



the redevelopment project and be repaid by the redevelopment agency with tax increment funds.

2. Reversing the *Glendale* Court of Appeal decision that upheld the methodology described in AB 1484 for calculating accrued interest on loans between the redevelopment agency and the city/town that were reinstated after receiving a finding of completion.

Reversal of these two (2) Court decisions will cost successor agencies substantially more money than will be saved by any purported beneficial provisions included in AB 113. In addition, the Department of Finance, through AB 113, seeks to insulate itself from legal challenge to the decisions it makes about how to implement the law by; (1) exempting itself from the Administrative Procedures Act, and (2) denying successor agencies funding for legal representation to challenge the Department of Finance in court.

Since the introduction of AB 113, the Department of Finance has made a series of misleading and incomplete statements to cities and the Legislature on the impacts of AB 113. Most recently on August 3, 2015, the Department of Finance sent an email to numerous Successor Agencies describing the purported “administrative benefits” afforded to Successor Agencies in Assembly Bill 113. The Department of Finance is mainly referring to:

1. The change from a bi-annual to an annual filing of the Recognized Obligation Payment Schedule (ROPS); and
2. The opportunity to participate in the Last and Final ROPS process.

As the Department of Finance notes in its August 3 email, these proposals will purportedly reduce the administrative workload of our staff.

The potential, but difficult to quantify, benefits of reducing the administrative workload of complying with the Dissolution Law, are far out-weighted by the serious negative fiscal impact of other provisions of Assembly Bill 113, which the Department of Finance fails to mention in its email.

With respect to the impacts of AB 113 on the Town of Apple Valley, staff has identified the following specific concerns:

The Town has \$3,281,514 listed on its Recognized Obligation Payment Schedule (ROPS) at risk of loss if AB 113 is passed into law by the state legislature. This amount represents what has been termed by the Department of Finance as “reimbursement agreements.” Loss of this funding would proportionally reduce total reserves in other funds now available to fund other projects and services by the same amount.

Loss of these funds affects all communities across the state that has not completed the Redevelopment Agency “wind down” process. It is estimated that over \$2 billion is at

risk negatively effecting approximately 150 cities and towns across the state. However, the Department of Finance has not provided anyone with a complete listing of affected agencies at this point. The Department of Finance has already done this analysis and has a complete list but apparently is reluctant to share that information.

In order to assist the Town's lobbyist and the League of California Cities in opposing this bill, I conducted a short survey of other communities across the state and was able to compile a listing of 53 affected communities with over \$956 million at risk (see attachment).

The listing crosses over Republican and Democratic districts throughout the State. It is believed that this listing represents approximately one third (1/3) of those cities that have reimbursement agreements at risk of loss.

Based on the foregoing, staff recommends adoption of Resolution No. 2015-30.

**FISCAL IMPACT:**

The Town has \$3,281,514 listed on its Recognized Obligation Payment Schedule (ROPS) at risk of loss if AB 113 is passed into law by the state legislature. This amount represents what has been termed by the State Department of Finance as "reimbursement agreements."

Reimbursement agreements were the most common form of loans to RDAs. These loans from the sponsoring entity (City) were extended to allow the RDA to initiate implementation of projects outlined in the RDA plan with the anticipation of being repaid from future tax increments. This is an issue that affects most cities that have not completed the wind down of their RDAs. The total amount at risk across the state is well over \$2 billion affecting more than 100 cities.

**ATTACHMENTS:**

1. Resolution No. 2015-30
2. Potential Losses Due to AB113 by Local Agency
3. Correspondence from League of California Cities

## RESOLUTION NO. 2015-30

### A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY OPPOSING AB 113

**WHEREAS**, in 2011 the Legislature enacted AB 1X 26 which dissolved redevelopment agencies formed under the Community Redevelopment Law; and

**WHEREAS**, in 2012 the Legislature amended AB 1X 26 by enacting AB 1484 which required redevelopment agencies to make three (3) payments for the benefit of taxing entities; and

**WHEREAS**, AB 1484 included certain statutory provisions that were intended to provide incentives for the prompt and accurate submittal of these three (3) payments by the successor agencies to the former redevelopment agencies; and

**WHEREAS**, one (1) of these incentives allowed a successor agency's oversight board to approve the reinstatement of loan agreements, including the payment of accrued interest, between the city or county and the former redevelopment agency which had previously had been made unlawful by the terms of AB 1X 26; and

**WHEREAS**, subsequent to the enactment of AB 1484, approximately eighty-five (85) percent of successor agencies made the three (3) payments required by AB 1484 and received Findings of Completion; and

**WHEREAS**, the oversight boards of many of these successor agencies approved the reinstatement of loan agreements at the interest rate provided for in AB 1484 only to have those actions disapproved by the Department of Finance; and

**WHEREAS**, the courts of appeal have rejected the Department of Finance's interpretation of the phrase "loan agreement" and method of calculating the interest rate (*Watsonville* and *Glendale*); and

**WHEREAS**, the Department of Finance, in AB 113, is attempting to reverse and revise these key provisions of the dissolution laws offered to local agencies as incentives for making the required payments and resolving other issues with the Department of Finance; and

**WHEREAS**, in addition to undoing the promises made to local agencies in AB 1484, AB 113 contains several provisions that would tip the balance on matters of interpretation of dissolution laws even further by exempting the Department of Finance from the Administrative Procedures Act and eliminating language in the law that was previously agreed to by the Department of Finance and the Legislature in 2012 that enabled successor agencies to fund legal representation in the only due process forum where Department of Finance staff decisions could be reviewed-- Sacramento County Superior Court.

**NOW, THEREFORE, BE IT RESOLVED** that the Town Council of the Town of Apple Valley state as follows:

1. As locally elected legislators, we are committed to abiding by the promises we make. We urge the State Legislature to do the same by defeating AB 113, which breaks the promises the Legislature made to local agencies in the enactment of AB 1484.

2. One (1) of the purposes of our court system is to adjudicate the meaning and application of statutory enactments. We urge the State Legislature to accept the decisions of the courts of appeal in the *Watsonville* (definition of "loan agreement") and *Glendale* (methodology for calculating interest rate) and defeat AB 113, which seeks to reverse both of these court decisions.

3. We further urge the State Legislature to defeat AB 113 because it unfairly denies access to the court system for successor agencies by disallowing funding for legal representation.

4. AB 113 will have the following impacts on the Town of Apple Valley:

The Town of Apple Valley will lose \$3,281,514 if this legislation passes. Passage of this legislation would result in the loss of resources for senior housing projects, police, street improvement projects, transportation projects including bus services, and recreation programming.

5. The provisions of AB 113 that are described as "streamlining" do not offset the negative impact of the provisions discussed in this resolution.

**PASSED, APPROVED and ADOPTED** by the Town Council of the Town of Apple Valley this 11<sup>th</sup> day of August, 2015.

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Larry Cusack, Mayor

ATTEST:

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La Vonda M-Pearson, Town Clerk

**Potential Losses Due to AB113 by Local Agency**

<b><u>Agency Name</u></b>	<b><u>Potential Loss</u></b>
<b>1. Town of Apple Valley</b>	<b>\$ 3,281,514</b>
<b>2. City of Barstow</b>	<b>\$ 1,800,000</b>
<b>3. City of Bellflower</b>	<b>\$ 12,300,000</b>
<b>4. City of Big Bear Lake</b>	<b>\$ 4,795,436</b>
<b>5. City of Brisbane</b>	<b>\$ 3,589,104</b>
<b>6. City of Capitola</b>	<b>\$ 618,000</b>
<b>7. City of Chino</b>	<b>\$ 15,400,000</b>
<b>8. City of Chula Vista</b>	<b>\$ 10,500,000</b>
<b>9. City of Cloverdale</b>	<b>\$ 826,600</b>
<b>10. City of Colton</b>	<b>\$ 3,627,033</b>
<b>11. City of Crescent City</b>	<b>\$ 1,203,719</b>
<b>12. City of Dinuba</b>	<b>\$ 12,500,000</b>
<b>13. City of Downey</b>	<b>\$ 192,500</b>
<b>14. City of Escondido</b>	<b>\$ 9,832,652</b>
<b>15. City of Fontana*</b>	<b>\$ 6,100,000</b>
<b>16. City of Fountain Valley</b>	<b>\$ 15,825,623</b>
<b>17. City of Fresno</b>	<b>\$ 83,000,000</b>
<b>18. City of Glendale</b>	<b>\$ 38,000,000</b>
<b>19. City of Gustine</b>	<b>\$ 285,451</b>
<b>20. City of Hayward</b>	<b>\$ 12,000,000</b>
<b>21. City of Hercules</b>	<b>\$ 12,637,422</b>
<b>22. City of Huntington Beach*</b>	<b>\$ 66,000,000</b>
<b>23. City of La Puente*</b>	<b>\$ 12,500,000</b>
<b>24. City of Lawndale</b>	<b>\$ 830,000</b>
<b>25. City of Lemon Grove*</b>	<b>\$ 4,200,000</b>
<b>26. City of Long Beach*</b>	<b>\$ 100,000,000</b>
<b>27. City of Modesto</b>	<b>\$</b>
<b>28. City of Montebello</b>	<b>\$ 4,000,000</b>
<b>29. City of Needles</b>	<b>\$ 1,104,648</b>
<b>30. City of Newark</b>	<b>\$ 385,000</b>
<b>31. City of Ontario</b>	<b>\$ 70,000,000</b>

<b>32. City of Oroville</b>	<b>\$ 5,242,518</b>
<b>33. City of Pasadena</b>	<b>\$ 25,600,000</b>
<b>34. City of Port Hueneme</b>	<b>\$ 9,099,754</b>
<b>35. City of Poway</b>	<b>\$ 14,800,000</b>
<b>36. City of Rancho Palos Verdes</b>	<b>\$ 12,088,604</b>
<b>37. City of Rialto</b>	<b>\$ 5,000,000</b>
<b>38. City of Ridgecrest</b>	<b>\$ 3,185,616</b>
<b>39. City of Riverside</b>	<b>\$ 18,801,393</b>
<b>40. City of San Bruno</b>	<b>\$ 1,770,000</b>
<b>41. City of San Diego*</b>	<b>\$ 200,000,000</b>
<b>42. City of San Dimas*</b>	<b>\$ 14,630,304</b>
<b>43. City of Santa Rosa*</b>	<b>\$ 6,331,000</b>
<b>44. City of Seaside</b>	<b>\$ 2,833,000</b>
<b>45. City of South El Monte</b>	<b>\$ 2,000,000</b>
<b>46. City of Suisun City</b>	<b>\$ 1,750,000</b>
<b>47. City of Sunnyvale</b>	<b>\$ 37,000,000</b>
<b>48. City of Torrance</b>	<b>\$ 1,600,000</b>
<b>49. City of Tustin</b>	<b>\$ 42,328,170</b>
<b>50. City of Ventura</b>	<b>\$ 7,300,000</b>
<b>51. City of West Covina</b>	<b>\$ 28,885,022</b>
<b>52. City of Winters</b>	<b>\$ 2,575,510</b>
<b>53. City of Yorba Linda*</b>	<b>\$ 6,000,000</b>

**Total Potential Loss from Reporting Cities \$ 956,155,593**

**Potential losses from reimbursement agreements represent self-reported principal amounts unless otherwise noted.**

\*Indicates data provided by a third party.



1400 K Street, Suite 400 • Sacramento, California 95814  
 Phone: 916.658.8200 Fax: 916.658.8240  
 www.cacities.org

DATE: July 22, 2015  
 TO: Members, Senate Budget and Fiscal Review Committee  
 FROM: Dan Carrigg, League Legislative Director, (916) 658-8222  
 RE: City Letters Received in Opposition to DOF Budget Proposal Affecting Redevelopment Dissolution as of July 22, 2015

Legislators have been seeking an updated list of opposition to AB 113. Since January, many cities have submitted letters to the Legislature in opposition to the Department of Finance's (DOF) proposal affecting redevelopment dissolution. In its earliest forms this proposal was referenced by various "RN" numbers from Legislative Counsel, then on June 18<sup>th</sup> first appeared in print in AB 113. Over the last several weeks, the League has reached out to cities that had previously sent letters to confirm their position on AB 113 in its current form. We have checked with each city below on their position. While several cities have withdrawn opposition, as of July 22<sup>nd</sup>, the cities listed below report to us that they remain opposed unless the harmful provisions of AB 113 are removed. We have also encouraged cities to update their letters accordingly.

In opposition:

- |                   |                          |                           |
|-------------------|--------------------------|---------------------------|
| • Alhambra        | • Highland               | • San Dimas               |
| • Baldwin Park    | • La Habra               | • San Marcos              |
| • Bell Garden     | • La Mirada              | • Santa Ana               |
| • Big Bear Lake   | • La Palma               | • Santa Clarita           |
| • Brentwood       | • La Quinta              | • Santa Cruz County       |
| • Buellton        | • Lafayette              | • Santa Fe Springs        |
| • Buena Park      | • Lake Forest            | • Santa Maria             |
| • Capitola        | • Lakewood               | • Santa Monica            |
| • Cerritos        | • Lancaster              | • Santa Rosa              |
| • Chino           | • Lawndale               | • Scotts Valley           |
| • Claremont       | • League's Latino Caucus | • Seaside                 |
| • Corona          | • Loma Linda             | • Selma                   |
| • Coronado        | • Los Alamitos           | • Sonoma County           |
| • Covina          | • Los Ang. Co. Div.      | • Mayors &                |
| • Crescent City   | • Merced                 | • Councilmembers          |
| • Culver City     | • Modesto                | • Association             |
| • Cypress         | • Montebello             | • South El Monte          |
| • Danville        | • Monterey               | • South San Francisco     |
| • Dinuba          | • Monterey Park          | • Suisun City             |
| • Downey          | • Napa                   | • Sunnyvale               |
| • Duarte          | • Norco                  | • Taft                    |
| • Dublin          | • Norwalk                | • Tuolumne County COC GRC |
| • Emeryville      | • Novato                 | • Union City              |
| • Fountain Valley | • Oroville               | • Upland                  |
| • Fresno          | • Oxnard                 | • Vacaville               |
| • Fullerton       | • Paramount              | • Ventura                 |
| • Garden Grove    | • Pasadena               | • Vernon                  |
| • Glendale        | • Pico Rivera            | • Vista                   |
| • Glendora        | • Rancho Cucamonga       | • West Covina             |
| • Goleta          | • Rancho Palos           | • Whittier                |
| • Grand Terrace   | • Verdes                 | • Winters                 |
| • Greenfield      | • Rialto                 | • Yorba Linda             |
| • Gustine         | • Ridgecrest             | • Yucaipa                 |
| • Hercules        | • San Carlos             |                           |

Thank you for your attention to this important matter.

cc: Members: Assembly Democratic Caucus RDA Working Group  
 Mark Ibele, Staff Director, Senate Budget and Fiscal Review Committee  
 Joseph Shinstock, Fiscal Consultant, Senate Republican Fiscal Office  
 Katie Kolitsos, Special Assistant to Speaker Atkins  
 Genevieve Morelos, Consultant, Assembly Budget Committee  
 William Weber, Principal Consultant, Assembly Republican Caucus