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DATE: July 13, 2015

TO: All Senators

FROM: Dan Carrigg, League Legislative Director, (916) 658-8222

RE: AB 113, Trailer Bill Affecting Redevelopment Dissolution (July 9, Version)

On behalf of the League of California Cities®, we regret to inform you that the League continues to have an **Oppose, Unless Amended** position on DOF's proposed bill on redevelopment dissolution AB 113. *(This letter follows the League's June 19th letter to all legislators on AB 113, a background memo on June 26th on the problems with the "loan" issue, and a July 9th memo responding a DOF memo of July 7th.)*

The underlying frustration for many cities with these provisions is the effort to reverse existing incentives offered to cities in AB 1484 of 2012 as encouragement to expeditiously resolve issues and obtain a DOF "finding of completion." Now that many agencies have made the concessions necessary to obtain these findings, it is simply wrong to move the goalposts and change the rules.

Our review of this bill by city attorneys concludes that leaving existing law and applicable Court decisions interpreting that law governing the definitions of loans and the method of calculating interest is far better for affected cities than the constantly changing language of this proposal.

1. **Definition of Loans:** The revisions in AB 113 have a similar effect as prior versions of this proposal: eliminating the recognition of loans structured as "reimbursement agreements" (such as loans that have been recognized by the Court in the *Watsonville* decision, where the city expended general fund dollars to construct several public works projects based upon an agreement to be reimbursed by the redevelopment agency). We shared a document with legislators dated June 17th, which provided a sampling of how not recognizing such loans would cost cities collectively hundreds of millions. Since existing law requires 20% of any funds repaid to be dedicated for affordable housing, this means significant losses to those programs as well.
2. **Carve Outs:** AB 113 also attempts to insulate several cities, including Watsonville and Glendale, from the impacts of these harmful changes. While such tactics are not unfamiliar in politics, there is no policy basis for treating similarly situated cities and their residents unequally under the law.
3. **Definition of Interest Rates:** AB 113 makes some movement on the interest rate issue compared to earlier versions, but still falls far short of what cities would be entitled to under existing law. In *Glendale* the Court recognized that the LAIF interest rate (which is the variable rate paid by the State Treasurer's conservative investment pools) should be compounded quarterly from the date of loan origination. AB 113 offers 3% interest going forward. The DOF July 7 memo stated that such interest is intended to be paid from date of loan origination, yet city

attorneys remain concerned that the actual language in the bill on page 77, lines 10 and 11, says “*recalculated from the date of the oversight board’s finding*,” and this issue was not clarified in the July 9 amendments. This is not a trivial issue. Such reductions in interest, on large principal amounts, can mean millions less to affected agencies.

We recognize several provisions have been included to address issues with stranded 2011 bonds and the proceeds of special voter-approved property tax rates; and non-redevelopment provisions were added of specific benefit to several local agencies. It is regrettable that this proposal is being presented to legislators in such a divisive format.

We urge the Legislature to reject this proposal while it is in a form that would cause further harm to cities by undoing the incentives offered to cities in existing law and Court decisions interpreting those laws. The loss of redevelopment has been devastating for many communities. We strongly urge you to reject the harmful aspects of this proposal on cities; enough harm has already been done.

Thank you for your attention to this important matter.