

## New Publication Demystifies "TIF" Economic Financing Tool

### *Tax Increment Financing How-to Published as Guidance for 2013 Maryland Law*

**BALTIMORE, MD (November 6, 2013)** - At a time of limited public spending following the national economic downturn, many local officials find it difficult to attract quality development projects that also provide community benefits like expanded sidewalks, street tree plantings, parks, and water and sewer improvements.

Last spring, the Maryland General Assembly expanded the ability of local governments to use Tax Increment Financing (TIF), a financing tool that uses the increase in property tax value from new development to pay for public improvements. While TIF has been allowed in Maryland for years, the new law expanded TIF to target revitalization in strategic areas.

Tax Increment Financing: User Guide for Maryland Sustainable Community Revitalization, the latest in a series of "models and guidelines" documents produced by the Maryland Department of Planning to educate local government officials and planners, helps break down TIF and how it works. Using case studies and best practices, the document de-mystifies what can be a complex process. [View and download the user guide](#) at the [MDP Library](#) (or view eBook version in the [digital bookshelf](#)).

The 2013 law enhances local authority to use TIF to spur redevelopment and promote revitalization in some of Maryland's older communities. The law expands use of TIF to areas that have received Sustainable Communities designations, which strengthen reinvestment in Maryland's older communities by creating a framework to receive state aid and technical assistance.

TIF can be an appealing financing tool because it does not require a local government to increase its tax rate to pay for public improvements in a specific area. Rather, TIF pays for improvements generated by the increased property values that are taxed. Higher property values mean more property tax revenue ultimately for the community.

The 2013 law also allows the [Maryland Economic Development Corporation](#) (MEDCO) to issue TIF bonds for local governments to finance projects in Sustainable Communities. MEDCO has a long history of helping jurisdictions with the financing, development, ownership and management of economic development projects, some examples of which are highlighted in the publication.

Since using TIF to jumpstart redevelopment efforts requires a good understanding of land value and finance, the publication provides a step-by-step primer and highlights the experiences of communities that have successfully used TIF to promote economic development.





# Tax Increment Financing Models & Guidelines includes:

## Chapter 2. Basics of Tax Increment Financing

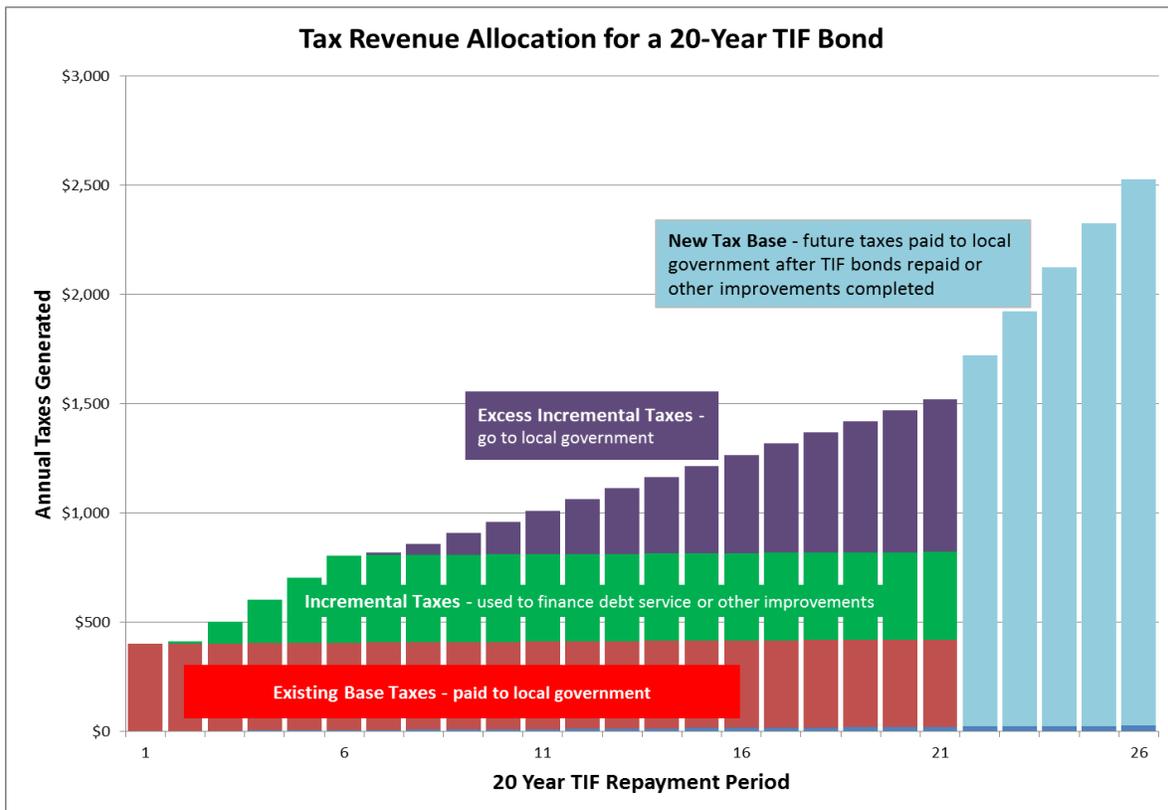
### What is tax increment financing (TIF)?

It is a tool for financing public improvements when there are no other public or private funds to finance it.

**T A X** It is not a new tax or increased tax

**I N C R E M E N T** Additional tax revenues created by increase in assessed values from redevelopment.

**F I N A N C I N G** Issuing non-recourse bonds that do not have to be backed by jurisdiction's full faith and credit, for new public improvements and other specified uses. Using incremental taxes to repay bonds.



## What are the advantages and disadvantages/limitations of TIF?

### Economic Development Considerations

- The most obvious advantage TIF offers is the significant capital investment that can be leveraged to make a project economically feasible.
- Due to the significant upfront administrative costs of bonds, TIF may not be a viable economic development tool to address smaller public infrastructure needs

### Fiscal Impact Considerations

- The local government does not lose or divert existing tax revenues when a TIF district is established. Assuming the cost of public services not covered by the TIF public improvements remain constant, the same level of tax revenues will be available for services throughout the time the TIF bonds are being repaid.
- In certain financing structures, no increase in tax revenue associated with the TIF district is realized until the bonds have been retired, unless TIF revenues exceed the debt service payments.

### Local Government Policy Considerations

- Property owners within a TIF district pay the same property tax rate as other property owners in the jurisdiction. Current tax rates do not have to go up to pay for needed infrastructure in the TIF district.
- TIF is a more complex public financing option for local governments in comparison to pay-go or general obligation (GO) bonds. TIF bonds are usually more expensive than GO bonds. Communities with greater financial sophistication tend to use TIFs as part of their economic development toolbox; communities with fewer resources and limited staff are less likely to use TIFs.

## **Chapter 3. TIFs in Maryland**

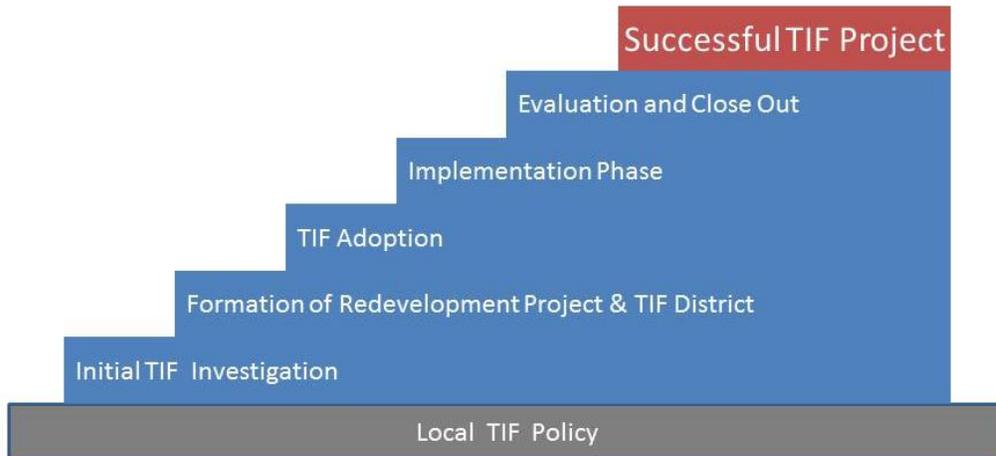
- Maryland's Basic TIF enabling legislation
- Enhanced TIFs for BRAC Zones, Designated TODs, State Hospital Redevelopments and Sustainable Communities
- Challenges to Implementing TIFs in Maryland



The TIF funded streetscape improvements along St. Paul Street in the Charles Village Area of Baltimore City has helped revitalize this corridor.

## Chapter 4. TIF Process: Identifying Tips and Pitfalls

### TIF Five Step Process



- Local TIF Policy Best Practices
- Initial TIF Investigation
  - Area eligibility determined
  - Needs assessment conducted
  - Public-Private Partnerships Identified
  - Economic benefits quantified
  - Financial feasibility determined
- Forming a Redevelopment Project and TIF District
  - Delineating the TIF District
  - Establishing the base assessable value
  - TIF Increment Revenue Projections
  - Determining TIF-funded improvements
  - Project Financing
  - “But for” the TIF the project would not happen
  - Evaluating the Merits of the Project
- TIF Adoption
- Implementation
- Evaluation and Close-out

## Chapter 5. Maryland Economic Development Corporation Services

MEDCO has completed more than 250 transactions throughout the state in the following areas:

- Higher Education
- Government
- Business Incubators
- Nonprofit
- Manufacturing
- Tourism
- One Maryland
- Advisory Capacity



The bwtech@UMBC Incubator and Accelerator is a nationally recognized life science and technology business incubation program that is home to bioscience and technology companies. It is managed by the university and owned by MEDCO.

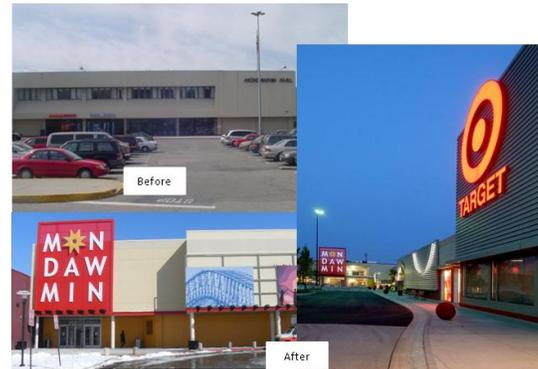
### MEDCO TIF Transaction Services

- Bond Issuance
- Development
- Ownership

## Chapter 6. TIF Best Practices & Maryland Case Studies

Maryland Project-based TIF Case Studies

- Baltimore City—Mondawmin Mall
- Annapolis—Park Place Mixed Use Development
- Baltimore City—Frankford Estates
- City of Frostburg—Route 36 Tax Increment Financing Project



Frostburg – Rt. 36 Project: The stormwater management facility cost \$250,000 to construct and was funded through a TIF bond

The following Maryland area-based TIFs are highlighted for their best practices in TIF:

- Anne Arundel County – Parole Town Center Redevelopment Project
- White Flint Sector Plan Special Taxing District



Previously an aging, underutilized shopping area, the new Annapolis Town Centre offers a vibrant mix of uses.



North Bethesda Center is one of five flagship projects clustered along Rockville Pike in White Flint.