

VERMONT ECONOMIC PROGRESS COUNCIL

Application for Authorization to Utilize Incremental Municipal Property Tax and Incremental State Education Property Tax Revenue for a Tax Increment Financing District:

TOWN OF KILLINGTON

Type of Review: Preliminary – Revised Application

Note to Board: All documents for this TIF District application are available on the Sharepoint site.

Disclaimer: This is a preliminary application review. Any and all descriptions, interpretations, and recommendations herein are preliminary and subject to presentation of the application to the VEPC Board, review of the application by the VEPC Board, consideration of all criteria by the VEPC Board, tour of the TIF District by the VEPC Board, public comments to the VEPC Board, consideration by VEPC Board of staff analysis and recommendations, and final determinations by the VEPC Board.

TIF Application Analysis: On behalf of the Council, staff has engaged Economic & Policy Resources to review certain aspects of this application. Specifically, the analysis will focus on fiscal viability, market viability, proportionality, and the Project Criteria addressed: Need, Business Development, and Transportation Improvements as appropriate. Other resources, such as VTrans analysis of transportation infrastructure and ANR analysis of water infrastructure costs were previously requested with the original application. Results of these analysis were previously provided, do not change with the revised application, and will be incorporated into future the staff write-ups. The TIF District Plan and TIF Financing Plan are being reviewed under Master Plan Determination Policy. If the Council finds a positive determination on the TIF District Plan and TIF Financing Plan, the Killington TIF District will be required to submit Phase Filings as the District is ready to proceed with improvement projects.

**Town of Killington TIF District
Summary of Revenue and Debt
As of May 2, 2022 Revised Application Submission**

Original Taxable Value (2022):	
Total Base Taxable Value (Original Taxable Value)	\$12,989,730
Homestead	\$0
Non-Homestead	\$12,989,730
Total Base Annual Property Tax Revenues	\$304,556
Municipal	\$69,910
Education Total	\$234,646
Homestead	\$0
Non-Homestead	\$234,646
Projected Revenue:	
Total Estimated Incremental Property Tax Revenue	\$115,492,490
Municipal Increment	\$26,499,289
Total Education Increment	\$88,993,201
Homestead	\$22,287,074
Non-Homestead	\$66,706,127
Incremental Revenue Split	
Total Incremental Revenue to Service TIF Debt	\$84,819,637
Municipal to TIF (85%)	\$22,524,396
Education to TIF (70%)	\$62,295,241
Total Incremental Revenue to Municipal General Fund (15%)	\$3,974,893
Total Incremental Revenue to Education Fund (30%)	\$26,697,960
Projected Improvement Costs	
Total Estimated Costs	\$63,257,241
Estimated Improvement Costs	\$62,327,091
Less: Estimated Non-TIF Sources of Revenue	\$0
Related Costs	\$930,150
Total Debt Service	\$82,569,008
Total to be Financed (Principal)	\$62,750,000
Total Estimated Cost of Financing (Interest)	\$19,819,008
Potential Excess Revenue (End of Life of the District)	\$1,320,479

Timeline to Date:

Municipal Notice of Intent to Apply Filed:	November 5, 2021
Earliest Date Application Could be Filed:	January 4, 2022
Municipal Notice of Hearing on TIF District Plan:	November 22, 2021
Municipal Hearing(s) on TIF District Creation and Plan:	January 4, 2022
Municipal Legislative Body Vote on TIF District Creation:	January 4, 2022
Municipal Legislative Body Vote on TIF District Plan:	January 4, 2022
TIF Plan Filed and Recorded with Town Clerk:	January 5, 2022
Assessed Values Certified by Town Assessor:	January 4, 2022
Life of TIF District Starts:	April 1, 2022
TIF District Application Filed with VEPC:	January 5, 2022
Application Certified as Administratively Complete:	January 7, 2022
Preliminary Review by VEPC	January 27, 2022
Public Comment	January 27, 2022
Continued Review of TIF District Application	March 3, 2022
TIF District Revised Application Filed with VEPC:	April 11, 2022
Municipal Notice of Hearing on Revised TIF District Plan:	April 15, 2022
Municipal Hearing(s) on Revised TIF District Plan:	May 2, 2022
Municipal Legislative Body Vote on Revised TIF District:	May 2, 2022
Municipal Legislative Body Vote on Revised TIF District Plan:	May 2, 2022
Revised TIF Plan Filed and Recorded with Town Clerk:	May 3, 2022
Revised Application Certified as Administratively Complete:	May 11, 2022
Preliminary Review of Revised Application by VEPC	Scheduled for: May 26, 2022
Public Comment on Revised Application	Scheduled for: May 26, 2022
Final Review of TIF District Application	Expected to occur: June 30, 2022

TIF District Application Review Criteria:

Preliminary Staff Findings

(All staff findings subject to change pending further review)

A. Purpose: Per statute, the purpose of a TIF District is:

"...to provide revenues for improvements that serve the district and related costs, which will stimulate development or redevelopment within the district, provide for employment opportunities, improve and broaden the tax base, or enhance the general economic vitality of the municipality, the region, or the state."

The revised Killington TIF Plan and application, as presented, appear to meet the statutory purpose of a TIF District. However, staff recommends leaving this criterion open pending further review and until all other criteria are reviewed.

B. But For: Per Statute, the Council must find:

"that the infrastructure improvements proposed to serve the tax increment financing district and the proposed development in the district would not have occurred as proposed in the application, or would have occurred in a significantly different and less desirable manner than as proposed in the application, but for the proposed utilization of the incremental tax revenues. The review must take into account:

- *the amount of additional time, if any, needed to complete the proposed development within the tax increment district and the amount of additional cost that might be incurred if the project were to proceed without education property tax increment financing;*
- *how the proposed development components and size would differ, if at all, including, if applicable to the development, in the number of units of affordable housing, as defined in 24 V.S.A. § 4303, without education property tax increment financing; and*
- *the amount of additional revenue expected to be generated as a result of the proposed development; the percentage of that revenue that shall be paid to the education fund Education Fund; the percentage that shall be paid to the municipality; and the percentage of the revenue paid to the municipality that shall be used to pay financing incurred for development of the tax increment financing district."*

The Town provided the required budgetary tables which will be analyzed. The Town also provided a detailed But For Narrative and copies of letters from developers and stakeholders.

Staff recommends leaving this criterion open for further review, Council review of the nexus and proportionality criteria, and further information presented by the Town during the tour.

C. Nexus and Proportionality:

“The municipal legislative body may commit the State education and municipal tax increments received from properties contained within the tax increment financing district for the financing of improvements and for related costs only in the same proportion by which the improvement or related costs serve the district, as determined by the Council when approved in accordance with 32 V.S.A. § 5404a(h), and in the case of an improvement that does not reasonably lend itself to a proportionality formula, the Council shall apply a rough proportionality and rational nexus test.”

Killington provided narrative evidence and information in the tables describing the relationships between the infrastructure and real property developments. There appears to be nexus between the proposed infrastructure and private sector developments and with the overall goals of the TIF District.

Killington proposes 100% proportionality for all the improvement projects. Staff recommends leaving this criterion open for further consideration and staff and EPR review and/or until nexus is determined, the Board tours the District, and the analysis is complete.

D. Process Criteria: VEPC must determine that each application meets all the following four requirements:

“(A) The municipality held public hearings and established a tax increment financing district in accordance with 24 V.S.A. §§ 1891-1900.

(B) The municipality has developed a tax increment financing district plan, including: a project description; a development financing plan; a pro forma projection of expected costs; a projection of revenues; a statement and demonstration that the project would not proceed without the allocation of a tax increment; evidence that the municipality is actively seeking or has obtained other sources of funding and investment; and a development schedule that includes a list, a cost estimate, and a schedule for public improvements and projected private development to occur as a result of the improvements.

(C) The municipality has approved or pledged the utilization of incremental municipal tax revenues [at a level of at least 85%] for purposes of the district.

(D) The proposed infrastructure improvements and the projected development or redevelopment are compatible with approved municipal and regional development plans, and the project has clear local and regional significance for employment, housing, and transportation improvements.

Killington provided narratives and documentation regarding the Process Criteria on the revised application. It appears that all process requirements were met. However, staff recommends leaving this criterion open until all other criteria are reviewed.

E. Location Criteria: VEPC must determine that each applicant meets at least **TWO** of the following requirements:

"1. The development is:

i. compact;

ii. high density;

iii. or located in or near existing industrial areas;

2. The proposed TIF District is within an approved growth center, designated downtown, designated village center, new town center, or neighborhood development area; or

3. The development will occur in an area that is economically distressed, which for the purposes of this subdivision means that the municipality in which the area is located has at least one of the following:

a. A median family income that is not more than 80 percent of the statewide median family income as reported by the Vermont Department of Taxes for the most recent year for which data are available;

b. An annual average unemployment rate that is at least one percent greater than the latest annual average statewide unemployment rate as reported by the Vermont Department of Labor; or

c. A median sales price for residential properties under six acres that is not more than 80 percent of the statewide median sales price for residential properties under six acres as reported by the Vermont Department of Taxes."

The Killington TIF District is proposing to meet the Location Criteria under (1) compact and high density and (3) economically distressed area. Killington meets one of three economic distress indicators, having an annual average unemployment rate that is at least 1 percent greater than the statewide average. Staff recommends leaving this criterion open for further consideration of the compact and high density criterion.

F. Project Criteria: VEPC must determine that the proposed development within a tax increment financing district will accomplish at least **three** of the following five criteria:

“(A) The development within the tax increment financing district clearly requires substantial public investment over and above the normal municipal operating or bonded debt expenditures.

(B) The development includes new or rehabilitated affordable housing as defined in 24 V.S.A. § 4303.

(C) The project will affect the remediation and redevelopment of a brownfield located within the district. As used in this section, “brownfield” means an area in which a hazardous substance, pollutant, or contaminant is or may be present, and that situation is likely to complicate the expansion, development, redevelopment, or reuse of the property.

(D) The development will include at least one entirely new business or business operation or expansion of an existing business within the district, 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.

(E) The development will enhance transportation by creating improved traffic patterns and flow or creating or improving public transportation systems.”

Killington states that the proposed development will meet Project Criteria A (Need), Project Criteria D (Business Development), and Project Criteria E (Transportation Enhancement).

These criteria will all require further study and review. Staff recommends that determinations on these criteria remain open.

G. Viability: While not a criterion directly required in statute for the application to meet, determining if the TIF District is fiscally viable and has market viability is an implied and prudent task for VEPC to undertake. EPR will review the revised data provided in the application and the assumptions made by the municipality to provide a recommendation to the Board regarding viability.

H. Financial Plan: Killington is requesting that the Council consider the TIF District Financial Plan concurrently with the TIF District Plan. Staff has asked EPR to review the revised data provided in the application and the assumptions made by the municipality to provide a recommendation to the Board regarding the Financial Plan.