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Time to Tighten TIF Guidelines

A bill to tighten Tax Increment Financing participation guidelines for Allegheny County is now before County Council's Committee on Economic Development. This ordinance, which is sponsored by Councilman Fawcett, is apparently stymied in the Committee. As written this bill represents a very large and positive step toward bringing the TIF development tool to its highest and best use--in areas where there is real blight and for projects that do not create subsidized competitors of established businesses.

We hope that the legislative process does not derail the ordinance or strip it of important features relating to blight criteria and the determinants of whether the County should be involved in a TIF project.

What are the objectives of the TIF legislation? First, it will serve notice to developers, the County's Department of Economic Development, and the Council as to the criteria that must be met when the County is asked to participate in a tax increment finance project. To that end, under the proposed ordinance, the County will participate only in TIF projects that:

- Are located in urban areas or brownfields
- Create high quality employment opportunities
- Add value to the region's economy, and do not harm one part of the county to benefit another
- Limit the use of the TIF component to public improvements and/or infrastructure

The legislation goes a step further by prohibiting the County from participating in TIF projects that; (1) consist of retail shopping areas, (2) are located in greenfields, or (3) create only low paying employment opportunities. Taken together, these criteria, along with others in the bill, ensure that the County will engage only in projects that deliver a high level of net benefits and conform to the intent of the Pennsylvania legislation that created Tax Increment Financing.

Second, the legislation overlays the existing blight definition with additional limiting elements. These include examining crucial factors in the municipality where the project is to be located, including tax base and millage rates, average income and poverty rates, whether the site is urban or rural in nature, and the quality of the existing infrastructure in the area. Including these metrics in the consideration of whether a property is blighted would go a long way toward tightening the overly broad Pennsylvania criteria that currently govern the decisions of blight declarations.

If they had been in place, these guidelines would have possibly prevented Council from supporting retail projects in Frazer and Ohio Townships. Both projects violate the spirit of the

original TIF law, and would not pass muster under the proposed guidelines that would have disallowed placing retail developments on unimproved land.

To be sure, there are limitations to the proposed legislation. One, it applies only to the County and not municipalities and/or school districts. This means that unwise projects could still be undertaken without the County's participation. Since property taxes are used to retire the bonds for the development's funding, the County's low millage (relative to most municipalities and all school districts in Allegheny County) means that a project can proceed without using the County's share of taxes to pay off debt. In fact, two questionable projects in Mt. Lebanon were slated to go forward without the County's participation. Fortunately, one failed to get school board approval and the other simply fell through because the private financing could not be arranged.

It is also unclear whether these guidelines apply to the County's Redevelopment Authority. That agency took on the role as the guiding authority in the two projects in Mt. Lebanon even though the County itself did not participate in the TIF plan. We would hope that the Authority would seriously consider adopting the proposed guidelines.

All in all, the proposed guidelines are an important step in the right direction to return the use of TIF to its proper intent: one that focuses on revitalizing "blighted, decayed, or substandard areas" as stated in the intended purpose of the 1990 Pennsylvania TIF law. Awarding retail projects in areas that are not blighted, as has been the trend, will diminish the effectiveness of TIF and other development tools in achieving real growth.

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