

# Tax Increment Financing in Connecticut

Prepared for the Town of Groton  
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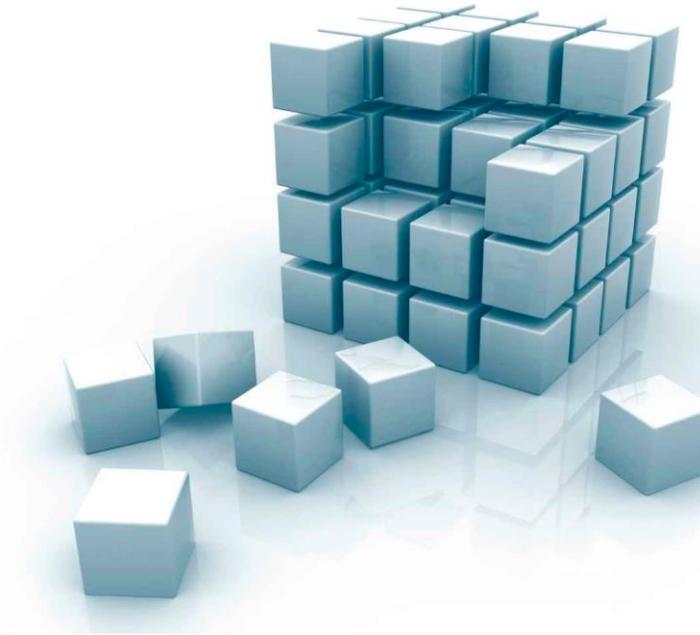
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# What is Tax Increment Financing (TIF)?

- Financing method used to catalyze economic development - Allows some or all of future property tax revenues from development within a district to be dedicated to support the projects and related economic development
- Property tax benefits from project used to help finance project - can be utilized to support public and private development costs
- Portion of incremental revenues not dedicated for TIF purposes are used for general fund



*TIF is Not...* a new tax or a special assessment on top of the existing property tax.

# Overview of CT TIF Process

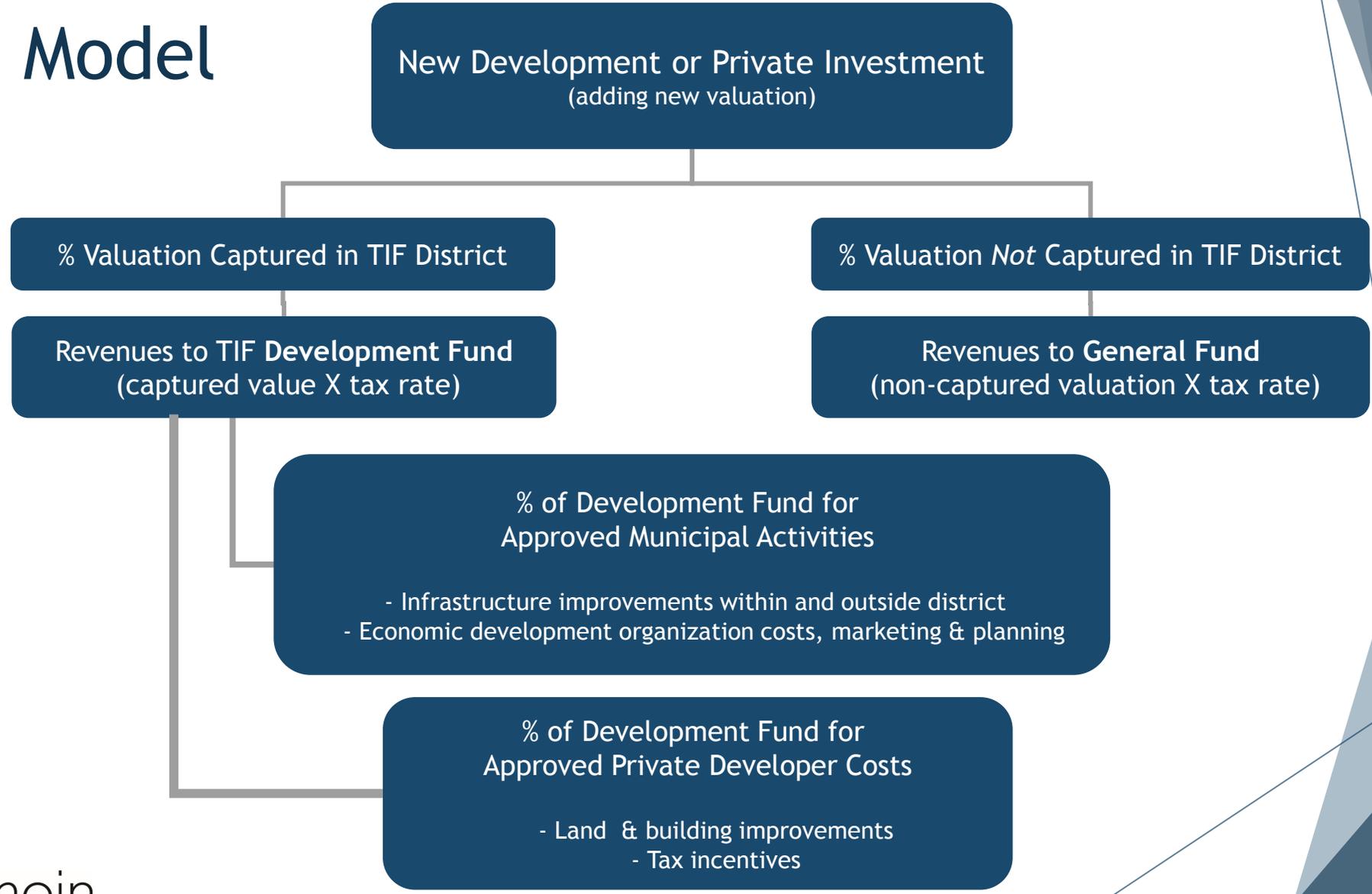
## Old TIF Process

- Burdensome
- State-level Approval
- Multiple Points of Approval
- Project Only (vs. Larger District)
- Limited Uses
- Result → Rarely Used

## New TIF Process

- More Streamlined
- Local Control
- TIF District Beyond Project Site
- Flexible Mix of Uses
- Result → Easier to Use

# Model



# TIF Example by the Numbers:

100% Incremental Value Captured in TIF District - \$30 million in new investment

➤ **Original Assessed Value (OAV): \$10 million**

Property Taxes Paid on OAV: \$219,800

(\$10 million X current mill rate at 21.98 mills)

Available to General Fund

➤ **Value of New Development: \$30 million**

Incremental Value above OAV: \$20 million

Property Taxes Paid on Incremental Value: \$439,600

(\$20 million X current mill rate at 21.98 mills)

Used for public and or private development costs and economic development

# Estimating Future Value and Revenues

- Valuation should be estimated based on:
  - ❑ projected new development and redevelopment in the district, plus,
  - ❑ overall anticipated changes in valuation due to market conditions.
- The mill rate can be held constant for planning purposes or have an annual escalator applied based on mill rate performance in the past five years.
- The mill rate will end up being the same mill rate applied to all real property - TIF is not a new or different tax!

# Uses of TIF Revenue in CT

- Infrastructure
- Land Acquisition
- Construction, Demolition, Remodel
- Streetscape
- Capital Costs (fixtures, equipment, etc.)
- Professional Services (engineering, architecture, etc.)
- TIF Administration & Organization Costs (municipal, consulting costs)
- Off-Site (related to TIF District)
- Used to support bonds for approved TIF uses

*Note: Can be used to offset public and/or private developer costs and as business incentives*



# Other Uses Related to District

## Off-Site

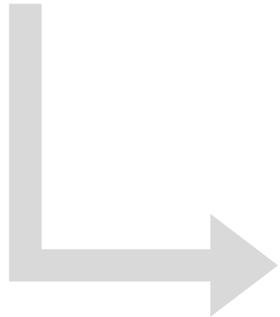
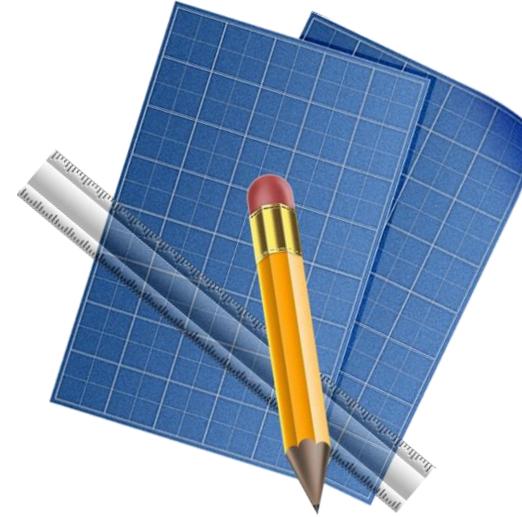
- ⑩ Roadways
- ⑩ Water/Sewer
- ⑩ Public Safety
- ⑩ School
- ⑩ Mitigate Adverse Impacts (e.g., new traffic)

## Economic Development & Environmental

- ⑩ Economic Development Initiatives
- ⑩ Employment Training
- ⑩ Environmental Improvement Projects

# District Master Plan

- Boundaries & Properties of District
- Improvements
- Length of TIF District (50 year max)
- Financial Plan

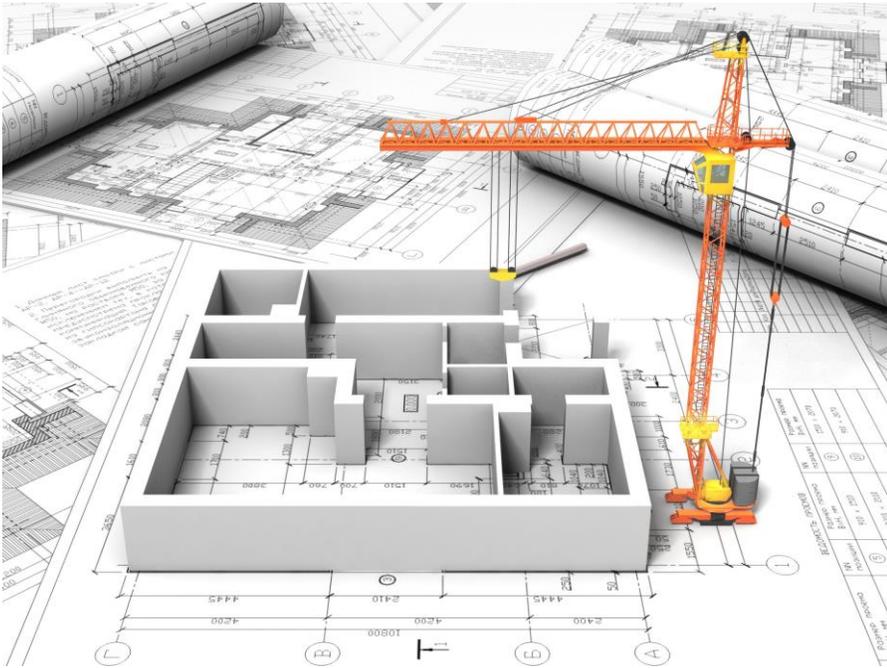


- Cost Estimates
- Max Debt if any
- Anticipated Revenue
- TIF Terms and Agreements
- Estimated Increase in Assessed Value (increment)
- Percent of Increment “Captured” (0-100%)
- Use of Revenues including abatements and CEA’s if any

# TIF Process in CT

1. Legislative body affirms TIF will benefit the municipality
2. 90 days prior to approval of Master Plan, submit Master Plan to Planning Commission for advisory opinion
3. Hold public hearing on the proposed Master Plan
4. Confirm eligibility criteria and assessed value requirements
5. Submission of Master Plan to municipal legislative body
6. Municipal legislative body approves Master Plan, establishes tax increment district

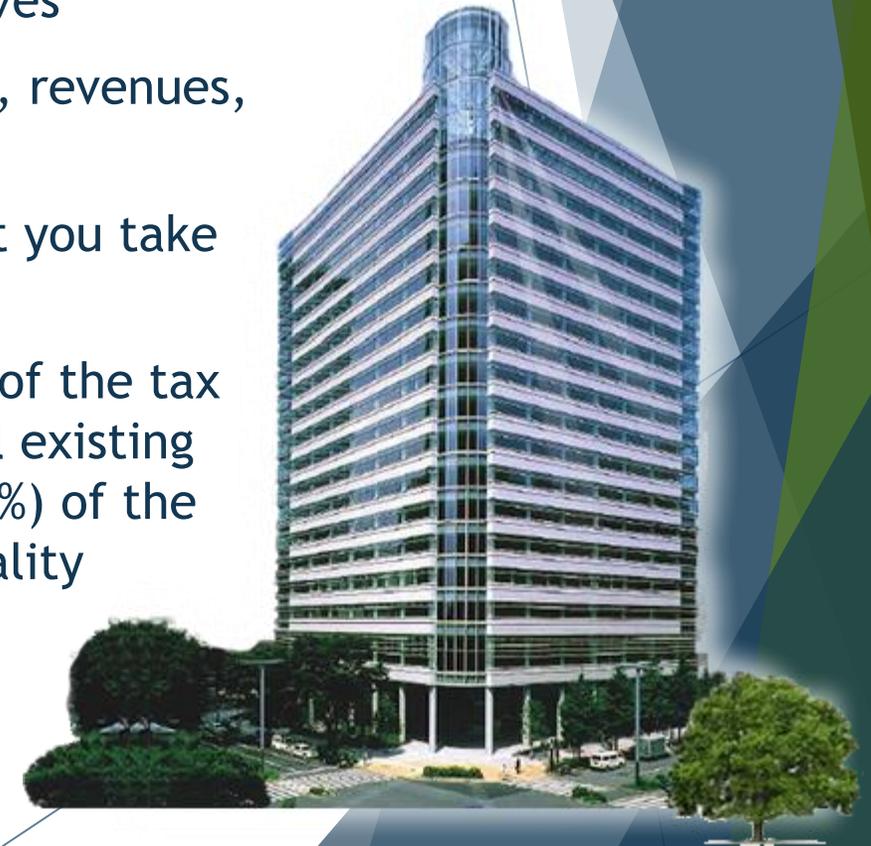
# Tips



- Fit use of TIFs into long-term economic development strategy
- Create advisory board, to advise on the planning, construction and implementation of the district
- Identify public and private needs
- Consider TIF within mix of financing options
- Consider going beyond use of TIFs for business incentives including to fund and public infrastructure and activities to support economic development

# More Tips

- When using TIF revenues to benefit businesses/developers, what you provide to one will be serve as benchmark for future requests
- TIF policies can help direct decisions on when and how to use, can be tailored to meet community's long term objectives
- Once TIFs used, implement system for tracking values, revenues, and expenditures throughout the duration
- Trade-off between TIF funds and General funds - What you take in for TIFs can *not* be used for General Fund purposes
- TIF Limited by State Law - The original assessed value of the tax increment district plus the original assessed value of all existing tax increment districts may not exceed ten percent (10%) of the total value of taxable real property within the municipality



# TIF Terminology

- TIF District - property parcel(s) for which TIF plan will apply
- Original Assessed Value (OAV) - value of taxable real property (land & Buildings) prior to TIF District establishment
- Incremental Value - value from economic development - taxable development above and beyond the OAV
- TIF Revenues - revenues generated by incremental value within a TIF District
- Credit Enhancement Agreement - agreement with developer or business to return a portion of property taxes paid annually over a specified period of time to offset development costs
- Tax Abatement - existing CT and prior to TIF CT law allowing communities to reduce a portion of property taxes owed for specified reasons for a fixed time period of time - more restrictive than CEA's
- TIF Development Plan - plan developed and approved by municipality specifying details of the district

# Questions



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