

# Tax Increment Financing

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- Set aside new "incremental" tax revenues to raise financing for a project or public improvements. Financing can be on "pay as you go" basis, debt, or developer financing
- "Base year" tax assessments & revenue frozen at year TIF district is established and continue to flow to taxing jurisdictions
- New or incremental taxes after base year are diverted to TIF district and its governing authority. Increment comes from assessment growth, improvement to existing properties and new development

# Creative Use of TIF Financing: Genesee County Land Bank & TIF District

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- Flint, MI has a large supply of tax foreclosed & abandoned property
- Reuse required reform of the tax foreclosure process and a way to raise funds to clean-up, assemble and improve abandoned properties
- Three-part financing strategy
  - A land bank to hold and sell properties and use sales proceeds to reuse purposes
  - A *scattered site* TIF district to use tax-increment on reused properties to fund other projects
  - County-wide scope to use revenue from stronger suburban market to fund projects in Flint



# Challenges to TIF-Debt Financing Orlando Case

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- How much can the CRA borrow with the TIF revenue and a 10-year bond?
- What can be done to increase the debt that can be raised with the TIF revenue?
- What credit issues and risks do you see for investors?
- What could be done reduce these risks and strengthen the credit?

# Assessment Financing

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- A fee is assessed on property owners in a geographic area to finance needed infrastructure or services
- Special district area is set to include the beneficiaries of the infrastructure or services funded. The district collects the assessment and uses it to either pay the cost of services and/or repay debt issued to fund infrastructure.
- The district may build and maintain the infrastructure that it finances, or it may only be a financing entity.
- Widely used to finance services, infrastructure and facilities—of 34,683 special districts according to 1997 US Census of Governments).
- California and Illinois were the most active users of special districts, each having over 3,000

# Assessment Financing

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- Difference from Tax Increment Financing
  - A new, added levy is collected instead of using the increase in existing taxes from new development.
  - New development or tax base growth is not required for an assessment district to be a feasible financing tool
- Economic Development Uses
  - Finance infrastructure for new development in a targeted area.
  - Finance improvements for an existing redevelopment area or to support a specific economic development project. (e.g., a parking garage for a downtown development project)
  - Fund services or activities that benefit property owners and/or businesses in a business district. (Business Improvement District).

# Business Improvement Districts

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- Assessment district used to improve & revitalize commercial districts, usually downtown.
- Addresses need beyond infrastructure, such as public safety, cleaning services, beautification, promotion and marketing, special events, business recruitment & retention, and transportation.
  - Marketing in the most common BID activity
  - Supplemental security and sanitation are common in large cities
  - Dallas BID funded a trolley to transport people from downtown to a nearby neighborhood retail district.
  - Dayton funded marketing and business recruitment.
  - Cleveland funded security, maintenance, & collective marketing
- 404 U.S. BIDs in 1999. California, New York and Wisconsin accounted for almost half.
- BIDs expanded in the 1990s, with over half created in that decade

# Business Improvement Districts

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- Organizing aspect of BID is key to get property owners, merchants, others to set shared goals and priorities, commit to work together to address them, and contribute financially to fund activities
- Process of planning, organizing and gaining BID approval is complex and time consuming—can take 1 to 2 years. A capacity- and trust-building process whereby the time and effort invested in building a shared vision and commitment should have long-term benefits
- BIDs fund staff to organize, coordinate, plan and advocate for the business district and important projects
- Priorities of property owners and merchants may differ
  - Property owners may emphasize physical improvements
  - Merchants may care more about attracting shoppers
  - Common interests around security, cleanliness. Interests could be represented in separate BIDs (Albany)
- Business/property owner financial commitment is a way to leverage more government funding.
  - Dayton BID is funded 1/3 by business assessment, 1/3 by the city, 1/3 by the county.