



**MEETING MINUTES
AUGUST 30, 2018
DEANE C. DAVIS BUILDING
1 NATIONAL LIFE DRIVE, MONTPELIER**

**CALVIN COOLIDGE CONFERENCE ROOM, 6TH FLOOR
9:30 A.M. TO 10:15 A.M.**

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

Members Absent: Betsy Gentile

Staff Present: Megan Sullivan, Executive Director; and Abbie Sherman, Grant Programs Manager

Others Present: Joan Goldstein, DED Commissioner; Brett Long, DED Deputy Commissioner; Ken Jones, ACCD Economic Research Analyst; Faith Ingulsrud, DHCD Planning Coordinator; William Fraser, Montpelier City Manager; Sue Allen, Montpelier Assistant City Manager; Stephanie Hainley, White & Burke; Gail Henderson-King, White & Burke; Stephen Mills, Times Argus; Stephen Whitaker, Montpelier resident.

9:30 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.

Council members welcomed Megan Sullivan as the new Executive Director of VEPC. The Council also expressed their deep appreciation to Abbie Sherman for her work while the search for a new Executive Director was being conducted.

Chair Stephan Morse inquired as to any additions or deletions to the agenda, hearing none, moved to the next Agenda item.

9:31 a.m. Minutes – July 26, 2018

Chair Stephan Morse inquired as to any corrections or changes to the draft meeting minutes for July 26, 2018. Hearing none, requested a motion.

- ❖ At **9:31 a.m.** Michael Keane moved to accept the July 26, 2018, meeting minutes as presented. Emma Marvin seconded the motion. Chair Stephan Morse inquired as to further discussion, hearing none requested a vote. All voted in favor and the motion passed. 9-0-0.

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

Chair Stephan Morse advised other members of the Council that he has spoken with Senate President Pro Tempore Tim Ashe regarding the need to appoint a member of the Senate to VEPC. The Committee on Committees will appoint a member at their next meeting.

9:33 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.

**9:33 a.m. Vermont Employment Growth Incentive (VEGI):
2018 VEGI Annual Report**

A draft of the 2018 VEGI Annual Report had been provided to the Council for their information. No action was required of the Council and Chair Stephan Morse inquired to whether the Council had any questions or comment. Michael Keane noted that the cover information provided a good summary of the VEGI Program. Submittal of the report is required to be submitted to House Committees on Ways and Means, Commerce and Economic Development, and on Appropriations, and to the Senate Committees on Finance, on Economic Development, Housing and General Affairs, and on Appropriations, and to the Joint Fiscal Committee by September 1.

**9:34 a.m. Tax Increment Financing Districts (TIF):
City of Montpelier Application**

Montpelier City Manager Bill Fraser advised the Council that all requested information had been submitted. He continued with an update on the status of the parking garage noting that City Council had voted to proceed with the project as expanded to 348 spaces. A special meeting will be held in a week for the public and Montpelier has reached a tentative agreement with Capitol Plaza. Michael Keane asked how Montpelier would ensure the transfer of knowledge of the TIF District in the event of staff turnover, given that a TIF is a 20-year commitment. Bill Fraser assured the Council that Montpelier has is structured to consider changes such as that in all areas of government, inclusive of a TIF. More specific to TIF, Montpelier will set up a separate accounting item.

ACCD Economic Research Analyst Ken Jones provided the Council with a summary of his analysis of the parking garage. Ken noted that since there is greater detail available on that project, there was also greater scrutiny. As part of his analysis, Ken evaluated the revenue streams for the project, noting that there is always uncertainty in terms of the economy. However, given the information provided, Ken determined that the revenues are sufficient to provide for repayment of the bond for the parking garage. DED Commissioner Joan Goldstein added that the Agency had found that Montpelier met all of the TIF criteria and recommended approval of the

district by VEPC. A complete summary of staff determinations and recommendations was previously provided to the Council.

Michael noted that Ken Jones' analysis advised that the bond interest rate of 3.5 was consistent with current rates and inquired as to whether Ken sees any movement in that number over the next few years. Ken noted that he uses the consensus forecast by the state economist for the legislative branch and state consultant and they recognize that the rates will probably increase but that they are not increasing rapidly.

Executive Director Megan Sullivan advised the Council that Montpelier did provide clarification from an attorney regarding property taxes and the parking garage. It is their attorney's opinion that the parking spaces are not taxable. Chair Stephan Morse asked who would make the final determination as to whether or not the leased parking spaces are taxable. Bill Fraser responded it would be Property Valuation & Review or the court. Megan noted that the City has been responsive and reiterated that the Agency found the TIF Plan and TIF Financing Plan met statutory compliance. However, staff did recommend a few conditions should the Council accept the motion. After review of the conditions, Montpelier indicated that they are comfortable with the four suggested conditions from the Agency.

Chair Stephan Morse then opened the meeting to anyone wishing to provide public comment. Stephen Whitaker, a Montpelier resident, requested that the Council postpone approval. He suggested that "the pit" as an alternative location for the garage since there could be egress in four or more locations. He does not believe the Hampton Inn with honor lease agreements beyond the first year. He believes the places for parking is not in the center of town, other than at "the pit," and requested that time be allowed to slow down and plan properly.

Bill Fraser advised the Council that the City's vote to proceed was approved 6 to 1. He also referenced an article that was published in July regarding the parking garage, and noted that terms of the agreement were released as soon as they were available. Bill went on to advise the Council that the parking garage depends on TIF, but TIF could survive and thrive without it. Regarding planning for the garage, the City has looked at "the pit" location, but they do not have site control. Bill also noted that the study completed in conjunction with the transit center originally called for a parking garage to be included, but it was eliminated for funding reasons. A component of that study looked at locations for a parking garage and identified two locations, one being the by the Capitol Plaza.

Ken Jones provided clarification regarding the question of taxation of the parking garage. The garage will be located on the parcel that hotel is on, but the increased value of the property comes from the hotel, not the garage.

- ❖ At 9:58 a.m. Mark Nicholson moved that the Council determine that the Montpelier TIF District Plan, TIF Financing Plan, and application met all approval criteria required by 32 VSA §5404a(h) including the But For, Purpose, Process Criteria, Location Criteria A and B, and Project Criteria A, B, and E. The Council also finds that there is Nexus between and among all private developments and infrastructure improvements and the Council approves 100% proportionality for all infrastructure improvements. The Council further finds that the District and Plan has market viability and is fiscally viable and that the Financing Plan is consistent with the TIF District Plan. The Council also approves the proposed 70% share of incremental education property tax increment towards the TIF District debt.

Therefore, the Council approves the TIF District Plan and TIF District Financing Plan and authorizes the TIF District to utilize incremental property tax revenues to finance public infrastructure debt and related costs incurred for the Montpelier TIF District in accordance with statute and rules, subject to the following:

- Annual reporting shall include job creation data with detailed information on employers such as type of business, number of employees, and previous location (if any), for tracking purposes only;
- Montpelier shall seek any and all appropriate non-TIF revenue sources, such as state and federal grants, parking revenue mechanisms, impact fees, and other sources. Annual reporting shall include notification to VEPC of all non-TIF sources of funding applied for, approved, and received;
- TIF funds will only support infrastructure improvements for those private development projects that take place in the high density zoned portion of the parcel known as Sabin's Pasture; and
- Acknowledgement from Montpelier that should the cost of the Main/Barre Street Intersection project should increase significantly, a substantial change request will be submitted to VEPC, subject to Statute and TIF Rule in place at that time.

Michael Keane seconded the motion. Chair Stephan Morse inquired as to further discussion. Mark Nicholson noted that the Council is approving Montpelier TIF based on the concept presented in the application; whether the bond issue goes through is up to the City of Montpelier. Chair Stephan Morse requested a roll call for the vote. All voted in favor and the motion passed. 9-0-0.

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

10:01 a.m. Executive Director Updates:

REMI Model Update: Ken Jones summarized the REMI Cost Benefit Analysis Model, used for VEGI incentive calculations. He noted that there are two parts to the model. The first is supplied by REMI and portrays the Vermont economy and allow VEPC to see the impact of the kinds of activities from VEGI applications. The outputs from this are fed into the second part of the model which shows how the application impact tax revenues, property tax revenues, transportation fund revenues, and general fund revenues. It is this second part that gets updated and approved by the legislature annually. These updates will be provided to the Joint Fiscal Committee at their next meeting. Ken noted that there have been past issues with background growth. Additionally, the REMI had some significant alternations last year so there was a delay in implementing those changes and the 2016 model was used for the past year. They will not be using the updated model. Ken noted there are no substantive changes this year and the new model that will be used for all final VEGI applicants for 2018. Ken has run all of the initial applications against modified model and found the changes to be minor.

Representative Jean O'Sullivan inquired as to whether there are any trends in changes to the REMI model. Ken noted that the biggest change in the model he has seen is in the construction outcomes. He noted that the impacts of business expansion are larger on population change, which increases overall economic activity but all increases government costs. Ken advised that he would like to modify model at some point because he believes it has some sensitivities that are not appropriate. He intends to work with Tom Kavet on that and submit to Council any recommendations. Commissioner Joan Goldstein asked whether the assumptions on growth are up to date. Ken stated that the background growth has not changed in 10 years, but growth is catching up and is now closer than it was 3-4 years ago.

VEGI: Executive Director Megan Sullivan advised the Council that VEPC intends to make contact with the 11 initial application approvals and encourage them to complete their final applications. Additionally, there are five new inquires that need to be followed up on.

VEPC Meeting Dates: The November and December meetings do not yet have a meeting location. These meeting could be held on alternative days. Deputy Commissioner suggested holding the meetings in TIF Districts. Megan Sullivan will email the Council with suggestions.

Megan Sullivan advised the Council that she anticipates South Burlington will submit a substantial change request for review at the next meeting. Chair Stephan Morse noted that the next meeting is scheduled for September 27, 2018.

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

- ❖ At 10:15 a.m., Michael Keane moved to adjourn the meeting. Patricia Horn seconded the motion. Chair Stephan Morse requested a vote, all voted in favor and the motion passed. 9-0-0.

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

Minutes taken by Abbie Sherman: August 30, 2018

Revised by Megan Sullivan: August 31, 2018

Approved by the Council: September 27, 2018