Tax Increment Financing (TIF)

1 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).
- 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 the economic vitality of the municipality, region or state.

2 How does TIF work?

- 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.

3 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 TIF debt.
- Infrastructure and development must meet specific statutory requirements.

QUICK TIF FACTS

- Vermont has 9 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 $314 million.
- Between FY2012 and FY2016, the average annual amount of Education Property Tax increment utilized for TIF debt was $3 million. In FY16, the amount was $4 million.
- TIF Districts sent $9.7 million in base revenue to the Education Fund in FY2016.
- TIF Districts will generate approximately $60 million in new revenue to the Education Fund during the life of all TIF districts.
- After the life of all TIF Districts, revenue to the Education Fund will be increased by $17 million per year.

For more information, please contact:

Fred Kenney, Executive Director, Vermont Economic Progress Council

Vermont Department of Economic Development

VERMONT

AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT

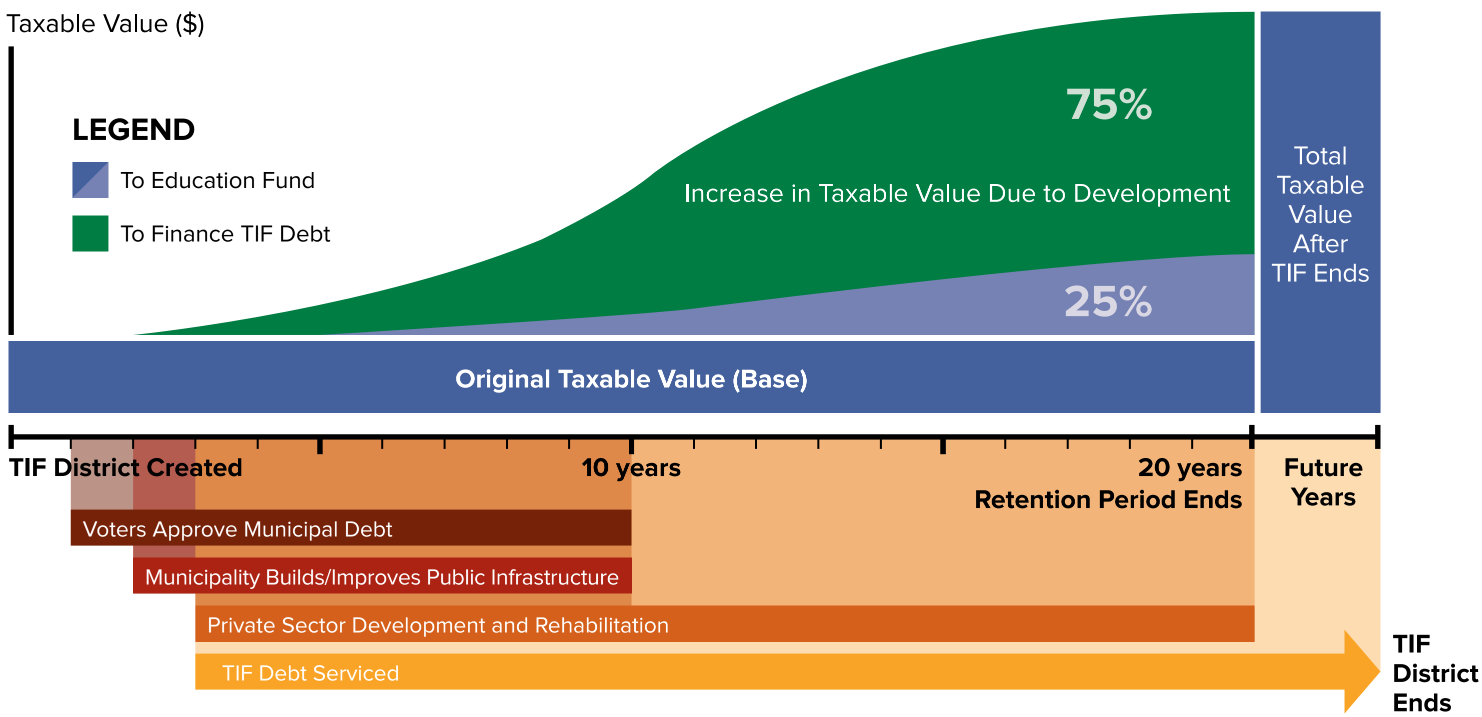
Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a tool that municipalities use to finance improvements for public infrastructure like streets, sidewalks and storm water management systems. The improvements serve a specified area known as a TIF District. Barre, St. Albans, Hartford and other Vermont towns have proven that TIF leverages additional private investment that builds and renovates the housing, commercial, and retail space needed to grow jobs and the economy.

After creation of a TIF District by a municipality and approval by the state, voters authorize municipal bonds or other debt to finance construction or improvement of public infrastructure to serve the TIF District. As the infrastructure is built and improved, the private sector follows with investments in new and renovated buildings. This private investment incrementally increases the value of the grand list. The boost in the value of the grand list and the generation of incremental revenue are the result of the TIF financing that paid for the infrastructure improvements that attracted new investment, business and visitors.

While the infrastructure debt is being repaid, the entire Original Taxable Value, or base level of annual property taxes generated within the District goes to the Education Fund. Of the increased property tax revenue, up to 75% is retained by the municipality to finance infrastructure debt. A minimum of 25% of the increased revenue is sent to the Education Fund. After 20 years, the grand list value of the properties within the TIF District are substantially increased because the infrastructure investment supports and enables increased private sector investment. From that point forward, the base and the entire increase in property tax revenue are paid to the Education Fund in perpetuity.

Tax Increment Financing: Timeline and Revenue Distribution



For more information, please contact:

Fred Kenney, Executive Director, Vermont Economic Progress Council

Vermont Department of Economic Development

VERMONT

AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT