

Tax Increment Financing (TIF) ProtectorSM



Urban redevelopment and infrastructure repairs are critical priorities—and major economic challenges—for municipalities across America. Tax Increment Financing (TIF) enables municipalities and redevelopment authorities to promote development of blighted properties and aging infrastructure by aiding in financing redevelopment—borrowing against future increase in the building's or area's property taxes, lodger's taxes, and sales taxes.

TIF can pave the way to improving communities and repairing infrastructure, increased property values, a broader, stronger tax base, and increased local jobs and investment. TIF Protector safeguards those who make it happen.

Today, 49 states and the District of Columbia have TIF-based programs, but these programs are not without risk for municipalities and developers: What if a tax increment financed property is damaged by a fire, storm or other casualty event and is not rebuilt to realize the expected increase in tax revenue?

Tax Increment Financing (TIF) ProtectorSM was designed by Lexington Insurance precisely to address this risk—and to enable municipalities and developers to move forward with TIF-based projects with confidence.

How TIF Protector Works

A contingent property insurance policy, TIF Protector responds to pay the outstanding tax-increment financed balance and/or the recaptured TIF credits or payments if a TIF property is damaged beyond 10 percent of its replacement cost and the site is not rebuilt.

Coverage mirrors the perils of a traditional All Risk Property Policy, and is customized to align with terms and conditions of specific TIF agreements, including multi-year tenures and amortization schedules.

From An Industry Leader

Lexington Insurance is a leading provider of insurance for the real estate industry, with extensive experience underwriting complex real estate exposures. Lexington provides the high levels of capacity and financial strength the real estate industry and its lenders require.

TIF Protector is part of Lexington's series of policies designed to help property owners, developers, investors, and lenders close critical gaps in insurance protection. Other coverages in the series include Lease Enhancement Insurance, Historic Rehabilitation Tax Credit Insurance, Low Income Housing Tax Credit Insurance, Residual Value Insurance, and Zoning Restriction Protector.®



Tax Increment Financing (TIF) ProtectorSM

For Developers:

When municipal bonds are issued based on the assumption of TIF-driven future tax earnings, bondholders may have a first lien on the proceeds of a developers' property policy in the event of damage or loss of the TIF-financed property. TIF Protector steps in to fill this potential shortfall.

For Municipalities:

TIF Protector offsets TIF-related investment risk, potentially allowing more capital to be offered to a single TIF project or funds to be spread over additional TIF projects.

How TIF Protector Fits

A Real Life Scenario

Vacant for more than a decade, a 30-story mixed use high rise was in dire need of rehabilitation, but the exorbitant costs of the building's structural issues and outdated mechanical and electrical systems prevented developers from taking on the project. The municipality's redevelopment authority agreed to provide over \$20 million in TIF reimbursement funds to a developer to assist in financing a \$70 million rehabilitation of the building.

The redevelopment authority agreed to provide this financing, since it anticipated recapturing its investment from the increased tax revenues it would earn on the property during the life of the project and beyond. *It also had the assurance of TIF Protector to reimburse the loss of its \$20 million investment if the building were damaged by a casualty event and was not be rebuilt.*

To learn more, contact:

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