



## The “Redevelopment” Hoax

Why are so many people who are opposed to development nevertheless in favor of “redevelopment”? The short answer is that development involves decisions made in the market by large numbers of people in the general population, in their own personal interests, while redevelopment involves taking decisions out of the hands of the population at large and putting the power to make those decisions in the hands of elites.

Developers who build housing to sell to the public are the focus of many denunciations by elites in places like coastal California. But developers would not even exist if there were not vastly larger numbers of people ready to buy or rent what they build.



All these people who make the developers’ work economically viable vanish into thin air in political rhetoric that is focused on the developer and his “greed.”

The people who are against development dare not come right out and say in plain English that they want other people’s desires squashed by the government, so that the desires of the small, self-congratulatory elites can prevail, while housing prices skyrocket because of the restricting on building. If development is considered to be so bad, why is redevelopment considered to be good, by many of the same people?

Redevelopment imposes the supposedly superior wisdom and virtue of an elite on the rest of us. That is its ideological appeal to self-congratulatory elites.

Its political appeal is more mundane. By bulldozing low-income neighborhoods and replacing them with upscale malls and condos, local political leaders get more tax money into their coffers, offering more opportunities for them to do things that enhance their chances of being reelected.

A politically successful redevelopment project enables those who promoted it to show “before and after” photos of the neighborhood that has been bulldozed and replaced by shiny new buildings, tree-lined vistas and clearly upscale new housing. This is easily portrayed as a welcome new addition to the community, both aesthetically and economically.

In reality, what redevelopment does is transfer wealth from one place to another place, with no net addition to the wealth of the country as a whole. But it increases tax revenues in the local jurisdiction, which is what local politicians care about.

When money that would have been spent and taxed elsewhere is transferred into a particular jurisdiction, that is no net increase in tax revenues, or of jobs, in the country, however.

Redevelopment exports low-income people and imports high-income people — with no net addition or subtraction of either segment of the population in the country as a whole. The huge costs of



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redevelopment projects turn what would otherwise be a zero-sum process into a huge net loss for society as a whole.

Between restrictions on development and the destruction of existing low-income housing by redevelopment, low-income and even moderate-income people are forced out by high housing costs.

Often this process takes the form of ethnic cleansing. Blacks, for example, have been driven out of communities up and down the San Francisco peninsula, including East Palo Alto, which was once 61 percent black, and is today only 17 percent black.

But that 17 percent is still the highest proportion of blacks in any community in three whole counties on the San Francisco peninsula. None of the 38 other communities in those three counties has a population that is even 5 percent black.

Other segments of the population are likewise forced out by the economics of the development restrictions and the redevelopment hoax. Only 7 percent of Palo Alto's police force actually lives in Palo Alto. A fourth of them live all the way on the other side of the San Francisco Bay.

Families with children are also forced out of communities on the San Francisco peninsula, on such a scale that many schools are closing down for lack of students.

All this is a high price to pay for a political hoax. But the dozens of redevelopment agencies in California are up in arms at the suggestion that the money they get be cut, in order to deal with the state's financial crisis. Local politicians are of course on the side of these agencies, so the hoax may well continue.

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