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Dive bars vs. schools

BY BRIAN T. PETERSON

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Early this month, Assemblyman Chris Norby, R-Fullerton, debated Livermore City Manager Linda Barton at the Sacramento Press Club. In his spare time, Norby is the leader of Municipal Officials for Redevelopment Reform, while Barton presides over the California Redevelopment Association. These two debated Gov. Jerry Brown's plan to eliminate redevelopment agencies.

Part of the governor's plan to solve a \$26 billion state budget deficit is to abolish the state's 425 redevelopment agencies on July 1. From the funds now supporting local redevelopment, he would return \$1.7 billion to the state this year. And next year he would begin to return all of the \$5 billion in property tax annually diverted into redevelopment back to the rightful recipients – local government services and local schools.

California created redevelopment over 60 years ago to eradicate urban slums. According to Norby, "it was a temporary fix for a temporary problem." Over the decades, however, local officials have come to increasingly rely on redevelopment to promote economic growth. Barton called it "the only job-creation tool local governments have."

Unfortunately for Barton's side, recent reports by the respected, nonpartisan Legislative Analyst's Office corroborate an earlier study by the Public Policy Institute of California: There is no discernible net economic growth created by redevelopment within a region. It merely shifts economic growth from one location to another. In San Diego, we can see this economic shift in the multitude of new projects planned primarily for downtown while neighborhoods are left wanting for fire and police protection, library hours and pothole repairs.

The LAO also determined that the claim that redevelopment is a job-creating tool is overblown. San Diego officials assert that downtown redevelopment alone is responsible for tens of thousands of jobs. The LAO blames these inflated job claims on bad assumptions – primarily the myopic perspective that employment opportunities in redevelopment areas couldn't happen elsewhere without redevelopment.

Furthermore, as Norby said, Barton's "tool" has a price. Based on redevelopment's tax increment financing system, 67 percent of the property tax generated in a redevelopment area stays with the redevelopment agency. This results in property tax diversion away from local schools and local governments. Annually, California's K-12 schools lose about \$2 billion to redevelopment. By law, the state must backfill the schools' loss. Higher up the ladder, this necessitates funding cuts to the University of California and California State University systems – hundreds of millions of dollars in recent years.

Locally, we know that about 15 cents of every property tax dollar collected in a redevelopment project area is diverted from the city's general fund into the Redevelopment Agency, where this money can only be used for more redevelopment. As a result, the city is paying approximately \$50 million per year to support redevelopment activities instead of funding core city services. How many fire stations do you think \$50 million could keep open? And if the City Council decides to authorize the use of redevelopment funds to pay for Mayor Jerry Sanders' \$4 billion wish-list of

projects, this will amount to about \$890 million that the city's general fund will never see.

Meanwhile, up in Sacramento, the Dive Bar, which features a gigantic aquarium in which "mermaids" swim to amuse patrons as they sip martinis, opened in January with the help of a \$5.7 million subsidy from the Sacramento Housing and Redevelopment Authority. Is this an example of economic development or eradicating urban decay and blight? Regardless, it is definitely not a core function of government.

In 2008, at a community forum on redevelopment, state Sen. Christine Kehoe, D-San Diego, said she liked redevelopment. So much, in fact, that she thought cities should use redevelopment proactively to cure blight even before it happens. A better way to go about it, however, is to abolish redevelopment. Fully funding education, instead of subsidizing condos, restaurants and bars – even the nice ones, with mermaids and such – will give our successor generations the tools they need to create their own economic benefit and jobs.

Peterson is CEO of the Grantville Action Group, a group formed to oppose redevelopment in the Grantville community of San Diego.

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