

To: League Regional Managers

From: Dan Carrigg and Dwight Stenbakken

Re: City Action Alert Related to Potential Budget Proposal to End Redevelopment

Date: Wednesday, January 4, 2011

The Issue:

Over the last few days, various press accounts have mentioned a potential budget proposal by our new Gov. Jerry Brown that would “end redevelopment.” The Administration has not confirmed this account when repeatedly questioned by the press, but they have not denied it either. Based on a number of contacts made by the League and the California Redevelopment Association, this has all the appearance of being a credible threat. But we have also heard that these ideas may remain under discussion with the Governor’s advisors. Thus, there may remain an opportunity to alter it.

On its face, the idea raises many legal, technical and political issues.

Just a mere two months ago, California voters picked their way through a crowded ballot and approved Proposition 22 by 61 percent, a measure designed to protect various local revenues — including redevelopment — from state raids. The voters’ position on this issue was no surprise because repeatedly they have voted to protect local revenue from the state — take for example Prop. 1A of 2004, which passed by more than 80 percent. Moreover, poll after poll demonstrates that voters view their local governments as much more accountable and trustworthy than the state.

Then there are the legal issues. Attempting to arbitrarily end local redevelopment agencies or projects will jeopardize the ability of local agencies to pay investors in redevelopment bonds, likely triggering an upheaval in the financial markets, undercutting the confidence of all California bonds. Other constitutional issues involving Prop. 22 and other protections could be triggered as well.

From a policy standpoint, such a radical proposal makes no sense in a state with unemployment rate of more than 12 percent, a monstrous infrastructure deficit and recently passed policies championing more infill development. Redevelopment, which has been around since the 1950’s, is a tool for building things. It builds and improves communities, spurs job growth and taxes and is the most significant provider of infrastructure, urban development and affordable housing in the state.

Redevelopment is a job engine and a catalyst for growth. Statewide redevelopment supports an average of 304,000 full-and part-time jobs in a typical year, including 170,600 construction jobs. Annually, redevelopment typically generates \$2 billion in state and local taxes, which are needed for vital state and local services. It is also a primary source of funding for green and sustainable infill development, including

implementation of CALGREEN standards. Redevelopment has financed more than 98,000 units of affordable housing in the state, second only to the federal government in affordable housing funding.

A lack of budgetary discipline is a significant cause of the demise of state government in recent decades. This has been exasperated by a tendency of state government to rely on legally-flawed tricks and gimmicks that have helped sink the state to the bottom of the nation when it comes to fiscal responsibility. A “budget solution” including new efforts to raid or undercut local government funds is certain to be remembered by voters when the state looks for \$8-\$9 billion in tax extensions at an expected special election in June.

League Action Request:

The stakes are too high to remain silent. We are asking mayors in cities with redevelopment agencies to make three contacts.

- 1) The Governor’s Office. *Email jacque.roberts@gov.ca.gov.*
(The Administration is still staffing up; for now, the best way to contact the Governor is to email Jacque Roberts. She will track the information from mayors and provide the contacts to the appropriate staff.)
- 2) Your legislators. *For updated contact information of legislators, please visit www.leginfo.ca.gov.*
- 3) To your local newspaper.

Key Talking Points:

- 1) Voice concerns about a proposal that would attempt to shut down your city’s redevelopment agency. Stress how the City of _____’s redevelopment agency has been vital for our community.
- 2) Provide several examples of the types of local projects that redevelopment has assisted with. Also give examples of projects that would not move forward if redevelopment authority for new projects is ended.
- 3) Mention redevelopment’s importance to you local economy. The jobs it has produced in both construction and the private sector business that have located in redevelopment areas.
- 4) Mention the affordable housing and transit-oriented development that has been created.
- 5) Express your concerns about the potential legal implications of such a measure and affect on bondholders and financial markets, and how the state’s voters validated their support for retaining local authority and revenues with Prop. 22.

- 6) Describe how your city would have few options if the redevelopment tool is removed.
- 7) Request that this proposal not be pursued.