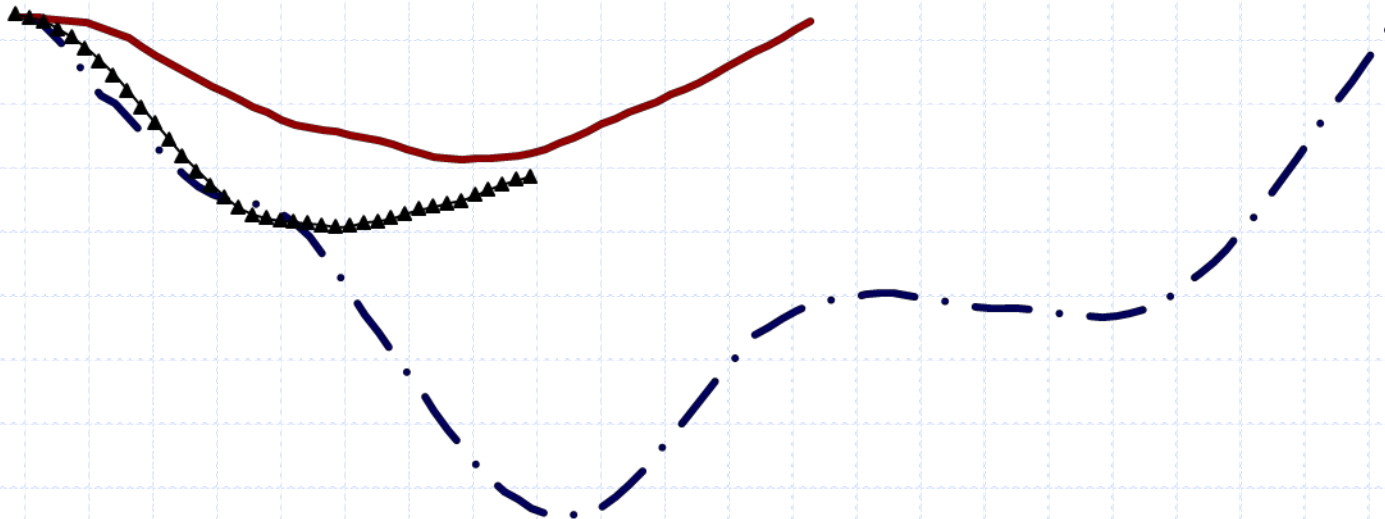


# Tax Increment Financing



Jeff Robinson - Fiscal Services Division  
Legislative Services Agency  
Senate Ways & Means Committee  
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DRAFT

# Tax Increment Financing Authorization

1. Commonly called by its acronym of “TIF” and officially part of Iowa’s “Urban Renewal” law. TIF is simply a financing option for urban renewal activities.
2. Authorization for urban renewal activities is found in Chapter 403, Code of Iowa.
3. This Chapter was first enacted in 1957 (SF 184), with Tax Increment Financing added in 1969 (HF 562).

# Tax Increment Financing – Who may TIF

1. Cities and counties may establish Tax Increment Financing areas.
2. Rural Improvement Zones are also allowed.
3. Community Colleges may utilize the concept of TIF to fund job training programs for qualified employers. See Industrial New jobs Training, Chapter 260E, Code of Iowa.

# Tax Increment Financing – FY 2012 Statistics

1. There are 2,238 active TIF areas in Iowa (they have either a base value, increment value, or both).
2. Of these, 1,567 generated TIF revenue in FY 2012. The largest in total \$ value is the Jordan Creek TIF in West Des Moines, The largest in increment \$ value is Capital Center in Des Moines.
3. Of those 1,567 - 297 have no base value. The largest of these is in Huxley (Base Year = 1990).
4. Property tax financing of TIF for FY 2012 totals \$283.2 million (5.9% of all property taxes paid in FY 2012).
5. A total of 403 local governments are receiving TIF revenue in FY 2012, including:
  - 348 cities-Largest \$ = Des Moines
  - 49 counties-largest \$ = Muscatine Co. (Ipsco)
  - 2 Community Colleges (\$61,000 total)
  - 4 Rural Improvement Zones-Largest \$=L. Panorama

# Source and Destination of TIF Property Tax

## Tax Increment Financing Breakdown - FY 2012

Dollars in Millions

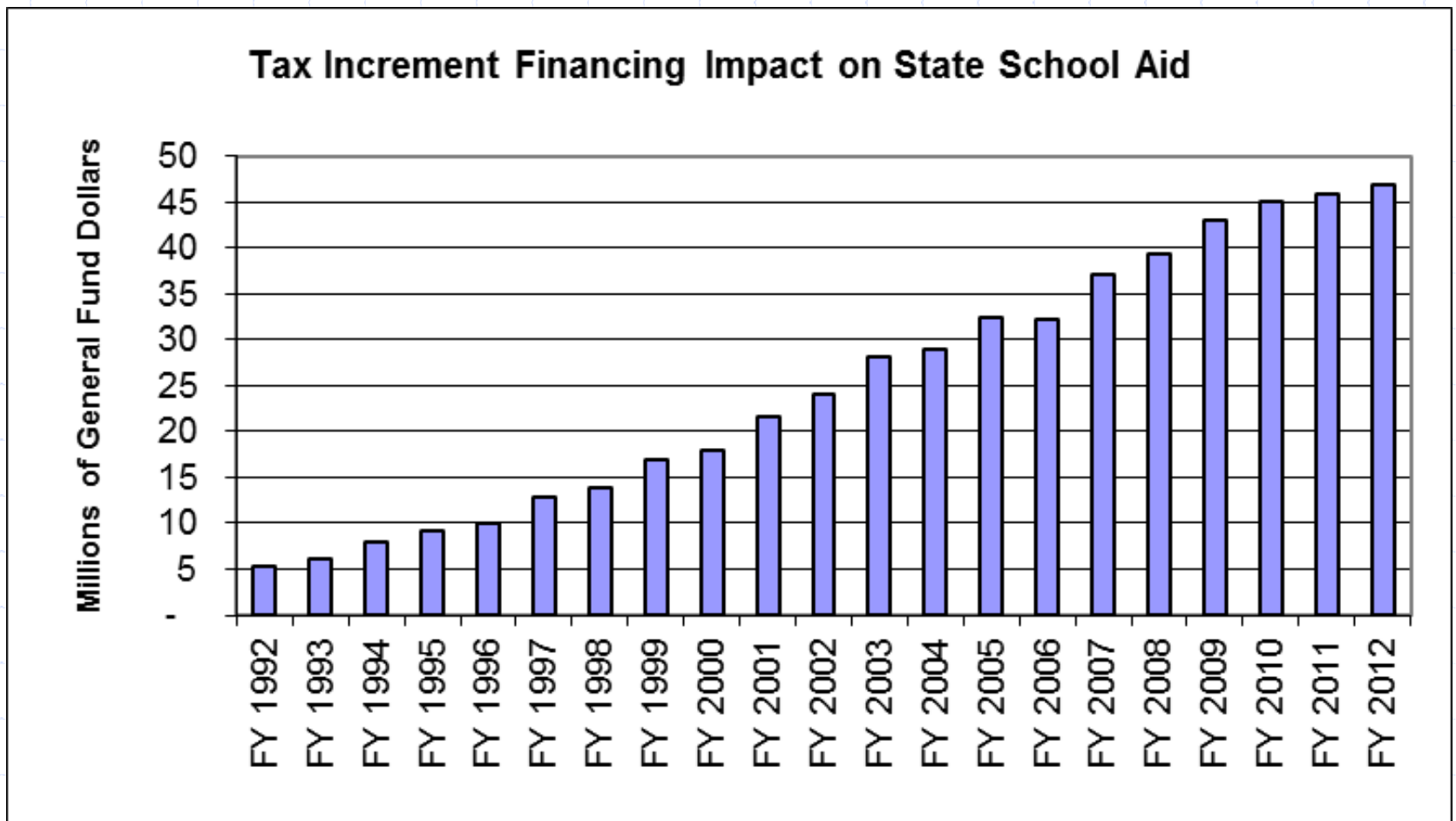
	City TIF's	County TIF's	Community College TIF's	Rural Improvement Zone TIF's	Total TIF's
Total	\$261.6	\$19.1	\$0.1	\$2.4	\$283.2
Percent of Total	92.4%	6.7%	0.0%	0.8%	100.0%

Source of Revenue	TIF Impact	% of Total
County	\$53.6	18.9%
City	89.4	31.6%
School (\$46.8 million of the school amount is backfilled by the State)	121.1	42.8%
Community College	5.8	2.1%
Ag. Extension	1.0	0.4%
Assessors	3.1	1.1%
Townships	0.3	0.1%
Hospitals	6.9	2.4%
Other	1.2	0.4%
SSMID	0.6	0.2%
Brucellosis Fund	0.0	0.0%
<b>Total TIF Revenue</b>	<b>\$283.2</b>	<b>100.0%</b>

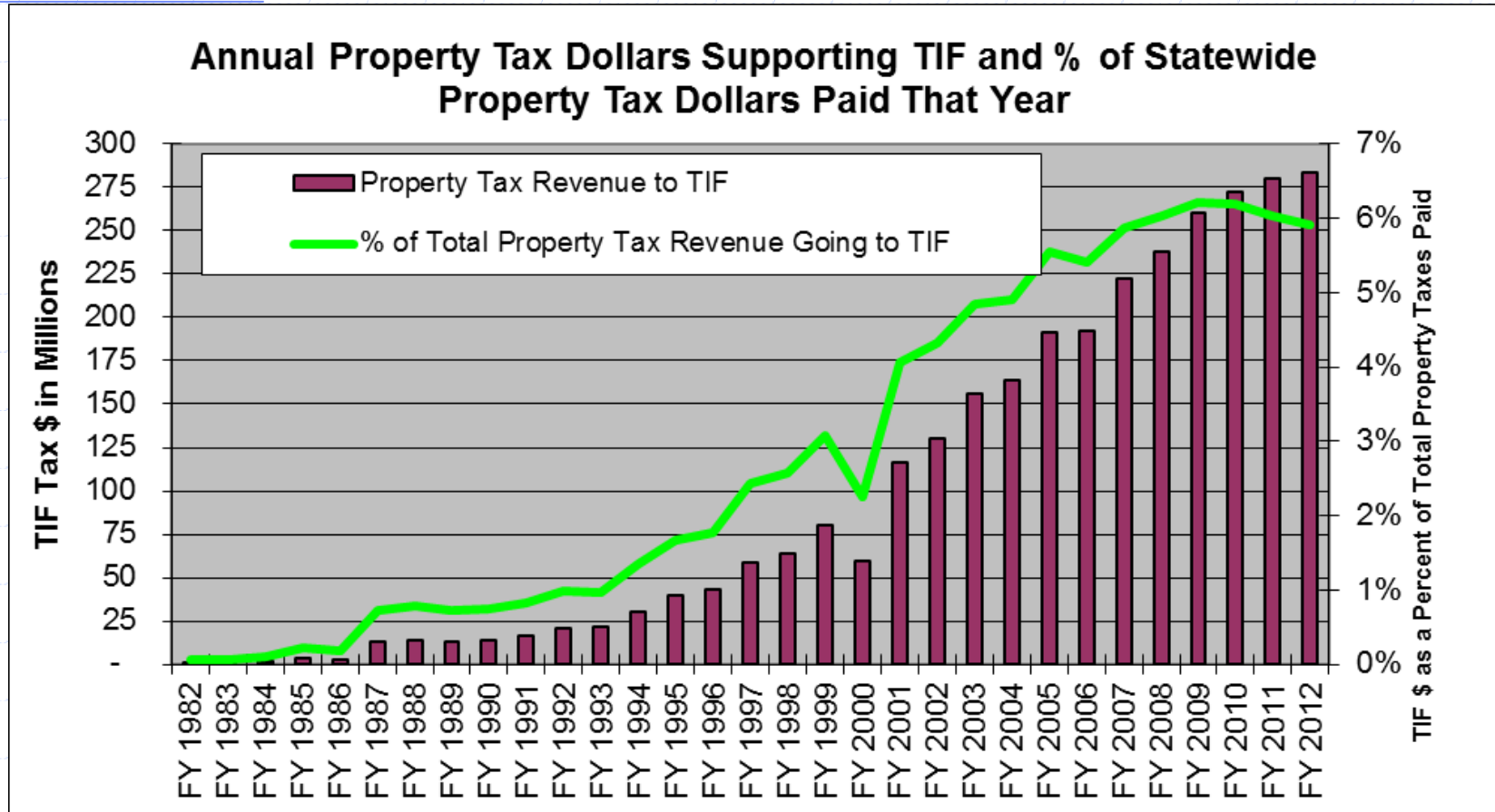
SSMID = Self-Supporting Municipal Improvement District

# State School Aid TIF Backfill

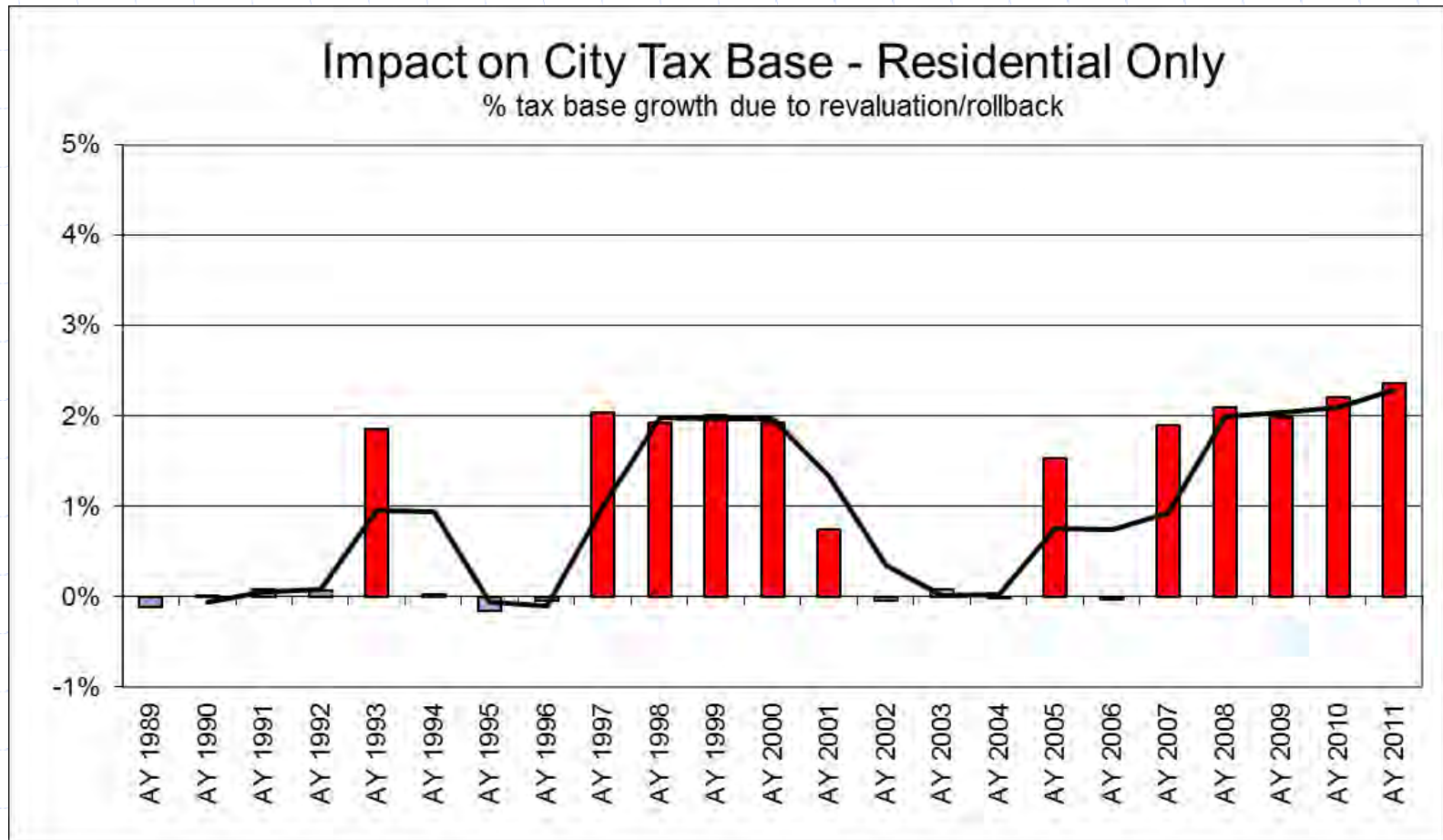
Calculation = Total Statewide Increment Value X \$5.40/k



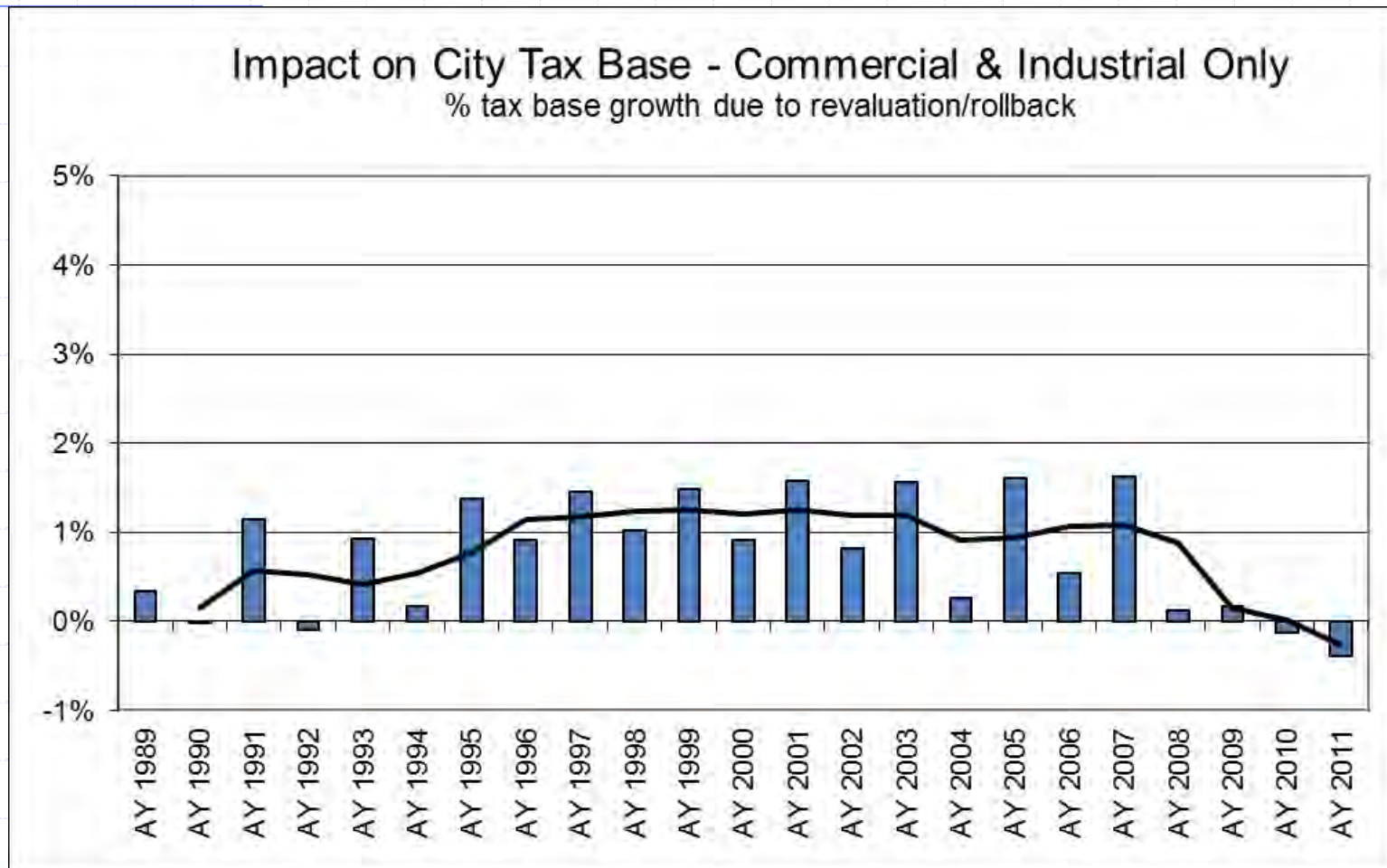
# Property Tax Dollars Devoted to Economic Development Through Tax Increment Financing



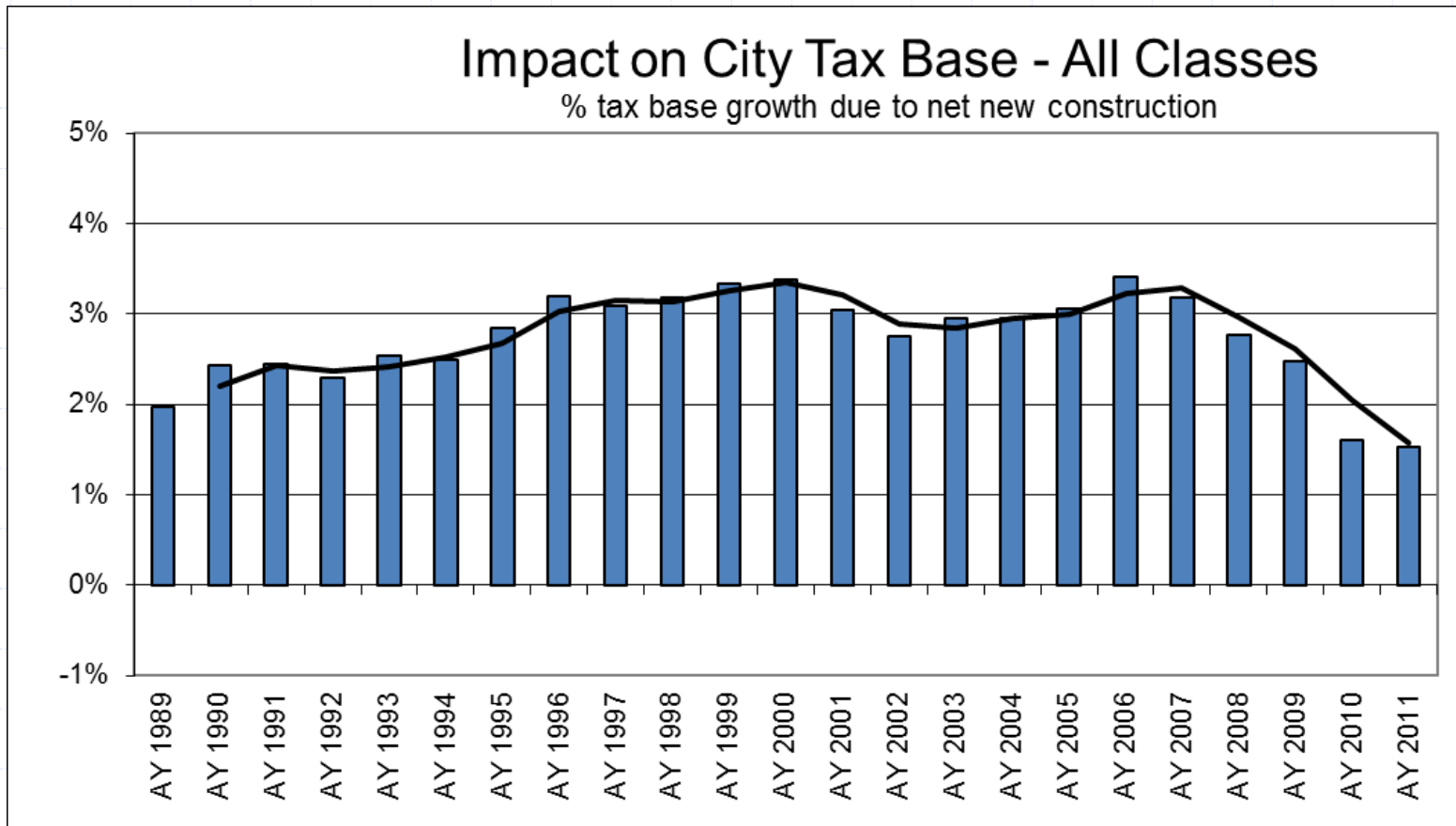
Residential taxable value growth has been the main driver of city taxable value growth in recent years. The ag tie is not restricting residential T.V. growth



At the same time, the taxable value growth due to commercial and industrial revaluation has disappeared. The recession significantly limited new construction (next slide) and also produced low and negative revaluations of C/I property.



City value added by new construction has been reduced by about one-half.



For the fiscal years 2008, 2009, and 2010, cities collected a total of \$725 million in TIF property tax revenue. They also increased reported TIF debt by \$453 million over those three years.

Sum of TIF Debt Reported on all  
City Budgets  
In Billions of Dollars

<u>Debt Reported End of:</u>	<u>Amount of TIF Debt Reported</u>
FY 2007	\$ 1.647
FY 2010	\$ 2.100
Growth \$ over 3 years	\$ 0.453
Growth % over 3 years	27.5%

From FY 2007 to FY 2010, statewide reported outstanding city TIF debt increased \$2.58 per thousand of statewide taxable urban valuation

Sum of TIF Debt Reported on all  
City Budgets  
In Billions of Dollars

<u>Debt Reported End of:</u>	<u>Amount of TIF Debt Reported</u>	<u>TIF Debt Oustanding per \$1,000 of Taxable Urban Valuation</u>
FY 2007	\$ 1.647	\$ 23.22
FY 2010	\$ 2.100	\$ 25.80
	Increase --->	\$ 2.58

Over 50% of all the TIF increment revenue collected in FY 2012 is connected to TIFs with base years of 1995 or before.

TIF Base Years	TIF Increment Revenue FY 2012 in Millions	% of Total	Cumulative %
1966 Through 1979	16.6	5.9%	5.9%
1980 Through 1989	53.4	18.9%	24.7%
1990 Through 1995	79.5	28.1%	52.8%
1996 Through 1999	58.9	20.8%	73.6%
2000 Through 2010	74.8	26.4%	100.0%
<b>Total</b>	<b>\$283.2</b>	<b>100.0%</b>	

# Top 45 TIFd Cities FY 2001 – What happened to them by FY 2012?

## ◆ This year's look at the cities with the highest % of their tax base in TIF:

- All cities with 25% or more of the tax base devoted to TIF in FY 2001 (45 cities).
- The dataset for this group was then compared to the same cities in FY 2012, and the group was divided into:
  - ◆ Cities where the % in TIF declined (26 cities)
  - ◆ Cities where the % in TIF increased (19 cities)
- Note: This analysis applies only to urban property, and the dataset excludes agricultural property, gas/electric utility property, and property exempt from the city tax rate.

Declining TIFd Tax Base – Much better than average homestead and taxable value growth. The city, school and consolidated tax rates grew less than the statewide average.

**26 Most TIFd Cities in FY 01, with Decreased TIF % by FY 12**

	<u>FY 2001</u>	<u>FY 2012</u>	<u>Change</u>	<u>% Change</u>	<u>Statewide Average for All Cities</u>
% of Tax Base TIFd	38.0%	16.6%		-56.3%	35.7%
County (\$/k)	4.87	6.01	1.14	23.4%	17.3%
City (\$/k)	9.76	9.77	0.01	0.1%	8.2%
School (\$/k)	12.49	13.82	1.33	10.6%	14.1%
Other Rates (\$/k)	1.59	2.03	0.44	27.7%	25.7%
Consolidated (\$/k)	28.71	31.63	2.92	10.2%	13.1%
Homesteads	9,956	13,311	3,355	33.7%	4.5%
Taxable Value (Millions)	\$950	\$2,201	\$1,251	131.6%	58.5%

Increasing TIFd Tax Base – Also shows much better than average homestead and taxable value growth, but not as good as the declining group. The city, school and consolidated tax rates grew quite a bit faster than the statewide city average.

**19 Most TIFd Cities in FY 01, with Increased TIF % by FY 12**

	<u>FY 2001</u>	<u>FY 2012</u>	<u>Change</u>	<u>% Change</u>	<u>Statewide Average for All Cities</u>
% of Tax Base TIFd	38.0%	44.4%		16.8%	35.7%
County (\$/k)	5.19	6.47	1.28	24.7%	17.3%
City (\$/k)	11.15	12.42	1.27	11.4%	8.2%
School (\$/k)	12.47	15.22	2.75	22.1%	14.1%
Other Rates (\$/k)	1.34	1.81	0.47	35.1%	25.7%
Consolidated (\$/k)	30.15	35.92	5.77	19.1%	13.1%
Homesteads	9,477	11,807	2,330	24.6%	4.5%
Taxable Value (Millions)	\$1,288	\$2,613	\$1,326	102.9%	58.5%