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**HOUSE COMMERCE REGARDING TIF DISTRICTS (S.135)**  
**APRIL 20, 2017**

**PART OF THE GOVERNOR'S FOUR-PART HOUSING FOR ALL PLAN:**

- Added to S.135 by vote of 24-3 in the Senate
- Add \$200,000 to the Downtown & Village Center Tax Credit Program (Sec. H8)
- Expand PHP Exemption from Act 250 (Sec. H3)
- Lift the cap on TIF Districts
- \$35 million State Housing Bond (not in S.135)

**TIFs ARE AN INVESTMENT IN OUR DOWNTOWNS AND LAKE CLEANUP:**

- Public good outcomes required by VT TIF law align with state development priorities:
  - Downtown revitalization
  - Upper floor redevelopment
  - Job creation in downtowns
  - Downtown transportation improvements, including public transit
- Improving water quality
  - Local investments in storm water separation and treatment
- Developing housing:
  - Existing Districts have developed or project 2500 new or rehabilitated units of housing
- Public infrastructure investment leverages private investment: 2 to 1 return to date
- Investments increase grand list (est. to increase \$767m; 124%) and revenue (est. to increase \$26m; 289%)

**TIF IN VERMONT: (See graphic on page 2 of TIF Summary)**

- Purpose is to provide revenue to build and improve public infrastructure that will cause private development and redevelopment that increases the grand list, creates jobs and enhances the economic vitality of the municipality, the region and the state.
- If TIF District Plan approved locally and by the State, municipality seeks approval of voters to incur debt (usually by bonding) to build or improve planned public infrastructure that is known to be required to spur certain private development within the TIF District.
- After coordinating timing of infrastructure improvements with private developers to ensure generation of increment, municipality builds and improves public infrastructure. Municipality has 5 years from creation to incur first debt and 10 years from creation to incur any debt to be financed using retained incremental education property tax revenue.
- Private developers build and rehabilitate retail, commercial, and residential properties, increasing the taxable value of properties within the District.
- 100% of the property tax revenue from base value (value when TIF created) continues to go to the Education Fund and municipal general fund.
- Approved percentage (up to 75%) of the *incremental* property tax revenue generated by the development within the District is retained by the municipality to finance infrastructure debt for 20 years. Remaining percentage (minimum 25%) of increment goes to Ed Fund.

## **GENERAL ASSEMBLY HAS IMPROVED THE TIF PROGRAM**

- But For is now required for all new TIFs
- Statute tightened and rule required (Promulgated in 2015)
- Annual municipal audits required using procedure developed with State Auditor
- State oversight and monitoring
- Scheduled audits by State auditor

## **VERMONT TIFs ARE DIFFERENT FROM OTHER STATES**

- But For – Ensures utilization of revenue that **would not** have been generated unless infrastructure is built that encourages private development that generates the revenue
- Private development is primarily targeted to downtowns, growth centers and new town centers.
  - 6 of 9 active TIFs in DDT, GC, and/or NTC
- Only public infrastructure can be paid for (not private developer's costs)
- Only incremental property tax is used to pay off debt (some jurisdictions use all taxes)
- Limits on debt period (10 years) and retention period (20 years)
- Any major changes to TIF Plan must be approved locally and by State

## **APPROVAL PROCESS:**

**Local: Usually following extensive studies (“the future of,” transportation, capital expenditure, etc.) and creation of comprehensive development plans, and in many cases the process to get approval of designated downtowns, growth centers or new town centers.**

- Municipality designates an area and develops a TIF District plan.
- After holding a public hearing on the Plan, municipal legislative body adopts a finding of purpose and the TIF Plan, creates the TIF District, and pledges a certain percentage of the incremental municipal property tax revenue.
- Plan filed with town clerk and VEPC

## **State:**

- VEPC reviews against statutory criteria:
  - Statutory Purpose
  - But For
  - Process Criteria
  - Location Criteria
  - Project Criteria (public good outcomes)
  - Nexus
  - Proportionality
  - Viability

- VEPC Process: (takes place over several months)
  - Presentation by Municipality
  - Detailed analysis of TIF Plan, especially viability, infrastructure costs, development, revenue generation assumptions. May utilize hired analysts and charge back to municipality.
  - VEPC Board meeting in municipality: tour of proposed District; public hearing
  - Subsequent VEPC Board meetings (1-2) to review details of Plan; question municipality; municipal response to analysis; presentation of draft findings and recommendation by staff; vote.

### **BUT FOR DETERMINATION**

- General Assembly put TIF But For in statute ten years ago
- Entrusted citizen volunteers, including two legislators, to make determination
  - Why?
    - Applications are lengthy and include detailed data and information required to make eligibility determinations
    - Involves hours of testimony, visit to community with a public hearing, and face-to-face interrogation of municipal officials
- VEPC has been administering the But For in different programs for **20 years**
  - Board of reasonable people making a reasoned and deliberate determination after spending hours reviewing the evidence, information, and data and meeting with the applicants
- For TIF Districts this is an open, public process:
  - All the information VEPC uses to make determination is available to anyone willing to take the time to review it.
- Still a subjective determination
  - May not be able to audit a subjective determination, but many state boards are directed to make subjective decisions that are not auditable
  - That is why we have a volunteer citizen board making the determination

### **BUT FOR**

- The fact is that development of the scope allowed by use of TIF financing tool is NOT happening on its own. If it were, potential projects would have already started.
- Many municipalities have developed comprehensive development plans that are idled due to lack of financing.
- TIFs allow for projects to occur using a lens with a long view, instead of being shortsighted.
- Projects develop contemplating future development needs: what infrastructure will support best mix of commercial, retail, and residential development.
- Doing this work comprehensively, in a thoughtfully planned way, results in better, stronger, more resilient outcomes for communities.
- It is not only smarter but is ultimately less expensive than doing poorly planned cobbled together parts and pieces over time.

## TIF IS A RAID ON THE EDUCATION FUND

- A raid implies that the existing level of money will be diminished, taken and used for other purposes. This is simply not the case with TIF.
- The revenue going to the Ed Fund from the original taxable value continues to go to the education fund at the same level – this remains unchanged.
- Only a percentage of the increment – future revenue generated by the new development - goes to help finance the infrastructure debt.
- In fact, TIFs generate an increase to the Ed Fund over the term of the TIF (25% of increment) and then the change in taxable value generates a substantial increase in revenues to the Ed Fund:
  - Estimated to be a 124% increase in value and 289% increase in Ed fund revenue.
- TIF uses new or “incremental” revenue derived from new development or redevelopment that would not occur without the investment in public infrastructure.
- The increment **would not happen** except for the creation of the TIF and investment in infrastructure because the new development would not occur or would occur in a substantially diminished way.

## WHY DO MUNICIPALITIES NEED TO USE TIF?

- Economically-feasible development in downtowns is extremely difficult.
- Even in more rural areas, costs to build are as high as Chittenden County, but sale prices and rents are lower, making development unattractive.
- Much of Vermont’s downtown infrastructure is old and inadequate to meet current development needs.
- Each is different and have different needs, but many have issues with parking, sewer lines, water, storm water treatment, and brownfields.
- Funding from State and Federal levels are diminished.
- TIF provides public-private partnership to finance infrastructure and attain development goals of municipality and State

## FAIRNESS:

- Most active TIFs are in Chittenden County (6 of 9)
- Allow other population centers and downtowns around the state to access this financing tool to revitalize their downtowns and communities.