

Redevelopment and the 2008-09 State Budget



Legislative Analyst's Office

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What's Redevelopment?

- **Cities and counties may create redevelopment agencies**
 - Mitigate blight in urban areas
 - Establish "project areas"
- **After agency creates a project area**
 - Auditor allocates it all growth in property taxes
 - "Property tax increment"



What's a "Pass Through"?

- **RDAs share property tax increment**
 - Cities, counties, special districts, and schools
 - Statutory provisions AB 1290, 1993 (Isenberg)
- **About half of AB 1290 K-14 pass throughs**
 - Augment K-14 budgets
 - Rest offsets state General Fund payments

Concern

- **AB 1290 pass throughs not growing as expected**
 - SCO redevelopment reports
 - K-14 district property tax reports
- **Legislature asked for SCO audit**

SCO Findings

- **Some RDAs not making passing throughs**
- **Some K-14 districts not reporting them**
- **State incurs increased costs to support education**

Elements of a Solution: Clarify Process for Future

- **Set timelines**
- **Increase auditor responsibility**
- **SB 360 Negrete McLeod**

Elements of a Solution: Correct Errors of Last Five Years

- **RDAs pay outstanding pass throughs**
 - No penalty, if payments made promptly
 - K-14 agencies and state benefit
- **CDE/CCC review district property tax reports**
 - Districts “true up” over time, if necessary
- **Trailer bill legislation**

Other Redevelopment Proposals

- **Impose additional redevelopment pass through obligations to ERAF**
- **Extend life of projects in exchange for voluntary payments by agencies**