

Tax Increment Financing

AND THE EDUCATION FUND

APRIL 2017



White + Burke Real Estate Investment Advisors

- ▶ Representing seven municipalities: Bennington, Brattleboro, Montpelier, Newport, Rutland, Springfield, St. Johnsbury
- ▶ 26+ year old firm
- ▶ Consultants (1st time lobbyists!)
 - ▶ Development
 - ▶ Public-private partnerships
 - ▶ Set up four TIF districts
- ▶ My background in downtowns and community development

The Ask

- ▶ The ask:
 - ▶ Allow new TIF Districts
- ▶ Why?
 - ▶ Powerful economic development tool
 - ▶ Powerful rural development tool
 - ▶ Powerful Housing development tool



How TIF Works

- ▶ Define District (geographic area)
- ▶ Current grand list is fixed – taxes continue to go to education fund and municipality
- ▶ Negotiate with developers
- ▶ Municipality bonds for needed infrastructure. No state borrowing.
- ▶ Usually a general obligation bond – municipality is on the hook.
- ▶ Taxes from increased grand list value go 75% to TIF
- ▶ Education Fund Receives 25% of new taxes
- ▶ VEPC Approval Process



How TIF Works

- ▶ TIF funds may be used for public infrastructure, such as parking, Streetscape improvements, water & sewer, traffic improvements, etc.
- ▶ Also brownfield cleanup
- ▶ May not be directly invested in private development projects
- ▶ Must be prudently used – not “if we build it they will come”



The Education Fund's Problem

- ▶ The education fund has no way to increase its revenue other than raise tax rates. Ouch.
- ▶ The only other way to grow the education fund is for grand list growth from economic development.



The Economic Development Problem

But... not much grand list growth is happening. Why?

- ▶ Demographics – Vermont's population is not growing
- ▶ Lack of new & growing businesses
- ▶ Retail growth is on the internet; stores aren't being built.
- ▶ Downtown development is hard!
- ▶ Brownfields in most (all?) of our downtowns
- ▶ Development costs vs market rents
- ▶ The numbers just don't work for purely private development in most cases.



The Challenge

- ▶ Some believe the projects would happen anyway and thus, TIF takes money from the Education Fund.
- ▶ Challenge: prove these projects wouldn't happen anyway.
- ▶ We can! Compelling evidence.



Does TIF Impact the Ed Fund?

- ▶ Yes! It grows the Education Fund. It adds 25% of the new education taxes that wouldn't exist but for Tax Increment Financing.
- ▶ If the market supported development, wouldn't it already be happening?

DATA SPEAKS

1. Without TIF, very little development occurs in VT communities.
2. With TIF, there is a net increase in Education Fund dollars.
3. Market rate projects cannot be built without assistance in much of Vermont.



But for TIF, Projects are *Not* Happening

Communities WANT to see more development in their downtowns, but it's not happening robustly.



Without TIF – Within the Last Five Years

- ▶ Very few downtowns have seen new construction.
- ▶ Very few downtowns have seen major renovations without major public assistance of some type.

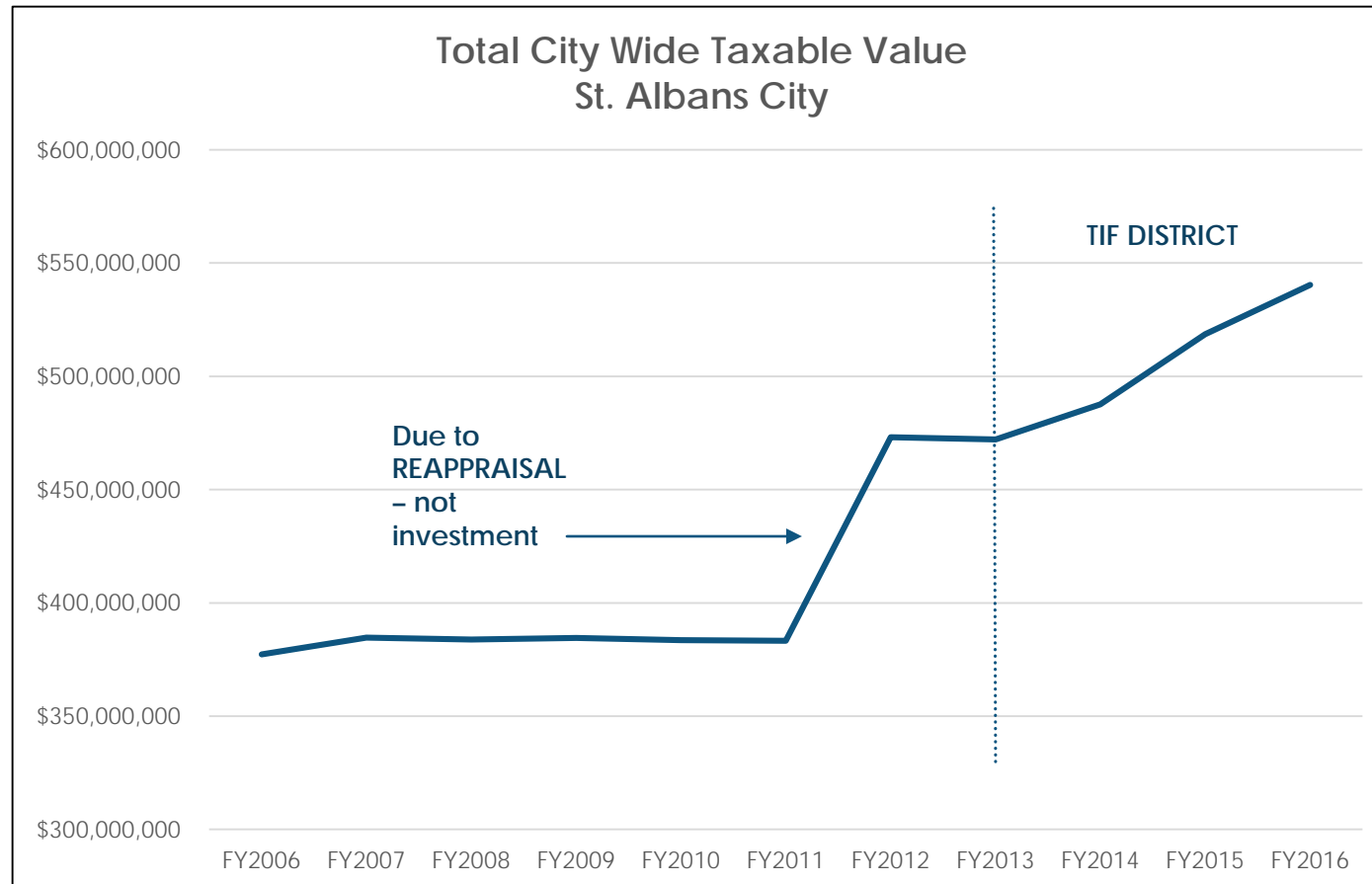


Without TIF – Within the Last Five Years

	Bennington	Brattleboro	Montpelier	Newport	Rutland	Springfield	St. Johnsbury
New Dev	1 (Dollar General)	0	1 (VT State Colleges HQ)	0	0	0	0
Renovation Projects	1	1 (Brooks House)	2	2	4	4	3
New Grand List Value (Increment)	~\$650,000	~\$6 mil	~\$2 mil	~\$600,000	\$0	~\$100,000	~\$400,000
Required Assistance	State and local funds, EPA	NMTC, Downtown tax credits, CDBG, VEDA	Tax stabilization agreements, grants; Institutional Partnership	Downtown tax credits, USDA	Institutional partnerships	Public funds, partnerships, special assessments	State & local credits & funds



With TIF – A Case Study – St. Albans City



From 2013-2016 (life of TIF District), Grand List increased by \$68 million.

\$43.5 million of which was in TIF District.

With TIF – A Case Study – St. Albans City



Market-Rate Projects are Rare

- ▶ Typical development proforma: huge gap between cost to build and value of completed project.
- ▶ Insufficient rents to pay operating costs and debt service.
- ▶ Even with help...
 - ▶ Project costs are high
 - ▶ Market rents are low
- ▶ If projects were profitable, wouldn't they happen more often?



What's in it for Small Towns?

- ▶ Lots!
- ▶ Vermont's regional hub communities are core to their regions
 - ▶ Regional hubs are the economic drivers of their areas
 - ▶ Regional hubs are where small town residents:
 - ▶ Work
 - ▶ Shop
 - ▶ Recreate
 - ▶ Obtain government and other services
- ▶ We all have a stake in the health of these core communities!



Who Supports This?

Scott Administration	VT Natural Resources Council
Act 157	Lake Champlain Chamber of Commerce
VT Mayors Coalition	VT State Chamber of Commerce
VT League of Cities & Towns	VT Community Development Assoc.
VT Affordable Housing Coalition	VT Assoc. of Planning & Development Agencies
VT Economic Development Corporation Assoc.	

Vermont Has A Massive Economic Development Problem

- ▶ TIF alone won't solve the problem; but it's one of the most powerful tools.
- ▶ Education Fund can't grow the tax base; local communities can.

The Education Fund can be an investor in its own future.

- ▶ Plus, the Education Fund gains the 25%.



For More Information

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Grow the Education Fund

**Grow the Education Fund:
Vote YES on TIF!**

