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Cuts to redevelopment funds could hurt efforts to reduce congestion.

# Redevelopment Troubles Weigh Down Land-Use Law's Implementation

## Eliminating agencies could put the brakes on some transit-oriented development projects.

By Carla Pineda  
Staff Writer

The face of suburban sprawl is on the lonely driver crawling in traffic from his Riverside home to his downtown Los Angeles job every day. In the California envisioned by Senate Bill 375, most drivers will travel fewer miles and have cleaner air, a myriad of housing and transit options near their jobs and less need for an automobile.

That vision is becoming murky as cash-strapped California cities face losing redevelopment funds that would help them comply with the law.

The Sustainable Communities and Climate Protection Act requires cities to work with regional agencies on tackling greenhouse gas emissions through an integrated land-use, housing and transportation approach. The types of projects steered and funded by redevelopment agencies mirror the increased density, proximity to transit options and sustainable practices that SB 375 encourages.

"When you think about redevelopment, it's hard to escape the fact that its objectives are very much in line with SB 375," said John Shirey, executive director of the California Redevelopment Association, which is fighting proposals to eliminate redevelopment agencies as a means of balancing the state budget.

For example, Hollywood & Highland — a mixed-use commercial complex in Hollywood that combines retail, entertainment, hotel and meeting space on top of a subway station — could never have been built without the Community Redevelopment Agency of Los Angeles, said Allan Marks, partner at Milbank, Tweed, Hadley & McCloy LLP.

"Redevelopment agencies allow volume, scale and density that is almost impossible for private developers," Marks said.

In the event of further cuts to redevelopment agency funds, cities and regional planning agencies must find alternative ways to comply with SB 375.

Authored by Sen. Darrell Steinberg, D-Sacramento, SB 375 was passed in 2008 to enhance Assembly Bill 32's greenhouse gas emission reduction goal. The California Air Resources Board is overseeing the state's 18 regional planning organizations and local governments in the organizations' jurisdictions to finalize a plan to comply with the law by 2012.

According to Robert McMurry of Gilchrist & Rutter PC, SB 375 marks the beginning of a shift of land-use authority from city, county and redevelopment agencies to regional and statewide levels, "where the local politics don't come into play so much."

"This is going to force localities to plan with an eye on regional things," McMurry said.

SB 375 may be a set of goals rather than a mandate, but the law is expected to have teeth because its inclusion in regional housing plans rewards compliance and its link to transportation plans threatens funding. The state will offer incentives to mixed-use development projects that meet the law's transit, housing and energy efficiency goals, which are characteristics typically found in redevelopment projects. Relief from costly California Environmental Quality Act reviews is expected to be one of the strongest incentives for developers.

The funding threat, however, will be of most concern for cities, McMurry said. Regional organizations will withdraw federal funding from

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transportation projects that fail to comply with regional SB 375 plans.

Lawyers are mixed on whether SB 375 funding disputes will result in litigation. But McMurry describes the law as the "lawyer's relief act of 2012." With so much funding at stake and the potential of significant alterations to the state's existing development patterns, he expects to see lawsuits driven by municipalities that refuse to or are unable to meet the terms of SB 375.

Cities already are concerned about losing redevelopment funds that facilitate the transit-oriented and downtown mixed-use projects that meet SB 375 standards, said Doug Williford, deputy executive director for planning and programs at the Southern California Association of Governments. His regional organization serves the transportation needs of 19 million people and 166 redevelopment agencies. Many of the association's 190 member cities have included transit-oriented and mixed-use

projects in their redevelopment areas to prove their compliance with SB 375.

Williford said redevelopment money also helps finance infrastructure to facilitate those types of developments. He said that taking those funds away from already-shrinking municipal coffers will make it difficult for cities to encourage the urban development sought by SB 375.

"Without redevelopment and the pots of money for infill, local governments are going to be in more of a bind to find a way to meet the goals of SB 375," said Michael H. Zischke of Cox Castle & Nicholson LLP.

Southern California has transportation fund commitments that will help the region comply with SB 375. Several years ago, Los Angeles and Orange counties passed sales-tax revenue initiatives for traffic relief and transportation upgrades. The measure are expected to rake in an estimated \$40 billion and \$15 billion, respectively, over the next three decades. Municipalities plan to match the local tax revenue with state and federal transportation funds, which will be disbursed only if projects comply with regional SB 375 strategies.

The transit improvements likely will attract the type of projects that meet the terms of SB 375, said Susan Barilich of Susan Barilich PC and president of Commercial Real Estate Women - Los Angeles.

"If you're going to improve the access of an area by having a train stop there, you are definitely going to make that a more attractive area to develop in," Barilich said.

Nonetheless, transit projects coupled with SB 375 incentives are not enough to fill the void left if redevelopment agencies cease to exist, according to Marks of Milbank Tweed. The private market does not have the authority to streamline and centralize development as redevelopment entities do, he said.

"One thing redevelopment agencies are fairly good at when working with regulatory planning agencies like SCAG or with L.A. Metro is amassing parcels that can be used for [transit-oriented development]," Marks said.

Large-scale projects are likely to go back to being smaller, individual projects without redevelopment agencies, McMurry said.

"Localities will now lose potential projects that they otherwise would have used to comply

with SB 375," he said.

If Gov. Jerry Brown succeeds in shutting down redevelopment entities, the state would redistribute in the 2012-2013 fiscal year any property tax revenues remaining after paying existing redevelopment debt. Those allocations would have "fewer strings attached" than traditional redevelopment funds, according to Evan Westrup, a spokesman for the governor. Every county that receives \$300 million and every city that receives \$500 million would have the freedom to decide if making their communities more sustainable is among their most critical needs, he said.

Comparing conflicting laws to driving with one foot on the gas pedal and the other on the brake, Marks welcomes this holistic approach to legislation that takes into account all regional needs.

"We need to do more of that where we harmonize policy areas for better results for stakeholders," he said.

In the meantime, the lonely drivers commuting from suburbia to business districts throughout California will continue alternating between the gas and brake pedals.