

Redevelopment bust

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California legislators should reject reforms that fail to cure redevelopment's fundamental flaws. The Legislature should instead follow the governor's suggestion and scrap a process that is easily abused and largely unaccountable -- and that the state cannot afford.

Gov. **Jerry Brown** would phase out redevelopment to help close the state's budget deficit, now pegged at \$9.6 billion (out of an \$88.8 billion budget proposed by the governor) through the next fiscal year. The state's legislative analyst supports the idea, reporting that there is no evidence that redevelopment provides an overall state or regional economic boost.

But legislators have offered alternatives to the governor's plans. AB 1250, by Assemblyman Luis Alejo, D-**Salinas**, proposes reforms of redevelopment in place of scrapping the process. And SB 214, by Sen. Lois Wolk, D-Davis, offers a potential replacement for redevelopment.

Bills that do not fix redevelopment's defects, however, are a waste of time. Redevelopment allows local governments to keep a larger share of property taxes that would otherwise go to schools, counties and other public agencies. That diversion amounts to about \$5.5 billion a year, with no consideration of whether redevelopment is the best use of that money. The state has to give schools more than \$2 billion a year to make up for taxes lost to redevelopment.

Redevelopment is supposed to improve run-down areas, but local governments often use the money for purposes that have little to do with urban renewal. Local officials play all sorts of games with the funds, such as laundering the money to other city departments or subsidizing auto malls and big box stores -- because the only enforcement of the rules comes when someone sues.

AB 1250 would enact new restrictions, such as limiting the size of redevelopment areas and tightening the definition of blight -- the condition necessary for redevelopment. And starting next year, any new redevelopment areas would not get the schools' share of property taxes.

But this approach would not end the existing drain on school funds, which saddles state taxpayers with a \$2 billion a year obligation. The state faces huge, recurrent deficits and has better uses for its money than subsidizing local development decisions. And redevelopment would still lack any real enforcement, despite the new rules.

SB 214, by contrast, would create a substitute for redevelopment. The bill would revamp infrastructure districts -- used to fund public works -- by removing the existing requirements that voters have to approve creation of the district and authorize any borrowing. The new districts would receive property taxes, similar to redevelopment agencies, but not any taxes that would otherwise go to schools.

This bill would end the silliness of the state paying to make up for local development choices. But it would largely import redevelopment's lack of accountability to the new infrastructure districts, without even the minimal need to find blight -- which hardly offers an improvement.

Giving local governments a free hand to play with tax money at great public cost, but with little need to answer to taxpayers, invites trouble. Such dubious "reforms" will not make redevelopment better, or provide any reason for the state to preserve it.