



# Tax Increment Financing (TIF) Handout for McCook, Nebraska

Tax Increment Financing (TIF) is a tool to assist in financing redevelopment projects in designated blighted and substandard areas of the city. The property taxes generated from the increased valuation of the development are then captured for a period of up to fifteen (15) years to finance the eligible public improvements.

TIF is not a grant and it is not a primary funding source for a redevelopment project, but does provide an incentive for private development that will increase the tax base. Any expenses incurred before the TIF application has been approved are not eligible.

## The Process:

### 1. Discussion with the city

- A. Economic Development can set up a meeting with the city to complete the following:
  - a. Review the TIF process
  - b. Determine initial eligibility of proposed project
  - c. Determine if proposed project is in the redevelopment area. (see attached map)

### 2. Complete TIF Application

- A. Get Cost Estimates.
- B. Get estimated value increase from county assessor.

### 3. Talk to a TIF Attorney

- A. Developer can get the names of Nebraska attorneys with TIF expertise and can set up a consultation to talk about if TIF financing would make sense for the project.

#### Expenses that are TIF eligible include:

- a. Land Acquisition
- b. Site Development – demolition, grading, site preparation

- c. Professional Fees – architect, engineering, legal
- d. Installation or Construction of Public Infrastructure – water, sanitary sewer, street, electrical, storm water, lighting, public spaces, public parking, natural gas, city engineering.
- e. Façade Improvements

**\*It is important to make sure that the increased property taxes would cover the cost of TIF financing.**

- 4. Develop Redevelopment Plan – In consultation with the TIF attorney, a Redevelopment Plan is created. The Redevelopment Plan contains a cost-benefit analysis of the project to determine the costs and benefits of the project in the long term and that the project would not be economically feasible without the use of TIF.
- 5. Redevelopment Contract – A Redevelopment Contract is written up and taken to the Community Development Agency.
- 6. Approval by Community Development Agency and City Council.
- 7. Work Completed – As work is completed, invoices for eligible expenses are sent to the city. When the city approves eligible expenses, the payment is sent to the developer.
- 8. TIF Bonds can capture 15 years of increased property value taxes to pay off. If the increased property taxes are not enough to pay off the bond, the developer is responsible to make sure the bond is paid off.

## TIF Financing Project Example

This demonstrates how TIF works with a hypothetical project. In this example, the developer owns a lot valued at \$10,000 located in the redevelopment area. The developer is going to construct a building on the property such that the valuation of the property after the project will be \$250,000. The annual TIF available for fifteen (15) years would be approximately \$4,933:

	Valuation	Taxes
Pre-project	\$10,000	\$205
Completed Project	\$250,000	\$5,138
Difference (Increment)	\$240,000	\$4,933

Assuming that a developer can borrow at a six (6%) percent interest rate, the TIF revenue collected for fifteen (15) years could pay off a \$47,910 loan in this example:

#### Present Value Calculation Case Example

Year	TIF
1	\$4,933
2	\$4,933
3	\$4,933
4	\$4,933
5	\$4,933
6	\$4,933
7	\$4,933
8	\$4,933
9	\$4,933
10	\$4,933
11	\$4,933
12	\$4,933
13	\$4,933
14	\$4,933
15	\$4,933
Total	\$73,995

Present Value of \$73,995 @ 6% = \$47,910