Strategic Projects for Advancing Rural Communities (SPARC)

Introduction

VERMONT

AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT

Background

SPARC is a municipal financing tool to help communities fund infrastructure, housing, and economic development projects. It drives strategic investment in critically needed projects throughout Vermont. Strategic partnerships between municipalities and investment partners make housing and economic projects financially feasible.

SPARC addresses critical statewide needs by leveraging our limited resources effectively to:

- Address housing demand (particularly in rural areas),
- aid flood-impacted communities with recovery and mitigation efforts,
- expand infrastructure,
- boost local economies,
- and more!

More Housing
Expand access to housing via projects that create new and rehabilitated units.

Economic Growth
An economic boost to areas that have historically been challenged by limited municipal capacity.

Environmental Resilience
Address climate challenges by creating long-term solutions for flood-impacted areas.

Infrastructure Investment
Build and maintain infrastructure that serves both current and future community needs.

Funding Mechanism

- The debt incurred by the investment partner or the town to build a project or to extend infrastructure can be partially repaid with the increment in tax revenue created by the improved property in the proposed project.

- Municipalities and an investment partner, would apply for this incentive by submitting their Community Agreement (CA) to Vermont Economic Progress Council (VEPC). The agreement and partnership would be structured in a way that would allow the municipality to defer the benefit of the increment in increased taxes because of the agreed-upon benefit is to go to the investment partner.

- In this model, towns would alternatively be able to make project-based infrastructure investments to spur development and keep the increment for debt service for that infrastructure project.

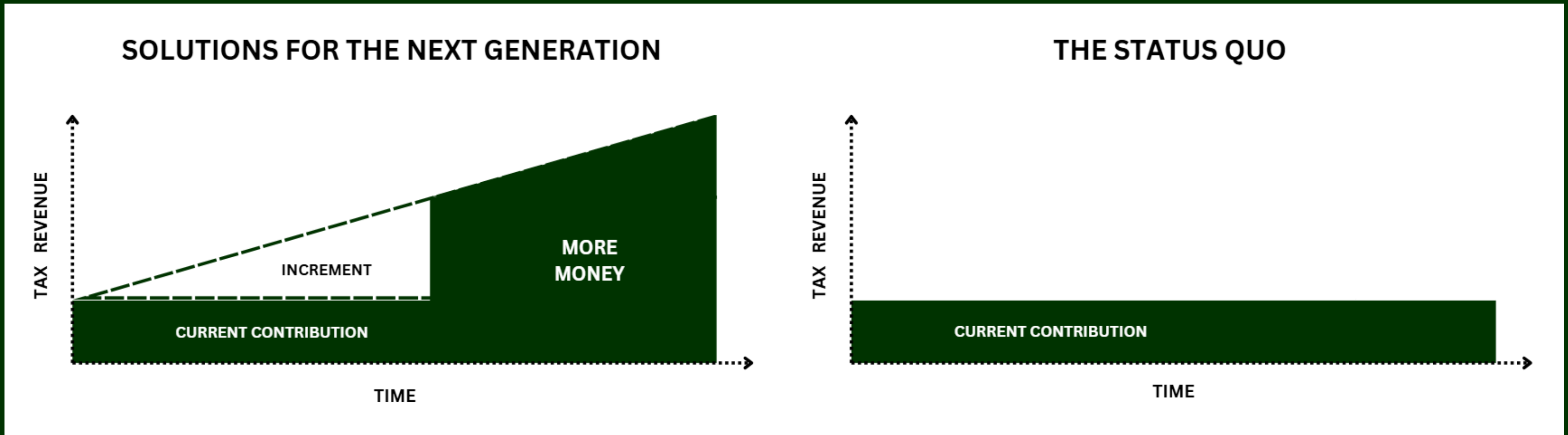
1. **Needs vs. Reality** — Municipality wants growth, but project doesn't pencil out.
2. **Collaboration** — Municipality and investment partner create CA.
3. **Approval** — VEPC reviews the CA.
4. **Construction** — New property tax revenue.
5. **Rebate** — Portion of incremental tax revenue to investment partner.
6. **Community Growth** — New homes, community vibrancy, and grand list growth!

Does SPARC take money from the Ed fund?

- No, SPARC, just like TIF, only uses **NEW** incremental tax revenue. This is money that would not have existed to begin with, so therefore cannot be "taken away."

- What is the incremental tax revenue?
  - The property taxes associated with the new investments made at the property. This is the amount that exceeds what the property was worth pre-project

- SPARC, and TIF, **GROW** the education fund. **We can get shovels in the ground right now to build housing, while growing the grand list to contribute MORE to the education fund. This is a win-win.**



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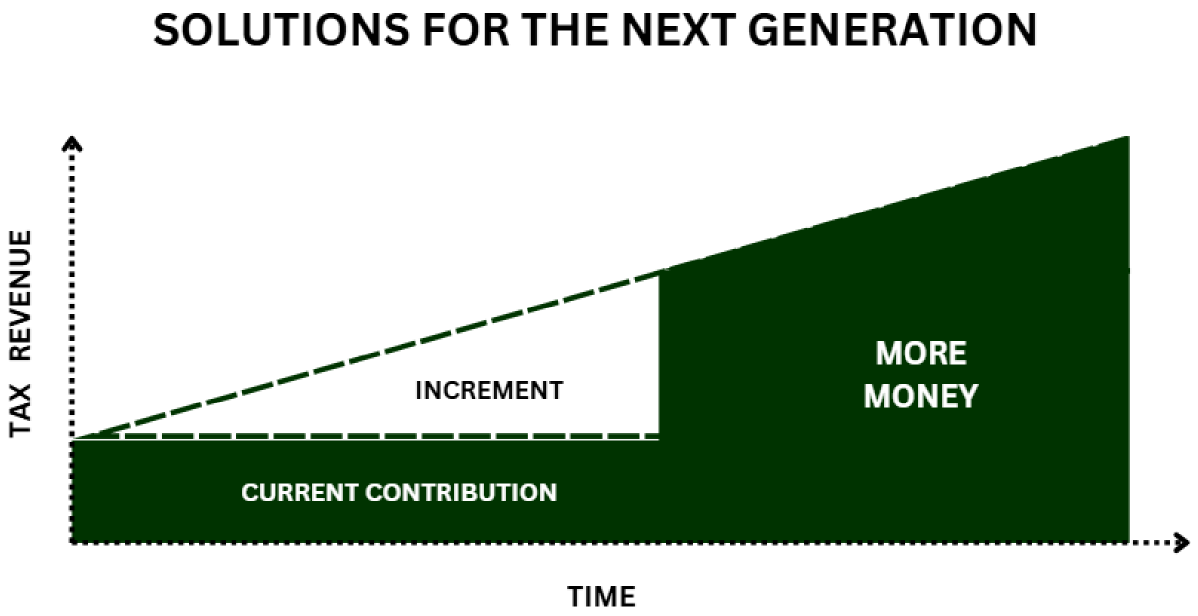

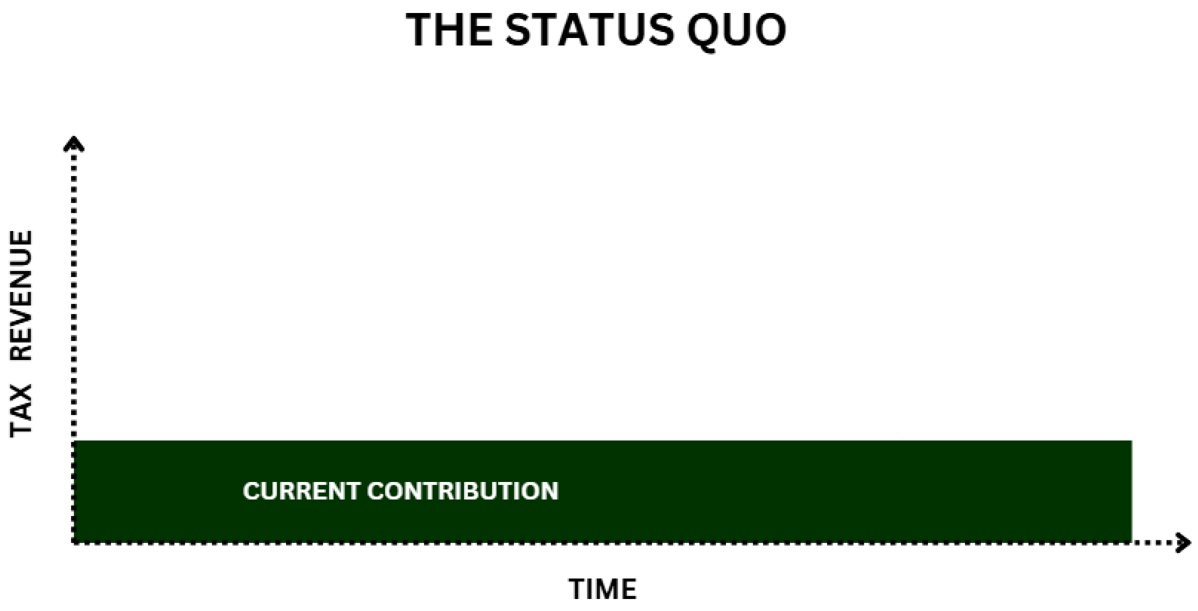

Community Agreements

- A Community Agreement (CA) is a binding legal contract negotiated between municipalities and investment partners. These agreements help investment partners offset the significant costs that currently prohibit building.

- CAs make projects financially viable and enable municipalities to attract new investment without raising taxes.

- Municipalities can negotiate with investment partners to return a portion of the incremental property taxes to offset eligible costs. The percentage-based model would adjust to actual tax increment levels, ensuring fiscal responsibility and protecting municipalities from underperforming projects. This would be outlined in the CA.

- The Vermont Economic Progress Council (VEPC) would approve CAs and monitor all projects. VEPC would coordinate with the administration's economist to verify the financial capacity and project viability (same as TIF). Part of this exercise may entail the underwriting analysis from the investment partner's financial institution.

Municipalities

- SPARC addresses the capacity issues that are preventing smaller municipalities from taking advantage of TIF. The smaller project size will result in a much less administrative requirements, and municipalities can contract and pay for administrative assistance with SPARC.

- By offering tax rebates based on the actual increment generated, municipalities protect themselves from underperforming developments instead of fixed-dollar agreements, which carry more significant financial risks. The investment partner is on the hook to make the municipality whole.

- SPARC empowers municipalities to allocate a percentage of incremental property tax revenue back to an investment partner via a CA for a specific project for a defined period of time/number of years.

- Municipalities can also forego a CA and keep the increment for debt service rather than going to an investment partner. By making project-based infrastructure investments (like water/wastewater), secondary and tertiary development will be spurred.

- The investment partner assumes the risk associated with the project.

Project Example: Fair Haven

Project Example

GRAND LIST GROWTH			
	Total Tax Revenue	**Education Fund Contribution**	**Notes**
Vacant Lot	$12,821	$6,923	
Completed Project (50, avg. ~1500sq ft)	$417,522	$226,714	$350k home value, 2.9823 tax rate
Increase	$404,701	$219,791	33x more than the vacant lot

We can get shovels in the ground right now to build housing, while growing the grand list to contribute MORE to the education fund. This is a win-win.

PROJECT FEASIBILITY						
	Total	**Per Unit**	**Annual**	**Rebate %**	**Total Rebate**	**Notes**
Cost to Build	$34,800,000	$870,000				$30M construction, $4.8M water/sewer/roads
Incremental Tax Revenue			$404,701	90%	$7,284,618	20 years
Cost to Build (SPARC)	$26,705,980	$534,120?				

TIF Statute Updates

There are necessary updates to the TIF statute to adjust for this model.

1. **Lift the cap on two projects per county and the maximum number of TIFs VEPC can authorize statewide.**

    - The statute currently limits the creation of six new TIF districts. Currently, two are being utilized, and four remain to be created. This new capability needs to co-exist in municipalities that already have TIF districts.

2. **Additionally, the timeline of a district should be updated to begin on April 1 of the year it receives VEPC approval.**

    - It is currently April 1 of the year when it receives municipal approval, usually months before VEPC approval.

Record of Success (Education Fund Contribution)

The cumulative incremental contribution to the Education Fund is expected to be $60 million.

TIF District	(Pre-TIF) Annual Education Fund Contribution	(Post-TIF) Annual Education Fund Contribution	Retention Period Ends
Winooski Downtown	$516,000	$2,200,000	2024
Milton Town Core	$1,489,989	$2,900,000	2031
Burlington Downtown	$2,621,097	$4,800,000	2036
Hartford Downtown	$440,538	$1,400,000	2036
St. Albans Downtown	$709,634	$3,500,000	2033
So. Burlington Town Center	$515,443	$4,900,000	2037
Killington	$234,646	$5,100,000	2044

Record of Success (Grand List Growth)

The grand list value has collectively increased by nearly $600 million.

TIF District	Year Created	Original Taxable Value (OTV)	Taxable Value FY23	Change	Notes
Burlington Waterfront	1996	$ 42,412,900	$ 151,534,832	$ 109,121,932	
Newport City	1998	$ 48,500	$ 2,954,200	$ 2,905,700	Value on 2014 GL (end of district)
Milton North/South	1998	$ 26,911,147	$ 75,495,119	$ 48,583,972	Value for 2021
Winooski Downtown	2000	$ 25,065,900	$ 104,305,700	$ 79,239,800	
Milton Town Core	2008	$ 124,186,560	$ 231,863,630	$ 107,677,070	
Burlington Downtown	2011	$ 170,006,600	$ 284,908,309	$ 114,901,709	
Hartford Downtown	2011	$ 33,514,500	$ 68,689,200	$ 35,174,700	
St. Albans Downtown	2012	$ 123,049,450	$ 180,566,868	$ 57,517,418	
Barre City Downtown	2012	$ 51,046,870	$ 60,871,055	$ 9,824,185	
So. Burlington Town Center	2012	$ 35,387,700	$ 67,229,280	$ 31,841,580	
Killington	2022	$ 12,989,730	$ 12,989,730	N/A	
TOTAL		**$ 644,619,857**	**$ 1,241,407,923**	**$ 596,788,066**	

What's the difference?

	TIF	SPARC
Who Receives the Tax Increment	A municipality uses incremental property taxes (the additional taxes generated by the new development) to pay off public infrastructure improvements like roads, water systems, or other services.	A portion of the tax increment goes to the investment partner to help offset prohibitive project costs or to the municipality to offset infrastructure costs.
Purpose	To improve public infrastructure to make areas more attractive for private investment over time. The town keeps control of the revenue and spends it on public works.	To support grand list growth by enabling strategic investments in communities of all sizes. Specifically, by making it financially feasible for projects to be built without needing to wait for large public infrastructure projects to be funded.
Financial Risk	The municipality takes on financial risk because it issues bonds to fund public improvements upfront, relying on future tax revenues to pay off that debt.	The risk is low for municipalities when collaborating with an investment partner because they only rebate taxes based on the actual tax increment generated by the project. There are no fixed-dollar obligations or upfront borrowing risks for the town. *
Targeted Projects	Large-scale public projects with multiple parcels and broad economic development.	Single projects. Ex. Multi-family housing, mixed use building, etc.
Flexibility	It is more structured and usually longer-term since it involves borrowing for large public projects.	Customizable to individual projects. Community Agreements can be negotiated based on project needs and timelines, lasting 10-20 years, depending on the project.

* If a municipality uses SPARC for infrastructure improvements, it would take on the risk of keeping the increment for debt service.