

Norfolk Insider

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“What is TIF (Tax Increment Financing)?”

When developers considered building a Perkins Restaurant at the former site of the Ramada Inn near the intersection of Omaha Avenue and 13th Street, they were interested in doing so only with the help of Tax Increment Financing (TIF) available from the City of Norfolk.

Why? The additional real estate taxes a business pays as a result of greatly improving the property pays debt issued for infrastructure improvements.

“TIF is a tool used by cities to encourage development in blighted and sub-standard areas of the community. When a developer buys and improves a property, the taxes on that improved property go up. The additional taxes generated by that increase in real property values can be used to pay off bonds used to improve public infrastructure (sewer, water, storm sewer, paving), improve or relocate private infrastructure (electric, telephone, cable, gas), remove old buildings, add fill, or improve the general soil conditions of the site,” said Randy Gates, Finance Officer for the City of Norfolk.

For example, if the property taxes on the unimproved land were \$2000 per year and the taxes on the improved property would be \$16,000, the difference of \$14,000 each year pays off a loan for money that was used to help improve the property. The maximum term of the TIF loan is 15 years.

“TIF allows a community of our size to develop a substandard area that would potentially never happen without that incentive. The TIF funds can be used for street, sewer and water improvements that may benefit future development in the area,” said City Council member Shane Clausen.

Past TIF projects in the city include the Southwest Norfolk Redevelopment Plan in 1993 where TIF funds helped pay for \$676,000 in drainage improvements and storm water detention.

Costs of relocating sanitary sewer, storm sewer, water, electric infrastructure was paid for with TIF funds on the Hy-Vee construction project at First Street and Norfolk Avenue. The bond was issued in 2001 and paid off in 2011.

“Sometimes the appraisal of the improvements is higher than anticipated so the bond is paid off sooner. The owner gets help developing a project and the community gets immediate property improvements and increased tax revenue down the road,” Clausen said.

For more information about TIF, go to the Nebraska Department of Economic Development TIF website at <http://www.neded.org/tax-increment-financing/>