Redevelopment Succession:
A Land Asset Cheat Sheet for California Advocates

The purpose of this document is to assist advocates in understanding the complex history of Redevelopment Agencies and their ongoing role in shaping urban development in California. The information below is intended to serve as a primer, as Redevelopment dissolution is a complex and ongoing topic.

Q: What Was Redevelopment?

History & General Mandate:

- California's Redevelopment history goes back to 1945 with the passage of the Community Redevelopment Act. **This gave cities the authority to create Redevelopment Agencies (RDAs) to improve "blighted areas."** RDAs were separate local agencies governed by board appointed by the local city council. Boards were for the most part the same persons as the city councils.
- RDAs benefitted from an extended mandate in the early 1950s including a financing mechanism called **tax increment finance** (TIF). TIF permitted RDAs to capture the increased property taxes in blighted areas, and reinvest the money into area improvements.
- **RDAs' function was to assemble underutilized sites**, clear them of older buildings, and install the infrastructure needed to support what real estate appraisers would call "higher and better" uses.[1]
- **In the 1970s and 80s the size and scope of redevelopment expanded greatly due to State policies** that freed cities to capture greater local property taxes for redevelopment activities. In addition, in the wake of Prop 13's limitations on city revenues, there was even more incentive to use TIF funds for infrastructure and economic development.
- **In the 1990s the State Legislature began to limit the definition of "blighted areas" in response to critics contending RDA's were misusing their powers.** This forced RDAs to decrease the size of project areas as well restricted eligible activities. As property taxes were being diverted away from schools and other city services, the State attempted to balance its own fiscal challenges.

Affordable Housing Specific Activities:

- Beginning in 1976, the Legislature took steps to direct a portion of RDAs' TIF to affordable housing development, improvement, and preservation. Over the years, the law was amended to **require each RDA to allocate at least 20 percent of its annual TIF revenues**

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[1] George Lefcoe and Charles W. Swanson, "The Demise of TIF Funded Redevelopment in California," The Planning Report (July 14, 2014). http://www.planningreport.com/2014/07/24/demise-tif-funded-redevelopment-california

to a Low and Moderate Income Housing Fund (LMIHF), to improve and expand the availability and supply of affordable housing in the redevelopment project area.[2]

- In redevelopment project areas, agencies were also required to ensure that at least 15 percent of all housing units constructed were affordable to lower and moderate-income persons, including at least 6 percent affordable to very-low-income households.[3]
- According to data from the California Department of Housing and Community Development, RDAs in the State created 63,600 new affordable housing units from FY 2001 through FY 2008.

Q: What Happened to Redevelopment?

Dissolution Basics:

- In 2011 Governor Jerry Brown identified **cutting RDAs as a strategy to increase funds for local government services** (primarily schools), reduce local reliance on State funding, and reduce the State's deficit that mounted during the Great Recession.
- After a pitched legislative and legal battle, **on February 1, 2012, RDAs were dissolved and were required to designate successor agencies** to close out existing "enforceable obligations," make payments on bond obligations, and dispose of assets not legally committed. In some cases this dissolution would require many years of ongoing funds.
- There were two processes for managing succession:
    - **Successor Agencies** replaced RDAs, and were usually established by local city councils and staffed by existing city employees and former RDA staff. The successor agencies are established as separate legal entities to ensure that the functions of the RDA were winding down and that existing obligations were seen through.
    - **Housing Successor Agencies were established to take over the housing functions and assets of the former RDA.** They are not separate legal entities, municipal governments or the local housing authority, typically rolled housing obligations and assets of former RDAs into existing city housing and community development departments.

Q: What is the Current State of RDA Resources and Functions?

Successor Agencies:

- Successor Agencies are tasked with terminating or renegotiating[4] former RDAs' contracts. They must also collect revenues due to the dissolved RDAs, make payments required of those RDAs, and "expeditiously" dispose of former RDAs' assets.

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[2] Casey Blount, Windy Ip, Ikou Nakano and Elaine Ng, "Redevelopment Agencies in California: History, Benefits, Excesses, and Closure," U.S. Department of Housing and Urban Development, Office of Policy Development and Research (January 2014). https://www.huduser.gov/portal/publications/redevelopment_whitepaper.pdf

[3] Susan Tinsky, "Redevelopmen Critical to Affordable Housing," *The San Diego Union-Tribune* (February 27, 2011) http://www.sandiegouniontribune.com/sdut-redevelopment-critical-to-affordable-housing-2011feb27-story.html

[4] Per Jeff Levin, Policy Director for East Bay Housing Organizations, "renegotiation of existing contracts is rare and closely regulated by the Oversight Boards and CA Dept of Finance."

- Subsequent legislation allowed Successor Agencies to create Long Range Property Management Plans (LRPMP). These plans categorize the future use of properties as (a) planned for governmental use; (b) subject to enforceable obligations; (c) held for economic development - but with a requirement to work out compensation agreements with the other taxing entities and; (d) property to be disposed of.

Affordable Housing in Succession:

- Housing Successor Agencies were allowed to retain housing assets previously held by the RDAs and roll them into city affordable housing operations. This included keeping future income from loans extended from LMIHF, continuing projects that were in development at the time of dissolution, and keeping some development parcels purchased with LMIHF. All of these funds must still be used for eligible low and moderate income housing activities.
- Cities were not allowed to keep the uncommitted residual money in each RDA's LMIHF,[5] as those funds were officially designated to fulfill enforceable obligations of the RDAs. However, any proceeds from the activities of the Housing Successor Agencies are deposited into a new Low and Moderate Income Housing Asset Fund.

Where did Land Assets Go?

- Part of the wind down process for Successor Agencies included receiving a Finding of Completion (FOC) from the State's Department of Finance (DOF), which allowed the Successor Agency to dispose of properties based on the LRPM). The LRPMP includes an inventory of all agency-owned properties and a designation for how the properties will be utilized, sold or retained.[6]
    - LRPMP are the documents to analyze what real property assets stayed with the Successor Agency or were transferred to the Housing Successor Agency. These are available on the State of California Department of Finance website. Documents of land that is still held by successor agencies should be marked "held for future development." The property is held by the Successor Agency in its Community Redevelopment Property Trust Fund.
    - Some of the parcels identified in the LRPMP may be eligible for housing development. It is important for advocates to understand the size and zoning of these parcels.
- Housing Successor Agencies **continue to hold land purchased through the LMIHF**, which are held for developments that would conform to LMIHF standards.
    - A list of these properties can be found on the State of California Department of Finance website. These documents show which properties Successor Agencies transferred to Housing Successor Agencies. These properties are held by the Housing Successor in the new Low and Moderate Income Housing Asset Fund.

[5] "Redevelopment Agencies in California: History, Benefits, Excesses, and Closure."
[6] Michael Lane and Libby Seifel, "Untapped Resources: Potential Bay Area Sites for Affordable Transit Oriented Development," Non Profit Housing Association of Northern California (April 14, 2015). http://nonprofithousing.org/wp-content/uploads/FINAL_Untapped-Resources-Full-Report.pdf

    - For an updated list of real property held by local housing and community development authorities, contact cities directly.

Additional Reference Links:

- California Department of Housing and Community Development - Fiscal Year 2009-2010 Housing Activities of California Redevelopment Agencies
- California League of Cities - Questions and Answers: Housing Assets
- Legislative Analyst's Office - Redevelopment Wind Down [Video]

Thank You

The following individuals contributed to the development of this Redevelopment "cheat sheet." We thank them for their time, as well as their commitment to equitable housing, specifically in the Bay Area:

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