

STATE OF VERMONT

November 17, 2017

VERMONT ECONOMIC PROGRESS COUNCIL

(FY18-TIF-08)

**Authorization to Utilize Incremental Municipal Property Tax and
Incremental State Education Property Tax Revenue for a Tax Increment
Financing District**

TOWN OF BENNINGTON

FINAL DETERMINATIONS, EXCLUSIONS, CONDITIONS, AND OBLIGATIONS



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Any references to infrastructure projects, real property development, parcels, values, increments, etc. contained in this document are as represented in the Bennington TIF District application filed with VEPC on September 28, 2017 (and amended with subsequent filings), considered by the Council on October 18 and November 17, 2017 and which may be adjusted by the subsequent filing of a TIF Finance Plan and/or substantial change filings, which must be approved by the Town of Bennington Select Board, in accordance with the Vermont Economic Progress Council’s Substantial Change Policy and Procedure.

I. Project Summary

A. Description

On September 11, 2017, the select board of the Town of Bennington voted to adopt the TIF District Plan and create a Tax Increment Financing District.

Bennington's TIF District encompasses the Downtown Improvement District (a State designation focused on the most densely developed part of the historic commercial center of Town), it encompasses most of the State Designated Downtown, and is entirely within the State Designated Growth Center and encompasses the cultural, commercial, and civic center of Town. The TIF District is surrounded by historic residential neighborhoods. Like most larger towns in Vermont, Bennington also has a commercial strip and industrial parks located outside of its downtown.

The TIF District is mixed-use, with primarily commercial and retail, and some residential. Zoning for most of the District is "Central Business." The purpose of the Central Business District is "to promote the sound economic growth of the Town through the preservation and continued development of Bennington's traditional downtown area as a major regional commercial, financial, service, governmental, cultural and residential center for Bennington County and surrounding areas." A portion at the east end of the District is zoned "Office and Apartment." The Office/Apartment District "encompasses an area of transition between the traditional downtown and surrounding residential neighborhoods. The purpose of this Zoning District is to encourage uses and associated development standards that are appropriate to the fabric and historic character of the village and are complimentary to, and won't directly compete with, the downtown."

The TIF District is entirely within the sewer and water districts. The TIF District includes the entire Downtown Bennington National Register Historic District and is within the Historic Central Business Design Review District.

The TIF District is approximately 70 acres (0.3% of town), includes 155 parcels (2.6% of town), and represents \$50 million in assessed value (4% of town). Some parcels (17) totaling \$8.2 million in assessed value are not taxable. The total original taxable value (not yet certified) for the 138 taxable parcels is \$42 million (4.1% of town), of which 10 parcels and \$1.5 million is Homestead (0.3% of town) and \$40.3 million is Non-residential (7.5% of town). The following compares the TIF District to the total town in more detail:

TIF DISTRICT AND TOWNWIDE ATTRIBUTES						
		TIF District		Total Town		TIF District as Percent of City
Acres	Total	70.49		27,038		0.3%
Parcels	Total	155		5,975		2.6%
Assessed Value	Total	\$50,103,100		\$1,249,374,425		4.0%
Ed Fund Taxable Value	Total	\$41,883,500	% of TIF GL	\$1,029,529,025	% of Ttl GL	4.1%
	Homestead (#)	10	6%	3,246	54%	0.3%
	Homestead (\$)	\$1,529,300	4%	\$490,724,300	48%	0.3%
	Non-Residential (#)	128	83%	2,476	41%	5.2%
	Non-Residential (\$)	\$40,354,200	96%	\$538,804,725	52%	7.5%
	Non-Taxable (#)	18	12%	253	4%	7.1%
	Non-Taxable (\$)	\$8,197,200	19.6%	\$219,345,400	21%	3.7%

The TIF focus is the redevelopment and infill of the downtown area. The focal point is the Putnam Block development at Main and South Streets. The District extends to the west side of Washington and Depot Streets to the west, north to River and Gage Streets, and south and east along Union Street.

According to the municipality, TIF will enable Bennington to attract development and facilitate crucial transformations from concept to reality. The establishment of a Bennington TIF District would have immediate impact on multiple private investment opportunities, large and small.

The Putnam Block redevelopment, a four-acre \$52,000,000 commercial, residential, institutional redevelopment proposal at the center of Bennington’s Downtown, including Bennington’s most iconic and historic downtown buildings, will be developed in two phases. While the first phase may start prior to approval and implementation of the TIF District, both phases are dependent on public infrastructure and will be supported by public TIF-enabled infrastructure investment essential to the project’s success.

The proposed TIF boundary includes additional targets for redevelopment in varied concept stages. It is anticipated that the completion of the Putnam Redevelopment will set the stage for further investment in the Downtown. Principal among these, noting likely scenarios, are: one acre of vacant land (Tuttle’s Lot) within a block of the Putnam Redevelopment (mixed use/lodging/housing), the planned purchase of the historic former Bennington Brush Company along the Walloomsac River (multiple commercial and office tenancy), the redevelopment of the 19th-century four story Catamount School (housing), and the adaptive re-use of the former Bennington High School (housing and assisted living). Whether taken individually or collectively, this re-development potential is a clear target for Tax Increment Financing of necessary and associated public infrastructure investment.

B. Infrastructure Improvements

Bennington's TIF District Plan includes Infrastructure projects totaling approximately \$7.045 million (including soft costs, contingency, and a 3% inflation value) for the following general categories:

- Brownfield remediation (\$0.7 million)
- Public facility/Amenities (\$2.2 million)
- Storm Water Improvements (\$0.3 million)
- Transportation Enhancements (\$1.6 million)
- Transportation Improvements (\$1.2 million)
- Utilities (\$0.6 million)
- Water System Improvements (\$0.4 million)

The following have been identified in close connection to the private sector developments described above. The projects are clustered by area and include multiple types of infrastructure that will be needed to encourage and support the private developments as described above. Estimated costs are present value (no inflation factor included).

▪ West Main Street

Streetscape improvements between Depot Street and North/South Street (repair/reconstruct sidewalks, crosswalks, and bricks, install planters, benches, trash/recycling barrels, trees/landscaping, wayfinding signs, accommodations for cyclists). Driveway/circulation improvements at Putnam Block.

Other Revenue/status: Possible Downtown Transportation Fund Grant.

Estimated Cost: \$116,000

▪ Putnam Square/Four Corners

Intersection streetscape improvements (crosswalks, decorative pavement/concrete in intersection, accommodations for cyclists), wayfinding signs.

Other Revenue/status: Possible Downtown Transportation Fund Grant

Estimated Cost: \$159,000

▪ Washington Avenue

Streetscape improvements between Main Street and Elm Street (sidewalks, curbs, benches, trash/recycling barrels, trees/landscaping, wayfinding signs, accommodations for cyclists). Driveway/circulation improvements at Putnam Block.

Lighting improvements (decorative poles/fixtures).

Other Revenue/status: Possible Downtown Transportation Fund Grant, Possible VTRANS Transportation Alternatives Grant

Estimated Cost: \$148,000

- **Putnam Block**

Acquisition of a portion of the property, remediation of contamination, construction of public parking lot, public park/green space, storm water improvements, sidewalks, and driveways, and installation of lighting and underground utilities.

Other Revenue/status: Possible Downtown Transportation Fund Grant and possible EPA Brownfields Remediation grant.

Estimated Cost: \$2,118,000

- **Franklin Lane**

Streetscape improvements between Main Street and Washington Avenue (sidewalks, crosswalks, curbs, planters, benches, trash/recycling barrels, trees/landscaping, wayfinding signs, accommodations for cyclists). Lighting improvements (decorative poles and fixtures). Storm water improvements. Driveway/circulation improvements at Putnam Block. Alleyway improvements between Buckley Building and Drysdale Building (first block off Main Street), including pavers or stamped concrete to create a shared street.

Other Revenue/status: Possible VTRANS Bike/Ped Program Grant, possible VTRANS, Transportation Alternatives Grant, possible Downtown Transportation Fund Grant - \$80,000

Estimated Cost: \$265,000

- **West Main and Washington Intersection**

Improvements to intersection signalization (installation of pedestrian signals, upgrades to controller). Intersection streetscape improvements (crosswalks, decorative pavement/concrete in intersection, accommodations for cyclists), gateway treatment, and wayfinding signs.

Other Revenue/status: Possible Downtown Transportation Fund Grant.

Estimated Cost: \$185,000

- **South Street**

Streetscape improvements between Main Street and Elm Street (repair/reconstruct sidewalks, crosswalks, and bricks, accommodations for cyclists). Gateway treatment at Elm Street.

Other Revenue/status: Possible Downtown Transportation Fund Grant

Estimated Cost: \$131,000

- **Depot Street**

Installation of new water main to serve new multi-story development (fire-flow for sprinklers). Reconstruction of Depot Street Bridge. Streetscape improvements between Main Street and River Street (planters, benches, trash/recycling barrels, trees/landscaping, wayfinding signs, accommodations for cyclists). Driveway/circulation improvements at Tuttle's Property and 120 Depot.

Other Revenue/status: Possible Downtown Transportation Fund Grant, VTRANS Structures Grant (Bridge) - \$897,000 (80% of \$1,121,154 estimated to reconstruct Depot Street Bridge)
Estimated Cost: \$1,506,000

- **Bennington Station Parking Lot**

Improvements to public parking lot (resurfacing, landscaping, lighting), Construction of public restroom to serve Amtrak Rail-bus-stop.

Other Revenue/status: Possible VTRANS Transportation Alternatives Grant, possible Downtown Transportation Fund Grant - \$75,000
Estimated Cost: \$235,000

- **Bennington Pathway**

Improvements to existing narrow pathway between Park Street and Bennington Station – resurfacing, widening, lighting, landscaping, improved road crossings. Construction of new sections of pathway on Catamount property, from North Street to a proposed rail-trail, and a bicycle bridge at North Street.

Other Revenue/status: Possible VTRANS Transportation Alternatives Grant, possible VTRANS Bike/Ped Program Grant - \$80,000
Estimated Cost: \$161,000

- **North Street**

Streetscape improvements between Main Street and River Street (repair/reconstruct sidewalks, wayfinding signs, accommodations for cyclists). Gateway treatment at River Street.

Other Revenue/status: Possible Downtown Transportation Fund Grant
Estimated Cost: \$116,000

- **Catamount School**

Acquisition of a portion of the property, construction of public parking lot, public park/green space, storm water improvements, and driveway, and installation of lighting.

Other Revenue/status: Possible Downtown Transportation Fund Grant
Estimated Cost: \$423,000

- **Pleasant Street East Parking Lot**

Improvements to public parking lot (resurfacing, landscaping, lighting).

Other Revenue/status: Possible Downtown Transportation Fund Grant
Estimated Cost: \$129,000

- **Tuttle's Lot**

Acquisition of a portion of the property, construction of a public parking lot, storm water improvements, and a sidewalk between North Street and Depot Street, and installation of lighting.

Other Revenue/status: Possible Downtown Transportation Fund Grant
Estimated Cost: \$361,000

▪ **Merchant’s Park**

Improvements to public park, including landscaping, hardscape, lighting, benches, tables, trash/recycling barrels, and an outdoor performance/music venue.

Other Revenue/status: Possible Downtown Transportation Fund Grant
Estimated Cost: \$135,000

▪ **East Main Street**

Streetscape improvements between North/South Street and Pleasant Street. Repair/reconstruct sidewalks, crosswalks, and bricks between Four Corners and Valentine. Repair/reconstruct/construct/install sidewalks, crosswalks, curbs, planters, benches, trash/recycling barrels, bulb-outs, trees/landscaping, wayfinding signs from Valentine to Pleasant. Install accommodations for cyclists. Driveway/circulation improvements at the former Ben-Hi. Improvements to Nichol’s Building alley and Banner Building alley. Gateway treatment at Pleasant Street. Lighting improvements between Valentine and Pleasant Streets.

Other Revenue/status: Possible Downtown Transportation Fund Grant - \$50,000 for alleyway improvements, possible VTRANS Bike/Ped Program Grant, possible VTRANS Transportation Alternatives Grant - \$400,000 for Valentine to Pleasant improvements
Estimated Cost: \$612,000

▪ **Former Bennington High School**

Acquisition of a portion of the property, construction of public parking lot (paving, landscaping, lighting), public park/green space, storm water improvements, and driveways, and installation of lighting.

Other Revenue/status: Possible Downtown Transportation Fund Grant
Estimated Cost: \$243,000

C. Real Property Developments

The town has assessed and ranked potential development opportunities within the TIF District using a three-tier analysis based on impact, planning stage, financing, and design.

Tier 1 includes the two most likely projects to proceed in the near term:

- The Putnam Block has advanced through conceptual, design, and engineering stages; has dedicated development partners, some of whom will also be tenants; and has a structured financial plan, which includes TIF support for Phase 2. It is the keystone project of all the opportunities analyzed and ranked, and is viewed as the catalyst to other projects moving forward.

- The Academy/Catamount School Redevelopment has an owner committed to re-development of the property. Potential partners in the redevelopment exist. The property owner projects strong marketability post-redevelopment.

Tier 2 includes properties which have owner-investor interest in pursuing the obvious development potential of the buildings and land located in the Downtown and within the TIF District. These Tier Two projects can possibly move forward independent of other development initiatives, but will certainly benefit from the economic momentum which will accrue with the Tier 1 Putnam Redevelopment.

Tier 3 properties include buildings and land which have development potential identified within the planned collective vision for Bennington Downtown. Each has the potential for redevelopment in a three to eight-year window.

All three tiers highlight properties which have been previously identified in planning documents as valuable high priority opportunities.

For the purposes of evaluating District potential, the Town Assessor has developed estimated post-development values based on known factors and possible build-out scenarios. While Tiers 2 and 3 are speculative, these are reasonable estimates of what could result as investment builds and the market strengthens.

Tier 1

▪ The Putnam Block

The Putnam Block site encompasses the historic Hotel Putnam, Old Courthouse, and Winslow Building, in addition to the buildings encompassing the defunct Greenberg lumber business. There are six parcels in total.

In June 2016, the Bennington Redevelopment Group, LLC (BRG) entered into an option agreement to acquire the Putnam Block parcels. By December 2016, BRG had developed conceptual plans and completed a feasibility analysis for the redevelopment of the historic buildings, as well as the construction of two new buildings. Those plans include remediating contaminated media present on the Putnam Block. (A draft Corrective Action Plan (CAP) was completed in spring 2017 and received final approval from VT DEC in August 2017.)

BRG plans to purchase and redevelop the Putnam Block parcels in two phases:

Phase 1 (Fall 2017 through December 2018) entails renovations to three historic buildings -101 and 109 South Street (the Courthouse and Hotel Putnam), and 335 Main

Street, the Winslow Building) - and environmental remediation to the three parcels on which they are located. Plans include the creation of residential units on the upper floors of the Hotel Putnam and Winslow Building, and improvements to add additional retail and office space to all of the buildings, including an anchor hardware store in the Winslow Building and a 75-seat restaurant in Hotel Putnam. Other planned activities include the demolition of various storage buildings on Main Street and Washington Avenue.

Phase 2 (Fall 2018 through December 2019) entails the construction of two new mixed-use retail/office/residential buildings. Anchor businesses in these two new buildings would include a 9,000 SF grocery store; 10,000+ SF designated for Southwestern Vermont Health Care (SVHC) programming (likely express care, and dialysis or wound care programming); 6,400+ SF for the Southwest Region Visiting Nurses and Hospice program; and as much as 10,000 SF for Southern Vermont College's nursing education program. Forty-five apartment units targeting young professionals and senior/baby boomers will also be created in the two buildings.

Phase 2 will entail much of the environmental mitigation, which will include soil excavation and off-site disposal of TCE-impacted soil around the old Greenberg warehouse, excavation and re-use of soil impacted with low levels of PAHs, and the capping of material beneath paved areas on site.

All totaled, the project will encompass 66,000+ SF of renovations and 94,000 SF of new construction, and will cost nearly \$52 million.

Uses: Rental Housing, Institutional (college/medical center), Retail, Office, Restaurant

Current Assessment: Phase 1 (Courthouse - Putnam Hotel – Winslow): \$1,299,400; Phase 2 (Former Hardware and Mobil Station): \$1,068,400.

Post Development Assessment: Phase 1: \$4,655,210 (66,583 sq. ft.); Phase 2: \$6,566,190 (93,717 sq. ft.).

Completion Date: Phase 1 – Spring 2019, Phase 2 – Spring 2020 (less last building projected for Summer 2021).

- **Catamount School, North Street**

The historic 19th century former St. Francis Academy, a four-story former educational building most recently referred to as the Catamount School, stands prominently on North Street adjacent to the Walloomsac River. Plans call for 20 one- and two-bedroom market rate apartments. The project would include interior renovations, exterior restoration of the intact historic architecture, and site improvements. The building sits back from the street (the former playground), affording the opportunity for on-street downtown greenspace and parking for tenants.

Uses: New Rental Housing (20 Units) in Brookside (North Street) Building.

Current Assessment: \$385,900.

Post Development Assessment: \$1,280,200

Completion Date: 2021

Tier 2

▪ **The Bennington Brush, North Street**

The historic former Bennington Brush Manufacturing complex on North Street is the subject of a possible purchase for the purpose of a mixed-tenancy along the Walloomsac River. The series of period buildings offers a variety of spaces, large and small for redevelopment. A Veterans' Administration Clinic located in a portion of the complex intends to expand.

Uses: Medical (planned expansion), Retail, Office,
Current Assessment: \$625,000
Post Development Assessment: \$1,432,100
Completion Date: 2021

▪ **Bennington High School, East Main Street**

The vacant 90,000 sq. ft. historic Bennington High School, which most recently served as the Middle School, is situated prominently on East Main Street on the approach to downtown. Two previous projects for an assisted living facility have been designed and obtained permits, but did not proceed due to cost. A conceptual plan for 45 market rate apartments, tenant support areas (laundry, fitness room, etc.), and a rental gymnasium use, along with cost estimates and a market study were recently developed, but also did not proceed, despite confirmation of strong market demand, as projected revenues were inadequate to support the renovation costs. A local developer has expressed interest in attempting to close the gap in financing and revive the project.

Uses: Housing (up to 40 Units), Office, Recreation (Gymnasium)
Current Assessment: \$146,000.
Post Development Assessment: \$3,010,900
Completion Date: 2022

▪ **The Tuttle Company Site, Depot Street**

The vacant site, formerly the Tuttle Company hardware and building supply complex, offers prime development space in close proximity to the Putnam Redevelopment site. A purchase of the property for redevelopment is pending.

Uses: Housing, Retail, Office
Current Assessment: \$227,200
Post Development Assessment: \$2,692,800
Completion Date: 2023

Tier 3

The following projects have development potential and have long been discussed within the market. These projected square footages and values are the result of a review of existing building and lot square footage and an estimate of value by the Town's Assessor based on current market values of similar developments.

- **The Harte Block**

Renovation of single story underutilized building located at the main intersection (Four Corners) in Bennington Downtown – the intersection of Vermont VT Route 9 and US Route 7 – to accommodate retail, restaurant and/or office uses.

Uses: Retail, Restaurant, Office (Currently Over 50% Vacancy) (Single Story Building)

Current Assessment: \$408,200.

Post Development Assessment: \$712,300

Completion Date:2020

- **Banner Building**

Renovation of two-story underutilized building located on Main Street to accommodate first-floor retail, restaurant, and/or office uses. Underutilized upper story could also be re-developed.

Uses: Retail, Office, or Restaurant (50% Vacant on First Floor)

Current Assessment: \$457,000.

Post Development Assessment: \$693,000

Completion Date:2020

- **People’s Bank Building**

Renovation of three-story underutilized building located at the main intersection (Putnam Square) in Bennington downtown - the intersection of Route 9 (Main Street) and Route 7 (North/South Street) – to accommodate office and/or apartment use in the vacant/underutilized second and third floors. The first floor is occupied by People’s United Bank.

Uses: Housing, Office (Vacant Upper 2 Stories)

Current Assessment: \$749,100

Post Development Assessment: \$844,500

Completion Date:2020

- **Old Drysdale Building**

Renovation of this mostly vacant three story historic building at the corner of North and River Streets to accommodate first floor retail space and upper story offices and/or apartments. The is 3rd floor currently occupied.

Uses: First Floor Retail or Office; 2nd and 3rd floor Apartments (6-8 units) (Building Currently Vacant)

Current Assessment: \$257,200

Post Development Assessment: \$577,500

Completion Date:2021

- **Cone Building**

Renovation of two- story underutilized historic building located on Main Street to accommodate office and/or apartment use on the underutilized second floor.

Uses: Housing, Office

Current Assessment: \$578,200

Post Development Assessment: \$732,800

Completion Date:2021

- **Nichols Building**

Renovation of three-story Main Street historic building to accommodate housing and/or office uses on underutilized 2nd story and vacant 3rd story.

Uses: Housing, Office (Vacant Upper 2 Stories)

Current Assessment: \$312,300

Post Development Assessment: \$428,200

Completion Date:2021

- **Ritchie Block**

Renovation of underutilized second story of three-story Main Street historic building to accommodate housing.

Uses: Office, Housing (3 Story building with 2nd Story-underutilized)

Current Assessment: \$743,300

Post Development Assessment: \$883,100

Completion Date:2021

- **Greenawalt Lot**

Construction of multi-story mixed use building on long-vacant Main Street lot.

Uses: Three Story Mixed Use Building

Current Assessment: \$98,300

Post Development Assessment: \$808,700

Completion Date:2022

- **Sleeman Lot**

Construction of multi-story apartment building on long-vacant Main Street lot.

Uses: Multi Story Mixed Use Building

Current Assessment: \$76,900 & \$66,500.

Post Development Assessment: \$807,400

Completion Date:2022

- **120 Depot Street**

Redevelopment of aging strip-mall property by demolishing existing structures and constructing a multi-story mixed use building.

Uses: Multi Story Mixed Use Buildings(s) – Currently Single-Story Plaza

Current Assessment: \$920,100.

Post Development Assessment: \$2,713,800

Completion Date:2025

D. TIF Debt and Revenue

The Town estimates the cost of improvements at \$7.045 million (including soft costs, contingency, and inflation factor). None of the improvements will directly serve or are being built to serve other municipalities, nor will they serve major portions of Bennington outside the District. Therefore, none of the costs need to be allocated to other municipalities or to the non-TIF portions of the Town of Bennington.

All the improvements are completely within the District, are directly related to, and serve the TIF District. Therefore, the town is proposing 100% proportionality for all improvements. Staff recommendation on proportionality is discussed in Section III.D.

The municipality estimates the potential availability of around \$1.355 million in other resources that could be used to help pay for improvement costs. Therefore, the approximate debt principal to be financed will be \$5.730 million. At this time, the municipality plans to issue four bonds, starting in 2019, with total interest costs of \$2.0 million and a total debt service of \$7.782 million.

Bennington estimates that the increase in the grand list due to the projected private sector developments will generate \$9.474 million in incremental property tax revenues during the 20-year retention period (\$3.8 million municipal and \$5.6 million education).

The municipality has pledged 100% of the municipal increment to the TIF District debt and is requesting the maximum 70% of the education increment. If approved, these retention percentages will yield incremental revenues of \$7.8 million.

These projections result in a difference of only \$17,394 between revenues and debt. This is a 99.7% debt to revenue ratio, which is very tight. While this is just enough revenue to cover potential debt, the municipality will have deficits in the first few years due the timing of debt versus improvements and development, which cause a delay in revenue generation. The municipality plans to cover the deficits with other sources of revenue or bond anticipation notes (BAN).

The municipality will have to very careful as they incur debt to ensure that developments will occur and will generate expected revenues. Seeking and securing additional non-TIF sources of revenue that are not included in this estimate will also alleviate the tight debt ratio. Recommendations are included in the staff conditions at the end of this write-up.

II. TIF Revenue and Debt Summary

Town of Bennington TIF District	
Summary of Revenue and Debt	
Original Taxable Value (2018):	
Total Base Taxable Value (Original Taxable Value)	\$41,883,500
Homestead	(\$1,529,300)
Non-Homestead	(\$40,354,200)
Total Base Annual Property Tax Revenues	\$1,163,243
Municipal	(\$478,687)
Education Total	(\$684,556)
Homestead	(\$22,828)
Non-Homestead	(\$661,728)
Projected Revenue:	
Total Estimated Incremental Property Tax Revenue	\$9,474,301
Municipal Increment	(\$3,891,249)
Total Education Increment	(\$5,583,052)
Homestead	\$0
Non-Homestead	(\$5,583,052)
Incremental Revenue Split:	
Total Incremental Revenue to Service TIF Debt	\$7,799,385
Municipal to TIF (100%)	(\$3,891,249)
Education Homestead to TIF (70%)	\$0
Education Non-Homestead to TIF (70%)	(\$3,908,136)
Total Incremental Revenue to Municipal General Fund (0%)	\$0
Total Incremental Revenue to Education Fund	\$1,674,916
Homestead (30%)	\$0
Non-Homestead (30%)	(\$1,674,916)
Projected Improvement Costs:	
Total Estimated Improvement Costs	\$7,045,518
Related Costs	\$40,000
Estimated Non-TIF Sources of Revenue	(\$1,355,000)
Total Improvement Costs to Be Financed (Principal)	\$5,730,518
Total Estimated Cost of Financing (Interest)	\$2,051,473
Total Debt Service	\$7,781,991
Potential Excess Revenue:	\$17,394

III. Timeline and Power and Life of TIF District

A. Application Timeline

VEPC Staff meeting with Town Officials:	January 23, 2017 and June 13, 2017
Municipal Notice of Intent to Apply Filed:	July 17, 2017
Earliest Date Application Could be Filed:	September 17, 2017
Municipal Notice of Hearing on TIF District Plan:	September 1, 2017
Municipal Hearing(s) on TIF District Creation and Plan:	September 11, 2017
Municipal Legislative Body Vote on TIF District Creation:	September 11, 2017
Municipal Legislative Body Vote on TIF District Plan:	September 11, 2017
TIF Plan Filed and Recorded with Town Clerk:	September 11, 2017
Assessed Values Certified by Town Assessor:	September 27, 2017
Life of TIF District Starts:	April 1, 2017
TIF District Application Filed with VEPC:	September 28, 2017
Application Certified as Administratively Complete:	September 29, 2017
Preliminary Review by VEPC (Tour District):	October 18, 2017
Public Comment:	October 18, 2017
Final Review of Application:	November 17, 2017
Final Consideration of Determinations by VEPC	November 17, 2017
Final Determination Document Approved by VEPC	February 22, 2018

B. Power and Life of District

Date TIF District Created by Vote of Municipal Legislative Body:	September 11, 2017
Date TIF District Life Began: (12:01 a.m. on):	April 1, 2017
Deadline to Incur Debt to Avoid Termination (Unless extended by VEPC):	March 31, 2022
Deadline to Incur Debt That Can be Paid with Incremental TIF District Revenues:	March 31, 2027
Period During Which Any TIF Debt Must be Retired:	As Authorized by Select Board
Length of Debt Service for each Debt instrument:	As Authorized by Select Board
Twenty Year Period During Which Incremental Municipal and Education Property Tax Revenues May be Retained to Finance TIF District Debt:	20 years from the year first TIF debt incurred
Date TIF District Ends	Date/Hour all TIF debt is retired

IV. TIF District Application Review Criteria: Summary of Determinations

(Note that this is a summary only and each determination is subject to the conditions, limitations, and/or exclusions detailed in Section V.)

- A. Purpose:** The Council determines that the Bennington TIF District meets the statutory purpose of a TIF District as stated 24 VSA § 1893. Council conditions this determination with a requirement that the annual reporting on this TIF District include job creation data with detailed information on the employees that locate within the TIF District, such as type of business, number of employees, and previous location.
- B. But For:** The Council determines that the Bennington TIF District Plan meets the But For criteria as required by 32 VSA §5404a(h)(1).
- C. Nexus:** The Council determines that nexus exists between all proposed public infrastructure projects, all parcels, and all expected private sector developments in the Bennington TIF District application and as required by 24 VSA §1894(e).
- D. Proportionality:** The Council determines that proportionality is set at 100% for each infrastructure project as presented in the Bennington TIF District application, with the condition that the Town of Bennington seek any available and appropriate non-TIF funding sources to offset TIF revenue.
- E. Process Criteria:** The Council determines that the Bennington TIF District has met the Process Criteria as required by 32 VSA §5404a(h)(2) and approves a 70% share of education property tax increment and 100% share of the municipal property tax increment.
- F. Location Criteria:** The Council determines that the Bennington TIF District is almost entirely within the Town's Designated Downtown approved under 24 VSA §2793 and is entirely within the Bennington Designated Growth Center approved under 24 VSA §2793c. Additionally, the Council determines that Town of Bennington meets all three economic distress criteria contained in 32 VSA §5404a(h)(3)(c). Therefore, two of the three the Location Criteria as stated in 32 VSA §5404a(h)(3) are met, specifically (B) and (C).

- G. Project Criteria:** The Council determines that the Bennington TIF District meets the “Need” Project Criterion as required by 32 VSA §5404a(h)(4)(A), the “Affordable Housing” Criterion as required by 32 VSA §5404a(h)(4)(B), and the “Brownfields” Project Criterion as required by 32 VSA §5404a(h)(4)(C).
- H. Viability:** The Council determines that the Bennington TIF District Plan and TIF Financing Plan indicate fiscal and market viability to the extent possible at the time of review by Council. Council conditions this approval with the requirement that the Town of Bennington pursue appropriate non-TIF revenue, such as state and federal grants.
- I. Financial Plan:** The Council determines that the TIF Financing Plan is consistent with the TIF District Plan. The TIF District Finance Plan is approved with the condition that the Annual Report from the Town include details regarding application for and approval or denial of any state and/or federal grants that are expected to be utilized for TIF District infrastructure projects.

V. TIF District Application Review Criteria: Detail of Determinations

A. Purpose

24 VSA §1893:

“...to provide revenues for improvements that serve the district and related costs, which will stimulate development or redevelopment within the district, provide for employment opportunities, improve and broaden the tax base, or enhance the general economic vitality of the municipality, the region, or the state.”

“provide revenues:” The municipality projects that during the 20-year retention period (estimated to be 2019-2039), the development that is expected to occur will generate a total of \$9.474 million in incremental property tax revenues. The municipality proposes to split the incremental Education Property Tax revenues 70%/30% and the municipal increment 100%/0%. With these shares, and based on the projected build out schedule, \$7.8 million in incremental property tax revenue would be generated to service TIF infrastructure debt and pay related costs. Total infrastructure costs are estimated at \$7.0 million and the town projects about \$1.355 million in non-TIF revenue, leaving \$5.730 million in principal debt, plus \$2 million in interest for total debt of \$7.781 million to be covered by the expected TIF revenue with a margin of \$17,394.

“improvements that serve the District:” All of proposed public investments are located entirely within the TIF District and serve the District. Town officials, developers, and others providing comments to the Council have stated that the investments are necessary to encourage, and in most cases enable, the projected private developments within the TIF District.

“stimulate development and redevelopment within the District:” The expected development includes a mix of retail, service, commercial, and residential. The application includes letters from developers, a cross-reference of the infrastructure that is required for each project and testimony was also provided at the October hearing regarding the need for public infrastructure to stimulate and encourage these projects to occur.

“provide for employment opportunities:” According to data provided by the applicant (Table 7K in the TIF data Workbook), there are currently about 182 businesses within the TIF District with about 1000 jobs, 765 full-time, primarily in retail, finance and insurance, health care, social services, education, hospitality, and government. The development projects will provide additional jobs in retail including a new hardware

store and grocery store, restaurants, health care, and education. An employment impact study for the Putnam Block project estimates the creation of 353 FTEs for that project alone.

“improve and broaden the tax base and enhance general economic vitality of the municipality, the region, or the state.” As a result of the implementation of the TIF District and the resultant private real property development, the tax base will expand considerably over the next twenty years. Bennington and the State will realize incremental tax revenues. Prior to the TIF, the annual base of property tax revenue from the TIF District going to Bennington and the Education Fund is \$1.163 million per year (\$478,687 municipal and \$684,556 education). During the 20-year TIF retention period, because of the 70/30 share of the increment, the 30% share of the education increment will send an estimated \$1.675 million in total incremental property tax revenues to the Education Fund. After the retention period, the annual property tax revenue to the municipality and the education fund will increase by \$562,737 annually. The added commercial and retail activity will also provide additional state tax revenues through income, sales and use, and payroll taxes. The plan will also re-vitalize the region’s a hub of economic, social, and cultural activity.

Determination to be made:

Will the District generate incremental revenues sufficient to finance public infrastructure that serves the District and which stimulates real property development that will add jobs, broaden the tax base, or enhance the general economic vitality of the municipality, region, or state?

Determination:

The Town’s projections – including their assumptions regarding the scope and schedule of the real property development, tax rates, revenue split percentage (70/30% education and 100/0% municipal), infrastructure costs, and financing costs and terms - appear to generate incremental revenues sufficient to service the debt the Town plans to finance with TIF revenues.

The infrastructure projects appear to serve the District and evidence indicates that the private real property development is dependent on the infrastructure being built. Further evidence shows the potential creation of a substantial level of employment, an enhanced tax base, and an improvement to the economic vitality of the municipality and region, if the development proceeds as planned.

As with all TIF applications, the possibility exists that the private sector development will not occur or will be delayed, or commercial and retail space, and residential space, could

be developed and remain unfilled. There is also the further concern, as with any TIF District, that existing businesses and jobs could move into the District to the detriment of another part of town or another municipality.

Therefore, based on the Bennington TIF District Plan, as presented and amended, and testimony before Council, the Council determines that Bennington TIF District meets the statutory purpose of a TIF District as stated in 24 VSA § 1893. The Council conditions this determination with the requirement that, for tracking purposes only, the annual reporting on this TIF District include job creation data with detailed information on the employers that locate within the TIF District, such as type of business, number of employees, and previous location.

A. But For Criteria

32 VSA §5404a(h)(1):

“(1)(A) Review each application to determine that the infrastructure improvements proposed to serve the tax increment financing district and the proposed development in the district would not have occurred as proposed in the application, or would have occurred in a significantly different and less desirable manner than as proposed in the application, but for the proposed utilization of the incremental tax revenues.

(B) The review shall take into account:

(i) the amount of additional time, if any, needed to complete the proposed development within the tax increment district and the amount of additional cost that might be incurred if the project were to proceed without education property tax increment financing;

(ii) how the proposed development components and size would differ, if at all, including, if applicable to the development, in the number of units of affordable housing, as defined in 24 V.S.A. § 4303, without education property tax increment financing; and

(iii) (I) the amount of additional revenue expected to be generated as a result of the proposed development;

(II) the percentage of that revenue that shall be paid to the education fund Education Fund;

(III) the percentage that shall be paid to the municipality; and

(IV) the percentage of the revenue paid to the municipality that shall be used to pay financing incurred for development of the tax increment financing district.”

1. Can the Town build this level of infrastructure without the incremental property tax revenues?

According to data published by the Department of Taxes/PVR for 2016 effective tax rates, Bennington’s Homestead and Non-homestead tax rates are average for Bennington County.

The current annual municipal budget (FY18), which includes general operating, parking, water, and sewer is \$18.2 million and averaged \$16.2 million over the past ten years (See Table 4B). The current level of annual debt service paid by Bennington voters is \$1.9 million and has averaged \$1.4 million per year since 2009 (See Table 4D).

The total infrastructure costs in the application that the Town plans to finance with TIF revenue, plus the cost of financing, are \$7.4 million. Average annual debt service would be about \$322,000 per year for 20 years (actual payments would be graduated from \$191,000 to \$370,000 million per year). If added to the annual town budget or debt service, the debt costs outlined in the TIF application would add 1.8% to the Town’s annual budget or 17% to the normal debt service.

The analysis provided by Ken Jones states, “the bond debt for Bennington is not at a higher level than for other comparable towns and cities in Vermont. The following table was created using bond debt information collected from audit reports for the listed municipalities.

	Long Term Debt	Per Capita Debt
Bennington	\$12,853,322	\$817
Brattleboro	\$36,822,565	\$3,067
Hartford	\$25,948,870	\$2,503
Rutland	\$14,576,053	\$843
Barre	\$15,900,000	\$1,711
Montpelier	\$31,000,000	\$3,858
Newport	\$7,400,296	\$1,479
Manchester	\$5,942,000	\$1,422

While this table shows that Bennington does not have a debt burden larger than many other large towns in Vermont, the affordability of bond debt is related to residents’ income.

A compelling observation within the application is that Bennington has a household median income significantly lower than other communities in the state. This is supported by the data that shows:

	Median Household income
Bennington	\$40,344
Brattleboro	\$47,597
Hartford	\$56,927
Rutland	\$41,345
Barre	\$41,156
Montpelier	\$61,508
Newport city	\$30,100
Manchester	\$44,473

• Bennington County	\$49,573
• Windham County	\$51,045
• Chittenden County	\$65,350
• State of Vermont	\$55,176

Source: American Community Survey – 5 year averages, 2011-2015

An additional factor to consider (which includes both the bond payments and the annual capital budget for infrastructure) is the existing municipal tax rate for Bennington and comparable towns:

	Effective Muni Rate
Bennington	0.5915
Brattleboro	1.25
Hartford	0.9467
Rutland	1.475
Barre	1.785
Montpelier	0.9727
Newport city	1.0761
Manchester	0.265

To put the Bennington tax rate in perspective, a 10 cent increase in the municipal tax rate would increase available revenues to the Town by close to \$1 million per year.”

The Bennington application also includes the following financial challenges impacting the ability of the town to add further debt burden on the voters:

- Over \$12.5 million of new debt from State-mandated upgrades to the Town’s Wastewater Treatment Facility (last upgraded in 1985) and a Public Works Facility (replacing 1950’s era structures) for which bond payments will begin in the next one to three years.
- Aging water and sewer infrastructure (some of which is more than 150 years old) that needs upgrades and/or replacement and that requires significant annual expenditures in maintenance and improvements now and over the next 20 years.
- State requirements to install costly storm water improvements.
- A stagnant Grand List.
- Stagnant population growth.
- Median incomes well below the State average.
- A poverty level significantly higher than the State Average.
- 60% of all renters paying more than 30% of their income on housing and 25% of renters paying more than 50% of their income for housing.

Bennington states that without TIF to undertake the infrastructure required for the private sector developments, it is likely that only basic maintenance of existing infrastructure such as patching of potholes and repairing watermain breaks could occur for the foreseeable future.

Overall, the data supports the Town’s contention that the required TIF District infrastructure expenditures are beyond the capacity of the Town to undertake within their annual operating budget or as additional debt service. The data indicate the Town does have relatively high expenditure burden levels, and debt levels. As such, the evidence supports a conclusion that the applicant does not appear to be in a position to

undertake investments of this scale without placing a very large additional fiscal burden on the Town's taxpayers. Considering those relatively high debt levels and high tax rate burdens, infrastructure development expenditures on this scale would in fact represent a substantial public investment over and above the normal municipal or bonded debt expenditures without approval of the TIF District.

2. Would the private development and redevelopment occur without the proposed infrastructure?

Bennington states: "Because the real property development proposed in the TIF Plan relies on the construction of the proposed infrastructure projects, such real property development within the TIF District would not occur or would occur in a significantly different and less desirable manner if the infrastructure was not constructed."

It is a well-known fact that the economics of downtown development simply do not work without extensive public funding. The letters of support submitted with the application and testimony provided on October 18 by property owners and developers reiterate this reality. The cost of developing or re-developing downtown properties simply cannot be recouped by market rents or sales. A myriad of public funding sources is absolutely essential to close the gap. TIF is one of those essential sources. Even with TIF, the task of re-developing downtown Bennington into a vibrant and sustainable neighborhood is a daunting one. Without TIF, it may be impossible.

In Towns similar to Bennington, such as St. Albans and Barre that have had the opportunity to utilize TIF, significant new development has occurred in the past five years. In contrast, in Bennington, without TIF, only one new building has been constructed in Bennington's Designated downtown since 2012 - a Dollar General on Main Street. As a single use property with a large parking lot, it is far from the highest and best use of downtown property and has not been viewed as a positive for downtown. This type of development, or none at all, is all that can be expected without significant public funding, including TIF.

Without a fundamental shift in the financial realities of downtown development, underutilization of existing properties without any significant new development will persist unless TIF and other public funds are made available. It is likely that most of the real property development proposed in the TIF Plan would not occur without TIF; the Putnam, Tuttle's, and BennHi projects that identify very specific infrastructure projects essential to their viability would almost assuredly fail to proceed.

The significance of TIF funding cannot be overstated. Without TIF downtown re-development will stall and the slow decline will continue. However, TIF support throughout the district could be the tipping point for the development renaissance so desperately needed in Bennington Downtown, town-wide and regionally.

The Town has included specific information on several of the larger potential development projects indicating the lack of development in recent years:

Putnam Phase 1 & 2

The viability of Putnam Phase 1 is driven by the prospect of Phase 2 completion. The marketability of Phase 1 housing, new office space and commercial activity relies heavily on the renaissance of the *entire* four-acre Putnam-Greenberg block. The functional and aesthetic aspects of public parking, public access ways, and streetscape quality are essential to the success of both phases.

Catamount School

Two proposals within recent history have come forward to develop market rate and affordable units at the four-story former Catamount School/St. Francis Academy. These have not moved forward due in large part to the cost/return financial structure of the proposals. With the Town and the project's need for access and parking at the site, TIF-financed municipal parking and quality open space would help to close the project's viability gap, along with other resources.

The Bennington Brush and Tuttle Property

A Purchase and Sale Agreement has been executed between the property's owners and a prospective local buyer. It has been determined that the redevelopment of the site would require increased water line capacity on Depot Street, which capacity increase would only be necessitated by the redevelopment. The prospective buyer/developer has indicated that TIF supported infrastructure improvement, and increased municipal parking capacity would be essential to any redevelopment scenario.

BennHi

Three redevelopment proposals (two assisted living projects and one market rate apartment project) have been developed under two ownerships of the former school site, the most recent involving a municipal-funded feasibility analysis. In all three, the numbers just could not be made to work. Municipal infrastructure serving the site (parking and open space) would make the project more feasible.

With regards to affordable housing development, the Town states: “New development within the TIF district is projected to include a significant amount of affordable housing units. The Putnam Project, the project that has advanced the most in the pre-development process, will include 13 affordable housing units as defined by State statute. The proposed redevelopment of the former BennHi is projected to include 10 affordable housing units. Additional affordable housing units are projected for several other projects proposed in the TIF Plan, as well. Given that TIF financing is essential to these and the other proposed developments, it is unlikely any new affordable housing units would be constructed in the downtown for the foreseeable future without TIF. A few affordable housing units that currently exist in the TIF District may be renovated, but this is part of the local affordable housing entity’s ongoing maintenance of its existing properties and is unrelated to TIF.”

Determination to be made:

A positive But For determination means that the state is getting infrastructure and development, and more importantly, the resulting incremental revenues, which would not have occurred without the ability of the applicant to utilize incremental property tax revenue. The But For determination is two-fold; the Council must determine:

- Whether the infrastructure development would occur without the utilization of the incremental property tax revenues; **and**
- Whether the real property development would occur without the infrastructure development.

Both findings can also be met if the development would occur in a significantly different and less desirable manner.

Determination:

Therefore, based on the Bennington TIF District Plan as presented and amended, third party analysis, and testimony before the Council, the Council determines that it is very unlikely that the proposed infrastructure would be built without the use of incremental property tax revenue and without the public provision of certain infrastructure, most, if not all, of the expected private development would not occur or would occur in a significantly different and less desirable manner, and therefore, the But For is met.

B. Nexus

VSA 24 §1897:

“The legislative body may pledge and appropriate in equal proportion any part or all of the state and municipal tax increments received from properties contained within the tax increment financing district for the financing for improvements and for related costs in the same proportion by which the infrastructure or related costs directly serve the district at the time of approval of the project financing by the council, and in the case of infrastructure essential to the development of the district that does not reasonably lend itself to a proportionality formula, the council shall apply a rough proportionality and rational nexus test...”

Determination to be made:

The actual location of expected infrastructure improvements does not matter. Infrastructure can be located outside the TIF District, providing that the Council determines that there is nexus to the projected real property development and/or the purpose and goals of the TIF District. However, the portion of the infrastructure costs that can be paid with TIF revenues must be in proportion to the extent that the infrastructure *serves* the District. There must be nexus or connection between the proposed infrastructure and the development that is expected to occur.

Nexus can be viewed from several perspectives:

First, from the infrastructure perspective: What areas within the TIF District are being served by which proposed infrastructure projects? If there is infrastructure proposed that does not serve the TIF District or would not have anything to do with causing the development to occur, the Council should question whether it be financed, in any proportion, by TIF revenues.

Second, from the TIF area perspective: Are there areas (parcels) included in the TIF District that apparently are not being served by any of the infrastructure projects? Or are there areas that are already developed to their full market potential? If so, the Council asked why those areas are included in the TIF District.

Finally, from the development perspective: Are there private development projects that are expected to occur regardless of the infrastructure improvements? If so, there may be an issue with the But For and the Council should ask whether there is truly any nexus between the infrastructure and the development project if the project is already developed or started.

Determination:

All the projected infrastructure projects would be located entirely within the TIF District and serve primarily the expected development within the TIF District. The application details the relationship between each infrastructure improvement and the expected private development and includes details on the dependence of the private development on the infrastructure improvements.

There do not appear to be any areas already developed to their full market potential or which would not benefit from the infrastructure to be built. All areas have the potential for some level of development or redevelopment. Likewise, none of the expected real property developments appear to be occurring despite the TIF District. The exception is Phase One of the Putnam Block development, which is proceeding prior to approval of the TIF. Phase One is reliant on the completion of the infrastructure and development of Phase Two to be viable. Phase Two is dependent on the infrastructure improvements.

Therefore, based on the Bennington TIF District Plan as presented and amended, and testimony before the Council, the Council determines that nexus exists, to a sufficient degree, between the proposed public infrastructure projects, the included parcels, and the expected private sector developments.

C. Proportionality

24 VSA §1897:

“The legislative body may pledge and appropriate in equal proportion any part or all of the state and municipal tax increments received from properties contained within the tax increment financing district for the financing for improvements and for related costs in the same proportion by which the infrastructure or related costs directly serve the district at the time of approval of the project financing by the council, and in the case of infrastructure essential to the development of the district that does not reasonably lend itself to a proportionality formula, the council shall apply a rough proportionality and rational nexus test...”

Determination to be made:

What proportion of proposed infrastructure costs can be financed with TIF revenue based on the portion that serves the TIF District? The proportionality being determined is what proportion *serves* the TIF District, regardless of the non-TIF revenue that might be available to the municipality. The proportionality determined by the Council is the maximum level of total project cost that can be financed with TIF revenue.

Determination:

Bennington has proposed that all infrastructure improvement be approved with 100% proportionality.

The Council’s scoring matrix shows the following:

- Level 1: **Inter Municipal** – Except in the sense that the Bennington downtown serves as a regional hub for the residents of several surrounding communities and municipalities in the region, the infrastructure will serve only the Town of Bennington.
- Level 2: **Location** – All of the infrastructure projects are physically located entirely within the TIF District.
- Level 3: **Utilization** – This criterion is the most uncertain. To some extent, some of the infrastructure improvements will benefit and be utilized by developers, local and transient public, and residents other than the clients, residents, and persons utilizing the specific real property projects expected to be developed because of the TIF. This is especially true for parking lots, parks, and roadway and sidewalk improvements.
- Level 4: **Scoring** – Using the Council’s informal scoring matrix, all projects fall within the scores (9-16) that the Council determined could be considered for 100% proportionality.

Therefore, based on the Bennington TIF District Plan as presented and amended, third party analysis, and testimony before the Council, the Council determines that the

maximum proportionality is set at 100% for each infrastructure project as presented in the TIF District application, with the condition that the Town of Bennington seek any available and appropriate non-TIF funding sources to offset TIF revenue.

In accordance with the Proportionality Policy and Procedure adopted by the Council, the Council expects that the Town of Bennington will utilize any and all non-TIF revenue funding to offset the total costs of the infrastructure costs and to continue to pursue any further non-TIF funding that may be available or become available during the life of the TIF.

D. Process Criteria

24 VSA §1892:

“(a) Upon a finding that such action will serve the public purposes of this subchapter, the legislative body of any municipality may create within its jurisdiction, special district or districts to be known as tax increment financing districts. They shall describe the district by its boundaries and the properties therein and shall show the district boundary on a plan entitled “Proposed Tax Increment Financing District (municipal name), Vermont.” The legislative body shall hold one or more public hearings, after public notice, on the proposed plan.

“(b) When adopted by the act of the legislative body of that municipality, the plan shall be recorded with the municipal clerk and lister or assessor.”

And...

32 VSA §5404a(h)(2):

“Process requirements. Determine that each application meets all of the following four requirements:

(A) The municipality held public hearings and established a tax increment financing district in accordance with 24 V.S.A. §§ 1891-1900.

(B) The municipality has developed a tax increment financing district plan, including: a project description; a development financing plan; a pro forma projection of expected costs; a projection of revenues; a statement and demonstration that the project would not proceed without the allocation of a tax increment; evidence that the municipality is actively seeking or has obtained other sources of funding and investment; and a development schedule that includes a list, a cost estimate, and a schedule for public improvements and projected private development to occur as a result of the improvements.

(C) The municipality has approved or pledged the utilization of incremental municipal tax revenues for purposes of the district in the same proportion as the utilization of education property tax revenues approved by the Vermont economic progress council for the tax increment financing district.

(D) The proposed infrastructure improvements and the projected development or redevelopment are compatible with approved municipal and regional development plans, and the project has clear local and regional significance for employment, housing, and transportation improvements.”

Determination to be Made:

Were statutory steps taken by municipality to create a TIF plan and a TIF District, including public input? Are all required elements included in the TIF Plan? Does the TIF Plan adhere to the local and regional plans? Did the municipality propose an appropriate share of municipal increment and shall the requested level of education property tax increment be approved?

Determination:

Based on the evidence provided in the application, VEPC staff has determined that all process criteria were met. Following the preparation of a TIF Plan and presentation of the plan at a public hearing on September 11, 2017, the municipality voted on a finding of purpose, voted to create the TIF District, certified a municipal share, and approved application to VEPC. The Original Taxable Value and TIF District Plan were appropriately certified and recorded by the Town Clerk.

The TIF District Plan includes all required elements. The municipality has certified that it is pledging 100% of incremental municipal property taxes. The municipality and regional planning commission certify, and the plans submitted support, that the proposed infrastructure improvements and the projected development are compatible with the approved municipal and regional development plans.

Also, the municipality and regional planning commission certify, and the plans submitted support, that the District has clear regional significance for employment, housing and transportation improvements.

Therefore, based on the Bennington TIF District Plan as presented and amended, and testimony before the Council, the Council determines that the Process Criteria as stated in 32 VSA §5404a(h)(2) for a TIF District have been met. Further, the Council approves the proposed 100% share of municipal property tax increment. Council approves the requested 70% share of education property tax increment as it is supported by the data and increment required for viability.

E. Location Criteria

32 VSA §5404a(h)(3):

“(3) Location criteria. Determine that each application meets at least two of the following three criteria:

(A) The development is:

(i) compact;

(ii) high density; or

(iii) located in or near existing industrial areas.

(B) The proposed district is within an approved growth center, designated downtown, designated village center, or new town center, or neighborhood development area.

(C) The development will occur in an area that is economically distressed, which for the purposes of this subdivision means that the municipality in which the area is located has at least one of the following:

(i) a median family income that is not more than 80 percent of the statewide median family income as reported by the Vermont Department of Taxes for the most recent year for which data are available;

(ii) an annual average unemployment rate that is at least one percent greater than the latest annual average statewide unemployment rate as reported by the Vermont Department of Labor; or

(iii) a median sales price for residential properties under six acres that is not more than 80 percent of the statewide median sales price for residential properties under six acres as reported by the Vermont Department of Taxes.”

Determination to be made:

Does the TIF District meet two of the three statutory location criteria?

Determination:

Staff and GIS professionals at ACCD have confirmed that the proposed TIF District is almost entirely within the boundaries of the State Designated Downtown approved in 2008 and renewed in 2013 and entirely within the State Designated Growth Center approved in 2008.

Further, for the years for which data are available for 2017 TIF applications:

- Bennington’s median AGI is \$44,608, which is below 80% of the statewide median AGI (\$53,562);
- Bennington’s annual average unemployment rate is 4.7%, which is at least one percent greater than the annual average statewide unemployment rate (4.3%); and
- Bennington’s median sales price for residential properties under six acres is \$129,500 which is below 80% of the statewide median (\$151,920).

Therefore, Council finds that Bennington meets all three economic distress indicators in Location Criterion C (and only needs to meet one), as well as Location Criterion B.

FINAL DETERMINATION

F. Project Criteria

32 VSA §5404a(h)(4):

“Project criteria. Determine that the proposed development within a tax incentive financing district will accomplish at least three of the following five criteria:

(A) The development within the tax increment financing district clearly requires substantial public investment over and above the normal municipal operating or bonded debt expenditures.

(B) The development includes new or rehabilitated affordable housing as defined in 24 VSA §4303.

(C) The project will affect the mitigation and redevelopment of a brownfield located within the district. For the purposes of this section, “brownfield” means an area in which a hazardous substance, pollutant, or contaminant is or may be present, and that situation is likely to complicate the expansion, development, redevelopment, or reuse of the property.

(D) The development will include at least one entirely new business or business operation or expansion of an existing business within the district, and this business will provide new, quality, full-time jobs that meet or exceed the prevailing wage for the region as reported by the department of labor.

(E) The development will enhance transportation by creating improved traffic patterns and flow or creating or improving public transportation systems.”

Bennington is addressing Project Criteria A (Need), B (Affordable Housing), and C (Brownfields).

Project Criteria A: *“The development within the tax increment financing district clearly requires substantial public investment over and above the normal municipal operating or bonded debt expenditures.”*

Determination to be made:

Does the proposed infrastructure development within the TIF District clearly require substantial public investment over and above the normal budget of the municipality or the normal bonded debt service of the municipality?

Determination:

Based on the Bennington TIF District Plan as presented and amended, third party analysis, and testimony before the Council, the Council determines that the Project Criterion as stated in 32 VSA §5404a(h)(4)(A) is met.

Project Criteria B: *“The development includes new or rehabilitated affordable housing as defined in 24 VSA §4303.”*

Determination to be made:

Will the real property development result in the new construction or rehabilitation of affordable housing as defined by 24 VSA 4303?

Determination:

The information provided by Bennington conservatively estimates that there will be about 230 units of new rental housing developed within the TIF District. Three of the projects (Putnam Phases One and Two and the BennHi project) will total about 107 units, with about 20%, or 21 units, affordable.

The identified units are estimated to be priced as follows for the market rate units:

	<u>Putnam Phase 1</u>	<u>Putnam Phase 2</u>	<u>BennHI</u>
1-Bedroom	\$1,200	\$1,300	\$900
2-Bedroom	\$1,750	\$1,800	\$1,250

The income level for affordability in Bennington, according to published VHFA, is \$69,300 (4-person household). At 80% of this income, an “affordable” rental unit (including utilities) is:

- 1 Bedroom: \$1,040
- 2 Bedroom: \$1,247
- 3 Bedroom: \$1,441
- 4 Bedroom: \$1,607

To be affordable, the units must be offered at a price that is at or below the levels above with the cost of utilities is factored in.

Based on the Bennington TIF District Plan as presented and amended, third party analysis, and testimony before the Council, the Council determines that the Project Criterion as stated in 32 VSA §5404a(h)(4)(B) is met.

Project Criteria C: *“The project will affect the mitigation and redevelopment of a brownfield located within the district. For the purposes of this section, “brownfield” means an area in which a hazardous substance, pollutant, or contaminant is or may be present, and that situation is likely to complicate the expansion, development, redevelopment, or reuse of the property.*

Determination to be made:

Will the project include the mitigation and redevelopment of a brownfield located in the District?

Determination:

The Town provides the following:

“The Bennington Downtown Area-Wide Plan, 2016, a guide and vision for economic revitalization of downtown Bennington includes an extensive review of hazardous waste conditions within downtown Bennington...including but not limited to the proposed TIF District. Past and current use and regulatory status was documented through review of multiple sources, including:

- Historic Maps, including Sanborn Fire Insurance Maps and other available historic resources;
- VT DEC Site Management Section (SMS) Hazardous Site, Underground Storage Tank, and Brownfield Site files; and
- State and Federal Environmental Databases, including Comprehensive Environmental Response Compensation Limitation Act (CERCLA) and Resource Conservation and Recovery Act (RCRA).

Findings from review of these sources were contained, managed, and merged within the Project GIS for each property within the Project Area. Mapping includes the cumulative historic uses of environmental concern for the Project Area for the years of 1885, 1901, 1925 and 2004, **including but not limited to the proposed TIF District**. Several of these properties have experienced documented releases of hazardous materials and have been under the management of the Vermont Department of Environmental Conservation (VTDEC) as hazardous waste sites. With this historical data, the likelihood for an actual release, the potential for impacted media, the likely transport mechanisms, and potentially impacted receptors can be assessed. This information allows for a more focused Phase II Environmental Site Assessment (ESA) in which samples are collected from site media to assess the actual presence of contamination, and greater confidence in our understanding of each site. Without a Phase II ESA, and if necessary, a Corrective Action Plan, lending institutions will not provide funding for redevelopment projects. Uncertainty surrounding the presence of environmental contamination and the possible cost to remediate property make it much more difficult to develop brownfield sites.

Through a review of historic and current land use, the Area-Wide Plan identified three potential brownfield sites, encompassing a total of 8 parcels, within the Study Area to evaluate for selecting one property to undergo further assessment. These sites are summarized in Table 3, below:

Key Brownfield Sites		
<u>Site Name</u>	<u>Address</u>	<u>Description</u>
Tuttle Property	113 Depot St.	Vacant, back portion of Bennington Brush Company
Greenberg Block	103-105 South St., 357-349 Main St.	Putnam House
	209 South St.	South Shire County Courthouse (Pennysaver Press)
	335-343 Main St.	Winslow Block
	307 Main St.	Former Knights of Columbus
	321 Main St.	Former Greenberg Home Center
	301 Main St.	Mobil Station
Bennington Middle School	650 Main Street	Former Bennington Middle School, slated for housing

The Greenberg properties (also known as the Putnam Block) were selected due to their central location at the very heart of the downtown, their size and their strategic importance to the downtown. A conceptual plan had been developed for the Tuttle property and the Bennington Middle School site is under investigation by a potential developer. All of these are private development sites identified in the TIF District Plan.

All properties identified for redevelopment within the proposed TIF District with identified contamination potential will be subject to Phase I and II Environmental Site Assessment prior to redevelopment. The property owners and/or developers ultimately are responsible for all assessment and required remediation; however, as noted below, a portion of the remediation costs for the Greenberg (Putnam) Block may be funded with TIF funds if the TIF Plan is approved and implemented.

The Putnam Redevelopment Project has conducted a comprehensive Phase II assessment and remediation plan of the Phase 1 and phase 2 sites. A Corrective Action Plan (CAP) has been approved by the Vermont Agency of Natural Resources and the U.S. Environmental Protection Agency. The CAP will be implemented as part of the Putnam Redevelopment Project and will be funded by a combination of TIF funds and private funds. In total, three Hazardous Sites identified by the VT DEC Site Management Section and shown on the Brownfield Map within the Greenberg (Putnam) Block (block bounded by Main Street, South Street, Franklin Lane and Washington Avenue in the southwest corner of TIF District) will be remediated.

The Tuttle Property and Bennington Middle School (BennHi) properties will be remediated, if necessary, when they are redeveloped.”

Based on the Bennington TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that the Project Criterion as stated in 32 VSA §5404a(h)(4)(C) is met.

FINAL DETERMINATION

G. Market and Fiscal Viability

While not a criterion directly required in statute for the application to meet, determining if the TIF District has market viability is an implied and prudent task for VEPC.

Determination to be made:

Does the TIF Plan have fiscal viability? That is, will the proposed private sector development generate sufficient tax revenues to cover the costs of infrastructure? Does the TIF Plan have market viability? That is, what is the likelihood that the proposed development /redevelopment will occur at the scope and on the timeline presented, thereby generating sufficient incremental revenue during the retention period?

Determination:

As discussed in Section I, Bennington's projections - based on their assumptions regarding the scope and schedule of the real property development, tax rates, revenue split percentage (70/30% Education and 100/0% municipal), infrastructure costs, and financing costs and terms – *do* appear to generate enough incremental revenues to service the debt to be incurred to build the proposed infrastructure projects which the Town plans to finance with TIF revenue. As with most TIFs, there will be deficits in the early years which will have to be covered by inter-fund loans or short-term debt until sufficient increment is generated. By year 20, the Town will see a positive revenue flow and by the end of the retention period, will have a small excess.

Under the current plan, the Town relies on about \$1.355 million in non-TIF revenues from state and federal grants. There are other funds that VTrans and ANR have identified that might be appropriate for the projects the Town is undertaking.

Regarding market viability, the Council heard several witnesses testify to the readiness and willingness of some developers to begin and implement projects in the District if the infrastructure is developed.

The application includes several feasibility reports and market studies supporting the viability and market readiness of specific projects that are planned.

Market Viability is a check against the assumptions in the application regarding the value of proposed private sector investments in the Bennington TIF district. Only if the new developments have a sufficient increase in value assessed for property tax purposes will Bennington realize the revenue necessary to repay the borrowed funds used for infrastructure improvements within the district.

The Bennington proposal includes several documents that support its assumptions regarding the increased value of private sector development in the TIF district. The Original Taxable Value for each parcel in the TIF district is listed in a spreadsheet in the application. The projects are described generally in the town-approved TIF Plan. The increased value of each developed or re-developed parcel is described on pages 15-19 of the TIF Plan.

The assignment of increased value is based on the market value of new or improved residential or commercial property. For example, the proposal lists the value of the improved property of the Putnam Block at \$11.22 million. This is based on the value of 160,000 square feet of new and improved space, this includes 17 renovated and 48 new rental apartment units. A review of comparable values for new commercial and residential apartments aligns with the values included in the application.

For other developments included in the application, the actual appraised value of this new development after it is complete has been based on the Town lister's estimate of the market value of the property. The Bennington application cites its work with the Town Lister in developing the estimates for this application.

In order to complete a market viability test, consideration was made of some of the factors that will influence the market for commercial and residential properties. For the Putnam Block, about 9,000 square feet are proposed to be used as a local grocery store and the application includes a thorough discussion of the interest in Bennington for the store and comparisons to other communities that have recently added downtown grocery stores. This study provides evidence that the store has viable prospects, especially when Bennington increases its downtown residential population and invigorates local commerce that the overall TIF plan is aimed towards.

The Putnam Block development is in two phases, the first phase includes the redevelopment of existing retail space and upper floor apartments. The second phase includes more than 25,000 of other commercial space for offices. The retail space market interest is based on the assumption that the downtown area builds population and vitality. The office space prospects include some of the interest of the Bennington Redevelopment Group (i.e. Bennington College and the Southwest Regional Medical Center) that have been working on planning for redevelopment of this parcel.

The value of residential apartments is based on the rents that will be paid. The application notes the range of rents for the market based units. These fall within the range of current rents for high quality rental properties in Bennington.

A major thrust of this proposal is that there is an unmet need for higher quality rental housing in Bennington. A relatively low vacancy rate compounded by trends in the demographics of the area support this assertion. The Town of Bennington is the service and commercial hub of the County and as such is appealing to aging residents that desire housing opportunities that do not require long car trips for shopping, health care visits or other daily chores. In addition, the relatively recent trend of millennials to have housing options near downtown amenities is a real, although quantitatively uncertain factor when considering market demand.

In summary, the application provides significant support for the assumptions that the redevelopment of the parcels within the TIF district will result in increases in property value that support the repayment of bond debt. Of course, the assumptions are subject to changes in national, state and regional conditions. For example, the Great Recession of 2007-2009 caused a reduction in property values and a dramatic slowdown in real estate development. A similar economic disruption will affect the market values of new and redeveloped properties in the TIF district (as well as throughout the region). Alternatively, the trends in demographics may lead to much greater demand for downtown properties in Bennington resulting in increases in property values greater than those presented in the application.

Fiscal viability is a review of the revenues proposed from incremental property tax payments compared with the requirements to repay the borrowed dollars for investing in public infrastructure. The Bennington proposal identifies bonding as the mechanism to raise funds for the several infrastructure projects in their proposal. Therefore, the fiscal viability review is a check to determine if the dollar value of proposed incremental property tax payments is sufficient to pay the bond payments over the bond's lifetime.

The incremental property tax payments are a product of the increased property value (described in the Market viability section of this report) and the property tax rate described in the TIF application for Bennington.

Property tax rates – there are two parts to TIF revenues. The Town gets additional revenue from the property value multiplied by the Municipal tax rate used to provide municipal services. In addition, the Vermont TIF program allows the Town to use a portion of the incremental revenues that would otherwise go to the State Education Fund. For this application, Bennington assumes that both tax rates will remain constant. This is a fair assumption. Increasing property tax rates, either for municipal services or for the State Education Fund would arise if government spending grows faster than the property value in the Town (municipal) and State (Education Fund). Tax rates could also decrease if property values increase greater than the rate of government spending. Different parts

of the economic cycle over the past several years have resulted in both property tax rate decreases and increases. There is no commonly held sentiment that over the next 20 years, the rates will generally increase or decrease.

This observation is particularly true for the Education Property Tax rates because of the Vermont laws that link local education property tax rates strongly to total state education costs. The Vermont legislature and executive branch are continually seeking strategies to counter the increases in education spending that have occurred in the past.

It is possible, as noted in the application that the municipal tax rate may increase because of additional costs the Town may face as the result of current infrastructure upgrades and the improvement of storm water conditions in the Town. If the Town faces these costs, it is more likely that the municipal tax rate will increase than the revenues available from TIF district improvements for use in bond repayment.

The bond repayment schedule is based on bonds that cover the cost of each phase of the public infrastructure investment at interest rates that are consistent with future bond market estimates. The application uses a 3.191% bond interest rate for four separate bonds – one each in the years 2018 through 2021. This rate is consistent with current rates for municipal bonds in Vermont.

An additional factor that influences the fiscal viability of the application is the cost for the public infrastructure projects funded through the proposed bonds. Any increases in those infrastructure costs will require additional funding sources. Bennington will need to return to the Council if the project requires additional funding supported by the TIF agreement, but as a preliminary review, I made general comparisons with other similar projects and VTrans and ANR reviewed the projects in more detail. From the combination of those reviews, we believe that the cost estimates are reasonable, although we recognize that many infrastructure projects could result in unforeseen additional costs.

Using the assumption of increased property values and constant tax rates and the four bonds, the Town presents in its application a spreadsheet that describes the available TIF revenues compared with the bond repayment schedule. (Table 5R in TIF Data Workbook).

This table shows that for each infrastructure improvement, the first year of the investment requires greater funds than available from increased property taxes, but over time, the increment in property value provides enough revenue to meet the bond repayments. At the end of the 20-year period (2037), there is still some bond debt left to recover, but the

overall balance from increments in the period 2023-2037 is enough to cover the remaining payments.

In summary, the application provides information to support the fiscal viability of the proposed projects.”

Based on the Bennington TIF District Plan and TIF Financing Plan as presented, testimony before the Council, and third party analysis, the Council determines that the TIF District Plan and TIF Financing Plan, as presented, and to the extent that a determination can be made at the time of application, is fiscally viable and has reasonable market viability, with the condition that the Town of Bennington seek any available and appropriate non-TIF funding sources to offset TIF revenue.

H. TIF Financing Plan

24 VSA §1894(d):

“(d) Approval of tax increment financing plan. The Vermont Economic Progress Council shall approve a municipality’s tax increment financing plan prior to a public vote to pledge the credit of that municipality under subsection (h) of this section. The tax increment financing plan shall include all information related to the proposed financing necessary for approval by the Council and to assure its viability and consistency with the tax increment financing district plan approved by the Council pursuant to 32 V.S.A. § 5404a(h). The tax increment financing plan may be submitted to and approved by the Council concurrently with the tax increment financing district plan. If no indebtedness is incurred within five years after the creation of the district, the municipality may submit an updated executive summary of the tax increment financing district plan and an updated tax increment financing plan to the Council to obtain approval for a five-year extension of the period to incur indebtedness; provided, however, that the updated plan is submitted prior to the five-year termination date of the district. The Council shall review the updated tax increment financing plan to determine whether the plan has continued viability and consistency with the approved tax increment financing plan. Upon approval of the updated tax increment financing plan, the Council shall grant an extension of the period to incur indebtedness of no more than five years. The submission of an updated tax increment financing plan as provided in this subsection shall operate as a stay of the termination of the district until the Council has determined whether to approve the plan.

Determination to be made:

Is the TIF Financing Plan viable and consistent with the TIF Plan?

Determination:

Based on the Bennington TIF District Plan and TIF Financing Plan as presented, testimony before the Council, and third party analysis, the Council determines that the TIF District Financing Plan is consistent with and TIF District Plan, as presented. The TIF District Financing Plan is approved with the condition that the Annual Report from the Town include details regarding application for and approval or denial of any state and/or federal grants that are expected to be utilized for TIF District infrastructure projects.

VI. Approval of TIF District Plan and TIF Financing Plan Submitted by the Town of Bennington

Therefore, in accordance with 32 V.S.A. §5404a(h) and 24 V.S.A. Subchapter 5, on November 17, 2017 the Vermont Economic Progress Council voted 10-0-0 to approve the Bennington TIF District Plan and TIF District Financing Plan and authorized the TIF District to utilize incremental property tax revenues to finance public infrastructure debt incurred for the Bennington TIF District, as described and conditioned above.

The Town of Bennington must seek a vote on each instance of debt to be financed with incremental property tax revenues and provide notice to voters in accordance with the requirements of 24 VSA §1894(h) & (i).