

TAX INCREMENT FINANCINGS

**SHOW ME
THE
MONEY!**



Monitoring of Tax Increment Financings

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THE REVENUE DILEMMA

- The TIF financing is complete and...
- The public infrastructure improvements are in place.
- The debt service payment is due on the bonds or...
- The developer is requesting reimbursement.

IS THERE ENOUGH MONEY IN THE TIF FUND?

THE REVENUE DILEMMA

**IF THE ANSWER IS
NO THERE ARE A
FEW PLACES TO
LOOK...**



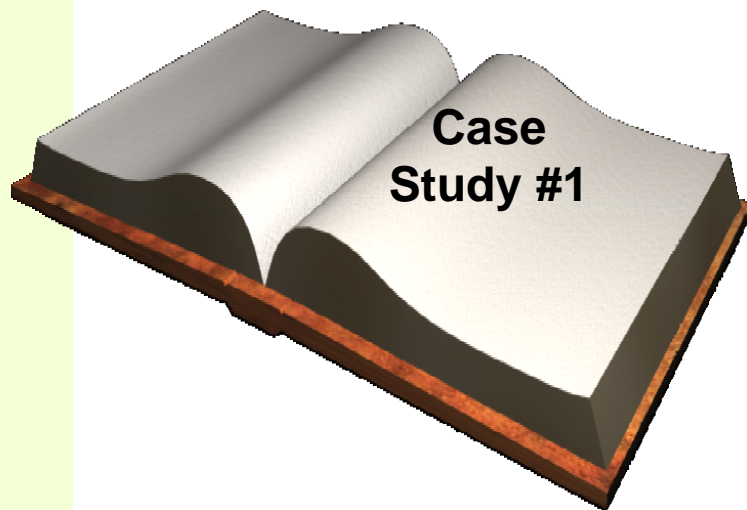
WHERE TO LOOK?

- **Developer/Property Owner**
 - Exemption application not filed
 - Errors in exemption application – denied by State
 - Delinquencies
- **Collection Agent**
 - Timeliness in establishing TIF revenue collection system
 - Errors in identifying TIF base and incremental value

WHERE TO LOOK?

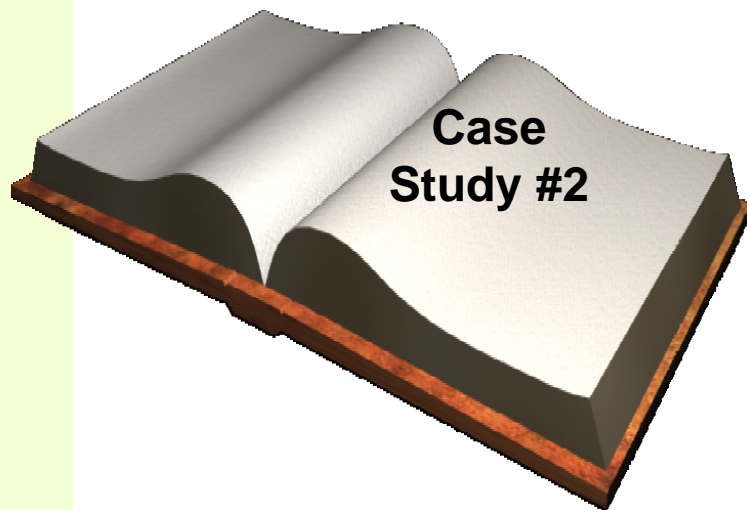
- **Other Political Subdivisions**
 - Statute may require distribution to assessing authority
 - Revenues may be misdirected by Collection Agent
 - Administrative or procedural errors may hold up payment
- **Bond Trustee**
 - Unclear bond documents
 - Flow of funds

CASE STUDY



- TIF legislation adopted in July 2003
- TIF Agreement states developer responsible for filing exemption application
- As of 2007 no TIF revenue collected
- Developer failed to file exemption application

CASE STUDY



- TIF legislation adopted in April 2005
- Exemption application filed by developer in August 2005
- As of 2007 no TIF revenue collected
- Exemption application denied by Department of Taxation due to “premature” filing

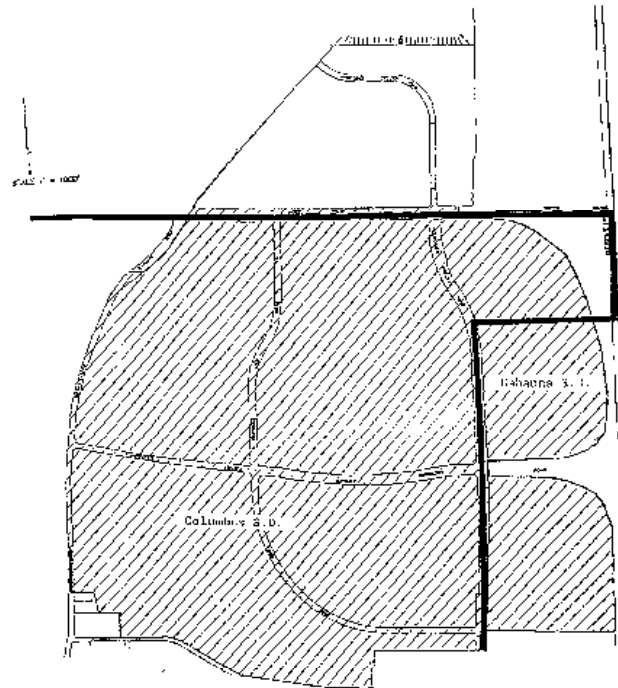
CASE STUDY



THE EASTON EXPERIENCE

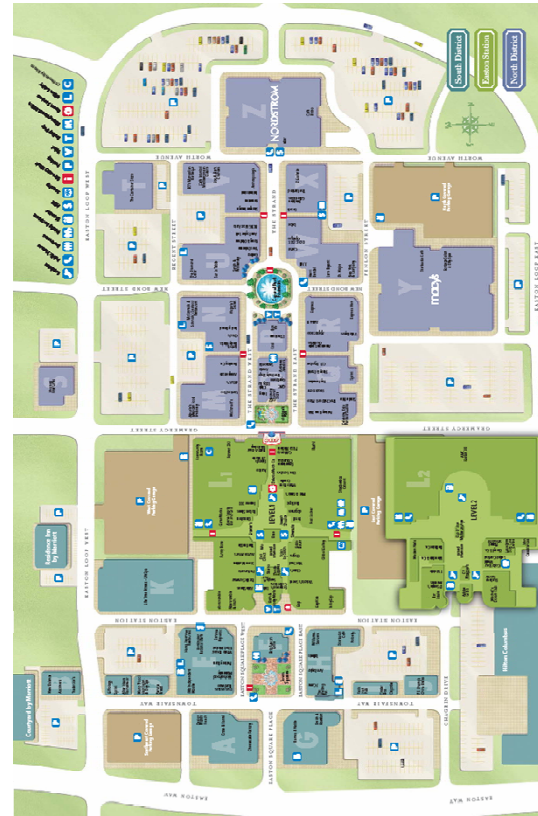
WHAT IS EASTON?

**Map of Easton at time
of adoption of TIF
legislation - 1996**



WHAT IS EASTON?

Map of Easton –
Spring 2007



HISTORY OF EASTON TIF

- December 1996 – City of Columbus entered into TIF Agreement with Developer.
- June 1999 – City of Columbus issued approximately \$30M in TIF bonds for Easton project.
 - Proceeds used to reimburse Developer for approximately \$26M in infrastructure improvements.
 - Strong security features including (1) Developer letter of credit, and (2) closed “super sinker” structure that precluded additional bonds.

HISTORY OF EASTON TIF (cont'd)

- February 2004 – In light of increased TIF revenues, Developer asked City of Columbus to advance refund the Series 1999 bonds.
 - Developer makes additional improvements.
 - Developer released from letter of credit obligation.
 - City uses TIF revenues to make public improvements in other areas of the City (remote TIF).
- November 2004 – City of Columbus issued approximately \$36M of TIF bonds for Easton project.

**WHY DID IT TAKE 9 MONTHS TO ISSUE THE
2004 BONDS ?**

EASTON TIF PROBLEM



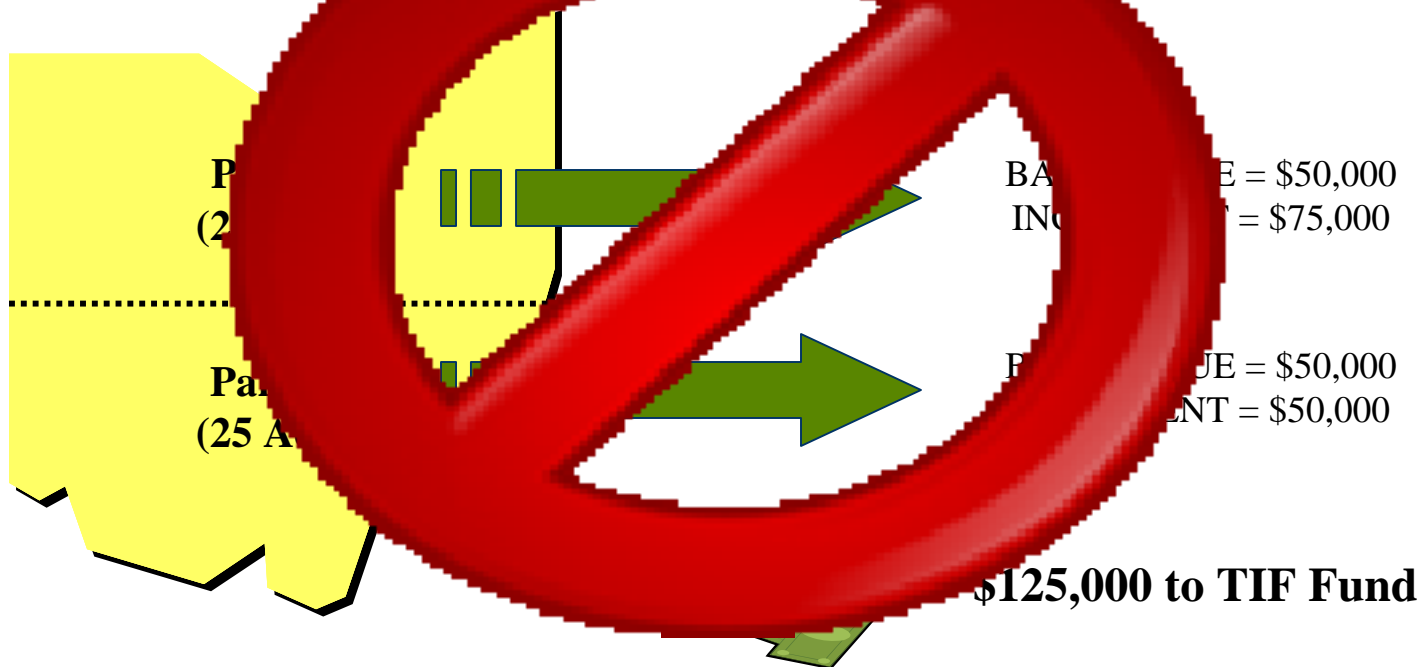
**1996
Parcel A
(50 Acres)**

**LAND VALUE =
\$100,000**

**BASE VALUE =
\$100,000**

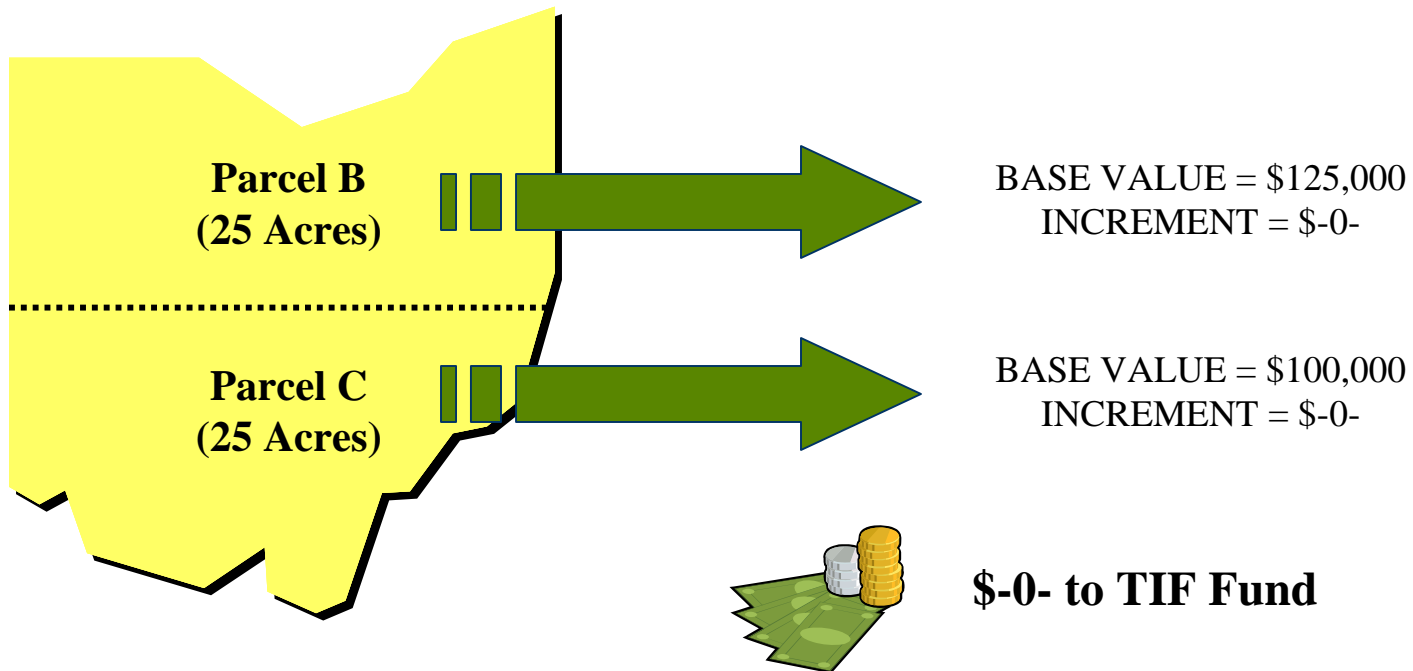
EASTON TIF FUND

- Parcel A Split
- Parcel B sold for \$125,000
- Parcel C sold for \$125,000



EASTON TIF PROBLEM

- Parcel A Split
- Parcel B sold for \$125,000
- Parcel C sold for \$100,000



EASTON TIF PROBLEM

“ The problem appears to center on whether splitting or otherwise renumbering existing parcels subject to a TIF exemption caused the taxable portion of the property to increase by re-defining the “base” valueODT believes that TIF exemptions are granted to the property itself rather than to a parcel number...the taxable value of the two new parcels should be equal to the taxable value of the parent parcel. ”

- Ohio Department of Taxation

LESSONS FROM CASE STUDIES



THE
CAREFUL MONITORING
OF A TIF,
FROM INCEPTION TO
COMPLETION,
IS ESSENTIAL TO ITS
SUCCESS

TIF MONITORING

- Prior to Creation
 - Analyze cash flows to verify developer’s assumptions and determine project feasibility.
 - Identify in the TIF agreement the party responsible for filing exemption application.

- After the Creation
 - Confirm exemption applications are filed in a timely manner.
 - Ensure proper records of TIF parcels are maintained and that “payments in lieu of taxes” are distributed appropriately.

CONTINUING DISCLOSURE AGREEMENTS

- Updated information on performance of the TIF (i.e., changes in valuation) – during the development period, on a quarterly basis.
- Identification of the purchasers of any property sold by the Developer during the prior year, and providing the intended use (if known) of such real property.
- Any changes to the method of determination and apportionment of the TIF revenues since the report of the previous year.



CONTACT INFORMATION

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