

Tax Increment Financing as a Tool to Leverage Real Estate Value

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Introduction

What is Tax Increment Financing (TIF) ?

A fiscal tool for financing redevelopment activities

A tool for harnessing future revenues to pay for current expenditures

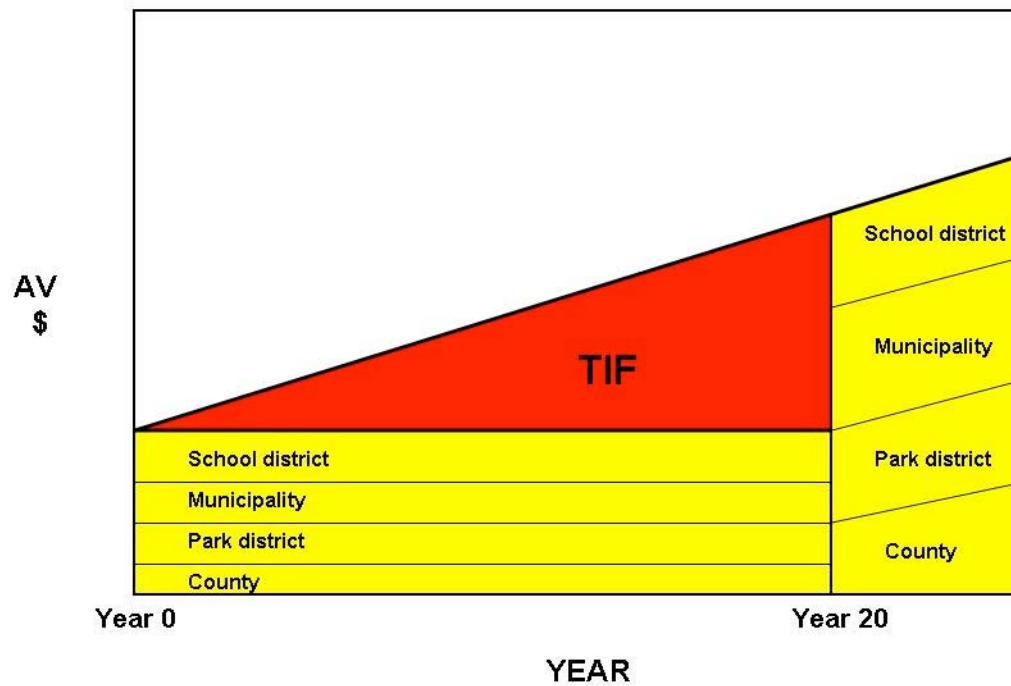
This occurs via a reallocation of property tax revenues to a smaller, local jurisdiction, TIF District

A “Land Value Capture” tool

Theory and Benefits

- How does it work?
 - Legislation required
 - Establish a TIF district/ authority
 - Establish base value or initial assessed value
 - Bonds issued to pay for infrastructure (“but for” test)
 - Development is attracted to the TIF District
 - The increased “tax increment” is used to repay bonds
 - Once retired, general assessment/ property taxes increases
 - Plus community redevelopment benefits (including spillover benefits)

Allocation of Assessed Value in TIF



US Applications

- First Introduced in 1952, California
- Current use in 49 states
- 30 states permit residential applications
- Typical Applications
 - Revitalize blighted areas
 - Stimulate downtown redevelopment
 - Encourage brownfield remediation
 - To finance major infrastructure

Canadian Applications/Legislation

- Manitoba Legislation 2008
- Ontario
 - Tax Increment Equivalent Grants (TIEG)
 - TIF Legislation: Pilot Studies
- Alberta
 - Community Revitalization Levy

Analysis and Future Potential

ANALYSIS

Ontario

Alberta

POTENTIAL

TIF has potential as a fiscal tool

Limited expectations

Careful use is required

Discussion

- Does TIF have potential benefits?
- What are the potential applications?
- Can TIF be applied in all jurisdictions and market conditions?
- Who should undertake the TIF analysis?
- Will it be politically acceptable?