



# Memorandum

**TO:** RULES AND OPEN  
GOVERNMENT COMMITTEE

**FROM:** Debra Figone  
Harry S. Mavrogenes

**SUBJECT:** SEE BELOW

**DATE:** May 13, 2011

**COUNCIL DISTRICT:** Citywide  
**SNI AREA:** All

**SUBJECT: GUIDING PRINCIPLES FOR LEGISLATION RELATED TO  
REDEVELOPMENT REFORM**

## RECOMMENDATION

It is recommended that the Rules and Open Government Committee:

1. Approve a general set of "Guiding Principles" for the support of legislation related to redevelopment.
2. Authorize the City Manager, Agency Executive Director and City's State Legislative Advocate to advocate for legislation that conforms to the concepts contained in the approved "Guiding Principles."

## OUTCOME

If the Mayor and City Council approve the recommended "Guiding Principles," the City Manager, Agency Executive Director and City's State Legislative Advocate will continue to work with various stakeholders and Legislative offices to ensure that the City Council's priorities are represented in the Redevelopment legislation being considered by the State Legislature.

## BACKGROUND

In an effort to balance the State of California's FY 2011-12 Budget, Governor Brown has proposed to eliminate Redevelopment Agencies. This proposal would eliminate a critically important tool that enables cities and Redevelopment Agencies to retain and attract local businesses, build our City's infrastructure, and provide reasonably priced housing that allows lower- and moderate-income families to provide for their families and still have enough resources to spend locally. San José's Redevelopment Agency (Agency) and the City's Housing Department together have spent Redevelopment funds to transform the Downtown, strengthen

neighborhoods, promote the local economy, eliminate blight, support public infrastructure and provide tens of thousands of livable, affordable housing units throughout the City.

The State Legislature has introduced numerous bills to address the concerns that have been raised about the use of redevelopment dollars. The California Redevelopment Association (CRA) has sponsored or supported certain bills to save Redevelopment, including those addressing Redevelopment reform encompassing both the 80% and the 20% Funds.

**ANALYSIS**

As legislation may be subject to rapid modifications and amendments, staff needs the flexibility to articulate to the Governor and members of the State Legislature the potential impacts of any new or modified legislative proposals. Due to the complexity and volume of legislation related to Redevelopment making its way through the State Legislature, staff has developed Guiding Principles (see Attachment A) to highlight the most important issues for San José. Attachment A outlines some of the major themes and concerns with many of the proposals, including principles the City Manager, Agency Executive Director and State Legislative Advocate would like to articulate to the Governor's Office and State Legislature to respond to the possible impacts.

Adoption of these Guiding Principles will help the City and Agency to be proactive and to work expediently to frame our concerns with bill authors and sponsors, hopefully resulting in more success in getting changes that could benefit San José.

**COORDINATION**

This Memorandum has been coordinated with the Office of the City Attorney and the Agency's General Counsel.



DEBRA FIGONE  
City Manager



HARRY S. MAVROGENES  
San José Redevelopment Agency Director

For questions, please contact Leslye Corsiglia, Director of Housing, at 408-535-3851 or Jim Forsberg, Redevelopment Agency Chief Operating Officer, at 408 495-1894.

Attachment

## ATTACHMENT A

### **CITY OF SAN JOSE REDEVELOPMENT REFORM LEGISLATION GUIDING PRINCIPLES FOR ADVOCACY**

The City of San José and the San José Redevelopment Agency support legislation that would adhere to the following guiding principles:

1. **Amend it – Don’t End It!** The City and Agency support legislation that retains Redevelopment as a tool. Instead of eliminating Agencies, legislation should:
  - A. Provide clear oversight authority of Redevelopment activities, with clearer and simplified reporting requirements accompanied by increased training for Agency staff.
  - B. Reform annual State audits with enhanced guidance and transparency on audit findings.
  - C. Develop guidelines and standards for important reporting metrics such as job creation and job retention.
  - D. Define eligible activities that includes:
    - Affordable housing—funding projects, programs and administrative activities that help to provide and maintain vitally-needed housing for low- and moderate-income families.
    - Stimulation of economic development—funding infrastructure investment projects, programs and administrative activities supporting activities including Enterprise Zones that help both the local and State economy by producing a net positive economic effect of:
      - creating and retaining jobs;
      - attracting and retaining businesses;
      - promoting uses that drive increases in tax increment; and,
      - attracting private investment into blighted neighborhoods.
    - Implementation of state mandates, such as accommodation of housing needs under the Regional Housing Needs Assessment (RHNA).
2. **Protect the City’s General Fund.** With the City facing a deficit of approximately \$115 million this year and with potential deficits continuing into the future, it is vital to support legislation that mitigates negative impacts to City services and revenues. The City and Agency should support legislation that promotes:
  - A. The enforceability of existing contracts between Cities and Redevelopment Agencies for the purpose of valid Redevelopment activities.
  - B. The repayment of debts incurred for the purposes of paying ERAF and SERAF takes by the State.

3. **Retain and provide new financing tools for local governments to support economic development and to build affordable housing.** For the past 65 years, cities and agencies have been able to rely on Redevelopment as a tool to transform downtowns, direct infrastructure projects to low-income neighborhoods, create affordable housing, and create jobs. Enterprise Zones and Infrastructure Financing Districts are examples of the types of tools that could work. If Redevelopment is eliminated, new mechanisms must take its place so that local governments will be able to finance these valuable activities. New tools would have the following characteristics:

- A. The same eligible activities noted above;
- B. Certainty on resources to be spent for multiple-year investments; and,
- C. If public voting is required, a simple majority or, at most, 55% of votes to approve bond issuances or their equivalents.