

**Introduced by Senator Wiener**  
(Coauthor: Assembly Member Haney)

February 15, 2023

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An act to amend Section 34177.7 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 593, as introduced, Wiener. Redevelopment: successor agency debt: City and County of San Francisco.

Existing law dissolved redevelopment agencies and community development agencies as of February 1, 2012, and provides for the designation of successor agencies to, among other things, wind down the affairs of the dissolved redevelopment agencies and make payments due for enforceable obligations. Existing law, among other powers granted to successor agencies generally, additionally vests the successor agency to the former Redevelopment Agency of the City and County of San Francisco with the authority, rights, and powers of that former redevelopment agency solely for the purpose of issuing bonds or incurring other indebtedness, subject to the approval of the oversight board of the successor agency, to finance the construction of affordable housing and infrastructure required by specified development agreements. Under existing law, these bonds and indebtedness are considered indebtedness incurred by the dissolved redevelopment agency secured by moneys deposited in the Redevelopment Property Tax Trust Fund established for that agency.

This bill would expand this authority to include bonds issued and other indebtedness incurred to finance the replacement of certain demolished affordable housing units, subject to specified conditions, including that the assisted units remain affordable to, and occupied by,

persons and families of low- and moderate-income and extremely low and very low income households for at least 55 years for rental units and 45 years for owner-occupied units.

This bill would make legislative findings and declarations as to the necessity of a special statute for the City and County of San Francisco.

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. The Legislature finds and declares all of the  
2 following:

3 (a) Under the authority granted by the Legislature in Senate Bill  
4 No. 2113 (Chapter 661 of the Statutes of 2000) and Senate Bill  
5 No. 701 (Section 3 of Chapter 782 of the Statutes of 2002), the  
6 former Redevelopment Agency of the City and County of San  
7 Francisco (hereafter “former redevelopment agency”) sought, prior  
8 to its dissolution, to redress the demolition of a substantial number  
9 of residential dwelling units affordable to very low, low-, and  
10 moderate-income households during the agency’s earlier urban  
11 renewal efforts.

12 (b) In 2003, the Department of Housing and Community  
13 Development determined that the former redevelopment agency  
14 had an unmet affordable housing replacement need resulting from  
15 its demolition of 14,207 units and replacement of only 7,498 units  
16 in pre-1976 project areas. The department certified “a net loss of  
17 6,709 units the Agency must replace.”

18 (c) In authorizing the former redevelopment agency’s  
19 replacement of units, the Legislature found that San Francisco’s  
20 early redevelopment activities, including the removal of previously  
21 existing dwelling units serving a lower income population,  
22 compounded the effects of the private market that have led to the  
23 city’s housing crisis (Section 1 of Chapter 661 of the Statutes of  
24 2000).

25 (d) Prior to its dissolution, the former redevelopment agency  
26 exceeded the housing production goals of the Community  
27 Redevelopment Law (Part 1 (commencing with Section 33000)  
28 of Division 24 of the Health and Safety Code) and developed over  
29 12,000 units of affordable housing. Nonetheless, it was only able  
30 to approve and develop 867 replacement units out of the total 6,709

1 units that the Department of Housing and Community Development  
2 had certified. When the Legislature dissolved redevelopment  
3 agencies by enactment of Chapter 5 of the First Extraordinary  
4 Session of the Statutes of 2011, the former redevelopment agency  
5 had an outstanding balance of 5,842 affordable units that needed  
6 to be replaced.

7 (e) After dissolution of the former redevelopment agency, the  
8 Oversight Board for the City and County of San Francisco  
9 confirmed, by Resolution No. 5-2012 (April 10, 2012), the  
10 unfulfilled replacement housing obligations of the former  
11 redevelopment agency and approved the successor agency's  
12 expenditures of funds to fulfill those obligations, but the  
13 Department of Finance disapproved those expenditures on the  
14 grounds they were inconsistent with the wind down of  
15 redevelopment agencies.

16 (f) In 2015, the Legislature authorized the successor agency to  
17 the former redevelopment agency to issue bonds and incur other  
18 indebtedness secured by the property tax revenues available in the  
19 Redevelopment Property Tax Trust Fund to finance certain  
20 enforceable obligations that the Department of Finance had  
21 approved, but this legislation did not include authorization for  
22 funding of the replacement housing obligation (Sections 9 and 27  
23 of Chapter 325 of the Statutes of 2015).

24 (g) San Francisco faces a continuing shortage of affordable  
25 housing for low- and moderate-income households. The San  
26 Francisco Planning Department reports that "San Francisco and  
27 the Bay Area are currently in the midst of a housing affordability  
28 crisis unprecedented in their history. Increases in housing prices  
29 and displacement pressures have been a long-term trend, driven  
30 by policy decisions first established decades ago and amplified by  
31 regional and national economic trends. Over the last 5 years, the  
32 crisis has intensified as the region's high-wage employment base  
33 has grown while regional housing production has not kept pace"  
34 (San Francisco Housing Needs and Trends Report (July 2018)).

35 (h) The San Francisco residential real estate market is one of  
36 the most expensive in the United States. In September 2022,  
37 RealtyHop reported that the median-priced home in San Francisco  
38 was \$1,388,500. A household earning the city's median household  
39 income of \$126,117 would have to spend almost 67% of its yearly  
40 income to afford the median priced home. While the national home

1 ownership rate is approximately 64 percent, only approximately  
2 36 percent of San Franciscans own their own home. The majority  
3 of market-rate homes for sale in San Francisco are priced out of  
4 the reach of low- and moderate-income households. In 2022, the  
5 average rent was \$3,340, which is affordable to households earning  
6 over \$133,600. The Black population of San Francisco, with a  
7 median household income of less than \$35,000 has little chance  
8 of being able to purchase or rent a home in the city. These factors  
9 contribute to a heavy demand for affordable housing in the city  
10 that the private market cannot meet.

11 (i) Some of the 7,498 affordable units constructed to replace  
12 the units removed as a result of urban renewal are no longer  
13 available at affordable housing cost to low- and moderate- income  
14 households because the income restrictions have expired. In  
15 addition, some of these units are in need of substantial  
16 rehabilitation or replacement if they are to continue to provide  
17 decent and safe affordable housing and address the housing needs  
18 of those displaced by urban renewal. For example, Freedom West  
19 Homes is a 382 unit housing cooperative constructed in 1974 to  
20 replace a portion of the housing units removed from the Western  
21 Addition Redevelopment Project Area. It suffers from deterioration  
22 and its affordability restrictions have expired.

23 (j) The removal of units as a result of urban renewal contributed  
24 to the significant decline in the Black population in San Francisco  
25 from a high of 13% of the population prior to the urban renewal  
26 project to the current 5.3%. The continued lack of affordable  
27 housing in the city further exacerbates this decline.

28 (k) San Francisco's housing situation is unique, in that median  
29 rents and sales prices are among the highest in the United States  
30 even though it has committed a significant amount of local funds  
31 to assist affordable housing development. A special law is  
32 necessary and a general law cannot be made applicable within the  
33 meaning of Section 16 of Article IV of the California Constitution  
34 because of the unique circumstances relating to the replacement  
35 of affordable housing demolished by the former redevelopment  
36 agency.

37 (l) It is the intent of the Legislature to authorize, subject to  
38 compliance with redevelopment dissolution law (Part 1.8  
39 (commencing with Section 34161) and Part 1.85 (commencing  
40 with Section 34170) of Division 24 of the Health and Safety Code),

1 the successor agency to the former redevelopment agency to issue  
2 bonds or incur other indebtedness for the purpose of financing the  
3 construction of replacement affordable housing units demolished  
4 and not replaced by the former redevelopment agency and the  
5 replacement of the obsolete replacement units that were constructed  
6 previously. The procedures and standards in the redevelopment  
7 dissolution law, as amended, will govern the issuance of bonds or  
8 incurrence of other indebtedness by the successor agency and will  
9 supersede those provisions in Chapter 661 of the Statutes of 2000  
10 requiring approval of the Department of Housing and Community  
11 Development. These bonds or other indebtedness may be secured  
12 by property tax revenues available in the successor agency's  
13 Redevelopment Property Tax Trust Fund from those project areas  
14 that generated tax increments for the former redevelopment agency  
15 upon its dissolution, if the revenues are not otherwise obligated.

16 (m) It is further the intent of the Legislature that the successor  
17 agency to the former redevelopment agency, to the greatest extent  
18 feasible, replace the amount of lost units, as previously certified  
19 by the Department of Housing and Community Development,  
20 according to the formulas in Section 33413 of the Health and Safety  
21 Code.

22 SEC. 2. Section 34177.7 of the Health and Safety Code is  
23 amended to read:

24 34177.7. (a) (1) In addition to the powers granted to each  
25 successor agency, and notwithstanding anything in the act adding  
26 this part, including, but not limited to, Sections 34162 and 34189,  
27 the successor agency to the Redevelopment Agency of the City  
28 and County of San Francisco shall have the authority, rights, and  
29 powers of the Redevelopment Agency to which it succeeded solely  
30 for the purpose of issuing bonds or incurring other indebtedness  
31 to finance:

32 (A) The affordable housing required by the Mission Bay North  
33 Owner Participation Agreement, the Mission Bay South Owner  
34 Participation Agreement, the Disposition and Development  
35 Agreement for Hunters Point Shipyard Phase 1, the Candlestick  
36 Point-Hunters Point Shipyard Phase 2 Disposition and  
37 Development Agreement, and the Transbay Implementation  
38 Agreement.

39 (B) The infrastructure required by the Transbay Implementation  
40 Agreement.

1 (C) *The replacement of the remaining 5,842 units of demolished*  
2 *affordable housing that were initially included in the total*  
3 *replacement housing obligation described in Chapter 661 of the*  
4 *Statutes of 2000 and subsequently certified by the Department of*  
5 *Housing and Community Development. To satisfy this replacement*  
6 *housing obligation and reduce the outstanding balance of units to*  
7 *be replaced, the successor agency may assist housing projects*  
8 *previously assisted by the Redevelopment Agency of the City and*  
9 *County of San Francisco but with expired, or threatened expiration*  
10 *of, affordability restrictions, provided that any successor agency*  
11 *assistance shall be conditioned on the requirement that the assisted*  
12 *units remain affordable to, and occupied by, persons and families*  
13 *of low- and moderate-income and extremely low and very low*  
14 *income households for the longest feasible time, but not less than*  
15 *55 years for rental units and 45 years for owner-occupied units.*

16 ~~(2) The~~

17 (2) (A) *For purposes of financing the obligations described in*  
18 *subparagraphs (A) and (B) of paragraph (1), the successor agency*  
19 *to the Redevelopment Agency of the City and County of San*  
20 *Francisco may pledge to the bonds or other indebtedness the*  
21 *property tax revenues available in the successor agency's*  
22 *Redevelopment Property Tax Trust Fund that are not otherwise*  
23 *obligated.*

24 (B) *For purposes of financing the replacement housing*  
25 *obligation described in subparagraph (C) of paragraph (1), the*  
26 *successor agency to the Redevelopment Agency of the City and*  
27 *County of San Francisco may pledge to the bonds or other*  
28 *indebtedness the property tax revenues that remain available for*  
29 *distribution to the City and County of San Francisco, as a taxing*  
30 *entity, from the Redevelopment Property Tax Trust Fund, after all*  
31 *preexisting legal commitments and statutory obligations funded*  
32 *from that revenue, excluding the replacement housing obligation*  
33 *described in this section, are made pursuant to Part 1.85*  
34 *(commencing with Section 34170) of Division 24. Property tax*  
35 *revenues allocated to the successor agency pursuant to this*  
36 *subparagraph for the replacement housing obligation shall not*  
37 *include any moneys that, notwithstanding the replacement housing*  
38 *obligation described in this section, are payable to local agencies*  
39 *other than the City and County of San Francisco, school districts*  
40 *that maintain kindergarten and grades 1 to 12, inclusive,*

1 *community college districts, or the Educational Revenue*  
2 *Augmentation Fund, pursuant to paragraph (4) of subdivision (a)*  
3 *of Section 34183.*

4 (b) Bonds issued pursuant to this section may be sold pursuant  
5 to either a negotiated or a competitive sale. The bonds issued or  
6 other indebtedness obligations incurred pursuant to this section  
7 may be issued or incurred on a parity basis with outstanding bonds  
8 or other indebtedness obligations of the successor agency to the  
9 Redevelopment Agency of the City and County of San Francisco  
10 and may pledge the revenues pledged to those outstanding bonds  
11 or other indebtedness obligations to the issuance of bonds or other  
12 obligations pursuant to this section. The pledge, when made in  
13 connection with the issuance of bonds or other indebtedness  
14 obligations under this section, shall have the same lien priority as  
15 the pledge of outstanding bonds or other indebtedness obligations,  
16 and shall be valid, binding, and enforceable in accordance with its  
17 terms.

18 (c) (1) Prior to issuing any bonds or incurring other  
19 indebtedness pursuant to this section, the successor agency to the  
20 Redevelopment Agency of the City and County of San Francisco  
21 may subordinate to the bonds or other indebtedness the amount  
22 required to be paid to an affected taxing entity pursuant to  
23 paragraph (1) of subdivision (a) of Section 34183, provided that  
24 the affected taxing entity has approved the subordinations pursuant  
25 to this subdivision.

26 (2) At the time the agency requests an affected taxing entity to  
27 subordinate the amount to be paid to it, the agency shall provide  
28 the affected taxing entity with substantial evidence that sufficient  
29 funds will be available to pay both the debt service on the bonds  
30 or other indebtedness and the payments required by paragraph (1)  
31 of subdivision (a) of Section 34183, when due.

32 (3) Within 45 days after receipt of the agency's request, the  
33 affected taxing entity shall approve or disapprove the request for  
34 subordination. An affected taxing entity may disapprove a request  
35 for subordination only if it finds, based upon substantial evidence,  
36 that the successor agency will not be able to pay the debt service  
37 payments and the amount required to be paid to the affected taxing  
38 entity. If the affected taxing entity does not act within 45 days after  
39 receipt of the agency's request, the request to subordinate shall be  
40 deemed approved and shall be final and conclusive.

(d) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds or other obligations authorized by this section, the pledge of revenues to those bonds or other obligations authorized by this section, the legality and validity of all proceedings theretofore taken and, as provided in the resolution of the legislative body of the successor agency to the Redevelopment Agency of the City and County of San Francisco authorizing the bonds or other indebtedness obligations authorized by this section, proposed to be taken for the authorization, execution, issuance, sale, and delivery of the bonds or other obligations authorized by this section, and for the payment of debt service on the bonds or the payment of amounts under other obligations authorized by this section. Subdivision (c) of Section 33501 shall not apply to any such action. The department shall be notified of the filing of any action as an affected party.

(e) Notwithstanding any other law, including, but not limited to, Section 33501, an action to challenge the issuance of bonds or the incurrence of indebtedness by the successor agency to the Redevelopment Agency of the City and County of San Francisco shall be brought within 30 days after the date on which the oversight board approves the resolution of the agency approving the issuance of bonds or the incurrence of indebtedness under this section.

(f) The actions authorized in this section shall be subject to the approval of the oversight board, as provided in Section 34180. Additionally, the oversight board may direct the successor agency to the Redevelopment Agency of the City and County of San Francisco to commence any of the transactions described in subdivision (a) so long as the agency is able to recover its related costs in connection with the transaction. After the agency, with approval of the oversight board, issues any bonds or incurs any indebtedness pursuant to subdivision (a), the oversight board shall not unilaterally approve any amendments to or early termination of the bonds or indebtedness. If, under the authority granted to it by subdivision (h) of Section 34179, the department either reviews and approves or fails to request review within five business days of an oversight board approval of an action authorized by this section, the scheduled payments on the bonds or other indebtedness shall be listed in the Recognized Obligation Payment Schedule



1 and shall not be subject to further review and approval by the  
2 department or the Controller. The department may extend its review  
3 time to 60 days for actions authorized in this section and may seek  
4 the assistance of the Treasurer in evaluating proposed actions under  
5 this section.

6 (g) Any bonds or other indebtedness authorized by this section  
7 shall be considered indebtedness incurred by the dissolved  
8 redevelopment agency, with the same legal effect as if the bonds  
9 or other indebtedness had been issued, incurred, or entered into  
10 prior to June 28, 2011, in full conformity with the applicable  
11 provisions of the Community Redevelopment Law that existed  
12 prior to that date, shall be included in the successor agency to the  
13 Redevelopment Agency of the City and County of San Francisco's  
14 Recognized Obligation Payment Schedule, and shall be secured  
15 by a pledge of, and lien on, and shall be repaid from moneys  
16 deposited from time to time in the Redevelopment Property Tax  
17 Trust Fund established pursuant to subdivision (c) of Section  
18 34172, as provided in paragraph (2) of subdivision (a) of Section  
19 34183. Property tax revenues pledged to any bonds or other  
20 indebtedness obligations authorized by this section are taxes  
21 allocated to the successor agency pursuant to subdivision (b) of  
22 Section 33670 and Section 16 of Article XVI of the California  
23 Constitution.

24 (h) The successor agency to the Redevelopment Agency of the  
25 City and County of San Francisco shall make diligent efforts to  
26 ensure that the lowest long-term cost financing is obtained. The  
27 financing shall not provide for any bullets or spikes and shall not  
28 use variable rates. The agency shall make use of an independent  
29 financial advisor in developing financing proposals and shall make  
30 the work products of the financial advisor available to the  
31 department at its request.

32 SEC. 3. The Legislature finds and declares that a special statute  
33 is necessary and that a general statute cannot be made applicable  
34 within the meaning of Section 16 of Article IV of the California  
35 Constitution because of the unique circumstances relating to the  
36 replacement of affordable housing demolished by the former  
37 Redevelopment Agency of the City and County of San Francisco,  
38 as described in Section 1 of this act.

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