Mobilities and mutations: Financing urban infrastructure in the twenty first century

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Structure

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1. Introduction
Programme of research (July 2011 onwards) – *Transatlantic Travels*

- Theoretically - relational comparative urbanism, urban policy mobilities

- Empirical ‘sites’: Edinburgh waterfront and wider city, Chicago/Illinois, range of cities in California, Melbourne/Sydney, Australia, Brandon, Calgary, and Toronto, Canada and relations between numerous of the above!

- Methods: 100 semi-structured interviews, media archives, conference ethnographies, walking tours
2. Theoretical preambles
▪ Relational comparative urbanism
  Relations between cities/unbounded cities

▪ Assembling urbanism
  Work of drawing upon ‘bits’ of elsewhere to establish/order a stable ‘whole’

▪ Urban policy mobilities and mutations
  Experience, learning, reflection as policies are made, translated and mutate in and through movement
  Absences/presences, adoption/non-adooption, arrival/non-arrival, centre/centres, linear/non-linear, endings/beginnings

▪ Histories and geographies of policy
  Historicizing the current moment and distinguishing between continuity/change
  More-than-neoliberalism
3. On the waterfront
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And probably a great example of that has probably been when the Forth Ports looked at calling the development Edinburgh Harbour. Now I worked with local people against that. I mean, the campaign became such that they took steps back from that and said no... They stepped back from branding. And it's interesting that, you know, to be as sensitive to something as ephemeral as branding, is an indication of social identity there that, you know, if you're looking to develop within the community, you've got to be sensitive to that history of the community as well (Senior Councillor, Edinburgh City Council, July 2011)

I think, to be honest, it's the kind of thing, you know, the local paper, the Evening News would run kind of glitzy stories with artists' impressions saying, you know, we're going to have the royal cruise ship Britannia here and this is going to be a stylish place to eat, and there's going to be promenades and stuff. And, you know, it's a nice, soft sort of story (Journalist, Scotland, November 2011)
4. Introducing the Edinburgh ‘Model’
TAX INCREMENTAL FINANCING

LEITH HARBOUR
BUSINESS CASE – Executive Summary
August 2018

• EDINBURGH •
THE CITY OF EDINBURGH COUNCIL
Base Asset Value

Asset Value belongs to all other assets in project area

Incremental Asset Value

Incremental uplift in property taxable value belongs to TIF authority to pay project costs

New Post-Project Asset Value

Total AV now belongs to all other assets in project area

Assessed Value (AV)

£

Time

Created

25 year TIF

Terminated
1. CEC finances the delivery of development and regeneration projects

2. Financed projects deliver growth and enable private sector development

3. The TIF mechanism captures the related incremental business rate revenues

4. The captured revenues and income are used to meet debt repayments
TIF has been widely used in the United States to support and deliver regeneration and economic growth over the last 30 years, with nearly every state enacting TIF legislation. Whilst there are clear differences between the public sector in the US and Scotland, TIF could provide the means to deliver infrastructure and economic growth by paying ‘for growth’, ‘with growth’. The Council has prepared the current business case to support the use of TIF, to fund enabling infrastructure at Edinburgh’s waterfront (The City of Edinburgh Council 2010: 7, emphasis added)
Westminster cuts to the Scottish Budget have emphasised the importance of *finding new funding models* to deliver crucial infrastructure projects such as the Edinburgh Waterfront, that can unlock further economic development, whilst ensuring maximum value for the public purse (John Swinney, MSP Cabinet Secretary for Finance and Sustainable Growth, 28 September 2010, emphasis added)
5. Assembling the Edinburgh Model
I was involved at looking at some research and innovative funding methods for infrastructure, and in 2005, with a colleague, I made a one week study visit to the States and met a couple of planning directors and talked about TIF ... I went, on that particular visit actually, to Cleveland in Ohio, but also to Toronto and Vancouver on that same trip, and I did a bit of web research on TIF models, so...I’d read a bit of literature around it (Senior Figure, Edinburgh City Council, July 2011)
We do it like...we were in San Francisco last year, was in Sydney. We've spoken to a number of our friends around the world in other city regions who have already been there and done this, learnt some useful lessons from them, and also some warnings from them, like the California one. Worked with ... in California in the Governor's office, where they do now feel they've overcooked it (Financial Analyst, Edinburgh City Council (seconded from the Private Sector ), July 2011)
One of the things I did between 2004 and 2007 was chaired a European Union project called the Waterfront Communities Project. And one of the things that came out of that was the need to look at funding mechanisms to make developments work. And that's when [we] started to have a look at the schemes and, you know, laid a paper for people to have a think about. And then, you know, it became a committee discussion beyond that. And it was thought yes, this is something that we need to look at, you know, if it aids development, we've got to have a look at it (Senior Councillor, Edinburgh City Council, July 2011)
It's funny, I don't think we did first hear about TIF. We came up with this idea which was, could we use some of our assets in smarter ways, and one of those assets being income, so rateable income. And Scottish legislation allows for non-domestic rates to be captured by the Scottish Government and/or local authority, to pay back borrowings. Which then started us down a route of – this is going back maybe four, four and a half years – where I had started looking at what kind of infrastructure would lead to greater rateable income, and therefore economic growth. And that led us to do this kind of hybrid model, hybrid TIF model, which we then went and looked at other models (Financial Analyst, Edinburgh City Council (seconded from the Private Sector), July 2011)
Now, ... PWC were knocking on our door saying, they were aware of the TIF products, or the TIF experience of North America and, so, I recruited PWC to do some early work, so, it was PWC and the Council, working together, dusting off what the theory was, adapting it for the Scottish politics and the politics of potential borrowing, the politics around central Government grant or no grant, central Government ability to offer some comfort guarantees, or not, what was devolved, what was not, in terms of Westminster, to the Council, what was retained, all became quite complicated territory (Senior Figure, Housing Organization, January 2012)
So at PWC, very much looking at the American models, using the firm that was there, speaking to specialists, people who were using it in the States, and then trying to think about how does it fit into a UK context, speaking to local authorities, fleshing out ideas. We both were working in TIF before we came here so we understood how we thought we wanted it to work, how the basic model worked, and it has developed a lot since then ... There are a variety of ways to learn. I think as [a Scottish Government Organization] we are keen to think, and think about and change things, so some things we’ll do ourselves (Senior Figure, Scottish Government Organization, July 2011)
We looked at the pros and cons, we looked different forms of TIF at that time. The credit crunch was on us and was emergent at that time. Probably nobody knew the full extent of the catastrophe that was awaiting us all. But we did use the American experience very closely, produced the document and both in London and in Edinburgh we set about writing to ministers, local authorities, going to meet them, pushing the case for TIF late 2007 (Senior Figure, National Trade Organization, November 2011)
6. Arrival, education, translation and ... (non) adoption?
Executive Summary

Unlocking City Growth Interim Findings on New Funding Mechanisms
A Report by the Core Cities Group and PricewaterhouseCoopers LLP

Tax Increment Financing
A new tool for funding regeneration in the UK?

Paving the Way: Maximizing the Value of Private Finance in Infrastructure
Preparation, evaluation and implementation

Funding and planning for infrastructure

Closing the Investment Gap in Europe's Cities
Launch Report: Urban Investment NEXUS
A CLT Europe Publication in partnership with ING Real Estate

RECONNECTING BRITAIN: A BUSINESS INFRASTRUCTURE SURVEY APRIL 2010
TOLL ROAD DELAYS EXPECTED TO SHAVE 1.7% OFF GDP IN 2010
CONNECTIONS MASTERPLAN: TARGET 100% OF THE POPULATION TO HAVE 30 MINUTE ACCESS TO THEIR WORKPLACE
SPEED DELAYS: 37% OF ALL DELAYS TO JOURNEYS ARE DUE TO ROAD SPEED LIMITS
STATION DELAYS: 48.2% OF DELAYS OCCUR AT STATION CROSSING POINTS
SLOW NETWORK: 30% OF ALL JOURNEY TIME IS SPENT IN SLOW NETWORKS OR TRAFFIC JAMs
OPTICAL POWER FAILURE TRACK EXPECTING INGESTION

Local Government Group
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- How to scope and evaluate suitable schemes
- How to assess risk and economic benefits
- What US experience has to teach the UK

A new way to fund regeneration

Are you well placed to benefit from the proposed adoption of tax increment financing, TIF, principles for infrastructure development?

Find out why it pays to prepare for action now – learn from local authorities and developers that have identified suitable schemes, as well as how they assessed the potential benefits and risks of TIF funding.

For the first time, leading organisations involved in shaping the UK agenda for Accelerated Development Zones (ADZs) take you through the practical details of adopting this funding approach in the UK.

Understand how ADZs (infrastructure development schemes based on US pioneered Tax increment Financing principles) can kickstart infrastructure and regeneration projects by borrowing against anticipated tax revenues.

Discover the latest developments, including possible outcomes from the Government’s Autumn pre-budget announcement.

Your questions answered....

The TIF and ADZ SocInvest Masterclass is the only place to hear the answers to these key questions about TIF and ADZs.

Sustaining regeneration economic development

The fourth annual event on March 30, 2011, London, proves that projects can still be launched despite curbs on Government spending. SocInvest 11 showcases innovative partnerships, joint ventures and financial structures along with opportunities for accessing national and European funds.

FOCUS ON NEW PROJECTS AND INITIATIVES

At SocInvest 11, the UK’s leading funding and finance summit, you will learn how:

- North East Lincolnshire has rewritten the rulebook in launching a partnership with Balfour Beatty so that it can deliver a ten-year programme of house-building and economic development with the partner accepting an outcomes based reward formula – this ground-breaking partnership model is also the focus of a dedicated additional, half-day Masterclass.
- Bursell is developing the A5/M1 corridor and attract in excess of £2.5 billion to make this one of the UK’s most significant regeneration and renewal programmes.
- Support from Joint European Support for Sustainable Development in City Areas, JESSICA, is being used through the Northwest Urban Investment Fund to enable regional regeneration.
- PLUS other examples of projects that are bucking the trend.
Could TIFs work in the UK?

The rapid spread of the TIF approach in the US and the fact that other countries are experimenting with TIFs demonstrates that it is widely seen as an effective tool with a proven track record … So could TIFs work in the UK? If properly regulated, TIF could potentially empower local communities and help them attract the private sector resources that can deliver change (British Property Federation 2008: 9)
A limited pilot scheme, put in place over the next 12-18 months, would enable a judicious test of the TIF principle, when credit markets recover. A pilot scheme could be focused on a small number of cities in the North and Midlands, where regeneration investment has been hardest-hit. The potential value of a pilot to investor confidence and regeneration outweighs considerations around risk, which can be minimised through good programme design (Centre for Cities 2009: np)

the Government will continue to examine the framework that would be needed to implement Tax Increment Financing and consider the primary legislation that would be needed if schemes were to be introduced (UK Government’s Pre Budget Report 2009: 66)
TIFs have been around in the sort of sub-conscious of urban development since the urban wide paper in ’99 I think it was Richard Rogers report, so and a lot of people have said yes this is a good thing, we should be doing it, we should be doing it for that period – no one ever really rolled their sleeves up and said what does this look like in the UK, what does this look like on a particular scheme, will it work and we’ve got our unit, central unit is me and one other person, we’ve got access to some great brains within the cities, so for example all our treasurers meet, so we had a conversation with the treasurers and said look, what is it? what are the big barriers for you in unlocking growth and creating investment, came back and absolute top priority for all of them was infrastructure investment and there are a number of schemes that no matter what cocktail you put together, you couldn't get there to unlock the infrastructure for those schemes, but if you could bridge that gap, the benefits would be enormous, they knew they would be enormous (Director, National think tank, January 2012)
Towards an Urban Renaissance

Paying for an Urban Renaissance

The Urban Task Force’s submission to the Government’s Spending Review

Towards a Strong Urban Renaissance

An independent report by members of the Urban Task Force chaired by Lord Rogers of Riverside
We were ... impressed on our visit to the United States ... under the Tax Increment Financing (TIF) scheme ... the city authorities measured the local property tax take ... being generated in these deprived areas prior to regeneration. They then agreed with Federal Government that this estimated revenue would be treated in the normal way, but that any increase in revenue generated by the regeneration process could, for a set period, be retained by the municipality ... We believe this approach has much to commend it ... (Urban Task Force 1999: 285)

Introduce TIF pilots for regeneration and transport in the Thames Gateway and a Northern Way city (Urban Task Force 2005: 17)
I definitely think there was massive advantages in going to them. First of all I think when you go to a place you actually spend time and most of these study visits they vary between two and four days and you do it very intensively. What you pick up on is actually the energy, the political dynamics, the relationships that have actually underpinned the things that have happened rather than just the theory, you know, or the philosophy that might underpin what’s happened and I think it’s much richer than just where you’re trying to research them from a distance (Senior public officer and previously involved in the Urban Task Force, May 2012)
So you'd got a group of people who knew a bit about urban regeneration and a bit about finance. I think it's fair to say that none of us knew about tax increment finance prior to the trips. But we kind of knew the Urban Programme hadn't really worked ... The starting point was what do we know about that has and hasn't worked? Then subsequent to that we then went out to look for other ideas that we didn't know about in the beginning. There was - I can't remember what the ideas were but I can remember that we probably had 10 or 12 ideas that we were working of which only four, five or six made it through to the final report (Consultant #2 and previously involved in the Urban Task Force, May 2012)
And Chicago was probably the most influential in terms of the lessons. Because the first day the planners showed us kind of, some of the inner, very badly decayed, hollow core, and the industrial belt, and some declining homes…but also some of the bits they were trying to develop. And, we had a little sort of discussion with them over dinner, and then the following day there was this breakfast think tank, which was extremely good, and I think that’s where we picked up a lot of the ideas that you were sort of talking…and they filtered into the report. You know, the stuff about tax incentives and so on ... We met a guy who I think was possibly seconded from the Feds to the Chicago Housing Authority, and a guy ... of the University of Chicago ... But that was really good. And that was, I think, where the whole sort of...that was when it clicked into place, the idea that actually we’re not going to draw any lessons ... from the US, the interesting stuff is the business regeneration and leadership and so on. And I think that was the key, in a sense, probably one of the key meetings (Consultant #1 and previously involved in the Urban Task Force, March 2012)
So the major issue at the time seemed to be that the property taxation system in the States was quite different from the one in the UK. So they had a much more buoyant tax base because they'd effectively re-valued much more frequently. So your ability to capture uplifts in value was much more immediate. So we were having very infrequent on a kind of slightly random basis re-evaluations. So that seemed to me to be the major problem of translation (Consultant #2 and previously involved in the Urban Task Force, May 2012)
... that really came from our visit to Chicago because we were really taken with how they had successfully used TIF over ten years to embed and expand regeneration areas particularly in the south west of the city centre around the old – I don’t know – is it canal areas or dock areas, and we just immediately thought that that was a process an approach that was translatable and we could see where the Treasury would have hang ups around it in terms of hypothecation and free riding and substitution effect. We felt that there was enough, if you could focus it on the right areas and given the previous UK history around enterprise zones where those same issues applied, we felt that it was a transferrable model. What I didn’t realise was it would then going to take 12 years for everybody else to agree! (Senior public officer and previously involved in the Urban Task Force, May 2012)
So the postcards were fed into the long list of ideas that were in the melting pot at that point. Then through discussion in the working group and also discussion by the task force, the ideas, the long list was gradually whittled down and the most promising ideas had a bit more work done to them to kind of, well not road test them, but just to see how robust they were likely to be and whether there were insurmountable obstacles to taking them forward. So it was a bit of, what should I be looking at in being able to make this happen, if it could happen what would the level of impact be and the idea was to try and get the best ones through into the final report and to discard those that either wouldn't have much impact or were relatively less likely to work (Consultant #2 and previously involved in the Urban Task Force, May 2012)
7. ‘Origin I’ ? – 1990s Chicago
TIF Assessed Value (AV) Over Project Life

- **Base AV**: AV belongs to all other taxing districts in project area.
- **Incremental AV**: Incremental real property tax belongs to TIF authority to pay project costs.
- **New Post-Project AV**: Total AV now belongs to all taxing districts in project area.

- **Assessed Value (AV)**
- **$**

- **Increased AV from Development**

- **Created**: 5
- **23 year TIF**: 10, 15, 20
- **Terminated**:
Illinois TIF Act established in 1978; TIF districts first introduced in Chicago in 1984; Central Loop (subsequently expanded in 1997 to cover 139 acres) and ceased in 2008

The first TIF in Chicago in 1985 or ’84 was in the downtown area, and then there were some spot TIFs done for smaller industrial projects and a few commercial projects. And then in the mid ‘90s we started doing a lot more TIFs, a lot of these industrial TIFs, some of these neighborhood commercial TIFs, and then we started to do TIFs on residential areas, which really was sort of at the last phase, but I mean in terms of types of uses it tended to be downtown initially and in some small industrial areas and a few small commercial areas, and then these big industrial areas got TIF’d, and then these neighborhood commercial districts got TIF’d, and then we started to branch into some of the poorer residential areas and do TIFs there (Former Senior Planner, City of Chicago, February 2012)
On the basis of ‘blight’ established and ‘lightly’ monitored by the city of Chicago’s Community Development Department -- under Mayor Richard M Daley (1989-2011) that TIF district creation in Chicago generated national and international attention/visits

Funds generated by growth in the Equalized Assessed Valuation (EAV) of properties within a designated district over a period of 23 years

When an area is declared a TIF district, the value of property in the area is set as a base EAV amount. As property values increase, all property tax growth generated by higher values can be used to fund redevelopment projects within the district (and does not go to schools and other bodies)

Revenue growth is put into a special fund for infrastructure repairs, developer subsidies and other public improvements
Two versions of the ‘Chicago model’: The increase, or increment, can be used to pay back bonds issued to pay upfront costs, or can be used on a pay-as-you-go basis for individual projects. At the conclusion of the 23-year period, the increase in value over the base amount is available to all taxing bodies in the city.

As of late 2011 the city had 165 TIF districts — covering 30 percent of the city — with an unallocated balance of $868 million -- in the last financial year they collected $463 million.

In 2011 Rahl Emanuel (new mayor of Chicago) set up a TIF Reform Task Force – it announced its ‘findings’ in November, framework established in March 2012.

Heavier regulation – review each TIF district every five years, co-ordinate the creation and activity of TIF projects, appoint a new internal governing body to establish rigid job creation and performance standards and police under-performing developers.
No single Chicago TIF ‘model’
Some generic mechanisms together with specific features
The various models situated within the Illinois state framework, which itself has changed over the decades
The models draw on other state’s experiences and legislation/Acts – the outcome of various struggles over TIF establishment, the ‘public good’ and redistribution
So, over the years the models have morphed and mutated within Chicago
Since 2011 profound restructuring of the governance of the TIF districts – still on-going
The Chicago TIF model on which Tax Increment Financing was discussed in the UK did not exist in the late 1990s and does not exist now!
8. ‘Origin 2’? – 1950s California
Rooted in concerns over ‘blight’ and urban housing, the 1945 Federal Community Development Act was adopted – itself based on a drawing together of previous Federal approaches.

The 1945 Act gave cities and counties the authority to establish redevelopment agencies, to instigate urban renewal programs and to apply for federal grants and loans.

In 1952 Tax Increment Financing authority was added to the Act (Proposition 18) – emergence of ‘reference point’ for TIF districts around the US and in other countries.

Slow and steady emergence around the state – by 1976 there were just over two hundred redevelopment agencies.

Various changes were made to the legislation, perhaps most importantly, the requirement that 20% all TIF funds had to be spent on ‘affordable housing’.

Proposition 13 in 1978 restricted the tax raising powers of cities, and made redevelopment/TIF more attractive.
- Growth in use of redevelopment/TIF from the early 1980s onwards, reworking of notions of ‘blight’, narrowing of the definition of ‘redevelopment’ and favouring of certain types of projects, growing downtown-centre usage, increased use of eminent domain, inter-urban competition over high sales tax generators

- Proposition 98 saw the state ‘backfill’ the losses to the education budget; various ‘claw backs’ by the state from redevelopment agencies

- California Redevelopment Agency (CRA)/League of California Cities oversaw Proposition 22 in 2010, which limited the monies the state could take from redevelopment agencies

- Over time billions of US dollars tied up in the budgets of redevelopment agencies; election of Governor Jerry Brown in January 2011 followed by a declared state fiscal emergency
In the summer of 2011 the Legislature enacted two measures ABXI 26 and ABXI 27; first abolished redevelopment agencies, the second required them to make annual payments to ‘schools, fire protection districts and transit districts’

2011 saw a series of campaigns waged by different interest groups – most notably the CRA/League of California Cities on the one hand, and Municipal Officials for Redevelopment Reform (MORR) founded and coordinated by Assemblyman Chris Norby

Taken to the California Supreme Court, which on 29 December 2011 ruled against ABXI27 and upheld ABXI26

Another round of disputes – agencies ended 1 February 2012

Successor ‘oversight boards’ in place and working through the financial, legal and political consequences of over 400 redevelopment agencies
"It's easy... blight is whatever we say it is!"

**CRA ANNUAL CONFERENCE & EXPO**

April 11-13, 2012
JW Marriott at L.A. Live

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Mark Your Calendars!

**R.I.P.**

Redevelopment 1952-2012

- Eminent Domain Abuse
- Corporate Welfare
- Stadium Scams
- Land Grabs
- $100 Billion Debt
- Sweetheart Deals

Redevelopment is dead—you helped kill it.
Now let's seal the deal!

Last year's legislation and subsequent court rulings have ended redevelopment agencies in California. As of February 1, tax increment will be used solely to pay off TIDA debt, with the rest returned to the schools, counties, special districts and city general funds.

The victory for fairness, fiscal responsibility and property rights has been won! But we must make sure the victory is lasting.

On March 7 we will gather in Sacramento to celebrate, enjoy a working breakfast at the Holiday Inn and receive updates from state leaders. Then, we'll use the rest of the day to tell our legislators who were with us, and tell all of them: "No redevelopment—ever again!"

If you cannot make the breakfast but can come later, please check in any time at the office of Assemblyman Chris Norby, Room 4116 at the State Capitol.

This will be our final meeting as Municipal Officials for Redevelopment Reform (MORR). "Reform is now mute. There is no reform—redevelopment is dead. Fiscal reality killed it."
9. Take home points ...
- TIF not yet been established in Edinburgh
- Encountered various issues in other Scottish cities – so still not established in Aberdeen, Glasgow etc.
- In England national discussions continue – one element of reforming tendencies embodied in ‘new localism’ and central-local finances
- Adopted in Canada in other some provinces (but not all, not in Ontario, yes in Alberta, yes in Waterloo)
- Non-arrival in Australia and New Zealand
- Model subject to change within its geographical ‘origins’