



City Manager's Weekly Update

December 12, 2012

UPCOMING MEETINGS

- 12/17** City Council Meeting,
7:00 p.m.,
Council Chambers
- 12/18** Community
Development
Committee Meeting –
CANCELLED
- 12/24/12 – 1/1/13**
City Hall Closed.
- 1/7** City Council Meeting,
7:00 p.m.,
Council Chambers
- 1/14** City Council Work
Session, 7:00 p.m.,
Council Chambers
- 1/22** City Council Meeting,
7:00 p.m.,
Council Chambers
- 1/26** City Council Retreat,
Time TBD, Senior
Community Center
- 1/28** City Council Special
Meeting, Time TBD,
Council Chambers
- 2/4** City Council Meeting,
7:00 p.m.,
Council Chambers

To: City Council
From: Chris Zapata, City Manager

Mark Your Calendar

Student Showcase of the Nutcracker Ballet at the San Leandro Library
(reminder; flyer attached)

Saturday, December 15, 2:00 p.m. to 3:00 p.m., Main Library, 300 Estudillo Avenue

- The San Leandro Public Library is pleased to help ring in the Holiday Season by providing an opportunity to enjoy San Leandro's own Conservatory of Ballet performing excerpts from the Nutcracker Ballet on Saturday, **December 15**. Admission is free.

Council Information

AB 1509 Increases Public Awareness of, and Access to, Form 700

- This new legislation is intended to increase public awareness of, and access to, the Statements of Economic Interests filed by local elected officials.
- Assembly Bill 1509 (Hayashi) was signed into law in September and takes effect on January 1, 2013.
- AB 1509 adds Section 87505 to the Government Code relating to the Political Reform Act of 1974.
- GC 87505 requires the City Clerk to post on the City's website a notification that includes a list of the local elected officials who file the Form 700 Statement of Economic Interests, and where a copy of their filings can be obtained.
- The City Clerk's Office will post the notification prior to the holiday break.

Exciting news and changes in the Recreation and Human Services Department

• Personnel Update

○ Congratulations are in order for Breyana Riggsbee! Breyana was recently promoted from Recreation Supervisor to Recreation and Human Services Manager; filling the position vacated by Joann Oliver's retirement. Breyana has been with the City for six years overseeing a variety of programs. Her experience, education and strong leadership make her the perfect person for the position. We are very fortunate to have such a committed and hard working employee.

○ Two new Recreation Supervisors were hired filling the vacancies created by Breyana's promotion and Louie Despeaux's retirement. Dena Justice and Heather Hafer were the top two rated candidates in the recruitment process. Both have years of experience in a variety of program areas and have Master's degrees. Heather Hafer will supervise Senior Services and Dena Justice will supervise Youth and Teen programs and Aquatics.

○ The influx of new staff created an opportunity for current Recreation Supervisors to cross train and gain experience supervising different programs

and services. Staff and their respective program and service responsibilities and new phone numbers are listed below, effective January 7, 2013:

- Heather Hafer, Senior Services, 577-6079
 - Ely Hwang, Customer Service, 577-6046
 - Dena Justice, Youth and Aquatics, 577-3473
 - Lydia Rodriguez, Youth Sports and Teens, 577-3477
 - Veronica Tracy, Facilities and Classes, 577-6081
- **Administration and Customer Service Update**
 - The Recreation and Human Services Department is looking to close the South Offices location and move the administration to City Hall in March. Customer service will be offered at the Senior Community Center Monday-Friday from 8:30 a.m. – 5 p.m. and Marina Community Center Monday-Friday 11:30 a.m. - 7 p.m. and Saturdays 10 a.m. – 2 p.m. Both buildings will be open 7 days a week for rentals and scheduled activities.
 - The Recreation and Human Services Administrative office will be located on the first floor of City Hall in suite 107 (adjacent to the employee lounge). Although questions will be fielded at the City Hall location, registration and other customer service functions will only be available at the Senior and Marina Community Centers at the days and times listed above.
 - The decision to make these changes is based on the need to put resources where the heaviest amount of activity is generated. These changes also allow the Senior Community Center to be open until 5:00 p.m. Monday through Friday and an additional hour of customer service at lunchtime at the Marina Community without additional customer service cost to the City. Both Community Centers have hundreds of patrons visiting daily and the majority of registration takes place at those locations. The one full-time customer service position will be located at the Senior Community Center and full-time supervisor positions will be located at the Centers to help meet participants' needs.
 - **Retirement Receptions**
 - The Recreation and Human Services Department hopes you can attend retirement receptions for r Joann Oliver and Louie Despeaux (flyers attached):
 - Joann Oliver – Tuesday, December 18, 3:00 p.m., City Hall, Sister Cities Gallery
 - Louie Despeaux – Wednesday, December 19, 1:30 p.m., Senior Community Center, Arts and Crafts room

City Holiday Closure Schedule (schedule attached)

- As in years past, in recognition of the winter holidays and as a budget savings measure, the following City offices and facilities will be closed from **December 24 through January 1** and will resume regular business hours on Wednesday, January 2: City Hall, the Recreation and Human Services Department administrative offices, the Public Works administrative offices, Marina Community Center, San Leandro History Museum and Art Gallery, Casa Peralta, and the Mulford-Marina and South Branch Libraries.
- The Main Library and Manor Branch Library will have reduced hours.
- Inspections by the Building Division will be available during the break if scheduled by noon on December 19.
- Park Maintenance will have limited staff on duty, and the Water Pollution Control Plant will have limited staff but will still be fully operational. Street sweeping will maintain its normal residential schedule except for December 25 and January 1, which will be rescheduled for Saturdays, December 29 and January 5, 2013.
- Public Works will have staff from the Facilities and Streets Divisions on standby for any emergencies that arise. They can be activated through a call to Police Dispatch, 577-2740.
- Police and Fire facilities will remain open. There will be no interruption in public safety services, and parking regulations and time restrictions will be enforced.

Articles of Interest

The Rise and Fall of Redevelopment in California (article attached)

- The California Real Property Journal published an interesting article on Redevelopment written by Brent Hawkins, former legal counsel to the California Redevelopment Agency. Mr. Hawkins was the lead attorney in *CRA v. Genest*, which successfully challenged the State of California's shift of \$350 million in tax increment revenue to Educational Revenue Augmentation Funds.
- The article provides information on the successes of redevelopment law in California and provides an interesting perspective on its ultimate demise.

Correspondence From Other Agencies

East Bay EDA November 2012 Economic Update

- The mid-year update of the annual Economic Outlook released last May is available [here](#). The annual report and update are provided by Beacon Economics, LLC.
- The May report showed that while the economy of the East Bay was recovering much faster than that of many other regions, long-term concerns posed a serious risk to the health of the economy and the quality of life for East Bay residents. This mid-year update shows that nearing the close of 2012, the economy is in many respects recovering even faster than before and many of those long-term concerns are improving.
- A few interesting statistics include:
 - Household employment increased by 2.6% over the past year, leading to a steady drop in the unemployment rate.
 - The region's housing market continues to grow, and the commercial real estate market remains stable but slow to expand.
 - Consumer spending continues to grow as well, with over 10% year-over-year growth in Restaurants and Hotels, and over 20% growth in Autos and Transportation. Business-to-business spending is also on a steep upswing, with over 19% growth year over year.
 - Newer data for 2011 shows an increase in academic achievement and educational attainment. More residents of the East Bay possess post-graduate degrees than before, more students at East Bay schools are graduating, and children are performing better. However, the differences in educational attainment across ethnic and racial groups are substantial, and these differences play a large role in determining residents' incomes and employment statuses.

The San Leandro Public Library
proudly presents...

A Student Showcase from the
The Conservatory of Classical Ballet of San Leandro
performing excerpts from the

The Nutcracker Ballet

Saturday, December 15, 2012

2 pm to 3 pm

Main Library

Lecture Hall

Free Admission



This is a perfect opportunity to enjoy San Leandro's own conservatory of ballet during the Holiday season! **The Conservatory of Classical Ballet** was founded in 2001 by Director Ann Fisher, who was a Director of the Berkeley Ballet Theater and also danced for the Oakland Ballet Company. Her students have gone on to have professional careers as dancers, teachers and company directors.

The Student Showcase will display the talents of the Conservatory's students, who range from 10-year-olds to adults, while performing excerpts from *The Nutcracker Ballet*.

For more information, please call the Main Library's Information Desk at (510) 577-3971.

The Rise and Fall of Redevelopment in California

By T. Brent Hawkins

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I. INTRODUCTION

In June of 2011, the California Legislature unwittingly drew the curtain on over 60 years of mostly successful experience with what has come to be known as “community redevelopment” or just “redevelopment.”¹

That the Legislature would enact such significant and far-reaching legislation in a budget trailer bill, without hearings and based on false assurances from staff and leadership that they were “mending not ending” redevelopment is a measure of how dysfunctional our political system has become.² Perhaps more significantly, the decision was based not on the merits of redevelopment but on the need to capture revenues generated by redevelopment activity to help close the never-ending gap between the State’s revenues and expenditures.

How did it come to this? Why did the Legislature summarily abandon the State’s only effective economic development tool and, next to the federal government, the largest provider of funding for affordable housing? To answer these questions requires an examination of what redevelopment was, what it accomplished and the external and internal factors that brought about its demise.

II. WHAT WAS REDEVELOPMENT?

The Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) was enacted in 1945 in response to concerns about the social impacts of slums and blight and a desire to generate economic growth and development in the State’s deteriorating central cities. It created a redevelopment agency in every community of the State, activated and controlled by the local city council or board of supervisors and charged with the task of eliminating blight. Those redevelopment agencies accessed the considerable powers of the Community Redevelopment Law by enacting redevelopment plans for specified project areas, becoming, in effect, public land merchants with the authority to acquire real property (including use of the power of eminent domain), demolish improvements, install public infrastructure, prepare building sites and dispose of property for private redevelopment.

In the early years, redevelopment agencies were dependent primarily on the federal government for funding through what is known as the Urban Renewal program and redevelopment activity was limited to a few of the oldest and largest cities in the State. In 1952, however, California voters would authorize a new funding mechanism which would eventually rival and then displace all other sources of public financing for redevelopment.

The federal Urban Renewal program provided loans and grants to undertake planning for redevelopment, property acquisition, construction of public improvements and other redevelopment activity. It required a local matching share, however, and communities found it impossible to provide their

share using conventional public financing tools. After the failure of several attempts at providing the local match through general obligation bonds, bond lawyers at O’Melveny and Meyers came up with the idea of capturing the increased property taxes generated by redevelopment activity as a revenue stream to repay bonds, the proceeds of which would be used to pay the local matching share. This idea was submitted to the voters as an initiative constitutional amendment (now Article XVI, Section 16) and approved in 1952, inaugurating what has come to be called “tax increment financing.”³

At the time, this was a new and unique form of public financing. It has since been copied by a majority of states and is in wide use across the nation for a variety of purposes.

Over the next several decades, federal sources of financing for redevelopment declined and then all but disappeared. But the loss of federal funding was more than offset by the growth in tax increment financing. By the mid-1970s, tax increment financing was operating as a more or less stand-alone funding source for hundreds of redevelopment agencies in cities large and small across California.

The model was simple. The local redevelopment agency was a separate corporate entity activated and controlled by the local legislative body (city council or board of supervisors). After selecting an area characterized by conditions of blight and adopting a plan for its redevelopment, the redevelopment agency would engage the private sector to bring about selective investment and development. In this respect, the California model differed fundamentally from the federal Urban Renewal model where all property in a project area was acquired and cleared before approaching private developers. The California model was market-based, opportunistic and transactional. It catalyzed development through negotiation, not regulation. Various forms of redevelopment agreements evolved to implement this process as California redevelopment agencies pioneered the concept of public/private partnerships in real estate development.

Redevelopment agencies assisted private development using a variety of tools. Use of the power of eminent domain was sometimes the key to assembling sites large enough to accommodate modern development forms. Redevelopment agencies could absorb many of the costs associated with development in urban areas—including demolition, relocation of residents, replacement of inadequate public utilities, and remediation of contaminated soil—and could sell property at less than its cost. Such subsidies were often needed to level the playing field between the cost of development in developed, urban areas and the cost of that same development in undeveloped suburban locations.

The public costs of redevelopment were financed primarily by issuing indebtedness backed by tax increment. In many cases, bonds were issued by the redevelopment agency pledging

tax increment for repayment (so-called “tax allocation bonds”), but other ways of using tax increment evolved over the years. Tax increment has been pledged to repay developers for money advanced to the redevelopment agency for land assembly and to pay down all or part of the special taxes levied by a community facilities district to pay for public facilities. Tax increment financing became a flexible tool for financing a variety of public/private partnerships.

III. WHAT HAS REDEVELOPMENT ACCOMPLISHED?

Redevelopment has literally changed the face of California's cities. Over 400 redevelopment agencies have adopted more than 750 redevelopment plans. Billions of dollars of public investment have leveraged tens of billions of dollars in private investment. Few cities have failed to avail themselves of this powerful tool. A few examples include:

A. San Diego

In the early 1970s, downtown San Diego was a sailor's dream comprised mostly of bars, honky-tonks, porn shops and flop houses. Choosing to begin the rebirth of downtown by introducing large scale retail development, San Diego partnered with redevelopment pioneer Ernest W. Hahn to develop Horton Plaza. With that success as a catalyst, over the next three decades the city continued to engage the private sector through redevelopment to produce new hotels, office buildings and finally significant new residential development in the downtown. The convention center was expanded, a major league ballpark was constructed and the historic Gas Lamp Quarter was restored as an entertainment district. San Diego's entire downtown was transformed in ways that would not have been possible without the use of redevelopment.

B. Pasadena

In the late 1960s, downtown Pasadena was in serious trouble. “Block after block of Colorado Boulevard, once a flourishing commercial thoroughfare, had become a source of wounded pride and sagging revenue. Retail sales had been on the decline since the mid-1950s, rents were low, vacancies high, and the 1920s buildings were too small and shabby to attract a high level of trade. As retailers shut their doors, dead stretches of street frontage made shopping even less appealing. And as downtown retail sales declined in real dollars, more than 10% alone between 1966 and 1969 – property and sales tax collections sank, eroding the city's revenue base.”⁴ A redevelopment plan for downtown Pasadena was prepared in the early 1970s and the city went to work. If you walk that same area today, you are greeted by a vibrant retail district, hotels and newly developed housing. The once moribund Old Pasadena historic district was re-energized with an investment in public parking and is now a thriving retail and entertainment venue that captures the charm of “Old Town” while generating a cutting-edge urban feel. This transformation could not have succeeded without the tools of the redevelopment agency.

C. San Jose

If the 1970's could be characterized as the era when major department store retailing returned to downtowns in the form of urban shopping centers, the 1980's can be characterized as

the beginning of large mixed-use projects involving a master developer in a public-private partnership with a city and its redevelopment agency. These transactions leveraged and coordinated public and private resources for strategically located city-center projects involving major hotels, office buildings, and retail and in some cases housing integrated with public amenities and facilities.

One example is the Silicon Valley Financial Center undertaken by the San Jose Redevelopment Agency which featured a landmark office tower, a 5-star hotel with dedicated public spaces, a retail pavilion and apartments and condominiums connected by public parking, a promenade, parks and open spaces, and light rail. This project provided the catalyst for the revival of San Jose's old downtown district which had been in serious decline and financial distress as a result of new development occurring in the fast-growing suburban cities surrounding San Jose. Other projects that evolved from this investment in San Jose's future included new and rehabilitated hotels, additional office buildings, an array of new restaurants, expansion of the convention center, new museums and a downtown arena with the National Hockey League Sharks as its major tenant.

D. San Francisco

At about the same time as the development of San Jose's Silicon Valley Financial Center, the San Francisco redevelopment agency teamed with master developer Olympia and York/Marriott for a bold visionary project, called Yerba Buena Gardens, to revitalize the area south of Market Street including the site of its large convention center. The private improvements envisioned a 5-star hotel and future hotels linked directly to the convention center, office towers, a retail pavilion integrated with an existing church and public improvements which included a large urban park, a children's play area, gardens, open spaces and museums. The project was complex in its implementation involving construction on the top of the existing convention center. A unique financing arrangement created under reciprocal easement agreements assured the master developer that construction and maintenance of the public gardens and cultural facilities would proceed concurrently with the private hotel, office and retail development. The redevelopment agency agreed to commit (1) the land sales proceeds from the office building sites to the construction of the gardens and cultural facilities and (2) the annual land lease payments from the hotel and retail pavilion to the operation and maintenance of the gardens and cultural facilities. Yerba Buena Gardens is now a major visitor destination in San Francisco (called the city's “crown jewel”) and has led to the revitalization of the larger area south of Market Street and Market Street itself, including new housing and commercial developments and the location of many hi-tech companies.

Stories like these have been repeated all over California. In Emeryville, a contaminated, obsolete industrial area has been converted to new housing and retail development. Los Angeles transformed its red light district (“Bunker Hill”) into the new west coast financial and business center. Near the heart of Glendale's old downtown, redevelopment helped assemble over fifteen acres of blighted, under-utilized parcels which, through various negotiated agreements and a public investment of about

\$77M, were converted into the \$450M mixed-use “Americana at Brand”, one of the only new large-scale mixed use housing-retail developments built in Southern California in recent years.

None of this happened easily or quickly. Redevelopment was a process lasting decades and requiring extraordinary levels of patience and commitment from both the public and private sectors. Not all projects were successful. Frequent false starts, detours and course corrections were the rule, not the exception. Both the public and private sectors had to learn new skills and tolerate operating out of their comfort zone. That so many cities voluntarily undertook this complex, frustrating and expensive enterprise is a testament to both the need for redevelopment and its potential rewards.

Since fiscal year 1988-89, redevelopment agencies have assisted in the development of approximately 533 million square feet of new commercial, industrial and other non-residential construction.⁵ Redevelopment-assisted residential construction in the same period totaled approximately 368,000 units, including approximately 95,000 units restricted to housing families of low and moderate income.⁶ Rehabilitation of structures in this same time frame totaled approximately 134 million square feet of commercial and industrial space and 58,515 units of housing.⁷ Based on this level of economic activity and using well-established computerized econometric modeling, it has been estimated that redevelopment activity was generating on the order of 300,000 jobs annually when it was summarily dissolved. With all the good redevelopment has done, why would the Legislature so readily dismantle it?

IV. WHAT CAUSED THE DEMISE OF REDEVELOPMENT?

Both external and internal factors conspired to bring about the downfall of redevelopment. There is no question that the redevelopment process was abused in some cases. Press coverage of these abuses led to a perception that they were widespread and endless rounds of mostly futile “reform” legislation in the Legislature. Most of the abuses could have been fixed by enforcing existing law, but better enforcement (including closer State oversight) was a message the Legislature didn’t want to hear. It was easier to pass a new law and claim the problem had been fixed than to grapple with the nitty-gritty of the real problems.

In my experience as an attorney with 35 years in the field, real abuses of redevelopment were isolated and rare. Though they undoubtedly played some role in events leading up to passage of AB1X 26 (the 2011 statute that dissolved redevelopment agencies), the real causes of redevelopment’s demise were primarily external. Cumulatively, over several decades, decisions not directly related to redevelopment but which fundamentally changed the landscape of public finance, combined to create a system where the mounting success of redevelopment resulted in a significant drain on the State’s general fund. The State was unable or unwilling to recognize any offsetting benefits from redevelopment activity, viewing redevelopment as a local program with exclusively local benefits. In the context of seemingly perpetual State budget deficits, redevelopment was a big target with a politically weak and disorganized constituency. The State took first a little, then a lot and, finally, everything from redevelopment agencies.

Historically, the first nail in redevelopment’s coffin was

the Supreme Court’s decision in *Serrano v. Priest*.⁸ That decision held disparate levels of K-12 funding by local school districts, primarily caused by wildly differing levels in local property taxation, to be a denial of equal protection under the constitution. As a result of that decision, the State took on the role of the great equalizer in education funding.

But, by far, the single most important event leading to the ultimate downfall of redevelopment was the passage of Proposition 13 in 1978 (California Constitution, Article XIII A). Proposition 13 had multiple impacts on redevelopment, most of them unanticipated. From the standpoint of this inquiry, three of those impacts are critical: (1) Local taxing agencies lost control over their tax base. Prior to Proposition 13, if the use of tax increment financing by a redevelopment agency resulted in less tax revenue for a taxing agency (like a school district), the taxing agency could raise its tax rate slightly to compensate for the difference. With Proposition 13’s limit on tax rates, that was no longer an option. Other taxing agencies had to bear a direct burden caused by tax increment financing. (2) Proposition 13 gave the Legislature control (once held by local taxing agencies) over the allocation of local property taxes (*Amador Valley Union High School Dist. v. State Board of Equalization* (1978) 22 Cal. 32, 208, 225-6). (3) By eliminating for all practical purposes the funding mechanisms that cities had traditionally relied on to build public infrastructure, Proposition 13 caused the largest proliferation of redevelopment projects ever seen. Though property taxes overall were reduced, because tax increment financing had its own separate constitutional basis, it remained one of the few viable options to finance public infrastructure. As a consequence, cities flocked to it.

The dozen or so years following the adoption of Proposition 13 saw hundreds of new redevelopment plans adopted. Increasingly, new development and growth in assessed value occurred in redevelopment project areas. Because redevelopment agencies received a larger portion of the property taxes generated by this new development, taxing agencies received less. Schools were largely held harmless from this effect because the school funding system enacted in response to *Serrano v. Priest* required the State to make up any difference between the school’s revenue limit and the property taxes it received. In this way, the State became a silent partner in tax increment financing.

The State did not stay silent for long. With the passage of Proposition 98 in 1988, voters established minimum funding levels for education and required the State to set aside a designated portion for public schools. Two years later, the voters increased that minimum funding requirement. This put unprecedented pressure on the State’s general fund. Commencing in 1992, the State sought to relieve that pressure by shifting property taxes from local governments, including redevelopment agencies, to schools through a device known as Educational Revenue Augmentations Funds or “ERAFs.”⁹ A recounting of the legislative gymnastics surrounding this revenue shift in subsequent years is beyond the scope of this review. Suffice it to say, that by 2004, local governments had had enough of the State annually picking their pockets to balance its budget and sponsored their own ballot initiative (Proposition 1A) to prevent further erosion of local revenues for the State’s benefit.¹⁰ Proposition 1A protected most local government revenue sources, but not tax increment. Tax increment was

left out of Proposition 1A after negotiations with Governor Schwarzenegger who noted in the ballot arguments he signed that tax increment already had constitutional protection (since it is separately authorized in the Constitution) and no further protection was needed.

Despite the Governor's assurance that tax increment was constitutionally protected, in 2008 the Legislature again enacted a transfer of tax increment from redevelopment agencies to schools through ERAF.¹¹ This legislation was subsequently declared unconstitutional by the Sacramento County Superior Court on the ground that tax increment was required to be expended within the redevelopment project area that generated the funds and ERAF funds were spent district-wide – not necessarily within the redevelopment project area.¹² The Legislature responded the following year by enacting a much larger transfer of tax increment to schools, but specifying that it be used within the redevelopment project area.¹³ That legislation survived constitutional challenge at the Superior Court level and an appeal of that decision is currently pending in the Third Appellate District.

By 2010 it had become obvious to cities that the State had no intention of leaving tax increment alone. Protection of tax increment from further depletion at the hands of the State became one of the primary reasons for cities pursuing another ballot initiative, resulting in the adoption by the voters of Proposition 22.¹⁴ That measure prohibited the State from transferring tax increment revenues from redevelopment agencies to or for the benefit of the State, any State agency or any other unit of local government. It was intended to stop once and for all the practice of diverting tax increment to balance the State's budget.¹⁵

This brings us to early 2011 and the tragedy of errors that led directly to the dissolution of redevelopment agencies and ended tax increment financing. By this time, tax increment had grown from relatively insignificant levels to over \$5 billion annually, constituting roughly 12% of state-wide property taxes. Governor Brown fired the first shot by introducing budget legislation that would have dissolved redevelopment agencies and redirected their revenues to other taxing agencies, including schools.¹⁶ In March 2011, that bill fell one vote short of the 2/3 vote needed for enactment. The Legislature's next gambit was to combine two budget trailer bills in a package deal. The first bill, AB1X 26 was very similar to Governor Brown's original proposal and called for the dissolution of redevelopment agencies, selling off their assets and transferring to other taxing agencies revenues not needed to pay previously incurred obligations. AB1X 26 was paired with AB1X 27 which provided that AB1X 26 would not apply to a redevelopment agency if it paid its proportionate share of \$1.7 billion in 2009-10 and \$400 million in all subsequent years to the State for the benefit of schools. In other words, the threat of dissolution under AB1X 26 was used to incentivize (some said extort) the payments under AB1X 27. The bills were debated jointly and it is clear from the debates that a majority of legislators would not have voted for the bills if they thought they were abolishing redevelopment.

The bills were attacked immediately by cities filing suit in the California Supreme Court.¹⁷ Cities claimed that the bills violated Proposition 22 and Article XVI, Section 16. After

issuing a partial stay of the bills, in December 2011 the Court handed down its decision upholding AB1X 26 and overturning AB1X 27, resulting in the very thing legislative staff and leadership had repeatedly assured members would not happen – redevelopment agencies were dissolved with no ability to buy their way out.

The Court reasoned that redevelopment agencies were creatures of State law and subject to Legislative control. That control extended to complete dissolution of redevelopment agencies, provided their debts and other obligations were not impaired. Facially, AB1X 26 passed this test.¹⁸ AB1X 27, on the other hand, clearly violated the provisions of Proposition 22 prohibiting the direct or indirect transfer of tax increment to or for the benefit of the State. Notably, the Court ignored evidence in the form of transcripts of legislative debates that clearly showed the two bills were a common scheme and that AB1X 26 would have been defeated if legislators understood their votes would result in the dissolution of redevelopment agencies.

V. CONCLUSION

How you interpret all of this may depend upon your point of view, but it seems hard to avoid the conclusion that redevelopment agencies were victimized by the confluence or two factors: first, their own success (or to some, perhaps, excess) and second, chronic State budget deficits. Redevelopment agencies found themselves with a growing share of a shrinking property tax pie and no powerful constituency to protect them from interests intent on claiming those taxes as their own.

It seems ironic and short-sighted that in the midst of the greatest economic crisis of our time the State should summarily abandon its most effective tool for economic development and affordable housing with no thought for what might replace it. Does California really believe (as Governor Brown has hinted) that governmental assistance is unnecessary or inappropriate to stimulate economic growth and the production of affordable housing? Not likely. The drumbeat has already begun among state and local legislators for programs to replace redevelopment. Democratic legislators, in particular, have evinced "buyer's remorse" over AB1X 26.¹⁹

Rather, it is easier to understand what happened to redevelopment in terms of political expedience. The State needed money. Redevelopment agencies had it and were not strong enough politically to protect it from the powerful forces that control California politics. Cities do not make campaign contributions. Public employee unions do.

Going forward, it is hard to believe that the State that invented tax increment financing and pioneered the concept of public/private partnerships will not bring back some form of a tax increment-driven economic development tool. If the State is serious about reducing carbon emissions by promoting compact development forms in existing urban areas, it cannot do without the tools formerly provided by redevelopment. All those who care about the health of California's cities will be looking to the legislature to provide a viable successor to the late, great redevelopment.