



City of Independence, Ohio

"THE HEART OF CUYAHOGA COUNTY"

6800 BRECKSVILLE ROAD

INDEPENDENCE, OHIO 44131

(216) 524-4131

MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, August 27, 2021

Re: Finance Department Updates

Tax Increment Financing (TIF) Revenue

Tax Increment Financing (TIF) is a tax/financing mechanism that provides funding for various infrastructure and/or project development costs. It was first utilized in California in 1952, some 70 years ago.

With TIF, private property owners continue to pay property taxes, but they are formally/technically called Payments in Lieu of Taxes (PILOTS). Instead of those PILOT payments remaining at the county level and then the county ultimately funding infrastructure improvement costs, the PILOT payments are routed back to the local community so that those infrastructure costs can be paid for and facilitated at the local level.

TIF revenue is generated by the "increment" in TIF. If a vacant parcel is valued at say \$2 million, the parcel is placed in a TIF district and then after construction of a building on it the entire property is valued at say \$22 million, the "increment," or increase in value of \$20 million in this example, is the portion of the project that generates the new TIF revenue.

Independence has been utilizing TIF for a number of years now, and since there still has been some new construction, there has been some new growth in overall TIF revenue, vs. possible marginal increases over time on an existing improved property.

Independence and all Cuyahoga County communities have been made aware of Second Half 2020 Property Tax/TIF Revenue (Tax Year 2020 paid in Calendar Year 2021, Received by those communities in 2021). Following are annual totals of TIF Revenue dating back to 2016:



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Tax Increment Financing (TIF) Revenue Continued

<u>Year</u>	<u>TIF Revenue</u>
2021	\$2,488,139
2020	\$1,999,806
2019	\$2,124,598
2018	\$2,017,209
2017	\$1,431,139
2016	\$1,438,277

Hotel/Motel Lodging Tax Revenue

The travel decrease caused by Covid-19 in 2020 materially impacted the City's Hotel/Motel Lodging Tax Revenue, but that industry has started to bounce back some here in 2021.

Following are the annual totals dating back to 2016, as well as the Year-to-Date figures through the end of July:

<u>Year</u>	<u>Hotel/Motel Lodging Tax Revenue</u>
Thru July, 2021	\$ 472,896
2020	\$ 666,527
2019	\$1,337,422
2018	\$1,449,676
2017	\$1,350,310
2016	\$1,446,961

Revenue sources aren't always received and expenses aren't always incurred in a linear, straight-line manner throughout a fiscal year. Therefore the following isn't 100% scientific, but a quick calculation can serve as a ball-park estimate of what full-year revenue might be.

Since \$473,000 in Hotel/Motel Lodging Tax Revenue has been received through the first seven months of 2021, that equates to an approximate \$67,500 per month average.

Multiplying that \$67,500 per month average times 12 months for a full year projects that this revenue source could total in the \$800,000 range for all of 2021. This is still well below the annual totals received between 2016 and 2019, but if achieved, would still be a step in the right direction from 2020.