



STATE OF VERMONT

SENATE FINANCE COMMITTEE

Testimony

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AMENDMENTS TO THE TAX INCREMENT FINANCING STATUTES

The City of South Burlington appreciates the initiative of the Senate through the Finance Committee to clarify areas of law related to Tax Increment Financing (TIF). We recognize there has been controversy over the use of this important financing tool but now as projects come on line and downtowns are either being revived or built we can see the very positive impact this tool is having on achieving our state land use goals, breathing new life into our downtowns and growing the contribution to the Education Fund.

There are three important facts to remember about Tax Increment Financing;

1. It is far less expensive to build in a green field than it is in a downtown. To accomplish Vermont's land use objectives the TIF program was created to narrow that gap in costs and encourage more development in our downtowns.
2. When communities incur debt for developments that are fully or partially financed through revenues from TIF, 100% of the risk falls on the taxpayer of the municipality. The state does not "co-sign" on debt and there is no risk to the Education Fund. If there is a default on a loan because there is a shortfall in revenue to pay it off the burden falls **solely to the local taxpayers** to make up the difference.
3. The Education Fund benefits financially from TIF district projects from the very first day that increment begins to accrue. The State gets its 25% of incremental revenues right off the top from day one. And once the TIF expires the Education Fund receives a windfall of new tax revenue.

There is no "risk" or "cost" to the education fund as described by Auditor Hoffer. The only cost to the fund is the opportunity cost of not supporting development that will lead to increased taxes and contributions to the Education Fund. As has now been shown conclusively in St. Albans, Winooski, Barre and now South Burlington, TIF provides the needed cost saving to development offsetting the advantage of building in a green field and driving development into our downtowns perfectly consistent with state land use objectives. TIF is the ultimate public/public partnership to achieve a desired outcome.

In addition to the clarification of others who testified on the use of TIF revenues to finance debt as well as the use of Bond Anticipation Notes (BANS) the City of South Burlington supports the following amendments to TIF statutes, some elements of which are in S. 191;

1. Retain the right to amend boundaries of a TIF district so that negotiations around expanding boundaries where such capacity still exists can be used as a “bargaining chip” with private sector developers to ensure better development outcomes for the City and State. If there is a consensus around disallowing boundary changes then allow one more year before closing them out for those communities who held off on extending the boundaries for the reason noted above.
2. Make the effective date of a new TIF district April 1 of the year in which the first debt is incurred recognizing the time it takes to develop and construct the public investments in the district. Allow communities that have effective dates in prior years and where the ability to incur debt has not expired to adjust their effective date to the year in which they first incurred debt. By way of example, the South Burlington TIF became effective in 2013 but we first incurred debt in 2017. We have additional public investments that we would like to make in our downtown that are not ready to construct but we have only a couple of years to incur that debt. Under this proposal, make our TIF district effective date 2017.
3. Adopt the audit plan proposed by Senator Brock whereby the State Auditor, VEPC Staff and VLCT meet to determine what factors need to be covered in a local audit that would satisfy the TIF audit requirements. Local communities can fulfill their TIF Audit requirements as long as they satisfy the standards that have been set and as agreed to by the State Auditor. Should further audit work need be done by the State Auditor he/she should provide a detailed invoice to the communities outlining the issues addressed, the number of staff hours required to complete the task and the rates for that work as well as the work performed. Many communities like South Burlington have purchasing policies that require such documentation. Better to use TIF dollars on downtown development than duplicative and expensive audits.
4. Clarify that funds advanced on behalf of the TIF on projects in any single year may be repaid by the TIF in subsequent years.

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