

KILLINGTON TIF DISTRICT PLAN



TOWN OF
KILLINGTON
VERMONT

Town of Killington, Vermont
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REAL ESTATE ADVISORS



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STATEMENT OF PURPOSE

Killington intends to create a Tax Increment Financing district to provide incremental revenue for water and transportation infrastructure improvements that will stimulate commercial and residential development, address issues of transportation capacity and safety in the Town's core, and create economic prosperity through expanded businesses and employment opportunities in one of the state's most iconic ski towns, in keeping with the intent of 24 VSA 1893. The Town is home to the Region's second largest employer and is a year-round destination for in and out-of-state visitors. Adding density and vitality to the base of the mountain, creating water access, and improving water quality, and providing a safe and multimodal transportation corridor in this hub will have region-wide and statewide benefits. Increased job opportunities, sales and rooms and meals tax revenue, and access to the natural beauty and recreational opportunities of Killington Mountain are just a few of the positive impacts this TIF District will have on Rutland County and the State of Vermont.

AN INTRODUCTION TO KILLINGTON AND THE TIF DISTRICT

Opportunities and Barriers

The Town of Killington ("Town") is home to Killington Mountain and Killington Resort ("Resort") – one of Vermont's premier ski resorts and a major economic driver in the Rutland County region. Since the 1980s, plans to construct a ski village at the base of the Resort have been thwarted for a variety of reasons, primarily the significant initial infrastructure investment required to launch. Most recently, SP Land Company ("SPLC") obtained approvals to construct Six Peaks Killington, comprised of Six Peaks Village, a mix of residential and commercial/retail uses east of Killington Road, and the Ramshead Brook Subdivision, a new residential area west of Killington Road.¹ The Town has identified two key infrastructure barriers inhibiting growth, both of which could be addressed through the use of TIF:

- lack of a safe and reliable source of water, and
- outdated Killington Road design that creates unsafe travel conditions, does not accommodate multiple modes of transportation, and does not allow for additional capacity.

¹ Six Peaks Killington is the name for the Killington Village Master Plan (the entirety of the SPLC project). Six Peaks Village is the village component; Ramshead Brook Subdivision is the neighborhood down Killington Road (the first phase of the buildout). Six Peaks Village and Ramshead Brook are two parts of Six Peaks Killington.

The proposed Killington TIF District is consistent with the goals of the Killington Town Plan: “To encourage planned growth and concentrated development in those areas of the Town which provide for higher density, and which can develop the necessary infrastructure to more readily support such development than in other sections of Town.” The resulting development from these TIF investments would be compact, high-density development in the location the Town and region have identified for development to preserve the other areas of the region for natural habitat, recreation, and open space.

The Town cannot afford not to do this. Since 2011, the total Grand List value has decreased from \$8.1 million to \$7.9 million. The Town cannot afford to do this level of public infrastructure investment and economic development without TIF. To fund these investments would effectively double the Town tax rate, which is too much for taxpayers to bear.

Killington’s Proposed TIF District

The Town of Killington does not have a traditional town center or downtown. Because of the topography of the mountains to the east and west, Killington Road serves as the Town’s commercial center and creates a linear downtown starting with the gateway on Route 4 at the bottom of the road. This area provides access to most of the business and residential neighborhoods in Town. The commercial and retail activities have concentrated on Killington Road because this is the only designated area in town to accommodate high-density, mixed-use development. Recently the Town located its new Public Safety Building along Killington Road recognizing that the road serves as the town commercial center. The Town has recently applied for a Bylaw Modernization Grant to update its zoning bylaw with the focus on reducing setbacks, parking requirements, and increasing density along Killington Road with the goal of encouraging infill development that is more compact and denser in this area. The proposed TIF District is located at the top of Killington Road, the hub of activity for both local residents and visitors.

To promote compact development, consistent with Smart Growth Principals, to address existing safety issues and accommodate the needs of SPLC’s Six Peaks Killington, Killington Road needs to be redesigned and reconstructed. In 2019, the Town retained the services of VHB to prepare a Master Plan for Killington Road. The study developed a plan to improve safety and operations for all modes of transportation, to create a Complete Street that encourages pedestrian and bike travel. The Town Selectboard adopted the Killington Road Master Plan in 2021.

The Town of Killington lacks a municipal water system. Future development along Killington Road including needed affordable and workforce housing, and the development of Six Peaks Village, cannot be built unless there is a safe and reliable water system. This TIF District Plan limits the use of TIF for Phase 1 of the water

project, but this is the most critical and expensive phase that has been the primary barrier. The funding of Phase 1 will allow the Town to focus on distribution of water down Killington road to catalyze the housing projects. There are existing water quality issues including groundwater contamination from man-made sources (i.e., petroleum contamination and PFAS) and naturally occurring elements (i.e., radium, arsenic, iron, and manganese). These will be addressed with the distribution that the Town will fund using sources other than TIF once Phase 1 is complete.

The transformative nature of TIF is the Town's best chance at addressing the interconnected issues inhibiting growth. Through the investment of approximately \$62.4 million in infrastructure over four phases, the Town could see approximately \$285 million of growth over the next ten years. That would result in 36% growth of the Grand List, compared to a net 2% decrease over the last ten years. This new value would also generate \$4.1 million for the municipal General Fund (which would help fund the ongoing operations of the infrastructure) and \$27.5 million for the Education Fund over the twenty-year retention period.

HISTORY OF KILLINGTON

The Town of Killington's history is tied to the development of the Resort. The Resort began operating in 1958 after Preston Smith and the Sherburne Corporation bought the 58-acre Bates farm in 1957. At the same time, the Resort leased another 3,300 acres in the Coolidge State Forest from the State of Vermont. The Resort's chairlift was added in 1960 and the Gondola opened in 1969 connecting Route 4 to Killington Peak.

In 1996, American Skiing Company ("ASC") purchased the Resort and Pico Mountain. ASC operated the two ski resorts for eleven years. The Resort consists of 155 ski trails serviced by 22 lifts. Pico Mountain has 57 ski trails and 7 lifts. The Resort is now the largest ski resort in the State of Vermont and a major economic driver in the Rutland region.

In tandem with the growth of the ski industry, the Town of Killington experienced significant growth in the 1970's and 1980's with the construction of large numbers of condominium projects, lodging, retail shops, and restaurants. Due to a variety of factors, this growth slowed down considerably in the following decades. The Resort, unlike other premier ski resorts, failed to provide the enhanced amenities that visitors expect. With the exception of the Killington Grand Hotel constructed in 1998, no new hotels have been constructed during the past 25 years. Most of the condominium projects were built in the 1980s and little housing has been constructed since then. Similarly, most of the restaurants and retail shops along Killington Road were constructed more than 25 years ago. In fact, Killington Road in 2021 looks remarkably similar to Killington Road of 1990. For example, the Basin Ski Shop opened in 1959, the Summit Lodge in 1960, and the Wobbly Barn in 1963. The lack of new private

investment is problematic. For the Town to remain a vibrant, four-season resort community, there must be economic growth in the form of new private investment.

In the past few years, the Town has undertaken measures to attract new development and investment. The Killington Pico Area Association purchased the former Bill's Country Store and created the Welcome Center. During the past year more than 10,000 visitors stopped at the Welcome Center. The Town, along with the Resort, have invested heavily in constructing new mountain bike trails. More than 20 miles of mountain bike trails have been constructed in the past 5 years. This has resulted in an increased number of visitors during the summer and fall months. The Green Mountain National Golf Course owned by the Town and the Killington Resort Golf Course owned by the Resort have further contributed to making the area a four-season resort community. However, without investment in new housing, commercial, and retail establishments, the Town will lose its status as a premier ski resort and visitor traffic will diminish. While the Town has incredible potential especially with the recent investment in mountain biking, significant infrastructure improvements are required if the Town is to remain one of the top resort communities in New England.

TIF DISTRICT AREA

The Killington TIF District encompasses the lands around Killington Mountain. This is primarily within the SV and SV2 zoning districts.

The lands at Killington Mountain are owned by two entities: SP Land Company (SPLC) and the Killington Resort ("the Resort"). There are many parcels that have been subdivided over the years, only a small subset of which will include the development that is a part of this TIF District Plan and Financing Plan. The Town was informed by the VEPC (who was informed by the Property Valuation and Review Department) that additional lands owned by the two entities must be included within the TIF District boundary because of the interpretation of the term "parcel." Their decision states that "if the property is contiguous and in the same ownership it should be treated as one parcel." Because of this, there are approximately 442 additional acres included within the TIF District boundary that would otherwise not be included. This delineation can be seen on the attached map "Killington TIF - TIF District Plan Limits." Please note that there are a few parcels that are not included in the District area although they are surrounded by properties that are within the boundary. These parcels are being excluded because they are not likely to be redeveloped, have hundreds of owners (within the condominiums), and are not being restricted by the lack of the infrastructure identified below. These parcels are surrounded by lands owned by SPLC or the Resort that would not otherwise be included in the District but for the directive described above. For these reasons, these parcels have been excluded.



PRIVATE DEVELOPMENT PROJECTS

The potential development opportunity identified in the TIF District Plan is of significant scale. There will likely be multiple developers involved in the many phases of this project. This is considered a “Tier 1” project because it is going to commence in the near term, has permits, and cooperative owners working with the Town.

Six Peaks Killington

Background

A resort village at the base of the Killington Mountain has been envisioned since the 1980s but languished for a variety of reasons. Planned Unit Development (PUD) approval for the resort village was initially granted in 1980. Subsequent approvals were granted with 1984 and 1988 and while some sites within these initial PUDs were developed, the anchor resort village that is currently envisioned did not get constructed. In the late 1990s, American Ski Company (“ASC”) re-activated planning for the resort village and completed a significant land exchange with the State of Vermont that contemplated the envisioned anchor resort village. Local, state, and federal approvals for moving the plans forward were obtained in 2000. However, ASC ran into economic issues including recognition of infrastructure issues in 2002 thereby causing those plans to slow down and finally resulting in a change of ownership in 2004. (ASC still operated the ski resorts until 2007.)

Due to ASC’s default, SPLC became the owners of a majority of the developable land in the Ski Village District-Killington Basin Section (“SV”) and the Ski Village II District (“SVII”) from an affiliate of ASC and Killington, Ltd. SPLC immediately started working with one of the top five homebuilders in the United States. In late 2006, the homebuilder terminated their work on the resort village due in part to large upfront costs to get the development started.



As a result of another transaction in 2008, SPLC acquired additional acreage to round out its land holdings in these two zoning districts. Total land holdings of SPLC in these two districts are 303+/- acres. In 2009, SPLC submitted an application and received a Planned Unit Development (“PUD”) approval for the Village Master Plan in both SV

and SVII. In 2013 under the Town's new Zoning Bylaws, SPLC applied for and received approvals for the Village PUD in the SVII and an amendment to the 400 Acre PUD in SV. The primary consideration is for a well-planned development of a village style development that features a mix of residential and commercial uses. In early 2012, SPLC also submitted an Act 250 application for the Village Master Plan and Phase I of the Village Master Plan for development currently contemplated in the Village Core and Ramshead Brook Subdivision. After several appeals, SPLC received a Land Use Permit approval in late 2017. During the deliberation of the Act 250 hearings, SPLC received the Town's Site Plan approval for Phase I of the Village Master Plan. SPLC has maintained these and other permits to maintain the shovel-ready status for the project.

Planned and Permitted Development

The approved Phase I of the Village Master Plan at the base of Killington Mountain includes the aforementioned Six Peaks Village and Ramshead Brook Subdivision. The new core village east of Killington Road has a mix of residential and commercial/retail uses is known as the Six Peaks Village. Also, a new residential area west of Killington Road has a mix of single-family homes lots and duplex lots known as Ramshead Brook Subdivision. In total, Phase I of Six Peaks Killington includes a replacement lodge for the Snowshed and Ramshead Lodges, 31,622 sq. ft. of commercial /retail spaces, 193 residential units in the Six Peaks Village, and 9 single-family lots and 46 duplex units at the Ramshead Brook Subdivision.

The Act 250 Land Use Permits found that this development did not contribute to sprawl, was consistent with the efficient land use patterns of the area and conformed with the zoning and vision for these areas of Town. This project is located in a "High Density Development Area," according to the Rutland Regional Plan – one of only five "Sub-Regional Centers" in the region. This High Density Development Area has been deemed by the RPC as "most suitable for large-scale activity" because of transportation access, availability of utilities (of which this area has most, but not water), and the most concentrated population and business. The RPC has long supported the Master Plan build out (now known as Six Peaks Killington) because it features a compact and high-density village, higher density residential neighborhoods than the surrounding areas, and is planned to be interconnected to support the existing mix of uses at the Resort and the town center area.

Longer Term Plans

As noted above, there are 442 acres outside of the "TIF District Plan Limits" that were not originally included in the Town's TIF District but are within the boundary because of the interpretation of the term "parcel." SPLC's Act 250 Master Plan approval for the Village Master Plan shows development on these parcels. This will only occur when the phases within the Six Peaks Village and Ramshead Brook are complete. This feels too speculative for the Town to include in any projections. Should those parcels be

developed within the twenty-year increment retention period, the Town and VEPC can reassess the TIF fund balance and percentages of retention. The Town can only hope to be in that position!

Infrastructure Barriers

To be constructed, Six Peaks Killington needs a safe and reliable source of water for both drinking and firefighting purposes. SPLC owns a 240+ acre site located along Route 4 which contains two high-yield wells, but the cost to bring water to the Six Peaks Killington area is too significant to be viable part of the private construction project. As described further below, SPLC would convey the wells and water line lands to the Town for the public construction of the water system.

The Town currently does not own all of Killington Road, a major Town artery. The Town has an easement for the southernmost portion of Killington Road and the section of East Mountain Road from the Killington Road intersection to the Killington Grand Hotel. For Six Peaks Killington to develop, SPLC would transfer ownership these road sections to the Town. While all internal roads in the development will be constructed by the private developer, the cost of reconstructing Killington Road should not be a private development cost given the scale of the public investment. The Town needs to make these improvements as well as reconstruct the balance of Killington Road to address safety concerns and to render the road a complete street. It is unwise and unsafe, as well as inconsistent in character, to have an investment of this scale at the end of such an insufficient and unwelcoming travel connector like the current Killington Road.

Financial Projections

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

PUBLIC INFRASTRUCTURE

After conversations with property owners, public works' analyses, and stakeholder input, the Town pinpointed two public infrastructure projects that would catalyze the above project. Both projects will be done in phases and for the sake of efficiency, the Town will most likely construct them concurrently in each phase. Please note: only the first phase of the water project is projected to be funded through TIF.

Water System

Presently the Town of Killington does not have a municipal water supply system; the entire Town is serviced by private wells. For economic growth to occur, a safe and reliable water system is required. In 2011, the Town retained the services of Aldrich and Elliot to analyze the feasibility of developing a municipal water system. The study recommended the Town partner with SPLC, which owns a 240+ acre site located along Route 4 that would be conveyed to the Town. This site would provide sufficient water to meet the needs of the Town and Six Peaks Killington. Presently two high-yield wells (the “Valley Wells”) have been drilled on this site. These wells have been permitted for a total maximum withdrawal of 496 gallons per minute (gpm) not to exceed 714,240 gallons per day (gpd). This significant flow is currently not serving any properties and would provide sufficient water for the Six Peaks Village and the Ramshead Brook Subdivision.

In 2020, the Town retained Aldrich and Elliot to evaluate the development of the system. The proposed project includes providing water from the Valley Wells using low head pressure pumps to a new Well House located adjacent to the wells. From the Well House, the water will be conveyed through a 20” water transmission line approximately 4,000 feet along Route 4 to the High Service Pump Station. The High Service Pump Station is accessed by a new driveway from Route 4 and has been designed to fit the existing topography. The water may be treated at this Pump Station before being pumped approximately 1,450 vertical feet to a new Storage Tank via a 16” transmission main. The Storage Tank will have the capacity to store 750,000 gallons of water for domestic and fire flow and will be located at an elevation of approximately 2,634 feet. From the Storage Tank, water will be conveyed by gravity in a new 16” transmission main to the proposed water distribution system along Killington Road. Water will be distributed along Killington Road and a small stretch along Route 4 in four phases.

Only Phase 1 is being proposed to be funded with TIF. Phase 1 includes the components necessary to create the water system supply, storage, and transmission to include: the Valley Wells, well house, pump station, storage tank, and all transmission mains throughout the system from the Valley Wells to the storage tank. Phase 1 also includes the transmission main from the Storage Tank to the Six Peaks Village and continuing to the Lookout/Glazebrook location along Killington Road (Killington Road South Distribution). This phase is completely within the District boundary and has direct nexus and proportionality to the Six Peaks Killington project, as described more fully below.

As previously stated, Phases 2-4 will include the distribution from the Killington Lookout/Glazebrook intersection north to the intersection with Route 4 and along 2,400 linear feet on Route 4. These will be done with other funding sources and are outside of the TIF District Plan.

Aldrich & Elliot has estimated the cost to construct the full water system at \$33.8 million. Construction of the water system is anticipated to commence with Phase 1 in 2023 and cost \$25,390,421.

Public Health & Other Benefits

While the procuring reason for the construction of the water system is to provide capacity for the identified long-stalled private developments, this also addresses water quality issues in this area. The users around Six Peaks Killington may hook into Phase 1 at some point. As the Town builds out the future phases (with other funding sources), there will also be capacity for other properties to hook on as the transmission is brought down the mountain. Properties along Killington Road – existing businesses, underutilized sites, and undeveloped parcels – would benefit from having the municipal water system. There are fifty individual water systems that are regulated by the State Drinking Water Program along Killington Road, as everyone has their own well. The cost of maintaining a regulated public water system is a huge liability for the property owner, in addition to the burden it puts on the State. It includes costly testing, monitoring, and mitigation that adds considerable challenge to operating businesses and limits property investments. It is much more desirable to have a community village drinking water system, especially so in an area with contamination. There is a public health concern because of PFAS detected in several wells and ANR has been working with the Town and business owners on these issues. The State's Public Drinking Water Program is very supportive of the Town's efforts to create this system.

Areas Outside TIF Boundary

There are two segments of Phase 1 of the water project that lie outside of the TIF boundary. These can be seen on the "Infrastructure Phasing Map" and constitute 68% of the Phase 1 footprint. The work in these segments is necessary to bring the water up the mountain, including the well construction, transmission mains to the booster pump station, and the transmission main to the storage tank. These do not have distribution to parcels outside of the District and are being constructed because of Six Peaks Killington. They have direct nexus and proportionality – along with the rest of Phase 1 – as is described below.

Town Ownership

In the coming months, the Town will be working with SPLC on development agreements whereby SPLC will give the current water system plans and necessary land, easements, wells, and engineering to date to the Town in exchange for an agreement to

serve the entirety of the future development. SPLC will pay similar maintenance fees for connection to the water system as will every future user.

Road Reconstruction

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 businesses 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 include:

- Generally high, and occasionally dangerous, vehicular speeds.
- Poorly accommodated, and occasionally dangerous, turning movements, particularly to and from high volume drive entrances without turn lanes.
- Lack of consistent access management practices as most businesses access points predate current entrance standards.
- Poorly accommodated bus operations.
- 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 experience long delays due to heavy Killington Road volumes during peak traffic times.
- Poorly graded and drained locations.

Additionally, the Town does not own the southernmost portion of Killington Road and the section of East Mountain Road from the Killington Road intersection to the Killington Grand Hotel. Due to the Land Exchange mentioned above, these portions of the important Town roadway system are owned by the Resort and SPLC. The lack of control hinders the Town's ability to reconstruct Killington Road in a manner that would attract private development and best serve the community.

The VHB study includes 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 serve to enhance pedestrian, bike, and bus travel thereby contributing to the town center essential amenities needed for more connectivity between parcels. These improvements include adding 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, lighting and landscaping improvements, and the reconstruction of the lower portion of the roadway to eliminate the unsafe grade. 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 may 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 of the unowned sections described above, plus the two secondary Roads known as Road H and Old Mill Road.

VHB projected the Killington Road improvements to cost \$21.6 million. This estimate did not include the cost of Killington Road from East Mountain Road to Vale Road as well as the construction of Road H and the upgrade Old Mill Road. The estimated cost to reconstruct Killington Road from East Mountain Road to Vale Road with the inclusion of a ski bridge over Killington Road is \$2.7 million and the Road H/Old Mill Road section is estimated at \$1.44 million. This brought the total project cost for the road reconstruction to \$25.74 million. With input from VTrans, these estimates were updated for a total project cost of approximately \$32 million.

The Killington Road project will be constructed in four phases over a 6-year time frame as depicted on the “Killington TIF Infrastructure Phasing Map.”

Phase 1 includes the reconfiguration of the southern portion of Killington Road from the Lookout / Glazebrook intersection to Vale Road. Existing access points to the Snowshed and Ramshead base lodge parking areas will be reconfigured with future parking to be located east of Killington Road and north of East Mountain Road. Two curb-cuts on Killington Road north of East Mountain Road will provide additional access to the Resort Parking Project and a new curb cut west of Killington Road will lead to the Ramshead Brook Subdivision. The Killington Road / East Mountain Road intersection may be reconfigured to include a roundabout.

Also included in Phase 1 is the northern most portion of Killington Road from the Killington Road / Route 4 intersection to Anthony Way. This work needs to be included as part of Phase 1 to address old engineering issues that are not properly handling stormwater and to address unsafe existing grades at the base of the road. This intersection is the “front door” to the Town’s commercial district, the new Six Peaks Killington, and the Resort. To affect the desired changes along Killington Road and support the launch of Six Peaks Killington, this improvement is necessary.

Phase 2 includes the middle portion of Killington Road from the Lookout / Glazebrook intersection to Dean Hill Road. Phase 3 is the middle portion of the road from Dean Hill Road to West Hill Road and Phase 4 is the reconstruction of Killington Road from West Hill Road to Anthony Way.

Areas Outside TIF Boundary

The portion of Phase 1 at the intersection with Route 4 and Phases 2-4 of the road project are outside of the TIF District boundary, but these all directly serve the District. This area extends from the Lookout north to the intersection with Route 4, as can be seen on the “Infrastructure Phasing Map.” These segments constitute 64% of the whole road project. These phases are part of the Killington Road reconstruction, which is critical to the development and success of Six Peaks Killington. Although physically outside of the TIF boundary, the work in these areas is being done *because* of the Six Peaks Killington project and is 100% proportionate.

A Note on Phasing

Phase 1 of the water and road projects will be timed to be completed concurrent with the construction of Phase A of the Six Peaks Killington project. This will provide sufficient water service and road improvements for Phase A to launch. Phases 2 - 4 of the water and road projects must follow in succession for Phases B-D of Six Peaks Killington to be successful. The reconstruction of Killington Road is imperative for Six Peaks Killington to be built out. While the units can begin to be built out at the top of the road, this full project must have the promise of completion of the road project within a reasonable timeframe (the Town has agreed to an eight-year build-out). The reinvestment in Killington Road is a critical element to creating the pitch for the value at the top of the road.

“BUT FOR”

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.

TIF FINANCING PLAN

Understanding TIF

The taxes that are currently generated by properties within the TIF District will not be affected by this District. Tax rates do not increase as a result of creating a TIF District. Pre-development taxes will continue to be sent to the State Education Fund and the municipal General Fund. With TIF in place, 85% of the new incremental municipal tax revenue generated within the District resulting from new development supported by the associated infrastructure investments will be used for the debt service repayment. The remaining 15% will go into the Town's General Fund. Over the twenty-year retention period, this could total approximately \$4.1 million. Of the new incremental State Education Fund tax revenue generated within the District, 70% will be used for debt service repayment and 30% will be sent to the State Education Fund. This amount sent to the state could total approximately \$27.5 million over the course of twenty years.

The TIF Financing Plan for this District includes an analysis of the possible development scenarios outlined above. While the Town will be diligent in taking the necessary steps to create the public infrastructure in close partnership with the private developers, it is a virtual certainty that the District will not develop exactly as this plan projects over the next ten years. And that is to be expected. If approved as a "Master TIF" by the Vermont Economic Progress Council ("VEPC"), the Town will bring forward phased filings with updated estimates, timing, and any other changes to the public or private scopes that must be approved by VEPC before the Town votes on a potential bond. This TIF District Plan and Financing Plan really provides the Town some guidance and a menu for pursuing these economic development goals, with the understanding that not all projects may come to fruition or occur exactly as originally projected.

With that being said, the TIF District Financing Plan has been carefully created and reviewed with the best information available and it is clear that this is a viable District.

Debt, Funding, and Related Costs

This Plan assumes four issuances of debt for the four phases of work. Because the first issuance of debt is very large – \$41 million – the Town will be looking to combine debt instruments, including municipal bonds, private bonds, and the State Revolving Loan Fund. The remaining three bonds are likely to be funded by the Municipal Bond Bank. It is assumed that the first issuance of debt will be repaid with an interest-only period initially to address issues of negative cash flow in the early years.

The Town is also actively pursuing other sources of funding for these projects, particularly for the water project, which may result in less need for bonded debt. Water quality grants may be available, and the Town is meeting with State and Federal representatives about access to monies from the newly passed infrastructure bill. These sources will most likely fund Phases 2-4 of the water project where the water quality issues currently exist, but it is possible that Phase 1 could receive funding as well. There are not as many sources available for the road reconstruction, but the Town will diligently continue pursuing all funding possible. Ultimately, these other sources of funding have not been included in the TIF District Financing Plan because they are not guaranteed. For the Town to proceed with confidence – especially in the first phase – the District needs to be viable and financially solvent without relying on unsecured sources of funding. Should the Town be successful in obtaining the other funds, this would reduce the amount the Town would need to borrow and repay using TIF. Depending on the size of these other sources and depending on the success of the development projects, any surplus in the TIF Fund at the end of the debt incurment window would be reassessed by the State and the retention percentage could be amended at that time.

Related cost estimates in the Financing Plan have been compiled through research conversations with VEPC and other TIF Districts. For the first ten years of the District, it is assumed that the Town will be diligently pursuing projects – requiring legal and consultant assistance – and will be establishing and maintaining detailed recordkeeping. Periodic audits and the administrative support for reporting requirements have also been factored in, assuming inflation.

Sensitivity Analysis

As stated above, the first phase of the water and road improvements are critical to the begin the SPLC development project. The incremental tax revenue from the first phase of Six Peaks Killington is sufficient to cover the debt service of the Town's first phase of infrastructure investment. A portion of the subsequent phases of the road project will be funded also by this first phase of development, which is typical in a TIF District. Because of this, the Town will not embark on the first phase without development agreements with the developer. These development agreements will tie the timing of the Town's debt expenditure to a guarantee of commencement with the developer.

The projections in this TIF District Plan are somewhat conservative. The most significant conservative assumption is the buildout of Six Peaks Killington. The **permitted** plans for these first four phases show approximately forty percent more units and retail square footage than projected in the TIF District Plan. The Town is being cautiously optimistic about this project and chose modestly realistic build-out assumptions on which to base debt capacity. The debt service can be covered at this value and additionally, assuming each phase will be constructed over the course of two years, there will likely be additional revenue from the increased value from partial construction that has not been modeled here.

In keeping with past VEPC expectations, the Financing Plan models flat tax rates for the life of the District; any increase in tax rates would also add to the success of this District and accelerate the debt repayment. The likelihood of other funding sources also reduces the likelihood for this level of debt.

CREATING AN INTERCONNECTED VISION

Vision

Using TIF and the other resources identified above, the Town intends to stimulate significant economic growth in Killington, one of Vermont's premier resort communities, consistent with the intent of 24 VSA 1893. Tourism is one of the largest sectors of the State's economy; this initiative is in keeping with the stated Vision for the Region in the Rutland Regional Plan to create well designed and attractive communities that support tourism. The creation of the TIF District is consistent with this goal as it will enable the Town of Killington to expand its residential and commercial sector in a well-designed and thoughtful manner.

Nexus

All four phases of the Six Peaks Killington project – are reliant on the water system and the road improvements to proceed. These infrastructure projects are designed to catalyze this development.

The water system is essential 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. This is not only cost-prohibitive to any private developer, but it is also not the preferred planning objective for the Town as a whole. Individual wells for each phase are not desirable or cost-effective options.

Capacity, safety, and multimodal access on Killington Road are critical to building out the area at the base of the mountain. 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.

Proportionality

The water system is being initially constructed for Six Peaks Killington. Bringing transmission down Killington Road is being done for Housing Project A and bringing it further onto a small portion of Route 4 is being done to service Housing Project B will be done in future phases and are not being proposed to be funded by TIF. The vision for the buildout of Six Peaks Killington is the procuring cause for doing these infrastructure projects and it is dependent on the Town's investment to be viable. For this reason, 100% proportionality is appropriate for all phases of the road project and Phase 1 of the water project.

While other users along Killington Road may eventually hook into the water system (once there is distribution down Killington Road, which is the responsibility of the Town) – thereby increasing the return on this public investment – this project is not being done because of the other users. The same is true for the road improvements; while other drivers, pedestrians, cyclists, and riders will make use of these improvements, that is not the catalyzing reason for the Town's investment. Both public infrastructure improvements are 100% proportionate to the incremental value they will catalyze.

Market Viability

The Town and the Resort have been seeking additional development at the Resort for more than twenty years. Residential development at the Resort has lagged behind the current ski destination market due primarily to the lack of public infrastructure for the development and an extended permit process for a properly planned development of this size. A market study has been completed indicating that a ski-on/ski-off market exists at the Resort with the consultant concluding the viability of the residential and retail village offering. SPLC has received 600+ requests for additional information on the residential offerings and another party completed on-line survey indicating strong interest in the future development. The online survey specifically indicated that the Resort's need for a base village with retail and restaurant offerings.

ONWARD

Economic Development Initiatives

The Town of Killington has a history of working in partnership with the Resort to promote economic development activities. In 2008 the voters approved a 1% local option tax to be added to the existing Vermont rooms, meals, and alcohol taxes. The purpose of the local tax is to stimulate the local economy through diversification and expansion of entertainment, special events, and infrastructure. Since 2008, the Town in partnership with the Resort and other organizations such as the Killington Pico Area Association (successor to the Chamber of Commerce) and the Killington Mountain Bike Club have implemented numerous initiatives to stimulate growth in the Town and the region at large. Both the Town and Resort have invested in the construction of mountain bike trails. In the past five years, more than 20 miles of mountain bike trails have been constructed in the Town. This investment has resulted in increased tourism during the summer and fall months. The Town recently received a \$75,000 VOREC grant to construct the mountain bike trail and related improvements and also received a \$36,000 grant from VTRANS to study the feasibility of bike lanes and other pedestrian /bike improvements along Route 100. These initiatives are important efforts in helping the Town to maintain its status as a premier resort community. With the Town's investment in infrastructure, the resulting development will be truly transformative.

Leadership

The Killington Town Manager will assume the overall responsibility of managing the Killington TIF District. The Finance Director will track the expenditures and be responsible for submitting all necessary documentation to the State. Economic development activities to support this work will be undertaken by Town staff.

The Town under the current leadership has demonstrated the ability to manage complex projects, including the recently completed new Public Safety Building.

The current leadership is also keenly aware of the mistakes made in connection with the golf course and will be careful not to make similar mistakes. In 1995, the Town undertook the development of the Green Mountain National Golf Course. Revenues never met projections and to cover shortfalls, the Town used short term notes to fund the shortfall. Under current leadership, the Town restructured the loan and hired a professional management company to manage the facility. Revenues have increased steadily, and the Town has been able to successfully reduce the debt on the facility.

The TIF district financing will be structured so that the Town will not incur any debt until the economic driver, Six Peaks Killington, is under construction. Agreements between the Town and the developer will be established to protect the interests of the Town.

CONCLUSION

The Town of Killington has developed this TIF District Plan through a careful and detailed process of due diligence, analysis, and collaboration. This is the culmination of decades of planning for badly needed growth and supportive infrastructure. With these strategic public investments leveraging all resources, the Town will play a critical role in transforming this regional center of business and recreation.