

County Technical Assistance Service

Presentation on Local Economic Development Incentives

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G. Mark Mamantov
Bass, Berry & Sims PLC
900 South Gay Street, Suite 1700
Knoxville, TN 37902
865-521-0365
mmamantov@bassberry.com

What are you trying to incentivize?

- ◆ Retail/Commercial
- ◆ Industrial/Corporate headquarters
- ◆ Downtown revitalization

Two Primary Tools

- ◆ Tax Abatement (PILOTs)
- ◆ Tax Increment Financing (TIFs)

Benefits of PILOT vs. TIF

◆ PILOT

- ▶ Fewer approvals
- ▶ Can use entire taxes as incentive
- ▶ Generally easier to document

◆ TIF

- ▶ Monetize benefit
- ▶ No transfer of property

What entities do you need to implement an incentive program?

- ◆ Industrial development board
- ◆ Housing authority
- ◆ Health Ed Board

What can industrial development boards do?

- ❖ Provide tax abatement
- ❖ Provide tax increment financing
- ❖ Assist with public – private partnerships
- ❖ Provide tax-exempt financing for certain small manufacturing projects

Joint IDB – Pros and Cons

- ◆ Elected officials can serve on Board
- ◆ Requires dual approval of PILOTs
- ◆ More complicated to administer

Do you have or want incentive policies?

- ❖ PILOT policies (can be legal delegation)
- ❖ TIF policies (not legally required; helpful policy)

Anatomy of PILOT Policies

- ◆ Term
- ◆ Percentage of Abatement
- ◆ Types of Eligible Projects
- ◆ Fees
- ◆ Monitoring
- ◆ Application

Anatomy of TIF Policies

- ◆ Term
- ◆ Percentage of increment available
- ◆ Types of Eligible Projects
- ◆ Eligible Expenditures
- ◆ Fees
- ◆ Compliance
- ◆ Application

Why can't Counties just grant tax abatement?

- ❖ Constitutional limitation on equal taxation
- ❖ Forces use of legal charade

The Leasehold Tax "Gotcha"

- ❖ The risk of leasehold taxation on real property
- ❖ Creating imputed rent

Some Essential PILOT Terms

- ◆ Length
- ◆ Amount
- ◆ Clawbacks
- ◆ Limits on Assignment

Special issues regarding a PILOT

- ◆ Financing by lessee
- ◆ State grants

Administration of PILOTs

- ❖ Monitoring clawbacks
- ❖ Assessment issues (particularly as to expansions)

Basic PILOT Documents

- ❖ Simple Transaction – PILOT Lease
- ❖ Phantom Bond Transaction – Lease, Bond, Bond Purchase Agreement, Assignment of Lease, etc.

Tax Increment Financing- The Authorization Process

- ◆ Plan preparation
- ◆ Public Hearing
- ◆ Government Approvals

Reimbursement TIF versus Financing TIF

- ❖ Alternative available only to IDB
- ❖ Monetization of TIF Value
- ❖ Developer Guaranty (or Not)

Economic Impact Plan Considerations

- ❖ Parcel-by-parcel or total area calculations
- ❖ Multiple TIFs within a plan area/Phasing
- ❖ Debt service component and other withholdings
- ❖ Administrative costs
- ❖ Payments dates
- ❖ Eligible costs (State approval for certain costs)

Structuring a financed TIF

- ◆ Term
- ◆ Amortization
- ◆ Tax -Exempt versus Taxable

Basic Documents for a TIF

- ◆ Note
- ◆ Loan Agreement
- ◆ Assignment of TIF Revenues
- ◆ Development Agreement

Administration of TIF

- ◆ Calculations
- ◆ Payments

Required State Approvals and Filings

- ◆ Term of TIF or PILOT
- ◆ Balloon Indebtedness
- ◆ PILOT Cost-Benefit Analysis
- ◆ PILOT Agreements and TIF Plans
- ◆ CT-0253 Form for Borrowings
- ◆ Certain Costs Paid with TIF Proceeds
- ◆ Annual Informational Filings with the State

State Sales Tax Increment Allocation

- ❖ New Legislation – Public Chapter No. 985
- ❖ Allows allocation of portion of state sales tax revenues in economically distressed counties for certain approved projects
- ❖ Requires capital investment of \$5,000,000

Special Assessment Districts

- ◆ Special Assessment Districts
- ◆ Central Business Improvement Districts