Building a Prosperous Rio Blanco County

Strategic Economic Development Plan

Tax Increment Financing

What is Tax Increment Financing, or TIF?

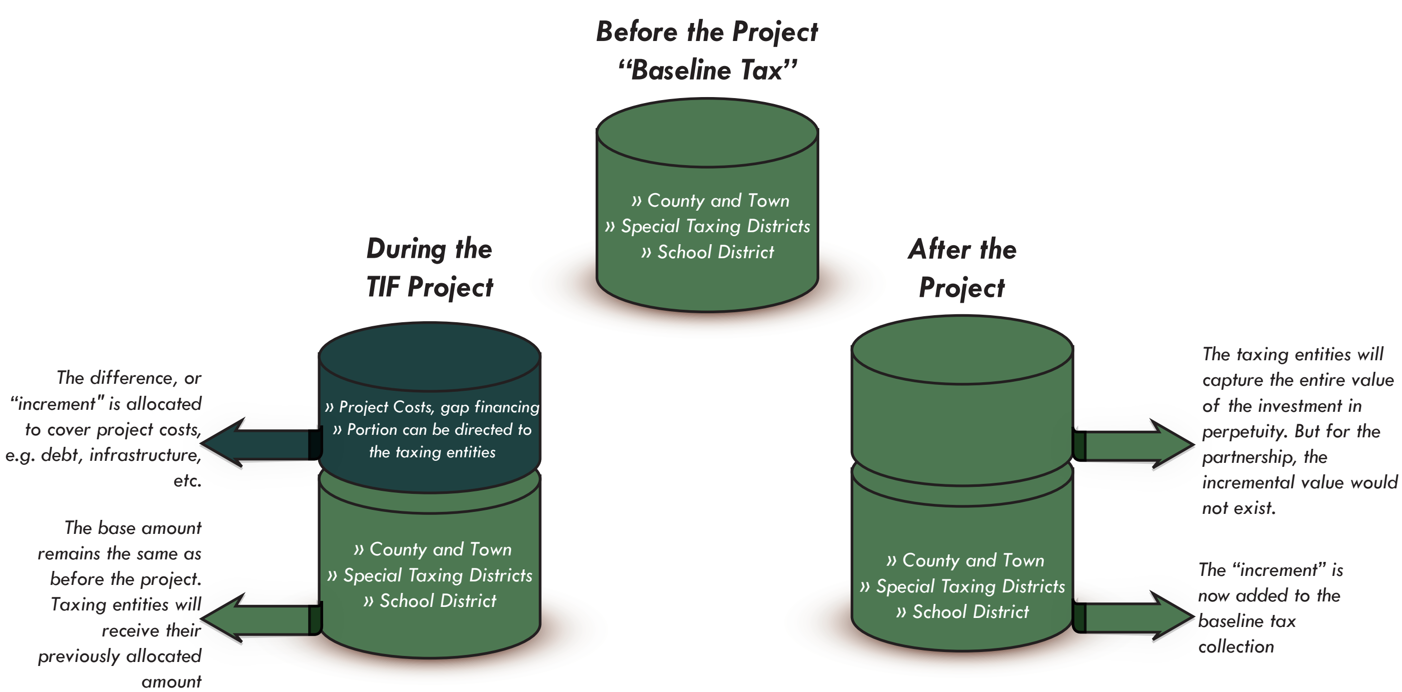
Tax Increment Financing is a community and economic development financing tool that allows communities to proactively invest in projects and infrastructure to improve quality of life. It is administered through a local entity called an Urban Renewal Authority, or URA. Redevelopment is expensive, and the private sector is naturally inclined to undertake projects in the least expensive area as possible, which leads to community sprawl and downtown decay. Incentives are often needed in order to change the economic parameters to attract investment into economically distressed areas, and specifically into downtowns. TIF is one such tool that allows a portion of the value created from a project to fund the investment.

How does TIF work?

When new investment takes place within a community, the value of the infrastructure and economic activity generates additional tax revenue, including property tax, sales tax, lodging tax, or a combination of all three. Typically, the tax revenue generated from new projects and investment is divvied up between the taxing entities according to the mill levy (in the case of property tax), and is utilized by the taxing entities to provide community services. When a new project takes place, these additional revenues are sometimes referred to as "tax increment," or the incremental tax value created due to the project.

Under a TIF-funded project, the participating taxing entities agree to allow a portion of the "tax increment" to be shared with the project as an incentive to help the project reach its financial requirements, or required return on investment.

After the TIF expires, which is a maximum of twenty-five (25) years, the entire property tax value will be distributed to the taxing entities.



Katelin Cook, Economic Development Coordinator | 970-878-9474 | katelin.cook@rbc.us

Stephanie Kobald, Meeker Chamber of Commerce | 970-878-5510 | director@meekerchamber.com

Scott Meszaros, Town of Meeker Manager | 970-878-5344 | scott@town.meeker.co.us

Tax Increment Financing

What other projects are eligible?
Any entity located within the TIF project area is potentially eligible to take advantage of tax-increment financing. For example, if an existing local business were located within a TIF area, that business could potentially finance improvements to their building using TIF. More specifically, if an existing business owner wanted to add a new wing to their building to accommodate more shop space, that business owner could come to the URA board and apply for funding. Provided that there is substantial evidence that the improvements would add to the tax base through additional property and/or sales tax, it is likely that the URA board would be interested in providing financing.

Why is TIF Important?
- Provides a dedicated source of funds for an identified area to assist with economic development projects.
- Public investment encourages private investment in the area-often beyond the development projects targeted in the TIF plan.
- If used wisely, development projects utilizing TIF revenues will benefit the entire community, not just the TIF district.

What are the potential risks?
Communities can get taken advantage of if they are not proactive in determining their vision, and if they don't ask the appropriate questions to the developers. There should be two basic questions that need to be answered before any TIF project:

1.) Is this project in the community's best interest? And
2.) Is TIF truly required to allow the project to be successful?

If the answer to both of these questions is yes, then the project should be explored further as a potential investment opportunity. If the answer is no to either question, then the project should not utilize TIF. If this benchmark is utilized, communities won't get themselves into a position to be taken advantage of.

In summary, TIF is the least expensive tool that communities can utilize to proactively invest in the future. It is a very successful form of public-private partnership, and when structured properly, it minimizes risk to the public sector while allowing the private sector to thrive.

Katelin Cook, Economic Development Coordinator | 970-878-9474 | katelin.cook@rbc.us
Stephanie Kobald, Meeker Chamber of Commerce | 970-878-5510 | director@meekerchamber.com
Scott Meszaros, Town of Meeker Manager | 970-878-5344 | scott@town.meeker.co.us