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City-County Consolidation and the Rebuilding of Image: The Fiscal Lessons from Indianapolis's UniGov Program

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In regions that seek to manage rapid growth, as well as in those that struggle to attract development, community leaders frequently discuss the need for new governance systems to meet the complex problems generated by development or its absence. The search for reforms for any area usually includes an assessment of Indianapolis's experience with unified government, or UniGov. Indianapolis was not the first city to be joined to suburban areas but was one of three major consolidation, or merger, experiments in the 1960s and 1970s. The relevancy of Indianapolis's effort to today's New Regionalism lies in its objective to facilitate activities that would permit a diverse community or set of communities to achieve citywide, if not regional, goals (Nunn and Rosentraub 1997; ACIR 1987; 1988; 1992). Indianapolis's specific contribution to the experiment in governance models was a city-county consolidation program that concentrated a limited or select group of urban services at the regional (defined as county) level while permitting most other critical urban services to be delivered by administrations and agencies serving different, often much smaller, areas within the county. Today, as many other cities and communities enter an era of renewed interest in regionalism, the lessons learned from Indianapolis's experience may be quite valuable.

No single article can adequately review the 30 years of UniGov and its effect on all aspects of Indianapolis, Marion County, and central Indiana. This article examines two intertwined goals established for Indianapolis at the time UniGov was implemented and the relationship of the new governance program to the progress made toward these goals. Discussed here are Indianapolis's experiences and the lessons learned for other communities that are debating governance structures.

In the 1960s, Indianapolis's leadership was focused on improving the city's image and rebuilding the downtown area, which needed substantial attention. Assessments of the state of Indianapolis and its downtown area varied, but few if any were positive. At one extreme Indianapolis was seen as dirty and unsafe, dominated by bigotry, and an undesirable place to visit. A chamber of commerce study in the 1970s described Indianapolis as having no image (Walls 1999); others described Indianapolis as "IndianaNOplace," "India NOplace," or a "cemetery with lights" (Hud

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nut 1995). Although it is probably inaccurate to report that the goal of UniGov was to redevelop downtown Indianapolis and change the city's image, it is fair to conclude that elevating the city's national image, improving its prestige, and making downtown Indianapolis an attractive destination for people were goals (Kirch 1973; Owen and Willbern 1985; Blomquist and Parks 1995; Walcott 1998).

Consolidated Government, Indianapolis Style

Politics (local, regional, and state), culture (the desired scale, scope, and role of government or the public sector in civic life), fear (racism and fiscal zoning), and orientations toward governance (single or large government structures serving regions versus small systems serving the residents of limited areas) define the development of any governing system. UniGov was a product of each of these factors in Indianapolis's culture, and it is the relationship of UniGov's overall structure to the goals of downtown development and to Indianapolis's image that is examined here.

UniGov redefined the size of the city. In 1960, with a population of 476,258 spread across 71 square miles, Indiana was the 26th largest city in the country. Although more than two-thirds of the county's population lived in the city in 1960, suburbanization was accelerating; by 1990, had the consolidation program not been implemented, less than half of the county's residents would have called Indianapolis home. Without consolidation, Indianapolis would have been the 47th largest city in the United States in 1990.

The diminished demographic importance of Indianapolis necessitated a change to underscore the city's role in the region. As a consolidated city, Indianapolis in 1996 was the 12th largest city in the nation, despite relatively modest population growth within its expanded boundaries (U.S. Bureau of the Census 1996). Although population size or rank may not necessarily attract economic development, leadership, or human capital, many believe that size and scale are associated with development (Kotler, Haider, and Rein 1993; Hudnut 1995).

UniGov also was a mechanism for increasing the total assessed value of property within the city, permitting more debt to be negotiated for redevelopment or any other activity. Among some of the participants who drafted the UniGov legislation, this increased access to capital was seen as the key benefit from a consolidated government.

Structurally, UniGov is a multilayered local government system under which authority for economic development, public works, parks, transportation, and some elements of public safety is transferred to the county (or regional) level—the first layer in a multitiered structure. Services are delivered by units of varying size that existed prior to the passage of UniGov (including several that were already countywide but organized as special districts). The compound governance system of UniGov offers many of the attributes of regional cooperation while preserving local control of other basic municipal services.

For example, within UniGov, the overarching Department of Metropolitan Development decides key economic development issues, including area plans, land use, and zoning matters. In addition, the former mayor of Indianapolis is the chief executive officer for the county. Within the consolidated government, however, are independent cities as well as numerous school districts, townships, parks departments, police departments, and fire departments.

UniGov includes a consolidated city-county government, four independent cities, and more than 50 other units of local government. Beech Grove, Lawrence, Southport, and the town of Speedway were excluded from consolidation and have separately elected officials; these independent municipalities provide fire and police protection and park services to their residents. Beech Grove and Speedway also have separate school districts. For some time, each of these municipalities even retained their own water companies.[1] The consolidated government is the final authority for land use and economic development programs for the entire county, and the independent municipalities must work with the Department of Metropolitan Development.[2]

The UniGov plan left the township structure of local government intact. There are nine townships in Marion County, and each is responsible for emergency relief (welfare) programs. In addition, some townships also provide fire protection and ambulance service. Elected assessors from each township also perform property assessment.

Currently, the almost 1 million residents of consolidated Indianapolis are served by 11 school districts, more than 10 police departments, 8 fire departments, and 20 special service districts. The overlapping jurisdictions of these different service units yield more than 85 different taxing districts within the consolidated city. Each of these districts has a combined property tax rate that differs from that in any other area. There were 23 cities and towns that existed prior to the implementation of UniGov; afterwards, there were but 5 cities and towns but no change in the number of townships (9), school districts (11), police departments (7), plus several small areas with patrol functions provided by small or private police departments), or fire departments (8). The number of special districts actually increased from 16 to 20 (see Table 1).

The dimensions of UniGov are best illustrated by the sizes of the different tiers. For example, Indianapolis provides street maintenance services for all residents of the consolidated city, but the independent cities (with far smaller populations) are responsible for their own streets and parks. Indianapolis provides police and fire services for the residents of its pre-UniGov service boundaries. Residents of areas beyond the old city of Indianapolis retained the right to receive police services from the sheriff's department or to select another provider. Several of these areas contract with private companies for police patrols. Those areas that utilize private firms for police patrol functions rely on the sheriff's department for other policing services, including criminal investigations.

The Indianapolis Fire Department also provides services to the residents of its pre-UniGov service boundaries, whereas fire departments with service boundaries matching those of their respective townships supply service to residents in areas that joined Indianapolis as part of the UniGov program. Some of

Table 1: An Overview of Local Government in Indianapolis

UniGov
City County Council (with 29 members) replaces the Marion County Council and the City Council of Indianapolis.
Mayor of Indianapolis becomes chief elected official for the county, appointing all heads of UniGov departments.
UniGov departments include administration, metropolitan development, public works, parks and recreation, public safety (limited to Indianapolis police and fire departments; others remained independent), and transportation.
Independent Cities
Beech Grove, Lawrence, Southport, and Speedway
Independent County Districts, Authorities
Indianapolis Sanitary District, Indianapolis–Marion County Library Board, Health and Hospital Corporation, Indianapolis Housing Authority, Indianapolis Airport Authority, Capital Improvements Board (convention center and professional sports venues)
Marion County Government
Separately elected assessor, auditor, clerk, coroner, prosecutor, recorder, sheriff, surveyor, and treasurer; Marion County Board of Voter Registration; Marion County Election Board; assessor, auditor, and treasurer serve as Marion County commissioners
Other Urban Service Districts
9 townships, 11 school districts, 10 fire departments, at least 7 police departments

the independent cities also maintain their own fire departments. The delivery of these traditional urban services thus constitutes another aspect of the tiered government within UniGov, and the service boundaries and number of delivery units roughly correspond to what existed prior to the implementation of the UniGov system.[3]

Rebuilding Downtown Indianapolis

During UniGov's initial years, staff in the Department of Metropolitan Development drafted a new master plan for the redevelopment of downtown Indianapolis. To provide technical and logistical support to businesses relocating to the downtown area, an economic development corporation was created. Other organizations were created to market the city as a venue for sports events and amateur sports organizations and to improve the image of Indianapolis in the national media. The region's elite were recruited to work with the Department of Metropolitan Development in its effort to revitalize Indianapolis through an affiliated nonprofit organization, the Greater Indianapolis Progress Committee. Private foundations provided grants and start-up funds for some organizations.

In terms of the physical plan for downtown revitalization, a new building was erected to house the consolidated government, and Market Square Arena opened in 1974 as the 16,950-seat home for the Indiana Pacers. Although it is quite likely that the former would have been developed without the creation of a new governing structure, the establishment of Market Square Arena in downtown Indianapolis was a direct result of UniGov and the downtown development plan. Without UniGov, the facility likely would have been built in a more suburban location—the pattern for arena construction at the time. The decision to locate in a downtown area was a substantial break from the conventional trend for teams in the 1970s (Rosentraub 1999).

In 1974–99 more than 50 major development projects for the downtown area were initiated. The state of Indiana developed its new Government Center at a cost of $264 million, and Indiana University's investment in its Indianapolis campus was more than $230 million. Seven projects were related to the sports identity that Indianapolis hoped to establish. In 1984 Indianapolis opened the 61,000-seat Hoosier Dome that became the home for the Indianapolis Colts. Other new sports facilities included a tennis stadium for the annual professional hard-court championships, the Indiana University Natatorium, the Indiana University Track and Field Stadium, the Velodrome (bicycle racing), and the National Institute for Fitness and Sports. By 1989 seven national organizations and two international organizations had moved their governing offices to Indianapolis.[4] In 1999 the NCAA moved its headquarters to Indianapolis.

Table 2 illustrates several important points. First, more than $3 billion worth of capital development was invested in downtown Indianapolis. This represented a substantial commitment of funds targeted to a specific area and in support of a tightly designed policy program. Second, more than half of the funds invested (53.6 percent) were from the private sector. Third, the nonprofit sector was also an active participant responsible for almost $1 of every $10 invested. Taken together, then, the private and nonprofit sectors were responsible for approximately two-thirds of the funds invested. Fourth, the City of Indianapolis's investment amounted to less than one-fifth of the total investment. Fifth, the investment by the state of Indiana and Indiana University[5] was virtually equal to the expenditure made by the City of Indianapolis. As a result, the City of Indianapolis was quite successful in leveraging funds for its redevelopment strategy. Basically, a $3.2 billion rebuilding program for the downtown area was secured with approximately $550 million from the City of Indianapolis. For every dollar invested, the city was able to leverage approximately $5.82. The Indianapolis downtown area that people visit today is far different and a vast improvement from the one described

Table 2: Sources of Funds for Selected Downtown Economic Development Projects

Projects	Year	Source of Funds					Total
		Federal	State	City	Private	Philan-thropic	
Market Square Arena	1974	0	0	16.0	0	0	16.0
Children's Museum	1976	0	0	0	0	25.0	25.0
Hyatt Hotel/Bank	1977	0	0	0	55.0	0	55.0
Sports Center	1979	0	0	4.0	1.5	1.5	7.0
Indiana Theater	1980	1.5	0	0	4.5	0	6.0
Capitol Tunnel	1982	1.4	0	0	0	0	1.4
Indiana University Track and Field Stadium	1982	0	1.9	0	0	4	5.9
Indiana University Natatorium	1982	1.5	7.0	0	0	13.0	21.5
Velodrome	1982	0.5	0	1.1	0	1.1	2.7
2 W. Washington Offices	1982	1.2	0	0	11.8	0	13.0
1 N. Capitol Offices	1982	3.2	0	0	10.4	0	13.6
Hoosier Dome	1984	0	0	48.0	0	30.0	78.0
Lower Canal Apartments	1985	7.9	0	10.3	0	2.0	20.2
Heliport	1985	2.5	0.1	0.6	2.4	0	5.6
Walker Building	1985	2.0	0	0	0	1.4	3.4
Embassy Suite Hotel	1985	6.45	0	0	25.0	0	31.5
Lockerbie Market	1986	1.8	0	0	14.0	0	15.8
Union Station	1986	16.3	0	1	36.0	0	53.3
City Market	1986	0	0	0	0	4.7	4.7
Pan Am Plaza	1987	0	0	5.7	25.0	4.5	35.2
Lockfield Apartments	1987	0	0	0.6	24.6	0	25.2
Canal Overlook Apartments	1988	0	0	0	11.0	0	11.0
Zoo	1988	0	0	0	0	37.5	37.5
National Institute of Sports	1988	0	3.0	3.0	0	3.0	9.0
Eiteljorg Museum	1989	0	0	0	0	60.0	60.0
Westin Hotel	1989	0.5	0	0	65.0	0	65.5
Indiana University	1975–90	0	231.0	0	0	0	231.0
Farm Bureau	1992	0	0	0	0	36.0	36.0
State Office Center	1992	0	264.0	0	0	0	264.0
Lilly Corporate Expansion	1992	0	0	0	242	0	242.0
Circle Centre Mall	1995	0	0	290.0	0	10.0	300.0
Other Projects	1974–98	0	0	0	1,066.9	0	1,066.9
Property Tax Abatements	1974–98	0	0	98.0	0	0	98.0
Victory Field	1997		5.0	9.0	9.0		23.0
Conseco Fieldhouse	1999		38.0	71.0	69.0		178.0
USA Funds					16.6		16.6
NCAA Headquarters	1999		5.0			70.0	75.0
Total		46.7	555.0	558.3	1,689.8	303.7	3,153.5
Percent		1.5	17.6	17.7	53.6	9.6	100

Source: All data are from the construction costs and financing records maintained by the Department of Metropolitan Development, City of Indianapolis.

Notes: Numbers are millions of constant dollars. This list of downtown projects is not comprehensive and does not include other investments where a property tax abatement was not provided. Some developments (the city's monuments, new fire stations, etc.) would have occurred regardless of a new downtown strategy, so were not considered here.

in unflattering terms by critics in earlier decades (Hudnut 1995).

Consolidating Indianapolis with its surrounding suburban areas inside Marion County offered the potential for financing the public costs of the redevelopment plan across a diverse and affluent tax base. Although UniGov provided for tax integration, it actually maintained some separation between important components of its property tax base. Failure to integrate property taxes into the consolidated government's fiscal structure would produce a set of regressive and unfair or unbalanced outcomes with regard to the burden of financing the redevelopment program. In terms of the fiscal outcomes from Indianapolis's consolidation program—and the implications for other communities evaluating new governance structures—it is necessary to distinguish those projects financed across the wide expanse of the county's tax base from those that drew their support from the property taxes of Center Township and the old city of Indianapolis.

Redevelopment Supported by the Consolidated City of Indianapolis

The initial projects associated with the redevelopment of downtown Indianapolis and UniGov were at the county or consolidated government level. The city-county building was paid for through countywide property taxes. Market Square Arena was also financed with revenue from the consolidated city's property tax base. In later years, when additional revenues would be needed for the arena and the Indiana Pacers, the needed funds would come from foregone state taxes, countywide taxes on consumption in restaurants and bars, and a hotel occupancy tax. The proceeds from these countywide taxes also funded two improvement projects in Center Township: the RCA Dome and the Indiana Convention Center. Each of these facilities as well as Market Square Arena is exempt from property taxes and therefore does not provide any tax revenue for the public schools in Center Township, the Indianapolis Police Department, or the Indianapolis Fire Department. However, in the mid 1960s and 1970s, the property tax revenue that might have been received from these exempted facilities likely would have been minimal. As a result, these facilities that were part of the rebuilding of Indianapolis actually benefited Center Township and its property owners because they were paid for in their entirety by the consolidated city-county.

At the same time that the public sector was rebuilding the eastern end of downtown Indianapolis (where many of the new facilities were located), the state of Indiana initiated efforts to redevelop the western boundary. The expansion of Indiana University's campus in Indianapolis, which includes the state's only medical and dental schools (as well as several other health science schools and centers), added numerous buildings to the downtown area. These redevelopment efforts were paid for with taxes collected by the state and put no undue fiscal burden on Center Township's property owners.

However, the political ramifications of destroying several residences and part of an inner city neighborhood to accommodate the university's new facilities created a lingering mistrust among the public for more than 30 years. The university's holdings are exempt from the local property tax base, and most individuals employed at facilities owned by Indiana University live in areas outside the boundaries of the old city of Indianapolis. The lost property tax revenue (in excess of $8 million annually) is an opportunity cost only for residents and businesses living within the old city of Indianapolis. Although these projects did stabilize job levels in the inner city area, most jobs went to suburban residents (Rosentraub et al. 1996).

As shown in Table 2, the City of Indianapolis's investment in the redevelopment plan was in excess of $549 million and involved both tax abatements and the creation of TIF districts. Tax abatements move the responsibility for financing the state's public schools, the fire and police departments, and other services to owners and users of non-abated property. In effect, once a budget is developed, property owners pay the taxes needed. If some property is abated, owners of non-abated property pay higher taxes. Of course, at the margin, as the taxes paid by owners of non-abated property rise, political pressure increases to reduce spending to maintain taxing levels that match those in other areas. If urban service-delivery units in Indianapolis fail to maintain competitive tax rates relative to surrounding townships and counties, there will be an increase in families and businesses leaving the area.

As a result, tax abatement creates two burdens. First, a financial burden is created when the responsibility for paying for local services is shifted to the owners of unabated property. Second, if service units cannot reduce taxes to meet the rates paid by property owners in suburban locations, service levels likely will be reduced to maintain competitive tax levels. These losses can be offset by the future increases in value of abated property when it returns to the tax rolls—assuming that no (or less) development would have taken place in the absence of the abatement. It is very difficult to measure how much or what development would have taken place in the absence of the abatement.

TIF programs also remove taxes from the base used to support urban services, because the revenues from the *increased* value of the property are used to repay the costs of the new infrastructure. TIF has been used in downtown Indianapolis to support the development of the new shopping mall and the new arena for the Indiana Pacers (which replaced Market Square Arena in 1999). When the bonds sold to build the required infrastructure are retired, the property in the district will return to the tax base for the service-delivery units. However, this will not occur for at least 20 years (the term of some of the bonds). Although property values tend to increase in areas outside a TIF district (Man and Rosentraub 1998), the geographic size of the districts created to finance Indianapolis's downtown mall and arena may have a negative impact on the extent to which property values increase. To generate sufficient revenues to support the repayment of bonds for the new mall and arena, the TIF district extends for more than 40 city blocks (four miles on its north-south axis) and approximately two miles on its east-west axis. However, this size was not sufficient to meet the bond payments in 2000, increasing the strain on Center Township's budget.

Decision Making and Its Implications

All proposals to utilize these financing mechanisms to develop downtown Indianapolis are developed by the mayor and then approved by the city council in its capacity as the county council for the consolidated city-county government. In this regard, then, city-county council members elected from other townships within the consolidated city have voted to finance programs that reduced the revenues available for the delivery of urban services to the residents of Center Township without burdening their own constituents with extra tax liabilities. To the extent that residents and businesses located *outside* Center Township and the service boundaries of the Indianapolis schools and the police and fire departments benefit from the redevelopment of a downtown financed with abatements and TIF districts, they become "free riders." Costs are imposed on a small subset of property owners and residents to generate regional or countywide benefits.

To illustrate the costs of the redevelopment of downtown Indianapolis to urban service-delivery units, the taxes pledged to redevelopment were calculated for the township itself and for the state's public schools and police and fire departments for 1992–98. (There were costs incurred by these districts in earlier years, and there will be additional costs in the years to come.) In reviewing the data, note that these dollars represent the burdens shifted to other taxpayers—those owning or using unabated property and property outside the TIF district. To the extent that this burden is shifted to lower-income households, the taxing mechanism in operation is regressive. The residents of Center Township are far less wealthy than the residents in the other areas of the region. Of all the residents of Marion County who live in households classified as poor, more than 45 percent live in Center Township (Rosentraub and Nunn 1994). The additional cost to businesses that remain in Center Township is also an important factor, because many of these firms may find it far less expensive to operate in other townships or counties. In addition, it is reasonable to expect that this shifting of burdens, which raised the property tax bills of other property taxpayers, increased the political costs associated with enhancing service levels.

Table 3 shows the amounts that needed to be raised from owners of property that was not abated and not part of the TIF district to sustain service levels from the public schools, the police and fire departments, and Center Township itself. Between 1992 and 1998, the responsibility for generating a total of $130.8

Table 3: Tax Revenue Increases for Property Owners, by Service-Delivery Units in City of Indianapolis

		Taxes Shifted by Urban Service-Delivery Unit				
Year	**Investment Program Type**	**Public Schools**	**Police Department**	**Fire Department**	**Center Township**	**All Units**
1992	Abatement and Enterprise Zone	6,571,787	—	—	1,491,276	8,063,063
	TIF	5,551,548	—	—	1,285,178	6,836,726
	Subtotal	12,123,335	—	—	2,776,454	14,899,789
1993	Abatement and Enterprise Zone	5,280,895	—	—	890,607	6,171,502
	TIF	4,792,332	—	—	835,445	5,627,777
	Subtotal	10,073,227	—	—	1,726,052	11,799,279
1994	Abatement and Enterprise Zone	4,562,948	1236,509	1,065,575	300,134	7,165,166
	TIF	8,167,011	2126,062	1,906,125	556,454	12,755,652
	Subtotal	12,729,959	3362,571	2,971,700	856,588	19,920,818
1995	Abatement and Enterprise Zone	3,553,298	957,004	800,570	288,734	5,599,606
	TIF	7,838,944	1,983,511	1,766,140	665,699	12,254,294
	Subtotal	11,392,242	2,940,515	2,566,710	954,433	17,853,900
1996	Abatement and Enterprise Zone	3,034,800	813,317	708,095	258,291	4,814,503
	TIF	9,876,828	2,536,184	2,303,998	892,839	15,609,849
	Subtotal	12,911,628	3,349,501	3,012,093	1,151,130	20,424,352
1997	Abatement and Enterprise Zone	4,135,240	1,106,317	958,182	360,329	6,560,068
	TIF	10,914,144	2,796,994	2,523,162	977,786	17,212,086
	Subtotal	15,049,384	3,903,311	3,481,344	1,338,115	23,772,154
1998	Abatement and Enterprise Zone	2,416,908	666,051	576,218	154,191	3,813,368
	TIF	11,720,916	3,066,139	2,783,446	754,978	18,325,479
	Subtotal	14,137,824	3,732,190	3,359,664	909,169	22,138,847
	1992–98 Totals	88,417,599	17,288,088	15,391,511	9,711,941	130,809,139

Source: All data are from the construction costs and financing records maintained by the Department of Metropolitan Development, City of Indianapolis.

Notes: Property owners include those who own unabated property and property outside the tax increment financing (TIF) district. For 1992 and 1993, the figures for the police and fire district could not be separated from those for Center Township.

million in property tax revenues was shifted from abated property and property within the TIF district to other property owners and users. Public schools endured the greatest challenge to finance operations; the total revenue shifted to unabated property and property outside the TIF district was $88.4 million. The burden transferred to support the Indianapolis Police Department was $17.3 million, and to finance the Indianapolis Fire Department $15.4 million in costs had to be shifted to other taxpayers. For the programs administered by Center Township, $9.7 million in taxes was shifted to other property owners.[6]

While abatements and TIF districts shift the burden of foregone taxes to unabated property and property located outside an increment district, some have argued that without these incentives investors would locate in other, more desirable areas. As a result, there is no lost or foregone revenue, because without the abatement or increment district no development would occur. Although this is a powerful and emotional argument, is it true that differential property tax rates influence locational decisions? Who benefits from the enhanced development of downtown areas?

Virtually every elected official can cite a situation or "development deal" in which a tax abatement or other incentive purportedly changed a locational decision. Business leaders, however, have a financial interest in reporting that incentives change their decisions. If communities believe incentives affect locational choices, then corporations will receive more inducements. As a result, it becomes difficult to ascertain which firms need or profit from downtown locations and which corporations actually make their intra-regional locations based on tax incentives (Bartik 1991).

Regardless of the impact of inducements, the more important issue may be who benefits from the locational choices of firms. Even if abatements encourage corporations to move to downtown areas, all segments of a community may benefit. For example, a downtown location could reduce congestion costs and the need for additional infrastructure in a suburban area. In addition, locating a corporation in a downtown area reduces demands for suburban land, thereby reducing costs for homeowners and other businesses. A vibrant downtown area can also be an effective tool to attract other businesses and

Center Township's residents not only have supported a great deal of the costs associated with rebuilding downtown Indianapolis but are fiscally responsible for the incentives provided by the city to attract United Airline's Maintenance Operations Center to the Indianapolis International Airport. To attract United Airlines to Indianapolis, the city provided approximately $111 million. To meet the payments on the bonds secured for this investment, the city had planned to use revenues from a TIF district near the airport. It was anticipated that development related to the United Airlines facility (from their subcontractors) would generate sufficient new property tax revenues to meet the bond payments. When those revenues were found to be insufficient, Indianapolis pledged the revenue it collects from a county option income tax.

All residents of Marion County pay a 0.7 percent tax on income, and Indianapolis's share of these revenues funds retirements from the Indianapolis police and fire departments. When these funds were moved to repay the debt associated with the incentives provided to United Airlines, the obligations to the firefighters and police officers were then paid with revenues collected from Center Township residents' property taxes. This reduced the revenues available to provide services to the residents of the township, shifting the burden of the United Airlines' incentives to the township. Again, it was the mayor and the city-county council that approved the changes and the details of the financing plan that brought the maintenance center to Indianapolis's airport.

homeowners to a region and provide convenient access to service-level jobs for individuals who depend on public transportation. If all segments of a community can benefit from the location of firms in downtown areas, then it would be appropriate for all property owners to support the burden of the incentives provided. In Indianapolis, under the current system, property owners in only one township absorb the burden of a shift in property taxes as a result of abatements or a TIF district.

UniGov legislation initially posed a legal challenge to the financing and taxing procedures. Under the plan, however, all county councils in Indiana can approve redevelopment programs for portions of their jurisdictions. In addition, assigning costs to the area closest to the improvement is not unconstitutional, even if the benefits accrue to residents of other areas of the county. Thus, the legislation that permitted Indianapolis to form its unified government and to finance the redevelopment of its downtown area was constitutionally tenable.

Lessons Learned

There is little doubt that some regions are attracted to consolidation programs because of the success Indianapolis has enjoyed in rebuilding its downtown area and enhancing its image. These substantial accomplishments are inexorably intertwined with UniGov. The proliferation of businesses in downtown Indianapolis, including a vibrant convention center, has indeed changed the city's image and national profile—underscored by the fact that the city has repeatedly been host to the NCAA's flagship basketball event, the men's final four. All of these changes took place after the implementation of UniGov. Considering this impressive change in downtown Indianapolis and in the city's image, what lessons does UniGov offer other cities?

First, if downtown revitalization is a goal for a region, a consolidated governance structure can be an asset in terms of preparing, executing, and managing a plan that is endorsed by an appropriate constituency. Although other downtown areas have seen a renaissance without a countywide consolidation program—and independent governments and communities could agree to rebuild a downtown area—in the context of Indianapolis's politics and culture, UniGov established a framework to accomplish something that had not taken place before. Moreover, previous countywide organizations had failed to either produce or secure tacit agreement for a plan for enhancing Indianapolis's image or redeveloping the downtown area.

Second, leaders of other areas looking toward a different governance structure to enhance development and rebuild downtown areas should take greater care to ensure that the new governance system has the necessary financial tools to progressively distribute the burdens and benefits. The partial consolidation of Marion County's tax bases precluded the use of more progressive and equitable means for financing the redevelopment plan. Indianapolis's consolidation program locked major components of its property tax structure within an antiquated township system. With many key urban services financed at the township level, some of the burdens of redevelopment were supported by discrete portions of the county when the benefits from the redeveloped downtown were countywide and even regional in nature.

Third, although consolidation can increase the size and scale of a locality, and thereby attract and retain higher skilled, more ambitious people, it might not necessarily be a crucial factor. For example, the Lilly Corporation (the largest private-sector firm in Indianapolis) and the Lilly Endowment have played an extraordinary role in redeveloping and redesigning the city and in attracting high-income workers to downtown Indianapolis. With or without UniGov, both organizations likely would have invested in Indianapolis's future and would have led coalitions of other actors and businesses in the effort to improve the downtown area and the quality of life in Indianapolis (see Walcott 1998).

Fourth, downtown redevelopment resulting from consolidation can retard sprawl and stabilize population and job levels, as was the case in Indianapolis compared with other midwestern cities (Rosentraub 1999). However, the fastest growing areas in Indiana and the Indianapolis region are those beyond the consolidated city. In addition, a large portion of the jobs created in downtown Indianapolis are low paying and in the service sector, and the public sector (including Indiana University) remains one of the downtown area's largest employers.

In helping Indianapolis reach its goals of rebuilding a decaying downtown area and changing its image, UniGov did not eliminate smaller urban service-delivery boundaries that were important to different communities. However, this emphasis on service distribution on a smaller scale did potentially increase certain fiscal inequities that Indianapolis must now address. Other areas looking toward consolidation may well be attracted to the example of UniGov but are advised to provide their consolidated government with different financial tools to reach their goals and thereby avoid the fiscal issues that Indianapolis and UniGov must now confront.

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Notes

1. In recent years, these communities have begun to sell their departments to the independent water company that provides service to Indianapolis.
2. Residents of the four excluded cities were permitted to vote for the mayor of Indianapolis and members of the city-county council, because they were subject to the authority of the Department of Metropolitan Development and received other services from the consolidated city (Blomquist and Parks 1995).
3. Similarly, the residents of the old city of Indianapolis are served by the Indianapolis Public Schools. Eight other school districts whose service boundaries approximate those of the eight townships surrounding the central portion of the county provide services to the vast majority of the residents of the consolidated city.
4. The seven national organizations include the Athletics Congress of the USA, U.S. Canoe and Kayak Team, U.S. Diving, Inc., U.S. Gymnastics Federation, U.S. Rowing, U.S. Synchronized Swimming, and U.S. Water Polo. The International Baseball Association and International Hockey League also are housed at the Hoosier Dome.
5. Indiana University is the managing partner of the joint campus with Purdue and is responsible for all fiscal matters.
6. There are no large-scale programs whereby businesses (or the state government) make payments to offset the services consumed. Moreover, the important contributions to the nonprofit sector and the general welfare of the community that some of these organizations make are not directly associated with the tax preferences received.

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