Town of Montville, Connecticut

Department of Land Use & Development

Planning & Zoning
Inland Wetlands & Watercourses
Economic & Community Development

February 4, 2026

To: Members of the Town Council

Subject: Introduction to Tax Increment Financing (TIF) Overview Document

Dear Council Members,

Please find attached the document, "Tax Increment Financing (TIF): General Information and Overview," which provides a summary of this economic development financing tool as authorized under Connecticut law. I will provide a brief introductory presentation on this topic at your meeting on February 9th.

The impetus of this discussion is the result of the work completed to date for the Route 163 and 32 study and TIF will be an implementation recommendation. With this in mind, and considering recent housing legislature, I felt it would be beneficial for the Town Council to be introduced to TIF now and as a tool for supporting economic development. Should the Council desire to move forward, establishing this district would represent a first stage in implementing the revitalization goals of the study. A helpful document published by the CT Main Street Center can be found here: https://www.townofmontville.org/Customer-Content/www/CMS/files/tif_guidebook-final.pdf

Furthermore, I offer an introduction to the Connecticut Municipal Development Authority (CMDA) and which I will briefly review with Council. CMDA is a statewide quasi-public organization that works with towns and cities to increase housing prosperity in neighborhoods that are mixed-use, walkable, and well-served by transit. CMDA facilitates development of vibrant downtowns across the state. Montville qualifies for membership, at no charge, and will receive technical assistance to support growth and community development, should the Town decide to join. More information about CMDA can be found at their website, https://www.wearecmda.com/.

I look forward to discussing these matters with you.

Sincerely,

Dennis Goderre PLA, AICP

Director of Land Use and Development

<u>Tax Increment Financing (TIF): General Information and Overview</u>

Overview

- Tax Increment Financing (TIF) is an economic development financing tool authorized under Connecticut law (2015) – revised from a prior *unusable* statute
- TIF does not create a new tax or increase the mill rate
- It allows a municipality to reinvest future increases in property tax revenue from a defined geographic area (TIF District) back into the District
- Not all tax revenue must be used for the district, a specific percent (i.e. 50%, 75%...) can be identified in the financing plan established by the Council
- TIF can be used to facilitate development that may not otherwise occur
- TIF is more than a promise to invest, it tells developers and businesses in the municipality the dedicated to a specific area through TIF District adoption.
- The District remains in place for the duration set during adoption
- Remains after leadership change
- A district is adopted through a public hearing process and must be approved by the Town Council
- The district can be modified at any time, following the same process of adoption

Why TIF Is Used: Supporting Development That May Not Otherwise Occur

- TIF reinvests in itself through the realized increment created from the reinvestment of gains (similar to compounding interest)
- TIF can also help projects that face financial gaps that prevent them from moving forward
- These gaps may be caused by infrastructure costs, site conditions, market limitations, or redevelopment complexity
- Without a financing mechanism, these projects may remain stalled, underutilized, or undeveloped
- TIF allows leveraging future dollars for borrowing against projected tax revenue.

TIF helps Overcome Common Barriers to Development

- High upfront infrastructure costs (roads, utilities, site access)
- Costs associated with redevelopment, rehabilitation, or site preparation
- Market conditions that limit private financing feasibility
- Timing challenges between public improvements and private investment

Role of TIF in Addressing These Barriers

- TIF allows a portion of future tax growth to be reinvested to offset eligible costs
- Public investment helps close financing gaps tied to infrastructure or redevelopment needs
- Flexible financing tools can be established

- This can make projects financially feasible without raising taxes

Why Municipalities Use TIF

- Traditional municipal revenues are often insufficient to fund major redevelopment or infrastructure
- TIF helps address financing gaps that limit private investment
- It supports long-term planning for redevelopment and infrastructure
- Public investment is aligned with targeted growth areas

Town wide Benefits

- The Town can benefit when the District benefits
- District value increases can positively impact values outside the District by enhancing quality of life
- Community can enjoy a greater sense of community when a central business district, town green and community focal point is created or enhanced
- Can attract and retain residents across various demographics

TIF Is a Local Policy Choice

- Establishing a TIF district is optional
- Requires approval by the Town's legislative body
- Implemented through a District Master Plan
- District boundaries, goals, and duration are locally defined
- Reflects municipal planning and economic development priorities
- Advisory committee can aid leadership in decision making for fund use

How TIF Works

- A geographic district is established
- Existing assessed values are set as the base assessment
- Taxes from the base continue to flow to the general fund
- New development or reinvestment increases property values
- The increment above the base assessment may be used for TIF-eligible purposes which are defined in the Master Plan
- More than one TIF District may be established
- However, the total of all districts cannot exceed 10% of the total grand list

Where TIF in Montville?

More than one TIF District can be created. The total value of all TIF districts cannot exceed 10% of the total value of taxable real property within the municipality. We recommend one TIF District be considered as an initial 'pilot' to help the Town understand adoption, implementation and management. Future districts can be considered. The stretch along RT 32 from the Waterford Town Line to the proximity of Beit Street has identified as a good candidate for the first District, should the Town Council agree to move forward. This area has evolved as the priority location in the Revive and Renew Route 163 and 32 study, scheduled to be complete in April. A draft will be presented in mid-March. The very general outline in the map below represents only the conceptual limits. The exact boundary would follow property lines and vetted through additional planning and discussions.

District Master Plan (Use and Policy)

The master plan includes:

- District boundaries

- Public improvement strategy
- Use of funds
- Financial plan for incremental revenues; general fund v district fund
- Duration of the district
- Relationship to municipal planning goals

Broad Eligible Uses of TIF Revenue

- Public infrastructure improvements
- Roads, utilities, and access improvements
- Redevelopment and rehabilitation costs
- Façade and building improvements
- Planning, engineering, and technical assistance
- Land acquisition and site preparation
- Financing costs or debt service
- Economic and workforce development initiatives
- Off-site infrastructure supporting the district with benefits to outside the District

Pay-As-You-Go or Financing Tool

- TIF revenues may be used as generated
- Or used to support bonds or other financing, or both
- Allows projects to proceed earlier than traditional funding would allow

Statutory Safeguards

- Total TIF district value is capped at 10% of the Town's taxable grand list
- Only incremental growth may be used
- No impact unless property values increase

Relationship to Other Funding Sources

- TIF can complement grants, bonding, and private investment
- It does not replace other funding tools
- Often used to leverage outside resources

TIF District Established Prior to Revaluation

- The district's base assessment is set using the grand list in effect at that time
- That base becomes the reference point for future incremental growth
- Any increase above the base may be eligible for TIF use

- New assessment may be captured for the district

Why Timing Can Matter

- Revaluation may reveal under-assessed properties
- Establishing the district earlier can provide a stable and conservative baseline
- Future increment depends on actual development or reinvestment, not revaluation alone

Important Limitation

- Revaluation alone should not be viewed as TIF growth
- TIF is intended to capture value created by new economic activity
- Increment is meaningful only when tied to development or investment

Policy and Transparency Considerations

- TIF districts should be based on planning and economic development goals
- Timing of revaluation should not be the sole driver
- Clear documentation of the base year is essential
- Transparency supports public trust and understanding

Why a Simple Promise to Reinvest Taxes Is Not the Same as TIF

- A promise is not a legally defined financing mechanism
- Future councils are not bound by informal commitments
- Annual budget decisions can redirect funds to competing priorities
- No dedicated revenue stream is created
- No defined base or increment is established
- No guaranteed linkage between development and reinvestment
- Private lenders and investors generally require predictable, enforceable revenue sources
- TIF provides a formal structure, documentation, and accountability

What Creates Incremental Value

- New buildings or site development
- Building expansions or major renovations
- Redevelopment of previously underutilized properties
- Infrastructure-supported private investment

What Does NOT Create Increment

- Market-wide reassessment without physical change
- Revaluation alone
- Shifts in value unrelated to development or investment

Key Points & Takeaways

- TIF growth is tied to real, measurable improvements
- Increment is recorded annually through the normal assessment process
- Revaluation is not required for TIF value to be generated
- TIF is a state-authorized, locally controlled tool
- It allows future growth to be reinvested in priority areas
- It does not increase taxes
- Revaluation does not automatically create TIF revenue
- Success depends on real development and investment
- The success of TIF can lead to the success of the Town

Connecticut Municipal Development Authority

Process

CMDA helps municipalities in Connecticut grow and thrive, focusing on achieving vibrant downtowns and mixed-use, walkable neighborhoods around train and bus rapid transit stations.

Who can join CMDA?

All Connecticut towns and cities, with the exception of Hartford and East Hartford, can join CMDA if they have a train station (existing or planned), bus rapid transit station (existing or planned) or downtown area. Downtown is defined in CMDA's governing statute, 8-169hh.

Phase 1: Getting Started

Initial Contact: Local officials, municipal staff, or property owners or developers approach CMDA for an introductory meeting to better understand how the process works and if it might be a good fit for their community. The best way to reach CMDA is to email info@wearecmda.org.

Community Introduction: CMDA may be invited to present to the local legislative body or one of its committees or a municipal commission to explain CMDA's mission and how it can help communities achieve their development goals.

Public Comment: Community members can ask questions, have concerns addressed, and learn more about the process.

Official Membership: Once they have heard from community members, the local legislative body votes to join CMDA as a member municipality.

Phase 2: Planning

Identifying Focus Areas: CMDA meets with local officials to identify specific areas of their town or city near a transit station or in a downtown where they may want CMDA's technical or financial support.

Zoning Review: CMDA reviews the municipality's current zoning regulations in the identified focus areas to determine if existing zoning can be approved as a Housing Growth Zone, which is an area designated for increased housing development in mixed-use and walkable neighborhoods.

Technical Assistance: During this phase, the municipality may request technical assistance from CMDA to better understand development potential, community impacts, regulatory best practices or other areas of inquiry that will help local stakeholders craft a vision for the focus area's future.

Zoning Recommendations (if needed): If current zoning doesn't qualify, CMDA suggests changes.

Local Zoning Decision: The local Zoning Commission reviews and decides whether or not to adopt zoning changes in accordance with CMDA's recommendations (if offered).

Housing Growth Zone Approval: CMDA approves the existing or updated zone(s) as Housing Growth Zones, defining the geography that could be included in a Development District.

Development District Creation: The municipality's Chief Executive Officer enters into an agreement with CMDA that establishes the Development District(s).

Phase 3: Project Implementation

Project Applications: Municipalities or developers can now apply for funding for specific projects located within the Development District(s). CMDA can fund transit-oriented development, housing, demolition or rehabilitation of vacant buildings, or development or redevelopment. Private projects must be in compliance with local regulations to be eligible for CMDA support.

Funded Projects: Projects approved by CMDA's board go to the State Bond Commission for final approval. CMDA then finalizes funding agreements with the municipality or developer.

State Permitting and Coordination: CMDA may help municipalities or their projects navigate the state permitting process and may work with state agencies to streamline regulatory approvals within Development Districts.

Connecticut Municipal Development Authority

FAQs

Who We Are

The Connecticut Municipal Development Authority (CMDA) is a quasi-public state organization that works with willing towns and cities to increase housing production. Led by Executive Director David Kooris, our mission is to help build vibrant communities in Connecticut with more housing in walkable downtowns and near transit hubs, contributing to a healthier economy across the state.

We created this resource because we believe transparent information leads to better community decisions. CMDA only succeeds when towns achieve their own goals—that's why every aspect of our process prioritizes local control and community input.

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Question #1: "Can CMDA force zoning changes and override our development decisions?"

ANSWER: Towns retain complete zoning authority. The process is as follows:

- CMDA reviews local zoning and provides recommendations if if necessary to achieve housing growth.
- Local zoning commission reviews CMDA recommendations and decides whether they want to approve changes.
- If towns don't want to change zoning, they simply don't participate.

Question #2: "Does CMDA eliminate community voice and public comment?"

ANSWER: Community members can ask questions and raise concerns. Public participation is built into every phase:

- Phase 1: Mandatory public comment before any membership vote.
- Phase 2: Local zoning commission holds standard public processes on any zoning changes.
- Phase 3: Normal municipal approval processes for all projects.
- Community members can ask questions and raise concerns throughout.

Question #3: "Once you join CMDA, are you stuck with whatever they want to build?"

ANSWER: Towns control all development decisions.

- Towns identify specific focus areas where they want support.
- Towns decide what types of development fit their community.
- Towns and developers apply for funding—CMDA doesn't impose projects.
- Local officials maintain final approval authority over development districts.

Question #4: "If you join CMDA, are you locked into a program you can't control or leave?"

ANSWER: Towns can exit at multiple decision points. They can:

- Vote "no" on initial membership after the public comment.
- Decline to make zoning changes if current rules don't qualify.
- Choose not to create development districts.
- Decide not to apply for funding for specific projects.
- Participation is voluntary at every single step.

Question #5: "Will CMDA rush development and ignore local planning processes?"

ANSWER: CMDA works within existing local processes:

- Municipal officials actively participate in creating development districts.
- Local zoning commissions retain their standard review authority.
- There is a 90-day review period for project applications ensures thorough evaluation.
- The State Bond Commission provides additional oversight for final approval.

Question #6: "Is state government forcing development on unwilling communities?"

ANSWER: CMDA only works with willing partners:

- Towns approach CMDA or invite them to present.
- Local legislative bodies vote on whether to join after public input.
- 161 of 169 Connecticut towns qualify—but participation is entirely voluntary.
- 26 towns have already opted in, and even more have begun the public process.

The Bottom Line

CMDA is a collaborative resource that helps towns achieve their own goals. No outside mandates, no loss of local control—just partnership, technical expertise, and funding opportunities for willing communities.

Questions? The process starts with a simple conversation. Contact CMDA at info@wearecmda.org.