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Montpelier – A Snapshot

The City of Montpelier was originally chartered in 1781 as a grant to settlers from Massachusetts. The first settlement was established along the North Branch in 1787, during the time Vermont was an independent republic. The settlement grew quickly and by 1805 had a population of 1,200. That same year the State Legislature sought a permanent home and Montpelier was selected to be the capital of Vermont. In 1811, it was further selected to serve as the shire town for Washington County. For nearly its entire history, Montpelier has played host to all levels of government.

Beginning in 1828 with the establishment of the Vermont Mutual Fire Insurance Company, Montpelier began a long history of being a center for finance and insurance businesses. The economy expanded when rail lines were extended to Montpelier and Barre in 1849 enabling the growth of manufacturing and related industries.

Over the next 150 years, Montpelier survived fires and floods to grow to its current population of 7,855 (2010 Census). Its economy has been based on a mix of public and private employers, industrial and professional businesses, and urban and rural jobs. It continues to hold the distinction of the smallest state capital in the United States.

As will be discussed further in the Plan, the economic and housing development conditions of the recent past have not been fully positive. Since 1960, the population has declined steadily from 8,782 to 7,855 while the number of jobs has only recently started to approach what existed prior to the 1988 recession (UI yearly data 1988 – 2016). Thus, 30 years later, Montpelier is still looking to fully recover the jobs lost in that recession.

The decline in population and lack of overall job growth has not gone unnoticed by officials and residents in Montpelier. The City Council established a council goal in 2013 to study the issue and commissioned an Economic Development Strategic Plan (EDSP) that was completed in 2016. That study resulted in the creation of the Montpelier Development Corporation and seeks to focus on the City’s strengths in higher education, food processing & advanced manufacturing, entrepreneurs (particularly in software development & IT), finance/insurance, not-for-profit services, professional, business & technical services), specialty retail and tourism, hospitality & the arts.

As part of its commitment to realize the benefits of the EDSP, the City Council is supporting this TIF application as a means to address key barriers that have kept the
private sector from fully taking advantage of these opportunities. The most recent Council reaffirmed its commitment to job growth in its official 2017/2018 goals.

- **The Truth About Growth in Our Capital**

Vermont’s economy is facing considerable headwinds: low population growth, high costs of doing business, etc. If the State is to fully realize its economic potential, it must get the maximum return on every available economic asset. The state capital is one of them. As a recent article in Forbes about the health of cities pointed out, capitals attract legislators, staffers, bureaucrats, lobbyists, business officials, etc. This “regular business” can help stabilize and upgrade the hospitality sector—enabling the city to build itself as a destination for other visitors. But, as the article points out, there is nothing automatic about this. “[If] cities are not making the appropriate linkages to let those assets drive economic growth, the economic potential could be lost.”

And Montpelier has long lagged behind in its ability capitalize on these opportunities. A recent survey of the “livability” of state capitals highlights this point. Montpelier ranks 17th overall. But the devil is in the details: It is in the top 10 in quality of health and education. It lags in economic vitality, affordability and overall quality of life. Note that, for this study, this last indicator is driven by the capital city’s ability to attract and retain residents and businesses.

If it wishes to maintain and improve its vitality, Montpelier cannot stay an underperformer in these categories. Beyond that, if Vermont wishes to build a strong 21st Century economy, it is essential that Montpelier have the capacity to build upon the economic potential unique to state capitals.

At first glance, Montpelier appears to be a total success: It has good paying jobs, a vibrant downtown, and a diversity of residents. A closer look at the details, though, shows that Montpelier has failed to gain traction in a new economy and is slipping compared to its neighbors.

The 2016 EDSP looked at employment trends and compared Montpelier, Waterbury, and Barre 5 years between 2009 to 2014. During that time, Waterbury added 294 private sector jobs, Barre added 394, while Montpelier added only 10. Clearly the City’s lack of development was not tied to regional growth. In the 2 years since that report was completed, total employment (including both public and private jobs) has decreased by 139 in Montpelier but increased an additional 236 in Barre and 228 in Waterbury. Given the choice of three downtowns in Washington County, businesses continue not to choose Montpelier to locate or grow.
Sales tax data tell a similar story. Gross and retail receipts increased 25% state-wide between 2009 and 2017. In Barre City, the increases were 37% and 21% respectively, and Waterbury the increases were 27% and 21%. Montpelier, by comparison, DECREASED 18% and 25% respectively in that same period. Whether someone looks at Meals, Rooms, and Alcohol taxes or nearly every other measure, Montpelier is a downtown that needs to act now to reverse these ominous trends.

Job creation is only half the picture. Unlike job creation, housing demand is high which drives prices to be unaffordable to average residents. Yet there is not enough housing being developed to meet the demand. What is frustrating to many is that Montpelier has much untapped housing potential but needs public investment in infrastructure to realize it.

While businesses have not located in Montpelier, housing is a different story. Typically, housing markets with vacancies of less than 5% for rentals and less than six months’ supply of houses available for purchase are considered tight. In Montpelier, rental vacancies have been close to zero percent for years and for-sale housing is at 3.7 months’ supply (Sept 2017 Vermont Realtors). It is clearly a city in which people want to live. With such demand, why has the market not responded with increased housing development?

Answers to this question lie in a lack of easily developable land, aging infrastructure, and simple economics of construction; it costs more to build than the market will return. These are not insurmountable obstacles. Montpelier has spent time understanding the barriers to target some specific solutions. Adjustments have been made to the zoning regulations, impact fees have been rescinded, and other programs are being adjusted to lower the cost of development such as changes to the tax stabilization program. But one-hundred-year-old utility lines, the peak demand for parking during the legislative session, and failed intersections continue to be barriers to prime downtown lands.

This TIF District application addresses the need for and costs of public infrastructure improvements to help tip the balance so developers and owners will see returns on their investments. For example, a new parking structure would consolidate spaces into a smaller area and allow re-development of former parking lots for housing and other uses, while still accommodating the needs associated with the legislative session.

What the City learned from its 2016 EDSP was that it cannot sit back and do nothing. If it fails to proactively cultivate business opportunities, Montpelier could find itself in
a long-term decline, with stagnant job opportunities, vacant store fronts and a tax base unable to sustain the costs of municipal services. The EDSP committed the City to establish itself as a premium location for businesses. In order to realize this promise, Montpelier must invest in itself beyond its current capital improvement plans. A prosperous future is within reach for the City but achieving it will require significant investments above and beyond the City’s current capital plans to jumpstart the private development in the downtown and growth center that will be required for long-term prosperity.

- “But For” Rationale

In the City’s analysis of private projects that have been stalled or underdeveloped for a long time, the major barrier was new, improved, or expanded public infrastructure. While housing – both affordable and market value – and economic development have long been stated goals of the Montpelier’s City Council, aging underground pipes, brownfield issues, parking and other infrastructure challenges have blocked many of those projects.

The Barre Street corridor has been a somewhat neglected area of the City, yet one with enormous potential to grow. The open land on the eastern end was re-zoned to allow for density along the Barre Street portions, projects that require the extension of water, sewer and stormwater infrastructure, roads, sidewalks, culverts and a bridge. Private developers can afford to shoulder some, but not all, of those costs, driving the cost of private development out of reach. In the core downtown, parking has been the pressing need, blocking most potential new and expanded development and housing. Again, when combined with private investment, the cost for a public parking garage becomes do-able for the City and the impacted developers (in this case a hotel, housing/office project and affordable housing project).

Failure to secure TIF assistance – along with private funding, federal and state grants, environmental cleanup funds, and other sources of assistance – these projects most likely would not happen at all, or in some cases be scaled back significantly, which would be a real loss to the City. In almost every case, the infrastructure improvements needed will likely open the door to unanticipated projects, as well. For example, bringing additional water capacity and ungraded pipes to the Granite Sheds will enable other developers to tap into the new lines and move forward with nearby projects that to date have been too costly.
Parking downtown has arguably been the most significant barrier to development in the core. The demand for more hotel rooms in the heart of the City, especially during legislative session, is high. However, the cost of structured parking is so high that it is not feasible for any one developer to shoulder given the cost of construction, the ongoing expenses, and the market rates for hotels in Vermont. When TIF was re-authorized by the State in 2017, conversations began again between the City and the local hotel owner about ways to close that gap and build a public parking structure that could serve the hotel and other downtown projects. This generated momentum for the hotel to expand its exploration of a partnership with a national brand hotel and start putting pieces in place to construct in the event the parking could be provided. But ultimately, this project cannot move forward if it has to shoulder the entirety of the parking cost.

The ‘but for’ rationale has been clear and evident since discussion of TIF first began, as developers who have been eyeing projects stepped forward to say, “If you build it (infrastructure), we will come.” There is a new enthusiasm for potential housing, office, retail and other economic development in a City that faces real infrastructure challenges.

**The TIF Objective**

TIF will be an invaluable tool for ensuring Vermont’s capital city is also a center of economic vitality. It will enable Montpelier to develop infill housing and increase economic development in its downtown, as well as facilitate projects proximate to Barre Street.

The most near-term projects in the proposed TIF District would be the development of a new $6M hotel on State Street, a $1M mixed-use development at Gov. Davis and State Streets, and housing on land owned by VT College of Fine Arts. These projects rely on two major pieces of infrastructure: structured parking in the core downtown, and transportation and utility upgrades on Barre Street. The proposed parking garage would also support additional units of affordable housing (at Christ Church), other re-development opportunities along State, Taylor, Gov. Davis, and lower Elm Streets, and the Barre Street improvements are connected to other private projects as well.

The City needs infill development to increase vibrancy of the downtown. The hotel (private development), Christ Church housing (private development) and parking structure (public investment) are proposed for one of the largest downtown surface parking lots. The -mixed-use development on State and Gov. Davis Streets will remove an old gas station, clean up a brownfield site and bring it to a higher and
better use. All of these new developments will complement the ongoing investments that the City is already making at One Taylor Street multi-modal center, 16 new units of mixed-income housing on the upper floors of an historic Main Street building known as the French Block, the Montpelier Shared Use Path, and Taylor Street reconstruction. The TIF investment of $2.5M in the parking structure will leverage more, new private development that is desperately needed in the core of Montpelier’s downtown.

Along Barre Street, Stone Cutters Way, and nearby streets, there are several larger undeveloped properties and older underutilized sites. As the granite industry continues to evolve, the granite sheds in Montpelier become more obsolete and are in need of repurposing. Proposals to convert one granite shed to commercial ($3.5M) and a second to market-rate housing ($3.9) would build upon the renaissance that this area has experienced in the past 15 years.

The signature projects of Barre Street are the Vermont College of Fine Arts (VCFA) housing development and housing project to its immediate east, commonly known as Sabins Pasture. VCFA has proposed a $2.4M (phase I) and $6.1M (phase II) housing project which will result in up to 115 units of new housing. Sabins Pasture has proposed a $15M (phase I) and $14M (phase II) development that will result in another 225 units of possible market-rate housing. These areas are primed to play key roles in meeting housing supply needs in the City.

The Barre Street and Stone Cutters Way projects would result in a combined $48.5M of investment, with 350 new housing units, and additional commercial spaces. These developments are currently limited by the likely presence of brownfields, two major utility upgrades that are needed, and a failed intersection at Barre and Main Streets. These have been identified as issues in past Act 250 applications for other developments in this area.

- **Private Development Barriers**

  The identification of barriers to private development generally results in the same list of issues from transportation problems and infrastructure needs to high taxes. While property taxes are high compared to surrounding towns, Montpelier is a full-service city and many people want those services.

  Since 2014 when the City embarked on its new economic development push, it repealed its impact fees, eliminated the City’s sprinkler requirement in single family homes, and amended the zoning regulations to remove or reduce barriers like off-street parking requirements, as well as increasing zoning densities and improving the
permitting process. These changes signaled a new philosophy the City has towards development in our downtown and growth center.

- **Necessary Public Infrastructure Improvements**

Public infrastructure that is critical to the success of projects in the downtown is parking. Certainly, stormwater treatment must be addressed, water and sewer improvements are needed, and streetscape improvements like burying utilities are important. But the only place left to infill in the downtown are the surface parking lots within the State Street corridor, and the City has a long history of navigating parking shortages, especially during the legislative session and peak tourist seasons. While the new transit center at One Taylor Street is designed to provide transportation demand management and new housing is located to get people to walk to work rather than driving, these will never fully solve the parking problem. Parking has been and will continue to be the key to any downtown private investment.

On Barre Street, upgrading aging water and sewer lines are the most critical infrastructure issues, which are not only old and deteriorating, but often too small to serve housing and business expansions along that route. In addition, the old granite sheds potentially require brownfield remediation, depending upon the history of the sites. And large parcels that have long been eyed for housing development lack adequate water, sewer, roads, culverts, and more.

The Barre Street work is divided into two separate project categories. Upper Barre Street -- closest to the downtown -- has the infrastructure needs (including brownfield remediation) that differ from lower Barre Street, which encompasses several large undeveloped parcels. However, BOTH require a significant upgrade of the existing intersection at Main and Barre Streets, which is currently overcrowded and dangerous for vehicles, bicycles, and pedestrians alike. While some projects could begin their phased-in segments, completion of most will hinge on this important transportation improvement project.

**Statement of Purpose**

Montpelier intends to create a Tax Increment Financing district to provide incremental revenue for transportation, water and wastewater, brownfield, stormwater, and parking infrastructure improvements that will stimulate commercial and residential development, create new affordable housing, address issues of transportation and circulation in the core of the City, and catalyze further economic growth in one of the state’s most densely-utilized areas, in keeping with the intent of 24 VSA 1893.
Impacts of TIF in Montpelier

- **Economic Impacts**

Each of the proposed private developments that would be enabled through use of the TIF program would clearly have a very positive impact on the economy of Montpelier. The economic vitality of the downtown comes from visitors, residents, and workers who spend time visiting the bars, restaurants, and shops. The more people spend time in the downtown, the more vibrant the streets become. The City’s strategy for getting more people out is to increase hotel rooms, add housing, and increase jobs in its core downtown.

The One Taylor Street Transit Center Economic Analysis study was undertaken to see what type of project could be supported in conjunction with the transit facility (hotel, office, or residential). The study showed a deficiency of hotel rooms in this part of Washington County. While the hotel did not work at the transit center site itself, the 2016 EDSP highlighted the value of adding hotels to our downtown. The City has lost out on hosting festivals and conferences in the recent past because of a lack of hotel space.

Housing and jobs in the downtown have both primary and secondary economic benefits. Although the City support jobs across the City, ones outside of downtown have less secondary benefits compared to jobs in our downtown core. Adding 350 new housing units in the core and within walking distance of the downtown would add to the vibrancy of downtown and Barre Street.

According to the EDSP, “Montpelier cannot afford to rest on its laurels. Indeed, all indications are that should the City maintain its current posture, it is likely to lose much of its vitality.”

The regional impact of increasing housing and economic development in downtown Montpelier is positive, helping to keep growth in our compact centers and not putting undue pressure on the rural countryside to accommodate low density developments.

**Highlights of the Plan**

- **District Area**

The 128 properties in the TIF District total approximately 162 acres and approximately $____ million, which equates to ___% of City’s area and ____% of the City’s Grand List.
The Goal

This plan projects that approximately $66.5 million of new private property value could be created over the next six years created through $14 million of public infrastructure investment ($7.8 million of which would be financed through TIF).

The Results

The new public infrastructure will include parking, water, wastewater, stormwater, transportation improvements, and brownfield remediation.

As a result of this infrastructure, undeveloped and under-developed properties could be developed resulting in additional office, retail, hotel, affordable housing, and other residential projects in the core of the City.

District Boundary

Rationale

It is the City’s intent to stimulate development and remove barriers in areas that are long-overdue for improvement and already identified growth areas. The design of the TIF District boundary is a bit unique in its shape but was intentionally created for the following reasons. Based on the density of Main and State Streets (the center and majority of the TIF District), the opportunities for development, business growth, and rehabilitation of vacant and underutilized spaces is apparent. But this is also where the burden on infrastructure is highest. The projects that have been identified and many that have simply been discussed over the years show a great demand, but lack of feasibility; simply put – if they were financially lucrative, they would have been done by now without the investment of the City. The area of the District along Barre Street that extends to the east is included because of the timely discussion of increasing demand for housing at all levels. The projects along this road are within the Growth Center and the infrastructure is significantly limiting to any development, making it prime for TIF investment.

District Details

The District is comprised of 128 parcels, totaling approximately $____ million in current assessed value, of which $____ is homestead and $____ is non-homestead. This equates to approximately __% of the City’s total grand list and is comprised of commercial, retail, and residential properties. It is located mostly within the Designated Downtown and entirely within the Designated Growth Center.
District Probability

- **Areas of Speculation and Planning (outer years)**

**Confidence in Projects**
There has been long-standing interest in expanding development – particularly adding a hotel, housing, and office space – in the core downtown district, but as noted above, parking has been a critical obstacle. Interest by a major hotel chain in partnering with our locally-owned Capitol Plaza Hotel and Conference Center on State Street jump-started that active discussion. The hotel chain has approved this project and is awaiting word on a parking agreement with the City before moving forward. While the developer is financially strong, the cost of structured parking makes the project impossible given hotel rates and projected revenue in this market. However, publicity about this project and the increasing likelihood of a downtown parking garage with some public spaces has sparked interest by others with potential projects, which gives the City additional incentive to support and catalyze the hotel project.

Barre Street has long been an overlooked area of the City for development, in part because of aging road infrastructure and a difficult streetscape that drives up costs. The City Council has taken steps, primarily adjusting zoning on Barre Street to encourage housing. That, along with the potential infrastructure improvements through TIF, has various landowners and developers talking more optimistically about how to add housing and office space along this street. Improving the dangerous Main/Barre Street intersection that feeds Barre Street will help make these projects more viable, as well.

**Housing Indicators**
Expanding housing options across the income spectrum has been a top goal of the City Council for years, and many affordable units are coming online in the coming years, including One Taylor Street and the French Block. A parking garage that would ensure spaces for new units is important. In addition, Montpelier has an active ‘downsizers’ group who are looking to sell their larger homes to young families and move into downtown condominiums or small housing units. These types of units are being considered for Barre Street, pending infrastructure upgrades.

Also on Barre Street, the granite sheds are being eyed by developers for housing and office space, pending water and sewer upgrades and possible brownfield cleanup.
These likely short-term projects, all located within our core downtown and growth district, have already generated additional interest in other nearby properties.

**Economic Development Indicators**

Long term indicators of economic development are less clear than housing. While housing has had strong demand for years, job growth in the City has ebbed and flowed with regional and statewide trends. While the City does not expect future losses in its traditional base, it is also not counting on new state government nor finance and insurance positions. The foundation of Montpelier’s future economy may look different than in the past.

Other national trends make predictions less clear, such as the continued erosion of brick and mortar retail to online outlets. That certainly has factored into some storefront vacancies in the downtown, but it is something that can be addressed with new visions. Online services cannot, for example, replicate the downtown experience. Restaurants, bars, and entertainment will continue to survive especially with a captive audience of downtown residents and workers. Having a plan in place to create a premium destination for workers and guests will help Montpelier thrive. If Montpelier’s neighbors are any indication, investments in downtown streetscapes, parking, and key infrastructure works to spur growth. Since 2009 Barre has added more than 1,000 jobs and more than 80% of those jobs have been in the private sector. If investments like this work for a community with the challenges that Barre City faced in 2009, the City is confident in the long-term success of this strategy for Montpelier.

- **Market Viability**

The 2016 EDSP highlighted several key needs for the downtown, specifically calling for a new hotel/conference center and additional housing units (150 units were suggested) and referring to them as ‘Transformational Projects’ in the report. The report specifically encourages appropriate zoning and infrastructure at development sites to encourage growth in downtown and Barre Street – both key pieces of Montpelier’s TIF proposal.

**Capitol Plaza:** The Hotel and Conference Center property, which includes meeting and office space, hotel and conference facilities, and a public/private parking lot, is currently valued at about $4.1 million. Constructing an 80-bed Hilton-affiliated Hampton Inn on the parking lot, as well as a public parking garage to serve the existing and new hotel, would more than double the value of that property – to about $10.6 million. This is a project long-sought by the City, recognizing the need and viability of additional hotel and conference space. The local business community strongly supports this project.
The cost of constructing a public parking garage with 250 spaces (which can serve up to 100 additional vehicles by implementing management controls) is estimated at about $7.3 million. This would be a public-private project and construction could begin early next year.

**Christ Church:** As noted, affordable housing has long been an identified need in Montpelier. Among the barriers cited in a 2011 housing study (Barriers to New Housing) were economic conditions, a tight market with little turnover, and regulatory conditions. In the core downtown, you can add lack of parking to that list, as on-going housing projects work with the City to locate and secure parking for future residents.

Christ Church would like to build an addition off the back of its historic State Street structure, adjacent to the Capitol Plaza building, to create approximately 30 units of affordable housing. This addition would require removal of an existing water main and construction of a new main to serve the building, as well as parking because the addition will be built on the Church’s current parking lot.

Christ Church currently has no value for tax purposes to the City. The addition of the affordable housing units, however, will increase the estimated assessment to approximately $1,000,000. The Church has begun architectural drawings for the addition and is working with Capitol Plaza and the City on accessing parking space in the public garage.

**State and Gov. Davis:** As referenced in the EDSP, and noted throughout this plan, business and residential development are a priority for the City – with strong demand for both in the core downtown. The City is pleased that a developer is interested in a project that includes both – office space and housing units – in a prime location near the courts, State House, upcoming Transit Center and state offices. This location will be in high demand.

The property is currently a gas and service station (located directly across State Street from another gasoline station!). The property is also located almost adjacent to another potential project – The Pit (referenced elsewhere in this report) – making it an especially important and marketable project for the City.

The existing property is assessed at $216,800. The proposed property would be assessed at around $1 million. It would include two floors of office and/or retail space, and a third floor of three or four market-value housing units. There is only room for a handful of parking spaces, so this developer is counting on approval of the proposed public parking garage to move forward with his project.
**Vermont College of Fine Arts Housing:** VCFA owns an undeveloped 3-acre parcel of land that extends from College Street above to Barre Street below. The College approached the City Council in Fall 2017 about possibly building housing units on part of that parcel – a phased project over several years that would include condominiums and one clustered single-family housing project. These units are designed to appeal to the ‘downsizers’ referenced earlier. Their relocation would jumpstart the housing market by ensuring more single-family homes become available for younger residents and those with children. The Council agreed, re-zoning that Barre Street parcel as Riverfront District to allow for more density development. VCFA President Tom Greene told the Times Argus newspaper that the college proposal was designed to keep land near the college for future development and preserve the development value of the Barre Street frontage.

While the VCFA project is actively being discussed, Barre Street lacks the water, sewer, stormwater, road, and sidewalk infrastructure necessary to make this project viable. With infrastructure improvements, the developer could build about 12 small housing units in a cluster and additional condominium units beginning with Phase I in 2019 and continuing through Phases II and III between 2022 and 2023.

This property currently has no assessed value. With development, the parcel would be assessed at about $24 million.

**Vermont Mutual:** This site is commonly called “The Pit” (see mention above in State and Gov. Davis section) and is essentially a parking lot broken into two sections – a lot serving nearby 109 State Street state offices and legislative staff at the State House, and a lot off the back of Vermont Mutual Insurance Group to serve those employees. This is coveted space in the heart of the downtown. Vermont Mutual has outgrown its office space, as well as its parking space, and has moved some of its staff outside the core downtown. There is concern the company will feel pressure to relocate entirely to an open, more rural area to accommodate its growth if a suitable downtown option is not found.

The City has jumpstarted talks with Vermont’s Building and General Services Department and Vermont Mutual officials, as well as one interested developer about redeveloping that lot into parking, office and residential space (and allow Vermont Mutual to comfortably expand in the core downtown). The State has also expressed an interest in additional office space at that location, which is adjacent to the Governor’s Office and the State House.

For that project to move forward, however, significant infrastructure changes are required. First, the egress routes must be redesigned, requiring a traffic light at State and
Gov. Davis Avenue. In addition, a water main cutting under the lots must be removed, and replaced with water, sewer, and stormwater infrastructure capable of serving the new development (estimated cost of $1.7 million).

The entire property, including the Vermont Mutual building itself, is currently assessed at $3.6 million. The value after development would jump to $12.3 million.

**Sabins Pasture:** The Sabins Pasture parcel, located at the very east end of the TIF District boundary, is owned by the Zorzi and Aja families. It consists of about 100 acres of undeveloped land on Barre Street – property that has long been considered for development, primarily for housing. In 2017, Doug Zorzi asked the City Council to re-zone the parcel to allow for more development. The Council did re-zone the strip closest to Barre Street (adjacent to the VCFA parcel described above) as Riverfront District to allow more development, while keeping the remainder of the land as rural for now.

Developers and at times the owners have discussed creating mixed use and primarily residential projects in that area. Discussions have generally favored some uniformity to any development, but also specifically encouraged a variety of building shapes, sizes, and setbacks from the street to avoid the monotony of tract-like homes. Roof shapes and other features can also add variety. Interested developers have been in contact with City staff about permitting and zoning related to the parcel with an eye toward development. Last fall at City Council, Doug Zorzi outlined a potential housing proposal for his property that would create about 225 housing units on that property when completed in 2022. This is another option for the downsizer group.

With so little open land in downtown Montpelier available for significant housing projects, the Sabins Pasture parcel is considered vital to providing significant new housing for the City. This tracks with a key recommendation of the EDSP that tasks the City with “building a pipeline of talented workers” by “ensuring that housing in the City is attractive and affordable to a wide range of incomes …”

Similar to the VCFA housing, Barre Street requires significant upgrades to allow the volume of traffic that would be generated by this new housing. The cost of these public infrastructure improvements would be too costly and would not be feasible without increasing housing prices beyond what the market can afford.

It is expected that this project would need to be done in phases and that the second phase would likely rely on the upgrade of the Barre Street and Main Street intersection.
Granite Sheds: Two granite sheds sit on Granite Shed Lane and Granite Street, a little spur that the City expects two distinct projects – one on each lot (rather than one large project covering both lots). One housing development could be completed in 2020 and the other commercial project in 2022. The current assessed value of the properties is $783,000. Once developed, the value could be about $7.4 million.

Given their history as working granite sheds, these lots are likely to require brownfield remediation; testing of soil for contaminants is underway. In addition, water, sewer, and stormwater lines will need to be re-routed from Barre Street and enlarged to meet the development needs of the projects. This would likely be a public/private partnership, with some federal environmental grant eligibility, depending on soil testing.

It should be noted that Barre Street is beginning to see a resurgence in development, in part because of the in-coming Caledonia Spirits factory and tasting room at the eastern end, and the arrival of several value-added food establishments. In the past two years, Barre Street has seen a residential facility built, the addition of Bohemian Bakery and Woodbelly Pizza, the upgrade of Beau Butchery, and other projects. Upgrading infrastructure will likely drive that important growth even further.

Capital Cleaners: This small brick square building sits at a pivotal intersection in the City, on the corner of Barre and Main Streets. It is an underused but highly valued piece of real estate, located within one block of the downtown grocery store, a movie theater, City Hall, stores, restaurants, and housing. This intersection is considered dangerous and a study is underway – results due in November – to determine how to upgrade the “T.” It would be almost impossible to upgrade the Capital Cleaners site at this point, given the road issues. However, once that intersection is upgraded, the Capital Cleaners corner could be suited for a three-story office space, increasing the assessed value from the current $262,200 to $2.4 million.

Experience

Montpelier has a long history of planning for and implementing community development programs. The City’s Planning Office has its roots from the 1980s, functioning originally as Montpelier’s Community Development Agency. Funded through Federal Revolving Loan funds, it’s objectives were to support economic development and housing in Montpelier. When the Planning Office formed in the 1990s, the position of the community development specialist was maintained with a responsibility to continue to implement these objectives.

Other planning efforts included the establishment of a Designated Downtown and creation of Montpelier Alive! in 1999, which was in response to a goal of increasing downtown vibrancy. The creation of the Housing Task Force in 2003 and Housing
Trust Fund in 2007 were early efforts to address housing. Each of these efforts were successful in helping to stop the housing declines that persisted in the previous decade. Several rehabilitation projects were sponsored for substandard housing. New affordable housing was built on Barre Street. The momentum generated by these efforts, though, was cut short by the Great Recession that started in 2009.

During the recession, neighboring communities took an aggressive and direct approach to revitalization. Barre used a long-delayed North Main Street reconstruction project to leverage an entire makeover of its downtown including investments in infrastructure including development of City parking lots and incentivizing new office buildings, affordable housing, and renovation of older historic buildings. Waterbury’s revitalization was not by choice as Tropical Storm Irene devastated the downtown core. They similarly adopted an EDSP and set out to invest heavily in resiliency and streetscape improvements. The result was a strong shift of economic activity to these downtowns.

The City made economic development investments by adopting the 2016 EDSP and hiring a new Director of Planning & Community Development in 2017. The new Director had just spent the five previous years as Director of Planning in Barre City and worked on the revival described above. During his time there, he worked closely with the local development corporation to make recommendations on key economic development initiatives including the implementation of a TIF district. The Department of Planning & Community Development consists of the Director, the Community Development Specialist, Planning and Zoning Assistant, and the Planning & Zoning Administrator.

The City is working in partnership with the City is Montpelier Alive (the downtown organization) and Montpelier Development Corp on economic development. These organizations have paid staff and budgets who can assist with the future marketing of the downtown.

**TIF Financing Plan**

The City of Montpelier has included many projects in this TIF Financing Plan that may never come to fruition or may not be structured exactly as modeled in this Plan. However, by doing this visioning and calculating exercise, the City is prepared and understands the breadth of possibilities to envision how possible infrastructure investments can be re-paid through the catalyzed development. With that said, the City has done extensive sensitivity analyses to examine how the District would work in various scenarios if some or many of the private development projects do not come to
fruition. It is through these exercises that the final assumptions for debt, reliance on other revenue, and cash flow projections were determined.

In reality, these calculations will need to be done at the time of actual negotiations with private property owners before bonding for infrastructure improvements. The City will evaluate each debt incurrence carefully, educate the voters accordingly, and will manage the TIF fund closely to ensure that the risk to voters is mitigated.

For the purposes of this TIF District Financing Plan, it is assumed that all infrastructure would be financed through thirty-year municipal bonds. While twenty-year bonds would have less interest over time, the timing of the improvements and incremental property tax revenue is such that the cash flow would be too difficult in early years with the higher annual payments. The City could choose to use twenty-year bonds and utilize a sinking fund mechanism instead, but that is a decision they will need to make at the time of a real project. The rates and terms used in these projections are consistent with Montpelier’s recent bonds from the Municipal Bond Bank.

The need for additional sources of revenue in this municipality is very high, especially given that many of the infrastructure projects must occur early in the District’s life to effectively catalyze the development. This limits the amount that can be financed through TIF. In the case of the parking garage, this Plan assumes that the majority will actually be privately financed. This project is still in negotiation with property owners and is subject to change. The City has projected using a portion of parking revenue to pay for the debt service as well (please see Table 5O).

Wherever possible, the City will pursue additional funds to assist in investing in infrastructure. This includes state and federal transportation funds and state brownfield remediation funds.

This TIF District Financing Plan proposes to retain 100% of the incremental municipal tax revenue and 70% of the incremental Education Fund (state) tax revenue. Over the twenty years of the District, this is estimated to total approximately $22 million, which will be used to repay the bonded debt service.

The taxes that are currently generated by properties within the TIF District will not be affected by this District. Tax rates do not increase as a result of creating a TIF District. Pre-development taxes will continue to be sent to the Education Fund and the municipal General Fund. With TIF in place, 100% of the new incremental municipal tax revenue generated within the District resulting from re-development supported by the associated infrastructure investments will be used for the debt service repayment. Of the new incremental Education Fund tax revenue generated within the District, 70% will be used for debt service repayment and 30% will be sent to the Education Fund. This
amount sent to the state could total approximately $4.7 million over the course over the twenty years.

**Planning for Development**

*The Innovative Capital – An economic development strategic plan for the City of Montpelier, VT (2016).* Adopted by the City Council in June of 2016, this “Innovative Capital Strategy” calls on Montpelier to position itself as a superior quality location for economic and business development. Two factors drive this positioning:

1. Community vibrancy is an essential component of a superior quality location. Montpelier already has a reputation as an arts, culture, and fine dining hub in Central Vermont. That, plus its attractive, walkable downtown tend to cast it as a superior quality location.

2. Montpelier is already a high-cost location in Central Vermont whether measured by wages, education levels, housing costs, rents, etc. In this context, the City is compelled to compete on the basis of superior quality. Fortunately, as this strategic plan will make clear, it is well-positioned to use its position to do so. This can extend the associated opportunities to all residents of the City.

The essence of this strategic plan is to create a coordinated program to continue to improve the City’s ability to add value to enterprises located in (or interested in locating in) Montpelier. This will involve key tactics to implement that strategy. These include:

**Identifying Key Sectors**

The economic analysis conducted for this strategic plan identified eight sectors that are particularly important for Montpelier’s economy:

- Higher Education/Adult Learning
- Food Processing and Advanced Manufacturing
- Entrepreneurs (particularly in software development and IT)
- Finance/Insurance
- Not-for-Profit Services
- Professional, Business, Science, and Technical Services
- Specialty Retail
- Tourism, Hospitality, and the Arts
Strategic Investments in sites, infrastructure, approval process, and other areas to improve Montpelier’s ability contribute value to the key sectors

Part of the process of positioning Montpelier as a superior quality location for economic development is ensuring that investments strengthen critical aspects of the community. These investments must address the critical factors that can make Montpelier a superior quality location for development, including:

- Ensuring that sites in the City are prepared for private development through such investments in proper zoning for the sites, ensuring that they are served by infrastructure and are free of impediments to re-use (e.g., brownfield contamination, etc.)
- Providing adequate infrastructure for development, including parking, broadband, access for foot, bike and auto transportation, etc.
- Providing expeditious and effective project reviews so that developers can have confidence that their proposals will be assessed accurately, completely and in as short a time frame as possible.
- Building a pipeline of talented workers so that businesses remain confident that their enterprises will have access to sufficient numbers of workers possessing the skills they require.
- Strengthening community amenities so that Montpelier will be an attractive place in which enterprises can operate, employees can live, and customers can conduct their business.
- Marketing Montpelier to businesses by building a brand for the City’s efforts to improve its economy and providing personal support in locating resources to assist businesses to both enterprises now located in the City and those considering relocating to Montpelier.

Championing transformational projects including:

A Hotel & Conference Center

- Housing Projects to provide a variety of housing types to ensure adequate housing for workers in Montpelier businesses, including executive housing in downtown and other locations, housing for young professionals with families (e.g., 1st-time homebuyers), senior housing for retirees and to free up existing housing stock, and affordable housing for young singles and others.
- Local Food/Spirits Venue to build upon the regional strengths in local food & food processing.
- Retail space subdivided into small-footprint spaces for start-up retailers to create opportunities for start-up retailers
- Renovation of downtown office space (possibly mixed with retail or apartments) or construction of office space along Barre Street and/or Stonecutters Way to host the service-related enterprises among the target sectors.
Among the actions specifically identified to assist in the implementation of the plan is the use of Tax Increment Financing (TIF) (which was not authorized by the State Legislature, but was being discussed as an option).

*Housing Needs Assessment – Lamoille & Washington Counties (Central Vermont Community Land Trust 2012)*

**Private Development & Re-development**

The potential development opportunities described below within the proposed TIF District have been assessed and ranked on a three-tier analysis based on impact, planning stage, financing and design.

Tier 1 includes the two most likely projects to proceed in the near term.

Tier 2 includes properties which have owner-investor interest in pursuing the obvious development potential of the buildings and land located in the Downtown and within the proposed TIF district. These Tier Two projects can possibly move forward independent of other development initiatives, but will certainly benefit from the economic momentum, which will accrue with the Tier 1 projects.

Tier 3 properties include buildings and land which have development potential identified within the planned collective vision for Montpelier. Each has the potential for re-development in a ten-year window.

For the purposes of evaluating District potential, the City Assessor has developed estimated post-development values based on known factors and possible build-out scenarios. While Tiers 2 and 3 are speculative, these are reasonable estimates of what could result as investment builds and the market strengthens.

**Tier 1**

**Capitol Plaza**

The family-owned Capitol Plaza Hotel and Conference Center sits at 100 State Street, a roughly 3-acre property that serves as the only downtown hotel for this tourist-heavy capital city. The premier conference and big-event venue includes a large parking lot with spaces reserved primarily for hotel guests with some leased to the City for public access.
The Capitol Plaza owners, the Bashara family, have a contract with Hilton to build an 80-plus room Hampton Inn and Suites, which would bring up to 60 new jobs to the downtown and generate up to $300,000 annually in rooms and meals taxes for the State. This new facility would be located directly behind their existing hotel and conference center on the parking lot and would be owned and operated by the Bashara family.

To do this project, however, Capitol Plaza needs parking (see parking garage segment below). If a garage could be built in partnership with the City, as this Plan proposes, construction of the hotel could begin late 2018 or early 2019.

State and Gov. Davis

A regional developer has purchased the gas station on the corner of State Street and Gov. Davis Avenue. This underdeveloped parcel is prime for re-development, but would require nearby parking, such as that provided by the parking garage.

VCFA Housing

The Vermont College of Fine Arts approached the City and the City Council in Fall 2017 about building housing units on part of property abutting Barre Street (details above).

While the VCFA project is actively being discussed, Barre Street lacks the water, sewer, stormwater, road, and sidewalk infrastructure necessary to make this project viable.

Christ Church

Christ Church was built on its current State Street location in 1868, sitting adjacent to the Capitol Plaza complex. The Church has been in talks in recent years with Downstreet, the Central VT affordable housing non-profit organization, about adding 30 units of affordable housing to the back of their building. These plans were temporarily put on hold while Downstreet oversees two other housing projects, but Church officials have appeared before City zoning and development committees to stress their intention to move forward in the next two years or so. To do this, however, they would need access to designated parking. In addition, there is an old water main running under the Christ Church property that would need to be relocated and replaced in order to build the new structure. This adds a burden of cost that an affordable housing project just cannot bear.

Granite Shed – Housing and Commercial

Montpelier’s Barre Street was historically home to several active granite sheds, most of which are now closed and vacant. One shed is still operational, although going out of business; another is currently a storage site for granite blocks, and also closing. There
has been interest in developing these sheds, including consideration of a housing
development on one parcel and an office complex on the other. As noted above, this
would likely occur as two separate projects – housing on one site (possibly in 2020) and
commercial on the other (possibly in 2022).

**Tier 2**

**Vermont Mutual Site**

The Vermont Mutual building at 89 State Street, its parking lot located directly behind
the State Street building, and the abutting State parking lot that serves 109 State Street
all comprise what is called the “Vermont Mutual Site” for the purposes of this Plan. This
property has long been eyed for development. In addition, Vermont Mutual needs
expanded office space and additional parking, and there has been concern the
business might relocate outside of the core downtown.

Conversations between the State, City, Vermont Mutual, and potential developers
have been jumpstarted, but would rely on TIF investment to fix existing infrastructure
issues that make any development impossible.

**Sabins Pasture**

The Sabins Pasture parcel is located at the very east of the TIF District boundary. The
Council chose to re-zone the strip along Barre Street (adjacent to the VCFA parcel) as
Riverfront District to allow more development. The projections included in this Plan are
based on 225 units of housing at this site.

Similar to the VCFA housing, Barre Street requires significant upgrades to allow the
volume of traffic that would be generated by this new housing. The cost of these public
infrastructure improvements would be too costly and would not be feasible without
increasing housing prices beyond what the market can afford.

It is expected that this project would need to be done in phases and that the second
Phase would likely rely on the upgrade of the Barre / Main Street intersection.

**Tier 3**

**Capital Cleaners**

The Capital Cleaners building is a small brick building located on the corner of Barre
and Main Streets that is prime for re-development. Located at a key intersection, it
could be converted to three stories of office space, should the Barre / Main Street intersection be upgraded and additional development in the area flourishes.

**Public Infrastructure Projects**

The following have been identified in close connection to the above private developments.

**Downtown Parking Garage**

As cited in more detail above, the lack of downtown parking has long been a concern for choking off business and residential expansion and limiting public access to the downtown.

This Plan proposes to build a 250-space garage, with significant investment by private developers, to meet the needs of these local uses. This would be a City-owned garage that would serve those properties and would also have some spaces that the City could use entrepreneurially to incentivize other development as it emerges. It is important to keep in mind that although the Hotel & Conference Center needs 200 spaces at times, they would not be using that many spaces routinely. With innovative parking technology, the City could operate the garage optimally and use all spaces in myriad ways. The cost of structured parking is approximately $28,000 per space, so the projected cost of this structure is $7,350,000, including contingency.

**Taylor Street Water**

Before construction can occur at Christ Church, the City needs to remove an underground main and install roughly 350 feet of new 12” water line piping. This would cost approximately $227,500, including contingency.

**The Pit**

“The Pit” is the common name for the Vermont Mutual/State Parking lot area. As stated above, to support the re-development, the City needs to upgrade the existing sewer and potable water lines, upgrade stormwater, and make traffic improvements at Court Street, Gov. Davis Avenue, Elm Street, and State Street. The re-development of this site is also dependent on structured parking, which is extremely costly. The intent is that the City could reduce the barriers to development by upgrading the other infrastructure, understanding that the private project will need to bear the cost of the parking.

This project will cost $1,880,970.

**Barre Street Phase 1**
Water, sewer and stormwater, as well as new road and sidewalk construction are needed to enable housing developments on the VCFA parcel on Barre Street.

Cost: $984,300

**Barre Street Phase 2**

Similar to Phase 1, the larger development discussed for Sabins Pasture and the later phases of the VCFA project will require a new road, culvert, and sidewalk, upgrades to the water and sewer lines, and a pump station.

Cost: $1,890,000. This project will likely be eligible for transportation funding.

**Barre/Main Street Intersection**

This Main Street-Barre Street intersection is currently considered “failed” by State and Federal Transportation officials. Additional significant development along Barre Street will exacerbate the congestion, dangerous pedestrian/bicycle crossing, and turning access.

Cost: $1,620,000. This project will likely be eligible for federal transportation funding.

**Barre Street Brownfield Cleanup**

The re-development of the Barre Street granite sheds will require mitigating the environmental issues that have been on site for several generations. To support this remediation and incentivize that area to develop, the City could assist in the brownfield cleanup. Environmental testing is currently ongoing at one site which will be followed by the second site.

Cost: $520,000. This project will likely be eligible for State brownfield funding.

**Conclusion**

The creation of a Tax Increment Financing district is an essential step in positioning Montpelier to take advantage of the unique opportunities that come with being the State capital and to empower it to use those opportunities to foster continued growth and development in the City.

In order to fulfill the distinctive role that the capital city can play in supporting Vermont’s economy, Montpelier must be able to embrace the opportunities in lodging and hospitality that come with the regular influx of legislators, government workers, lobbyists, local officials, and business leaders. Capturing the economic value of this influx better
positions the City to serve tourists, other visitors and new businesses, while supporting a quality of life that can serve to attract yet other investment to Montpelier.

Montpelier’s TIF District has been designed as a catalyst for this type of growth. The clearest examples of this is the ability of the TIF district to help support the creation of a badly needed parking garage in the City and enable the investment in infrastructure that will revitalize buildings in the downtown core and build new value along Barre Street’s long under-utilized corridor.

The TIF is not the only answer to the stagnation threatening Montpelier. But, as this plan demonstrates, the creative financing it fosters will bring millions of dollars in new investment to the Capital City. These new commercial and residential projects will make Montpelier more viable economically and more affordable for new residents.

As such, the TIF district is a key tool for catalyzing a “virtuous spiral” in Montpelier that adds badly needed new sources of vitality and population that will in turn make the City an ever more attractive site for continued private sector investment. And, as this TIF district helps Montpelier realize its full economic potential, the City will be better positioned to make its significant contribution to building an ever-stronger economy for all of Vermont.
Montpelier TIF District

Legend
- TIF Boundary
- Parcels_4.17
- Parcels
- Proposed_Growth_Center_Boundary_2016
- Downtown_District2012

KEY Public Infrastructure
A Downtown Parking Garage
B Taylor Street Water
C Barre Street
D Barre Street Brownfield Cleanup
E The Pit
F Main Street Intersection

KEY Private Infrastructure
1 Capitol Plaza
2 State & Gov Davis
3 VCTA Housing
4 Granite Sheds
5 Vermont Mutual Site
6 Christ Chruch
7 Sabins
8 Capital Cleaners

1 inch = 300 feet