

**1<sup>st</sup> Quarter**

# **Newsletter - Supplement**

**Better(not bigger)Vermont**



## ***Update on S. 33***

The Vermont Senate will soon vote on S.33, which will enable government subsidies for development in Vermont's small towns. Below is the body of a letter which lays out the arguments against S. 33 and which our Executive Director personally sent to his State Senator and Representatives. You are welcome to plagiarize it to craft letters to your own Senator and Representatives.

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I urge you to oppose S.33, "An act relating to project-based tax increment financing districts." This legislation is designed to subsidize growth in Vermont's small towns.

A very important argument against allowing TIFs in small towns is that it will encourage more automobile travel in Vermont. The more that people move into small towns, the longer their commuting trips and shopping trips will likely be. Increasing the distance between where people live and where they go to make a living will increase Vermont's CO<sub>2</sub> emissions.

Tax Increment Financing (TIF) may be an effective tool for the development of brownfield properties within urban communities. A brownfield is a “blighted” lot which has been contaminated by hazardous substances thereby making it a financially risky location for new construction. Unfortunately, characterizing an area as “blighted” may be a pro forma exercise, since specialized consultants can be hired to create the needed evidence in most cases.

A TIF pays back a loan for development by extra tax revenues that the real estate investment would HOPEFULLY generate WITHOUT cannibalizing commercial or residential tax revenues from properties outside the TIF project. In addition, any development, irrespective of whether it is subsidized by a TIF, will likely increase the demand for taxpayer-funded infrastructure, personnel and public services – roads, sidewalks, water, sewer, transportation, snow removal, schools, teachers, recreation, public safety, fire protection, etc. The additional tax revenues from a TIF rarely cover all of these increased costs and the owners/residents/businesses outside a TIF district are forced to pay more to make up the difference. Consequently, S.33 would likely lead to higher taxes for current residents of small towns. (Residents in small towns enjoy lower taxes as smaller communities need less government-paid infrastructure and social services – see <https://smartasset.com/taxes/vermont-property-tax-calculator>). In addition S.33 could make current residents of a small town liable to pay off TIF-backed loans to developers if they default and after using said subsidies have taken away the town’s character most treasured by residents – its smallness.

A good summary of the general problems with TIFs is in this report...  
<https://www.lincolnst.edu/publications/articles/tax-increment-financing>.

Further, S.33 defines 'brownfields' as "... an area in which a hazardous substance, pollutant, or contaminant is or may be present..." [emphasis is mine]. The way S.33 is written, a developer could claim that just about anything is a brownfield.

In addition, S.33 specifies three other situations for which TIFs might be used...

- The development includes new or rehabilitated affordable housing, as defined in 24 V.S.A. §4303.
- 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.
- The development will enhance transportation by creating improved traffic patterns and flow or creating or improving public transportation systems.

These are all legitimate goals for public investment. But would it not be greatly preferred to require that these objectives be a part of any and all development projects whether they enjoy TIF subsidization or not.

Although S.33 may provide small towns with options to grow if they wish, does Vermont really want to encourage large-scale disappearance of its greatest resource, its singular “brand” – its small towns? As a result of moving to the small town of South Hero and operating a farm in close proximity to plenty of unspoiled Nature, I am much healthier than I was 10 years ago.

The overriding goal of developers and their partners is to amass more monetizable assets for themselves. They’re not concerned that development will increase taxes for current residents. They’re not concerned that development could take away most valuable assets – its smallness, its wild fauna and flora, its ability to produce its own food, and its simplicity. They’re not concerned so much about global warming. Vermont is one of the few states in our Nation that still offers such resources and assets so that people can enjoy truly healthy and happy lives. Do we really want to liquidate our State’s most valuable, unique asset and give away what truly makes us happy, for more money? Do we really want to take away the best of Vermont from the people who truly love

Vermont's small towns? Where will we the people who love small Vermont towns go? In truth, plenty of people want to move to Vermont without the existence of government subsidies that would incentivize them to move here or subsidies for developers to build housing for new residents.

In summary, except for reclamation of brownfields, using TIFs for other purposes is taxpayer-funded corporate welfare for developers. I have seen the injurious misuse of TIFs in other states. We don't want to expand the use of TIFs throughout Vermont and lose more of our small towns. Hopefully, Vermont will protect itself and eschew widespread use of TIFs, except in cases where taxpayers in urban centers can cost-effectively extract value out of true brownfields.

*Thank You!*

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