



Tax Increment Financing 201

From Creation to Compliance

Today's Topics

Pre-Establishment

Establishment

Post Establishment



TIF 201

PRE-ESTABLISHMENT

Plans, Policies & Procedures

Helps unite staff
& policy makers

Provides foundation
for a successful
project

Ensures you're
prepared when
opportunity knocks

Sets priorities
for limited resources

Developer Application

Includes project details

- Site information
- Full set of financial projections (pro forma)
- Site plan, building elevations, floor plans, amenities, materials
- Identification of financial need

Developer submits fee, or escrowed deposit, with application

- Covers third party costs for review & implementation

Calculation of TIF: What Do You Need?

**Tax
Classification**

Base Value

**Valuation
Assumptions**

Tax Rates

**Exclude
Applicable Taxes**

Calculation of TIF: Tax Classifications

Classification rates are set in state statute

Differences in class rates leads to differences in taxes paid

Properties may have more than one classification

Required to be changed based on new use

Calculation of TIF: Base Values



Use current estimated market values of the parcel(s)



Consult Assessor on proposed lot splits, combinations, plats



Watch out for tax-exempt parcels

Calculation of TIF: Step 1 Example

BASE VALUE INFORMATION (Original Tax Capacity)					
Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.
39,600	Pay 2025	Exempt	-	Rental	495
5,222,000	Pay 2025	Exempt	-	Rental	65,275
112,600	Pay 2025	C/I Pref.	1,689	Rental	1,408
1,061,800	Pay 2025	Rental	13,273	Aff. Rental	2,655
184,200	Pay 2025	C/I	3,684	Aff. Rental	461
6,620,200			18,646		70,293

After Tax Classification Conversion
 A Higher Base Tax Capacity = Less Tax Increment

Calculation of TIF: Valuation Assumptions



**Confirm estimated
market valuation
potential**



**Estimate timing of
construction**



**Be conservative with
valuation and timing**

Calculation of TIF: Step 2 Example

PROJECT INFORMATION (Project Tax Capacity)

New Use	Total Units	Taxable Market Value	Tax Class	Project Tax Capacity	Completed 2025	Completed 2026	Completed 2027
Apartments	200	55,000,000	Rental	687,500	40%	80%	100%
Aff. Apartments	100	27,500,000	Aff. Rental	68,750	40%	80%	100%
		82,500,000		756,250			

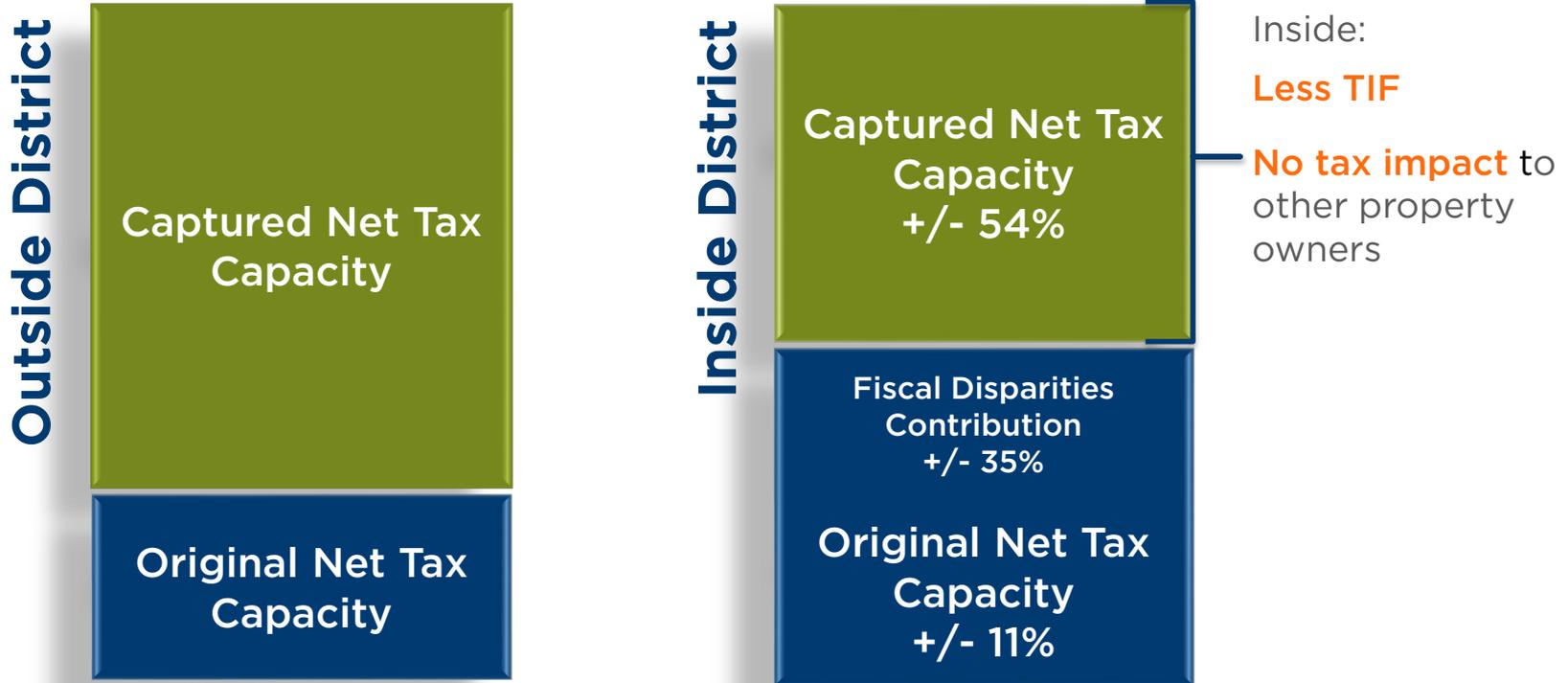
Calculation of TIF: What to Exclude?

- Base Value Taxes
- State-wide Taxes
- Fiscal Disparity Adjustment (Inside Election)*
- Market Value Taxes

*If Outside Election, Fiscal Disparities would not be excluded



Fiscal Disparities: Inside or Outside the District



Calculation of TIF: Step 3 Example

TAX INCREMENT CASH FLOW						
Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Semi-Annual Gross Tax Increment	Tax Year
302,500	(70,293)	-	232,208	107.529%	-	2027
					124,845	2027
605,000	(70,293)	-	534,708	107.529%	287,483	2028
					287,483	2028
756,250	(70,293)	-	685,958	107.529%	368,802	2029
					368,802	2029
756,250	(70,293)	-	685,958	107.529%	368,802	2030
					368,802	2030

Calculation of TIF: Step 4 Example

TAX INCREMENT CASH FLOW				
Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Tax Year
-	-	-	-	
124,845	(449)	(12,440)	111,956	2027
124,845	(449)	(12,440)	111,956	2027
287,483	(1,035)	(28,645)	257,803	2028
287,483	(1,035)	(28,645)	257,803	2028
368,802	(1,328)	(36,747)	330,727	2029
368,802	(1,328)	(36,747)	330,727	2029
368,802	(1,328)	(36,747)	330,727	2030
368,802	(1,328)	(36,747)	330,727	2030

Pro Forma Analysis: How Much is Enough?

- Review financial information to establish appropriate level of public assistance
 - ✓ Often referred to as “but for” test
- Maximize private funding sources
- Minimize public assistance needed to make a project financially feasible



Common Financing Tools

PAYGO

- Most common
- Least risk to City
- Developer uses Note to obtain project funding

G.O. Bond

- Least common
- Most risk to City
- Only leveraged when there's a major issue to address or cost-effective
- Example: public infrastructure funding

Term Sheet | TIF Agreement

Specifies terms & conditions under which municipality will pay collected TIF District increment to developer

Includes assistance identified through *pro forma* analysis

Often by City and/or EDA attorney with review & comment from developer

Term Sheet may serve as initial step

Final agreement governs all obligations in TIF project



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ESTABLISHMENT

Draft TIF Plan

**Statutory
authority**

**Statement of
objectives**

Prepare budget

**Assess
departmental
fiscal impact**

**Create a map of
the district**

**But-for
qualification**

Notices



Notice to County
Commissioner 30
days prior to hearing
notice publication



TIF Plan with fiscal
impacts to County &
School Districts 30
days prior to public
hearing



Hearing notice
publication at least
10 days prior to
hearing

Public Hearing

- Council holds public hearing, considers resolution to adopt TIF plan
 - ✓ Type of district
 - ✓ But-for finding (pro forma analysis)
 - ✓ District conforms to general development plan
 - ✓ Plan affords maximum opportunity for city's development needs



Interfund Loan Resolutions

Interfund Loan Resolutions are “insurance policies” against negative cash balances!

Just because you are authorized to spend up to a specific dollar amount doesn't mean you have to use it...



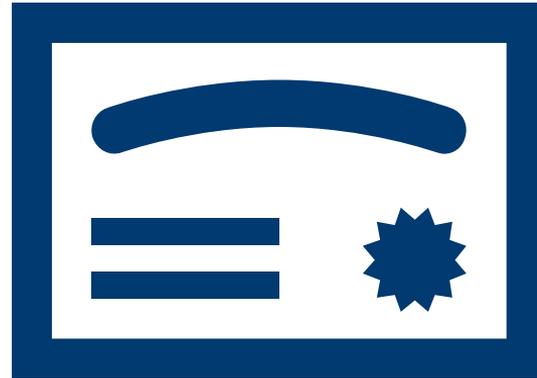


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POST ESTABLISHMENT

Certification

- Inform the County, OSA & Department of Revenue that a new district has been created
- Provide resolutions, hearing notices, agreements & other items documenting actions
- Certifications need to be submitted by June 30th to preserve the current tax rate



Construction Commencement

- Construction may begin any time after public hearing is held for TIF District creation
 - ✓ Earlier commencement may open argument that “but for” test wasn’t met
- TIF agreement will specify date of commencement

Project Completion

- Must complete project by date specified in TIF agreement
- Completion often defined by issuance of Certificate of Occupancy
- Developer should notify the City

Qualified Costs Documentation

- TIF may only be spent on qualified costs
- Costs must be verified & documented before issuance of TIF note
 - ✓ Documented costs must be at least as much as TIF note to issue full amount
 - ✓ Documentation includes invoices for work performed & evidence of payment for that work

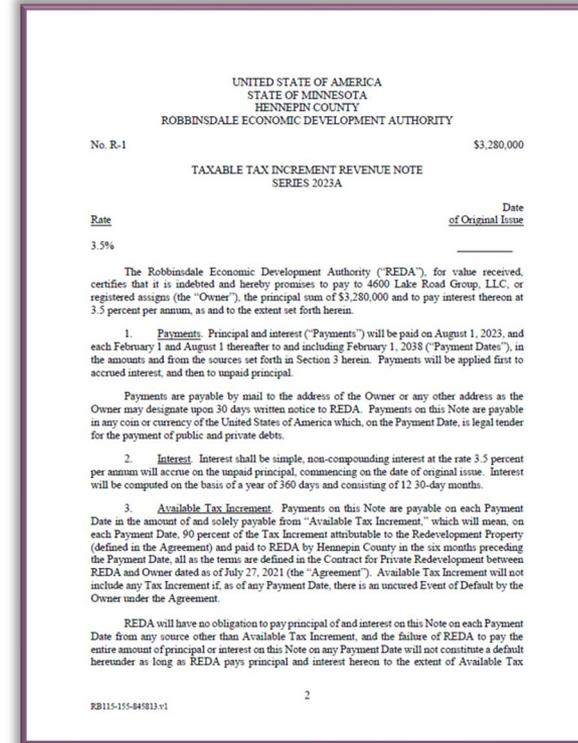
TIF Note Issuance



Conditions of issuance specified in TIF agreement



Often approved & issued via Council | EDA resolution



Project Completed & TIF Note Issued

Now what?

We wait until we receive
increment from the TIF
District to pay the TIF Note!

Payments

- PAYGO
 - ✓ County calculates and send increment to City
 - ✓ Payments are made semi-annually, defined in TIF agreement
 - August 1 payment made from June tax settlement
 - February 1 payment made from December settlement
 - ✓ Confirm compliance with TIF agreement provisions
- Taxes
 - ✓ Confirm all parcels have paid taxes & how much each paid

Annual Monitoring & Reporting: Calendar

January

- Determine PAYGO payment due February 1

February

- Make 2nd half payments - bond, PAYGO, and/or interfund loans

March

- Complete business subsidy reporting

Annual Monitoring & Reporting: Calendar

July

- Complete OSA annual TIF reporting
- Determine PAYGO payment due August 1

August

- Make 1st half payments - bond, PAYGO, and/or interfund loans
- Publish annual disclosure

Annual Monitoring & Reporting: Calendar

September

- Review budget for compliance with TIF plan, modify as needed

December

- Verify funds for February are escrowed
- Make final accounting entries
- Request compliance documentation for economic development & housing districts, business subsidy reporting

Decertification

Expired District: Two ways to handle...

1. County: Automatic decertification at expiration
2. City: Requests decertification

Either way, you need to send a “Confirmation of Decertified TIF District Form” to the OSA

Download the Presentation



Your Presenters



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