



RESIDENTIAL TAX INCREMENT FINANCING

What is TIF and how does it affect me and our schools?

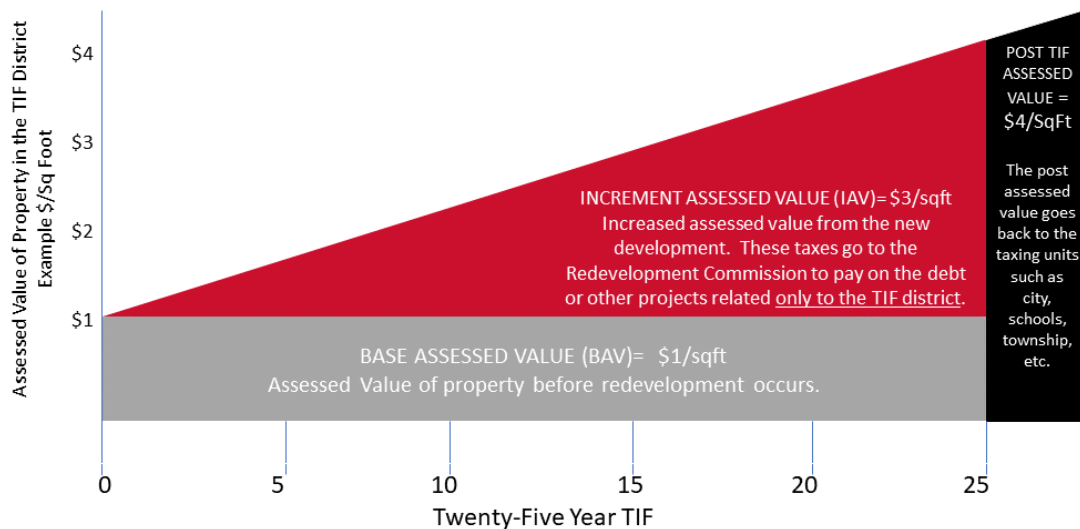
- **Will TIF increase my taxes?**
 - No, It is important to understand that TIF is not a new tax on residents. It is a funding option that cities use for development. It does not increase the taxes for residents.
- **Why is the school district involved?**
 - A developer is requesting TIF to help for a residential housing project on the south side of Goshen, near Prairie View Schools in the Waterford Commons area. In order for the developer to receive the TIF, the school district is required by state law to adopt a resolution in support of a Residential TIF.
- **Why does GCS support a Residential TIF if no tax revenue goes to GCS for such a long time?**
 - The proposed development will have about 1400 residential units. The school system stands to gain hundreds of new students due to the increase in housing in Goshen. Each student brings with them approximately \$6500 in annual state tuition. GCS will not lose any current funding, however, the potential increase in students will have a positive impact on the budget and our schools can handle the increased population.
- **So what is Tax Increment Financing (TIF)?**
 - It is a way to finance a project such as residential and commercial housing, manufacturing, and businesses that focus on a “targeted geographical area” within the city. The project may use public funds that would otherwise not be considered because conditions of the geographical area are not ideal or the project is too costly.
 - City officials and the city redevelopment commission work together to develop or redevelop an area with an individual, company or developer.
 - Cities will use TIF as an incentive to develop areas that are extensive and costly, and that will provide a benefit to the entire community. The public resources provided by the TIF are used to assist with site preparation and public infrastructure improvements, which can be a large cost to the developer.
 - TIF’s are for an established period of time. In this particular case, the TIF is being requested for 25 years.
- **How can a city use TIF to fund a project?**
 - The project must meet the following criteria to qualify for Residential TIF:
 - Average housing growth for the three prior calendar years must be less than 1% of the total number of homes in the city. Goshen has a shortage of housing, which is causing many residents to move to neighboring communities. A recent study showed Goshen needs around 2400 residential units to meet the demand.
 - Area is designated as an “economic development target area”.
 - The affected school corporation(s) must adopt a resolution approving the residential TIF. (see previous section on why the school district is involved)
 - The developed area does not need to be blighted or rundown, which differs from a regular TIF project.



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- **How is money generated from a TIF?**



- **Example:**

A property has a Base Assessed Value of \$1.00/sqft (BAV see graphic), with a value of \$4,000,000. This creates annual property taxes of \$40,000. The property is developed through a 25-year TIF, and the Assessed Value increases to \$4.00/sqft, creating an Increment Assessed Value (IAV) of \$3.00/sqft. This increases the annual property taxes to \$160,000.

Because the project is funded through TIF, the initial \$40,000 (BAV) in tax money goes to the taxing units such as the city, schools, township, libraries, etc., but the portion of tax money from the IAV, \$120,000, is goes to the City Redevelopment Commission for the lifetime of the TIF, and they manage the funds for projects inside the TIF district.

After the TIF time period ends, the Post Assessed Value (PAV) goes back to the taxing units. The tax money collected based on the PAV will not be the same as the prior 25 years. Taxes raised inside a TIF are not subject to the same taxing (levy) limitations as the remainder of the city, which are set by the state. After the TIF expires, the maximum amount of taxes that the city can raise in a year now includes these funds.

- **How may the Redevelopment Commission use this tax money?**

- The tax money that is collected within a TIF district must be utilized within that TIF district for the following:
 - Construction of infrastructure or public improvements in the TIF district:
 - Roads
 - Sidewalks
 - Utilities, etc
 - Purchase of the property in the development area
 - Preparation of real property within the development area.
 - Payment of the bonds, aka government loan, used to purchase the property.
 - Reimbursement for local public improvements that are physically in or connected to the housing TIF area.