

# GROW THE ECONOMY

## Revitalizing County Economic Centers Project Based Tax Increment Financing



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- **WHAT:** The creation of a program that enables Vermont’s rural communities to be approved to use municipal and education tax increment from select parcels to fund qualifying infrastructure projects (i.e.; stormwater, wastewater, brownfield remediation and redevelopment, transportation enhancements) that will spur specific private development. This tool will provide the gap funding to get necessary public improvement projects over the finish line that otherwise wouldn’t be able to move forward.
  - **WHY:** This program is sized for rural communities. TIF District designations have been a powerful tool for our regional economic drivers but the required level of planning and execution on a larger scale can be difficult especially for smaller communities. This new program will expand the opportunity for financing public improvements with tax increment more equitably to rural communities. Project based economic development will be simpler and easier to implement, administer, and monitor – and will allow rural municipalities around Vermont, where we know development is the hardest, to advance key community driven development and redevelopment opportunities.
  - **WHO:** Small, rural communities, rural industrial parks, village centers and downtowns who are outside of a designated TIF district. Communities that are looking to spark economic development and redevelopment in their communities and have a project that needs funding to do so.

The small town of Westford has a population of 2,200. Their designated village center has a stagnant grand list and they struggle to create a sense of place for its citizens with a center that is underutilized and underdeveloped. The barrier is a lack of wastewater capacity. Westford has invested in the land to build a wastewater facility and done the necessary planning and design. They know the cost and have identified resources that could help pay for this project, but they know that there will be a gap and the small community cannot afford the user fees that it would take to bridge that gap. If the community could use incremental tax revenues from the three parcels in the Village Center that are targeted for private development, they could successfully complete this project.

- **HOW:** Infrastructure improvements increase the value of the property. The increase value produces additional increment to fund the improvements.
- **FUNDING:** 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. For Districts created and approved by VEPC after 2017, up to 70 percent of the increased property tax revenue is retained by the municipality to finance infrastructure

debt. A minimum of 30% 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.

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