



### Establishing A Tax Increment Finance (TIF) District

**Note:** This information updates the December 2004 [business plan](#) for the Lancaster County Convention Center and Marriott Hotel at Penn Square.

1. The project business plan includes \$12 million from a [new State program](#) established by Act 23. This Act requires public ownership of the project.
2. To use funds available from Act 23, Penn Square Partners agreed to transfer ownership of the hotel property to the Redevelopment Authority of Lancaster for the duration of Act 23.
3. Penn Square Partners believes that the Redevelopment Authority's ownership of the hotel makes the property exempt from local real estate taxation. To offset removing the property from local tax roles, Penn Square Partners agreed to make *priority* voluntary payments to the City of Lancaster and the School District of Lancaster of \$100,000 each per year *and* to share with the School District 20% and with the city 10% of profits above a 12% return on Penn Square Partners' \$10 million equity investment. These payments compare with current real estate taxes paid by the property of \$29,000 to the School District and \$12,000 to the City.
4. All parties to this would have signed binding agreements that would memorialize the agreements made about the voluntary payments.
5. However, Penn Square Partners has been advised that the only way to ensure that the agreements reached by the parties will endure for the 20 years required under Act 23 is to create a local Tax Increment Finance (TIF) district. Doing so does not change any of the [economic benefits described to the community](#) in December 2004. It merely creates a method to ensure that agreements made today will be honored in the future.
6. Penn Square Partners has asked the Redevelopment Authority to subject the property to taxable status and to apply for a local TIF to eliminate any potential that agreements made today may be changed in the future. Under the TIF recommended on February 24, 2005 by the Redevelopment Authority, the School District will retain its current annual taxes from all sources, which are projected to total \$981,000 over the 20 years the TIF will be in force. Penn Square Partners voluntary payments to the School District over the same period are estimated to be \$6,000,000, bringing the total payments to the School District to about \$7,000,000. The City of Lancaster will retain \$920,000 in current taxes from all sources of taxes related the project and Penn Square Partners' voluntary payments are estimated to be \$4,000,000, bringing the total payment to the City to nearly \$5,000,000.
7. This method allows the community to secure the Act 23 funds and to implement the [business plan](#) that was released in December.
8. The Redevelopment Authority has submitted a request to the City Council of Lancaster to create the TIF district.