



PUBLIC NOTICE
CITY OF SOUTH BURLINGTON
TAX INCREMENT FINANCING
CITY CENTER TAX INCREMENT FINANCING DISTRICT

This Public Notice has been prepared by the City of South Burlington. It provides information regarding the proposed ballot question. The question seeks voter authorization to issue bonds, pledge the credit of the City, incur indebtedness and expend funds of the City to finance and pay for improvements within the City Center Tax Increment Financing District to be repaid using a portion of the tax revenue derived from real property development within the TIF District. In addition to debt service on TIF District borrowing, the TIF increment is expected to pay for related costs for the TIF District. By this notice the City's lawful voters are provided information concerning the proposed projects, the improvements to be made, the terms of indebtedness to be incurred, the related costs that may be incurred by the City, and the expected sources of funds to repay that indebtedness and direct and related costs.

WARNING AND PUBLIC VOTE

The City Council held a public hearing and at its September 4, 2018 meeting considered a resolution relating to "City Center Tax Increment Financing District Infrastructure and Capital Improvement Indebtedness." By resolution, the City Council authorized the following question be placed on the ballot for the November 8, 2016 Special City Meeting:

ARTICLE 1

Shall the City Council be authorized to pledge the credit of the City to secure indebtedness, to borrow, or to make direct payments of TIF increment for the purpose of funding one or more public infrastructure or capital improvements and related costs attributable to projects serving the City Center Tax Increment Financing (TIF) District in a new municipal structure at 180 Market Street including a community auditorium, specifically:

- (a) **Library:** (Public Library) children's and adult collections, activity-specific spaces such as story-time and digital lab, areas for quiet reading or active knowledge sharing and learning for small to large groups, with outdoor reading space above the main entrance;
- (b) **Recreation Space:** (Senior Center) a large activity room, a living room, and kitchen for daytime programming for older adults including onsite meals, social events and

casual conversation, exercise and arts and other enrichment activities, that may be programmed for all ages in the evenings;

- (c) **City Hall:** (City Clerk, Planning & Zoning, Finance, City Manager, Human Resources, Customer Service), administrative offices and meeting rooms, service counters, and vault for land, vital and other records with a shared lobby for voting and other public uses.
- (d) **Related Costs:** reimbursement for TIF eligible related costs incurred by the City for the creation, implementation and administration of the City Center TIF District;

in a total principal amount not to exceed Five Million Dollars (\$20,400,000) (to date, the total City Center TIF tax increment financing debt approved is \$5,000,000), and to make direct payments, issue bonds, notes or make interfund loans for such purposes with the understanding that tax increment from the properties within the City Center TIF District shall be pledged and appropriated in the approved portion for the payment of such indebtedness or direct costs of the improvements?

FINANCING OF PUBLIC IMPROVEMENTS - INDEBTEDNESS

Subject to the receipt of necessary voter approval, the City intends to finance the portion of the TIF improvements that is eligible by issuing bonds (or notes in anticipation of bonds) or incurring interfund indebtedness, the total principal amount of which shall not exceed \$20,400,00 Million. The City may issue such bonds through either a direct competitive or negotiated sale, or sell them through the Vermont Municipal Bond Bank, as the City Council determines to be most appropriate. The term of the debt may vary and would not exceed thirty years, and the interest rate, costs, and other terms fees will be determined based upon market conditions at the time the debt is issued.

Based on prevailing market conditions, and the build-out schedule for the capital improvements, the City may issue bond anticipation notes (BANs) or borrow funds from the City Center Reserve Fund to finance the initial improvements. It is the City's intention that any BANs (together with accrued but unpaid interest) and any interfund loan would be repaid from bond proceeds. Please note that interfund loans are, by law, interest free borrowings.

PROJECTED TAX INCREMENT REVENUES

The City estimates that the TIF increment (tax revenue generated from taxable improvements made in the City Center TIF District and lawfully retained by the City) will be sufficient to cover:

- the costs of the proposed improvements and the related costs (soft costs) of the improvements that are TIF District financing eligible (30% for the Library, 10% for City Hall and 30% for Recreation,

- the related costs of the TIF District, and
- debt service on the indebtedness incurred to finance the City's capital improvements in the District.

TIF funds are dependent upon the pace, intensity and taxable value of development that occurs in the TIF District. The City has projected growth and development occurring in the TIF District and the expected TIF funds to be generated over time using assumptions and expectations that the City believes are reasonable. There is no guarantee, however, that such development will occur or occur in the time or of the type(s) forecast. In the event that the TIF funds are insufficient to pay all of the principal and interest on the City's TIF related indebtedness, for whatever reason, including a decrease in property values or repeal of a State of Vermont property tax source, unless determined otherwise at the time of such repeal, the City will be liable for the payment of the principal and interest for the term of indebtedness.

RELATED COSTS

The City may use TIF funds to pay for "related costs," which include City expenditures related to specific public improvements in the TIF District or costs incurred by the City to implement and administer the TIF district. The following are expected "related costs" to be paid from TIF funds:

- (i) reimbursement of the City's costs and expenses to organize and establish the City Center TIF District, including reimbursement of such costs as were paid to outside consultants, and also including expenditures identified as related to creating or administering the City Center TIF District;
- (ii) reimbursement of the City's costs in complying with the annual and State audits and reporting requirements as may be required by statute and rules;
- (iii) reimbursement of the City's costs and expenses in the future for administration of the City Center TIF District.

The City expects these related costs to aggregate \$120,000. It is understood that if related costs exceed that amount, City Council may need to adjust budget allocations so as not to exceed the requested authorization of \$20.4 million in indebtedness for public improvements within the TIF District.

The City has maintained and will continue to maintain records of such related costs and the reimbursement of related costs incurred in the creation and administration of the City Center TIF District and/or the projects relating thereto.

TIF INFRASTRUCTURE PROJECT

• Construction of a building at **180 Market Street**: to include all sitework, building construction, streetscape, stormwater, utility, lighting and transportation upgrades with an estimated budget of \$21,800,000 (Library approved for 30% financing with TIF Increment, Recreation Center approved for 30% financing with TIF Increment, and City Hall approved for 10% financing with TIF Increment) and more specifically:

- (a) **Library:** (Public Library) children’s and adult collections, activity-specific spaces such as story-time and digital lab, areas for quiet reading or active knowledge sharing and learning for small to large groups, with outdoor reading space above the main entrance;
- (b) **Recreation Space:** (Senior Center) a large activity room, a living room, and kitchen for daytime programming for older adults including onsite meals, social events and casual conversation, exercise and arts and other enrichment activities, that may be programmed for all ages in the evenings;
- (c) **City Hall:** (City Clerk, Planning & Zoning, Finance, City Manager, Human Resources, Customer Service), administrative offices and meeting rooms, service counters, and vault for land, vital and other records with a shared lobby for voting and other public uses.
- (d) **Related Costs:** reimbursement for TIF eligible related costs incurred by the City for the creation, implementation and administration of the City Center TIF District;

Categories of expenditures for TIF public improvements shall include:

- environmental assessment and remediation;
- surveying;
- engineering, design, and permitting;
- general site work (including site preparation and stabilization);
- utility infrastructure, connections and relocation (water, sewer, electrical, communications, and stormwater);
- green infrastructure;
- public accessibility improvements;
- preparation of design & maintenance guides associated with the projects;
- construction and finishing the building excluding furniture and equipment
- bike amenities;
- public amenities;
- public art and place-making;
- wayfinding and signage;
- landscape improvements;
- walls, stonework, and other outdoor permanent furniture;
- road, sidewalk, crosswalk, lighting, landscaping and parking infrastructure;

and eligible related costs associated with the above categories, or as attributable to the projects generally where permitted for inclusion as eligible related costs for administration of the City Center TIF District.

PLEDGE OF THE CREDIT OF THE CITY

Although the City projects that TIF funds will be sufficient to service the TIF District Financing eligible portion of the City's obligations if the voters approve Article 1 on the November 6, 2018 ballot, voters are reminded that if the TIF funds are insufficient to pay the principal and interest on the debt as the same comes due, 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 City shall remain liable for payment of the principal and interest for these obligations for the term of indebtedness until fully paid.

TAX INCREMENT FINANCING

In March of 2015, the Vermont Economic Progress Council unanimously approved the City Center Tax Increment Financing Plan which includes using up to \$61.3 million dollars in City Center TIF District Tax Increment Financing to fund public improvements. This approval allows the City to annually retain 75% of the growth in property tax revenues (TIF increment) since 2012 within the TIF District to service debt or make direct payments for public improvements as approved in the Financing Plan. This applies to growth in municipal and in state education property tax revenues. Actual use of TIF Financing may occur only if approved by a public vote. TIF Financing is debt which is serviced by TIF increment or direct payments made with TIF increment.

At this point in time the City is asking voters to approve the City's proposed debt issuance for the TIF eligible portion of the potential public improvements and related costs, expected to be approximately \$5 million of the potential TIF public improvements and related costs. This investment will support future development projects within the TIF District including the proposed Cathedral Square affordable senior housing project, Black Bay housing projects, the Champlain Housing Trust affordable housing project and other future private developments along Market Street and Garden Street which are supported by this proposed district anchor.

If approved by the voters on November 6, 2018, the City Council will be authorized to use TIF increment to service the TIF eligible debt or make direct payments. The combined value of project costs funded by debt proceeds and project costs funded by direct payments may not exceed the eligible amount of the 20.4 million dollar authorization, estimated to be approximately 5.1 million dollars.

State statutes require that the City incur all debt to be serviced by TIF increment be incurred or direct payments made by March of 2022 – within 5 years. The City began collecting TIF

increment on the growth in value on property redeveloped between April 2012 and March 2037 in 2017 – a 20-year period.

The City Council is not required to issue any TIF District debt, even once authorized by the voters, but if the City Council does so, it is only authorized by the State to do so under these parameters.

Three projects have already been built – Trader Joe’s, Pier 1 and townhomes on Market Street. Three additional projects are in construction: Allard Square, Champlain Housing Trust, and a second townhome project. The largest property has completed state level wetland, stormwater and Act 250 permitting. There are over fifty properties within the current boundary of the TIF District. Private redevelopment of any one of these properties between now and March 2037 represents an increase in the annual TIF increment collected.

TIF increment that is collected is added to a special City TIF Increment Fund where it is held apart to be available only to service TIF District indebtedness.

SOURCES OF FUNDING IN ADDITION TO TIF DISTRICT FINANCING

Debt issued under this authorization will not raise the tax rate. Debt will be serviced by two main revenue sources: TIF District Financing and City Center Reserve Fund There is no additional tax increase required, as explained below.

The total project cost is \$21,800,000. The total debt authorization on the ballot is for \$20,400,000.

Total project cost funding sources:

Debt Authorization on the November 6, 2018 ballot:

City Center Reserve Fund Estimated Bond (\$15,400,000), with an estimated 30-year term

Tax Increment Financing Estimated Bond (\$5,000,000), with an estimated 19-year term

Cash on hand:

Library Blanchette Fund (\$428,000)

Impact Fees (\$220,000)

Additional Revenue Sources:

Roof Solar Array net metering credits (\$720,000)

City Center Reserve Fund

The City Center Reserve Fund is funded annually through the collection of taxes. Over the past 5 years, the annual contribution to this fund has grown to as much as \$860,000. The current

funding level for fiscal year 2019 is \$750,000, and there is currently \$3.4 million dollars in the fund. An annual payment to this fund of \$736,000 is estimated to be sufficient to ensure that the fund is sufficiently solvent to cover the City's debt payments on this project over 30 years. Because the current allocation of approved funding (\$750,000) is larger than the annual transfer of collected taxes required to sustain the fund (\$736,000) while making annual debt payments on this project, no additional tax increase is required. The money that is not being used for this project will remain in the City Center Reserve Fund for future projects in City Center.

Since the early conception of new public infrastructure in the proposed downtown, the City Center Reserve Fund was planned and established to finance this type of project.

DEBT SERVICE PROJECTION

The City has options as to the type of debt, from whom the City obtains financing, and the payment structure. Depending upon market conditions, the City may make direct payments, use an anticipation note, take out an interfund loan or bond, delay interest payments, or otherwise structure financing in such a way as to most benefit the tax payers.

To be conservative, the hypothetical presented in Attachment 1 is modeled with the least flexible lender in terms of payment structures, the Vermont Bond Bank and for the maximum authorization (20.4 million). It is also conservative as the model is for a larger amount (\$20.5M, versus \$20.4M) than in the authorization, and thus shows a higher demand on each of the debt servicing sources. It is presented as two potential bonds, one serviced by TIF District increment in the amount of \$5,000,000 for 19 years with a 3.35% interest rate, and five years interest only payments. The second bond that is modeled is serviced by City Center Reserve funds and in the amount of 15,500,000.

The hypothetical also shows the projected TIF District increment to be collected from existing and permitted development, as well is anticipated to be collected on a property that has completed state permitting processes and provided indications to the City on how to conservatively model the build out of their site (South Burlington City Center, LLC).

The annual balance of the reserve fund is also modeled and used to develop the estimated minimum flat annual transfer of tax revenues to keep the fund able to service debt obligations – \$736,000 – which is below what has been transferred this fiscal year and historically.

These are presented as worst-case scenarios to demonstrate that the City has the resources to cover the debt service without increasing the City's property tax rate. The City's property tax rate will not be increased because the City will use the City Center Reserve Fund.

The City will continue to model various payment structures, terms of various debt instruments, and the advantages and disadvantages offered by various lenders. The final instrument chosen

will be the one which at the time is the best fit for the needs of the City due to factors such as condition of financial markets, projected private development in the TIF District, and interest rates.

Debt service of this proposed debt will not result in an increase to City's property tax rate.

USE OF ANTICIPATION NOTES

If the voters approve the issuance of debt, the City may use Bond Anticipation Notes to cover anticipated costs of construction. It is expected that this would be repaid in full by one or more bonds as applicable.

DEBT SERVICE USING TIF DISTRICT INCREMENT

The City anticipates that the bulk of private development in the TIF District will occur after the City incurs this debt and has constructed public infrastructure to support such development. The City expects that over the twenty years it is permitted to collect TIF increment (through 2037, Fiscal Year 2038), that it will collect more than enough tax increment to fully service debt issued for this project from the development of the one property modeled (South Burlington City Center, LLC). However, during the initial period of development of the District, the TIF Increment Fund, in the servicing of the debt, will likely not collect sufficient funds to fully service the debt in some years (projected in Attachment 1 as through Fiscal Year 2021, and again in Fiscal Year 2025), and will show a receivable.

To address the anticipated receivable in the early years of private property development, the City has modeled using the City Center CIP Reserve Fund to ensure that while the TIF Increment Fund has a cumulative receivable balance, the City has the cash flow necessary to service debt obligations. The projections on Attachment 1 show the City Center TIF Increment Fund with a cumulative receivable from 2018 through 2026 as private projects are built. The City expects to accumulate sufficient TIF District increment so that the Reserve Fund is not required as a cash flow cushion past 2026 (Fiscal Year 2027).

ESTIMATED DEVELOPMENT AND DISTRICT OUTCOMES EXPECTED TO OCCUR BECAUSE OF THE PROJECT

180 Market Street is located on a site on the South Burlington City Center, LLC property. The City's construction of 180 Market Street, in conjunction with other TIF District improvements underway, incentivizes the full development of the South Burlington City Center, LLC property within ten years.

The City has worked with the developer (Snyder-Braverman) of the South Burlington City Center, LLC property to understand the developer's anticipated development schedule based on the City's improvements. After these conversations with the developer, a property buildout

projection was developed, and from this projection, the TIF District increment shown in Attachment 1 was derived. In some of the initial ten years more than one building is projected to be constructed, in other years, no buildings are projected to be constructed. Overall, between 700 and 800 units of new housing is anticipated expected be built, and some amount of commercial (ground level and upper story).

Already, the developer has obtained State environmental permits for the whole property. One site (Allard Square), will be fully occupied this year. The developer has a second site in construction that is anticipated to be occupied in 2019. Black Bay Ventures, another developer on the site, has a third South Burlington City Center, LLC site about to go into construction.

Attachment 1 shows the TIF District increment (tax revenues) anticipated to be collected each fiscal year due to private development on this property in addition to what has already been built within the TIF District. This projected TIF District increment is based on modeling the build-out of approximately 16 acres, with the remainder protected wetlands, stormwater treatment, or roadways in addition to the development that has already occurred (Trader Joes and Pier 1 and the first Black Bay Ventures development). Attachment 1, represents what is collected annually from the private projects completed to date combined with what is anticipated to be collected annually due to the full build out of the South Burlington City Center, LLC property. Over the life of the TIF District, this model (which excludes the remainder of the TIF District) is also projected to generate just under \$29,000,000 in increment.

Combined, properties already built and the South Burlington City Center, LLC property are estimated to add just under \$100,000,000 worth of assessed value to the City's Grand List. Only about \$10,000,000 in assessed value would be to be attributable to development to date within the TIF District. About \$90,000,000 of the assessed value would be expected to be built on the South Burlington City Center, LLC property and it would be expected to be build out more rapidly due to the City's investments.

This material and other information regarding the history of the City Center TIF District are available online at www.SouthBurlingtonVT.gov.

Estimated Debt Services Schedule

	2018 (FY)	2019	2020	2021	2022	2023	2024	2025	2026
Proposed TIF Bond Payment (\$5M - Library, SC, CH)			205,702	158,912	158,912	158,912	158,912	511,840	503,219
TIF Bond Payment (\$5M - Market St., CC Park)	\$ 134,661	\$ 162,133	\$ 162,133	\$ 162,133	\$ 162,133	\$ 162,133	\$ 491,383	\$ 482,933	\$ 473,983
Projected TIF Increment *	\$ 78,662	\$ 84,928	\$ 123,008	\$ 200,529	\$ 321,793	\$ 579,684	\$ 701,239	\$ 891,866	\$ 996,826
Annual Balance (Receivable)	\$ (55,998)	\$ (77,205)	\$ (244,828)	\$ (120,516)	\$ 747	\$ 258,639	\$ 50,944	\$ (102,908)	\$ 19,624
Cumulative TIF Fund Balance (Receivable)	\$ (55,998)	\$ (133,204)	\$ (378,031)	\$ (498,547)	\$ (497,800)	\$ (239,161)	\$ (188,217)	\$ (291,125)	\$ (271,501)
Payment on 30 YR Bond - (\$15.5 M)		\$ 1,174,609	\$ 1,011,469	\$ 1,001,919	\$ 991,744	\$ 980,919	\$ 969,444	\$ 957,374	
Annual Transfer to CC Reserve Fund	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000
Cumulative City Center Reserve Fund Balance	\$ 2,700,000	\$ 3,436,000	\$ 2,997,391	\$ 2,721,922	\$ 2,456,003	\$ 2,200,259	\$ 1,955,340	\$ 1,721,896	\$ 1,500,522
Receivable CUSHION (Reserve + TIF Receivable)	\$ 2,644,002	\$ 3,302,796	\$ 2,619,360	\$ 2,223,375	\$ 1,958,203	\$ 1,961,098	\$ 1,767,123	\$ 1,430,771	\$ 1,229,021

From \$860,000 transfer to the reserve fund

Increase in Transfer to Reserve:	\$ (124,000)
2018 April 1 Grand List	\$ 30,079,129
Increase in property tax rate:	No Increase -0.41 cents or -0.0041 on the tax rate

Cost Assumptions for Bond Calculation	
Preliminary Estimate:	\$ 21,802,345
Solar Array Attributed Costs	\$ 718,043
Cash on Hand:	
Impact Fees (Highway)	\$ 216,364
Blanchette Fund	\$ 428,000
Bond Debt Estimate:	\$ 20,439,938
	Estimated Total Bond Debt: \$ 20,439,938 or \$20,400,000
	<u>VT Muni Bond Payment Schedule</u>
TIF Bond Eligible	\$ 5,000,525
Reserve Fund Serviced Bond	\$ 15,439,413
	5M, Interest at 3.35%, 19 Years, 5 year interest only
	15.5M, Interest at 3.86%, 30 Years

* increment is based on a projection including built new projects, projects in development and projects estimated to be developed by Snyder-Braverman or Black Bay.

2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
494,212	484,819	475,040	464,876	454,146	442,724	430,707	418,172	405,182	391,815	378,139	364,186
\$ 464,533	\$ 454,583	\$ 444,250	\$ 433,567	\$ 422,567	\$ 411,300	\$ 399,783	\$ 388,050	\$ 376,117	\$ 364,017	\$ 351,800	\$ 339,500
\$ 1,397,743	\$ 1,566,049	\$ 1,791,282	\$ 1,977,203	\$ 2,015,550	\$ 2,054,644	\$ 2,094,498	\$ 2,135,127	\$ 2,364,854	\$ 2,410,735	\$ 2,457,509	\$ 2,505,194
\$ 438,997	\$ 626,647	\$ 871,992	\$ 1,078,760	\$ 1,138,838	\$ 1,200,620	\$ 1,264,008	\$ 1,328,905	\$ 1,583,556	\$ 1,654,904	\$ 1,727,570	\$ 1,801,508
\$ 167,496	\$ 794,143	\$ 1,666,136	\$ 2,744,896	\$ 3,883,734	\$ 5,084,353	\$ 6,348,361	\$ 7,677,266	\$ 9,260,822	\$ 10,915,726	\$ 12,643,296	\$ 14,444,804
\$ 944,764	\$ 931,614	\$ 917,924	\$ 903,694	\$ 888,671	\$ 872,680	\$ 855,857	\$ 838,309	\$ 820,122	\$ 801,408	\$ 782,262	\$ 762,727
\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000
\$ 1,291,758	\$ 1,096,144	\$ 914,220	\$ 746,526	\$ 593,855	\$ 457,175	\$ 337,318	\$ 235,009	\$ 150,887	\$ 85,479	\$ 39,217	\$ 12,490

2039

2040

2041

2042

2043

2044

2045

2046

2047

2048

2049

2050

\$ 742,840	\$ 722,632	\$ 702,164	\$ 681,495	\$ 639,615	\$ 618,453	\$ 597,172	\$ 575,767	\$ 554,246	\$ 532,618	\$ 510,889
\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000	\$ 736,000
\$ 5,650	\$ 19,018	\$ 52,854	\$ 107,359	\$ 203,744	\$ 321,291	\$ 460,119	\$ 620,352	\$ 802,106	\$ 1,005,488	\$ 1,230,599