



Date: November 30, 2021

MEMORANDUM

To: Honorable Mayor and Members of Town Council
From: David L. Corliss, Town Manager
Title: Downtown Development Authority Tax Increment Fund (Special Fund) – 2022 Budget

In 2008, the Town established the Downtown Development Authority (DDA) via Ordinance 2008-39. The purpose of this was to halt and prevent deterioration of property values within Downtown and assist in the development and redevelopment of the district. DDA projects are generally funded through a Tax Increment Fund, often referred to as the “Special Fund.” DDA operating costs are funded and accounted for separately.

State Statute allows the creation of a Tax Increment Fund (TIF) through the related governing body, the Town. The Special (DDA TIF) Fund accounts for both sales tax and property tax-increment financing. The property tax increment is the increase in valuation over the base year of 2008 for all jurisdictions (County, School District, Library, Town, etc.), which the County Assessor adjusts each year for inflation. Per Statute, all property tax TIF generated in the must be deposited into the Special (DDA TIF) Fund.

Additionally, State Statute allows Town Council to determine the amount of sales tax TIF allocated to the Special Fund, as appropriated through the annual budget process. To date, Town Council has decided to share 100% of the Downtown sales tax “increment” over the 2008 base, which was \$2.549 million. The base used in the sales tax TIF calculation is not adjusted annually for inflation, as is the property tax, so it remains static. While expenses have continued to increase for Town services (police, fire, parks, streets, etc.) since 2008, the growth of Town sales tax within the DDA’s boundaries has been completely placed in the Special (DDA TIF) Fund. For 2021, the anticipated sales tax TIF is expected to be near \$1.8 million.

Both the sales tax and property tax TIF are used to help fulfill the DDA’s purpose of halting and preventing deterioration of property values within Downtown and assisting in the development and redevelopment of the district. Accordingly, these revenues have been used to support several Council-approved projects, some of which have remaining obligations that will be paid by future years’ TIF revenue. The outstanding financial obligations for the Special Fund are listed below and by amount and year of pay-off:

Special (DDA TIF) Fund outstanding financial obligations:

Project	Purpose	Outstanding financial obligation	Expected payoff year
Festival Park	Partial construction funding for park	\$782,327	2022
Riverwalk	Waiver and then TIF reimbursement of Town fees for project	\$1,413,643	2023
Encore	Partial waiver and then TIF reimbursement of Town fees for project	\$1,421,145	2022
The View	Partial waiver and then TIF reimbursement of Town fees for project in exchange for Town ownership of 100 parking spaces	\$3,000,000	2025

Staff Recommendation

As noted above, Town Council has the authority to appropriate the amount of sales tax TIF allocated to the Special Fund through the annual budget process. Town staff is recommending a reduction of \$200,000 in the amount of sales tax TIF allocated to the fund beginning with the 2022 Budget. This \$200,000 would be retained in the Town's General Fund rather than being allocated to the Special (DDA TIF) Fund. This reduction would still allow sufficient capacity for the payment of Special Fund obligations as outlined and also provide support for any additional incentive agreements or other projects that the DDA and Town may approve in the future.

Of the \$200,000, \$150,000 would cover expenses related to the Town's share of costs for the new parking garage adjacent to the Encore redevelopment, and \$50,000 would be retained in the General Fund to assist in covering expenses related to Downtown-area events (hosted by the Downtown Merchants Association, Chamber, Town, etc.) A memo has been prepared discussing in-kind services provided to these events and the Town's related costs (police, fire, parks, etc.).