



SUMMARY OF SB 107:  
REDEVELOPMENT  
DISSOLUTION—TAKE 3

NOVEMBER 17, 2015

*This memorandum summarizes the changes to the redevelopment dissolution law with the adoption of SB 107. Please contact us to get the most up-to-date information on the content of this legislation.*

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**SUMMARY OF SB 107:  
REDEVELOPMENT DISSOLUTION—TAKE 3**

**PART I.  
INTRODUCTION AND PURPOSE**

ABx1 26 ("AB 26") was enacted in late June 2011 as part of the FY 2011-12 state budget package and was held by the California Supreme Court to be largely constitutional on December 29, 2012. Under AB 26, each of California's redevelopment agencies (each a "Dissolved RDA") was dissolved as of February 1, 2012, and "Successor Agencies" (typically governed by the cities, counties, and city and county that formed the Dissolved RDAs ("Sponsoring Community")), together with other designated entities, initiated the process under AB 26 to unwind the affairs of the Dissolved RDAs.

As part of the FY 2012-13 state budget package, the budget trailer bill AB 1484 was enacted on June 27, 2012 ("AB 1484" and together with AB 26 and related dissolution laws in effect prior to the adoption of SB 107 is referred to as the "Existing Dissolution Law"). The primary purpose of AB 1484 was to make technical and substantive amendments to AB 26 to generate funds for taxing entities during FY 2012-13 and to incentivize cooperation by Successor Agencies in that effort.

The Legislature passed the budget trailer bill SB 107 ("SB 107") as part of the FY 2015-16 state budget package. As a budget "trailer bill," SB 107 took immediate effect upon signature by the Governor on September 22, 2015. The primary purpose of SB 107 is to make technical and substantive amendments to the Existing Dissolution Law. (The Existing Dissolution Law as amended by SB 107 is referred to as the "Dissolution Law").

SB 107 will, once more, require Successor Agency staff and others involved in the unwind of Dissolved RDAs to learn and implement significant changes to the dissolution process. The purpose of this Summary is to identify the key elements of SB 107 and its impacts on the redevelopment unwind process. Part II of this Summary describes amendments to the Existing Dissolution Law introduced under SB 107, while Part III provides a summary of major implementation deadlines imposed by SB 107. Part IV contains a Glossary of terms used in this Summary.

The elements of SB 107 presented in this Summary represent a good faith initial understanding of the meaning and intent of SB 107. This document is a summary of complex legislation. Reference should be made to the actual statutory language before making decisions or taking actions pursuant to SB 107. Unless otherwise noted, section references in this Summary are to sections of the Health and Safety Code as added or amended by SB 107.

**PART II.**  
**SUMMARY OF SB 107**

A. Successor Agency and Oversight Board Issues.

1. Successor Agency Roles, Limitations, and Funding.

a. Successor Agency Administrative Costs. The Existing Dissolution Law provides each Successor Agency with an administrative cost allowance equal to the greater of: (i) 3% of the property tax allocated to the Redevelopment Obligation Retirement Fund; and (ii) \$250,000, unless that amount is reduced by the Oversight Board or by agreement with the Successor Agency.

SB 107 introduces a new calculation commencing FY 2016-17 for determining each Successor Agency's administrative cost allowance. Beginning with FY 2016-17 and each subsequent year, a Successor Agency's annual administrative cost allocation is equal to: (i) up to 3% of the actual property tax received by the Successor Agency from the County Auditor-Controller (the "CAC") to make enforceable obligation payments during the preceding fiscal year reduced by the Successor Agency's administrative cost allowance and Sponsoring Community loan repayments in the preceding fiscal year; or (ii) not less than \$250,000, unless that amount is reduced by the Oversight Board or by agreement with the Successor Agency (Section 34171(b)(3)).

SB 107 also adds a new cap on all of a Successor Agency's annual administrative costs whether paid from the administrative cost allowance or other funds commencing July 1, 2016. Under SB 107, a Successor Agency's total annual administrative costs cannot exceed 50% of the Real Property Tax Trust Fund ("RPTTF") distributed to the Successor Agency for the payment of approved enforceable obligations in the preceding year reduced by the Successor Agency's administrative cost allowance and Sponsoring Community loan repayments in the preceding year. The cap applies to all the Successor Agency's administrative costs regardless of source of funds, except that administrative costs paid from bond proceeds or grants are not subject to the limitation. In the case of a Designated Local Authority, the limitation on administrative costs does not apply to administrative costs paid from any source other than property taxes. Employee costs for implementation of specific project activities, such as construction inspection, project management or construction, are considered project-specific costs and do not count as administrative costs subject to the new limitation in SB 107. SB 107 does not provide any guidance on how administrative costs that may exceed the cap are to be paid and does not change the provisions of the Existing Dissolution Law that allow the Oversight Board to direct the Successor Agency staff to perform certain functions that may constitute administrative costs.

The Oversight Board continues its role in approving the administrative cost allowance as part of the Recognized Obligation Payment Schedule ("ROPS") approval process, but the California Department of Finance ("DOF") will no longer need to approve the administrative budget.

SB 107 also provides that as of January 1, 2016, the administrative cost allowance is the sole funding source for any legal expenses related to civil actions brought by a Successor Agency or a Sponsoring Community to challenge the validity of the Dissolution Law or acts taken pursuant to the Dissolution Law.

b. Winding-Down a Successor Agency. Under the Existing Dissolution Law, when all debts of the Dissolved RDA are retired or paid off, a Successor Agency is required to dispose of all remaining assets and terminate its existence within one year of the final debt payment. SB 107 clarifies the criteria for winding-down Successor Agencies, other than those that have already been recognized as dissolved by the DOF on or before October 1, 2015.

Specifically, the criteria for dissolution of a Successor Agency are that all enforceable obligations of the Dissolved RDA must be retired or paid off, all real property assets of the Dissolved RDA are required to have been liquidated (Section 34181) or disposed of through a Long Range Property Management Plan ("LRPMP") (Section 34191.3), and all outstanding litigation must be resolved (Section 34187).

SB 107 requires that within 30 days of satisfying the criteria for dissolution of the Successor Agency (or no later than November 1, 2015, for Successor Agencies winding down Dissolved RDAs that did not receive any tax increment funds prior to February 1, 2012), a Successor Agency must submit to its Oversight Board a request to formally dissolve and a copy of such request to the CAC. The Oversight Board is required to approve a request within 30 days, and must in turn submit the request to the DOF. The DOF has 30 days to approve or deny the request to formally dissolve.

Once the DOF has approved a formal request to dissolve, a Successor Agency has 100 days to dispose of all remaining assets as directed by its Oversight Board. The proceeds generated from the disposition of the Successor Agency's remaining assets must be remitted to the CAC for distribution to affected taxing entities. The dissolving Successor Agency must notify its Oversight Board that it has complied with the requirement to dispose of its remaining assets within the allotted 100 days. The Oversight Board must then verify that the statutory criteria to dissolve have been satisfied and that all remaining assets have been disposed of and the disposition proceeds remitted to the CAC for distribution to the affected taxing entities. Within 14 days of verifying that the statutory conditions have been satisfied by the dissolving Successor Agency, the Oversight Board must adopt a resolution of dissolution for the dissolving Successor Agency, which takes immediate effect. A copy of the final resolution of dissolution adopted by the Oversight Board must be submitted to the Sponsoring Community, the CAC, the State Controller's Officer ("SCO"), and the DOF.

After all enforceable obligations have been retired or paid off, all statutory and pass-through obligations of the Dissolved RDA to affected taxing agencies cease and no property tax shall be allocated to the RPTTF for its associated Successor Agency.

Upon dissolution of a Successor Agency, for any community facilities district formed by the Dissolved RDA, the legislative body of the Sponsoring Community becomes the

legislative body of the community facilities district and any existing obligations of the Dissolved RDA or its Successor Agency in the capacity as the legislative body for the community facilities district, shall become the obligations of the new legislative body of the community facilities district.

2. Oversight Board Operations.

a. County-Wide Oversight Board Consolidation. SB 107 makes several changes regarding Oversight Boards. Of greatest significance is that SB 107 changes the date from July 1, 2016, to July 1, 2018, when local Oversight Boards will be dissolved with oversight of Successor Agencies within a county transferred to a single county-wide Oversight Board. This change means that each Successor Agency will continue to be subject to its local Oversight Board and also will continue to be responsible for staffing the Oversight Board until June 30, 2018. Effective July 1, 2018, SB 107 contains special provisions related to Los Angeles County, creating five county Oversight Boards to replace the Successor Agency-specific Oversight Boards with the jurisdiction of each Oversight Board corresponding to the County Supervisorial Districts.

b. Oversight Board Alternates. Many entities responsible for appointing members to Oversight Boards have adopted a practice of appointing alternates to serve on the Oversight Board as a means of ensuring full representation at Oversight Board meetings. Until SB 107, this practice had not been specifically authorized. SB 107 now makes clear that alternates appointed by the authorized appointing entity have the same voting and participation rights as the primary appointee.

c. Staffing. SB 107 also clarifies that county-wide Oversight Boards will be staffed by the CAC or another county entity selected by the CAC. The CAC can also select a city within the county to staff the county-wide Oversight Board after consultation with the DOF. If there is only one Successor Agency in the County, the CAC may choose that Successor Agency to staff the Oversight Board. The CAC may recover costs incurred by the city or county related to the countywide Oversight Board, including start-up costs directly from the RPTTF.

d. More Limited Review of Oversight Board Actions. Certain actions of the Oversight Board are no longer subject to DOF review. These actions include meeting minutes and agendas, administrative budgets, changes in board members and selection of board officers. SB 107 also provides that actions to implement the disposition of property pursuant to an approved LRPMP are not subject to DOF review (Sections 34179(h)(1) and 34191.5(f)). Additionally, expenditures of bond proceeds are no longer required to be approved by the DOF as further discussed in Part II, Section C.1 of this Summary.

Once a Successor Agency has an approved Last and Final Recognized Obligation Payment Schedule ("LROPS") as discussed in Part II, Section B.3, Oversight Board resolutions no longer have to be submitted to the DOF for review unless the resolution relates to refunding bonds, approval of a LRPMP, amendments to the LROPS or the final Oversight Board resolutions dissolving the Successor Agency.

e. Winding-Down Oversight Boards. SB 107 provides that the Oversight Board for a particular Successor Agency will cease to exist when the Successor Agency has been formally dissolved. A county-wide Oversight Board ceases to exist when all of the Successor Agencies in the county have been formally dissolved (See Section 34179(m)).

B. Enforceable Obligations and ROPS Issues.

1. Enforceable Obligations. SB 107 introduces new types of "enforceable obligations" that can be repaid and also introduces limitations on a Successor Agency's ability to create new enforceable obligations.

a. New Enforceable Obligations. Under SB 107, repayments on agreements entered into by a Dissolved RDA prior to June 28, 2011, are now allowed if the agreement relates to state highway infrastructure improvements to which public infrastructure funds were committed pursuant to Section 33445 (Section 34171(d)(2)). Additionally, SB 107 allows repayment on contracts executed by a Dissolved RDA and its Sponsoring Community prior to June 28, 2011, if the agreement requires the Dissolved RDA to repay loans or grants to the Successor Agency from the Sponsoring Community of funds awarded or issued to the Sponsoring Community by a federal agency (e.g. loans or grants from the U.S. Department of Housing and Urban Development).

When a Successor Agency experiences an RPTTF short-fall during any fiscal year under an approved annual ROPS, a Successor Agency may request a loan or grant of funds from the Dissolved RDA's Sponsoring Community solely for the purpose of paying approved enforceable obligations. A Sponsoring Community may not make loans or grants to the Successor Agency for the purpose of paying amounts due to the Sponsoring Community. The short-fall loans qualify as an enforceable obligation and SB 107 clarifies that these short-fall loans accrue simple interest at a rate not to exceed the LAIF rate in effect during the fiscal quarter immediately preceding the date the loan is made. Any repayments on the loan are first required to be credited against the outstanding principal and then towards interest. Repayment of any short-fall loan may only be made from the source of funds approved for payment of the underlying enforceable obligation in the approved ROPS (Section 34173(h)(1)). Moreover, under SB 107, a Successor Agency is not allowed to accept short-fall loans or grants from its Sponsoring Community if the Successor Agency's RPTTF distributions have been reduced to pay amounts due under a prior period reconciliation audit or to pay any outstanding due diligence review obligation (Section 34173(h)(2)).

SB 107 provides that a Sponsoring Community may provide funds to a Successor Agency to initiate a legal action challenging the Dissolution Law. If the Successor Agency prevails in that litigation, SB 107 provides that the repayment to the Sponsoring Community of the legal expenses related to the litigation is an enforceable obligation but is only permitted to be repaid on the terms required for short-fall loans as discussed in the immediately preceding paragraph. If the Successor Agency does not prevail, the borrowed funds do not qualify for repayment as an enforceable obligation and instead are considered a grant from the Sponsoring Community (Section 34171(d)(1)(F)(ii)).



SB 107 also amended Section 34171 to provide that written agreements entered into between a Sponsoring Community and its Dissolved RDA at the time of issuance of indebtedness obligations, but no later than June 27, 2011, solely for the purposes of refunding or refinancing indebtedness obligations that existed prior to January 1, 2011, and solely for the purpose of securing or repaying the refunded and refinanced indebtedness obligations are considered enforceable obligations.

b. Limitations on Enforceable Obligations. SB 107 introduces several limitations on a Successor Agency's ability to create new enforceable obligations.

The Existing Dissolution Law granted a Successor Agency very limited authority to create enforceable obligations in compliance with an enforceable obligation that existed prior to June 28, 2011 and to conduct wind-down activities of the Dissolved RDA, such as hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance. SB 107 now prohibits a Successor Agency from entering into contracts that include planning, design, redesign, development, demolition, alteration, construction, construction financing, site remediation, site development or improvement, land clearance, seismic retrofit, or other similar work unless such activities are required by a pre-June 28, 2011, enforceable obligation (Section 34177.3(b)). The restrictions imposed under SB 107 are expressly intended to apply retroactively to any Successor Agency actions occurring on or after June 27, 2012 (the effective date of AB 1484).

Furthermore, under SB 107, a Successor Agency cannot create an enforceable obligation to repay Sponsoring Community loans unless it meets the criteria in Section 34191.4, as further described in Part II.C.2 below.

c. Re-Entered Agreements. ABx1 26 included Section 34178 which provided that agreements between a Sponsoring Community and the Dissolved RDA became invalid and nonbinding as of the dissolution of the Dissolved RDA. Section 34178 also provided that a Successor Agency could enter or reenter into agreements with the Sponsoring Community upon approval of the Oversight Board. AB 1484 amended Section 34178 to state that a Successor Agency or Oversight Board could not authorize an agreement with the Sponsoring Community to restore funding for an enforceable obligation that was deleted or reduced on a ROPS by the DOF unless DOF changed its position in the meet and confer process or except as ordered by a court.

Many Successor Agencies entered into or reentered into agreements with their Sponsoring Community during the period between February 1, 2012, when the redevelopment agencies were dissolved, and June 27, 2012, when AB 1484 was passed. The DOF has consistently denied these agreements as enforceable obligations. Several Successor Agencies, cities and counties challenged the DOF's denial of these reentered agreement. In *Emeryville vs. the DOF* and *Sonoma County vs. the DOF*, the Court of Appeal upheld trial court decisions finding that the reentered agreements are enforceable obligations. After initially petitioning the Supreme Court for review of the Court of Appeal decisions, the DOF withdrew its petitions thus making the Emeryville and Sonoma County decisions final.



Section 34178 as amended by SB 107 allows Successor Agencies to enter into or reenter into agreements with the Sponsoring Community for the sole purpose of conducting the work of winding down the Dissolved RDA or except as required by an enforceable obligation that existed prior to June 28, 2011. All other reentered or newly entered agreements with the Sponsoring Community are prohibited. Section 34178 refers to Section 34177.3(b) for purposes of defining the limits of enforceable agreements that will be recognized, as described in Part II.B.1.b. above.

Section 34178 expressly provides that the new limitations on entered or reentered agreements applies retroactively to all agreements entered into on or after June 27, 2012 (the effective date of AB 1484). The retroactivity language included in Section 34178 appears to be an acknowledgement that reentered agreements that were entered into before the enactment of AB 1484 in accordance with Section 34178 as it then existed will be considered enforceable obligations, but the language is not explicit. However, SB 107 did remove the language that was added to Section 34178 by AB 1484 that the DOF relied upon to reject the reentered agreements.

d. Review of Enforceable Obligations. Under the Existing Dissolution Law, the SCO and the DOF each has the authority to require a Successor Agency to provide any documents associated with an enforceable obligation. SB 107 expands the requirement and gives the CAC the additional authority to require a Successor Agency to provide any documents associated with an enforceable obligation (Section 34177(a)(2)). As was previously provided under Existing Dissolution Law, the CAC continues to have the authority to object to inclusion of any items that are not demonstrated to be enforceable obligations and the funding source proposed for any items on a ROPS. Such review and objection may occur before or after Oversight Board action on a particular ROPS. The CAC is directed to submit notice to the DOF, the Successor Agency, and the Oversight Board concerning any objection, generally at least 60 days prior to the distribution date for moneys from the RPTTF for the applicable ROPS period.

e. Final and Conclusive Determinations. Under the Existing Dissolution Law, if specified circumstances are satisfied, a Successor Agency may petition the DOF to provide written confirmation that a DOF approval of an enforceable obligation is final and conclusive. If the DOF grants a final and conclusive determination, the DOF review of the item in the future is limited to confirming the payments are required by that prior approved enforceable obligation. The Existing Dissolution Law did not require the DOF to respond to a request for a final and conclusive determination within any particular time frame. SB 107 requires that, by no later December 31, 2015, the DOF provide written confirmation of approval or denial of requests for final and conclusive determination submitted prior to June 30, 2015. Effective as of September 22, 2015, the DOF must provide written confirmation of approval or denial of a request for a final and conclusive determination within 100 days from the date of request (Section 34177.5(i)). SB 107 does not address the requirements for a DOF response to a final and conclusive determination submitted after June 30, 2015, but prior to the enactment of SB 107.

## 2. Recognized Obligation Payment Schedules.

In an effort to reduce administrative burden and streamline the budgeting process, SB 107 converts the twice yearly ROPS budgeting cycle to a single annual ROPS budgeting cycle.

a. Final Semi-Annual ROPS. By October 5, 2015, Successor Agencies submitted to the DOF the last semi-annual ROPS covering the period between January 1, 2016, and June 30, 2016 ("ROPS 15-16B"). Nonetheless, SB 107 makes limited amendments to the process and timing for preparation and approval of each six month ROPS as described below.

SB 107 clarifies that a Successor Agency may not request to meet and confer on items listed on ROPS 15-16B that are subject to pending litigation (Section 34177(m)(1)).

Under the Existing Dissolution Law, if a Successor Agency does not timely submit a ROPS by the specified deadlines, the Sponsoring Community of the Dissolved RDA may be subject to a \$10,000 per day civil penalty for each day the ROPS is delinquent. SB 107 now provides that if a Sponsoring Community did not elect to serve as the Successor Agency, failure by the Designated Local Authority to timely submit ROPS 15-16B will not subject the Sponsoring Community to the civil penalties (Section 34177(m)(1)(B)).

b. Annual ROPS. The first annual ROPS will cover the period from July 1, 2016, through June 30, 2017, and must set forth the minimum payments and due dates for enforceable obligations payable during the entire fiscal year. Each Successor Agency is required to submit to the DOF and the CAC the first annual ROPS, approved by the Oversight Board, no later than February 1, 2016, and each subsequent fiscal year's annual ROPS by February 1 each year thereafter.

Presumably the DOF will provide updated ROPS forms for the first annual ROPS. As was the case with semi-annual ROPSs, the Successor Agency submits an electronic copy of the annual ROPS to the county administrative officer, the CAC, and the DOF at the same time as the proposed annual ROPS is submitted to the Oversight Board for approval (Section 34177(o)(1)).

In preparing the annual ROPS, a Successor Agency may continue to submit payment requests based on reasonable estimates and projections so long as the Successor Agency submits appropriate supporting documentation to the DOF and CAC. A Successor Agency may also continue to list payments scheduled beyond the fiscal year period covered by the annual ROPS upon a showing that the lender requires cash on hand beyond the ROPS cycle (Section 34177(o)(1)(D)).

c. Review of Annual ROPS. Under SB 107, the DOF is required to make its determination "of the enforceable obligations and the amounts and funding sources of the enforceable obligations" listed on an annual ROPS no later than April 15 of each year, commencing with April 15, 2016. The DOF continues to have authority not only to determine what constitutes an enforceable obligation, but also to determine the amount and funding source

to meet an enforceable obligation. Furthermore, the DOF continues to have the authority to eliminate or modify any item on the annual ROPS prior to the DOF approval (Section 34179(h)(2)).

As with the semi-annual process, the Successor Agency may request an additional review by the DOF and an opportunity to meet and confer on disputed items, but such a request must be made within 5 business days of the Successor Agency's receipt of a DOF determination on the annual ROPS (Section 34177(o)). SB 107 clarifies that a Successor Agency may not request additional review or request a meet and confer for items listed on an annual ROPS which are subject of litigation. After the meet and confer, the DOF is required to notify a Successor Agency and the CAC of its review at least 15 days before the date of the first property tax distribution for the ROPS period (by May 17 for the June 1 distribution) (Section 34177(o)(1)).

d. Amendments to Annual ROPS. As of January 1, 2016, a Successor Agency may amend the DOF approved annual ROPS once per each ROPS period, with certain exceptions. Amendments to the DOF approved annual ROPS are allowed for the limited purpose of revising the amount requested for payment on an approved enforceable obligation. To amend an approved annual ROPS, the Oversight Board must make a finding that the revision is necessary for the payment of an enforceable obligation during the period between January 1 and June 30 of the fiscal year for which the annual ROPS has been approved. An amendment to the annual ROPS must be submitted to the DOF on or before October 1. The DOF must notify the Successor Agency and the CAC of its determination at least 15 days before the January 2 property tax distribution (Section 34177(o)(1)(E)).

As was previously allowed for semi-annual ROPSs, a Successor Agency and Oversight Board may approve amendments to an annual ROPS to reflect the resolution of a dispute between the DOF and a Successor Agency, but such amendments will not affect a past allocation of property taxes or create a liability to any affected taxing entity with respect to past allocations (Section 34179(h)(2)).

e. Penalties. Failure to approve and submit a timely annual ROPS may result in the assessment of various penalties to a Successor Agency and the Sponsoring Community which are substantially the same as those under the Existing Dissolution Law.

A Successor Agency that does not timely submit an annual ROPS by February 1 of each year may be subject to a \$10,000 per day civil penalty for each day the ROPS is delinquent. Under SB 107, this penalty does not apply to the Sponsoring Community if a Designated Local Authority is acting as its Successor Agency. In addition and as set forth in the Existing Dissolution Law, failure of a Successor Agency to timely submit a ROPS within 10 days of the deadline may result in a 25% reduction of a Successor Agency's maximum administrative cost allowance for the period covered by the delinquent ROPS. As was the case for a semi-annual ROPS, SB 107 continues to give standing to creditors of a Successor Agency, the DOF and affected taxing entities to file suit for writ of mandate to compel a Successor Agency to adopt an annual ROPS (Section 34177(o)(1)(B)).

As provided in the Existing Dissolution Law, if a Successor Agency fails to submit an Oversight Board approved annual ROPS within 5 business days after the date upon which the ROPS is to be used to determine the property tax allocations from the RPTTF, the DOF may determine if any amount should be withheld to pay enforceable obligations (Section 34177(o)(1)(C)). If the DOF orders the CAC to withhold funds to pay for a Successor Agency's enforceable obligations, those funds may only be disbursed to the Successor Agency pursuant to a ROPS approved by the DOF. Upon notification from the DOF, the CAC must distribute to affected taxing entities any portion of the withheld funds that the DOF determines are in excess of the amount of the enforceable obligations (Section 34177(o)(1)(C)).

### 3. Last and Final Recognized Obligation Payment Schedules.

As an incentive to further streamline the annual budgeting process, reduce the administrative burdens on Successor Agencies, and provide finality and certainty on payments for enforceable obligations, SB 107 introduces the LROPS.

a. Eligibility for LROPS. Commencing on January 1, 2016, and at any time thereafter, a Successor Agency may submit a LROPS for approval by its Oversight Board (Section 34191.6). To be eligible to adopt a LROPS, the remaining debts of the Successor Agency must be limited to payment of administrative costs and payments on enforceable obligations with defined payment schedules. All enforceable obligations listed by a Successor Agency on a LROPS must have been listed on a previously DOF approved ROPS. A Successor Agency submitting a LROPS for DOF approval cannot be a party to any outstanding or unresolved litigation (other than the Los Angeles Unified School District cases involving the County of Los Angeles successor agencies and taxing entities) (Section 34191.6(a)).

A LROPS must list the enforceable obligations in the following order: (1) enforceable obligations to be paid from RPTTF; (2) enforceable obligations to be paid from other sources; and (3) repayment of loans from and deferrals to the low and moderate income housing fund. A Successor Agency is required to include the total outstanding obligation and a schedule of remaining payments for each enforceable obligation listed in the LROPS. The Successor Agency must post the LROPS on its website and submit an electronic copy of the Oversight Board approved LROPS to the county administrative officer and the CAC at the same time as the proposed LROPS is submitted to the DOF for approval (Section 34191.6(b)).

SB 107 includes potential incentives for a Successor Agency to adopt a LROPS. First, SB 107 alters the formula for calculating the maximum repayment calculation on Sponsoring Community loans and repayments of deferrals or monies owing to the low and moderate income housing fund. Under SB 107, a Successor Agency is allowed to repay Sponsoring Community loans and deferrals or monies owing to the low and moderate income housing fund in an amount no greater than 15% of the total RPTTF funds remaining after payment of pass-throughs, enforceable obligations and administrative costs in each six month RPTTF distribution period. If the amount generated for repayment using the new formula is less than that amount generated using the existing repayment formula, then a Successor Agency may instead calculate the repayment of those obligations using the existing payment formula (Section 34191.6(c)(6)(B)). (The existing payment formula sets the maximum combined payment for

annual Sponsoring Community repayments and repayments to the low and moderate income housing fund to an amount not more than 50% of the increase in residual distributions to the taxing entities from the amount distributed in 2012-13.) SB 107 also sets the interest rate on obligations listed on the LROPS to be paid to the low and moderate income housing fund and for Sponsoring Community loans at 4%, a higher rate than otherwise permitted under the Dissolution Law (Section 34191.6(b)(2)).

SB 107 allows a Successor Agency to amend or modify an existing contract listed on an approved LROPS, provided that the outstanding payments due under the contract are not accelerated or increased in any way and the term is not extended beyond the last scheduled payment for an enforceable obligation listed on the approved LROPS (Section 34191.6(e)).

Once a Successor Agency has an approved LROPS, it is no longer required to prepare and submit annual ROPSs and submit its Oversight Board resolutions to DOF except for resolutions related to refunding of bonds, LRPMPs, amendments to the LROPS and the dissolution of the Successor Agency.

Finally, SB 107 allows a Successor Agency that has an approved LROPS to expend additional bond proceeds from bonds issued in 2011 than otherwise would be permitted as further discussed in Part II, Section C.1.b.

b. Review of LROPS. The DOF has 100 days to review an Oversight Board approved LROPS (Section 34191.6(c)). The CAC has the right to review the proposed LROPS and provide any objections to the DOF. The DOF has the authority to make any amendments to the LROPS, subject to the written agreement by the Successor Agency. If the DOF and the Successor Agency do not come to an agreement on the DOF proposed changes or amendments, the DOF must issue a letter denying the LROPS. The LROPS will not become effective unless the DOF affirmatively approves the LROPS.

An approved LROPS becomes effective on the first day of the next RPTTF distribution period, unless the LROPS is approved less than 15 days before the date of the next property tax distribution, in which case the LROPS will become effective starting the subsequent RPTTF distribution period (Section 34191.6(c)(2)).

c. Flow of Funds under LROPS. The DOF approved LROPS establishes the maximum amount of RPTTF to be distributed to a Successor Agency for each remaining fiscal year until all of its enforceable obligations have been fully paid (Section 34191.6(c)(1)).

A Successor Agency is prohibited from spending more than the amounts listed and approved for each enforceable obligation under the LROPS (Section 34191.6(c)(4)) and the CAC is prohibited from distribution of property taxes into a Successor Agency's RPTTF once the aggregate amount of property taxes allocated to the Successor Agency equals the total outstanding obligations listed on the approved LROPS (Section 34191.6(d)(4)). A Successor Agency must remit all revenues, interest, and earnings of the Successor Agency not authorized for use under a LROPS to the CAC for distribution to the affected taxing entities. In addition, any proceeds from the disposition of property generated after approval of the LROPS that are not



necessary for payment of an enforceable obligation must be remitted to the CAC for distribution to affected taxing entities(Section 34191.6(c)(3)).

Following approval of a LROPS, the CAC is required to continue to make RPTTF allocations, after deduction for the CAC's administrative costs, in roughly the same priority order as under the Existing Dissolution Law, but with some minor modifications, as follows:

- Pass-through payments to affected taxing entities;
- Debt service payments on tax allocation bonds listed on the approved LROPS;
- Debt service payments on revenue bonds listed on the approved LROPS, but only to the extent revenue pledged for them is insufficient to make the payment and only if tax increment was also pledged for the repayment of the bonds;
- Payments on all other enforceable obligations listed on the approved LROPS;
- Payments on enforceable obligations listed on the approved LROPS that were unfunded in prior property tax distribution cycles;
- Repayment of loans and deferrals to the low and moderate income housing fund as set forth on the approved LROPS; and
- Residuals to taxing entities as property taxes (Section 34191.6(d)(2)).

As under the Existing Dissolution Law, if a Successor Agency reports a RPTTF short-fall during the current or future fiscal year covered by a LROPS, the CAC is authorized to distribute RPTTF funds on a modified priority order pursuant to Section 34183(b).

If a Successor Agency experiences an RPTTF short-fall during any fiscal year under an approved LROPS, a Successor Agency may request a loan or grant of funds from the Sponsoring Community solely for the purpose of paying approved enforceable obligations listed on the approved LROPS. Alternatively, at the request of the DOF, a County treasurer may loan any funds from the county treasury to the Successor Agency for the purposes of ensuring prompt payment of a Successor Agency's enforceable obligations under the approved LROPS. Under SB 107, loans to cover RPTTF shortfalls, either from the Sponsoring Community or from the county, are prohibited from including an interest component. Any RPTTF short-fall loan to pay enforceable obligations listed on approved LROPS may only be repaid from the source of funds approved for payment of the underlying enforceable obligation in the approved LROPS (Section 34191.6(c)(5)).

d. Amendments to LROPS. With limited exceptions for amendments to comply with final judicial determinations in specified cases, a Successor Agency is limited to requesting not more than two amendments to the DOF approved LROPS for the entire term of the LROPS (Section 34191.6(c)(2)). A proposed amendment to the LROPS must first be approved by a Successor Agency's Oversight Board and then submitted to the DOF for its review. The DOF must approve or deny the amendment to the LROPS 100 days from the date the DOF receives the proposed amendment. A DOF approved amendment to a LROPS becomes effective on the first day of the next RPTTF distribution period, unless the LROPS is approved less than 15 days before the date of the next property tax distribution, in which case the LROPS will become effective the subsequent RPTTF distribution period (Section 34191.6(c)(2)).



4. Prior Period Reconciliation Audits. The Existing Dissolution Law previously granted the CAC and SCO the authority to conduct prior period adjustment audits to determine the differences between actual payments and past estimated obligations listed on a ROPS. SB 107 now provides that any prior period adjustment audits performed by the CAC are subject to the DOF's review and approval. Under SB 107, the SCO is no longer authorized to conduct new prior period adjustment audits under the Dissolution Law, however, any prior period adjustment audits initiated by the SCO prior to July 1, 2015, may continue but must be completed no later than June 30, 2016. SB 107 clarifies that the SCO will maintain its authority to audit a Successor Agency pursuant to Government Code Section 12410 (Section 34186(a)(2)).

As was the case with six month ROPS, SB 107 requires that the annual ROPS include a prior period reconciliation (Section 34186(a)(1)). Under SB 107, a Successor Agency will continue to report on a subsequent annual ROPS, the differences between actual payments made and the estimated obligations listed on an approved annual ROPS. In addition, starting October 1, 2018, and each October 1 thereafter, a Successor Agency is required to submit a report to the CAC detailing the difference between actual payments made and the estimated obligations listed on an approved ROPS. Commencing on February 1, 2019, and each February 1 thereafter, the CAC must provide the DOF a review of the differences between actual payments made and the estimated obligations listed on an approved ROPS, including cash balances reported by the Successor Agency (Section 34186(c)).

C. Flow of Funds and Financial Issues.

1. Bond Proceeds.

a. Spending Pre-2011 Bond Proceeds. Under the Existing Dissolution Law, after receipt of a finding of completion from the DOF, a Successor Agency is authorized to spend, in a manner consistent with the original bond covenants, bond proceeds that are not needed to satisfy approved enforceable obligations (excess bond proceeds) from bonds issued prior to January 1, 2011. Expenditures of excess pre-2011 bond proceeds are enforceable obligations to be listed as separate line items on the ROPS submitted by the Successor Agency. If excess bond proceeds cannot be spent in a manner consistent with the bond covenants, then those proceeds are to be used to defease or purchase the bonds.

SB 107 provides that the defeasance or purchase of the bonds must occur at the earliest date possible. SB 107 also streamlines the approval process for the expenditure of excess bond proceeds for pre-2011 bonds by requiring approval from only the Oversight Board and not the DOF (Section 34191.4(c)(1)(A)). As a practical matter, this change will not alter the process significantly but will allow a Successor Agency to spend the excess bond proceeds earlier, immediately after Oversight Board approval of the ROPS, without waiting for the DOF approval of the ROPS.

b. Spending 2011 Bond Proceeds. SB 107 permits a Successor Agency to make limited expenditures of 2011 bond proceeds, after the receipt of a finding of completion from the DOF. The expenditure of 2011 bond proceeds has been a continuing source of controversy between the DOF, the Legislature and the Successor Agencies to Dissolved RDAs

that issued bonds in 2011 before the enactment of AB 26. The conflict arises from the DOF's apparent perception that the Dissolved RDAs that issued bonds in 2011 were somehow culpable of financial mismanagement given the pending dissolution bill. Many in the former redevelopment community soundly contest that perception because at the time most redevelopment practitioners believed that redevelopment in some form would continue since the first version of the dissolution bill failed to pass the Legislature in March of 2011, and they expected the voluntary redevelopment ("pay to play") program to be in effect even if the dissolution bill was enacted.

Under SB 107, a Successor Agency is authorized to spend, in a manner consistent with the original bond covenants, 2011 bond proceeds to satisfy approved enforceable obligations, if any, and only 5% of the 2011 bond proceeds that are not needed to satisfy approved enforceable obligations (Section 34191.4(c)(2)(A)). If the Successor Agency has an approved LROPS (see, Part II, Section B.3. above, for further discussion of the LROPS), then the Successor Agency can spend no more than 20% of the 2011 bond proceeds, plus the applicable percentage set forth in the table below depending on the month in which the 2011 bonds were issued:

<b>Month of 2011 Bond Issuance</b>	<b>Additional Percentage of 2011 Bond Proceeds Permitted to be Expended*</b>	<b>Total Percentage of 2011 Bond Proceeds Permitted to be Expended*</b>
January 2011	25%	45%
February 2011	20%	40%
March 2011	15%	35%
April 2011	10%	30%
May 2011	5%	25%

\* other than amounts needed to satisfy approved enforceable obligations.

As with pre-2011 bonds, expenditure of 2011 bond proceeds requires approval from only the Oversight Board (Section 34191.4(c)(2)(C)). Proceeds of 2011 bonds that cannot be spent as described above must be used to defease or purchase bonds at the earliest date possible (Section 34191.4(c)(2)(D)).

SB 107 provides two limited exceptions to the expenditure rules for 2011 bond proceeds. One exception is for bonds that were fully approved by the Dissolved RDA before January 31, 2011, but were not issued until after January 31, 2011, due to the actions of a third-party metropolitan regional transportation authority. The other exception is for bonds issued by a Dissolved RDA after December 31, 2010, to refinance or refund bonds issued before December 31, 2010, where there are proceeds in excess of the amounts needed to refinance or refund the earlier bond issuances. Under both exceptions, if the Successor Agency provides the appropriate authorizing resolution to the Oversight Board and the DOF, then the Successor Agency may spend the bond proceeds as provided for in the 2011 bonds that were issued in January of 2011.

SB 107 states that the changes made to Section 34191.4 by the legislation (definition of Sponsoring Community – Dissolved RDA loan agreements that qualify as enforceable obligations and expenditure of 2011 bond proceeds) are retroactive to actions occurring on or after June 28, 2011. However, Sponsoring Community – Dissolved RDA loans previously approved by the DOF will not be disallowed by the retroactive changes in the law under SB 107. Also SB 107 provides that it does not change the result in two court cases involving city - Dissolved RDA loans, one with the City of Glendale and one with the City of Watsonville.

2. Sponsoring Community Loans. AB 1484 created certain benefits to Successor Agencies that complied with their due diligence reviews and transmitted their unencumbered funds to the CAC. Those agencies that paid all amounts determined to be available for distribution to the taxing entities were entitled to receive a finding of completion. Upon receipt of the finding of completion, AB 1484 provided that loans between the former Dissolved RDA and its Sponsoring Community would be deemed to be enforceable obligations provided the Oversight Board made a finding that the loan was for legitimate redevelopment purposes. The interest rate on such loans was to be recalculated using the LAIF rate and the amount of the repayment in any year was limited to no more than 50% of the increase in residual distributions to the taxing entities from the amount distributed in 2012-13.

Despite the language in AB 1484, the DOF found many reasons for rejecting Sponsoring Community loans approved for repayment by Oversight Boards. The DOF also interpreted AB 1484 to limit interest on Sponsoring Community loans to interest at the LAIF rate accruing only after the approval by the Oversight Board of the Sponsoring Community loan, thus eliminating any interest on such loans prior to that date. Several cities and agencies sued. The Sacramento Superior Court found that loan agreements rejected by the DOF as not being loans were in fact loans eligible for repayment (Watsonville) and the Court rejected the DOF's interpretation regarding interest (Glendale). In an effort to address these unfavorable court decisions and to provide more clarity on loans that are eligible for repayment, SB 107 amends Section 34191.4.

Section 34191.4 now defines loan agreements that are eligible for repayment after receipt of a finding of completion as follows:

- Loans between the Dissolved RDA and its Sponsoring Community where the Sponsoring Community transferred money to the Dissolved RDA for use by the Dissolved RDA for a lawful purpose and where the Dissolved RDA was obligated to repay the money pursuant to a required repayment schedule;
- An agreement between the Dissolved RDA and its Sponsoring Community where the Sponsoring Community transferred real property to the Dissolved RDA for use by the Dissolved RDA for a lawful purpose and the Dissolved RDA was obligated to repay the Sponsoring Community for the real property interest; and
- An agreement between the Dissolved RDA and its Sponsoring Community under which the Sponsoring Community contracted with a third party on behalf of the Dissolved RDA for the development of infrastructure and the

Dissolved RDA was obligated to reimburse the Sponsoring Community for the payments made to a third party. The amount of any loan repayments to the Sponsoring Community for reimbursements is limited to \$5 million. Senator Leno, one of the authors of SB 107, submitted a letter to the Senate Journal clarifying that the intent of the Legislature was to limit the amount of each loan to \$5 million. Although the letter to the Senate Journal does not have the weight of law, it does provide evidence of legislative intent that can be used to interpret the statute.

SB 107 also resets the interest rate on Sponsoring Community loans to 3% simple interest recalculated on the remaining principal balance of the loan that was unpaid from the date of origination of the loan when approved by the Dissolved RDA. Interest is to be calculated on a quarterly basis. Any loan repayments are to be applied first to principal and then to interest. SB 107 did not change the method of determining the maximum loan repayment each year (except if the Successor Agency has an approved LROPS, as discussed in Part II, Section B.3 above) and also did not change the requirement that 20% of the loan repayments be deposited in the Low and Moderate Income Housing Asset Fund.

### 3. Reversal of Certain Successor Agency/Sponsoring Community Transactions.

a. Due Diligence Review Payments. Section 34179.7 has been amended to provide that if a Successor Agency has not obtained a finding of completion by December 31, 2015, it will never obtain a finding of completion. Failure to obtain a finding of completion will prohibit: (i) the Sponsoring Community of the Dissolved RDA from receiving repayment of any Sponsoring Community - Dissolved RDA loans that might be eligible for repayment pursuant to Section 34191.4; (ii) the Successor Agency from receiving approval of a LRPMP; and (iii) the use of bond proceeds not currently subject to an enforceable obligation.

SB 107 amends Section 34179.7 to provide that a Successor Agency can obtain a finding of completion if it enters into an installment payment plan with the DOF for the payment of any amounts owed on the due diligence reviews or the July 2012 true up payments. If a Successor Agency is contesting the amounts owed and a subsequent judicial determination finds that the Successor Agency paid in excess of the amount owed, an enforceable obligation will be created to return the overpayments. Section 34179.7 makes clear that a Successor Agency engaged in litigation with the DOF over amounts owed can enter into an installment payment plan, receive a finding of completion and continue to litigate the amount owed.

If a Successor Agency enters into an installment payment plan and then subsequently fails to make the payments owed and such payments remain unpaid 10 days after the CAC reports the missed payment, the Successor Agency will:

- no longer be eligible to amend its LRPMP to include parking lots;
- Sponsoring Community loans will no longer be eligible for repayment and any Oversight Board action taken to approve a Sponsoring Community loan will no longer be effective;

- if the Successor Agency has an approved LRPMP, the plan will no longer be effective and the Successor Agency will be required to dispose of its property expeditiously and for maximum value pursuant to Section 34181; and
- if the Successor Agency has an approved LROPS it will no longer be effective once the next ROPS is approved.

Section 34179.7 also provides that the DOF can work with Successor Agencies to amend installment payment plans to address a Successor Agency's or its Sponsoring Community's fiscal situation.

Under Section 34179.9(b), a Sponsoring Community must return to the Successor Agency all cash and cash equivalents transferred to the Sponsoring Community between January 1, 2011 and February 1, 2012 which were not required by an enforceable obligation as determined under a due diligence review conducted pursuant to Section 34179.5 and 34179.6. This change appears to be an effort to give the DOF and the authority to bring an action against the Sponsoring Community that fails to make the payment of any amounts owed on the due diligence reviews or fails to execute an installment payment plan agreement with the DOF.

b. SCO Audit Reports. SB 107 now requires that a Sponsoring Community return to the Successor Agency all assets transferred to the Sponsoring Community between January 1, 2011, and February 1, 2012, which were ordered to be returned under the SCO audit report pursuant to Section 34167.5 (Section 34179.9(a)). This change appears to be an effort to give the DOF and the SCO authority to bring an action against the Sponsoring Community which was not provided in the Existing Dissolution Law.

c. ROPS Expenditures. Under SB 107, a Sponsoring Community must return to the Successor Agency any money or assets transferred to the Sponsoring Community by the Successor Agency that were not authorized pursuant to an effective Oversight Board action or pursuant to a ROPS determination (Section 34179.9(c)). Again, this change appears to be an effort to give the DOF and the SCO authority to bring an action against the Sponsoring Community which was not provided in the Existing Dissolution Law.

#### 4. Available Property Tax Funds.

a. Tax Increment Caps and Limits. SB 107 clarifies that solely for the purpose of payment of enforceable obligations a Successor Agency will not be subject to the time limits on establishing debt, the limitation on receipt of tax increment, the time limit on repaying debt, and the time limit on plan effectiveness (Section 34189(a)). The added provisions under SB 107 cannot result in the restoration or continuation of funding for projects funded under contracts that expressly provide for project funding to cease once the time limits on establishing debt, the limitation on receipt of tax increment, the time limit on repaying debt, or the time limit on plan effectiveness are realized.

b. Pension Programs. SB 107 includes language designed to address the Sacramento Superior Court decision in *City of San Jose vs. Sharma* that found that Successor



Agencies continued to be entitled to distributions of the portion of taxes over the property tax base year attributable to voter approved property tax overrides. The County of Santa Clara withheld from the City of San Jose the portion of tax increment attributable to a property tax override approved by the voters of Santa Clara County in 1944, although, prior to dissolution, these funds had been allocated to the San Jose Redevelopment Agency. The Court found that dissolution did not change the allocation of these funds and directed that the funds be distributed to the RPTTF for the San Jose Successor Agency.

SB 107 amends Section 34183 to provide that the portion of property tax attributable to a tax rate approved by the voters to make payments in support of pension programs, or capital projects and programs related to the State Water Project are allocated to the taxing entity sponsoring the override ballot measure unless the funds are pledged to the payment of an indebtedness obligation and needed for the payment of such obligation. The amendments to Section 34183 also provide that any allocation of property tax related to an override for pension programs or capital projects and programs related to the State Water Project made by CAC prior to June 15, 2015 are valid and not affected by the new language. Thus, if CACs distributed funds attributed to an override prior to June 15, 2015, no taxing entity or successor entity will be subject to a claim for the return of the revenues. The legislation does not address situations where the CAC held the funds at issue rather than distributed the funds to the appropriate entity or the Successor Agency.

c. Reduction in Available RPTTF Revenue. Under SB 107, commencing with fiscal year 2015-16, the CAC is no longer required to apply a property tax reduction under Revenue and Taxation Code Section 96.11. Implementation of this amendment will only affect the amount of property taxes available for allocation into the RPTTF in Alpine, Lassen, Mariposa, Plumas, Stanislaus, Trinity and Yolo counties. Ultimately, the elimination of the property tax reduction will result in cost savings to the State Budget because the State will no longer need to reimburse school districts to compensate for the annual property tax reduction.

D. Property Disposition.

The Existing Dissolution Law calls for each Successor Agency, under the direction of its Oversight Board, to dispose of real property it received from the Dissolved RDA either for limited public uses, subject to a DOF approved LRPMP, or for disposition into the private market, expeditiously and with a view toward maximizing value, with the disposition proceeds ultimately made available for distribution to the affected taxing entities. SB 107 makes specified revisions affecting property disposition discussed below.

1. Certain Parking Facilities are Governmental Use Properties. Under the Existing Dissolution Law, a Successor Agency is allowed to transfer to the appropriate public jurisdiction real property it received from the Dissolved RDA for limited public uses. The DOF's interpretation of Section 34181(a) excluded public parking facilities from qualifying as "governmental purpose" unless the parking facility was solely associated with a government use and access to the parking facility was restricted. SB 107 provides that a parking facility dedicated solely to public parking can qualify as a governmental purpose property if the parking facility does not generate revenues in excess of reasonable maintenance costs (Section



34181(a)(2)). SB 107 does not define what constitutes "reasonable maintenance costs" and it is presumed that the determination of "reasonable maintenance costs" will likely be decided by the DOF in the process of reviewing a requested transfer under Section 34181(a)(1).

If the DOF approved a Successor Agency's LRPMP prior to January 1, 2016, the Successor Agency may amend its LRPMP once, solely to allow for the retention of real properties that constitute "parking facilities and lots dedicated solely to public parking" for governmental use. Any amendment to a LRPMP must be approved by the Successor Agency's Oversight Board and submitted to the DOF prior to July 1, 2016 (Section 34191.3(b)).

SB 107 also provides that to the extent the Dissolved RDA spent funds to design and construct a parking facility on or before December 31, 2010, the Dissolved RDA's Sponsoring Community will not be required to reimburse or pay a Successor Agency for any such expenditures (Section 34191.3(c)(ii)).

2. Long Range Property Management Plans. SB 107 makes several substantive amendments to the process for adoption, approval and implementation of a LRPMP.

a. Successor Agencies with No Properties. Under the Existing Dissolution Law, within six months after receipt of a finding of completion, a Successor Agency must submit a LRPMP for the real property of the Dissolved RDA for approval by the Oversight Board and the DOF (Section 34191.5(b)). SB 107 now codifies a DOF policy that a Successor Agency for a Dissolved RDA that had no real properties is required to submit a LRPMP certifying that the Successor Agency does not have any real properties of the Dissolved RDA for disposition or use. Under SB 107, the deadline for a Successor Agency to receive final approval by the DOF of a LRPMP continues to be December 31, 2015. Accordingly, if a Successor Agency is not holding any real property, it would be advisable for the Successor Agency to submit a LRPMP with the certification that it does not hold any real properties of the Dissolved RDA, even if the Successor Agency received a finding of completion more than six months ago.

b. The DOF Review of LRPMP. SB 107 reduces the DOF's review over approval and implementation of LRPMPs. Under the Existing Dissolution Law, the LRPMP must include an inventory of the real property assets (with specified information about each property), and address the use or disposition of each property. SB 107 limits the DOF review of LRPMPs submitted for its review to consider only whether the LRPMP makes a good faith effort to address the required contents specified under Section 34191.5(c).

SB 107 provides that the DOF or a Successor Agency's Oversight Board may, as a condition to approving a LRPMP, require one or more compensation agreements prior to any transfer of property to a Sponsoring Community for future development (Section 34191.5(c)(2)(A)(iii)), a practice that the DOF had implemented prior to the adoption of SB 107. SB 107 clarifies that compensation agreements, if required, may be developed and executed after the approval of the LRPMP.

Neither the Existing Dissolution Law nor SB 107 impose a strict timeline for the DOF's review of a submitted LRPMP, but SB 107 now requires the DOF to approve a LRPMP submitted for review as expeditiously as possible (Section 34191.5(e)).

Most significantly, SB 107 clarifies that actions to implement the disposition of properties under a DOF approved LRPMP do not require any additional review by the DOF (Section 34191.5(f)). Thus, under SB 107, approval of compensation agreements, approval of any transfers for liquidation, public use or retention of properties by a Sponsoring Community for future development; and by extension the execution of any future land disposition documents by the Sponsoring Community will not require any additional DOF review.

E. Affordable Housing.

SB 107 makes limited changes to the Existing Dissolution Law as it relates to affordable housing functions and obligations of the Dissolved RDA as described below.

1. Use of Housing Bond Proceeds. Under the Existing Dissolution Law, only housing bond proceeds from bonds issued prior to January 1, 2011, that were issued for affordable housing purposes and secured by a pledge of low and moderate income housing funds, remaining after satisfaction of enforceable obligations approved on a ROPS (the "Excess Housing Bond Proceeds"), are considered housing assets and were allowed to be expended. SB 107 changes the date by which the applicable housing bonds must have been issued from January 1, 2011 to June 28, 2011, and clarifies that the legislative intent is to allow housing successors to designate the use of and commit all unused housing bond proceeds pursuant to the bond covenants for housing bonds issued prior to June 28, 2011 (Section 34176(g)(1)(A)).

2. Housing Successor Reporting Requirements. The Existing Dissolution Law, as modified by SB 341 enacted October 13, 2013, provides that housing successors must report annually on their affordable housing activities. SB 107 adds the following two new items to be included in the annual housing report: (1) annual amount deposited into the Low and Moderate Income Housing Asset Fund as payments on loans from, or deferrals to, the Low and Moderate Income Housing Fund; and (2) annual amount deposited into the Low and Moderate Income Housing Asset Fund as 20% of any Sponsoring Community loan repayments (Section 34176.1(f)).

F. Miscellaneous Provisions.

SB 107 adds other provisions to the Dissolution Law, including the following:

1. Administrative Procedures Act Exemption. In direct response to claims that the DOF has taken action in violation of the Administrative Procedures Act in its efforts to enforce the Existing Dissolution Law, SB 107 contains a declaration that any action taken by the DOF in carrying out the DOF's obligations under the provisions of the Dissolution Law is exempt from the Administrative Procedures Act. The declaration that the DOF's actions are exempt from the Administrative Procedures Act is expressly made to apply to actions taken by the DOF on or after the adoption of AB 26 on June 28, 2011.

2. Special Legislation. In addition to the various amendments to Existing Dissolution Law, SB 107 contains several sections of "special legislation" which impact a limited number of entities based on "unique circumstances" applicable to those jurisdictions. The special legislation:

a. Allows the Successor Agency to the Redevelopment Agency of the City and County of San Francisco special authority, rights, and powers to issue bonds to fund affordable housing activities and infrastructure under specified enforceable obligations;

b. Revises the distribution of ad valorem property tax revenue allocated to the Santa Clara County Educational Revenue Augmentation Fund;

c. Clarifies how to calculate the annual property tax reduction for the City of Rancho Mirage;

d. Revises the property tax apportionment factors applied in allocating property tax revenues in the County of San Benito; and

e. Appropriates to the California Department of Forestry and Fire Protection \$23,750,000 for FY 2015-16 on the condition that the County of Riverside agrees to forgive loans owed to it by the cities of Eastvale, Jurupa Valley, Menifee, and Wildomar for services the County of Riverside provided those cities between the respective dates of their incorporation and June 30, 2015.

**PART III.  
SB 107 IMPLEMENTATION TIMELINE**

Following is a checklist of upcoming key milestone actions under the Existing Dissolution Law as amended by SB 107.

<u>Date</u>	<u>Action</u>
October 5, 2015	Last day for a Successor Agency to submit six month ROPS for period covering January 1, 2016, through June 30, 2016 (§34177(m))
November 1, 2015	Last day for a Successor Agency <u>that never received tax increment prior to February 1, 2012, AND has not been previously dissolved by October 1, 2015</u> , to submit to the Oversight Board a request to formally dissolve the Successor Agency (§34187(c))
December 31, 2015	<ul style="list-style-type: none"> <li>• Last day for a Successor Agency to pay or to enter into a written installment plan with the DOF for payment of contested DDR payments (§34179.7(a))</li> <li>• Last day for the DOF to approve LRPMPs (§34191.3(a))</li> <li>• Last day semi-annual ROPS rules are effective (§34177(m)(2))</li> <li>• Last day for the DOF to issue determinations on Final and Conclusive Determination requests submitted prior to June 30, 2015 (§34177(i))</li> </ul>
January 1, 2016	<ul style="list-style-type: none"> <li>• First day for a Successor Agency to submit a LROPS for approval by its Oversight Board (§34191.6(a))</li> <li>• First day a Successor Agency that did not receive LRPMP approval to liquidate properties pursuant to §34181(a) and §34177(e) (§34191.3(a))</li> <li>• First day legal expenses related to civil actions contesting validity of Existing Dissolution Law can only be paid from administrative cost allowance (§34171(d)(1)(F)(i))</li> </ul>
January 2, 2016 and each January 2 thereafter	Distribution of RPTTF Funds
February 1, 2016	Last day for Successor Agency to prepare and submit Oversight Board approved annual ROPS for FY 2016-17 (§34177(o)(1))
April 15, 2016 and each April 15 thereafter	Last day for the DOF to make its determinations of the enforceable obligations and the amounts and funding sources of enforceable obligations on an annual ROPS (§34177(o)(1))
June 30, 2016	<ul style="list-style-type: none"> <li>• End of the last semi-annual ROPS period (§34177(o)(1))</li> <li>• Last day for Controller to complete prior-period adjustment audits commenced prior to July 1, 2015 (§34186(a)(2))</li> <li>• Last day for a Successor Agency to submit an amendment to its DOF approved LRPMP to address "parking facilities and lots dedicated solely to public parking" (§34191.3(b))</li> </ul>

<u>Date</u>	<u>Action</u>
July 1, 2016	<ul style="list-style-type: none"> <li>• Beginning of the first annual ROPS period that will end June 30, 2107 (§34177(o)(1))</li> <li>• Effectiveness of the new "administrative cost allowance" calculations and cap (§34171(b)(3))</li> <li>• RPTTF Distribution</li> </ul>
October 1, 2016 and each October 1 thereafter	Last day for a Successor Agency to submit an amendment to a DOF approved annual ROPS (§34177(o)(E))
February 1, 2017	Last day for Successor Agency to prepare and submit Oversight Board approved annual ROPS for FY 2017-18
On and after July 1, 2018	Consolidation of Oversight Boards to County-wide Oversight Board for counties with less than 40 Oversight Boards (§34179(j))
July 14, 2018	Last day for County-wide Oversight Board positions to be appointed by appointing entities (§34179(k))
October 1, 2018 and each October 1 thereafter	Successor Agency must submit report to CAC noting difference between actual payments and past estimates on the DOF approved annual ROPS (§34186(c))
February 1, 2019 and each February 1 thereafter	CAC provides the DOF a review of reports noting difference between actual payments and past estimates on the DOF approved annual ROPS (§34186(c))

**PART IV.  
GLOSSARY**

<i>AB 1484</i>	The first "clean-up" legislation for the dissolution process, effective, June 27, 2012
<i>AB 26</i>	ABx1 26 – the initial dissolution legislation, effective February 1, 2012
<i>CAC</i>	County Auditor-Controller
<i>Designated Local Authority</i>	A public agency formed to act as the Successor Agency where a Sponsoring Community elected to not serve as the Successor Agency for the Dissolved RDA it created (Section 34163(d))
<i>Dissolved RDA</i>	Redevelopment agency dissolved by AB 26
<i>Dissolution Law</i>	The Existing Dissolution Law, as amended by SB 107
<i>DOF</i>	California Department of Finance
<i>Existing Dissolution Law</i>	AB 26 and AB 1484, together with any other dissolution laws effective prior to the adoption of SB 107
<i>LROPS</i>	Last and Final Recognized Obligation Payment Schedule pursuant to Section 34191.6
<i>LRPMP</i>	Long Range Property Management Plan
<i>Oversight Board</i>	The board charged with oversight of the dissolution of a Dissolved RDA at the local level (Section 34179)
<i>ROPS</i>	Recognized Obligation Payment Schedule – the document setting for the minimum payment amounts and due dates of payments under enforceable obligations for the applicable time period (34177(m) and (o))
<i>RPTTF</i>	Redevelopment Property Tax Trust Fund
<i>SCO</i>	State Controller's Office
<i>Sponsoring Community</i>	The city, the county, or the city and county that created a Dissolved RDA



*Successor Agency*

Entity designated to wind-down the affairs of a Dissolved RDA, which includes a Designated Local Agency unless otherwise indicated (Section 34173)