PROPERTY TAX DIVISION HEARING: TIF CLARIFICATIONS BILL (HF 880)

WEDNESDAY, FEBRUARY 1, 2023

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ADMINISTRATIVE EXPENSES

- Current law defines administrative expenses and provides a 10% limit
- Section 1 improves the definition of administrative expenses
  - Adds a list of items that are admin expenses, not just a list of excluded items
  - Maintenance/operating costs of TIF-purchased properties are included
  - Property taxes paid on TIF-purchased properties are excluded
- Section 4 clarifies the administrative expense limit
  - Limit is calculated net of returned increment
  - Maintenance/operating costs paid with lease proceeds are not subject to limit

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MISCELLANEOUS TECHNICAL CHANGES

- Section 2 adds definition of "pay-as-you-go contract and note"
- Section 3 allows a minor reporting change (month of 1st receipt of increment not required)
- Section 5 corrects a grammatical flaw with the general rule provision

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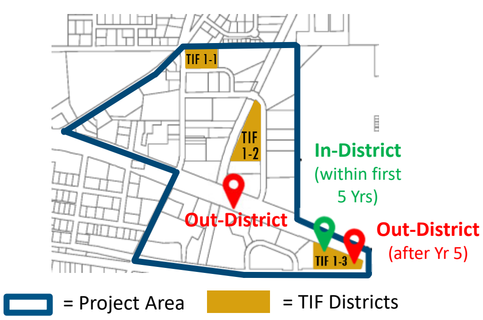
POOLING



"Pooling" is the expenditure of increment outside the district but within the project area

Overall Pooling Limit = 25% (Redev Dists), 20% (Others) but can be increased by 10% for housing purposes

Five-Year Rule defines costs obligated after the first five as being "out-district" (must fit within pooling limit)

Six-Year Rule requires annual use of in-district share for in-district obligations, and requires decertification when in-district costs and obligations are paid

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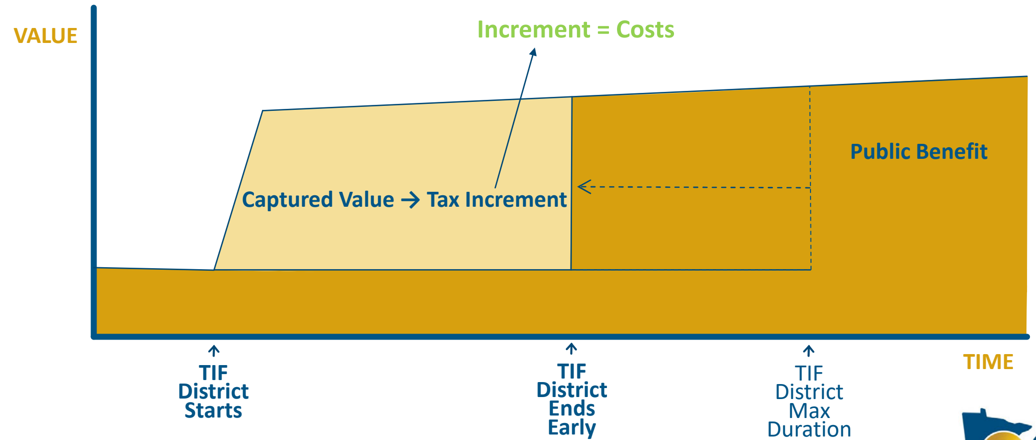
POOLING



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POOLING

- Section 6 clarifies the overall pooling limit
  - Calculated based on increment net of returned increment
  - Broadens a cross-reference to clarify that county admin expenses, like any county road costs, are not part of the limit calculation
- Section 7 makes technical clarifications to the Five-Year Rule
  - Clarifies language
  - Delete an obsolete reference
  - Removes reference to the 2(d) extra 10% pooling for affordable housing because it is better addressed in changes to the Six-Year Rule

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POOLING

- Section 8 makes substantial changes to the Six-Year Rule
  - Removes the extra annual limit (Difficult for authorities to understand, difficult to monitor and oversee, and of questionable additional value beyond the overall pooling limit)
  - Substantially reworks the early decertification requirement
    - Replaces ambiguous language with a calculation
    - Addresses application with respect to pay-as-you-go (PAYG) notes (protects agreements but requires removal of parcels no longer pledged on an outstanding in-district obligation)
    - Grandfathers existing bonds for pooled expenditures
    - Clarifies the timing and process of decertification under the Six-Year Rule
    - Protects additional pooling for affordable housing from the changes

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POOLING

- Section 9 corrects a technical flaw in a pooling for deficits provision
  - "Deficit" was meant to be one amount minus the sum of two other amounts, not one amount minus the second plus the third   A – (B + C) not A – B + C

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VIOLATION PROVISIONS

- Section 10 deletes an obsolete sentence based on an assumption contrary to how current-day processes evolved
- Section 11 streamline language that was an artifact of past law changes
- Section 12 broadens a cross reference from a single section of the TIF Act that identifies most limitations to reference the full TIF Act as there are limitations in other sections

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