Municipal Tax-Increment Financing: Rhode Island’s Enhanced Tool for Economic and Community Development

RHO DE ISLAND INFRASTRUCTURE SUMMIT – SEPTEMBER 17, 2018
Panel

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Tax Increment Financing

- **Base AV**: AV belongs to all other taxing districts in project area.
- **Incremental AV**: Incremental real property tax belongs to TIF authority to pay project costs.
- **New Post-Project AV**: Total AV now belongs to all taxing districts in project area.

Assessed Value (AV) over time:
- **Created**: 5 years
- **25 year TIF**: 10, 15, 20 years
- **Terminated**: 25 years
Tax Increment Financing

Lessons for Successful Implementation in Rhode Island

Rhode Island Infrastructure Summit
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Overview

I. Understanding TIF: what it is and what it is *not*

II. Where TIF is used and relevance to Rhode Island

III. Tips for successful implementation
What is Tax Increment Financing (TIF)?

- Financing method to catalyze economic development
- Allows some or all of future property tax revenues from development to be dedicated to support infrastructure, projects, and programs related to economic development
- Property tax increment can be used to help finance public and private development costs
- Portion of incremental revenues not dedicated for TIF is used for general fund and once TIF expires, all revenues go to general fund
TIF is *not* a new tax or a special assessment on top of the existing property tax.
Key Steps

- Planning
  - Purpose
  - Land use: site, district
  - Public and private potential and needs, i.e. Infrastructure, site development, support programs

- Approval: communications, engagement, local approval

- Implementation and monitoring: tracking and reporting
Components of Financial Plan

- Boundaries and Properties of District
- Improvement Descriptions and Costs
- Length of TIF District
- Max Debt
- Anticipated Revenue
- Estimated Increase in Assessed Value (Increment)
- Percent of Increment to be “Captured” (0-100%)
- Use of Revenues for Public v. Private Costs
Flow of Funds

TIF Revenues

District Master Plan Fund

Development Sinking Fund Account

If TIF-backed debt is issued by municipality

Project Cost Account

If no TIF-backed debt is issued by municipality

Developer Cost Sub Account

Developer Cost Sub Account (as needed)

City Cost Sub Account

City Cost Sub Account (as needed)
Who to Include in Process

- **Municipal Officials:** councilors, advisory committees
- **Local Economic Development and Planning**
- **Assessing and Finance Staff**
- **Developers:** business and property owners
- **Public:** information sessions and public hearings
Tips for Successful Implementation

- Fit use of TIFs in long-term economic development strategy
- Create advisory board, to advise planning, construction, implementation of district
- Identify public and private needs
- Consider TIF within mix of financing
- Go beyond use of TIF for business incentives, include to fund public infrastructure and activities to support economic development
More Tips

- **Clear purpose and guidelines**, when using TIF revenues to benefit businesses/developers, what you provide to one will be serve as benchmark for future requests

- **Implement system** for tracking values, revenues, and expenditures throughout the duration

- **Trade-off between TIF funds and General Funds**, what you take for TIF can *not* be used for General Fund purposes

- **Involve your assessor** early and often, understanding current and potential future values is critical

- **Be conservative**, do *not* over estimate revenue potential

- **Take the time to educate** local officials and the public
Thank You!

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New Rhode Island Legislation

Chapters 156 and 292 of the Public Laws of 2018

Renames and amends the “Municipal Tax Increment Financing Act,” Chapter 45-33.2 of the General Laws
New Rhode Island Legislation

- Streamlines process for creating a TIF district
- Eliminates requirement for a local redevelopment agency
- Eliminates requirement for finding of blight
- Permits use of personal property taxes in addition to real property taxes
- Permits financing of all kinds of capital projects
- Authorizes long-term development agreements
- Loosens restrictions of property tax cap
Process & Requirements for TIF

Preparation of TIF District Master Plan

- Determine boundary, identify properties
- Description of present conditions and land use in the District
- Description of public improvements to be financed
- Financial Plan
- Operations & Maintenance Plan
- Duration of District

Planning Board review for Advisory Opinion

Town Council Public Hearing & Adoption
Thank you!

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