



To: EDTC Commission

From: Seth Webb

Re: Options Tax Reform

Date: July 14, 2014

This memo outlines the terms I plan to recommend the Selectboard require in order to adopt the Options Tax Reform as proposed by the Resort. I am sending it to you in advance of our meeting, Monday, July 14th at 3:30 p.m., where I will ask for your input and concurrence.

Background

Town Goals and Mission

- The third goal of the Selectboard Strategic Plan is “Increase tourism, year round employment and support the growth of our tourism based economy”
- The Town’s Economic Development and Tourism Commission Organizational Policy states, “The mission of the Town shall include, but not limited to, efforts to sustain and enhance the Town of Killington’s tourism-based economy, as well as to pursue other types of economic opportunities including diversification. These efforts may involve tourism promotion, advertising and marketing, special events, business retention, strengthening and expansion, economic diversification and community investment.”

Need for New Tourism Infrastructure and Amenities

- The Town has identified a significant need for substantial new investments in tourism attractions and amenities to continue to grow summer/fall tourism (as well as winter).

- Raising property taxes alone to fund significant new tourism infrastructure at this time seems to be an extremely challenging proposition.
- The Resort is better positioned than the Town to manage tourism attractions and amenities.
- The Resort recently announced its plans to invest \$5M over the next five years in new year-round attractions including funding zip lines, expanding mountain biking, and adding adventure camps as well as other summer activities.
- To help provide seed funding for its year round investments, the Resort has asked the Town to consider repealing the Sales and Use portion of the Option Tax, which, through the sale of lift tickets, the Resort pays the largest portion of annually.

Need for Continued Coordination, Long Term Planning and Additional Revenue for Special Events, Marketing and Business Development

- To help grow the year round tourism economy, the Town would like to see the Killington Chamber of Commerce, Killington Resort and Town continue to align/coordinate their respective tourism development efforts.
- While we have made great strides in accomplishing this over the last few years, there is more that can be done to eliminate duplicative functions between the three organizations and better leverage the assets of our region.
- When the Options Tax revenues were consolidated into the general fund in 2011, tourism development lost its dedicated source of funding and now must compete with other town obligations on an annual basis.
- Changing annual appropriations and volatile political support make it challenging to engage in longer term planning especially related to marketing, special events and business development.
- A report done by the “Strategic Marketing Group” in 2012 reviewed the various issues around our community’s work to market itself as a destination. It identified that our community as whole has not effectively leveraged other regional assets including the

potential for additional revenues to support tourism development. One of the recommendations of the report was to create a regional organization akin to the Vail Valley Foundation and Stowe Area Association, which have been successful drivers of developing four season tourism in those communities.

Recommendation on Considering Options Tax Reform Proposal

- While Option Tax reform presents some immediate (but surmountable) challenges to the Town budget due to the loss of revenue, it also presents some new opportunities to accomplish our long term development goals. These goals can be accomplished while also minimizing or eliminating any net impact to taxpayers.
- To take advantage of the opportunities Option Tax reform offers, the Town established three criteria it believes are critical to meet to make such a reform a win-win for all parties. The criteria for reform were:
 1. The Resort develops an effective year round tourism plan and provides 1-2 years of successful operations
 2. There is a strong semi-independent third party created to manage the events and marketing the Town has started
 3. The Town has a solid transition plan to ensure any increase in taxes is minimized or avoided

Terms to Satisfy Town Criteria

To satisfy these criteria, I am suggesting the Selectboard require the following series of terms as part of any Options Tax Reform proposal:

To satisfy criteria 1, “*The Resort develops an effective year round tourism plan and provides 1-2 years of successful operations*”

- The Town requests the Resort provide a written summary of its plans to invest in summer attractions over the next 5-10 years and outline the goals it hopes to achieve and the potential variables to successful execute the plan.

To satisfy criteria 2, “There is a strong semi-independent third party created to manage the events and marketing the Town has started”

- A long term agreement between the Resort and Chamber is signed to form the Killington Pico Area Association (KPAA), which would become our model of the Vail Valley Foundation or the Stowe Area Association (the Chamber would be absorbed into this organization).
 - The KPAA mission would be dedicated to the growth of tourism through marketing, special events and business development projects.
- The KPAA would be governed by an Executive board of directors appointed by Resort (2), Chamber of Commerce (2), and the Selectboard (1). Additional Board members may be added at the direction of the executive board. This one organization could fulfill the role that the EDTC, Chamber Board, and Town and Mountain Partnership Committee currently seek to do separately.
 - KPAA would be funded by:
 - Regional Business membership dues supported by an expanded Merchant Pass program to include the Vermont/New Hampshire Region and an enhanced membership benefit program
 - Event, sponsorship and private donations
 - An annual Resort membership contribution
 - *To help the Town reach its goals, KPAA needs to have enough revenue to manage the responsibilities of the Chamber/Visitor Center and as well as Town Event and Marketing program. The Resort and Chamber have been working on a plan to accomplish this.*

To satisfy criteria 3, “The Town has a solid transition plan to ensure any increase in taxes is minimized or avoided”

- If the Sales and Use portion of the Option Tax is eliminated, that will be a loss of approximately \$450,000 in annual revenue to the Town
- Currently the Town spends approximately \$250,000 on Marketing and Events.
- If the Killington Pico Area Association (KPAA) is created as outlined above, the KPAA could take over the responsibility and expense of the Town’s current Marketing and Events program (allowing the Town to cut \$250,000 in expenses).
- After eliminating the approximately \$250,000 of expense from its budget, the Town would seek to make up the remaining gap with the following:
 - Property Tax increase of approximately .025 cents
 - Based on information residents have provided to the town, the average person spends approximately \$50 a year in sales and use tax
 - Based on the 2014 grand list, a person with a \$200,000 house (the median home value in Killington) who spends \$50 a year in sales and use tax would see a net decrease of .20 cents a year.
 - Based on the 2014 grand list, a person with a \$250,000 house (the approximate average home value), who spends \$50 a year in sales and use tax, would see a net increase of \$12.30 a year.
 - Based on the 2014 grand list, a person with a \$350,000 house, who spends \$50 a year in sales and use tax, would see a net increase of \$24.80.
 - The property tax increase could be further offset if the Annual Payment from Killington Resort to the Town were reinstated.
 - The criteria for such a payment could be tied to the amount needed to insure there is no net increase for the average tax payer

Results of Tax Reform Under these Terms

These terms will help the community and Resort accomplish its goals together. With these terms:

- ✓ Over a 10 year period, the Resort will receive approximately 35% of the \$5M they intend to invest in summer attractions, providing the seed money they are seeking. The development of new tourism infrastructure/attractions will bolster year round business.
- ✓ Events & Marketing begun by the Town will continue in a sustainable manner through the Killington Pico Area Association, which can more effectively leverage regional assets and investments than the Town or the Chamber.
- ✓ The challenges (changing annual appropriations and volatile political support) for tourism development and duplicative functions related to longer term planning which exist under the current system will be eliminated.
- ✓ Taxpayers will see little to no net increase in taxes as a result of Tax Reform.

Possible Timeline

- EDTC review and recommendation in July
- Resort to provide the Town a written summary of its plans to invest in summer attractions over the next 5-10 years and outline the goals it hopes to achieve and the potential variables to successful execute the plan in July.
- KPAA agreement developed and executed in August/September
 - *The expanded Merchant Pass Program would begin in the Fall of '14*
 - *KPAA would take over town events and marketing in fiscal year '15/16*
- Selectboard hearings on the subject in August and September
- Vote on Tuesday, November 4th, election day

- Option tax would sunset June 2015
 - This will give all parties the time to budget for the impact and will coincide with the beginning of the 2015-16 fiscal year (new for Town in '15)