# The Case Against Killington's Tax Increment Financing Application

Art Malatzky

Killington, VT

It is not always easy to take a position counter to the long held wishes of many in Killington but that is where I find myself today. The Selectboard has already voted to apply for Tax Increment Financing (voted on at the January 4, 2022 meeting) and the application has moved ahead to the Vermont Economic Progress Council and sits before you for evaluation. This is where serious questions need to be asked and answered before a decision is made for or against or, as I have also suggested, for the Town to withdraw its application until more and better information is available.

First, a little about me. I, like many Town residents, am not usually one to attend Selectboard meetings, challenge their thinking, or get deeply involved in the day-to-day operations of Killington. I think our Selectboard does a good job of trying to maintain good services at acceptable cost to the taxpayers, whether full time residents like my wife and I, or vacation homeowners as I once was 20 years ago. I am sure their current stance vis a vis TIF reflects their desire to continue doing just that. I simply feel, and with good reason, that they are ignoring easily definable risks and putting Town finances in long term jeopardy. In years past, I served as President of a 242 unit condominium complex in the New York suburbs for roughly 15 years and on the Board of Trail Creek Condominium in Killington for 10 years. I appreciate the time it takes to serve in voluntary roles such as these and know that decisions have to be made that will not please everyone.

As far as the proposed Village is concerned, I have always recognized the need for slope-side and possibly other development, but I have vigorously opposed the current base area design in the past as I believe it creates massive inconvenience for customers by removing close-in parking and forcing customers into remote lots. Bad for customers equals bad for the resort but, in the end, that is an issue for the resort and SP Land to work out as this is their playground to use and/or abuse as they see fit.

Finally, my background is in energy and consulting. Prior to retirement in late 2016 I spent many years consulting on energy procurement, price risk management, regulatory and legislative affairs for various large and medium sized industrial and commercial customers nationwide and I also spent 15 years as Energy Manager for a large chemicals, metals and defense company based at the time in Connecticut. Our company's energy budget at the time exceeded $200 million and, as consultant, I worked with companies with energy budgets far larger. In those roles I often had to evaluate or contribute to the evaluation of energy related projects costing many millions of dollars and there are two major lessons I learned and came away with which are applicable to the situation at hand:

1) In order to get the right answers, you need to ask the right questions.

2) There are times when you must challenge the plans of senior management and others when your knowledge and/or experience suggests they are heading down the wrong road.

It is from that background that I am challenging this application and I hope you understand that is where I'm coming from.

## Alleged Opportunities and Barriers

Killington's application is based on the premise that water supply and outdated Killington Road design have been barriers to the Town's development. To support this, they allege significant water quality problems and the fact that Killington Road looks essentially as it did in the 1980s or 1990s.

With respect to water quality, it is my understanding that water quality issues are limited to homes and business near the area of the Summit Lodge as a result of an oil leak that took place years ago. I may be wrong, but I have heard of no other serious water quality issues anywhere else. I lived in Trail Creek Condominium for 10 years and owned there for the 4 years before becoming a resident, and I served on the Board of Directors for most of that time, and I never once heard of water quality being an issue anywhere beyond that specific area. If the Town has widespread water quality issues impeding development, it is news to me and I will stand corrected.

**Question: Where are the water quality issues located and how many existing homes and businesses are affected? If the problems are more widespread than assumed above, how are the properties currently managing and is there a water quality solution that is less expensive and more immediate than projected by this application?**

Regarding Killington Road, while it may look similar to how it has looked for many years, that statement is somewhat misleading. Killington Road has carried, in its present form, well more than 1 million skier visitors per year and did so for a number of years. The road now carries approximately 800,000 skier visitors. Furthermore, many of the road's businesses are now open through the summer as a result of the Resort's investment in summer activities. For 20 years and more before that, restaurants tended to close in early May and reopen in September or October. While there may be reasons to redesign the northern terminus at Route 4 and the southern entrance to the resort at East Mountain Road, the road itself cannot be considered to have been a barrier to the Town's growth.

The application lists several issues with Killington Road in its current form, with traffic speed being the number one listed problem. Speed issues as well as late afternoon traffic build up at the intersection with Route 4 can be handled very simply by reinstalling the traffic light at the intersection with Dean Hill Road. This light was removed a number of years ago and, without it, traffic naturally speeds up as it moves north (downhill) without interruption. Reinstallation of this light would also break up traffic flows as vehicles continue northbound and coupled with the existing light at West Hill Road would serve to reduce late afternoon lines at the Route 4 terminus of Killington Road. This would quickly solve one of the key problems indicated in the application, thus reducing the need for more major modifications until or unless skier visits again exceed 1 million.

**Question: How can Killington Road be considered to have been a serious barrier to growth when it historically carried at least 25% more skier visits than today?**

**Additional Factors Contributing to Lack of Growth**

In the view of some who may not know the history, Killington's decline in skier visits is often attributed to the lack of so-called modern amenities including a base area village. In fact, the long-term decline from the many years exceeding 1 million visits is most likely attributed to the deterioration of resort facilities and poor and/or confused marketing in the latter years of ASC ownership. The former Vice President of Resort Operations referred to their snowmaking system as "the world's largest underground sprinkler system". Base lodges aged without having any significant updating. Marketing efforts declined with ASC's financial woes and became more confusing as time wore on. Often running away from their Beast of the East brand, Killington tried to market themselves as a family resort while simultaneously pushing Killington Road as "Bourbon Street North". Couple that with the obvious missteps made by Powdr Corporation in their first year of ownership, missteps that alienated many longtime customers and drove them to other resorts, and skier visits dropped precipitously in the 2007-2008 season. While the Resort has never publicly acknowledged how steep that drop was, reasonable estimates and comments from insiders put the figure at close to or even exceeding 100,000 visitors in Powdr's first season of ownership. My understanding is that skier visits dropped below 700,000, down from their peak years that easily exceeded 1 million every year.

Skier visits have been recovering ever since as Killington has upgraded and replaced several lifts, built a new peak lodge, and re-embraced the Beast of the East brand. Powdr Corporation and Resort management, which in their first year of ownership had severely alienated much of the Town, has recovered and built a very positive relationship in the intervening years. Much of this can be attributed to the leadership of Mike Solimano, who took over after the initial five years of Powdr's first hand-picked President.

While the Town's application accurately states that no new hotels have been built in years, that is primarily attributable to lack of demand. If one drives along Route 4 from Rutland to Killington, one sees several hotels and restaurants that are no longer in business and have not been for some time. Their shutdown has been caused by the lack of overflow business from the Killington Road and Resort area, overflow that these businesses depended on for years for survival. Is it any wonder that no new hotels have been built in Killington proper? I think not.

**Recent Growth Counters Dire Predictions**

As demand as well as population have picked up, we now see existing homes flying off the market as soon as they are listed, many being renovated and modernized by their new owners. New home construction is also on the rebound. Land and home site sales have picked up as well. A new development has been proposed at the base of Bear Mountain with pricing in excess of $2 million per unit, a development that will provide ski in/ski out housing at the east end of the Resort. I have even heard of a new “boutique hotel” being proposed for the northern end of Killington Road near Route 4. Killington has been listed among the most affordable ski towns in Vermont if not all of New England and growth, at least in the near term, does not appear to be an issue.

**Conclusion: Neither water supply nor Killington Road’s alleged inadequacies appear to be key issues related to the Town’s lack of growth over the past 20 or more years. The clearly identifiable cause lies with the Resort’s financial problems and resulting decline in customers. This has been proven out by the Resort’s more recent revival and the Town’s concurrent recovery and growth. With adequate demand driven by continued Resort investment, population growth enhanced by affordability and pandemic concerns, and with reasonable macroeconomic conditions forecast for the foreseeable future, growth no longer appears to be a concern.**

## Workforce and Related Housing Issues

I am admittedly no expert on workforce and housing issues. I can only go by what is reported in the news, what I have heard anecdotally, and what I see every day around me.

Beginning with what is obvious to all of us, the Killington region, the State of Vermont and, generally the whole country is suffering through a workforce shortage. Causes appear to be primarily pandemic related – retirements, wages for workers heretofore not recognized as “essential”, childcare, and some simply rethinking their careers and job prospects – and this has hit the hospitality industry the hardest. Some employers, whether large or small, have been increasing wages and offering other benefits to entice new applicants. Others, like restaurants, are limiting the number of days or hours they are open in order to give existing employees necessary and well-earned time off. Killington Resort and Killington Road businesses are no exception to this national trend and ski resorts and ski towns, along with summer resorts and adjoining towns are all suffering through these same problems. Seasonal job openings, which have historically been difficult to fill, are even harder to fill today. This seasonal worker shortage had for many years been filled through temporary international workers but the number of workers now available has been reduced by both visa limitations that began during the Trump administration as well as pandemic limitations today. Whether this will be a lasting trend or if the economy will adjust over time is as yet unknown.

Killington region housing is another issue of concern. Homes in the area have risen in price, land prices will inevitably follow (if they have not already) and shortages currently exist for those wanting to become full time residents. As with most ski towns, many if not most employees live in adjoining towns where prices are generally lower. Unfortunately, the area surrounding Killington, Rutland included, have tight housing markets as well. I personally do not believe that Killington itself will become home to so-called affordable housing anytime soon. The cost of land and the cost of construction simply will not allow for it. That is typical of ski towns nationwide and should come as no surprise to anyone. I do believe, however, that the market will eventually balance out as the price of existing properties rises to support the cost of new development. We are already seeing that in Killington and I would expect to see the same in Mendon, Rutland and elsewhere in the region once pandemic related issues pass. In the meantime, the Resort (like many nationwide) is finding ways to provide employee housing through the purchase of underutilized hotels and other properties. A number of such properties still exist on Route 4 in Mendon as well as in Rutland itself. Granted, this is not an optimal solution to the seasonal employee housing problem but it can serve until a better solution is found.

The loss of rental properties to the short-term rental market is more complicated than simply counting and comparing one to the other. Killington has long had a tradition of group ski houses, where an owner would rent rooms seasonally to either weekenders or seasonal workers. The Resort even promoted this through its “ski house guide” but, as happens, the ski house crowd has aged and homes have either been sold to newer full time residents or to vacation homeowners who no longer rent. Complicating matters is the fact that the Resort, in the early years of Powdr’s ownership, pushed many condominium owners out of the Resort’s rental program, opening the door to VRBO and other alternatives. As a result of these and other factors, I’m sure, the changes in the rental market are hard to categorize and even harder to compare on an apples-to-apples basis.

**While Town’s application for a TIF district pays lip service to addressing the affordable housing issue, the solution proposed is many years down the road, probably in the 2030 time frame, possibly even later. That is, unfortunately, not a solution but, rather, little more than a wish and an aspiration.**

## Six Peaks Development Plans

As we all know, SP Land was formed as a result of the land for debt swap between ASC and its creditors. It is essentially a shell company that owns a single non-performing asset, the developable lands at Killington Resort. While most of us are obviously not clear on all the financial machinations that formed SP Land, we do know that it was formed in 2004 and registered as a LLC in Vermont by E2M Partners LLC, based in Dallas Texas. It is listed as “Manager Managed” with E2M listed as “Manager”.

E2M's website describes them as follows:

"The firm is backed by the strategic capital and support of Compatriot Capital, the real estate operating and investment subsidiary of Sammons Enterprises, Inc." It goes on to say that "Since inception, E2M has deployed over $400 million of equity with over $1.1 billion of gross asset value."

Compatriot Capital, said to be providing capital and support to E2M, lists companies with which it has strategic partnerships but, for reasons that will become obvious, E2M is not listed among them.

The Compatriot website says "Compatriot invests in projects, companies and properties across North America. Currently, the company has investments in Arizona, California, Colorado, Georgia, Illinois, Maryland, Michigan, Minnesota, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Vermont, Washington, and Washington, D.C.

Sammons Enterprises, the parent of Compatriot Capital, is a holding company whose website shows them with $120 Billion in assets, 4,700 employees and $6 Billion in annual revenues.

Clearly, E2M and SP Land are backed by wealth, to say the least.

The explanation for why E2M is no longer listed as a strategic partner of Compatriot may lie in the following statement, also taken from the E2M website:

"E2M Partners, LLC is no longer conducting advisory activities, seeking new investments, or raising funds for future investments."

One might easily and logically conclude that E2M Partners is winding down its business.

**Question: Who are the current investors/owners of SP Land? Who is the financially responsible party the Town is actually dealing with?**

Whoever the current investors/owners of SP Land may be, their primary and driving interest lies not in developing a village per se at the base of Killington Resort but, rather, they are simply interested in unloading a currently non-productive asset at maximum value. <u>Not being developers themselves, village development is now, as it has always been, simply a vehicle for investors to make a profitable exit from the Town of Killington.</u>

In Killington for about the past 15 years, SP Land has, as one would expect, tried to maximize the potential value of the property it owns, a high stakes version of the HGTV program "Flip or Flop". Instead of coming up with a financially workable design, they have carried forward the village plan designed by Centex, the company ASC was partnering with before Centex pulled out. SP has made few changes to the Centex design and has pretty much attempted in recent years to find a partner or partners to whom they could offload their holdings and develop the village. I believe they have subdivided their holdings beyond the original 20 year four-phased development plan in an attempt to make it easier to recover their investment. (This actually may have made it more difficult, as no single development parcel could support the high upfront site development costs; costs that E2M, SP Land, and its investors have been unwilling to invest.)

During this time, SP Land and the Town have worked together to keep the process moving forward. For example, although members of the Planning Commission realized that the plan was potentially negative for the resort and was in all likelihood financially unworkable, it did not want to be viewed as being the cause of the plan's demise. In effect, everyone was proverbially putting lipstick on a financial pig in order to keep the process moving.

Now, 15 years into the process, the parties have apparently run out of lipstick, the pig needs an unaffordable facelift, and the financing solution they have come up with is for the Town to invest in the hog farm. I simply reject that idea and the VEPC should too.

**Question: Why have investors been unwilling to build the pipeline necessary for Six Peak Village development?**

We are told in the application that the upfront cost of the water supply pipeline is far too much for a developer to incur, and that may be true given the way that SP Land has divided their holdings into smaller parcels. What has not been addressed is why SP Land and its investors/owners have not made the investment themselves. The obvious answer, and the one that the Town Selectboard and SP Land have been avoiding, is risk.

As explained earlier, the investors in SP Land have been playing "Flip or Flop" for 15 years. ASC's creditors in all probability made the calculation that they were in a better position to recover their debt by taking over ownership rather than work their way through the likely process of bankruptcy. They probably assumed that they could divest these holdings quickly and move on. Unfortunately for them, Centex decided to withdraw for greener pastures at Loon Mountain in New Hampshire and SP Land and its investors were left holding the bag. The divestment process was further delayed by the PUD renewal process led by the Planning Commission, litigation over the PUD renewal following its approval, the Act 250 process and, finally, litigation and settlement of Act 250 issues and the issuance of a permit in 2017. Little did ASC's creditors know in 2004 that they would still be holding assets in Killington in 2017 let alone 2022. Their goal of a relatively quick "flip" failed to materialize and their debt for land swap "flopped" instead. Is it any wonder that investors have been reluctant if not unwilling to make a further significant investment?

In assessing the risk, we should use as a starting point the cost of the pipeline and associated facilities absent the Town's alleged needs. Although I do not know the estimate used by SP Land and the Town, a "semi-educated" estimate would be approximately 5 miles of pipe, at $250 per foot installed over hilly and/or mountainous terrain, coming to an estimated total of $7 million. Allowing for pumping, contingencies, etc., and even doubling the estimated cost simply for the fact that all of this is "semi-educated" on my part, I would put the cost at no more than $20 million.

Clearly Phase 1 of Six Peaks Village cannot absorb this cost, however, the Village will eventually consist of more than 1,200 residential units in the Village Core and Ramshead Brook areas, with each being sold at well in excess of $500,000. It becomes obvious that the sales prices of the residential units can easily account for the additional $16,000 cost per unit for the water line. Even if the pipeline cost is significantly higher, the cost per unit should still be acceptable given the probable sales price of the individual units.

What, then, is the problem for SP Land and its investors? I would guess that they question the market's ability to absorb the size of the development they plan, at least in a reasonable time frame. That being the case, the Town's application, based on an 8 year phased development plan, is unachievable and unworkable, making the whole application little more than a pipedream; and, if that is true, the Town is taking on risk that should rightly be borne by SP Land.

**Questions:**

> **1) Has SP Land conducted any market studies to prove the reasonableness of their development size and planning horizon?**
>
> **2) Has the Town conducted its own independent study?**

In addition to questions surrounding the ability of the market to absorb the number of residential units in Six Peaks Village and to do so within the eight year time horizon envisioned in the Town's application, the question then becomes whether SP Land will be able to attract developers to meet their proposed schedule. Steve Selbo of SP Land stated at the January 27th hearing that the number of potential developers was limited, at least with the cost of water supply being an issue, and but that one had "surprisingly" appeared only recently. (No doubt an interesting coincidence of timing.) In answer to a question, Steve said that, assuming TIF approval, this developer could be under contract within the next six months. Fifteen years of history gives us pause to accept that at face value but let's assume for the moment that this comes to pass. Given the limited number of developers interested at all to this point we are still left with additional unknowns.

**Question: How certain can we be that another developer will step forward quickly to develop Phase 2? Phase 3?**

## Tax Increment Financing

We are told that Tax Increment Financing is not a “build it and they will come” proposition. Unfortunately, that is exactly what the Town’s application represents.

For example, the application states on page 10:

“Six Peaks Killington will be constructed in consecutive phases based on pre-sales and absorption as units are sold and square footage is occupied. SPLC provided the Town with projections of the values of each phase post-development. Given the history of this project, the Town chose to conservatively model the debt capacity with approximately 60% of the projected incremental value – approximately $300 million over the eight-year build-out. Before bonding for the infrastructure, the Town will require development agreements with the developer and will establish this minimum taxable value needed to cover debt service.”

Looking a little further, on page 19 we are told:

“This Plan assumes four issuances of debt for the four phases of work. Because the first issuance of debt is very large – $38.5 million – the Town will be looking to combine debt instruments, including municipal bonds, private bonds, and the State Revolving Loan Fund. The remaining three bonds are likely to be funded by the Municipal Bond Bank. <u>It is assumed that the first two issuances of debt will be repaid with an interest-only period initially to address issues of negative cash flow in the early years</u>.” (Emphasis added.)

**As stated previously, if the expected time schedule for Village build out is unachievably short, the estimated interest only bond repayment period extends well beyond the time estimated by the Town in its application. At some point, the Town and its taxpayers are on the hook for bond repayment.**

With the likely winding down of E2M’s business, and with the more than likely issues surrounding timely bond repayment, the Town of Killington will be left to pick up a financial liability it will be unable to repay. Approval of Tax Increment Financing will enable this to occur.

## How Can the Town of Killington Be Protected?

With the risk of the Town becoming unable to repay the bonds that are issued, both interest and principal, as a result of SP Land failing to build the second and third phases of Six Peaks Village in a timely manner, how can the Town protect itself while still having Six Peaks move ahead? I propose the one method that essentially eliminates the Town’s risk.

The best way and most efficient way to ensure that the Town of Killington can repay the debt would be for SP Land and/or its investors to post an irrevocable cash security bond in an amount equal to bond coverage. The Town would be able to use this security to cover any shortfalls in expected tax revenues that may occur. The security could be placed in some sort of escrow account, possibly managed by a combination of representatives of the Town, SP Land and the State, if that is what it takes to have all parties feel comfortable with the process. SP Land would continue to hold the financial risk, rather than the Town of Killington and its taxpayers. If the plan envisioned in the application comes off as written, their funds are returned in total. If not, the Town and its taxpayers are covered. **If the VEPC could make such an arrangement a condition of TIF approval, all other financial objections fall off the table and we can move on to the next phase of Village development.**

## "But For"

Imagine any one of us walking into a Selectboard meeting with the following proposal:

"I own 10 acres and I can develop the property into 50 residential units, but for the fact that I don't want to make the investment needed to prepare the site for development. How about the Town puts up the site development cost? I can promise you that the Town will more than recover the money through property taxes as well as other taxes generated by future property owners."

I would guess that the Selectboard, once it stopped laughing, would tell me to leave and not let the door hit me in the "but for" on the way out.

That is exactly what is being proposed today, in multiple phases, at much greater financial risk to the Town. SP Land and the Town argue that "but for" the lack of infrastructure, the Six Peaks Village could be built starting within one year. Facts suggest otherwise.

But let's take a look at the "but for" argument in a different way. Potential development options have all been based on the fact that the Resort and SP Land, while partners in each other's businesses, are still separate entities. "But for" the fact that SP Land wants to recover its investment and exit Killington with a profit, a village could be developed based on what's best for the Resort as well as the Killington community. What if SP Land's needs were ignored and a village was developed today from scratch? What could that look like and how could it be built?

We already know that SP Land has an Act 250 Permit that includes the Snowdon Wells as a source of water. While totally ignored in the TIF Application, this source provides quite a bit of water potential, probably large enough to supply much of the slopeside development the Resort sorely lacks. Slopeside development, well beyond the Ramshead Brook development contained in phase 1, could be developed at far less cost than the Village as proposed. Furthermore, slopeside development would enhance the resort, attracting new customers without inconveniencing the day skiers who currently utilize the Snowshed and Ramshead parking lots planned for removal with Six Peaks. One only has to take a look at Stowe to realize that close in parking is a necessity. Stowe preserved the bulk of its base area parking with the Spruce Peak slopeside development and now needs even more parking as the resort has grown.

Another avenue of development has actually been conceptually proposed from time to time but never seriously considered. Golf as a sport has been on a long term decline since early in this century with over 1,000 courses closing nationwide. While golf has started to grow again over the past several years, there is reason to question whether the Town of Killington and the Resort can economically support two golf courses over the long term or even if they should try. It would be interesting to focus attention on the economics of Killington Resort and the Town each currently owning a golf course and, in effect, competing against each other. The Town's course has been a drag on the Town's finances for years and, while improving recently with professional outside management, it still has not lived up to forecasts made years ago. Economics of the Resort's course are not known but It obviously requires investment and maintenance expense that might be better used elsewhere for summer and winter activities.

The proposed alternative would be for a new resort village to be built on a portion of the Resort course, near the Wobbly Barn and Killington Mountain Inn, formerly Inn of the Six Mountains. The land here is relatively flat, requires far less site development, and would provide the Town with a "Town Center" that would be an integral part of the Town rather than a private development at the top of the Killington Road. A single gondola could be constructed from the new village to the new Skier Services Building included in the current Village plan and it might even be possible to build ski trails back to the village via overpasses on East Mountain Road.

The benefits to the Town are clear. A "Town Center" was one of the key needs identified years ago in a survey and study undertaken by the Vermont Council On Rural Development. Loss of the competing golf course in town would enhance the economics of the Green Mountain course thereby increasing Town revenues. Those added revenues could then be used elsewhere by the Town to the benefit of all taxpayers.

The revised village concept above was mentioned at one time to Carl Spangler of ASC, then Centex, and Carl thought it was an interesting idea. The concept was brought up with Allen Wilson, then President of Killington, whose only immediate concern was potential environmental issues with Roaring Brook. Finally, I personally raised this possibility with Paul Rowsey, Chairman of SP Land, following a Planning Commission hearing on PUD renewal and his two comments were "Do you think the Town would let us do that?" and "We don't own that land". I responded that I thought the Town would jump at the opportunity and, as for ownership, I commented that the Resort is your partner and surely you could work something out.

Obviously, redesigning and relocating the village would take several years and additional investment, but it would be well worth exploring the potential revision. That time could be used to build slopeside developments, grow the Resort, and determine whether future residential growth to support large scale village development actually exists. If it does, then a TIF District could make far more sense and be far more justifiable.

## Conclusion

At the January 4, 2022 Selectboard meeting and public hearing on TIF, one commenter referred to the Town's application as a "marketing piece". I would call it a "fanciful puff piece bordering on fiction". It is well written spin using selected facts, ignoring inconvenient truths, and obviously meant to convey the dire need for Tax Increment Financing approval by the VEPC.

<u>When looked at critically, however, the idea of Tax Increment Financing and the town taking on potentially significant risk is nothing more than a bailout of Texas based investors at the potential expense of Killington and its taxpayers.</u> That is not what TIF was designed for as it could not be the intent of TIF to save investors from the failure of their investments.

Denying the Town of Killington's application for a TIF District cannot be an easy decision for the VEPC. The Town's Selectboard has clearly worked hard to develop the application and has worked with the VEPC in advance of submission. Members must keep in mind, however, that the State has been down the path of poorly conceived and poorly researched economic development plans before. The Jay Peak EB-5 disaster gave a black eye to the EB-5 program and to the State regulatory authorities tasked with its management. Clearly, not all that glitters is potential gold. If the Killington application is approved and, sometime in the future, the Town runs into serious financial difficulties as a result, the State will have earned another well-deserved black eye. When it comes to the Village plan and its timeline, all one must do is remember the old adage "if it looks too good to be true, it probably is".

Selectboard member Jim Haff, at the start of the January $4^{th}$ discussion and in response to my open letter to the Mountain Times, asked me what I did for a living. When I told him I was retired, he asked what I did before that. I briefly told him that I had worked in the energy industry and mentioned that the Enron debacle still stuck in my mind.

Although this line of questioning was clearly irrelevant, I let it go at the time. Thinking about it now though, the relevance is, in fact, striking. It is truly ironic that we are talking about bailing out SP Land's investors now, just past the $20^{th}$ anniversary of the failure of Enron, as we again have a Texas company, using shell companies, attempting to use creative financing to keep alive a questionable business plan. It did not work for Enron then and it should not be allowed to work for SP Land and its investors now.

Attachments:

Open Letter to the Killington Selectboard 12/10/2021

Letter to the Editor of the Mountain Times 1/16/2022

**ARTHUR M. MALATZKY**

135 Overbrook Drive, Killington, VT 05751
Telephone: (802) -747-3024
E-mail: energetic1@att.net

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Selectboard
Town of Killington
PO Box 429
Killington, VT 05751

Open Letter to the Killington Selectboard

As the Selectboard leads the effort to bring a TIF (Tax Increment Financing) District to Killington, it appears obvious that the Board and SP Land are orchestrating an effort to promote this project in the most favorable light. We have recently seen several articles in The Mountain Times telling us how great such a District would be for Killington and future development. Using St. Albans as a success story, it quotes the City Manager saying "TIF is the closest thing we have to a silver bullet". I hate to play skunk at the garden party but, as taxpayers, perhaps it's time we started to ask some hard questions as we load our weapon with this magical bullet.

First, let's look at TIF. Yes, St. Albans may be a success story but there are other stories worth telling. South of St. Albans, and often in the news, is the TIF funded redevelopment project in downtown Burlington. This project, which tore down the mall and downtown parking, was supposed to have been completed in, I believe, 2021 or 2022. Instead, due to various factors including financing issues and extended litigation, Burlington is now home to a rather large hole in the ground and a project now forecast for completion no earlier than 2026. While the problems may not all have been directly related to TIF, the project was thought to have been another "silver bullet" for downtown redevelopment and instead has caused great harm to other downtown businesses, proving that no project is problem free and "silver bullets" are hard to find.

Now let's look at Killington and development of the village now known as Six Peaks. The current village design, requiring the elimination of convenient on-site parking at Snowshed and Rams Head, has been on the table for at least 15 years. I have, admittedly, not been a fan of this design as I believe it is bad for resort customers and, thus, the resort itself. I spoke about this at several Planning Commission hearings on the project years ago as it moved through the initial approval process but, in the end, the

Commission approved the design with relatively minor modifications as they had neither the legal authority to kill the project nor the desire to be seen as the cause of its demise. The fact of the matter is that it's KSRP's sandbox and it's their business.

At least since its approval by the town and subsequent approval under the Act 250 process and probably well before that, SP Land has been looking for a developer or developers to bring this project to fruition. What we now know is that upfront development costs are such that the project is not viable financially. This should have come as no surprise to anyone paying attention, especially KSRP and its wealthy backers in Texas and Utah. Not only is the project poorly thought out from a customer viewpoint, it is also poorly thought out financially. As a result SP Land, which was formed in a land for debt swap with ASC, has been on the dead money expressway for years, unable to find an off ramp.

That brings us to the current option, TIF, being promoted as a good deal for Killington. Let's get real. Some of the wealthiest people in the country, billionaires if you will, won't pony up a measly few million (actually estimated at $33.8 million) to construct a water pipeline needed to develop their investment. The Selectboard, however, in its infinite wisdom, now wants to become a partner in this project, pay for the water system through bonding, and sell it to the town as a panacea, adding in a few more items such as affordable housing to sell the deal to the taxpayers. One of our Selectboard members, possibly wearing rose colored glasses, says that the Board won't approve this plan if there is any risk to the taxpaying public. Seriously, all projects come with risk and to say otherwise is hubris. It's that kind of thinking that brought us the Titanic.

A public information meeting is now scheduled for January 4th. In my opinion, the Selectboard must present (at a minimum) all the financial information supporting the town's involvement with Six Peaks and SP Land, more detailed information on a municipal water system, more detail to support development of so-called "affordable housing", basically to address the following:

1. What are the operating costs for a municipal water system, how many customers are projected, and what will the price of water be to its residential and commercial customers?

2. At a time when the whole country is short on workers, how will the construction of affordable housing bring currently non-existent potential employees to Killington?

3. Finally, and most importantly, given the timeline and the costs, what are the risks to Killington taxpayers and what steps is the Selectboard projecting to mitigate those risks?

My understanding is that Killington residents do not get to vote on whether to move ahead with the TIF application. We only will get to vote, somewhere down the road, on whether to issue bonds to support this effort. Let’s make sure now that we’re not currently boarding the Titanic, moving full speed ahead through iceberg filled waters, failing to pay full attention to the risks.

Art Malatzky
Killington, VT

**ARTHUR M. MALATZKY**

135 Overbrook Drive, Killington, VT 05751
Telephone: (802) -747-3024
E-mail: energetic1@att.net

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I have attended and spoken at two recent Killington Selectboard meetings, the public TIF hearing of January 4th and the next meeting of January 10th. After attending both, I must begin to question whether the people of Killington are being provided a complete and accurate representation of discussions, questions, and answers.

At the January 4th meeting, the question was asked whether the Valley Wells along Route 4 were the sole source of water available for SP Land's village development. Our Town Manager responded yes, at which time it was pointed out that another source of water had been permitted under Act 250, the Snowdon Wells. Based on their reactions, this apparently came as a surprise to two of the Selectboard members as well as the Town Manager. Steve Selbo of SP Land then acknowledged that those wells were, in fact, permitted but that if they were used "the numbers wouldn't work". Whether they work or not is not the issue, rather the issue is whether the Selectboard knew this (apparently not) and whether they have verified the financial information (obviously impossible if they were unaware in the first place). This of course begs the question whether they have taken the time to verify other financial claims made by SP Land. You would think such a point would be noted in the Meeting Minutes but, somehow, this was omitted from the official record.

Another point of discussion was the potential risk being taken on by the Town via TIF funding. The Selectboard's position was that specific risks could not be known until a development contract is on the table, at which time the risks could be evaluated and mitigated. This is disingenuous, to say the least, as there are general risks that can be identified now and, in fact, the presenter from White & Burke identified one as being the potential bankruptcy of a developer after TIF bonds are issued by the Town. She went on to say that the Town would have to become entrepreneurial (i.e. take on risk) and it would be up to the Town and its counsel to find ways to mitigate identified risks. Again, you would think that such a "revelation" would appear in the Minutes.

Finally, at the conclusion of the discussion, the White & Burke presenter suggested that if residents had other questions, people were encouraged to submit them and they would be included in a list of FAQs on the Town's website. Not including this in the minutes is hardly "encouraging" questions, don't you think?

At the January 10th meeting, as the Selectboard was moving to approve the January 4th Minutes, I pointed out the omission of the first two of the three above points and was told that Minutes are not "he said/she said" reviews of a discussion. This is a valid point for sure, but the omission of key information, at a minimum, is suspect.. These points should have been included in the Minutes but the Selectboard approved the Minutes without them.

When an error of omission occurs, one that can easily be corrected, it should be. When it is not, the error of omission becomes an error of commission and appears to be intentionally deceptive or at least intentionally leaves the record incomplete. One is forced to ask what else has been left off the official record from past meetings and what else have we as Killington residents been missing?

Art Malatzky
Killington, VT