

TIFs don't promote economic development

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Loren Matthes, a partner at Umbaugh and Associates, spoke last week at the local council meeting about the financial predicament of our city.

In calm fashion, for the first time in a year and a half of working on our city's budget problems, an Umbaugh official spoke in public about our mess. She explained that Tax Increment Financing, an economic product that Umbaugh facilitates for a fee to local municipalities, was not our biggest problem. Controls that keep the city from raising property taxes, that's the problem, she said.

Matthes, in 1985, helped complete the first tax-increment financing deal ever done in Indiana, according to the Indianapolis Business Journal. She has been selling them a long time and said, in spite of admitting that even currently she wasn't absolutely sure our Marion TIF districts generate enough money to pay our TIF debt obligations, they are a good tool.

She also told the council members that effort to clean up the district's base assessed values, which have often been reduced to zero, for reasons that remain mysterious, would probably mean the TIF districts would not be able to pay back the TIF obligation. Districts that carry a zero base value send all the property taxes to paying off TIF debt. If we change and include the base value, as we legally should, going forward, that money would go to the city, and local schools and other taxing units that provide services to the community.

But TIF is a good tool, she said. And Mayor Jess Alumbaugh agreed. He indicated he would go with what Umbaugh says. He trusts them. The mayor said he wanted to keep that tool in his toolbox. What has happened, she said, is that we haven't been smart about using TIF. We had failed projects because our city and previous financial advisors didn't do their due diligence. We can be smarter.

Yes, all agreed, we can be smarter.

Here is thing, while the mayor may be sober, we think he hangs with more than a few alcoholics lusting for the bottle of TIF hiding in the mayor's toolbox. TIF has been their brand of choice and we are broke because of it. Not because we haven't raised property taxes enough.

TIF districts can work, but they almost always rely on avoiding having needy or greedy folks overseeing them. How secure should people in the city of Marion feel about having some of the same members of the city council, the same economic development director, and Umbaugh,

instead of London, Witte, continuing to wield the tools of our financial destruction on into the future, even without former Mayor Wayne Seybold.

Seybold's name did not come up at the meeting but he was on everyone's mind. We think he was the engine behind most of the repeated fiascos during his time in office. He was always a hard fellow to tell no.

We are not the only community to suffer from TIF abuse. Some states have abandoned the practice because it really lacks the safeguards to prevent what is happened to us from happening again and again.

“Rather than promoting economic development, many, if not most TIF subsidies, are used for entirely different purposes,” noted Randal O'Toole, an adjunct scholar of the Indiana Policy Review Foundation and a senior fellow with the Cato Institute. “First, many states give cities enormous discretion for how they use TIF funds, turning TIF into a way for cities to capture taxes that would otherwise go to rival tax entities such as school or library districts. Second, no matter how well-intentioned, city officials will always be tempted to use TIF as a vehicle for crony capitalism, providing subsidies to developers who in turn provide campaign funds to politicians.”

Yep. City Council Member Alan Miller said during the Wednesday meeting that he wanted to make up for his past support of bad economic development deals. That was what motivated him to return to city council. We believe him.

The best way he and other council members can do restore sanity, we suggest, is to actively choose to do the difficult thing. To never go along to get along. To say no and to say no as the default response to new spending. To even say no to friends and people you like and respect. That's not easy.

We don't know how the city is going to get out of this mess. Council Member Steve Henderson is working hard on the issues and trying to put curbs on all the waste that goes into economic development. We wish him success.

Matthes says the city needs to raise tax revenue. But other governmental entities might not step up to agree to a countywide income tax increase to bail out Marion, based on Marion's debt addiction.

Payments in lieu of taxes, most obviously from the city's water utility, is a likely target. If that happens, a decision will probably have to be made about raising rates to pass the cost for TIF abuse along to water and sewer rate payers.

We think some of the officials in the council meeting realized that constantly taking the path of least resistance never leads to a good place. Perhaps strong leadership will arise. The city waits.