

TIF: City-Saver or Sprawl-Booster?

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New Partners for Smart Growth
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Good Jobs First: Accountable Development & Smart Growth for Working Families

- Website, Tools @ www.goodjobsfirst.org
- Model Research and Publications
- Training and Speaking
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- Testimony, Legislative Analysis



Our TIF Publications

- “TIF, Greenfields & Sprawl”
- *The Thin Cities*
- *Straying from Good Intentions*
- *Another Way Sprawl Happens*
- *Protecting Public Education from Tax Giveaways to Corporations*
- Ch. 6, *The Great American Jobs Scam*

Definition of TIF

- Tax Increment Financing
 - A diversion of the future growth in one or more tax revenue streams, within a geographically defined “TIF district,” to subsidize (re)development costs in that district
 - Originally enacted to reverse physical “blight,” modeled on Progressive-era slum-alleviation ordinances



State Rules Vary

- Which tax(es) can be diverted: property, sales, gross receipts (NM), many others (NJ)
- How the proceeds can be applied: public infrastructure and/or private construction
- Duration of allowable diversion: 7 years, 15 years, 23 years, 35 years...
- TIF bonds vs. “pay as you go”



Good and Bad TIF Today

- Used as originally intended -- in targeted, limited applications
- Truly addressing “market imperfections” by bringing private capital back to otherwise disinvested areas



Good: Genesee County Mich.

- County Treasurer Dan Kildee creates land bank for abandoned, tax-delinquent homes
- Brownfield Redevelopment Authority floats \$5 million TIF bond to accelerate triage
- TIF district created, consisting of all abandoned homes in County



Good: Inner-City Grocers

- “Food deserts” plague some urban neighborhoods
- Grocers, drug stores, clothing retailers are all basic necessities and valid TIF-assisted elements of neighborhood revitalization



TIF Problems Today

- Increasingly tied to suburban sprawl
- Grossly overgrown in some states (capturing pre-occurring increment)
- Aggressive use by chains such as Cabela's, Bass Pro, Walmart, Target
- "Intergovernmental free lunch" harming public education and other public services

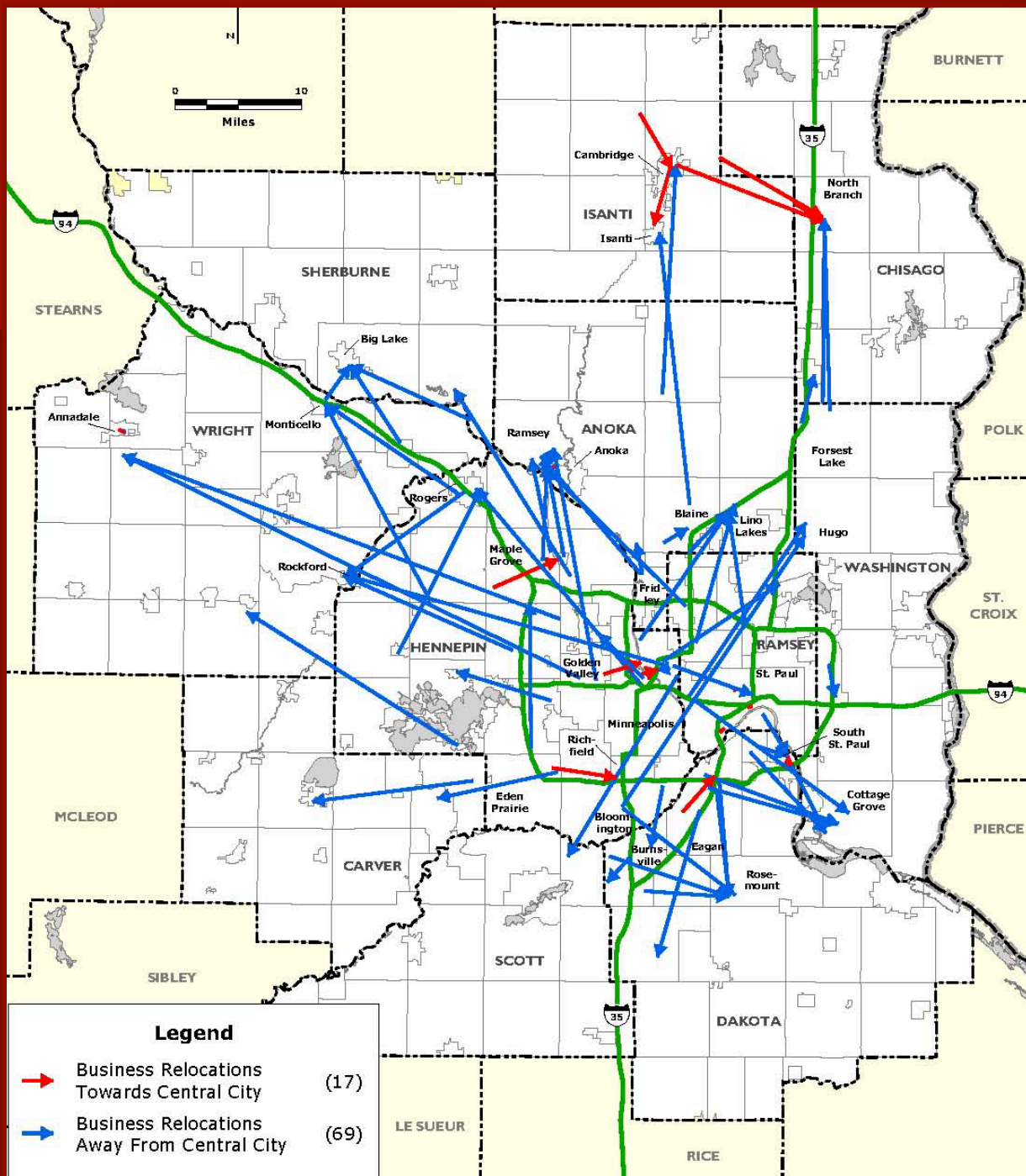
“Thin Cities” Sprawl

- “Spatial mismatch:” job creation on the fringe, under/unemployed at the core
- Fringe worksites are inaccessible via public transit, trapping central-city job seekers
- Denies all commuters a choice, fueling global warming air pollution

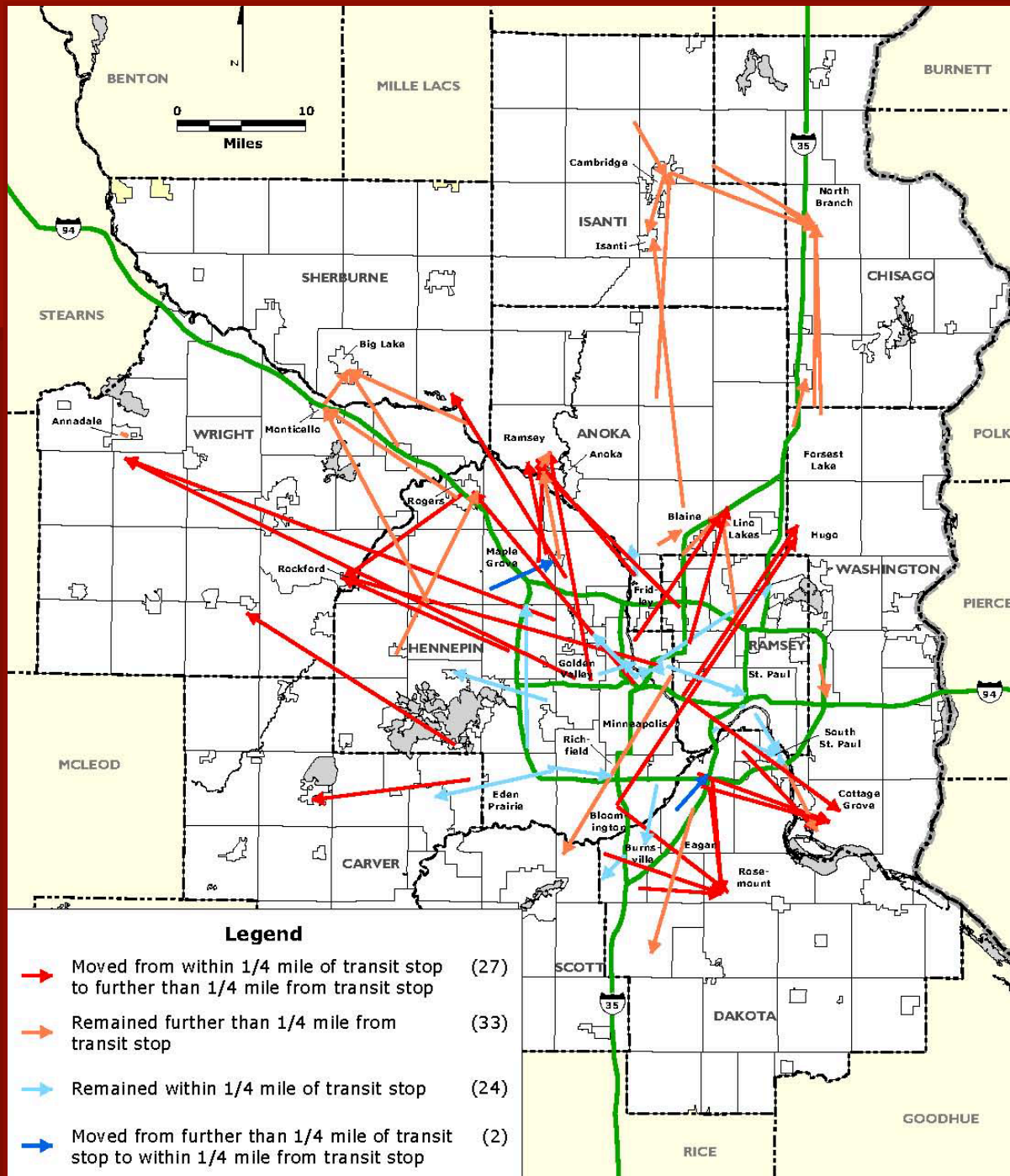


Subsidized Business Relocations (Mostly TIF)

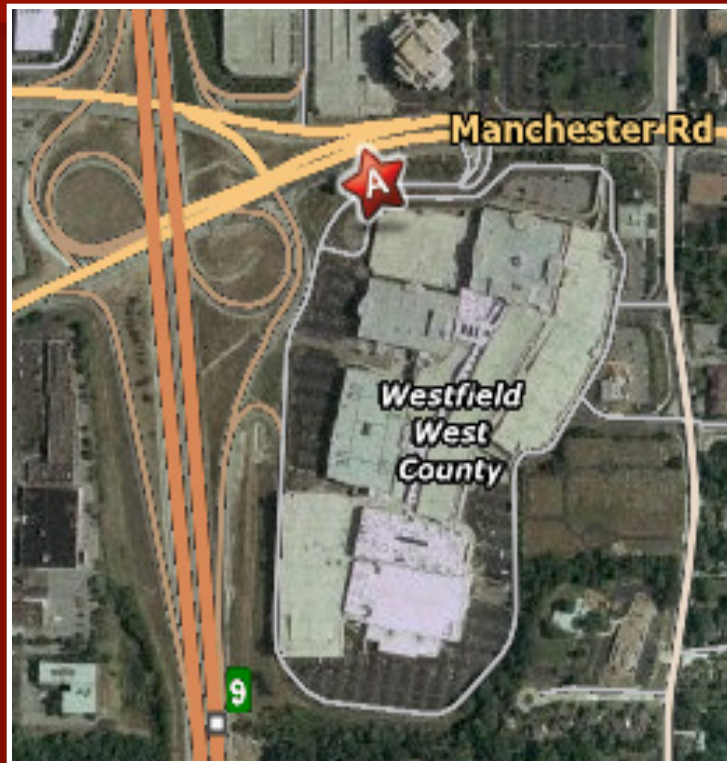
1999 to 2003



MAP 2: Subsidized Business Relocations' Access to Public Transit Stops



Missouri Retail TIFs (as school leaders scream)



Wal-Mart TIF in Orchard



A similar Supercenter in Baraboo, Wisconsin received \$2.2 million in TIF -- on a former apple orchard!

TIF for Cabela's & Bass Pro



\$ > 1 Billion and counting for the two chains, usually TIF. This Fort Worth Cabela's: \$32 million in TIF



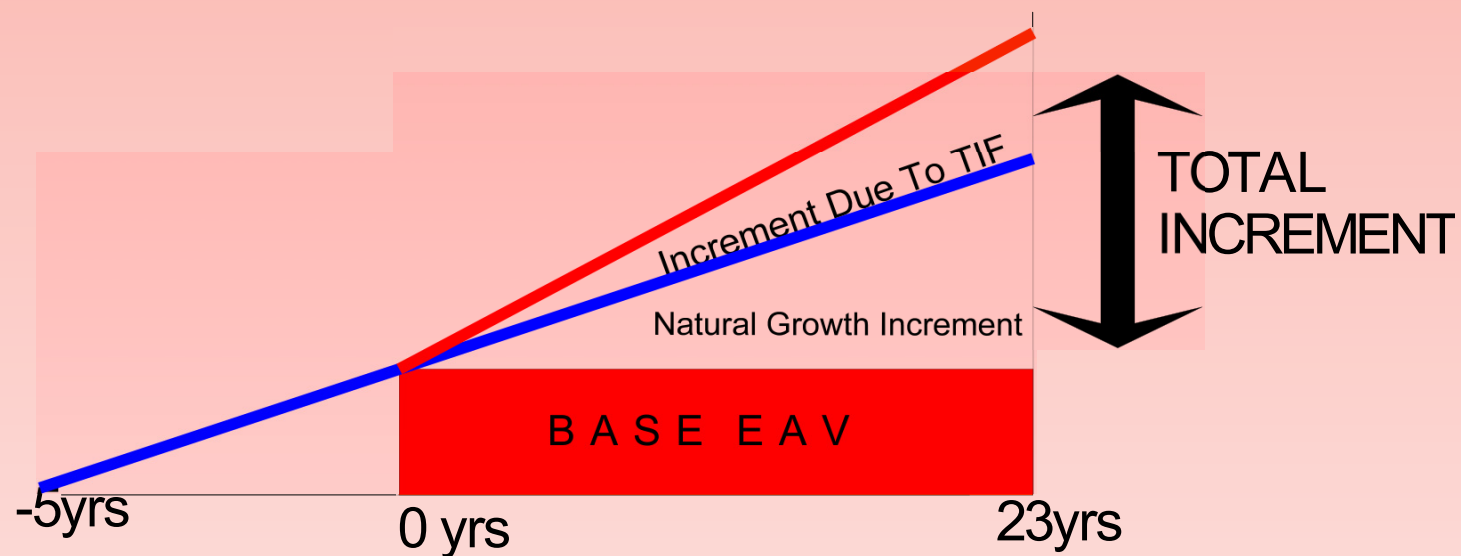
Huge Greenfield TIF

Mesa del Sol
Albuquerque, NM
Map & Image of
Village Center



Chicago Deep-Dish TIF

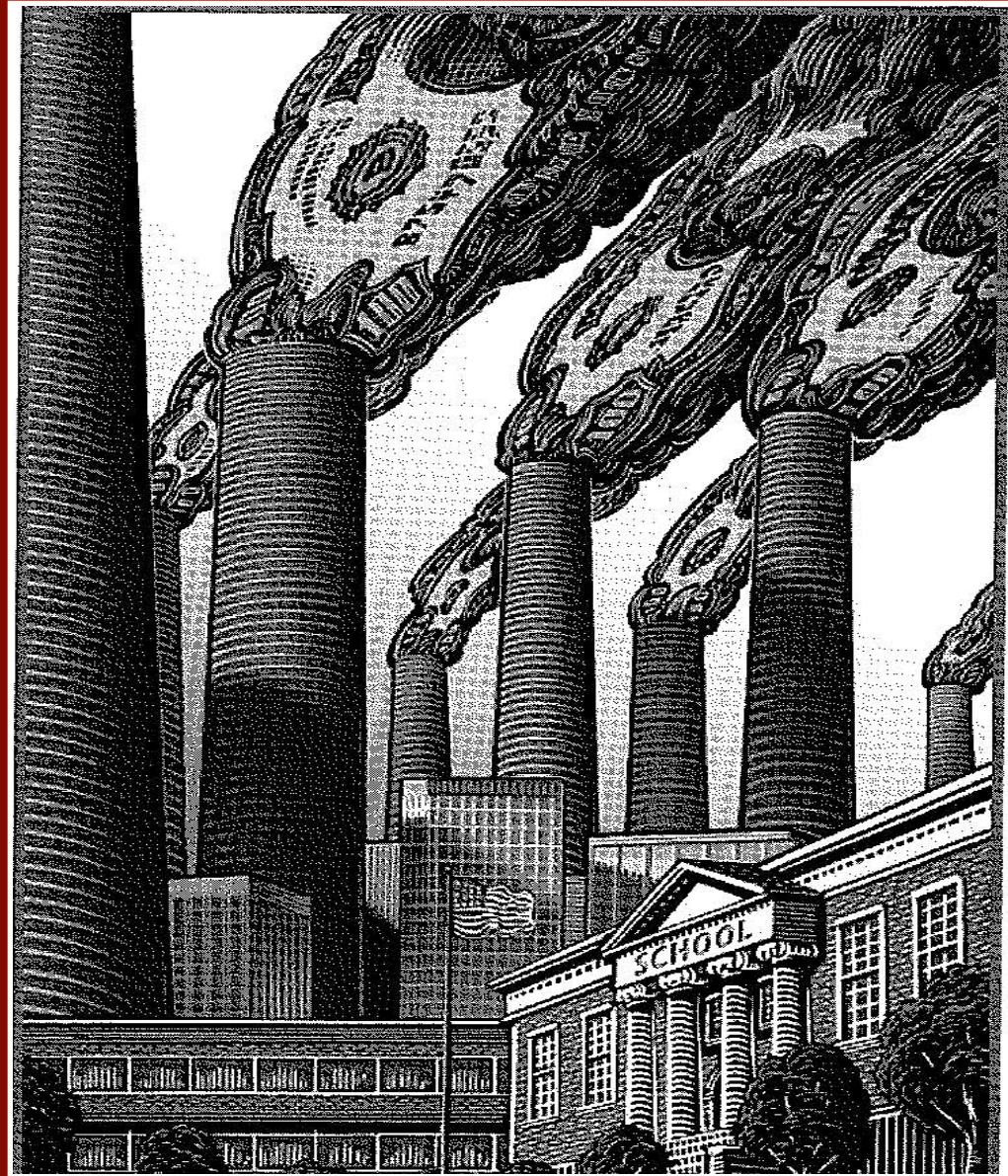
GROWTH/INCREMENT MODEL



Source: "Who Pays for the Only Game in Town?" Neighborhood Capital Group, at www.ncbg.org

Intergovernmental Free Lunch

Survey on TIF and abatements asks: what powers (or not) do school boards have?



Sales Tax TIF

- Structural incentive for overbuilding of retail
- Will always involve some cannibalization of existing sales
- Some retail chains specialize in seeking it
- Gallery Place in Washington, DC



How TIF Got Perverted

- Long-term cutbacks in federal aid to cities
- Court decisions giving localities wide latitude in use and definitions
- “Fiscalization of land use” a.k.a. “cash register-chasing” caused by tax revolts like Prop 13



Straying from Good Intentions

- TIF strays from original “anti-blight” mission into newly developing areas
- Transactors all too glad to TIF where increment is biggest, safest
- Developers use TIF to offset high land costs in wealthy suburbs
- Latest: radical broadening of revenue streams in New Mexico and New Jersey

TIF Policy Recommendations

#1: Back to Basics

- Restrict TIF to public goods in already developed areas that really need help
- Use specific, measurable criteria such as:
 - concentrated poverty
 - business closings
 - tax base decline



TIF Policy Recommendations

#2: Location Efficiency

- In urbanized areas with public transit systems, restrict TIF to project sites in transit corridors
- Building on innovations in Illinois, California, and Maryland



TIF Policy Recommendations

#3: Reduce Retail Eligibility

- Curtail retail eligibility for TIF to transit-accessible projects and
- Only in neighborhoods that clearly lack vital retail necessities such as groceries, medicine, and clothing



TIF Policy Recommendations

#4: School Board Say

- End intergovernmental free lunch
- Give school boards (and other affected districts) voting power on TIF creation (or control of their own increments)



TIF Policy Recommendations

#5: Install Fiscal Safeguards

- Cap share of cities' EAV and/or sales tax revenue that can be "TIFed"
- Use "pay as you go" when possible
- Install trigger system to "take the foot off the pedal" when private reinvestment returns



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