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Redevelopment agencies' new bill targets Feb. 1 deadline

By **John Howard** | 01/05/12 12:00 AM PST

Hundreds of redevelopment agencies across California are poised to dismantle their operations in less than a month, but new legislation backed by the agencies was poised to be introduced as early as next week that would provide several months of breathing space to cut a new deal.

The state Supreme Court's decision ordering some 400 agencies to be abolished takes effect Feb. 1. The agencies hope to push back that deadline to to April 15 negotiate a new agreement with the Brown administration and Legislature that would keep a reconfigured redevelopment system in place. A second bill, reflecting any negotiated agreements, also will be proposed.

The breathing spell would provide time for an arrangement that supporters say is likely to include a new revenue provision for the state stemming from local property taxes.

The delay is necessary, they added, because the court's ruling effectively gave them only a month to dismantle the redevelopment agencies, a complex task.

The two-step package signed by Brown for the strapped 2011-12 budget abolished the agencies to capture some \$1.7 billion in redevelopment funds, but left open the option of letting them remain in existence if they paid fees – a provision that the court struck down. The court's two-pronged decision effectively eliminates the agencies entirely.

Redevelopment has been a fixture in California government for more than 60 years. The idea is that agencies use tax money to eliminate blight and improve the economic climate of communities, then reap rewards when the improved property yields great tax receipts.

But numerous news reports have identified communities that used redevelopment funds to pay for salaries, bloated perks for officials and projects that had little or nothing to do with eliminating blight.

Despite the problems, there appears to be an interest in the Democrat-controlled Legislature among both parties to keep redevelopment in some form.

"It appears to be positive," said Jim Kennedy of the California Redevelopment Association. Legislation proposed to delay the Feb. 1 deadline "certainly is a precursor to the second bill we are working on to reestablish redevelopment going forward in a somewhat different form. It will include a revenue piece that will be beneficial to the state."

Assembly Speaker John Perez said the court's decision validated the Legislature's authority to eliminate the redevelopment agencies, but said the court also blocked the creation of "smaller, more targeted redevelopment agencies that fully funded affordable housing."

"Despite the Court's action blocking our creation of the smaller RDAs that protected affordable housing funding, we remain committed to finding affordable housing solutions and making smart economic development investments in our local communities," Perez said in a statement released earlier through his office. Republicans, however, are divided on the issue, with some viewing redevelopment agencies as a positive force for jobs and economic development, while others see them as a conduit for political pork.

Lawmakers were meeting Wednesday in caucuses for the first time since the court's decision. On the Senate side, Republicans were choosing a new GOP leader and have not yet taken a caucus position on the new legislation.

Meanwhile, one of the Democrats' staunchest labor supporters demanded that lawmakers meet immediately to restore redevelopment.

"Construction employment plunged between 30 and 40 percent in the last three years, especially in the construction trades," said State Building and Construction Trades Council President Bob Balgenorth.

"Redevelopment puts people to work and construction spending stimulates the economy. The state and its local communities need redevelopment."

The state Supreme Court decision followed a legal challenge mounted last year by the California Redevelopment Association, the League of California Cities and the cities of Union City and San Jose. They contended that that using the redevelopment funds for state purposes violated the will of the voters, who in 2010 approved a ballot initiative protecting redevelopment funds.

The governor and Legislature approved two bills to ease strain on the state budget – one to eliminate the agencies, the other to allow them to stay in existence if they agreed to pay \$400 million a year to schools and special districts.

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