

TAX INCREMENT FINANCING

TAX INCREMENT FINANCING (TIF) determines the difference between a site's pre-development tax revenues and the projected taxes resulting from proposed development and uses that difference (or increment) to finance the proposed development.

At least 48 states have enacted statutes permitting the use of Tax Increment Financing to help local governments finance redevelopment. Utah's Limited Purpose Local Government Entities—Community Development and Renewal Agencies Act and its predecessor, the Utah Redevelopment Agencies Act, both include a provision to use tax increment financing to develop, construct or retain affordable housing in the state. This provision, the only one addressing housing found in the statutory research on TIFs done for this project, is the reason that the Utah statute is included in this study.

Limited Purpose Local Government Entities— Community Development and Renewal Agencies

UTAH CODE ANN. §17C-1-101 ET SEQ.

Under the Tax Increment Financing (TIF) portion of the Utah Redevelopment Agencies Act, enacted in 2001, local governments are authorized to use tax increment financing for redevelopment activities, including affordable housing. With a few exceptions, each TIF project adopted on or after May 1, 2000, which provides for greater than \$100,000 of annual tax increment to be paid to the agency, was required to allocate a minimum of 20 percent of the TIF for affordable housing development, construction or retention. Approximately \$127 million has become available to fund affordable housing under this act so far, with about \$5 million allocated to date. The first large expenditures of this funding are expected between 2008 and 2015.

An "agency" for purposes of this statute means a separate entity that is a political subdivision of the state, created to promote redevelopment, economic development or education housing development (i.e., high density housing within a project area that is adjacent to a public or private institution of higher education). The boundaries of the agency must be consistent with the creating political entity (e.g., for a county-created agency, the boundaries are the unincor-

porated areas of the county; for a city- or town-created agency, the boundaries are those of the city or town). There are 48 redevelopment agencies in Utah.

The statute also provides that an agency may use tax increment financing to pay for all or part of:

- The value of the land and the cost of installation, construction and rehabilitation of any building, facility, structure, or other housing improvement, including infrastructure improvements related to housing, located in any project area within the agency's boundaries; and
- Use up to 20 percent of tax increments outside of project areas to replace housing units lost by urban renewal, economic development or community development, or increasing, improving and preserving the affordable housing supply of the community that created the agency.

Two major affordable housing efforts have been conducted since the beginning of the TIF provision. Bluffdale, a community near Salt Lake City, has seen the construction of about 85 affordable housing units dispersed across three complexes. Sandy City, also near Salt Lake City, is using the TIF money it receives for infrastructure support for housing development.



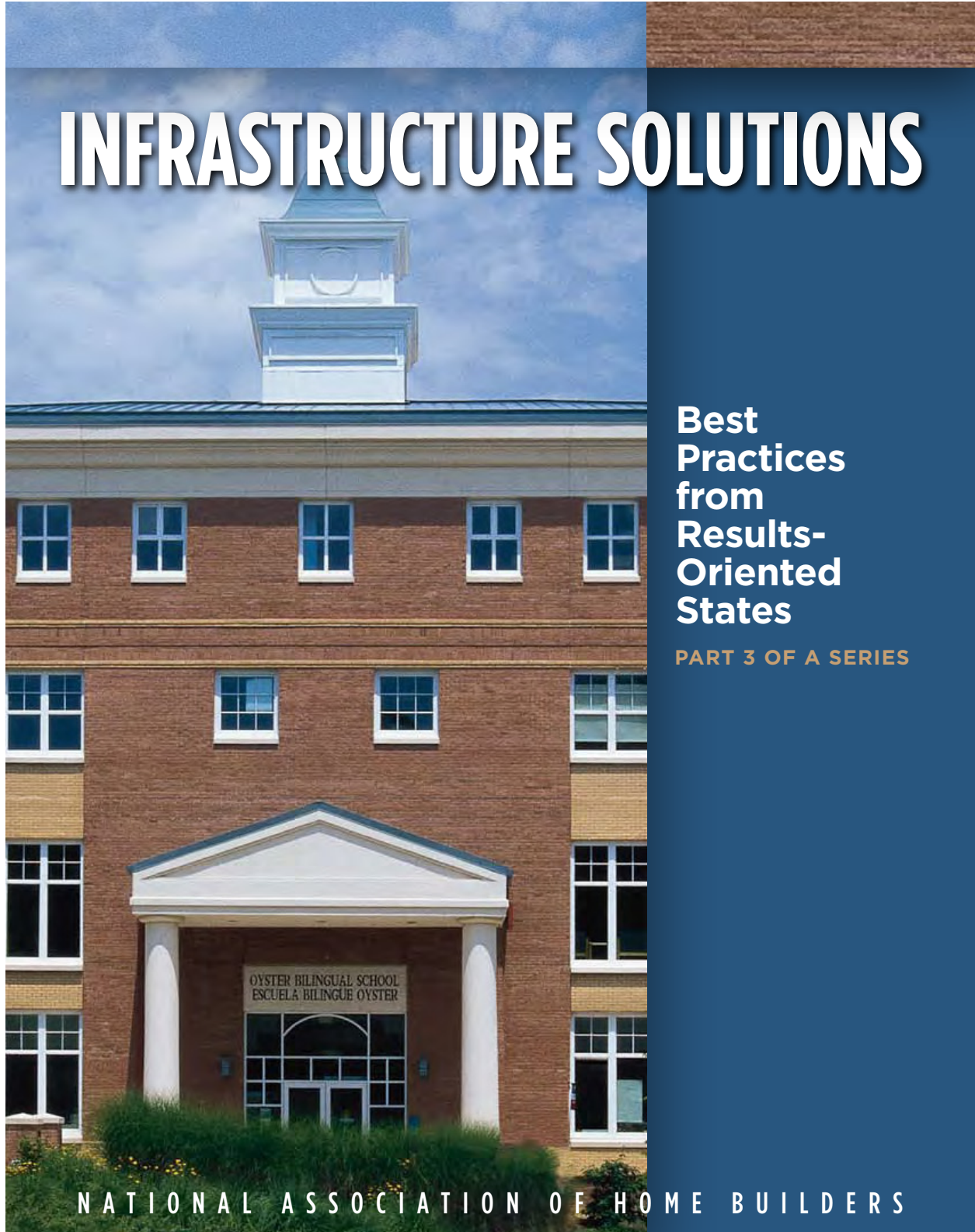
This document is a portion of NAHB's report
Infrastructure Solutions: Best Practices from Results-Oriented States.

[Click here to view the full report.](#)

INFRASTRUCTURE SOLUTIONS

**Best
Practices
from
Results-
Oriented
States**

PART 3 OF A SERIES



NATIONAL ASSOCIATION OF HOME BUILDERS