

TIFs, TDDs and CIDs: What Are They Talking About?

❖ **Thanks to the Co-sponsors and Hosts:**

The League of Women Voters of Columbia & Boone County, the Boone County Smart Growth Coalition, the Missouri Sunshine Coalition and the Columbia Public Library

❖ **Joke:**

“But for” the two Columbia TIFs, I would not be here tonight!

❖ **Basics:**

The acronym **TIF** stands for **Tax Increment Financing**

❖ **Intro: Verbatim From Gilmore & Bell**

Municipalities can only spend public funds for public services. If the costs to be funded are public improvements - such as roads, traffic signals or utilities - then the municipality has a variety of options as to how to finance those public improvements. If the costs to be funded are not public improvements - such as land acquisition costs or site development costs - then public funds can be used to finance those costs only if the governing body of the municipality finds that the site is a “blighted area” or a “conservation area” as defined under Missouri law. Tax Increment Financing is a method to encourage redevelopment of these areas.

❖ **Theory:**

The encouragement of redevelopment projects increases the value of the property, which in turn provides a tax increment redirect to be used to retire loans used to finance the redevelopment project. ***Property taxes are frozen at the current rate and continue to be paid annually to the taxing jurisdictions.*** In effect, we are really redirecting public tax dollars to insure the success of the redevelopment project in order to guarantee a future public tax “windfall” based on the improved property. ***Among other requirements, this involves the “but for” concept, i.e. “but for” this public encouragement, the redevelopment would not occur.***

❖ **Creation of the TIF Commission and the Redevelopment Plan:**

Per Missouri Statutes

❖ **The Three (3) TIF Requirements of the Redevelopment Plan:**

- 1.) Redevelopment as a “**blighted** area”, a “**conservation** area” or an “**economic development** area”
- 2.) The “**but for**” clause - Investment is not expected without the TIF.
- 3.) Redevelopment plan conforms to the municipalities’ comprehensive plan.

❖ **Distinction: Tax Redirection vs. Tax Abatement (See Gilmore & Bell Handout)**

In essence, the increased property tax increment and only the increment (i.e., 100% of the PILOT {payment in lieu of taxes} and 50% of the EATs {economic activity taxes}) generated by the redevelopment improvements is delayed, for no more than 23 years, to insure the success of the redevelopment project and to guarantee an enhanced revenue stream in exchange for their early public investment. This is not a tax abatement process.

❖ **Conclusion: Two very important points to consider when spending public funds!**

- 1.) All of the taxing jurisdictions (e.g., Boone County, the City of Columbia, and the Columbia School Board) continue to receive annual property tax revenues. The tax rate is frozen at pre-improvement levels throughout the TIF period as negotiated in the required TIF development agreement.
- 2.) There is no municipal risk - The redirect is a function of the increment; if there is no increment (i.e., no increase in property value), there is no redirect, and there is no risk.

❖ **Thank you for listening!**