

## Tax Increment Financing—TIF 101

**What:** Financing tool established by the State Legislature authorizing the City to utilize additional property taxes paid as a result of a development to finance a portion of development costs.

**How:** When a TIF district is created, the tax capacity of the property in the district prior to new development is certified as the “original tax capacity”. The pre-development values in the district establish a baseline upon which tax rates are applied and collected over the duration of the district; taxing jurisdictions continue to receive taxes based on the original value of the property. As the property in the district increases in value above the original tax capacity due to improvements, the resulting increase in taxes, or increment, is captured to pay for eligible costs within that district.

### Types of Districts:

- **Economic Development:** Project or portion of project results in increased employment, preservation or enhancement of tax base, discourages business from moving operations elsewhere
- **Housing:** Development of low and moderate-income housing, 25-year maximum term
- **Redevelopment:** Redevelopment and improvement of blighted areas (70% of area in district occupied by buildings, more than 50% of building must be structurally substandard); can be used for a variety of projects (e.g. housing, mixed-used, manufacturing, parking structures); 25-year maximum term.
- **Renewal/Renovation:** Must meet blight test (70% of area in district occupied by buildings, streets, utilities or other improvements; 20% of buildings must be structurally substandard; 30% of other buildings must have conditions that require clearance or substantial renovation, 15-year maximum term
- **Soils Condition:** Site contains pollution and cost of cleanup exceeds lesser of \$2/sq. ft. or the fair market value of the land; can be sued for acquisition and environmental cleanup; 20-year maximum term

### TIF Assessed Value (AV) Over Project Life

