Opinion: Redevelopment borrowing binge is reckless folly

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Leaders at California's redevelopment agencies may sincerely believe they are helping local residents. Some of their projects may actually be worth protecting.

Still, the agencies' borrowing binge while on the chopping block is financially risky at best, downright irresponsible at worst.

The survival instinct kicked in this year after Gov. Jerry Brown targeted them for elimination to claw back $1.7 billion a year in revenue.

The agencies took on an unprecedented $1.2 billion in new debt this year – all backed by local property taxes. In part because so many bond issues went to market, redevelopment agencies had to promise unusually high rates of return to investors.

Two-thirds of the record 80 bond issues this year carried interest rates of more than 7 percent, the highest in two decades, according to a Bee analysis of records kept by the state treasurer. The more costly debt repayments will end up on local residents' tab, as The Bee's Loretta Kalb and Phillip Reese reported Sunday.

These bond issues may be the final ones for the redevelopment agencies. Under a deal approved by the Legislature, they had until Oct. 1 to either share their property tax proceeds with the state or shut down. The California Redevelopment

Association and League of California Cities are suing to block that plan so agencies can stay in business. The state Supreme Court is set to rule in mid-January.

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