

Research Article

“TIFues”: An Examination of the History and Current Issues in Tax Increment Financing

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Abstract: Tax Increment Financing (TIF) is currently used in 48 states as an economic development tool, method of urban blight reduction, and infrastructure conservation tool. Yet, its history, in terms of legitimization, goes back as far as 1929. With such a long institutional record, much debate has occurred as to the constitutionality, effectiveness, and public benefit that accrue with the use of such a tool. To this point, TIF statute varies widely by state; some have a more “open checkbook” approach while others are more fiscally conservative. In all generality, TIF does seem to be a useful tool for “economic development”, but with many years of use comes much room for abuse. It is thus the purpose of this article to explore contemporary issues of TIF, as well as provide historical context to create a more robust analytical framework for its evaluation.

Introduction

As urban America faces an ever increasing issue of social and economic decay, economic development practitioners have used a variety of tools to combat the pressures of decline as well as restore overall quality of life. Generally, these tools have been of a supply side economic bent, that is, an approach which seeks to decrease start up and relocation costs for new or existing firms. This form of development assumes that costs such as taxes and fees are a relatively important consideration in the location question of the firm. One example, and the focus of this research endeavor, is tax increment financing.

From the surface, tax increment financing appears as a fairly sound method to produce new business environments as well as increasing the aesthetic quality of a particular urban community; although, just as any public policy, it is not without its critics. Tax increment finance projects are generally non democratic, politically motivated, and are rationalized through the usage of forecasted revenue streams. For these reasons alone, there is doubt as to the effectiveness and efficiency of this tool as a means to reduce the woes of economic decline or build up an emerging community. Questions as to where TIFs are qualified to be implemented, who benefits, who suffers, are all issues that need to be addressed before such a public policy is sought after.

Thus, the purpose of this paper is to expand on the latter ideas, seeking synthesis of what a TIF is, it's historical and institutional evolution, where has it been used, and what are the issues associated with the usage of such a policy. To examine these questions, first an overview of TIF will be given, providing a general framework and context; next will be a historical overview, it is believed that the roots of TIF began much earlier than its widespread use in the 1970's; lastly, a section entitled "TIFues" will be presented, providing an in depth analysis of current issues

related to TIF. An intent of this paper is provide clarity in TIF as a development tool and TIF as a political apparatus.

Tax Increment Financing Defined

Tax increment financing (TIF) is a municipal government tool used for the purpose of developing brownfields or redeveloping urban areas which are determined to be suffering from economic and social blight. Particularly, the scheme can be defined as such: with the designation of a TIF zone—either decided by a municipally appointed commission or that which is brought to attention by a particular developer—property tax rates are “frozen” for a specified number of years. This is an implication that tax beneficiaries, such as schools, fire and police, and other public services, will continue to receive tax allotments for operational purposes, but that this payment will be fixed for the life of the TIF area. During this time, redevelopment or new development proceeds hopefully to an increase in property values. This increased *increment* in property values and hence increased tax payments to the municipality is channeled into a special revenue fund which is used to pay the cost of construction. After the project is finished or the TIF area expires, property tax rates are unfrozen, the special account is closed, and tax receiving institutions are allotted their funding based on the current, higher, property tax rates in the area. Thus, TIF is believed to be a method which funds new or re development at no cost to either tax receiving public services or added debt to the municipality.

More specifically, it is believed that the use of TIF creates a public-private relationship, where the public floats the cost of construction and where the private developer constructs and reestablishes tax generating business activity after completion. To *float* the cost of construction,

bonds may be issued. These bonds, as paid for by the tax revenue—which would have not be generated *but for* the development—are purported as not adding municipal debt or using current tax revenues; thus in belief, is the thought that the city or constituent tax payer is not putting their credit or tax dollars *on the line*. This financial scheme is known as *Payment in Lieu of Taxes (PILOTs)*. Moreover, although not used by all states, *Economic Activity Taxes (EATs)*, may be as well apprehended to pay back finance costs. This form of repayment is based on the notion that economic activity in the TIF zone increases due to the new or redevelopment; thus *incremental* sales tax, profits, or utility earnings are captured and used as well for construction costs (Kelsay).

As briefly mentioned, TIFs are used to aid the issue of urban blight or brownfields. Blight is a legal term which varies by locality. Although in general, it is the perception that a commercial or neighborhood area is suffering for one reason or another from stagnating property values and economic activity. Given this situation, from the municipal governments' point of view, these areas are a net loss in terms of tax revenue, that is, public service costs for the area are greater than the inflow of tax dollars. Thus, TIF can be used as a means to reinvigorate the taxable base of the area without negatively affecting other taxable entities in the locality. This is a general description of what is known as the “but for” clause associated with most TIF project; in other words, it is no cost to the city or constituency as the area would have gone undeveloped *but for* a TIF project.

What has been described above is TIF in its most general understanding. Yet, to assess critically the issues of TIF, historical context and the institutional evolution of urban redevelopment policy must be understood. It is believed that much of current debate surrounding TIF is related to the overall history of government sponsored urban development. Concepts such as blight, eminent domain, and municipal debt limitations that so much surround current debate

are all issues that have been confronted before and as will be argued manipulated so as to fulfill vested interests of the powers that be.

Historical Context

It is commonly asserted that the first use of TIF occurred in California in 1952 as a means to receive matching funds for *urban renewal*. Although this is technically true, it also reveals that TIF as a tool for *urban redevelopment* has a much richer past than is generally understood. This section will argue that, the foundations of TIF as a widely used and as well heavily disputed development tool, date back to 1929 with the great depression.

Even before the great crash of 1929, housing conditions and standards of living for much of the national population were minimal at best. In other words, the planned cities and development projects of today had yet to occur at any considerable level. To this issue, Bellush points out that,

At the height of prosperity in 1929 eighteen million families, roughly 50 per cent of all families were living at minimum subsistence income. A government inventory of real property in sixty four cities revealed that 2.3 per cent of dwellings were unfit for human habitation; 15.6 per cent needed major structural repairs; and only 33.7 per cent were in good condition. Much of the nation's housing was described as obsolete; many units lacked an interior water supply, were without toilets, and a third still had only wood or coal burning stoves. One expert summarized the situation by estimating that about ten million people lived

under conditions that endangered their "health, safety, and morals (Bellush and Hausknecht, 4).

The market crash of that same year only perpetuated these rough conditions. A wave of mortgage defaults heavily contributed to massive eviction and the flight away from home ownership towards rental living; although as was suggested, the supply and of these types of dwelling were either in tattered conditions or nonexistent for large scale demand. This situation as well as floundering national private investment began a wave of government social programs aimed at inducing the creation of national income and aggregate demand through widespread employment programs. Thus programs such as the Public Works Administration (PWA) were created to facilitate renewed economic activity.

One of the major assignments of the PWA was aimed at the destruction of sub-standard housing and the creation of large scale housing projects. Classified under the PWA as the Housing Division, their authorized duties permitted such activities as to "1)lend money to any limited-dividend corporation financing slum clearance projects, or engaged in construction or rehabilitation of low-rent housing; 2)make grants and loans to public bodies for the same purposes; 3)buy, condemn, sell, or lease property in developing new projects itself" (Bellush and Hausknecht, 6). The implication of this government program is paramount; this was the first occasion that the United States Government had ever permitted the widespread use of eminent domain as well as provide massive subsidization for private investment.

Given the political climate of the day, it should not be a surprise that legitimacy was needed beyond obvious economic and social stress. To justify such power –the seizure and redistribution of private property—a legislative rhetoric was created which granted such

activities as constitutional. This is the beginning of a long term use of the concept *urban blight* as well as the notion of a government sponsored private investment deemed as that which serves the *public purpose*.

Blight was originally –and to a large extent still today—seen as a sort of social disease. With this type of language, specific social issues could be lumped together in one large public concern; hence, no one man could solve or cure such a problem, let alone it be an issue of one home or business. Thus:

Allen A. Twichell, in charge of the American Public Health Association's work in formulating housing standards and measures, [had] to say: It [(Blight)] usually refers to an area of district of some size. It refers to no one characteristic or condition, nor even to any one set of conditions or characteristics that are always found in the same combination. Instead, it covers a fairly wide range of conditions and characteristics that from example to example are found in differing combinations, and with or without certain secondary features (Greer, 21).

Even more pressing is the notion of blight as described by the 1960 Urban Renewal Administration:

Blight does not stand still. It has a way of spreading from house to house, from block to block, from neighborhood to neighborhood. Caught early enough, blight can be arrested and the downward trend reversed. On the other hand, once an area has reached an advanced state of deterioration, nothing short of the major surgery

of clearance and redevelopment will suffice. Start to work now on the areas in the early stages of blight that have strength and vitality enough to enable them to respond to the preventative and corrective theory of conservation (Greer, 24).

As such, with urban blight, if characterized as that which *endangers their health, safety, and morals*, and as well cannot be solved by any particular *individual*, it is constitutionally permissible through eminent domain to condemn, redistribute, and redevelop particular urban areas.

It is clear that the focus of these policies were geared toward governmental creation of employment, increased standards of housing conditions, but as well, and more importantly, *a revitalization of private business investment*. As the early urban redevelopment policies of the depression era came to a close, and the urban renewal policies of the 50s and 60s blossomed, a clear and overt shift in intention became apparent. Rather than be strictly purported as a means to alleviate urban poverty, slums, and failing neighborhood conditions, amendments were made to broaden blight from strictly a neighborhood phenomena to that of general economic blight as well. Thus, “In the 1949 Act particular emphasis was placed on the role of private enterprise; it was encouraged to provide as large a part of the total housing need as possible. Communities could be assisted in slum clearance programs only after it was demonstrated that their needs are not being met through reliance solely upon private enterprise”(Bellush and Hausknecht, 13). Moreover, the percentage of *total* funds allotted to non housing project renewal in a matter of seven years increased from 10 per cent to 30.

This evolution of social policy from what seemingly was about assisting the poor and needy became a clear means of municipal subsidization of the business class and as such, the

government tax base. Both Urban Redevelopment and Urban Renewal were controlled and administered by these social classes. Yet, with the advent of civil unrest and up rise in the late 1960's, this reality became of social conflict. Neighborhood organizations and urban leadership, of the groups for which these policies affected most, started to desire and push for an active role in the urban revitalization process that so much was a part of their daily lives. Hence, "City governments were forced to seek new means of achieving economic conversion that could accommodate increasing political and racial polarization"(Kantor and David, 262). At the same time, a *New Federalism* was coming to fruition, one largely influenced by the political movement toward *neo-liberalism*. The era of public funding for redevelopment came to a close in the 1970's. This as well as a change in the economic climate of urban life away from industrial base towards service sector employment as well created new associated issues for urban municipalities. As Paul Kantor argues, urban America became increasingly characterized by *Dependent Cities*. He states:

Since the 1970s, these alternations in central city political economies have precipitated substantial changes in developmental programs. The major change has been a shift away from massive downtown redevelopment in favor of more varied and specialized urban entrepreneurial programs that serve to continue the process of economic conversion. In general, this has meant that city governments must undertake more flexible, piecemeal strategies to induce capital investment in particular markets and business. Economic development policy mostly is one of accommodation the demands of individual revenue-provider groups and businesses through varied public entrepreneurial techniques that subsidize their

activities or otherwise provide incentives for them to invest in the locale (Kantor and David, 263).

Indeed, at the same time cities faced the effects of a declining federal support, tax base, and urban core population, a political movement characterized by neo-conservatism begins to take form in governmental institutions. The previous period of Keynesian urban renewal left a “bad taste” in the mouths of social policy, generally argued as inefficient and simply a burden to the American taxpayers. Urban policy would not be spared; the neoliberal agenda seeks to push for a strong business climate, limited democracy, and hence deregulation for those who matter. As David Harvey contends: “Governance by majority rule is seen as a potential threat to individual rights and constitutional liberties...Neoliberals prefer to insulate key institutions...from democratic pressures...[Moreover,] private enterprise and entrepreneurial initiative are seen as the keys to innovation and wealth creation”(Harvey, 66, 68). Hence under these habits of thought, governmental officials will—with minimal public involvement—seek *in the interest of the locality* to create a good business climate for *those who matter*. As will be shown tax increment financing is used exactly for these purposes.

The Rise of TIF

With the decline in federal monies, urban industrial concentration, and with the rapid movement of population to suburban areas, cities were left in “dire straits” with respect to operations finance. Commercial and retail districts became overtly abandoned and deteriorated. It seemed as if the urban renewal had come full circle; city cores again faced a “slum” existence.

As well and as was suggested, the rise of a political climate which favored private enterprise as the sole creator of wealth and employment created an environment in which municipal governments could only utilize public policy which fit a *limited government criteria*. Tax increment financing was seen as a consensus mechanism to accomplish such realities as well as ideological commitments.

In the early advancement of TIF use, the language which described it as a basis for public policy was reminiscent to that of the Urban Renewal period. The rhetoric still engaged *the community* as a beneficiary of the policy scheme. It was thought that TIF would provide a timely, ultimately cost free, and *win-win*, method of urban revitalization. To this issue Davidson states, “This overall process [was believed to provide] local governments with a flexible funding source for redevelopment activity that avoids much of the red-tape and delay associated with grant programs” (Davidson, 408). Yet, as was mentioned, one of the reasons for the fall of the federal urban renewal program was the political ideological movement away from governmental involvement in private markets. How then would local governments justify direct subsidization of private enterprise? As Harvey suggested, the neoliberal program provides two answers: first, governments may intervene in private markets, if the activity is directed at making markets more efficient, in other words creating a good business climate for private investment; second, by intervening in a way that structures a potential market, drawing private activity into an area that is believed to be moving toward certain death, governmental authority is only acting in the interest of the people. Thus if there are those who see this activity as biased and simply a redistribution of income towards the “haves”, it can be asserted that,

The concerns that TIF may work unfairly to specially assist developers and residents within a redevelopment area to the corresponding detriment of taxpayers outside the district rarely reaches constitutional dimensions. Any advantages to those within the project area are considered incidental to the primary public purpose of eliminating blight... the redevelopment program is interpreted as benefitting the city as a whole, rather than particular developers or residents within the project area (Davidson, 431).

As will be shown in the following section, this type of issue and response—among many other seemingly unconstitutional or class biased activities—has been so much a part of TIF legislation. Yet, just as Urban renewal had a run of nearly 40 years, so too do the users of TIF seek its regular use as a *development tool*.

TIFues

This section is entitled TIFues as a way of getting at what the use of TIF has been more or less about to the population it affects; issues. To explain this statement, this section will explore TIF beyond its more simplistic characteristics as that which was described in the early part of this paper. To this extent, the following will consider the issues related to the use and assertion of: urban blight and conservation zones; the “but for clause”; economic development areas; eminent domain; and the *public purpose*. It will be argued that TIF by its very legislative design makes its use *stray away from good intention*.¹

¹ See, *Straying from Good Intentions*: <http://www.goodjobsfirst.org/publications>

It is a principle use of TIF to aid in the issue of “urban blight”. As was discussed previously, blight has had a long run as a means for government intervention with respect to urban social policy. Moreover, as was suggested, blight as a justification for this involvement had to some extent a specific context and understanding. Originally, blight had its use with respect to housing conditions, these being things like dilapidated structures which may result in detriment to human health or *morals*. Hence urban dwellings which could be characterized as *shacks* or of slum conditions were deemed to be of hazard to the general population and hence unfit for a community. In practice, this type of definitional use was at least observable and finite for the Urban Renewal process.² It was with the latter mentioned transition in Urban Renewal – where blight could also be applied to commercial and general business activity—that blight as a conditional term of public policy loses much of its definable characteristics. Yet, the term has remained the primary means to describe a situation where a geographical area or set of structures is considered *in decline*. As an example, Missouri, one of the nations more aggressive TIF users currently define blight as:

[A]n area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an

² Yet, even with this original conception, blight, as a basis for social policy is inappropriate. By assumption, the use of blight has an implication that there existed, at some point in time, a socially acceptable form of material structure; this point is debatable but will not be discussed in this paper.

economic or social liability or a menace to the public health, safety, morals or welfare in its present condition and use (Luce, 6).

In other words, a blighted area “is a district which is not what it should be”(Gordon, 306). The case of Missouri provides that almost anything could be described as in blight; “Blight can [in this definition even] include such things as a home not having to full bathrooms or three full bedrooms”(Lefcoe 15).

Yet, this type of language is common among the 48 states which utilize blight as a conditional use for TIF³. California, for example, the original user of TIF, has a similar definition, although they go further to divide types of blight:

To establish a viable redevelopment project under California law, the redevelopment agency need cite only one physical and one economic blighting condition. For instance, a criterion from the physical list points to dilapidated structures in such bad shape as to be unsafe or unhealthy. Economic blight includes such factors as a high business vacancy rate, an excess of liquor stores or adult oriented businesses, or stagnant property values (Lefcoe, 20).

Although seemingly creating more specificity in terms of classification, California has simply added a direct initiative for commercial and retail development; a common trend in TIF statute. Yet, with such vague characteristics comes great chance for abuse. A few examples makes the point clear,

³ A detailed analysis of current TIF and enterprise zone “blight” legislation can as well be found in the *Good Jobs First* report, mentioned in a previous footnote.

In affluent Coronado California, local officials *declared the entire town blighted* in 1985. The resulting TIF zone diverted property tax revenues from the local schools, making the district eligible for supplemental school funding from the state. The city then used the revenues from the TIF to pay for school improvements. [Furthermore], in the St. Louis suburb of Des Peres, local officials declared a thriving shopping mall "blighted" in 1997 because, it "was too small and had too few anchor stores" and more specifically, because it didn't have a Nordstrom's (Gordon, 306, 07, emphasis added).

Blight defined so broadly involves an inherent conflict of interest with respect to public and private benefit; that is, it is difficult to pinpoint who the beneficiary will be with the use of TIF. Moreover, given that TIF, at least in established communities might involve the use of eminent domain, it seems unreasonable to qualify such seizure based on overwhelmingly broad distinctions. Though, this problem has not gone unnoticed, much debate regarding the use of blight as a justification for government involvement, and has led to much controversy and as such legislative change to qualify blight. The "but for" clause is an example of a way to supplement and justify the characterization of urban blight, hence, urban redevelopment.

A "but for" clause is a typical amendment to TIF statutes. The concept is simplistic in nature, yet has immense implications regarding the overarching use of TIF. A "but for" clause is the notion that a declining area would not have been developed "but for" public assistance. This is tied to the belief that blighted areas are essentially a market coordination failure. This is a situation where it is presupposed that private enterprise sees no prospects for a sufficient return

on investment. Critically, although appearing as a control mechanism for the abuse of TIF, in practice, “the “but for” tests lets private developers define blight by letting them define the likelihood of natural economic growth in a given area”(Gordon, 324). To be blunt, “but for”, in fact qualifies the use of TIF in areas that are simply not in decline. Yet this is in complete agreement with the logic of TIF; given the asserted intent of TIF, as a cost free development tool, projects will be more well suited in areas where a return would be expected given some development; “For these reasons, redevelopment authorities avoid genuinely blighted urban areas and devote their attention to those in which private developers are already poised to invest” (Gordon, 325). In short, “but for” continues the trend started in the 1950’s, a movement towards the direct subsidy of private enterprise and “the well-to-do” urban vested interests.

Following this movement away from even the mention of support for truly “blighted” areas, towards a complete institutionalization of enterprise subsidy, TIF has been pushed beyond the limits of its original intent. Conservation as well as Economic Development Areas has been added to the use of TIF. These types of designations have at base an assumption that an area either may be *expected* to succumb to blight or is simply an area in which there is private initiative for future business investment. This could be no clearer an example of the latter mentioned neoliberal agenda. Yet as Gordon points out, the issue with such designation is that:

The idea of “future blight” gives developers and development officials in most states the power to blight virtually any urban parcel. As with the “but for” test, projections of future growth or decline are left largely to the judgment of those pushing for a given redevelopment project. This has meant that even the relative

prosperity of an area can be used as an argument for its redevelopment—on the assumption that such prosperity cannot last (Gordon, 324).

In fact, some states have even gone as far as to eliminate the blight and “but for” qualifications and simply define TIF’s use for the “catch all” designation of “economic development”. Or as Missouri allows, “localities [can] designate TIF districts in areas that fit into at least one of three designations: blight, conservation, and economic development” (Luce 6).

With the evolution of TIF statutes and allowable use tending toward “economic development”, retail and commercial *developmental* projects are more times than not the main output of TIF projects. Yet, although this might favor one locality in terms of serviceability of consumer goods or decreasing transportation costs to obtain such goods, it is generally recognized that this type of construction is simply moving dollars from one location to another. We need go no further than the implications of Reiley’s law of retail gravitation to defend such a position. Consequently, in all reality, “[t]he larger the geographic scope of your point of view, the more likely it is that TIF will be viewed as simply another tool in the zero-sum competition for tax base that goes on in every part of the country” (Luce, 2). It should not be understood that retail creation is a purely negative use of TIF, what is being suggested, is the use of TIF for retail and commercial in areas which are already highly developed with such forms of business; yet as was argued previously, this will “more times than not” be where TIF is used given a push for timely project pay back. For the community as a whole, retail development does not aid in the creation of stable or well paying jobs. This puts in question both TIF as a use for “blight” as well as what is meant by “economic development.”

Even from a practical level, the use of TIF for retail and commercial development raises another outstanding issue; this being the location decision question. Even within the discipline of urban economics, it is not a generally accepted principle that firms will choose their location based upon municipal tax abatements or reduced infrastructure costs. To this extent, a concern in the use of TIF becomes, *does it really make a difference?* As Kelsay points out, current research in this issue creates much doubt that TIF is in fact a key component to private investment, he states,

In a study by Georgia State University (2001), they found that quality of life issues such as availability of trainable labor, easy access to transportation, availability of skilled labor, and quality of the elementary and high-school systems were deemed far more important in location decisions than economic development tools such as availability of financial and infrastructure incentives. These studies suggest that investment in workforce development and infrastructure may be more effective economic development tools than incentives (Kelsay 13).

If these findings are correct, then firms are more interested in issues of agglomeration economies or economies of locality than they are of infrastructure and overhead municipal tax and regulation costs. With this type of research, it makes clear, in addition to the fact that TIF is regularly used beyond the purpose of blight, that TIF might not even be *a needed* component to economic development.

It is these types of conclusions—generally concerning the abusive use of TIF—that it seems quite outlandish and irresponsible that a locality might justify the use of eminent domain for such type of community structural change. “It is easy to justify eminent domain as a public use when the property taken is in such deplorable condition as to be a menace to public health and safety” (Lefcoe, 6). Yet, as has been suggested, more times than not, the only thing TIF has to do with issues of the public purpose is in its legislative rhetoric. How then could eminent domain be justifiable? The answer again, seems to be of historical precedent.

As was shown previously the use of eminent domain, for example in Urban Renewal, has had much time to be defended. It is generally understood that “As long as the local decision was not "clearly arbitrary or unreasonable," judges refuse to second-guess the many ways local officials might determine that an area could "no longer meet the economic and social needs of modern city life" (Gordon, 323). Thus Eminent domain is typically not thrown out given that it is up to the local government to determine what is “public use” and in concern for the “public purpose”. Rogers points out that one case in particular had much to do with eminent domain usage in cases of economic development and as such in TIF statues, he states (although not as recently as he asserts):

A recent and more shocking use of eminent domain to spur economic development was reviewed in 1981, when the Supreme Court of Michigan, in *Poletown Neighborhood Council v. City of Detroit*, decided whether the Detroit Economic Development Corporation could use the power of eminent domain to condemn a neighborhood for transfer to General Motors. The Court held that both "public use" and "public purpose" referred to a general notion of a "public

benefit" and the condemnation was validate because of the economic benefits which would accrue to the city. (Rogers, 159)

If a General Motors plant could be a reason for the demolition and reconstruction of a long standing neighborhood, claimed in the name of economic development, there is much room below such an outstanding case for similar projects. Hence, "It is not difficult to understand why TIF statues, created in the wake of judicial opinions which dramatically stretched the meaning of public use, seek to implement eminent domain as a means to achieve economic development" (Rogers 161). As long as increased property values is seen as the "public purpose" and the project can be defined as in "public use", municipal governments are constitutionally permissible to use eminent domain in the case of TIF economic development projects.

This latter issue makes light on the reality that TIF projects are *democratically challenged*. The belief that elected municipal officials represent and act in the interest of the public is a built in component of TIF administration. To explain, TIF commissions are appointed by the acting municipal government, hence are not elected by through public choice. The commission is a separate unit of the local government financed *by the TIF projects themselves*; hence do not use general revenue funds and as such are not held publically accountable or even need to be publically transparent. Yet, this is a necessary component if TIF is supposed and purported as *cost free*. Although, it is clear that this creates a conflict of interest; without successful TIF projects, that is ones in which property values increase as needed, the TIF commission faces financial constraint. In short, the very construction of TIF "allows a municipality to act without accountability to voters. Moreover, when a legislature give municipal

governments little guidance on projects, and when these projects do not garner much public attention, the potential for abuse and corruption increases” (Goshorn 936).

Thus, as a final issue, given the above conclusions, it is questionable if TIF is even appropriate or achievable in *truly blighted areas*. To clarify, Gordon argues,

Because TIFs use future tax revenues to finance redevelopment they are actually ill suited to conventional residential urban renewal, which usually involves significant up-front costs for land acquisition and clearance. While early federal rehabilitation of genuinely blighted areas, TIFs depend upon dramatic increases in property values, and as a result, are geared more toward new commercial investment--often in well-heeled suburban neighborhoods. Therefore, while TIFs generally require a finding of "blight" they often turn that notion on its head (Gordon, 319).

It is hoped that at this point, given all of the above discussion that it can be understood as to why areas which are seemingly prosperous still employ TIF as a tool for *urban decline*, or how as Kelsay discovered that in Kansas City, Missouri, “An examination of poverty status according to the 2000 Census by Council District shows that Council District 2 which has 41.4% of all TIF plans has the *lowest poverty rate in all City Council Districts at 5.0%*” (Kelsay, 7 emphasis added)⁴. As was mentioned earlier, the only part of TIF that actually deals with blight is the statutes which allow its use. This leads to the theoretical distinction made by Logan and

⁴ District 2 was also found to have lower rates of unemployment, higher levels of educational attainment, higher medium income, and was the least racially diverse.

Molotch; TIF policy is part of a much larger institutional structure in which the city may be seen as a *growth machine*.

Conclusion

It has becoming increasingly clear that much of urban social policies, such as TIF but as well things like zoning or enterprise zones, are only on the surface in the public interest. These types of policies, in all reality are created to solve urban issues, but more times than not, end up benefiting those individuals who are institutionally defined as *those who matter*. This very notion brings to light that urban social and economic policy is more about *distribution* than about *economics* proper. TIF for example, uses public resources and the public at large to redistribute funding and revenue for private enterprise from both tax receiving public entities as well as other localities tax base.

Yet, as Logan and Molotch argue, this seemingly heinous situation is in fact just a reality of urban life. As they suggest, “For those who count, the city is a growth machine, one that can increase aggregate rents and trap related wealth for those in the right position to benefit” (Logan and Molotch 50). Thinking back to the discussion of Urban Renewal, it is quite clear that the Federal Government was simply trying to inspire *the growth mentality* back in the financially fearful elites. However, after the program became increasingly established, the desire of *growth* became much to do with how *urban renewal* took place; this was shown with the fact that funding for *new business* development became a large component of both Urban Renewal as well as TIF. Logon and Molotch argue—just as Harvey does—this growth mentality or neoliberal agenda is a consensus opinion amongst the elite classes; hence, “Although they may

differ on which particular strategy will best succeed, elites use their growth consensus to eliminate any alternative vision of the purpose of local government or the meaning of community” (51). Thus, it becomes clear just how a non-democratically decided TIF commission is able to 1) exist 2) not be held publically accountable, yet, 3) have vast influence upon the structure and distribution of a municipality and its rent creating institutional arrangements.

A further conclusion of the above analysis reveals that TIF as a tool does have in fact extremely useful and potentially beneficial use; although, it is clear that this use has been diverted for those who have the power to use TIF in the first place. This raises a further question and future research endeavor: What would it take for TIF to be “good” or in other words, accomplish the intentions it has so much purported to be used for? It is believed that this question is not only answerable, but could be a possible source for actual *economic development* that is in *the public purpose* and is for *public use*. It is clear that much of what holds back TIF from these realities is institutional in nature, and this does present a overarching dilemma, although given that an increasing legitimacy crisis in the implementation of TIF, institutional adjustment might be more timely than ever.

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