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Head to Head: Should state lawmakers mend or end local redevelopment agencies?

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THE ISSUE: Gov. Jerry Brown has proposed abolishing redevelopment agencies as part of his plan to close the state's budget deficit. Brown estimates the move would save the state more than \$1.7 billion a year. But the Assembly last month narrowly defeated legislation to end the agencies, with all but one Republican voting against the bill.

Should state lawmakers mend or end local redevelopment agencies?

Ben Boychuk: End them

Ending California's 60-year-old redevelopment boondoggle should have been one of the easiest votes a unified Assembly Republican caucus ever cast. On the continuum of political decision-making, a "yes" vote on Senate Bill 77 should have fallen somewhere between recognizing the Salvation Army for exemplary public service and opposing the forced collectivization of agriculture.

But with the lone and noble exception of Fullerton Assemblyman Chris Norby, Republicans couldn't bring themselves to support a Jerry Brown initiative. It didn't matter that abolishing redevelopment would affirm, underscore and highlight the age-old GOP principle of protecting private property rights from the depredations of out-of-control public agencies.

No, the Machiavelli of Oakland Hills must have something up his sleeve. Better to play it safe.

Even if Brown harbors ulterior political motives for those billions, so what? California's 425 redevelopment agencies embody most every evil thing Republicans campaign against election after election. Expansive and unaccountable bureaucracy? Check.

Subsidized housing? Check. Eminent domain abuse? Check. Idiotic and often inexplicable land-use rules? Check.

Most Republicans say they favor free enterprise and market capitalism. Redevelopment bears scant resemblance to either.

At the heart of redevelopment is the threat of eminent domain, which gives government the power to take private property at fair market value for a clear public purpose. Traditionally, "public purpose" meant building schools, roads, dams and the like.

But redevelopment agencies, abetted by lawmakers and the courts, have perverted "public purpose" to mean something quite different. A shopping mall has a public purpose, right? The public shops there! And as long as local governments benefit from the sales and property tax revenue, what's not to like? As it turns out, in some counties as much as one-third of property taxes go to redevelopment. In certain cities with large redevelopment zones, such as Pasadena in Southern California, about 95 percent of local property taxes went to redevelopment in the 2008-09 fiscal year. In the city of Sacramento, the redevelopment tax increment was closer to 69 percent, according to the state controller's annual report on community redevelopment.

That money could go to police, fire departments and schools. Instead, it helps lowball small-business owners out of the shop or hotel they've owned for years to clear the way for another auto mall. Where's the free enterprise in that? I'm with Machiavel ... er, Gov. Brown on this one. Redevelopment has got to go.

Ben Boychuk is a fellow of the Claremont Institute's Golden State Center for State and Local Government and managing editor of The Heartland Institute's School Reform News.

Pia Lopez: Mend them

Most Californians are no strangers to vacant or decrepit buildings and declining property values – and the crime rates and unemployment that come with them. The issue is how to stop a cycle of decay.

Are we better off attempting to rejuvenate these struggling areas – or just throwing up our hands and abandoning them?

As World War II was winding down, California pioneered solutions, recognizing that for some places, under some conditions, sometimes public intervention is necessary before private development can occur.

The California Community Redevelopment Act of 1945 gave cities and counties the power to set up redevelopment agencies to combat the conditions that hindered private development in distressed communities. And in 1951, the state invented an innovative financing tool aimed at making projects self-supporting – issuing bonds to improve an area and then capturing the higher property taxes from the improved properties, without raising property tax rates. This is called "tax increment financing."

That spirit of inventiveness is worth recapturing.

Most cities and counties have used their redevelopment powers to rejuvenate depressed downtown areas, restore historical districts, improve public infrastructure and construct housing for low- and moderate-income families. That's what they should be doing.

Certainly, there have been high-profile abuses. For example, Palm Desert allocated \$16.7 million to the luxury Desert Willow Golf Resort to renovate golf greens and build a hotel.

Other cities and counties, under financial pressure after Proposition 13, started shifting some redevelopment projects toward sales-tax generation. I'd agree with Ben that favoring big-box chain retail, shopping malls and auto dealerships, for example, is far afield from the original redevelopment mission – and out of line.

It is time to reinvent redevelopment for a new era. I'd argue for a return to basics: Rejuvenating distressed communities, largely through provision of infrastructure and preparing sites for development – including, yes, land acquisition, demolition, sewer and water lines, storm drainage, street construction, environmental cleanup. Public infrastructure also includes the traditional public purposes that Ben mentions – such as schools and libraries.

Redevelopment agencies get about \$5.5 billion of the \$45 billion Californians pay in property taxes each year. That's 12 percent of total statewide property taxes. Is that too much? Perhaps. Gov. Jerry Brown's proposal should jump-start a conversation about what we're getting for the \$5.5 billion – and making changes.

A leaner, more targeted redevelopment strategy can help to expand our tax base and improve quality of life, without raising property tax rates.

Pia Lopez is an editorial writer at The Bee.

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