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April 21, 1998

Law and Legislation Committee

Honorable Members in Session:

SUBJECT: AB 1677 VOTER APPROVAL REQUIRED FOR FORMATION OF REDEVELOPMENT AGENCY AND ISSUANCE OF BONDS

LOCATION & COUNCIL DISTRICT: - City

RECOMMENDATION:

It is recommended that the Law and Legislation Committee oppose AB 1677.

CONTACT PERSON: John Dangberg; Director, Community Development 440-1357

FOR COUNCIL MEETING OF: April 21, 1998

SUMMARY:

The Sacramento Housing and Redevelopment Agency (Agency) and City Downtown Redevelopment (City) staff have been following the recent legislation submitted by Assembly person Tom McClintock with reference to AB 1677 introduced January 14, 1998. This bill calls for voter approval within the city or county to either form a new redevelopment agency or to issue redevelopment bonds. The Agency and City staff recommend that you oppose this bill.

BACKGROUND:

Under current Community Redevelopment Law, a local legislative body is required to declare the need for a redevelopment area by adopting an ordinance that is subject to referendum. Existing law also authorizes an agency to issue or refund bonds, subject to the approval of the legislative body. AB 1677 would require approval by a majority vote of the voters in that community in a primary, general, or special election prior to establishing a redevelopment area. This bill would also require

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a vote of at least two-thirds of the voters in that community prior to issuing or refunding bonds. The Agency and City staff are strongly opposed to AB 1677 as set forth below:

- Redevelopment bonds do not raise property taxes, assessments or fees. They also do not require the City's or Agency's "full faith and credit." To date there have been no defaults on redevelopment bonds in California.
- The time needed to go to a general election to issue or refund bonds may cause proposed projects to evaporate or move to other localities.
- Citywide elections to issue bonds on discrete projects within a redevelopment area are not fair to those who have a direct interest or directly benefit from the physical improvements in the small areas since those who do not have direct interest in the project area will control its funding and future.
- The requirement that a majority of the voters in a community approve the formation of a redevelopment agency is unnecessary. State law already allows for a referendum. Various communities have used this mechanism in the formation of their redevelopment agencies. Each locality should continue to make an independent determination.

Efforts to submit legislative constraints which pose limitations on redevelopment agency activity is an unnecessary effort and strongly opposed.

ENVIRONMENTAL CONSIDERATIONS:

This activity does not constitute a project and therefor is exempt from the California Environmental Quality Act (CEQ).

POLICY CONSIDERATIONS:

No new policy recommendations are proposed at this time.

MBE/WBE EFFORTS: Not applicable

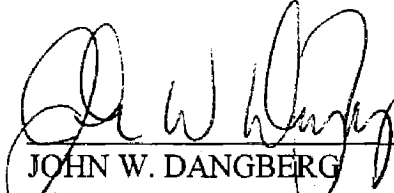
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Respectfully submitted



JOHN W. DANGBERG
Director, Community Development

RECOMMENDATION APPROVED:



Betty Masuoka
Deputy City Manager

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ASSEMBLY BILL

No. 1677

Introduced by Assembly Member McClintock

January 14, 1998

An act to add Sections 33101.5 and 33640.5 to the Health and Safety Code, relating to redevelopment.

LEGISLATIVE COUNSEL'S DIGEST

AB 1677, as introduced, McClintock. Redevelopment: redevelopment agencies.

Under the Community Development Law, a local legislative body is required to declare the need for a redevelopment agency to function in the community by adopting an ordinance that is subject to referendum. Existing law also authorizes the agency to issue bonds, subject to the approval of the legislative body, for any of its corporate purposes or for refunding.

This bill would require approval of any action to create a redevelopment agency by an affirmative vote of at least a majority of the voters in that community voting on the measure in the next primary, general, or special election. This bill would also require approval of any action to issue bonds to be approved by an affirmative vote of at least $\frac{2}{3}$ of the voters in that community voting on the measure in the next primary, general, or special election.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 33101.5 is added to the Health
2 and Safety Code, to read:

3 33101.5. Notwithstanding any other provision of law,
4 any action to create a redevelopment agency by a
5 legislative body shall be approved by an affirmative vote
6 of at least a majority of the voters in that community
7 voting on the measure in the next primary, general, or
8 special election.

9 SEC. 2. Section 33640.5 is added to the Health and
10 Safety Code, to read:

11 33640.5. Notwithstanding Section 33640, any action by
12 an agency to issue bonds or refunding bonds shall be
13 approved by an affirmative vote of at least two-thirds of
14 the voters in that community voting on the measure in
15 the next primary, general, or special election.

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