TIF Policies
Outline of General Elements and Considerations

Introduction

Tax increment financing (TIF) or municipal development districts allow the town to harness new commercial property value for economic development, infrastructure, and other community goals, needs, and priorities as permitted by state law. Some or all of the new value created is sheltered from the effect of state formulas that would otherwise reduce school funding and revenue sharing, and contribute to increasing the town's share of county taxes.

Credit enhancement agreements (CEAs) can be used to create incentives to achieve the community's stated goals, needs, and priorities by returning some portion of taxes on new commercial growth. A policy will help clarify the conditions under which the town will consider creating new TIF districts and using credit enhancement agreements.

Commercial development TIFs and affordable housing TIFs are regulated by different sections of statute and different state agencies. Affordable housing TIFs are not addressed in other municipalities' policies; though some of the considerations outlined below can be applied to both commercial development TIFs and affordable housing TIFs, the purpose of this outline is to address commercial development TIF opportunities.

Types

Town-initiated: Development district opportunities recognized and acted on by the town with no application or proposal from a private party. Typically used to fund economic development, public infrastructure improvements, environmental studies, geographic information systems, etc.

Applicant-initiated: Requested by one or more private parties to enable/incentivize development through a CEA focused on one or more of the community's goals, needs, or priorities as expressed in its adopted plans or other goals or policy statements.

Considerations:

For both town- and applicant-initiated districts:

- Linkage to community goals, needs, or priorities, comprehensive master plan, other plans
    - Job creation, types
    - Elimination of blight, other rehabilitation/redevelopment
    - Infrastructure, cost-sharing (direct, for town-initiated, or reimbursement for CEAs)
- Minimum value threshold (how much value needs to be created?)
- Real and personal property?
- Percentage captured
    - How much goes to TIF? How much goes to the general fund?

    - Does that capture percentage remain fixed for the term of the district, or does it vary (or taper)?
    - Does the capture percentage account for any offset for increased service costs?
- Identify specific public benefits/projects (total, or in excess of CEA)
- Term/duration
- Use of debt financing

For applicant-initiated districts with CEAs:

- Percentage returned to the applicant(s)
- Recapture of benefits if a development fails to deliver benefits required in CEA, or ceases operation before CEA expiration
- Identify purposes/uses of the CEA (what are eligible costs?)
- Up-front financing, assumption of financial risk
- Demonstration of financial capacity, financial necessity (the “but for” requirement)
- Availability and use of other incentives (federal, state, etc.)
- Application and review procedures
    - Staff role
    - Council review and approval
    - Costs and fees
        - Application
        - Ongoing administrative fee
- Policy creates no rights or entitlements; all decisions are on a case-by-case basis