

VERMONT ECONOMIC PROGRESS COUNCIL

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

TOWN OF KILLINGTON

Type of Review: **Final Review**

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

Disclaimer: This is a Final Review, not a decision. Any and all descriptions, interpretations, and recommendations herein are VEPC's Executive Director recommendations and are subject to presentation to the VEPC Board for review, consideration and determination by the VEPC Board.

TIF Application Analysis: On behalf of the Council, the VEPC Executive Director has engaged Economic & Policy Resources to review certain aspects of this application. Specifically, the analysis focused on the "But For," fiscal and market viability, nexus, proportionality, and the Project Criteria addressed: Need and Business Development, as appropriate. Other resources, such as VTrans analysis of transportation infrastructure, ANR analysis of water infrastructure costs, and DHCD consultation were requested as necessary. Results of these analysis are incorporated into this write-up and have been provided to the Board.

Public Comment – Revised Application: The Council received a tour of the TIF District, the Town of Killington provided a presentation, and the Council took public comment on May 26, 2022. Written public comment continued to be received until June 21, 2022, and those documents area posted in the June 30 meeting folder.

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I. TIF Revenue and Debt

[TIF District Plan](#)

[TIF Data Workbook – Updated April 6, 2022](#)

[ANR Evaluation](#)

[ANR Funding Update](#)

[VTrans Evaluation](#)

[TIF Clarification Email](#)

Summary:

Killington submitted a revised TIF Financing Plan, dated April 6, 2022. The town estimates the cost of improvements at \$62.3 million (including soft costs, contingency, and inflation factor). This number could change as cost estimates become more concrete. None of the proposed improvements will directly serve or are being built to serve other municipalities, therefore, none of the costs need to be allocated to other municipalities. The water wells and much of the service line to the storage tank is outside of the TIF District and is being installed to serve the TIF District. Likewise, much of the proposed transportation improvements along Killington Road are also located outside of the TIF District and are being installed to serve the TIF District. The town is proposing 100% proportionality for all improvements.

The municipality has not identified other resources of revenue at this time that could be potentially used to help pay for improvement costs, but they have stated that they are actively pursuing other sources of funding for the improvement projects, particularly for the water system project. A potential source of funding that has been identified is the American Rescue Plan Act (ARPA) through the Agency of Natural Resources (ANR) to assist in the first phase of the water system. VEPC staff were notified by ANR on June 8 that Killington has a pre-award notification of \$2.3 million in funding for their water project.

As of the April 6, 2022, Financing Plan revision, the approximate debt principal to be financed will be \$62.75 million, which is more than the total estimated improvement costs, though it is recognized that municipalities are allowed to also finance related costs. At this time, the municipality plans to issue four bonds, starting in 2023, with total interest costs of \$19.82 million and a total debt service of \$82.57 million.

Killington estimates the grand list will increase by \$285.5 million due to the projected private sector developments, which is estimated to generate \$115.5 million in incremental property tax revenues during over the life of the District (\$26.5 million municipal and \$89 million education).

The municipality has pledged 85% of the municipal increment to the TIF District debt and is requesting the maximum 70% of the education increment. If approved, these retention percentages will yield incremental revenues of \$84.8 million over the life of the District.

These projections result in a difference of \$1,320,479 between revenues and debt, a 97.3% debt to revenue ratio. While this is enough revenue to cover potential debt, the municipality will have deficits in the first few years due the timing of debt versus improvements and development, which cause a delay in revenue generation. Communication received subsequent to the May 28 VEPC meeting clarified that these deficits will likely be covered with the municipality's general cash flow and not with an interfund loan that would need voter approval.

State Agency Reviews:

The Vermont Agency of Natural Resources (ANR) has reviewed the cost estimates provided by the town but noted that Construction Cost Index has the inflation rate for 2021 at more than 7% which may affect both costs and schedules for projects. ANR also notes that the current labor shortages, supply chain issues, and changing federal requirements are likely to continue to cause volatile construction costs. The water system project is eligible for the Drinking Water State Revolving Fund (DWSRF) due to the contamination from Perfluoroalkyl and polyfluoroalkyl substances (PFAs).

The Vermont Agency of Transportation (VTrans) completed their review of the scope and project costs for the proposed transportation improvements along Killington Road. VTrans recommendation in February 2022 was that the cost estimate for the project increase to a total of \$25,640,000. They also noted there are some uncertainties related to right-of-way acquisition and traffic control, which should be monitored as the design is refined. Killington revised their Financing Plan based on these recommendations.

II. TIF Revenue and Debt Summary

Town of Killington TIF District Summary of Revenue and Debt As of May 2, 2022 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

III. 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 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	May 26, 2022
Public Comment on Revised Application	May 26, 2022
Final Review of TIF District Application	Expected to occur: June 30, 2022

IV. TIF District Application Review Criteria Staff Recommendation Summary (For detail, see Section V)

- A. Purpose:** The Killington TIF Plan and application, as presented, appears to meet the statutory purpose of a TIF District: Provide revenues for improvements that serve the District, which will stimulate development, provide employment opportunities, improve and broaden the tax base or enhance the general economic vitality of the municipality, region, or state. Staff recommends that the Council determine that the Killington TIF District Plan, as presented, fulfills the statutory purpose of a TIF District as required by 24 VSA §1893. However, this determination should be conditioned on annual reporting that includes job creation data with detailed information on employers such as type of business (NAICS code), number of employees, and previous location (if any), for tracking purposes only.
- B. But For:** The evidence and analysis provided indicate that it is very unlikely that the proposed infrastructure would be built without the utilization of the incremental municipal and education property tax revenue. Further, without the public provision of certain infrastructure, the expected private development would not occur or would occur in a significantly different and less desirable manner, and therefore, the But For is met. Staff recommends that the Council determine that the Killington TIF District Plan, as presented, meets the But For criteria as required by 32 VSA §5404a(h)(1).
- C. Nexus:** Killington provides narrative evidence, studies, and information in the data workbook describing the relationships between the infrastructure and real property developments. Based on evidence provide and analyst findings, there appears to be nexus between the proposed infrastructure and the projected private sector developments and with the overall goals of the TIF District. Staff recommends that the Council determine that nexus is established between the proposed infrastructure projects and the real property development projects as required by 24 VSA §1894(e).
- D. Proportionality:** Killington proposes 100% proportionality for all infrastructure improvements. None of the infrastructure is being built to service other municipalities or purposefully to serve other parts of Killington outside the District. Of course, any built infrastructure will be utilized by people from outside the District. However, the express purpose of each infrastructure project is to serve, encourage, and enhance the expected private sector developments within the District and serve the overall goals of the District. As required by 24 VSA §1894(e), based on the Council’s matrix, evidence provided, and analyst findings, staff recommends 100% proportionality for all infrastructure projects, with the caveat that the Town pursue all appropriate and available non-TIF funding sources.

- E. Process Criteria:** Based on the evidence provided, staff recommends that the Council determine that the Killington TIF District has met the Process Criteria as required by 32 VSA §5404a(h)(2) and approve a 70% share of education property tax increment, as requested, and 85% share of the municipal property tax increment, as proposed.
- F. Location Criteria:** The development proposed within the TIF District is compact or high density. Additionally, the Town of Killington meets one out of three economic distress criteria contained in 32 VSA §5404a(h)(3)(c). Based on the evidence submitted, staff analysis of the criteria, staff recommends that the Council find that the TIF District meets two of the three Location Criteria under 32 VSA §5404a(h)(3), specifically (A) and (C).
- G. Project Criteria:** Killington states that the application and proposed development meet Project Criterion A regarding Need, Project Criterion D regarding Business Development, and Project Criterion E regarding Transportation Improvements. Based on the evidence provided and analyst findings, staff recommends that the Council determine that the Killington TIF District meets three out of the five Project Criteria required by 32 VSA §5404a(h)(4), specifically A, D, and E.
- H. 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. Based on the evidence provided and analyst findings, staff recommends that the Council determine that the Killington TIF District generally indicates fiscal and market viability. However, this determination is considered partial and viability will be re-examined incrementally as subsequent project development phases are filed by the Town of Killington, and with the receipt of additional information and data, including a complete and fully executed development agreement and any additional corroborating information or developments. Staff further recommends requiring the pursuit of appropriate non-TIF revenue such as state and federal grants.
- I. Financial Plan:** Killington has requested that the Council consider the TIF Financial Plan concurrent with the TIF District Plan. Staff recommends that the Council find that the TIF Financing Plan is consistent with the TIF District Plan, as presented. However, this determination is considered partial and the viability and reasonableness of non-bonded debt will be determined as subsequent project phases are filed by the Town of Killington.

V. TIF District Application Review Criteria

A. Purpose: 24 VSA §1893

“...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.”

Evidence:

[TIF District Plan](#)

[TIF Data Workbook – Updated April 6, 2022](#)

[TIF District Maps](#)

[Public Comment](#)

[January 27, 2022 VEPC Meeting Minutes](#)

[May 26, 2022 VEPC Meeting Minutes](#)

Determination to be made:

Will the District generate incremental revenues sufficient to finance public infrastructure that serves the District and which stimulates real property development that will add jobs, broaden the tax base, or enhance the general economic vitality of the municipality, region, or state?

“provide revenues:” The municipality projects that during the 20-year Education Tax Increment Retention Period (estimated to be 2023-2042), the development that is expected to occur will generate a total of \$89 million in incremental Education Property Tax revenues. The municipality proposes to split the incremental Education Property Tax revenues 70%/30% and Municipal Property Tax revenues 85%/15%. With these shares, the retention periods, and based on the projected build out schedule, \$84.8 million in incremental property tax revenue would be generated to service TIF infrastructure debt and pay related costs. Total infrastructure costs are estimated at \$62.3 million and the town projects about \$0 in non-TIF revenue. Total principal debt will be \$66.75 million, plus \$19.82 million in interest for total debt of \$82.57 million to be covered by the expected TIF revenue with a margin of \$1.32 million.

“improvements that serve the District:” All of proposed public investments serve the TIF District, with some components of the public investments being located outside of the District. Town officials, developers, and others providing comments to the Council have stated that the investments are necessary to encourage and enable, the projected private developments within the TIF District.

“stimulate development and redevelopment within the District:” The expected development includes a mix of retail, service, commercial, and residential. The application includes letters from developers, a cross-reference of the infrastructure that is required for each project and testimony was also provided at the January 27, 2022, and May 26, 2022, public hearings regarding the need for public infrastructure to stimulate and encourage these projects to occur.

“provide for employment opportunities:” According to data provided by the applicant (See Table 7K in the TIF Data Workbook), there is currently one business within the TIF District with about 360 full-time year-round employees. During the winter season, the number of full-time employees increases to 1,400. The development projects will provide additional jobs primarily in hospitality and tourism. In addition, Killington is proposing to meet the Business Development project criteria which requires at least one entirely new business or business operation, or expansion of an existing business within the TIF District.

“improve and broaden the tax base and enhance general economic vitality of the municipality, the region, or the state.” As a result of the implementation of the TIF District and the resultant private real property development, the tax base will expand considerably over the next twenty years. Killington and the State will realize incremental tax revenues. Prior to the TIF, the annual base of property tax revenue from the TIF District going to Killington and the Education Fund is \$304,556 million per year (\$69,910 municipal and \$234,646 education). During the 20-year TIF retention period, because of the 70/30 share of the increment, the 30% share of the education increment is estimated to send \$26.7 million in total incremental property tax revenues to the Education Fund. After the retention period, the annual property tax revenue to the municipality and the education fund is estimated increase by \$6,393,195 annually. The TIF Plan describes the development opportunities by Six Peaks Killington and is anticipated to include 36,622 sq. ft. of commercial/retail spaces, 268 condo units, 46 townhomes, 9 single-family homes, and a 140-room hotel. The added commercial and retail activity will also provide additional state tax revenues through income, sales and use, and payroll taxes.

Staff Recommendation - Purpose:

The Town’s projections – including their assumptions regarding the scope and schedule of the real property development, tax rates, revenue split percentage (70/30% education and 85/15% municipal), infrastructure costs, and financing costs and terms - appear to generate incremental revenues sufficient to service the debt the Town plans to finance with TIF revenues.

The infrastructure projects appear to serve the District and evidence indicates that the private real property development is dependent on the infrastructure being built. Further

evidence shows the potential creation of additional employment, an enhanced tax base, and an improvement to the economic vitality of the municipality and region, if the development proceeds as planned.

As with all TIF applications, the possibility exists that the private sector development will not occur or will be delayed, or commercial and retail space, and residential space, could be developed and remain unfilled. There is also the further concern, as with any TIF District, that existing businesses and jobs could move into the District to the detriment of another part of town or another municipality.

Staff Recommendation – Purpose:

Staff recommends that the Council find that the TIF District and application meet the TIF District Purpose as stated by statute. However, this determination should be conditioned on annual reporting that includes job creation data with detailed information on employers such as type of business (NAICS code), number of employees, and previous location (if any), for tracking purposes only.

B. But For Criterion: 32 VSA §5404a(h)(1)

“(1)(A) Review each application to determine 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.

(B) The review shall take into account:

(i) 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;

(ii) 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

(iii) (I) the amount of additional revenue expected to be generated as a result of the proposed development;

(II) the percentage of that revenue that shall be paid to the education fund Education Fund;

(III) the percentage that shall be paid to the municipality; and

(IV) 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.”

Evidence:

[Narrative 4-But For](#)

[TIF Data Workbook – Updated April 6, 2022](#)

[4E Rutland City Letter of Support](#)

[4E Chamber & Economic Development Support Letter](#)

[EPR Final Review Memo](#)

Determination to be made:

The Council must determine:

- Whether the infrastructure development would occur without the utilization of the incremental property tax revenues; and
- Whether the real property development would occur without the infrastructure development.

A positive “But For” determination means that the state is getting infrastructure and development, and more importantly, the resulting incremental revenues, which would not have occurred without the ability of the applicant to utilize incremental property tax revenue. Both findings can also be met if the development would occur in a significantly different and less desirable manner.

Review & Analysis:

Can the Town build this level of infrastructure without the incremental property tax revenues?

Would the private development and redevelopment occur without the proposed infrastructure?

Killington states in their application, “Without the public investments, the Town will see the stagnant and declining Grand List growth that has occurred over the past decade.”

“Several separate attempts have been made to make a resort village development a reality at the Resort. During the 1980s, the founders of the Resort recognized the need to build a bed base. At that time, several residential projects were completed, but the overall plan was not well conceived, and no resort center or base village was completed to anchor future development. During the late 1990s, a new resort operator took over the Resort operations. A land exchange was completed with the State of Vermont assisted by Governor Howard Dean. The exchange provided the possibility for a ski-in/ski-out base village. Again, new management fell short in executing their plan to build the base village and ran into financial difficulties. As a result of those financial difficulties, SPLC took over the Resort real estate in 2004. Immediately after taking over, a top ten homebuilder in the country with a resort subsidiary tried to make a New England village work. After 24-30 months, the developer terminated their letter of intent due in part to the fact that

upfront costs were prohibitive. SPLC then went into an extended permit period for both Town and State required permits. The permits to move forward were received in late 2017. A new effort with a national brokerage firm to find a qualified developer began in 2018 and after 15 months, only one development group came forward. The third-party development group invested six to eight months trying to make the new development work. In February 2020, this new development group concluded that the development project did not work unless there was a significant capital infusion to offset the upfront cost due to the lack of basic municipal infrastructure. The conclusion at this time was that without basic municipal infrastructure such as a road and water system, this resort village will not get started.”

Review of this criterion is similar to the review for the “Need” Project Criterion. In their review, EPR states:

“For consideration of the “But For” question with respect to the proposed infrastructure development to be funded by revenues from the TIF increment, a key component for analysis is whether the development activity within the proposed TIF District is likely to have otherwise occurred without the TIF application approval, and/or would have otherwise occurred in a substantially different and less desirable manner. The Killington Master TIF application plan narrative clearly states that the needed infrastructure investments would not otherwise occur (and indeed have not actually occurred in the past) without the upfront infrastructure development funding assistance that is to be provided through the Master TIF application approval subject to subsequent phased filings with further details regarding the plans for issuance of municipal TIF-supported debt. The application cites as evidence the multiple previous unsuccessful attempts to execute on many past development plans in and around the base of the ski mountain since the 1980s—all of which have failed because of the substantial upfront financial costs associated with building a municipal-like water system that would be capable of serving the planned private developments. In particular, the narrative speaks to the lack of significant private development at the base of the mountain and constraints on further development along the Killington access road down to the intersection of Route 4—primarily because of the lack of upfront and catalyzing water and transportation infrastructure development. The application materials present information and analysis from the Town’s most recent private partner (S & P Land),¹ which includes a multi-year, comprehensive, and already permitted ski village development plan which has clearly identified the need for a municipal water system as the key up-front, private sector development catalyst for that under-developed area. The application also extends that same argument in support of the need for additional transportation infrastructure investments to be financed by the Master TIF approval, and the subsequent phased filings

¹ Since the “Interim” version of this report, S&P Land has made an agreement with Great Gulf Group, who will be developing and building the Six Peaks Killington project. This partnership is not expected to change the fact profile, scope, or assumptions embedded within the overall development plan, and the application materials presented by S & P Land are expected to remain valid.

for the municipal debt issuance associated with road infrastructure improvements to the Killington Access Road corridor through the border of the amended TIF District from the base of the mountain towards U.S. Route 4.”

“The application does not contain specific information about the scale, nature and timing of additional private investments, which is represented as potentially catalyzed by the road improvements and eventual completion of municipal water system access (Phases 2, 3, and 4, which are not included in TIF-funded infrastructure projects) along the Killington Access Road, other than to indicate that such development is likely should the applicant receive Master TIF approval to use the TIF financing tool. Even though the updated Master TIF application only includes Phase 1 of the water system improvements, the application also emphasizes the substantial water quality enhancements that would occur with the potential access to a municipal water system along the Killington Access Road. The Master TIF application also emphasizes the “complete streets,” multimodal, and safety enhancing nature of the transportation infrastructure investments Phase 1 through Phase 4 included in the Master TIF application—again assuming sufficient levels of positive “Master TIF” findings to enable the Town to utilize the State TIF financing tool.”

“From the above and based on the information and analysis provided by the Town, EPR believes there is sufficient information and analysis in the application to conclude that, without the significant infrastructure investments into the amended TIF District area’s water and transportation systems, the private development which would generate the incremental property tax revenue would not likely occur as envisioned, and would very likely proceed in a materially different and less desirable manner than is proposed in the Master TIF application materials. In fact, without the municipal water system and transportation improvements, the only presently available alternative is for water requirements to be met through a system of on-site, individual wells (despite existing water quality issues), and for development to occur along the Town’s major transportation corridor that already has safety issues, and includes a substantial amount of lower density, strip-like development.”

“As a result of the above, EPR believes it is reasonable and appropriate for the Council to conclude that the infrastructure investments and the corresponding private developments would not occur, or would occur in a significantly different and undesirable way, “But For” positive findings by the Council regarding the Town’s compliance with this TIF criterion as set forth in the Master TIF filing.”

Staff Recommendation – But For:

Staff recommends that the Council determine that it is very unlikely that the proposed infrastructure would be built without the use of incremental property tax revenue and without the public provision of certain infrastructure, the expected private development

would not occur or would occur in a significantly different and less desirable manner, and therefore, the But For is met.

C. Nexus: VSA 24 §1894(e)

*“ The legislative body may pledge and appropriate in equal proportion any part or all of the state and municipal tax increments received from properties contained within the tax increment financing district for the **financing for improvements and for related costs in the same proportion by which the infrastructure or related costs directly serve the district at the time of approval of the project financing by the council, and in the case of infrastructure essential to the development of the district that does not reasonably lend itself to a proportionality formula, the council shall apply a rough proportionality and rational nexus test...**”*

Evidence:

[TIF District Plan](#)

[TIF Data Workbook – Updated April 6, 2022 \(Tab 5\)](#)

[TIF District Maps](#)

[EPR Final Review Memo](#)

Determination to be made:

The actual location of expected infrastructure improvements does not matter. Infrastructure can be located outside the TIF District, providing the Council determines that there is nexus to the projected real property development and/or the purpose and goals of the TIF District. However, the portion of the infrastructure costs that can be paid with TIF revenues must be in proportion to the extent that the infrastructure *serves* the District. There must be nexus or connection between the proposed infrastructure and the development that is expected to occur.

Nexus can be viewed from several perspectives:

First, from the infrastructure perspective: What areas within the TIF District are being served by which proposed infrastructure projects? If there is infrastructure proposed that does not serve the TIF District or would not have anything to do with causing the development to occur, the Council should question whether it be financed, in any proportion, by TIF revenues.

Second, from the TIF area perspective: Are there areas (parcels) included in the TIF District that apparently are not being served by any of the infrastructure projects? Or are there areas that are already developed to their full market potential?

Finally, from the development perspective: Are there private development projects that are expected to occur regardless of the infrastructure improvements? If so, there may be

an issue with the “But For” and the Council should ask whether there is truly any nexus between the infrastructure and the development project if the project is already developed or started.

Review & Analysis:

Phases 2, 3, 4 and a portion of Phase 1 of the transportation improvements are located outside the TIF District. Reconstruction of Killington Road is essential to development of the TIF District to address the added traffic flow and currently unsafe areas which will be exacerbated by additional traffic flow with the development in the TIF District. Sections of the water system project are also located outside of the TIF District, those being the wells and service lines to the reservoir. The wells and the service lines to the storage tank are essential pieces to the water system. The application details the relationship between each infrastructure improvement, the expected private development and includes details on the dependence of the private development on the infrastructure improvements.

In their review, EPR states:

“As noted in the Executive Director’s Staff Interim Report, the actual location of the infrastructure improvements is not a consideration for the Nexus question. In the case of the TIF funded infrastructure development phases proposed by the Master TIF application, there is a significant portion of the Water System and Road Improvement project which is physically located outside of the amended TIF district area. Even though this is the case, in considering the “nexus” of the infrastructure developments, the Master TIF application materials (including the narratives) do clearly state the nature and purpose of each type and phase of infrastructure developments. The revised application also clearly delineates the infrastructure developments’ connections to the anticipated private sector property value increment inside the proposed amended TIF district’s boundaries as a result of TIF funded infrastructure improvements. For example, the Master TIF application narrative states:

“...The water system is essential at all three locations because individual wells are not sustainable or considered safe. The alternative to a municipal water system for Six Peaks Killington is a private water system.”

“...Capacity, safety, and multimodal access on Killington Road are critical to building out these key parcels in Town. Six Peaks Killington will house residential homeowners and renters, host visitors, and employ service industry workers, office professionals, and maintenance staff. These users have varying needs for transportation – some in cars, some on bicycles, some who will walk from nearby lodging or housing (especially when the workforce and affordable housing projects are built), and some who will commute by bus from nearby communities. Without a road system to accommodate these users adequately and safely, the project cannot be built.”

“We observe that the wells, pumping, piping, and storage infrastructure which are part of Phase 1 are planned as primary components of the water system which provide water services to the area within the amended TIF district. Lack of sufficient and affordable water sources have historically been a significant barrier to private sector development within the district area—even though most of that infrastructure is physically located outside of the proposed amended TIF district. The amended Master TIF application plan retains Phase 1 through Phase 4 of the proposed improvements to the road infrastructure, and much of Phase 2 through 4 is located outside of the amended Master TIF area. Since all Phases of the road improvement project are also necessary to improve capacity, safety, and access to and along the Killington Access Road, which is the main transportation artery in the immediate area of the district and one of the key transportation assets of the Town and the Killington Resort as a whole, the nexus with amended Master TIF area development appears established. The Town in its updated Master TIF application also states that it intends to continue to pursue the initially proposed Phase 2 through Phase 4 of the Water System by funding the part of those improvements which are located outside of the amended TIF area using other potential funding sources.”

“Based on VEPC staff initial review of the original TIF District application and subsequent discussion with the Town, these elements have been withdrawn from the Master TIF application plan. As a result, we recommend that the Council make positive Master TIF findings that the entirety of the area within the amended TIF district is to be served by both the water system and road infrastructure improvements included in the Master TIF plan. The absence of both infrastructure improvement projects is also clearly represented by the applicants and supporting partners as two of the primary barriers to the parcels contained within reaching their full development potential.”

“For these reasons, EPR believes it is reasonable for the Council to make positive findings under this criterion; thereby concluding that the elements of the proposed TIF development plan, including all infrastructure projects and subsequent private development projects, do satisfy the Nexus requirements for the planned TIF-financed infrastructure developments as outlined in the Master TIF application.”

Staff Recommendation - Nexus:

Staff recommends that the Board determine that nexus is established between the proposed infrastructure projects and the real property development projects.

D. Proportionality: 24 VSA §1894(e)

“ The legislative body may pledge and appropriate in equal proportion any part or all of the state and municipal tax increments received from properties contained within the tax increment financing district for the *financing for improvements and for related costs in the same proportion by which the infrastructure or related*

costs directly serve the district at the time of approval of the project financing by the council, and in the case of infrastructure essential to the development of the district that does not reasonably lend itself to a proportionality formula, the council shall apply a rough proportionality and rational nexus test..."

Evidence:

[TIF District Plan](#)

[TIF Data Workbook – Updated April 6, 2022](#)

[Infrastructure and Private Development Map](#)

[Proportionality Matrix \(VEPC Document\)](#)

[EPR Final Review Memo](#)

Determination to be made:

What proportion of proposed infrastructure costs can be financed with TIF revenue based on the portion that serves the TIF District? Remember that the proportionality you are determining is what proportion *serves* the TIF District, regardless of the non-TIF revenue that might be available to the municipality. The proportionality determined by the Council is the maximum level of total project cost that can be financed with TIF revenue.

Review & Analysis:

Killington has proposed that all infrastructure improvements be approved with 100% proportionality.

The Council's scoring matrix shows the following:

- Level 1: **Inter Municipal** – The infrastructure will serve only the Town of Killington.
- Level 2: **Location** – While some components of the infrastructure projects are physically located outside of the TIF District, the improvements will 100% serve the TIF District.
- Level 3: **Utilization** – This criterion is the most uncertain. To some extent, some of the infrastructure improvements will benefit and be utilized by developers, local and transient public, and residents other than the clients, residents, and persons utilizing the specific real property projects expected to be developed because of the TIF. This is especially true for the transportation improvements.
- Level 4: **Scoring** – Using the Council's informal scoring matrix, all projects fall within the scores (9-16) that the Council determined could be considered for 100% proportionality.

While the Killington's TIF Data Workbook did not specifically identify other potential revenue source, one potential source of funding that has been identified during the course of this review is ARPA through ANR to assist in the first phase of the water system. As previously stated, VEPC staff were notified by ANR on June 8 that Killington has a pre-award notification of \$2.3 million in funding for their water project. However,

proportionality being determined is the proportion that *serves* the TIF District, regardless of the non-TIF revenue that may be available.

In their review, EPR states:

“The applicant has proposed that, for all 5 phases of infrastructure development projects (including the Water System Phase 1 and the Killington Road Improvements/Enhancements Phases 1 through 4), a total of 100% of the TIF District will be funded by incremental TIF revenues. Under TIF rules, three factors contribute to the calculation of the proportionality estimate: (1) percent of infrastructure that is constructed within the TIF district boundaries; (2) the percent of use of infrastructure within the TIF district; and (3) the percent of increased value that accrues to properties within the TIF district. The first two factors can be determined objectively and, in both cases, the applicant’s representation of the percent of the infrastructure investment both within the boundaries of the proposed TIF district (as amended by the Master TIF application) and the percent of the proposed amended TIF district which will be served by the improvements appears to be reasonable and accurate. While a significant and vital portion of the Water System Phase 1 project, namely the water well, pumps, and storage components, is located outside of the district boundary, it is also true that 100% of the proposed, amended TIF district’s geography will be served by these improvements. In addition, it is also true that the other 3 remaining phases of the planned Water System, which are not part of the amended TIF plan submitted for Master TIF approval, and will not be funded through TIF, are 100% dependent on the completion of the Phase 1 portion of the infrastructure development plan.”

“The third factor requires some subjective reasoning in order for the Council to make positive Master TIF findings under this criterion. However, it is worth noting that it is widely agreed upon, by both public and private stakeholders, that additional private sector development activity and the corresponding property value increases, will be dependent upon the infrastructure investments being made into public municipal water and transportation infrastructure improvements as presented in the updated Master TIF application’s plan.”

“In addition to the representations of the applicant in the Master TIF application narrative, there are also multiple attestations attached to the application from public and private stakeholders which clearly state that the lack of such municipal water and transportation infrastructure as a significant, essentially insurmountable, barrier to private sector development of the type, scale, and timing as envisioned by the updated Master TIF application plan. These attestations are further bolstered by the reality that the private sector development projects as envisioned within the Master TIF application have been “proposed” in various forms for more than 20 years, with multiple public and private partners citing lack of upfront municipal water infrastructure development and

an “inadequate” Killington Access Road as the primary financial and operational barriers to the private investment activity envisioned by the updated Master TIF application.”

“For these reasons, EPR staff believes it is reasonable for the Council to make positive findings that the proposed infrastructure “proportionality values” within the amended TIF District area as contained in the updated Master TIF application, appropriately reflect reasonable proportionality values for both the planned municipal water and transportation infrastructure enhancements.”

Staff Recommendation - Proportionality:

Staff recommends that the Council set 100% proportionality for all infrastructure improvements with the condition that the Town seek any available and appropriate funding sources to offset TIF revenue.

E. Process Criteria: 24 VSA §1892

*“(a) Upon a finding that such action will serve the public purposes of this subchapter, the legislative body of any municipality may create within its jurisdiction, special district or districts to be known as tax increment financing districts. They shall describe the district by its boundaries and the properties therein and shall show the district boundary on a plan entitled “Proposed Tax Increment Financing District (municipal name), Vermont.” The legislative body shall hold one or more public hearings, after public notice, on the proposed plan.
(b) When adopted by the act of the legislative body of that municipality, the plan shall be recorded with the municipal clerk and lister or assessor.”*

And...

32 VSA §5404a(h)(2)

“Process requirements. Determine that each application meets all of 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 for purposes of the district in the same proportion as the utilization of education property tax revenues approved by the Vermont economic progress council for the tax increment financing 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."

Evidence:

- ✓ Copy of [municipal finding of purpose](#).
- ✓ Copy of [municipal public hearing notice, resolution, and minutes](#).
- ✓ [Physical description](#) and a [map of TIF District](#), and [listing of properties \(5H\)](#) within District.
- ✓ Copy of [minutes](#) of municipal legislative body meeting at which TIF District plan was adopted.
- ✓ Copy of [certification of original taxable \(5H\)](#) value including date and time established and certified.
- ✓ [Certification that plan was recorded](#) including a copy of [TIF District Plan](#), which must include:
 - ✓ A map of the municipality with the TIF District indicated.
 - ✓ A description of the district by its boundaries and properties located within the District.
 - ✓ Statement of costs and sources of revenue, including sources other than incremental tax revenues.
 - ✓ Estimates of assessed values within the District.
 - ✓ Estimated tax increments in each year.
 - ✓ Amount of bonded indebtedness to be incurred.
 - ✓ Duration of the plan.
 - ✓ Amount of additional revenue expected to be generated as a result of the proposed development, and:
 - The percentage of that revenue that will be paid to the education fund.
 - The percentage of that revenue that will be paid to the municipality.
 - The percentage of that revenue that will be paid to the municipality and used to pay the municipal tax increment bonds.
 - ✓ A general project overview.
 - ✓ A detailed project description, including:
 - Bonding and other debt instrument approval and financing schedules.
 - Infrastructure development schedule including description, costs, and build out schedule.
 - Development and redevelopment schedule including description, costs, and information on who will accomplish development.
 - ✓ Pro forma projection of related costs that will be paid for by incremental tax revenues including description and amounts. Should include any payments to a designated coordinating agency and any costs incurred prior to approval that will be recouped by the municipality.
 - ✓ Evidence that the municipality is seeking or has obtained other sources of funding and investment.

- ✓ Written [statement \(5T\)](#) from top municipal official stating whether the projected development and/or redevelopment are compatible with municipal plan.
- ✓ Copies of relevant sections of [municipal plan](#) with which project is compatible.
- ✓ A [written explanation \(5U\)](#) from top municipal official describing how the project has clear local significance for employment, housing, and transportation improvements.
- ✓ [Written confirmation](#) by appropriate regional planning commission explaining how the projected development and/or redevelopment is compatible with approved regional plan and an explanation of how the project has clear regional significance for employment, housing and transportation improvements.
- ✓ Copies of relevant sections of the [regional plan](#).
- ✓ Written explanation from top municipal official indicating whether additional local or state [permits \(5V\)](#) will be required for the project, which permits will be required and a timeline for approval of the permits.

Determination to be Made:

Were statutory steps taken by municipality to create a TIF plan and a TIF District, including public input? Are all required elements included in the TIF Plan? Does the TIF Plan adhere to the local and regional plans? Did the municipality propose an appropriate share of municipal increment, and shall the requested level of education property tax increment be approved?

Review & Analysis:

Following the preparation of a TIF Plan and presentation of the plan at a public hearing on January 4, 2022, the municipality voted on a finding of purpose, voted to create the TIF District, certified a municipal share, and approved application to VEPC. The Original Taxable Value and TIF District Plan were appropriately certified and recorded by the Town Clerk.

Killington revised their TIF Plan and TIF Financing Plan based on recommendations made during the TIF Application review. Following the preparation of a revised TIF Plan and Financing Plan, and presentation of those plans at a public hearing on May 2, 2022, the municipality voted to approve the finding of purpose, voted to create the TIF District, certified a municipal share, and approved the revisions and submit them to VEPC. The revised Original Taxable Value and TIF District Plan were appropriately certified and recorded by the Town Clerk.

The TIF District Plan includes all required elements. The municipality has certified that it is pledging 85% of incremental municipal property taxes. The municipality and regional planning commission certify, and the plans submitted support, that the proposed infrastructure improvements and the projected development are compatible with the approved municipal and regional development plans, and with the letter of

support from the RPC detailing that the District has clear regional significance for employment, housing and transportation improvements.

It should be noted that the April 1, 2022, Grand List will not be finalized until December 31, 2022. At that time, and in the event VEPC finds a positive determination for the Killington TIF District, PVR will perform a complete review of the TIF District before it is “locked”, and tax increment can be retained following first incurrence of debt.

Staff Recommendation – Process:

Staff recommends that the Council make a determination that the Process Criteria for a TIF District application have been met. Further, staff recommends approval of the proposed 85% share of municipal property tax increment. Finally, staff recommends that the Council find that the requested 70% share of education property tax increment is supported by the data and increment required for viability.

F. Location Criteria: 32 VSA §5404a(h)(3)

“(3) Location criteria. Determine that each application meets at least two of the following three criteria:

(A) The development is:

(i) compact;

(ii) high density; or

(iii) located in or near existing industrial areas.

(B) The proposed district is within an approved growth center, designated downtown, designated village center, or new town center, or neighborhood development area.

(C) 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:

(i) 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;

(ii) 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

(iii) 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.”

Determination to be made:

Does the TIF District meet two of the three statutory location criteria?

The Killington TIF District is proposing to meet the Location Criteria under (A) for compact or high density, and (C) economically distressed area.

Review & Analysis:

Criterion (A) Compact or High Density:

VEPC Executive Director referred to the Act 250 Criterion 9(L) Guidance to help determine if the proposed development is compact or high density:

10 VSA § 6086 (9)(L) Settlement patterns.

To promote Vermont's historic settlement pattern of compact village and urban centers separated by rural countryside, a permit will be granted for a development or subdivision outside an existing settlement when it is demonstrated by the applicant that, in addition to all other applicable criteria, the development or subdivision:

(i) will make efficient use of land, energy, roads, utilities, and other supporting infrastructure; and

(ii)(I) will not contribute to a pattern of strip development along public highways; or

(II) if the development or subdivision will be confined to an area that already constitutes strip development, will incorporate infill as defined in 24 V.S.A. § 2791 and is designed to reasonably minimize the characteristics listed in the definition of strip development under subdivision 6001(36) of this title.

Evidence:

[Act 250 Criterion 9\(L\) Guidance \(ANR website\)](#)

[Attachment 6A: Compact and High Density Narrative](#)

[SP Land Company Act 250 Permit #1R0980 \(Altered\) \(February 9, 2022\)](#)

[SP Land Company Act 250 Permit #1R0980 \(Altered\) \(January 23, 2017\)](#)

[SP Land Company Act 250 Permit #1R0980 \(October 7, 2013\)](#)

[Attachment 8A: Zoning Map](#)

[Killington Zoning Bylaws](#)

Killington states in their application, "This district has been re-designed to fit entirely within the areas designated for high-density and infill development in the Town according to the Town and Regional Plans and Town Zoning.

"The development in this area was deemed consistent with existing settlement patterns and not considered sprawl as part of the Act 250 permit proceedings for the Village Master Plan build-out (also known as Six Peaks Killington). As noted in the District Plan, the Town of Killington does not have a traditional town center. Similar to other ski area communities in the state, topographical constraints have resulted in development occurring in a linear layout along Killington Road, starting with the gateway on Route 4 at the bottom of the road. The proposed road improvements are

designed to create a complete street and Town efforts will continue to foster denser and more highly utilized property development all along Killington Road.”

“That said, the redesigned TIF District is proposed for the most high-density area at the top of Killington Road. This area meets the statutory definition of an existing center that is compact in form and size in the following ways:

- This area ‘contains a mixture of uses that include a substantial residential component and that are within walking distance of each other,’ as evidenced by condo properties and single-family homes along Killington and East Mountain Roads surrounding the lands proposed for development.
- The proposed TIF District ‘has significantly higher densities than densities that occur outside the center,’ which can be most easily seen by the zoning regulations for SV1 and SV2 (the zoning districts within the proposed boundary). PUDs in the SV and the SVII allow for higher density multifamily housing than in surrounding districts. In these two zoning districts, the minimum lot area for an independently occupied unit is 6,500 SF, which results in just over six units per acre. In a PUD in the Commercial District, the maximum is two units per acre and in the Business and the Commercial/Business District, the maximum is four units per acre. Additionally, the zoning bylaw states that SV II development ‘shall include high density, mixed use commercial, Open Space, residential and lodging uses in the core area of new development at the existing Snowshoe, Ramshead and K1 Base Lodge area.’
- The proposed TIF District is “served by municipal infrastructure,” including wastewater and transit. This District would include the transfer of significant private land assets to the Town for public water, road reconstruction, and the addition of multi-use paths. The Town owns Killington and East Mountain Roads up to the segments owned by the property owners within this TIF District. With TIF, the Town will be able to create continual public ownership through the densest area of Town, providing all municipal services to the area most frequented by local residents and out-of-state visitors.”

“The redesigned TIF District is 577 acres in size. Of that, only 135 acres are the proposed areas for development. The remaining 442 acres are only included because of the PVR contiguous taxable entity requirement. The total District constitutes 0.46% of the Town of Killington. The size of this District is consistent with the size and proportionate size of many approved TIF Districts.”

“The Six Peaks Village component of the Six Peaks Killington build-out includes high-density mixed-use commercial and condo buildings within a walkable Vermont mountain village. This project will continue to build on the existing settlement pattern by interconnecting buildings and properties with streetscape and multi-use paths, and by including a mix of residential and commercial uses. It is intended to create a

vibrant space near the existing base lodge areas, surrounded by the existing skier services, resort operations, and associated commercial and residential uses, to anchor the community experience.”

“The townhouses within the Ramshead Brook Subdivision are compact in form and the single family lots create a clustered development. The buildable areas are set close to the roads and make efficient use of the land in this area at higher density than surrounding zoning districts. It has been approved for a higher density of two units per one acre and preserves the bordering brook and steep slope areas. (For context, the abutting Forest Reserve zoning district has less dense zoning of one unit per five acres.)”

“The proposed Six Peaks Killington development will result in even higher density than what currently exists. The development of Six Peaks Killington is intended to be a place where people live, work, and play, and have access to uses within walking distance of each other and promotes a dense settlement pattern. The Six Peaks Village and the Ramshead Brook Subdivision have Act 250 Land Use Permits. The District Commission ruled (and Superior Court later upheld) that these are consistent with the efficient land use patterns in the area.”

To review whether the District meets the Compact or High Density requirement, VEPC Executive Director considered whether the new construction: is predominately vertical rather than horizontal, configured to make efficient use of land and resources, and consistent with neighboring characteristics and scale and preserves green space. Density of the development needs to be greater than existing and allowed densities in comparable areas of the municipality that are outside the TIF District. Act 250 Criterion 9(L) Guidance from the Agency of Natural Resources website is used to determine if the proposed development is compact or high density.

The Act 250 Criterion 9(L) Guidance is divided into three sections for review: (1) Existing Settlement Determination; (2) Efficient Use Requirement; (3) Strip Development Evaluation. The development is considered to be within an existing settlement if it is either inside a State designated center or is located inside an area that meets the following definition:

“An existing center that is compact in form and size; that contains a mixture of uses that include a substantial residential component and that are within walking distance of each other; that has significantly higher densities than densities that occur outside the settlement; and that is typically served by municipal infrastructure such as water, wastewater, sidewalks, paths, transit and public parks or greens.”

Since the Killington TIF District *is not* inside a State designated center, the following four elements of existing settlement criteria were considered:

Element #1 – compact in form and size

Review of this element looks at the characteristics of the District: relatively high density, mixed land uses, opportunities for social interaction, and contiguous building patterns which encourage walking and cycling. The areas typically feel comfortable for pedestrians, have speed limits of 30 mph or slower, and have streets with clear and consistent edges.

Element #2 – contains a mixture of uses that include a substantial residential component and that are within walking distance of each other

Review of this element looks at the blend of retail, office, civic, institutional, cultural, and recreational uses. The guidance recommends that a ‘substantial residential component’ is 50% or more and identifies that walking distance be between one quarter and one-half mile. The guidance also stresses that if fewer than 50% of structures within a half mile are residential than it is unlikely to be an existing settlement.

Element #3 – has significantly higher densities than densities that occur outside the settlement

The guidance for reviewing this element notes that what qualifies as “high density” will vary considerably. The easiest method for determining high density is use of E-911 point density using the ANR Natural Resources Atlas and the “Density of Habitable Structures” layer. Building densities should be in the “high” or “highest” range.

Element #4 – typically served by municipal infrastructure such as water, wastewater, sidewalks, paths, transit, parking areas, and public parks or greens

The guidance on this element notes that areas without at least some municipal infrastructure are unlikely to qualify as existing settlements.

As noted in Killington’s application, the District contains lands which would not otherwise be included and is not proposed for development, but must be part of the District due to the definition of “parcel.” A parcel is defined as property that is contiguous and in the same ownership. SP Land Company has previously received Act 250 permitting for Phase 1 of the “Village Master Plan” and has received partial findings for proposed development of subsequent phases. A condition noted in the Act 250 permit is that speed limits must be 25 MPH. The proposed development within the District will contain a mixture of lodging, commercial, retail, and residential components. There are a multitude of recreation opportunities nearby: skiing, cycling, golf, and hiking, to name a few. The District is serviced by public

transit and wastewater, and the Public Safety Department is close by, being about 2 miles north of the TIF District on Killington Road. The development will also be serviced by a public water system, as one of the public improvement projects needed to facilitate development of the TIF District. The TIF District is located in the “Ski Village 1” (SVI), “Ski Village 2” (SVII), and Commercial zoning districts. Killington’s Zoning Bylaws provide for high density development in each of these zoning districts, and which is higher than development of areas outside of the TIF District. Based on the evidence submitted in the application and the above analysis, the Killington TIF District appears to meet the compact or high density Location Criterion.

Criterion (C) Economically Distressed Area:

To meet this criterion, the municipality in which the TIF District is located must meet at least one of the three distress criteria for the year in which the TIF District application is submitted to VEPC. The data is updated annually whenever the most recent data are available to the source agencies (Vermont Department of Taxes and the Vermont Department of Labor). This data was recently updated for Calendar Year 2022.

Evidence:

[Location Criteria C Town List \(VEPC website\)](#)

- ✘ **Median Family Income:** Killington’s median family income is \$90,683, which is **not** equal to or below 80% of the statewide median family income (\$77,885 for 2020).
- ✔ **Unemployment:** Killington’s unemployment is 10.1%, which **is** at least 1 point higher than the statewide average (3.4% for 2021).
- ✘ **Property Values:** Killington’s median sales price for 6 acres or less is \$510,000, which is **not** equal to or below the 80% of the statewide median sales price for 6 acres or less (\$257,000 for 2021).

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. VEPC Executive Director made an additional review of historical unemployment rates for the Town of Killington as compared to the statewide average. The table below shows the Town has a history of having unemployment rates that are much higher than the statewide average.

Year	Killington	Statewide
2021	10.1%	3.4%
2020	22.2%	6.6%
2019	6.5%	2.3%
2018	6.5%	2.6%
2017	7.6%	3.0%
2016	7.1%	3.1%

Staff Recommendation – Location:

Staff recommends that the Council determine that the Location Criteria A and C are met.

G. Project Criteria: 32 VSA §5404a(h)(4)

“Project criteria. Determine that the proposed development within a tax incentive 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 VSA §4303.

(C) The project will affect the mitigation and redevelopment of a brownfield located within the district. For the purposes of 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 is addressing Project Criteria A (Need), D (Business Development), and E (Transportation).

Evidence:

[Form 7: Project Criteria](#)

[Narrative 4-But For](#)

[TIF Data Workbook – Updated April 6, 2022](#)
[Transportation Improvements Map](#)
[7N Killington Road Corridor Study Report – August 2021](#)
[5X Regional Planning Commission Letter](#)
[4E Rutland City Letter of Support](#)
[4E Chamber & Economic Development Support Letter](#)
[VTrans Infrastructure Cost Review](#)
[Killington Economic Study](#)
[EPR Final Review Memo](#)

Project 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.”*

Determination to be made:

Does the proposed infrastructure development within the TIF District clearly require substantial public investment over and above the normal budget of the municipality or the normal bonded debt service of the municipality?

Review & Analysis:

Killington states in their application, “The Town cannot afford not to make the public infrastructure improvements which are estimated at \$62.4 million. In the past ten years, the Town’s Grand List value has decreased. Funding these investments would effectively double the Town tax rate, which is too much for taxpayers to bear. The upfront cost of the municipal water system is not something that can be supported by normal municipal operating or bonded debt expenditures.”

“The Town developed a sustainable capital budget plan in 2014 that utilized lifecycle costs to project a stable tax rate structure to replace all existing infrastructure with minimal borrowing required. As a result, the capital appropriation has changed from \$654,727 (.0828 tax rate) in 2014 to \$1,650,537 (.2086 tax rate) in 2022. This represents a 252% increase in the capital funding. The capital appropriation does not account for any new investment in infrastructure and only maintains and/or replaces existing. In 2019, the Town voted to build its first Public Safety Building a cost of about \$5.6M. The Bond issue results in \$285,961 in annual bond payments or another .0361 on the tax rate. This brings the total increase to .1619. The capital appropriation increases plus the increased cost of operations over the 8-year period have created a tax rate increase from .3087 to .5425. These increases occurred during a time when the Town saw a net decrease in the Grand list. The Town needs the TIF District and other sources of funding so that it can construct the necessary infrastructure improvements required to move the Town forward without placing an undue burden on the taxpayers.”

Review of this criterion is similar to the review for the “But For” criterion. In their review, EPR states:

“The applicant has presented their annual municipal budget, capital budget, and debt service budget as required in the updated Master TIF application materials. In addition, as noted in the Interim Report of the VEPC Executive Director, the application narrative states that the \$62.3 million estimated total cost of the public infrastructure improvements is not affordable within the town’s current and estimated future budget (see Table 1 below).”

Table 1: Town of Killington Proposed TIF Infrastructure Development Costs by Year

		Total Real Infrastructure Costs*
Water Phase 1	2023	\$26,675,811
Road Phase 1	2023	\$14,010,593
Road Phase 2	2025	\$7,497,638
Road Phase 3	2027	\$7,453,212
Road Phase 4	2029	\$6,689,837
	Total	\$62,327,091
*Includes Annual 2.5% cost escalation as per applicant assumption		

“Also, as part of our review, EPR compared the budget and estimated project costs and confirmed this statement, finding that the applicant’s narrative on this issue is both reasonable and accurate in stating that the Town lacks the financial capacity within its current operating and capital budgets to undertake these proposed infrastructure enhancement investments in the updated Master TIF application plan according to all available information.”

“For illustrative purposes, Table 2 (below) shows the historical and prospective operating and capital budgets for the Town which clearly demonstrates that these proposed infrastructure development expenditures are well beyond the financial capacity of the applicant municipality—based on previous and current municipal and capital budgets dating back to the 2013 fiscal year—as well as prospectively as demonstrated through an examination of the estimated operating and capital budgets of the Town for the 2022 and 2023 fiscal years (as set forth in the updated Master TIF application materials).”

“In addition to the above finding that the aggregate infrastructure expenditure amounts would be significantly beyond the fiscal capacity of the Town, it also seems clear from the updated Master TIF application materials that each sequential

infrastructure development phase—for both the municipal water investments and for the transportation improvements—would likewise require substantial public investment over and above the normal operating and capital budgets of the municipality.”

“Of additional importance to this discussion and analysis is the relative debt burden borne by the Town of Killington’s taxpayers. Table 3 (below) shows the relative debt burden of the Town and selected peer municipalities, with data collected for the 2021 fiscal year from the relevant annual reports of each municipality (with fiscal year 2021 being the latest data available as of the time of this review).”

Table 2: Town of Killington Annual Municipal Budget Summary FY 2013 - 2023

	Year	Total Municipal Budget	General Operating Budget	Capital Plan	Total Annual Taxpayer Debt Service
Year of application	2022				
Next Budget Year	2023	\$6,091,938	\$4,441,401	\$1,650,537	\$883,943
Current Budget Year	2022	\$5,463,186	\$3,963,983	\$1,499,203	\$892,789
Current, -1	2021	\$4,788,644	\$3,401,220	\$1,387,424	\$524,881
Current, -2	2020	\$4,676,767	\$3,371,170	\$1,305,597	\$627,379
Current, -3	2019	\$4,401,641	\$3,533,055	\$868,586	\$654,480
Current, -4	2018	\$4,508,505	\$3,781,312	\$727,193	\$671,662
Current, -5	2017	\$4,155,339	\$3,570,190	\$585,149	\$679,209
Current, -6	2016	\$6,336,139	\$5,395,889	\$940,250	\$821,572
Current, -7	2015	\$0	\$0	\$0	\$0
Current, -8	2014	\$4,042,016	\$3,387,289	\$654,727	\$640,456
Current, -9	2013	\$4,952,517	\$4,537,017	\$415,500	\$690,063
AVERAGE BUDGET		\$4,492,427		Average Debt	\$644,221
NOTES:					
2016 is high because it contained 18 months of activity when switching fiscal year. 2015 is blank due to this change.					
2013 figures include \$186,675 related to FEMA Flood Reimbursement, with a related FEMA Recovery Expense of \$843,112					

Table 3: Total Bond Debt Burden of Selected Municipalities FY 2021

Debt Burden by Municipality	Total Long-Term Debt	Level of Municipal Debt Per Capita
Stowe	\$ 31,524,461	\$ 6,036
Newport Town	\$ 5,108,170	\$ 3,347
Hartford	\$ 22,813,505	\$ 2,135
St. Albans City	\$ 37,481,308	\$ 5,450
Bennington	\$ 24,907,333	\$ 667
Barre City	\$ 13,410,492	\$ 1,579
Killington	\$ 883,943	\$ 628

“While the data does appear to indicate that the Town could take on some additional general obligation debt without being in a disadvantageous position, it seems clear that funding these expenditures through the issuance of general obligation debt would require a dramatic more than two-fold increase in the Town’s municipal tax

rate. This additional burden would be large relative to the applicant’s selected peer municipalities and would likely represent a significant increase in burden relative to its median household income (see Tables 4 and 5 below). Table 4 below shows median household income levels of multiple peer geographic areas relevant for comparison to the applicant for the most recent year where comparable data are available. Table 5 shows the comparative municipal tax rates for those peer communities as well based on these data.”

Table 4: Median Household Income by Geography, 2019

Municipality	Median Household Income (2019; U.S. Census)
Stowe	\$ 59,770
Hartford	\$ 64,493
St. Albans City	\$ 53,647
Bennington	\$ 50,892
Barre City	\$ 38,142
Killington	\$ 64,231
Rutland County	\$ 56,139
Chittenden County	\$ 73,647
State of Vermont	\$ 61,973

Table 5: Effective Municipal Tax Rate, FY 2021

Municipality	Effective Municipal Tax Rate
Stowe	0.3441
Newport Town	0.5503
Hartford	0.8904
St. Albans City	0.854
Bennington	0.6944
Barre City	1.811
Killington	0.4148

“To further place the Killington municipal tax rate into the proper context, a 10-cent increase in the municipal tax rate for the Town would roughly result in an increase of available municipal revenues of close to \$1.0 million per year. To fund these projected infrastructure investments via the Town’s municipal tax rate would require a more than roughly 60 cent increase in the municipal tax rate—a more than doubling in the municipal tax rate to a level that would result in a tax rate in excess of \$1.00. That would in fact appear to be a municipal tax rate level well above the Town’s peers and correspond to a level that unacceptable and unsustainable.”

“EPR staff therefore believes that the preponderance of the evidence indicates that the levels of the proposed infrastructure development expenditures as set forth in the updated Master TIF application plan would clearly require substantial public investment over and above the normal operating and capital budgets of the municipality. These data also indicate that the above infrastructure development

expenditures would also involve a level of investment expenditures substantially over and above or the normal bonded debt service capacity of the applicant municipality. As a result, EPR believes the Council could make positive findings under this criterion based on our analysis of information and data provided by the applicant and using data from other publicly available sources.”

Project Criteria 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.

Determination to be made:

Will the real property development result in at least one new business operation within the TIF District, or an expansion of an existing business that is already within the District. Will the business create new, quality, full-time jobs that meet or exceed the prevailing wage for the South Burlington region as reported by the Department of labor?

Below are VEPC’s published [administrative definitions](#) in the TIF Application Instructions to further refine the requirements of this TIF criteria:

"new business or business operation": A business that does not operate in Vermont at the time the District infrastructure is developed and will not operate in Vermont until the infrastructure is provided within the TIF District, or a new operation of a business that exists within Vermont at the time the TIF District infrastructure is developed, or the addition of new jobs by a business that does operate within the TIF District prior to the infrastructure development. Moving an existing business from other locations in Vermont to the TIF District does not constitute a “new business.” Satisfaction of the criteria is reliant on the creation of new jobs whether by a new business to Vermont, a start-up, or the addition of a new division, subsidiary or location of an existing business without the reduction of employment at the business operations within Vermont at the time the infrastructure is developed.

"provide new, quality, full-time jobs": The new business or the expansion of the existing business will generate new jobs at which the employees work at least 37 hours per week and will not be temporary or seasonal.

"prevailing wage for the region as reported by the department of labor": The wages for the full-time jobs created must meet or exceed the prevailing wage as reported by the Vermont Department of Labor in their QCEW data as the "Annual Average Wage" for the county in which the TIF District is located and for the NAICS code for the business involved.

Analysis & Review:

Killington states in their application, “The proposed Six Peaks Village will result in the creation of several new businesses as well as the expansion of existing businesses. The proposed project includes 31,000 sq. ft. of commercial space which will be occupied by a range of restaurants and retail shops. While some of these facilities may be a relocation from the existing Snowshed and Ramshead Base lodges, the project will result in the creation and expansion of several new businesses. “

“In 2011, SP Land commissioned Northern Economic Consulting to prepare ‘An Economic, Demographic, and Fiscal Impact of the Proposed Killington Village Master Plan in Killington, Vermont.’ The study concluded that the commercial space to be created in Phases A-D would result in the creation of 130 new retail jobs and 125 new restaurant/bar jobs. These jobs would result in a payroll in excess of \$4.7 million based upon 2010 wage data. Adjusted by CPI, this would equate to \$6.1 million in 2022.”

“In addition to the retail and restaurant jobs, the residential portion of the project will result in 20 new jobs in the property management sector. These jobs will generate an estimated \$600,000 in new payroll based upon 2010 wage data. Adjusted by CPI, this would equate to \$785,000 in 2022.”

“The creation of 275 jobs would be a 76% increase in jobs within the TIF District. While the Town is optimistic these projections could materialize, even 50-60% of these projections would be a significant increase in employment for the Town and region.”

In their review, EPR states:

“Within the updated Master TIF application materials and narrative, referencing the Killington SPLC Economic Study from December 2011, it is demonstrated that the private development activity which forms the basis for the estimated TIF increment will result in the expansion of existing business and the creation of new economically direct and economically indirect jobs both at the Six Peaks Village development and within the area of the amended TIF district as new or expanding business activity is established. The new and/or expanding business activity and corresponding job creation is therefore comprised of the initial direct investment by the owner and private developer of Six Peaks Village (S&P LC and Great Gulf Group, respectively) and subsequent indirect impacts from business expansion or new creation both in the vicinity of the Six Peaks Village and along the Killington Road corridor. Phase I of the overall Six Peaks Killington project, which comprises the private development in the TIF plan, represents the expansion of business within the TIF district area, and is estimated to allow the creation of 255 additional jobs in retail and hospitality sectors and 20 jobs in property management. It is also estimated that municipal public works will expand and employ new water system workers. In addition, the applicant-

submitted Economic Study estimates that, once Phase I development project is built and in operation, there are a total of 338 additional new jobs which are created in all Rutland County by the expanded activity, including jobs within the construction and health care employment sectors.”

“Under TIF program rules at least one or more new jobs created as a result of the TIF’s activities must “meet or exceed the prevailing wages for the region as reported by the Vermont Department of Labor” (“VTDOL”). Since the economic study was performed in 2011 dollar values, Form 7 section J of the application materials also provides an estimate of current dollar (2022) total wages from the retail, hospitality, and property management jobs created by the private development in the TIF plan, which equates to an average annual wage of \$23,922 for those 255 hospitality-related jobs, and \$39,250 for the property management jobs. The approximate economic region analyzed for this metric review is Rutland County, Vermont, which comprises the Rutland Micropolitan Statistical Area, the economic region within which Killington is located.² The Vermont Department of Labor does not provide data on prevailing wages at the county level, but the U.S. Bureau of Labor Statistics monitors labor market conditions at the county level through the Quarterly Census of Employment and Wages (“QCEW”) and provides much of the data underlying Vermont Department of Labor statistics. The most recent publication available on QCEW annual average data is for calendar year 2021 at the State level and the County level and is presented in Table 6 (see below). Chittenden County and the Vermont Total are presented only for the purposes of informational comparison.”

Table 6: Prevailing Regional Wages by Industry Sector and Geography³

Employment Sector	Economic Study Estimate (\$2022)	2021 Annual QCEW		
		Rutland County	Chittenden County	Vermont Total
All Private Sectors		\$ 51,172	\$ 63,912	\$ 55,680
Retail Trade	\$ 23,922	\$ 35,937	\$ 40,235	\$ 38,335
Accommodations & Food Services		\$ 25,849	\$ 27,084	\$ 27,736
Real Estate	\$ 39,250	\$ 46,698	\$ 59,530	\$ 54,092

“From the data presented, the estimated wages do not appear to meet or exceed prevailing wage data for the region. However, it is important to note three major issues undercutting the reliability of this analysis: (1) that the wages presented in the economic study are estimated by an economic impact model and not sourced from

² As designated by the Executive Office of the President of the United States: Office of Management and Budget.

³ Even though annual estimates and data are presented for two different years, it is likely that QCEW data for calendar year 2022 (when they are available in March 2023), will increase relative to levels presented here for calendar year 2021, further exacerbating the perceived gap between the wage levels estimated by the Economic Study and the prevailing wages presented for the Killington region in Table 6.

any business or staffing plan presented with the updated Master TIF application; (2) the wages estimated by the economic impact model are based on labor market characteristics and conditions which existed back in 2011, over a decade ago, and were then escalated to current dollar values – greatly distorting the accuracy of a comparison with actual recent data on wages from the QCEW; and (3) the estimated wage levels represent an average wage for all employees in the entire economic sector, indicating that the figure presented is a midpoint estimate – thus, there will be multiple employees collecting wages which are both higher and lower than the estimated level presented in Table 6. Technically speaking, according to TIF rules, wages for only one employee must meet or exceed “prevailing wages for the region,” and it is very likely that at least one, if not many, employees will collect wages which meet the criteria. As a result of this analysis, EPR believes that it is reasonable for the Council to make positive Master TIF findings under this criterion. EPR believes this represents a low enough hurdle that it should be relatively easy to achieve and document.”

Project Criteria E: *“The development will enhance transportation by creating improved traffic patterns and flow or creating or improving public transportation systems.”*

Determination to be made:

Will the public infrastructure projects and the overall TIF development create improved traffic patterns and flow or create improved public transportation systems? What is the likelihood that the transportation projects will enhance transportation? What is the relationship to regional and statewide transportation improvements?

Analysis & Review:

Killington states in their application, “The proposed TIF District infrastructure improvements include the reconstruction of Killington Road. Killington Road is a major traffic collector that connects US Route 4/VT Route 100 from the north to East Mountain Road and the Resort to the south, providing access to most of the business and residential neighborhoods in Town. In 2020, the Town retained VHB to prepare a master plan for Killington Road. The VHB study identified issues with the roadway that are hampering the Town’s ability to move forward with key development projects. These issues are outlined on Page 14 of the TIF District Plan. According to the Vermont Department of Transportation, Killington Road has one of the highest fatalities and equivalent property damage only (“EPDO”) in the Region. The intersection of Route 4 and Killington Road is included in the list of the 650 worst segments of roadways in the State of Vermont. The steep grade at the base of Killington Road and the lack of “landing pad” has resulted in numerous accidents over the years.”

“The VHB study included a conceptual plan that contains specific corridor-wide enhancements that will increase capacity, improve the operations and safety for all users, and maintain efficient travel through the corridor. These improvements will enhance pedestrian, bike, and bus travel through the addition of an 8-foot shared use path along the west roadway, a 5-foot sidewalk along the east roadway, bus pull-offs, pedestrian crosswalks, intersection improvements and lighting and landscaping improvements. The lower portion of the roadway will be reconstructed to eliminate the unsafe grade which is one of the key issues with the road.”

“As part of the reconstruction of Killington Road, upgrades will be made to the stormwater management system to better control flows and provide for enhanced treatment. This will address existing drainage issues at the base of the road but also result in upgrading the road to meet current standards for managing storm flows. These improvements will make the road more resilient and better able to withstand impacts associated with climate change.”

“Additionally, the intersection of Killington Road and East Mountain Road will be redesigned to include a roundabout. Road H and Old Mill Road will be upgraded to provide secondary access in the event the roundabout is blocked. The Town will assume ownership from the Resort and SP Land the portion of Killington Road from the Lookout/Glazebrook intersection to Vale Road and East Mountain Road from its intersection with Killington Road to the Killington Grand Hotel plus the two secondary Roads know as Road H and Old Mill Road.”

“These improvements will significantly improve the safety of Killington Road while at the same time make the road more pedestrian and bike friendly. The inclusion of bus pull offs and bus shelters will be significant upgrade to the public transportation system.”

The “Killington Road Master Planning Study” completed by Vanasse, Hangen, Brustlin, Inc. (VHB) in August 2021 was reviewed for this criterion. The study included an assessment of current conditions, including roadway classification, geometrics, speeds, safety, access, traffic flow, and daily and peak traffic counts. The study also considered future development and the potential increases in traffic volumes by the year 2050. Finally, the study developed an improvement plan to address safety and operations for all modes of transportation.

According to the VHB study, “Killington Road is classified as a major collector which is intended to provide a more balanced blend of both mobility and access.” The average annual daily traffic for Killington Road in 2019 was 4,683. The average volume on a Saturday in February 2020 was 9,560. The VHB study included

southbound and northbound peak traffic, noting that it likely represented vehicles heading to Killington Resort in the morning and leaving the Resort in the evening.

The VHB study summarized the following issues that currently exist along Killington Road:

- Generally high, and occasionally dangerous, vehicular speeds;
- Poorly accommodated, and occasionally dangerous, turning movements, particularly to and from unsignalized driveways;
- Lack of consistent access management practices;
- Poorly accommodated bus pull-offs;
- Too few bus stops;
- Lack of dedicated bicycle infrastructure;
- Lack of dedicated pedestrian infrastructure and safe crossing locations;
- Deficient profile at northern project terminus;
- Side streets and driveway movements can experience long delays during peak traffic times due to heavy Killington Road volumes;
- Poorly graded and drained locations;
- Disconnected road system in Town due to historical ownership of Killington Road and East Mountain Road near the Resort;
- Generally unattractive streetscape/aesthetics along the road.

For future conditions, VHB considered background traffic growth anticipated by VTrans and traffic associated with the planned developments at the Killington Village Project (the TIF District). The study notes that, based on the Killington Village Traffic Assessment, the full buildout of the developments within the TIF District would generate 1,897 peak hour vehicle trips, with 1,621 of those being outside of the project area. The study's review of VTrans projections found background future traffic growth of approximately 5% over a 10-year period. VHB identified the following needs for Killington Road improvements:

- Preserving a safe flow of traffic while accommodating a range of users;
- Controlling/Discouraging excessive vehicle speeds;
- Improving pedestrian accommodation along and across Killington Road;
- Improving bicycle accommodations and safety;
- Encouraging use of transit through improved bus stop facilities;
- Improving aesthetics of the corridor, and
- Connecting the Town's road system in the study area.

The improvement plan for Killington Road was described by Killington in the above narrative. Further detail from the Town of Killington can be found in their narrative for Location Criteria. Public transportation systems will be designed to create

complete street with the addition of bus stops, 8 foot shared use path for pedestrians and cyclists, a pedestrian sidewalk on the opposite side of road, and added crosswalks. The transportation improvements identified in Killington’s narrative and in the VHB study will improve traffic patterns and flow along Killington Road to carry the additional traffic which will be generated due to the private developments that will occur at the south end of Killington Road, within the TIF District.

The Regional Planning Commission has noted the benefits of the improvements to Killington Road in their letter, stating that “Killington Road is identified as a high crash location with unsafe segments, and improvements to this roadway is identified in this plan,” (the Regional Plan).

The Vermont Agency of Transportation (VTrans) has reviewed the scope and project costs for the proposed transportation improvements along Killington Road. VTrans concluded that the total costs for the transportation improvements were underestimated, and Killington updated these costs in their revised TIF Financing Plan.

Staff Recommendation - Project:

Based on the evidence submitted, expert analysis, and the additional evidence and testimony provided, staff recommends that the Council find that Project Criteria A, D, and E are met.

H. Market and Fiscal Viability:

Evidence:

[TIF Data Workbook – Updated April 6, 2022](#)

[Six Peaks Killington Letter](#)

[EPR Review Memo](#)

[\(See also confidential files\)](#)

Determination to be made:

Does the TIF Plan have fiscal viability? That is, will the proposed private sector development generate sufficient tax revenues to cover the costs of infrastructure? Does the TIF Plan have market viability? That is, what is the likelihood that the proposed development/redevelopment will occur at the scope and on the timeline presented, thereby generating sufficient incremental revenue during the retention period?

Analysis & Review:

In their review, EPR states:

“While not a criterion directly required in statute for Master TIF application review, determining if the prospects for the private sector development presented in a Master TIF application’s financing plan are reasonable from the standpoint of “market viability,” is an implied and prudent task for the Council to undertake. In order for the Council to make positive findings on market viability of the private sector development and also make positive findings regarding the fiscal viability of the TIF Financial Plan, a critical review of the commercial feasibility of the TIF District’s private development plan was completed. Then, against that backdrop of that market viability assessment, we also completed a review of the corresponding TIF financial plan under the assumptions employed by the applicant. The success of the financial plan is clearly directly tied to the success of the proposed private development that ultimately generates the level of new tax revenues to cover the forecasted infrastructure debt service costs as set forth in the TIF financial plan.”

“The following section represents an initial review and comment on the key issues related to the question of viability. In undertaking this part of the TIF District application review, the EPR Team: (1) reviewed the data provided in the Town’s updated Master TIF application, (2) reviewed all key assumptions made within the updated Master TIF financing plan as set forth in the application, and (3) consulted data from reputable third-party sources that were relevant to this part of this viability assessment.”

“According to the projections provided by the applicant in the latest updated version of the Master TIF Financing Plan, total infrastructure project cost is estimated to be \$62.3 million. Even though there is the potential for State and Federal Grant allocations, the applicant’s financing plan does not rely on any such grant funding in order to make the financial plan work in making “an appropriately conservative case,” stating that the addition of potential grant funding would only serve to decrease the amount of debt incurred and, correspondingly, decrease the financial risk of the Master TIF financing plan to that degree. Total bond principal is then estimated in the updated Master TIF application to be \$62.8 million after rounding adjustments. In addition, financing costs will accrue to an estimated \$19.8 million in interest payments, resulting in \$82.6 million of total principal and interest debt service costs incurred by the applicant. Related costs that are allowed by statute total an estimated \$930,150 in the updated Master TIF application.”

“The total infrastructure costs, as presented in the applicant’s financial summaries, includes an inflation factor which is reasonable given recent data for prices and behavior of construction and materials markets, ⁴but perhaps appears to be relatively conservative given an overall historical, long-term 2.5% inflation factor—when considering medium

⁴ Looking at recent data on construction cost escalators.

and long-term expectations within the infrastructure development. The issue has been raised that, with the passage of a more than \$1.0 trillion federal infrastructure spending bill passed at the end of calendar year 2021, there will likely be substantially increased demand and therefore increased competition for materials, supplies and labor. This likely also introduces the potential for scheduling delays that could add to additional cost increases for planned infrastructure projects locally, regionally, and nationwide that would significantly exceed the 2.5% long-term construction cost escalator included in the current version of the TIF Financing Plan. As the State of Vermont has experienced with its planned broadband infrastructure expansion projects and experience with other infrastructure construction projects (such as the so-called Southern Connector Project in the City of Burlington), the Council should be aware that there is significant upside cost risk associated with any cost estimate for public infrastructure spending projects over the next several years. In addition, given current labor market constraints, it also is likely that there will continue to be a scarcity of construction labor for the foreseeable future, further adding to corresponding cost overruns and the potential for scheduling delays over the course of the infrastructure development timeline for this updated application development plan.”

“Looking more specifically at the anticipated revenues and costs in the plan, the applicant proposes the issuance of four 20-year bonds at an average interest rate of 2.6% to finance the water system and road improvement spending, and that results in a sequence of annual debt service payments as presented in Table 7 (below). On the revenue side, the Town’s financing plan includes a final assessed value after the infrastructure improvements and redevelopment of \$289.2 million, for a \$285.5 million incremental value (comprised of a split of \$71.4 million homestead and \$214.2 million non-homestead). Summing the anticipated TIF revenues from the applicant’s updated TIF application spreadsheets, the application includes an increase of \$84.8 million in incremental TIF revenue that can be applied to the financial plan during the 20-year retention period covering 2024 to 2042. In the TIF application, the TIF financing plan assumes that the minimum 85% municipal portion of the increment be retained and that 70% of the Education Tax be retained from the increment, which will be used to service the TIF District debt service and related allowable TIF program costs.”

“As has been the case with other TIF applications, any amounts collected by the value changes related to the private sector developments beyond that required to service debt and pay related costs would be returned to the municipal General Fund and the State Education Fund. The plan includes the expectation that there will be excess cumulative revenue in later years of the plan’s timeline because the 70% maximum allowable retained education increment is intended to cover the highest debt service years which tend to occur early in the municipal bond service timeline.”

“According to the Town’s financial projections over the TIF timeline (see Table 7 below), the applicant is expected to incur an annual deficit in 2022 and 2023 in order to service the TIF related costs (in this case upfront application and consultant fees), and the beginning of TIF-related bond servicing in 2023.⁵ The financing plan next projects that the Town will return to solvency with the initiation of the increment retention period in 2024, beginning a cumulative revenue surplus from the increment that persists until the end of TIF-related debt repayment in 2050, which will reasonably cover all annual deficits anticipated during the remainder of the bond repayment period.”

Table 7: Town of Killington TIF Annual and Cumulative Cash Flow Summary

Year	TIF Revenue	TIF Debt Service	Related Costs	Annual Cash Flow - Cumulative
Base Year: 2022	\$0	\$0	\$65,000	(\$65,000)
2023	\$0	\$250,459	\$39,000	(\$354,459)
2024	\$1,484,942	\$1,001,835	\$24,000	\$104,648
2025	\$3,393,596	\$1,037,713	\$39,000	\$2,421,531
2026	\$3,817,308	\$1,145,348	\$24,000	\$5,069,491
2027	\$4,030,048	\$1,554,744	\$49,000	\$7,495,795
2028	\$4,242,788	\$4,053,388	\$143,000	\$7,542,195
2029	\$4,242,788	\$4,419,813	\$39,000	\$7,326,170
2030	\$4,580,865	\$4,472,295	\$24,000	\$7,410,740
2031	\$4,918,942	\$4,761,629	\$24,000	\$7,544,053
2032	\$4,918,942	\$4,709,472	\$34,000	\$7,719,523
2033	\$4,918,942	\$4,654,468	\$10,000	\$7,973,997
2034	\$4,918,942	\$4,596,596	\$10,000	\$8,286,343
2035	\$4,918,942	\$4,532,818	\$133,150	\$8,539,316
2036	\$4,918,942	\$4,460,670	\$10,000	\$8,987,589
2037	\$4,918,942	\$4,381,136	\$10,000	\$9,515,394
2038	\$4,918,942	\$4,295,159	\$10,000	\$10,129,177
2039	\$4,918,942	\$4,203,521	\$10,000	\$10,834,597
2040	\$4,918,942	\$4,107,251	\$10,000	\$11,636,288
2041	\$4,918,942	\$4,006,103	\$10,000	\$12,539,127
2042	\$4,918,942	\$3,900,535	\$133,000	\$13,424,534
2043	\$0	\$3,790,996	\$10,000	\$9,623,538
2044	\$0	\$3,677,744	\$10,000	\$5,935,793
2045	\$0	\$1,193,505	\$10,000	\$4,732,288
2046	\$0	\$1,162,869	\$10,000	\$3,559,419
2047	\$0	\$762,383	\$10,000	\$2,787,036
2048	\$0	\$742,101	\$10,000	\$2,034,936
2049	\$0	\$352,080	\$10,000	\$1,672,856
2050	\$0	\$342,377	\$10,000	\$1,320,479

“The Town expects one year of annual deficit in 2029 in the early stages of the fourth and final bond issue and while the increment benefits from the final property developments outlined in the plan generate revenues and ‘catch-up’ with debt repayments. Again, the cumulative surplus from incremental revenues is adequate during this period to maintain solvency of the plan. The financing plan shows that annual solvency will then be maintained until 2043, when the Education Property Tax and Municipal Tax retention periods are expected to end. At this point, the cumulative surplus begins to decline as TIF revenues ending completely in 2043, and the Town expects a surplus of revenues over

⁵ The application states that prior to the beginning of increment retention in 2024, Related Costs will be paid by the Town’s general fund and subsequently reimbursed by the first debt incurred.

expenses totaling \$1.3 million which is required to be distributed to the State education Fund and the Town's General Fund at the end of the life of the eventual TIF District."

"With the exception of the first two years of the financial timeline presented by the applicant (2022 and 2023), which occurs prior to the initiation of the TIF retention period beginning in 2024 and includes only one year of debt service in 2023, the cumulative balance of proposed TIF District revenues as presented appears sufficient to "cover" any annual revenue shortfalls. This financing plan, as opposed to several previous TIF applications which have been considered, does not rely on non-TIF funding sources to cover any of the debt service costs. However, the applicant does expect to be allocated State and Federal Grant money for various aspects of its re-development project. After 2024, annual surpluses rise significantly and progressively, reaching nearly \$13.4 million in 2042—assuming that the TIF District's incremental revenues are generated according to the proposed timeline."

"As mentioned above, this application is reliant on upfront revenues from the private development activities related to the Six Peaks Killington development plan, especially Phase A, which contributes roughly 60% of all incremental property value included in the TIF plan. Additionally, as noted in the updated Master TIF application materials, the private development which funds the debt servicing can only occur with the completion of the infrastructure projects, according to the schedule laid out in the plan, and which must be financed by the debt. The financial plan thus depends on the execution of three simultaneous elements of the development plan, each of which depends on the other to be completed according to the presented scheduling sequence. As noted previously, the revenues estimated within the financial plan contains significant risk associated with either potential delays in launching and completing elements of the private development or cost overruns for the key elements of the infrastructure plan, as currently envisioned, especially in the initial years of the updated Master TIF financing plan where a majority of the costs are to be incurred."

"The progression of the updated TIF financing plan—if achieved as the applicant has presented in the filing documents—indicates that there should be more than sufficient cumulative TIF revenue to cover all annual debt service and related costs after 2024 when the increment is first retained, if the four distinct private development phases (four for Six Peaks Killington) and two areas of infrastructure spending occur as presented in the application. Even so, the initial period of the financing plan is "right on the margin" in terms of being in "cumulative deficit," with the plan essentially being "in the red" for roughly \$65,000 and \$289,495 in 2022 and 2023, respectively. That deficit condition is expected to continue until revenues bring the cumulative negative balance back into a cumulative surplus by 2024."

“The TIF financing plan also reports the likelihood of a cumulative surplus continuing to grow to a peak amount of \$13,424,534 in 2042, then proceeds to decline to a final positive balance of \$1,320,479 after the end of the proposed retention period. Even though the cumulative surplus grows to a substantial amount during the middle of the proposed TIF retention period, the initial years and the end years of the retention period show a very narrow cumulative TIF revenue surplus balance. While it is true that: (1) there will be a project by project assessment of each infrastructure bond offering at the municipal level that considers the market conditions at that time for the associated private sector development; (2) there will also likely be an assessment undertaken by Town staff and the Town Selectboard as to the fiscal prudence of each infrastructure investment project and its associated bonding; and (3) the Master TIF designation and phased filing approach will allow the Council to assess the financial plan in more detail prior to issuance of each round of municipal TIF debt, there is still little margin for error in this financing plan. This is especially true, considering potential for cost overruns and potential delays beyond the assumptions built into the plan as presented in the application—even though the applicant makes reference to the fact that the financing plan has been “conservative” by including only roughly 60% of the expected value of the private sector development to be completed in the Six Peaks Killington development activity. That 60% development percentage is thought by both the applicant community and its consulting professionals to be a level of activity during the TIF timeline that will be exceeded by actual development activity—and in some years by a significant amount. However, it is important to note that the Master TIF approach considered for the Killington TIF program with the prospect of additional phased filings prior to any municipal debt issuance will very likely serve to mitigate the otherwise uncomfortable level of risk—as outlined above.”

“A significant part of the reasoning and assumptions underpinning the timing, the nature, and commercial feasibility of the above-referenced private development is tied to the results and conclusions of a confidential third-party market study that was conducted by a reputable, third-party real estate analysis firm which opined as to the likely success of the private development activity tied to the Killington Master TIF application’s financial plan. It included a comprehensive analysis of the significant market opportunities available to S & P Land under the Six Peaks Killington development plan. The study also provided a set of specific estimates regarding the amount and timing of private sector development activity—including unit numbers by second home product type, prospective pricing of those planned units to be developed, and square footage estimates by type of the supporting commercial and retail development that would be needed to adequately sustain that expected second home unit development at the Six Peaks location. These estimates were then translated into estimates of taxable municipal and education grand list values to be added for the Town over the period of the TIF financing plan. The application states that only 60% of the taxable municipal and education grand list value increases were incorporated into the TIF district financing plan

numbers—in order to be “conservative.” During our discussions with the applicant and its consultants, it has been pointed out that at least some stakeholders and the Town believe that the market study has substantially under-estimated the amount of private development (and therefore the amount of additional municipal and education grand list value) that will result from the provision of the catalyzing infrastructure envisioned under the TIF financing plan. A significant portion of these “excluded” additional, under-estimated grand list values could come from indirect private sector development outside of the identified Six Peaks development project but still within the proposed boundaries in the amended TIF district area.”

“Without disclosing any of the specifics of a confidential market study, EPR’s review of that market study notes the following issues for consideration by VEPC staff and the Council with respect the key assumptions-underlying premises as set forth in the market study:”

1. “It is noteworthy that the market study is dated May 23, 2019 and was therefore completed prior to the onset of the COVID-19 pandemic. From recent real estate market experience since the onset of the COVID pandemic, we know that there have been some at least temporary, short-term changes in market preferences for second home product demand and pricing—which to-date have mostly been “positive in nature” in comparison to the pre-pandemic “status-quo.” There are some on-going questions and analysis about how long-term or permanent some of those changes in market preferences are going to turn out to be. Because the study was completed prior to the onset of the COVID pandemic, there is no specific discussion as to how the COVID pandemic may have permanently or at least in the short term affected the market projections included in the study—and therefore how the pandemic may impact the dollar amount and timing of the municipal and education grand list additions in the Town. In effect, to make prospective positive Master TIF findings with respect to this aspect of the “market viability,” the Council would need to be satisfied that the “using 60% of the planned Six Peaks Killington planned development” assumption was sufficient to account for the possible financial uncertainty posed by the possible short-term and long-term impacts of the COVID pandemic and the current inflationary environment on the Six Peaks Killington private sector development plan. This also again highlights the generally inherently riskier proposition of relying on the development plans of only a single private developer to carry the primary burden of providing incremental real estate value and resulting revenues to carry the majority of the financing needs to make the TIF Financing Plan work. However, as recently disclosed, the developer for the mountain base development appears to be a reputable and experienced firm. This disclosure of the Six Peaks developer also appears to reduce the level of portfolio substitution risk (see above) that was evident in our previous TIF District assessment when the identity of the developer was not known.”

2. “The market study's residential-second home product development projections, planned residential unit absorption rates, residential unit pricing assumptions, and projected timeline are all tied to the actual development activities for a group of peer resorts (one in Vermont and two in the western U.S. region) relative to their respective skier visit numbers (as scaled to the visitation numbers for the Killington resort). The market study identified and focused on missing or under-served market segments for a resort of the scale and character of Killington and related those un- or under-served market segments to the skier visitation numbers and accommodation preferences for sufficiently resourced, candidate customer households located within a reasonable driving distance of the resort. The study also included the associated commercial development opportunities (e.g. retail and eating and drinking places) tied to those unit development numbers based on the peer resort areas’ similar and supposedly applicable development activities. This implies the Council would need to accept the market study assumptions-premise that the actual unit development by product type, pricing, and timing at Six Peaks Killington development would in fact be consistent with the scale, type, and timing that has previously occurred at those peer resorts—as adjusted for or scaled to the differential visitor (e.g. skier) visitation numbers. The Council would also have to accept the timeline and scale of the supporting commercial development would also follow a development paradigm similar to those identified peers.”

“At this time, while the above seems like a reasonable method to initially estimate the scale and timing of the TIF Financial Plan’s projections of additional private sector grand list growth, EPR staff suggests that the Council leave this area of assessment “open” , subject to the receipt of further information, data, and analysis in additional phased filings prior to the issuance of municipal debt to finance any infrastructure expenditures. The receipt of that additional information, data, and analysis with future phased filings would be reviewed within the context of the reasonableness of the financial plan’s “60% of the private sector market value addition” assumption as described above. Reserving the option of the Council to make positive findings on market viability through the receipt of information in future phased filings will allow the Council to consider additional staff review of this information, data, and analysis with respect to the above-referenced key assumptions-premises as contained in the market study and the current TIF financial plan.”

“For the assessment of the “market viability” of the private sector development, we recommend the Council leave open its review of the evidence subject to the receipt and review of a complete and fully executed development agreement between the applicant and developer and/or operator (or operators) of the Six Peaks development, in addition to any corroborating information or developments unknown to the Council affecting the market viability of the project.”

Staff Recommendation - Viability:

Staff recommends that the Council determine that the TIF District Plan and TIF Financing Plan, as presented, generally indicates fiscal and market viability. However, this determination is considered partial and fiscal viability will be re-examined incrementally as subsequent project development phases are filed by the Town of Killington, and with the receipt of additional information and data, including a complete and fully executed development agreement and any additional corroborating information or developments. To alleviate the viability of the District, staff further recommends that Killington shall seek any and all appropriate non-TIF revenue sources, such as state and federal grants.

I. TIF Financing Plan: 24 VSA §1894(d)

“(d) Approval of tax increment financing plan. The Vermont Economic Progress Council shall approve a municipality’s tax increment financing plan prior to a public vote to pledge the credit of that municipality under subsection (h) of this section. The tax increment financing plan shall include all information related to the proposed financing necessary for approval by the Council and to assure its viability and consistency with the tax increment financing district plan approved by the Council pursuant to 32 V.S.A. § 5404a(h). The tax increment financing plan may be submitted to and approved by the Council concurrently with the tax increment financing district plan. If no indebtedness is incurred within five years after the creation of the district, the municipality may submit an updated executive summary of the tax increment financing district plan and an updated tax increment financing plan to the Council to obtain approval for a five-year extension of the period to incur indebtedness; provided, however, that the updated plan is submitted prior to the five-year termination date of the district. The Council shall review the updated tax increment financing plan to determine whether the plan has continued viability and consistency with the approved tax increment financing plan. Upon approval of the updated tax increment financing plan, the Council shall grant an extension of the period to incur indebtedness of no more than five years. The submission of an updated tax increment financing plan as provided in this subsection shall operate as a stay of the termination of the district until the Council has determined whether to approve the plan.

[TIF Data Workbook – Updated April 6, 2022](#)
[EPR Review Memo](#)

Determination to be made:

Is the TIF Financing Plan viable and consistent with the TIF Plan?

Review & Analysis:

Killington has requested that the Council consider the TIF Financial Plan concurrent with the TIF District Plan. Communications with the Town and their consultant indicated that cost estimates for Phase 1 of the water system and transportation projects are being finalized. There is the potential that Killington will return to VEPC with a Substantial Change Request before their first bond vote and when cost estimates are more concrete.

In their review, EPR states:

“Specifically for its assessment of the TIF financial plan, we recommend the Council leave open this criterion until the applicant provides a detailed update to the financial plan that fully accounts for final plans for the Six Peaks Development, augments the filing to include any alternative grant funding secured to be used in the TIF Financial Plan, and also includes final or “close to final” infrastructure cost and development schedule at the point which “best estimates” for each are presented. The objective would be to develop a greater understanding of the TIF Financing Plan’s sensitivity to key private sector market value, infrastructure cost, and timing assumptions-premises that may impact the TIF financial plan both positively and negatively.”

“It is likely that the information, data, and analysis included in the prospective phased filings will give the Council at least some of the additional updated and more refined financial detail regarding the TIF’s prospective revenues and costs that could significantly reduce the range of uncertainty in the current TIF financing plan and provide the Council with a path to making final determinative findings under this criterion. This also would ideally include additional information on indirect development within the prospective TIF district area that might come as a result of the new infrastructure investment over and above a more refined plan for the Six Peaks Killington project at the base of the ski mountain. That private sector development is currently the only private sector development increment (at 60% of the expected Six Peaks development’s estimated future grand list value) that is included in the current TIF financial plan at this Master TIF review stage. Even if the prominence of this private sector development changes in subsequent phased filings, as other possible private sector developments directly or indirectly tied to the Six Peaks project come into the grand list, it seems certain that this part of the planned private sector development will remain the most prominent aspect of the overall increment-generating private development activity for the proposed TIF plan.”

Staff Recommendation - TIF Financing Plan:

Staff recommends that the Council find that the TIF Financing Plan is consistent with the TIF District Plan, as presented. However, based on the likelihood that cost estimates will be updated before Killington’s first bond vote, and based on analyst findings, staff recommends that this determination be considered partial and the viability and

reasonableness of non-bonded debt be determined as subsequent project phases are filed by the Town of Killington. The requirements for phase filings are outlined in the Master TIF Policy and will be outlined in the Final Determination document for the Killington TIF District.