



Tax Increment Financing (TIF)

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AGENDA

- TIF Summary
- TIF Process
- Q and A

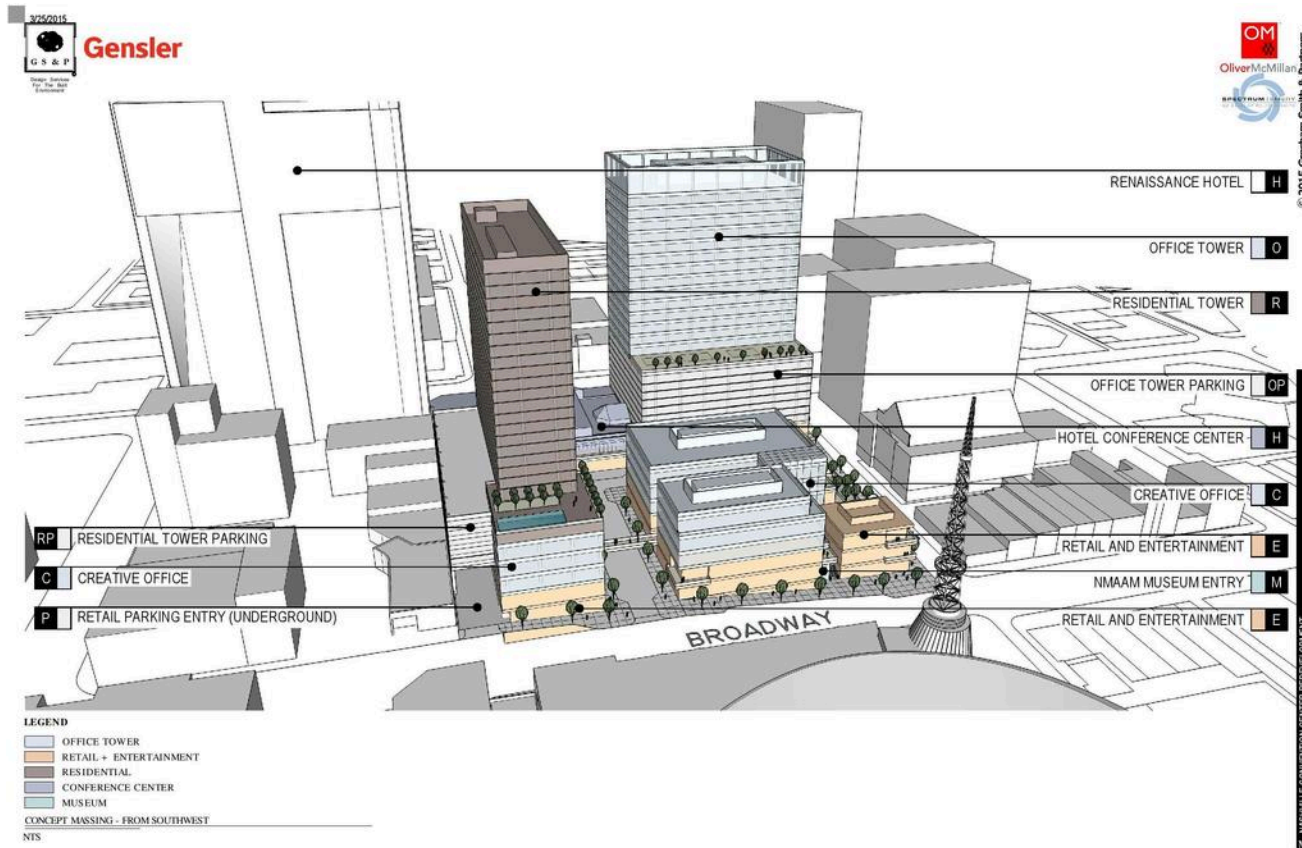
What is Tax Increment Financing?

- An economic vehicle used by municipalities to encourage development and/or achieve its economic development or other valid policy goals.
- TIF is merely a way to capture and monetize the incremental increase in property taxes after development occurs.

Nissan Americas Headquarters, 2000 jobs \$15M TIF HQ Project on City owned land



Old Nashville Convention Center Redevelopment \$25M TIF, 2500 jobs, \$450M investment mixed use project on City owned land



Examples of Cities who use TIF

- Memphis
- Knoxville
- Nashville
- Franklin
- Murfreesboro
- Jackson
- Lawrenceburg

TIF/PILOT COMPARISON

■ TIF

- Does not require IDB ownership of the property
- Can be issued by the Housing Authority or the IDB
- Creates an upfront cash infusion for the project that can be used immediately

■ PILOT

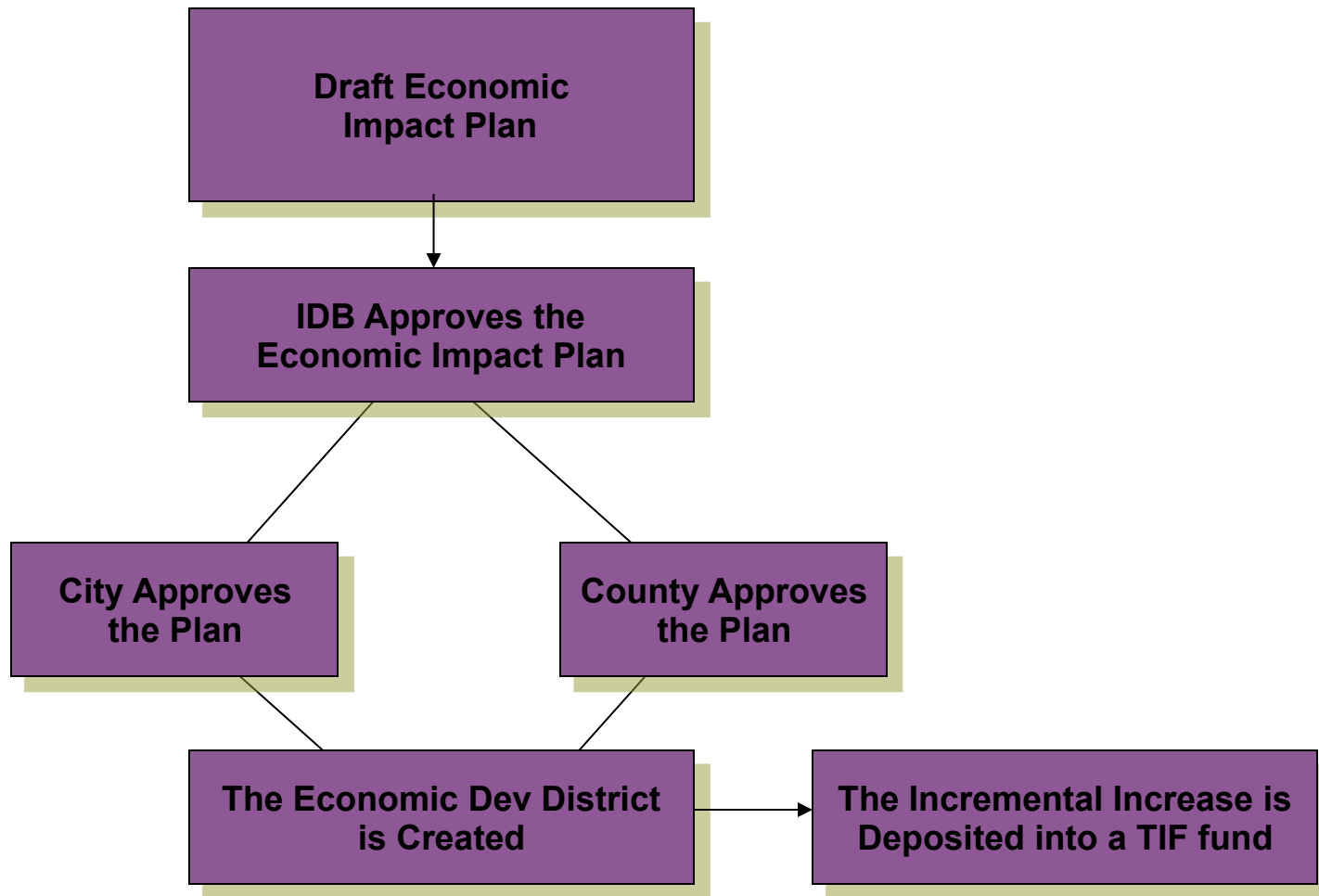
- Does require IDB ownership of the property
- Can only be granted by the IDB
- Does not function as cash that can be monetized, and only functions as a reduction of taxes otherwise due

TIF Benefits

- TIF helps municipalities attract new jobs, business and investments that would not occur **but for** the TIF.
- The IDB is authorized to prepare and submit an Economic Impact Plan to the municipality for approval.
- The area of the plan must include a project that is either owned by the IDB or with respect to which the IDB has loaned or will loan funds or provide financial assistance per T.C.A. 7-53-312.

TIF Benefits

- The development typically causes property values to increase outside of the TIF District as well.
- TIF bonds **will not impact a municipality's bonding capacity** or its rating. NON-Recourse debt.
- Target Companies prefer TIF due to more favorable financial impact.



What Can TIF Funds Be Used For?

- Expenses of the IDB;
- “Projects” as defined by T.C.A. 7-53-101. However, pursuant to the latest TIF reforms, those “projects” that are not related to public improvements must be approved by the Comptroller and the Commissioner of Economic and Community Development; and,
- Debt service on bonds or other obligations issued to pay the cost of project.

What is a “PROJECT?”

- The legislature’s definition of a **“project”** is relatively broad and it includes any land and building or other improvement on the land suitable for the following or any combination of two or more thereof:
 - Any commercial enterprise involved in selling, providing or handling any products of agriculture, mining or industry;
 - Any land for manufacturing or processing;
 - Office buildings; and
 - Any buildings, structures and facilities suitable for use by city, county or metropolitan government.

TIF-Debunking the Misconceptions

- TIF debt must be repaid in 20 years. Once the debt is repaid, the municipality receives both the base tax revenue and the incremental increase in property tax revenue.
- TIF debt (typically, BUT NOT ALWAYS in the form of bonds) represents **absolutely no risk** to the municipality or the IDB.
- TIF does not result in lost property tax revenue for the municipality due to the “but for” analysis.
- The City does not pay for development costs, the TIF district pays for these costs.

QUESTIONS?

