

State Oversight of Redevelopment

LEGISLATIVE ANALYST'S OFFICE

Presented To:

Senate Local Government Committee

Senate Transportation & Housing Committee

Assembly Housing & Community Development Committee

Assembly Local Government Committee

Assembly Judiciary Committee





Property Tax Allocation Over Time

Percent Allocated to Different Local Agencies

Local Agency	1977-78	1983-84	1987-88	1993-94	1997-98	2003-04
Cities	10%	13%	13%	11%	11%	11%
Counties	30	36	33	22	19	19
Redevelopment	2	4	7	8	8	10
Special districts	5	10	11	8	9	9
K-14 education	54	37	36	52	52	52

Source: Board of Equalization.

- Californians pay over \$33 billion in property taxes annually. These revenues help fund school, community college, city, county, special district, and redevelopment agency operations.
- Redevelopment's share of property taxes has grown over time. Redevelopment receives about 10 percent of property taxes, over \$3 billion annually.
- In Riverside and San Bernardino Counties, redevelopment agencies receive about one fourth of all property taxes paid.



2005-06 Proposition 98 Budget Summary

Dollars in Billions

K-14 Proposition 98	
General Fund	\$36.2
Local property taxes	13.6
Total, K-14	\$49.8

- Under California's system of education finance, local property taxes generally offset the state's Proposition 98 funding obligations for K-14 education.
- To the extent that redevelopment shifts property tax revenues that otherwise would be allocated to K-14 education, redevelopment can increase state education costs.
- How much does redevelopment cost the state? The answer is not clear, but probably at least hundreds of millions of dollars annually.



Proposed New Redevelopment Project Areas Get Little State Oversight

- ☑ Over the last five years, local agencies created over 30 new project areas.
- ☑ Challenges to redevelopment agency blight determinations typically are brought by the county, environmentalist groups, or local residents.
- ☑ Despite significant fiscal interest in redevelopment, no state agency regularly reviews proposed new project areas for compliance with state law.
- ☑ The Legislature gave the Department of Finance authority to challenge proposed redevelopment projects, but it has done so only once (Hemet 1992).
- ☑ The California Attorney General has broad authority to enforce state laws, but has used this independent authority to challenge local redevelopment projects only twice over the past two decades (City of Industry, 2001 and California City, 2005).



Options for Increasing State Redevelopment Oversight

- A state agency could review all proposed redevelopment projects, or only those that exceed certain quantified measures.
- The state agency could issue findings that are binding, or subject to local challenge.
- The state agency could be the Department of Finance or the California Attorney General.
- Funding for project review could be raised from fees on local agencies proposing redevelopment projects. The state agency's review could be subject to a time limit.
- The Legislature could create an alternative form of redevelopment, one that excludes K-14 property taxes from the definition of tax increment. This alternative redevelopment could be exempt from state oversight.