

State threatens redevelopment funds

Budget eyes money meant for upgrades

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Call it a case of good news and bad news.

The good news for area cities and counties is that the revised budget proposal Gov. Gray Davis' announced Wednesday is somewhat kinder and gentler to local governments than most expected.

The bad news is the plan still targets redevelopment money, which threatens everything from local revitalization projects to affordable housing.

Davis' budget plan calls for taking \$250 million from redevelopment funds statewide to help fill an estimated \$38 billion shortfall. That would increase by \$50 million annually for 15 years.

That has local governments in Santa

Cruz County worried. The loss is more than just the dollar amount, too, as redevelopment agencies use the money to leverage bonds.

Among the projects threatened by the plan is Watsonville's long-planned Civic Plaza project in the 200 block of Main Street. That plan calls for a four-story complex that includes city offices, a City Council chamber, library and county court space.

The 200 block project would require about \$14 million from the Watsonville Redevelopment Agency.

The project is currently on hold and would likely be stymied if the governor's proposal makes it through the state Legislature.

"Definitely, the 200 block project would not move forward as envisioned," said Jan Davison, director of the city's Redevelopment and Housing.

For Watsonville, the governor's plan would amount to a \$425,000 loss, or 16 percent of its budget, the first year, which would reduce the city's ability to issue bonds by about \$4 million.

"It basically jeopardizes every rede-

velopment projects in the works," Davison said.

Past Watsonville redevelopment projects include the Main Street post office, the Cabrillo College center on Union Street, and Soccer Central.

Santa Cruz's agency stands to lose \$726,000 next fiscal year, said city Redevelopment Agency director Ceil Cirillo. That's 20 percent of the \$3.6 million redevelopment budget.

Cirillo said that if recurring state cuts could hamper the agency's attempts to lure retailers downtown, affect the fate of a proposed arts center at the closed-down Salz Tannery and hamper attempts to put up a full-size conference hotel in the beach area.

"We're OK in the short term," she said. "We don't have a lot of outstanding (debts)."

Steve Ando, finance director for Scotts Valley, said the shift would result in a hit of \$311,000 for that city's redevelopment agency.

That would come on top of an earlier \$93,500 redevelopment cutback due to the state budget crisis.

Other cities were still gauging how the plan would affect them.

"It's really difficult for us to know what's going on. It could have an immeasurable effect on us," Capitola City Manager Rich Hill said.

Redevelopment is a planning tool that cities use. Officials designate an area as blighted and then redevelop the properties. Any resulting increase in property taxes is funneled to a city or county's redevelopment agency for future projects. The increased tax revenue is called "increment" tax. State law requires 20 percent of that increment money go to affordable housing efforts.

There are 384 redevelopment agencies in the state, which account for 80 percent of all cities and 47 percent of all counties, according to the California Redevelopment Association.

Staff writers Jondi Gumz, Ramona Turner and Dan White contributed to this report.

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