



Alan Herbert: Tax increment financing buys transit

By Charlie Smith

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Former Vancouver city councillor Alan Herbert knows some things about the effect of rapid-transit projects on urban real-estate markets. In the late 1960s, he wrote a UBC master's thesis on the historical impact of urban-rail systems on the cities of Chicago, Cleveland, and Toronto, and he has been paying attention to this topic ever since.

"In Chicago, the city fathers of the day—we're talking about 1880 to 1895—decided to increase the density around the stations on the loop," Herbert told the Georgia Straight in a recent phone interview. "They did it in concert with the technological advance called the elevator."

He said this led to major real-estate developments, enabling Chicago to pass St. Louis as the industrial hub for the entire region. "Chicago was the upstart, and it basically kicked St. Louis to the sidelines," he said.

For more than a decade, Herbert has maintained that Metro Vancouver could use a different approach to financing rapid transit. Recently, TransLink officials have been in the news for creating a real-estate division, which will buy land along rapid-transit routes and generate cash by doing deals with developers.

Herbert, a former chairman of the Vancouver City Planning Commission, described this as a "good start". But he said he thinks there is a better approach to generating stable long-term revenue to finance the provincial government's \$14-billion transportation plan.

For Herbert, the solution is something called tax increment financing, or TIF for short. Revenue increases from rezoning are retained for specific purposes rather than going into municipalities' general-revenue coffers. Herbert said TransLink should work with municipal politicians to figure out ways to fund more transit by recovering property-tax windfalls from rezoning near stations. "Imagine what the tax base was in Metrotown prior to the Expo line, and what it is today," Herbert said.

There are several stations along the Millennium and Expo lines with very little development in the vicinity. The Canada Line is also being built in areas without much density. Herbert has argued for years that TIF offers TransLink a way to obtain billions of dollars in transportation funding without imposing parking taxes or jacking up homeowners' property taxes.

"It's not adding a new tax," he said. "It's taking an existing tax, which grows naturally, and dedicating that growth to TransLink. The only disadvantage is that it requires politicians to agree that they're going to take that increment and dedicate it to transit."

In a report written for SmartGrowth BC last December, Montreal land-use expert Ray Tomalty pointed out that TIF "is the primary method by which the City of Portland, Oregon finances urban renewal projects".

According to Tomalty's report, the Portland Development Corporation, a municipal agency, works by defining an "Urban Renewal Area" where it will make investments. The current tax revenue from this location is calculated. As tax revenues increase, the windfall goes to pay down loans taken to finance these investments.

Tomalty noted that this approach failed at first to generate sufficient revenue to pay for some projects. Adjustments were made based on three things: incorporating mixed-use planning; focusing on business development; and including community stakeholders. "Overall, the use of TIF has helped Portland carry out projects compatible with the objectives of smart growth," Tomalty wrote.

In a paper published in 2006 for the Lincoln Institute of Land Policy, researchers Richard F. Dye and David F. Merriman noted that proponents cite evidence that "assessed property value within TIF districts generally grows much faster than in the rest of the municipality and infer that TIF benefits the entire municipality".

They pointed out that the existence of commercial TIF districts can reduce this type of development in other areas of a municipality. This study didn't look at the use of TIF to finance the expansion of rapid-transit projects, which is what Herbert is advocating to reduce the tax bite on homeowners.

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