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M David Kroot

John T. Nagle

Lynn Hutchins

Karen M. Tiedemann

Thomas H. Webber

Dianne Jackson McLean

Michelle D. Brewer

Jennifer K. Bell

Robert C. Mills

Isabel L. Brown

James T. Diamond, Jr.

Margaret F. Jung

Heather J. Gould

Juliet E. Cox

William F. DiCamillo

Amy DeVaudreuil

Barbara E. Kautz

Erica Williams Orcharton

Luis A. Rodriguez

Xochitl Carrion

Rafael Yaquian

Celia W. Lee

Vincent L. Brown

Caroline Nasella

Elizabeth Klueck

Facsimile

510 836-1035

San Francisco

415 788-6336

Los Angeles

213 627-6336

San Diego

619 239-6336

Goldfarb & Lipman LLP

LAW ALERT

BUT WAIT, THERE'S MORE!

AB 471'S POTENTIAL EFFECTS ON YOUR SUCCESSOR AGENCY

AB 471, urgency legislation which took immediate effect upon signature by the Governor on February 18, 2014, provides some housing successors with temporary financial support, provides guidance for the preparation of Recognized Obligation Payment Schedules (ROPSs) and Long-Range Property Management Plans (LRPMPs), and amends infrastructure financing district laws to potentially increase their use by local governments.

Administrative Support for Some Housing Successors - Commencing on July 1, 2014 and continuing through July 1, 2018, housing authorities that retained the housing functions of dissolved redevelopment agencies will be eligible to receive a "housing entity administrative cost allowance" in an amount equal to the greater of \$150,000 or 1% of the Redevelopment Obligation Retirement Fund (or 1% of the RPTTF distribution to meet enforceable obligations) per fiscal year. To claim these funds, the successor agency is required to list the "housing entity administrative cost allowance" on the successor agency's ROPS. Once a ROPS is approved by an oversight board and the DOF, the distributions will be made each January 2 and July 1. If, in a given fiscal year, there are insufficient funds distributed to the successor agency, the unfunded housing entity administrative

cost allowance may be listed on each subsequent ROPS until it has been paid, without regard to the five-year time limit on the payments.

The first potential distribution for the "housing entity administrative cost allowance" is July 1, 2014, which requires a successor agency to include a payment request on the ROPS 14/15A, which most successor agencies are in the process of transmitting to their oversight board for approval and is due to the DOF no later than March 1, 2014. At this point, there continues to be no administrative assistance for cities or counties that retained the housing functions of their former redevelopment agencies.

New Guidance for Preparing ROPSs - AB 471 adds or amends various provisions that affect the preparation of ROPSs, including the following:

- Confirming the common practice that successor agencies can use reasonable estimates and projections to support payments requested for an enforceable obligation, where an invoice or other billing document has not been received by the successor agency, so long as the successor agency provides the DOF and auditor-controller submits appropriate

- documentation supporting the basis for the estimate.
- Granting successor agencies an ability to request payments required on enforceable obligations in advance of the ROPS cycle when the payment is actually due, upon a showing by the successor agency that a lender requires the cash on hand.
- Allowing a successor agency to request appropriation of bond funds on a ROPS if an enforceable obligation requires the successor agency to issue the bonds and use the bond proceeds to pay project expenditures.
- Clarifying that in calculating the loan repayments on sponsoring community loans under 34191.4(b)(2)(A), the residual distributions for base year 2012-13 should not include residual distributions resulting from payments required under the due diligence review processes.

New Guidance for Preparing LRPMPs - Under existing law, a successor agency's LRPMP could designate a particular property for use in a project "identified in an approved redevelopment plan." SB 471, confirms the general practice that properties listed in a

former redevelopment agency's 5-year implementation plan meets the definition of the phrase "identified in an approved redevelopment plan."

More Inclusive Infrastructure Financing Districts - In line with recent attempts to modify infrastructure financing district laws to make their use more attractive to local governments, AB 471 removes the existing prohibition on inclusion of property within a redevelopment project area in an infrastructure financing district. A community that adopts a district may finance a project that is located in or overlaps with a redevelopment project area, so long as the successor agency has received a finding of completion prior to the district financing the project. The bill also allows local governments that form an infrastructure financing district the ability to dedicate any portion of its net available revenue from residual distributions (sometimes referred to as boomerang funds) to fund the district activities. Additional legislative efforts to expand the use of IFDs are also anticipated.

For more information regarding AB 471, please contact Karen Tiedemann, Lynn Hutchins, or Rafael Yaquian.



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