

As was previously described in the original TIF application, the phases of water and road work included within the TIF District are part of a bigger initiative called Killington Forward. The objectives of Killington Forward are to stimulate growth and property development at the base of Killington Mountain, improve water quality and provide access to clean water to the Town’s most densely developed area, create a safe and multimodal Killington Road, and incentivize affordable housing.

To advance the purpose of the Killington TIF District – to provide increased revenue, job creation, and general economic vitality – the Town is proposing to kick off Killington Forward with the first phase of infrastructure in conjunction with the development of Phase A of the Six Peaks Killington project. In Phase 1, the Town proposes to construct the first phase of water and road improvements. The Town intends to go to the voters for a bond vote in March 2023. But for the Town’s construction of the water supply and improved road access and safety, Six Peaks Killington Phase A could not be developed.

**Scope of Work**

The Phase 1 improvements to be financed through TIF will include:

- Bringing water from Route 4, up the mountain, into and through the village, and downhill to the end of SPLC and Resort property.
- Reconstructing Killington Road from the SPLC and Resort property lines (the northernmost edge of the TIF District) up to and including the roundabout.
- Constructing Road H and reconstructing Old Mill Rd and East Mtn Road.
- Taking ownership of these road assets that have been historically held privately, thereby creating a connected municipal road system at the top of Killington Road.
- Reconstructing the section of Killington Road from US Route 4 to Anthony Way.

There is a small segment of Phase 1 that was identified in the Master TIF as part of Phase 1, but that is not included in this phase filing. The short leg of the road above the roundabout up to Vale Road will be constructed at a later date as the Village builds out. Otherwise, the above scope of improvements has not changed since the Master TIF Determination.

**Outside the Scope of TIF**

There are two segments of Phase 1 outside of TIF that are not to be funded by TIF but will be constructed at the same time. These will be paid for with grant funding.

- Construction of the dry line in Section 1B (along Killington Road from US Route 4 to Anthony Way) – the line and hydrants will be installed within this phase to be ready for water service when supply is available at this location.
- Construction of the water line from the end of the TIF District to Ravine Rd to begin improving water quality issues on Killington Road as soon as possible.

Both of these components will be funded with water funding allocated to the Town of Killington to ensure that water quality issues are being addressed.

### Map

Attached please find the Infrastructure Map, updated since the Master TIF Determination. This map shows all the phases of infrastructure components in the Killington Forward initiative, identified with notes on the funding sources.

### Cost Estimates

Since the development of the TIF District projections in 2021, construction costs have increased significantly. For comparison:

	<u>VEPC Approval</u>	<u>Phase 1 Filing</u>
Water	\$26,675,811	\$29,556,813
Road Total	\$14,010,593	\$19,533,258
<b>PHASE 1 TOTAL</b>	<b>\$40,686,404</b>	<b>\$49,090,072</b>

Given that the plans have been advanced and given the volatility of today's construction environment, this increase is not surprising. These estimates also include significant estimate and construction contingencies, given the market and what could change before commencing construction in Spring 2023. The attached estimates were developed by Aldrich & Elliott Water Resource Engineers (water) and VHB (road). (Please note: the water estimate includes the two segments noted above that are outside of the TIF District, totaling \$1,745,890. The total listed in the estimate \$31,302,703 minus \$1,745,890 equals the \$29,556,813 listed in the table above.)

### Funding and Financing

The creation of this water system has been listed as a priority project in the Clean Water Intended Use Plan with an ARPA allocation commitment of \$2,300,000. The water system has also been identified as a priority project in the Drinking Water Intended Use Plan with a Drinking Water SRF "Emerging Contaminants" subsidized loan of \$3,679,808.

A portion of these funds will be used for the two segments of the water project outside of the TIF (discussed above). The remaining approximately \$4.3 million will be applied to the Phase 1 water improvements within the TIF District.

The Town is working further with the Water Investment Division to secure approval for the balance of the Phase 1 water improvements to be financed through a loan from the State Revolving Fund (SRF) of approximately \$26MM. The Town is working with the Vermont Municipal Bond Bank to secure approval for the Phase 1 road work to be financed with a municipal bond of approximately \$21MM. (Please note: The loan and bond amounts are rounded up from the estimate of actual construction estimates. The bond amount also includes related costs, as is noted in the workbook.) These are the assumptions included in the workbook

and that will be confirmed in the coming months. If needed, the Town will explore other debt instruments, but not to exceed the amount authorized by this phase filing.

Over the coming year and beyond, the Town will continue to seek more grant funding and forgivable loans. There are more Clean Water and Drinking Water funds to be allocated over the coming year(s) and there are other ACCD sources the Town is also pursuing. These will not be known before the bond vote, so the Town will be asking voters to authorize a “not to exceed” debt limit of \$47MM. As additional funds are secured, the Town will not need to draw down as much debt and will likely not incur the full \$47MM by the time Phase 1 is complete.

### **Financing Plan and Fiscal Viability**

**Infrastructure Costs:** This tab includes the cost estimates described above and includes an additional 5% contingency for the portion of work to be initiated in 2024 due to this particularly unpredictable time in the market.

**Private Development Assumptions:** The projections for the build-out of Six Peaks Phase A are conservative. As can be seen, the workbook shows the phase being constructed over five years (it is likely to take less time). Secondly, using what the private developer has plans and permits to build as a base, this model relies only on 68% of the full build-out for coverage of the anticipated debt service. Should the construction take longer than the developer’s plans or should the property be valued lower based on market conditions, this workbook shows that the Town still maintains a buffer that covers debt service.

**Tax Rates:** Please note that the workbook includes new tax rate projections based on the town-wide reappraisal to be completed before increment is retained.

**Related Costs:** The related costs in 2022 have been updated to reflect expenses to-date to create the District, prepare the phase filing, and some project management related to Phase 1. Future year projections model the costs associated with Phase 1 to be incurred in 2024 and future year costs associated with maintaining the District. Although the Town expects to submit future phase filings, this isolates the expenses associated only with what is currently known. (As noted above, the Related Costs tab shows the individual year expenses, but the Summary of Annual Debt includes the first few years of expenses within Bonds #2 and #3. This is because the bond proceeds will reimburse the Town for these spent expenses. Future years’ related costs are projected to be paid directly from increment.)

**Annual Summary of Debt:** The debt service schedules are shown in the workbook. The road work is expected to be constructed over three years. For the sake of modeling, this is shown as three bonds to show that the debt will not all be incurred in the first year. This model shows bond assumptions provided by the Municipal Bond Bank for illustrative purposes only. They are subject to further review and credit analysis. The Town will not know the final debt schedules until it has applied for the loan and bond following the Town bond vote in December. It is possible that a municipal bond of this scale may not be allowable by the Bond Bank. The Town is confident, however, in its ability to find other sources of financing (from local bank(s),

for example). The workbook assumes a municipal bond for the simplicity of modeling, understanding that the ultimate instruments may vary.

**Retention Period:** As noted on Tab 1, the workbook projects incurring debt in calendar year 2023. Per TIF Rule, the first retention of increment would begin based on the April 1, 2023 Grand List. Taxes to be retained would begin based on the tax bills sent out in July 2023 (Fiscal Year 2024). Because the Cash Flow model is based on Fiscal Year, the retention period is adjusted accordingly on that tab: FY24-FY43.

**Cash Flow:** The workbook shows that with the assumptions made for this phase filing, there is manageable cash flow and a sufficient cash balance to be a fiscally responsible plan for the Town. The early year deficits that are common with all TIF Districts will be managed internally by the Town with pooled cash. The Town has evaluated this carefully and is comfortable with this level of deficit for a few years, given the scale and importance of this project. These are also conservative assumptions. Should there be additional grant funds allocated to this project, should the developer build more quickly and see higher sales volumes, or should the tax rate increase at all after the reappraisal, the cash flow could be significantly healthier over the course of the twenty years. (Please note: This workbook is purely for Phase 1 and does not show any future phases of infrastructure or private development, given that those plans are not yet known. This workbook only shows what is planned for the first phase.)

### **Private Development Partner**

Great Gulf is the selected partner for Phase A. The Town has known the principal on this project since 2019, when he was first doing due diligence for another development firm interested in the project. The company has been operating for almost 50 years with a solid track record of responsible, sustainable, and attractive developments in a variety of locales. The Town has conducted its due diligence and has worked diligently to secure the Development Agreement that creates a solid foundation for the partnership and mitigates risk in many ways to protect the Town.

The attached Development Agreement commits the developer of Six Peaks Killington, Great Gulf, to a minimum taxable value of the property sufficient to cover debt service once that schedule is known. The workbook shows that with the conservative assumptions made, a minimum taxable value of ~\$300MM will result in a healthy cash flow. This value represents 68% of the Six Peaks Village Phase A build-out. In other words, even if Great Gulf only develops 68% of their planned and permitted Phase A or Phase A is valued that much lower, the Town will have sufficient increment to pay debt service. In the event that Great Gulf develops even less by such time that the Town is required to pay debt service, the Development Agreement binds the developer to pay the minimum value.

### **Process and Timing**

Consistent with the original TIF application, the Town intends to break ground in 2023 (late spring/early summer). To achieve this (allowing enough time to submit financing materials, go

to bid, and select contractors), the Town will hold a bond vote on Town Meeting Day, March 2023. There will be two public informational meetings held in advance of the vote, as well as a full Town-wide educational campaign being organized by a public relations firm.

Concurrently, the Town is continuing to finalize the infrastructure designs and seeking additional funding, and the developer is advancing plans for their commencement.

We appreciate the opportunity to begin work on the overall plan authorized in the Master TIF Determination and look forward to the launch of this exciting initiative!