

## CREATING A TAX INCREMENT FINANCING PROJECT IN VERMONT

The following is an outline of the proposed process to create and implement a Tax Increment Financing Project in Vermont, including application to the Vermont Economic Progress Council (VEPC) for authority from the State of Vermont to utilize incremental Education Property Tax revenue to finance public infrastructure improvements to ensure the development or redevelopment of the District.

Assess Feasability

- **Determine project feasibility**: The potential feasibility of utilizing the TIF Project financing tool should be initiated by the municipality, a private sector developer or a non-profit agency interested in the development or redevelopment of a specific geographic area within a municipality.
- Involve Decision Makers and Funders: The specific project should be discussed by public and private sector decision-makers addressing several development issues including other sources of funding.

Formulate a Plan

- Create a redevelopment plan: Working with a Coordinating Agency to generate a redevelopment plan. The plan is often based on previous planning efforts of the municipality. The plan will serve many purposes, but primarily it should be a planning tool that sets forth the objectives and project timetable, and forms the written basis for communicating these matters to stakeholders and approval bodies
- Estimate project timeline and costs: Based on the properties included in the TIF Project Zone, estimate the project timeline including approvals (local and state), debt approval, infrastructure improvement schedule, development and/or redevelopment build out schedules, other funding sources, and debt financing schedules.

Approval of TIF Plan

- Local Approval of TIF Plan: The municipality holds one or more public hearings on a proposed TIF Project plan. Subsequently, the municipal legislative body votes to approve the TIF Project Plan and also pledges a minimum of 85 percent of the incremental municipal property tax.
- State Approval of TIF Plan: The Council must determine if the application meets statutory approval criteria based on need (But For), process, location, project criteria, nexus, determine viability, and must approve a TIF Project Plan.





- Finalize Municipal requirments for infrastructure project: The municipality, through its appropriate legislative body, enacts any ordinance, zoning or other changes required to implement the TIF District improvements. Apply for grants, establish development agreements.
- Seek voter approval to incur debt: Request to pledge the credit of the municipality for the purposes of financing tax increment financing improvements.



- Life of a TIF Project and borrowing period: Incurrence of debt must happen within 3 years of VEPC's approval (of 6, only if granted a 3 year extension). Incurrence refers to the actual execution of the debt instrument, not the public vote.
- Calculating the Tax Increment: In each year for which the assessed valuation exceeds the original taxable value, the municipality's treasurer must hold apart, rather than remit to the taxing districts, that proportion of all taxes paid that year on the real property in the district which the excess valuation bears to the total assessed valuation. The amount held apart each year is the "tax increment" for that year and is calculated with Property Valuation & Review's property management system (currently NEMRC). Not more than 70% of the education property tax revenues and no less than 85% of the municipal property taxes, must be segregated by the municipality in a special account on its official books and records until all TIF debt has been fully paid.

Build Public Infrastructure

- **Design:** Complete engineering and building plans. Bid project out for construction.
- **Construct:** Build public infrastructure and implement private-public partnerships to accomplish real property redevelopment.