

MEASURING THE EFFECTIVENESS OF REDEVELOPMENT LAWS IN
CALIFORNIA

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MEASURING THE EFFECTIVENESS OF REDEVELOPMENT LAWS IN
CALIFORNIA

A Thesis

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Abstract
of
MEASURING THE EFFECTIVENESS OF REDEVELOPMENT LAWS IN
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The debate on the effectiveness of redevelopment agencies at mitigating blight and the adequacy of redevelopment accountability laws in California evokes a crucial question about redevelopment: Are the current laws that are meant to improve accountability effective? The powers of RDAs are extremely broad and controversial providing them significant levels of autonomy despite being allowed to exercise eminent domain and generate large sums of money through TIF. This thesis will analyze redevelopment in California, discuss the perspectives of key stakeholders regarding a particular Legislator's goals for authoring redevelopment accountability legislation, and whether the Legislator met those stated goals. Upon interviewing key stakeholders, I found that while the legislation made clear and substantive changes to redevelopment law, the recent economic downturn and the relatively short amount of time that has passed since the bills took effect, made it difficult to adequately measure its effect.

_____, Committee Chair
Robert Wassmer, Ph.D.

Date

DEDICATION

I would like thank Peter Detwiler and Rob Wassmer, my CSUS faculty advisors, whose guidance, patience, and persistence helped me finish this project.

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Chapter 1

INTRODUCTION

Depending on one's perspective, redevelopment agencies (RDAs) are either a vital tool to spur economic growth in blighted communities or a largely unregulated industry that siphons money from local governments at the expense of other crucial public services. RDAs are most commonly defined as local government entities that cities or counties can create to promote economic growth. Since the Legislature in California authorized RDAs over fifty years ago, they have maintained a long history of autonomy despite legislative efforts to regulate their activities. In the midst of economic decline in the early 1990s and numerous reported abuses of the powers of RDAs, the California Redevelopment Association (CRA) sponsored Assembly Bill 1290 (Isenberg, 1993) in 1993 to avoid more comprehensive reforms (Senate Local Government, 2008). Some consider AB 1290 to be one of the most significant reforms to Community Redevelopment Law since its inception. AB 1290 sought to enhance the integrity and accountability of RDAs and ensure that they spent the money or “tax increment” for its intended purpose by tightening the definition of blight and instituting time limits for redevelopment project areas.

While California was the first state in the nation to authorize the use of RDAs and a large portion of redevelopment occurs in California, nearly every state in the nation authorizes RDAs and some form of tax increment financing (TIF) (Johnson, 2001, p. 32). Since their authorization, the Legislature has granted RDAs numerous powers to promote economic development such as eminent domain and TIF. Through TIF, RDAs create a

redevelopment project area and freeze the property tax revenue within the area. The additional property tax revenue or property tax increment is diverted from overlapping counties, school districts, and special districts to pay for infrastructure improvements in the designated redevelopment area. The lost revenue to school districts must be backfilled by the State General Fund for hundreds of millions of dollars each year (Senate Local Government, 2008).

AB 1290, which significantly changed redevelopment in California, implemented several accountability provisions. As redevelopment currently receives over \$3 billion a year in redirected property tax revenues from local governments and school districts, the Legislature has a vested interest in ensuring that this money is spent wisely and efficiently (LAO, 2005, p. 2). These diverted funds could be spent on other important programs such as health care, jobs programs, and schools. The provisions of AB 1290 attempted to curb abuses by RDAs by creating the first statutory definition of blight. AB 1290 also imposed time limits on redevelopment projects and limits on pass-through agreements between RDAs and local taxing agencies, among other reforms that will be discussed later in this section.

What was not implemented, much to the chagrin of some reform advocates, was a system of statewide oversight and accountability. Despite California's many laws related to oversight and accountability, arguably more than any other state in the nation, many critics of redevelopment in California and researchers advocate for a centralized system of accountability instead of the current system of local government oversight. In Minnesota for example, according to the Office of the State Auditor (2006) all RDAs

must submit a detailed form to the State Auditor to ensure compliance. If the agency is not following the law, the privileges are either revoked or additional revenue is returned to the overlapping local governments (p. 4). Supporters of redevelopment and the RDAs themselves favor the status quo and believe that the current law is sufficient, if not already too stringent to successfully use redevelopment as a tool to promote economic development and reduce blight. Were it not for redevelopment, much of the urban revitalization in California would not have occurred. Critics, on the other hand, contend that RDAs are prone to abuse and push for more reforms to California Redevelopment Law such as a system of statewide oversight.

The debate on the effectiveness of RDAs in California evokes a crucial question about redevelopment: Are the current laws that are meant to promote accountability effective? Additionally, how can we ensure that redevelopment agencies are effective at alleviating urban blight? The powers of RDAs are extremely broad and controversial. RDAs have significant levels of autonomy despite being allowed to exercise eminent domain and generate huge sums of money through TIF. This thesis will analyze redevelopment in California, discuss the perspectives of key stakeholders, and propose policy recommendations.

In order to provide a better understanding of redevelopment, the rest of the introduction will provide a detailed historical overview of redevelopment from a national and statewide perspective and an in-depth explanation of tax increment financing. It will also address the prevalence of TIF in California and provide a historical overview of past legislative attempts at reform in the California State Legislature.

The History of Redevelopment

Shortly after World War II, federal and state governments attempted to revitalize urban neighborhoods and promote economic vitality. The California State Legislature quickly passed the “California Redevelopment Act of 1945,” making it the first state in the nation to allow cities and counties to establish RDAs (Johnson and Man, 2001, p. 113). While not yet authorized to use TIF, a crucial tool for RDAs, the Act authorized these agencies to form partnerships with local governments and private entities to encourage new development, create jobs, and generate tax revenue in declining areas in an effort to eliminate urban blight (Johnson and Man, 2005, p.1). The passage of the Act sent a strong message to local governments that they were in control of their own destiny when it came to promoting economic development.

A few years later, Congress passed the “Federal Housing Act of 1949,” which provided funds to cities to create urban renewal projects and revitalize dilapidated communities. In an effort to match the share of federal funds that were available through this Act, California became the first state in the nation to authorize the use of tax increment financing (TIF) with the passage of a constitutional amendment in 1952 (California Budget Project, 2005, p. 5). The Legislature later codified this section into the Health and Safety Code as the “Community Redevelopment Law” (Health & Safety Code §33000, et seq.). Since California authorized TIF, all but two states, North Carolina and Delaware, have followed suit (p. 31). While the Legislature did not specifically define blight until it passed AB 1290 (Isenberg) in 1993 and later narrowed

the definition of blight by passing SB 1206 (Kehoe) in 2006, Community Redevelopment Law authorized TIF only to mitigate blight (p. 38).

What is TIF?

Tax Increment Financing (TIF) is a revenue-generating tool for local governments to fund infrastructure projects, alleviate blight, provide low and middle-income housing, and increase economic development (p.3). Under TIF, RDAs collect additional property tax revenue or “tax increment” generated in a designated redevelopment area and deposits it into a special fund to pay for property tax allocation bonds for infrastructure improvements within the designated area. In general, a RDA will create a redevelopment project area and acquire property either by purchasing it or through eminent domain where the owner of the property is compensated at a fair market value. RDAs typically purchase the property through issuance of redevelopment agency property tax allocation bonds that they take out against future revenue or “tax increment.” RDAs then either sell the property at a loss to private investors, which is called a land “write-down” or the agency agrees to pay for infrastructure improvements in the redevelopment area (Fulton & Shigley, 2005, p. 265). In California, Proposition 13 limited the amount of property taxes that must be paid by homeowners. As a result, the “tax increment” in the redevelopment area can only grow in three ways: an inflation increase that is capped at two percent a year, constructing a new project, or building or selling property, which triggers a reassessment (California Constitution, Article XIII A, §2 (b)).

While redevelopment advocates assume that this additional economic development and tax revenue would not have occurred without TIF, these assumptions

are often difficult to prove. There is also little consensus among researchers on the benefits of TIF as a tool to mitigate urban blight (White, Bingham, & Hill, 2003, p. 131). As a result, redevelopment in California has become a topic of significant controversy in the California State Legislature and among local governments. Michael Dardia (1998), a researcher for the Public Policy Institute of California, found in his research on the impact of redevelopment project areas on the local economy found that redevelopment projects were responsible for 50 percent of the tax increment they received (p. xiii). Professor Rob Wassmer (2007) describes the debate over redevelopment in a recent study he conducted on tax abatement in which he uses a “water glasses” analogy. If one believes that the economic development would not have occurred but for the economic incentive provided by TIF, then the water glass would be considered to be half full. However, if one were to believe that the economic activity would have occurred without TIF, then the glass would be considered half empty (p. 1).

In theory, TIF could provide significant benefits to all of those involved. Local governments, which forfeit revenues upfront to RDAs, reap the benefits of a robust tax base from the increased development in the future once the redevelopment project area expires (White, Bingham, & Hill, 2003, p. 21). When redevelopment pays for itself and mitigates urban blight, the glass is half full. However, redevelopment does not always pay for itself as some RDAs look to exploit their redevelopment powers to generate revenue. Prior to the Legislature passing AB 1290, redevelopment project areas would exist for years, collecting millions in tax increment. Redevelopment project areas often exist where development was already going to occur. In this case, the glass is half empty.

Only recently has California placed a time limit on RDAs by passing AB 1290.

Minnesota, on the other hand, imposes limits of eight years on redevelopment project areas (State Auditor, 2006, p. 5).

Adding to the controversy, TIF redirects tax revenue from local government entities such as counties, special districts, and school districts that overlap the redevelopment project area. On average the state distributes property tax revenue as follows: 11 percent for cities, 21 percent for counties, 51 percent for school districts, and 17 percent for special districts. The state must then backfill the lost revenue to school districts, which amounts to \$2 billion each year (Senate Local Government, 2008, p. 6). These affected local governments had the power to negotiate with the RDA for additional revenue known as a “pass-through,” however, AB 1290 limited these “pass-throughs” to promote more local government scrutiny of redevelopment projects (Assembly Housing and Community Development, 1993).

Increasing Popularity of TIF

Despite being authorized in the early 1950s, TIF did not become popular in both California and the rest of the United States until key political events in the late 1970s and early 1980s imposed significant financial constraints on local governments. While economic turbulence in the 1970s and recessions in the 1980s caused states to look for broader efforts to increase business activity, California faced even more challenges with voters passing constitutional reforms (Wilson, 1989, p. 4).

In 1978 California voters passed Proposition 13 in the wake of soaring housing prices that lead to increases in property taxes. Senior citizens on fixed incomes and

working class homeowners feared losing their homes as property taxes were doubling and tripling in only a few short years. As the Legislature was slow to resolve this inequity, California voters signed initiative petitions for the Jarvis-Gann proposition that later became Proposition 13. The proposition capped property tax rates at one percent, which was set at 1975-76 levels. Additionally, it allowed property tax rates to increase by the rate of inflation up to two percent per year. The proposition also revalued property tax rates upon a change of property ownership, placed strict limits on ad valorem property taxes, and required special taxes to be approved by a two-thirds vote (Chapman, 1998, p. 3). While the proposition succeeded in protecting homeowners from paying exorbitant taxes, it also had severe consequences on local governments that relied on property tax revenues to pay for schools and other services and left very little revenue to fund infrastructure projects. Before voters passed Proposition 13 local governments had separate property tax rates and directly received these revenues. Now the Legislature was in charge of allocating property taxes, which caused local agencies to look to other creative alternatives such as TIF to generate revenue. Fiscal pressures caused by Proposition 13 contributed to the rapid increase in RDAs and project areas, which more than doubled from 1980 to 1996 (p. 13).

Additional factors also contributed to the increased use of TIF, which is portrayed by the number of states authorizing the practice in recent years. In 1970 only six other states in the nation authorized the use of TIF (Minnesota, Nevada, Ohio, Oregon, Washington, and Wyoming). By 1997 all but two states (North Carolina and Delaware) have authorized its use (Johnson, 2001, p. 38). In the early 1980s federal aid for

redevelopment curtailed. Around this same time economic downturns put budgetary constraints on local governments and a growing disdain by the public for tax increases made RDAs more appealing to local governments. Also, in the early 1980s, the federal government changed the federal tax code to prohibit the use of tax exempt status for bonds that funded certain private development (White, Bingham, & Hill, 2003, p. 53). Left with few other options, local governments throughout the nation began looking for proactive approaches and creative alternatives to fund infrastructure improvements.

TIF in California

While every state in the nation authorizes TIF, California is by far the most prevalent user with over \$4 billion in property tax revenues being redirected into RDA coffers annually (Senate Local Government, 2008, p. 5). The money that is redirected to RDAs is larger than the entire budgets of certain states. Additionally, RDAs pass-through \$2 billion of this revenue to overlapping local governments each year (p. 6). There are currently 422 redevelopment agencies, 395 of which are active and, 759 redevelopment project areas in the state. Cities have the most RDAs with 81 percent of the 478 cities in California having one (p. 2). For smaller cities there is little difference between the city government and the redevelopment agency where city council members serve on the board of directors of the respective agency. Only larger cities such as Los Angeles and San Francisco have separate agencies (Fulton and Shigley, 2005, p. 263). Thirty counties have RDAs as well (Senate Local Government, 2008, p. 2). As one can see, Redevelopment is big business in California.

Legislative Attempts at Reforming Redevelopment

Since the Legislature authorized RDAs and TIF over fifty years ago, it recognized the potential for abuse. In an effort to promote accountability and ensure RDAs only used TIF to mitigate blight, the Legislature passed several reforms. California currently has many laws regarding redevelopment agencies, more than any other state in the nation. Whether the current laws are adequate or if the Legislature should make more changes is subject to debate. Unlike the states of Minnesota or Massachusetts, which require RDAs to report to a state agency, RDAs in California report to local governments such as a county (Johnson and Man, 2001, p. 52). While the California Department of Finance (DOF) has the authority to challenge proposed redevelopment project areas, it has only done so once. The California Attorney General has the authority to enforce state laws but has only done so twice in the last twenty years. Counties and other local governments have the power to challenge redevelopment project area proposals, but they only exercise this right when they have a financial interest in the deal. As a result, concerned citizens, news reporters, and environmental groups are last line of defense for redevelopment accountability (LAO, 2005, p. 3).

In response to concerns about RDAs not doing enough to benefit low-income individuals, the California Legislature in 1976 passed Assembly Bill 3674 (Montoya), which created the Low and Moderate Income Housing Fund. This bill required all new redevelopment projects to set aside twenty percent of their tax increment revenues for affordable housing and required that housing units demolished in a redevelopment project area had to be replaced. The Legislature later extended these provisions to include all

redevelopment project areas even if they were implemented before Assembly Bill 3674 went into effect. Unfortunately for affordable housing advocates, the bill did not mandate that RDAs actually spend the money on affordable housing. The Legislature later passed a law requiring RDAs to spend their affordable housing funds on moderate and low-income projects in the redevelopment project areas (California Budget Project, 2005, p. 5).

In this same year the state authorized local governmental entities that overlap with redevelopment agencies to negotiate for pass-through revenue (Dardia, 1998, p. x). Under this law, a county that would otherwise be receiving a certain percentage in property tax revenues could negotiate for a larger percentage of the lost revenue. However, allowing local governments to negotiate pass-throughs had the unintended consequence of undermining redevelopment accountability. Because local government entities negotiated for payment, they no longer had an incentive to monitor redevelopment project areas to ensure compliance.

AB 1290: Major Reform

When the Legislature originally authorized TIF, they intended for RDAs to use it solely to alleviate blight. However, it was not until the Legislature passed AB 1290 in 1993 that blight was defined as four physical conditions and five economic conditions (Assembly Housing and Community Development, 1993). Prior to its passage, nothing stopped RDAs from taking advantage of the vague blight definition to encompass as much land as possible and increase the amount of tax revenue. AB 1290 also made significant reforms to redevelopment law in many other ways. For example, the bill

placed time limits on redevelopment project areas for the first time, helping to ensure that local governments that lost revenue to a RDA would eventually reap the benefits of an increased property and sales tax base. AB 1290 imposed a 40-year deadline on January 1, 2009, whichever came later, for the effectiveness of project areas authorized prior to January 1, 1994. The bill imposed a 30-year limit on the effectiveness of redevelopment project areas authorized after January 1, 1994. In order to encourage redevelopment project areas to repay their debts in a timely manner, AB 1290 required RDAs to annually report their level of indebtedness to the respective county auditor, to show progress toward repayment and overall completion. AB 1290 also placed limits on passed-through agreements between RDAs and overlapping local governments, increasing the incentive for these entities to challenge questionable redevelopment project areas.

In the past decade the Legislature made several attempts to grant extensions to redevelopment project areas. In 2000, the Legislature passed SB 2113 (Burton, 2000) to allow several redevelopment projects in San Francisco to receive a time limit extension to finance additional affordable housing. In 2001, the Legislature also passed AB 211 (Torlakson, 2001), which authorized RDAs to collect additional tax increment to pay off debt provided they were in compliance with the law. The fact that the Legislature has passed laws to ease the time limit requirements shows that AB 1290 has had a significant impact on RDAs.

As mentioned earlier, AB 3674 (Montoya, 1976) only required redevelopment agencies to set aside funds for low and moderate income housing, not to actually spend the revenue on housing. AB 1290 required RDAs to spend surplus housing funds in five

years or risk losing those funds to the county housing authority. In an effort to minimize the incentive to use TIF as a financing tool to lure auto dealerships and big box stores that generate huge sales tax revenues for cities, the bill banned help to these entities in non-urbanized land and empty land over five acres. The Legislature strengthened this law in 1999 by passing AB 178 (Torlakson, 1999), which prohibited any financial assistance to dealerships or big box stores for the purpose of luring the store from one local region to another unless the receiving agency shared the revenue. Four years later, the Legislature passed SB 114 (Torlakson, 2003), which banned the practice altogether.

AB 1290 served as a landmark reform of RDAs in California. However, many still believe that the law did not go far enough as it still relied on local government oversight of redevelopment instead of an independent statewide agency. The Legislature would eventually pass more laws to strengthen accountability of redevelopment, which is discussed in the following paragraph, but has stopped short of comprehensive reform.

SB 1206 and SB 53

In 2006, Senator Kehoe, then Chair of the Senate Local Government Committee and Senator Machado also a committee member, passed a package of new redevelopment reforms partially in response to *Kelo v. City of New London*, the recent Supreme Court ruling that reaffirmed the authority of local governments to use eminent domain to transfer private property from one private entity to another to further economic development. The package received significant bipartisan support as they attempted to limit potential abuses of this very controversial practice. SB 1206 (Kehoe, 2006) further clarified the definition of blight by specifying that non-blighted land cannot be included

in a redevelopment project area when the only justification is to obtain the allocation of taxes. The bill also required that RDAs provide specific quantifiable evidence that documents physical and economic conditions in the project area. SB 53 (Kehoe, 2006) was another key reform that put limits on eminent domain by requiring a RDA to place a description of its eminent domain activities in its redevelopment plan. The bill also prohibited RDAs from extending the timeline to use blight unless the RDA makes a new blight finding. SB 1809 (Machado, 2006) imposed additional disclosure requirements on RDA that exercise eminent domain.

The Legislature made significant reforms in the past few decades to address concerns of abuse of redevelopment powers. In response to reported abuses of the blight definition, the Legislature clearly defined and quantified the definition. After reported incidents of RDAs not adequately spending funds on affordable housing, the Legislature passed a law to ensure that affordable housing funds were actually spent. The Legislature also passed laws to limit competition between local governments for big box stores and auto dealerships, which removed the temptation to use TIF as a tool to generate sales tax revenue. However, whether these reforms are effective is worth further exploration.

Layout of this Thesis

In the Introduction of my thesis, I provided a comprehensive overview of the history of redevelopment in California and in the nation. Since its authorization in the 1950s, RDAs have been subject to significant scrutiny from politicians, policy experts, advocates, and members of the public. This debate continues today as individuals still debate the effectiveness of RDAs at alleviating blight, and the effectiveness of redevelopment oversight and accountability laws such as AB 1290, SB 1206, and SB 53.

In the Literature Review, which appears in Section 2, I discuss scholarly literature and studies by redevelopment experts on the effectiveness of redevelopment agencies at alleviating blight, the effectiveness of recent redevelopment oversight laws, and the criteria that would evaluate them. The Methodology Section, which appears in Section 3 will discuss how I will attempt to determine Senator Kehoe's goals for authoring SB 1206 and SB 53, and measure whether she met those stated goals. My final sections, the Results and Conclusion will discuss the results and recommendations I will make to the Legislature.

Chapter 2

LITERATURE REVIEW

The following section will discuss previous studies by researchers throughout the nation on TIF. Researchers conducted numerous studies on TIF in light of its recent growth in popularity for local governments as a tool for redevelopment. The first section will address the methodological approaches of the studies and the second section will summarize the findings of the research. The third section will discuss key findings and conclusions of the research and the final section will discuss studies conducted on the effectiveness of laws passed by the California Legislature.

Section 1: Research Methodologies

Case Studies

Case studies are a form of qualitative research meant to increase our knowledge of social, organizational, and political events (Yin, 2003, p. 1). When conducting a case study, researchers often rely on interviews, tests, or phone calls to provide insights into real life events such as local redevelopment practices (p. 2). The following section will provide the reader with an overview of how researchers have used case studies to better understand TIF. The following case studies address several narrowly focused issues of redevelopment ranging from the effectiveness of TIF in California, to the impact of TIF on Indiana school districts, and the potential for local government abuse of redevelopment powers in Illinois. While such narrowly focused studies may not be helpful in terms of reaching broad universal conclusions about redevelopment, they do provide useful insights into real life events. Carefully reviewing these studies will

hopefully shed some light on potential methodological approaches to answering the thesis question.

While many think of case studies as focusing on a particular event or occurrence, researchers can use case studies to measure the effectiveness of redevelopment. Dardia (1998) relied upon a case study approach to determine who pays for redevelopment in California. Using a “matched-pairs design,” Dardia paired 37 redevelopment project areas to areas with similar levels of blight in the same city that were not designated as redevelopment project areas over a thirteen-year period (p. 40). This “matched-pairs design” would show if the creation of redevelopment project areas contributed to increased growth levels in assessed property values. Dardia’s study provided insights into the effectiveness of redevelopment in California. Because of lack of information and lack of quantitative definition of blight, he was limited in the number of redevelopment project areas available for study and faced challenges when estimating the level of blight between redevelopment project areas and similarly blighted areas within the same city (p. 70).

Researchers have also relied upon case studies to find evidence of local governments using redevelopment powers for purposes other than mitigating blight or promoting job growth. Reingold (Johnson and Man, 2001) studied the Village of Addison, Illinois to find out if local governments in Chicago used TIF to remove minority communities from particular neighborhoods (p. 223). Anderson and Wassmer (1999), on the other hand, looked for evidence that local governments adopted economic incentives because other cities were offering them (p. 2).

Reingold's (Johnson and Man, 2001) case study focused on the Village of Addison, Illinois, a suburb of Chicago, which adopted two TIF districts in neighborhoods that were heavily populated by Hispanic residents. While the Addison Board of Directors maintained that the region was blighted, several housing advocacy groups in the area filed a lawsuit claiming that the Board intended to limit the Hispanic population in the region. The Village of Addison eventually settled out of court for roughly \$25 million for approving a TIF project that potentially violated the Fair Housing Act of 1968. Reingold conducted an in-depth analysis of the Addison Case and studied all TIF districts in the Chicago area to look for signs of discrimination based on race or ethnicity in other areas. To find out if the Addison Case was an isolated incident, Reingold studied the average socioeconomic characteristics of community areas with TIF districts and community areas without TIF districts (p. 224).

Anderson and Wassmer (1999) took a different approach to finding out if local governments used TIF for its intended purpose by looking at communities in the Detroit metropolitan region over a fifteen-year period. First they defined "spatial mismatch" as the mismatch that occurs when the unemployed do not live near employment opportunities. Secondly, they looked at the ratio of these municipalities offering economic incentives to see if outer cities offered more incentives over time (p. 5).

Researchers have also used case studies to determine the impact of TIF on local governments. Lehen and Johnson (Johnson and Man, 2001) conducted a case study to determine the impact of TIF on school districts (p. 137). The authors conducted extensive phone interviews with redevelopment officials from several different states and

closely examined state reports, which showed the impact of TIF on school districts in other states. The authors put the information on TIF districts and Indiana school districts into a database to provide more insight on the impact of TIF (p. 138).

The case study is a versatile methodological approach that provides significant insight into particular events. However, the approach falls short as means for drawing broad conclusions about redevelopment. It is difficult to draw conclusions about local government abuse of redevelopment by simply focusing on one particular factor. The quantitative regression approach is a much more effective approach for drawing broader conclusions and researchers have relied upon this methodological approach to analyze many aspects of TIF.

Quantitative Regression Analysis

Quantitative regression analysis is an important statistical tool for analyzing the relationships between variables. Unlike case studies, which are narrowly focused and cannot be used to draw broader conclusions, the results of regression analyses can provide a broader understanding of the causal effect of one variable on another. In the case of analyzing the effectiveness of TIF, several researchers have conducted regression analyses on the causal effect of TIF on property value growth, job creation, and poverty rates. Regression analysis is a crucial tool for determining if the perceived benefits of redevelopment such as job growth and property value increases actually occur. If it is found that TIF does little to improve the community, it would be worth considering whether local governments should use TIF as a redevelopment tool in the first place.

Man and Rosentraub (1998) and Man (1999) both examined the causal effect of TIF on particular variables in Indiana. The Man and Rosentraub study looked at the impact of TIF on property value growth, while the Man study looked at TIF's impact on local employment. Man and Rosentraub (1998) believed that property value growth was the best measure of TIF effectiveness because enhanced property values promote job growth, increase income levels, and profitability (p. 528). Both studies sampled a group of larger cities in Indiana, separated cities that adopted TIF from cities that did not, and analyzed the cities over a period of time.

After controlling for other factors that could potentially influence property values, such as tax liabilities and quality of public services, Man and Rosentraub (1998) analyzed the impact of TIF programs on property value growth in pre-TIF and post-TIF periods (p. 527). Man (1999), on the other hand, relied on a pooled cross-section and time series regression analysis to determine the causal effect of TIF on job creation. Man hoped to find out the effectiveness of TIF in Indiana as a tool to promote job growth by isolating the number of jobs created in the redevelopment project area, controlling for all other variables, and looking at differences between cities that use TIF and cities that do not (p. 421).

Anderson and Wassmer (1999) took a different approach by looking at the effectiveness of TIF in urban areas on multiple variables such as poverty rates, unemployment rates, and local property values. They created a system of eleven functional relationships to better understand the impact of incentives on urban areas. The authors simulated the effects of the average community adopting a \$10 million incentive

to see the effect it would have on poverty rates and other measures. The results of the simulation would show the direct impact that incentives in the Detroit Metropolitan area have on job creation and poverty rates (p. 7).

Local governments have long provided incentives to large companies to encourage them to relocate in a particular region in hopes of promoting job growth and economic development within their communities. However, there is little evidence to prove that such incentives are beneficial to local communities. Fox and Murray (2004) sought to find out if the practice of using incentives to encourage large firms to relocate to local communities was beneficial by conducting a regression analysis. The authors studied a random sample of counties with large firms over a ten-year period to estimate job growth and compared them to counties without large firms, known as the control group. Both the control group and the treatment group controlled for public policy influences, market forces, and national, state economic conditions as well as time, and place fixed effects (p. 82).

The regression analysis approach is effective at determining the causal effect of TIF on particular variables. It provides concrete evidence of the value of TIF, or its ineffectiveness and forces proponents of redevelopment to set up quantifiable goals and measures for redevelopment project areas. If local governments use TIF is to promote job growth, a regression analysis can help determine the causal effect of TIF on the variable. Regression analysis, however, does not provide robust information that can be provided in case studies or survey approaches. The following section will discuss previous TIF studies that rely upon the survey approach method.

Survey Approaches

Surveys are the most frequently used types of quantitative social science research. The approach involves selecting a sample of individuals and distributing surveys to them or conducting face-to-face interviews. Researchers have relied on this method in the past to gain a better understanding of the prevalence of TIF in a particular state and to measure the efficacy of TIF. The following section will provide a better understanding of the survey method as a tool to evaluate TIF.

Previous studies have used surveys to interview redevelopment officials in an effort to measure the effectiveness of TIF. Forgey (1993), for example, relied on a survey approach to evaluate TIF based on effectiveness, equity, and efficiency. His survey, which was mailed to random municipalities throughout the country, attempted to measure the prevalence of TIF in other states. Forgey also conducted personal interviews with municipal officials to gain insight into running a TIF district. The survey questions provided insights into the size, type of economic base, and economic change within the TIF districts (p. 25).

Gallo (2004) conducted a study that was funded by the California Redevelopment Association, an organization comprised of redevelopment agencies throughout California, to determine the economic impact of RDAs on the state's economy. Specifically, the author wanted to find out the extent that redevelopment activities created significant positive impacts on the economy through increased construction, employment growth, and increased affordable housing. The author administered a survey to thirteen RDAs to obtain information on construction occurring within each respective redevelopment

project area (p. 7). The survey results indicated that RDA expenditures totaled \$176,459,319 while spending on construction within the project areas totaled \$1,256,893,900 for a ratio of 7.12 (p. 11). Upon collecting information on construction expenditures, Gallo entered the data into an Input-Output Model, which allows for the assessment of the total impact of change in income and expenditures (p. 12).

Upon finding out that TIF was one of the most popular methods of redevelopment in Texas, Arvidson, Hissong, and Cole (Johnson and Man, 2001) looked at the prevalence and effectiveness of TIF in Texas in their study (p. 155). The authors found out more information by conducting an extensive review of the history of TIF in Texas and conducting a telephone survey of redevelopment officials in cities across the state. They based the telephone survey on three key themes: Participation, expectations, and results. For participation, the authors asked for a detailed description of TIF techniques and the type of opposition they received. The expectations portion of the survey asked about the original condition of the land when it was authorized as a TIF district and the stated goals of the redevelopment project area (p. 163).

Researchers have relied upon the survey approach in the past to evaluate the effectiveness of TIF. The surveys provide a rich source of information from individuals who are directly involved in redevelopment that could not be learned from a purely quantitative approach.

Section 2: Summary of Findings from Research

The previous section discussed the methodological approaches of previous research on redevelopment. The following section will discuss the key findings of the studies.

The researchers most commonly used property value growth as a measure of the effectiveness of TIF. Dardia (1998), Man and Rosentraub (1998), and Forgey (1993) all used property value growth to measure the effectiveness of redevelopment project areas. While Dardia found that some of the project areas were self-financed, meaning that the amount of assessed value increased enough to cover the costs of the subsidy, the large majority of redevelopment project areas required a public subsidy. Dardia concluded that while redevelopment provides benefits in terms of affordable housing, infrastructure and commercial development, only 25 percent of redevelopment project areas were self-financing through increased development (p. 70). Man and Rosentraub, on the other hand, found TIF to be beneficial with an overall increase in property value growth of 11 percent over non-TIF cities (p. 541). Forgey also found positive results for TIF with nearly all municipalities reporting an increase in local property values (p. 32).

Anderson and Wassmer (1999) and Man (1999) analyzed the causal effect of TIF on employment. According to Anderson and Wassmer's study, a subsidy only lowered the unemployment rate by .22%, when simulating the average community in Detroit. The authors attributed the low impact on unemployment to the fact that increased economic development not only increases jobs, but also increases the number of residents (p. 8). Additionally, the authors found that a simulated \$10 million subsidy decreased local

poverty rates by five percent (p. 13). Man came to different conclusions about the impact of TIF on job growth in Indiana. After observing that cities that adopted TIF created four percent more jobs than non-TIF cities, Man concluded that TIF is an effective tool in creating more jobs and stimulating the economy (p. 426).

Similar to the study by Man, which drew positive conclusions about redevelopment, Gallo (2004) found that redevelopment activities in California generated significant economic growth, particularly for the construction sector. Overall, redevelopment activities generated over \$2.5 billion of new economic activity throughout the state in the form of transportation, real estate, affordable housing and construction (p. 15). Gallo went on to estimate that redevelopment activities in California generate roughly 310,000 jobs and \$1.58 billion in additional tax revenue. Additionally, each dollar spent by a RDA yields an additional \$7.22 in tax revenue to the California economy (p. 23).

Fox and Murray (2004), Anderson and Wassmer (1999), and Arvidson, Hissong, and Cole (Johnson and Murray, 2001) studied the impact of relocation of firms and competition for companies within local communities. After looking at the effectiveness of TIF to attract large industrial facilities, Fox and Murray found little evidence that such firms produce economic benefits to the community (p. 79). Anderson and Wassmer concluded that when economic development incentives are distributed locally, the likelihood of competition between communities increases over time, which begs the question of whether state government should deter such practices (p. 14). Arvidson,

Hisson, and Cole found that TIF had its advantages and disadvantages when used as a tool to attract new business and spur job growth in Texas (p. 175).

Lehnen and Johnson (Johnson and Man, 2001) measured the impact of TIF on Indiana school districts. The authors found that, for the most part, TIF does not drain revenue from schools. However, TIF impacts some school districts and voters must increase property tax rates in the local communities to make up for the lost revenue (p. 151). This study hoped to shed light on the fiscal impacts of TIF to help promote more sound policy and fiscal decisions at the state and local levels. Other states, such as California, backfill lost revenue to schools from the State General Fund (p. 140). The Reingold study (Johnson and Man, 2001) asked if local governments used TIF to promote racial segregation in Chicago. Reingold found little evidence to suggest that such practices were rampant in the greater Chicago area after analyzing the practices of all RDAs in Chicago (p. 223).

As TIF has increased in popularity among local governments, researchers have spent more time scrutinizing TIF as a tool to promote redevelopment. The researchers' conclusions were mixed and they proposed several policy recommendations to ensure that redevelopment officials used TIF for its intended purpose. The following section discusses these recommendations in detail.

Section 3: Conclusions/Policy Recommendations

Several researchers found that current redevelopment laws were inadequate and suggested legislative reform. Dardia (1998), for example suggested the Legislature set formal goals for redevelopment in California after concluding that California lacks a quantitative definition of blight and that state oversight is decentralized and weak (p. 74). Once RDAs establish specific goals, such as eliminating blight, local governments would only allow them to engage in redevelopment practices that accomplish these stated goals. Lastly, Dardia suggested that if the Legislature truly intends for redevelopment to be self-financing, the pass-through rate for local governments should be significantly increased (p. 76). After concluding that TIF is potentially beneficial to local communities when used solely in areas of high unemployment, Anderson and Wassmer (1999) suggested that the state take a more active role in ensuring that RDAs only use TIF in underserved areas. While they do not advocate the complete elimination of blight, the authors prefer the elimination of the program to the status quo (p. 16).

Other researchers had a more positive outlook of TIF, yet still suggested potential policy reforms. After examining TIF in Texas, Arvidson, Hissong, and Cole (Johnson and Man, 2001) found that lax redevelopment laws in Texas provide both a great deal of flexibility for redevelopment officials and a potential for problems. Texas does not have a formal registry, review process, or any other method to promote accountability (p. 158). Reingold (Johnson and Man, 2001) shared similar sentiments in his review of TIF laws in Illinois. After reviewing Chicago for potential abuse of TIF, he found that states with flexible TIF adoption criteria were at risk for abuse. Despite the fact that Reingold found

little evidence of abuse in his case study, Illinois attempted to adopt several TIF policy reforms such as a formal blight definition and disclosure requirements for TIF adoption plans (p. 238). While both authors avoided making direct recommendations, they did agree that without adequate regulation and oversight of TIF, there remains a potential for abuse.

Man and Rosentraub (1998) made a few policy suggestions for TIF as their research suggested that TIF was beneficial to local governments by increasing property value growth. They did, however, suggest further study on the effects of TIF in other states and jurisdictions to provide more insights into the practice (p. 542). Forgey (1993) concluded that most of the problems of TIF come from poor planning and communication with individuals who claim that TIF is inequitable. He stopped short of recommending state intervention on this process (p. 32).

The previous research has suggested possible reforms and the need for more research of TIF. The following section will address research that focuses on the adequacy of laws in California.

Section 4: Studies Analyzing the Effectiveness of Redevelopment Laws

The LAO (1994) conducted a preliminary study on the effectiveness of AB 1290, which the Legislature passed in 1993. As discussed earlier, AB 1290 implemented a series of reforms to redevelopment law in hopes of bringing more accountability to the process. The LAO measured the effectiveness of AB 1290 by analyzing redevelopment projects approved one-year prior to the Legislature passing AB 1290 and eight months after it passed the bill to see if the project areas approved after the passage of AB 1290 were smaller, more likely to contain blight, or if fewer project areas were approved (p. 14).

The LAO concluded that the Legislature should reform California Redevelopment Law because state oversight is “decentralized and weak” (p. 27). Despite the fact that RDAs redirect billions of dollars from state and local governments, oversight rests in the hands of local government entities (counties, special districts, and school districts), the state Department of Finance (DOF), and local residents and businesses.

School districts have no fiscal incentive to challenge redevelopment plans because the State General Fund backfills the lost revenue. Counties and other districts typically only challenge redevelopment projects when they have a financial interest. As a result, many other redevelopment activities remain unregulated with minimal oversight. Not surprisingly, the LAO found that few stakeholders challenged redevelopment project areas and that most challenges were withdrawn after RDAs negotiated pass-through agreements (p. 21). According to the LAO, the DOF rarely challenged redevelopment activities, even when called upon by elected officials and local residents (p. 22). Prior to

the Legislature passing AB 1290 (Isenberg), the Attorney General challenged a project in the city of Hemet, due to a questionable pass-through agreement that the redevelopment agency made with an overlapping county. This challenge by the Attorney General marked the first time that state officials directly challenged a redevelopment project (Senate Housing and Land Use Committee, 1995, p. 12). Local residents and businesses have difficulty challenging redevelopment activities because law suits are costly and time consuming.

Without state oversight, there is little assurance that RDAs will follow the law. As a result, the LAO proposed several recommendations to enhance the integrity of redevelopment in California. The LAO recommended that the Attorney General should review all proposed redevelopment plans, pass-through agreements, and five-year implementation plans, prior to approval. RDAs should pay fees to finance this additional oversight and the Attorney General should submit an annual report to the Legislature (p. 24).

While adequately judging AB 1290's effectiveness only eight months after the Legislature passed the bill is difficult, the LAO analysis did raise some interesting questions. Further research is needed before researchers can draw definitive conclusions on AB 1290. However, the LAO believed that AB 1290 is inadequate because it still lacks state oversight (p. 24). State oversight is necessary to limit abuses of redevelopment powers once and for all.

In a Joint Interim Hearing by the Senate and Assembly Local Government Committees, the Senate Transportation and Housing Committee, and the Assembly

Housing and Community Development Committee (2005), California policy makers pondered a series of reforms in light of the recent Supreme Court ruling in *Kelo v. City of New London* in June 2005. The *Kelo* decision reaffirmed the right of government to forcibly transfer property from one private entity to another. The Committees discussed the possibility of the Legislature tightening the blight definition, requiring voter approval for redevelopment project areas, and requiring state oversight of all redevelopment (p. 2).

The Committees discussed the lack of state redevelopment oversight in California, which leaves lawsuits from concerned citizens' organizations and environmental groups as the last line of defense. Lawsuits are tedious and costly, which discourages citizens from challenging even the most questionable redevelopment project areas and challengers must turn in their referendum petition within thirty days of the adoption of the ordinance (p. 6). In response to these criticisms, the Committees suggested requiring voter approval for the creation of a new RDA and requiring them to adopt a new redevelopment plan when they substantially change an existing redevelopment plan (p. 17).

Shortly after the Joint Legislative Hearing, the California Redevelopment Association (CRA) (2005) issued a response to the proposals of the hearing. For the most part, CRA opposed the suggested redevelopment oversight reforms and maintained its position that redevelopment decisions are best left to local communities and local elected officials who best understand the needs of the community (p. 6). The CRA opposed any effort to require state oversight of local redevelopment decisions, as it would provide the state unprecedented authority over local decisions that it currently does not have for

many other important decisions. Additionally, the CRA believes that any argument that the state has been financially impacted by redevelopment in terms of backfilling schools for lost revenue were mitigated when the Legislature passed AB 1290 in 1993 (p. 7). In response to the proposal by the Committees to create a new oversight unit within the Attorney General's office or DOF, the CRA argued that neither office had the expertise to effectively review redevelopment proposals. Creating a new division would both be costly to the state and slow down vital redevelopment activities (p. 10).

Much like the Public Policy Institute of California and the LAO, the Committees recommended that legislators consider requiring state oversight and approval of redevelopment decisions. The Committees suggested that the Legislature require state approval of all new redevelopment plans and allow for any state agency to sue a RDA. The state should also create an oversight branch to review all redevelopment plans, similar to what Massachusetts is doing.

Neiman, Andranovich, and Fernandez (2000) took a different approach to studying redevelopment in California by focusing on the practice of local governments using incentives to lure retail chains and auto malls from one city to another (p. 4). Stories of big box stores taking advantage of local governments for huge subsidies received significant media attention and much public outcry. In response to this perceived problem, the Legislature passed AB 178 (Torlakson, 1999), which prohibited a local government from offering financial assistance to a big box retailer that locates from one community to another within the same market area.

The study relied upon a survey approach to measure the prevalence of competition between local governments in southern California. The survey, which was sent to local redevelopment officials, asked about how redevelopment activities changed over time, the perceptions of policy options for intercity competition and then compared it to “broader backdrop” of economic activities in the region. The authors defined “broader backdrop” as policy changes that encouraged local redevelopment efforts such as the elimination of federal aid for redevelopment, the recession in the early 1990s that sent local governments scrambling for revenue generating alternatives (p. 8).

According to the results, cities become more active in economic development over time, which they attribute to increased economic hardships for cities and redevelopment officials becoming more aware of redevelopment policy options. Most importantly, the authors found that for the most part, redevelopment occurs in areas with lower household incomes, meaning that those who engage in redevelopment activities are more likely to need redevelopment efforts. Additionally, survey results indicated that local governments are becoming increasingly sophisticated at discerning quality economic development deals from bad deals (p. 38).

While the authors do not necessarily oppose any attempts to reform redevelopment law, they attribute the increase of interjurisdictional competition as inevitable and not a large enough problem to warrant legislative action. Instead, the authors attribute the problems of redevelopment to poor economic conditions, the increase in voter initiatives that impose further fiscal constraints on local governments, and a long history of local government autonomy of redevelopment activities (p. 49).

Since competition between local governments is unavoidable, any attempts by the state to control this behavior are futile and counterproductive. Their research suggests that redevelopment project areas encompass neighborhoods with low employment. Additionally, since the authors found no empirical description of the type of local economic development that is taking place or the impact that such competition had on either the local governments or the state, the authors found legislative reforms unnecessary (p. 51).

The authors conclude that the best way for the Legislature to reform redevelopment would be to overhaul California's finance system, which would restore money to local governments, and provide less incentive to engage in redevelopment. Additionally, the authors recommend the state provide assistance to local governments to better to assess the net benefit of redevelopment decisions. Overall, the authors believe that piecemeal approaches to solving the supposed problems of redevelopment such as competition among local entities for retail chains is futile and not worth implementing. Any reforms to the practice of redevelopment should be done in a broader context with the understanding that earlier state constitutional reforms have helped create this phenomenon in the first place (p. 53).

Conclusion

Academic researchers and policy experts have spent significant time analyzing the merits of TIF and the effectiveness of redevelopment oversight laws in California, which have yielded inconclusive results. In the following section, I will take a different approach to determining the effectiveness of redevelopment laws by conducting a

qualitative interview approach with key stakeholders both in the State Capitol and in the Redevelopment Community. The first portion of the Methodology section will discuss how I will interview key stakeholders to determine a particular legislator's goals for authoring recent redevelopment accountability laws, while the second section will seek to determine if the stated goals have been met.

Chapter 3

METHODOLOGY

Why Policy Makers Create Legislation? An In-Depth Study

This study seeks to provide insight into Senator Kehoe's goals for authoring SB 1206 (Kehoe, 2006) and SB 53 (Kehoe, 2006) and seeks to find out if she met her goals. SB 1206 tightened the statutory requirements for blight and made it easier for interested parties to challenge redevelopment project areas, while SB 53 imposed limits on a redevelopment agency's ability to acquire property through eminent domain. I recognize that policy makers introduce legislation for numerous reasons, not just to promote effective public policy. In *Agendas, Alternatives, and Public Policies*, Kingdon (2003) states that policy makers often have multiple goals for authoring legislation. Often, policy makers threaten to introduce legislation to encourage people into action, they seek to enhance their reputations in the Capitol, appease constituents, or even introduce legislation just to be involved in the particular policy debate (p. 38). While the author clearly states her intentions for introducing SB 1206 and SB 53 in the committee analyses and in public testimony, it is worth exploring other possible agendas as well.

Keeping in mind the lessons of Kingdon, I will explore the first part of the thesis question by conducting in-depth interviews with key stakeholders such as legislators, staff, and lobbyists, who were involved in the policy debate over SB 1206 and SB 53. Not only will the interviews help determine Senator Kehoe's goals, but they will also provide insights into the political dynamics and perceived problems that existed when the Legislature passed the bills.

I hypothesize that while Senator Kehoe may have had several goals in mind when introducing the bills, the interviewees will agree that her key goal was to limit potential abuse of eminent domain powers and tighten the definition of blight. It is likely that Kehoe acted upon a “window of opportunity,” as discussed in Kingdon, when the Supreme Court issued a ruling on *Kelo v. City of New London*, which reaffirmed the right of government to use eminent domain powers to transfer property from one private entity to another. The *Kelo* decision may have been a “focusing event,” which called the public’s attention to a problem. Kehoe then used this event as an opportunity to impose more stringent requirements on RDAs and limit their ability to use eminent domain. While certain advocates and legislators have scrutinized the practices of RDAs for quite some time, particularly during difficult economic times the *Kelo* decision created the perfect policy opportunity to further regulate RDAs.

Structure of Interview

In order to provide a clear understanding of Senator Kehoe's goals for authoring SB 1206 and SB 53, I will interview Senator Kehoe directly, as well as her staff, to gain firsthand insights. Senator Kehoe chaired the California Senate’s Local Government Committee at the time, which deals directly with redevelopment issues. Both SB 1206 and SB 53 were initially heard in the Senate Local Government Committee. The staff from Senator Kehoe’s office that I will interview includes Peter Detwiler, the Staff Director for the Senate Local Government Committee, and an Aide for Senator Kehoe. Detwiler was directly involved in analyzing and crafting both bills. I will keep all

comments from staff private to encourage interviewees to speak more openly on the issue.

I will also attempt to understand the perspective the political advocacy community by interviewing David Jones, a lobbyist for the California Redevelopment Association (CRA) and a representative from the Howard Jarvis Taxpayers Association (HJTA). The CRA publicly opposed SB 1206 and was neutral on SB 53. The CRA generally opposes legislation that imposes constraints on RDAs as it limits local control and makes redevelopment more difficult. HJTA (2008), on the other hand, is an organization dedicated to protecting Proposition 13 and protecting individuals from excessive taxation and is also a vocal opponent of eminent domain. While HJTA did not support or oppose either bill, it did sponsor an initiative around the same time, which if passed by the voters, would have imposed significant restrictions on eminent domain powers, much more stringent than what was proposed in SB 53. It is possible that SB 53, which imposed limits on eminent domain, may have undermined support for the Howard Jarvis sponsored initiative. Last of all, I will interview William Weber, Policy Consultant for the Assembly Republican Caucus, who specializes in local government issues.

Interview Guidelines

I will interview each participant for a total of fifteen to thirty minutes and ask a series of open-ended questions, which can be found in Appendix A (p. 69). Prior to the interview, I will provide each participant with a summary of both SB 1206 and SB 53 to refresh their memories. I will record the answers and analyze the content upon the

completion of each interview. After completing the interviews, I will look for patterns and common goals among the interviewees and note the outliers.

While this qualitative interview method will likely provide an in-depth examination of the Senator Kehoe's goals, there are a few shortcomings with my approach. All of the prospective interviewees are still actively involved in redevelopment decisions in California. Can I truly rely upon the interviewees to be truly candid and honest in their assessments of the policy maker's goals for authoring both bills? All interviewees will understand that their comments will be public and written in the study, which is a public document. Unfortunately, this transparency may negatively impact the quality of the responses I receive.

Upon the conclusion of my interviews, I will hopefully gain a better understanding of Senator Kehoe's goals for authoring legislation and a thorough understanding of the political dynamics of redevelopment in California. I assume that after completing these interviews, I will identify patterns among all parties involved of the overall goals of SB 53 and SB 1206.

Are SB 1206 and SB 53 Reforms Successful?

Once I establish reasonable consensus on Senator Kehoe's goals, I will then conduct interviews to provide insight into whether SB 1206 and SB 53 are meeting these stated goals. Prior research relied on a quantitative approach to measure the effectiveness of particular policies or if the policy maker is achieving his or her goals. In 1994, the LAO conducted a preliminary analysis of AB 1290 (Isenberg, 1993) to see if the bill has reduced the size of redevelopment plans and if local governments authorized fewer

redevelopment plans. If the project areas were in fact smaller and local governments authorized fewer redevelopment plans, it would indicate that AB 1290 was working. However, the LAO did not see any change in the size of redevelopment project areas and suggested the need for more state oversight of redevelopment agencies. Recently, Price-Stogsdill (2004) attempted to evaluate the effectiveness of AB 1290 (Isenberg) by analyzing the number and size of redevelopment project areas from 1983-2000 and closely examining the changes that occurred after AB 1290 went into effect in 1994. If redevelopment project areas were smaller, then the more stringent definition of blight under AB 1290 must be working (p. 23). Unfortunately her study did not yield conclusive results either. In this study, I will focus on recent redevelopment reforms that the Legislature passed in 2006 and will instead rely on a qualitative interview approach to provide insights into whether Senator Kehoe achieved her goals.

Interview Structure

For the second round of interviews, I will focus my efforts on individuals who are directly involved in redevelopment in their respective local communities. I will interview a representative from a county because they play a direct role in the oversight of RDAs. Counties have a vested interest in ensuring that RDAs abide by the law as they lose significant tax increment from the redevelopment agencies. Perhaps the counties will notice a difference in the behaviors of RDAs after both bills became law on January 1, 2007. Additionally, I will interview a representative from the Sacramento Housing and Redevelopment Agency (SHRA) to provide insight into how they were affected by the recent laws. I will also interview a representative from the Center on Policy Initiatives

(CPI), a community advocacy group that advocates for redevelopment accountability, to see if the organization noticed a change in redevelopment practices. Local groups such as CPI serve as “watch dogs” for redevelopment practices. While they often have their own agendas, they are likely to notice if redevelopment practices changed as a result of the new laws. Last of all, I will interview a representative from the Legislative Analyst’s Office to provide insight into the legislation's effectiveness.

Interview Guidelines

I will record each interview, which will last between fifteen and thirty minutes. Upon the completion of the interview, I will immediately record my thoughts and impressions as well. I structured the interview instrument, which appears in Appendix B (p. 70), with the goal of finding out the perspectives of key players involved in redevelopment decisions in California. I chose the interview approach because it may provide unique insights into the effectiveness of recent laws.

Similar to the first round of interviews, this qualitative interview approach could have potential shortcomings. SB 1206 and SB 53 have only been in effect for a short period and as a result, it may be difficult for the local communities and representatives from RDAs to notice a change. Also, California’s economy is currently in a recession and some RDAs are not even collecting tax increment. It is a possibility that few new redevelopment plans are being approved at this particular time. As the California State Legislature looks for creative ways to close multi-billion dollar deficits, it is only a matter of time before it makes substantial changes to redevelopment that could permanently change the practice. Last of all, because I am interviewing individuals with a direct stake

in redevelopment decisions, and because their testimony will be publicly documented, it may be difficult for them to speak candidly about redevelopment issues. The following section will discuss the results of both phases of the in-depth interviews.

Chapter 4

RESULTS

The following section will begin with a description of the political landscape that existed when Senator Kehoe authored SB 1206 and SB 53, as perceived by the interviewees. The second section will discuss the joint interim hearings on the *Kelo* decision and the statutory definition of blight. The last part of the section will describe Senator Kehoe's goals for authoring the bills, according to the interviewees, and discuss her primary goal for introducing the bills.

Political Landscape Surrounding SB 1206 and SB 53

Upon asking each interviewee to describe the political landscape that led to Senator Kehoe authoring SB 1206 and SB 53, they all described the highly charged political atmosphere and the visceral reaction from property owners that resulted from *Kelo v. City of New London*. The *Kelo* decision, which the United States Supreme Court decided on a 5-4 vote in 2005, stated that the City of New London had the power to seize non-blighted property for economic development and that such seizure met the constitutional definition of "public use." Eminent domain is one of the most controversial powers held by RDAs in California because it forcibly displaces citizens from their homes and displaces businesses. Senator Kehoe stated that she heard an immediate outcry not just from the political community in San Diego, but from people whom she sees socially who were not involved in politics. The individuals she met with could not understand how the government could be allowed to seize property that is not blighted and feared that a similar situation could occur in their communities.

According to William Weber, Local Government Consultant for the Assembly Republican Caucus, property rights advocates within the Republican Caucus were particularly upset by the *Kelo* decision and called for changes to eminent domain law in California. Shortly after the decision, then Assemblyman Doug La Malfa authored Assembly Constitutional Amendment 22 (2005), which would have limited eminent domain powers for public use only, such as for a school or park (La Malfa, 2005). David Wolfe, Legislative Director for the Howard Jarvis Taxpayers Association (HJTA), emphasized his organization's disappointment with the *Kelo* decision and expressed HJTA's desire to put strong limits on eminent domain powers to ensure that what occurred in the City of New London would never take place in California. HJTA even sponsored Proposition 90 in 2006 and Proposition 98 in 2009, both of which failed, but if passed would have put strict limits on redevelopment powers, similar to ACA 22 (La Malfa, 2005).

While William Weber and David Wolfe detailed the public outcry among property rights advocacy groups, the other interviewees focused more on the political backlash that the *Kelo* decision could potentially cause. Senator Kehoe, David Jones, Peter Detwiler, and an Aide for Senator Kehoe stated that redevelopment supporters were concerned that the decision might cause voters to become more sympathetic to stringent and potentially counterproductive limits on eminent domain powers. Senator Kehoe discussed her support for numerous redevelopment projects in her district such as the redevelopment project that created Petco Park in downtown, San Diego, but believed that the Legislature should strengthen redevelopment laws to regain community trust. In her

opinion, the Petco Park project was a textbook case of a redevelopment project spiking real estate values and creating high density residential properties. However, she was concerned that the *Kelo* decision might cause a political backlash against redevelopment, taking away a vital tool to promote economic development. In her opinion, authoring legislation to strengthen redevelopment laws would create discussion, inform the public, and strengthen protections, while ensuring that local governments could construct successful redevelopment projects.

David Jones conveyed similar concerns about the public distrust of eminent domain and his concern that the *Kelo* decision might make voters more amenable to stringent eminent domain reforms. He also acknowledged that Senator Kehoe actively joined the campaign against Propositions 90 and 98, which would have put strong limits on eminent domain. While Senator Kehoe and the CRA had their policy disagreements, both shared a common belief that redevelopment was crucial to creating economic growth in blighted communities and that eminent domain, while extremely unpopular at times, was a necessary tool for RDAs. Senator Kehoe stated that she met directly with the CRA from the beginning and both agreed that a bill would strengthen redevelopment protections and better inform the public. David Wolfe and William Weber were far more skeptical of redevelopment, completely opposed to eminent domain, and criticized the lack of accountability of RDAs.

Informational Hearings

Recognizing the highly charged political environment and unease with eminent domain that the *Kelo* decision caused, Senator Kehoe, then Chair of the Senate Local

Government Committee, called for a series of joint interim hearings not just on the *Kelo* decision, but on redevelopment in California. According to Senator Kehoe, she convened the hearings because she heard significant outcry from the local community. She understood that the *Kelo* decision was more than a policy discussion because it hit people “right in the gut.” As a result, she wanted to make sure that eminent domain laws in California were as specific and clear as possible. The informational hearings, which included committee members from the Senate Transportation and Housing Committee, the Assembly Housing and Community Development Committee, and the Assembly Local Government Committee, ultimately resulted in Senator Kehoe authoring SB 1206 and SB 53.

The first hearing was titled, *Kelo and California: How the Supreme Court’s Decision Affects California’s Local Governments* (2005), and was held in the State Capitol. It focused on the *Kelo* decision and its impact on California’s counties, cities, and special districts. Additionally, the hearing examined how California’s Constitution limits eminent domain powers, the court’s interpretation of public use, and how local officials actually use eminent domain powers. The California Constitution goes further than the U.S. Constitution in terms of protecting private property rights. According to the California Constitution, “private property may be taken or damaged for public use only when just compensation, ascertained by a jury unless waived, has been first paid to, or into court for, the owner” (California Constitution Article I, §19). The United States Constitution calls for just compensation when depriving an individual of property for public use, but does not allow compensation to be determined by a jury. The Committee

invited several expert witnesses to testify at the hearing such as Richard Frank, Deputy Attorney General for Legal Affairs and Joseph Coomes from the Institute for Local Government. Each witness who testified before the Committee acknowledged that the *Kelo* decision affected redevelopment agencies, not cities and counties (p. 2).

After gaining a better understanding of the *Kelo* decision, the Committee held a second hearing in San Diego, California titled *Redevelopment & Blight* (2005), and changed the discussion from *Kelo* to a discussion about blight (p. 2). This time the legislators invited ten witnesses to participate in the two-panel hearing to have an in-depth discussion about redevelopment. The first panel focused on a particular redevelopment project area in San Diego to provide the legislators with a firsthand example of redevelopment in California. The second panel, which consisted of redevelopment experts and numerous members of the public, focused on the possibility of amending the statutory definition of blight (p. 6). Many of the witnesses highlighted the inadequacies of the current blight definition and called for reforms. In California, RDAs can only exercise redevelopment powers when there is a blight finding. As a result, at the suggestion of the witnesses, the legislators showed a strong interest in amending the blight definition, which if changed, could influence RDAs' ability to exercise eminent domain powers (p. 15). Additionally, the Legislators concluded that a stronger blight definition could assist redevelopment officials in better using eminent domain powers and that better communication with communities would improve trust among home owners (p. 11).

The third hearing titled, *What is to be done? Legislators look at Redevelopment Reforms* (2005), was also convened at the State Capitol and discussed potential redevelopment reforms based on the information obtained in the prior hearings. According to the committees' report, while redevelopment remains controversial, it can be an effective tool for local governments in eliminating blight and creating economic growth (p. 2). Legislators expressed a desire to tighten the blight definition and increase enforcement or accountability of RDAs. Senator Kehoe attempted to include all interested parties in the debate. According to David Jones, who represents redevelopment agencies, the CRA provided testimony and stated its opinion throughout the hearing and agreed with several of the proposed policy reforms.

Windows of Opportunity or Perceived Policy Problem?

Upon interviewing key stakeholders, I noticed that while the *Kelo* decision caused significant public outcry and highlighted the need for at least some legislative reform, it also created a "window of opportunity," as discussed by Kingdon (2003) for advocates on both sides of the political spectrum. A "window of opportunity" is a perceived opportunity by a policy entrepreneur or advocate to push a particular policy proposal that otherwise would not have had a chance to pass (p. 165). The following section will discuss the perceived windows of opportunities from both the property rights advocates on the conservative side and the reform advocates on the liberal side of the political spectrum.

Window of Opportunity for Reform

Legislators and reform advocates have long sought to increase accountability and transparency of RDAs in California. In 1993, then Assemblymember Phil Isenberg authored AB 1290, which at the time was the most significant reform to redevelopment law in 30 years. Shortly after the Legislature passed AB 1290, policy analysts began studying whether AB 1290 improved overall accountability and whether the Legislature should pass additional reforms. As discussed earlier, Marianne O'Malley, analyst for the LAO (1994), conducted an initial study on the effectiveness of AB 1290 by measuring the size of redevelopment projects and the number adopted by local governments. In "Making Blight Black and White: Options for Redevelopment Reform in California" Tom Campbell (1995) discussed whether the Legislature should require the blight definition to be quantified by studying recent redevelopment court cases. While he did not advocate for quantifying the blight definition, Campbell questioned whether the courts were best used for enforcing redevelopment law (p. 59). In his interview, Peter Detwiler discussed the role of the courts in enforcing redevelopment law. According to Detwiler, a significant number of recent court cases debating the blight definition signaled a lack of clarity in the statutory definition of blight, and highlighted the need for the Legislature to adjust the blight definition.

Even before the *Kelo* decision, redevelopment reform advocates expressed a desire to improve redevelopment oversight and curb redevelopment powers. Labor unions, for example, took an interest in reforming redevelopment oversight laws across the nation. Redevelopment project areas siphon money from local governments, which

takes away money from other public works programs that the city provides. During difficult fiscal times, local governments often cut costs by eliminating public employee jobs rather than limiting redevelopment subsidies. In 2005, the American Federation of State County and Municipal Employees (AFSCME, AFL-CIO) sponsored SB 103 (Cedillo, 2005), which would impose additional oversight requirements on RDAs. AFSCME has sponsored similar legislation in numerous other states as well. The CRA opposed SB 103, as an unnecessary and burdensome requirement on RDAs.

The *Kelo* decision provided a window of opportunity for redevelopment reform advocates to impose additional reforms on RDAs. Detwiler emphasized Senator Kehoe's goal for the second informational hearing of changing the discussion from the *Kelo* decision to the need to reform the blight definition. While advocates made a strong case for strengthening the blight definition, not everyone agreed with this position. For example, David Jones voiced his concerns with SB 1206 as originally introduced. According to Jones, while his organization believed that certain reforms to eminent domain laws were necessary and agreed with many of the reforms in SB 1206, other reforms were unnecessary and unrelated to eminent domain or the *Kelo* decision. He provided an example of the original version of SB 1206 where Senator Kehoe attempted to require quantifiable metrics to define blight. According to the CRA, the blight definition has little to do with the underlying problems of eminent domain. The CRA was very concerned that limiting the blight definition would create more challenges for RDAs. While Jones did not specifically state that policy advocates for reform were using the *Kelo* decision as an opportunity to strengthen the blight definition, he did not see a

clear relationship between the *Kelo* decision and the need to amend the definition. The CRA believed that the blight definition was adequate. Property rights advocates were fine with a more stringent blight definition, but would prefer an outright ban on eminent domain powers.

Window of Opportunity to Limit Eminent Domain

Property rights advocates have long sought to curb eminent domain laws not just in California but also throughout the nation. There are numerous organizations and think tanks dedicated to eminent domain reform such as the Castle Coalition, and the California Alliance to Protect Private Property Rights, the Reason Foundation, and HJTA. Such organizations await opportunities to push their policy agendas, and the *Kelo* decision presented the perfect window. Not only in was the decision an egregious example of property rights abuse, in their opinion, it also invoked significant public outrage. After the *Kelo* decision, these organizations mobilized in California by sponsoring Proposition 90 in 2006 and were nearly successful in passing it. Proposition 90 received nearly 48% of the vote, just two percentage points away from passing (League of Women Voters, 2006).

Proponents for redevelopment, on the other hand, did not believe that the *Kelo* decision had much impact on property owners in California. According to proponents of redevelopment, what occurred in the City of New London could not have happened in California because the California Constitution requires a blight finding before government can seize property. As one can see, there is significant grey area when it comes to windows of opportunity to promote a particular political agenda. Does an event

like *Kelo* signal the need for policy reform, does it create opportunities for policy change, or is it a little bit of both?

Senator Kehoe's goals for authoring SB 1206 and SB 53

After interviewing each stakeholder, I found that Senator Kehoe had four goals for authoring SB 1206 and SB 53, two of which were commonly agreed upon. The goals divide into two key themes: political goals and policy goals. Legislators write bills for many different reasons and it is often difficult to separate them. However, the interviews will allow me to recognize common goals as perceived by each interviewee and identify a primary goal.

Policy Themes

Improving Public Policy and Accountability of Redevelopment

One of the most commonly mentioned goals for authoring SB 1206 and SB 53 was to improve redevelopment accountability. Senator Kehoe was adamant in her interview about her key goal for authoring SB 1206 and SB 53, which was making certain that California law truly offered greater protections for California homeowners. William Weber, who was convinced that one of Senator Kehoe's goals was to undermine more stringent eminent domain efforts, believed that she wanted to improve redevelopment as much as possible. Weber even conceded that the original version of SB 1206 was far more stringent and much more in line with the views of his Caucus. It was not until SB 1206 and SB 53 were heard in Committee that the bills, in his opinion, became much less effective.

Senator Kehoe's Aide was also adamant about her desire to improve redevelopment accountability. Citing the Senator's roots as a local elected official in San Diego, who had a firsthand experience with RDAs, Senator Kehoe's Aide not only believed that she was the best equipped to handle this issue, but that she had a desire to improve redevelopment based on her past experiences. David Jones acknowledged that Senator Kehoe had a strong desire to improve redevelopment and what ultimately emerged were two bills that improved redevelopment in California, even if he did not agree with the policy direction of the legislation as originally introduced. David Wolfe acknowledged that Senator Kehoe's bills were well intentioned, but did not think they went far enough and doubted that they would do much to improve redevelopment accountability.

Undermine more stringent eminent domain reforms

The second most common goal for Senator Kehoe was to undermine more stringent reform efforts from property rights advocates. William Weber not only believed that undermining more stringent reform was a key goal for introducing the bills, he believed that the bills were extremely effective in undermining the HJTA sponsored initiatives related to eminent domain. While David Jones did not think that the bills did anything to contribute to the demise of the ballot initiatives on eminent domain, he did believe that it was a goal for Senator Kehoe. Additionally, he mentioned that supporters of SB 1206 used the undermining of more stringent reforms argument as a reason why the CRA should support SB 1206 from the beginning.

While Senator Kehoe's staff did not explicitly mention undermining other reform efforts as a key goal, the Aide alluded to the fact that it was necessary to take action before property rights advocates passed more stringent reforms. Detwiler stated a similar goal for Senator Kehoe in his interview. He stated Senator Kehoe's desire to take control of the debate as to not allow reactionary groups to define it instead. While interviewees disagreed on whether SB 1206 and SB 53 were effective at undermining more stringent reforms, it is clear that it was a commonly understood goal of Senator Kehoe.

Political Themes

Elevating stature among colleagues and constituents: Making her mark in the Senate

Peter Detwiler suggested that one Senator Kehoe's goals for authoring SB 1206 and SB 53 was to elevate her political stature and gain the respect of her colleagues in the Senate. According to Detwiler, Senator Kehoe was newly elected to the Senate in 2005 and had never chaired a committee before. The *Kelo* decision, which had received significant nationwide attention, was in the jurisdiction of Senate Local Government Committee and provided her with an excellent opportunity to tackle a controversial issue, become an expert in a particular policy area, and gain respect among her colleagues.

When politicians are first elected to the Legislature, they often express a desire to become public policy experts. William K. Muir (1982) elaborates on why legislators seek knowledge and how they use their knowledge of a specialized field to gain power and respect in his book, "Legislature: California's School for Politics." While public policy knowledge is not crucial for reelection to the Legislature, newly elected legislators seek to become experts in particular public policy fields and demonstrate their ability to solve

difficult policy problems. According to Muir, legislators desire to be knowledgeable on a subject area because knowledge is universally acceptable currency in the public and private sector (p. 116). When legislators become experts in a public policy area, they become known as the “go-to” person for that particular field. Legislators willingly share their acquired knowledge, because they are rewarded with respect from their colleagues and from lobbyists (p. 148). Knowledgeable legislators are then rewarded with more complex and substantive bills from lobbyists and are more likely to receive favorable votes from their colleagues on other bills that they are authoring.

Senator Kehoe’s desire to become an expert in redevelopment issues could have been motivated by her desire to gain respect from colleagues, making her a more effective legislator. Additionally, the *Kelo* decision was a politically contentious issue, and was highly visible among constituents in her district. The *Kelo* decision provided her the opportunity to solve a very public and controversial issue that was highly visible to her constituents.

Senator Kehoe’s primary goal

As expected, the interviews revealed numerous goals that Senator Kehoe had for authoring SB 53 and SB 1206. However, the most commonly mentioned goal was her genuine desire to promote substantive public policy and improve oversight and accountability. Senator Kehoe stated that her main goal by far was to offer greater protections to California homeowners. David Jones stated multiple times that SB 1206 and SB 53 was good politics *and* good policy. An Aide in Senator Kehoe’s office and William Weber both believed that Senator Kehoe’s main goal was to improve

redevelopment accountability. Peter Detwiler could not identify a primary goal, as he felt it would be impossible to separate the numerous goals for authoring the bills.

Did Senator Kehoe Accomplish Her Goal?

Upon interviewing key stakeholders in the Capitol to determine Senator Kehoe's key goals for authoring SB 1206 and SB 53, the interviewees agreed that her main goal was to improve redevelopment accountability. I then conducted a second round of interviews with key stakeholders in the redevelopment community to find out if Senator Kehoe succeeded in accomplishing her goal. In the following section I will discuss the results of my interviews with representatives from a local redevelopment agency, the County of Los Angeles, a redevelopment accountability advocacy organization, and the Legislative Analyst's Office. Each interviewee provided insights into whether he or she thought Senator Kehoe's bills improved redevelopment accountability and whether current redevelopment accountability laws are adequate. Upon concluding the interviews, I noticed a few common themes among the interviewees and found that each interviewee had very different perspectives.

Does Senator Kehoe's Legislation Improve Redevelopment Accountability? A Question for the Historians

One of the main themes among the interviewees was that not enough time has passed to adequately measure the legislation's effectiveness. Despite being strongly supportive of the legislation, Dan Wall, Chief Legislative Advocate for the County of Los Angeles, stated that it is premature to make hard judgments about the impact of the legislation. While he acknowledged that Senator Kehoe succeeded in making positive

changes, particularly the provision to include the Attorney General and DOF as parties of interest in a lawsuit against a RDA, he reserved judgment until someone analyzes the data from the State Controller's Office for an extended period of time. As a representative of the County of Los Angeles, Wall expressed his frustration that counties are the only policing mechanism to ensure redevelopment accountability. Allowing state agencies to file lawsuits as well could significantly improve efforts to ensure RDAs comply with the law. Wall suggested that I check in with the Attorney General's office and DOF to see if they are exercising their new powers. Upon the conclusion of my interview with Wall, I checked in with the Attorney General and found out that no cases have been brought to their attention since the law's passage.

Marianne O'Malley from the LAO was also unsure of the effect of the Kehoe legislation because of her past experiences of implementing accountability laws. According to O'Malley, providing new authority to the Attorney General and DOF will only improve accountability to the extent that the agencies provide additional staff to enforce these newly granted powers. While she was not completely certain, it was her understanding that because of fiscal difficulties neither DOF nor the Attorney General's office hired additional staff to review redevelopment projects. O'Malley stated that she placed a call to DOF about the report, but the organization was far too distracted with the budget to focus on oversight and accountability. A legislature can enact as many oversight laws as it wants, but if it does not provide the proper resources, enacting the policy is a challenge. Murtaza Baxamusa, Director of Policy and Research for the Center on Policy Initiatives, which is based in San Diego, also believed that Kehoe's laws can

only improve accountability to the extent that enforcement entities have the resources to ensure compliance with new laws. Baxamusa and O'Malley both believed that simply allowing for more information or public disclosure will have little effect without a strong and adequately staffed enforcement mechanism. According to Baxamusa, simply allowing for public meetings does not ensure public input or accountability because redevelopment decisions are complex and take a tremendous amount of resources to fully understand the impacts of proposed project areas. Given the current fiscal climate, enforcing the provisions of the Kehoe legislation may be difficult.

Likely Improvements Over Current Law

While the interviewees were unable to tell if Kehoe's legislation improved redevelopment accountability, most agreed that the laws were a significant improvement from the status quo. According to Baxamusa much of the new requirements will not directly affect existing projects in San Diego, but will likely play a significant role in the future for new and reauthorized project areas. However, because of the recent economic downturn, RDAs in San Diego have not approved any new redevelopment project areas, which make it difficult to determine the effect of Senator Kehoe's legislation. Dan Wall was also supportive of particular provisions in the legislation that, as an advocate for the County of Los Angeles, he has fought for years to implement. According to Wall, Los Angeles County has fought since the 1980s to allow the state to have more direct oversight and responsibility in redevelopment decisions. The current system relies on either the county or an individual to file a lawsuit against a redevelopment agency when it believes that it is not acting in accordance with the law. Last of all, O'Malley believes

that, to the extent that local governments and enforcement entities have adequate staff and resources, Senator Kehoe's legislation could improve redevelopment accountability.

Unintended Consequences

Tia Boatman-Patterson, General Counsel for the Sacramento Housing and Redevelopment Association (SHRA), had a completely different perspective about the effect of Senator Kehoe's legislation. While Boatman-Patterson served as General Counsel for Assembly Speaker Fabian Nunez when Senator Kehoe introduced both bills, from her perspective, the bills attempted to limit the behavior of a few "bad actors" among the hundreds of redevelopment agencies in California, and did little more than codify best practices. Boatman-Patterson believes strongly that because redevelopment agencies can already be sued for violating the law and since there are only a few bad actors, among the hundreds of redevelopment agencies, codifying the laws did little to improve accountability. While she did not represent SHRA when Senator Kehoe introduced the bills, she stated that she was skeptical of the effect of the legislation even when she worked in Speaker Nunez's office. However, it was not until she began working for SHRA that she observed some of the problems of redevelopment accountability legislation.

Boatman-Patterson also believes that particular provisions of the recent accountability legislation caused certain unintended consequences by undermining redevelopment agencies' ability to provide more affordable housing to low-income residents. While her concerns about redevelopment accountability legislation were not specifically directed at either SB 1206 or SB 53, Boatman-Patterson cited the unintended

consequence of SB 1809 (Machado, 2005), which Senator Machado introduced at the same time as Senator Kehoe's legislation. SB 1809 requires, in cases where a redevelopment plan authorizes the use of eminent domain within a project area, that a local legislative body include a statement for each property noting that the property is in a redevelopment project area and that the project authorizes the use of eminent domain. According to Boatman-Patterson, this new provision has made it incredibly difficult to find loans from banks for low-income properties located in the redevelopment project area, even when the redevelopment agency does not plan to exercise eminent domain for the particular property.

Are Current Redevelopment Laws Adequate?

When asked whether current redevelopment laws were adequate, the interviewees had significantly differing opinions as well. Boatman-Patterson clearly believed that current laws are onerous and hinder the goal of redevelopment agencies to provide affordable housing and eliminate blight. On the advocacy side, Baxamusa wants significantly stronger protections to ensure that redevelopment provides adequate jobs and truly benefits the community. O'Malley from the LAO believes that accountability can only happen when the enforcement agency has the resources to effectively monitor the practices of redevelopment agencies. Last of all, Wall believes that counties should have more input in authorizing redevelopment project areas because redevelopment project areas redirect funds from the counties.

Conclusion

Overall, most of the interviewees agreed that Senator Kehoe's laws made significant improvements on existing law. However, given the difficult economic climate and the short amount of time that has passed since the laws took effect, the interviewees could not definitively state whether SB 1206 and SB 53 improved redevelopment accountability law. Perhaps in a few more years after California's economy strengthens and more time has passed we may have a better understanding of the affect of her legislation.

Chapter 5

CONCLUSION

Overall, the results of the interviews were very much in line with my initial hypothesis. Despite the common understanding that Senator Kehoe had multiple goals for authoring SB 1206 and SB 53, as is the case for any politician who introduces a particular bill, the interviewees generally agreed that Senator Kehoe authored the bills to improve redevelopment oversight and accountability. In the second round of interviews with key stakeholders in redevelopment, the interviewees generally agreed that the bills would probably improve redevelopment accountability, but they stopped short of stating that she accomplished her goals. According to the interviewees, not enough time passed since the bills became law to adequately measure whether they improved redevelopment accountability. The economic recession has also made redevelopment funds a target of state elected officials who are looking to close multi-billion dollar deficits. As a result, whether Senator Kehoe succeeded in her goals is, as Dan Wall stated in his interview, a question for the historians.

While I had difficulty measuring the effects of recent redevelopment oversight and accountability laws, the in-depth interviews provided an intimate understanding of the political dynamics in the State Capitol as the bills went through the legislative process. Redevelopment is a very controversial practice that has criticism and praise from both political parties. Conservative Republicans often resent the eminent domain powers granted to redevelopment agencies, while some Democrats are skeptical of the autonomy and general lack of oversight afforded to these agencies. On the other hand,

many elected officials from both parties tout the benefits of redevelopment agencies, have likely seen firsthand the benefits to their respective communities, and nearly every one has a redevelopment agency or project area in his or her district. Even Senator Kehoe, who sought to limit the powers of redevelopment agencies, named several projects in her district that, in her opinion, were a success.

As for the key interests in the Capitol on the issue of redevelopment, I found that the interviewees had great difficulty separating their individual perspectives from the perspective of the organization or legislator that they represented. As a representative for the County of Los Angeles, Dan Wall was highly critical of redevelopment agencies' ability to siphon tax revenues without the need to seek any prior approval from counties. Tia Boatman-Patterson, who works for SHRA, found many of the redevelopment reform laws to be tedious and hinder redevelopment agencies' ability to revitalize communities and build affordable housing. Boatman-Patterson's perspective was particularly interesting because she worked for then Speaker Fabian Nunez rather than for a redevelopment agency when the bills went through the process. When asked if her perspective on redevelopment had changed as a result of her new job title, she maintained that she was always skeptical of the benefits of the laws, but her new position at SHRA shed light on the unintended consequences of state laws on local redevelopment agencies.

The phenomenon of struggling to detach oneself from his or her institutional perspective can best be summarized by a public policy principle called Miles' Law, which says "where you stand depends on where you sit." (Miles, 1978, p. 399). Miles' Law is based on the belief that in the public policy arena, there is no such thing as pure

objectivity (p. 400). The author explains this law by citing an example of Joan Claybrook, an assistant to Ralph Nader, then director of "Congress Watch," who President Carter appointed as administrator of the National Highway Safety Administration of the Department of Transportation. Her drastic change in employment not only changed her perspective and responsibility on policy issues, it also changed her position on those issues. After only a few months at her new position, Ralph Nader, in his role as consumer advocate, immediately criticized her for becoming a mouthpiece for the administration (p. 401). While I am not suggesting that the interviewees would drastically change their political views upon changing occupations, one must take Miles' Law into account when interviewing people who work in the public policy arena. Miles' Law sheds some light on why it is difficult for each interviewee to break away from the perspectives of the organizations that they represent and provides insight into the responses of each interviewee.

Miles' Law is also states that one must never trust a single line of communication when seeking the truth about a particular matter in public policy or when seeking unbiased advice (p. 402). While it is difficult for the interviewees to separate themselves from their institutional perspectives, conducting in-depth interviews with multiple stakeholders did help provide a better understanding of whether redevelopment laws are both necessary and whether they are effective. When attempting to answer broad and complex policy questions such as the effectiveness of particular laws, one should consult as many opinions and perspectives as possible. It would be worth following up with these interviewees in the near future as they change occupations and responsibilities to

see how their perspectives change. Additionally, allowing more time to pass would likely provide more insight into whether the bills improved redevelopment oversight and accountability.

Concluding Thoughts

RDAs have the unique authority to displace individuals and businesses in the name of eliminating blight, have access to billions of dollars in revenues, and are predominantly local controlled. Given their unique powers and access to taxpayer dollars, they operate with relative autonomy and little direct oversight. While few people dispute the benefits of eliminating blight in poor communities, the current fiscal crisis has caused California policy makers to reevaluate how it should allocate its scarce resources. California currently has a \$20 billion deficit, which has forced them to make deep cuts to social services, education, and health care programs. Additionally, research on the community benefits of RDAs has yielded mixed results at best. Given California's dire fiscal situation and inconclusive research on the benefits of redevelopment, it is worth considering whether the billions of dollars that is redirected to RDAs could be better spent elsewhere. Also, it is also worth considering whether the state should take a greater role in monitoring RDAs.

Senator Kehoe's bills were the most recent of long attempts to rein in the powers of RDAs. While legislators initially considered requiring state oversight for RDAs, which is the current practice for the state of Minnesota, Senator Kehoe opted to tighten the blight definition and maintain the current system for monitoring redevelopment. The bill also granted new enforcement powers to the Attorney General and Department of

Finance by extending them the interested party designation in a civil action brought against a RDA and allowing the Attorney General to intervene as of right in civil actions challenging the validity of the blight definition. However, as conveyed by Marianne O'Malley of the LAO, such reforms only work if the regulatory agencies have the resources and staff to effectively police RDAs. The Legislature should take into consideration that such agencies are operating under furloughs and with fewer resources when granting more regulatory authority to the Department of Finance and the Attorney General's office. Future research on redevelopment in California should focus not just on whether there are enough redevelopment accountability laws, but on whether the regulatory agencies have the resources to effectively police RDAs. Both the Attorney General's Office and the Department of Finance have the authority to challenge redevelopment project areas, but research shows that neither agency has utilized their powers very often. Future research should study whether the Attorney General and the Department of Finance are underutilizing these new powers and whether the Legislature should take corrective action.

While the results were inconclusive, this thesis successfully established a framework for researchers to conduct a similar study in the next few years. The thesis methodology pointed out the key political players when Senator Kehoe passed SB 1206 and SB 53. The interviewees provided insights into the political dynamics of redevelopment in California and provided insight into Senator Kehoe's goals for passing the bills. As a result, future research should not focus on Senator Kehoe's goals for passing the bills, but rather on whether she has accomplished her goals.

Several of the interviewees stated that the laws only recently went into effect and as a result, they were unable to determine whether Senator Kehoe succeeded in her goals. Redevelopment remains a controversial practice with entrenched interests on both sides of the debate. As there is still significant debate the effectiveness of redevelopment, I recommend repeating the methodological approach laid out in this thesis in five years, which would have allowed ten years to pass since SB 1206 and SB 53 became law. I recommend not only interviewing individuals who currently work in redevelopment, but also interviewing the same cohort to see if their opinions have changed over the years. In five years, the interviewees might have different job titles or not work on redevelopment policy anymore. As Miles' Law suggests, "where you stand depends on where you sit," (p. 399) and some of the interviewees may be sitting in new positions. As a result, interviewing the same cohort, if possible, might provide new and interesting perspectives on SB 1206 and SB 53. Allowing more time to pass would also give them more time to effectively judge the affect of these bills on redevelopment in California.

In five years, researchers would likely have adequate time to evaluate the effect of Senator Kehoe's bills because new redevelopment projects authorized after January 1, 2006 would fall under the new requirements. Future researchers would have access to vast quantity of data on redevelopment project areas authorized before and after January 1, 2006. I recommend studying the redevelopment project areas and incorporating the methodologies of the LAO report, which analyzed the affect of AB 1290 shortly after it passed in 1994. The LAO report, as discussed in the literature review section of the thesis, analyzed redevelopment project areas authorized before and after January 1, 1994.

However, the study took place less than a year after AB 1290 became law. Combining the interview approach laid out in my thesis with the approach laid out in LAO might provide answers into the adequacy of redevelopment accountability laws once and for all.

APPENDIX A

1. Describe the political landscape that led to Senator Kehoe authoring SB 1206 and SB 53.
2. If so, in your opinion, what were the main goals for Senator Kehoe in authoring SB 1206 and SB 53?
3. If you think that Senator Kehoe had multiple goals for authoring the bills, what do you think was her primary goal?

APPENDIX B

1. Upon interviewing Senator Kehoe and key stakeholders in the Capitol, I determined that Senator Kehoe's goals for authoring SB 1206 and SB 53 were the following increase redevelopment oversight and accountability. In your opinion, did Senator Kehoe succeed in her goals of SB 1206 and SB 53?
2. In your opinion, have the recent reforms succeeded in making it more difficult for redevelopment agencies to use eminent domain?
3. How have redevelopment practices been impacted as a result of the Legislature passing SB 1206 and SB 53?
4. Do you believe that current law allows for adequate redevelopment disclosure?
5. In your opinion, should the Legislature take action to improve redevelopment oversight?

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