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Redevelopment agencies, until their abolishment in early 2012, were a popular mechanism for city and county governments in California to increase revenues. Property tax increment financing allowed local governments to subsidize the development of sales-tax producing businesses, redevelop downtowns, and fund affordable housing projects. Redevelopment had long been a source of controversy and the target of state-takeaways during economic downturns. This study analyzes revenue histories and economic development strategies for three mid-sized Southern California cities (Gardena, Diamond Bar, and Chino Hills) that did not have redevelopment agencies. Findings are contrasted with neighboring cities that had redevelopment agencies. This study fills in a gap in the literature about the effectiveness of tax increment financing.

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Tax increment financing (TIF) has been a popular mechanism for local governments to engage in economic development activities. TIF originated in California and was the cornerstone of local redevelopment agencies (RDAs), which used increment financing to subsidize the development of sales-tax producing businesses and to redevelop downtowns. Redevelopment also allowed cities to make up losses in revenues by retaining a higher proportion of property taxes at the expense of school districts and other governments. The large-scale projects and diversion of property tax revenues drew controversy and led to state government takeaways during economic downturns. Ultimately, the California state legislature passed legislation to require RDAs to either make large payments to the state government or abolish their redevelopment agencies; a California Supreme Court decision in early 2012 struck down the payment provisions, thereby requiring the dismantling of all redevelopment agencies in the state.

With the large number of government-owned properties and debt issued by redevelopment agencies, it will decades before RDAs are completely abolished. There has been follow-up legislation to clarify which types of projects will be allowed to be funded through completion. There is some interest in eventually restoring a more limited form of TIF, but there appears to be limited support in the state legislature for immediate action and opposition by the current governor, Jerry Brown. Therefore, local governments that had redevelopment agencies

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need to develop new economic development plans and strategies that do not rely on TIF at the same time they are winding down current projects.

Research findings on the effectiveness of TIF are limited in spite of its widespread adoption in the United States. In particular, there is a lack of research on the types of cities that have not utilized this tool. This paper begins with an overview of TIF and a review of studies about its effectiveness. Next, the California form of redevelopment is explained and a policy history presented. The research methodology is then described. Analysis of the characteristics of cities in Southern California that did not establish redevelopment agencies and case studies follow.

Tax Increment Financing in the United States

Tax increment financing (TIF) has gained near universal adoption in the United States. A handful of states adopted some form of TIF in the 1950s and 1960s, before the practice spread to most other states in the 1970s and 1980s; nine others adopted in the 1990s and 2000s (CDFA 2007). Arizona was the sole holdout by the late 2000s, having repealed an earlier law. However, adopting a limited form of TIF appears to be on the table, as witnessed by the Arizona PIRG's 2011 review of TIF programs (Kerth and Baxandall 2011).

TIF appears to be an ideal form of redevelopment. A local government provides bond financing to assist with the development of low-valued properties, usually commercially-zoned areas. After development, properties are re-assessed at higher values. The increased property tax serves to pay off the bonds and to provide for public city services (Koven and Lyons 2010; Weber 2013). From a public choice or welfare economics perspective, TIF is considered a Pareto-optimal policy as everyone is better off and no one is harmed. Even if government assembles parcels for redevelopment by purchase or eminent domain, the Kaldor-Hicks criterion is satisfied as previous property owners are compensated and there is a net benefit (Stokey and Zeckhauser 1978; Weimer and Vining 2005).

As the Council of Development Finance Agencies (CDFA 2007, 9) advocates, TIF is "most effective and least controversial" when it is targeted towards properties with severe blight, and funding goes primarily to infrastructure construction and environmental cleanup. The CDFA (2009) also recommends that governments carefully plan and analyze prospective uses of TIF, be transparent through community engagement and education, and establish strong accountability mechanisms. The Arizona PIRG's review of TIF concluded that TIF districts should be "targeted and temporary" (Kerth and Baxandall 2011, 15).

TIF in practice has often departed from the ideal and become more complicated. Along with other economic development incentives, there has been a tendency to offer almost all prospective commercial development subsidies or incentives. In the 1990s, more cities connected incentives to performance measures, but there is also some evidence that more fiscally stressed cities were still being overly generous with incentives (Sharp 2012). The establishment of TIF districts may actually promote excessive inducements to private developers because the funding comes from future revenues rather than being seen as coming out of operating budgets (Weber 2013).

Rachel Weber (2013), a leading TIF scholar, says that tax increment revenues tend to be seen by local leaders as locally-controlled funds that are not subject to many restrictions and that issuing TIF bonds is relatively quick and easy, usually not requiring state or voter approval. It is also relatively common, as it was in California, for property tax increment to be diverted to cities from other governmental agencies, special districts, and schools. The net effect can vary, depending on contextual factors and the ability of these other governments to make up losses with other revenue sources (Weber, Hendrick, and Thompson 2008). Still, the perceived advantages for cities have resulted in TIF being routinely used for development and redevelopment projects, even though the merits of widespread use are unclear (Weber 2013; see also Farris and Horbas 2009; Briffault 2010; and Lefcoe 2011).

Obviously, tax increment from re-assessed property values really is totally free or new if diverted from other agencies and from the general revenues of the city establishing the TIF as well. Subsidizing private development that might have occurred anyway further draws funds away from public services. There also is a tendency for the availability of TIF to foster competition among neighboring cities for tax-generating businesses (Briffault 2010). Weber points out that higher-end development may drive away or shut down small businesses, actually hurting the economic vitality of a community. The use of TIF can also expose a city to risk of financial losses and repayment problems, as major economic downturns are not typically included in the original plans (Weber 2013). TIF bond rates are usually higher than other forms of municipal debt, which further magnifies potential risks and debt levels (Chapman and Gorina 2012).

Scholars have generally agreed that there are strong reasons for municipalities to favor TIF, but also conclude that its use often has lacked transparency and accountability. There is much less consensus and mixed results from studies attempting to evaluate outcomes. One study found that cities in the Dallas/Fort Worth area emphasized risk assessment or performance measurement, but not both (Bartels and Hall 2012). Another problem is the inherent difficulty of trying to measure displacement effects or what would have happened in a location without redevelopment (Farris and Horbas 2009; Weber 2013).

Recent studies have suggested that the geographical location and types of TIF districts affect whether TIF can be deemed successful. On study found that *business* property values increased in TIF districts in Wisconsin (Carroll 2008) while scholars studying *industrial* TIF districts in Chicago showed negative spillover effects on residential property values (Weber, Bhatta, and Merriman 2006). Another study of Wisconsin TIF districts found distinctions between types of land uses and TIF's impact on property values. The use of TIF for commercial uses apparently contributed to increased property values while TIF did not seem to have a positive impact on residential and manufacturing values (Merriman, Skidmore, and Kashian 2011). Another study of Illinois yielded findings that industrial TIF districts promoted job growth while commercial TIF districts apparently reduced employment (Byrne 2010). These authors also discuss the difficulties of controlling for self-selection bias: TIF districts may be applied mainly to the most promising locations where deals can be made with developers, targeted towards the most blighted areas that would not otherwise be redeveloped, or applied indiscriminately.

Redevelopment in California

In California, redevelopment agencies were the umbrella entities for TIF projects for sixty years, from 1952 to 2012. California's version of redevelopment became extremely sophisticated and varied across jurisdictions. The basic arrangements were deceptively simple and the same for either a city or county. For ease of understanding, the following is described from a city perspective. A city would establish its own redevelopment agency (RDA). Usually, the city council would do double duty as the Redevelopment Agency Board of Directors. Most RDA meetings would take place at the same time as council meetings, with its own call to order, action, and adjournment. The meetings were subject to public meeting requirements, but property tax negotiations would be conducted in closed or executive sessions. The council members could also receive extra compensation beyond their council stipends.

Project areas were then established to redevelopment blighted properties. The number of project areas and proportion of a city in redevelopment project areas varied greatly. Project areas could also be merged or reformulated, which also had the effect of extending a project area for decades longer; relatively few project areas expired or completely went away until the time the whole system was abolished. Twenty percent of tax increment returning to cities as designated as a housing set-aside for affordable housing programs, leaving the remaining 80% with the RDA. Pass-through requirements to transfer a portion of increment back to schools and other governmental agencies varied. Older project areas were not subject to pass-through requirements while newer areas had to return a minimum percentage. As another example, the City of Walnut, a suburban city in eastern Los Angeles County, had an agreement with Los County that limited its annual increment revenues.

The allocation of expenses to RDAs also became very complicated. Doing long-term projections for paying off a myriad of bonds and providing incentives to developers was just part of RDA financial management. The RDAs often became major land owners and contracted for infrastructure construction. As tax increment revenues built up over time and general fund revenues continued to be constrained, many cities attempted to maximize staffing and overhead charges charged to RDAs. Staff responsible for redevelopment activities and housing managers were just some of those funded through redevelopment funds; parts of a multitude of other city positions in other departments, including the City Manager, might be partially paid by redevelopment funds. While the part paid by redevelopment was supposed to be related to redevelopment, arguably redevelopment stabilized funding and allowed for higher service levels and staff compensation.[2]

A chronology of key legislative actions and ballot propositions related to redevelopment in California is provided as Table 1. The first community redevelopment law actually dates from 1945 as federal, state, and local governments in the United States began urban renewal programs. However, tax increment financing not added until 1952 in order to provide matching funds for federal grants. Thus, many reference sources use 1952 as the birth year of TIF.

Only 30 redevelopment agencies had been created in California by the end of the 1950s. That number was more than doubled with 49 new agencies in the 1960s and then doubled again with 106 created in the 1970s. Growth peaked in the 1980s, with an additional 153 agencies, after voters approved Proposition 13 limiting property taxes. The 1990s through the start of the Great Recession in mid-2007 saw only 62 new agencies (Steinmann 2010, 109-112). The slowdown appeared to be due to a lack of additional eligible cities, with redevelopment reforms of the early 1990s a major contributing factor, as described later in this section. During the last full year of redevelopment (2010/11), there were 427 redevelopment agencies and 743 project areas with over $5 billion in property tax increment[3]; about 80% of tax increment, or just under $4 billion, was apportioned directly to the redevelopment agencies as opposed to being passed through to other agencies (California State Controller 2012). In spite of increasing restrictions,

[2] Coomes, et al.'s lengthy text, *Redevelopment in California, Fourth Edition* provides an overview of redevelopment processes and the text of California's redevelopment law as of 2009. However, Fulton and Shigley's *Guide to California Planning, Fourth Edition* (2012) provides a more concise, understandable, and critical review, with material updated through the abolishment of redevelopment agencies.
[3] This number includes inactive agencies and those that reported no tax increment.

the percentage of all property tax going to redevelopment escalated from 2% in 1977 to 6% in 1988, 8% in 1998, and 12% in 2008 (O'Malley 2012).

[Insert Table 1 about here.]

While redevelopment was already gaining in popularity in the early 1970s, the passage of Proposition 13 by the California electorate in 1978 made the establishment of RDAs and expanding project areas more attractive. The development or redevelopment of property would trigger a reassessment, thereby override Proposition 13's cap on annual property tax increases. Sales tax also became increasingly important, which led leaders to favor large-scale retail shopping centers. With city revenues slashed after Proposition 13, the initial lack of requirements to pass-through increment to other governmental agencies also meant that cities with redevelopment agencies could maximize their share of property tax.

While the general public may not have understood the revenue shifts from redevelopment, the unchecked growth in redevelopment did not go unnoticed by the state legislature. Limits on the use of vacant land for redevelopment were tightened in 1984. The share of property tax going to city redevelopment agencies had also increased to such a degree that the state legislature directly required RDAs to make large payments to an Educational Revenue Augmentation Fund (ERAF) in the early 1990s while simultaneously adopting other takeways and shifting of revenues that had historically been designated for local government (Multari, Coleman, Hampian, and Statler 2012).

The redevelopment process itself underwent major reform with the passage of AB 1290 in 1993, which went into effect in 1994. In fact, the leading reference book on California redevelopment divides its chronology into a pre and post AB 1290 eras (Coomes et al. 2009).

The California Redevelopment Association itself was involved in sponsoring the legislation to curb some of the worst abuses of redevelopment. RDAs were prohibited from including sales tax rebates in incentive packages, a mandatory pass-through of some increment to other agencies was required, and additional vacant land prohibitions were included (Coomes, et al. 2009).

These reforms, though, did not really deal with grandfathered redevelopment projects and the pass-through requirements still diverted considerable funds to cities at the expense of other agencies (Fulton and Shipley 2012). A study sponsored by the Public Policy Institute of California projected that tax increment diversion would only decrease modestly and would actually hurt counties while helping schools (Dardia 1998). William Fulton and Paul Shigley (2012, 311) also highlight that an "anti-redevelopment industry" emerged in the 1990s, focusing initially among more libertarian interest groups and officials in Orange County where the City of Anaheim proposed a large redevelopment project around Disneyland. Chris Norby, first a city council member in the city of Fullerton in Orange County and later a county supervisor became the founding director of an anti-redevelopment organization, Municipal Officials for Redevelopment Reform (MORR) that sponsored eight editions of a white paper, *Redevelopment: The Unknown Government*, between 1996 and 2006.

As the California economy worsened, first during the dot.com bust of the early 2000s and then during the Great Recession of the late 2000s, MORR was joined by other redevelopment critics, including: more liberal political leaders concerned about developer subsidies and school founding, supporters of more transparent government, and public safety unions gambling that an end to redevelopment would eventually free up funds for more general use. The California legislature continued to try to force payments from redevelopment agencies as a Supplemental Educational Augmentation Fund (SERAF) over several years, which became mired in litigation.

Cities and the California Redevelopment Association also decided to push back through the sponsorship of ballot propositions. Proposition 1A in 2004 protected several local government revenue sources, but had a loophole for times of severe financial problems. Proposition 22 in 2010 directly prohibited several specific revenue sources, including redevelopment (Multari, Coleman, Hampian and Statler 2012). Nevertheless, the state legislature continued to creatively draft bills to take away funds and an extremely critical report by the state controller mobilized support for abolishing redevelopment itself (California State Controller 2011). Legislation passed in 2011 gave RDA the option to stay in existence only by paying extremely large payments; the early 2012 California Supreme Court decision, *California Redevelopment Association v. Matosantos,* voided the pay-to-play option, forcing RDAs to disband.

With the end of redevelopment agencies in California, there is an opportunity to reflect on whether cities that did not have redevelopment were as successful as those that did have redevelopment agencies. There also is an immediate need to evaluate whether the cities without redevelopment agencies have used economic development strategies that can be adopted by others as best practices. In order to determine whether these cities are appropriate examples, it is necessary to evaluate whether these cities were similar to others that did have redevelopment agencies. Were they already advantaged and did not need redevelopment? Were they limited by pre-existing community features that made them ineligible for redevelopment? Was it more happenstance or unique political factors that led some city councils to decide against pursuing redevelopment? To the best of our knowledge, there has not been previous research on the characteristics of cities that have not implemented TIF when it was available.

Methodology

With this exploratory study, we chose to start with Los Angeles County and its four surrounding counties in Southern California (Ventura, Orange, Riverside, and San Bernardino Counties). Using the final financial reports filed with the California State Controller before redevelopment was abolished (Fiscal Year 2010/11), we begin by identifying the cities that did not have active redevelopment agencies and conducting a basic review of community characteristics. Incorporation year provides an indication of whether restrictions adopted in 1994 and the increasingly hostile environment for redevelopment in the 2000s limited new adoptions. We also examine population size and median household income, as proxies to identify cities that may not have had blighted areas and to also flag cities for more in-depth case studies.

We identified only two cities in Los Angeles County that had populations over 50,000 and did not have redevelopment agencies: Gardena and Diamond Bar. Gardena, as a relatively low income city is the major focus of this paper. We present a history of its failed attempts to adopt redevelopment and its economic development challenges and opportunities; we also include a sales tax revenue comparison with the City of Carson, using data from the Rand Corporations's RAND-California database. We also include preliminary discussion on Diamond Bar and its neighboring city, Chino Hills, which was the only city in San Bernardino without redevelopment. We finish with a sales tax comparison of the two cities and the City of Chino.

Southern California Cities without Redevelopment

The Southern California region, including Los Angeles and its surrounding counties, has 184 incorporated cities, 38% of the 482 cities in the state. The percentage of those with redevelopment agencies is near the state average, at 81%. A total of 35 cities did not have active redevelopment agencies as of the late 2000s, as shown in Table 2. (A list of cities with redevelopment, including year of establishment and number of project areas is shown as Appendix A.)

[Insert Table 2 about here.]

To the north of Los Angeles, all ten cities in Ventura County had redevelopment agencies well before the reforms of the early 1990s; the county government established its own agency later and a separate authority was created in the late 1990s as the former Camarillo State Mental Hospital was transformed into California State University, Channel Islands.

Nineteen of 88 cities (22%) in Los Angeles County did not have active redevelopment agencies as of the late 2000s. These cities fall into three main categories: smaller, residential enclaves; newer cities; and relatively affluent communities (coastal cities and Beverly Hills). The City of Gardena stands out among this group, as one of the only city without redevelopment to have a population of over 50,000 and be relatively low income (median household income of $46,961). Diamond Bar is only other city with a population over 50,000 not to have redevelopment, but is relatively affluent with a median household income of $90,153.

In spite of the heart of redevelopment opposition being in Orange County, only ten of 34 cities (29%) did not have a redevelopment agency. The cities without redevelopment agencies fell into similar categories as those in Los Angeles County, although it is notable that two communities, Laguna Niguel and Newport Beach, both had populations well over 50,000. Newport Beach, in particular, seemed to be a prime candidate for redevelopment as an older city (incorporated 1906) with a population of over 85,000. At the other extreme, though, is the City of Laguna Woods. With a median household income of just over $35,000, it might appear to be a low-income community in need of redevelopment. The reality is that most of the city is a gated, senior community formerly known as Leisure World; the average age is 78 and a full range of amenities are offered to residents (City of Laguna Woods 2013).

In fast-growing Riverside County, the five cities out of 28 (18%) that did not have redevelopment included all of the cities incorporated in the late 2000s plus the City of Canyon Lake, incorporated in 1990. (Riverside County cities incorporated in the same time frame as Canyon Lake did have redevelopment agencies). It should be noted that Jurupa Valley only incorporated in July 2011 and there were pre-existing county redevelopment project areas within its city limits. As of 2013, Jurupa Valley was staffed solely by contract employees and was struggling to remain viable after a state takeaway of its major revenue source, vehicle license fees.

San Bernardino County, also in the Inland Empire, only had one city out of 24 (4%) without an active redevelopment agency. Chino Hills had county redevelopment for an older residential area prior to its incorporation as a city in 1991. However, it was not really eligible to develop its own redevelopment program since it had very little flat land available for commercial development; the City didn't meet requirements related to blight and certainly would have later run into restrictions against use of vacant land. Nevertheless, it is a good comparison case because Diamond Bar is adjacent to the west and the City of Chino, with similar population size and a redevelopment agency, is adjacent to the east.

Case Study: The City of Gardena

Gardena, a suburb of Los Angeles 15 miles south of the city core, now bears little resemblance to a garden or its agrarian roots. Once renowned for its strawberries in the 1930s, the city's current claims to fame may be its two major casinos and the four freeways that bound it – the latter a point of pride embodied by Gardena's slogan "Freeway City." City leaders now desire to position Gardena as a 'City of Opportunity', envisioning it as "one of the most desired communities in which to live, do business, work and play" (City of Gardena 2009, 7). With Gardena situated in the shadows of larger, more affluent South Bay cities to the west and struggling South Los Angeles cities to the east, actualizing the City of Opportunity may just be a considerably tall order for the nearly 6-square mile suburb. Gardena has never enjoyed the economic benefits of redevelopment, its citizens voting against redevelopment efforts a total of three times. Gardena could be well positioned for the post-redevelopment future, but also it may have fallen irreparably behind its neighboring cities that had RDAs.

City Profile

Gardena has much more work to do to live up to its bold vision. Housing is plentiful (see Figure 1), with the city dedicating 44% to it, of which 68% is zoned for low-density houses (City of Gardena, 2005 7). However, houses in South and Southwest Gardena (closer to the coast and South Bay areas) are well kept, newer, and modernized in comparison to older, less maintained homes in North and Northeast Gardena (South L.A. areas). Further, the perception of increased crime activity seems to be more prevalent in North and Northeast Gardena as evidenced by a preponderance of window bars.

Business opportunities follow the same pattern. According to the Gardena Land Use Plan, Gardena appears to prioritize industry on the South LA side of the city, with a large industrial bloc in the economically depressed area north of the Rosecrans Blvd arterial. Meanwhile, two large thriving commercial areas surround the Redondo Beach and Artesia Blvd arterial streets, the latter further buttressed by a younger vibe and newly constructed mixed-use, green housing. City leaders hoped redevelopment would jumpstart commercial investment in the north and along the city to finally capitalize on the heavy traffic flow along the Rosecrans thoroughfare. But with redevelopment rejected by voters in 2004, the balance of commercial activity has yet to be realized.

Gardena also seems to be an entertainment desert. Despite a decent parks and recreation program, green space and recreation facilities are lacking for the city of nearly 60,000 residents (USC Center for Economic Development, 2002, p. 61). Also, despite cultural diversity and strong cultural exposure opportunities by the thriving Japanese community, most residents would need to travel outside city limits to access arts, theatre, cuisine, and culture. The city is home to one movie theatre and a bowling alley, but lacks the attractive entertainment, recreation, and social opportunities afforded by nearby beach communities.

Attempts to Establish Redevelopment

Gardena's first economic driver was farming. Situated in the once lush Gardena Valley, Japanese farmers were central to the city's success as a farming community, growing strawberries and apples. Gardena's thriving farms earned the area the distinction of being the "berry capital of Southern California" (Gardena Heritage Committee, 2006, p.7). By the time the communities of Gardena, Moneta, and Strawberry Park incorporated into the City of Gardena in 1930 to fend off annexation by the City of Los Angeles, strawberry crops had lost their dominance. In 1936, Earnest Primm opened the first California card club in Gardena, exploiting a loophole in California's ban on gambling (Normandie Casino, n.d). This move paved the way for other card clubs to open — an economic boon for the fledgling city, using card club licensing fees to shoulder much of Gardena's operating costs (Normandie Casino, n.d.). As the city slowly expanded north from its downtown core situated around Palm Avenue (later Gardena Blvd), it gradually transformed its rich farmland into homes, businesses, and industry (Lee 1974, CS1).

By the 1950s, industry rendered the city unrecognizable from its agrarian roots and joined gaming as Gardena's economic engine (Gardena Community History, n.d). Because of its proximity to the ports of Los Angeles and Long Beach, Gardena was an excellent site for light manufacturing and aerospace companies (Gardena Community History, n.d.). Freeway construction in the 1960s spurred industrial investment. By the mid-1970s, however, Gardena faced budget woes due to inflation and critical budgeting errors ("Gardena Council," 1974). Further, Gardena was beginning to see growing blight in the north part of the city along with the negative environmental impact of industry (Lee, 1974, pp. CS1). Observing the success of redevelopment agencies in surrounding South Bay municipalities, Gardena established a redevelopment agency in November 1974 ("Council Resolves Redevelopment," 1974, pp. CS2; Lee, 1974, pp. CS1), but was met with immediate opposition.

While residents had various concerns, from increased taxes to the capacity of the part-time council to double as members of the redevelopment agency, the primary fear of residents was that eminent domain would result in the demolition of homes and displacement of families (1974, pp. CS1). This was of particular concern to Japanese-American residents whose lands were seized and who had to suffer through the trauma of internment during World War II. There was also a racist sentiment to some residents' concerns about the building of apartments, believing that it would allow "low income minority families, not living in the city… [to be] eligible for dwellings through subsidies" (1974, pp. CS1). Despite the polarizing nature of redevelopment, the council approved the agency in November. An immediate response by Gardeneans led to the gathering and submission of petitions within a month of the ordinance's passage, forcing the council to rescind the ordinance or put the issue to a vote. By January, the council reneged on their push for redevelopment ("Citizens Group," 1975, pp. CS1). Despite acquiescing to its residents, the Council did not lay redevelopment to rest for too long.

Two years later, armed with a new strategy, Gardena launched its second attempt at redevelopment. There were , dual goals: to assuage fears of the city seizing and destroying homes and focus solely on industry (Wolinsky 1977, CS3). The focus on industry was in recognition that Carson and Hawthorne had effectively leveraged redevelopment to create malls, and Gardena was no longer in a position to compete commercially (Wolinky 1977, CS1). Despite the change in tactics, residents, many of which were concerned that redevelopment required affordable housing would create slums in the city, effectively petitioned the ordinance ("New Panel" 1977, CS1). Instead of acquiescing to petitioners this time, the council allowed the issue to be determined by residents at the polls. Redevelopment was killed again in November 1977, seven months before the statewide passage of Proposition 13 limiting property taxes and before the peak in redevelopment growth.

Without redevelopment, Gardena maintained its traditional "pay-as-you-go" philosophy and used general city funds to front the money required for tax incentives to spur redevelopment (North-Hager 2004, A1). And while this philosophy would serve Gardena well for more than a decade, by the early 1990s, a fiscally secure Gardena would seek to diversify its economic development using bonds to fund two novel but risky programs rather than utilizing the more well-understood TIF bonds used in redevelopment.

Gardena established a first time home buyers loan assistance program (1992) and a mutual municipal insurance company (1993). Despite its innovation, both moves to stimulate economic development cost the city dearly. Its first time homebuyers loan assistance program was the first one sponsored by a California city and was ironically adopted by other cities as a way of spending affordable housing funds accumulated through redevelopment. Gardena's program was initially popular, drawing people of "middle- and upper-income" (Willis, 1993, p. Metro 3).

Following up, Gardena's second foray in novel economic development was the creation of its own insurance company, a first in the nation. Gardena aspired for its Mutual Municipal Insurance Company (MMIC) to offer California cities a viable option to the popular municipal insurance pools as well as a share in its company. Despite early optimism for generating income for the city, MMIC was unable to successfully challenge the insurance pools and market saturation (Becerra 2005, Metro B1), drawing in very few clients. But instead of dissolving the company and recouping any available funds, the city cited business growing pains, refinanced its loan in 1995 and in 2000 entered the worker's compensation market (Becerra 2005, MetroB1).

Further complicating matters, Gardena incurred a $5.2 budget deficit in 1998, at the end of an economic recession. The city took four years to balance its budget, ending fiscal year 2001/02 with a million dollar surplus (City of Gardena, 2012). Despite an apparent return to fiscal stability, the city faced a $26.2 million dollar repayment in 2004 (Issacs 2003, A3). Despite this, Gardena held out for one final experiment.

In 2003, the Gardena city council voted to create a redevelopment agency. The primary city council arguments for redevelopment were lost income due to the lack of economic development and blight along the busy Rosecrans Avenue thoroughfare and the success of neighboring South Bay cities with redevelopment agencies. One council member went so far as to Gardena as "the hole in the doughnut of development" and the city you pass "on the way to Carson and Inglewood" (North-Hager 2004, A3). Armed with the tools of redevelopment, council members believed that they could rejuvenate ailing areas in the city, particularly north of the Rosecrans arterial, assembling the land and incentives necessary to attract developers, generate income, and develop a stream of funding that would pay down the $26.2 million in debt.

In light of the two recent municipal project failures, detractors were skeptical and formed a group whose name spoke to its skepticism: No GRAB (Gardena Redevelopment Agency Boondoggle). No GRAB acquired the requisite signatures for the Council to make the choice to rescind the redevelopment ordinance or take it to the voters. For the second time, the Council opted for a citizen vote (Issacs 2003, A3). Leading up to November 2004 vote, the pro-redevelopment campaign outspent the No GRAB anti-redevelopment campaign. While the supporters of redevelopment emphasized optimism, opportunity, and the need for new funds to pay down the debt, No GRAB cited Gardena's traditional "pay-as-you-go" philosophy, the city's success at bringing thriving commercial development along Redondo Beach and Artesia Boulevards, and the two failed municipal projects of the 1990s (North-Hager 2004, A3; Issacs 2003, A3). No GRAB mail outs highlighted the problematic nature of eminent domain, highlighting the still palpable trauma of Japanese internment and forcible land seizure ("No GRAB, n.d.). Despite being outspent 5 to 1, redevelopment was crushed 2 to 1 at the polls. With the end of redevelopment in 2012, Gardena's third attempt at redevelopment was also its last.

Despite the municipal project failures and the lack of a redevelopment agency, Gardena's economic development since the 1998 has been on a slow, but steady pace forward. Gardena boasted a $9.2 million dollar reserve fund by the end of fiscal year 2010/11, had settled its $26.2 million bond debt, and improved its credit rating (City of Gardena 2011, viii, 36, 163). With better financial management and its pay-as-you-go philosophy, Gardena was able to implement several specific plans to stimulate residential and commercial development, including new gated communities of higher-end single-family and townhouses and improvements to the local Sam's Club. Artesia Corridor, the most recent 44 acre specific plan initiated in 2006, has already yielded the lucrative residential facility 1600 at Artesia Square, a self-titled "solar community in the heart of Gardena" ("1600 at Artesia Square, n.d.) consisting of modern townhomes and lofts. In addition to using specific plans as a guide for economic development, Gardena has benefitted from large government grants. Because the industrial boom from the 1950s to the 1980s left a disproportionate amount of brownfields (former industrial sites suspected or confirmed to have toxic substances in the soil) in the city, Gardena competed and has attained large federal Environmental Protection Agency grants for brownfield remediation (City of Gardena Department of Community Development 2009). Since 2000, Gardena has received over $1.2 million in funding to assist with environmental study and strategic planning for redevelopment. Successful brownfield redevelopment has led to commercial investment from such chains as Albertsons and GNC as well as the development of a LEED certified public building that houses the Gardena Transit Authority (City of Gardena, Department of Community Development 2006).

Life Outside the Donut Hole: Hawthorne and Carson

The cities of Hawthorne (to the west) and Carson (to the east) were considered as possible comparison cities with Gardena. Gardena and Hawthorne are similar sized in land area (see Table 3), while Carson is much larger. Carson makes the most of its land area, dedicating the majority of its land to heavy and light manufacturing, while Gardena and Hawthorne zone the preponderance of their land to housing. The difference between Gardena and Hawthorne's residential zoning is that Hawthorne has more high-density residential zones, accounting for the larger population in Hawthorne.

[Insert Table 3 about here.]

Carson and Gardena are most similar in terms of racial/ethnic diversity. Educationally, Carson and Gardena are similar again: Gardena possesses a higher number of HS graduates (81% to Carson's 80%) while Carson has a slightly higher number of residents with bachelors (25% to Gardena's 23%). Carson's median income, though, is substantially higher than Gardena's ($70,416 and $46,961). Despite possessing a higher number of high school and college graduates than Hawthorne, Gardena's median income is only slightly higher than Hawthorne's median $45,622. In addition to similar median incomes, Gardena and Hawthorne have poverty rates that are close to each other (16% and 17% respectively), while Carson is a low 7.8%. However, since Carson is the most similar to Gardena in terms of demographics and population size, it was selected first for comparison with Gardena.

Prior to incorporation, Carson was home to "refuse dumps, landfills, and auto dismantling plants" (History of Carson, n.d.). Long an unincorporated part of Los Angeles County, Carson finally incorporated in 1969. A relatively young city compared to its neighbors, it quickly established a redevelopment agency in 1971 and since made quick work of turning a city around that had long been the "dumping ground… of its neighbors" (History of Carson, n.d.). Two more project areas were added in 1974 and 1984; they were combined in 1996, according to State Controller Records; further changes were made in 2002 (California State

Controller 2012). Carson's property tax increment revenues from redevelopment increased from $7.8 million in 1990 to $25.7 million by 2007 (Steinmann 2010).

One of Carson's earliest redevelopment successes was the development of the Carson Mall. Gardena Major Edmond J. Russ cited the success of the Carson Mall as a push for redevelopment in 1974 (Lee 1974, Petitions Again, CS1) and the Carson mall was mentioned once again when the council changed redevelopment strategies to focus on industry in 1977, ceding commercial development to the primacy of the Carson and Hawthorne Malls (Wolinsky 1977 CS1).

Moving forward from the 1970s, Carson leveraged its redevelopment agency to draw impressive commercial business and industry to the area. In the early 1990s, Carson successfully beat out Gardena and the Harbor Gateway area of Los Angeles in landing Ikea as another anchor to the Carson Mall (Schoch 1991, Metro 3). In the 2000s, Carson brought in Nissan and Honda dealerships as well as several big box stores such as Staples and Home Depot (Carson Redevelopment, n.d). During this decade, Carson was also able to entice FedEx to create a distribution center in the city and sold office space to British Petroleum (BP) (Wotapka 2004, C2).

As with Gardena, Carson has had concerns with contaminated property, although its brownfield redevelopment has included a former landfill and its redevelopment agency activities also extended to retail and affordable housing projects (Steinmann 2010). One property under construction on a former brownfield is The Boulevards of South Bay. According to its website, the future commercial power center will "meld residential, retail, entertainment and hospitality uses" via mixed use housing, outlets, entertainment, a cinema, hotel ("The Project", n.d.; "The Boulevards at South Bay Project", n.d.).

Since the purported intent of most redevelopment projects is to promote commercial development and generate more sales tax, an analysis was done to compare sales tax per capita revenues for both Carson and Gardena from 1990/91 through 2009/10, which are all the years available from the RAND-California database. The results are shown as Figure 1. Interestingly, Carson began this time period with a little over $40/capita edge in sales tax, which was within a few dollars per capita of the difference in 2009/2010. However, Carson did have a period in the early 2000s with higher sales tax revenues when the economy was booming. If the Boulevard's project is successful and other commercial properties rebound from the recession, a larger gap between Carson and Gardena would open up again. Still, neither city can really be said to be thriving. Given the mixed land use in both cities, Carson and Gardena at best are attempting to maintain rather than really grow sales tax. Comparisons of property tax revenues, which are challenging with tax increment revenues not available in a downloadable format, will be the subject of future research.

[Insert Figure 1 about here.]

Additional Case Studies

City of Diamond Bar

The City of Diamond Bar is unusual in that there was a serious effort to establish a 1,300 redevelopment project area in the 1990s, but it was rejected by a state appellate court in 2000 in *Beach-Courchesne v. City of Diamond Bar* (80 Cal. App. 4^{th} 388). The court ruled that the