Minutes of the
Navy Hill Development Advisory Commission
October 5th Working Meeting

Saturday, Oct. 5, 2019	9:00 AM	Richmond Police Training Academy Auditorium (Room 103)

Members Present
Pierce Homer (Chair), John Gerner (Vice Chair), Mark Gordon, Suzanne Long, Dr. Hakim Lucas, Mimi Sadler, Michael Schewel, Dr. Corey Walker.

Call to Order
Pierce Homer called the meeting to order at 9 AM and welcomed the attendees. These included City Council member Kimberly Gray.

Introductions
Pierce Homer discussed the commission's purpose and process. Individual members introduced themselves.

Disclosures
Pierce Homer disclosed that he had contributed to the political campaigns of Mayor Stoney, Council Member Gray, and a number of state office candidates. Michael Schewel disclosed that he has contributed to many Democratic Party candidates.

Approval of Minutes of the Previous Meeting
Minutes of the August 30th organizational meeting were approved.

Freedom of Information Act (FOIA)
John Gerner is the commission's FOIA Officer. He has completed FOIA training for both meetings and records provided by the Virginia Freedom of Information Advisory Council. Any information received by the commission will be shared with the public.

City Administration Presentation about the Navy Hill Ordinances
Leonard Sledge, Director of the City of Richmond Department of Economic Development, provided an overview of the Navy Hill ordinances and resolution. His presentation slides are available at:
http://www.navyhillcommission.org/2019-10-05_City_Administration_Presentation.pdf

Questions and Answers (Q&A) Period
Suzanne Long asked about Hunden and the other contributors involved with the Navy Hill project. She also asked whether City Council would have the ability to change the project after the ordinances were approved.

Mark Gordon asked about the assumptions for the Hunden uplift revenues and the Davenport projections and why these were blended. He asked for an example of a shortfall in bond payment revenue elsewhere and how that shortfall was handled. He asked whether 2% is a safe assumption for future growth in property tax revenues. He asked about Page 26 of the Davenport analysis under Scenario 1 and 4 in which the success path is estimated at a minimum 46% of revenues. Where do those assumptions come from? He asked about retail sales in an uncertain market and the assumptions involved.

Dr. Corey Walker asked about the process to declare city property as surplus and potential fiscal implications. He asked about the role of the City Chief Administrative Officer (CAO) in administering the Navy Hill project based on the proposed City Council ordinances. He said he wanted the overall Navy Hill review process to be an education in democracy, so there should be more explanation on why we proposing specific steps such as a public entity transfer land to a private entity. What is the framework we are setting up to realize an economic development scenario? He also pointed out that the City Council paper on future use of surplus revenues is a non-binding resolution.

John Gerner emphasized that commission members have flexibility in the advice they provide based on their unique perspectives. He asked about the City's Chief Administrative Officer's role in determining bond financing parameters since apparently there are no specific details in the cooperation agreement concerning the bond amount, interest rate, term, and security for bond payments. He asked for the number of residential units and affordable housing units in each of the development parcels. He asked about the sequencing and timing of development. He asked for the bond debt payment schedule for both the standard amortization period as well as the planned 21-year accelerated payment schedule. He asked about draft contractual arrangements on the arena naming rights and other sponsorship revenues, since the developer agreement defers to the financing documents for these details.

Mimi Sadler asked how an already burdened City staff could keep up with the enormous demands of the Navy Hill project. Is there an analysis of the upfront costs of additional staff that would be required for this project? She asked for a comparison of past coliseum financial performance versus the proposed arena. She asked how can we prevent private property owners in the incremental financing area from feeling targeted to generate the additional tax revenues to pay off the bonds. She asked how the development program (number of affordable versus market rate housing units, amount of retail, size of the arena) was developed. Was it in consultation with city staff or other planning professionals? How does the street-oriented commercial corridor on E Clay Street work (between 6th and 10th Streets)? Please provide the decisions and analysis that led to these programmed uses.

Dr. Hakim Lucas asked about the Navy Hill project's economic and social impacts, such as the impact of the new development on residents who currently live in the communities. How will the City, EDA, NHDC control or facilitate pricing in office space and parking in terms of accessibility? What is the impact of redevelopment on small business owners, the underprivileged, and the homeless? How does the incremental revenue work within the context of increment financing? What does affordable housing mean in this project because that doesn't necessarily mean it will actually be affordable. Where do the new jobs actually come from?

Michael Schewel asked for an explanation of the 2% annual rate for property tax revenue growth in the increment financing area. What has been the history of that growth rate during the last 10 years and how it is calculated? He asked about the anticipated bond security package? There is no lien on the arena, so how are the bonds secured? He asked how the project affects the City's debt capacity? He asked what would happen if the bond proceeds were actually less than currently expected since the exact bond amount is not in the developer agreement. He asked whether there will enough arena revenue to pay for adequate non-routine maintenance. He asked why the Armory lease is for 65 years while the arena lease is 30 years.

Pierce Homer asked whether there are any private dollars involved in the Coliseum proposal. He asked why the Navy Hill ordinances use a increment financing area by agreement rather than a statutory Tax Increment Financing (TIF) district as defined by the state. He asked whether there is legal exposure because this is not a state TIF since it would be the largest in Virginia in terms of TIF financing and since Virginia is a Dillon Rule state. He asked whether the Economic Development Authority (EDA) is subject to public procurement requirements for the Navy Hill project.

Public Comment Period

Kristin Reed and John Moser spoke at the meeting and provided details in follow-up email messages, which are attached. Trey Peters talked about his concerns concerning the demolition of public housing and its relation to the Navy Hill project. John Richmond asked about the possibility of renewable energy and why other development alternatives are not being considered. Written public comments by some who did not attend the meeting are also attached. These are from Stuart Porterfield, James Parks, Todd Nuckols, Thomas Hogg, Phil Conein, Charles Ware, Jesse Brown, Walt Goree, Lee Boehm, Michael Lombardo, and Reverend Benjamin Campbell. Allan-Charles Chipman spoke and also distributed presentation slides, which are also attached.

Adjournment

Follow up questions to the first commission meeting

Kristin Reed <kristin.reed@gmail.com>
Sun 10/6/2019 10:02 AM
To: All Members <members@navyhillcommission.org>

Dear members of the commission,

Thank you so much for your time. Following today's presentation I have a number of questions and concerns regarding the city's presentation. They are itemized here.

- The commission asked a number of questions to the city, with an expectation of a one-week turnaround for answers. Will the city's responses be posted on the commission website?
  Could the commission also note any questions the city declines to answer?
- Why has no land value assessment been made of the publicly-owned parcels, and what is the true value of the land to be transferred?
- Is there a mechanism that mandates the closure of the TIF district upon completion of the bond repayments? If not, what is the status of the TIF in any remaining years, and is there a risk of a "zombie" TIF, as we have seen in other cities?
- The Developers have leaned heavily on a marketing point that claims the coliseum is the only redevelopment project supported by the TIF. At a presentation by Hunden and Davenport to city council earlier this fall, however, a representative from Hunden said "There could be projects that want to happen in the future in the area and you may want to use some of the increment for those." This seems to indicate a plan to port TIF revenue to other redevelopment projects in the region. Is this allowable under the current ordinance package? How much base tax revenue will be lost through the proposed real estate tax refund to the developers? Who counts as the developers for the purposes of this grant?
- As we get a timeline for affordable housing construction I think it would be benefit to also get a cost estimate for affordable units. I am also very interested I knowing what happens with the "affordability period" closes. Like many residents of Richmond, I find this designation of an affordability period ominous, as I rely on perpetual affordability for my residence here.
- I believe we need a concrete breakdown of the jobs created here in terms of where they land on the employment spectrum. I've heard a wide range of numbers put forward in service of job creation, and we've had unions like LIUNA turn out to public forums multiple times to endorse this deal. Is union labor guaranteed as a component of this job and if so how many? If not, has LIUNA been informed? How many jobs proposed by this economic development package are full time? How many are permanent?
- Is the Leigh Street regrade still happening or no? If not, why is the city still presenting it? What is the concrete effect this will have on the LCI and on local funding availability on schools over time? On the local level, does freezing downtown revenue for 30 years risk austerity measures for city services, including schools? If so, at our current rate of inflation and city growth, on what timeline would the freeze force a discussion of austerity?
- The transit center is a core piece of this project, despite public input sessions showing no desire for a transit center. Is this project public, private, or a partnership? If this is a public transit center, will the public have input on its design, location, and functions? Will the city own and operate it? This piece of the deal is particularly concerning to me as it seems to hand public planning over to a private entity (or entities).
- The "Disposition of Pledged Revenues" seems to indicate that tax revenue from the TIF district goes toward repayment of bonds, then toward a debt stabilization fund, and then to an early repayment fund. Once the bonds are repaid, what happened to finances in those two funds?

Thank you for your time. This is a massive project and I appreciate how much work it must be on your end.

Best,
Kristin Reed
804.617.5388

Questions from meeting on October 5th, 2019

John Moser <jmoser@moser-productions.com>
Sat 10/5/2019 3:40 PM

To: Pierce Homer <piercehomer@navyhillcommission.org>; John Gerner <johngerner@navyhillcommission.org> Cc: Kimberly B.- City Council Gray<Kimberly.Gray@richmondgov.com>

Dear Mr. Gerner, Mr. Homer and the entire Navy Hill Development Advisory Commission,

Thank you for for the meeting you held today, October 5th, 2019. I am writing to restate the questions I asked at the meeting and I hope that I am using the email addresses you prefer for this purpose.

As I briefly stated at the meeting, as a member of the public, I have heard nearly two years of proposals, promises, projections and puffery related to the Navy Hill project. Prior to the introduction of actual ordinances and resolutions in early August, 2019, every "official" thing the public has heard on this project has all been one-sided – basically it has been a two year long sales pitch, and even if the project may be on a different scale than we've seen in the past, the process (until now) and many of the players are essentially the same.

So, I am especially grateful to City Council (and especially to Kim Gray) for forming this commission and to you for undertaking the work that needs to be done to try to get to the truth of the matter. Your work is very much appreciated and represents a new and hopeful direction for the process by which the city reviews economic development and capital projects.

Thanks also for making time for public interaction at your meetings. I was getting very nervous today, though, that the clock was running out before the public had a chance to speak, and so I'm glad you added a few extra minutes at the end for the a very brief comment period.

Following are the questions I raised today, with a little more detail than I had time for this morning:

1. Is an arena necessary for a viable development to occur in this area? In their presentations to the public, the developer and the city administration have asserted many times that without an arena, the project is not possible. To my knowledge, no-one has looked at what might happen if, instead of building a new arena, that land were allocated for retail, housing or even green space. In a previous question, from your first meeting on August 30th, I asked **"Does the city need a new arena and, if so, is the one proposed sized and sited well for the market?"** There is obvious overlap between these two questions and so, today, I refer back to the market viability logic I proposed in the earlier question. But the larger question I am asking now is whether or not we need an arena at all? The developer's plans show scenarios for the proposed arena with and without a sports team as a tenant. So, in the scenario where there is no sports team, the arena would be primarily an entertainment venue. In that scenario, what would a new arena offer that is not already available from the Altria theater and the Carpenter Center (recently renamed, but I forget the new name), and is it worth it to add a new entertainment venue?

2. ***Does the city need to own the arena for the project to work?:*** (again, there is overlap with a question I asked on Aug 30th and today I am just adding updates in ***bold italics***) As proposed, the city will retain ownership of the coliseum, the Blues Armory and perhaps other properties during the life of this project. My question is why? ...and does this make sense? I asked the developer this question on 8-29-19. They seemed a bit stumped to come up with an answer on the spot. After quite a bit of rambling, the best answer they could come up with was "because it is always done this way (paraphrased)." ***I asked the question again at a meeting on September 30th, when the mayor was present, and I got another answer that did not really explain anything tangible. The answers I am getting on this question are all qualitative and what we need is an answer that is more quantitative.*** I suspect that the reason they ***(the developers)*** want the city to own the coliseum is because they know it will not be as successful as their projections indicate and they doubt that anyone will invest or lend to the project if the coliseum property becomes part of the private development package.

3. Is it necessary for the EDA to take ownership of land and issue the proposed arena bond?: (yes, I asked a similar question on August 30th) I am concerned about another major city project being turned over to the EDA to run. I think it is fair to say that the public and the City Council have the right to expect a high level of transparency during this project's lifetime. But history has shown that the EDA is one of the least transparent organizations operating for the city. Why must the city use the EDA? Is it to by-pass procurement issues? Is it because the city can't bind future councils to long term financial agreements? Perhaps more to the point of your scope-of-work, is the use of the EDA necessary and/or recommended for this project and why?

4. **Is "organic growth" in the proposed development area possible?** For months, the developer and the city administration have been putting forth the idea that we can either have this project or no project. Recently, in the face of outcry from city residents who prefer an "organic approach" to development, similar to what we've seen in Scott's Addition, the developers and the city admin have refined their assertions. They are now saying that organic growth is not possible in this area due to a lack of infrastructure. So, assuming the developer's statements about infrastructure are true, the question becomes **"how can we find revenue to build infrastructure in this area?"** I assert that the city could have a viable revenue stream for that purpose if they would return to their plans from 2014/2015 to develop the 60 acre site on Arthur Ashe Boulevard to generate tax revenue. The city's consultant, Davenport, projected in November 2013 that the "Boulevard" site could generate 13.6 million in annual tax revenue if it were developed. If you apply 3% annual growth to that number, a 2020 projection might be more like 16.7 million. This leads to the next question, which I did not have time to ask today:

5. What is the cost of infrastructure development within the Navy Hill development area? I have yet to find these numbers and do not know, yet, if they are even clarified in the documents. We know there is a cost to demolish the Coliseum and to rebuild the street grid. There may be a cost to infill Leigh Street, though it is unclear whether or not the developer still intends to do that (as questioned in today's meeting). What other costs for infrastructure will be incurred? **What would be the baseline cost to prepare the area for "organic growth?"**

6. Can the city recall the "deal" if the terms of the bond negotiation do not meet the intent of the ordinance?: When I attended the developer's sales pitch on September 30th, I asked one of the project attorneys about whether negotiation of the actual terms of the bond, a process which is proposed to occur AFTER the approval of the ordinance and other actions are taken, could affect the "non obligation" status of the bond as expressed in the ordinance. She referred to those negotiations as the "indenture" (a very prophetic term if I might add!). I did a search of the ordinance for the term "indenture" and did not find that word. However, for the moment, I assume that one relevant part of the ordinance would be section 6.1 (a), where it begins "Usage and repayment of the EDA Bond Proceeds..." I am VERY concerned that the city might go through this exhaustive, expensive process and then approve the project only to find out afterward that a negotiation between the developer and the EDA might undermine the intent of the "no obligation bond" or that the developer or the EDA might find some other recourse for making the city taxpayers repay the debt.

Those are all the questions I have today and I would just like to add that I am grateful that the commission asked a number of other questions that I had on my mind, too. I'm especially glad that, at one point someone – I think it was Corey Walker – pointed out that the extra revenues proposed to be dedicated to education, arts and other worthy causes were by RESOLUTION (2019-R) not by ordinance and are therefore non binding. I am really getting tired of hearing the mayor, his staff and the development team talking about all the money that will be flowing to schools from this project, when in fact that will only happen if the revenues are generated and if some future administration / City Council decides to allocate the funds that way!

Again, thank you. If I can be of any service to this commission or this process, I will do whatever I can. In my professional life, I own my own business and I work as an interpretive planner, designer and producer of museum projects. The closest thing to this project I ever worked on was a 36 million dollar capital campaign build out for a local museum. If you can make use of my experience or abilities, please let me know.

Best regards,

John Moser
1409 Westbrook Ave.
Richmond, 23227

"climate"

John Moser <jmoser@moser-productions.com>
Sat 10/5/2019 4:33 PM
To: Pierce Homer <piercehomer@navyhillcommission.org>; John Gerner <johngerner@navyhillcommission.org>

Dear Mr. Homer and Mr. Gerner,

If you'll allow it, I have one quick follow-up to today's commission meeting.

The proposed project is a 30+ year plan that is held up as a "transfomative change" project. If you do a word search through the ordinance, there are zero mentions of the word "climate." I understand that the project includes LEED certified buildings and rooftop gardens. But, looking ahead 30 years, does the project anticipate major shifts in the environment or follow-on effects to the economy? Is the project really resilient enough to meet its transformative aspirations?

Thanks,

John Moser

Coliseum Thoughts

Stuart Porterfield <porterfield683@gmail.com>
Thu 10/3/2019 2:38 PM
To: All Members <members@navyhillcommission.org>
I am providing written public comments concerning the proposed Navy Hill Project.

I live in the near West End and have for 29 years. During this time I have seen marked improvements in the city I call home. This started with the great work by VCU, the City and the Commonwealth. The work extended to a majority of downtown from Broad Street to the river and beyond. It is now such a more vibrant area and the Navy Hill Project would cement Richmond's Place as one of the premier cities in the Southeast. So, why the delay? It is a win for the city, it's residents and the residents of the region.

The arrangement between the city and the developers is in line to better than similar arrangements throughout the Southeast.

Push this through City Council and I implore everyone involved to make this happen now. Time, as they say, is a wasting.

Sincerely,

Stuart M. Porterfield 6203
Tapoan Place Richmond,
VA 23226
804.334.7429
Sent from my iPhone

My Input for Navy Hill

James Parks <jbp2960@email.vccs.edu>
Fri 10/4/2019 1 07 PM
To: All Members <members@navyhillcommission.org>

Hello, my name is James Parks and I live in the libby hill neighborhood of Churchill. I stand in solidarity with the majority of my community and DO NOT support the navy hill project. The only reason I even opted into receiving these emails is because I wanted an answer about a question that seems to have been frequently ducked by the members of the proposed plan. My question being, why two existing Dominion energy buildings are being included in the proposal, even though they are located nowhere near the development site at navy hill. This appears to be blatant self dealing by Tom Farrell and Dominion which is disappointing at best. Shame on everyone involved with this egregious act against the citizenry of Richmond city.

My Input for Navy Hill

Todd Nuckols <todd.nuckols@lighthouselabsrva.com>
Fri 10/4/2019 2 35 PM
To: All Members <members@navyhillcommission.org>
Greetings,

As the Executive Director of Lighthouse Labs (lighthouselabsrva.com), a nationally ranked seed stage accelerator that has supported local high growth startups and been a part of generating over 200 jobs and attracting over 70 million in investment capital to the RVA region over the last seven years, I wholeheartedly support the current Navy Hill proposal.

Let's keep the momentum of modernization and live, work, play rolling by connecting downtown and Scott's Addition through this important corridor.

Dare to dream! Todd
Nuckols Executive
Director Lighthouse
Labs

My Input for Navy Hill

Thomas Hogg <tomhogg1@verizon.net>
Fri 10/4/2019 2:36 PM
To: All Members <members@navyhillcommission.org>

Navy Hill Advisory Commission Members,

I am a Henrico County resident and my job is located at Siemens' office in Eastern Henrico; however, I am a citizen of RVA and paid City taxes for more than 30 years from 1981 - 2012.

My profession requires me to cover a broad territory in Central Virginia, Roanoke and Northern Shenandoah Valley. As I drive through and around Richmond, I see unprecedented signs of growth and development that will improve our quality of life and our economic environment. Hospitals, hotels, office buildings, and new mixed-use projects are attracting people young and not-so to live in our town.

I am old enough to remember visionary 1990's consultant reports suggesting Richmond become a magnet for the 'Creative Class.' This goal, I believe, has been achieved – (based on the number of tattoo shops) - and now is the time to employ similar vision to continue our progress as a world-class community.

The Navy Hill Development will fill an area completely void of character (and revenue to the city) and create a vibrant social infrastructure allowing us to assemble in large groups to celebrate with entertainment events, conventions, tourism, etc. This social infrastructure does not exist today – and will not occur in my lifetime if this proposal is denied.

The N.H. District Corp leadership has demonstrated the capacity to succeed in a wide array of pursuits, corporate and philanthropic. This proposal does something for Richmond that City Government cannot accomplish alone. Please keep this in mind as you continue the work of your commission.

Sincerely,

Thomas M.

Hogg
8909 Ginger Way Court
Henrico, VA 23229
804-980-6581

My Input for Navy Hill

Phil Conein <phil@techead.com>
Fri 10/4/2019 4:11 PM
To: All Members <members@navyhillcommission.org>
Dear members of NavyHill

What a great opportunity for you to make our city world-class in various standings. This opportunity to make a big difference in Richmond's history is once in a lifetime.

As you know a recession is coming, for how long we don't know. All indication it's going to happen very soon. What do we need to ride out the recession? Having good-paying jobs for building an infrastructure that will keep our city from the economic slowdown.

I believe as a committee you're going to face multiple people who will demand the project to stop or cut a piece of the pie for their cause. Their short term outlook is about their needs now, not about the future. Yes, we do have a problem with our educations system. The only way we're going to raise the standards is by having a real budget that will able to attracts teachers, technology and well cared for children. Again 1/3 of the city Realestate is taken up by tax-exempt state projects. All of the edges of downtown, VCU medical building boom is over $500M and that is tax-exempt. The new state senate building… tax-exempt. All the historic renovations… tax-exempt. Where else you're going to find future taxable income for the city? The Navy Hill project.

As a member of this community and growing our business from nothing to 18 states. Surviving the flood of Gaston and the empty promises of Shockoe Bottom. I encourage the committee to vote for the Navy Hill Project without haste.

Best

Phil Conein | Founder | President TECHEAD
111 N. 17th Street, Richmond VA 23219
phil@techead.com
Phn: 804-249-8711
Cell: 804-908-0330

I oppose the Navy Hill Project

CharlesWare<cvware@gmail.com>
Fri 10/4/2019 4 17 PM

To: All Members <members@navyhillcommission.org>

As a property owner and taxpayer who resides in the City of Richmond, I requested information from the Navy Hill project promoters. Their website contained no useful information, only two generic renderings of what the proposed coliseum and associated retail spaces might look like. I find the I am now receiving emails as “a supporter of Navy Hill.”

I wish to advise the persons who were named by City Council to the Navy Hill Development Advisory Commission that I wish to be kept informed about this project, which has variously been described as having a cost of $1.2 billion and $1.5 billion.

It is clear to me that this project would create huge liabilities for residents of the city, but especially for taxpayers, who might be saddled with huge debt and operational requirements.

I have yet to see ANY justification for the construction of a coliseum {and the destruction of a badly-maintained, but adequate existing coliseum} that is estimated to cost more than a quarter-billion dollars. No sports franchise is interested in supporting any significant portion of this proposed arena. The facility would seem unsuited for musical performances; “arena” shows are a dated concept, and Richmond is unlikely to attract a significant number of large shows. I am willing to bet that I know more about live music, music venues, and music promotion than any member of the commission. I also expect that I have attended more live music events than any commission member.

I also oppose construction of a bus transfer station in the central downtown. These facilities have been constructed in other major cities, and subsequently demolished as they became nuisances. Few, if any, of the cities that have successful public transit systems use bus transfer centers.

With these elements of the Navy Hill plan removed as been not only impractical but undesirable, the remaining elements do not serve funding through the proposed tax increment scheme. It is my impression that the “Navy Hill Team” is comprised of wealthy developers who wish to further enrich themselves at public expense. Richmond would be better served through infrastructure projects that would better maintain and improve existing streets, sewers, and utilities. This type of investment would encourage private investment, rather than competing with privately-financed projects such as the proposed 500-bed hotel would do.

Charles V. Ware
Richmond, Virginia

My Input for Navy Hill

Jesse Brown <jb2000vcu@yahoo.com>
Fri 10/4/2019 7 44 PM

To: All Members <members@navyhillcommission.org>

Its time for Richmond to realize what a great city it can become and now is the time to do it! I know we citizens will be responsible for a new arena; however, don't we need a larger venue? This will drastically change downtown and also contribute to the financial wellness of RPSs, affordable housing, creating jobs, a new entertainment district, attracting new businesses and people for years to come. Why can't Richmond think big for once...don't we tax paying citizens deserve the best the city can provide? jb

Sent from my iPhone

Navy Hill Project

Walt Goree <wgoree@ibewlocal666.com>
Wed 10/9/2019 10:26 AM

To: All Members <members@navyhillcommission.org>

Hello,

My name is Walt Goree. I live in the 4th council district in Richmond. I am submitting this email as a written public comment to the Navy Hill Development Advisory Commission.
There is a project affiliated with the City of Richmond currently that has workers from a Labor Broker out of Manassas coming into the area to do the work. What can be done to make sure that does not happen on these projects?

Thank you,

Walt Goree
IBEW Local 666
Cell: 804-614-6147
Office: 804-353-9666 ext 11
wgoree@ibewlocal666.com

Navy Hill Project

lee boehm <leeboehm@gmail.com>
Wed 10/9/2019 12:04 PM

To: All Members <members@navyhillcommission.org>

Hello my name is Lee Boehm. I live in Old Town Manchester and my council rep is Council Woman Ellen Robertson.

I have a question I'd like to ask. In the "Impact on Schools" section of the proposal, there is a training component for stagehands where SMG will partner with IATSE. Can a similar training arrangement be made with local Building and Construction trades unions and apprenticeship programs?

Thanks for your consideration regarding my question.

- Lee Boehm

(No subject)

Michael Lombardo <mlombardo566@gmail.com>
Wed 10/9/2019 4:46 PM

To: All Members <members@navyhillcommission.org>

My name is Michael Lombardo and I am submitting this email as a public comment. I live in the Stratford Hills area of the city. My question is will the job training include registered apprenticeships?

Effect of Arena Bond proposal on CIP for Schools and Housing

Benjamin Campbell <benjaminpva@gmail.com>
Mon 10/7/2019 10:42 AM
To: Pierce Homer <piercehomer@navyhillcommission.org>; John Gerner <johngerner@navyhillcommission.org>

Gentlemen:

I am attaching a request that your commission examine the potential effect on the city's Capital Improvement Program by the issuance of $350 million in bonds under a TIF for the proposed Navy Hill Arena. There is general agreement — or at least publicly stated agreement — in the city that the deferred capital needs of Richmond Public Schools and Low Income Housing are the top priorities for the city's limited capital bonding capacity. Although the TIF insulates the city from formal recourse for bond repayment, there is no question that a bond issue of this magnitude will take priority over other capital projects in the near term. We need to quantify the degree to which this may be the case, so that the public policy decisions may be made in full knowledge of their consequences.

Thank you very much for your service in this most important task. Please do not hesitate to contact me if you need clarification of my request, or if I can be of help.

Faithfully,

(The Rev.) Benjamin P. Campbell

7 October 2019

A request for an explanation of the implications of the NH Arena Bonds proposal for the city's Capital Improvement Plan from 2020 -2035

To the Navy Hill Commission:

The NH Proposal establishes the building of a new downtown Arena, requiring $350 million in obligations, as the Priority for Capital Funding for Richmond in the next decade. It is possible that the public believes this is appropriate. But in order to make an informed decision, we need to see clearly the choice that is present, and its implications for the city's other capital funding priorities, schools and housing. In particular, we need to see the implications in the near term – 5 to15 years – rather than aggregate estimates over a 30 year period.

I am concerned with the city's capital bonding capacity, and with the urgency of redressing the 50-year delay in expenditures for Richmond Public Schools and Lower Income Housing. These are the city's two top priorities for capital expenditure. The NH proposal places the issuance of $350 million in bonds to build a downtown Arena ahead of these two priorities. This may be the priority of the city's policy makers, but we are entitled to know the ramifications of this decision.

The city has adopted certain policies and parameters which govern its issuance of General Obligation Bonds. In addition, the bond rating agencies have certain policies which Richmond follows which govern the relationship of bond capacity to overall taxable real estate valuation and city revenue. Annually, the city issues bonds to support its Capital Improvement Program (CIP) to the maximum level possible under its bonding policies, and to preserve its credit standing.

Although the TIF Arena Bonds issued by the city will have no formal recourse to the city budget, they do represent a walling off of a portion of the value of the city's taxable real estate to support the separate issuance of bonds – in this case, $350,000,000. They therefore reduce, until they are satisfied, the city's bonding capacity which would otherwise be used as a basis for the general bonds supporting the city's Capital Improvement Program.

It is *prima facie* untenable to suggest, as some published narratives have done, that adding an enlarged, supplemental district to the TIF is necessary to secure the Arena Bonds, but that subtracting that supplemental district from city's future tax base will not reduce the city's CIP bonding capacity. This allegation needs to be examined.

The NH proposal deals in aggregate estimates over 30 years to measure the resources available to support the city's General Fund and Capital Improvement Program from the new investments proposed. However, the relevant intervals for public policy are much shorter than that. Policy makers and the public need to know the implications of the Arena Bond proposal for the next 5-15 years. The two greatest capital needs in Richmond, Public Education and Lower Cost Housing, are already suffering desperately from 50 years of deferment. Every 20 years another generation will pass through the Richmond Public Schools. Every 20 years another family will seek to raise its children in health and hope in what is currently nearly uninhabitable public housing.

We cannot brook further delay in capital expenditures for education and housing, based only on capital funds which may be available 20 or 30 years from now, after payment of $350 million in bonds. The needs are immediate. The following data, provided as accurately as possible, will help the public make an informed decision:

General Fund Capital Bonding Capacity, available for the city's Capital Improvement Program under different scenarios: Years 5 through 15, by annual detail:

a. With no city-augmented initiative for development, such as the NH project. (Using a standard estimate for annual increase in value, recognizing taxable properties currently under construction, and considering the projected expiration dates of current debt.) This represents the current staff projections of the city's public debt capacity.
b. With no city-augmented initiative for development, but excluding from debt capacity the expanded, secondary TIF district identified by NH and the city. [i.e., what will the deletion from the city rolls of the secondary TIF zone, taken by itself, do to the debt capacity of the standard CIP?]
c. With the full adoption of the NH proposal, including primary and secondary TIF districts, with the issuance of Arena Bonds and the full proposed commercial development proposed, – showing a range of best- and worst-case debt repayment. This is the current NH proposal.
d. With the full commercial development proposed under the NH proposal, including valuation of all taxable property and potential tax revenues, but excluding the building of the Arena and issuance of Arena bonds.
e. With the full development of the full commercial proposal of NH, excluding the Arena, and the augmentation of funds available for education and housing by the same primary and secondary TIF districts proposed by NH.

THEN:
After subtracting the estimated amount of the CIP required for other purposes each year, identify the amount which will be available for Richmond Public Schools and Low Income Housing each year from 2020-2035 under each investment scenario.

Written Public Comments for October 5th Navy Hill Independent Commission Meeting

Allan-Charles Chipman <allan-charles.chipman@iofc.org>
Thu 10/10/2019 5:28 PM
To: All Members <members@navyhillcommission.org> Cc: John Gerner <johngerner@navyhillcommission.org>

Good Afternoon,

My name is Allan-Charles Chipman. I live in the 3rd district of Richmond, VA.
I shared with you all during the session on October 5th my concerns on how the TIF Financing and rapid development of this project may cause a loss in funding to Richmond Public Schools. I have attached the presentation I handed the commission as well as the infographic. The links to the source studies are provided on pages 3-5 of the presentation.

Due to the lack of safeguards and the longitudinal data concerning the impact of TIF districts on school funding and local budgets, I strongly advise that you do not recommend the utilization of TIF Financing for the Navy Hill Redevelopment proposal.

Thank you,

Allan-Charles Chipman
Initiatives of Change USA
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Initiatives of Change
United States

TIF FINANCING: LONGITUDINAL DATA AND FISCAL IMPACT

Allan-Charles Chipman

TRANSPARENCY

Transparency is telling all of the people all of the truth

Transparency can be violated in two ways:

1. Telling some of the people all of the truth
2. Telling all of the people some of the truth

In order to make the best decision we must move from merely projections and perspectives and move to proof provided by data.

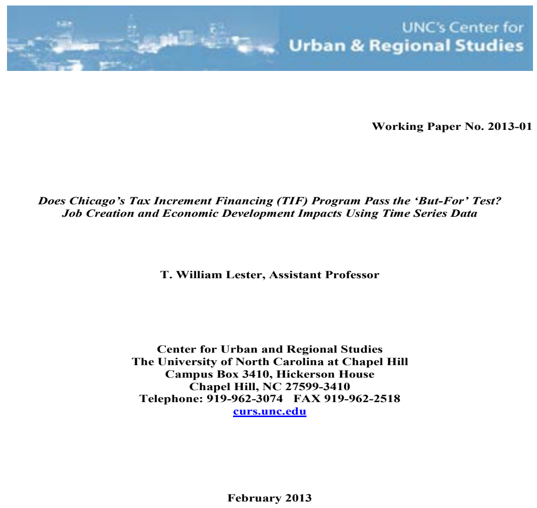
SOURCE TEXT STUDIES


A Tale of Two Cities

Reinventing Tax Increment Financing

Mike Quigley
Cook County Commissioner
April 2007

https://quigley.house.gov/sites/quigley.house.gov/files/migrated/images/user_images/gt/stories/reinventingTaxIncrementFinancing.pdf


UNC's Center for Urban & Regional Studies

Working Paper No. 2013-01

Does Chicago's Tax Increment Financing (TIF) Program Pass the 'But-For' Test? Job Creation and Economic Development Impacts Using Time Series Data

T. William Lester, Assistant Professor

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The University of North Carolina at Chapel Hill
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February 2013

https://curs.unc.edu/files/2013/05/Lester-Tax-Increment-Financing-in-Chicago-Working-Paper-2-12-13-FINAL-rm.pdf


BALL STATE UNIVERSITY

CENTER FOR BUSINESS AND ECONOMIC RESEARCH
JANUARY 29, 2016

THE FISCAL IMPACT OF
Tax Increment Financing
IN INDIANA

Center for Business and Economic Research, Ball State University

- **Michael J. Hicks, PhD,** director, CBER
  George & Frances Ball distinguished professor of economics, Miller College of Business
- **Dagney Faulk, PhD,** director of research and research professor, CBER
- **Srikant Devaraj, PhD,** research assistant professor, CBER

Tags: #EconomicDevelopment #Taxes #Incentive #Indiana

To better understand the effects of widespread use of tax increment financing in Indiana, we evaluate the fiscal effects of its application.

Major Findings

- Recent research on TIF use in Indiana and elsewhere has confirmed earlier research that reported no economic development impacts for the average TIF district in Indiana.
- The intensity of TIF use in Indiana has no statistically significant impact upon collections of local option income taxes for CAGIT, COIT or CEDIT in Indiana.
- The intensity of TIF use in Indiana has no impact on taxable retail sales or retail sales collections in Indiana, including estimates that evaluate rural and urban differences on tax collections.
- 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.
- Recommendations include the tightening of TIF reporting standards with significant increases in transparency, and the requirement for all elected bodies affected by a TIF district to vote on the allocation of their increment to the TIF.

About the Authors

Michael J. Hicks, PhD, is director of Ball State CBER and the George & Frances Ball distinguished professor of economics in the Miller College of Business. His research interest is in state and local public finance and the effect of public policy on the location, composition, and size of economic activity. Hicks earned doctoral and master's degrees in economics from the University of Tennessee and a bachelor's degree in economics from Virginia Military Institute. He is a retired army reserve infantryman.

Dagney Faulk, PhD, is director of research at Ball State CBER. Her research focuses on state and local tax policy and regional economic development issues. She received her doctorate in economics from the Andrew Young School of Policy Studies at Georgia State University.

Srikant Devaraj, PhD, is a research assistant professor at Ball State CBER. His research interest is in applied econometrics, health economics, and health informatics. He holds master's degrees in business administration and information & communication sciences from Ball State and a doctorate in economics from IUPUI.

About Ball State CBER

The Center for Business and Economic Research (CBER) conducts timely economic policy research, analysis, and forecasting for a public audience. We share our insight with the community through the Indiana Economic Outlook and the Ball State Business Roundtable. The CBER Data Center (www.cberdata.org) offers primary data sets, data resources for grant writers & economic developers, and a projects & publications library.

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https://projects.cberdata.org/reports/FiscalTIF-20160129.pdf

SOURCE TEXT STUDIES

Policy Analysis

No. 676 May 18, 2011

Crony Capitalism and Social Engineering
The Case against Tax-Increment Financing

by Randal O'Toole

Executive Summary

Tax-increment financing (TIF) is an increasingly popular way for cities to promote economic development. TIF works by allowing cities to use the property, sales, and other taxes collected from new developments—taxes that would otherwise go to schools, libraries, fire departments, and other urban services—to subsidize those same developments.

While cities often claim that TIF is "free money" because it represents the taxes collected from developments that might not have taken place without the subsidy, there is plenty of evidence that this is not true. First, several studies have found that the developments subsidized by TIF would have happened anyway in the same urban area, though not necessarily the same location. Second, new developments impose costs on schools, fire departments, and other urban services, so other taxpayers must either pay more to cover those costs or accept a lower level of services as services are spread to developments that are not paying for them.

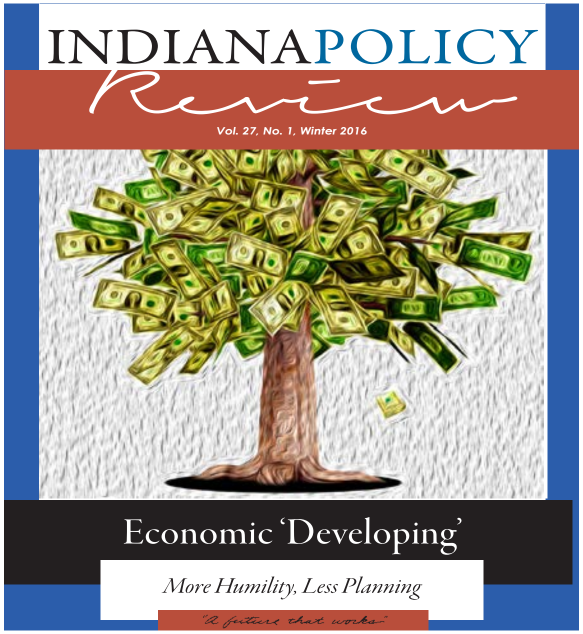
Moreover, rather than promoting economic development, many if not most TIF subsidies are used for entirely different purposes. First, many states give cities enormous discretion for how they use TIF funds, turning TIF into a way for cities to capture taxes that would otherwise go to rival tax entities such as school or library districts. Second, no matter how well-intentioned, city officials will always be tempted to use TIF as a vehicle for crony capitalism, providing subsidies to developers who in turn provide campaign funds to politicians.

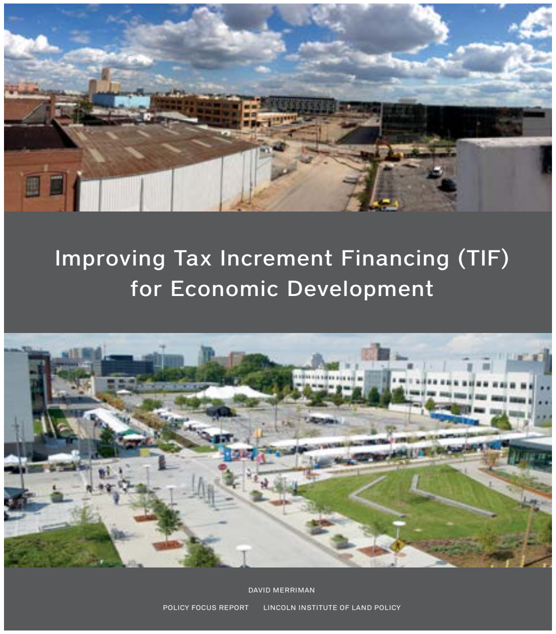
Finally, many cities use TIF to persuade developers to build "new-urban" (high-density, mixed-use) developments that are supposedly greener than traditional designs but are less marketable than low-density suburbs. Albuquerque, Denver, Portland, and other cities have each spent hundreds of millions of dollars supporting such developments when developers would have been happy to build low-density developments without any subsidies.

TIF takes money from schools, fire departments, libraries, and other urban services funded by property taxes. By eliminating TIF, state legislatures can help close current budget gaps and prevent cities from taking even more money from these urban services in the future.

Randal O'Toole is a senior fellow with the Cato Institute and author of The Best-Laid Plans: How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future.

CATO INSTITUTE



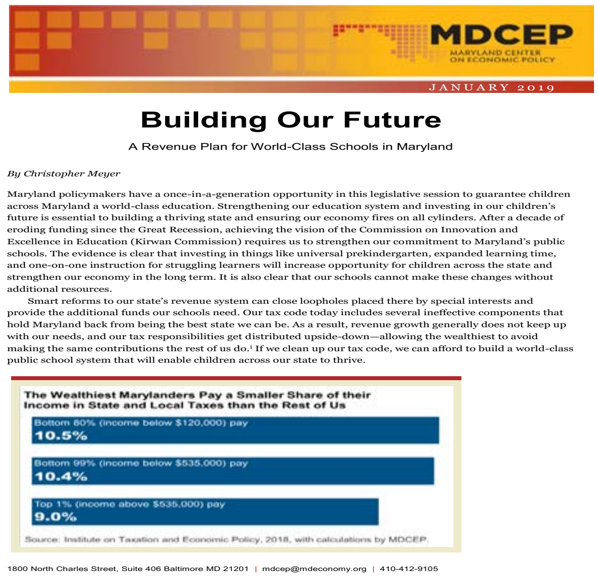


https://www.cato.org/sites/cato.org/files/pubs/pdf/PA676.pdf

https://inpolicy.org/2015/09/white-paper-revisiting-tif-its-not-working-the-way-we-were-told-it-would/

https://taxpayersci.org/wp-content/uploads/TIF_Lincoln-Institute_2018.pdf

SOURCE TEXT STUDIES



MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

JANUARY 2019

Building Our Future

A Revenue Plan for World-Class Schools in Maryland

By Christopher Meyer

Maryland policymakers have a once-in-a-generation opportunity in this legislative session to guarantee children across Maryland a world-class education. Strengthening our education system and investing in our children's future is essential to building a thriving state and ensuring our economy fires on all cylinders. After a decade of eroding funding since the Great Recession, achieving the vision of the Commission on Innovation and Excellence in Education (Kirwan Commission) requires us to strengthen our commitment to Maryland's public schools. The evidence is clear that investing in things like universal prekindergarten, expanded learning time, and one-on-one instruction for struggling learners will increase opportunity for children across the state and strengthen our economy in the long term. It is also clear that our schools cannot make these changes without additional resources.

Smart reforms to our state's revenue system can close loopholes placed there by special interests and provide the additional funds our schools need. Our tax code today includes several ineffective components that hold Maryland back from being the best state we can be. As a result, revenue growth generally does not keep up with our needs, and our tax responsibilities get distributed upside-down—allowing the wealthiest to avoid making the same contributions the rest of us do.[i] If we clean up our tax code, we can afford to build a world-class public school system that will enable children across our state to thrive.

The Wealthiest Marylanders Pay a Smaller Share of their Income in State and Local Taxes than the Rest of Us

Bottom 80% (income below $120,000) pay
10.5%

Bottom 99% (income below $535,000) pay
10.4%

Top 1% (income above $535,000) pay
9.0%

Source: Institute on Taxation and Economic Policy, 2018, with calculations by MDCEP.

1800 North Charles Street, Suite 406 Baltimore MD 21201 | mdcep@mdeconomy.org | 410-412-9105

http://www.mdeconomy.org/wp-content/uploads/2019/01/Building-Our-Future.pdf

TAX INCREMENT FINANCING (TIF)

When a city designates an area as a TIF district, the property value of all the real estate within its boundaries at that time is designated as the "base value." This is the amount that, for a set amount of years after the fact, generates revenue through the city's property tax process. Everything over and above that, through an increase in value of existing real estate and new development in that time frame, goes into a separate fund earmarked for economic development.

https://www.citylab.com/solutions/2018/09/the-trouble-with-tif/569815/

TAX INCREMENT FINANCING IMPACT

How does a TIF District/Project affect:

1. The TIF District

- Quigley Study- Reserving for Inflation
- Indiana Policy Review- The Eroding Tax Base
- Services funded by Property Taxes
- States allowing School Districts to opt out of their portion of property taxes going toward TIF projects
- Creating Vs. Capturing Revenue – The "But For" Clause
- Moral Hazard & Increased appetite for tax subsidies for Investors

2. The Districts Surrounding the TIF District

- Quigley Study- Replenishing the shrinking tax base at the state Level
- Georgia requires a vote by surrounding districts before a TIF district can be set up

TAX INCREMENT FINANCING IMPACT

How does a TIF District/Project affect:

3. The State Budget
   - Why California outlawed TIF Districts in 2011/2012
   - Why Indiana closed legacy TIF districts
   - Why Maryland House Speaker Adrienne Jones is reconsidering tax subsidies such as TIF

4. School Funding SCI & LCI

TIF IMPACT ON THE TIF DISTRICT

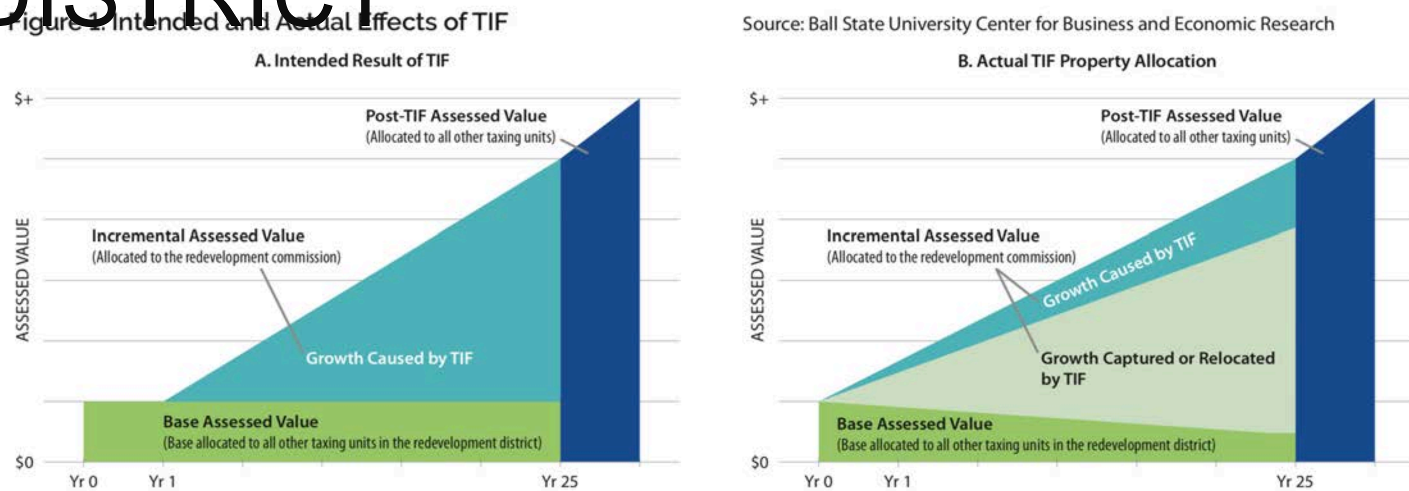


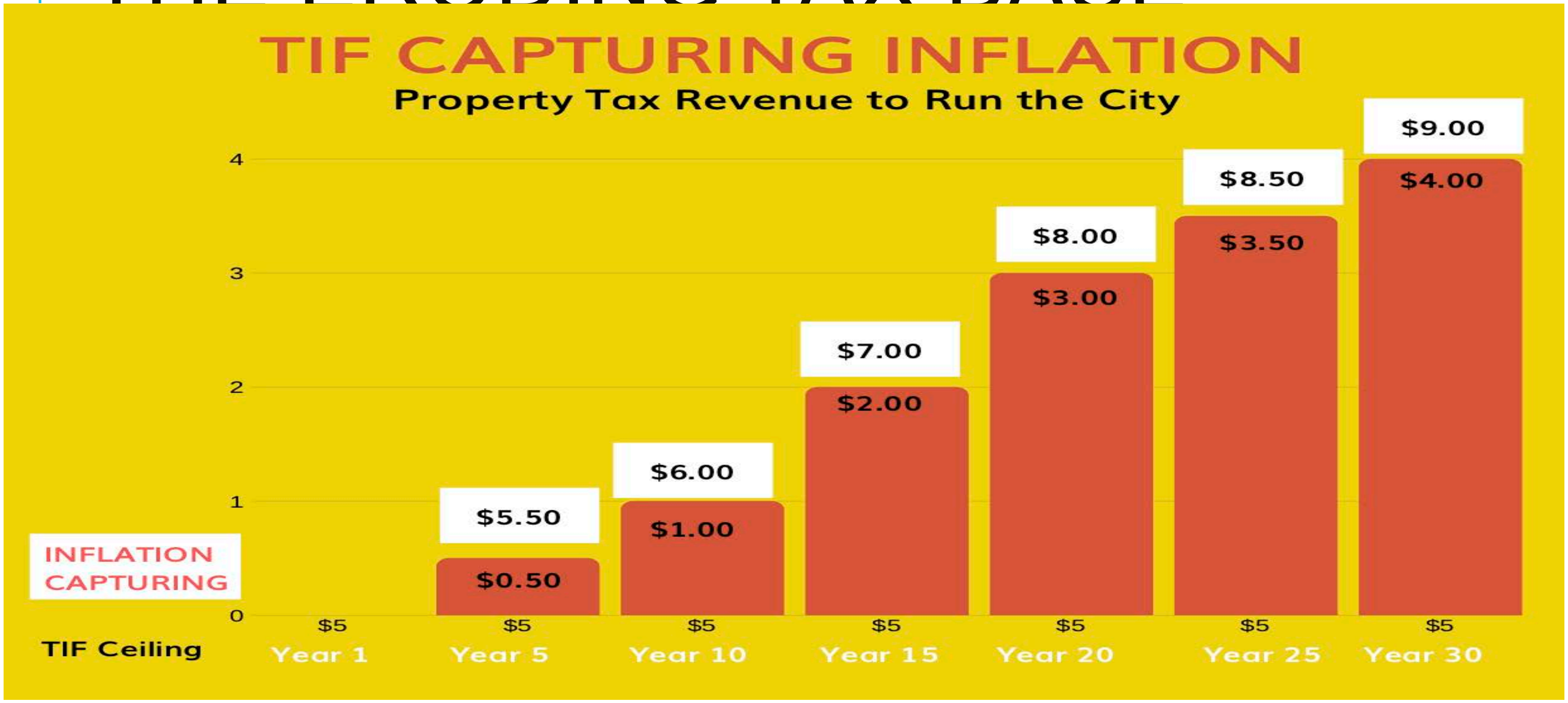
Figure 1 illustrates the common argument regarding TIF. In this figure, a redevelopment commission creates a TIF in Year One, and for the remaining 25 years of the TIF, the assessed value in the base remains fixed. All new or incremental property growth is due to the creation of the TIF district, and at the end of the 25-year TIF period the higher-assessed value is returned to the base and tax levies subsequently paid to the taxing units within the TIF district. It is worth noting that we have found no published empirical research over the past two decades suggesting that TIF operates in this fashion.

These studies suggest that the base assessed value (AV) in a TIF is not constant but is likely to decrease over time. However, this base erosion does not reduce the base AV that is used to calculate the incremental AV. As a result the incremental AV grows even as the base AV shrinks, both administratively and in real, inflation-adjusted terms. Only a fraction of the growth in the average TIF area may be attributable to the expenditures associated with a TIF. Thus, the designed TIF property allocations outlined in the figure above are likely incorrect, and instead appear as in *Figure 1b*, where the presence of a TIF area captures a share of economic activity from outside the TIF area.

DOES TIF FINANCING LEAD TO TAX INCREASES? TIF & THE ERODING TAX BASE

It is often claimed that TIFs don't take any money from the taxing districts that overlap them. The basis for this assertion is the fact that these taxing jurisdictions continue to tax the base throughout the 23-year life of the TIF. But because the value of this base is being eroded each year by inflation, these local governments are in fact losing money to TIF: while taxing districts' real costs increase over time, a portion of property tax revenues allocated to meet these costs lags further and further behind for the life of the TIF, making it more expensive for local governments to meet their expenditure needs even without any attendant increase in services.

DOES TIF FINANCING LEAD TO TAX INCREASES? TIF & THE ERODING TAX BASE



DOES TIF FINANCING LEAD TO TAX INCREASES? TIF & THE ERODING TAX BASE

That concept, the "hold-harmless" assurance, maintains that local government bodies will not lose any of their existing tax base when a TIF is established. At the same time, they are unable to share in any new, incremental tax revenue produced by subsequent private investment within the TIF area.

The article found the hold-harmless assurance to be hollow. The convoluted mathematics of TIF under Indiana law disguised substantial erosion of local government's pre-TIF tax base. This is the same base that is "frozen," if you believe the downtown Indianapolis law firms that market TIFs to local governments across the state.

That erosion 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.

Meanwhile, through a series of opaque steps, the TIF mechanism harvests for itself what its math erodes from others, burdening local taxpayers with making up for the tax base and revenue lost by county and city government, schools and libraries. TIF, as practiced in Indiana, is a "heads I win, tails you lose" situation.

DOES TIF FINANCING LEAD TO TAX INCREASES? TIF & THE ERODING TAX BASE

There remains however, the question of the fiscal stress experienced by local governments not directly as a result of TIF's propensity to capture a portion of the property base, but rather indirectly, from TIF's effect on the tax rate. The two are related: for every dollar of property tax revenue captured by the TIF district, local governments must make it up from taxes on the non-TIF portions of their property bases. But local governments – especially those in poorer areas – face constant political pressure to hold down taxes, so there is a question as to whether or not local governments can fully compensate for TIF-related property tax losses. TIF, as the next section shows, forces tax rates to be higher than they would be in the absence of TIF, thus exacerbating this pressure.

DOES TIF FINANCING LEAD TO TAX INCREASES?
TIF & THE ERODING TAX BASE

Figure 11. A model of how TIF affects the property tax bill.

1. The tax rate is calculated by dividing the tax levy into the tax base.

The lower the tax base, the higher the tax rate.

TIF captures approximately 40 percent of the tax base, so taxing districts without a TIF have higher tax bases than similar taxing districts with a TIF.

Taxing districts without a TIF have higher tax bases, and thus lower tax rates…

$$\frac{\text{Tax Levy}}{\textbf{Tax Base}} = \text{Tax Rate}$$

…than taxing districts with a TIF.

$$\frac{\text{Tax Levy}}{\text{Tax Base}} = \textbf{Tax Rate}$$

2. The tax bill is the tax rate multiplied by the property value.

The higher the tax rate, the higher the tax bill.

Taxpayers in taxing districts without a TIF have lower tax bills…

Tax Rate x Property Value = Tax Bill

…than taxpayers in similar taxing districts with a TIF.

Tax Rate x Property Value = Tax Bill

The lower the base, the higher the rate, and the higher the rate, the higher the bill.

TIF takes from the base, which means it raises the rate, which means that **TIF makes the tax bill higher.**

DOES TIF FINANCING LEAD TO TAX INCREASES? TIF & THE ERODING TAX BASE

How do cities balance budgets with eroding tax bases?

While it may not cost the city any "new taxes" to fund the project, it will cost the city more money to run the city due to a portion of the tax base that would go to the general fund being diverted to the TIF project.

Studies consistently state that the districts surrounding the TIF project often are asked to pay the difference (and more over time if the TIF district failed to reserve for inflation).

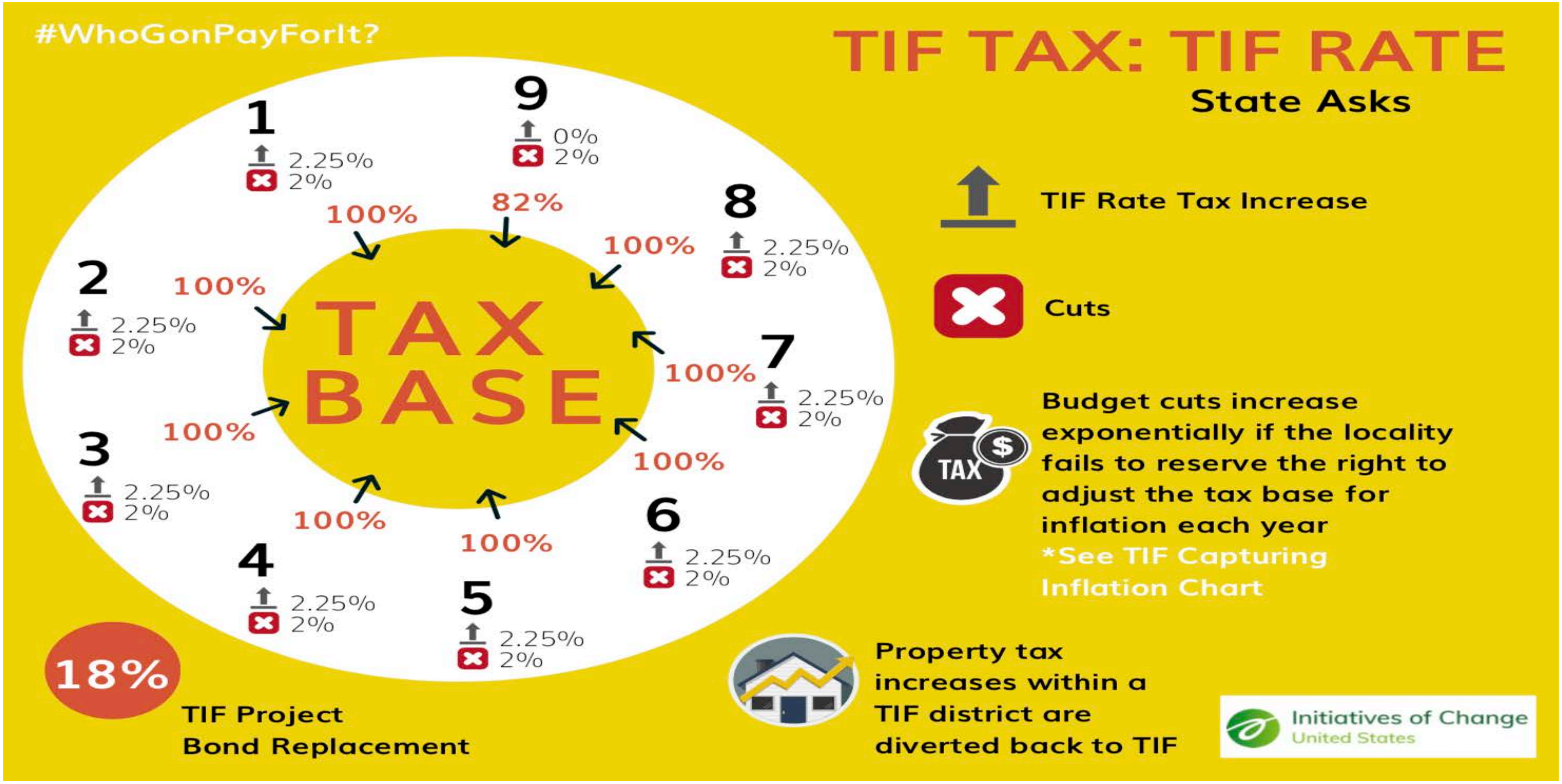
This was such a phenomenon in Georgia that Georgia requires cities to ask voter approval to create a TIF district. Georgia also requires cities to obtain the consent of other taxing entities that overlap with the district


Policy Analysis

Crony Capitalism and Social Engineering
The Case against Tax Increment Financing

Executive Summary

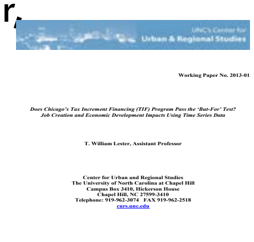
TIF TAX & TIF RATE



CREATING VS CAPTURING REVENUE: HONORING THE “BUT FOR”REQUIREMENT

The second effect of TIF on overlapping taxing districts is felt when a portion of the property value within a TIF would have grown whether or not the TIF had been created. In these instances the TIF is violating the “but for” stipulation and capturing property tax revenues that would otherwise have flowed to local governments.

Despite its extensive use throughout the City of Chicago, UNC Professor T. William Lester’s study finds no evidence that the TIF program resulted in any significant new job creation. While 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.



Working Paper No. 2013-01

Does Chicago’s Tax Increment Financing (TIF) Program Pass the ‘But-For’ Test?
Job Creation and Economic Development Impacts Using Time Series Data

T. William Lester, Assistant Professor

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February 2013

CREATING VS CAPTURING REVENUE: HONORING THE "BUT FOR"REQUIREMENT

The Neighborhood Capital Budget Group asked the capture-or-cause question of 36 TIFs in Chicago and found that over a 23-year period (the life of a single TIF) property tax revenues in these TIFs could be expected to grow $1.66 billion. Of this, they conclude, only $362 million would be stimulated by the use of TIF; **the remaining $1.3 billion, they find, would have come about anyway and is thus considered captured by TIF at the expense of overlapping taxing entities.**

Specifically, 40 percent (25 ÷ 63) of Chicago's tax increment from 1997 to 2005 has been captured, not caused, by TIF. In other words, 40 cents of every dollar of TIF revenue is money that taxing districts lose to TIF.

There is evidence that a significant portion of the growth taking place inside TIF districts would have happened even without TIF, which means that the property tax revenues of local taxing bodies do in fact suffer because of TIF.

STATE BUDGETS & THE SUSTAINABILITY OF TIF DISTRICTS

3. The State Budget

- Why California outlawed TIF Districts in 2011/2012

The demise of TIF in California is a cautionary tale about property tax revenues, not necessarily a rejection of all redevelopment efforts. For reasons unique to California's property tax regime, many cities (and a few counties) used TIF-funded redevelopment so aggressively that they diverted significant property tax revenues from other taxing entities, and particularly from the State, which bears ultimate responsibility for financing public education.

https://www.planningreport.com/2014/07/24/demise-tif-funded-redevelopment-california

Because of complicated school equalization requirements in California, the state must backfill every dollar that school districts lose to TIF. Since schools get 50 percent of the property tax, that means the state is subsidizing redevelopment to the tune of $3 billion a year. When you're staring at a $25 billion budget deficit, that's real money. That's why California Gov. Jerry Brown -- a former big city mayor who used TIF effectively in Oakland -- eliminated it.

https://www.governing.com/columns/transportation-and-infrastructure/col-redevelopment-financing-gets-overhaul-in-california.html

- Why Indiana closed legacy TIF districts
- Why Maryland House Speaker Adrienne Jones is reconsidering tax subsidies such as TIF

STATE BUDGETS & THE SUSTAINABILITY OF TIF DISTRICTS

3. The State Budget

The Maryland General Assembly had to pass $300M to save Baltimore Schools from the money diverted from schools to TIF districts and Tax Deals.
https://www.baltimoresun.com/maryland/baltimore-city/bs-md-ci-school-tif-money-20180327-story.html

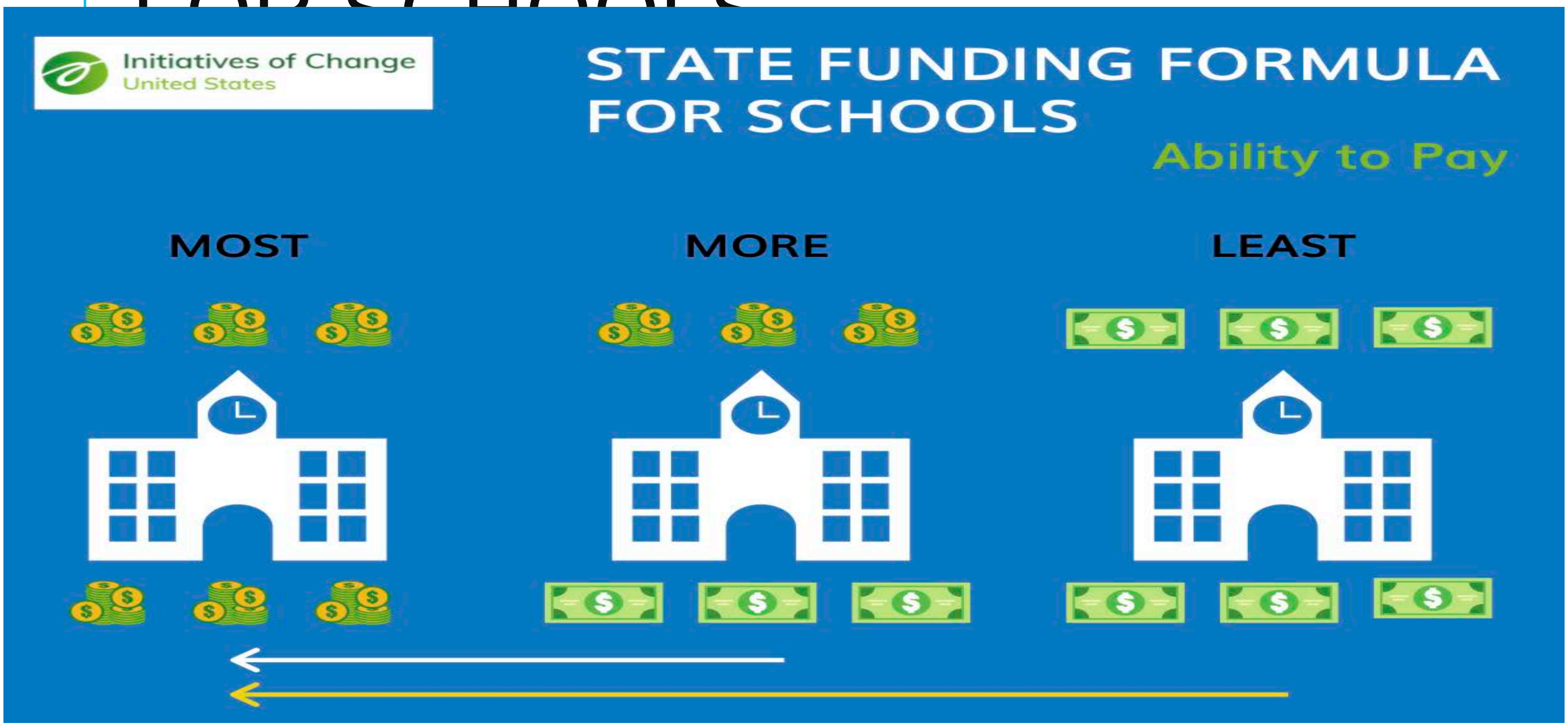
https://www.baltimoresun.com/opinion/op-ed/bs-ed-city-development-20150215-story.html

They have had difficulty adjusting the state funding formula as it could cause $75 million deficits in counties such as Harford County

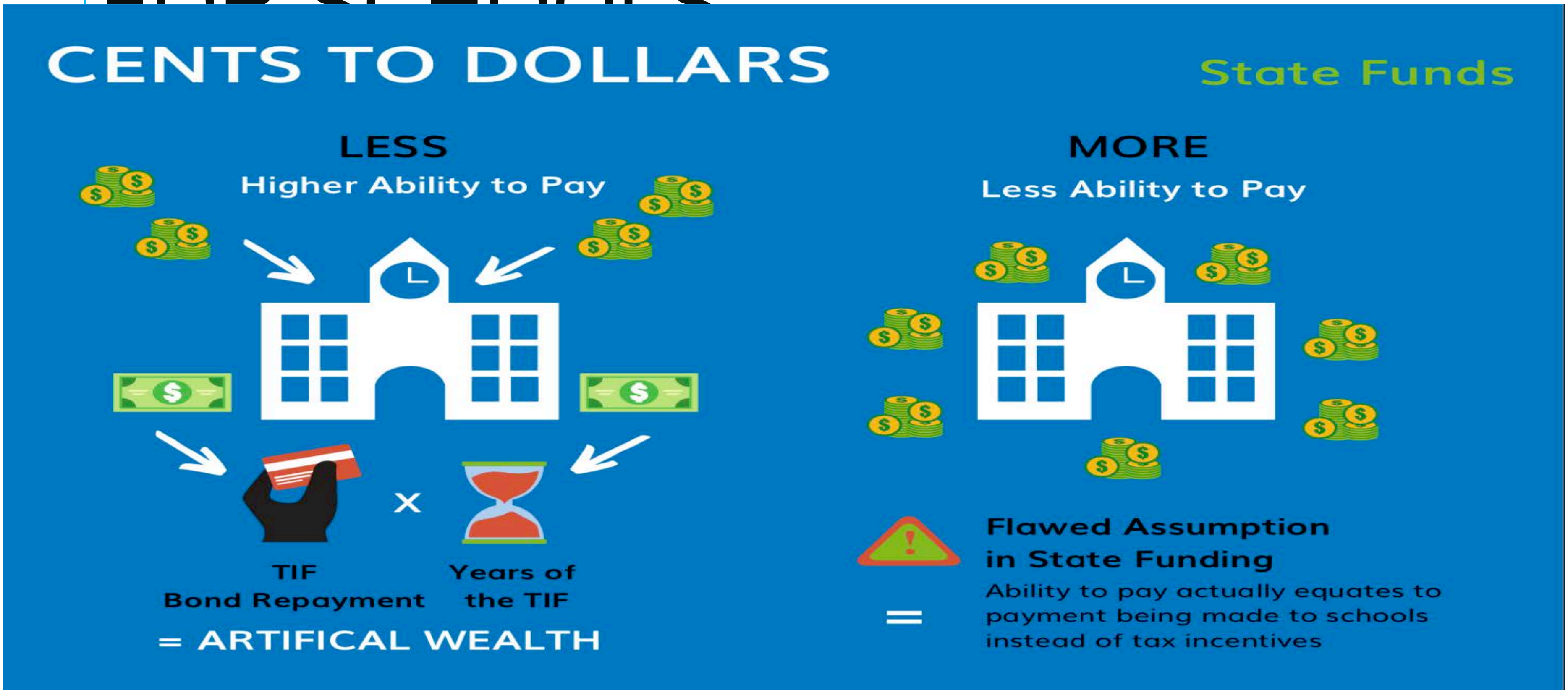
https://www.baltimoresun.com/education/bs-md-kirwan-react-hogan-20190819-46qo4cln5feffp4p76cwnmqk5u-story.html

Now the Maryland Speaker of the House Adrienne Jones is reconsidering the use of tax subsidies such as TIF Statewide
https://www.marylandmatters.org/2019/08/16/house-speaker-seeks-review-of-tax-credits-for-possible-revenue/

TIF & RAPID DEVELOPMENT'S EFFECTS ON STATE FUNDING FOR SCHOOLS



TIF & RAPID DEVELOPMENT'S EFFECTS ON STATE FUNDING FOR SCHOOLS



LCI & STATE COMPOSITE INDEX CONSEQUENCES OF TIF IN RICHMOND, VA

Most Accurate study done to date states the project will cost RPS Schools

-$3,895,544 of state funding lost annually

-$97,388,861.95 of state funding over the life of the Coliseum Project

BEST PRACTICES & WARNING SIGNS

- Make sure the area in the TIF district qualifies for the “blight” and “but for” requirements
- Allow School districts to opt out of having their portion of funds contributed to the TIF District
- Don’t forget to account how rapid property development may negatively affect state funding for schools
- Set up multiple means of accountability & transparency in accounting for how TIF funds are spent
- Dissolve TIF Districts after the project is completed
- Reserve the right to adjust for inflation in the tax base each year
- Beware of TIF Porting or funds being used for non-blighted development within the TIF District

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

The study also mentions that job growth in TIF establishments is not significant. TIF establishments tend to create 0.7 percent more jobs than their non-TIF counterparts.

“We find that property values are higher in TIF areas than in other similarly situated non-TIF areas,” said the study. “However, our findings suggest the presence of TIF does not have a meaningful impact on employment growth.”

Marion’s TIF districts brought in almost $5 million in 2013, according to a Marion Redevelopment Commission report, all of that money was used to fund some development in the TIF districts or pay off TIF bond debt.

A majority of Marion’s TIF districts provide no property tax dollars for government services like fire and police service, public schools, public libraries, and other government services, leaving some to wonder if TIF has been the wrong method to advance Marion.

Bainbridge said you can see massive job growth in a TIF district at first, but that it doesn’t translate to more job creation down the line.

https://indianaeconomicdigest.com/Content/Most-Recent/Monday/Article/Indiana-state-study-slams-economic-benefits-of-TIFs/31/128/81752

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

A Ball State study published last winter found that TIF boosted assessed value within the TIF district, but led to higher tax rates, less AV (assessed valuation) outside the TIF and modestly lower manufacturing employment within the county. Hence, the average TIF was bad for a county. The Ball State study also corroborated the findings of studies in other states, which suggest that TIFS are used as a budget-management tool for local government rather than as an economic development tool.

Even more damning was an Indiana Legislative Services Agency study published this fall. The study, using more granular (parcel-level) data than the Ball State researchers had available, found that TIF had no employment effects, but that redevelopment commissions were formed to capture growth *that was already occurring*. The conclusion, then, was that the average TIF had no effect on employment, but merely captured tax dollars from other units (schools, libraries, etc.)

https://indianaeconomicdigest.com/Content/Most-Recent/Monday/Article/COMMENTARY-Remember-Research-first-TIF-press-release-second/31/128/81924

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Anderson Community Schools officials have a sound foundation for their argument that the school system should receive a healthy slice of revenue from the local tax increment financing (TIF) district.

State statute says schools have a right to petition for up to 15 percent of such revenue. And school board member Jeff Barranco said at a recent city council meeting that ACS is losing nearly $2 million annually in revenue because of the TIF district.

The district was created to attract new businesses with the promise that a portion of tax money generated by their investments would be sunk back into infrastructure development and other improvements in the district.

That's great for the district and the new businesses, but it takes money away from other government units — such as schools — that would have received a portion of the new tax revenue had the TIF district not been created.

https://www.heraldbulletin.com/opinion/editorials/editorial-local-schools-should-get-slice-of-tif-pie/article_ac1ec1ad-088e-5bee-a5fb-66df25c6b072.html

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article written in 2011by former mayor of Ventura, California after California outlawed TIF districts:

Can tax-increment financing (TIF) survive the current downturn in the economy, or has TIF become a luxury that general funds can no longer afford?

in practice, property tax revenues go up for a whole variety of reasons, including simple inflation in the real estate market, which means schools, counties and other agencies that receive a share of property tax revenues perceive themselves as losers.

Because of complicated school equalization requirements in California, the state must backfill every dollar that school districts lose to TIF. Since schools get 50 percent of the property tax, that means the state is subsidizing redevelopment to the tune of $3 billion a year. When you're staring at a $25 billion budget deficit, that's real money. That's why California Gov. Jerry Brown -- a former big city mayor who used TIF effectively in Oakland -- eliminated it.

https://www.governing.com/columns/transportation-and-infrastructure/col-redevelopment-financing-gets-overhaul-in-california.html

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article written in 2018 in Nashville, TN:

Partially in response to the budget shortfall, Nashville Metropolitan Council Member Bob Mendes proposed a solution: Leave the school district's revenue out of tax increment financing (TIF) deals that the city makes with developers.

The school district, which collects about 40 percent of property tax revenue in the city, ends up with less money than it would have under an unsubsidized deal. Last year, the Metropolitan Development and Housing Agency (MDHA), the city agency that administers Nashville's TIF deals, diverted almost $10 million of would-be revenue away from the school district, according to a report in The Tennessean.

"Education is the best way out of poverty, and therefore, good schools are necessary for equitable economic development," LeRoy says. "You're shooting yourself in the foot if you're under-funding your schools in the name of economic development."

the Lincoln Institute of Land Policy released a report called Improving Tax Increment Financing for Economic Development looking at a number of studies on the impact of TIF programs in various cities. It notes that, while TIF districts are only meant to capture the increased tax assessment that wouldn't have existed without the development, in practice they capture value that would have appreciated in the normal course of time. It recommends that states allow school districts to opt out of TIF deals, and that local governments should make more information about TIF deals publicly available.

https://nextcity.org/daily/entry/what-if-cities-stopped-giving-away-school-dollars-to-finance-development

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article Written in 2016 in Jefferson City, Missouri:

Even though school districts forfeit the most in new property tax revenue when tax increment financings (TIF) are approved, they also have the least power in the decision-making process.

The Jefferson City School Board met Tuesday to discuss a proposed TIF for the redevelopment of the Truman Hotel & Conference Center owned by the Puri Group of Enterprises.

Jefferson City Public Schools opposes the TIF in its current form because it relies so heavily on property taxes - nearly 50 percent of the district's revenue comes from local property tax. The district would potentially receive $1.69 million in new property tax revenue but could forgo $11.69 million over the 23-year life span of the TIF, if it is approved

Some states provide additional state aid to districts with TIFs to replenish some of the revenue the district would otherwise receive from property taxes.

However, Missouri does not make up for the revenue lost from TIFs, said Department of Elementary and Secondary Education spokesperson Sarah Potter.

In 2003, the National Education Association did a study on states that allow TIFs and what role the school plays in the process.

During that time, 48 states permit TIFs, and of those states, 22 allowed diversion of school taxes, just like the case with the hotel redevelopment plan.

The Missouri School Boards Association agrees.

"We believe school districts should have a greater voice," said MSBA spokesman Brent Ghan. "The majority of the revenue is property tax, and that affects school districts the most. ...

http://www.newstribune.com/news/story/story/2016/Apr/10/schools-historically-have-little-power-tif-decisio/546916/

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article written in 2014 in California by USC Law Professor & Accounting Professor

The conventional rationale for TIF is that schools, counties and special districts would not lose any property tax revenue.

These rationales are seriously flawed. First, they disregard the ex-ante risk-reward imbalance that cities sponsoring redevelopment impose on other taxing entities. Second, they presume that but for redevelopment there would have been no growth within designated redevelopment project areas. Third, redevelopment projects seldom create new demand. They simply shift demand from other areas into redevelopment project areas. The larger the boundary of the other taxing entity, the more likely it will be a net loser of property, sales or hotel transit occupancy taxes due to redevelopment "cannibalization.

The demise of TIF in California is a cautionary tale about property tax revenues, not necessarily a rejection of all redevelopment efforts. For reasons unique to California's property tax regime, many cities (and a few counties) used TIF-funded redevelopment so aggressively that they diverted significant property tax revenues from other taxing entities, and particularly from the State, which bears ultimate responsibility for financing public education.

https://www.planningreport.com/2014/07/24/demise-tif-funded-redevelopment-california

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article written in 2018 in Chicago Illinois:

Analyzing over 30 studies on the impact “tax increment financing,” or TIF, has had on communities across the country, Merriman found that the practice “often fails to deliver economic growth beyond what otherwise would have occurred” and is likely to “simply result in the relocation of economic activity” rather than the creation of it.

The report also finds that lacking transparency throughout TIF programs facilitates the abuse of TIF funds. In Chicago, a joint investigation by the Better Government Association and Crain’s Chicago Business found in 2017 that Mayor Rahm Emanuel’s administration obscured $55 million in TIF funds that paid for renovations at Navy Pier.

To improve the performance of TIFs, Merriman recommends that states strengthen their “but for” requirements, increase public access to information about the use of TIF funds, and give municipalities and school districts the ability to opt out of TIFs altogether.

https://www.illinoispolicy.org/crowding-out-chicago-pension-fund-demands-intercept-of-state-grant-money/

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article written in 2018 in Chicago, Illinois:

TIF doesn't always play out that way. Critics often charge that it funnels money out of the taxpayers' pockets into a special fund that, by and large, works in a pretty opaque manner. While some of that money funds essential public works, much has also gone towards erecting new Whole Foods, renovating glitzy hotels, and building stadiums—the type of projects, one might argue, should not require such incentives. And the evidence Merriman analyzes suggest they may have a point. He shows that, in most cases around the country, the tool did not fulfill its main goal of boosting economic development.

According to Merriman, TIFs might "capture" some tax revenue above the capped "base value" that may have been generated anyway through natural appreciation in property values if the TIF hadn't been created. This is money that taxpayers might have otherwise paid directly towards an overlapping school district, or for public services. And while TIF is not a direct tax increase, it may lead to higher rates or service cuts elsewhere, if the city plans on bringing in the same general property tax revenue as before TIF.

If property taxes are higher—if the rates are higher—then the TIF money has come of the taxpayer's pocket," Merriman said. "It's a diversion in that way."

https://www.citylab.com/solutions/2018/09/the-trouble-with-tif/569815/

ADDITIONAL ARTICLES ON FISCAL IMPACT OF TIF FINANCING

Article Written in 2018 in St. Louis Missouri:

An expert on inequities in housing and economic development, Metzger was increasingly bothered by the fact that land use policies that had long been touted for their ability to jump-start development and create economic opportunity in underserved neighborhoods were doing neither. The closer she looked, the more she saw that TIF—which front-loads future property tax revenue to speed up selected projects—seemed to benefit neighborhoods that were already gentrifying and siphoned off funds that should have gone to public schools.

"The question we are asking now is whether we should pump the brakes. If we continue to incentivize everything, it's not benefitting the whole city, and it's not building the tax base. It's like a lot of political issues—a tiny fraction benefits."

The United States now has at least 10,000 TIF districts across 49 states (Merriman et al. 2018). But critics say TIF has become little more than a subsidy for the private sector, diverting revenue away from schools and other important services, and contend that many TIF programs are woefully lacking in transparency.

Since 2017, nine states have passed substantive legislation to change TIF, according to the Lincoln Institute database ***Significant Features of the Property Tax***. The adjustments focus on three areas identified in Merriman's report: protecting school funding, calibrating the "but for" and blight provisions, and requiring transparency. North Dakota, Colorado, and Kansas all amended their statutes to exempt school districts from TIF.

https://www.lincolninst.edu/publications/articles/hidden-costs-tif

THANK YOU FOR YOUR TIME & CONSIDERATION

Allan-Charles Chipman