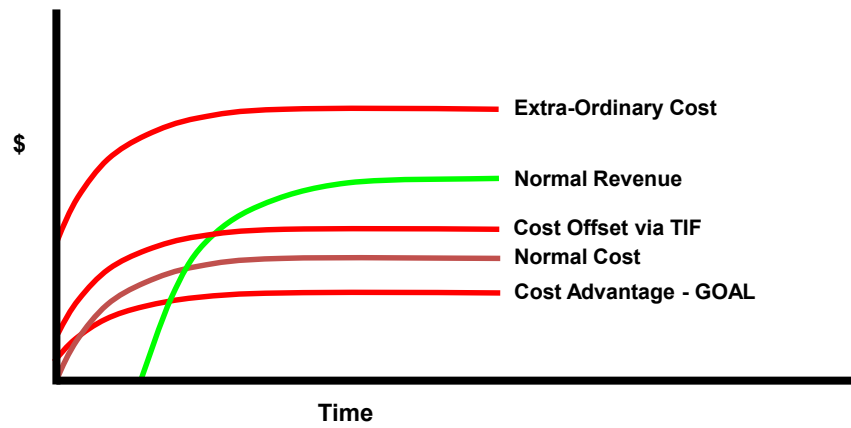


# The MicroTIF Approach

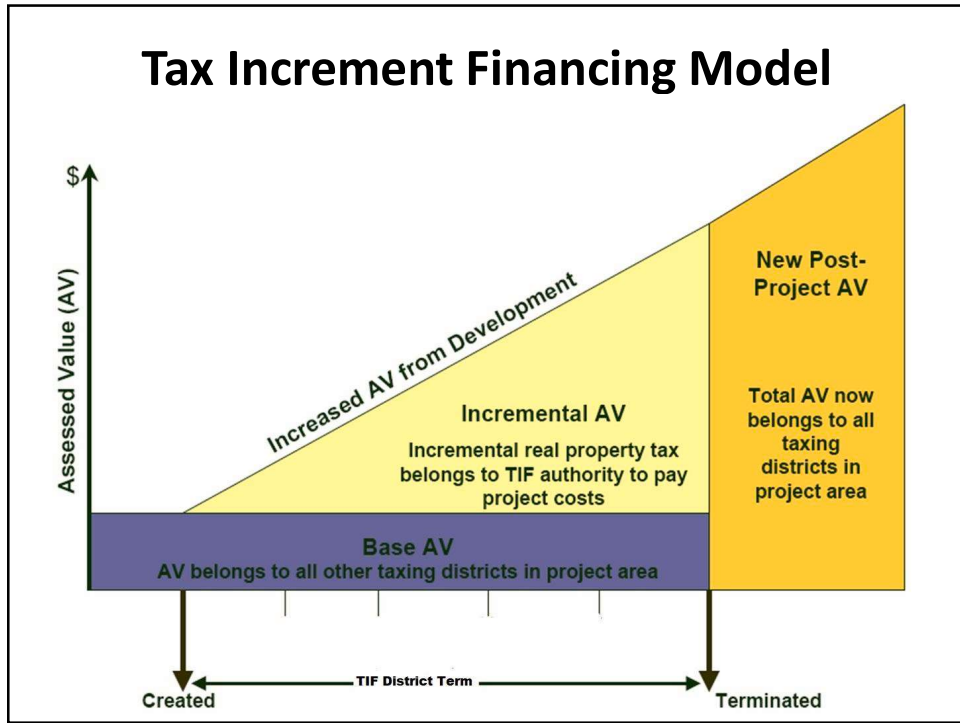
James Tischler  
State of Michigan - Land Bank Authority

1

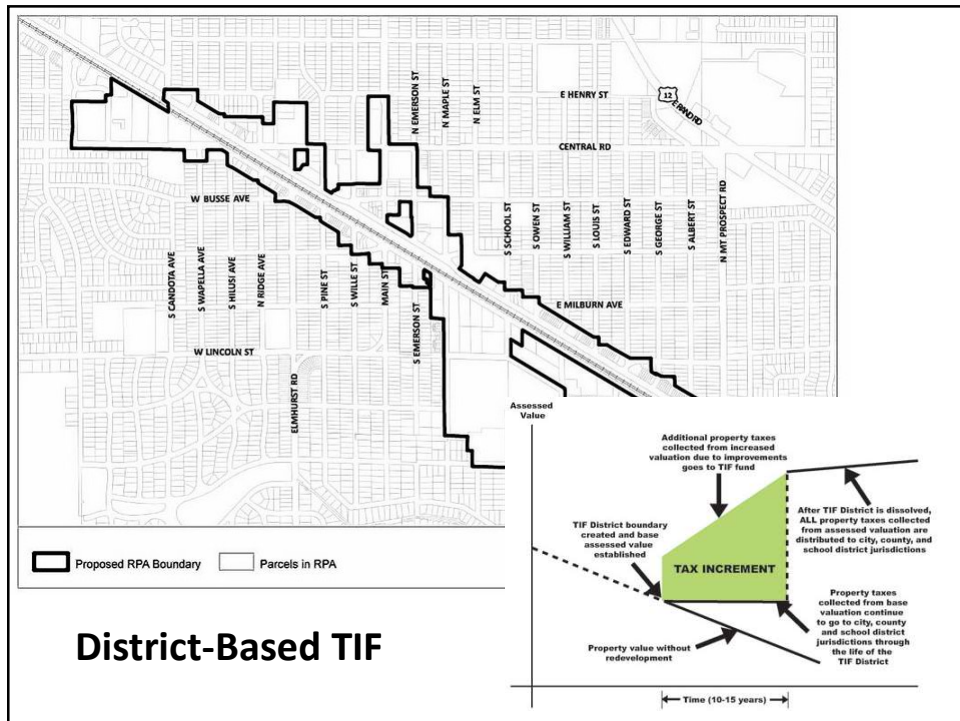
## Redevelopment Economics



2



3



4

# TIF Benefits & Issues

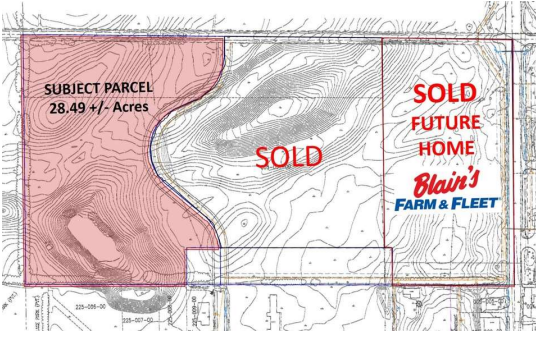
## Advantages:

- Generates new revenue(s).
- Local program with relative autonomy from state and federal intervention.

## Disadvantages:

- Interjurisdictional conflict between governments.
- Another level of local bureaucracy.
- Financial problem if growth doesn't match projections.

5




**Parcel-Based TIF**

Subject Property and Adjacent/Contiguous that comprises a Project

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**Micro-TIF**

A Single Subject Property (or portion of) that comprises a Project



6

## Key Elements

- Eligible Property:
  - Qualified by one or more criterion
  
- Eligible Activities:
  - Costs **Extra-Ordinary** to Normal
  
- Development Project/Plan:
  - Project a developer wants to undertake, with plan
  
- Work Plan:
  - Identifies specific eligible activities and cost details
  
- TIF Plan:
  - Eligible activities to be paid and how they are financed

7

## Example Project

- Eligible Property – 14-acre riverside parcel
  - Contaminated Soils
  - Non-Contaminated Fill
  
- Eligible Activities (Work Plan):
 

– <i>Environmental</i>	Assessment & Due Care	\$886,500
– Site Preparation	Piers/Grade Beams	<u>\$610,110</u>
		\$1,496,610
  
- Development Project/Plan:
  - Retail/Office Project – 4 Buildings and Land Improvements
  - \$11,000,000 True Cash Value at Build-Out



8

# Example

ENVIRONMENTAL ELIGIBLE ACTIVITIES			
<b>Baseline Environmental Assessment Activities</b>			
Phase I Environmental Site Assessment		2,500	
Phase II Subsurface Investigation		35,100	
Baseline Environmental Assessment		2,500	40,100
<b>Due Care Activities</b>			
<b>Site-Wide</b>			
Section 7a Compliance Analysis		3,000	
Prepare Environmental Work Plan Addendum No. 1		5,000	
Project Management		6,000	
Field Oversight/Sample Collection		22,000	
Underground Storage Tank Removal		15,000	
Health and Safety Plan Preparation		3,500	
Final Report Documentation		10,000	
Laboratory Analyses		6,000	
Field Supplies and Expenses		9,000	79,500
<b>Buildings A and B</b>			
Excavation and Separation of 13,000 Cubic Yards of Fill		97,500	
Disposal of 7,500 Cubic Yards of Debris/Fill		183,750	
7500 Cubic Yards Engineered Fill Replacement and Compaction		80,200	361,450
<b>Building C and D</b>			
Soil Cuttings Disposal (650 Cubic Yards)			16,000
<b>Utility Trenches</b>			
Excavation and Separation of 4,000 Cubic Yard of Fill		30,000	
Disposal of 2,000 Cubic Yards of Debris/Fill		49,000	
1,800 Cubic Yard Engineered Fill Replacement		18,000	97,000
<b>Parking Lot</b>			
Excavation and Separation of 30,000 Cubic Yards of Fill		120,000	
Disposal of 5,000 Cubic Yards of Debris/Fill		122,500	
5,000 Cubic Yards Engineered Fill Replacement		50,000	292,500
<b>TOTAL ENVIRONMENTAL</b>			<b>886,550</b>

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# Example

NON-ENVIRONMENTAL ACTIVITIES			
	Costs	Normal	Difference
<b>Site Preparation</b>			
<b>Site-Wide</b>			
Topsail Striping (Based on 40,000 Cubic Yards)	187,800	118,000	69,800
Site Balancing (Based on 30,000 Cubic Yards)	120,000	60,000	60,000
Aggregate Base 10 inches 22A and Tensar Fabric	264,400	138,600	125,800
			255,600
<b>Buildings C and D</b>			
Structural Caisson Installation	155,000	0	155,000
Geotechnical Engineer Oversight and Testing	27,000	0	27,000
Special Grade Beams/Footings	49,600	17,980	31,620
8-inch Supported Floor Slabs with Top and Bottom Rebar	175,345	76,515	98,830
Floor Beams	42,060	0	42,060
			354,510
<b>TOTAL NON-ENVIRONMENTAL</b>			<b>610,110</b>
<b>TOTAL ENVIRONMENTAL</b>			<b>886,550</b>
<b>TOTAL NON-ENVIRONMENTAL</b>			<b>610,110</b>
<b>TOTAL</b>			<b>1,496,660</b>

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# Example

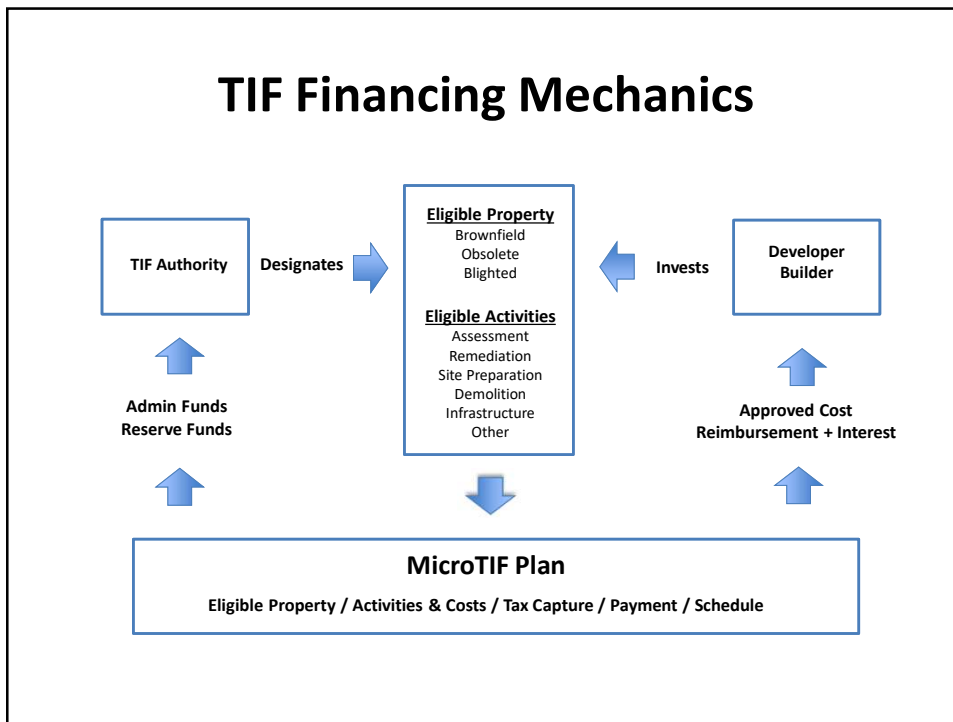
ESTIMATED TAX INCREMENT REVENUES						
TAX ANALYSIS						
Estimated percent of completion is 100%.						
	Estimated True Cash Value				10,880,000	
	Initial Taxable Value				480,650	
	Estimated Taxable Value After Construction				5,440,000	
	Captured Taxable Value				4,959,350	
MILLAGE RATES					TOTAL MLLS	0.0534564
ESTIMATED TAX INCREMENT REVENUES						
No.	Tax Day	Due Date	Capt Val	Annual	Accum	
	31-Dec	1-May				
1	2001	2002	4,959,350	265,109	265,109	
2	2002	2003	4,959,350	265,109	530,218	
3	2003	2004	5,033,740	269,086	799,304	
4	2004	2005	5,109,246	273,122	1,072,426	
5	2005	2006	5,185,885	277,219	1,349,644	
6	2006	2007	5,263,673	281,377	1,631,021	
7	2007	2008	5,342,628	285,598	1,916,619	
8	2008	2009	5,422,768	289,882	2,206,501	
9	2009	2010	5,504,109	294,230	2,500,731	
10	2010	2011	5,586,671	298,643	2,799,374	
11	2011	2012	5,670,471	303,123	3,102,497	
				<b>3,102,497</b>		

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# Example

ESTIMATED ALLOCATION OF ANNUAL TAX INCREMENT REVENUES										
NO.	Taxes Due in Year	Total TIR	Admin Expenses	Developer DS	Reserve Fund					
1	2002	265,109	75,000	190,109						
2	2003	265,109	75,000	190,109		SUMMARY OF ALLOCATED PAYMENTS				
3	2004	269,086	75,000	194,086		Principal				
4	2005	273,122	75,000	198,122		1-Apr	1,126,295			
5	2006	277,219	0	277,219		1-Oct	370,365	<b>1,496,660</b>		
6	2007	281,377	0	281,377		Interest				
7	2008	285,598	0	285,598		1-Apr	357,956			
8	2009	289,882	0	289,882		1-Oct	372,770	<b>730,726</b>		
9	2010	294,230	0	294,230	58,908	Admin		<b>300,000</b>		
10	2011	298,643	0	298,643	299,927	Reserve		<b>575,111</b>		
11	2012	303,123	0	303,123	216,276			<b>3,102,497</b>		
12		<b>3,102,497</b>	<b>300,000</b>	<b>2,802,497</b>	<b>575,111</b>					
ESTIMATED REIMBURSEMENT SCHEDULE										
Principal amount to be reimbursed to Developer						<b>1,496,660</b>				
NO.	YEAR	RATE	WINTER TAX PMT 1-Apr	INT	PRIN	BALANCE	SUMMER TAX PMT 1-Oct	INT	PRIN	BALANCE
1	2002	8.00%	0				75,956	59,866	16,090	1,496,660
2	2003	8.00%	114,153	59,223	54,930	1,425,640	75,956	57,026	18,930	1,406,710
3	2004	8.00%	114,153	56,268	57,885	1,348,825	77,095	53,953	23,142	1,325,683
4	2005	8.00%	116,990	53,027	63,963	1,261,720	78,252	50,469	27,783	1,233,937
5	2006	8.00%	119,870	49,357	70,513	1,163,424	79,425	46,537	32,888	1,130,536
6	2007	8.00%	197,793	45,221	152,572	977,964	80,617	39,119	41,498	936,466
7	2008	8.00%	200,760	37,459	163,302	773,164	81,826	30,927	50,900	722,265
8	2009	8.00%	203,772	28,891	174,881	547,384	83,053	21,895	61,158	486,225
9	2010	8.00%	206,828	19,449	187,379	298,846	84,299	11,954	72,345	226,501
10	2011	8.00%	209,931	9,060	200,871	25,630	26,656	1,025	25,630	0
			<b>1,484,251</b>	<b>357,956</b>	<b>1,126,295</b>		<b>743,135</b>	<b>372,770</b>	<b>370,365</b>	

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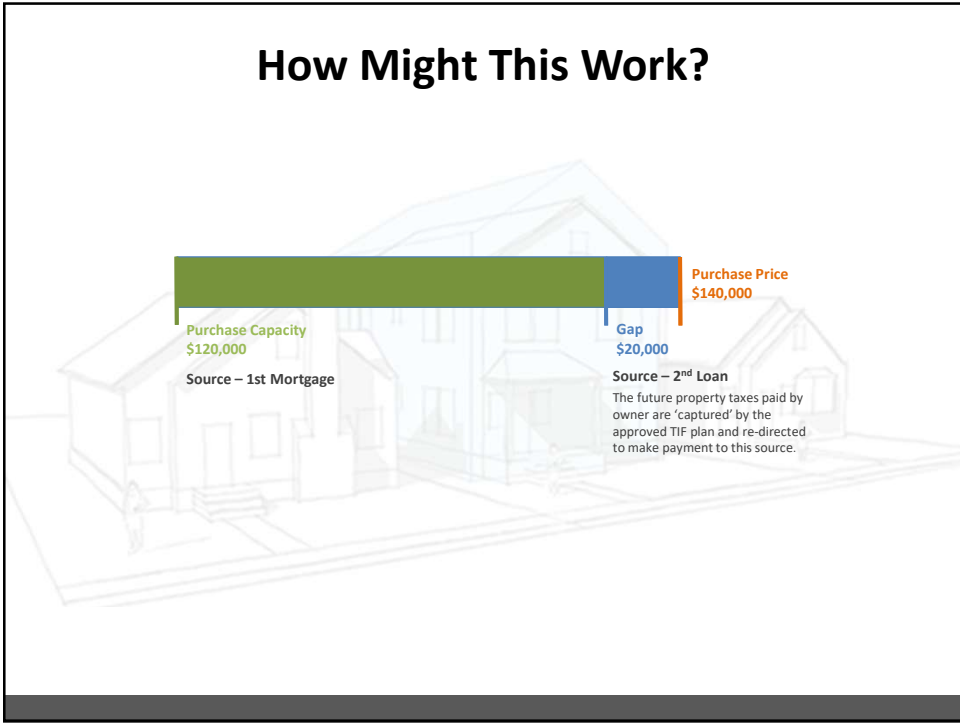
### Housing Subsidy as TIF-Eligible Activity

- “Assistance...**in selling or otherwise conveying**...property owned or under control of a land bank fast track authority...”

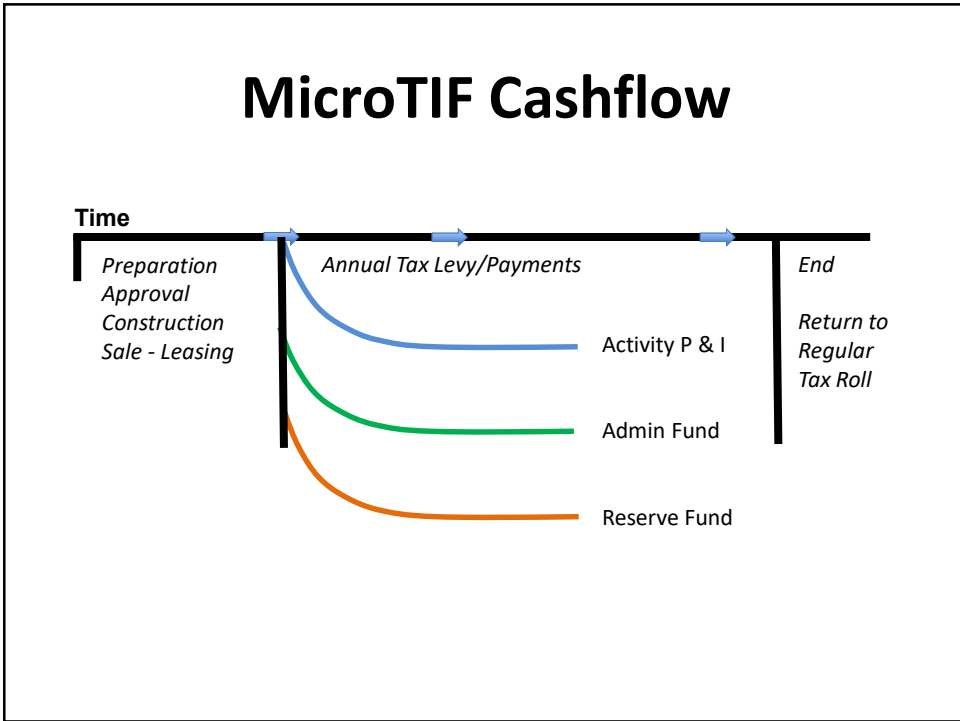
Cost of unit Construction/Rehabilitation	\$140,000
Qualified Purchaser – First Mortgage	120,000
	-----
Unfunded Gap	\$20,000

- To sell the unit, a concession of value (subsidy) is required.
- The Concession is “assistance in selling” and therefore TIFable.

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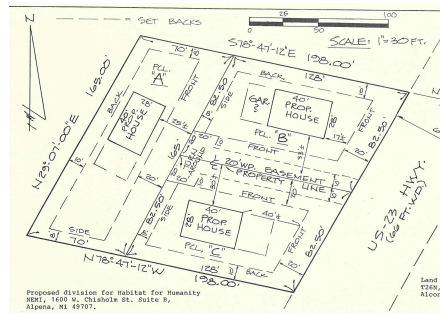
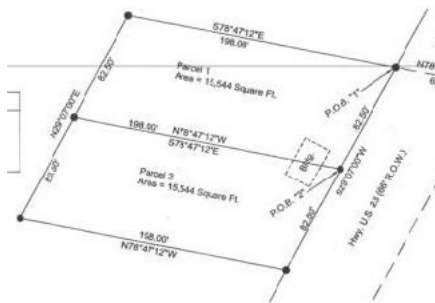
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## Current & Proposed Plans



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## Redevelopment Costs



Phase I ESA	\$3,000
Demolition	\$4,500
Utilities	\$3,500
Site Excavation/Grading	\$4,500
Site Engineering*	\$3,500
Contingency (15%+)	\$1,000
Subtotal	\$20,000
Seller Concession	\$15,000
Plan Preparation	\$5,000
<b>TOTAL</b>	<b>\$40,000</b>

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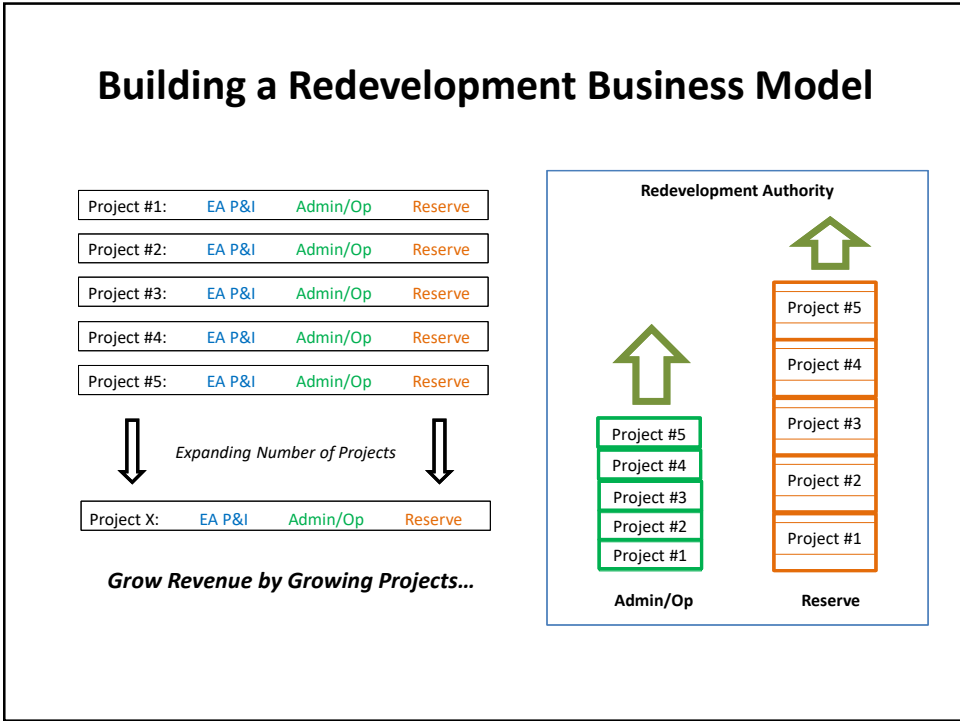
## Redevelopment TIF Projections

As-Built Value (TC):       \$372,000  
 Assessed Value (50%)   \$186,000  
 Local Millage (2018):     19.0846

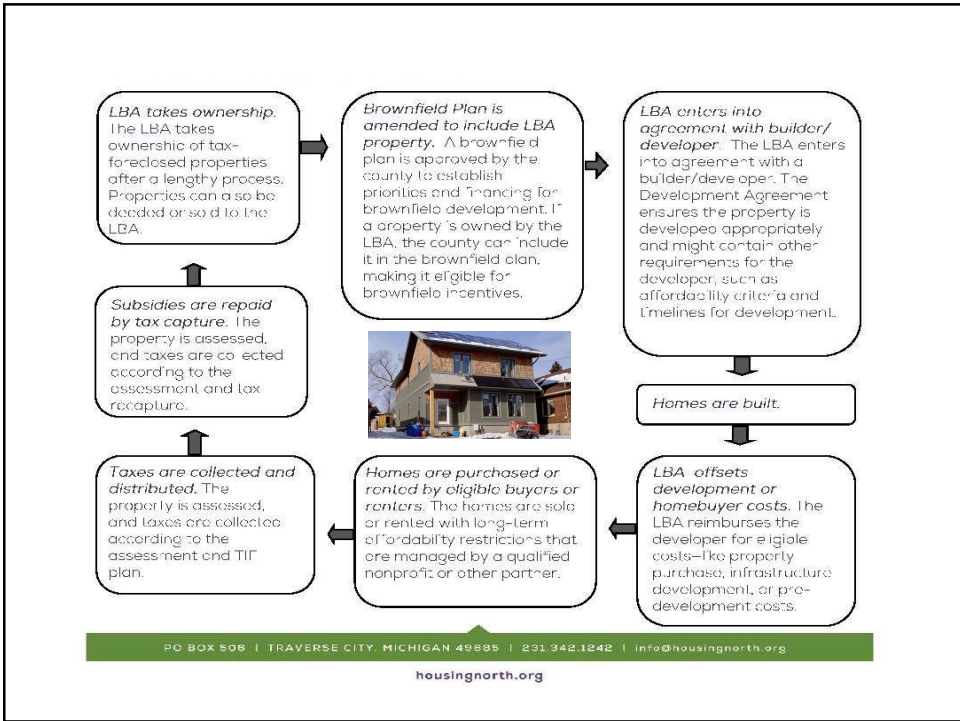
County/Local BRA TIF  
 Local-Only Capture  
 Payoff in 15 Years  
 ADD 5 Years Reserve - 20 Years

Principal amount to be reimbursed from Table One					40,000
YEAR	RATE	Annual PMT	INT	PRIN	BALANCE
Payment					40,000
2020	3.00%	4,007	1,200	2,807	37,193
2021	3.00%	3,550	1,116	2,434	34,759
2022	3.00%	3,603	1,043	2,560	32,199
2023	3.00%	3,657	966	2,691	29,508
2024	3.00%	3,712	885	2,827	26,681
2025	3.00%	2,768	800	1,967	24,714
2026	3.00%	2,824	741	2,083	22,632
2027	3.00%	2,881	679	2,202	20,429
2028	3.00%	2,940	613	2,327	18,102
2029	3.00%	2,999	543	2,456	15,647
2030	3.00%	3,059	469	2,589	13,057
2031	3.00%	3,120	392	2,728	10,329
2032	3.00%	3,181	310	2,872	7,458
2033	3.00%	3,244	224	3,020	4,437
2034	3.00%	3,308	133	3,175	1,263
2035	3.00%	3,372	38	3,335	-2,072

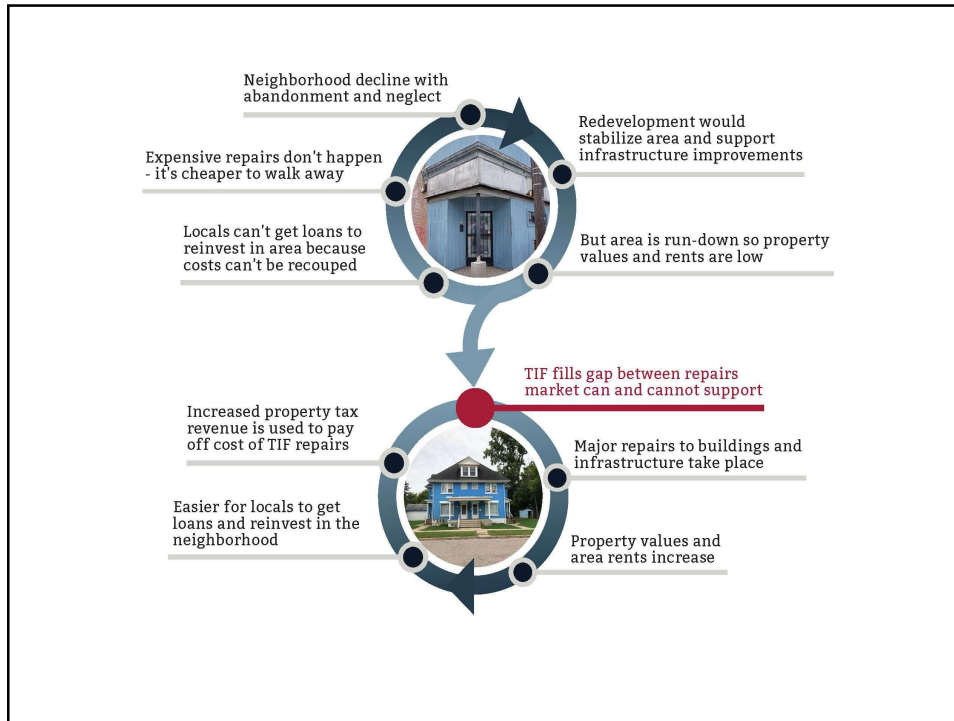
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## 19 States Where This is Legal

- Colorado
- Georgia
- Indiana
- Illinois (Rehabilitation / Affordable)
- Florida
- Kentucky
- Maine
- Maryland
- Michigan
- Minnesota
- New Jersey
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Texas (Rehabilitation)
- South Carolina (Affordable)
- South Dakota
- West Virginia

**Maine**

Eligible uses of incremental tax revenues from a district include:

- Costs inside the AHTIF district: Capital and operating costs of affordable housing and public infrastructure improvements, related soft costs, support services for residents of the affordable housing, and costs of recreational and child care facilities.
- Costs outside the AHTIF district directly related to or made necessary by the establishment or operation of the district, and then only to a proportional extent.

Eligibility

- At least 25% of the district area must be suitable for residential use, and development within the district must be primarily residential.
- At least 33% of the housing units in the AHTIF district must be for households earning no more than 120% of area median income.
- The affordability of rental units must be maintained for at least 30 years, and the affordability of homeownership units must be maintained for at least 10 years.

Statutory Reference: 30-A M.R.S.A. §§5245-5250-G

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## MicroTIF Summary

- Proven Redevelopment Financial Vehicle
- Generates Extraordinary-Cost Financing (Self or Lender)
- Produces Monies for Local Program Administration
- Produces Monies for Local Reserve(s)
- Scales to Cost/Revenue Needs
- Specific-Parcel Focus & Limited/Minimum Capture Term  
Returns Site to Tax-Paying Status
- Benefits from Securitized Developer Performance

*Harness the Market to Clean Up & Generate Resources*

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# Q & A



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