Project Based Economic Development

VERMONT ECONOMIC PROGRESS COUNCIL

MEGAN SULLIVAN, EXECUTIVE DIRECTOR

Project Based Economic Development

- PBED will expand the opportunity for financing public improvements with tax increment to generate private development more equitably to rural communities by having a program on a smaller scale.
- Program is aimed at financing the gap that exists in getting downtown development projects over the finish line.
- 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.

Why do rural communities need this tool?

- **Rural communities don't have equity to pledge to the full expense of a project.**
  - There is not an adequate tax base to call upon to support the full cost of the project through traditional financing alone.
  - Downtown Development is challenging, and costs are not considered by voters in a vacuum. Other rising municipal costs and school costs are also being shouldered by the same small tax base.

- **Need to identify local match to draw down other state and federal dollars**.
  - By having a tool like this, a community could get a pledged match for a project.
  - Opens access to federal grant programs, state grant programs, private philanthropy, and traditional local bond proceeds or user fees.

- **Creates leverage in negotiations with landowners in the downtown or village center**
  - Improvements to the parcels to increase the taxable value are the key to seeing the public improvements move forward.

What has TIF done in our Regional Hubs?

Saint Albans- Lake St. Improvements and parking garage

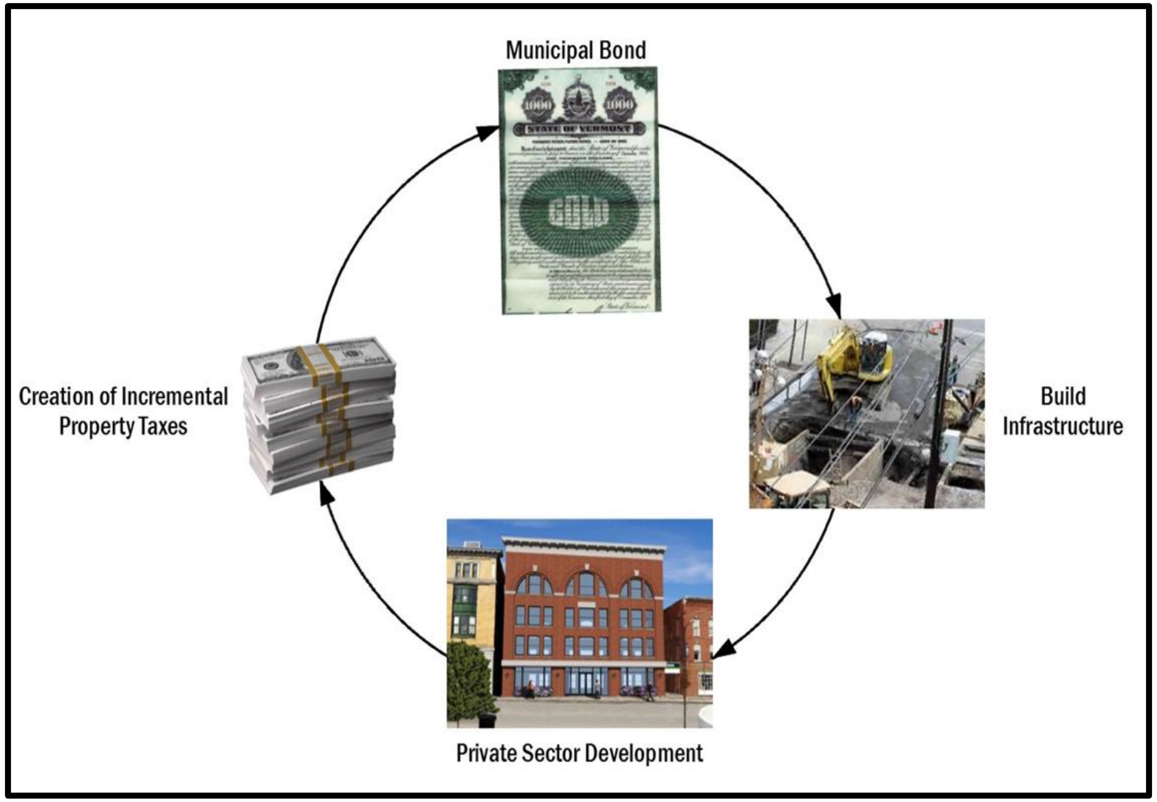
What is the difference between PBED and the TIF District Program?

- TIF DISTRICT PROGRAM
  - Large boundary including hundreds of parcels
  - Multiple public improvement projects throughout District
  - Multiple debt issuances over 10 years.
  - Financing for a large portion if not all of the project costs

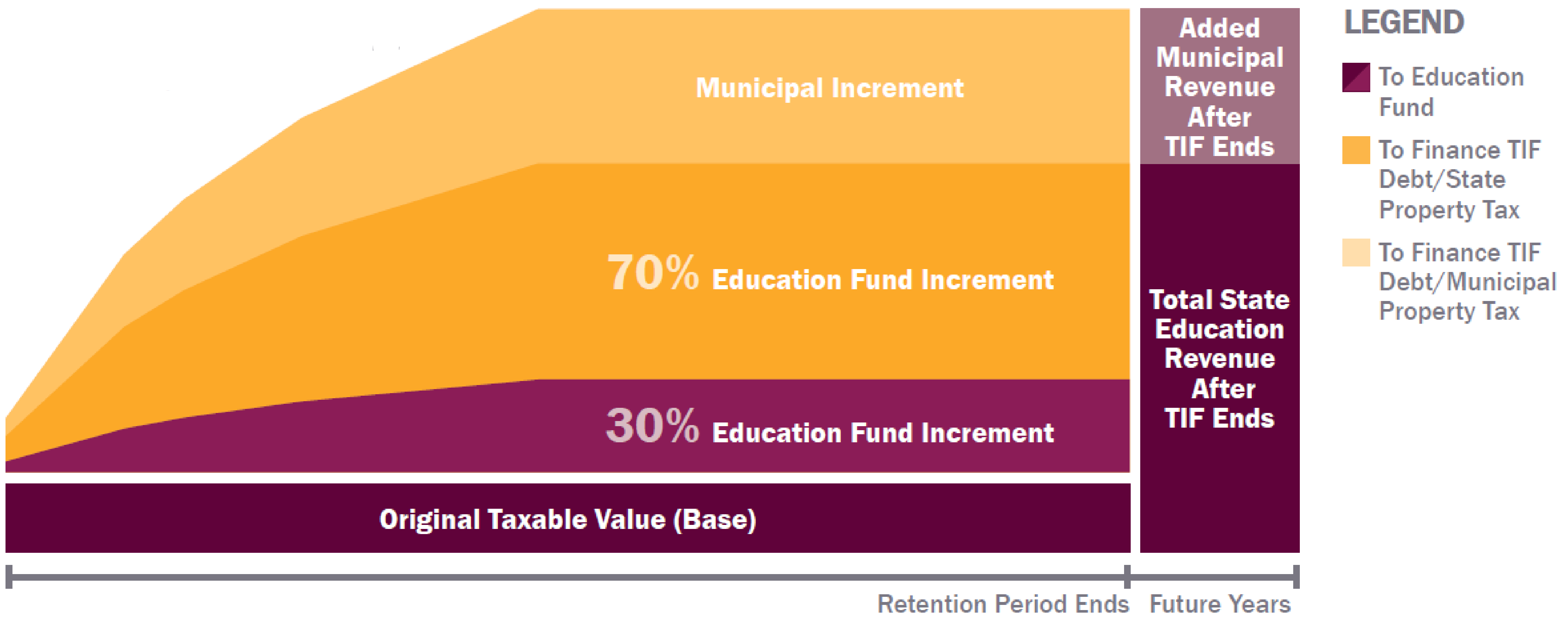
- PROJECT BASED ECONOMIC DEVELOPMENT PROGRAM
  - Only minimal parcels included that have nexus to the public improvement, the TIF Project Zone
  - One project
  - One incurrence of debt within 3 years of approval
  - Gap funding to get project over the finish line.

How does the Financing Work?

- Approval on the local level and then on the state level to participate in this program to ensure local support and verify viability.
- Town incurs approved debt within three years on approval
.
- The town than uses debt proceeds to fund public infrastructure improvement and related costs.
- That improvement allows for private sector development which increases the value of the property.
- The increased property value generates new property tax revenues a portion of which the town uses to repay the debt they incurred to make infrastructure improvement.
- At the end of the retention period the full increase in the taxable values will go to the taxing authorities.



Financing over the life of the Project



Important Features of PBED

- Location Eligibility
  - Area designated by the Downtown Development Board or Industrial Park.
- Application to Vermont Economic Progress Council
  - Review Includes
    - Plan and Financial
    - "But For"
    - Viability of project and private development
- Allows for Coordinating Agency
  - Assistance from groups like RPS and/or RDC or private entity to help smaller communities with application and administration.
  - Shows need and meets at least one project criteria
    - Brownfield, New Business, Affordable Housing, transportation enhancement

Addressing Concerns

- Possible recessions and smaller tax base mean TIF isn't suitable for small communities.
  - Developed with smaller communities in mind . There is more control in the timing of one project vs. a 10 year period for a District with multiple projects. Property tax revenue is more stable in a recession than other forms of tax revenue.
  - A global pandemic is not an apples-to-apples comparison to a recession. Much more than economic factors went into impacts to TIF Districts.
- Small amount of debt means no but for. Voters should cover it if they want this.
  - Need to be careful about conceptions of financial burden.
  - In the Westford case study, the user fee will increase, the TIF will finance the difference between what users can afford to take on in debt after grants and the gap that remains.
- Why TIF and not more loans or grants?
  - Loans are available, the challenge is the ability for small communities to repay and leverage those funds.
  - One time grant monies help shovel ready projects and may not bring about the community buy-in or private development that TIF does.