City Fiscal Structures and Land Development

Michael A. Pagano
College of Urban Planning and Public Affairs
University of Illinois at Chicago

A Discussion Paper Prepared for
The Brookings Institution Center on Urban and Metropolitan Policy

and

CEOs for Cities

April 2003

The Brookings Institution Center on Urban and Metropolitan Policy
Summary of Recent Publications *

Discussion Papers/Research Briefs

2003

What the IT Revolution Means for Regional Economic Development

Is Home Rule the Answer? Clarifying the Influence of Dillon's Rule on Growth Management

2002

Growth in the Heartland: Challenges and Opportunities for Missouri

Seizing City Assets: Ten Steps to Urban Land Reform

Vacant-Property Policy and Practice: Baltimore and Philadelphia

Calling 211: Enhancing the Washington Region's Safety Net After 9/11

Holding the Line: Urban Containment in the United States

Beyond Merger: A Competitive Vision for the Regional City of Louisville

The Importance of Place in Welfare Reform: Common Challenges for Central Cities and Remote Rural Areas

Banking on Technology: Expanding Financial Markets and Economic Opportunity

Transportation Oriented Development: Moving from Rhetoric to Reality

Signs of Life: The Growth of the Biotechnology Centers in the U.S.

Transitional Jobs: A Next Step in Welfare to Work Policy

Valuing America's First Suburbs: A Policy Agenda for Older Suburbs in the Midwest

Open Space Protection: Conservation Meets Growth Management

Housing Strategies to Strengthen Welfare Policy and Support Working Families

Creating a Scorecard for the CRA Service Test: Strengthening Banking Services Under the Community Reinvestment Act

The Link Between Growth Management and Housing Affordability: The Academic Evidence

What Cities Need from Welfare Reform Reauthorization

Growth Without Growth: An Alternative Economic Development Goal for Metropolitan Areas

The Potential Impacts of Recession and Terrorism on U.S. Cities

TREND SURVEYS

2003

Beyond Edge City: Office Sprawl in South Florida

Boomers and Seniors in the Suburbs: Aging Patterns in Census 2000

Rewarding Work Through the Tax Code: The Power and Potential of the Earned Income Tax Credit in 27 Cities and Rural Areas

2002

Modest Progress: The Narrowing Spatial Mismatch Between Blacks and Jobs in the 1990s

Smart Growth: The Future of the American Metropolis

Living on the Edge: Decentralization Within Cities in the 1990s

Timing Out: Long-Term Welfare Caseloads in Large Cities and Counties

A Decade of Mixed Blessings: Urban and Suburban Poverty in Census 2000

Latino Growth in Metropolitan America: Changing Patterns, New Locations

Demographic Change in Medium-Sized Cities: Evidence from the 2000 Census

The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC

The Importance of Housing Benefits to Housing Success

Left Behind in the Labor Market: Recent Employment Trends Among Young Black Men

City Families and Suburban Singles: An Emerging Household Story from Census 2000

TRANSPORTATION REFORM SERIES

TEA-21 Reauthorization: Getting Transportation Right for Metropolitan America

Slanted Pavement: How Ohio's Highway Spending Shortchanges Cities and Suburbs

Fueling Transportation Finance: A Primer on the Gas Tax

FORTHCOMING

Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s

* Copies of these and previous Brookings urban center publications are available on the web site, www.brookings.edu/urban, or by calling the center at (202) 797-6270.

ACKNOWLEDGMENTS

The ideas and presentation of this report have benefited greatly from conversations with Ann O'M. Bowman, Rosalind Greenstein, Jennifer Vey, Bruce Katz, Christopher Hoene, Karl Nollenberger, William Barnes, and Rachel Weber. The author also acknowledges the research assistance of Karl Nollenberger for the outstanding case study interviews, and of Michael Anderson for data collection on specific projects.

The Brookings Institution Center on Urban and Metropolitan Policy would like to thank CEOs for Cities and the Bank of America for their generous support of this project. The center would also like to thank the Fannie Mae Foundation for its founding support of the urban center and its work.

ABOUT THE AUTHORS

Michael A. Pagano is professor of public administration and director of the Graduate Program in Public Administration at the University of Illinois at Chicago (UIC). He is co-editor of *Urban Affairs Review*, author of the annual "City Fiscal Conditions" report produced with the National League of Cities, and a faculty fellow of UIC's Great Cities Institute. He is also a member of the Transportation Finance Committee of the Transportation Research Board.

Comments on this paper may be directed to Michael Pagano at MAPagano@UIC.edu.

The views expressed in this discussion paper are those of the author and are not necessarily those of the trustees, officers, or staff members of The Brookings Institution.

Copyright © 2003 The Brookings Institution

EXECUTIVE SUMMARY

Cities pursue land development and vacant land conversion to boost competitiveness, enhance citizens' quality of life, and improve the city's fiscal fortunes. To this end, cities often pursue development opportunities with an explicit goal of generating new revenues to expand and improve upon the level of services they provide to businesses and residents.

This paper probes the relationship between cities' decisions regarding land redevelopment and their underlying fiscal capacity and revenue structures. The study is informed by macro-level statistics on city finances from the Census of Governments and the National League of Cities, and by micro-level data from three cities with different general tax structures. Several key insights emerge from the analysis:

- **City revenue sources have shifted remarkably over the past 30 to 50 years.** Most notably, property tax collections no longer dominate cities' revenue flows. Compare the trends altering property-tax and other revenue-source yields. Property-tax revenues as a percentage of own-source municipal revenues declined from 46.6 percent in 1972 to 28.9 percent in 1997. At the same time, user-fee collections and charges surged from 16.6 percent in 1972 to 26.6 percent in 1997 as a percentage of own-source municipal revenue. By 1997, the combined contribution of sales-tax and income-tax revenues was only slightly less than the property tax contribution.

- **Cities' varied fiscal structures respond differently to swings in the economy.** Cities with the authority to tax sales and income generate revenues at a higher growth rate than property-tax cities during expansionary times. Property-tax collections tend to lag real estate appreciation, but do provide more stability through the business cycle than either sales- or income-tax collections. Data collected from the NLC annual fiscal conditions survey illustrate the variability of the different taxes. From 1995–2000, year-to-year growth in sales-tax collections averaged 6.5 percent. Then in 2000–2001 collections dropped 2.3 percent after the current economic downturn began. Growth in income-tax collections also slowed in 2001. Property-tax collections, in contrast, actually increased in 2001.

- **It remains difficult, meanwhile, to determine the relationship between a city's revenue profile and its amount of vacant land.** The fiscal imperative to generate revenues from non-productive land and structures might be expected to lead property-tax dependent cities to redevelop more vacant land than sales- or income-tax dependent cities. And indeed, cities with access to only the property tax retained somewhat less vacant land (14.2 percent) in the late 1990s than cities with access to sales- or income-tax revenues (17.5 percent). Nevertheless, the results of a regression model failed to find property-tax reliance a significant explainer of the amount of vacant land in cities. More significant was a city's ability to expand its boundaries (Rusk's "elasticity" measure).

- **However, analyses of 15 land development projects in three case study cities *did* suggest that a city's tax structure can influence the kind of economic development projects it pursues.**

  ✓ Columbia, SC's heavy reliance on property taxes motivate that city to promote land development. Local officials present the city's need to protect and enhance its revenue flows as its rationale for investing city resources in land development projects.

  ✓ Oklahoma City, OK's heavy dependence on sales-tax collections has led it to support the development of retail projects near the city's borders, and build an attractive and vibrant downtown. Land development projects and vacant-land conversions may increase property values, but more importantly, they are pursued to generate sales-tax revenues.

  ✓ Columbus, OH's investments to stimulate land development revolve around its need to promote job creation and income growth. Those priorities stem from the city's reliance for revenue on income-tax collections, which place jobs and wages at the top of its land development goals.

Together, the case studies are suggestive. They show that all kinds of cities share a common interest in undertaking land development to eliminate blight and enhance the urban core. But they also underscore that the fundamental fiscal incentives embedded in cities' general taxing authorities can play a large role in determining the particular type of redevelopment they pursue.

TABLE OF CONTENTS

I. INTRODUCTION……………………………………………………………………… 1

II. CITY FINANCES HAVE SHIFTED REMARKABLY OVER THE PAST 50 TO 70 YEARS……. 2

III. CITIES' FISCAL STRUCTURES AFFECT REVENUE COLLECTION……………………….. 4

IV. THE RELATIONSHIP BETWEEN CITY REVENUE PROFILES AND VACANT LAND DEVELOPMENT IS DIFFICULT TO DETERMINE……………………….……………….. 6

V. CITIES' TAX STRUCTURES INFLUENCE THE TYPE OF DEVELOPMENT THEY PROMOTE………………………………………………………………………… 9

VI. CONCLUSION……………………………………………………………………… 14

REFERENCES…………………………………………………………………………….. 15

APPENDIX A……………………………………………………………………………… 16

APPENDIX B……………………………………………………………………………… 18

APPENDIX C……………………………………………………………………………… 19

City Fiscal Structure and Land Development

I. Introduction

Cities pursue land development projects and vacant land conversion to boost competitiveness, enhance citizens' quality of life, and improve the city's fiscal fortunes.[1] Specific development strategies, in turn, are structured by cities' capacity to mobilize limited public resources and by the nature of their tax or revenue structures. In this way, cities' fiscal needs and arrangements strongly influence decisions about what gets built and where.

This paper probes the relationship between city fiscal structure and land development.

The discussion first examines the historically changing revenue structure of cities, noting in particular the decline in property tax reliance and the increase in the prevalence of user charges and fees, especially since the late 1970s. The following two sections of the paper analyze the elasticity of cities' diversifying revenue structures, and how that might impact the amount of cities' vacant land. Finally, the paper examines how cities' revenue structures influence the type and mix of land development projects they pursue. A review of 15 case study projects from the cities of Columbus, OH; Oklahoma City, OK; and Columbia, SC—each of which depends almost solely on one or another of the three general tax sources—teases out the nature of these relationships.

---

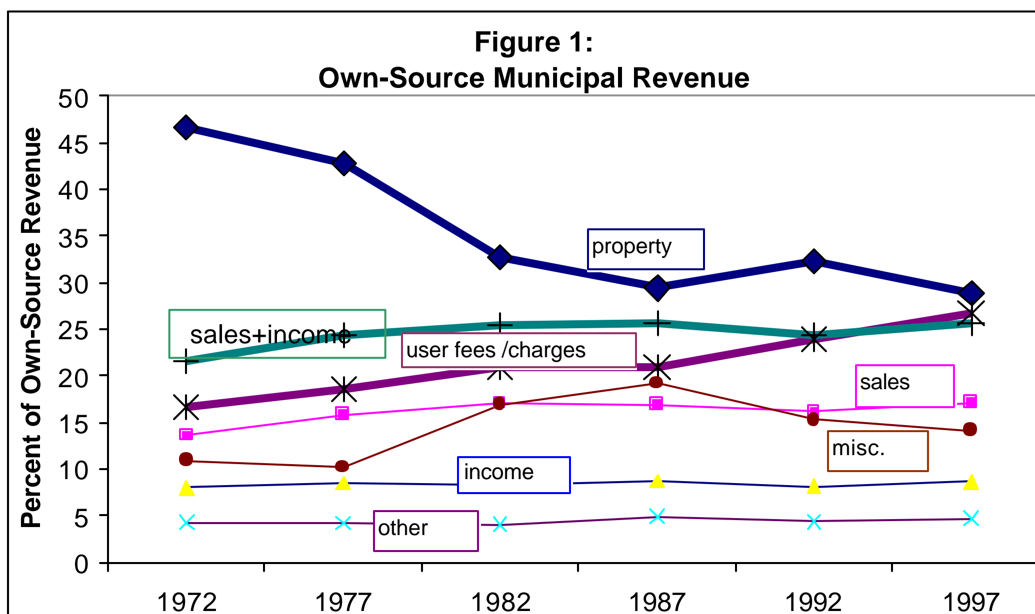
[1] For this and similar arguments, see Charles Tiebout, "A Pure Theory of Public Expenditures," *Journal of Political Economy* 64 (5) (October 1956): 416–424; and Paul Peterson, *City Limits* (Chicago: University of Chicago Press, 1980).

II. CITY FINANCES HAVE SHIFTED REMARKABLY OVER THE PAST 30 TO 50 YEARS

A century ago, cities' fiscal structures were quite simple. No city then generated revenue from a consumption tax or an earnings or income tax. Property was the accepted measure of a person's wealth for tax purposes, and municipalities derived nearly all their revenue from real estate taxes.

Since the end of World War II, however, cities have rapidly diversified their general tax structures. The property tax now contributes less than one-half of municipalities' general tax revenues. In 1972, for example, property taxes still accounted for 37 percent of total municipal revenue, general and gross receipts taxes accounted for 6.4 percent, and income taxes, 6.4 percent. By 1997, property tax revenues had fallen to 24 percent of total municipal revenue, sales taxes had increased to 11 percent, and income taxes remained nearly the same.

An even more telling indication of change is the shifting relative importance of property tax collections compared to all other "own-source" revenues generated by municipalities. According to data from the U.S. Census Bureau, the relative contribution of the property tax declined substantially in a quarter century, slipping from a 46.6 percent share of total own-source municipal revenues in 1972 to 28.9 percent in 1997, a decline of nearly 40 percent (see Figure 1). By 1997, the sales tax and income tax revenues contributed nearly as much to municipal own-source revenues as property tax revenues. User charges and fees made the most significant headway, jumping from 16.6 percent of total own-source revenues in 1972 to 26.6 percent in 1997. As Figure 1 demonstrates, the revenue contributions of property taxes, user charges, and combined sales and income taxes to total own-source municipal revenues nearly converged by 1997.



Municipalities have both expanded the activities to which a user charge can be applied and begun to cover their own costs by adjusting their fee schedules on usage and accounting for those activities in an enterprise fund. Bunch, for example, found that between 1989 and 1999, the number of enterprise funds in a sample of cities increased from 491 to 551.[2] She speculates that this increase might stem from the greater feasibility of raising fee rates compared with tax rates, or to an increased interest in privatization, or to federal mandates (especially in the environmental arena).

[2] Beverly Bunch, "Changes in the Usage of Enterprise Funds by Large City Governments," *Public Budgeting and Finance* 20 (2) (2000): 20.

III. CITIES' FISCAL STRUCTURES AFFECT REVENUE COLLECTION

Important shifts in city revenue profiles over the past 25 years, then, have led to increasing user-fee prominence in the total budgetary environment, a reduction in the relative contribution of property-tax collections, and greater diversification in local tax structures to include retail sales and incomes taxes.[3] The revenue elasticity of these taxes varies. Because sales and income (or earnings) tax collections increase fairly immediately in response to shifts in consumption and employment or wages (the response depends on tax administration systems), cities with the authority to tax sales and income generate tax revenues at a higher growth rate than property tax cities during expansionary economic eras. Property-tax collections, in contrast, tend to lag the growth in real estate values because of assessment and equalization policies; they do, however, tend to provide more stability through the business cycle than either sales- or income-tax collections. The stability of property taxes, therefore, leads most public finance experts to warn public officials against abandoning the property tax.[4]

Data collected from the National League of Cities (NLC) annual fiscal conditions survey highlight the volatility of sales and income compared with property taxes. For the responding cities, the average year-to-year growth rate in aggregate sales tax collections for cities' general funds averaged 6.5 percent between fiscal year (FY) 1995 and 2000 (see Figure 2).[5] Then in 2000–2001 collections *dropped* 2.3 percent after the current economic downturn began. Negative growth in sales tax collections for 2000–2001 and the small increase budgeted for 2002 can be explained by the worse-than-forecast retail sales during the last half of calendar year 2001 and the continuing economic difficulty of the first half of 2002. The average growth rate in aggregate income tax collections was 3.8 percent for the six-year period. After three consecutive years of growth between 4 percent and 6 percent per annum, the economic downturn in 2000–2001 caused the growth rate to fall to 2.8 percent. The slower growth rate in income tax collections resulted, in part, from the experience of a few large cities with below-average income tax growth (e.g., Philadelphia, Detroit, and St. Louis) and in part from the fact that the income tax is more often a city "earnings" tax, which excludes capital gains and other forms of wealth from taxation.[6]

---

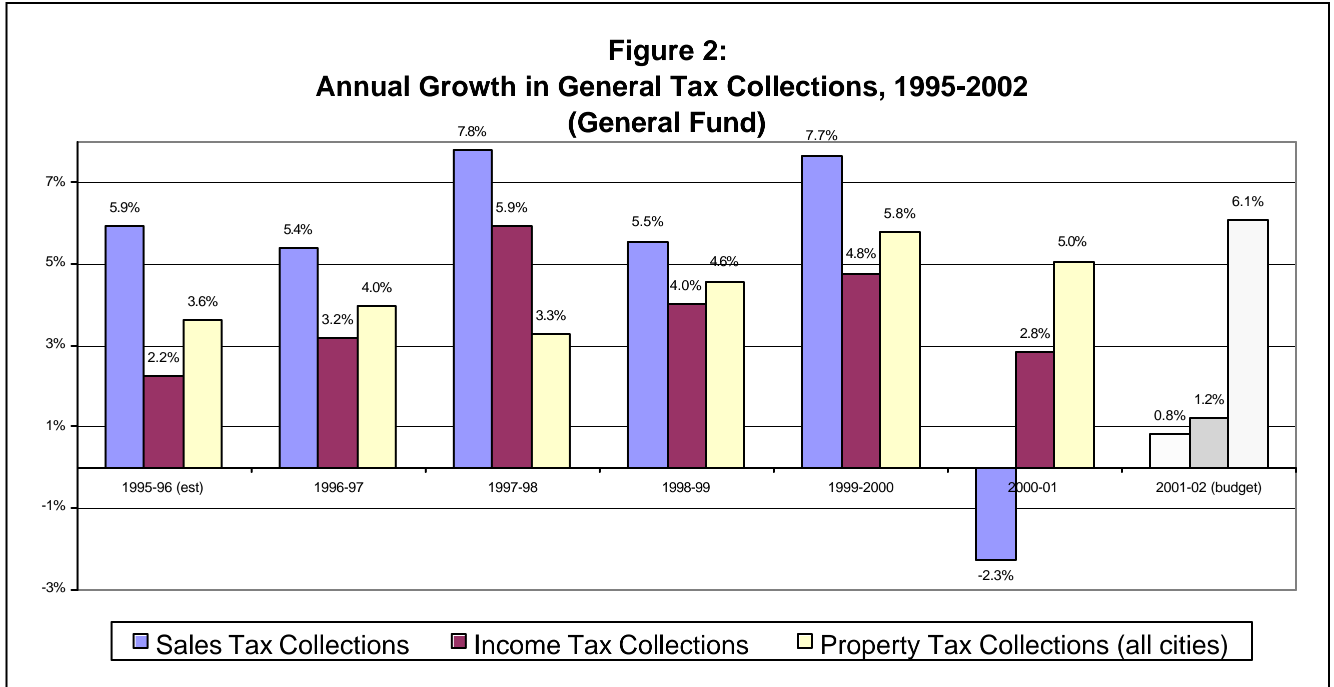
[3] Approximately one-third of all cities with populations exceeding 10,000 lack the authority to levy a sales or an income tax. Half of all cities have a sales tax authority in addition to their property tax authority, while only 15 percent of all municipalities have an income or earnings tax authority. More than 90 percent of those municipalities with an income or earnings tax are in Ohio and Pennsylvania. Computation by the author.

[4] John Mikesell, *City Finances, City Futures* (Columbus: Ohio Municipal League, 1992); Glenn W. Fisher, *The Worst Tax? A History of the Property Tax in America* (Lawrence: University Press of Kansas, 1996).

[5] Michael A. Pagano, "City Fiscal Conditions in 2002" (Washington: National League of Cities, 2002).

[6] Philadelphia's growth in "wage tax revenues" between 1996 and 2001 was 11.98 percent (Office of the City Controller, City of Philadelphia, *2002 Mid-Year Economic and Financial Report*, January 2002, p. 60) owing to a combination of slower income growth and declining income tax rates; Detroit also began reducing its income tax rate in 1999. Growth in total personal income nationally during the same period was 34.67 percent (Bureau of Economic Analysis, U.S. Department of Commerce, *Survey of Current Business* (August 2001), available at www.bea.gov/bea/ARTICLES/2001/08august/0801GDP.pdf).

The average annual growth in city property tax collections during the six-year period was 4.4 percent. In contrast to the decline in sales tax collections in 2000–2001, property tax collections *increased* by a robust 5 percent.



Early assessments of tax collections in FY 2002 and FY 2003 point to a cooling off period. States, for example, have projected substantial reductions in tax collections from income and consumption taxes. The National Association of State Budget Officers' semiannual survey of state fiscal conditions reported in May 2002 that, "since enacting their fiscal 2002 budgets, at least 40 states have had to confront revenues that fell short of what was needed for planned expenditures. Indeed, those states' combined budget gap totaled nearly $40 billion."[7] City finances for FY 2001 and budgets for FY 2002 also indicated slower growth in sales taxes. The NLC annual fiscal conditions survey reported that projected sales tax revenue growth during 2002 would average only 0.8 percent, following the 2.3 percent decline in 2001. Property tax growth, on the other hand, was expected to remain at very strong levels in 2002 (6.1 percent), marking three consecutive years of growth at 5 percent or greater.

Such figures underscore both the close tie of city fiscal health to trends in tax collections, and the extent to which local tax structures generate particular revenue outcomes.

[7] National Association of State Budget Officers (ASBO), *Fiscal Survey of the States: May 2002* (2002, p. 1), available at www.nasbo.org/Publications/fiscsurv/may2002fiscalsurvey.pdf.

IV. THE RELATIONSHIP BETWEEN CITY REVENUE PROFILES AND VACANT LAND DEVELOPMENT IS DIFFICULT TO DETERMINE

A. A Simple Look at Fiscal Capacity and Land Development

Although municipal revenue growth during much of the 1990s could certainly be considered robust across the board, the annual growth in sales tax collections exceeded even the finance officers' optimistic expectations until 2001. Such substantial growth in revenue may in fact have provided municipalities with the necessary capital to support development projects, including the use or re-use of vacant land. A recent study concluded that, during the 1990s, the unusually large increases in municipal spending on infrastructure were spurred by cash reserves, not by higher levels of debt or intergovernmental aid.[8] It is logical, therefore, to expect that land development would have proceeded across the spectrum of municipalities during the "boom" decade of the 1990s. Moreover, if revenue availability were the crucial factor in promoting vacant land conversion, cities that relied on sales taxes would likely have converted more vacant land during the 1990s than cities that relied on property taxes. Unfortunately, no national database on vacant land exists from the early 1990s to test this hypothesis.

To evaluate the impact of fiscal structure on land development, then, we used data from a 1997–1998 Lincoln Institute of Land Policy survey of 520 cities with populations greater than 50,000.[9] (See Appendix A for survey methodology and response rate). This study sorted responding cities by their local taxing structure. Cities that cannot diversify their general taxing structure to include retail sales or earnings and income were classified as "property tax only"; all other cities (namely, cities with the authority to tax income or earnings, retail sales, or both) were classified as "diversified." To be sure, the 35 percent response rate to the survey limits the extent to which one can generalize from the results. Nevertheless, the responses do provide some insight into the relationship of tax structure to the quantity of vacant land.

Table 1 provides the summary data for cities that responded to the vacant-land survey segregated by their taxing authority. The results show that cities with a diversified tax structure have more vacant land on average (17.5 percent) than cities relying on property tax (14.2 percent). The number of abandoned structures, standardized as a percentage of the city's total population, is also much higher for cities with diversified tax structures (2.227) than for property tax cities (0.895). Both comparisons are statistically significant at the 0.05 levels.

---

[8] Michael A. Pagano, "Municipal Capital Spending During the 'Boom'," *Public Budgeting and Finance* 22 (2) (Summer 2002): 1–20.

[9] Results of the 1997–98 survey are presented in Ann O'M. Bowman and Michael A. Pagano, *Urban Vacant Land in the United States.* Lincoln Institute of Land Policy Working Paper (Cambridge, MA: Lincoln Institute of Land Policy, 1998).

Table 1: Vacant Land and Cities' General Taxing Authority

	General Tax Authority	N	Mean
Vacant Land as a Percentage of Total Land Area	Diversified (Sales or Income or Sales and Income)	106	0.175
	Property Tax Only	38	0.142
Number of Abandoned Structures per 1000 Population	Diversified (Sales or income or Sales and Income)	98	2.227
	Property Tax Only	32	0.895

Based on this analysis, cities with a diversified revenue structure appear to be more tolerant of, or possibly less concerned by, vacant land and abandoned structures than property tax cities. A possible explanation is that the fiscal imperative to convert nonproductive land and structures is greater in property tax cities. Not only does the higher market value of developed land generate interest in proximate parcels, but it generates more tax resources for the municipality. The same incentive, however, appears somewhat less compelling for sales tax and income tax cities because their fiscal concerns are less rooted in the improvement of land and structures.

As compelling as this assessment might appear, it must be viewed with caution. A better indicator of the importance of general tax reliance on vacant land conversion is the change in the amount of vacant land over time. Unfortunately, data on vacant land prior to 1998 are unavailable nationally. Whether a local sales or income tax can be instrumental in explaining a higher proportion of vacant land, therefore, requires a more complex analysis.

B. Regression Analysis: A More Complex Look at Fiscal Capacity and Land Development

To determine in a more precise way whether cities whose fiscal fortunes rise and fall with the land market have a more aggressive land conversion program than those that rely on the sales and income taxes, a regression model first developed by Bowman and Pagano to determine the cause of land vacancies was rerun and expanded.[10] The results (see Appendix B, Tables 1 and 2) suggest that, contrary to the Lincoln Institute Land Policy survey noted above, city dependence on property taxes was not associated with reductions in vacant land. Instead, sales and income tax dependent

[10] Ann O'M. Bowman and Michael A. Pagano, "Transforming America's Cities: Policies and Conditions of Vacant Land," *Urban Affairs Review* 25 (4) (2002): 559–581. The study focused on the amount of vacant land land in cities with populations exceeding 100,000. Of six theoretical explanations for vacant land, the authors found that only Rusk's "elasticity" measure was a significant predictor.

cities had proportionately similar amounts of vacant land as their property-tax counterparts, when controlling for other factors. In other words, whether a city had depended on property taxes or had access to a local sales or income tax did not explain the amount of vacant land in a city.

This macro-level approach, however, ignores a city's decisionmaking behavior in promoting land development. Even though local taxing authority apparently cannot explain the amount of vacant land, it is still plausible that a city's general tax structure influences land development decisions in important and meaningful ways. Although at one level the outcome of a city's land development decisions may be the same (i.e., vacant land is converted into productive use), at another level, the rationale and incentives for transforming vacant land into a particular kind of productive use are conceivably quite different. City investment in or promotion of specific projects or types of land development or vacant land re-use is expected to be affected by its revenue structure, and a careful analysis of the fiscal effects of supporting land development and vacant land conversions can best be assessed through case studies.

V. CITIES' TAX STRUCTURES INFLUENCE THE TYPE OF DEVELOPMENT THEY PROMOTE

To further probe the relationship between a city's taxing authority and the underlying incentive to convert vacant land or promote land development projects, three cities were selected for in-depth analysis: Columbia, SC; Columbus, OH; and Oklahoma City, OK. Selection of these cities was guided by the need to minimize the influence of annexation capability (all three cities are at least partially surrounded by unincorporated land) and to accentuate the differential influence of diverse revenue structures on development projects (each is highly dependent on one of the three general tax revenues: property, income, and sales taxes). Moreover, all three cities are state capitals with a substantial amount of tax-exempt property (e.g., state buildings and office towers). Columbia reported approximately 13.4 percent of its landmass as vacant, while Columbus estimated vacant land at 12.4 percent. The amount of vacant land in Oklahoma City remains unknown.

In examining these cities, the expectation is that revenue structure encourages cities to promote a qualitatively different set of development projects. In particular, a city's decision to mobilize public resources to develop land is likely influenced by the city's formal or informal assessment of its return on the investment.

A. City Revenue Profiles

Columbia relies solely on a property tax, and the city's property tax reliance is considered high by national averages. The property tax rate for the city hovered around 99 mills throughout most of the 1990s, but dropped to 92 mills in 2000 owing to increased assessed valuations on existing properties.[11] Meanwhile, the city's mix of own-source revenues has changed dramatically. Although property taxes generated nearly three-fourths of the city's own-source revenues in 1967, by 1997, user charges and fees had eclipsed property tax revenues as the principal own-source revenue for Columbia. User charges and fees amounted to 54.1 percent of own-source revenues (compared to the national average of 40.7 percent), while the property tax slipped to 27.3 percent. Nevertheless, the property tax incentive to encourage land re-use in Columbia should not be underestimated.

Oklahoma City's revenue structure presents a very different picture. Sales and use tax revenue constitute nearly all of the city's general tax collection, except for a relatively small amount of property tax revenue dedicated to capital improvements. In 1967, Oklahoma City collected nearly one-third of its own-source revenues from a property tax, and slightly less than 20 percent from the general sales tax, according to census data. By 1992, property tax revenues had dropped below 8 percent. By the end of the decade, the city funded none of its general operations from property tax, and relied instead on sales taxes. Of the city's $264 million general fund budget for 2001–2002, 61 percent originated in retail sales and use taxes—$143 million from the sales tax and $18 million from

[11] City of Columbia, Planning and Development Services, *Columbia, SC, Demographics, Development, and Growth* (March 2001), available online at www.columbiasc.net/city/adobeforms/grfinl01.pdf.

use taxes.[12] The fiscal incentive for Oklahoma City's land re-use projects is therefore different from Columbia's, with sales taxes driving the incentive to support land development projects.

Columbus, as well as 540 other municipalities in Ohio, collects a tax on earnings and net profits of all businesses within the city, and on the income of all residents, both those who work in the city (regardless of where they reside) and those who work outside the city. In 1967, income tax revenues contributed less than 46 percent of Columbus' own-source revenues.[13] By 2000, the city's income tax levy (the current rate is 2 percent) generated 63 percent of its total general fund revenues, or $318 million. The city estimates that income tax collections from nonresident commuters reached nearly $140 million in 1999.[14] The property tax, in contrast, contributed only $37 million, or less than 10 percent of general fund revenues in 2000.[15] The fiscal incentive to undertake land re-use projects in Columbus, therefore, derives principally from the revenue gains associated with job creation.

B. Illustrative Land Development Projects

Planning directors in the three cities were contacted and asked to identify five development projects with which the city had some involvement in the past few years. A contact person for each project was identified, narrative overviews of the project and the city's financial involvement were presented, and information about project results collected. The city managers of Oklahoma City and Columbia were also interviewed to obtain a broad policy perspective on those cities' involvement in land development projects. Summaries of these projects can be found in Appendix C.

1. Columbia: Property Value Matters

The five development projects in Columbia were the Columbia Industrial Park, Capital Places 1-2-3, Canal Side, Columbia Art Museum/Carolina First Bank, and the Cromers P-Nut/National Guard Armory projects. These, and other projects, reflect the city's goal of investing in both residential neighborhoods and the commercial areas of the city, with the express purpose of reducing blight, encouraging revitalization, and enhancing property values.

The Columbia Industrial Park project, for example, is an expansion of an existing industrial park, which required the city to invest in additional infrastructure. The other four projects invested in the downtown area to revitalize the 100-block area surrounding the state capitol and other state

---

[12] City of Oklahoma City, Department of Finance, *FY2001–2002 Budget Revenue Summary*, available online at www.okc-cityhall.org/.

[13] The 1966–1967 *City Finances* report of the U.S. Census Bureau did not segregate "income tax" revenue from "other" tax revenue. The 46 percent figure reported here assumes all "other" tax revenue pertains to the income tax, which clearly overestimates the actual amount given that the city also levies a hotel/motel tax and other taxes that are included in the "other taxes" category.

[14] Richard Forgette and Michael Pagano, "Fiscal Structures and Metropolitan Tax Base Sharing." Paper presented at the annual meetings of the American Political Science Association, San Francisco, September 2001.

[15] City of Columbus, *2002 Budget: Financial Overview*, available online at http://mayor.ci.columbus.oh.us/2002Budget/PDF/Financialoverview.pdf

office buildings as well as older commercial establishments. Abandonment by long-time tenants in the city's downtown business district, such as Macy's department store, encouraged active involvement by the city to revitalize it. The investment activities are designed to entice residents to newly renovated buildings and to enhance the commercial appeal of downtown by encouraging restaurants, museums, retailing, and other activities and to create a "twenty-four hour life" in the heart of the city.

Overall, the goal of the city, as the city manager emphasized, is to preserve property values citywide. Little mention was made by the city officials of the direct impact on retail sales or jobs and income growth. Although those goals undoubtedly remain important, the city is motivated to re-use land more because of its effect on property values than in augmenting retail sales. In this regard, city officials do understand that property values will be threatened if the city does not take action to enhance the commercial and employment base of the city. City development efforts would be stymied in the absence of this "balanced" public policy approach. Nevertheless, the fiscal well-being of the city is tied closely and explicitly to its property values, and this is clearly reflected in Columbia's economic development decision calculus. Without the property-tax revenue flow from city investment in those projects, the city's fiscal position and its quality of life might be compromised.

2. Oklahoma City: Consumption Matters

The five development projects selected by the City of Oklahoma City for review were the Oklahoma Art Museum, Oklahoma Health Center Research Park, Bass Pro Shops, JDM Place, and the Renaissance Hotel. Oklahoma City 's approach to promoting economic development was announced very plainly by the city manager's comment, "what motivates us is the sales tax."

The jurisdictional area of Oklahoma City is very large, encompassing 607.8 square miles. It feels the pressures of economic competition along the city's edges and it has targeted the revitalization of its center as a way of bringing attention to the city's core and deflecting the economic competition at its outskirts. Competition for big-box retail centers creates what one city official labeled "Wal-Mart Wars" near the city's borders. But revitalizing and energizing the downtown area is an equally important goal. The broad land-development strategy, then, is one of encouraging retail sales centers at the borders of the city, while the city builds a critical mass of cultural, entertainment, and nightlife attractions at the city's center. The $400 million in downtown development projects, including a performing arts center and an arena, are designed to focus pedestrian and consumer traffic to the downtown area and augment the retail sales base of the city. The city is also promoting a residential base with a tax increment financing (TIF) district for market-rate housing.

The projects identified by the city reflect the city's commitment to reversing the outward pressure of economic development, that is, reversing the pressure to encourage development at the fringe of the city. The city voted to increase sales taxes by one cent to fund more than $300 million in infrastructure and capital improvement projects in downtown Oklahoma City. This strategy is part

of the city's Metropolitan Area Projects (MAPs). Not only is the city's commitment to advancing the city's downtown interests demonstrated in its MAPs project and the dedicated one-cent sales tax, but it also illustrates the fiscal imperative to promote retail sales.

Increasing the value of privately owned property, meanwhile, is less important to the city's fiscal well-being than it is to Columbia's fiscal health, even though tax-exempt property in Oklahoma City is substantial.

The Bass Pro Shops project illustrates both the underlying fiscal incentives of a sales-tax city and an innovative approach to development, one that might be considered unusual if it were adopted by a city with high property tax reliance. This project requires the city to finance the construction of the building that will be leased to Bass Pro Shops, and then retain ownership of the property—meaning Bass Pro Shops will have no property ownership and pay no property taxes to other governments (or the relatively low assessment for the city's capital improvement programs). However, the city's fiscal imperative of promoting the taxable base of the city is accomplished in the deal because Bass Pro Shops, as a specialty retail operation, is expected to serve nearly 1 million customers each year. The loss in forgone property tax revenues (the city-owned property will be exempt from property taxation) is minuscule compared with the enhanced retail sales revenue base. The city as commercial property owner and manager represents an innovative development approach that would have less appeal to property tax dependent cities. On the other hand, city investment in building ownership and property management would not necessarily be contrary to the fiscal imperatives of income tax dependent cities, especially if the city-owned building housed high-income professional workers.

3. Columbus: Jobs, Jobs, Jobs

The five land development projects identified for consideration in Columbus include the Easton Town Center, the Four Corners project, the Nationwide Arena, the Nationwide Entertainment District, and the West Edge Business Park. Like Columbia, Columbus is the state capital and home of the state's largest university. Both cities have a substantial amount of tax-exempt land and structures within their jurisdictions. However, because of its low dependence on property taxes and heavy reliance on income taxes, the fiscal impact to Columbus from removing state-owned, tax-exempt land from its tax base is minor, even though the estimated value of tax-exempt land is $6.6 billion. For that reason, city development officials actively promote the expansion of state offices, university and hospital facilities, and other tax-exempt organizations, which bring more jobs, more employees, and higher incomes.

Columbus' approach to land conversion centers on preventing decay in the city's central core and promoting job creation. For example, the city created a TIF district for Nationwide Arena and Nationwide Entertainment District projects downtown for infrastructure improvements. The project converted a 95-acre vacant land area into more than 300,000 square feet in retail and entertainment space and 1.3 million square feet in office space. The project enhanced the employment base of the

city, and it rejuvenated an area for entertainment purposes. With the exception of the TIF-financed infrastructure, the entire cost of the project was privately financed.

Interest in promoting employment opportunities does not mean that other types of activities are unimportant. All cities must balance residential neighborhood integrity with commercial and employment concerns. Columbus also invests in projects that improve blighted areas or promote employment opportunities, such as the Easton Town Center and West Edge Business Park. In these projects, the investment goal is to enhance commercial and employment opportunities and improve the “livability” of neighborhoods. The East Town Center project, which is located on the eastern edge of the city, is an extension of an existing office complex and includes restaurants and retail centers. The 1700-acre project, begun in 1987, also involved a TIF district in addition to property tax abatements for the nonretail establishments. Nearly 10,000 employees work in the Easton Town Center.

The West Edge Business Park is on the site of former public housing project one mile south of downtown. The neighborhood and the city wanted to strengthen the neighborhood by converting the new open space into employment opportunities. The project was financed by the city’s revolving loan program and tax abatements for the 42-acre site. Approximately 1,000 new jobs were created by the project.

Just as property tax cities have a fiscal imperative to improve neighborhoods, so do income tax dependent cities. Nevertheless, Columbus focuses on job creation, especially the creation of high-paying jobs. This is not an unusual approach for city economic development projects. Higher-income citizens typically contribute more revenue to city coffers than they consume in services. However, the motivation behind the strategy differs across the urban landscape. In cities dependent on a property tax, high-income individuals who own high-value property are especially attractive. That is to say, a corporate executive who works in the city and lives in the suburbs is less desirable than one who owns property in the city because the city’s direct fiscal impact is linked to heightened property values. For cities with commuter taxes, such as Columbus, the fiscal imperative to both house and employ high-income individuals is diminished. The overriding fiscal imperative is that they work in Columbus.

VI. Conclusion

Analyses of cities' decisions about development promotion often focus on projects' capacity to repay the city's treasury through higher property tax revenues, given that the property tax is "the most widely used tax at the local level."[16] Yet what we have seen here of the increasing prevalence of other income sources indicates a need for a different fiscal impact methodology. Bunnell, for example, contends that, "in the current planning literature, surprisingly little consideration has been given to how changes in the structure of public finance might affect the fiscal impacts of development."[17] And he notes the importance of including such changes in assessments:

> Shopping centers will be locally fiscally beneficial in states where local governments are able to collect local sales taxes compared to states where such local taxing options do not exist (p. 146).

It is clear from this analysis that, rather than relying on a standard fiscal-impact methodology that hinges on assessing the property tax impacts of vacant land conversion, cities are indeed taking a more complex, yet realistic, approach to assessing development. The case studies are telling. They suggest that, regardless of the expressed motivations for particular development projects, the incentive structures embedded in cities' individual taxing authorities influence city planners' thinking about vacant land conversion and development both generally and for specific projects. For that reason, comprehensive, routine data collection on vacant land and abandoned buildings is vitally needed to better understand the forces behind vacancy and abandonment, and to more fully evaluate the influence of local revenue structures on cities' motivation, and ability, to undertake its redevelopment.

[16] Helen Ladd, "Land Use Regulation as a Fiscal Tool." In Helen Ladd, ed., *Local Government Tax and Land Use Policies in the United States: Understanding the Links* (Cheltenham, UK: Edward Elgar, 1998, p. 71). See also, Robert Burchell and David Lisotkin, *The Fiscal Impact Handbook: Estimating Local Costs and Revenues of Land Development* (New Brunswick, NJ: Center for Urban Policy Research, 1978); Real Estate Research Corporation, *The Cost of Sprawl: Environment and Economic Costs of Alternative Residential Development Patterns at the Urban Fringe* (Washington, DC: Government Printing Office, 1974); Gabriel Dekel, "Housing Density: A Neglected Dimension of Fiscal Impact Analysis," *Urban Studies* 32 (6) (1996): 935–951.

[17] Gene Bunnell, "Fiscal Impact Studies as Advocacy and Story Telling," *Journal of Planning Literature* 12 (2) (November 1997): 141.

REFERENCES

Accordino, John, and Gary T. Johnson. 2000. "Addressing the Vacant and Abandoned Property Problem." *Journal of Urban Affairs* 22: 301–315.

Bowman, Ann O'M., and Michael A. Pagano. 2000. "Transforming America's Cities: Policies and Conditions of Vacant Land." *Urban Affairs Review* 35: 559–581.

Bowman, Ann O'M., and Michael A. Pagano. 2001. “Terra Incognita: The Strategic Use of Urban Vacant Land.” Cambridge: Lincoln Institute of Land Policy.

Brophy, Paul C., and Jennifer S. Vey. 2002. “Seizing City Assets: Ten Steps to Urban Land Reform.” Washington: Brookings Institution and CEOs for Cities.

Chisholm, Michael, and Philip Kivell. 1987. “Inner City Waste Land: An Assessment of Government and Market Failure in Land Development.” London: The Institute of Economic Affairs.

Clarke, Susan E., and Gary L. Gaile. 1998. *The Work of Cities*. Minneapolis: University of Minnesota Press.

Jakle, John A., and David Wilson. 1992. *Derelict Landscapes: The Wasting of America's Built Environment*. Savage, MD: Rowman & Littlefield.

Kivell, Philip. 1993. *Land and the City: Patterns and Processes of Urban Change*. London: Routledge.

Lewis, Paul G. 2001."Retail Politics: Local Sales Taxes and the Fiscalization of Land Use." *Economic Development Quarterly* 15:1: 21–35.

Northam, Ray. 1971. "Vacant Urban Land in the American City." *Land Economics* 47: 345–55.

Wood, Barry. 1998. “Vacant Land in Europe.” Working paper, Lincoln Institute of Land Policy, Cambridge, MA.

APPENDIX A
DATA RESOURCES

Lincoln Institute of Land Policy Vacant Land Survey

A survey on vacant land was mailed to city officials (typically, but not always, a planning director) in U.S. cities with populations of 50,000 or more in late 1997 and early 1998. To minimize the likelihood of definitional disparities, a definition of vacant land was printed on the questionnaire: *"Vacant land includes not only publicly-owned and privately-owned unused or abandoned land or land that once had structures on it, but also the land that supports structures that have been abandoned, derelict, boarded up, partially destroyed, or razed."* A four-page questionnaire requested information from city officials about (1) the causes of vacant land and abandoned structures in their cities, (2) policies designed to regulate privately held vacant land and abandoned structures, and (3) policies governing city-owned vacant land and abandoned structures. Although the questions were structured, respondents were provided ample opportunity to explain their answers and to offer caveats and clarifications.

A single mailing of the first questionnaire, bolstered by reminder postcards and follow-up telephone contacts, produced 186 responses, for an overall response rate of 35 percent. The response rate for smaller cities (50,000 to 100,000 population) depressed the overall rate; the nation's largest cities (the 197 cities with populations greater than 100,000) responded at a 49.7 percent rate ($N = 98$).

The National League of Cities Fiscal Conditions Survey

Since 1987, the National League of Cities has sent annual surveys (in March and April) to all cities with populations greater than 50,000 ($N = 536$). Response rates range from 33.9 percent in 1988 to 51.4 percent in 1992. The precise response rates by year are: 41.9 percent (1987); 33.9 percent (1988); 48.9 percent (1989); 46.2 percent (1990); 42.9 percent (1991); 51.4 percent (1992); 51.1 percent (1993); 50.6 percent (1994); 40.9 percent (1995); 40.5 percent (1996); 40.9 percent (1997); 39.4 percent (1998); 39.5 percent (1999); 40.1 percent (2000); 37.8 percent (2001); and 34.7 percent (2002). The response rate is higher for the nation's larger cities than for smaller cities. In 2000, for example, 56 percent of the largest cities (>300,000 population), 48 percent of medium-sized cities (100,000–299,999), and 34 percent of the small cities (50,000–99,999) responded. In addition to surveying all cities with populations greater than 50,000, a randomly selected sample of 512 cities with populations between 10,000 and 50,000 is surveyed. The response rate from this group is less than for the larger cities, averaging roughly 20 percent. This latter group of "small" cities was not included in this analysis.

The survey is sent to chief fiscal officers and requests general fund and other financial data for the previous two fiscal years and budgeted (or estimated) data for the current fiscal year (the survey asks for data from legislatively approved budgets and from Comprehensive Annual Financial Reports). For example, the 2001 survey asked for financial data for fiscal years 1999–2001. The

data for FY 1999 and FY 2000 are expected to reflect actual receipts and outlays, while the revenue and expenditure data for FY 2001 are budgeted. The longitudinal data series on general fund expenditures, revenues, and ending balances begins in 1985 (derived from the 1987 survey).

I did not independently verify the financial data that were reported on the survey instruments, resulting in possible misreporting and inaccuracies. Nevertheless, because I have been responsible for collecting data for this series for more than 11 years, I have pieced together the responses from some of the same cities (especially the large cities) to better ensure accuracy in reporting and recording. Moreover, because the news media often requests copies of the surveys, and chief finance officers understand the implications of reporting inaccurate data, errors are likely not too large or too frequent. I have also, on occasion, checked the accuracy of data reported in the survey against financial data reported in the city's CAFR and against other published sources (for example, the now-defunct magazine *City and State* published an annual financial statement of the nation's largest cities).

APPENDIX B
REGRESSION TABLES

These tables document the regression analyses run to evaluate the relationship between city revenue structures and vacant land.

Table 1: Explaining Vacant Land

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	SE	Beta		
(Constant)	-1.098E-02	.048		-.230	.818
Rusk's elasticity index	3.987E-02	.012	.363	3.422	.001
Fiscal position, 1996	-4.450E-02	.040	-.093	-1.110	.269
Economic growth, 1982-1991	1.556E-02	.014	.096	1.126	.263
Region	5.746E-02	.033	.179	1.730	.086
Land area change, 1980-1995	-8.851E-05	.000	-.046	-.337	.736
Population change, 1980-1995	5.980E-04	.000	.258	1.800	.075
F	4.820				.000
R square	.198				
Adjusted R square	.157				
N	123				

Table 2: Explaining Vacant Land with Tax Authority

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	SE	Beta		
(Constant)	-2.181E-02	.055		-.400	.690
Rusk's elasticity index	4.001E-02	.012	.365	3.420	.001
Fiscal position, 1996	-4.594E-02	.040	-.096	-1.137	.258
Economic growth, 1982-1991	1.633E-02	.014	.100	1.167	.246
Region	6.148E-02	.035	.191	1.772	.079
Land area change, 1980-1995	-8.374E-05	.000	-.043	-.318	.751
Population change, 1980-1995	5.932E-04	.000	.256	1.778	.078
Tax authority	1.254E-02	.030	.037	.416	.678
F	4.27				.000
R square	.199				
Adjusted R square	.151				
N	123				

Appendix C
Illustrative Projects from the Three Case Cities

Columbia, SC

Information on the five projects was provided by the following city officials: Leona Plaugh (City Manager), Jim Gambrell (Director of Economic Development), Fred Delk (Columbia Development Corporation).

The Cromers P-Nut/National Guard Armory project is the redevelopment of two buildings and reconstruction of a building destroyed by fire to enhance the downtown and retain a retailer. Cromers P-Nut started in the peanut sales business in the original farmers market in the downtown area. In the early 1990s, the leased store burned to the ground. The business assembled a larger site that included the purchase of the site of the old building, an adjacent building, and the turn-of-the-century National Guard Armory. Plans were to raze the half-block area and erect a Butler Building. In the interim, the city developed guidelines for the downtown area and became involved in the redevelopment effort. The Columbia Development Corporation bought the Armory and the adjacent building and subsequently sold it to an architectural firm that developed the structure into an office and residential complex. The one-story adjacent building became a restaurant. Cromer's then built a new store on the vacant lot.

CITY INVOLVEMENT: The city created the Columbia Development Corporation (CDC) nearly 20 years ago as a 501-c-4 corporation with independent powers. Its board includes 15 members: the Mayor and four city council members, and 10 others appointed by the Mayor and City Council. It operates in the 1200-acre area in the heart of the city between Main Street and the river. One purpose of the CDC is to simulate residential development. In addition, the city is encouraging round-the-clock activities in the retail and commercial sectors. The only cost to the CDC for this project was the roughly $25,000 in carrying costs of the property and architectural fees that became covenants for the sale of the property. It generated private investment of $2.5 million.

PROJECT RESULTS: The Armory was part of historic preservation and was a small but significant start to the commercial revitalization of the downtown. This project was completed a few years ago.

The **Columbia Art Museum/ Carolina First Bank** project is a building re-use project of an art museum and additional office space. Two of the major department stores in downtown Columbia closed their downtown locations as part of the flight of retail into more suburban areas. The Columbia Museum of Art, which had been in a small facility, raised $14 million in private-public dollars to relocate to this larger facility. The city acquired the Macy's Department Store building and donated it to the Art Museum. The other department store was partially demolished to provide parking space, but 100,000 square feet of space was retained and sold to a developer at a reduced value. The developer invested $12 million to renovate the structure, which became Carolina First

Bank on the first floor and offices on the upper four floors. In addition, the city bought a lot and created a plaza in front of these two buildings.

CITY INVOLVEMENT: The city acquired the two buildings, constructed the plaza, and paid for the partial demolition.

PROJECT RESULTS: This project has revitalized two major buildings in the downtown area. It has served to provide a cultural facility and a bank-office activity center to the downtown revitalization efforts. The Main Street revitalization effort is a priority of the city, especially the "big box" vacancies such as department stores for which it is difficult to find tenants.

The **Capital Places 1-2-3** project is the redevelopment of three buildings in the downtown area for mixed-use development. The three buildings were vacant as a result of the departure of three smaller department and retail stores (Cress Department Store, Berry's on Main, and a drug store). The Cress Department Store was purchased by a private developer and became Capital Places 1. It was redeveloped into 30 apartments and two retail spaces. It has been on the market since 2002. All of the apartments are leased and one of the two retail spaces in occupied. The city offered a façade loan for the project. The city also bought a lot and is leasing it back to the developer for parking. Berry's on Main is also a private development with city support in the form of a façade loan and a subordinated development loan. It became Capital Places 2. There are 20 residential units and four retail stores. The 20 residential units are fully completed. One of the retail units is occupied. The three-story drug store renovation became Capital Place 3. The city bought an adjacent building and demolished it for parking. There are 10 condo units in the newly renovated structure with two commercial stores. The city leases the lot it owns back to the owners for parking. The city also offered a façade loan for this project.

.

CITY INVOLVEMENT: The façade loans are at zero percent interest for all three of the Capital Place 1-2-3 projects. The development loan for Capital Place 2 is $426,000. It is subordinated to bank loans and is currently at zero percent but increases over the life of the loan. The city bought a building and demolished it to provide parking areas for the Capital Place 3 project.

PROJECT RESULTS: This effort has resulted in three buildings renovated in the downtown area. The mixed use has resulted in residential and retail for three medium-sized structures. The interviewee stressed that the redevelopment is part of the city's efforts to balance office, retail, and residential uses in the downtown area to create activity, tax base, and jobs. The city offers the infrastructure to stimulate the private development efforts.

The **Canal Side** project is the purchase and redevelopment of a prison into a mixed-use residential-commercial development. The 25-acre site sits in a blighted area in downtown Columbia, adjacent to a canal that is being upgraded as a water park. The redevelopment is a mixed-use project, primarily residential but with some office space. The residential portion of the project will include 450-600 condominiums and townhouses. The private investment is expected to be between $75 million and $150 million. There will be 160,000 square feet of office and a 50- to 75-room hotel.

The city is the developer of the project, which has a planned unit development (PUD) already approved. The city is using one of the 13 parcels for a parking structure, a second is being held for a future hotel, and the other 11 parcels are to be sold, two for office development and nine for residential development.

CITY INVOLVEMENT: The city spent $6 million on the original acquisition, demolition, and environmental work on this site. The city will spend $7.7 million on infrastructure work. Funding is from general funds except for a $2 million federal Section 108 loans. The city is the developer of the project and will remain involved through the final sales of the land to private developers for residential and commercial purposes.

PROJECT RESULTS: The project was just getting under way in 2002. It represents another effort to redevelop the blighted sections of the city and to balance development among residential, commercial, and office.

In 1998, the 130-acre **Columbia Industrial Park** project added 30 acres of available development land to an industrial park owned by the city. The city provided the infrastructure to allow for the continued sale of parcels for development. The project resulted in eight new industrial developments to date, with six acres remaining for development.

CITY INVOLVEMENT: The city expended $250,000 for the infrastructure of this additional 30 acres. The funds are drawn from the regular capital improvement program of the city. The city receives the proceeds of the lot sales, which sell for $55,000 an acre.

PROJECT RESULTS: Eight new industries have been built in the park as a result of this expansion, which is in line with the objective of balanced developmental opportunities among industrial, office, retail, and residential projects.

Oklahoma City, OK

Information on the following five projects was provided by Jim Couch (City Manager), David Jones (Deputy Director, Oklahoma City Urban Renewal Authority), John Dugan (Director of Planning), Mark Carleton (City MAPs officer), J. Clare Woodside (Architect for JDM Investment), Wiley Rice (Principal Planner), and Russell Lewis (Planner).

The **JDM Place** project, located across from the new AAA ballpark, is the private redevelopment of a former candy manufacturing company into retail and office space. The project is a result of the city's Metropolitan Area Projects (MAPs) efforts. MAPs is a $55 million project funded from the 1-cent sales tax approved by the voters to rejuvenate the downtown area. The Bricktown Core, the main entertainment district of the city, is a main target area for the initial redevelopment efforts.

CITY INVOLVEMENT: The MAPs project includes the AAA ballpark, an arena for hockey and basketball, a convention center, a performing arts center, and the canal, all within walking distance of one another. The canal is a one-mile, fresh water canal similar to the San Antonio Riverwalk, with restaurants, clubs, and bars along the canal. The canal connects to the river and its adjoining man-made lakes, which are also part of the MAPs.

PROJECT RESULTS: JDM Place has generated both jobs and sales tax revenues, although the city has not quantified the impact.

The **Bass Pro Shops** project is a major specialty retail store in the Bricktown redevelopment area. The 110,000 square foot Bass Pro Shops is an initial step in reinvigorating the downtown retail center to complement the entertainment and public sector projects, such as the arena and performing arts theater. Bass Pro Shops is projected to attract 950,000 customers annually. The city sees this as a distinctive theme retail outlet and a "shot in the arm" to the Bricktown retail efforts, as well as a stimulus to additional private investments.

CITY INVOLVEMENT: The city will finance and construct the building and lease the facility to the Bass Pro Shops. The major costs will be financed with tax increment financing, which has only recently cleared legal hurdles for use in Oklahoma. The project is also in an empowerment zone.

PROJECT RESULTS: The store is expected to open in 2003. It was selected by the city's planning department as one of the five key redevelopment project owing to its significance to the goals of the city in revitalizing the downtown area as a retail center.

The **Renaissance Hotel** project is a new 200-room hotel adjacent to the convention center in downtown, which had until then been supported by only one hotel. The John Q Hammons Development Corporation spent $35 million on its construction, $6 million of which came from the city.

CITY INVOLVEMENT: The city used $6 million of Community Development Block Grant CDBG funds to acquire property and purchase furniture and fixtures for the hotel. The city's Urban Renewal Authority (URA) was the agent for the site acquisition process. The URA spent funds to cover administrative costs but did not expend any additional costs for land acquisition or demolition that were not reimbursed in the transfer of the land to the developer.

PROJECT RESULTS: The Renaissance Hotel project created 180 jobs and was instrumental in stimulating nightlife and in opening up potential residential housing development in the downtown area. The developer is currently building another hotel as a result of the successful project.

The **Oklahoma Health Center Research Park** is located across the street from a medical complex that includes a hospital of the University of Oklahoma, a Veteran's Administration (VA) Hospital, and private medical facilities. The 26-acre research park was designed to complement the

regional scope of the existing medical facilities. The uses in the park are restricted to research only, and not for medical services. As of 2003, $48 million of private investment had been devoted to the research park. The property, originally in a residential area in poor condition, was acquired by the OKC Urban Renewal Authority using $6.2 million in federal CDBG funds. The CDBG funds also paid for infrastructure improvements after the residential structures were razed. The city entered a master development agreement with the Presbyterian Health foundation, and the first building was built in 1995. There are currently three buildings with a fourth under construction. The project is anticipated to span 1 million square feet of research space; completion is expected by 2012. The URA is already looking at potential acquisition of land adjoining this area.

CITY INVOLVEMENT: The city provided the $6.2 million in CDBG funds for the land acquisition and preparation for the project. In addition, the city created a TIF that is being used to pay for the parking spaces on the site. The initial TIF is paying for 850 parking spaces. The initiative for the project was undertaken by the city to solidify the area as a medical provider and research park for the region.

PROJECT RESULTS: The research park is developing as a center for research in the state, and supports the medical services provided adjacent to the research park. Expansion plans are under consideration as a result of the success of the research park.

The **Oklahoma Art Museum** is to be built in downtown Oklahoma City, again as part of the downtown renewal efforts. It is a privately funded $18.5 million expansion project of 110,000 square feet. The Art Museum has two locations currently, one in Oklahoma City and one in a suburban location. This project will consolidate the facilities in the new downtown entertainment district. The city bought the property in the 1970s through the Urban Renewal Authority with CDBG funds in anticipation of City Hall expansion. However, the city expanded City Hall to the south, leaving the site and building unused. The building is a potential historical structure with an art deco limestone façade. The Art Museum purchased the building from the URA for $130,000 and will preserve the building's façade while demolishing the remainder of the building.

CITY INVOLVEMENT: The city acquired the land and transferred ownership to the Art Museum at favorable appraised value price, which was a discount of roughly $1 million because of the façade preservation activities. The project is located in a TIF district and benefits from the overall MAPS projects.

PROJECT RESULTS: The art museum will be part of the downtown entertainment district, which was a major goal of the MAPS project. The privately funded $18.5 million project resulted mainly from a grant of $14 million from the Reynolds Foundation. The remaining capital costs and an endowment fund have been raised in other efforts.

Columbus, OH

Information on the five Columbus projects was provided by Gary Guglielmi (Economic Development Manager), Donna Hunter (Office of Economic Development), Ken Ferrell (Manager of Planning and Zoning for the Downtown Development Office), and Ellen Barney (Vice President, Urban Growth Corporation).

The **Easton Tower Center** project is a 1700-acre, multi-use development of large-scale office buildings around a core of restaurants and retailing, and located on the eastern edge of the city. The project began in 1987 with the purchase of the land for office development. The city offered a 10-year tax abatement for any nonretail development, with a clause to revoke or renew the abatement at the end of the 10-year period. In effect, the city created a rolling abatement: any nonretail development received a 10-year tax abatement. In 1996, the city created a TIF district to cover infrastructure expenses for the remaining build-out.

CITY INVOLVEMENT: The city has supported the projects with 10-year tax abatements since 1987, and in 1996 by creating a TIF district to support infrastructure costs. Both incentives require the city to forgo property tax revenues, the fiscal impact of which is minor. Because of the large fiscal impact on the school district, the city will share with the schools one-half the new income taxes derived from the project for the life of the tax abatement (10 years).

PROJECT RESULTS: The 1700-acre project is nearly built out, employing 10,000 persons and inducing residential development in the adjacent areas. The city's direct involvement in the project is designed to spur employment growth.

The **Four Corners** project redeveloped an intersection on the south side of the city that serves as a gateway into a blighted neighborhood. Although the project created jobs for the neighborhood, the net gain to the city was negligible. The central purpose was to alleviate blight, keep the neighborhood strong and healthy, and provide employment opportunities for residents.

CITY INVOLVMENT: The city relocated the Columbus Metropolitan Housing Authority (CMHA) to a refurbished school building on the northwest corner of the site, using federal Housing and Urban Development funds. A building on the southwest corner was rehabilitated as a police station and a mixed-use commercial building. The city supported the project with land acquisition (tax delinquent parcels) and a loan to a nongovernmental organization (the Urban Growth Corporation) for building rehabilitation. With a neighborhood transit grant, the Columbus Transit Authority developed a neighborhood transit center on the southeast corner parcels. The northeast corner is to house the Linden Development Resource Center, a job-training, parenting, and skill development center of the CMHA.

PROJECT RESULTS: The Four Corners neighborhood has been revitalized, and job access increased via the transit center. Few net jobs were added to the city, but a neighborhood has been prevented from further decay.

The **Nationwide Arena** and **Nationwide Entertainment District** projects are private-sector efforts with marginal city participation. The city had a longstanding objective to build a multipurpose arena in the city and to expand consumer offerings in the downtown area. Construction began in 1999 on the 95-acre site, and resulted in an 18,000-seat arena, 5,000 parking spaces, a 3-acre park, 5,000-seat pavilion for live performances, 300,000 square feet of retail and entertainment space, 1.3 million square feet of office space, an eight-screen multiplex cinema theatre, and 500 multi-family residential units.

CITY INVOLVEMENT: After five initiatives for public support of a city-sponsored arena failed, Nationwide Insurance offered a plan for an arena and an entertainment district. Nationwide had assembled the land, but asked the city to create a TIF district for infrastructure renovation and expansion. The city agreed to a non-school TIF, which does not reduce property tax liabilities to the school district and therefore limits the potential revenues from the project for exclusive TIF district use. To expedite construction and repair projects, the city entered into a maximum guaranteed contract with Nationwide by which the city would not absorb costs above the TIF revenues if those revenues fell short. In other words, the full costs of infrastructure replacement and repair would fall on the developer's shoulders. This agreement guarantees that, except for revenues directly related to the TIF district, no city funds would be used to support the project.

PROJECT RESULTS: The Nationwide Arena and Nationwide Entertainment District project is viewed by the city as the major catalyst for downtown revitalization. Approximately $1.1 billion was spent on capital improvements in the downtown area. The vacant land was converted into productive use that has enhanced the employment base of the city owing to the enormous expansion of office space and corresponding income tax revenues.

The **West Edge Business Park** is a project to reverse blight in a neighborhood one mile south of downtown. The 42-acre site is a razed CMHA public housing project. Residents of the neighborhood and the city agreed that increasing the employment opportunities of the neighborhood was the best option. A feasibility study by the Urban Growth Corporation (a 501-c-3 corporation), which support the redevelopment of inner-city neighborhoods, suggested that light manufacturing was a suitable use.

CITY INVOLVEMENT: The city issued to Urban Growth Corporation a $1.5 million, 10-year loan at zero percent interest from the Urban Site Acquisition Loan Fund, a revolving loan fund established with federal Urban Development Action Grant to acquire the West Edge adjacent sites from the CHMA. The city also financed the necessary road expansion and road relocation projects, costing $1.5 million, and offers tax abatements to businesses that locate in the industrial park.

PROJECT RESULTS: In addition to attracting private firms for light industrial manufacturing, the site was also deemed appropriate for the county's new Children and Family Services Department. Approximately 1,000 new jobs were created in the neighborhood, enhancing the safety and welfare of the residents and contributing additional income tax revenues to the city's coffers.