

Tax Increment Financing Policy

Columbus, Nebraska

PURPOSE

This policy sets the framework for the utilization of Tax Increment Financing (TIF) in the City of Columbus. Columbus' purpose in the use of TIF is to stimulate economic development in underdeveloped or dilapidated areas of the community. TIF will stimulate development through investment in infrastructure, removal of blight, job creation and housing creation. The City of Columbus wants to allow property owners and business owners willing to invest in Columbus, a tool to allow more affordable development in designated redevelopment areas. TIF investment will directly improve the lives of Columbus residents by removing blight and providing economic development.

TIF is a state authorized incentive that cities may use to help pay for infrastructure in blighted and substandard areas. The Nebraska Community Development Law, Neb. Rev. Statute 18-2101, et seq., (the "Act") authorizes communities to designate blighted and substandard areas that have a minimum of one objective criteria and one subjective criteria listed below. The City of Columbus cannot declare more than 35 percent of the city's geographic area blighted and substandard for the purpose of utilizing TIF.

WHO DECIDES WHEN TIF IS USED

If a property is located in an area that is designated blighted and substandard or is eligible to be designated, any applicant wishing to make improvements can apply for TIF. City Administration works with the individual seeking TIF to meet all State regulations. The City Planning Commission reviews and recommends the Redevelopment Plan if it conforms to the comprehensive plan for development of the City. In Columbus, the City Council is designated as the Community Development Agency (CDA) and must make the final determination on the utilization of TIF for each application.

WHO CAN USE TIF

Any large project development that will generate a significant increase in the tax revenue. To be eligible to use TIF, a property must be in an area that has been or can be declared blighted and substandard. The area must have a Redevelopment Plan that is approved by the City Council. For a property to be designated blighted and substandard it must meet a minimum of two criteria, as allowed by the Community Development Law. The area must meet a minimum of one objective criteria and one subjective criteria.

Objective Criteria (must meet one)

- i) Unemployment: the unemployment rate in the designated area is at least 120 percent of the state or national average.
- ii) Average Age of Residential or Commercial Units in the Area: structures in the proposed blighted area have an average age of at least 40 years.
- iii) Per Capita Income: per capita income figure for the area is lower than the average per capita income of the municipality.
- iv) Population: the area has had either a stable or decreasing population based on the last two decennial censuses.
- v) Unimproved Land: This criterion applies to blight designation of predominately-vacant areas. Such an area qualifies as 'blighted' if more than half of the platted and subdivided property in the area has been within the city for 40 years and has remained unimproved during that time.

Subjective Criteria (must meet one)

- i) Presence of a substantial number of deteriorated or deteriorating structures.
- ii) The existence of defective or inadequate street layout.
- iii) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness.

- iv) Insanitary or unsafe conditions.
- v) Deterioration of site or other improvements.
- vi) Diversity of ownership
- vii) Tax or special delinquency exceeding the fair value of land.
- viii) Defective or unusual conditions of title.
- ix) Improper subdivision or obsolete platting.
- x) The existence of conditions which endanger life or property by fire and other causes.
- xi) Any combination of such factors that substantially impairs or arrests the sound growth of the community, retards the provision of housing accommodations, or constitutes economic or social liability and is detrimental to the public health, safety, morals, or welfare in its present conditions and use.

TIF can be used for all types of development, industrial, commercial and residential, within the city limits. TIF is a tool the CDA can approve to be used on a project, if that project would not be possible without the TIF investment. The City of Columbus will be utilizing TIF to build housing units that the market is currently not able to build at the rate needed.

HOW IS THE AMOUNT OF TIF DETERMINED

When a property is improved, its assessed property value (APV) increases. This increase in APV results in increased taxes the property owner must pay. The City’s Community Development Agency (CDA) can allow a property owner to invest 15 years’ worth of the tax increase, the increment, they pay after the project is completed, into improvements needed for their project.

The assessed value of a property in a redevelopment area as it existed one year before the project begins is the ‘base tax year value’. An estimate is made to determine the future assessed value of the property after the improvements are made. The difference between the original assessed value and the assessed value after the project is completed is called the ‘tax increment’. That ‘tax increment’ will be paid by the property owner and can be ‘captured’ to pay off the TIF bonds the applicant received to build the project. If for some reason the ‘tax increment’ is less than estimated, the property owner is responsible for paying the difference. The City of Columbus will not take on any debt to provide TIF to an applicant. The applicant is responsible for finding the purchaser of the bond. The City is just the conduit to move the taxes paid on the property, for up to 15 years, to the applicant’s purchaser of the bond.

