

Initial Considerations and Questions on Housing Infrastructure TIF

Senate Committee on Economic Development, Housing, and General Affairs
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Overall, given the early stage of the proposal, and lack of clarity on the size and scope of project sites, JFO is unable to provide an estimate of the fiscal costs of the Housing Infrastructure Tax Increment Financing program to the Education Fund. In the interim, JFO provides legislators with the following considerations and open questions.

Considerations:

- This proposal does not contain a ‘but-for’ test requiring developments to show they would not happen without an investment of Education Fund dollars. Without this test, some housing projects that would get developed anyway would receive Education Fund increment.
- Statewide equalized grand list growth is currently high. Fiscal year 2024 actual growth averaged 9.7% statewide. Growth is forecasted to be at least 14% in fiscal years 2025 and 2026. High grand list growth rates increase the risk of using increment retention programs, especially as the size of a project site increases.
 - a. As shown on Table 1, 161 towns experienced education grand list growth of more than 10% between 2023 and 2024.
 - b. Participating municipalities could retain 80% of the Education Fund increment, which could include double-digit background growth that is already occurring in the project area and would be delivered to the Education Fund without increment retention.
 - c. Research conducted in other states has found that TIFs are more likely to be implemented in areas with higher rates of property value growth. If this finding is true for the proposed program, higher amounts of forgone revenue will be diverted from the Education Fund.

Table 1: Education Grand List Growth (2023-2024) by Town

Equalized Grand List Growth Rate (2023-2024)	Number of Towns
Less than 0%	2 ¹
Between 0% and 5%	15
Between 5% and 10%	39
Between 10% and 20%	161
Between 20% and 30%	33
Between 30% and 40%	5

¹ The two towns that experienced decline in equalized grand list value were Somerset (pop. 6) and West Haven. Although West Haven experienced a decrease between 2023 and 2024, the town had a cumulative education grand list increase of 2.12% between 2022 and 2024.

- Smaller districts face different risks:
 - Smaller projects mean that incremental tax revenue generation relies on a single project or parcel. Delays in project conception or development puts risks on municipalities that incur debt for infrastructure.
 - Small towns have few alternative financial resources if increment tax revenue fails to accrue as projected.
- Disparities in usage among towns may continue even with the smaller scale of the proposed projects due to disparities in administrative capacity. More than 100 towns in Vermont do not have a manager or administrator, and many town treasurer positions are part-time.
 - a. These sites can be in larger municipalities that already have TIFs
 - b. Tradeoffs between administrative ease/flexibility, municipal capacity, and rigorous accounting of Education Fund dollars
- Private developers cannot receive increment under current TIF statute, but could under this program.

General questions:

1. How does this program support municipal infrastructure development in alignment with other policy tools?
 - a. For example, the FY 2026 Governor’s Recommended Budget included \$9.1 million for a revolving loan program that would support municipal infrastructure development. That program has a more clearly defined fiscal impact and achieves similar policy goals.
2. Should there be any specific stipulations on how the program is utilized?
 - a. Should the program establish limits or prioritize projects based on demonstrated necessity of the infrastructure investment and increment retention to the viability of the project (‘but for’) or some other criteria?
 - b. Could increment be used to invest in infrastructure and amenities that are not directly essential to the development viability of the project?
3. Are projects feasible from a technical or political economy standpoint (i.e., do residents want them?)