THE PERILS AND PROMISES OF REDEVELOPMENT:
EXAMINING THE USE OF TAX INCREMENT FINANCING IN CALIFORNIA CITIES

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Executive Summary

Highlights

- Since the 1970s, federal and state governments have dramatically cut back on funding to cities. One study estimates that the proportion of federal and state funding in municipal budgets dropped from 31 to 16 percent between 1977 and 2017 (Randall 2020). This decline has forced local governments to turn to market-based tools, private capital, and entrepreneurial governance practices to finance infrastructure and development projects in urban areas.
- One increasingly popular financing tool that cities across the US are using to drive development and raise revenue is tax increment financing, or TIF. TIF is a place-based public financing mechanism that allows cities to "capture" increases in assessed property values in a specified area to pay for a portion of the cost of development.
- This professional report explores the use of TIF for redevelopment in California—from its early beginnings as a financing mechanism for urban renewal to its contemporary application in Enhanced Infrastructure Financing Districts (EIFDs) for large-scale redevelopment projects—to better understand how TIF might be structured in a way that advances equitable and inclusive urban development.
- From an extensive review of both primary and secondary sources, interviews, and two case studies of TIF projects in Washington, DC, and Oakland, CA, this report reveals that without strict regulation and anti-displacement protections, TIF has the potential to drive uneven development, strain state budgets, and cause harmful displacement.
- Cities should be cautious when adopting TIF and should explore all possible development policy alternatives before establishing a TIF district. For cities who go forward with a TIF project, several principles should be prioritized to advance equitable and community-oriented development: championing transparency and data collection, engaging meaningfully with the community in every phase of the project, implementing strong anti-displacement measures, focusing plans on community needs, and thinking creatively about TIF policy design.

Context

City budgets are under a great deal of stress these days. Even before the pandemic, city governments struggled to balance the demands of maintaining aging infrastructure, keeping transportation systems afloat, funding public schools, and providing basic urban services (Siripurapu and Masters 2021). At the height of the pandemic, city revenues had declined by 21 percent while expenditures related to COVID-19 response efforts had increased by 17 percent (National League of Cities 2020). Despite positive macroeconomic trends, city revenue streams continue to lag as office buildings remain vacant and downtown businesses struggle. Because property taxes contribute roughly 30 percent of cities' general revenue, local governments often turn to development (or redevelopment) projects that increase property values in an area to boost city coffers and drive growth (Urban Institute 2022).

Tax increment financing (TIF) is one tool that cities can use to incentivize private sector development and capitalize on rising property tax revenue. TIF is a place-based public financing method that allows cities to “capture” increases in assessed property values in a specified area to pay for a portion of the cost of a development project. TIF is often used to finance the building of urban infrastructure or improve public facilities in neighborhoods that the city deems underdeveloped (or “blighted”) (Dye and Merriman 2006). As complex as it is to implement, cities across the US have established thousands of TIF projects with the goals of facilitating economic development, driving housing production, and increasing tax revenue. But with TIF development projects often comes the challenge of gentrification that leads to the physical, social, and cultural displacement of low-income residents.

To better understand the tension between development and gentrification or displacement—and what possible solutions exist to combat it—this report focuses on the question: **can TIF be designed in a way that achieves the right balance between *physical* development and *community* development while keeping the needs of vulnerable populations front and center?** This report aims to unpack the strengths and challenges of TIF as a redevelopment tool by exploring the history of TIF in California—the state where the financing mechanism was invented. The research conducted for this report provides a foundation for a set of policy recommendations that city practitioners and state lawmakers can use to design more equitable and community-focused TIF projects.

The Evolution of TIF in California

The dramatic rise and fall of TIF in California presents an interesting case study for understanding the perils and promises of redevelopment finance. The Golden State was an early adopter of TIF—the state legislature passed the California Community Redevelopment Act in 1945 to give local government institutions called Redevelopment Agencies (RDAs) the power to administer TIF to address areas of “blight” in cities (Blount 2014). By 2008, RDAs were receiving roughly 12 percent of property tax revenue across the state (Taylor 2011). But as TIF districts expanded, controversy grew. Despite several attempts at reforming TIF law (e.g. the 1993 Assembly Bill 1290), critics like the Municipal Officials for Redevelopment Reform continued to speak out against the lack of public accountability of RDAs and claimed that they were draining precious resources from other taxing agencies like school districts. After the Great Recession in 2008 caused major budget shortfalls for the state, the legislature voted to abolish RDAs in 2012. This led to a messy handoff and wind down of redevelopment projects, as management was passed from RDAs to city governments or other designated authorities.

In 2014, the state brought TIF back to life in the form of Infrastructure Financing Districts (IFDs) and, most recently, Enhanced Infrastructure Financing Districts (EIFDs). So far, these have been slow to take off, partly because the dissolution of RDAs resulted in a loss of local government expertise and capacity to handle the financial and administrative complexities associated with implementing TIF projects. But there are signs that a growing number of city officials and state legislators are interested in expanding the use of TIF for large-scale redevelopment projects and

leveraging EIFDs to advance sustainable and equitable urban development in California cities. One such project is the Howard Terminal Project in Oakland, CA—a proposed $12 billion mixed-use waterfront development at the Port of Oakland that would include a new, 35,000-seat stadium for the Athletics baseball team as well as 55 acres of new housing (including affordable units), restaurants, retail spaces, and public parks. The project terms for this development are still being negotiated, but the city has already managed an extensive community engagement process to inform the Community Benefits Agreement (CBA) tied to the project.[1]

Some policymakers at the state and local levels are proposing more innovative TIF projects. Oakland Councilmembers Fife and Thao, for instance, have proposed two EIFDs in East and West Oakland that would advance a "Black New Deal" through the "intentional reinvestment into communities impacted by decades of racist policies" (Fife and Thao 2022). These EIFDs would include funding for infrastructure, affordable housing, environmental cleanups, and street safety projects in majority-Black neighborhoods. At the state level, California Assembly Member Friedman proposed Assembly Bill 930 in February 2023 as the "Reinvestment in Infrastructure for a Sustainable and Equitable California (RISE) districts." This bill would expand the use of EIFDs specifically for infill projects that advance "equitable development in location-efficient areas" and would provide revolving loans for RISE projects with money from the state's greenhouse gas reduction fund. Assembly Bill 901 on affordable housing financing districts would similarly enable TIF to be used specifically for affordable housing construction.

These proposed initiatives provide a unique opportunity to experiment with TIF policy design in California and to think creatively about how TIF might be leveraged for more equitable development goals. Using TIF to meet the needs of the community—not just budget objectives or developer profits—could help cities to begin to chip away at the tension between development and displacement and could prove to be a powerful tool for advancing equitable, sustainable, and inclusive urban growth.

About This Paper

This professional report was written to meet the capstone requirements for the Master of City Planning program at UC Berkeley's College of Environmental Design. Findings from this report are based on an extensive review of primary and secondary sources, interviews, and two in-

[1] This report was finalized before the Oakland Athletics announced on April 19, 2023, that they were officially moving to Las Vegas and would not continue with Howard Terminal Project negotiations. With the Oakland Athletics pulling out of negotiations, the future of the Howard Terminal Project is uncertain—it is unlikely that the city would pursue the project as originally envisioned with no major league sports team to take ownership of the stadium (which would have served as the most expensive "anchor" element of the waterfront development). Future research that focuses on what went wrong in negotiations—and what role the financial (in)feasibility of TIF or the cost of the CBA played in the project falling through—could provide useful lessons for other cities looking to establish TIF districts for large, mixed-use developments that deliver significant community benefits. Interviews with stakeholders involved in the negotiations from both the private and public sector could reveal important insights about whether and how cities can effectively push for community benefits tied to TIF projects while meeting the goals of developers.

depth case studies of TIF projects (one proposed and one in development) in Oakland, California, and Washington, DC. The research conducted for this report was undertaken during the 2022–2023 academic year, with some data compiled during the spring semester 2022. Because the Howard Terminal Project in Oakland is still being negotiated, some financial information about the project was not publicly available to review for this report. The Howard Terminal case study pulls from both primary and secondary sources that were published publicly as of March 2023.

The hope is that city officials, economic development professionals, and state legislators can use the recommendations put forward in this report to better leverage TIF for equitable, community-oriented redevelopment projects in California and beyond. This report presents a review of some of the primary critiques of TIF from academics and researchers and contextualizes TIF in the broader history and theory of entrepreneurial governance practices in American cities in order to ground the experience of TIF and redevelopment in California. Future research that examines the role of TIF projects in driving gentrification and displacement, and the potential for CBAs to mitigate these effects, would help to fine tune and strengthen the recommendations presented in this report.

Recommendations

Making private development work for existing residents requires strong deal making—and fewer compromises—on the part of city officials as well as strict oversight on the part of state legislatures. Keeping the needs of the community—and especially of low-income, BIPOC communities affected by decades of disinvestment—front and center in all redevelopment project negotiations is the key to maximizing the promise and minimizing the perils associated with tax increment financing. The following set of recommendations can help city officials and state lawmakers to design more equitable and inclusive TIF projects:

- **Explore alternative financing options.** Before jumping to TIF, cities should evaluate all alternative financing options that may be easier and less controversial to implement than TIF. Using more traditional financing tools like general obligation bonds, tax assessment districts, public-private partnerships, infrastructure investment funds, or municipal investments funds could encourage place-specific real estate development and local economic growth without introducing some of the challenges that come with TIF.
- **Prioritize transparency and data collection.** Efforts should be made by cities to invest in monitoring and evaluating whether and how TIF is a) working as it should to generate revenue to pay back bonds used for infrastructure development; b) generating any additional revenue that the city can distribute to other areas of the city that need it; and c) impacting the surrounding neighborhood. At the state level, lawmakers should set high, and clear, standards for transparency and reporting and build in enforcement mechanisms for these standards. Educating the public on what TIF is and how it is used can empower residents to hold government officials and developers accountable and

can increase buy-in for the projects, potentially preventing public resistance or political backlash down the line.

- **Conduct deep community engagement.** Cities should take the time to conduct a needs assessment and stakeholder mapping in the community where a TIF project is being proposed to understand how the project might impact (both positively and negatively) existing residents. This can also help the city to incorporate community-appropriate benefits into a development agreement or CBA for the project. Mandating a public vote for approval of the project could ensure that both the city and developers do more work up front to ensure that community benefits are baked into the project terms. Building in opportunities for TIF planning and feedback into the General Plan process could be more efficient than running a separate community engagement process for each TIF project and could also help cities to more explicitly align TIF projects with broader planning goals (which is already requirement of EIFD law).
- **Invest in anti-displacement measures.** Cities should avoid compromising when it comes to affordable housing requirements tied to TIF, as this is one of the strongest anti-displacement tools they have to leverage in negotiations with developers. Other anti-displacement measures like strengthening tenant protections and investing in neighborhood-serving organizations can help to mitigate the threat of evictions and cultural displacement that so often occurs when new developments are built.
- **Focus plans on community needs.** First and foremost, TIF should only be used to pay for the aspects of the development that have a guaranteed public benefit (e.g. public space, affordable housing, public transit, etc.). Beyond that, requiring CBAs to be agreed upon for all new EIFD or TIF projects is one way that cities can guarantee certain community benefits are delivered with the development. Tying cultural investments like a public art or public programming fund into a TIF project's term sheet can also help to guarantee community benefits in the development.
- **Experiment with innovative project design.** Proposals like the Black New Deal EIFDs in Oakland or AB 930 "RISE" districts provide models for how cities and states might incorporate racial justice and climate resilience goals into TIF projects. Cities could also draw inspiration from non-conventional financing mechanisms like Social Impact Bonds in the design of TIF.[2] Tying in reparations or other targeted wealth generating strategies to an EIFD could also help to center equity outcomes in new development projects.

1. Introduction

Despite being the most economically productive state in the country, California is a place of extreme inequality. In almost no other state in the US do the challenges of wealth accumulation, spatial segregation, uneven climate vulnerabilities, income inequality, and concentrated poverty intersect in a more dramatic way than in California (Thorman 2023). And the institutions responsible for managing these complex challenges—city governments—often

[2] Social Impact Bonds are a financing mechanism that involves governments paying for improved social or health outcomes in an area or among a population and then passing on a portion of the savings from these outcomes to investors.

have very limited resources and capacity with which to tackle them. The COVID-19 pandemic has further exacerbated urban inequalities and decimated municipal budgets, leaving city officials overwhelmed and unable to meet the needs of increasingly vulnerable residents.

At the center of this challenge is the paradox of development. Development is necessary for cities, as it facilitates physical neighborhood improvements, incentivizes growth and investment, and attracts businesses and higher income residents who generate more sales and property tax revenue for the city. But with this kind of development often comes the problem of gentrification and displacement—both direct displacement when low-income residents are priced out of housing in the neighborhood and more indirect forms of displacement, whereby the culture and social fabric of a neighborhood is eroded with the influx of wealthier and (typically) whiter residents. This paradox of development—one that leads to economic and physical improvements on the one hand but worsening inequality on the other—hinders the ability of cities to cultivate healthy and vibrant communities where all residents have the opportunity to thrive.

But is displacement an inevitable consequence of development? Can cities grow and develop in a way that serves the needs of the existing community? How can cities strike the right balance between *physical* development and *community* development while keeping the needs of vulnerable populations front and center?

These questions, along with an interest in exploring real-world solutions for solving the paradox of development in California cities, motivated the research conducted for this professional report. The report focuses on one specific development tool available to cities—tax increment financing, or TIF—to examine how municipal governments might restructure financing mechanisms or rules of development to better serve communities and avoid the potential harms of gentrification. TIF is a place-based public financing method used by cities to generate revenue for redevelopment projects. Based on the principles of land value capture, TIF is often used to finance the building of urban infrastructure or improve public facilities in neighborhoods that the city deems underdeveloped and where private development would not happen if the city government did not offer subsidies or incentives (Dye and Merriman 2006). Section three of this report provides an overview of the technical operation of TIF as well as its role in the history and theory of entrepreneurial governance practices in American cities. This section also presents several of the key challenges and criticisms of TIF as a public financing tool, which are important to understanding its evolution in California.

The story of TIF in California described in section four is a dramatic one. The Golden State was an early adopter of TIF—the state legislature passed the California Community Redevelopment Act in 1945 to give local government institutions called Redevelopment Agencies (RDAs) the power to administer TIF to address areas of "blight" in cities (Blount 2014). TIF was originally leveraged for urban renewal projects in the 1950s and 60s and later grew into a powerful tool to finance large public infrastructure projects in urban areas. By 1993, there were 665 RDA project areas in the state (Bay Area Economics et al. 1995). As the use of TIF expanded, however, controversy grew. Opponents of RDAs pointed to the lack of transparency around TIF

projects and their drain on other local taxing agencies like school districts as justification for their dissolution. After the Great Recession in 2008 caused major budget shortfalls for the state, the legislature voted to abolish RDAs in 2012. Section four delineates this history and the political controversy that grew around TIF and RDAs leading up to the dissolution of projects eleven years ago. This section also describes TIF's more recent rebirth in the form of Enhanced Infrastructure Financing Districts (EIFDs), which are, so far, demonstrating similar functionality and spatial patterns as their RDA predecessors.

Section five of the report then dives deeper into contemporary TIF projects in California by examining the case of the Howard Terminal Project in Oakland. The City of Oakland is still in the early stages of developing an EIFD financing plan for this redevelopment, but the potential impact of the project is huge. First proposed by the Oakland Athletics (the A's) baseball team in 2018, the Howard Terminal Project is a $12 billion stadium and mixed-use development that would sit on roughly 55 acres of public land managed by the Oakland Port in West Oakland. Early evidence shows that the City of Oakland is focusing on the needs of existing residents primarily through the adoption of a Community Benefits Agreement (CBA)—a document that, once signed, is legally binding and requires the developers to meet a number of community-focused requirements related to affordable housing, hiring, education, the environment, transportation, community health and safety, and local arts and culture. The final CBA and TIF financing agreement have yet to be agreed upon between the A's and the City of Oakland, but the case study provides a useful foundation for thinking about how cities might tie together community benefits with TIF-enabled development.

The last section of this report provides a set of recommendations for cities to consider when using TIF for redevelopment projects. One key takeaway from the research conducted for this report is that entrepreneurial governance practices like TIF come with major challenges and risks. Because of this, cities should consider the full range of alternative policy options before adopting TIF for redevelopment. If cities do go forward with a TIF project, several strategies can help to ensure that the project is as inclusive and equitable as possible, including: championing transparency and data collection, engaging meaningfully with the community in every phase of the project, implementing strong anti-displacement measures, focusing plans on community needs, and thinking creatively about TIF policy design to maximize equity outcomes. The hope is that city officials, economic development professionals, and state legislators consider each of these recommendations when designing the financing structure and legal terms within which TIF can function at the local level.

Understanding the full impact of TIF projects takes time, however. Future research should focus on measuring not only the financial success and economic impact of TIF projects, but also the broader social and cultural impact of the projects on the surrounding neighborhoods. Particular attention should be paid to understanding how these projects do or do not drive displacement—both direct and indirect—of existing residents. Designing TIF policies that enable growth and development without displacement could help cities to overcome the paradox of development and unlock a key to inclusive and equitable urban development.

2. What is Tax Increment Financing?

Tax increment financing (TIF) is a value capture mechanism used by cities to generate revenue for development. TIF was first implemented in California in 1952 when voters passed a ballot measure that allowed the state to use TIF for community redevelopment purposes (Strategic Economics 2020). Since then, thousands of TIF districts have been established across the US, many of which are concentrated in the Midwest (Merriman 2018). In most states, the legislature sets the parameters under which a TIF district can be established and grants cities the power to oversee the implementation of TIF.

TIF can be managed by either a standalone government agency or the city itself. In California, local redevelopment agencies (RDAs) were historically responsible for establishing TIF districts and managing the financing and revenue allocation for TIF projects. In other states, municipal departments manage TIF themselves. In Washington, DC, for instance, the Office of Economic Development Finance, which sits within the Office of the Chief Development Officer, is responsible for administering TIF.

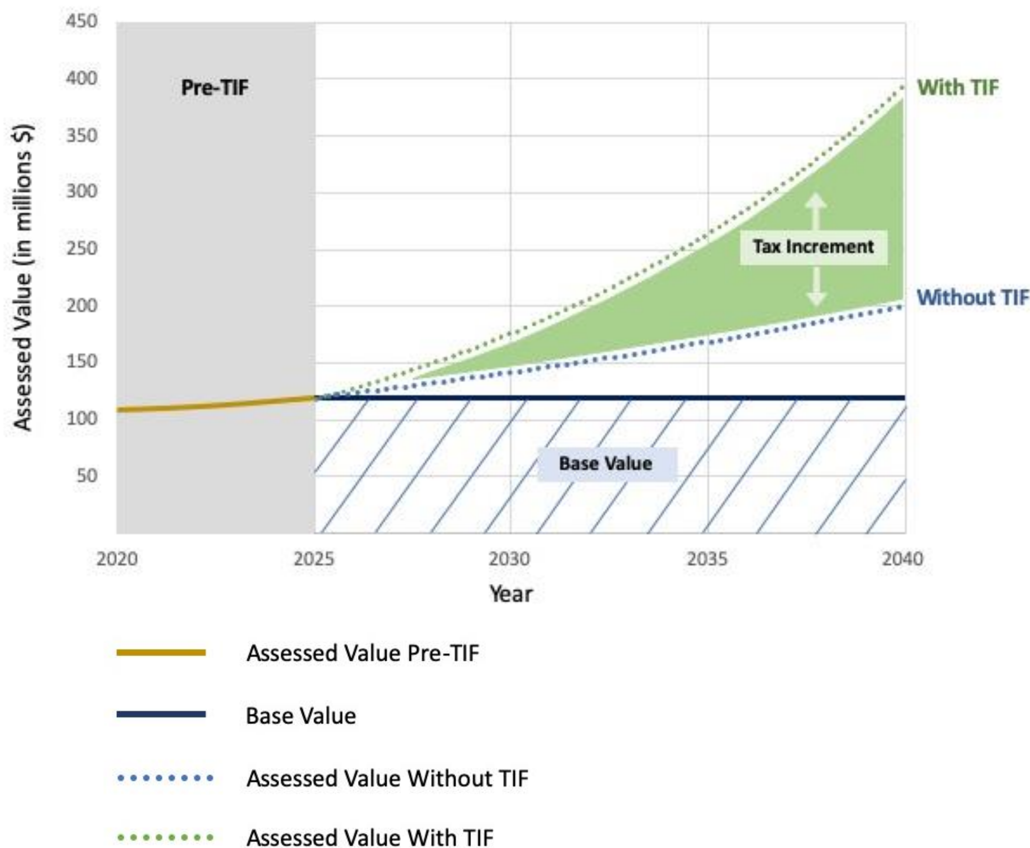
TIF laws often require that sites be "underdeveloped" or "blighted" in order to qualify for TIF. In Texas, for instance, an area must be considered a "menace to the public health, safety, morals, or welfare in its present condition" in order for a reinvestment zone to be established and TIF to be operationalized (Government of the State of Texas 1987). This includes things like the presence of "substandard, slum, deteriorated, or deteriorating structures," inadequate sidewalks, or unsanitary conditions (Government of the State of Texas 1987). In DC, TIF can only be used in "priority development areas" as designated in the city statute (Lincoln Institute of Land Policy 2019). These areas are generally poorer (the poverty rate cannot be lower than 10 percent) and often have abandoned or underutilized properties where there are perceived or actual hazardous substances (Council of the District of Columbia 2013). According to Merriman (2018), TIF can be a means of forming meaningful commitments between public and private actors to invest in an under-developed urban area and can help to generate political support for localized infrastructure investments. It also works by signaling to private developers that the government is committed to the long-term development and financial success of a project area, making it a safer bet for investment.

Most TIF districts share four common features: the geographic boundaries are narrowly defined, there is a specific and limited project timeline, revenue is dedicated to economic development, and real estate appreciation generates new property tax revenues (Merriman 2018). To be approved, TIF projects generally have to prove that a) the development would not happen without the TIF (a "but for" requirement) and b) property values will increase as a result of TIF (Planning Tank 2017). The "but for" requirement has long been a defining characteristic of TIF, as it would be difficult to justify the diversion of property tax revenue from certain taxing agencies without it. As Kriz and Johnson (2019) point out, because TIF was originally developed to address blight in cities, it was essentially a "development option of last resort" for economically depressed communities. But today, cities interpret definitions of blight

to justify TIF much more broadly: only seventeen states specifically state a “but for” clause in their TIF legislation and many more simply require that a proposed TIF project have some economic advantage for the city or benefit to the community.

When a TIF district or project is established, the “base” value of the development area is set to reflect the current assessed value of properties in the area. This base value remains the same during the entire period of the project, with its property tax revenue continuing to go to the city’s general coffers. The tax revenue that comes with any *increase* in property value (or, in some states, sales tax) over the lifetime of the project is earmarked for TIF uses (whether that be infrastructure, reimbursement of capital costs, or debt financing). This increase from the base property tax value and its corresponding revenue is called the tax increment. Ideally, TIF revenue is only directed to private developers if real estate in the area appreciates (this is not usually the case when cities front certain capital costs on behalf of the developer for the project, though) (Merriman 2018). See Figure 1 for a graphical representation of how TIF is supposed to work.

Figure 1. Hypothetical Example of a District’s Assessed Value With and Without TIF



Source: Author

The amount of tax revenue that can be diverted to a redevelopment area varies by state. In Vermont, for instance, up to 70 percent of the increase in property tax revenue for a TIF project can be allocated to the municipality to finance infrastructure debt. The other 30 percent or more of the increase in property tax revenue must go to the state's Education Fund (State of Vermont 2023). Some states allow taxing agencies operating in a TIF district to opt out of or veto the diversion of any growth in property tax revenue to redevelopment projects (e.g. Georgia, Maryland, Louisiana). Other states (e.g. California, Kentucky, North Carolina) statutorily exclude schools from diverting incremental tax revenue in TIF projects (Kriz and Johnson 2019).

Several different forms of TIF have been implemented in cities across the US. One is the pay-as-you-go method, whereby a city designates a TIF district and, as private development moves in and property taxes increase, revenue is used to improve infrastructure or reimburse developers for certain allowable costs (like building repairs) on a project-by-project basis. This is one of the simpler forms of TIF. Another form of TIF is a debt-financed method using bonds, whereby the city borrows against projected future increases in property taxes in the TIF district (USDoT n.d.). In these cases, the city sells bonds to front the capital cost of infrastructure in an area to encourage private development with the promise that revenue from increased property taxes will be used for bond repayment (Merriman 2018). TIF can also come in the form of traditional loans, which are then repaid as property tax revenue increases (Planning Tank 2017). Sometimes private developers will self-finance infrastructure improvements in a TIF district and then a city will use increased property tax revenues to reimburse them over time (USDoT n.d.). In all cases, TIF fundamentally involves a city betting on future growth driven by private sector investment in an area to recover the upfront costs of infrastructure or real estate development.

TIF as Entrepreneurial Urban Governance

The rise of TIF as an urban redevelopment tool at the local level closely tracks with federal policies that have increasingly embraced neoliberal governance principles and market-driven approaches to place-based economic development and poverty alleviation over the last 75 years. Alice O'Connor's (2007) essay, "Swimming against the Tide: A Brief History of Federal Policy in Poor Communities," documents this evolution starting with the Progressive Era ideals of social reform in the early twentieth century to a prioritization of fiscal austerity, privatization, and government retrenchment that emerged in the 1970s and 80s and continues to this day. O'Connor points to the Housing Act of 1937 (which provided funding to cities to build public housing for low-income residents) as the beginning of the shift from direct federal government support for poor communities to a more decentralized and market-driven welfare system. Subsequent urban renewal projects in the 1950s and 60s encouraged private development (i.e. slum clearance, highway construction, and high-rise apartment building) in impoverished, majority Black inner-city neighborhoods. Federal programs that President Johnson established as a part of his Great Society in the mid-1960s focused on economic development—rather than direct government assistance—as the answer to poverty alleviation in US cities.

The 1970s witnessed the dawn of what President Nixon called New Federalism, or a decentralization and deregulation of federal funding to empower states to address social and economic issues. David Harvey (1989) points to the recession of 1973 as a kind of tipping point for these policies. He describes how the recession brought about “deindustrialization, widespread and seemingly 'structural' unemployment, fiscal austerity at both the national and local levels, all coupled with a rising tide of neoconservatism and much stronger appeal. . . to market rationality and privatization.” According to Harvey, these trends caused a shift in urban governance away from Keynesian, “managerial” regimes towards a form of “entrepreneurial city” where municipalities compete for capitalist development (Harvey 1989). As Hackworth (2011) highlights, “cities were forced to respond to the harsh fiscal realities of the mid-1970s by focusing more attention on property tax generation than on social service provision.”

One outcome of these changes was the growth of “entrepreneurial coalitions,” or public-private partnerships (PPPs)—a foundational element of TIF districts (Fainstein and Fainstein 1985). As cities began to rely more on PPPs to execute community development projects, financing mechanisms that supported these (like TIF or other public debt financing mechanisms) began to expand. In California, between the years 1977 and 1990, the number of local Redevelopment Agencies managing TIF projects with private sector partners jumped from 127 to 375 (Horiuchi and Chapman 2019). In one study on public-private collaboration in TIF projects in Dallas, Texas, researchers found that the synergies between public and private actors working together were a key driver of the increases in property tax revenue that made projects successful in the long run. Their research supported the idea that TIF would not work without effective public-private partnerships, and cities were whole heartedly embracing both during this period (Bland and Overton 2016).

Under presidents Ronald Reagan and George H. W. Bush in the 1980s, the role of the federal government in community development continued to shrink. In line with Reagan’s trickle-down theory of economic development, “enterprise zones” began to pop up in low-income communities to encourage entrepreneurial activity by deregulating government oversight and offering generous tax breaks to businesses that moved in. Despite his more liberal agenda, President Clinton championed a similar Empowerment Zone/Enterprise Community initiative, which offered grants and tax breaks to businesses in low-income communities to encourage economic development that would “enable cities to compete in the global economy” (O’Connor 2007). Clinton also oversaw significant reform of the Community Reinvestment Act (originally passed in 1977), which strengthened the mandate for banks to lend in low-income neighborhoods. The CRA reform represented a growing dependence on private financial institutions to deliver on community development goals. This prioritization of tax breaks, privatized development, and business incentives continues to define community development and housing policy today (most notably in the form of Low-Income Housing Tax Credits, or LIHTC, which is the largest federal affordable housing program and provides tax incentives to private developers to build below-market-rate housing).

These federal policy trends have transformed American cities, as local governments have come to rely less on public revenue for the provision of basic urban infrastructure and more on private capital. As Fainstein (1995) remarked, "Cities, like private corporations, are increasingly in the business of making deals. But the kinds of deals public officials can make are limited to what conforms to business strategies." Rachel Weber (2002) connects the use of TIF specifically to this broader trend of neoliberal policymaking in "entrepreneurial" cities. Weber points to the use of entrepreneurial development tactics like TIF to redevelop and modernize devalued spaces in the name of global competition. She describes how "TIF has supported the entrepreneurial state's involvement in place marketing, tourism, historic preservation, and beautification," while ignoring parts of the city that are slower to turnover or have less potential to generate economic activity. Box 1 provides a case study example of this as it has unfolded in Washington, DC.

Box 1. Entrepreneurial Governance in Practice in DC – A TIF Case Study

The Wharf in Washington, DC

The Wharf in Washington, DC, is a $3.6 billion mixed-use, mile-long waterfront development in Southwest DC, and the largest TIF project in the nation's capital. The city has so far leveraged $198 million in both TIF and payments in lieu of taxes, or PILOT, to repay the developers— Hoffman & Associates and Madison Marquette—for some of the upfront costs of construction in the area. The Wharf today features more than 1,400 residential units, upscale restaurants, retail spaces, three public parks, a concert venue, and more than 300 boat slips.

Source: "Where DC meets its water." Hoffman-Madison. 2022.

The use of TIF for redevelopment of the Wharf project in Southwest DC has its origins in the fiscal restructuring of the city government in the 1990s. During a time of extreme political and fiscal turmoil in the city, Congress formed a five-person DC Financial Control Board for the city. It appointed Anthony Williams, the former chief financial officer for the US Department of Agriculture, to serve as the independent CFO of the city, a position that he

held until 1999 when he successfully won his own campaign for mayor. Mayor Williams is credited with pulling DC back from the brink of fiscal collapse and he played a key role in shaping early revitalization plans for the Anacostia waterfront areas of DC, one segment of which would later turn into the Wharf:

"The city government [under Mayor Williams's leadership] commenced marketing and remaking the Southwest waterfront to attract private investment, mixed-use development, affluent new residents, and tourists. These plans, now over two decades in the making, successfully reimagined and remade Southwest DC's waterfront into an eco-chic, internationally recognized, and exciting new growth corridor." (Levin and Hyra 2020).

The current mayor of DC, Muriel Bowser, has embraced TIF and other public private partnerships since she began her first term in 2015. The DC government outlines several policy goals with TIF: building affordable housing, advancing DC's economic strategy, and providing community benefits and amenities. On the surface, there are signs that TIF is meeting these goals in the city. In one study of DC's first eight TIF projects, researchers found that five of the eight projects had a net positive fiscal gain for the city (Fahimullah et al. 2020). At the Wharf, the developers have pledged to make roughly 30 percent of new housing units affordable to a combination of low-income residents and "workforce" residents (those making up to 120 percent of the area median income, or AMI). The Wharf has also prioritized public green space at the site, offering 17 acres total across the three parks, and the Wharf hosts year-round events open to the public.

That said, there are signs that the TIF development at the Wharf is falling short of delivering meaningful benefits to the community. About a third of housing units that are affordable to low-income residents have footprints of only 330 square feet, making them unsuitable for couples or families (Laber 2017). Amenity fees that amount to hundreds of dollars a year are not subsidized for low-income residents, creating additional affordability barriers. In the zip code that encompasses most of the Southwest neighborhood—20024—the median home price jumped 55 percent between 2010 and 2019, from $230,000 to $417,750 (Perry-Brown 2020). There is also stark inequality between those who live at the Wharf and those who live in the surrounding community: the median income in census tract 102—the waterfront area where the Wharf sits—was $109,844 in 2018 while the neighboring census tract 64 (where several public housing communities have been in operation since the 1950s) was only $30,991 (ACS 2018 5-year estimates).

More details about this case study can be found in the report's Appendix.

With TIF becoming a more widely used used financial tool for urban redevelopment (along with business improvement districts and public-private partnerships), cities are increasingly beholden to market speculation and private actors for the provision of infrastructure and services. As Weber (2002) also highlights, this "reliance on the erratic capital markets to reinvigorate devalued properties often jeopardizes the fiscal health of cities." TIF relies on speculative growth, and the risks of failure (e.g. in the form of massive bond obligations) are

high. TIF can be risky if local governments front capital costs and then private developers either back out or real estate does not appreciate as expected. In New York City, for instance, the Hudson Yards Redevelopment Project, which was partly financed by TIF, has not generated as much revenue as was originally projected, leaving the city to pay $359 million in debt costs when it had expected to only pay $7.4 million (Fisher and Leite 2019).

Despite these risks, city mayors across the country have increasingly embraced the use of TIF as a means of revitalizing depressed downtown areas and generating much needed revenue. Cities tend to be competitive when it comes to business development within their borders, primarily because large retailers (especially of expensive goods like cars and technology) and companies that rent office space and hire locally can generate significant sales tax and can increase property values in the city.[3] TIF enables the creation of favorable business environments that allows for this kind of inter-urban competition (Peck and Tickell 2002). The development of downtown convention centers, sports arenas, performing arts facilities, museum campuses, and waterfront developments has been seen as a means of attracting businesses, drawing visitors, and generating profits for city governments (Spirou 2008). TIF has also allowed cities to redefine their image. In Chicago, where TIF has been deployed widely in project areas across the city and its suburbs, revenue generated from TIF spending on things like building upgrades and landscaping helped to reshape the reputation of the industrial city: "The old gritty image of the industrial, and then the deindustrializing, city was making way for the new image of a sparkling, cosmopolitan, desirable place to live" (Wright 2020).

Some stakeholders (especially cities, developers, real estate consultants, and business interest groups) would argue that using innovative financing tools like TIF provides a lifeline for cash-strapped cities who have experienced a precipitous decline in federal funding for community and economic development initiatives over the last half century (Theodos et al. 2017; Randall 2020).[4] Others would argue that by encouraging private investment in an under-served neighborhood (i.e. making it less of a risky investment by offering government subsidies or tax incentives), cities can change the way the private sector (and market more broadly) assesses the profitability of projects in low-income neighborhoods and, in an ideal world, sustain economic vitality in an area indefinitely (Council of Development Finance Agencies 2007; Merriman 2018). But, as popular as TIF—and the entrepreneurial governance principles it

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[3] I observed this competitiveness firsthand while working part-time for the City of Berkeley's Office of Economic Development. Our office did not have the power to offer tax incentives to attract business to Berkeley, but we did spend a significant amount of time providing support (in the form of researching office availability and lab space, connecting business owners to real estate brokers, etc.) to try to keep local companies from leaving Berkeley. I also came to understand the extent to which the city relies on sales tax revenue from businesses through my work drafting the annual economic report for City Council. Stores like the Apple store and the BMW dealership help to keep the city solvent.

[4] Some examples of staunch TIF advocates include the City of Chicago Department of Planning and Development (https://www.chicago.gov/city/en/depts/dcd/provdrs/tif.html), CEO Action for Racial Equity (https://ceoactionracialequity.com/issues/our-place-based-approach/), Untamed Equity (https://www.untamedequity.com/tif-developer-loans/), and Council of Development Finance Agencies (https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/index.html) to name just a few.

embodies—have become in American cities, the tax financing mechanism has also been widely criticized as a tool that is ineffective at best and unjust at worst.

TIF Challenges and Criticisms

Despite its proliferation over the last few decades, TIF is a controversial economic development tool that has faced a myriad of theoretical and legal challenges from economists, government officials, and activists alike. Critics of TIF contend that it produces little real economic impact in cities, is poorly regulated, creates inter-agency conflict, and serves the needs of private developers more than the community. Recognizing these critiques and addressing the potential shortcomings of TIF is important for cities interested in creating economic development programs and policies that advance equitable—not just profitable—development. Below are several of the key criticisms of the tax financing tool:

1. **The economic impact of TIF is uncertain.** Empirical studies on the effects of TIF districts on economic development reveal mixed results. Some studies have found that cities with TIF districts actually grow more slowly than cities without TIF districts (Dye and Merriman 2000) and that TIF districts can displace economic activity from surrounding areas (Dye and Merriman 2003). Other research has found that parcels appreciate around commercial or mixed-use TIF districts but not around industrial TIF districts (Weber, Bhatta, and Merriman 2003; 2007). Several studies found that TIF districts have little effect on economic development in a city at all (Rogers and Tao 2004; Giradi 2013).

2. **TIF is based on weak statutory requirements, making it vulnerable to abuse.** TIF projects have traditionally been founded on two major principles: first, that a TIF project area can only be established where there is a finding of "blight" (where there is a demonstrated need of publicly subsidized redevelopment) and second, that redevelopment would not happen "but for" government intervention. The "blight" and "but for" findings are relatively loosely defined in most state laws governing TIF, however. Kriz and Johnson (2019) find that thirty-six of the forty-nine states they examined required a specific "blight" finding to establish a TIF district, but only twenty-five states included a quantifiable measure of blight. Only seventeen states have a "but for" requirement in their TIF statutes, and most other states only require that the project is in some way economically advantageous for the area. These broad definitions leave much of the power—and potential for abuse—up to municipalities to determine where and for what TIF might be used, and some cities have exploited these broad interpretations for projects that have few obvious community benefits (The Editorial Board 2019).

3. **TIF can create intergovernmental conflict**. Another major criticism of TIF is that it allows cities to target (or hoard) investments in certain geographies while other local governments or taxing agencies (e.g. counties, school districts) lose out (Weber 2003;

Merriman 2018).[5] This is especially problematic when there is not a clear "but for" argument tied to the TIF project. And, even if a state has a "but for" clause in its TIF legislation, it is often interpreted very loosely as there are very few means by which a city can quantitatively prove before a project starts that government intervention is necessary to drive up property values; in other words, it is relatively easy for cities to justify using public funds to spark development in an area as soon as property taxes start to rise. Without requiring clear proof of a "but for" clause, city governments have great leeway to invest in any type of development project they can claim will bring some "economic benefit" to the city or community. This broad interpretation of how TIF may be used combined with other factors (like a lack of an "opt out" option for other taxing agencies in the jurisdiction, or the relatively long duration—on average between 20 to 30 years—of most TIF projects) can lead to frustration from other agencies or the public about the concentration of tax revenue in certain areas that may not seem to need public funding for revitalization. This sentiment has been partly fueled by the use of TIF for greenfield developments and shopping malls. In Wisconsin, for instance, the town of Baraboo designated a cornfield as "blighted" in order to use TIF to finance the construction of a Wal-Mart supercenter (Mitchell n.d.).

Frustration from other taxing agencies has led to several legal challenges of TIF at the state level. In Michigan, for instance, the state Supreme Court was asked to issue an advisory opinion on the constitutionality of the use of TIF by Local Development Financing Authorities (LDFAs) based on a claim that they were violating the Michigan Constitution by diverting voter-approved tax revenue away from school districts. In this case, the Supreme Court upheld the use of TIF by LDFAs, finding that "TIF does not require a school district, or any other governmental unit, to forego tax revenues it would receive absent the existence of the TIF plan. Rather, the TIF district may capture only those amounts attributable to increases in assessed property values due to TIF-stimulated investment" (Bassett 2009). The Wisconsin Supreme Court similarly upheld the use of TIF in a 1980 court case on the finding that without TIF-driven development, there would be no increase in tax revenue in the project area, and, therefore, the financing mechanism does not unconstitutionally strip other taxing agencies of revenue. These cases demonstrate the enduring belief in the "but for" principle of TIF, despite how hard it is to prove.

4. **Community needs in TIF districts tend to come second to developer interests**. Financing policies like TIF assume that economic growth leads to a more prosperous city, improving the livelihoods and wellbeing of its residents. But this is not always the case. Policies that aim to increase property values and stimulate business activity can overlook problems associated with gentrification, displacement, and wealth inequality that often accompany increased economic activity in an area (Richardson et al. 2019). This critique has been at the heart of debates over TIF in Chicago. Activists in the Windy

[5] Some states, like California, have attempted to address this conflict by requiring pass-through agreements to direct a portion of tax increment revenue to designated taxing agencies like school districts.

City have protested the expansion of TIF districts—which total 136 distinct areas that cover roughly a third of the city and account for nearly 13 percent of all property taxes collected in the city—to fund economic development projects at the expense of investments in public services and infrastructure in the rest of the city (ABC 7 Chicago 2016). Chief among their concerns is the fact that billions of dollars in subsidies are going to development projects in affluent or gentrifying areas, and that these projects are backed by wealthy corporations and well-connected politicians (Dardick 2019).

The question of how public funds should—or should not be—leveraged in a way that stimulates private sector investment in an area gets at the crux of the tension in contemporary community and economic development practice, and at a larger debate about entrepreneurial governance practices in cities. By providing incentives for private developers to invest in a neighborhood, local governments often have to forgo some control over the outcomes or nature of this development. So, as evidenced by the Chicago case, even if private development in a TIF district promises job creation, better roads, cleaner parks, and other public space improvements, residents and activists can feel sidelined by the process.

There is perhaps no state where the debate over TIF has played out more dramatically than in California. In the place where the financing mechanism was born, it has also experienced its precipitous decline with the dissolution in 2012 of Redevelopment Agencies (RDAs—the local governing bodies that had been responsible for managing TIF projects since 1952). Now, with the passage of Senate Bill (SB) 628 in 2014, the state is slowly reintroducing TIF to cities in the form of Enhanced Infrastructure Financing Districts (EIFDs). The next section of this report examines the earlier history of TIF and RDAs in California, with a particular focus on how the state has continually revised and refined the legal framework governing the use of TIF in response to public and political pressures.

3. TIF in California

In 1952, California became the first state in the country to officially sanction the use of TIF for redevelopment. TIF was originally introduced as a tool to finance the revitalization of blighted inner-city neighborhoods (in the form of urban renewal projects) at a time when suburbanization—driven by the rise of the automobile, expansion of the freeway system, and subsidization of homeownership loans that primarily benefitted white families in affluent neighborhoods—was reshaping urban landscapes across the country. The California Redevelopment Law (CRL) that passed in 1952 granted local government agencies—called Redevelopment Agencies, or RDAs—the authority to manage redevelopment projects in order to address conditions of "blight" in urban areas (Bay Area Economics et al. 1995). The CRL permitted RDAs to use tax increment financing, eminent domain, and the power to assemble and sell property, all of which made the local agencies uniquely positioned to "revitalize" and restructure inner-city neighborhoods across the state.

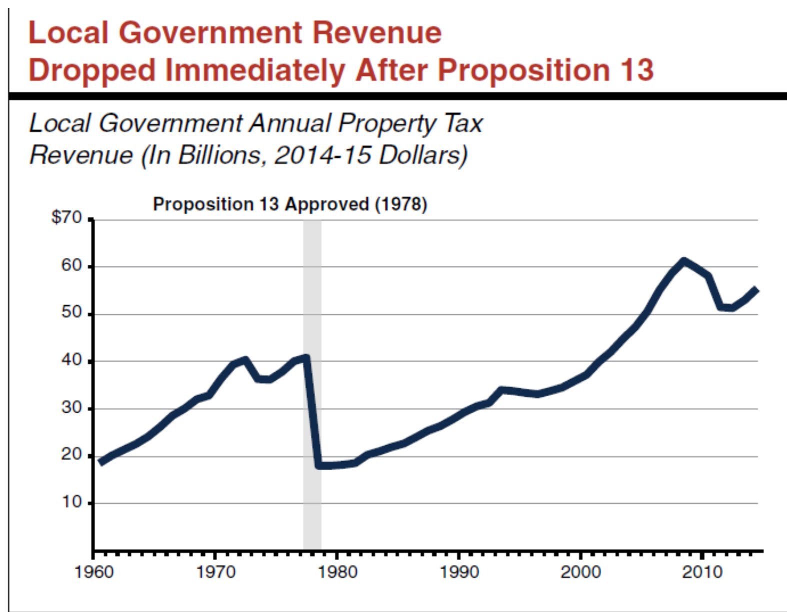
The Evolution of Redevelopment Law

TIF was initially slow to take off as a financing mechanism for urban redevelopment. Fourteen years after it was first introduced, only 27 project areas existed across California, and most of these projects were small in size and budget (Blount et al. 2014). In addition to funding urban renewal and housing projects in low-income neighborhoods, TIF was also used to revitalize downtown commercial areas that were struggling to keep up with the proliferation of suburban malls and office parks in the 1960s and 70s. But beginning in the 1970s, criticism started to grow around urban renewal projects and the harm that had come from the displacement and neglect of low-income, minority communities in inner cities. This led to an update in CRL law in 1976 that required 20 percent of tax increment generated from a redevelopment project be set aside for low and moderate-income housing (Bay Area Economics et al. 1995).

Another concern that emerged with the use of TIF during this time was its negative impact on local school districts. When a TIF district was formed, the tax base for the area was essentially frozen, with any increase in the tax base during the time period of the project going toward TIF repayments. Because of this, school districts in a TIF district (which have always relied heavily on local property tax revenue) would not benefit from any rise in property value in the area until the project period ended (often after 50 years). This issue was partially addressed by the passage of Senate Bill (SB) 90 (Chapter 1406, Statutes of 1972) which guaranteed a set amount of revenue from the state to be directed to local public school systems. By assuming more responsibility for funding local schools, the state removed a critical barrier to establishing RDA project areas. After SB 90, RDAs proliferated. By 1976, a total of 229 RDA project areas were operating in California. By 1977 RDAs received 2 percent of all state property tax revenue (Taylor 2012).

When Proposition 13 was passed in 1978 (a voter-initiated law that limited a city's property tax rate to 1 percent based on a property's value at the time of purchase), cities were all of a sudden forced to grapple with a drastic decline in property tax revenue (see figure 2). Prop 13 passed at a time when cities in California were continuing to grow, putting a serious strain on city budgets, infrastructure, and services. This resulted in cities turning more to private capital and innovative financing mechanisms, like TIF, to stay solvent. Because RDAs were already operating across the state, redevelopment was suddenly seen as a revenue generating scheme that could be relatively easily replicated across jurisdictions. RDAs proliferated in post-Prop 13 California. Agencies began to leverage the power of TIF to finance infrastructure projects and developments on brownfield or vacant land to generate much needed revenue for their cities. By 1988, RDAs received 6 percent of total statewide property tax revenue generated across 594 project areas (Taylor 2012).

Figure 2. Local Government Revenue in California Since 1960



Source: Taylor 2016.

A combination of environmental disasters and macroeconomic shifts in the 1990s led to several CRL reforms. For one, several powerful earthquakes, including the 1989 Loma Prieta earthquake that hit the Bay Area, brought heightened attention to the potential for RDAs to use TIF for disaster recovery finance. The end of the Cold War also led to the closure of military bases across the US—a disproportionate number of which were in California. In the early 1990s, 21 military bases closed in the state, dislocating 82,000 military and civilian personnel (Dardia et al. 1996). RDAs began to focus on redevelopment projects that would address the "economic dislocation" caused by earthquakes and base closures. The California Debt Advisory Commission wrote in 1995 that, "redevelopment offers an opportunity to implement base reuse plans in a 'soft' economy." By 1993, there were 665 RDA project areas in the state (Bay Area Economics et al. 1995). This meant that in the 41 years since RDAs were first established, roughly half were formed after Prop 13 passed.

The 1993 Assembly Bill (AB) 1290 brought about some of the biggest changes to redevelopment in California since RDAs were first established in 1952. For one, the new law changed the definition of "blight" to include both the physical decline of conditions in a neighborhood and economic difficulties (see Box 2). This allowed cities to establish redevelopment projects to address things like high crime rates, for instance. It also included hazardous waste cleanup as a justification for RDA projects, which was used to address industrial decline in some cities. Emeryville, CA, for instance, was home to many acres of manufacturing and chemical plants in the mid-twentieth century, including an insecticide plant and a pigment plant that produced toxic waste. When these industries closed down in the 1980s, the city's RDA leveraged TIF to clean up the area and construct a new 400,000 square foot mixed-use development known as Bay Street (CRA 2010).

Box 2. 1993 AB 1290 Community Redevelopment Law Reform Act – Key Definition Changes for RDA Projects

Altered definition of blight to include both physical and economic conditions (Section 4):
Physical conditions: dilapidated buildings; factors that "hinder the economically viable use or capacity of buildings or lots" (including poor design or lack of parking); lots that are subdivided in an "irregular way"; and adjacent land uses that are "incompatible with each other."
Economic conditions: depreciated or stagnant property values; hazard waste sites; high vacancy rates; high turnover rates; vacant lots "within an area developed for urban use and served by utilities"; lack of necessary commercial facilities including grocery stores; residential overcrowding; excess of bars and liquor stores; and a high crime rate.

Altered definition of "urban" to limit development on vacant land (Section 3):
"An area that is predominantly urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment."

Source: California Assembly Bill 1290, Community Redevelopment Law Reform Act of 1993. Passed September 10, 1993. Introduced by Assembly Member Isenberg.

AB 1290 also restricted RDA projects to strictly "urban" areas in order to limit attempts by cities to attract high revenue-generating retail or auto dealerships to vacant land in the area that could be better used for community-serving projects. AB 1290 also set a standard pass-through requirement to other agencies in the area, in effect removing the practice of negotiating "pass through agreements" between RDAs and other agencies (like school districts). (Pass-through agreements established before AB 1290, which were often used as leverage by RDAs to get buy-in for projects from other agencies, remained in place until the project end date.) All projects beginning after 1994 also had to comply with the city's general plan, include a plan to relocate any families displaced by the redevelopment project, set a specific end-date for the project (project terms could be set indefinitely prior to AB 1290), and include updates to the implementation plan every five years. The law also laid out standards for financial transparency and management of debt, in part to build confidence among investors. These financial management recommendations broadly lacked accountability measures, however.

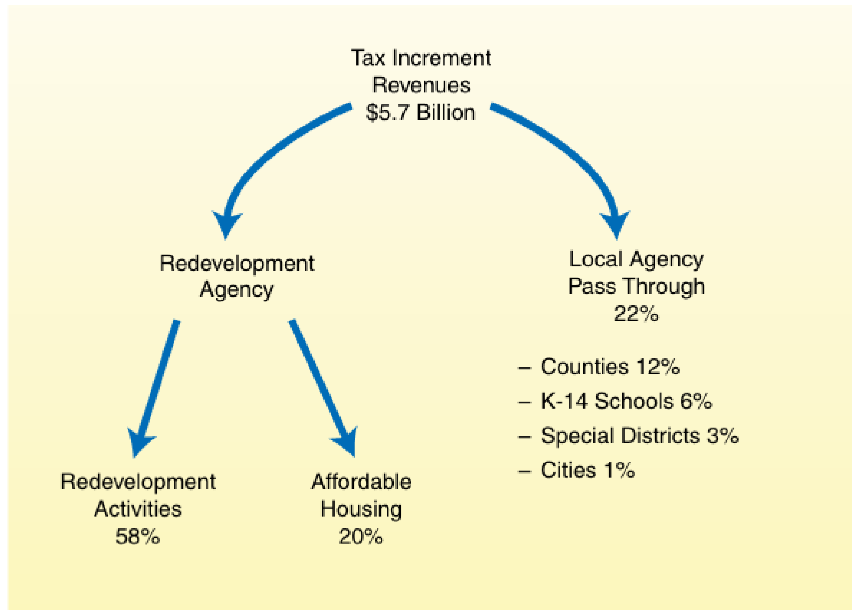
Redevelopment projects managed by RDAs continued to expand in both size and proportion of property tax revenue used throughout the 1990s and 2000s in California. The right to eminent domain was strengthened in 2005 with the US Supreme Court's ruling in *Kelo v. City of New London*, providing additional support to RDAs looking to acquire property for redevelopment purposes. By 1998, RDA's share of property taxes increased to 8 percent and five projects exceeded 12,000 acres (over 18 square miles). By 2008, the share of property taxes reached 12

percent, with six projects exceeding 20,000 acres (over 30 square miles) (Taylor 2012). Despite AB 1290's ruling, some of these projects still consisted largely of vacant land: according to one study of the financial impact of RDAs in California, "eight fastest-growing projects began with an average of more than 50 percent vacant land, compared with only 14 percent in vacant land for the other 30 projects" (Dardia 1998). With this expansion came increased scrutiny on the impact that TIF had on other local agency budgets, especially with regards to school districts.

Between 1992 and 2011, the state made nine different attempts to direct RDAs to funnel a portion of their revenue to schools through countywide education funds known as ERAFs (Education Revenue Augmentation Funds) and SERAFs (Supplemental Educational Revenue Augmentation Funds). These efforts were upended in 2010, however, with the approval of Proposition 22 which limited the state's authority over redevelopment and banned any new state laws that required RDAs to shift funds to schools or other agencies (Blount et al. 2014). Despite this, most RDAs continued to direct, on average, 22 percent of TIF revenue to other agencies, including schools (Taylor 2011).

With roughly a fifth of revenue being allocated to other agencies and another fifth being earmarked for affordable housing, RDAs would typically be left with roughly 60 percent of the increase in tax revenue to finance construction, maintenance, or cleanup in a TIF district (see figure 3). The most common form of debt financing by RDAs was the issuance of long-term tax allocation bonds. RDAs could not collect any tax increment until it had a proven revenue stream for the project, however (few RDAs had the cash on hand at the start of a project to meet debt obligations). Because redevelopment projects were often in areas with depreciated or declining property values, this posed a challenge for RDAs wanting to use debt financing. In some cases, RDAs would simply wait a few years after a project broke ground to issue bonds to fund some part of the development. RDAs would also often sign general services agreements or borrow money from the city to essentially "create" debt for the project (Bay Area Economics et al. 1995). They would also sometimes turn to private developers to front a portion of the cost of development or issue a construction loan that would then be repaid with the tax increment generated over time. Sometimes private investors would also provide a letter of credit that would serve as a guarantee of project completion, in effect allowing the RDA to issue bonds at the outset of the project (Bay Area Economics et al. 1995).

Figure 3. Snapshot of the Breakdown of Tax Increment Revenue Allocation in California, 2008–09



Source: Taylor 2011

All of these debt financing mechanisms were regulated by a set of laws and bylaws adopted by the city or county in which the RDA was operating. In most cases, the City Council would be in charge of governing the RDA and approving redevelopment project plans. Adopting a redevelopment plan involved several steps, including: drafting a preliminary plan for the area, documenting conditions of blight, conducting an environmental review for the project, and engaging the community for input. Once the TIF project was established, the county auditor would be in charge of tracking and distributing tax revenue to the various agencies involved. Final redevelopment plans were often intentionally left quite vague, however, which allowed for flexibility if elements of the project shifted over time. This also led to the creation of plans that were more reactive than proactive and less tied to community needs, however (Bay Area Economics et al. 1995). The CRL required RDAs to update their implementation plans every five years and hold a public hearing for plan adoption—all in an attempt to combat this lack of specificity and provide accountability on the projects—but there was very little state oversight of these measures. Despite many attempts by the state to better regulate local redevelopment in California, opposition to RDAs continued to grow in the early 2000s.

The Downfall of RDAs

One of the primary concerns with RDAs was the sheer size of their budgets and the lack of accountability tied to their financial decisions. By 2008, RDAs were receiving, on average, 12 percent of property tax revenue across the state; in some counties, the RDA was absorbing 25 percent of local property tax revenue (Taylor 2011). Because the definition of "blight" was so loosely defined in the CRL, many RDAs were using TIF to finance a broad range of private developments. Some of the most egregious examples included a $5.3 million restaurant and bar

complex in Sacramento and a $17 million municipal golf course refurbishment in Palm Desert (Beyer 2019).

The lack of oversight and public accountability tied to RDAs left some feeling that the agencies were primarily serving private developers' interests and were abusing public funds. Part of the accountability issue was that RDAs did not require voter approval or the support of other taxing agencies in the area to incur debt. Another issue was that there was no central state agency in charge of overseeing or regulating RDA activity at the local level. An analysis by the state controller in 2011 found that of the 18 RDAs audited, every one exhibited reporting deficiencies, and some were not accurately tracking their debt (Beyer 2019). Because of this lack of transparency, the advocacy group Municipal Officials for Redevelopment Reform called RDAs California's "unknown government" (Greenhut 2011). Many of these critics also pointed to shady financial deals as evidence of unethical behavior by RDA officials. In the town of Hercules, CA, for instance, the local RDA was found to have spent $3 million on a contract with a consulting firm that was run by the family of the former city manager (Greenhut 2011).

Worsening the problem was the fact that RDAs drove uneven redevelopment across the state. Because RDAs were not limited to low-property-wealth cities, the definition of "blight" or "positive economic impact" was relative, so some well-off cities were designating large swaths of land as blighted and directing significant amounts of tax revenue to private development. In some cases, this land never got developed. In others, it simply resulted in positive economic development in specific project areas but not in the broader region or state (Taylor 2011).

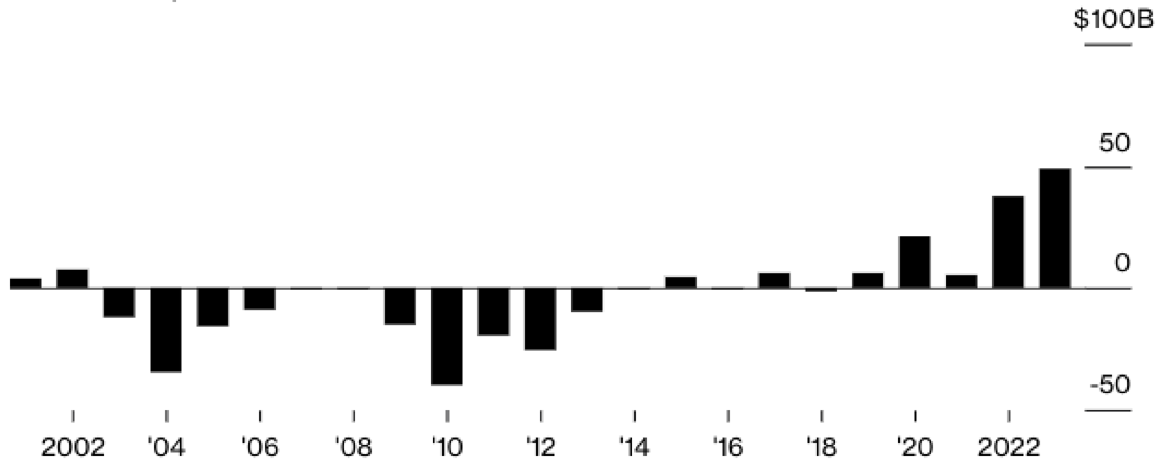
Another concern with RDA activities that grew during this time was the amount of money that redevelopment was taking away from K-12 education, and the burden it was putting on the state to backfill school district's coffers. In 2011, the state controller found that the RDAs had collectively diverted $40 billion over their lifetime away from public education, all of which was covered by the state's general fund (Beyer 2019). By 2012, the state was dedicating roughly $2 billion annually to cover budget deficits in K-12 schools—deficits that would normally be covered first by local property tax increments (Taylor 2011).

One of the strongest critiques of RDAs was their poor track record in building affordable housing despite having a 20 percent set-aside mandate. One LA Times investigation found that much of the 20 percent of RDA funds set aside for affordable housing never actually went into constructing housing: "at least 120 municipalities—nearly one in three with active redevelopment agencies—spent a combined $700 million in housing funds from 2000 to 2008 without constructing a single new unit. . . Nor did most of them add to the housing stock by rehabilitating existing units" (Garrison et al. 2010). Much of the $700 million mentioned was spent on planning and administrative costs. Exacerbating this problem was the inability of RDAs to effectively spend all of the money they had allocated to housing development. A report from the California Department of Housing and Community Development found that RDAs collectively held more than $2.5 billion in unspent funding specifically allocated for housing (Taylor 2011). This was a major mismanagement of much needed public funds on the part of RDAs.

The debate over RDAs and the use of TIF reached a boiling point after the Great Recession of 2008 caused major state budget deficits (see figure 4). As people began to talk more openly about getting rid of RDAs, groups started to lobby more publicly and aggressively for and against redevelopment reform. City governments were in favor of most RDA activity, as their projects continued to provide much needed revenue for development and revitalization. The executive director of the League of California Cities, Chris McKenzie, told the LA Times in 2011 that RDAs were "a tool the state cannot afford to lose" (Dolan et al. 2011). Another sector that was in favor of RDAs was affordable housing developers who benefitted from the 20 percent set-aside requirement tied to TIF revenue generated by redevelopment projects (Kimura 2011; Ciria-Cruz 2012). For them, TIF provided an important source of funding for low- and middle-income housing development in California cities. The California Redevelopment Association (a group that lobbied in Sacramento on behalf of RDAs) spoke out against the proposal to end RDAs, claiming that RDAs were responsible for 304,000 jobs across the state annually (Hoffman 2011).[6] Others pointed to the effectiveness of RDAs in revitalizing downtown and historical districts, increasing commercial investment, and constructing infrastructure (Taylor 2011).

[6] The Legislative Analyst's Office later refuted this study, claiming that it overestimated the number of jobs created directly by RDAs (Whitaker 2011).

Figure 4. California's Budget Deficits and Surpluses from 2002–2022



Source: Varghese 2022.

On the other side of the debate were groups like the Municipal Officials for Redevelopment Reform (MORR) who wanted to see an end to RDAs and, specifically, their use of eminent domain for development projects. MORR was spearheaded by California Assemblyman Chris Norby—a conservative from Orange County—who championed property rights and denounced government involvement in private development projects (Sandefur 2012). Norby saw RDAs as a source of government overreach that was backed by "powerful Sacramento lobby. . . [and] an army of lawyers, consultants, bond brokers and land developers" (Sforza 2012). Some critics pointed to a study in 1998 by Michael Dardia of the Public Policy Institute of California that found that the majority of RDAs using TIF for redevelopment projects were not generating enough revenue to justify the claim that their intervention alone caused the increase in property revenue (Greenhut 2011; Dardia 1998). Other opponents pointed to the lack of jobs generated by RDAs as a reason for their closure (see figure 5).

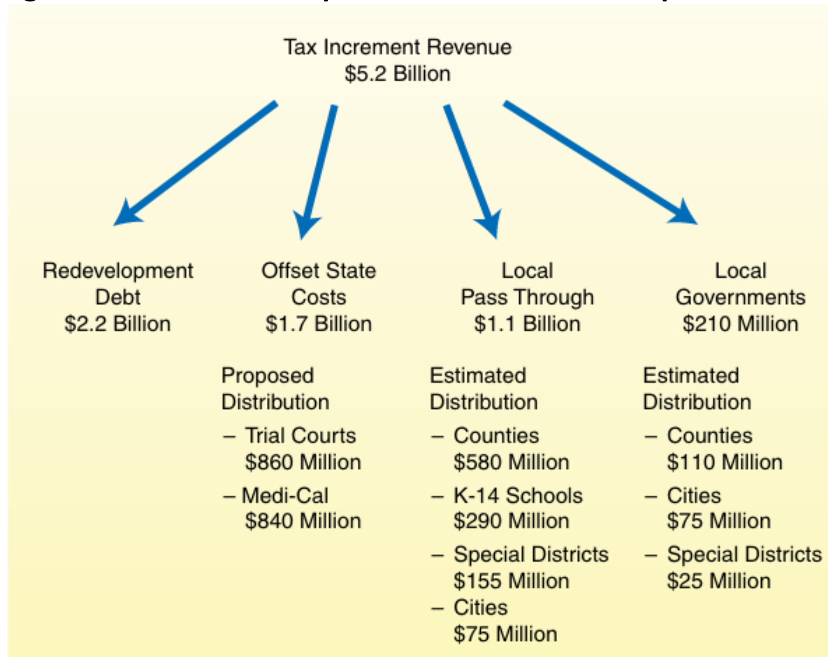
Figure 5. An anti-redevelopment agency cartoon from 2012

Source: Street 2012.

The controversy over RDAs came to a head in 2011 when Governor Jerry Brown proposed cutting RDAs to redistribute the roughly $5.2 billion they held in tax revenue to ease the worsening state budget deficit (see figure 6). By cutting RDAs, the state could relieve itself of the burden of covering gaps in local education spending that were created by diverting tax revenue from TIF to RDAs. According to the governor's proposal, $290 million would be directed back to school districts in the 2011-2012 fiscal year, and 57 percent of tax increment revenue from redevelopment would be directed to school districts going forward (see figure 7) (Taylor 2011). With support from the Legislative Analyst's Office[7], the state legislature approved Assembly Bill 26 (First Extraordinary Session) on June 15, 2011, abolishing RDAs in California.

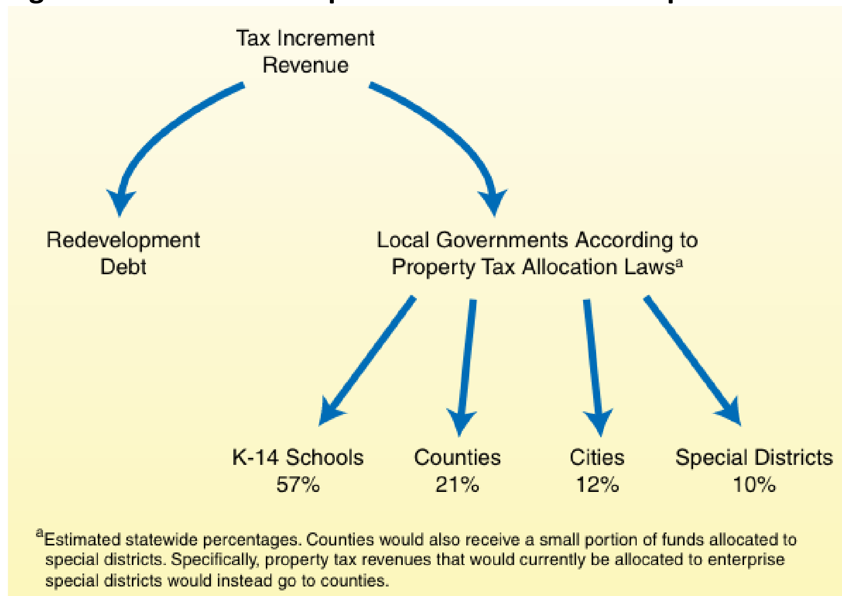
[7] The LAO is an independent and non-partisan advisory agency that supports and makes policy recommendations the legislature.

Figure 6. Governor's Proposal for Use of Redevelopment Revenue in 2011–12



Source: Taylor 2011.

Figure 7. Governor's Proposal for Use of Redevelopment Revenue in Future Years



Source: Taylor 2011.

With the passage of ABX1 26 came an immediate freeze on RDAs' authority for managing redevelopment projects across the state.[8] The bill also set October 1, 2011, as the date that RDAs would be officially dissolved and outlined the process by which RDAs would be phased out, including the process for selecting a "successor agency" that would be responsible for

[8] Another outcome of AB26 was the elimination of Tax Enterprise Zones in California (Amador 2016).

managing outstanding debt obligations for existing projects and tying up all loose ends left by RDA closures. In most cases, the city in which the RDA operated became the successor agency (Black 2014).

ABX1 26 provided an exemption for cities and counties that created an “alternative redevelopment program” which would allocate a set amount of tax increment generated from a project to a Special District Allocation Fund and the county’s Educational Revenue Augmentation Fund (these were further detailed in ABX1 27). Having these local augmentation funds was meant to relieve the state of the burden of having to backfill budget gaps for local school districts and other city service agencies with its general fund, thereby helping with the state’s budget deficit problem. But these augmentation funds were largely unpopular among local governments as they were seen as depriving local agencies of billions in property tax revenue (Coleman n.d.).

Not surprisingly, ABX1 26 faced immediate legal challenges. In the fall of 2011, several organizations representing the interests of RDAs (including the California Redevelopment Association and the League of California Cities) challenged the law on the grounds that it violated Proposition 22 which had limited the state’s authority over redevelopment at the local level (Ho 2012). But on December 29, 2011, the California Supreme Court upheld ABX1 26, ruling that if the state had the authority to establish RDAs, it also had the authority to dissolve them (Black 2014). After this ruling, RDAs had a month to wind down business and name a successor agency—as of February 1, 2012, the agencies lost all power to issue debt or conduct business. After this date, all future tax increment revenue in redevelopment areas would be distributed to local taxing agencies based on citywide standards.

Seeing the writing on the wall, RDAs used several tactics to shore up existing redevelopment projects leading up to the passage of ABX1 26. One mechanism used was the issuance of additional debt tied to the project: “despite paying higher borrowing costs than ever before, RDAs issued more debt in the form of tax allocation bonds during the first 6 months of 2011, approximately $1.5 billion, than they had in all of 2010, $1.3 billion” (Blount 2014). RDAs also tried to quickly transfer assets to other local agencies to in an attempt to sustain some redevelopment activities (Blount 2014). This was supported by a subsequent assembly bill—AB 1484—which allowed cities to put together Long-Range Property Management Plans (LPPMPs) to continue to manage assets overseen by RDAs and avoid having to sell them off all at once.

Soon after the dissolution of RDAs went into effect, the state legislature proposed several measures to support the continuation of redevelopment activities without the use of TIF. One of these was SB 214, which would eliminate the voter approval requirement to establish infrastructure financing districts (IFDs)—another form of place-based TIF development—and expand the types of projects IFDs could fund. Others included AB 2144, which proposed the creation of “infrastructure and revitalization financing districts” with 55 percent voter approval, and SB 1156, which sought to establish “sustainable communities investment authorities” for place-based development projects. All of these were vetoed by Governor Jerry Brown,

however, who claimed that redevelopment had to fully wind down before any new programs could be established (Black 2014).

The closure of RDAs led to the dispersal of millions of dollars to city agencies across California. Table 1 shows a breakdown of RDA fund transfers post-dissolution for three cities—San Francisco, Oakland, and Los Angeles. In both San Francisco and Oakland, the city itself became the successor agency, setting up offices within city hall to manage RDA assets. In LA, the transfer was more complicated. Because the City of Los Angeles did not want to become the successor agency for its RDA, the governor appointed three residents of the County of Los Angeles to serve as the governing board of a Designated Local Authority (the Community Redevelopment Agency of the City of Los Angeles—Designated Local Authority, or CRA/LA-DLA). The CRA/LA continued to pay off debt obligations for RDA projects, while the Office of City Planning managed all land use provisions in redevelopment areas. The Los Angeles County Development Authority (LACDA) assumed responsibility for all affordable housing redevelopment projects in LA (only five cities in LA County elected to establish their own housing successor agency) (LACDA n.d.). A total of $1,086,001,900 in assets were transferred to these agencies in 2012 (Chiang 2014a).

Much of the ongoing tax increment generated by CRA projects in LA went towards debt payments, with the rest directed to the city's general fund. In fiscal year 2013-2014, this amounted to more than $66 million (City of Los Angeles 2014). By 2018, this had amounted to more than $394 million in redevelopment dollars—also known as "boomerang funds"—that were used to fund "police, firefighters and other city services, along with growing costs for retired employees" (Smith and Reyes 2018).

In San Francisco, the city and county created the Office of Community Investment and Infrastructure (OCII) to function as the RDA successor agency, which received $746,060,330 in assets transferred from the RDA in 2012 (Chiang 2014b). In addition to managing these assets and all debt payments for legacy projects, the OCII was made responsible for overseeing land use, development, and design decisions for ongoing development work in the Mission Bay, Transbay, and Hunters Point Shipyard/Candlestick Point neighborhoods. The OCII, which is still in operation today, is governed by two bodies: the Oversight Board of the Successor Agency and the Commission on Community Investment and Infrastructure. To this day, the Oversight Board oversees fiscal management of all former Redevelopment Agency assets other than affordable housing assets, which are managed by the Mayor's Office of Housing.

Across the bay in Oakland, a similar story unfolded after RDA dissolution. The City of Oakland elected to become the successor agency of the RDA, calling itself the Oakland Redevelopment Successor Agency (ORSA) for financial reporting purposes. Housing assets were transferred into a special fund called the Housing Successor Agency Fund, although these assets took a hit—roughly 25 percent of RDA TIF revenue had been used to fund affordable housing in the city prior to 2012. RDA dissolution also resulted in an overhaul of city operations to redistribute redevelopment activities across other departments including Planning and Neighborhood Preservation, Housing and Community Development, Economic and Workforce Development,

and Neighborhood Investment. The City Council adopted an amended budget on January 31, 2012, to account for the $28 million gap in redevelopment funding, which resulted in the elimination of 105 positions and 80 layoffs (Karlinsky et al. 2012).

Table 1. RDA Fund Transfers Post-Dissolution in LA, San Francisco, and Oakland

City	RDA Successor Agencies	RDA Assets Transferred to Successor Agency	Distributions of RDA Funds
Los Angeles	Community Redevelopment Agency of the City of Los Angeles—Designated Local Authority (CRA/LA-DLA); housing assets managed by Los Angeles County Development Authority (LACDA)	$1,086,001,900	Used to pay off debt for 21 unexpired redevelopment projects in the city as well as legal services and pension payments for former CRA employees; Housing assets transferred to LAHD; post-RDA tax increment (labeled as "Ex-CRA Increment") became a line item in the general fund within the city budget
San Francisco	The Office of Community Investment and Infrastructure (OCII); housing assets managed by Mayor's Office of Housing	$746,060,330	Continued to fund major "Approved Development Projects" (Mission Bay, Transbay, and Hunters Point Shipyard/Candlestick Point) and affordable housing projects; post-RDA tax increment was used to pay for OCII staff salaries, legal services, planning reviews, community-based organization grants, affordable housing loans, and other OCII operations
Oakland	City of Oakland—Oakland Redevelopment Successor Agency (ORSA)	$729,858,270	Used to pay off debt of existing RDA projects; Housing assets transferred to housing authority; post-RDA tax increment was distributed among Oakland taxing agencies including the County of Alameda, Peralta Community College District, Oakland Unified School District, East Bay Municipal Utility District, Bay Area Air Quality Management District, Bay Area Rapid Transit District, and the East Bay Regional Parks District

Sources: Chiang 2013; Chiang 2014a; Chiang 2014b; Mayor's Office of Public Policy and Finance 2015; City of Oakland 2014; LAHD 2021.

Redevelopment Reborn: TIF in Enhanced Infrastructure Financing Districts

It was not until 2014 that the California legislature officially established a new, alternative form of TIF for redevelopment in cities: an updated version of IFDs called Enhanced Infrastructure Financing Districts (EIFDs) created by the passage of Senate Bill 628. EIFDs are essentially

redevelopment projects without redevelopment agencies. As one senior vice president from Kosmont Companies (a real estate consultancy firm that has advised on more than half of the EIFD projects that exist in California) said in an interview for this report, "EIFDs are the best we've got to do what RDAs used to do" but cities should be not try to repurpose EIFDs into RDAs—that is not what EIFD law or the state legislature intended—and cities should be wary of making the mistakes of old RDAs in funding projects that do not benefit the community in some way. He also went on to point out that "the name of the game for EIFDs is infrastructure and affordable housing" and that EIFDs essentially allow cities to catalyze private sector development in a "measured" way by taking on some of the infrastructure cost burden (most commonly in water, sewage, and roadways) for private developers (Interview with Kosmont Companies Senior Vice President 2023).

Unlike former redevelopment projects, city governments operate EIFDs themselves, which provides city councils with more direct accountability over the scope and operations of redevelopment projects. Local control of EIFDs also comes with its challenges, though. When RDAs were dissolved, so too was much of the local expertise and capacity to implement and manage TIF projects. This has resulted in local governments relying much more heavily on (and paying much more out of pocket for) external consultants to do the upfront analysis and structuring of TIF projects (Interview with retired HCD and SCAG executive 2023).

Other added logistical challenges associated with EIFDs include the annual reporting and public hearing requirements, as well as the requirement that any agencies whose jurisdiction falls within the project boundaries must opt in before any tax increment revenue is diverted for redevelopment. Local governments now have to work harder to get other agencies' buy-in to the project. Despite some of these changes, EIFDs function very similarly to RDA projects and are just as loosely defined as they were pre-dissolution. Below are some of the key EIFD requirements based on current California law[9]:

- **Public approval**: EIFDs do not require voter approval to be established, although they do require 55 percent voter approval to issue any bond for TIF. They also require three public hearings, the third of which is a protest proceeding which is meant to consider opposition from residents within the project area. The EIFD is cancelled if protests representing more than 50 percent of residents are submitted.
- **Project definition**: EIFDs can be used for the "purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of any real or other tangible property with an estimated useful life of 15 years or longer." This includes financing property redevelopment outside the project area as long as it has a "tangible connection to project area." Projects that are specifically mentioned in the government code include: highways, bridges, parking facilities, sewage treatment facilities, flood control projects, childcare facilities, libraries, parks, recreation facilities, brownfield restoration, reuse of military bases, affordable housing, commercial structures for small businesses for COVID-19 recovery, transit priority projects, implementation of sustainable communities

[9] California Government Code Title 5, Division 2, Part 1, Chapter 2.99 added by Stats. 2014, Ch. 785

strategy, port infrastructure, nonprofit community service organizations, broadband internet access projects, and climate adaptation projects. EIFDs do not specifically require a "but for" requirement to use TIF—they just require that projects demonstrate some sort of "communitywide significance." EIFDs cannot collect tax increments from K-12 school districts. All other taxing agencies affected must opt-in. EIFDs can also establish 45 year-long project terms, which is longer than the 30-year limit on IFDs.

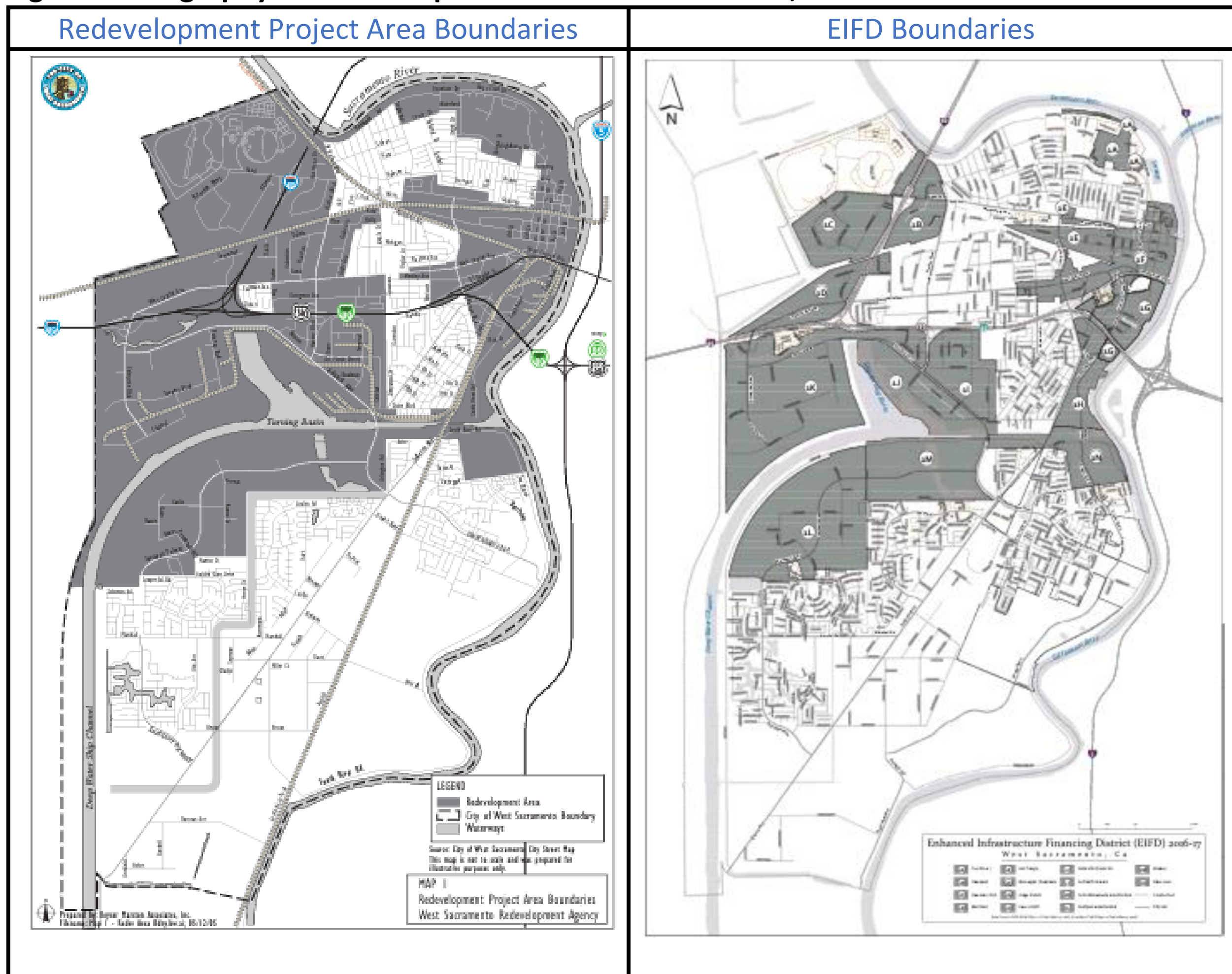
- **Affordable housing requirement**: Unlike the 20 percent set-aside requirement for affordable housing by the tax increment generated by RDA projects, EIFDs have no affordable housing requirement nor do they have any location requirement. If EIFD financing *is* used for any housing, however, it must be for affordable housing. Additionally, if any affordable housing units are destroyed in an EIFD project area, there must be a one-for-one replacement within half a mile of the former residence and relocation assistance must be provided to residents. Replacement affordable units must be affordable for at least 55 years for rentals and 45 years for owned units. A similar tool called Community Revitalization and Investment Authorities (CRIAs) does have a requirement that 25 percent of TIF revenues must be allocated to affordable housing and CRIA projects must be located in low-income communities. No CRIAs have been formed in the state, however.
- **Transparency and planning**: EIFDs require an infrastructure financing plan that is consistent with city's general or specific plan in the designated project area. They also must submit an annual report that is made publicly available and includes data on the amount of tax increment received, project status, and other project-related expenditures. If the EIFD project area overlaps with the former RDA project area and there are outstanding debt obligations, all EIFD financing must first be directed to these outstanding debt obligations until they are paid off. All affected taxing agencies in the district (except for schools) must opt in to share tax increment revenue for the project.

In addition to EIFDs being governed by similar legal parameters as RDA TIF projects, EIFDs also appear to have comparable geographic footprints as their predecessors. Based on preliminary information from the few EIFDs that are in operation or that have been recently proposed, it seems as though some cities' current redevelopment projects have close spatial ties to past RDA redevelopment activities (see figures 8 and 9). West Sacramento—a city that has enthusiastically pursued EIFDs to fund large infrastructure projects—is one such example. In 2017, the city council approved an EIFD plan for a district that covers more than 4,000 acres, or 25 percent of the entire city (Keyser Marston Associates 2017). One of the subareas of the EIFD is the Bridge District, which has been the focus of redevelopment efforts in the West Sacramento for decades. A city government document from 2016 that outlined plans for parking lot improvements in the Bridge District described it as follows:

> "The Bridge District in West Sacramento's urban core is designated for compact, mixed-use, transit-oriented development (TOD) containing as much as 12.5 million square feet of new construction. The property within the Bridge District is governed by a Specific Plan adopted in 1993 and updated in 2009 (BDSP) which includes density requirements associated with a streetcar system." (City of West Sacramento 2016)

The city's RDA was a key player in financing redevelopment in the area prior to 2012. The boundaries of the former RDA designated redevelopment areas also closely match the newly proposed EIFD in the city (see figure 8). It also appears as though West Sacramento is using the same real estate consultancy firm—Keyser Marston Associates—that advised the city on its former RDA projects for the new EIFD infrastructure projects.

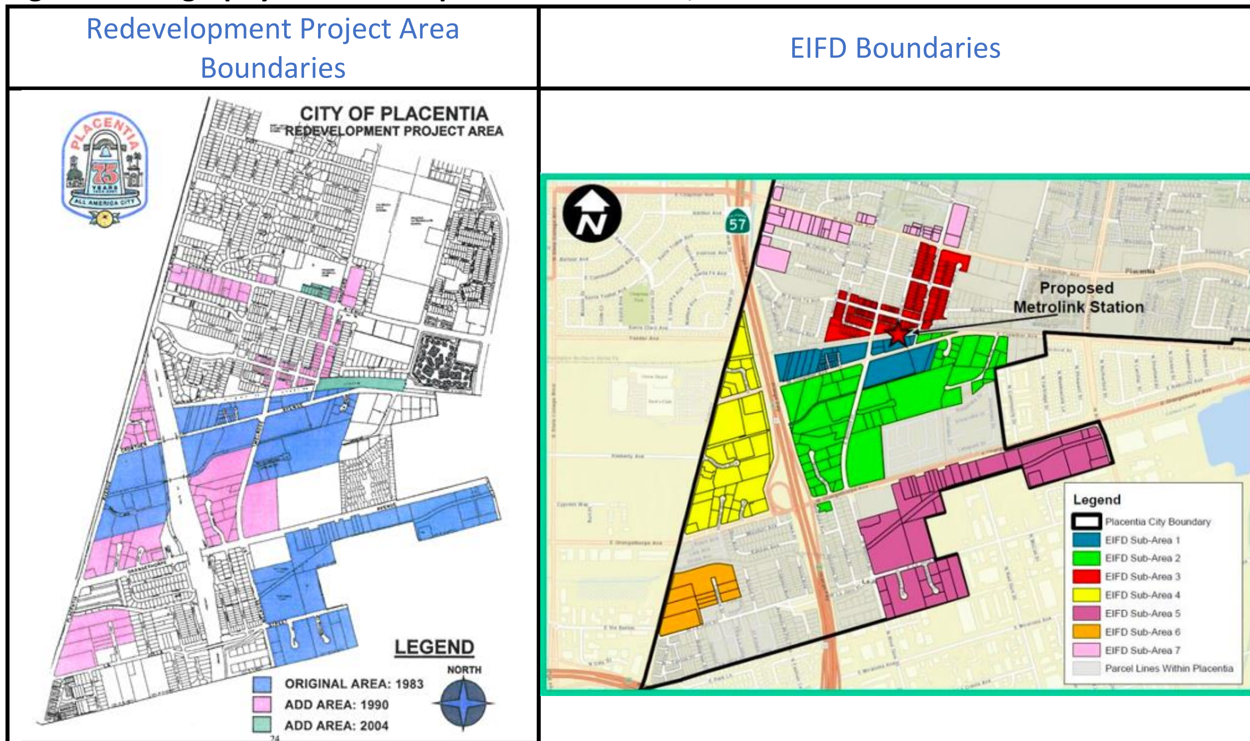
Figure 8. Geography of Redevelopment in West Sacramento, CA



Sources: Keyser Marston Associates 2005; Keyser Marston Associates 2017.

A similar pattern can be seen in the City of Placentia in Orange County—another early adopter of EIFDs in the state. In 2019, Placentia established an EIFD around the expected future site of a Metrolink Station to fund public infrastructure improvements in the area totaling $8.2 million. The boundaries for the EIFD area approved in 2022 track closely with the boundaries of the former RDA district (see figure 9).

Figure 9. Geography of Redevelopment in Placentia, CA



Sources: The City of Placentia 2013; The City of Placentia n.d.

These two cities provide evidence that some EIFD projects represent a continuation of RDA activities—rather than a change from pre-dissolution redevelopment—in California. This is not necessarily a bad thing, but it does warrant close observation as EIFDs spread across the state to understand how EIFDs may be changing or expanding the geography of redevelopment in cities and whether this leads to some of the same conflicts that caused RDAs to be abolished in 2012 (e.g. if a significant portion of property tax revenue is diverted away from other agencies and into specific project areas over a long-period of time). Table 2 provides an overview of the purpose and location of four of the first EIFDs established in California.

Table 2. Location and Financing Goals of Four of the First EIFDs in California

Location of EIFD	Purpose of EIFD
Placentia, CA (established May 2019)	"The City of Placentia, in partnership with the County of Orange, has established an Enhanced Infrastructure Financing District (EIFD) near the City's future Metrolink Station including the Old Town Placentia area and Transit Oriented Development Packing House District. The purpose of this district is to create a funding mechanism that can facilitate the construction of public infrastructure improvements in this area." (City of Placentia n.d.)
La Verne, CA (established October 2017)	"The City of La Verne has established an Enhanced Infrastructure Financing District (EIFD) near the City's future Gold Line light rail station at E Street and Arrow Highway with a sub-area near Wheeler Avenue and Arrow Highway. The purpose of this district is to establish a funding mechanism that can facilitate the construction of infrastructure improvements in these areas. The establishment of the EIFD will not result in any new taxes or fees for the property owners." (City of La Verne n.d.)
West Sacramento, CA (established June 2017)	"The West Sacramento City Council adopted Resolution 17-17 approving the Enhanced Infrastructure Financing Plan (the Plan) for Enhanced Infrastructure Financing District No. 1 (EIFD No. 1). The primary goal is to assist with the infrastructure investment gap by allocating tax increment to provide a stable source of financing for the City's Capital Improvement Plan (CIP), to strategic infrastructure projects, and to other eligible EIFD uses." (City of West Sacramento n.d.)
Otay Mesa, CA (established February 2017)	"The formation of an Enhanced Infrastructure Financing District (EIFD) in Otay Mesa is proposed to provide supplemental funding for infrastructure identified in the Otay Mesa Public Facilities Financing Plan. These include projects that support infrastructure and services related to transportation, park, police, fire, library, water and sewer." (City of Otay Mesa n.d.)

One city that is pursuing a more innovative EIFD strategy is Oakland, CA. Oakland is exploring several EIFD districts in parallel, some of which do not overlap with former RDA development sites. The City Council has indicated its interest in exploring the use of EIFDs in West and East Oakland specifically for the "intentional reinvestment into communities impacted by decades of racist policies." The City Council approved a resolution on November 1, 2022, for the city to work with the real estate advisory firm Kosmont Companies to explore the impact and process of establishing an EIFD specifically in East Oakland and West Oakland. In a letter to City Council, councilmember Carroll Fife of District 3 (West Oakland) and former councilmember and current mayor Sheng Thao of District 4 (East Oakland) introduced the measure as a crucial element of the "Black New Deal": "This financing district is designed to help us fund the infrastructure, affordable housing, environmental cleanups, and street safety we need as well as the intentional reinvestment into East and West Oakland via a Black New Deal" (Fife and Thao 2022). According to a senior vice present at Kosmont, Oakland is the first city to attempt to

create an equity-focused EIFD in the state (Interview with Kosmont Companies Senior Vice President 2023). The sponsoring councilmembers cite the "Report on Redlined Neighborhoods" as inspiration for these EIFDs. This report found that "the impact of urban renewal policies alone, particularly the demolition of homes, has resulted in an estimated $4.9 to $5.2 billion dollars of loss for Black Oakland residents" (Flynn 2022).

So far, Oakland appears unique in its explicit focus on EIFDs for improved infrastructure and services in majority-Black neighborhoods. This is different from other cities in California that have established EIFDs for more broadly defined public infrastructure improvements (like utility upgrades, commercial development, street improvements, TOD projects, real estate development, and other capital improve projects), with little attention to equity implications of the financing mechanism. Oakland has yet to release any more information about the proposed West and East Oakland EIFDs, but the city's approach could prove to be a model for equity-driven TIF projects. That said, centering EIFDs on the principles of equity can make it more difficult for cities to convince other taxing agencies (like counties) of the financing tool's positive value proposition, and it requires more creative thinking on the part of city officials and advisors to make the case for using TIF to advance equity goals (Interview with Kosmont Companies Senior Vice President 2023).

But some organizations are enthusiastic about the potential of leveraging EIFDs for social good. One organization that has been outspoken in its support for these EIFDs is CEO Action for Racial Equity (CEOARE)—a coalition of business professional dedicated to advancing racial equity through public policy advocacy. CEOARE recently put out a video promoting the use of EIFDs in the city and touting their ability to advance racial equity and support wealth-building for Black Oaklanders (CEO Action for Racial Equity n.d.). Future research should track the progress of these EIFDs closely to see whether they can live up to their promise of advancing racial equity in Oakland and whether their equity-focused design is replicable in other areas of California or the US.

The City of Oakland is also proposing the creation of a more traditional EIFD for the construction of infrastructure around a new baseball stadium and mixed-use development at the Howard Terminal site in West Oakland. This would be among the largest EIFDs (in terms of private capital investment in the area and potential tax revenue) in the state: the project is expected to cost a total of $12 billion, with at least $300 million coming in the form of TIF (Lake 2022b). It could also have huge implications for the majority low-income and BIPOC residents who live near the Howard Terminal—an area that the Urban Displacement Project has identified as being at high risk of displacement (Thomas et al. 2022).

Because of its size, revenue generating potential, location in a rapidly gentrifying city in California, and inevitable impact on a particularly vulnerable population, the Howard Terminal Project EIFD provides a useful case for charting the possible future trajectories of EIFD-driven redevelopment in California cities. The next section will take a closer look at the use of TIF for redevelopment at the Howard Terminal site, examining the project and neighborhood context,

the technical aspects of how an EIFD might work in the area, and what kind of equity considerations or community benefits are (or could be) tied to the financing mechanism.

4. TIF in Oakland, CA – The Howard Terminal Project Case Study

Project and Neighborhood Context

In 2018, the Oakland Athletics (the A's) baseball team approached the City of Oakland with a proposal to build a new state-of-the-art ballpark and an adjacent mixed-use development in West Oakland. This proposed $12 billion waterfront redevelopment project, known today as the Howard Terminal Project, would sit on roughly 55 acres of public land managed by the Oakland Port in the historically industrial part of West Oakland (Bond-Graham, 2022). The project site is bounded by an estuary, the Jack London Square development, railroad tracks, and a heavy metal recycling center. The redevelopment project would not only provide a state-of-the-art, 35,000-seat stadium for the A's, but would add 3,000 residential units, 1.77 million square feet of commercial space, and 18 acres of waterfront parks and greenspace (Kleinschmidt 2021). But with this kind of massive redevelopment project comes the challenges associated with gentrification, especially the threat of physical, social, and cultural displacement of nearby residents. This is especially concerning in the case of the Howard Terminal Project given the difficult history of urban renewal and racist planning policies in the West Oakland neighborhood.

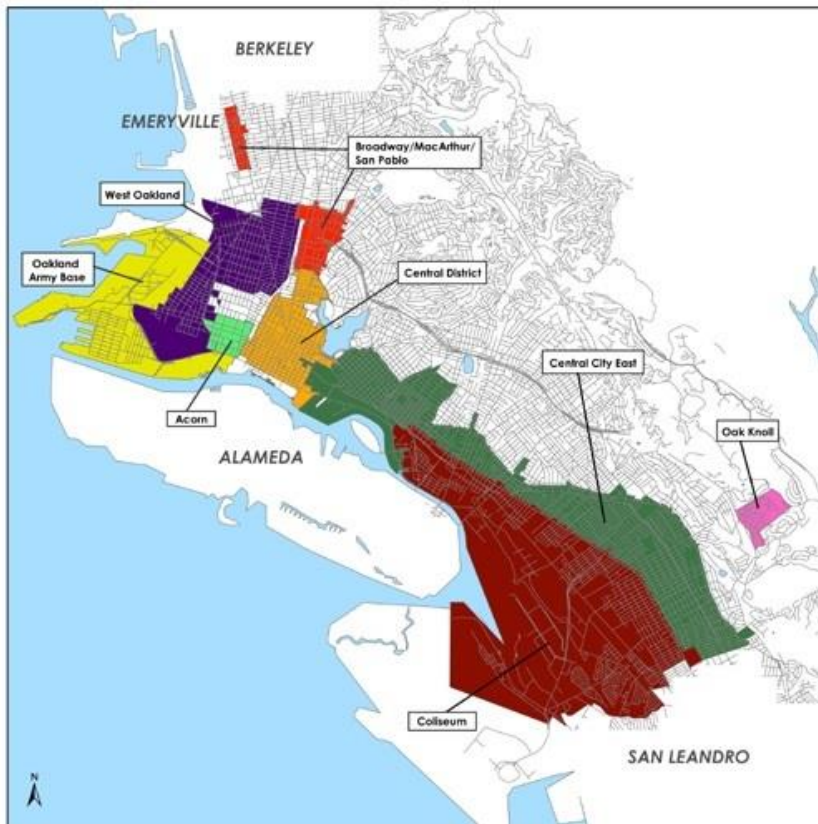
West Oakland is located on the unceded territory of the Ohlone peoples. Ohlone family tribes lived on the land that makes up modern day Oakland for more than 10,000 years before Spanish missionaries began to colonize the area and oppress its people in the second half of the 18th century (Sogorea Te' Land Trust n.d.). Up until the mid 1800s, most of the land in the East Bay was owned (or occupied) by the Peralta family, who operated a ranch and oversaw the early exploitation of redwood groves that drove the logging industry in the East Bay. After the gold rush of 1849, Oakland became an important hub for the transfer of goods and people in the Bay Area and more residents began settling on Peralta ranch land. Oakland was officially incorporated as a city in 1854 (Editors of Encyclopedia Britannica 2023).

In 1869, West Oakland became the terminus of the transcontinental railroad (Meyer and Park 1996). By the late 1800s, the neighborhood was home to a diverse community of residents, many of whom were immigrants and Black laborers working at the railyards and shipyards at the port (Connect Oakland n.d.). During WWII, West Oakland became a hub for manufacturing work that supported the war effort. This attracted many Black workers to the area—from 1940 to 1945, the Black population in West Oakland exploded from 8,000 to 21,000 (Phillips 2019). The neighborhood during this time became known as the "Harlem of the West" and featured vibrant Black cultural institutions including jazz clubs, restaurants, and businesses, many of which were concentrated on 7th Street. After the war, however, discriminatory federal housing policies resulted in "white flight" and the concentration of Black residents in the neighborhood at the same time as manufacturing jobs shifted to larger sites in the suburbs (Bindman 2020).

Urban renewal projects, many of which were overseen by the city's RDA, resulted in a loss of housing, the closing of more than 800 Black businesses, and the construction of highways that divided and isolated the neighborhood.

One of the first major urban renewal projects undertaken by the Oakland Redevelopment Agency (ORA) was in the Acorn neighborhood—a 34-acre project area that today sits adjacent to the proposed site of the Howard Terminal Project (see figure 10, 11, and 12). In the early 1960s, the city claimed that 80 percent of the more than 4,000 majority Black, low-income residents of Acorn were living in substandard housing—a claim that was used to justify razing the neighborhood in 1962. The Acorn redevelopment project led to the displacement of thousands of residents and the construction of the Cypress Freeway that divided the neighborhood in half (Ulinskas 2019).

Figure 10. Former RDA districts in Oakland, CA



Source: Archive Page for Former Oakland Redevelopment Agency.

In the 1950s and 60s, Black activist and community development groups like the Black Panthers and the Oak Center Neighborhood Association (OCNA) protested the city's urban renewal projects in West Oakland. West Oakland resident Lillian Q. Love led much of the OCNA's activities in the 1960s and helped to convince the ORA to cancel Phase III of the West Oakland General Neighborhood Renewal Plan, which would have razed three more sites. She also helped to convince ORA's director, John B. Williams, to preserve up to 70 percent of Oak Center

residences. Love's effective organizing on behalf of her neighborhood led her to be named an ORA commissioner in 1966 (see figure 13; Ulinskas 2019).

Figure 11. Acorn redevelopment site, September 19, 1966

Source: Ulinskas 2019

Figure 12. Groundbreaking ceremony for Acorn construction, November 10, 1967

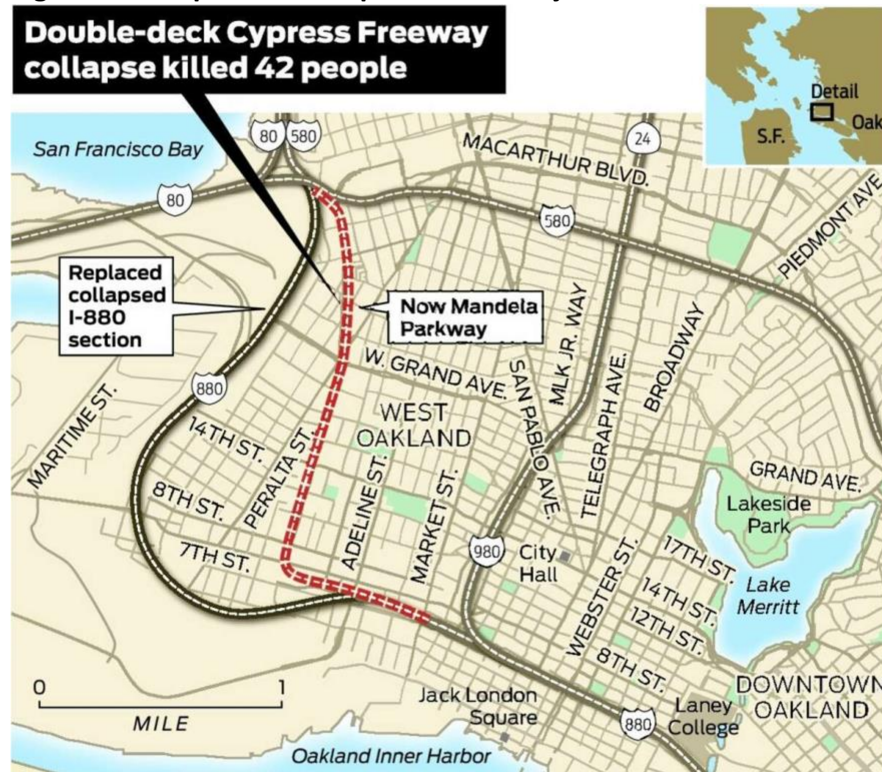
Source: Ulinskas 2019

Figure 13. Swearing in of Mrs. Love as Redevelopment Agency commissioner, October 24, 1966

Source: Ulinskas 2019

This early organizing against redevelopment projects that harmed Black communities in West Oakland provided a foundation for future neighborhood activism. As Rhomberg (2007) notes: “The Oak Center protest highlighted several features in the emerging formation of the black community as a collective actor. The emphasis on the defense of neighborhood and the role of indigenous organization within majority black areas prefigured future political mobilization in West Oakland” (Rhomberg 2007). This political mobilization was central to the successful re-routing of the Cypress Freeway after its collapse from the 7.1 magnitude Loma Prieta earthquake in 1989. The collapse of the upper section of I-880 killed 42 people and left the city without a key thoroughfare that was used by an average of 160,000 commuters every day (Jackson 1998). It took years of lobbying Caltrans, but the community eventually convinced the agency and city officials to turn the collapsed freeway into a greenway and redirect the new I-880 along the outer boundary of the neighborhood (see figure 14) (Fagan 2014). With the help of a Citizens’ Advisory Committee, the community also negotiated community benefit terms with the contractors tasked with reconstructing the freeway, including a commitment to hiring 45 percent local residents, minorities, and women (Jackson 1998).

Figure 14. Map of I-880 Replacement Project

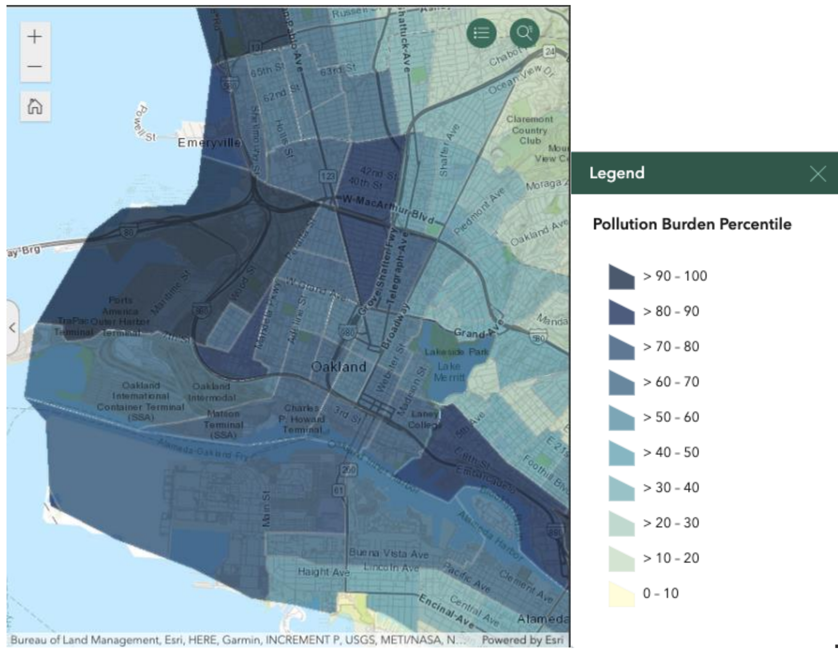


Source: John Blanchard/The Chronicle

Despite these community organizing success stores, the West Oakland community has struggled to overcome the trauma and harm caused by the ORA's urban renewal projects and systemic disinvestment. Today, life expectancy in West Oakland is 6.6 years lower in West Oakland than Alameda county and the pollution burden is among the highest in the state (see figure 15; Davis 2018). Poverty rates and housing burden levels (which indicate the number of residents spending more than 30 percent of their income on rent) are also extremely high in the West Oakland neighborhood (see figures 16 and 17). Although income levels have risen in the neighborhood in recent years, this increase has not been experienced equitably across racial and ethnic groups. In 2021, the median household income for white residents was $141,841 while the median household income for Black households was $37,114.[10] There is also evidence that Black residents are being physically displaced from West Oakland. Although the overall population has increased in the neighborhood, the number and proportion of Black residents has declined: between 1990 and 2011, the number of Black residents in West Oakland dropped by 25 percent, from 18,000 to just over 13,000 (City of Oakland 2018). According to the Urban Displacement Project, West Oakland residents are at high risk of future displacement as well.

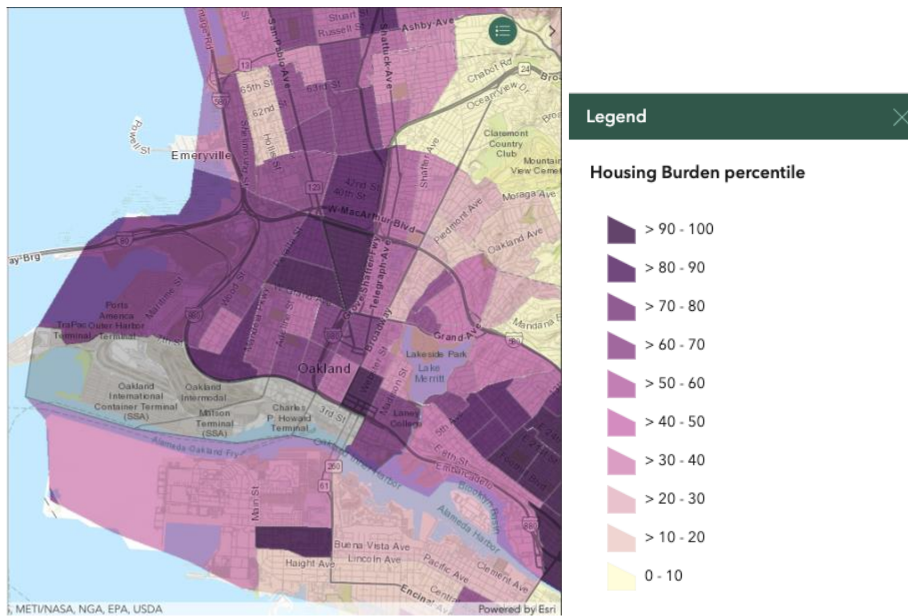
[10] Derived using Social Explorer, ACS 2021 (5-years Estimates), 5-Digit Zip Code Tabulation Area (ZCTA5) 94607

Figure 15. Residents of West Oakland are exposed to some of the worst pollution in the state[11]



Source: CalEnviroScreen 4.0

Figure 16. West Oakland Residents experience extreme housing burden compared to other areas[12]



Source: CalEnviroScreen 4.0

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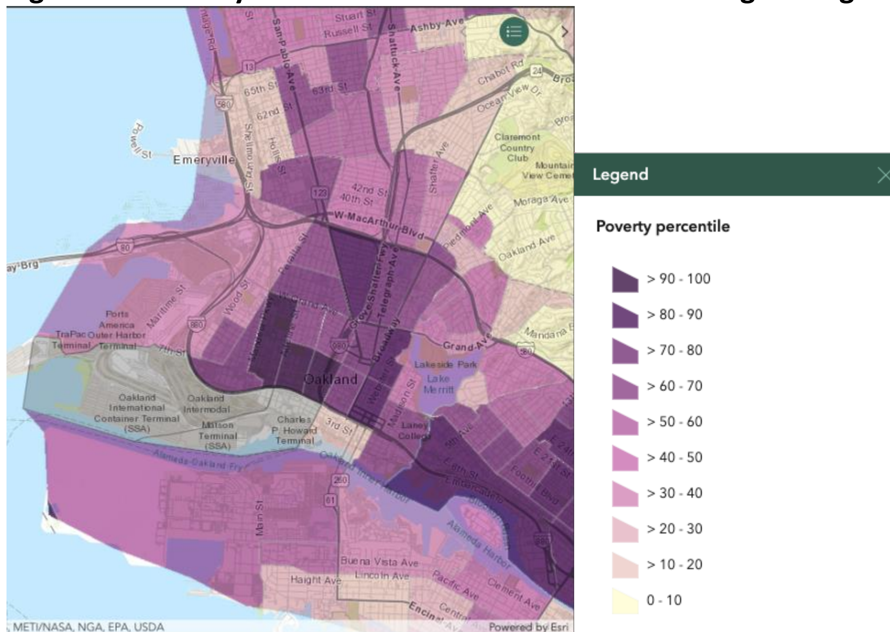
[11] The census tracts with the highest pollution burden (>90-100) are among the top 10 percent of most polluted census tracts in the state.

[12] Housing burden is defined by the proportion of people spending more than 30 percent of their monthly income on rent. The census tracts with the highest housing burden (>90-100) are among the top 10 percent of most housing burdened tracts in the state.

Figure 17. Poverty Rates in West Oakland remain among the highest in the state[13]



Source: CalEnviroScreen 4.0

The historical context and current population characteristics of West Oakland create a precarious setting for contemporary revitalization efforts. The Howard Terminal Project, which is estimated to cost $12 billion, could prove transformational for the West Oakland community. Whether or not this transformation is good or bad news for current residents depends on the developers' and city's commitment to community-serving infrastructure and benefits. Today, groups like the East Bay Alliance for a Sustainable Economy, Chinatown Coalition, and the West Oakland Environmental Indicators Project (WOEIP), among others, are working hard to make sure the Howard Terminal Project benefits the community, primarily through the Community Benefits Agreement (CBA) negotiation process. The next two sections will explore the financing plan for the Howard Terminal Project and efforts that have been made to incorporate equity considerations and community benefits into the development term sheet.

Proposed Application of TIF at the Howard Terminal Project

The Oakland Athletics have played baseball at the Oakland Coliseum—one of the oldest ballparks in the US—since 1968 and have been looking to build a new stadium in the Bay Area for nearly two decades (Ballparks of Baseball n.d.). The Oakland Coliseum needs major upgrades (in 2013, the dugout flooded with untreated sewage) and the A's have indicated their interest in moving out of the largely industrial area of East Oakland to be closer to North Oakland neighborhoods (Draper 2017). The focus of their search in recent years has been around the Howard Terminal site, which is located south of the Bay Bridge on public land managed by the Port of Oakland (see project renderings in figure 18). A stadium and mixed-use

[13] The census tracts in the highest poverty percentile (>90-100) are among the top 10 percent of the poorest census tracts in the state.

development on this site would have to be built from the ground-up—the site at Howard Terminal is largely devoid of basic public infrastructure and services in its current state.

Figure 18. Initial Renderings of the Howard Terminal Project

Source: Kleinschmidt 2021.

Because of its unique location at the Port, the Howard Terminal Project is being negotiated between the A's, the Port of Oakland, and the City of Oakland (led by Oakland City Council). The project at the Howard Terminal is expected to cost a total of $12 billion, with at least $300 million coming in the form of public TIF (Lake 2022b). This would be a massive development for any city, but the scale is especially impressive for Oakland—a city whose annual budget tops out at around $1.5 billion. For comparison, the cost to build the Howard Terminal Project would end up being $4 billion more than the Salesforce Transit Center in San Francisco, the second Amazon headquarters (HQ2) outside of DC, and the One World Trade Center in New York City *combined*.

Financial advisors on the project identified several investment opportunities that the city and county could use TIF for, including: transportation infrastructure like highways, parking, and transit facilities; community parks, open space, and recreational facilities; brownfield

restoration and other environmental mitigation; projects which implement a Sustainable Community Strategy; and affordable housing. Public funds would not be used for construction of the ballpark itself, only infrastructure around it that would make the site usable. According to one city presentation, all “risks associated with funding on-site infrastructure, including delays and cost overruns, would be borne by the A’s, not the City” (Maybrun 2022). In a November 30, 2022, memo submitted to City Council, Assistant City Administrator Elizabeth A. Lake clarifies that “tax increment would then reimburse the developer, in whole or in part, depending upon the availability of funds, for approved on-site public infrastructure, parks, and affordable housing constructed in excess of local requirements” (Lake 2022a).

The total estimated cost of on- and off-site infrastructure (including protections against sea-level rise, parks, and transportation improvements) is $612,700,000. Most of the funding for off-site infrastructure that the city would contribute upfront would come in the form of federal, state, and regional infrastructure grants—limited obligation bonds (LOB) enabled by TIF would only be used to cover what grants could not. As of September 2022, the city had secured roughly $320 in grant funding for off-site infrastructure, the majority of which came from state transportation funds (Lake 2022b). In January of 2023, however, the City announced that it had not been granted any of the $182 billion in federal Transportation Department’s Megaprojects grant program—funding that it claims was key to moving forward with the project. The city says it is still waiting to hear about $100 million in other grants and is considering a limited obligation bond (LOB) that could generate roughly $150 million for the project (Ravani 2023).

Some opponents of the project have been critical of the city’s possible use of LOBs, claiming that it would deprive the city’s general fund of much needed revenue over the lifetime of the project. But this does not seem to be the case based on official city statements. According to the city, “LOB bondholders would have no recourse to other revenues in the City’s General Fund in the event that incremental project tax revenues fall short of debt service” (Maybrun 2022). Based on a report completed by the economics consulting firm Century Urban (2021), the city estimates that even with all eligible incremental tax revenue dedicated to the EIFD, the project would still contribute more than $15 million to the city’s General Fund annually.

The city claims that the off-site infrastructure improvements that would be tied to TIF would benefit Oakland, residents, and the Port, “ballpark or no ballpark.” The City has also indicated that the EIFD boundaries would cover the project site and not the surrounding neighborhood (unlike how the A’s had proposed an “offsite” EIFD), so property tax revenue increments would only be collected at the site and would not pull tax revenue away from the existing neighborhood.

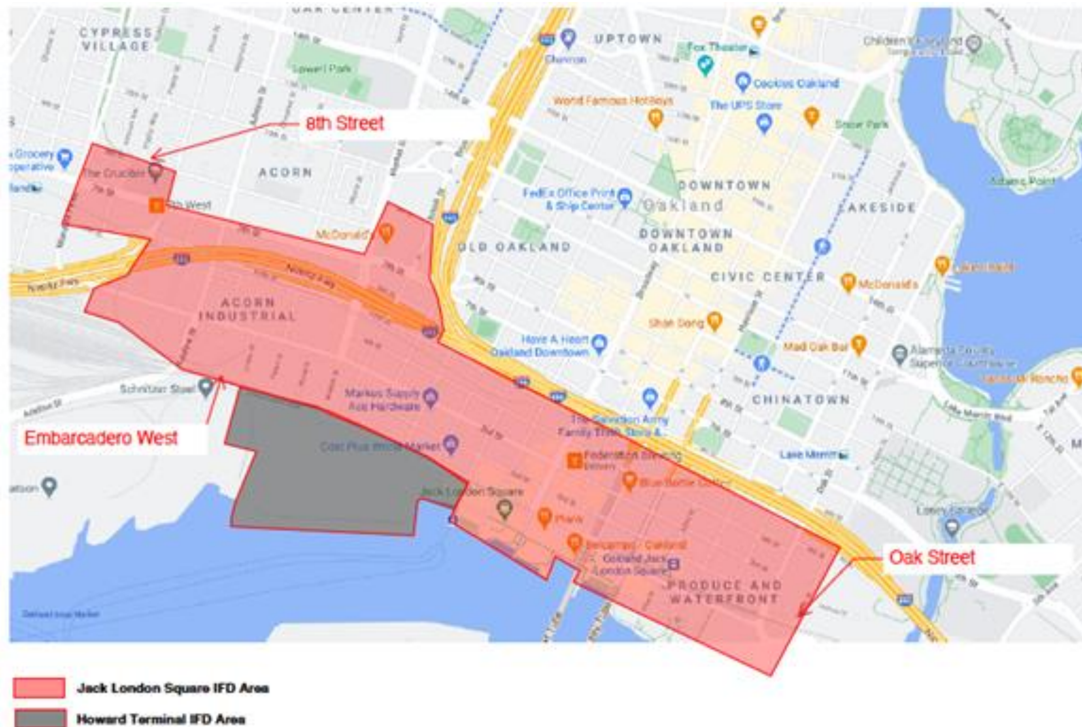
The Oakland A’s presented a financial plan of their own in April of 2021, which identified the total investment required for the construction of the project—$12 billion—and estimated that the project would generate $450 million in community benefits and $955 million in revenue to the City’s General Fund (City of Oakland 2021b). It also claimed that the buildout would create more than 35,000 new jobs and $7 billion in revenue for the city over the “useful life of the stadium.” Additional commitments from the A’s included: privately funded or contributed

public art valued at $15 million; an “architecturally significant, LEED Gold, state of the art ballpark of more than $1 billion”; a non-relocation agreement from the team; and a commitment to “fully fund all on-site project costs through private financing and project-generated revenues, including public parks, protection against sea level rise, and environmental remediation.” The A’s suggested that the $450 million dedicated to community benefits would all be paid for by TIF, not by the developer directly. The city rejected these terms claiming that TIF could not adequately fund all of the community benefits laid out in the CBA and would not generate enough revenue to cover ongoing operation or services of any kind (Estolono Advisors 2021).

Another aspect of the A’s financial plan that diverged from the city’s plans for the project was the proposal of two EIFDs—one for the Howard Terminal itself and one that covered the adjacent neighborhood, called the Jack London Infrastructure Financing District (see figure 19). The A’s estimated that revenues from the Howard Terminal Infrastructure Financing District would total $860 million while the larger Jack London IFD would generate $1.4 billion in revenue. The city has been opposed to creating a second, larger EIFD (or IFD) around the Howard Terminal Project partly because it would be difficult to prove the “but for” clause essential for TIF in the surrounding neighborhood:

> “While it is reasonable to assume that construction of the Ballpark and the substantial ancillary development contemplated for Howard Terminal would accelerate development on neighboring blocks, it is impossible to parse the degree to which the growth in assessed values within that area would be due to the City’s independent planning efforts and ‘background’ growth versus the ‘catalytic’ effects of the proposed Project” (Lake 2021).

Figure 19. Possible EIFD Sites Linked to the Howard Terminal Project Development



Source: City of Oakland 2021b

Projections for the project's economic impact on Oakland have been largely positive: the Howard Terminal Project it is estimated to create 7,100 new full-time jobs and 25,000 construction jobs, and, according to the Bay Area Council, will result in $7.3 billion in total economic impact in the first 10 years (City of Oakland 2021b). In May of 2021, the City of Oakland requested that Alameda County opt into the EIFD, claiming millions of dollars in tax benefits to the county over the course of the 45-year contract period (the County voted yes to participate in the EIFD in October of 2021):

> "An investment in the Waterfront Ballpark District over the project site only would repay the County many times over. By helping make this project possible, at full buildout, the County will see its current $50,000 per year recurring tax revenues from the project site increase to an estimated $6.3 million per year, after property taxes and property taxes in lieu of VLF are contributed to the EIFD. This amount includes $2.3 million each in new annual funds for provision of County essential health care and homeless services. In addition, after the County opts in, the project will create an additional $4.6 million per year in new countywide transportation funding through the Alameda County Transportation Commission. Finally, the County is expected to receive an estimated $47.8 million in one-time construction-period tax revenues. After the 45-year opt-in period, new annual revenues to the County would increase to approximately $17 million (measured in today's dollars)." (Reiskin 2021)

Because the negotiations between the A's and the City are still ongoing, many details related to the financial deal are not publicly available yet. The A's have been vocal in recent months about looking at other sites for their stadium, including in Las Vegas, Nevada (Associated Press 2022). But Oakland Mayor Sheng Thao (who succeeded Mayor Libby Schaaf—an ardent supporter of the Howard Terminal Project) and most city councilmembers (including newly elected officials) have expressed their general support of the project, and their desire to keep the A's rooted in Oakland (City of Oakland 2023). The exact terms of the deal between the A's, the Port, and the City of Oakland will likely become clear in the coming months. Once the term sheet is signed by all parties, an EIFD Infrastructure Financing Plan will be drawn up and three public hearings will be held, the third of which will include the opportunity for residents to protest.

Equity Considerations and Community Benefits

The Howard Terminal Project has the potential to be a transformative project in Oakland, generating tax revenue, jobs, and housing, and revitalizing the largely industrial waterfront area of the city (City of Oakland 2021c). Negotiations have been slow-moving for the project so far, though, in part because the city is taking time to ensure that strong community benefits are baked into the deal. As Councilmember Loren Taylor said in October of last year, "It makes sense because we want to make sure that we have the tightest possible agreement, ensuring the benefits that are necessary for the town. . . And ensuring there aren't holes that will be poked through, or that we end up with an albatross deal like the Raiders" (Brazil 2022).

In the A's financial term sheet from 2021, the team offered to "privately fund or contribute" $15 million in public art to be installed at the site. The city Arts Plan for the site includes a mandate that the developers "create an artistic hub that celebrates the city's creativity, energy and diversity" (City of Oakland 2021b). All other community benefits would be funded through the tax increment revenue generated by the EFID. According to the A's, this would include $170 million in community benefits like affordable housing and offsite public infrastructure and $195 million to the city's General Fund. These terms were not agreed upon by the City, however, and city officials have said that they are still negotiating the specifics of community benefit requirements through the CBA process.

The project's Community Benefits Agreement (CBA) is the primary way that the city is hoping to derive public good and equitable outcomes from this massive development. CBAs were first used in California in the 1990s and early 2000s and were generally negotiated between the developer and community organizations (City of Oakland 2021a). As CBAs became more popular and complex, local governments increasingly stepped in to facilitate negotiations. CBAs are not required by law in any part of California, but once a developer and the city sign an agreement, the CBA becomes a legally binding document. The goal of CBAs is to ensure that developers incorporate community-serving amenities and infrastructure like affordable housing, public green space, and public art into their development plans. They can also include things like wage minimums and local hiring requirements for workers at the site. The City of Oakland and the A's have yet to come to an agreement about the terms of the CBA for the

Howard Terminal Project, but the city has said that signing a CBA will be a requirement for moving forward with granting development rights for the project (Bas et al. 2022).

Since the Howard Terminal Project's inception in 2018, the City of Oakland, the Athletics baseball team, the Port of Oakland, and the West Oakland Environmental Indicators Project (WOEIP—a resident-led environmental justice organization) have been working together to create a comprehensive and equitable CBA tied to the development site. The CBA process for the Howard Terminal project was the first of its kind to establish race and equity baselines for community benefits based on existing racial disparities and inequities in the community. These baselines were outlined in the 2019 Oakland Race and Equity Baseline Indicators Report, authored by Veronica Cummings (Cummings 2019).[14] The report presented data on racial inequities within the West Oakland community (compared to the wider city) across indicators such as median annual income, unemployment, educational attainment, and health outcomes. These were meant to "serve as a benchmark against which equity goals will be established for improvement in the lives of residents who are most impacted by racial inequity" (Cummings 2019).

In November 2019, one month after the Baseline Report was released, the City of Oakland organized five community workshops in neighborhoods surrounding the development site to present the project goals, the Baseline Indicators Report findings, and an outline of their plan for creating a CBA. These meetings were followed by two CBA Steering Committee information sessions held in November and December 2019, which were led by Surlene Grant, Principal of Envirocom Communications Strategies, LLC—a firm hired to serve as an external and independent facilitator for the CBA process (Grant 2019). In these meetings, Veronica Cummings presented background context for the CBA process and then Grant explained how the Topic Cohort groups and Steering Committee members would be selected:

> "Topic Cohorts will offer participants an opportunity to fact-find and discuss programs, services and supports that may be included in the CBA. Two leaders with subject matter expertise and activist experience will be selected to represent the subcommittee/cohort on the Steering Committee. In addition, the Steering Committee will have representation from the three stakeholder groups (Oakland A's, the Port and the City) and community members from geographic areas impacted by the Ballpark project. The Steering Committee is responsible for crafting the CBA, including enforcement." (Grant 2019)

Based on the Baseline Indicators Report and community input from some of the first public presentations of the project, seven "Topic Cohort" groups were formed: Community Health & Safety, Culture & History, Economic Development/Employment, Education, Environment, Housing, and Transportation. Anyone from the public was allowed to participate in Topic Cohort groups, and, in February 2020, these groups voted for two representatives (one resident

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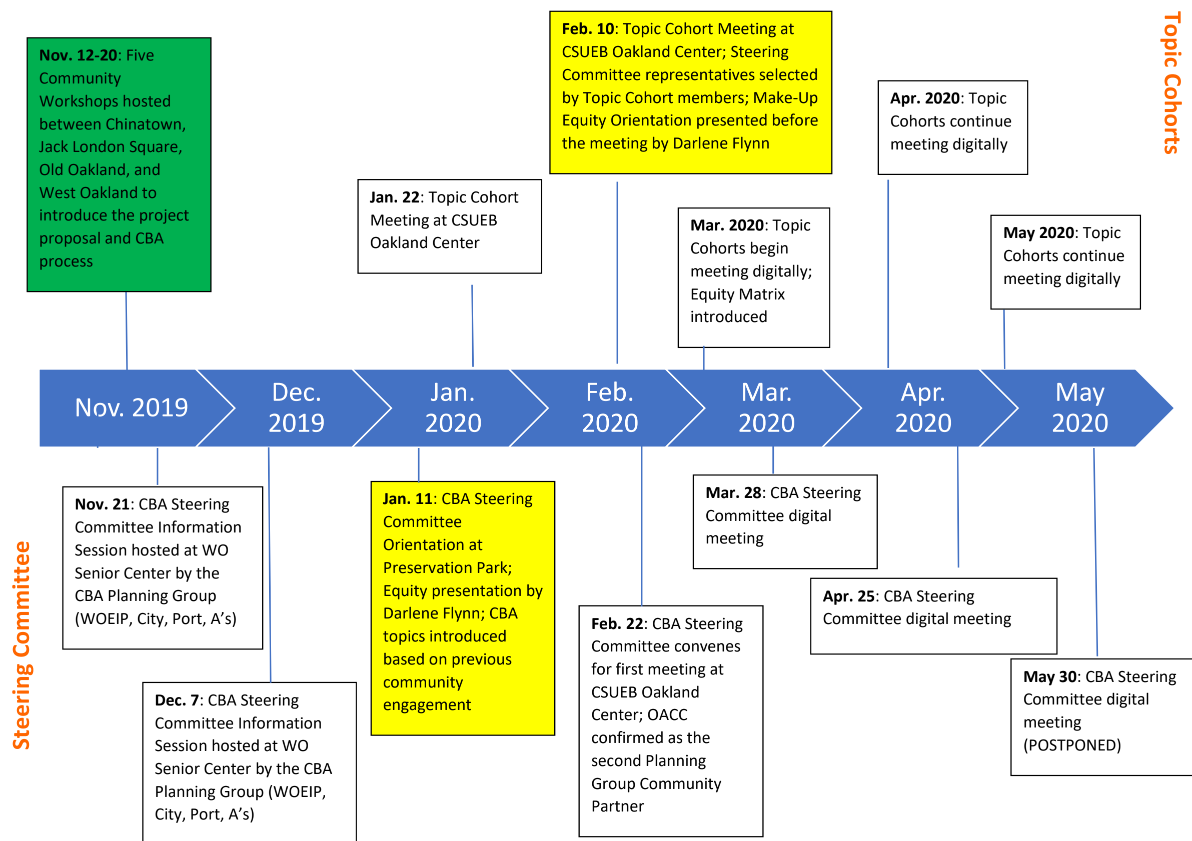
[14] Veronica Cummings played a central role in driving the CBA process forward and now serves as the Stakeholder Engagement Lead in the City Administrator's Office.

and one “topic expert”) to serve on the Steering Committee (e.g. Culture & History—David Peters, West Oakland resident, and Eric Arnold, Black Arts Movement District). There were also four at-large committee members representing neighborhoods adjacent to the project site.

Twenty-one Steering Committee members met roughly once per month in the spring and summer of 2020, and each Topic Cohort group met roughly every couple of weeks between April – August 2020 (a total of 61 Topic Cohort meetings were held during that time period with close to 200 community members participating) (City of Oakland 2020). Figure 20 provides a graphical overview of the meeting schedule. All of these meetings were hosted on Zoom and open to the public, although participation in the Steering Committee meetings was limited to Steering Committee members only (although anyone from the public could observe the meetings). For those participating regularly in Steering Committee and Topic Cohort meetings, the City provided stipends in the amount of $500–1,000 (All Home 2020). Figure 22 provides an overview of the CBA community engagement timeline.

Figure 20. Howard Terminal CBA Timeline and Milestones



Source: Lake 2020

In August of 2020, the Steering Committee presented initial recommendations for the CBA based on feedback received during the Topic Cohort meetings. Things stalled for several

months following the release of the CBA recommendations, and in December 2020, the Howard Terminal CBA Planning Group (spearheaded by Veronica Cummings) sent a letter to all stakeholders acknowledging the lack of progress:

> "While we have collectively gathered an impressive initial list of recommendations, too little substantive progress has been made since August. We have heard – and share – the frustration of many Steering Committee members in this regard. We are now at a point at which we must reassess and redirect the process in order to achieve the goal of reaching a CBA term sheet in 2021." (Howard Terminal CBA Planning Group 2020)

This reassessment led to the hiring of an external consulting firm—Estolano Advisors—which was tasked with creating a strategy for finalizing the CBA and arriving at a term sheet by the end of 2021. In June of 2021, the Estolano Advisors and the CBA Planning Group released the final Howard Terminal Community Benefits Recommendations Summary which outlined 45 recommendations across seven Topic Cohort groups. Recommendations included: donating to the Sogorea Te' Land Trust; creating mandates for hiring West and East Oakland residents; providing on-site apprenticeship training and internship opportunities targeted at at-risk populations; designating a $50 million investment to construct or rehabilitate housing that prioritizes long-time Black West Oakland residents; funding pedestrian safety improvements; developing urban gardening space; and providing ongoing funding for maintenance and beautification of the neighborhood (Estolano Advisors 2021). The report also included detailed metrics for measuring the progress of each recommendation, timing for implementation of each action, key stakeholders to engage with, sources of funding, cost estimates, and the priority of each recommendation as indicated by the community.

Since the final Community Benefits Report was released, the official terms of the CBA have yet to materialize. The project has been working its way through several legal hurdles, including completing an environmental impact report for CEQA and gaining approval from the San Francisco Bay Conservation and Development Commission in the fall of 2022 (CBS News 2022). On February 17, 2022, the Oakland City Council passed Resolution 89044, agreeing to further negotiate the specific terms of the community benefits tied to the Howard Terminal Project (Bas et al. 2022). This resolution called for 15 percent of newly constructed on-site housing to be affordable to low- and moderate-income households, with at least a third of the 15 percent made affordable to low-income residents (up to 50 percent AMI). On September 20, 2022, the City of Oakland released a memo that provided an update on the Howard Terminal Project, including proposed requirements for Port jobs, on-site affordable housing, small business opportunities, and community benefits funding (Lake 2022b). The specifics of these terms will hopefully be made public as soon they are approved—Resolution 89044 explicitly directed the City Administrator to "provide transparency to the public . . .regarding community benefits topics under negotiation" (Bas et al. 2022).

Overall, the City of Oakland has made a concerted effort to incorporate community benefits centered on the principles of equity in their negotiations for the Howard Terminal Project. Ensuring that the CBA is aligned with the recommendations outlined by the CBA Planning Group

is the first step in holding the developers accountable to delivering community benefits throughout the project's timeline. This is essential to making the new, massive development work for—and not harm—the people of West Oakland, in particular. The city should also be proactive in implementing anti-displacement measures in the low-income neighborhoods surrounding the site that are at highest risk of displacement. These could include measures like strengthening tenant protections and investing in neighborhood-serving organizations (Chapple and Loukaitou-Sideris 2021).

5. Conclusion: Making TIF Work for the Community

Cities have a hard job. Between keeping people housed, operating expensive transit systems, maintaining a healthy environment, educating kids, supporting local businesses, and providing a myriad of other amenities and services, cities have to meet the needs of a wide variety of constituents often with very limited resources. Much of the work that cities do involves making difficult and politically sensitive decisions on things that have a very real impact on the day-to-day lives of residents. And the price of failure is high. If schools fail, children lose out on future job opportunities and the potential for economic mobility—the cornerstone of the American dream. If public transit collapses, people struggle to get to work, traffic congestion worsens, and combatting climate change becomes impossible. And if people cannot access affordable housing, homelessness worsens and low-income people are displaced. Avoiding these negative outcomes requires good urban planning and smart fiscal policymaking on the part of community and economic development professionals working in city hall.

One of the most challenging and consequential tasks for these city officials is figuring out how to facilitate growth and development—a crucial element of maintaining a healthy economy and a strong tax base to support public programs and services—while avoiding harmful gentrification that leads to physical, cultural, and social displacement of existing residents. Development can be a boon for city coffers but can have the opposite effect on low-income residents who are priced out of neighborhoods as wealthier, whiter residents move in and drive housing prices up. This gets back to the central questions that inspired this research: does gentrification have to be an inevitable consequence of development? Can cities grow and develop in a way that does not lead to widespread displacement of low-income residents? Are there ways that cities can strike the right balance between *physical* development and *community* development while keeping the needs of vulnerable populations front and center?

This report attempts to unpack these questions through an examination of an increasingly popular entrepreneurial governance tactic deployed by cities called tax increment financing, or TIF. By first contextualizing TIF in its historical and theoretical place in American urban governance practice and diving into some of the primary criticisms of the financial tool, this report tracks the evolution of TIF as it has been used for redevelopment in the state of California—from its early beginnings as a financing mechanism for urban renewal, to its widespread use for public infrastructure, and, most recently, to its application in EIFDs for loosely-defined redevelopment projects. Examining this evolution of TIF in the state where it

was invented reveals many of the perils of redevelopment finance, and of city dealmaking that prioritizes the promise of future tax revenue over current community needs.

The report then dives deeper into a case study of a large-scale, waterfront redevelopment project financed by TIF—the Howard Terminal Project in Oakland, CA. By examining the history of urban renewal and disinvestment in the neighborhood surrounding the Howard Terminal Project, the planned application of TIF, and how Oakland is considering equity implications and community benefits in its TIF developer agreement, several key takeaways emerge. (These are also informed by a detailed case study of a similar waterfront TIF development in Washington, DC, which is summarized in Box 1 and included in its entirety in the Appendix.) One lesson is that structuring financing mechanisms or the rules of development to better serve communities is crucial if cities are to strike the right balance between positive physical and community or economic development. But this is really difficult to do with tools like TIF that are complex and hard to make financially feasible. Another takeaway is that entrepreneurial governance practices come with major challenges, which is why cities should be cautious about adopting TIF and should consider other economic development strategies before jumping to tax incentives. If cities do establish new TIF projects, several principles should be prioritized: championing transparency and data collection, engaging meaningfully with the community in every phase of the project, implementing strong anti-displacement measures, and thinking creatively about TIF policy design. Incorporating some of the following recommendations into new TIF projects can help cities to shore up their budgets while promoting inclusive and equitable growth that improves community wellbeing.

- **Explore alternative financing options.** Using tax revenue to incentivize private development comes with its risks. For one, engaging in dealmaking requires time and money from all parties involved (e.g. staff time, administrative oversight, due diligence, contractor hiring, legal fees, etc.). If the development falls through, this can result in sunk costs. In the case of the Howard Terminal project, the City has already spent huge amounts of staff time (there are currently two city staff directly assigned to working on the Howard Terminal Project), which the city says will be repaid by the A's. But without a signed term sheet, it could be difficult to hold the team to those repayments.[15] There is also the critique that using tax incentives like TIF is a misuse of tax payer money—property tax revenue should be directed back into the community, not to developers who may have little interest in delivering public amenities or benefits. TIF—and especially EIFDs—is also just a really wonky financing mechanism that is difficult to explain to the public. Even if it is working as it should, it can be hard to convince the public of its benefits since it works through the opaque city tax system. Also, the requirements associated with EIFDs, which are almost inevitably paired with additional

[15] Now that the City of Oakland and Athletics have ceased negotiations for the Howard Terminal Project, it is unclear if and whether any of the costs—in staff time, consultant contracts, committee member stipends, a CEQA review, and other legal approval processes—will or have been paid for by the A's or whether these are truly sunk costs for the City. The City has yet to release more details about the future of the project or how the failed project negotiations will affect its budget projections.

requirements tied to other parts of the capital stack needed for any development project, can be difficult for developers and city staff to track and meet all obligations for.

But private developers also come with a really important resource—capital. Because of this, cities really cannot afford to abandon all tools for leveraging private capital for redevelopment projects. But before jumping to TIF or establishing an EIFD, cities should explore alternative financing options that may be easier and less controversial to implement, are attached to more stable funding streams (e.g. from longstanding federal programs), or have the ability to scale beyond city boundaries. Using more traditional financing tools like general obligation bonds, tax assessment districts, public-private partnerships, infrastructure investment funds, or municipal investments funds could encourage place-specific real estate development and local economic growth without introducing some of the challenges (both financial feasibility and equity challenges) that come with TIF (C40 Cities Finance Facility 2019).

- **Prioritize transparency and data collection.** Because TIF is typically used to fund large-scale, multi-decade-long projects, it takes time to understand the financing mechanism's full fiscal and equity impacts. It is also difficult for members of the public to locate and interpret many of the tax and budget documents that track TIF and EIFD-related revenue and expenditures (or projected expenditures), which makes it hard for residents to understand whether or not TIF is working as it should. This was one of the biggest issues with RDAs leading up their dissolution in 2012, along with a lack of state oversight. Without transparency, it is hard to hold cities and developers accountable, leaving the door open for financial abuse by both parties. A lack of data also makes it hard for advocates of TIF to show what kind of positive impacts the projects might be having in the community (aside from hiring numbers at the site).

  Efforts should be made by cities to invest in monitoring and evaluating whether and how TIF is a) working as it should to generate revenue to pay back bonds used for infrastructure development; b) generating any additional revenue that the city can distribute to other areas of the city that need it; and c) impacting the surrounding neighborhood. With EIFDs emerging as a new development financing mechanism for cities in California, both city governments and state legislators have the opportunity to fix what went wrong with RDAs. Setting high, and clear, standards for transparency and reporting at the state level would be a good first step. Enforcing the annual EIFD reporting process and providing an easy-to-read template for cities to present financial data to the public could also help ensure residents are kept abreast of how TIF is working in their neighborhood. Transparency and up-to-date data collection are key to understanding and regulating the fiscal impacts of TIF for both the state and city governments. Educating the public on what TIF is and how it's used can empower residents to hold government officials and developers accountable to deliver on the promises they make at the beginning of these projects. Publishing up-to-date data on the experience of TIF in EIFDs provides an opportunity for California to set an example for other states and to promote the use of TIF good practices in all cities.

- **Conduct deep community engagement.** In order to ensure that cities are deploying TIF or designing EIFDs in a way that serves the community and not just developer interests, cities must first assess community needs around a project. The City of Oakland's 2019 Race and Equity Baseline Indicators Report and the subsequent Community Benefits Agreement Recommendations exemplified the kind of community needs assessment and inclusive engagement that should be a foundation of all TIF projects. State legislators can learn from Oakland's example by incorporating a needs assessment and community benefits agreement requirement into EIFD law. Engaging meaningfully with residents before, during, and after TIF projects have been completed can also help to get buy-in from the community and avoid any political or legal backlash down the road. State legislators should consider setting up a dedicated fund with strict standards for community engagement tied to every TIF project. Because most TIF projects take decades to complete and require long-term commitments to development from a city, local governments could incorporate community feedback on TIF plans into their General Plan processes. Piggy-backing on community engagement already being conducted through the General Plan process could be more efficient than running a separate community engagement process for each TIF project. It could also help cities to more explicitly align TIF projects with broader planning goals (which is a requirement of EIFD law anyway).

  In California, EIFDs do not require voter approval to be established, although they do require 55 percent voter approval to issue any bond for TIF. In the case of the Howard Terminal Project, the City Council debated whether or not to put the project's EIFD up to a public vote, but ultimately decided against it. Mandating a public vote for approval of the project could ensure that both the city and developers do more work up front to ensure that community benefits are baked into the project terms. EIFDs do require three public hearings, with the third hearing serving as a protest hearing where community members can veto the project with a 50 percent majority opposition. Cities should advertise these hearings widely to encourage a diverse sample of residents to attend, and should target communication around the hearing especially to residents who live in neighborhoods adjacent to the project sites. Translation services and other forms of accessibility should also be incorporated into each hearing.

- **Invest in anti-displacement measures.** TIF provides a unique opportunity for local governments to control aspects of private development. Policymakers should consider the possible effects of gentrification and displacement that TIF projects may cause and should include anti-displacement provisions in TIF policies from the start. EIFDs do not require affordable housing minimums, although they do require all TIF-funded housing to be affordable. This should be changed in EIFD law to require a specific set-aside for affordable housing to be tied into new EIFD revenue streams or to require developers to build a higher proportion of *on-site* affordable housing for lower-income residents. (Because EIFDs do not have on-site affordable housing requirements, some developers may defer to the city to use TIF revenue to build affordable housing off-site, which

would be a missed opportunity to build more affordable units in a new development.) In the case of the Wharf in DC, the city's original affordable housing requirement called for 30 percent of new housing units to be affordable to low- and moderate-income residents, but the developers were able to reduce this by saying that some of the affordable housing would be "workforce" housing. But the "workforce" in DC is dominated by higher income earners, and workforce housing is usually targeted between 80-120% AMI, which does not correlate with the lower-income residents who are at highest risk of displacement in the area. Cities should avoid compromising when it comes to affordable housing requirements, as this is one of the strongest anti-displacement tools they have to leverage in developer agreements.

Other anti-displacement best practices for TIF projects include strengthening tenant protections and investing in neighborhood-serving organizations can help to mitigate the threat of evictions and cultural displacement that so often happens when new developments are built. Requiring local hiring practices and workforce development programs is another way to ensure that existing residents benefit from job growth in the area. The CBA recommendations for the Howard Terminal Project outline specific zip codes to prioritize for hiring, a living wage requirement ($5 over the state or local mandated minimum), and workforce development training for disadvantaged students in the area. Cities can learn from these community-centered requirements to incorporate anti-displacement measures directly into TIF project term sheets.

- **Focus plans on community needs.** Most state laws governing TIF allow for great flexibility and local discretion in the way that the tool is implemented. With this comes great responsibility on the part of cities to design TIF projects and partner with developers in a way that accounts for community needs. Because of this, TIF should only be used to pay for the aspects of the development that have a guaranteed public benefit (e.g. public space, affordable housing, public transit, etc.). Including strict stipulations for what tax increment revenue can be used to pay for on a project site is one of the basic tenets of good TIF dealmaking.

  Requiring CBAs to be agreed upon for all new EIFD or TIF projects is another way that cities can guarantee certain community benefits are delivered with the development. CBA processes are time consuming to undertake, however, and require strong accountability measures. Requiring affordable housing minimums on-site and off-site in the EIFD, public space and transit investments, and local hiring commitments are basic means by which cities can derive public good from private developers, with or without a CBA. The commitment from the A's to fund $15 million public art at the Howard Terminal Project outside of the CBA is a good example of tying cultural investments into a TIF term sheet. Because EIFDs no longer allow the city to collect tax increment from schools and other taxing agencies that do not "opt in" to the project, California TIF projects provide a model that other states or cities (like Chicago) might replicate to assuage the criticism that TIF unfairly takes revenue away from other public agencies and services in the community.

- **Experiment with innovative project design.** Some more experimental policies that cities could consider tying to TIF projects include offering reparations for existing low-income, BIPOC residents in communities surrounding a project site (like West Oakland, for instance) or providing certificates for any resident who is directly displaced by the development to be used to either skip to the front of the line on other affordable housing programs or to help fund a down payment on a home. A portion of tax increment revenue could be dedicated to paying for these reparations or certificates. Close attention should be paid to the ongoing research and design of a Black New Deal EIFD in Oakland, which is meant to "spur regeneration and health for Black residents" (Fife and Thao 2022). Oakland councilmembers have specifically pointed to the ability of EIFDs to reverse some of the harm caused by decades of racist housing policy, redlining, urban renewal, and disinvestment in West Oakland by bringing significant investment back into Black communities. Tying in reparations or other targeted wealth generating strategies to an EIFD could prove transformative for not only Black residents but the city at large. Establishing RISE districts to encourage sustainable development practices could be another way of leveraging TIF for environmental benefits in a city.

  Cities could also draw inspiration for TIF design from non-conventional financing mechanisms like Social Impact Bonds—a financing mechanism that involves governments paying for improved social or health outcomes in an area or among a population and then passing on a portion of the savings from these outcomes to investors. Incorporating broader measures of success—like poverty alleviation, improved health, high quality jobs creation, higher educational attainment, etc.—beyond increases in property value could be a creative way of merging development incentives with community benefits and equity goals. The challenge with this is ensuring that the benefits are delivered to and measured against existing residents instead of new, higher-income residents who move in. This may also prove to add too much complexity to an already complicated financing mechanism, but thinking more creatively about how to connect private capital to social outcomes and public good is worth exploring.

Considering these recommendations can help cities to design TIF in a way that supports redevelopment projects that are good for both the city and the community. More research is warranted, however, to fully understand the extent to which these actions are effective in advancing equitable and inclusive growth in TIF project areas over the long term. As EIFDs proliferate across California, cities should first and foremost prioritize robust data collection and reporting at the outset to ensure that TIF projects are solvent, and they should build in contingency plans if they are not. Cities should also put in place fiscal protections around the issuance of public debt in the case of an economic downturn or a developer abandoning a project. Conducting research on the growth of EIFDs and alternative redevelopment strategies can help cities get ahead of possible financial difficulties.

There is also a need for further research that seeks to understand how CBAs can most effectively be used for TIF projects. The Howard Terminal Project has the potential to serve as a model for inclusive and equitable development *if* the city holds firm to the recommendations put forth by the CBA planning group and holds the developer accountable to delivering on certain community benefits. Understanding how these benefits impact community members and mitigate displacement also requires long-term research plans and longitudinal data analysis. Conducting needs assessments and demographic studies around proposed EIFDs can help to set the foundation for robust project analyses down the road.

In most cities, redevelopment is inevitable. As urban populations grow and as the neighborhoods and infrastructure that support them age, some areas of cities will have to redevelop if residents are to continue to enjoy a good—or better—quality of life. TIF provides a means by which cities can incentivize and control redevelopment projects. As TIF projects expand, understanding how the financing tool can be used to facilitate development that is both equitable and inclusive will prove critical. Getting TIF right can help cities to begin to chip away at the tension between development and displacement, but this will require stronger deal making—and fewer compromises—on the part of city officials. Keeping the needs of the community—and especially of low-income, BIPOC communities affected by decades of disinvestment—front and center in all redevelopment project negotiations is the key to maximizing the promise and minimizing the perils associated with tax increment financing.

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Appendix. TIF in Washington, DC – A Comparative Case Study

This appendix section provides more detail on the case study summarized in box 1.

The city of Washington, DC, has heartily embraced tax increment financing (TIF) as a tool for redevelopment. By examining the largest TIF project in DC—the Wharf—which is very similar in size, scope, and neighborhood context to the Howard Terminal Project in Oakland, CA, several lessons emerge that could help to inform Oakland's efforts to establish a successful EIFD project. Firstly, there are many contextual parallels between the cities of DC and Oakland. For one, both cities are mid-sized with a population well under a million people and both cities sit within a larger, sprawling metropolitan area. Both Oakland and DC are also racially diverse, with less than 50 percent of residents identifying as white (the Oakland population is 22 percent Black and the DC population is 46 percent Black). Both cities are also spatially very segregated across socioeconomic and racial lines. Another similarity is that both cities boast significant waterfront acreage—Oakland with 19 miles of bay shoreline and DC with more than 15 miles of riverfront along the Potomac and Anacostia rivers.

DC and Oakland have also both been involved in negotiations for large, TIF-enabled, mixed-use waterfront redevelopment projects. The Wharf in DC is a $3.6 billion project for which the city has so far leveraged $198 million in both TIF and payments in lieu of taxes, or PILOT, to repay the developer for some of the upfront costs of construction in the area. Oakland, in an earlier stage of development planning, is considering leveraging nearly $300 million in TIF for construction of the new A's stadium and mixed-use development at the Howard Terminal. Both of these projects sit adjacent to majority low-income communities of color. Because of the similar project and neighborhood context, size of TIF allocation, and concerns around gentrification and displacement of nearby residents, the Wharf and the Howard Terminal Project provide useful comparison case studies. The next section examines the application of TIF at the Wharf in southwest DC, including an analysis of efforts the city has made to mitigate displacement and incorporate equity outcomes into the project.

TIF in Washington, DC

TIF first appeared in the nation's capital in the late 1990s, at a time when the city was recovering from major political scandal and near fiscal collapse. In 1990, the three-term DC mayor Marion Brown was convicted on drug charges and spent six months in federal prison. Despite this setback, Brown reentered politics after being released from prison and came back to win the mayoral race in 1995. By this point, though, the city was reckoning with a deficit of nearly $700 billion (Janofsky 1995). In the midst of this turmoil, Congress decided to intervene and formed a five-person DC Financial Control Board for the city. It appointed Anthony Williams, the former chief financial officer for the US Department of Agriculture, to serve as the independent CFO of the city, a position that he held until 1999 when he successfully won his own campaign for mayor.

Mayor Williams is credited with pulling DC back from the brink of fiscal collapse and he played a key role in shaping early revitalization plans for the Anacostia waterfront areas of DC, one segment of which would later turn into the Wharf. As Levin and Hyra (2020) explain, "Mayor Williams favored entrepreneurial governance strategies," and was the first mayor to use TIF as a tool for economic development in the city. Since his tenure, entrepreneurial practices like PPPs, business improvement districts, and TIF have proliferated in the District.

The current mayor of DC, Muriel Bowser, has also championed PPPs since she began her first term in 2015. Under her leadership, DC became the first city to establish a city-level agency dedicated specifically to PPPs (called the Office of Public-Private Partnerships, or OP3) (Capps 2018). Prior to becoming mayor, when Bowser was serving as a DC councilmember, she introduced the Public-Private Partnership Act of 2014, which led to the establishment of OP3 and the expansion of the city government's use of PPPs to achieve its development goals.

Mayor Bowser has been especially supportive of the expansion of TIF in the District to support large redevelopment and infrastructure projects. The two primary pillars of Mayor Bowser's 2017 economic development strategy for DC included growing the private sector GDP by 20 percent (to $100 billion) and reducing unemployment in all wards and sectors to below 10 percent (ODMPED 2017). Mayor Bowser has signaled an ongoing interest in using bonds (which are an essential part of DC's TIF policy) to stimulate economic development to reach these goals. When the first round of bonds (totaling more than $144 million) were issued for the Wharf development in 2015 with the highest bond rating in the city's history, Bowser noted: "This is yet another indicator that the District is strong and getting stronger. The financial market recognizes that DC has a diverse and vibrant economy, and our city is a smart investment. The upgraded rating will help us continue to attract and retain businesses, strengthen neighborhoods and build more pathways to the middle class" (Hill Now 2015).

Although TIF was first legalized in DC in 1998 with the passage of the Tax Increment Financing Authorization Act, the first TIF project was not started until 2002 when the city allocated $74 million in TIF bonds to the development of Gallery Place—a mixed-use business and entertainment area in downtown DC (Fahimullah et al. 2020). Since then, 17 more TIF projects have been established by the city, primarily in Downtown, Southeast, and Southwest DC—areas that the city has designated as "priority development areas" (Council of the District of Columbia 2013). These areas tend to be higher poverty (above 10 percent poverty rate) and feature abandoned or underutilized spaces. Unlike many cities, DC does not establish TIF districts. Instead, the city only designates TIF for a specific and narrowly defined project, with the increment captured from the project itself and properties directly adjacent to the TIF project area (called "contiguous squares") (Fahimullah et al. 2020). When the project timeline ends, all additional property tax revenue returns to the city's general fund (rather than a TIF district fund or other managing entity).

Once a TIF project area is established, private developers can approach the DC city government with a project application. The application must consist of a detailed development plan for the project that is submitted to the Office of the Chief Financial Officer (OCFO) and Deputy Mayor

for Planning and Economic Development (DMPED) for review and approval. (The Mayor has ultimate approval authority in the process.) Application requirements include: an assessment of the current area (including a map, condition of buildings, and current assessed value and property tax); a description of the proposed land use (including square footage, project timeline, proposed business types, and use of TIF); a pro forma of the projected revenues and expenses of the project; a financial feasibility assessment for the project; a description of the project's ownership structure; and a description of how the developer has or will obtain adequate debt and equity for the full cost of the project beyond what the city might provide in TIF (ODMPED 2018). Applicants are also required to outline a "but for" argument for their project (common to most TIF laws across the US), which explains how the development could not happen without TIF.

The project must also prove that it is compatible with the city's Comprehensive Plan and all local zoning ordinances. The city assesses all proposed TIF projects based on the projected tax revenue and benefits (including community benefits) that are expected to be generated by the project, with the aim of ensuring that the revenue and benefits will outweigh all costs associated with the project. Developers must also submit a $20,000 non-refundable fee to the city in order to be considered (ODMPED 2018).

The DC government outlines several policy goals with TIF: building affordable housing, advancing DC's economic strategy, and providing community benefits and amenities. That said, similar to the case of EIFDs in California, TIF funds can be used for a broad range of purposes, including the cost of land acquisition, site preparation, basic infrastructure like roads and sewerage, interest payments on bonds, and other capital costs. TIF can also be used to cover the cost associated with the preservation, reconstruction, repair, or remodeling of existing structures in an area, or even for education and job training related to the development project (Lincoln Institute of Land Policy 2019).

In one study of DC's first eight TIF projects, researchers found that five of the eight projects had a net positive fiscal gain for the city. Of these five positive TIF projects, all achieved a positive cash flow (i.e. the annual revenue generated from increased property value exceeded debt payments) within the first two to four years (Fahimullah et al. 2020). When analyzing all eight projects together, the researchers found that TIF was fiscally solvent because the revenue generated from the projects with a positive cash flow was more than enough to cover the debt owed for the three fiscally insolvent projects. This study suggests that TIF is working in DC, although not all projects are generating the revenue that they were projected to generate when TIF bonds were issued.

Project and Neighborhood Context

The largest TIF project in DC is located at the Wharf in the Southwest quadrant of the city. Originally home to the Anacostans people, Southwest DC was historically a center for farming, fishing, and commercial activity. To this day it is home to the oldest continuously-operating open-air fish market in the US. In the period following the Civil War, many low-income, Black

families settled in the Southwest neighborhood, and, although commercial activity in the area was booming, patterns of segregation and neglect meant that basic infrastructure and services like piped water, secure housing, and paved streets remained lacking. In 1937, the Federal Housing Administration gave the Southwest neighborhood a grade of “F” in its map of housing in the District, explicitly noting the concentration of Black residents in the area and the deteriorating quality of housing: “These areas house over three fourths of the negroes in the metropolitan district and are showing effects of negro occupancy; many of the structures are in poor condition and are rapidly tending to become slums if they are not already in that category” (FHA 1937). The Southwest neighborhood was originally home to majority Black residents, many of whom lived in townhomes and alley dwellings like the ones pictured in figure 1.

Figure 1. Southwest, DC, in the 1930s

Source: “Southwest DC, 1939.” 1939. David Moffat Myers.

The story of urban renewal in DC mirrors the story described in the Oakland case study. In 1945, DC’s Land Redevelopment Agency adopted an urban renewal plan for the area which led to the displacement of some 1,500 businesses and 23,000 residents, of whom 70 percent were Black and 90 percent were low-income (Hoffman-Madison Waterfront 2017; Russello Ammon 2009). Many of those who stayed lived amongst the construction and demolition (see figure 2). Developers built roughly 5,800 new housing units in the neighborhood, but many of the tenants who moved in were white and tended to be more affluent than the residents who had been displaced. The city also constructed the I-395 freeway during this period, which cut through the center of the neighborhood as one resident noted, “like a saber scar across the face of Southwest Washington” (Jex 1964).

Figure 2. Southwest housing units mid-urban renewal.

Source: "Untitled." Circa 1964. Garnet W. Jex.

Figure 3. Modernist apartment buildings in Southwest, DC.

Source: "Greenleaf Gardens Apartments on the southeast corner of M Street and Delaware Avenue SW." 1961. Garnet W. Jex.

Despite the brutal history of urban renewal, the Southwest neighborhood today is diverse, with a strong culture of civic engagement. The resident makeup is currently 44 percent white, 42 percent Black, 6 percent Hispanic, 5 percent Asian, 3 percent other, and 1 percent American Indian (ACS 2018 5-year estimates). There is a variety of housing types in the neighborhood, including several public housing developments that have been in operation since the urban renewal projects of the 1950s (see figure 3). One of these developments, Greenleaf Gardens, is currently up for redevelopment and plans are being debated about whether to create a mixed-income development in its place (Perry-Brown 2020b). Residents expressed a strong preference in the Southwest Neighborhood Plan for "real estate development that retains the neighborhood's balance and diversity" while also "[reflecting] the form and rhythm of the mid-

20th century, reinforcing the neighborhood design as a 'Modernist Gem'." Upholding the values of diversity and inclusivity while acknowledging the neighborhood's unique (and sometimes difficult) history is a priority for residents.

Civic engagement is high among Southwest community members and turnout at community meetings tends to be strong (DC Office of Planning 2015). The Southwest Neighborhood Assembly, or SWNA, is a robust civic organization that has been advocating for residents since 1964. The SWNA has been closely involved in the development of several city and community plans, and the website for the SWNA is up-to-date and well organized. The collective memory of the neighborhood is preserved in the website's historical pages, which are managed by the Southwest History Task Force. An impressive archive of old planning documents, historical reports, presentations, photos, and oral histories are easily accessible on the website.

The Advisory Neighborhood Commission 6D—made up of unpaid elected commissioners—also serves as a strong voice for Southwest residents in issues of planning, development, and neighborhood change and helps to build connections between the city government and residents. The ANC was involved in the creation of the Southwest Neighborhood Plan, completed by the DC Office of Planning in 2015, and was the primary community organization consulted by Hoffman-Madison Waterfront during the recent redevelopment of the Wharf.

Application of TIF at The Wharf

The use of TIF for redevelopment of the Wharf project in Southwest DC has its origins in the fiscal restructuring of the city government in the 1990s. As Levin and Hyra (2020) note, under Mayor Williams's leadership, "the city government commenced marketing and remaking the Southwest waterfront to attract private investment, mixed-use development, affluent new residents, and tourists. These plans, now over two decades in the making, successfully reimagined and remade Southwest DC's waterfront into an eco-chic, internationally recognized, and exciting new growth corridor."

In his first year as mayor, Anthony Williams oversaw the development of the Anacostia Waterfront Initiative, which first brought together public and private entities to revitalize an area in Southeast DC known as the Navy Yard (Government of the District of Columbia 2018). Mayor Williams used TIF to finance this work, which was later expanded to include other areas along the river including the Southwest Waterfront (Brandes 2005). The creation of the Anacostia Waterfront Corporation (AWC) in 2004—a public-private partnership run by the DC Office of Planning that managed the redevelopment of waterfront areas along the river—and the passage of the Federal and District of Columbia Government Real Property Act of 2006—a law that facilitated the acquisition of federal land along the river by the DC government—set the stage for TIF use for development of the Wharf (Levin and Hyra 2020).

In 2006, the AWC began accepting proposals for a Southwest waterfront revitalization project. The city ultimately chose the Baltimore-based firm Struever Bros. Eccles & Rouse and the developer PN Hoffman to carry out the project. Due to the recession in 2008, however,

Struever Bros. was forced to pull out and was replaced by the international development company, Madison Marquette (Neibauer 2015).

In 2008, DC approved the Southwest Waterfront Bond Financing Act, establishing a TIF area that covered about 23 acres of land along the Anacostia River in Southwest DC. In outlining the reasoning for establishing this TIF area, the DC City Council notes: "The Southwest Waterfront is a section of the District that requires financial assistance for its redevelopment because the scale of the project includes rebuilding the majority of the neighborhood and replacing existing infrastructure. The project will aid in the redevelopment by providing financial assistance to support the portions of the Southwest Waterfront that will revert to the District as publicly owned infrastructure and parks" (Council of the District of Columbia 2008).

The 2008 Bond Financing Act enabled the sale of up to $198 million in bonds[16] (including both TIF and payments in lieu of taxes, or PILOT) for the construction of the mixed-use waterfront development, with the project timeline extending to September 30, 2044 (Council of the District of Columbia n.d.). This project represented the largest TIF allocation in DC's history. It also required an act of congress to transfer the land title to the DC government, who then established a 99-year lease with the developers Hoffman and Associates and Madison Marquette (Meyer 2017).[17] This act was pushed through by Eleanor Holmes Norton, DC's non-voting delegate in Congress, and signed into law in 2012. Hoffman-Madison then submitted a detailed "planned unit development," or PUD, for phase 1 of the Wharf to the city, which was approved unanimously by the DC Zoning Commission in 2013 (Rosenfield 2013).

In 2015, the first series of bonds were issued for the Wharf, totaling nearly $145 million. The purpose of the bonds was "to (i) provide funds to finance, refinance, or reimburse certain costs incurred in connection with the development and financing of the Southwest Waterfront (Wharf) Project, (ii) fund capitalized interest on the Series 2015 Bonds, (iii) fund the Debt Service Reserve Fund, and (iv) pay the costs and expenses of issuing and delivering the Series 2015 Bonds" (District of Columbia 2015). The financial feasibility report submitted by Hoffman-Madison concluded that the development would generate 1.5 times the annual debt service obligation. Other than TIF financing, the developers have leveraged a combination equity finance and loans from global firms like PSP Investments of Canada and Goldman Sachs, in addition to millions in private debt, to finance ongoing construction of the Wharf (Sernovitz 2017).

Phase 2 of the Wharf development kicked off in March 2019 and the second series of TIF bonds were issued in August 2020, totaling $21.3 million (DCOCFO 2021). This second phase of

[16] This made up about 14 percent of the projected total cost of $1.4 billion for phase 1 of the project.
[17] Close to 30 percent of all land in DC and 85 percent of shoreline is controlled by the federal government (Bonard 2018). The Federal and District of Columbia Government Real Property Act of 2006 first set the stage for the streamlined transfer of federal and locally-controlled land to the DC government for redevelopment purposes. Congresswoman Holmes Norton then introduced two bills in 2011 (which were later combined into one) that removed restrictions on the land for the Wharf construction and re-designated the Washington Channel for increased boating and waterside activities (Norton 2017).

construction will expand the footprint of the development, adding an additional 1.25 million square feet of mixed-use space with an estimated value of $1.2 billion (Washington DC Economic Partnership 2019). There is less publicly-available information on the issuance of the 2020 series bonds for the Wharf, but that may just be due to delays in public accounting and report filing.

With phase 1 complete and phase 2 and 3 both well under way, the Wharf has transformed the waterfront area of the Southwest neighborhood into a “premier destination” for locals and tourists alike. The development features a mix of new apartments, retail, restaurants, entertainment, and public green space. According to a Development Manager for Hoffman and Associates, the Southwest waterfront area is generating between $30–40 million in tax revenue for the city and is expected to generate between $70–80 million once phase 2 is complete in the next few years (although it is unclear how much of that is contributing to the tax increment for TIF) (Crawford 2021).

As of 2022, the outstanding bond payments for the Wharf totaled $132 million (DCOCFO 2022). According to the annual debt service schedule laid out in the bond issuance documentation for the Wharf, close to $50 million was supposed to be paid by the end of 2022, suggesting that the city is behind on their bond payments by about $37 million (District of Columbia 2015). It is unclear from publicly-available documentation, however, whether this discrepancy between the scheduled bond service and outstanding bond payment balance is due to the lack of tax increment generated by rising property values at the Wharf or other factors (e.g. delayed reporting, COVID-related business closures, etc.).

Overall, researching the fiscal impacts of TIF at the Wharf was difficult. Financial reporting documents tended to be buried on various DC government webpages, and there was no easy way to understand how much of the tax revenue generated by the Wharf was the increment for TIF. The data and reports that were available on government websites also tended to ignore the indirect effects (both economic and socio-cultural) of TIF on surrounding neighborhoods, and how the use of TIF for development today sits within the historical context of urban renewal and displacement in the Southwest neighborhood in the 1950s and 60s.

Equity Considerations and Community Benefits

For many residents, the history of urban renewal and displacement in the Southwest neighborhood looms large. The Chairperson of the Near SE-SW Community Benefits Coordinating Council (CBCC), Rev. Ruth W. Hamilton, articulated the collective memory of urban renewal for residents of the neighborhood in a public testimony with the Zoning Commission concerning the Wharf development:

> “As residents of Ward 6 and specifically ANC6D, we are aware that within our community we have neighbors within a few blocks of this massive development living generation to generation in deep poverty and wary of promises that development will benefit them rather than remove them. Southwesters see any new redevelopment as

> the chance to right the wrongs that were done to a community in the Urban Renewal of the 50s and 60s. Unless the current residents of this neighborhood are specifically targeted for services and preferences, it is as if the memory of the first removal had been forgotten" (Government of the District of Columbia 2011).

Hoffman-Madison has been upfront about the past harm urban renewal has inflicted on the Southwest neighborhood, but public statements and marketing materials tend to be very positive and forward-looking. The Wharf website cites the displacement of thousands of residents in the 1950s and 60s, but shortly after, in highlighted text, it states: "A visit to the Southwest Waterfront is an opportunity to immerse yourself in the past and newly energized present" (Hoffman-Madison 2017). The Wharf of today barely resembles the Wharf of the past, however (see figures 4–6), and many existing residents do not feel connected to the new high-end image that the development outwardly projects (Levin and Hyra 2020).

Figure 4. The old fish market

Source: "Municipal Fish Market in 1100 block of Maine Avenue SW. View to east." Emil A. Press. 1959.

Figure 5. The new fish market

Source: “Municipal Fish Market at the Wharf.” Hoffman-Madison. April 2020.

Figure 6. Phase 1 of the Wharf

Source: “Where DC meets its water.” Hoffman-Madison. 2022.

Most efforts to engage meaningfully with lower-income residents during the design and development process for the Wharf seem to have fallen flat. Although the developers allude to extensive community engagement that went into the TIF project’s PUD process, it is unclear how residents’ concerns about gentrification and lack of neighborhood-serving businesses were reflected in the final design of the Wharf (DC Office of Planning 2015; Levin and Hyra 2020). According to Levin and Hyra (2020), “community members who owned property and who were well organized by condominium boards tended to support the project and appeared to be more influential in the PUD process than low-income community members who rented their homes

and tended to be critical of the project." Additionally, the Southwest Neighborhood Plan (which was produced by the city in 2015 with substantial community input, including from public housing residents) was not created until after plans for the Wharf had been finalized, so community concerns highlighted in the neighborhood plan did not influence the Wharf's development. The Wharf development plan as a whole reflects more an act of commodified place-making that has been driven by the interests of both developers and the city government to attract business and capital to the area (enabled by TIF) than a plan focused on cultivating existing community character and forms of local economic activity.

The DC government did take into account several equity considerations in designing its TIF policy for the Wharf, but outcomes of these considerations appear mixed so far. For one, in its contract with the developers, the city required that within 5 years of opening 51 percent of new jobs created by the Wharf must go to DC residents (Executive Office of the Mayor 2017). Additionally, the city stipulated that 35 percent of businesses to whom Hoffman-Madison subcontracted or rented to must be DC-based (Crawford 2021). Efforts made by developers to hire locally (especially within the Southwest neighborhood) have largely been unsuccessful, however (several early employment fairs attracted few residents according to a source working for the developer) (Crawford 2021). Non-DC businesses have also gotten around the local business requirement by creating "shell" companies that look local but are actually tied to national chains (Crawford 2021).

The city also mandated that some affordable units be included in new residential buildings at the Wharf. According to the Anacostia Waterfront Development Zone, 30 percent of new housing units had to be affordable to low- and moderate-income residents (i.e. those making 30 and 60 percent of the area median income, or AMI). The developers were able to negotiate a reduction in these requirements, however, with the promise of making at least 30 percent of units affordable to lower-income residents *and* "workforce" residents (i.e. residents making 100 to 120 percent AMI). This reduced the number of units affordable for residents making 30 to 60 percent AMI to around 18 percent, with workforce housing making up the other 12 percent (Cole 2017). About a third of units that are affordable to low-income residents have footprints of only 330 square feet, however, making them unsuitable for couples or families (Laber 2017). Amenity fees that amount to hundreds of dollars a year are not subsidized for low-income residents either, creating additional affordability barriers.

Homes for sale at the Wharf are even less accessible to low-income residents. The starting price for purchasing an apartment is $500,000, nearly twice the national median home value (DC Refined 2017). Only 11 homes have been earmarked for families earning between 50 to 80 percent AMI (District Wharf n.d.). That said, the fact that the city was able to require any units in a new high-end development like the Wharf be dedicated to lower-income residents speaks to the potential for TIF to advance affordable housing goals in the city (at least to a certain extent).

Early signs of gentrification in the area pose additional challenges to the message that TIF can effectively promote inclusive and equitable growth—a message that city leaders and

developers have pushed in recent years. In the zip code that encompasses most of the Southwest neighborhood—20024—the median home price jumped 55 percent between 2010 and 2019, from $230,000 to $417,750 (Perry-Brown 2020). The median home price citywide increased by only 33 percent during that same time period. Meanwhile, the percentage of low-income residents dropped from 21.5 percent to 7.5 percent between 2000 and 2016 (Institute on Metropolitan Opportunity 2019). The median income in census tract 102—the waterfront area where the Wharf sits—has also risen dramatically in recent years. Between 2013 and 2018, the median income rose from $84,053 to $109,844 (a statistically significant change according to ACS 5-year estimates).[18] In neighboring census tract 64, however, (where several public housing communities have been in operation since the 1950s) the median income in 2018 was only $30,991 (ACS 2018 5-year estimates). These signs of gentrification are not indicative of direct displacement, but left unchecked, could lead to the pricing out of low-income residents and displacement of social and cultural capital in the neighborhood.

The Wharf has been heralded as "one of the most transformative projects in the District," serving as a model for how TIF can be used to successfully revitalize a distressed urban area (Executive Office of the Mayor 2019). Since the Wharf opened in 2017, Mayor Bowser has announced several new TIF projects in the city, including $25 million in TIF bonds (with more in the works) to kick off construction of a large mixed-use development in Anacostia (which would be the first use of TIF in Ward 8) and $50 million in TIF bonds for an affordable housing and supermarket in northeast DC (Giambrone 2019). Without considering the serious consequences of gentrification and displacement from large TIF-enabled projects like the Wharf, DC could be on its way to redeveloping into a city that has higher levels of racial segregation, exclusion, and inequality.

[18] This is not necessarily proving that gentrification and displacement has occurred—it could be the case that residents in the area are just earning more. But because of the influx of new residents to the area who are living at the Wharf, it is likely that increases in income are not being enjoyed evenly across low- and high-income residents in the area.