

Understanding the Tax Increment Grant (TIG) Policy

Otherwise Known as "TIG"

WHAT IS A TAX INCREMENT GRANT (TIG)?

A TIG is an additional Economic Development tool in the City's toolkit. It is used by cities and counties to expand employment and economic development opportunities and to deliver needed public infrastructure and other benefits by providing development projects with a financial reimbursement grant equal to a set percentage of new property tax revenues created by the project for a set period of time.

DOES EVERY DEVELOPMENT PROJECT GET A TIG?

Like other Economic Development tools, the TIG does not fit every development project. The TIG policy lists project requirements for eligibility. Development projects are not guaranteed a TIG. Projects are reviewed by City staff and the City Council on a case-by-case basis. The project itself and public outcome desired of the project will help determine eligibility for a TIG.

WHAT IS THE PURPOSE OF A TIG?

- Uses public-private partnerships to create needed infrastructure and public benefits.
- Provides an opportunity for the City to influence the development project.
- Encourages development, jobs, and services in areas of need.

DOES A TIG PUT THE CITY AT RISK?

No. Under a TIG, the developer, not the City, assumes the risk to design and build the public infrastructure, facilities or benefit programs supported by the grant. The City does not borrow money to pay for the project. No grant payments will be made by the City until performance by the developer is verified and all property taxes associated with the project have been paid.

DOES THE PUBLIC GET TO PROVIDE INPUT ON THE TIG?

A public hearing is required as part of the approved policy for all TIG agreements before the agreements are presented to the City Council for a vote. This allows the public to learn about the project and the proposed grant and to share ideas and concerns for consideration. More robust engagement will take place with larger development projects where public benefits are included in the developer's obligations to receive a TIG. Council will determine the most appropriate way to gain community input. This enhanced engagement with the public will occur before the TIG terms are



negotiated and approved to help set priorities for public benefits with limited TIG funds. Most TIGs support the construction of public infrastructure or facilities that are priorities listed in approved plans where community engagement has occurred and has already been incorporated into the Council-approved project plans. In these cases where engagement has occurred via an adopted plan and the TIG funds planned infrastructure, the City will provide clear information on the project, timing, and funding.

CAN A TIG BENEFIT THE COMMUNITY?

Yes, it must! For the City to participate in a TIG agreement, the project must demonstrate measurable benefits to the public. The benefits may include jobs, infrastructure, and/or affordable housing. The developer must show that the proposed project is in alignment with City priorities and goals including the City's Strategic Plan.

WHAT ARE THE TYPES OF THINGS THAT CAN BE FINANCED THROUGH THE TIG?

Examples could include greenway connections, pedestrian improvement, transit infrastructure, environmentally advanced stormwater features, and so on; or facilities such as a park, arts venue, recreation facilities, etc. Combined with these could be other benefits to the community, such as job training or development of affordable housing.

TELL ME HOW AFFORDABLE HOUSING CAN BE LEVERAGED THROUGH THE TIG?

As part of a project qualifying for a TIG, a developer may obligate itself to construct a certain percentage or number of affordable housing units within the project. A TIG may increase funding available to a developer to support such affordable housing either through direct assistance or by reducing a developer's cost burdens for infrastructure within the project.



HOW DOES THE CITY BENEFIT FROM FINANCING IMPROVEMENTS THROUGH THE TIG?

- Incorporating public improvements in adopted plans into private projects with a TIG could expedite delivery of those improvements.
- Construction of the public infrastructure could occur at the same time as project construction, saving costs and minimizing disruption.
- The City is not taking on any debt to add priority infrastructure or other benefits that are commonly listed in approved plans.
- The development generates new and additional property tax revenue for the City with only a portion of the new revenue reimbursed to the developer as part of the TIG. The increased tax revenues to the City continue after the TIG payment period ends.

IS THE TIG A TAX BREAK?

With a TIG, the developer is still paying the full amount of property tax associated with the development. There are no tax breaks or tax reductions for the developer. This is a public-private partnership generating benefits from a portion of new property tax dollars.

HOW DOES A TIG BENEFIT THE DEVELOPER?

To enter into a TIG agreement, both the developer and the City need to see a benefit from the arrangement. For the City, the enhanced infrastructure and community benefits are the goal. For the developer, the infrastructure, while benefiting the public, may also enhance the value of the overall project. Parks and transit infrastructure are examples of investments that have benefit both the new development and the public who can make use of the facility. The social value to the City, the financial value to the developer, and the magnitude of the TIG must be balanced as part of the agreement.

HOW DOES THE FUNDING WORK?

The TIG is provided on a reimbursement basis only and based on a percentage of new, net incremental property taxes generated from the project within a defined area. All property taxes for the project are paid by the developer first and contractual performance verified; then the established percentage of the incremental property tax is paid to the developer for an approved number of years to cover the costs of the improvements. All terms, the grant amount and other requirements are spelled out in an agreement and voted on by Council after a public hearing.

The funding percentages and terms of the City's TIG are listed below. The developer is not guaranteed the maximum percentage or term. The higher grant percentage and years for priority economic development areas helps encourage economic development in all parts of the City. The actual percentage and term will be determined by the City based on the specific benefits of a proposed project.

Priority Area for Economic Development	Net Incremental Property Tax	Length of Time
Outside	Up to 50%	Up to 10 years
Inside	Up to 75%	Up to 15 years

IS THERE A LIMIT OR CAP ON THE TOTAL NUMBER OF TIGS THAT THE CITY COULD APPROVE?

Yes. The City's financial commitment for all approved projects may not exceed 2% of the City's annual property tax levy in any given year. For the 2020-2021 fiscal year, the total limit is \$5.1 million. The capacity limit will be evaluated annually by City staff and is expected to change based on the City's tax rate and total assessed property values.

HOW WILL THE PUBLIC KNOW ABOUT THE CITY'S APPROVED TIGS AND PROJECT STATUS?

The City is committed to being transparent in the award and administration of the TIG program. All TIG agreements will require reporting mechanisms to be established that will allow the public to verify that the developers are meeting their contractual obligations. Also, information on all approved TIGs will be published in the City's annual budget document.

