



What is District Improvement Financing?

District Improvement Financing (DIF) provides a local funding stream for improvements that can generate economic development activity, leading to additional tax revenue and more economic development over time. Within the district area, a city or town may acquire land, renovate, or build new buildings and construct infrastructure improvements, such as roads, sidewalks, and public transportation. Funding from District Improvement Financing can also be used for municipal planning, job development, workforce training, outreach and similar programs that promote economic development.

Funding to pay for the DIF comes from property tax revenues resulting from new private investment in the district. With new private investment, the assessed value of the property increases. The tax rate does not. The assessed value, prior to the investments, continues to be directed to the municipal general fund, while the tax revenue from the increase in assessed value is dedicated to the district. This captured revenue for the DIF area is available for the lifetime of the DIF. Municipalities can dedicate all or a portion of the increase in property taxes to fund district improvements.

To fund large-scale infrastructure improvements within the district, the municipality can choose to incur debt, which is usually accomplished by posting a municipal bond. As the municipal improvements spur private investment in the district, the increasing tax revenue funds the improvements over time and can be directed to fund additional public investment in the district.

District Improvement Financing is not an additional property tax. It does not increase the municipal tax rate, nor is it a special assessment. All properties within the district will pay the same tax rate as those outside the district.

District Improvement Financing is available to all cities and towns in Massachusetts. It is not limited to certain designations, such as those based on income or blight. Districts can be in effect for up to 30 years. The parcels do not need to be contiguous.

Benefits of DIFs

District Improvement Financing offers cities and towns an opportunity to finance public investment in an area that would not otherwise generate economic development without public funding. DIFs can assist in revitalizing a downtown, bringing in new jobs and increasing the supply of housing. By increasing property values, the DIF can generate additional municipal tax revenue.

BRPC PROGRAM

Economic Development Program
berkshireplanning.org/programs

GUIDANCE

A [District Improvement Financing Guidebook](#) has been prepared by MassDevelopment and can be downloaded from their website.

Find FAQs and helpful webinars at:
massdevelopment.com/district-improvement-financing

District Improvement Financing in Practice

The communities of Athol, Brockton, Easton, Quincy, Somerville, and Taunton have implemented District Improvement Financing. Brockton and Quincy established districts to stimulate downtown revitalization. The city of Somerville established two districts, Union Square and Assembly Square. The two DIFs supported the construction of infrastructure improvements, such as water and sewer projects. This opened up private development opportunities for new commercial and residential development.



Once post-industrial pavement, Assembly Square in Somerville is now a mixed-use neighborhood of shops, residences, restaurants, and sidewalk cafés.

The town of Easton, a much smaller community located in southeastern Massachusetts, passed their Five Corners DIF at town meeting in 2019. This area was noted in the Easton Master Plan as an area suitable for additional growth and economic development. The plan envisioned a vibrant, mixed-use neighborhood to live and work, with walkable shops, restaurants, and entertainment. However, increased development was dependent on expanding the sewer capacity within the area. The DIF provided a method of constructing the wastewater treatment infrastructure needed for future development. Easton is also investing in bike and pedestrian improvements.

Establishing District Improvement Financing

District Improvement Financing is authorized by Massachusetts General Law [Chapter 40Q](#) as well as Code of Massachusetts Regulations [402 CMR 3.00](#). It is a locally enacted tool, through the local legislative process of city council or town meeting. While the procedures of the state law must be followed, no state agency approval is required to establish a DIF. It is a local approval process.

Cities and towns interested District Improvement Financing designate a development district according to certain criteria. The district can be as small as one parcel and can be as large as 25% of the municipality's land area.

A development program explains the goals of the district and how the DIF will achieve them.

Typical Projects and Services

A variety of public project costs, when directly related to the district, can be funded through District Improvement Financing. These include the following:

- Acquisition of land
- Water and sewer improvements
- Sidewalk and road improvements
- Public buildings and renovations
- Streetscape improvements
- Financing costs
- Relocation costs for condemned parcels
- Workforce training
- Environmental impact studies
- Planning studies
- Costs related to creating and/or administering the DIF
- Improvements to public safety
- Advertising & marketing
- Events & education
- Water and sewer projects that are outside of the district, if necessary for district development to occur