

# Cities should be more deliberate about financing tool

By MATTHEW MAYRL

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Last summer, Milwaukee faced a tough choice regarding the former Pabst brewery site: fund a risky and costly development or bet that, with time, the city could strike a better deal.

Proponents of Wispark's PabstCity plan worried aloud that without the proposed \$41 million in tax incremental financing assistance being offered for a Sega GameWorks center and entertainment village, the land could remain undeveloped for years to come.

Now, just 17 months later, the city has approved an alternative \$28.6 million TIF financing plan to help Zilber Ltd. redevelop the former brewery into a mixed-use site that will include housing, a hotel and some office space.

While details about the plan are still sparse, this vision for the former brewery is fundamentally more sustainable than the original redevelopment plan for the site. Instead of investing millions into the entertainment village - exactly the kind of development that ages quickly and has failed in other cities - the new plan will allow the city to sell off chunks of land to individual developers to create a mix of long-term uses, extend Milwaukee's downtown and add assets of lasting value. This story is instructive not only to Milwaukee, but to cities and villages assessing TIF proposals across the state.

Wisconsin municipalities face difficult decisions each year as they allocate over \$240 million in development assistance through TIF deals. It's often unclear whether a developer will walk away if the city bargains hard for community benefits or whether, if the city is patient, the site will be developed privately in the future.

This is a tough decision but an important one, as the strategic use of TIF is vital to the economic health of our state.

While development needs and priorities differ across the state, Wisconsin's cities and villages should use the following five principles to promote high road development in their home communities:

**Understand the local real estate market:** Efficient and strategic use of TIF begins with an in-depth knowledge of the local real estate market.

TIF is an efficient development incentive only when it is used to spur development that the market would not otherwise provide. Wisconsin's local governments must honestly assess which kinds of development they can rely on the market to provide and which development is only feasible with public assistance.

**Don't become beholden to one development:** According to state law, all TIF-funded projects must satisfy the "but for" test, which stipulates that no project should receive funding if it would have occurred without assistance.

This seems simple, but often it is often interpreted to mean, "Would the proposed development have occurred in exactly the same form without the requested TIF funding?"

Instead, cities should consider what is likely happen to the site over the full life of the proposed TIF district if no assistance is provided. Often, rejecting one plan opens the door for other possible uses or allows for privately funded development at a future date.

**Consider the full range of costs and benefits:** The costs and benefits of creating a TIF district should not be measured only in terms of direct costs of improvements and expected new property value.

TIF-funded projects can leverage a wide variety of benefits, including new employment opportunities, greater consumer income and the construction of productive public goods. These projects can also help catalyze additional private development in surrounding areas.

On the other side of the balance sheet, TIF use can impose costs on cities in a number of ways - increased demands for public services such as sewers and

public schools, contributions to regional problems such as sprawl and limits on the use of the tool elsewhere in the community.

Cities should take all these externalities into account when assessing TIF projects.

**Take steps to improve the quality of TIF requests:** Finally, Wisconsin's municipalities should not just passively review TIF requests as they come in. Instead, each Wisconsin city should establish its own specific TIF policy to help encourage development in the most challenged neighborhoods and to complement and strengthen its broader neighborhood and economic development planning.

Municipality-specific TIF policies set restrictions on TIF use that go above and beyond minimal state restrictions. By clearly laying out their priorities for TIF funding, cities provide developers with a predictable guide to which projects can qualify for assistance, encouraging developers to undertake only those projects that meet the community's needs.

Establishing a local TIF policy is also a good opportunity for city or village leaders to take stock of their community's needs and solicit public input on the municipality's development plans.

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