



MEETING MINUTES
JUNE 27, 2019
DEANE C. DAVIS BUILDING
1 NATIONAL LIFE DRIVE, MONTPELIER
CALVIN COOLIDGE CONFERENCE ROOM, 6TH FLOOR
9:30 A.M. TO 12:32 P.M.

Members Present: Chair John Davis, Mark Nicholson, Thad Richardson, Michael Keane, Patricia Horn, Betsy Gentile, Cheryl Hooker, Charlie Kimbell, and John Russell

Members Present by Phone: Rachel Smith

Members Absent: Emma Marvin

Staff Present: Megan Sullivan, Executive Director; Abbie Sherman, Grant Programs Manager; Shelley Pembroke, Marketing and Projects; Ryan Flanagan, Department of Economic Development Intern; Alex Duchac, ACCD Legal Counsel Intern; and John Kessler, General Counsel; Ken Jones, ACCD Policy Analyst

Others Present: Brian Poulin, Department of Taxes; and Sharon Henshaw

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

Chair John Davis called the meeting to order.

Chair John Davis requested introductions. Members present are noted above.

Chair John Davis inquired as to any comment by members of the public, hearing none, moved on to the next agenda item.

9:32 a.m. Minutes for May 30, 2019

Chair John Davis inquired as to any corrections or changes to the draft meeting minutes for May 30, 2019. Hearing none, requested a motion.

❖ At 9:33 a.m. Mark Nicholson moved to accept the May 30, 2019 minutes. Betsy Gentile seconded the motion. Chair John Davis inquired as to further discussion, hearing none requested a vote. All voted in favor and the motion passed. 10-0-0.

- ♦ Aye: Chair John Davis, Mark Nicholson, Thad Richardson, Michael Keane, Patricia Horn, Betsy Gentile, Cheryl Hooker, Rachel Smith, Charlie Kimbell, and John Russell
- ♦ Nay: None

DRAFT – COUNCIL APPROVAL REQUIRED AT NEXT MEETING.

- ♦ Abstain: None

9:33 a.m. Public Comment

9:33 a.m. VEGI Program Presentation

How VEGI applications Get to VEPC, from Inquiry to Completed Application.

Megan Sullivan gave a high-level overview of the review steps a VEGI applicant goes through from inquiry to claim. John Davis asked about how many referrals came from the RDCs. Megan detailed that it is a mix. Some applicants come from the RDCs and others might apply directly by learning about the program through word of mouth. Patricia asked why a company might be encouraged not to apply. Megan responded that it often had to do with not meeting the mandatory criteria such as the “But for.”

Megan reviewed the changes made to the application process in 2017 to streamline the process. Megan talked about how intensive the pre-application and application can be. Thad Richardson asked how involved the RDCs are in helping to streamline this process of helping with applications. Megan detailed that many RDCs are helpful in assisting with this, but an applicant works closely with VEPC staff as well. She also noted it may be worth talking to the SBDCs about having their advisors understand this process. It was noted that having RDCs attend the retreat would be beneficial.

Megan talked about the inquiries that VEGI has received this year noting a mix of expansions, relocations, and startups. The Council discussed what would lead to inquiring companies not to follow through with an application, including size of company and capacity of staff to take on statutory reporting requirements. Megan described where the inquiries from 2019 have stalled or dropped out. Some were looking for financing, Others did not meet the program requirements or the standards.

Next, Megan discussed the characteristics of VEGI participants. In total, the VEGI program has boasted 124 total participants and 5 of these participants have completed the program meeting and maintain all targets. She noted that VEGI being a 9 year program that started in 2007 wouldn't have a large number of completions yet. Half of the participants have been terminated early. A large percentage of the awardees for VEGI had 0-20 employees.

Charlie Kimball asked how impactful the program has been on overall employment for the state. Megan noted that 6,000 jobs have been created. Thad Richardson inquired about more data involving distribution per wages for these companies.

10:04 a.m. Ken Jones gave a presentation on How an Incentive is Calculated – REMI and Cost/Benefit Modeling.

Ken showed the formula for calculating the value of an incentive using Regional Economic Models, Inc. (REMI). REMI measures the changes in the economy based on changes to the

economy, including personal income, inflation, and value of the housing stock. It also shows negative feedbacks from growth including increased costs associated with services. Through this cost-benefit analysis, one gauge the net effect on the economy through business growth.

Ken noted many effects to the economy through business growth. When wages are increased, personal consumption patterns increase because people have more disposable income. Further, when employment is up, then the population will increase because it can support more people. These include employment changes that are direct, indirect, and induced (from spending wages).

John Kessler detailed that this model must be approved by the Joint Fiscal Committee. Ken agreed and noted that he must change calculations every year with JFC's approval.

Chair John Davis asked how it is tracked for its overall impact, with Ken responding that it is difficult to do this, providing only a rough estimate. Business growth likely incorporates a million-dollar project which is hard to measure in a \$30 billion economy here in Vermont.

Patricia asked Ken why the VEGI incentive isn't changed if a business over shoots its target. Ken responded to this by saying that a company should not receive the benefit without taking any risk.

Next, Ken described the program's overall effects on the transportation fund, education fund, and total revenue. He did this through a model with 15 employees and \$1M in payroll. Ken detailed how background growth might hinder incentive amounts. Charlie asked why background growth has had this effect on payments. Ken explained how background growth was determined and noted that the determinations made 11 years ago did not match what occurred for growth in the state.

10:34 a.m. Brian Poulin from the Vermont Tax Department gives a presentation on the VEGI Claim Process

Brian gave background on the State's incentive programs starting with EATI. He then explained the statutory process for VEGI requirements claims. He went over what happens if a company does not meet or maintain targets on the agreed upon schedule. Brian noted this process can add a layer of confusion to companies and complexity to administration.

Patricia Horn asked if a company creates 30 jobs within first year if their target was only 25, what happens? Poulin responded stating excess payroll and jobs are if still in place the following year are used for that next year's targets.

Brian continued his presentation by showing theoretical incentive payout and actual payout schedule. The topic of recapture was brought up and Brian noted under VEGI there have been 5 recaptures.

11:02 a.m. Quick Recess

11:09 a.m. Abbie Sherman, VEPC Grants program manager gave a TIF Program Presentation.

Abbie gave a definition for a TIF district, essentially stating it is a tool to use public investment to spur private investment. Abbie showed a graph of the lifespan of a district noting that Year 10 was when a district would start to see an increase in tax increment. Currently, there are 11 approved TIF districts and 9 of these are active. Michael Keene asked about potential TIF applications. It was noted that St. Johnsbury has submitted a letter of intent and Springfield has expressed interest.

Abbie discussed the various laws surrounding TIF, including Title 24, Title 32, and TIF Rule. After this, Charlie asked about 3rd party analysis. Ken Jones and John Kessler pointed out that you must draw on relevant agencies, so it can be tested to provide this verification. Betsy contributed to the discussion, noting a case in South Burlington with outsider analysis. Abbie went through the local and state approval and the criteria that is reviewed for approval, monitoring and compliance steps. substantial change requests and discussed a survey of 11 TIF District participants.

After this, John Davis asked what districts saw as important areas for clarification in the Rule update. Megan detailed that a district-wide meeting will be hosted in the future to discuss this item.

11:48 a.m. Megan provided an update on the Summer Retreat

Megan introduced Sarah Henshaw who will facilitate the retreat. Sarah Henshaw introduced herself, describing her experience in non-profits for over 20 years.

For the agenda, the morning will be looking at VEGI and the afternoon will be looking at TIF. For VEGI the Council and attending RDCs will be looking at the application process and any obstacles that exist. Part of this will be having conversations among RDCs and board members. Business incentives studies and alternatives used in other states will also be examined. The objective of the retreat is to understand what the next steps are to take.

The afternoon will focus on TIF with a discussion for the recommendations from the State Auditor's Office and review of issues raised in Saint Albans Substantial Change Request.

12:02 p.m. Megan introduced Alex, Duchac, ACCD Legal Counsel Intern, who presented on a Research project he is undertaking this summer.

Alex detailed that he is looking at TIF through a more holistic lens with his political science background. Through his research, he has found six core issues in TIF national involving oversight, transparency, "But For" tests, fund usage, growth capture, and loan periods. Alex mentioned that Vermont wrote laws and TIF rules to address these concerns.

Alex overviewed some of his initial research on the St. Albans TIF district. He showed changes in the District after the 2012 TIF was approved, affecting housing, development, and pedestrian traffic. He used photos from both 2012 and 2018. Alex also discussed changes in tax revenue in Winooski through its TIF project. Alex paid attention to rooms & meals taxes, sales & use taxes, and alcohol taxes, which appear to coincide with the timeline of these development project.

More discussion focused on how TIF has been used in communities such as South Burlington, and Barre. Alex detailed that he will soon be researching how other TIF projects and their effects on regional economies. Each case is unique and not all involve just a downtown development project.

At 12:32 p.m. Chair John Davis inquired as any other business, there being none requested a moved to adjourn.

Minutes taken by Ryan Flanagan and Shelley Pembroke: June 27, 2019

Revised by Megan Sullivan: July 1, 2019

Approved by the Council: 7/25/2019