

Downtown Development Authority (DDA) FAQ



What is the Nederland Downtown Development Authority?

- Local governmental entity managed by a board of directors that guides the implementation of a downtown development plan
- Can use financial tools, including Tax Increment Financing (TIF), operating mill levy
- Has the ability to finance long-term improvement bonds with loans repaid with TIF funds
- Can leverage sources of funds, such as County, State and Federal grants, for downtown improvements
- While a DDA can address blight, and is encouraged to do so, it does NOT have power of eminent domain

How was the NDDA formed?

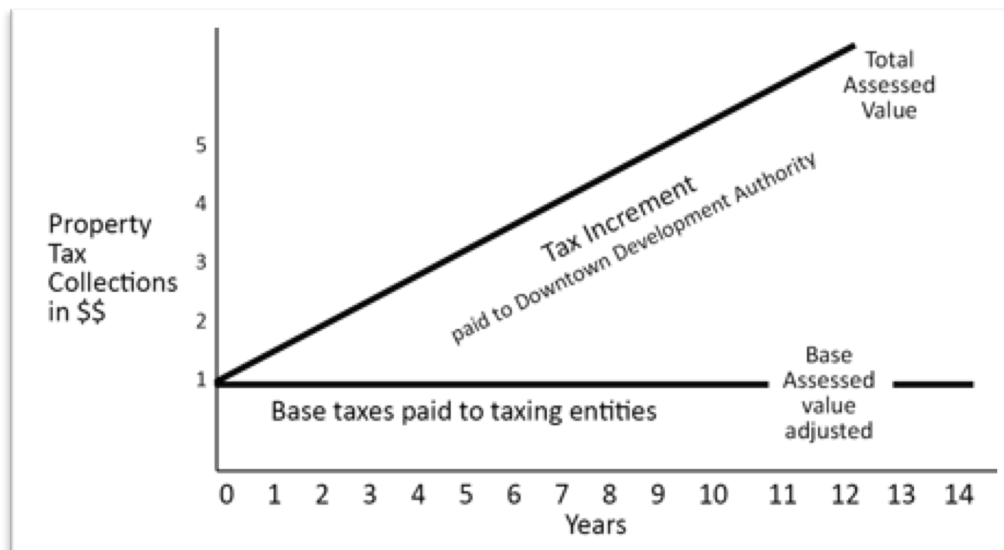
- In 2005 a downtown development plan, including a district boundary was created
- The plan and district was approved by the Board of Trustees
- The authorization to use financial tools required, and received, a majority vote of stakeholders which consists of property owners and business lessees within the NDDA boundary
- Following an election, the NDDA was formed.
- In order to use TIF funds the NDDA has to ask its stakeholders, through an election, for permission to borrow against the TIF. This is a Debt Authorization.

How Does the NDDA Work with the Town?

- The Board of Trustees appoints a NDDA board of directors
- DDA and Town can develop agreements to govern use of TIF
- The Town Board of Trustees has to approve Debt Authorizations AND any projects that use TIF funds.
- Board of Trustees has power to disband NDDA by ordinance if there are no outstanding bonds or other financial obligations

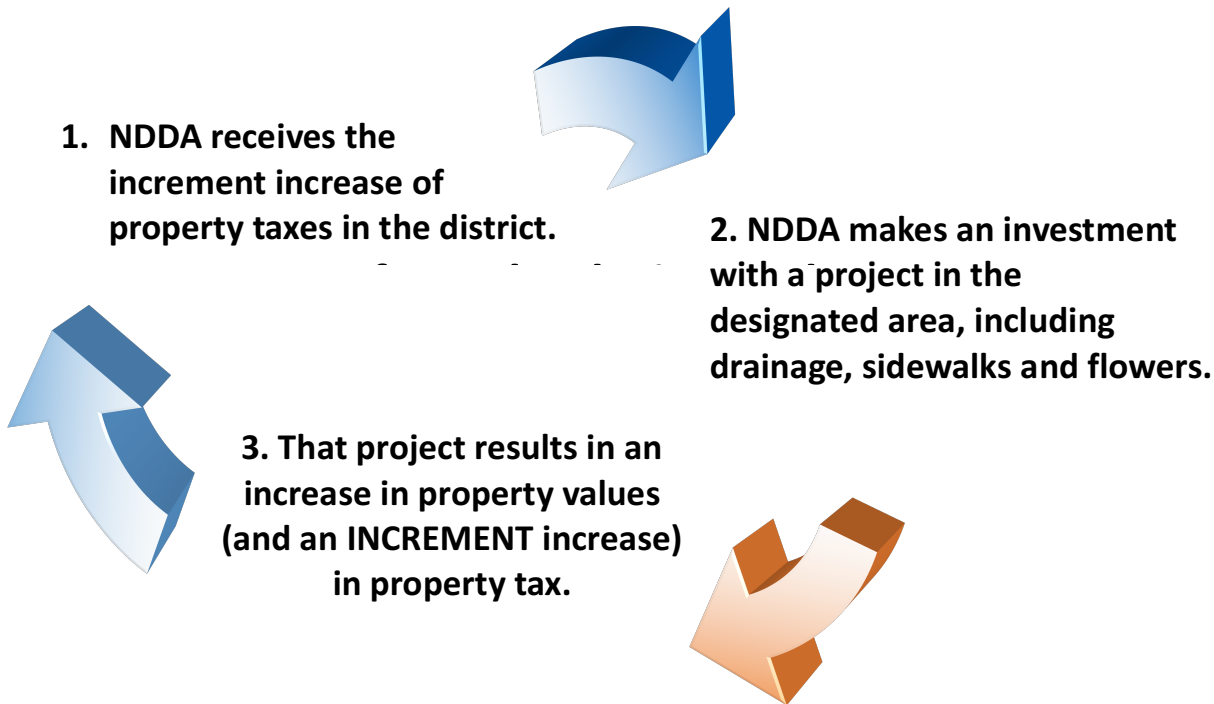
What is Tax Increment Financing/TIF?

- TIF is a way to use revenues from future increases in sales and/or property taxes to finance downtown improvements today
- A base year is established
- Current taxes continue to be allocated to county, schools and town
- Future increase in tax revenues is an “increment” that must be reinvested in downtown improvements
- TIF does not constitute a tax increase, only a re-allocation of existing tax revenues



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Increment Financing Cycle



What is an Operational Mill Levy?

- In addition to collecting and investing TIF, the NDDA can create a mill levy (i.e. property tax) to support operations, also with the approval of NDDA voters
- Operations includes NDDA administration, downtown planning, marketing, maintenance and capital replacement
- A DDA mill levy cannot exceed 5 mills

Why does Nederland need a DDA?

- The NDDA is a self-sustaining champion for downtown
- We have the ability to create and use financial tools (i.e. TIF and mill levy) A municipality cannot.
- We have the ability to leverage other sources of funds to help finance downtown improvements
- We can borrow against future tax increment growth to implement large-scale infrastructure projects now
- We can be the key to implementing the downtown vision and plan

Uses for TIF Dollars

- Tax Increment Financing (TIF) is a unique mechanism that enables the NDDA to use the net new tax revenues, generated by projects within the district, to help finance future improvements. **TIF is a source of tax revenue, not an additional tax, that would not be available without investment in the district.**
- TIF invests tax dollars, that would go to general funds, in improvements to the property and services within the NDDA which results in increases in sales tax revenue, and property taxes, in the town for the town.