

REDEVELOPMENT 101

Presented by Gloria Bruce to Causa Justa: Just Cause in April 2012

What is (was) redevelopment?

A set of land-use and taxing powers enacted in the late 1940s and 1950s by California state law, establishing agencies to improve lower-income communities through targeted processes of real-estate investment and incentives

Three main powers:

- Eminent domain: acquiring and assembling land from willing or unwilling sellers
- Establishing project areas: Surveying neighborhoods or areas and declaring them “blighted,” and therefore subject to redevelopment powers
- Collecting and borrowing against tax-increment: Controlling the incremental increase in property taxes within a project area and using those future funds to bond or borrow against

Restrictions/requirements:

- 20% of redevelopment revenues must be set-aside to create or preserve low- and moderate-income housing
- 15% of total housing built within a redevelopment area must be affordable
- Most redevelopment agencies had a Project Area Committee (PAC) made of residents and business owners who monitored and advised on projects
- Since 1990s, mandatory pass-throughs of some revenues to other county entities (schools, etc)

Scope of Redevelopment in California¹

- \$1.7 Billion estimated budget savings annually from shifting redevelopment funds to general fund
- \$3.14 Billion in total housing fund balances statewide in fiscal year 2009-2010
- Prior to dissolution, 400 active agencies across the state
- Amount estimated from low-moderate housing funds alone: \$1 B annually
- An estimated 75,750 low-mod housing units preserved or constructed between 1995-2010

¹ Most figures from the California Department of Housing and Community Development (www.hcd.ca.gov)

What Happened?

Early 2011 – Governor Brown declares goal of eliminating redevelopment to achieve budget solutions

Mid-2011 - Legislature passes AB 26 and AB 27, eliminating agencies but allowing some to stay active if they make a “voluntary payment” to schools; California Redevelopment Agencies claims this is unconstitutional and sues

December 29, 2011 – California Supreme Court rules essentially to eliminate agencies and the “pay to play” option

February 1, 2012 – Agencies officially dissolved and activities taken over by “**successor agencies**” (usually the city council/government)

February – May, 2012: Successor agencies figuring out their obligations; jurisdictions establishing **oversight boards** to monitor their activities

Locally – The Good, the Bad, and the Broke

San Francisco

- Combined city and county so is not “sharing” tax revenues with another jurisdiction
- Created “firewall” between Redevelopment monies and staff and rest of city
- Started “infrastructure financing districts as an alternative to redevelopment

Oakland

- 40% of city’s land in redevelopment project areas
- Potentially \$28 M budget gap over 2 years
- 80+ layoffs initially estimated; so far 8 carried out
- \$785 million in debt; \$788 obligated to existing/planned projects such as MacArthur BART

San Jose

- Had nearly 19,000 acres in redevelopment areas
- Starting in 2010, reduced agency from 119 employees to 10 employees (SPUR)
- Invested in 11,000 affordable housing units, and 9,000 market rate housing units

What’s next?

- Monitor oversight boards
- Advocate for new sources of *revenue* like **Senate Bill 1220, the HOMeS Act**
- Storytelling to stop pitting crucial services against each other

- Find new creative ways to create community benefits, like concept of “land value recapture”