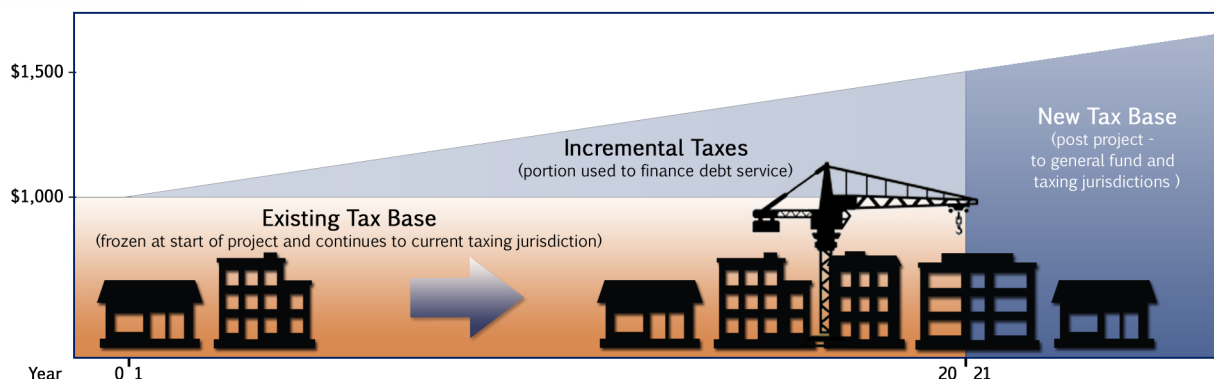


Tax Increment Finance

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, and is typically used to address blight, promote neighborhood stability and inspire district-oriented development.

The TIF process is relatively straightforward. In most cases, first set the TIF district's geographic boundaries, and then, second, establish the initial assessed value of the land in the district. An analysis of current tax revenue from property tax, sales tax, and other taxes should be conducted to benchmark the current tax level.



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.

Bondholders are repaid from the incremental tax revenues as further value is added to the development, primarily by private developer partners.

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.

Building Community Buy-In for TIF

The successful use of TIF requires a thoughtful public policy framework that engages the public and alleviates potential concerns. The key elements of this public policy are:

- **Identifying Stakeholders and Partners**
Groups that must be engaged as part of the TIF process include governmental jurisdictions, school districts, transportation authorities, police/fire departments, civic organizations, religious institutions, neighborhood groups, and business leaders.
- **Marketing to Constituencies**
Successful communications plans for TIF projects include education about the tool, identification of benefits for stakeholders, and transparency for both the operation and financing of the TIF project or district.

Model TIF Projects

Easton Town Center - Columbus, OH

This large mixed-use, retail, office and commercial development used TIF bonds to finance the construction of parking structures. The project uses a 30-year TIF with 100% of "non-school" revenues available for the project. This reduced the amount of funding available for the TIF by 66%, but helped gain public buy-in for the project.

Menomonee Valley Industrial Center - Milwaukee, WI

This \$16M TIF district financed infrastructure improvements and environmental upgrades necessary to create conditions for an \$80M private development plan.

Atlantic Station - Atlanta, GA

This project transformed a 138-acre site formerly holding an industrial fabrication facility into a mixed-use residential, retail, entertainment and office development. The project has used \$210M in tax-exempt TIF bond proceeds to finance environmental clean-up costs and infrastructure improvements.

City Market at O Street - Washington, DC

TIF financed the redevelopment of an underused market into a mixed-use development that includes a hotel, retail, condos and affordable senior housing. \$32M in net TIF bond proceeds contributed towards the total \$219M Phase One costs. The bonds will be repaid through real property tax increments generated from the City Market at O Street TIF Area.

QUICK FACT

- Nearly every state and territory
- in the U.S. has a statute
- authorizing the use of TIF.

More Resources at www.cdfa.net

- CDFA Tax Increment Finance Resource Center
- CDFA Intro Tax Increment Finance Course
- CDFA TIF Best Practices Reference Guide
- CDFA TIF State-By-State Map
- CDFA Advanced Tax Increment Finance Course
- CDFA Advanced TIF Reference Guide