

Former Redevelopment Agency of the City of Roseville

The end of Redevelopment in California

Background -

In June of 2011, responding to a declared state fiscal emergency, the State Legislature enacted two measures intended to stabilize school funding by reducing or eliminating the diversion of property tax revenues (tax increment) from school districts that were going to the state's community redevelopment agencies. Assembly Bill 1X 26 (ABX1 26) barred redevelopment agencies from engaging in new business and provided for their windup and dissolution. Assembly Bill 1X 27 (ABX1 27) offered an alternative: redevelopment agencies could continue to operate if the cities and counties that created them agree to make payments into funds benefiting the state's schools and special districts.

The California Redevelopment Association, the League of California Cities, and other affected parties promptly filed a lawsuit, arguing that each measure was unconstitutional. They contended the measures violate Proposition 22 (approved by voters in the General Election on Nov. 2, 2010), which amended the state Constitution to place limits on the state's ability to require payments from redevelopment agencies for the state's benefit.



Right to Exist?

On December 29, 2011, the lawsuit, CRA vs. Matosantos was settled by the California Supreme Court. Under consideration was whether the state Constitution in regard to redevelopment agencies, once created and engaged in redevelopment plans, (1) have a protected right to exist that immunizes them from statutory dissolution by the Legislature; and (2) have a protected right not to make payments to various funds benefiting schools and special districts as a condition of continued operation. The legislature answered the first question – No and the second question – Yes. They upheld AB1X 26 and invalidated ABX1 27.

Power to Create and Dissolve

The Court argued that ABX1 26, the dissolution measure, is a proper exercise of the legislative power vested in the Legislature by the state Constitution. That power includes the authority to create entities, such as redevelopment agencies, and therefore has the power to dissolve those same entities when the Legislature deems it necessary and proper. Proposition 22, while it amended the state Constitution to impose new limits on the Legislature’s fiscal powers, did not rescind the Legislature’s power to dissolve redevelopment agencies.

ABX1 27 in contrast, the measure allowing further redevelopment agency operations providing they made payments benefiting schools and special districts was considered by the Court to be a violation of Proposition 22’s prohibition against the state “directly or indirectly” requiring an RDA to transfer funds to schools or other special districts. Because the flawed provisions of ABX1 27 are not severable from other parts of that measure, the measure was invalidated in its entirety.



Successor Agencies

As a result of this decision, all redevelopment agencies in California were dissolved by January 31, 2012 and their elected Successor Agencies are tasked with winding down their activities through the actions of their Oversight Boards.