

Get rid of redevelopment agencies? Some say OK

[By Lisa Vorderbrueggen](#)

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Fire districts and other public agencies in Contra Costa County could win big if Gov. Jerry Brown succeeds in eliminating redevelopment agencies.

Fire, sewer, hospital, park, transit and health care districts could recoup millions of dollars diverted to redevelopment if the program goes away, according to a Contra Costa County analysis of property tax data.

Near the top of the list is the Contra Costa Fire District, which would have collected \$11.9 million, or 19.4 percent more, in property tax dollars this past fiscal year if redevelopment agencies were not diverting some of the money. The district is burning through its reserves and has said it will make major service cuts next year unless it finds more cash.

Firefighters have argued for years that redevelopment tax diversions were cutting into their budgets, but they found little support until the state's dire financial straits forced the issue. Redevelopment money has been spent on new fire stations and equipment, but it cannot be used for ongoing operations costs.

"Even if the (full elimination of redevelopment) doesn't happen, we're hoping for a compromise that would allow more dollars to go to public safety and the schools," said Vince Wells, president of the United Professional Fire Fighters of Contra Costa County Local 1230.

The estimates were presented as part of the Contra Costa board of supervisors' debate earlier this week on Brown's proposal.

Agencies such as the East Bay Regional Park District, the county library, other fire districts and the Los Medanos and West Contra Costa health care districts would have seen property tax boosts ranging from nearly 12 percent to more than 100 percent.

Contra Costa's six county-run redevelopment districts would have lost about \$14 million a year if the proposal had been in effect last year. But with no redevelopment diversions, the money would have landed in the county general fund, where it could have been spent on myriad needs, such as sheriff's deputies or prosecutors.

The extra cash would come in handy next year, when the county must close a \$50 million gap in its \$1.2 billion budget.

State lawmakers created the redevelopment tax plan more than 60 years ago; today, nearly every county and city in California has such an agency.

The process allows an agency to declare an area blighted and in need of redevelopment. The newly created redevelopment district then siphons off all newly added tax revenue generated within its boundaries, called the "tax increment." The agency spends the money on economic development within the district, and a portion is set aside for state-mandated affordable housing.

However, talk of a windfall for fire and other public agencies carries major caveats and depends on how or if state lawmakers change the broadly used tax vehicle.

Even if lawmakers sign on, the money would not materialize overnight. On average, at least half of all redevelopment tax dollars go to loan payments on projects, and that percentage varies from agency to agency. It could take 20 years or longer to pay down the debt and free up the money for local agencies.

Cities, the chief beneficiaries of redevelopment money, have launched a major political offensive. Their leaders cite real losses of jobs and a hit on economic expansion and affordable housing construction they say would not have occurred without redevelopment.

Despite city opposition, Contra Costa Supervisor John Gioia, of Richmond, led his colleagues in a unanimous vote earlier this week in support of broad redevelopment reform.

"Studies have shown that redevelopment is not the most cost-effective way to achieve economic development and affordable housing, which are the two goals of redevelopment," Gioia said. "And it comes at the expense of schools, public safety and health services.

"The issue is how do we reform redevelopment in a way that still achieves effective economic growth without having the drastic negative impacts on core government services."

Redevelopment agencies took roughly \$11 of every \$100 in property taxes collected in Contra Costa this past fiscal year including districts in 16 cities and six unincorporated areas, including three that cover the Pleasant Hill BART station, Bay Point and North Richmond.

Under the governor's proposal, as the independent Legislative Analyst's Office described it, the state would take a one-year payment next fiscal year of \$1.7 billion in statewide redevelopment money to pay for trial courts and Medi-Cal.

The balance would go toward debt and be distributed among schools, cities and special districts. The following year and thereafter, all the money would be returned to local agencies.

Cities with redevelopment agencies would receive less money overall -- in some cases, far less money -- but would see increases in more flexible general fund dollars.

For example, based on taxes collected this past fiscal year, Concord would have lost \$16 million in redevelopment tax revenue but would have collected an additional \$1.6 million in base property taxes, according to the county's analysis.

Assumptions about what may emerge from Sacramento are highly speculative, warned Contra Costa County Redevelopment Director Jim Kennedy, who thinks the program works.

In fast-moving negotiations, the redevelopment community is considering ways to help the state close its gaping budget hole next year while preserving its existence, perhaps through a tax-sharing compromise, Kennedy said.

Meanwhile, legal questions exist about the state's authority allocate local property tax dollars if it takes away the tax increment, he said.

A deal also could end up as part of Brown's move to shift state responsibilities onto local agencies and place a tax extension package on the ballot in June, which will require voter approval.