

Vermont Legislative Joint Fiscal Office

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TO: Members of the Joint Fiscal Committee

FROM: Sara Teachout

RE: Burlington TIF Briefing

There appear to be significant changes in the proposed improvements to be paid for with funds from the Burlington Waterfront TIF district since the business plan submitted to the Joint Fiscal Committee on August 31, 2009. Therefore, the City of Burlington has been asked to make a presentation to the Joint Fiscal Committee with an update of the most recent plan for the district.

Brief Waterfront TIF History

The Burlington Waterfront TIF was created under the original TIF statute which allowed the City to incur debt over a 10-year period from 1996 until 2006 and retain tax increment until any debt issued was repaid. The last debt issued by Burlington under this law was in 2005 for 20 years to be repaid by FY2025. The City under the original law was allowed to retain 100% of the education TIF increment until the end of FY2025, but was prohibited from incurring additional debt.

2009 Act No. 54 Sec 83 allowed the City of Burlington an additional 5-year window to incur additional debt, but required the formula for repaying the debt be approved by the Joint Fiscal Committee after the review of a business plan. The five-year time period for Burlington to issue new debt began January 1, 2010 and debt can be issued until December 31, 2015. Although not explicit in Act 54, this does not extend the life of the TIF, and Burlington would retain the tax increment until the FY2025 conclusion of the TIF district, without an extension. After June 30, 2025, all education tax revenue will be returned to the Education Fund regardless of whether Burlington has repaid all of the new debt issued.

The City of Burlington submitted a proposal to the Joint Fiscal Committee on August 31, 2009 including a business plan for the proposed improvements within the district and method of making payments in lieu of tax increment to the Education Fund as required in part (b) of the statute. The proposal included four public infrastructure improvements to be financed with TIF debt including; Waterfront North Transportation improvements, the Moran Plant, 131 Battery Street improvements (Battery, Main and Lake Streets), and improvements to Lower King Street. The Joint Fiscal Committee approved the payment formula at its meeting on September 10, 2009 and the JFC motion was subsequently codified in the 2011 legislative session.

As part of the debt extension, the City is required to submit annually to both the Tax Department and the Joint Fiscal Committee a report containing TIF information including details of new debt authorized and repayment schedules. According to reports submitted to-date, the City did not incur new debt in FY 2010 or 2011 but did in FY 2012 issue debt for College Street Garage Repairs in the amount of \$458,958 to be financed by the TIF through FY 2017.

Recent Legislation Pertaining to the Burlington Waterfront TIF

2009 Act No. 54 Sec. 83. BURLINGTON TAX INCREMENT FINANCING

(a) The authority of the City of Burlington to incur indebtedness for its currently-existing tax increment financing district is hereby extended for five years beginning January 1, 2010.

(b) The City of Burlington shall submit to the joint fiscal committee at least ten days prior to its September 2009 meeting a business plan and projection of new incremental education property tax revenue growth to be financed by any indebtedness authorized under subsection (a) of this section, and a proposal for implementation of a payment to the education fund in lieu of tax increment which would approximate 25 percent of the new incremental education property tax revenue and the mechanism for payment by the City to the education fund, including payment dates.

(c) If the joint fiscal committee approves a formula for implementation of a payment to the education fund in lieu of tax increment (the increased revenue generated by the incremental grand list value), and if the City of Burlington incurs new indebtedness under subsection (a) of this section for its currently-existing tax increment financing district, then the city shall pay to the education fund the approved payment in lieu of tax increment as required under the plan approved by the joint fiscal committee.

2011 Act No. 45 Sec. 16. BURLINGTON TAX INCREMENT FINANCING

(a) Pursuant to Sec. 83 of No. 54 of the Acts of the 2009 Adj. Sess. (2010), the joint fiscal committee approved a formula for the implementation of a payment to the education fund in lieu of tax increment payments.

(b) The terms of the formula approved by the joint fiscal committee are as follows:

(1) Beginning in the fiscal year in which there is the incurrence of new TIF debt, the city will calculate and make an annual payment on December 10th to the education fund each year until 2025. The April 1, 2010 grand list for the area encompassing the existing Waterfront TIF – excluding two parcels at 25 Cherry Street or the Marriott Hotel (SPAN#114-035-20755) and 41 Cherry Street – is the baseline to be used as the starting point for calculating the tax increment that will be divided 25 percent to the state education fund and 75 percent to the city of Burlington. At the conclusion of the TIF in FY2025, any surplus tax increment funds will be returned to the city of Burlington and state

education fund in proportion to the relative municipal and education tax rates as clarified in a letter from Mayor Bob Kiss to the chair of the joint fiscal committee dated September 9, 2009.

(2) The formula for calculating the payment in lieu of tax increment is as follows: first, the difference between the grand list for the Waterfront TIF excluding the two hotel parcels from the fiscal year in which the payment is due and the April 1, 2010 grand list is calculated. Next, that amount is multiplied by the current education property tax rates to determine the increment subject to payment. Finally, this new increment is multiplied by 25 percent to derive the payment amount.

(3) The city of Burlington will prepare a report annually, beginning July 1, 2010, for both the joint fiscal committee and the department of taxes, which will contain: (A) the calculation set out in subdivision (2) of this subsection; (B) a listing of each parcel within the Waterfront TIF District and the 1996 original taxable value, 2010 extended base value, and the most recent values for all homestead and nonresidential property; (C) a history of all of the TIF revenue and debt service payments; and (D) details of new debt authorized, including repayment schedules.