

A TIF Tutorial

The Bethlehem Gadfly [Serious Issues](#), Wind Creek Casino December 6, 2019

 Latest post in a series about Wind Creek Casino 

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“And the additional real estate taxes the new construction will generate will immediately help the city’s bottom line. In past years, county, city and school district tax revenue generated from improvements there went into a special taxing fund — the Tax Increment Financing — to pay for infrastructure improvements at the former Bethlehem Steel land. The TIF expires next year.”

Morning Call, December 4

Gadfly,

Along with then City Solicitor Joseph ‘Jay’ Leeson and Bethlehem Redevelopment Authority Executive Director John Rohal, I was the 3rd member of the City’s negotiating team to deal with Bethlehem Steel representatives to bring about Tax Increment Financing (TIF) at the site that comprised what was then known as Beth Works. It roughly encompassed the area from the Fahy Bridge to the property that is now Lehigh Heavy Forge just east of the casino. It was looked at to be a financing mechanism for providing public funding to support the

construction of public infrastructure for new development on a portion of what at that time was the largest brownfield site in the United States.

What is TIF? It is the set aside of real estate taxes collected on new development within a defined area. The taxes being collected on the unimproved property continue to be paid to the taxing entities, in this case the Bethlehem Area School District, City of Bethlehem, and County of Northampton. Once development takes place the property is reassessed to include those improvements. So, if an acre building site is assessed before any improvements at \$500,000 and reassessed after improvements at \$2.5 million, the real estate taxes on the \$2 million increase would be diverted into a TIF account and not be paid to the taxing entities.

Public meetings were held, and all three taxing entities bought into the idea of diverting tax proceeds into a fund reserved for making public improvements to support new for-profit development.

As those funds accumulate they can then be used to pay off bonds that are floated to fund public improvements such as streets, public utilities, parking lots/garages, etc. The TIF in Bethlehem was structured for a 20-year term, which if my memory serves me was the term limit in 1999 when we negotiated this deal with Bethlehem Steel. The aforementioned public improvements were the kinds of public improvements envisioned back then to be built and funded with TIF. Of course, Bethlehem Steel went bankrupt and development concepts evolved, so different kinds of “public improvements” were made.

The singular project that made TIF viable was the casino development and the roughly \$4 million in annual real estate tax increases that were then going into the TIF account. This allowed the Redevelopment Authority to float bonds for a variety of initiatives that include the Hoover Mason Trestle, Stock House, parking lots, public areas of SteelStacks, and the South Bethlehem Greenway. TIF money also went into other questionable uses as well, such as the private 510 Flats project

(\$800,000) across from the NCC Fowler Center and funding the South Side Ambassadors Program, and reimbursing ArtsQuest for staff time to unlock/lock the Hoover Mason Trestle access gates.

As with many government initiatives good intentions can often lead to unintended consequences, and TIF ended up being used in ways that some would question, including me as an original negotiator. Politics and the desire to feed at the public trough tended to trump intentions.

Although I've been informed that it is possible to extend the TIF term so that additional improvements could be made, I do not believe that the political will exists with any of the three taxing entities to do that. Increasing needs in individual budgets do not make it attractive to forgo tax revenue beyond the original 20-year term.

I hope this makes it more understandable.

Dana

So Professor Dana or others: let me see if I understand. Let's see if I can put this in my own words.

Under the TIF, the property owner (the Sands) paid taxes as usual on their now developed and more valuable property, but the amount of the tax increase solely attributed to development went not to the taxing agencies but into a fund solely directed at improving their property. The taxing agencies' revenues from the property stayed the same (in that sense, they didn't "lose" money), but they agreed to take a hit on increased taxes from the increased value of the redeveloped property, and, in effect, the property owner saved some money on improvements. The taxes on the increased value of the property flowed back in to the property owner enabling it to do more improvement.

So is it true to say that the end of the TIF is a loss to Wind Creek? That they are the ones to lose the benefit? So is it true to say that the end of the TIF is a gain for the City (and the other taxing agencies)? If so, that

sounds ok to me. But it sounds to me that you see “us” losing a benefit when the TIF ends and that you would like to see the TIF continue — can you explain that further? Does Wind Creek need the “help” of the TIF? Are there things on that property that won’t get done without the TIF? I think I’m still missing something here.

Gadfly still needs your help.