

Proposed Tax Increment Financing District For Severance Corners Colchester, Vermont



What is a TIF?

TIF = Tax Increment Financing District

It was established by the Vermont Legislature as a means to help municipalities pay for infrastructure improvements to:

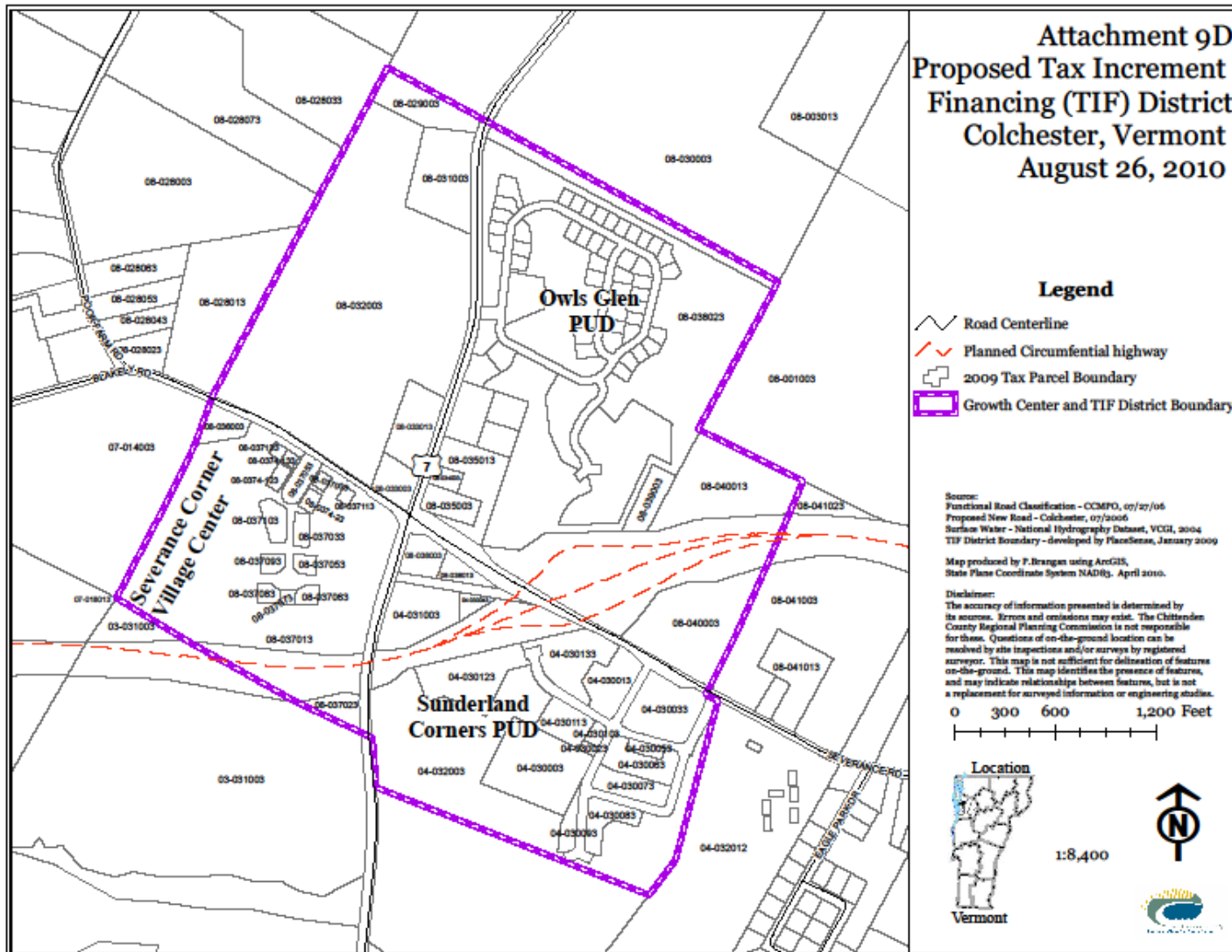
- stimulate development or redevelopment
- provide for employment opportunities
- improve and broaden the tax base
- enhance the general economic vitality of the municipality, the region, or the state

What is a TIF?

- A TIF District is a local financing tool used to provide revenues beyond normal municipal revenue sources for infrastructure improvements
- The Town uses municipal property tax revenue and education fund dollars on new development in the TIF district to pay bond debt incurred for infrastructure improvements



Where is the TIF?



Description of TIF Development

- **Village Center (SW Quadrant)** - 152 dwelling units and 86,600 square feet of commercial space. A total of 13 buildings with a total floor area of 302,372 square feet.
- **Sunderland Corners PUD (SE Quadrant)** - 206 dwelling units, 12,400 square feet of retail space, 34,040 square feet of office/commercial space, 4,050 square feet of restaurant space and 4,050 square feet of day-care space.
- **Owls Glen PUD (NE Quadrant)** - 113 residential units - 49 single-family homes, four duplexes, and seven multifamily buildings containing a total of 56 units.

What does the TIF pay for?

- Improvements to the intersection at Severance Corners \$2 million
- Pedestrian improvements \$4 million
- Additional water storage \$1 million
- Plus interest expense on bonds
- Total: \$9.3 million

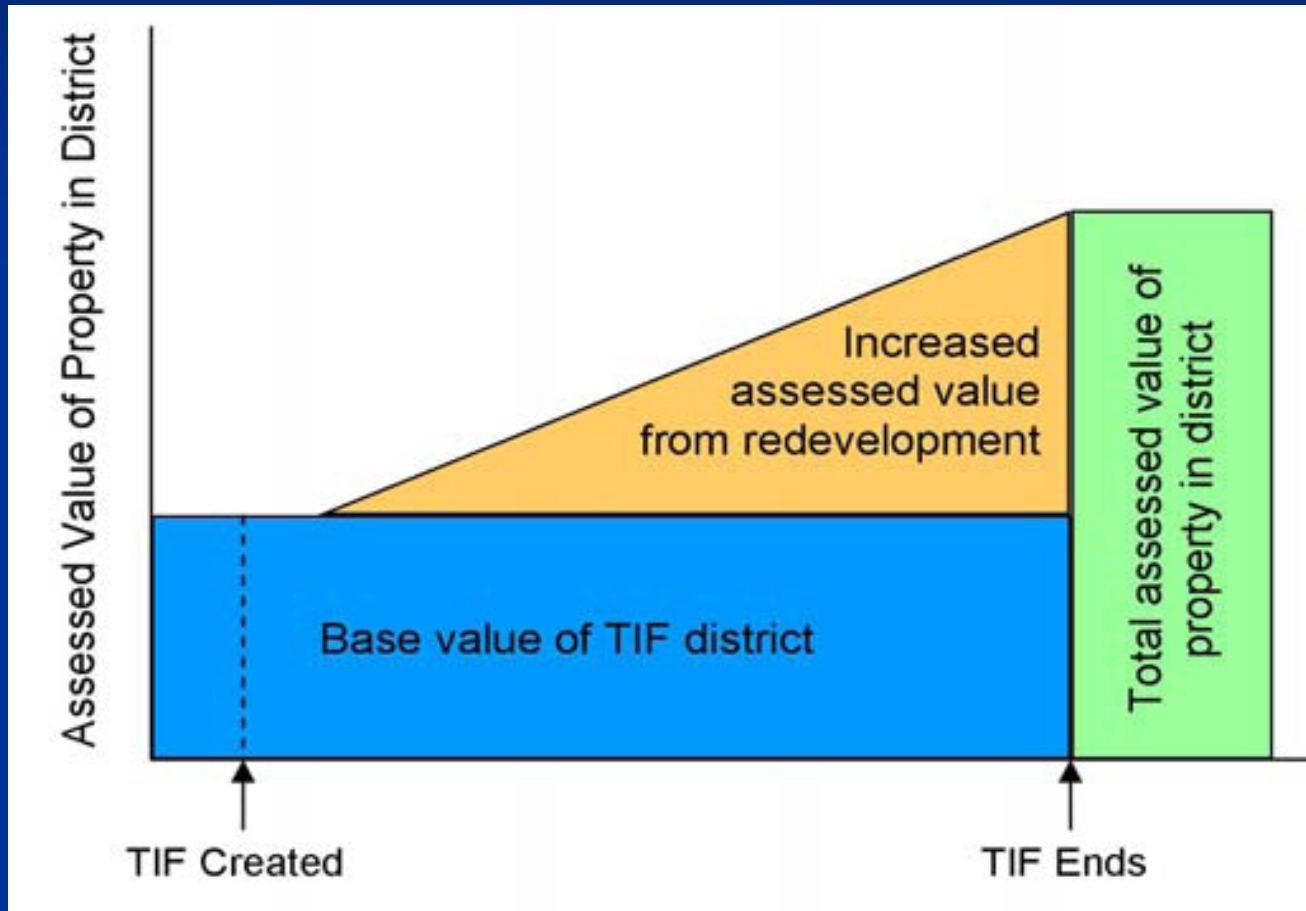
TIF Process

- Select Board approval of creating a TIF District and approval of the TIF District Plan
- Apply to the Vermont Economic Progress Council (VEPC) for approval
- Apply for bonds to pay for improvements and town-wide bond vote (2011 at the earliest)
- Determine initial taxable base of TIF district
- Make yearly bond payments with TIF revenue

How does a TIF Work?

- Establish a base year for assessed value of property in the TIF district called “original taxable value”
- Calculate the assessed value of increased development each year
- Determine the municipal revenue, state education fund (homestead & non-homestead) revenues available from development each year to pay bond debt.

How a TIF Works



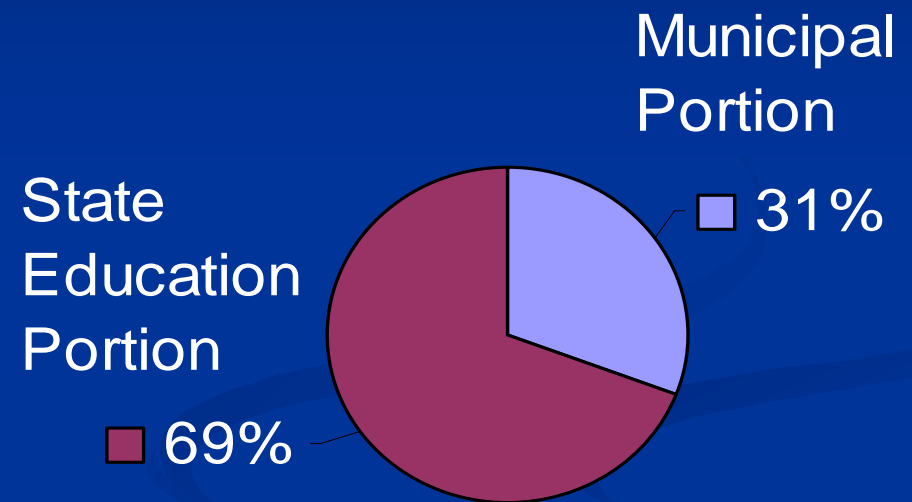
Courtesy of Burlington, VT CEDO Office, 2010

% of Revenue \$\$ to be Used

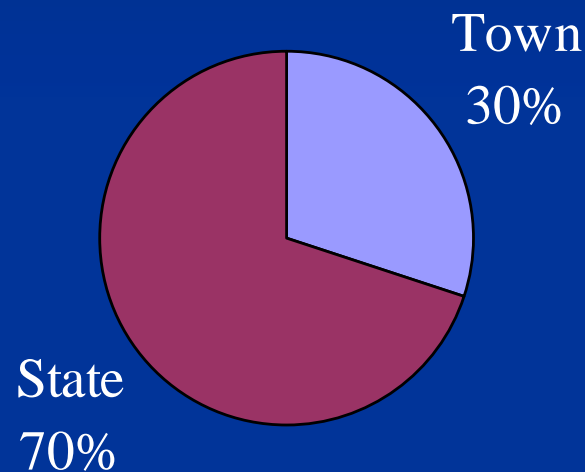
- 44% of the tax revenue generated by the TIF will be used to pay the bond indebtedness
- The remaining 56% of new municipal revenues will go to the Town
- This was determined by calculating the amount needed for the year with the largest bond payment due
- Money not spent in any year can be given back to the Town and the State Education Fund or held in escrow until the end of the TIF

Your Tax Dollar –Where it Goes

- When you pay your residential property tax bill, for every dollar, 31% goes to the municipality and 69% goes to the State Education Fund (homestead and non homestead portion)
- With the TIF, up to 75% of these funds in the TIF District can be used to pay for public infrastructure. The Town is only planning to use 44%.



Your TIF Dollar –How Far it Goes



- The Town plans to use \$2,820,492 of municipal tax dollars over 20 years to leverage \$6,506,578 of State revenues. This means:

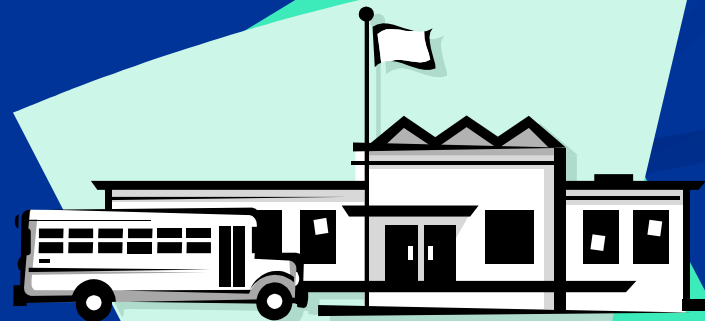
70% of the costs of the infrastructure will be funded by the State.

Total Revenues Raised over the life of the TIF (20 Years)

Type of Revenue	Total Revenues Raised by TIF	\$ Needed to Pay Debt Service
Municipal	\$10,943,427	\$2,820,492
Homestead	\$14,981,446	\$3,861,227
Non-homestead	\$10,263,882	\$2,645,351
Total	\$36,188,755	\$9,327,070

No Impact to our School Funding

- The homestead and non-homestead portion of the revenues (state education fund portion) used in the TIF District **do not** impact the State Education Funds sent to the Colchester School District during the life of the TIF.



Total TIF Additional Development Value at Severance Corners

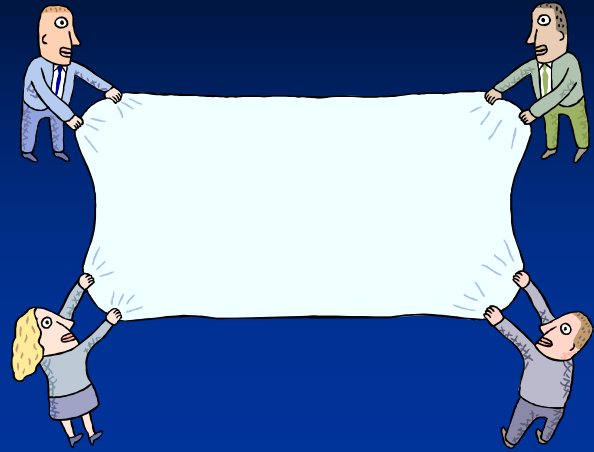
Quadrant	Total Development Value
Northeast Quadrant	\$35,835,000
Southwest Quadrant	\$14,180,000
Southeast Quadrant	\$45,972,500
Total	\$95,987,500

Total TIF Additional Development Value at Severance Corners

- Almost \$1,000,000 will be added to the Grand List at the end of the life of the TIF (20 years)
- Current Grand List Value is just under \$14,000,000.



Safety Net for Tax Payers



- The Town has calculated that revenues will cover debt payments both on an annual basis and cumulatively through the 20 years of the life of the TIF District.
- In fact during the life of the TIF District, revenues are projected to significantly exceed debt payments.

Safety Net for Tax Payers

- However, to insure the Colchester taxpayers against severe economic downturns or an unforeseen change in the development schedule, the Town is working with developers to provide a safety net.
- The goal of the safety net is to eliminate the potential for taxpayers to pay for debt at Severance Corners through increased property taxes.

Safety Net for Tax Payers

- The Safety Net includes considering the combination of escrowing unused TIF dollars (up to the 44% the Town has allocated) along with a contract with the developers to cover any deficit.



Tentative TIF Schedule

- 6/22 Working meeting with the Select Board
- **7/13 First Public Hearing on the creation of TIF District and TIF Plan**
- 7/27 Second Public Hearing and Select Board Vote on creation of TIF District and approval of TIF Plan
- Submit to VEPC by 8/5 for their meeting on 8/26
- If approved, prepare Final TIF Financing Plan and decide when to hold Town wide Bond Vote

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www.colchestervt.gov for more information