

## **Redevelopment Agency Dissolution and Succession**

### **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, layoff teachers as well as make other hurtful cuts.
- (e) Redevelopment agencies have expanded over the years in California. The expansion of redevelopment agencies has increasingly shifted property taxes away from services provided schools, counties, special districts, and cities.
- (f) Redevelopment agencies take in approximately twelve percent all of the property taxes collected across California.
- (g) It is estimated that under current law, redevelopment agencies will divert \$5 billion in property tax revenue from other taxing agencies in fiscal year 2011-12.
- (h) These difficult times demand that a reexamination of resources and priorities be undertaken. This reexamination demonstrates that the state's investment in local economic development and redevelopment agencies is less critical than providing for police and fire protection and is less critical than preventing additional harm to public education.
- (i) Therefore, the Legislature finds that the existence of redevelopment agencies which redirect property tax dollars from core services and does so without a vote of the people must cease. The Legislature further finds that these existing tax dollars must be returned to schools, fire districts, and the other local entities from which they have been diverted.
- (j) The Legislature has all legislative power not explicitly restricted to it. The Constitution does not explicitly state 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 eliminated by statute.
- (k) It is the intent of the Legislature to do the following in this act:
  - (1) Bar existing redevelopment agencies from incurring new obligations that would divert any more money from core functions and dissolve all existing redevelopment. It is the intent of the Legislature that the greatest amount of funding be realized from these actions to fund core governmental services.

(2) Beginning with 2012-13 fiscal year, allocate these funds according to the existing property tax allocation, except for enterprise special districts, to make the funds available for cities, counties, special districts, school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by fiscal year 2012-13, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(3) Require a successor entity to settle the affairs of the redevelopment agencies.

(4) Require the protection of contractual rights by successor agencies, which will be required to retire redevelopment agency debts in accord with existing payment schedules. No existing contractual obligations will be impaired.

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 finding or determinations occurred prior to January 1, 2011.

(c) 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 three 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 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 three years after the date on which the agency or the legislative body made those findings or determinations, if the finding 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 three years after the date of the triggering event.

(e) (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.

(d) (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 33604 of the Health and Safety Code is repealed.

SEC. 5. Part 1.8 of Division 24 of the Health and Safety Code is added to read:

#### Restrictions on Redevelopment Agencies Operations

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

Section 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.

Section 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 action, to incur indebtedness, including, but not limited to, all of the following:

(1) Issue or sell bonds, for any purpose, regardless of the source of repayment of such bonds. As used in this section, "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 the 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 any of the following 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, all of the following:

(A) Refunding 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 or of any of its outstanding bonds or elect to purchase any of its own outstanding bonds.

(4) Take out or accept loans or advances, for any purpose, from the state or the federal government or any other public agency or any private lending institution or from any other source. For purposes of this section, "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.

(b) Any actions taken that conflict with this section are void ab initio and shall have no force or affect.

(c) Notwithstanding subdivision (a), the agency may issue refunding bonds 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) The county treasurer has 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 June 30, 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.

Section 34163. (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 part, an agency shall not have the authority to, and shall not, do any of the following:



- (1) Make loans or advances or grant or enter into agreement to provide funds or provide financial assistance of any sort to any entity or person for any purpose.
- (2) 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, pass-through 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.
- (3) Amend or modify existing agreements, obligations or commitments with any entity, for any purpose, including, but not limited to, all of the following:
  - (A) Renewing or extending term of leases or other agreements, except that the agency may extend lease space for their own use to a date not to exceed six months after the effective date of this Act and for a rate no more than five percent above the rate the agency currently pays on a monthly basis.
  - (B) Modifying terms and conditions of existing agreements, obligations or commitments.
  - (C) Transfer 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.
- (4) Dispose of assets by sale, long-term lease, gift, grant, exchange, transfer, assignment or otherwise, for any purpose, including, but not limited to, all of the following:
  - (A) 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 and rights to receive rents any other rights to payment of whatever kind.
  - (B) 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 such liens.
- (5) Accept financial or other assistance from the state or federal government or any public or private source if such acceptance necessitates or is conditioned upon the agency incurring indebtedness as that term is described in this part.

Section 34164. (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

part, an agency shall lack the authority to, and shall not, engage in any of the following redevelopment activities:

- (1) 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.
- (2) Create, designate, merge, expand or otherwise change the boundaries of a project area.
- (3) Designate a new survey area or modify, extend or otherwise change the boundaries of an existing survey area.
- (4) Approve or direct or cause the approval of any program, project or expenditure where such approval is not required by law.
- (5) Prepare, formulate amend or otherwise modify a preliminary plan or cause the preparation, formulation, modification or amendment of a preliminary plan.
- (6) Prepare, formulate amend or otherwise modify an implementation plan or cause the preparation, formulation, modification or amendment of an implementation plan.
- (7) Prepare, formulate amend or otherwise modify a relocation plan or cause the preparation, formulation, modification or amendment of a relocation plan where such approval is not required by law.
- (8) Prepare, formulate amend or otherwise modify a redevelopment housing plan or cause the preparation, formulation, modification or amendment of a redevelopment housing plan.
- (9) Direct or cause the development, rehabilitation or construction of housing units within the community, unless required to do so by an Enforceable Obligation.
- (10) Making or modifying a declaration or finding of blight, blighted areas, or slum and blighted residential areas.
- (11) Make any new findings or declarations that any areas of blight cannot be remedied or redeveloped by private enterprise alone.
- (12) Provide or commit to provide relocation assistance, except where the provision of such relocation assistance is required by law.
- (13) Provide or commit to provide financial assistance.

Section 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 to or is in any way associated with.

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

(c) 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.

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

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

Section 34166. No legislative body or local governmental entity has any statutory authority to create or otherwise establish a new redevelopment agency or community development commission. No chartered city or chartered county may exercise the powers granted in Part 1 (commencing with Section 33000) to create or otherwise establish a redevelopment agency.

Section 34167. (a) This part is intended to preserve, to the maximum extent possible, the revenues and assets of the 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 such as police, fire protection 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 should be read 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" means a redevelopment agency created or formed pursuant to Part I (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) (1) For purposes of this part, "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 redevelopment agency.

(B) Loans of monies borrowed by the redevelopment agency for a lawful purpose.

(C) Payments required by the federal government, pre-existing obligations to the State or obligations imposed by state law, other than pass through 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 and unemployment payments.

(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.

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

(d) 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), and Part 1.7 (commencing with Section 34100) conflict 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), and 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.

(e) Nothing herein shall be construed to interfere with an agency's authority to (1) make payments due, (2) enforce existing covenants and obligations or (3) perform its obligations, all pursuant to enforceable obligations as defined in this section.

Section 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

Section 34169. Until successor agencies are empowered pursuant to Part 1.85, redevelopment agencies shall do all of the following:

- (a) Continue to make all scheduled payments for enforceable obligations as defined in subdivision (c) 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) Preserve all assets, minimize all liabilities and preserve all records of the redevelopment agency.
- (e) Cooperate with the successor agencies 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.
- (6) Take all reasonable measures to avoid triggering an event of default under any enforceable obligations as such term is defined in subdivision (c) of Section 34167.

SEC. 6. 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

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

Section 34170. (a) Unless otherwise specified, all provisions of this part shall take effect on July 1, 2011.

(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.

Section 34170.5 (a) The following funds are hereby created:

(1) The "Public Health and Safety Fund" is hereby created in each county that contains a redevelopment agency, for administration by the county auditor-controller or such other entity as provided in section 34182.

(2) A "Redevelopment Obligation Retirement Fund" is hereby created in the treasury of each successor agency.

(3) A "Redevelopment Property Tax Trust Fund" is hereby created for the property tax revenues related to each former redevelopment agency, in each county, 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 increment revenues equal to the greater of five percent of the property tax allocated to the successor agency for the 2011-12 fiscal year and three percent of the property tax allocated to the successor agency for each fiscal year thereafter, or \$250,000 for any fiscal year. However, the allowance amount shall exclude any administrative costs that can be paid from bond proceeds or from sources other than property tax.

(c) "Approved development project" means a project where construction, site remediation, design, or environmental assessment work or property acquisition is required by the former redevelopment agency pursuant to an enforceable obligation between the former redevelopment agency and parties other than the entities that created the redevelopment agency and either (1) substantial performance under the applicable agreements had taken place prior to the effective date of the act adding this part or (2) the oversight board determines that it would be beneficial for the taxing entities or the communities to continue the project even though there had not been substantial performance under the applicable agreements. An approved development project does not include an agreement for any of the following: planning, financing services, site search, or other staff or consulting activities in preparation for redevelopment work.

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

(e) "Enforceable obligation" means any of the following:

(1) 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.

(2) Loans of moneys borrowed by the redevelopment agency for a lawful purpose.

(3) Payments required by the federal government, pre-existing 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 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 pass through 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. However, nothing in this act shall prohibit either the successor agency, with the approval or at the direction of the board, or the oversight board itself from terminating any existing agreements or contracts and providing any necessary and required compensation or remediation for such termination.

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

(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 half-year fiscal period as provided in subdivision (m) of Section 34177(13).

(i) "Retained development project" is a project planned by the redevelopment agency prior to dissolution that the city, county, or city and county that created the redevelopment agency wishes to continue to develop, utilizing its own funds, but which the successor agency would otherwise be directed by the oversight board to terminate due to its failure to qualify as an approved development project.

(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, cities and counties, special districts, school districts, community college districts, and county offices of education that receive passthrough payments and distributions of property taxes pursuant to the provisions of this part.

## Chapter 2. Effect of Redevelopment Agency Dissolution

Section 34172. (a) All redevelopment agencies and 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.

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

Solely for purposes 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 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.

Section 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 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) 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.

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 county assessor, in its jurisdiction as compared to the assessed value within the boundaries of the project areas of the former redevelopment agency.

(d) (1) A city, county, city and county or the entities forming a 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 June 1, 2011.

(2) (A) If a city, county, city and county or any member of a joint powers authority that authorized the creation of the redevelopment agency elects not to serve as a successor agency under this part, it shall not receive any property tax allocation from the funds disbursed from the Redevelopment Property Tax Trust Fund pursuant to paragraph (5) of subdivision (a) and paragraph (4) of subdivision (e) of Section 34183. Instead, that share of property tax shall be allocated to the first local agency in the county that elects to become the successor agency by submitting to the county auditor-controller a duly adopted resolution of its governing body to that effect.

(B) 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 it 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 such county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor of the state shall appoint three residents of the county to serve as the governing board of such authority. Such designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

Section 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 herein 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.

Section 34175. (a) Any legally binding obligations that were entered into with a pledge of tax increment shall continue to have the revenues that were formerly tax increment and which are deposited into the Redevelopment Obligation Retirement Fund. It is intended that such pledges and payment streams continue to be protected under law and that the cessation of the agency shall not effect either the pledge, the legal existence of that pledge, nor the stream of revenue available to make good on that pledge.

(b) All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on July 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 July 1, 2011.

Section 34176. (a) The county or city 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 county or city elects to retain the responsibility for performing housing functions previously performed by an redevelopment agency, all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, along with any amounts in the Low and Moderate Income Housing Fund shall be transferred to such city, or county, or city and county.

(b) If a county, or city, 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 along with 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, or county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the effective 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, including, but not limited to Section 33418.

### Chapter 3 Successor Agencies

Section 34177. (a) Successor agencies are required to do all of the following:

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

(1) 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.

(2) Nothing herein 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 from sources other than those listed in the Recognized Obligation Payment Schedule.

(3) For fiscal year 2011-12, 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) Set aside or 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 obligations.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution 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.



(e) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board. Such 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 to wind up the affairs of the agency, as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188.

(f) Negotiate compensation agreements with other taxing entities for any retained development projects.

(g) 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.

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

(i) Wind up the affairs of the redevelopment agency in pursuant to the provisions of part and the direction of oversight board.

(j) Continue to oversee development activities for approved development projects including continuing 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 must 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.

(k) 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; and

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

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

(B) Costs for staff employed by the city, or county, or city and county to continue redevelopment activities associated with retained development projects shall be excluded from the administrative budget.

(l) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax allocations, to the county auditor-controller for each six month fiscal period.

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

(F) Other sources 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. For the 2011-12 fiscal year, the initial draft shall project the dates and amounts of scheduled payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate tax increment, and must be reviewed and certified, as to its accuracy, by an external auditor.

(B) The certified schedule is submitted to and duly approved by the oversight board.

(3) 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.

(3) The schedule shall be forward looking to the next six months. The first schedule shall be transmitted to the Controller's office and the Department of Finance by December 1, 2011 for the January 1, 2012 through June 30, 2012, inclusive, period. Former redevelopment agency obligation payments due prior to that will be made from revenues received in the spring of 2011 property tax distribution, and balances transferred to the successor agency.

Section 34178. (a)

A successor agency shall have the power, but not the obligation, to employ any of the former employees or officers of the redevelopment agency, or other staff, as necessary to conduct the required duties associated with making payments due for enforceable obligations, for enforcing rights and performing duties under enforceable obligations and overseeing work associated with approved development projects.

(c) Former redevelopment agency employees or officers may not be compensated at a rate in excess of the level of total compensation received in calendar year 2010 unless approved by the oversight board.

## Chapter 4. Oversight Boards

Section 34179. (a) Each successor agency shall have an oversight board composed of 7 members. Members shall be selected as follows:

- (1) One member may be selected by the county board of supervisors.
  - (2) One member may be selected by the city council for the city that formed the redevelopment agency.
  - (3) One member may be selected by the largest non-enterprise special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency.
  - (4) One member may be appointed by the county superintendent of education to represent schools.
  - (5) One member may be appointed by the county superintendent of education to represent community college districts.
  - (6) Additionally the county and the county superintendent of education may each appoint one member from the public, for a total of two members.
  - (7) 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 schools may appoint an additional member to represent the public.
  - (8) If there are no non-enterprise special districts in the territorial jurisdiction of the former redevelopment agency, then the county may appoint one additional member to represent the public.
  - (9) The Governor may appoint individuals to fill any oversight board member position that has not been filled by July 15, 2011 or any member positions that remains vacant for more than 60 days.
- (b) The oversight board may direct the staff of the successor agency in furtherance of their duties and responsibilities under this part and the successor agency shall provide for all of the expenses of meetings and other necessary expenses of the board. Board members shall serve without compensation or reimbursement for expenses.
- (c) Board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members.
- (d) A quorum of the oversight board shall be a majority of members present at a meeting. 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.

Section 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 such terms have not been specified prior to the date of this part.

(b) (1) Issuance of refunding bonds by successor agency, pursuant to authority granted to successor agencies under this part.

(2) Successor Agencies may refund outstanding bonds or other debt of the former redevelopment agency 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) Set 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 such 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 five percent.

(f) (1) For a city, county or city and county acting under its own auspices, approval to have certain projects be deemed retained development projects under this part.

(2) If the successor agency 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 property tax, as determined pursuant to section 34188, for the value of the property retained.

(3) If no other agreement is reached on valuation of such 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) Approval of a request by the successor agency to hold portions of the moneys of the Low and Moderate Income Housing Funds in reserve in order to provide cash to fund recognized obligations.

(i) Approval of 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.

Section 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 except for assets and properties deemed part of approved development projects. Such disposal is to 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.

(4) Negotiate compensation agreements with other taxing entities for retained development projects.

#### Chapter 5. Duties of County Auditor-Controllers

Section 34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted a financial audit of each redevelopment agency in the county, to be completed by October 1, 2011.

(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 October 15, 2011, the county auditor-controller shall provide the Controller's office a copy of all audits performed pursuant to this subdivision. 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 tax increment that would have been allocated to each redevelopment agency in the county, using current assessed values, pursuant to statutory formulas or contractual agreements with other taxing agencies, as of the effective date of this section, and 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 debt, the beneficiaries of the Public Health and Safety Fund, and the taxing entities that receive pass-through payments and distributions of property taxes pursuant to this part.

(3) In connection with the allocation by the county auditor-controller of funds deposited in the Redevelopment Property Tax Trust Fund, in compliance with this part, the county auditor-controller shall prepare estimates of amounts to be distributed, and provide such 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