Gov. Jerry Brown seeks redevelopment replacement

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Two years after Gov. Jerry Brown and the Legislature dismantled California's $5 billion-a-year redevelopment program, Brown wants to bring some elements back, but he's offering less money, a different name and a change in local voters' approval.

The crux of Brown's plan is to expand the reach of the rarely-used, little-known infrastructure finance districts. The districts, or IFDs, have taxing authority and are created with voter approval. They rely on property tax dollars and focus on highways, transit and sewer projects, libraries, parks and child care centers.

Brown wants to add to that list urban “infill” development, affordable housing, development to encourage use of public transportation and former military bases, and what his office calls “necessary consumer services.”

Many of the additions overlap with projects once carried out by redevelopment agencies, first authorized by the state after World War II to combat urban decay and blight.

The notion of using IFDs has some support in the Legislature, where a number of lawmakers have authored IFD-related bills.

“It does make sense,” said Sen. Lois Wolk, D-Davis, who authored a major IFD bill, SB 33. “It gives local government a financing tool for public projects ... and the infrastructure finance district does not take money from the schools, or from any other agency without its agreement.”

The administration's plan is the culmination of the furious politicking that has wracked the Capitol since Brown first proposed in 2011 to abolish redevelopment agencies to help solve state budget woes and free up funds for other cash-strapped public needs.

Some 400 agencies across the state were formally eliminated in early 2012, over the objections of many cities and counties where officials argued that they would be left without a vital financing tool for much needed projects.

Dozens of municipalities sued the state over the move, including Santa Rosa and Sonoma County. Brown's new proposal could provide a way to settle many of the court cases.

Santa Rosa in its lawsuit hopes to recoup $7.4 million, which stemmed from loans the city made to three redevelopment areas. The redevelopment agency was abolished before the loans were repaid, leaving the city on the hook.

Sonoma County is also locked in a legal battle with the state, having won a lower court ruling last year in its bid to keep $14 million in funding for its two largest redevelopment projects, in Roseland and along Highway 12 in Sonoma Valley.

The ruling is now up on appeal.

Under the governor's proposal, Santa Rosa and the county would need to resolve their legal cases with the state before being allowed to set up an infrastructure finance district.

The Finance Department, the state office that actually writes the governor's budgets, posted the governor's proposal Feb. 21 in the form of a so-called “trailer bill,” a measure tied to the budget that takes effect only if the main budget bill is approved. Typically, a budget may carry a dozen trailer bills that reflect agreements reached to win passage of the main bill.

The Finance Department in its January budget proposal for the 2014-15 fiscal year said the governor's “goal is to maintain the IFD focus on projects which have tangible quality-of-life benefits for the residents of the IFD project area.”

Unlike redevelopment agencies, local entities such as fire and community service districts affected by IFD projects have the option of participating or not, “ensuring the impacted local agencies have a voice in whether they will contribute their revenue to those projects and, if so, how their revenues will be used,” the administration said. Cities and counties are the most likely entities to create IFDs.

Schools are specifically barred from participation in IFDs. That prohibition is crucial, because under a state law approved by voters in 1988, school funding is guaranteed by the state and the schools must be kept financially whole. The impact of redevelopment on school funding played a role in Brown's move to eliminate the redevelopment agencies.

“I think it's a start. It's not going to have a strong impact, at least in the beginning. But it doesn't hurt,” said Cindy Trobitz-Thomas, former redevelopment and housing director in Eureka. During her stint there, she helped coordinate a $60 million waterfront restoration and improvement project.

“A lot of redevelopment activities fell under the radar,” she added. “It was really difficult to differentiate what was going on. This is really a claim about transparency. When you establish an IFD, issue debt and collect taxes, it is a much more open process in terms of what's going on with tax dollars.”

In their calls to end redevelopment agencies, critics, including Brown, pointed to cases of financial waste and abuse, where property tax funding was being used for all sorts of projects, including a controversial $17 million upgrade of a Palm Desert golf course.

In raw dollars, the IFDs represent a smaller price tag, although it's too early to say how small.

“It's less lucrative,” Jean Hurst, a lobbyist for the California State Association of Counties. “From a county perspective, we think it's a better approach than the old (redevelopment) model,” she added. “Whether or not it's a feasible tool, I really can't say at this point. But we like the idea of the taxing entity having to say, 'We will contribute' or 'No, we will not contribute.'”

The governor's proposal would lower the threshold for voter approval of IFDs and local projects from 66 percent to 55 percent. Under redevelopment, city and county leaders typically established redevelopment areas and launched projects without going to the electorate, Hurst noted.

Infrastructure finance districts have been seldom used since they were authorized by the state in 1990. A major exception was the Legoland project in Carlsbad in San Diego County 15 years ago, a Senate analysis said. Another example was the IFD created in 2012 in San Francisco in connection with the America's Cup yacht races. There appear to be none in Sonoma County.

At least a half-dozen bills related to IFDs, including Wolk's and another bill, SB 1 by Senate Leader Darrell Steinberg, D-Sacramento, were moved to inactive status last fall by the Assembly Majority Leader — and soon to be speaker — Toni Atkins, D-San Diego, after the governor let it be known that he wanted to craft his own plan for 2014.

Another bill, AB 229 by Assembly Speaker John Pérez, D-Los Angeles, was also derailed, while SB 628 by Sen. Ed Beall, D-San Jose, actually was approved by both the Senate and Assembly and was headed to the governor's desk when it was retrieved.

The abolishment of redevelopment programs touched off what has proven to be an enduring political and legal fight between the state and local governments.

Through mid-February, a total of 181 lawsuits had been filed by municipalities challenging the state's move on various grounds.

Of those cases, 82 were decided in the state's favor, six have gone against the state, five partially favored the state and 49 remain active pending Superior Court hearings, according to the state Finance Department. Another 39 suits were filed but are not active, said Finance Department spokesman H. D. Palmer.

Brown's proposal says that local governments could take advantage of the expanded IFDs only “on the conclusion of any outstanding legal issues between the successor agency, the city or county that created the (redevelopment agency) and the state.” Other requirements include audits by the state controller and approvals from the Finance Department.

Does that mean Brown's proposal, in its present form, could clear the decks of litigation by requiring warring parties to resolve their legal differences?

“We believe so,” Palmer wrote in an email.