



May 9, 2001

Law and Legislation Committee  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** **SB 1137 - Del Paso Heights, Alkali Flat, and Oak Park Redevelopment Area Extensions**

**LOCATION AND COUNCIL DISTRICT:** Districts One, Two, and Five

**RECOMMENDATION:**

Staff recommends that the Law and Legislation Committee review and recommend City Council's support of SB 1137 conditioned on the removal of language related to auto mall and big box retail development.

**CONTACT PERSONS** Anne Moore, Executive Director, 440-1333

**BACKGROUND**

Senator Deborah Ortiz has introduced legislation to assist Sacramento Housing and Redevelopment Agency's efforts to successfully complete our redevelopment efforts in Del Paso Heights, Alkali Flat, and Oak Park. The intent of the bill is to allow the Redevelopment Agency of the City of Sacramento to extend the time period for our redevelopment efforts and debt repayment in each area.

Under current California Redevelopment Law, the last date to issue debt and to carry out redevelopment efforts in Del Paso Heights, Alkali Flat, and Oak Park falls at the same time in each area (2010, 2012, and 2013 for Del Paso Heights, Alkali Flat, and Oak Park, respectively). In addition, only ten years are allowed after this time limit to repay any debt issued. Under current law, these dates cannot be extended. As a result, we are unable to support issuance of any additional bonds for Del Paso Heights and Oak Park for the remainder of the term of those areas. In Alkali Flat, only one more issue can be supported in 2002, however, the proceeds will be greatly reduced by the current limit on our time to repay the debt.

The bill introduced by Senator Ortiz would allow the City Council to extend the effective date of each redevelopment area ten years beyond the current debt limit and extend the time limit for the repayment of debt for an additional ten years. These extensions would allow the Redevelopment Agency to issue one more bond for the Oak Park and Del Paso Heights redevelopment areas and would increase the proceeds of our next Alkali Flat bond issue by approximately 50 percent, from about \$4 million to \$6 million. Given current revenue trends and the development capacity in each area, we do not anticipate the opportunity for additional bond issues during the extended terms.

At the Senate Local Government Committee hearing of May 2, a number of amendments were proposed to SB 1137. The majority were of the amendments were acceptable to SHRA. A copy of the bill is attached.

Following is an overview of the most significant amendments, SHRA's response, and the actions of the Committee:

1. Amount of Housing Set-Aside. The Committee asked that we commit a larger share of the tax increment funds for affordable housing development and preservation. We are agreeable to a modest increase since each area is largely residential, and the need to improve housing stock in each area is significant. We agreed to work with Senator Ortiz's office to develop language defining the share of tax increment funds to set aside after each plan is amended to extend timelines.
2. Limiting Housing Set-Aside to Low- and Very Low-Income Households. The Committee also proposed an amendment that would limit the use of housing set-aside funds for only low- and very low-income households. We take issue with this amendment since Del Paso Heights, Alkali Flat, and Oak Park already house predominantly low- and very low-income families. We believe that our efforts should include increasing housing for moderate-income households in order to bring more income diversity to the areas and to allow "move-up" opportunities for families in each area as they increase their income status. We agreed to work with Senator Ortiz's office to draft language that accommodates staff's intent to apply housing set-aside funds for households making up to 110 percent of median income based on findings that the demographics justify the use of tax increment set-aside for the full range of housing affordability.
3. Prohibitions Against Assistance for Auto Malls and Big Box Retail Development. Most problematic, the Committee amended SB 1137 to prevent the Redevelopment Agency and the City of Sacramento from providing any form of public assistance to cause the location of an auto mall or big box retail anywhere in the jurisdiction upon extension of the Del Paso Heights, Alkali Flat, and Oak Park redevelopment areas. It is staff's opinion that this amendment is unreasonable and has no relationship to the redevelopment initiatives contemplated in the Del Paso Heights, Alkali Flat, and Oak Park redevelopment areas. It is staff's intent to work with Senator Ortiz's office to remove this language from the bill.

Sacramento Housing and Redevelopment Agency recommends support of SB 1137 conditioned on the removal of language related to auto mall and big box retail development.

Thank you for your consideration.

Respectfully submitted,



Anne M. Moore  
Executive Director

RECOMMENDATION APPROVED:



ROBERT P. THOMAS  
City Manager

BILL NUMBER: SB 1137      AMENDED  
BILL TEXT

AMENDED IN SENATE    MAY 8, 2001  
AMENDED IN SENATE    APRIL 26, 2001

INTRODUCED BY    Senator Ortiz

FEBRUARY 23, 2001

An act to add Section 33333.9 to the Health and Safety Code,  
relating to redevelopment.

LEGISLATIVE COUNSEL'S DIGEST

SB 1137, as amended, Ortiz. Redevelopment: City of Sacramento.

The existing Community Redevelopment Law imposes specified time limitations on redevelopment plans, prohibits an agency from paying indebtedness or receiving property taxes after 10 years from the termination of the plan, and authorizes the extension of those time limitations in certain instances if prescribed procedures are followed, including extending for up to 10 years a 20-year time limit on the establishment of specified loans, advances, and indebtedness based upon substantial evidence of blight that cannot be eliminated without additional debt.

This bill would authorize the City Council of the City of Sacramento to extend , by ordinance adopted on or before December 31, 2002, prescribed time limits with respect to the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Project areas under specified conditions , including the issuance by the Controller of a letter confirming that the Redevelopment Agency of the City of Sacramento has not accumulated an excess surplus in its low and moderate income housing fund. The bill would become operative only if SB 211 is not chaptered on or before January 1, 2002.

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

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) It is the intent of the Legislature in enacting this act to enable the City of Sacramento and its redevelopment agency to extend the time limits for the ~~establishment of indebtedness, the~~ effectiveness of the applicable redevelopment plans ~~—~~ and the repayment of indebtedness for the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Project areas.

(b) The Legislature finds and declares that the extensions of the time limits authorized by this act are necessary because the special circumstances directly affecting these three project areas have made it infeasible for the Redevelopment Agency of the City of Sacramento to implement projects within the time limits imposed by subdivisions (b) and (c) of Section 33333.6 of the Health and Safety Code. The recession of the early 1990's delayed projects within those project areas, and decreased revenues to the redevelopment agency. In addition, the assessed value within each of the project areas declined after the 1991-92 fiscal year by 4.7 percent. This decline in assessed value and the resulting decline in revenues made it impossible for the agency to eliminate blight

within these three project areas within the time limits imposed by subdivisions (b) and (c) of Section 33333.6 of the Health and Safety Code.

(c) The Legislature further finds and declares that the authority provided by this act is necessary to allow the Redevelopment Agency of the City of Sacramento to eliminate the remaining blight within the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Project areas.

SEC. 2. Section 33333.9 is added to the Health and Safety Code, to read:

33333.9. (a) (1) Notwithstanding the time limits in subdivisions — (a), (b), — (b)

and (c) of Section 33333.6, the City of Council of the City of Sacramento may extend, by ordinance adopted on or before December 31, 2002, the time limit for the establishment of loans, advances, and indebtedness in the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Project areas, the time limit for the effectiveness of the applicable redevelopment plans, and the time limit for the repayment of indebtedness and receipt of property taxes pursuant to the plans. However, in no event shall the time limit on the establishment of loans, advances, and indebtedness extend beyond 2024, in no event shall the time limit on the effectiveness of any such redevelopment plan extend beyond 2029, and in no event shall the agency pay indebtedness or receive property taxes after 10 years from the termination of the effectiveness of the redevelopment plan.

— (b) The limitations established in the ordinance adopted pursuant to this section shall apply to the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Project areas as if the applicable redevelopment plans had been amended to include those limitations. However, in adopting the ordinance authorized by this section, neither the legislative body nor the agency is required to comply with Article 12 (commencing with Section 33450), Section 33354.6, or any other provision of this part relating to the amendment of redevelopment plans. If the City Council of the City of Sacramento amends the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Plans pursuant to this section, and the amendments include extending the time limit for the establishment of loans, advances, and indebtedness, the Redevelopment Agency of the City of Sacramento shall commence making the payment or payments required by Section 33607.7 during the 2005-06 fiscal year. December 31, 2002, the time limit on effectiveness of those plans for up to 10 additional years beyond the limit allowed by subdivision (b) of Section 33333.6.

(2) In addition, the city council may, pursuant to this section, amend those plans to extend the time limit on the payment of indebtedness and receipt of property taxes to be not more than 10 years from the termination of the effectiveness of the redevelopment plan as that time limit has been amended pursuant to paragraph (1).

(b) Those plans may be amended pursuant to subdivision (a) only after the Redevelopment Agency of the City of Sacramento finds, based on substantial evidence, that both of the following conditions exist:

(1) Significant blight remains within the project area.

(2) This blight cannot be eliminated without extending the effectiveness of the plan and the receipt of property taxes.

(c) As used in this section:

(1) "Blight" has the same meaning as that term is given in Section 33030.

(2) "Significant" means important and of a magnitude to warrant agency assistance.

(d) For purposes of this section, significant blight can exist in the project area even though blight is not prevalent in the project

area. The report submitted to the legislative body pursuant to Section 33352 shall identify on a map the portion of the project area in which significant blight remains.

(e) After the limit on the payment of indebtedness and receipt of property taxes that would have taken effect but for the amendment pursuant to this section, except for funds deposited in the Low and Moderate Income Housing Fund pursuant to Section 33334.6, the agency shall spend tax increment funds only within the portion of the project area that has been identified in the report adopted pursuant to Section 33352 as the area in which significant blight remains. Except as otherwise limited by subdivisions (f) and (g), the agency may continue to spend funds deposited in the Low and Moderate Income Housing Fund pursuant to Section 33334.6 in accordance with this division.

(f) After the limit on the payment of indebtedness and receipt of property taxes that would have taken effect but for the amendment pursuant to this section, the agency shall spend only moneys from the Low and Moderate Income Housing Fund for the purpose of increasing, improving, and preserving the community's supply of housing at affordable housing cost to persons and families of low or very low income, as defined in Sections 50093 and 50105.

(g) After the limit on the payment of indebtedness and receipt of property taxes that would have taken effect but for the amendment pursuant to this section, not less than \_\_\_ percent of all taxes that are allocated to the agency pursuant to Section 33670 shall be deposited into the Low and Moderate Income Housing Fund for the purposes specified in subdivision (f).

(h) The legislative body shall not amend a redevelopment plan pursuant to this section, unless the legislative body first adopts a resolution that finds, based on substantial evidence, all of the following:

(1) The community has adopted a housing element that the department has determined pursuant to Section 65585 of the Government Code to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

(2) During the three fiscal years prior to the year in which the amendment is adopted, the agency has not been included in the report sent by the Controller to the Attorney General pursuant to subdivision (b) of Section 33080.8 as an agency that has a "major violation" pursuant to Section 33080.8.

(3) After a written request by the agency, the Controller has issued a letter to the agency, confirming that the agency has not accumulated an excess surplus in its Low and Moderate Income Housing Fund. As used in this section, "excess surplus" has the same meaning as that term is given in Section 33334.12. If the Controller does not respond to the written request of the agency for this determination within 90 days after receipt of the written request, compliance with this requirement shall be deemed confirmed.

(4) If one or more rail transit stations are located within the community, the community has adopted at least one transit village development plan pursuant to the Transit Village Development Planning Act of 1994 (Article 8.5 (commencing with Section 65460) of Chapter 3 of Division 1 of Title 7 of the Government Code) for a rail transit station that is located within the community.

(i) After the effective date of the amendment to the redevelopment plan pursuant to subdivision (a), neither the agency nor the community shall provide any form of financial assistance to an automobile dealership or big box retailer, or a business entity that sells or leases land to an automobile dealership or big box retailer, in connection with a relocation to the territorial jurisdiction of the community from a location outside the community but within the

same market area. As used in this section, the terms "big box retailer," "community," "territorial jurisdiction," "financial assistance," "market area," and "relocating" have the same meaning as those terms are given in Section 33426.7.

(j) The amendment to the redevelopment plans authorized pursuant to this section shall be made by ordinance pursuant to Article 12 (commencing with Section 33450). The ordinance shall be subject to referendum as prescribed by law for ordinances of the legislative body.

SEC. 3. (a) The Legislature finds and declares that in 1993 the Legislature adopted time limits contained in Section 33333.6 of the Health and Safety Code that applied to project areas adopted prior to January 1, 1994. The Legislature further finds and declares that the Redevelopment Agency of the City of Sacramento will not be able to eliminate blight within the Alkali Flat, Del Paso Heights, and Oak Park Redevelopment Project Areas within those limits and that it is necessary to allow the limits within those project areas to be extended to eliminate significant remaining blight.

(b) The Legislature further finds and declares that authorizing the extension of these limits within those project areas will have a financial effect upon the state and that because of this financial effect it will be necessary for one or more appropriate actions to ensure that these time limits are extended only if those project areas contain significant remaining blight as that term was defined by the Legislature in 1993.

(c) Further, it is the intent of the Legislature to consider alternatives to the requirements relating to affordable housing pursuant to subdivision (f) of Section 33333.9 of the Health and Safety Code as proposed to be added by Section 2 of this act.

SEC. 4. It is the intent of the Legislature, if this bill and Senate Bill 211 are both chaptered that this act shall not become operative if Senate Bill 211 becomes effective on or before January 1, 2002. Therefore, this act shall become operative only if it is chaptered and becomes effective on or before January 1, 2002, and Senate Bill 211 is not chaptered on or before that date.