

TIF (Tax Increment Financing) Demonstration

Premise: The City of Coatesville has proposed the creation of a TIF (Tax Increment Financing) District and has presented this proposal to the Coatesville Area School District and the Chester County Commissioners. Each tax jurisdiction must approve the TIF District. The final approvals of the School Board and the County Commissioners will be requested at some future date.

Theory: The theory behind the TIF enabling legislation is that the increment dedicated to debt service will allow for public improvements (parking garages, green areas, recreation areas, roadway improvements, etc.) that in turn will generate private property improvements and new construction in and the revitalization of depressed or declining neighborhoods. Thus, creating long-term assessment base enhancement, which would survive the TIF.

Purpose: The purpose of the TIF District and the implementation of the TIF program is to finance (service bond debt) public improvements via the tax "increment" or differential derived from the pre - TIF assessment of a given qualified property vs. any post - TIF assessment that recognizes improvements (renovations, rehabilitation, new construction, expansion, etc.) to that property.

Disposition of Tax Revenues: Once the TIF district is created, each tax jurisdiction continues to base revenues on pre - TIF assessments of all properties situate within the TIF District. As these qualified properties are improved, any increase ("increment") in taxes due to the increased assessment is segregated and paid into a Coatesville City Authority account to service the debt during the life of the TIF (to be determined). Each tax jurisdiction will continue to bill taxes based upon the then current assessment, but must allocate such tax revenues as outlined above. After the TIF District termination, each tax jurisdiction will then enjoy the total revenue derived via the increased assessments based upon the then current millage.

Demonstration: For the purposes of this demonstration, we will consider that the TIF District was established for the 2003 calendar year and therefore apply the then current millages.

Pre - TIF assessment (hypothetical) @ \$100,000

County Tax @ 3.273 mills = \$327.30

School Tax @ 24.270 mills = \$2,427.00

City Tax @ 4.0 mills for improvements (est. \$75,000) = \$300.00
10.16 mills land (est. \$25,000) = \$254.00

Post - TIF assessment (based upon hypothetical improvements) @ \$500,000

County Tax @ 3.273 mills = \$1,636.50 (allocation: \$327.30 to County / \$1,309.20 to TIF)

School Tax @ 24.270 mills = \$12,135.00 (allocation: \$2,427.00 to School / \$9,708.00 to TIF)

City Tax @ 4.0 mills for improvements (est. \$375,000) = \$1,500.00
@ 10.16 for land (est. \$125,000) = \$1,270.00
(allocation: \$554 to City / \$2,216.00 to TIF)

Enabling Legislation: Act 113 of 1990 (53 P.S. #6930.7)