

Revitalizing Vermont's Rural Community Centers: Rural Project Based Tax Increment Financing

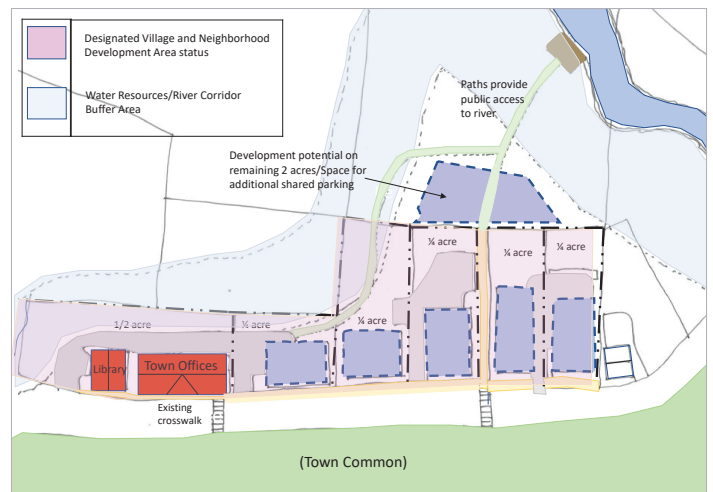
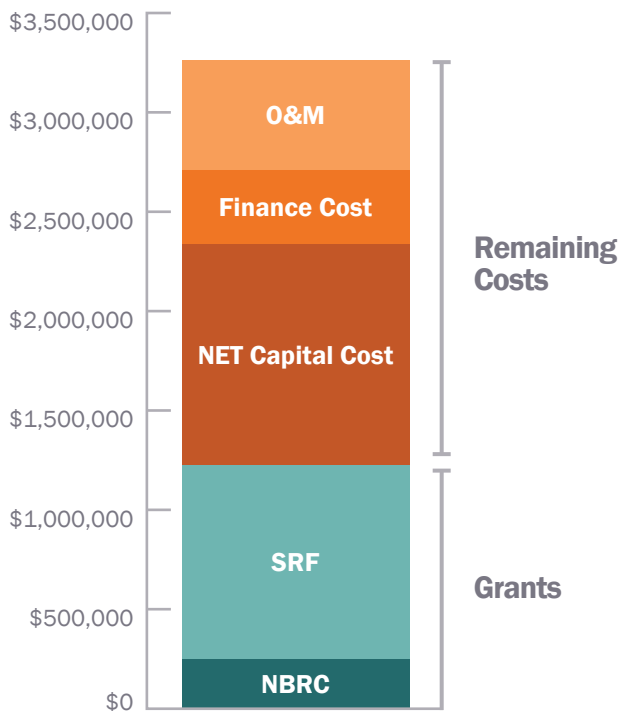
A program that enables Vermont's rural communities to use municipal and education tax increment to fund one qualifying infrastructure project (i.e., stormwater, wastewater, brownfield remediation and redevelopment, transportation enhancements) through one issuance of debt that will spur specific private development

This program is sized for rural communities. Due to the small scale, project based economic development will be simpler and easier to implement, administer, and monitor – and will allow municipalities to advance key community driven development and redevelopment opportunities. Eligible projects include small communities, rural industrial parks, village centers, and downtowns who are not in a current TIF district and have a project that needs funding would all be eligible to apply.

PROJECT EXAMPLE: Revitalizing Westford Village

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 residents. The barrier they encounter is a lack of wastewater capacity. Westford has invested in the land to build a wastewater facility and undertaken the necessary planning and design. They have calculated the cost and have identified resources that could help fund this project, but they have determined that there will be a funding gap and the small community cannot afford the user fees that it would take to bridge that gap. If the community could repay a portion of their traditional debt with incremental tax revenues, they could successfully complete this project and build a true village center.

TOTAL PROJECT COST \$3.25 M

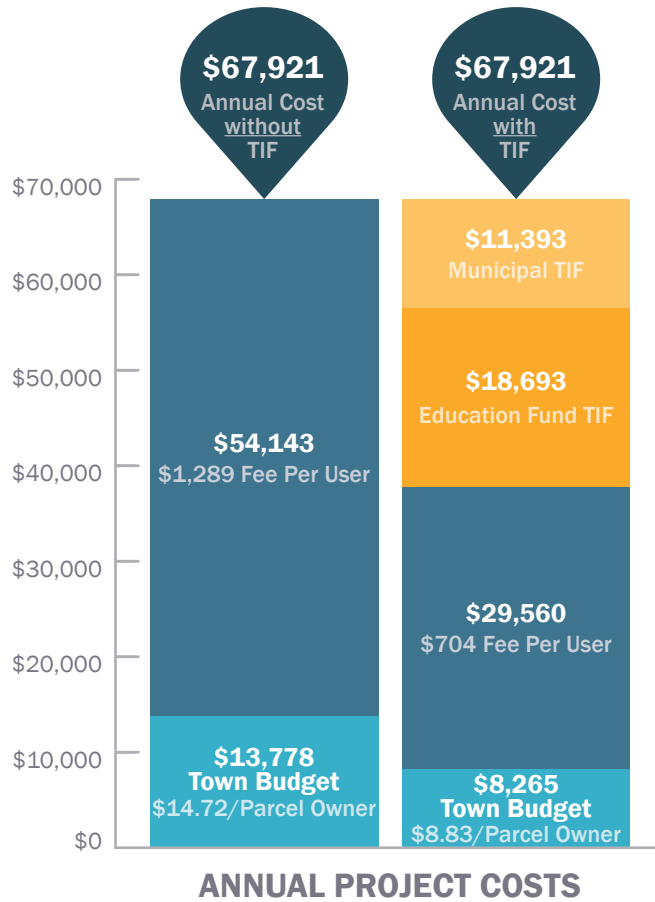


With the addition of wastewater, private developers could develop infill development in the village core, drastically increasing property values. ACCD initial estimates suggest the wastewater system could increase property values in Westford village by \$1.7 million.

Note: Operation and Maintenance (O&M) payments will not be made with the Tax Increment Funding.

TIF Funding Makes this Project Possible

Westford has estimated the annual cost of the project will be \$67,921 after all grants are applied against the total project costs. To pay for the additional annual costs, the town would need to increase annual user fees by \$1,289 and taxes by \$14.72/parcel. Those increases are too significant of a burden for the small community to carry and prevents the project from moving forward. Alternatively, using new tax revenues from the resulting private development projects to repay a portion of the annual debt service makes this an affordable, viable project. Westford would only need to increase annual user fees by \$704 and taxes by \$8.83/parcel. TIF would reduce the burden on the community by reducing the additional amount needed from user fees and taxes.



Use of Revenue from Incremental Growth

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 70% 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.

