



Vermont Economic Progress Council

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**Agency of Commerce and
Community Development**

June 29, 2011

Mr. Larry Kupferman
Director, Community and Economic Development Office
City of Burlington
City Hall
149 Church Street
Burlington, VT 05401

Dear Larry,

As you know, on June 23, 2011, the Vermont Economic Progress Council approved the TIF District Plan and the TIF District Financing Plan, from the City of Burlington, authorizing the Burlington Downtown TIF District to utilize incremental property taxes to finance infrastructure debt. Congratulations on a successful application.

An approval document containing the final Council determinations, exclusions and conditions, based on the recently approved Master TIF District Determination process, is enclosed for your information and review. Also enclosed is a document for the City to certify and accept the TIF District approval, conditions, exclusions and obligations. Please review all documents, sign the certification and return it to us within 60 days of receipt.

VEPC is authorized to contract with a third party to provide analysis of financial and technical aspects of a TIF Application, with the costs being charged to the applicant municipality. VEPC exercised that option with the Burlington Downtown TIF District Application and contracted with EPR, Inc. When the city files further documentation for each phase of development under the Master TIF District Determination process, the Council may further utilize this contractor and the costs for that analysis will be billed to the City.



"Improve the economic vitality of Vermont and support a diverse, sustainable future for Vermonters"

As a reminder, Vermont statute (24 VSA §1897(b)) requires that any pledge of credit for financing TIF District infrastructure must include a notice to the taxpayers that if the tax increment received by the municipality from any property tax source is insufficient to pay the principal and interest on the debt in any year, for whatever reason, including a decrease in the property value or repeal of state property tax source (unless determined otherwise by the General Assembly at the time of such repeal) the municipality shall remain liable for full payment of the principal and interest for the term of the indebtedness.

Please contact my office if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Fred Kenney". The signature is written in black ink and is positioned below the word "Sincerely,".

Fred Kenney
Executive Director

Enclosures

VERMONT ECONOMIC PROGRESS COUNCIL (FY11-TIF-03)

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

**CITY OF BURLINGTON: DOWNTOWN TIF DISTRICT
MASTER TIF DISTRICT DETERMINATION, EXCLUSIONS, AND CONDITIONS**

I. Master TIF District Determination:

This TIF District application was considered and approved by the Vermont Economic Progress Council (VEPC or Council) utilizing the [Master TIF District Determination Policy and Procedure](#) developed by the Council. This policy and procedure allows for the approval of applications with complex TIF Plans that are expected to proceed in phases or have a great degree of implementation variability. In order for VEPC to consider a Master TIF Plan Determination, the applicant has filed a complete application in accordance with the established application requirements and procedures and provided evidence sufficient for the Council to make positive determinations, demonstrating at least *general* compliance with all approval criteria. Determinations regarding some criteria may be partial and not conclusive. Subsequently, the municipality must file information regarding phases as they are ready to proceed and the phase must be considered and approved, finalizing that portion of the application.

Any references to infrastructure projects, real property development, parcels, values, increments, etc. contained in this document are stated as represented in the Burlington Downtown TIF District application submitted on March 4, 2011 (and amended with subsequent filings), considered by the Council on March 24 and April 28, and which may be adjusted by the subsequent filing of project phases.

II. Project Summary:**A. Description:**

On February 7, 2011, the City of Burlington (hereafter called "City") created a Tax Increment Financing District that roughly corresponds to, but is completely within, the boundaries of the Designated Downtown that was originally designated by the State of Vermont in 1998, amended and extended in 2004 and renewed on July 23, 2007.

The Downtown TIF District (hereafter referred to as “new District” to differentiate from the existing Waterfront TIF District, or “TIF District”) forms a rough U-shape around Cherry Street. It runs east along Pearl Street from Battery Street to North Winooski Avenue, then South from Pearl Street to King Street, and then West along King and Main Street to Battery Street again. The new Downtown TIF District does not overlap and excludes any parcels that are within the existing Waterfront TIF District and excludes any parcels that, in the opinion of the City are substantially developed at or close to full market value and therefore would not be impacted by any new infrastructure.

The TIF District is approximately 63 acres, includes 245 parcels, and represents \$309,672,300 in total appraised Grand List value (2011), of which 204 parcels with a value of \$170,781,400 are taxable. The difference represents properties exempt from property tax for various reasons. The following compares these figures to the totals for the entire City of Burlington:

		TIF		City		Percent of City
Acres		63		6,874		0.9
Parcels		245		10,785		2.27
GL Value	Total	\$309,672,300	% of Ttl	\$5,106,989,500	% of Ttl	6.0
	Homestead	\$2,185,200	0.7	\$1,603,415,395	31.42	0.13
	Non-Homestead	\$168,152,900	54.3	\$1,789,724,605	35.02	9.4
	Non-Taxable	\$138,704,200	44.8	\$1,713,849,500	33.56	8.1

Burlington has an existing municipal TIF District, grandfathered in for use of incremental Education Fund revenue by Act 60 (1998), known as the Waterfront TIF District. This TIF Districts has 110 parcels (1%) encompassing 60 acres (0.87%) adjacent to the new TIF District and \$168 million in current assessed value (3.3%). With the approval of the new downtown TIF District, the combined Burlington property in TIF Districts are 355 parcels (3.3% of total parcels) covering 123 acres (1.78% of Burlington’s total land acreage) and \$478 million (9.36%) of total assessed Grand List value (2011).

Most of the TIF District is zoned “Downtown-Waterfront Mixed Use (DW),” which is “intended to enhance and diversify commercial and residential development.” This area is further described as “Downtown (D),” which is the primary urban center of Burlington and “Downtown Transition District (DT), which is “intended to provide a balance and continuity in the character and scale of development creating gateways into the urban core of Burlington, and a transition between the Downtown and the nearby residential district.” A few sections of the TIF District, within the King, Maple, South Champlain, Pine block and the King, Maple, Church, Winooski block are zoned

“Residential – High Density (RH),” which is intended “primarily for high-density attached multi-family residential development.”

The entire District is within Burlington’s Designated Downtown, which is a state designation that strengthens downtowns by providing incentives to community-led revitalization efforts, and providing certain benefits such as federal and state code and rehabilitation tax credits.

The entire TIF District is served by municipal water, wastewater, and sewer. There are also several historic buildings and historic districts within the TIF District. Most of the District is within the Burlington “Downtown Parking District” and is served by several parking facilities. Finally, the sections along Pearl and Winooski Streets are within the Burlington Urban Renewal District.

For further information, see:

[Attachment 7D: Burlington Designated Downtown Map](#)

[Attachment 7E: 2007 Downtown Designation Approval Letter](#)

[Attachment 6F: Map Overlay – Existing Waterfront TIF, proposed TIF and Designated Downtown](#)

[Attachment 6D: TIF Narrative, Page 1](#)

[Table 6G: Parcels in TIF District](#)

[Attachment 9A: Zoning Map](#)

[Burlington Zoning Regulations](#)

[Attachment 9C: Map Overlay- TIF District and Historic Buildings/Districts](#)

[Attachment 9C: Map Overlay- TIF District and parking Facilities/Districts](#)

[Attachment 9C: Map Overlay- TIF District and Urban Renewal District](#)

B. Infrastructure Projects:

The City has identified several infrastructure improvement projects that would be required to encourage or ensure the real property development projects anticipated by the City (see next section). The infrastructure projects include, but are not limited to:

- **Structured Parking:** Development, expansion, or renovation of structured parking facilities for projects that will provide public parking spaces for the Downtown TIF district.
- **Utility Upgrades and Renovations:** Upgrades, renovations and relocations, including, but not limited to, sanitary sewer, water, and storm water management facilities.
- **Street Side Streets Project:** Transportation, traffic, pedestrian, bicycle and transit capacity improvements. The City may choose to use TIF-based financing for any or all of the future phases of the Church Street Side Streets Project.
- **Streetscape Improvements:** Development of functional streetscapes and public spaces for pedestrians and bicyclists.

Total infrastructure costs, including a 5% inflation factor, and including other sources of revenue, but not including cost of financing, are estimated to be \$33.4 million, as detailed below. Total TIF-financed infrastructure costs, including cost of financing and related costs, are estimated at \$46.8 million.

Summary of Infrastructure and Other Costs:

Conceptual Project:	Construction/ Soft Costs
Structured Parking Projects	\$18,800,000
Streetscape Projects	\$1,850,000
Utility Upgrades (inc. "Hood Plant")	\$2,125,000
Storm Water Controls	\$1,425,000
Transportation – Side Street Project	\$7,150,000
Transportation - Pedestrian/Transit	\$2,037,500
Subtotal	\$33,387,500
Other Costs:	
Financing Costs	\$13,426,889
Related Costs	\$68,000
Total Estimated TIF Revenue Required:	\$46,882,389

For further information, see:

[Attachment 6D: Narrative, Pages 2-3](#)

[Table 6H: Infrastructure Costs](#)

[Table 6I: Infrastructure Costs, By Type](#)

[Table 6J: Infrastructure Costs, By Year](#)

[Table 6K: Infrastructure Nexus](#)

[Table 6P: Annual Debt](#)

[Table 6R: Related Costs](#)

C. Real Property Development/Redevelopment:

Working with landowners and the development and real estate investment community, the City has identified nine projects that are anticipated, but not guaranteed, to occur within five years. These projects include affordable and market-rate housing units, and commercial, office and retail space. The projects also will involve a mix of site redevelopment and building renovations, Brownfield and contamination clean-up, structured parking, and utility upgrades, some of which (notably the Hood Plant sewer line relocation) are potentially very expensive and complex but offer substantial public benefits once completed.

The specific real property developments that are anticipated to occur within five years, and for which public investment is expected to be appropriate, are:

- 1) Stratos Project: Condominium Housing on St Paul Street (Stuart Chase development)
- 2) 30-42 King Street: Burlington Housing Authority, 16 Units Affordable Housing
- 3) Redstone - TD Bank Block redevelopment: Hotel and compatible use in Armory Building with two decks of parking.
- 4) 151-157 South Champlain Street - Burlington Housing Authority, 12 Units of Affordable Housing
- 5) Browns Court: 40+ Units Affordable Housing. Owned by City.
- 6) Memorial Auditorium Block redevelopment ("Superblock"): Residential and commercial space/Parking structure
- 7) Hood Plant block redevelopment: Relocate sewer line and add parking
- 8) South Champlain St/Maple Street: Residential and parking development
- 9) Periwinkles site redevelopment : commercial/residential
- 10) VFW site redevelopment : commercial/residential

These projects, which are in varying stages of permitting, development, and conceptual design, address the core purposes of Burlington's TIF District Plan, and are consistent with and further the goals of City and regional plans. In addition to these anticipated projects there may be other projects yet to be identified that could be developed within the TIF District in the first five years of the TIF district's life that may also be appropriate for public financial participation.

All of these projects are relying on some public investment, from work on utilities in the right-of-way to participation in structured parking, either to enable the project itself or to ensure that the development will occur in a dense manner consistent with the highest and best use of the site under zoning.

For further information, see:

[Attachment 6D: Narrative, Pages 3-5](#)

[Table 6L: Real Property Project Descriptions](#)

[Table 6M: Expected Property Tax Increment](#)

D. Base Grand List Value and Incremental Revenues:

The total assessed value of all the parcels within the TIF District is \$309,672,300 (2011). However, many parcels, totaling \$138,897,600 in value, are exempt from property taxation. The base appraised value or original taxable value (OTV- 2011) of taxable property within the TIF District was \$170,781,400. The current assessed value of the properties expected to be improved because of the TIF infrastructure projects is \$8.1

million. The estimated assessed value after the infrastructure improvements and redevelopment is \$89.7 million, for an \$81.6 million incremental value (\$57.5 million homestead and \$24.1 non-homestead). Burlington estimates the generation of \$62 million in incremental property taxes during the 20 year retention period (2012 -2032). The applicant is proposing that the maximum allowed percentage of 75% of the increment (both municipal and education property tax), which will yield a total of \$46.5 million, be utilized to finance TIF District debt and related costs. The City estimates that \$12.4 million in non-TIF infrastructure funding may be available, about \$9.4 million from developer cost sharing in the parking structure projects and \$3 million in Federal transportation funds. If the non-TIF funding is realized, there will be an estimated \$12.3 million in excess incremental TIF revenue. Any amounts beyond the escrow required to service debt and pay related costs would be returned to the municipal general fund and the education fund.

For further information, see:

[Table 6M: Expected Property Tax Increment](#)

[Table 6N: Property Tax Revenue Projections](#)

[Table 6O: Summary of All Revenue Sources](#)

[Table 6P: Summary of Annual Debt](#)

[Table 6Q: Cash Flow](#)

[Table 6R: Related Costs](#)

III. Summary of Base Value and Incremental Revenue:

Base Assessed Value - Total (Original Taxable Value)	\$ 170,781,400
Homestead	\$ (2,812,770)
Non-Homestead	\$ (167,968,630)
Base Annual PT Revenues - Total (based on Original Taxable Value)	\$ 3,850,722
Municipal	\$ (1,229,626)
Education Total	\$ (2,621,096)
Education- Homestead	\$ (36,059)
Education - Non-Homestead	\$ (2,585,037)

Estimated Incremental Property Tax Revenue – Total over 20 Years	\$ 61,977,734
Municipal Increment	\$ (14,724,458)
Education Increment - Total	\$ (47,253,276)
Education - Homestead	\$ (34,658,677)
Education - Non-Homestead	\$ (12,594,599)
Incremental Revenue Split	
Total Incremental Revenue to TIF	\$ 46,483,300
Municipal to TIF (75%)	\$ (11,043,343)
Education Homestead Increment to TIF (75%)	\$ (25,994,008)
Education Non-Homestead Increment to TIF (75%)	\$ (9,445,949)
Total Municipal to Municipal General Fund (25%)	\$ 3,681,114
Total Increment to Education Fund	\$ 11,813,320
Education Homestead Increment to Education Fund (25%)	\$ (8,664,670)
Education Non-Homestead Increment to Education Fund (25%)	\$ (3,148,650)
Total Debt Service Schedule	\$ 46,882,389
Infrastructure Costs	\$ (33,387,500)
Related Costs	\$ (68,000)
Financing Costs	\$ (13,426,889)
Estimated Non-TIF Sources of Funding	\$ 12,400,000
Potential Excess Revenue- Total	\$ 12,360,911
Excess Returned to Municipality	\$ (2,966,618)
Excess Returned to Education Fund	\$ (9,394,292)
Total Revenue to Education Fund During TIF (Base plus 25% of Increment)	\$ 64,235,240
Total Revenue "Lost" from Education Fund to TIF During 20Yr Retention Period (75% of Increment minus Excess)	\$ 26,045,665
Annual PT Revenue After TIF – Total	\$ 9,137,121
Municipal	\$ (2,260,184)
Education Fund - Total	\$ (6,876,937)
Education- Homestead	\$ (3,219,273)
Education - Non-Homestead	\$ (3,657,664)

IV. Timeline:

A. Application Timeline:

Municipal Notice of Intent to Apply Filed:	July 20, 2009
VEPC Staff meeting with Town Officials:	August 28, 2009
Earliest Date Application Could be Filed:	September 20, 2009
Municipal Notice of Hearing on TIF District Plan:	January 12, 2011
Municipal Hearing(s) on TIF District Creation and Plan:	February 7, 2011
Municipal Legislative Body Vote on TIF District Creation:	February 7, 2011
Municipal Legislative Body Vote on TIF District Plan:	February 7, 2011
TIF Plan Filed and Recorded with Town Clerk:	February 23, 2011
Assessed Values Certified by Town Assessor:	February 23, 2011
TIF District Application Filed with VEPC:	March 4, 2011
Application Certified as Administratively Complete:	March 15, 2011
Preliminary Review by VEPC	March 24, 2011
Public Comment	March 24, 2011
Continued Review of Application	April 28, 2011
Final Determinations Approved by VEPC	June 23, 2011

B. Power and Life of District Timeline:

Date TIF District Created by Vote of Municipal Legislative Body:	February 7, 2011
Date TIF District Life Began: (12:01 a.m. on):	April 1, 2011
Deadline to Incur Any TIF District Debt (See below for Restriction on Debt to be Financed with Education Property Tax):	March 31, 2031
Deadline to Incur Debt Without Requirement for Re-approval Of TIF District Plan by VEPC:	March 31, 2016
Deadline to Incur Debt That Can be Paid with Incremental TIF District Education Fund Revenues:	March 31, 2016
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 Education Property Tax Revenues May be Retained to Finance TIF District Debt:	20 years from the year first TIF debt incurred
Twenty Year Period During Which Incremental Municipal Property Tax Revenues May be Retained to Finance TIF District Debt:	April 1, 2011 – March 31, 2031
Date TIF District Ends	Date/Hour all TIF debt is retired

V. TIF District Review Criteria - Summary of Determinations:

(For determination detail, see Section VI)

- A. **Purpose:** The Council determines that the Burlington Downtown TIF District meets the statutory purpose of a TIF District as stated in 24 VSA §1893. The Council conditions this determination with a requirement that 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.
- B. **But For Criteria:** The Council determines that the Burlington Downtown TIF District meets the But For criteria as stated in 32 VSA §5404a(h)(1).
- C. **Nexus:** The Council determines that for the Burlington Downtown TIF District nexus exists between all proposed public infrastructure projects, all parcels, and all expected private sector developments in the Burlington Downtown TIF District, as presented in the application. As subsequent phases are submitted, nexus will be reviewed only for any new infrastructure projects, parcels, or real property developments not included in the approved TIF District Plan.
- D. **Proportionality:** The Council determines that proportionality is conditionally set at 100% for each infrastructure project as presented in the TIF District application. However, this determination is considered partial and proportionality will be re-examined, including third party technical analysis, if required, as subsequent project phases are filed by the City of Burlington.
- E. **Process Criteria:** The Council determines that the Process Criteria as stated in 32 VSA §5404a(h)(2) for a TIF District have been met.
- F. **Location Criteria:** The Council, the Council determines that the Location Criterion as stated in 32 VSA §5404a(h)(3)(B) is met.
- G. **Project Criteria:** The Council determines that the “Need” Project Criterion as stated in 32 VSA §5404a(h)(4)(A) and the “Affordable Housing” Project Criterion as stated in 32 VSA §5404a(h)(4)(B) are met. The “Transportation” Project Criterion as stated in 32 VSA §5404a(h)(4)(E) is generally met. However, this determination is considered partial and whether the TIF infrastructure projects will create improved traffic patterns and flow or create improved public transportation systems will be re-examined, including third party technical analysis, if required, as subsequent project development phases are filed by the City of Burlington.

H. **Viability:** The Council determines that the TIF District Plan and TIF Financing Plan, as presented, generally indicates fiscal and market viability. However, this determination is considered partial and fiscal viability will be re-examined incrementally as subsequent project development phases are filed by the City of Burlington.

I. **TIF District Financing Plan:** The Council determines that the TIF Financing Plan is consistent with the TIF District Plan, as presented. However, this determination is considered partial and the viability and reasonableness of non-bonded debt will be determined as subsequent project phases are filed by the City of Burlington.

VI. TIF District Application Review Criteria: Criteria Detail

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.”

1. Evidence

“provide revenues:” The municipality projects that during the 20 year retention period (estimated to be 2012-2031 because Burlington plans to incur first TIF debt in 2012, which triggers the retention period), the development that is expected to occur will generate a total of \$62 million in incremental municipal and education property tax revenues. The municipality proposes to split the incremental revenues with the maximum allowed 75% going to service the TIF infrastructure debt and 25% going to the taxing authorities (municipality and the education fund). At this rate and duration, \$46.483 million in incremental revenues will be generated to service TIF infrastructure debt and pay related costs during the 20-year retention period. The total debt service and related costs are estimated to be \$46.882 million. However, Burlington expects to realize \$12.4 million in non-TIF funding from a federal grant for transportation improvements and cost sharing by the private sector for parking structures. These estimates provide a net excess of \$12.3 million to be returned to the taxing authorities.

For further information, see:

[Attachment 4A: Statement of Purpose](#)

[Table 6M: Expected Property Tax Increment](#)

[Table 6N: Property Tax Revenue Projections](#)

[Table 6O: Summary of All Revenue Sources](#)

[Table 6P: Summary of Annual Debt](#)

[Table 6Q: Cash Flow](#)

“improvements that serve the District:” All infrastructure projects are located completely within the District and have a clear impact on the real property development and the goals of the TIF District. The municipality and developers have stated that the improvements are required for the real property development to proceed in a cost effective manner that will not cause the residential and commercial/retail space to be priced beyond the market rates. These circumstances could occur if there are delays getting the improvements built or if the developers are required to pay for all improvements.

For further information, see:

[Attachment 6D: Narrative, Pages 2-3](#)

[Table 6H: Infrastructure Costs](#)

[Table 6I: Infrastructure Costs, By Type](#)

[Table 6J: Infrastructure Costs, By Year](#)

[Table 6K: Infrastructure Nexus](#)

“stimulate development and redevelopment within the District:” The projected development that is expected to occur within the TIF District includes mixed use development as allowed by zoning. Infrastructure projects were only included because they would be required for the proposed private sector developments to occur.

For further information, see:

[Table 6K: Infrastructure Nexus](#)

[Attachment 6D: Narrative, Pages 3-5](#)

[Table 6L: Real Property Project Descriptions](#)

Testimony by developers:

[Jeff Nick, Nick and Morrissey \(MP3 audio file\)](#)

[Eric Hoakstra, Redstone Development \(MP3 audio file\)](#)

“provide for employment opportunities:” The City estimates that there are currently approximately 8,600 jobs within the TIF District. The real property developments include 124 new units of housing which will generate numerous construction jobs, a hotel, at least 42,000 square feet of additional commercial space with the potential for further commercial and retail space as projects are better defined.

For further information, see:

[Table 4D: Estimated Employment within TIF District at Application](#)

[Table 6L: Real Property Project Descriptions](#)

[Market Viability Statement](#)

[Market Viability Study](#)

“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 real property development, the tax base will expand over the next twenty years and Burlington and the State will gain new tax revenues. Prior to the TIF, the annual base of property tax revenue from the taxable value within the TIF District going to Burlington was \$1.230 million, with \$2,621 million to the Education Fund. During the 20-year TIF retention period, an estimated \$3.681 million in incremental property tax revenues will go to the municipality and \$11.813 million to the Education Fund. After the retention period, the annual revenue to the municipality will be \$2.260 million (+\$1.030 million annually) and \$6.877 million to the Education Fund

(+\$4.256 million annually). The added commercial and retail activity will also provide additional state tax revenues through income, sales and use, and payroll taxes.

For further information, see:

[Table 6M: Expected Property Tax Increment](#)

[Table 6N: Property Tax Revenue Projections](#)

[Table 6O: Summary of All Revenue Sources](#)

[Table 6P: Summary of Annual Debt](#)

[Table 6Q: Cash Flow](#)

See also Page 7 of this Determination Document

2. Determination to be made:

Will the TIF 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?

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that the Burlington Downtown TIF District meets the statutory purpose of a TIF District as stated in 24 VSA §1893. The Council conditions this determination with a requirement that 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.

TIF District Application Review Criteria: Criteria Detail (Cont.)

B. **But For:** (32 VSA §5404a(h)(1))

“Review each application to determine that the new real property development would not have occurred or would have occurred in a significantly different and less desirable manner but for the proposed utilization of the incremental tax revenues. A district created in a designated growth center under 24 V.S.A. § 2793c shall be deemed to have complied with this subdivision. The review shall take into account:

(A) 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.

(B) How the proposed development components and size would differ, if at all, without education property tax increment financing.

(C) The amount of additional revenue expected to be generated as a result of the proposed development; the percentage of that revenue that shall be paid to the education fund; the percentage that shall be paid to the municipality; and the percentage of the revenue paid to the municipality that shall be used to pay the municipal tax increment bonds.”

1. Evidence:

Burlington stated in their application and in testimony that it is their “consistent experience and finding that *but for* the availability of TIF District financing, the anticipated development projects in the TIF District either would not occur or would occur in a lower-density manner that is inconsistent with the City’s and Region’s adopted plans for downtown Burlington. Parking and infrastructure costs are major constraints that make projects financially unfeasible. In either case, the absence of public financing would yield less future property tax revenue, fewer public benefits including less public parking to support the vibrancy of the downtown, less housing supply and housing type and cost diversity in the downtown, and lost opportunities to accomplish streetscape and utility improvements and Brownfield remediation that benefit the public. The overall economic health and vitality of the City and the Region would not be furthered without the development that would only result from the public investment financed with TIF revenues.”

As outlined in their [Statement of Purpose](#), the chief purpose and need for TIF financing in Downtown Burlington, and the basis of the City’s “But For” analysis, relates to *the high cost and high initial investment needed to make urban projects feasible*, coupled with the higher expected return in value per square foot from intensive, higher-density urban development. The City states that, “*But for* public financing participation to make the initial infrastructure investment feasible for private development, the anticipated

development projects in Burlington either would not occur or would necessarily occur as significantly lower-density and lower-value projects, with lower future returns to the City and State.”

Burlington states that it is not uncommon for sites to sit under-utilized for years. They cite the Brown’s Court housing project as a prime example:

“The Browns Court housing project...will occupy a site at King and St. Paul Streets where there presently are 44 City-owned public parking spaces, will provide affordable housing and remediate groundwater contamination. The surface parking spaces serve the Flynn Theater and other local entertainment and business uses. Development of this property will require replacing these public parking spaces, so as not to contribute to the existing parking deficit. There is strong political pressure to maintain or expand parking near the downtown, so these public spaces are considered a premium parking resource. Replacing these public spaces with structured parking is estimated to add \$1,025,000 to the project cost, or \$26,625 per housing unit (on top of the cost of providing parking spaces for the 40 dwelling units themselves). This cost becomes a “deal killer” and has historically resulted in the site remaining under-utilized as a surface parking lot with contaminated soil issues. With TIF-based financing, which enables the City to overcome this hurdle and pay the cost over time as the entire district appreciates in value from these investments, the Browns Court site will become a vibrant part of the downtown fabric with public parking spaces, mixed-income housing units, an improved streetscape, and remediated soils.

The City states that the most significant issue impacting project development size, scope and outcome in downtown Burlington relates to structured parking. “..The constraints on available space for development and the cost of structured parking represent a significant limitation on the density and feasibility of new development and redevelopment in Burlington. Any and all downtown Burlington projects that involve structured parking demonstrate the critical impact that public participation in structured parking makes on project components and size. “

The Council also heard testimony from several developers that confirmed the requirement for TIF financing in order for certain projects to occur. Some of the sites on which projects are contemplated have remained undeveloped for many years.

A second issue driving the requirement for a TIF district is public financing outside the regular public debt and operating budgets of the City. The City illustrates the magnitude of the cost of structured parking relative to the City’s municipal budget and regular debt instruments just with the sheer magnitude of the costs needed: one

structured parking space can cost between \$20,000 and \$30,000 to construct in Burlington, where land costs are high and infrastructure often must be upgraded. A [2003 Downtown Parking Study](#) (Note: This is a large document) estimated that downtown Burlington needs 3,500 new parking spaces by 2020. The report states that with effective transportation demand management strategies, that estimate could be cut to 1,540. Even at the low-end cost of \$20,000 per space, making up the parking deficit with new structured spaces could cost in the range of \$30,800,000 – which is equivalent to the entire annual municipal capital budget.

The City states that, “But for the City’s participation in this type of partnership, neither the City nor the developer would be able to finance the full cost of providing structured parking. The private development projects would proceed at lower densities, ultimately reducing the amount of taxable value added to the grand list and diminishing the employment and housing opportunities provided.”

The current municipal budget (which includes general operating, school, and all other municipal budgets) is \$196 million and averaged \$167 million over the past ten years (See [Table 5D](#)). The current capital budget is \$22 million and the ten year average is \$27 million (See [Table 5E](#)). The current level of debt serviced by Burlington voters is \$26.3 million and has averaged \$23 million per year since 2002 (See [Table 5F](#)).

The total infrastructure costs in the application, including cost of financing, are \$46 million or about \$2.3 million per year. If the infrastructure costs outlined in the TIF application were added to the City’s capital plan or normal debt service, which would add another 10.4% to the City’s capital budget or 8.7% to the debt service annually.

VEPC contracted Economic Policy and Resources, Inc. to provide a third party technical analysis of the data and information provided in this application. On this issue, the analysts concluded:

“Overall, these data do support the conclusion that the City has relatively high tax rates and debt levels—except for the Equalized Homestead Education tax rate (although not generally as high as its City of Winooski or City of Rutland peers). With its relatively high debt levels and high tax rate burdens, the data do generally support the City’s TIF District narrative under this criterion. As such, the conclusion that 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 applicant’s TIF District. In addition, the applicant and developers’ testimony also has been persuasive in arguing that if the private sector had the financial capacity to undertake these infrastructure investments, these would have

been undertaken and completed by now (e.g. during the last strong commercial real estate market during the early- or mid-2000s). Therefore, EPR is comfortable with recommending a positive finding by the Council on this evaluative criterion.”

Another pressing issue for Burlington is the significant additional time it would take the City to complete certain public investments without TIF financing. As evidenced by the amount of time these blocks have remained un- or underdeveloped, projects such as Browns Court, the Hood Plant site, the “superblock,” or the TD Bank block will not take place or will likely remain underdeveloped without some public participation in funding structured parking and utility improvements. However, as is discussed in detail in the TIF District Plan and elsewhere in this application, the provision of public parking, improved traffic, pedestrian and public transportation facilities, and Brownfield remediation also will be dramatically slowed or jeopardized altogether if the opportunity to use TIF District financing is lost.

The City stated that “But for the availability and use of TIF District financing as outlined in the City’s Downtown TIF District Plan, the expected real property development or redevelopment would occur in a manner that:

- ***Provides fewer positive impacts, such as less net revenues to the State:*** Fewer housing units developed, leading to less property tax revenue, sales tax revenue, and rooms and meals tax revenue to the State of Vermont.
- ***Results in more undesirable growth or growth in an area that is less desirable:*** Development that occurs in our traditional community centers preserves what makes Vermont special and saves the State millions of public dollars on water, sewer, storm water and transportation infrastructure.
- ***Would require a longer time to accomplish the desired development or redevelopment:*** *But for* TIF financing, the City must rely on unpredictable grant cycles to plan major infrastructure projects, and may lose opportunities to gain public benefit from Brownfield remediation, the provision of public parking spaces, improved transportation or storm water capacity, or utility upgrades (since these opportunities only occur at the inception of development projects). The Side Streets project in particular, along with Brownfield remediation at Browns Court, could be put on a longer timeframe without TIF financing. With TIF financing, projects can receive financing at their inception, which is the most critical stage to determining whether projects will proceed in the highest and best manner.
- ***Would result in less public-private investments:*** Without a shared public role in project investment, only private investment is possible; therefore, the City loses the opportunity to develop public infrastructure capacity for parking, storm water, etc. as private investments occur.

- *Would result in fewer sites being developed and very few development projects on difficult sites:* Since TIF financing offers the ability to capture taxes for as long as 20 years, more dollars are available for infrastructure than is typical of cash-strapped loan and grant programs.
- *Would result in the development of fewer public amenities:* The absence of TIF financing for downtown development in Burlington will result in fewer available facilities for the public, including fewer public parking spaces, fewer sidewalks and a longer schedule for sidewalk project implementation, and a reduced ability (if any) to provide storm water facilities that serve more than just the adjacent or immediate development needs. This diminishes the amount of public benefit that can be gained from private development initiatives.

For further information, see:

[Attachment 5C: But For Narrative](#)

[Table 5D: Burlington Municipal Budget Summary](#)

[Table 5E: Burlington Capital Budget Summary](#)

[Table 5F: Burlington Debt Summary](#)

Attachment 5G: [2003 Downtown Parking Analysis](#) (Note: Large Document) and

[TIGER Grant Application](#)

[Table 6K: Infrastructure Nexus](#)

[Table 6L: Real Property Development](#)

[Mayor Bob Kiss, City of Burlington](#) (MP3 audio file)

[Stephanie Hainley, White and Burke](#) (MP3 audio file)

[Jeff Nick, Nick and Morrissey](#) (MP3 audio file)

[Eric Hoakstra, Redstone Development](#) (MP3 audio file)

[Power Point Presentation \(March 24, 2011\)](#)

[EPRI Third Party Application Analysis Report](#)

2. Determination to be made:

The Council must determine:

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

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that the Burlington Downtown TIF District meets the But For criteria as stated in 32 VSA §5404a(h)(1).

TIF District Application Review Criteria: Criteria Detail (Cont.)

C. 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...**”*

1. Evidence:

Burlington provided a narrative explanation ([Attachment 6D](#)) and data ([Table 6K](#), [Table 6L](#)) showing the relationship between each of the planned public infrastructure improvements and the expected real property development within the TIF District. They explained how the infrastructure is directly and indirectly linked to each real property development project, how it will serve the development, and is essential for the development to occur. The improvements are also required to achieve the overall goals of the TIF District. The nexus presented in the application and described during testimony was related to enabling appropriate redevelopment within the TIF District. Because of the nature of the infrastructure and the proximity within the urban core, inevitably all parcels included in the District would benefit from the proposed infrastructure.

For further information, see:

Table 6K: [Infrastructure Nexus Information](#)

Table 6L: [Real Property Development Projects](#)

2. Determination to be made:

Is there a connection, or nexus, between one or more of the public infrastructure projects proposed to be financed with TIF revenue and each of the expected real property developments that will generate the incremental revenue to pay for the infrastructure and between the public infrastructure projects proposed and the parcels included in the TIF District?

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that for the Burlington Downtown TIF District nexus exists between all proposed public infrastructure projects, all parcels, and all expected private sector developments in the Burlington Downtown TIF District, as presented in the application. As subsequent phases are submitted, nexus will be reviewed only for any new infrastructure projects, parcels, or real property developments not included in the approved TIF District Plan.

TIF District Application Review Criteria: Criteria Detail (Cont.)

D. 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...*”

1. Evidence:

Burlington proposed that 100% of all infrastructure projects serve the TIF District. The City provided narrative evidence and data to support their position. Council analysis determined that each project is located within the District and will directly serve the District. Some of the projects, however, may serve other parts of the City and benefit populations other than those in the real property developments that are expected to occur. Because of the nature of the application as presented, it was not possible to determine the degree to which this might occur based on the application and testimony. Also, there was not sufficient detail for third party technical analysis of this issue.

For further information, see:

Table 6H: [Infrastructure Project Costs](#)

Table 6K: [Infrastructure Nexus Information](#)

Table 6L: [Real Property Development Descriptions](#)

Table 6M: [Real Property – Incremental Value Proportionality Analysis](#)

2. Determination to be made:

What proportion of each infrastructure project serves the TIF District and should be the basis for the proportion of total project costs that can be financed with TIF revenues?

3. Determination

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that proportionality is conditionally set at 100% for each infrastructure project as presented in the TIF District application. However, this determination is considered partial and proportionality will be re-examined, including third party technical analysis, if required, as subsequent project phases are filed by the City of Burlington.

In accordance with the [Proportionality Policy and Procedure](#) adopted by the Council, the Council expects that the City of Burlington 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. At the time of approval, the City anticipated the utilization of \$3,000,000 in federal earmark funding to offset the total costs of the Church Street Side Street project. Additionally, as project development progresses, the City anticipates negotiating a cost share with the private developers involved in the structured parking projects.

TIF District Application Review Criteria: Criteria Detail (Cont.)

E. Process Criteria: (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.”

1. Evidence:

Based on the evidence provided in the application, as indicated below with a checkmark, the Council has determined that all process criteria have been met. All required steps were taken prior to submitting this application. A public hearing was properly warned and held. The TIF District Plan includes all required elements. The municipality has certified that it is pledging the same ratio (75%) of incremental municipal property taxes as requested from incremental education 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, and the project has clear local and regional significance for employment, housing, and transportation improvements. Additionally, staff requested a review by the Chittenden County Metropolitan Planning Organization, the federally-designated transportation planning body for Chittenden County. The CCMPO also certifies that the TIF plan is compatible with the regional transportation plan.

- ✓ Copy of municipal [public hearing notice](#), [agenda](#), minutes (Note: minutes are available from the City and VEPC in the form of a DVD of the proceedings).
- ✓ Copy of [municipal finding of purpose](#).
- ✓ [Physical description](#) and a [map of TIF District](#), and [listing of properties within District](#), including SPAN numbers.
- ✓ Copy of minutes of municipal legislative body meeting at which TIF District plan was adopted. (Note: minutes are available from the City and VEPC in the form of a DVD of the proceedings).
- ✓ [Certification from clerk](#) and lister/assessor that plan was recorded.
- ✓ [Copy of certification of original taxable value](#) including date and time established and certified.
- ✓ [Copy of TIF District Plan](#), which must include:
 - ✓ A map of the municipality with the TIF District indicated.
 - ✓ A description of the district by its boundaries and properties located within the District.
 - ✓ Statement of costs and sources of revenue, including sources other than incremental tax revenues.
 - ✓ Estimates of assessed values within the District.
 - ✓ Estimated tax increments in each year.
 - ✓ Amount of bonded indebtedness to be incurred.
 - ✓ Duration of the plan.
 - ✓ Amount of additional revenue expected to be generated as a result of the proposed development, and:
 - The percentage of that revenue that will be paid to the education fund.
 - The percentage of that revenue that will be paid to the municipality.
 - The percentage of that revenue that will be paid to the municipality and used to pay the municipal tax increment bonds.
 - ✓ A general project overview.
 - ✓ A detailed project description, including:
 - Bonding and other debt instrument approval and financing schedules.
 - Infrastructure development schedule including description, costs, and build out schedule.
 - Development and redevelopment schedule including description, costs, and information on who will accomplish development.
 - ✓ Pro forma projection of related costs that will be paid for by incremental tax revenues including description and amounts. Should include any payments to a designated coordinating agency and any costs incurred prior to approval that will be recouped by the municipality.
 - ✓ Evidence that the municipality is seeking or has obtained other sources of funding and investment.
- ✓ [Written statement from top municipal official stating whether the projected development and/or redevelopment are compatible with municipal plan.](#)
- ✓ Copies of relevant sections of [municipal plan](#) with which project is compatible.

- ✓ A written explanation from top municipal official describing how the project has clear [local significance for employment, housing, and transportation improvements](#).
- ✓ Written [confirmation by appropriate regional planning commission](#) explaining how the projected development and/or redevelopment is compatible with approved regional plan and an explanation of how the project has clear regional significance for employment, housing and transportation improvements.
- ✓ Copies of relevant sections of the [regional plan](#).
- ✓ Written explanation from top municipal official indicating whether additional local or state [permits](#) will be required for the project, which permits will be required and a timeline for approval of the permits.

2. Determination to be Made:

Were all 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? Has the municipality 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 Council for the tax increment financing district? Are the proposed infrastructure improvements and the projected development or redevelopment compatible with approved municipal and regional development plans, and does the project have clear local and regional significance for employment, housing, and transportation improvements?

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, 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.

TIF District Application Review Criteria: Criteria Detail (Cont.)

F. Location Criteria: (32 VSA §5404a(h)(3))

“Location criteria. Determine that each application meets one of the following criteria:

(A) The development or redevelopment is compact, high density, and 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.

(C) The development will occur in an area that is economically distressed, which for the purposes of this subdivision means that the area has experienced patterns of increasing unemployment, a drop in average wages, or a decline in real property values.”

1. Evidence:

The Council reviewed the Designated Downtown approval and the maps submitted with the application and requested a review of both boundaries by ACCD GIS professional and confirmation by ACCD Vermont Downtown staff that boundaries are the same. The TIF District is wholly within a Designated Downtown and, therefore, is statutorily deemed to have met the Location Criterion.

For further information, see:

Attachment 5A: [Approval of Downtown Designation](#)

Attachment 5B: [Map showing Designated Downtown](#)

Attachment 6D: [Map showing Designated Downtown and TIF Boundaries](#)- Arial

Attachment 9C: [Map showing Designated Downtown and TIF Boundaries](#)

2. Determination to be Made:

Is the TIF District wholly within the boundaries of a Designated Downtown? Does the Downtown TIF overlap at all with the existing Waterfront TIF?

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that the Location Criterion as stated in 32 VSA §5404a(h)(3)(B) is met.

TIF District Application Review Criteria: Criteria Detail (Cont.)

G. 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 housing that is affordable to the majority of the residents living within the municipality and is developed at a higher density than at the time of application. “Affordable” has the same meaning as in 10 V.S.A. § 6001(29).

(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.”

The Burlington Downtown TIF District application addressed Project Criteria A, B, and E:

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.”*

1. Evidence:

According to the Department of Taxes, PVR, Burlington’s Education Homestead effective tax rate (\$1.1027) is relatively low in Chittenden County. Their non-residential effective tax rate (\$1.3236) is among the highest, but not the highest in Chittenden County. Their municipal effective tax rate (.6371) is the highest in Chittenden County.

The current municipal budget (which includes general operating, school, and all other municipal budgets) is \$196 million and averaged \$167 million over the past ten years (See [Table 5D](#)). The current capital budget is \$22 million and the ten year average is \$27

million (See [Table 5E](#)). The current level of debt serviced by Burlington voters is \$26.3 million and has averaged \$23 million per year since 2002 (See [Table 5F](#)).

The total infrastructure costs in the application, including cost of financing, are \$30 million or about \$1.6 million per year. If the infrastructure costs outlined in the TIF application were added to the City's capital plan or normal debt service, another 7.2% would be added to the City's capital budget or 6% to the debt service annually.

As stated in the But For section, "Financing structured parking and other urban utility and transportation improvements in the City of Burlington represents a type and magnitude of cost that cannot be financed from the City's standard operating budgets and debt instruments. By utilizing TIF to allow new development and investment to pay for essential, up-front improvements, the City will be able to provide the necessary resources to ensure that the City and State reap the many benefits of development in downtown Burlington."

VEPC contracted Economic Policy and Resources, Inc. to provide a third party technical analysis of the data and information provided in this application. On this issue, the analysts concluded:

"Overall, these data do support the conclusion that the City has relatively high tax rates and debt levels—except for the Equalized Homestead Education tax rate (although not generally as high as its City of Winooski or City of Rutland peers). With its relatively high debt levels and high tax rate burdens, the data do generally support the City's TIF District narrative under this criterion. As such, the conclusion that 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 applicant's TIF District. In addition, the applicant and developers' testimony also has been persuasive in arguing that if the private sector had the financial capacity to undertake these infrastructure investments, these would have been undertaken and completed by now (e.g. during the last strong commercial real estate market during the early- or mid-2000s). Therefore, EPR is comfortable with recommending a positive finding by the Council on this evaluative criterion."

For further information, see:

Attachment 8A: "[Public Investment Need](#)" narrative

Tables [8B](#), [8C](#), and [8D](#): Budget and debt data

[EPRI Third Party Application Analysis Report](#)

2. Determination to be made:

Does the infrastructure development require substantial public investment over and above the normal municipal or bonded debt expenditures of the town?

3. Determination

Based on the Burlington Downtown 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)(A) is met.

Project Criteria B: *“The development includes new housing that is affordable to the majority of the residents living within the municipality and is developed at a higher density than at the time of application. “Affordable” has the same meaning as in 10 V.S.A. § 6001(29).”*

1. Evidence:

There are currently approximately 847 units of housing within the TIF District with an average market price of \$125,472. The anticipated residential development projects will add an estimated 157 units, with about 89 condo units and 68 multi-family units, at an estimated average market value of \$168,333 per unit.

According to the Vermont Housing Finance Agency, Vermont has the nation’s lowest rental vacancy rate and one of the lowest homeownership vacancy rates in the country. The urban vacancy rate in the [Allen & Brooks December 2010 report](#) was 1.4%. This indicates that the demand for rental housing far outpaces the supply of available units. The application indicates that the projected housing units will be a combination of multi-family rentals and condominiums. The high cost of land in the TIF District along with the unusually high site and infrastructure costs of developing in the TIF District renders anything other than multi-unit development economically infeasible. In addition, for the vast majority of the TIF District, the City’s Comprehensive Development Ordinance (zoning ordinance) encourages “high density attached multi-family residential development. Development is intended to be intense with high lot coverage, larger buildings, and buildings placed close together. Parking is intended to be hidden either behind or underneath structures.”

According to the City, “The single greatest limiting factor to developing housing at a higher density in the TIF District than at the time of the TIF application is the cost of providing structured parking onsite. With TIF revenues available to help finance shared public/private parking structures, it is anticipated that housing developers in the TIF will be able to justify developing housing at a higher density than at the time of the TIF application.”

Mixed income housing is not only encouraged in Burlington, but it is required as part of all new residential development. The City anticipates that all six of the housing projects will include some level of affordable housing. Three of the projects will have 15% of the units affordable to 65% AMI, one will have 60% of the units affordable to 60% AMI and two will have 100% of the units affordable to 50% AMI. (AMI = area median income).

Under the City's Inclusionary Housing ordinance, at least 15% of all new rental housing must be perpetually affordable to households with incomes of 65% of HUD Area Median Income. For housing developed for sale, at least 15% of new units must be affordable to households with incomes of 75% of HUD Area Median Income. In the aggregate, the housing projected for development in the TIF District will be affordable to the majority of residents living within the municipality.

VEPC contracted Economic Policy and Resources, Inc. to provide a third party technical analysis of the data and information provided in this application. On this issue, the analysts concluded:

"On the issue of housing affordability, the fact that more than 40% (at least 64 units of 157 to be constructed) are expected to be affordable to families at 65% of AMI and the fact that nearly 2/3 (101 units of 157 to be constructed) are affordable under VHFA purchase guidelines, EPR concludes that the data and analysis would support a positive finding by the Council under this housing affordability sub-criterion.

On the matter of the housing density portion of this criterion, EPR concludes that: (1) the already strong policies in force in the City encouraging high density housing construction, (2) the plans presented in the TIF application (if executed as planned), and (3) the comparative housing unit density data corresponding to the number of new housing units to be developed within the TIF region versus the regional housing density benchmark data all support a positive determination by the Council for this housing density sub-criterion."

For further information, see:

Table 8E: [Housing Data](#)

Attachment 8F: [Housing Narrative](#)

[EPRI Third Party Application Analysis Report](#)

2. Determination to be made:

Will the private development result in new housing units? Will the housing be developed at a higher density than at the time of application? Will some portion of the housing be "affordable" (as defined by 10 VSA §6001(29)) to the majority of the residents of Burlington?

3. Determination:

Based on the Burlington Downtown 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)(B) is met.

Project Criteria E: *“The development will enhance transportation by creating improved traffic patterns and flow or creating or improving public transportation systems.”*

1. Evidence:

The City states that, “It is a core purpose of the Burlington Downtown TIF District Plan to fund those investments that will create physical capacity for traffic, pedestrian, and transit circulation in and through a vibrant and vital downtown in conjunction with additional parking capacity, thereby supporting development and redevelopment opportunities, expanding housing options, and expanding the tax base. Transportation in Downtown Burlington is an on-going challenge, given the City’s built environment and high demand. ”

The City has set the following principals to guide the development of these improvements:

- Burlington’s Church Street Marketplace, Downtown and Waterfront will be economically strengthened through continued public improvements and private investments;
- The infrastructure improvements provided on the Waterfront will ensure safer pedestrian and vehicular access;
- The amenities of the Church Street Marketplace will be extended to other parts of the downtown and the waterfront;
- Consideration will be given to improvements that can be well maintained and managed;
- The infrastructure improvements will use environmental best practices and strive for sustainability.

Burlington recognizes that adding capacity and improving street conditions and overall streetscape are typically the burden of individual private developers. But, they claim that in a City with high density, multiple users, and higher costs, these improvements exceed the reasonable financial capacity of developers. This can result in the complete absence of these improvements, a lack of comprehensive and cohesive approach to improvements, and fewer long-term solutions.

For further information, see:

Attachment 8L: [Transportation narrative](#)

Attachment 8M: [Map of Church Street Side Street Corridor](#)

2. Determination to be made:

Will the public infrastructure projects and the overall TIF development create improved traffic patterns and flow or create improved public transportation systems?

3. Determination:

Based on the Burlington Downtown 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)(E) is generally met. However, this determination is considered partial and whether the TIF infrastructure projects will create improved traffic patterns and flow or create improved public transportation systems will be re-examined, including third party technical analysis, if required, as subsequent project development phases are filed by the City of Burlington.

TIF District Application Review Criteria: Criteria Detail (Cont.)

H. Viability:

While not a criterion explicitly required in statute to be met for TIF approval, determining if the TIF District has fiscal and market viability is an implied and prudent task for the Council.

1. Evidence:

The Council contracted with a third party analyst - EPRI - to review the data provided in the application and the assumptions made by the municipality to provide a recommendation to the Board regarding viability from both the fiscal and market viability perspectives. The analysts concluded:

“The commercial viability of this development timeline, and any significant development activity in Burlington or elsewhere for that matter, will be dependent on the health and performance-vibrancy of the U.S., state, and greater Burlington area regional economy. This necessary vibrancy, in turn, will generally be dependent on the continued economic recovery-expansion of the global and U.S economies.

This background is important because the underlying projections in the TIF District application for the necessary development, and population, household and job growth over the next 20 years were developed during an uncertain time. They were completed at a time immediately following a significant discontinuity in the U.S., indeed global, financial system which reverberated through the economic system. It comes at a time immediately following the most significant economic downturn in the U.S. economy since the —Great Depression. In Vermont, the economic downturn was the worst since the punishing 1989-91 economic downturn.

In an effort to address understandable concerns about the viability of the planned development in the Burlington TIF application, the applicants commissioned a market assessment completed by a reputable firm (Allen and Brooks) that is knowledgeable in commercial real estate market matters in the greater Burlington, Vermont market. The study was completed in December of 2010, and speaks favorably of the Burlington market for office space (referring to it as “comparatively strong for the foreseeable future”), retail (referring to the various development components as “well suited to retail development and will benefit from the infrastructure improvements facilitated by the formation of a TIF District”), and (3) apartment development (referring to the marketplace as “future apartment development will be rapidly absorbed by the market”). However, it is important to note that the report did not offer an opinion as to the achievability of the specific development projects as outlined in the City’s TIF application timeline.

As such, the viability determination should include significant caveats that normally would be expected in the current uncertain economic and therefore the environment-background associated with all economic development and community development projects in the future. However, these caveats do not at this time appear to rise to the level of threatening the viability of the TIF development timeline as laid out in the application. Nevertheless, the development plan as presented in the TIF application remains ambitious, if not aggressive. This is at least indirectly supported by the applicant's own reluctance to commit to the specific timing of the development timeline.

Overall, the ambitiousness of the development timeline and the current relatively weak macroeconomic environment would not be a potentially significant issue if this under-performance was not the beginning of the TIF period. While it is highly unlikely that this period of weakness would undermine the development of significant projects over the 2012-2016 timeframe, the relatively weak development environment could push a significant number of projects and their TIF revenue generating capability "out to the right." This could significantly reduce the applicant's projected TIF revenue surplus. If the relatively weak economic environment undermined the \$9.4 million in matching developer contributions for the structured parking infrastructure—scheduled for development in 2014 and 2015 (3 and 4 years from now), a significant portion of the projected Cumulative Cash Flow surplus (see [Table 6Q Cash Flow](#)) would not be present and would leave little room for "margin for error" even assuming that the two TIF projects (the Redstone-TD Bank Block project and the Superblock project—could be undertaken in the absence of the parking development approach in the TIF application.

The City has employed a series of conservative assumptions in its financial plans on several fronts. These include a very conservative 5% annual cost escalator for construction costs of the various infrastructure projects which are to be conducted over the 2012 through 2016 period—or as the various projects are built-out, and a 3% tax rate escalator which is intended to capture the entire revenue effect of the developed real estate due to the various projects in the TIF (e.g. there is no property value escalator in the financial plan). Beyond the use of conservative approaches to cost estimates and additions to assessed value, the last line of defense would be a "conservative" debt issuance strategy on the part of the City.

The last line of defense in terms of the viability of the TIF District financing plan is the fiduciary responsibility of the City to not undertake any debt issuance and/or infrastructure improvements unless there is a strong likelihood that increment of development can in fact reasonably be absorbed by the regional marketplace. Given the planned project-by-project development approach and the applicant provided information the overall plan seems reasonable on that

front—even if on the optimistic side. Residential development like as the type and price points contemplated is the lower risk part of the plan, while the contemplated office development seems appropriately scaled—as it represents about 5 years of average development for the Burlington Central Business District (“CBD”) as described in the Allen & Brooks study (at 16,000 square feet per year average). Moreover, the office development component is not scheduled for development until 2016.

The highest risk development component seems to be the projected retail development. The Allen & Brooks study makes no significant judgment on the viability of the proposed development time line except to note that “On balance, these properties are well suited for retail development and will benefit from the infrastructure improvements facilitated by the formation of the TIF district...”. In fact, this statement is made after a long analysis of how the City has lost market share to retail developments with comparatively less expensive development costs and available land in the suburbs. Again, the project-by-project approach proposed by the City and the possibility of the Council’s proposed Master TIF Determinations approach could be used to reduce the risk that this significant addition to the CBD retail development issue could be addressed.”

For further information, see:

Tables [6N](#), [6O](#), [6P](#), and [6Q](#): Revenue Data

Attachment 6D Addendum: [Market Viability Statement](#)

Attachment 6D: [Market Viability Study](#)

[EPRI Third Party Application Analysis Report](#)

2. Determination to be made:

Will the proposed private sector development generate sufficient tax revenues to cover the costs of infrastructure? What is the likelihood that the proposed development /redevelopment can occur at the scope and timeline presented?

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that the TIF District Plan and TIF Financing Plan, as presented, generally indicates fiscal and market viability. However, this determination is considered partial and fiscal viability will be re-examined incrementally as subsequent project development phases are filed by the City of Burlington.

TIF District Application Review Criteria: Criteria Detail (Cont.)

I. TIF Financing Plan (24 VSA §1894(c))

“(c) Prior to requesting municipal approval to secure financing, the municipality shall provide the council with all information related to the proposed financing necessary for approval and to assure its consistency with the plan approved pursuant to 32 V.S.A. § 5404a(h). The council shall also assure the viability and reasonableness of any proposed financing other than bonding and least-cost financing.”

1. Evidence:

Burlington requested that the Council consider the TIF District Plan and the TIF Financing Plan concurrently.

Burlington anticipates that debt will be incurred and funds begun to be expended under the TIF within five years, at a minimum to support investment in structured parking and the Church Street Side Streets Project. While the financial plan currently indicates use of bonding for all of the identified infrastructure projects, the City anticipates that it may use the various financial instruments allowed by statute, as appropriate for each project, as it did with the successful Waterfront TIF district.

Over the life of the TIF District, the City estimates total payments of \$46.8 million to retire all of the debt incurred for all the projected TIF projects. The debt is expected to be retired by 2031 at the latest. The City estimates a total increment of \$62 million over 20 years, with \$46.4 going to finance TIF debt. The City also estimates that about \$12.4 million in non-TIF funding may be secured through federal transportation grants and private sector cost share of parking structures. This would result in approximately \$12.3 million in excess TIF revenues to be returned to the municipality and the Education Fund.

For further information, see:

[Statement Regarding Financing Plan](#)

Tables [6N](#), [6O](#), [6P](#), and [6Q](#): Revenue Data

[EPRI Third Party Application Analysis Report](#)

2. Determination to be made:

Is the TIF Financing Plan consistent with the TIF Plan? If the municipality is using debt other than bonding, is the project financing viable and reasonable?

3. Determination:

Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, and testimony before the Council, the Council determines that the TIF Financing Plan is consistent with the TIF District Plan, as presented. However, this determination is considered partial and the viability and reasonableness of non-bonded debt will be determined as subsequent project phases are filed by the City of Burlington.

Approval of Burlington Downtown TIF District Plan and TIF Financing Plan Submitted by the City of Burlington:

Therefore, in accordance with the [Master TIF Determination Policy and Procedure](#) adopted by the Council, on June 23, 2011 the Vermont Economic Progress Council voted 8-1-0 to approve the Burlington Downtown TIF District application to utilize incremental property tax revenues to finance public infrastructure debt incurred for the Burlington Downtown TIF District, as described and conditioned above and subject to the following:

- No request was made to approve any specific project development phases concurrently with the Master Determination and therefore, none have been approved.
- The Council has determined that the following approval criteria are met:
 - Statutory Purpose
 - But For Criteria
 - Process Criteria
 - Location Criteria
 - Project Criteria: Need
 - Project Criteria: Affordable Housing
 - Market Viability
- Each subsequent development phase must be consistent with the approved TIF District Plan and TIF Financing Plan and, if appropriate to the phase, address the following criteria which were partially approved:
 - Nexus: For only new infrastructure projects, parcels, or real property developments not included in the approved TIF District Plan.
 - Proportionality
 - Project Criteria- Transportation
 - Fiscal Viability
 - Financial Plan
- Each subsequent development phase filing must include, at a minimum:
 - Identification of the infrastructure project(s) included in the phase, including description, cost, construction schedule, and proportionality information;
 - Identification of the real property development(s) included in the phase;
 - Identification of the type and amount of debt that will be incurred for the phase, including financing costs;
 - The anticipated schedule for a public vote on the debt for the phase; and
 - Recalculation of the TIF debt and revenue spreadsheets to reflect the impact of the actual data from the phase (Tables 6M, 6N, 6O, 6P, 6Q, 6AA, and 6BB).

- *If the phase information includes a substantial change from the approved TIF Plan/TIF Financing Plan, the municipality must also address that change by following the [Policy and Procedure for Substantial Change to an Approved TIF Plan](#).*
- *Based on the Burlington Downtown TIF District Plan and TIF Financing Plan as presented, the Council anticipates that in accordance with 24 VSA §1987(a), the City of Burlington will seek a vote by the legal voters of the municipality to authorize the legislative body of the municipality to pledge the credit of the municipality up to a specified maximum dollar amount for all debt obligations to be financed with incremental property tax revenues, pursuant to this approval. Based on this approval, the dollar amount is expected to be approximately \$47,000,000, including the cost of debt financing. Further, in accordance with 24 VSA §1897(b), this pledge and any subsequent pledge of credit for financing TIF infrastructure shall include a notice that if the tax increment received by the municipality from any property tax source is insufficient to pay the principal and interest on the debt in any year, for whatever reason, including a decrease in property value or repeal of a state property tax source, unless determined otherwise at the time of such repeal, the municipality shall remain liable for full payment of the principal and interest for the term of indebtedness.*



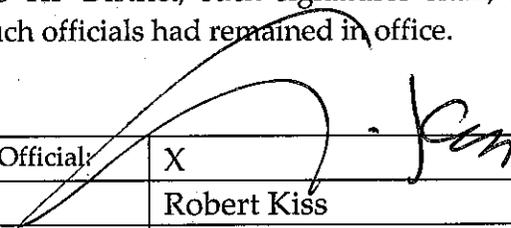
**BURLINGTON DOWNTOWN TAX INCREMENT FINANCING DISTRICT
CITY OF BURLINGTON
CERTIFICATION DOCUMENT**

CERTIFICATION OF UNDERSTANDING: We, the undersigned, have read the “Master TIF District Determination, Exclusions, and Conditions” document and the applicable Vermont statute and certify that we understand the determinations, conditions, and exclusions made by the Vermont Economic Progress Council pursuant to the “Master TIF District Determination Policy and Procedure,” and the requirements of Vermont statute contained in 32 VSA §5404a(h) and 24 VSA §§ 1891 – 1901 and 32 VSA §§ 5404a(f)-(j).

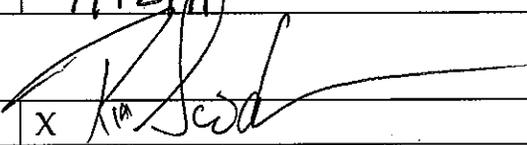
We hereby accept the determinations, conditions and exclusions upon which this authorization for the utilization of incremental property tax revenue to finance TIF District infrastructure are based, and assure that the City of Burlington will abide by these conditions and exclusions, the applicable provisions of Vermont statute, and any current or future rules promulgated for the Tax Increment Financing program by the Vermont Economic Progress Council, Vermont Department of Taxes, or other state agency or entity.

We further certify our understanding that in case any of the public officials of the municipality whose signatures appear on this certification and/or the TIF District application shall cease to be such officials before the end of the life of the TIF District, such signatures shall, nevertheless, be valid and sufficient for all purposes, the same as if such officials had remained in office.

Signature 1:

Signature of Elected Official:	X 
Printed Name:	Robert Kiss
Title:	Mayor, City of Burlington
Date:	7/12/11

Signature 2:

Signature of Town Officer:	X 
Printed Name:	Richard Goodwin
Title:	Assistant Chief Administrative Officer for Finance and Administration
Date:	7/12/11

ASSIGNMENT OF REPORTING RESPONSIBILITY

Please indicate below whom will be responsible for completing and filing the annual TIF District report required by 24 VSA §1901.

Name:	KICH GOODWIN
Title:	ASSISTANT CAO for FINANCE
Mailing Address:	
Phone:	802 865-7013
Fax:	
Email:	Rgoodwin@ci.burlington.vt.us