



The Honorable Edmund G. Brown
Governor
State of California
State Capitol, Suite 173
Sacramento, CA 95814

Dear Governor Brown:

We are united in our opposition to your budget proposal to end redevelopment. Redevelopment is absolutely essential to continue significant economic development, job creation, creating affordable housing, eliminating public safety nuisances and revitalizing some of the most distressed neighborhoods in the State.

First and foremost, we believe that the proposal grossly overstates the potential savings from eliminating redevelopment. Without even addressing the question of the proposal's legality, what is clear is that the State will not realize anywhere near the dollars it expects if the proposal is enacted.

In a forthright attempt to begin a meaningful conversation, and as a follow-up to our meeting and our staff dialogue with the Department of Finance (DOF), we completed a comprehensive analysis of the potential savings from eliminating redevelopment. This analysis shows that the proposal overstates the savings by nearly \$1.1 billion. While the proposal accounts for payment of bonded indebtedness, the difference is largely a result from omitting all the other forms of indebtedness that redevelopment agencies are legally obligated to pay each and every year. Examples of the types of obligations that must be counted in any analysis of redevelopment obligations include:

- **Tax Allocation Bonds** - Includes obligations arising from issuance of Tax Allocation Bonds (TABs), specifically the principal and interest due on the bonds over the term of repayment.
- **Revenue Bonds** - Includes obligations that can arise from issuance of Tax Allocation Revenue Bonds (TARBs) such as principal and interest due on the bonds over the term of repayment.
- **Contractual and Statutory Pass Throughs** – Includes obligations to pay schools, counties, and other taxing entities a portion of the tax increment.

- **Other Long-Term Debt** - Includes Disposition and Development Agreement (DDA) obligations such as developer reimbursements for public infrastructure under a loan agreement or long term commitments to purchase land or financially participate in the project in future years.
- **City/County Loans** - Includes obligations arising from loans from the City or County General Fund (or other funds) for legitimate start-up costs associated with forming a project area.

Methodology

Using a conservative method that employs the Administration's property tax estimates and pass through commitments, our analysis includes statewide estimates for all the other obligations that redevelopment agencies are required to pay, but were excluded in the Administration's proposal. This analysis sampled the Statements of Indebtedness submitted by the largest 10 cities in the State to their respective county auditor/controller to determine an average factor of comprehensive debt that is repaid each year. Our analysis shows that on average those 10 cities pay back 5.74% of their total obligations each year. That number was extrapolated to generate a statewide estimate. This is a conservative methodology as it does not factor in affordable housing obligations, administrative costs, or various debts that agencies have listed as "other obligations." Additionally, the analysis only assumes a property tax decline of 10% from 2008 to 2012, where in many communities we know this amount exceeds that estimate.

Results

Even using this conservative estimate, the number is nearly \$1.1 billion less than what the Department of Finance predicted. The 10 agencies on which our analysis is based represent 20 percent of the total debt issued statewide and clearly provide a legitimate sample.

Conclusion

We are open to a meaningful dialogue and look forward to our continued partnership in addressing the State Budget deficit.



ASHLEY SWEARENGIN
Mayor – Fresno



JERRY SANDERS
Mayor – San Diego



BOB FOSTER
Mayor – Long Beach



ANTONIO R. VILLARAIGOSA
Mayor – Los Angeles



CHUCK REED
Mayor – San Jose



MIGUEL PULIDO
Mayor – Santa Ana



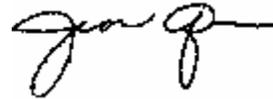
TOM TAIT
Mayor – Anaheim



KEVIN JOHNSON
Mayor – Sacramento



EDWIN LEE
Mayor – San Francisco



JEAN QUAN
Mayor - City of Oakland

cc: Senator Darrell Steinberg, President Pro Tempore
Assembly Member John Perez, Speaker
Senator Robert Dutton, Minority Leader
Assembly Member Connie Conway, Minority Leader