

Will California Revive and Expand Redevelopment?



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Tuesday, April 15th, 2014

<http://www.foxandhoundsdaily.com/2014/04/will-california-revive-expand-redevelopment/>

Before its demise in 2011, California's redevelopment system did little to create jobs or improve education. It did succeed, however, in turning California into one of the worst states in the nation for eminent domain abuse, while severely undermining the state's fiscal stability.

A new initiative, the "California Jobs and Education Development Initiative," or JEDI, Act, proposes to revive and expand this system. As [a new report](#) just released by the [Institute for Justice](#) finds, reviving redevelopment in this manner would achieve the same results, only worse.

California began experimenting with redevelopment in 1945 and over time this law became a vehicle for widespread abuse and corruption. It allowed local governments to create redevelopment agencies that could issue bonds without voter approval and use eminent domain to seize perfectly fine homes and businesses to give to private, wealthy developers.

Under the law, once an agency decided on an area to redevelop, the amount of property taxes set aside for things like schools and police would freeze. Any increase in property taxes that came as a result of redevelopment would then go to the redevelopment agency (with certain pass-throughs for school districts and others).

This could continue for up to 50 years.

And since the agencies would only receive funds if they borrowed money, the system created an incentive for them to incur massive debts.

By 2011, there were 425 redevelopment agencies in California overseeing 750 project areas, 34 of which were over 6,000 acres. Only 13 percent of these agencies' expenditures went toward projects and construction. Meanwhile, their combined long-term debt stood at \$29.8 billion.

And since property taxes went to redevelopment agencies instead of school districts, this became a massive financial strain for California because the state treasury is legally required to backfill deficits in school financing.

The law also created an incentive for agencies to condemn property in perfectly fine neighborhoods because there were few developers who were willing to build in true slums. The system soon turned into the vehicle for cash-hungry agencies and their allies to seize healthy neighborhoods, destroy them and give the land to developers to build auto malls, sports stadiums and luxury condos.

Worse yet, redevelopment agencies did all of this while having little or no positive effect on California's overall economic prosperity.

After the fiscal crisis of 2010, Governor Jerry Brown and the Legislature finally succeeded in abolishing the agencies. Those that prospered off of redevelopment howled, but the Governor has

adamantly refused to return to the old system and instead has proposed a much more limited approach with greater public oversight. Realizing this, proponents are now trying to use the JEDI Act to revive the full power of the agencies, expand their ability to use eminent domain and reduce public oversight of redevelopment activities.

The JEDI Act broadens the conditions under which redevelopment agencies may condemn businesses, apartment buildings and many homes, potentially placing hundreds of thousands of properties at risk for condemnation and transfer to private developers.

It diverts money from public education and the state's finances by shifting property taxes from schools to redevelopment agencies, leaving the state to make up the difference.

And it provides incentives for redevelopment agencies to incur debt by removing limits on how much debt an agency may have outstanding at any one time.

Despite the promises of proponents, redevelopment did little to promote jobs, education or fiscal responsibility. And it did this while treating California property owners like pieces on a game board to be moved at the government's whim.

Redevelopment combined corporate welfare, fiscal recklessness, contempt for property owners and corruption into one toxic package. The Governor and the Legislature were right to kill this system in 2011. Recreating and expanding it will not change the results for California taxpayers, property owners or school children.

William R. Maurer is an attorney with the Institute for Justice, the nation's leading opponent of eminent domain abuse.