

This story is taken from Sacbee / Capitol and California / Dan Walters

Dan Walters: Redevelopment bond scheme floated again

dwalters@sacbee.com

Published Tuesday, Jan. 06, 2009

A convoluted and highly questionable scheme to generate billions of dollars for the state via local redevelopment agencies is being revived as Gov. Arnold Schwarzenegger and legislative leaders race with the calendar to close an enormous budget deficit.

The proposal first surfaced during last summer's budget negotiations, pushed by a squad of lobbyists – most of them ex- legislators – for the City of Industry amid indications, which city officials denied, that it was aimed at building a new professional football stadium.

It was not part of the budget enacted in September. But since then the deficit has ballooned to an estimated \$40 billion over the next 18 months, and now some Republican legislators and those around the governor are intrigued by its potential for easing the need for tax increases and/or spending cuts.

Under the deal now being weighed, the state would allow city redevelopment agencies to extend local redevelopment projects now scheduled to expire, without having to meet recently enacted reforms, including proving the existence of blight. In return, the redevelopment agencies would float bonds secured by property taxes on those extended projects and share the borrowed money with the state.

In effect, the state would be borrowing against itself, because it now is on the hook for about \$2 billion a year in reimbursements to schools for the property taxes that redevelopment agencies retain – a state burden that would decrease slowly were the older projects to expire. But the deal would effectively allow the state to recapture some school money up-front.

While Industry's lobbyists are pushing hard, other city redevelopment officials are leery about becoming involved, seeing it as something that would mostly benefit that one city while costing them more money in the long run. They are already challenging in court the governor's plan to seize \$350 million in redevelopment reserves – a seizure that presumably would stop were the Industry plan to be enacted.

County governments are trying to scuttle the Industry scheme because without the extension of current redevelopment projects, counties would receive more property taxes, and they, too, are feeling the fiscal pinch of the current recession. The California State Association of Counties has denounced it as an indirect raid on county treasuries and "legally questionable."

Many involved in the issue believe it's tied to Industry's plans, with developer Ed Roski Jr., for an NFL stadium to lure professional football back to the Los Angeles area. City officials deny that, noting that they've scheduled a Jan. 20 special election for the industrial city's 82 registered

voters on a \$500 million bond issue to finance portions of the stadium project.

Nevertheless, the intensive campaign being waged by the city's phalanx of lobbyists to sell the redevelopment bond scheme raises strong suspicions that the underlying motive is an NFL stadium.

Call The Bee's Dan Walters, (916) 321-1195. Back columns, www.sacbee.com/walters.