

TIF 101

Redevelopment

Districts

HOW MDHA ADMINISTERS DISTRICTS

What Are They?

Redevelopment Districts are areas that have been created to combat blight and disinvestment.

Districts give predictability to property owners, tenants, and investors in the area by providing land use controls, design controls, and financial inducements through TIF.

Many of the provisions of state law pertaining to Redevelopment Districts are based on the enabling legislation of Urban Renewal from the 1940s.

Tax Increment Financing was authorized as a substitute for federal funding under Urban Renewal.

Laws continue to be refined in the State Legislature to include Transit-Oriented Redevelopment Districts authorized in 2017.

Districts

Redevelopment Districts have changed the face of Nashville over the years. The plans continue to change the areas including such recent projects as the Sounds Ballpark and the 5+ Broad project with the National Museum of African American Music. The authorization of Transit Redevelopment District will facilitate Nashville's pursuit to increase high capacity transit options. This discussion will focus on the traditional districts.

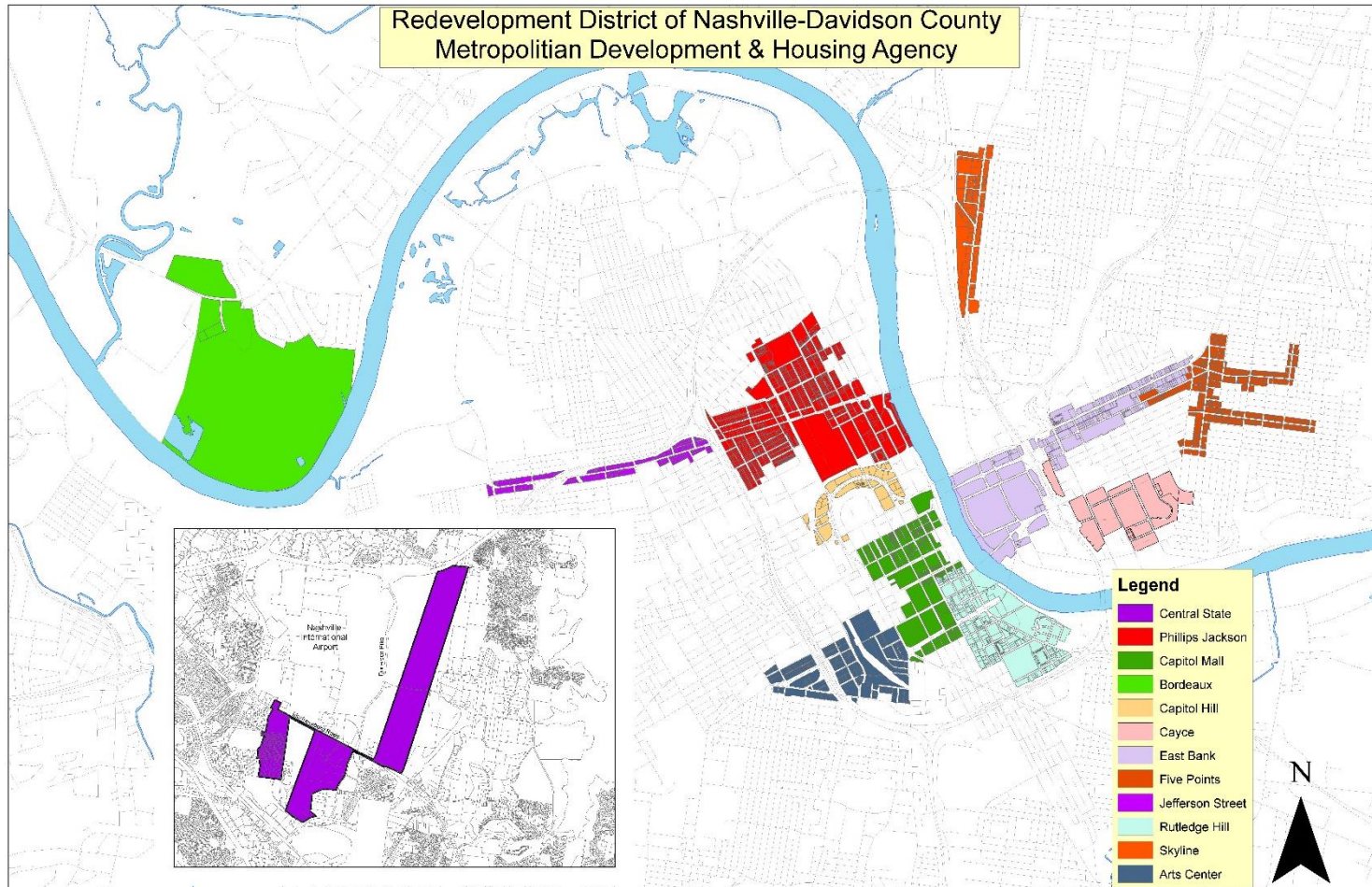
The first redevelopment district was Capitol Mall in 1978.

It addressed deteriorating conditions along Commerce Street and was expanded several times over the years to include the “seedy” area of lower Broadway, the flight of retail from Church Street, and expansion of downtown southward to include the Bridgestone Arena and the Country Music Hall of Fame.

Districts

Urban Renewal Districts	Redevelopment Districts
Capitol Hill East Nashville Edgefield Edgehill University Center	Capitol Mall Rutledge Hill Arts Center Phillips Jackson Five Points East Bank Skyline Central State Jefferson Street Bordeaux Cayce

Redevelopment Districts



How can I get TIF?

Tax Increment Financing is only available as part of a Redevelopment Plan once authorized by the Metropolitan Council.

TIF amount is limited in each plan and is only available in Redevelopment Districts.

Plans are created in accordance with State law and must be approved by the Metropolitan Council.

* TIF is also available through the Industrial Development Board

What is a Plan?

An authority shall not initiate any redevelopment project under this chapter until the governing body, or agency designated by it or empowered by law so to act, of each city or town, hereafter called "municipalities," in which any of the area to be covered by such project is situated, has approved a plan, herein called the "*redevelopment plan*," *which provides an outline for the development or redevelopment of such area* and is sufficiently complete to:

- (i) Indicate its relationship to *definite local objectives* as to appropriate land uses and improved traffic, public transportation, public utilities, recreational and community facilities and other *public improvements*;
- (ii) Indicate proposed *land uses and building requirements* in the area; and
- (iii) Indicate the method of the temporary *relocation* of persons living in such areas....

Establishing a Plan

Upon requests of elected officials, community leaders, property owners or developers, MDHA may consider an area for a Redevelopment District.

Urban Development Staff of MDHA perform a preliminary review of the area to see if the area will meet minimum thresholds, consult with the local Councilmember and discuss with Metro administration the viability of a district.

If the area meets the criteria, MDHA will host multiple community meetings. This includes all property owners, elected officials and Planning Department staff.

From those meetings, a plan is drafted and shared with the community for their comment. MDHA continues to meet with the community until a consensus is reached on the text of the plan.

Blight determination is a threshold criteria for traditional redevelopment districts.

Blight Definition

"Blighted areas" are areas, including slum areas, with buildings or improvements that, by reason of dilapidation, obsolescence, overcrowding, lack of ventilation, light and sanitary facilities, deleterious land use, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community. "Welfare of the community" does not include solely a loss of property value to surrounding properties, *nor does it include the need for increased tax revenues.*

Faulty arrangement or design, excessive land coverage, deleterious land use, or obsolete layout is now excluded from the current blight definition.

Approval of a Plan

MDHA Board of Commissioners

Metro Council Ordinance

- Public Hearing
- By publishing notice, once a week for three (3) consecutive weeks immediately preceding the public hearing
- By written notice to at least one (1) of the owners or at least one (1) of the occupants of each parcel of property within the area
- Budget and Finance Committee
- Planning and Zoning Committee

Metro Planning Commission

- Public Notices
- Public Hearing

Enabling TIF

TIF can only be enabled through the creation of either a traditional Redevelopment District or a Transit-Oriented Redevelopment District (TORD) through the Metropolitan Council.

Traditional Redevelopment Districts

- Must be in a blighted area.
- Definition of blight has changed over the years.
- Until 2006, blight included physical condition of buildings.
- Post Kelo v. New London, blight is restricted to dilapidation and obsolescence.
- Obsolescence includes properties with a different 'highest and best use'.

Transit-Oriented Redevelopment Districts

- In 2017, Transit-Oriented Districts authorized which must be along major transit corridors
- Corridors must be identified in the Major Street Plan
- Requires MTA, Public Works, Planning and MDHA
- Does not require a finding of 'blight'.

TIF as a Tool

- Assists the community in carrying out the adopted Redevelopment Plan
 - In the context of traditional redevelopment districts, the goal has been to remove blight and other deleterious land uses
- Promotes investment in a given area
- New investment spurs additional economic development
- Provides potential investors predictability through land use and design controls.
- Allows the City to carry out smart growth strategies by incentivizing growth in core redevelopment areas / areas with high transit capacity and ensures that development remains consistent with adopted plans

Current MDHA Process to Request TIF

Pre-application meeting

- Exchange information on project and TIF program, determine if TIF is a good fit.

Developer submits application for TIF

Urban Development Staff reviews the application and provides a recommendation to the MDHA Executive Department.

MDHA evaluates application based on the following:

- Is proposed development consistent with adopted plans?
- Is there a gap in financing?
- Is the cost of the project reasonable?
- Will the project spur additional development?
- What is the public benefit?
- What are the TIF eligible expenses?
- How much tax increment will the post-development site generate?

Project is either denied or proceeds to the Approval Process

Approval Process

Negotiation of Development Agreement

- See next slide

Presentation and discussion with the Development Committee of the Board

- Publically advertised

Presentation and discussion with the full Board of Commissioners

- Publically advertised with public comments

Development Agreement

Project Description

Time Line for Development

Financing Requirements

Diversified Business Goals

Final Report

Mechanics of TIF

After MDHA has approved TIF and a Development Agreement has been executed:

TIF financing is then secured from a commercial lender, with future tax increment being pledged to repay the debt.

- Developer provides back-stop

At TIF closing, Developer and MDHA execute binding documents requiring the project to be completed in accordance with the Redevelopment District and the Development Agreement.

MDHA reports to the State Comptroller once a TIF loan has closed.

Program Facilitation & Reporting

Each year Metro collects the full property taxes off of the pledged parcel(s) (those that have transferred through MDHA ownership) and distributes the incremental portion to MDHA, MDHA uses this increment to pay the TIF debt and its administrative expenses.

In some cases, after consulting with Nashville administration, the increment from other parcels is pledged to repay TIF debt. This has occurred specifically where TIF is used on tax exempt sites including the Ascend Amphitheatre, First Tennessee Ballpark

MDHA provides annual reporting to Metro and State Comptroller.

Once TIF debt obligations are met for a given parcel, Metro will retain all property taxes from the parcel(s).

Metro captures all property tax increases that take place on surrounding parcels.