

# **WHAT IS REDEVELOPMENT?**

## **Frequently Asked Questions**

### **What is the Business of the Redevelopment Agency?**

Redevelopment is a process created to assist city and county governments to eliminate blight from a designated area, and to achieve desired development, reconstruction, and rehabilitation including, but not limited to: residential, commercial and industrial uses, and retail.

In most cities, the city council members serve as the governing board for the redevelopment agency, however, the council and the agency are two separate, distinct legal entities. Redevelopment Agency staff carry out the day-to-day operations implementing the various redevelopment plans.

### **What is the Benefit to being in a Redevelopment Project Area?**

Redevelopment is one of the most effective ways to foster private investment into deteriorated areas plagued by social, physical, environmental, or economic conditions. Through redevelopment, a project area will receive focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate, and add to the housing stock, which would not otherwise occur.

### **What is a Redevelopment Plan?**

A Redevelopment Plan represents a process and a basic framework within which specific projects will be undertaken. The plan provides the agency with tools to take certain actions such as to buy and sell land within the area covered by the plan and improving public facilities and infrastructure.

### **What is a Project Area?**

A Project Area is the area within which actual redevelopment will take place. To form a Redevelopment Project Area, the Project Area must first go to public hearing (giving citizens who will be included in the Project Area a chance to express their views), after which the redevelopment agency acts on the adoption of the Project Area and becomes primarily responsible for future projects.

### **Why do we have Redevelopment Projects?**

The basic reason for establishing redevelopment projects is to secure funds that can be used to attract commercial, industrial, and residential development in order to eliminate blight and improve an area.

## **How do Redevelopment Agencies Secure Funds?**

The state law makes available to redevelopment agencies a method of obtaining funds called "tax increment financing." On the date the City Council approves a redevelopment plan, the property within the boundaries of the plan has a certain total property tax value. If this total assessed valuation increases, most of the taxes that are derived from the increase go to the redevelopment agency. These funds are called "tax increment revenue." Usually, the flow of tax increment revenues to the agency will not be sufficient in itself to finance the full scope of redevelopment activities and development projects. Therefore, agencies issue bonds. These bonds are not a debt of the city or county, and are repaid solely from tax increment revenue. Tax increment revenue can typically be used only in the same project areas that generate them, except for residential projects that benefit low-and moderate-income households.

## **Will Property Taxes be Raised?**

It is important to note that higher taxes from the sale, development, or rehabilitation of property reflects a rise in property value and not an increase in tax rate. Until a property is improved or sold, assessed values and tax rates in redevelopment areas are restricted by Proposition 13 limitations.

## **Does the Agency have the power of eminent domain (condemnation of property)?**

Private developers seldom can assemble many separate parcels of land into a site large enough for their needs. One small "hold out" can refuse to sell at any price and block the entire development. The agency can, if necessary, use its power of eminent domain to acquire the hold out parcel and permit the development to proceed in order to reduce or eliminate a blighting condition.

## **What is relocation?**

Relocation is the displacement of a business or family for the purpose of clearing land and preparing it for its designated use. When a person or business meets the legal qualifications, the redevelopment agency pays for: assistance in finding a new location, payments to help cover moving costs, and payments for certain other costs as provided by law.

## **If a citizen should decide to sell property to the Agency, who determines the selling price?**

The agency would hire an independent appraiser to establish the fair market value of the property. If the owner is not satisfied with the appraised value of the property, he may hire his own appraiser to re-evaluate the property after which both appraisals will

be compared and a selling price negotiated. Fair market value is the value that the property would have if it were placed in today's market place and sold.

**How will this affect the city/county and other taxing agencies in regard to tax revenue loss?**

Other taxing agencies will lose part of the new property taxes generated by redevelopment, but will continue receiving the base revenues. In most blighted areas, property values would not increase without redevelopment activities. Other taxing agencies will receive non-property tax revenues and revenues generated outside the project area as a direct result of redevelopment activities, i.e. sales taxes, hotel room taxes, and property taxes.

For more information on Redevelopment, please visit the California Redevelopment Association website at [www.calredevelop.org](http://www.calredevelop.org).