

Rolfs, Daniel

From: Susan Pastor [skpastor@sbcglobal.net]
Sent: Thursday, August 29, 2013 1:51 AM
To: Gromacki, Joseph; Rolfs, Daniel
Subject: Comments on Mayrl report for TIF Ad Hoc Policy Review Committee
Attachments: TIF Ad Hoc Policy Review Comments.docx

Gentlemen,

Attached please find my comments for today's TIF Ad Hoc Policy Review Committee, based on my reading of Matthew Mayrl's 2006 report *Efficient and Strategic Use of TIF*. Sadly, it is very clear that the proposed changes are anything but. If only the Committee would take interest in some of Mayrl's approaches - it seems there could be hope for using TIF to get what we actually need and improve citizens' circumstances. IDAs, for example, are an intriguing idea.

I would much rather citizens could have a dialogue with the committee, but absent that possibility, I am afraid I will be back for my three minutes.

All the best,
Sue Pastor

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Comments in opposition to the proposed TIF policy changes – 8/29/13

Based on Mr. Olver's presentation at the August 1 meeting of this committee, the changes proposed to TIF policy seem to seek only a little more "flexibility" – perhaps even to only codify some of the existing flexibility in the way the current policy is applied.

However, since the last meeting of this committee, I have done more research, including reading a 2006 report on Efficient and Strategic Use of TIF by TIF expert Matthew Mayrl, now at Harvard. And it is abundantly clear that the proposed policies are not "a little more flexibility". They abrogate the law surrounding TIF as it is written – in fact, after reading Mayrl, I would say that the governor's office could hardly have produced policies they would like better than what is before you. It will be miraculous if they do not change the state law to something like what is proposed. And I sincerely hope the alignment between the proposed changes and the politics of the governor's office is purely accidental.

The Joint Review Board has the power to approve or deny TIDs based on criteria such as whether development in the TID occur even without the use of TIF; whether the economic benefits compensate for the cost of improvements (and Mayrl specifically identifies greenfield development, which has come under a great deal of discussion here, as very costly); and whether the benefits of the TID outweigh the costs – in taxes on the value increment – to the overlying tax districts. Of particular concern is MMSD, and you have heard repeated requests to involve District in this conversation.

I want to quote directly what Mayrl says about greenfield development.

While TIF-funded greenfield development can repay its direct costs quickly, it also imposes significant new costs which often are not considered by city officials and joint review boards.

For instance, using TIF to develop greenfield land creates new demands on road maintenance and sewer, water, transit and waste collection services. And, when greenfield development includes a residential component, it places more children in schools. These costs are typically not part of TIF project plans, but are eventually shouldered by the public.

Greenfield development also carries significant fixed tax base costs. Because greenfield property does not carry any physical barriers to development (such as obsolete infrastructure or existing buildings which must be demolished), it is likely to generate some development without subsidy. Creating a TID to promote development prevents local governments from receiving the taxes on any naturally-occurring development until TID debts are repaid.

In three minutes I cannot possibly describe all of the ways in which the proposed changes fly in the face of state law, and eliminate the basis for judgment on the part of the Joint Review Board, which provides a minimal assurance of democratic process. The elimination of the requirement to exhaust other sources of funding, inability to assess a developer's overall wealth, a ceiling on using the projected increment that goes up to 100 percent or even beyond it, the murky "competitive factors" as just criterion for the "but-for" standard, language that could be used to justify any jobs as desirable ... all are deeply problematic.

It is not the case that TIF is free money. Mayrl identifies direct costs, service costs, fixed tax base costs, opportunity costs and negative externalities that should all be considered, even if a project meets the but-for standard. For example, in terms of negative externalities, " ... if TIF is used to attract employers that do not pay living wages, the public bears the costs of wage supplements and social services for the working poor."

These issues must be considered, both overarchingly in our policy and project by project. Mayrl has a lot to say about how to protect public investment with strategies such as clawback clauses. He encourages genuine public involvement earlier in the planning process, which is only democratic, and talks about Individual Development Accounts as a way to build wealth for residents in a TID while they are training for better-paying jobs.

Please read the report. Please talk with MMSD. Please do not trade creativity and best practices for a kind of brute strategy. And please consider a dialogue with the public, rather than these truncated and artificial opportunities for input.

http://www.cows.org/_data/documents/1071.pdf

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