

Newman Grove, Nebraska Tax Increment Financing (TIF) Statement of Purpose

This document outlines the use of Tax Increment Financing (TIF) in the City of Newman Grove, Nebraska. Newman Grove uses TIF to remove blight, stimulate investment in deteriorating areas, and encourage redevelopment. This, in turn, revitalizes the community and promotes job creation, fostering a sense of optimism and growth.

TIF is a state-authorized public funding mechanism for municipalities that helps pay for public improvements associated with redevelopment projects in blighted and substandard areas. Under Nebraska Community Development Law, Neb. Rev. Stat 18-2101.01. Creation of agency; cooperation with the federal government; taxes, bonds, and notes; other powers. Cities of all classes and villages of this state are hereby granted power and authority to create a community development agency by ordinance, which agency may consist of the governing body of the city or village or, a new or existing municipal division or department, or combination thereof.

Who is in Charge of Tax Increment Financing in Newman Grove?

The Community Development Agency of the City of Newman Grove is the contact point for project management for all TIF projects in Newman Grove. Newman Grove has been using TIF to spur redevelopment since 2012, with its first projects being the Archer Daniels Midland and Battle Creek Co-Op. All projects are submitted to the Newman Grove City Council for review and possible hearings.

How does TIF Work?

First, the proposed project must be situated in the Redevelopment Area, as defined by the City of Newman Grove's Blight and Substandard Study. Please refer to the links on the last page for more specific details. If the property falls within this area, interested redevelopers should use the information provided to contact the Director of the Community Development Agency.

The property will be assessed at a "base year" or as it existed before development. An estimate is made to determine the future assessed value of the property after improvements have been made. The difference between the "base year" and the improved valuation will be called the "tax increment." The redeveloper can access the funds generated by the "tax increment" for 15 years or until the TIF indebtedness is paid in full. The "increment" can reduce eligible costs generated by the redevelopment process. Eligible expenses will be explained in-depth further. Property taxes are paid as usual based on the improved valuation. The "base year" taxes are distributed to all taxing authorities. The property tax collected on the tax increment is used to finance bonds issued for redevelopment.

Short Example of TIF

A dilapidated building is sitting on a nice lot. No one can afford to buy the lot, tear down the building, and build something new. Since this project is not financially feasible but needs to be done, the developer can receive assistance with tax increment financing. The developer must ensure the property is redeveloped and applied to the City of Newman Grove. If the application is accepted by the City of Newman Grove Community Development Agency, the developer can proceed with his project. The current dilapidated building is bringing in \$500/year in taxes. The proposed new building will pay \$10,500/year in taxes. The "tax increase" is \$10,000/year; TIF projects have a life span of 15 years or until the indebtedness is paid off. The maximum amount the developer can finance is \$10,000 x 15 years

= \$150,000. This amount does not include lawyer fees, Re-Development Administration fees, and interest, which will come out of the TIF indebtedness. The developer now has \$150,000 to use for eligible TIF expenditures. The TIF funding will cover demolition and asbestos removal costs in this scenario.

Projects Eligible for TIF Funding

For projects to be eligible for Tax Increment Financing, the project must meet all the following criteria as required by Neb. Rev. Stat. 12-2101.01: ☐ The project must be located in an area declared blighted and substandard by the City Council. ☐ The project must conform with the City's Comprehensive and Redevelopment Plan for the area. ☐ The developer must demonstrate that the designed project would not be economically feasible with our TIF assistance. This is commonly called the "but for" test, meaning the project would not occur as designed "but for" the availability of TIF funding.

Eligible Expenses of Tax Increment Financing

As set forth by Nebraska Community Development Law, Neb. Rev. Stat 18-2101.01, eligible expenditures for TIF include:

1. Acquisition and site preparation of redevelopment sites, including demolition, grading, environmental remediation, and related work before project construction and relocation costs.
2. Public improvements associated with a redevelopment project, including the design and construction of public arterial streets, sidewalks, alleys, water, sewer, and streetlights; the design and construction of public parking; design and installation of public streetscape amenities; and the preservation of historic facades.
3. Workforce housing construction is defined as homes that cost less than \$275,000 to construct or rental units that cost less than \$200,000 per unit to build.

[Newman Grove Blight and Substandard Plan \(proposed\)](#)

[Newman Grove General Redevelopment Plan \(proposed\)](#)