Tax Increment Financing (TIF) Recommendations

(DRAFT ideas from Bob Mendes, March 30, 2019)

*Observation #1*

Many in the community lack full information about the laws, processes, and results of TIF as used in Nashville. That goes hand-in-hand with significant distrust among the public.

*Recommendations*

* MDHA to post all Board agenda, full Board material packages, and minutes online.
* Make the TIF materials compiled by the study group, updated regularly, available permanently online.
* Interactive map as suggested by Brian Kelsey
* Provide better presentation for required annual reporting
* TIF 101 materials available to public.
* Periodic TIF 101 education sessions by MDHA and Metro
* Create TIF explainer similar to Metro Human Relations Commission piece on affordable housing
* Consider other possible accounting presentations for how tax increment dollars flow through the annual operating budget

*Observation #2*

What are the goals of each economic redevelopment district? On their face, the purpose of economic redevelopment districts is to address "blight." However, "infrastructure" and "affordable housing" are very frequently cited as the actual goals of certain existing districts.

*Recommendations*

* Be direct about the purpose and goals about each redevelopment district. Update existing redevelopment plans to clarify goals.

*Observation #3*

The city's goals for a redevelopment district may shift before the 30 year term of the redevelopment district is complete.

*Recommendations*

* Periodically reassess impact and goals of a redevelopment district. Recommendation doing this after first 10 years of a district and every 5 years after that. Require MDHA and Council to agree in order for new TIF loans to continue being made in the district.
  + Amend each existing redevelopment district to include this feature.
* MDHA and Planning work on a process for reporting the impact of each redevelopment district periodically.

*Observation #4*

Certain aspects of the way TIF and redevelopment districts work seem inefficient and we don't take advantage of all of Metro's capacities.

*Recommendations*

* Require MDHA and Planning to work together in creating districts, measuring the impact of districts, and recommending goals for districts.
* Require MDHA and Metro Finance to work together on tax projections, accounting, and reporting.

*Observation #5*

There is a perception that TIF is available for "insiders" only and not everyone has equal access to the tool.

*Recommendations*

* Metro should consider having a single office that manages all economic incentives rather than having multiple points of entry. e.g., MDHA, IDB, and Mayor's Office.
* Prepare a streamlined process for smaller TIF loans.
* Recommend M/WBE goals for TIF program.
* Recommend TIF loan applicants comply with Metro's "Do Better" bill.

*Observation #6*

State law and Metro law require excluding the "debt service" part of tax increment from being available for TIF loans. Other cities are more conservative than this even. There are no written guidelines at MDHA or Metro for how much of the increment should be available to support any specific loan.

*Recommendations*

* Establish a rule that no more than 70% of the increment may be used to support a TIF loan.
* Metro and MDHA should establish a policy for determining how much increment should be used for a particular loan based on the size of the loan.
* Update existing redevelopment plans so that cap applies for new loans made in existing redevelopment districts.

*Observation #7*

The economics of parcel-by-parcel TIF and entire-district TIF are very different and should be treated differently.

*Recommendations*

* Prior to creating an "entire district" TIF zone, there should be independent third-party approval of any revenue/increment projections.
* There should be a strong policy to limit the percent of tax increment used for loans in an "entire-district" TIF zone.

*Observation #8*

Other cities in Nashville apparently use IDB TIF more than Nashville. This is not well understood in Nashville. Because TIF through an IDB does not require a redevelopment district or a finding of "blight," there may be pressure to do more IDB TIF in the future.

*Recommendations*

* All of the policies that apply to MDHA should apply to IDB TIF also.
* More work needs to be done to understand IDB TIF and to make recommendations about it. The IDB should be asked to review the Study Group's work and make policies consistent with our findings and recommendations.