Tax Increment Financing Update

Presentation will begin at 12:15 PM

Betsy Knotts, Office of General Counsel

Kelsie Jones, State Board of Equalization

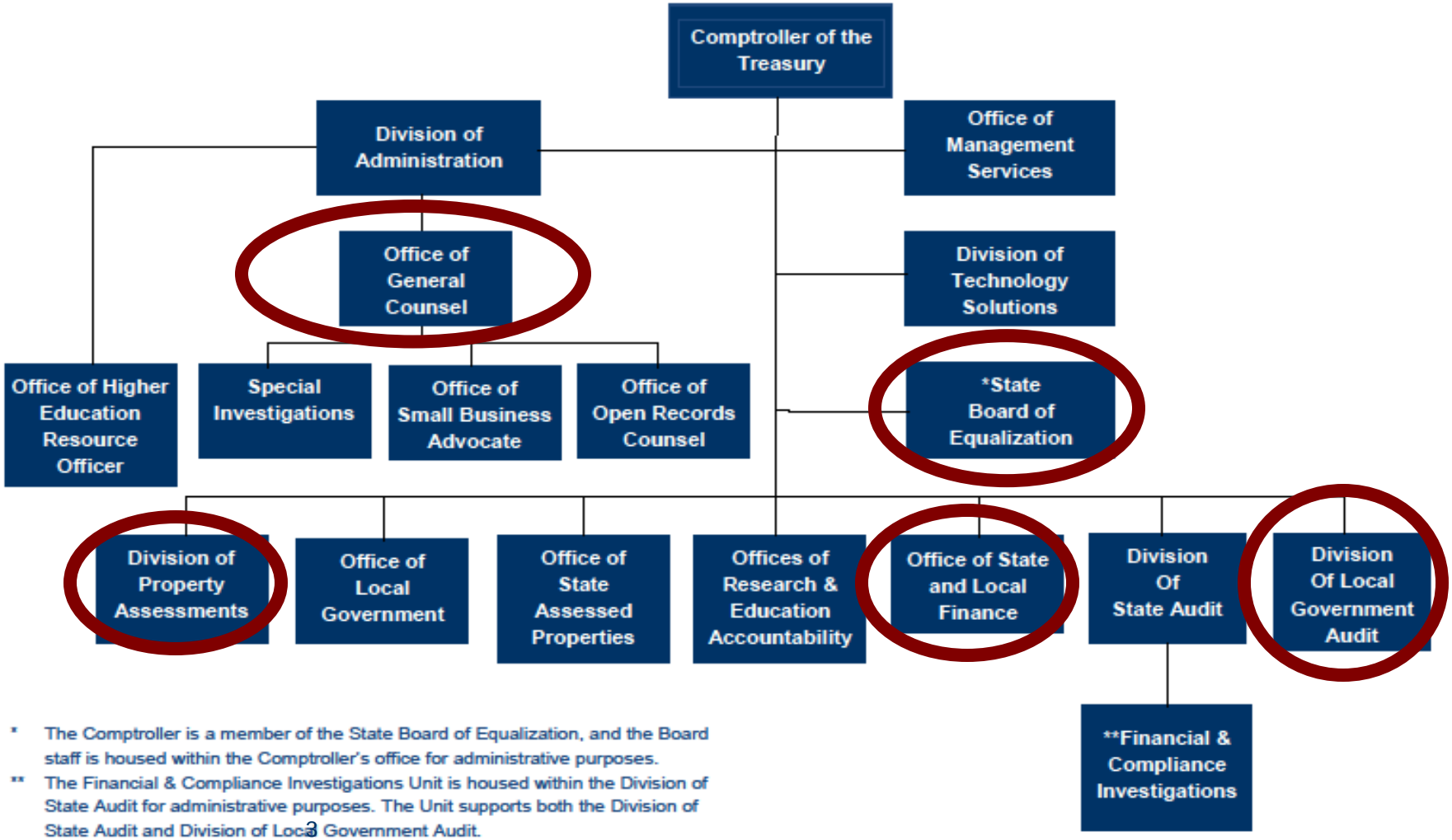
TENNESSEE COMPTROLLER OF THE TREASURY

Today's Agenda:

- Introduction to Tax Increment Financing (TIF)
- Comptroller's Statutory Duties Related to TIF
- Q & A—Partnering with Local Governments

Comptroller of the Treasury Organizational Chart

Effective May 2015



* The Comptroller is a member of the State Board of Equalization, and the Board staff is housed within the Comptroller's office for administrative purposes.

** The Financial & Compliance Investigations Unit is housed within the Division of State Audit for administrative purposes. The Unit supports both the Division of State Audit and Division of Local Government Audit.

Basics of Tax Increment Financing

TIF is the act of borrowing
against a future value

In other words, upfront cash to construct a project

Basics of Tax Increment Financing

Authorized Issuers:

- Housing Authority– 1978 Pub. Acts, c. 854
- Industrial Development Corporation ("IDB")—2004 Pub. Acts, c. 662
- Community Redevelopment Agency—1998 Pub. Acts, c. 987

*Please note only IDBs are authorized to use tax increment revenues to pay project costs directly.

Tax Increment Financing in the Tennessee Code Annotated (T.C.A.)

- 1978

  T.C.A. § 13-20-202, Housing Authority

- 2004

  T.C.A. § § 7-53-312 and -314, Industrial Dev. Board

- 2012

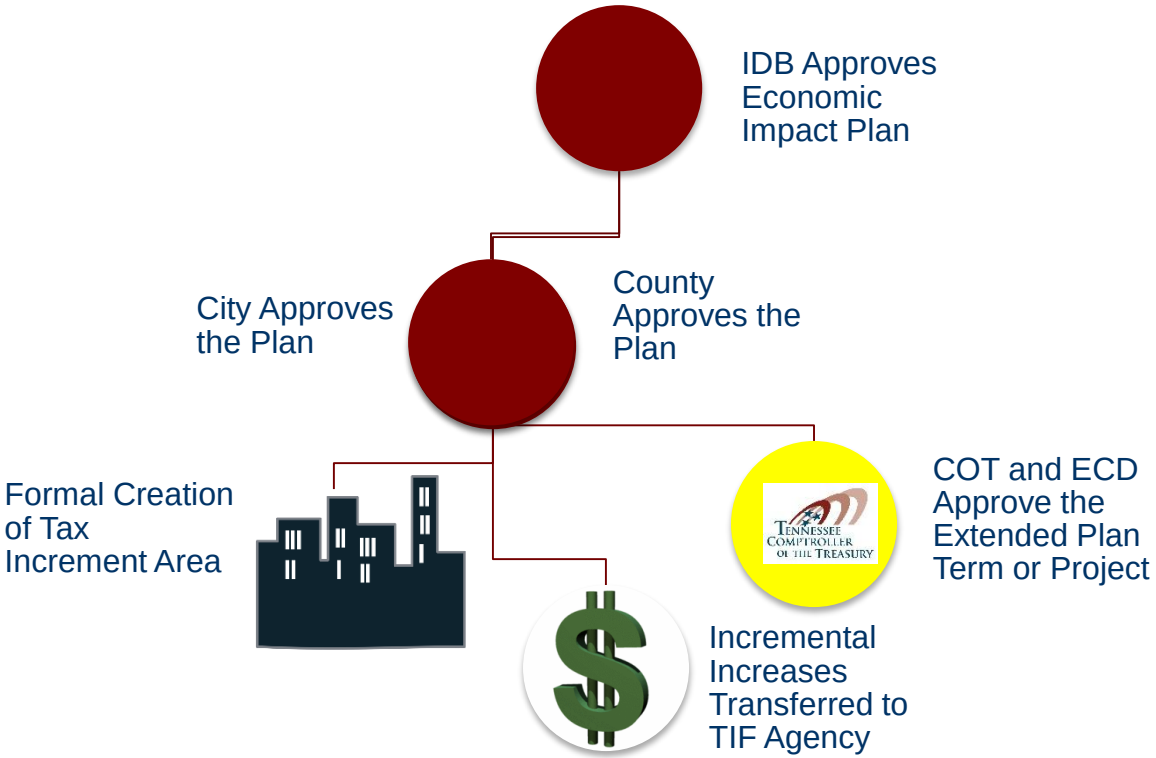
  T.C.A. § 9-23-101 et seq., TIF Uniformity Act

Typical documents in a TIF transaction:

- Authorizing Documents
- Financing Documents

TENNESSEE COMPTROLLER OF THE TREASURY

TIF Approval Process



TENNESSEE COMPTROLLER OF THE TREASURY

Examples of Financing Documents:

- Tax Increment Plan
  - Economic Impact Plan
  - Redevelopment Plan
- Tax Increment Revenue Note
- Development Agreement
- Guaranty Agreement

Authorized TIF Projects

- Housing Authority
  - Redevelopment and Urban Renewal
    - Remove or reduce blight
    - Rehabilitation or conservation work

- Industrial Development Board
  - Project defined at T.C.A. § 7-53-101(13)
    - 24 Subparts defining economic development
    - BROAD

The Uniformity in Tax Increment Financing Act of 2012 (TCA Section 9-23-101 et seq.)

- The 2012 Act addressed the following issues:
  - No state oversight
  - TIF revenues accumulated off budget
  - Inconsistent reporting requirements
- The 2012 Act applies to newly created or amended tax increment plans for which public hearings are held on or after March 21, 2012.

The Uniformity in Tax Increment Financing Act of 2012 (TCA Section 9-23-101 et seq.)

- Best Interest Determination Required
  - Plan Term Extends beyond 20 or 30 years
  - IDB uses TIF to finance a privately-owned project other than parking and storm water improvements and for general economic development purposes
- TCA § 9-23-103(a)(2)(B)

  Excess taxes beyond amounts necessary to fund or reserve for eligible expenditures under the applicable tax increment statute, may be applied to principal and interest of debt incurred to finance such eligible expenditures, or **shall revert to the taxing agency general fund.**

Best Interest Letters

- Graceland Project—Economic Impact Plan
- Oak Ridge Mall—Economic Impact Plan
- Pulaski-Giles IDB Hotel Project
- Sulphur Dell Site—Redevelopment Plan
- Tullahoma Northgate Mall—Economic Impact Plan

The Uniformity in Tax Increment Financing Act of 2012 (TCA Section 9-23-101 et seq.)

- T.C.A. § 9-23-106
  - Upon creation, file the property information, base tax amount, and authorizing resolutions with the Comptroller's office, the assessor of property, and the chief financial officer of each taxing agency
  - By **October 1** each year, tax increment agencies to file annual statements of tax increment revenues with Comptroller's office

Tennessee Comptroller of the Treasury

Justin P. Wilson

Useful Information

- Current News Releases
- News Releases Archive
- Follow Us on Twitter
- Sign up to receive Comptroller news releases via Email

Tax Increment Financing

Tax Increment Financing (TIF) is a tool used by local governments to encourage development in targeted areas. Tax increment revenues are future tax revenues derived from the newly developed area. State law requires the Comptroller and the Commissioner of Economic and Community Development to review certain TIF plans to determine whether the financings are in the best interest of the State of Tennessee.

The Uniformity in Tax Increment Financing Act of 2012 can be found in Tennessee Code Annotated 9-23-101 et seq.

TIF Documents

July 17, 2015
TIF Reporting Memo (IDB)

July 17, 2015
TIF Reporting Memo (Housing Authority)

October 11, 2012
Guide Letter to Tax Increment Financing

Contact Us

Quick Links

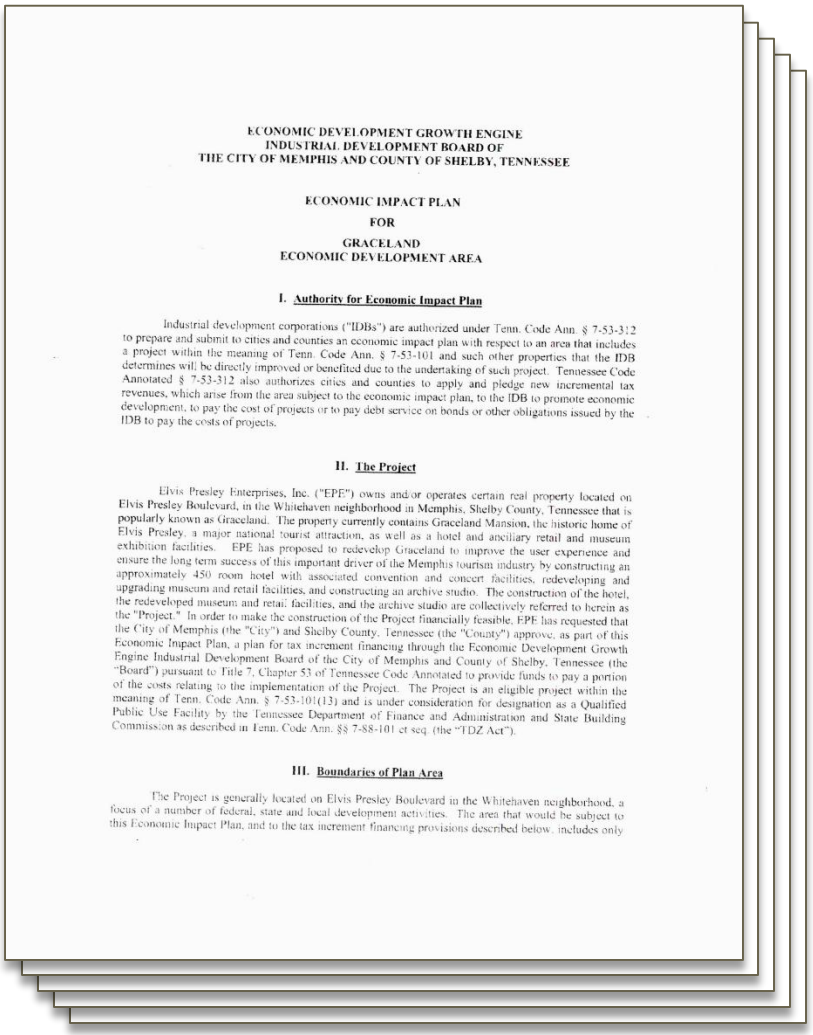
Report Fraud, Waste & Abuse

Search Audits & Reports

TIF Plan Filing and Annual Increment Reporting Status

- As stated earlier, the TIF development plan and annual increment received are to be filed with the Comptroller's office
- Compliance level is lower than desired but currently improving
- Annual correspondence reminders from the Comptroller's office
- Working with every county to assemble a complete statewide database

Graceland Economic Impact Plan, 2015



ECONOMIC DEVELOPMENT GROWTH ENGINE
INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF MEMPHIS AND COUNTY OF SHELBY, TENNESSEE

ECONOMIC IMPACT PLAN
FOR
GRACELAND
ECONOMIC DEVELOPMENT AREA

I. Authority for Economic Impact Plan

Industrial development corporations ("IDBs") are authorized under Tenn. Code Ann. § 7-53-312 to prepare and submit to cities and counties an economic impact plan with respect to an area that includes a project within the meaning of Tenn. Code Ann. § 7-53-101 and such other properties that the IDB determines will be directly improved or benefited due to the undertaking of such project. Tennessee Code Annotated § 7-53-312 also authorizes cities and counties to apply and pledge new incremental tax revenues, which arise from the area subject to the economic impact plan, to the IDB to promote economic development, to pay the cost of projects or to pay debt service on bonds or other obligations issued by the IDB to pay the costs of projects.

II. The Project

Elvis Presley Enterprises, Inc. ("EPE") owns and/or operates certain real property located on Elvis Presley Boulevard, in the Whitehaven neighborhood in Memphis, Shelby County, Tennessee that is popularly known as Graceland. The property currently contains Graceland Mansion, the historic home of Elvis Presley, a major national tourist attraction, as well as a hotel and ancillary retail and museum exhibition facilities. EPE has proposed to redevelop Graceland to improve the user experience and ensure the long term success of this important driver of the Memphis tourism industry by constructing an approximately 450 room hotel with associated convention and concert facilities, redeveloping and upgrading museum and retail facilities, and constructing an archive studio. The construction of the hotel, the redeveloped museum and retail facilities, and the archive studio are collectively referred to herein as the "Project." In order to make the construction of the Project financially feasible, EPE has requested that the City of Memphis (the "City") and Shelby County, Tennessee (the "County") approve, as part of this Economic Impact Plan, a plan for tax increment financing through the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (the "Board") pursuant to Title 7, Chapter 53 of Tennessee Code Annotated to provide funds to pay a portion of the costs relating to the implementation of the Project. The Project is an eligible project within the meaning of Tenn. Code Ann. § 7-53-101(13) and is under consideration for designation as a Qualified Public Use Facility by the Tennessee Department of Finance and Administration and State Building Commission as described in Tenn. Code Ann. §§ 7-88-101 et seq. (the "TDZ Act").

III. Boundaries of Plan Area

The Project is generally located on Elvis Presley Boulevard in the Whitehaven neighborhood, a focus of a number of federal, state and local development activities. The area that would be subject to this Economic Impact Plan, and to the tax increment financing provisions described below, includes only

TENNESSEE COMPTROLLER OF THE TREASURY

Essential TIF Terms

- Length
- Amount
- Parcel-by-parcel or total area calculation
- Boundaries

Graceland Economic Impact Plan

- Privately-owned archive studio, hotel and conference center, museum attractions and retail
- Passed “but for” test
- Boundaries limited to 120 acre Graceland Campus
- Only 50% of the tax increment revenues generated in the plan area will be utilized for project purposes; the remaining 50% will be distributed to the local governments
- Pooled incremental sales and property tax revenues, borrower payments, and tourism surcharges.

Measuring TIF Effectiveness

- Get updates from the finance director on amounts outstanding and receive a list of active plan areas with estimated end dates
- Do your own “but for” or necessity test
- Ask questions about the projected values
- Remember only IDBs may use incremental revenues to pay project costs directly

TIF at a Turning Point

- GASB Statement No. 77, *Tax Abatement Disclosures,* approved August 2015
  - New financial statement disclosures required for state and local governments for fiscal year beginning July 1, 2016 and ending June 30, 2017
  - New disclosure requirements supplement existing state reporting requirements
- Economic Development Policies

Your Questions…Accountability

- Should policies be required?
- How should the established criteria be communicated to the authorizing entity prior to receiving any formal approval?
- Should TIF projects be targeted and temporary? How do we know when they end?

Your Questions…Transparency

- What are TIF best practices in Tennessee?
- Are TIF discussions conducted in the "sunshine"?

Your Questions…Duration

- What are the pros and cons of reauthorizing a tax increment allocation when the original plan has run its course?

- If the decision is made to amend the plan to keep developing the area, what questions should the authorizing entity ask?

Partnering with Local Governments

- What oversight authority does the Comptroller have, when is it exercised, and what prompts it to be used?

- What other resources are available to help facilitate the proper creation of tax increment areas?

TIF Brochure

Contact Information

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Bldg.
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954
Betsy.Knotts@cot.tn.gov

Kelsie Jones
Executive Secretary
State Board of Equalization
9th Floor, Snodgrass TN Tower
312 Rosa L. Parks Avenue
Nashville, TN 37243-1102
Phone: (615) 401-7883
Kelsie.Jones@cot.tn.gov

TENNESSEE COMPTROLLER OF THE TREASURY