

## TAX INCREMENT FINANCING DISTRICTS QUICK PROGRAM FACTS

### **Purpose of TIFs:**

To provide revenues, beyond normal municipal revenue sources, for infrastructure improvements that serve a defined municipal district which will stimulate development or redevelopment within the district, provide for employment opportunities, improve and broaden the tax base, and enhance the general economic vitality of the municipality, the region, or the state (*See 24 VSA §1893*).

### **Required Elements:**

- Need for substantial real property development or redevelopment to improve the economic viability of a defined area.
- Development/redevelopment requires substantial new public infrastructure or infrastructure improvements.
- Normal and available financing mechanisms are not available or are insufficient to ensure the public infrastructure improvements.
- Development/redevelopment will generate incremental real property taxes sufficient to help finance infrastructure debt.
- There are parties interested in developing the real property within the District if the infrastructure is built/improved.
- Commitment of municipality to champion project through process.

### **Criteria for approval to utilize incremental Education Fund Revenue:**

To utilize incremental Education Fund Revenue, the municipality must apply to, and VEPC must determine, if the application meets approval criteria based on need (But For), process requirements, location requirements, and project requirements (*32 VSA §5404a(h)*):

**1. But For:** Unless the TIF District is located within a designated growth center under 24 VSA §2793c, VEPC must determine that the new real property development would not have occurred or would have occurred in a significantly different and less desirable manner but for the proposed utilization of the incremental tax revenues. If the TIF District is located within a designated growth center under 24 VSA §2793c, it is deemed to have complied with the But For requirement.

**2. Process requirements:** VEPC must determine that each applicant has met a set of process requirements including public hearings and development of a TIF District Plan and a TIF Financing Plan.

**3. Location criteria:** Project must meet **one** of the following location criteria:

- a. The development or redevelopment is compact, high density, and located in or near existing industrial areas;
- b. The proposed District is within an approved growth center (under 24 VSA §2793c), designated downtown, designated village center, or new town center (under 24 VSA, Chapter 76A, §2793a); or
- c. The development will occur in an area that is economically distressed, which means the area has experienced patterns of increasing unemployment, a drop in average wages, or a decline in real property values.

**4. Project criteria:** The project must meet **three** of the following five criteria:

- a. **Extraordinary Debt:** The development within the District clearly requires substantial public investment over and above the normal municipal operating or bonded debt expenditures.
- b. **Affordable Housing:** The development includes housing that is affordable (as defined by 10 VSA §6001(29)) to the majority of the residents living within the municipality and is developed at a higher density than at the time of application.
- c. **Brownfields Redevelopment:** The project will affect the remediation and redevelopment of a brownfield located within the District. "Brownfield" is defined as an area in which a hazardous substance, pollutant, or contaminant is or may be present, and that situation is likely to complicate the expansion, development, redevelopment, or reuse of the property.
- d. **Business Development:** The development will include at least one entirely new business or business operation or expansion of an existing business within the District, and the business will provide new, quality, full-time jobs that meet or exceed the prevailing wage for the region as reported by the Vermont Department of Labor.
- e. **Transportation Enhancements:** The development will enhance transportation by creating improved traffic patterns and flow or creating or improving public transportation systems.

**Other:**

- Statute (24 VSA §1891(6)) allows municipalities to utilize incremental property taxes generated by a TIF to pay related costs other than debt that are directly related to the TIF, including the reimbursement of costs paid up front to establish the TIF District and costs of a "coordinating agency," which may be hired by the municipality to administer the TIF District (24 VSA §1898(e)).

- The debt mechanisms allowed by statute (24 VSA§1891(7)) which TIF incremental revenues may repay include only:
  - Bonds
  - US HUD Section 108 financing
  - Interfund loans within a municipality
  - State of Vermont Revolving Loan Funds (i.e. State Infrastructure Bank)
  - US Department of Agriculture Loans
- The incremental municipal property taxes and education property taxes that can be utilized to repay infrastructure debt must be in equal proportion and must not exceed 75% of the increment (24 VSA §1897(a)).
- Any public infrastructure that will be paid for using incremental municipal and education property taxes must serve the TIF District (nexus) and the portion of the costs of the public infrastructure paid with incremental municipal and education property taxes from within the TIF District must be in proportion to the degree by which the infrastructure directly serves the TIF District (proportionality), as determined by VEPC through the application approval process (24 VSA §1897(a)).
- After approval of a TIF District Plan and TIF District Financing Plan by VEPC, the municipality must obtain a single vote by the legal voters of the municipality to authorize the local legislative body to pledge the credit of the municipality up to a specified maximum dollar amount for all debt obligations to be financed with incremental education tax revenues (24 VSA §1897(a)). (See *Creating a TIF District in Vermont* and *TIF District Timeline* for more detail).
- A \$5000 Application Fee must be submitted with any application which will serve as a deposit toward the costs charged to the municipality for any and all third party analysis of the TIF District application contracted by VEPC. The municipality will be billed for any remaining costs after the analysis is performed. The municipality must include these costs as “related costs” in the TIF District Application and Financing Plan to have the ability to recoup these costs from future TIF revenues.
- Statute limits the number of TIF Districts approved by VEPC to six (6) new TIF Districts during the ten (10) state fiscal years starting July 1, 2008 (between July 1, 2008 – June 30, 2013) and no more than one new TIF District in any one municipality.

**For Further Information:**

[www.economicdevelopment.vermont.gov/Programs/VEPC](http://www.economicdevelopment.vermont.gov/Programs/VEPC)

[fred.kenney@state.vt.us](mailto:fred.kenney@state.vt.us)

(802)828-5256