July 13, 2015

The Honorable Kevin de Leon  
The Honorable Toni Atkins  
Senate Pro Tempore, California State Senate  
Speaker, California State Assembly  
California State Capitol, Room 219  
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Sacramento, CA 95814  
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Re: Redevelopment Budget Trailer Bill – Definition of “Loan Agreements”

Dear Senate Pro Tempore de Leon and Speaker Atkins:

On behalf of our cities, we write to request of an amendment to the definition of a “loan agreement”, as the language currently reads in AB 113. Cities that have affordable housing needs and a loan balance at stake are gravely concerned that the existing language will preempt essential loan repayments that former redevelopment agencies owe to cities, 20% of which existing law dedicates to affordable housing.

The repayments of City/Agency loans constitute the only source of local affordable housing funds that will be available to cities for affordable housing projects in California. Cities, affordable housing groups, and communities are depending on the loan repayments to access affordable housing tax credits, affordable housing grants, including cap and trade grants, and bond proceeds for affordable housing projects.

All former redevelopment agencies underwent audits, submitted detailed financial statements, held public meetings, and spent numerous staff hours preparing bond issuances and project agreements that have undoubtedly improved blighted communities. These documents were recognized by our community at public meetings, credit rating agencies and bond holders. They reflect former redevelopment agency debt to that is owed to cities; and it is essential that the State continue to honor these documents.

Given these reasons, we respectfully request your support for an amendment to the definition of a “loan agreement” in Section 34191.4 of the Health and Safety Code, as follows:

(2) The oversight board’s finding that a loan served a legitimate redevelopment purpose shall be final and conclusive, and shall not be overturned by the department. For purposes of this section, “loan agreements” shall mean loans for money or other valuable consideration entered into between the former redevelopment agency and the city, county, or city and county that created the former redevelopment agency its sponsoring entity under which the city, county, or city and county that created the former redevelopment agency sponsoring entity transferred money, performed or contracted for services on behalf of the former redevelopment agency, or transferred other valuable consideration, such as a real property interest, to the former redevelopment agency for use by the former redevelopment agency for a lawful purpose, and where the former redevelopment agency was obligated to repay the money or the reasonable value of the other consideration it received pursuant to a required repayment schedule. Documents that demonstrate valid loan agreements shall include any official documents of the former redevelopment agency, including the annual reports of financial transactions, the audited annual financial reports, the annual statements of indebtedness, any duly adopted resolutions, contractual agreements, internal financial statements, memorandums, bond statements, or other written documents that show the transfer of money or other valuable consideration from the sponsoring entity to the former redevelopment agency.
Please note that “sponsoring entity” is a term that is already defined in Section 34171 (n) of the Health and Safety Code, and which AB 113 does not attempt to change.

(n) “Sponsoring entity” means the city, county, or city and county, or other entity that authorized the creation of each redevelopment agency.

Thank you for your consideration of this important matter.

Sincerely,

Mayor Robert Garcia
City of Long Beach

Mayor Kevin Faulconer
City of San Diego