

# spotlight

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## THE ANAHEIM SOLUTION

How N.C. cities can redevelop without using incentives or eminent domain

**KEY FACTS:** • North Carolina cities and towns can spur redevelopment of their downtowns without using economic incentives or eminent domain to seize private property to give to private developers.

• The city of Anaheim, California, adopted policies that revitalized its downtown without using eminent domain powers or economic incentives. Under the leadership of Mayor Curt Pringle, Anaheim developed a plan that relied on reducing government regulations and stimulating private-sector investment.

• Anaheim's efforts achieved results. Property values in the project area increased. New residential and commercial developments were built, and billions of dollars of private investment flowed into the area. This was all accomplished by getting government out of the way and allowing the private sector to lead the way.

• North Carolina's community leaders can revitalize their cities and towns without the use of eminent domain powers. Anaheim demonstrates that it is possible to create economic growth in urban areas while respecting citizen's property rights.

• "A Tale of Two Cities," a 10-minute video produced by the Reason Foundation, contrasts Anaheim's success with Los Angeles's abusive use of eminent domain for redevelopment; it is viewable at [reason.tv/video/show/58.html](http://reason.tv/video/show/58.html).

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hen Curt Pringle was first elected mayor of Anaheim, California, in 2002, he faced a problem common to many government officials: how to revitalize the city's central city area and create a prosperous downtown environment.<sup>1</sup> By creating economic growth in Anaheim's downtown, he hoped to bring in more jobs, provide urban housing options for all economic levels, and generate more tourism dollars for the city. But because most of Anaheim's downtown was zoned for low-intensity industrial uses, he had to find a way to transform an industrial area into a thriving urban district.

From the beginning of the project, the Mayor, along with the City Council,

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made the decision not to use eminent domain even though the US Supreme Court's 2005 *Kelo* decision had encouraged many city governments to use eminent domain powers to advance economic development.<sup>2</sup>

In the 1980s, Anaheim officials had used eminent domain in an attempt to revitalize their downtown. The city spent millions of taxpayer dollars and infringed upon the property rights of many of its citizens. The result was a disaster. The project largely failed and the dynamic urban area imagined never came to fruition. Anaheim leaders wanted to avoid repeating past mistakes. They believed that by employing free-market principles, they could create a downtown that would be an asset to the community.

Anaheim leaders first chose the area that they hoped would become their new urban core. The selected district was in close proximity to many of Anaheim's best attractions, including the Anaheim Angel's Stadium, Arrowhead Pond (home to the National Hockey League's Ducks), the Anaheim Convention Center, and Disneyland. Freeways and mass transit also were easily accessible in the area. Anaheim named the area the "Platinum Triangle." Unfortunately, this prime location was the home to many rundown industries. In order to create the economic growth they hoped for, they would have to change the character of the area dramatically.

The easiest way for Anaheim to go about its development plans would have been to designate the area as blighted and use eminent domain to seize private property and transfer it to developers. But because the City Council had taken this option off the table, it had to find creative, market-friendly ways to achieve its goals. The council's plan included the following features:

- Development initiated by private property owners
- The creation of an overlay zone
- Simplified permits and environmental impact reports
- Housing permits defined by district
- Loosened requirements that allowed greater flexibility

### **Development Initiated by Private Property Owners**

Because the city refused to use eminent domain to drive development, the desire to develop had to come from the current property owners and other private actors. The city would provide no subsidies or other economic incentives to encourage economic development. For large housing and retail buildings to be built, developers would have to negotiate with current landowners.

### **The Creation of an Overlay Zone**

In order for the Platinum Triangle project to succeed, the area had to diversify to include more uses than permitted in the largely industrial area. However, the city wanted to ensure that the new zoning laws would not conflict with the existing light industrial uses of the properties. They were able to do this by including an additional zoning layer called an "overlay zone." The overlay zone allowed new residential and commercial developments to be built next to the existing industrial properties. Existing businesses could even expand under the old zoning laws, but new and existing owners who wanted to build residential and commercial projects had to adhere to new zoning guidelines required by the overlay zone.

### **Simplified Permits and Environmental Impact Reports**

Previously, Anaheim had presented developers with many bureaucratic obstacles. By making these processes easier and less costly for developers, the city knew it could encourage greater interest in the area.

For this reason, Anaheim restructured its permit process to simplify it for developers. For example, the city made agreements with them over matters such as costs and infrastructure improvements. The city wanted to prevent the permit process from being an impediment to development.

City officials also worked to lessen the burden developers faced when creating their Environmental Impact Reports (EIRs), required by California to estimate the environmental effects of new projects on existing surroundings. Anaheim created a “broad-based EIR” so that developers would not have to prepare these reports parcel-by-parcel. Developers could save the time and money by modifying the city’s EIR based on the specifics of their development.

### **Housing Permits Defined by District**

Traditionally, cities set maximum housing capacities by parcel. Anaheim, in an effort to encourage as much high-density housing as possible, defined maximum housing capacities by district instead. They determined the amount of housing that each district could support with its existing infrastructure. Developers then could receive their housing permits as a whole rather than by parcel, easing the process and serving as another incentive for development.

### **Loosened Requirements that Allowed Greater Flexibility**

Anaheim wanted to avoid the government-imposed regulations that often hindered development. First, the city eliminated inclusionary zoning requirements that mandated that certain percentages of new housing be made affordable for low-to-moderate-income households, giving developers the freedom to choose which type of housing would be the most profitable for their projects. Second, they did not control the commercial/housing ratio, which would have forced specific uses upon developers. Rather, they permitted commercial uses anywhere within the mixed-use area with a few required commercial ground-floor areas meant to serve as pedestrian-friendly shopping and dining centers. This hands-off approach allowed developers to let the market determine the best use of land.

### **The Results Speak for Themselves**

The efforts of Mayor Pringle and the Anaheim City Council have had many positive effects. Many developers have taken interest in the Platinum Triangle owing to the freedom the city allows them. Soon after the project was created, property values in the area dramatically increased, while several developers began planning new residential and commercial projects. Economic activity has increased, while billions of dollars have been spent in private investment. Most importantly, the existing property owners in the Platinum Triangle have had the ability to do what they want with their land. A large number have sold to developers for large profits, while others have chosen to redevelop their property on their own. Still others have continued to run their businesses as before, while they enjoy the economic prosperity of the area.

Many have praised the work of Mayor Pringle and the Anaheim City Council. In an opinion piece in *The Wall Street Journal*, Steven Greenhut, columnist for the *Orange County Register* writes, “By decentralizing bureaucracies and loosening cosseted government regulation, [Anaheim] has confirmed the vitality and audacity of private enterprise. The city has made itself a laboratory for free-market thought.”<sup>3</sup> The Reason Foundation named Pringle an “Innovator in Action.”<sup>4</sup> Anaheim also received the Planning Implementation Award from the California Chapter of the American Planning Association for the Platinum Triangle’s land use plan.<sup>5</sup>

### **Addressing Concerns**

Because the project has been so successful, property values have risen dramatically, creating some dislocations. Some think that the city should do something about the fact that higher-income housing has displaced low- and mid-

income housing in the previously depressed Platinum Triangle. This change was partially due to the council's stated policy of letting consumer demand determine the type of residential and commercial units to be built in the Platinum Triangle.

While there may be a lack of low-cost housing in the Platinum Triangle, low-cost housing can be found in other parts of Anaheim and in neighboring cities. In addition, to help alleviate this problem, Mayor Pringle created the Anaheim Affordable Housing Strategic Plan. The plan calls for 1,328 affordable rental units to be built throughout the city. A minimum of one-third of these units will be available to low-income families, while another third will be available to very low-income families. Whenever low-income units are removed as part of a city project, the city promises to add the equivalent number to the next year's targeted goal.<sup>6</sup> Anaheim is also considering a density bonus ordinance to encourage low-income housing development, as well as a plan to convert former motels into residential units. While no units have yet been designated in the Platinum Triangle area, the city believes this plan will solve the affordable housing problem.<sup>7</sup>

The success of the project also has resulted in increased rents in the area. This has been good for property owners, but some small businesses have moved to other parts of the city where rents are lower.<sup>8</sup>

### **A Success Story for North Carolina**

The success of Anaheim's Platinum Triangle offers a model for North Carolina's government officials. Badly needed economic development can be achieved by understanding the principles of the free market. Eminent domain is not needed and should not be used when cities want to achieve economic growth. It is possible to see great improvements in the economic vitality of an area while still respecting the rights of property owners. Through methods similar to those utilized in Anaheim, North Carolina cities will be able to strengthen their economies without abusing their governmental powers.

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### **End Notes**

1. The information in this section is based on Anaheim Mayor Curt Pringle's "Development Without Eminent Domain: Foundation of Freedom Inspires Urban Growth," published by the Institute for Justice, June 6, 2007, [www.castlecoalition.org/publications/Perspectives-Pringle/index.html](http://www.castlecoalition.org/publications/Perspectives-Pringle/index.html).
2. Daren Bakst, "Property Rights After Kelo: North Carolina Needs a New Constitutional Amendment," *Spotlight* No. 267, John Locke Foundation, October 17, 2005, [www.johnlocke.org/spotlights/display\\_story.html?id=114](http://www.johnlocke.org/spotlights/display_story.html?id=114).
3. Steven Greenhut, "The Anti-Kelo: A heavy government hand isn't necessary for economic development," *The Wall Street Journal*, April 6, 2006.
4. Reason Foundation, *Innovators in Action 2007*, edited by Geoffrey F. Segal, July 2007, [www.reason.org/innovators2007](http://www.reason.org/innovators2007).
5. City of Anaheim press release, "Anaheim Takes State's Top Honor at American Planning Association Awards Ceremony," December 8, 2005, [www.anaheim.net/administration/PIO/news.asp?id=638](http://www.anaheim.net/administration/PIO/news.asp?id=638).
6. "Anaheim Affordable Housing Strategic Plan," updated October 3, 2006, [www.anaheim.net/article.asp?id=1142](http://www.anaheim.net/article.asp?id=1142).
7. Dave McKibben, "Scope of housing dispute broadens: Anaheim's battle over resort land use is now a debate on a city's role in mandating housing that workers can afford," *Los Angeles Times*, July 9, 2007.
8. Mathew Padilla, "Anaheim Triangle Plan Displaces, and Enriches," *Orange County Business Journal*, July 4, 2005.

### ***A video about Anaheim's success that's well worth watching***

Anaheim's successful redevelopment without using eminent domain is aptly told in "A Tale of Two Cities," a 10-minute Internet video produced by the Reason Foundation and narrated by Drew Carey, host of CBS's game shows the Price is Right and The Power of Ten. The video contrasts Anaheim's success story with the City of Los Angeles' use of eminent domain. Carey notes that LA used eminent domain to seize a popular Hollywood bar and numerous other small businesses in order to give the land to private developers planning to build a "W" hotel and million-dollar condos.

After suffering eminent domain abuse by Los Angeles, the former bar owner described eminent domain as cancer. Once you get it, "there is nothing you can do except wait around to die."

The video is available for viewing online at the following link: [reason.tv/video/show/58.html](http://reason.tv/video/show/58.html).