Introduction to Tax Increment Financing

Town Council Meeting

February 9, 2025

What is Tax Increment Financing?

- TIF is NOT a Tax
- It is a financing method to catalyze economic development
- Captures some or all future district property taxes above base tax value
  - Base tax value established at time of adoption
- Revenues used to support district economic development
  - If not 100%, balance placed in general fund
- Enabled under PA 15-57; Chapter 105b Tax Increment Districts

TIF in Connecticut

Old TIF: Pre 2015

- Burdensome
- State-level approval was required
- Multi-points of approval
- Project specific ONLY, no districts
- Limited uses
- Result = Rarely Used

New TIF: Post 2015

- Streamlined
- Local control (100%)
- District based; not site limited
- Broad use of funds
- Result = Easier to use
- Has become common in CT

TIF in Connecticut

- Windsor Lock
- Groton Town
- Groton City
- New London
- Old Saybrook
- Meriden
- Bridgeport
- Enfield
- Canton
- Bloomfield
- New Britain
- Bristol
- East Haddam
  (Policy adopted, District in process)
- Cheshire
- Hamden

How TIF Works

- Town Council adopts the TIF District(s) and Master Plan
  - Public hearing w/ referral to Planning & Zoning Commission

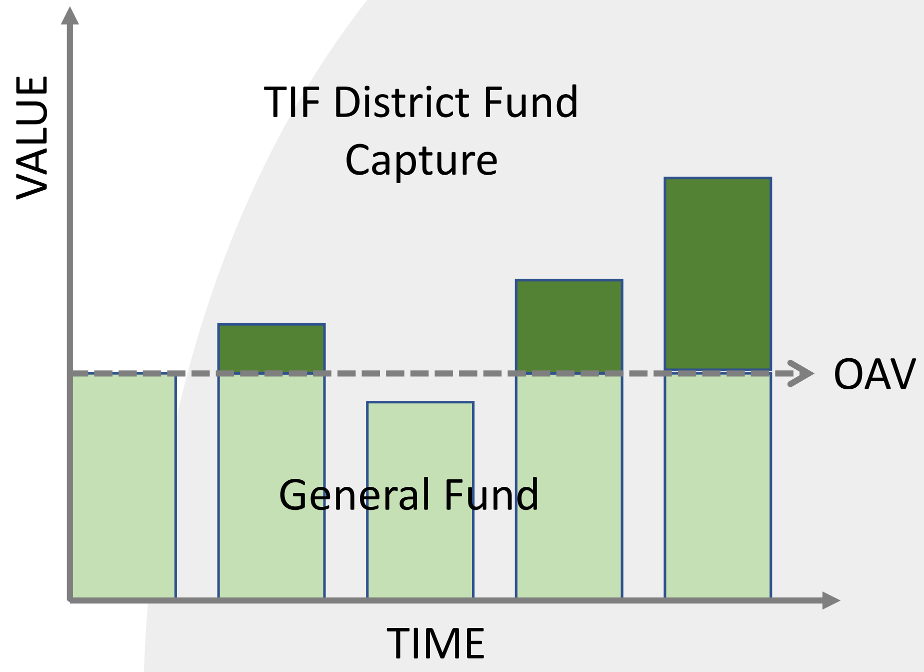
Town Council Action

Initiation → **Advisory Committee (Optional)** → **Establish TIF Policy** (public hearing) → **District Master Plan Adoption** (public hearing)

Management

How TIF Works

- Establish ‘**original assessed value**’ (OAV) at time of adoption – Real Estate Only
- Determine amount of ‘**captured assessed value**’ (CAV) for district use
  - i.e. 50%, 75% or 100%
- The OAV + %CAV deposited into general funds
  - If not 100% CAV, general fund realizes tax gains above OAV

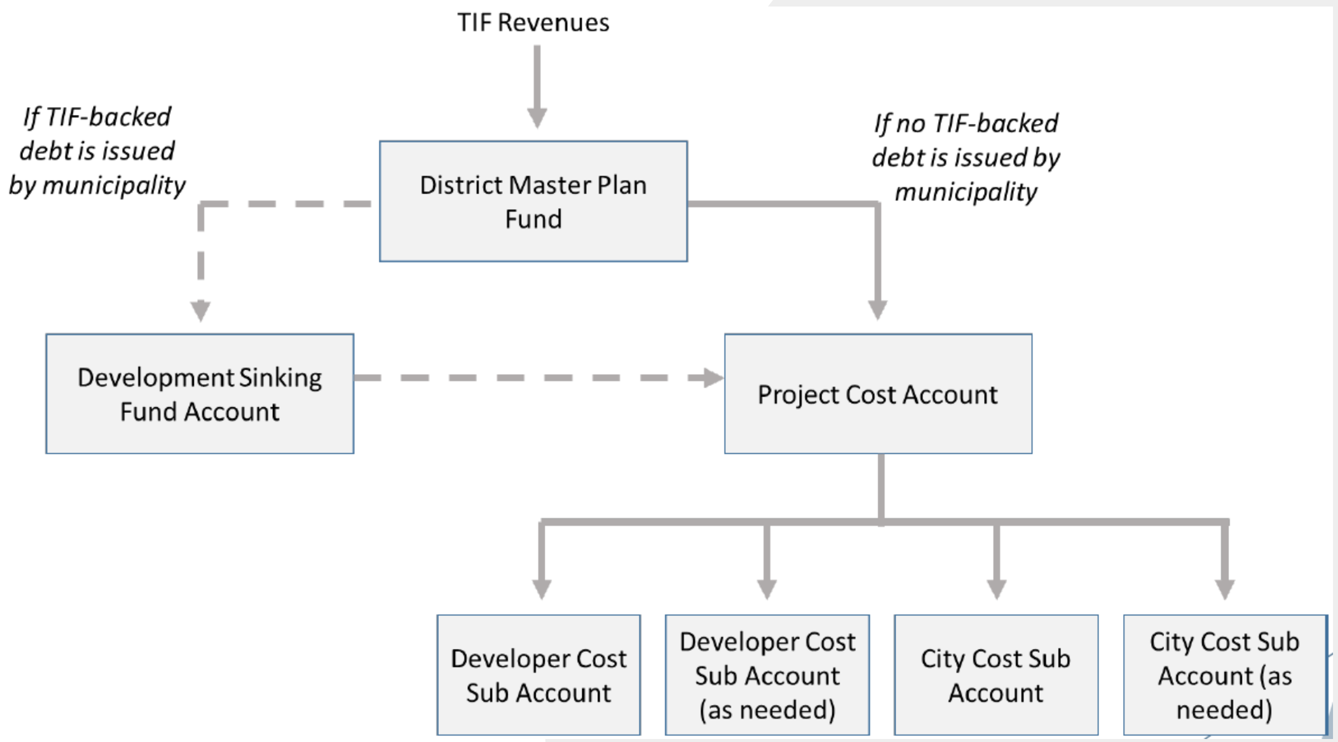


WHAT CAN IT BE USED FOR?

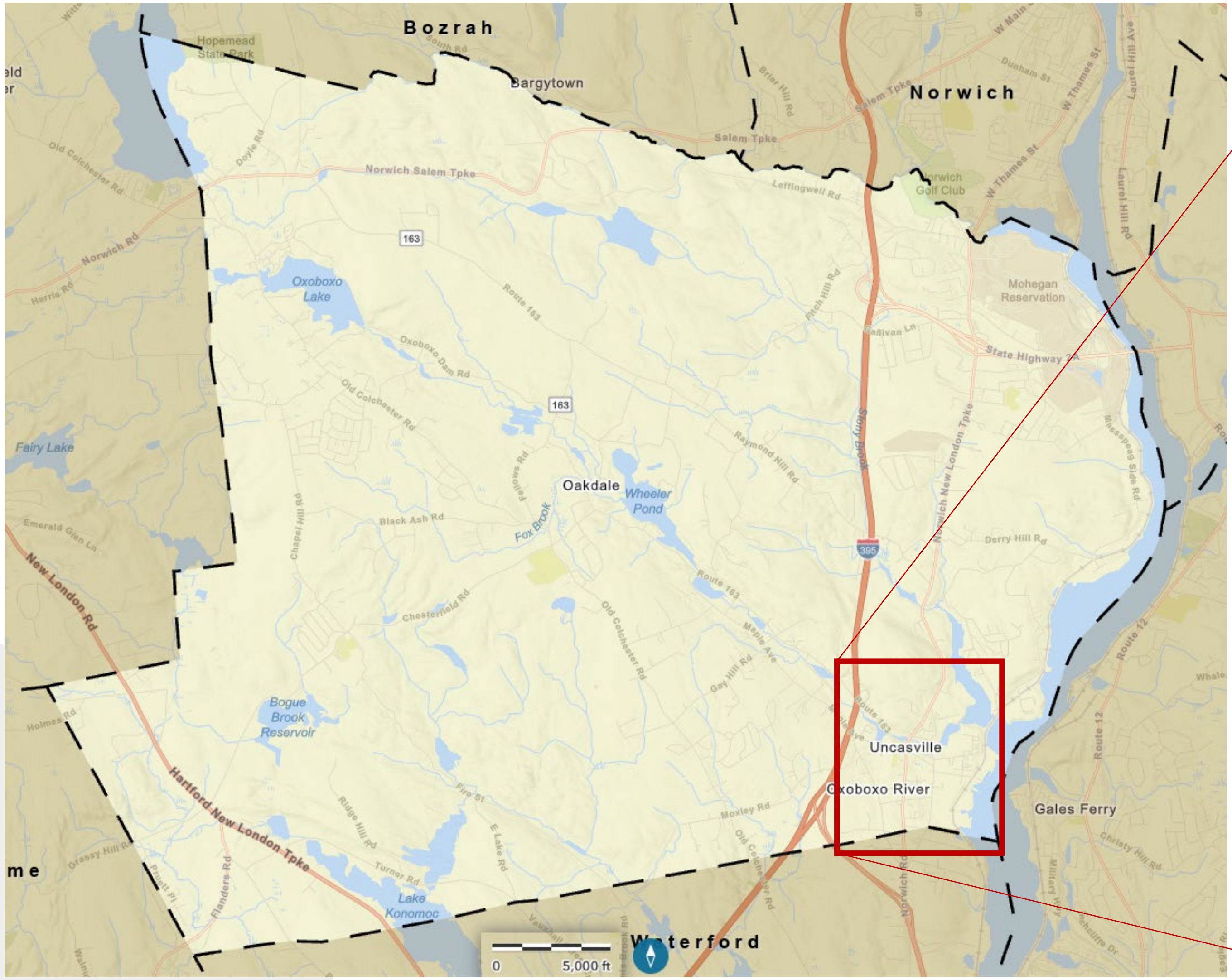
- Public and private development costs
- Improvements shall benefit the district
- Capital improvement use include but not limited:
  - Utility Extensions/expansion/upgrades
  - WPCA expansion (portion that support district)
  - Paving, roadways and bridges
  - Parks and recreation (district specific)
  - Streetscapes and maintenance
  - Training and marketing
  - Small business grants/loans

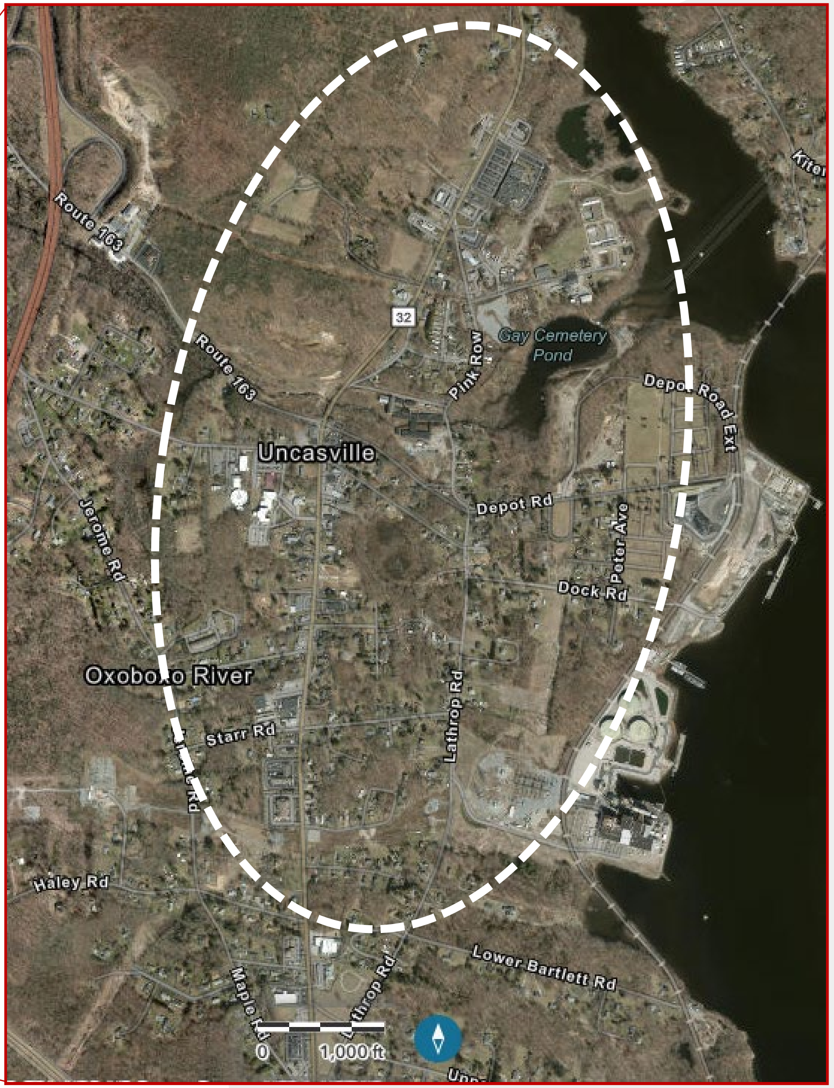
FINANCING OPTIONS

- Credit Enhancement Agreements
- Fixed Valuation
- General Obligation Bonds
- Revenue Bonds
- Property Tax Abatements



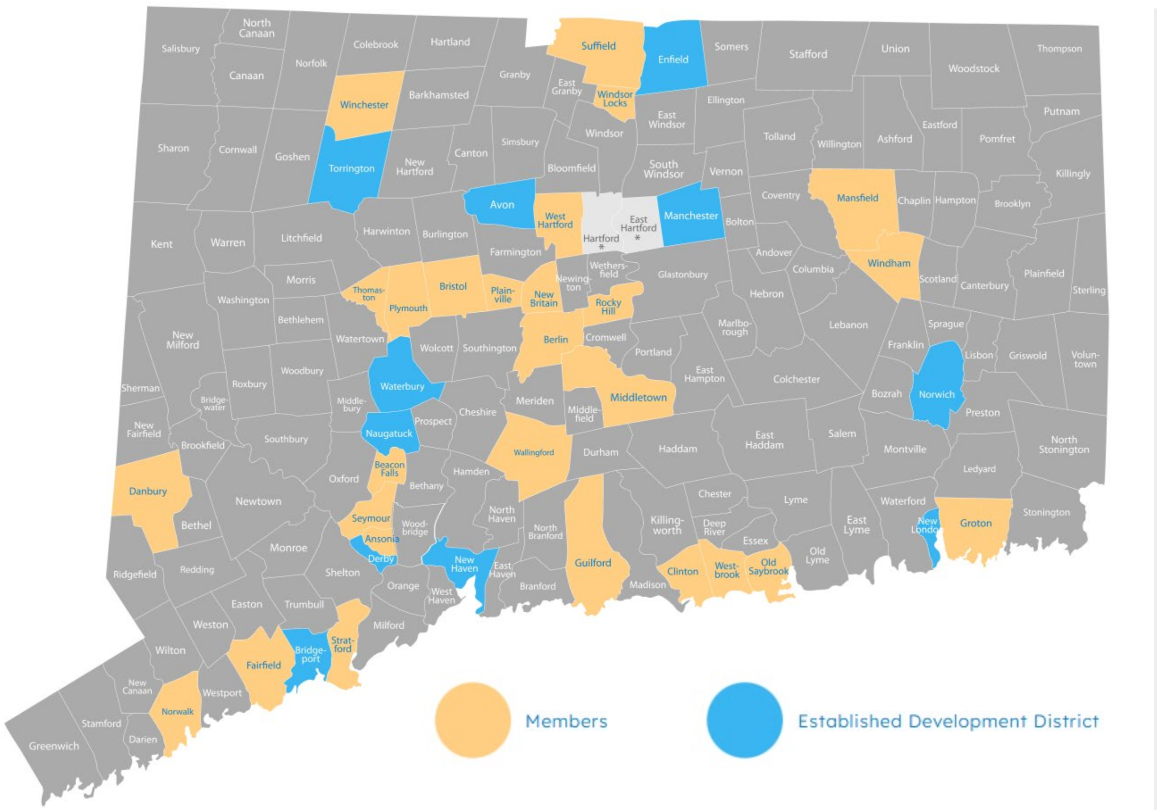
Where in Montville?





Connecticut Municipal Redevelopment Authority

- Provides technical assistance for:
  - 38 members w/ 11 districts
  - Economic Growth
  - Vibrant communities
- Process
  - Resolution to join
  - Establish District
- Creates Funding Opportunities
- Complements TIF & Housing Bill Policies
  - Both provide access to funding



Connecticut Municipal Development Authority

Moving Forward

- Further evaluate feasibility (TIF and CMDA)
- Form advisory committee, if appropriate
- Draft policy
- Refine district with policy
- Move forward as appropriate

Thank you!

District Establishment: Overview

Town Council Action

Initiation → **Establish Advisory Committee** → **Establish TIF Policy** (public hearing) → **District Master Plan Adoption** (public hearing)

Best Practice (Optional)

- Legislative Discussions
- Exploration
- Outreach
- Need
- Appropriateness
- Revive/Renew RT 163/32

- Town Council
- Board of Finance
- PZC
- Board of Education
- WPCA
- Other Boards/Comms
- Business Owner(s)
- Resident (s)

Adopt procedures:

- Purpose
- Need
- Components
- Fund use
- Process
- Management

- Need and limits
- Use of Funds
- Original Assess Value
- Duration (50 y max.)
- Financing Structure
- Flow of Funds
- Management
- Reporting

Once Adopted

Management
Advisory Committee
Supported by Finance/Planning/Assessor

Updates by Town Council
May be amended at any time
Review each 10 years