



Real Estate Development in a Post-Redevelopment World

Policy Note prepared by Alea Gage

ISSUE

At the time of this discussion, in November 2011, California's redevelopment agencies were facing elimination. A court challenge that would have preserved them had not been decided, creating a note of uncertainty in the following discussions. As of this writing, in May 2012, the redevelopment agencies had ceased to operate.

PANEL FINDINGS

Moderator Karen Chapple initiated the dialog by labeling economic redevelopment a "policy dinosaur." The driving concept behind redevelopment—the alleviation of urban "blight" in the post-World War Two period—is no longer relevant, because of dramatically rising property values in the urban core. Moreover, blight is moving to the suburbs. Redevelopment is not the right tool to deal with current problems like poverty alleviation. Chapple argued that this altered landscape calls for new approaches.



Figure 1. Park Street in Alameda, CA, uses the city's Business Improvement Area and Facade Assistance programs to revive its shopping district and attract more customers. Source: Karen Chapple

Greg Devereaux, CEO of San Bernardino County, countered that economic redevelopment could and did enhance competitive advantages and growth, and that it was targeted for elimination as a politically motivated, short-term budget fix. He identified the state as the "dinosaur," because of an outdated Constitution and old-fashioned partisan gridlock that stifles strategic planning and budgeting.

While economic redevelopment is not likely to return in its historic form, the panelists agreed that key elements were of value and should be continued in some manner. They are:

- **Affordable housing.** Affordable housing efforts lost their single largest non-federal source of funding with the closing of the Low and Moderate Income Housing Fund, financed by Tax Increment Financing revenues collected by redevelopment authorities. With no new revenue-generation mechanisms likely any time soon, it is important to identify new sources of financing affordable housing.
- **Development of areas beyond reach of conventional approaches.** Areas that suffer from inadequate infrastructure or are in need of environmental remediation, and which are beyond the scope of public agencies—alone or in partnership with private actors—benefited from economic redevelopment. The panelists cited the San Francisco Mission Bay project as an example of this type of success.
- **Encouraging public sector entrepreneurship.** Under redevelopment, public sector agencies were encouraged to act entrepreneurially, investing in value capture activities in order to generate the necessary tax increment to pay down their debt service.
- **Flexible financing.** Economic development agencies' ability to issue tax allocation bonds without having to obtain voter approval overcame obstacles to improving low-income neighborhoods, which historically have little political clout, and areas where major physical constraints suppress market demand.

- **Strategic investments.** Ripple effects of strategic development can be lasting and significant, as was the case for the Bayview Hunters Point Project Area in San Francisco, adopted in 2006. Facade improvements along Third Street, small business loans, and the addition of a grocery store in the neighborhood gave confidence to investors.

RECOMMENDATIONS

- Set transparent and measurable objectives that are strategic in scope.
- Leverage new incentives, including the mandates of SB 375 and SB 32, to trigger broader regional cooperation.
- Allow funding sources such as planning grants and other initiatives, to be combined in order to develop a broader constituency in support of directing tax revenues to these projects.
- Conduct audits by third parties to ensure compliance.
- Build collaboration and coalitions by educating community leaders and elected officials in the mechanisms of the land use development and financing process and encouraging partnerships rather than competition among public entities.
- Consider re-establishing tax increment financing as a tool available to local authorities in a more tailored context to address important policy goals such as: rebuilding public infrastructure; cleaning up brownfields; constructing affordable housing; and meeting smart growth/climate change objectives specified in SB 375 and SB 32.
- Enable localities to retain powers to assemble land, negotiate directly with developers, and dispose of land without having to comply with surplus property rules.

The cessation of the redevelopment program leaves the State of California without a key funding source and without the capacity and expertise to undertake strategic endeavors in the areas of affordable housing, economic redevelopment, and neighborhood revitalization. Redevelopment in the new form described in this document could fill these needs.

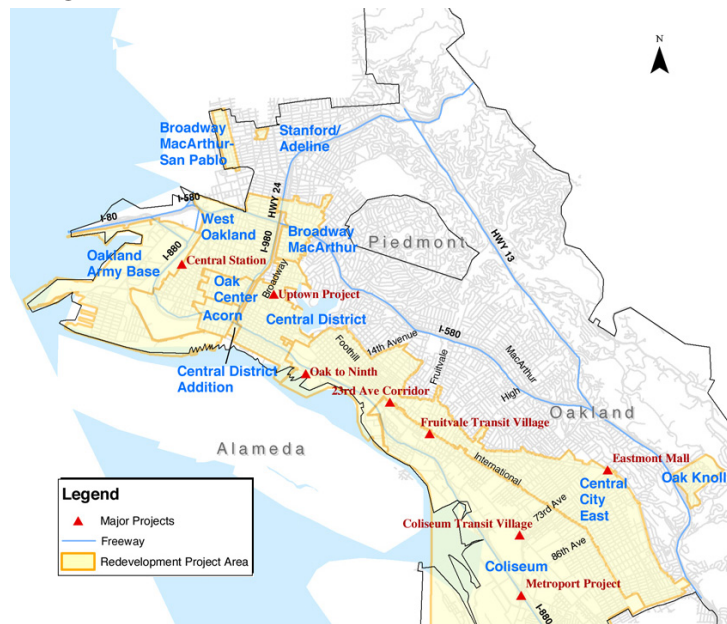


Figure 2. Former redevelopment zones of Oakland, CA, occupy disinvested areas of the city. Source: Oaklandlocal.com

PARTICIPANTS

Presenters

Fred Blackwell, Assistant City Administrator, City Of Oakland
 Jesse Blout, Principal, Strada Investment Group
 Gregory C. Devereaux, Chief Executive Officer,

San Bernardino County
 Bill Witte, President, Related California
Moderator
 Karen Chapple, Associate Director, IURD

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