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This alert applies to those in California that work with redevelopment agencies.

California Supreme Court Upholds Elimination of Redevelopment Agencies

In a highly anticipated decision, the California Supreme Court ruled on December 29, 2011, that legislation adopted in July to dissolve redevelopment agencies is constitutional, but that legislation adopted concurrently to allow redevelopment agencies to remain in existence only if they transfer a portion of their revenues to other state agencies is not.

This video from August 2011 discusses the implications of disbanding redevelopment agencies.
Watch the video

The result is that redevelopment agencies will cease to exist in California, and their assets and liabilities will be transferred to successor agencies to wind down the affairs of the redevelopment agencies, and all property tax revenues allocated to redevelopment agencies that are not necessary to discharge the existing indebtedness of the agency will be allocated as property tax revenues to other state and local agencies.

The legislation upheld by the Court will not impair the effectiveness of any valid existing contractual relationship with a redevelopment agency. All existing leases, disposition and development agreements, and owner participation agreements entered into with a redevelopment agency prior to July 2011 will remain in effect but will not be subject to amendment, and redevelopment agencies and their successor agencies will be unable to enter into new agreements or incur additional debt, except for the purpose of winding down the affairs of the agencies. Successor agencies are also authorized to terminate existing agreements subject to payment of adequate compensation for such termination.

The decision in *California Redevelopment Association v. Matasantos* is final. According to the schedule established by the Court, provisions for the dissolution of redevelopment agencies will be effective as early as February 1, 2012. Any effort to salvage redevelopment as a tool for local agencies to eliminate blight and improve their communities is now back in the hands of the Legislature.

Allen Matkins attorneys have advised a number of clients in transactions with redevelopment agencies throughout California both before and after the enactment of the legislation. In anticipation of this decision, we have been working with many clients to develop strategies for what to do post-decision. Please do not hesitate to contact any of the members of the Allen Matkins land use team to discuss projects and transactions on a case by case basis.

David H. Blackwell
Michael Patrick Durkee

About Allen Matkins

Allen Matkins Leck Gamble Mallory & Natsis LLP is a California law firm with more than 220 attorneys practicing out of seven offices in Orange County, Los Angeles, Century City, San Diego, Del Mar Heights, San Francisco and Walnut Creek. The firm's broad-based areas of focus include intellectual property, real estate, construction, land use, environmental, corporate, finance, business litigation, tax, bankruptcy and creditors' rights, and labor and employment. **More…**