

Redevelopment's demise a mixed bag in South Tahoe

Updated Jan. 31, 2012, 3:45pm: The bill allowing cities to use redevelopment funds for affordable housing projects passed the state Senate today, however, it won't be implemented immediately. This is causing further confusion for cities throughout the state.

By Kathryn Reed

It's over. Redevelopment is dead.

With six 4-0 votes Monday night (Angela Swanson was absent), the South Lake Tahoe City Council dissolved the Redevelopment Agency, re-created the South Lake Tahoe Housing Authority, and as the successor agency put in the necessary parameters for it to function.



All cities with redevelopment agencies must dismantle them by the end of the day Jan. 31 per state regulations. After all, it was the state that created redevelopment in the mid-1900s.

The Jan. 30 meeting was a continuation of the Jan. 17 council meeting.

The one unknown remains the vote in the Legislature that would allow cities to transfer their housing money from redevelopment to newly created housing authorities, like the one South Tahoe created Monday. The state Senate on Tuesday is expected to vote on SB654. Indicators are it will pass both houses.

Creating the housing entity in South Tahoe means keeping \$1.5

million that is in that pot for housing. It was revealed Monday night that the city will be able to keep all of its lead paint grant funding from the feds and not have to come up with the match as was the requirement when the money came to it via the Redevelopment Agency.

If the Legislature votes not to create housing agencies, that money cannot be used for housing and would instead be used to pay down the redevelopment debt.

It was agreed Councilman Hal Cole will be the city's rep on the oversight agency board, with Councilman Bruce Grego the alternate. (More about redevelopment and what happens is detailed in this Jan. 18 *Lake Tahoe News* story.)

One thing that bothered Councilman Tom Davis (who was participating via telephone) was the remainder of the \$7 million that the Redevelopment Agency owes the general fund will technically not be repaid. This is because the state says it is not an enforceable obligation. The state wiped out all loans between agencies and cities.

This is because in many ways it was all a shell game – taking money from one pot, to fill another, to eventually fill the first one. It's really all the same money being shuffled from one account to another. While legal, the ethics of it are certainly questionable.

The \$7 million in question was taken from the general fund to pay off the bills from the Heavenly Village project. But how those bills were presented to councils at the time was not transparent. The reality of the situation did not come to light until the checks had long been cashed. And then it was a couple years before a repayment plan was put in place.

But really, it was always the city just paying itself. It was never the Redevelopment Agency paying the city. This is because the only money exclusive to the agency was tax increment – which is property tax dollars. That had to go to

bond debt.

The \$7 million loan – of which half has been “repaid” on paper – is really transient occupancy dollars. That money has always gone directly into the general fund. From there some would go to the Redevelopment Agency. And then it would go back to the general fund as the loan payment.

With redevelopment agencies abolished, it should make for cleaner books, at least in South Lake Tahoe.