

FREQUENTLY ASKED QUESTIONS

WHAT IS TIF?

- What is a TIF district?
 - A municipality establishes a TIF district within an area requiring public infrastructure to encourage public and private real property development or redevelopment.
 - When the municipality creates the district, the existing property values for properties within the district are recorded for the Original Taxable Value (OTV). These properties already generate a certain amount of tax revenue for both the municipality and the State Education Tax Fund. Revenues generated by that OTV will continue to go to the taxing entities (Municipal and State) throughout the life of the TIF district. However, as the property value increases due to TIF-financed improvements, so does tax revenue generated by the district as a whole - this increase is the increment. The municipality incurs debt to build public infrastructure and the real property development and redevelopment occur.
 - For a limited time, 75% of the incremental municipal property taxes generated by the private development pay down the infrastructure debt. The remaining 25% gets added to the City General Fund.
 - After a twenty-year property tax retention period, 100% of the property taxes generated go to the taxing entities (City General Fund & State Education Fund).
 - The TIF district uses "new money" resulting from new private development to fund public infrastructure investments. Existing tax dollars are untouched. Once the infrastructure debt is repaid with the incremental tax revenue, new property tax revenue generated goes to the City's general fund and State Education Fund. The tax base increases and the community experiences growth that includes public benefits.
- What is the "Tax Increment"?
 - The tax increment is the share of new property taxes generated within the TIF district, based on the increased assessments of TIF-related private development. These developments would not have otherwise occurred without the City's infrastructure investment.

- The City uses Tax Increment funds to repay the debt incurred to invest in infrastructure, such as stormwater, streetscape, utilities, public parking, and transportation improvements, typically in conjunction with private development projects.
- How is this Downtown TIF District different than the Waterfront 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 District is the focus of the March vote. It is located in a portion of the Designated Downtown and is brand new 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.
- 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.
- Aren't there some TIF districts that have failed?
 - In short, all TIF districts are not created equally. Each state has its own unique TIF program, so the districts can vary tremendously in terms of size and type. In some states, TIF is a tool used to *create* areas of development. These are often seen as failures, as they do not stimulate the development envisioned. In other places, like Vermont, it is used for downtown growth center redevelopment - to revitalize a once vibrant area of the city that still has significant development potential. TIF districts also vary in management and operations; the management and operations of the Burlington Downtown TIF have been explicitly identified and crafted throughout the planning and application process.
- Why is there a need for TIF?
 - TIF is a tool in the City's economic development toolbox. It levels the playing field between the constrained & costly development opportunities in the downtown and the less expensive development opportunities in greenfields &

suburban areas. Burlington is losing out on potential new development opportunities that are only feasible in locations that do not require significant public infrastructure investment. Without TIF, downtown development will continue to be limited by costly infrastructure investments.

- TIF serves to enhance the Designated Downtown's attractiveness to potential developers, businesses, tourists, and residents! This, in turn, provides jobs and improves the local economy.
- Wouldn't the development happen anyway?
 - No. The TIF Statute requires that an application to create a TIF District must show that the new development would not have occurred or would have occurred in a significantly different and less desirable manner but for the proposed TIF financing mechanism. In planning this district, the City identified these development opportunities that are restricted by infrastructure limitations and challenges.
- What if the development doesn't happen?
 - There is no harm done. TIF is a tool that City Council can choose whether or not to employ. When considering an infrastructure investment, the City Council will examine the projected incremental tax revenue generation to repay the debt and make a judicious decision.
- How does TIF work?
 - At the creation of a TIF district, the total value of property in the district is determined; this is referred to as the "original taxable base" (or more simply, *base value*). All of the property taxes generated by the base value continue to go to the City and the State Education Fund. Thus, no tax revenues pre-dating the creation of the TIF district are diverted from current uses.
 - The City has a period of time (usually five years) to make public infrastructure improvements. As development occurs in the district, total property value increases. The property tax revenues generated by that new development is the "tax increment," which is used to pay the debt service on the public improvements. Both the municipal *and* education property tax increments are available to service TIF debt- thus, the use of TIF as an economic development tool creates significant new revenues for the City to fund public infrastructure. When the district ends (usually twenty years), all property taxes are once again collected by the City and State Education

Fund, just like before, but now there is a significantly higher total property value, as depicted in the chart located under “What is a TIF District?”.

- What projects will occur in this Downtown TIF District?
 - The specific private development projects and public infrastructure projects have not been determined or prioritized.
 - The City has identified many private development projects and/or properties that have redevelopment potential, but that face significant infrastructure barriers.
 - These have been [conceptually approved as TIF-eligible by VEPC](#).
 - Each public infrastructure investment will be analyzed by City Council to assess debt service and incremental tax revenue capacity.

IMPACTS

- How will TIF affect my taxes?
 - It won't. Future incremental property tax revenue within the designated district pays for the debt incurred to finance infrastructure 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. The tax revenue currently going into the City General Fund does not go toward repaying TIF investments.. The improvements lead to redevelopment of properties and the resulting increased property tax revenues fund the cost of the infrastructure.
- How does the increment help me today?
 - The benefits of the TIF district will take time, but this tool is valuable for the continued vitality of Downtown Burlington. The money generated to pay for TIF investments is not being taken from the City General Fund, will not increase residents' taxes, and is not decreasing investment in public infrastructure elsewhere. This money (the increment) is comprised of taxes on properties developed within the district that would not have otherwise occurred but for the infrastructure investments (and resulting growth) through TIF. Without development, the tax base does not grow.
- How will this TIF District affect Burlington?

- The infrastructure investments proposed are improvements that will open many doors for currently non-existent redevelopment opportunities. The intended result is a higher tax base, more jobs, affordable housing, public parking, streetscape, and more.
- Will TIF take away money from public services and the State Educational Fund?
 - No. By increasing tax revenues, TIF districts actually increase the amount of money available to public services (paid for out of the City General Fund) and the State Educational Fund. During the life of the TIF district, 25% of the new, incremental tax revenue will continue going to the taxing entities (the City General & State Education Funds). After repaying the debt, the City will distribute any remaining retained incremental tax revenue. After the TIF district is closed, 100% of the total property taxes generated by the development go to the taxing entities.
- Won't new development cause additional strain to the City General Fund because new city services are not paid by the new, incremental taxes?
 - No. Firstly, the increase in public services for new development should be minimal because the district is located within an already-developed area. This is very different than stimulating new development in a completely undeveloped area. For instance, if a new development happens on Main Street, no new snowplowing costs occur because the roads already exist and are plowed today.
 - Furthermore, 25% of the new municipal tax "increment" will be added to the General Fund. As a result, Burlington's TIF District will increase the amount of money available to public services. And once the debt has been repaid and the District is closed, 100% of the total property taxes generated by the development go to the taxing entities.
 - Regular zoning impact fees will continue to be assessed during the zoning process for new development that should offset any minor increases in public service demands.
 - Also, roughly 2/3rds of the tax increment used to pay the City's debt service is revenue that would otherwise go to the State and not be available to the City at all. So TIF doesn't add strain to the City General Fund, it should ease it.
- Do property tax revenues from the properties in the TIF district continue to support City services and schools?

- Yes, the existing property tax revenues from the properties within the TIF district will continue to go to the City General Fund and State Education Fund as they do today. Seventy-five percent of the new property tax revenues within the district are used to repay the TIF infrastructure debt. But 25% of the new property tax revenues within the district will be added to the City General Fund as well.
- Will this negatively impact schools?
 - No. The property taxes currently being contributed to the State Education Fund will continue to support the State Education Fund. The property taxes on the new development within the district that will be used to repay infrastructure investment debt are new taxes that would not otherwise be generated, but for that initial investment. In addition, during the life of the TIF district, 25% of the new, incremental State Education Fund taxes will go to the State Education Fund.
- What public improvements would TIF revenue provide?
 - The public improvements will include the infrastructure investments made by the City and the resulting private development. The City's current State approval allows investments in stormwater, utility, streetscape, public parking, and transportation/pedestrian improvements.
- Will this result in new businesses or jobs?
 - That is the plan! The Downtown Burlington TIF district's objective is to stimulate economic development, which means new businesses and jobs.
- What do these funds pay for?
 - The infrastructure investments are public improvements that will make the downtown more attractive and accessible for developers & businesses to locate where it would be otherwise impossible. This is not intended to subsidize developers. The infrastructure investments create public & private benefit and maximize Burlington's redevelopment potential.
 - Only VEPC-approved types of infrastructure are allowable under Statute. This includes stormwater, utility, streetscape, parking, and transportation/pedestrian improvements.

PROCESS & OPERATIONS

- Do any other Vermont towns have TIFs?

- Yes. Newport, Milton, Colchester, and Hartford all have approved & active TIF districts (as well as Burlington's Waterfront TIF district). Please note that the TIF statute has changed over time, so some communities have different forms of TIF districts.
- How is a TIF created?
 - The City Council and the State (Vermont Economic Progress Council/VEPC) must approve a TIF district's creation.
 - The City has gone through a lengthy and comprehensive planning & approval process over the past two years that has included public hearings and City Council & VEPC approval.
 - This vote by Burlington residents is to authorize the municipal investment in public infrastructure for a portion of the anticipated infrastructure that could facilitate redevelopment opportunities.
 - TIF districts cannot be arbitrarily created; numerous criteria must be met to show inclusion of affordable housing, brownfield redevelopment, transportation enhancements, and other infrastructure improvements that benefit the City and its residents.
- How can we be sure the increment funds will be used as intended?
 - The City's Treasurer's Office and the State Department of Taxes are responsible for overseeing the use and operation of the incremental tax revenue.
 - In Burlington, TIF is considered a special revenue fund; the City has a distinct and separate fund that tracks both the TIF revenue and tracks all the payments of debt service. Only debt incurred by City Council for TIF investments is allowed to be expensed in this separate TIF fund. The Clerk/Treasurer's Office keeps a list of approved TIF debt and records all debt service payments directly to the fund. Likewise, the Treasurer's Office records the incremental property tax revenues to the TIF fund. From year to year, the revenue and debt service payments vary and do not equal each other, although they are usually close, so the fund has a running balance.
- What are the opportunities for public input?
 - In addition to the numerous public hearings already held on the TIF district's creation, the City will host at least one public forum and will be presenting at the Neighborhood Planning Assemblies (NPAs) prior to the election.

- In addition, when making infrastructure investments (that are to be repaid with TIF), City Council will discuss and hold a public meeting before incurring the debt. This is the best opportunity for public input. At that time, the Council will conduct a thorough and judicious review of the investment's feasibility. Some but not all of the debt instruments that can be repaid with TIF (per State Statute) also require a municipal vote.
- The public is encouraged to contact their Council representative or the Community and Economic Development Office with any questions or concerns.
- 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 does the tax revenue accrue to the City and State Education Fund over a TIF's lifetime?
 - To be clear, 100% of the original taxes prior to TIF continue to go to the taxing entities.
 - The incremental tax revenue stimulated by TIF-funded infrastructure is tracked by the City's Clerk/Treasurer's Office on a yearly basis. 75% of this incremental municipal tax revenue goes to the TIF fund to pay debt service on the TIF public investments. 25% of this increment gets added to the City General Fund.
 - The same is true of the State Education Fund - 75% of the incremental State Education Fund tax revenue from TIF-stimulated development goes to the TIF fund to pay debt service on the TIF public investments, but 25% of this increment gets sent to the State Education Fund in addition to the current funds going there now.
 - After the lifespan of the TIF - 20 years - 100% of the incremental municipal tax revenue will go to the City General Fund and 100% of the incremental State Education Fund tax revenue will go to the State Education Fund.
- Does this allow development projects to avoid the permitting process?
 - No. All development projects must obtain permits from the City's [Planning & Zoning](#) and [Public Works](#) departments that are required of all development.

- Why is this a March ballot item?
 - This District is time-sensitive. Under current Statute, debt can only be incurred within the first five years of the District (five years from the City Council's vote). In Burlington, this means debt can only be incurred until 2016.
 - The vote is required before any debt can be incurred, but had to occur after VEPC approval (June 2011), so this issue was put on the ballot as soon as possible!
- Why do we need to authorize \$10 million?
 - This vote does not authorize incurring debt of \$10 million - only the ability of City Council to use the TIF tool up to \$10 million.
 - \$10 million covers approximately three substantial public infrastructure projects. The projects have yet to be decided - this is a first-come, first-serve basis to be decided upon by City Council - but this opens the door to redevelopment potential.
 - Each investment will be reviewed extensively by City Council and actual debt will only be incurred if incremental tax revenue streams can cover the debt service.
 - According to current projections, the Downtown TIF District has redevelopment potential of almost \$80 million that could generate almost \$40 million in tax revenue over the 20-year district.
 - Those are merely projections, though, and each investment and redevelopment project will be analyzed by City Council in real-time.
- Am I voting on any specific development or infrastructure projects?
 - No. This vote is to authorize the municipality to use tax increment financing as a tool in the economic development toolbox. Each infrastructure investment will require its own authorization. Bonds will require voter approval; other forms of financing will require City Council approval.
- How will this differ from the Waterfront TIF?
 - The Waterfront TIF district was created in 1996 under a different set of rules that govern how the investments are made.
 - Properties in the Waterfront and Downtown TIF districts do not overlap.

- However, like the Waterfront TIF district, the City hopes to see successful development projects emerge as a result of the stimulating infrastructure investments.

COMMON MISCONCEPTIONS & CRITICISMS

- How is risk being minimized in using this tool?
 - City Council will review each investment in real-time, closely linked to the development revenue source. It is their responsibility to prudently use tax increment financing when the economics of the deal are solid.
 - 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.
 - The risk that the debt would exceed the incremental tax revenue over the life of the district is highly minimized.
- Won't this only benefit or subsidize wealthy private developers?
 - Absolutely not. The City incurs debt for badly-needed public infrastructure projects.
 - This does not subsidize developers. Their taxes repay the City's debt for the public infrastructure.
 - Without the public infrastructure, these developments would not have occurred or would have occurred in a less desirable manner (lower density, fewer public benefits, etc.).
 - These public infrastructure investments stimulate economic development - both with big projects and smaller developments & businesses too.
- Couldn't this vote commit the City to projects that may not go forward?
 - No. This vote is not authorizing any one particular project. This vote is authorizing City Council to use TIF to stimulate economic development.
 - City Council will review each investment when paired with private, real property development. Each private development will also be reviewed through planning and zoning.