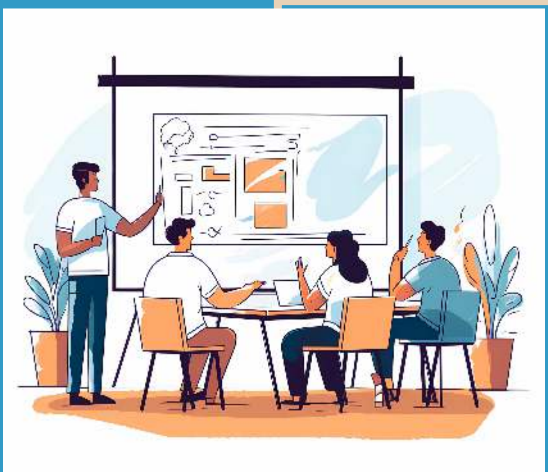
HOW TIF WORKS

Rutland 360

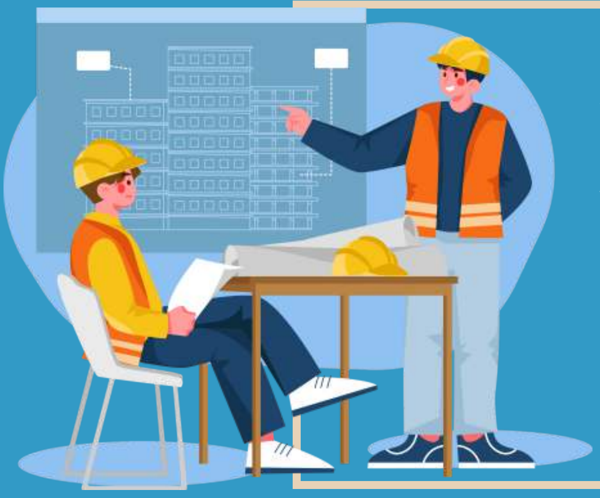


COMMUNITY WANTS IMPROVEMENT

A city may want to create a more vibrant downtown with shopping, dining, housing and mixed use spaces, but a lot of infrastructure development will be needed first. So, it decides to use TIF (Tax Increment Financing), a self-funding program in which the new revenues pay for the upgrades.

DEFINING THE AREA

First, the city will define an area that needs significant redevelopment to tackle blight, brownfields or areas of underdevelopment. This area is known as the TIF District.



ATTRACTING DEVELOPERS

Before private developers can start work within the TIF District, the city needs to make infrastructure upgrades. To fund these, the city turns to the voters to approve of a bond.

VOTE FOR THE BOND

The total amount approved by the voters is derived from the anticipated costs to make the upgrades for the new development.

HOW THE BOND IS PAID

The bond is paid back using the difference between the pre-development taxes and the post-development taxes of the property. For example, if the pre-development tax on the property is $25,000 per year and the post-development tax is $100,000, then the difference (or, the increment) is $75,000. That amount, less a portion of revenues for the municipal general and education funds, is used to pay down the bond.

TAX. INCREMENT. FINANCING.

In a nutshell, the city is financing the bond through the tax increment created by the redevelopment. In other words: but for TIF, the redevelopment - and the taxes generated from it - would not exist.