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H.642

Introduced by Representatives Marcotte of Coventry and Kimbell of
Woodstock

Referred to Committee on

Date:

Subject: Municipalities; taxation; tax increment financing; project
development

Statement of purpose of bill as introduced: This bill proposes to allow a
municipality to use tax increment financing to develop a project.

An act relating to tax increment project development financing

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

Sec. 1. 24 V.S.A. 1892(d) is amended to read:

(d) The following municipalities have been authorized to use education tax
increment financing for a tax increment financing district:

- (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;
- 4 (10) the Town of Milton, Town Core; ~~and~~
- 5 (11) the City of South Burlington;
- 6 (12) the Town of Bennington; and
- 7 (13) the City of Montpelier.

8 Sec. 2. 24 V.S.A. § 1905 is added to read:

9 § 1905. TAX INCREMENT FINANCING PROJECT DEVELOPMENT

10 (a) General authority. A municipality, upon approval of its legislative
11 body, may apply to the Vermont Economic Progress Council pursuant to the
12 approval process set forth in subsection (d) of this section to use tax increment
13 financing for an individual project located within or serving one or more active
14 designations approved by the Vermont Downtown Board under chapter 76A of
15 this title or located within an industrial park as defined in 10 V.S.A. § 212(7)
16 (tax increment financing project development).

17 (b) Eligibility.

18 (1) A municipality is only authorized to apply for tax increment
19 financing project development under this section if it has one or more active
20 designations approved by the Vermont Downtown Development Board under
21 chapter 76A of this title.

1 (2) A municipality with an approved tax increment financing district as
2 set forth in subsection 1892(d) of this title is not authorized to apply for tax
3 increment financing project development under this section.

4 (c) Incurring indebtedness.

5 (1) A municipality approved under the process set forth in subsection (d)
6 of this section may incur indebtedness against revenues to provide funding to
7 pay for improvements and related costs for tax increment financing project
8 development.

9 (2) Notwithstanding any provision of any municipal charter, the
10 municipality shall only have one authorizing vote to incur debt through one
11 instance of borrowing to finance or otherwise pay for the tax increment
12 financing project development. The municipality shall be authorized to incur
13 indebtedness only after the legal voters of the municipality, by a majority vote
14 of all voters present and voting on the question at a special or annual municipal
15 meeting duly warned for the purpose, authorize the legislative body to pledge
16 the credit of the municipality, borrow, or otherwise secure the debt for the
17 specific purposes so warned.

18 (3) Any indebtedness shall be incurred within three years from the date
19 of approval by the Vermont Economic Progress Council, unless the Vermont
20 Economic Progress Council grants an extension of an additional three years.

1 (d) Approval process. The Vermont Economic Progress Council shall only
2 approve a municipality's application for tax increment financing project
3 development if:

4 (1) the proposed infrastructure improvements and the projected
5 development or redevelopment are compatible with approved municipal and
6 regional development plans; the project has clear local and regional
7 significance for employment, housing, and transportation improvements; and

8 (2) the application meets one of the following five criteria:

9 (A) The development within the tax increment financing district
10 clearly requires substantial public investment over and above the normal
11 municipal operating or bonded debt expenditures.

12 (B) The development includes new or rehabilitated affordable
13 housing, as defined in section 4303 of this title.

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

19 (D) The development will include at least one entirely new business
20 or business operation or expansion of an existing business within the district,

1 and this business will provide new, quality, full-time jobs that meet or exceed
2 the prevailing wage for the region as reported by the Department of Labor.

3 (E) The development will enhance transportation by creating
4 improved traffic patterns and flow or creating or improving public
5 transportation systems.

6 (e) Use of tax increment.

7 (1) Education property tax increment. For only debt incurred within the
8 period permitted under subdivision (c)(3) of this section after approval of the
9 project, up to 70 percent of the education tax increment may be retained for up
10 to 20 years, beginning with the education tax increment generated the year in
11 which the first debt incurred for the project financed in whole or in part with
12 incremental education property tax revenue. Upon incurring the first debt, a
13 municipality shall notify the Department of Taxes and the Vermont Economic
14 Progress Council of the beginning of the 20-year retention period of education
15 tax increment.

16 (2) Use of the municipal property tax increment. For only debt incurred
17 within the period permitted under subdivision (c)(3) of this section after
18 approval of the project, not less than 85 percent of the municipal tax increment
19 shall be retained to service the debt, beginning the first year in which debt is
20 incurred, pursuant to subdivision (1) of this subsection.

1 (3) Proportionality. The Vermont Economic Progress Council shall
2 apply the proportionality test under subsection 1894(e) of this title to limit the
3 use of increment by the municipality to only those parcels directly benefiting
4 from the proposed project.

5 (f) Annual report. The Vermont Economic Progress Council and the
6 Department of Taxes shall submit an annual report to the Senate Committee on
7 Economic Development, Housing and General Affairs and the House
8 Committees on Commerce and Economic Development and on Ways and
9 Means on or before April 1 each year. The report shall include the date of
10 approval, a description of the project, the original taxable value of the property
11 subject to the project development, the scope and value of projected and actual
12 improvements and developments, projected and actual incremental revenue
13 amounts, and division of the increment revenue between district debt, the
14 Education Fund, the special account required by section 1896 of this title and
15 the municipal General Fund, projected and actual financing, and a set of
16 performance measures developed by the Vermont Economic Progress Council,
17 which may include the number of jobs created from the project development,
18 which sectors experienced job growth, and the amount of infrastructure work
19 performed by Vermont firms.

20 (g) Audit; financial reports. On or before January 1 of each year, and until
21 January 1 of the year following the end of the period for retention of education

1 tax increment, a municipality with an approved tax increment financing project
2 development under this section shall submit an annual report to the Vermont
3 Economic Progress Council. The report shall provide sufficient information
4 for the Vermont Economic Progress Council to prepare its report required by
5 subsection (f) of this section.

6 Sec. 3. EFFECTIVE DATE

7 This act shall take effect on July 1, 2020.