VERMONT

VERMONT ECONOMIC PROGRESS COUNCIL

MEETING MINUTES
AUGUST 25, 2016
DEANE C. DAVIS BUILDING
1 NATIONAL LIFE DRIVE, MONTPELIER

CALVIN COOLIDGE CONFERENCE ROOM, 6TH FLOOR
9:30 A.M.

Members Present: Stephan Morse, Chair; Kevin Mullin; Michael Keane; Warren Kitzmiller; Emma Marvin; and John Davis

Members Present by Phone: Mary Lintermann

Members Absent: Rachel Smith; Betsy Gentile and Tim Briglin

Staff Present: Fred Kenney, and Kimberly Baker

Others Present: Agency of Commerce and Community Development: Joan Goldstein, Economic Development Commissioner; Ken Jones, Economist; and John Kessler, General Counsel. Bob Flint, Springfield Regional Development Corporation; Curt Carter, Greater Burlington Industrial Corporation; Albin Voegele, Franklin County Regional Designee; Doug Hoffer, Vermont State Auditor; City of Burlington: Richard Haesler, Assistant City Attorney and Kirsten Merriman Shapiro, Senior Projects & Policy Specialist.

9:33 a.m. Roll Call and Agenda Review

Chair Stephan Morse called the meeting to order.

Chair Stephan Morse requested a roll call. Members present are noted above.

Chair Stephan Morse inquired as to any additions or deletions to the agenda. Fred Kenney requested that the Annual Report and Act 157 be added to the Agenda.

9:34 a.m. Annual Report

Fred Kenney stated that the report is in draft form and provided a quick review. Michael Keane stated the format was nice and easy to read, noting charts are very informative.

- ❖ At 9:34 a.m. Kevin Mullin moved to accept the draft Annual Report as presented. Emma Marvin seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted in favor and the motion passed. 7-0-0.

- Aye: Chair Stephan Morse, Michael Keane, John Davis, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
- Nay: None
- Abstain: None

9:35 a.m. Minutes – July 28, 2016

Chair Stephan Morse inquired as to any corrections or changes to the draft meeting minutes for July 28, 2016. Hearing none, requested a motion.

- At 9:35 a.m. Michael Keane moved to accept the July 28, 2016, meeting minutes as presented. Emma Marvin seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted in favor and the motion passed. 7-0-0.
  - Aye: Chair Stephan Morse, Michael Keane, John Davis, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
  - Nay: None
  - Abstain: None

9:35 a.m. Public Comment

Chair Stephan Morse inquired as to any members of the public present to provide public comment or announcements, hearing none, moved to the next Agenda item.

Chair Stephan Morse noted that there are no committee meetings today. After discussion, the Council agreed to add the committee meetings onto the September 22, 2016, meeting and that members would schedule their time accordingly.

- The Board came to consensus that additional time would be added to the September 22, 2016 meeting to continue work on Act 157 Policy Review Subcommittees.

9:38 a.m. Board Member Recommendations

Chair Stephan Morse moved to discuss the recommendations for the Board vacancies noting that these will be recommendations to the Governor, which he can chose as Gubernatorial appointments, or not. Fred Kenney stated there are two resumes from regions that are not currently represented on this Council.

The Council reviewed the resumes for Patricia Horn from Springfield and Thad Richardson from Lyndonville.

- At 9:44 a.m. Michael Keane moved to submit Patricia Horn and Thad Richardson to the Governor as potential Council members. Warren Kitzmiller seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted in favor and the motion passed. 7-0-0.

- Aye: Chair Stephan Morse, Michael Keane, John Davis, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
- Nay: None
- Abstain: None

9:45 a.m. VEGI

- **Vermed**

Chair Stephan Morse moved to discuss the acquisition of Vermed. Fred Kenney stated that Vermed has notified the Council of an acquisition of the Vermed's parent company, Graphic Controls. Vermed was authorized for VEGI incentives in December 2015.

On August 5, 2016, Nissha Printing Company, Ltd. ("Nissha") announced plans to acquire the shares of Graphic Controls Holdings, Inc. ("Graphic Controls") from Westview Capital Partners II, L. P. and its partnering shareholders. Following the acquisition, Graphic Controls Acquisition Corp., and its related group of companies (Graphic Controls Group (GCG)) will become wholly-owned subsidiaries of the Nissha Company. Mr. Sam Heleba will remain the CEO/President of the Graphic Controls Group including, Vermed.

The letter from Dave Bacon, VP at VERMED, states that the company does not anticipate that the acquisition will result in any substantive changes to the company structure in Vermont, or that the name or FEIN will change. Further, he states that it is the intention of GCG to continue the economic activity for which VEGI incentives were authorized.

- At **9:47** a.m. Warren Kitzmiller moved to affirm and maintain the authorization of VEGI incentives as approved in December 2015, subject to annual review of VEGI claims by the Vermont Department of Taxes and any appropriate action by the Department or VEPC, in accordance with statute. Michel Keane seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted in favor and the motion passed. 7-0-0.
  - Aye: Chair Stephan Morse, Michael Keane, John Davis, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
  - Nay: None
  - Abstain: None

9:48 a.m. Doug Hoffer, State Auditor

Chair Stephan Morse welcomed Auditor Hoffer stating the Council is taking the tasks assigned in Act 157 very seriously and welcomes his input on the policy reviews and on VEGI generally.

Auditor Hoffer stated that he has an interest in looking at one aspect of the program. Last report out of our office found no problems or red flags with the nuts and bolts of the program. VEPC is working well with Tax and everything seems to be in order.

I'm interested in the "But For" which can't really be audited so the only thing left would be to look at due diligence performed by staff, staff write-ups and your conclusions. Fred was kind enough to give me access to the materials that helped me identify some companies to sample but have not made it all the way through. Work has prevented me from getting back to this. So to complete that work I have to sit with Fred and get a better sense of what he does and how he does it.

As for 157 I have a couple of thoughts that I can share. As for the TWG (Technical Working Group), I will leave this up to the that group.

Of the items passed to you, the first one was whether the growth of the environmental technology sector as defined has been sufficient to obviate the need for the enhancement – Green VEGI. I think asking the question and attempting to answer it makes sense. My questions to you don't have to be answered today. I would be curious who will conduct analysis? What measures will be used? On what basis will the Council help make the decision in terms of recommendations? And finally would you be willing to submit the analysis conducted either by you or Ken Jones or someone else to Jeff Carr and Tom Kavet before it goes to the Legislature.

Second part of issue one was whether the State should forgo additional net fiscal benefit under the enhancements in general and whether the policy objectives of the enhancements have been met. I would be curious how you would answer that question amongst yourselves. As to whether you left the objectives or the enhancements as presumed. Again, whether you get more applicants in those destressed areas. I'm not sure how you will answer that question, whether the enhancements themselves were a significant factor in the decision by the applicant. That's tough and I'm just curious how you would go about doing that. Again, I don't expect the answers today, I would want paper form. Obviously if you go to those companies themselves and ask the question, their answer is just a self-anticipation and can't be counted. So that is that one.

Number two was whether and how to include a mechanism in the Program for equity investments. My view on this is, and I think this is fair, when businesses apply they're effectively saying they can't do this without the incentive. It's a form of a financing, but it's not that. It's not equity. Other than performance requirements, there are no strings attached to this money. It rare indeed, and in most cases that's probably fine. It's rare but we have seen companies getting an enormous windfall through an acquisition, and that's fine. The State will receive a benefit to the extent that the shareholders live in-state. I thought Cairn's proposal was worthy of consideration; an option. Not something that would have to be exercised by you. I'm not even sure I would want to invest that responsibility with you, may be with the Treasurer's office or someone like that. But it's not unreasonable on the face of it to say: "Look by our own admission, we helped you get there, you can share in the success. I think Cairn's proposal was some percentage, for example, of the amount awarded. I think his option was get 10% and at some point, within a period of time, five years or whatever the case may be. The state has an opportunity to call them and say we want to buy back value but at the old share prices…anyway, I just encourage you to think that over. I think that makes sense to me and would protect the taxpayers. If nothing else the money would come back into the system to be reused for additional programs.

Fred Kenney asked: Did I hear you say that it's different for a closely held company. Do you see that as different? Publicly owned vs closely held? Auditor Hoffer replied, No I was referring only to the benefit to the State.

Fred Kenney inquired if all should be treated the same. Auditor Hoffer replied yes.

Auditor Hoffer continued. Number three was whether Tax should have, and exercise, the authority to recapture the value of incentives paid to a business that is subsequently sold or relocated out of the State. For the sake of argument, assuming the But For, if they met their performance obligations and they simply relocate after the term, I don't see that as appropriate to claw back.

Chair Stephan Morse, if I understand you correctly, one response is that when we very thoroughly go through the request and are reassured with the But For, and what we are really looking at is if the applicant is really looking at adding jobs to the Vermont economy. So I think when someone comes in after we've approved that application, and reassures us that those jobs for which we authorized incentives are on track and in place, there is no need for action. Yes, there is a new owner but the program has served its purpose by providing new jobs to the economy.

Auditor Hoffer stated, except in the case of Dealer and Keurig. Back to that point, that I am talking about. The State's contribution at present is not valued at point of sale. And if in fact they said and meant they can't do it without incentives, then where is the State's piece. So yes they met their performance obligations, but something extraordinary happened. A lot of money exchanged hands and that's fine. Again, I thought Cairns proposal was worthy of considering and was a very modest proposal. It gave the State discretion. It wasn't an always do this…..If it's just a relocation as unfortunate as that is and they met their obligations and there is not a windfall from the sale, I don't think it would be a good idea to attempt claw back.

As for number four, effectively ensure, through the process, that recipients are in compliance with all federal and State water quality and air quality laws and regulations. I can't think of a good reason not to do that. Unless it presents an enormous burden. Or it creates too much difficulty for staff. It makes sense. It's like contract procurement in State Government DOL and AOT all require that projects over $250,000 to ensure that the successful bidder is not in violation of State Labor law. That is reasonable and I think this can be viewed in the same way. Now the question is in the details, how long. Did they get something nine years ago, mitigate and take care of it? This is for you guys and others to figure out.

John Davis – Question on the previous discussion. Curious how you would define the windfall and what that might look like. Luckily I don't have to do that. Who knows, it could be a percentage increase a salary increase, who knows.

Joan Goldstein it's really like the option is an equity investment and does the State have the authority to make equity investments.

Auditor Hoffer: We have equity investment in the pension fund. The Legislature gave a body that authority.

Fred Kenney we don't have it now.

Auditor Hoffer, but if you were given authority by Legislature it would be a matter of the company creating non-negotiating terms of equity.

Joan Goldstein – so it's not really like a claw back. It more like we also gain or have a piece of the action.

Auditor Hoffer, you would still need to do your due diligence and follow your policies and procedures. So the decision is the decision. The opportunity down the road is risk. And furthermore, in some cases, at the point of sale there is tremendous risk that the buyer is going to break something up, the assets, value, people. I know a similar case where the company was split up. So it's not like I would look forward to that because it's risk. On the other hand, if it happens, and there is nexus. I see a very direct message in their statement saying "I need your help (incentives)" and then down the road things go very well.

Number five, size, industry, and profile of the businesses that historically have experienced, and are forecast to experience, the most growth in Vermont, and whether the Program should be more targeted to these businesses. That doesn't make any sense to me at all. If they are succeeding without any help congratulate them and move on.

Number six, with regards to small business. I don't have any particular comment about that. I know there's been some research done, suggesting that in other states there are programs similar to VEGI that benefit primarily big companies. It's probably true and not surprisingly the big guys know the system and have the resources. How to get to the small guys, I don't know. There's tremendous churn with the little guys which you well know. Look at the employment data and the established data with the Department of Labor and that's where the action is. There is a lot more risk if you move down. And furthermore if I were in Joan's shoes or Lucy's shoes or the Governor's shoes I would be looking more at what does it really take for these guys. I hear that we should invest a lot more money in technical assistance. I hear that all the time. I don't know if that is a good investment but I hear it all the time. I don't know whether this program is working or not.

Issue 7: transparency. I am all for additional transparency. If you ask current and past recipients, "would you consider this, would it make a difference in whether you applied or not." I'm sure most of them would say "no."

Chair Stephan Morse noted that this Council is sensitive to this issue and would be interested in hearing what more transparency you would like to see.

Auditor Hoffer, I wouldn't say it so much about the business, I think taxpayers would appreciate it. You report aggregate outcomes, which is fine, you can break it down in different ways but we don't know company by company what they promised to do. Is that essential information for taxpayers, no, but they would appreciate it.

Emma Marvin stated one of the things that is a critical component of the program and the applicant information that is provided is forecasting and strategic thinking that goes into that, so if we are providing company by company data, how would that work and not reveal critical business decisions – prospective information - that competitors don't know about and shouldn't know about.

Auditor Hoffer, I'm not suggesting you provide the information at the point of application or before, but down the road as they earn it. Once it's done, it's no longer a future forecast.

Chair Stephan Morse, earlier this morning we approved our Annual Report would that be a place where this more transparency would be available. My fear is if it is disclosed earlier while they are in the process or during their growth, it might discourage people from not only coming to this program but discourage expanding or moving to Vermont.

Auditor Hoffer, as I say, I don't see the point in disclosing before they perform. But after they perform. That would be first, good news about the program and each company, and secondly making the program results more easily verifiable. People, I think, have a right to expect some detail. Aggregate, I know, was done because in the very beginning the statute said report in the aggregate.

Chair Stephan Morse, once you read our recent Annual Report, I'm sure you will. If you have some thoughts where more transparency could appear in it, we would appreciate hearing that from you.

Mary Lintermann, I'm just curious are there any other programs that the State runs where the data is defined down to the company. Like VEDA or Work Force Investment Board, I can't think of anything has sensitive data where it gets down to that level. Perhaps you could share with us others that do this.

Auditor Hoffer, it depends on how you define sensitive. Vermont Training Program publishes information about how many workers have been trained for every company who receives a grant for in-house training. As a rule, they don't publish similar information for companies who availed themselves a training with an outside provider. But it is available and it's a public record if I requested it. That is one that comes to mind. It's a little bit different from this but it's about companies making an investment, the State making an investment on their behalf. That's one example.

Issue number eight, the last one about employee benefits. This one, I think from my point of view, might be one that is long overdue for revision. For example, according to JFO (Joint Fiscal

Office) which determines the livable wage, using basic needs calculations every two years found that the average contribution by employers who provide health care benefits is 80%. So setting the bar at 50 is not only pretty low but it has an impact, if you are looking at the livable wage which is in Statute. The livable wage itself assumes 80% employer contribution. So in fact if you have any employer who makes a 50% contribution, the employee has to come up with that increment which effectively would increase the minimum wage. At present the way it all works that is not accounted for.

Second, beyond the employer contribution, there is no acknowledgment or requirement that information provided about the nature of the benefit. As we know we have been moving for years to very high policies and 80% of anything you can't use isn't a great value. I think we all know people who work hard for a living and put off important regular medical stuff because they can't meet the $2,500-$5,000 out of pocket. This will be a challenge. It's not just about the employer's contribution, it's about quality. I don't have the answer but I ask you to give that some thought.

John Davis: One of the things that always comes to my mind about this is getting a dollar value versus 80%. Because if it's 80% of a lousy thing then what difference does it make.

Auditor Hoffer stated the other benefits are not as easy to talk about as health care. But perhaps what you could ask applicants is to monetize all of them. You would have to come up with a number that you think would be appropriate, an industry standard, to use as a standard.

John Davis: What is the statewide average dollar value for benefits given to employees.

Auditor Hoffer, I could get that from the workforce data……and get that back to you.

Fred Kenney we did hear from an HR professional at last month's meeting and it is pretty difficult to put a dollar value on every kind of benefit.

Kevin Mullin stated that every time an employer comes before a legislative committee they talk about what dollar value is of that. So I don't think it's that difficult because any employer is going to know what they are expending on their workforce.

Auditor Hoffer, they certainly can do health care, dental, retirement and so forth. And even on the leave policies there's a value based on the employees pay.

Kevin Mullin: If you went to a dollar value it would eliminate that list. Some of the benefits in the list don't really mean anything. So if you just have a dollar value that employers committed to this dollar value for benefits for employees above this salary, then I think it is simplifies things.

Auditor Hoffer, furthermore its auditable.

John Davis: I think that Fred's comments to experts' issue was that there is no national survey done, so there is no norm to compare to. I think the point both of you are making is accurate that businesses know what they are spending but they don't know how they compare to the national average.

Chair Stephan Morse: If we were reviewing an application where it didn't measure up for whatever the standard was would you consider that sufficient to deny the application even though the employer might be providing 100 new jobs in an area that needs jobs?

Auditor Hoffer: It would be an option. It's a point for discussion to negotiate. If they don't meet the standard you set you could tell them they can make up the difference without changing their whole benefits structure.

Chair Stephan Morse: So to answer my question, that would be sufficient not to authorize incentives.

Auditor Hoffer: If they don't meet the threshold.

Ken Jones: The actual determination of the value of the incentive is based on the full compensation at the time of the application: wages and benefits. Total compensation is based on a benefits ratio applicants submit in the application.

Kevin Mullin: Right now it is specific under Statute they have to meet three of the benefits from the list.

John Davis: Back to the "But For" discussion, I'm just curious to hear a little bit more on your opinion as to how that would become measureable; if it is even possible to be measureable. That is the dilemma I have with it. Not that I think anyone would disagree, wouldn't it be nice to hold their feet to the fire, but I have no idea how we would ever measure something like that.

Auditor Hoffer: I don't think you can, it's just the nature of the beast. For me it's not bias it's just not real world….is this the truth? Businesses expand and grow. The federal government does not track the movement of businesses. They do track in a very soft way trade…….If you look at all the movement and the net jobs, jobs created and lost, expansions, new businesses, etc. It is mostly small proprietors. A company says they are going to create jobs anyway; it's just between here and there. Dealer.Com, a few years ago, said it would be just as easy to move to California, there's a lot bigger labor force there, but you will pay 40% more. Maybe that is worth it to you, but they didn't. I don't think they intended to, but it comes down to the assertion of we will go somewhere else. You really need to think about that, currently does it make sense for them, and the cost of living and doing business isn't cheap.

Joan Goldstein: It is more complex than that. The company many not move away, but new contracts or additional growth would be done here but will be at another plant that they have elsewhere.

Auditor Hoffer: The numbers don't lie…and this gets at the question are our young people leaving. If your field is X and there are 300 hundred jobs in Vermont in your field, in Boston there are 8,000 of those jobs and they pay a lot more. There is no simple answer, the program has this weird thing.

Kevin Mullin: If you take a look at the chart prepared by Annie Noonan with the Department of Labor that shows 2008 to today and where the jobs are. You have the Burlington area and then you have the rest of the State significantly below that. It points to two different Vermonts. Economic stagnation in much of Vermont and pretty good growth rate in a certain area of Vermont. Take a look at the VEGI annual report and 62% of the jobs that were created were created in Chittenden County. What are your thoughts about maybe, coming up with a metric that would encourage growth in the areas that are seeing stagnation.

Chair Stephan Morse: We had a discussion to apply the But For to Chittenden County and not the other 13 counties which did not come to fruition. One of the things I notice to follow up on Kevin's point is that a huge percentage of this program goes to Chittenden County and with the enhanced incentives, I think there has been a little better geographical distribution in the last year plus.

Auditor Hoffer: On the enhancements, presumably the RDCs are informing applicants that the enhancements exist. But I have no way of knowing or auditing whether those applicants who came from the distressed areas would have come in anyway, no way of knowing. I can't audit that decision. When looking at plighted areas you must know that it is not just Vermont but all over the world and it's been going on for a very long time. We just need better smarter policies.

As you and I know, there are limited resources available to the State and I would argue that Chittenden County could be pretty much left to their own devices. Especially with the businesses that have grown, let them do what they are doing. But you could argue that you should not be helping Chittenden County and divert those resources to something else.

Kevin Mullin: Or you might make the argument that an area that is successful in job creation that you might elevate the wage scale even higher that would have a positive benefit of jobs.

Auditor Hoffer: Essentially what you asserted is to reduce the threshold where necessary because you had an increase in the threshold.

Also, I think based on the comments over the years, affordable housing is a problem. And to me that is such a sensible economic development investment because what happens when you invest. You put a lot of people to work and you can direct the monies exactly where they are needed.

Kevin Mullin: Actually I don't think affordable housing is so much a problem everywhere as it was just a few years ago. Because you actually see the population decline in some areas of the State. And at least in Rutland county for example this is the fifth straight year where property values have gone down. Auditor Hoffer: Is that true for rentals as well as homeownership. Kevin Mullin: What artificially pumps up rental costs is all the Governmental programs because they are willing to pay higher than the market rent.

Auditor Hoffer: That's kind of interesting. Section 8 to me is an example of a program that is well intended but misses the mark. Does it provide an important service in the short term to people who need safe affordable housing, no question about it. But basically it is a transfer from the Federal Government to the landlord. The renters themselves are not building wealth as a homeowner. Not everybody should be a homeowner, I get that. But this program has moved 10s of billions of dollars and again provided that short term service but it's not enough.

Chair Stephan Morse thanked Auditor Hoffer for attending the meeting. Asked that any additional information, throughout this process, be sent to Fred Kenney.

10:28 a.m. Auditor Hoffer departed the meeting.

10:28 a.m.   TIF Districts

- **Barre: Minor OTV Amendment**

Fred Kenney stated Barre submitted an amendment to their TIF District requesting an adjustment to the Original Taxable Value and boundary. As approved and previously amended, the OTV was $50,851,870, with $2,192,550 Homestead and $48,659,320 Non-Residential.

Through the OTV Certification process undertaken by VEPC and the municipalities, it was discovered that several properties in Barre have split values. That is, part of the property is Homestead and part is Non-residential. In the original listing, all properties were listed under Homestead. The revised OTV for certification has divided them out with $1,258,683 in Homestead and $49,788,187 in Non-Residential.

In addition, the OTV exercise uncovered a few issues that require an amendment because properties were erroneously left off the OTV listing and these properties impact either the TIF District boundary or the OTV value. Barre has submitted a complete substantial change packet and requests approval of the changes, thereby amending the TIF District boundary and OTV. The amendment was approved by the City Council on July 12, 2016 following a public hearing.

The changes are as follows:

1. Add to TIF District parcel at 152 Church Street. This parcel is contiguous to and part of the property owned by the Hedding Methodist Church. As a contiguous parcel with the same owner, the parcel should have been included in the TIF. This changes the boundary but not the OTV as the parcel is tax exempt.

2. Add two parcels on Cottage Street, one a privately owned driveway and one a privately owned parking lot. These were inadvertently excluded from the TIF District parcel listing.

They are clearly within the District and leaving them out distorts the acreage and leaves donut holes in the District. The parcels add a combined $24,000 to the OTV.

3. Part of a parcel that is outside the District but abutting the District was partially deeded to the abutting parcel that is within the District. Because this occurred in 2014, the change does not impact the OTV, but it changes the TIF District boundary.

❖ At **10:33** a.m. Warren Kitzmiller moved to approve the amendment and notification of the Department of Taxes/PVR that the Education OTV for the **Barre City TIF District** is now $51,046,870, which should serve as the base value when calculating any increment. John Davis seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted in favor and the motion passed. 7-0-0.
  - Aye: Chair Stephan Morse, Michael Keane, John Davis, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
  - Nay: None
  - Abstain: None

Burlington Waterfront: City Center Project

Fred Kenney reviewed the process noting that this TIF district was created by the Legislature and all amendments were enacted legislatively. Under the most recent legislation and with the approved TIF Rule, the Pre-Act 184 TIF Districts were required to submit a reconciliation report. The Waterfront TIF filed and VEPC accepted the reconciliation report.

During the 2016 legislative session, the City sought, and the legislature approved, another extension of the Burlington Waterfront TIF District. The extension is specific to allow debt only for infrastructure required for the Town Center project and the retention of increment only from the Town Center parcels. Effectively, the Waterfront TIF ends when the existing debt (or any subsequent debt incurred through December 31, 2019 for infrastructure other than for the Town Center) is paid off. But a new “mini-TIF” is formed consisting of the three parcels making up the Burlington Town Center (BTC). Debt can be incurred for the BTC project only through June 30, 2021 and the City can retain incremental property taxes from only those three parcels until June 30, 2035

The action taken by the legislature effectively constitutes a legislatively-authorized substantial change to the Burlington Waterfront TIF District Reconciliation Report. Therefore, VEPC does not need to approve the change, but the City needs to provide appropriate updates to its 2015 Reconciliation Report to properly reflect the projections of infrastructure improvement investment and the resulting debt incurrence, real property development and redevelopment, debt service schedules, and the incremental revenues projected to result from the development.

10:38 a.m. Richard Haesler, Assistant City Attorney and Kirsten Merriman Shapiro, Senior Project & Policy Specialist joined the meeting and presented the following.

Richard Haesler presented the following information:

<u>A. Projected Future Real Property Development</u>
The following is an amendment to the previously submitted Burlington Town Center summary in the anticipated Real Property development section of the Waterfront TIF District Reconciliation:

- Burlington Town Center Redevelopment (BTC) – This project is currently proceeding under a Predevelopment Agreement executed May 12, 2016.
- Final details of the deal are still being negotiated but the project anticipates approximately $249 million of construction resulting in $87 million of tax increment (growth to the City grand list). The proposed project itself has been evolving conceptually as the developer has engaged with the City and the public in a wide variety of forums. Most recently, the developer presented a preliminary sketch plan to the City's Design Review Board for preliminary review.

<u>B. Projected Future Public Improvements</u>
In support of this private development, the City is prepared to invest in approximately $22 million of new public infrastructure; to include acquisition and construction of two new city blocks of public right-of-way (St. Paul and Pine Streets between Cherry and Bank Streets) as well as street improvements conforming to the City's Great Streets initiative for 6 additional city blocks (Cherry Street from Church Street to Battery Street as well as Bank Street between Church Street and Pine Street). Documents provided to the Council included:

- A Map of Burlington Downtown was provided and highlights BTC property which is the subject of the 2016 legislative amendment to Act 80; the proposed right-of-way acquisitions of St. Paul and Pine Street; and the six other blocks (see Cherry Street and Bank Street) designated for public improvement upgrades.
- Select sections from Burlington's Transportation Plan have been adopted as part of the City's Municipal Development Plan in 2011. These concepts will drive the specifications for the public street improvement piece of the project. Implementation of these concepts is currently commencing, and will first roll out as a part of the Phase One Voter approved Great Streets Project in Burlington's other TIF District; the Downtown TIF District. The City is expecting to commission specific schematic renderings of the proposed street improvements for the project in the coming months.
- A spreadsheet of preliminary cost estimate for the City's Public Improvements component to the BTC redevelopment project. The City is expecting to commission a more detailed cost estimate for the proposed street improvements for the project in the coming months.

<u>C. Post Legislative Extension of Debt Incurrence Authority</u>
Act 134 (2016) extended Burlington's authority to incur indebtedness for the three properties which comprise the Burlington Town Center (BTC) within the District to June 30, 2021 (subject to the City of Burlington's submission to VEPC of a construction contract with a completion guarantee by the owner of the parcels evidencing commitment to construct not less than $50 million of private development on the parcels).

- In November, 2016, it is anticipated that Burlington voters will be asked to approve a ballot item calling for authorization to issue up to $22 million of debt to pay for the right-of-way acquisition and streetscape improvements referenced above. Under the terms of the PDA, the improvements will be constructed by BTC and accepted by the City and paid for by the City when not only the public improvements but also the project itself has been completed to the City's satisfaction. This assures the City that the private development (and its resulting proper taxes) will be in place to service the City's debt. Construction is scheduled to commence in 2017; with completion in 2019.
- The BTC project, for TIF accounting purposes, will be classified as a City TIF public infrastructure project which will use 100% of TIF dollars to acquire and construct the City's public infrastructure to incent the associated private development project.

D. Post Legislative Extension of Debt Service in Grand List Value to the District

The Original Taxable Value of Burlington's Waterfront TIF district was $42,412,900 and the value as of April 1, 2014 as reported in the 2015 TIF District Reconciliation was $136,086,300. The spreadsheets and electronic workbooks submitted with the reconciliation narrative showed the growth through 2014 reporting and projected future growth from 2016 on. That information demonstrated that the district was projecting a surplus at the end of the district's then allowed 20-year period of State Education Fund Tax Increment retention (i.e. at the close of FY 2025). The City now supplements that submission with a separate spreadsheet which reflects the projected tax increment to be generated by the three parcels which the legislature has authorized continued tax increment retention for through the close of FY 2035. These BTC parcels are shown in the spreadsheet to fully cover the debt service for the public improvements referenced above that the City will make in support of the project (See Attachment 6). Irrespective of an estimate from the developer of plans for approximately $249 million of construction for the project, the City Assessor has carefully made a projection of grand list value for the property after redevelopment of approximately $114 million, which in turn would mean approximately $87 million of incremental growth to the grand list as a result of the project. The City Assessor arrived at these numbers by using conservative estimates for appraisal of the planned new retail, housing and office space which will be created at BTC. This was done purposely, in order to be sure that there will be sufficient tax increment generated by the project to enable the City to service its debt for the planned public improvements.

E. BTC – Evaluation of Economic Impact

In addition to utilizing economically conservative projections for grand list growth, interest rates for debt service, and tax rates as referenced in Attachment 6, the City is also, at this point, inclined to be conservative with all of the various other performance indicators which might be utilized going forward for purposes of assessing the success of this project. The City has received, reviewed and includes as its Attachment 7, Professor Michael Chiang's BTC – Evaluation of Economic Impact report, which was commissioned by BTC in 2016. Projections of job creation, tax revenues in addition to property tax revenues, and other economic indicators are carefully set out in the report. As with the City Assessor's conservative projection of grand list value for the property after redevelopment, the City takes a conservative position in assessing the potential economic impacts which can be projected for the project, but looking at Dr. Chiang's projections, the City believes that such a report further justifies the City's commitment to investment of up to $22 million in public improvements.

- At **10:51** a.m. Michael Keane moved to affirm and accept the update filed with VEPC on August 11, 2016, to the Burlington Waterfront TIF District Reconciliation Report submitted to VEPC on December 16,2015, subject to the following:
  - Submittal to VEPC, prior to any public vote on debt in November 2016, of a more detailed description and cost estimate for the public infrastructure improvements; and
  - Pursuant to Section 9a of Act 134 of 2016, submittal to VEPC at the appropriate time, of an executed construction contract with a completion guarantee by the owner of the parcels evidencing commitment to construct not less than $50 million of private development on the parcels.

  Warren Kitzmiller seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted and the motion passed. 6-0-1.
    - Aye: Chair Stephan Morse, Michael Keane, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
    - Nay: None
    - Abstain: John Davis due to possible conflict of interest as Don Sinex is a client of his firm

10:52 a.m. Other Business
Chair Stephan Morse noted that the next meeting is scheduled for September 22, 2016.

Chair Stephan Morse inquired as any other business, there being none requested a motion to adjourn.

- At 10:54 a.m. Michael Keane moved to adjourn the meeting. Kevin Mullin seconded the motion. Chair Stephan Morse requested a roll call for the vote, all voted in favor and the motion passed. 7-0-0.
    - Aye: Chair Stephan Morse, Michael Keane, John Davis, Warren Kitzmiller, Mary Lintermann, Emma Marvin, and Kevin Mullin
    - Nay: None
    - Abstain: None

Minutes taken by Kimberly Baker: September 2, 2016
Revised by Fred Kenney: September 16, 2016
Approved by the Council: September 22, 2016