

**ASSEMBLY BILL**

**No. 1412**

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**Introduced by Assembly Member Perea**  
(Principal coauthor: Senator Cannella)

February 27, 2015

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An act to amend Section 34191.4 of the Health and Safety Code, relating to redevelopment.

LEGISLATIVE COUNSEL'S DIGEST

AB 1412, as introduced, Perea. Redevelopment: successor agencies to redevelopment agencies.

Existing law dissolved redevelopment agencies and community development agencies as of February 1, 2012, and provides for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies, subject to review by oversight boards, and to, among other things, make payments due for enforceable obligations and to perform obligations required pursuant to any enforceable obligation. Existing law requires the Department of Finance to issue a finding of completion to a successor agency upon confirmation by the county auditor-controller that specified payments have been fully made by the successor agency. Existing law defines “enforceable obligation” for these purposes to generally exclude any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency. However, existing law provides that upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency are deemed

to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

This bill would additionally provide that upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency, where the outstanding principal balance of the loan is \$1,250,000 or less, are enforceable obligations if the oversight board finds, among other things, that the loan was for legitimate redevelopment purposes, it was entered into more than 2 years after the creation of the former redevelopment agency and prior to January 1, 2011, and it is the only debt of the former redevelopment agency remaining to be paid on the recognized obligation payment schedule.

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. Section 34191.4 of the Health and Safety Code
- 2 is amended to read:
- 3 34191.4. The following provisions shall apply to any successor
- 4 agency that has been issued a finding of completion by the
- 5 Department of Finance:
- 6 (a) All real property and interests in real property identified in
- 7 subparagraph (C) of paragraph (5) of subdivision (c) of Section
- 8 34179.5 shall be transferred to the Community Redevelopment
- 9 Property Trust Fund of the successor agency upon approval by the
- 10 Department of Finance of the long-range property management
- 11 plan submitted by the successor agency pursuant to subdivision
- 12 (b) of Section 34191.5 unless that property is subject to the
- 13 requirements of any existing enforceable obligation.
- 14 (b) (1) ~~Notwithstanding~~ *Except as provided in subdivision (c),*
- 15 *and notwithstanding* subdivision (d) of Section 34171, upon
- 16 application by the successor agency and approval by the oversight
- 17 board, loan agreements entered into between the redevelopment
- 18 agency and the city, county, or city and county that created the
- 19 redevelopment agency shall be deemed to be enforceable
- 20 obligations provided that the oversight board makes a finding that
- 21 the loan was for legitimate redevelopment purposes.

1 (2) If the oversight board finds that the loan is an enforceable  
2 obligation, the accumulated interest on the remaining principal  
3 amount of the loan shall be recalculated from origination at the  
4 interest rate earned by funds deposited into the Local Agency  
5 Investment Fund. The loan shall be repaid to the city, county, or  
6 city and county in accordance with a defined schedule over a  
7 reasonable term of years at an interest rate not to exceed the interest  
8 rate earned by funds deposited into the Local Agency Investment  
9 Fund. The annual loan repayments provided for in the recognized  
10 obligation payment schedules shall be subject to all of the following  
11 limitations:

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

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

36 (C) Twenty percent of any loan repayment shall be deducted  
37 from the loan repayment amount and shall be transferred to the  
38 Low and Moderate Income Housing Asset Fund, after all  
39 outstanding loans from the Low and Moderate Income Housing

1 Fund for purposes of the Supplemental Educational Revenue  
2 Augmentation Fund have been paid.

3 (c) (1) Notwithstanding subdivision (b) and subdivision (d) of  
4 Section 34171, upon application by the successor agency and  
5 approval by the oversight board, loan agreements entered into  
6 between the redevelopment agency and the city, county, or city  
7 and county that created the redevelopment agency, where the  
8 outstanding principal balance of the loan is one million two  
9 hundred fifty thousand (\$1,250,000) or less, shall be deemed to  
10 be enforceable obligations if the oversight board makes all of the  
11 following findings:

12 (A) The loan was for legitimate redevelopment purposes.

13 (B) The loan was entered into more than two years after the  
14 creation of the former redevelopment agency, and prior to January  
15 1, 2011.

16 (C) The loan was related to an indebtedness obligation.

17 (D) The loan is the only debt of the former redevelopment  
18 agency remaining to be paid on the recognized obligation payment  
19 schedule.

20 (E) The amount distributed to the taxing entities pursuant to  
21 paragraph (4) of subdivision (b) of Section 34183 in the previous  
22 fiscal year was less than two hundred fifty thousand dollars  
23 (\$250,000).

24 (2) Repayments of a loan described in this subdivision are not  
25 subject to the requirements of subdivision (b). The accumulated  
26 interest rate shall be recalculated from origination at the interest  
27 rate of .25 percent.

28 (e)

29 (d) (1) Bond proceeds derived from bonds issued on or before  
30 December 31, 2010, shall be used for the purposes for which the  
31 bonds were sold.

32 (2) (A) Notwithstanding Section 34177.3 or any other  
33 conflicting provision of law, bond proceeds in excess of the  
34 amounts needed to satisfy approved enforceable obligations shall  
35 thereafter be expended in a manner consistent with the original  
36 bond covenants. Enforceable obligations may be satisfied by the  
37 creation of reserves for projects that are the subject of the  
38 enforceable obligation and that are consistent with the contractual  
39 obligations for those projects, or by expending funds to complete  
40 the projects. An expenditure made pursuant to this paragraph shall

1 constitute the creation of excess bond proceeds obligations to be  
2 paid from the excess proceeds. Excess bond proceeds obligations  
3 shall be listed separately on the Recognized Obligation Payment  
4 Schedule submitted by the successor agency.

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

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