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Agencies are left in limbo

By Adam Weintraub, The Associated Press

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SACRAMENTO - Gov. Jerry Brown has been pushing since January to abolish California's redevelopment agencies, and last week's flurry of budget activity pushed them one step closer to the brink.

What's beyond that brink? Progress, unemployment or a lawsuit against the state, depending on whom you ask. In the meantime, the uncertainty is disrupting work on development projects throughout the state.

The Legislature on Wednesday approved a state budget backed by Democrats. While the main bills were vetoed swiftly by Brown, two bills that would eliminate some 400 redevelopment agencies and allow creation of new agencies were passed but not transmitted to the governor.

Supporters said the overhaul of the state's redevelopment agencies would bring in \$1.7 billion, money that would be directed primarily to schools, law enforcement and other local services. The legislation also would tighten the rules for agencies that often are seen as providing easy money to private developers for projects that may do little to fight blight.

"This bill is not an assault on redevelopment," said Assemblyman Bob Blumenfield, D-Sherman Oaks, who presented the budget bills. "It fixes a flawed funding method."

Opponents used words like "ransom" and "extortion" to describe the bills because they would allow community redevelopment agencies to exist in a new form only if local governments agreed to make substantial payments to the state.

They said

many agencies would not be able to come up with the cash and would have to shut down, killing a source of financing for public improvements and the construction jobs they create.

"The only purpose of this legislation is to save the state from having to cut its spending by the amount it forces the cities to pay. Not one penny of this money is returned to taxpayers," said San Diego City Attorney Jan Goldsmith in a prepared statement Thursday.

Even critics of the agencies blasted the "voluntary" payments. Redevelopment agencies "do need substantial reform if not elimination," said Assemblyman Don Wagner, an Irvine Republican, but he compared the payments to the extortion schemes portrayed on the cable television crime drama "The Sopranos."

Amid the tensions of the day, a call for Wagner to apologize to Italian-Americans escalated to the brink of a shoving match on the Assembly floor.

Brown vetoed the main budget bill Thursday morning, angering Democratic lawmakers and reopening the door to so-far fruitless negotiations with GOP legislators over tax extensions, a state spending cap, reduced pension costs and regulatory reforms.

But the Legislature did not send any of the other budget bills to the governor, including the redevelopment package.

For redevelopment agencies and local governments around the state, that leaves the bills sitting like a death sentence without a signature.

If Brown signs them, dozens of agencies believe they will not be able to make the payments required



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to continue operation under the new system. Hundreds more are still crunching the numbers but fear the worst.

The city of Oakland estimates it would have to find \$41 million not already allocated for other uses to keep redevelopment projects going if the bills become law, Mayor Jean Quan said.

"We're not even sure we could do it," she said.

If not, the city would have to stop work on about a dozen affordable housing projects.

Redevelopment agencies were created in California in the 1950s as a way to provide more housing and reverse urban blight. The agencies typically finance improvements using bonds or other money, with the money eventually repaid using the increased property taxes that result from the improvements.

Because that so-called "tax increment" is devoted to paying off the initial investment by the agency, it is not available to local governments. The state makes payments to replace the amount lost by schools.

The need to reduce state spending to close a \$9.6 billion budget deficit makes an attractive argument to eliminate those "backfill" payments by scrapping the agencies.

Stories about luxury retail projects supported by the agencies and seizing private property through eminent domain for commercial developments helped bring allies to the side seeking to abolish the agencies.

But when they work, supporters say, redevelopment agencies are among the most powerful tools available for local governments to revitalize communities.

Quan points in particular to the successful renovation of the area around Oakland's Fox Theater, which is ahead of schedule in repaying the initial investment. Among those backing the redevelopment project was Brown, the former Oakland mayor.

Some local government officials and the California Redevelopment Association contend that the bills are an attempt to get around certain laws, including Proposition 22, the ballot measure approved by voters last year to prevent the state from raiding

local tax money.

"You can't do indirectly what you're prohibited from doing directly," said Chris McKenzie, executive director of the League of California Cities. "The Legislature has done exactly what the voters said they could not do."

The league's attorneys are preparing to sue if Brown signs the bills, he said.

"They have dealt us an incredibly strong hand for litigation," he said.



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