TAX INCREMENT FINANCING
COMMUNITY REDEVELOPMENT AUTHORITY

BACKGROUND:

In 1979 the Unicameral passed enabling legislation for the community tax increment finance approved by Nebraska voters in 1978. The statute has been revised several times. The statute is referred to as Tax Increment Financing (TIF) and also the Community Development Laws. It enables cities and villages to create Community Development Authorities (CRA) that perform community development activities.

CRAs have the authority to partially finance the cost of some public improvement using the increased tax revenues produced by a redevelopment project. Nebraska has restrictive TIF laws and communities should seek legal advice. In Nebraska, communities have used TIF to construct public improvements associated with various redevelopment projects, acquire property, and prepare sites.

UNDERSTANDING TIF:

The tax increment is created by segregating the "before-project" or "current" real estate taxes from the "after-project" or "probable future" real estate taxes paid by the owner/developer. The "current" portion is collected and distributed to the various taxing jurisdictions so there is no loss of tax revenue from property tax by any governmental subdivision. The new "probable future" or "incremental" real estate tax paid by the project can provide an income stream to fund local participation in the project. This participation can extend up to 15 years.

Property taxes resulting from the increased tax level are placed in a special redevelopment fund. Those funds can be used to finance public project costs. Bonds are often sold at the beginning of the project to fund upfront expenses and extraordinary public improvement costs.

USES:

Local communities can use the "incremental" funds for:

- Pubic improvements located within the redevelopment area that are associated with a redevelopment project. These might include public spaces, streets, lighting, sewers, sidewalks, utilities, parks, playgrounds, and overpasses or underpasses for pedestrians or vehicles.
- All costs associated with acquisition of redevelopment sites.
- Site preparation, demolition, grading, surcharging, and other necessary site preparation work.

PROCESS:

1. Designate Blighted and Substandard Area

   Identify the areas of the community eligible for TIF projects

2. Preparation and Approval of Redevelopment Plan

The plan should contain general information about the proposed project and the proposed use of the TIF funds (if applicable). The statutory requirements for the plan include:

a) boundaries of the redevelopment project
b) land-use plan indicating planned uses of the area
c) information about population densities, land coverage and building intensities after the redevelopment
d) proposed changes in zoning ordinances, maps, street layout, levels, grades or building codes
e) site plan of the area
f) statement of the public facilities required to support the redevelopment

3. Cost Benefit Analysis

If the plan involves the use of TIF funds, the CRA must demonstrate the proposed project would not be feasible without the use of tax increment financing. The CRA should also analyze the demand for services and the long-term benefit to the community. It must also include the costs and benefits of the redevelopment project including costs and benefits to other political subdivisions.

It must also include specific tax effects and public service costs:

- Public Infrastructure and Community Public Service Needs Impacts
- Tax Shifts
- Local Tax Impacts
- Impacts on firms locating or expanding within the project area (both employee and employer impacts)
- Impacts on firms within the city and the area located outside the project area (both employee and employer impacts)
- Other relevant impacts as determined by the CRA

4. Approval of Agreement

Following the approval of the redevelopment plan and cost-benefit analysis, an agreement is negotiated between the CRA and the developer/owner setting out the responsibilities of all parties and the financial terms of the project. As part of the agreement, the developer and city will determine if the TIF financing is a private loan (the developer will arrange this financing with a private lender) or a city bond issue (the developer and the CRA will work with a bond underwriter to arrange this).