



**MEETING MINUTES
JULY 26, 2018
DEANE C. DAVIS BUILDING
1 NATIONAL LIFE DRIVE, MONTPELIER**

**CALVIN COOLIDGE CONFERENCE ROOM, 6TH FLOOR
9:30 A.M. TO 11:13 A.M.**

Members Present: Chair Stephan Morse; Jean O'Sullivan; Mark Nicholson; Rachel Smith; Thad Richardson; Emma Marvin; and John Davis

Members Present by Phone: Michael Keane

Members Absent: Betsy Gentile and Patricia Horn

Staff Present: Joan Goldstein, DED Commissioner; Brett Long, DED Deputy Commissioner; Abbie Sherman, Grant Programs Manager; and Ken Jones, Economic Research Analyst, ACCD.

Others Present: Daegan Goodman, ACCD Economic Development Specialist II; John Kessler, ACCD General Counsel; Marybeth Gilliam, COO, Greensea Systems; Mary Washburn, Outsourced Controller, Greensea Systems; Curt Carter, Senior VP, GBIC; William Fraser, Manager, City of Montpelier; Sue Allen, Assistant Manager, City of Montpelier; Stephanie Hainley, White & Burke; Richard Sheir, Montpelier Resident.

Others Present by Phone: Megan Sullivan, incoming VEPC Executive Director.

9:31 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, hearing none, moved to the next Agenda item.

9:35 a.m. Minutes – June 28, 2018

Chair Stephan Morse inquired as to any corrections or changes to the draft meeting minutes for June 28, 2018. Hearing none, requested a motion.

- ❖ At 9:35 a.m. Michael Keane moved to accept the June 28, 2018, meeting minutes as presented. John Davis seconded the motion. Chair Stephan Morse inquired as to

further discussion, hearing none requested a vote. All members present at that time voted in favor and the motion passed. 6-0-0.

- ◆ Aye: Chair Stephan Morse; Mark Nicholson; Rachel Smith; Thad Richardson; Michael Keane; and John Davis
- ◆ Nay: None
- ◆ Abstain: None

Chair Stephan Morse then requested an update on the search for a new VEPC Executive Director. DED Commissioner Joan Goldstein introduced VEPC's new Executive Director, Megan Sullivan, who will officially join VEPC on August 27. Megan gave a brief summary of her background, including previous work at ACCD, while Fred Kenney was VEPC Executive Director. Megan is currently business liaison in U.S. Representative Peter Welch's office. The Board welcomed Megan into the new position and invited her to listen in on the remainder of the meeting.

Chair Stephan Morse summarized for the Council the VEGI Cap watch, which currently has \$5.9 million allocated for regular programming, but the LMA cap is exceeding the limit at this point. The Council is not concerned with the excess on the LMA cap since no final applications have been submitted. If an increase in the LMA cap is needed, VEPC will be required to submit a request before the Joint Fiscal Committee.

Chair Stephan Morse offered thanks on behalf of VEPC to Abbie Sherman for the work she has performed since Casey Mock's departure.

9:39 a.m. Public Comment

Chair Stephan Morse requested delaying public comment on the Montpelier TIF application until the Council takes up that matter later in the meeting. He then inquired members of the public present to provide any other comment or announcements and, hearing none, moved to the next Agenda item.

9:41 a.m. Vermont Employment Growth Incentive (VEGI):
Greensea Systems, Richmond (Initial)

- ❖ At 9:41 a.m. Rachel Smith moved to enter into Executive Session to discuss VEGI applications, citing 1 VSA, §313(a)(6). Michael Keane seconded the motion. Chair Stephan Morse inquired as to further discussion, hearing none requested a vote. All members present at that time voted in favor and the motion passed. 6-0-0.
 - ◆ Aye: Chair Stephan Morse; Mark Nicholson; Rachel Smith; Thad Richardson; Michael Keane; and John Davis
 - ◆ Nay: None
 - ◆ Abstain: None

Jean O'Sullivan and Emma Marvin joined the meeting at 9:41 a.m.

- ❖ At 10:19 a.m. the Council exited from the Executive Session.

Chair Stephan Morse advised the representatives of Greensea that the Council is excited about project, but concerned because the start date is so soon: August 1, 2018. He pointed out there is risk starting in advance of approval of a final application, however, most applicants do proceed this way. Deputy Commissioner Brett Long noted that the period between initial and final approvals provides the applicant with the ability to fine tune numbers. MaryBeth Gilliam advised the Council that Greensea is ready for the application to be considered as final, but is of the understanding that allowing time between an initial and final submittal would behoove them should anything come along that would provide additional opportunity. Chair Stephan Morse advised that the application can't be considered as final since the meeting was legally noticed as review of an initial application.

- ❖ At 10:22 a.m. Jean O'Sullivan made a motion regarding the Initial Application filed by Greensea Systems, for a project in Richmond, that the Council find that:
 - ◆ The new revenue the proposed project generates to the State exceeds the costs of the activity to the state by \$57,181;
 - ◆ The company is not a party to any State action, the host municipality welcomes the new business and the proposed economic activity will conform to applicable town and regional plans;
 - ◆ The applicant does not operate in a limited, local market, and the incentive would not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business; and
 - ◆ As certified in their application and during testimony before the Council, company officers have provided compelling information and arguments that but for this incentive the proposed economic activity would not occur in Vermont or would occur in a significantly different and less desirable manner. And therefore, the Council approve the Initial Application, giving initial authorization of VEGI incentives of up to \$115,968, with an estimated incentive of \$105,031 based on application data, for activity to commence August 1, 2018, subject to submittal and consideration of a Final VEGI Application before the end of calendar year 2018.

Michael Keane seconded the motion. Chair Stephan Morse inquired as to further discussion, hearing none requested a roll call for the vote. All voted in favor and the motion passed. 8-0-0.

- ◆ Aye: Chair Stephan Morse; Jean O'Sullivan; Mark Nicholson; Rachel Smith; Thad Richardson; Emma Marvin; Michael Keane; and John Davis
- ◆ Nay: None
- ◆ Abstain: None

At 10:24 a.m. Council recessed.

10:33 a.m. Tax Increment Financing Districts (TIF):
City of Montpelier Application – Continued Review & Discussion

Chair Stephan Morse advised those present that the Council would continue with testimony and deliberation of Montpelier's TIF District Application. No final decision could be made due to 24 VSA § 1892(g) and the pending meeting of the Emergency Board and that Board's desire to agree to data regarding TIF District projections prior to any additional Districts being approved by VEPC.

Representatives from the City of Montpelier provided introductions and proceeded to update the Council on changes made to the initial TIF District application.

Bill Fraser relayed that Montpelier reviewed a revised application with City Council at their meeting of July 25. He noted that in open session the City Council indicated support for the larger parking garage project, with additional details provided to them during executive session.

Stephanie Hainley then provided clarification of two points, the first being the boundaries for three parcels near the Barre/Main intersection. These parcels had been excluded from the TIF district because there was at the time of application a private development plan already in place, meaning that area would not meet TIF criteria. The City has since found that the project is not going forward, but the City owns those parcels and has no plans for development at this time. The second clarification is in regards to compact and high density development as a location criteria. Stephanie provided the Council with a copy of the zoning district map and text from Montpelier's zoning bylaws. Stephanie advised that zoning in the area of Sabin's pasture was revised intentionally to force development to happen along Barre Street within the riverfront district. According to TIF Rules, a TIF district cannot bisect a property based on zoning districts, so the entire parcel was included in the TIF boundary.

Ken Jones recommended that, because the TIF district includes the entire parcel, the Council should consider providing clarification to Montpelier that TIF can only support only the development that takes place in the high density portions, and not the rural zoned portion. Bill Fraser noted that the City has some discretion of projects they support and they likely wouldn't be interested in supporting a bond that would include the upper pasture.

Stephanie Hainley relayed to the Council that with regard to the parking garage the City is in active negotiations with Capitol Plaza, as well as pursuing other parking users. The City plans to issue parking rights instead of receiving an upfront investment. This change is more common practice and provides a more equitable solution since it secures a long-term revenue stream. At their August 22 meeting, City Council will hold a public hearing and discuss in open session additional details with regard to how the garage will be financed.

Deputy Commissioner Brett Long noted that another issue being reviewed is a whether the parking garage is subject to property tax or not. Ken Jones advised that how the spaces are

controlled is a factor into whether or not portions of the garage are taxed. Stephanie Hainley added that the bond bank also has restrictions regarding ownership and she believes the difference is owner rights as opposed to designated spaces. Montpelier's implementation of a smart system would allow greater flexibility in the use of the spaces. Chair Stephan Morse advised Montpelier to resolve the issue with the Agency before their next VEPC appearance. John Davis requested additional information regarding the Main/Barre Streets intersection as a study is currently in the works and funds allocated seem to be low. Stephanie Hainley stated that project is a few years out and that Montpelier would be seeking federal financing.

Deputy Commissioner Brett Long provided the Council with memo detailing TIF approval criteria and determinations the Council will need to make. Ken Jones highlighted his report with focus on the parking garage as it is the largest portion of TIF infrastructure and the most shovel-ready. As part of his analysis, Ken reviews the assumptions that go into the revenue, bonding, and expenses and evaluates whether the assumptions are reasonable. For the parking garage, parking fees and long-term leases are a more significant source of revenue than TIF increment. For comparison of expenses, Ken reviewed a similar-sized parking garage and found Montpelier's assumptions to be in reasonable agreement with regard to operation, management, and bond repayment. In summary, Ken found that that Montpelier's assumptions are sensible and reasonable.

Emma Marvin requested that at the next meeting Montpelier provide clarification on the intent to use TIF funds specific to high density development in Sabin's pasture.

Chair Stephan Morse then asked if there was anyone from the public who would like to offer comment. Richard Sheir, a Montpelier resident shared his concerns which are primarily: (1) adequate funding for a project before it should go forward; and (2) adequate protection for the "but for" from allowing speculative borrowing. He noted that projects other than the parking garage do not have any solid cash dedicated to projects. He requested that the Council err on side of caution. Richard also asked the Council to look at ancillary bonding and to not look at TIF in isolation of ancillary bonding. Richard also noted the recent report by Auditor Doug Hoffer about bringing greater accountability to the TIF program. Richard believes that starts with studying how TIF bonding relates to ancillary bonding. Richard also noted that Montpelier has done due diligence on their application, but he believes the process needs some introspection in terms of better protecting taxpayers from risk. He requested VEPC to consider things that will strengthen protection of taxpayers in all TIFs.

Mark Nicholson asked Montpelier how they plan to put to rest for taxpayers any concerns that they have relating to revenues which are not realized in first 3-5 years. Bill Fraser responded that the City conducts its own analysis in terms of cash flow and revenues and then makes the determination of moving forward or not. Bill noted that even if though they might have the ability to use TIF, doesn't mean they would bond. They would need to assess risk and ensure transparency with the numbers.

Chair Stephan Morse inquired as any other business. He noted that the next meeting is scheduled for August 30, 2018. There being no additional business, Chair Stephan Morse requested a motion to adjourn.

- ❖ At **11:13 p.m.** Michael Keane moved to adjourn the meeting. Jean O’Sullivan seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 8-0-0.
 - ◆ Aye: Chair Stephan Morse; Jean O’Sullivan; Mark Nicholson; Rachel Smith; Thad Richardson; Emma Marvin; Michael Keane; and John Davis
 - ◆ Nay: None
 - ◆ Abstain: None

Minutes taken by Abbie Sherman: July 26, 2018

Reviewed by Brett Long: July 27, 2018

Approved by the Council: August 30, 2018