

# TIF Increment Calculations

House Committee on Ways and Means

Ted Barnett, Senior Fiscal Analyst

April 17, 2025



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

# What is TIF?

- Used by municipalities and states to finance economic development by diverting a portion of the growth in future property tax revenues within a specific area
- Steps to TIF:
  1. Municipality seeks to improve a geographic area (e.g., downtown plot, blighted land, brownfield) by investing in new infrastructure (e.g., sidewalks, parking, streetlights, sewer)
  2. Municipality finances this infrastructure improvement with borrowed funds
  3. The improvement stimulates private development of the area
  4. Municipality pays back the borrowed sum using a portion of the increased tax revenue resulting from improvements to the area



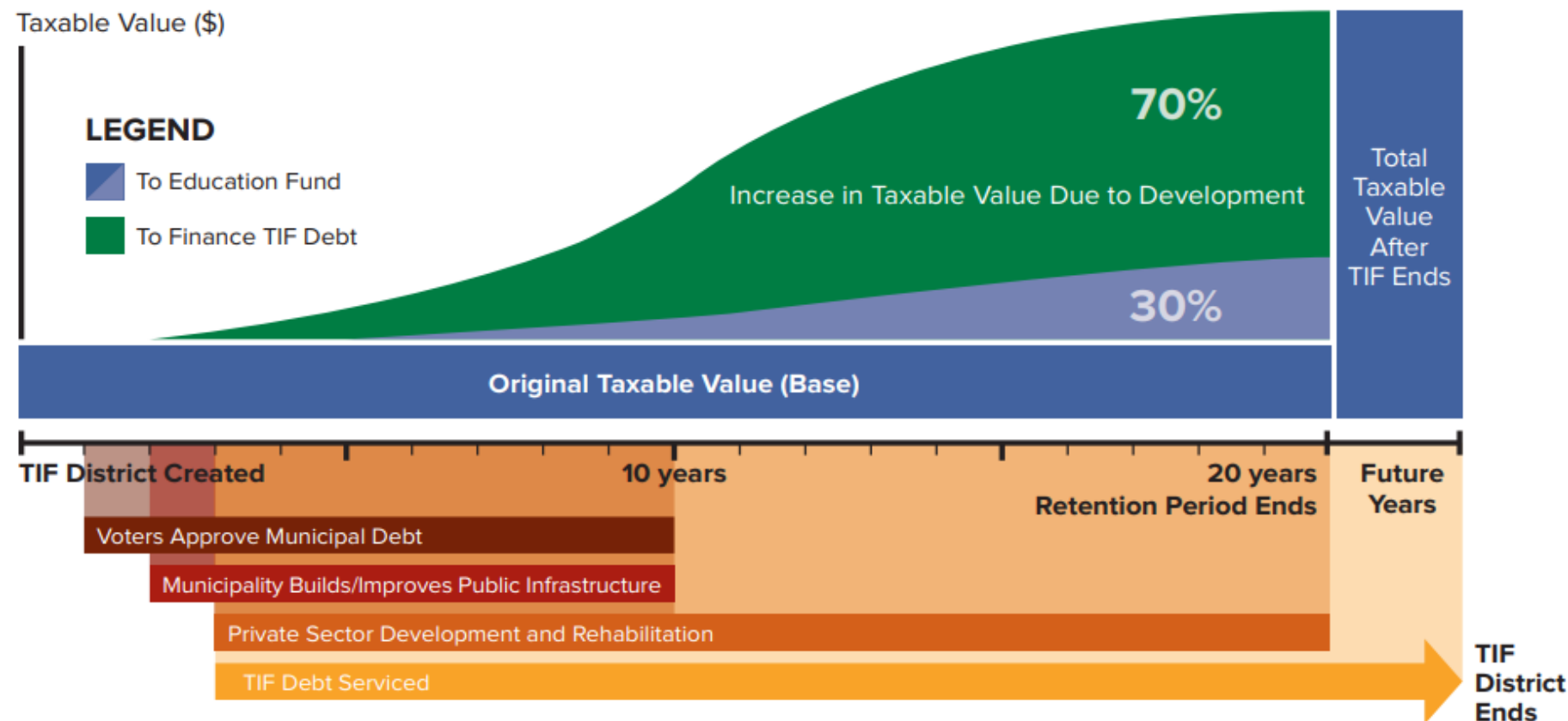
# Key TIF Terms

- **Taxable Value**: the assessed value of property that is subject to State, municipal, or other taxes
- **Original Taxable Value (OTV)**: the base taxable value of the property before the establishment of a TIF district
- **Incremental Value**: the difference between a property's current and original taxable value
- **Tax Increment (Incremental Revenue)**: the difference between the property taxes due on the current taxable value and the property taxes due on the OTV



# What is TIF?

## Tax Increment Financing: Timeline and Revenue Distribution

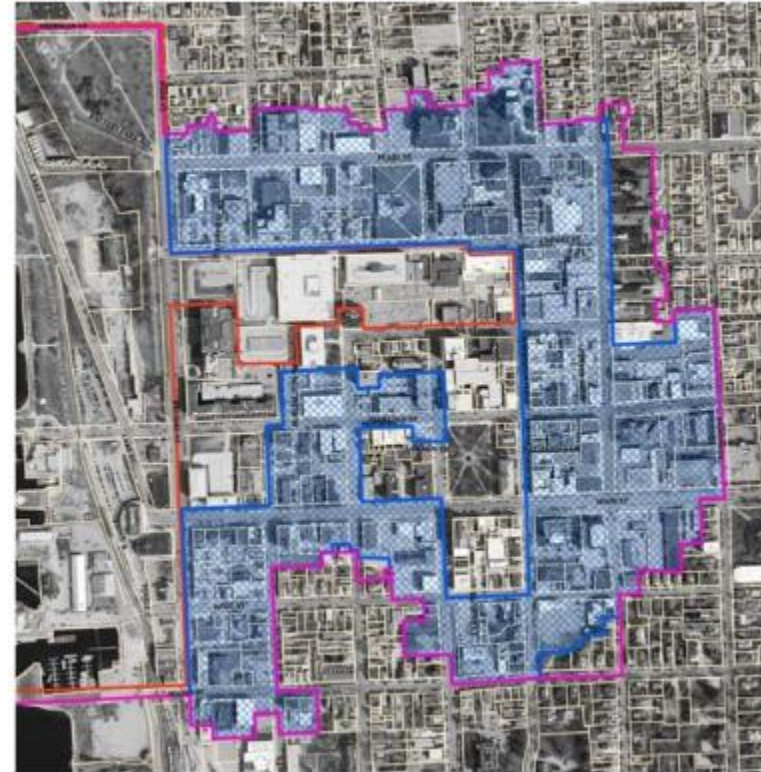


Source: VEPC 2024 TIF Report



# Setting the OTV

- A TIF district starts by setting the OTV
  - Total value of all taxable real property located within a TIF district at the time the district is approved
- Size of each TIF district's OTV varies substantially
  - The Burlington Downtown TIF district shown on this slide has an OTV of \$170 million
  - Killington's OTV is \$12.5 million
- Act 72 of 2023 clarified that no adjustment to the physical boundary lines of a district can occur once a district is approved by the Vermont Economic Progress Council (VEPC)



Source: Downtown Burlington TIF District Plan



# Calculation of Incremental Property Value

- Each year after approval of the TIF district, the lister or assessor for the municipality certifies the amount by which the total valuation of *all taxable property* located within the district has increased or decreased relative to the OTV

*Taxable value of all properties in TIF district in current year - OTV = incremental property value*



# Increment Calculation and Retention

- In TIF, incremental property values are used to determine incremental property tax revenues
- Incremental property tax revenues often simply referred to as the 'increment'
- Under current law, districts retain 70% of incremental education property tax revenues to pay for district debt and 30% goes to the Education Fund
- Under current law, towns retain 85% of municipal increment to pay for district debt and 15% goes to municipal general funds



# TIF District Increment Retention Percentages

	Year Created	Education Fund Increment Split	Municipal General Fund Increment Split
<b>Active TIF Districts</b>			
<b>Burlington Waterfront</b>	1996	Original: 100% to TIF, 0% to Ed. Fund Beginning 2015: 75% to TIF, 25% to Ed. Fund For Burlington Town Center parcels: 100% to TIF	100% to TIF, 0% to municipal general fund
<b>Winooski</b>	2000	Original: 95% to TIF, 5% to Ed. Fund Beginning 2008: 98% to TIF, 2% to Ed. Fund	100% to TIF, 0% to municipal general fund
<b>Milton Town Core</b>	2008	75% to TIF, 25% to Ed. Fund	75% to TIF, 25% to municipal general fund
<b>Hartford</b>	2011	75% to TIF, 25% to Ed. Fund	75% to TIF, 25% to municipal general fund
<b>Burlington Downtown</b>	2011	75% to TIF, 25% to Ed. Fund	100% to TIF, 0% to municipal general fund
<b>St. Albans</b>	2012	75% to TIF, 25% to Ed. Fund	100% to TIF, 0% to municipal general fund
<b>Barre</b>	2012	75% to TIF, 25% to Ed. Fund	75% to TIF, 25% to municipal general fund
<b>South Burlington</b>	2012	75% to TIF, 25% to Ed. Fund	75% to TIF, 25% to municipal general fund
<b>Killington</b>	2022	70% to TIF, 30% to Ed. Fund	85% to TIF, 15% to municipal general fund

Source: 2025 JFO TIF Report

- Increment retention percentages vary based on when a district was created
- Many districts were created between 2006 and 2017 and remit 25% of education property tax increment to the Education Fund





# How Long Can Towns Retain Increment?

- The increment retention period specifies how long a TIF district can use increment to support district debt
- **Education Increment Retention:** 20 years from when a district first incurs debt
- **Municipal Increment Retention:** No restriction – until debt can be retired
- Barre and Hartford received extensions for their education increment retention periods in Act 72
- Burlington Waterfront can retain longer for the CityPlace project (3 parcels), until 2035

District	Year Created	Type	Status	DT, GC, OR NTC	Debt Period	Retention Period	Acres	Parcels	Original Taxable Value (OTV)
Burlington Waterfront	1996	1	1	N/A	1999-2023	1996-2035	104.91	116	\$42,412,900
Newport City	1998	1	3	N/A	1997-2007	1997-2015	47	19	\$48,500
Milton North/South	1998	2	3	N/A	1998-2008	1998-2018	1044.7	67	\$26,911,147
Winooski Downtown	2000	3	1	DT	2000-2005	2004-2024	138.92	163	\$25,065,900
Milton Town Core	2008	4	1	N/A	2008-2018	2011-2031	845.84	745	\$124,186,560
Burlington Downtown	2011	4	1	DT	2011-2023	2016-2036	61.27	287	\$170,006,600
Hartford Downtown	2011	4	1	DT/GC	2011-2026	2014-2036	129.11	135	\$33,514,500
St. Albans Downtown	2012	4	1	DT/GC	2012-2024	2013-2033	304.45	469	\$123,049,450
Barre City Downtown	2012	4	1	DT	2012-2026	2015-2039	90.57	221	\$51,046,870
So. Burlington Town Center	2012	4	1	NTC	2012-2024	2017-2037	103.37	59	\$35,387,700
Killington	2022	5	2	N/A	2022-2032	2024-2044	587.82	29	\$12,529,045
<b>TOTALS</b>	N/A	N/A	N/A	N/A	N/A	N/A	<b>3457.96</b>	<b>2310</b>	<b>\$644,159,172</b>

Source: VEPC 2025 TIF Report

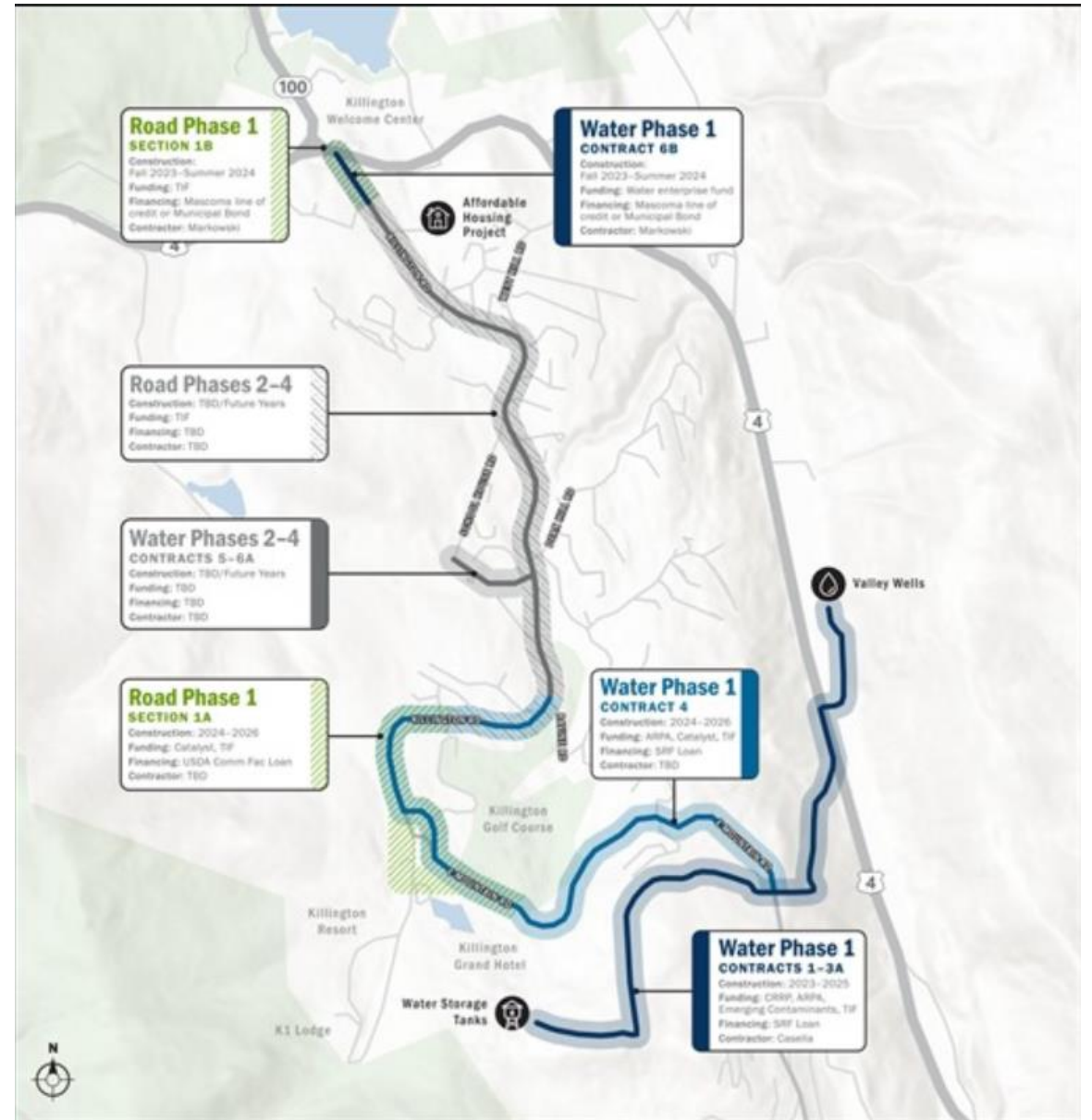


# Different Uses of Increment Calculations

- Municipalities are required to provide financial projections, including incremental property and tax revenues, in their initial application to VEPC and in phase filings/amendments
  - In some cases, VEPC approves a municipal master TIF plan, but requires a municipality to submit phase filings when it is ready to proceed with a set of projects and incur debt
- Incremental value calculations are also an essential part of determining property tax rates
  - Since towns retain a portion of incremental education tax revenues to support district debt, a portion of the equalized Grand List is not available to the Education Fund
- Incremental value is also used to estimate the fiscal effects of TIF districts on the statewide Education Fund

# Killington TIF District

- Killington's TIF District Plan involves creating a new water system along the Killington Access Road that will facilitate the development of a new ski lodge and housing
- Improvements also include changes to the Killington Access Road to add sidewalks and promote multi-modal transportation
- Town of Killington voters approved \$47 million of TIF-funded bonding to support the project, which has since been reduced to \$34.1 million by securing grant funding



Source: [Killington Forward Initiative](https://killingtonforwardinitiative.com/)



# Killington 2022 Phase Filing

	First Fiscal Year of Taxable Payments	Estimated Assessed Value After Development	Estimated Increase in Value from Baseline	Estimated Incremental Value – Homestead	Estimated Incremental Value – Nonhomestead
Six Peaks Killington, Phase A (Y1)	2026	\$58,129,365	\$54,482,815	\$5,448,282	\$49,034,534
Six Peaks Killington, Phase A (Y2)	2027	\$127,119,900	\$127,119,900	\$12,711,990	\$114,407,910
Six Peaks Killington, Phase A (Y3)	2028	\$76,843,035	\$76,843,035	\$7,684,304	\$69,158,732
Six Peaks Killington, Phase A (Y4)	2029	\$30,522,300	\$30,522,300	\$3,052,230	\$27,470,070
Six Peaks Killington, Phase A (Y5)	2030	\$6,889,824	\$6,889,824	\$688,982	\$6,200,842
<b>Total</b>		<b>\$299,504,424</b>	<b>\$295,857,874</b>	<b>\$29,585,788</b>	<b>\$266,272,088</b>

- These figures are derived from the phased filing presented to VEPC in late 2022
- The phased filing shows \$295 million in incremental property value growth, of which the vast majority is nonhomestead
- Note: the actual certified taxable value of the Killington TIF district (\$12,529,045) is higher than the OTV reflected on this table (\$3,646,550)



# Killington Incremental Revenue Allocations

	First Fiscal Year of Taxable Payments	Estimated Incremental Value – Homestead	Estimated Incremental Value – Nonhomestead	Total Incremental Value	Municipal Property Tax Increment	Annual Estimated Homestead Increment	Annual Estimated Nonhomestead Increment	Total Education Tax Increment
Six Peaks Killington, Phase A (Y1)	2026	\$5,448,282	\$49,034,534	\$54,482,815	\$190,690	\$89,897	\$809,070	\$898,967
Six Peaks Killington, Phase A (Y2)	2027	\$12,711,990	\$114,407,910	\$127,119,900	\$635,610	\$299,644	\$2,696,800	\$2,996,444
Six Peaks Killington, Phase A (Y3)	2028	\$7,684,304	\$69,158,732	\$76,843,035	\$904,560	\$426,435	\$3,837,919	\$4,264,354
Six Peaks Killington, Phase A (Y4)	2029	\$3,052,230	\$27,470,070	\$30,522,300	\$1,011,388	\$476,797	\$4,291,176	\$4,767,973
Six Peaks Killington, Phase A (Y5)	2030	\$688,982	\$6,200,842	\$6,889,824	\$1,035,503	\$488,165	\$4,393,489	\$4,881,654

- Incremental values used to calculate the amount of tax increment
- In the above table, the phase filing used consistent tax rates for each fiscal year
  - Municipal property tax rate: \$0.35
  - Education homestead property tax rate: \$1.65
  - Education nonhomestead property tax rate: \$1.65



# Killington Increment Revenue Allocations

Fiscal Year	Annual Estimated Municipal Increment	Annual Estimated Education Increment	Municipal Portion to the Municipal General Fund (15%)	Municipal Portion to TIF Debt (85%)	Education Portion to Education Fund (30%)	Education Portion to TIF Debt (70%)	Total Municipal and Education Revenue to TIF Debt
2026	\$190,690	\$898,967	\$28,603	\$162,086	\$269,690	\$629,277	\$791,363
2027	\$635,610	\$2,996,444	\$95,341	\$540,268	\$898,933	\$2,097,511	\$2,637,779
2028	\$904,560	\$4,264,354	\$135,684	\$768,876	\$1,279,306	\$2,985,048	\$3,753,925
2029	\$1,011,388	\$4,767,973	\$151,708	\$859,680	\$1,430,392	\$3,337,581	\$4,197,261
2030	\$1,035,503	\$4,881,654	\$155,325	\$880,177	\$1,464,496	\$3,417,158	\$4,297,336

- Increment would then be allocated to district debt, the Killington Municipal General Fund, and the Education Fund
- In the Killington TIF district, 85% of municipal tax increment, and 70% of education tax increment goes to district debt
- The remainder is sent to the municipal general fund and the Education Fund



# TIF District Cash Flow

Fiscal Year	Total TIF Revenue (from Increment)	Bond #1 Debt Service (Phase 1 -- Section 1B)	SRF Loan Debt Service (Phase 1, Water)	Bond #2 Debt Service (Phase 1 -- Section 1A, Year 1)	Bond #3 Debt Service (Phase 1 -- Section 1A, Year 2)	Related Costs*	Annual Surplus (Deficit)	Cumulative Surplus (Deficit)
2026	\$791,363	\$99,063	\$1,160,898	\$366,531	\$366,531	\$24,000	(\$1,225,660)	(\$1,923,285)
2027	\$2,637,779	\$99,063	\$1,160,898	\$366,531	\$366,531	\$24,000	\$620,756	(\$1,302,529)
2028	\$3,753,925	\$99,063	\$1,160,898	\$366,531	\$366,531	\$143,000	\$1,617,902	\$315,373
2029	\$4,197,261	\$99,063	\$1,160,898	\$366,531	\$366,531	\$24,000	\$2,180,238	\$2,495,611
2030	\$4,297,336	\$252,217	\$1,160,898	\$933,202	\$366,531	\$24,000	\$1,560,487	\$4,056,098

- Finally, the total amount of revenue from tax increment is compared to anticipated bond payments to give projections of annual and cumulative surplus or deficit associated with the TIF district
- The table shows that the Killington TIF was estimated to not generate enough increment to meet bond payments the first year, but will generate an annual surplus starting in fiscal year 2027
- Note: these data are provided as an example of district filings and financial modeling – since this submission, the town found alternate sources of funding, which changes the size of the bond payments presented above. In addition, the developer of the project has announced that construction will be delayed as the overall design is revisited



# Level Principal and Level Debt Payments

Fiscal Year	Total TIF Revenue (from Increment)	Bond #1 Debt Service (Phase 1 -- Section 1B)	SRF Loan Debt Service (Phase 1, Water)	Bond #2 Debt Service (Phase 1 -- Section 1A, Year 1)	Bond #3 Debt Service (Phase 1 -- Section 1A, Year 2)	Related Costs*	Annual Surplus (Deficit)
2030	\$4,297,336	\$252,217	\$1,160,898	\$933,202	\$366,531	\$24,000	\$1,560,487
2031	\$4,297,336	\$246,025	\$1,160,898	\$910,294	\$933,202	\$24,000	\$1,022,916
2032	\$4,297,336	\$239,834	\$1,160,898	\$887,386	\$910,294	\$34,000	\$1,064,924
2033	\$4,297,336	\$233,643	\$1,160,898	\$864,478	\$887,386	\$10,000	\$1,140,932
2034	\$4,297,336	\$227,451	\$1,160,898	\$841,569	\$864,478	\$10,000	\$1,192,940
2035	\$4,297,336	\$221,260	\$1,160,898	\$818,661	\$841,569	\$133,150	\$1,121,797

- Looking further into Killington's Phase Filing, one can see the difference between level principal payments and level debt service
- The three bonds shown on the table have level principal payments. In each case, the highest payments occur when Killington starts making payments on principal and payments decrease as time goes on
- The State Revolving Fund (SRF) loan is structured with level debt payments, meaning that each debt service payment is the same amount





# Overall Increment Generated

- The table to the right shows the current taxable value, the OTV, and the total increase in taxable value (increment) of each TIF district
- The size of increment correlates with how long a TIF district has been active

TIF District	Original Taxable Value (OTV)	Current or Ending Taxable Value	Total Increase in Taxable Value	% Increase in Taxable Value
Burlington Waterfront	\$42,412,900	\$151,363,932	\$108,951,032	257%
Newport City	\$48,500	\$2,954,200.00	\$2,905,700	60%
Milton North/South	\$26,911,147	\$75,495,119.00	\$48,583,972	181%
Winooski Downtown	\$25,065,900	\$103,997,090	\$78,931,190	315%
Milton Town Core	\$124,186,560	\$241,795,820	\$117,609,260	95%
Burlington Downtown	\$170,006,600	\$288,787,409	\$118,780,809	70%
St. Albans Downtown	\$123,049,450	\$182,393,760	\$59,344,310	48%
Barre City Downtown	\$51,046,870	\$63,647,452	\$12,600,582	25%
Hartford	\$33,514,500	\$66,266,504	\$32,752,004	98%
South Burlington	\$35,387,700	\$77,340,780	\$41,953,080	119%
Killington	\$12,529,045	\$12,529,045	\$-	0%
Total	\$644,159,172	\$1,254,042,066	\$622,411,939	95%

Source: VEPC 2025 TIF Report



# Overall Increment Generated

Incremental Revenue Generated			Incremental Revenues Generated to:		Incremental Revenues to TIF District Debt From			
Year	Municipal	Education	Total	Municipal General Fund	Education Fund	Municipal	Education	Total
2020	\$3,280,022	\$6,285,804	\$9,565,826	\$170,983	\$841,218	\$3,109,039	\$5,444,586	\$8,553,624
2021	\$3,510,918	\$6,840,288	\$10,351,206	\$194,497	\$933,949	\$3,316,421	\$5,906,339	\$9,222,760
2022	\$4,048,404	\$7,749,205	\$11,797,609	\$234,806	\$1,269,680	\$3,813,598	\$6,479,525	\$10,293,123
2023	\$4,497,429	\$8,265,615	\$12,763,044	\$318,206	\$1,383,745	\$4,179,223	\$6,881,870	\$11,061,093
2024	\$4,951,667	\$9,214,223	\$14,165,890	\$362,508	\$1,848,686	\$4,589,160	\$7,365,536	\$11,954,696

Source: VEPC 2025 TIF Report

- Overall, education property tax increment makes up most incremental revenue generated
  - In fiscal year 2024, TIF districts generated approximately \$9.2 million in education property tax increment, approximately 65% of the \$14.1 million of the total increment generated
  - Education property tax increment represented 61.6% of increment dedicated to district debt



# Growth in Increment

- Growth in incremental property value comes from two sources
  - Increases in the value of existing real estate
    - The theoretical arguments for TIF suggest that infrastructure developments in the district catalyze this growth
    - However, this may not be accurate in practice – analysis in JFO TIF reports indicate that all current TIF districts were growing before creation of the district
    - Statewide Grand List growth is currently quite high – estimated at 14.3% in fiscal year 2025
  - Increases in value from new construction or renovation
    - TIF phase filings and applications show the estimated value increases that could occur in TIF districts from new construction
- Important to understand how much of both types of growth was catalyzed by the TIF district versus how much growth would have happened in its absence



# Many Expressions of the Counterfactual

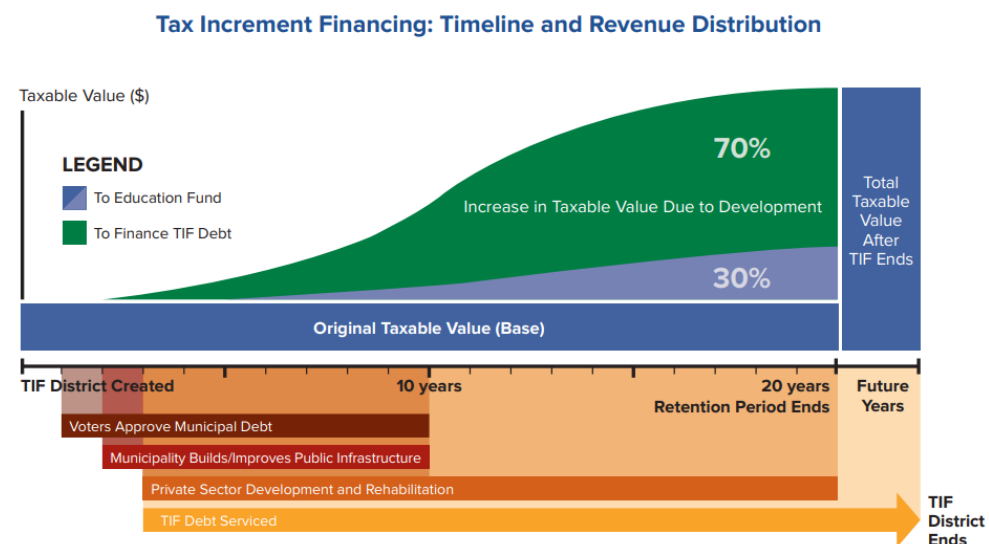
- The counterfactual: the development would not have occurred *elsewhere in the state* without the use of TIF
  - If 100% true, then TIF provides a benefit to the Education Fund and municipal budgets
  - If 0% true, then TIF costs the Education Fund and municipal budgets
- Some current examples:
  - Housing developer going to build in Chittenden County
    - Builds in Williston = 100% benefit to Education Fund
    - Builds in South Burlington TIF District = only 25% benefit to the Education Fund; 75% goes to TIF district debt
  - Manufacturer looking to locate a new facility in New England
    - Builds in Hartford TIF district = 25% benefit to the Education Fund
    - Builds in New Hampshire = no benefit to the Education Fund
  - Many situations exist beyond these two examples
    - TIF could allow a project to move forward more quickly than it would have without the financing
    - TIF could change the scope of projects within the district area



# Fiscal Impacts to the State – VEPC Annual Report

## VEPC Annual Report:

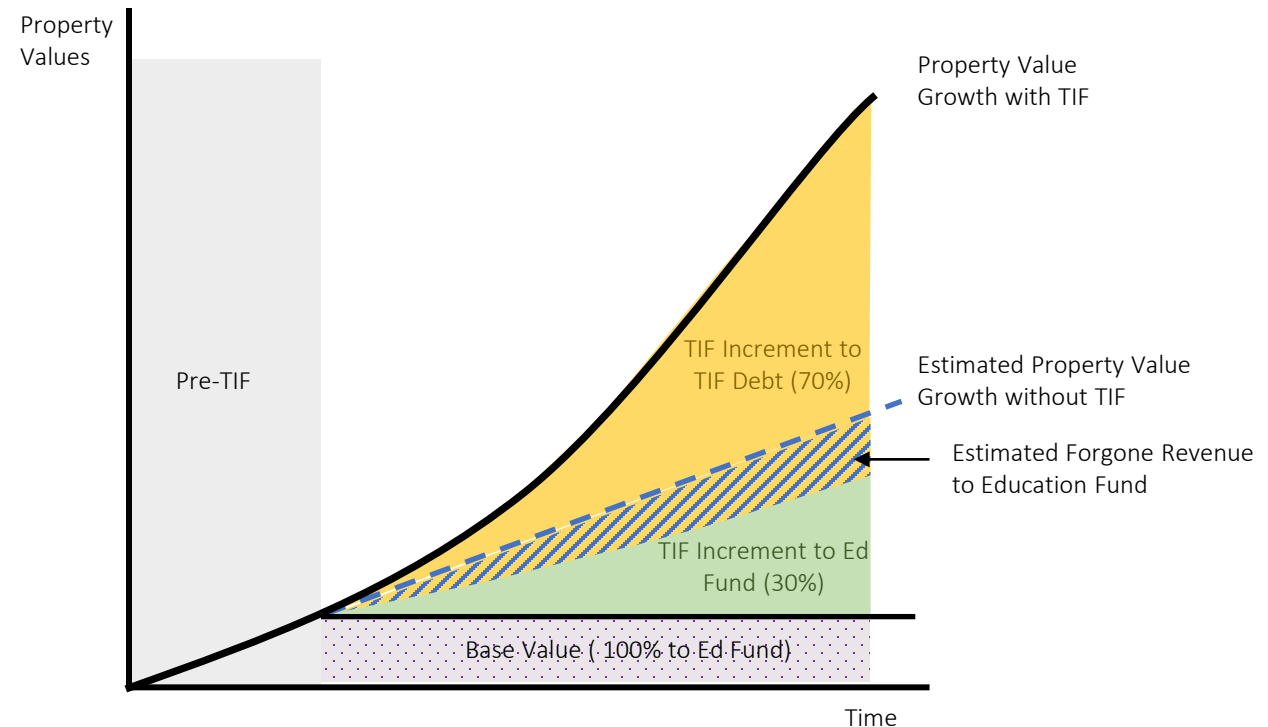
- Reports on various TIF district statistics as required by statute, including additional increment generation
- Shows \$1.4 million in increment from TIFs allocated to the Education Fund in fiscal year 2023
- Using these statistics as the impact of the TIF program requires assuming that Grand List growth is flat before creation of the TIF district
- However, all active TIF districts were growing in the years before creation
- Current Grand List growth statewide is high – estimated 14.3% in fiscal year 2025



# JFO Model – Forgone Revenue

The JFO model attempts to answer the question: “if the parcels in the TIF districts continued to grow as they did pre-TIF, how much would have been generated?” versus what is being generated with TIF:

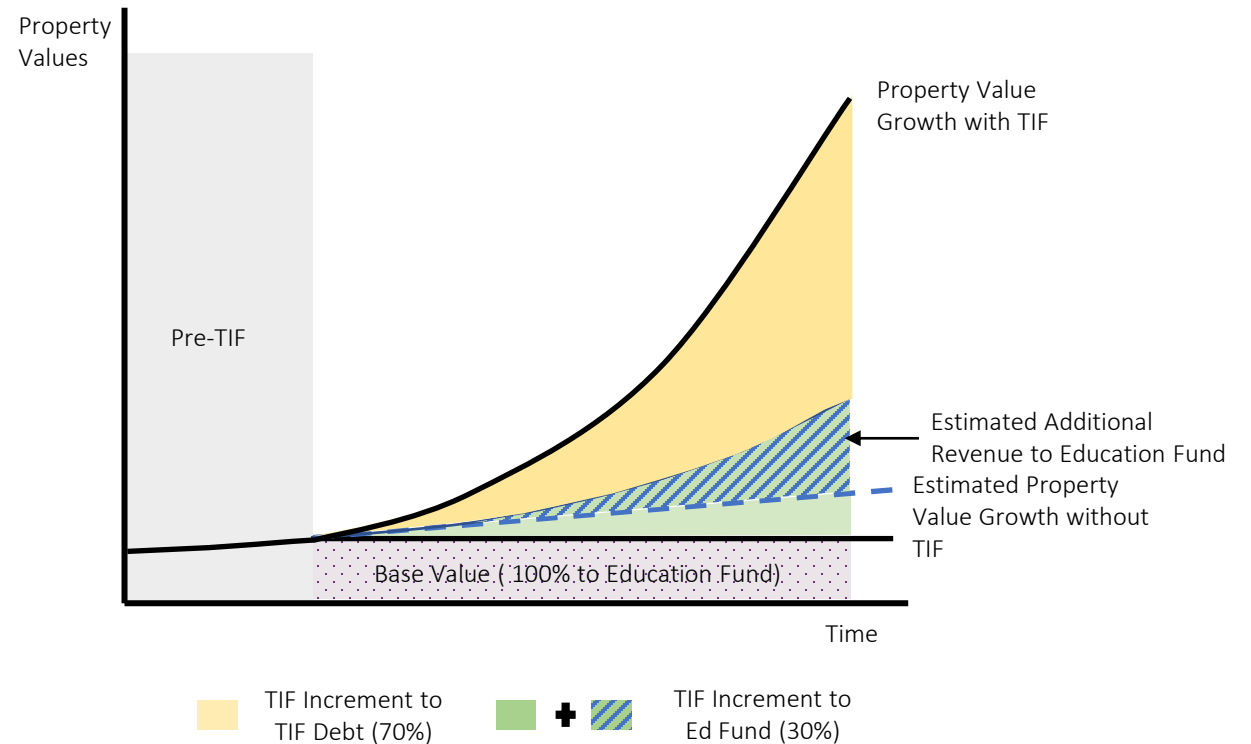
- The figure to the right shows an example of a TIF district that is creating forgone revenue to the Education Fund
- In this district, 30% of incremental revenues are not more than the revenues that would have been generated without the usage of TIF
- Districts with high OTVs or high counterfactual or “background” growth rates are more likely to fall into this category



# JFO Model – Education Fund Benefit

The JFO model attempts to answer the question: “if the parcels in the TIF districts continued to grow as they did pre-TIF, how much growth would have occurred?” versus what is being generated with TIF:

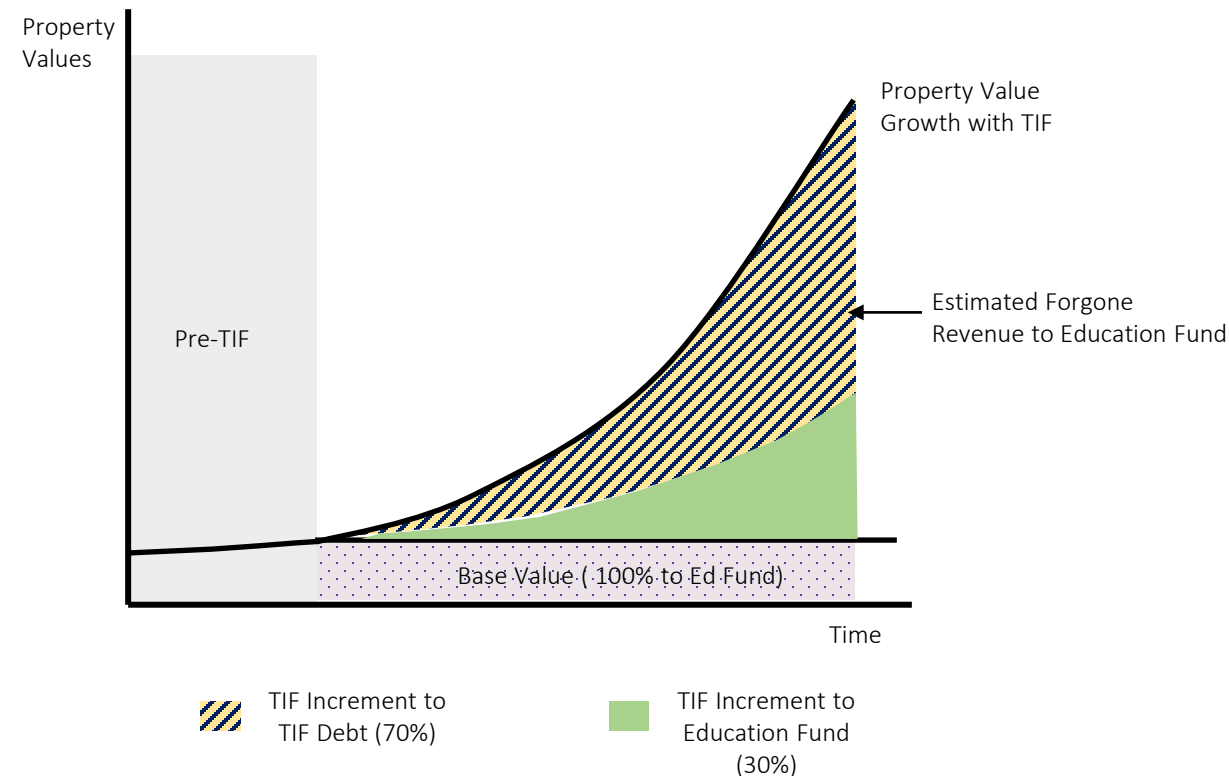
- The figure to the right shows an example of a TIF district that is creating additional revenue for the Education Fund while active
- In this district, 30% of incremental revenue is more than the revenue that would have been generated without the usage of TIF
- Districts with low OTVs, low counterfactual growth rates, and large increases in taxable value through improvements can fall into this category



# Consensus Estimate of TIF Impact

**Fiscal Year 2026 maximum impact on the Education Fund: \$6.5 million (Official Consensus estimate)**

- JFO and the Department of Taxes are required by 32 V.S.A. § 305b to provide an estimate of the impact of TIFs on the Education Fund
- This model assumes that increment dedicated to TIF district debt is forgone revenue
  - Meaning that it assumes the development occurring in TIF districts all would have happened somewhere else in the state
- That assumption is also hard to hold 100% of the time
  - Killington water system in the works since the 1980's
  - South Burlington's City Center might have looked different without TIF





# Fiscal Effects Summary

- Different ways of looking at the counterfactual deliver different answers on the success of the TIF program
- Under the JFO model, TIF districts usually represent forgone revenue to the Education Fund while active and a benefit after the district is retired
- The consensus estimate of TIF district impact on the Education Fund should continue to be used as the official estimate of the tax expenditure associated with the use of TIF, as it represents the most conservative estimate of the fiscal impact of the TIF program



# Questions?

