

Welcome



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ATTORNEYS AT LAW

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**URBAN DEVELOPMENT IN A DOWN ECONOMY**

Using Redevelopment to Expand Business and Improve Communities

**Redevelopment in the news**

- Redevelopment is a powerful tool that is not always administered properly
  - latimes.com/news/local/la-redevelopment-20101002-0.6634120 story  
**latimes.com**  
ARRESTED REDEVELOPMENT  
**Lots of cash and little scrutiny in city redevelopment**  
City agencies meant to improve blighted areas are rife with problems that cost the public millions.  
By Kim Christensen and Jessica Garlick, Los Angeles Times  
October 1, 2010
- Important to take care and be responsible when undertaking a redevelopment project
  - latimes.com/news/local/redevelopment-housing-20100924-1.380219 story  
**latimes.com**  
ARRESTED REDEVELOPMENT  
**Cities often give short shrift to affordable housing**  
At least 120 municipalities spent a combined \$700 million in housing funds from 2000 to 2008 without constructing a single new unit, a Times analysis of state data shows. Nor did most of them add to the housing stock by rehabilitating existing units.  
By Jessica Garlick, Kim Christensen and Doug Smith, Los Angeles Times  
October 3, 2010  
Second of two parts

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**Other examples of redevelopment**

- Façade improvement
  - Image showing a building facade before and after improvement. The 'before' image shows a plain, somewhat dilapidated facade, while the 'after' image shows a more modern, clean facade with large windows.
- Historic preservation and rehabilitation
  - Image showing a historic building before and after rehabilitation. The 'before' image shows a multi-story brick building with some missing windows and peeling paint. The 'after' image shows the same building fully restored with new windows and a clean exterior.
  - Image showing storefront improvements on a building.

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## “Old” vs. “New” redevelopment

- Originally, redevelopment contemplated a “**raze and rebuild**” model for economic improvement
- In the 1950's, this changed to an “**economic assistance**” model
  - Assist private sector in site acquisition, demolition, construction, etc.
  - Partner with developers to “fill the gap” on projects
  - Assist affordable housing, business improvement, etc.

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## Examples of redevelopment

- **Business Districts** (e.g., San Diego Gaslamp Quarter, Old Town Pasadena, Napa Riverfront)
- **Shopping Centers** (e.g., Ontario Gateway Plaza)
- **Sports Facilities** (e.g., West Covina Sportsplex, San Francisco’s AT&T Park)
- **Hotel and Leisure** (e.g., Santa Rosa Vineyard Creek Hotel & Spa)
- **Educational Centers** (e.g., Riverside’s University Village)

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## What is a redevelopment agency?

**Article 1**  
**CREATION OF AGENCIES**

**Section**  
33100. Existence.  
33101. Ordinance of legislative body.  
33102. Filing copies of ordinance.  
33103. Validity of establishment and authority of agency.  
33103.5. Validation of ordinances: agency functioning in Crescent City; referendum.  
33104. Conclusive presumption of establishment and authority: agencies transacting business before September 15, 1961.  
33105. Validity of reactivated agency.

*Article 1 was added by Stats.1963, c. 1812, p. 3682, § 3.*

**Cross References**  
“Agency” defined for purposes of this Part, see Health and Safety Code § 13003.  
Powers of redevelopment agency, see Health and Safety Code § 33121.

**Law Review and Journal Commentaries**  
Blighted areas redevelopment. 39 A.B.A.J. Urban renewal in the Bay area. 55 Cal. 596 (1953).  
L.Rev. 813 (1967).

**§ 33100. Existence**  
There is in each community a public body, corporate and politic, known as the redevelopment agency of the community.  
(Added by Stats.1963, c. 1812, p. 3682, § 3.)

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## What is a redevelopment agency?

- Separate entity from city or county
- Typically, the Board is the same as the City Council or County Board of Supervisors
- Can encompass entire city or just a portion
- Controlled by Constitutional enactment and statutes enacted by the Legislature
  - Statutes amended routinely
  - Rules may differ depending on year of formation
- Approximately 400 agencies in California

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## What powers do a redevelopment agency have?

- To acquire real estate, including the power of eminent domain.
- To develop properties
- To sell real estate without bidding
- To relocate displaced persons
- To finance their operations by borrowing from governments and selling bonds
- To impose land use and development controls

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## Why are redevelopment agencies created?

- To combat blight
- Revitalize deteriorated neighborhoods
- Facilitate economic development
- Encourage private sector development through the use of public funding



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## Some examples of redevelopment

- Acquiring a key parcel for a new shopping center
- Building a public swimming center
- Issuing a low-interest loans to a start-up business
- Removing underground storage tanks and cleaning a contaminated industrial site
- Funding a parking structure for a new hotel
- Dedicating land for development of a multi-family affordable housing apartment complex

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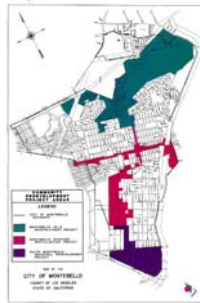
## What is a redevelopment plan?

- The **"Redevelopment Plan"** establishes long-term planning goals and implementation policies and procedures
  - General document that provides rough parameters for how and where redevelopment will take place
- **"Implementation Plan"** must be adopted for all redevelopment plans every 5-years

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## What is a project area?

- It is the area that is designated for redevelopment and revitalization
- It must be blighted
- It must be urbanized



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## What is a project area?

- Identifying properties in a project area



APN	REDEVELOPMENT AREA
010-760-005	Grace Brothers Redevelopment Project Area
010-760-004	Grace Brothers Redevelopment Project Area
010-760-006	Grace Brothers Redevelopment Project Area
010-660-003	Santa Rosa Center Redevelopment Project Area
010-069-006	Santa Rosa Center Redevelopment Project Area
010-041-008	Santa Rosa Center Redevelopment Project Area
009-072-040	Santa Rosa Center Redevelopment Project Area
010-041-009	Santa Rosa Center Redevelopment Project Area
010-063-027	Santa Rosa Center Redevelopment Project Area
010-063-026	Santa Rosa Center Redevelopment Project Area
010-063-025	Santa Rosa Center Redevelopment Project Area
010-063-028	Santa Rosa Center Redevelopment Project Area
010-063-019	Santa Rosa Center Redevelopment Project Area
009-192-043	Santa Rosa Center Redevelopment Project Area
010-069-005	Santa Rosa Center Redevelopment Project Area
010-063-014	Santa Rosa Center Redevelopment Project Area
010-660-010	Santa Rosa Center Redevelopment Project Area

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## How are redevelopment agencies funded?

- Tax Increment Financing
  - Agencies receive a portion of the increased property taxes resulting from redevelopment
- Federal and State grants and loans
- Lease revenue, investments, etc.

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## How do redevelopment agencies finance their projects?

- General reserves
- Dedicated "set-asides"
- Bonds
  - Tax increment bonds
  - Lease revenue bonds
  - Assessment district and other bonds
- Federal/State grants and loans
- Private/commercial loans
- Land sale, lease revenue, and other financing



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## Property Acquisition and Disposition

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## Buying Property

- Redevelopment Law does not require an Agency to go through a public bidding process
- Thus, an agency may negotiate with one purchaser without going through a competitive bidding process



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## Costs

- Redevelopment Law allows an Agency to dispose of property for less than acquisition cost
- However, price must be justified by the development opportunity:
  - Use
  - Constraints
  - Criteria imposed by the Agency

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## How Agencies Sell Property

- Public bidding process
- Request for Qualifications
  - General responses detailing the qualifications of the developer
- Request for Proposals
  - Particular responses detailing the program, design, and business terms of the proposal
- Single developer negotiations

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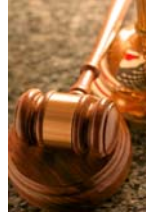
## Eminent Domain (Condemnation)

- Agencies have the authority to use eminent domain
- Eminent domain is the power to take private property for public use
- Agency must follow specific requirements to take property

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## Inverse Condemnation

- Occurs when private property owner sues government for not following rules of eminent domain
- Actual physical invasion of property
- Over-regulation of the property



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## Relocation

- If Agency (or Developer) makes a person or business be displaced from a property, that person or business is entitled to relocation fees
- Applies to both owners and tenants – and homes and businesses
- Applies even if Developer is attempting to make you move – if it uses public money

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## Types of Agreements

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## Exclusive Negotiation Agreement

- Once developer is selected, an ENA is entered into
- Gives structure to the negotiating process
- Allows for exclusive negotiations between agency and developer
- Typically, deposit is required
- Not an option – Agency will not be bound to accept developer's proposals

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## DDA

- Disposition and Development Agreements
- A DDA is the agreement between an agency and developer to sell and develop a property
- Agency “disposes” of land to developer who must “develop” the project subject to Agency’s requirements



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## Typical Terms

- Sale of Land
- Development
- Architectural Review
- Agency Assistance
- Financing Provisions
- Use Covenants
- Remedies

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## OPA

- Owner Participation Agreements
- This occurs when property is already owned by private person who wants to develop property in an redevelopment area.
- Similar to a DDA but there is no property sale

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## Methods to Assist Developers

- Land-Write Down
- Relieving developer of up-front costs (i.e. feasibility studies, title reports, etc.)
- Site acquisition (including eminent domain)
- Relieving holding costs by not selling property until development about to occur
- Constructing public improvements
- Paying for site-preparation

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## The Approval Process

- Negotiations occur initially with Agency staff and will eventually go to the Agency Board
- Differences between closed session and open session



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## Affordable Housing

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## Affordable Housing Plan

- “**Affordable Housing Plan**” adopted every 10-years
- Integrated with agency’s Implementation Plan
- Integrated with the respective city or county’s Housing Element (general plan)

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## Funds for affordable housing

- Agencies are required to set aside funds for affordable housing (20% Set Aside)
- These funds may be used anywhere within jurisdiction and not just in the redevelopment areas
  - But must make finding of benefit to the project area
- Must be used to increase, improve, and preserve the supply of low and moderate income housing
- May be used for planning and administrative costs

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## Types of Affordability

- Income Levels
  - Very low
  - Lower
  - Moderate
- Rent is determined by income levels and by size of apartments

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## CCRs

- In order to receive funds for affordable housing, you are required to enter into CCRs that restrict the housing up to indefinitely
- Not only are units restricted as to the amount of rent charged, they are restricted to the income of the households
- You must comply with the CCRs and update the Agency as to the rent roll and tenant qualifications

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## Prevailing Wage

- Redevelopment projects (commercial and residential) may require the prevailing wage
- It is very important to know whether the prevailing wage will apply or not



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**ABOUT US**



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**About Alvarez-Glasman & Colvin**

- A full service law firm founded in 1986
- Specialize in all aspects of real estate law
  - Redevelopment Law
  - Negotiations with Developers and Public Agencies
  - Commercial Lease Negotiation and Representation
  - Land Use, Land Development, and Environmental Law
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Thank you



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