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TIF-for-TAF

Tax increment financing could play a big role in Gardner's future.

By Kurt Kloebler

In February, Gardner Mayor Carol Lehman, Assistant City Administrator Melissa Mundt and the city's bond counsel asked the Kansas Senate commerce committee to make KC Logistics Hub, which could be annexed into Gardner, eligible for TIF.

A bill that would allow TIF for the facility passed through the state Senate last week, but is now tied up in the House economic development and tourism committee.

Ever since Gardner found out about the intermodal logistics hub, some citizens have said the railroad and logistics park developer should not get tax breaks.

Depending on how the bill fares, TIF could play a key role in how infrastructure is financed in and around the development.

HOW TIF WORKS

TIFs have been around since 1976, when Pittsburg, Kan., first used the development tool. For years, cities used TIF to improve blighted areas. TIF is still used for that purpose, but has also evolved for other uses.

The first step is establishing a TIF district with clearly defined boundaries, which must be approved by the respective city council.

Once the TIF is formed, a baseline is set on the property taxes, and sometimes sales tax, collected on the property. Redevelopment usually results in an increase in property value. That increment of increase goes to pay for infrastructure improvements in the TIF district.

In essence, TIF does not take away existing tax money.

The initial payment for infrastructure can be paid back in a number of ways. For example, Wal-Mart received the funding, the first TIF in

Gardner history. Wal-Mart paid for the infrastructure improvements up front, and as the city receives the tax revenue, they pay back Wal-Mart, with interest, for those improvements.

A TIF district can last for up to 20 years.

WHO CAN SAY NO?

Many people do not know that a county or school district can retain taxing rights in a proposed TIF district.

Eric Hansen, director of business and finance for the Gardner-Edgerton School District, said a school board has veto power over a TIF.

He points to a state statute that reads: "If the board of county commissioners or the board of education levying taxes on such property determines by resolution adopted within 30 days following the conclusion of the hearing for the establishment of the redevelopment district required by subsection (b) that the proposed redevelopment district will have an adverse effect on such county or school district. The board of county commissioners or board of education shall deliver a copy of such resolution to the city. The city shall within 30 days of receipt of such resolution pass an ordinance terminating the redevelopment district."

Verle Peter, who works in the Kansas Department of Education's finance department, said there are a number of statutes that give different types of powers regarding TIF to a county and school board.

Don Jarrett, chief counsel for the Johnson County Commission, said a county or school board could opt out of a TIF district, but not negate one.

Cities often negotiate ahead of time with school districts and the county to reach some middle ground, David Arteberry, a financial consultant to the Gardner-Edgerton School District, said.

County Commission Chair-woman Annabeth Surbaugh said the commission would have to weigh heavily the impact of forgoing tax dollars when the county is already struggling for tax revenue.

"You'd have to look at long-term gain," Surbaugh said. "If there are tax dollars we lose today, are we better off tomorrow? The other question is who pays for infrastructure? Is everyone in town going to pay for roads that will be used 30 years out? Will everyone use it down the line? You have to look at long-term gains. How much will you lose now versus gains in the future? I wouldn't give an answer on a Gardner proposal right now any more than I would on a small strip mall. Each one is significant."

County Commissioner Ed Peterson said he would consider several things before approving a TIF district.

"The burden should be on the city to demonstrate that TIF is necessary to spur the development," Peterson said. "Also, a city should be able to show the expected benefit of a TIF; in general the value when the property returns to the tax rolls should be able to recoup the foregone tax revenues over the life of the assets."

TIF USES

The Gardner Wal-Mart is the only local example of TIF. In Mission, the West Gateway area is in a TIF district, where developers razed the Mission Center mall and are redeveloping the site.

TIF has also been used as a revitalization tool in urban areas in Kansas City, Kan., and Wichita.

A 2002 study by the Department of Economics at Iowa State University showed that the positive impacts of TIF in Iowa rarely outweighed the negatives.

"The evidence that we analyzed suggests that net positions are not being enhanced and that the overall expected benefits do not exceed the public's costs," the report said.

PUBLIC OFFICIALS' THOUGHTS

Kansas legislators said TIF can help cities.

"It allows a city another tool to try and provide for infrastructure needs," Brownlee said. "BNSF and The Allen Group have property tax due. That could go to pay for TIF bonds... Gardner would be allowed to use TIF, not obligated. Maybe in the first phase they could use the increase in tax increment. Maybe in phase two or three they wouldn't have to."

Surbaugh said citizens should not foot the bill for all the growth in Johnson County.

"My big motto is growth pays for growth," Surbaugh said. "Whether it's a subdivision of houses or BNSF building some large warehouse, that's the overriding principle. That's one of the ways each (TIF) is considered. We need to have growth pay for growth to stay economically sound."

Gardner Mayor Carol Lehman said Gardner should not be married to the idea of using TIF, and only TIF, to finance infrastructure around the intermodal logistics hub.

"With my understanding of TIF, money generated from the project itself can be used for public infrastructure," Lehman said. "To me that is an alternative option to pay for public improvements outside of the project and pay for it with money generated from the project."

Lehman said the City Council will look at multiple financing options during a May study session.

"If we don't have TIF, it's not the end of the world. It's just one tool we can look at," Lehman said.