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* * * Additional TIF Districts * * *

Sec. 1. 24 V.S.A. § 1892 is amended to read:

§ 1892. CREATION OF DISTRICT

(a) Upon a finding that such action will serve the public purposes of this subchapter and subject to subsection (d) of this section, the legislative body of any municipality may create within its jurisdiction a special district to be known as a tax increment financing district. The district shall be described by its boundaries and the properties therein and the district boundary shall be shown on a plan entitled "Proposed Tax Increment Financing District (municipal name), Vermont." The legislative body shall hold one or more public hearings, after public notice, on the proposed plan.

* * *

(d) The following municipalities have been authorized to use education tax increment financing for a tax increment financing district, ~~and the Vermont Economic Progress Council is not authorized to approve any additional tax increment financing districts even if one of the districts named in this subsection is terminated pursuant to subsection 1894(a) of this subchapter:~~

- (1) the City of Burlington, Downtown;
- (2) the City of Burlington, Waterfront;
- (3) the Town of Milton, North and South;
- (4) the City of Newport;
- (5) the City of Winooski;
- (6) the Town of Colchester;

- 1 (7) the Town of Hartford;
2 (8) the City of St. Albans;
3 (9) the City of Barre; ~~and~~
4 (10) the Town of Milton, Town Core; and
5 (11) the City of South Burlington.

6 (e) Annually, the General Assembly may use the estimate of the maximum
7 amount of new long-term net debt that prudently may be authorized for tax
8 increment financing districts in the next fiscal year prepared pursuant to 32
9 V.S.A. § 305b to determine whether to expand the number of tax increment
10 financing districts.

11 Sec. 2. ADDITIONAL TIF DISTRICTS; FINDINGS; APPROVAL

12 (a) The General Assembly finds that:

13 (1) the City of Newport has retired its tax increment financing district
14 and all debt incurred in the district was repaid in 2015; and

15 (2) the Town of Colchester voted to dissolve its tax increment financing
16 district in November 2014.

17 (b) Notwithstanding 24 V.S.A. § 1892(d), and as a result of the termination
18 of the two tax increment financing districts described in subsection (a) of this
19 section, the Vermont Economic Progress Council is authorized to approve two
20 additional tax increment financing districts.

21 * * * Municipal Tax Increment * * *

22 Sec. 3. 24 V.S.A. § 1894 is amended to read:

23 § 1894. POWER AND LIFE OF DISTRICT

1 (a) Incurring indebtedness.

2 (1) A municipality approved under 32 V.S.A. § 5404a(h) may incur
3 indebtedness against revenues of the tax increment financing district at any
4 time during a period of up to five years following the creation of the district. If
5 no debt is incurred during this five-year period, the district shall terminate,
6 unless the Vermont Economic Progress Council grants an extension to a
7 municipality pursuant to subsection (d) of this section. However, if any
8 indebtedness is incurred within the first five years after the creation of the
9 district, then the district has a total of ten years after the creation of the district
10 to incur any additional debt.

11 * * *

12 (c) Use of the municipal property tax increment. For only debt incurred
13 within the period permitted under subdivision (a)(1) of this section after
14 creation of the district, and related costs, ~~not less than an equal share~~ 100
15 percent of the municipal tax increment ~~pursuant to subsection (f) of this section~~
16 shall be retained to service the debt, beginning the first year in which debt is
17 incurred, pursuant to subsection (b) of this section.

18 * * *

19 (f) ~~Equal share required~~ Required share of increment. If any tax increment
20 utilization is approved pursuant to 32 V.S.A. § 5404a(h), no more than 75
21 percent of the State property tax increment and no less than ~~an equal percent~~
22 100 percent of the municipal tax increment may be approved by the Council or
23 used by the municipality to service this debt.

1 * * *

2 * * * Education Property Tax Increment * * *

3 Sec. 4. 32 V.S.A. § 305b is added to read:

4 § 305b. EDUCATION PROPERTY TAX INCREMENT; EMERGENCY

5 BOARD ESTIMATE

6 (a) Annually, at the January meeting of the Emergency Board held pursuant
7 to section 305a of this title, the Joint Fiscal Office and the Secretary of
8 Administration shall provide to the Emergency Board a consensus estimate of
9 foregone revenue from the Education Fund resulting from the retention of
10 education property tax increment by tax increment financing districts
11 authorized pursuant to 24 V.S.A. chapter 53 and section 5404a of this title.

12 The estimate shall be for the succeeding fiscal year. The Emergency Board
13 shall adopt an official estimate of foregone revenue from the Education Fund
14 at the January meeting.

15 (b) Annually, by September 30 of each year, the Emergency Board shall
16 review the size and affordability of the net indebtedness for tax increment
17 financing districts and submit to the Governor and to the General Assembly an
18 estimate of the maximum amount of new long-term net debt that prudently
19 may be authorized for tax increment financing districts in the next fiscal year.

20 The estimate of the Committee shall be advisory, and shall take into
21 consideration:

22 (1) any existing or new debt incurred by authorized tax increment
23 financing districts; and

1 (2) the impact of the amount of the indebtedness on the General and
2 Education Fund revenues.

3 Sec. 5. 16 V.S.A. § 4025 is amended to read:

4 § 4025. EDUCATION FUND

5 (a) An Education Fund is established to comprise the following:

6 (1) All revenue paid to the State from the statewide education tax on
7 nonresidential and homestead property under 32 V.S.A. chapter 135.

8 (2) For each fiscal year, the amount of the general funds appropriated
9 and transferred to the Education Fund shall be \$305,900,000.00, to be
10 increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal
11 Office and Administration determination of the National Income and Product
12 Accounts (NIPA) Implicit Price Deflator for State and Local Government
13 Consumption Expenditures and Gross Investment as reported by the U.S.
14 Department of Commerce, Bureau of Economic Analysis through the fiscal
15 year for which the payment is being determined, plus an additional one-tenth
16 of one percent, plus an amount equal to one-half of the official estimate of
17 foregone revenue from the Education Fund adopted by the Emergency Board
18 pursuant to section 305b of this title.

19 * * *

20 * * * Criteria for TIF Approval * * *

21 Sec. 6. 32 V.S.A. § 5404a(h) is amended to read:

1 (h) Criteria for approval. To approve utilization of incremental revenues
2 pursuant to subsection (f) of this section, the Vermont Economic Progress
3 Council shall do all the following:

4 (1) ~~Review~~ Conduct a review of each application ~~to determine that the~~
5 ~~new real property development would not have occurred or would have~~
6 ~~occurred in a significantly different and less desirable manner but for the~~
7 ~~proposed utilization of the incremental tax revenues. The review ,which~~ shall
8 take into account:

9 (A) the amount of additional time, if any, needed to complete the
10 proposed development within the tax increment district and the amount of
11 additional cost that might be incurred if the project were to proceed without
12 education property tax increment financing;

13 (B) how the proposed development components and size would differ,
14 if at all, including, if applicable to the development, in the number of units of
15 affordable housing, as defined in 24 V.S.A. § 4303, without education property
16 tax increment financing; and

17 (C) the amount of additional revenue expected to be generated as a
18 result of the proposed development; the percentage of that revenue that shall be
19 paid to the education fund; the percentage that shall be paid to the
20 municipality; and the percentage of the revenue paid to the municipality that
21 shall be used to pay financing incurred for development of the tax increment
22 financing district.

23 * * *

1 (3) Location criteria. Determine that each application meets one of the
2 following criteria:

3 (A) The development or redevelopment is compact, high density, and
4 located in or near existing industrial areas.

5 (B) The proposed district is within an approved growth center,
6 designated downtown, designated village center, ~~or~~ new town center, or
7 neighborhood development area.

8 (C) The development will occur in an area that is economically
9 distressed, which for the purposes of this subdivision means that the ~~area has~~
10 ~~experienced patterns of increasing unemployment, a drop in average wages, or~~
11 ~~a decline in real property values~~ municipality in which the area is located has
12 at least one of the following:

13 (i) a median family income that is not more than 80 percent of the
14 statewide median family income as reported by the Vermont Department of
15 Taxes for the most recent year for which data is available;

16 (ii) an annual average unemployment rate that is at least one
17 percent greater than the latest annual average statewide unemployment rate as
18 reported by the Vermont Department of Labor; or

19 (iii) a median sales price for residential properties under six acres
20 that is not more than 80 percent of the statewide median sales price for
21 residential properties under six acres as reported by the Vermont Department
22 of Taxes.

1 (4) Project criteria. Determine that the proposed development within a
2 tax increment financing district will accomplish at least ~~three~~ two of the
3 following ~~five~~ four criteria:

4 (A) ~~The development within the tax increment financing district~~
5 ~~clearly requires substantial public investment over and above the normal~~
6 ~~municipal operating or bonded debt expenditures.~~

7 (B) The development includes new or rehabilitated affordable
8 housing ~~that is affordable to the majority of the residents living within the~~
9 ~~municipality and is developed at a higher density than at the time of~~
10 ~~application. “Affordable” has the same meaning as in 10 V.S.A. § 6001(29),~~
11 as defined in 24 V.S.A. § 4303.

12 (C) The project will affect the remediation and redevelopment of
13 a brownfield located within the district. As used in this section, “brownfield”
14 means an area in which a hazardous substance, pollutant, or contaminant is or
15 may be present, and that situation is likely to complicate the expansion,
16 development, redevelopment, or reuse of the property.

17 (D) The development will include at least one entirely new
18 business or business operation or expansion of an existing business within the
19 district, and this business will provide new, ~~quality~~ high-quality, full-time jobs
20 that meet or exceed the prevailing wage for the region as reported by the
21 department of labor.

1 section 1904 of this subchapter, provided that no parcel within the district shall
2 be divided or bisected by the district boundary.

3 (6) “Related costs” means expenses incurred and paid by the
4 municipality, exclusive of the actual cost of constructing and financing
5 improvements, that are directly related to the creation and implementation of a
6 municipal tax increment financing district, including reimbursement of sums
7 previously advanced by the municipality for those purposes, direct municipal
8 expenses such as departmental or personnel costs related to creating or
9 administering the project, and audit costs allocable to the district.

10 § 1904. MUNICIPAL TAX INCREMENT FINANCING DISTRICT

11 (a) General authority. Notwithstanding any provision of subchapter 5 of
12 this chapter 53 or 32 V.S.A. § 5404a to the contrary, upon approval of the
13 legislative body of any municipality, a municipality may create a municipal tax
14 increment financing district, and may incur debt to provide funding for
15 improvements and related costs for the district.

16 (b) Municipal approval; voter approval.

17 (1) The legislative body of the municipality shall hold one or more
18 public hearings to consider a municipal tax increment financing plan.

19 Following public notice, hearing, and opportunity to comment, the legislative
20 body of the municipality may grant approval of the plan.

21 (2) When adopted by the act of the legislative body of that municipality,
22 the plan shall be recorded with the municipal clerk and lister or assessor, and

1 the creation of the district shall occur at 12:01 a.m. on April 1 of the calendar
2 year so voted by the municipal legislative body.

3 (3) The municipality may only incur debt for the project if the voters of
4 the municipality approve the debt obligation by a majority vote at a regular or
5 special meeting for which voting upon the debt obligation was properly
6 warned.

7 (4) Following final voter approval, the municipality has up to five years
8 to incur debt pursuant to the financing plan.

9 (c) Life of district.

10 (1) A municipality may incur indebtedness against revenues of the
11 municipal tax increment financing district over any period authorized by the
12 legislative body of the municipality.

13 (2) Any indebtedness incurred under subdivision (1) of this subsection
14 may be retired over any period authorized by the legislative body of the
15 municipality.

16 (3) The district shall continue until the date and hour the indebtedness is
17 retired or, if no debt is incurred, after the period authorized by the legislative
18 body of the municipality to incur indebtedness.

19 (d) Financing. During the life of an active district, the following apply,
20 notwithstanding any provision of law to the contrary:

21 (1) Valuation.

22 (A) Within 30 days of voter approval pursuant to subsection (b) of
23 this section, the lister or assessor for a municipality shall certify to the

1 legislative body of the municipality the original taxable value of a tax
2 increment financing district as of the date the voters approved the debt
3 obligation.

4 (B) On or before June 30 following voter approval and annually
5 thereafter, the lister or assessor shall assess and certify to the legislative body
6 the current value of a project parcel.

7 (2) Tax rate.

8 (A) The lister or assessor shall use the original taxable value of a
9 project parcel when computing the municipal tax rate.

10 (B) When calculating the amount of tax due on a project parcel, the
11 treasurer shall apply the municipal tax rate to the current assessed value, rather
12 than the original taxable value.

13 (3) Tax increment.

14 (A) The “tax increment” is the amount of tax paid on a project parcel,
15 as calculated pursuant to subdivision (2)(B) of this subsection using the current
16 assessed value, that exceeds the amount of tax that would have been due if the
17 tax rate were applied to the original taxable value.

18 (B) The municipality may retain any share of the municipal tax
19 increment to service the debt, beginning the first year in which debt is incurred.

20 (C) A municipal tax increment financing district created pursuant to
21 this subchapter is not authorized to retain any education property tax
22 increment.

1 (D) A municipality shall segregate the tax increment in a special
2 account and in its official books and records.

3 (4) Use of tax increment.

4 (A) As of each date the municipality receives a tax payment and
5 retains a portion of the tax increment pursuant to this section, the municipality
6 shall use the portion of the municipal tax increment that is necessary to pay
7 costs actually incurred as of that date for debt service and related costs.

8 (B) If, after paying for improvements and related costs, there remains
9 any excess portion of the tax increment, the municipality may retain the
10 increment to prepay principal and interest on the financing, use for future
11 financing payments, or use for defeasance of the financing.

12 (e) Annual audit.

13 (1) The municipality shall ensure that the segregated account for the
14 workforce housing tax increment financing district required by this act is
15 subject to the annual audit requirements prescribed in sections 1681 and 1690
16 of this title.

17 (2) Any audit procedures shall include verification of the original
18 taxable value and current assessed value, expenditures for project debt service
19 and related costs, annual and total tax increment funds generated, and
20 allocation of tax increment funds.