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If You Promise to Build It, Will They Come? The Interaction between Local Economic Development Policy and the Real Estate Market: Evidence from Tax Increment Finance Districts

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Abstract

The analysis in this article examines the impacts of one of the more prominent economic development tools, tax increment financing (TIF) districts, on the local commercial real estate market. The study area is the city of Chicago, a community with a long history of reliance on TIF districts as a means to foster local development initiatives. A treatment effects model is used to address the selection bias often attributed to studies of public policy impacts on real estate markets. The results indicate that commercial properties located within designated TIF districts exhibit higher rates of appreciation after the area is designated a qualifying TIF district.

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