

# Tax Increment Reimbursement Program

City of Raleigh  
Adopted [date]

## Introduction

The Tax Increment Reimbursement Program (TIRP) provides a process by which the City of Raleigh can contractually pledge a portion of the future property tax revenues generated by a new development to reimburse a developer for public infrastructure and other public benefits that would not otherwise be required or provided but for the reimbursement. The program has three key features:

- The program is flexible and can be used to fund any project or use for which the City has legal authority and policy alignment to enter into a reimbursement agreement.
- The program is fiscally responsible, as the program design guarantees that participating developments will generate net positive revenue to the City in every year that the reimbursement is active.
- The program is low risk, as the City borrows no money, and reimbursement payments do not start until the public benefits are constructed and in public use.

The City will consider all potential Tax Increment Reimbursement Agreements (TIRAs) to be partnerships under the City's Partnership Policy and will evaluate and approve or reject these agreements following the same process outlined in that policy. A single development project may include several other components of a partnership in addition to the TIRA. A TIRA may be executed via a stand-alone agreement or incorporated as one component of a broader partnership agreement.

The City will pursue such agreements within any applicable statutory authorization under general law, the City Charter, and the City Code. The City's partners will be required to adhere to all formalities associated with the relevant legal authority.

## Categories of Investment

A Tax Increment Reimbursement Agreement will be considered for two types of projects:

1. **Investment Category 1—significant economic development:** A project which creates jobs, supports key economic sectors, and adds significantly to the City's property tax base can be eligible for a tax increment reimbursement to the extent that it adds infrastructure, facilities, or attractions that are open to and usable by the public, whether publicly or privately owned, to standards beyond those required by City policy or code.

2. **Investment Category 2—public infrastructure:** Other developments, including primarily residential developments, which invest in public infrastructure over and above what is required by law can seek for all or a portion of the cost to be offset by a tax increment reimbursement. To be eligible, the infrastructure provided would be off-site, in the right of way, or perpetually accessible to the public by dedication in fee or easement. Examples of infrastructure include parks and greenways, multi-modal transportation enhancements, streetscapes, and green infrastructure.

## Project Requirements

To participate in the program, the following requirements must be met:

1. If in Investment Category 1, participation in the program provides the City with the opportunity to influence the type and form of the project in partnership with the developer.
2. If in Investment Category 2, the project meets the eligibility text of the City's Partnership Policy, the value of the proposed agreement is at least \$200,000.
3. The facilities or infrastructure subject to reimbursement would not be provided but for participation in the program.
4. The proposed project is aligned with City priorities and goals, including the Strategic Plan, Comprehensive Plan, Area Plans, and/or Capital Improvement Plan.
5. The project must generate adequate incremental property tax revenue to allow for reimbursement over a reasonable time frame, as set forth in the reimbursement schedule (below).
6. The applicant has reached out to Wake County to ask for their participation in the reimbursement.

The findings above will be based on staff analysis and subject to City Council review and approval.

## Program Parameters

### Reimbursement Process and Schedule

The tax increment will be determined as the difference in total value (land plus buildings) assessed by Wake County prior to and following completion of one or more phases of the development. The estimated payout amount and term will be negotiated as part of the reimbursement agreement, with the term not to exceed 15 years.

Actual reimbursements will be calculated at project completion and based on actual assessed values as determined by Wake County and the agreed upon percentage of incremental ad valorem property taxes.

At the completion of the project, the developer shall submit proof of ad valorem tax payment to Wake County and the assessed value of the project in January of the year following project completion. Once staff has certified the documents as correct, staff works to finalize a payment recommendation. Staff notifies the company of expected payment and should all correct documentation be provided, this process takes approximately 60 days.

### Capacity Limits

To ensure the City's total tax base remains a stable source for the City's general governmental services, total TIRP payouts shall not exceed 2% of the annual property tax levy in any given year. An analysis of the capacity will be conducted annually and shall include the City's full assessed real property tax values. The capacity will be measured and managed as new TIRP initiatives are considered. No TIRP application will be accepted or approved that would breach this cap.

### Performance Guarantees and Compliance

While contractual obligations of the City and the developer may vary based on project-specific pledges, it is expected that a tax increment reimbursement agreement will include, at minimum:

- Developer shall make guarantees to the City that the improvements will be constructed in the manner and to the specifications described in the reimbursement agreement. This may include requirements that the developer provide bonds or other equivalent instruments to ensure the completion of construction if the developer is unable to perform.
- Any payment or financial obligations of the City shall be contingent on the developer meeting their obligations to the performance standards established within the agreement. No payments shall be made by the City until performance is verified by City staff.
- The project owner must remain current on all City fees and taxes.
- The project and agreement must comply with all applicable laws.

To ensure transparency of the use of taxpayer dollars details of approved City TIRP will be published in the annual budget book. The annual budget book shall include, at a minimum, a brief description of the project and benefit to the City, length and terms of the reimbursement and the total incremental property tax revenue and total TIRP payments in any given year.