

Tax Increment Grants

Introduction & Policy Discussion

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Agenda

- **Overview of Tax Increment Funding Tools**
- **Tax Increment “Grants” or “Reimbursements”**
 - Applications and Examples
 - State Context
 - Policy Considerations
- **Committee Discussion & Direction**

What are Tax Increment funding tools?

- **Utilize a portion of the incremental increase in tax revenues generated from new private, taxable development to fund projects serving a clear public purpose**
- **Used to encourage economic development, development of public infrastructure, or other public assets**

The Tax Increment Family of Tools

Tool	Existing Wake County Policy?	Local Government Borrowing?	Primary Security Pledged	Local Government Commission Approval?	Formal District Required?
Tax Increment Financing ("TIFs")	Yes (2007)	Yes	Revenue generated by development	Yes	Yes
Synthetic Tax Increment Financing (Synthetic TIFs)	No	Yes	Typically the asset being financed	Depends on borrowing method	No
Tax Increment Grants/Reimbursements	No	No; Developer fronts costs	N/A	No	No

- ***Tax Increment Financing involves borrowing and debt***
- ***Tax increment "Grants" or "Reimbursements" do not***

How does a Tax Increment Grant Work?

- Private partner completes development project resulting in increase in taxable property valuation
- Project delivers significant economic development or other public benefits such as infrastructure improvements
- Increased tax revenues generated by the project support grants or reimbursements to the partner based on a percentage of the increased tax revenues, paid out over several years

1. Project increases valuation by \$500 million

Tax Valuation (Before Project)	Tax Valuation (After Project)	Increased Valuation
\$10,000,000	\$510,000,000	\$500,000,000

2. Property tax revenues increase (the "increment")

Increased Valuation	Property Tax Rate Assumed	Incremental Revenue Increase
\$500,000,000	\$0.005171	\$2,585,500

3. Portion of increment is granted back to partner

Incremental Revenues	Assumed Grant %	Assumed Annual* Grant Amount
\$2,585,500	50%	\$1,292,750

Applications and Examples

Public Infrastructure/Assets

- **Charlotte:** Connector road and offsite intersection improvements as part of a major mixed-use development (*Ballantyne Reimagined*)
- **Charlotte/Mecklenburg:** Parking garage and infrastructure improvements to support redevelopment of large city-owned property being converted from mall to new mixed-use development (*Eastland Yards Redevelopment*)

Several projects in NC fit this category

Economic Development

- Grants to private enterprise based on significant economic development tied to factors below (NCGS 158-7.1a):
 - Increased Tax Base and Population
 - Job Creation
 - Industrial Output
 - Improved Business Prospects
- Would function more like a typical economic development incentive

Staff is not aware of any NC Examples

Why consider TIAs as a funding tool?

- **Encourages economic development, or development of public infrastructure and facilities**
- **Development partner fronts improvement costs, so there is no requirement of the local government to have funding on hand at the time of project execution**
- **The local government still experiences a net increase in revenue from the development project**

North Carolina Context

- **Staff is aware of the following *municipal* policies in NC**
 - Raleigh (Yet to be used, policy changes under consideration)
 - Charlotte (Several active projects)
 - Fayetteville
 - Harrisburg
- **Staff is not aware of any County policies; Mecklenburg County participates in some grants with Charlotte**
- **Municipalities have a broader range of natural applications given their role in public infrastructure development**
 - For example: offsite road and transportation/transit improvements, streetscapes, parking garages, greenway connections, etc.

Policy Considerations

- **Purpose and Goals**
- **Project Eligibility**
- **Investment Thresholds**
- **County Participation in Municipal Projects**
- **Payment Terms and Caps for Individual Projects**
- **Overall Caps on TIG Payments**

Committee Discussion and Next Steps

Would the committee like staff to develop a draft policy for consideration?

If so, staff will bring an initial draft policy for the committee's consideration in 2026.



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