Public Finance Review

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# Abstract

*Tax increment financ ... s as an economic development tool. De ... ity, few statistical studies have been co ... omic perspective. This article analyzes ... to post-TIF property value changes in a first-difference model. The empiri cal results from a panel of Indiana cities indicate that the TIF program has increased median owner-occupied housing values in a TIF-adopting city by 11% relative to what it would have been without TIF. This finding suggests that the TIF program effectively stimulates property value growth in an entire community.*



1. According to Greene (1993), the difference in expected property value between TIF- and non-TIF-adopting jurisdictions without the selectivity correction is

where Φ(γ *Z*) is the cumulative distribution of a standard normal random variable and Φ(γ*Z*) is its density function. p is correlation coefficient of $e_a$ and *u,* and $\sigma_e$ is standard deviation. This difference is estimated by the least squares coefficient on the TIF program dummy variable if the selectivity correction is omitted from the least squares regression.

2. According to 6 hUallacháin and Satterthwaite (1992), the location theory can be applied not only to the manufacturing sector, which intends to reduce transportation costs, but also to the service and high-tech industries, which tend to agglomerate to the same locations to reduce information costs,

increase access to best qualified personnel, and minimize costs in serving demands for their services and the high-value, low-weight products.

3. Real property reassessment in Indiana took place in 1980 and 1990. To avoid the impact of reassessment on local statutory property tax rates and obtain a comparable property tax variable, we use the tax rate in 1989 instead of the tax rate in 1990.

4. The omitted dummy variable is TIF90, which takes the value of one if the city adopted a TIF program in 1990 and zero otherwise. No TIF program was adopted in Indiana in 1987. The coefficient estimates of TIF dummy variables for various years should not be viewed as cumulative. Instead, these estimates should be interpreted as percentage changes in a particular year with respect to the comparison category of TIF90. These results are compatible with the finding by Papke (1994) that the Indiana Enterprise Zone program has the estimated effect of from 8% to 19% on the value of inventories, the value of personal property, and unemployment claims.

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