

Week 1: What are TIF Districts?

TIF (Tax Increment Financing) districts are contiguous sections of a city that have been identified by City Government as being in need of development, or redevelopment. A city may have multiple TIF districts at any given time. Identifying an area as a TIF district enables the City to capture and direct funds toward the improvement of properties within the district. The key principle involved is the “improvement or development” of properties within the district that actually serve to increase the property’s value – not just routine maintenance projects, re-roofing, painting, etc., that only serve to maintain current property values. The purpose of the district is to significantly increase property values within the district, and in return generate increased property tax revenue. It is all about the future!

Once a TIF district has been defined the next step is establishing a baseline of property values within the district, and the property taxes paid; then locking in that baseline for the duration of the TIF district which has a maximum of 23 years (TIFs can be extended, but that’s a topic for another day). City planners will typically work closely with local assessors to establish baseline property values, and evaluate the effect proposed projects will have on the Equalized Assessed Valuation (EAV) of the properties involved. As EAV within the district increases, the incremental increase in property tax is diverted into a special TIF fund which is then used to finance improvements to the properties, and infrastructure within the District. As the years go by, and the TIF district’s properties increase in value, the property taxes assessed on the properties within the district likewise increase generating more, and more revenue for further development within the TIF district. The goal in the end is to develop the TIF district into a powerful economic, and property tax generator that will benefit the entire community much more than would have occurred if the district had remained unimproved.



Next time: How do TIF Districts work?