



CITY OF FULLERTON

CITY COUNCIL

Office of the Mayor and City Council

Mayor: R. Richard Jones, M.D.
 Mayor Pro Tem: Don Bankhead
 Pat McKinley
 Sharon Guirk-Silva
 Bruce Whitaker

January 19, 2011

Honorable Governor Jerry Brown
 State of California
 State Capitol, Suite 1173
 Sacramento, CA 95814

RE: FY 2011-2012 BUDGET IMPACTS TO REDEVELOPMENT

Dear Governor Brown:

On behalf of my colleagues on the Fullerton City Council and the Fullerton Redevelopment Agency ("Agency"), I would like to state our **STRONG OPPOSITION** to the proposed Fiscal Year 2011-2012 California State Budget; specifically, the provisions related to the elimination of redevelopment agencies and yet another raid by the State on local revenues. As local elected officials, we understand the difficulty of passing a budget in these times of limited resources and worldwide economic meltdown. Those of us in local government have been forced to make difficult decisions to bring our own budgets into balance. However, even in difficult times, the Governor's proposal to eliminate redevelopment activities is short-sighted public policy that will damage our economy and bring little budget relief to the State. The proposal to eliminate redevelopment:

- Will not provide expected budget relief to the State or local governments after bond issues and contractual obligations are repaid;
- Will eliminate billions of dollars in local economic activity and hundreds of thousands of jobs;
- Will eradicate the state's leading program to provide affordable housing; and
- Will impair our efforts to grow responsibly by focusing on urban and infill development.

Furthermore, eliminating redevelopment will have a direct and lasting negative impact on the California economy and job creation.

- Redevelopment activities support an average of 304,000 full- and part-time private sector jobs in a typical year, including 170,600 construction jobs.
- Redevelopment contributes over \$40 billion annually to California's economy in the generation of goods and services, including increasing the state's construction sector output by about \$19 billion.
- Redevelopment construction activities generate \$2 billion in state and local taxes in a typical year.

THE EDUCATION COMMUNITY

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The budget proposal will eliminate jobs and impair economic expansion at the worst possible time. In addition, the proposed FY 2011-12 State Budget will not provide budget savings to the State or local governments. Redevelopment agencies issue bonds to finance redevelopment activities, which must be repaid with interest. Under the federal and state constitutions, these and other contractual obligations must be met before revenues are made available to any other entities or for other purposes. Agencies currently hold over \$20 billion in bonded indebtedness.

The proposal is bad for the environment, bad for working families, bad for California. Eradicating redevelopment will take away the primary tool local governments have to comply with SB 375, to grow sustainably, and to provide affordable housing. Consider the following:

- **Infill-Centered Growth.** Communities use redevelopment for cleaning up brownfield sites, building infill projects, and spurring local job creation. Redevelopment encourages infill development rather than greenfield development. Redevelopment agencies have the experience and tools needed to help implement the regional Sustainable Communities Strategy plans required by AB 32/SB 375, and to alter the state's growth patterns.
- **Redevelopment is the second largest funding source of affordable homes in California** after the federal government. Over 88,000 units of affordable housing have been constructed or rehabilitated since 1993. A minimum of twenty percent of redevelopment revenues must be spent on affordable housing.

This proposal runs contrary to the Governor's and Legislature's stated goals of realigning state services to provide more local responsibility and funding. Redevelopment funds are already locally-generated property tax dollars (agencies do not receive State funding) directed toward community projects and programs directed by locally-elected officials with input from citizens. The proposal wipes out the only tool local governments have to drive economic growth, build up their tax revenue base, and grow sustainably.

As in so many other communities across California, redevelopment has long provided Fullerton a valuable tool with which to respond to local job creation, infrastructure and housing needs including:

- The Agency's seismic retrofitting loan has been so successful that more than 30 historic buildings have been preserved in the Downtown, serving as a catalyst for the creation of a vibrant entertainment and retail shopping district, which less than 10 years ago consisted primarily of pawn shops, marginal commercial businesses, and limited dining/shopping opportunities.
- With the use of redevelopment funds, the Fullerton Redevelopment Agency's partnerships with affordable housing developers have created new affordable homes for very-low, low and moderate income families in the Richman Park Area, breathing new life into a neighborhood that once suffered from neglect by absentee landlords, residential overcrowding, and criminal activity. In all, the Agency has assisted in the development of over 1,100 affordable housing units.

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- Redevelopment constitutes a major source of funding for our capital improvement program, helping the City to pay for much needed reconstruction of deteriorated streets and sidewalks, renovation of heavily utilized community parks, expansion of the Fullerton Main Library, construction of a community center, and even the planned construction of several grade separation projects that will help to mitigate the negative effects associated with international trade and goods movement across North Orange County.
- Redevelopment has also filled a gap in the business loan market, providing Fullerton-based, small businesses with access to capital for the acquisition of fixtures and equipment. While the recession has meant traditional lenders are not as willing to extend credit to deserving ventures, the Fullerton Redevelopment Agency has taken the opposite course, helping its business community to survive through these challenging times and preparing it for the growth we believe will come with the turn of the tide.

If not for redevelopment, Fullerton might very possibly lack the means to practice the self-reliance our citizens deserve and expect. For these reasons, we strongly urge you to OPPOSE any budget proposal that would eliminate redevelopment activities.

Sincerely,



F. Richard Jones, M.D.

Mayor and Fullerton Redevelopment Agency Chair

cc: Fullerton City Council and Redevelopment Agency Board
Senator Mimi Walters, 33rd State Senate District
Senator Lou Correa, 34th State Senate District
Assemblyman Chris Norby, 72nd State Assembly District
Joe Feiz, Interim City Manager
Ramona Castaneda, Acting Director, Redevelopment and Economic Development
John Shirey, California Redevelopment Association
Tony Cardenas, League of California Cities, OC Division