

TAX INCREMENT FINANCING

Code **DE** Issued **1/20**

Background

South Carolina law authorizes municipalities and counties to establish tax increment financing (TIF) districts for purposes of redevelopment in blighted, conservation, or sprawl areas. The debt service on bonds issued to fund public infrastructure within the TIF district (the “redevelopment projects”) is paid from the additional (or incremental) tax revenue resulting from such redevelopment. State law provides that notice of the creation of a TIF district and the issuance of bonds must be given to each taxing district with jurisdiction over taxable property located within the TIF district. Unless the taxing district files a written objection, it is considered to have consented to the creation of the TIF district and the issuance of bonds, and the incremental tax revenues of that taxing district are retained by the municipality or county for the duration of the TIF district.

The board recognizes that county and municipal governmental entities within the school district have a responsibility to appropriately plan for and encourage balanced development and/or redevelopment to sustain economic growth and establish a firm tax-base within their jurisdictions. The board acknowledges balanced development and/or redevelopment benefits the communities and students the school district serves.

The board has been requested to participate in TIF districts by various municipalities on multiple occasions and reasonably expects those requests to continue in the future. The board values partnering with county and municipal entities and entering into agreements to develop school environments which strengthen neighborhoods and communities; however, the board’s primary focus and responsibility is the education of students and the operation of schools which it must do within the financial constraints imposed by state law including by Act 388.

The board recognizes its responsibility to analyze the school district’s participation in TIF districts for the benefit of the school district and its students. The board is committed to reviewing considerations for TIF districts prior to approval by the board. Accordingly, the board authorizes the superintendent and school district staff to develop administrative regulations consistent with this policy, subject to review and approval by the board.

So long as the financial constraints imposed by Act 388 are in effect, the board’s policy is to object to the creation of TIF districts and the school district’s participation therein unless the board determines that there are compelling reasons to agree to the School district’s participation in full or in part in the TIF district.

Review of TIF Districts

A request for participation by the school district in a TIF district will be reviewed by the audit and finance committee prior to placement on the agenda for consideration by the board.

A third party report, to be paid for by the entity (i.e. city) proposing the TIF district, will be prepared by an outside consultant selected by the school district. The report will include:

- an analysis of the financial impact of school district participation versus non-participation on a present value basis
- an opinion regarding whether participation in the TIF district and the benefit provided by the Redevelopment Projects is in the financial best interest of the district

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The entity (municipality or county) will provide a detailed description of the contemplated project(s) and estimated impact on assessed value for the duration of the district in order to facilitate the report. The data will include type of project (commercial, residential, office, etc.) and phasing on an annual basis. For residential projects the data will include the specific type of housing (single family/multifamily, etc.) and the specific number of units. The entity will identify key variables related to the project (at a minimum, project phasing/absorption, assessed valuations, project specific variables that materially impact the project viability, etc.) and provide sensitivity analysis for the project based on these core variables.

The superintendent is directed to retain such outside consultant immediately upon receipt of notification of the creation of the TIF district.

If the board determines that the school district will participate in a TIF district in full or in part or agrees to an extension of the TIF District, such participation or extension must be by a resolution approved by no less than a super majority vote of 2/3 of the entire board membership.

State law requires municipalities and counties to give notice to taxing districts with taxable property located within the TIF district not less than forty-five (45) days prior to the date set for the public hearing held in connection with the creation of the TIF district. Given the length of time needed for compliance with items above, the board will require notification of not less than ninety (90) days prior to the date set for the public hearing if it is to consider participation in a TIF district. If the notification is received less than ninety (90) days prior to such date, the superintendent is directed to file a written objection to the creation of the TIF district absent direction to the contrary from the board.

If the Board determines that the school district will participate in a TIF district in full or in part and is later requested to agree to an extension of the duration of the TIF district, the Board's policy is to object to the extension of the TIF district unless the Board determines that there are compelling reasons to agree to the extension.

Financial Considerations; Additional Considerations

The board will review a list of considerations for approving a TIF district.

Financial Considerations may include, but are not limited to:

- Redevelopment Project grows the commercial tax base within a portion of the school district.
- A dollar cap on the school district's participation in the TIF district.
- Participation reflects a lower term (years of foregoing incremental tax revenues) for higher percent of increment given (e.g. 10 year term = 90%; 15 year term = 80%; 20 year term = 60%).
- Redevelopment Project increases the assessed valuation while minimizing impact on school district services.
- Redevelopment Project funded by a higher percentage of increment contribution from the municipality or county than from the school district.
- Redevelopment Project provides the school district additional financial benefit beyond what other taxing entities receive (e.g. Redevelopment Project specifically benefitting the school district, land, dollars, percent increment, mitigation payment, etc.).

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- Redevelopment Project must demonstrate current and future economic benefit for the school district.
- In each year, all incremental tax revenues not needed to pay debt service on indebtedness within that TIF district in the following year shall not be available for any other purposes (including pay-as-you-go projects) but shall be paid to the school district.

Additional considerations may include, but are not limited to:

- Duration of TIF district -does not exceed twenty (20) years.
- Performance of the municipality's previous tax increment projects.
- The likelihood of the Redevelopment Project's development without school district participation.

Adopted 1/27/20