



Are You TIF-Ready?

An Introduction to the CRA and TIF Districts

City of Memphis and Shelby County
Community Redevelopment Agency

November 2020

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern and dynamic visual effect.

Overview of the CRA

CRA's Mission

To eliminate slum and blight conditions and provide affordable housing through a workable program that encourages *reinvestment in neighborhoods*, as directed by the comprehensive plans for the City of Memphis and Shelby County

1998 Tennessee CRA Act

Special Legislation for Shelby County

Based on FL and CA laws (unlike rest of TIF Acts in the USA)

Key Information Covered (By Section):

- Definitions and Background (1-5) “Blight”, “Slum Area”, and “Shortage of Affordable Housing”
- “Workable Program” (6)
- CRA Board of Commissioners Information and Governance (7-11)
- “Redevelopment Plan” (12-16)
- Powers of the CRA (17) and Limits of TIF Funds (17 -see sub section 14b)
- Real Property and Eminent Domain Power (18-19)
- Issuance of Bonds (20)
- TIF Trust Funds and Rules (21)
- CRA’s Relationship with Municipality, etc. (22-31)

2012 Uniformity in TIF Act

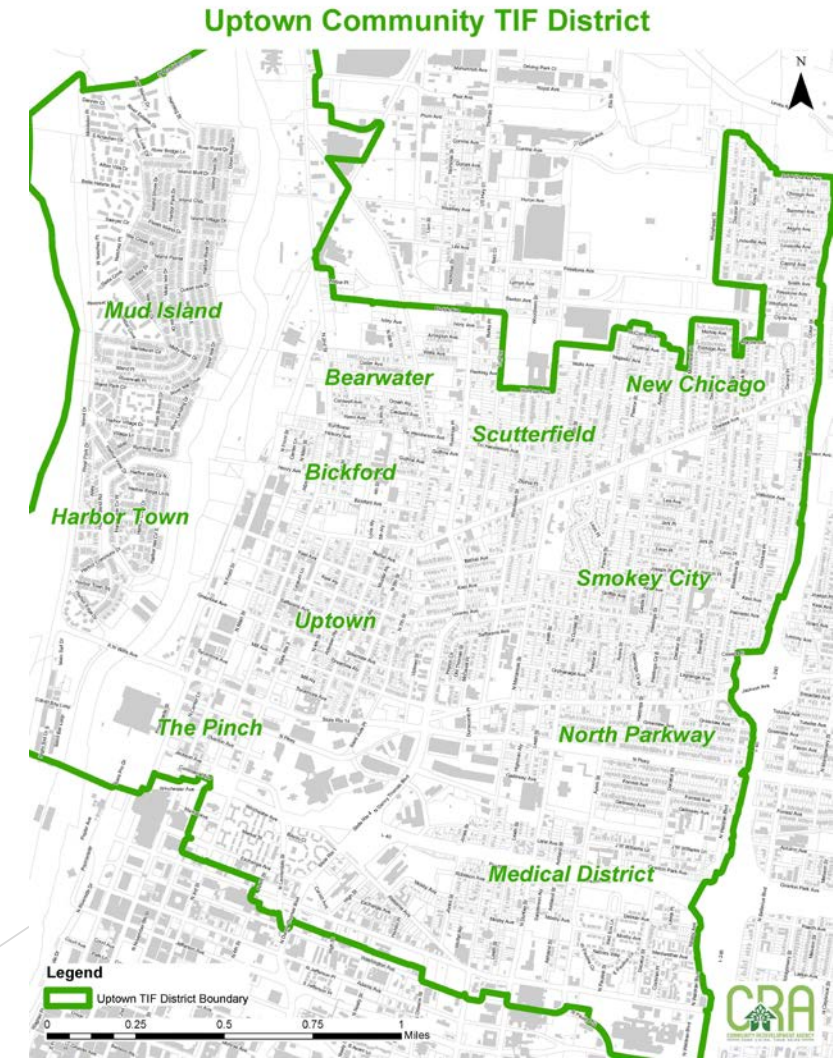
- Covers all TIF Acts in Tennessee
- Establishes methods and periods of increment calculation and collection
- Sets limits on years for TIFs
- Details reporting requirements
- Allows for up to 5% funding for CRA's administrative expenses

CRA Milestones

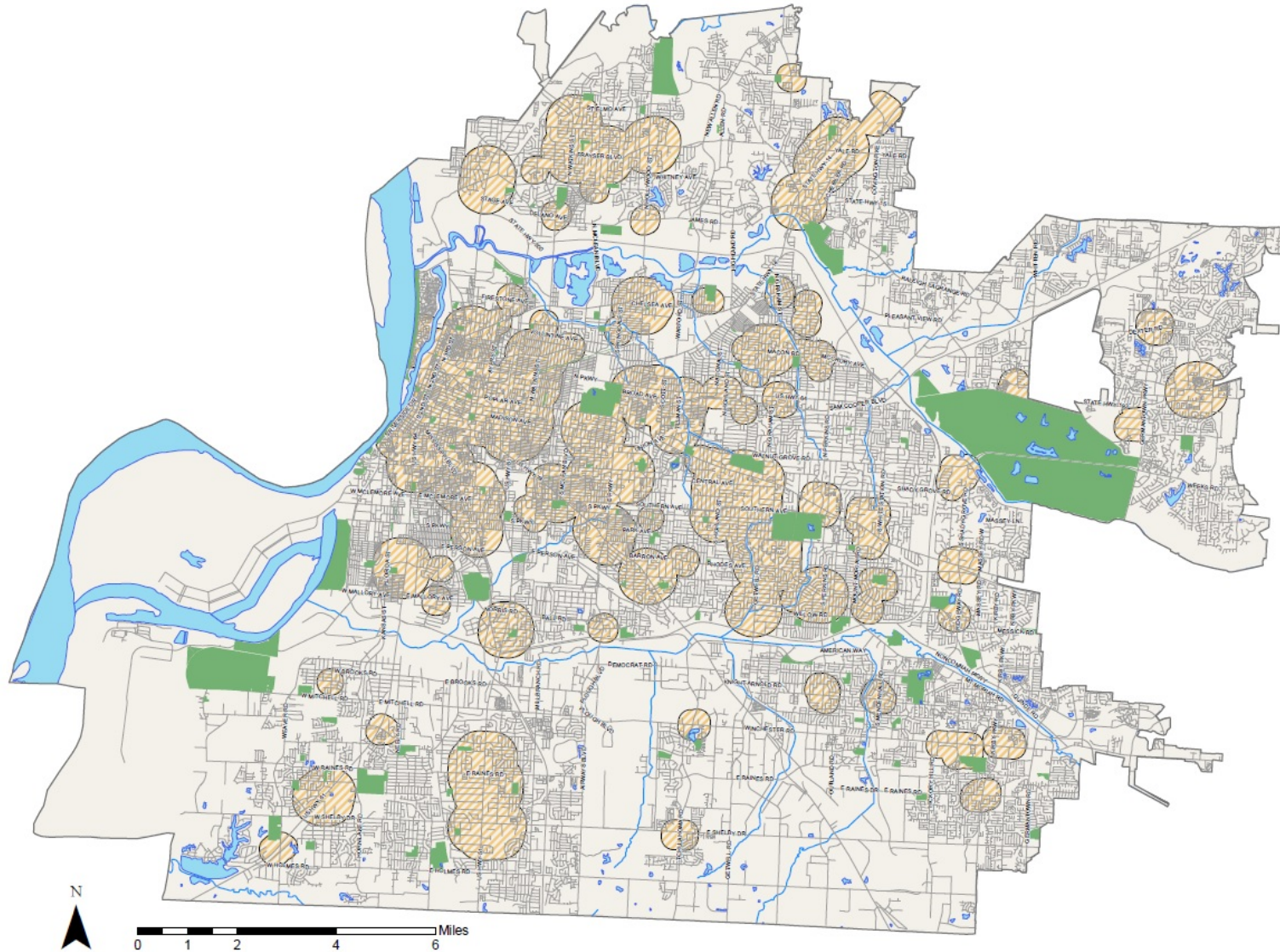
- 2001 - CRA created
- 2001 - Uptown TIF created
- 2007 - Highland Row TIF created
- 2017 - Established CRA as independent City/County Agency
- 2017 - One TIF expansion - Uptown (expanded to Medical District) and one new TIF - Binghampton
- 2018 - Hired permanent staff
- 2018 - Completed planning; began Uptown TIF implementation
- 2019 - Expanded Uptown TIF to include remainder of Smokey City, New Chicago, and Bickford Neighborhoods

Active CRA TIF Areas

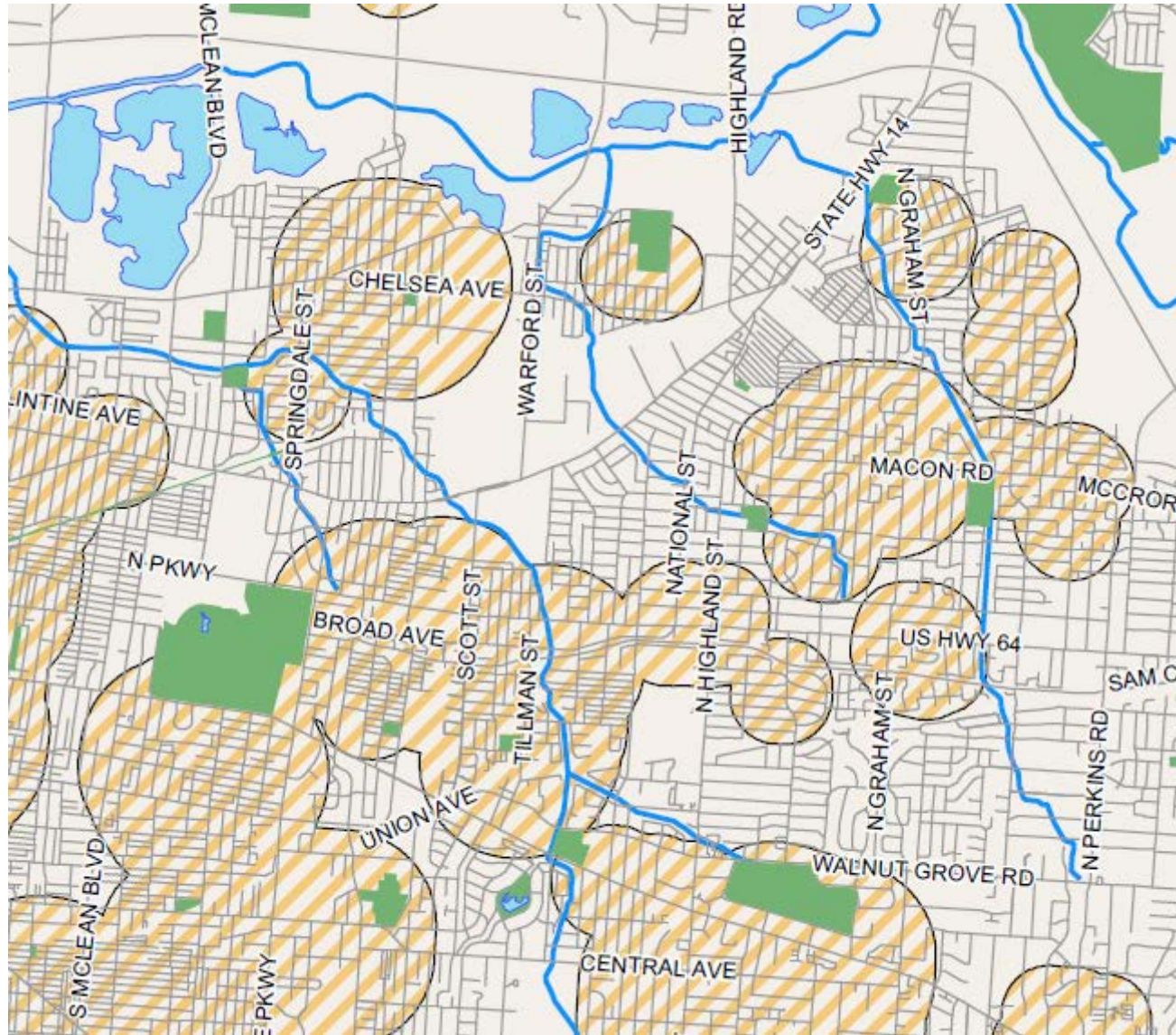
- Uptown TIF (2001, expansions in 2017 and 2019)
- Highland Row TIF (2008)
- Binghampton TIF (2017)
- Future TIFs in City of Memphis and Shelby County
 - Limited to anchor areas identified by Memphis 3.0



CRA Workable Program – Memphis 3.0



CRA Workable Program – Memphis 3.0



TIF Readiness Checklist

- ▶ Is there a Community Organization or a Developer willing to be the Applicant?
- ▶ Can the Applicant fund or obtain the funding needed to prepare an application to the CRA for establishing a TIF District?
- ▶ Is there a selected geography for the proposed TIF District?
- ▶ Is the proposed TIF District wholly within a community anchor as designated by the Memphis 3.0 Comprehensive Plan?
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- ▶ Have projects / programs been identified for TIF funding that will 1) Remediate Blight and/or 2) Provide Affordable Housing?
- ▶ Would these projects / programs not take place “But For” TIF funding?

If the answer is “yes” to each of these questions, you may be ready for a CRA TIF District.

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Introduction to TIF

A Menu of Economic Incentive Tools

- Industrial Development Bonds
- General Obligation Bonds
- Tax Increment Financing
- Tax Abatement (PILOTS)
- Special Taxing Districts
- Enterprise Zones
- Revolving Loan Funds
- Etc.



The TIF Tool

- ▶ Tax Increment Financing grew from a need to solve urban planning issues
- ▶ Evolved from Federal urban renewal policy and definitions:
 - ▶ “Blight”
 - ▶ Land clearance
 - ▶ Redevelopment plan
- ▶ The TN Housing Authority statute (dating from 1945) shows how old this concept is but the broad use of the term TIF came later

The TIF Tool

- ▶ The spread of TIF legislation to other states was a result of “decentralized” Federal policy (1981-1989) under Reagan’s administration
- ▶ As Federal dollars for urban renewal were cut, the mantra was for cities to use their own resources to accomplish these objectives
- ▶ Local reliance on local solutions and public/private partnerships was the hallmark of this thinking
- ▶ Therefore, TIF is universally a local tool enabled by state statute

The TIF Tool

- ▶ The term TIF and the concept of a “community redevelopment authority” really evolved from California legislation from 1954
- ▶ “Captures” and dedicates tax revenue created in an area to that area
- ▶ Allows tax revenue to be used for both public and private purposes (so long as private use furthers the a public purpose of mitigating or removing “blight” or “providing affordable housing” etc.

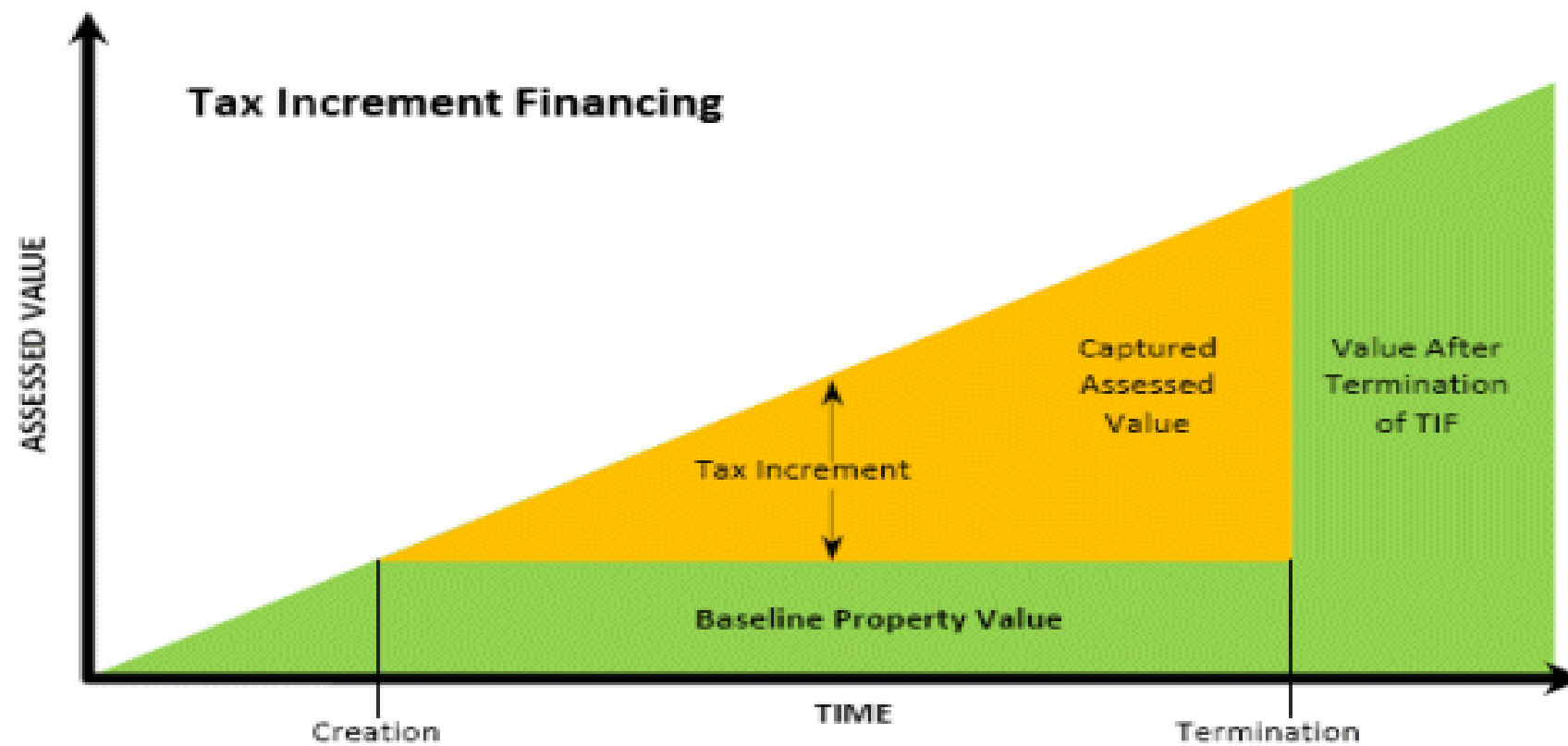
The TIF Tool

- ▶ Gives local government added leverage to influence private development by virtue of providing public funds (“Public-private-partnership” or “P3”) to enable:
 - ▶ Higher standards for development
 - ▶ Enhanced public improvements
 - ▶ Growth management & comprehensive planning
 - ▶ Providing affordable housing and other “public goods”
- ▶ Within a TIF district, the municipality (or the local authority) can acquire property by eminent domain to assemble sites for private development

How does TIF work?

- ▶ An area which meets the qualifications for designation under the CRA Act is designated as a “blighted” and/or “lacking affordable housing”
- ▶ A redevelopment plan specifying the projects anticipated to occur is created
- ▶ The property tax base for the area is “frozen”
- ▶ Property taxes in excess of the base created as a result of new development or rehab of existing buildings is allocated to a TIF fund which can be used to finance project costs

How does TIF work?



Source: FHWA

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TIF District Types, Projects, and Best Practices

Project Types

- ▶ The community-based method to use TIF is the “area-wide” model
- ▶ Other major model is a “site-specific” model
- ▶ Areas meeting the qualifying criteria are designated based on a redevelopment plan that establishes goals for the area
- ▶ California, Florida, and the City of Chicago use the area-wide model
- ▶ Nashville and Knoxville have used similar approaches, but with their housing authorities

Project Types – Grand Center – St. Louis



Project Types – Grand Center – St. Louis

- ▶ Mid-Town Arts and Education District located in the heart of the City (Major anchor)
- ▶ 25-year struggle to capitalize on the location of major arts venues, a major Catholic university, and two hospital complexes
- ▶ Competition for City and business community funds meant that badly needed redevelopment was occurring via the slow and uncoordinated method (PILOTS)
- ▶ Multiple major and minor projects in the works provided a potential engine for TIF revenues to:
 - ▶ close financing gaps
 - ▶ acquire land
 - ▶ demolish or rehab buildings
 - ▶ to build needed infrastructure (i.e. parking)

Project Types – Grand Center – St. Louis

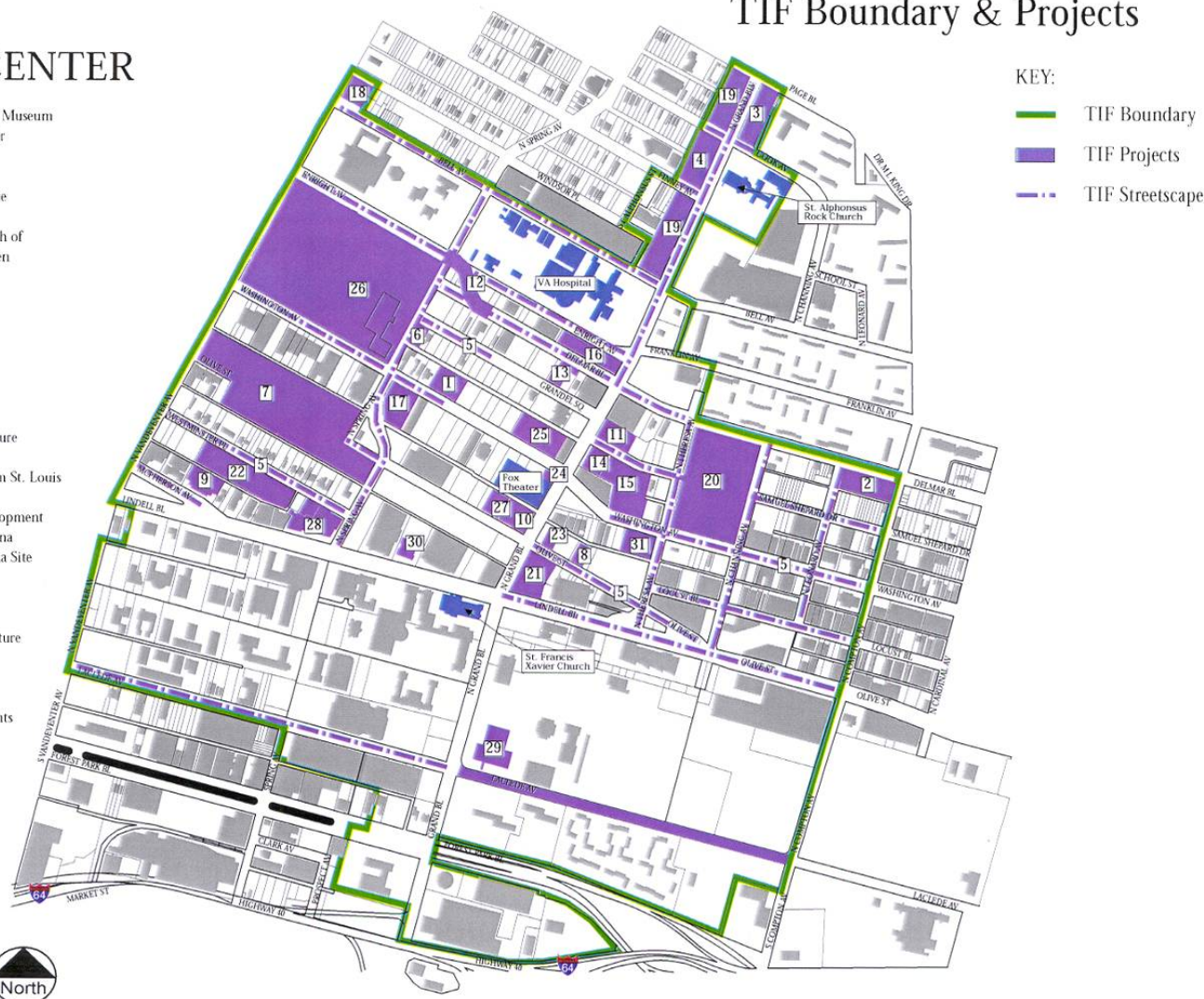
- ▶ Concept followed Chicago TIF model i.e.
 - ▶ capture revenue engines
 - ▶ create larger districts that encompass a range of related goals and objectives
 - ▶ basis formed in up-front strategic planning
 - ▶ Large area covering approximately 300 acres and more than 700 parcels
 - ▶ Numerous projects in the “pipeline” but nearly all needed some level of public support to close development financing gaps

Project Types – Grand Center – St. Louis

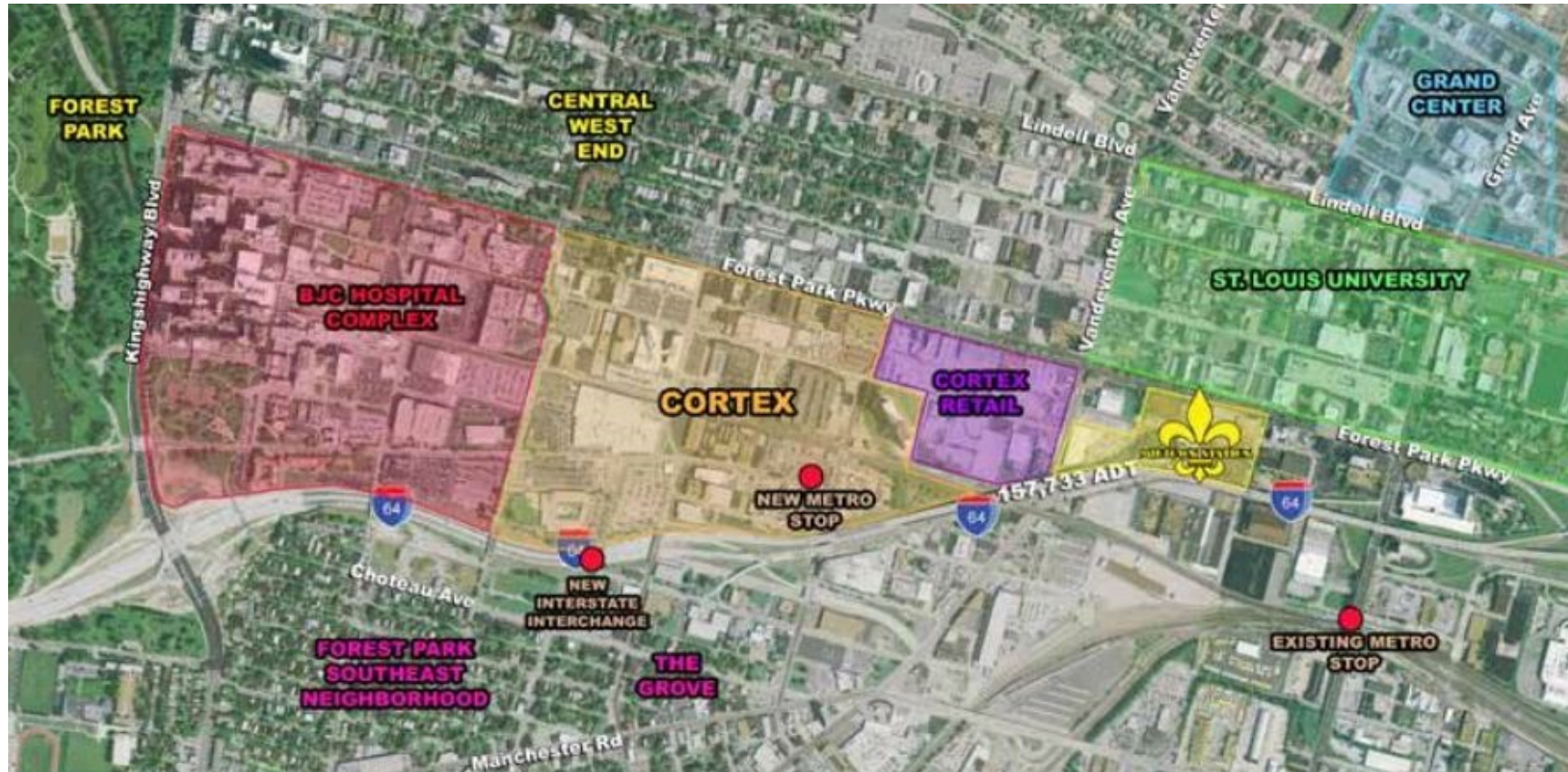
GRAND CENTER

1. African American History Museum
im's Kids Daycare Center
harmaine Chapman
Community Center
4. Covenant Plaza Greenspace
5. District Improvements
6. National Memorial Church of
God in Christ urban garden
7. Olive West Housing
8. Medinah Temple
9. Moolah Temple
10. Woolworth Building
11. Symphony Plaza
12. Delmar Street re-routing
13. Sun Theater
14. 634 North Grand
15. Grand East Parking Structure
16. VA Parking Structure
17. Contemporary Art Museum St. Louis
18. Village Academy
19. North Grand Retail Development
20. Saint Louis University Arena
21. St. Louis University Marina Site
22. Moolah Garage
23. Metropolitan Building
24. Humboldt Building
25. Grand West Parking Structure
26. Cardinal Ritter College
Prep High School
Continental Building
oronado Hotel Apartments
27. Saint Louis University
Busch Memorial Center
28. Saint Louis University
Museum of Art
29. Circus/ Flexible
Performance Space

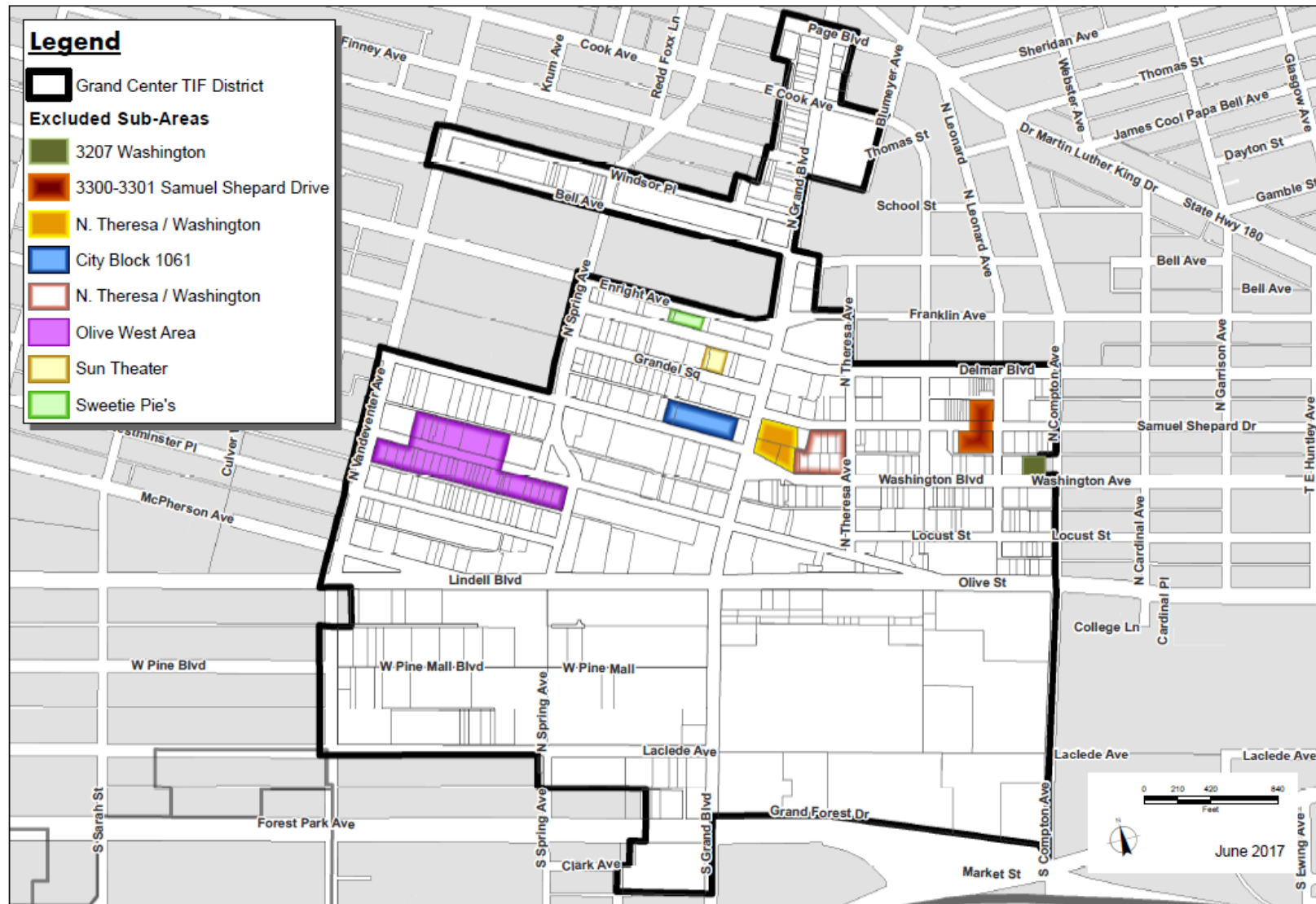
TIF Boundary & Projects



Project Types – Grand Center – St. Louis



Grand Center - Tax Abatement (PILOTS) and TIF



Project Types - Uptown TIF Memphis



- ▶ Used increment from Harbor Town - New Urbanist development along the Mississippi Riverfront
- ▶ TIF Created in 2001 before full development / taxes realized
- ▶ 132 acres of reclaimed sand bar by Downtown



History of Uptown TIF

- Hope VI and Related Development
 - Hurt Village Redevelopment
 - Lauderdale Courts
 - Scattered site single family housing
- Jimmy Carter Habitat for Humanity Build in Bearwater



88 units
completed



347 units
completed



114 units
completed



History of Projects in Uptown TIF

- Single Family Homeowner Rehab Program
- Historic Rehab Program
- Commercial Rehab Program
- Environmental Remediation
- Street Trees
- Sidewalks
- Alleys
- Greenlaw Community Center
- Affordable Housing
 - Habitat for Humanity
 - Promise Development
 - Elmington Capital
 - Senior Housing



Project Types – Highland Row

- ▶ Developer- driven
- ▶ Site specific
- ▶ Multifamily
- ▶ Mixed use
- ▶ 10-year process from proposal to construction



Best Practices Considerations

- ▶ Projects should achieve the goals and objectives of the Community Plan for the area and the City's comprehensive plan (e.g. Memphis 3.0)
- ▶ A project should have a potential development and economic impact beyond its immediate boundaries
- ▶ A continuing goal should be to minimize TIF assistance to the private investment in favor of public improvements to the greater area
- ▶ Some projects will require greater assistance (due to unique conditions)
- ▶ If you minimize assistance to one project it can be used to support one of equal importance but with less revenue generation capacity

Best Practices Considerations

- ▶ Negotiate wisely with private developers
 - ▶ Don't forget that you need them - their developments generate increment
 - ▶ If they can't make a profit, there will be no development
 - ▶ Key is to use TIF to leverage their projects but not heavily subsidize private investments
- ▶ Get the most out of TIF revenue to pay for public improvements *and* leverage private investment
 - ▶ Pay-as-you-go: simplest, most conservative, and slowest to show results (you have to wait for the revenue to accrue)
 - ▶ Upfront borrowing: Uses anticipated revenue stream to jump start public improvements/development (may combine from more than one project)

Best Practices Considerations

- ▶ Get the most out of TIF(cont'd)
 - ▶ A combination of methods may be used
 - ▶ Which works best will depend on the nature and goals of the district and the project(s) within
 - ▶ CRA has bonding authority (Section 20 of the Act)
 - ▶ Pay-as-you-go is the safest for private development (the developer can pledge the TIF revenues to his lender)
- ▶ Don't provide back up General Obligation (pledge from the City and/or County to "co-sign" the note) financing to any private development project

Revenue Generation Comparison - *St. Louis

		
	Big Box Retail	Mixed-Use Project
Land Consumed (acres):	11.0	1.2
All Property Taxes per Acre	\$14,020	\$525,820
Property Taxes per Acre to City	\$2,974	\$111,541
Retail Taxes* per Acre to City	\$104,170	\$169,225
Residents per Acre	0.0	324.0
Jobs per Acre	14.2	58.9
Earnings/Payroll† Tax per Acre	\$3,560	\$14,112
Total Tax‡ per Acre (to City Only)	\$110,704	\$294,878
City's Estimated Cost per Acre**	\$64,618	\$64,618


*Estimated from public reports of annual sales per sq. ft.

† Workers Only, excludes residents

‡ Only includes real property, sales and earnings/payroll tax (excl. earnings tax paid by residents)

** Based on City-wide average annual cost per sq. ft. for commercial property of \$1.95 (see tech. memorandum).

Project Comparison w/ TIF Incentive - *St. Louis

		
	Big Box Retail	Mixed-Use Project
Total Tax per Acre (to City Only)	\$110,704	\$294,878
Tax Incentive per Year	(\$54,464)	(\$173,846)
10% Substitution Effect	(\$11,070)	(\$29,488)
Net Tax to City per Acre after Incentives	\$45,169	\$91,544
City's Estimated Cost per Acre**	(\$64,618)	(\$64,618)
Net Return to the City per Acre	(\$19,449)	\$26,926

** Based on City-wide average annual cost per sq. ft. for commercial property of \$1.95 (see tech. memorandum).

TIF Readiness Checklist (Reprise)

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TIF Policy Manual

(For New TIF Districts)

CRA of the City of Memphis and Shelby County

Tax Increment Financing Policies & Procedures

Adopted by CRA Board
September 3, 2009, Revised 2017

(NEW) TIF General Policies & Guidelines

- ▶ **SECTION I: TIF GENERAL POLICIES AND GUIDELINES -**
Generally applies to projects proposed by private developers.
- ▶ **SECTION II: TIF IMPLEMENTATION PROCESS -**
Addresses the applicability of these policies to projects sponsored by the CRA and/or the City/County.
- ▶ **SECTION III: TIF DOCUMENTS -**
Discusses the TIF Application; Planning Funding Agreements; Community Redevelopment Plan & Agreement

Tax Increment Financing Policies & Procedures

SECTION I TIF GENERAL POLICIES AND GUIDELINES

Tax Increment Financing Policies & Procedures

► TIF POLICIES AND GUIDELINES

- Projects must be in the public interest
- Projects must provide substantial public benefit
- Project benefits must be measurable & ensure accountability
- CRA will encourage projects that work to achieve the CRA Workable Program goals
- Applicants will be required to comply with all laws, ordinances and regulations

Tax Increment Financing Policies & Procedures

- ▶ **TIF REVIEW COMMITTEE**
 - All applications for TIF assistance must be evaluated by the TIF Review Committee, which is comprised of CRA staff, City of Memphis Finance Division staff, Shelby County Finance Division staff, and the offices of the City and County Attorneys, prior to consideration by the CRA Board.

Tax Increment Financing Policies & Procedures

► REDEVELOPMENT PLAN & PROJECT CRITERIA

Applicants Must Demonstrate:

- Why TIF assistance and amount requested is required
- How project meets requirements noted in TIF Application
- How project furthers goals of Workable Program
- The public benefit and how benefit justifies TIF assistance
- How projects involving land acquisition support City goals
- Ability to complete project
- Total project cost; Financing structure and schedule; TIF revenue projections

Tax Increment Financing Policies & Procedures

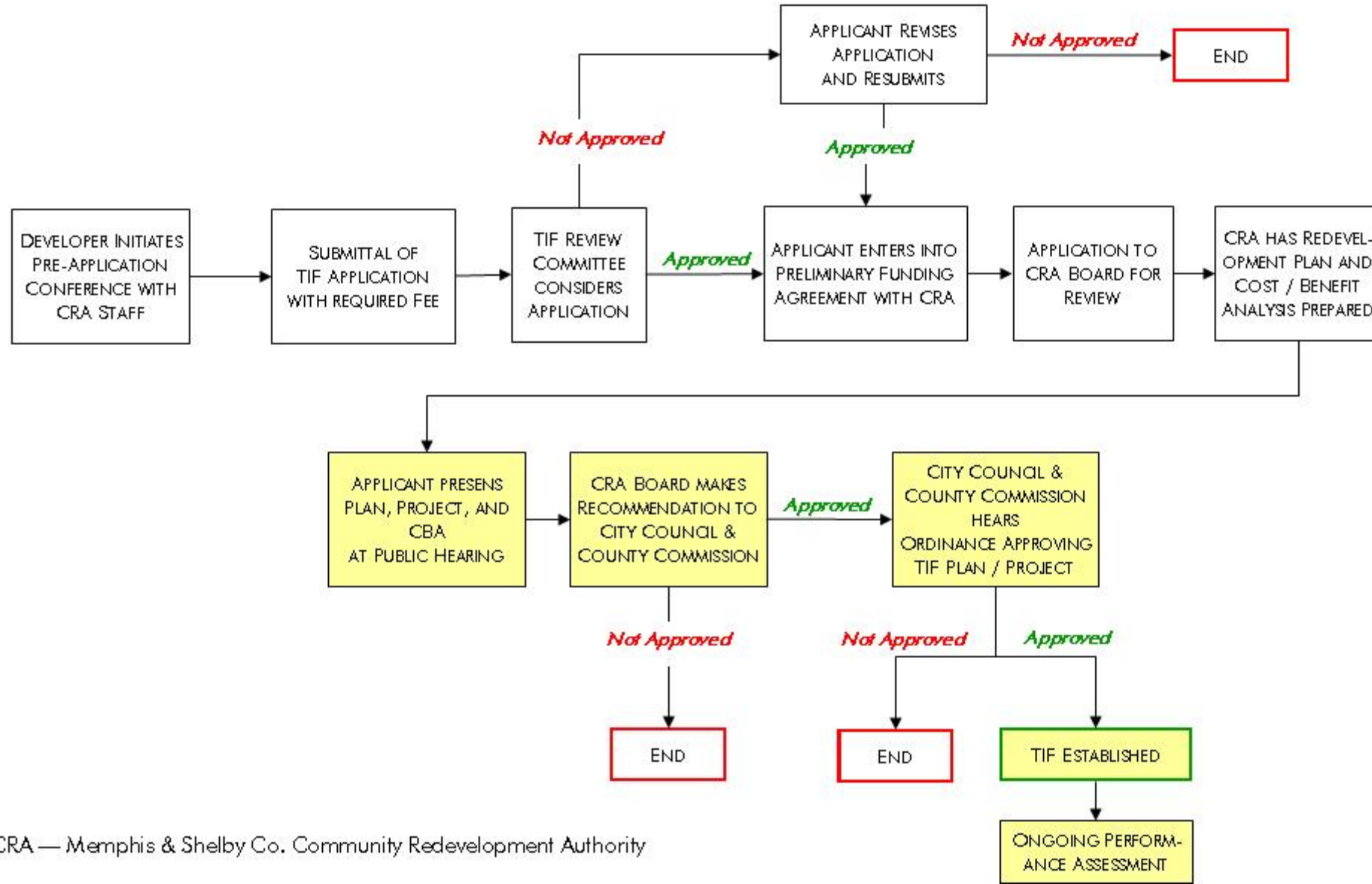
► REDEVELOPMENT PLAN & PROJECT CRITERIA (*Cont.*)

- TIF assistance “generally” should not exceed 15% of costs: except 20% when rehabilitation or assembly / clearance
- TIF preferred for public infrastructure/affordable housing
- TIF assistance is one-time event
- Projects seeking TIF for other than affordable housing should show how they are enhancing the tax base. If they are only real estate development/redevelopment or merely relocate existing uses within Memphis - they **will not be approved**.
- TIF assistance will be provided pursuant to a redevelopment agreement between the CRA and the development entity
- 5% fee collected

Tax Increment Financing Policies & Procedures

SECTION II TIF IMPLEMENTATION PROCESS

THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF MEMPHIS/SHELBY COUNTY
TAX INCREMENT FINANCING PROGRAM
PROCEDURE DIAGRAM
DEVELOPER INITIATED TIF



Example Schedule

DURATION	ACTIVITY/DOCUMENTATION
	Community Organization or Developer initiates Pre-application Conference with CRA Staff regarding potential TIF project and its general location. CRA Staff provides Organization or Developer with TIF Manual and process documents.
3 to 9 months	Community Organization or Developer engages community, retains legal counsel, and retains financial analyst for fiscal impact statement
	Applicant submits completed application (including redevelopment plan, fiscal impact statement, and other items on the Application Checklist for TIF). This starts the clock for review.)
At least one month	CRA Staff reviews application and distributes with supporting documentation to CRA Counsel, Financial Advisor, and CRA Finance Committee Members
	Advertise CRA Board Meeting and CRA Board Finance Committee Meetings in Daily News.
At least one month	CRA Finance Committee Meeting to review TIF application package. ¹
	CRA Counsel prepares memo for TIF Review Committee: Committee receives TIF application package.
One week	Advertise TIF Review Committee Meeting in Daily News.
	TIF Review Committee Meeting. ²
One week	Advertise CRA Board Meeting in Daily News.
	CRA Board Meeting to vote on redevelopment plan, redevelopment project and benefit/cost analysis.
45 days prior	Notify Taxing Authorities (County Trustee & City Treasurer) and send copy of redevelopment plan by certified mail with return receipt to CRA Staff.
At least 15 days prior	Advertise Council & Commission Meetings in Daily News and Tri-State Defender - Public Hearing 15 business days notice.
	Secure City Council Member and County Commissioner to Sponsor items.

Example Schedule (Continued)

One week	Prepare City & County forwarding packages - Rout Council & Commission deadlines (SIRE):
	A. Memphis City Council deadline is week prior to City Council Meeting.
	A. County Commission deadline is week prior to County Commission Meeting.
	Memphis City Council Committee Presentation. ³
At least two weeks	Council adopts resolution setting public hearing date.
	Presentation to County Commission Committee. ⁴
At least two weeks	County Commission adopts resolution for public hearing.
Two weeks	City adopts ordinance [resolution] to approve plan; first reading to approve redevelopment trust fund.
Two weeks	County adopts ordinance [resolution] to approve plan [first reading to approve redevelopment trust fund].
One week	Second reading by City to approve redevelopment trust fund.
One week	Second reading by County to approve redevelopment trust fund.
One week	Third reading by City to approve redevelopment trust fund.
One week	Third reading by County to approve redevelopment trust fund.
Total: 6 to 14 months, including community engagement	
NOTE:	<ul style="list-style-type: none"> The Shelby County Board of Commissioners and Memphis City Council meeting calendars may vary.
	^{1,2,3,4} Assumes CRA staff and/or Applicant can provide any additional information requested by the CRA Board or legislative bodies within the time constraints.
	Prepared by: CRA Staff for informational purposes only

Tax Increment Financing Policies & Procedures

SECTION III

TIF DOCUMENTS

- ❑ Application & Application Checklist
- ❑ Preliminary Funding Agreement
- ❑ Community Redevelopment Plan
- ❑ Redevelopment Agreement

Tax Increment Financing Policies & Procedures

► TIF Application & Application Checklist

- Completed Application for Tax Increment Financing Assistance
- Demonstration of need for TIF Assistance (with supporting project pro forma)
- Statement that the Applicant possesses the financial and technical ability to successfully complete and operate the project.
- Check for Application Fee
- Preliminary Funding Agreement
- Redevelopment Plan
- Cost/Benefit Analysis

Tax Increment Financing Policies & Procedures

► Preliminary Funding Agreement

If preliminary evaluation of an application by the CRA staff indicates:

- the application is complete;
- the project may be feasible; and,
- TIF assistance may be appropriate for the project;

CRA staff will then prepare a preliminary funding agreement for execution by the applicant and approval by the Board of the CRA. This agreement will include an itemized list of the CRA's costs and expenses associated with the review of the project, and the terms and conditions of any advance funding to be required from applicant to defray

Tax Increment Financing Policies & Procedures

- ▶ **Community Redevelopment Plan**
 - ▶ Must conform to the Comprehensive Plan
 - ▶ Area must qualify as slum or blighted area
 - ▶ Must define Redevelopment Plan Objectives
 - ▶ Must include Cost/Benefit Analysis
 - ▶ Must incorporate a Fiscal Impact Statement

Tax Increment Financing Policies & Procedures

► Redevelopment Agreement

After the public hearing, the City or County enters into a Redevelopment Agreement with the applicant developer.

The Agreement lays out the rights / responsibilities of the City, County and Developer in the implementation of the Plan. Conditions or terms that may be negotiated in the Agreement are:

- Amount of Incremental Revenues dedicated to private development project and/or CRA activities
- MBE/WBE Participation
- Bond financing
- Total amount of TIF assistance granted, and application of TIF proceeds
- Issuance of TIF Bonds
- Remedies in the case of default
- and “Clawback” provisions

TIF Readiness Checklist (Reprise)

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Contact

Rosalyn Willis, President

Andrew Murray, Director of Planning and
Community Development

Community Redevelopment Agency

170 N. Main Street

Floor 6

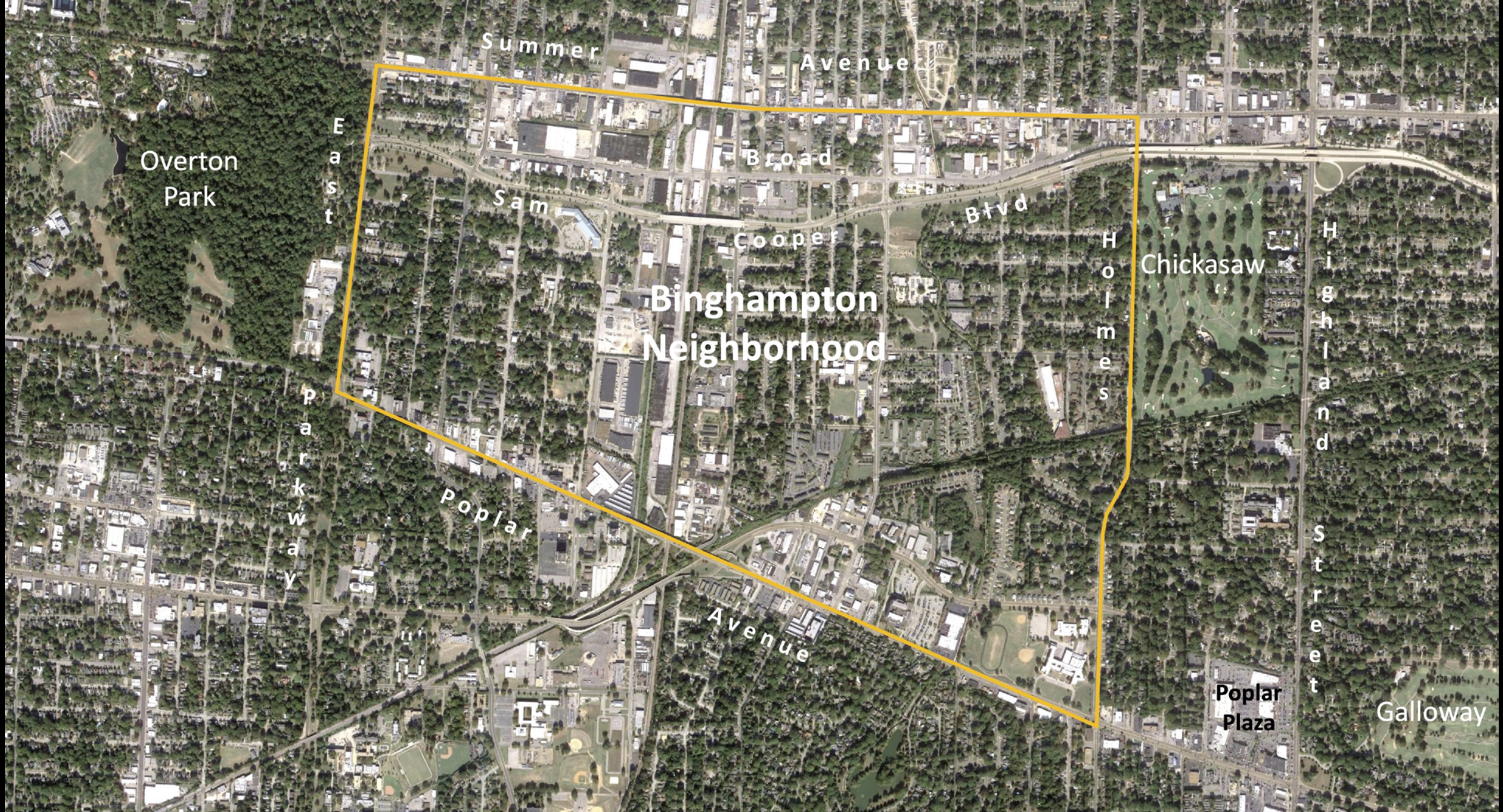
Memphis, TN 38103

Phone: (901) 636-6544

Website: www.CRAMemphis.org



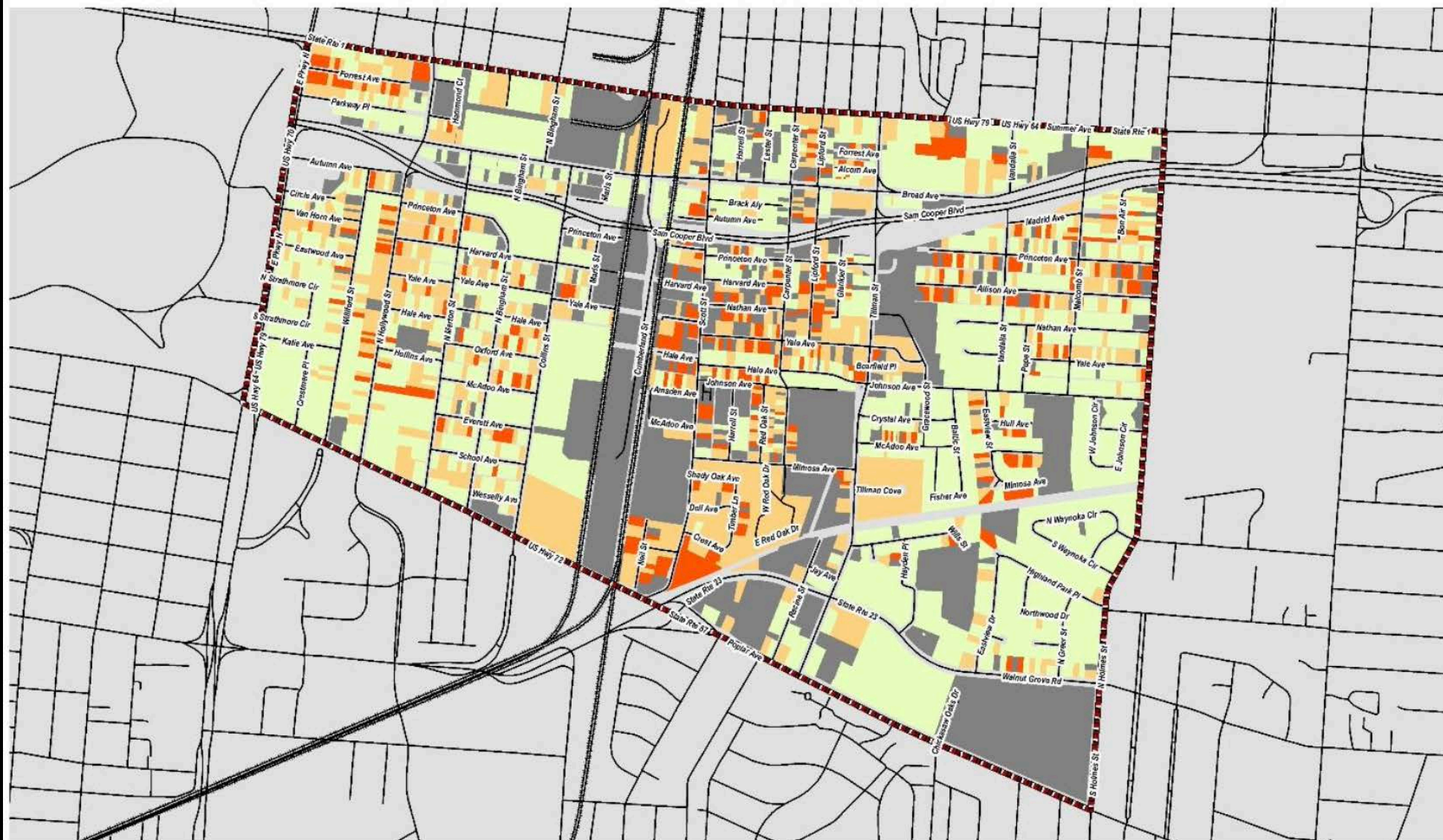
COMMUNITY REDEVELOPMENT AGENCY
===== YOUR VISION, YOUR VOICE =====



Binghampton Neighborhood TIF Boundary Map







Legend

- TIF Boundary
- Non-Blighted Property - 1 & 2
- Transitional Property - 3
- Blighted Property - 4 & 5
- No Value Given
- Roads
- Rail Lines



Binghampton Neighborhood TIF District Neighborhood Blight Conditions - Bluff City Snapshot Ranks

0 0.1 0.2 0.4 0.6 0.8 1 Miles

Binghampton Development Corporation

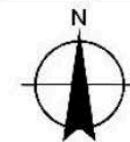


Figure 3: Blight Map: The maps indicates blighted conditions highlighted in yellow, orange and red, ranking 3, 4 and 5 respectively. Data is from the 2016 Memphis property hub blight survey.

*The Binghampton TIF is **NEIGHBORHOOD-DRIVEN** (not developer-driven) and is dedicated to a strategy of **thriving in place** – fostering living and working in the Binghampton neighborhood.*

Infrastructure: Livability, Safety, Connectivity and Pedestrian/Biking

Housing: Development of affordable, quality housing

Commercial: Small - Local Business Ownership / Property
Redevelopment

Blight Remediation: Abatement and Vacant Land Improvements

Binghampton Community Redevelopment Plan Budget

Category	Subtotal
Housing & Neighborhood Development	\$9,300,000
New & Redeveloped Affordable Housing Projects Residential Infill Workforce Housing Neighborhood Oriented Mixed-Use Development	
Infrastructure Improvements	\$8,500,000
Roadway & Intersection Improvements Streetscape Improvements Shared Public Parking Utility Upgrades	
Public Facility Improvements	\$3,200,000
Parks & Greenspace Enhancements Greenline Improvements Community Center Improvements Public Art	
Environmental Improvements & Site Acquisition	\$3,270,000
Blight Remediation Environmental Clean-up Vacant Property Stabilization / Maintenance Public Safety Enhancements Property Acquisition	
Community Equitable Economic Development	\$2,000,000
Community Engagement & Programs Local & Minority Small Business Recruitment Façade Improvement Grants	
BUDGET TOTAL	\$26,270,000

Binghampton TIF Community Interview – By Outreach Zone

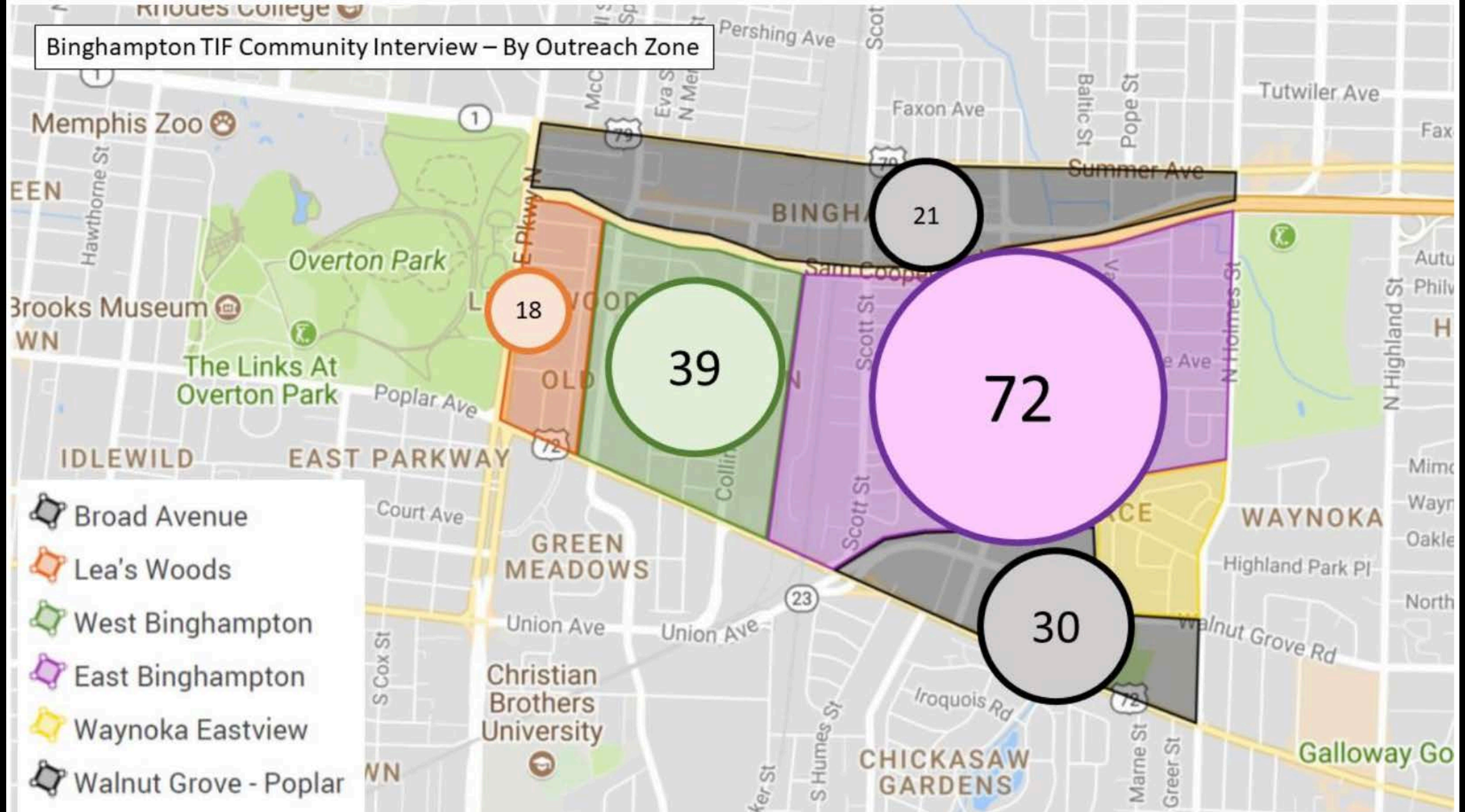


Figure 3 - Map illustrates the location of the interviews by each outreach zone throughout Binghampton.

Binghampton TIF Application Evaluation

This evaluation tool is designed to assess the overall alignment of each project with the priorities established in this TIF Implementation Plan. Part 1 (Fundamentals) should be used to evaluate every project. In Part 2, one or more of the sections can be used, depending on the scope of the project. (✓ all that apply) However, not all Part 2 sections will apply to all types of projects.

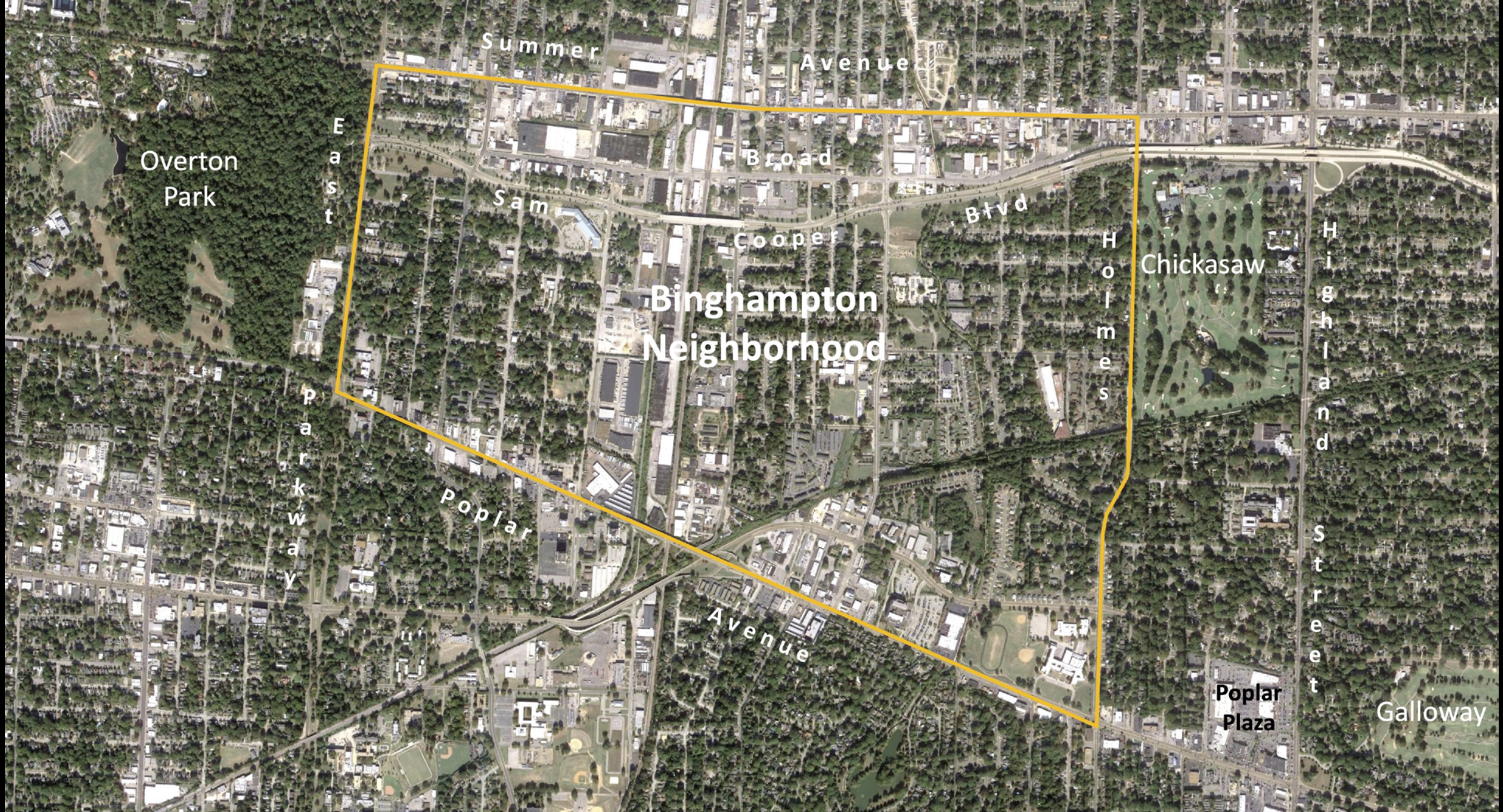
Project Name:

Project Applicant:

Part 1: Project Fundamentals & Financial Impact

Project Fundamentals	Yes	No	N/A	Comments
Project aligns with community aspirations of Strong Community Spaces, Clean and Activated, Affordable Opportunities, and Safe & Connected as referred to in the TIF Implementation report.				
Official community representatives have been engaged early & often through the project planning process, and has proper influence in the project decision-making process.				
Development team meets the inclusion goal of 35 percent of the value of project design and construction contracts are awarded to minority- & women-owned firms.				
Financial Impact	Yes	No	N/A	Comments
Project will serve as a financial catalyst for the implementation of other key priorities of the TIF Implementation Strategy				
Project leverages the requested TIF resources with an appropriate percentage of multiple other private and public funding sources				
Project's TIF allocation does not impede current remaining available TIF resources needed to implement other needs of the Community Redevelopment Plan				
Project's TIF allocation appropriately matches its advancement of the Community Redevelopment Plan objectives				
Equitable Economic Development	Yes	No	N/A	Comments
Jobs created by project paying a living wage and 25% filled by Binghampton residents, consistent with the Binghampton Community Redevelopment Plan.				
Project incorporates strategies to avoid displacement of existing residents and businesses.				
Project has an economic benefit to a cross-section of existing Binghampton residents & business owners.				
Project shall lease a minimum of 30% of commercial space to minority - & women owned firms.				

Part 2: Alignment with TIF Priorities				
Housing & Neighborhood Development	Yes	No	N/A	Comments
Project expands the variety of affordable housing options and choices in the neighborhood.				
Project improves the condition of existing housing stock.				
Project achieves goal of 50% affordable units per Binghampton Community Redevelopment Plan.				
Developer has specific plans or strategies to prevent displacement of Binghampton residents.				
Project offers opportunities for homeownership for long-term Binghampton residents.				
Project improves the appearance of commercial corridors in Binghampton.				
Infrastructure Improvements	Yes	No	N/A	Comments
Project implements pedestrian safety through the Memphis Complete Streets strategies, such as traffic calming and improved crosswalks.				
Project adds new or improves existing sidewalks that meet appropriate Memphis & Shelby County Unified Development Code (UDC) streetscape standards.				
Project enhances neighborhood streetscapes through improvements such as landscaping, benches, public art, etc.				
Project supports full transportation access through expanded bike/pedestrian facilities, proximity to existing bike-ped infrastructure, and/or location within one-half mile of a MATA stop.				
Project increases intra-neighborhood connectivity with enhanced infrastructure strengthening the connections of East and West Binghampton or across Sam Cooper.				
New and Enhanced Public Facilities	Yes	No	N/A	Comments
Project adds shared publicly accessible greenspace to Binghampton.				
Project improves and enhances community facilities such as parks and community centers.				
Project provides new or improved access to community facilities and amenities such as retail, schools, parks and the Shelby Farms Greenline.				
Environmental Improvements and Site Acquisition	Yes	No	N/A	Comments
Project redevelops property that was previously vacant or blighted.				
Project enhances public safety through additional lighting, blight remediation, or other strategies.				
Project cleans up areas of concentrated blight or environmental hazards.				



Binghampton Neighborhood TIF Boundary Map





Tax Increment Financing

Overview & Considerations

prepared for

**City of Memphis and Shelby County Community
Redevelopment Agency**

**Presented by:
Lauren Lowe, Managing Director**

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PFM Financial Advisors LLC

530 Oak Court Drive, Suite 160 www.pfm.com
Memphis, TN 38117 (901) 481-3259



Tax Increment Financing (TIF) Overview & Mechanics

- ◆ Tax Increment Financing Districts or TIFs are financing tools used to promote economic development and/or redevelopment within a defined geographic area or district
- ◆ Property tax revenues due to valuation growth in the defined district are set aside for specific uses within the district
- ◆ Intended to be “budget neutral” from a local government’s perspective

Mechanics of a TIF

- ◆ A local government must designate a project area for development or redevelopment and capture its base assessed value
- ◆ As property values in the defined district increase, the tax revenue generated from these increases above the base assessed value are available to fund redevelopment costs, including debt payments
- ◆ Incremental revenue within a district may be attributable to:
 - Increased density and/or higher value redevelopment
 - Market increases to value of existing property
 - Increase in tax rates



Application of the Increment

- ◆ Often, the incremental revenues generated in a TIF district are applied to fund public improvements that are part of the development, such as:
 - Additional or improved water or sewer service
 - Land acquisition
 - Traffic lights
 - Streetscaping
 - Roadway construction
 - Municipal parks
 - Extension of public transportation
 - Sidewalk
 - Garage parking



Pros & Cons of Tax Districts, Generally

Pros

- Facilitate priority development projects
- Additional tool in alternative financing toolbox
- Availability of financing options may bring about projects/developments and sooner
- Allows beneficiaries/users of a specific service or improvement to pay without spreading cost across entire community
- Target services
- Link costs to benefits

Cons

- Carves revenue growth away from General Fund
- Increment-backed debt is rarely investment grade and as a result, is expensive and speculative
- Potential lack of coordination among district and host jurisdiction
- Potential confusion among citizens regarding functional responsibility
- Differential (& additive) tax rates within a single host jurisdiction
- Economic downturns can significantly impact the financial sustainability of the district



Funding/Financing TIF Projects

Municipalities can use one or more of the following options to finance TIF projects:

- ◆ Pay-as-you-go financing;
- ◆ Developer financing;
- ◆ Municipal financing:
 - Revenue bonds, secured by incremental tax revenues from the district
 - General obligation bonds and
 - Municipal financing with developer participation.



Characteristics of TIF (Increment-Backed) Debt

- ◆ Leverages the future, potential increment to provide upfront dollars for early-stage project costs
- ◆ Backed solely by the incremental revenues in the district
 - Speculative/non-investment grade – “build it & revenue comes”
 - Typically unrated with private placement/limited offering method of sale
 - No moral or general obligation back stop of the governing bodies
 - Expensive cost of capital/high interest rate due to high risk profile of repayment stream
- ◆ Forecast of incremental revenues depends on many factors
 - General & local economic conditions
 - Market demand, timing & use profile for project inducing the increment
 - On time & on budget delivery of project construction
 - Successful implementation of private business model, i.e., lease up of project land uses



Simplified TIF Feasibility Analysis

- In order to demonstrate the increment can support the cost of the [infrastructure or debt], a third-party expert should prepare a feasibility analysis.
- The feasibility analysis should take into consideration the economy (both local and national), property values before and after development, additional tax revenues generated by the development, etc.

	Year	Year	Year	Year	Year	Year	Year
	1	2	3	4	5	6	7
Property Tax Increment	\$ -	\$500,000	\$1,000,000	\$1,200,000	\$1,400,000	\$1,600,000	\$1,800,000
Sales Tax*	-	50,000	100,000	105,000	110,000	110,000	110,000
Hotel Tax*	-	100,000	200,000	210,000	215,000	220,000	220,000
Subtotal –Revenues	-	650,000	1,300,000	1,515,000	1,725,000	1,930,000	2,130,000
Less Debt Service	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000
Net revenues	-	650,000	1,300,000	(485,000)	(275,000)	(70,000)	130,000
Cumulative revenues		\$650,000	\$1,950,000	\$1,465,000	\$1,190,000	\$1,120,000	\$1,250,000

Revenues accumulate in years 2 and 3 to cover the future debt payments.



Simplified TIF Feasibility Analysis – But For Analysis

Property values increase and generate an additional property tax increment. Would these values increase, and at what level, without the formation of the TIF district?

	Year	Year	Year	Year	Year	Year	Year
	1	2	3	4	5	6	7
Property Tax Increment	\$ -	\$500,000	\$1,000,000	\$1,200,000	\$1,400,000	\$1,600,000	\$1,800,000
Sales Tax	-	50,000	100,000	105,000	110,000	110,000	110,000
Hotel Tax	-	100,000	200,000	210,000	215,000	220,000	220,000
Subtotal –Revenues	-	650,000	1,300,000	1,515,000	1,725,000	1,930,000	2,130,000
Less Debt Service	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000
Net revenues	-	650,000	1,300,000	(485,000)	(275,000)	(70,000)	130,000
Cumulative revenues		\$650,000	\$1,950,000	\$1,465,000	\$1,190,000	\$1,120,000	\$1,250,000



Simplified TIF Feasibility Analysis – Stress Test

In this example, the property values become stagnate in Year 5 and the other taxes are reduced by a stressed event, like a recession. The result is the revenues generated or accumulated do not cover the cost of the debt.

	Year	Year	Year	Year	Year	Year	Year
	1	2	3	4	5	6	7
Property Tax Increment	\$ -	\$500,000	\$1,000,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Sales Tax	-	50,000	100,000	105,000	90,000	80,000	90,000
Hotel Tax	-	100,000	200,000	210,000	150,000	150,000	170,000
Subtotal –Revenues	-	650,000	1,300,000	1,515,000	1,440,000	1,430,000	1,460,000
Less Debt Service	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000
Net revenues	-	650,000	1,300,000	(485,000)	(560,000)	(570,000)	(540,000)
Cumulative revenues		\$650,000	\$1,950,000	\$1,465,000	\$905,000	\$335,000	(\$205,000)



TIF Best Practices

- ◆ Adopting policies to govern the use of TIFs:
 - Determine objectives or goals to be accomplished by creating a TIF
 - Types of projects eligible for TIF financing
 - Financing considerations: max term, minimum development costs, minimum debt service coverage, etc.
- ◆ Determine the stakeholders and consider the impact and the necessary “buy in” and “but for” analysis
- ◆ Completing the "but for" test in order to determine if the [TIF] incentive is necessary
- ◆ Be prepared to monitor the TIF throughout its life including:
 - Status of development, including public improvements and milestones
 - Property value growth
 - Changes to taxpayers, including concentration or tax-exempt entities
 - Collection level/delinquencies
 - Debt covenants and/or reporting requirements



Measuring TIF Effectiveness

Measure	Examples
Input	Public investment (\$) & Private investment (\$) Acres of land assembled for TIF Debt proceeds
Output	Jobs created or retained Commercial space created Hotel units Acres of land remediated Parking / garage spaces created
Efficiency	Leverage ratio (private investment / public investment) Cost per square foot of commercial space Public subsidies per job created/retained Surplus TIF dollars as a percent of annual incremental revenues
Effectiveness	Assessed value (AV) growth within TIF versus AV growth in rest of city/county Assessed value within TIF before and after TIF creation
Risk	Debt coverage ratio Credit ratings of anchor tenants Tenant diversification (e.g., percent of total TIF AV attributable to top ten tenants)



Summary

- ◆ TIFs are a great tool to incentivize a project or development to occur.
- ◆ Just like any incentive, the governmental bodies or taxing authorities need to be thoughtful and deliberate about its use.
 - Local governments should evaluate TIFs broadly with its multiple community partners such as the CRA.
 - TIFs should not overlap and adjacent TIFs require further “but for” analysis.
- ◆ This presentation provides a high-level overview of many of the key considerations associated TIFs; however, each TIF is unique and its unique features should be factored into the considerations.