

Development Finance: Tax Increment Financing (TIF) and Special Assessment Bonds

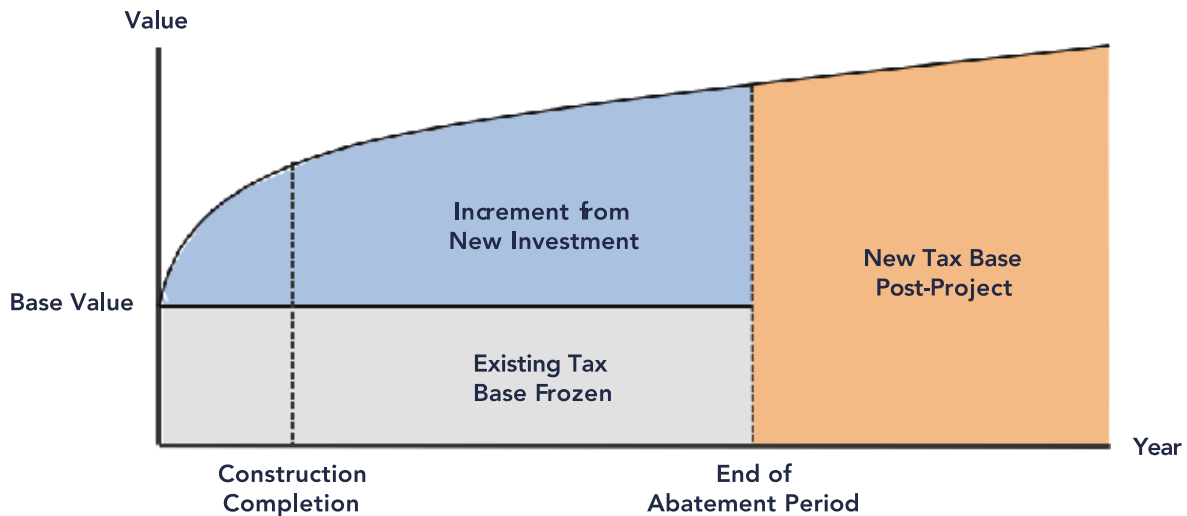
Tax increment and Special Assessment financing can be a powerful economic development programs, targeted to enable development and redevelopment projects as well as leverage other financing tools.

The Port Authority is a preferred issuer of debt involving tax increment financing in the City of Cincinnati and within Hamilton County municipalities.

Tax Increment Financing ("TIF") is a financing tool that allows the future increase in property taxes to be used to finance part of the cost of the improvement that will generate the increased taxes.

A TIF is put in place by an ordinance of the city council or township board of trustees and provides an exemption from property taxes that would be generated from the increased value of a development project. The exemption applies only to the increment. Existing property taxes continue to be paid to the respective government entities. The owner of the property makes "service payments in lieu of taxes" (commonly referred to as "PILOTs") instead of the exempted real property taxes. The PILOTs are used to pay debt service on bonds issued.

TIF Example



In Ohio, school districts often receive all or a portion of the tax revenue which would have otherwise been received out of the PILOT payments. Some school districts have arrangements with their local city or township that govern all TIFs while others decide on a case by case basis.

TIF bonds may be issued on a taxable or tax-exempt basis, primarily based upon the use of proceeds. The bonds are non-recourse to the municipality and the Port Authority, and do not count against the city's general obligation bond cap unless the city specifically agrees to provide credit support.

There are a variety of TIF provisions under Ohio state law. The most common use of TIF proceeds is for public infrastructure, however there is some ability to issue TIF debt for broader economic development purposes.

TIF bonds are backed by some form of security in addition to the TIF proceeds. The form of this security varies depending on the structure of the deal, but it can take the form of a reserve fund, a minimum service payment agreement with the developer, a letter of credit provided by a bank, the backing of a bond fund, and/or a special assessment. A special assessment is a charge levied upon a property especially benefited by a public improvement for the purpose of paying for part or all of the cost of the improvement. It is possible to finance infrastructure improvements using a special assessment without also using a TIF.

Port Authority Role

The Port Authority is a preferred issuer of debt – deploying our technical expertise and resources to negotiate the bond documentation, execute the transaction, and oversee all post-issuance compliance including managing the disbursement of the TIF funds for construction projects. Our participation allows governments to invest alongside the private sector on projects with economic benefit with less risk to the municipality -- without using municipal GO or non-tax revenue bond capacity.

The Port Authority can also offer credit enhancement through participation in Southwest Ohio Regional Bond Fund, and in conjunction with the Ohio Enterprise Bond Fund and State Infrastructure Bank Bond Funds.

Process

To determine whether the project can use TIF/special assessment, the developer or representative authority contacts municipality's economic development department, which determines project feasibility.

About the Port of Greater Cincinnati Development Authority

The Port of Greater Cincinnati Development Authority is an economic development agency that initiates projects to improve property value and promote job creation throughout Hamilton County. It is governed by business and community leaders that comprise its board of directors.

To learn more, contact

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