

Tax Increment Financing

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Issued by: Director
Economic Health

Objective:

The following parameters are intended to provide a set of operating norms for financing URA projects. The financing parameters represent a range of preferred methods. The decision to utilize a particular financing method is contingent upon a project's need for gap financing, the size of a particular deal, the type of improvements supported by public financing and/or the public benefit provided.

Applicability:

This policy applies to Fort Collins Urban Renewal Authority.

Authorized by:

Urban Renewal Authority Board Resolution 71.

20.1 Guiding Principles

- A. Retaining a percentage of the total tax increment collected guards against the risk associated with rising interest rates, a diminution of assessed value, and other market risks.
- B. During volatile and/or rising rate environments, consideration will be given to reducing the amount of TIF committed by the URA as a hedge against dramatic rate increases that increase the cost of financing to the URA

Tax Increment Financing Parameters

20.2 TIF Parameters

Element	URA Assistance Purpose: Create		URA Assistance Purpose: Enhance	
	Lump Sum Payment	Pay Over Time	Lump Sum Payment	Pay Over Time
Anticipated Max %TIF Commitment Available to Support Project	50%	75%	50%	50%
Max % TIF Commitment Available to Support Project	75%*	90%**	75%*	75%
TIF Payment Calculation	Fixed \$ Commitment	(a) % of Actual Annual Tax Increment collected (b) Fixed Annual \$ Commitment	Fixed \$ Commitment	(a) % of Actual Annual Tax Increment collected (b) Fix Annual \$ Commitment
URA Cost of Capital	Borrowing Costs: -City Interagency Loan Policy -Bank Loan Underwriting Req. -Other: Section 108 standards	N/A	Borrowing Costs: -City Interagency Loan Policy -Bank Loan Underwriting Req. -Other: Section 108 standards	N/A
Developer Cost Capital	N/A	-Negotiated -Limited by the Max % TIF Commitment Available	N/A	-Negotiated -Limited by the Max % TIF Commitment Available
% TIF Contribution relative to Total Project Cost	25%		15%	

*Includes borrowing costs

**Max % TIF Commitment on Future Prospect South projects limited to 75%

20.3 General Procedures:

- A. The Larimer County Estimate of Value provided to the developer/property owner shall be utilized for estimating future tax increment collections associated with a project. There shall be no annual appreciation applied to the estimate.
- B. Growth Estimate in cash flow analysis will be held at 0%
- C. Cash flows shall be based on absolute dollars and NPV. The discount rate used shall equal the URA cost of capital.
- D. The term of a City loan to the URA shall be based on the estimated TIF stream. The term shall be minimized to the greatest extent possible given the estimated cash flow.

Tax Increment Financing Parameters

- E. The minimum time to process the request for payment from the development will be 90 calendar days.
- F. In the pay over-time as a Fixed Annual \$ Commitment as described in (b) above:
 - a. In the first year if actual TIF comes in lower than the Estimate of Value, the actual TIF reimbursed will be prorated based on the actual TIF received.
 - b. In the first year, if actual TIF comes in higher than the Estimate of Value, the TIF reimbursed will be based on the original Estimate of Value calculation.
 - c. The actual TIF paid does not grow with inflation. Once established in (b) above, it stays constant. Once established by (a), it can grow to equal (b) but not exceed (b).

20.4 Definitions

- A. Create: When existing conditions on a site make private market rate redevelopment impractical (i.e., environmental contamination or insufficient infrastructure) so providing TIF assistance removes financial barriers and helps to create a project that would not otherwise happen.

- B. Enhance: When conditions on a site are such that the likely market rate redevelopment outcome is not consistent with goals for Targeted Redevelopment and Infill Areas. In these cases, providing TIF assistance changes the scope of a project so that it conforms, or exceeds identified objectives in City Plan.