

# **TAX INCREMENT FINANCING POLICY**

## **GUIDELINES FAIRBURY, NEBRASKA**

### **2022**

#### **STATEMENT OF PURPOSE**

This policy outlines the use of Tax Increment Financing (TIF) in the City of Fairbury.

Fairbury's purpose in the use of TIF is to remove blight, stimulate investment in deteriorating areas and stimulate job creation.

TIF is a state authorized public funding mechanism for cities to use to help pay for public improvements associated with redevelopment projects in blighted and substandard areas. The Nebraska Community Development Law, Neb. Rev. Stat. §§18-2101, et seq., (the "Act") authorizes communities to designate blighted and substandard areas that have a preponderance of deteriorating buildings, high unemployment, old structures, unimproved land, low-income residents, and/or a declining population along with other factors as eligible for the use of TIF. The Act limits Fairbury from declaring more than 50 percent of a city's geographic area to be declared blighted or substandard for the purpose of TIF financing.

#### **WHO IS IN CHARGE OF THE TIF DETERMINATIONS?**

The Community Redevelopment Authority (CRA) for the City of Fairbury manages TIF projects for Fairbury. The Fairbury City Council reviews and makes the final determination on all projects.

#### **HOW IS THE TIF DETERMINED**

To be eligible to use TIF, the property must be in an area that has been declared blighted and substandard and must have a redevelopment plan that is recommended by the Community Redevelopment Authority (CRA) and the Planning and Zoning Commission, then approved by the City Council.

The assessed value of the property in a redevelopment area as it existed one year before the project begins is the "base tax year value". An estimate, based on an appraisal, is made to determine the future assessed value of the property after the redevelopment. The difference between the original assessed value and the redeveloped assessed value is called the "tax increment." If the assessed value of the property after the redevelopment is less than the estimated "post-development value", it is the developer's obligation to pay the difference between the estimated "tax increment" and the actual "tax increment."

Property taxes are paid by the property owner on the new assessed value of the redeveloped property. All property taxes on the base year value continue to be distributed to the local tax authorities (FPS, City, County, NRD etc.) The property tax collected on the tax increment is commonly used to finance bonds issued by the City to pay for public improvements. When the TIF indebtedness is paid in full, not to exceed 15 years after inception (unless specific requirements are met to extend TIF to 20 years), the local tax authorities then receive the additional property tax revenue resulting from the redevelopment.

## **WHERE IS THE TIF ELIGIBLE TO BE USED**

The Fairbury blighted/substandard district.

## **WHAT PROJECT IS ELIGIBLE FOR TIF FUNDING**

To be considered eligible for TIF financial support, ALL projects must meet the following criteria, as required by Neb.Rev.Stat. §§18-2101 et seq.:

1. The project must be located in an area declared blighted and substandard by the City Council.
2. The project must be in conformance with the City's Comprehensive Plan and the Redevelopment Plan for the project area.
3. The developer must demonstrate that the project would not be economically feasible without TIF. This is commonly called the "but for" test, meaning the project would not occur as designed or envisioned, "but for" the availability of the TIF funding.

## **NEB. REV. STAT §§18-2101 et seq. ALLOWABLE USES OF TIF INCREMENT FINANCING:**

Eligible expenditures listed in the Act include:

1. Acquisition and site preparation of redevelopment sites including demolition, grading, environmental remediation and related work prior to construction of the project and costs associated with relocation.
2. Public improvements associated with a redevelopment project, including the design and construction of public arterial streets, sidewalks, alleys, water, sewer, street lights, the design and construction of public parking; the design and installation of public streetscape amenities; and the preservation of historic facades.