

Date: Tuesday, February 16, 2021

Re: Amendments and Assessments to S.33

To: Senator Sirotkin, Chair, Senate Committee on Economic Development, Housing, and General Affairs

From: Megan Sullivan, Executive Director, Vermont Economic Progress Council

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## **S. 33 Bill Amendments**

### **(2) Coordinating Agency**

Definition from the 2015 TIF Rule that outlines the ability of a municipality to work with organizations such as an RDC or RPC or a private entity to assist in the application and administration process.

### **(3) Financing- Inclusion of the use of BANs**

The timing of when voters approve a municipality to incur debt and when they are able to incur that debt from the bond bank can delay an approved municipalities ability to incur debt in the form of permanent financing within the allowed window. Allowing the use of a BAN to be included as incurring debt if all permanent financing is incurred within one year will correct for this timing issue.

### **(4) Improvements- Debt Service Reserve Fund**

This is an important tool commonly used in municipal bonding to have as an option for projects to cover debt service in the years before increment is available.

### **(10) TIF Project Zone**

Terminology coined by the SAO to describe the area of parcels with nexus to the project that can be used for collecting increment.

### **(d) Eligibility**

Designation approved by the downtown board

Inclusion of the neighborhood planning zone (1/4mile bubble around designated areas) would allow for more potential housing projects to be included.

Industrial Parks

Industrial park definition- We would prefer the definition used in VEDA's statute as that is these are both economic development programs. The language also be amended to include the creation of, enhancement of, or located within an industrial park.

### **(e) Approval process**

This new section follows the process that VEPC undertakes in the approval process for TIF Districts. Process is simplified in the limited size but ensures that the "but for" and viability are detailed and reviewed.

Authorizing votes

We support the correction to allow for one authorizing vote that is passed by a majority of voters with municipalities having the ability to go back to voters at a future date if the vote fails.

**(g) Original Taxable Value**

We would suggest changing this to April 1 of the year the voters approve the incurrence of debt for the project. This will allow the OTV to be set closer to the date that the project takes place and eliminate both increases or decreases in the grand list that effect the original taxable value before the project is started.

**(o) Policies consistent with TIF Rule**

Updated rule is currently being drafted so if that were to be adopted, we would look to use that rather than the 2015 Rule. This language has been updated to reflect that.

**Assessments of concerns/comments that were raised by witnesses.**

*While there is an assessment of why TIF, there are not reviews of broad policy ideas that were raised as there is not specific information provided regarding those ideas.*

<b>Witness</b>	<b>Concerns/Suggestions</b>	<b>Assessment</b>
State Auditor Hoffer		
	<i>Concerns from the submitted "observations" spreadsheet</i>	
	1. # of Districts allowed to be authorized needs to be updated with the update to the list of approved districts.	We agree, this language adjustment is needed. Legislative Counsel is undertaking this correction.
	2. Date used for determining OTV is not clear.	We agree, this should be better defined. April 1 of year voters authorize the debt would define the date. Moving OTV to the year the debt is authorized by voters rather than the year VEPC approves the project helps avoid capturing changes either negative or positive in taxable value between VEPC approval and project moving forward.
	3. Parcels that comprise OTV are defined as needing to have a nexus to the project.	We agree with defining TIF project zone and clarifying that nexus is required between parcels and project which should also be added to the list of definitions.
	4. Tax Increment Calculation- better defined in Rule	We agree the calculation process is important but this draft language already refers to policies from the TIF Rule in section O, unsure why it needs an additional reference.

	5.-6. Application Requirements and extension of debt borrowing period	That suggested language was been offered as an amendment.
	7. Annual Report	We agree, the use of consistent terminology is important. Fine with "TIF project Zone"
	<i>Following from Testimony and other submitted memos</i>	
	Debt Service Reserve Funds-not settled in the District program, should be removed from this pilot.	It is not correct to say Saint Albans is the only TIF District that has made debt service payments with debt proceeds. Availability of this type of tool is important for a project that will not have increment available from the start to cover payments before development/redevelopment is done.
	\$1.5 debt ceiling is so small, why use TIF?	<p>We agree that the debt ceiling is too small. We would recommend removing the ceiling and allowing the barriers around viability, nexus to be the limiting factors.</p> <p>A grant program this year, while I'm sure welcome by municipalities will likely help only shovel ready projects. Communities that are in the planning phase will miss out on those one-time monies.</p> <p>This program allows municipalities with momentum but need a tool like TIF to get the financing finalized and start moving forward to still have an opportunity to participate.</p> <p>It also creates equity for rural communities that have not had the opportunity to use the TIF District program as the larger regional hubs have.</p>
Graham Campbell, JFO		
	increment may not align with projections	More of a risk in Districts when projects are ten years out. There are less unknowns in project specific TIF's. Council of Development Finance Agencies (CDFA) call project specific TIFs "less complicated transactions" with a "cleaner process because fewer parties are involved"
	TIF is complex with frequent legislative action.	True, we have worked hard to make this program less complicated and will continue to work with technical assistance organizations to make this program easier for municipalities to apply for and administer.

	Recession can have impact on building and cash flow	Economic cycles should not prohibit our rural towns from looking for revitalization. Vermont's TIF uses property tax rather than less stable forms of tax revenue that are more likely impacted by a recession (sales tax as an example). for Districts with 10 years of projects and development are more likely impacted by seeing through plans due to a recession. The project-based program allows communities to time when they move forward.
	Capacity issues for small towns	We understand that concern which is why we only presented this idea when we had spent a great deal of time working on how to simplify the program from the District program. We have also engaged the RPC and RDC groups on the administrative costs. Tasha Wallis testified to the RPC's ability to help smaller communities with a process on this scale.
	Cost per household to finance a project at \$15 million without TIF isn't that high.	We need to be careful not put conceptions of financial burden on others who have a different life circumstance. These types of revitalization projects are not done in a vacuum. Other municipal expenses and school expenses rise, and critical downtown infrastructure can become too burdensome for households when also looking at these other costs. Additionally, as in the example of Westford, town may be asking rate payers to take on part of the cost. TIF would be used to bridge the gap between the total project cost and what rate payers can afford and other grants and financing.
Fred Kenny		
	Multiple improvements need to be allowed if they are all associated with one project.	Agreed that multiple improvements may be included- sidewalks, lighting, parking, utilities may be part of a streetscaping project and are all undertaken by one contractor. We just need to be careful not to add layers of complication, with multiple projects and contractors. That becomes a TIF District. This is intended as gap financing.
	Keep existing commercial/industrial areas as eligible location	Definitions of industrial areas includes existing public infrastructure so we agree that there needs clarifying language that a project would create or enhance an industrial park.
Tasha Wallis/ Seth Jensen		
	Designation area should be expanded to include neighborhood planning area.	We agree with idea to expand slightly beyond to allow for housing project opportunities. This area though may need additional permitting as it

		is outside of the designated downtown or village center.
Stephanie Clarke		
	One vote should be clarified as one successful vote. A no vote by a municipality should still allow for a municipality to come back in the future for additional votes.	We agree with this clarification. We'd point out though that timing may be an issue as there is a limited time that debt can be incurred. For this pilot there are also a limited number of participants that can be approved for those spots so if one is taken by a community that does not have voter support it may eventually lead to one fewer projects than the 6 allowed to move forward.
Kate McCarthy		
	Industrial park definition should be that of Act 250 not as related to VEDA.	A definition from an economic development program like VEDA is more appropriate for this program than that of a permitting process. We worry that this narrower definition will leave out important potential developments such as child care facilities which are can be successfully co-located with industrial businesses in these parks.