

## **Bennington TIF District**

### **Questions/Comments from August 7<sup>th</sup> Public Meeting and Public Input**

August 23, 2017

▪ ***How does a TIF work?***

When establishing a TIF, a municipality defines a specific area to be a TIF district. This is an area where new public infrastructure is needed for new private development opportunities.

At the creation of a TIF district, the total current assessed value of property in the district is fixed; this is referred to as the Original Taxable Value (OTV). All property taxes generated by the OTV continue to go to the municipal general fund and the State education fund. No tax revenues based on assessed value pre-dating the creation of the TIF district are diverted from current uses.

The municipality then borrows funds to make public infrastructure improvements (such as utilities, transportation improvements, civic facilities, land acquisition, property demolition, and brownfield cleanup) to incentivize new private development.

Once the new private development occurs, the redeveloped properties will be reassessed, presumably at a much higher value. The *new* property taxes generated by the *increased* portion of the assessed value are the "tax increment."

A portion of the tax increment (100% municipal and up to 70% state) are then used to pay the debt service for those public infrastructure improvements.

When the district ends, 100% of the property taxes go to the municipal general fund and State Education fund and the municipality now has an overall higher total property value and tax revenue.

▪ ***How does TIF pay for a specific infrastructure project?***

TIF funds can be used for public infrastructure improvements. The TIF statute says TIF funds may be used for: "*...the installation, new construction, or reconstruction of infrastructure that will serve a public purpose and fulfill the purpose of tax increment financing districts...*". TIF funds can also be used for:

- Property acquisition, demolition, and property improvements; and
- Site preparation for development/redevelopment including acquisition, demolition, and environmental remediation of contaminated property (brownfields).



For example, let's say a proposed development requires upgrades to the streetscape bordering it and needs to upgrade an existing water line to handle additional water capacity. These improvements would be eligible costs for TIF funding as they will serve the development as well as the community.

This works as follows:

- A municipality bonds for the public infrastructure projects (in this example – streetscape and an upgraded water line).
  - The municipality constructs the public infrastructure projects.
  - The private development project is constructed and uses the new public infrastructure projects.
  - The municipality needs to repay the bond for the public infrastructure project over a 20-year period.
  - The municipality retains up to 100% of the *new* Town taxes and up to 70% of the *new* State Education fund taxes in a TIF fund that is used to pay the debt service on the bond.
- ***Do the taxes on the increment used for debt service include total property taxes i.e. Municipal taxes, School taxes, Downtown Improvement District taxes etc.?***

The taxes that will be retained in Bennington for repaying debt service include up to 70% the *new* Education Fund taxes and up to 100% of the *new* Bennington town taxes: general, highway and fire taxes. Any new Downtown Improvement District tax based on the incremental value will not be used to repay debt service, as it is used for operational purposes within the Town.

- ***Are the increment taxes frozen on all properties within the TIF district including properties that don't get redeveloped?***

No taxes are frozen because of TIF. Property owners still pay taxes on their property as they would today. The tax rates are changed annually according to municipal charter, just as they do today. The only ways that properties' taxes change – both inside and outside of a TIF District – are: if a property owner makes improvements to a property which increases its assessed value, OR if the town does a town wide reappraisal where all assessed values of properties are adjusted.

- ***How long are the increment taxes collected?***

The incremental taxes are collected for twenty years to repay debt service and then the full taxes go to the State and Town.

▪ ***Do other towns pay more State Education taxes because of the Bennington TIF?***

No. The portion of the State Education taxes that would be retained by the Town for the Bennington TIF are based on new property values that would not be created otherwise without the improvements paid for by TIF. So TIF uses taxes that would not otherwise exist and takes nothing from the education fund. Moreover, TIF *adds* to the education fund because the education fund will receive 30% of the new incremental education taxes that would not have existed but for TIF. This should incrementally *reduce* the tax burden on other towns. Bennington and other towns will continue to pay existing State Education taxes on existing properties as they do today.

▪ ***Currently towns can't get any funding from the State Education Fund for school improvements because there isn't enough in the fund. Doesn't creating a TIF hurt the State Education Fund that's already struggling?***

The State has had a moratorium on funding for school improvements for several years. No, TIF does not hurt the State Education Fund. To the contrary, TIF *adds* to the education fund. The new tax-paying projects that generate the new incremental taxes would not have occurred or would have occurred in a less desirable manner, but for TIF. The tax dollars being used to pay the TIF debt is money that would not otherwise have existed. Moreover, 30% of the new incremental education taxes add to the education fund throughout the life of the TIF district. At the end of the life of the TIF district, the education fund will be boosted by then receiving 100% of the incremental education property taxes generated by the new development fostered in the TIF district.

▪ ***What properties are in the proposed TIF district?***

The boundaries of the proposed TIF district are as follows:

- It closely matches Bennington's Designated Downtown (2000), and the long established Downtown Improvement Taxing District (1995);
- Is most directly centered on the intersection of major north-south (US 7) and east-west (VT 9) regional transportation corridors;
- It extends along one of these entry corridors to capture the potential adaptive re-use of the former Bennington High School property.

See the attached proposed TIF district map.

- ***Who determines the new assessed value of improved properties and how is it determined?***

The Town Assessor determines the new assessed value based on the fair market value of the improved property just the same way properties area always assessed in Bennington. The TIF District does not impact this process. Properties will continue to be assessed exactly as they have been in the past with or without a TIF District.

- ***Private developers, enticed by the improved infrastructure, build within the District. Are the public infrastructure improvements done on non-public property?***

Proposed public infrastructure that meets the definition listed in State statute, and will serve a public purpose and fulfill the purpose of the TIF district, can be constructed on properties regardless of ownership. The infrastructure improvements must remain public. Brownfield remediation can be done regardless of property ownership as it is taking care of environmental issues.

In the Bennington TIF District plan, it is contemplated that any private property necessary for public infrastructure will be donated to the Town.

- ***Taxpayers benefit from added value to the grand list once the debt is retired and may receive more payroll taxes if the development project creates new jobs. Why doesn't the grand list rise as soon as the properties being redeveloped are finished with their improvements?***

The Grand List will increase after a property is redeveloped. The taxes generated by the increased value ("tax increment") of the redeveloped properties will be placed in a separate TIF fund to finance public infrastructure by paying the debt service of a bond. This is the point of TIF. TIF does not impact the value or the taxes of properties that are not redeveloped.

- ***What are wage taxes and how do tax payers benefit from them?***

Wage taxes, also known as payroll taxes, are withheld from an employee's paycheck by an employer to pay applicable federal and state taxes. These taxes go to the Federal and State governments and broadly benefit taxpayers by helping pay governmental expenses. TIF does not directly impact payroll taxes. It indirectly increases payroll tax revenue through strengthening the economy which increases jobs, thereby increasing payroll tax revenue.

- ***If the town is simply bonding to pay for public infrastructure and the bond is paid off by the town why does the State have to approve a TIF district? I'm not sure why the State is involved?***

If a TIF District is approved by the State, the Town may retain up to 70% of the Education taxes generated by new development within the district. This equates to more dollars available for public infrastructure improvements.

- ***Why don't we change designated downtown district boundaries to include properties proposed in TIF district?***

While this is a good suggestion, it is not required for the creation of the TIF District because the properties are in the designated growth center, which is eligible for TIF.

Changing the designated downtown district boundary will take time and will delay submitting the proposed TIF district application to the State Vermont Economic Progress Council (VEPC) for approval. The town is actively working to get the TIF district established quickly so it can help with the proposed Putnam Block development.

- ***Does having a TIF district benefit the town when applying for other grant funds?***

There is no statutory requirement to give preferential treatment to TIF districts when seeking other grants, but in general it should help because having a TIF district shows that the town is vigorously using available options for funding infrastructure improvements for its downtown revitalization.

- ***Isn't there a risk in not doing anything downtown?***

Absolutely. If a TIF district is not created, then there is likely to continue to be minimal or no substantial investment in downtown Bennington.

- ***Can a municipality offer tax incentives/stabilization for properties located in TIF districts?***

Tax incentives and stabilization contradict TIF. TIF relies on incremental taxes from proposed development/redevelopment to pay the debt service on needed public infrastructure projects for private development. If a municipality offers a developer tax incentives or stabilization, it will reduce the amount of taxes collected and reduce the ability to bond for

public infrastructure, thereby limiting potential development. Typically, a town should do one or the other, but not both. Tax stabilization benefits one property and does nothing for public infrastructure. In contrast, TIF benefits a district.

- ***Do proposed developments, such as the former middle school, consider the option of expansion/adaptive reuse as well as tear down and rebuild?***

Investors and developers consider a range of options and select the one most likely to meet their goals. Sometimes adaptive reuse makes sense; other times new construction better meets the goals.

The TIF District Plan projects that the Bennington High School (former middle school) redevelopment project could include 40 residential units, office space, and a recreation facility (the gymnasium). It doesn't specify how it will be redeveloped. The Town will consider each project as it comes forward.

- ***Is there a larger communication plan to help people understand TIF? Could you make TIF more appetizing for people to understand and support?***

Yes. The public meeting is one effort of the larger communication plan to explain the fundamentals of TIF. There is also information on the Town's webpage, with more to come.

The Town is working on making TIF understandable for everyone. There will be public involvement at the Select board meetings, and when proposed bonds for infrastructure projects are presented to the voters for approval.

- ***Will Putnam Block project happen without TIF? What infrastructure projects are identified for the Putnam Block?***

The Putnam Block project needs TIF for infrastructure improvements for developing all the phases of the project. While it is clear that Phase 1 could technically happen with the funding sources and local investments, the future phases and the other development in the area would not occur without the public infrastructure. The investors of Putnam Block Development Phase 1 have made their decision to invest based on the expectation that Phase 2 will be constructed. Phase 2 is dependent on the municipal infrastructure that is part of the TIF.

The infrastructure projects that are associated with the Putman Block project include the following:

- West Main Street streetscape improvements;

- Four Corners intersection improvements;
- Washington Avenue streetscape improvements;
- Putnam Block brownfield remediation, public parking improvements;
- Franklin Lane streetscape improvements;
- West Main and Washington Street intersection improvements; and
- South Street streetscape improvements.

▪ *What is the broader benefit of infrastructure projects and future development?*

The Town of Bennington will benefit from the infrastructure projects as they will be municipally owned and include such things as improved streetscapes, better transportation facilities, extended bike paths, more downtown parking, etc. The Town of Bennington will benefit from future development by improved downtown properties with retail and commercial businesses, housing, and increased tax revenues.