Sayers, Margery

From: Margaret Mizerak <margaretmizerak@verizon.net>
Sent: Tuesday, September 26, 2017 5:02 PM
To: CouncilMail
Subject: Repeal the Downtown TIF

Council Members ,

In order for our schools to continue to improve, developers must pay their fair share rather than ask the tax payers of Howard County to front their costs. The TIF diverts public money for private gain. Howard County does not need to incentivize developers to build here. The TIF does not ensure public interest. Please repeal it.

Margaret Mizerak
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5433 Meadow Pond Dr
Ellicott City, Maryland 21043

Sayers, Margery

From:	Dj H <hdan966@gmail.com>
Sent:	Monday, September 25, 2017 3:41 PM
To:	CouncilMail
Subject:	CB74-2017 Supporting Materials for Public Testimony given 9/18 Dan Hajdo
Attachments:	Public Testimony on Columbia TIF Dan Hajdo.docx

Howard County Council members:

My public testimony on 9/18 included a number of references. I've included those, along with additional comment in the attached document. If there is any difficulty or there are any questions, please don't hesitate to respond.

Dan Hajdo
Columbia, MD 21045

I testified against the original bill that created the TIF last year. I said "using public money for private profit is the definition of corruption." I meant "corruption" in a broad sense, one in the tradition of classical republican political thought. The tradition our nation was, at least ostensibly, found upon. Proponents of the TIF protested that this was not some sort of giveaway to the Howard Hughes Corporation (HCC).

If, for some reason, you don't see transferring ownership of the parking garage from public to private (i.e. HHC), as indicative of a giveaway you are not trying hard enough.

This corrupt misuse is not surprising. The TIF is a flawed tool from the point of view of the public interest and democratic government. It's an excellent tool from the point of view of those seeking private profit and opaque budget manipulation if not outright corruption by public officials. I would argue that it is a fundamentally flawed tool given our political economy, but that is not my purpose here.

Here I argue that the TIF is flawed enough to warrant repeal of the original bill authorizing the TIF. A repeal does two important things:

1) It sends the right message to the "private sector".
2) It provides the opportunity to review the flaws of TIFs, assess whether they can be overcome with much better amendments, and scrap the whole thing when it's clear that they can't be overcome.

The Right Message: Compelling Honesty in the "Private Sector"

Far from sending the "wrong message to the private sector," as one person stated in testimony, repeal sends exactly the right message to the private sector. That message is "you are not free to negotiate in bad faith, even under the cover of complicated legalese. Large corporations are not sovereign, nor should backroom deals replace democratic processes. Expect elected officials to act on behalf of the public good rather than your private profit."

It's an unusual message. But the fact that powerful corporations don't expect to be called out on their bad faith and held accountable is not a legitimate kind of "predictability." Expectations of continued, unwarranted influence are not legitimate. Howard Hughes Corporation may not have expected the county to act in the public interest after surrendering so much in issuing the TIF in the first place. The council should send the message to the "private sector" that this sort of expectation is a miscalculation. Howard Hughes (and any other entity seeking to profit off public funds) will have to adjust their expectations or pay the price of their miscalculation.

Reviewing the Flaws of TIFs

TIFs are represented as "magical things." They produce economic development that would not otherwise happen, they are self-financing, and entail no risks for the community.

Yet evidence from TIF use across the county consistently shows that they are not magical things. Instead, scholarly research shows that, while a TIF here or there may show some success, most do not. Those failures, in turn, entail costs.

At best, "TIF does not raise taxes for taxpayers and does not reduce operating revenue for either the enacting or overlapping governments ... When used inappropriately, however, TIF shifts taxes from taxpayers of the enacting government to other taxpayers ... if TIF is used when development would have happened anyway, the overlapping units lose revenue to the tax cap credits. The enacting government loses additional tax cap credit revenue as well."

This finding understates the potential adverse consequences. How can they be these adverse consequences be avoided?

Apart from discarding the TIF all together - or using some other incentive, or simply requiring the private sector to assume the risk for its profit seeking – the literature tends to emphasize the importance of the "but-for" test and the need for transparency.

The TichlerBise, Inc. 2016 evaluation shows numerous flaws in the analyses by Howard Hughes Corporation (HHC), TIF projections and a fiscal impact analysis completed by MuniCap, Inc., an economic impact analysis by CohnReznick, and a market analysis performed by RCLCO. In a typically measured tone, TichlerBise concludes "it is unclear whether a comprehensive "but for" analysis that includes a full pro forma analysis of the proposed development's cash flows over time, both with and without TIF bonding, has been conducted."[i]

This is crucial since the negative consequences of TIF use elsewhere often turns on whether economic development would have occurred without TIF use.

Unfortunately, the transparency, which ideally curbs the sort of manipulation of key assumptions and formulas for TIF projections and otherwise skewed fiscal and economic impact analysis that TichlerBise details, is often illusive.[ii] In Chicago, DeKalb, Baltimore, Indiana, Iowa and elsewhere, we can find a trail of unmet civic group demands, journalistic investigations, and continued stonewalling on the part of public officials.

But it is not simply the financial incentives of the private sector to keep information secret, or the incentives for elected officials to obfuscate that makes transparency unlikely. The complicated calculations of TIF financing, the counter-factual reasoning and inherently speculative economic forecasting, are not easily challenged. These factors make the process opaque to even the most diligent. As one scholar put it "[w]hen even public officials do not understand TIF provisions, it is extremely difficult for taxpayers to evaluate their impact." (Youngman 2011)

The lack of transparency for the "downtown" Columbia TIF is apparent from the TichlerBise report, as well as the actions of County Executive Kittleman. When even some members of the County Council are surprised by a major change in TIF use, it is extremely difficult for taxpayers to evaluate those changes. Transparency, then, seems as unlikely in Howard County as in Chicago or elsewhere.

The council should repeal the bill before we're all forced to endure our own cycle of civic opposition, investigations, and stonewalling; all indications that the promises of the TIF and HHC will not be met. While HHC, County Executive Kittleman, and some members of the council appear prepared for the rest of us to take that risk, the rest of us are not.

A more detailed account of research with references follows:

Efficacy

Scholarly reviews of the evidence on TIF efficacy suggest that it is possible for an individual TIF to be successful at some limited goals. One study of TIF use in St. Louis, for example, sites an instance of TIF that attracted investment to a distressed community, and one that helped create the St. Louis Innovation District.

Those same reviews add, however, that in terms of the general use of TIFs, the research exposes several key justifications for TIF use unwarranted at best. TIF as an engine of economic development, TIF as a self-financing mechanism, and TIF as a no-risk program.

1) TIFs are not engines of economic development.[iii]

I'll cite three examples of those findings here:

- University of North Carolina professor conducted a study of Chicago TIFs using "a unique panel dataset at the block group level to analyze the impact of TIF designation and funding on employment change, business creation, and building permit activity."[iv] The paper finds "[a]fter controlling for potential selection bias in TIF assignment, **this paper shows that TIF ultimately fails the 'but-for' test and shows no evidence of increasing tangible economic development benefits for local residents.**"[v]
- In 2016, a research team at the Center for Business and Economic Research, Ball State University presented findings in line with other recent research on TIF[vi] use; they found "**no economic development impacts for the average TIF district" in Indiana**. Moreover, the authors find, notably:

More than half of the assessed value growth in Indiana's TIF districts is attributable to the 'capture' of growth from non-TIF areas that would have happened regardless of the presence of a TIF. This has reduced property tax revenues to local governments by as much as $320 million per year.

The impact of TIF capture of non-TIF property is significant. The public school share of costs is equivalent to roughly 2,400 teachers or the operation of more than 900 additional buses per year.

Property tax loss to local government due to TIF use may be as high as 41.5 percent of the loss due to property tax caps.

- Professors the Department of Economics Department of Economics Lake Forest College Loyola University of Chicago and the Institute of Government and Public Affairs Institute of Government and Public Affairs University of Illinois studied TIF adoption in the Chicago metropolitan area using "an extensive data set ... that includes information on property value growth before and after TIF adoption" revisited work finding "evidence that cities that adopt TIF grow more slowly than those that do not."

2) A TIF is rarely a Self-financing Mechanism

The findings of TIF inefficacy are crucial to understanding why the claim that a TIF is a self-financing mechanism is so often proven false. In short, TIF use is *theoretically* self-financing *if* use of the TIF is responsible for new economic development, development that would not have otherwise occurred.

The problem is, as noted above, TIF use does not often produce new economic development. In practice, then, TIF districts end up capturing growth rather than stimulating growth. This, as one economist Bridget Fisher puts it, "reveals the self-financing frame to be a myth." (Fisher 20xx)

Fisher's literature review and case study of the Hudson Yards Redevelopment Project in New York leads her to conclude:

> ***Describing TIF as self-financing creates the appearance of a benign tool for urban economic development. It allows local elected officials to promise development and its rewards of economic growth while simultaneously employing the rhetoric of fiscal discipline.***
>
> ***However, pulling back the curtain of the self-financing mantra reveals the public policy trade-offs inherent in TIF. Specifically, the demands of value capture financing require substantial public revenues to both implement and support the project.***

Several years ago, California ended its long us of TIF because "[t]hey were eating away at the Golden State's budget, consuming $5.7 billion annually. The districts were a major contributor to California's deficit because state tax dollars were passed back to local school districts to "make up" for their loss of taxable base to TIF districts." (Heller 2015)

A TIF district may *appear* successful and self-financing if it can report growth in assessed value. Statewide TIF revenue in Indiana, for example, was around $600 million a year in 2013; and that "implies that over $20 billion in new private, taxable development was created by strategic local public improvements." (Heller 2015). Yet, as noted above, more than one study showed that TIF use in Indiana, at best, contributed nothing to job growth, median income, or new construction. How can this be?

While Indiana may have some unique features, generally TIF districts can raise revenue for the TIF fund if they capture previous growth, growth in non-TIF districts, or merely capture inflationary growth. However, it happens, if "property values would grow at a high rate in the absence of TIF, even a project that results in a permanent reduction in the growth rate would be easy to finance" (Youngman, 2011). Similarly, University of Purdue professor Larry DeBoer finds "if TIF is used when development would have happened anyway, the overlapping units lose revenue to the tax cap credits. The enacting government loses additional tax cap credit revenue as well" (DeBoer)

Risks and Costs

The pitch for TIF poses it as a no-risk proposition. That is false. As noted above, the debt assumed by issuing the bond for a TIF district can eat in to the general fund, creating a deficit. That can mean higher taxes, reduced services, more borrowing, or all of the above.

- Indiana saw "substantial erosion of local government's pre-TIF tax base" which **"translates into budgetary challenges and higher property-tax rates** for cities, counties, schools, townships and libraries as it eats away at their pre-TIF tax base." (Heller 2015)[vii]
- A first of its kind study published in Education Finance and Policy found that, in Iowa, "**greater use of TIF is associated with reduced education expenditures**"[viii]
- In St. Louis, TIF use might have given some benefit to some of the TIF districts, but it came at the expense of their neighbors. This led one scholar to conclude "[t]ax increment financing is not

being used to fuel development, draw in outside investment, or lure new residents to a community. It is **being used to shift the same jobs and tax revenues from one municipality to the next**."[ix] (Wilson)

- Joan Youngman, Lincoln Institute Senior Fellow and Chairman of the Institute's Department of Valuation and Taxation notes "[i]n appropriate situations a TIF can produce" the desired results. "A formerly blighted area may blossom, tax valuations may increase as a result, and a strengthened tax base may permit expanded future public services.

  In other cases, government investment could fail to improve local conditions, while the freeze in future tax base growth could restrict services during the period for repayment, further diminishing the jurisdiction's economic prospects.

Democratic Challenges

- Use and Misuse of TIF

Misuse of TIFs is common. The most common, it seems, is to meet the low standards of the "blight" and "but-for" requirements, but not the real life conditions of blight and the "but-for" requirements. The failings of TIF use above – failure to create new economic growth, failure to self-finance, and the subsequent negative consequences – depend on realistic assessments of the need for a TIF.

This is the first challenge for public officials. Apparently, most punt.

As one economist put it "Over time, blight requirements have been all but ignored in many cases, with cities, courts, and consultants ready to accede to almost comical expansions of that term. **Use of TIF as a general funding device and not as a means of assisting blighted neighborhoods is the first step away from its theoretical justification."**

The structure of the TIF, relying on projected growth in assessed value to supposedly finance the bond, means it is unlikely to be used properly since "truly blighted neighborhoods offer the fewest possibilities for easy increase in property value" (Youngman 2011). This may explain why early research on TIF use found TIFs used in already fast growing areas. Chicago's TIF Illumination Project, along with journalistic and formal investigations, show TIF use predominantly in wealthier areas of the city.

Similarly, "**the assignment of future valuation increases to the TIF district can encourage municipalities to target undeveloped land or other property with low assessed values**, particularly agricultural land eligible for preferential farmland programs. These areas may not be blighted or underserved by private developers, but they may offer dramatic increases in assessed value simply by being reclassified as commercial or industrial." (Youngman 2011).

All this suggests that the "but-for" requirement should be difficult to meet. Unfortunately, the "but-for" requirement "has been treated as even more of a formality than a finding of blight. Blight, however subjective, at least refers to an observable physical attribute. The counterfactual prediction of what would happen but for establishment of a TIF district is so open to conjecture as to invite disregard." (Youngman 2011).

Thus, the very kind of misuse that signals TIF failure - the prospect of investment and economic growth without the TIF - is encouraged by the structure of the TIF.

- Inequity

TIF use in already developing, wealthier areas means TIF often contributes to inequity.

Because the TIF fund is limited to spending within the TIF zone (and, paying back bonds and bond debt) it constrains local decision-making; property taxes that would have gone in to the general fund is sequestered away.

In Chicago, for example, Chicago Magazine, reporting in July, 2017 on the latest investigation "in the long TIF saga" makes an argument against executive control of TIF deals. Shifting money from one project to another "serves to highlight decades-old issues with the program, from where the money goes to where it can't go." The author notes: "[b]ecause the money can't move out of TIF districts or adjoining ones, it has a tendency to pool in them, particularly in wealthier areas."

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Phuong Nguyen-Hoang (2014) "Tax Increment Financing and Education Expenditures: The Case of Iowa" *Education Finance and Policy*, Vol. 9, Issue 4, Fall

Wilson, Joe; "Given A Hammer," Saint Louis University Public Law Review; Vol. XXXIV:83

Youngman, Joan (2011) "TIF at a Turning Point: Defining Debt Down" Lincoln Institute of Land Policy Working Paper

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[i] Despite this finding, TichlerBise makes a very mild recommendation: ""we believe the analyses supporting a project of this magnitude and potential impact to the County should be further vetted and that key assumptions—for example, market values—should align in the market analysis, TIF projections, fiscal and economic impact analysis, and pro forma. Short of that, inconsistencies should be at least explained." Given their limited purpose, it may be warranted. Given the council's responsibility, a much stronger conclusion is warranted.

[ii] For example, "At the most general level, clarity and transparency are essential to citizen oversight, but many TIF programs are largely hidden from taxpayer notice. At a very specific level, debt limits and a requirement of voter approval constitute a deliberate check on municipal borrowing, but legislatures, courts, and local officials have generally circumvented these measures by agreeing that bonds secured by tax increment financing do not constitute debt for these purposes." (Youngman 2011)

[iii] Useful reviews of research are presented by scholars from the Saint Louis University School of Law, Purdue, and the University of Toronto's Institute on Municipal Finance and Governance.

[iv] More specifically "Unlike previous TIF studies, this paper uses time-series data at the block group level. It also uses the timing of TIF designation in a difference-in-differences (DD) research design that compares outcomes in treated portions of the city to non-treated areas."

[v] The author concedes that "[w]hile some individual TIFs may have positive impacts, Chicago's use of TIF has not resulted in positive net employment benefits for city residents. This paper, by measuring building permit activity, finds no support for the claim that TIF designation acts as a catalyst for private investment—beyond what would have occurred otherwise—in the physical structure of local neighborhoods."

[vi] The authors cite a number of studies including one by Indiana's Legislative Services Agency (LSA) that they call "far and away the most detailed TIF work currently in existence." With access to data on individual businesses not available to outside researchers, the LSA study found that properties in TIF areas "saw higher levels of gross assessed value (GAV)," but the joint study also found that "'[o]ur econometric estimates suggest that most of the differences between TIF and non-TIF areas in GAV levels, GAV growth, and employment growth are not attributable to the TIF program.'" This 2016 work builds on previous research in which the Ball State team find "TIFs are associated with small but positive growth in assessed value. However, we find uniform negative impacts of TIFs on traditional measures of economic development such as employment, the number of business establishments, and sales tax revenue."

[vii] More specifically, an in depth case study "found that in the first seven years of the three Columbus TIF districts, the supposedly frozen pre-TIF tax base declined by 43 percent. … Meanwhile, local property tax rates increased by 28 percent. The county's tax rate alone rose 39 percent." (Heller 2015)

[viii] In sum: "This is the first study to directly examine the relationship between tax increment financing (TIF) and education expenditures, using the state of Iowa as a case study. I find that greater use of TIF is associated with reduced education expenditures. I also find little evidence to support the commonly held proposition that school spending increases when TIF districts expire. Finally, the negative price

effect of TIF on education spending is increasingly larger for school districts in lower wealth or income groups compared with their counterparts in higher wealth or income groups. The negative, though small, effect of TIF on education spending, coupled with no gain from the often-claimed long-run benefits of TIF, justifies policy measures to protect school districts from TIF." (Nguyen-Hoang 2014)

[ix] Wilson notes: "Tax increment financing abuse 'has authorized local leaders to make tax decisions that may benefit their immediate city at the expense of everyone else.' If one municipality succeeds at the cost of all municipalities surrounding it, then one can hardly say that the economy is improving at all. The realities of tax increment financing in the region are unfortunate for many. An East-West Gateway Council of Governments report from 2011 suggests that for every $1 million of TIF investment, about six or seven jobs and about $400,000–$500,000 in taxable sales are added to that zip code. That same $1 million TIF investment, however, corresponds to a $14,000 loss in taxable sales for the community next to the TIF. Every $10 million in TIF investment in a single community also corresponds to a loss of one job in every municipality in the region."

Sayers, Margery

From: Daniel Carr <dcarr@loyola.edu>
Sent: Friday, September 22, 2017 11:51 AM
To: CouncilMail
Subject: Repeal the Downtown TIF

Council Members ,

In order for our schools to continue to improve, developers must pay their fair share rather than ask the tax payers of Howard County to front their costs. The TIF diverts public money for private gain. Howard County does not need to incentivize developers to build here. The TIF does not ensure public interest. Please repeal it.

Daniel Carr
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2815 Willow Lane
Ellicott City, Maryland 21043

Sayers, Margery

From: LINDA Wengel <lwengel@msn.com>
Sent: Friday, September 22, 2017 11:57 AM
To: CouncilMail; Kittleman, Allan
Subject: Monday worksession

I believe the community would be well served if at the Monday work session, the Administration was called upon to offer a full explanation of how the change in the TIF allocation came about, including the role the lawsuit played. Many people testified at the public hearing for transparency on this clandestine transaction. Hopefully Monday is the Council's chance to clear things up before considering the legislation. Linda Wengel

Sent from my iPad

Sayers, Margery

From: Cynthia Sokolow <cynthsok@msn.com>
Sent: Thursday, September 21, 2017 2:16 PM
To: CouncilMail
Subject: Repeal the Downtown TIF

Council Members ,

In order for our schools to continue to improve, developers must pay their fair share rather than ask the tax payers of Howard County to front their costs. The TIF diverts public money for private gain. Howard County does not need to incentivize developers to build here. The TIF does not ensure public interest. Please repeal it.

Cynthia Sokolow
cynthsok@msn.com
9610 Susie'S Way
Ellicott City, Maryland 21042

Sayers, Margery

From: Todd Garner <info@actionnetwork.org>
Sent: Wednesday, September 20, 2017 8:10 PM
To: CouncilMail
Subject: Repeal the Downtown TIF

Council Members ,

In order for our schools to continue to improve, developers must pay their fair share rather than ask the tax payers of Howard County to front their costs. The TIF diverts public money for private gain. Howard County does not need to incentivize developers to build here. The TIF does not ensure public interest. Please repeal it.

Todd Garner
todd_garner@yahoo.com
7116 Millbury Ct
Elkridge, Maryland 21075

Sayers, Margery

From:	Michael Young <michaelyoung16@hotmail.com>
Sent:	Thursday, September 21, 2017 7:38 PM
To:	CouncilMail; Kittleman, Allan
Cc:	Christine Lemyze
Subject:	Re: Council Bill 74-2017

Dear Council Members and County Executive,

I support my wife's position and concerns for repeal of CB 56-2016 and and vote FOR CB 74-2017. As my wife Christine stated, we've been residents of Howard County for 30 years plus and don't want to see CB 56-2016 jeopardize the quality of life in Howard County.

Thank you in advance for your strong consideration of our opposition to this Bill.

Michael Young
3861 Woodville Lane
Ellicott City, MD 21042

From: Christine Lemyze <clemyze@hotmail.com>
Sent: Tuesday, September 19, 2017 10:20 PM
To: councilmail@howardcountymd.gov
Cc: AKittleman@howardcountymd.gov
Subject: Council Bill 74-2017

Dear Council Members,

My name is Christine Lemyze. I live at 3861 Woodville Lane in Ellicott City, 21042.

I have been a resident of Howard County for over 30 years and care deeply about quality of life in the county.

I urge you to repeal CB 56-2016, and vote FOR CB 74-2017. Since the proposed use of the special financing has changed, it is now mandatory that bill 56-2016 be repealed and new data submitted to the council and citizens in order to evaluate the need for TIF financing and potentially approve it for specific purposes.

Thank you.

Christine Lemyze

Sayers, Margery

From: Amanda Chrysovergis <Achryso@icloud.com>
Sent: Wednesday, September 20, 2017 7:28 PM
To: CouncilMail
Subject: Repeal the Downtown TIF

Council Members ,

In order for our schools to continue to improve, developers must pay their fair share rather than ask the tax payers of Howard County to front their costs. The TIF diverts public money for private gain. Howard County does not need to incentivize developers to build here. The TIF does not ensure public interest. Please repeal it.

Amanda Chrysovergis
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