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Mend, don't end, state's redevelopment policies

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In California, redevelopment can be an invaluable tool to provide the seed money and regulatory support to transform blighted and contaminated areas that would otherwise be unappealing to developers. The positive effects of redevelopment are apparent in the way San Francisco has turned a former railyard at Mission Bay into a thriving biotechnology hub, Oakland has infused its downtown with housing and vitality, and Emeryville and many other communities up and down the state have used the law to attract businesses and build affordable housing in areas of terminal neglect.

The concept behind redevelopment is sound: to take an area that has exhausted its economic viability - due to aging infrastructure, dilapidated buildings or contamination - and allow a local government to borrow against future property-tax growth to address the underlying issues that chill any hope of recovery through marketplace forces alone.

If Gov. [Jerry Brown's](#) plan to eliminate the state's 400 redevelopment agencies and seize their uncommitted property-tax allotments (starting with \$1.7 billion this year) goes through, California's cities and counties will be left without a well-established means to bring new life to brownfields and former military bases, or steer development into urban areas where public transit is a reasonable option.

It would be a grave mistake for California to discard this tool for stimulating economic activity and new housing (one of the conditions of the law is that 20 percent of an agency's property-tax allotment must be spent on affordable housing). No one knows the value of redevelopment better than Brown, who as mayor of Oakland expanded redevelopment areas and used its subsidies and powers of eminent domain to advance his vision of luring 10,000 residents into a decades-dormant downtown.

Yet it would be equally foolhardy to accept the arguments of redevelopment agencies that they do not require tightened oversight, that decisions and accountability on how they spend their share of property tax revenue (now about \$5 billion a year statewide, or about 12 percent of total property tax collections) should be kept at the local level.

There are two problems with their leave-us-alone argument. One, the state has a legitimate interest in whether that money is spent wisely. Each year, it sends about \$2 billion from the general fund to backfill the portion of those redevelopment funds that would have otherwise gone to public

schools. It makes no sense for the state to subsidize projects that would be at cross purposes with state goals, such as those that promote suburban sprawl - thus clogging highways, overburdening scarce water supplies and elevating carbon emissions.

Also, amid all the examples of exemplary redevelopment are too many cases of government-supported boondoggles. The latest example of frivolity is the \$6 million pumped into a Sacramento redevelopment that will feature a "mermaid bar" with the "largest nightclub aquarium in the world." If the good people of Sacramento want to curb basic services so they can have drinks with an underwater show, so be it - but they can do so without the help of the rest of us. Similarly, if Santa Clara wants to use redevelopment funds to lure the [49ers](#) from San Francisco or San Jose to lure the A's from Oakland - as each does - it's flat-out wrong to ask taxpayers in San Francisco and Oakland, or anywhere else, to make a contribution to those stadiums.

Also, the fact that Oakland's redevelopment covers the salary of the mayor and 17 police officers, and can donate \$2 million for an East Oakland recreation center, suggests a cash flow well in excess of its assigned mission.

When properly applied, redevelopment can work miracles for city life, for the economy and for the environment. It should be preserved - with reforms that sharpen its focus and tighten the accountability on this use of government powers and tax dollars.

How it works

- A city or county declares an area "blighted" and thus targeted for redevelopment.
- The area's level of property-tax revenue is frozen at its current level. Any growth in future revenue beyond that base is available for use by the redevelopment agency.
- The agency is allowed to borrow against its future allotment of property taxes to purchase land, build streets and sewers or subsidize development in the redevelopment zone - a scheme known as "tax increment financing."
- The state then subsidizes local redevelopment by backfilling the portion of property-tax growth that would otherwise have gone to schools.

How to fix it

- **Tighten what qualifies:** The definition of a "blighted" area has been so broadly interpreted as to be rendered meaningless.
- **Limit state subsidies:** Projects should advance a state objective (such as transit-oriented development, urban infill, military base conversions or projects that could show a clear net gain to

the state coffers) to qualify for the state backfill to schools.

-- **Stop the slush funds:** The use of property taxes collected by redevelopment agencies should be limited to advancing the original purpose. Local governments are routinely tapping redevelopment funds for everyday expenses or for pet projects that (as Gov. Jerry Brown, the former Oakland mayor put it) "they wouldn't otherwise let you" do.

-- **Limit the life of redevelopment zones:** California allows redevelopment zones to run 40 years - far longer than other states - and they are routinely extended beyond that. In effect, once a zone is created, its increased property-tax revenue becomes roped off for the redevelopment agency to spend long after an area has been revitalized and is no longer in need of special government help.

-- **Stricter oversight:** If the state is going to continue to subsidize redevelopment projects, then it has every right to demand stricter accountability on the creation of those zones and the way the money is spent.

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