



California's redevelopment agencies face an uncertain future

The state budget crisis could take \$1.7 billion this year from 397 active agencies and more next year, forcing some to reconsider projects and others to shut down.

By Jessica Garrison

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The roving television reporter Huell Howser stood on the bright green lawn in front of a new apartment complex in the city of Signal Hill and, as the camera rolled, gushed about the marvels of redevelopment policy.

"Your idea was to take one of the most blighted areas in the entire city and . . . do something with it?" Howser asked. "That was a tall order, wasn't it? Was it almost insurmountable?"

City Manager Ken Farfsing nodded.

"Without redevelopment this project . . . would still be a run-down area," he said. "Maybe even worse."

The California Redevelopment Assn. and its partners have put up \$320,000 to help Howser produce 14 episodes highlighting the achievements of redevelopment projects around the state, part of an attempt to convince Californians that they should care about this little-understood arm of government that receives and spends more than \$5 billion a year in property taxes.

But even with the famously enthusiastic Howser on their side, many of California's 397 active redevelopment agencies are headed for uncertain times.

They've been battered by state budget cuts that are slated to take nearly \$2.1 billion during the next two years. This could force them to abandon projects and maybe shut down entire agencies. And the cuts come at a time when many of the oldest and best-known redevelopment areas, such as Bunker Hill in Los Angeles, are starting to approach their expiration dates.

"We are at a watershed moment," said John Shirey, head of the California Redevelopment Agency.

Some critics say it's time cities pared down their redevelopment activities and let the property tax money that fuels them go to schools and counties to be spent on direct services. Los Angeles County officials estimate that their general fund loses about \$380 million in diverted property taxes because of redevelopment efforts, though proponents said that figure is overstated.

"If the state Legislature were asked to directly appropriate money for local shopping centers or any of the other endless private economic development that local officials like, they would never do it," said former assemblyman and Sacramento mayor Phil Isenberg, who championed redevelopment reform when he was in the Legislature. "Because the current state subsidy is mostly hidden, it continues. . . . You have to ask if it is worth the expenditure of massive state funds to continue the process."

Though they deal in vast sums of taxpayer money, have powers of eminent domain and include some of the state's landmarks, the mechanisms of redevelopment areas and the agencies that run them are obscure to most voters and many lawmakers, experts said.

"If you talk about tax increment financing and bonding capacity, that is gobbledygook," said Cecilia V. Estolano, head of the Community Redevelopment Agency of Los Angeles.

The Community Redevelopment Law of 1951 gave redevelopment officials the power to use a portion of property tax money to partner with private developers to encourage development of housing and commercial projects to improve blighted areas.

Over the years there have been projects that many questioned.

The city of Cypress ignited a nationally watched controversy when it tried to seize church-owned land to build a Costco. The dispute was settled in 2003.

The city of Indian Wells, a rich enclave near Palm Springs, used redevelopment money to build a 36-hole championship golf course surrounded by a resort.

Other cities have tried to declare acres of empty farmland blighted so they could hold on to any property tax increases from future development.

Proponents say these controversies, some of which led to changes in the law, belie the many achievements of redevelopment -- tens of thousands of affordable housing units, hundreds of public buildings and commercial centers and improved neighborhoods, according to an analysis by the state Senate.

Proponents say redevelopment also created jobs.

"Redevelopment has literally changed the way California looks, mostly for the better," wrote Peter Detweiler, the staff director of the Senate Local Government Committee.

The state budget deficit, however, is threatening future growth and the jobs that come with it, according to redevelopment officials. To balance the budget, state officials have proposed taking \$1.7 billion from redevelopment agencies this year and \$350 million next year, most of which would not be paid back.

Redevelopment officials have talked of suing. If they do not prevail, many say, the consequences could be dire.

Officials in the Northern California town of Winters, where Howser reported on a revitalized opera house for his redevelopment show, said they would have to cancel plans to build 100 units of affordable housing for farmworkers and low-income families.

In San Jose, threatened projects include an expansion of the convention center and numerous housing projects, said that agency's assistant executive director, John Weis.

In Los Angeles, where the agency will lose more than \$70 million this year, officials offered a long list of possible cuts, including housing in Hollywood, a shopping center in the San Fernando Valley and a downtown park. They also said that 3,000 construction jobs could be at risk.

But even after they get through this crisis, redevelopment agencies face another challenge as many project areas expire, often after 40 or more years in business.

During the budget debate, the city of Industry pushed a proposal that would have extended the life of redevelopment areas by decades, and without a finding of blight. The governor and legislative leaders approved it, but it was voted down by the Assembly.

Critics called it a gift of public funds to benefit backers of a professional football stadium in Industry at the expense of poor children.

The redevelopment association opposed the policy, saying it distorted the purposes of redevelopment law.

Estolano, who heads Los Angeles' agency and its 32 project areas, said her goal is to show that redevelopment is about more than its traditional mission of slum clearing. It should be, she said, "about rebuilding Los Angeles' middle class." That means focusing on projects, such as a proposed clean technology manufacturing corridor, that will create "middle-class jobs."

But critics say they doubt the redevelopment process is appropriate or effective for such lofty goals.

"Where redevelopment has worked the best is, ironically, in places where it was scarcely needed" because private investors were going to come in anyway, said Thomas Tyrrell, a lawyer for Los Angeles County. He pointed to areas such as downtown Los Angeles around Staples Center. "I'd like to see a better city, but I'm far from convinced this is the mechanism."

Shirey of the redevelopment association disagrees. He is on a mission to convince Californians to embrace the idea of redevelopment.

That's where Howser's show comes in.

It's called "California's Communities," and each episode begins with a little plug: "Redevelopment building better communities throughout California."

Shirey is delighted: "Who would have ever thought we would have our own television show?"

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