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Understanding TIF: Intro to Tax Increment
Finance for Vermont Communities



Understanding TIF: Intro to Tax Incremental Finance for Vermont Communities



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Vermont's Community and Housing Infrastructure Program (CHIP) Webinar Series



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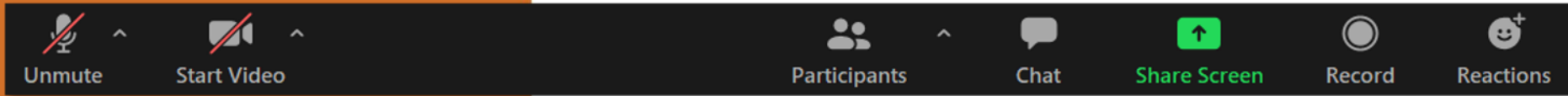
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Understanding TIF: Intro to Tax Increment Finance for Vermont Communities



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Understanding TIF: Intro to Tax Increment Finance for Vermont Communities

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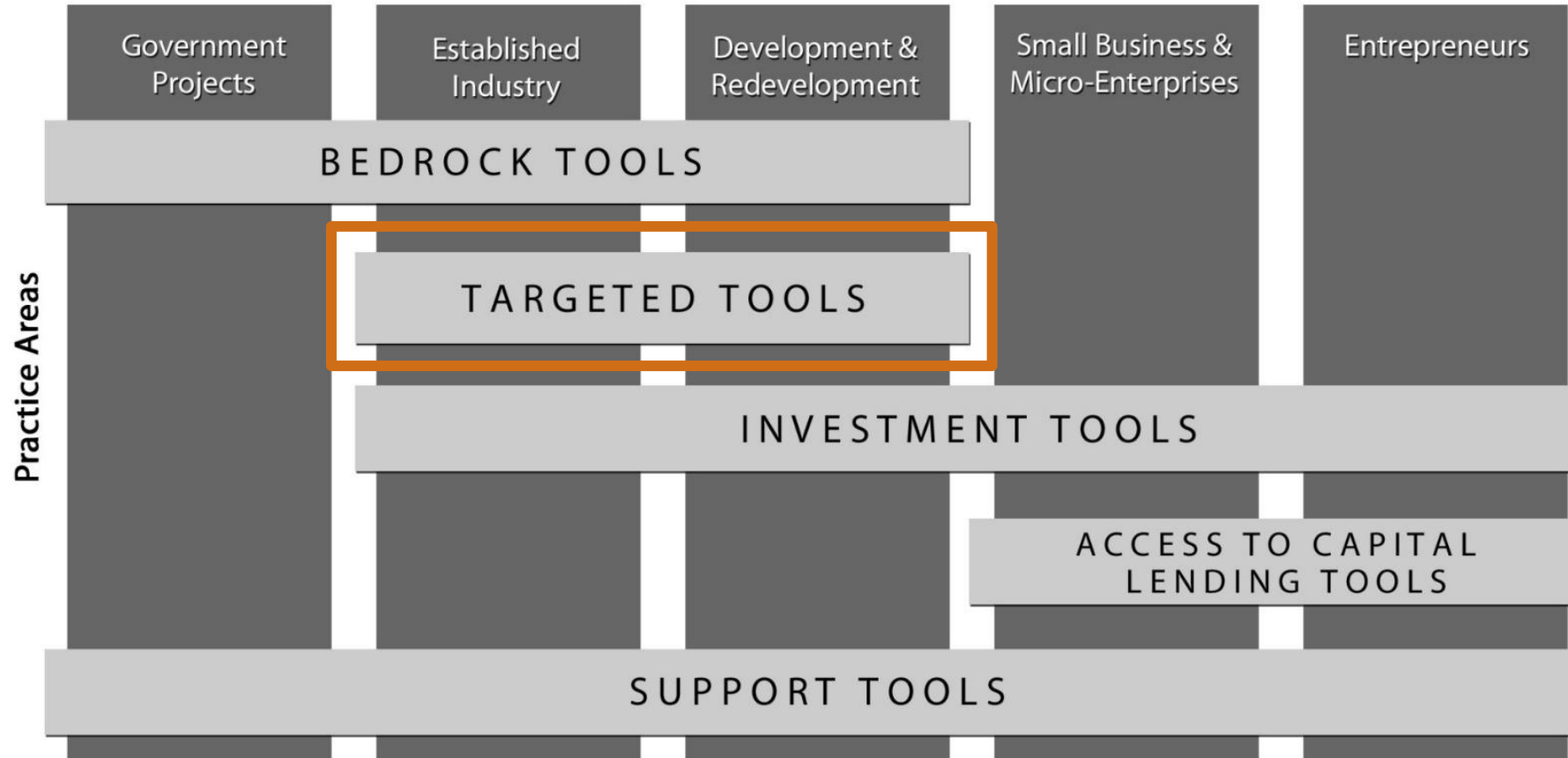
Targeted Tools





Development Finance SPECTRUM

Types of Financings



From the *Practitioner's Guide to Economic Development Finance*

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Targeted Tools

- ▶ Represent fastest growing area of development finance.
- ▶ Goal of targeted tools is to catalyze investment and transform the real estate values of a geographic area.
- ▶ Three general categories:
 1. **Special assessment district financing**
 2. **Tax increment financing**
 3. **Tax Abatement**
- ▶ These categories often overlap and work in conjunction with each other as a layered financing mechanisms.



Targeted Tools: Special Assessment



Special Assessment District Financing

- ▶ Mechanism by which business, industry, commercial districts and governments generate funds by applying special tax assessments on geographic areas.
- ▶ Two general structures:
 1. **Business and Neighborhood Districts**
 - Self assessment
 - BID, SID, NID, etc.
 2. **Government Districts**
 - Sometimes self-assessed, often govt. created
 - SSD, SAD, CFD, CDD, TID

Business & Neighborhood Districts

- ▶ Business and Neighborhood Districts help to support a variety of services:
 - ▶ security and safety patrols
 - ▶ snow removal
 - ▶ promotions, marketing and events
 - ▶ graffiti removal
 - ▶ beautification and cleanliness programs
 - ▶ economic development
- ▶ Typically run by property owners in defined area
- ▶ Property owners voluntarily impose tax to provide for infrastructure improvements or enhanced public-type services

Types of Business & Neighborhood Districts

- ▶ Business Improvement Districts (BID)
- ▶ Special Improvement District (SID)
- ▶ Community Improvement District (CID)
- ▶ Community Development Authority (CDA)
- ▶ Neighborhood Improvement District (NID)

Government Districts

- ▶ Services and improvements directed by local government in defined area
- ▶ Can be initiated by property owners or by local government
 - ▶ Special Services District (SSD)
 - ▶ Special Assessment District (SAD)
 - ▶ Community Facilities District (CFD)
 - ▶ Community Development District (CDD)
 - ▶ Transportation Improvement District (TID)

Benefits of Special Assessment

- ▶ Can be leveraged with bonds
- ▶ Not development-dependent
- ▶ Can span two or more jurisdictions
- ▶ Generally strong collection enforceability - lien status
- ▶ Can be combined with TIF

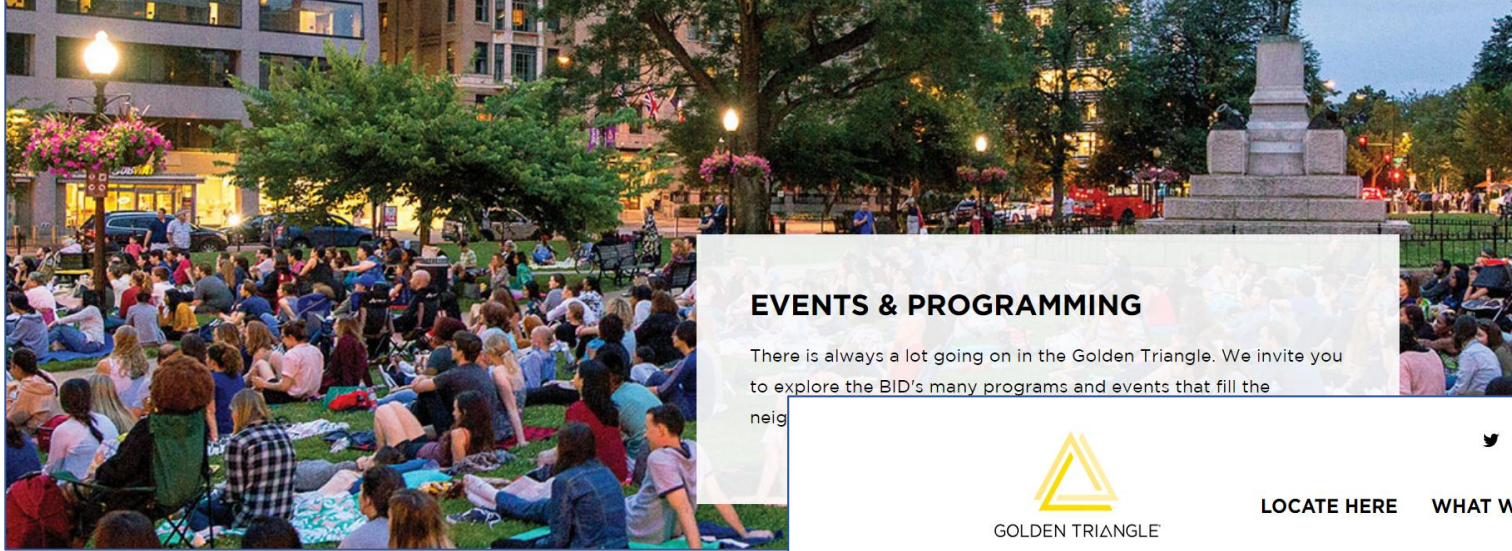
Challenges of Special Assessment

- ▶ Overburden to property owners
- ▶ Less likely to approve other necessary tax increases?
- ▶ If assessment can be imposed with less than unanimity, litigation is common by non-approving property owners



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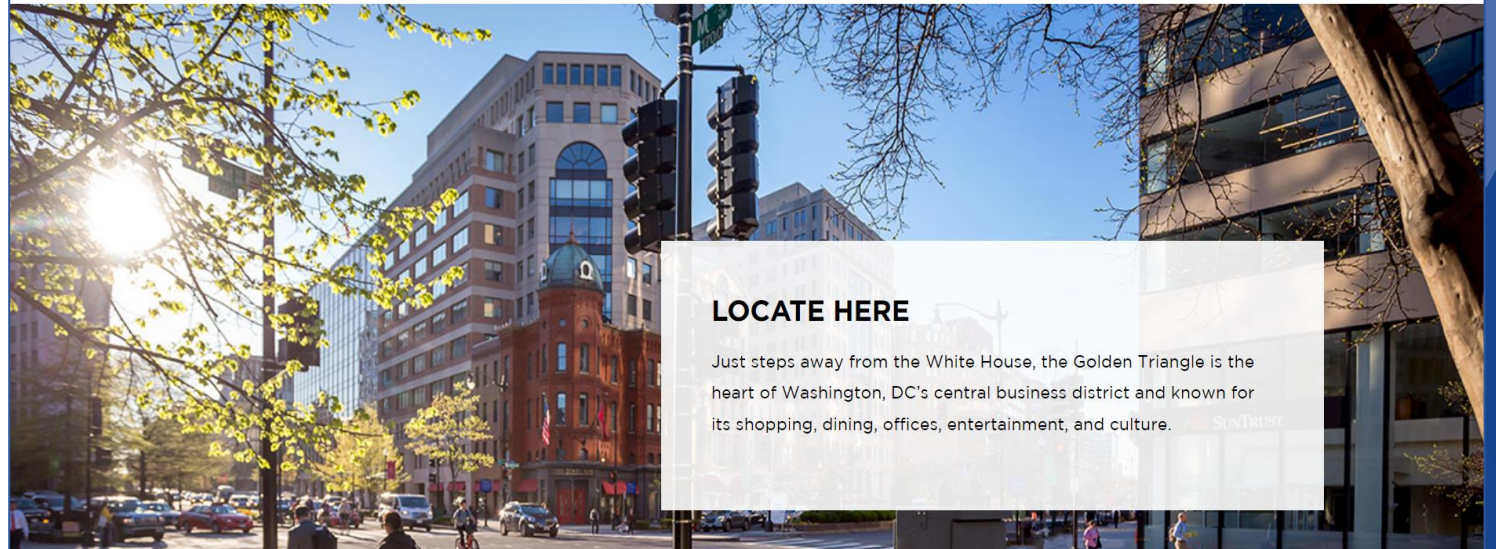
EVENTS & PROGRAMMING

There is always a lot going on in the Golden Triangle. We invite you to explore the BID's many programs and events that fill the neighborhood.



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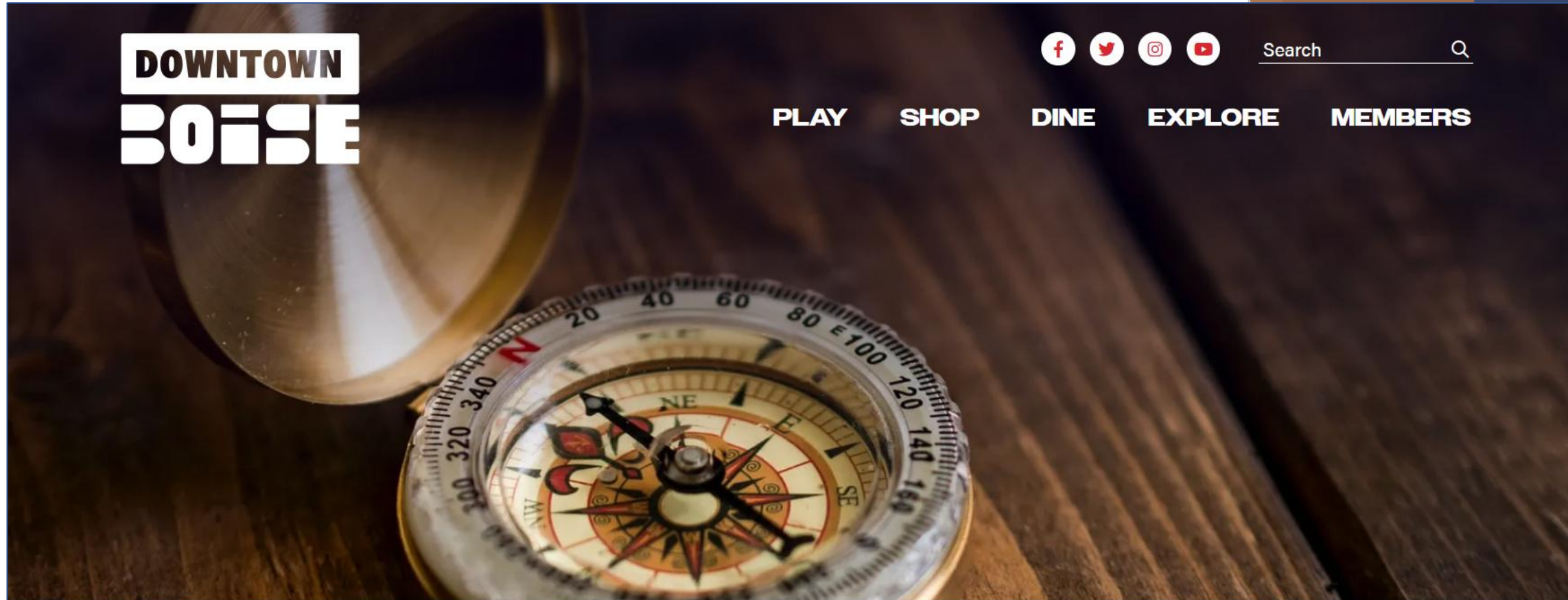
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Just steps away from the White House, the Golden Triangle is the heart of Washington, DC's central business district and known for its shopping, dining, offices, entertainment, and culture.





ABOUT US

About DBA

Business Improvement District

A Business Improvement District is a publicly sanctioned, yet privately directed

RESIDENTS

Animals, Trash, Bus +Help

BUSINESS

Permits, Inspection, RFPs +Build

VISITORS

Explore, Attractions +Events

GOVERNMENT

Meetings, Council, Elections +Services

DEPARTMENTS

All Services +Discover

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Special Tax Districts

More in this Section[Annexations](#)[Assessment/Other Districts](#)[Mello-Roos Community Facilities
Districts \(CFDs\)](#)

The City of Elk Grove maintains a number of special tax districts that levy special taxes to finance the construction of capital facilities and fund public services.

Annexations into the appropriate districts are typically part of the project approval process. Requirements are specific for each project and vary according to geographic location and building use. Please see the following pages for additional information.



Special Assessments Resource Center

A special assessment is an additional tax on a piece of property, generally in the form of real estate taxes. This additional assessment is collected by the local taxing authority and directed to a designated fund to finance projects, improvements or programming for the assessed district.

Special assessment districts are a common development financing tool. Every state provides some form of special assessment district financing. Most states offer more than one option. These tools are known by a variety of names and can be structured in a variety of ways, but there are two predominant methods.

The first method, Business and Neighborhood Districts, is the assembly of business and neighborhood groups into a district to generate funding for projects and programs. Business and Neighborhood Districts are typically run by property owners in the district. These owners impose self-assessed taxes on themselves in order to generate funds for physical improvements or other amenities.

The second approach, Government Districts, is a directly targeted assessment program organized by the local government. Government Districts come in many shapes and sizes. These districts often provide services that are similar in scope to those provided by Business and Neighborhood Districts. However, in these cases, government entities typically direct the work of these districts.

Want regular updates on Special Assessments? Subscribe to CDFA's **Tax Increment Finance Update** newsletter.

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+ [Understanding Special Assessments](#)

+ [Resources](#)





Targeted Tools: Tax Increment Finance



Tax Increment Finance

- ▶ Second and most common targeted form of financing.
- ▶ First created in 1952 in California to act as a catalyst for redevelopment areas.
- ▶ Quickly spread across the country - 48 states and District of Columbia have enabling legislation.
- ▶ Referred to by a variety of names:
 - ▶ TIF - Tax increment financing (most states)
 - ▶ TAD - Tax allocation district financing (GA)
 - ▶ PDF - Project Development Financing (NC)
 - ▶ TIRZ - Tax increment reinvestment zones (TX)
- ▶ California currently does not have a TIF law

What is TIF?

- ▶ Special authority provided to a local governmental jurisdiction which allows them to allocate specific tax revenues towards the redevelopment, development or renovation of the built environment.
- ▶ A mechanism used to capture the future tax benefits of real estate improvements to pay the present cost of specific improvements.
- ▶ TIF is used to channel incremental taxes toward improvements in distressed or underdeveloped areas where development would not otherwise occur by using the increased property or sales taxes that new development generates to finance qualified costs related to development.

What is Increment?

- ▶ Increase in taxes resulting from development
- ▶ Difference between base frozen tax and future generated taxes.
- ▶ Types of taxes used:
 - ▶ Real estate - most common
 - ▶ Sales tax
 - ▶ Income tax
 - ▶ Gross tax
 - ▶ Value added tax

Why Use TIF?

- ▶ Encourage development, eliminate blight, addresses environmental issues
- ▶ Adaptively reuse old buildings and facilities for modern day commerce and economic development.
- ▶ Finance critical infrastructure while shifts portion or all of financial burden for infrastructure to the private sector through public-private partnerships
- ▶ Advances economic development or redevelopment projects that otherwise may not move forward in today's economy
- ▶ Attracts economic development prospects by having infrastructure financing plan in place
- ▶ Create jobs and preserve and strengthen the tax base

Who Controls TIF?

- ▶ States authorize enabling legislation.
- ▶ Local governmental jurisdictions (city or county) designate districts or project areas.
- ▶ Development agencies or other entities implement the program.
- ▶ Private developers, real estate and financial institutions partner with development agencies.

Common TIF Developments

- ▶ Mixed-Use
- ▶ Residential
- ▶ Commercial
- ▶ Industrial
- ▶ Amenity Creation
- ▶ Retail Development
- ▶ Transportation

What can TIF Finance? (Generally)

- ▶ Infrastructure Improvements
- ▶ Site Preparation
- ▶ Facility / Amenity Construction

Such as:

- ▶ Public Infrastructure
- ▶ Land Acquisition
- ▶ Relocation
- ▶ Demolition
- ▶ Utilities
- ▶ Debt Service
- ▶ Planning Costs
- ▶ Direct Costs of Development (typically only in blight situation)

Typical Improvements - Infrastructure

- ▶ TIF is commonly used to finance necessary infrastructure improvements that allow a deal to move forward. While each state's TIF statute establishes eligibility, some common infrastructure improvements that typically qualify include:
 - ▶ Publicly owned and maintained utilities
 - ▶ Sanitary sewers
 - ▶ Wastewater treatment facilities
 - ▶ Lift stations
 - ▶ Force mains
 - ▶ Transmission lines
 - ▶ Sewer pump stations and related equipment
 - ▶ Drainage facilities including storm sewer systems, collection and detention facilities, pumps, inlets, canals and related channel equipment

Typical Improvements - Infrastructure

- ▶ TIF can be used to finance a number of expenses related to infrastructure. While what is eligible varies by state, some examples of common TIF eligible expenses include:
 - ▶ Public roads and streets
 - ▶ Bridges
 - ▶ Lighting
 - ▶ Traffic signals and related equipment
 - ▶ Decorative pavers
 - ▶ Medians
 - ▶ Turn lanes
 - ▶ Property used for right of way
 - ▶ Compensable utility relocations that occur due to the placement or construction of a roadway
 - ▶ Beautification components and related hardware

Typical Improvements - Infrastructure

- ▶ TIF may finance improvements beyond typical infrastructure needs to include pedestrian-friendly amenities such as:
 - ▶ Hiking and biking trails
 - ▶ Pathways that facilitate intermodal transportation
 - ▶ Sidewalks
 - ▶ Bike lanes in street right of way
 - ▶ Pedestrian bridge systems that link commercial centers to transit systems
 - ▶ Sky bridges that link public buildings
 - ▶ Public tunnel systems for private buildings
 - ▶ Pedestrian platforms for rail or light rail transit systems and similar facilities

Two Categories of Public Improvements

- ▶ Generic Public Improvements
 - ▶ Roads, bridges, sidewalks
 - ▶ Utility extensions (water, sewer, electric, gas, telecommunications)
- ▶ On-site Public Improvements
 - ▶ Environmental Remediation
 - ▶ Parking facilities
 - ▶ Landscaping
 - ▶ Storm water management

Requirements for Use of TIF (generally)

- ▶ Establish TIF District
- ▶ “But for” Analysis
- ▶ Feasibility or Market Study
- ▶ TIF or Development Plan
- ▶ Development Agreement

Leveraging TIF - Securing Debt

Bond Financing

- ▶ Challenges based on speculative revenue stream
- ▶ Could be tax-exempt

Pay-As-You-Go Financing

- ▶ Developer responsible for financing and providing necessary security to lender
- ▶ Harder to do tax-exempt financing

Project-Specific & District-Wide TIF

- ▶ TIF application is either **project-specific** or **district-wide**, depending on the scope of the effort: whether it is one site or an entire neighborhood.
- ▶ Both methods also have limitations and varying levels of risk.

Project-Specific TIF

- ▶ Usually a single project or single piece of property
- ▶ Specific user so generally less complicated
- ▶ Cleaner process / fewer parties
- ▶ Funds typically go to public improvements necessary to make project feasible (parking garages, infrastructure and sewer / water improvements)
- ▶ In certain states, funds can be used to acquire land
- ▶ Often, land is controlled by single owner
- ▶ Effective in providing gap financing for a particular improvement
- ▶ More risk since the success of the project often relies on one user
- ▶ More difficult credit hurdles for bond investors
- ▶ Can cause unfair development advantage
- ▶ The community buy-in process must be fair and transparent
- ▶ Used as a complement to other finance mechanisms addressing the greater community

District-Wide TIF

- ▶ Multiple users and potentially many property owners.
- ▶ Transactions more complex and require significant due diligence
- ▶ Traditionally applied to large area of land or entire neighborhood
- ▶ Communities use to eliminate blight and deterioration in larger areas.
- ▶ Typically support major infrastructure projects such as roads, traffic lights, landscaping of public areas, parks, parking garages and other public benefit aspects
- ▶ Can support infrastructure and preparation of “ready to go” sites as part of an industrial, medical or research park
- ▶ Can allow land assembly
- ▶ Can raise community suspicions of driving longtime property owners out of area
- ▶ Can be frustrating for property owners and developers outside the TIF area

Simple Project-Specific TIF Example

Using Up-Front Method of Financing:

- ▶ Existing property generates \$50,000 a year in real estate taxes.
- ▶ Government designates the property as a “TIF” district.
- ▶ Tax base is frozen at \$50,000 level.
- ▶ New project is proposed for the site and will in effect raise overall tax base generated to \$150,000 (and rising) a year once completed.
- ▶ Developer agrees to make significant investment and seeks TIF funds from govt. for eligible public improvements.

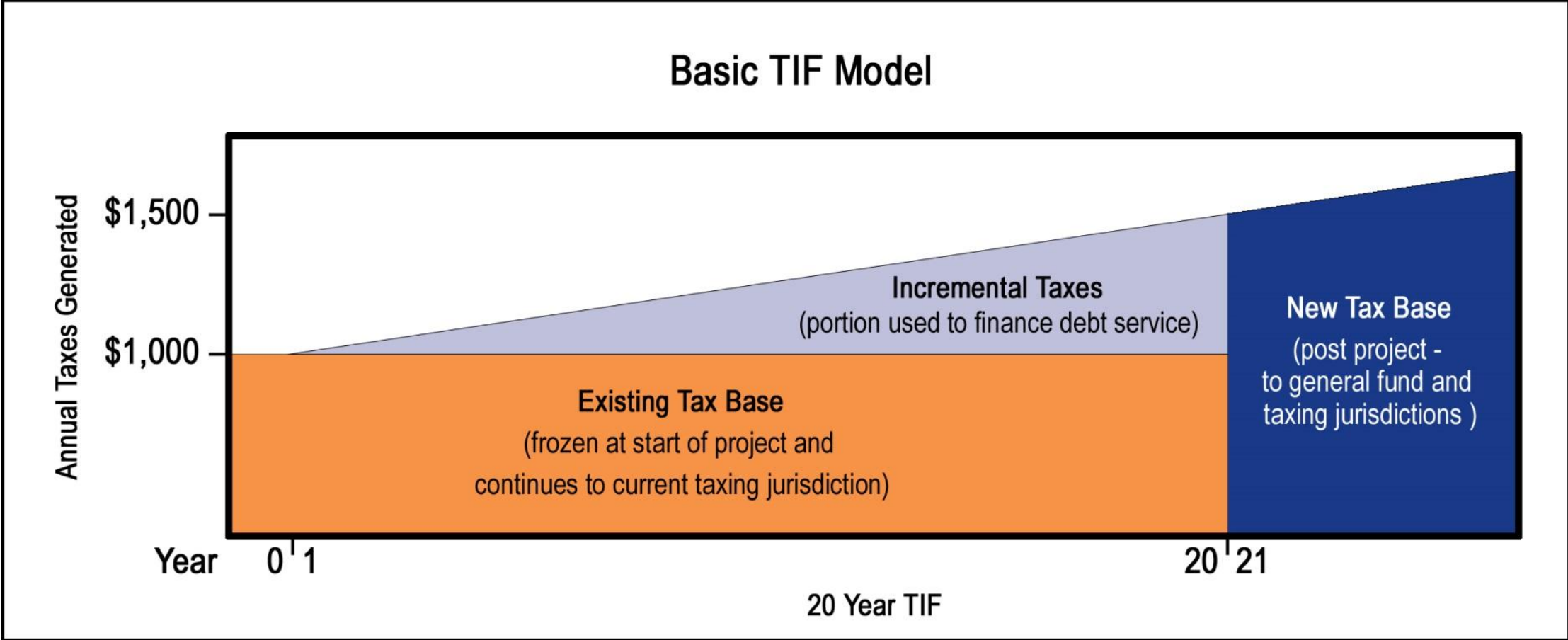
Simple Project-Specific TIF Example

- ▶ Government conducts “but for” test and agrees to TIF deal and issues tax-exempt bonds to finance proposed infrastructure improvements.
- ▶ Bonds are issued generating cash for the project (several options on actual financing mechanism).
- ▶ Once project is complete, new assessment is completed on property (\$150,000 in taxes a year as indicated before).
- ▶ Frozen base (\$50,000) continues to flow to pre-existing coffers (city, county, schools, state, etc.).
- ▶ Increment (additional \$100,000) goes towards debt service on the bonds that were issued for the project.

Simple Project-Specific TIF Example

- ▶ Increment is used to pay back bonds over time, anywhere from 10-40 years.
- ▶ Once bonds are paid off, the property taxes are “unfrozen” and the full tax base generated goes to existing coffers (city, county, schools, state, etc.).
- ▶ **THE KEY - No new taxes are requested and no existing taxes are used in the financing of the project.**

Graphically Speaking



3 Critical Public Policy Considerations

1. Due Diligence
2. Transparency
3. Accountability

Due Diligence - Do the Work!

- ▶ Go through all the step necessary to ensure an acceptable level of satisfaction.
 - ▶ Take a conservative approach
 - ▶ Application process and fees are okay
 - ▶ Crunch all the numbers and do the math
 - ▶ Request more data
 - ▶ Ask lots of questions
 - ▶ Be thorough and dig deep
 - ▶ Seek partnerships with developers who want to provide all the numbers
 - ▶ **KEY - Don't accept assumptions**

Due Diligence - “But for” Test

- ▶ The “but for” test is a public policy test for measuring the appropriate need for TIF financing.
- ▶ Major part of the community buy-in process.
- ▶ TIF authorizing agencies should be conducting this test for every project.
- ▶ Provides a rational and justification for approving TIF funding.
- ▶ Eliminates the argument that the funding is “corporate welfare”.
- ▶ Sets the appropriate amount of TIF funding for the project. The project may not require 100% of the TIF funds for debt service and this test will help establish the necessary financing.

Due Diligence - “But for” Test

- ▶ The test should be conducted using financial models or impact programs and outside professionals are almost always more equipped to crunch the numbers.
- ▶ Seek professionals if uncertain. They provided a 3rd party point of view and are invaluable to the process.
- ▶ Be aware and beware of the assumptions!

Transparency - It's All Out There

It is not enough to act transparent, you must actually be transparent.

- ▶ **Best Practices** - open meetings, open records, all laws followed, sound leadership, community events, web/newsletters, single point of contact, etc.
- ▶ **Address Failures** - Play the “what if” game and answer the “what now” questions.
- ▶ **Build Consensus** - Determine primary, secondary and tertiary considerations for various stakeholders. Be prepared to compromise and be creative in addressing conflicting objectives or interests
- ▶ **Strategize** - Plan changes, roadblocks and find champions for solutions that come from third party supporters (not always the government entity) (i.e. Federal Reserve in Kansas City)

Accountability

- ▶ Be accountable to stakeholders, report success and failure, draft policies that meet goals and objectives. For instance:
 - ▶ Application and approvals process
 - ▶ Use standards - industrial, blight, retail philosophy
 - ▶ Investment participation level policy
 - ▶ Geographical targeting policy
 - ▶ Transportation and housing policy
- ▶ Consider what the broader goals are in pursuing TIF:
 - ▶ Big picture items (jobs, investment, physical change)
 - ▶ Master plan, redevelopment strategy, etc.

Accountability

- ▶ Create process for vetting TIF developer assistance
- ▶ Establish a framework for community input
- ▶ Determine how TIF implementation can best meet objectives
- ▶ Document steps taken and results to aid in debt approval at the public level
- ▶ Detail the fiscal impact for each entity
- ▶ Diagram the increment financing process
- ▶ Provide sufficient analysis of the economic and fiscal impact and benefit to the city



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Home > Redevelopment Authority



Redevelopment Authority of the City of Milwaukee

The Redevelopment Authority of the City of Milwaukee (RACM) is an independent corporation created by state statute in 1958.

Mission

The mission of the Redevelopment Authority is to eliminate blighting conditions that inhibit neighborhood reinvestment, to foster and promote business expansion and job creation, and to facilitate new business and



Latest RACM meeting agenda (pdf)

RACM meeting schedule:





ECONOMIC DEVELOPMENT

Home > Economic Development > Programs > Tax Increment Reinvestment Zones (TIRZ)

ECONOMIC DEVELOPMENT

Programs - Tax Increment Reinvestment Zones (TIRZ)

What Are Tax Increment Reinvestment Zones (TIRZs)?

Tax Increment Reinvestment Zones (TIRZs) are special zones created by City Council to attract investment in an area. These zones help finance costs of redevelopment and promote growth in an area.

TIRZ Budgets, Agendas, And Documents

1. St. George Place ⊖		
Agenda	Documents	Website
2. Midtown ⊕		
3. Main Street/Market Square ⊕		
4. Village Enclaves ⊕		
5. Memorial Heights ⊕		
6. Eastside ⊕		
7. OST/Almeda ⊕		
8. Gulfgate ⊕		
9. South Post Oak ⊕		
10. Lake Houston ⊕		
11. Greenspoint ⊕		

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DISCOVER THE PROJECT

In our Explainer Series videos, we provide overview information about various program elements.

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BELTLINE MERCH SHOP



BELTLINE MARKETPLACE



CONSTRUCTION UPDATES



SATURDAY

Where is THE BELTLINE?

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THE BELTLINE IS MORE THAN JUST TRAILS...



DIG INTO THE



Places to Go & Things to Do

PARKS

TRAILS

ACCESS POINTS

THE ART COLLECTION

Connections

PATH FOUNDATION TRAILS

MARTA

DOWNTOWN STREETCAR

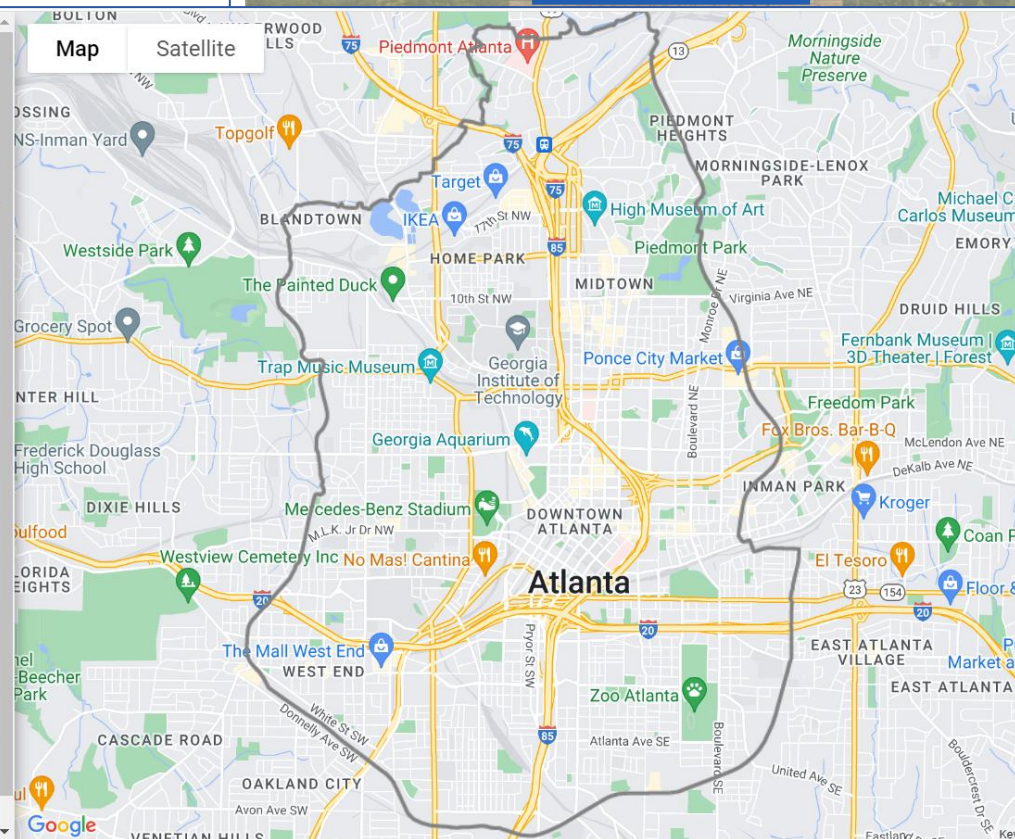
Project Planning

NEIGHBORHOODS

BUSINESS DISTRICTS

SUBAREAS / MASTER PLANS

TAX ALLOCATION DISTRICT





Tax Increment Finance Resource Center

Tax Increment Finance (TIF) is a mechanism for capturing the future tax benefits of real estate improvements, in order to pay for the present cost of those improvements. TIF is generally used to channel funding toward improvements in distressed or underdeveloped areas where development would not otherwise occur.

Tax increment finance is a popular development finance tool generally used to address blight, promote neighborhood stability and inspire district-oriented development. TIF uses the increased property or sales taxes (increment) generated by new development to finance costs related to the development such as public infrastructure, land acquisition, demolition, and planning. The life of a district can be anywhere from 10-40 years, or enough time to pay back the costs or bonds issued to fund the improvements.

The tax increment from a TIF district is created without raising taxes, and also without dipping into the base tax revenues present at the time of adoption. The increment thus becomes a repayment stream for debt used to finance some aspects of what is driving the increase.

The Council of Development Finance Agencies (CDFA) and the **International Council of Shopping Centers (ICSC)** have collaborated with teams of Tax Increment Finance Experts from across the country to develop a series of resources that highlight the use of this bedrock development finance tool. The resources found on this webpage address what TIF is, why it should be used, and how to best apply the TIF tool. The collaborative efforts of CDFA & ICSC have developed a six-part video series, along with two TIF reference guides that will help experienced and novice TIF users alike.

⇒ [View the TIF Videos Series from CDFA and ICSC](#)

Want regular updates on TIF? Subscribe to CDFA's **Tax Increment Finance Update** newsletter.

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⇒ [Read more about this Tool](#)



Case Studies

Pittsburgh's Urban Redevelopment Authority

- ▶ Created in 1946
- ▶ The URA is the City of Pittsburgh's economic development enterprise
- ▶ URA's mission is to foster sustainable prosperity across all of Pittsburgh.
- ▶ URA's vision is that Pittsburgh's economic well-being is grown and shared equitably, and all communities are empowered with effective social and financial resources to thrive.



▶ Source: Urban Redevelopment Authority of Pittsburgh

SouthSide Works - Pittsburgh URA

- ▶ SouthSide Works is a 123-acre riverfront brownfield redevelopment situated along the Monongahela River on the former site of a closed steel mill.
- ▶ SouthSide Works TIF District enabled the URA to finance \$25 million in critical public infrastructure.



▶ Source: Urban Redevelopment Authority of Pittsburgh

SouthSide Works - Pittsburgh URA

- ▶ To date, attracted 800 residents and nearly 4,000 jobs.
- ▶ At full build-out, the site will employ more than 6,000, and generate tax revenues of more than \$9 million per year.
- ▶ Total Development Costs: \$450,000,000
- ▶ Public Investment: \$123,000,000



▶ Source: Urban Redevelopment Authority of Pittsburgh

Rural Township Road Improvements - Tully Township, Ohio (Van Wert County)

- ▶ Dutch-owned dairy farms began investing in northwest Ohio in the early 2000's, establishing 599-head dairy farms.
- ▶ Farms placed burden on township roads (chip and seal), traveling from fields to farms.
- ▶ Township implemented TIF on farm to help cover a portion of the cost of road maintenance and improvement.



Columbus-Franklin County Finance Authority

- ▶ Established in 2006
- ▶ In partnering with economic developers, government entities and banks, the Finance Authority provides creative funding options for projects in the private, non-profit and public sectors
- ▶ The Finance Authority has provided over \$4 billion in bond financing



▶ Source: Columbus-Franklin County Finance Authority

Columbus-Franklin County Finance Authority

- ▶ Energy Program
- ▶ Central Ohio Bond Fund
- ▶ Tax Increment Financing
- ▶ Lease Financing
- ▶ Parking Garages
- ▶ Manufacturing



▶ Source: Columbus-Franklin County Finance Authority

Grandview Yard - Columbus-Franklin County Finance Authority

- ▶ Grandview Yard is a 115-acre mixed use development with commercial businesses, restaurants and housing
- ▶ Walkable streets surrounded by trees and green space
- ▶ The Finance Authority issued over \$148 million in tax exempt (tax increment financing) bonds to support the Grandview Yard mixed use development project



▶ Source: Columbus-Franklin County Finance Authority

Grandview Yard - Columbus-Franklin County Finance Authority

- ▶ Grandview Yard is expected to exceed \$1 billion in total investment by the time development is complete
- ▶ 1.4 Million SF of commercial space
- ▶ 1,500 residences including apartments, condos, and single-family homes
 - ▶ Largest LEED certified project in the U.S.



▶ Source: Columbus-Franklin County Finance Authority

City of Chicago

- ▶ TIF use first authorized in 1983.
 - ▶ 184 TIFs created since
 - ▶ 129 Active TIF Districts today
- ▶ Over 70% of all funds used for fully public improvements



▶ Source: Andrew Horne

City of Chicago

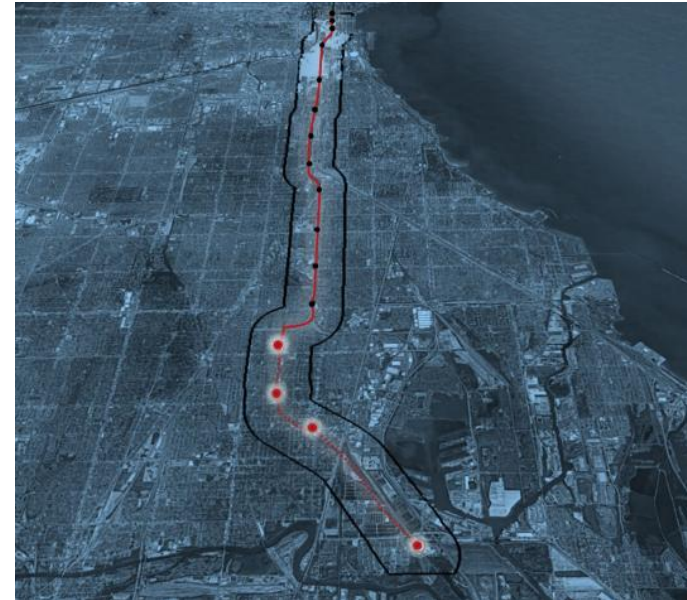
- ▶ 5 major steps in their TIF process
 - ▶ District Redevelopment Plan
 - ▶ District Eligibility Study
 - ▶ Public Review
 - ▶ Community Development Commission
 - ▶ City Council



▶ Source: Andrew Horne

Red Line Extension - City of Chicago

- ▶ The City of Chicago has talked about expanding the Chicago Transit Authority (CTA) Red rapid transit line since 1969
- ▶ The proposed 5.6-mile extension would include four new stations
- ▶ Multimodal connections at each station would include bus, bike, pedestrian, and park & ride facilities
- ▶ The Red Line Extension will support the City's equity efforts



▶ Source: City of Chicago, SB Friedman Advisors

Red Line Extension - City of Chicago

- ▶ \$3.6 billion in total project costs
- ▶ \$959 million TIF
- ▶ TIF used to help finance studies/surveys, site preparation costs, public facilities and improvements, and job training among other things



▶ Source: City of Chicago, SB Friedman Advisors

Denver Urban Renewal Authority (DURA)

- ▶ The Denver Urban Renewal Authority (DURA) was created by the City and County of Denver in 1958
- ▶ Created to assist in redevelopment of blighted properties and help foster growth and development in Denver
- ▶ Two departments:
 - ▶ Housing
 - ▶ Redevelopment



- ▶ Source Denver Urban Renewal Authority (DURA)

Highlands' Garden Village - DURA

- ▶ Redevelopment of a 27.39-acre former amusement park into a mixed-use urban village.
- ▶ Developed by HGV Land Company, LLC
 - ▶ Approved in 2001
- ▶ Remediation of vacant and contaminated land (referred to as brownfields)
- ▶ Model of green building practices



▶ Source: Denver Urban Renewal Authority

Highlands' Garden Village - DURA

- ▶ Total project cost: \$102 million
- ▶ \$4.75 million in developer reimbursement through TIF
 - ▶ \$3.9 million in bonds
- ▶ 306 mixed-income residential units
- ▶ 70,000 square feet of commercial space
- ▶ 43,000 square-foot public school
- ▶ 140,000 square-feet of open space



▶ Source: Congress for the New Urbanism

Example TIF Project with a need for multiple funding sources

Before



A historic building in Peoria Heights, IL was severely deteriorated
2014 TIF Base EAV = \$64,280



After



Now Trefzger's Bakery
Total Investment: \$4,600,00
2024 EAV = \$1,082,770

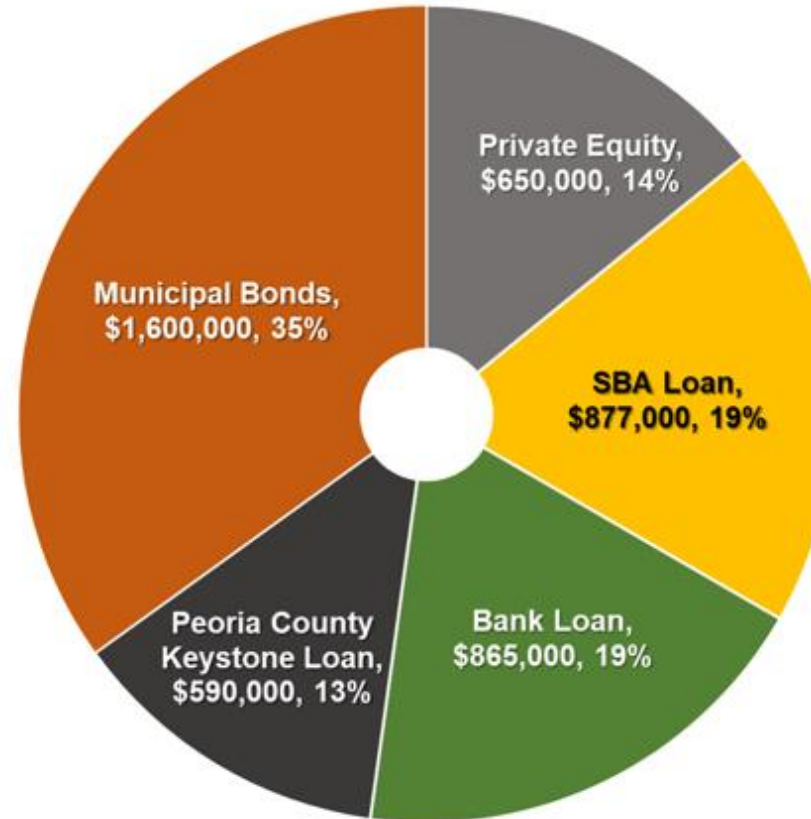


THE TREFZGER'S DEAL NEEDED TIF TO FILL A GAP

Municipal Bonds

- Negotiated/Private Placement with local bank
- TIF Increment (soft pledge)
- Sales Tax (soft pledge)
 - Local 1.0%
 - Home Rule Tax 1.5%
 - Food & Beverage Tax 2.0%
 - Bus. Dev. District Tax of 1.0%
- Special Service Area Tax
- Subordinated Mortgage
- G.O. Backed

Funding Structure



"Multi-Source Financing" is necessary for private redevelopment projects.

EXAMPLE TIF PROJECT WITH G.O. BONDS: PEOTONE, IL TRAVEL CENTER & HOTEL



Peotone, IL Travel Center & Hotel

- Total Projected Investment for Travel Center & Hotel: \$22,500,000
- Total G.O. Bonds Issued for Public Improvements: \$3,055,000
- Projected Revenues to be Generated by the Project:
 - TIF Increment, BDD Hotel & Sales Tax, Video Gaming Tax, Village Hotel Tax,
 - Fuel Rebate, Motor Fuel Tax, Other Sales Tax Revenues

Year of Receipts	Incremental Property Taxes ⁽¹⁾	BDD Tax ⁽¹⁾	Pledged Revenues	Annual Debt Service on the Bonds ⁽²⁾	Estimated Debt Service Coverage
2023				\$140,058	
2024				\$147,862	
2025	\$198,241	\$58,200	\$256,441	\$187,862	136.5%
2026	\$264,321	\$58,200	\$322,521	\$235,926	136.7%
2027	\$269,607	\$58,200	\$327,807	\$241,570	135.7%
2028	\$275,000	\$58,200	\$333,200	\$241,730	137.8%
2029	\$280,500	\$58,200	\$338,700	\$246,648	137.3%
2030	\$286,110	\$58,200	\$344,310	\$251,082	137.1%
2031	\$291,832	\$58,200	\$350,032	\$255,032	137.3%
2032	\$297,668	\$58,200	\$355,868	\$258,498	137.7%
2033	\$303,622	\$58,200	\$361,822	\$261,480	138.4%
2034	\$309,694	\$58,200	\$367,894	\$268,978	136.8%
2035	\$315,888	\$58,200	\$374,088	\$270,750	138.2%
2036	\$322,206	\$58,200	\$380,406	\$277,038	137.3%
2037	\$328,650	\$58,200	\$386,850	\$282,600	136.9%
2038	\$335,223	\$58,200	\$393,423	\$287,436	136.9%
2039	\$341,927	\$58,200	\$400,127	\$291,546	137.2%
2040	\$348,766	\$58,200	\$406,966	\$294,930	138.0%
2041	\$355,741	\$58,200	\$413,941	\$302,588	136.8%
2042	\$362,856	\$58,200	\$421,056	\$309,278	136.1%
TOTAL	\$5,487,852	\$1,047,600	\$6,535,452	\$5,052,892	

1. Assumes 75% assessment for tax year 2024 based on April, 2024 completion date.

Estimated BDD tax is for truck stop/travel plaza only and does not include hotel tax.

2. The Village will use cash on hand to pay debt service on the Bonds through December 1, 2024.

Source: EDG.

▶ PALOS HEIGHTS TAX INCREMENT FINANCING EXAMPLES

Palos Heights uses TIF as an economic development tool to encourage private investment and redevelopment within designated areas.

Palos Heights TIF Districts:

- ❖ Jewel-Osco Redevelopment TIF: Located at the southeast corner of S Harlem Avenue and 127th Street
- ❖ Gateway TIF: Located at the northwest and northeast corners of S Harlem Avenue and Route 83/College Drive.

Purpose of TIF in Palos Heights:

- To stimulate economic development and redevelopment.
- To encourage private investment in the designated areas.
- To enhance the tax base of the city, potentially reducing the tax burden on other properties.
- To retain and create new jobs.
- Utilized performance metrics to measure.



▶ Kone Center, Moline, Illinois (Combining TIF with Bonds and other Tools)

- \$40 Million Kone Center – Eight Story Mixed Use office building.
- Kone Corp.
 - ▶ Finland based Company that makes elevators and escalators will consolidate its current Moline, Illinois administrative and call center operations.
 - ▶ Kone is anchor tenant, occupying second to sixth floors.
- \$20.2 Million Illinois Finance Authority Midwestern Disaster Area
 - ▶ Bonds (first Midwestern Disaster Area Bonds issued in Illinois)
- Bonds provided funding for the leveraged loan to the Investment fund
- Tax Credit Investor contributed \$8.3 million in equity

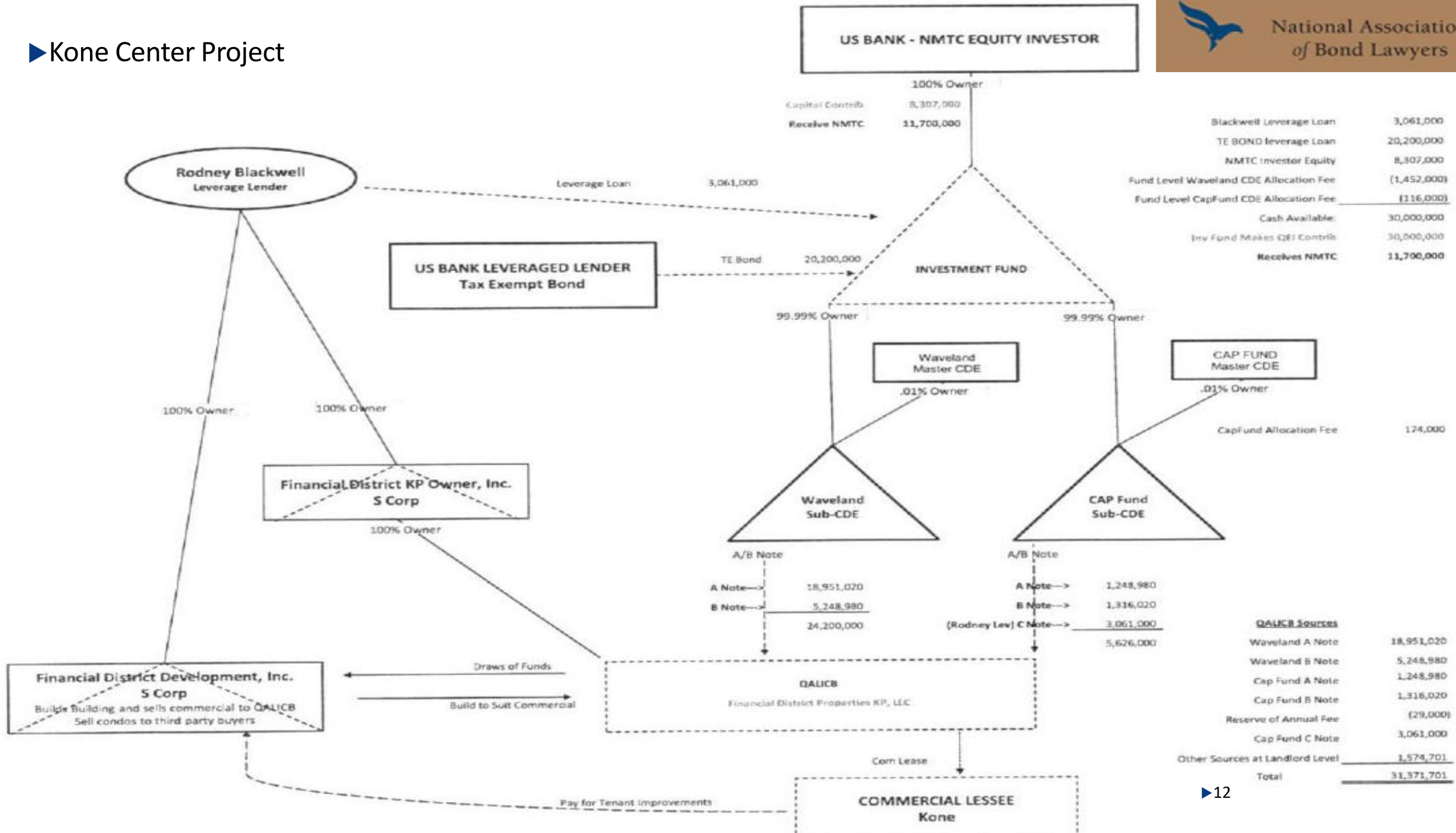


▶ Kone Center, Moline, Illinois (cont'd)

▶ NMTC combined with other development tools

- City of Moline borrowed \$7.5 Million and re-loaned to Developer to purchase property at favorable interest rates.
- \$7 Million grant from Illinois – EDGE (Economic Development for a Growing Economy) program; eligible became a net one of five criteria related to the creation or retention of jobs in Illinois – for example, that it had “multi-state location options and could reasonably and efficiently locate outside of the state.”
- City created a new 23 year Tax Increment Financing (TIF) district (to replace a portion of an existing district) that will use up to \$10.1 million of increased property-tax revenue to cover project costs outside of construction, including land acquisition, interest, and architectural and engineering work. Through the TIF, Developer will get back substantial portion of the property taxes Developer pays for the new development.
- \$471,000 grant from Illinois Department of Commerce and Economic Opportunity for installation of 316 kilo watt solar photo voltaic system to help earn Lead Certification.

► Kone Center Project

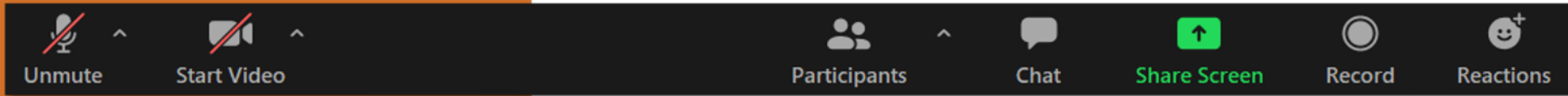


Blackwell Leverage Loan	3,061,000
TE BOND leverage Loan	20,200,000
NMTC Investor Equity	8,307,000
Fund Level Waveland CDE Allocation Fee	(1,452,000)
Fund Level CapFund CDE Allocation Fee	(116,000)
Cash Available:	30,000,000
Inv Fund Makes (QE) Contribs	30,000,000
Receives NMTC	11,700,000

CapFund Allocation Fee 174,000

QALICB Sources	
Waveland A Note	18,951,020
Waveland B Note	5,248,980
Cap Fund A Note	1,248,980
Cap Fund B Note	1,316,020
Reserve of Annual Fee	(29,000)
Cap Fund C Note	3,061,000
Other Sources at Landlord Level	1,574,701
Total	31,371,701

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