

May 2025

Vermont League of Cities and Towns Tax Increment Financing Tools for Housing

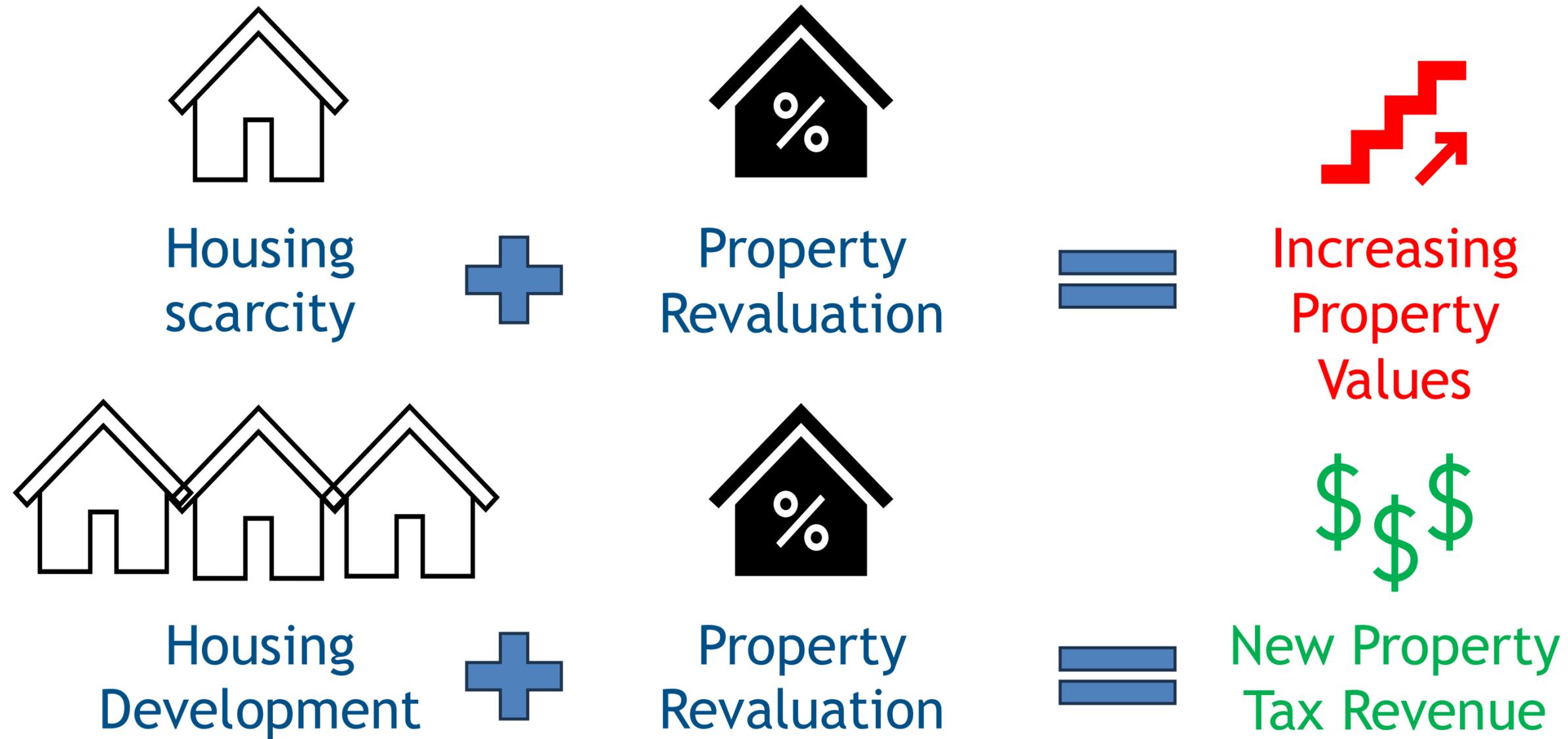
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How Does a Grand List Grow?

To understand the benefit of tax increment financing programs we must understand grand list growth.



Understanding Grand List Growth

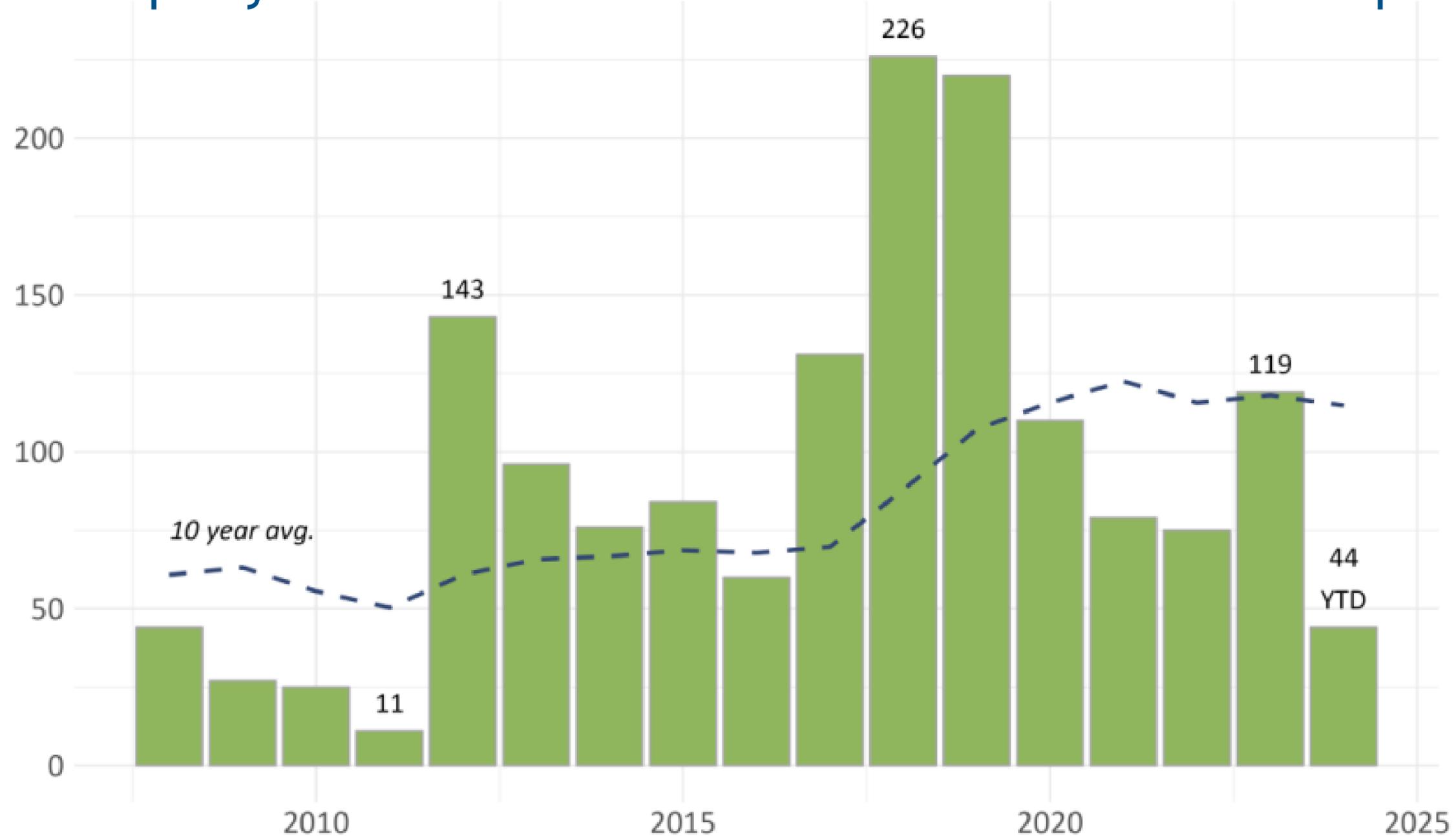
To assess background growth for the purpose of analyzing the potential impacts of tax increment financing programs, it is problematic to include grand list growth from revaluation. **Revaluation is tax revenue neutral.**

- The equalization study (CLA) is a method of revaluation based on current fair market value
- Revaluation does not change the amount of property tax revenue to the Education Fund
- Development of new housing increases grand list revenue
- Real annual municipal grand list growth (unequalized) is understood to generally **.8% - 3%**
- Per VHFA, Between 2010-2020 Vermont's housing stock increased by an average rate of **0.4%** (1,178 homes per year)



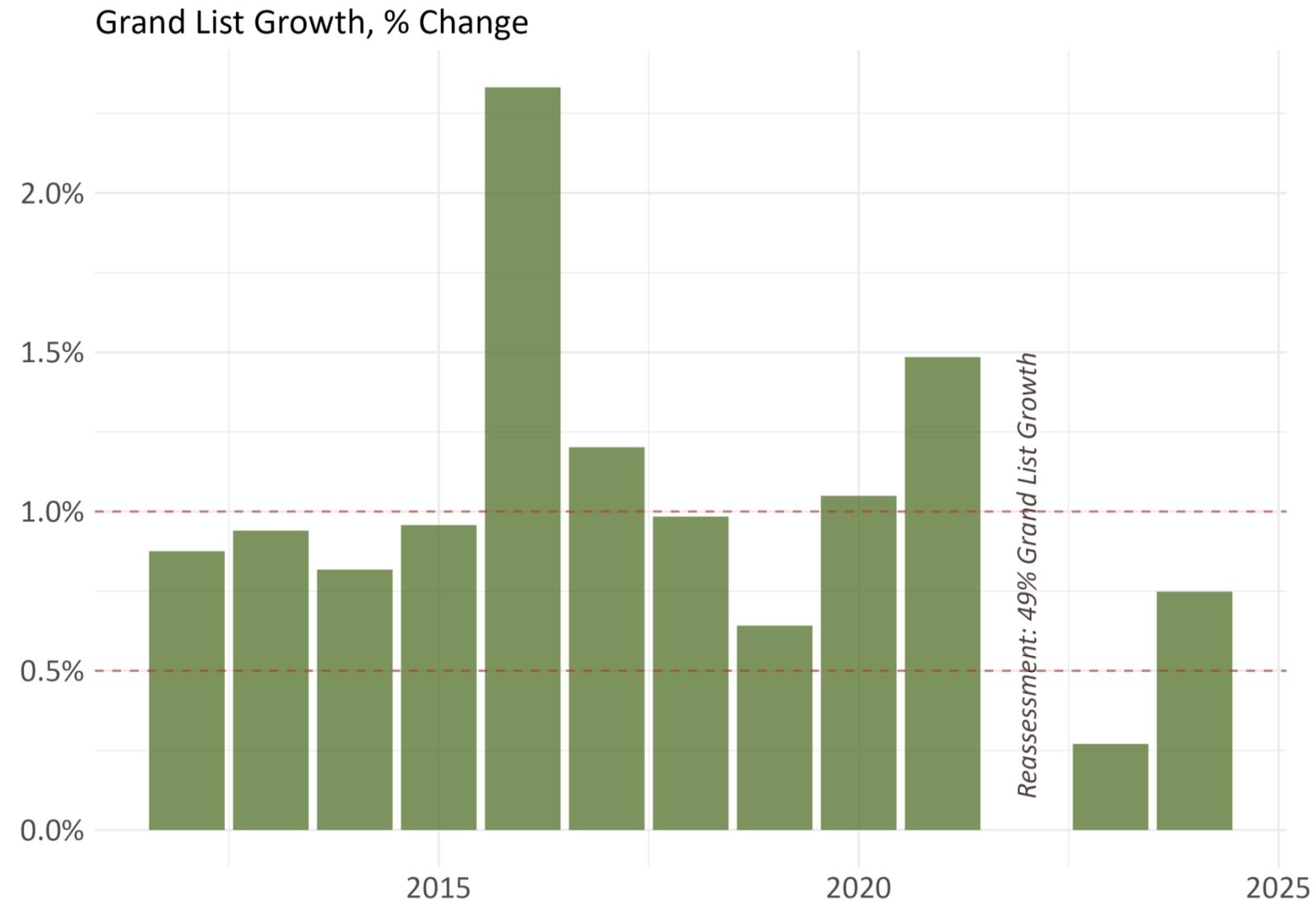
Example 1: How new housing construction changed Burlington's Grand List over time

In 2012, the ten-year average was 61 new housing units per year; in 2023, it was 119 units per year -- about a 200% increase in rate of development.



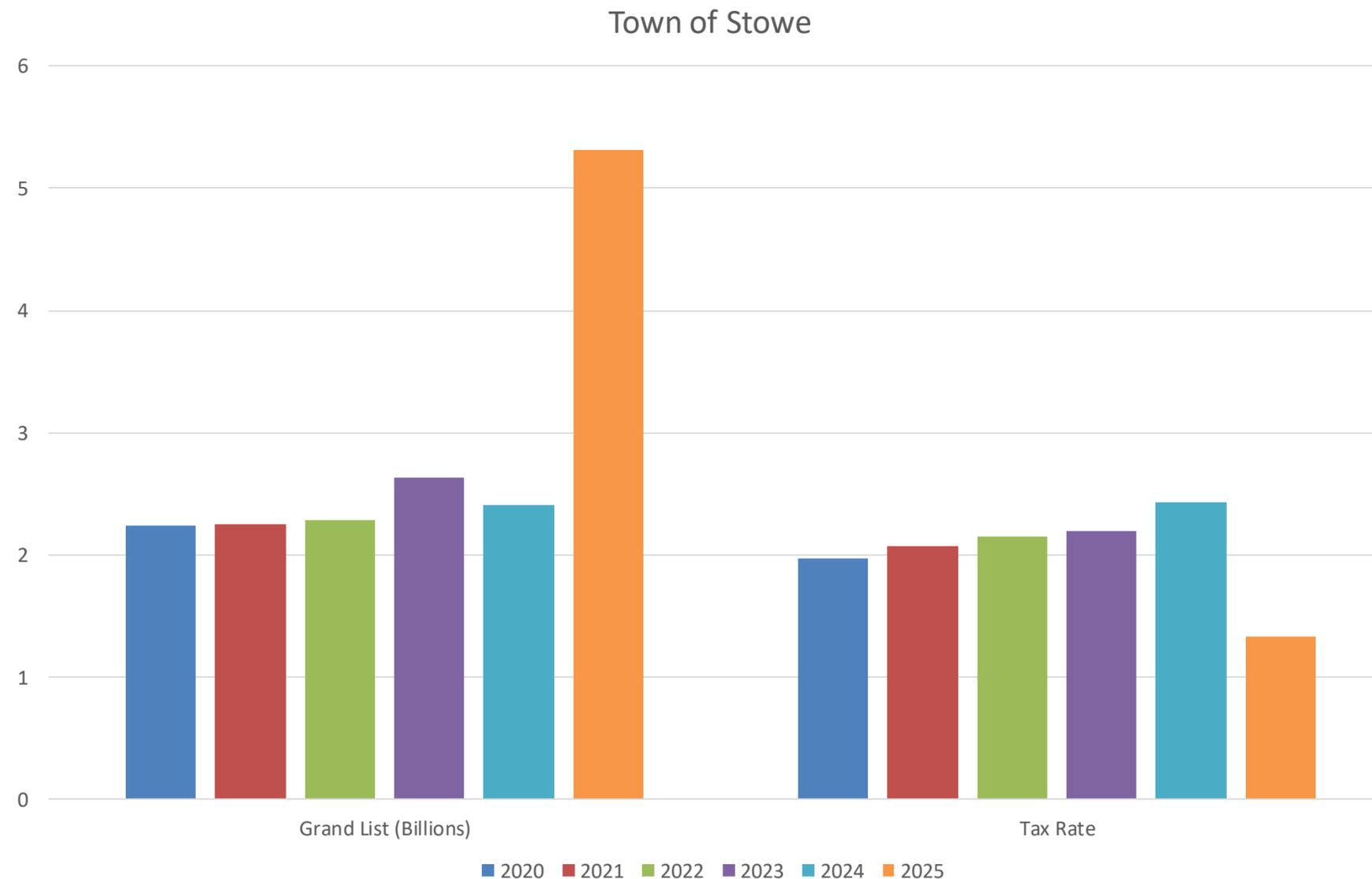
Percent of Grand List Growth in Burlington, Controlled for Reappraisal

Even with a substantial, sustained increase in the rate of home building, Burlington has only experienced year-over-year growth of the grand list **above 2% one time.**



Example 2: Revenue Neutral Reappraisal in Stowe

When Stowe complete a municipal wide reappraisal in 2024 the grand list value jumped from \$2 billion to \$5.5 billion. Despite a significant increase that year in the school budget Stowe's homestead education property tax rate dropped from 2.43 to 1.33.



Tools for Adding Property Tax Capacity to the Grand List

Home Improvement

10 acre lot
Single family home
Low density residential district
Subject to Act 250



✓ Property Owner

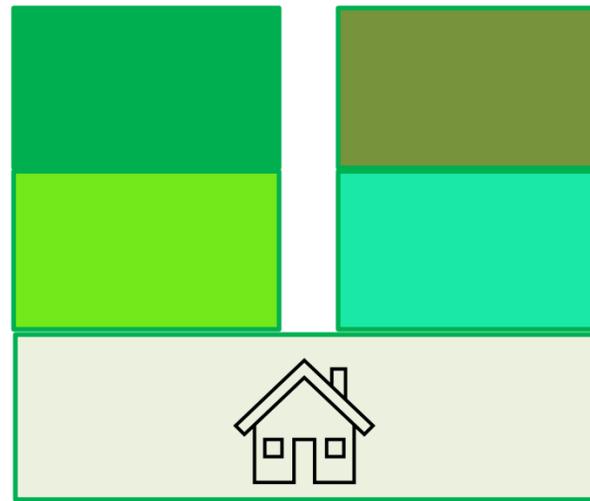
Land Use Regulation

Tier 1a
Act 250 Exempt
High Density
Mixed Use
Small Lot Minimum



✓ State
✓ Town
✓ Voters

Subdivision, Transfer



✓ Property Owner

Infrastructure, Project Site Improvement



✓ Town
✓ Voters

Building New Homes



✓ Developer

Why do municipalities want tax increment financing programs for infrastructure?

"Project Based TIF" is a new financing authority for municipalities that does not require a district, the current proposal moving through the legislature is called "CHIP", other proposals have been "Spark", "HIT", and "Performance Based Contracts".

- **it does not use any state appropriation**
- it does not require and increase in municipal tax rates or water rates
- it grows other non-property tax state and local revenues
- It increases state and local tax capacity by growing the grand list

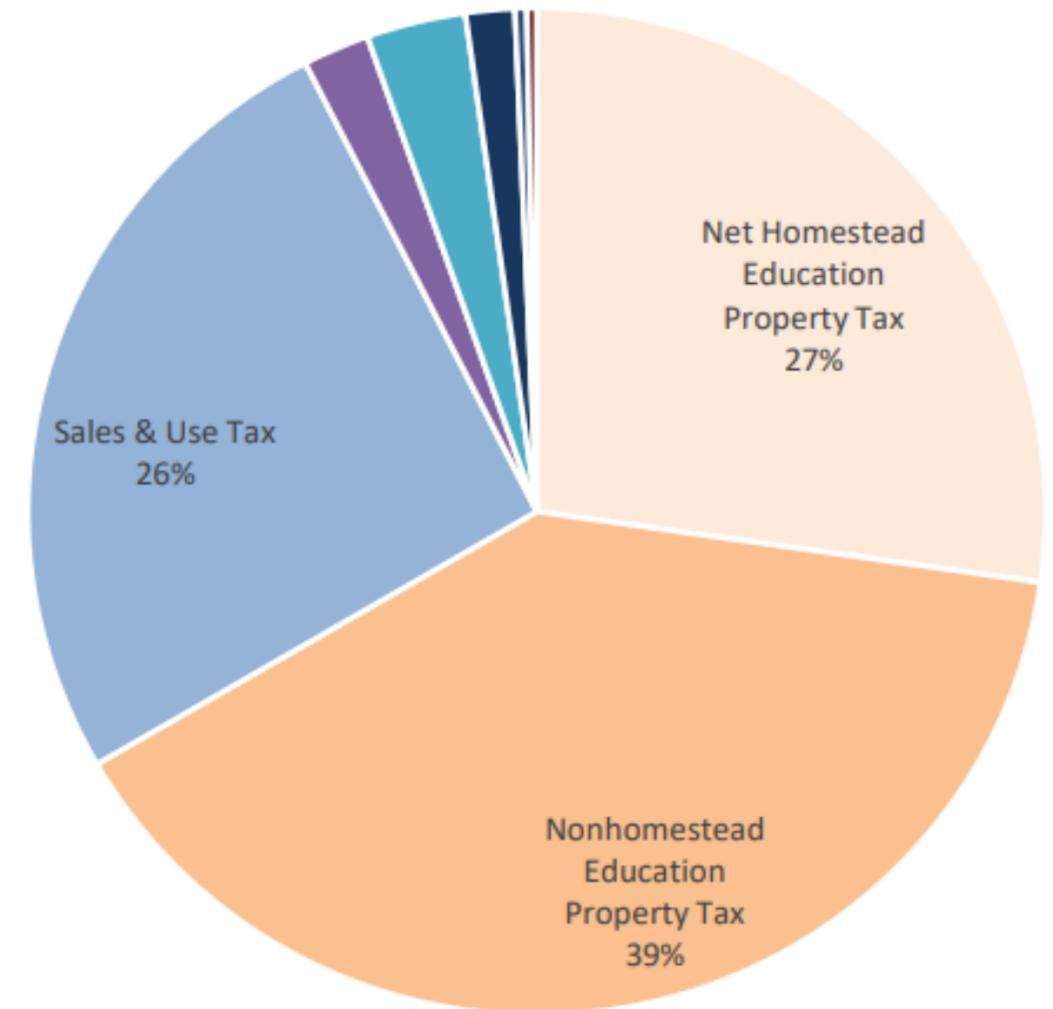


Other non-property tax revenues from mixed use development

The current proposal (CHIP) would require 60% of floor area ratio be housing, 40% could be commercial. Many munis require ground floor retail in downtowns.

Local	State	Ed Fund
Local Option Taxes	Local Options Taxes	
Permit Fees	Income Taxes	
Public Parking	Payroll Taxes	
User Fees (rec, arts)	Sales and Use Tax	<input checked="" type="checkbox"/>
Water Rates	Meals and Rooms Tax	<input checked="" type="checkbox"/>
Sewer Rates	Property Transfer Tax	
Unique muni fees & taxes	Utility/Fuel Surcharges	

FY26 Education Fund Projected Revenues



Why do Municipalities want tax increment financing for infrastructure?

VLCT supports a new financing authority for municipalities that does not require a "district". The current proposal moving through the legislature is called "CHIP", other proposals have been "Spark", "HIT", "Project Based TIF", and "Performance Based Contracts".

- **it does not use any state appropriation**
- it does not require an increase in municipal taxes or rates
- it does grow non-property tax revenues
- it substantially grows overall property tax capacity long term
- Homes and Infrastructure are for the public good.



How is this idea different from "Big TIF"?

Project-based TIF proposals are for one or more contiguous parcels that support a single mixed-used development.

- incentivizes municipality to pay down the debt and take back its own new increment as soon as possible
- achievable for small, rural, and low-resource communities that are experiencing grand list loss (includes technical assistance)
- doesn't require long-term, ambitious growth strategy (towns that don't want to "grow" still need to "build")
- the developer or a sponsor can issue the debt; preserves municipal debt capacity, could be more favorable to voters, is faster



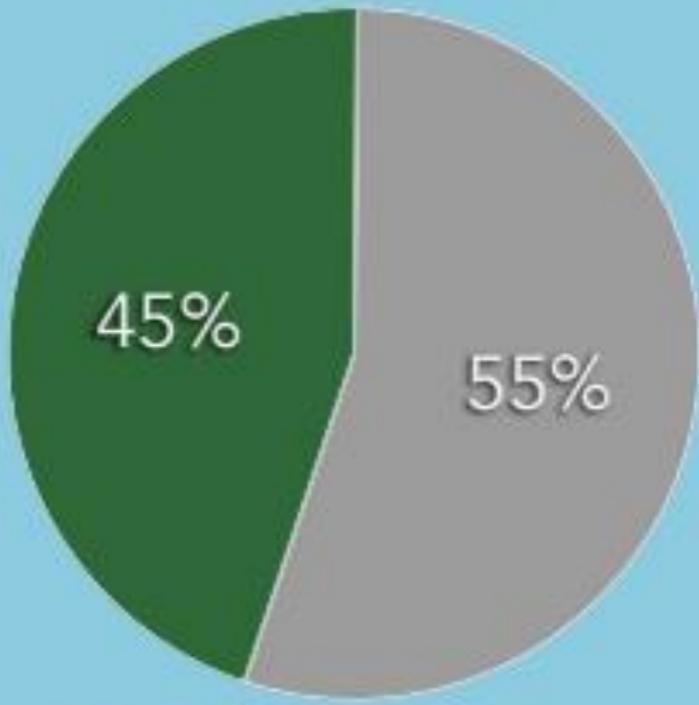
Why is tax increment financing authority better for municipalities than grants, tax credits, tax stabilization, or direct subsidy?

.....or different?

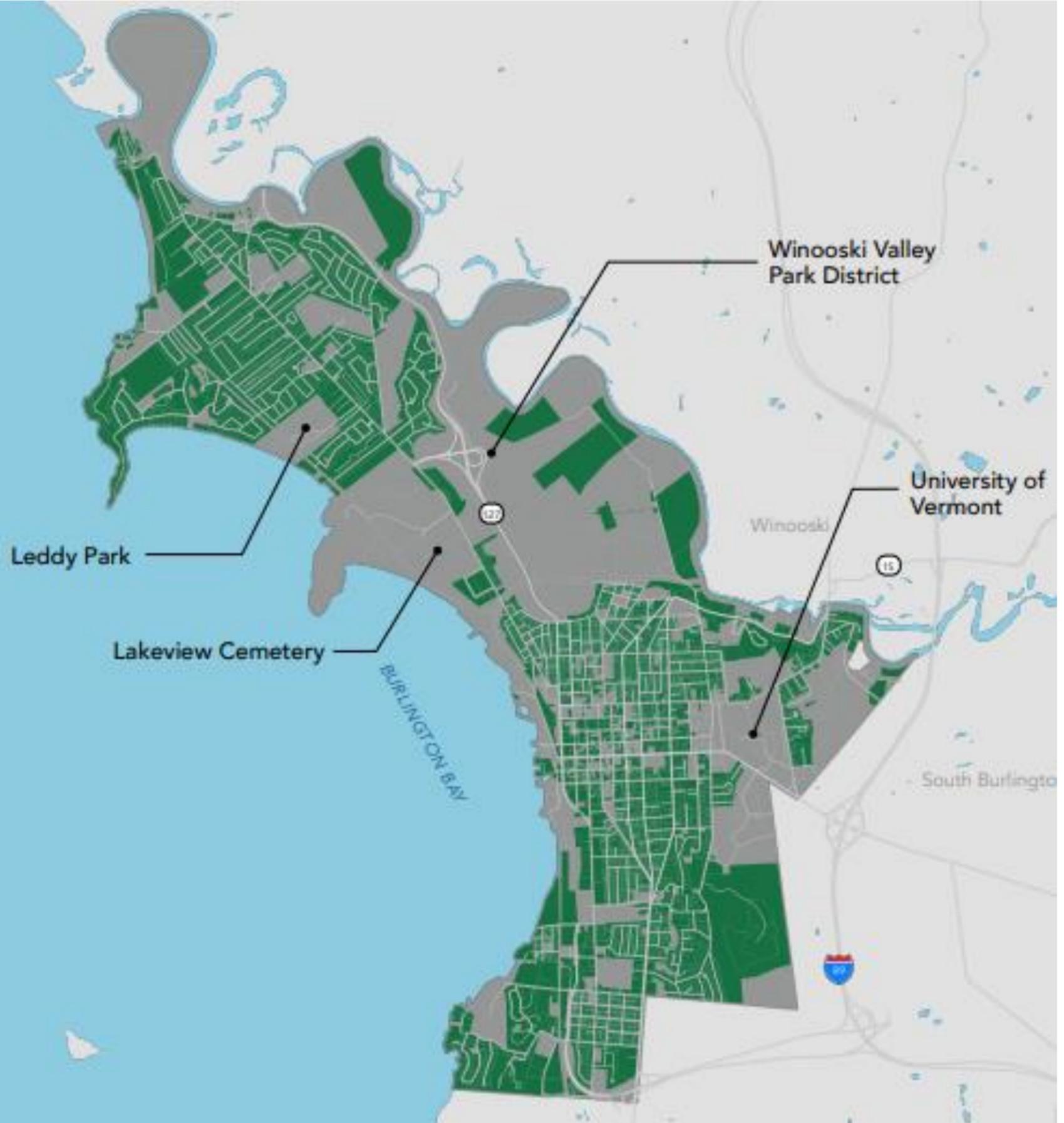
- **it does not use any state appropriation**
- it is an authority of the municipality created by local process
- it is non-competative
- does not inhibit cash flow; grants require substantial local match be available; OTV revenues are stable
- housing-type agnostic; grants and subsidy "string" may be incompatible with local land use law, planning, and need
- additional state subsidy is and will be necessary especially for perpetually affordable projects
- no chicken or egg - land use law and permitting regimes require that infrastructure happen first

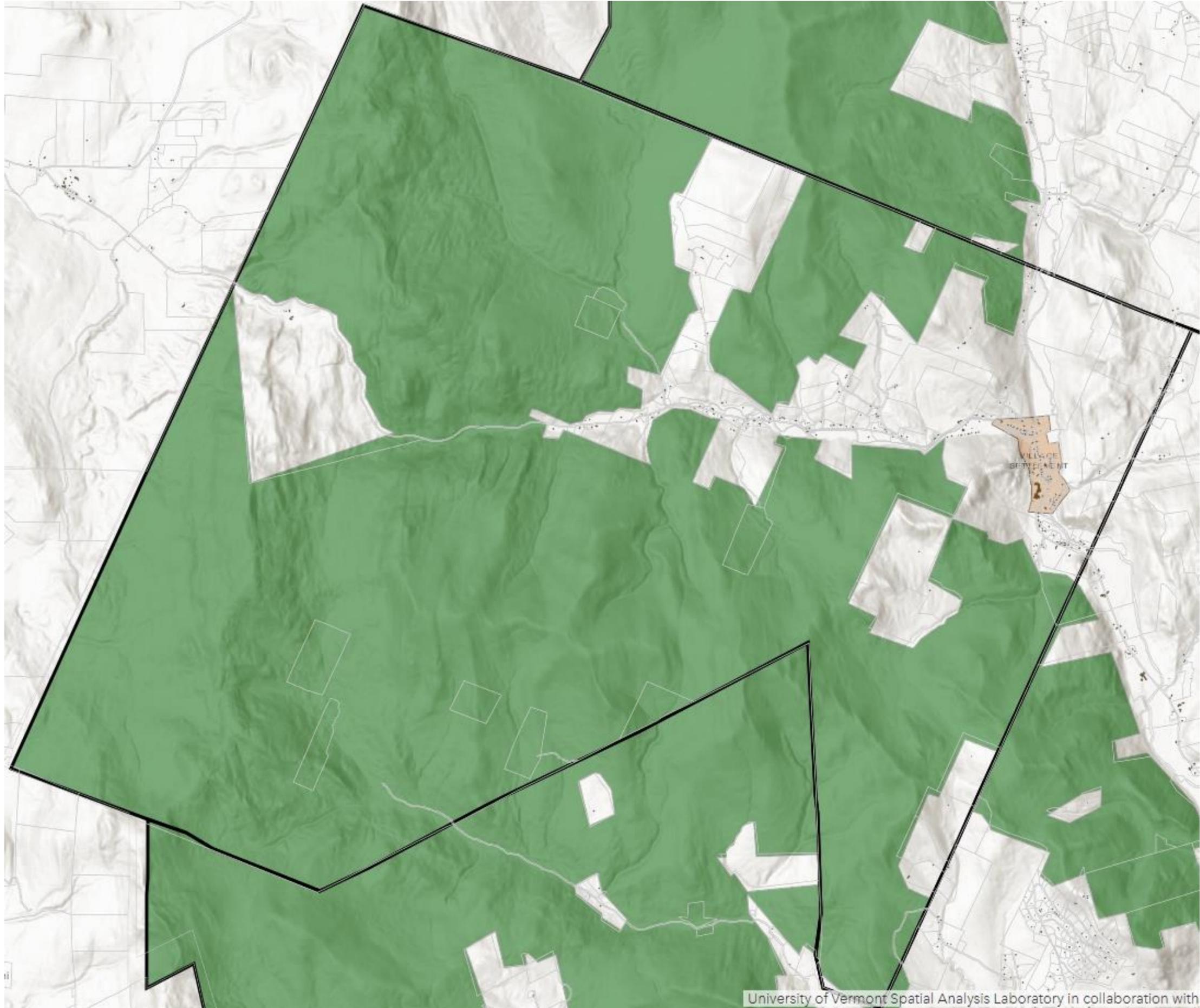
Taxable vs. Exempt

Burlington, VT



● Taxable ● Exempt





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Questions???



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