

# Poway is the canary in the coal mine

by Pat Flannery • October 21, 2006

If you want to take a look at a "hollowed out" city, look no further than Poway. It tops the list for "tax increment diversion" in San Diego County. See the table I prepared from data obtained from the County of San Diego Tax Assessor.

City	Total Valuation	"Increment"	%
POWAY	3,440,580,609	3,254,292,740	94.59%
OCEANSIDE	744,760,665	697,018,563	93.59%
VISTA	1,508,167,032	1,320,564,781	87.56%
SAN MARCOS	5,459,592,289	4,740,544,550	86.83%
LA MESA	253,029,064	216,550,714	85.58%
CORONADO	4,630,161,486	3,652,693,132	78.89%
ESCONDIDO	2,471,518,086	1,870,932,420	75.70%
NATIONAL CITY	1,471,077,231	1,056,972,283	71.85%
SAN DIEGO	15,002,027,668	10,705,311,980	71.36%
SANTEE	860,212,517	589,181,118	68.49%
LEMON GROVE	331,403,411	224,962,606	67.88%
EL CAJON	1,703,841,632	1,156,398,859	67.87%
CHULA VISTA	1,304,735,042	821,078,172	62.93%
CARLSBAD	544,934,276	245,132,663	44.98%
IMPERIAL BEACH	1,241,062,856	498,370,475	40.16%
SOLANA BEACH	107,001,573	30,270,183	28.29%

This means that 94.59% of all the 1% property tax collected within the city limits of Poway goes to the Redevelopment Agency, instead of to the City's General Fund. This 1% property tax is usually the largest revenue item on any city's budget, followed by sales tax.

Contrary to the big lie used by politicians to justify their creation of redevelopment projects (that redevelopment results in more property tax being "retained" by the city) not one extra penny is received by the city as a whole.

All that happens is a huge amount of essential revenue is diverted from the city's General Fund into a special fund called a Redevelopment Fund. The County Tax Assessor sends exactly the same proportion of the tax money collected in each city to that city as a whole, with or without a Redevelopment Agency.

So why do they do it? Answer: borrowing power. It increases the city fathers' ability to borrow for their favorite projects....

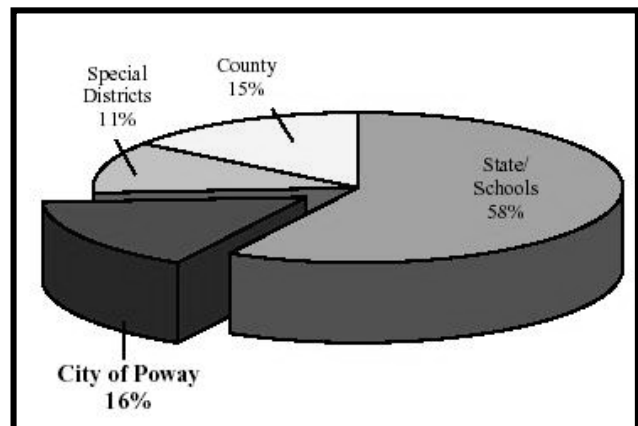
When specific revenue is earmarked exclusively to pay back a specific bond issue it becomes much more valuable as security than in a general revenue bond issue. It becomes a Tax Allocation Bond (TAB). The lender has first call on that specific tax revenue for its interest and capital payments. It's a great deal for the lender and to sweeten it even further Uncle Sam treats the income as tax free to the lender.

The problem with TIF (TAX INCREMENT FINANCING) or TABs is that they not only pledge the full faith and credit of the city's tax payers to secure private developer financing, in doing so they deprive the city taxpayers of the use of that revenue through the General Fund.

According to THE COUNCIL OF DEVELOPMENT FINANCE AGENCIES, by law, redevelopment funds cannot be used for city services. That is why it is called "tax increment diversion" and in the case of Poway it is almost 100%. The City's General Fund is gutted, hollowed out.

Here is the City of Poway's 1% Tax Revenue Pie Chart:

What they don't show you is how much of that 16% is diverted. Here are the numbers, taken from their City Budget: The Total Revenue into their General Fund



from all sources is **\$35,423,210** while the Total Revenue into the Redevelopment Fund is **\$38,774,690**.

The General Fund must finance all of the Safety Services, Planning Services, Community Services, General Engineering and the City Administration, while the Redevelopment Fund may finance any boondoggle the city fathers' hearts desire.

They are currently planning a \$500 million Town Center, a sort of Baghdad "Green Zone" where they can stroll around and fantasize that the rest of the city looks exactly like it....

.... Drive around South Poway and notice how it is looking more and more like East San Diego. All my Redevelopment predictions are taking place right there in the city of Poway. "Redevelopment" tends to create blight, not eliminate it.

The most insidious aspect of "redevelopment" is its abuse by private developers. The Redevelopment Agencies almost always team up with private developers. The taxpayers raise the capital and the developers own the projects. We have to break this public financing of private development, conducted under the guise of "redevelopment".

Poway does not have term limits so its city fathers are very entrenched. The incumbents have the enormous patronage of the Redevelopment Agency at their disposal. Challengers have an almost impossible task.

The governing Boards of the Redevelopment Agencies usually consist of the members of City Council. Anybody running for City Council in a city with 94.59% "diversion" is really running for a seat on the Redevelopment Agency Board. When that happens, as in Poway, there is no city government; the developers have hollowed it out.

I have spoken to one of the three challengers out there, Connie Messina, who understands very well what is going on. But she is up against a massive deficit of democracy. The big money interests have everything wrapped up on their side. Ms. Messina has the beleaguered South on her side, whose residents are getting madder and madder by the day at the lack of basic city services like road maintenance.....

It would be nice to see this destructive force of "redevelopment" start to reverse itself right where it has reached its most virulent expression - in the city of Poway.

There are immediate remedies at hand. A Redevelopment Agency can voluntarily transfer any and all of its diverted funds back into the General Fund, where the money can be used for general services such as road maintenance, parks, libraries etc. It is entirely up to the City Council/Redevelopment Board.

No doubt the Poway City fathers will say it can't be reversed. Yes it can! But that would be the end of their \$500 million Town Center boondoggle extravaganza. San Diego spent \$300 million on their Ballpark and nearly went bankrupt as a result. How can tiny Poway afford to go one better and survive? And who is the Poway "Moore"?

My fingers are crossed for citizen-politician Connie Messina. I hope she becomes a symbol of that reversal, whereby Southern California "***shall have a new birth of freedom -- and that government of the people, by the people, for the people, shall not perish from the earth.***" All it takes is to get out the vote for Connie. Good luck.

**ABOUT PAT FLANNERY:** Originally from Ireland, Pat Flannery was educated at London University and London School of Economics. He is a member of THE BRITISH AND IRISH ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS. Pat moved to San Diego in 1976 and has lived in Mira Mesa and Clairemont. He had a lengthy and successful career as an independent Realtor and Mortgage Broker and is now semi-retired. A San Diego community activist, Pat has worked for many years against "heavy-handed government". In addition to his blog, for which he does extensive research on local government issues, Pat writes frequently on local real estate topics. He also writes for several Irish-American publications. For further information, link to Pat's blog at: <http://patflannery.com/SanDiegoToday.htm>