# Testimony to House Commerce Committee Regarding Proposed CHIP, 4/16/25



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Regarding S.127 on Housing and the CHIP Funding Proposal

Josh Hanford, Director of Intergovernmental Affairs

Samantha Sheehan, Municipal Policy and Advocacy Specialist

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### **Infrastructure Needs**

In VLCT's membership survey last October, 35 municipalities reported that they currently have plans to build or expand municipal water or sewer systems. From those 35 projects:

- 28% have received some state funding, 16% have received some federal funding.
- The average total cost for the project is about \$14 million, the median is about \$10.2 million.
- Anticipated date of completion from 2025 to 2030.
- Total anticipated costs from all survey respondents is \$393,871,000 and the funding secured to date is \$151,912,000.

**Funding Public Infrastructure with Tax Increment** 

VLCT has identified a more than \$240 million public funding gap for existing water and sewer projects. CHIP isn't the best proposal to fund these projects, it's the **only** proposal.

- Recent reforms to Act 250 (Act 181) have bound future housing density to municipal water and sewer.
- CHIP allows municipalities to fund this infrastructure without raising taxes or rates on existing homeowners.
- CHIP enables the State to support this investment without a general fund appropriation.
- CHIP provides a stable and immediate increase in revenue to the state education fund (existing tax base + 20% of new increment).
- CHIP creates a new financing tool all communities can use from local revenue increment to fund public infrastructure.

# Other Municipal Considerations For CHIP design:

CHIP is, fundamentally, a change in municipal financing authority.

- VLCT supports provision to allow "sponsors" to acquire debt
- Public interests are protected through the Housing Infrastructure Agreement
- Public improvements at a given parcel increase property value and generate new tax increment annually on April 1
- VLCT does not support a "but for test"
- New housing, public infrastructure, and flood resilliency improvements are plainly for the public good

# **CHIP Supports Housing in All Communities**

Considerations for rural and low resource towns:

- CHIP is housing type agnostic, building all types of housing for all incomes is for the public good.
- Eligible public improvements include "flood remediation and mitigation".
- Includes opportunities for all municipalities: Tier 1a, Tier 1b, Tier 2, or "an existing settlement or an area within one-half mile of an existing settlement".
- Pairs appropriate technical support for municipalities: "Related costs may include direct municipal expenses such as departmental or personnel costs related to creating or administering the housing infrastructure project"

### **How Does a Grand List Grow?**

To understand the benefit of tax increment financing we must assess grand list growth from development, not from revaluation.



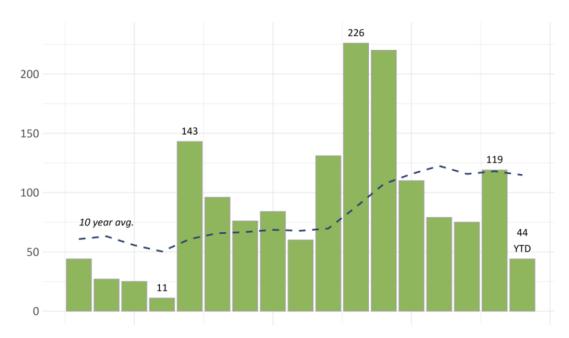
# **Understanding "Real" Grand List Growth**

Property revaluation is tax revenue neutral. Property revaluation after redevelopment creates new tax revenue. Revaluation does not change the amount of revenue to the Education Fund, Development does.

- Mass reappraisal and the equalization study (CLA) are methods of property revaluation based on current fair market value for existing development.
- In fiscal year 2025 and 2026, equalized grand list growth is expected to be approximately 14%.
- Annual municipal grand list growth from development or property improvements is understood to be about .8%-3%.
- Between 2010 and 2020, Vermont's housing stock statewide increased by an average rate of 0.4% per year (1,178 homes).

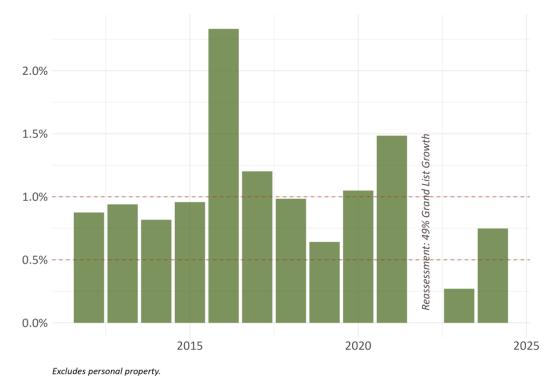
## **Example 1: Impacts of New Development on Burlington's Grand List Value**

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



Burlington's ten-year average of new development, 2012-2023

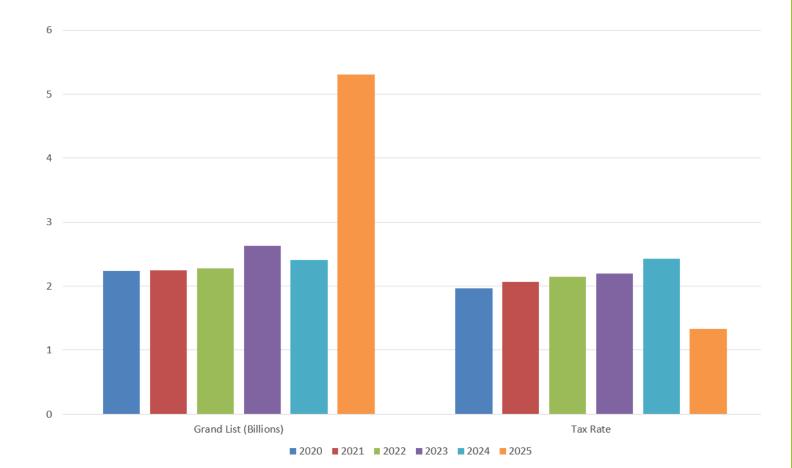
With a 200% increase in the rate of new housing units per year, Burlington only experienced an annual rate of grand list above 2% one time.



Burlington Grand List, Percent of Change from 2012 to 2023

# **Example 2: Revenue Neutral Reappraisal in Stowe**

When Stowe complete a municipality-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.



### Attachments

vlct-housecommerce-s.127housing-20250416.pdf