

# Long Beach

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## Redevelopment Agencies In Limbo, But Fight To Stay Alive Continues

Long Beach RDA Projects Held Up; Agency Groups To Take  
Battle To Court As Tens Of Thousands Of Jobs Statewide At Stake



### Two RDA Projects On This City-Block Area Downtown On Hold

What you see in the photograph above may remain that way for a decade or longer if the Long Beach Redevelopment Agency is eliminated. The site is bounded by 3rd Street on the left, Elm Street above, Broadway at right and Long Beach Boulevard below. It has two projects planned: The Art Exchange at 3rd and Long Beach Boulevard (using part of the former Acres of Books building pictured); and a mixed-use project to the right by City Ventures, LLC that includes 44 residential units. (Photograph by the Business Journal's Thomas McConville)

■ By **SEAN BELK**  
Staff Writer

**T**he future looks bleak for hundreds of redevelopment agencies (RDAs) across California, including the Long Beach RDA, after the legislature approved two bills last month that call for either eliminating redevelopment or allowing the agencies to continue in a trimmed-down version.

But local governments aren't giving up just yet, and are expected to fight the state takeaway in upcoming legal battles to save what they consider a critical economic development tool to revitalize communities and generate revenues and jobs.

In grappling with a \$26 billion struc-

tural deficit this year, Gov. Jerry Brown has advocated since January a plan to abolish redevelopment agencies, once created to remove blight and provide affordable housing through a portion of property taxes that finances development and city improvements. In fact, as mayor of Oakland, Brown used redevelopment to remove blight in that city.

He proclaimed the agencies have become a burden on the cash-strapped state and the money would be better used for school funding.

The Legislature passed a budget on June 29 that included two trailer bills, known as AB X1 26 and AB X1 27, giving agencies the option to either disband by October 1 or agree to make

payments, which some have called "ransom," and continue operating with less funding. The deal is expected to bring in \$1.7 billion to fix the state's budget woes next fiscal year and \$400 million every year beyond that, mainly to go toward public schools. The new law was also made to ensure that cities which choose to continue their RDAs, carry out their stated purpose.

Some legislators and RDA advocates have called the bills a form of "extortion," saying RDAs are being coerced into making payments while others see the law as a better way to reform the agencies. Either way, some agencies have already indicated they may not be able to continue operating with such hefty requirements.

Long Beach city staff is conducting an analysis to be presented to the city council in coming weeks. The report examines potential impacts to projects and city budgets, whether the Long Beach RDA can afford the additional payments under the state's so-called "voluntary" alternative, and whether the city should pass an ordinance to re-establish the agency.

City Manager Pat West said in a letter that Long Beach RDA would have to make a payment of roughly \$34 million in the first year and in excess of \$8 million every year after, and possibly more since the city is still paying off a \$29 million payment from previous state raids.

"Even if the agency could somehow afford this payment (which remains to be seen if it is even affordable and that analysis is ongoing), redevelopment as we know it would be eviscerated," he said. "The city will continue the analysis as to whether making a payment is advisable and affordable or not and identify the immediate impacts to current projects."

### **Fight To Overturn Law**

The California Redevelopment Association (CRA) and the League of California Cities are planning to soon file a lawsuit on behalf of RDAs, taking their grievance to the California Supreme Court. Long Beach RDA has so far contributed \$11,250 toward the lawsuit, city officials confirmed.

The groups are expected to request an immediate injunction on the matter before the October 1 deadline and hope to overturn the law, claiming the state's action is "unconstitutional" and directly goes against the will of voters.

Redevelopment proponents say the budget bills violate Proposition 22, which voters passed in November, prohibiting the state from redirecting local government revenues and further taking redevelopment funds. The state's legal advisors, however, claim that

since the state created RDAs, they have a right to take them away.

John Shirey, CRA executive director and a former Long Beach assistant city manager, said the state's "voluntary" alternative for redevelopment to continue is just legal speak for the state to skirt around the will of California voters and is more a form of coercion.

"[The bills] are no more voluntary than in the sense that you were walking down the street and somebody put a gun to your head and said, your money or your life," he said. "I don't think you would think that would be a voluntary contribution of your billfold and we don't think the court would see it that way either."

The CRA has already filed two lawsuits since the state began raiding redevelopment coffers in 1992, Shirey said. But, what's different this time is the passage of Proposition 22 (approved by 61 percent of the voters), which provides a "strong case" to fight the legislation, he said.

While the new law "voids" certain actions taken by agencies, including transferring property to city control in hopes of evading the governor's proposal – as Long Beach did late last year – lawyers will most likely debate such individual issues in court cases further down the road, Shirey said. "Those are contracts that are protected in the state and federal constitutions," he said. "No legislative body can interfere with contracts including bonded indebtedness."

### **'Loss Of Local Control'**

If Long Beach and other agencies decide not to pass an ordinance in agreement with the state's alternative and an injunction isn't granted by October 1, the new law states that RDAs would be taken over by a "successor agency," made up of members from various taxable agencies within the agency perimeter.

Robert Zur Schmiede, deputy direc-

tor of the Long Beach Development Services Department, under which RDA falls, said surplus property and assets would be essentially "liquidated," at market rate values, ultimately resulting in a "loss of local control" of city development, other than the city's own zoning ordinances.

The successor agency would have no interest in providing affordable housing or improving schools, city services or public safety, he added. "Their job is to liquidate the assets," Zur Schmiede said. "They're not there to undertake projects. They would be trying to recover financial assets and then distribute them."

The only RDA projects able to move forward are those already under construction or have been assigned third-party contracts. In Long Beach, some contracts and projects able to continue include Fire Station No. 12, currently under construction in North Long Beach, the design of the North Library, some façade projects and the second phase of a storm drain project on the Westside, among others, said Zur Schmiede. He added that contractual obligations with the Downtown Long Beach Associates and the Bixby Knolls Business Improvement Association would also continue as planned.

### **Projects In Standstill**

The law prohibits agencies from entering into any new agreements, among other actions, which has now frozen agencies until cities or counties decide to pass ordinances agreeing to the new terms, Zur Schmiede said.

"The clear intent there is to do everything they possibly could to shutdown agencies and encourage agencies to re-establish and make the payments," he said. "We're doing our best to try and find our loopholes and keep things moving and basically those are involved around existing agreements we have."

Projects in exclusive negotiating

agreements with third parties and developers that haven't signed on to either a disposition and development agreement (DDA) or an owner participation agreement (OPA) have now stopped for the time being, he added.

Such projects include: two agreements with developer City Ventures, LLC for residential condos and mixed use at a vacant lot bounded by Long Beach Boulevard, 3rd Street, Broadway and Elm Street, and also at Pacific Avenue and Solano Court between 3rd and 4th streets; a residential/mixed use project by Forest City on Broadway and Promenade; and an adaptive reuse project at the American Hotel site at 224 E. Broadway. Projects in the Central, West and North Redevelopment Project Areas would also be on standby.

Additionally, while Long Beach RDA transferred roughly 225 parcels of property to the City of Long Beach in hopes of safeguarding "local control" of future developments, Zur Schmiede said the new legislation puts many projects on hold until the city decides whether to disband or go along with the new terms set forth by the new legislation. "It would be very hard, if not impossible, for you to get title insurance, because there's this cloud that's been created because of this legislation that's now law," he said.

Also at risk includes roughly \$89.5 million in planned public improvement projects over the next three years, such as projects for the Eastside Police Station, Oregon/Del Amo Park, Davenport Park, Orizaba Park and McBride Park. Eliminating RDAs also impacts the city's ability to tear down "historic crime spots" such as bars, liquor stores and abandoned buildings and provide graffiti abatement, code enforcement services, and affordable housing, according to city officials.

### **'Significant Impacts'**

As cities, counties and special districts mull over proposals, the state's

move may also have widespread implications for revenues and thousands of private and public sector jobs, forcing some local governments to revisit budget proposals for next fiscal year.

While Long Beach RDA is a separate entity, some RDA funds are still tied to the city's overall budget in terms of employee salaries, city services and others. In addition, Tom Modica, the city's director of government affairs, said the new law also invalidates contractual obligations, regarding loans the city paid for the agency to start up, and the city may lose out on \$114 million owed from the state.

The proposed Fiscal Year 2012 budget was approved by the city manager and released to Mayor Bob Foster on July 1. The budget must be delivered to the city council no later than August 2, according to the city charter, and must be approved no later than September 15.

West said there could be "significant impacts" to Long Beach's employment and proposed General Fund budget. "We will be speaking with employees as we learn more, but there may be significant impacts to our employees as a result of the vote," he said. "We will also continue to assess the General Fund impacts, which could be significant."

Aside from direct RDA employment, Shirey said redevelopment supports more than 300,000 jobs throughout the state, most of which are in construction related industries. "When redevelopment is not working, people aren't working either," he said "There are people who are employed through redevelopment projects and I'm not really talking about people who work in agencies who could lose their jobs."

However, Sen. Alan Lowenthal, who held off voting on the budget bills with Sen. Ted Lieu, but eventually caved, said the state's financial crisis presented a tough situation for all affected parties. "These are terrible choices," he said. "No matter what we chose we

were going to have to cut, and somebody was going to be a loser. So at the end, my choice was either to make further cuts to education or to the redevelopment. I was not happy about it."

Lowenthal said redevelopment helps the private sector and enables cities to have an extra economic development tool. But, the downside is "that money is not free money," he said, and is taken from schools that are under-funded. Cuts in both areas have "detrimental effects" to the economy, he explained. "If you don't have the entrepreneurial spirit and higher education and K-12 are not producing well-educated students and future entrepreneurs, the economy will badly suffer," he said.

While Lowenthal advocated alternatives from CRA, he said the governor refused to budge and his only decision was to support the overall budget, which now ensures a more "stable" financial outlook for California's bond rating and allows other projects to move forward. While passing a balanced budget this year, the state is anticipating only a \$4 to \$5 billion deficit by next year, he said.

Lowenthal said he hopes new redevelopment agencies will be created with similar objectives, but a more "narrowly defined" focus. But, he added, the question remains, "will there be enough agencies that choose to do it and what kind of help will they need from the state in order to go forward?" ■