



PUBLIC NOTICE
TAX INCREMENT FINANCING
TOWN OF KILLINGTON
KILLINGTON TAX INCREMENT FINANCING DISTRICT

This Public Notice is prepared by the Town of Killington to provide information to the public relating to the proposed ballot question seeking authorization to pledge the credit of the Town to borrow, to finance, or otherwise pay for tax increment financing (TIF) improvements to serve the Killington Tax Increment Financing (TIF) District. If approved by the voters, the Town expects to use tax increment revenues from within the TIF District to pay for the indebtedness and direct and related costs for the TIF improvements. This notice is intended to provide the voters with information concerning (1) the proposed projects, (2) the terms of indebtedness to be incurred, (3) the related costs that may be incurred by the Town, (4) the expected source of payment for such indebtedness and direct and related costs, and (5) the expected development to occur.

KILLINGTON TIF DISTRICT

The Town created the TIF District on January 4, 2022. The purpose of the TIF District is to provide revenues for the costs of improvements that serve the District which will stimulate development or redevelopment within the District, provide for employment opportunities in the Town and region, improve and broaden the tax base for the Town and enhance the economic vitality of the Town, the region and the State of Vermont. In connection with the creation of the TIF District, the Town prepared its TIF District Plan after public hearings held in 2022. The Town's TIF District Finance Plan was created by the Town and provides the proposed and estimated terms of financing improvements to serve the TIF District. The Town's TIF District Finance Plan was submitted to the Vermont Economic Progress Council ("VEPC"). VEPC is an independent board created under Vermont law that serves as the approval and authorization body for the Vermont Tax Increment Financing District program. VEPC approved the formation of the Killington TIF District and the TIF District Plan on June 30, 2022. The TIF District Plan is available from the Town or through VEPC and provides more information about the TIF District and the financing of improvements to serve the TIF District.

WARNING and PUBLIC VOTE

The Selectboard agenda for the January 30, 2023 meeting includes a proposed resolution relating to "March 7, 2023 Annual Town Meeting – Pledging the Credit of the Town to Secure Indebtedness for Public Improvements Within the TIF District." By resolution, the Town Selectboard shall request that the following question be placed on the ballot at the March 7, 2023 Annual Town Meeting:

"Shall the Town Selectboard be authorized to pledge the full faith and credit of the Town to secure indebtedness or make direct payments for the purpose of funding one or more public improvements and related costs attributable to projects serving the Tax Increment Financing (TIF) District, specifically:

- (a) **Projects:** acquire and construct a municipal water system; construct new roads and upgrade existing roads, and acquire those roads to ensure future maintenance.

- (b) **Related Costs:** payment of or reimbursement for TIF eligible related costs incurred by the Town for the creation, implementation and administration of the TIF District, including costs paid to outside vendors, consultants, and various related fees and other expenses related to the TIF District, as well as direct municipal expenses such as departmental or personnel costs related to creating or administering the District to the extent they are paid from the municipal and not education incremental taxes and are otherwise reimbursed in accordance with law;

in a total principal amount not to exceed \$47,000,000 (which will bring the total TIF District debt approved since the TIF District's creation to \$47,000,000) and to issue bonds, notes or make interfund loans for such purpose, in one or more series, and expend up to \$650,000 for related costs, which will bring the total related costs authorized by voters to \$650,000 since the TIF District's creation, with the understanding that tax increment from the properties within the TIF District shall be pledged and appropriated for the payment of such indebtedness or direct costs of the improvements?"

THE PUBLIC INFRASTRUCTURE PROJECTS

The Town expects to utilize the incremental TIF revenues for the first phase of improvements under the TIF District Plan, which includes the following public infrastructure projects (together, the "Projects"):

In the first phase, the Town expects to use TIF revenues for the acquisition and construction of a municipal water system. The water system will be designed to provide a safe and reliable source of water for drinking and firefighting purposes to serve existing buildings and to support new growth in the Town, including to serve the Six Peaks Project (as discussed in the section titled "The Expected Private Development") and other properties in the vicinity of the Killington Resort. The water system will include wells, a wellhouse, a pumphouse and 1-3 storage tanks designed to hold 500,000 – 750,000 gallons each and will include underground transmission lines and mains among the wells, wellhouse, pump station and storage tanks, and from the storage tanks to the areas to be served by the system. Construction of the water system will also help in remediating the ongoing water quality issues further along Killington Road. This first phase of construction will include distribution to Ravine Road, following which, the water system will begin to serve properties in that area.

Additionally, a portion of the TIF revenues are expected to be used to construct new roads and upgrade existing roads. The road project will be designed to enhance the functionality of Killington Road and East Mountain Road, and will include the construction of Old Mill Road and "Road H". The upgrades to the existing roads will increase the safety and efficiency of these primary and secondary transportation arteries and will support new growth in the Town, including to facilitate pedestrian, cycling and bus traffic, to upgrade stormwater collection and treatment, and to serve the Six Peaks Project and the Killington Resort. A roundabout will be built at the intersection of Killington Road and East Mountain Road. A portion of Killington Road from approximately 150 feet south of the Killington Road and East Mountain Road intersection to the Lookout/Glazebrook location will be redesigned and upgraded to include a shared use path north of the Killington Road and East Mountain Road intersection, and to include pedestrian crosswalks, intersection improvements and lighting and landscaping improvements throughout. The portion of Killington Road from Route 4 to Anthony Way will be rebuilt and significantly upgraded. The stormwater management system along these roads will be upgraded to better control flows and provide for enhanced treatment.

The total amount of TIF District debt to be approved by voters is expected to finance approximately 90% of the total improvement cost of the Projects.

THE EXPECTED PRIVATE DEVELOPMENT

It is expected that the Projects proposed by the Town will help stimulate private development projects that will enhance the Town’s economy and generate new incremental property taxes from the TIF District. As a result of the Town’s construction of the water system and the road improvements, Great Gulf, a large and well-capitalized residential developer based in Toronto, Canada, will construct Phase I of the Six Peaks Project on property that it will acquire from SP Land Company. The Six Peaks Project is a new village that will include 239 residential units, nine single family lots and ±32,000 square feet of commercial/retail space, all situated within the Town’s Village Core Development Zone at the intersection of Killington Road and East Mountain Road and continuing west of the Village Core across Killington Road within the Ramshead Brook Subdivision Development Zone.

Further, the new water system will also greatly help enhance overall water delivery and quality down Killington Road, benefitting properties and business owners in that area and encouraging development and construction of additional housing, including affordable housing.

FINANCING OF PUBLIC IMPROVEMENTS – INDEBTEDNESS

As discussed further in this section, the Town intends to finance the Projects with a combination of bonds or notes (which may be issued in a competitive or negotiated sale, in a private placement, or through the State of Vermont’s Revolving Loan Fund), USDA loans, loans from the Town’s pooled cash reserve funds, and other grants.

At this time, subject to the receipt of necessary voter approvals, the Town intends to primarily finance the Projects by the issuance of bonds or notes, in one or more instances, for a total principal amount not exceeding \$47 million. Issuance of the bonds, notes or other evidence of indebtedness will be subject to the Town of Killington Selectboard authorization. The Town has historically sold its general obligations bonds to the Vermont Municipal Bond Bank but may pursue other methods of financing if the Town Selectboard determines it is in the Town’s interest to do so. The Town may also sell and issue such bonds or notes through either a competitive or negotiated sale, depending upon whether the Vermont Municipal Bond Bank approves the issuance by the Town of the full amount of debt authorized by the voters.

Whether issued to the Vermont Municipal Bond Bank or through a competitive or negotiated sale, the Town expects that the terms of repayment would not exceed twenty years and the interest rate and fees would be determined based upon market conditions at the time of incurrence of the debt. Current interest rates for bonds, as of January 2023, if issued through the Vermont Municipal Bond Bank are estimated to be in a range of 3.8% to 3.9% per annum for a twenty-year bond. These rates are estimated as of January 2023 and are expected to change based upon a number of factors, including market conditions at the time of the borrowing and incurrence of the debt, federal and state tax policies, credit ratings of the issuer for the source of funding, and the type of debt instrument issued by the Town. The bonds or notes may be issued on a tax-exempt or taxable basis, depending upon federal tax laws at the time of issuance, and issued at not less than the par amount of such bonds or notes. Based on current market interest rates, if the full amount of the authorized debt is incurred, the total interest payable is estimated to be approximately \$15 million over the life of the bond or bonds. Interest rates are subject to change and the total amount of interest payable on the bond(s) will vary accordingly. The

estimate of total interest to be paid is further dependent upon whether the bonds will qualify to be issued as tax-exempt obligations.

Depending upon market conditions, the Town Selectboard may authorize the issuance of bond anticipation notes and other short-term debt, which would be refinanced at a later date with long-term debt. Currently, the Town expects that it will not need to issue more than an aggregate of \$20,000,000 in bond anticipation notes and other short-term debt, though the actual amount issued may change depending on the Town's needs and market conditions. Any such bond anticipation note or short-term debt would bear interest at market rates determined at the time of the proposed borrowing. The Town currently expects that the term of any bond anticipation note would be no more than one year, and the term of any short-term loan would be no more than five years. It is expected that any such short-term notes, if issued, would be refinanced with longer-term bonds or notes, as described above.

The Town, subject to receipt of voter approval, may also issue notes or incur indebtedness through the State of Vermont's Revolving Fund. The State Revolving Fund (SRF) allows municipalities to borrow money at favorable interest rates in order to design, plan and construct improvements for drinking water or for clean water management, which includes management and handling of stormwater. The interest rates for SRF loans can vary but would likely be less than interest rates on bonds. Current projections for interest on a SRF loan for drinking water or clean water projects would be 1% interest rate per annum plus a 2% administrative fee per annum, and for a term of up to 30 years. For any such SRF loans for drinking water or clean water projects, the Town would enter into a loan agreement with the Vermont Municipal Bond Bank, as administrator of the SRF loan program, to evidence the repayment of such loan. Such loan agreement would contain covenants that will require the Town to construct the improvements, operate the water projects in a prudent fashion, and maintain the system in good working condition.

The Town Selectboard may also pursue obtaining loans from the United States Department of Agriculture (USDA) to finance some of the improvements, particularly relating to extending the Town's water system to serve the TIF District and promote development within the TIF District. USDA loans are often comparable to the interest rates paid on twenty-year municipal bonds, which, as of January 2023, range from 3.50% to 3.65% per annum (depending upon credit rating). Again, like bonds that may be issued through the Vermont Municipal Bond Bank, such interest rates are subject to change and could vary from current estimates. In each such case, whether for bonds, SRF loans, or USDA loans, the Town's full faith and credit is expected to be pledged to the repayment of such borrowed money.

Additionally, the Town expects to use amounts from its general fund and pooled cash reserve funds to make any debt service payments that come due and pay for other costs of improvements related to the Projects prior to the Town's receipt of sufficient TIF incremental revenue from the TIF District. Currently, the Town expects to use approximately \$1,300,000 from such pooled cash reserve funds. Any use of general fund or pooled cash reserve funds will be noted in the accounting records of the Town. To the extent such funds are used, no interest will be charged on any amounts paid from the Town's pooled cash reserve fund, and the Town expects to reimburse itself for any amounts extended from TIF incremental revenue, when available

Lastly, the Town is also pursuing grants and other forgivable loans to reduce the amount of debt that it will need to incur for the Projects. These grants are expected to be used for improvements within the TIF District, and will also be used to implement water system improvements outside of the TIF District as well. Overall, it is expected that the total amount of

financing for the Projects is expected to be approximately \$52 million, which amount includes the \$47 million in indebtedness as proposed and the balance to be from projected federal and state grants and forgivable loans.

PROJECTED TAX INCREMENT REVENUES

The Town estimates that the Tax Increment Revenue from the TIF District will be sufficient to pay the debt service costs of the financing for the proposed Projects and the related costs of the Projects. The forecasts are dependent upon the expected development that will occur in the TIF District.

Additionally, under the Development Agreement between the Town and Great Gulf, in return for the Town's construction of the Projects, Great Gulf has agreed to pay property taxes in an amount at least sufficient to enable the Town to pay for the cost of the Projects. Once the Town is ready to proceed with the Projects and Great Gulf certifies that it is ready to proceed with construction of Phase I-A of the Six Peaks Project, the parties will sign a Minimum Assessment Agreement in which Great Gulf agrees to a minimum property assessment that will generate sufficient property tax revenue to enable the Town to pay debt service on the debt incurred by the Town in connection with the Projects. The Minimum Assessment Agreement will be a covenant burdening the property on which Phase 1A through Phase 1C of the Six Peaks Project will be constructed, and it will be recorded in the land records with priority over any mortgages. The Minimum Assessment Agreement will expire when the Town has repaid the debt incurred by the Town in connection with the Projects. As Great Gulf builds out the Six Peaks Project and sells lots or homes to buyers, those lots or homes will be subject to a covenant prohibiting the owners from appealing the assessed value below the original purchase price until the Town's debt repayment period expires. Because the obligation to pay property taxes is statutorily secured by a lien with priority over any other lien, this mechanism supports the Town's receipt of property taxes sufficient to enable the Town to pay for the Projects.

Only after Great Gulf has certified that it is ready to proceed with construction of Phase I-A of the Six Peaks Project and the parties have signed the Minimum Assessment Agreement will the Town actually incur any TIF debt that is authorized by the voters.

In the event that the tax increment received by the Town from within the TIF District is insufficient to pay the principal and interest on the indebtedness in any year, for whatever reason, including a decrease in property value or repeal of a State of Vermont property tax source, unless determined otherwise at the time of such repeal, the Town shall remain liable for the full payment of the principal and interest for the term of indebtedness.

RELATED COSTS

The Town may use its TIF incremental revenues to pay for a broad category of items which are defined as "related costs." Related costs can be Town expenditures related to the specific public improvements or they can be related to the Town's overall implementation and administration of its TIF District.

The following are expected "related costs" to be paid from TIF revenues:

- (1) Cost of plans, studies, or reports that are specific to preparing the TIF District Plan and the Town's TIF District Finance Plan submitted to VEPC, application to VEPC, or subsequent filing or reporting required to maintain the District;
- (2) Costs of providing public notification about, and obtaining public approval for, the Town's TIF District Plan and District Finance Plan;

- (3) Costs such as consulting, design, architects, engineering, accounting, legal, project management, or other professional services incurred during preparation of a District Plan, District Finance Plan, District application, or Substantial Change Request;
- (4) Town employee and staff costs directly related to the District; however, these costs may only be paid with municipal increment generated beyond the required municipal share to service debt and related costs that are not municipal employee and staff costs;
- (5) The cost of audits by the State Auditor of Accounts required by statute, including costs billed back to the municipality by the State Auditor of Accounts and any audit-related costs incurred by the municipality during the conduct of those audits; and
- (6) TIF District-related costs of the independent annual municipal audit required by statute.

Some of the foregoing “related costs” can wholly utilize tax increment revenues, while others by law may only utilize the portion of the municipal tax increment and not the portion for the education taxes. Additionally, rules promulgated by VEPC permit soft costs such as consulting, design, architects, engineering, accounting, legal, project management, or other professional services directly related to the implementation and construction of eligible District improvements to be treated as “related costs.” The Town has elected to include such costs in its calculation of costs of the Projects to be financed by TIF indebtedness. In total, the Town expects to utilize up to \$650,000 of TIF incremental revenues in order to cover related costs for the Projects for the TIF District.

The Town will maintain records of such related costs, the reimbursement of related costs, and the allocation of costs of personnel related to the creation and administration of the TIF District and the projects relating thereto. Only that portion of the municipal increment for the TIF District above the percentage required by statute to service the TIF debt will be used for related costs.

PLEDGE OF THE CREDIT OF THE TOWN

While the Town projects that the TIF increment will be sufficient to pay the debt service obligations of the Town that may be incurred if such debt is authorized by voters, voters are notified that by authorizing the Town Selectboard to pledge the credit of the Town to secure indebtedness in connection with the TIF District improvements, if the tax increment received by the Town is insufficient to pay the principal and interest on the debt or any other form of District financing in any year, for whatever reason, including a decrease in property tax or repeal of a state property tax source, unless otherwise determined at the time of such repeal, the Town shall remain liable for payment of the full principal and interest for these obligations for the term of indebtedness.