



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
February 2, 2011**

TO: City Council
FROM: Mayor Schroder
PREPARED BY: Mercy Cabral, Deputy City Clerk
SUBJECT: RDA Budget Fight
DATE: January 25, 2011

RECOMMENDATION:

Consider a resolution in opposition to the Administration's Proposal to Abolish Redevelopment Agencies in California; and urging them to consider the constitutional and economic implications of attempting to eliminate redevelopment; and support a "sign on" letter issued by the League of California Cities (League) to be signed by each member of the City Council.

BACKGROUND:

As part of its 2011-12 budget proposal, the Governor has proposed permanently abolishing California's more than 400 local redevelopment agencies. This proposal represents more of the same misguided and illegal State budget raids of local government funds that voters have repeatedly sought to end. Californians have repeatedly voted to make sure that local funds remain local. In November the voters approved Proposition 22, once again confirming they want those funds to pay for services and programs in their communities. *(61% of voters supported Prop. 22, a constitutional amendment that "Prohibits the state from borrowing or taking funds used for transportation, redevelopment or local government projects and services.")*

This proposal will destroy local economic development, including hundreds of thousands of jobs and billions of dollars in local economic activity throughout California. Redevelopment and enterprise zones fundamentally boost the economy and benefit the hardest hit areas of our State.

ACTION:

Motion to adopt a resolution in opposition to the Administration's Proposal to Abolish Redevelopment Agencies in California; and support a "sign on" letter issued by the League.

RESOLUTION NO. -11

A RESOLUTION IN OPPOSITION TO THE ADMINISTRATION'S PROPOSAL TO
ABOLISH REDEVELOPMENT AGENCIES IN CALIFORNIA

WHEREAS, as part of its 2011-12 budget proposal, the Governor has proposed permanently abolishing California's more than 400 local redevelopment agencies; and

WHEREAS, this proposal represents more of the same misguided and illegal State budget raids of local government funds that voters have repeatedly sought to end, most recently in November 2010 when an overwhelming 61% of voters elected to stop State raids of local government funds, including redevelopment funds; and

WHEREAS, this proposal will bring very little financial benefit to the State. According to the State Controller's Office, redevelopment agencies have more than \$87 billion in bond and other contractual obligations that legally must be repaid before revenues are available to any other purpose. In fact, according to the State Department of Finance's own budget documents, there will be zero State savings in out years from shutting down redevelopment; and

WHEREAS, this proposal will destroy local economic development, including hundreds of thousands of jobs and billions of dollars in local economic activity throughout California; and

WHEREAS, throughout California, redevelopment activities support 304,000 jobs annually, including 170,600 construction jobs, contribute over \$40 billion annually to California's economy in the generation of goods and services, and generate more than \$2 billion in state and local taxes in a typical year; and

WHEREAS, eliminating redevelopment will take away one of the few tools local governments have to comply with state requirements to plan for more compact urban development supported by transit-oriented development, housing, jobs and infrastructure; and

WHEREAS, eliminating redevelopment will destroy the development of affordable housing in California. Redevelopment agencies are the second largest funder of affordable housing, behind only the federal government, responsible for over 98,000 units of affordable housing since 1993; and

WHEREAS, shutting down redevelopment agencies is a violation of multiple State and Federal constitutional provisions.

NOW, THEREFORE, BE IT RESOLVED that the City of Martinez formally opposes the Administration's proposal to abolish redevelopment in California.

BE IT FURTHER RESOLVED, that the City Council authorizes its Council Redevelopment Subcommittee and staff to communicate its opposition to this proposal to the Governor, the Legislature, business groups, and citizens.

* * * * *

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution duly adopted by the City Council of the City of Martinez at a Regular Meeting of said Council held on the 2nd day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ



1400 K Street, Suite 400 • Sacramento, California 95814
Phone: (916) 658-8200 Fax: (916) 658-8240
www.cacities.org

February 2, 2011

Honorable Jerry Brown
Governor, State of California
California State Senators
California State Assembly Members
State Capitol
Sacramento, CA 95814

Dear Governor Brown and California State Legislators:

RE: Eliminating redevelopment is wrong decision in this economy and fails to offer a real solution for the state budget

As elected city officials in the State of California, we fully understand that the State's massive budget deficit will require sacrifice by all Californians. We stand ready to work with the Administration and the Legislature to pass an honest budget that finally puts California on the road to fiscal health. However, it is important to ensure that no decisions are made in the frenzy of the upcoming budget deliberations that will make our financial problems worse.

Unfortunately, the Administration's proposal to abolish redevelopment represents more of the same State raids of local funds that voters have fought to prevent, and it will jeopardize the State's prospects for an economic recovery.

The Governor's proposal to eliminate redevelopment agencies is wrong because it:

- Will not provide expected budget relief to the State or local governments after bond and contractual obligations are repaid;
- Will destroy billions of dollars in local economic activity and hundreds of thousands of jobs;
- Will kill the State's only meaningful programs to provide affordable housing; and
- Will block our efforts in California to grow responsibly by focusing on urban and infill development.

The proposal will not provide budget savings to the State or local governments, and represents continued State raids of local funds the voters have acted to prevent.

Over the last 10 years, the State has adopted too many budgets based on proposals that are at best questionable and in some cases illegal. The proposal to eliminate redevelopment agencies is just another in a long string of proposals that will not deliver the real dollars needed to close the budget gap and put the State's fiscal house in order.

The measure is completely contrary to Proposition 22, which passed by 61 percent in November 2010, to protect local government revenues from grabs by the State. The provisions of Prop. 22 clearly prohibit the redevelopment proposal as it appears in the governor's budget.

Second, redevelopment agencies issue bonds to finance redevelopment activities, which must be repaid with interest. Redevelopment agencies currently hold more than \$20 billion in bonded indebtedness. Under the federal and state constitutions, these contractual obligations must be met before revenues could be used under the Governor's proposal to benefit the state's budget deficit.

The bottom line is that this is not a "real" budget proposal. It is a proposal that will once again fall far short of expectations.

The proposal will kill jobs and economic expansion at the worst possible time.

Eliminating redevelopment will have a direct and lasting negative impact on the California economy and job creation.

- Redevelopment activities support an average of 304,000 full- and part-time private sector jobs in a typical year, including 170,600 construction jobs;
- Redevelopment contributes over \$40 billion annually to California's economy in the generation of goods and services;
- Redevelopment construction activities generate \$2 billion in state and local taxes in a typical year; and
- The success stories of redevelopment are all over California and available for all to see. The downtown areas of San Diego, Pasadena, Los Angeles and San Jose stand as outstanding examples of saving blighted neighborhoods and turning them into hubs of economic activity and job creation.

The proposal is bad for the environment, bad for our state.

Eliminating redevelopment will take away the primary tool local governments have to comply with the requirements of State law to plan for more compact urban development supported by improved public transportation opportunities. Redevelopment encourages infill development rather than Greenfield development and redevelopment agencies have the experience and tools needed to help implement AB 32 and SB 375.

Redevelopment is also the second largest funder of affordable homes after the federal government. More than 98,000 units of affordable housing have been constructed or rehabilitated through redevelopment since 1993.

As local officials, we stand ready to assist you in the passage of a responsible budget. However, this proposal runs completely contrary to the Governor and Legislature's stated goals of realigning state services to provide more responsibility and funding locally. We strongly urge you to reject this measure and refocus on proposals that offer real solutions to California's budget problems.

Sincerely,

Rob Schroder, Mayor

Lara DeLaney, Councilmember

Janet Kenney, Vice Mayor

Michael Menesini, Councilmember

Mark Ross, Councilmember