

Tax Increment Financing (TIF) FAQs

Question 1: What is a TIF?

Tax Increment Financing (TIF) is a public financing tool, available to local governments in Ohio, to finance public infrastructure improvements that support commercial development and, in certain circumstances, residential rehabilitation.

TIFs are authorized and created through TIF legislation adopted by local government. A TIF works by allowing the increase in assessed value of an improvement to real property to be exempt from real property taxation. The property owner(s) instead makes Payments In Lieu Of Taxes (PILOTs) in an amount equal to *only* the increase in property taxes generated by the improvement. The PILOTs are directed to the local government and deposited into a TIF fund to be used to pay for the construction of the public infrastructure defined within the TIF legislation. It is important to note that the property taxes on the real property values existing before the enactment of the TIF ("base value"), continue to be collected and distributed to the taxing entities that levied them.

Disbursements from the TIF fund reimburse the entity (private developer and/or the City) that made the infrastructure improvements over time, as revenues become available. If the TIF continues to generate revenue beyond the project(s) infrastructure costs, the revenues remain with the City and can be used for additional TIF eligible infrastructure projects needed to spur private development or to maintain the sufficiency of the public infrastructure within the TIF District.

The maximum term of a TIF exemption is 30 years and the maximum percentage of a TIF exemption is 100%. The TIF exemption commences with the tax year *after* the effective date of the TIF legislation in which increased property value first appears on the tax list and duplicate.

Question 2: What is the difference between a .40 and .41 TIF?

TIFs in the City of Columbus have historically been authorized by two statutes in the Ohio Revised Code: 5709.40 (".40 TIFs") and 5709.41 (".41 TIFs"). .40 TIFs must generally be used to pay for public infrastructure improvements such as public roads and highways, water and sewer lines, sidewalks, public parks, and parking structures. .41 TIFs, also known as Municipal Redevelopment TIFs, are able to be used to pay for public infrastructure improvements eligible under the .40 TIFs, as well as private improvements. In order to create a .41 TIF, the City or municipality must be (or have been) in the chain of title of the property prior to adoption of the TIF legislation.

Question 3: How do TIFs impact the Schools?

Within the Columbus City Schools District, the City of Columbus creates non-school TIFs. This means the school district will continue to receive the amount of property taxes that would have been payable to

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the school district if there were no TIF exemption enacted by the local government. Any TIFs created where the exemption affects the property tax revenue to a local school district require a compensation agreement negotiated with and approved by the School Board where the TIF area is located.

Question 4: Why are TIFs a good tool for the City?

TIFs are a benefit to the community because they pay for the costs of public infrastructure improvements needed to spur private development or maintain the sufficiency of the public infrastructure in the area of the private development. The property owners are sharing in the cost of infrastructure improvements benefiting their TIF district. Furthermore, these investments relieve pressure on the City's capital and general fund budgets and stimulates development or redevelopment that would not occur without the TIF structure being in place.

Question 5: What are the Community Benefits?

TIFs can support both commercial and residential development. In addition to the creation of new jobs and housing units, TIF revenues support redevelopment and public infrastructure such as sidewalks, water and sewer lines, parks, and roads.

Question 6: How are developers held accountable for job creation commitments?

The City is required to report annually to the State of Ohio and the City's Tax Incentive Review Council (TIRC) regarding compliance on all TIFs in the City. Job commitments for new development located within TIFs are not directly tracked through the TIF agreement. If the new project has a separate agreement with the City, job commitments are typically tracked and monitored through annual reporting to the City.

Question 7: How long have TIFs been a financing tool?

The general authority for municipal TIFs was established by HB1328 in 1976. There are approximately 1,850 active TIFS statewide. The first TIF in the City of Columbus was the Easton TIF, which was established in 1996. There are currently 81 TIFs Citywide.