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Community Redevelopment Authority

Tax Increment Financing



City of Ralston
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March 2003

The purpose and intent of this brochure is to provide the public and the development community a brief introduction of the City of Ralston's Tax Increment Finance Program commonly referred to as "TIF Financing". Tax Increment Financing (TIF) has proven itself to be a powerful redevelopment tool for all Nebraska cities and villages.

Created by a 1980 Nebraska Constitutional Amendment and subsequent enabling legislation, TIF permits local governments to use the increased tax revenues produced by a redevelopment project to partially finance the cost of some improvements associated with that project. Cities have used TIF to acquire property, prepare sites, and construct public improvements associated with various redevelopment improvements associated with various redevelopment projects. In 1984, voters approved an additional Constitutional Amendment extending the use of TIF to help finance rehabilitation projects as well.

For any project segregating the "before-project" real estate taxes paid by the owner/developer creates the "tax increment". The "before-project" tax portion is collected and distributed to the various taxing jurisdictions just as if the project has not occurred, thereby insuring no loss of tax revenue by any local property tax collecting governmental subdivision. The additional, or "Incremental" real estate taxes paid by the new project provide an income stream that can be set aside for up to 15 years to fund local participation in the project.

It is in the interest of the City of Ralston to establish specific criteria that govern its use, assuring that TIF is used carefully to further specific city development objectives. This policy describes criteria for the use of TIF in Ralston and establishes procedures for application and evaluation of projects requesting assistance.

In 2000, the City of Ralston, by Ordinance No. 1030 created a separate Community Redevelopment Authority pursuant to Neb Rev Stat 18-2101 to 18-2144 to implement this policy on behalf of the City.

The original Tax Increment Financing Policy adopted by the City Council in November 1995 is updated by this policy to reflect the change from the Council acting as a Community Redevelopment Agency to the function of a separate Community Redevelopment Authority, as well as to address other issues that have arisen as the city has implemented its TIF Projects since 1995.

Uses of TIF

Tax Increment Financing may be used for the following purposes:

- Public improvements associated with a redevelopment project, which are located in the redevelopment area. Such improvements can include streets, street lighting, sewers, sidewalks, utilities, public parking area, parks/recreation facilities, landscaping of public areas and any other legally permitted municipal activities.
- Acquisition of redevelopment sites, including all costs related to acquisition.
- Site preparation, demolition, grading, surcharging, special footings and foundations, and other pre-construction work.
- Utility extensions and connection.
- Private or public rehabilitation of structures within the Redevelopment Project Area.

General Rules of the TIF Program

1. The minimum capital construction cost of a project is \$150,000.00. The minimum supportable TIF loan is \$20,000.00.
2. No single one or two-family residential structures will be considered for use of TIF.
3. Projects must include funding for any required public improvements, unless the Community Redevelopment Authority makes a specific exception.
4. For any TIF bond, funds must be loaned to the Community Redevelopment Authority by the Project Developer and are then disbursed back to the project or used for public improvements as required. Tax allocations are refunded to the Developer to pay back the TIF loan. Neither the Community Redevelopment Authority nor the City assumes responsibility for the repayment of TIF loan other than allocation of incremental taxes. Neither the Community Redevelopment Authority nor the City assumes responsibility for the funding of any TIF bond.

Criteria for Evaluation

Projects applying for TIF shall submit applications therefore to the City Clerk as Ex-Officio secretary of the CRA. Projects applying for TIF assistance must qualify by meeting certain criteria that evaluate its consistency with the development objectives of the City of Ralston. The Community Redevelopment Authority for compliance with the criteria will review project applications. There are two types of criteria – Mandatory and Discretionary. Mandatory criteria must be met for the project to warrant further consideration. Discretionary criteria enable the Community Redevelopment Authority to evaluate the benefits of the project and to tailor the amount of assistance to these benefits. The project application must demonstrate how the project meets the required criteria.

Mandatory Criteria

In order to be considered for TIF, a project must meet each of the following criteria:

1. The project is located in a blighted area or an area eligible for a designation of blighted as required by Nebraska State Statutes. The project must be located within a designated blighted area prior to approval of a Redevelopment Plan.
2. The project must further the objectives of the Comprehensive Development Plan for the City of Ralston.
3. The use of TIF must not result in a loss of pre-existing tax revenues to the City of Ralston or other taxing jurisdictions.
4. The project includes a capital investment of not less than \$150,000.00.

In addition, the project must meet one of the following four criteria:

1. The developer is able to demonstrate that the project would not be economically feasible without the use of TIF.
2. The project will eliminate an actual or potential hazard to the public. Such hazards may include unsafe or potentially unsafe buildings and structures, or sites that require extensive clean-up or present potential hazards to the public.
3. The project will reuse a currently vacant building or a building that has less than 50% of its floor area in active use.
4. The project will provide a minimum of 25 new jobs or represents an investment of at least \$1.5 million.

Discretionary Criteria

In addition, the project must meet several of the following criteria. A project meeting two criteria qualifies for a 10-year amortization period and meeting three criteria for a 15-year amortization period.

1. The project will generate at least one full-time job for each \$10,000 in principal value of the proposed TIF loan; or creates a minimum of 25 new jobs within Ralston.
2. All TIF proceeds are used for the construction of public improvements.
3. The project provides housing for senior citizens, or is used for the development of affordable housing. Affordable housing is defined as a rental housing development with average monthly rents of \$500.00 or below, including utilities; or owner-occupied housing with an average sale price of \$80,000 or less.
4. The project is located in an area previously declared blighted by the City of Ralston.
5. The building or site to be redeveloped itself displays conditions of blighted as established by Nebraska State Statute.
6. The project involves the start-up of an entirely new business, the establishment of a business new to the City of Ralston, or the significant expansion of an existing business within the City of Ralston.
7. The redevelopment site has displayed a recent pattern of declining real property assessments, as measured by the Douglas County Assessor's Office.
8. The project completes a private physical improvement that implements a part of the Ralston City Plan.
9. Upon good cause shown, the city council may waive the discretionary criteria requirement and qualify a project for a 15 year amortization period.

If the Community Redevelopment Authority determines that a project meets the required criteria, it then may proceed through the approval process.

Application Requirements

The application for TIF must include the following information:

- A. A detailed project description.
- B. A development financing plan, specifying sources of funds and loan terms.
- C. A preliminary commitment for financing and/or equity.
- D. A proforma, if requested by the Community Redevelopment Authority, indicating projected revenues and expenses related to the project.
- E. If required by the Community Redevelopment Authority, a statement and demonstration that the project would not proceed without the use of TIF.
- F. Evidence that the project meets the evaluation criteria included in this policy.
- G. Preliminary design plans for the project, including an estimate of construction costs.
- H. A development schedule.
- I. If applicable, a list of public improvements which will be constructed along with the project.
- J. Corporation or partnership papers if necessary.
- K. An audited financial statement of the corporation, partnership, or individual for the most recent full calendar year.
- L. Other information that may be required by the Community Redevelopment Authority.
- M. If a developer initiated project is recommended for approval of TIF, the developer must submit a Redevelopment Plan that fully meets all state statutory requirement to the satisfaction of the City or provides sufficient funding for the City to contract for the preparation of such plan.

The TIF Approval Process

After the Community Redevelopment Authority determines that a project complies with the required criteria, the project proceeds as follows:

1. **Designation of the Blighted Area** – If the Redevelopment Area incorporating the project is not already designated as “blighted” pursuant to Nebraska State Statutes, the City will prepare such a declaration. The Redevelopment Area must be designated as blighted by the City Council, with the recommendation of the Planning Commission, prior to introduction of the Redevelopment Plan.
2. **Preparation of a Redevelopment Plan**- The Developer, in conjunction with the Community Redevelopment Authority, prepares a Redevelopment Plan for the project. The plan has certain specific statutory requirements and includes a definition of the Tax Increment project area. It also contains information on the use of TIF funds.
3. **Approval of the Redevelopment Plan**- The Community Redevelopment Authority submits the Plan to the Planning Commission for its recommendation. The Planning Commission will submit its recommendations, in writing, to the Community Redevelopment Authority within thirty days after receipts of the Plan for review. Following Planning Commission action and required notification, the Community Redevelopment Authority may recommend the Plan to the City Council for approval.
4. **Approval of the Redevelopment Agreement**- Following approval of the Redevelopment Plan, the Community Redevelopment Authority and the Developer negotiate a Redevelopment Agreement. The Agreement includes:
 - A. The mutual responsibilities of both parties
 - B. The financial terms of the project and the TIF loan. The developer will negotiate terms of the TIF loan, subject to City approval, unless the project utilizes a publicly or privately placed bond issue. The loan note is then attached to the Redevelopment Agreement.
 - C. An agreement by the Developer that he/she will not appeal an assessment below a specified value necessary to underwrite the TIF loan, and will not take any action which causes the project to become non-taxpaying or causes building or site improvements to be assessed as personal rather an ad valorem property.

- D. The Redevelopment Agreement is advertised for alternative proposals in the Ralston Recorder, the official newspaper of the City.
- E. Following advertisement and consideration of any alternate proposals, the Community Redevelopment Authority gives notice to the City Council of its intent to enter into a Redevelopment Agreement in not less than thirty days after the giving of Notice. City Council holds a public hearing and reviews and approves contract by Resolution.

The City Community Redevelopment Authority administers the City's TIF Program. Should you wish to know more about TIF please free to call the Economic Development Director. The members of the Community Redevelopment Authority are taking a proaction position in promoting the City's Redevelopment Program.

Community Redevelopment Authority Members

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Don Groesser
Jerry Krause
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Mayor's Office/Special Projects

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Tax Increment Financing Checklist

Application

Please attach all information to this checklist

Corporate Name _____

Trade Name _____

Date _____

- Detailed project description
- Development Financing Plan specifying source of funds and loan terms.
- Preliminary Commitment for Financing
- Performa
- Reasons for Tax Increment Financing
- Evaluation Criteria
- Design Plans
- Development Schedule
- Public Improvements
- Corporation or Partnership Papers
- Financial Statement
- Mandatory Criteria
- Discretionary Criteria