

## Tax Incremental Financing Districts – Frequently Asked Questions

### 1. What is a Tax Incremental Financing District?

A Tax Incremental Financing District (TID) is an economic development tool used by municipalities to promote economic development and redevelopment initiatives within a geographic area defined by the City.

### 2. How does a TID work?

Taxes collected on the increase of property value within the TID are used to pay for projects and expenses incurred within the TID. All of the taxing jurisdictions (City, County, School District, and Technical College) continue to collect their share of taxes on property value established when the TID is created (referred to as the base value). The City retains all of the taxes collected on increased value, including the amount attributable to the other taxing jurisdictions. This is called the tax increment. If a property has a \$500,000 value when the TID is created, for example, all taxing jurisdictions will continue to collect their share of taxes on the \$500,000 base value. If the value increases to \$750,000, the City will retain all of the taxes collected on the \$250,000 of new value generated. These additional taxes (tax increment) must be used to pay for projects that benefit the TID.

### 3. Do I pay a different tax rate if my property is located within a TID?

No. Property owners within a TID pay the same tax rate as properties located outside of a TID. The only difference is how the taxes paid are distributed to the taxing jurisdictions.

### 4. How long will the TID remain in place?

Depending on the type of district created, a TID can have a maximum life of 20 or 27 years.

### 5. What types of projects will the City undertake within the TID?

State Statutes provide the City with significant flexibility with respect to how TID funds are spent. The City can undertake core infrastructure such as street and utility improvements within the District. The City may also choose to provide development incentives within the District paid out annually from tax increment generated by a specific project to pay for specific improvements to a property. All TID projects or incentives must be approved by the Common Council. The projects that the City may consider undertaking are detailed in the “Project Plan” for the TID. The City is under no obligation to complete a project identified in the TID project plan. If the TID is created, the Project Plan serves as a guide and planning tool for the Common Council.

**6. Will City dollars be used to support project costs within the TID?**

The City can use non-TID dollars to support projects and initiatives within the TID. Eligible TID costs, if any, paid by the General Fund or Utilities can be reimbursed by the TID with interest once increment is available.

**7. Does the TID change the zoning for my property?**

No. The TID does not change existing zoning already in place.

**8. Does the TID make it easier for the City to use eminent domain?**

No. The process identified within State Statutes for eminent domain is the same whether a property is within a TID or outside a TID.

**9. Who decides how the TID is used and what projects occur within the TID?**

The Common Council determines how funds are spent within the District and establishes the overall vision for the TID. The TID is a long-term economic development initiative and partnership with the other taxing jurisdictions. Priorities and expectations for the TID will need to be updated and reestablished during the life of the District as economic conditions change.