
State Supreme Court Upholds Dissolution of California Redevelopment Agencies

by Robert C. Herr, Noa L. Clark, and Paul C. Levin

On December 29, 2011, the California Supreme Court issued a ruling upholding sweeping changes to California redevelopment law. The court upheld Assembly Bill (AB) XI 26, which dissolves all redevelopment agencies in California, while invalidating ABXI 27, which would have allowed redevelopment agencies to continue by making required payments to the state's education fund. This ruling means that, effective immediately, all redevelopment agencies in California must begin the dissolution and winding-up process as required by ABXI 26.

The petitioners in *California Redevelopment Association v. Matosantos* asked the California Supreme Court to invalidate ABX1 26 and ABX1 27, two bills passed by the legislature and signed by Governor Brown in 2011 in response to the state's fiscal emergency. Petitioners claimed the bills violated provisions of the California constitution, enacted by the voters as Proposition 22, which prevent the state from taking funds from redevelopment agencies for the state's benefit. In response to the petitioners' claims, the California Supreme Court ruled that the legislature has the power to abolish redevelopment agencies under its general legislative authority and Proposition 22 does not limit that authority. The court ruled, however, that Proposition 22 does prevent the legislature from requiring redevelopment agencies to make payments as a condition of their continued operation, as would have been required by ABX1 27. As a result, redevelopment agencies no longer have the option to continue to operate while making payments to the state.

The California Supreme Court also set a new implementation schedule for ABX1 26. The court had issued a stay while considering the merits of the case, making the implementation schedule as enacted by the legislature unworkable. Instead, the court declared that deadlines contained in ABX1 26 that arise before May 1, 2012 will take effect four months later than originally scheduled. Accordingly, effective immediately, the California Supreme Court's stay of ABX1 26 is lifted and redevelopment agencies must begin the dissolution process. Under the revised schedule, all redevelopment agencies throughout the state will be dissolved as of February 1, 2012, delayed from the original October 1, 2011 date, absent emergency legislation delaying or reversing this outcome.

This ruling already has led to numerous reform proposals and calls for new legislation that would allow redevelopment agencies to continue operation or to be reauthorized in new forms. Pillsbury will

continue to stay apprised of these breaking reform efforts, as 2012 looks like it will be another interesting year for policymakers and for the future of redevelopment in California.

If you have any questions about the content of this client alert, please contact the Pillsbury attorney with whom you regularly work, or the authors below.

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