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Idea No. 1: Right time to reform redevelopment

State can't afford to subsidize developers.

An Orange County Register editorial

California's budget problems are structural and require fundamental long-term changes. One such change, which could eventually make a \$5 billion dent in the state's estimated \$24 billion deficit, is a revamping of the state's redevelopment law, a 1950s-era relic that siphons away 10 percent of the state's property tax revenue and diverts it to developers who are subsidized to "redevelop" shopping centers and vacant land.

Redevelopment is problematic for many reasons. It is a central-planning mechanism that undermines property rights and shifts development decisions from the free market to government planners. It was meant to be temporary – a tool to allow cities to stimulate growth in blighted areas. It has become a permanent bureaucracy that allows cities to incur enormous debt without a public vote. There's much to debate about redevelopment's policy implications, but the amount of money involved should focus the Legislature's attention on this

process as soon as possible.

Should residents pay more taxes for a program that basically subsidizes developers? Should education and other services be cut while billions of dollars in subsidies and debt get a pass?

Reforming or even shutting down the redevelopment process could send billions of dollars back to Sacramento. Redevelopment agencies are, by law, state agencies even though city officials run them. Redevelopment supporters often use that argument to deflect local efforts to rein in redevelopment abuses. They say that local citizens cannot restrict these projects because they are actually state-run agencies.

Fair enough. Since the state is in control of the agencies, then the state should take back its money. The state should freeze all new redevelopment projects. Much of the money would go toward paying off existing redevelopment debt, but a significant chunk of the property tax diversions go to pay for redevelopment's administrative costs. That would provide immediate savings. Less-dramatic reforms include proposed changes in the way city governments are funded. If, for instance, cities received less sales tax and more property tax, they would have less incentive to expand redevelopment areas because those areas give up property tax dollars in order to lure sales-tax-generating big-box stores.

Clearly, the idea needs to be sized and the details need to be hashed out, but redevelopment reform could make a significant dent in the state's budget problem. It also would have other policy benefits, given that redevelopment agencies routinely abuse eminent domain, facilitate overdevelopment of shopping centers and impose low-income subsidized

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