

A Brief Overview

Tax Increment Financing



Tax Increment Financing (TIF)

- TIF is a tool of municipal governments to finance (re)development of blighted property for the purpose of **revitalization**



History

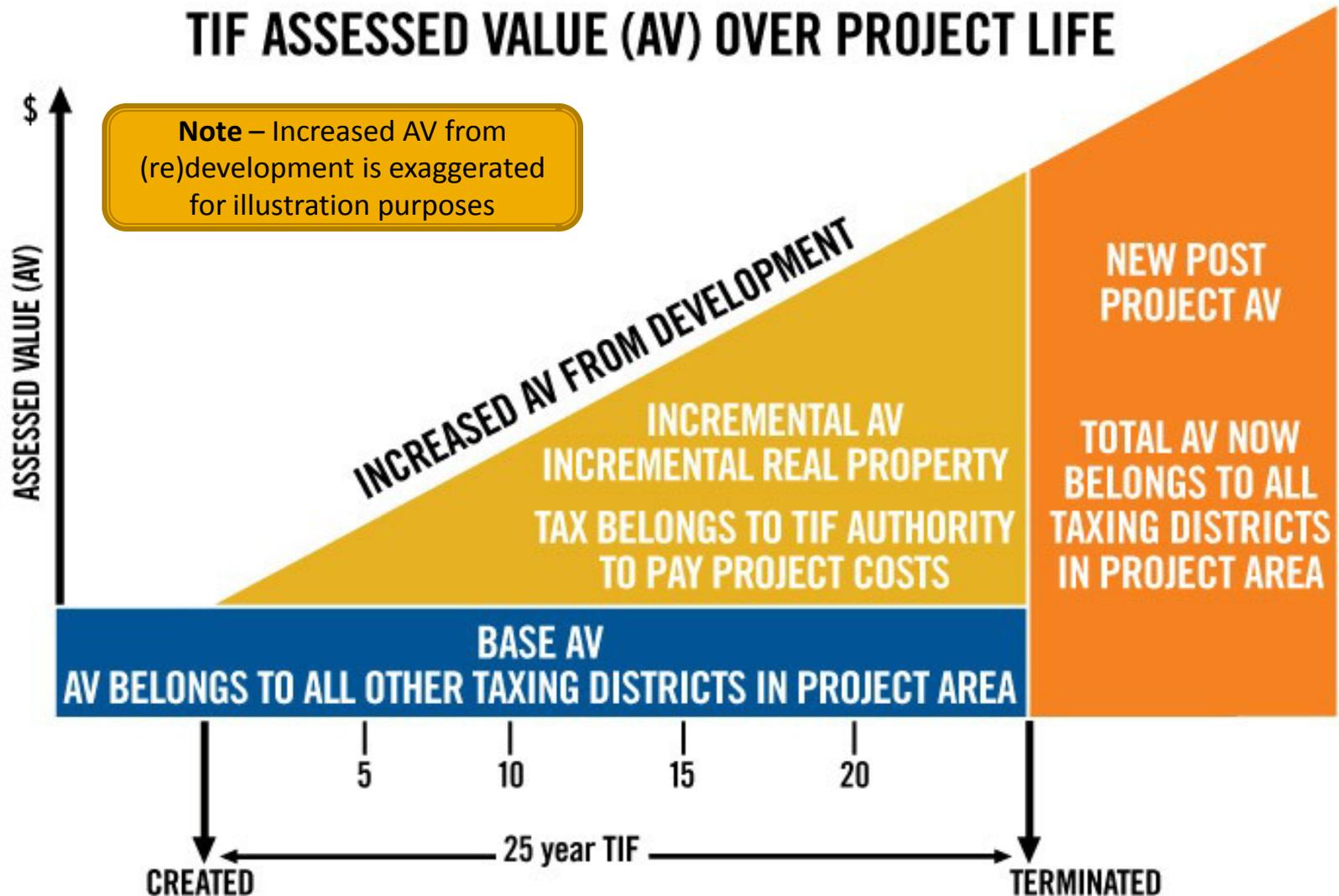
- Began in California in 1952
- Colorado established parallel legislation in 1958
 - Heavily used since the 1970s nationwide
- California ended in 2012



How TIF's Work

1. City/Town declares specific area blighted
2. “Freezes” the tax base within blighted area
3. Improvements made to properties resulting in higher taxable value
4. Split the revenue stream from TIF area:
 - Original underlying tax revenue remains “frozen” at the time of blight declaration for up to 25 years
 - Increment (increase tax above base) accrues to the URA

Graphic – How TIF's Work



TIF's in Colorado (1960's to 80's)

- Rarely Used, few instances of Blight
- Natural economic conditions existed
- Community (taxable) growth was adequate to finance government services
- County provides services to all residents
- Worked well before TABOR and Gallagher
 - Could adjust tax rate to deal with occasional blight issues

TIF's in Colorado (1990's & 2000's)

- TABOR law passed (limiting income)
- Creation of many URA's to foster growth
- Competition to keep businesses (high taxable value)
- Definition of blight stretched
- Community (taxable) growth supporting county services stymied (property tax).
- County STILL must provide services to all residents (in spite of \$3.6/year million loss)

Example: County Foothills Gateway Tax

- Citizen Tax Initiative to help Developmentally Disabled
- Approved 0.75 mill tax levy to help finance services
- Tax income would normally rise to offset inflation costs
- \$988,000 income to Foothills Gateway diverted to TIF's without vote of citizens

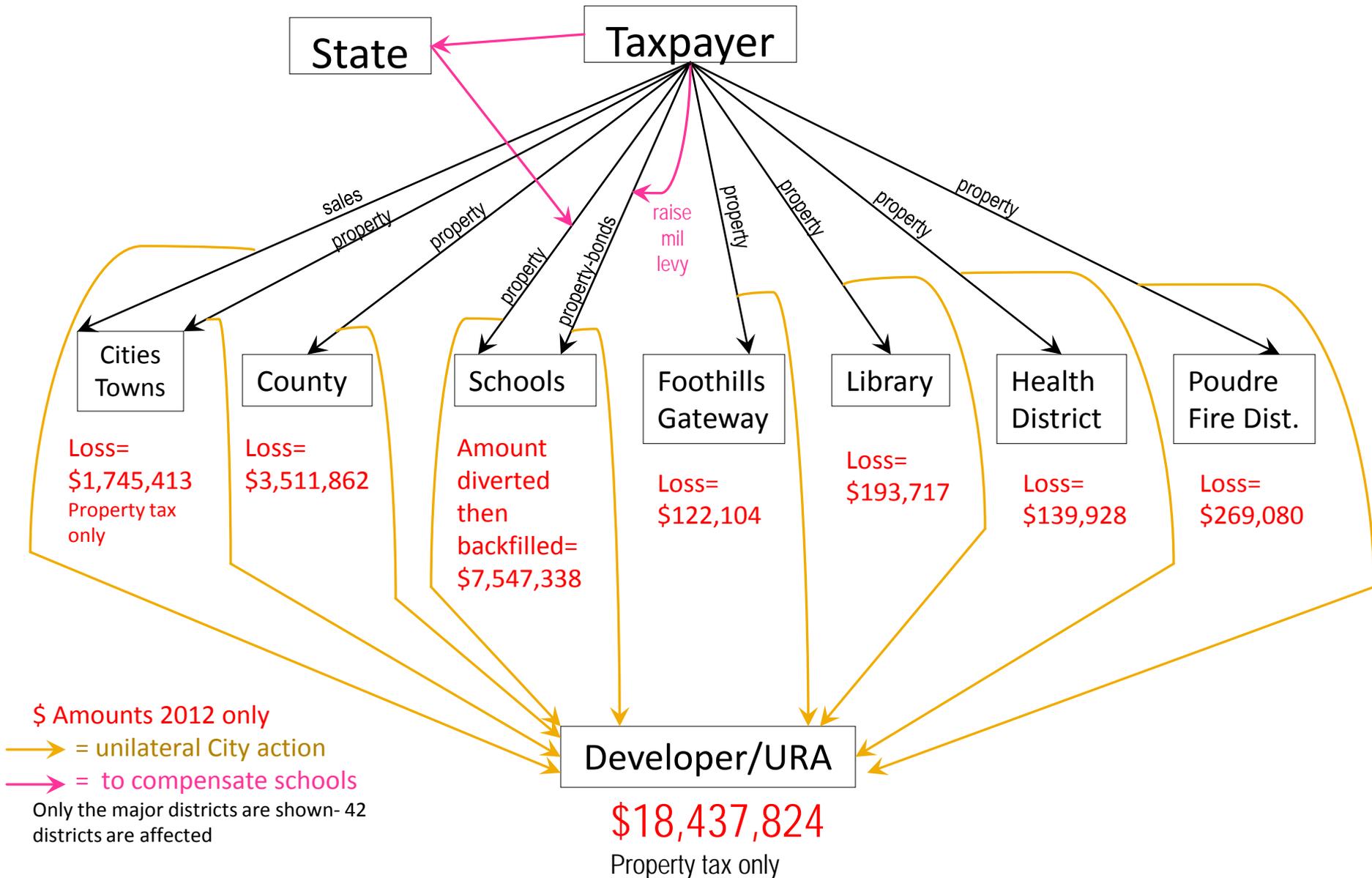


Summary of TIF Issues for County

- Results in distortion of natural market forces
- Usurps future tax revenue growth from existing entities that rely on property tax
- Shifts how future growth of tax base is used without vote:
 - From Public Safety, Education, Human Services, etc.
 - To infrastructure, parks, parking, etc. (normally paid by fees)
- Little statewide oversight like most governmental agencies

Tax Increment Financing In Larimer County

How money flows from taxpayers, run through local governments without their consent, and used for improvements developers would normally have to finance



Questions

