The U.S. Experience with Tax Increment Financing (TIF)

A Survey of Selected U.S. Cities

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Executive Summary

In November 2004, Calgary City Council approved, in principle, the use of tax increment financing (TIF) as a strategy for the redevelopment of Calgary's Rivers District. At that time, a review of TIF practices was requested to help guide the potential implementation of TIF in Calgary. TIF is a financial tool that allocates future increases in property taxes from a designated area to pay for improvements only within that area.

This research study of TIF practices in the U.S. was initiated in early 2005. The study describes how the cities of Portland Oregon, Denver Colorado, and Chicago Illinois, initiate, implement, and administer TIF. Due to the fact that TIF is adapted to each local context, it is difficult to conduct a direct comparison amongst cities. However, certain key practices are common to all jurisdictions. The following TIF concepts may be relevant to The City of Calgary as it contemplates the use of TIF:

- The two determining qualifications for TIF are the presence of blight conditions and meeting the "but for" test that states redevelopment will not occur in a specified area without TIF.
- An initial study is required that documents blight, demonstrates that the "but for" requirement is met, and establishes TIF district boundaries.
- A redevelopment plan is prepared that includes major project activities and costs, plans for public acquisition of property, project completion dates, and a financial analysis.
- TIF may not be the sole source to support incurred debt. Other supplementary funding sources include the municipality's capital improvement program, federal and state grants, municipal land sales, and donations are utilized.
- TIF programs are lead by a municipality, or its redevelopment agency, but several overlapping taxing jurisdictions, such as a county or school district also participate in the program.
- Urban renewal projects that include TIF programs have legislated requirements for public involvement such as public notices and public hearings prior to adoption of TIF districts. Local development authorities also work with citizen advisory committees and organize public meetings, to provide information and receive feedback.

TIF is a relatively straightforward concept that can quickly become complex when applied to real-world development projects. It has been called a "fabulous tool that must be used carefully" (Johnson and Tashman 2002). The challenge and opportunities offered by TIF appear to rest in the details of how it is implemented. Cities such as Portland, Denver, and Chicago have developed and adapted TIF over the past fifty years and The City of Calgary can learn much from this U.S. experience.

Introduction

In November 2004, Calgary City Council approved, in principle, the use of tax increment financing (TIF) as a strategy for the redevelopment of Calgary's EastCore area. At that time, Council also directed the Administration to undertake a detailed review of TIF practices that would help guide Council and Administration in the implementation of TIF.

In early 2005, a small study team from The City of Calgary initiated a research study focused on the cities of Portland-Oregon, Denver-Colorado, and Chicago-Illinois, because these three American cities have considerable TIF experience. This research included a study tour to these cities in February, 2005.

The purpose of this report is to convey the practices used by three different cities to initiate, implement, and administer TIF. It is instructive to understand that TIF is applied differently in every jurisdiction and even municipalities within the same state, with the same enabling legislation, administer TIF in different ways. Due to the fact that TIF is adapted to each local context, it is difficult to conduct a direct comparison amongst cities that use TIF. This report describes how TIF is applied in different contexts. Further, this report identifies key concepts that may be applied to the Calgary situation, as The City of Calgary contemplates the use of TIF.

This report is organized in three main sections. The first section introduces the concept of TIF by providing an historical summary and a description of TIF theory. This overview is followed by a section that compares the application of TIF in Portland, Denver, and Chicago. Detailed information is provided in the areas of: legislation, qualifications for use, background study requirements, redevelopment plans, district details, eminent domain, finance, public involvement, governance, and administration. The final section of the report identifies benefits and risks that have been associated with TIF.

The Origins of TIF

In the United States, TIF is the primary way urban renewal projects are financed and due to the significance of its impact TIF has become nearly synonymous with urban renewal in the American context (Johnson and Tashman 2002). To understand the origins of TIF, it is necessary to understand the history of urban renewal in the U.S.

The 1949 Housing Act provided federal funds to cities for urban redevelopment in the post-war period. The Act offered funds to local public agencies to assemble, clear, and resell or lease land for predominantly residential uses to private developers or public housing agencies. In the early 1950s many State legislatures created housing authorities to act as urban renewal agencies, to manage these federal funds. The earliest urban renewal projects were often characterized as “slum clearance” and generated the most controversy because of the widespread displacement of residents and businesses and the demolition of heritage buildings.

The Housing Act required a local match for federal urban renewal funds. In 1951, the State of California enacted implementing legislation so that TIF could be used as a local financing tool to match federal urban renewal funds. In the 1950s TIF was primarily used for purpose of financing the redevelopment of blighted communities. The use of TIF grew rapidly in the 1970s and 1980s when there was a fundamental shift in the way urban renewal was being planned and implemented. Instead of focusing on land clearance and housing renewal, plans expanded into a revitalization tool to improve both the built and social environment of decayed urban areas.

Also during the early 1980s, local governments were faced with cuts in federal funds for urban renewal programs. At the same time, voters in several jurisdictions began protesting property tax increases and some states such as California, capped local property tax increases. During this time local governments increasingly used TIF to finance urban revitalization efforts, economic development projects and other physical infrastructure projects. Throughout the 1980s and 1990s TIF was beginning to be used as a finance tool to redevelop brownfield sites.

The use of TIF has grown and changed since its inception in the 1950s. TIF has been used for a variety of purposes ranging from the earliest federal housing programs, to urban revitalization plans, to economic development. Today TIF is authorized as a financing method in 48 states. It is applied in a variety of ways and the application of generic TIF principles varies greatly across states.

The Basic Theory of TIF

While there is variation in the length of time for project application, the agency charged with directing its use, and what type of projects can utilize TIF, the theory behind TIF is relatively straightforward. It states that public improvements in a slated area can be financed by the increase in property taxes generated by private development. The reliance for funding comes from property taxes, not state or federal funds, nor general funding from the city budget. The theory is that the property tax generated in a blighted area is flat or declining. If redevelopment can be stimulated, property values will rise and commercial activity will increase, creating an incremental increase in the tax revenues generated. TIF allows a municipality to capture this increment to pay off debt incurred for items such as land acquisition, site development, environmental reclamation, property rehabilitation, road improvements, and other infrastructure upgrades (Johnson 2002). Through TIF municipalities borrow and spend against future incremental tax revenue increases brought about by the development.

Comparative Research - TIF in Three U.S. Cities

Information for this report was gathered from Portland, OR, Denver, CO, and Chicago IL, to determine how each of these three cities uses TIF as a financing tool and applies TIF principles. These cities were selected for in-depth study, for a variety of reasons.

Portland is widely considered a leader and innovator in urban planning matters and the areas of urban renewal and TIF are no exception. In 1958, The Portland Development Corporation (PDC) was created to act as an urban renewal authority and in 1960, Oregon became the second state to authorize TIF. The PDC has gained considerable experience implementing and administering TIF over the past 40 years. During that time Oregon's TIF legislation and Portland's application of TIF has changed considerably and many adjustments have been made to TIF programs.

Denver is often compared to Calgary. The city is located at the eastern base of the Rocky Mountains on a spacious, relatively flat site, where sprawling growth is unimpeded. Denver has experience similar energy booms to Calgary with similar patterns of urban growth including an eruption of high-rise buildings downtown, during the 1970s and a proliferation of suburban subdivisions. The Urban Renewal Law in Colorado was modified in 1975 to provide for the use of TIF. Similar to Portland TIF is administered by an urban renewal agency known as the Denver Urban Renewal Authority (DURA).

Chicago has been using TIF for a comparatively short time, with its first TIF district being created in 1984. Chicago however, has used TIF extensively over the past twenty year and now has over 130 TIF districts, considerably more than either Portland or Denver. The use of TIF has grown substantially in Chicago in recent years with 101 districts being created since 1995. Chicago's TIF Districts comprise approximately 30% of the land area of the city and 13% of the tax base. Chicago also differs from Portland and Denver because the TIF program is administered by the municipal administration through the Planning and Development Department.

The following section of the report will compare how TIF is used, applied and implemented in Portland, Denver, and Chicago. Specific topics that will be covered include: legislation, qualifications for TIF use, required background studies, redevelopment plan requirements, district details, the use of eminent domain, finance, and public Involvement.

TIF Legislation

Each of the three cities reviewed has state enabling legislation that provides for the use of TIF. This legislation has evolved to varying degrees to address a variety of issues particular to each jurisdiction.

Portland

In 1960, Oregon voters approved a constitutional amendment that authorized urban renewal agencies such as the Portland Development Commission, to use TIF to finance urban renewal projects. This constitutional amendment was grounded in the Federal Housing Act programs of the time. Originally, TIF could only be used for redevelopment or an urban renewal project and to qualify the area had to be “blighted” or “deteriorated”.

The first enabling legislation required a finding of “blight” based on strict standards for federally assisted programs. In 1974, Congress passed the Housing and Community Development Act which consolidated federal grant programs including urban renewal into one block grant that went directly to local governments, not directly to the Portland Development Commission as had happened in the past. This shift in financing and planning resulted in much more use of TIF by the Portland Development Commission.

In the mid-1970s there were public concerns that there was: a lack of citizen participation on developing an urban renewal plan, inadequate fiscal accountability to the public, excessive impact on other taxing bodies, use of TIF for economic development rather than urban revitalization, and large size of TIF areas. In response to these issues, the urban renewal statutes were substantially rewritten in 1979. The amended legislation included the following changes:

1. expanded the use of TIF for economic development without housing,
2. expanded the definition of “blight” to include lack of proper utilization of areas resulting in an unproductive condition of land,
3. improved public scrutiny of renewal efforts by requiring annual reporting, and
4. restricted the percentage of a municipality’s assessed value and land area that could be placed within an urban renewal area.

Changes enacted in 1979 continue to be the core of urban renewal law and practices today. In 1990 voters approved Measure 5, which established limits on the amount of property taxes paid by any individual landowner. Urban renewal agencies were directed to reduce or eliminate collecting certain types of tax increment revenue (e.g. municipal sales tax) to lessen losses to general government agencies. In the 1990s taxes for urban renewal were identified on tax statements, increasing the visibility of TIF.

Denver

Urban Renewal Law was enacted in Colorado in 1958. The main provisions of the original Urban Renewal Law have not changed significantly since 1958, (White 2004). Under the 1958 law, a municipality can form an Urban Renewal Authority. This Urban Renewal Law also enables the Authority to acquire property by eminent domain.

The Urban Renewal Law was modified in 1975 to provide for the use of TIF. The Colorado Supreme Court upheld the constitutionality of TIF in October 1980. The Urban Renewal Law was amended in 1999. The amendments replace a general definition of "blight" with a list of 11 factors. In addition, the amended law specifies that the boundaries of an urban renewal area must be drawn as narrowly as possible to accomplish the planning and development objectives of the urban renewal area. The 1999 amendments also require a municipality to provide notice to the county assessor if tax increment financing is part of any urban renewal plan.

Chicago

In 1977, Illinois was the 25th state to adopt TIF with the passage of the Tax Increment Allocation Redevelopment Act. The Act provides a means for municipalities, after the adoption of a redevelopment plan and project, to redevelop blighted, conservation, or industrial park conservation areas and to finance eligible redevelopment project costs with incremental property tax revenues. Although the Act was passed in 1977, Chicago did not create a TIF district until 1984. In 1999, TIF reform legislation was adopted that had significant impacts on how TIF was applied in Illinois. The reform legislation included the following changes:

1. individuals affected by TIF are given more information about activities earlier in the process.
2. an Interested Parties Registry was introduced that establishes a mailing list for residents, businesses, and organizations within the TIF district that informs them of key developments within the TIF.
3. clarification about when a full public process is required.
4. expanded Joint Review Board including representatives of each taxing district.
5. annual public reporting requirements
6. requirements to conduct a "housing impact study" and provide resources to relocate residents.
7. expanded ability to use TIF funds for affordable housing, day care, and "welfare-to-work" programs.
8. limitations on the use of TIF funds for constructing golf courses, town halls or convention centers.
9. limitations on the use of TIF funds for administrative costs.
10. allows municipalities to spend TIF dollars on publicly owned properties just outside a TIF district.
11. requirements that eligibility factors be present "to a meaningful extent" and are "reasonably distributed" throughout the TIF.
12. removes "age" and "depreciation of physical maintenance" from the list of factors that make an area eligible for a TIF.

Qualifications for TIF Use

In the three reviewed municipalities there are two common determining qualifications. The first is that authorizing legislation requires urban renewal (and TIF used in conjunction) to prevent or remove blight. The second qualification is a determination that redevelopment will not occur without TIF. This requirement, referred to as the "but for" test. The existence of blight and the meeting of the "but for" requirement are used to determine the boundaries of the TIF district.

Blight Factors

In each of the jurisdictions reviewed, state statute defines a "blighted area" and provides criteria that must be met to determine blight. This criterion is listed below.

Portland

In the State of Oregon, a blighted area is characterized by the existence of one or more of the following conditions:

1. Unsafe structures
2. Disuse of property resulting from faulty planning;
3. Inadequate size or dimensions for property usefulness and development;
4. Lot layout that disregards physical characteristics of the terrain;
5. Inadequate streets and other right of ways, open spaces and utilities;
6. Property or lots that are subject to inundation by water;
7. Prevalence of depreciated values;
8. Lack of proper utilization of areas;
9. A loss of population of the area

Denver

In Colorado the definition of a "blighted area", outlined in the State statute, consists of two parts. First, it identifies eleven general physical factors that represent blight as follows:

1. Slum, deteriorated, or deteriorating structures
2. Inadequate street layout
3. Faulty lot layout (size, accessibility)
4. Unsanitary or unsafe conditions
5. Deterioration of site or other improvements on the site
6. Unusual topography
7. Defective or unusual conditions of title rendering the title unmarketable
8. Conditions that endanger life or property by fire or other causes

9. Buildings that are unsafe or unhealthy because of building code violations, dilapidation, deteriorating, defective design, physical construction, or faulty or inadequate facilities
10. Environmental contamination of buildings or property
11. Inadequate public improvements or utilities

Second, the statute requires that for an area to be considered blighted it must not only contain a certain minimum number of blight factors, but it must be shown that the presence of those factors in the area “substantially impairs or arrests the sound growth of the municipality, retard the provision of housing accommodations, or constitutes an economic or social liability, and is a menace to the public health, safety, morals, or welfare…” (White, 2004).

Chicago

In Illinois, state law requires that an area meet at least five of the following criteria, to be considered blighted:

1. Deterioration
2. Inadequate utilities
3. Obsolescence
4. Dilapidated buildings
5. Building code violations
6. Illegal use of structures
7. Vacant buildings
8. Lack of ventilation, light, or sanitary facilities
9. Overcrowding of structures and community facilities
10. Excessive land coverage
11. Undesirable land use or layout
12. Environmental clean-up
13. Lack of community planning
14. Stagnant or shrinking property values

These factors must be present "to a meaningful extent" and must be "reasonably distributed throughout the area" in order to qualify as a blighted area.

“But For” Requirements

The second determining qualification for TIF is the “but for” test. This requirement demonstrates that private funds are not sufficient and the development would not reasonably be anticipated or realized without the adoption of the TIF portion of the plan.

Portland

Officials with the Portland Development Commission indicated that it is very difficult to quantify the “but for” requirement. An assessment of blight conditions and a discussion of the “but for” development scenario are outlined in an Urban Renewal Feasibility Study. Portland Development Commission officials advise municipalities contemplating TIF to develop a clear mechanism to demonstrate that the “but for” test is being met.

Denver

In Denver the “but for” requirements are a critical benchmark that determines the Denver Urban Renewal Authority’s involvement in a proposed project is that the project would not be feasible without the Authority’s involvement. Feasibility gaps must be empirically demonstrated.

Chicago

Illinois law states that before any TIF can be put in place, the municipality must find: “that the redevelopment project area on the whole has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of the redevelopment plan”.

Background Study Requirements

As indicated in the previous section, each of the three reviewed municipalities requires an initial study that: (i) documents blight, (ii) demonstrates that the “but for” requirement is met, and (iii) establishes district boundaries. This study is completed prior to a redevelopment/renewal plan. While each municipality has a different name for the study, it is intended to serve the same purpose and there area several common study requirements.

Portland

In Portland the first phase in the establishment of an urban renewal program consists of a feasibility study that provides City Council with a factual basis for deciding whether or not to proceed. The feasibility study may include the following:

1. a review of existing plans and studies;
2. meetings of stakeholders to gain a better understanding of the community;
3. an assessment of “blight” conditions which must be found by City Council in order to establish an Urban Renewal Area;
4. a determination of the Urban Renewal Area boundary in conformance with the assessed value and area limitations (no more than 25% of the city total in either criteria);
5. an estimate potential urban renewal tax revenue from the tentatively defined area; and
6. an evaluation of options for proceeding.

Denver

In Denver, a blight study is the necessary first step to allow an urban renewal effort to proceed legally. The blight study is used by the municipality to determine if a defined geographic area is “blighted” as defined by Colorado law. This study is usually conducted on behalf of the municipality by an outside consultant. The components of the study typically include:

1. definition and description of the study area;
2. an overview of the eleven blight criteria and the requirements of state law;
3. a narrative description of the blight conditions actually found in the area;
4. photographic evidence of the blight conditions found; and
5. a final recommendation as to a finding of blight.

The Denver Urban Renewal Authority feels that it is critical that the findings of a blight study be rigorously defensible because it is the basis for the urban renewal area and public financial assistance (i.e. TIF). "It is the suitability, specificity, and quantity of documentation of blight that helps establish the legitimacy of the urban renewal effort." *Urban Renewal in Colorado, 2004, page 27.*

Chicago

Chicago requires an initial Eligibility Study, as a precursor to a redevelopment plan. Similar to Denver, this study is typically conducted on behalf of the municipality by an outside consultant. The Eligibility Study eventually forms part of the overall tax increment redevelopment plan for an area. The study contents include:

1. the location and size of area
2. a description of current conditions
3. an analysis of blight eligibility factors
4. an analysis of undeveloped or vacant properties.
5. a Housing Impact Study as required (if at least 75 occupied residential units are located within the TIF, or if the TIF plans to remove 10 or more occupied residential units).

Redevelopment Plans

In each of the three municipalities studied, a redevelopment plan is produced once an area is found to be eligible for TIF.

Portland

In Portland, infrastructure projects must be authorized in an urban renewal plan and report before the projects can be initiated with tax increment financing. The urban renewal plan must be approved by Portland City Council. The urban renewal report accompanies the plan and provides background information, analysis and support for the findings that must be made in adopting the plan.

An urban renewal plan is required to contain:

1. A description of each urban renewal project to be undertaken
2. An outline of the major project activities planned for the urban renewal area or areas. (A "project" may be a site specific undertaking, a series of related undertakings or a program of activities.)
3. A map and legal description of the urban renewal area.
4. An explanation of how the plan relates to local objectives, such as relevant objectives of the comprehensive plan, target area plans and other public policy statements.
5. An indication of proposed land uses (which must conform to the comprehensive plan and zoning code).
6. A description of relocation methods for residents or businesses that must move because of Agency projects
7. If public acquisition of property is required by the plan, a description of property to be acquired by the Agency (if any) and how it will be disposed of (e.g. sale or lease), along with a schedule for acquisition and disposition.
8. If the plan calls for the use of tax increment financing, a limit on the maximum amount of indebtedness to be issued to carry out the plan.
9. A description of what types of changes to the plan are to be considered substantial amendments. Substantial amendments must be adopted using the same process as the adoption of the original plan. The following amendments must be considered substantial: (1) expanding the urban renewal area by more than one percent; and (2) increasing the maximum amount of indebtedness that may be issued.
10. If the plan calls for the development of a public building (e.g. a fire station), an explanation of how the building serves or benefits the urban renewal area.

An urban renewal report must contain:

1. A description of the physical, social and economic conditions within the urban renewal area and the impact of the plan, including fiscal impacts, in terms of increased population and the need for additional public services.
2. The reasons why the urban renewal area (or areas) was selected.
3. The relationship between each urban renewal project and the conditions within the area.

4. The estimated costs of the projects and the sources of project funding.
5. The completion date for each project.
6. The amount of tax increment funds that are estimated to be required and the year in which the Agency plans to pay off all outstanding tax increment indebtedness.
7. A financial analysis that shows the plan to be financially feasible.
8. An analysis of the impact on the tax rates and/or revenues of the taxing districts that overlap the urban renewal area; and
9. A relocation report which includes an analysis of businesses or residents that may be required to relocate.

Denver

In Denver, an urban renewal plan must be adopted by City Council before an urban renewal authority can undertake an urban renewal project, acquire land or transfer real property. The plan can be prepared by the urban renewal authority, its staff, city staff, or consultants. In practice the plan is most often prepared by consultants.

The urban renewal plan must include the following:

1. Plans to eliminate and prevent the development or spread of slums or blighted areas and redevelopment of such areas with appropriate public and private resources.
2. Outline of preliminary plans for urban renewal activities.
3. Plans for relocation of individuals, families and business that will be displaced by the urban renewal project.
4. Plans for programs of voluntary repair and rehabilitation of buildings and improvements.
5. Plans for enforcement of state and local laws, codes and regulations governing land use and use of buildings and improvements.
6. Authorization to use powers of eminent domain, if so determined by Council.
7. Documents necessary to carry out any of the above including financing plans, maps, appraisals, surveys and studies.

The plan may address several other matters such as:

1. Phasing;
2. Types of development;
3. Limitations on types or amounts of financing;
4. Authorization of the use of TIF;
5. Interim uses of the property; and
6. Zoning and land use matters.

The plan should be as flexible as possible to allow for market, financial, economic and other conditions which exist at the time redevelopment actually occurs. *Urban Renewal in Colorado, 2004, page 7.*

Chicago

In Chicago a redevelopment plan must be adopted by City Council to establish a TIF district. The area eligibility study is usually presented to council at the same meeting and is reviewed at the same public hearing. The redevelopment plan is an assessment of an area in need of economic assistance and demonstrates why an area needs to be redeveloped. Illinois law requires review by the major overlapping local governments and copies of the plan must be made available for public review and inspection at least 45 days prior to the public hearing.

A TIF Redevelopment Plan must have the following contents:

1. A description of the boundaries of the district recommended for redevelopment
2. A discussion of why the area needs to be redeveloped
3. Documentation of how the area satisfies the “but for” requirement in order to qualify for TIF eligibility
4. The redevelopment goals and objectives for the area
5. An explanation of how the land in the TIF district will be used
6. A budget for the life of the TIF district, including the total TIF-eligible costs of the plan
7. An evaluation of the fiscal and programmatic impact on the overlapping taxing bodies

8. A description of the process to amend the plan
9. A statement of conformance with the municipality's comprehensive plan
10. A timetable for redevelopment of the area.

District Details

TIF Districts in each of the three cities examined vary greatly in size, composition, and purpose. TIF is used most selectively in Portland where there are only 10 urban renewal areas and most frequently in Chicago, which currently has 130 TIF districts.

Portland

Portland currently has ten urban renewal areas receive funding through TIF. These areas range in size from 161 acres for the downtown South Park Blocks area to 3,744 acres for the Interstate Corridor area. The character, land uses, and redevelopment objectives also varies greatly amongst the urban renewal areas. For example, the South Park Blocks area consists of several neighborhoods, including the University District, the Cultural District, and a mixed-income, mixed-use housing district. The goals for this area are to maintain employment, population, cultural facilities, and neighbourhood character while encouraging the creation of new residential and commercial developments by providing public infrastructure improvements.

Denver

Since 1991, the Denver Urban Renewal Authority has used TIF to invest in twenty-four projects. These projects can be categorized into downtown developments, neighbourhood developments, and major infill projects. The downtown developments range from the renovation of large single historic buildings, to the redevelopment of a 68 acre site along the South Platte River for an amusement park. The neighbourhood developments range from a 27 acre housing development on a former hospital site to an 80 acre mixed-use urban village on a former rubber manufacturing site. Denver's largest TIF district, which is termed a major infill project, is the redevelopment of the 4,700 acre former Stapleton International Airport into one of the United States' mixed-use urban communities.

Chicago

Illinois law provides for three types of TIF districts: a blighted area, a conservation area, and an industrial park conservation area. The blighted area must contain at least five of fourteen blight factors. An industrial park conservation area must have had a relatively high unemployment rate, be zoned industrial prior to the establishment of the TIF, contain vacant land suitable for an industrial park, and be contiguous to a blighted or conservation area. In a conservation area, at least 50% of the structures must be at least 35 years old and three of the fourteen factors for designation of a blighted area must be present.

There are currently 130 TIF districts in Chicago, comprising approximately 30% of the land area of the city, 13% of the city's tax base. A minimum area of one and a half acres is required to qualify as a blighted, conservation, or industrial park conservation area. The smallest TIF district in Chicago is the West Grand District at 3 acres and the largest is the Lake Calamet Industrial Corridor at 11,945 acres.

Use of Eminent Domain

Eminent domain ("condemnation") is a tool used by U.S. municipalities to acquire private property without the property owner's consent for public purposes such as schools, libraries, airports, roads, parks and open spaces. In the context of urban renewal, eminent domain is used by municipalities, or in some cases, urban renewal authorities, to assemble private property for the purpose of accomplishing a redevelopment project. Expropriation is an equivalent tool used within the Canadian context.

Portland

Under Oregon law, urban renewal agencies such as the Portland Development Commission have limited eminent domain authority. Eight of Portland's ten urban renewal plans determine the Portland Development Commission's legal eminent domain authority for the purposes of redevelopment. The remaining two plans prohibit obtaining property through eminent domain. The manner and degree to which the urban renewal plans address eminent domain varies, reflecting the objectives of the plan, the community's position and political sentiment when the plan was adopted. Both Portland City Council and the Portland Development Commission's Board of Directors must approve condemnation following a public hearing. The Portland Development Commission's Real Estate Acquisition Policy states that: "Every reasonable effort should be made to acquire real property by negotiation", and condemnation only used as a last resort. Between 1980 and 2000, 14 out of 450 of the Portland Development Commission's property transactions used eminent domain.

Denver

In Colorado, redevelopment agencies have the ability to acquire private property through eminent domain and resell it to another private party for redevelopment. Colorado courts have interpreted the term "public use" to mean public advantage or benefit, as opposed to a requirement that the public itself actually use the property. The elimination of blight is considered a public benefit. The Denver Urban Renewal Authority may only use eminent domain to acquire property after an area has been declared blighted. The Denver Urban Renewal Authority has only used eminent domain on three occasions in the last twelve years.

Financing

Fiscal Analysis Requirements

Tax increment financing (TIF) is one of the financing tools widely used in the United States to foster revitalization and regeneration of blighted communities. Other funding sources which supplement and at times, front end the immediate financing requirements (before revitalization brings increased property taxes from the TIF geography) can positively impact the scale, the timetable, the quality and the nature of redevelopment and cost recovery.

Aside from a required feasibility study and a full blight justification before setting up a TIF district, the redevelopment plan also calls for in-depth economic and fiscal analyses for each project as well as for the designated TIF district. This is to ensure (a) successful co-ordination and completion of individual projects and (b) sufficient tax increments arising from tax producing projects are available to cover debt servicing requirements on debt taken out for municipal infrastructure program.

The three American cities (Portland, Denver, Chicago) have identified to a varying degree the following necessary fiscal analysis elements in developing urban renewal plans:

1. Full cost estimates for projects and timelines, revising and updating them as is necessary to reflect current situation. All three cities capitalize interest costs as part of the project costs.

2. “Financing gap” analysis for individual project to determine economic and financial feasibility of the project and the extent to which municipality involvement is requirement to make such project economically feasible.

3. Timely reporting of financials with the attendant cost controls and cash flow management, and the strict adherence of debt covenants

The term “financing gap” refers to the increase in cost to undertake a project in a TIF district by private sector in comparison to the cost to undertake it in a raw land circumstance. Urban redevelopment is often considered as a public/private partnership. Redevelopment agencies in the U.S. work very closely with the private sector. This includes assessing the “financing gap”, if any, of each privately owned project.

The “financing gap” approach considers each project uniquely and evaluates it individually but, in the context of the whole redevelopment. The approach also takes full account of the increased tax revenue to be generated at project completion. If the project economics are such that, without public assistance, starting the project is not financially feasible, the redevelopment agency may negotiate some public assistance using TIF, after assessing the sufficiency of the future stream of tax increments against the value of the assistance.

Embedded within redevelopment using TIF is a unique feature called “leveling the Playing Field”. Costs such as environmental remediation, relocation expense, necessary land assembly/acquisition, and extensive re-work and replacement of public infrastructure (i.e. Right sizing existing underground pipes), are not typically associated with “green field” development but they are very much a part of redevelopment. Because the area earmarked for redevelopment is not normally pristine, nor untouched, private sector investment at the rate and scale required may not be possible without public intervention. Aside from the costs and scale of redevelopment is the issue of environment liability. The private sector may not be willing to accept such uncertainty. The public sector may need to take steps to carry out land remediation, removing such roadblocks.

Additional costs bring changes to the economics and financial feasibility for both the private and the public sectors – the private sector assessing its investment from earning reasonable and equitable returns, and the public sector ensuring needed public infrastructure improvements are in place and growth in tax revenues from private investment is sufficient to meet public debt obligations.

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Portland

No specific limit is set, but each project is dealt with independently in the context of the redevelopment area.

Denver

In Denver, its redevelopment agency sets a criterion for the maximum amount of TIF investment in each project, which is lesser of three amounts:

1. Financing Gap (increase in cost to undertake a project in a TIF District in comparison to the cost to undertake it in a raw land circumstance)

2. TIF Capacity (maximum amount that can be financed from TIF)

3. Eligible Project Costs (project costs can be financed by TIF as per legislation)

Chicago

In Chicago, its redevelopment agency considers public assistance, subject to “financing gap” and other related reviews, to no more than 20% of total project costs.

Issuance of TIF Bond

Subject to the restrictions imposed by federal law (i.e. United States Tax Reform Act of 1986), for TIF redevelopment purposes, tax exempt bonds can be issued to finance public infrastructure, public facilities and public property improvements. Taxable debt is used for privately owned projects. All three cities have issued tax exempt bonds and taxable bonds. TIF debt is normally not backed by the full faith and credit (i.e. general obligation) of the issuing municipality and as such, it is not counted as part of the general obligation debt limit.

Unless a municipality attaches its general obligation to the TIF debt, the relative interest costs would be higher. However, without the full faith and credit of the issuing municipality, the risk of debt default is borne by bond holders. From a historical perspective, when Proposition 13 was passed in California, property taxes were rolled back with redevelopment agencies unable to meet TIF debt obligation with reduced tax increases. The State of California and affected cities came to the rescue with a bail out plan, preventing default. It is reasonable to expect affected cities would step in to prevent debt default, should tax revenue growth be insufficient to meet debt obligations.

Other Financing Details

Often times, restrictive covenants are written into the debt offering document to which issuing agencies must strictly adhere. Typical restrictive covenants are:

1. *Coverage Requirements* - It normally requires coverage of 1.25 times debt service from the projected growth in tax revenues.
2. *Limitations on Developers* - Because projected tax revenue increases arising from redevelopment are earmarked to service the debt, it provides an additional safeguard to the bond holders with a restriction barring developers to protest property taxes on their developments.
3. *Reserves* - Requiring a reserve is additional feature in enhancing marketability of the debt, thus providing further safeguard to the bond holders.

Other enhancements might be incorporated into the debt offering document:

1. *Insurance* - Both TIF tax exempt and taxable bonds are normally special, limited obligations of the issuer which are secured solely by and payable solely from the net increased tax revenues of the designated area. An enhancement to the bond marketability may be required, providing bond holders an added comfort of debt service reliability; hence, a financial guaranty policy.
2. *Interest Rate Caps* - A feature written into the debt offering document, signifying the maximum interest rate the issuer is willing to accept.

Portland

Portland's redevelopment agency is not authorized to issue TIF debt; all TIF debts are issued by the City of Portland. The governing statutes set the amount of maximum indebtedness for each TIF district.

Denver

Denver Urban Renewal Authority (DURA) is authorized to issue both tax exempt and taxable TIF debt in its name.

Chicago

All TIF debts are issued by the City of Chicago. There is no maximum indebtedness limit as it depends on what developers propose to build and the size of public assistance required. However, it does have a broad plan with estimates of project costs.

<u>Pay-As-You-Go Financing Tool</u>

In addition to the use of bonds, 'pay-as-you-go' is another financing technique commonly used in the United States for redevelopment financing. As the term implies, redevelopment agencies utilize the rise in annual property tax revenues to pay for their obligations on qualifying projects. There are three basic forms of pay-as-you-go:

1. Direct reimbursement of eligible costs to private developer/owner
2. Payment on a promissory note issued to a private developer/owner

3. Payment on a promissory note or reimbursement agreement issued to a public funding source (this is difference from the second approach where a government body instead of private developer/owner providing initial funds)

Normally the ‘pay-as-you-go’ approach involves smaller investments, and is often used as credit enhancement for developers. Full financial risk is still borne by developers. This is because redevelopment agencies only reimburse developers after project completion.

Portland

In Oregon, the TIF legislation stipulates that tax increment revenues be spent on bonded indebtedness. As such, in order to comply with such requirement, Portland issues bonds with very short maturities (typically overnight) to pay off the debt taken out to finance necessary project costs. These bonds, known as “du jour bonds” are typically sold to commercial banks.

Denver

Tax increments are generated from both property and sales taxes once a redevelopment project is completed. The redevelopment agency, DURA, then use the tax increments to service the debt incurred for the redevelopment activities or to reimburse developers for a portion of their project costs.

Chicago

Chicago is similar to the applications used by Denver.

<u>*Other Sources of Funding*</u>

Urban renewal project financing in the United States does not rely solely on the growth of property tax revenue to support the incurred debt. It provides the lion’s shares of the funding, however, supplementary funding sources are needed.

Such funding sources include, but are not limited to, the following:

1. Funding, in whole or in part, of TIF projects directly as part the municipality's capital improvement program
2. Federal and State grants (municipalities using growth in property tax revenue or TIF debt as matching funds)
3. Hotel tax for hotel/convention center development
4. Business license tax abatement to encourage setting up Business Improvement Districts (BIDs)
5. Sales Taxes
6. Sales (exchange) of municipal lands or air rights within the designated area
7. Zoning bonus (increased densities requiring developers to contribute to TIF project funding and/or as an incentive to invest in development or redevelopment of real estate in the TIF area)
8. Donations of all sorts including lands for public facilities, monetary contribution for naming rights and the like.

The above sources of funding to a varying degree are available to each of the cities, subject to the limitations of their governing TIF legislation and municipalities' practices.

TIF is an important municipal revitalization tool in the United States that has, over the years, successfully facilitated redevelopment in large and small cities. Its use is extensive and fully endorsed by the cities of Portland, Denver, and Chicago.

This financing method is time based self-funding. In the U.S., the increased municipal tax revenues that result from revitalization are seldom the only source of funds used in redevelopment. Often federal and state governments provide assistance with infrastructure improvements and by design and intent the private sector bears the costs associated with their development activities.

It appears that TIF can be straightforwardly applied to revitalization within Calgary. The much simpler tax structure in Alberta (no call from other agencies and bodies upon the municipal tax revenue except from the Province for school taxes) means that negotiations on tax revenue allocations are straight-forward. Assessment and tax administration are controlled locally.

Public Involvement

In each of the three cities examined, members of the public have opportunities to participate in the TIF decisions, through the urban renewal approval process.

Portland

The Portland Development Commission has adopted an extensive Public Involvement Policy to guide staff as to when and how to involve the public in Portland Development Commission planning and decision processes. In some instances public participation is prescribed by law. When adopting or amending an urban renewal plan Oregon law prescribes certain public notices and hearings prior to adoption. To engage the public the Commission holds periodic public meetings and open houses, erects information booths at community events, and occasionally engages in door-to-door canvassing. Ongoing citizen advisory committees and work groups are also formed in each Urban Renewal Area.

Denver

Similar to Oregon, Colorado law prescribes public notices and hearings prior to adoption of an urban renewal plan. Once the Denver Urban Renewal Agency has been asked to get involved in a redevelopment effort, it makes one or more initial presentations to neighbourhood groups in the urban renewal area. Members of the public have an opportunity to attend Denver Urban Renewal Agency board meetings to hear discussion on a project. At the time the Denver Urban Renewal Agency presents a redevelopment plan to the Denver Planning Board, a public hearing is held at which any member of the community may speak. Once a redevelopment plan is approved by the Planning Board it is presented to City Council where it receives a second public hearing.

Chicago

The City of Chicago is required to send a public notice to community members informing them that a TIF eligibility study has been initiated. The City is not required by law to have public meetings at this stage, however, the Department of Planning and Development that administers TIF often meets with community groups at this time. If there are 75 or more residential units in the proposed TIF district , or 10 or more occupied residential units that are proposed to be moved, the City must have an additional public hearing on the housing impact of the plan. The completed eligibility study and redevelopment plan area presented jointly at a meeting of Chicago's Community Development Commission and the Commission then orders a public hearing. The public hearing is advertised in the local newspaper and individuals and organizations can sign up for an Interested Parties Registry and receive notice of the hearing directly by mail. The TIF proposal is also presented to the Joint Review Board which is comprised of representatives of the major taxing bodies overlapping the proposed TIF district. A member from the community, representing the public, also serves on the Joint Review Board. After the public hearing of the Community Development Commission the TIF proposal is sent to City Council for designation. The Finance Committee of Council has a hearing on the proposal, at which public comment is received and finally the proposal is heard at full Council for a decision.

TIF Governance and Administration

The organizational structures created to implement and administer urban renewal programs and TIF programs respond to local social, economic and political circumstances, and as a result vary greatly

Portland

Municipalities that engage in urban renewal (and the use of TIF) in the state of Oregon must establish an urban renewal agency. Urban renewal agencies are created by state law but are "activated" by City Councils. Portland's urban renewal agency, the Portland Development Commission is a separate legal body from City Council. In most other

Oregon municipalities, City Council members are also board members of the urban renewal agency.

The Portland Development Commission is a special purpose government created in 1958 by Portland voters. The Commission takes a regional approach to land development and works for many communities through intergovernmental agreements and service contracts. The Commission, as a whole, is governed by a five-member board of volunteer Commissioners who are all local citizens appointed by the Mayor and approved by City Council. The agency is a department of the City and its Executive Director reports to the Commission.
Following approval by the Commission, urban renewal districts, bond sales, major projects and program changes are also reviewed and approved by City Council.

The Commission's TIF approval process is as follows:

1. An urban renewal plan and report must be presented to commission for its recommendation before the plan may presented to City Council for adoption
2. The plan and report must be sent to the governing body of any taxing district that is affected by the plan. Written recommendations of the taxing district must be accepted, rejected, or modified by Council in adopting the plan
3. The urban renewal plan must be presented to the County Board of Commissioners for their comment.
4. To take effect, the plan must be approved by Council by ordinance.

The Commission's day-to-day functions are carried out through its Executive Director, six departmental directors, managers and support staff. Portland Development Commission's structure is unique nationally, and offers a greater degree of coordination than other major cities where urban renewal, housing, economic development and redevelopment issues are dispersed among several agencies. Commission business is conducted bi-monthly at public meetings and all Commission activities are guided by annual budget. The Commission has a staff of approximately 200 professionals.

Denver

In Colorado, only urban renewal authorities and downtown development authorities are able to use TIF. (White 2004)

The Denver Urban Renewal Authority created by the city in 1958; an independent, quasi-governmental entity that serves the City of Denver's redevelopment arm. The Authority is defined under the state Urban Renewal Law as a "corporate body" and its primary function is to assist the city in elimination and prevention of slums and blighted areas.

The Authority is governed by an 11 member board of commissioners who are volunteers appointed by the Mayor of Denver and confirmed by the City Council for staggered five-year terms. The Denver Urban Renewal Authority has the following powers:

1. Undertake urban renewal projects, execute contracts and other documents including advances, loans, grants
2. Provide for public facilities and improvements; dedicate property for public facilities, improvements and purposes
3. Arrange for planning and zoning of an urban renewal area
4. Enter private property with the consent of the owner to make surveys and appraisals and to obtain a court order to do so if the owner refuses permission
5. Acquire property by purchase, lease option, gift, grant, bequest, devise or otherwise or by eminent domain
6. Hold, improve, clear or prepare for redevelopment
7. Mortgage, pledge or otherwise encumber or dispose of property in accordance with the urban renewal plan
8. Insure property and operations of the authority
9. Invest funds
10. Borrow money and apply for loan, grants and contributions and give security
11. Appropriate and spend funds and establish separate accounts
12. Prepare and submit plans, including urban renewal plans to council
13. Make relocation plans for residents and businesses displaced by urban renewal projects

14. Rent or use equipment and office facilities for the authority
15. Issue bonds for debt

The Authority does not have the power to levy or assess taxes of any nature.

The Authority's TIF approval process is as follows:

1. A draft Urban Renewal Plan may be prepared by the authority or any other person or entity designated by the city.
2. The Authority staff reviews plan
3. The Authority Board must adopt the plan at a public meeting
4. The plan goes to the City Attorney's office for a review of legal considerations and the city's Planning Office for a review of compliance with city planning documents
5. Denver Planning Board must review the draft plan and give written recommendations to the council within 30 days, specifically and solely as to whether or not the urban renewal plan complies with the comprehensive plan of the city
6. Council proceeds with a public hearing on the plan upon receipt of the written recommendations of the Planning Board.
7. If the plan contains provisions for the use of TIF, the school district which is included in the urban renewal area must be allowed to participate in an advisory capacity.
8. The plan must be submitted to the board of county commissioners with information on how the plan will impact county services and revenues.
9. Notice of a public hearing must be published in a newspaper of general circulation
10. Thirty day written notice of the public hearing is to be provided to all property owners, residents, and business owners.
11. Council could conduct as many as three public hearings to:
    - Find blight/establish an urban renewal authority and urban renewal area
    - Adopt an urban renewal plan
    - Authorize the use of eminent domain

The plan approval process usually takes anywhere from three to six months to complete.

An Executive Director and staff carry out day-to-day operations of the Authority. There are 19 employees, including: Executive Director, Assistant Director, Finance Manager, Redevelopment Manager, Project Managers, Redevelopment Specialist.

Chicago

The Chicago Department of Planning and Development coordinates the City's Tax Increment Financing Program. The City Council votes on all proposed loans, grants, bond issues, land acquisitions and sales, and other financial appropriations. The City Council has 19 standing committees that work with individual departments on the execution of city activities, and review proposed ordinances, resolutions and orders before they are voted on by the full Council.

Identified Benefits of TIF

Each city reviewed for this report identified a number of benefits associated with TIF. Some of these benefits result from the urban renewal initiatives that TIF supports. Other benefits have been specifically identified with the use of TIF as a financial tool.

Urban Renewal

It is argued that the urban renewal plans, supported by TIF, begin to eliminate blight by providing much needed infrastructure such as roads, utilities, and public facilities. This infrastructure stimulates private investment that creates new businesses, brings retail to underserved areas, develops housing, and increases property values. Urban renewal supports the intensification and repopulation of inner city areas and as such, reduces growth and infrastructure pressures on the city's periphery. In addition, urban renewal plans often transform brownfield sites into productive uses, maintain and create open spaces, and preserve historic buildings. TIF development projects may even create economic growth outside the TIF district, in immediately adjacent neighbourhoods. (Johnson and Man 2001).

TIF as a Financial Tool

TIF is often viewed as an effective financial too because municipalities are able to finance major redevelopment projects without general fund payments. In addition, TIF is seen as a way of equitably distributing development costs with other taxing bodies. These other taxing bodies would share in the development benefit of increased tax revenues over the long run. With TIF, all the taxing jurisdictions share the costs of development in proportion to their relative property tax revenue gain.

TIF is an example of a public-private partnership. In some instances TIF has induced normal antagonists – developers, neighbourhood groups, local government officials to form a partnership and deal with urban problems. (Johnson and Man 2001).

TIF has been cited as a tool for correcting market failure. In an area where the market has failed, due to circumstances such as environmental contamination of land, relying solely on the private sector to increase capital investment would result in an undersupply of capital in certain areas. If this is the case, it becomes necessary for government to intervene by offering incentives to induce private investment that otherwise would not have occurred. (Johnson and Man 2001).

TIF is often described a self-financing mechanism. This is because there is no direct public investment or increase in tax burdens. Development projects are financed from the increased tax revenues that projects generate rather than being subsidized by taxes. Property owners pay no more than the normal taxes and there is no increase in their tax burdens. As a result, no loss to the community occurs from using the incremental tax dollars for infrastructure financing. (Johnson and Man 2001).

Finally, many cities have used TIF to leverage other financial resources. TIF funds have been used as the municipalities matching portion for state and federal grant programs.

Identified Challenges with TIF

The use of TIF has been challenged by some neighbourhood and taxing jurisdictions in the U.S. in recent years. It is felt that redeveloped TIF districts will have increased service needs and that will be financed by non-district residents and businesses through increased taxes.

Some groups in the U.S. feel that municipal abuses are possible. Over the years, municipal governments have designated large portions of the city as tax increment districts in order to generate increments which are not connected to the project. TIF critics feel that if surrounding areas do not receive an economic benefit from the TIF project, then they should not be included in the TIF district. (Johnson, 2002).

The creation of a TIF district has been referred to as zero-sum game, where one area of the city wins by attracting development, at the expense of other areas of the city that either lose the opportunity for that development or businesses actually relocate to the new TIF district. The result is that areas of the city compete with each other without increasing the overall amount of development.

While most jurisdictions that use TIF have state enabling legislation that defines blight, it is often difficult to quantify or measure blight. Similarly, it is difficult to determine if development would have occurred without the expenditure of TIF funds. Since these two conditions often form the basis for the creation of a TIF district it can prove difficult to justify TIF projects.

School districts have been critics of TIF in the past. School districts feel they have "lost" their own revenue and have to spend more to cover increased local service costs generated by redevelopment in the TIF district." (Johnson and Man 2001).

TIF programs have been cited as complex and costly. The typical TIF implementation process requires an eligibility report based on a market study for the project area, real estate valuation data, a financial feasibility analysis, and a redevelopment plan. Each of these studies can take several months to complete and they rely on data that may be difficult to obtain. Often new administrative structures and processes must also be created to integrate assessment, tax and land data information.

Finally, TIF has been criticized for a lack of voter participation. The creation of TIF authorities raises the questions of accountability because decisions concerning millions of dollars are made by individuals who are often not elected by voters.

Conclusion

This review of TIF practices was undertaken to guide Calgary City Council and Administration in the implementation of TIF. As part of the review, research focused on the cities of Portland Oregon, Denver Colorado, and Chicago Illinois, due to the considerable TIF experience in these cities. TIF has been applied differently in each of these jurisdictions in response to the local context. There are however, several key concepts that are common in each of the cities that will assist in informing The City of Calgary as it considers the implementation of TIF.

Originally, TIF could only be used for redevelopment or an urban renewal project and to qualify for TIF, area had to be "blighted". State legislation was introduced to define blight and outline criteria to be met to establish an urban renewal/TIF district. There are two common determining qualifications for TIF present in each of the municipalities reviewed. First, there is a requirement that urban renewal and TIF be used to prevent or remove blight. Second, there must be a determination that redevelopment will not occur without TIF (often called the "but for" test). TIF district boundaries are generally determined based on these qualifications.

Each municipality requires an initial study that documents blight, demonstrates that the "but for" requirement is met, and establishes TIF district boundaries. The findings of this study form the basis for the urban renewal area the use of TIF. A redevelopment plan is then produced that details the following: major project activities and costs, plans for public acquisition of property, project completion dates, and financial analysis that shows the plan to be financially feasible.

Each municipality issues bonds as part of their TIF program. This TIF debt is normally not backed by the full faith and credit of the issuing municipality and as such, it is not counted as part of the general obligation debt limit. The City of Calgary receives financing through the Alberta Capital Finance Authority and does not float debt in the public market. As a result the process in issuing public debt is not applicable. In Calgary TIF debt would likely form part of the debt limitation calculation as defined in MGA. U.S. municipalities have also used a 'pay-as-you-go' technique for redevelopment financing. This approach involves smaller investments, and is often used as credit enhancement for developers. Financial risk is still borne by developers because developers are only reimbursed after project completion.

While TIF provides the majority of funding in many urban renewal projects it is rarely the sole source to support incurred debt. Other supplementary funding sources include: the municipality's capital improvement program, federal and state grants, hotel taxes, municipal land sales, and donations.

While TIF programs are lead by a municipality, or its redevelopment agency, several overlapping taxing jurisdictions, such as a county or school district also participate in the program. This is because each of these bodies will share in the development benefit of increased tax revenues.

In each of the three cities examined, members of the public have opportunities to participate in the TIF decisions, through the urban renewal approval process. There are legislated requirement for public involvement such as public notices and hearings prior to adoption of TIF districts and redevelopment plans. Each development authority also undertakes additional measures such as public meetings, open houses, information booths, and the creation of citizen advisory committees.

The organizational structures created to implement and administer urban renewal programs and TIF programs result vary greatly. In the state of Oregon, municipalities must establish an urban renewal agency to engage in urban renewal and the use of TIF. Portland's urban renewal agency, the Portland Development Commission (PDC) is a separate legal body from City Council. Similarly, in Colorado, only urban renewal authorities and downtown development authorities are able to use TIF. The Denver authority responsible for TIF is the Denver Urban Renewal Authority (DURA) and it is an independent, quasi-governmental entity. In Chicago, the Department of Planning and Development coordinates the City's Tax Increment Financing Program.

There are varying opinions on the effectiveness of TIF and viewpoints on how it should be used. To some, TIF is seen as a flexible, self-financing tool that allows communities to finance long-range urban renewal projects and leverage other funding (Johnson and Tashman 2002*)*. Others feel that TIF has been overused or inappropriately used which has lead to diminishing returns to taxpayers in cases where private funding should be used. (Haulk and Montarti 1999). Even TIF critics however, generally support the use of this tool in circumstances where the elimination of blight is truly the goal and where development would not happen but for the use of TIF. The challenge and opportunities offered by TIF appear to rest in the details of how it is implemented. Cities such as Portland, Denver, and Chicago have developed and adapted TIF over the past fifty years and The City of Calgary can learn much from this U.S. experience.

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