
Fitch: California Redevelopment Agencies Return.

Fitch Ratings-New York-26 September 2014: California legislation likely to be adopted in the coming days will expand local government's options for funding infrastructure projects. The law offers local governments a renewed ability to issue tax increment debt — an option eliminated by California's dissolution of redevelopment agencies in 2012. However, the law restores this option under more limited circumstances and is unlikely to be utilized to the same degree.

California had over 400 redevelopment agencies prior to their dissolution in 2012 that received more than $5 billion of property tax annually and issued tens of billions of dollars in debt. Those redevelopment agencies addressed a broad range of urban improvements and were funded by local property taxes whether or not the district's or town's voters had approved them.

Redevelopment activities will be limited to infrastructure improvements under the new legislation. Financing will continue to come from growth in local property taxes, but the share of taxes due to schools will not be available to the new infrastructure financing districts, which will only have access to revenue from local governments that elect to join them.

Fitch expects that a requirement for voter approval of debt issuances by the new districts will also limit their utilization. The 55% approval threshold for new infrastructure debt is lower than the two-thirds requirement for most general obligation bonds (other than those supporting local schools), but is still likely to be a steep hurdle in many parts of the state.

Contact:

Stephen Walsh
Director
U.S. Public Finance
+1 415 732-7573
650 California Street
San Francisco, CA

Rob Rowan
Senior Director
Fitch Wire
+1 212 908-9159
33 Whitehall Street
New York, NY

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available on www.fitchratings.com.

The above article originally appeared as a post on the Fitch Wire credit market commentary page.

The original article, which may include hyperlinks to companies and current ratings, can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.