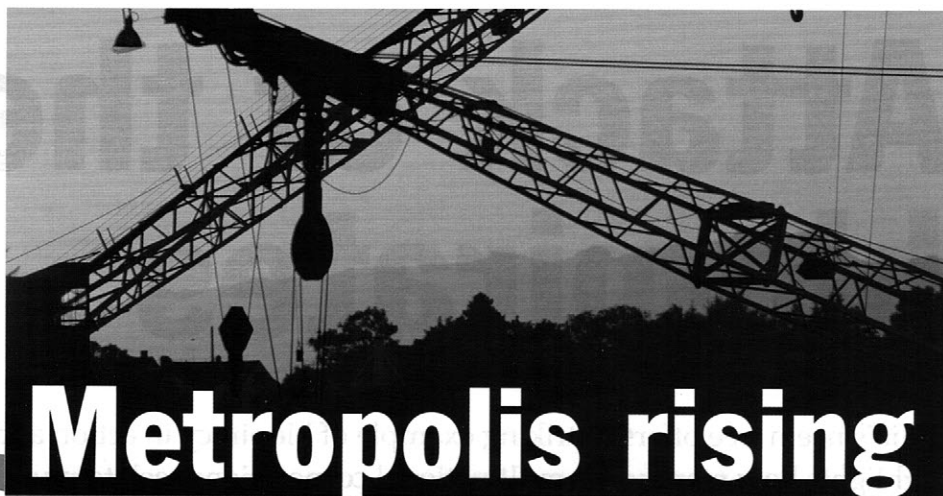




Metropolis rising

Crossrail might revive London but, says Paul Brandon, how it's paid for will mean the difference between taxing the poor to make a few millionaires or wiping out poverty in the capital

FUNDING LONDON'S CROSSRAIL is such a key issue both the capital's Chamber of Commerce and some property developers have felt the need either to discuss or research various options.

Bob Kiley, London's transport commissioner, favours Tax Incremental Financing (TIF). After the land price boom following the Jubilee Line extension he considers the "land levy" as the "ideal way to go". TIF also features in Mayor Ken Livingstone's ambitious London Plan and last summer received the backing of Lord Rogers. So what is TIF's attraction?

In the 1960s and 1970s, US federal and state governments cut back economic development schemes. In the 1980s and 1990s, TIF increasingly helped cities revitalise communities. Now at least 1,000 schemes are underway across the US.

The Wisconsin Department of Commerce describes TIF as a tool that "can help a municipality undertake a public project to stimulate beneficial development or redevelopment that would not otherwise occur".

In the US TIF is based on two principles: new development expands a municipality's tax base, increasing revenues; and, if the municipality provides public improvements to attract development, the overlying tax districts that benefit from the increase in the community's tax base should share the cost of improvements.

But would TIF work in London? Crossrail will undoubtedly bring a land price boom, but not just along the Crossrail route. TIF applies to a designated area and would only tap into some land value

increases and not reflect other developments. London and the UK also have a different property tax system to the US with little or no local power to raise funds. Philadelphia's Center for the Study of Economics admits TIF "has its advantages, but they are narrower and more focused than the overall community enhancements of land value taxation".

Philadelphia, where the City Controller's office considers TIF as a holistic fiscal tool for urban regeneration and municipal funding, did not see the promised increase in jobs or economic development following one TIF project. Responsibility for failure and paying back municipal bonds raised with the TIF rests with the public authorities and ultimately the taxing jurisdictions – one of the reasons why the Center advises London to "think twice about TIF".

Also, TIF requires primary legislation. London's Mayor might be better advised to direct his energies towards the UK Government, arguing for a new and creative tax mechanism for London – not dependent on the taxes of the poorest, but substantially relieving the burden on work and enterprise. Shifting tax to community-created land values and land rent revenues would tackle land monopoly, and give Londoners a community chest.

A battle is now on to ensure that all the people of London – and beyond – benefit from Crossrail, not just the lucky few. Unless the correct formula is worked out those with land in key areas are set to reap massive windfalls. Millionaires will be made – for doing nothing!