TIF for Jobs Coalition *(for a full list of endorsers, see www.wedaonline.org/tif-for-jobs)*

Tax Increment Financing Frequently Asked Questions *as of 1/19/21*

General Background

1. **What is Tax Increment Financing (TIF)?**
   TIF captures a property's appreciated value by using its increased property taxes to finance infrastructure improvements that benefit a designated area. Local jurisdictions that use TIF benefit from improved public infrastructure, increased economic development and local job growth.

2. **Is TIF available under current law in Washington State?**
   The Washington State Legislature has created several TIF-like alternative financing programs such as the Community Revitalization Financing program, the Local Infrastructure Financing Tool and the Local Revitalization Financing program. Some cities and counties have implemented one of these narrowly tailored versions of TIF at the local level. However, these programs have limitations on their use, including the existing 1% cap on property tax growth in Washington state, as well as the division of any growth with other taxing districts in the jurisdiction.

3. **How is TIF different than the Community Revitalization Financing (CRF) program?**
   CRF enables a local government to capture the increment value of 75% of new construction assessed value, plus 75% of any other increase in assessed value, but is still subject to the 1% property tax cap. Additionally, the local government must obtain approval of the taxing districts that in the aggregate levy at least 75% of the regular property taxes within the increment area and participation from overlapping fire protection districts. True TIF enables a local government to capture and retain the full increase in assessed value of the area.

4. **How is TIF different than a Local Improvement District?**
   A local improvement district is limited to development that abuts the property. TIF provides the ability to make improvements over a broader geographic area. For instance, building a sewage treatment plant will assist development in an area that does not physically abut the location of the sewage treatment plant. TIF would allow for that type of investment to spur development, while the local improvement financing authority does not.

5. **How many states use TIF?**
   48 states, as well as Washington, DC, that have successfully implemented some form of TIF.

6. **What evidence is there from those states demonstrating that TIF spurred economic activity?**
Milwaukee Redevelops Former Railyard: The City of Milwaukee used $16 million in tax increment financing dollars to redevelop a former railyard property. The area sat vacant for 20 years due to high soil contamination levels. TIF funds were used to fund demolition, site remediation and stormwater work. Later the funds were used to build local roads, utilities and landscape work. Today, the area is a thriving light industrial area with over 60 acres of recreational space. The revitalized area created 5,000 new jobs and increased property values by over 1,400%.

Fort Lauderdale Revitalizes Main Street: In 2010, the City of Fort Lauderdale decided to revitalize a historic city corridor. Sistrunk Boulevard was once a pedestrian-friendly, primary shopping center for the city. However, over the years, the street saw an increase in car traffic leading to a sharp drop in retail activity. The $13 million TIF-funded, project improved utilities, street surfaces and sidewalks, as well as installing new bus shelters and pedestrian lighting. Today, retail activity has returned to the neighborhood. In 2019, the city announced plans of a 455-unit apartment with nearly 18,000 square feet of commercial space for retail and restaurants.

Chicago Provides Jobs: A former industrial building in Chicago sat vacant for several years. A $26.6 million TIF investment spurred development in the area attracting several national retail establishments as well as other restaurants and businesses. The project provided 400 temporary construction jobs as well as 750 full-time positions.

2021 TIF Legislative Proposal

The proposed legislation authorizes local governments to designate tax increment financing areas, fund public improvements from the tax allocations it receives from the tax increment financing areas and if necessary, issue debt to finance those public improvements.

1. **What are permissible public improvements under the proposal?**
"Public improvements" in the proposed legislation means infrastructure improvements owned by a local government within or outside of and serving the increment area that include:

- Street and road construction and maintenance;
- Water and sewer system construction and improvements;
- Sidewalks and streetlights;
- Parking, terminal and dock facilities;
- Park and ride facilities of a transit authority;
- Park and community facilities and recreational areas;
- Electric, broadband or rail service; and
- Mitigation of brownfields.

2. **What jurisdictions are permitted to form a TIF area?**
Local governments are defined as cities, towns, counties, port districts or any combination thereof.

3. **Is a jurisdiction limited to only one TIF area?**
A local government can have no more than three active increment areas at any given time and the areas may not physically overlap.

4. **Can the TIF area encompass the entire area of the jurisdiction?**
   No, the increment area or the combined increment area cannot include the area of the entire jurisdiction.

5. **Does the TIF area exist for a finite period of time?**
   The local government may only receive the increased assessed value in an increment area for the period of time necessary to pay the costs of the public improvements. If the local government finances the public improvements, the increment area must be retired no more than 25 years after the adoption of the ordinance designating the increment area.

6. **What steps must a local government take prior to forming a tax increment financing area?**
   The local government must complete a project analysis that includes the following elements:

- A statement of objectives of the local government for the public improvements;
- The duration of the tax increment financing area;
- Identification of all parcels included in the area;
- A description of the private development and estimated value of the project and expected taxes generated;
- A description of the public infrastructure needs and term of any debt to be issued;
- An assessment of whether or not the private development would occur without tax increment financing; and
- An assessment of jobs created by the development.

7. **How is a community protected from adverse impacts that may result from the private development?**
   Prior to forming an area, the local government must conduct a mitigation assessment that identifies the potential impacts on affordable/low-income housing, local school districts and local fire service.

8. **Why doesn't the bill include a specific affordable housing requirement?**
   This legislation is intended to be a tool to spur economic development. We want that tool to be as flexible as possible for local governments to be able to choose the improvements that will work best for their communities. As a result, the legislation does not include specific mandates. But we recognize the potential concerns regarding gentrification. As a result, affordable housing is a required element of the mitigation assessment.

9. **Does the legislation increase property taxes paid by citizens in the area?**
   Yes, in the increment area the higher tax collections pay for the infrastructure improvements and debt service on any bonds issued.

10. **Does the existing 1% property tax cap apply to the TIF district?**
    No. The local government establishing the increment area retains the full increase in the assessed value of the property within the increment area for the time necessary to pay the costs of the public improvements.

11. **Does the existing 1% property tax cap continue to apply to other taxing districts within the TIF district?**
    Yes. Other taxing districts within the increment area continue to receive that portion of property taxes produced by the rate of the tax levied by the taxing district on the base value of the tax increment financing project in the taxing district, but the 1% cap applies to increases in the other districts' assessed value.

12. **Do other taxing districts lose the additional value created by the TIF area?**
    For the time necessary to pay for the public improvements, only the jurisdiction imposing the TIF area receives the full increase in the assessed value of the property in the area. Once the local government has fulfilled any financial obligations related to the public improvements, all taxing districts benefit from the increase in assessed value in the area.

13. **Does the legislation decrease property tax funding for schools?**
    No. The proposed legislation specifies that none of the property tax provisions in the TIF area apply to any portion of the property tax levied by the State for the support of common schools.

14. **Doesn't the State already have multiple programs to fund infrastructure projects?**
    Although there are other state programs for local infrastructure investments, those programs are insufficient to address the range of local government infrastructure needs throughout the State. The proposed legislation provides an additional tool for local governments without placing additional pressure on the Public Works Trust Fund and the State's Capital Budget.

15. **How does TIF provide a benefit to local jurisdictions without a direct state contribution?**
    The ability to capture the growth in the property tax value of the increment area beyond the 1% cap and without dividing that growth with other taxing districts, provides a local government with an essential tool for financing public improvements.

16. **Does the proposal have any impact on the State's budget?**
    No. The proposal does not impact state tax collections, nor does it obligate any portion of the State's budget for public improvements.

17. **Doesn't this proposal constitute a subsidy for private developers?**
    The increment area pays for public infrastructure that would otherwise need to wait for public resources to be available. TIF provides the ability for a local jurisdiction to solve its own infrastructure gaps and spur private investment. The development community pays for the economic growth. This is a good example of a public/private partnership and allows growth to pay for growth.

18. **Do TIF investments constitute a gift of public funds?**
    Although the local government must make a finding that the public improvements are expected to encourage private development within the increment area, the improvements are made to infrastructure owned by the local government.