



Tax Increment Finance Policy and Procedures Manual

Adopted March 18, 2008

Redevelopment Authority of the Borough of State College

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I. OVERVIEW

A. Applicability: This document provides guidance for use of Tax Increment Financing in the Borough of State College by the State College Borough Redevelopment Authority (SCRDA).

B. Program Purpose: Tax Increment Financing (“TIF”) is designed to capture future property tax revenue from redevelopment to fund eligible project costs. As stated in the TIF Act, “it is the purpose of this act to provide an additional and alternative means to finance public facilities and residential, commercial, and industrial development and revitalization, all to the public benefit and good.” TIF provides “an alternative method for authorities in pursuing redevelopment efforts under the Urban Redevelopment Law.”

The State College Redevelopment Authority therefore pursues Tax Increment Financing for the express purpose of one or more of the following: preventing and eliminating slum and blight; job creation; expanding the Borough's tax base; leveraging substantial private reinvestment; improving the Borough's infrastructure; reducing the environmental impact of development and redevelopment activities through building and site design; expanding housing choice; and providing benefits to residents of the Borough of State College.

TIF is to be used only in those instances where (1) the private financing is unable to fully fund the project, (2) the project will have a significant positive effect for the Borough of State College, and (3) the project meets criteria outlined below.

C. Allocation of Tax Increment for Redevelopment. Tax increment financing is supported by the increment in taxes due to the Borough of State College, the State College Area School District, and Centre County. Special assessments (e.g. for utility services or for business improvement districts) do not support TIF. However, special assessment district such as Downtown State College, may participate in TIF financing on a voluntary basis. The proportion of each taxing body's participation in the tax increment financing will be approved on a project-by-project basis, and approved by the taxing bodies.

D. Enabling Legislation. Act 113 of 1990 (as amended) is commonly known as the “Tax Increment Financing Act.”

E. Authority. The Redevelopment Authority of the Borough of State College (“SCRDA”) is the qualified issuer of Tax Increment Financing in the Borough of State College.

II. DEFINITIONS

Developer. The individual, government, partnership, or corporation (public or private) in responsible charge of undertaking activities for the remedy of blighting conditions within a TIF Area.

Planning Commission. The State College Borough Planning Commission, which qualifies as a “Planning Commission” as defined by the Urban Redevelopment Law.

Redevelopment Area. Any certified redevelopment area approved by the Planning Commission in accordance with the Urban Redevelopment Law.

Sunshine Act. The act of July 3, 1986 (P.L. 388, No. 84), as amended

Tax Increment. As defined by the TIF Act. Generally, the incremental tax revenues relative to the tax value prior to creation of the TIF district.

Tax Increment District (or Area). As defined by the TIF Act. Generally, a contiguous geographic area created by the State College Council for the purpose of Tax Increment Financing.

Tax Increment Financing Act. The act of July 11, 1990 (P.L. 465, No. 113), as amended.

The Authority. The Redevelopment Authority of the Borough of State College, a Redevelopment Authority as defined by the Urban Redevelopment Law.

TIF Committee. The committee formed after each taxing body gives preliminary approval to a TIF district. A TIF Committee in the Borough of State College is appointed for each individual project. The Committee has a minimum of six members: the Executive Director of the Authority (who serves as chair); representatives of the State College Borough Council, State College Area School District, and Centre County Board of Commissioners; State College Borough Redevelopment Authority, and a representative of the Developer. Each taxing body has the right to appoint 2 representatives to the TIF Committee. The Committee is not a public body for purposes of the “Sunshine Act”. The Committee must meet at least once for the purpose of reviewing the TIF Proposal and make a recommendation to the taxing bodies regarding approval of the TIF Proposal.

Urban Redevelopment Law (“URL”). The act of May 24, 1945 (P.L. 991, No. 385), as amended.

III. ELIGIBILITY.

A. Participation. Tax Increment Financing is not an entitlement to any property owner or developer. The SCRDA Board of Directors must first approve initiation of each TIF proposal, and each taxing body must agree first to investigate, then resolve to (or not to) participate in individual TIF projects.

B. Eligible Locations. TIF districts must be contiguous areas within a redevelopment area, approved by the Borough of State College.

C. Eligible Activities.

1. **Public Infrastructure** supporting the project (e.g. utilities, streets, traffic signals, public open space) including the actual costs of the construction of public works or public improvements. Capital costs may also include the construction, rehabilitation or repair of publicly-owned infrastructure improvements located outside the boundaries of a tax increment district which are of direct benefit to a project.
2. **Site Improvement capital costs** relating to residential, commercial, industrial development and revitalization: new buildings, structures and fixtures; the demolition, alteration, remodeling repair or reconstruction of existing buildings, structures and fixtures; the acquisition, upgrade, or rehabilitation of machinery and equipment. Preference for TIF financing shall be given to projects which attain a LEED Gold Certification.
3. **Financing Costs**, including all costs of issuance of tax increment bonds or notes, reserve funds for tax increment bonds or notes, all interest paid to holders of evidences of indebtedness issued to pay for project costs, costs associated with portfolio management and reporting requirements, and any premium paid over the principal amount of the bonds because of the redemption of the obligation prior to maturity.
4. **Real Estate Assembly**, including the acquisition, clearing and grading of land for public or private use; relocation of businesses and/or residents; related legal and professional costs.
5. **Miscellaneous**. Professional services, costs to administer the TIF, organizational costs, and other costs necessary and convenient to the creation of tax increment districts or implementation of project plan.

D. Reimbursements of prior expenditures are allowed for any eligible activity costs directly attributable to the TIF area development.

IV. ADMINISTRATION

A. Procedure for Establishing TIF

1. SCRDA Board authorizes pursuing TIF for a proposed project.
2. Developer pays application fee and signs agreement with SCRDA to pursue TIF for the proposed development.
3. SCRDA makes formal presentation to State College Area District, Centre County Board of Commissioners, and State College Borough Council as required in §6930.5(a)(1) of the Act. The presentation will:

- a. describe the proposed boundaries of the district
 - b. describe tentative plans for redevelopment
 - c. estimate the general impact on property values and tax revenues.
4. State College Borough Council, State College Area School District, and Centre County Board of Commissioner each adopt resolutions preliminarily approving participation in plan and designating representatives, as provided in §6930.5(a)(2) of the Act.
 5. A Redevelopment Area is certified by, or amended by, the State College Borough Planning Commission as required by section §6930.3 of the Act.
 6. SCRDA prepares Project Plan and submits it to Borough Council. SCRDA also recommends boundaries of TIF District to Borough. As required in §6930.5(a)(3) & (4) & (5) of the Act, the plan includes:
 - a. Descriptions of proposed public works and the proposed residential, commercial and industrial improvements.
 - b. economic feasibility of the project
 - c. fiscal effects on the municipal tax base
 - d. detailed list of estimated project costs
 - e. description of methods of financing all estimated project costs and time when obligations will be incurred
 - f. map showing existing uses and conditions of real property
 - g. map showing proposed improvements and uses
 - h. proposed changes of zoning ordinance, master plan, map, building code or ordinance
 - i. estimated non-project costs
 - j. proposed method of relocation of displaced persons or businesses (if any)
 - k. the type of assistance to the development (i.e. grant or loan), and the terms of any loans.
 7. Centre County and State College Area School District pass an ordinance and a resolution, respectively, agreeing to participate in the TIF District, approving the Project Plan, and also approving the cooperation agreement, as provided for in §6930.5(a)(7) of the Act.
 8. As required by §6930.5(a)(5) of the Act, Borough Council then conducts a public hearing on the proposed creation of the TIF District. Prior to the hearing, Borough Council gives at least a 30-day written notice to the Borough, the County, and the School District, and publishes a legal notice in the *Centre Daily Times*, or other newspaper of general circulation. Said publication must comply with the provisions of the Pennsylvania Sunshine Act. The purposes of the public hearing include hearing public views on: the concept of TIF, the proposed TIF district and its boundaries, the proposed project plan, and benefits to the municipality
 9. Borough Council adopts an ordinance (a minimum three weeks, or later, from the hearing) creating the TIF District, approving Project Plan and authorizing cooperation agreement with SCRDA, as required in §6930.5(a) (6) of the Act.

10. The State College Borough Finance Director notifies County Assessor of creation of TIF District, as provided for in §6930.6 of the Act.

11. SCRDA issues bonds or other financing.

B. Administrative Costs. The time expended by SCRDA staff developing a TIF plan, meeting with taxing bodies for approval of the TIF plan, issuing bonds or other financing and administering the program, will be recovered through application fees, underwriting fees, and an annual maintenance fee.

1. **Application Fee.** A developer requesting TIF will be required to pay an application fee of ½ of 1% (.005) of the amount of the TIF requested. This fee will cover staff time and incidental administrative costs during the meetings leading up to final approval of the TIF plan by the taxing bodies.

a. SCRDA staff will track time spent during the application process using their bi-weekly timesheets.

b. The application fee is paid after preliminary approval by the SCRDA Board to pursue TIF for the project, and before SCRDA staff makes formal presentations to the taxing bodies.

c. If at any time the developer withdraws its request for TIF, the application fee will be refunded, less: the number of hours recorded by SCRDA staff multiplied by their currently established hourly billing rates, and direct expenses incurred, including SCRDA's attorney fees.

d. Any funds from the application fee not expended will be returned to the applicant following the completion of the application approval process.

2. **Underwriting Fee.** SCRDA will collect an underwriting fee of one percent (1.0%) of the loan or bond issue from the financing proceeds.

3. **Annual Maintenance Fee.** SCRDA will retain a flat fee of \$12,000 per year from the tax increment revenues from each active TIF district for administrative, legal, and accounting costs associated with administering TIF.

4. **Economic Feasibility Study.** An economic feasibility study of the project and the fiscal effects on the municipal tax base must be prepared. This study must be prepared by an independent market analyst selected by the SCRDA. The cost of preparing the feasibility study will be paid by the developer. The economic feasibility study must demonstrate that the incremental tax revenues to be realized from the project will be sufficient to offset the amount of debt service to be paid by the issuer. Indications of economic viability will preferably include sales, pre-sales, signed leases, letters-of-intent and other such commitments for the project.

The feasibility study shall identify realistic and verifiable sources of funds will be available to complete the project. At a minimum, sufficient debt and equity to complete at least 85% of the project must be in place prior to closing on the TIF

bonds. The person or firm retained to complete the economic feasibility study will be selected by the SCRDA through a competitive procurement process.

5. **Art in Public Places.** A developer requesting TIF financing will be required to pay a fee of 1% (.01) of the amount of the TIF requested to support State College Borough's Art in Public Places program. The SCRDA will pay over to the Finance Director of the Borough of State College an amount equal to this fee. These funds shall be deposited in a separate escrow account and not commingled with any other funds.

If these funds are not expended for the stated purpose of supporting State College Borough's Art in Public Places Program within seven (7) years of the date they were paid over to the Borough of State College they shall be returned to the applicant with any interest earned while in escrow.

- C. **Underwriting and Other Direct Costs.** The Developer requesting TIF is required to pay underwriting fees, appraisal fees, attorney fees, and other direct costs incurred for creating the TIF or issuing bonds or other financing. Some of these costs may be paid directly from the loan or bond proceeds.

V. FINANCIAL TERMS

- A. **TIF Bonds and Other Debt.** The intent of this program is to monetize future tax revenue to finance capital and development costs.
 1. **Tax increment bonds** may be issued on a tax-exempt or taxable basis, depending upon the use of bond proceeds and other requirements needed to qualify a tax-exempt issue.
 - a. **Term.** Tax increment financing commitments are limited to a term of twenty (20) years from the date that the TIF District is created.
 - b. **Interest Rate.** The interest rate is dependent upon conditions in the capital markets.
 - c. **Security.** Tax increment financing commitments will require a pledge of the increase of all or a portion of the real estate taxes resulting from the planned improvements. These bonds/loans may require special assessments, letters of credit, bond insurance, a mortgage and/or guarantees by the tax-paying entity as additional security.
 - d. **Issuer.** SCRDA is the issuer of TIF-backed bonds.
 2. **Public Guarantees.** Tax increment financing bonds and loans will not be supported by general obligations or guarantees of the Borough of State College, the State College Area School District, or Centre County. Upon approval of the Pennsylvania DCED, a state guarantee program provides state backing of TIF bonds up to \$5 million

3. **Traditional Loan Facilities.** In some situations, issuing bonds may not offer the best financing terms or rates. TIF proceeds may be used for debt service on traditional loan facilities offered through lending institutions.

B. Other Statutory Limits and SCRDA Program Guidelines

1. **The Need for TIF.** The Developer must demonstrate to the TIF Committee that the project would not proceed without the additional revenue generated by the TIF.
 - a. The amount of the tax increment captured should not exceed that which is required to make the project financially viable, as agreed upon by the TIF Committee.
 - b. The SCRDA Executive Director must concur that either the Developer has sought and not found sufficient funding from conventional public sources, or the TIF is necessary to provide local match required by prospective federal or state funding sources.
2. **Labor.** State prevailing wages apply to work paid for through TIF proceeds, or through bonds financed with TIF proceeds.
3. **Program Guidelines for Funding Levels.** SCRDA has adopted the following funding limits for TIF projects. Unless otherwise mandated by the TIF Act, the SCRDA Board may approve variances from these guidelines if unanimously recommended by the TIF Committee.
 - a. While the legislation allows for allocation of 100% of the tax increment for financing, a maximum allocation will be eighty-five percent (85.0%) of the tax increment for a period of twenty (20) years.
 - b. TIF will not exceed fifteen percent (15.0%) of the overall project costs.
 - c. All sources of public funding, including TIF, will not exceed fifty percent (50.0%) of the overall project costs.
4. **L.E.R.T.A.** With respect to property located within a Tax Increment District, the Project Plan submitted to the taxing bodies will include provisions barring the granting of any tax exemptions pursuant to the provision of the act of December 1, 1977 (P.L. 237, No. 76), as amended, known as the Local Economic Revitalization Tax Assistance Act ("LERTA"), prior to the dissolution of the district.



Tax Increment Financing Program Project Review Form

Redevelopment Authority of the Borough of State College
 243 S. Allen Street ~ State College, PA 16801
 814-234-7109 ~ 814-234-7197 (Fax)

DATE _____

Project Location (Street Address, Street Boundaries and Other Location Identifiers):

Tax Parcel ID:	
Street Address:	
Other location Identifiers:	

Developer(s) (Name, Address, Phone #, Principles of Firm, Contact Person):

Name					
Address					
Phone #		Cell #		FAX #	
Principles of Firm					
Contact Person					
Address					
Phone #		Cell #		FAX #	
Email Address:					

1) Project Description

Please provide a narrative description of the proposed Project (the “Project”) and the purpose, with specific attention to the following details (use additional sheets, if necessary):

- a)** A general description of the Project, outlining its primary features.

- b)** Whether the proposed “Project Location” is coterminous with the proposed “TIF District”.

- c)** A statement identifying which of the conditions enumerated in the Tax Increment Financing Act (the “TIF Act,” 53 P.S. § 6930.2(a)(1)), exists in the Project Location and proposed TIF District and a brief narrative of how the cited conditions are affecting the Project Location in such a way as to require development or redevelopment.

- d)** A brief narrative as to how the Project will end or reduce the influence of the identified conditions, promote public benefit and the public good, along with any negative effects the Project would likely have for the public (for example, loss of open or green space, increased traffic congestion, air pollution, negative effects on ground water or other environmental concerns, etc.).

- e)** A brief narrative on how the Project will meet one or more of the purposes stated in Section 1.B. Program Purposes of the SCRDA Tax Increment Finance Policy.

- f) List all other benefits of this project to the Borough of State College, the School District and County.

- g) Describe any or all special uniqueness or importance of the Project to the Municipality, School District, and or the County.

2) Borough of State College Involvement

Please provide brief statements regarding the following:

- a) Whether the Project has been reviewed by the Planning Commission and whether the Commission has expressed a general opinion of the Project and the Proposed TIF District, and whether it is willing to declare the proposed TIF District (or Project Location) an “Area in Need of Redevelopment (or Development).”

3) Reasons for Tax Increment Financing

Please describe why the proposed project cannot proceed to completion without TIF and why other available tax relief or private funding is not available or sufficient to develop the Project (Financing Summary provided to illustrate sources and uses of funding):

4) TIF Assistance Requested for (please check all that apply):

Capital Costs of Project

- Infrastructure
- Financing Costs
- Planning Costs
- Engineering
- Architecture Services
- Project Management
- Administrative Services
- Relocation Costs
- Real Property Assembly
- Organizational Costs

Other Costs (List): _____

6) Employment Information

Total Number of Part Time Jobs _____

Total Number of Full Time Jobs _____

Approximate Number of new jobs to be created Full-time ___ Part-time ___

Approximate Number of existing jobs to be retained Full-time ___ Part-time ___

Approximate Number of existing jobs on site to be lost Full-time ___ Part-time ___

Approximate Number of existing jobs on site to be relocated Full-time ___ Part-time ___

7) Does the Project Include the Hiring of MBE/WBE Contractors and Employees?

YES _____ * NO _____

* If Yes: # of MBE/WBE _____
Total Contractors Employees _____
Construction Related Jobs _____
Permanent Jobs _____
Number of Full Time Jobs _____
Number of Part Time Jobs _____

(Best estimate on all above numbers is acceptable)

8) Tax and Other Information

a) Is the aggregate value of equalized taxable property of the Tax Increment Financing District less than 10% of the total value of the equalized taxable property within any one of the taxing bodies?

YES _____ NO _____

b) Current assessed value of all properties within the proposed TIF District:

\$ _____

c) Estimated current real estate taxes of proposed TIF District

Borough \$ _____
School District \$ _____
County \$ _____

d) Estimated assessed value of all properties after development within the TIF :

District \$ _____

e) Estimate of additional real estate taxes to be generated by this project upon its completion:

Borough \$ _____
School District \$ _____
County \$ _____

9) **Is the developer willing to pay the required Application Fee?**

YES ___ NO ___

10) **Is the developer willing to pay for an Independent Project Feasibility Study?**

YES ___ NO ___

11) **Construction Schedule:**

a) Anticipated construction starting date: _____

b) Anticipated construction completion date: _____

12) **Other Comments** *(Please add any other comments in support of this Application):*

The foregoing information is accurate and complete as of _____(date).

Submitted by: _____ (Developer)

13) Financing Summary

Uses and Recipient	Private Equity	Private Financing	Private Grants	Public Loans	Public Grants	TIF	Other	Total
Legal Services								
Property Acquisition								
Condemnation Expenses								
Acquisition Expenses								
Relocation								
Relocation Expenses								
Demolition								
Site Preparation								
Property Management								
Environmental Testing								
Title Surveys								
Architecture & Engineering								
Inspection								
Financing								
Construction								
Contingency								
Other (List)								
Total								