



CDFA TAX INCREMENT FINANCING PRIMER: UNDERSTANDING AN INCREASINGLY WIDESPREAD TOOL

The Council of Development Finance Agencies (CDFA) Tax Increment Financing Primer is an introduction to the mechanics, history, geographic distribution, and variety of uses behind one of the most widely applied development finance tools in the United States today. Read on for (i) a better understanding of how communities nationwide are using TIF to facilitate development and (ii) answers to some commonly asked questions:

- What is tax increment financing?
- How did it begin? Why is it used?
- Where is it used? How widespread is it? What types of communities use it?
- What are some common applications? For revitalization? For economic development? For public amenities?
- What are some examples in practice?

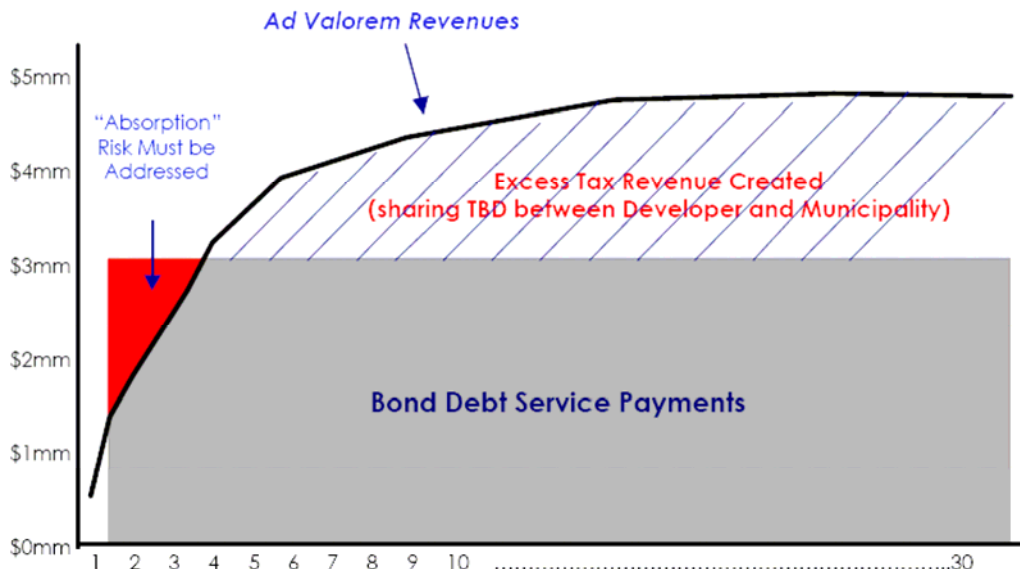
ABOUT TIF

Tax increment financing (TIF) is a mechanism to capture the future tax benefits of real estate improvements to pay the present cost of those improvements. It can be used to channel funding, or tax increment, toward improvements in distressed or underdeveloped areas where development would not otherwise occur.

TIF uses the increased property or sales taxes generated by new development to finance costs related to the development such as public infrastructure, land acquisition, demolition, and planning. Bondholders are repaid from the incremental tax revenues as further value is added to the development, primarily by private developer partners.

Tax Increment Financing

Illustration



districts), Milwaukee (55 districts), Portland, Salt Lake City, Denver, Atlanta, Kansas City, and Washington, DC.

Small and medium-sized cities commonly use TIF as well, with dozens leveraging the tool for creative and conventional projects from downtown redevelopment and tourist attractions to mixed-use centers, retail and housing. For example, successful TIF projects are underway or have been completed in Emeryville, California (pop. 6,882), Kenosha, Wisconsin (pop. 92,808), Lima, Ohio (pop. 40,081), Jacksonville Beach, Florida (pop. 20,990), and Worcester, Massachusetts (pop. 172,648).

50 More Communities With Active TIF Programs

<i>Tulsa, OK</i>	<i>Annapolis, MD</i>	<i>Boise, ID</i>	<i>Fort Collins, CO</i>
<i>Columbus, OH</i>	<i>Knoxville, TN</i>	<i>Lansing, MI</i>	<i>Tualatin, OR</i>
<i>Austin, TX</i>	<i>Pensacola, FL</i>	<i>Columbus, IN</i>	<i>Blue Springs, MO</i>
<i>Missoula, MT</i>	<i>Millville, NJ</i>	<i>Madison, WI</i>	<i>Akron, OH</i>
<i>Allegheny Cty, PA</i>	<i>Arlington Hts, IL</i>	<i>Myrtle Beach, SC</i>	<i>Petoskey, MI</i>
<i>St. Paul, MN</i>	<i>Des Moines, IA</i>	<i>Tiverton, RI</i>	<i>Modesto, CA</i>
<i>Louisville, KY</i>	<i>Reno, NV</i>	<i>Topeka, KS</i>	<i>Denver, CO</i>
<i>Omaha, NE</i>	<i>Charleston, WV</i>	<i>Salt Lake City, UT</i>	<i>West Palm Beach, FL</i>
<i>Columbia, MO</i>	<i>Augusta, GA</i>	<i>Lafayette, LA</i>	<i>Evansville, IN</i>
<i>Houston, TX</i>	<i>Lincoln, NE</i>	<i>Davenport, IA</i>	<i>Dover, NH</i>
<i>Milwaukee, WI</i>	<i>Sterling, IL</i>	<i>Raleigh, NC</i>	<i>Richmond, VA</i>
<i>Billings, MT</i>	<i>Mt. Dora, FL</i>	<i>Baltimore, MD</i>	<i>Kansas City, MO</i>
<i>Virginia Beach, VA</i>	<i>Casper, WY</i>		

THREE COMMON TYPES

TIF is a dynamic, flexible financing tool capable of supporting a broad range of activities. Depending on the infrastructure and amenities needed, TIF usually takes one of the following forms:

1) *Economic Development TIFs*

Heavy infrastructure, such as a highway, interchange, or port facility supporting an industrial park, major destination or attraction, and other employment-generating land uses.

Illustrative instance: National Harbor, Prince George’s County, Maryland

National Harbor is a \$2 billion complex of hotels, shops and restaurants shaped within 220 acres of Potomac River bank lands. Phased over 10 years, the first component is the project’s centerpiece, the Gaylord National Resort and Convention Center. The convention center will have 1,500 hotel rooms and 400,000 square feet of meeting and exhibition space. When the facility opens in March 2008, it will be the largest resort and convention center in greater Washington D.C.

The State of Maryland is supporting National Harbor with \$200 million in improvements to roadway interchanges on Interstate 295 and the Capital Beltway. TIF bonds totaling \$65 million, plus a property-specific assessment, are covering the cost of infrastructure improvements from sewage operations to road upgrades. The county finance department estimates National Harbor will generate a total of \$750 million in tax revenue over the next 30 years.



2) Community Revitalization TIFs

Improvements and expenses geared toward the rehabilitation of blighted urban areas, such as vacant or abandoned property, economically depressed neighborhoods, and sites requiring environmental remediation. These costs may include land acquisition, urban design and planning costs, streetscape upgrades, and utility improvements.

Illustrative instance: South Beach Redevelopment District Jacksonville Beach, FL

In Jacksonville Beach, the city used tax increment financing to reinvigorate a mostly vacant tract of residential lots created from real estate speculation in the 1920s and 1930s. In 1985, the 350-acre area had 1,163 lots yet only 43 dwelling units and no improved roadways or utilities.

Citing the need for revitalization, the city created the South Beach Redevelopment District in 1987 accompanied by a tax increment financing designation. Supported by the TIF, the city installed basic roadways, stormwater retention and water/sewer systems. Development has been steady ever since. In addition to several single-family home developments, the area has attracted two large shopping centers including tenants Target, Food Lion and Ace Hardware, and a mixed-use development with commercial and residential space. The assessed valuation for the South Beach TIF district has grown from just \$6.52 million in base year 1986 to over \$156 million by 2003.

3) Public Amenity TIFs

Major capital investments such as school construction, affordable housing, workforce housing, large-scale greenway and recreation development, transit corridors and stations, and waterfront esplanades.

Illustrative instance: Beltline Tax Allocation District, Atlanta, GA

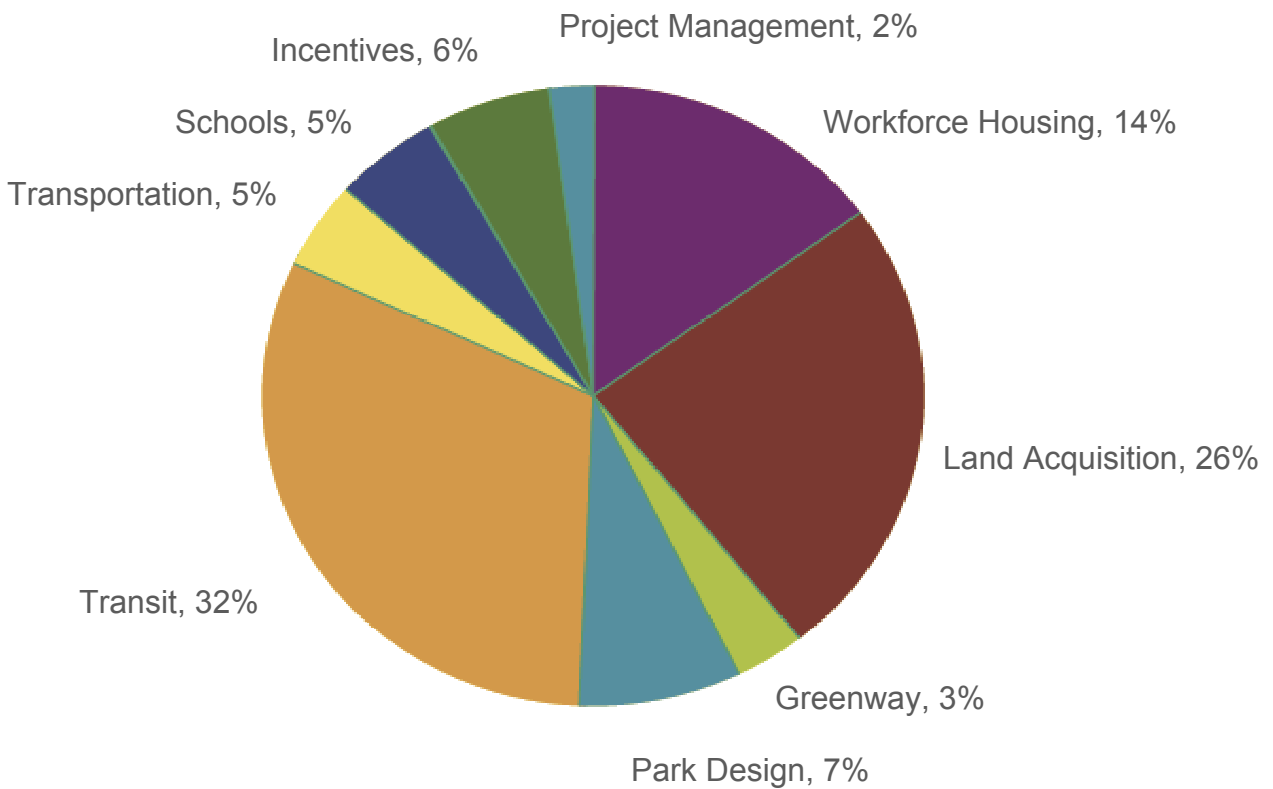
Adopted in December 2005, Atlanta's Beltline Tax Allocation (tax increment financing) District forms a 22-mile loop around the city inclusive of 6,500 acres or approximately 8% of the city's total land area. The bonds will fund infrastructure and improvements for 1,300 new acres of parks and greenways, 33 miles of trails, and right-of-way acquisition

for public transportation. The city is offering an additional \$100 million in incentives to developers for projects located in the Beltline's most economically challenged areas.

The Atlanta Development Authority (ADA) forecasts over \$1.6 billion in total bond issuance over 25 years, with seven separate bonds issuances planned and \$240 million set aside for workforce housing. The first issuance is slated for late 2006, with subsequent issuances every four years. At the end of 25 years, the ADA anticipates a \$25 billion increase in the City's tax base, plus the creation of 30,000 jobs in the designated area – 50 percent more than would be created without the Beltline.

In developing the Beltline, the ADA has undertaken an intensive community engagement process to promote public understanding and involvement in the project. The unique 'Community Engagement Framework' (CEF) allows city residents, developers and interested groups an equal opportunity to participate as the BeltLine takes shape.

Atlanta's BeltLine TAD: Project Costs as a Percentage of TAD



Graphic Sources:

1. 'Tax Increment Financing Illustration' Banc of America Securities, CDFA
2. 'National Harbor' Banc of America Securities, CDFA
3. 'TIF Legislation Timeline' CDFA
4. '50 More Communities...' CDFA
5. 'Atlanta's Beltline TAD' Atlanta Development Authority, CDFA