

AMENDED IN SENATE APRIL 1, 2013

**SENATE BILL**

**No. 409**

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**Introduced by Senator Emmerson**

February 20, 2013

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An act to amend Sections 34171, 34178, and 34191.4 of, and to add Section 34004.2 to, the Health and Safety Code, relating to ~~the County of San Bernardino Cedar Glen Disaster Recovery Project Area~~ *disaster recovery project areas*.

LEGISLATIVE COUNSEL'S DIGEST

SB 409, as amended, Emmerson. ~~The County of San Bernardino Cedar Glen Disaster Recovery Project Area:~~ *Disaster recovery project areas*: enforceable obligations.

The Community Redevelopment Law authorizes the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Existing law dissolved redevelopment agencies and community development agencies, as of February 1, 2012, and provides for the designation of successor agencies. Existing law imposes various requirements on successor agencies and subjects successor agency actions to the review of oversight boards. Existing law requires each oversight board to direct the successor agency to, among other things, cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations, as defined.

This bill would provide that a loan provided by ~~the County of San Bernardino to the County of San Bernardino Redevelopment Agency~~ *a city, county, or city and county to a redevelopment agency* that was entered into prior to ~~December 31, 2005; January 1, 2011~~, for the purposes of funding the installation and construction of roadways, public improvements, and public utilities in ~~the Cedar Glen Disaster Recovery~~

~~Project Area, a disaster recovery project area, and for the provision of residential water system or other utility connection subsidies to low- and moderate-income residents of that project area is an enforceable obligation and may be repaid, as specified. The bill would authorize the successor agency to the County of San Bernardino Redevelopment Agency a city, county, city and county, or housing authority acting in its capacity as the successor to a former redevelopment agency to retain and use those loan proceeds pursuant to the loan agreement and would require the return of any funds previously deposited into the Low and Moderate Income Housing Fund of the County of San Bernardino Redevelopment Agency former redevelopment agency to the successor agency to the County of San Bernardino entity that assumed the housing functions of the former redevelopment agency. The bill would also prohibit the Department of Finance, the State Board of Equalization, the State Controller, and the San Bernardino County Auditor-Controller a county auditor-controller from imposing any statutory remedies upon the County of San Bernardino a city, county, city and county, or the a successor agency to the County of San Bernardino Redevelopment Agency, agency and would require the reversal, within 30 days of the effective date of this bill, of any statutory remedy previously imposed. The bill would also make conforming changes.~~

~~This bill would make legislative findings and declarations as to the necessity of a special statute for County of San Bernardino Redevelopment Agency and by the Successor Agency to the County of San Bernardino Redevelopment Agency.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

- 1 SECTION 1. The Legislature hereby finds and determines all
- 2 of the following:
- 3 (a) *The redevelopment and revitalization of areas devastated*
- 4 *by flood, fire, hurricane, earthquake, storm, tidal wave, or other*
- 5 *catastrophes is a matter of statewide concern.*
- 6 (b) *In enacting the Community Redevelopment Disaster Project*
- 7 *Law, the Legislature intended to facilitate the physical and*
- 8 *economic recovery of areas devastated by natural disasters and*
- 9 *other catastrophes.*

1 (c) *The construction and installation of public improvements,*  
2 *including roadways, water systems, and other utilities in disaster*  
3 *recovery project areas is essential to the economic recovery of*  
4 *those areas and the health, safety, and welfare of persons who*  
5 *reside within and near those areas.*

6 (d) *The construction and installation of public improvements,*  
7 *including roadways, water systems, and other utilities in disaster*  
8 *recovery project areas is essential to catalyze the establishment*  
9 *of business enterprises within and near those areas.*

10 (e) *The redevelopment and revitalization of disaster recovery*  
11 *project areas will result in increased property tax, sales tax, and*  
12 *other revenues to local communities, local taxing entities including*  
13 *schools and community college districts, and the State of*  
14 *California.*

15 (f) *The failure to permit successor agencies to use the proceeds*  
16 *of loans originated for the purpose of facilitating the redevelopment*  
17 *and revitalization of disaster recovery project areas would*  
18 *significantly delay, and potentially prevent, the revitalization of*  
19 *those areas and their return to productive economic use.*

20 (a)

21 (g) Public works projects planned for the Cedar Glen Disaster  
22 Recovery Project Area were delayed due to a private water  
23 company's financial problems after ~~the Old Fire~~ a devastating  
24 forest fire. As a result, ~~those two public works~~ water system and  
25 roadway improvement projects are not ~~completed~~, complete, and  
26 the proceeds of a loan provided by the County of San Bernardino  
27 to fund ~~such~~ those public works and water system connection  
28 subsidies remain available for those purposes.

29 (b)

30 (h) In 2003, the Old Fire destroyed 324 homes in the Cedar  
31 Glen community. Lack of an adequate water system and roadway  
32 access were determined to be primary causes of the devastation.

33 (e)

34 (i) The County of San Bernardino established the Cedar Glen  
35 Disaster Recovery Project Area and adopted a plan to assist  
36 property owners, residents and business owners to recover from  
37 the fire damage and eliminate blighted conditions that preexisted  
38 the fire and contributed to the scale of its damage. To assist in the  
39 recovery of the project area, the county provided a \$10,000,000  
40 loan using county general fund revenue to finance water system

1 and roadway improvements and to fund water system connection  
2 fee subsidies for low- and moderate-income homeowners.

3 ~~(d)~~

4 (j) The Department of Housing and Community Development  
5 awarded a *State of California* Disaster Recovery Initiative grant  
6 to assist in the recovery. The terms of the grant required it to be  
7 spent by April 30, 2009. As a result of this requirement and delays  
8 that resulted from the water company's placement status in  
9 receivership, the expenditure of the county loan proceeds was  
10 delayed, and approximately \$9,000,000 of the loan proceeds remain  
11 unspent.

12 ~~(e)~~

13 (k) The critical need for water system, roadway, and other public  
14 improvements remains unmet.

15 ~~(f)~~

16 (l) In connection with the wind-down of the affairs of the  
17 ~~successor agency to the County of San Bernardino Redevelopment~~  
18 ~~Agency, agencies~~, the Department of Finance has determined that  
19 the remaining proceeds ~~of the county loan loans made to~~  
20 ~~redevelopment agencies operating in disaster recovery project~~  
21 ~~areas may not be spent for the purposes for which the loan was to~~  
22 ~~fund the public improvements and related activities for which the~~  
23 ~~loans were originated, and may not be returned to the County of~~  
24 ~~San Bernardino to enable the county to spend the proceeds for~~  
25 ~~these purposes, public entities that originated those loans, but~~  
26 instead must be remitted to the county auditor-controller and  
27 distributed to affected taxing entities.

28 ~~(g)~~

29 (m) It is in the public interest and the interest of the health,  
30 safety, and welfare of ~~the residents of the County of San Bernardino~~  
31 ~~and the Cedar Glen Disaster Recovery Project Area to permit the~~  
32 ~~successor agency to the County of San Bernardino Redevelopment~~  
33 ~~Agency persons residing in and near disaster recovery project~~  
34 ~~areas to permit successor agencies to spend the remaining proceeds~~  
35 ~~of the county general fund loan for the purposes for which the loan~~  
36 ~~was originated, loans originated to fund public improvements in~~  
37 ~~those areas for the purposes for which the loans were originated,~~  
38 and to permit the ~~loan loans~~ to be repaid to the ~~county public~~  
39 ~~entities that originated those loans.~~

1 SEC. 2. Section 34004.2 is added to the Health and Safety  
2 Code, to read:

3 34004.2. (a) Notwithstanding subdivision (b) of Section  
4 34191.4, or any other law, a loan provided by ~~the County of San~~  
5 ~~Bernardino to the County of San Bernardino Redevelopment~~  
6 ~~Agency~~ *a city, county, or city and county to a redevelopment*  
7 *agency* pursuant to a written agreement entered into prior to  
8 ~~December 31, 2005; January 1, 2011~~, for the purpose of funding  
9 the installation and construction of roadways, public improvements,  
10 and public utilities in ~~the Cedar Glen Disaster Recovery Project~~  
11 ~~Area~~, *a disaster recovery project area*, and for the provision of  
12 residential water system *or other utility* connection subsidies to  
13 low- and moderate-income residents of ~~the Cedar Glen Disaster~~  
14 ~~Recovery Project Area~~, *a disaster recovery project area*, shall be  
15 deemed to be an enforceable obligation within the meaning of  
16 paragraph (1) of subdivision (d) of Section 34171, and may be  
17 repaid pursuant to the terms set forth in the written agreement  
18 notwithstanding any contrary provision of law.

19 (b) Notwithstanding subdivision (d) of Section 34177 and  
20 Section 34179.6, or any other law, the proceeds of loans described  
21 in subdivision (a) shall be used for the purposes for which the loans  
22 were made, and the successor agency ~~to the County of San~~  
23 ~~Bernardino Redevelopment Agency~~ *may retain those loan proceeds*  
24 *may retain the proceeds of those loans* and enter into agreements  
25 for the expenditure of the loan proceeds for those purposes,  
26 including, but not limited to, agreements with ~~the County of San~~  
27 ~~Bernardino~~, *city, county, or city and county, that formed the*  
28 *redevelopment agency to which the successor agency has*  
29 *succeeded*. These actions shall not be subject to review by the  
30 successor agency's oversight board or by the Department of  
31 Finance.

32 (c) Notwithstanding subdivision (d) of Section 34177 and  
33 Section 34179.6, or any other law, ~~the County of San Bernardino,~~  
34 *a city, county, city and county, or housing authority* acting in its  
35 capacity as the successor to the housing functions of ~~the County~~  
36 ~~of San Bernardino Redevelopment Agency~~, *a former*  
37 *redevelopment agency*, may receive and use that portion of the  
38 proceeds of loans described in subdivision (a) that had been  
39 deposited into the Low and Moderate Income Housing Fund of  
40 ~~the County of San Bernardino Redevelopment Agency~~ *former*

1 *redevelopment agency* to provide residential water system or other  
 2 *utility* connection subsidies to low- and moderate-income residents  
 3 of the ~~Cedar Glen Disaster Recovery Project Area, a disaster~~  
 4 ~~recovery project area~~, and the successor agency to the County of  
 5 ~~San Bernardino Redevelopment Agency~~ shall transfer those funds  
 6 to the County of San Bernardino for such *entity that assumed the*  
 7 *housing functions of the former redevelopment agency for that*  
 8 purpose. These actions shall not be subject to review by the  
 9 successor agency's oversight board or by the Department of  
 10 Finance.

11 (d) Notwithstanding any other law, the Department of Finance,  
 12 the State Board of Equalization, the Controller, or the ~~San~~  
 13 ~~Bernardino County Auditor-Controller~~ *county auditor-controller*  
 14 shall not have the authority to impose any of the remedies described  
 15 in subdivision (h) of Section 34179.6 in connection with any failure  
 16 of the County of San Bernardino or the successor agency to the  
 17 ~~County of San Bernardino Redevelopment Agency~~ *a city, county,*  
 18 *city and county, or successor agency* to remit any portion of the  
 19 proceeds of a loan described in subdivision (a) to the County of  
 20 ~~San Bernardino Auditor-Controller~~ *county auditor-controller*. If  
 21 the Department of Finance, the State Board of Equalization, the  
 22 Controller, or the ~~San Bernardino County Auditor-Controller~~  
 23 *county auditor-controller* have imposed any of the remedies  
 24 described in subdivision (h) of Section 34179.6 in connection with  
 25 any failure of the County of San Bernardino *a city, county, or city*  
 26 *and county* or the successor agency to the County of San  
 27 ~~Bernardino Redevelopment Agency~~ to remit any portion of the  
 28 proceeds of a loan described in subdivision (a) to the County of  
 29 ~~San Bernardino Auditor-Controller, county auditor-controller,~~  
 30 then any remedy imposed, including, but not limited to, ~~without~~  
 31 any reduction in, or offset of, sales and use tax or property tax  
 32 allocations, any fine or penalty, and any reduction in the allocation  
 33 of property tax to the successor agency to the County of San  
 34 ~~Bernardino Redevelopment Agency~~, shall be rescinded, and all  
 35 reductions in or offsets to, any revenue, tax, or fund shall be  
 36 returned to the County of San Bernardino *city, county, or city and*  
 37 *county* or to the successor agency to the County of San Bernardino  
 38 ~~Redevelopment Agency, agency~~, as applicable, within 30 days  
 39 following the effective date of the act adding this section.

1 (e) Notwithstanding any other law, the Department of Finance  
2 shall not withhold the issuance of a finding of completion to ~~the~~  
3 ~~a~~ successor agency ~~to the County of San Bernardino~~  
4 ~~Redevelopment Agency~~ pursuant to Section 34179.7 on the basis  
5 of any failure of the ~~County of San Bernardino~~ *city, county, or city*  
6 *and county* or the successor agency ~~to the County of San~~  
7 ~~Bernardino Redevelopment Agency~~ to remit any portion of the  
8 proceeds of a loan described in subdivision (a) to the ~~County of~~  
9 ~~San Bernardino Auditor-Controller~~ *county auditor-controller*.

10 (f) *For the purposes of this section, “disaster recovery project*  
11 *area” means a project area created pursuant to Part 1.5*  
12 *(commencing with Section 34000).*

13 SEC. 3. Section 34171 of the Health and Safety Code is  
14 amended to read:

15 34171. The following terms shall have the following meanings:

16 (a) “Administrative budget” means the budget for administrative  
17 costs of the successor agencies as provided in Section 34177.

18 (b) “Administrative cost allowance” means an amount that,  
19 subject to the approval of the oversight board, is payable from  
20 property tax revenues of up to 5 percent of the property tax  
21 allocated to the successor agency on the Recognized Obligation  
22 Payment Schedule covering the period January 1, 2012, through  
23 June 30, 2012, and up to 3 percent of the property tax allocated to  
24 the Redevelopment Obligation Retirement Fund money that is  
25 allocated to the successor agency for each fiscal year thereafter;  
26 provided, however, that the amount shall not be less than two  
27 hundred fifty thousand dollars (\$250,000), unless the oversight  
28 board reduces this amount, for any fiscal year or such lesser amount  
29 as agreed to by the successor agency. However, the allowance  
30 amount shall exclude, and shall not apply to, any administrative  
31 costs that can be paid from bond proceeds or from sources other  
32 than property tax. Administrative cost allowances shall exclude  
33 any litigation expenses related to assets or obligations, settlements  
34 and judgments, and the costs of maintaining assets prior to  
35 disposition. Employee costs associated with work on specific  
36 project implementation activities, including, but not limited to,  
37 construction inspection, project management, or actual  
38 construction, shall be considered project-specific costs and shall  
39 not constitute administrative costs.

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

3 (d) (1) “Enforceable obligation” means any of the following:

4 (A) Bonds, as defined by Section 33602 and bonds issued  
5 pursuant to Chapter 10.5 (commencing with Section 5850) of  
6 Division 6 of Title 1 of the Government Code, including the  
7 required debt service, reserve set-asides, and any other payments  
8 required under the indenture or similar documents governing the  
9 issuance of the outstanding bonds of the former redevelopment  
10 agency. A reserve may be held when required by the bond  
11 indenture or when the next property tax allocation will be  
12 insufficient to pay all obligations due under the provisions of the  
13 bond for the next payment due in the following half of the calendar  
14 year.

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

19 (C) Payments required by the federal government, preexisting  
20 obligations to the state or obligations imposed by state law, other  
21 than passthrough payments that are made by the county  
22 auditor-controller pursuant to Section 34183, or legally enforceable  
23 payments required in connection with the agencies’ employees,  
24 including, but not limited to, pension payments, pension obligation  
25 debt service, unemployment payments, or other obligations  
26 conferred through a collective bargaining agreement. Costs incurred  
27 to fulfill collective bargaining agreements for layoffs or  
28 terminations of city employees who performed work directly on  
29 behalf of the former redevelopment agency shall be considered  
30 enforceable obligations payable from property tax funds. The  
31 obligations to employees specified in this subparagraph shall  
32 remain enforceable obligations payable from property tax funds  
33 for any employee to whom those obligations apply if that employee  
34 is transferred to the entity assuming the housing functions of the  
35 former redevelopment agency pursuant to Section 34176. The  
36 successor agency or designated local authority shall enter into an  
37 agreement with the housing entity to reimburse it for any costs of  
38 the employee obligations.

39 (D) Judgments or settlements entered by a competent court of  
40 law or binding arbitration decisions against the former

1 redevelopment agency, other than passthrough payments that are  
2 made by the county auditor-controller pursuant to Section 34183.  
3 Along with the successor agency, the oversight board shall have  
4 the authority and standing to appeal any judgment or to set aside  
5 any settlement or arbitration decision.

6 (E) Any legally binding and enforceable agreement or contract  
7 that is not otherwise void as violating the debt limit or public  
8 policy. However, nothing in this act shall prohibit either the  
9 successor agency, with the approval or at the direction of the  
10 oversight board, or the oversight board itself from terminating any  
11 existing agreements or contracts and providing any necessary and  
12 required compensation or remediation for such termination. Titles  
13 of or headings used on or in a document shall not be relevant in  
14 determining the existence of an enforceable obligation.

15 (F) Contracts or agreements necessary for the administration or  
16 operation of the successor agency, in accordance with this part,  
17 including, but not limited to, agreements concerning litigation  
18 expenses related to assets or obligations, settlements and  
19 judgments, and the costs of maintaining assets prior to disposition,  
20 and agreements to purchase or rent office space, equipment and  
21 supplies, and pay-related expenses pursuant to Section 33127 and  
22 for carrying insurance pursuant to Section 33134.

23 (G) Amounts borrowed from, or payments owing to, the Low  
24 and Moderate Income Housing Fund of a redevelopment agency,  
25 which had been deferred as of the effective date of the act adding  
26 this part; provided, however, that the repayment schedule is  
27 approved by the oversight board. Repayments shall be transferred  
28 to the Low and Moderate Income Housing Asset Fund established  
29 pursuant to subdivision (d) of Section 34176 as a housing asset  
30 and shall be used in a manner consistent with the affordable  
31 housing requirements of the Community Redevelopment Law (Part  
32 1 (commencing with Section 33000)).

33 (H) Loan agreements described in subdivision (a) of Section  
34 34004.2.

35 (2) For purposes of this part, “enforceable obligation” does not  
36 include any agreements, contracts, or arrangements between the  
37 city, county, or city and county that created the redevelopment  
38 agency and the former redevelopment agency. However, written  
39 agreements entered into (A) at the time of issuance, but in no event  
40 later than December 31, 2010, of indebtedness obligations, and

1 (B) solely for the purpose of securing or repaying those  
2 indebtedness obligations may be deemed enforceable obligations  
3 for purposes of this part. Notwithstanding this paragraph, loan  
4 agreements entered into between the redevelopment agency and  
5 the city, county, or city and county that created it, within two years  
6 of the date of creation of the redevelopment agency, may be  
7 deemed to be enforceable obligations, and loan agreements  
8 described in subdivision (a) of Section 34004.2 shall be deemed  
9 to be enforceable obligations.

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

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

28 (f) “Oversight board” shall mean each entity established pursuant  
29 to Section 34179.

30 (g) “Recognized obligation” means an obligation listed in the  
31 Recognized Obligation Payment Schedule.

32 (h) “Recognized Obligation Payment Schedule” means the  
33 document setting forth the minimum payment amounts and due  
34 dates of payments required by enforceable obligations for each  
35 six-month fiscal period as provided in subdivision (m) of Section  
36 34177.

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

39 (j) “Successor agency” means the successor entity to the former  
40 redevelopment agency as described in Section 34173.

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

6 (l) “Property taxes” include all property tax revenues, including  
7 those from unitary and supplemental and roll corrections applicable  
8 to tax increment.

9 (m) “Department” means the Department of Finance unless the  
10 context clearly refers to another state agency.

11 (n) “Sponsoring entity” means the city, county, or city and  
12 county, or other entity that authorized the creation of each  
13 redevelopment agency.

14 (o) “Final judicial determination” means a final judicial  
15 determination made by any state court that is not appealed, or by  
16 a court of appellate jurisdiction that is not further appealed, in an  
17 action by any party.

18 SEC. 4. Section 34178 of the Health and Safety Code is  
19 amended to read:

20 34178. (a) Commencing on the operative date of this part,  
21 agreements, contracts, or arrangements between the city or county,  
22 or city and county that created the redevelopment agency and the  
23 redevelopment agency are invalid and shall not be binding on the  
24 successor agency; provided, however, that a successor entity  
25 wishing to enter or reenter into agreements with the city, county,  
26 or city and county that formed the redevelopment agency that it  
27 is succeeding may do so upon obtaining the approval of its  
28 oversight board. A successor agency or an oversight board shall  
29 not exercise the powers granted by this subdivision to restore  
30 funding for an enforceable obligation that was deleted or reduced  
31 by the Department of Finance pursuant to subdivision (h) of Section  
32 34179 unless it reflects the decisions made during the meet and  
33 confer process with the Department of Finance or pursuant to a  
34 court order.

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

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

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

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

13 (4) A written loan agreement between a redevelopment agency  
14 and the city, county, or city and county that created it as described  
15 in subdivision (a) of Section 34004.2.

16 SEC. 5. Section 34191.4 of the Health and Safety Code is  
17 amended to read:

18 34191.4. The following provisions shall apply to any successor  
19 agency that has been issued a finding of completion by the  
20 Department of Finance:

21 (a) All real property and interests in real property identified in  
22 subparagraph (C) of paragraph (5) of subdivision (c) of Section  
23 34179.5 shall be transferred to the Community Redevelopment  
24 Property Trust Fund of the successor agency upon approval by the  
25 Department of Finance of the long-range property management  
26 plan submitted by the successor agency pursuant to subdivision  
27 (b) of Section 34191.7 unless that property is subject to the  
28 requirements of any existing enforceable obligation.

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

36 (2) If the oversight board finds that the loan is an enforceable  
37 obligation, the accumulated interest on the remaining principal  
38 amount of the loan shall be recalculated from origination at the  
39 interest rate earned by funds deposited into the Local Agency  
40 Investment Fund. The loan shall be repaid to the city, county, or

1 city and county in accordance with a defined schedule over a  
2 reasonable term of years at an interest rate not to exceed the interest  
3 rate earned by funds deposited into the Local Agency Investment  
4 Fund. The annual loan repayments provided for in the recognized  
5 obligations payment schedules shall be subject to all of the  
6 following limitations:

7 (A) Loan repayments shall not be made prior to the 2013–14  
8 fiscal year. Beginning in the 2013–14 fiscal year, the maximum  
9 repayment amount authorized each fiscal year for repayments  
10 made pursuant to this subdivision and paragraph (7) of subdivision  
11 (e) of Section 34176 combined shall be equal to one-half of the  
12 increase between the amount distributed to the taxing entities  
13 pursuant to paragraph (4) of subdivision (a) of Section 34183 in  
14 that fiscal year and the amount distributed to taxing entities  
15 pursuant to that paragraph in the 2012–13 base year. Loan or  
16 deferral repayments made pursuant to this subdivision shall be  
17 second in priority to amounts to be repaid pursuant to paragraph  
18 (7) of subdivision (e) of Section 34176.

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

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

33 (3) Notwithstanding subdivision (b) or any other law, loan  
34 agreements described in subdivision (a) of Section 34004.2 shall  
35 be repaid pursuant to the terms set forth in the loan agreement.

36 (c) (1) Bond proceeds derived from bonds issued on or before  
37 December 31, 2010, shall be used for the purposes for which the  
38 bonds were sold.

39 (2) (A) Notwithstanding Section 34177.3 or any other  
40 conflicting provision of law, bond proceeds in excess of the

1 amounts needed to satisfy approved enforceable obligations shall  
2 thereafter be expended in a manner consistent with the original  
3 bond covenants. Enforceable obligations may be satisfied by the  
4 creation of reserves for projects that are the subject of the  
5 enforceable obligation and that are consistent with the contractual  
6 obligations for those projects, or by expending funds to complete  
7 the projects. An expenditure made pursuant to this paragraph shall  
8 constitute the creation of excess bond proceeds obligations to be  
9 paid from the excess proceeds. Excess bond proceeds obligations  
10 shall be listed separately on the Recognized Obligation Payment  
11 Schedule submitted by the successor agency.

12 (B) If remaining bond proceeds cannot be spent in a manner  
13 consistent with the bond covenants pursuant to subparagraph (A),  
14 the proceeds shall be used to defease the bonds or to purchase  
15 those same outstanding bonds on the open market for cancellation.

16 ~~SEC. 6. The Legislature finds and declares that a special law  
17 is necessary and that a general law cannot be made applicable  
18 within the meaning of Section 16 of Article IV of the California  
19 Constitution because of the unique circumstances faced by the  
20 former County of San Bernardino Redevelopment Agency and by  
21 the Successor Agency to the County of San Bernardino  
22 Redevelopment Agency.~~