

Killington TIF District – FAQ

Updated May 2022

- ***What is TIF and how does it work?***

Geographically, it is a District, created by a municipality, where investment in public infrastructure is needed to encourage private property development. Financially, a portion of the new incremental tax revenues generated by the new private development within the District are set aside for a certain period of time to service the public infrastructure debt. Please see the State’s FAQ for all general TIF questions: <https://accd.vermont.gov/sites/accdnew/files/documents/DED/VEPC/Tiff/FAQ.pdf>

- ***What private developments are expected?***

The Town intends to catalyze the Six Peaks Killington project (known also as the Village Master Plan) using TIF. Please see the TIF District Plan on the Town’s website for more information.

- ***How does the town benefit and what’s in it for town residents?***

By incentivizing new private investment through public infrastructure, the Town can drive Grand List growth that will benefit all taxpayers. This growth would not otherwise happen without the Town’s investment, as has been the case with the long-stalled Village.

In addition, while a portion of the incremental new taxes from the developments are used to repay the infrastructure debt service, there is also a portion that goes to the General Fund. Of the incremental new taxes, 15% goes directly to the General Fund (and 30% of the state portion goes to the Education Fund). This is revenue that would never have otherwise occurred but for the use of TIF.

More broadly, the town’s TIF-funded infrastructure investments will enable these important private investments which are expected to significantly grow the economy, resulting in stronger local businesses, more jobs, along with more workforce and affordable housing.

- ***If the revised TIF District Plan does not include the distribution of water down Killington Road, is the Town still planning to incentivize affordable and workforce housing?***

Yes! The Town is committed to the Killington Forward project, which includes the support for job creation, business expansion, and housing at all price points through the investments in a water system and road reconstruction. TIF is one financing instrument the Town will use to start the water project. The first phase of water to be funded using TIF is significant and

water to the housing sites would not be possible without it. The Town is seeking other funding to pay for distribution of the water down Killington Road. And while the Town cannot develop the housing itself, we can help remove barriers, bring the right parties to the table, and proactively help put the deals together to create more affordable and workforce housing. The Town has also already begun the process of working with the local housing trust and reaching out to prospective developers. This will be an ongoing effort.

- ***Are there requirements for bidding the water system creation under the TIF program?***

There are not TIF program requirements for bidding out the water system work. However, the Town of Killington does have bidding requirements which recommends requesting at least 3 bids which will be followed.

- ***What happens if the Town does not pass the TIF bond vote?***

If the Town does not pass a bond vote for a TIF project, the Town can do another bond vote(s).

- ***Will the proposed retail development at the mountain take away from retail development along Killington Road?***

No, in fact it should benefit the businesses along Killington Road. There will be relatively little retail included within the new development and some of that space will be a replacement of existing Resort retail currently in the same location. More activity at the top of Killington Road will help all businesses along Killington Road and Route 4.

- ***What happens if the developer does not do their project?***

If the developer doesn't do its project, the town won't construct the public improvements. The Town will negotiate and enter into development agreement(s) with the developer(s). This will set forth the respective obligations of the Town and the developer. Under the terms of the agreement (which have not been finalized) the Town will not commence construction on the public improvements until it has substantial assurances the development will occur. In a circumstance in which the Town would need to begin construction sooner, the Town will require substantial guarantees of the developer before it does so. In a worst-case scenario, though, the Town's General Fund is ultimately responsible for the debt service. This is a risk, but one that the Town Selectboard believes is prudent in order to stop the stagnation of the Grand List.

- ***What is proposed for the 30,000 square feet of retail at the mountain?***

It is anticipated to be a mix of existing and new businesses. No firm tenant agreements are in place yet.

- ***SP Land Company has stated that Snowden Wells has sufficient capacity to serve Phase I of their project. Why are additional wells and water supply needed?***

It is correct that the Snowden Wells have the capacity for Phase I. However, the full build-out of the Six Peaks Killington project is much bigger than what is known as “Phase I” of their project. [Please note: Six Peaks Killington “Phase I” is not to be confused with the TIF District Plan’s infrastructure “Phase I”.] “Phase I” of Six Peaks Killington is a small portion of the Village Core. Within the TIF District, the buildout of Six Peaks Killington consists of the Village Core and Ramshead Brook Subdivision. The Valley Wells – the water source for the proposed water system – are needed to supply water for the full build-out of the Six Peaks Killington project. A developer will not invest in the first phase of a project without having a guaranteed water source for the future phases needed to make the economics work for the whole project.

- ***What is the water source for the water system and how can the Town be sure there is sufficient capacity?***

The Valley Wells on Route 4 will supply the water for the water system. They are currently owned by SP Land Company and will be conveyed, along with the land required for the transmission and some distribution lines, to the Town. The wells have been tested for capacity and there is a large capacity. However, the Town recognizes that the water supply could be a limitation at some point in the future. This is dependent on how many of the existing developed properties choose to connect. That said, the Town is currently contracting hydrogeological work to determine what additional yield can be produced and/or exploration for a third well.

- ***What are the operating costs for a municipal water system, how many customers are projected, and what will the price of water be to its residential and commercial customers?***

A water system budget and customer proposal are forthcoming from the water resource engineer, Aldrich & Elliott. The preliminary findings show viability for the system based on hook-up fees, customer rates, operations and maintenance, and capital reserve, especially when debt service is covered by TIF. This is an important assessment that the Town will be reviewing further as plans continue to develop, prior to a bond vote.

- ***What are the risks to Killington taxpayers and what steps is the Selectboard doing to mitigate those risks?***

If the incremental taxes are not sufficient to cover debt service over the life of the TIF District (which runs the duration of the bond repayment), the General Fund would need to cover that debt service. To mitigate that risk, the Town will negotiate development agreements with the developer(s) prior to any construction of public infrastructure. The Town has retained expert legal counsel to construct these agreements. A minimum tax payment will be required from the developer that is sufficient to cover the debt service, which protects the Town. TIF is based on the assessed value of the properties that are developed. Even in the unlikely scenario in which the developer goes bankrupt, the properties would continue to pay taxes.

As further forms of risk-management, the Town has based its projections of repayment on a conservative estimate of the developer's buildout. As a backstop, should there be a need, the Town is able to retain the municipal portion of the incremental taxes beyond the time allowed to retain the State portion. This helps some communities with covering debt service if there are extenuating circumstances.

- ***Developers often create special purpose vehicles (standalone corporations) for projects like these and some fear they could easily walk away. How will the Town protect itself with this type of entity?***

It is standard practice for developers to create individual LLCs (or other special purpose vehicles) for projects given the unique grouping of investors often brought into a particular deal. However, that does not mean the developer is off the hook. Typically, a lender will require a substantial amount of equity to be invested in the project before the developer can begin drawing on the lender's construction loan. Moreover, it is also typical for the lender to require a guarantee for the loan, sometimes from the developer's umbrella company, if it has substantial assets, or from the developer personally. So, it is far from easy for a developer to walk away from an LLC created for a specific project. Moreover, lender underwriting requirements are rigorous and involve such things as studies of market demand and of market lease rates or sales prices, as well as an appraisal of post-construction value, examination of the developer's previous track record and so-on. The Town will not commence construction on the public improvements until the developer's financing is in place. So, the Town will have the assurance provided by the developer having successfully met the lender's criteria and having the funds to commence construction.

- *Why are there surveyors, flags, and markers around town?*

The Town has engaged Vermont Survey Consultants to survey Killington Road in preparation for the design and reconstruction of Killington Road from Route 4 to the base of the mountain and for the well area and water system. Residents will notice orange flags and surveyors throughout the area over the coming months as this work evolves. If you have any specific questions or concerns, please contact planner@killingtontown.com.