TIF REPORT: VEPC RESPONSE

The purpose of tax increment financing districts is to provide <u>revenues for improvements that serve the district</u> and related costs, which will <u>stimulate development or redevelopment</u> within the district, provide for employment opportunities, improve and broaden the tax base, <u>or enhance the general economic vitality of the municipality, the region, or the State</u>.

VERMONT TIF PROCESS

Local planning and study, with public input	→	District Plan and Finance Plan Drafted	→	Local approval of Plan after public hearings	→	Application & Finance Plans considered by VEPC	→	Public vote on debt
Public		Local officials		Public		State-level		Public

VERMONT TIF LOCATION CRITERIA 2 OF 3:

Compact,
high density, or
in existing industrial area

Approved growth center
Designated downtown
Designated village center
New town center
Neighborhood development area

Economically distressed:
80% of median income
1%> unemployment
80% of residential sales price

VERMONT TIF PROJECT CRITERIA 3 OF 5:

Compact,
High density, or
in existing industrial area

Approved growth center
Designated downtown
Designated village center
New town center
Neighborhood development area

Economically distressed:
80% of median income
1%> unemployment
80% of residential sales price

clearly requires substantial public investment

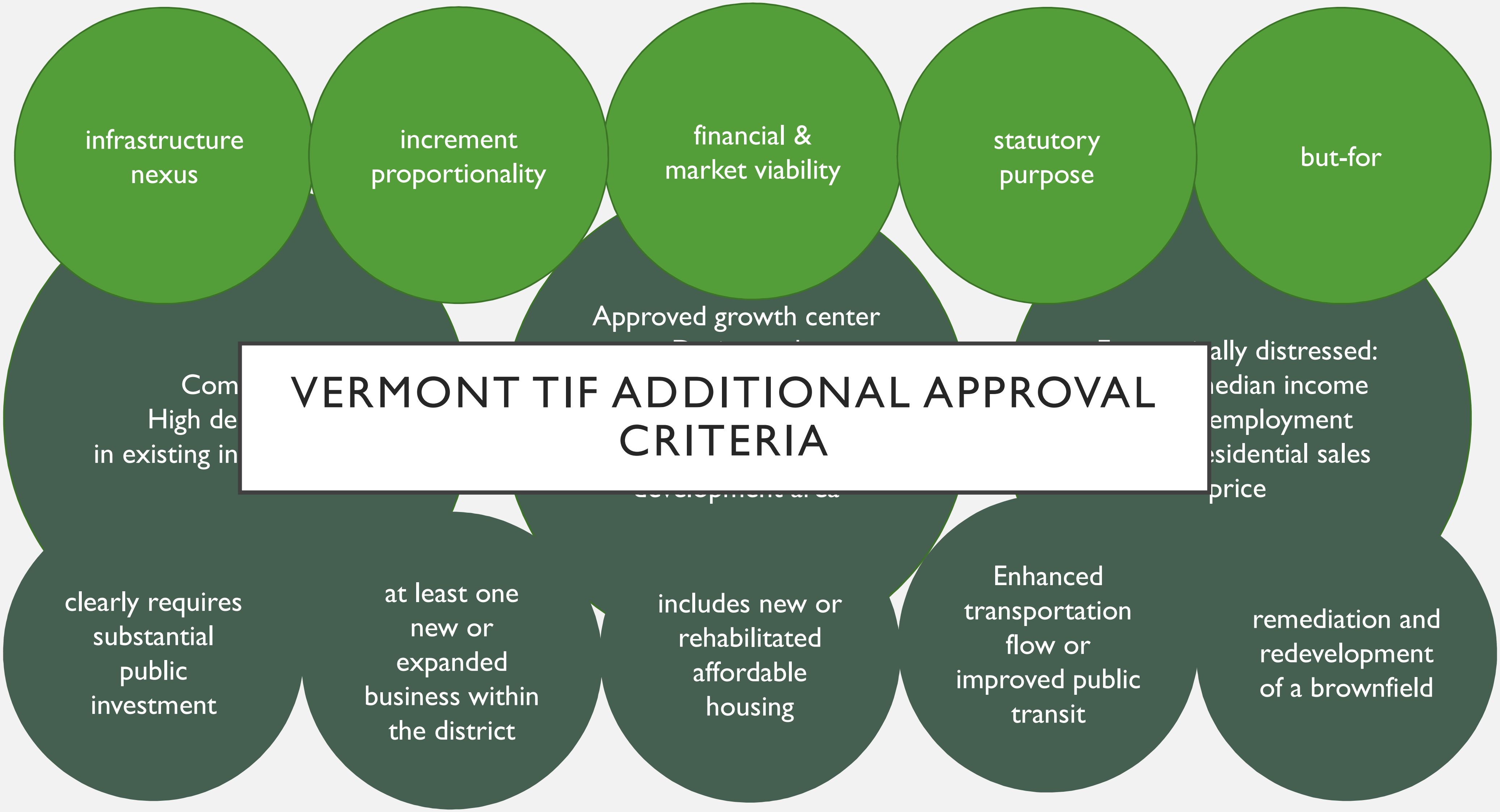
at least one new or expanded business within the district

includes new or rehabilitated affordable housing

enhanced transportation flow or improved public transit

remediation and redevelopment of a brownfield

VERMONT TIF ADDITIONAL APPROVAL CRITERIA



VERMONT TIF CRITERIA: BENNINGTON

infrastructure nexus

increment proportionality

financial & market viability

statutory purpose

but-for

Compact,
High density, or
in existing industrial area

Approved growth center
Designated downtown
Designated village center
New town center
Neighborhood development area

Economically distressed:
80% of median income
1%> unemployment
80% of residential sales price

clearly requires substantial public investment

at least one new or expanded business within the district

includes new or rehabilitated affordable housing

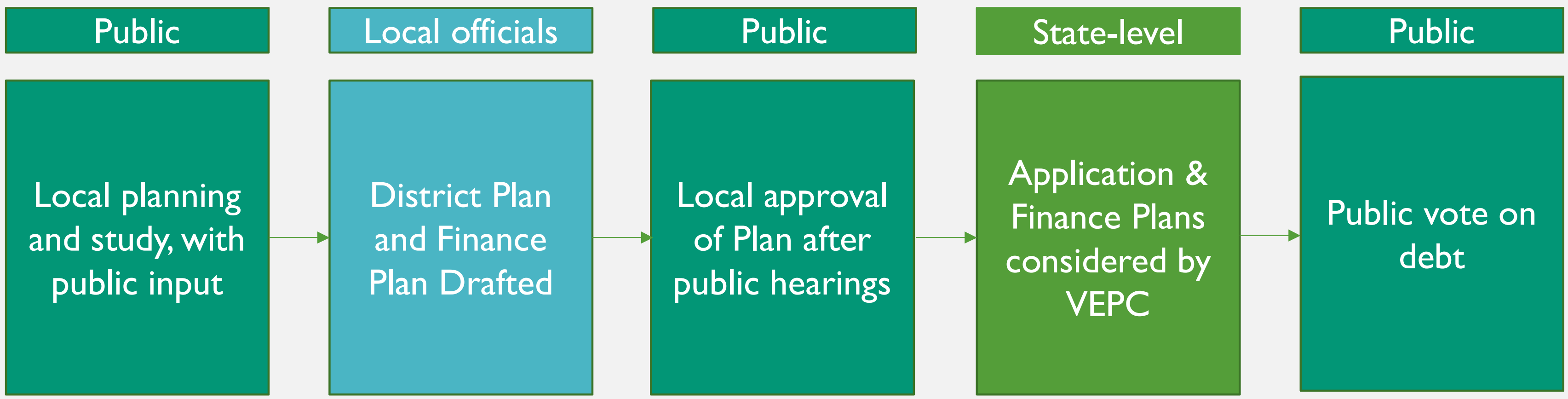
Enhanced transportation flow or improved public transit

remediation and redevelopment of a brownfield

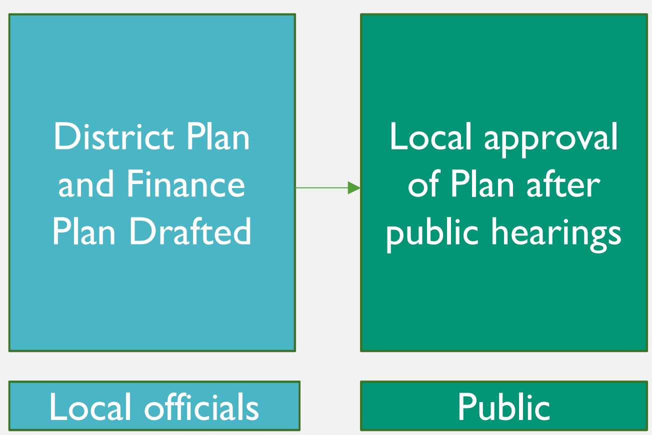
ILLINOIS TIF PROCESS

District Plan and Finance Plan Drafted → Local approval of Plan after public hearings

Local officials | Public



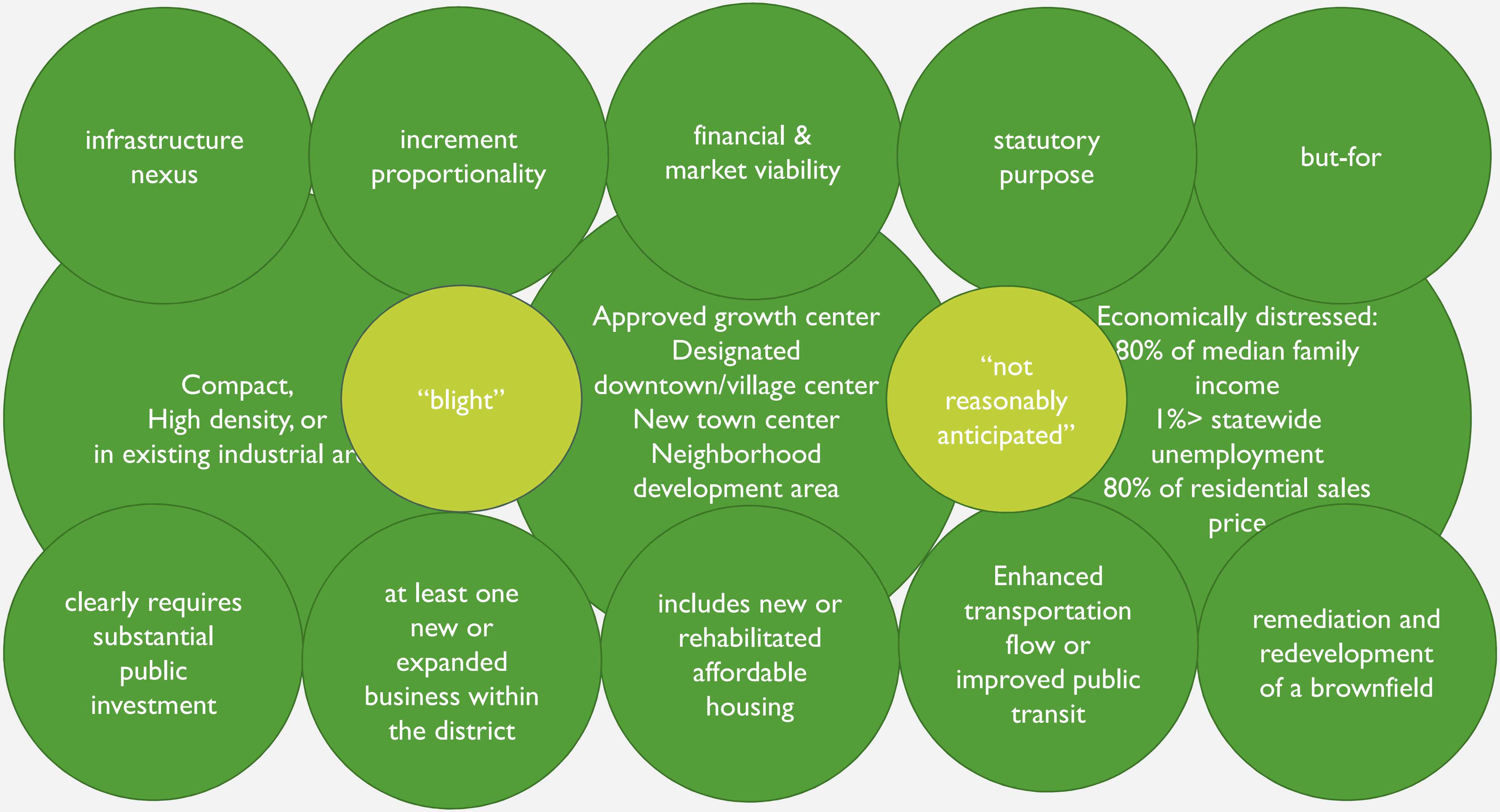
TIF PROCESS COMPARISON

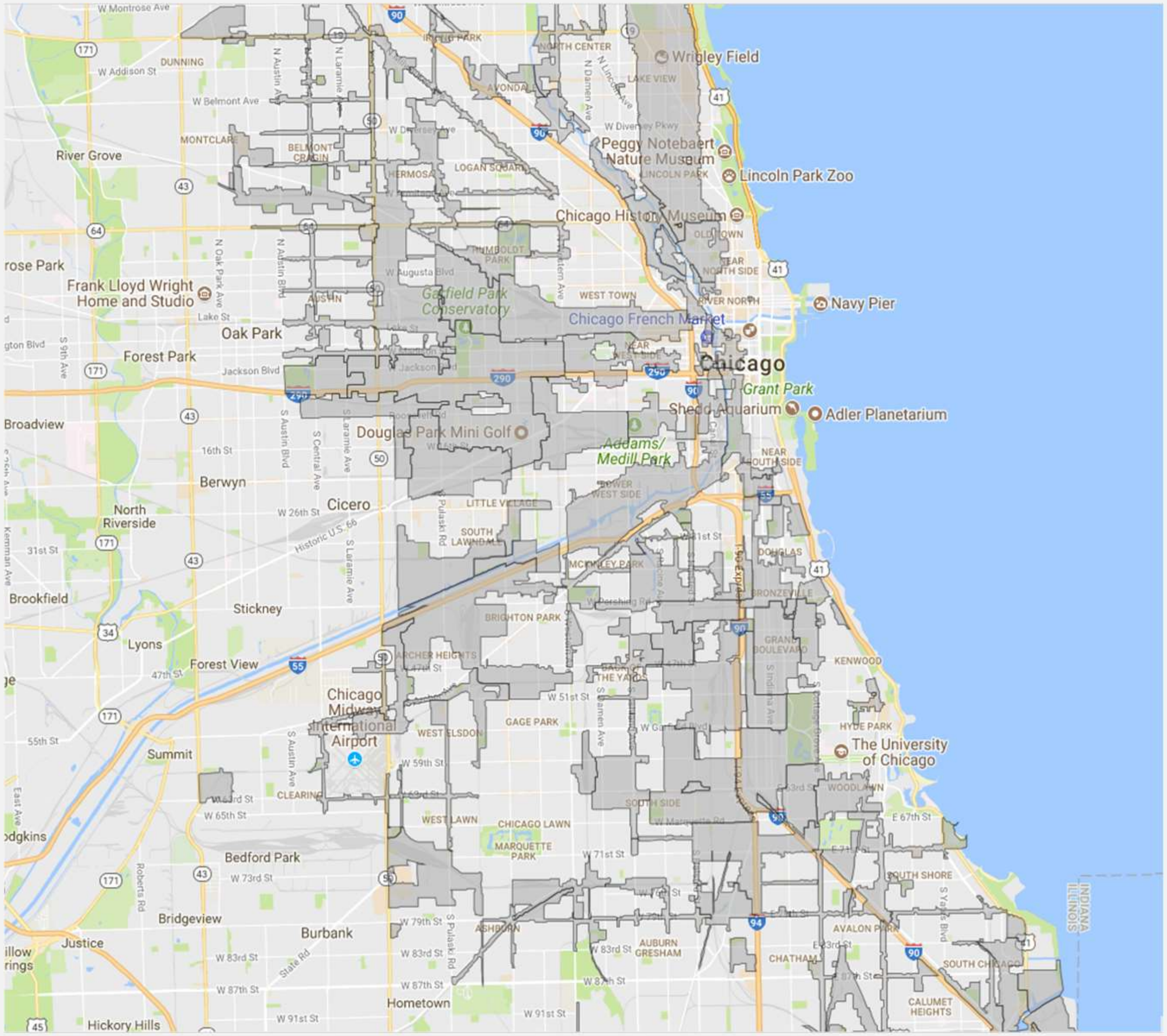


ILLINOIS TIF APPROVAL CRITERIA

"blight"

"not reasonably anticipated"

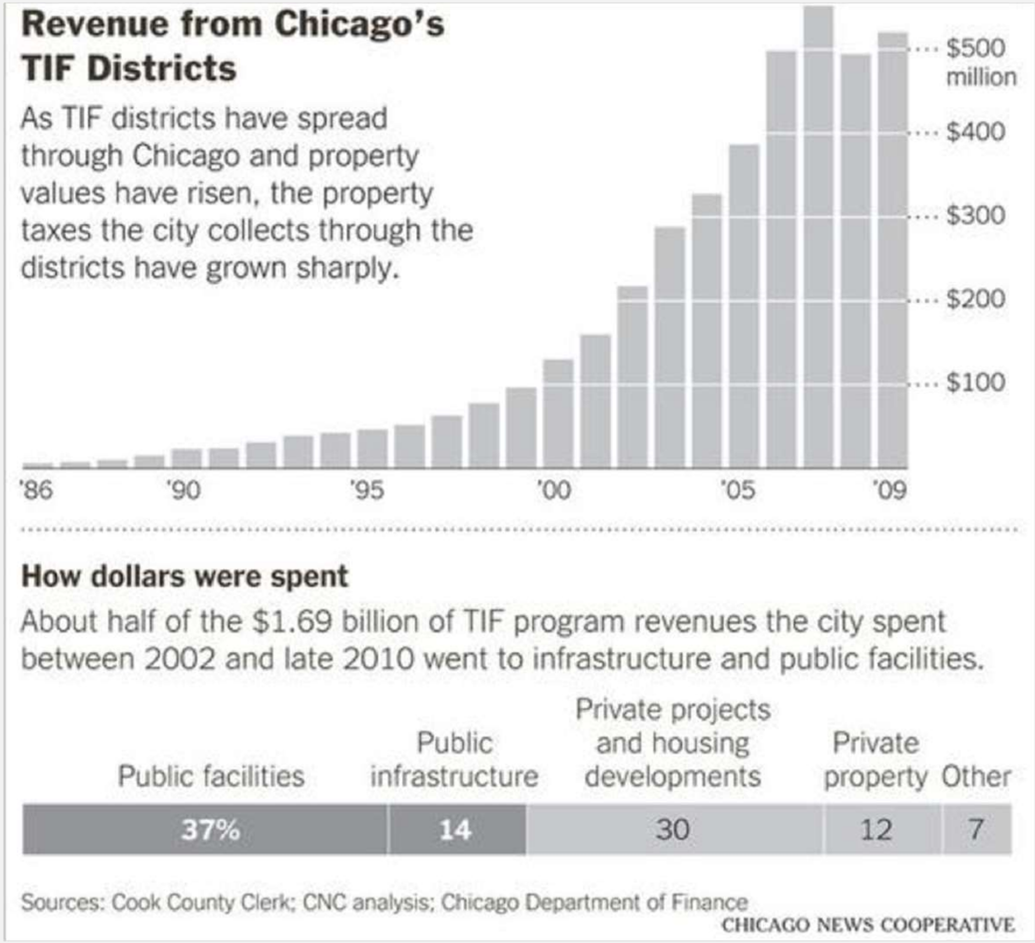

infrastructure nexus
increment proportionality
financial & market viability
statutory purpose
but-for
Compact, High density, or in existing industrial ar
"blight"
Approved growth center
Designated downtown/village center
New town center
Neighborhood development area
"not reasonably anticipated"
Economically distressed:
80% of median family income
1%> statewide unemployment
80% of residential sales price
clearly requires substantial public investment
at least one new or expanded business within the district
includes new or rehabilitated affordable housing
Enhanced transportation flow or improved public transit
remediation and redevelopment of a brownfield

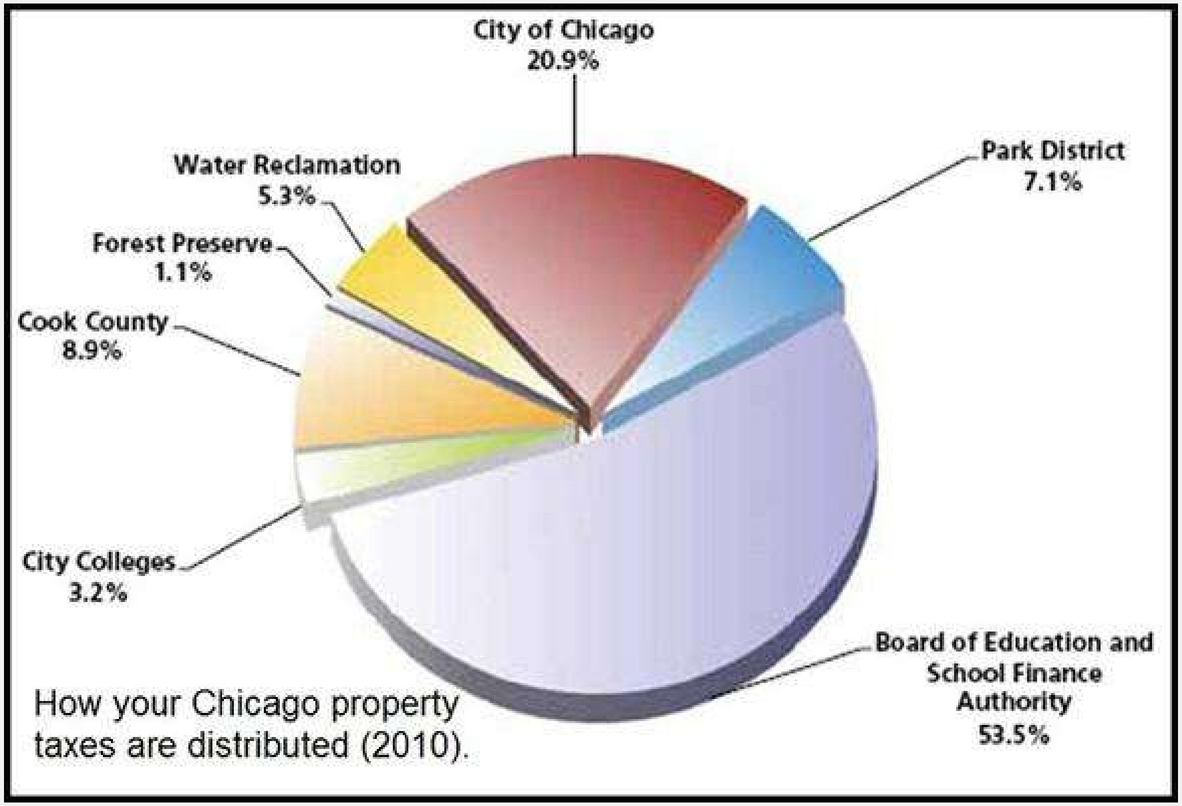


Wrigley Field
Peggy Notebaert Nature Museum
Lincoln Park Zoo
Chicago History Museum
Navy Pier
Chicago French Market
Chicago
Grant Park
Shedd Aquarium
Adler Planetarium
Garfield Park Conservatory
Douglas Park Mini Golf
Addams/Medill Park
The University of Chicago
Chicago Midway International Airport
River Grove
Frank Lloyd Wright Home and Studio
Oak Park
Forest Park
Broadview
Berwyn
Cicero
North Riverside
Brookfield
Stickney
Lyons
Forest View
Summit
Bedford Park
Bridgeview
Burbank
Justice
Hometown
Hickory Hills
DUNNING
MONTCLARE
BELMONT CRAGIN
HERMOSA
LOGAN SQUARE
AVONDALE
IRVING PARK
NORTH CENTER
LAKE VIEW
LINCOLN PARK
OLD TOWN
NEAR NORTH SIDE
HUMBOLDT PARK
WEST TOWN
AUSTIN
LITTLE VILLAGE
SOUTH LAWNDALE
LOWER WEST SIDE
NEAR SOUTH SIDE
MCKINLEY PARK
BRIGHTON PARK
ARCHER HEIGHTS
BACK OF THE YARDS
DOUGLAS
BRONZEVILLE
GRAND BOULEVARD
KENWOOD
HYDE PARK
WOODLAWN
GAGE PARK
WEST ELSDON
CLEARING
WEST LAWN
CHICAGO LAWN
MARQUETTE PARK
SOUTH SIDE
ASHBURN
AUBURN GRESHAM
CHATHAM
AVALON PARK
SOUTH SHORE
SOUTH CHICAGO
CALUMET HEIGHTS
INDIANA
ILLINOIS
W Montrose Ave
W Addison St
W Belmont Ave
W Diversey Ave
W Diversey Pkwy
W Augusta Blvd
Lake St
Jackson Blvd
16th St
W 26th St
Historic U.S. 66
31st St
47th St
W 47th St
W 51st St
55th St
W 59th St
W 63rd St
W 65th St
W 71st St
W 73rd St
W 79th St
W 83rd St
W 87th St
W 91st St
E 67th St
N Austin Blvd
N Laramie Ave
N Oak Park Ave
N Damen Ave
N Lincoln Ave
S Austin Blvd
S Central Ave
S Laramie Ave
S Pulaski Rd
S Austin Ave
S Yates Blvd
S Indiana Ave
Roberts Rd
State Rd
East Ave
Kenilworth Ave
S 9th Ave

PRIVATE BENEFICIARIES OF TIF IN CHICAGO

- Hyatt Hotel -$5,200,000
- K-Mart -$3,700,000
- Quaker Oats -$13,000,000
- Sears -$13,700,000
- United Airlines -$32,000,000
- Sara Lee -$5,000,000
- Wrigley -$15,000,000
- Home Depot -$8,000,000
- Keebler – $2,000,000
- Jewel/Osco – $9,600,000
- Target -$9,900,000
- UPS – $11,300,000





How your Chicago property taxes are distributed (2010).

CHICAGO NAVY PIER

$55 million used for "redeveloping" high-rent, least blighted area of city

TIF funds had been raised through a collecting increment on a hotel project at McCormick Place

STATE OF TIF THEORY, CIRCA 2006

OBSERVED TIF PROBLEMS

- At best, moves money around ("demand substitution"); at worst, takes money from challenged areas to fund sprawl or private developments
- Used by communities to raise or spend revenue for any purpose, causing proliferation
- Used by communities to compete against each other or shelter revenue from state

UNDERLYING CAUSES

- Perverse incentives to drive revenue up or protect revenue
- Local governments self-certify with no external, disinterested check
- Vague policy goals

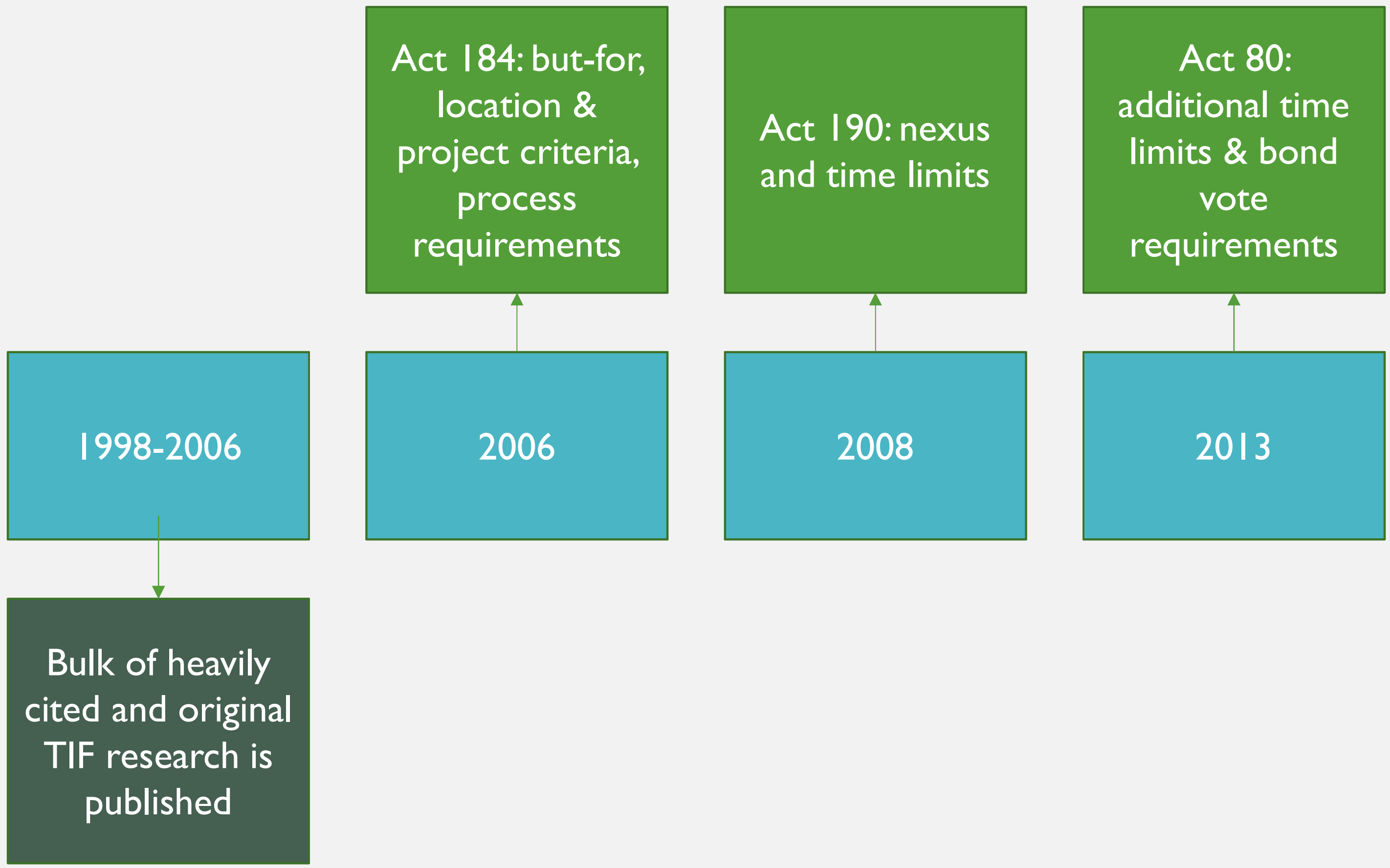
VERMONT SOLUTIONS

TIF BEST PRACTICES

- TIF should be temporary and fixed (both in time and geographically)
- A 'but-for' requirement should be instituted
- Financing plans should be required
- Strict use criteria for TIF
- Public hearings and public votes

VERMONT SOLUTIONS, 2006-2013

- 20 year limit, 10 year borrowing period, 5 year automatic sunset
- But-for requirement, with VEPC review
- Financing plans required
- Strict location and project criteria
- Public hearings and public votes


Act 184: but-for, location & project criteria, process requirements
Act 190: nexus and time limits
Act 80: additional time limits & bond vote requirements
1998-2006
2006
2008
2013
Bulk of heavily cited and original TIF research is published

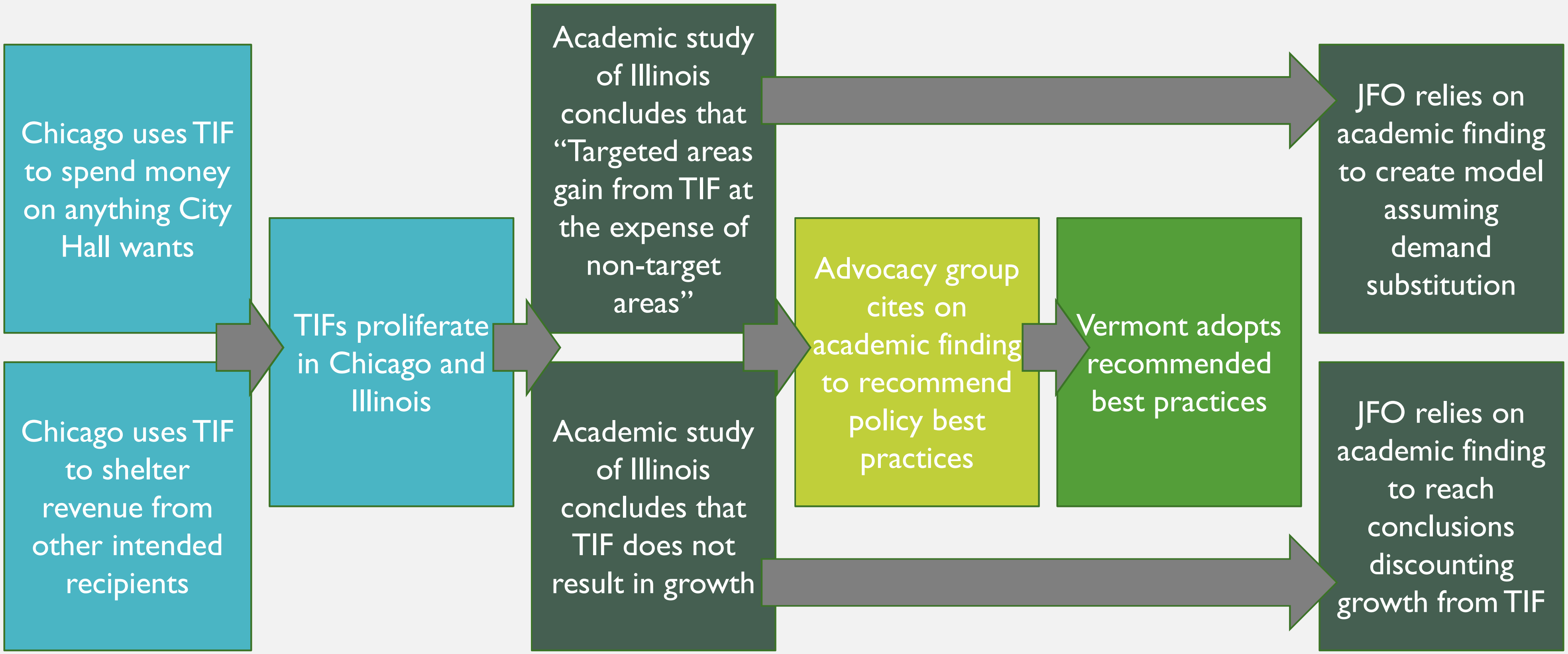
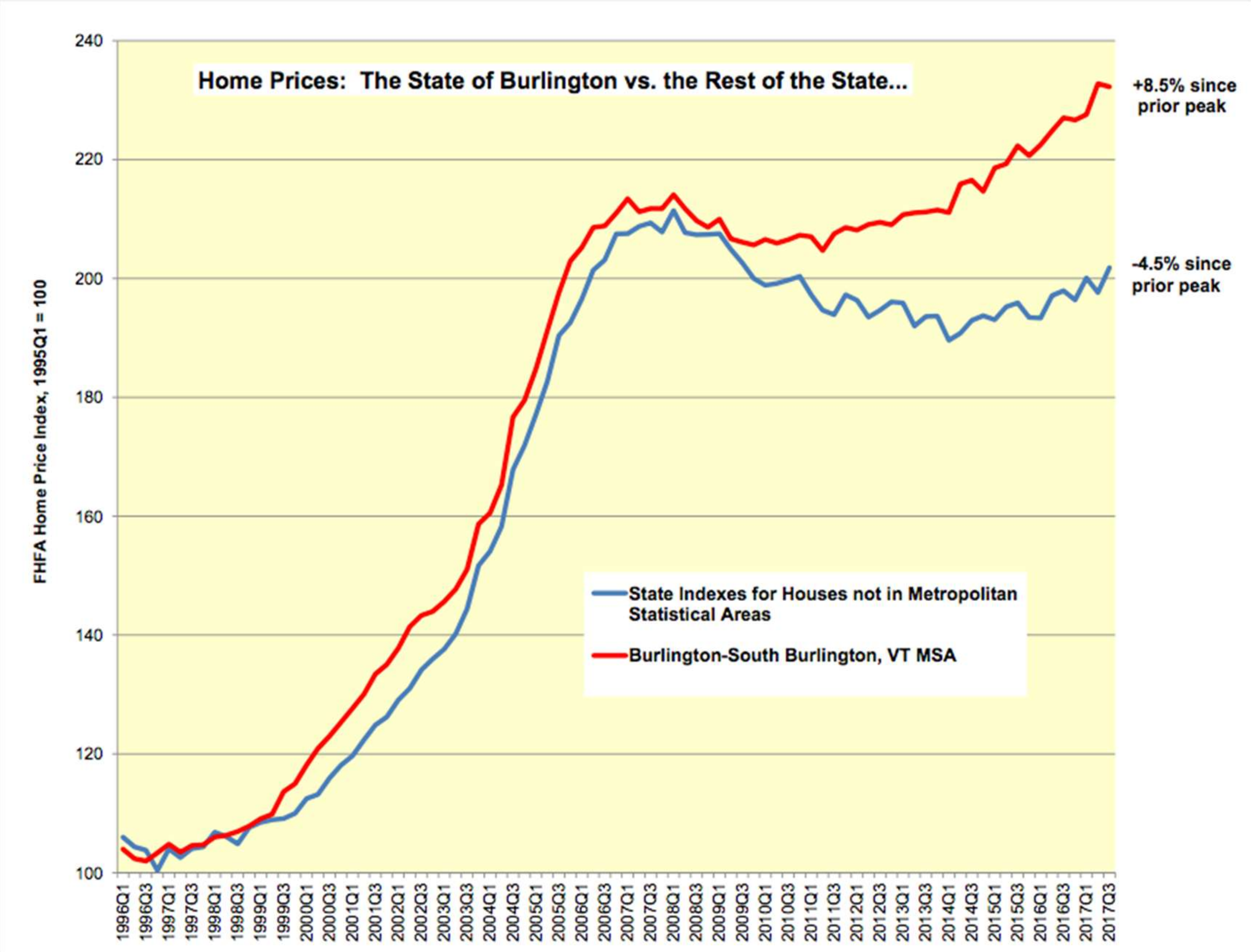

Chicago uses TIF to spend money on anything City Hall wants
Chicago uses TIF to shelter revenue from other intended recipients
TIFs proliferate in Chicago and Illinois
Academic study of Illinois concludes that "Targeted areas gain from TIF at the expense of non-target areas"
Academic study of Illinois concludes that TIF does not result in growth
Advocacy group cites on academic finding to recommend policy best practices
Vermont adopts recommended best practices
JFO relies on academic finding to create model assuming demand substitution
JFO relies on academic finding to reach conclusions discounting growth from TIF

Table A2: Historical Growth Rates of Vermont's Grand List			
	Average Annual Growth Rate Over The Past…		
	5 Years	10 Years	20 Years
Addison	0.1%	3.6%	4.3%
Bennington	-1.7%	1.9%	3.5%
Caledonia	-0.4%	3.5%	3.6%
Chittenden	1.9%	3.6%	4.7%
Essex	-1.7%	2.7%	2.6%
Franklin	1.3%	3.4%	4.3%
Grand Isle	-0.4%	3.5%	4.8%
Lamoille	-1.0%	3.1%	5.1%
Orange	-0.7%	2.9%	3.7%
Orleans	0.6%	4.3%	4.6%
Rutland	-2.5%	1.5%	2.9%
Washington	0.2%	3.4%	4.3%
Windham	-0.1%	2.4%	3.1%
Windsor	-1.6%	1.8%	4.1%
Statewide Average	-0.1%	2.9%	4.0%

Source: Department of Taxes, Division of Property Valuation and Review Annual Reports



Home Prices: The State of Burlington vs. the Rest of the State...
+8.5% since prior peak
-4.5% since prior peak
FHFA Home Price Index, 1995Q1 = 100
State Indexes for Houses not in Metropolitan Statistical Areas
Burlington-South Burlington, VT MSA
240
220
200
180
160
140
120
100
1996Q1
1996Q3
1997Q1
1997Q3
1998Q1
1998Q3
1999Q1
1999Q3
2000Q1
2000Q3
2001Q1
2001Q3
2002Q1
2002Q3
2003Q1
2003Q3
2004Q1
2004Q3
2005Q1
2005Q3
2006Q1
2006Q3
2007Q1
2007Q3
2008Q1
2008Q3
2009Q1
2009Q3
2010Q1
2010Q3
2011Q1
2011Q3
2012Q1
2012Q3
2013Q1
2013Q3
2014Q1
2014Q3
2015Q1
2015Q3
2016Q1
2016Q3
2017Q1
2017Q3

Figure 2: Growth in Real GDP per Capita, 1300-2100, with Actual and Hypothetical Paths

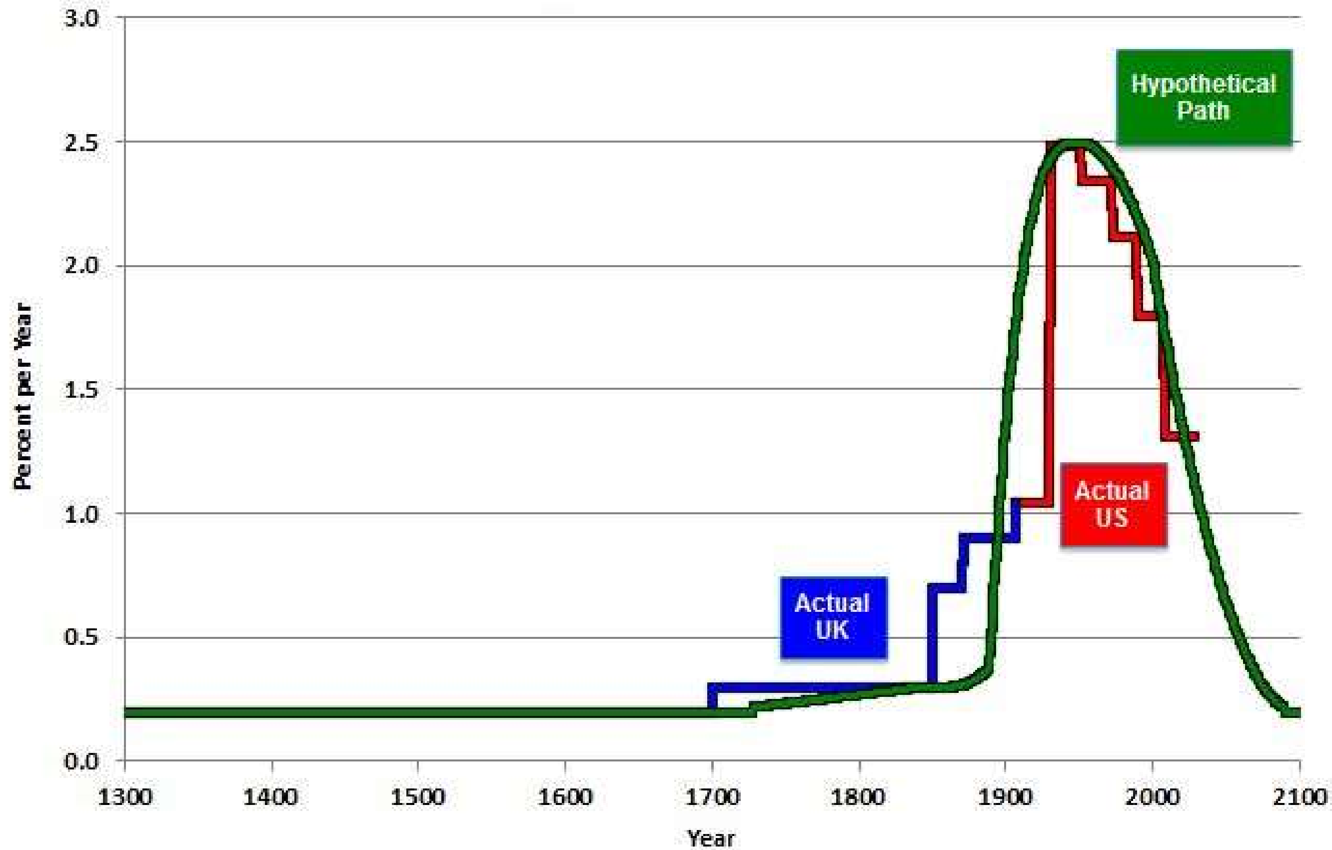


Table 10: Comparisons of TIF District Revenue Sources, as of end-2016							
	Barre	**Burlington Waterfront**	**Hartford**	**Milton North South**	**Milton Town Core**	**St. Albans**	**Winooski**
Total Revenue	$3,196,859	$24,942,271	$286,885	$534,157	$1,240,065	$2,239,799	$83,275,710
of which: TIF Revenue	$313,299	$22,231,913	$48,938	$529,549	$1,240,065	$1,464,589	$11,707,609
of which: Non-TIF Revenue	$2,883,560	$2,710,358	$237,947	$4,608	0	$775,210	$71,568,101
Percentage Non-TIF Revenue	90.20%	10.87%	82.94%	0.86%	0.00%	34.61%	85.94%
Percentage TIF Revenue	9.80%	89.13%	17.06%	99.14%	100.00%	65.39%	14.06%

Note: Data for South Burlington and Downtown were unavailable

Source: Indiviudal TIF district annual reports

24 V.S.A. § 1892

(f) The report shall include:

(1) a recommendation for a sustainable statewide capacity level for TIFs or comparable economic development tools and relevant permitting criteria;

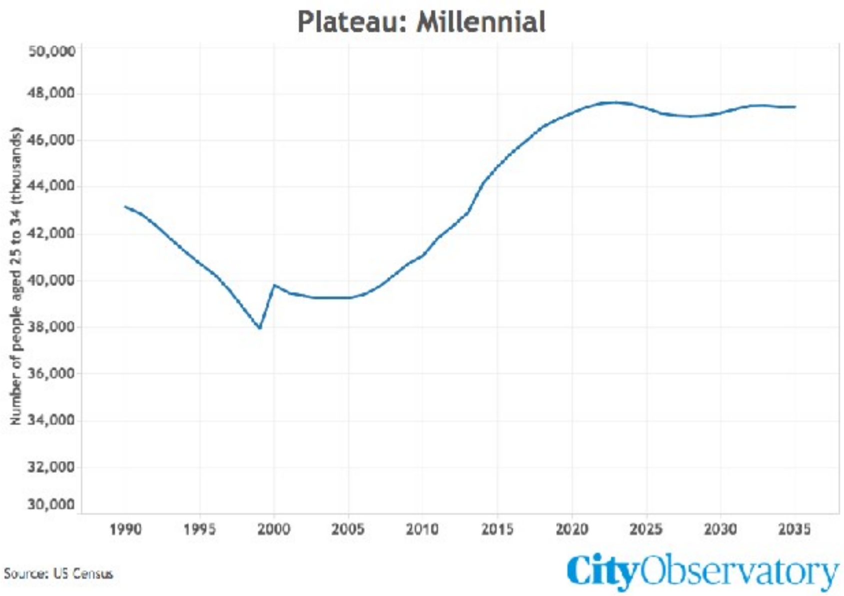
(2) the positive and negative impacts on the State's fiscal health of TIFs and other tools, including the General Fund and Education Fund;

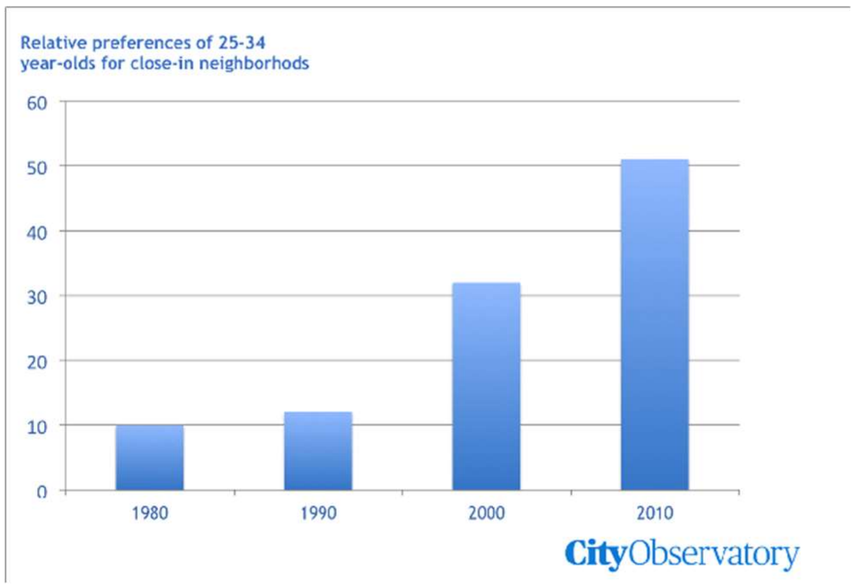
(3) the economic development impacts on the State of TIFs and other tools, both positive and negative;

(4) the mechanics for ensuring geographic diversity of TIFs or other tools throughout the State; and

(5) the parameters of TIFs and other tools in other states.

Table 11: Alternative Downtown Infrastructure Development Tools				
Financing Tool	What is it?	Pros	Cons	U.S. Examples
Metropolitan Area Projects (MAPS)	Multiple development projects submitted by citizens via request for proposals. Funded by a limited term sales tax increase.	Projects are funded without debt and are citizen-driven.	State restrictions on sales tax uses	Oklahoma City
Tax Credits or Abatements	Exemptions on local or state taxes for development.	Versatile and varied. Can be used for many types of projects	Companies may divest once the credits end. Discontent over preferential treatment. Difficult to evaluate	Washington D.C. Baton Rouge, LA Tucson, AZ
Business Improvement Districts (BID)	Property owners in a specific area vote to initiate and manage supplemental services via a common area based on an assessment formula	Citizen-driven. Has been shown to increase property values in New York City	Smaller BIDs are unlikely to make a major impact on overall economic development in a city	Philadelphia New York City Denver Madison, WI San Diego
Public Private Partnerships (PPP)	Contractual agreement between public agency and a private partner to support construction, development, ongoing operations and/or maintenance of a public asset or function	Potential reduction in operating or construction costs. Can be used for many types of public projects or functions	Some PPPs can be complex and require constant monitoring	30 states have some form of PPP legislation. However, more than half of all PPP projects have occurred in only 8 states
Revolving Loan Funds (RLF)	Provides at or below market rate financing to fund projects in downtown areas or for specific developments	Provides competitive interest rates and flexible terms versus conventional lending. Lowers overall risk for other participating partners.	Loans must be able to generate enough of a return to replenish the fund. Requires an initial amount of capital.	Georgia: Downtown Development RLF Minneapolis, Two Percent RLF
Gap Financing	Funds that fill a gap in traditional funding for business, entrepreneurial or commercial real estate development projects.	Flexible; many types of development projects/costs are eligible. Reduces overall risk for other development partners	Gaps in financing may be large. Incentive for other partners to reduce their funding share.	Florida Municipal Loan Council
Infrastructure Bank	Assists public and private entities in the construction or redevelopment of transit facilities	Low rate, fixed-term loans at favorable terms.	Has not yet been fully proven as an effective tool for municipalities	Chicago
Targeted matching grants	State provides a matching grant to the municipality for use in building infrastructure.	State has a clear understanding of the cost of the program.	Subject to an annual appropriation, which could change with government priorities. May favor towns with higher capacity to complete grant applications.	


Plateau: Millennial
Number of people aged 25 to 34 (thousands)
50,000
48,000
46,000
44,000
42,000
40,000
38,000
36,000
34,000
32,000
30,000
1990
1995
2000
2005
2010
2015
2020
2025
2030
2035
Source: US Census
CityObservatory


Relative preferences of 25-34
year-olds for close-in neighborhods
60
50
40
30
20
10
0
1980
1990
2000
2010
CityObservatory