

Funding Parks, Transit & Streetscape Improvements Through Value Capture

How to create a capital budget in the absence of funding from higher levels of government

1

Business improvement districts

Ground leases

Tax increment financing

2

Bryant Park: Midtown Manhattan (one of first by BID)



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Between 5th & 6th Avenue, 40th to 42nd Streets West of Public Library, Midtown Manhattan



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Deteriorated drug park: 1970s & 1980s



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Very poor maintenance by City



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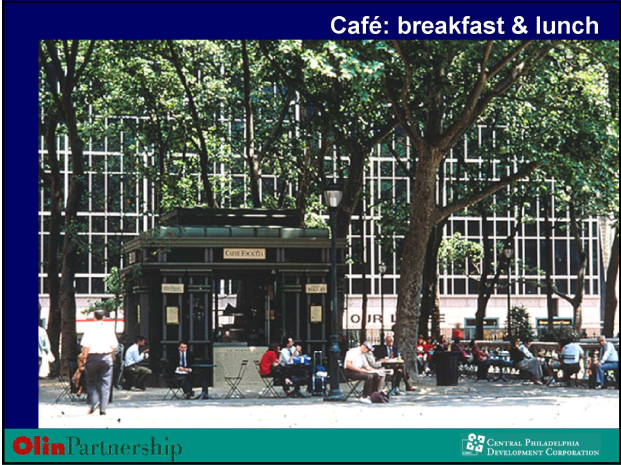
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Programmed with continuous events



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Winter Iceskating



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Holiday markets



22

Bryant Park Restoration Corporation



Maintenance & management funded by a business improvement district that draws its revenues from surrounding office buildings

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As visitors increased
Expanding ability to secure sponsorship



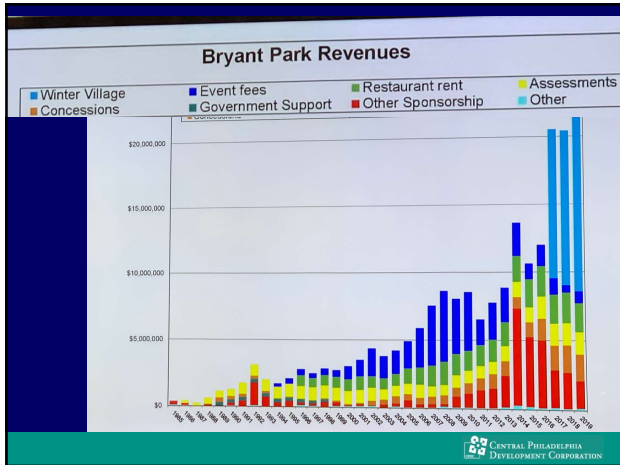
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Bank of America: Winter Village



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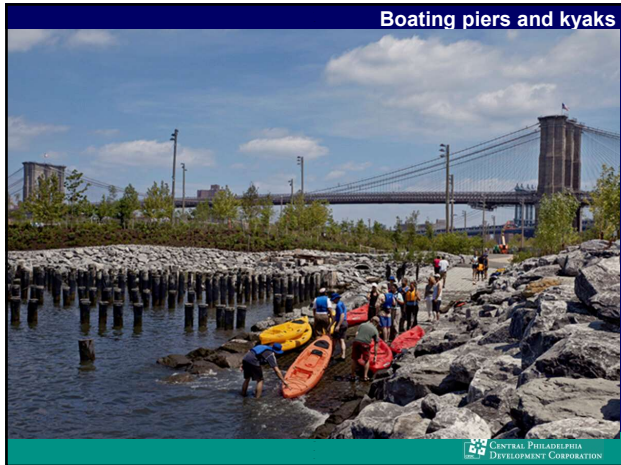
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Adjacent development includes a hotel



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Apartments, includes affordable housing



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All of which are made appealing by adjacent park amenities



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All real estate developed along edge pays ground rent



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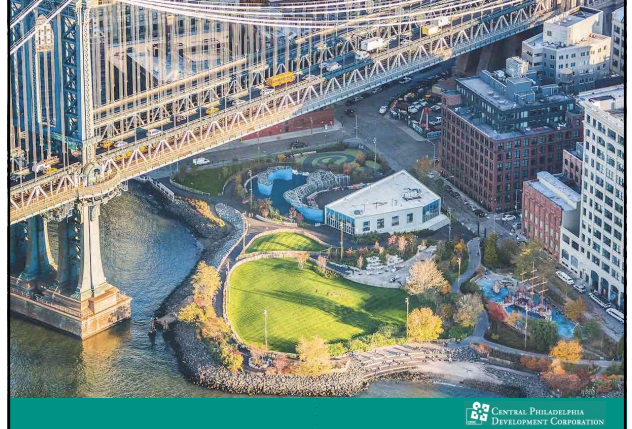
Ground rent supports maintenance & programming of park



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Park & real estate symbiotic relationship



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52



53



57

Tax Increment Financing

- Authorized by Commonwealth of Pennsylvania & implemented under Section 21-1400 of the Philadelphia code with City Council creating a geographic district in which TIF is authorized to capture future value of development.
- A TIF can apply to real estate property, use & occupancy, city sales, & business income and receipts taxes.
- PIDC & the City work with a developer to calculate amount of incremental tax revenue that would result from a development over the term of a TIF & the developer then takes out a loan in the form of municipal bonds that can be supported by the tax revenue stream. (public purpose is job creation; interest income tax-exempt)

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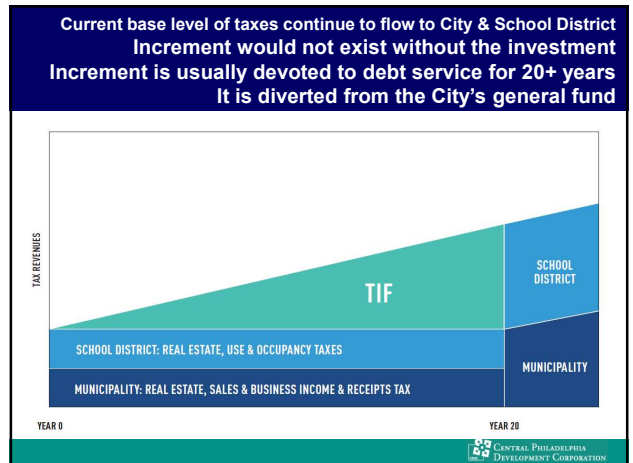
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Tax Increment Financing for private development

- Lower interest bond financing repaid with the *incremental* tax revenue that results from the annual increment generated by the development & recapturing those increased taxes that would otherwise go to the city or school district; the revenue that would have gone to taxes, goes to debt service – a significant public subsidy to project
- Project numbers would not work without TIF; project costs are in excess of income from project
- Developer guarantees to cover any shortfall; no risk to city
- Taxing bodies continue to receive the base amount of tax revenues (the amount paid annually prior to the improvements), but forgo increased tax revenues during the life of the TIF, which is limited to 20 years.

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Single-developer, multi-building TIF
Goldman Properties, 13th Street



61

Faded retail corridor in the 1960s



62



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El Vez



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107-115 South 13th Street



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By 1990: drug, crime & prostitution capital



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Before

- Acquisition of 14 properties; architectural interest; ground floor retail potential; 1990s
- Assembled quietly & quickly many from well-known slum-lord
- Patient about longer term leases

Raised investor equity not bank debt

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After

- Placemaking
- Common design vocabulary
- Creative economy tenants upstairs
- Owner proprietor retailers/lower rents
- Create a street scene to attract upper floor tenants
- TIF District; façade improvements

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The Area

Philadelphia

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Before

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After

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71

107-115 South 13th Street

Philadelphia

1990s

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72



73



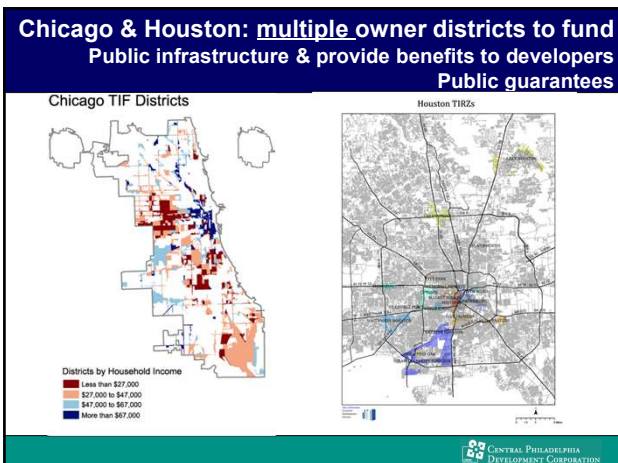
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85

Traditional Tax Increment Financing in Illinois

Illinois Tax Increment Allocation Development Act passed in 1977

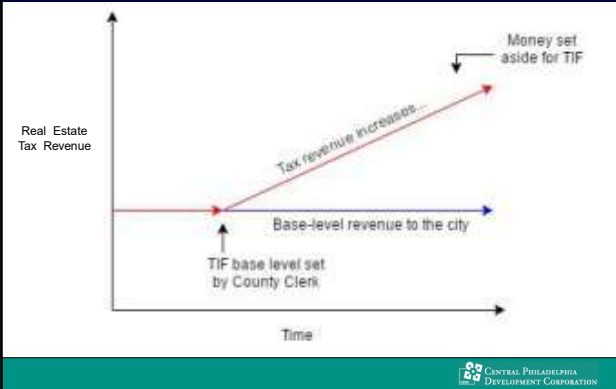
TIF designation requires “blight,” including dilapidation, deterioration, obsolescence, having structures below minimum building code and declining assessed value

23-year term with possibility for 12-year extension by state legislation action

Municipal government authorizes and adopts redevelopment plan for TIF district

86

After base value is set by the county clerk's office, all future increases in revenue are set aside for tif investment while the base value continues to accrue to taxing bodies; City guarantees the debt .



87

Tax Increment Financing in Illinois

Through 2016, 514 municipalities had created 1,397 TIFs in the state

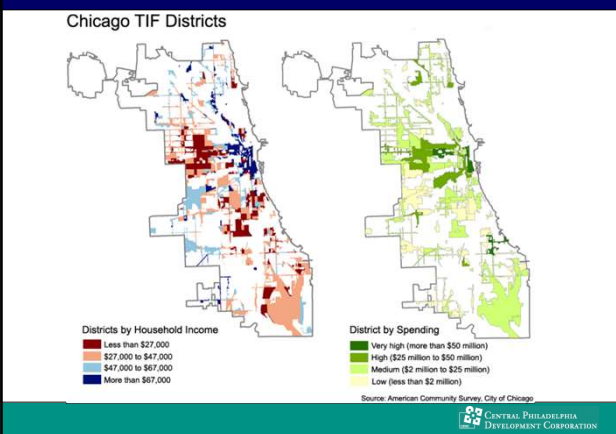
Average TIF project in Illinois produced \$4 of private investment for every \$1 of tax increment invested*

As of March 2017, there were 146 TIF districts in the City of Chicago and one in five Chicago properties is part of a TIF zone, down from 163 TIF districts in August, 2011

*Source: Tax Increment Financing: Learning from Research and Municipal Best Practice, Illinois Municipal Policy Journal, 2017, Vol. 2, No. 1, 135-145, Illinois Municipal League

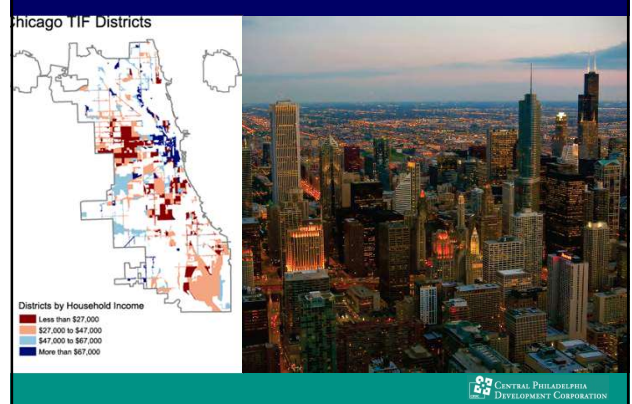
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30% of total Chicago area covered by TIFs



89

Not just downtown; neighborhoods at all income levels



90

1997: State Street Redevelopment



91

Traditional 1920s downtown & Michigan Avenue



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North Michigan Avenue becomes the high end street



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Migration of tenants to "Miracle Mile"



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Between Millennium Park & Financial District



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1960s Street goes into decline



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Lower end retail



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1990s: Comprehensive redevelopment plan

Theater district at northern end



98

Retail in the center



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Price conscious shopping

Macy's & Target
Michelle Tan, Anthropologie
PUMA, Sephora
Disney Store,
Magnolia Bakery
Akira, American Apparel,
Forever 21
Urban Outfitters, Old Navy
H&M, DSW,
Nordstrom Rack,
Burlington Coat Factory
T.J. Maxx.



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Public Library at southern end



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DePaul University; School of Art Institute of Chicago



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State Street TIF: Multiple developers; City guarantee

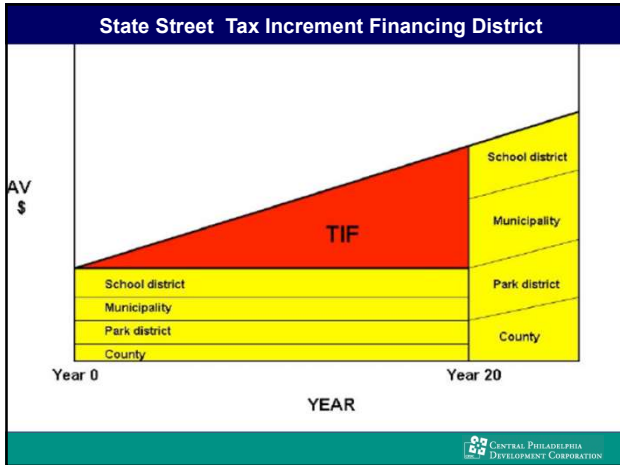


80% resources devoted
to individual project
financing

20% to comprehensive
streetscape
enhancements &
maintenance

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Key tool: tax increment financing districts

- First TIF established in 1984
- 1989: Mayor Daley took office – 12 TIFs
- 2011: Mayor Daley left office – 160 TIFs
- 40% (64) of all TIFs established between 1998-2002
- 30% of total Chicago area covered by TIFs
- Annual Collections: \$500 million

- Most TIFs are area-wide, not project specific - funded both development & surrounding public area improvements & long-term maintenance

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108



109



110



111



112



113

Tax Increment Financing in Illinois

August of 2011, Mayor Rahm Emanuel announced changes to allocation of TIF funding to focus on long-term economic development and job creation

TIF Task Force created to subject all TIF projects to strict performance metrics and to ensure that metrics are met

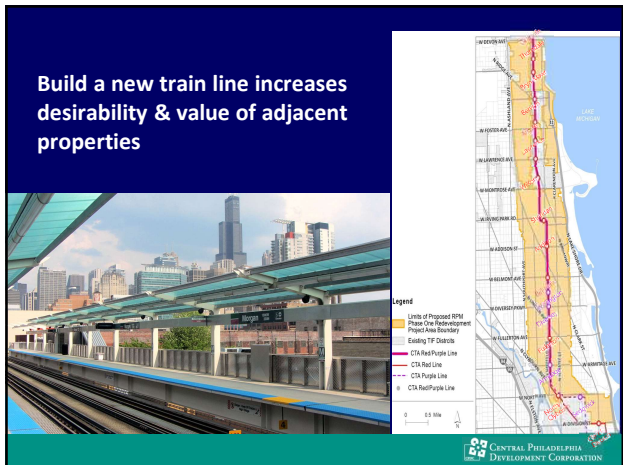
Increased focus on use of TIF funds for transit and transportation investments.

\$61 Million of TIF funds committed to CTA projects since 2011. Additional funds committed to new CTA rail stations constructed by CDOT

114



115



116

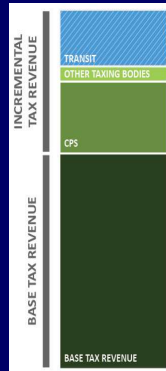


118

How Does a Transit TIF Work?

➤ The Transit TIF is a traditional TIF with several key differences:

- The use is restricted to specific transit facilities
- The boundaries can extend only up to a half-mile from specific transit facilities
- The term is up to 35 years
- The increment is divided between the various taxing bodies and the Transit TIF
- Chicago Public Schools receives its proportional share of the TIF revenue first
- Of the remaining TIF revenue:
 - All other taxing bodies share 20% of the remaining TIF revenue
 - The Transit TIF receives 80% of the remaining TIF revenue



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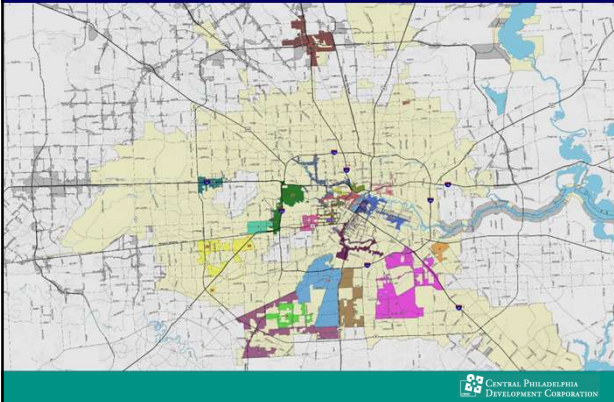
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Houston Experience Tax Increment Financing 2018



125

Houston's Tax Increment Reinvestment Zones High growth rate city



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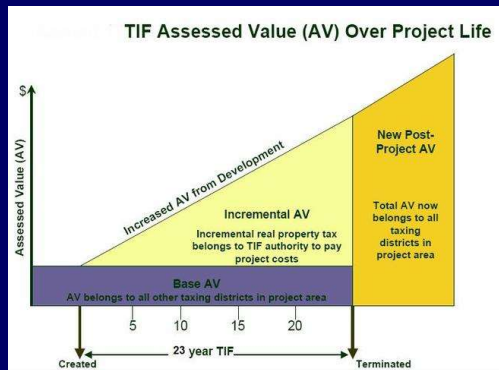
Texas Tax Increment Financing Act (Chapter 311 Texas Tax Code)

- Creation powers given to municipalities with petition, project plan, hearing and action of City Council
- To address areas *lacking strong growth, poor land-use deterioration, faulty lot layout, inadequate street & sidewalk layout*
- Broad definition of allowable "project costs"
- Allows for real property and/or sales tax increments

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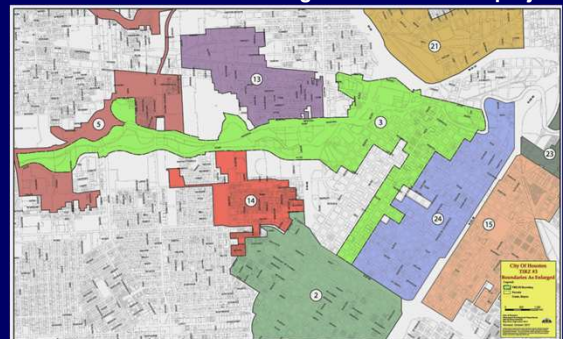
25 year life: multiple owners city guarantee



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Downtown Tax Increment Reinvestment Zone (TIRZ #24) Revenue increments within entire district Can be allocated as grants to individual projects



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Financing to build new construction apartments
Close gaps in financing
TIF authority & BID operate under same umbrella

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Now applying to finance residential conversions

<p>708 Main <i>"The Houston Shoobox"</i></p> <p>Small building Small floorplates Fully vacant</p>	<p>1415 Louisiana <i>"The Typical Atpical"</i></p> <p>Large building Large irregular floorplates Partially occupied</p>	<p>1021 Main <i>"What's Old is New Again"</i></p> <p>Large building Large uniform floorplates Partially occupied</p>
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TIF financing for streetscape enhancements
in Downtown Houston

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Downtown Tax Increment Reinvestment Zone
(TIRZ #3) Extended to Buffalo Bayou Park for maintenance

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Buffalo Bayou Park

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Adjacent to office district & residential area
Buffalo Bayou Park

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136



137



138

Buffalo Bayou Park: Capital partners

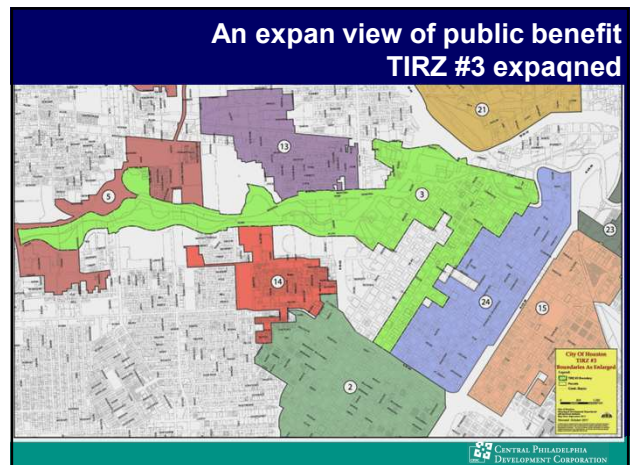
- City of Houston- *owner*
- Buffalo Bayou Partnership- *philanthropic funding, developer & operator*
- Kinder Foundation- *lead donor*
- Harris County Flood Control- *flood control improvements & maintenance*
- Texas Department of Transportation- *hike & bike trails*

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140



141



142

Can this be applicable to Phase 2 of Rail Park



143

From Vine Street



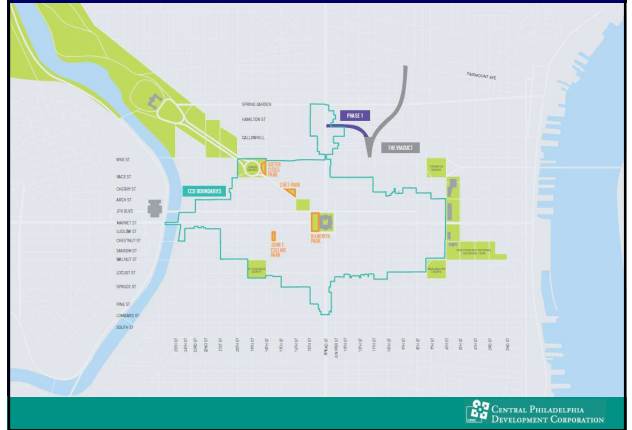
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To Fairmount Avenue with multiple property owners?



145

An expanded view of "benefit?"



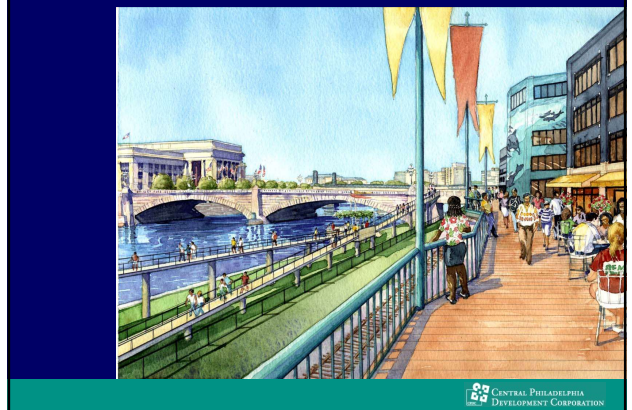
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Could it be applied to maintenance of Schuylkill River Trail?

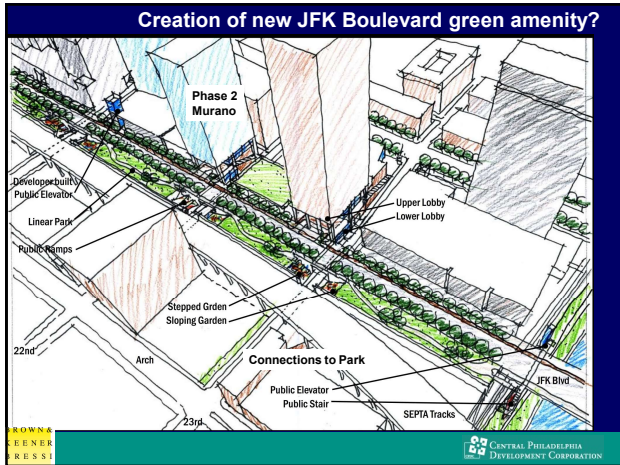


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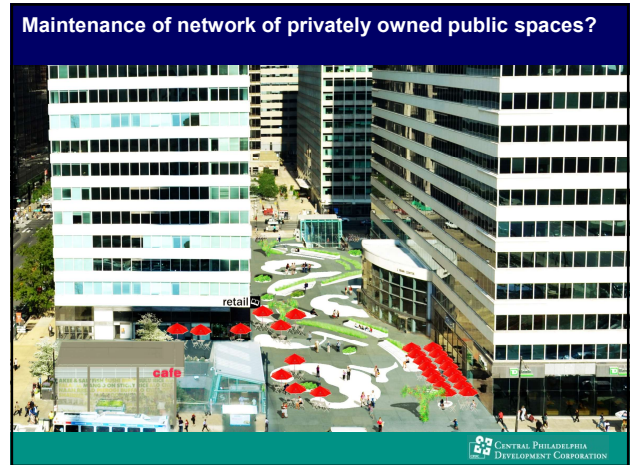
Expanded east Bank Promenade?



148



149



150

Implementation mechanism options

- Public support through expansion of how TIFs are used in Philadelphia?
- Coordinated private owners with motivated leader?
- BID expanded scope?
- New management entity?
- Much more proactive public sector?

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