

Tax Increment Financing

AND THE EDUCATION FUND

MARCH 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



The Ask

- ▶ The ask:
 - ▶ Allow new TIF Districts
- ▶ Why?
 - ▶ Powerful economic 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
- ▶ Bond for needed infrastructure
- ▶ Taxes from increased grand list value go 75% to TIF
- ▶ Education Fund Receives 25% of new taxes



The Problem

- ▶ Demographics
- ▶ Lack of growing & new businesses
- ▶ Retail – internet
- ▶ Downtown development is hard!
- ▶ Brownfields
- ▶ Development costs vs market rents
- ▶ The numbers just don't work.



The Challenge

- ▶ Some believe TIF “steals from the education fund”
- ▶ Challenge: you can’t prove these projects wouldn’t happen anyway
- ▶ But I can! Compelling evidence



Does TIF Steal from the Ed Fund?

- ▶ No, because development wouldn't happen *but for* Tax Increment Financing
- ▶ If the market supported, 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!

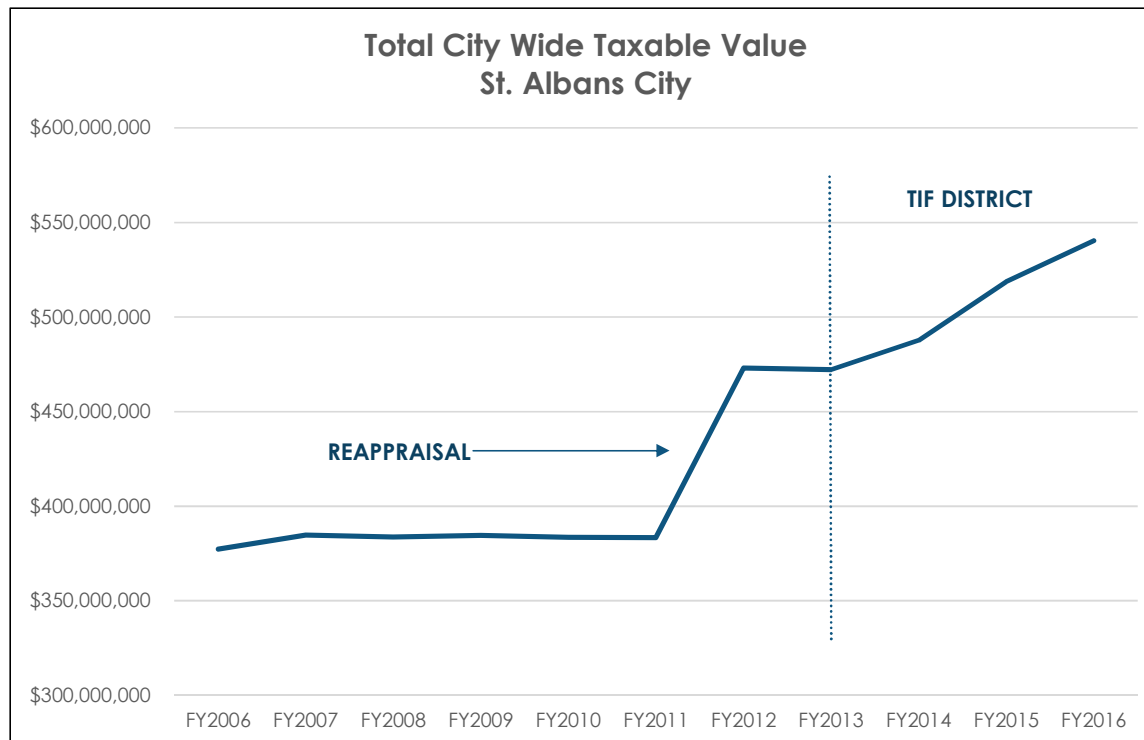


Without TIF – Within the Last Five Years

| | Bennington | Brattleboro | Montpelier | Newport | Rutland | Springfield | St. Johnsbury |
|----------------------------------|----------------------------|--|---|----------------------------|----------------------------|---|-------------------------------|
| New Dev | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Renovation Projects | 1 | 1 | 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 within TIF District.

With TIF – A Case Study – St. Albans City



Market-Rate Projects are Rare

- ▶ Typical proforma: multi-million dollar gap between annual debt service & annual project revenue
- ▶ Even with help...
 - ▶ Project costs are high
 - ▶ Market rents are low
- ▶ If projects were lucrative, wouldn't they happen more often?



What's in it for Small Towns?

- ▶ Lots!
- ▶ These seven communities are core to their regions
 - ▶ Economic drivers
 - ▶ Where small town residents:
 - ▶ Work
 - ▶ Shop
 - ▶ Recreate
 - ▶ 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 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 equity investor in its own future.

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

S.99 – Recommended Changes

- ▶ Delete extra 5%
- ▶ Remove restriction to two per county
- ▶ Amend definition of “economically distressed”
- ▶ Add two Project Criteria:
 - ▶ Revitalization
 - ▶ Innovation centers and rural hubs

For More Information

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