TO: Senate Committee on Economic Development, Housing and General Affairs
FROM: Jessica Hartleben, Executive Director, VEPC
DATE: March 10, 2025
SUBJECT: re: CHIP Proposal Changes

- **Allow economic development projects to be eligible for the funding as well as housing.** Economic development projects help retain and attract a skilled workforce by ensuring towns have access to investments that provide employment opportunities alongside housing investments. Non-housing projects increase the commercial tax base, generating long-term municipal revenue that can fund essential services and reduce tax burdens on residents. Definition should include mixed-use development based on the needs of municipalities.
  - The changes throughout the definition section reflect this intent.
  - Based on VEPC's observations of current TIF Districts and conversations with municipalities interested in this type of financing tool

- **Definition of "Financing":**

  Proposed Language:
  "Financing" means debt incurred, including principal, interest, and any fees or charges directly related to that debt, or other instruments or borrowing used by a municipality to pay for a project, only if authorized by the legal voters of the municipality in accordance with section 1910 of this subchapter. Payment for the cost of improvements may also include direct payment by the municipality using the project increment. However, such payment is also subject to a vote by the legal voters of the municipality in accordance with section 1910 of this subchapter and, if not included in the project plan approved under subsection 1909 of this subchapter, is also considered a substantial change and subject to the review process provided by subdivision 1910 of this subchapter. If interfund loans within the municipality are used as the method of financing, no interest shall be charged. Bond anticipation notes may be used as a method of financing; provided, however, that bond anticipation notes shall not be considered a first incurrence of debt pursuant to subsection [?] of this subchapter. *<- Underlined but not new, it is existing.*
  - These definitions should be consistent between programs to reduce administrative confusion and burden. Cross reference the current TIF, please see 24 V.S.A. § 1891 (7).

- **Definition of "Improvements"**
  Proposed Language:
  - *"Improvements" means the installation, new construction, or reconstruction that will serve a public purpose, including but not limited to housing, flood resiliency, flood*

*mitigation, brownfield remediation, utilities, digital infrastructure, transportation, public recreation, commercial and industrial facilities, public facilities and amenities, land and property acquisition and demolition, and site preparation. For remediation of a brownfield, this shall include the cost of the site preparation needed to stimulate development or redevelopment in the development site as identified in clean-up documentation approved by the Vermont Agency of Natural Resources. "Improvements" also means the funding of debt service interest payments for a period of up to **four years**, beginning on the date on which the debt is first incurred.*

  - These definitions should be consistent between programs to reduce administrative confusion and burden. Cross reference the current TIF, please see 24 V.S.A. § 1891 (4).
  - Proposed change to 4 years is because municipalities need the opportunity to generate increment in the first years of the project.

- **The Scope of VEPC:**
  - VEPC is a council that was legislatively created to review and approve VEGI and TIF applications. It is made up of 11 voting members (2 of which are legislative appointees). The staff is currently 2 FTE whose responsibilities support the Council's operation and administration of the VEGI and TIF programs. We are not supportive of expanding VEPC's staff role to allow for administrative approval of application components without the Council's input and consent. See generally, 32 V.S.A. § 3325. Markup reflect this change on page 6.

- **Expanding Eligibility Beyond Tier 1 Determination (page 7)**

Economic growth, workforce development, and infrastructure challenges extend beyond what is currently designated Tier 1. Restricting eligibility to Tier 1 areas limits investment opportunities in rural communities experiencing unique infrastructure and economic development challenges. By expanding eligibility, the program will allow smaller municipalities and underserved regions to leverage TIF as a tool for housing development and infrastructure improvements.

Current language is limited to areas that only have existing water/wastewater and doesn't capture areas around Tier 1. An application criterion could require coordination/alignment with RPC/regional plan to prevent sprawl.

VEPC agrees with the administration that the program should focus on rural communities that currently have limited access and opportunity to use the existing model. VEPC is also supportive of inclusion of flood resiliency measures based on conversations with communities in flood-prone rural areas.

- *The development will improve flood resiliency by protecting the functions of watersheds, adapting critical infrastructure or enhancing emergency preparedness.*
  (ii) The development will include the purchase and improvement of flood-prone property or

mitigate flood damage by elevating, floodproofing or relocating existing structures or creating new, elevated, comparable structures.
(iii) The development includes new or rehabilitated housing.
(iv) The project will affect the remediation and redevelopment of a Brownfield.
(v) The development will include at least one entirely new business or business operation or expansion of an existing business within the project, and this business will provide new, quality, full-time jobs that meet or exceed the prevailing wage for the region as reported by the Department of Labor.
(vi) The development will enhance transportation and public recreation by creating improved traffic patterns and flow or creating or improving public transportation systems including development of recreational trail systems.

- **Debt**
  - Extend the timeline for debt incurrence:
    - _Any and all indebtedness shall be incurred **within five years** from the date of approval by the Vermont Economic Progress Council. A bond anticipation note is not considered a first or last incurrence of debt. The Vermont Economic Progress Council may extend the period of time to incur debt for a period not to exceed three years._

  - Page 13: Municipalities should be able to use 100% of the education and municipal increment to repay the infrastructure costs. The projects are small and require as much increment as possible to ensure the feasibility and viability of the project.
    - Retention of tax increment shall continue until all debt is retired.
  - In cases where developer is responsible for the infrastructure based on the agreement with the municipality – the increment can be used to pay the infrastructure debt incurred by the developer.
    - In cases where the developer incurs the debt, the municipal legislative body needs to approve the use of increment to repay the debt. A public vote is not required.
      - A purpose of CHIP/SPARC is to make the process more streamlined and faster overall, requiring a town-wide vote for a private developer to incur debt slows the process significantly. It also presents the developer with a high-level of risk as there is a large upfront investment to get to the point of a

town vote, and if their project hinged on a townwide vote they would lose a lot of time and investment into a project.

    - Ie: Middlebury – CRRP was used to pay developer via the municipal application

Information Reporting

- "Performance" (?)/reported progress and measures should be consistent with current TIF statute and reporting
- Reporting date should be consistent with current reporting requirements/timeline (January 1 report to VEPC and April 1 report to the legislature)