

Taking Advantage of TIFs: Beyond the Basics

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Taking Advantage of TIFs: Beyond the Basics

- › But first the basics
- › Beyond the basics
- › Role of Fiscal Officer
- › Other tools & programs
- › Examples of real projects

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Tax Increment Financing Basics

- › Public infrastructure financing tool for improvements that benefit new private development
 - › Counties, municipalities, and townships
- › Incentivizes private economic development
- › Property tax exemption for the *increased value* of private development
- › Up to 30 years/100% exemption
 - › Need school approval or “make-whole” compensation if over 10 years/75% exemption

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Tax Increment Financing Basics (cont.)

- › “Project-based”/commercial TIFs
 - › Generally used for specific commercial developments
- › “Incentive district”/residential TIFs
 - › Can be used for residential improvements
 - › Additional requirements
- › Urban renewal “TIFs”
 - › Municipalities only
 - › Requires development agreement and debt issue



Tax Increment Financing Basics (cont.)

- › Service payments in lieu of taxes (PILOTs)
 - › Equal to exempted property taxes
 - › Debt service vs. current expenses vs. reimbursements
 - › Impact on overlapping subdivisions
 - › Certain levies “excluded” from residential TIFs
 - › Not “free” money
 - › Not taxes, but PILOTs are public money



Tax Increment Financing Basics (cont.)

- › Eligible public infrastructure improvements
 - › Public roads, sidewalks, curbs, gutters, turn lanes, traffic signals, etc.
 - › Off-street parking facilities
 - › Public utilities
 - › Landscaping and lighting in public right of way
 - › Environmental remediation, demolition, and land acquisition



Tax Increment Financing Basics (cont.)

- › School district notice, compensation and approval rights
 - › Schools must be notified ahead of establishing TIF
 - › Approval and compensation rights
 - › Municipal income tax sharing
- › County and township notice and compensation rights
 - › Only applies to residential TIFs
 - › Check with overlapping counties and townships ahead of time



Tax Exemption Application

- › DTE Form 24
- › Filed for each property
- › Signed by property owner or government entity
- › Filed with county auditor
- › Forwarded to state tax commissioner
- › Exemption approval by state



Miscellaneous TIF Considerations

- › Priority of exemptions
 - › Multiple exemptions may apply to certain property (TIF, CRA, public use, religious organization etc.)
 - › Who signs the exemption application?
 - › Legislation establishing exemption priorities
 - › Recorded notice binds future property owners
- › Lien status of PILOTs
 - › Same as real estate taxes
 - › Includes "minimum service payments" under recorded service agreement or declaration



When does a TIF exemption start?

- › Exemption “period” vs. exemption “effectiveness”
- › Generally, starts in the year exempted improvement appears on tax duplicate
- › Cannot start before the date of TIF legislation
- › Additional triggers
 - › Value of exempted improvements
 - › Completion of structure or structures
 - › “Springing” TIFs



Beyond the Basics

- › Financial pro forma
- › Is TIF the right tool for project
- › No one size fits all
- › No crystal ball
- › Developers don't always know what they want or need
- › Combination of multiple incentives



How Much Project Can you Afford

- › Pro Forma
- › Estimate increase in value
- › Timing of development
- › Project service payments
- › Deduct school compensation
- › Determine bond issue or project size which can be supported



Considerations

- › Value of Development tangible and intangible
- › Impact to community of development
- › Projections of new/additional revenues
- › Cost of incentives
- › Cost of infrastructure
- › Cost of ongoing services

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TIF is in Place: Now What?

- › Timing of filing DTE
- › Administering/keeping track
 Springing TIF
- › Parcel splits, consolidations
- › Calculating/verifying school compensation
- › Separate TIF accounts for each TIF

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Administering TIF often falls to Fiscal Officer or Economic Development Officer

- › Time, expertise, staff resources
- › 3rd party Administrator
 Who pays the ongoing cost?
- › Does timing for ongoing commitments work

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Options if TIF/Project is

Overperforming –

- › prepay debt
- › terminate early
- › pay for additional infrastructure

Underperforming –

- › minimum service payments
- › delay infrastructure
- › default on debt
- › subsidize TIF



Public Infrastructure Improvements

- › What are they
- › When will they be constructed
- › Who will construct
- › Who will pay
- › Prevailing wage
- › Public bid Public contract



Paying for Public Improvements

Cash: Accumulate TIF revenue first
Reimburse from TIF revenue later

Bonds: Political subdivision
Port Authority
Other
General Obligation
TIF Revenue



- › Closing out a TIF
- › Terminating a TIF early
- › Extending a TIF
- › Layering TIFs and combining with other exemptions
 - Recent statutes limit these options

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Other Incentive Tools

Property Tax Exemption

- › Enterprise Zone
- › Community Reinvestment Area
- › Brownfield Exemption

New/Additional Revenues

- › Special Assessments
- › Joint Economic Development District
- › New Community Authority

Other

- › Income tax credit
- › Sales tax exemption

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Example

West Chester

- › TIFs used to pay for major roadway system
- › limited developer infrastructure
- › Township controlled used of Service Payments to manage traffic capacity
- › Proactive vs Reactive

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Example

Beauty Ridge

- › Township TIF
- › Bonds issued
- › Sewer constructed
- › No development occurred
- › Minimum Service Payments

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Example

Liberty Center

- › Regional mixed use project
- › 100 acres of commercial property
- › 1.1 million square feet retail, office entertainment, hotel, residential
- › Private Improvement Construction Cost \$190,000,000
- › Public Infrastructure Cost \$62,000,000

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Project Overview

Infrastructure

- › 3 Parking Garages - \$24,500,000
- › Internal Road Improvements - \$9,500,000
- › External Road Improvements - \$4,200,000
- › Water and Sanitary and Storm Sewer - \$9,000,000
- › Other - \$14,800,000

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Participants

- › Township
- › County
- › New Community Authority
- › Developer
- › Port Authority
- › Ohio Water Development Authority (OWDA)



Economic Development Tools Utilized

- › Tax Increment Financing: performing close to expectations
- › Joint Economic Development District
- › New Community Authority: underperforming
- › Port Authority issued Bonds initially
- › All Bonds have been refunded and restructured
- › OWDA Loan: has been restructured



Project Financing

- › County Auditor
 - › Collects and distributes TIF service payments
- › County
 - › Reviews TIF exemptions
 - › Applies TIF service payments
- › Township
 - › Reviews TIF exemptions
 - › Applies TIF service payment
- › Receives JEDD revenue
- › NCA
 - › Levies and collects AV and facilities charges
 - › Manages and operates public infrastructure improvements
- › Bond Trustee
 - › Applies revenues
 - › Makes bond payments



Questions?

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