

Addendum

Additional Comments Re: Tax Incremental Financing for Killington

Art Malatzky

February 17, 2022

I would like to add some follow up to my earlier comments submitted on February 7th, primarily driven by feedback from local residents since my Open Letter to the Selectboard of December 10th was published by The Mountain Times. In response to that letter, my subsequent letter to The Mountain Times of January 16th, and my comments to the VEPC hearing on January 27th, I have received various comments and had discussions with former members of the Selectboard and Planning Commission as well as local businesspeople and others in the Killington community. All have thanked me for taking the position I have, although none have elected to go public with their concerns for personal and/or business reasons. Several have pointed out perceived conflicts of interest within the current Selectboard, based on either a specific property owned by one or the number of properties owned by another, all of which would potentially benefit from approval of the TIF District or a town water system. I have explained that conflicts like these are difficult if not impossible to avoid in a small town such as Killington, that I prefer not to question anyone's motives and, besides the facts against approval speak for themselves.

VEPC members should also know that at least some won't comment on the assumption that VEPC approval of the Town's application has been "pre-ordained" or that "the skids have been greased" and they don't want to potentially damage business relationships they have with the Town or the Resort with no possibility of changing the end result. My response is that if the VEPC looks at the facts rather than the spin contained in the application and begins to seriously question what has been presented by the Town, then approval is not a "done deal".

One point that comes up in discussion is what would happen next should the application be rejected. The answer may lie with accounting rules. My understanding is that under generally accepted accounting principles (GAAP), an asset must be written down once it is evident that its book value cannot be recovered. In the case of SP Land and its investors, this would potentially mean writing off the difference between current book value and the value of its investment absent TIF or any other concept that props up the value.

One imagines that SP Land and its investors have been able to support original book value for all these years by holding open the slow but steady progress they have made with permitting from the Town and the State. Once investors can no longer support holding SP Land's properties at original book value, they should (under GAAP) be required to reduce the value on their books to a newly estimated fair market value or sale price. (TIF approval, with or without immediate development, would presumably avoid this necessity.) Development could still go forward, however, investors would have to recognize an immediate loss on their balance sheet. This is, of course, not our problem.

Without the support of a TIF District and with SP Land's investors' continued unwillingness to put up the capital required for pipeline construction, the next logical step would be for SP Land to negotiate a

buyout by its partner, Powdr Corporation. Such a move could actually be a positive step for the Resort as it would allow development in a way that is best for the Resort rather than what is best for SP Land and its investors. Given that Powdr Corporation is itself owned by a financially savvy investor, it would not be at all surprising to find Powdr quietly hoping this occurs as they would be able to negotiate a buyout under very favorable conditions.

My final point to those who have contacted me has been that we should not fear TIF rejection by the VEPC. Rather, we should welcome it as best for the Town of Killington and potentially best for the future of the Resort. I and others in town hope the VEPC members agree.