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February 2011

Redevelopment Facts from Oakland Mayor Jean Quan Newsletter



Dear Jean,

As part of his 2011-12 budget proposal, the Governor has proposed permanently shutting down local redevelopment agencies. Such a move will bring significant and permanent economic damage to older cities like Oakland:

- Redevelopment is the only tool that Oakland, like other older urban centers in California, can use to turn vacant or underutilized properties into productive, sales tax and job-generating use.
- Redevelopment enables long-term planning on major development so that project funds are not susceptible to the ups and downs of short-term general fund budget cycles. The planning time frame for Redevelopment projects is measured in years, and often decades, such as the case with the former Oakland Army Base.
- Redevelopment serves as a catalyst for private investment to breathe life into areas with deteriorated buildings, environmental contamination and aging infrastructure that would otherwise lay vacant and nonproductive.



This is such a serious issue for our urban core that I joined 9 other Big 10 cities in Sacramento last week to talk with the Governor and legislative leaders to find ways to save as much Redevelopment funding as possible.

Killing Redevelopment will cause serious and permanent economic damage at the local level. Statewide, Redevelopment activities:

- Support 304,000 jobs annually, including 170,600 construction jobs--7,600 in Oakland.
- Contribute over \$40 million annually to California's economy in the generation of goods and services
- Generate more than \$2 billion in state and local taxes in a typical year

Please read the brief below so that you can better understand why fighting to keep our Redevelopment funding is critical to the future of Oakland and other similar cities throughout the state.

Sincerely,

Oakland Mayor Jean Quan

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How Does Redevelopment Work?

Redevelopment agencies do not levy taxes and do not have the ability to raise taxes. They simply receive a portion of the property tax revenues generated when property values rise as a result of new investment.

When Redevelopment Agencies improve deteriorated areas property values within those areas rise, thus increasing property tax revenues. The increased property taxes resulting from Redevelopment activity are referred to as "tax increment."

Redevelopment is Essential to the Viability of Urban Centers

The proposal to eliminate Redevelopment funds pits newer suburbs--which have ready-to-develop land and greater flexibility to encourage investment--against older urban centers like Oakland that suffer from deteriorating infrastructure, vacant and blighted properties and environmental contamination.

Redevelopment Helps Oakland Thrive

Oakland has used redevelopment funds to:

- Create jobs and expand business opportunities
- Provide housing for families most in need
- Help reduce crime
- Improve infrastructure
- Clean up environmentally-threatened and rundown areas.
- Develop affordable housing in transit villages which will help us comply with the state's goal of reducing global warming through smart growth.
- Preserve historic buildings throughout the city.
- Provide significant incentives for private investment.



Suburban communities can easily charge impact fees and have developers build infrastructure when vacant farmland is developed. This often results in single-family tract housing and shopping malls with seas of parking.

If urban cities like Oakland are to develop sustainable-infill projects near transit, we need powers and financing from Redevelopment to encourage and attract this development. It is often necessary to complete improvements to public infrastructure and facilities in a neighborhood before developers become interested in redevelopment sites.

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Redevelopment Drives Development

- The new joint City-School library at 81st Avenue is the first of its kind and fulfills a significant community need in an underserved neighborhood in East Oakland. Forty percent (40 %) of the construction funds came from Redevelopment.
- Recent resurgence in **Uptown near the Fox Oakland Theater** is a direct result of Redevelopment funds. Until two years ago, the Fox Theater was shuttered for nearly four decades, which suppressed property values, attracted crime, and nuisance activities and visibly drained the life of Downtown:
 - \$51 million in redevelopment investment leveraged \$39 million in private sector funds just for the **Fox Oakland Theater** alone.
 - Another \$67 million investment generated \$450 million in private investment, which resulted in 1000 new residential units, a dozen new restaurants, a dozen new clubs, scores of nightlife amenities and 20 new art galleries.
 - Today we have a vibrant new arts and entertainment district with one of the nation's hottest destination dining scenes.
- Redevelopment-funded programs such as **façade tenant improvement grants** have been successful in prompting property owners and businesses to renovate older, vacant or underutilized buildings. In recent years, \$3 million in grants leveraged nearly \$37 million in private investment, which has visually improved neighborhoods, added jobs, increased property values and restored the character of our historic neighborhoods.
- Redevelopment is the principal funding source for development and **preservation of affordable housing**. Over the past 10 years Oakland's Redevelopment Agency has allocated more than \$200 million to affordable housing projects in Oakland. The net effect: 1900 units of housing completed with 1200 more in the pipeline. It spurred hundreds of housing rehabilitation projects and allowed 500 low income families to become first-time homeowners.



- Oakland has **four transit village projects** under development. Eliminating Redevelopment funding will kill these projects and gut global warming initiatives in urban centers. This reverses California's progress as the nation's leader in smart growth and climate protection.

And it's unclear that loss of redevelopment funds would force the City to forfeit grant funds for affordable housing and transit development.

What's At Stake for Oakland

If Redevelopment is eliminated, the impact on Oakland would be severe. The City of Oakland would lose \$40 million in first year and about \$24 million per year thereafter. That doesn't even account for the ripple effect on our general fund with the loss of sales and business tax revenue.



Major projects with significant and long-term economic benefit to Oakland would be substantially reduced or eliminated:

- **Oakland Army Base**--This project is critical to the Port remaining competitive. Right now Oakland's Port is the 5th largest in the nation.
- **Victory Court Baseball Stadium**--The proposal would scuttle the region's opportunity to keep the A's. Both Oakland and San Jose are depending on redevelopment funds to build a new stadium for the A's
- Transformation of **Broadway Auto Row** into a regional shopping destination--The project depends on \$41 million Redevelopment funds to build the infrastructure that developers say is required to attract the types of retailers our residents seek and will generate much-needed sales tax revenue to support the City's general fund. It is the lynchpin in our efforts to prevent an estimated \$1 billion in annual retail leakage.
- **All projects and programs in West Oakland** would cease--All current activity is supported by tax-increment funding. Redevelopment funding is essential for West Oakland, an area where nearly three-quarters of the existing buildings were constructed prior to 1917.
- Grant funding for the **Broadway shuttle** that connects and brings business to Downtown--including Jack London Square, Chinatown, Old Oakland and Uptown--would be in jeopardy.
- Shifting maintenance and operation of public facilities and land owned by the Redevelopment Agency would further **strain the City's General Fund**.
- **End Oakland's mortgage assistance program** for first-time home buyers.
- Could result in the **loss of additional 17 Police officers** funded by the Redevelopment Agency to enhance security in retail, residential and industrial areas of Oakland. The proposal could also result in the **elimination of 171 full-time City Staff**-- including police, public works and other key personnel-- or drain another \$27 million from the General Fund to restore the staff and services they provide.

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