SENATE COMMITTEE ON LOCAL GOVERNMENT
Senator María Elena Durazo, Chair
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REDEVELOPMENT: SUCCESSOR AGENCY DEBT: CITY AND COUNTY OF SAN FRANCISCO

Allows the successor agency to the former San Francisco redevelopment agency to extend its authority to issue bonds to finance the Transbay Program.

Background

Redevelopment agencies. From the early 1950s until the state dissolved them in 2011, California redevelopment agencies (RDAs) used property tax increment financing to pay for economic development projects in blighted areas. Generally, property tax increment financing involves a city or county forming a tax increment financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues generated when projects financed by the bonds increase assessed property values within the project area. To calculate the increased property tax revenues captured by the district, the amount of property tax revenues obtained by any local agency that receives a share of property tax revenues from property within a project area is "frozen" at the amount it received from that property prior to the project area's formation. In future years, as the project area's assessed valuation grows above the frozen base, the resulting additional property tax revenues—the increment—flows to the tax increment financing district instead of other local agencies. After the bonds have been fully repaid, the district is dissolved, ending the diversion of tax increment revenues from participating local agencies. Property tax revenues then flow back to each local agency that receives a share of the property tax.

RDA plans adopted on or before December 31, 1993, had to terminate no more than 40 years from their adoption or January 1, 2009, whichever is later. After this point, the RDA had no authority to act pursuant to the redevelopment plan except to pay previously incurred indebtedness, comply with affordable housing production requirements, and enforce existing covenants, contracts, or other obligations.

RDA law required each RDA to make deposits into a Low and Moderate Income Housing Fund (Housing Fund) the agency maintained to increase, improve, and preserve the community's supply of low- and moderate-income housing, generally not less than 20% of all taxes allocated to the agency. In 1975, the Legislature amended RDA law to require RDAs to replace low- or moderate-income housing units destroyed or removed as part of their previous projects (AB 1018, Sieroty).

Citing a significant State General Fund deficit, Governor Brown's 2011-12 budget proposed eliminating RDAs and returning billions of dollars of property tax revenues to schools, cities, and counties to fund core services. Among the statutory changes that the Legislature adopted to implement the 2011-12 budget, AB X1 26 (Blumenfield, 2011) dissolved all RDAs. The California Supreme Court's 2011 ruling in *California Redevelopment Association v. Matosantos* upheld AB X1 26, but invalidated AB X1 27 (Blumenfield, 2011), which would have allowed most RDAs to avoid dissolution. In response, the California Redevelopment Association (CRA) challenged the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to AB X1 26, but granted it with respect to AB X1 27. As a result, all RDAs dissolved as of February 1, 2012. At the time of dissolution, over 400 RDAs statewide were diverting 12% of property taxes, over $5.6 billion yearly.

RDAs' dissolution deprived many local agencies of the primary tool they used to eliminate physical and economic blight, finance new construction, improve public infrastructure, rehabilitate existing buildings, and increase the supply of affordable housing. At the time the state dissolved RDAs, the Controller estimated that statewide, the requirement to set aside 20% of funding generated in a project area for low- and moderate-income housing obligated RDAs to spend $1 billion on affordable housing.

RDA dissolution. AB X1 26 prohibited RDAs from incurring new or expanding existing monetary or legal obligations unless otherwise specified, removed the authority for RDAs to engage in most activities except continuing to pay off enforceable obligations, and established successor agencies to manage the process of unwinding former RDA affairs. With the exception of seven cities, the city or county that created each former RDA now serves as that RDA's successor agency.

One of a successor agency's primary responsibilities is to make payments for RDAs' enforceable obligations: bonds, bond-related payments, some loans, payments required by the federal government, obligations to the state or imposed by state law, payments to RDA employees, judgements or settlements, and other legally binding and enforceable agreements or contracts. These payments are supported by property tax revenues that would have gone to RDAs, but are instead deposited in a Redevelopment Property Tax Trust Fund (RPTTF).

Any remaining property tax revenues that exceed these enforceable obligations return to cities, counties, special districts, and school and community college districts to support core services. The amount that these taxing entities receive increases as the successor agency pays off these enforceable obligations. As a successor agency adds additional enforceable obligations, or takes more time to pay off existing enforceable obligations, the slower this stream of property tax revenue returns to these taxing entities.

Each successor agency has an oversight board responsible for supervising and approving its actions. The oversight board includes one member of the legislative body from the county and a city, special district, school district, and community college district within the territory of the successor agency. Additionally, the county board of supervisors appoints a public member, and the mayor or board of supervisors appoints one member to represent RDA employees.

The Department of Finance (DOF) can review and request reconsideration of an oversight board's decision. Once a successor agency takes over for an RDA, it reviews the RDA's outstanding assets and obligations, and develops a plan to resolve those obligations, also known as a Recognized Obligation Payment Schedule (ROPS). To obtain required DOF approval, a successor agency submits a series of ROPS to the department. If DOF agrees with the plan, it issues a Finding of Completion acknowledging their progress towards paying off their obligations. Successor agencies issued a Finding of Completion can submit a Last and Final ROPS, meaning that: (1) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules; (2) all remaining obligations have been previously listed on the ROPS and approved by DOF; and (3) the agency is not a party to outstanding or unresolved litigation. Successor agencies had until December 31, 2015, to receive their Finding of Completion from DOF. Nine successor agencies did not receive a Finding of Completion by the deadline.

City and County of San Francisco. San Francisco's RDA completed various redevelopment projects dating back to the 1960s. The RDA project areas diverted funds from the City and County of San Francisco and other taxing entities, including Bay Area Rapid Transit District, San Francisco Unified School District, San Francisco Community College District, and the city and county's Educational Revenue Augmentation Fund (ERAF), for its redevelopment projects. Current estimates show that San Francisco RDA's successor agency won't dissolve until around 2058.

In 2003, the Department of Housing and Community Development (HCD) determined that San Francisco's RDA demolished 14,207 affordable housing units and replaced only 7,498 units, certifying a net loss of 6,709 units. Under AB 1018 (Sieroty, 1975), the City had to replace the remaining units. However, RDA law limited the effectiveness to 40 years after the redevelopment plan's adoption or 2009, whichever is later. SB 2113 (Burton, 2000) granted San Francisco until January 1, 2014, or until the agency replaces all the housing units demolished, to incur debt to replace the demolished affordable housing units. It also gave the RDA until 2044 to repay this indebtedness. Prior to RDA dissolution in 2011, San Francisco had only developed 867 of the 6,709 units, and this outstanding balance of 5,842 units remains.

In 2015, the Legislature passed, and the Governor signed, SB 107 (Committee on Budget and Fiscal Review), which authorized the successor agency to issue bonds and incur debt for other projects using RPTTF, including the housing projects in Mission Bay, Hunters Point, and pursuant to the Transbay Implementation Agreement, but did not include projects to satisfy the replacement housing obligation. Using RPTTF to fund these projects extended the expected lifespan of the successor agency until 2058. Like its obligations under dissolution law, the successor agency must receive approval for these projects from its oversight board and DOF. For these obligations, the successor agency must make diligent efforts to ensure it obtains the lowest long-term financing, make use of an independent financial advisor, and follow other financial safeguards.

SB 593 (Wiener, 2023) authorized the successor agency to the SFRDA to issue bonds or incur indebtedness to finance the replacement of up to 5,842 units of affordable housing to satisfy the replacement housing obligation of the SFRDA as described in existing law and subsequently certified by the Department of Housing and Community Development. SB 593 includes provisions to ensure that only property tax revenues that would be returned to San Francisco, not other taxing entities, are used to finance these affordable housing obligations, and allowed the successor agency to incur new debt for these affordable housing projects, which could delay dissolution beyond the current 2058 estimate.

Transbay Joint Powers Authority (TJPA). The TJPA is a joint exercise of powers authority created in 2001 by San Francisco, the Alameda-Contra Costa Transit District and the Peninsula Corridor Joint Powers Board; subsequently, in 2017, the California High Speed Rail Authority was added as a member. An 8-member board governs the TJPA. TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program.

According to the TJPA, "The Transbay Program is a transportation and housing project that has transformed downtown San Francisco and the San Francisco Bay Area's regional transportation system by creating a world class transportation hub in the heart of a new neighborhood. The project replaced the former Transbay Terminal at First and Mission streets in San Francisco with a modern regional transit hub connecting the Bay Area and ultimately the State of California through: AC Transit, BART, Caltrain, Golden Gate Transit, Greyhound, Muni, SamTrans, WestCAT Lynx, Amtrak, Paratransit and future High-Speed Rail from the San Francisco to Los Angeles/Anaheim."

In 2003, TJPA, San Francisco, and the State of California entered into an agreement in which the State agreed to transfer specified state-owned parcels to San Francisco and the TJPA, subject to certain restrictions. Under the agreement, the state-owned parcels are subject to a deed restriction requiring that TJPA can only sell these parcels when the proceeds go to the TJPA to finance the Transbay Terminal Project. The agreement further requires that a portion of tax increment revenues attributable to the state-owned parcels, the "net tax increment (NTI)," go to TJPA to finance development of the Transbay Terminal Project.

The Transbay Redevelopment Project Area consists of approximately forty acres of land that previously contained the now-demolished Embarcadero Freeway and ramps to the former Transbay Terminal, which were heavily damaged by the 1989 Loma Prieta earthquake, and surrounding properties.

TJPA wants to allow the successor agency to the former San Francisco RDA to extend its authority to issue bonds to finance infrastructure for the Transbay Project.

Proposed Law

Assembly Bill 2308 allows the successor agency to the former San Francisco redevelopment agency (RDA) to extend its authority to issue bonds to finance infrastructure required by the Transbay Implementation Agreement (TIA) by specifying that arrangements to extend the time period for pledges of gross sales proceeds and NTI entered into with the Transbay Joint Powers Authority (TJPA) and San Francisco are included within its existing authority to issue bonds for these purposes. AB 2308 defines NTI to exclude administrative costs, affordable housing set aside payments from the former redevelopment agency, and contributions to the city and county's ERAF.

Comments

1. Purpose of the bill. According to the author, "San Francisco needs modern, connected transit infrastructure to support our growing economy, build housing near jobs, and revitalize our downtowns. The Transbay Program is a transformative investment that will expand regional transit capacity, connect Caltrain and future high-speed rail to the Salesforce Transit Center, and unlock thousands of homes and new economic activity in the heart of San Francisco.

"However, the COVID-19 pandemic significantly affected the project's bonding capacity, and at a time when federal transit funding opportunities have become less certain, the project needs additional financial stability to move forward. AB 2308 addresses this challenge by extending the timeline for an existing value-capture financing tool tied to former state-owned parcels in the Transbay Redevelopment Area by 25 years. This targeted extension will help ensure the project can secure the financing needed to complete the Downtown Rail Extension, delivering increased transit capacity, new housing, downtown revitalization, and thousands of good, labor-backed construction jobs for California's workers – all without adding any new taxes."

2. The song that never ends. AB X1 26 created successor agencies to unwind RDAs obligations so that property tax revenues previously going to RDAs flow back to the local agencies generating the revenue. The property tax revenue used to issue these bonds originates from not just the successor agency, which is the city in many cases, but also the county, special districts, and school and community college districts, which impacts the state by way of the Proposition 98 minimum funding guarantee. AB 2308 allows San Francisco to extend its authority to issue bonds for the Transbay Project. By doing so, AB 2308 delays the dissolution of its successor agency for another couple decades until the new bonds are fully paid off, which pushes the estimated dissolution date for the successor agency to 2075.

3. Special legislation. The California Constitution prohibits special legislation when a general law can apply (Section 16 of Article IV). AB 2308 contains findings and declarations explaining the need for legislation that applies only to the Transbay Project in the City and County of San Francisco due to the unique transportation and development needs of the jurisdiction and the unique role the Transbay Project has played in enhancing downtown San Francisco property values.

4. Coming and going. The Senate Committee on Rules has ordered a double referral of AB 2308: first to the Committee on Local Government to hear issues related to local government powers, and second to the Committee on Appropriations.

Assembly Actions

Assembly Local Government Committee:	10-0
Assembly Housing and Community Development Committee:	12-0
Assembly Floor:	66-0

Support and Opposition (6/5/2026)

Support: None Submitted

Opposition: None Submitted

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