

# ***POLICY BRIEF***

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## **Great Community Stands on Slippery Slope**

Despite an overwhelming case against it, Mt. Lebanon's Commissioners by a 3 to 2 vote have approved the Galleria Tax Increment Financing Plan. The plan is so lacking in justification the County government has chosen not to participate. But that is just the beginning. What we have seen in Mt. Lebanon is the triumph of arrogance and disregard for the letter and spirit of the law.

The Pennsylvania Tax Increment Financing law was designed to provide a method of helping communities and developers to eliminate and stop the spread of blight. It accomplishes that by allowing authorities, with concurrence of taxing bodies, to borrow money to finance site preparation and needed infrastructure that will then facilitate private construction and redevelopment on the formerly blighted site.

The situation in Mt. Lebanon bears no resemblance to the letter and intent of the TIF law. From the designation of an upscale shopping area as blighted to using most of the TIF funds for repairs and upgrades on existing structures to the ignoring of specific requirements in the law, the Galleria plan makes a mockery of the TIF program.

There are two major legal issues with the approval of the Galleria plan. According to the Tax Increment Financing Act (section 4, paragraph a) in order to create a TIF district, "the authority *shall* make a formal presentation to the governing bodies..". The TIF law requires that an authority participate in the plan development and present the TIF plan to the governing body. In the Galleria case, representatives of the developer presented the TIF plan. No authority was involved until it was discovered that the developer could not be the TIF borrower as had been originally planned. Furthermore, the Act requires that a TIF plan include an economic feasibility study. No such study has been produced.

A test of the need for Tax Increment Financing is the "but for" criterion. That is to say the private portion of the project would not proceed without (but for) the TIF funding. Clearly, the Galleria fails this test. The developer has already completed purchase of the property and is in the process of refurbishing the site, totally obviating any "but for" condition that might have been claimed. The latest justification for the TIF is that without it the company will not be able to attract high-end popular restaurants because they will not have the money to prepare the space in accordance with the requirements of those

restaurants. This rationalization is a travesty. TIF was not intended to assist a deep-pocketed private developer to upgrade from good restaurants to high-end restaurants.

This TIF plan and the adoption of a blight designation of the Galleria area fail every reasonableness test. In the first place, the area is far from blighted. Indeed, it is a very desirable location with its own specially installed traffic light to facilitate entry and exit. The preponderance of TIF funds--and very likely all--will be used for the improvement of an existing private facility, not for the enhancement of roads, bridges, water and sewer connections, etc. Finally, the underlying purpose of TIFs is to promote jobs and economic activity. A subsidy for a retailer simply creates an unfair competitive advantage for the recipient of the taxpayer support. What we get is largely a zero sum game. How long will it be before other retailers in Mt. Lebanon and nearby communities start demanding similar help?

Perhaps the Mt. Lebanon school board who must approve the plan before it can be implemented will see this outrage for what it is and refuse to approve it.

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**Jake Haulk, Ph.D. President**

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