

# Frequently Asked Questions About Redevelopment In California

## What is redevelopment?

Redevelopment is a process authorized under California law that enables local government entities to revitalize deteriorated and blighted areas in their jurisdictions. Redevelopment agencies develop a plan and provide the initial funding to launch revitalization of identified areas. In doing so, redevelopment encourages and attracts private sector investment that otherwise wouldn't occur. Redevelopment activities create jobs and expand business opportunities, provide housing for families most in need, help reduce crime, improve infrastructure and public works, and cleanup of environmentally-threatened and rundown areas.

## Why is redevelopment needed?

There are hundreds of communities throughout California with neighborhoods and business districts that are struggling economically and socially. The abandoned gas station, dilapidated housing project, and a vacant strip mall that is continually vandalized are all examples of deteriorated and blighted areas. Revitalization of these areas does not happen on its own. Often, the private sector is reluctant to invest in such areas because the risk and costs associated with doing so outweigh the benefits. Redevelopment serves as a catalyst for private investment by providing the initial plan and seed money that ultimately breathes new life into areas in need of economic development and new opportunity.

## What is a redevelopment agency?

State law gives a local government (city or county) the authority to form a redevelopment agency with the specific goal of revitalizing deteriorated areas. There are 397 active redevelopment agencies throughout California, all of which are overseen by the local city council, county board of supervisors or a separate appointed board -- all accountable to the public. Because they are locally governed and their boards are comprised of local elected or appointed officials, redevelopment agencies are in the best position to work with local citizens and businesses to identify community needs and to work with private investors on local projects to meet those needs. Redevelopment agencies support jobs, replace and upgrade infrastructure such as streets, water lines, and sewers, fund affordable housing, provide community facilities, clean-up contaminated properties, and encourage sustainable communities.

## What types of projects do redevelopment agencies take on?

Redevelopment agencies breathe new life into specific project areas in need of revitalization, economic development and new opportunity by:

- Building or rehabilitating housing for working families;
- Building and upgrading roads, water systems and other public works and infrastructure;

- Building and rehabilitating community centers, parks, libraries, public safety buildings and other community facilities;
- Helping small businesses by revitalizing downtowns and injecting new life and economic activity into older retail and downtown shopping districts;
- Revitalizing rundown or blighted neighborhoods, which can help reduce crime and increase opportunity for struggling communities; and
- Beautifying communities through landscaping, improvement of neighborhood streets and creation of greenbelts.

## How does redevelopment encourage private sector investment?

Restoring blighted areas is often economically infeasible for the private sector to do on its own. The initial community improvements made by redevelopment agencies, coupled with their commitment of funds and low-cost financing, reduce the cost and risk factors associated with these projects. In essence, redevelopment agencies make these projects more attractive and economically feasible for the private sector to undertake.

Specifically, redevelopment agencies encourage private investment by:

- Assembly/acquisition of project sites and making those sites ready for private redevelopment;
- Building or rehabilitating area infrastructure such as streets, sewers and water lines in order to make revitalization projects attractive and feasible;
- Issuing low-cost loans or grants to small businesses that pay for physical improvements to their properties;
- Clearing an area of existing blight or environmental hazards that make projects too costly or unattractive to the private sector;
- Making quality of life improvements by building libraries, parks and community centers;
- Improving public safety and reducing crime by building police and fire stations; and
- Building affordable housing, helping low- and moderate-income individuals become new homeowners, or funding rehabilitation of existing housing for working families.

## How are redevelopment agencies funded?

**Redevelopment agencies do not levy taxes and do not have the ability to raise taxes. They simply receive a portion of the property tax revenues generated when property values rise as a result of new investment.** When redevelopment agencies improve deteriorated areas, property values within those areas rise, thus, increasing property tax revenues. The increased property taxes resulting from redevelopment activity are referred to as "tax increment." State law allows redevelopment agencies to pledge tax increment so that they can repay bonds and other types of debt incurred to make investments in project areas. In essence, redevelopment agencies fund themselves when they make improvements to their communities. They stimulate increases in property values that otherwise would not have occurred.

## Where can redevelopment agencies get involved?

The California Community Redevelopment Act was enacted in 1945 to give local governments the tools necessary to address problems such as blight, degraded buildings and a lack of housing. While the Act is now known as Community Redevelopment Law, the goals of redevelopment remain the same: to focus on problems in developed areas. The CRL was revised in 1993 to further restrict and focus redevelopment activities, ensuring that they can occur only in predominately urbanized areas on previously or currently developed properties.

## How does redevelopment benefit the environment?

Redevelopment agencies focus their efforts in already developed areas. By promoting urban-centered growth, redevelopment activities help preserve the environment and open space, reduce sprawl and commute times and improve the quality of life for Californians. Redevelopment agencies play a leadership role in the remediation and redevelopment of Brownfields, (i.e., contaminated properties or properties that otherwise pose an environmental threat). With the resources available to them, they help clean-up these contaminated sites and ultimately attract private investment. What were once abandoned, unhealthy eyesores become new developments which support jobs and provide other amenities that create safe, healthy communities.

## How does redevelopment benefit the economy?

Redevelopment activities generate jobs and economic activity that provide tremendous benefits to California and local economies:

- In 2006-2007, redevelopment activities in California generated **\$40.8 billion in economic activity** such as the generation of goods and services;
- Redevelopment **supported nearly 304,000 new full- and part-time jobs** in just one year (2006-2007);
- **Every \$1** of redevelopment agency spending **generates nearly \$13** in total economic activity (goods and services) in one year; and
- In 2003, redevelopment agency construction activities helped generate more than **\$2 billion in additional state and local revenues**.

## What is redevelopment's role in providing affordable housing?

Redevelopment plays a critical role in providing housing affordable for working families, low income seniors, and disabled individuals. Since 1995 redevelopment agencies have helped build and/or rehabilitate 78,750 affordable housing units, according to the California Department of Housing and Community Development. Redevelopment agencies are the leading funder of affordable housing in California, second only to the federal government. Agencies are required to deposit at least 20 percent of the property tax revenues generated from their activities into a special fund called a "Low- and Moderate-Income Housing Fund." These funds can only be used for the purpose of increasing, improving, and preserving the community's supply of affordable housing for very low-, low-, or moderate-income households.

## **How does the redevelopment process get started?**

Before redevelopment can occur, the city council or board of supervisors must survey an area and assess whether it is in need of revitalization. They work with agency staff, area residents and businesses to identify the kinds of changes and improvements that will benefit the community. Once this initial review is completed, the local planning commission selects a project area and the redevelopment agency proposes a redevelopment plan which is later adopted by the city council or board of supervisors. The process generally takes a year or more to complete.

## **What role do citizens have in the redevelopment process?**

Redevelopment agencies work to ensure that redevelopment projects reflect the community's needs. They can create formal groups of community members called Project Area Committees (PACs) or Redevelopment Advisory Committees (RACs). These groups collaborate with the agencies throughout every step of the redevelopment process – from identifying a project area to construction to project completion. PACs and RACs ensure that projects reflect community needs and priorities, and keep other community members informed about the progress of the project.

## **How long does a redevelopment area remain active?**

Redevelopment areas will remain active as long as there remain social and economic conditions that warrant their existence in a specific project area, and so long as they do not exceed the timeframe specified under state law. The specific timeframe for individual project areas depends on what laws were in effect at the time the redevelopment plan was adopted, but it is typically 30 or 40 years from the adoption date.

## **How does redevelopment affect other local jurisdictions (counties, cities, school districts, special districts)?**

Redevelopment activities increase property values – and thus property tax revenues – for all local jurisdictions within a project area. When a redevelopment project area is established, other taxing jurisdictions continue to receive property taxes levied on the assessed value of property in the project area at the time the redevelopment plan was adopted. This is called the “base.” Additionally, jurisdictions share in a percentage of the increase in property tax revenues resulting from redevelopment activities. Redevelopment agencies keep a greater portion of these increases in order to pay back the debt that was incurred to jump-start revitalization of an area. Once the debt is paid off and the project area dissolved all taxing jurisdictions receive their proportional shares of the full amount of property tax from the increased property values.

## **What about Schools?**

School districts receive a portion of the redevelopment-induced property tax increase the same way that other jurisdictions do. Additionally, existing school funding formulas set under state law require the state to backfill (or replace) property tax revenue that is sent to the

redevelopment agency to repay debt. Thus, schools are generally unaffected by redevelopment financing.