



agricultural employees, special needs housing, or for a regional homeless shelter, if the following conditions are met:

- a) Each successor agency has made a finding that the transfer will not cause or exacerbate racial, ethnic, or economic segregation.
  - b) The development will not be located in a census tract where more than 50% of the population is very low-income, unless it is within one-half mile of a major transit stop or high-quality transit corridor.
  - c) The development will not result in a reduction in the number of housing units or a reduction in the affordability of housing units on the site.
  - d) The successor agency must not have any outstanding obligations.
  - e) The successor agency shall not transfer more than \$1 million per fiscal year.
- 5) Restricts transferred funds to rental units affordable to, and occupied by, households earning up to 60% of area median income (AMI).

**This bill:**

- 1) Increases from \$250,000 to \$500,000, adjusted for inflation, the amount a successor agency may expend per fiscal year for homeless prevention and rapid rehousing services.
- 2) Requires HCD to annually publish on its website an adjustment to the amount a successor agency may spend to reflect any change in the consumer price index (CPI) for the preceding calendar year.
- 3) Provides that a successor agency that receives a transfer from another successor agency is authorized to spend up to \$1 million per fiscal year from its L&M Fund for the specific project identified in the agreement between or among jurisdictions.
- 4) Authorizes a successor agency to spend its own or transferred funds on regional homeless shelters affordable to, and occupied by, households earning up to 60% AMI.

**COMMENTS:**

- 1) *Author's statement.* "AB 1782 is a noncontroversial bill that updates an untouched section of law to ensure cities can spend the resources they already have to combat the homeless crisis in this state. This critical legislation opens up additional funds for the construction of regional homeless shelters and ensures fund limits are reflective of increased costs since this code section was

written in 2012. The bill will also enable local municipalities to be able to meet environmental and low-income housing goals.”

- 2) *Background of Community Redevelopment Law.* Historically, the CRL allowed a local government to establish a redevelopment area and capture all of the increase in property taxes generated within the area (referred to as “tax increment financing” or TIF) over a period of decades. The law required RDAs to deposit 20% of tax increment into L&M Fund to increase, improve, and preserve the community’s supply of low- and moderate-income housing available at an affordable-housing cost.

In 2011, the Legislature enacted two bills, AB 26X (Blumenfield) and AB 27X (Blumenfield), Chapters 5 and 6, respectively, of the First Extraordinary Session. AB 26X eliminated RDAs and established procedures for winding down the agencies, paying off enforceable obligations, and disposing of agency assets. AB 26X established successor agencies, typically the city that established the agency, to take control of all RDA assets, properties, and other items of value. Successor agencies are to dispose of an agency’s assets as directed by an oversight board, made up of representatives of local taxing entities, with the proceeds transferred to the county auditor-controller for distribution to taxing agencies within each county.

AB 27X allowed RDAs to avoid elimination if they made payments to schools in the current budget year and in future years. In December 2011, the California Supreme Court in *California Redevelopment Association v. Matosantos* upheld AB 26X and overturned AB 27X. As a result, all of the state’s roughly 400 RDAs dissolved on February 1, 2012, and local jurisdictions began implementing AB 26X’s provisions to distribute former redevelopment assets and pay the remaining obligations.

- 3) *Use of funds.* The CRL required RDAs to use the L&M funds to increase, improve, and preserve affordable housing. As part of the dissolution process, local jurisdictions were required to establish a successor agency to assume the housing functions of the former RDA. In 2013, SB 341 (DeSaulnier, Chapter 796) revised the rules governing the activities and expenditures of successor agencies in order to streamline administrative requirements while ensuring accountability, providing additional flexibility, and targeting scarce resources to the greatest needs.

SB 341 allowed successor agencies to spend up to \$250,000 per fiscal year from the L&M Funds on homeless prevention and rapid rehousing. Because this level was set more than a decade ago, this bill seeks to increase the limit to

\$500,000 per fiscal year and provide for annual adjustments for inflation, which HCD shall post on its website.

SB 341 also authorized a successor agency to transfer up to \$1 million per fiscal year to another successor agency to develop transit priority projects, permanent supportive housing, housing for agricultural employees, or special needs housing, provided specified conditions were met. This bill authorizes the successor agency receiving the transferred funds to spend up to \$1 million per fiscal year from its L&M Fund for the specific project identified in the transfer agreement.

AB 346 (Daly, Chapter 35, 2017) authorized regional homeless shelters as an eligible purpose for transferred funds. This bill clarifies that regional homeless shelter units are an eligible use of both transferred and host funds.

The City of Fountain Valley, co-sponsor of this bill, states that it, along with the cities of Westminster and Garden Grove, is in the process of establishing a 100-bed homeless navigation center. The cost for the first 10 years of operation of this center is estimated to exceed \$48 million. This bill will help ensure the success of this project by increasing the amount successor agencies may spend on homeless prevention and rapid rehousing services to \$500,000 per fiscal year; explicitly authorizing successor agencies to spend \$1 million per year on a project identified in a transfer agreement between or among successor agencies; and clarifying that both transferred and host funds may be spent on a regional homeless shelter.

#### **RELATED LEGISLATION:**

**AB 346 (Daly, Chapter 35, Statutes of 2017)** — allowed a housing successor to expend funds in the LMIHF for contributions toward the construction of local or regional homeless shelters. It also allowed two or more housing successors within a county, as specified, to additionally enter into an agreement to transfer funds among their respective LMIHF for a regional homeless shelter, if specified conditions are met.

**SB 341 (De Saulnier, Chapter 796, Statutes of 2013)** — revised the rules governing the activities and expenditures of housing successors to streamline administrative requirements while ensuring accountability, providing additional flexibility, and targeting scarce available resources to the greatest needs.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: Yes    Local: No

**POSITIONS: (Communicated to the committee before noon on Wednesday,  
May 29, 2024.)**

**SUPPORT:**

City of Fountain Valley (Co-Sponsor)

City of Westminster (Co-Sponsor)

California Apartment Association

City of La Verne

League of California Cities

Livable California

**OPPOSITION:**

None received

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