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S.99

Introduced by Committee on Economic Development, Housing and General
Affairs

Date:

Subject: Commerce and trade; economic development; tax increment financing

Statement of purpose of bill as introduced: This bill proposes to authorize the Vermont Economic Progress Council to approve up to two tax increment financing districts per county in municipalities that do not currently have indebtedness for a district, subject to certain limitations and changes to the program, for a seven-year period.

An act relating to authorizing additional tax increment financing districts

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 24 V.S.A. chapter 53, subchapter 5 is amended to read:

Subchapter 5. Tax Increment Financing

* * *

§ 1892. CREATION OF DISTRICT

* * *

(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~~

1 ~~increment financing districts even if one of the districts named in this~~
2 ~~subsection is terminated pursuant to subsection 1894(a) of this subchapter:~~

3 (1) the City of Burlington, Downtown;

4 (2) the City of Burlington, Waterfront;

5 (3) the Town of Milton, North and South;

6 (4) the City of Newport;

7 (5) the City of Winooski;

8 (6) the Town of Colchester;

9 (7) the Town of Hartford;

10 (8) the City of St. Albans;

11 (9) the City of Barre; ~~and~~

12 (10) the Town of Milton, Town Core; and

13 (11) the City of South Burlington, New Town Center.

14 * * *

15 § 1894. POWER AND LIFE OF DISTRICT

16 * * *

17 (c) Use of the municipal property tax increment. For only debt incurred
18 within the period permitted under subdivision (a)(1) of this section after
19 creation of the district, and related costs, not less than an equal share plus five
20 percent of the municipal tax increment pursuant to subsection (f) of this section

1 shall be retained to service the debt, beginning the first year in which debt is
2 incurred, pursuant to subsection (b) of this section.

3 * * *

4 (f) Equal share required. If any tax increment utilization is approved
5 pursuant to 32 V.S.A. § 5404a(h), no more than 75 percent of the State
6 property tax increment and no less than an equal percent, plus five percent, of
7 the municipal tax increment may be approved by the Council or used by the
8 municipality to service this debt.

9 * * *

10 Sec. 2. 32 V.S.A. § 5404a is amended to read:

11 § 5404a. TAX STABILIZATION AGREEMENTS; TAX INCREMENT
12 FINANCING DISTRICTS

13 * * *

14 (f) A municipality that establishes a tax increment financing district under
15 24 V.S.A. chapter 53, subchapter 5 shall collect all property taxes on properties
16 contained within the district and apply up to 75 percent of the State education
17 property tax increment, and not less than an equal share plus five percent of the
18 municipal tax increment, as defined in 24 V.S.A. § 1896, to repayment of
19 financing of the improvements and related costs for up to 20 years pursuant to
20 24 V.S.A. § 1894, if approved by the Vermont Economic Progress Council
21 pursuant to this section, subject to the following:

1 (1) In a municipality with one or more approved districts, the Council
2 shall not approve an additional district until the municipality retires the debt
3 incurred for all of the districts in the municipality.

4 (2) The Council shall not approve more than two districts in a single
5 county, provided:

6 (A) For purposes of this subdivision (2), the districts listed in
7 24 V.S.A. § 1892(d) shall not be counted against the two-district limit for a
8 county.

9 (B) The Council shall consider complete applications in the order
10 they are submitted, except that if during any calendar month the Council
11 receives applications for more districts than are actually available in a county,
12 the Council shall evaluate each application and shall approve the application
13 that, in the Council's discretion, best meets the economic development needs
14 of the county.

15 (C)(i) A municipality shall immediately notify the Council if it
16 resolves not to incur debt for an approved district within five years of approval
17 or a five-year extension period as required in 24 V.S.A. § 1894.

18 (ii) Upon receiving notification pursuant to subdivision (2)(C)(i)
19 of this subsection, the Council shall terminate the district and may approve a
20 new district, subject to the provisions of this section and 24 V.S.A. chapter 53,
21 subchapter 5.

1 (3) The Council shall not approve any additional districts on or after
2 July 1, 2024.

3 * * *

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

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

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

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

20 (C) the amount of additional revenue expected to be generated as a
21 result of the proposed development; the percentage of that revenue that shall be

1 paid to the education fund; the percentage that shall be paid to the
2 municipality; and the percentage of the revenue paid to the municipality that
3 shall be used to pay financing incurred for development of the tax increment
4 financing district.

5 (2) Process requirements. Determine that each application meets all of
6 the following four requirements:

7 (A) The municipality held public hearings and established a tax
8 increment financing district in accordance with 24 V.S.A. §§ 1891-1900.

9 (B) The municipality has developed a tax increment financing district
10 plan, including: a project description; a development financing plan; a pro
11 forma projection of expected costs; a projection of revenues; a statement and
12 demonstration that the project would not proceed without the allocation of a
13 tax increment; evidence that the municipality is actively seeking or has
14 obtained other sources of funding and investment; and a development schedule
15 that includes a list, a cost estimate, and a schedule for public improvements
16 and projected private development to occur as a result of the improvements.

17 (C) The municipality has approved or pledged the utilization of
18 incremental municipal tax revenues for purposes of the district in the same
19 proportion as the utilization of education property tax revenues approved by
20 the Vermont Economic Progress Council for the tax increment financing
21 district.

1 (D) The proposed infrastructure improvements and the projected
2 development or redevelopment are compatible with approved municipal and
3 regional development plans, and the project has clear local and regional
4 significance for employment, housing, and transportation improvements.

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

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

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

12 (C) The development will occur in an area that is economically
13 distressed, which for the purposes of this subdivision means that the area has
14 experienced patterns of:

15 (i) increasing unemployment, a drop in;

16 (ii) decreasing average wages; or

17 (iii) a decline in declining real property values.

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

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

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

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

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

19 (E)(D) The development will enhance transportation by creating
20 improved traffic patterns and flow or creating or improving public
21 transportation systems.

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Sec. 3. IMPLEMENTATION

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The provisions of this act shall apply only to tax increment financing

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district applications filed, and districts approved, on or after July 1, 2017.

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Sec. 4. EFFECTIVE DATE

6

This act shall take effect on passage.