

Paoli, Diana

From: George <george@mcn.org>
Sent: Monday, September 22, 2025 3:57 PM
To: Jason Godeke; Albin-Smith, Tess; Peters, Lindy; Rafanan, Marcia; Hockett, Scott
Cc: Whippy, Isaac; Melissa.Kraemer@coastal.ca.gov; City Clerk
Subject: The Perils of Tax Increment Financing **ITEM: 8B**
Attachments: Perils of TIF.pdf

Honorable Fort Bragg City Council members,

Please read and make sure our city does not commit to Tax Increment Financing this evening. There needs to be a lot more thought given to the planning process being discussed in Item 8B on tonight's agenda.

Thanks for all the hard work you folks do on behalf of our coastal community.

George Reinhardt

Do not move ahead with Tax Increment Financing

A quick search online brought up these concerning issues. No decision should be taken to pursue Tax Increment Financing this evening or even soon. Much more research needs to be done and this must be in a transparent and open manner. Releasing a document of this size and importance with so little time for community scrutiny and engagement is not a transparent and open process.

Tax increment financing (TIF) presents risks such as financial strain on municipalities if growth projections don't materialize, potential displacement of low-income residents due to gentrification, and diversion of tax revenues from public services like schools and counties. Critics also point to a lack of transparency, the possibility that TIF only relocates existing economic activity instead of creating new growth, and an over reliance on optimistic forecasts.

Financial Risks

Bonds may not be repaid

If the projected increases in property values fail to occur, the municipality may be unable to pay back the bonds issued for the TIF project.

Diversion of Funds

TIFs capture tax revenue that would otherwise go to counties, school districts, and other local government entities.

Equity Concerns

Gentrification and Displacement

TIF can contribute to gentrification, displacing low-income residents and small businesses from the area, according to the ICMA (<https://icma.org/blog-posts/understanding-tax-increment-financing>).

Unequal Distribution of Benefits

Some studies suggest that TIFs disproportionately benefit the wealthy and can harm the less affluent, violating principles of equitable economic policy, according to the Nonprofit Quarterly (<https://nonprofitquarterly.org/how-tifs-impact-racial-and-economic-justice-at-the-local-level/>).

Transparency and Accountability Issues

Lack of Transparency

The process can be complex and obscure government financial records, making it difficult for the public to scrutinize how funds are used.

Do not move ahead with Tax Increment Financing

Separation from Normal Budget Process

TIF funding is separated from the regular budget process, limiting elected officials' ability to re-prioritize spending or for public review.

Overstated Benefits and Overly Optimistic Projections

The actual economic return on investment is often minimal, with studies showing mixed results on whether TIFs deliver genuine economic growth or simply relocate economic activity.

TIF decisions often rely on unrealistic assumptions about future property values or sales tax growth, which can lead to project failure, notes Downtown Makeover (<https://www.downtownmakeover.com/TIF-financing>).

"Blight" Designation

The process requires a finding of "blighted" areas, which can be controversial and sometimes abused by designating as "blighted" that which would have been developed anyway, Wikipedia (https://en.wikipedia.org/wiki/Tax_increment_financing)

Political Favoritism

TIFs can create opportunities for political favoritism, benefiting politically connected developers and their associates.

Bottom line - TIF maximizes profits and benefits for MRY/SNR and shifts all the liabilities onto taxpayers and the community.

If the Council does this you could well bring about a tax payer revolt and bankruptcies among businesses in the rest of the community. Additionally, home owners could be hit with significant property taxes when income projections do not pan out. TIF seems like a devious "bait and switch" that is remarkably clumsy if you dig into it at all.

Tax Increment Financing was so bad for communities in California, that Jerry Brown shut all of them down 16 years ago.