

Reconstructing Regional Politics: Special Purpose Authorities and Municipal Governments

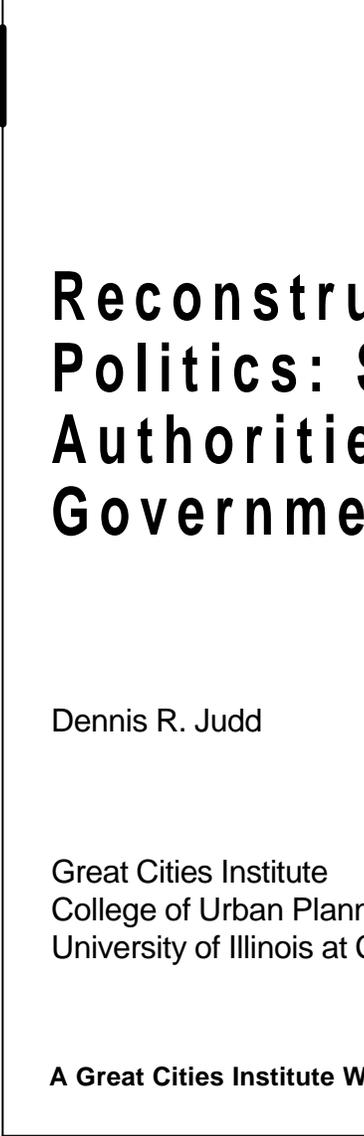
Dennis R. Judd

Great Cities Institute
College of Urban Planning and Public Affairs
University of Illinois at Chicago

A Great Cities Institute Working Paper



UIC



Reconstructing Regional Politics: Special Purpose Authorities and Municipal Governments

Dennis R. Judd

Great Cities Institute
College of Urban Planning and Public Affairs
University of Illinois at Chicago

A Great Cities Institute Working Paper

June 2003



The Great Cities Institute

The Great Cities Institute is an interdisciplinary, applied urban research unit within the College of Urban Planning and Public Affairs at the University of Illinois at Chicago (UIC). Its mission is to create, disseminate, and apply interdisciplinary knowledge on urban areas. Faculty from UIC and elsewhere work collaboratively on urban issues through interdisciplinary research, outreach and education projects.

About the Author

Dennis Judd is a professor in the Department of Political Science at the University of Illinois at Chicago and a Fellow at the Great Cities Institute.

Great Cities Institute Publication Number: GCP-03-1

The views expressed in this report represent those of the author(s) and not necessarily those of the Great Cities Institute or the University of Illinois at Chicago.

Reconstructing Regional Politics: Special Purpose Authorities and Municipal Governments

As Alan Altshuler and David Luberoff have noted, “Theorists of urban politics have paid scarce attention to mega-projects,” because “mega-projects are usually constructed by regional and state agencies” and not by municipal governments.¹ I argue in this brief essay that the tendency of scholars to focus on city governments has meant that urban scholarship has missed the most dynamic politics driving urban development for decades – the emergence of institutions that often dwarf the fiscal, administrative, and political capacity of general-purpose governments. Unless these institutions are taken into account, most of the development occurring within urban regions cannot be explained or even accounted for. Any discussion of regionalism and regional policies must go beyond discussions of municipalities and their cooperative arrangements and must also go beyond a discussion of regional governmental authorities that pool taxes and administer services.

Development politics in the New York and Los Angeles regions from the 1920s to the 1960s, as described vividly in Robert Caro’s book about Robert Moses² and in the films *Roger Rabbit* and *Chinatown* (and elsewhere) should have alerted scholars long ago to the overwhelming power that regional authorities have exerted in shaping patterns of metropolitan development – and theories of urban politics should have taken these institutions into account. In the past thirty years the problem inherent in focusing on municipal governments has become even more apparent. Since the early 1980s public/private institutions established to finance and manage the large facilities of tourism and entertainment such as convention centers and sports stadiums have grown up alongside older regional institutions such as airport and transit authorities.

As observed by Peter Eisenger, local priorities have shifted to policies favoring tourists and middle-class users entertainment spaces because public officials have become adept at bypassing the public.³ The deals that public officials must strike with private developers to assemble land, provide public amenities, and guarantee sufficient profits are so complicated that it would often be impractical to consult the public.⁴ As large-scale public planning has given way to deal-making, the most important development decisions are made in behind-the-scenes day-to-day negotiations.⁵ In addition, new public/private institutions of urban development have been created that are not bound by rules normally applied to municipal governments. As a consequence, the politics of urban redevelopment is rapidly moving from the arena of electoral and municipal politics into an expanding number of institutions that operate with little public accountability. It is imperative that the consequences of these developments for local democracy and for regional governance be explored.

The Limited Reach of Municipal Governments

An inspection of city budgets can uncover only a portion – perhaps not even the most important portion – of the policy priorities of urban governments. City governments tend to provide basic services – what Paul Peterson has called allocational services. Such services, such as police, fire, and trash collection, are used by all citizens.⁶ These services tend to be non-controversial and are often almost invisible because they are taken for granted as a part of daily life. But it is obvious that

Reconstructing Regional Politics: Special-Purpose Authorities and Municipal Governments

much bigger projects are being undertaken in the urban environment. If most of these projects cannot be found in city budgets, then where are they located?

Most of the largest undertakings – those that seem to be (or are rhetorically) devoted to improving the economic performance of cities – are financed and administered by special authorities that operate independently of city governments. A complete understanding of the policy priorities of urban governments can only be gained by examining the multitude of authorities that have taken responsibility for transportation infrastructure (highways, roads, bridges, tunnels, mass transit, airports, seaports, harbors), water supply, wastewater management, solid waste disposal, and host of institutions involved in urban development. In addition to these traditional activities, special authorities by the dozen finance and manage tourism and entertainment facilities (such as convention centers, sports stadiums, museums, urban entertainment districts). Even though these authorities constitute much of the institutional fabric of urban government, citizens are often unaware that they even exist. Except for occasional controversies, they tend to operate quietly. Paul Peterson believes that this is a good thing:

Operating like private firms, these independent authorities see little point in public discussion. Because it is in the city's interest to develop self-financing projects that enhance the productivity of the community, there can be no place for the contentious group conflict that may characterize another policy arena.⁷

Special authorities have operated regional transportation systems since the 1930s. The Port of New York Authority and the Triborough Bridge and Tunnel Authority, created in the 1930s, became the model for similar regional port and transportation authorities from coast to coast. These institutions amassed huge budgets by collecting tolls and taxes on roads, tunnels, and bridges. In the New York-New Jersey region, the Triborough Authority, under the direction of Robert Moses, cleared vast swathes through urban neighborhoods, built parks, and shaped the growth of the metropolitan region through the location of key infrastructure. Moses acted as a virtual czar of development for three decades, from the 1930s to the 1960s, until his accumulation of vast power was challenged by political activists protesting his dictatorial brand of urban development.

In recent decades huge fiscal resources have been poured into the physical reconstruction of older downtowns and in the building of an infrastructure of tourism and entertainment. Mass volumes of public money have been involved in this effort; for example, more than \$2 billion was spent annually in the first half of the 1990s on sports facilities and convention centers alone.⁸ In addition, billions of public dollars have been spent on urban entertainment and cultural districts, renovated waterfronts, aquariums, marketplaces, festival malls, and the other accoutrements of the tourism/entertainment complex. Municipal governments could not possibly have raised such resources, though they have been essential to the task. Cities have been involved in complicated deal-making, offering to provide public infrastructure and amenities, to rezone or assemble parcels of land through the power of eminent domain, to reduce or forgive taxes, or to subsidize private development.⁹ But the latter role – the fiscal one – has more often been assumed by new public/private authorities created for the purpose.

The new institutions arose because municipal governments lacked the fiscal capacity and the political authority to do much on their own. When a generation of “messiah mayors” (as they were called by Jon Teaford¹⁰) came to power in the 1980s by preaching a gospel of self-help for cities, they quickly hit upon the idea of special authorities as a way to escape the political straightjacket of municipal politics. They pioneered in offloading many of the responsibilities of city government onto new institutions that could generate their own resources, and which could be run like private corporations. These public/private institutions were generally established through enabling

legislation passed by state legislatures, and they were run by boards generally appointed by a governor and mayor, the mayor alone, or some combination of public officials. They were not bound by the rules that frustrated public initiatives by general-purpose governments. They could make decisions without worrying about what voters thought. They could protect their information and books from public scrutiny, but at the same time, since they pursued public objectives, they could act just like governments and generate revenue, receive funds from other governments, and borrow money and sell tax-free bonds.

The new institutions were empowered to earmark taxes, charge user fees, issue bonds, establish trust funds, and use other mechanisms to finance big undertakings.¹¹ They devoted federal block grant funds to big downtown projects, floated bonds, offered property tax abatements, built utilities tunnels, constructed sewer lines and water mains, and rerouted and resurfaced streets. In these and other ways massive volumes of public capital were raised for mega-projects such as airports, highways, and transit systems and for the assemblage of facilities making up the infrastructure of entertainment and tourism.

Cities had less flexibility, but nevertheless found ways to leverage private investment. When cities cut complex deals with private developers, the dividing line between the public and private sectors became blurred. In exchange for subsidies, some cities took profit-sharing positions in development projects. In the case of Quincy Market, for example, the city of Boston provided \$12 million—almost 30 percent of the total cost of the project—and gave the Rouse Corporation a ninety-nine-year lease on the property. In exchange, the city was guaranteed a minimum annual cash payment plus a portion of income from store rents above that minimum.¹²

But in most cases, deals such as Boston's were small compared to the activities of special authorities. Independent authorities gain access to taxes and other sources of revenue, sometimes in direct competition with cities and other governments. For example: The sprawling McCormick Place convention center and the renovated Navy Pier entertainment complex in Chicago are administered by the Metropolitan Pier and Exposition Authority. It is governed by a board appointed by the mayor of Chicago and the governor of Illinois. The State of Illinois designates \$98 million annually, derived from revenues from taxes (mainly a tax on cigarette sales) to pay off previous bonds for construction and remodeling.¹³ Not only has the State of Illinois paid for the world's largest convention center complex (which is undergoing another expansion); the Pier and Exposition Authority also floated a \$108 million tax-exempt bond issue to build and lease the building housing the Hyatt Regency McCormick Place Hotel.¹⁴

Special Authorities as Political Institutions

It is a mistake to describe special authorities as merely mechanisms for financing and administering large undertakings. They are also political in nature, and are always on the lookout for ways to promote their own projects and enhance their fiscal and administrative capacity. In the case of the professional football and baseball stadiums in Baltimore, an agency of the state government, the Maryland Stadium Authority, financed the two stadiums through proceeds from a sports lottery offered through the Maryland State Lottery.¹⁵ The campaign to build the sports stadium was guided by this new agency, which commissioned studies to show a powerfully positive impact on Baltimore's economy. When another state agency followed with its own studies, it reduced the estimated impact, but independent studies sharply contested even these estimates as unrealistic, concluding that stadium development brought virtually no measurable economic benefit.¹⁶

The political nature of special authorities is illustrated in the case of the Denver Metropolitan Stadium District, which was created in 1990 by the Colorado legislature as a means of pushing forward plans for a new baseball stadium. The bill establishing the district did not contain financing mechanisms, because any that would have been proposed would have ignited controversy. Instead, the task of lining up political support for a new stadium was left to the seven-member Stadium District Board. Securing financing was more a political than a fiscal exercise. In close collaboration with the city of Denver, the board ran an astute campaign that kept voters in the metropolitan counties outside Denver in the dark about whether the stadium might be built close to or within their own jurisdictions. The uncertainties about location carried the day. In August 1990, voters in the six-county district passed a sales tax levy to build the stadium; large majorities in the city and an adjacent county overcame a losing margin elsewhere.¹⁷ A few months later, just as many voters had suspected, the fix had been in all along, and the stadium was built in downtown Denver.

In addition to the special authorities established to finance and administer particular facilities, redevelopment corporations also have proliferated, often to administer the funds made available from Tax Incentive Finance Districts (TIFs). TIFs are significant because “they are a departure from the traditional legal and political norm of uniform municipal action within a municipality.”¹⁸ TIF corporations capture a share of local taxing powers and keep it for themselves, and are also able to market bonds to investors based on the taxes that are expected to be collected on land which is slated for redevelopment in the future. The proceeds from bonds are generally used to make public improvements that will lure more private investment; to keep things going indefinitely, they are able to capture much of this benefit as well. In 2002, there were more than 130 TIFs in the city of Chicago, and 217 in suburban Cook County.¹⁹ They are spreading rapidly across the United States, but not much is known about their effects upon urban fiscal structures.

Implications for Regionalism and Governance

The proliferation of special authorities raises important issues about urban governance. The proliferation of special-purpose authorities throughout metropolitan areas has removed some of the most important public policies from general-purpose municipalities. Municipalities are run democratically, with mayors, city councils, and other elected officials, which tends to foment whatever *sturm and drang* there is in local politics. Special-purpose authorities operate out of the public eye and therefore, generally, out of the public press. Nevertheless, most municipalities do much less than the hidden governments; except for the biggest cities, their budgets may be smaller and their responsibilities restricted to the provision of basic services. Recognizing this fact, a writer in *Governing* magazine recently wondered if city councils have become “relics of the political past, poorly adapted to making the decisions of 21st-century urban life.”²⁰

The promoters of mega-projects, “frustrated by voter resistance to bond issues and to broad-based tax increases for capital projects,” have devised a variety of mechanisms that bypass referendum requirements.²¹ An absence of public accountability raises troubling questions. In the 1950s, urban renewal authorities regularly abused their powers. Transportation authorities rammed highways through urban neighborhoods. Today, convention centers, sports stadiums, and other undertakings connected to the infrastructure of urban tourism generally are built without attempts to seek public approval, even though general-purpose governments must often pledge their full faith and credit as backing for bonds.

The proliferation of special-purpose governments also has significant ramifications for regional governance. Just as the intense competition among cities makes it difficult to achieve meaningful cooperation on the regional level, the entrepreneurial activities of special-purpose authorities

fracture urban regions. The literature in public policy has shown that policy-making at the national level tends to fragment into constellations of actors interested in particular issues and problems.²² These constellations may typically begin with an exchange of information between state actors and groups, as the policy community becomes firmly established it attempts to police its ranks, keep out unwanted interlopers, and institutionalize its privileged status through the creation of administrative mechanisms of policy implementation.

Graham and Marvin have described the emergence of such networks in the building of urban infrastructure. In water and waste management, energy provision, telecommunications, and transport, specialized participants have sought to “unbundle” infrastructure development from local power structures by establishing closed policy communities composed of local participants and actors embedded within globalized circuits of infrastructure development.²³ In a similar vein, with respect to mega-projects for highways, airports and rail transit, “local interests gained leverage in national politics during the 1940s and 1950s by joining national industry-based coalitions with much broader agendas.”²⁴

The new generation of special-purpose authorities are not strictly local – they are both local and global. They interact with municipalities and with one another, but also forge linkages with non-local interests, and these linkages are often crucial to their political autonomy and muscle. The staffs of convention centers, for example, are closely tied with and identify with the vast meetings industry, and they turn to this industry for information and support when pushing for expanded or new facilities.²⁵ In a similar manner, sports authorities call upon sports cartels to support their projects.

The projects undertaken by special-purpose authorities shape metropolitan growth and development at least as much as do cities, and their fiscal and political authority is rapidly increasing. Their numbers continue to grow because they provide a mechanism for accomplishing development without the troubles associated with democratic participation and consultation. For generations, reformers were preoccupied with the fragmentation of urban regions into fiercely independent municipalities. A continuing fixation on governmental fragmentation of this sort is increasingly archaic. Within urban regions, the center of gravity has shifted way from general-purpose governments. The emerging issues derive from the proliferation of quasi-public authorities: How can they be made accountable, yet remain effective? Does the new institutional fragmentation of urban regions kill any prospect for regional cooperation and governance?

References

- ¹ Alan Altshuler and David Luberoff, *Mega-Projects: The Changing Politics of Urban Public Investment* (Washington, D.C. and Cambridge, MA: Brookings Institution Press and Lincoln Institute of Land Policy, 2003).
- ² Robert A. Caro, *The Power Broker* (New York: Vintage Books, 1975).
- ³ Peter Eisenger, "The Politics of Bread and Circuses," *Urban Affairs Review*, Vol. 35, No. 3 (January 2000).
- ⁴ Bernard J. Frieden and Lynne B. Sagalyn, *Downtown, Inc.: How America Rebuilds Cities* (Cambridge: MIT Press, 1989).
- ⁵ Susan S. Fainstein, *The City Builders* (Lawrence: University Press of Kansas, 2001).
- ⁶ Paul E. Peterson, *City Limits* (Chicago: University of Chicago Press, 1981), pp. 150-166.
- ⁷ *Ibid.*, p. 134.
- ⁸ Peter Eisenger, "The Politics of Bread and Circuses."
- ⁹ For a detailed account of these complex processes, see Frieden and Sagalyn.
- ¹⁰ Jon Teaford, *The Rough Road to Renaissance: Urban Revitalization in America, 1940-1985* (Baltimore: Johns Hopkins University Press, 1990), p. 307.
- ¹¹ James Leigland, "Public Infrastructure and Special Purposed Governments: Who Pays and How?", in David C. Perry (ed.), *Building the Public City: The Politics, Governance, and Finance of Public Infrastructure* (Thousands Oaks, CA: Sage Publications, 1995), p. 139.
- ¹² Frieden and Sagalyn, p. 43.
- ¹³ State of Illinois, Compliance Audit Report (1998 and 1999). <http://www.state.il.us/auditor>.
- ¹⁴ William Fulton, "Paying the Bill," *Governing* (August 2002), p. 60.
- ¹⁵ Donald F. Norris, "If We Build It, They Will Come! Tourism-Based Economic Development in Baltimore," in Dennis R. Judd (ed.), *The Infrastructure of Play* (Armonk, N.Y.: M.E. Sharpe, 2003), p. 162.
- ¹⁶ *Ibid.*, p. 151.
- ¹⁷ Susan E. Clarke and Martin Saiz, "From Waterhole to World City: Place Luck and Public Agendas in Denver," in Dennis R. Judd (ed.), *The Infrastructure of Play* (Armonk, N.Y.: M.E. Sharpe, 2003), pp. 183-184.

¹⁸ Rachel Weber, "Equity and Entrepreneurialism: The Impact of Tax Increment Financing on School Finance," *Urban Affairs Review*, Vol. 38, No. 5, May 2003.

¹⁹ *Ibid.*, 627.

²⁰ Rob Gurwitt, "Are City Councils a Relic of the Past?" *Governing* (April 2003), p. 22.

²¹ Altshuler and Luferoff, p. 285.

²² Martin J. Smith, *Pressure Power & Policy: State Autonomy and Policy Networks in Britain and the United States* (Pittsburgh: University of Pittsburgh Press, 1993).

²³ Stephen Graham and Simon Marvin, *Splintering Urbanism: Networked Infrastructures, Technological Mobilities and the Urban Condition* (New York: Routledge, 2001), p. 172-173.

²⁴ Altshuler and Luberoff, p. 285.

²⁵ David Laslo and Dennis R. Judd, "Convention Center Wars and the Decline of Local Democracy," *Journal of Convention & Exhibition Management*, Vol. 4, No. 3, Summer 2003.