

Financing Tools For Strategic Partnership Agreements with Public Improvement Districts and Tax Increment Reinvestment Zones

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key Concepts

- **Economic development may require one or more contracts with the developer and combination of tools.**
- **Some tools are beneficial to developer and impose administrative and financing burdens on the City.**
- **Private investment may be disproportionate to the public investment.**
- **Best practice - pay based on performance rather than issue debt to reimburse the developer, hoping that the project returns the city investment.**
- **Some Projects are just too expensive.**



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Key Concepts

- **Glory and economic development are fleeting; nothing last forever.**
- **Projections by developers are often over-inflated.**
- **Independently verify; engage third-party to verify developer's projections and viability of the project and ROI; involve bond counsel and financial advisor.**
- **Determine: delta (amount developer actually needs), amount city can afford, amount to contribute and which tools to provide the needed incentive.**



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Tax Increment Financing TIRZ

- **City or county finance public improvements within defined area from incremental increase in real property taxes (may include city sales tax) dedicated for TIRZ projects.**
- **City/county initiated or by petition of the owners of property of at least fifty percent (50%) of the appraised value of the property within the proposed Zone.**
- **Not a new or additional tax. Property owners pay taxes at the normal rate; there is no “extra charge” of any kind. May not charge fees or impose taxes.**



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Tax Increment Financing TIRZ

- As real property improvements are made in TIRZ the taxable value of real property in TIRZ is projected to increase above base year value (year TIRZ established) which generates an increase in property tax revenue.
- Incremental increase (TIRZ fund) is the used to pay for TIRZ projects undertaken by the city/county, pay debt service for bonds, reimburse the developer for the construction of TIRZ projects and/or to reduce PID assessments if PID is established.
- Schools may participate but typically do not participate since it affects state funding.



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Tax Increment Financing TIRZ

- TIRZ Projects. public infrastructure, transportation facilities, educational facilities, professional services, administrative expenses City services within Zone and economic development.
- Economic development. TIRZ may not fund private improvements but may be used (with council/county approval) for activities that promote economic development in the TIRZ. Same authority as city has under Chapter 380.



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"Financing Analysis and Requirements for Economic Development Projects"