

WHAT IS TAX INCREMENT FINANCING (TIF)?

DEFINITION

TIF is a public financing tool used by cities and towns to fund redevelopment and community improvement projects without raising taxes.

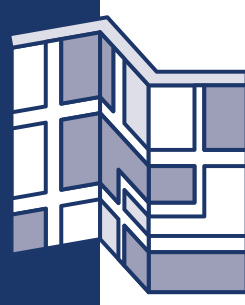
At its core, TIF captures the increase in property tax revenues (the “increment”) that results from rising property values in a designated district, and reinvests those funds back into the same area.

HOW IT WORKS

STEP 1

TIF DISTRICT CREATED

The city or county identifies a geographic area needing redevelopment or investment and establishes it as a TIF district.



STEP 2

BASE VALUE FROZEN

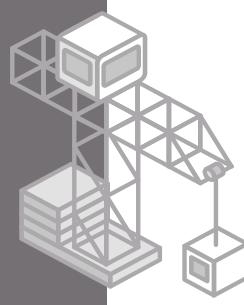
The property values in this district are "frozen" at their current level for a set period, (20-30) years, this is the Original Assessed Value or OAV.



STEP 3

DEVELOPMENT OCCURS

New buildings, infrastructure, and improvements occur within the TIF District, increasing property values.



STEP 4

TAX INCREMENT GENERATED

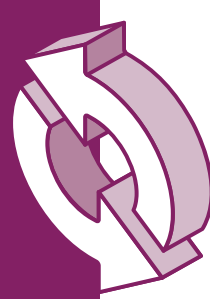
As property values rise, new tax revenue above the OAV is created, this is the tax increment.



STEP 5

REVENUE REINVESTED

The tax increment is reinvested and specifically used to fund projects within the TIF district.



TIF SNAPSHOT

- Used in 49 states + Washington, DC (Arizona is the only state that does not use it.)
- 1,000s of districts nationwide
- Often paired with Credit Enhancement Agreements (CEAs)

COMMON USES

- Affordable housing
- Infrastructure upgrades (roads, water, sewer)
- Brownfield remediation
- Downtown revitalization (facade improvements)
- Developer incentives
- Public amenities (parks, lighting, streetscaping)

KEY BENEFITS

- Leverages future revenue without increasing taxes for existing residents
- Supports long-term economic growth
- Supports infrastructure upgrades needed to attract private investment
- Aligns development with community goals

CONSIDERATIONS

- Must align with public benefit goals
- Requires transparency and long-term planning
- Involves interlocal agreements in some states
- Overuse can limit funding for schools and other taxing entities, depending on the structure

WHY TIF MATTERS

TIF helps unlock investment and revitalize communities by capturing future value, without raising current taxes. Keep in mind that the specifics of TIF can vary depending on state and local laws.