Using Tax Increment Financing

Governor’s Council on Climate Change

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What is Tax Increment Financing?

- Tax Increment Financing uses new/incremental real property tax revenue generated from new development to repay costs of the project or improvements to the TIF District.

- TIF uses incremental revenue generated by increases in assessed value.

- Economic development and infrastructure costs can be financed and paid with TIF revenues without raising tax rates or diverting existing funds.
What is Tax Increment Financing?

- **Increased Money in Real Estate Tax Revenue**: These funds used to support redevelopment.
- **Fixed Tax Base**: These funds continue going to other tax jurisdictions regardless of improvements.
- **Post-TIF Tax Revenue**: All bonds paid-off & returned to tax rolls.

-Life of TIF District in Years (Example only)-
Examples of permitted costs to be financed with TIF revenues:
- public infrastructure improvements
- façade improvements
- project development and redevelopment costs
- remediation costs
- land assembly costs
- repayment of private debt incurred by developer
- financing costs
- technical and marketing assistance
- revolving loans
- professional services
- administrative expenses, including personnel, studies and reports
- business development and expansion assistance for TIF district property owners
- TIF district establishment costs
Use of TIF Revenues:

- Dedicate portion of incremental TIF revenue to Town General Fund to help pay for increased governmental services created by development in TIF District

- Repay debt service on municipal revenue bonds for public projects related to TIF District
  - Site preparation
  - Public infrastructure (backstopped by benefit assessment)

- Repay debt service on developer debt for TIF District development projects
  - Credit enhancement agreements with property owner/developer
  - Taxable municipal revenue bonds (proceeds used by property owner/developer)

- Collected and accumulated by Town and used to fund smaller future projects within TIF District on a pay-as-you-go basis
  - Revolving Loan Fund
  - Code compliance
  - Rental payment assistance
Chapter 105b (7-339cc thru 7-339kk) Approving the District Master Plan

Four (4) required steps:

- Preparation of TIF District Master Plan (includes Financial Plan)
  - Input from Economic Development, Finance, Assessor & Consultants
  - Ten percent (10%) original assessed value test (taxable real property calculation)

- written advisory opinion from local planning agency
  - TIF District Master Plan is consistent with Plan of Conservation and Development
  - must be submitted to planning agency prior to legislative body approval of TIF District Master Plan

- one (1) local public hearing
  - Informational sessions for public and local officials

- Legislative body approval
Chapter 105b (7-339cc thru 7-339kk)  
District Master Plan

Components of District Master Plan:
- Legal description of the District boundaries
- Tax identification numbers for its lots or parcels
- Description of present condition and uses of land and buildings within District
- Public facilities, improvements, or programs anticipated to be financed
- Financial Plan
- Plan for operation and maintenance of the District
- Maximum amount/percentage of TIF Revenues allocated to TIF District
- District’s maximum duration, which cannot exceed 50 years, beginning with the year in which the District is established
- Establishment of TIF District Advisory Committee
- District Master Plan must be reviewed at least once every 10 years
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