

**CITY OF SAN DIEGO  
M E M O R A N D U M**

**DATE:** April 13, 2004

**TO:** Public Safety and Neighborhood Services Committee

**FROM:** Hank Cunningham, Community & Economic Development Director;  
Assistant Executive Director, Redevelopment Agency

**SUBJECT:** Use of Redevelopment Funding for Public Safety

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During the January 14, 2004 Public Safety and Neighborhood Services (PS&NS) Committee meeting, the City Manager was directed to pursue changing state Redevelopment Law to allow a portion of redevelopment monies to be used for funding public safety needs. This issue arose out of public comment and followed the committee's review of numerous reports from the Police and Fire-Rescue Departments outlining funding needs in various areas. Community & Economic Development and Government Relations staff have assessed the feasibility of changing redevelopment law for purposes of funding public safety and provided the following historic information regarding the current law along with an evaluation of making such a change.

**History of California Redevelopment Legislation**

During 1992-93, major changes were proposed to the California Redevelopment Law by way of Assembly Bill 1290, enacted as the "Redevelopment Reform Act of 1994" (effective 1/1/94). These changes were brought about by dissatisfaction on the part of the State Legislature with certain activities on the part of redevelopment agencies. The Legislature believed that redevelopment was being used inappropriately by cities to steal retail businesses from one another within limited trade areas. This competition was viewed to be counterproductive, and beyond the scope and intent of the redevelopment law. Among other things, the revisions written into law banned most assistance to automobile dealerships and "big box" retail, as well as the direct use of redevelopment funds to build new city halls. Cities were also prohibited from reassigning sales tax collection powers to their redevelopment agencies.

Another major revision to the California Redevelopment Law was to tighten the definition of blight to require findings documenting the presence of both physical *and* economic blight. These findings are now mandated in order to adopt a redevelopment plan for any post-1994 project area, or pre-1994 project area amended to expand its original boundaries. During the AB1290 process, considerable debate took place regarding a proposed new category of "social" blight, specifically covering the lack of adequate social and/or public safety services in a project area.

This proposed language was dropped from consideration for financial reasons, but "High Crime Rate" was included in the economic blight category.

The rationale behind excluding social blight was that redevelopment in California should remain as a traditional urban renewal program. It was intended that redevelopment be focused upon "sticks and bricks" improvements to real property contributing to an increase of Assessed Valuation within a project area. Tax increment revenue derives from a combination of new construction, rehabilitation and property sales occurring within the designated boundaries of a project area. Tax allocation bonds are issued based upon projected tax increment revenue which serves as the debt service repayment source. Redevelopment finance is predicated upon this model, so payment for any activity that subtracts from this income stream reduces the bonding capacity of the project area. For this reason, it is currently not legal to pay for operations and maintenance, as well as salaries unrelated to the direct support of redevelopment activities, from tax increment revenue or bond proceeds.

### **Amending Redevelopment Law Legislatively**

In light of the legislative history recounted above, it is recommended that efforts to amend legislation be focused on the downtown area, rather than applied generally. The most appropriate vehicle for authorizing the San Diego Redevelopment Agency to pay directly for police and fire services in the downtown area would be through special legislation specifying that the source for such expenditures would only be from Centre City and/or Horton Plaza project area tax increment revenues. A nexus would need to be made between redevelopment implementation in the downtown – ballpark, residential development, convention center, nighttime entertainment, etc. – with higher crime rates and security needs.

The California Redevelopment Association (CRA) represents the interests of local redevelopment agencies in Sacramento, and is very influential in redevelopment-related legislation. If legislation is proposed that applies only to San Diego's downtown project areas, CRA would in all likelihood take a "neutral" position on the bill. Otherwise, if proposed to be applied generally, CRA would oppose such legislation because it would: 1) run counter to the basic blight removal purposes of redevelopment; and; 2) detract from tax increment available to be pledged for debt service payments on tax allocation bonds. As a major stakeholder, opposition by CRA would almost certainly result in failure of the bill.

### **Legislative Options**

The deadline to introduce new legislation for the current legislative session was February 20, 2004. The available options, should legislation be pursued, are:

1. Offer this proposal as an amendment to a bill that met the February 20 deadline.
2. Direct the Community & Economic Development Department to draft a legislative proposal for the 2005 legislative session – which will appear before the Rules Committee for adoption in the late fall of 2004.

It is important to consider the controversial nature of this proposal. That controversy will likely be generated in two areas:

1. The option of including "social blight" was explicitly considered and rejected by the legislature fairly recently.
2. The precedent of adding additional permissible purposes to redevelopment funds, particularly while the pending state budget proposal threatens diversion of property tax revenues from Redevelopment Agencies.

No result can be guaranteed through either process. Option two provides the City great latitude to control the legislative proposal – but comes with substantial delay. The amendment process can occur faster, but opposition from any stakeholder would make adoption highly unlikely. Stakeholders besides CRA include: redevelopment agencies, Police Chief's Association, Fire Chief's Association, Taxpayer organizations and Chambers of Commerce.

To successfully amend legislation, the following would be required:

- ✓ Demonstration that the amendment is important and urgent
- ✓ Well drafted language and arguments by early May, 2004
- ✓ Support from all interested parties by May/June, 2004

### **Recommendation**

- (1) Direct the Community & Economic Development and Government Relations departments to seek this policy through an amendment to pending legislation.
- (2) Alternative 1: Direct Community & Economic Development and Government Relations departments to include this issue in their 2005 proposed legislative package.
- (3) Alternative 2: Do not pursue a legislative change.



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cc: Janice Weinrick, Centre City Development Corporation  
Bruce Herring, Deputy City Manager  
Andrew Poat, Director, Governmental Relations