



# Burlington Waterfront TIF District

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# Issue

In our 2023 audit we expressed concern that Act 134 (2016) did not address the following:

- Municipal and education tax increment retention percentage.
- Date to use for base value (aka original taxable value or OTV).

# Why the concern?

Since 2009, all the extensions and changes related to the Waterfront TIF District tax increment have been in session law. Some of these reference previous session law and amend the previous law. Others do not.

- Act 45 (2011) specified the formula to be used to implement a payment to the Education Fund which would approximate 25% of new education tax increment and *stated that the payment would occur until 2025.*
- Act 134 (2016) extended the period to retain municipal and education tax increment for the three parcels until 6/30/2035 but did not amend Act 45 to specify that the payment to the Education Fund would continue through 2035.

# Considerations: Education Tax Increment Retention Percentage

- From 1996 to 2025 Burlington's education tax increment retention percentage varied:
  - 1996 to 2010: 100% for all properties
  - 2011 to 2025:
    - Two hotels – 100%
    - Remaining properties (100% for the increment from 1996 – 2010, 75% for the increment post 2010)
- All TIF Districts created after 7/1/2006 could retain up to 75% of education tax increment and were required to retain an equivalent percent of municipal tax increment.
- After 7/1/2017 new TIF districts may only retain 70% of education tax increment and must contribute 85% of municipal tax increment.

# Considerations:

## Date to Use for Base Value

- 1996: the creation date of the Waterfront TIF District
- 2010: Act 45 (2011) specified the formula to be used to determine the payment to the Education Fund and stated the base values to use (1996 and 2010)
- 2016: Act 134 (2016) extended the tax increment retention period for three parcels to 2035.

# Other Concerns

- The former mall garage, one of the three parcels, was incorrectly excluded from OTV from 1996-2025. The 1996 value for this parcel is \$847,602.
- This should be corrected in the base value established for the extended tax increment retention period

# Other Concerns

- David White testified that the City had planned to carryforward the existing tax increment calculation.
- However, this calculation implemented in 2011 was complicated to administer.
  - Two different OTVs used
  - Two different retention percentages
- Because of this complexity, our audit found that the automated process of determining the payment to the Education Fund did not function correctly for multiple years and resulted in underpayment to the Education Fund.