



## COMMUNITY & ECONOMIC DEVELOPMENT OFFICE

*Celebrating 30 Years ~ 1983-2013*

To: Burlington City Council  
From: Nathan Wildfire, CEDO – reviewed by Bob Rusten, CAO  
January 22, 2013

Re: **Tax Increment Financing (TIF) Capacity – Waterfront TIF District**

On January 13<sup>th</sup>, Mayor Miro Weinberger announced a slate of six projects to be facilitated by the City's proposed investment of up to \$9.6 million dollars of public improvements and related costs, the culmination of the Public Investment Action Plan (PIAP.) PIAP was a year-long public process to generate project proposals with the City's Waterfront Tax Increment Financing (TIF) district, the first time any Vermont municipality has allocated TIF dollars in such a public fashion.

Attached to this memo is a spreadsheet demonstrating the capacity within our TIF district for both the \$6.05 million in already voter-approved TIF projects (Bike Path improvements, Waterfront Access North, and related costs) and this new allocation of \$9.6 million. The resolution before you is seeking approval to place the new \$9.6 million on the March 2014 Town Meeting Day ballot.

**Already voter-approved debt – scheduled for spring 2014 bonding:**

Waterfront Access North	\$2,900,000
Bike Path Improvements	\$2,750,000
City Project Management/Related Costs	\$ 580,000
Debt issuance costs	\$ 60,000
<b>Total</b>	<b>\$6,110,000</b>

**New PIAP related debt – resolution before City Council:**

New Moran	\$6,300,000*
Waterfront Park Upgrades	\$ 800,000
Lake Champlain Community Sailing Center	\$ 500,000
Burlington Harbor Marina	\$ 500,000
Sustainability Park	\$ 500,000
City Project Management/Related Costs	\$ 500,000
Waterfront Access North	\$ 500,000
<b>Total</b>	<b>\$9,600,000</b>

\*The \$6,300,000 figure associated with New Moran includes \$2,091,000 of TIF debt approved by City Council in 2011 to repay a Section 108 loan in the same amount awarded by HUD to support the redevelopment of Moran. As this debt has never gone to the voters for approval that's why it needs to be included in the Resolution.

The assumptions in the TIF capacity model are conservative. Some key assumptions:

- The model assumes an annual growth rate in assessed value within the Waterfront TIF district of 1%. This is lower than the annual growth rate from the past 10 years.
- The rates of tax growth are also all below recent historical averages:
  - Non-homestead education tax rate growth of 4% annually, falling to 1% after 2020
  - Homestead education tax rate growth of 6% annually, falling to 2% after 2020
  - Municipal tax rate growth of 1% annually
- If there is a reappraisal in 2020 our conservative budgeting approach projects a slight reduction in the actual municipal tax revenue being generated. New projected tax revenue associated with three of the PIAP projects, Community Sailing Center, Burlington Harbor Marina, and the New Moran are all halved, to recognize uncertainty in the projects and also to acknowledge their associated tax revenue growth is at least in part captured by our 1% annual growth within the district.
- The already voter-approved debt assumes a 5% or 6% borrowing rate – each on their own tab within the spreadsheet. These rates are significantly higher than the rate just secured by the City through the Municipal Bond Bank of 3.853%.

The column on the first two tabs of the spreadsheet entitled “Net TIF Capacity” represents our “excess” TIF capacity, after all current debt repayments and the already voter-approved debt of \$6.05 million-plus costs. The table at the bottom of both of those sheets shows the cost of borrowing different amounts at different interest rates.

If the City borrows the \$6.11 million at 5%, our Net TIF Capacity is \$14,144,941, and if the City borrows the \$6.11 million at 6%, our Net TIF Capacity is \$13,717,261.

The cost to finance \$9.5 million of additional debt is:

- \$13,043,324 at 6%
- \$12,432,439 at 5%

In both cases, the City should have enough TIF capacity to finance the new debt of \$9.6 million. Obviously borrowing at a 5% rate gives us more capacity. We will also be looking at paying the debt issuance costs out of TIF revenue and not borrowing for these costs. The model also tracks the “Annual Net” associated with cumulative debt repayments (within the schedule) and annual revenues from the district. In both models, cash flow remains positive year to year, indicating an ability to service the debt in any given year.

Lastly, as the plan is to phase in these projects we will have the capacity to assess our projected targeted TIF revenues to ensure that the model is meeting the actual costs; and if not we can make appropriate modifications to project implementation.