California State Legislature

Senate Local Government Committee

WINDING DOWN: PREPARING FOR THE END OF OLDER REDEVELOPMENT PROJECTS

The Summary Report from the Informational Hearing

February 20, 2008
State Capitol
Sacramento, California

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California Legislature

Senate Committee

on

Local Government

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Wednesday, February 20, 2008
State Capitol, Sacramento

This summary report also appears on the Senate Local Government Committee's webpage: www.sen.ca.gov/locgov

Winding Down: Preparing for the End of Older Redevelopment Projects

On Wednesday morning, February 20, 2008, the Senate Local Government Committee held an informational hearing in the State Capitol to explore how local officials are preparing to meet the statutory time limits facing older redevelopment agencies' project areas.

After acting on bills during its regular hearing, the Committee began the informational hearing at 10:20 a.m. which continued until 11:35 a.m.

With about 40 people in the audience, the Committee members heard from redevelopment agency staff and county officials. All five members of the Committee attended:

Senator Gloria Negrete McLeod, Chair
Senator Dave Cox, Vice-Chair
Senator Tom Harman
Senator Christine Kehoe
Senator Michael J. Machado

This summary contains the Committee's staff explanation of what happened at the hearing [see the ***white*** pages], reprints the Committee's briefing paper [see the ***blue*** pages], and reproduces the speakers' written materials [see the ***yellow*** pages].

Four Key Points

Attempting to distill detailed policy discussions necessarily glosses over important details and subtle nuances. But after carefully considering the witnesses' statements and the written materials, the Committee's staff identified four key points that emerged from the February 20 hearing:

- Redevelopment officials from Sacramento and San Diego noted the intricate administrative and legal procedures they must follow as the time limits approach.

- Los Angeles, Orange, and Santa Clara County officials look forward to the end of the oldest redevelopment project areas, and the return of the property tax revenues that redevelopment agencies have been diverting from their county governments.

- Residents from both San Diego and San Francisco want more influence over how redevelopment officials prepare to shut down their oldest project areas.

- Legislators expressed no interest in extending the statutory time limits.

The Witnesses

Nine people spoke to the Committee about the statutory time limits that older project areas face. The witnesses provided the written materials that appear in the ***yellow*** pages. The Committee also received information from a resident of San Diego's City Heights neighborhood and the Anaheim Redevelopment Agency.

The Committee received an initial staff briefing about the statutory time limits:

Peter Detwiler, Staff Director*
Senate Local Government Committee

The first panel looked at "Redevelopment Agencies and Time Limits" and featured:

Nancy Graham, President*
Centre City Development Corporation, San Diego

Frank Alessi, Chief Financial Officer
Centre City Development Corporation, San Diego

Lisa Bates, Deputy Executive Director
Sacramento Housing and Redevelopment Agency

County officials then discussed "The Effects of Redevelopment Time Limits":

Peter Kutras, County Executive Officer*
County of Santa Clara

Thomas M. Tyrrell, Principal Deputy County Counsel*
County of Los Angeles

Supervisor Chris Norby*
County of Orange

Finally, two people spoke to the Committee during its public comment period:

Ace Washington, a resident of San Francisco's Western Addition neighborhood.

Anthony Gonsalves, Legislative Advocate
City of Industry

[* Written material appears in the ***yellow*** pages.]

What They Said

Senator Negrete McLeod opened the hearing by noting that this was the Legislature's first hearing "to review how redevelopment agencies, counties, and residents are getting ready to shut down California's oldest project areas." The Committee Chair reassured the witnesses that, "We're not here to play 'gotcha' or to pick on local officials. We're not going to embarrass any particular community. But we need to know more about what's going to happen."

Peter Detwiler took the Committee members through the highlights of the briefing paper, and then asked, "So, what's going to happen, starting next January 1? Frankly, we don't know very much. The data are vague and incomplete." Detwiler handed out a chart listing the 34 oldest redevelopment project areas that will hit the January 1, 2009 time limit. The chart also showed that "another 13 project areas must stop by January 1, 2010, and 10 more the next year."

Reviewing the Centre City Development Corporation's experiences with redevelopment in downtown San Diego, **Nancy Graham** told the Committee that the 1972 Horton Plaza project area would cease operations in phases. More important than the statutory time limits was the cap on diverting property tax increment revenues. CCDC will hit its revenue cap before it hits the time limits. She and her staff manage their final efforts by conducting quarterly reviews and making annual adjustments. **Frank Alessi** helped answer questions about revenues.

Lisa Bates explained that her Agency was the first to use SB 211 (Torlakson, 2001) to extend the life of the Del Paso Heights Project Area in 2003, and the Downtown Project Area in 2005. SHRA officials will allow two other project areas --- Alkali Flat and Walnut Grove --- to expire when they hit the time limits. Although laborious, the time extension permitted by SB 211 has been useful for SHRA which believes that "blight is the foundation for redevelopment."

Pete Kutras reminded legislators that he talked to them in 2005 about these topics, and that redevelopment remains an "issue of concern" for Santa Clara County. It is "imperative" that legislators resist calls to change past redevelopment reforms. Older project areas should not continue unless redevelopment officials document remaining blight. Redevelopment results in "unilateral, involuntary" fiscal effects on county governments. One phase of San José's merged project area will stop in 2009 and another in 2010, with the other phases finishing later. Because the "promise and premise" of redevelopment was to eradicate blight, he urged legislators "not to succumb" to extension requests.

Tom Tyrrell set the fiscal context for Los Angeles County's concerns about redevelopment by telling legislators that counties feel squeezed between the costs of program mandates and the diversion of discretionary revenues. Because the majority of counties' own-source revenues comes from property taxes, the diversion of property tax increment revenues is crucial. "The bargain that was made in 1993" should be kept, Tyrrell said, alluding to the time limits set by AB 1290 (Isenberg, 1993). He distributed charts showing the amount of property tax increment revenues that his County could lose if certain older project areas gained 10-year extensions. It is a "step in the right direction" to hold fast to the statutory time limits. "We hope that the state will recognize its own interest."

Orange County **Supervisor Chris Norby** told legislators that his County lost over $500 million to redevelopment agencies in 2005-06, and $5.5 billion over the last 15 years. He handed out copies of a "very timely" Dan Walters' column from that morning's *Sacramento Bee*. Redevelopment only helps counties when the projects end and the property tax increment funds are returned. The time limits "have been well-known for years and should be enforced." Norby concluded by saying that counties "need this money returned to serve real people."

During the public comment period, a resident of San Francisco's Western Addition neighborhood, **Ace Washington,** spoke to the Senators. The Western Addition project is the oldest remaining redevelopment project area, but it has an "unfinished agenda" that he and other residents care about. It would be "unacceptable" for San Francisco's Redevelopment Agency to leave the Western Addition without finishing redevelopment's goals. Washington wanted residents to have a greater say in how officials complete redevelopment activities.

Anthony Gonsalves spoke as the City of Industry's lobbyist, referring to the Dan Walters column distributed by Supervisor Chris Norby. Gonsalves said that the property owned for a stadium in the City of Industry is not in a redevelopment project area and there would be no redevelopment subsidy for the proposed stadium.

The Committee also received a letter from **Jim Varnadore**, a resident of San Diego's City Heights neighborhood. He was skeptical of CCDC's ability to manage the final phases of redevelopment in downtown San Diego, but praised the City Heights Redevelopment Project. He recommended that legislators allow Project Area Committees "to participate in the development of annual project budgets." Further, state law should expand the role of Project Area Committees because residents are "a fountain of local wisdom and knowledge."

Elisa Stipkovich sent a memorandum to the Committee that explained how the Anaheim Redevelopment Agency merged its project areas and then in 2006 extended the time limit by 10 years, using procedures set by SB 211 (Torlakson, 2001). One of the primary reasons for Anaheim's extension was to help implement its plans for affordable housing. Her memorandum documented the steps that Anaheim officials took to comply with SB 211.

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Winding Down: Preparing for the End of Older Redevelopment Projects

A Briefing Paper for the Informational Hearing

State Capitol, Room 112
Wednesday, February 20, 2008

Summary

State law lets redevelopment agencies divert other local governments' property tax increment revenues so that they can fight physical and economic blight. *The existence of blight is the key test for getting access to these revenues.*

Redevelopment agencies divert over $4 billion in property tax increment revenues annually from counties, cities, special districts, and school districts. *The State General Fund must backfill the schools' losses, about $2 billion a year.*

To stave off more radical reforms, the California Redevelopment Association sponsored the 1993 bill that created the first statutory time limits for older redevelopment project areas:

> For redevelopment activities, 40 years from the plan's adoption or January 1, 2009, whichever is later.
>
> For property tax increment revenues, 10 years after the redevelopment activities end. In other words, by 2019 or 50 years after the plan's adoption.

Legislators granted special extensions for redevelopment projects that had to shift their property tax increment revenues to schools, for meeting affordable housing obligations, for San Francisco's affordable housing activities, and for redevelopment activities near the Los Angeles Memorial Coliseum.

In 2001, the California Redevelopment Association successfully sponsored legislation that allows redevelopment officials to extend the 40-year deadline for 10 more years, but only if they could show that significant blight remained. The extra money can only attack that remaining blight, and redevelopment officials must increase their support of affordable housing. These time extensions require state officials' review and face the possibility of local referenda.

The first deadline for stopping redevelopment activities is less than a year away --- January 1, 2009. Legislators should educate themselves about local practices and the law's consequences.

Winding Down: Preparing for the End of Older Redevelopment Projects

January 1, 2009 is the time limit for the oldest redevelopment project areas to stop functioning. *How are property owners, redevelopment officials, and others preparing to end redevelopment activities in these older redevelopment projects?*

On Wednesday morning, February 20, 2008, the Senate Local Government Committee will hold an informational hearing to explore this question. One of the central duties of any legislative body is to review how their statutes work and to determine if legislators should amend those laws. Informational hearings allow legislators to study policy issues before they become political controversies.

Bills affecting the governance, financing, and operations of community redevelopment agencies come to the **Senate Local Government Committee** whose five members are:

Senator Gloria Negrete McLeod, Chair
Senator Dave Cox, Vice Chair
Senator Christine Kehoe
Senator Tom Harman
Senator Michael J. Machado

Redevelopment has literally changed the way that California looks, mostly for the better. Tens of thousands of affordable housing units, hundreds of thousands of square feet of commercial and industrial space, and hundreds of public buildings exist today because of decades of hard work by redevelopment agencies. A study from California State University, Chico "indicated that each dollar of [redevelopment] spending generates $13.88 in additional output for the California economy" in 2002-03. The Community Redevelopment Law controls the powers and duties of California's 422 redevelopment agencies and their 759 project areas.

The state has two abiding interests in redevelopment --- substantive and fiscal.

> The state has a ***substantive policy interest*** in eliminating both economic and physical blight. No neighborhood should be left behind.
>
> The state has a ***fiscal interest*** in redevelopment's success because the State General Fund helps to finance community redevelopment agencies' projects.

Redevelopment and Blight

The ***Community Redevelopment Law*** (Health & Safety Code §33000, et seq.) allows local officials to set-up redevelopment agencies, prepare and adopt redevelopment plans, and finance redevelopment activities.

The Law's declarations of state policy repeatedly underscore the need for the public sector's intervention when private enterprise cannot accomplish the redevelopment of blighted areas. When blight is so prevalent and so substantial, it causes a serious burden on communities which cannot be reversed by private enterprise or governmental action, or both, without the extraordinary powers of redevelopment (Health & Safety Code §33030 - §33037).

Although California had a State Redevelopment Agency in the late 1940s, state officials abandoned that approach in favor of a Community Redevelopment Act that allowed cities and counties to clear blight from their slums. Rewritten and renamed the Community Redevelopment Law in 1951, the state statutes spell out the extraordinary powers of redevelopment officials. When matched with the voters' approval of the 1952 constitutional amendment that allows property tax increment financing (California Constitution Article XVI, §16), there is a long record of state support for the public sector's involvement in redevelopment.

For more than 50 years, redevelopment agencies have been major features on the fiscal landscape. Basic facts from 2005-06 sketch the importance of redevelopment:

- There are 422 redevelopment agencies; 395 are active.
- All cities with populations over 250,000 have redevelopment agencies.
- 95% of cities with populations over 50,000 have redevelopment agencies.
- 81% of all cities have redevelopment agencies.
- 30 of the 58 counties have redevelopment agencies.
- Redevelopment officials run 759 redevelopment project areas.

State law focuses local officials' attention on blighted areas. Before redevelopment officials can wield their extraordinary powers of property tax increment funding and property management (including eminent domain), they must determine if an area is blighted. The definition of "blight," and how redevelopment officials apply it in specific local settings, is the pivot around which the redevelopment debate turns.

Excerpts from court decisions highlight the importance of local officials' "blight" findings.

> A determination of blight is a prerequisite to invoking redevelopment.
> *Beach-Courchesne v. City of Diamond Bar* (2000) 82 Cal.App.4th 511

> In fact, the blighted condition of the area is the very basis of the redevelopment agency's jurisdiction to acquire the property by eminent domain and expend public funds for its redevelopment.
> *Emmington v. Solano County Redevelopment Agency* (1987) 195 Cal.App.3d 491

From its enactment until 1994, state law did not explicitly define "blight." Instead, the statute described the characteristics of blight. This lack of statutory precision allowed local officials to adapt a statewide law to fit local circumstances. It also permitted some local officials to find blight where critics and the courts did not.

In 1993, stung by repeated criticisms and trying to stave off more radical challenges, the California Redevelopment Association sponsored the most important redevelopment reform bill in a decade. **AB 1290 (Isenberg, 1993)** enacted the first statutory definition of "blight." Over the next dozen years, six appellate court decisions applied the new statutory definition. Opponents won five of the six cases; San Francisco officials successfully defended their project.

In 2006, the Legislature tightened the "blight" definition by enacting **SB 1206 (Kehoe, 2006)**. The Kehoe bill came about partially in reaction to the protests following the United States Supreme Court's decision in *Kelo v. City of New London.* Developed after a series of interim hearings and intense legislative debate, the Kehoe measure redefined "blight."

What is "blight"?

After the 1993 and 2006 redevelopment reform bills, it is possible to paraphrase the statutory "blight" definition this way:

A blighted area must be ***predominantly urbanized*** with a combination of conditions that are so ***prevalent and substantial*** that they can cause a ***serious physical and economic burden*** which can't be helped ***without redevelopment.*** In addition,

a blighted area must have at least one of four conditions of ***physical blight*** and at least one of seven conditions of ***economic blight*** (Health & Safety Code §33030).

Predominantly urbanized means that at least 80% of the land in the project area:

- Has been or is developed for urban uses (consistent with zoning), or
- Is an integral part of an urban area, surrounded by developed parcels.

(Health & Safety Code §33320.1 [b] & [c])

The four ***conditions of physical blight*** are:

- Unsafe or unhealthy buildings.
- Conditions that prevent or hinder the viable use of buildings or lots.
- Incompatible land uses that prevent development of parcels.
- Irregular and inadequately sized lots in multiple ownerships.

(Health & Safety Code §33031 [a])

The seven ***conditions of economic blight*** are:

- Depreciated or stagnant property values.
- Impaired property values because of hazardous wastes.
- Abnormally high business vacancies, low lease rates, or a high number of abandoned buildings.
- Serious lack of necessary neighborhood commercial facilities.
- Serious residential overcrowding.
- An excess of adult-oriented businesses that result in problems.
- A high crime rate that is a serious threat to public safety and welfare.

(Health & Safety Code §33031 [b])

Without redevelopment means that the community's physical and economic burden can't be reversed or alleviated by:

- Private enterprise, or
- Governmental action, or
- Both private enterprise and governmental action.

(Health & Safety Code §33030 [b][1])

The description of these blighted conditions must be backed by ***specific, quantifiable evidence*** (Health & Safety Code §33352 [b]). Further, state law admonishes redevelopment officials not to include ***parcels that are not blighted*** just to capture the resulting property tax increment revenues, without other substantial justification (Health & Safety Code §33320.1 [b][2]).

Property Tax Increment Funding

A redevelopment agency keeps the property tax increment revenues generated from increases in property values within a redevelopment project area. When it adopts a redevelopment plan for a project area and selects a base year, the agency "freezes" the amount of property tax revenues that other local governments receive from the property in that area (Health & Safety Code §33670).

In future years, as the project area's assessed valuation grows, the resulting property tax revenues --- ***the property tax increment*** --- go to the redevelopment agency instead of going to the underlying local governments.

Table I shows that in 1989-90, redevelopment agencies diverted about $1 billion in property tax increment revenues from cities, counties, special districts, and school districts. By 2005-06, property tax increment revenues were over $4 billion.

Table I: Redevelopment Agencies' Property Tax Increment Revenues

1989-90	$1,019,439,000
1990-91	$1,178,936,000
1991-92	$1,349,007,000
1992-93	$1,541,197,000
1993-94	$1,576,832,000
1994-95	$1,543,524,000
1995-96	$1,449,813,000
1996-97	$1,500,548,000
1997-98	$1,623,635,000
1998-99	$1,761,991,000
1999-00	$1,945,744,000
2000-01	$2,140,446,000
2001-02	$2,510,529,000
2002-03	$2,755,590,000
2003-04	$3,059,293,000
2004-05	$3,445,711,000
2005-06	$4,056,710,000

Source: State Controller's Office

To get the capital they need to carry out their activities, redevelopment officials issue ***property tax allocation bonds***. Redevelopment officials also create long-term debt by signing development contracts with property owners and builders, and they take out loans from the underlying city or county. Redevelopment agencies repay these debts by pledging the property tax increment revenues that come from the project area. By capturing property tax increment revenues over the decades, redevelopment agencies gain access to a generally steady, long-term revenue stream. Once the tax increment revenues pay off these debts, the agency ceases to receive its share of tax revenues. The other local governments --- cities, counties, special districts, school districts --- then enjoy their earlier shares of the now-expanded property tax base.

An Indirect State Subsidy

Because about half of statewide property tax revenues go to schools, it's fair to say that half of redevelopment agencies' tax increment revenues come from schools.

But the diversion of property tax increment financing never harms schools because the State General Fund makes up the missing revenues. The State General Fund automatically backfills the difference between what a school district receives in property tax revenues and what the district needs to meet its revenue allocation limit. When a redevelopment agency diverts property tax increment revenues from a school district, the State General Fund pays the difference. In other words, these payments are an indirect state subsidy to redevelopment agencies.

In 2005-06, redevelopment agencies' property tax increment revenues totaled $4 billion. That year, the State General Fund paid about $2 billion to school districts to backfill their property tax increment revenue losses.

Does Redevelopment Work?

One of the more contentious redevelopment debates is the extent to which the agencies' activities stimulate the growth in property values. How much of the growth in a project area's assessed valuation is because of what the redevelopment agency does? How much of that growth would have occurred anyway, without redevelopment?

The most detailed, independent study of redevelopment's effects on property values is Michael Dardia's *Subsidizing Redevelopment in California*, published in 1998 by the Public Policy Institute of California. Dardia studied a sample of 38 redevelopment project areas in Los Angeles, San Bernardino, and San Mateo counties. His goal was to find out how much of the redevelopment agencies' property tax increment revenues was due to their effect on local property values. Dardia explained that, "Any difference between what they received and what they generated can be considered an involuntary subsidy from other jurisdictions."

Matching project areas to comparable neighborhoods without redevelopment, Dardia found that, "In dollar value, the projects collectively generated an estimated 51 percent of the tax increment revenues they received." In other words, redevelopment activities were responsible for about half of the growth in assessed value and the resulting property tax increment revenues. The other half would have occurred anyway. Although redevelopment advocates have criticized Dardia's matched-pair methodology and challenged his conclusion, there is no other reliable study of redevelopment's effects on the growth of property values.

Based on Dardia's finding that half of the property tax increment revenues in redevelopment project areas would have occurred anyway, then half of the State General Fund's obligation to backfill school funding is a $1 billion annual "involuntary subsidy" to redevelopment agencies

The ERAF Shifts

Faced with serious budget problems in the early 1990s, the Legislature and Governor Pete Wilson faced tough political choices. Some legislators wanted to raise taxes to avoid program cuts; others wanted to cut programs, but resisted tax increases. They settled on an expedient third alternative, shifting property tax revenues from counties, cities, special districts, and redevelopment agencies to schools.

Boosting the schools' share of property tax revenues eased the fiscal pressure on the State General Fund. Every new dollar in property tax revenues for schools was a dollar that the State General Fund avoided spending on schools. The mechanism for this transfer was the ***Educational Revenue Augmentation Fund*** or ***ERAF***.

While ERAF shifts affect counties, cities, and special districts every year, legislators treated redevelopment agencies differently. Instead of permanent losses to ERAF, the redevelopment agencies faced specific annual shifts as Table 2 shows:

Table 2: ERAF Shifts From Redevelopment Agencies

Fiscal Year	Amount	Statutory Citation
1992-93	$205 million	former Health & Safety Code §33681
1993-94	$65 million	former Health & Safety Code §33681.5
1994-95	$65 million	former Health & Safety Code §33681.5
2002-03	$75 million	Health & Safety Code §33681.7
2003-04	$135 million	Health & Safety Code §33681.9
2004-05	$250 million	Health & Safety Code §33681.12
2005-06	$250 million	Health & Safety Code §33681.12

In each ERAF shift, redevelopment agencies generally lost money in proportion to their shares of the statewide total of property tax increment revenues. For example, in 2002-03, if a redevelopment agency received 3% of the statewide total of that fiscal year's $2.1 billion in property tax increment revenues, then it had to shift property tax increment revenues to ERAF equal to 3% of the $75 million obligation.

Statutory Time Limits

Another key reform of the Community Redevelopment Law Reform Act of 1993 was the creation of statutory time limits. Impatient with redevelopment projects that seemed to never end, **AB 1290 (Isenberg, 1993)** required redevelopment officials to follow statutory time limits. The Isenberg bill distinguished between older redevelopment projects (Health & Safety Code §33333.6) and projects with plans adopted after the bill's January 1, 1994 effective date (Health & Safety Code §33333.2), as summarized by Table 3.

The "effectiveness" of an older redevelopment project --- one with a plan adopted before January 1, 1994 --- must terminate 40 years after the plan's original adoption or January 1, 2009, whichever is later. After this time limit, local officials have no further authority to carry out redevelopment activities under the redevelopment plan, except to:

- Pay indebtedness.
- Fulfill affordable housing obligations.
- Enforce covenants and contracts.

(Health & Safety Code §33333.6 [a])

These older redevelopment projects cannot pay for debt or receive property tax increment revenues after 10 years from the end of the redevelopment plan's effectiveness (Health & Safety Code §33333.6 [b]).

Table 3: Time Limits for Redevelopment Project Areas

Time limit	Projects formed before 1-1-94	Projects formed after 1-1-94
Plan effectiveness	40 years from plan adoption or 1-1-09, whichever is later.	30 years from plan adoption.
Repay debt with TIF	10 years from the end of the plan.	45 years from plan adoption.

In other words, the 1993 reforms gave local officials 15 years to wind down redevelopment activities in their oldest project areas --- those formed before January 1, 1969 --- and then stop on **January 1, 2009**. Legislators gave local officials 25 more years of property tax increment revenues, stopping the flow to the oldest project areas on **January 1, 2019**.

To keep local elected officials and top staffers mindful of these time limits, state law requires redevelopment officials to report them in their annual reports and in their five-year implementation plans (Health & Safety Code §33080.1 [g] and §33490 [a][5], amended by **SB 437, Negrete McLeod, 2007).**

Time Extensions

Since the 1993 redevelopment reforms, local officials have successfully persuaded legislators to give them five types of extensions from these time deadlines:

- To compensate for the ERAF shifts.
- To eliminate remaining pockets of blight.
- To meet affordable housing obligations.
- San Francisco's affordable housing activities.
- Los Angeles's Hoover Redevelopment Project.

Compensating for ERAF shifts. Recognizing that the specific annual ERAF shifts could interfere with a redevelopment agency's ability to repay its debts, the Legislature allowed redevelopment officials to extend the statutory time limits on their older project areas:

- If a redevelopment agency had to shift some of its property tax increment revenues to ERAF in 2003-04, local officials can extend the time limits by another year (Health & Safety Code §33333.6 [e][2][C] and §33681.9).

- Local officials can extend their time limits for up to two additional years if ERAF affected their older project areas in 2004-05 and 2005-06 (Health & Safety Code §33333.6 [e][2][D] and §33681.12).

Remaining pockets of blight. Because pockets of persistent blight remained in some older project areas, redevelopment officials convinced legislators to allow them extend these statutory time limits (Health & Safety Code §33333.10, added by **SB 211, Torlakson, 2001**). Specifically, redevelopment officials can extend the time limits that apply to their older project areas for:

- The plan's effectiveness for 10 more years.
- Receiving property tax increment revenue for 10 more years.

However, before they can extend these time limits, redevelopment officials must find that significant blight remains in a project area, and that this blight cannot be eliminated without the time extensions. During the extension, the agency can spend its tax increment funds only on the blighted parcels, and on other property that is "necessary and essential" to eliminating that blight.

Before the agency can amend its redevelopment plan to extend the time limits, it must adopt a resolution that finds that:

- The city or county has adopted a housing element certified by the State Department of Housing and Community Development.
- For the previous three years, the State Controller has not listed the agency in the annual report to the Attorney General about agencies with major audit violations.
- The State Department of Housing and Community Development has confirmed that the agency does not have excess surplus money in its Low and Moderate Income Housing Fund.

If a redevelopment agency and its underlying city want to extend these time limits, they must amend the redevelopment project area plan, following additional proce-

dures. The agency must consult with all affected taxing agencies and the project area committee. At least 120 days before the public hearing on the amendment, the agency must send a detailed preliminary report to the affected taxing agencies, the State Department of Finance, and the State Department of Housing and Community Development.

The agency must also send the proposed amendment to the local planning commission for review, 120 days before the hearing. At least 45 days before the hearing, the agency must send hearing notices to the affected taxing agencies, the State Department of Finance, the State Department of Housing and Community Development, and anyone who commented on the preliminary plan. At least 45 days before the hearing, the agency must also send the city council a detailed report.

To amend the redevelopment plan and extend the time limits, the city council must adopt an ordinance and, based on substantial evidence, make two findings:

- Significant blight remains.
- That blight can't be eliminated without extensions.

An ordinance extending redevelopment time limits is subject to referendum.

If an affected taxing agency, the State Department of Finance, or the State Department of Housing and Community Development believes that significant blight does not exist, it can ask the Attorney General to participate in the amendment process. It must ask the Attorney General within 21 days after the public notice of the hearing was sent. The Attorney General must determine whether or not to participate. The Attorney General can sue on behalf of the State Department of Finance and the State Department of Housing and Community Development.

During a time extension, state law focuses the redevelopment agency's spending on affordable housing to low and very low income housing. An agency may still spend housing funds on moderate income housing, but only in proportion to its spending on extremely low income housing. Starting in the first year after an amendment that extends the time limits, the agency must deposit 30% of the tax increment funds in its Low and Moderate Income Housing Fund. While an agency may deposit less than 30% under specified circumstances, the difference becomes a deficit that the agency must repay.

If an agency extends the time limits for a redevelopment plan adopted before 1976, the project area becomes subject to the one-for-one housing replacement require-

ment that applies to post-1976 project areas. The project area must also follow the housing production standards for post-1976 project areas.

Affordable housing obligations. Worried that some redevelopment project areas might reach their statutory deadlines without having fulfilled their obligations to provide affordable housing, the Legislature clarified that redevelopment agencies must meet their housing obligations before they terminate project areas (Health & Safety Code §33333.8, added by **SB 211, Torlakson, 2001**).

State law suspends the time limits on a redevelopment plan's effectiveness and on the diversion of property tax increment revenues to repay its debts until the redevelopment agency "has fully complied with its obligations" (Health & Safety Code §33333.8 [b] & [c]).

San Francisco's affordable housing activities. San Francisco has some of California's oldest redevelopment projects: Golden Gateway (formed in 1956), Western Addition A-2 (1964), Yerba Buena Center (1969), Hunters Point (1969), and India Basin Industrial (1969). In the late 1990s, when high prices outstripped the ability of people working in service jobs to pay for housing, San Francisco officials wanted to extend the project areas' time limits so they could finance low-income housing.

SB 2113 (Burton, 2000) extended the statutory deadlines for redevelopment activities in San Francisco to finance more affordable housing (Health & Safety Code §33333.7). More specifically, San Francisco officials can extend the deadlines for:

- Incurring debt for their Low and Moderate Income Housing Fund activities to 2014, or until the redevelopment agency replaces the housing units that were demolished before 1976, whichever is earlier.
- Receiving tax increment revenues to pay for housing until 2044.

SB 2113 did not allow San Francisco officials to extend the effectiveness of their redevelopment plans, except to incur the additional affordable housing debt, pay for existing debts, and enforce existing covenants or contracts.

The Burton bill prevented redevelopment officials from diverting the schools' share of property tax increment revenues. The property tax increment revenues cannot exceed the amount needed to pay for the Low and Moderate Income Housing Fund's activities. The agency can't collect or spend more than 10% of its affordable housing money on planning and administrative costs.

At least 50% of the property tax increment revenues must be used to develop housing that is affordable to very low income households. San Francisco's spending on affordable housing must be consistent with its general plan's housing element and address the unmet needs of very low, low-, and moderate-income households. San Francisco's spending must also be consistent with its consolidated and annual action plans submitted to the U.S. Department of Housing and Urban Development. If the Director of the State Department of Housing and Community Development deems it necessary, San Francisco must annually submit its federal plans to the state department.

Before San Francisco can incur more affordable housing debt, the Director of the State Department of Housing and Community Development must certify the net difference between the number of affordable housing units that San Francisco's redevelopment agency destroyed and the number of affordable housing units that the agency rehabilitated, developed, or built before January 1, 1976.

When San Francisco officials want to incur more debt, the Director of the State Department of Housing and Community Development must certify that:

- San Francisco has a valid housing element.
- The housing element indicates a need for affordable housing.
- The agency's independent financial audit shows no major violations.
- The agency puts at least 20% of its property tax increment revenues into the Low and Moderate Income Housing Fund.
- The agency has met its housing production requirements.

Los Angeles's Hoover Redevelopment Project. In 1966, when Los Angeles officials formed the Hoover Redevelopment Project, the neighborhood was unquestionably blighted. But much of the real estate in the project area is exempt from property taxation --- the University of Southern California campus and Exposition Park, including the Los Angeles Memorial Coliseum, two museums, and other community facilities. Because of this tax exempt property, the project area generated only $1.4 million in property tax increment revenue in 2002-03.

When Los Angeles officials wanted to attract a National Football League franchise to the Memorial Coliseum, they proposed to extend the life of the Hoover Project Area. They wanted to capture the property tax increment revenues that would be generated by private investment to modernize the Memorial Coliseum. The new property tax increment revenues would finance the needed public works.

Under **AB 2805 (Ridley-Thomas, 2004)** the Los Angeles City Council has until December 31, 2009 to extend the effectiveness of the Hoover Redevelopment Project for up to 12 years (Section 1 [b], Chapter 954 of the Statutes of 2004). By operation of existing law, the redevelopment agency could continue to divert property tax increment revenues for 10 years beyond the plan's new time limit.

In justifying this time limit extension, the Ridley-Thomas bill noted that in 2000, the Los Angeles City Council had documented that there was "significant remaining blight" (Section 1 [a][4], Chapter 954 of the Statutes of 2004).

Recognizing the state's fiscal interest in this redevelopment project, AB 2805 required Los Angeles officials to get the approval of the California Infrastructure and Economic Development Bank. To get the I-Bank's approval, the City must show "a reasonable probability" that the project would generate State General Fund revenues greater than the schools' share of diverted property tax increment revenues. The I-Bank can consider only the State General Fund revenues that would occur because of economic activity within the project area. Further, the I-Bank can't consider the revenues that would have occurred without the extensions (Section 1 [g], Chapter 954 of the Statutes of 2004).

The Ridley-Thomas bill prohibited the I-Bank from approving the plan's extension if it would "directly or indirectly result in a relocation of a professional sports team" within California (Section 1 [h], Chapter 954 of the Statutes of 2004).

Unsuccessful requests. Legislators have not passed all of local officials' requests to extend their redevelopment projects' statutory time limits. For example, **SB 411 (Perata, 2001)** would have allowed the Oakland City Council to extend the time limits for the Central District Urban Renewal Plan. Similarly, **SB 1137 (Ortiz, 2001)** would have allowed the Sacramento City Council to extend the time limits for the Alkali Flat, Del Paso Heights, and Oak Park redevelopment project areas. When the 2001 Torlakson bill advanced, the Senate Appropriations Committee held the Perata and Ortiz bills.

Currently pending in the Senate Local Government Committee is **AB 1088 (Carter, 2008)** which would declare that the statutory time limits that apply to other military base conversion projects don't apply to the redevelopment project areas at the former Norton AFB and George AFB. The Carter measure is a two-year bill.

Policy Questions

At the February 20 hearing, legislators may wish to ask these questions:

For redevelopment officials:

☞ *When will your agency's older project areas reach their statutory time limits?*

☞ *Have you extended your time limits? For ERAF? Under SB 211?*

☞ *How is your agency preparing to meet the statutory time limits?*

☞ *Can your agency retire its remaining debt in the 10 years after the time limit on the plan's effectiveness?*

☞ *Will your agency meet its affordable housing obligations within the time limits?*

☞ *How much property tax increment revenue will revert to other local governments when your older project areas stop receiving revenues?*

☞ *What advice can you give legislators about the statutory time limits?*

For county officials:

☞ *When will redevelopment project areas in your county reach their time limits?*

☞ *Are you discussing the effects of time limits with city redevelopment officials?*

☞ *How much property tax increment revenue will revert to your county government when older project areas stop receiving revenues?*

☞ *What advice can you give legislators about the statutory time limits?*

For housing advocates:

☞ *Do you expect redevelopment agencies to meet their affordable housing obligations within the time limits?*

☞ *What advice can you give legislators about the statutory time limits?*

Sources & Credits

In preparing this briefing paper, the Committee's staff relied on information from these sources:

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Elvia Diaz, Committee Assistant to the Senate Local Government Committee, produced this report. Peter Detwiler, Committee consultant, prepared the text with the help of Marianne O'Malley, Legislative Analyst's Office.

California Legislature

Senate Committee

on

Local Government

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Winding Down

Written materials submitted for the February 20, 2008 informational hearing:

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Peter Detwiler
Senate Local Government Committee
"Winding Down" Briefing --- February 20, 2008

For over 55 years, redevelopment has changed the way that California looks. And mostly for the better. But older redevelopment projects now face statutory time limits.

Less than a year from now --- January 1, 2009 --- California's oldest redevelopment projects must stop functioning. Nearly 3 dozen redevelopment project areas will hit that first time limit.

After that, officials have no more authority to act under their redevelopment plans:

- No more eminent domain.
- No more contracts with developers.
- No more public works construction.

After that, redevelopment officials still get 10 more years of property tax increment revenues --- until 2019 --- but state law lets them do only three things:

- Pay off their debts.
- Meet their affordable housing duties.
- Enforce their existing covenants and contracts.

The staff briefing paper in front of you this morning starts by reminding us about redevelopment's goal of eradicating blight.

Pages 3 and 4 paraphrase an answer to the question of "*What is blight?*" relying on the statutory definition adopted by AB 1290 (Isenberg, 1993) and tightened by SB 1206 (Kehoe, 2006). Also see the first page of the attachment.

On page 5, Table 1 shows that redevelopment agencies shift over $4 billion a year in property tax increment revenues away from cities, counties, special districts, and school districts.

Pages 6 through 7 explain how the State General Fund delivers an indirect subsidy to redevelopment activities by backfilling schools. About $2 billion in 2005-06.

Pages 8 and 9 tell us that AB 1290 (Isenberg, 1993) also set statutory deadlines for redevelopment activities and for property tax increment funding.

On page 9, Table 3 shows how older project areas must stop 40 years after the adoption of their plans, or January 1, 2009, whichever is later. Then they get 10 more years of property tax increment revenues. Also see the second page of the attachment.

In short, the 1993 Isenberg bill gave redevelopment agencies 15 years to wind down their oldest project areas, and a total of 25 more years to pay off their debts.

So, what's going to happen, starting next January 1? Frankly, we don't know very much --- the data are vague and incomplete.

That's why last year's SB 437 (Negrete McLeod, 2007) now requires redevelopment officials to document their time limits in both their annual reports and their five-year implementation plans.

But until we get better information, we must rely on what redevelopment officials told the State Controller.

All or parts of 34 redevelopment projects must stop by January 1, 2009. See the third page of the attachment.

Another 13 project areas must stop by January 1, 2010. 10 more the next year. See the fourth page of the attachment.

Some project areas won't stop by January 1 because local officials have given themselves an extension using 1 of the 5 ways:

- The most likely extensions are another 1 to 3 years to make up for the ERAF shifts. We suspect that's common, but we don't know for sure. [Page 10]

- Only 2 redevelopment agencies --- Sacramento and Anaheim --- have used SB 211 (Torlakson, 2001) to give themselves a 10-year time extension because they documented pockets of remaining blight. [Pages 10-12]

- If redevelopment officials fail to meet their affordable housing obligations, they can suspend the time limits under another feature of the Torlakson bill. [Page 12]

- San Francisco used SB 2113 (Burton, 2000) to extend the time limits for 3 of its oldest project areas: Hunters Point, India Basin, and South of Market (Golden Gateway). [Pages 12 & 13]

- Los Angeles used AB 2805 (Ridley Thomas, 2004) and got permission from the State I-Bank to extend the Hoover Redevelopment Project. But the I-Bank's extension was conditioned on LA getting an NFL franchise, and that doesn't seem likely. [Pages 13 & 14]

This morning, you will hear how public officials are getting ready to "wind down" redevelopment as they hit these time limits.

You'll hear from redevelopment officials from San Diego and Sacramento. And you're going to hear from 3 counties about what the end of redevelopment means for their county governments.

Unless you have specific questions for me, let's hear from your invited witnesses.

What is blight?

A blighted area must be ***predominantly urbanized*** with a combination of conditions that are so ***prevalent and substantial*** that they cause a ***serious physical and economic burden*** that can't be reversed by private enterprise, governments, or both.

A blighted area must have at least one of ***four physical conditions*** and at least one of ***seven economic conditions***.

The description of these blighted conditions must be backed by ***specific, quantifiable evidence***.

Physical conditions

- ⇨ Unsafe/unhealthy buildings.
- ⇨ Prevent or hinder viable use.
- ⇨ Incompatible land uses.
- ⇨ Irregular lots.

Economic conditions

- ⇨ Depreciated/stagnant values.
- ⇨ Impaired property values.
- ⇨ High vacancies/low lease rates.
- ⇨ Lack of commercial facilities.
- ⇨ Residential overcrowding.
- ⇨ Excess of bars, liquor stores, adult uses.
- ⇨ High crime rate.

Based on Health & Safety Code §33030, §33031, and §33352

Time Limits for Redevelopment Project Areas

Pre-1994 Redevelopment Plans

Eminent domain

Time limits for starting eminent domain:
12 years* from the plan's adoption.

* Officials can extend this time limit if they document blight.

Incurring debt

Time limit for establishing loans, advances, and indebtedness:
Officials must set their own time limits.

Plan effectiveness

Time limit for the plan's effectiveness
40 years from the plan's adoption, or January 1, 2009, whichever is later.*

* Officials can extend this time limit:
- For ERAF shifts (1-3 years).
- If they document blight (10 years).
- To meet housing obligations.
- San Francisco's housing obligations.
- Los Angeles's Hoover Project.

Property tax increment revenues

Time limit to receive tax revenues:
10 years after the plan's effectiveness ends.

Post-1994 Redevelopment Plans

Eminent domain

Time limit for starting eminent domain:
12 years* from the plan's adoption.

* Officials can extend this time limit if they document blight.

Incurring debt

Time limit for establishing loans, advances, and indebtedness.
20 years from the plan's adoption.

Plan effectiveness

Time limit for the plan's effectiveness:
30 years from the plan's adoption.

Property tax increment revenues

Time limit to receive tax revenues:
45 years from the plan's adoption.

California's Oldest Redevelopment Project Areas

Year Est.	Project Area	Agency	County
1948	Western Addition Two	San Francisco	San Francisco
1950	Merged Downtown	Sacramento	Sacramento
1955	Pilot	Richmond	Contra Costa
1956	South of Market, etc.	San Francisco	San Francisco
1959	Merger Project No. 1	Fresno	Fresno
1959	Bunker Hill	Los Angeles	Los Angeles
1959	Merged	Richmond	Contra Costa
1960	Merged	Seaside	Monterey
1961	Custom House	Monterey	Monterey
1961	Acorn	Oakland	Alameda
1961	Merged	San José	Santa Clara
1961	University	Santa Clara	Santa Clara
1961	Ocean Park	Santa Monica	Los Angeles
1961	Santa Rosa Center	Santa Rosa	Sonoma
1961	West End Urban Renewal	Stockton	San Joaquin
1962	Downtown No. 1	Colton	San Bernardino
1962	Los Medanos	Pittsburg	Contra Costa
1964	No. 1	Crescent City	Del Norte
1964	West Beach	Long Beach	Los Angeles
1964	Watts	Los Angeles	Los Angeles
1964	Redondo Beach	Redondo Beach	Los Angeles
1965	Coliseum	Oakland	Alameda
1965	Fair Oaks	Pasadena	Los Angeles
1965	Central City	San Bernardino	San Bernardino
1966	Downtown No. 2	Colton	San Bernardino
1966	Hoover	Los Angeles	Los Angeles
1966	No. 1	San Fernando	Los Angeles
1966	Yerba Buena Center	San Francisco	San Francisco
1967	Downtown	Bakersfield	Kern
1967	Port Hueneme	Port Hueneme	Ventura
1967	Meadow Park	Torrance	Los Angeles
1967	West Berkeley	Berkeley	Alameda
1968	Downtown	Oxnard	Ventura
1968	Market Street	Redding	Shasta

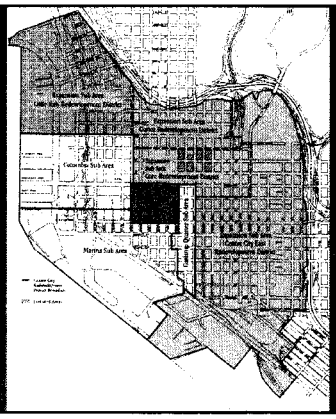
Year Est.	Project Area	Agency	County
1969	Central Business District	Alhambra	Los Angeles
1969	Merger Project No. 2	Fresno	Fresno
1969	No. 1	Hawthorne	Los Angeles
1969	Beacon Street	Los Angeles	Los Angeles
1969	Normandie/5	Los Angeles	Los Angeles
1969	Revitalization Downtown	Mountain View	Santa Clara
1969	Parkway Plaza	Napa	Napa
1969	Central District	Oakland	Alameda
1969	Merged	Pomona	Los Angeles
1969	Hunters Point	San Francisco	San Francisco
1969	India Basin Industrial	San Francisco	San Francisco
1969	Riverfront	Seal Beach	Orange
1969	Mendocino Gateway	Willows	Glenn
1970	Golden State	Burbank	Los Angeles
1970	Los Cerritos	Cerritos	Los Angeles
1970	Little Tokyo	Los Angeles	Los Angeles
1970	Pico Union I	Los Angeles	Los Angeles
1970	Downtown	Pasadena	Los Angeles
1970	Del Paso Heights	Sacramento	Sacramento
1970	State College	San Bernardino	San Bernardino
1970	Flosden Acres	Vallejo	Solano
1970	Downtown & Alpine Merged	Tulare	Tulare
1970	Downtown	Visalia	Tulare

Source: Table 2, "Detail By Agency and Project Area - General Information By County, Fiscal Year 2005-06, "Community Redevelopment Agencies Annual Report, Fiscal Year 2005-06, Sacramento: State Controller's Office, May 10, 2007.

Submitted by: Nancy Graham
President
Centre City Development Corp.
San Diego

Long Term Financial Planning

Centre City Redevelopment Project

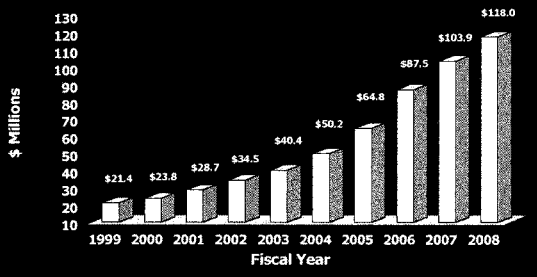


Plan Limitations for Sub Areas

Sub Areas	Year Adopted	Plan Ends	Final TI Date
Marina	1976	Dec 29, 2017	Dec 29, 2027
Columbia	1976	Dec 29, 2017	Dec 29, 2027
Gaslamp Quarter	1982	July 26, 2023	July 26, 2033
Expansion	1992	May 11, 2033	May 11, 2043

February 20, 2008

Downtown Redevelopment Projects
Historical Tax Increment



February 20, 2008

Downtown Redevelopment Projects
Tax Increment Limitation

(in millions)

	Centre City	Horton Plaza	Total
Tax Increment Limitation	$2,894	$ 240	$3,134
Less: Tax Increment Received	$ 553	$ 120	$ 673
Future Tax Increment	$2,341	$ 120	$2,461

As of Fiscal Year Ended June 30, 2007. Does not include Other Revenue such as Developer Proceeds, Interest, Participation Agreements, Parking Revenue, and DIFs.

February 20, 2008

Centre City Tax Increment

in millions

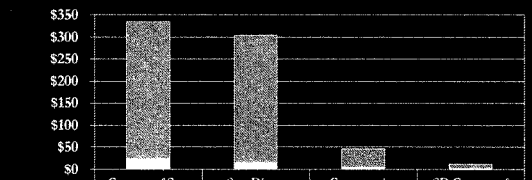
Future Tax Increment	$2,341
Less: 20% Set Aside	$ 462
Debt Service Amortization	$ 522
Tax Sharing (13.1% / 30.6%)	$ 653
County Admin, City, & Water	$ 57
City Loan Repayment	$ 150
Remaining Future Tax Increment	$ 497

As of Fiscal Year Ended June 30, 2007. Does not include Other Revenue such as Developer Proceeds, Interest, Participation Agreements, Parking Revenue, and DIFs.

February 20, 2008

Centre City Tax Sharing Payments

(in millions)



	County of San Diego	San Diego Schools	Community College Dist.	SD County of Education
2008 to 2020	$311	$289	$41	$11
1992 to 2007	$23	$14	$5	$1

February 26, 2008

Centre City 20% Set-Aside Tax Increment

in millions

Future 20% Set Aside	$462
Less: Debt Service Amortization	$109
County Admin	$ 5
Remaining Future 20% Set Aside	$348

As of Fiscal Year Ended June 30, 2007. Does not include Other Revenue such as Developer Proceeds, Interest, Participation Agreements, Parking Revenue, and DIFs.

February 26, 2008

Economic Gain from Redevelopment

Past 32 Years
Centre City Redevelopment Projects

PRIVATE INVESTMENT	$ 9.6 billion
PUBLIC INVESTMENT	$ 963.8 million
Private/Public Investment Ratio	9.9:1
TAXES	
Agency - Tax Increment	$ 666.0 million
City (T.O.T., Sales and Property Taxes)	$ 518.2 million
TOTAL TAXES	$1,184.4 million
ANNUAL TAXES	
Property Tax Increment	$ 96.1 million
Sales - City	$ 7.8 million
T.O.T. - City	$ 34.6 million
TOTAL ANNUAL TAXES	$ 138.5 million

February 26, 2008

Economic Gain from Redevelopment

Past 32 Years
Centre City Redevelopment Projects

Public Improvements/Infrastructure	$ 437.6 million
Housing Units Developed	14,802
Affordable Housing Units	2,647
Hotel Rooms	6,810 rooms
Office/Retail Space	6.9 million sq. ft.
JOBS	
Construction	35,100
Permanent	26,000

. . . Plus the many economic benefits generated from related business growth.

TESTIMONY BEFORE THE SENATE COMMITTEE ON LOCAL GOVERNMENT
WEDNESDAY, FEBRUARY 20, 2008

PETER KUTRAS, JR.
COUNTY EXECUTIVE, COUNTY OF SANTA CLARA

Good Morning Chair and Members of the Committee. Thank you for the opportunity to speak before you today. My name is Pete Kutras. I am currently the CEO (County Executive) of Santa Clara County and have been in public service for about 34 years. Santa Clara County is a "home rule" Charter County that employs approximately 15,000 employees providing services to our 1.8 million residents.

I previously testified on redevelopment reforms in 2005 preceding the reform instituted by the Legislature in 2006 (SB1206). I have provided my comments and supporting material that we presented in 2005. Some of it is still applicable today and I offer it for the record and future reference.

Despite all of our best efforts, redevelopment continues to be an issue of concern.

We are an urban county and we have redevelopment agencies in 9 of our 15 cities.

One of the 9 cities is San Jose. San Jose is the State's largest RDA. Over some recent periods of time, ***the redevelopment agencies in our county have received more property tax revenue than the County***. This inequity is compounded by the fact that ***redevelopment agencies have no service delivery mandate*** while virtually everything the County does is a mandated service. ***This remains an untenable situation which cannot be sustained.***

Our County continues to face budget deficits. Since FY 2003 through the current year (FY 2008) we have had to solve $1.03 billion in deficits, with $429 million in departmental reductions, use of reserves, etc., not unlike what the State faces. We face a $172 million deficit for FY 2009 without any State impacts, which we all know there will be.

It is imperative that the reforms initiated in the most recent years not be amended, either on a project by project basis or wholesale.

Some of the most critical points:

1. Redevelopment Agencies (RDA) have been trying to break the nexus between blight and their continuation for decades. We see no reason to allow continuation

of an agency, time extensions or ability to continue to utilize tax increment for debt service without demonstration of continued blight.

- AB1290 in 1993
- SB211 in 2002

2. One of our major redevelopment agencies started in 1961 and their last project area is scheduled to end in 2033. The agency will continue to receive tax increment until 2043, i.e. 10 full years after the last project expires. That will be 82 years since its inception. If they opt for a 10-year extension under the terms of SB211, it will extend its life to 2053, which will be 93 years. By that time, some of the earlier projects will be old enough to be re-redeveloped, a concept we elaborated on in 2005. When does it stop? Please remember that RDA results in an involuntary diversion of tax increment whether voter approved or not.

3. Attachment A - Exhibit on the Gross Tax Increment loss:
   - An extension of 10-years in Santa Clara County (2008-2018) would cost $4.1 billion of which $2.1 billion will come from schools.

   - Statewide impact of a 10-year extension (2008-2018) would be $64.2 billion, of which at least 50% ($32.1 billion) will be on schools.

   Attachment B – Exhibit on the Net Tax Increment loss to Santa Clara County:

4. We have 29 specific Redevelopment project areas in the 9 Santa Clara County Cities with RDA's. The City of San Jose has 15 of these project areas and has merged them to allow tax increment to flow between areas. Only 1 project area plan is slated to expire in 2009 (2019 for TI), one in 2010 (2020 for TI). The remaining 27 plans begin to expire in 2016 through 2033 (TI 2026 through 2043).

5. The San Jose Mercury News reported on January 11th of this year that the City of Santa Clara is publicly discussing the use of some RDA funds to support a portion of the building of a new football stadium for the San Francisco 49ers. The current site is the public parking area of a very successful theme park. The Mercury News reports that from 2009 through 2026, all taxing jurisdictions would lose $24 million, with Santa Clara County's loss being $6 million.

There are a number of issues that are contained in my prior testimony that are still relevant today. These are:

1. The need for Voter Review: RDAs can override voter-approved measures, thereby ignoring the will of the voters. (Page 6)

2. Housing: Housing is very important and one in which our County has devoted general funds to support, however it should not be financed at the expense of other governmental services. Instead of relying on RDA for housing, there is a need to develop alternative financing tools to meet California's housing and economic development needs. As a county official, I think it is particularly harmful to shortchange the entity which provides public health, hospital care to the uninsured, safety to abused children, and protection to the frail and elderly. (Page 5)

We know, based on past experience, that you will hear a litany of cries and requests to remove the blight requirement and extend the life and financing of RDA's over the coming years. We urge you to weigh these requests against the needs of the state and local jurisdiction to fund much needed mainstream services. A new building that will generate more tax increment to build more buildings, should not keep happening when no funding exists to provide the occupants of these buildings and the rest of the city or county with needed police, fire, social and human services. RDA's should not continue to have unfettered access to the tax increment of other jurisdictions. The basic promise and premise of an RDA is to fix an area, using the tax increment, and then return the tax increment in order to provide local services. This basic promise to return the tax increment has not been kept.

Thank you for your time. I'd be happy to answer any questions.

County of Santa Clara
Jurisdiction Gross Tax Increment Revenue Loss to Redevelopment Agencies
10 Year Period - FY 2008-09 through 2017-18
(Amounts in Millions)

Lost Tax Increment:		Year 0 2007-08	Year 1 2008-09	Year 2 2009-10	Year 3 2010-11
County of Santa Clara	*	82.07	86.18	90.49	95.01
Cities (9 out of 15 cities have RDAs)		50.15	52.66	55.29	58.05
Certain Schools (non-basic aid)		144.75	151.98	159.58	167.56
Cerian Special Districts (Incl Library)		13.72	14.41	15.13	15.88
Total		290.69	305.22	320.48	336.51

Statewide Jurisdictional Revenue Loss
10 Year Period - FY 2008-09 through 2017-18
(Amounts in Billions)

Lost Tax Increment:	Year 0 2007-08	Year 1 2008-09	Year 2 2009-10	Year 3 2010-11
Annual Property Tax Increment	4.52	4.75	4.98	5.23
School and Community Colleges	2.26	2.37	2.49	2.62
Other Local Governments	2.26	2.37	2.49	2.62

Assumptions:

1. Revenues are expected to grow @ 5% annually over the next 10-year period.
2. The share of school districts and community colleges is 50% of the total TI for the year.
3. Statewide projects for TI loss to redevelopment are based on FY2005-06 numbers published by tl

* Tax increment (TI) losses are gross and do not include the effect of 1290 or other pass-through re

Year 4 2011-12	Year 5 2012-13	Year 6 2013-14	Year 7 2014-15	Year 8 2015-16	Year 9 2016-17	Year 10 2017-18
99.76	104.75	109.99	115.48	121.26	127.32	133.69
60.96	64.00	67.20	70.56	74.09	77.80	81.69
175.94	184.74	193.97	203.67	213.85	224.55	235.77
16.68	17.51	18.39	19.31	20.27	21.28	22.35
353.33	371.00	389.55	409.02	429.48	450.95	473.50

Year 4 2011-12	Year 5 2012-13	Year 6 2013-14	Year 7 2014-15	Year 8 2015-16	Year 9 2016-17	Year 10 2017-18
5.49	5.77	6.06	6.36	6.68	7.01	7.36
2.75	2.88	3.03	3.18	3.34	3.51	3.68
2.75	2.88	3.03	3.18	3.34	3.51	3.68

the State Controller's Office. We have assumed that the number grew by 5%in FY2006 and 2007.

venues.

Total
1,165.99
712.44
2,056.36
194.92
4,129.71

Total
64.22
32.11
32.11

Net Santa Clara County Loss to RDA

Exhibit B

Jurisdiction		*07-08*	*06-07*	*05-06*	*04-05*	*03-04*	*02-03*
				(in millions)			
County Loss to RDA		82.07	74.49	68.23	67.36	74.50	81.54
Less: County Received Pass-thru		22.80	18.52	15.85	13.04	16.79	18.89
County Loss to RDA net of Pass-through	a	59.27	55.97	52.38	54.32	57.71	62.65
Property Tax General Fund Revenue (AB8 allocated Value)	b	423.45	390.36	360.79	336.07	334.67	329.49
% of Net County Loss to RDA	c=a/b	14%	14%	15%	16%	17%	19%

Prepared by the County of Santa Clara:
February 19, 2008

TESTIMONY BEFORE THE JOINT INTERIM HEARING
ON REDEVELOPMENT REFORM
Thursday, November 17, 2005

PETER KUTRAS, JR.
COUNTY EXECUTIVE, COUNTY OF SANTA CLARA

Good Morning Chairs and Members. My name is Pete Kutras. I am currently the CEO (County Executive) of Santa Clara County and have been in public service for over 30 years. Santa Clara County is a "home rule" Charter county that employs approximately 14,500 employees providing services to our 1.7 million residents.

I have provided your Committee consultant with an additional documentation on Santa Clara County's perspective, in addition to some technical suggestions from the County's Management Auditor.

I appreciate the opportunity to offer my testimony today because I think our local experience will be helpful to your understanding of the problems created by redevelopment, as well as some potential solutions. First, let me offer two observations from our County's perspective:

Later today, you'll be talking more about eminent domain. I believe that redevelopment subjects counties to what I like to call "**fiscal eminent domain**." Whereas eminent domain concerns individual citizens who fear a loss of control over their property, the sweeping of property tax revenue by redevelopment similarly strips counties of the fiscal resources needed to control our own destiny. These property tax shifts -- which occur without a vote of the people and occasionally conflict with locally-approved voter initiatives -- are just as troubling as unfettered property eminent domain. The pass-through requirements under AB 1290 offered jurisdictions like ours very minimal assistance. We need you to go farther this time.

Second, we are an urban county and we have redevelopment agencies in 9 of our 15 cities. Three of the nine are working to amend and expand their agencies (San Jose, Sunnyvale and Morgan Hill). We also have the State's largest agency, San Jose. Over the past ten years, these agencies have diverted over $2 billion in property tax revenue from the county, schools, cities and special districts. And as the material presented to you at the last interim hearing indicated, on average over the last five years, ***these redevelopment agencies have received more property tax revenue than the County***. This inequity is compounded by the fact that ***redevelopment agencies have no service delivery mandate*** while virtually everything the County does is a mandated service.

This is an untenable situation which cannot be sustained. We need citizens to know that their property tax dollars will not be diverted without their approval. We ask you to consider the following ideas for reform:

1) *Hold Counties Harmless*: Counties should be held harmless from redevelopment's continued property tax grab. Some possible ways to achieve this include:

   - Simply do not take property tax from counties – make us whole, or backfill counties like schools;

   - Two agencies in our county have decided to re-redevelop areas – they've been improved once using tax increment, but now they want to change course and improve them again – in essence, "double dipping." When redevelopment areas are extended in this manner, the tax increment shift should be "reset" at the new level. This way, property tax dollars from the previously established area would return to their normal allocation and only increment from the "new" improvements would be siphoned from counties.

   - Cities often promote retail development using redevelopment, then receive both the property tax revenue and potentially an increase in sales tax. Instead, the city's new sales tax revenue should either be diverted to counties or cities who could use it, instead of property tax increment, to do bonded indebtedness.

2) *Merged Areas*: Currently, agencies merge areas to continue tax increment to create cash cows. For example, the City of San Jose has merged virtually all of their projects into a single area. The nexus between the area losing the tax increment and the increased value created by new spending has been completely lost. The "merged area" concept should be statutorily controlled or repealed. A blight finding should be made for each redevelopment area, and tax increment collected in an area should be spent in that area, not across the city.

3) *Ending an Agency*: Redevelopment agencies' authority must expire at some point. San Jose's Agency has been in existence since 1961. Those of you who knew San Jose "before" and "after" will attest to the remarkable improvements, particularly in the downtown area. But when will it end? AB 1290 didn't go far enough to limit the life of an agency.

4) *Not for Housing*: Housing is an absolutely critical part of our County's mission, and we support a variety of funding sources, like bonds and sales tax increment, to build more housing. Under my tenure, we have created an Office of Affordable Housing, set aside $18.6 million for projects, and adopted a policy to

dedicate 30% of the profit of any fixed asset sale to support the Office. Our Board founded and has contributed several million dollars to the Housing Trust of Santa Clara County, a public/private partnership which supports housing for first-time homebuyers, affordable multifamily and special-needs rental housing, and housing for the homeless. However, we believe that redevelopment is not the appropriate mechanism to finance housing. We simply don't believe that housing should be financed at the expense of other governmental services. As a county official, I think it is particularly harmful to shortchange the entity which provides public health, hospital care to the uninsured, safety to abused children, and protection to the frail elderly.

We have reviewed the suggestions for reform included in your briefing paper and offer the following comments:

5) ***Blight***: We wholeheartedly agree with the recommendation in the staff report to "tighten blight definitions." Instead of proposals which would expand the definition of blight, we urge the Legislature to restrict this definition. We support a requirement that an agency make an evidence-based finding and concur with the examples suggested in the staff report, such as inserting "metrics" into the blight definition. *(Note: The panel immediately preceding yours is called "Reform the Statutory Definition of Blight.")*

6) ***Limit Antiquated Subdivision Exception***: While this circumstance does not regularly occur in Santa Clara County, we agree with the recommendation to limit the antiquated subdivision exception.

7) ***Increase Voter Review***: I noted in my opening remarks that we are troubled by the fact that redevelopment agencies can override voter-approved measures, thereby ignoring the will of the voters. Your briefing paper suggests that redevelopment actions should perhaps require voter approval, and we strongly agree. We would recommend this approval be extended to anyone whose taxes are being taken. Additionally, we recommend including a disclosure about the impact of the redevelopment agency's action on previous voter-approved measures.

8) ***Limit Redevelopment Spending on City Halls***: Since the example in your briefing paper occurred in San Jose, it will not surprise you that we wholeheartedly agree with the recommendation to limit redevelopment spending on City Halls.

9) ***Give Buyers More Notice About Redevelopment***: We also agree with the staff recommendation that sellers should provide more information to buyers about

whether a property is within a redevelopment area, especially if it is subject to eminent domain.

10) ***State Oversight***: While we believe that land-use decisions should be made at the local level, redevelopment is in dire need of additional oversight. As your briefing paper points out, enforcement is currently carried out by litigation by entities like our County. This is neither efficient nor cost-effective. Instead, we would strongly support your recommendation that redevelopment actions be approved by some other entity – a unit within a state department, as suggested in your briefing paper; the County; or a court.

11) ***Litigation Procedures***: Your briefing paper also proposes ways to streamline litigation against redevelopment agencies. As an entity which has regularly battled against redevelopment agencies in the courts, I assure you that we would prefer to address our problems through the legislative process rather than litigation. If we must continue in our role as a plaintiff, we support the recommendations which would make it easier to challenge redevelopment in the courtroom.

12) ***Use of Eminent Domain***: Eminent domain is not a power that our County takes lightly. We believe that the recommendations contained in the staff report to limit the use of eminent domain, particularly by redevelopment agencies, are very appropriate.

In conclusion, a strict and specific redevelopment statute would clearly delineate the public policy goals of redevelopment as well as the "rules of the game" for local agencies. It is towards this end that Santa Clara County submits these suggestions, and urges you to consider them as part of redevelopment reform. Thank you for your time, and I'd be happy to answer any questions.

Members of the County's Legislative Delegation that may be in attendance:

Senator Joe Simitian
Assemblymember Simon Salinas
Assemblymember Alberto Torrico
Assemblymember Sally Lieber
Assemblymember John Laird

Other members of your panel, "Local Redevelopment Practices":

Christine Minnehan, Legislative Advocate, Western Center on Law and Poverty
Anne Moore, Executive Director, Sacramento Housing and Redevelopment Agency

REDEVELOPMENT REFORM: A SANTA CLARA COUNTY PERSPECTIVE

To Accompany Testimony Before The Joint Interim Hearing
On Redevelopment Reform
Thursday, November 17, 2005

Peter Kutras, Jr.
County Executive, County Of Santa Clara

Redevelopment subjects counties to "fiscal eminent domain." Whereas eminent domain concerns individual citizens who fear a loss of control over their property, the sweeping of property tax revenue by redevelopment similarly strips counties of the fiscal resources needed to control our own destiny. These property tax shifts -- which occur without a vote of the people and occasionally conflict with locally-approved voter initiatives -- are just as troubling as unfettered eminent domain of property. The pass-through requirements under by AB 1290 offered jurisdictions like ours very minimal assistance. We need the Legislature to go farther this time.

Santa Clara County is an urban county and we have redevelopment agencies in 9 of our 15 cities. Three of the nine are working to amend and expand their agencies. We also have the State's largest agency in San Jose. And as the material presented at the last interim hearing indicated, on average over the last five years, these ***redevelopment agencies have received more property tax revenue than the County.*** This inequity is compounded by the fact that ***redevelopment agencies have no service delivery mandate*** while virtually everything the County does is a mandated service.

This is an untenable situation which cannot be sustained. We need citizens to know that their property tax dollars will not be diverted without their approval. We also ask you to consider the following ideas for reform:

1) *Hold Counties Harmless*: Counties should be held harmless from redevelopment's continued property tax grab. Some possible ways to achieve this include:

- Simply do not take property tax from counties – make us whole, or backfill counties like schools;

- Two agencies in our county have decided to re-redevelop areas – they've been improved once using tax increment, but now they want to change course and improve them again. When redevelopment areas are extended in this manner, the tax increment shift should be "reset" at the new level. This way, property tax dollars from the previously established area would return to their normal allocation and only increment from the "new" improvements would be siphoned from counties.

Possible solution: Either disallow re-redevelopment or set specific criteria to control this practice. If allowed, require that a new tax increment base be established for "double dipping" projects.

Discussion: Redevelopment plan amendments are being proposed to re-redevelop project areas, infrastructure, and buildings previously developed in an earlier phase of the redevelopment project. Essentially, redevelopment agencies want (and get) a second bite of the apple following either economic failures or major subsequent land use changes from the original plan. Some of these are actually successful developments but are being "reinvented" by the current RDA. This allows these agencies to either virtually form new projects using the original blight test within the existing increments, or extend the project areas at the expense of the other agencies if the blight test is met a second time because of a failed project. In both cases the local RDA takes no responsibility nor has any penalty for their poor original planning.

A new redevelopment frozen base using current assessed value should be used to allocate tax increment when tax increment financing includes re-redevelopment of areas, infrastructure, and buildings already redeveloped through the implementation of the original plan. This would require that the tax increment on the old base be frozen and dedicated only to the payment of the old existing debt.

- RDAs often promote retail development using tax increments. The result is that the City's general fund gets increased sales taxes but many of the agencies that lost the increment get nothing. This practice also contributes to a state-wide land use problem of Big Box development.

Possible Solution: Restrict incremental sales taxes generated in RDA retail developments and either apportion this to the agencies that lose the property tax increment or pledge the city's portion of the revenue to the payment of bonds with the understanding that once the debt is paid off the increment reverts back to the city.

Discussion: Currently tax increment financing for redevelopment is limited to property tax dollars. The redevelopment law provides that at the time the redevelopment plan is

adopted, the assessed value within the project area is frozen, and that any property tax revenue generated by an increase in assessed value over the frozen base may be utilized by the agency to pay the principal of and interest on loans, money advanced to, or indebtedness it incurs in conjunction with redeveloping the area.

We question why property tax increment is used widely to pay for retail development that increases sales taxes for a city at the expense of counties, special districts and schools (State). In addition, from a land use perspective, sales taxes are promoting big box development at the expense of aging downtown areas where real blight often exists.

Tax increment financing should expand to include increment from redevelopment financed project sales and use taxes. At the time a redevelopment plan is adopted or amended, the annual Bradley-Burns 1% sales and use tax received within the project area by the parent local government should be frozen and increased sales and use taxes over the base should be remitted to the county where the redevelopment agency exists. The increased tax increment received from sales and use taxes by the county should be used to proportionately reimburse the local agencies that incurred a property tax loss.

If, however, the sales and use tax increment is not used to reimburse local agencies for property tax losses, it should be earmarked specifically for debt service payments. That would provide a double revenue source for debt repayment and be deemed favorable by credit rating agencies. Prohibitions on the use of property tax increment and sales and use tax increment for normal city/county administrative, operational or maintenance costs should be legislated and strictly enforced.

Such apportionments would be no more difficult to compute by county auditor-controllers than current property tax apportionments. In addition the technology exists to determine a sales tax base and ongoing incremental sales tax revenues for any defined area. Some adjustments to the property tax allocations would be required for the Triple Flip.

2) *Merged Areas*: Current state law allows virtually no restrictions on the formation and existence of merged project areas. This creates numerous problems and inequities that include:

- The creation and extension of "cash cow" project areas that have no blight and no minimum expenditure level of tax increment collected in that area to be spent in that area.

- Pork barrel politics for the RDA Boards.

- The loss of nexus between the local agencies losing the tax increment and increased value in the areas where the tax increment is spent.

Possible solution: Set quantifiable requirements for merged areas including minimum expenditure requirements for all project areas in a merged area. These could be phased in over time. Consider restrictions on the continued use of cash cows and/or require additional pass-through payments to jurisdictions where there is not a proportionate increase in the value of their tax increment base.

Discussion: Currently, if a city or county has more than one redevelopment project, the projects may be merged by amending each redevelopment plan. ***The project areas in redevelopment projects need not be contiguous.*** Ordinarily, redevelopment law requires that tax increment be used to repay indebtedness incurred to carry out the projects generating the tax increment. The classic argument for RDA is that the taxes from improvements in the project area will eventually flow to the local jurisdictions when the projects are completed and the RDA goes away. This argument often becomes invalid when redevelopment projects are merged, and tax increment allocated to the agency from a project area may be used to finance redevelopment activities elsewhere in the merged project area.

In one case in our county, property tax increment financed infrastructure in a project area on the north side of a city. Private financing followed for the construction of numerous buildings and plants resulting in a highly successful industrial/commercial park. The merged area provision has allowed that RDA to shift millions of dollars of tax increment generated from this highly industrial/commercial area to other parts of the city. It is their cash cow and they continually sell tax increment bonds to fund projects in other parts of the merged area with virtually no expenditures in the commercial park.

The local governments providing services in that area include a basic aid school district. This district has none of the other project areas in its jurisdictional boundaries where the development is occurring. Not only does that district lose the taxes generated in the area, it doesn't reap any future benefit from the development in other areas.

The merged area concept should be statutorily controlled or repealed. Existing merged areas should be phased out with an increasing percentage of tax increment either required to be spent in the actual project area, or returned to the taxing jurisdictions. This would obviously have to be done to make sure that currently pledged increments for debt service remain until increments from other project areas replace them.

3) ***Ending an Agency***: Redevelopment agencies' authority must expire at some point. San Jose's Agency has been in existence since 1961. Those of you who knew San Jose "before" and "after" will attest to the remarkable improvements, particularly in the

downtown area. But when will it end? AB 1290 didn't go far enough to limit the life of an agency.

4) ***Not for Housing***: Housing is an absolutely critical part of our County's mission, and we support a variety of funding sources, like bonds and sales tax increment, to build more housing. Under my tenure as County Executive, Santa Clara County has created an Office of Affordable Housing, set aside $18.6 million for projects, and adopted a policy to dedicate 30% of the profit of any fixed asset sale to support the Office. Our Board founded and has contributed several million dollars to the Housing Trust of Santa Clara County, a public/private partnership which supports housing for first-time homebuyers, affordable multifamily and special-needs rental housing, and housing for the homeless. However, we believe that redevelopment is not the appropriate mechanism to finance housing. We simply don't believe that housing should be financed at the expense of other governmental services. As a county official, I think it is particularly harmful to shortchange the entity which provides public health, hospital care to the uninsured, safety to abused children, and protection to the frail elderly.

Possible Solution: Develop alternative financing tools to meet California's housing and economic development needs.

Discussion: Many amendments to redevelopment law, including AB 1290, have addressed the definition of blight. The changes to the blight definition with the passage of time have generally been more restrictive to curb abuses of redevelopment sprawl. The definition includes provisions describing physical blight and economic blight. Currently, a combination of the two is required to meet the legislative definition of blight.

Now proposals are being advanced to allow extensions if there is just economic blight, dismissing the physical blight criteria. Blight would then include areas where office buildings are just vacant, not dilapidated. Other proposals would change the definition of blight to include the lack of high-density development around transit corridors. These ideas could transform redevelopment into a housing development financing tool operating at the expense of other public agencies. The change would redirect local property tax revenues to housing construction without any public approval, and, in fact directly conflict with previously approved voter initiatives.

As noted above, the County does not oppose either housing or transit development within the county boundaries. We do oppose the use of property tax increment to finance that development. The definition of blight also needs to remain restrictive, including both physical as well as economic criteria. We cannot continue to siphon needed property tax dollars from local governments and expect continuation of essential health services, human assistance and public safety for our citizens.

We have also reviewed the suggestions for reform included in your briefing paper and offer the following comments:

1) ***Blight***: We wholeheartedly agree with the recommendation in the staff report to "tighten blight definitions." Instead of proposals which would expand the definition of blight, we urge the Legislature to restrict this definition. We support a requirement that an agency make an evidence-based finding and concur with the examples suggested in the staff report, such as inserting "metrics" into the blight definition. Quantifiable standards of blight would clearly demonstrate what is permissible and would eliminate a loose reading of the law. For example, the eligibility requirements of the CDBG program, which require that a certain percentage of people in the area be eligible, would create clear criteria.

Proposed solution: Tighten the definition of blight.

2) ***Limit Antiquated Subdivision Exception***: While this circumstance does not regularly occur in Santa Clara County, we agree with the recommendation to limit the antiquated subdivision exception.

3) ***Increase Voter Review***: We are troubled by the fact that redevelopment agencies can override voter-approved measures, thereby ignoring the will of the voters. Your briefing paper suggests that redevelopment actions should perhaps require voter approval, and we strongly agree. We would also recommend including a disclosure about the impact of the redevelopment agency's action on previous voter-approved measures.

4) ***Limit Redevelopment Spending on City Halls***: Since the example in your briefing paper occurred in San Jose, it will not surprise you that we wholeheartedly agree with the recommendation to limit redevelopment spending on City Halls.

5) ***Give Buyers More Notice About Redevelopment***: We also agree with the staff recommendation that sellers should provide more information to buyers about whether a property is within a redevelopment area and especially if it is subject to eminent domain.

6) ***State Oversight***: While we believe that land-use decisions should be made at the local level, redevelopment is in dire need of additional oversight. Having an outside "watchdog" agency would slow redevelopment-related litigation – currently, local government's only recourse. This is neither efficient or cost-effective. Instead, we would strongly support your recommendation that redevelopment actions be approved

by some other entity – a unit within a state department, as suggested in your briefing paper; the County; or a court.

7) ***Litigation Procedures***: Your briefing paper also proposes ways to streamline litigation against redevelopment agencies. As an entity which has regularly battled against redevelopment agencies in the courts, I assure you that we would prefer to address our problems through the legislative process rather than litigation. If we must continue in our role as a plaintiff, we support the recommendations which would make it easier to challenge redevelopment in the courtroom.

8) ***Use of Eminent Domain***: Eminent domain is not a power that our County takes lightly. We believe that the recommendations contained in the staff report to limit the use of eminent domain, particularly by redevelopment agencies, are very appropriate.

4 Redevelopment Projects in the County of Los Angeles will end beginning in 2022

I. Expiring Redevelopment Projects will generate significant Tax Increment in future years:

	Tax Increment Projections for the 4 Projects for a 10-year period after Projects end
Project #1	1,253,002,298
Project #2	307,106,652
Project #3	189,930,683
Project #4	674,489,032
Totals for 4 Projects:	**2,424,528,665**

Submitted by: Thomas M. Tyrrell
Principal Deputy
County Counsel
County of Los Angeles

Note: There are 310 Redevelopment Projects in the County of Los Angeles.

II. All Taxing Entities are due their full share of Property Taxes going forward at Projects end:

	Tax Increment to CRA's	Total Taxing entities share
Project #1	0	1,253,002,298
Project #2	0	307,106,652
Project #3	0	189,930,683
Project #4	107,297,000	567,192,032
Totals for 4 Projects:	**107,297,000**	**2,317,231,665**

Note: Project #4 will receive tax increment beyond the end of the project for existing debt payments.

III. Impact on All Taxing Entities if the Diversion of Tax Increment continues for an additional 10-years:

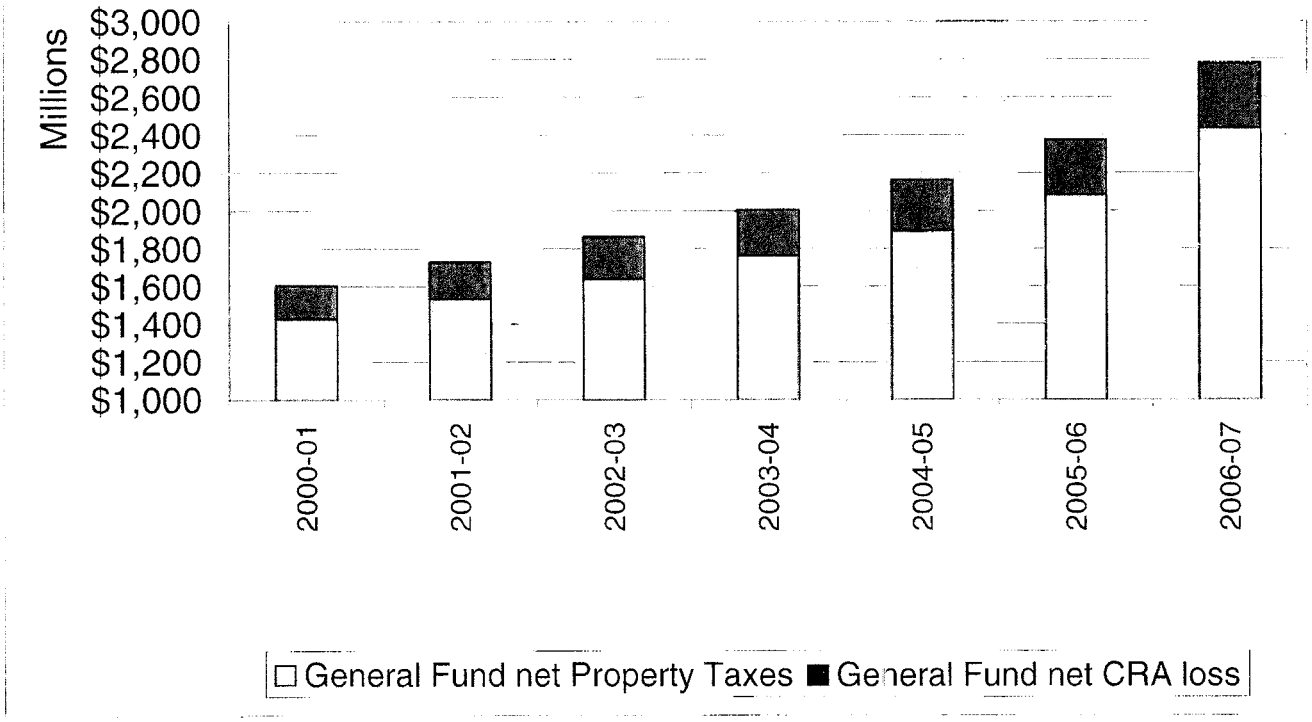
	Tax Increment to CRA's	Total Taxing entities share
Project #1	1,038,390,359	214,611,938
Project #2	254,007,839	53,098,813
Project #3	156,091,660	33,839,023
Project #4	546,008,258	128,480,774
Totals for 4 Projects:	**1,994,498,116**	**430,030,548**

Net Gain/(Loss) due to 10-year Extensions to the 4 Projects:	CRA 's	Taxing Entities
	1,887,201,116	**(1,887,201,116)**

Notes:

1. *Project #1: adopted 1971, due to end in 2022*
   Project #2: adopted 1974, due to end in 2025
   Project #3: adopted 1974, due to end in 2025
   Project #4: adopted 1958, due to end in 2022
2. *Annual growth assumptions: 3.5%*
3. *AB 1290 pass-through payments began in 2005-06 for Projects #1-3, 2004-05 for Project #4.*

County of Los Angeles General Fund Property Tax



	Gross County Property Taxes General Fund	General Fund net CRA loss	Net General Fund Share	loss to CRA/ Property Tax
2000-01	1,605,711,258	179,590,962	1,426,120,296	11.2%
2001-02	1,729,182,514	194,546,948	1,534,635,566	11.3%
2002-03	1,862,454,743	223,142,143	1,639,312,600	12.0%
2003-04	2,003,836,952	240,562,865	1,763,274,087	12.0%
2004-05	2,162,550,413	269,941,537	1,892,608,876	12.5%
2005-06	2,374,167,863	290,501,390	2,083,666,473	12.2%
2006-07	2,780,582,695	**347,681,652**	2,432,901,043	12.5%
7-Year Total:	14,518,486,438	1,745,967,497	12,772,518,941	

Numbers of CRA projects in the County of Los Angeles in 2006-07:

AB 1290 Projects:	58
Projects with contractual pass-thru Agreements:	132
Projects without contractual pass-thru Agreements:	120
Total:	310

Source: Auditor-Controller, actual secured and unsecured General Fund property tax. Net CRA loss includes all pass-thrus (contract & AB 1290), annual growth under Sections 33401 and 33676, and cap overage amounts.

County of Los Angeles

CRA Projects: Time Limit to Receive Tax Increment

Time limit to receive tax increment	number of projects
2009	1
2010	1
2011	
2012	
2013	1
2014	1
2015	
2016	
2017	3
2018	2
2019	13
2020	9
2021	12
2022	8
2023	11
2024	16
2025	12
2026	17
2027	5
2028	11
2029	9
2030	11
2031	13
2032	12
2033	12
2034	14
2035	3
2036	9
2037	8
2038	5
2039	12
2040	6
2041	15
2042	8
2043	11
2044	5
2045	3
2046	2
2047	12
2048	3

* Some of the above may not include SB 1045 and SB 1096 extensions.

Submitted by: Supervisor Chris Norby
County of Orange

DAN WALTERS

dwalters@sacbee.com

Wednesday, February 20, 2008 • The Sacramento Bee

Reform's repeal asks for abuse

Redevelopment was supposed to be a method by which California's cities and counties could foster housing and commercial projects on urban land deigned to be "blighted," but it evolved into a far broader development tool, especially after voters approved Proposition 13, which severely restricted property tax revenues, in 1978.

Local officials began using redevelopment to acquire land, sometimes by eminent domain, and provide subsidies to developers of shopping centers, auto malls, big box retailers, hotels and other projects to generate local sales, hotel and property taxes.

"Blight" was often applied loosely – even to marshes and other natural lands – to justify creation of redevelopment zones. And the state became financially involved because its constitution requires the governor and the Legislature to compensate schools for property taxes that projects generate but local governments retain.

The deficit-ridden state budget is currently on the hook for about $2 billion a year in payments to schools for property taxes lost to redevelopment projects – in effect, a direct subsidy to local governments and their private partners.

Periodically, the Legislature has attempted to curb redevelopment abuses by tightening up on blight designations, putting some time limits on redevelopment projects, and forcing local agencies to spend more money on affordable housing, one of the declared purposes of redevelopment.

One of those reforms, enacted in 1993, created first-ever time limits for redevelopment projects. Under current law, the oldest of the 759 now in existence will expire next January. The Senate Local Government Committee will stage hearings on those expirations this week. As it does, redevelopment advocates want to repeal some of the reforms.

Legislative language being circulated in the Capitol would allow older redevelopment projects to be extended and would loosen the standards for declaring blight. This, in effect, would reopen the door to the kind of wheeling and dealing that had generated demands for reform in the first place.

This may be very arcane, unsexy policy stuff, but the financial consequences for state and local governments and private landowners and developers seeking redevelopment subsidies are immense, easily reaching into the tens of billions of dollars.

The redevelopment proposals originated with the City of Industry. Were they to become law, a beneficiary could be Los Angeles developer Ed Roski, who hopes to build a National Football League stadium in Industry, an enclave that has very few human residents and is almost totally devoted to commercial development. Roski, who was the prime mover behind Staples Arena in downtown Los Angeles, owns 600 acres in Industry that he wants to use for a stadium that would draw NFL football back to Los Angeles.

A statewide version of the legislation was brought to Sen. Alex Padilla, D-Los Angeles, but when opposition developed, he backed away. City of Industry lobbyists are now narrowing it to apply only to that city, perhaps to allow redevelopment to underwrite the stadium.

Redevelopment is a legitimate tool for dealing with urban blight and providing housing to working families, but it's easily abused, as the history of the past three decades indicates. Redevelopment agencies can seize land from unwilling sellers and provide it at little or no cost to private developers. And since they can retain taxes on the property, they can give those developers other subsidies, make the state indirectly and involuntarily pay for the subsidies, and ignore the housing they are supposed to provide.

Two rounds of legislative reforms, one in 1993 and another in 2006, cleaned up the redevelopment industry somewhat. Undoing those reforms would be an invitation for renewed abuse.

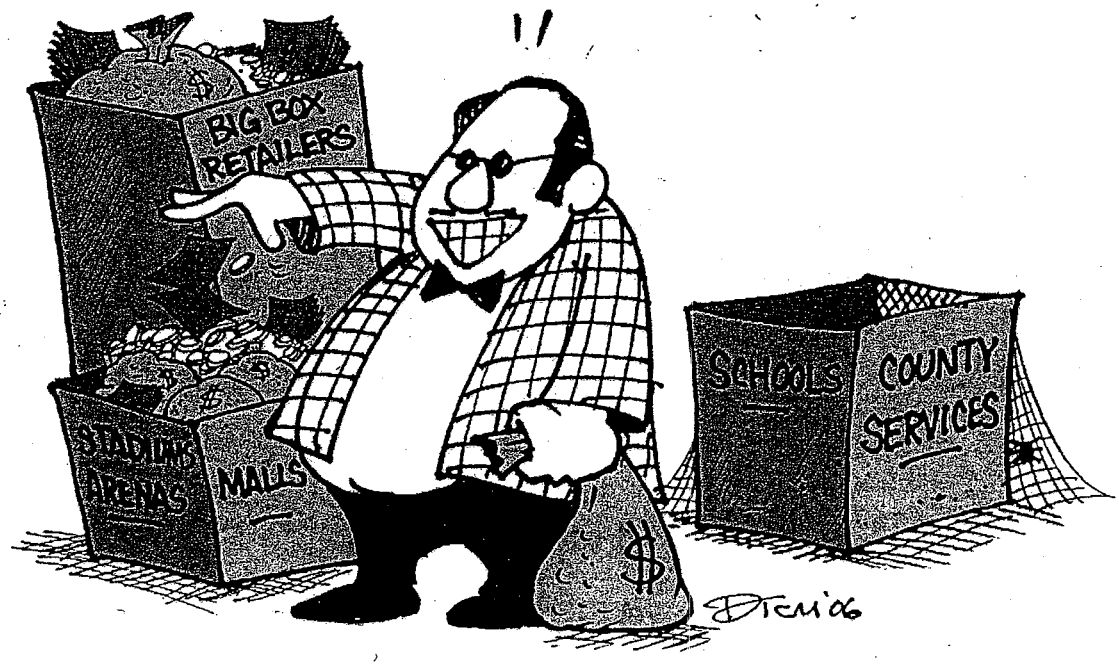
■ ■ ■

Call The Bee's Dan Walters, (916) 321-1195. Back columns, www.sacbee.com/walters.

County Property Tax Losses To Redevelopment Agencies

	FY 2005-06	Total Losses 1989-2006		FY 2005-06	Total Losses 1989-2006
Los Angeles	$184,558,787	$2,176,633,209	Butte	2,538,808	20,812,101
San Francisco	38,233,605	286,361,350	Stanislaus	2,132,388	13,345,455
San Bernardino	35,365,412	356,041,724	Merced	1,953,658	20,647,296
San Diego	33,473,238	289,153,157	Marin	1,811,670	20,111,881
Riverside	33,342,082	332,827,798	Yolo	1,700,841	19,711,502
Santa Clara	31,279,035	478,929,688	Kings	1,553,734	13,416,795
Alameda	25,026,796	233,310,709	San Luis Obispo	1,539,349	7,300,841
Orange	16,460,599	188,778,316	Shasta	1,520,641	13,114,704
Contra Costa	15,066,429	166,846,469	Mendocino	1,378,736	13,862,018
San Mateo	9,648,686	97,494,082	Imperial	1,242,723	14,354,987
Sonoma	9,512,949	77,255,901	Humboldt	1,106,633	14,035,825
Sacramento	9,251,032	95,995,450	San Benito	1,042,546	11,184,022
Solano	8,827,241	99,263,755	El Dorado	995,482	5,613,717
Ventura	8,029,654	77,577,941	Lake	720,766	3,101,390
San Joaquin	7,245,244	39,533,742	Madera	644,025	4,616,797
Monterey	4,547,244	45,989,835	Napa	553,781	7,594,847
Santa Barbara	4,203,539	45,264,655	Sutter	372,317	3,410,121
Kern	4,111,004	38,791,835	Nevada	346,657	1,745,406
Santa Cruz	4,091,226	44,808,796	Tuolumne	189,996	13,508,643
Fresno	2,893,136	39,895,212	Yuba	95,619	1,136,376
Placer	2,775,698	16,358,555	Del Norte	88,514	1,319,188
Tulare	2,577,409	23,041,684			
			State Total	**$514,048,930**	**$5,474,097,774**

Source: State Controller's Report on Redevelopment Agencies F.Y. 1989-2006



Auditor-Controller Property Tax Section
RDA Projects and Anticipated Plan Termination

RDA Name	Anticipated Plan Termination	Possible Expiration in 2009
CITY OF ANAHEIM		
Alpha 1972-73	2013	
River Valley 1983-84	2023	
Anaheim Plaza 1989-90	2030	
Brookhurst 1993-94	2024	
Commercial/Industrial 1993-94	2024	
Stadium Project 1993-94	2024	
West Community Corridor 1997-98	2028	
CITY OF BREA		
Area AB Old A 1972-73	2012	
Area AB Old B 1972-73	2012	
Area C 1976-77	2016	
Area AB A Annex 1980-81	2031	
AB Consolidation 1983-84	2024	
Proj C Subarea #A 1976-77	2016	
Proj C Subarea #B 1976-77	2016	
CITY OF BUENA PARK		
CBD 1979-80	2020	
CBD 1981-82 Amend #1	2022	
Project Area II 1984-85	2024	
Project Area III 1989-90	2030	
Project Area IV 2001-02	2031	
CITY OF COSTA MESA		
1973-74	2013	
1976-77 Annex	2016	
1980-81 Annex	2021	
CITY OF CYPRESS		
Civic Center 1981-82	2022	
Amendment #1 1988-89	2029	
Race Track & Golf Course 1989-90	2030	
Lincoln Avenue 1989-90	2030	
Lincoln Avenue Annex 2004-05	2035	
CITY OF FOUNTAIN VALLEY		
Industrial Area 1976-77	2016	
Civic Center 1976-77	2016	
CITY OF FULLERTON		
Orangefair 1973-74	2013	
Central 1974-75	2014	

East 1974-75	2014

CITY OF GARDEN GROVE

Comm Proj 1972-73	2013
Comm Proj 1973-74	2014
Brookhurst/Katella 77-78	2018
CP Amend 1980-81	2021
Trask Proj 1975-76	2016
Brookhurst/Chapman 76-77	2017
CP Amend 1991-92	2032
Comm Proj 1976-77	2017
Comm Proj 1979-80	2020
Buena Clinton 1980-81	2021
Amendment 1998-99 - Lampson	2029
Annex 2003 BYV 2001-02	2032

CITY OF HUNTINGTON BEACH

Yorktown-Lake 1982-83	2022
Talbert-Beach 1982-83	2022
Main Pier 1982-83	2018
Oakview Project 1982-83	2022
Main Pier-Amendment 1983-84	2024
Huntington Center 1984-85	2024
Southeast Coastal 2001-02	2032

CITY OF IRVINE

Orange County Great Park	2035

CITY OF LA HABRA

Alpha 1 (Downtown 1975-76)	2016
Beta 1 1982-83	2023
Alpha 2 1982-83	2023
Alpha 3 1982-83	2023
Beta 2 1982-83	2023
Beta 3 1982-83	2023
Gamma 1 1983-84	2024
Delta #1 Project 1987-88	2029
Alpha #4 Project 1995-96	2026

CITY OF LA PALMA

Area A - 1982-83	2023
Area B 1982-83	2023
Moody St. 1986-87	2027
Amendment #2 - Walker Street	2032

CITY OF LAKE FOREST

El Toro Subarea 1987	2028

CITY OF MISSION VIEJO

Mission Viejo 1992/93	2032

CITY OF ORANGE

Tustin Project Area 1983-84	2024	
Southwest Project Area 1984-85	2025	
Southwest Amendment #1 1985-86	2026	
Tustin Amendment #1 Area 1987-88	2028	
Northwest Project Area 1987-88	2028	
Southwest Amendment #2 1987-88	2028	
Southwest Amendment #3 1995-96	2026	
CITY OF PLACENTIA		
City of Placentia 1992-93	2023	
Placentia CRA - Amend #1 1989-90	2030	
Placentia CRA - Amend #2	2034	
CITY OF SAN CLEMENTE		
San Clemente - Proj. #1	2015	
CITY OF SAN JUAN CAPISTRANO		
Central 1982-83	2023	
Central 1984-1	2025	
Central 1986-1	2026	
CITY OF SANTA ANA		
Intercity Commuter Station	2022	
North Harbor Blvd. 81-82	2022	
South Harbor Blvd. 81-82	2022	
South Main Street 1981-82	2022	
Bristol Corridor 89-90	2030	
Downtown 72-73 & 74-75	2013	
CITY OF SEAL BEACH		
Riverfront 68-69 & 75-76	2009	2009
Surfside 1982-83	2023	
CITY OF STANTON		
1983-84 Project	2024	
1986-87 Amendment #1	2027	
1991-92 Amendment #2 Walker St	2032	
Project 2000 (BYV 1999-2000)	2030	
CITY OF TUSTIN		
Town Center 1976-77	2017	
South Central 82-83	2023	
South Central Anx 84-85	2025	
Marine Corp Air Station	2033	
CITY OF WESTMINSTER		
Comm #1 1982-83	2023	
Comm Amendment #1 85-86	2026	
Comm Amendment #2 86-87	2027	
Comm Amendment #3 88-89	2029	
Comm Amendment #4 90-91	2031	
Infrastructure Revital 99-00	2030	

CITY OF YORBA LINDA	
1983-84	2024
Amendment #1 1989-90	2030

ORANGE COUNTY (OCDA - NDAPP)	
NDAPP 1987-88	2028
Santa Ana Heights 1985-86	2026

Postoffice Box 5859
City Heights CA 92165
February 16, 2008

Senate Local Government Committee
State Capitol, Room 5064
Sacramento CA 95814

Dear Senator Macleod and members,

During your hearing Wednesday, about older redevelopment projects, the committee should keep several things in mind, that are outlined here.

- The City of San Diego has three distinct redevelopment agencies; the Center City Development Corporation (CCDC), the Southeastern Economic Development Corporation (SEDC), and the City=s redevelopment staff working directly under the Redevelopment Executive Director. The present Executive Director is the Mayor. There are fifteen redevelopment projects supervised by these three agencies. It=s almost as if the City had three redevelopment agencies parallel to one another. The CCDC supervises two of the City=s redevelopment projects, the SEDC supervises four projects, and the Mayor and his staff supervise nine projects.

- Given the number of projects citywide, their geographic differences, the range of initiation dates, their varying statuses, their different financial circumstances, and especially their different supervision, it is unlikely that witness Nancy Graham, the President of the CCDC, can effectively comment on the status of older redevelopment projects supervised by the SEDC or by the Mayor and his staff. She likely does not have detailed history and status data required to offer substantive comment.

- One of the two CCDC project areas, the Downtown Redevelopment Project, has redeveloped nearly all the available parcels and eliminated nearly all the blight that originally beset the downtown area. The downtown project has been a marvel of effectiveness during the past decade or so. The downtown project area will soon no longer have parcels that meet redevelopment criteria. Given the size of the fiscal overhead - especially the huge personnel costs - at the CCDC, it might be suitable for the City to consider transferring both of the CCDC supervised project areas to the Mayor and the City redevelopment staff. Considerable savings can result from that decision. One appreciates that the decision rests with the City, but senatorial remarks about it on the record might prompt the City to make that excellent change.

- The City Heights Redevelopment Project, with which I am thoroughly familiar, is in excellent shape and requires little supervision. It is fiscally sound. It wrote a

good redevelopment plan when it was initiated, and now is working from an excellent five-year implementation plan, the third in its history. That implementation plan extends through FY-09, and I anticipate that the City Heights Redevelopment Project Area Committee (PAC) will write a fourth plan that is better than its predecessors and that continues to break new ground with innovative programs for reducing and removing blight in the project area. The City Heights PAC is nothing if not innovative.

As redevelopment projects conduct business, some changes to the California Redevelopment Law (CRL) suggest themselves. A few of them are:

- As now legislated, the PACs have a three-year life span that the redevelopment authority (the San Diego City Council in this case) may extend in yearly increments. That is complicated and unwieldy, and the CRL should be changed. PACs should exist in all redevelopment projects as permanent parts of the management infra- structure. Electing citizens to represent their neighbors on the PACs is a very effective way to get very good redevelopment. The CRL should be amended to require PACs in every redevelopment project.

- In addition to retaining the PACs, the CRL should enable PACs to participate in the development of annual project budgets. In San Diego, as redevelopment actually operates, the PACs have no role in budget development. They are given a budget written by the staff and sent up to the Authority for approval, but they are not allowed to participate in budget development. They should be, and the authority for a PAC role in the budget process should be included in the CRL.

- Finally, the scope of the PACs= role should be expanded. As now legislated, the PACs are advisory to the redevelopment authority only in respect to housing, especially low- and moderate-income housing, and in respect to replacement housing required when older, inadequate homes are demolished to make way for new development. By virtue of their elected membership, the PACs are a fountain of local wisdom and knowledge and should be given an advisory role in every aspect of the operation of their redevelopment projects.

To recapitulate: the excellence of the California redevelopment experiment in past years can be enhanced by having permanent Project Area Committees, by including them in budgetary matters, and by involving them in all redevelopment decisions. I hope you agree.

This letter will be sent via electronic means to assure timely receipt. A signed copy will also be sent to the staff office for inclusion in the archives.

Sincerely,

Jim Varnadore
City Heights
(619) 280-3910

ANAHEIM
REDEVELOPMENT
AGENCY

To: The Honorable Gloria Negrete McLeod

From: Elisa Stipkovich, Executive Director

Date: February 19, 2008

RE: **STATEMENT ON SB211 EXTENSION**

The Anaheim Redevelopment Agency ("Agency") initiated and completed the process for Plan Amendment for the purpose of extending the time limit of effectiveness and the time limit to repay debt/collect tax increment for an additional ten (10) years. The Plan Amendment will assist in the attainment of the goals and objectives set forth by the Agency, specifically the City's Affordable Housing Strategy as well as address the RHNA targets. Pursuant to the Procedures for Extension described under section 33333.11 of California Community Redevelopment Law ("CRL"), the Agency conducted the required public hearings, provided notice to affected taxing agencies and held community meetings to inform the public of the Plan Amendment process. On September 12, 2006, the Anaheim City Council adopted Ordinance No. 6034 approving the proposed Plan Amendment. The Redevelopment Agency's tax increment with the extension results in approximately 40% of the gross funds going to other taxing entities with a majority to School Districts.

Reasons for a Plan Amendment Pursuant to SB211

Increase Affordable Housing

The Agency has met the HCD Housing Production Goals however the Agency is working to meet the target established by the RHNA Allocation of 9,498 new housing units. One of the primary reasons for the Plan Amendment was to implement Anaheim's Affordable Housing Strategic Plan. Goals of the Affordable Housing Strategic Plan include the development of 1,200 new affordable housing units in the City of Anaheim between 2006 and 2010, of which a minimum of 50 percent of these units shall be affordable to low and very low

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income households. Extending the effectiveness of the Affected Plans through the Plan Amendment has and will continue to assist in the attainment of the goals and objectives of the Affordable Housing Strategic Plan because 30 percent of the tax increment revenue generated in the Merged Project Area would be deposited in the Agency's Housing Fund and subsequently used for increasing, improving and preserving the supply of housing at affordable housing costs to persons and families of moderate, low, very low or extremely low income.

Maximize the Effectiveness of Anaheim's Redevelopment Program

Over the last several years the Agency has taken steps to maximize the effectives of the City's redevelopment program merging all Redevelopment Project Areas, and extending the effectiveness of five subareas pursuant to SB 211. The Plan Amendment under SB 211 in particular provided the Agency with the opportunity to refinance debt, as well as issue new debt for a longer term. In December 2007, the Agency issued new bonds, realizing interest savings, and maximizing available cashflow and provided for efficient future borrowing. The bond revenues will be used to retire existing notes, finance previous acquisitions and fund future improvements, furthering the goals and objectives for the Merged Redevelopment Project Area.

Continue other Redevelopment Projects and Programs

In addition, to creating additional affordable housing opportunities in the City, the Plan Amendment will allow the Agency to continue implementing its projects and programs within the Merged Project Area including:

- Business Attraction and Retention
- Rehabilitation of Deteriorated and Obsolete Structures for Contemporary Use
- Provide for a Range of Small, Neighborhood and Regional Serving Businesses
- Increase, Preserve, Rehabilitate and Develop Affordable and Market Rate Housing

- Improve Infrastructure and Public Facilities including Increased Recreation and Open Space

- Proactively Plan for the Attainment of Goals and Blight Elimination

Specific programs and objectives are detailed in Attachment 1.

Additional Requirements of SB 211

The Plan Amendment triggered additional requirements for the Agency. These requirements are summarized below:

- The Agency must make the statutory payments to affected taxing agencies required by Section 33607.7 (those defined by AB 1290) unless there are existing pass-through agreements which would continue to be in effect.

- The Agency must deposit 30 percent of the tax increment revenues into its Housing Fund rather than the current 20 percent. Although the proposed Amendments excludes the Anaheim Stadium and a portion of the West Anaheim area, these areas will also deposit 30 percent of the tax increment revenues into the Housing Fund.

- After the respective dates of the original duration time limits for each Affected Plan would have expired, the Agency can only spend money within areas of the Merged Project Area, where significant remaining blight is identified.

- After the dates, the original time limits for duration of each Affected Plan would have expired, housing money must be spent on units that are affordable to low income (50 percent to 80 percent of median) and very low-income (0 to 50 percent of median) households, with one exception. The exception is that Housing Fund money can be spent on moderate income units (80 to 120 percent of median), but only in an amount equal to what is being spent on extremely low income units (35 percent and below median), and in any event, the amount spent on moderate income units cannot exceed 15 percent of the affordable housing set-aside in a

five-year period and the number of moderate income units may not exceed the number of extremely low income units. If the moderate income units must be incorporated in a affordable housing project it requires that 49% of the project must be dedicated to low and very low housing. This requirement makes it nearly impossible to do any moderate income housing.

- For a plan that was adopted before 1976, (here only Affected Plan Alpha) which was not subject to inclusionary housing requirements, the Affected Plan would now have to provide for inclusionary housing. There are two inclusionary housing requirements. (1) If the Agency directly develops the housing, 30 percent of the units must be affordable of which 50 percent must be affordable to very low-income families; and (2) for all other units developed within the project area by the private sector or other public agencies with or without agency assistance, 15 percent must be affordable of which 40 percent must be affordable to very low-income families.

These provisions mean that after the Plan Amendment, the Alpha Project, which was adopted in 1973, will be subject to the inclusionary housing requirements, the 30 percent housing set-aside and the statutory pass-through payments. However, because the Agency has previously repealed the debt establishment limit for Alpha and River Valley, these projects are already subject to the statutory pass-through payments. Therefore, the additional requirement for Alpha after the Amendments would be the inclusionary housing and 30 percent set-aside requirements. For River Valley, which was already subject to inclusionary housing and the statutory pass-through payments, after the Amendments, only the 30 percent housing set-aside requirement would be new. For the Plaza, Commercial/Industrial and the Brookhurst portions of the Merged Project Area, the Agency would be subject to the 30 percent housing set-aside and continued payments under the existing pass-through agreements and, as applicable, the statutory pass-through payments. As noted above, the pass-through payments for these areas would not begin until their original duration dates were reached which is 2027 for Plaza and 2029 for Commercial/Industrial and Brookhurst.

Required Finding: Significant Remaining Blight Criteria

Although Anahiem was successful in documenting remaining blight for purposes of the SB211 amendment, it was an expensive and detailed exercise.

Under CRL, when an agency proposes to extend the plan effectiveness and the time limit to repay debt/collect tax increment, it shall identify significant remaining blight within the project area, and the portion, if any, that is no longer blighted

The definitions of blight as defined by CRL Section 33031(a) and (b) at the time of Anaheim's SB211 Amendment described on Attachment 2.

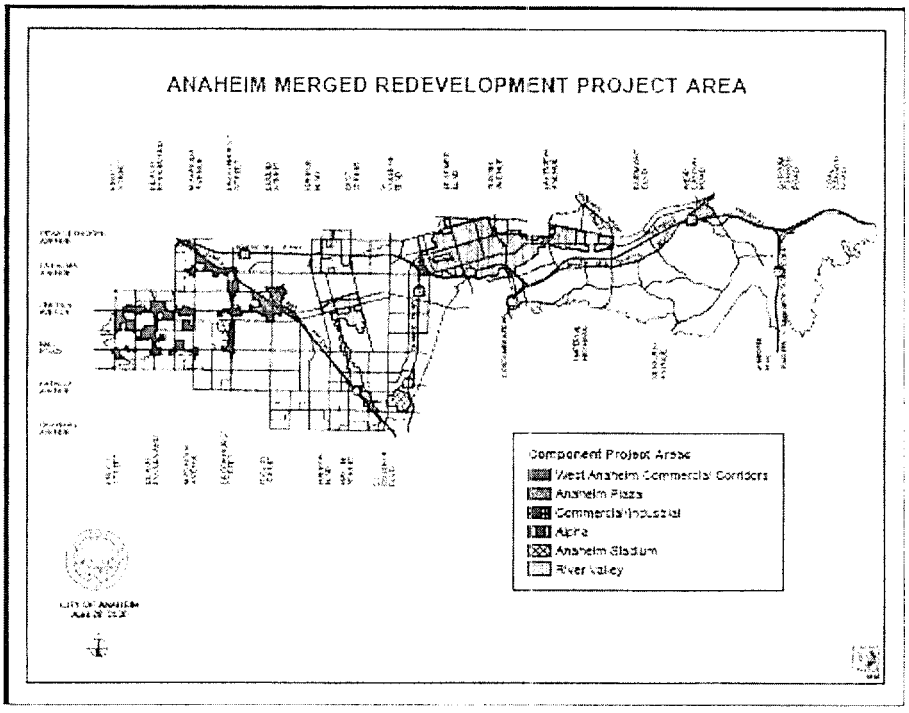
Chronological Procedures and Activities

Adopting an amendment under SB211 represents an investment in time and money as great as if a new redevelopment plan were being adopted, with few exceptions. In Anaheim, the yearlong process included ongoing discussions with community groups, newsletters to all property owners, business and residential occupants (over 55,000 pieces), meetings with taxing entities and numerous meetings with curious individuals – this in addition to the steps and actions required by law.

Summary

SB 211 will allow the Agency to continue redevelopment efforts in the City of Anaheim for an additional ten year period, continuing efforts to promote economic development and development of much needed affordable housing. The Agency does face tough restrictions of its affordable housing program under SB 211 specifically with regards to moderate income housing development due to tough restrictions in the law. None the less, the ten year extension will allow the Agency to continue working to meet its goals and objectives, making Anaheim a better place to live, work and play.

Anaheim's Merged Project Area Map



Attachment 1
Goals, Objectives and Programs

1. Business Attraction and Retention

   - Eliminate blighting conditions through abatement, compliance, or elimination of incompatible uses.
   - Consolidate parcels suitable for modern integrated development.
   - Continue revitalization of the Anaheim's Downtown.
   - Maximize the utilization of underdeveloped properties in the attraction of commerce and jobs to the City.

2. Rehabilitation of Deteriorated and Obsolete Structures for Contemporary Use

   - Rehabilitate or remove substandard and deteriorating buildings.

3. Provide for a Range of Small, Neighborhood and Regional Serving Businesses

   - Provide opportunities for participation by owners and tenants in the revitalization of their properties and/or other properties in the Merged Project Area.
   - Establish modern, convenient industrial and commercial areas to serve the needs of the City.
   - Create and develop local job opportunities and preserve the area's existing employment base.

4. Increase, Preserve, Rehabilitate and Develop Affordable and Market Rate Housing

   - Expand the community's supply of housing, including opportunities for extremely low, very low-, low, and moderate income households.

   - Rehabilitate and develop low and moderate income housing.

   - Practice contextual design in creating appropriate linkages between commercial/industrial properties and residential areas.

5. Improve Infrastructure and Public Facilities including Increased Recreation and Open Space

   - Improve vehicle and pedestrian traffic system.

   - Upgrade public improvements and facilities, and eliminate environmental deficiencies, including substandard vehicular circulation systems; inadequate water, sewer and storm drainage systems; insufficient off-street parking; and other similar improvements, facilities and utility deficiencies.

   - Provide additional parks or improve existing parks and open space and ensure they are clean, safe, and desirable places for use by the community.

6. Proactively Plan for the Attainment of Goals and Blight Elimination

   - Replan, redesign and encourage development of underutilized areas.

- Provide for increased sales, business license, hotel occupancy and other fees, taxes and revenues to the City.

- Reduce crime and graffiti through coordination of efforts with property owners, residents, businesses, the Anaheim Police Department, and the Anaheim Code Enforcement Division.

- Eliminate drug, prostitution and other criminal activities and uses.

- Provide tax increment funding as necessary to finance public improvements and development programs which cannot be accomplished through existing publicly funded programs or by the private sector acting alone to eliminate blighting influences.

Attachment 2
The definitions of blight as defined by CRL Section 33031(a) and (b) at the time of Anaheim's SB211 Amendment

Physical Blighting Characteristics

1. Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or similar factors.

2. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by substandard design, inadequate building size given present standards and market conditions, lack of parking, or other similar factors.

3. Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.

4. The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

Economic Blighting Characteristics

1. Depreciated or stagnant property values or impaired investments, including but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority.

2. Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.

3. A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

4. Residential overcrowding or an excess of bars, liquor stores, or businesses that cater exclusively to adults that has led to problems of public safety and welfare.

5. A high crime rate that constitutes a serious threat to the public safety and welfare.

Attachment 3
Actions taken by the Agency during the SB211 Plan Amendment Process.

- One hundred and twenty (120) days prior to the public hearing on the proposed plan amendment, the Agency sent each affected taxing agency, the Department of Finance, the Department of Housing and Community Development, a preliminary report identifying:
    a. The affected project areas.
    b. A description of the remaining blight
    c. A description of the projects and programs proposed to eliminate remaining blight.
    d. A description of how the projects or programs cannot be completed without extending the time limits on the effectiveness of the affected plans and receipt of tax increment revenues.
    e. The proposed method of financing these programs or projects.
    f. An amendment to the Agency's Implementation Plan.
- One hundred and twenty (120) days prior to holding a public hearing on the proposed amendment, Planning Commission determined that the plan amendment was in conformity with the General Plan and recommended approval to the Agency Board/City Council.
- Forty five (45) days prior to the public hearing on the proposed amendment, the Agency notified each affected taxing entity, Department of Finance, the Department of Housing and Community Development, and each individual and organization that submitted comments on the preliminary report by certified mail of the public hearing, the date of the public hearing, and the proposed amendment.
- Forty five (45) days prior to the joint public hearing on the proposed amendment, the Agency adopted a report to Council containing all of the following:
    a. The Preliminary Report information.
    b. The report and recommendation of the Planning Commission.
    c. The Environmental Compliance Resolution.
    d. A summary of consultation with the affected taxing agencies.
    e. A summary of the consultation with residents and community organizations.
- On August 22, 2006 the City Council/Agency Board held a joint public hearing on the plan amendment and amended Implementation Plan.

- On September 12, 2006 Ordinance No. 6034 was adopted approving the Plan Amendment.

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