

FREQUENTLY ASKED QUESTIONS about TIF and March 3, 2015 Ballot Question

What is the Ballot Question?

On January 12, 2015, the City Council unanimously placed the following question on the March 3, 2015 ballot:

“Shall the City Council be authorized to pledge the credit of the City to secure indebtedness or make direct payments for the purpose of funding one or more public improvements and related costs attributable to projects serving the Downtown Tax Increment Financing (TIF) District, specifically:

(a) Main Street Streetscape Upgrades: (the two blocks between Church Street and Pine Street inclusive of all intersections) to include streetscape, stormwater, utility, lighting and transportation upgrades;

(b) St. Paul Street Streetscape Upgrades: (the two blocks between Main Street and Maple Street inclusive of all intersections) to include streetscape, stormwater, utility, lighting and transportation upgrades;

(c) Brownfields Remediation/Brown’s Court: relating to preparation of site for redevelopment;

(d) Marketplace Garage Improvements and Repair: as a supplement to other funding for this project;

(e) Related Costs: reimbursement for TIF eligible related costs incurred by the City for the creation, implementation and administration of the Downtown TIF District, including direct municipal expenses such as departmental or personnel costs related to creating or administering the district to the extent they are paid from the municipal and not education taxes and are otherwise reimbursed in accordance with law;

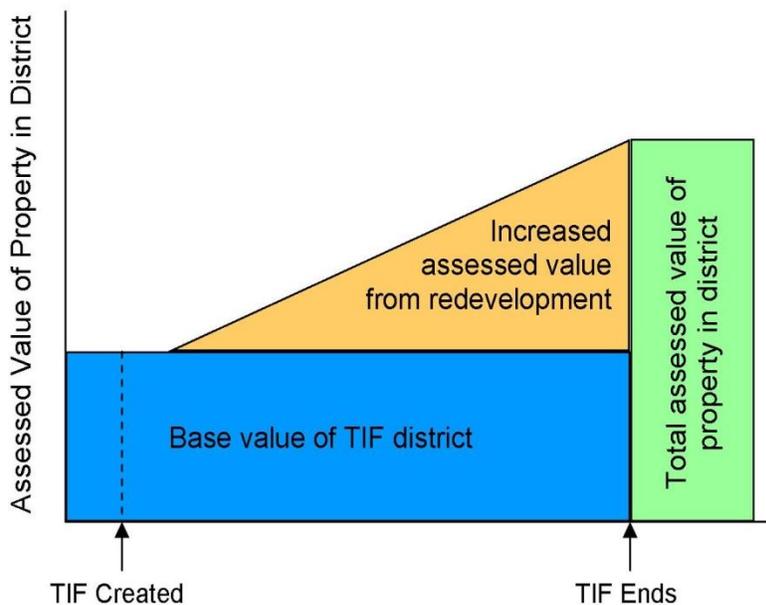
in a total principal amount not to exceed \$10,000,000 (which will bring the total Downtown TIF District debt approved since the Downtown TIF District’s creation to \$10,000,000), and to issue bonds, notes or make interfund loans for such purpose with the understanding that tax increment from the properties within the Downtown TIF District shall be pledged and appropriated for the payment of such indebtedness or direct costs of the improvements; and with the further understanding that the City may utilize more than the statutory minimum requirement of 75 % of all municipal increment, up to and including 100 % of same, in meeting the financial obligations of the district?”

What is TIF (Tax Increment Financing)?

TIF is a long-term tool that uses incremental tax revenue over 20 years to repay debt. Investment debt will be repaid with the incremental tax revenue of the district, not just one particular project.

What is the "Tax Increment"?

The tax increment is the additional new property taxes generated within the TIF district above the OTV, based on the assessed value increases for properties within the TIF District during the life of the District.



What is Tax Increment Financing (TIF) district?

A city can designate an area a "TIF district," and in that district most "tax increment" is set aside to cover the costs associated with current infrastructure projects designed to benefit that district. The tax increment is the increases in tax revenue resulting from increases in property values within the district after a certain date – for the Downtown TIF District the effective date is April 1, 2011. Essentially, TIF is a mechanism that allows future increases in property values within the TIF District (resulting from projects incited by public improvements) to be used to retire any debt associated with the construction of such improvements. Because new development associated with the improvements creates this increment, these new revenues mean that the debt can be repaid without placing an additional tax burden on the City's taxpayers.

Will this raise taxes?

The use of Tax Increment Financing does not increase taxes. This proposed slate of investments in the City's Downtown TIF District relies on a process known as Tax Increment Financing, explained above. It should be noted, however, that the debt associated with Tax Increment Financing by law is required to be backed by the full faith and credit of the City. It is therefore incumbent upon the City to be prudent in its use of TIF and to also make conservative estimates regarding future projections.

Here, the proposed \$10 million of TIF project investments are anticipated to leverage at least \$30 million of non-municipal direct investment; i.e. Hilton Garden and Stratos coming onto the Grand list presently with Eagles Landing expected FY 2017. The fact that two of these projects are already virtually complete provides greater certainty with regard to future projections. It should also be noted that additional indirect economic activity and additional tax revenues (e.g. rooms and meals taxes) are projected as a result of these properties coming on line as well.

Are these projects qualified TIF expenditures?

TIF investments are intended, by design, to support and stimulate private economic development and related growth in the grand list. Each of these projects has been evaluated and is a qualified TIF expenditure using Burlington's TIF District Policies and Guidelines.

Can we afford these improvements?

The actual lifetime capacity of the district is subject to a number of future variables (interest rates, property assessments, tax rates, time of projects, amount of private development in the district, etc.) However, our most recent analysis shows that even under conservative projections the district will have ample capacity to fund these improvements.

How will TIF affect my taxes?

There is no impact on taxes. TIF is devised to use the incremental future property tax revenue, not additional taxes, to pay for the debt incurred to finance infrastructure improvements within the District. Incremental property tax revenue is calculated based on the increase of property values within the TIF District since the date of its creation. Past improvements have led to redevelopment of properties and the resulting increased property tax revenues fund the cost of the infrastructure, with new economic development creating growth in the tax base.

How is this Waterfront TIF District different than the Downtown TIF District?

Burlington's two TIF Districts are entirely separate - both geographically and legally. The Waterfront TIF District was opened in 1996 under an old State statute. It is governed by different rules and has its own projects and investments. The Downtown TIF District is located in a portion of the Designated Downtown and is under current State Statute. This has an entirely new set of project opportunities and public infrastructure needs. Please see the TIF map for boundaries of the two, separate districts.

What projects and activities will these funds be used for?

The proceeds from this bond can be used for designing, renovating, remediating and constructing the following: Main Street (the two blocks between Church Street and Pine Street inclusive of all intersections) and St. Paul Street (the two blocks between Main Street and Maple Street inclusive of all intersections) Streetscape Upgrades: to include streetscape, stormwater, utility, lighting and transportation upgrades; Brownfields Remediation/Brown's Court; Marketplace Garage Improvements and Repair; and Related Costs.

Who monitors the TIF district?

Both the City and State monitor the TIF district. The City's Treasurer's Office is responsible for managing the debt and incremental tax revenue. The City submits an annual report to the State Department of Taxes to report on property taxes and the incremental taxes withheld for TIF debt repayment.

How long has TIF been around?

California first used TIF over 50 years ago, and it has been used consistently ever since. TIF districts have been available in Vermont since 1985, and currently exist in 47 states.

Why is this a March 2015 ballot item?

The proposed \$10 million of TIF project investments are anticipated to leverage at least \$30 million of non-municipal direct investment (Hilton Garden Inn, Stratos, Eagles Landing) along with additional indirect economic activity and additional tax revenues (e.g. rooms and meals taxes). Upgrading the adjacent infrastructure is critical to leveraging the economic benefits through the creation of great streets within Burlington's downtown.