

Statement of Purpose

This document outlines the use of Tax Increment Financing (TIF) in the City of Neligh, Nebraska. Neligh's purpose in the use of TIF is to remove blight, stimulate investment in deteriorating areas, and stimulate job creation by encouraging re-development.

TIF is a state authorized public funding mechanism for municipalities that helps pay for public improvements associated with redevelopment projects in blighted and substandard areas. Under Nebraska Community Development Law, Neb. Rev. Stat 18-2101 (here-in referred to as the "Act"), municipalities are authorized to designate blighted and substandard areas that contain deteriorating buildings, high unemployment, aged structures, unimproved land, low-income residents, and/or declining population along with other factors as stated in the law. The Act restricts the City of Neligh from declaring more than 50% of the City's corporate boundaries as blighted and substandard.

Who is in Charge of Tax Increment Financing in Neligh?

The Re-development Authority of the City of Neligh acts as the contact point and project management for all TIF projects in Neligh. Neligh has been using TIF to spur redevelopment since 1998, with its first project being the Willows Assisted Living Facility. All projects are submitted to the Neligh City Council for review and possible hearings.

How does TIF Work?

First, the potential project must be located in the Redevelopment Area as stated by the City of Neligh's Blight and Substandard Study. See map on next page for more details. If the property resides in this area, interested redevelopers should contact the Director of the Re-Development Authority at the information provided below.

The property will be assessed at a "base year," or as it existed prior to development. An estimate is made to determine the future assessed value of the property after improvements have been made. The difference between the "base year" and the improved valuation will be called the "tax increment." The redeveloper can have access to the funds generated by the "tax increment" for 15 years or until the TIF indebtedness is paid in full. The "increment" can be used to reduce eligible costs generated by the redevelopment process. Eligible costs will be explained in-depth further on. Property taxes are paid as normal based on the improved valuation. The "base year" taxes are distributed to all taxing authorities. The property tax collected on the tax increment are used to finance bonds issued to pay for redevelopment.

Short Example of TIF

A dilapidated building is sitting on a nice lot. No one can afford to buy the lot, tear down the building, and build something new. Since this project is not financially feasible but needs to be done, the developer can receive the assistance of Tax Increment Financing. The developer must make sure the property is in the redevelopment area and apply to the City of Neligh. If the application is accepted by the Re-Development Authority of the City of Neligh, the developer can proceed with his project. The current dilapidated building is bringing in \$500/year in taxes. The proposed new building will pay \$10,500/year in taxes. The "tax increase" is \$10,000/year, TIF projects have a life span of 15 years or until the indebtedness is paid off. The maximum amount the developer can finance is $\$10,000 \times 15 \text{ years} = \$150,000$. This amount does not include lawyer fees, Re-Development Administration fees, and interest which will come out of the TIF indebtedness. The developer now has \$150,000 to use for eligible TIF expenditures. In this scenario, the TIF funding will be used to cover demolition and asbestos removal costs.

Projects Eligible for TIF Funding

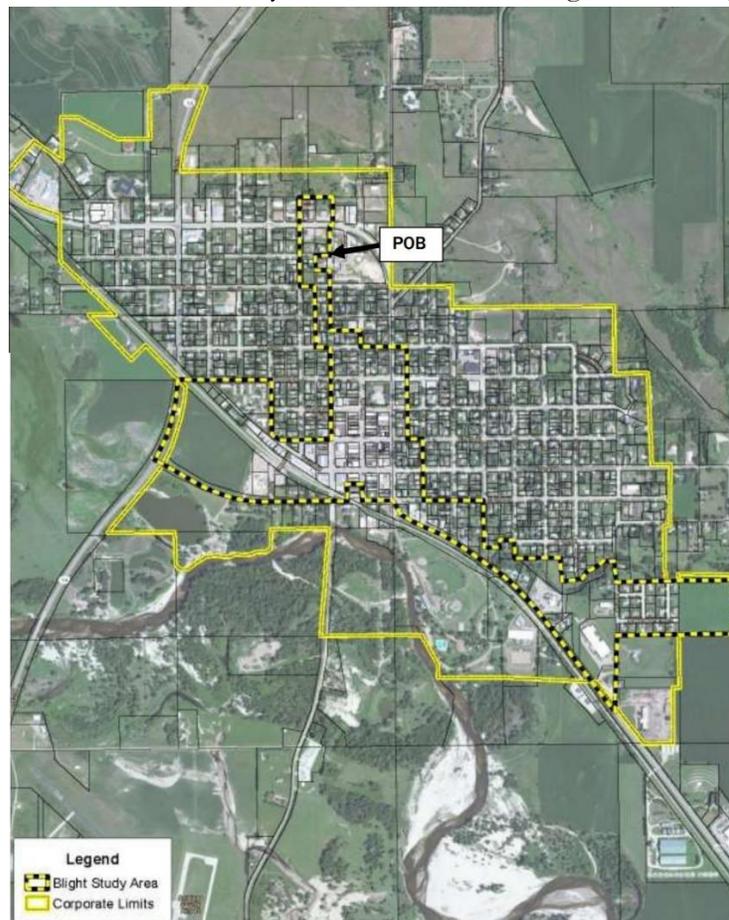
In order for projects to be eligible for Tax Increment Financing the project must meet all of the following criteria as required by Neb. Rev. Stat. 12-2101:

- ❖ The project must be located in an area declared blighted and substandard by the City Council.
- ❖ The project must be in conformance with the City's Comprehensive Plan and the Redevelopment Plan for the project area.
- ❖ The developer must demonstrate that the project, as designed, would not be economically feasible with our TIF assistance. This is commonly called the “but for” test, meaning the project would not occur as designed “but for” the availability of TIF funding.

Eligible Expenses of Tax Increment Financing

As set forth by Nebraska Community Development Law, Neb. Rev. Stat. 18-2101, eligible expenditures for TIF include:

1. Acquisition and site preparation of redevelopment sites including demolition, grading, environmental remediation and related work prior to construction of the project and costs associated with relocation.
2. Public improvements associated with a redevelopment project, including the design and construction of public arterial streets, sidewalks, alleys, water, sewer, street lights, the design and construction of public parking; design and installation of public streetscape amenities; and the preservation of historic facades.



Neligh Redevelopment Area