

TIF – Frequently Asked Questions

Q: What is a TIF?

A: A TIF is a “tax increment financing” district, which is, an area of a city, town, or county that is identified by the local government as needing extra assistance in order to make development happen. By establishing a TIF, the local government makes a plan to invest in that area (usually by building public improvements) in order to produce private investment. The private investment then generates tax revenues that can be used to pay the public costs necessary to help bring about the development. These revenues from the new development are the “increment.”

Q: Does creating a TIF create public debt?

A: No, not necessarily. The TIF district is just a plan to try to create new development and to earmark some of the local tax revenues from the new development for specific purposes listed in the budget for the TIF project plan. A city (through a public trust) can issue debt just as it always does and it can use the TIF revenues to help pay back the debt, but the TIF itself does not create or authorize any debt.

Q: Do TIF revenues go to private parties?

A: No. TIF revenues are public revenues that belong to the city or county that creates the TIF district. For public revenues to be paid to any private party there must be a contract in place that provides a public benefit that is at least equal to whatever payment is made to the private party.

Q: Don't some TIFs “fail” and leave cities in debt?

A: In Oklahoma, cities cannot issue debt for or lend credit to private parties. Since the only revenues available to pay debt from a TIF are the taxes on the new development, if the development does not occur, there are no funds to pay that debt. When structured correctly, the developer is the one at risk for the repayment of the debt. The city does not put itself at risk.

Q: What is the \$37 million in Yukon's TIF project for?

A: The budget for the proposed TIF district includes \$25 million for public improvements, of which approximately \$7M is for the local share of a new interchange at I-40 and Frisco Road, another \$6M is to widen Frisco north and south of I-40, \$3M is to extend Health Center Parkway, and the balance is for other infrastructure improvements and public amenities throughout the project area, which extends all the way from Health Center Parkway to Frisco Road south of I-40 to the Yukon city limits. A second budget category includes \$10M and covers development financing assistance and land acquisition costs for right-of-way acquisition or other land for public use, as well as assistance for business location, expansion, tenant improvements, and job creation. The remaining \$2M is for the costs to implement the plan and to cover any contingencies.

Q: Will the city be spending all of that money at once?

A: No, the project will be undertaken in several phases, and the money will be spent over a period of approximately 10-15 years.

Q: Why is Yukon creating a TIF district?

A: Yukon needs the interchange at Frisco Road to avoid traffic problems in the foreseeable future. Building the interchange opens up the area south of I-40 for development. By planning for that development and capturing the potential benefits, Yukon can pay its share of the interchange and can achieve higher quality development. Instead of a strip center, the community can get a mixed-use development that includes public amenities that a developer would not ordinarily provide. The goal is a development of lasting value that improves the quality of life in Yukon.