

NEW FRANKLIN TIF PROJECT

Legislation is pending before City Council for the creation of two Tax Increment Financing (TIF) Districts in the city. A third reading on the proposed legislation is on the agenda for the June 16th Council Meeting. To assist our residents in understanding TIF financing the following information is provided.

What is a TIF?

TIF stands for Tax Incremental Financing. TIF is a tool available for cities to support private investment and development. The city, through a TIF, captures the increase in tax revenue generated by the private development. The city can then use those tax revenues to reimburse the private developer for a portion of the costs of the public improvements and infrastructure while still generating revenue for the city to use in maintaining those improvements and in projects benefiting the TIF Districts.

When is TIF used?

A TIF is used to address site and development funding for a project when public infrastructure costs would otherwise prevent the project from going forward. Cities in Ohio frequently use TIF districts to generate new development.

What are the benefits of a TIF?

TIFs are a beneficial tool available to help incentivize development projects that would not be financially feasible otherwise. Often the costs of development projects exceed the revenues that the project will generate. TIFs help pay for a certain portion of the total development costs needed to spur private development while having the property owners share in the cost of the improvements. The community benefits from the new development that will add activity, residents and jobs. To be clear, the development costs that a TIF can cover are statutorily limited to specific costs that are defined as constituting “public improvements” - the benefit generated for the private developer can only be used to cover costs related to these public improvements.

The local school district may benefit from additional revenues above the “baseline” current tax levels through what’s called a “School Compensation Agreement,” where the city, school district, and developer agree to provide an agreed upon level of compensation to the schools. This is new revenue for the schools and would not be generated without the TIF to fill the financing gap. The local school district always retains the current “baseline” tax revenues under a TIF in addition to new revenues resulting from the project utilizing a TIF exemption.

How are TIFs established?

TIFs are established through legislation passed by City Council that designates the parcel(s) to be included in the resulting TIF District, declares improvements to private property within the specified area as serving a public good (and therefore constituting public improvements), delineates the specific public improvements to be made that will directly benefit the parcel(s), and specifies the formula for distribution of the funds to be redirected under the TIF. The property taxes generated under a TIF are converted to and paid in the form of Payments In Lieu Of Taxes in an amount equal to only the increase in property taxes generated by the improvement. The pre-development value and associated taxes are considered the “baseline” and are excluded from the TIF. Those “baseline” taxes continue to go to the normal taxing authorities as they would have before the TIF was enacted. In other words, a TIF never results in lesser taxes being paid than pre-development, and at the same time never results in the subsequent property owners paying more than they otherwise would pay.

Specific provisions of the New Franklin TIFs

The legislation before Council would create two TIF Districts, one for each phase of the proposed Adkins PLX Holdings LLC “Water Nine” development. The costs of public infrastructure (sewer, water, roadways, curbs, gutters, sidewalks, storm water facilities, etc.) are estimated to be in the range of \$18 Million Dollars. This would include extension of the public sewer and water utilities to the east side of the channel on SR 619, an important feature for the city.

The developer will pay for the public infrastructure as it is constructed and installed. When houses are eventually built and are subject to property taxes, those payments will go to the Summit County Fiscal Office and then be forwarded to the City. The City will then distribute to the school districts and to the City 55% of what each would have received if there was no TIF. The remainder will be distributed to the developer upon presentation of paid invoices for the public infrastructure improvements to the City.

Conclusion

The creation of TIF Districts, while new to New Franklin, is a recognized tool for necessary development. The Administration strongly believes that while perhaps an inconvenience to some who would prefer no change, this project is critically important to the long term well-being of our City and our residents.