

TO: Members, Senate Finance Committee

From: Karen Horn, Director Public Policy & Advocacy

Date: April 6, 2022

Re: Tax Increment Financing Districts and Pilot Mini-TIF

Thank you for considering including Project Based Tax Increment Financing in the Miscellaneous Tax Bill. We are grateful for the Senate Economic Development, Housing and General Affairs Committee for their support of TIF districts.

The Vermont TIF Program clearly meets the state’s goals of supporting historic downtowns and villages, increasing and diversifying economic development activities, facilitating development in compact settled areas, and contributing to retaining the rural nature of surrounding countryside. The Vermont TIF Program is also one of the most highly regulated nationally. The Joint Fiscal Office Report on TIF (March 8, 2022) states, “relative to other states, VEPC and its staff provide significantly more information, transparency, and oversight on the Vermont’s TIF program”.

As the Joint Fiscal Office fiscal note indicates, the Project Based TIF Pilot Program would be created for four years and could be used for up to four projects. Modeled on the existing TIF program, a municipality:

- could apply for approval of a project based TIF located in a area designated by the Vermont state Downtown Board or in an industrial park planned and designed for industrial buildings

- could retain up to 70 percent of education property taxes newly generated by the project for up to twenty years, and

- must use at least 85 percent of newly created municipal property taxes for the same period of time to repay the debt,

- which may not total more than \$5 million, and must be approved by the voters,

- that is used to build public infrastructure integral to one private development project

- if the infrastructure and development are in confirmed municipal and regional development plans

- and the project has significance for employment, housing, brownfield remediation or transportation improvements.

The project must include affordable housing; offer remediation and redevelopment of a brownfield; include one entirely new business or business expansion that creates new quality full time jobs; or enhance traffic patterns or improve public transportation systems.

The ten plus towns that have expressed interest in a Project Based TIF Program, most of them outside Chittenden County, have generally seen slow or stagnating economic vitality in the last many years. Some of the wastewater facility and investments in reconceived downtowns and villages that meet the 21st century have languished in planning stages for years due to lack of funding. The funding that is available today from ARPA Direct Aid or state allocated ARPA dollars, remains insufficient on its own to make the needed investments affordable to ratepayers and taxpayers. Yet the availability of those funding sources and the Infrastructure Investment and Jobs Act means that the project is more likely to be workable today than at any other time.

This powerful tool would not only allow those communities to invest in infrastructure but would generate new tax revenues for the Education Fund. It is unfortunate that in accordance with 32 VSA section 305b, the JFO Fiscal note considers only the near term “costs” to the Education Fund of a town retaining 70 percent of newly generated education fund property taxes, and not the fact that after the twenty year retention period, 100 percent of newly created Education Fund property taxes would accrue to the Education Fund or the impact on Vermont of meeting goals for compact settlement surrounded by rural countryside.

The figure below, from the TIF Program Annual Report for 2022, shows the projected increase in taxable value at the end of the life of a TIF for the TIFs in place today, increases that will benefit the Education Fund.

We urge you to pass the Project Based TIF Program.



FIGURE 3: OVERALL PERFORMANCE OF ALL TIF DISTRICTS

TIF DISTRICT	ORIGINAL TAXABLE VALUE (OTV)	CURRENT OR ENDING TAXABLE VALUE	TOTAL INCREASE IN TAXABLE VALUE	% INCREASE IN TAXABLE VALUE	AT END OF LIFE OF DISTRICT			END OF RETENTION PERIOD
					PROJECTED TAXABLE VALUE	TOTAL INCREASE IN PROJECTED TAXABLE VALUE	% INCREASE IN PROJECTED TAXABLE VALUE	
Burlington Waterfront	\$42,412,900	\$126,364,152	\$83,951,252	198%	\$127,053,361	\$84,640,461	199.56%	2025 ¹
Newport City	\$48,500	\$2,954,200	\$2,905,700	5991%	\$2,954,200	\$2,905,700	5991%	2015
Milton North/South	\$26,911,147	\$75,495,119	\$48,583,972	180.50%	\$75,495,119	\$48,583,972	180.50%	2018
Winooski Downtown	\$25,065,900	\$104,141,040	\$79,075,140	315%	\$114,351,750	\$89,285,850	356.20%	2024
Milton Town Core	\$124,186,560	\$169,583,263	\$45,396,703	36.5%	\$196,857,196	\$72,670,636	58.52%	2031
Burlington Downtown	\$170,006,600	\$216,315,638	\$46,309,038	27%	\$345,803,387	\$175,796,787	103.41%	2036
Hartford Downtown	\$33,514,500 ²	\$59,672,700	\$26,158,200	78%	\$79,122,300	\$45,607,800	136.08%	2034
St. Albans Downtown	\$123,049,450	\$173,262,657	\$50,213,207	41%	\$206,604,070	\$83,554,620	67.90%	2033
Barre City Downtown	\$51,046,870	\$58,498,600	\$7,451,730	15%	\$75,827,820	\$24,780,950	48.16%	2035
So. Burlington Town Center	\$35,387,700	\$50,113,416	\$14,725,716	42%	\$342,353,298	\$306,965,598	867.44%	2037
Bennington Downtown	\$41,883,500	\$40,704,360	(\$1,179,140)	-3%	\$62,106,200	\$20,222,700	48.28%	N/A ³
Montpelier Downtown	\$59,354,009	\$60,973,842	\$1,619,833	3%	\$125,877,109	\$66,523,100	112.08%	N/A ³
TOTALS	\$732,867,636	\$1,138,078,987	\$405,211,351	55%	\$1,754,405,810	\$1,021,538,174	139.38%	