

## **WHAT IS TAX INCREMENT FINANCING (TIF)?**

- A tool that funds public infrastructure using incremental property tax revenue to repay municipal debt incurred to build/improve public infrastructure and related costs associated with the redevelopment of an identified area (District).
- Is a “public-private partnership” - public action stimulates private investment.
- Specific statutory requirements:
  - Infrastructure improvements must serve the TIF District and stimulate private sector development or re-development
  - Development must provide employment opportunities
  - Development must improve and broaden the tax base
  - Development must enhance economic vitality of the municipality, region or state

## **HOW A TIF WORKS**

- A municipality identifies an area requiring re-development, draws the TIF District around the area, and freezes the base tax of the District.
- All taxes on the frozen base value continues to go to the taxing authorities.
- Private developers, enticed by the improved infrastructure, build within the District.
- The property tax revenues that were flat or declining now increase.
- A portion of the tax increment is captured and set aside to help retire the debt that funded the infrastructure improvements, for a specified length of time.
- Taxpayers benefit from added value to the grand list once the debt is retired and may receive more wage taxes if the development project creates new jobs.
- Taxpayers benefit from the improvements to blighted areas and infrastructure improvements and they may see lower taxes in the long run because of the project.

## **WHEN IS TIF THE APPROPRIATE FINANCING TOOL?**

- Substantial real property development is required to improve economic viability of community/region.
- A substantial scale of public infrastructure is required to ensure real property development.
- Cost of public infrastructure is beyond normal and available municipal financing.
- Real property development will generate adequate incremental property tax revenue to service debt incurred.
- Meets the specific statutory requirements outlined above.

## **SOME TIF DISTRICT FACTS:**

- Vermont has nine active TIF Districts: Barre City Downtown, Burlington Downtown; Burlington Waterfront; Hartford Downtown; Milton North/South; Milton Town Core; South Burlington New Town Center; St Albans City Downtown; Winooski Downtown.
- As of June 30, 2016, the grand list value of properties within all active TIF Districts has increased \$316.5 million.
- Between FY2012 and FY2015, the average annual amount of Education Property Tax increment utilized for TIF debt was \$3.1 million. In FY15, the amount was \$4.6 million.
- TIF Districts will generate approximately \$60 million in new revenue to the Education Fund during the life of the active TIF Districts.
- After the life of all TIF Districts, revenue to the Education Fund will be increased by \$17 million **per year**.