



**MAYOR ROBERT GARCIA**  
CITY OF LONG BEACH

August 26, 2015

The Honorable Shirley Weber  
Chair, Assembly Budget Committee  
State Capitol, Room 6026  
Sacramento, CA 95814

The Honorable Mark Leno  
Chair, Senate Budget Committee  
State Capitol, Room 5019  
Sacramento, CA 95814

**RE: AB 113 Redevelopment Budget Trailer Bill – OPPOSE UNLESS AMENDED**

Dear Chairwoman Weber and Chairman Leno:

On behalf of the City of Long Beach, I write to convey the City's "oppose unless amended" position on AB 113 (Committee on Budget), the budget trailer bill on redevelopment. The former Long Beach Redevelopment Agency has always complied with Redevelopment Law, annually disclosing the existence and amount associated with City/agency loans on audited financial reports that were submitted to the State Controller's Office. There is a long history of transparency with our community and an expectation that \$120 million in City/agency loans will be repaid to the City of Long Beach, based on the accounting that was submitted to the State Controller's Office. AB 113 disregards all the years of transparency and reporting, and would reduce the City's General Fund revenues by \$120 million.

Long Beach's primary concern relates to the proposed re-definition of a "loan agreement." The original Redevelopment Dissolution Act, which the Legislature passed as AB 1484, provided "upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes." Under this definition, Long Beach has been expecting to collect \$120 million in debt owed to the City from the former redevelopment agency.

At this time, AB 113 is proposing to re-define "loan agreements" to mean strictly "loans for money... where the former redevelopment agency was obligated to repay the money it received pursuant to a required repayment schedule." This new definition blatantly ignores former redevelopment law, and deviates from existing law. At no point in time did former Redevelopment Law require City/Agency loans to be strictly for cash; therefore, while all loans that the City of Long Beach made to our former redevelopment agency were monetized and for legitimate redevelopment purposes, it will be difficult to prove strict cash transactions. As a result, the City is at risk of losing \$120 million.

Beyond the legal definition of a loan, I urge the Legislature to consider AB 113's impact to affordable housing. Existing law requires that 20% of loan repayments be dedicated to affordable housing, and Long Beach is encouraged that AB 35 will provide \$300 million in new affordable housing funds, but if



Long Beach's loans to the former redevelopment agency are not recognized as loans, then there will be zero local funding in Long Beach with which to match the \$300 million tax credit.

The loan definition proposal in AB 113 is a blatant attempt by the DOF to legislatively reverse the trial court decision in *City of Watsonville, et al. v. California Department of Finance, et al., Sacramento County Superior Court Case No. 34-2014-80001910* relative to differing interpretations of what constitutes a loan pursuant to redevelopment dissolution law. It also appears to represent a clear acknowledgment by the DOF that current law does not support the DOF's interpretation that reimbursement agreements are not loans.

Given these reasons, the City of Long Beach respectfully opposes AB 113. We urge you to consider amending the definition of a loan 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.***

Thank you for your consideration of these comments.

Sincerely,



Mayor Robert Garcia  
City of Long Beach

cc: The Honorable Ricardo Lara, State Senate, 33<sup>rd</sup> District  
The Honorable Janet Nguyen, State Senate, 34<sup>th</sup> District  
The Honorable Isadore Hall, III, State Senate, 35<sup>th</sup> District  
The Honorable Anthony Rendon, State Assembly, 63<sup>rd</sup> District  
The Honorable Mike Gipson, State Assembly, 64<sup>th</sup> District  
The Honorable Patrick O'Donnell, State Assembly, 70<sup>th</sup> District