

**Senate Finance Committee  
March 3, 2023  
Town of Hartford Written Testimony**

**S.35 – A Bill Related to Hartford’s Tax Increment Financing District**

**Reponses to Doug Hoffer, State Auditor, February 16, 2023 Comments/Questions to the Senate Finance Committee**

**SAO Comment** - Town of Hartford is lobbying the Legislature for another 2 years to borrow money for TIF district improvements and to keep tax increment for an additional 2 ½ years, counter to the 20-year limit established in Title 24. The Legislature already extended the borrowing period for all municipalities with TIF districts in recognition of the impact of COVID-19, including three years for Hartford’s White River Junction TIF District.

**Town Response:** The Town’s request to extend the debt limit in 2020 predated COVID and was intended to address the impact of the Great Recession which eliminated public and private sector redevelopment projects in the first three years which otherwise were poised to start. The benefit of that 3-year extension was lost with the impacts of COVID over the past three years. The following are examples:

**S Main, N Main, Gates Streets** - Above and below ground reconstruction \$5.777 M Improvements in core of downtown WRJ.

- 2019 Voter approval.
- Loans pulled in 2020 for 2020 construction season in 2 phases.
- Just completed in 2022- took 3 construction seasons to complete.

**Town Square Parking** – Total reconstruction in core of downtown

- Voter approval in 2020.
- Delayed obtaining loans until early 2021 due to COVID thinking could be done on tail end of 2021 construction season following S Main St improvements completion in 2021.
- Delay of above project had domino effect so now this is scheduled for construction end of 2023 or 2024.

**S Main Street Parking Lot** – Total reconstruction and increasing size.

- 2020 Voter approval for 2021 construction season.
- Due to COVID delayed getting loans until 2022 with intent to construct in 2022.
- However, COVID related delay for completing the S Main, N Main, Gates Street project until 2022 has pushed this project to the 2023 construction season.

**SAO Comment** - Extending the time that tax increment may be kept by a municipality lengthens the time that funds are diverted from the Education Fund and erodes the promise made to taxpayers that the maximum time these funds will be diverted is 20 years. The TIF statutes are clear that there is risk to municipalities with this program. Per [24 V.S.A. §1894\(i\)](#) if tax increment is not sufficient to pay for the debt used to finance improvement projects, the risk is borne by the municipality. Lengthening the time to keep tax increment unfairly shifts this risk from the municipality to the Education Fund.

**Town Response:** The Town is aware of the risk, and the request to extend the increment retention period is not made lightly. However, the worldwide impact of a pandemic for the past three years is

not anything that any of us had anticipated. Rather, it is clear that COVID has significantly impacted planned public and private sector development in the TIF District, which have delayed when the tax increment would be generated from new private development. The Town is just requesting that the period for collecting that new tax increment reflect this delay. The Town is not requesting an increase in the maximum amount of increment retention originally approved for the Hartford TIF District in 2011.

**SAO Comment** - Providing special exemptions and extensions to municipalities makes existing parameters in statute less meaningful and increases the complexity of administering and monitoring the program.

**Town Response:** The COVID pandemic is not ordinary times, and granting the two-year extensions for the debt and increment retention deadlines are appropriate in this time. This is in par with many deadlines throughout state government being frozen for the two years that Vermont was under the State of Emergency Order.

**SAO Comment:** According to Hartford's FY2021 annual TIF district report, tax increment retained from FY2015 through FY2021 exceeded debt service payments by almost \$800,000. This means the Town has this amount in the bank to cover future debt payments.

**Town Response:** Since the FY2021, the Town has incurred \$6,398,528 of additional debt for projects already in progress (see examples of project delays on Page 1). The following are examples of the increase in the next few years shows the annual impact on debt service.

FY 2021 - \$254,079

FY 2022 - \$375,036

FY 2024 - \$686,067

FY 2024 - \$800,381 and just below this for the several following FYs

These debt payments do not include future debt for the remaining \$1,930,400 of unobligated or voter approved public infrastructure improvements in the Town's approved TIF District Finance Plan.

**SAO Question** - How much education property taxes would the Education Fund forego for the 2 ½ year period if the tax increment retention extension is authorized by the Legislature?

**Town Response:** The Town is not requesting more education fund be retained, but rather when it is being retained. Private sector redevelopment that was anticipated to be reflected in the Grand List has been delayed by the past three years of COVID. Hence these taxes are not being collected today (and in future years) reducing the overall increment originally stated in Hartford's approved TIF District Financial Plan. In recognition of this the Town is asking to shift the time period for collecting the increment at the end of the retention period. The Town is not requesting an increase in the maximum debt originally approved for Hartford in 2011.

Also, once the debt period has completed, the Town is required to undergo a review to determine the increment needed to retire debt and cover related costs. If the anticipated retention is greater than needed, the retention amount is adjusted accordingly.

Your consideration of the Town's Testimony is greatly appreciated