



Touting their value

Fontana officials back redevelopment agencies

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FONTANA - Despite criticism from some that redevelopment agencies are little more than corporate welfare centers for well-connected developers, city officials are quick to tout their value, especially when their's is among the wealthiest in the state.

"For this community, it is our primary tool to create jobs, build infrastructure and to bring growth to the area," City Manager Ken Hunt said.

Fontana's redevelopment agency in fiscal 2008-09 ranked fifth in California in gross tax increment revenue, which is revenue produced when a declared project area increases in total assessed valuation.

A portion of the taxes from the increased value go to the redevelopment agency, and that money in turn is used to help fund projects in the same area that generated the tax increments.

Redevelopment agencies also are required to make pass-through payments to schools and agencies such as fire and water districts.

Critics of the agencies say they favor big-time

developers and crush the free market.

"Essentially, they are subsidizing corporations," said Steven Greenhut, director of the Journalism Center at the San Francisco-based Pacific Research Institute, and editor-in-chief at calwatchdog.com. "It's a form of central planning that doesn't really work."

Hunt said Fontana's agency is strong because most of the city is in a declared redevelopment zone.

"We put 70 percent of the community

into redevelopment area dating back to the 1980s," he said.

That, coupled with the city ranking among the fastest-growing in the state over the last two decades, has caused the agency's coffers to swell.

Redevelopment zones initially came about to fight blight such as crime, environmental hazards, deteriorating and unsafe buildings, inadequate infrastructure and high amounts of commercial vacancies in an area.

Also, vacant land under old laws could be declared a redevelopment zone.

That's how the north side, the city's largest tax increment producer, became a project area filled with big box stores and sprawling housing developments such as Sierra Lakes.

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Redevelopment money here also has been used on multi-million dollar projects such as Fontana Park in the north and the downtown Lewis Library and Technology Center. "People don't realize it, but it pays for a lot," said Lisa Strong, management services director and deputy city treasurer.

But critics like Greenhut say blight is still too broadly defined in California, which leaves property owners at the mercy of eminent domain grabs as cities divert money from public services and into the pockets of private developers.

"I've talked to property owners (who) have property in redevelopment areas and their lives are put on hold," Greenhut said. "They can't do anything. They are completely dependent on redevelopment officials. You have to wait it out."

Naturally, redevelopment officials disagree, saying the agencies are a good thing for cities.

Tom Hart, deputy director for the California Redevelopment Association, said because they are required to send 20 percent of their tax increment to citywide housing programs, redevelopment agencies help cities fund affordable housing for low-income residents.

"A lot of people don't realize this, but redevelopment is the largest funder of affordable housing in California, next to the federal government," Hart said.

Indeed, over the past 10 years, Fontana has built six low-income housing developments, with three more under construction and one more having recently received funding.

Hart said Fontana is a good example of the effectiveness of redevelopment agencies.

"They've been doing some good stuff there," Hart said.

Greenhut said that's only if one believes government, instead of the free market, does the best job of creating affordable housing.

Affordable housing concocted by government is simply a way for City Hall insiders to pick winners and losers in the development game, while chasing after tax dollars, he said.

"I often believe they squander that money because the public doesn't have a great interest in having those projects built in those neighborhoods," Greenhut said.

Still, cities continue to move forward with redevelopment areas.

The City Council here recently approved the addition of 1,100 acres - north of Jurupa Avenue between Sierra and Juniper avenues on the east and Beech, Poplar and Catawba avenues on the west - to the redevelopment plan for the Southwest Industrial Park Project Area. Officials have estimated that roughly \$164 million in tax revenue could be generated from the area over

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45 years.

At the same time, officials have cautioned that redevelopment is effectively shut down for the next five years, after the agency here was required earlier this year to shift \$33.5 million to Sacramento to help the state fix its budget.

"It really just means we can't take on any new projects right now," Strong said.

The agency also is required to send an additional \$6.9 million to the state for fiscal 2010-11.

What can a Redevelopment Agency do?

An agency can:

Buy and sell property

Make certain types of loans or grants to carry out the redevelopment plan.

Rehabilitate, modernize, consolidate or remove structures

Assist in the development or rehabilitation of housing for use by moderate-income and low-income families

In addition to these general powers, a redevelopment agency has unique powers that include:

The ability to buy private property for resale to another private person or organization.

The ability to use the power of eminent domain (condemnation) to acquire private property.

The power to collect property tax increment in order to finance the redevelopment program of the community.

Source: California Redevelopment Association

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