

DYNAMIC CORE TIF DISTRICT QUESTIONS

How do TIF and the Neighborhood Revitalization Act work together?

- TIF and Neighborhood Revitalization Act (NRA) cannot be simultaneously applied to the same parcel of real estate.
- There are currently 59 properties in the proposed TIF district that are participating in the NRA program. DTI is going to recommend to the Governing Body that the 59 current NRA parcels from the TIF district and such other parcels as public input indicates are imminent candidates for NRA. They can be added later if circumstances warrant.
- The City will allow property owners
- Additionally, to enable businesses in NOTO to continue to take advantage of NRA, DTI also recommends waiting to add NOTO to TIF district in a later “Phase Two”

How is governmental or exempt property handled in a TIF district?

- Property related to governmental use is generally exempt from property tax. Therefore, such property would not contribute to any growth in the tax increment of a parcel or district.
- In general, a privately owned building that is leased to the state is exempt.
- Therefore, those properties are NOT included in the calculation of the base value of the TIF district.
- There are approximately 206 buildings that are exempt from property tax in the proposed district.

What is the value of the property in the proposed district?

- I did a very macro analysis and did not look at any data specific to any individual property in the proposed district.
- The appraised property value in the proposed district is approximately \$483 million.
 - This is an \$18 million increase in the last 5 years.
 - \$10 million of the overall increase occurred in the last year, so (from limited data) there appears to be an upward trajectory in proposed district property value.
- There are approximately 919 properties in the proposed district.
 - 241 residential properties
 - 368 commercial and industrial properties
 - 150 exempt properties

How much property tax is generated by the proposed district?

- Total property taxes for all taxing entities collected in the proposed district are approximately \$6.1 million per year.
 - The City’s share is approximately 25% or \$1.5 million.
- The total property tax collection for all taxing entities in the proposed district has increased an average of \$105,000 per year over the last several years.
 - The City’s share of that amount is approximately 25% or \$26,000 per year.
- The \$105,000 would functionally be the increment captured if the district were created.
 - The City would functionally be “forgoing” \$26,000 per year to our mil levy funds under the creation of the proposed district.

What triggers the collection of TIF increment?

- KSA 12-1775 provides that, beginning with the first payment of taxes which are levied after such district establishment, the county treasurer shall allocate any tax increment generated by assessed valuation (AV) beyond the base year assessed valuation (AV) to the City for payment of district redevelopment project costs.
- Legally speaking, the increment collection begins immediately. Practically speaking, the increment collection begins when the next subsequent tax bill is mailed.
- For example, if the district is established in July 2019, the increment (if any) and segregation mechanism would (likely) be ready for December's tax bills collection.

When is the base year for a TIF district established?

- The base year, from which the increment is calculated, is value of all property within the district during the year in which the ordinance creating the district is adopted.
- This valuation can't be changed unless: (1) property is added to or removed from the district; or (2) the property in the district is divided into separate redevelopment districts. Any changes more than "minor" changes to the district require the City to conduct the full district creation process again.
- As a reminder, the county and school district have veto power on a TIF district creation. The "veto clock" is 30 days from the conclusion of the public hearing on the creation of the district and is not tied to ordinance adoption.

Does the entire tax increment have to be dedicated to paying the Project Plan costs?

- No. A city that adopts a Project Plan can specify all or a portion of the tax increment that is pledged to paying the costs of the project.
- The increment amount would typically be negotiated through a development agreement.
- The portion of the increment that isn't pledged to a developer project can either a) be allocated to the various taxing subdivisions in proportion to their individual levies; or b) allocated to the city for specific infrastructure projects in the district.

What happens if there is no project for which the collected increment funds can be used?

- It may be that no redevelopment project will have been approved by the time such early allocations are made, and the allocated increments would just be deposited in the statutorily-required "special fund" of the City, where they would remain until a redevelopment project has been approved and there are costs to be paid.

Can the City use the tax increment to pay for infrastructure in a TIF District?

- Yes. Redevelopment project costs are costs that implement a Project Plan approved by the governing body. K.S.A. 12-1770a(o). Those costs include street paving, water infrastructure, sidewalks, and parking. K.S.A. 12-1770a(o).
- This means that if the City wants to use the increment for public infrastructure, the City will have to establish a project plan.

Is it possible to have a City-generated Project Plan and a Developer-generated Project Plan.

- Yes. There can be one or more redevelopment projects within a TIF district. Also, Project Plans can be implemented in stages.

Can TIF proceeds be used to pay off bond debt from existing projects in the district?

- No. Eligible costs have to occur once the project plan commences.

Can the base value of a TIF district be adjusted?

- According to an Attorney General opinion, a city may adopt a project plan that contains an 'adjusted base value' that is higher than the 'base year assessed valuation' providing that the latter isn't changed. An 'adjusted base value' is an amount above the 'base year assessed valuation' that is used to calculate an amount less than the maximum amount of tax increment revenue. This 'adjusted base value' has the effect of decreasing the amount of tax increment used to pay project costs and increases the allocations to the other taxing subdivisions.
- Translation: The base value can be adjusted thru use of a negotiated project plan.

What are examples of costs that are eligible/ineligible for TIF reimbursement?

Examples of TIF eligible costs would include:

- Property acquisition
- Site preparation including utility relocation
- Sanitary and storm sewers and lift stations, drainage conduits, channels and levees, and river walk facilities
- Underground utilities: gas, electric, water
- Street light fixtures, connection and facilities
- Parking facilities
- Sidewalks and pedestrian ways
- Drives and driveway approaches located within public right-of-way
- Plazas, arcades, landscaping, fountains, benches, similar amenities
- Street grading, paving, graveling, macadamizing, curbing, guttering and surfacing
- All necessary related expenses to redevelop and finance the redevelopment project

Examples of TIF ineligible costs would include:

- Costs incurred to construct buildings to be privately owned or leased
- Costs incurred to construct other structures to be privately owned or leased

Is the City's TIF application fee too expensive?

- The Governing Body adopted the TIF policy in May 2018. The fee in the policy is based on best practices from other cities in the region.
- There is an application fee of \$5,000 to create or modify a TIF redevelopment district.
- In addition, there is a reserve fee deposit of \$30,000. These funds are used to cover the City's direct costs (including costs related to its outside advisors, consultants and counsel) associated with the review and evaluation of the application for a TIF redevelopment district, the review and evaluation of the application for the initial TIF project plan or plans and the negotiation of the Development Agreement.
- The City returns any balance from this reserve upon the applicant's withdrawal of all applications pending or at the conclusion of the approval processes.
- Costs charged to both the reserve and the application fee are TIF eligible costs to the extent permitted by law.

Can a small business in the district initiate a TIF project?

- TIF districts can be created for all sizes of projects, but are generally more conducive for a larger scale project. Go Topeka has many incentive programs that are more suited for small businesses.

What is the time length of a TIF district?

- Once established, a TIF district remains in effect until dissolved by the Governing Body.
- A district should be distinguished from a project plan area. This area, within a district, contains a specific project plan approved by the Governing Body. A project plan area is allowed for a period of up to 20 years.

Can a TIF be used for property acquisition?

- Yes, property acquisition is a statutorily eligible cost.

Does a TIF district make it easier for the City to use eminent domain?

- No, the use of eminent domain is completely unrelated to the use of a TIF.

How does a TIF district impact the local school district?

- In 2017, the State legislature amended the TIF Act to preclude school districts' capital levy (up to 8 mills) from TIF capture. TIF statutes also protect the 20 mil LOB for schools.
- The TIF Act preserves the District's access to the assessed valuation in place at the time of the creation of a TIF district: it is only the incremental increase in assessed valuation directly within the TIF area that does not directly benefit the District; except for the 20 mill statewide levy and the 8 mill capital levy, as noted above, each of which are excluded from capture.
- KSA 12-1776a seems to ensure that USD 501's assessed value, for purposes of calculating its state aid, will always be based on the TIF base value unless and until the TIF district goes away.