ABSTRACT

Inserting a few tweaks into Texas’ Tax Increment Financing laws to force Tax Income Reinvestment Zones (TIRZs) to build affordable housing within their boundaries would increase affordable housing in more high-opportunity areas. This work also evaluates the efficacy of Tax Increment Financing as a development tool. Although affordable housing has been a longstanding concern of lawmakers, the COVID-19 pandemic has exacerbated the problem. In traditionally conservative states like Texas it has been difficult to make any meaningful progress at the state level through legislation. In the absence of a favorable political climate where a comprehensive affordable housing bill could be passed, modifying the legislation governing Texas’ TIRZs according to the suggestions found herein may be a much easier way to make some progress on providing more affordable housing. This work draws upon peer-reviewed research papers and scholarly books, as well as studies and official evaluations of current TIRZs. The results of this work suggest that such a revision of the laws regarding TIRZs would go a good way toward increasing the availability of affordable housing in Texas.
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SECTION I: THE AFFORDABLE HOUSING CRISIS

In contemporary American society it is becoming more and more apparent to more and more people that there is a critical lack of affordable housing in the United States. To the younger generations, this problem is particularly severe, as roommates are remaining necessary for longer stretches of their lives, and homeownership is seeming increasingly out of reach. College is often unfeasible without scholarships in general, and unless those scholarships provide for housing it is obscenely difficult to go far from home to get an education. This reality is also poignant because the United States had supposedly recovered from the last economic disaster in 2008 before the onset of the Coronavirus pandemic, which has worsened the housing crisis.

In 2015, there were 19 million very low-income renters, and only a quarter of them received any form of government assistance. On top of this, 43 percent of these renters faced what are known as “worst case needs,” paying more than 50% of their income toward housing (Salhotra, 2018). For perspective, the definition of affordable housing means that an individual pays only up to 30% of their income on housing (Kalugina, 2016). In addition to these very low-income renters, the number of housing cost-burdened renters in general are well above levels recorded even a decade ago. In 2016, about 10.8 million renters were “moderately housing burdened,” meaning they spent above 30% of their income on housing, and another 11 million were “severely housing burdened, meaning they spent more than 50% of their income on housing (Salhotra, 2018). These millions of people desperately need assistance, and the fact that so little of them actually do receive any help is tragic.
High rent prices can be caused by the state of housing supply. Demand for housing naturally increases as time passes, and legal restraints, typically land-use regulations like minimum-lot-size laws, “fiscal zoning” laws that restrain construction to save government infrastructure costs, and housing quality codes, dramatically reduce the number of new housing construction projects while simultaneously increasing the costs of the projects that do go through (Boudreaux, 2018). Housing costs since the 1980’s have risen far more quickly than input costs like as construction and labor, further supporting the argument that restrictions on construction are part of the problem of high rents (Boudreaux, 2018). Even beyond renting, all forms of housing have become more expensive in America, with real rental costs adjusted for inflation having doubled since the 1960’s and the price of a single-family house having more than doubled in that time as well (Boudreaux, 2018).

Other issues surrounding the lack of affordable housing come from a diverse series of sources, such as the US bias towards homeownership over rental assistance and erasing poverty from affordable housing discourse (Shlay, 2015). Far more government aid is shifted toward assisting homeowners and promoting the housing market, which treats housing as a feature of wealth acquisition as opposed to a fundamental need (Shlay, 2015). This takes funding away from rental assistance and apartment construction. Apartments are where the bulk of the people who need housing assistance reside, so shifting those priorities would go a long way toward solving these issues; however, a large part of the reason this shift away from a homeownership focus has not occurred is
because poverty has increasingly been erased from the affordable housing discourse. The usage of the term “affordable housing” has changed over time, from meeting the housing needs of the poor, to the relatively unproblematic workings of the home ownership market, according to a study by L. Martin in the *Journal of Poverty* (2011). This obscures the original intention behind legislation for affordable housing: reducing homelessness and reducing the burden of housing costs, thus reducing poverty. Instead, affordable housing programs designed to increase homeownership are now utilized to stimulate the housing market, treating homes like stock portfolios and driving up prices.

Although a lack of affordable housing continues to be a problem, there have been multiple attempts to combat it through rental assistance. Federal programs like public housing have been in existence since before the Second World War, but there are currently several policies in place to try and provide housing assistance. One example of this is the Housing Choice Voucher system, which in theory allows anyone to be able to rent in any neighborhood (Kalugina, 2016). The federal government establishes a fair market rent value for every city, and recipients are asked to pay 30% of their income towards this value. The Department of Housing and Urban Development pays the rest, and the voucher is used to pay the rent for the apartment of the recipient’s choice. The issue with the voucher system is that there is no protection against what is known as “source of income discrimination,” so an apartment complex can deny a lease simply for utilizing a voucher, rendering the program moot (Salhotra, 2018). Other federal programs similarly possess crippling loopholes. Section VIII public housing guarantees an affordable rent, but suffers from a chronic lack of funding from the federal government,
resulting in deferred repairs and steep drops in housing quality (Salhotra, 2018). These federal programs would be highly effective if their loopholes were closed, but since low-income Americans cannot lobby Washington as effectively as their landlords, change is unlikely to originate at the Federal level. Therefore, it may be more prudent to look toward influencing state-level politics to improve the affordable housing situation.

SECTION II: TAXINCREMENT FINANCING AND TEXAS’ TAX INCREMENT REINVESTMENT ZONES

This work argues for a focus on state level political change to avoid over-generalization. Texas was chosen for a multitude of reasons. Since the advent of total Republican hegemony in Texas in 2002, the state is experiencing a demographic shift that is dramatically challenging it, which would make the changes proposed later much easier to accomplish. Additionally, Texas has an interesting law that has the potential to provide a great deal of affordable housing in high-opportunity areas if appropriately adjusted. This would have a wide range of beneficial effects in the battle to take on inequality.

The aforementioned law is the Tax Increment Financing Act of the Texas Tax Code (§ 311, 1987), which allows for the creation of Tax Increment Reinvestment Zones. These reinvestment zones were designed to assist in the development of municipal areas (Eisinger, 1988). A municipality can create a zone in areas that are “undesirable” to private businesses, and would not otherwise receive significant investment. This is a characteristic known commonly as “blight.” Property owners in a potential zone can create one themselves via petition if they constitute 50% or more of the proposed zone’s
property taxes.

As part of the creation process for a zone, a project plan is developed for what the goals of the reinvestment zone are and how they would be realized. These goals can be investment in businesses, improved infrastructure, improved transportation networks, improved housing quality, improvements to a school in the zone, to build more housing (only in major metropolitan areas), along with others that are implied in the legislation itself. The planning process also requires the creation of a board of directors for the zone, along with the accomplishment of administrative tasks such as naming the zone and creating a finance plan. In the legislation regarding the project plan in section 311.011(f), a reinvestment zone created by petition in a county with a population exceeding 3.3 million is required to provide at least a third of its income toward affordable housing during the zone’s lifetime. This provides an opportunity to utilize these reinvestment zones to create affordable housing with no additional taxation.

The rest of the legislation lays out the powers and restrictions municipalities and county governments have in relation to the creation and management of these reinvestment zones. The zones require certain powers to be delegated to the board of directors from the local government to operate, and the boundaries tend to be around additional taxation and eminent domain. When a reinvestment zone is geared toward development related to a school, the legislation resolves the overlap between the powers of the zone and the powers of the school district.
These Tax Increment Reinvestment Zones are funded through a mechanism called tax increment financing. It is a development tool that operates by diverting new property tax revenues that under normal circumstances would belong to other jurisdictions like the county, school district, or other special districts that share the same tax base as the town or city (Eisinger, 1988). Property tax levels are frozen at the level they are calculated at by the city, and any growth in property taxes beyond that is diverted to the tax increment financing zone. The new project the zone funds increases property values itself, thereby instantly kickstarting the new revenues for the project. The entire amount of the expected increment is calculated beforehand, which is used to back tax increment bonds to provide immediate funding for the project. Once the project is complete and the bonds are paid off, the district is dissolved and the overlying governmental systems begin to receive their full share of the new taxes generated by the project (Eisinger, 1988). The complexity of this development tool often causes controversy due to the perception that tax increment financing “steals” funding from other jurisdictions – that it gives a city the power to take revenue from separate governmental systems like school districts. While those other jurisdictions will ultimately lose out on the extra revenue from the increased property values, they do still keep their baseline share that was calculated at the onset. They eventually also get to share in the benefits generated by the new development, even before the district is dissolved (Eisinger, 1988). Another complaint about tax increment financing is that the requirement of “blight” for a district to be created is far too broad, allowing these tax increment financing zones to be created to further develop areas that are actually doing quite well, counter to the intent of the law (Allen, 2018). To counter this, tax increment financing laws also tend to include a “but for” clause, where it must be
shown that such economic improvements would not occur without the tax increment financing district helping such improvements along. Unfortunately, it is very difficult to disprove that a given area needs a reinvestment zone to spur economic improvement, making the “but for” clauses as vague as “blight.” While these may be legitimate concerns for some, for the purposes of this work these broad definitions are what is needed to expand affordable housing into more affluent areas, should the proposed changes to the laws governing TIRZs be implemented.

SECTION III: TAX INCREMENT FINANCING COMPARED TO OTHER DEVELOPMENT TOOLS

Tax increment financing is often compared to other geographically-targeted development tools like site development programs, financial assistance to firms in distressed areas, and state enterprise zones. All of these work to encourage growth in specific areas within a state, rather than just relying on a state-level business climate to attract firms.

Site development programs are fairly simple, in that they involve public efforts to acquire and improve sites for industrial or commercial use (Eisinger, 1988). The objective is to offer land to private firms at a reduced cost by subsidizing acquisition, preparation, infrastructure improvements, and occasionally landscaping. The difference between site development programs and other subsidies for private land acquisition is that the government strategically chooses the location in an effort to develop the targeted land, as opposed to allowing the private firm choose the location. This allows local
governments to insert development projects in places where they might not go otherwise. This may also stimulate the creation of new jobs in low opportunity areas. There are two major types of site development programs: subsidized industrial parks and land banks (Eisinger, 1988). Industrial parks are planned tracts of land that are zoned and subdivided for use by several industries, and tend to offer pre-prepared transportation facilities, utilities, and buildings for the firms to use (Eisinger, 1988). Land banks on the other hand are plots of undeveloped land that could be used for an industrial park or any other development project that is held in reserve by the local government for eventual use. Land banks tend to be quite difficult to implement in the United States, due to their vulnerability in court to eminent domain powers. The courts have generally held that such seizure of property must be for immediate and specific public purposes rather than held for future use (Eisinger, 1988). While these site development programs can be useful for generating jobs and business in economically distressed areas, tax increment financing is a much more flexible tool that can be used beyond attracting business to a specific location.

Financial assistance to firms in distressed areas can appear in two distinct ways. The most common way is by making tax abatements and various capital subsidies like loans, loan guarantees, and IRB financing available only to firms that relocate in areas of high unemployment or areas characterized by blight (Eisinger, 1988). Texas specifically encourages rural industrial development with this policy (Eisinger, 1988). The other less common form of financial assistance is public works grants to local governments. These grants are given on the basis of economic distress to help the jurisdictions in need attract
more industry. While these tools were used extensively during the late 20th century, there have tragically been next to no studies or evaluations of these programs, which leaves it in question as to whether people’s tax dollars were used to line the pockets of business owners. Uncertainty of this magnitude regarding the efficacy of these subsidies disqualifies them as a good development tool, especially when compared to development tools like tax increment financing where the funds are tied directly to a clear plan for an outcome.

State enterprise zones function to remove the barriers to entrepreneurial impulses, such as disincentives to invest contained in tax codes, regulatory structure, or even shortages of capital or a skilled workforce (Eisinger, 1988). Initial attempts at state enterprise zones focused too heavily on deregulation, which earned the ire of organized labor, environmental groups and civil rights organizations. Later surveys of business owners cited regulations as a mid-tier concern behind interest rates, the cost of various insurances, utility rates, and the search for qualified workers. While deregulation is still found in state enterprise zones, the zones tend to focus more on tax incentives (Eisinger, 1988). The most common of these are new-job credits and grants, local tax abatements, and exemption from state sales taxes on materials for new construction. Texas offers the construction materials tax exemption and shields companies in state enterprise zones from certain regulations. Compared with tax increment financing, this tool once again only serves to encourage business growth and is much more restricted in application. On top of this, elements of deregulation still common in state enterprise zones could serve to diminish the quality of jobs offered in such districts. Environmental deterioration also
remains a concern even with the update state enterprise zones received in 1985 designed to ensure environmental regulations remain intact. The 1985 update only backs environmental protection with the threat of withholding some federal funding (Eisinger, 1988).

**SECTION IV: WHAT TO ADJUST**

With a firm understanding of tax increment financing and its implementation in Texas, it is time to look into how exactly this legislation could be leveraged to increase affordable housing in higher opportunity areas (areas with better jobs, transit, schools, etc.). Many urban areas mandate a certain percentage of funds raised through TIRZs go to affordable housing, such as Houston’s 30% requirement listed in state law and Austin’s voluntary 40% requirement (Way, 2009), but the implementation is problematic. Those funds typically get shifted to a city initiative or agency like the City of Houston Housing and Community Development Department. They are then spent elsewhere while the TIRZs raise the property values within and around the district, serving to actually worsen the market for affordable housing (Allen, 2018). Some of these districts have even gone so far as to intentionally demolish some affordable housing units. The solution is to make TIRZs to spend the money set aside for affordable housing within or adjacent to the TIRZ itself instead of simply sending it to an initiative. Those initiatives have been known to use that money to concentrate affordable housing in poorer areas, concentrating poverty and closing off places with better opportunities (Allen, 2018). Bringing low-income families into higher opportunity areas can go a long way towards lifting people out of poverty, with the major barrier being high housing costs. Making TIRZs build affordable
housing in their districts would go on to counter the detrimental effects rising property values would have on rents. The vague nature of the “blight,” which has brought TIRZs to affluent areas counter to the intent of the law, would thus serve to bring affordable housing to those affluent areas.

It would be important to the integrity of the proposal that such a revision to the laws governing TIRZs impose this in-district affordable housing requirement on TIRZs currently in existence. If this revision to the law backfires and future TIRZ use in affluent areas stops, the imposition on current TIRZs would ensure TIRZs in affluent areas will be able to contribute to affordable housing. Affluent areas have the tendency to seek higher and higher property values, and the prevailing thought in such areas is that affordable housing in their neighborhoods would lower them and possibly introduce more crime. This backfire effect would be a worst-case scenario should the laws be changed, but it is unlikely for a few reasons. First, especially in Houston where there is not any zoning, TIRZs are very common since they are one of the few targeted development tools available to local government. It is doubtful the City of Houston would let this last bit of control fall out of their toolbox, even in the face of outraged NIMBY (Not-In-My-Backyard) property owners. Second, there is considerable evidence that affordable housing does not have a significant effect on crime or property values (Nguyen, 2005). This could be utilized to counter these NIMBY impulses from a community. The situations in which affordable housing does have a negative impact is when they are concentrated together into disadvantaged communities. If the affordable housing units are poorly designed and managed, the chances of lower property values increase, but
otherwise any negative effects on property values are not statistically significant (Nguyen, 2005). The act of clustering affordable housing in disadvantaged and declining communities is what drives a precipitous decline in property values. Governments should instead endeavor to disperse affordable housing rather than concentrate it. That is the aim of the suggestion to make TIRZs build affordable housing within their districts.

SECTION V: CASE STUDIES

If the proposal to mandate in-boundary affordable housing for TIRZs were implemented, it would be prudent to examine existing TIRZs to see how such a mandate would affect them, as well as any potential impacts such a mandate would have on future TIRZs. As such, this section contains four case studies of current TIRZs in the Houston metropolitan area that had extensive research conducted to connect the TIRZs to housing costs.

The case studies in this work rely on Letha Allen’s master’s thesis from the University of Texas, which is a comprehensive quantitative analysis of four specific TIRZs effects on affordable housing using census data collected over a period of over two decades. These four TIRZs were all created at roughly the same time and are all fairly large, with a minimum of 500 acres. They are also densely populated and located near large job centers which would attract new residents. Each of the TIRZs had wide-ranging development aims and have been around long enough to have made progress on them. Additionally, half of the TIRZs started out with high property values and the other half started with low property values, which gives us good insight into how communities
of differing socio-economic statuses fared under the development of the TIRZs.

The first TIRZ case study is Uptown TIRZ 16, which was petition-created by landowners. They were aiming to encourage economic investment in their area by bolstering their infrastructure and relieving traffic congestion, as they thought they were losing their share of retail and employment to the urban fringe. While Harris County chose not to participate in the TIRZ, leaving their property tax share untouched, the Houston Independent School District did. Over the course of the TIRZ’s duration, it mostly stuck to street, sidewalk, and water drainage improvements, as well as buying a private park that was at risk of redevelopment. The fourth amendment to the TIRZ in 2013 expanded the TIRZ to include Memorial Park and to extend its lifespan to 2040. Housing costs here rose dramatically from 1990 to 2016. In 1990 the median owner-occupied house was valued between $300,000 and $499,999 in 2016 dollars (all future dollar amounts referenced in this work will be adjusted for inflation to 2016 dollars), and in 2016 the median owner-occupied house was $579,530. Rents also increased, with the median gross rent in the $300 to $599 range in 1990 rising to $1,338 by 2016. In 1990 23.2% of households were burdened by housing costs, which rose to 31.0% by 2016. The median household income also grew substantially, at $35,000 - $37,499 in 1990 to $84,486 by 2016. This can be compared to the median household income of the entirety of Harris County for perspective, which has remained stagnant in the $55,000 - $59,999 range from 1990 to 2016 (Allen, 2018).

Uptown is an extremely wealthy neighborhood, with a very small number of
moderately priced rental units remaining in it. Whenever those cheaper units are lost they are not replaced with comparable units. Specific examples of this are in a set of apartment complexes that were built in the 1970’s that were torn down and replaced with luxury apartments or townhouses (Allen, 2018). While it is true that older apartments usually become more affordable as they age, that doesn’t happen if they are redeveloped like this. It is quite clear that the rising property values of Uptown have forced most of its lower-income households out of the neighborhood, and while a great deal of that happened before the creation of the TIRZ in 1999, the TIRZ gave even more momentum to this phenomenon (Allen, 2018). Despite reaping a huge amount of tax increment with the dramatic rise in property values, the Uptown TIRZ continues to send its affordable housing money to the City of Houston Affordable Housing and Community Development Department, which serves to divert affordable housing away from the neighborhood. If TIRZs were made to create affordable housing within their boundaries, many lower income families would have benefitted greatly from being able to live in such a high-opportunity area.

The second TIRZ case study is the Upper Kirby TIRZ 19, which was created by Houston’s City Council in 1999. Like in the Uptown TIRZ, Houston ISD participated while Harris County did not. In the original project plan, the creation of the TIRZ was due to the declining property tax base, with 88 of the original 515 acres of the TIRZ vacant. There were also extreme flooding issues as well as a lack of sidewalks in some areas, and the park in the district was deemed unsafe and unsanitary (Allen, 2018). The second amendment to the TIRZ in 2008 expanded the vision for the TIRZ to include a
civic complex in the park, which would require acquiring three surrounding properties, two vacant office buildings and one occupied apartment complex. While the average rent of that apartment complex was never recorded, indicators of the building’s quality and valuation imply that its residents were lower-income (Allen, 2018). The residents were given only a few months to find a new place to live and were compensated with a month of free rent. The loss of these affordable housing units were never recovered by a separate development. By 2013 the stated purpose of the TIRZ had drifted away from efforts to stabilize property values to appealing to private commercial and residential developers.

Similar to the Uptown TIRZ, the Upper Kirby TIRZ saw a dramatic increase in housing costs. The 1990 median owner-occupied house was valued between $300,000 and $499,999, with about a quarter of those within the $150,000 - $299,999 range. By 2016 the median owner occupied house was valued at $557,241, with most of the change due to the increase of houses valued at over $1 million. Rents also went up, with the median gross rent in 1990 between $750 and $999, and by 2016 the median gross rent was $1,516. The median household income also went up, from $60,000 - $749,999 in 1990, to $93,715 in 2016 (Allen, 2018). As with the Uptown TIRZ, it is clear that lower-income families have been steadily pushed out of the neighborhood, and very few remain that can afford to enjoy the high quality of life residents enjoy there thanks to the TIRZ’s improvements. Given the TIRZ’s incredible resources and its track record of completing its various projects, it would be easy for the TIRZ to fund affordable housing within its borders. It could even work with the City’s Affordable Housing Authority to find a site that would be amenable to all of the parties involved in that area’s development. The lack
of any such initiative points to the need of this effort to be mandated via the suggested change to TIRZ law.

The third TIRZ case study is the Old Spanish Trail/Almeda Corridors TIRZ 7. It was created in May 1997 in order to support revitalization by financing water/wastewater utility improvements, street improvements and enhancements, landscaping, design, signage, security enhancements, as well as land acquisition, demolition, clearance, and remediation, according to the original project plan. The original budget included $3.5 million for affordable housing, with no specific plans for how those funds would be used. Over the course of the TIRZ additional land was added to the zone, and plans were coordinated with several private developers to build new housing units, none of which were for affordable housing. Additional amendments to the TIRZ included new infrastructure and park development, as well as the inclusion of Emancipation Park, a recently protected historical landmark (Allen, 2018).

The median value of owner-occupied housing units was actually pretty modest in 2016 at $128,092, but had nevertheless risen dramatically from 2000 at $78,269. Rents also increased between 1990 and 2016, with the most dramatic change occurring between 2000 and 2010 when the gross median rent jumped by 42%. The income distributions of the TIRZ have remained similar throughout its duration, with a high concentration of people living in poverty. While the percentage of households burdened by housing costs has varied, by 2016 the percentage only decreased to 37.7% from its peak of 41.0% in 2010. While in 2016 about half of the rental stock was classified as affordable, there were
still much fewer rental opportunities for very-low-income or extremely-low-income households, and the total number of affordable housing units overall still declined even from levels in 2000 (Allen, 2018). While the TIRZ has undoubtedly improved the quality of life for residents of the district with its improvements, and the loss of affordable housing has not been overly devastating to the community, the TIRZ board has been sitting on that $3.5 million dedicated to affordable housing since its creation (Allen, 2018). This may point to an oversight problem with TIRZs, as utilizing that money to fund more affordable housing in the district may have prevented some of that affordable housing loss that occurred.

The last TIRZ case study is the Southwest Houston TIRZ 20. The area was intended to be a suburban neighborhood centered around a shopping mall, but the growth of Houston eventually engulfed it and led to its decline. By 1990 the area that would become the TIRZ was seeing the beginnings of a crime issue and the mall was also struggling. The TIRZ was approved by Houston City Council in 1999, and it eventually replaced a pre-existing Public Improvement District in 2005. Only the City of Houston is contributing to the tax increment. The TIRZ’s purpose according to the project plans were to address mobility deficiencies with necessary capital improvements, provide resources for the redevelopment of the mall and other commercial sectors to expand the tax base and increase sales tax revenue, and to provide reimbursements for improvements to some property to make it developable. This was eventually changed in 2014 to “… address failing infrastructure, lack of utility capacity, increased traffic congestion attributable to street network deficiencies, declining retail sales and significant social and
economic stress along the Bellaire Corridor and the greater Sharpstown Mall area. Plans include provisions for the design and construction of roadways and streets, utility system upgrades, pedestrian safety improvements and parks” (Allen, 2018).

The areas that the Southwest Houston TIRZ covers have become some of the most ethnically diverse neighborhoods in the country, with population going up and down and the number of housing units going up and down as well at the beginning of each decade from 1990 to 2016. Median housing costs have not particularly changed from 1990 to 2016, with the average owner-occupied house valued between $100,000 and $149,999 in 2016 dollars in 1990 and the average owner-occupied house valued at $111,909 in 2016. The percentage of renter-occupied housing has always been high, but experienced a slight jump from 75.3% in 1990 to 78.7% in 2016. The median gross rent also remained relatively similar, between $600 and $749 in 2016 dollars in 1990 and at $723 in 2016. However, despite the stability of these prices, the percentage of households burdened by housing costs grew due to declining household incomes, from 28.5% in 1990 to 47.8% by 2016. The median household income was between $40,000 and $49,999 in 1990, and dropped to $28,735 by 2016, with 68.5% of the population living under 2 times the poverty level (Allen, 2018). This suggests that this area is a destination for low-income renters who may have been pushed out of other areas like Uptown and Upper Kirby. Despite the fact that the TIRZ was ultimately unable to increase property values, the housing affordability problem in this areas has worsened, even with 4 properties associated with the City of Houston Housing and Community Development Department in the zone. The reason the TIRZ was ultimately unable to increase property
values was largely due to the TIRZ’s failure to secure an enforceable promise from the mall and other commercial zones to act quickly on their redevelopment plans, and when such plans never materialized due to likely mismanagement, the TIRZ was left with no way to function (Allen, 2018). The area could have really benefitted from some intensive neighborhood planning and strategic economic development programs, but with the sole focus of the TIRZ on the failed mall and other commercial developments instead, the millions of dollars that were collected during the brief initial growth of property values at the outset have simply evaporated (Allen, 2018). As a concentration of poverty, improvements could probably only be made when affordable housing is created elsewhere, in more high-opportunity areas, so that the influx of poverty here can be stopped or reversed. While the TIRZ here is essentially non-functioning, it nevertheless indirectly makes a case for the proposal of making TIRZs build affordable housing within their borders, so that TIRZs in more affluent areas can take the strain off of areas like this.

SECTION VI: CONCLUSION

While critics of tax increment financing will lament the vague and easily manipulated nature of the requirements of blight and “but for” clauses, these apparent weaknesses that have spread tax increment financing into wealthy neighborhoods may actually turn into a saving grace. If TIRZs are made to spend their money earmarked for affordable housing within or adjacent to their district borders, it could effectively disperse low-income families across cities, lessening concentrations of poverty. This would give those low-income families access to much better opportunities, jobs, and better funded
schools, contributing to lifting people out of generational poverty. Areas like Uptown and Upper Kirby in Houston have systematically stripped away affordable housing in their areas, both passively through soaring property values and sometimes actively, such as the Upper Kirby TIRZ’s acquisition of an occupied apartment complex. Just a mile west of the Uptown TIRZ, there was an attempt to build a mixed-income apartment complex, but it was met with intense opposition from locals and was ultimately not built (Allen, 2018).

The suggested changes to the laws governing TIRZs would circumvent these NIMBY impulses by the wealthy populace, as the only public hearings required regarding TIRZs and their actions occur at the TIRZ’s creation (Allen, 2018). Any hypothetical opposition to affordable housing in a TIRZ in a future where the suggested changes came to pass may actually result in more oversight over TIRZs, which is desperately needed anyway.

Allen notes in her work that the Uptown TIRZ has control over a vast tax increment, well into the tens of millions of dollars, and has extended the mission and lifetime of the TIRZ in order to keep it. This was done via the TIRZs board, all of whom are unelected officials that are wealthy and connected to the commercial real estate industry (Allen, 2018). All of this power, money, and apparent conflict of interest is certainly problematic, but even their hands would be tied by the law should TIRZs be made to build affordable housing in their borders.
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