Encouraging Growth within the Boundaries

ESP 171 Urban and Regional Planning
Professor Susan Handy
5/10/16
Recap: Growth Management Challenges

- To what degree can a city determine what kinds of growth it gets – and how?
- To what degree can a city determine its rate of growth – and how?
Recap: How does it work?

• Step 1: Draw a boundary around city
• Step 2: Direct location and design
  – Use land within boundary wisely
  – Avoid using land outside of boundary
Recap:

ISSUES and QUESTIONS about INFILL development
Question: How can a city make infill happen?
### 3 Kinds of Strategies to...

<table>
<thead>
<tr>
<th>Encourage within boundaries</th>
<th>Regulation</th>
<th>Incentive</th>
<th>Action</th>
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<tbody>
<tr>
<td>e.g. “up-zoning”</td>
<td>e.g. density bonus; CEQA exemption for infill development</td>
<td>e.g. capital investments; redevelopment</td>
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<td>Discourage outside of boundaries</td>
<td>e.g. “down-zoning”</td>
<td>e.g. tax breaks for keeping land in agriculture</td>
<td>e.g. purchase of conservation easements</td>
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## Differences in Strategies

<table>
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<th>Reactive</th>
<th>Proactive</th>
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<td>Regulation</td>
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<td>Enable or require certain features <em>if and when</em> development happens</td>
<td>Encourage development to happen</td>
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*Economic Development*
Economic Development

“A process by which local governments seek to use planning to guide private investment and business activity toward the goals it wants to achieve.” - Fulton & Shigley

Using planning to bring economic activity to a community i.e. jobs
# Economic Development Approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Example</th>
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<tr>
<td>Targeted public improvements</td>
<td>Repair streets</td>
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<td>Location of public facilities</td>
<td>Build government agency offices</td>
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<tr>
<td>Subsidies for businesses and developers</td>
<td>Build infrastructure or provide land</td>
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<tr>
<td>Tax breaks and regulatory streamlining</td>
<td>Give breaks from CEQA, Reduce development fees</td>
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Public $$ to attract Private $$
Question:

Is the increase in economic activity enough to justify the cost to the city in terms of investments and tax breaks...?
World Logistics Center – Moreno Valley

“What more local jobs? A stronger economic base?... $22 million every year for schools and colleges”

See [http://theworldlogisticscenter.com/](http://theworldlogisticscenter.com/)
Economic Development in CA...

But in California, economic development is often defined in practice as land use policy in pursuit of tax revenues...

“fiscalization of land use”
Where does local government get money to provide services?

http://worcesterherald.com/category/property-taxes/
In CA, property taxes limited by...

Prop 13

Tax bill = tax rate x assessed value of property

- Fixed at 1%
- Can only go up by 2% per year if ownership does not change

Taxes to city = 15% of total tax revenues

Set by state
In CA, sales taxes limited by... Voters

Increase in local sales tax requires 50% approval by voters for general purpose, 2/3 approval for special purpose.
“fiscalization of land use”

Can’t increase tax rates but can increase tax base – tax-generation of development:

– Sales tax: Encourage businesses with big sales
– Property tax: Encourage more valuable development...
“fiscalization of land use”

Tax revenues vs. cost of providing property with public services...

– e.g. **shopping center**: lots of property tax, sales tax – but few service demands

– e.g. **residential subdivision**: little property tax, no sales tax – but lots of service demands
# Development Types

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<th>Infill Development</th>
<th>Greenfield Development</th>
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<td>“Smart Growth” design</td>
<td>Best but hard!</td>
<td>?</td>
</tr>
<tr>
<td>“Sprawl” design</td>
<td>?</td>
<td>Worst but easy!</td>
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Redevelopment
Redevelopment

“A financial tool designed to facilitate real estate investment in targeted areas”
- Fulton & Shigley

*economic development vs. growth management*
Redevelopment ∈ Economic Devt

Economic Development = encourage growth

Redevelopment = encourage growth in old places

growth management application = encourage growth inward rather than outward
CA Community Redevelopment Law (CRL)

- Enacted in 1945 to eliminate “urban blight” conditions created by decades of depression, war, and neglect
- Enabled city (or county) to create a “Redevelopment Agency” for specified redevelopment area:
  - Tool 1: Acquire property by eminent domain
  - Tool 2: Create tax-increment financing districts

- Eliminated February 1, 2012 (AB 1 X 26 of 2011, + court decision, + “clean-up” legislation)
Urban Blight

Must focus on neighborhoods where blight is so bad that “it constitutes a serious physical or economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.”

?
Blight=?

- existence of buildings that are **unsafe or unhealthy** to live or work in,
- factors that prevent economically viable use of buildings,
- subdivided lots that are irregularly shaped and undersized and under multiple ownership,
- depreciated or stagnant property values,
- abnormally high business vacancies,
- abnormally low lease rates,
- high turnover,
- abandoned buildings or excessive vacant lots,
- the lack of necessary commercial facilities (e.g., grocery stores),
- residential overcrowding,
- an excess of bars and liquor stores
- a high crime rate that constitutes a serious threat to public safety and welfare.

*Room for interpretation...*
San Jose Redevelopment Agency

What counts as blight?

“The SJRA's Downtown program is modeled after the San Jose of 1900-1950 - a 24-hour city where people lived, worked, and shopped. Today's Downtown is a thriving urban center, offering an amalgamation of cultural, professional, and residential amenities.”

2005 court case ruled that 30 acres declared “blighted” without sufficient evidence.

Source: http://www.sjredevelopment.org/downtown.htm
Question: Any blight in Davis?
Why would cities do this?

• Tool 1: Eminent Domain
• Tool 2: Tax-Increment Financing

Abolishment of redevelopment agencies makes this harder to do, but not impossible.

Misuse of these tools helps to explain why Brown wanted to abolish redevelopment agencies.
Tool 1. Eminent Domain

• Power of government to appropriate private property for its own use without owner’s consent, based on 5th Amendment:
  – “Just compensation”
  – “Public use”

• “Condemnation” is act of government exercising its right of eminent domain

  *physical taking (vs. regulatory taking)*
Eminent Domain Use

Traditional Use: acquire land for public projects like freeways...
Eminent Domain Proceedings

- Notifications
- Appraisals
- Case filed in court
- Settlements, or trial

King’s Arena in Sacramento
Court approved use of eminent domain
April 2014

http://www.eminentdomainlaw.net/procedures.php
“Chinese developers are said to call such properties nail houses, as they liken them to stubborn nails that can't easily be hammered into wood. People in the country have had stronger property ownership protections since 2007, increasing the potential for conflict.”

A partially demolished nail house in Rui'an, China

A nail house sits in the middle of a road under construction in Nanning, China
A three-storey nail house in the middle of a road in Luoyang, China...

Before and after - excavators tear down a five-story apartment block in the middle of a newly-built road in Wenling, in eastern China.

Eminent Domain Use

Use in Redevelopment:

– Reassemble multiple parcels of land under single ownership

– Sell new larger parcel to **private developer** at a loss as incentive for development
Fort Trumbull Work Plan

“One of the biggest and most exciting developments in New London’s history is well underway in the Fort Trumbull area of the city. The 90-acre peninsula surrounding the historic Fort Trumbull on the Thames River shoreline is being redeveloped into a vibrant commercial and residential area that will be an ‘anchor’ for a new and improved New London. The successful completion of the Fort Trumbull Project will lead the way for the New London Development Corporation to achieve our goals of a higher tax base, more jobs, and a higher quality of life for all who live and work in New London.“

Source: http://www.nldc.org/business/fttrmbll.htm
LITTLE PINK HOUSE
A True Story of Defiance and Courage

JEFF BENEDICT
Kelo vs. New London
what constitutes “public use”?

"concern for the economic welfare of New London."

“stop the use of eminent domain to take away their most sacred and important of possessions: their homes.”

**NLDC- Purpose**
The New London Development Corporation (NLDC) is committed to creating public-private partnerships that act as an engine for economic development in New London. The goals of this private, not-for-profit organization are to increase the city's tax base, to promote an increase in the number of jobs available in the city and to enhance the quality of life for New London's residents.

Susette Kelo received notice of condemnation from the NLDC (New London Development Corporation) the day before Thanksgiving 2000.

Kelo vs. New London
what constitutes “public use”?

2005 Supreme Court Decision

_Held:_ The city’s proposed disposition of petitioners’ property qualifies as a “public use” within the meaning of the Takings Clause. Pp. 6–20.

(a) Though the city could not take petitioners’ land simply to confer a private benefit on a particular private party, see, _e.g._, _Midkiff_, 467 U. S., at 245, the takings at issue here would be executed pursuant to a carefully considered development plan, which was not adopted “to benefit a particular class of identifiable individuals,” _ibid_. Moreover, while the city is not planning to open the condemned land—at least not in its entirety—to use by the general public, this “Court long ago rejected any literal requirement that condemned property be put into use for the . . . public.” _Id._, at 244. Rather, it has embraced the broader and _more natural interpretation of public use as “public pur-
pose.”_ See, _e.g._, _Fallbrook Irrigation Dist. v. Bradley_, 164 U. S. 112,
How do planners feel about Kelo?

• Importance of planning as basis for use of eminent domain, BUT...

• Challenge of protecting the little guy from big business...

• Potential backlash from property rights groups...
"Eminent domain is an absolute necessity for a country, for our country. Without it, you wouldn't have roads, you wouldn't have hospitals, you wouldn't have anything. You wouldn't have schools, you wouldn't have bridges. You need eminent domain," Trump said.

Source: http://www.eenews.net/eedaily/2016/02/08/stories/1060031937
“Cities have the right to condemn for the good of the city,” Trump told ABC News. “Everybody coming into Atlantic City sees this terrible house instead of staring at beautiful fountains and beautiful other things that would be good.” Trump wanted to build a limousine parking lot — not fountains — on Coking’s lot.
Eminent Domain Use

Use in Redevelopment:

– Reassemble multiple parcels of land under single ownership
– Sell new larger parcel to *private developer* at a loss as incentive for development

*But where to get the $$$$!!!*
Tool 2. Tax Increment Financing

A way for redevelopment to pay for itself:
Future growth in property tax revenues generated within redevelopment area used to finance redevelopment program itself, through bonds.
Bonds...?

A way for governments to borrow money: a “loan” from investors, paid back at the end of the loan period with interest payments along the way.

See: [http://www.investopedia.com/terms/m/municipalbond.asp](http://www.investopedia.com/terms/m/municipalbond.asp) for a helpful video explanation!
Tax-Increment Financing

1. City sells bonds, gets $$$
2. City spends $$$ in redevt area
3. Property values go up, tax $$ go up
4. City uses new tax $$ to pay off bonds
Tax Increment Financing Implications

In CA, city gained control of property tax revenues otherwise split with other jurisdictions:

- **Normally:** 15% to city, 25% to county
  - Most goes to school districts, special districts
- **Redevelopment:** originally 100% to city
  - 1993 legislation established new requirements:
    - 25% pass through to county and school districts
    - 20% set aside for low- and moderate-income housing (on-site or 2x off-site)

55% vs. 15% for city BUT less for school districts, others...
Rationale for Killing Redevelopment

- Up to 12% of property tax revenues diverted to redevelopment agencies - $1.7 billion each year
- State had to compensate schools for money diverted

STOP THE STATE’S REDEVELOPMENT PROPOSAL
PROTECT LOCAL JOBS AND THE ECONOMY
Will tax revenues grow as much if we don't make these investments?

Will anyone still want to build affordable housing?

Source of Data: State Controller, Community Redevelopment Agencies Annual Report, 2007-08, State Total; Table 4; Figure 9; and Figure 16.
Davis Redevelopment Agency in 2011:
$14.07 million = property taxes paid within RDA’s boundaries
$7.58 million = amount kept by city
$2.61 million = amount city would have kept without RDA

Pole Line overcrossing
Richards Boulevard improvements
5th and G theater/office/parking structure
1st and F theater/parking structure

Bike tunnel

Train station

Hundreds of affordable apartments
Historic City Hall (Bistro 33) improvements
Tank House relocation and Mishka’s Café site
2nd and 3rd Street pedestrian improvements

http://www.davisenterprise.com/forum/opinion-columns/redevelopment-agency-is-good-for-davis/
Importance of Redevelopment

“There is simply no other planning tool in California that gives local governments such sweeping power to operate pro-actively.”

- Fulton, 1999

417 Redevelopment agencies in California!
772 Redevelopment projects!

Dissolved as of February 2012
Importance of Redevelopment

“In all of California planning, there is no more controversial tool than redevelopment. There is also no tool whose future is cloudier.”

- Fulton & Shigley, 2013
Redevelopment Now?

• “Dissolution” of redevelopment agencies...
  many projects left in limbo

• Search for other sources of funding...
  more next time

  ▪ Enhanced Infrastructure Financing Districts (EIFDs)
  ▪ Community Redevelopment Investment Authorities (CRIAs)

Santa Barbara Plaza in South LA
Some examples...
Downtown Pasadena

Source: http://www.cityofpasadena.net/planninganddevelopment/development/redevelopment.asp
Fresno’s Fulton Mall
Lancaster BLVD

See http://www.theblvdlancaster.com/index.php
Some other related concepts...
Community Development Corporations (CDCs)

• What they are:
  – Non-profit organizations formed by residents, small business owners, congregations and other local stakeholders in low income communities
  – Goal is to affordable housing and job creation for community residents; may provide social services

• What impact they’ve had:
  – 4,600 CDCs across the United States in 2010
  – 96,000 units of affordable housing per year
  – 75,000 jobs per year

Seattle’s Rainier Valley

Rainier Court Project
3700 Rainier Avenue South
Seattle WA

Source: http://www.seedseattle.org/development/current/index.htm
Suburban blight?
“Regeneration” in Europe

Paris Rive Gauche

“Regeneration” in Europe

London Docklands

“Regeneration” in Europe

Hammerby in Stockholm

https://www.wien.gv.at/stadtentwicklung/veranstaltungen/ausstellungen/2012/stadtbauen/20120223-stockholm.html;
https://www.flickr.com/photos/bessmert/3606496403
Review: Key Concepts

• Economic Development
  – Fiscalization of land use

• Redevelopment
  – Blight
  – Eminent domain
  – Tax-increment financing
For Thursday

• Next up: Matching growth and infrastructure
• Do your readings!
• Start thinking about your white paper topic!
### White Papers

A problem/challenge cities are currently facing

A strategy that cities are currently considering/adopting

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<td>Abandoned houses</td>
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<td>Reliance on fossil fuels</td>
<td>Monster homes</td>
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<td>Climate change impacts</td>
<td>Desire for cul-de-sacs</td>
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<td>Poor pedestrian environment</td>
<td>Unaffordable housing</td>
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<tr>
<td>Poor bicycling environment</td>
<td>Decaying housing stock</td>
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<tr>
<td>Too much school-area traffic</td>
<td>Urban gentrification</td>
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<tr>
<td>More big box stores</td>
<td>Racial segregation</td>
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<tr>
<td>Empty big box stores</td>
<td>Income segregation</td>
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<tr>
<td>Pop-up businesses</td>
<td>Aging population</td>
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<td>Food “deserts”</td>
<td>Growing immigrant population</td>
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<td>Food trucks</td>
<td>Inadequate parks and open-space</td>
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<td>Proliferation of chain stores</td>
<td>Persistent crime problems</td>
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<td>Decaying strip malls</td>
<td>Urban challenges for women</td>
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<tr>
<td>Too much impervious cover</td>
<td>Urban challenges for persons with disabilities</td>
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<tr>
<td>Too little tree canopy</td>
<td>Traffic impacts in low-income areas</td>
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<tr>
<td>Abandoned industrial sites</td>
<td>Environmental hazards in low-income areas</td>
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<tr>
<td>Lots of vacant lots</td>
<td>Many others!</td>
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