

## **Secs. J–J.9: Tax Increment Financing Districts**

These sections propose amendments to statutory provisions governing the creation and approval of tax increment financing districts by:

- (1) lifting the statutory “cap” on TIF districts and allowing two additional districts;
- (2) requiring a municipality with an approved district to commit a 100 percent share of the municipal increment;
- (3) requiring the Emergency Board annually to determine the amount of forgone revenue to the Education Fund as a result of TIF districts and recommend the maximum amount of indebtedness that would be prudent for the State to incur each year for TIF districts;
- (4) modifying the criteria on which the Vermont Economic Progress Council approves new districts; and
- (5) creating a new municipal-only TIF district that may only use municipal increment, and not statewide education property tax increment, for infrastructure improvements.

**Sec. J – Finding** that the State of Vermont has an important role to play in creating the infrastructure necessary to support downtown development and revitalization, particularly in distressed communities.

### **Sec. J.1 – 24 V.S.A. § 1892**

**(d)** Strikes the prohibition on approving new TIF districts and adds the South Burlington TIF to the list of historical districts approved to date.

**(e)** Adds language to allow the General Assembly to use the E-Board’s annual recommendation on the prudent amount of long-term debt that should be incurred for TIF districts when determining whether to expand the number of TIF districts each year.

### **Sec. J.2 – Additional TIF Districts; Findings; Approval**

**(a) Finding** that the TIF district in Newport has been retired, and the TIF district in Colchester has been dissolved.

**(b)** Authorizes VEPC to approve two additional TIF districts to replace the two districts that have been terminated.

**Sec. J.3 – 24 V.S.A. § 1894** requires that a municipality with an approved district must retain 100 percent of its municipal tax increment to service indebtedness it incurs to finance the district.

**Sec. J.4 – 32 V.S.A. § 305b**

(a) requires the Emergency Board to adopt an official estimate of forgone revenue from the Education Fund resulting from the retention of education property tax increment each year.

(b) requires the Emergency Board annually to recommend a prudent amount of long-term debt that should be incurred for TIF districts in the next fiscal year.

**Sec. J.5 – 16 V.S.A. § 4025** adds one-half of the official estimate of forgone revenue from the Education Fund adopted by the E-Board to the General Fund transfer to the Education Fund each year.

**Sec. J6 - 32 V.S.A. § 5404a**

(h)(1) – first change is to strike the “but for” analysis.

– second change provides that the review of applications should include number of units of affordable housing, if applicable to a project

(h)(3) – first change is a technical correction to add neighborhood development area (to list of other designated districts available under 24 V.S.A. chapter 76A)

– second change clarifies changes to define more clearly an area that is “economically distressed”

(h)(4) – inserts back in the “but for” test for “project criteria” since the “but for” analysis was removed in (h)(1).

– also adds potential for “rehabilitated affordable” housing as an option under project criteria, and incorporates by reference definition of “affordable housing” under 24 V.S.A. § 4303 (120 percent of median for owner-occupied; 80 percent of median for rental)

**Sec. J.7 – 24 V.S.A. chapter 53, subchapter 5** redesignates the TIF chapter in Title 24 to apply to “Statewide Tax Increment Financing.”

**Sec. J.8 – 24 V.S.A. chapter 53, subchapter 6** creates a new subchapter for “Municipal Tax Increment Financing” to permit a municipality to create a TIF district that only uses municipal tax increment to fund infrastructure improvements. Under this TIF structure, the legislative body of a municipality

considers and approves a tax increment financing plan, and no VEPC approval is required. A municipality is also prohibited from using education property tax increment to fund the project.

**Sec. J.9 – Implementation**

Makes changes to certain TIF statutes in this act (J.1–J.3 and J.6) applicable only to applications filed, and districts approved on or after passage.