CHARLOTTE.
NEIGHBORHOOD & BUSINESS SERVICES

Synthetic Tax Increment Financing Guidelines

In accordance with the City's strategic business objectives, multiple financing tools are utilized to encourage economic development projects. One such tool is tax increment financing in the form of the City's Synthetic Tax Increment Finance Program [STIF]. The City Council adopted guidelines below set forth the uses and parameters of the program that are utilized when assessing potential STIF investments.

I. Financing Parameters:

A. Reimbursement basis only (City / County payments are not made until l property taxes are paid by private sector)
B. Private sector guarantees are pledged in the form of a Development Agreement
C. A "But For" test will be applied
D. City's financial participation allows reservation of right to influence type and form of project in partnership with private developer
E. City priorities and policy goals must be satisfied

II. Definition of Tax Increment

A. Total incremental taxes: the difference between the actual tax value of development parcel(s) presently and the actual tax value of the developed parcel(s) after project completion with proposed public investment
B. Net Incremental taxes: the difference between the projected future tax value of development parcel(s) in a normal market movement and the actual tax value of the developed parcel(s) after project completion with proposed public investment

III. Financing Categories

A. Infrastructure Investment – the building or financing of new public infrastructure such as roads, streetscapes and parking decks that induce development that would not otherwise occur. Incremental taxes generated as a result of the new infrastructure can be used to reimburse private sector for right of way acquisition, design, engineering and construction of the infrastructure.

1. *The Highest Priority Infrastructure projects in Highest Priority Business Areas may be eligible for a STIF amounting up to 90% of incremental taxes for up to ten years.*

2. *High Priority Infrastructure projects in High Priority Areas of the City may be eligible for a STIF amounting up to 45% of incremental taxes for up to ten years*.

B. Public Asset Purchase – the building or financing of new public buildings or feature that become a specific asset to the City. These projects by pass the normal Capital Improvement Plan (CIP) process and are often a unique opportunity to obtain a desired public facility. In analyzing the viability of a project, attention will focus on how the project compares to items included in the CIP. These projects may have multiple City and private sector revenue sources with the resulting asset owned by the City. As a result of the nature of the project, less emphasis is placed on the "But For" test and terms may be longer due to the life expectancy of the asset.

Total incremental taxes generated as a result of the development can be dedicated up to 90% and for up to 25 years.

C. Economic Development Grants – the provision of gap funding for economic development projects in Business Corridor and strategic plan geographies that add value to the city and generate growth that would not otherwise occur.

Total incremental taxes generated as a result of the development can be dedicated up to 90% and for up to 10 years

IV. Capacity Policy

The amount of the total city wide STIF assistance should be limited to no more than 3.0% of the annual property tax levy of any given year. Before a new project can be approved, an analysis must be completed to ensure that future commitments will not exceed the STIF maximum capacity threshold. The model will be updated annually to determine of new capacity is available.

Adopted by City Council – November 2007