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State Legislature effectively kills redevelopment agencies

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In a long-anticipated move, the state Legislature on Wednesday abolished the state's redevelopment agencies, but with a catch:

Agencies that agree to divert a certain amount of the property tax they collect to schools, fire protection districts and transit districts can continue to exist as agencies.

For fiscal year 2011-12, which starts July 1, each of the state's 398 active agencies would have to pay its share of \$1.7 billion -- and its part of \$400 million beginning in the following fiscal year.

In San Jose, that amounts to \$62 million next year and about \$15 million in the years following.

But city officials say that scenario appears unlikely. The city's general fund, they note, is already having to cover \$20 million of the struggling agency's costs in the fiscal year that starts July 1.

"It looks like an impossible demand to meet," said Mayor Chuck Reed, who called the Legislature's vote unconstitutional and said he expects litigation over the decision will follow.

According to the legislation, if San Jose's agency cannot make its payments, then it will be replaced by a "successor agency," most likely the city, that will dole out the agency's massive debt payments.

"This is just one of the most horrible things that could be done right now because it will put agencies out of business overnight, literally," said San Jose's redevelopment chief, Harry Mavrogenes, whose last day at the agency is a week from

Friday. He called the Legislature's vote an act of

"blackmail."

"It's blackmail in the sense that it requires agencies to pay huge sums of money that most of us will not have in order to stay alive," Mavrogenes said.

The vote also affects affordable housing, which receives 20 percent of the property tax each agency collects annually.

"This has an impact, but we do have lots of other funding sources," said Leslye Corsiglia, the city's housing director. "It does not mean the city's affordable housing goes away."

John Shirey, executive director of the California Redevelopment Association, which represents the state's 398 active agencies, blasted the Legislature's decision, saying it violates several constitutional provisions that prohibit the state from forcing local governments to shift revenues to state purposes or other agencies.

He said the association is prepared to sue.

Wednesday's vote on redevelopment agencies is part of the proposed state budget for next year that must be signed by Gov. Jerry Brown within 12 days. At that time, all proposed agency contracts would dissolve.

To beat Brown to the punch, Reed said he will decide by noon Thursday whether to schedule a special redevelopment agency meeting on Friday to vote on any pending agency contracts.



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