

TAX INCREMENT FINANCING (TIF)



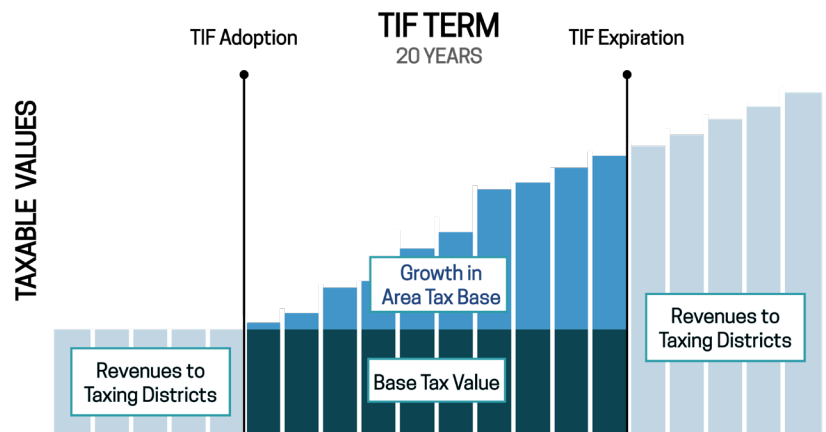
FREQUENTLY ASKED QUESTIONS FOR ALBUQUERQUE

What is TIF?

In New Mexico, Tax Increment Financing (TIF) is a financial tool that allows local governments, like the City of Albuquerque, to dedicate resources for catalyzing new development. Albuquerque's Metropolitan Redevelopment Agency (MRA) can designate any of the City's Metropolitan Redevelopment (MR) Areas for TIF, which means that a portion of the natural increments in property tax revenue and gross receipts tax (GRT) revenue over time can be reinvested in the area from which these revenues originated, helping spur development in areas that need greater investment. These areas are generally called *TIF districts*.

Will TIF increase taxes?

Establishing a TIF district does **not** increase taxes. In a TIF district, a portion of the gradual, natural increment in tax revenues above the base revenues from the year the TIF was established is reinvested through the MRA fund. The City, County, and State may all dedicate up to 75% of the tax increment from an approved TIF district to the Fund for projects within the TIF district, leaving the baseline tax revenue and at least 25% of the yearly tax increment to the City, County and State.



- The "Base Tax Value" of property tax and gross receipts tax revenue is distributed to the City, County, State, and other districts (like schools) as normal.
- Local governments can dedicate up to 75% of the "Growth in Area Tax Base" revenues to the Redevelopment Fund that will invest those funds in the MR Area they came from.
- After 20 years, 100% of the tax revenues will be distributed to the local jurisdictions and the State, as before.

Will TIF districts take funding away from other parts of the city?

TIF districts do **not** take any existing funding away from other areas of the City. There would be no negative impact to schools (APS), flood control (AMAFCA), or other special taxation districts. These districts would continue to collect at their regular tax rate and benefit from the tax base growth. By investing in redevelopment areas, the economy and tax base grow for everyone.

Where can TIF districts be created?

TIFs may only be established in MR Areas with Plans approved by the local government. There are 27 jurisdictions in New Mexico with MR Areas and the City of Albuquerque alone has 22 distinct Metropolitan Redevelopment Areas with approved Plans.

How long can TIF revenues be collected?

Local jurisdictions can collect TIF revenues for up to 20 years. After 20 years, when the TIF district expires, 100% of the tax revenues will be distributed to the City, County, and State, just as before the TIF district was established. It is expected that these taxing entities will all see material increases in revenue to their general funds—in excess of what would be expected had the TIF district not existed to incentivize development.

Will TIFs be managed by a board or commission?

The State MR Code does not require that TIF funds be managed or disbursed by a special board or commission. Jurisdictions can decide how their TIF funds are managed. As the City awaits the initial TIF funds, MRA is working with City Council, the County and the State to develop procedures to guide how the TIF will be managed and the approval process for TIF projects, taking into account existing ordinances, policies, and procedures.

How much money will a TIF district get?

The amount of funds generated depends on the value of new development and business growth over the life of the TIF. Once a TIF district boundary and the rate of TIF recovery are established by the local legislative process, MRA notifies the other taxation districts (County and State) and the “Base Value” of property tax and gross receipts tax revenue is determined. While there is no way to know exactly how much money a TIF district will generate, a recent study contracted by MRA showed that the Downtown Core alone could generate much more than \$50,000,000 for reinvestment over a 20-year period.

What can TIF revenues be used for?

TIF can be used to implement projects that align with the MR Area Plan and MR Code, supporting public-private partnership redevelopment projects, infrastructure improvements, land acquisition, expanded community services, housing, and other projects intended to spur economic development.

TIF funds can support existing businesses, by investing in rehabilitation funds and other support services local businesses need. TIF can also fund new infrastructure, such as sidewalk and street safety improvements, and affordable and mixed-rate housing developments, providing a variety of needed housing options to meet the community’s needs.

When will we see the money?

TIF district revenues are not generated at once. Before any TIF funds can be received, the County (for property taxes) and the State (for gross receipts taxes) must establish a baseline of existing tax revenue in the TIF boundary area, which can take up to one year from the time of notification that a new TIF was established. Afterward, the taxing entity will begin to collect and distribute the TIF revenue, which may take up to another year and TIF projects develop, TIF revenues are expected to increase exponentially over the life of the TIF district. To fund large projects, the City may also recommend bonding against future TIF revenues.