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Brown's Countdown, Day 61: Cities shift redevelopment funds to foil plan

rlewis@sacbee.com

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Local government leaders across California are hurriedly shifting redevelopment agency properties and money into city coffers ahead of a possible state move to abolish redevelopment and redistribute unspent funds.

It's unclear if such maneuvers will work. Gov. Jerry Brown's proposed budget also contains language allowing some of the transfers to be reversed or at the least wind up in court.

"This is going to be lawyers' delight," said John Shirey, executive director of the California Redevelopment Association.

Among the moves this week:

- Sacramento city officials approved the transfer of \$1.4 million in redevelopment money to the city for a museum project and a promenade along the river.
- The city of Los Angeles passed a series of measures aimed at tying up \$1 billion in redevelopment funds in contracts, projects and loans.
- The city of Santa Clara transferred \$205 million plus 178 acres of property from its redevelopment agency to other local entities, including the authority working on a new stadium for the 49ers.
- Alameda County transferred 11 properties from its agency to the county and tied up \$61.5 million in redevelopment funds through loans, contracts and agreements.

The last-minute transfers come as state lawmakers near a vote on the budget, which includes Gov. Jerry Brown's proposal to eliminate the roughly 400 local redevelopment agencies statewide and redistribute the funds. The Governor's Office projects the move will erase \$1.7 billion of the state's \$26.6 billion budget deficit.

Brown continued to negotiate details of his budget proposal with Republicans on Thursday.

Redevelopment agencies are funded largely through tax-increment financing. They take the annual increase in property tax revenue for a given area – money that would otherwise go to schools, counties and others – and use the funds for redevelopment projects in that same area.

The state reimburses the schools for the lost revenue at a cost of nearly \$2 billion a year. It's that expenditure Brown wants to eliminate.

Redevelopment supporters say this week's moves were necessary to protect vital funds and projects.

"I'm seeing people say, 'We'd better do everything we can to hang on to community assets before the state takes them,' " Shirey said.

The Governor's Office and finance officials, however, rebutted the notion that the state wants to take the assets cities are scrambling to keep.

"The idea that the state is seizing all of these things is not particularly accurate," said Evan Westrup, a spokesman for Brown's office.

Under Brown's proposal, redevelopment agency property would be sold and the proceeds divided among the cities, counties, school districts and other local entities, finance spokesman H.D. Palmer said, so moves to protect the assets – transferring parking lots, buildings and other properties to a city, for example – could limit the amount those other local government bodies get if lawmakers eliminate redevelopment agencies.

In addition to transferring assets, some cities are rushing to sign contracts and approve loans in the hope that such legal obligations will increase property tax revenue they can keep.

The governor's proposal acknowledges some tax-increment funds will still be needed to pay off existing bond debt and contracts even if the state does away with redevelopment agencies.

As a result, some local governments passed measures to obligate funds. Locally, the Sacramento City Council on Tuesday approved transferring about \$880,000 from the redevelopment agency to the city for the Powerhouse Science Center and \$525,000 for a promenade from Tower Bridge to Miller Park.

"Those are projects we've been working on for years," said city spokesman Maurice Chaney. "It's important to secure that funding."

Next week the council will consider shifting \$600,000 in agency funds for pre-development on the 700 and 800 blocks of K Street, Chaney said.

Brown's office blasted such moves.

"By sequestering billions of taxpayer dollars, fast-tracking projects and sheltering assets, while teachers are receiving layoff notices and police departments are pondering cuts, bloated redevelopment agencies are making a strong case for their own demise," said Westrup, the governor's spokesman.

The cities' moves might not hold up, finance officials said. Language in a draft budget bill would create oversight boards to monitor the unwinding of redevelopment agencies. Such panels – made up of representatives from schools, counties, cities and other taxing bodies – would have some authority to decide which obligations were legally enforceable and which they could void, Palmer said.

The draft bill would also give the state three years to review the last-minute agency moves. If the state objected, officials could sue to overturn some of the cities' actions, Palmer said.

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Call The Bee's Robert Lewis, (916) 321-1061.