

Real Estate & Land Use

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Redevelopment Update: New Legislation and Designation of Successor Agencies

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Despite the launch of two bills—one that would delay the effective dissolution date of redevelopment agencies (RDAs) across the state and another that would allow cities to retain affordable housing funds—cities are scrambling to meet the February 1 court-ordered deadline to shut down their RDAs.

Many cities have already elected to retain their RDAs' assets and obligations as "successor agencies." San Diego, Oakland, Menlo Park, Santa Rosa, Salinas, Napa City, Simi Valley, Sonoma City, Ukiah, Santa Clarita, Los Gatos and Newark are among the many cities reported to have voted last week to retain their RDAs' assets and obligations and name themselves as successor agencies.

The City of Los Angeles, however, has not followed suit. Last Thursday, the Los Angeles City Council voted to decline the role of successor agency after a warning from its staff that the City could face \$109 million in costs if it took on redevelopment obligations and activities. Council President Herb Wesson stated that, at this point, the city cannot afford such a financial gamble.

SB 659, authored by state senators Alex Padilla (D-Pacoima) and Michael Rubio (D-Shafter), would postpone the now scheduled February 1 shutdown of RDAs until April 15. Labor groups, public safety advocates, business groups, local governments, housing advocates and community groups are urging the legislature to quickly pass and Governor Jerry Brown to sign SB 659 in order to give the legislature time to address serious issues and liabilities that would otherwise result from immediate dissolution of RDAs. In order to take effect prior to the February 1 dissolution date however, SB 659 must be amended from its current form as a majority vote bill to an urgency bill requiring a two-thirds vote of the legislature to pass, a much more difficult threshold. With only 14 calendar days and counting until the February 1 dissolution date, the chances for garnering the required support for the bill's passage do not appear to be great.

Separately, Senate President Pro Tem Darrell Steinberg has introduced SB 654 which would preserve successor agencies' ability to use their existing housing funds for affordable housing. SB 654 clarifies that any Low and Moderate Income Housing Fund balances will be transferred to the successor housing agency for use under current redevelopment law. AB 1x26 contained conflicting sections on this point. SB 654 is strongly supported by affordable housing advocates, who fear the disappearance of redevelopment funds—totaling an estimated \$2 billion annually—that were previously set aside for affordable housing. SB 654 is an urgency bill, so it would be effective immediately upon signature of the governor. The bill passed unanimously out of both the California

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Senate Transportation and Housing Committee (on January 10) and the Senate Appropriations Committee (yesterday). According to our sources in Sacramento, it appears to be generating the bipartisan support from the legislature required for passage.

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