



VERMONT ECONOMIC PROGRESS COUNCIL

DRAFT – COUNCIL APPROVAL REQUIRED AT NEXT MEETING

MEETING MINUTES

AUGUST 31, 2023

DAVIS BUILDING, CALVIN COOLIDGE CONFERENCE ROOM

1 NATIONAL LIFE DRIVE, MONTPELIER, VT

9:30 A.M. TO 11:26 A.M.

Members Attending In-person: Chair John Russell; Michael Keane; Kim Gobeille; Mark Nicholson; Jamie Stewart; and Rep. Emilie Kornheiser

Members Attending Virtually: Thad Richardson; Rachel Smith; Sen. Thomas Chittenden; and Mike Donohue

Members Absent: Heather Chase

Staff Present: Abbie Sherman, Executive Director; Angie Farrington, VEPC Program Manager; Kelly Chambers, Admin Services Coordinator

Others Present: John Kessler, ACCD General Counsel; Brian Pine, City of Burlington; David White, White + Burke (City of Burlington); Jeffrey Carr, Economic & Policy Resources; Richard Haesler, City of Burlington; Ashley Parker, City of Burlington; Heidi Britch-Valenta, Village of Swanton; Greta Brunswick, Northwest Regional Planning Commission; Peter Zamore, Town of South Hero; Robert Clark, Otter Creek Engineering; Andy Julow, Lake Champlain Islands Economic Development Corporation; Brian Poulin, Department of Taxes; DED Commissioner Joan Goldstein

9:30 a.m. Roll Call and Agenda Review

Chair John Russell called the meeting to order. Members present are noted above. Chair John Russell inquired as to any additions or deletions to the agenda, hearing none, moved on to the next agenda item.

9:34 a.m. Minutes – June 29, 2023, Regular Meeting

Chair John Russell inquired as to any corrections or changes to the draft meeting minutes for the June 29, 2023, Regular Meeting. Hearing none, requested a motion.

At **9:34 a.m.** Michael Keane moved to accept the minutes of the July 27th, 2023, Regular Meeting. Emille Kornheiser seconded the motion. Chair John Russell inquired as to further discussion, hearing none requested a roll call for the vote. The motion passed. 7-0-3

- Aye: Chair John Russell; Michael Keane; Kim Gobeille; Mark Nicholson; Thad Richardson; Rep. Emilie Kornheiser; Mike Donohue; Rachel Smith; Sen. Thomas Chittenden
- Nay: None
- Abstain: Sen. Thomas Chittenden; Mark Nicholson; and Jamie Stewart

9:36 a.m. Public Comment

Chair John Russell inquired as to whether any members of the public present wish to provide public comment or announcements, hearing none, moved to the next Agenda item.

9:37 a.m. Vermont Employment Growth Incentive (VEGI) 2023 Annual Report

Abbie Sherman presented a summary of the annual report, noting that since the inception of the program in 2007 through 2021, there have been 9,376 new jobs created from applications authorized by VEPC. Those new jobs added \$553.2 million in new full-time payroll and businesses invested \$1.08 billion in capital improvements. For all that activity, the state has paid \$35.37 in incentives to applicants who met and maintained their performance requirements. Sherman has added some new charts to the report, in response to feedback received during the legislative session. The report also includes success stories for three applicants: Gordini Glove in Essex, Chroma Technology in Bellows Falls, and MSI in Morristown. Council members provided feedback regarding the annual report.

10:09 a.m. Community Recovery & Revitalization Grant Program Applications:

Abbie Sherman summarized the procedures for CRRP review and the requirements that the Council will consider.

Village of Swanton, Wastewater Facility Upgrade:

Heidi Britch-Valenta from the Village of Swanton presented the Wastewater Facility upgrade project which entails extensive water and sewer updates to allow the airport area to develop. The current structure was built in 1972, and in 2019 they had an evaluation that showed the structure is outdated and that phosphorous was a problem. A large part of the investment will make operations more efficient and eventually a mechanical upgrade will be needed as the facility has exceeded its useful life.

Angie Farrington provided a presentation to the Council outlining that the Village of Swanton met the business development project criteria through the expansion of Habitat for Aviation (HFA) which will directly benefit from the project. Farrington noted that the Town of Highgate also used HFA as their private development project and added that both projects are needed to allow for HFA's project to proceed. VEPC staff discussed this with the CRRP team, and they determined that it is allowable to fund both projects.

Farrington stated that the project is a very large undertaking for a community of 2,328 residents and residential rates will escalate without additional funding. The CRRP grant will help to offset the cost and reduce increases to user rates by 2 to 3%. Swanton also provided details of several projects coming down the pipeline for the Village that require public investment of over \$20 million. Without the usage of CRRP funding to assist in

offsetting the cost and lowering user rates it is likely the bond vote scheduled for November 2023 could be denied. Swanton would then have to decide how to reduce the scope and cost of the project to achieve public support and parts of the project would have to be modified or removed. Swanton Village's adjusted Grand List growth from 2011 to 2021, as calculated by the Tax Department and the Joint Fiscal Office, is 2.4%. While this ranks them at 34 out of 259 towns for growth, it still indicates stagnant growth as is faced by the majority of Vermont. Only 18 Vermont towns have seen growth of 3% or greater, with just 5 seeing growth greater than 4% over a 10-year period.

Council members inquired about rates for the system, how sewer costs are allocated, and the community's ability to bond.

At 10:35 a.m. Rachel Smith made a motion that the Council find that based on the documentation provided by the Village of Swanton for their "Wastewater Facility Upgrade" that the project:

1. Clearly requires substantial public investment over and above the normal municipal operating or bonded debt expenditures;
2. Are public improvements which are integral to the expected private development, that being business development by expansion of an existing business within the project area which will create new, quality, full-time jobs that meet or exceed the prevailing wage for the region; and
3. That "but for" the CRRP funds, the project would not occur as proposed in the application or would have occurred in a significantly different and less desirable manner

Therefore, the Council recommends the Interagency Team approve the Village of Swanton's CRRP application Jamie Stewart seconded the motion. Chair John Russell inquired as to further discussion, hearing none requested a roll call for the vote. All voted in favor and the motion passed. 9-0-1

- Aye: Chair John Russell; Michael Keane; Kim Gobeille; Thad Richardson; Mark Nicholson; Jamie Stewart; Rep. Emilie Kornheiser; Mike Donohue; Rachel Smith; Sen. Thomas Chittenden
- Nay: None
- Abstain: Thad Richardson

Town of South Hero, South Hero Community Wastewater Project:

Peter Zamore from the Town of South Hero presented on the community's project, which will address economic and environmental challenges in South Hero. The project will allow them to concentrate development in the two designated village areas and enable tax base growth, jobs, and housing by addressing inadequate wastewater systems. Robert Clark of Otter Creek Engineering added that the project is for a soil-based community wastewater system solution that will allow the properties to connect to. Andy Julow described the economic benefits of the project noting that while the hospitality industry has grown tremendously, they will need septic capacity to continue to grow and add jobs. Greta Brunswick concluded the presentation by noting that the Town will need additional funding to leverage funding they've already received. South

Hero has about 2,000 year-round residents. They have limited capacity to bond in the next 30 years due to an existing bond and the need to bond in the next year for a new town office.

Angie Farrington stated that South Hero has presented Keeler Bay Marina to meet the business development project criteria. The current food service operation at Keeler's Bay Marine has very limited seating solely because of septic capacity and would need a municipal system to grow. Several restaurants have indicated their demand far outstrips their ability to serve under Vermont's restrictions.

Farrington summarized that South Hero with a total population of 1,674 with a municipal operating budget of \$2 million. CRRP will allow the town to fund this major capital improvement while maintaining reasonable local bonding limits and user fees, which is needed to establish long-term sustainability. Inadequate funding levels will create a high risk that the bond will be rejected by voters, creating a huge setback for the project and result in cost escalation due to the current construction climate. In the absence of CRRP funding, South Hero will be limited in its capacity to fully explore, negotiate, and build a system that would fully meet the needs of the business and residential community. South Hero's adjusted Grand List growth from 2011 to 2021, as calculated by the Tax Department and the Joint Fiscal Office, is 0.9%. This is considered stagnant.

Council members inquired about the likelihood of voters turning down a bond vote. Peter Zamore noted that while the community seems to understand that the wastewater system is needed, but noted that in other areas of the state voters have turned down these bond votes. Council members also asked how many properties would connect to this system. Robert Clark said that based on the archaeological and environmental report they are in the process of working on the design capacity but are projecting that 121 properties in the village area would be able to utilize this.

At **10:54 a.m.** Rachel Smith made a motion that the Council find that based on the documentation provided by the Town of South Hero for their "South Hero Community Wastewater Project" the project:

1. Clearly requires substantial public investment over and above the normal municipal operating or bonded debt expenditures.
2. Are public improvements which are integral to the expected private development, that being business development by expansion of an existing business within the project area which will create new, quality, full-time jobs that meet or exceed the prevailing wage for the region; and
3. That "but for" the CRRP funds, the project would not occur as proposed in the application or would have occurred in a significantly different and less desirable manner.

Therefore, the Council recommends the Interagency Team approve the Town of South Hero's CRRP application. Mark Nicholson seconded the motion. Chair John Russell inquired as to further discussion, hearing none requested a roll call for the vote. All voted in favor and the motion passed. 10-0-0

- Aye: Chair John Russell; Michael Keane; Kim Gobeille; Thad Richerdson; Mark Nicholson; Jamie Stewart; Rep. Emilie Kornheiser; Mike Donohue; Rachel Smith; Sen. Thomas Chittenden
- Nay: None
- Abstain: None

10:56 am. Burlington Downtown TIF District Substantial Change Request

At the July meeting, Chair John Russell had requested that VEPC staff review three options for resolving the Champlain College Development Fee: (1) payment of the full \$1,040,000 as one installment; (2) payment of the \$1,040,000 over a period; and (3) adjusting the share of Education Tax Increment retained by the Burlington Downtown TIF District.

Abbie Sherman summarized the three options, with option (1) occurring in the fiscal year 2025; option (2) being over 4 years starting in the fiscal year 2025; and option (3) reducing the share of Education Tax Increment from 75% to 69% so that the amount missing from the TIF Fund would be recaptured by the Education Fund in about 10 years beginning the fiscal year 2024. She also noted that the City introduced a new scenario of reducing the share of Education Tax Increment retained from 75% to 70.4%.

Sherman provided advantages and disadvantages of each scenario, noting that requiring payment of additional funds requires additional oversight and monitoring and additional action by VEPC if that does not occur. However, the additional funds would also mean improved performance of the TIF District, with the potential of an early retirement of the District. The Education Fund would receive a larger distribution at the end of the life of the District but would not have use of those funds until that time. By adjusting the share of Education Tax Increment retained, the State has control to ensure that happens and there would be no additional oversight or monitoring required. The Education Fund would receive more revenue over the life of the District and the present value of receiving funds earlier is higher than waiting until the end of the life of the District. The disadvantages to this option is that it may mean it would be more challenging for the District's TIF Fund to meet its obligations and there would be a lower payment at the end of the life of the District.

Regarding the City's substantial change request and the statutorily required review of the adjustment of equal share, Sherman noted that the TIF Financing Plan provided appears to be incomplete. There is potential for cost increases in the District's final project, which could not be covered using tax increment in the TIF Fund since this would be considered "incurring debt" according to TIF Rule and Statute and the District has passed its period to incur debt. Additionally, there are two additional bond premiums and VEPC staff does not know how those funds are being used or how they should be reflected in the Financing Plan. Additional guidance on this item may be requested from the Attorney General's Office in coordination with the State Auditor's Office.

Sherman recommended that VEPC resolve the Champlain College Development Fee issue by reducing the share of Education Tax Increment being retained. Once that is resolved, it gets the District back to where it should be. Sherman also recommended postponing the review of the substantial change request and review of the adjustment of equal share and allowing the City to submit supplement information.

Brian Pine stated the City accepted the Councils suggestion to reduce the share of Education Tax increment from 75% to 69% and postponing decision on the District's substantial change request.

At **11:19 a.m.** Kim Gobeille made a motion to resolve the \$1,040,000 Champlain College Development Fee, which should have been deposited into the TIF Fund from fiscal year 2018 through 2021 per VEPC's approval of the 2020 Substantial Change Request, by adjusting the share of Education Tax increment downward from 75% to 69% beginning with the 2024 fiscal year. Jaime Stewart seconded the motion. Chair John Russell inquired as to further discussion, hearing none requested a roll call for the vote. All voted in favor and the motion passed. 10-0-0

- Aye: Chair John Russell; Michael Keane; Kim Gobeille; Thad Richerdson; Mark Nicholson; Jamie Stewart; Rep. Emilie Kornheiser; Mike Donohue; Rachel Smith; Sen. Thomas Chittenden
- Nay: None
- Abstain: None

At **11:22 a.m.** Kim Gobeille made a motion to postpone the determination on the Substantial Change Request and Adjustment Equal Share Review submitted by the City of Burlington for the Downtown TIF District pending the receipt of supplemental information from the City, that being a complete Financing Plan which includes all information regarding bond premiums and how they will be used, increased project costs, and any other additional details which may be revealed through the current State audit of the TIF District. Such supplemental information and complete requests shall be submitted to VEPC staff by the City of Burlington within 90 days of the release of the State audit and in accordance with the VEPC monthly meeting deadlines. The City is notified that action by the Council upon receipt of the supplemental information may include further adjustment to the share of the education tax increment. Mark Nicholson seconded the motion. Chair John Russell inquired as to further discussion, hearing none requested a roll call for the vote. All voted in favor and the motion passed. 10-0-0

- Aye: Chair John Russell; Michael Keane; Kim Gobeille; Thad Richerdson; Mark Nicholson; Jamie Stewart; Rep. Emilie Kornheiser; Mike Donohue; Rachel Smith; Sen. Thomas Chittenden
- Nay: None
- Abstain: None

11:24 am. Revised Agreed Upon Procedures Per TIF Rule 1004.1 and 24 VSA 1901(3)(A)

Abbie Sherman described the agreed-upon procedures as a document used by the TIF Districts independent auditors to verify the OTV, tax increments and amounts retained, expenditures for district debt and related costs, and the current balance of the TIF Fund. These procedures were originally developed in coordination with the Tax Department and the Auditor's Office back in 2016 and have been updated a few times to offer better instruction. Now that the Auditor's Office has completed a few TIF audits on newer TIF Districts, we have been able to further improve those instructions. It is hoped that having the independent auditors follow these steps, along with VEPC's spring monitoring visits, will help Districts get it right as the work is being completed.

At **11:27 a.m.** Jamie Stewart made a motion to approve the Revised Agreed Upon Procedures as required by the Tax Increment Finance Districts Adopted Rule, Section 1004.1 and 24 VSA 1901(3)(A). Micheal Keene seconded the motion. Chair John Russell inquired as to further discussion, hearing none requested a roll call for the vote. All voted in favor and the motion passed. 10-0-1

- Aye: Chair John Russell; Michael Keane; Kim Gobeille; Thad Richerdson; Mark Nicholson; Jamie Stewart; Rep. Emilie Kornheiser; Mike Donohue; Rachel Smith; Sen. Thomas Chittenden
- Nay: None
- Abstain: Emille Kornheiser

11:28 a.m. Executive Director Updates

Executive Director Abbie Sherman provided the following updates to the Council:

- Correction to 2016 VEGI Application for Caledonia Spirits – Brian Poulin at the Tax Department found an error in the incentive payments for Caledonia Spirits. The error was made because at that time estimated payments were being manually entered by VEPC staff into the GEARS system. Now those payments are uploaded from the cost-benefit analysis Excel file. Sherman and Poulin met with the company, explained the error, and let them know that there was a slight overpayment one year which will be adjusted in this year's payment.
- The City of St. Albans found what equates to a drawing error in the boundary of their TIF District. A parcel was bisected by the boundary back when the District was first created, which was not supposed to happen. However, the entire parcel has always been part of the tax increment calculations. After verifying all details with Tax, we have asked St. Albans to provide us with a corrected map so that we can correct the drawing error.
- VEPC was provided with a copy of the letter from the City of Burlington contesting portions of the State Audit for their Waterfront TIF District. VEPC staff is currently reviewing that and drafting a response with John Kessler.

- Angie Farrington has set a schedule for the Fall TIF monitoring visits. Some visits will include visits to VEGI applicants. Abbie Sherman asked that Council members RSVP to Farrington with the visits they can attend.
- VEPC Rule, which is VEPC Policies and Procedures, is currently being reviewed by John Kessler and will be provided to the Council soon.
- Details regarding the VEPC Retreat are being finalized, with invitations having been sent out this week.

At **11:34 a.m.** Emilie Kornheiser moved to adjourn the meeting. Chair John Russell requested a vote. All voted in favor and the motion passed. 10-0-0

Minutes taken by Kelly Chambers: 08/31/2023

Revised by Abbie Sherman: 09/01/2023

Approved by the Council: