

# Explaining the city's TIF district

I recently had the chance to speak with some long time members of St. Albans' business community about the City's Tax Increment Finance District and Program (TIF Program). Over lunch at Jeff's Seafood, Planning Director Chip Sawyer and I fielded questions about the roll out of the TIF and its impact on the community. Many of those questions are likely on the minds of others so I've tried to capture them here.

## What is a Tax Increment Finance Program?

Tax Increment Financing allows a municipality to utilize tax "increment" created by new private development projects to pay for public improvement projects that are necessary to attract or retain the new development. For example, Lake and Federal Streets are experiencing several new private development projects (St. Albans Co-op, Mylan, SB Collins). This creates a tax increment, measured as the difference between property values before the investment and after. The TIF program allows the City to utilize 75 percent of this increment to pay bonds issued for public improvements that help attract or retain the private investments. In this case, the increment provided by the above projects can be used to pay for public improvements like fixing the intersection at Lake and Federal – a vital link in the Federal Street Connector project that is critical to the success of the above private investment projects.

## Will the TIF raise my taxes?

No. To the contrary, the TIF program reduces pressure on the property tax from a number of directions. First, all property owners pay the same amount of taxes whether part of the TIF district or not. Taxes do not increase because of the TIF. By paying for certain public improvements through the TIF, the City doesn't have to use general tax payer funds to pay for those projects. Second, the key to reducing taxes is growing the tax base. The TIF is the best way to grow the City's tax base as all of our private projects either would not happen, or would happen very differently without the presence of the TIF.

## What are the public projects on the TIF list?

There are six public projects. A parking garage in the downtown core parking lot. The Federal Street Multimodal Connector. New lighting, sidewalks, way finding signage, and landscaping for Lake, Kingman, and Main. Improvements to Taylor Park. Brownfields cleanup at the former Fonda facility. Stormwater treatment facilities.

## How will the TIF help owners of existing commercial properties?

We need to change the physical and economic environment that surrounds existing commercial properties to make them more attractive investments. The TIF projects are the best way to do that. For example, a new downtown state office building would bring 150 office workers into the downtown every day. That makes nearby commercial space more attractive and easier to lease for new restaurant and retail space. When that is combined with all new street lighting, landscaping, and way finding signage, existing properties become much more attractive for other businesses.

## How do we manage risk associated with such a program?

Our program has a lot of "adjustment valves" built into it. The primary safeguard is the ability to coordinate the timing of the public improvements with the private investments that pay for them. For example, we wouldn't build a parking garage and then go looking for an investor to build an office building to use it. To the contrary, a parking garage is in our program because we have investors seeking to construct commercial structures that need

a nearby parking garage to make their project viable. Our program is not "build it and we will come"; rather it is characterized by the statement, "we're coming please build it!"

## What does this all mean for the average tax payer?

The TIF district is a generational opportunity—the type of thing that only comes around every fifty to hundred years. It can literally finance large scale public improvements that otherwise would be far out of reach of tax payers, without raising taxes to pay for them. We can do this because the State of Vermont has authorized the City to use 75 percent of the tax increment that normally would accrue to the State, for the purpose of paying off bonds for local public improvement projects. The increment can only be used to pay debt issued for public projects and it's use it or lose it. We have five years in which we are allowed to issue bonds for projects – not much time given the complexity of these projects.

## What are the next steps?

In November, voters will be asked to approve what's called a "debt ceiling." This is a misnomer because it doesn't approve any debt. A more appropriate term would be "conceptual approval" because each project stands on its own and will be individually considered by the voters. For example, when we finalize plans to redevelop Fonda, we will come back to the voters and ask for approval of a bond to cleanup Fonda, with that bond being paid for by the tax increment created from the new development at Fonda. The November vote however, is a really important vote because it is the final step in creating the City's TIF district.

Hopefully, our lunch conversation with business leaders at Jeff's Seafood was the first of many in the coming weeks. Chip and I would welcome the chance to talk with others over lunch or at small gatherings in the neighborhoods. If you would like to arrange a meeting in your neighborhood or at a local eatery or coffee shop, please get in touch and we can arrange something.



*Dominic Cloud is the St. Albans City Manager and can be reached at [d.cloud@stalbansvt.com](mailto:d.cloud@stalbansvt.com) or 524-1500 254.*