

***Investing in our Future
Today:***

***Creating Tax Incremental
Financing (TIF) Districts***

***CCM 2015 Annual
Convention***

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What is Tax Increment Financing?

- Tax Increment Financing uses anticipated future increases in real property taxes to pay for current improvements or to repay debt issued for such current improvements
- Incremental tax source can be project-specific or district-wide
- Encourages development in underdeveloped and underutilized areas where it might not otherwise occur

Current Status of Connecticut TIF Legislation

- Municipal Development Projects (Chapter 132 of the Connecticut General Statutes)
- Redevelopment Projects (Chapter 130, Part I of the Connecticut General Statutes)
- Urban Renewal Projects (Chapter 130, Part II of the Connecticut General Statutes)
- Remediation Projects (Section 32-23zz of the Connecticut General Statutes)
- Special Legislation for Infrastructure Improvement Districts (e.g. Great Pond Improvement District – Special Act No. 11-8)

Public Act No. 15-57

“An Act Establishing Tax Increment Financing Districts”

Key elements:

- Act would grant all TIF district and project approvals to local municipality
 - public hearing
 - input from local planning agency
 - legislative body approval
- Under Act, original assessed value of TIF Districts cannot exceed 10% of the total assessed value of taxable property within municipality.
- Municipality is granted ability to use all or part of the TIF revenues for projects within TIF district
 - portion of incremental TIF revenue can be retained by municipality to help pay for increased governmental services created by project.
- TIF revenues can be leveraged and used to repay debt service on municipal TIF or developer debt or collected and segregated by municipality and used to fund future projects within TIF district on a pay-as-you-go basis

Public Act No. 15-57 (continued)

Act Requires Approval of a “District Master Plan”:

- Legislative body must adopt a “district master plan” for the District
- Prior to approval, Plan is transmitted to Planning Commission for written advisory opinion
- Prior to approval, public hearing is required
- District master plan is adopted at the same time the District is created

Components of District Master Plan:

- Legal description of the District boundaries;
- Tax identification numbers for its lots or parcels;
- Description of present condition and uses of land and buildings within District;
- Public facilities, improvements, or programs anticipated to be financed;
- Financial plan;
- Plan for operation and maintenance of the District;
- District’s maximum duration, which cannot exceed 50 tax years, beginning with the year in which the District is established; and
- District Master Plan must be reviewed at least once every 10 years.

Public Act No. 15-57 (continued)

■ Financial Plan Components:

- Cost estimates for the anticipated public improvements and developments;
- Expected maximum amount of indebtedness to be incurred to implement the plan;
- Anticipated revenue sources;
- Description of the terms and conditions of any agreements, including any anticipated assessment agreements, contracts, or other obligations related to the plan;
- Estimates of the District's increased assessed values; and
- For each year, the portion of the increased assessed values that will be applied to the plan as captured assessed values and the resulting tax increments.

Public Act No. 15-57 (continued)

- **Examples of permitted costs to be financed with TIF revenues:**
 - public infrastructure improvements
 - façade improvements
 - project development and redevelopment costs (including transit-oriented and downtown district development)
 - capital costs, remediation costs
 - financing costs
 - land assembly costs
 - technical and marketing assistance
 - revolving loans
 - professional services
 - repayment of private debt incurred by developer
 - administrative expenses, including personnel, studies and reports
 - business development and expansion assistance for TIF district property owners
 - TIF district establishment costs

Public Act No. 15-57 (continued)

▪ TIF District Financing:

- Act permits issuance of revenue bonds, assessment bonds, general obligation bonds, or any combination, to finance TIF District projects
- For public improvements financed with TIF debt; municipality has the option to levy benefit assessments against properties within TIF district befitting from the public improvements
 - 30-year assessment period; forgivable for any year
 - Municipal assessments provide additional collateral to debt holders if project is not developed and incremental tax revenues never generated. Additional collateral reduces financing costs
- Municipality has ability to issue or refinance with general obligation bonds for creditworthy feasible or substantially developed projects within TIF district; lowers overall financing costs and more TIF revenues retained by municipality

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