



Tax Increment Financing

Department of Finance
Bureau of Treasury Management

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What is a TIF?

- Tax Increment Financing (TIF) is a financing tool that capture and uses increased property tax revenues from new development within a defined geographic area to fund public infrastructure.
- Tax Increment represent the taxes collected on the new assessed value within the development district. Revenues generated from properties within the TIF districts are split into two components:
 - ❖ Base Revenues
 - ❖ Incremental Revenues

Base Revenues

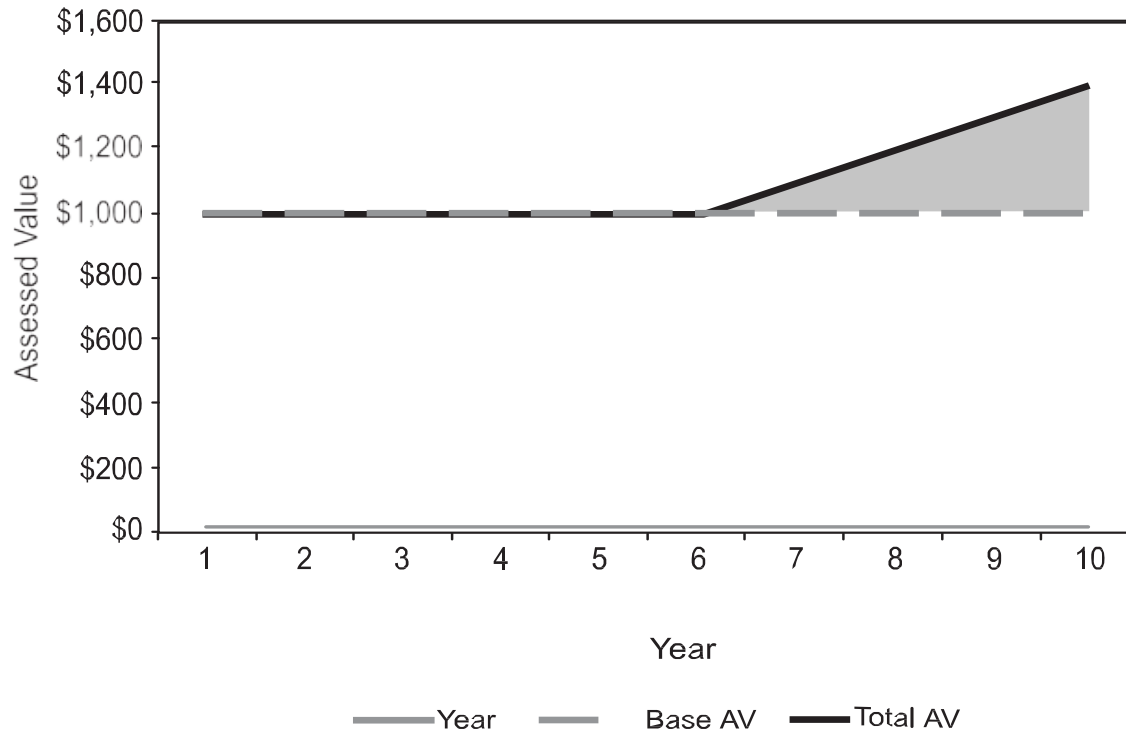
- This is the amount available before the TIF district is established.
- They are shared amongst a mix of local government jurisdictions that have the power to assess property taxes: schools, cities, counties, and special districts.

Incremental Revenues

- These are new revenues in excess of the base revenue that are generated by development projects.
- These monies are allocated to the TIF project.
- Tax rate remains the same inside the development area as other City property, unless there is a revenue shortfall for debt service.

Incremental Revenues

- Incremental Revenues represented by the triangular area are the dollars allocated to the TIF Project.



TIF Mechanics Summary

- Typically TIF bond proceeds are pledged to fund public City-owned improvements.
- Bonds are not backed by the City's full faith and credit.
- TIF revenues not needed for debt service on the bonds go to the general fund.
- When the bonds are repaid, all TIF revenues revert to the general fund as part of normal tax collections.

Why does the City use TIF?

- To encourage development of certain projects that are desirable and in the public interest.
- By capturing future incremental revenue the City is able to undertake economic development activities or provide subsidies that otherwise might not be possible.
- Mechanism used to combat blight or deterioration within city districts or neighborhoods.
- Assist in achieving economic development goals including job creation, growth in property values, and protection of local tax base.

What types of projects are tax increment financing used for?

- The resources are used to prepare land for development or redevelopment.
- TIF revenues are used to underwrite certain public infrastructure such as sidewalk replacement, curb and gutter installation.

TIF Process

- Authority to issue TIF Bonds is established under Article II, Section 62 of the Baltimore City Charter
- Pursuant to Article II Section 62A, bonds should be secured by a special tax levied in the development district.

City's TIF Process

- Step 1:
 - ❖ Coordinating agency develops, evaluates, and approved the TIF proposal. (Baltimore Development Corporation, or Department of Housing and Community Development).
 - ❖ Coordinating agency works with the City's bond counsel, TIF financial advisor and Department of Finance.

City's TIF Process - continued

- Step II: Coordinating agency is responsible for the following:
 - ❖ Proposing the amount of the TIF and confirming the project requires the assistance.
 - ❖ Ensuring the TIF will advance the City's land use, economic development and public improvement goals.
 - ❖ Confirming TIF proposal is consistent with criteria set forth in the City's TIF polices.
 - ❖ Assist with preparing submission package to the submitted to Board of Finance. (TIF Application)

Formal Plan

- Determine the legal boundaries of the TIF.
- Evaluate TIF will support public policy, such as elimination of blight or promote economic development.
- Estimate project timeline and costs.
- Establish the base assessed value and base revenue.
- Project incremental assessed value and incremental revenue.
- “But for” test: economic growth would not occur in absence of TIF-related subsidy.

City's TIF Process - continued

- Step III: Concept approval of the TIF proposal by the Board of Finance.
 - ❖ The Board of Finance is responsible to ensure the TIF proposal is consistent with the City's TIF policies.
 - ❖ The Board of Finance consists of five members: the Mayor, Comptroller, and three member appointed by the Mayor and confirmed by City Council.
 - ❖ They are authorized to determine all matters pertaining to the issuance and sale of certificates of indebtedness.
- Preparation of legislation follow concept approval.

City's TIF Process - continued

- Step IV: Presentation of TIF legislation to the Board of Finance.
 - ❖ The legislation establishes:
 - ❖ Special Tax District
 - ❖ Development District
 - ❖ Bond Issuance Authorization

Special Tax Ordinance

- Special Tax Ordinance
 - ❖ Authorizes establishment of a “special taxing district” and a special fund into which the special taxes levied in the special taxing district are deposited for the purpose of providing financing, refinancing, or reimbursement for the cost of infrastructure improvements.
 - ❖ Authorizes the City to borrow money by issuing and selling Bonds, for the purpose of providing financing, refinancing, or reimbursement for the cost of the infrastructure improvements.
 - ❖ Authorizes the City to use the special tax revenues to pay or reimburse the City for debt service which the City is obligated to pay or has paid.

Development District

- Authorizes the establishment of a development district within Baltimore City.
- Authorizes the establishment of a special tax increment fund for that development district for the purpose of providing funds for the costs of the infrastructure improvements and related costs.

Bond Ordinance

- Authorizes the issuance of special obligation bonds and the pledge, subject to appropriation to the payment of debt service.
- Authorizes the maximum aggregate principal amount for the purpose of financing infrastructure improvements and related costs.
- Authorizes the Board of Finance to structure and approve the financing.

Legislation Process

- Ordinances are submitted to the City Council by the sponsoring agency.
- Ordinances (Bills) submitted by a Council member for introduction to the City Council.
- Council President assigns the bill to Taxation, Finance and Economic Development Committee
- Public Hearings are held.
- If TIF is approved, documents are submitted to the Board of Finance authorizing the bond issuance.

City's TIF Process - continued

- Step V: Approval of TIF legislation by City Council and Mayor.

City's TIF Process - continued

- Step VI: Submission of documents for issuance of bonds to the Board of Finance.
 - ❖ This submission must include the results of due diligence adequate to allow an evaluation of risk.
 - ❖ Board of Estimates may also be required to approve various contracts.

Baltimore City TIF Projects

- *Completed Projects*
 - ❖ Belvedere Square
 - ❖ Clipper Mill
 - ❖ Strathdale Manor
 - ❖ Harborview
 - ❖ North Locust Point
 - ❖ Mondawmin Mall

Baltimore City TIF Projects - continued

- *Projects in Progress*

- ❖ East Baltimore Development Initiative

- ❖ Harbor Point

- ❖ Poppleton Centre West

- ❖ Port Covington (*Pending*)