

MAAO 2022 SUMMER CONFERENCE
TIFs, TIES & SOLAR PILOTS - GETTING OUT OF THE BLOCKS CLEANLY

TIE EXAMPLE

ASSUMPTIONS:

An LLC is redeveloping a vacant former mill complex into a mixed use development. The site consists of three (3) buildings. In two (2) of the buildings the LLC plans to develop forty (40) market rate residential rental units. There will also be 10,000 sf of commercial space in these two buildings. In the remaining building, the LLC plans to develop ten (10) affordable rental units. The pre-development assessed value of the property that will be redeveloped into residential units is \$1,000,000. The Certificate of Completion of the project was issued on 8/1/2020. DHCD granted Final Certification to the residential portion of the project on 8/15/2020. In the Confirmation of Calculation that was submitted as part of the application for DHCD Final Certification, the Assessors determined that the assessed value of the residential portion of the property is now \$11,000,000.

The LLC and the municipality negotiated a TIE that provides five (5) years of exemptions on the market rate residential units at 80% and five (5) years of exemptions on the market rate residential units at 20%. The market rate residential units occupy 80% of the area of all the residential units and so the MRRU% is 80%.

Since the Certificate of Completion issued on 8/1/2020, the project is assessed at full value for FY2021.

CALCULATING THE ASSESSED VALUE DURING THE 1ST YEAR OF THE TIE:

1. To determine the FY2022 Adjusted Residential Value subtract the Base Value of the residential units from the FY2022 Residential Fair Cash Value:

FY2022 Residential Fair Cash Value	\$ 11,000,000
TIE Base Value	<u>\$ 1,000,000</u>
FY2022 Adjusted Residential Value	\$ 10,000,000

2. Multiply the FY2022 Adjusted Residential Value by the MRRU%

FY2022 Adjusted Residential Value	\$ 10,000,000
MRRU%	<u>.80</u>
TIE Increment	\$ 8,000,000

3. Multiply the TIE Increment by the Year 1 Exemption Percentage of 80%:

TIE Increment	\$ 8,000,000
Year 1 Exemption Percentage	<u>.80</u>
TIE Impacted Residential Value	\$ 1,600,000

4. Add the TIE Base Value, the FY2022 TIE Impacted Residential Value, the FY2022 Non-TIE Impacted Residential Value and the FY2022 Commercial Value to calculate the FY2022 Assessed Property Value:

TIE Base Value	\$ 1,000,000
FY2022 TIE Impacted Res. Value	\$ 1,600,000
FY2022 Non-TIE Impacted Res. Value	\$ 2,000,000
FY2022 Commercial Value	<u>\$ 3,000,000</u>
FY2022 Property Value	\$ 7,600,000