

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: March 7, 2011

Reviewed by: BP

SUBJECT: Resolution No. 2011-9 opposing the Governor's proposal to abolish redevelopment agencies in California

REPORT BY: Beth Pollard, City Manager

STAFF RECOMMENDATION

That Council adopt Resolution No. 2011-9.

BACKGROUND

At the meeting of February 22, 2011, the City Council considered draft Resolution No. 2011-9 opposing the Governor's proposal to abolish local redevelopment agencies effective July 1, 2011. The City of Albany has had such a redevelopment agency, called the Albany Community Reinvestment Agency (ACRA), since 1998 with adoption of the Cleveland Avenue/Eastshore Highway Redevelopment Plan. Current tax increment revenue to the City totals approximately \$500,000 annually.

The City Council discussed the draft resolution and directed staff to revise it to be more specific to Albany, focus on protection for existing plans, projects and commitments as well as fund balances, and support the State seeking funding from alternative sources such tax measures on the ballot. The Resolution has been revised accordingly.

In the meantime, the State has released language for a proposed budget trailer bill incorporating the Governor's proposal to eliminate redevelopment agencies. A copy of that bill, and summary review, are attached.

DISCUSSION

The Albany Community Reinvestment Agency receives property tax increment revenue and uses this revenue as the source of funding to retire existing debt, to finance future public projects, and to fund public improvements. Since the adoption of the first plan in 1998, a number of improvements and subsequent developments have been accomplished in the southern portion of the redevelopment area, most notably the Buchanan-Eastshore Highway connection that attracted development of the Target store and other retail uses on Eastshore highway.

At a public hearing on November 15, 2010, the Agency Board of Directors adopted a new five-year implementation plan, with the goals of eliminating blighted conditions and promoting development and improvements to strengthen the economic base of the community. As required by law, the Plan provides for the allocation of funds to a Housing Fund set aside for low and moderate income housing components that can be used to assist in the implementation of the City's General Plan Housing Element.

On January 17, 2011, the Albany City Council and the ACRA Board of Directors authorized a Public Improvements Grant and Cooperation Agreement. Through this agreement, using tax increment revenue, the ACRA shall pay for designated portions of, and the City shall conduct public improvement projects, to alleviate blighting conditions in the Project Area.

The public improvement projects to be funded and conducted are described in Attachment A. They include improvements to Cleveland Avenue, and the acquisition of a 4.5 acre property on Pierce Street from the California Department of Transportation (CalTrans), development of the property, and associated improvements.

DISCUSSION/ANALYSIS

The acquisition of the land or the installation or construction of the public improvements listed in the Agreement that are publicly owned are of benefit to the Project Area by helping to eliminate blight within the Project Area. They will provide infrastructure to improve public health and safety, to attract economic development, and to provide facilities for city maintenance and improvements.

Beyond Albany, statewide the proposal would eliminate more than 400 local redevelopment agencies that contribute more than \$40 billion annually to the State's economy, generate \$2 billion in state and local taxes per year, and support approximately 304,000 full and part-time private sector jobs.

The California Redevelopment Agency recently identified three potential constitutional violations in the Governor's proposal. Proposition 1A and 22 prohibit the transfer of tax increment dollars to the State. Article XVI, Section 16 of the California Constitution requires tax increments to be paid to redevelopment agencies. Finally, various State and Federal constitutional provisions pertain to the protection of contract obligations.

The League of California Cities urges cities throughout the state to go on record in opposition to the proposal. It is preparing to convene a special General Assembly to further discuss the matter, as well as prepare for the possibility of litigation.

There has been concern that retaining redevelopment agencies would compromise State funding for education and social services. The League of California Cities is sensitive to this concern and is appointing a special Task Force of city officials to suggest ways, where appropriate, to shrink state government, increase local control of critical public services, and advance desirable redevelopment reforms. In the meantime, it is the responsibility of

cities to advise the State of the complexity and consequences of wholesale elimination of redevelopment agencies, and urge other approaches to achieving fiscal stability.

SUSTAINABILITY IMPACT

Albany's ACRA implementation plan identifies a variety of goals and strategies that promote sustainability in conjunction with economic development. Some of these include encouraging green businesses to develop and locate in the project area, working in conjunction with the East Bay Green Corridor, identification of the project area as a solar energy empowerment district, and encouraging bicycle and pedestrian access to connect the project area with local and regional trails. Statewide redevelopment agencies promote infill development in existing urban areas and transportation corridors that meets State SB 32 and SB 375 climate action and sustainability goals. Without redevelopment dollars, developers are more attracted to agricultural and other rural areas that results in urban sprawl and increased carbon emissions.

FINANCIAL IMPACT

The City currently receives approximately \$500,000 a year in redevelopment tax increment revenue. Under the Governor's proposal, the City would lose up to the full amount of the increment in fiscal year 2011-12, and lose approximately \$400,000 per year in tax revenue, plus future growth, thereafter

Attachments

1. Draft Resolution No. 2011-9
2. State Department of Finance proposed budget trailer bill
3. Summary review of legislation