duties, and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies.

(c) (1) Where the redevelopment agency was in the form of a joint powers authority, and where the joint powers agreement governing the formation of the joint powers authority addresses the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part and each shall have a share of assets and liabilities based on the provisions of the joint powers agreement.

(2) Where the redevelopment agency was in the form of a joint powers authority, and where the joint powers agreement governing the formation of the joint powers authority does not address the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part, a proportionate share of the assets and liabilities shall be based on the assessed value in the project areas within each entity's jurisdiction, as determined by the county assessor, in its jurisdiction as compared to the assessed value of land within the boundaries of the project areas of the former redevelopment agency.

(d) (1) A city, county, city and county, or the entities forming the joint powers authority that authorized the creation of each redevelopment agency may elect not to serve as a successor agency under this part. A city, county, city and county, or any member of a joint powers authority that elects not to serve as a successor agency under this part must file a copy of a duly authorized resolution of its governing board to that effect with the county auditor-controller no later than one month prior to the effective date of this part.

By January 13, 2012

(2) The determination of the first local agency that elects to become the successor agency shall be made by the county auditor-controller based on

the earliest receipt by the county auditor-controller of a copy of a duly adopted resolution of the local agency's governing board authorizing such an election. As used in this section, "local agency" means any city, county, city and county, or special district in the county of the former redevelopment agency.

(3) If no local agency elects to serve as a successor agency for a dissolved redevelopment agency, a public body, referred to herein as a "designated local authority" shall be immediately formed, pursuant to this part, in the county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor shall appoint three residents of the county to serve as the governing board of the authority. The designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

(e) The liability of any successor agency, acting pursuant to the powers granted under the act adding this part, shall be limited to the extent of the total sum of property tax revenues it receives pursuant to this part and the value of assets transferred to it as a successor agency for a dissolved redevelopment agency.

34174. (a) Solely for the purposes of Section 16 of Article XVI of the California Constitution, commencing on the effective date of this part, all agency loans, advances, or indebtedness, and interest thereon, shall be deemed extinguished and paid; provided, however, that nothing herein is intended to absolve the successor agency of payment or other obligations due or imposed pursuant to the enforceable obligations; and provided further, that nothing in the act adding this part is intended to be construed as an action or circumstance that may give rise to an event of default under any of the documents governing the enforceable obligations.

(b) Nothing in this part, including, but not limited to, the dissolution of the redevelopment agencies, the designation of successor agencies, and the transfer of redevelopment agency assets and properties, shall be construed as a voluntary or involuntary insolvency of any redevelopment agency for purposes of the indenture, trust indenture, or similar document governing its outstanding bonds.

34175. (a) It is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.

(b) All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on October 1, 2011, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of October 1, 2011.

34176. (a) 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,

Housing Section

county, or city and county elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, duties, and obligations, excluding any amounts on deposit in the Low and Moderate Income Housing Fund, shall be transferred to the city, county, or city and county.

Housing function can be retained but not the LMI funds on deposit

(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, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

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

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

(3) Where 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 entity assuming the housing functions formerly performed by the redevelopment agency 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.

Chapter 3. Successor Agencies

34177. Successor agencies are required to do all of the following:

(a) Continue to make payments due for enforceable obligations.

-->Feb. 1, 2012

(1) On and after October 1, 2011, and until a Recognized Obligation Payment Schedule becomes operative, only payments required pursuant to an enforceable obligations payment schedule shall be made. The initial enforceable obligation payment schedule shall be the last schedule adopted by the redevelopment agency under Section 34169. However, payments associated with obligations excluded from the definition of enforceable obligations by paragraph (2) of subdivision (e) of Section 34171 shall be excluded from the enforceable obligations payment schedule and be removed from the last schedule adopted by the redevelopment agency under Section 34169 prior to the successor agency adopting it as its enforceable obligations payment schedule pursuant to this subdivision. The enforceable obligation payment schedule may be amended by the successor agency at any public meeting and shall be subject to the approval of the oversight board as soon as the board has sufficient members to form a quorum.

(2) The Department of Finance and the Controller shall each have the authority to require any documents associated with the enforceable obligations to be provided to them in a manner of their choosing. Any taxing entity, the department, and the Controller shall each have standing to file a judicial action to prevent a violation under this part and to obtain injunctive or other appropriate relief.

(3) Commencing on January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule. In addition, commencing January 1, 2012, the Recognized Obligation Payment Schedule shall supersede the Statement of Indebtedness, which shall no longer be prepared nor have any effect under the Community Redevelopment Law.

(4) Nothing in the act adding this part is to be construed as preventing a successor agency, with the prior approval of the oversight board, as described in Section 34179, from making payments for enforceable obligations from sources other than those listed in the Recognized Obligation Payment Schedule.

(5) From October 1, 2011, to July 1, 2012, a successor agency shall have no authority and is hereby prohibited from accelerating payment or making any lump-sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.

(b) Maintain reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(c) Perform obligations required pursuant to any enforceable obligation.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities, including, but not limited to, the unencumbered balance of the Low and Moderate Income Housing Fund of a former redevelopment agency. In making the distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(e) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of certain assets pursuant to subdivision (a) of Section 34181. The disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188.

(f) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.

5/1/2012

ROPS exceeds schedule of indebtedness

10/1/2011 -->Feb. 1, 2012

9 months of time when successor agency can't accelerate loan payment schedules.

LMI distribution back to general distribution. Remittance of unencumbered LMI funds to taxing entities.

Dispose of assets and properties or transfer

(g) Effectuate transfer of housing functions and assets to the appropriate entity designated pursuant to Section 34176.

(h) Expeditiously wind down the affairs of the redevelopment agency pursuant to the provisions of this part and in accordance with the direction of the oversight board.

(i) Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties. Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.

(j) Prepare a proposed administrative budget and submit it to the oversight board for its approval. The proposed administrative budget shall include all of the following:

(1) Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period.

(2) Proposed sources of payment for the costs identified in paragraph (1).

(3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.

(k) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund, to the county auditor-controller for each six-month fiscal period.

(*l*) (1) Before each six-month fiscal period, prepare a Recognized Obligation Payment Schedule in accordance with the requirements of this paragraph. For each recognized obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:

(A) Low and Moderate Income Housing Fund.

(B) Bond proceeds.

(C) Reserve balances.

(D) Administrative cost allowance.

(E) The Redevelopment Property Tax Trust Fund, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or by the provisions of this part.

(F) Other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board in accordance with this part.

(2) A Recognized Obligation Payment Schedule shall not be deemed valid unless all of the following conditions have been met:

(A) A draft Recognized Obligation Payment Schedule is prepared by the successor agency for the enforceable obligations of the former redevelopment agency by November 1, 2011. From October 1, 2011, to July 1, 2012, the initial draft of that schedule shall project the dates and amounts of scheduled

Successor agencies must effectuate transfer of housing functions.

6 month admin budget

All conditions of ROPS to be met:

11/1/2011 --> 3/1/2012 per CA Supreme Court Decision

10/1/2011 --> 2/1/2012

payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate property tax increment had such a redevelopment agency not been dissolved, and shall be reviewed and certified, as to its accuracy, by an external auditor designated pursuant to Section 34182.

(B) The certified Recognized Obligation Payment Schedule is submitted to and duly approved by the oversight board.

(C) A copy of the approved Recognized Obligation Payment Schedule is submitted to the county auditor-controller and both the Controller's office and the Department of Finance and be posted on the successor agency's Internet Web site.

(3) The Recognized Obligation Payment Schedule shall be forward looking to the next six months. The first Recognized Obligation Payment Schedule shall be submitted to the Controller's office and the Department of Finance by December 15, 2011, for the period of January 1, 2012, to June 30, 2012, inclusive. Former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, shall be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

12/15/2011 --> 4/15/2012

34178. (a) Commencing on the operative date of this part, agreements, contracts, or arrangements between the city or county, or city and county that created the redevelopment agency and the redevelopment agency are invalid and shall not be binding on the successor agency; provided, however, that a successor entity wishing to enter or reenter into agreements with the city, county, or city and county that formed the redevelopment agency that it is succeeding may do so upon obtaining the approval of its oversight board.

"cooperation agreements" not valid

(b) Notwithstanding subdivision (a), any of the following agreements are not invalid and may bind the successor agency:

(1) A duly authorized written agreement entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations.

(2) A written agreement between a redevelopment agency and the city, county, or city and county that created it that provided loans or other startup funds for the redevelopment agency that were entered into within two years of the formation of the redevelopment agency.

(3) A joint exercise of powers agreement in which the redevelopment agency is a member of the joint powers authority. However, upon assignment to the successor agency by operation of the act adding this part, the successor agency's rights, duties, and performance obligations under that joint exercise of powers agreement shall be limited by the constraints imposed on successor agencies by the act adding this part.

34178.7. For purposes of this chapter with regard to a redevelopment agency that becomes subject to this part pursuant to Section 34195, only references to "October 1, 2011," and to the "operative date of this part"

shall be modified in the manner described in Section 34191. All other dates shall be modified only as necessary to reflect the appropriate fiscal year or portion of a fiscal year.

Chapter 4. Oversight Boards

Generally 7 members

34179. (a) Each successor agency shall have an oversight board composed of seven members. The members shall elect one of their members as the chairperson and shall report the name of the chairperson and other members to the Department of Finance on or before January 1, 2012. Members shall be selected as follows:

--> 5/1/2012

(1) One member appointed by the county board of supervisors.

(2) One member appointed by the mayor for the city that formed the redevelopment agency.

(3) One member appointed by the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is of the type of special district that is eligible to receive property tax revenues pursuant to Section 34188.

(4) One member appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public appointed by the county board of supervisors.

(7) One member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors, as the case may be, from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time.

Membership of Oversight Boards

1) County appt
2) Mayor appt
3) Special District appt
4) Education Bd appt
5) Community College appt
6) County appt
7) RDA employee

(8) If the county or a joint powers agency formed the redevelopment agency, then the largest city by acreage in the territorial jurisdiction of the former redevelopment agency may select one member. If there are no cities with territory in a project area of the redevelopment agency, the county superintendent of education may appoint an additional member to represent the public.

(9) If there are no special districts of the type that are eligible to receive property tax pursuant to Section 34188, within the territorial jurisdiction of the former redevelopment agency, then the county may appoint one member to represent the public.

(10) Where a redevelopment agency was formed by an entity that is both a charter city and a county, the oversight board shall be composed of seven members selected as follows: three members appointed by the mayor of the city, where such appointment is subject to confirmation by the county board of supervisors, one member appointed by the largest special district, by

property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is the type of special district that is eligible to receive property tax revenues pursuant to Section 34188, one member appointed by the county superintendent of education to represent schools, one member appointed by the Chancellor of the California Community Colleges to represent community college districts, and one member representing employees of the former redevelopment agency appointed by the mayor of the city where such an appointment is subject to confirmation by the county board of supervisors, to represent the largest number of former redevelopment agency employees employed by the successor agency at that time.

(b) The Governor may appoint individuals to fill any oversight board member position described in subdivision (a) that has not been filled by January 15, 2012, or any member position that remains vacant for more than 60 days.

--> 5/15/2012

(c) The oversight board may direct the staff of the successor agency to perform work in furtherance of the oversight board's duties and responsibilities under this part. The successor agency shall pay for all of the costs of meetings of the oversight board and may include such costs in its administrative budget. Oversight board members shall serve without compensation or reimbursement for expenses.

Oversight Boards can direct staff!
Doesn't say manage the process - just pay costs.

(d) Oversight board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members.

(e) A majority of the total membership of the oversight board shall constitute a quorum for the transaction of business. A majority vote of the total membership of the oversight board is required for the oversight board to take action. The oversight board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act, and the Political Reform Act of 1974.

(f) All notices required by law for proposed oversight board actions shall also be posted on the successor agency's Internet Web site or the oversight board's Internet Web site.

(g) Each member of an oversight board shall serve at the pleasure of the entity that appointed such member.

(h) The Department of Finance may review an oversight board action taken pursuant to the act adding this part. As such, all oversight board actions shall not be effective for three business days, pending a request for review by the department. Each oversight board shall designate an official to whom the department may make such requests and who shall provide the department with the telephone number and e-mail contact information for the purpose of communicating with the department pursuant to this subdivision. In the event that the department requests a review of a given oversight board action, it shall have 10 days from the date of its request to approve the oversight board action or return it to the oversight board for reconsideration and such oversight board action shall not be effective until approved by the department. In the event that the department returns the

3 business days for DOF review before actions are effective.

oversight board action to the oversight board for reconsideration, the oversight board shall resubmit the modified action for department approval and the modified oversight board action shall not become effective until approved by the department.

(i) Oversight boards shall have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188. Further, the provisions of Division 4 (commencing with Section 1000) of the Government Code shall apply to oversight boards. Notwithstanding Section 1099 of the Government Code, or any other law, any individual may simultaneously be appointed to up to five oversight boards and may hold an office in a city, county, city and county, special district, school district, or community college district.

5 Boards per person

After 4 years (in 2016), 1 oversight board per county

(j) Commencing on and after July 1, 2016, in each county where more than one oversight board was created by operation of the act adding this part, there shall be only one oversight board appointed as follows:

(1) One member may be appointed by the county board of supervisors.

(2) One member may be appointed by the city selection committee established pursuant to Section 50270 of the Government Code. In a city and county, the mayor may appoint one member.

(3) One member may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188.

(4) One member may be appointed by the county superintendent of education to represent schools if the superintendent is elected. If the county superintendent of education is appointed, then the appointment made pursuant to this paragraph shall be made by the county board of education.

(5) One member may be appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.

(6) One member of the public may be appointed by the county board of supervisors.

(7) One member may be appointed by the recognized employee organization representing the largest number of successor agency employees in the county.

(k) The Governor may appoint individuals to fill any oversight board member position described in subdivision (j) that has not been filled by July 15, 2016, or any member position that remains vacant for more than 60 days.

(*l*) Commencing on and after July 1, 2016, in each county where only one oversight board was created by operation of the act adding this part, then there will be no change to the composition of that oversight board as a result of the operation of subdivision (b).

(m) Any oversight board for a given successor agency shall cease to exist when all of the indebtedness of the dissolved redevelopment agency has been repaid.

34180. All of the following successor agency actions shall first be approved by the oversight board:

(a) The establishment of new repayment terms for outstanding loans where the terms have not been specified prior to the date of this part.

(b) Refunding of outstanding bonds or other debt of the former redevelopment agency by successor agencies in order to provide for savings or to finance debt service spikes; provided, however, that no additional debt is created and debt service is not accelerated.

(c) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants, or other forms of financial assistance from either public or private sources, where assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than 5 percent.

(f) (1) If a city, county, or city and county wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the base property tax, as determined pursuant to Section 34188, for the value of the property retained.

(2) If no other agreement is reached on valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by the county assessor.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) A request by the successor agency to enter into an agreement with the city, county, or city and county that formed the redevelopment agency that it is succeeding.

(i) A request by a successor agency or taxing entity to pledge, or to enter into an agreement for the pledge of, property tax revenues pursuant to subdivision (b) of Section 34178.

34181. The oversight board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency that were funded by tax increment revenues of the dissolved redevelopment agency; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, and fire stations, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset. Any compensation to be provided to the successor agency for the transfer of the asset shall be governed by the agreements relating to the construction or use of that asset. Disposal shall be done expeditiously and in a manner aimed at maximizing value.

APPROVALS

Oversight Boards must approve:

Retaining assets.
Provisions to keep properties or assets for future development.

Oversight Board directs:

Governmental purpose assets got to appropriate public jurisdiction (fire stations, etc)

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(c) Transfer housing responsibilities and all rights, powers, duties, and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176.

(d) Terminate any agreement, between the dissolved redevelopment agency and any public entity located in the same county, obligating the redevelopment agency to provide funding for any debt service obligations of the public entity or for the construction, or operation of facilities owned or operated by such public entity, in any instance where the oversight board has found that early termination would be in the best interests of the taxing entities.

(e) Determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the oversight board for its approval. The board may approve any amendments to or early termination of such agreements where it finds that amendments or early termination would be in the best interests of the taxing entities.

Chapter 5. Duties of the Auditor-Controller

34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted an agreed-upon procedures audit of each redevelopment agency in the county that is subject to this part, to be completed by March 1, 2012. --> July 1, 2012.

(2) The purpose of the audits shall be to establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's passthrough payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and certify the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trust Fund for any costs incurred by the county auditor-controller pursuant to this part.

(b) By March 15, 2012, the county auditor-controller shall provide the Controller's office a copy of all audits performed pursuant to this section. The county auditor-controller shall maintain a copy of all documentation and working papers for use by the Controller. --> July 15, 2012.

(c) (1) The county auditor-controller shall determine the amount of property taxes that would have been allocated to each redevelopment agency in the county had the redevelopment agency not been dissolved pursuant to the operation of the act adding this part. These amounts are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution and are available for allocation and distribution in accordance with the provisions of the act adding this part.

The county auditor-controller shall calculate the property tax revenues using current assessed values on the last equalized roll on August 20, pursuant to Section 2052 of the Revenue and Taxation Code, and pursuant to statutory formulas or contractual agreements with other taxing agencies, as of the effective date of this section, and shall deposit that amount in the Redevelopment Property Tax Trust Fund.

(2) Each county auditor-controller shall administer the Redevelopment Property Tax Trust Fund for the benefit of the holders of former redevelopment agency enforceable obligations and the taxing entities that receive passthrough payments and distributions of property taxes pursuant to this part.

(3) In connection with the allocation and distribution by the county auditor-controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, in compliance with this part, the county auditor-controller shall prepare estimates of amounts to be allocated and distributed, and provide those estimates to both the entities receiving the distributions and the Department of Finance, no later than November 1 and May 1 of each year.

(4) Each county auditor-controller shall disburse proceeds of asset sales or reserve balances, which have been received from the successor entities pursuant to Sections 34177 and 34187, to the taxing entities. In making such a distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(d) By October 1, 2012, the county auditor-controller shall report the following information to the Controller's office and the Director of Finance:

(1) The sums of property tax revenues remitted to the Redevelopment Property Tax Trust Fund related to each former redevelopment agency.

(2) The sums of property tax revenues remitted to each agency under paragraph (1) of subdivision (a) of Section 34183.

(3) The sums of property tax revenues remitted to each successor agency pursuant to paragraph (2) of subdivision (a) of Section 34183.

(4) The sums of property tax revenues paid to each successor agency pursuant to paragraph (3) of subdivision (a) of Section 34183.

(5) The sums paid to each city, county, and special district, and the total amount allocated for schools pursuant to paragraph (4) of subdivision (a) of Section 34183.

(6) Any amounts deducted from other distributions pursuant to subdivision (b) of Section 34183.

(e) A county auditor-controller may charge the Redevelopment Property Tax Trust Fund for the costs of administering the provisions of this part.

(f) The Controller may audit and review any county auditor-controller action taken pursuant to the act adding this part. As such, all county auditor-controller actions shall not be effective for three business days, pending a request for review by the Controller. In the event that the Controller requests a review of a given county auditor-controller action, he or she shall have 10 days from the date of his or her request to approve the

county auditor-controller's action or return it to the county auditor-controller for reconsideration and such county auditor-controller action shall not be effective until approved by the Controller. In the event that the Controller returns the county auditor-controller's action to the county auditor-controller for reconsideration, the county auditor-controller must resubmit the modified action for Controller approval and such modified county auditor-controller action shall not become effective until approved by the Controller.

34183. (a) Notwithstanding any other law, from October 1, 2011, to July 1, 2012, and for each fiscal year thereafter, the county auditor-controller shall, after deducting administrative costs allowed under Section 34182 and Section 95.3 of the Revenue and Taxation Code, allocate moneys in each Redevelopment Property Tax Trust Fund as follows:

County-auditor costs

(1) Subject to any prior deductions required by subdivision (b), first, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency and school entity an amount of property tax revenues in an amount equal to that which would have been received under Section 33401, 33492.140, 33607, 33607.5, 33607.7, or 33676, as those sections read on January 1, 2011, or pursuant to any passthrough agreement between a redevelopment agency and a taxing jurisdiction that was entered into prior to January 1, 1994, that would be in force during that fiscal year, had the redevelopment agency existed at that time. The amount of the payments made pursuant to this paragraph shall be calculated solely on the basis of passthrough payment obligations, existing prior to the effective date of this part and continuing as obligations of successor entities, shall occur no later than January 16, 2012, and no later than June 1, 2012, and each January 16 and June 1 thereafter. Notwithstanding subdivision (e) of Section 33670, that portion of the taxes in excess of the amount identified in subdivision (a) of Section 33670, which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing agency.

(2) Second, on January 16, 2012, and June 1, 2012, and each January 16 and June 1 thereafter, to each successor agency for payments listed in its Recognized Obligation Payment Schedule for the six-month fiscal period beginning January 1, 2012, or July 1, 2012, and each January 16 and June 1 thereafter, in the following order of priority:

Bonds: Type 1
1) Tax allocation
2) Revenue

(A) Debt service payments scheduled to be made for tax allocation bonds.

(B) Payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only where the agency's tax increment revenues were also pledged for the repayment of the bonds.

(C) Payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule that are required to be paid from former tax increment revenue.

(3) Third, on January 16, 2012, and June 1, 2012, and each January 16 and June 1 thereafter, to each successor agency for the administrative cost allowance, as defined in Section 34171, for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues.

(4) Fourth, on January 16, 2012, and June 1, 2012, and each January 16 and June 1 thereafter, any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by paragraphs (1) to (3), inclusive, shall be distributed to local agencies and school entities in accordance with Section 34188.

(b) If the successor agency reports, no later than December 1, 2011, and May 1, 2012, and each December 1 and May 1 thereafter, to the county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations, are insufficient to fund the payments required by paragraphs (1) to (3), inclusive, of subdivision (a) in the next six-month fiscal period, the county auditor-controller shall notify the Controller and the Department of Finance no later than 10 days from the date of that notification. The county auditor-controller shall verify whether the successor agency will have sufficient funds from which to service debts according to the Recognized Obligation Payment Schedule and shall report the findings to the Controller. If the Controller concurs that there are insufficient funds to pay required debt service, the amount of the deficiency shall be deducted first from the amount remaining to be distributed to taxing entities pursuant to paragraph (4), and if that amount is exhausted, from amounts available for distribution for administrative costs in paragraph (3). If an agency, pursuant to the provisions of Section 33492.15, 33492.72, 33607.5, 33671.5, 33681.15, or 33688, made passthrough payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for passthrough payments under paragraph (1), as provided in those sections, but only to the extent that the amounts remaining to be distributed to taxing entities pursuant to paragraph (4) and the amounts available for distribution for administrative costs in paragraph (3) have all been exhausted.

--> March 1, 2012

(c) The county treasurer may loan any funds from the county treasury that are necessary to ensure prompt payments of redevelopment agency debts.

(d) The Controller may recover the costs of audit and oversight required under this part from the Redevelopment Property Tax Trust Fund by presenting an invoice therefor to the county auditor-controller who shall set aside sufficient funds for and disburse the claimed amounts prior to making the next distributions to the taxing jurisdictions pursuant to Section 34188. Subject to the approval of the Director of Finance, the budget of the

The State Controller recovers costs

Controller may be augmented to reflect the reimbursement, pursuant to Section 28.00 of the Budget Act.

34185. Commencing on January 16, 2012, and on each January 16 and June 1 thereafter, the county auditor-controller shall transfer, from the Redevelopment Property Tax Trust Fund of each successor agency into the Redevelopment Obligation Retirement Fund of that agency, an amount of property tax revenues equal to that specified in the Recognized Obligation Payment Schedule for that successor agency as payable from the Redevelopment Property Tax Trust Fund subject to the limitations of Sections 34173 and 34183.

34186. Differences between actual payments and past estimated obligations on recognized obligation payment schedules must be reported in subsequent recognized obligation payment schedules and shall adjust the amount to be transferred to the Redevelopment Obligation Retirement Fund pursuant to this part. These estimates and accounts shall be subject to audit by county auditor-controllers and the Controller.

34187. Commencing January 1, 2012, whenever a recognized obligation that had been identified in the Recognized Payment Obligation Schedule is paid off or retired, either through early payment or payment at maturity, the county auditor-controller shall distribute to the taxing entities, in accordance with the provisions of the Revenue and Taxation Code, all property tax revenues that were associated with the payment of the recognized obligation.

34188. For all distributions of property tax revenues and other moneys pursuant to this part, the distribution to each taxing entity shall be in an amount proportionate to its share of property tax revenues in the tax rate area in that fiscal year, as follows:

(a) (1) For distributions from the Redevelopment Property Tax Trust Fund, the share of each taxing entity shall be applied to the amount of property tax available in the Redevelopment Property Tax Trust Fund after deducting the amount of any distributions under paragraphs (2) and (3) of subdivision (a) of Section 34183.

(2) For each taxing entity that receives passthrough payments, that agency shall receive the amount of any passthrough payments identified under paragraph (1) of subdivision (a) of Section 34183, in an amount not to exceed the amount that it would receive pursuant to this section in the absence of the passthrough agreement. However, to the extent that the passthrough payments received by the taxing entity are less than the amount that the taxing entity would receive pursuant to this section in the absence of a passthrough agreement, the taxing entity shall receive an additional payment that is equivalent to the difference between those amounts.

(b) Property tax shares of local agencies shall be determined based on property tax allocation laws in effect on the date of distribution, without the revenue exchange amounts allocated pursuant to Section 97.68 of the Revenue and Taxation Code, and without the property taxes allocated pursuant to Section 97.70 of the Revenue and Taxation Code.

(c) The total school share, including passthroughs, shall be the share of the property taxes that would have been received by school entities, as

defined in subdivision (f) of Section 95 of the Revenue and Taxation Code, in the jurisdictional territory of the former redevelopment agency, including, but not limited to, the amounts specified in Sections 97.68 and 97.70 of the Revenue and Taxation Code.

34188.8. For purposes of a redevelopment agency that becomes subject to this part pursuant to Section 34195, a date certain identified in this chapter shall not be subject to Section 34191, except for dates certain in Section 34182 and references to "October 1, 2011," or to the "operative date of this part,". However, for purposes of those redevelopment agencies, a date certain identified in this chapter shall be appropriately modified, as necessary to reflect the appropriate fiscal year or portion of a fiscal year.

Chapter 6. Effect of the Act Adding this Part on the Community Redevelopment Law

34189. (a) Commencing on the effective date of this part, all provisions of the Community Redevelopment Law that depend on the allocation of tax increment to redevelopment agencies, including, but not limited to, Sections 33445, 33640, 33641, 33645, and subdivision (b) of Section 33670, shall be inoperative, except as those sections apply to a redevelopment agency operating pursuant to Part 1.9 (commencing with Section 34192).

(b) The California Law Revision Commission shall draft a Community Redevelopment Law cleanup bill for consideration by the Legislature no later than January 1, 2013.

(c) To the extent that a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) conflicts with this part, the provisions of this part shall control. Further, if a provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), or Part 1.7 (commencing with Section 34100) provides an authority that the act adding this part is restricting or eliminating, the restriction and elimination provisions of the act adding this part shall control.

(d) It is intended that the provisions of this part shall be read in a manner as to avoid duplication of payments.

Chapter 7. Stabilization of Labor and Employment Relations

34190. (a) It is the intent of the Legislature to stabilize the labor and employment relations of redevelopment agencies and successor agencies in furtherance of and connection with their responsibilities under the act adding this part.

(b) Nothing in the act adding this part is intended to relieve any redevelopment agency of its obligations under Chapter 10 (commencing with Section 3500) of Division 4 of Title 1 of the Government Code. Subject to the limitations set forth in Section 34165, prior to its dissolution, a

redevelopment agency shall retain the authority to meet and confer over matters within the scope of representation.

(c) A successor agency, as defined in Sections 34171 and 34173, shall constitute a public agency within the meaning of subdivision (c) of Section 3501 of the Government Code.

(d) Subject to the limitations set forth in Section 34165, redevelopment agencies, prior to and during their winding down and dissolution, shall retain the authority to bargain over matters within the scope of representation.

(e) In recognition that a collective bargaining agreement represents an enforceable obligation, a successor agency shall become the employer of all employees of the redevelopment agency as of the date of the redevelopment agency's dissolution. If, pursuant to this provision, the successor agency becomes the employer of one or more employees who, as employees of the redevelopment agency, were represented by a recognized employee organization, the successor agency shall be deemed a successor employer and shall be obligated to recognize and to meet and confer with such employee organization. In addition, the successor agency shall retain the authority to bargain over matters within the scope of representation and shall be deemed to have assumed the obligations under any memorandum of understanding in effect between the redevelopment agency and recognized employee organization as of the date of the redevelopment agency's dissolution.

Collective bargaining agents - enforceable obligations

(f) The Legislature finds and declares that the duties and responsibilities of local agency employer representatives under this chapter are substantially similar to the duties and responsibilities required under existing collective bargaining enforcement procedures and therefore the costs incurred by the local agency employer representatives in performing those duties and responsibilities under the act adding this part are not reimbursable as state-mandated costs. Furthermore, the Legislature also finds and declares that to the extent the act adding this part provides the funding with which to accomplish the obligations provided herein, the costs incurred by the local agency employer representatives in performing those duties and responsibilities under the act adding this part are not reimbursable as state-mandated costs.

(g) The transferred memorandum of understanding and the right of any employee organization representing such employees to provide representation shall continue as long as the memorandum of understanding would have been in force, pursuant to its own terms. One or more separate bargaining units shall be created in the successor agency consistent with the bargaining units that had been established in the redevelopment agency. After the expiration of the transferred memorandum of understanding, the successor agency shall continue to be subject to the provisions of the Meyers-Milias-Brown Act.

(h) Individuals formerly employed by redevelopment agencies that are subsequently employed by successor agencies shall, for a minimum of two years, transfer their status and classification in the civil service system of the redevelopment agency to the successor agency and shall not be required

to requalify to perform the duties that they previously performed or duties substantially similar in nature and in required qualification to those that they previously performed. Any such individuals shall have the right to compete for employment under the civil service system of the successor agency.

Chapter 8. Application of Part to Former Participants of the Alternative Voluntary Redevelopment Program

34191. (a) It is the intent of the Legislature that a redevelopment agency that formerly operated pursuant to the Alternative Voluntary Redevelopment Program (Part 1.9 (commencing with Section 34192)), that becomes subject to this part pursuant to Section 34195, shall be subject to all of the requirements of this part, except that dates and deadlines shall be appropriately modified, as provided in this section, to reflect the date that the agency becomes subject to this part.

(b) Except as otherwise provided by law, for purposes of a redevelopment agency that becomes subject to this part pursuant to Section 34195, the following shall apply:

(1) Any reference to "January 1, 2011," shall be construed to mean January 1 of the year preceding the year that the redevelopment agency became subject to this part, but no earlier than January 1, 2011.

(2) Any reference to "October 1, 2011," or to the "operative date of this part," shall mean the date that is the equivalent to the "October 1, 2011," identified in Section 34167.5 for that redevelopment agency as determined pursuant to Section 34169.5.

(3) Except as provided in paragraphs (1) and (2), any reference to a date certain shall be construed to be the date, measured from the date that the redevelopment agency became subject to this part, that is equivalent to the duration of time between the operative date of this part and the date certain identified in statute.

SEC. 8. Section 97.401 is added to the Revenue and Taxation Code, to read:

97.401. Commencing October 1, 2011, the county auditor shall make the calculations required by Section 97.4 based on the amount deposited on behalf of each former redevelopment agency into the Redevelopment Property Tax Trust Fund pursuant to paragraph (1) of subdivision (c) of Section 34182 of the Health and Safety Code. The calculations required by Section 97.4 shall result in cities, counties, and special districts annually remitting to the Educational Revenue Augmentation Fund the same amounts they would have remitted but for the operation of Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code.

SEC. 9. Section 98.2 is added to the Revenue and Taxation Code, to read:

98.2. For the 2011–12 fiscal year, and each fiscal year thereafter, the computations provided for in Sections 98 and 98.1 shall be performed in a manner which recognizes that passthrough payments formerly required under the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code) are continuing to be made under the authority of Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code and those payments shall be recognized in the TEA calculations as though they were made under the Community Redevelopment Law. Additionally, the computations provided for in Sections 98 and 98.1 shall be performed in a manner that recognizes payments to a Redevelopment Property Tax Trust Fund, established pursuant to Section 34170.5 of the Health and Safety Code as if they were payments to a redevelopment agency as provided in subdivision (b) of Section 33670 of the Health and Safety Code.

SEC. 10. If a legal challenge to invalidate any provision of this act is successful, a redevelopment agency shall be prohibited from issuing new bonds, notes, interim certificates, debentures, or other obligations, whether funded, refunded, assumed, or otherwise, pursuant to Article 5 (commencing with Section 33640) of Chapter 6 of Part 1 of Division 24 of the Health and Safety Code.

SEC. 11. The sum of five hundred thousand dollars ($500,000) is hereby appropriated to the Department of Finance from the General Fund for allocation to the Treasurer, Controller, and Department of Finance for administrative costs associated with this act. The department shall notify the Joint Legislative Budget Committee and the fiscal committees in each house of any allocations under this section no later than 10 days following that allocation.

SEC. 12. If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application and to this end, the provisions of this act are severable. The Legislature expressly intends that the provisions of Part 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code are severable from the provisions of Part 1.8 (commencing with Section 34161) of Division 24 of the Health and Safety Code, and if Part 1.85 is held invalid, then Part 1.8 shall continue in effect.

SEC. 13. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

SEC. 14. This act shall take effect contingent on the enactment of Assembly Bill 27 of the 2011–12 First Extraordinary Session or Senate Bill 15 of in the 2011–12 First Extraordinary Session and only if the enacted bill adds Part 1.9 (commencing with Section 34192) to Division 24 of the Health and Safety Code.

SEC. 15. This act addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation on January 20, 2011, pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution.

SEC. 16. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

O

EXCERPT OF *MATOSANTOS* DECISION

Filed 12/29/11

IN THE SUPREME COURT OF CALIFORNIA

CALIFORNIA REDEVELOPMENT ASSOCIATION et al.,	)	
Petitioners,	)	S194861
v.	)	
ANA MATOSANTOS, as Director, etc., et al.,	)	
Respondents;	)	
COUNTY OF SANTA CLARA et al.,	)	
Interveners and Respondents.	)	

Responding to a declared state fiscal emergency, in the summer of 2011 the Legislature enacted two measures intended to stabilize school funding by reducing or eliminating the diversion of property tax revenues from school districts to the state's community redevelopment agencies. (Assem. Bill Nos. 26 & 27 (2011-2012 1st Ex. Sess.) enacted as Stats. 2011, 1st Ex. Sess. 2011-2012, chs. 5-6 (hereafter Assembly Bill 1X 26 and Assembly Bill 1X 27); see also Assem. Bill 1X 26, § 1, subds. (d)-(i); Assem. Bill 1X 27, § 1, subds. (b), (c).) Assembly Bill 1X 26 bars redevelopment agencies from engaging in new business and provides for their windup and dissolution. Assembly Bill 1X 27 offers an alternative: redevelopment agencies can continue to operate if the cities and counties that

created them agree to make payments into funds benefiting the state's schools and special districts.

The California Redevelopment Association, the League of California Cities, and other affected parties (collectively the Association) promptly sought extraordinary writ relief from this court, arguing that each measure was unconstitutional. They contended the measures violate, inter alia, Proposition 22, which amended the state Constitution to place limits on the state's ability to require payments from redevelopment agencies for the state's benefit. (See Cal. Const., art. XIII, § 25.5, subd. (a)(7), added by Prop. 22, as approved by voters, Gen. Elec. (Nov. 2, 2010).) The state's Director of Finance, respondent Ana Matosantos, opposed on the merits but agreed we should put to rest the significant constitutional questions concerning the validity of both measures.[1] We issued an order to show cause, partially stayed the two measures, and established an expedited briefing schedule. We also granted leave to the County of Santa Clara and its auditor-controller, Vinod K. Sharma (collectively Santa Clara), to intervene as respondents.

We consider whether under the state Constitution (1) redevelopment agencies, once created and engaged in redevelopment plans, have a protected right to exist that immunizes them from statutory dissolution by the Legislature; and (2) redevelopment agencies and their sponsoring communities have a protected right not to make payments to various funds benefiting schools and special districts as a condition of continued operation. Answering the first question "no"

---

[1] Two other respondents, state Controller John Chiang and Alameda County Auditor-Controller Patrick O'Connell, who was sued on behalf of a putative class of county auditor-controllers, took no position on the merits. All respondents have been sued in their official capacities.

and the second "yes," we largely uphold Assembly Bill 1X 26 and invalidate Assembly Bill 1X 27.

Assembly Bill 1X 26, the dissolution measure, is a proper exercise of the legislative power vested in the Legislature by the state Constitution. That power includes the authority to create entities, such as redevelopment agencies, to carry out the state's ends and the corollary power to dissolve those same entities when the Legislature deems it necessary and proper. Proposition 22, while it amended the state Constitution to impose new limits on the Legislature's fiscal powers, neither explicitly nor implicitly rescinded the Legislature's power to dissolve redevelopment agencies. Nor does article XVI, section 16 of the state Constitution, which authorizes the allocation of property tax revenues to redevelopment agencies, impair that power.

A different conclusion is required with respect to Assembly Bill 1X 27, the measure conditioning further redevelopment agency operations on additional payments by an agency's community sponsors to state funds benefiting schools and special districts. Proposition 22 (specifically Cal. Const., art. XIII, § 25.5, subd. (a)(7)) expressly forbids the Legislature from requiring such payments. Matosantos's argument that the payments are valid because technically voluntary cannot be reconciled with the fact that the payments are a requirement of continued operation. Because the flawed provisions of Assembly Bill 1X 27 are not severable from other parts of that measure, the measure is invalid in its entirety.[2]

---

[2] Amicus curiae City of Cerritos et al. raises additional constitutional arguments against the validity of Assembly Bills 1X 26 and 1X 27 based on provisions neither raised nor briefed by the parties. We do not consider them.

I. BACKGROUND

A. *Government Finance: The Integration of State, School, and Municipal Financing*

For much of the 20th century, state and local governments were financed independently under the "separation of sources" doctrine. In 1910, the Legislature proposed, and the voters approved, a constitutional amendment granting local governments exclusive control over the property tax. (Cal. Const., art. XIII, former § 10, enacted by Sen. Const. Amend. No. 1, Gen. Elec. (Nov. 8, 1910); see Simmons, *California Tax Collection: Time for Reform* (2008) 48 Santa Clara L.Rev. 279, 285-286; Ehrman & Flavin, Taxing Cal. Property (4th ed. 2011) §§ 1:9-1:10, p. 1-14.) Each jurisdiction (city, county, special district, and school district) could levy its own independent property tax. (See, e.g., *Temescal Water Co. v. Niemann* (1913) 22 Cal.App. 174, 176 ["It is conceded . . . that a municipality has the right to assess all real property found within its limits for the purpose of maintaining the municipal revenues, and that the county taxing officials have the right to levy upon the same property for county purposes."].)

This system of finance had significant consequences for education. Under the state Constitution, the Legislature is obligated to provide for a public school system. (Cal. Const., art. IX, § 5; *Wells v. One2One Learning Foundation* (2006) 39 Cal.4th 1164, 1195.) Seeking to promote local involvement, the Legislature established school districts as political subdivisions and delegated to them that duty. (*Wells*, at p. 1195; *Butt v. State of California* (1992) 4 Cal.4th 668, 680-681; see also *California Teachers Assn. v. Hayes* (1992) 5 Cal.App.4th 1513, 1523.) Historically, school districts were largely funded out of local property taxes. (*Serrano v. Priest* (1971) 5 Cal.3d 584, 592 (*Serrano I*); *Serrano v. Priest* (1976) 18 Cal.3d 728, 737-738 (*Serrano II*); see *County of Los Angeles v. Sasaki* (1994) 23 Cal.App.4th 1442, 1450.) Under the California system of financing as it

existed until the 1970's, different school districts could levy taxes and generate vastly different revenues; because of the difference in property values, the same property tax rate would yield widely differing sums in, for example, Beverly Hills and Baldwin Park. (*Serrano I*, at pp. 592-594.)

We invalidated that system of financing in *Serrano I* and *Serrano II*, holding that education was a fundamental interest (*Serrano I*, *supra*, 5 Cal.3d at pp. 608-609; *Serrano II*, *supra*, 18 Cal.3d at pp. 765-766) and that financing heavily dependent on local property tax bases denied students equal protection (*Serrano I*, at pp. 614-615; *Serrano II*, at pp. 768-769, 776). The *Serrano* decisions threw "the division of state and local responsibility for educational funding" into " 'a state of flux.' " (*Los Angeles Unified School Dist. v. County of Los Angeles* (2010) 181 Cal.App.4th 414, 419.) In their aftermath, a "Byzantine" system of financing (*California Teachers Assn. v. Hayes*, *supra*, 5 Cal.App.4th at p. 1525) evolved in which the state became the principal financial backstop for local school districts. Funding equalization was achieved by capping individual districts' abilities to raise revenue and enhancing state contributions to ensure minimum funding levels. (Lockard, *In the Wake of* Williams v. State*: The Past, Present, and Future of Education Finance Litigation in California* (2005) 57 Hastings L.J. 385, 388-391; see generally *Wells v. One2One Learning Foundation*, *supra*, 39 Cal.4th at p. 1194 [discussing current funding regime].)

A second event of seismic significance followed shortly after, with the voters' 1978 adoption of Proposition 13. (Cal. Const., art. XIII A, added by Prop. 13, as approved by voters, Primary Elec. (June 6, 1978).) As noted, before 1978 cities and counties had been able to levy their own property taxes. Proposition 13 capped ad valorem real property taxes imposed by all local entities at 1 percent (Cal. Const., art. XIII A, § 1, subd. (a)), reducing the amount of revenue available by more than half (Stark, *The Right to Vote on Taxes* (2001)

96 Nw.U. L.Rev. 191, 198). In place of multiple property taxes imposed by multiple political subdivisions, it substituted a single tax to be collected by counties and thereafter apportioned. (Cal. Const., art. XIII A, § 1, subd. (a).) Significantly, Proposition 13 did not specify how that 1 percent was to be divided, instead leaving the method of allocation to state law. (See Cal. Const., art. XIII A, § 1, subd. (a) [real property tax is "to be . . . apportioned according to law to the districts within the counties"]; *Amador Valley Joint Union High Sch. Dist. v. State Bd. of Equalization* (1978) 22 Cal.3d 208, 225-227; *County of Los Angeles v. Sasaki*, *supra*, 23 Cal.App.4th at pp. 1454-1457; *City of Rancho Cucamonga v. Mackzum* (1991) 228 Cal.App.3d 929, 945.)

Proposition 13 transformed the government financing landscape in at least three ways relevant to this case. First, by capping local property tax revenue, it greatly enhanced the responsibility the state would bear in funding government services, especially education. (See *County of Los Angeles v. Sasaki*, *supra*, 23 Cal.App.4th at pp. 1451-1452; *California Teachers Assn. v. Hayes*, *supra*, 5 Cal.App.4th at pp. 1527-1528.) Second, by failing to specify a method of allocation, Proposition 13 largely transferred control over local government finances from the state's many political subdivisions to the state, converting the property tax from a nominally local tax to a de facto state-administered tax subject to a complex system of intergovernmental grants. (See Rev. & Tax. Code, § 95 et seq.; *Amador Valley Joint Union High Sch. Dist. v. State Bd. of Equalization*, *supra*, 22 Cal.3d at pp. 226-227; *Sasaki*, at pp. 1454-1455; Stark, *The Right to Vote on Taxes*, *supra*, 96 Nw.U. L.Rev. at p. 198.)[3] Third, by imposing a unified,

---

[3] State law dictates the formulas county auditor-controllers are to apply in allocating the property tax among cities, counties, special districts, and school districts. Setting aside for the moment the portion of the property tax going to

(footnote continued on next page)

shared property tax, Proposition 13 created a zero-sum game in which political subdivisions (cities, counties, special districts, and school districts) would have to compete against each other for their slices of a greatly shrunken pie.

In 1988, the voters added another wrinkle with Proposition 98, which established constitutional minimum funding levels for education and required the state to set aside a designated portion of the General Fund for public schools. (Cal. Const., art. XVI, § 8; see *Los Angeles Unified School Dist. v. County of Los Angeles*, *supra*, 181 Cal.App.4th at p. 420; *California Teachers Assn. v. Hayes*, *supra*, 5 Cal.App.4th at pp. 1517-1518.) Two years later, the voters revised and effectively increased the minimum funding requirements for public schools. (Prop. 111, Primary Elec. (June 5, 1990) amending Cal. Const., art. XVI, § 8; see *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1264, 1289.)

In response to these rising educational demands on the state treasury, the Legislature in 1992 created county educational revenue augmentation funds (ERAF's). (Stats. 1992, chs. 699, 700, pp. 3081-3125; Rev. & Tax. Code, §§ 97.2, 97.3; see *Los Angeles Unified School Dist. v. County of Los Angeles*, *supra*, 181 Cal.App.4th at pp. 420-421; *City of El Monte v. Commission on State Mandates* (2000) 83 Cal.App.4th 266, 272-274; *County of Los Angeles v. Sasaki*, *supra*, 23 Cal.App.4th at p. 1447.) It reduced the portion of property taxes allocated to local governments, deposited the difference in the ERAF's, deemed the balances part of the state's General Fund for purposes of satisfying Proposition 98

(footnote continued from previous page)

redevelopment agencies, roughly 57 percent of the remainder goes to schools, 21 percent to counties, 12 percent to cities, and 10 percent to special districts. (Legis. Analyst's Off., The 2011-2012 Budget: Should California End Redevelopment Agencies? (Feb. 9, 2011) p. 10.)

obligations, and distributed these amounts to school districts. (*County of Sonoma v. Commission on State Mandates*, *supra*, 84 Cal.App.4th at pp. 1275-1276; see *Los Angeles Unified School Dist. v. County of Los Angeles*, *supra*, 181 Cal.App.4th at p. 426 [ERAF's are an " 'accounting device' " for reallocating property taxes to school districts from other local government entities].) Periodically thereafter, the Legislature through supplemental legislation required local government entities to further contribute to the ERAF's in order to defray the state's Proposition 98 school funding obligations. (*Los Angeles Unified School Dist.*, at pp. 420-421.) Local governments had no vested right to property taxes (*id.* at p. 425); accordingly, the Legislature could require ERAF payments as "an exercise of [its] authority to apportion property tax revenues." (*City of El Monte*, at p. 280; see Cal. Const., art. XIII A, § 1, subd. (a).)

B. *Redevelopment Agencies*

In the aftermath of World War II, the Legislature authorized the formation of community redevelopment agencies in order to remediate urban decay. (Stats. 1945, ch. 1326, p. 2478 et seq. [Community Redevelopment Act]; Stats. 1951, ch. 710, p. 1922 et seq. [codifying and renaming the Community Redevelopment Law, Health & Saf. Code, § 33000 et seq.];[4] see Cal. Const., art. XVI, § 16.) The Community Redevelopment Law "was intended to help local governments revitalize blighted communities." (*City of Cerritos v. Cerritos Taxpayers Assn.* (2010) 183 Cal.App.4th 1417, 1424; see *Marek v. Napa Community Redevelopment Agency* (1988) 46 Cal.3d 1070, 1082.) It has since become a principal instrument of economic development, mostly for cities, with nearly 400 redevelopment agencies now active in California.

---

[4] All further unlabeled statutory references are to the Health and Safety Code.

A redevelopment agency may be (and usually is) governed by the sponsoring community's own legislative body. (§ 33200; Coomes et al., Redevelopment in California (4th ed. 2009) pp. 21-23.)[5] An agency is authorized to "prepare and carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas." (§ 33131, subd. (a).) To carry out such redevelopment plans, agencies may acquire real property, including by the power of eminent domain (§ 33391, subd. (b)), dispose of property by lease or sale without public bidding (§§ 33430, 33431), clear land and construct infrastructure necessary for building on project sites (§§ 33420, 33421), and undertake certain improvements to other public facilities in the project area (§ 33445). While redevelopment agencies have used their powers in a wide variety of ways, in one common type of project the redevelopment agency buys and assembles parcels of land, builds or enhances the site's infrastructure, and transfers the land to private parties on favorable terms for residential and/or commercial development. (Coomes, pp. 16-19; see, e.g., *Marek v. Napa Community Redevelopment Agency*, *supra*, 46 Cal.3d at p. 1075.)

Redevelopment agencies generally cannot levy taxes. (*Huntington Park Redevelopment Agency v. Martin* (1985) 38 Cal.3d 100, 106; *City of Cerritos v. Cerritos Taxpayers Assn., supra,* 183 Cal.App.4th at p. 1424; *City of El Monte v. Commission on State Mandates*, *supra*, 83 Cal.App.4th at p. 269.) Instead, they rely on tax increment financing, a funding method authorized by article XVI, section 16 of the state Constitution and section 33670 of the Health and Safety Code. (*City of Dinuba v. County of Tulare* (2007) 41 Cal.4th 859, 866; *City of El*

---

[5] According to the Association's evidence, more than 98 percent of all redevelopment agencies are governed by a board consisting of the county board of supervisors or city council that created the agency.

Monte, at pp. 269-270.) Under this method, those public entities entitled to receive property tax revenue in a redevelopment project area (the cities, counties, special districts, and school districts containing territory in the area) are allocated a portion based on the assessed value of the property prior to the effective date of the redevelopment plan. Any tax revenue in excess of that amount—the tax increment created by the increased value of project area property—goes to the redevelopment agency for repayment of debt incurred to finance the project. (Cal. Const., art. XVI, § 16, subds. (a), (b); § 33670, subds. (a), (b); *City of Dinuba*, at p. 866.) In essence, property tax revenues for entities other than the redevelopment agency are frozen, while revenue from any increase in value is awarded to the redevelopment agency on the theory that the increase is the result of redevelopment. (*City of Cerritos*, at p. 1424.)

The property tax increment revenue received by a redevelopment agency must be held in a special fund for repayment of indebtedness (§ 33670, subd. (b)), but the law does not restrict the amount of tax increment received in a given year to that needed for loan repayments in that year. (*Marek v. Napa Community Redevelopment Agency*, *supra*, 46 Cal.3d at p. 1083.) The only limit on the annual increment payment received is that it may not exceed the agency's *total* debt, less its revenue on hand. (§ 33675, subd. (g).) Once the entire debt incurred for a project has been repaid, all property tax revenue in the project area is allocated to local taxing agencies according to the ordinary formula. (§ 33670, subd. (b).)

A powerful and flexible tool for community economic development, tax increment financing nonetheless "has sometimes been misused to subsidize a city's economic development through the diversion of property tax revenues from other taxing entities . . . ." (*Lancaster Redevelopment Agency v. Dibley* (1993) 20 Cal.App.4th 1656, 1658; see *Regus v. City of Baldwin Park* (1977) 70 Cal.App.3d 968, 981-983.) This practice became more common in the era of

constricted local tax revenue that followed the passage of Proposition 13. Some small cities with blighted areas available for industrial redevelopment "were able to shield virtually all of their property tax revenue from other government agencies," but "[e]ven in ordinary cities . . . the temptation to use redevelopment as a financial weapon was considerable. Because it limited increases in property tax rates, Proposition 13 created a kind of shell game among local government agencies for property tax funds. The only way to obtain more funds was to take them from another agency. Redevelopment proved to be one of the most powerful mechanisms for gaining an advantage in the shell game." (Fulton & Shigley, Guide to California Planning (3d ed. 2005) pp. 263-264.) Today, redevelopment agencies receive 12 percent of all property tax revenue in the state. (See Assem. Bill 1X 26, § 1, subd. (f); Legis. Analyst's Off., The 2011-2012 Budget: Should California End Redevelopment Agencies?, *supra*, p. 1.)

Addressing these concerns, the Legislature has required redevelopment agencies to make certain transfers of their tax increment revenue for other local needs. First, 20 percent of the revenue generally must be deposited in a fund for provision of low and moderate income housing. (§§ 33334.2, 33334.3, 33334.6; see *City of Cerritos v. Cerritos Taxpayers Assn.*, *supra*, 183 Cal.App.4th at p. 1424.) Second, redevelopment agencies must make a graduated series of pass-through payments to local government taxing agencies such as cities, counties, and school districts from tax increment on projects adopted or expanded after 1994. (§ 33607.5, subd. (a)(2); see *Los Angeles Unified School Dist. v. County of Los Angeles*, *supra*, 181 Cal.App.4th at pp. 421-422.) The payments are distributed according to the taxing agencies' ordinary shares of property taxes. (*Id*. at pp. 422-423.)

Of greatest relevance here, the Legislature has often required redevelopment agencies, like cities and counties, to make ERAF payments for the

benefit of school and community college districts. (See §§ 33680, 33681.7 to 33681.15, 33685 to 33692; former § 33681 (Stats. 1992, ch. 700, § 1.5, pp. 3115-3116); former § 33681.5 (Stats. 1993, ch. 68, § 4, pp. 942-944); *Los Angeles Unified School Dist. v. County of Los Angeles*, *supra*, 181 Cal.App.4th at p. 421; *City of El Monte v. Commission on State Mandates*, *supra*, 83 Cal.App.4th at pp. 272-274.) In each of the 2004-2005 and 2005-2006 fiscal years, redevelopment agencies were charged amounts intended to generate a combined $250 million. (§ 33681.12, subd. (a)(2).) In the 2008-2009 fiscal year, the Legislature required a combined $350 million or 5 percent of the total statewide tax increment allocated to redevelopment agencies under section 33670, whichever was greater, to be transferred to ERAF's (§ 33685, subd. (a)(2)), although that revenue shift was ultimately invalidated in litigation. (*Cal. Redevelopment Assn. v. Genest* (Super. Ct. Sac. County, 2009, No. 34-2008-00028334-CU-WM-GDS.) Similar provisions for shifts of tax increment revenue in the 2009-2010 and 2010-2011 fiscal years (§§ 33690, 33690.5) are the subjects of pending litigation.

Tax increment financing remains a source of contention because of the financial advantage it provides redevelopment agencies and their community sponsors, primarily cities, over school districts and other local taxing agencies. Additionally, because of the state's obligations to equalize public school funding across districts (Ed. Code, § 42238 et seq.) and to fund all public schools at minimum levels set by Proposition 98 (Cal. Const., art. XVI, § 8), the loss of property tax revenue by school and community college districts creates obligations for the state's General Fund. (See *Los Angeles Unified School Dist. v. County of Los Angeles*, *supra*, 181 Cal.App.4th at pp. 419-422; Lefcoe, *Finding the Blight That's Right for California Redevelopment Law* (2001) 52 Hastings L.J. 991, 999 ["[W]here cities and counties shift property taxes from schools to redevelopment

projects, the state must make up the difference . . . ."].) The effect of tax increment financing on school districts' property tax revenues has thus become a point of fiscal conflict between California's community redevelopment agencies and the state itself, a conflict manifesting in the current dispute.

C. *Propositions 1A and 22*

In addition to sporadically shifting property tax revenue from local governments to schools via ERAF's, the state in 1999 rolled back the vehicle license fee, a tax traditionally relied on by local governments and constitutionally allocated to cities and counties. (Supplemental Voter Information Guide, Gen. Elec. (Nov. 2, 2004) Legis. Analyst's analysis of Prop. 1A, p. 5; see Cal. Const., art. XI, § 15.) Though the state committed to backfill this lost revenue with payments from the General Fund, in 2004 it deferred the replacement payments. (Supplemental Voter Information Guide, Gen. Elec. (Nov. 2, 2004) Legis. Analyst's analysis of Prop. 1A, p. 5.) Also in 2004, the state reduced local government's share of the sales tax by 0.25 percent, while making up for the lost revenue with additional property tax allocations, in order to permit the issuance of new state bonds. (See Rev. & Tax. Code, §§ 97.68, 7203.1; Gov. Code, § 99050 et seq.)

Local government interests responded to these fluctuations in their revenue sources by qualifying for the ballot Proposition 65, a set of constitutional amendments to restrict such state actions in the future, but they subsequently agreed to support a compromise measure, Proposition 1A, instead. (Supplemental Voter Information Guide, Gen. Elec. (Nov. 2, 2004) argument against Prop. 65, p. 15; see *id.*, Legis. Analyst's analysis of Prop. 1A, pp. 4-6.) The voters approved Proposition 1A and rejected Proposition 65. Among its reforms, Proposition 1A prevented the state from statutorily reducing or altering the existing allocations of property tax among cities, counties, and special districts. (Cal. Const., art. XIII,

§ 25.5, subd. (a)(1), (3).) Unlike Proposition 65, however, Proposition 1A did not extend its protections to redevelopment agencies. (See Cal. Const., art. XIII, § 25.5, subd. (b)(2); Rev. & Tax. Code, § 95, subd. (a) [omitting redevelopment agencies from the definition of a local agency]; Supplemental Voter Information Guide, Gen. Elec. (Nov. 2, 2004) Legis. Analyst's analysis of Prop. 1A, p. 7 [contrasting the two measures and expressly noting that "*Proposition 1A's* restrictions do not apply to redevelopment agencies"]; *id.*, text of Prop. 65, p. 18 [including redevelopment agencies in its definition of protected special districts].)

In November 2010, following further legislative requirements that redevelopment agencies make ERAF payments, the voters approved Proposition 22. Among the initiative's many statutory and constitutional revisions, one is most central to the Association's argument: the addition of section 25.5, subdivision (a)(7) to article XIII of the state Constitution. That provision limits what the Legislature may do with respect to redevelopment agency tax increment: "(a) On or after November 3, 2004, the Legislature shall not enact a statute to do any of the following: [¶] . . . [¶] (7) Require a community redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI to or for the benefit of the State, any agency of the State, or any jurisdiction; or (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any jurisdiction," with two exceptions not pertinent here. We address section 25.5, subdivision (a)(7) in more detail below. (See *post*, pts. II.B.1., II.C.)

D. *Assembly Bills 1X 26 and IX 27*

In December 2010, then Governor Schwarzenegger declared a state fiscal emergency. (See Cal. Const., art. IV, § 10, subd. (f)(1).) On January 20, 2011, incoming Governor Brown renewed the declaration and convened a special

session of the Legislature to address the state's budget crisis. (Legis. Counsel's Digest, Assem. Bill 1X 26; see also *Professional Engineers in California Government v. Schwarzenegger* (2010) 50 Cal.4th 989, 1001-1002 [detailing the ongoing crisis].)

As a partial means of closing the state's projected $25 billion operating deficit, Governor Brown originally proposed eliminating redevelopment agencies entirely. (See Legis. Analyst's Off., Governor's Redevelopment Proposal (Jan. 18, 2011) p. 4.) Parallel bills were introduced in the Senate and Assembly to "eliminate[] redevelopment agencies (RDAs) and specif[y] a process for the orderly wind-down of RDA activities . . . ." (Sen. Rules Com., Off. of Sen. Floor Analyses, analysis of Sen. Bill No. 77 (2011-2012 Reg. Sess.) as amended Mar. 15, 2011, p. 1; Sen. Rules Com., Off. of Sen. Floor Analyses, 3d reading analysis of Assem. Bill No. 101 (2011-2012 Reg. Sess.) as amended Mar. 15, 2011, p. 1.) Ultimately, however, the Legislature took a slightly different approach; in June 2011 it passed, and the Governor signed, the two measures we consider here.

Assembly Bills 1X 26 and IX 27 consist of three principal components, codified as new parts 1.8, 1.85 (both Assem. Bill 1X 26) and 1.9 (Assem. Bill 1X 27) of division 24 of the Health and Safety Code. Part 1.8 (§§ 34161 to 34169.5) is the "freeze" component: it subjects redevelopment agencies to restrictions on new bonds or other indebtedness; new plans or changes to existing plans; and new partnerships, including joint powers authorities (§§ 34162 to 34165). Cities and counties are barred from creating any new redevelopment agencies. (§ 34166.) Existing obligations are unaffected; redevelopment agencies may continue to make payments and perform existing obligations until other agencies take over. (§ 34169.) Part 1.8's purpose is to preserve redevelopment agency assets and revenues for use by "local governments to fund core

governmental services" such as fire protection, police, and schools. (§ 34167, subd. (a).)

Part 1.85 (§§ 34170 to 34191) is the dissolution component. It dissolves all redevelopment agencies (§ 34172) and transfers control of redevelopment agency assets to successor agencies, which are contemplated to be the city or county that created the redevelopment agency (§§ 34171, subd. (j), 34173, 34175, subd. (b)). Part 1.85 requires successor agencies to continue to make payments and perform existing obligations. (§ 34177.) However, unencumbered balances of redevelopment agency funds must be remitted to the county auditor-controller for distribution to cities, the county, special districts, and school districts in proportion to what each agency would have received absent the redevelopment agencies. (See §§ 34177, subd. (d), 34183, subd. (a)(4), 34188.) Proceeds from redevelopment agency asset sales likewise must go to the county auditor-controller for similar distribution. (§ 34177, subd. (e).) Finally, tax increment revenues that would have gone to redevelopment agencies must be deposited in a local trust fund each county is required to create and administer. (§§ 34170.5, subd. (b), 34182, subd. (c)(1).) All amounts necessary to satisfy administrative costs, pass-through payments, and enforceable obligations will be allocated for those purposes, while any excess will be deemed property tax revenue and distributed in the same fashion as balances and assets. (§§ 34172, subd. (d), 34183, subd. (a).)

Part 1.9 (§§ 34192 to 34196), however, offers an exemption from dissolution for cities and counties that agree to make specified payments to both the county ERAF and a new county special district augmentation fund on behalf of their redevelopment agencies. Each city or county choosing this option must notify the state it will do so and pass an ordinance to that effect. (§§ 34193, subd. (b), 34193.1.) If it does, its redevelopment agency will be permitted to continue in operation without interruption, as is, under the Community Redevelopment Law.

(§ 34193, subd. (a).) The amounts owed are to be calculated annually by the state's Director of Finance based on the fractional share of net and gross statewide tax increment each redevelopment agency has received in prior years, multiplied by $1.7 billion for this fiscal year and $400 million for all subsequent fiscal years. (§ 34194, subds. (b)(2), (c)(1)(A).)[6]

Payments are due on January 15 and May 15 each year. (§ 34194, subd. (d)(1).) While remittances are nominally owed by cities and counties, the measure authorizes each community sponsor to contract with its redevelopment agency to receive tax increment in the amount owed, so that payments may effectively come from tax increment. (§ 34194.2.) Finally, any lapse in payments will result in a redevelopment agency's dissolution. (§ 34195.)

On August 17, 2011, we stayed parts 1.85 and 1.9, with minor exceptions, to prevent redevelopment agencies from being dissolved during the pendency of this matter. (Health & Saf. Code, div. 24, pts. 1.85, 1.9.)

II. DISCUSSION

A. *Jurisdiction*

Santa Clara pleads as an affirmative defense that we lack jurisdiction. Though it does not further argue the point, we have an independent obligation in this as in every matter to confirm whether jurisdiction exists. (See *Walker v. Superior Court* (1991) 53 Cal.3d 257, 267; *Abelleira v. District Court of Appeal*

---

[6] It follows that, if all redevelopment agency sponsors opted in and paid their pro rata shares, Assembly Bill 1X 27 would generate $1.7 billion in 2011-2012 and $400 million in each subsequent fiscal year. Of these sums, $4.3 million is scheduled to go to transit and fire districts in 2011-2012 and $60 million in each subsequent year, with the balance going to schools and community colleges via the ERAF. (§ 34194.4, subd. (a).) ERAF payments in 2011-2012 count against the state's Proposition 98 obligations; in future years, they do not. (§ 34194.1, subds. (b), (c).)

(1941) 17 Cal.2d 280, 302-303; *Linnick v. Sedelmeier* (1968) 262 Cal.App.2d 12, 12; see also *Marbury v. Madison* (1803) 5 U.S. 137, 173-175.) Assembly Bill 1X 26 provides that "[n]otwithstanding any other law, any action contesting the validity of this part [1.8] or Part 1.85 . . . or challenging acts taken pursuant to these parts shall be brought in the Superior Court of the County of Sacramento." (§ 34168, subd. (a).) We conclude this provision does not deprive us of jurisdiction.

In filing a petition for writ of mandate with this court in the first instance, the Association has asked us to invoke our original jurisdiction. That jurisdiction is constitutional. (Cal. Const., art. VI, § 10 [vesting the Supreme Ct. with original jurisdiction "in proceedings for extraordinary relief in the nature of mandamus, certiorari, and prohibition"].) It may not be diminished by statute. (*Chinn v. Superior Court* (1909) 156 Cal. 478, 480 ["[W]here the judicial power of courts, either original or appellate, is fixed by constitutional provisions, the legislature cannot either limit or extend that jurisdiction."]; see also *Modern Barber Col. v. Cal. Emp. Stab. Com.* (1948) 31 Cal.2d 720, 731; *Standard Oil Co. v. State Board of Equal.* (1936) 6 Cal.2d 557, 562; *Lemen v. Edmunson* (1927) 202 Cal. 760, 762.)

The Legislature does retain the power to regulate matters of judicial procedure. (*Powers v. City of Richmond* (1995) 10 Cal.4th 85, 98-110; *Modern Barber Col. v. Cal. Emp. Stab. Com., supra*, 31 Cal.2d at p. 731.) In some instances, the exercise of that power may appear to "defeat or interfere with the exercise of jurisdiction or of the judicial power" and thus come into tension with the general prohibition against impairing a constitutional grant of jurisdiction. (*Garrison v. Rourke* (1948) 32 Cal.2d 430, 436.) We avoid such constitutional conflicts whenever possible by construing legislative enactments strictly against the impairment of constitutional jurisdiction: " '[A]n intent to defeat the exercise

of the court's jurisdiction will not be supplied by implication.' " (*County of San Diego v. State of California* (1997) 15 Cal.4th 68, 87, quoting *Garrison*, at p. 436; see also *Garrison*, at p. 435 ["The jurisdiction thus vested [by Cal. Const., art. VI] may not lightly be deemed to have been destroyed."].)

To avoid intrusion on our constitutional jurisdiction, section 34168, subdivision (a) is best read narrowly as applying only to, and designating a forum for, "action[s]" (*ibid.*), over which we retain appellate jurisdiction, while having no bearing on jurisdiction over "special proceedings" such as petitions for writs of mandate (see *Public Defenders' Organization v. County of Riverside* (2003) 106 Cal.App.4th 1403, 1409; compare Code Civ. Proc., pt. 2, § 307 et seq. [regulating civil actions] with Code Civ. Proc., pt. 3, § 1063 et seq. [regulating special proceedings of a civil nature]). It follows that, notwithstanding the fact the Association's petition challenges the validity of parts 1.8 and 1.85 of division 24 of the Health and Safety Code, we have jurisdiction to address it.

We will invoke our original jurisdiction where the matters to be decided are of sufficiently great importance and require immediate resolution. (E.g., *Strauss v. Horton* (2009) 46 Cal.4th 364, 398-399; *Raven v. Deukmejian* (1990) 52 Cal.3d 336, 340; *Amador Valley Joint Union High Sch. Dist. v. State Bd. of Equalization*, *supra*, 22 Cal.3d at p. 219.) Those circumstances are present here: Assembly Bills 1X 26 and 1X 27 place the state's nearly 400 redevelopment agencies under threat of imminent dissolution, while the Association's petition calls into question the proper allocation of billions of dollars in property tax revenue.

B. *The Constitutionality of Assembly Bill 1X 26*

We turn now to the merits. In assessing the validity of Assembly Bills 1X 26 and 1X 27, we are mindful that "all intendments favor the exercise of the Legislature's plenary authority: 'If there is any doubt as to the Legislature's

power to act in any given case, the doubt should be resolved in favor of the Legislature's action. Such restrictions and limitations [imposed by the Constitution] are to be construed strictly, and are not to be extended to include matters not covered by the language used.' [Citations.]" (*Methodist Hosp. of Sacramento v. Saylor* (1971) 5 Cal.3d 685, 691.)

1. *The Dissolution of Redevelopment Agencies Under Part 1.85 of Division 24 of the Health and Safety Code*

In enacting Assembly Bill 1X 26, the Legislature asserted that "[r]edevelopment agencies were created by statute and can therefore be dissolved by statute." (Assem. Bill 1X 26, § 1, subd. (h).) We conclude the Legislature was correct.

At the core of the legislative power is the authority to make laws. (*Nougues v. Douglass* (1857) 7 Cal. 65, 70 ["The legislative power is the creative element in the government . . . . [It] makes the laws . . . ."].) The state Constitution vests that power, except as exercised by or reserved to the people themselves, in the Legislature. (Cal. Const., art. IV, § 1; *McClung v. Employment Development Dept.* (2004) 34 Cal.4th 467, 472; *Nougues*, at p. 69 ["[I]n all cases where not exercised and not reserved, all the legislative power of the people of the State is vested in the Legislature . . ." (italics omitted)].)

Of significance, the legislative power the state Constitution vests is plenary. Under it, "the entire law-making authority of the state, except the people's right of initiative and referendum, is vested in the Legislature, and that body may exercise any and all legislative powers which are not expressly or by necessary implication denied to it by the Constitution." (*Methodist Hosp. of Sacramento v. Saylor*, *supra*, 5 Cal.3d at p. 691; see also *Marine Forests Society v. California Coastal*

Com. (2005) 36 Cal.4th 1, 31; *People v. Tilton* (1869) 37 Cal. 614, 626 [under the state Const., "[f]ull power exists when there is no limitation."].)[7]

We thus start from the premise that the Legislature possesses the full extent of the legislative power and its enactments are authorized exercises of that power. Only where the state Constitution withdraws legislative power will we conclude an enactment is invalid for want of authority. "In other words, 'we do not look to the Constitution to determine whether the legislature is authorized to do an act, but only to see if it is prohibited.' " (*Methodist Hosp. of Sacramento v. Saylor*, *supra*, 5 Cal.3d at p. 691, quoting *Fitts v. Superior Court* (1936) 6 Cal.2d 230, 234; accord, *State Personnel Bd. v. Department of Personnel Admin.* (2005) 37 Cal.4th 512, 523; *County of Riverside v. Superior Court* (2003) 30 Cal.4th 278, 284.)

A corollary of the legislative power to make new laws is the power to abrogate existing ones. What the Legislature has enacted, it may repeal. (See *People v. Superior Court* (*Romero*) (1996) 13 Cal.4th 497, 518 [if a "power is statutory, the Legislature may eliminate it"]; *Estate of Potter* (1922) 188 Cal. 55, 63 [rights that "are creatures of legislative will" may be withdrawn by the Legislature]; *County of Sacramento v. Lackner* (1979) 97 Cal.App.3d 576, 589 [" ' "Every legislative body may modify or abolish the acts passed by itself or its predecessors." ' "].)

In particular, if a political entity has been created by the Legislature, it can be dissolved by the Legislature, barring some specific constitutional obstacle to a particular exercise of the legislative power. "In our federal system the states are

---

[7] In this regard, the state and federal Constitutions operate in very different ways. Whereas under the federal Constitution, Congress has only those powers that are expressly granted to it, under the state Constitution, the Legislature has all legislative powers except those that are expressly withdrawn from it. (*Methodist Hosp. of Sacramento v. Saylor*, *supra*, 5 Cal.3d at p. 691.)

sovereign but cities and counties are not; in California as elsewhere they are mere creatures of the state and exist only at the state's sufferance." (*Board of Supervisors v. Local Agency Formation Com.* (1992) 3 Cal.4th 903, 914; see also *City of El Monte v. Commission on State Mandates*, *supra*, 83 Cal.App.4th at p. 279 ["Only the state is sovereign and, in a broad sense, all local governments, districts, and the like are subdivisions of the state."].) It follows from the fundamental nature of this relationship between a state and its political subdivisions that " 'states have "extraordinarily wide latitude . . . in creating various types of political subdivisions and conferring authority upon them." [Citation.]' " (*Board of Supervisors*, at pp. 915-916.) As the United States Supreme Court has recognized in the context of municipal corporations: "The number, nature and duration of the powers conferred upon these corporations and the territory over which they shall be exercised rests in the absolute discretion of the State. . . . The State, therefore, at its pleasure may modify or withdraw all such powers, . . . expand or contract the territorial area, unite the whole or a part of it with another municipality, [or] repeal the charter and destroy the corporation." (*Hunter v. Pittsburgh* (1907) 207 U.S. 161, 178-179, quoted with approval in *Board of Supervisors*, at p. 915.) The state (and, in particular, the Legislature) has "plenary power to set the conditions under which its political subdivisions are created" (*Board of Supervisors*, at p. 917); equally so, it has plenary power to set the conditions under which its political subdivisions are abolished (*Curtis v. Board of Supervisors* (1972) 7 Cal.3d 942, 951; *Petition East Fruitvale Sanitary Dist.* (1910) 158 Cal. 453, 457).[8]

---

[8] The Legislature has in the past lawfully exercised this authority by dissolving municipal corporations formerly established under state law. (See, e.g., Stats. 1972, ch. 650, § 2, p. 1209 [disincorporating the Town of Hornitos].) As

(footnote continued on next page)

Redevelopment agencies are political subdivisions of the state and creatures of the Legislature's exercise of its statutory power, the progeny of the Community Redevelopment Law. (See § 33000 et seq.; 11 Miller & Starr, Cal. Real Estate (3d ed. 2001) § 30B:2, p. 6 ["The redevelopment agency is solely a creature of state statute, exercising powers delegated to it by the state legislature in matters of state concern, and the scope of its authority is, therefore, defined and limited by the Community Redevelopment Law . . . ."].) Consistent with that nature, the Legislature has in the past routinely narrowed and expanded redevelopment agencies' various rights. (E.g., Stats. 1976, ch. 1337, p. 6061 et seq. [imposing low income housing requirements]; Stats. 1993, ch. 942, p. 5334 et seq. [Community Redevelopment Law Reform Act of 1993, enacting wide-ranging reforms]; Stats. 2001, ch. 741 [amending redevelopment sunset provisions].) Most significantly, the Legislature has mandated that redevelopment plans receiving tax increment have finite durations. (§ 33333.2; *Community Redevelopment Agency v. County of Los Angeles* (2001) 89 Cal.App.4th 719, 722.)

The Association offers a twofold argument for why, notwithstanding the legislative authority over redevelopment agencies historically inherent in the state Constitution, the dissolution provisions of Assembly Bill 1X 26 are invalid. First, the Association posits that Assembly Bill 1X 26 is inconsistent with article XVI, section 16 of the state Constitution, governing tax increment revenue. Second, the

---

(footnote continued from previous page)

well, we have recognized the power to dissolve with respect to school districts: "[T]he local-district system of school administration, though recognized by the Constitution and deeply rooted in tradition, is not a constitutional mandate, but a legislative choice. [Citation.] The Constitution has always vested 'plenary' power over education not in the districts, but in the State, through its Legislature, which may create, dissolve, combine, modify, and regulate local districts at pleasure." (*Butt v. State of California*, *supra*, 4 Cal.4th at p. 688.)

Association argues that Proposition 22 (as approved by voters, Gen. Elec. (Nov. 2, 2010)) amended the state Constitution to effectively withdraw from the Legislature the power to dissolve community redevelopment agencies for the financial benefit of the state.

What is now article XVI, section 16 was added by initiative in 1952,[9] shortly after the Legislature enacted the Community Redevelopment Law.[10] It made express the Legislature's authority to authorize property tax increment financing of redevelopment agencies and projects. However, nothing in its text creates an absolute right to an allocation of property taxes. (See Cal. Const., art. XVI, § 16 ["The Legislature *may* provide that any redevelopment plan *may* contain a provision" diverting tax increment to redevelopment agencies (italics added)].)[11] Nor does anything in the text of the section mandate that redevelopment agencies, once created, must exist in perpetuity. On its face, the provision is not self-executing and conveys no rights; rather, it authorizes the

---

9 It was originally adopted as article XIII, section 19 and, as part of a constitutional restructuring, was subsequently moved without material change to its present location.

10 A principal purpose of the proposed constitutional amendment was to remove any doubt about the legality of the Community Redevelopment Law: "All of the provisions of the Community Redevelopment Law, as amended in 1951, which relate to the use or pledge of taxes or portions thereof as herein provided, or which, if effective, would carry out the provisions of this section or any part thereof, are hereby approved, legalized, ratified and validated and made fully and completely effective and operative upon the effective date of this amendment." (Cal. Const., art. XIII, former § 19, added by initiative, Gen. Elec. (Nov. 4, 1952).)

11 In the same vein, article XVI, section 16 specifies that it does "not affect any other law or laws relating to the same or a similar subject but is intended to *authorize an alternative method of procedure* governing the subject to which it refers." (Italics added.) In other words, it permits, but does not require, tax increment financing as one new option for funding redevelopment.

Legislature to enact statutes, and local governments to adopt redevelopment plans, that are consistent with its scope.

What is apparent from the constitutional provision's text is confirmed by its history. The ballot materials provided to the voters gave no hint that the proposed amendment was intended to make redevelopment agencies or tax increment financing a permanent part of the government landscape. Rather, consistent with the text's use of the permissive "may," the Legislative Counsel explained that the proposed amendment was intended simply to "authorize"—but not require—the Legislature to provide for tax increment financing for redevelopment. (Proposed Amendments to Constitution: Propositions and Proposed Laws, Gen. Elec. (Nov. 4, 1952) Legis. Counsel's analysis of Assem. Const. Amend. No. 55, p. 19.) The arguments in favor of the proposed amendment similarly emphasized its nonmandatory character: "This constitutional amendment . . . is in effect an enabling act to give the Legislature authority to enact legislation which will provide for the handling of the proceeds of taxes levied upon property in a redevelopment project. It is permissive in character and can become effective in practice only by acts of the Legislature and the local governing body, the City Council or Board of Supervisors. It will make possible the passage of laws providing that tax revenues derived from any increase in the assessed value of property within a redevelopment area because of new improvements, shall be placed in a fund to defray all or part of the cost of the redevelopment project that would otherwise have to be advanced from public funds." (*Id.*, argument in favor of Assem. Const. Amend. No. 55, p. 20.)

Against these indicia of intent, the Association emphasizes the final sentence of article XVI, section 16: "The Legislature *shall* enact those laws as may be necessary to enforce the provisions of this section." (Italics added.) The word "shall," however, depending on the context in which it is used, is not

necessarily mandatory. (*People v. Lara* (2010) 48 Cal.4th 216, 227; *Nunn v. State of California* (1984) 35 Cal.3d 616, 625; see Garner's Dict. of Legal Usage (3d ed. 2011) pp. 952-953.) Moreover, consistent with its character as an "enabling act" (Proposed Amendments to Constitution: Propositions and Proposed Laws, Gen. Elec. (Nov. 4, 1952) argument in favor of Assem. Const. Amend. No. 55, p. 20), the final sentence directs only passage of those laws "as may be necessary." This portion of the text confirms the Legislature's authority to pass legislation it deems necessary to carry out the ends of redevelopment, but imposes no obligation to enact any particular law. It does not mandate that redevelopment agencies, or the allocation of tax increment to them, be made permanent.

The Association also looks to our decision in *Marek v. Napa Community Redevelopment Agency*, *supra*, 46 Cal.3d 1070. There, we determined that "indebtedness," the term used to measure how much property tax increment should be allocated to a redevelopment agency (see Cal. Const., art. XVI, § 16, subd. (b); §§ 33670, 33675), should be interpreted broadly (*Marek*, at pp. 1081-1086). We cautioned that neither article XVI, section 16 nor the Community Redevelopment Law, as then written, contemplated that "other tax entities [would] share in tax increment revenues at any time before the agency's total indebtedness has been paid or the amount in its 'special fund' is sufficient to pay its total indebtedness." (*Marek*, at p. 1087.) The Association contends Assembly Bill 1X 26 is invalid because it fails to continue allocating tax increment for existing indebtedness as broadly as in the past, most notably by allocating tax increment for only some, but not all, obligations owed by redevelopment agencies to their community sponsors. (See §§ 34171, subd. (d)(2), 34178, subd. (b).)[12]

---

12 As Matosantos noted at oral argument, the Legislature could well recognize that because of the conjoined nature of the governing boards of redevelopment

(footnote continued on next page)

This argument misperceives both the role of article XVI, section 16 of the state Constitution and the nature of the issue we resolved in *Marek v. Napa Community Redevelopment Agency*, *supra*, 46 Cal.3d 1070. Article XVI, section 16 does not protect the receipt of tax increment funds up to the amount of a redevelopment agency's total indebtedness, nor does it grant a constitutional right to continue to receive tax increment for as long as redevelopment agencies have debt; rather, it authorizes the Legislature to statutorily grant redevelopment agencies rights to tax increment up to the amount of their total indebtedness. As the Legislature may extend that authorization (and did, in the Community Redevelopment Law), so it may limit or withdraw that authorization (as it has, in Assem. Bill 1X 26) without violating article XVI, section 16. In *Marek*, we addressed only the scope of the statutory term "indebtedness" and the corresponding scope of the constitutional authorization for redevelopment agencies to be granted statutory rights to tax increment; that issue has no bearing on the question we face here—whether article XVI, section 16 limits the Legislature's power to dissolve existing redevelopment agencies in the midst of ongoing projects. *Marek* thus is inapposite.

Finally, the Association draws our attention to the first two sentences of an uncodified section (§ 9) of Proposition 22, which, it contends, confirms that article XVI, section 16 is a guarantee of tax increment funding and a protection against dissolution. That section begins: "Section 16 of Article XVI of the Constitution requires that a specified portion of the taxes levied upon the taxable property in a redevelopment project each year be allocated to the redevelopment agency to

---

(footnote continued from previous page)

agencies and their community sponsors, such obligations often were not the product of arm's-length transactions.

repay indebtedness incurred for the purpose of eliminating blight within the redevelopment project area. Section 16 of Article XVI prohibits the Legislature from reallocating some or that entire specified portion of the taxes to the State, an agency of the State, or any other taxing jurisdiction, instead of to the redevelopment agency." (Prop. 22, Gen. Elec. (Nov. 2, 2010) § 9.) Whether or not article XVI, section 16 originally required tax increment allocations to be made to redevelopment agencies, rather than simply authorizing the Legislature to pass legislation approving such allocations, the Association contends that after this voter-approved statement, article XVI, section 16 must now be read to so provide.

We reject this contention. The assertion in Proposition 22, section 9 that tax increment allocations to redevelopment agencies are constitutionally mandated, rather than constitutionally authorized and statutorily mandated, is a clear misstatement of the law as it stood prior to the passage of Proposition 22. Moreover, section 9 of Proposition 22 does not purport to amend article XVI, section 16 or to change existing law concerning the *source* of redevelopment agencies' entitlement, if any, to tax increment.[13] Accordingly, we decline to treat its immaterial misstatement of law as a basis for silently amending the state Constitution.

---

[13] The purpose of section 9, instead, is simply to explain that the Legislature had been requiring the transfer of redevelopment agency tax increment, and that Proposition 22 was intended to eliminate future transfers: "The Legislature has been illegally circumventing Section 16 of Article XVI in recent years by requiring redevelopment agencies to transfer a portion of those taxes for purposes other than the financing of redevelopment projects. A purpose of the amendments made by this measure is to prohibit the Legislature from requiring, after the taxes have been allocated to a redevelopment agency, the redevelopment agency to transfer some or all of those taxes to the State, an agency of the State, or a jurisdiction; or to use some or all of those taxes for the benefit of the State, an agency of the State, or a jurisdiction." (Prop. 22, Gen. Elec. (Nov. 2, 2010) § 9.)

The various ways in which the Association contends Assembly Bill 1X 26 is inconsistent with article XVI, section 16 of the state Constitution all flow from the assumption that section 16 establishes for redevelopment agencies an absolute right to continued existence. Because we can find no such right in the constitutional provision, article XVI, section 16 does not invalidate Assembly Bill 1X 26.

The Association's alternate constitutional argument rests on article XIII, section 25.5, subdivision (a)(7) of the state Constitution, added in 2010 by Proposition 22. Examining both the text and the various ballot arguments in support of and against that initiative, we find nothing in them that would limit the Legislature's plenary authority over the existence *vel non* of redevelopment agencies.

Article XIII, section 25.5, subdivision (a)(7)(A) of the state Constitution generally prohibits the Legislature from requiring a redevelopment agency to pay property taxes "allocated to the agency pursuant to Section 16 of Article XVI to or for the benefit of the State" or its agencies and jurisdictions,[14] or otherwise restricting or assigning such taxes for the state's benefit. The provision, the Association reasons, both presumes and protects the existence of redevelopment agencies. Dissolving redevelopment agencies would entail an impermissible diversion of their tax increment to third parties, in contravention of section 25.5, subdivision (a)(7)(A). Moreover, if the state cannot assign tax increment to third parties, that increment must go to redevelopment agencies; hence, redevelopment agencies must be entitled to exist to receive it.

---

14 "Jurisdiction" as used here includes both special districts and school districts. (See Cal. Const., art. XIII, § 25.5, subd. (b)(3); Rev. & Tax. Code, § 95, subds. (a), (b).)

This argument suffers from a surface implausibility. The constitutionalization of a political subdivision—the alteration of a local government entity from a statutory creation existing only at the pleasure of the sovereign state to a constitutional creation with life and powers of independent origin and standing—would represent a profound change in the structure of state government. Municipal corporations, though of far more ancient standing than redevelopment agencies, have never achieved such status. (See Cal. Const., art. XI, § 2, subd. (a) [specifying the Legislature's authority over city formation and powers].) Proposition 22 contains no express language constitutionalizing redevelopment agencies. (Cf. Cal. Const., art. XXXV, § 1, added by initiative, Gen. Elec. (Nov. 2, 2004) [creating the Cal. Institute for Regenerative Medicine as a constitutional entity]; *id.*, art. XXI, § 2, added by initiative, Gen. Elec. (Nov. 4, 2008) [creating the Citizens Redistricting Com. as a constitutional entity].) It would be unusual in the extreme for the people, exercising legislative power by way of initiative, to adopt such a fundamental change only by way of implication, in an initiative facially dealing with purely fiscal matters, in a corner of the state Constitution addressing taxation. As the United States Supreme Court has put it, the drafters of legislation "do[] not, one might say, hide elephants in mouseholes." (*Whitman v. American Trucking Assns., Inc.* (2001) 531 U.S. 457, 468.)

The principle of *inclusio unius est exclusio alterius* applies here. Proposition 22 expressly adds numerous limits to the Legislature's statutory powers (Prop. 22, Gen. Elec. (Nov. 2, 2010) §§ 3-5, 5.3, 6-6.1, 7), and in one instance withdraws from the Legislature a preexisting constitutional power (*id.*, § 5.6 [repealing Cal. Const., art. XIX, former § 6]), but makes no mention of any intent to divest the Legislature of the power to dissolve redevelopment agencies. If the initiative proponents and voters had intended to strip the Legislature of that

power or to alter the Legislature's article XVI, section 16 permissive authority, it stands to reason they would have said so expressly.

Had the voters in fact intended to amend the Constitution to fundamentally alter the relationship between the state and this class of political subdivision, we would, moreover, expect to find at least a single mention of such an intention in the various supporting and opposing ballot arguments. Instead, we find silence. The Legislative Analyst's review of the initiative identifies no such anticipated effect. (Voter Information Guide, Gen. Elec. (Nov. 2, 2010) pp. 30-35.) Indeed, the ballot argument in favor of Proposition 22 and the rebuttal to the argument against it do not even mention redevelopment. (Voter Information Guide, at pp. 36-37.) Only the opposing arguments highlight redevelopment and then only to criticize the initiative for how it secretly channels tax dollars to redevelopment agencies. (*Ibid.*)

The Association suggests it is not asserting an absolute right to perpetual existence, only a right for some form of agency to exist to receive redevelopment funds for as long as there is an active redevelopment plan and indebtedness. This framing does not change the analysis or conclusions. It would mean the Legislature's power to dissolve vanished as soon as a redevelopment agency was created; thereafter, an agency or its similarly tasked successor effectively could expire only of natural causes, after every project it might undertake in its jurisdiction had been completed and paid off. No hint of such a right is disclosed in the text or history of either article XVI, section 16 or article XIII, section 25.5, subdivision (a)(7) of the state Constitution.

Contrary to the Association's contention, declining to imply into article XIII, section 25.5, subdivision (a)(7) a constitutional guarantee of continued existence for redevelopment agencies does not render the subdivision a nullity. Though the Legislature retains the broad power to dissolve redevelopment

agencies, Proposition 22 strips it of the narrower power to insist on transfers to third parties of property tax revenue already allocated to redevelopment agencies, as it had done on numerous previous occasions. (See §§ 33680, 33681.7 to 33681.15, 33685 to 33692; former § 33681 (Stats. 1992, ch. 700, § 1.5, pp. 3115-3116); former § 33681.5 (Stats. 1993, ch. 68, § 4, pp. 942-944).) It is precisely such "raids" the text of Proposition 22 and the arguments in support of it denounce. (Voter Information Guide, Gen. Elec. (Nov. 2, 2010) p. 36; see Prop. 22, Gen. Elec. (Nov. 2, 2010) §§ 2, subds. (e), (g), 2.5, 9.) The protection so granted is not insignificant simply because it is conditioned on redevelopment agencies' existing and having property tax increment allocated to them.

Accordingly, we discern no constitutional impediment to the Legislature's electing to dissolve the state's redevelopment agencies under part 1.85 of division 24 of the Health and Safety Code.

2. *Freezing Redevelopment Agency Transactions Under Part 1.8 of Division 24 of the Health and Safety Code*

As a means of facilitating dissolution under division 24, part 1.85, the Legislature in division 24, part 1.8 has suspended redevelopment agencies' ability to make free use of their funds. (See, e.g., §§ 34161 [prohibiting new or expanded debts except as provided in pt. 1.8], 34162 [limiting new indebtedness], 34167, subd. (a) ["provisions of this part shall be construed as broadly as possible to . . . restrict the expenditure of funds to the fullest extent possible"].) The purpose of these restrictions is "to preserve, to the maximum extent possible, the revenues and assets of redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services including police and fire protection services and schools." (§ 34167, subd. (a); see also Assem. Bill 1X 26, § 1, subd. (j)(1) [the intent of pt. 1.8 is to bar new obligations pending dissolution].) The Association

contends these limits violate article XIII, section 25.5, subdivision (a)(7)(B) of the state Constitution, prohibiting restrictions on the use of property taxes allocated to redevelopment agencies for the benefit of the state or its agencies.[15] We conclude this portion of Assembly Bill 1X 26 is valid as well.

The power to abolish an entity necessarily encompasses the incidental power to declare its ending point.[16] If Proposition 22, as we have concluded, was not intended to strip the Legislature of the power to terminate redevelopment agencies, then it could not have been intended to deprive the Legislature of the ability to decide when redevelopment agencies could cease to exist as legal entities or at what point, as part of winding up and dissolving, they would be relieved of the ability to make new binding commitments and engage in new business. As a practical and perhaps constitutional matter, to require an existing entity that has entered into a web of current contractual and other obligations to dissolve instantaneously is not possible; doing so would inevitably raise serious impairment of contract questions. (See U.S. Const., art. I, § 10; Cal. Const., art. I, § 9.)

As Matosantos argues, and we agree, Proposition 22's limit on state restrictions of redevelopment agencies' use of their funds is best read as limiting the Legislature's powers during the operation, rather than the dissolution, of redevelopment agencies. Article XIII, section 25.5, subdivision (a)(7)(B) prohibits, with minor exceptions, further legislative restrictions on the use of

---

15 California Constitution, article XIII, section 25.5, subdivision (a)(7) prohibits the Legislature from "[r]equir[ing] a community redevelopment agency . . . (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any jurisdiction," with exceptions not applicable here.

16 The Legislature has already wielded an analogous power by imposing time limits on the life spans of agencies' redevelopment plans. (§ 33333.2.)

property taxes allocated to redevelopment agencies under article XVI, section 16. Article XVI, section 16, in turn, creates no absolute right to an allocation of property taxes. (See Cal. Const., art. XVI, § 16 ["The Legislature *may* provide that any redevelopment plan *may* contain a provision" diverting tax increment to redevelopment agencies (italics added)].) Thus, *if* the Legislature exercises its constitutional power to authorize allocation of property taxes to redevelopment agencies, and *if* a redevelopment plan so provides, *then* those taxes so allocated to an operating redevelopment agency may not be restricted to benefit the state by further legislative action.

The Legislature in fact exercised that constitutional power when adopting and subsequently amending the Community Redevelopment Law (see §§ 33670, 33675), but the right of redevelopment agencies to tax increment funding thereby created was statutory, not constitutional. In turn, Assembly Bill 1X 26 revises those statutory rights. The Legislature has determined that tax increment should no longer be allocated to redevelopment agencies (Assem. Bill 1X 26, § 1, subd. (i) [upon agencies' dissolution, property taxes are no longer to be deemed tax increment and allocated to redevelopment agencies]), except insofar as necessary to satisfy existing obligations. The measure exercises the Legislature's constitutional power to authorize property tax increment revenue for, or to withdraw that authorization from, redevelopment agencies. (See Cal. Const., art. XVI, § 16.) As such, the measure modifies the constitutional predicate for the operation of article XIII, section 25.5, subdivision (a)(7)(B) of the state Constitution. In the absence of property tax increment allocated under article XVI, the latter subdivision has no force or effect.

Redevelopment agencies, moreover, have a conditional right to the allocation of tax increment only to the extent of any existing indebtedness. (§§ 33670, 33675; Cal. Const., art. XVI, § 16, subd. (b); cf. *Marek v. Napa*

Community Redevelopment Agency, *supra*, 46 Cal.3d at p. 1082 [interpreting "indebtedness" to include all existing obligations, including executory ones].) They have no particular right to incur additional future indebtedness. The provisions of part 1.8 of division 24 the Health and Safety Code, which respect the need to satisfy existing indebtedness (see § 34167) while precluding the creation of additional indebtedness (§§ 34162-34163), invade no rights protected by article XIII, section 25.5, subdivision (a)(7)(B) of the state Constitution.

Accordingly, we conclude Proposition 22 does not invalidate the freeze portions of Assembly Bill 1X 26 as they apply to dissolving redevelopment agencies.[17]

C. *The Constitutionality of Assembly Bill 1X 27*

We turn to Assembly Bill 1X 27. The measure conditions the future operation of redevelopment agencies on continuation payments. (§§ 34193, subd. (a), 34193.2, subd. (a).) Analyzing its operation in light of the constitutional limitations adopted by Proposition 22, we conclude the condition the measure imposes is unconstitutional and Assembly Bill 1X 27 is, accordingly, facially invalid.

The Legislature may not "[r]equire a community redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI to or for the benefit of the State, any agency of the State, or any jurisdiction . . . ." (Cal. Const., art. XIII, § 25.5, subd. (a)(7),

---

17 We need not consider any constitutional objections to the freeze portions as they apply to redevelopment agencies whose community sponsors avail themselves of the provisions of Assembly Bill 1X 27 to continue operations because, as discussed below, we conclude Assembly Bill 1X 27 is invalid.

respects these narrow limits on the Legislature's power; Assembly Bill 1X 27 does not.

E. *The Future Implementation of Assembly Bill 1X 26*

When we accepted jurisdiction over the Association's petition, we stayed implementation of the provisions of part 1.85 of division 24 of the Health and Safety Code. (§§ 34170-34191.) Numerous critical deadlines contained in that part have passed and can no longer be met. (See §§ 34170, subd. (a) [all provisions in pt. 1.85 are operative on Oct. 1, 2011, unless otherwise specified], 34172, subd. (a)(1) [dissolving redevelopment agencies], 34173 [creating successor agencies], 34175, subd. (b) [transferring redevelopment agency assets to successor agencies], 34177, subd. (*l*)(2)(A) [requiring successor agency to prepare a draft obligation payment schedule by Nov. 1, 2011].)

This impossibility ought not to prevent the Legislature's valid enactment from taking effect. As Matosantos urges, and the Association does not contest, we have the power to reform a statute so as to effectuate the Legislature's intent where the statute would otherwise be invalid. (*Kopp v. Fair Pol. Practices Com.* (1995) 11 Cal.4th 607, 660-661.) Here, the problem is not invalidity but impossibility: the need, recognized by both sides, to put to rest constitutional questions concerning these measures, when combined with a stay issued to preserve the court's jurisdiction to issue meaningful relief, has rendered it impossible for the parties and others affected to comply with the legislation's literal terms. By exercising the power of reform, however, we may as closely as possible effectuate the Legislature's intent and allow its valid enactment to have its intended effect. Reformation is proper when it is feasible to do so in a manner that carries out those policy choices clearly expressed in the original legislation, and when the legislative body would have preferred reform to ineffectuality. (*Id.*

at p. 661.) We think it clear that (1) the Legislature would have preferred Assembly Bill 1X 26 to take effect on a delayed basis, rather than not at all, and (2) the timeline provided for in Assembly Bill 1X 26 can be reformed in a fashion that cleaves sufficiently to legislative intent.

In recognition of the eventuality that upholding any part of Assembly Bill 1X 26 or 1X 27 would require us to address the impact of our stay on their statutory deadlines, we solicited input from the parties as to appropriate new deadlines. Because we have invalidated Assembly Bill 1X 27, we need consider only the extent to which deadlines in part 1.85 must be extended to account for the stay, while taking effect as promptly as the Legislature intended.

The parties' proposals involve elaborate schedules shifting each deadline in part 1.85 by a varying number of days. We decline to adopt any of the proposed schedules, whose implementation would overly complicate future compliance. Instead, we note that our stay of part 1.85 has been in place for four months and has delayed operation of that part of Assembly Bill 1X 26 by a like amount. By reforming Assembly Bill 1X 26 to extend each of its deadlines by the duration of our stay, we retain the relative spacing of events originally intended by the Legislature and simplify compliance for all affected parties.

Accordingly, we exercise our power of reformation and revise each effective date or deadline for performance of an obligation in part 1.85 of division 24 of the Health and Safety Code (§§ 34170-34191) arising before May 1, 2012, to take effect four months later.[25] By way of example, under section 34170,

---

[25] We make an exception for actions that were to be taken by September 1, 2011. (See, e.g., § 34173, subd. (d)(1).) There, we extend the deadline to 15 days after the issuance of our opinion and lifting of the stay, i.e., January 13, 2012, rather than January 1.

subdivision (a), all provisions in part 1.85 were to be operative on October 1, 2011, unless otherwise specified; our reformation makes them operative on February 1, 2012. The draft obligation payment schedules due on November 1, 2011, under section 34177, subdivision (*l*)(2)(A), are now due March 1, 2012.[26] Successorship agency board membership, required to be determined by January 1, 2012 (§ 34179, subd. (a)), must be complete by May 1, 2012. Similar reformations apply to all other imminent obligations throughout part 1.85. In contrast, no reformation is needed for future obligations to be carried out in subsequent fiscal years. (E.g., §§ 34179, subds. (j)-(*l*) [provisions for successorship agency boards in 2016 and later], 34182, subd. (c)(3) [ongoing county auditor-controller obligation to prepare estimates of allocations and distributions every Nov. 1 and May 1].)

Where a provision imposes obligations in both this and subsequent fiscal years, we reform the provision only as it relates to obligations arising before May 1, 2012. Thus, for example, section 34183 requires certain calculations from county auditor-controllers by January 16, 2012, and June 1, 2012, for this fiscal year, and on January 16 and June 1 in subsequent years. (§ 34183, subd. (a).) We reform the January 16, 2012, deadline by extending it to May 16, 2012, and leave the remaining deadlines unchanged. Likewise, section 34185 provides for distributions on each January 16 and June 1; we reform the first distribution deadline by extending it to May 16, 2012, and leave all subsequent deadlines unchanged, so that future distributions may occur on the schedule, and in the same fiscal year, originally contemplated by the Legislature.

---

26 In contrast, the period to be covered by these schedules—through July 1, 2012, the end of the fiscal year—is not an obligation and is thus unchanged by our reformation. (See § 34177, subd. (*l*)(2)(A).)

III. DISPOSITION

For the foregoing reasons, we discharge the order to show cause, deny the Association's petition for a peremptory writ of mandate with respect to Assembly Bill 1X 26, except for Health and Safety Code section 34172, subdivision (a)(2), and grant its petition with respect to Assembly Bill 1X 27. We direct issuance of a peremptory writ compelling the state Director of Finance and state Controller not to implement Health and Safety Code sections 34172, subdivision (a)(2) and 34192-34196. We extend all statutory deadlines contained in Health and Safety Code, division 24, part 1.85 (§§ 34170-34191) and arising before May 1, 2012, by four months. Given the urgency of the matters addressed by the Association's petition, our judgment is final forthwith. (See, e.g., *Senate of the State of Cal. v. Jones* (1999) 21 Cal.4th 1142, 1169.)

WERDEGAR, J.

WE CONCUR:

KENNARD, J.
BAXTER, J.
CHIN, J.
CORRIGAN, J.
LIU, J.

GUIDE TO REDEVELOPMENT