A Report from the Bureau of Governmental Research

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TAX INCREMENT FINANCING IN JEFFERSON PARISH

JULY 2008

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BGR Project Staff

Janet R. Howard, *President*
Stephen Stuart, *Principal Author*
Peter Reichard, *Project Manager*

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BGR

The Bureau of Governmental Research is a private, non-profit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.

This report is available on BGR's web site, www.bgr.org.

Bureau of Governmental Research
938 Lafayette St., Suite 200
New Orleans, Louisiana 70113

INTRODUCTION

Jefferson Parish is considering the use of tax increment financing (TIF) to finance projects and improvements in designated areas. In each case, the Parish would set aside a portion of the sales taxes generated by retail stores in the area to pay for the project or improvements. Officials are discussing the use of TIF for:

- The acquisition of blighted property in Terrytown near Oakwood Shopping Center.
- Various physical improvements to the Fat City area in Metairie.
- Infrastructure and marketing for a new West Bank business park.
- Traffic flow improvements at the intersection of Manhattan Boulevard and the West Bank Expressway in Harvey.

As local governments have struggled to deal with increased blight and diminished resources, TIF has increased in popularity. However, to what degree it is effective has been the subject of growing debate. Proponents of the mechanism maintain that TIF creates more jobs, greater property values and more tax revenues, and that it revitalizes blighted areas. Critics dispute the effectiveness of TIF as an economic development tool and raise questions about the cost and fairness of the financing mechanism.

In this report, BGR:

- Provides an overview of TIF.
- Describes the proposed TIFs in Jefferson Parish.
- Reviews the perceived benefits of TIF, as well as the pitfalls and potential abuses associated with the mechanism.
- Makes recommendations concerning the future use of TIF in Jefferson Parish.

WHAT IS TIF?

TIF is a financing mechanism that enables a local government to capture incremental tax revenues from new development in a designated area and reinvest them in that area to fund improvements. The local government freezes the tax base in the area, called a TIF district, at the pre-development level for a period of years. Taxing bodies continue to collect the taxes on the pre-development base, but new tax revenue above that baseline is dedicated to infrastructure and other improvements designed to spur private sector development. In theory, the TIF district finances its own renewal and eventually generates greater tax revenue for the community as a whole.

The use of TIF involves a number of decisions, including:

- The designation of the geographic area for the TIF district.
- The development of a plan for improvements in the district.
- The dedication of part or all of the tax increment to finance the improvements.
- In some cases, the establishment of a governing authority for the district.
- The selection of the method of financing the improvements, such as a bond issue.

TIF is widely used throughout the United States. It originated over a half century ago to help fund urban revitalization. Today, 49 states and the District of Columbia allow the creation of new TIF districts.[1] State statutes vary widely as to the criteria for designating a TIF district, permissible uses, the types of taxes used, the maximum term for a district and the required procedures.

For example, some states require TIF districts to be located in blighted areas. Some require a formal finding that development would not occur without the TIF investment. Other states, including Louisiana, do not impose such requirements.

Property tax is the dominant revenue source for TIF. Forty-nine states and the District of Columbia authorize TIF based on property taxes (property TIF). Only 15 states and the District of Columbia also allow TIF based on sales taxes (sales TIF). Some states restrict the use of sales TIF to a more limited universe of projects than they allow for property TIF. A few states allow TIF for employment, hotel occupancy and various entertainment taxes. Louisiana allows TIF for undedicated property, sales and hotel occupancy taxes. However, for reasons discussed below, the use of property TIF is impractical in Louisiana, leaving sales TIF as the only viable option for most local governments.[2]

In a 2003 report entitled *Tax Increment Financing in New Orleans*, BGR recommended changes to Louisiana law governing TIF. The report can be found at www.bgr.org.

TIF PROPOSALS IN JEFFERSON PARISH

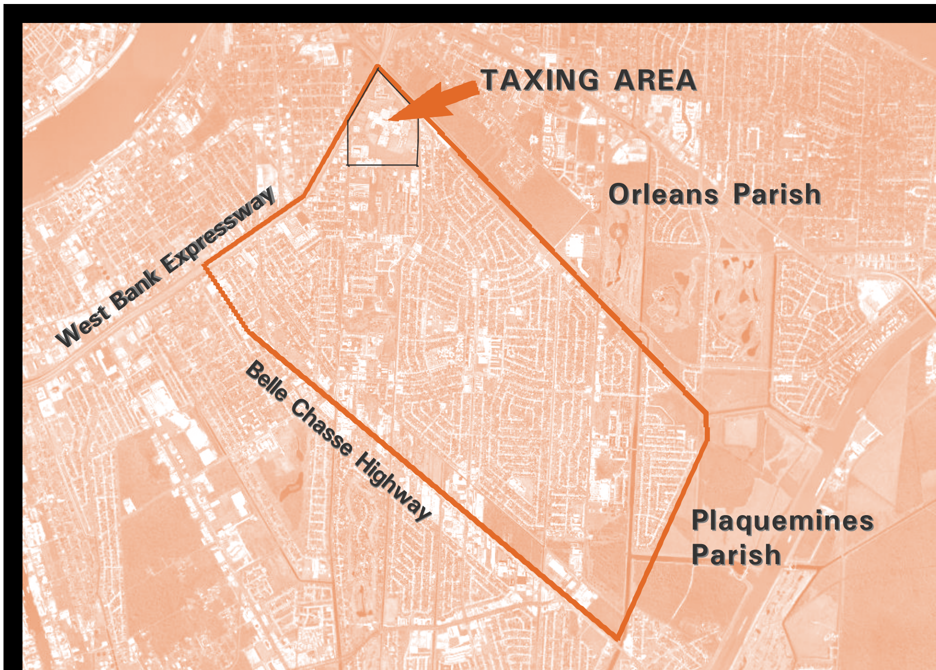
The State Legislature has passed three special purpose laws authorizing the Jefferson Parish Council to establish sales TIF districts in designated areas on the West Bank.[3] The Council has created each of the three districts: the Terrytown Redevelopment and Restoration District (Terrytown District), the Churchill Economic Development District (Churchill District) and the Manhattan Corridor Economic Development District (Manhattan District). The Legislature recently passed another special purpose law to create a fourth district in Metairie (Metairie District).

The four laws are similar. Each designates the Parish Council as the district's governing authority. Each states the district's purpose in broad terms, giving the Council significant discretion in implementation. The incremental tax revenues exclude taxes dedicated to special purposes, unless voters approve otherwise. This will in effect limit the source of the districts' incremental revenues to the Parish's 0.5% undedicated sales tax, which funds general government costs. The districts may issue revenue bonds or otherwise use the incremental sales taxes for any purpose authorized by law.

In addition, the laws authorize the Parish to seek from the state a commitment of its incremental sales tax revenues. Such a commitment requires the recommendation of the secretary of the Louisiana Department of Economic Development. It also requires the approvals of the Joint Legislative Committee on the Budget and the State Bond Commission. The Parish plans to request the incremental sales tax revenues.

Terrytown District

The Jefferson Parish Council created the Terrytown District in October 2007. It also applied to the State Bond Commission for a proposed TIF bond issue for the district, but the application was incomplete and remains inactive. In May 2008, the Parish Council created an advisory board to make recommendations on projects and improvements in the district.



THE TERRYTOWN TIF DISTRICT

The Terrytown District grew out of post-Katrina negotiations between Parish officials and the Oakwood mall owner regarding the mall's reopening. Looters had badly damaged and burned it in the aftermath of Hurricane Katrina. Parish officials prioritized reopening the mall, which has long served as a major generator of local sales taxes, and committed to address the owner's complaints about conditions in the surrounding neighborhood. The Parish has undertaken beautification, repaving and code enforcement in the area, and plans to acquire property in the vicinity using TIF revenue. The mall owners renovated and reopened Oakwood in 2007.

The boundaries of the Terrytown District are the West Bank Expressway, Belle Chasse Highway, the Plaquemines Parish line and the Orleans Parish line. The Parish Council has designated a smaller taxing area from which it will capture the incremental sales taxes. That area is the Oakwood mall property, bounded by the West Bank Expressway, Terry Parkway, Wright Avenue, Hector Avenue and Whitney Avenue.

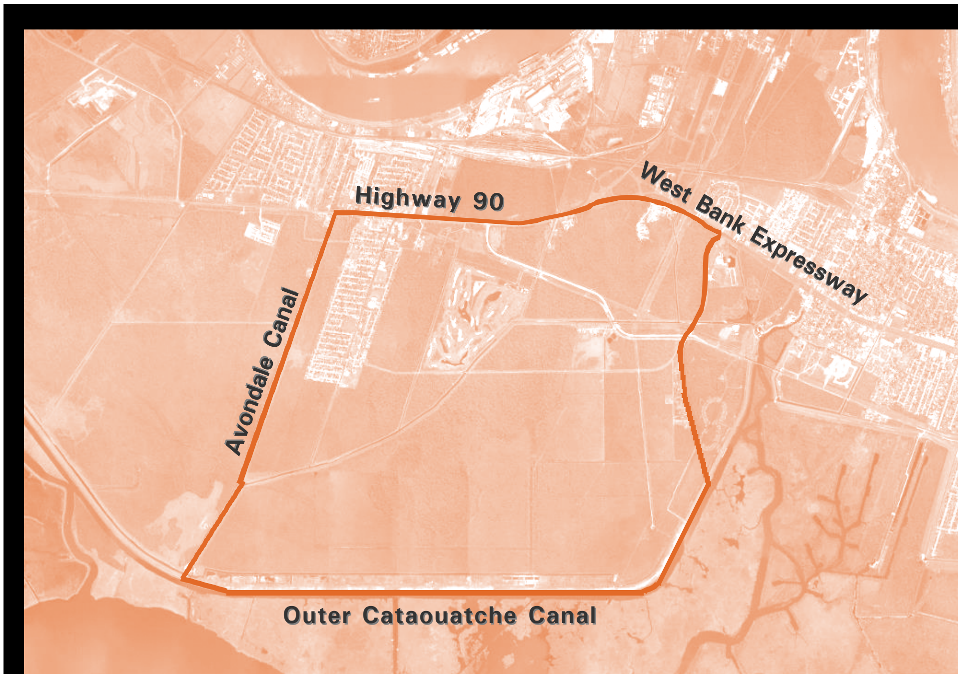
The Parish anticipates using the revenue primarily to acquire and redevelop deteriorated property near Oakwood mall. Generally, it plans to target the neighborhood south of Oakwood mall, identified in a 2007 study as a problem area of crime and blight.[4] The Parish would retain ownership and explore its development options, which Parish officials say may include housing for public employees.

The Parish Council has designated 2006 as the baseline year and $424,000 as the baseline for sales tax collections. The baseline includes $212,000 generated by the 0.5% local sales tax and $212,000 generated by 0.5% of the state sales tax. Incremental revenues would consist of those generated in excess of the baseline. The Parish has committed increments of the 0.5% local sales tax to the TIF district. It plans to ask the state to pledge a matching amount of incremental sales tax revenues to the district.

In 2006, the Oakwood site was not fully operational and as a result generated only one-fourth the local sales tax revenue it produced in 2004 ($866,000). By using 2006 as the baseline year, the Parish is enabling the TIF district to capture a larger increment than it would have using a year when the mall was fully operational. Part of the captured increment is attributable to the return to the pre-storm status quo, rather than to improvements attributable to the use of TIF proceeds. As a result, there is a greater impact on the General Fund because it dedicates a greater proportion of the sales taxes the site generates.

Churchill District

In November 2007, the Parish Council created the Churchill District west of the City of Westwego. Within its boundaries are the Jefferson Parish Economic Development Commission's (JEDCO)



THE CHURCHILL TIF DISTRICT

planned Churchill Technology and Business Park, the Tournament Players Club of Louisiana golf course and hundreds of acres of vacant, privately owned land.[5] State law describes the purpose of the district as cooperative economic development and directs the Parish Council to work with JEDCO to further economic development in the business park and the district. It limits the use of TIF proceeds to assistance for the business park.

JEDCO initiated the business park development with the donation of 40 acres of land by a local landowner. In 2007, it exercised an option to buy an additional 50 acres of contiguous land.[6] As part of the donation agreement, JEDCO committed to install infrastructure at the park. It has begun work on the first 40 acres using a combination of federal, state and Parish funds.[7] It has not secured funds to extend the infrastructure to the additional 50 acres. As the owner of the park, JEDCO anticipates leasing sites to private businesses and operating the park with lease revenue.

The Council and Parish administration continue to evaluate the proposed TIF district. The Parish has not determined the uses of the TIF revenue in the park, although it is considering infrastructure, marketing and business recruitment. The Council has not designated a taxing area or a baseline collection amount. At present, the area within the district generates negligible sales tax revenue. Officials anticipate future retail development based on indications from developers.[8]

The proposed TIF would continue several years of public investments in and around the Churchill District. Within the district, the Parish has widened Lapalco Boulevard. The state has leased land to, partially funded the construction of, and subsidized the operations of the golf course.[9] The state will partially fund construction of a science and technology academy at the business park. Outside the district, the state has funded the construction and ongoing expansion of the Alario Center, begun widening the Huey P. Long Bridge and provided capital funds for the expansion of Avondale shipyard. Federal investments include levee improvements and the future extension of Interstate 49 along existing Highway 90. A significant portion of the Parish's undeveloped West Bank land within the levee system is located in and around the Churchill District.[10]

Manhattan District

In April 2008, the Council created the Manhattan District. It covers the unincorporated area bounded by Fourth Street, Heebee Canal, Whitney Canal, Verret Canal, Harvey Boulevard, Murphy Canal and Gardere Canal. The district encompasses most of the Manhattan Boulevard commercial corridor and a significant amount of land east and west of Manhattan. The Council has not passed an ordinance to designate

THE MANHATTAN TIF DISTRICT

the taxing area and establish the baseline collections. It contemplates using TIF to finance property acquisition to build a new turn lane or a ramp connecting northbound Manhattan Boulevard to the West Bank Expressway.

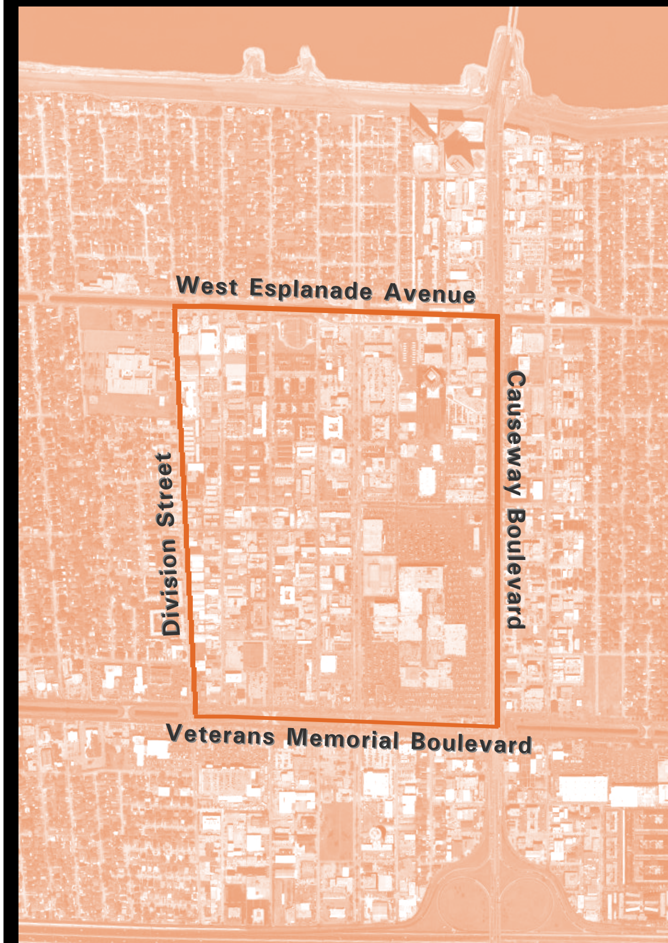
Metairie District

The Legislature recently passed a bill authorizing the Jefferson Parish Council to create the Metairie District.[11] The district would be bounded by Veterans Memorial Boulevard, Causeway Boulevard, West Esplanade Avenue and Division Street.

This TIF district is part of an ongoing effort to confront the decline of Fat City, a high-density residential and commercial area saddled with infrastructure, zoning, aesthetic, property maintenance and other problems.[12] Parish officials initially considered using TIF for large-scale redevelopment, but have opted for more limited improvements due to the high costs and complexity of property acquisition.[13] The Parish has not committed to any particular source or use of TIF revenues.[14]

The Parish has taken other actions to revitalize Fat City.

- In 1989, it designated the Metairie Central Business District, which includes Fat City, as an economic development district, allowing property owners to seek the Restoration Tax Abatement incentive.
- The 2001 Metairie CBD Land Use & Transportation Plan prioritized improvements to Fat City.[15] In 2003, the Parish Council incorporated that plan into the parish's comprehensive plan.[16]
- In 2006, the Parish Council adopted high-rise condominium regulations, allowing unlimited height in Fat City.
- The Parish recently allocated funds for the reconstruction of 18th Street, which runs through the heart of Fat City.



THE METAIRIE TIF DISTRICT

- In February 2008, the Council requested that the Governor study the feasibility of developing a state government complex in Fat City.
- The Parish is currently enhancing code enforcement and reviewing zoning laws.

THE ALLURE OF TIF

In seeking to use TIF, Jefferson Parish joins a host of suburban governments seeking to rebuild infrastructure, address blight, and improve the quality of life and economic prospects for their residents. TIF has great appeal. It provides a local government under severe financial and political constraints with a means of making infrastructure and other capital improvements. Many of these projects might not otherwise be feasible. Proponents maintain that carefully conceived and executed TIFs lead to increased employment, improved environmental conditions, additional private investment, increased tax revenues and civic pride. TIF proponents cite additional benefits:

Catalytic Effect. Proponents perceive TIF as a good mechanism for encouraging and leveraging private investment to address issues of unemployment, poverty and blight in distressed areas. By funding public infrastructure improvements and demolition, site preparation, property assembly and environmental clean-up costs, local government makes the urban landscape more attractive for private investment. In a successful TIF district, the initial investment attracts additional private investment, multiplying the benefits to the public.

Self-Financing Investment. Much of the popularity of TIF stems from the self-financing nature of the mechanism. Typically, the local government's financial obligation is limited to the incremental taxes generated in the TIF district. In theory, these incremental revenues occur only because of the TIF investment. Thus, the public suffers no loss of revenues; it pays for the development out of funds it would not have otherwise received.

Political Appeal. TIF has tremendous political appeal for a variety of reasons. Most importantly, it allows the local government to make the desired investment without raising tax rates or cutting current expenditures. In many states, the TIF district can make the investment and issue debt payable from the TIF without voter approval.

Limited Obligation. The limited nature of the obligation also contributes to the appeal of TIFs. Because TIF indebtedness does not constitute a general obligation, the local government is not liable to creditors if the anticipated revenue stream falls short. In addition, TIF bonds generally do not count against the local government's debt limit.

Flexibility. TIF statutes typically provide local governments with significant discretion over the investment of future tax revenue. In addition, TIF avoids the bureaucracy associated with transfers of federal and state revenues.

Sharing of Development Costs. Prior to the invention of TIF, the municipality or county was the only local tax recipient body to bear the cost of redevelopment. Other taxing bodies that would ultimately benefit from the increased tax base made no contribution. In some states, a local government can capture the incremental revenues of other taxing bodies and invest them in the TIF district.

CONCERNS ABOUT TIF

As the use of tax increment financing has proliferated, the mechanism has come under attack for being ineffective, inefficient and inequitable. Critics claim that TIF has harmful side-effects that negate or reduce benefits. These include the following:

Negative Impact on Other Businesses. TIF can confer benefits on certain businesses at the expense of others. For example, a successful TIF-supported retail development will draw business away from retail businesses located outside the TIF district. This raises issues of fairness.

Reduced Revenues. To the extent that businesses in a TIF district attract sales from businesses located outside the district but inside the jurisdiction, the existing revenue base of the jurisdiction is reduced. The government is deprived not only of the incremental revenues in the TIF district, but also of the tax revenues that it would have received from adversely affected businesses.

Costs Transferred to Other Taxpayers. A TIF district can increase a local government's operating costs without providing sufficient offsetting resources. The development may increase demand for government services and infrastructure that its new taxes, now captured by the TIF district, would otherwise help to offset. In addition, the burden of paying for that increased demand falls on taxpayers outside the TIF district.

Negative Impact on Other Areas. TIF districts redistribute public resources to designated areas. As an unintended consequence, TIF districts can have a negative impact on unsubsidized areas by drawing away investment, contributing to stagnation or decline. This is particularly true in markets where there is limited demand for a good or service.

Fragmentation of the Tax Base. Creating too many TIF districts can lead to a fragmented tax base in which the districts and neighborhoods experiencing growth lock up the incremental tax revenue they create. This may unduly constrain the growth of unrestricted revenues for local government.

Intra-Regional Competition. When a government uses TIF to lure businesses from a neighbor or as a weapon in an intra-regional bidding war, it becomes a zero-sum game for the region and state: One community wins, one loses, and there is no net gain.

Unwarranted Private Subsidy. When TIF is used to fund public works and infrastructure, or to pay for demolition, property assembly, environmental cleanup and other site preparation, it may represent a public investment in the prep work needed to make the urban landscape more attractive for investment. TIF becomes more problematic when it is used to provide capital for private improvements. This increases the risk of the government compensating for financial weaknesses in a proposed development or otherwise providing an inappropriate subsidy.

Cost of Funding. In a pure TIF, the local government's repayment obligation is limited to the incremental taxes generated in the TIF district. This tends to make TIF bonds more expensive. Jefferson Parish plans to structure its TIF bonds in a way that avoids this problem.

Burdensome Administration. TIF is a complicated financing mechanism. To work effectively and efficiently, it requires significant administrative resources and a high level of professional expertise for evaluation and implementation. Such expertise runs the gamut from finance and accounting to real estate development. In addition, successful evaluation depends on the accuracy and rigor of the underlying market survey, cost-benefit analysis and other impact studies.

SPECIAL CONCERNS ABOUT SALES TIF

As noted above, many states that allow property TIF do not allow sales TIF. This is because sales TIF presents additional or, in some cases, more pronounced concerns. These include:

- Sales tax revenues are more volatile than property tax revenues. This can make sales TIF debt more expensive for the public.
- Sales TIF districts are more likely than property TIF districts to capture revenues unrelated to the TIF investment, thus reducing current tax revenues available to the jurisdiction. One example of unrelated revenues is taxes that stores outside the district would otherwise generate. Another is tax increases due to an upturn in general economic conditions.
- Because sales TIF districts need large, creditworthy retailers or shopping centers to generate significant tax increments, the quest for a TIF source can lead to land use distortions and unnecessary subsidies for big retailers.
- If TIF revenues subsidize a retail operation, that store can gain an unfair advantage over its competitors.
- Unless contractually constrained, a retailer can enjoy the TIF subsidy and deprive the local government of projected benefits by departing when the TIF period ends.
- A reliance on sales TIF may distort a government's economic development priorities by directing public dollars into investments, such as retail stores, that offer less economic impact than other investments, such as businesses that export goods to out-of-town customers.

Because of the increased risks associated with sales TIF, BGR has generally recommended against using sales TIF. It has made the recommendation with awareness that Louisiana law makes the use of property TIF unattractive, if not impractical.

There are several reasons why property TIF is impractical. One is that voter approval is required for bond issues backed by property TIF, but not by sales TIF. More importantly, Louisiana law does not allow the use of revenues that were previously dedicated to a special purpose, without voter approval. In Jefferson Parish, the undedicated property tax is 1.68 mills, and the undedicated sales tax is 0.5%. A large retail store generating annual sales of $70 million would produce undedicated sales tax revenues of $350,000. If the property value of the new store were $20 million, the undedicated property tax revenues would be only $5,000. Put another way, to generate $350,000 of new undedicated property tax revenue, a TIF district would need an astronomical property value increase of nearly $1.4 billion.

SALES TAX TRENDS

From fiscal years 2001 to 2004, the General Fund averaged sales tax growth of 2% per year, a steady clip but below the 3% to 5% typical of a healthy economy. Since Hurricane Katrina, recovery spending and price inflation have ballooned collections. In 2006, the Fund collected $36.7 million, an increase of 41% compared to 2004.

According to the Jefferson Parish Sheriff's Office, post-Katrina sales tax collections parishwide peaked in July 2006, up 48% over the same month in 2004. But in January 2008, collections were only 24% above the same month in 2004. The Sheriff's Office estimates that monthly collections will further diminish to 5% above pre-Katrina levels by mid-2010. It projects collections to grow by 2% to 3% per year thereafter based on normal inflation.

OBSERVATIONS ON THE TIF PROPOSALS

Currently, the TIF proposals in Jefferson Parish are in the formative stages, making analysis and evaluation difficult. However, some patterns are emerging. On the positive side, the Parish appears to be using TIF to invest in public infrastructure and blight remediation, rather than to pay developers' mortgages. The projects also appear to be compatible with the Parish's comprehensive plan and JEDCO's economic development strategic plan.[17] On the negative side, the Parish is proceeding without the benefit of policies or procedures to guide it.

The TIFs under consideration would function as a dedication of revenues for the benefit of limited areas. This exacerbates an existing weakness in the Parish's fiscal structure: its excessive dedication of tax revenue.

General Fund

The General Fund receives collections of undedicated Parish revenues. Because approximately 85% of Parish revenues are dedicated, the General Fund is relatively small. It totaled $72 million in 2004 and $93 million in 2006.[18] By contrast, New Orleans has a general fund four times the size of Jefferson's; less than 30% of its revenues are dedicated.[19]

The 0.5% sales tax is the largest revenue source for the General Fund, accounting for up to 40% of its revenues in recent years. Jefferson Parish officials believe the General Fund can withstand the diversion of sales tax revenues to the Terrytown District. They have not analyzed the fiscal impacts of the other proposals or their cumulative effect. Dedicated taxes supporting major Parish services and infrastructure would not be affected.

A combination of the Parish's conservative budgeting and the post-Katrina revenue surge has produced substantial excess revenues in the General Fund in recent years. The Parish has been directing the excess revenues to one-time expenses, such as debt repayment and construction projects.[20] However, Parish officials expect the post-Katrina surge in collections of the 0.5% sales tax to run its course over the next few years (see sidebar). Anticipating this, the Parish has sought to eliminate or reclassify vacant positions and otherwise streamline Fund expenditures.

As surpluses wane and TIF districts multiply, diverting revenues from a source that provides such a large percentage of the General Fund's resources poses a long-term threat to the Parish's ability to pay for services and other expenses covered by the Fund. They include certain state-mandated costs of the justice system; code enforcement and certain other public safety costs; various health, welfare and cultural services; and general administration. Those expenses are likely to grow.

Fragmentation of the Tax Base

The dedication of General Fund TIF revenues to specific parts of the parish contributes to the fragmentation of the tax base. Each TIF district will lock up incremental sales tax growth at specific retail developments in the district for a period of years. If the Parish issues TIF bonds, the duration of this tax capture could easily run 10 to 20 years. During that time, the incremental revenues will not be available to meet needs in other areas of the parish. However, incremental growth in non-TIF areas will be available for use anywhere in the parish, including the TIF districts.

As TIF districts proliferate, the Parish's ability to respond to needs on a parishwide basis will diminish, and non-TIF areas will cover a disproportionate share of those increased costs. Tax base fragmentation underscores the need for the Parish to evaluate TIF decisions in the context of its overall spending priorities.

FUTURE USE OF TIF IN JEFFERSON PARISH

As noted at the outset of the report, TIF is one of a number of economic development tools available to local governments. It provides governments under severe financial and political constraints with a means of making investment in infrastructure and economic development projects. TIF has tremendous political appeal in that it can be implemented without raising taxes and, in many cases, without obtaining voter approval. It has a certain conceptual beauty in that the investment is, in theory, self-financing and the development supporting it would not have occurred otherwise.

Under closer scrutiny, the underlying premise that a TIF is self-financing is open to question. As noted above, TIF might increase a local government's operating costs and transfer them to residents outside the TIF district. Because of the difficulty of making long-range projections, it is difficult to assess whether development in an area would have occurred without TIF. It is even more difficult to determine whether, and to what extent, gains in a TIF district are offset by stagnation, decline, or reduced growth in other areas and businesses. To the extent that the gains are offset, the existing revenue base of the local government is reduced.

Given the many unknowns surrounding the performance of TIF districts, and the identifiable types of dislocations that can occur, it is exceedingly dangerous to view TIF as free money. Rather, TIF should be considered an allocation of future resources and assessed with a stringency befitting other long-term investments of future revenue. The investment should be made only if it is effective, efficient, equitable and in furtherance of a defined public policy.

In meeting these goals, sales TIF districts can easily fall short. BGR considers sales TIF a poor tool for economic development and recommends against its use. However, if Jefferson Parish is determined to proceed with the use of sales TIF, it should put in place the framework needed to carefully evaluate TIF proposals and minimize their downsides. Such a framework would ensure that:

- TIFs conform with and promote the Parish's economic development plan.
- TIFs are used only in areas that would not be redeveloped without public investment.
- TIF proceeds are used only for public improvements.

- The Parish carefully analyzes all TIF proposals.
- The Parish minimizes its investment and maximizes its return.
- TIFs are used objectively and transparently.

To that end, BGR is making the following recommendations.

RECOMMENDATIONS

Comprehensive Planning

To encourage prioritization and careful targeting of projects, the Parish should:

- Develop a parish-wide plan for the use of TIF.
- Require that the TIF plan and all TIF investments conform with, and promote the objectives of, the Parish's comprehensive plan, including its land use and economic development plans.
- Establish a cap, based on a dollar amount or percentage of its General Fund, on the amount of taxes that can be diverted from the General Fund to TIF districts.

Location

To limit the use of TIF to areas that would not be developed without public funding, the Parish should:

- Designate eligible areas for TIF districts based on objective indicators of economic distress. As a general matter, such areas should not be exposed to a high risk of catastrophic flooding.
- Require a finding that the proposed district is located in an eligible area.
- Require a finding of blight in the district, based on objective criteria.
- Require a finding that appropriate development would not occur in a proposed district within a reasonable time frame without, or "but for," the TIF.
- Base the "but for" and blight findings on a thorough, independent analysis.

Use of TIF Proceeds

To ensure that TIF is used to create a level playing field and to limit impacts on competitors, the Parish should:

- Prohibit the use of TIF to pay for private improvements.
- Limit the eligible uses of TIF primarily to public works, infrastructure and environmental remediation costs that cannot be financed by other means.

Evaluation and Approval

To enable it to determine the necessity, viability and benefits of a proposed TIF district, the Parish should:

- Require detailed supporting documentation for all proposals, including cost-benefit analyses and feasibility studies.
- Establish a uniform system, including criteria, for evaluating and approving TIF districts.
- Obtain advisors or staff with sophisticated financial, legal and managerial expertise needed to evaluate, implement and monitor TIF districts effectively.
- Select any consultants via a formal request for proposals.
- Prepare a redevelopment plan for the district, detailing proposed projects and financing.

General Fund Safeguards

To minimize investment and maximize return, the Parish should:

- Obtain pledges of state sales tax increments to supplement local investment.
- Consider TIF only if alternative methods of financing are unavailable or insufficient to achieve the purposes of the district.
- Require proposals to demonstrate potential catalytic effects on the surrounding neighborhood, meaning the development is likely to spark other development.
- Limit the duration of the TIF district to the shorter of 20 years or the term of the original bond issue.
- Establish a percentage cap on the amount of incremental revenues captured annually by any TIF district.

TIF Administration

To ensure transparency and accountability, the Parish should:

- Establish strong ethical standards and conflict of interest rules.
- Conduct all meetings relating to TIFs in accordance with the letter and the spirit of open meetings law.
- Make all documentation relating to TIFs available to the public.
- Make an annual report on TIF districts, including the amount of public funds they receive, the investments they make and the benefits they produce.

END NOTES

[1] Arizona is the exception.

[2] Depending on the jurisdiction, undedicated hotel occupancy taxes may be significant enough to support a TIF district.

[3] The laws are found at R.S. 33:1420.16-1420.18. In 2006, the State Legislature passed legislation authorizing the Jefferson Parish Council to create a sales TIF district to support the operations of the Tournament Players Club of Louisiana golf course on the West Bank. In 2007, it repealed that TIF statute.

[4] University of Washington, *Terrytown: Building a New Vision*, prepared for Jefferson Parish, 2007, p. 14.

[5] The boundaries are Segnette Boulevard, Canal A, Outer Cataouatche Canal, Main Canal Extension, Avondale Canal, Highway 90, and the West Bank Expressway. The boundaries do not include the Alario Center property.

[6] JEDCO used private donations to pay the $1 million purchase price.

[7] Infrastructure investment has totaled more than $5 million to date.

[8] In November 2007, the Parish established a Community Development District for a future 60-acre private development on Segnette Boulevard. This district is not a TIF district, but a mechanism that levies a special assessment on the future development to finance its infrastructure and other services. Separately, a private entity has purchased vacant land in the Churchill District near the corner of Segnette Boulevard and Highway 90 for a new development that may include a Wal-Mart store.

[9] State capital outlay funds for the golf course totaled $12.2 million. Annual operating subsidies, paid by the Division of Administration pursuant to the land lease, totaled approximately $2.6 million during the state's fiscal years 2005 to 2007.

[10] According to the University of New Orleans' College of Urban and Public Affairs, the unincorporated area of the parish has approximately 20,815 acres of undeveloped land inside the levee system. Approximately 20,142 of these are located on the West Bank. Much of this land is considered wetlands.

[11] HB 465 of the 2008 Regular Session.

[12] The Parish defines Fat City as the area bounded by Veterans Boulevard, Division Street, West Esplanade Avenue and Severn Avenue. Fat City is part of the irregularly shaped Metairie CBD. The Fat City area is approximately 100 acres.

[13] Less than 5% of the Metairie CBD's 540 acres are vacant. Burk-Kleinpeter, Inc., *et al.*, Metairie CBD Land Use & Transportation Plan, prepared for the Regional Planning Commission and Jefferson Parish, December 2001, pp. 2-4.

[14] One possible source is new sales taxes from a Macy's store under construction at the Lakeside Mall.

[15] Metairie CBD Land Use & Transportation Plan, *op. cit*., p. ES-2.

[16] Jefferson Parish Council Ord. No. 21987, September 17, 2003.

[17] The comprehensive plan is Envision Jefferson 2020 and the JEDCO plan is Jefferson EDGE 2010. The Jefferson Parish Council endorsed the JEDCO plan in November 2005. In addition, the comprehensive plan designates the Jefferson EDGE as the economic development strategic plan for Jefferson Parish. Jefferson Parish, Code of Ordinances, Sec. 25-122.

[18] Jefferson Parish, Comprehensive Annual Financial Reports, for the fiscal years ended December 31, 2004 to 2006.

[19] BGR, *Emerging Issues: Jefferson Parish Fiscal Outlook*, March 2004, p. 4.

[20] For example, in 2006, the Parish reserved $1.6 million of the $31.8 million year-end fund balance for the cost of annuities to provide for future retirement benefits of parish court judges. It designated another $15.6 million for 2007 expenditures including the non-recurring portion of a new pay plan and advance repayment of hurricane-related debt, and $4.8 million for future construction. It retained an undesignated fund balance of $9.8 million, a healthy 11% of total General Fund revenues. 2006 Comprehensive Annual Financial Report, *op. cit.*

Bureau of Governmental Research
938 Lafayette St., Suite 200
New Orleans, Louisiana 70113

CHANGE SERVICE REQUESTED