


April 6, 2006

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The Anti-Kelo

By STEVEN GREENHUT

April 6, 2006; Page A15

Anaheim, Calif.

While city officials have long micromanaged land-use decisions and appropriated private property for economic redevelopment, it was not until the Supreme Court's *Kelo v. City of New London* decision last summer that many Americans noticed the degree to which big government has set up shop on Main Street.

Take Garden Grove, an aging working-class city of gaudy strip malls and tract houses 34 miles south of Los Angeles. In 2002, officials planned to bulldoze a large, decent neighborhood to make way for a theme park, issuing bond debt to finance subsidies to help its developer. The project failed amid community protest; so the local government moved on, this time attempting to turn city-owned land over to a group of Indians who would work with a Las Vegas developer to build a casino.

Economic redevelopment is a serious, complex issue, but it isn't always done this way; and Anaheim, just north of Garden Grove, is proving it. Although the community faces similar problems, its city council, led by Republican Mayor Curt Pringle, is taking a more freedom-friendly approach to revitalization: protecting property rights, deregulating land uses, promoting competition, loosening business restrictions and lowering taxes.

Anaheim's old downtown was obliterated in the 1970s through past uses of eminent domain and urban renewal. Now, the city (population: 328,000) wants to build a new downtown, and the target location is

called the Platinum Triangle, an area of one-story warehouses near Angel Stadium. In the typical world of redevelopment, officials would choose a plan and a developer, offer subsidies and exclusive development rights, and exert pressure on existing property owners to leave the area. Instead, Anaheim created a land-value premium by creating an overlay zone that allowed almost any imaginable use of property. Because current owners could now sell to a wider range of buyers, the Platinum Triangle is booming, with billions in private investment, millions of square feet of office, restaurant and retail space, and more than a dozen new high-rises in the works.

The area is developing quickly, without controversy and without a single piece of property taken by eminent domain. Early signs point to an enormous success. "Too often, I hear my colleagues in local government . . . say that *Kelo*-type eminent domain and redevelopment policies are their only tools to revitalize cities," Mr. Pringle recently said. "I have a simple message . . . Visit the Platinum Triangle."

The previous planning commission and city council were harsh on small businesses seeking variances; the new council (which took office in December 2002) began overturning one commission decision after another, with the goal of giving local residents and businesses as much leeway as possible.

The council waived fees for homeowners undertaking renovations, on the grounds that the city would gain in the long run by the increase in property taxes. Anaheim also waived fees for business start-ups for three months; some 2,000 new businesses formed in 2005, an increase of one-third from the previous year. It also passed a tax amnesty and eliminated business taxes altogether for home-based businesses. Most cities don't like to allow churches to build new worship centers, because tax-exempt churches typically locate in commercial and industrial areas, taking properties off the tax rolls. Anaheim has eliminated most hurdles for approving new churches. Its housing plan also avoids "inclusionary zoning" -- an increasingly popular approach to mandate that builders set aside certain amounts of "affordable" housing.

"Mayor Pringle is a god in our world," says Kristine Thalman, CEO of the Building Industry Association of Orange County. "He gets it. He understands the regulatory issues and some of the impediments to development."

Anaheim's experiment happened almost by accident. Mr. Pringle had always been a free-market guy, and headed to the California State Assembly when he was 29. He still brags about "the largest business tax cut in California history" (\$1 billion), passed while he was speaker. He ran for mayor in 2002 at the encouragement of other local leaders, but not, he says, with a specific policy goal in mind. "I didn't run thinking of these ideas. After winning, I realized this is the smallest council of the largest city in the state. I could change things. . . . Local government is mostly devoid of exciting new ideas."

At the urging of then-Councilman Tom Tait, a Republican with libertarian leanings, he began to look at the command-and-control nature of local planning. He found a surprising ally in Councilman Richard Chavez, a liberal Democrat who agreed that the old rule-bound system was holding back opportunities for the city's emerging Latino community.

Mr. Chavez said he didn't know what to expect from Messrs. Pringle and Tait, but that both helped him early on in protecting the interests of some local businesses that were facing unfair treatment from the city. "Curt created a sense of trust," he says. That trust led to "incredible growth, incredible energy for the city and a success at providing housing at every level. . . . I get very little negativity, even from those on the left side of the aisle." Hermetic partisan politics drop away, evidently, in the face of verifiable success.

In many ways, the *Kelo* case incited a national property-rights mutiny, with hundreds of localities passing laws that limit the scope of the eminent domain power. Anaheim's circumstance is instructive in a different sense: By decentralizing bureaucracies and loosening cosseted government regulation, it has confirmed the vitality and audacity of private enterprise. The city has made itself a laboratory for free-market thought.

No doubt, most cities will plod along like Garden Grove, embracing typical big-government redevelopment policies. But success also attracts curiosity, other cities are learning from Anaheim. Many are in Orange County; but the story is spreading. Mayor Pringle says his ideas are being employed in the mayoral race up north in San Jose. He was most proud, he said, when Mayor Doug Davert, of nearby Tustin, recently vowed to "Pringle-ize" his community.

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