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APPROVED: Board of Directors
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TO: Members, Citizens League Board of Directors

FROM: Tax and Finance Task Force, John Cairns, Chairman

SUBJECT: Financing Urban Redevelopment

INTRODUCTION

In recent years the Metropolitan Council has begun to work on the exceedingly difficult questions of coordinated planning for the entire metropolitan area.

First, the Council, having been placed in charge of the major areawide systems of open space, sewers, transit, roads and airports, is trying to pull all of these major public systems together so that the flow of money for these systems goes to the right places at the right time.

Second, the Council is beginning to wrestle with the problems that municipalities will have in carrying out the provisions of the Mandatory Planning Act, which requires that municipal comprehensive plans conform to the plans for the areawide systems. The Council is having real difficulty with the preparation of a proposed Investment Framework and Development Fund, which contemplates some kind of financial assistance to municipalities to help them implement their plans.

Third, and probably most difficult of all, the Council is beginning to move to the issue of coordinating the private elements of metropolitan development, particularly in those parts of the metropolitan area undergoing re-development, where private investment has lagged. A special committee has been named by the Council to prepare recommendations for the 1977 Legislature. The issue of financing redevelopment extends far beyond the Council. The Legislature itself is preparing for a major review in 1977 of the state's experience with its laws on financing redevelopment.

We have reviewed several of the past reports of the Citizens League which deal with issues of urban development and redevelopment. We think that a combination of restating some of these recommendations and elaborating on others may be useful to the Twin Cities area community as discussions and action take place over the next several months.

BACKGROUND

1. The federal government no longer plays the direct role in financing redevelopment as it did in the 50's and 60's -- In about the middle 1950's the federal government began to provide major financial assistance, on a long-term basis, to help cities rebuild their blighted areas. In those days the federal government paid for two-thirds (and in some situations, up to three-fourths) of the cost, and the city paid the balance. In the late 1960's federal priorities changed. Long-term funding was replaced by year-to-year commitments. Federal dollars in some years were held back. Since 1974, federal dollars have been distributed through block grants for community development, without any earmarking for urban renewal.

2. As the federal role has changed, the Minnesota Legislature has given cities a new form of access to local funds for redevelopment -- Cities with major redevelopment plans on the drawing boards turned to the Legislature in the late 1960's as it became apparent that the federal government would not be directly involved in financing redevelopment to the same extent as in the past. The Legislature did not replace the federal dollars with funds from another level of government above the city, such as the state, region or county. Instead, the Legislature gave cities a new kind of opportunity to capture property tax revenues specifically for redevelopment. The idea was straightforward: Let the cities use the property taxes from the new growth generated by redevelopment to pay for the public's expenses. In theory, the new taxes wouldn't have been available in the absence of redevelopment, so, according to the theory, why not let the taxes be dedicated to pay for the public's redevelopment costs?

Thus, the tax revenue from the new growth could be diverted to pay for (a) land acquisition, (b) land clearance, (c) relocation of occupants, (d) installation of public improvements, and (e) write-down of the land price for re-sale for private development. This method of financing, capturing the incremental growth in property taxes, has been popularly called tax-increment financing. (Actually, a form of tax-increment financing had been in Minnesota statutes since the late 1940's, but a technical change in the law in 1969 made tax-increment financing workable.)

Under tax-increment financing the growth of revenues pledged to pay for redevelopment comes from all portions of the tax bill, including county, school district, special purpose districts, and, of course, the city itself.

The effect of tax-increment financing is that a city can assure an ongoing stream of money for several years into the future to pay for the expenses of redevelopment.

Several different state laws relate to tax-increment financing. Cities can use the tool through their Housing & Redevelopment Authorities, their Port Authorities, or directly through their City Councils. For property taxes payable in 1975, the Minnesota Department of Revenue reported ten Minnesota cities (five outstate and five in the metropolitan area) already had a total of about \$20 million in growth of taxable valuation dedicated for tax-increment purposes. The number of cities and the amounts involved are projected to grow in coming years. As many as 40 cities already may have tax-increment projects in various stages of planning. A mayor's commission projected that for Minneapolis alone approximately \$286 million in valuation could be dedicated for tax-increment financing by 1985.

SUMMARY OF RECOMMENDATIONS

The financing of major urban redevelopment should be accomplished in a partnership between the areawide and local governmental bodies, just as such a partnership traditionally has financed the preparation of land on the urban fringe for initial development. Major urban redevelopment should not be financed solely within the city limits of the locality where the redevelopment occurs. The Metropolitan Council should take the lead in seeking funds from the Legislature for the areawide share of financing redevelopment. The Council's own guide for regional growth acknowledges an areawide responsibility for development.

At the local level, cities should have incentives and powers to use general obligation bonding or direct taxation for the local share of redevelopment, but without necessarily curtailing their authority to continue to use the somewhat-criticized tax-increment approach.

FINDINGS

1. The Metropolitan Council's Development Framework Guide outlines the Council's policies for the built-up areas as well as the urban fringe. The Guide highlights five distinct parts of the region: (a) Rural Service Area, which is the predominantly agricultural portion of the seven-county area; (b) Area of Planned Urbanization, which includes the developing suburban communities; (c) Freestanding Growth Centers, which are the older, small and medium-sized cities sprinkled through the rural parts of the region; (d) Metropolitan Centers, which include the central business districts of St. Paul and Minneapolis and the immediately adjacent residential, commercial and institutional developments; and (e) Fully-Developed Areas, which encompass the balance of the central cities and the built-up adjacent suburbs.
2. In its specific implementation plans for carrying out the principles of the Development Framework Guide, the Metropolitan Council has concentrated chiefly on the issues of orderly growth of the urban fringe. The 1976 Legislature gave the Council new authority to deal with the urban-fringe-growth issue.
3. The Council's Development Framework Guide also demonstrates a regional commitment to maintenance and redevelopment of older areas, not abandonment. Despite the Council's general goals and policies supporting maintenance and redevelopment, the Council has not yet proposed specific implementation programs to the same degree it has for the urban fringe.
4. The Citizens League report, "Balancing the New Use and Re-Use of Land," issued in January 1976, calls on the Metropolitan Council to prepare and adopt a specific implementation program to be submitted to the Legislature in 1977 for the maintenance and redevelopment of the Fully-Developed Areas and the Metropolitan Centers. The report urges the Council to explore a program of metropolitan or state aid.

Another Citizens League report, "Metropolitan Public Improvements: Tying Them All Together," issued in August 1972, proposes that the Metropolitan Council develop an integrated capital budgeting program for regional-scale developments such as roads, airports, sewers, open space, and transit.

5. The Metropolitan Council has now established a Fully-Developed Areas Task Force which is expected to make recommendations to the Council itself in the fall of 1976, so that specific proposals can be presented to the Legislature in 1977.
6. In its actions to date the Legislature has indicated the state also has a commitment to maintenance and rebuilding of the older areas, not to abandonment, and that public funds must be used in the rebuilding process.
7. The Legislature is determined that Minnesota -- in contrast with some other parts of the nation -- preserve its major urban centers as thriving contributions to a high quality of life.

8. Tax-increment financing, an ingenious financing mechanism which the Legislature has authorized to help localities pay the costs of redevelopment, enables a city to raise a great deal of money quickly. From a city's perspective, certain tax-increment projects can be very successful. For example, when a city undertakes a tax-increment project on vacant land, it has fewer expenses than if buildings must be torn down and occupants relocated. In such a project the tax-increment itself is maximized because no tax-paying development was there before. Of course, from a city's perspective, tax-increment projects are always more successful when a developer is committed in advance to participate.
9. But tax-increment financing is open to criticism for the following reasons:
 - Its cost implications are not readily apparent to the taxpayer. In fact, an impression may be falsely conveyed that tax-increment costs the taxpayer nothing.
 - It may actually reduce a city's taxable value during the time after old buildings are torn down and before new buildings are built. Also, general taxation may be required to pay off tax-increment bonds during the time before new construction is on the tax rolls.
 - It makes a fundamental change in the way capital expenditures are financed. Traditionally, the commitment of capital funds required measures including, not infrequently, a referendum by the public. But under tax-increment financing it is possible to divert funds which supposedly would have paid for the operating expenses of cities, schools and counties and earmark them for capital purposes (redevelopment) with few, if any, of the traditional restraints on capital expenditures.
 - The state is being drawn, indirectly, to the financing of capital expenditures of localities. As the operating revenues of cities, schools and counties are diverted to the capital costs of redevelopment, these units of government turn increasingly to the state government for state aids for operating purposes. What this means is that state aids are reimbursing a city's operating account for the diversion of city operating funds to the capital account.
 - The level of state non-property aid to school districts also is affected. Under the current state aid formula for schools, the state relates the amount of aid for school districts to the size of a school district's tax base. If some of the growth in tax base is held out for tax-increment financing, then the state gives more funds to a school district to make up for its lack of local revenue-raising capacity. What this means is that a local decision to set up a tax-increment project has the effect of committing more state aids to the affected school district.
 - The public's investment through tax-increment financing, in total, is the sum of the decisions made separately and unilaterally by various cities and agencies within cities. No one knows how much money already has been committed or how much more is likely to be committed in coming years. Some statutory limits are in effect, but, because of the variety of laws under which tax-increment can be used, no overall limit is in existence. Tax-increment projects authorized by a city council under what are known as "development districts" are subject to limitations on the proportion

of a city's acreage or market value that can be included. On the other hand, the only limitation on tax-increment projects of a housing and redevelopment authority is that the affected areas must be "deteriorated."

- The tool enables cities to pledge tax dollars from overlapping units of government without a direct voice by these jurisdictions on whether to proceed.
- Since all localities have the same tool, and essentially the same freedom in its use, the built-up areas (for which the tool was designed) may find themselves competing with the growing areas on the fringe (for which the tool was not designed, but which have the same rights to its use). That is, a fringe community might impose the tool locally to regain the competitive advantage it had before the built-up community began using tax-increment financing.
- In some cases tax-increment financing has been undertaken before adequate guarantees were received that development would occur as contemplated. Under tax-increment financing, public dollars sometimes are committed before the fact, -- that is, before the development occurs -- without a guarantee that development will occur as soon as planned or that it will produce as many taxes as expected. Some agencies with a longer history of involvement in tax-increment financing have been more careful about when to use the tool.
- The tool requires property taxes to be relatively high, in order to bring in enough revenues to pay off the tax-increment bonds. As a result, a community may be forced to accept less-than-desirable development simply to get the tax revenue flowing early enough. Or a community may find itself resisting a substantial decrease in property taxes for fear that such a step would reduce the dollars available to pay off tax-increment bonds.
- Localities have very little bargaining power in deciding on the degree of public subsidy. It is either the total increment legally available, or it is nothing.
- The tool limits the kind of redevelopment which can be supported. That is, a plan may not be acceptable unless new growth is projected to produce sufficient property taxes to pay off the bonds. Consequently, a type of new development which does not bring in large tax increments (such as lower-density housing) will rate a low priority.
- The method requires a greater degree of public participation in redevelopment and, thereby, may produce a higher-than-normal cost, because of certain costs unique to public participation, such as relocation payments.
- The very availability of the method in a locality -- and the fact that it might be used -- may cause private developers to hesitate in proceeding on their own, believing instead that if they wait the benefits of the subsidy might be extended to them, too.
- Some kinds of tax-increment projects are exempt from the metropolitan tax-base-sharing (fiscal disparities) law. A city might be tempted to avoid making a contribution of the tax-base growth to the metropolitan fiscal

disparities pool by "hiding" the growth in a certain type of tax-increment project. (Tax-increment projects of housing and redevelopment authorities are exempt from fiscal disparities sharing.)

10. Three previous Citizens League reports have expressed concern over tax-increment financing, although none of these reports contained specific recommendations on alternatives. The report "Building Confidence in Older Neighborhoods," June 1973, urged caution on use of tax-increment financing because only certain types of new development -- those which generate large amounts of property taxes -- can be financed under this approach. The report "Reducing Property Tax Inequities Among Taxpayers and Cities," March 1975, noted that city governments can affect taxpayers in overlapping taxing districts through the use of tax-increment financing. The report urged more careful analysis of the long-term potential impact of tax-increment financing. The report "Balancing the New Use and Re-Use of Land," January 1976, found that a city's need for operating revenue is being affected by the use of tax-increment financing. The report said a decision must be reached on the longer-term source of revenues for the financing both of development and of operating budgets in the cities where major re-building programs now are required.
11. The continued use of tax-increment financing is in jeopardy. Some legislative leaders are urging its repeal or that it be severely restricted. But, if tax-increment financing were to be abolished, nothing now is available to take its place. The redevelopment of built-up areas would be subject to further uncertainty.

CONCLUSIONS

1. We believe that governmental financing of redevelopment is legitimate and necessary. While there are risks associated with redevelopment, they are far preferable to the certainty of blight if nothing is done.
2. We believe governmental assistance for redevelopment should be applied for arresting blight (preventive or curative). The tools for redevelopment should not be used on the urban fringe or in areas not suffering from, or faced with conditions likely to produce, blight.
3. The State of Minnesota should not leave the financing of redevelopment to city governments alone. Redevelopment clearly has a broader-than-municipal impact, since other parts of an urban area, and probably other parts of a state, are affected when blight strikes one location.
4. Governmental-private cooperation in *re*-development is in some ways similar to widely-accepted cooperation between the two sectors in *initial* development. Government traditionally has facilitated private development on open land through building roads, sewers and other support facilities. In effect, government has provided the investment necessary to make private development possible. In the case of some major installations, areawide funding has been required. The same principle applies to redevelopment. Again, government is facilitating private development, only in this case on previously-built-upon land. This time a different form of government investment is needed. Instead of new roads and sewers, the investment involves acquisition, clearance and preparation of land which helps make private development possible. As with initial development, some of the investment will be of such scale as to require areawide support.

5. The Legislature urgently needs a recommendation on financing redevelopment from the Metropolitan Council.

6. A financing plan for redevelopment should:

- Leave the responsibility for initiating, planning and implementing redevelopment projects at the city level, irrespective of the level of government from which the funding occurs.
- Be direct, with the full cost -- present and future -- to different levels of government known and above board.
- Be limited with respect to the amount of government obligation.
- Enable a variety of types of development to occur and not dictate the type of development.
- Give units of government and taxpayers affected by the financing plan a voice in determining what it shall be.
- Be clear enough in its application so that prospective developers do not delay their own private plans on the expectation, however, remote, of some financial assistance.
- Allow localities to proceed, using their own resources, so long as side effects don't go beyond their own borders.
- Recognize redevelopment investment as a capital investment, similar to investments for highways, sewers, airports, and parks.
- Be directed only at those areas which are unable to redevelop themselves at a satisfactory pace without government assistance.
- Allow a community to respond quickly and positively to a private proposal rather than invest public money at an early time when the prospect of private investment is uncertain.

7. We do not dispute the fact that the problems with tax-increment financing are significant and require that the Legislature seriously review its current methods of financing urban redevelopment. But the Legislature should not disrupt the present financing plan in the absence of an adequate alternative. After all, cities are only doing what the Legislature itself has previously authorized. Efforts should first be made to correct the most serious problems with tax-increment financing without setting back the legitimate efforts of cities to renew themselves. Moreover, cities should not be left with tax-increment financing as the only redevelopment financing tool.

RECOMMENDATIONS

1. Recognize the particular regional interest in redevelopment -- This recommendation follows up on previous Citizens League reports which have challenged the Metropolitan Council to follow through on its own stated commitment to

the maintenance and redevelopment of older areas, and which have urged a capital budgeting system for the major components of regional development. We specifically recommend that the Metropolitan Council:

- (a) Prepare a unified capital budget, including a plan for financing, for each of the major urban development areas as identified in its Development Framework Guide -- What this means is that the total public investment, areawide and local, for the major urban systems, including redevelopment, would be identified for all parts of the metropolitan area. It would be possible, thereby, to see how each part of the metropolitan area is being treated, in total, in comparison with all other parts. This recommendation elaborates on a previous Citizens League proposal for a unified capital budget by specifically including the financing of redevelopment as one of the components.
- (b) Expand newly-required systems statements to include redevelopment as a component -- The Metropolitan Council is required under the newly-adopted Metropolitan Land Planning Act (also known as the Mandatory Planning Act) to inform local governments of the planned metropolitan investment in sewers, highways, airports and regional parks. Local governments then use this information in making their own local comprehensive plans. Our recommendation adds redevelopment to the list. The Metropolitan Council would, therefore, tell local governments the extent of the metropolitan commitment for redevelopment assistance, just as the Council will inform these governments relative to contemplated metropolitan investment in sewers, highways, airports and regional parks.
- (c) Make systems statements compatible with areas as identified in Development Framework Guide -- As noted earlier, the Development Framework Guide divides the metropolitan area into five sub-areas: Rural Service Area, Area of Planned Urbanization, Freestanding Growth Centers, Metropolitan Centers, and Fully-Developed Areas. The Metropolitan Council's systems statements, however, apply to local governments, many of whose boundaries do not coincide with one of the above-mentioned sub-areas. Part of a local government may be used in the Rural Service Area and part in the Area of Planned Urbanization. Or part of a local government may be in a Metropolitan Center and part in the Fully-Developed Areas.

This recommendation is designed to make sure that the systems statements -- which outline the contemplated metropolitan investment in sewers, highways, airports, regional parks, and, as we recommend, redevelopment -- will distinguish between the sub-areas in the Development Framework Guide. For example, the systems statement should make it clear to the city how much of the metropolitan investment in redevelopment would be contemplated for the Metropolitan Center and how much in the Fully-Developed Area.

This recommendation applies to the entire metropolitan area. That is, Freestanding Growth Centers, such as Stillwater and Hastings, have older areas within them that need to be renewed. And there are locations throughout the Fully-Developed Areas, such as in Hopkins, Robbinsdale, North St. Paul, South St. Paul and east Bloomington, where redevelopment is needed. Of course, the downtowns of Minneapolis and St. Paul, identified as the Metropolitan Centers, will continue to require substantial redevelopment.

- (d) Seek funds, as deemed needed, to carry out the provisions of its systems statements, including those provisions dealing with redevelopment -- The Council, on behalf of the metropolitan area, would submit a financing plan to the Legislature, seeking bond funds, taxing authority, or whatever would be required, just as it does now, for example, in connection with metropolitan systems under its direct control, such as open space. Part of its financing plan would include requests for covering the redevelopment component. This recommendation was made in the League's report "Balancing the New Use and the Re-Use of Land," January 1976. The financing plan for redevelopment would outline the Council's proposed method for allocation of funds among the various parts of the metropolitan area and would indicate the proposed extent of local matching funds. As the Citizens League suggested in its August 1972 report, "Metropolitan Public Improvements: Tying Them All Together," the Metropolitan Council could submit a unified financing proposal to the Legislature for all metropolitan systems, rather than treating each separately.

In evaluating possible methods of financing redevelopment, the Metropolitan Council should look to general obligation bonds as an option, but not to the exclusion of pay-as-you-go. As we look to the long run, we see redevelopment as being a permanent phenomenon in city and suburban locations throughout the region.

We are fully aware of the complexities of financing redevelopment and of the growing needs for the financing of other areawide facilities and programs. The Citizens League intends to explore the dimensions of this issue during coming weeks with the intent of offering constructive suggestions in early 1977.

2. Improve tax-increment financing -- The following changes would be made:

- (a) Require full disclosure of its impact -- So that direct and indirect financial impact can be known at all times, an appropriate agency, such as the State Department of Revenue, would report annually to the Legislature and the public on current and projected financial obligations. Such a report would outline:
- * Additional state aids, current and projected, for schools and other governmental operations, that may be necessary because valuation is held out of the tax base for tax-increment financing.
 - * Changes in mill rates, current and projected, on all overlapping taxing districts because of valuation held out of the tax base for tax-increment financing.
 - * Information on additional tax-increment projects contemplated by cities in the next several years. Cities would be required to report their plans in advance.
 - * General obligation debt outstanding, with a breakdown of the amounts for tax-increment and other purposes, for each city, plus projections of general obligation debt as a result of proposed tax-increment projects.
- (b) Give city governments the authority to issue general obligation bonds or have a direct tax levy for redevelopment -- City governments would be given authority to issue general obligation bonds or to make current

levies on property for redevelopment purposes, upon approval of their directly-elected city councils, within legislatively- or charter-established limits. In effect, city governments would be empowered to do directly what they otherwise do indirectly through tax-increment financing.

- (c) Require city governments to consider other approaches, including general obligation bonds and direct taxation, first, before choosing the tax-increment alternative -- While city governments would retain full authority to use tax-increment financing, they would be required to consider going the general-obligation-bond, direct taxation route first.
- (d) Make it possible to finance a redevelopment project with a number of tools, including tax-increment financing -- A city government should be able to use a number of financing tools for a given project. For example, a city could finance part of a project with tax-increment funds, part with direct bonding or taxation, and perhaps part with the city's share of some area-wide funding for redevelopment.
- (e) Provide notice and hearing to all interested parties if tax-increment option is picked -- If a city government chooses tax-increment for any portion of the cost, it would be required to give notice to all overlapping taxing districts and hold a hearing for comment by these taxing districts and any other individuals or groups. The overlapping taxing districts would be expected to comment on broad public interest issues in tax-increment financing, not just the more narrow issues of the direct impact of tax-increment financing on the size of their own tax base. With some overlapping districts, such as the Metropolitan Council, the comment would be expected to be almost exclusively related to broad public interest issues.
- (f) Make tax increment compatible with base-sharing law -- Provide that a city in the seven-county metropolitan area make a full contribution of 40% of its net growth in commercial-industrial tax base to the metropolitan fiscal disparities pool, as required by law, even though some commercial-industrial growth in the city is artificially held out of the tax base for tax-increment financing. This means that a city using tax-increment financing, in whatever form, would have to make a slightly larger contribution to the fiscal disparities pool from the remaining area of the city to make up for the tax base held out in a tax-increment district.

At the same time, however, a city would be permitted to pledge 100% of the tax increment to finance the redevelopments in a tax-increment district, not just 60% as is the case with some tax-increment districts today.

What this recommendation means is that a city can make its full contribution of *valuation* to the metropolitan fiscal disparities pool and still pledge 100% of the increment in *taxes* in a district for redevelopment purposes. The other taxpayers in the city make up the difference.

- (g) Monitor experience with tax-increment financing, following procedures as outlined above, before considering direct restrictions on its use -- Our recommendations as outlined above are intended to assure responsible use of tax-increment financing, without imposing penalties or limitations

beyond those already in the law. The Legislature should take only those steps needed to prevent abuses. If in coming years the Legislature finds that the steps to assure responsible use are inadequate, it then could consider more drastic action, such as (1) removing the full faith and credit guarantee from tax-increment bonds and only pledging the revenues from the tax-increment district; (2) giving overlapping taxing districts the right to veto the use of their taxes for tax-increment purposes; (3) adding the tax-increment valuation into the calculations of state aid to school districts; or (4) providing for a referendum on tax increment districts.

Our two major recommendations -- (1) areawide financing for some of the redevelopment cost, and (2) improvements in the procedures for use of tax-increment financing -- are fully complementary. That is, a city might receive some of its redevelopment financing from an areawide source, some from tax-increment financing, and some from local general obligation bonds or general taxation. A city would not be prohibited from using tax-increment financing, general obligation bonds or general obligations bonds locally, even if it also were receiving some financing from an areawide source.

OTHER OPTIONS FOR FINANCING REDEVELOPMENT

This report concentrates very heavily on those forms of public assistance for financing redevelopment which involve direct outlays of tax dollars. Many other methods are available by which public subsidies can stimulate the investment of private capital.

An in-depth analysis of loans, leases, second mortgages, subordinated leases, industrial revenue bonds, tax abatement and tax-increment financing was conducted by Gary N. Conley, assistant director, City-Wide Development Corp., Dayton, Ohio, in a paper prepared for the National Council for Urban Economic Development, Washington, D. C.

Conley ranked the various subsidy devices according to their cost-effectiveness; that is, the extent of private investment which can be stimulated relative to the extent of public subsidy.

Conley found a device called subordinated leases to be "extremely effective," followed closely by second mortgages.

Following is Conley's description of subordinated leasing: "Subordinated leasing is the leasing equivalent of a second mortgage. Under a subordinated lease the LRA (local renewal agency) would lease land to a developer and subordinate the land to a first mortgage, thereby assuming substantial risk. Assuming an example of an 80% primary loan and assuming that the cost of land equals 10% of the total development cost, the effect of providing a subordinated land lease is exactly that of providing the second mortgage. It reduces the developer's equity capital requirement by half, enormously increasing leverage. An additional benefit of the subordinated lease is that it brings with it the tax consequences of a normal lease. On a normal debt, principal is not deductible. All of the lease payment, however, is deductible for income tax purposes. Where a lease is used, a developer is able to transfer a partially deductible item into a fully deductible one. As with second mortgages, the primary cost of a subordinated lease to the LRA is opportunity cost, as well as increased risk."

We are including a discussion of Conley's paper for background purposes only. Its contents are technical. We did not look at the various options he discusses to any significant extent. We are drawing no conclusions on whether, and under what circumstances, one or more of these options should be utilized. Some already may be in use in Minnesota. It does seem logical, however, that a locality which is seeking tools to encourage redevelopment would thoroughly investigate approaches suggested by Conley.

ASSIGNMENT TO THE TASK FORCE

The Tax and Finance Task Force is a standing subcommittee of the Citizens League Community Information Committee. It is one of four such task forces established by the League in 1975 to follow up on previous Citizens League reports. The other three task forces are on housing, governmental structure, and transportation. The four task forces are assigned from time to time to look into certain areas in greater detail than would be possible through the Community Information Committee directly.

The issues relating to the financing of redevelopment have been covered in several Citizens League reports, the most recent being the League's report "Balancing the New Use and Re-Use of Land," approved by the League Board of Directors in January, 1976. As a direct outgrowth of that report, the Board of Directors in March 1976 authorized the Tax and Finance Task Force to undertake a review of the problems of financing redevelopment. It was felt that previous League positions were not sufficiently detailed, either on the metropolitan role in financing redevelopment, or on the matter of whether municipal tax-increment financing should be modified or replaced, and, if so, with what.

Customarily, the preparation of follow-up statements do not involve the same sort of intensive backgrounding that is characteristic of regular Citizens League research committees. Task Force membership usually includes persons who were very active in the original study. Moreover, the statements normally elaborate on previous recommendations. The Tax and Finance Task Force, too, included persons who have been active on several previous League studies in the tax and finance area. However, because of the complexity of this issue, the Tax and Finance Task Force, in this instance, conducted what amounted to a mini-study.

The Tax and Finance Task Force held 12 meetings from mid-March 1976 until early October, 1976, when this statement was approved and submitted to the League Board of Directors. During this time the task force received input from municipal officials, the Metropolitan Council, housing authority personnel, private developers, and other groups which have analyzed redevelopment financing. The task force relied heavily on previous League reports, including those on fiscal disparities, property tax inequities, revenue sharing, land assembly, land use, older neighborhoods, and metropolitan capital budgeting.