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TIF Bond Issues Last Year Hit Highest Level Since 2006.

Tax-increment financing began in 1952 in California as a way to jump-start development in blighted areas.

Since then it has spread to nearly every state. Typically new property tax revenue generated by development in a TIF district is pledged to pay for public infrastructure within the district. Laws in some states also allow sales tax to be diverted and some permit TIF funds to be spent on private development costs.

New TIF bond issues in 2015 totaled nearly $700 million, according to data analyzed by Elise Lomel of the financial advisory firm PFM Group in Atlanta. That total, which excludes refinancings, was the highest yearly total since 2006, excluding California, which largely exited the TIF sector by 2012. Not all TIF projects involve the issuance of debt.

However, the numbers have bounced around in recent years, and the total in the first half of 2016 came to just $77 million, her analysis found. Counting California, the peak for non-refinancing TIF bonds since 2000 occurred in 2006, at about $3 billion.

U.S. property values began falling in late 2006 as the real estate bubble burst. That eventually led to declines in property tax receipts, sometimes below levels needed to cover debt service.

“Certainly some projects failed, or they had to be restructured or refinanced, but really what happened is nothing new could happen,” said Toby Rittner, chief executive of the Council of Development Finance Agencies. He said use of the tool “really took a back seat.”

Compared with a decade ago, “there’s absolutely more scrutiny” of TIF proposals by both the public and private sectors, he said. He estimates no more than 30% of local governments still back TIF bonds, a common practice 15 years ago.

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