



INDUSTRY ALERT

December 30, 2011

California Eliminates Redevelopment Agencies – Affordable Housing Faces Funding Issues

Synopsis:

On December 29, 2011, the California Supreme Court ruled on [two bills](#) that effectively abolish redevelopment agencies, a major source of funding for affordable housing in California.

Suggested Action:

Many California legislators aimed to save the redevelopment funds that made affordable housing feasible so there will undoubtedly be much activity in the coming weeks. Meanwhile, please read the Ruling and [contact](#) your Reznick Group representative if you have any questions. Reznick Group will keep you abreast of future developments as they occur.

Issue:

The California Supreme Court ruled in response to the validity of two bills passed by the California Legislature in September 2011 which were intended to address the state's budget deficit: AB 26X abolished redevelopment agencies while its companion, AB 27X, allows the agencies to continue if they made payments into funds benefiting schools and special districts in the state.

The California Supreme Court upheld as constitutional AB 26X which abolished these agencies and it severed AB 27X. AB 27X was then invalidated effectuating the elimination of redevelopment agencies. Accordingly, redevelopment agencies may not take on any new obligations and must wind down their existing operations which will be transferred to designated "successor agencies."

The consequence of eliminating redevelopment agencies in California effectively strips the primary source of soft financing for affordable housing projects.

Contact:

Please [contact](#) your affordable housing professional if you have any questions or visit us online at <http://reznickgroup.com/industries/real-estate/affordable-housing>.

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