

Tax Increment Financing

How It Works

The state of Florida passed legislation in 1969 that allows communities to create Community Redevelopment Agencies (CRA). One of the powers or tools given to CRAs is the ability to receive and use *Tax Increment Revenues*, sometimes referred to as *Tax Increment Financing (TIF)*. Such revenues must be deposited in the Community Redevelopment Trust Fund and can be used only for those purposes specified by law.

One use that Lakeland has granted when requested, is as an incentive to develop or redevelop property within the district. The concept is actually simple but easy to get confused. It works like this:

An Example

| | |
|---|------------------|
| Value ¹ of property before improvement | \$200,000 |
| Value of property after improvement | <u>\$450,000</u> |
| Difference or "Increment" | \$250,000 |
| \$250,000 X 13.716 mills ² x 95% | \$ 3,258 |

Amount available for Incentive for first year at 100% \$ 3,258

Increment benefit would be given on a sliding scale for a maximum of ten years (see Tax Increment Financing Criteria). To date, tax increment has been used as an incentive in twelve projects. It has been used to reduce the owner's cost of parking and to assist in debt service. We have not seen assessed property values rise dramatically as a result of redevelopment and therefore the increment has never been a significant part of the project's cost. Of course, when the increment is not great, the property owner is also not seeing a great increase in property taxes so the owner benefits in that way.

¹Assessed value as determined by the Polk County Property Appraiser

²The total of the millage rates levied by the County, the City, the LDDA and the LAMTD.