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I-89 Exit 12B Financing Options Study

December 31, 2009

Final Report

Prepared For:
VT Legislature In Accordance With
Section 99 of Act No. 50 (H.438)
Of the 2009-2010 Legislature

On Behalf Of:
Chittenden County Metropolitan
Planning Organization

Prepared By:

Resource Systems Group, and

Michael J. Munson, PH.D, FAICP

DATA ■ ANALYSIS ■ SOLUTIONS

Report Prepared for:

The Chittenden County Metropolitan Planning Organization, in cooperation with the Vermont Agency of Transportation in Response to Section 99 of Act No. 50 (H. 438) of the 2009-2010 Vermont Legislature

The preparation of this report has been financed in part through grant[s] from the Federal Highway Administration and Federal Transit Administration, U.S. Department of Transportation, under the State Planning and Research Program, Section 505 [or Metropolitan Planning Program, Section 104(f)] of Title 23, U.S. Code. The contents of this report do not necessarily reflect the official views or policy of the U.S. Department of Transportation.

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EXECUTIVE SUMMARY

The purpose of this study is to explore innovative financing options for the construction of a proposed new interchange between I-89 and VT 116 in the City of South Burlington, VT (referred to as Exit 12B). The report responds to the requirements of Section 99 of Act No. 50 (H.438) of the 2009-2010 Legislature, which charged the Chittenden County Metropolitan Planning Organization (CCMPO) with completing a pilot project to "*… examine the potential for a public-private initiatives program… for the advancing of an interchange on Interstate 89 along Vermont Route 116 in South Burlington…"* To undertake this task, the CCMPO convened an advisory committee in June 2009 that provided information and input and directed the consultants.

The CCMPO completed a feasibility study in 2008 that found that two design options -- a modified diamond interchange and a modified single point urban interchange (SPUI) -- would provide acceptable performance. The total estimated project cost ranges from $33.4 for a modified diamond to $47.5 million for single point urban interchange, not including right-of-way acquisition[1]. Under current law, federal funds may be used for 80% to 90% of these costs. The minimum non-federal match requirement ranges from a low of $3.3 million to a high of $9.5 million, depending on the design selected and the availability of 80% or 90% federal funds.

In 2008, the CCMPO's Blue Ribbon Commission on Transportation Financing identified several potentially fruitful sources of additional funding for transportation projects and operations in the region, including: Local Option Sales Tax, Impact Fees, Debt Financing (Bonds), Public-Private Partnerships, Special Assessment Districts, and Tolling. All of these options are discussed in the report. The following options were selected for analysis because they have the potential to generate revenue for use in paying down a bond: a Special Assessment District (based on square footage or assessed value), Tax Incremental Financing District, Development Impact Fees, and surcharges at the Burlington International Airport. Local options sales taxes already exist in South Burlington and Williston and have been designated for other uses. Public/Private partnerships, which require a transportation facility that can generate revenue (most often with tolls) is not applicable in this case.

For the purpose of this study, the consultants assumed a financing district that includes portions in South Burlington and Williston that would benefit from access to the proposed interchange (Figure E-1). The South Burlington portion includes the land around the airport. The Williston portion includes the commercial and mixed use areas around Taft Corners.

[1] Other design alternatives may be selected through the Environmental Impact Statement process that may result in different cost estimates.

Figure E-1: Assumed Exit 12B Financing District

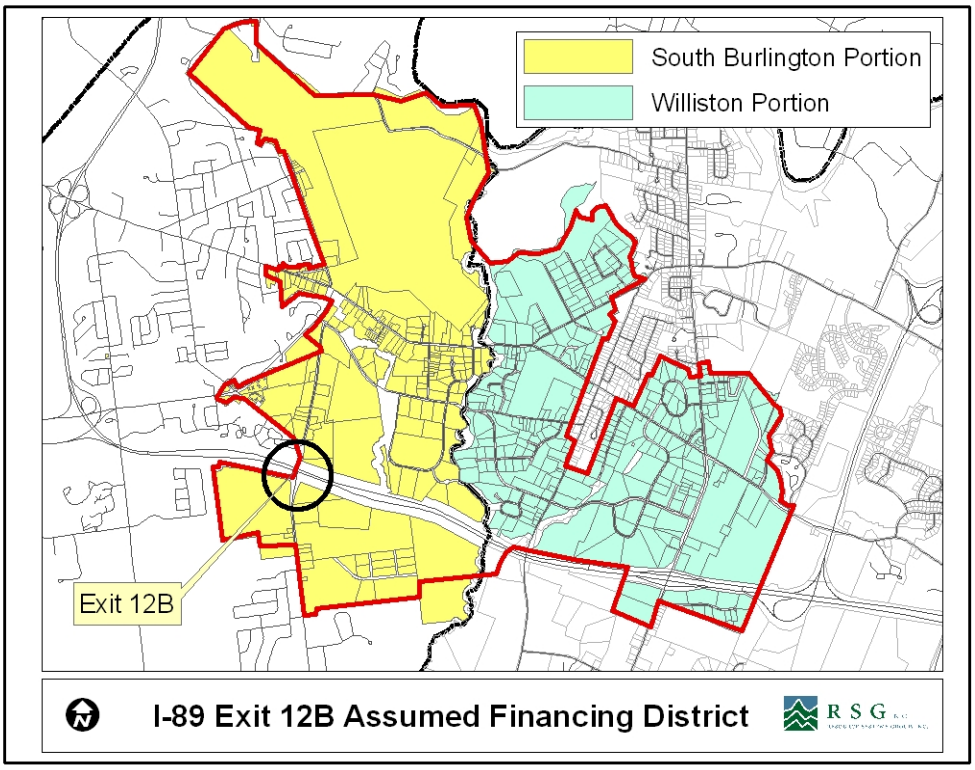


Table E-1 shows the bond amounts that could be supported by the various funding mechanisms within each portion of the assumed financing district.

Table E-1: Bond Amount Supported by Different Funding Mechanisms

Financing Approach	Financing District	
	South Burlington	***Williston***
Special Assessment District[1] ($0.05 per s.f of Floor Area)	$1,750,000	$1,750,000
Special Assessment District[1] ($0.05 per $100 of Assessed Value)	$1,750,000	$4,500,000
T.I.F. District[2]	$3,000,000	Not Applicable
Impact Fees[3] ($500 per P.M. Peak Hour Trip End)	$675,000	Not Applicable
Airport Parking Surcharge ($0.10 on each parking permit)	$375,000	Not Applicable

1. Support from the Town of Williston for a special assessment dedicated to Exit 12B tax is unlikely.
2. South Burlington intends to establish a TIF district for the City Center project. Only one TIF district is permitted per municipality. Therefore, TIF is not a viable option for Exit 12B.
3. Has potential to double charge developers if used in combination with special assessment tax.

The most likely sources of local revenues are the Special Assessment District limited to the South Burlington portion of the Exit 12B financing district and airport surcharges.

A multi-jurisdictional special assessment district is allowed under state law and has the potential to generate the largest amount of revenue. However, it is unlikely that Williston will support an Exit 12B special assessment district because of competing needs within its own borders. In addition, current state statutes would not allow revenues generated by a TIF district or development impact fees to be allocated for projects outside of the municipality. Therefore, revenue generated in Williston by these means would not be available for Exit 12B.

In South Burlington, the TIF option is not available as a stand alone approach to fund Exit 12B. South Burlington officials are reserving their one option to establish a TIF district to support infrastructure needs for the City Center project.

The development impact fee may also be acceptable. However, development impact fees and the special assessment tax should not be combined because of the potential to double-charge developers.

In order to fund the potential maximum of $9.5 million in non-federal match, the special assessment tax would need to be approximately $0.24 per square foot on non-residential buildings within the assumed South Burlington Exit 12B financing district. This assessment would increase property taxes on commercial property within the assumed financing district by about 13% and would make commercial properties in South Burlington noticeably less competitive with properties in Williston and Essex. Based on an informal survey of commercial property owners in the assumed financing district, $0.05 per square foot was considered a reasonable assessment. A $0.05 per square foot assessment would increase total property taxes in the South Burlington Exit 12B financing district by about 3% and would have little or no impact on the competitiveness of properties outside of the financing district.

A special assessment tax rate of $0.05 per square foot in combination with a surcharge on parking at the Burlington International Airport could contribute approximately $2.1 million towards the cost of constructing Exit 12B. The balance of funds required will depend on the final design selected for the interchange and whether 80% or 90% federal funding would be available for the project. Table E-2 on the following page presents a funding plan that accounts for these variables. It assumes that any gap in the non-federal match will be covered using funds from the State's highway trust fund (although there are no guarantees that those funds will be available).

Table E-2: Exit 12B Funding Plan Options

80% Federal Funding Scenario		
Funding Source	**Modified Diamond**	**Single Point Urban Interchange**
80% Federal	$ 26,667,520	$ 37,969,971
Exit 12B Special Assessment	$ 1,750,000	$ 1,750,000
Airport Parking Surcharge	$ 375,000	$ 375,000
State Highway Trust Fund	$ 4,541,880	$ 7,367,493
Total	$ 33,334,400	$ 47,462,464

90% Federal Funding Scenario		
Funding Source	**Modified Diamond**	**Single Point Urban Interchange**
90% Federal	$ 30,000,960	$ 42,716,218
Exit 12B Special Assessment	$ 1,750,000	$ 1,750,000
Airport Parking Surcharge	$ 375,000	$ 375,000
State Highway Trust Fund	$ 1,208,440	$ 2,621,246
Total	$ 33,334,400	$ 47,462,464

Note: Project cost estimates may change as a result of the EIS process.

This study presents the revenue that could potentially be generated by a variety of locally initiated funding mechanisms. The most viable options appear to be the Special Assessment District and surcharges at the Airport. Both options will require local approval. In order to establish a special assessment district, the South Burlington City Council will need to (1) decide that it supports the concept and (2) seek approval by a majority of the voters of the municipality. The special assessment district could also be established if the owners of all property located in the proposed district agree to the special assessment; a much less likely scenario. Fees at the airport must be approved by the Airport Commission.

1.0 INTRODUCTION

The purpose of this study is to explore possible innovative financing options for the construction of a proposed new interchange between I-89 and VT 116 in the City of South Burlington, VT (referred to as Exit 12B). This report provides background information on the project and its costs, describes the national transportation funding context, describes several local mechanisms that could be used to fund a portion of the project and estimates their potential contribution towards its costs, and presents case studies to show how the most likely funding mechanisms could affect specific properties.

In 2007, it became clear to the Chittenden County Metropolitan Planning Organization board members and staff that future funding for transportation infrastructure in Chittenden County and the State of Vermont would continue to be inadequate. Nationally, an increase in demand for transportation services and a decrease in revenue from existing funding mechanisms continue to increase the gap between needs and resources. According to the Vermont Long Range Transportation Business Plan, the State of Vermont estimates that over the next 20 year period, the State's revenue shortfall will be between $4.2 and $8.7 billion, unless new federal or state revenue streams are identified.

In order to take control of its funding future, the CCMPO set out to examine possible alternative funding mechanisms. In June 2008, the CCMPO hosted a Workshop on Innovative Transportation Finance. As a result of this workshop, the Blue Ribbon Commission on Innovative Finance was formed. This five-member committee began work in March of 2008 and was charged with providing a set of recommendations regarding viable innovative finance strategies to advance the region's transportation needs, including all modes as well as the necessary connections with land use, economic, environmental and quality of life needs.

Realizing the potential of alternative funding mechanisms, the Vermont Legislature charged the CCMPO a follows:

> "A pilot project to examine the potential for a public-private initiatives program shall be pursued for the advancing of an interchange on Interstate 89 along Vermont Route 116 in South Burlington…"

In order to undertake this task, the CCMPO convened an advisory committee in June 2009. The advisory committee included representatives from the City of South Burlington, Vermont Agency of Transportation, Federal Highway Administration, Burlington International Airport, CCMPO, and several land owners and developers with property near the proposed interchange. In addition, meetings were held throughout the process with the Town of Williston Manager and Planning Director to brief them on the project and obtain input with regards to components of the project which might impact the Town of Williston and its tax payers. A list of advisory committee members is attached in Appendix A.

The advisory committee met several times during the fall of 2009. At the recommendation of the advisory committee, the CCMPO hired Resource Systems Group, Inc. and Michael J. Munson, PhD, FAICP to conduct this study under the direction of and with support from the project advisory committee.

2.0 PROJECT COST AND GENERAL FUNDING SOURCES

The *I-89 Exit 12B Alignment Study*[1] provides a feasibility analysis of different design options for the proposed interchange between I-89 and VT 116 in South Burlington. The study concludes that a modified diamond interchange and a modified single point urban interchange (SPUI) are the two design options that would provide acceptable performance. Conceptual plans and costs were prepared for these two design options. The total project costs are presented in Table 1 and have been updated to include the cost to complete an Environmental Impact Statement (EIS). The cost estimates presented below do not include right-of-way acquisition and may change as a result of the EIS process. Additional details on the cost estimates are available in the *I-89 Exit 12B Alignment Study.*

Table 1: Estimated Project Costs

Item	Modified Diamond	Single Point Urban Interchange
Estimated Construction Costs	$ 18,334,000	$ 27,164,040
Contingiency (15%)	$ 2,750,100	$ 4,000,000
Environmental Impact Statement	$ 4,000,000	$ 4,074,606
Preliminary Engineering (20%)	$ 3,666,800	$ 5,432,808
Project Management (10%)	$ 1,833,400	$ 2,716,404
Right-of-Way Acquisition	Not Included	Not Included
Construction Engineering (15%)	$ 2,750,100	$ 4,074,606
Total Project Costs	$ 33,334,400	$ 47,462,464

Note: Estimated project costs may change as a result of the EIS process.

Projects on the Interstate are eligible to be funded through two federal programs administered by VTrans:

- Interstate Maintenance Program (IM): Provides up to 90% federal transportation funding for resurfacing, restoring, rehabilitating and reconstructing the Interstate Highway System; and
- Surface Transportation Program (STP): Provides up to 80% federal transportation funding for projects on any Federal-aid highway, including the National Highway System (NHS), bridge projects on any public road, transit capital projects, and bus facilities. STP funds may be "flexed" between different

[1] "I-89 Exit 12B Alignment Study, Existing Conditions, Traffic Analysis, Geometric Alternatives and Expected Costs and: Supplemental Memo – Alternative Analysis", prepared by Resource Systems Group for the Chittenden County Metropolitan Planning Organization, Final Report-July 2009. The report is available on the CCMPO's web site http://www.ccmpo.us/library/scoping/Exit12B_alignment_study/

funding categories within certain limitations. Exit 12B is eligible for STP funds because the Interstate is part of the NHS.

Federal funds are allocated to states according to established formulas and may be supplemented by earmarks secured by Vermont's Congressional delegation. Non-federal portions of Interstate project costs (ranging from 10-20%) are typically covered by the State of Vermont using funds from the state's transportation trust fund approved by the Legislature each year in the capital program. Financing options for Exit 12B are of interest to the Legislature because of the potential to reduce the need for state and federal funding of the project. Depending on the final design alternative selected and the program under which the project is funded, the non-federal match requirements range from a low of approximately $3.3 million to a high of $9.5 million (Table 2).

Table 2: Federal/Non-Federal Funding Proportions by Design Alternatives

80% Federal Funding Scenario		
Funding Source	**Modified Diamond**	**Single Point Urban Interchange**
80% Federal	$ 26,667,520	$ 37,969,971
20% Non-Federal Match	$ 6,666,880	$ 9,492,493
Total	$ 33,334,400	$ 47,462,464

90% Federal Funding Scenario		
Funding Source	**Modified Diamond**	**Single Point Urban Interchange**
90% Federal	$ 30,000,960	$ 42,716,218
10% Non-Federal Match	$ 3,333,440	$ 4,746,246
Total	$ 33,334,400	$ 47,462,464

3.0 NATIONAL TRANSPORTATION FUNDING CONTEXT

The federal surface transportation authorization bill, currently pending in Congress, will probably increase the overall amount of federal funding allocated to highways, transit, non-motorized modal facilities and freight infrastructure. The following discussion is based on an initial bill which will be subject to significant change as the reauthorization process proceeds.

The draft bill Congressional committees are now considering would, if approved as currently written; authorize a total of about $450 billion over six years, plus an additional $50 billion for high-speed rail, representing an increase of about 70 percent from the now-expired SAFETEA-LU authorized funding levels. At the same time, Congress is likely to consolidate and/or eliminate up to 75 currently separate highway and transit funding programs. These would be merged into four "core" funding categories: "State of Good Repair," Safety, Capacity (highway and transit) and Congestion Reduction/Greenhouse Gas Mitigation. There is also likely to be an increased emphasis on inter-state freight corridors, reducing congestion and increasing mobility in major metropolitan areas and environmentally-beneficial projects and programs. The consolidation of funding programs and emphasis on major goals may

lead to enhanced flexibility for states and funding recipients in the specifics of how federal funding is spent.

An important additional theme that overlays the new transportation bill is "performance-based planning." In recent years, Congress, USDOT, several federal commissions and other key groups have called for a "fundamental transformation" in the way federal transportation dollars are spent, transitioning to a focus on projects and programs that offer the best return on investment in the context of *national* goals and priorities. In other words, the pending bill may reorient federal spending rules so that federal funding is focused mainly on projects and investments that best serve the national interest. To achieve this, Congress will likely mandate that DOTs and MPOs use performance-based planning and project selection methods, tied directly to a set of mandatory national performance measures written into law or regulation.

For a project of regional importance such as Exit 12B, these changes may have two related consequences. First, assuming a set of performance measures will be mandated, any project seeking federal funding may need to "prove itself" in the context of showing positive impacts in the various performance categories. Congress or USDOT could conceivably require that project candidates for federal funding be prioritized and selected based on how they perform vis-à-vis the mandatory performance measures. Second, for any project that does not perform well under the performance measures, non-federal funding will become increasingly important, since the probability of accessing highly competitive federal funding sources will decline.

The stakeholders in the Exit 12B development process have rightly recognized the need for identifying and securing non-traditional, non-federal sources of funding to help enhance the project's feasibility. In 2008, the CCMPO's Blue Ribbon Commission on Transportation Financing identified several potentially fruitful sources of additional funding for transportation projects and operations in the region, including: Local Option Sales Tax, Impact Fees, Debt Financing (Bonds), Public-Private Partnerships, Special Assessment Districts, and Tolling. The Vermont State Legislature has already authorized several of these methods, although the methods may require additional legislative refinement to ensure their applicability and longevity. Others, particularly tolling and public-private partnerships, are significantly more complex and would require more study and legislative discussion before the CCMPO or others could take any substantive action.

4.0 Description of Local Funding Options

This section of the report defines and provides a brief discussion of the local funding options and their applicability relative to Exit 12B and presents an overview of organizational and institutional arrangements that could be established to move the project forward.

There are two basic categories of local revenue sources. The most common are those that draw from the entire community and are generally used to provide services and facilities used by the entire community. Examples include general property tax

revenues and, in Vermont, local option sales tax revenues. Local property taxes provide funding for most municipal facilities and services and are currently stretched to the point where approval of increases is difficult to obtain. South Burlington and Williston have adopted local option sales taxes (and rooms and meals taxes), but in both cases the revenues are formally dedicated to reducing property tax burdens. Finally, since the benefits of the Exit 12B project are fairly well concentrated on a delineated service area[1], general revenue streams are not seen as having potential for innovative funding approaches. There are, however, several possible district approaches for enhancing the municipal (i.e. not State or Federal) tax revenue stream.

4.1 Special Assessment Districts

A municipality may establish a special assessment district to fund specific infrastructure improvements that benefit primarily the properties within the district, in accordance with 24 V.S.A., Chapter 87. A special assessment district must be approved by a majority of the voters of the municipality unless the owners of all property located in the proposed district agree to the special assessment. The assessment may be based on assessed value, frontage, lot area, floor area, or any other measure that effectively links the amount of the assessment to the benefits received by the property. The assessment will apply to the property as it exists at the time the special assessment is established, and will apply to those properties in subsequent years as new development takes place, until all costs for the specified infrastructure improvements have been paid, or until any expiration date included with the establishment of the special assessment. Thus, the special assessment district will have an initial annual cash flow that will grow as new development takes place.

As noted below, two or more municipalities may establish an inter-municipal compact for the purpose of funding an infrastructure improvement, in which each is authorized to use a special assessment district as a means of raising its specified share of the costs of the improvement.

4.2 Tax Incremental Financing (TIF) Districts

In many cases an infrastructure project is intended to enable new development which could not occur without the infrastructure. The new development adds to the municipality's property tax base and thus generates an incremental increase in property tax revenues. Tax Incremental Financing (TIF) is a mechanism that captures some or all of the increment in tax revenues and dedicates it towards paying for the infrastructure investment that enabled the development. A TIF district does not change the local tax rate or the tax revenues generated by the new development. It simply diverts the tax revenue increment from other government services to the infrastructure project. TIF relies on the incremental increase in tax revenues created as new

[1] CCMPO model runs estimate that of the traffic that will use Exit 12B, 54% will start or stop within the delineated service area, 34% will start and stop elsewhere within the two municipalities, and 12% will start and stop from outside of the two municipalities.

development occurs. Since the rate of growth created by new development is uncertain, the potential cash flow generated by a TIF district is also difficult to predict.

In Vermont there are two separate local property taxes that are potentially impacted by TIF: The local municipal property tax, and the education property tax (which includes both a local and a statewide component).

In South Burlington, the TIF option is not available as a stand alone approach to fund Exit 12B. South Burlington officials are reserving their one option to establish a TIF district to support infrastructure needs for the City Center project.

Municipal property Tax Incremental. As a general rule, the municipal property tax represents roughly 25 to 30 percent of total property taxes. Vermont municipalities have the ability to create a TIF district and redirect the increment in municipal property tax revenues to pay for the needed infrastructure at any time, in accordance with 24 V.S.A., Chapter 53, Sub-Chapter V[1].

Education property Tax Incremental (both the local and the statewide portions). The balance of property taxes (70-75%) are for education. Before a municipality may establish a TIF for the purposes of diverting education property tax revenue increments towards infrastructure funding, it must first obtain approval from the Vermont Economic Progress Council (VEPC), in accordance with 32 V.S.A., Chapter 135. At present only a limited number of municipalities may be awarded VEPC approval. The approval criteria are quite rigorous and the TIF revenues may not be used for infrastructure improvements outside of the TIF district. Also, the statute limits the portion of the education tax revenue increment that may be used for infrastructure financing to 75 percent.

Unlike the special assessment district, TIF revenues may only be used for projects within the municipality. Therefore, the TIF option is limited to the City of South Burlington and can not be applied to Williston.

Even in the South Burlington portion, it is recognized that the use of TIF revenues for infrastructure improvements means that the revenues are not available for other city or school services. It may be prudent to consider the use of only a portion of the maximum allowable revenue stream that could be generated by a TIF district.

4.3 Development Impact Fees

Impact fees are levied on new development to offset the cost of providing infrastructure needed to address increased demand from the development (per 24 V.S.A., Chapter 131). Only the portion of infrastructure projects that actually provide increased capacity to accommodate new development are eligible for impact fee funding. The fees are collected when new development obtains zoning permits. Since the timing of new development is uncertain, the flow of impact fee revenues is also difficult to predict. Infrastructure projects that accommodate demands from development outside of the

[1] According to VEPC staff, it may not be permissible to implement a TIF solely for municipal tax revenues without VEPC approval. Further clarification is necessary on this issue.

host municipality are not covered by development impact fees, nor are infrastructure projects aimed at remedying existing service deficiencies. Thus, impact fee revenues are unlikely to cover 100 percent of the cost of an infrastructure project.

Development impact fees may be applied on a municipal wide basis to fund infrastructure improvements that serve the entire community, or may be applied to a smaller district or area which will specifically benefit from the proposed infrastructure improvement.

It is necessary to develop formulae for impact fees that specifically link the demands from development to the cost for the infrastructure improvement. For transportation infrastructure, this is typically expressed as a cost (or fee) per PM Peak Hour trip generated by new development. If the revenues are not spent on the planned improvement within six years of being collected, they are to be returned to the then owners of the development from which they were collected.

It is not at all clear that a municipality may impose impact fees for the purpose of funding a portion of an infrastructure improvement located outside of that municipality's boundaries. It is possible that such an approach may be established through the use of an inter-municipal compact. If this approach is to be pursued, it is recommended that legal advice be obtained.

4.4 Local Options Sales Tax

South Burlington and Williston have a 1% local option sales tax and a 1% local options meals and alcoholic beverage tax. These taxes were approved by the voters for use in the general fund as a means to help reduce property taxes. As a result, local options sales taxes are not an option to help fund Exit 12B. There was no discussion at the Advisory Committee level with regards to seeking a direct contribution from private parties to fund the implementation of this project. Further discussions with interested investors could be pursued as the project development process proceeds.

4.5 Private Contributions (cash or in-kind)

While cash contributions from private parties may not be used for local education expenditures, there is nothing to prevent private parties from making cash or in kind contributions for needed infrastructure improvements. Such contributions should be clearly set aside and used only for the designated infrastructure improvement.

4.6 Institutional Contributions

In some cases there may be one or more institutions, that are neither private nor associated with the host municipality, that stand to benefit from a proposed infrastructure improvement. If so, it is reasonable for the institutions to agree to provide some of the funding for the improvement. Middlebury College has agreed to provide a significant portion of the cost of a new bridge in that community. St. Michaels College has agreed to fund a portion of a planned campus connector in Colchester. The Campus Area Transportation Management Association, which serves Champlain

College, Fletcher Allen Health Care, UVM and the Red Cross has participated in a variety of transportation projects in the Burlington area. In the case of Exit 12B, two such institutions have been identified: The Burlington International Airport (BVT), and the Vermont Air National Guard (VTANG) based adjacent to the airport.

The Burlington International Airport (BTV).

Exit 12B will provide direct access from I-89 to the airport via Hinesburg Road, Kennedy Drive and Airport Drive. There is little question that this will benefit the airport. BTV's participation in funding the improvement, however, is limited by federal constraints on using airport derived revenues for off-airport improvements. Initial conversations have identified three possible mechanisms for generating funds to support the project: 1) a surtax (for lack of a better word) on parking fees, 2) a surtax on car rental fees, and 3) a dedicated increase in the payment in lieu of taxes that BTV makes to the City of South Burlington. All of these merit additional exploration.

The Vermont Air National Guard (VTANG).

The Air Guard is headquartered adjacent to the airport to the north and east. At present the degree to which Exit 12B will increase accessibility to VTANG facilities is unclear. Federal funds from the Department of Defense have been used to pay for transportation facilities that provide direct access to a material base or other facilities. This option was discussed with officials from the Burlington International Airport. Because Exit 12B would not provide direct or exclusive access for the Air Guard facilities, it is probably not eligible for DOD funding.

4.7 Organizational or Institutional Arrangements

Infrastructure projects are generally administered by either a municipality or a state agency. Joint funded projects are generally administered by a state agency. In either case, the usual process involves doing the necessary preliminary planning and design, completing the required Environmental Impact Statement (EIS), completing construction documents, soliciting bids, letting a contract, construction and contract supervision, and acceptance of the completed project. There are several alternatives that may be considered, all of which will require concurrence of FHWA and VTrans:

Design-Build

After completion of the EIS, a single party may be contracted to prepare final design and build the project. This approach has the potential to compress the design and construction periods, and could therefore potentially save money. Also, by using only a single contractor, internal efficiencies may reduce total project costs. While design-build may help reduce cost, it is not a revenue generator and it would not be prudent at this point in the process to make any assumptions about how much money or time could be saved using this approach. When construction is complete, the project is turned over (such as a turn-key project) to the relevant public agency for long term ownership/operation.

Private Sector Investments in Transportation Projects

In some cases a private party may choose to invest in some or all of a transportation project with the expectation of making profit upon the project's completion. The completed project may be sold to a public agency, may be leased to a public agency on a "lease to own" basis, or the private party may be able to recoup its investment through user fees (e.g. privately owned toll roads). This practice has been applied for toll roads where a private investor may build and then operate the facility with the goal of generating enough revenue to for debt service and to make a profit. It is not appropriate for a new interchange because the means of generating revenue, a toll, is not practical for Exit 12B for a number of reasons.

Inter-municipal Organizations

Some projects which benefit or serve more than one municipality may be owned, operated and/or administered by some form of inter-municipal organization. Examples include:

Transportation Management Association (TMA) established specifically to own and operate transportation facilities. A Vermont example is the Campus Area Transportation Management Association (CATMA), the TMA for the Hill Institutions in Burlington (Fletcher Allen Health Care, UVM, Champlain College and the Red Cross). CATMA is a nonprofit, employer-based organization formed in 1992 to enable its members to share resources as well as jointly plan, develop, and manage all transportation and parking programs, infrastructure, and associated facilities. TMAs typically manage Transportation Demand Management programs such as rideshare matching services and guaranteed ride home, subsidized and free transit passes, bike/walk reward program, incentives to park off-site, and flex time polices. TMAs, like CATMA, also form partnerships with municipalities and other public agencies to help fund, operate and manage transportation projects. Reconstruction of Main Street in Burlington and the soon to be constructed third lane at the Main Street/Staples intersection in South Burlington are two examples where a TMA has supported transportation infrastructure projects.

Inter-municipal agency established by member municipalities such as the Chittenden County Transportation Authority (CCTA) or the Champlain Water District (CWD).

Inter-municipal contracts (per 24 V.S.A., Chapter 122) established by the effected municipalities specifically to own and administer a specific facility (e.g. the Tri-Town wastewater treatment plant in Essex Junction) or to establish lands for specific development such as an industrial park. The contract may set forth how the municipalities will raise monies, collect and disburse tax revenues, manage facilities, etc.

If such inter-municipal agencies are able to pursue more expeditious procedures for planning, designing and constructing the needed infrastructure improvement, their use may reduce the total cost of the improvement or the time needed to implement the

improvement. Some administrative capability will be required, both for the planning, design and construction period, and for long term operation.

Combinations

Combinations of the above are certainly possible. For instance, an organization created by inter-municipal compact may have the project built on a design/build, lease to own basis. The organizational form should be selected to reduce construction time or construction costs, or both. Whatever organizational form is used, it is obviously necessary for it to have a revenue stream sufficient to offset the project's costs.

5.0 LOCAL FUNDING OPTIONS REVENUE ESTIMATES

This section of the report estimates the potential funding contributions for each option described in Section 4.0. The Special Assessment Districts, Tax Incremental Financing Districts and Development Impact Fee options are all based to some degree on general assumptions regarding the limits of a financing district and the rate of growth. The general assumptions are described below followed by cash flow estimates for each option.

5.1 General Assumptions

5.1.1 Financing District Delineation and Characteristics

Underlying the analyses in this study is the general premise that some of the costs of the interchange should be borne by the properties that stand to benefit from the improved access provided by the interchange, and that the contribution from these properties should, in some sense, reflect the degree to which they would benefit. Towards this end, the first step was to geographically delineate an area that included most, if not all, of the properties that would benefit (i.e., see improved accessibility) from the proposed interchange.

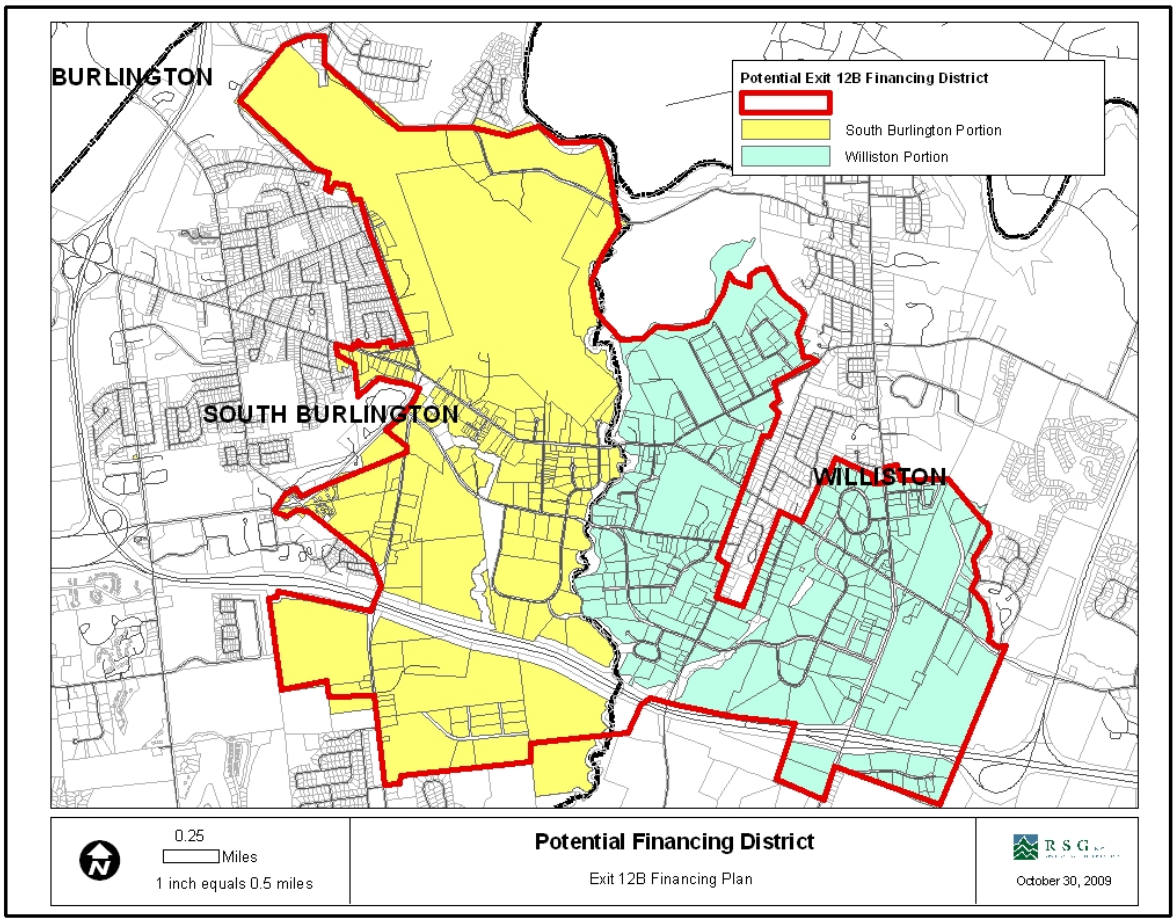
The delineation was based on input from members of the advisory committee. As shown in Figure 1, the delineated financing district includes a portion in South Burlington and a portion in Williston. The South Burlington portion includes the land around the airport. The Williston portion includes the commercial and mixed use areas around Taft Corners. The limits reflect the perception that the proposed interchange would reduce traffic on the existing Exit 12, thus improving accessibility to the growing Taft Corners commercial center.

To a large extent, the delineation followed the boundaries of zoning districts. Most zoning districts in the service area are identified for commercial or industrial development in South Burlington, and also include mixed use areas in Williston. **Although there are residential areas within the limits of the assumed financing district, they are not included in the calculation of revenues.**

RSG estimated the origins and destinations of the traffic that would use Exit 12B using data from the CCMPO's regional transportation model. The analysis suggests that the proposed financing district generates a majority of the traffic that would use the interchange. The estimated origins and destinations of traffic using Exit 12B include:

- 54% beginning or ending in the assumed financing district;
- 34% beginning or ending elsewhere in the South Burlington and Williston; and
- 12% beginning or ending outside of the two municipalities[1].

Figure 1: Assumed Financing District Limits[2]



[1] These percentages were estimated using output generated by the CCMPO's regional transportation model as part of the Exit 12B Alignment Study.

[2] Residential areas do exist within the limits of the financing district shown in Figure 1. However, residential uses have been excluded in the calculation of potential revenues.

Financing District Data Sources

A data file created by the Chittenden County Regional Planning Commission (CCRPC) for its 2003 Regional Build Out Analysis provided a starting point for this study. The data file was based on individual parcels and included data on existing development, zoning, parcel size, development constraints, and maximum potential build out. Each parcel also had a distinct I.D. number keyed to each municipality's property tax records. RSG created a data file of all parcels within the delineated Exit 12B Service Area and added the current assessed value from the 2009 municipal grand list records (provided by municipal listers) by cross-referencing the parcel I.D. numbers.

Given the time span between the CCRPC build-out data and the 2009 assessed value data, there a few discrepancies where parcels appeared in one data file but not the other. These discrepancies were individually checked, and retained or deleted as appropriate. In addition, known development since 2003 was identified and added to the data base totals using information compiled by RSG through a number of relevant corridor studies and as summarized in the *Exit 12B Alignment Study*.

The result was a data file (EXCEL Spreadsheet) of all parcels in the delineated service area. The file was easily separated the South Burlington and Williston portions of the assumed financing district. Altogether, the financing district contains 551 individual parcels and covers almost 3,275 acres of land.

Characteristics of the South Burlington Portion

The South Burlington portion of the financing district contains 220 parcels and covers 1,847.37 acres of land. The area contains 96 existing dwelling units and 1,942,460 square feet of non-residential building space. The total assessed value (2009) of all parcels in this portion of the service area is $186,225,000. If this is averaged over only the non-residential building floor are, the value is $95.36 per square foot.

The 2003 CCRPC Build out Analysis indicated that the parcels in this portion of the service area could ultimately contain an additional 347 dwelling units and/or an additional 10,236,552 square feet of non-residential building space. If the non-residential build-out were spread over a hundred year period, it would average 102,366 additional square feet per year. This annual increment amounts to just over six percent of the existing floor area. This rate of growth is clearly not a realistic expectation in the shorter term of twenty to thirty years. A much more modest growth scenario is suggested below.

By sorting on the amount of non-residential floor space on each parcel, it is possible to examine those parcels that are currently developed. This information might serve as a guide to what might occur on the undeveloped parcels. In the South Burlington portion of the service area, a total of 82 parcels currently contain non-residential building space. These parcels consist of 1,012.4 acres and contain the entire 1,942,460 square feet of building space. This represents a Floor Area Ratio (FAR is a common measure of development density or intensity) of 0.044, which is very low.

The assessed value of these 82 parcels totals $118,949,200, for an average of $63 per square foot, which is also quite low.

The remaining 138 parcels contain a total of 834.97 acres with a total assessed value of $67,275,800.

Characteristics of the Williston Portion

The Williston portion of the financing district contains 331 parcels and covers 1,427.16 acres of land. The area contains 231 existing dwelling units (reflecting the mixed use zoning in portions of the service area) and 2,033,346 square feet of non-residential building space. The total assessed value (2009) of all parcels in this portion of the service area is $582,109,320. If this is averaged over only the non-residential building floor are, the value is $286.28 per square foot.

The 2003 CCRPC Build out Analysis indicated that the parcels in this portion of the service area could ultimately contain an additional 1,081 dwelling units and/or an additional 21,328,821 square feet of non-residential building space. If the non-residential build out were spread over a hundred year period, it would average 213,288 additional square feet per year. This annual increment amounts to just over ten percent of the existing floor area. This rate of growth is clearly not a realistic expectation in the shorter term of twenty to thirty years. Again, a much more modest growth scenario is suggested.

By sorting on the amount of non-residential floor space on each parcel, it is possible to examine those parcels that are currently developed. This might serve as a guide to what might occur on the undeveloped parcels. In the Williston portion of the service area, a total of 105 parcels currently contain non-residential building space. These parcels consist of 413.17 acres and contain the entire 2,033,346 square feet of building space. This represents a Floor Area Ratio (FAR is a common measure of development density or intensity) of 0.113 which, while higher than in the South Burlington portion, is still quite low.

The assessed value of these 105 parcels totals $272,302,370, for an average of $133.92 per square foot.

The remaining 226 parcels contain a total of 1,013.99 acres with a total assessed value of $359,806,950.

5.1.2 Growth Assumptions

Growth expectations over the thirty year period are necessarily somewhat uncertain. As a starting point, the development expectations built into the most recent CCMPO transportation model were examined. The development assumptions were initially compiled as part of the Circumferential Highway EIS for use in modeling different alternatives. The Circumferential Highway consultants contacted planners in each Chittenden County municipality and asked them to identify and describe anticipated development projects. The list was updated and refined by RSG in Burlington, South Burlington, Williston and Essex through various planning studies completed between

2006 and 2009 including the US 2 Corridor Management Plan, Route 15 Corridor Management Plan, Dorset Street Corridor Plan and the Exit 12B Alignment Study. Appendix B presents the list of assumed development projects.

Non-residential development within the applicable Transportation Analysis Zones (TAZs) was identified.

It was assumed that the anticipated development would occur within the delineated service area, but that its timing would be influenced by the construction of Exit 12B as follows:

- It is assumed that the base line growth is 1.0 percent per year;
- Construction of Exit 12B will start in about eight years;
- In anticipation of the new interchange, developers will begin accelerating projects so that the annual growth rate increases to 1.5 percent per year starting about three years before the interchange is constructed;
- The annual growth rate increases to 2.0 percent per year for approximately 8-10 years following completion, and then
- The growth rate returns to 1 percent per year.

This up-tick in development will be steeper at both ends in south Burlington than in Williston. The resulting trend in new non-residential floor space is shown in Figures 2 and 3, below.

Figure 2: South Burlington Exit 12B Finance District Growth Assumptions

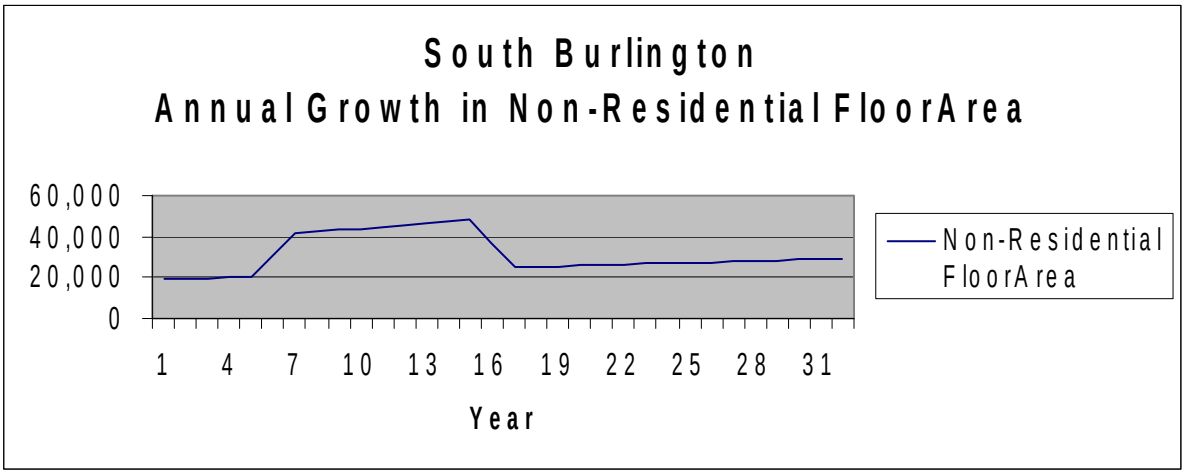
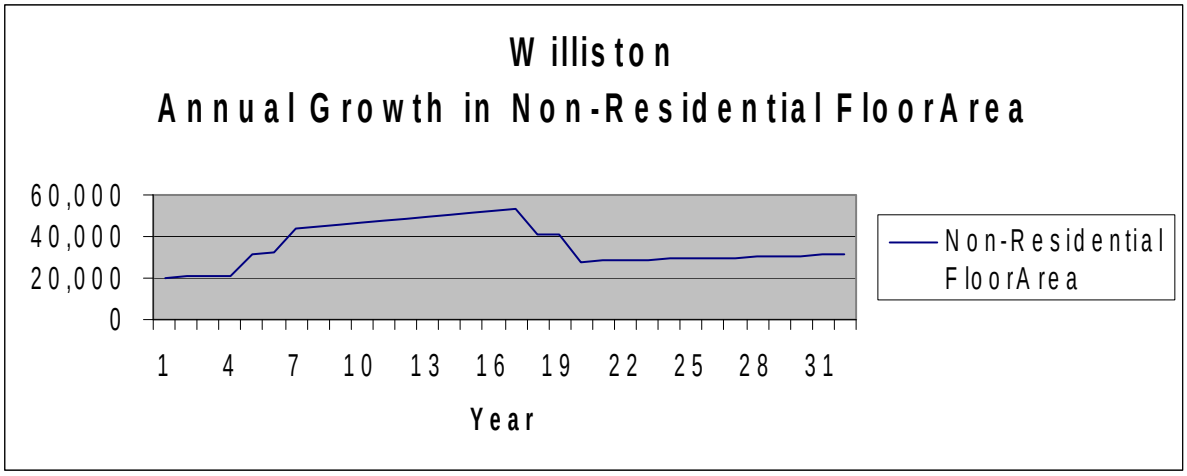


Figure 3: Williston Exit 12B Finance District Growth Assumptions



5.2 Cash Flow Analyses

The purpose of this analysis is to explore methods of allocating part of the cost of constructing the new interchange among the properties that would benefit from that interchange, and to determine how much of the total cost of that project can be supported by these levies. To do this, it was necessary to develop estimates of the annual revenues that might be generated by the various approaches. Ultimately, each of the financing approaches will be measured in terms of the amount of bonded indebtedness that could be supported by its estimated stream of revenues.

Four different district-wide revenue approaches were considered: two versions of a Special Assessment District, a Tax Incremental Finance District (in South Burlington only), and Development Impact Fees. In addition, the possibility of a small surcharge on parking at the Burlington International Airport was explored. In all cases, the expenditure side of the analysis was based on a typical bond repayment schedule that assumes interest only in the first year. Bond variables typically include the bond principal, the bond term, the bond interest rate, and the year in which the bond payments begin. For this analysis, a bond term of twenty years and an interest rate of 5 percent were assumed. Thus, variations in the principal and the time between the creation of the district and the onset of bond payments were explored to determine the maximum amount of bonded indebtedness that could be supported by the revenue stream.

5.2.1 Special Assessment District: Assessment on Non-Residential Floor Area

Under the Special Assessment District approach, a municipality may delineate a district or service area that includes most, if not all, of the properties that will benefit from the proposed infrastructure improvement. Then the municipality may, with approval of the voters, levy a special assessment against all property within the assessment district. A vote is not required if 100 percent of the property owners within the proposed district agree to participate. The special assessment may be based on the assessed value of the

property in the district or on some other measure that the municipality feels is appropriate. In this case, two measures are explored, a special assessment against all enclosed building space within the district, and a special tax assessment against the assessed value of all property in the district.

Under the provisions of inter-municipal compacts, it is possible to consider a service area that extends across municipal boundaries. It would be necessary for both municipalities to agree to a compact that authorized raising money via a Special Assessment District, and then for the voters in each district to authorize the appropriate districts and assessments.

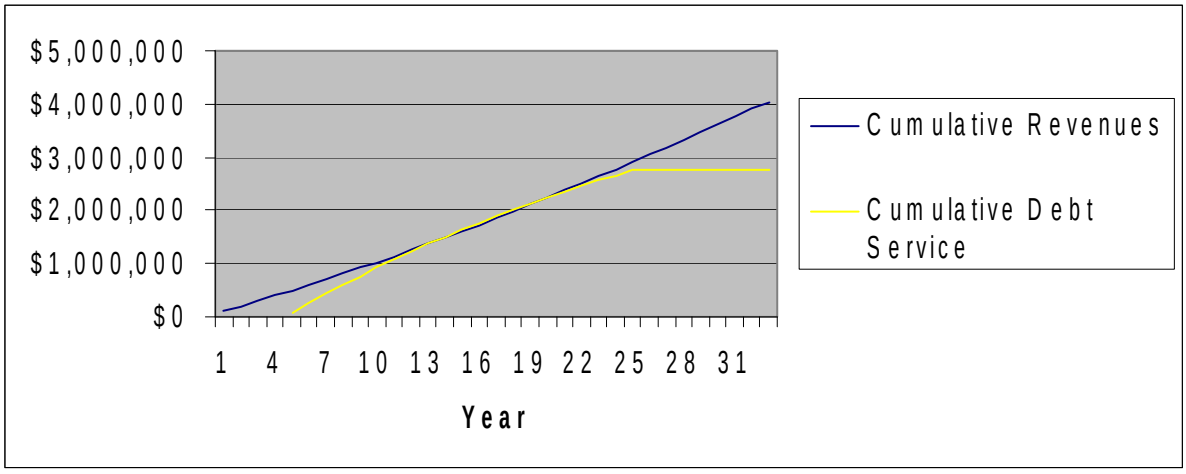
South Burlington Portion

The South Burlington Exit 12B Special Assessment District was assumed to include all land in the service area that is inside the City. This includes 220 parcels containing just over 1,300 acres. The total existing non-residential floor area is 1,942,460 square feet. The total assessed value of these parcels, in 2009, was $186,225,000. Developers that participated in the Advisory Committee conducted an informal survey of commercial property owners in the financing district and found that $0.05 per square foot was considered a reasonable assessment.

Using the approach of levying a special assessment of $0.05 on every square foot of non-residential floor area, an annual revenue flow was estimated. Starting with the 2009 figure of 1,942,460 square feet of floor area, this approach would generate $97,123 for the first year. Assuming that a bond is issued five years after the district is established; and assuming that growth occurs as described above; the revenue flow from this special assessment could support a bond of $1,750,000 as shown graphically in Figure 4.

The revenue increment increases relatively slowly, but linearly. The longer the period between the establishment of the special assessment district and the first bond payment, the larger the bond that can be retired by the revenue flow. By pushing the bond back eight years after the establishment of the district, the revenue stream will support $2,000,000 in bonded indebtedness

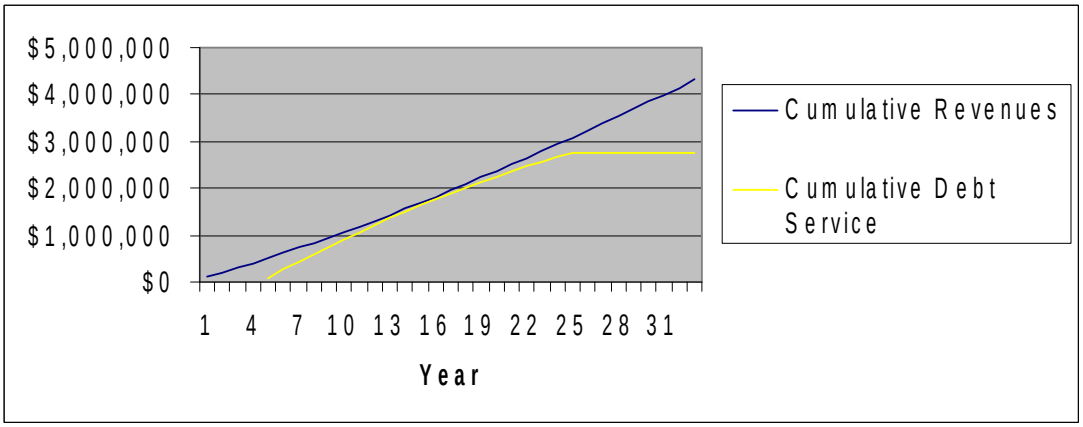
Figure 4: Cash Flow for $1,750,000 Bond from So. Burlington Exit 12B Financing District - $0.05 per Square Foot Assessment



Williston Portion

The Williston Special Assessment District was assumed to include all land in the service area that is inside the Town of Williston. This includes 331 parcels containing just over 1,800 acres. The total existing non-residential floor area is 2,053,346 square feet. The total assessed value of these parcels, in 2009, was $582,109,320. Using the approach of levying a special assessment of $0.05 on every square foot of non-residential floor area, an annual revenue flow can be estimated. Starting with the 2009 figure of 2,053,346 square feet of floor area, this approach would generate $101,667 in the first year. Assuming that a bond is issued five years after the district is established; and assuming that growth occurs as described above; the revenue flow from this special assessment could support a bond of $1,750,000 as shown graphically in Figure 5. The revenue increment increases relatively slowly, but linearly. The longer the period between the establishment of the special assessment district and the first bond payment, the larger the bond that can be retired by the revenue flow.

Figure 5: Cash Flow for $1,750,000 Bond from Williston Exit 12B Financing District - $0.05 per Square Foot Assessment



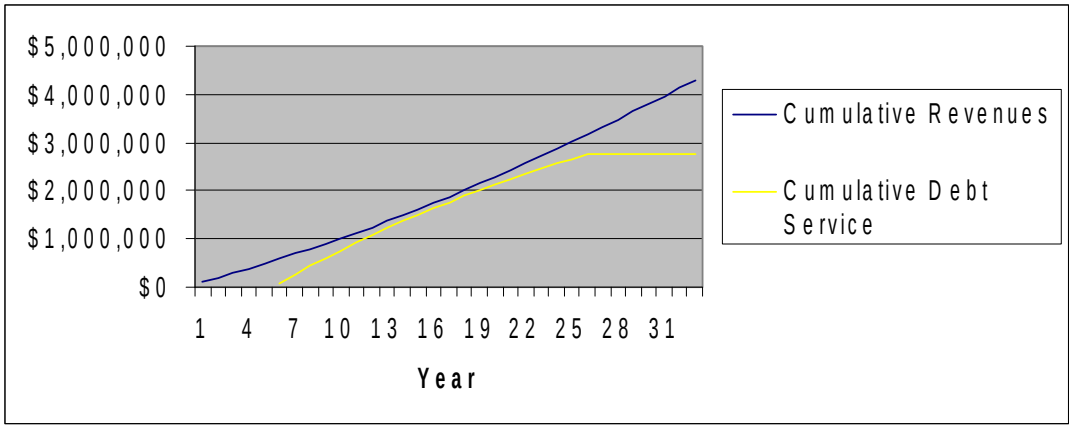
5.2.2 Special Assessment District: Assessment on Assessed Value

This approach is similar to that described above, except that the special assessment of $0.05 is applied to $100 of assessed value instead of square footage on property inside the district[1].

South Burlington Portion

The South Burlington Special Assessment District includes all land in the service area that is inside the City. This includes 220 parcels with a total assessed value of $186,225,000. If an assessment rate of $0.05 is assumed, the initial annual revenue will be $95,325. This revenue will grow as new development takes place. It is assumed that new non-residential development will have an assessed value of $110 per square foot, and that this unit value will increase by two percent each year. By the end of the analysis period, the annual revenue will have grown to $171,134. Assuming that a bond issue was established five years after the district is established, the revenue flow from this special assessment could support a bond of $1,750,000 as shown in Figure 6.

Figure 6: Cash Flow for $1,750,000 Bond from So. Burlington Exit 12B Financing District - $0.05 per $100 of Assessed Value

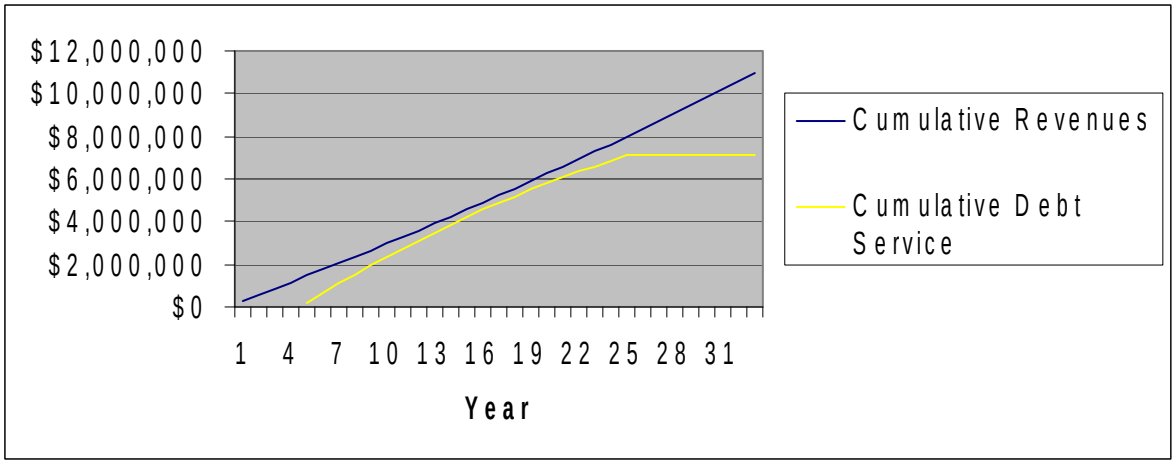


Williston Portion

The Williston Special Assessment district includes 331 parcels with a total assessed value of $582,109,320. Using the same assumptions for the growth of the assessed value as described for the South Burlington portion, the annual revenue for a special assessment of $0.05 will start at $291,055 and increase to $377,432. If bond payments begin five years after the special assessment district is created, a bond of $4,500,000 can be supported as shown in Figure 7.

[1] This special assessment of $0.05 would be on top of each municipality's total local tax rate for non-residential development. In 2008 (the last year for which data are available) the South Burlington total tax rate was $1.6994 and the Williston total rate was $1,6479. See Appendix C of this report for a table of tax rates in other Chittenden County municipalities.

Figure 7: Cash Flow for $4,500,000 Bond from Williston Exit 12B Financing District - $0.05 per $100 of Assessed Value



5.2.3 Tax Incremental Financing District (TIF)

The analysis of TIF potential begins with the assumed Exit 12B financing district. Under current statutory provisions, Williston is not allowed to use TIF revenues to fund infrastructure projects outside of the municipality or its TIF district. Thus, the TIF analysis need only be completed for the South Burlington portion of the service area.

For all of the parcels included in the South Burlington portion of the service area, the current (2009) assessed value was determined from municipal tax records. The total assessed value is $186,225,000. The City's municipal tax rate is reported to be 0.3437, and the Non-residential education tax rate is reported to be 1.3557[1]. Multiplying these tax rates by the assessed value in the service area (after first multiplying by 0.01), yields the following base estimates of annual tax revenues:

1. Municipal Tax Revenues: $64,005.53
2. Non-residential Education tax revenues: $252,465.23

The TIF concept requires that the grand list be frozen at the base level for the life of the district, that revenues generated by applying the current tax rates to that grand list continue to be used for those purposes, and that revenues generated by applying those tax rates to any increment in the grand list value due to new development be redirected as follows:

1. The entire increment in municipal tax revenues may be used to pay off bonds issued to fund the infrastructure needed to support the new development; and
2. Up to 75 percent of the increment in education revenues may be used to pay off bonds issued to fund the infrastructure needed to support the new development. At least 25 percent of the increment in education revenues must be directed to the education trust fund for education purposes.

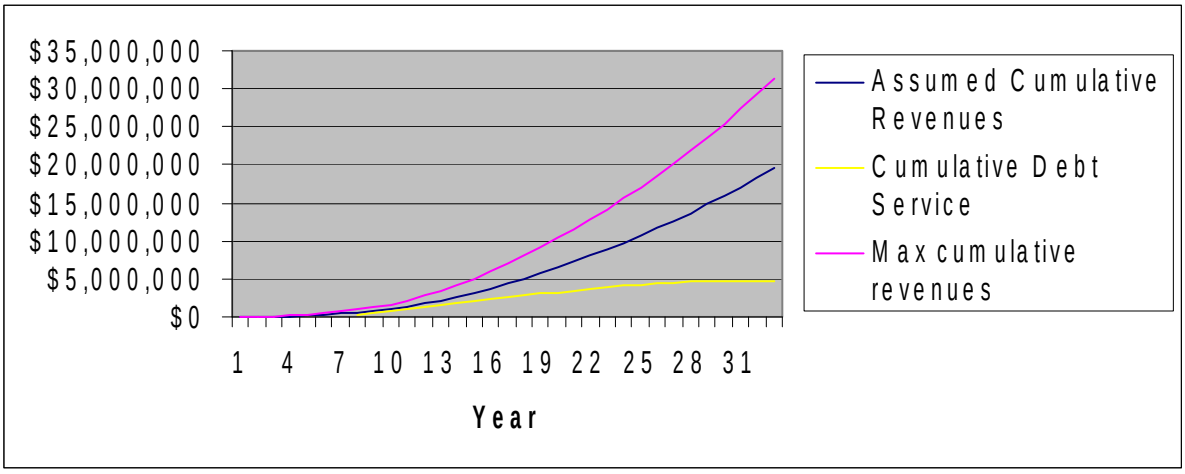
[1] See Appendix C of this report for a table of tax rates in other Chittenden County municipalities.

While the above requirements represent the maximum Tax Incremental revenues that may be applied to infrastructure projects, it is understood that this represents a significant diversion of potential revenues from other municipal and education activities. To reflect this competition, this analysis assumes that only 50 percent of both the municipal and education tax revenue increment are directed to the Exit 12B project, and leaving the remaining half of the revenue increments for city and school services. In the analysis that follows, both the maximum and the assumed revenue stream will be shown.

The revenue stream is estimated as follows. Starting with the total 2009 assessed value in the district annual increments in assessed value are estimated as described above for the special assessment using assessed value. The municipal and education tax rates are applied to the increment in assessed value (it is assumed that these tax rates will remain constant). The maximum annual revenue stream is based on an annual revenue equaling 100 percent of the annual increment in municipal tax revenues plus 75 percent of the annual increment in education tax revenues. The assumed annual revenue stream is based on an annual revenue equaling 50 per cent of the annual increment in municipal tax revenues plus 50 percent of the annual increment in education tax revenues.

These revenue streams are then compared to the expenditure flow of various bond scenarios to begin to sense how much bonded debt could be supported by the TIF revenues. Figure 8 shows that a TIF in the South Burlington portion of the service area, using the assumed revenue stream rather than the maximum revenue stream, could support a bond of $3,000,000 if the bond payments began seven years after the establishment of the TIF district.

Figure 8: Cash Flow for $3,000,000 Bond Supported by TIF in So. Burlington Exist 12B Financing District



5.2.4 Development Impact Fees

As authorized in 24 V.S.A., Chapter 131, municipalities may assess Development Impact Fees on new development that generates demand for expanded facilities. Both South

Burlington and Williston currently assess municipal-wide impact fees for transportation improvement projects, but in neither case is the Exit 12B project listed as a project included in the impact fee calculations. In South Burlington, the Exit 12B project is included in the City's Capital Budget and Program, but was not included in the impact fee calculations because the timing of the project was uncertain and because it was desired to moderate the increase in the fees adopted at that time (2007).

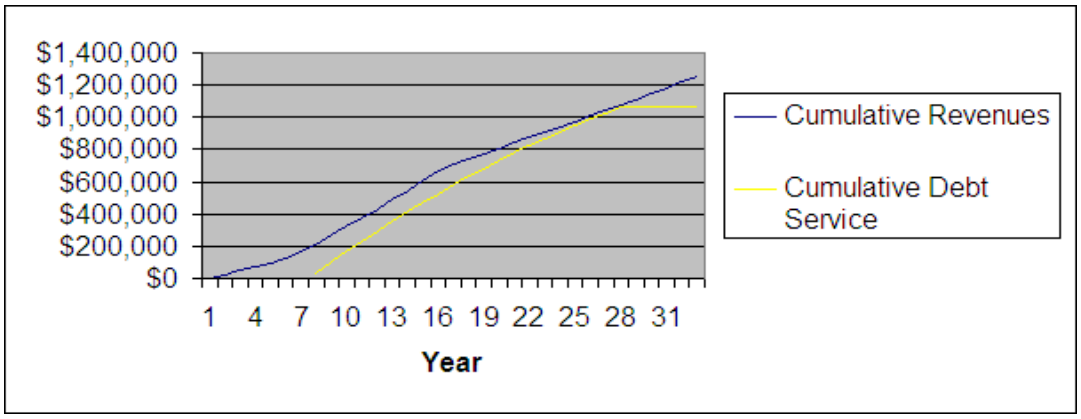
Williston also recently updated and adopted new development impact fees. In Williston, the development impact fees originally proposed (which included Exit 12 improvements) were reduced substantially before adoption in order to moderate the increase over prior fees. Because of this political reality plus the uncertainty of whether or not a municipality may levy impact fees for a project located outside of its jurisdiction, the impact fee option is explored only for the South Burlington portion of the service area.

The South Burlington city-wide Transportation Impact Fee formula was examined and tentatively modified to include the full City share of the Exit 12B costs. For the purpose of this analysis, the non-federal funding requirement is assumed to be $9.5 million which is based on the single point urban interchange design and 80% federal funding (see Table 2 on page 3). This assumptions results in the base city-wide transportation impact fee increasing from $999.86 per P.M. Peak Hour Trip End to $1,844.52 per P.M. Peak Hour Trip End. This increase of $844.66 in the city-wide fee would be applied to all development in the City, not just to development in the delineated service area. Since some three quarters of the South Burlington based traffic using the new interchange is expected to start or stop inside the assumed financing district, it seemed unlikely that the City would impose this large of an increase in the city-wide impact fee for a project that serves primarily only a portion of the City.

An alternative approach was to consider a district-wide impact fee that applied only to new development in the South Burlington portion of the assumed Exit 12B financing district. In this case a smaller portion of the total costs are included in the analysis, and the resultant net fee was approximately $500 per P.M. Peak Hour Trip End. This would be added to the city-wide fee that would also be paid by new development in the assumed Exit 12B financing district. For the purposes of this analysis, it is assumed that the City will impose a district-wide impact fee specifically for Exit 12B of $500 per P.M. Peak Hour Trip End.

The cash flow analysis begins with the previously described growth assumptions. These annual estimates of new non-residential floor area were converted to new P.M. Peak Hour Trip Ends using an average trip rate of 2.5 P.M. Peak Hour Trip Ends per 1,000 square feet of building space. The new trip ends generated annually were then multiplied by the estimated net impact fee per trip end ($500), to yield the annual impact fee revenue. The estimated annual impact fee revenues start at just over $24,000, increase to a high in the mid $60,000 range, and then drop back to the low $30,000 range. By allowing a seven year lead time between the imposition of the fees and the onset of bond payments, this revenue stream can support a bond of $675,000. This is shown in Figure 9.

Figure 9: Cash Flow for $675,000 Bond Supported by Development Impact Fee in So. Burlington Exit 12B Financing District



5.2.5 Airport Parking Surcharges

Discussions with airport officials indicated that the airport operates under federal regulations which limit the use of aviation related revenues to on-site efforts (revenue from tickets and fees paid by airlines for access to the facilities). As a result, aviation revenues are not available to help fund the Exit 12B project. It might, however, be possible to consider non-aviation related revenues such as surcharges on parking or on car rentals. At this time, data necessary for evaluating a surcharge on car rentals has not been obtained. Some data have been obtained relating to parking charges. Nonetheless, it is possible to estimate a potential stream of revenues based on a surcharge of $0.10 on each revenue generating parking permit issued.

The airport parking facility processes, on average, 25,000 parking permits each month. Of these, 17,000 are revenue permits. Over a year, this amounts to 204,000 revenue permits. Instituting a surcharge of $0.10 on each parking permit would yield an annual revenue of $20,400. By assuming that parking customers will increase by an average of one percent per; year, a long term stream of parking surcharge revenues can be generated. Using the same procedures described for the other financing techniques, it was determined that this revenue stream could support a total of $375,000 in bonded indebtedness. A higher surcharge could support a proportionately higher level of bonded indebtedness.

The Burlington International Airport Commission has the authority to impose such a fee without any additional (or prior) approval from the City Council, Public Works Commission, etc. The Airport Commission is an independent entity that acts with the advice and consent of commissioners' respective elected bodies (Burlington and So. Burlington). In a recent, the airport commission voted in December 2009 to raise parking fees (along with other related fees) in the next couple of months. This action required no input or approval from any other municipal council, board or commission.

5.2.6 Cash Flow Analysis Summary and Conclusions

All of the analyses described above were based on an assumed growth scenario that seems reasonable at this time. The Special Assessment District analyses were based on a relatively modest assessment rate. The Tax Incremental Financing analysis assumes that only a portion of the maximum potential revenues would be diverted to support the Exit 12B project. The Development Impact Fee analysis included a fairly complete derivation of appropriate impact fees. The parking surcharge is base on current levels of parking activity. In all cases, the analysis determined the maximum amount of bonded indebtedness that could be supported by the estimated revenue streams. The results described above are summarized in Table 3.

Table 3: Maximum Bonded Indebtedness Supported by Various Financing Approaches

Financing Approach	Financing District	
	South Burlington	***Williston***
Special Assessment District[1] ($0.05 per s.f of Floor Area)	$1,750,000	$1,750,000
Special Assessment District[1] ($0.05 per $100 of Assessed Value)	$1,750,000	$4,500,000
T.I.F. District[2]	$3,000,000	Not Applicable
Impact Fees[3] ($500 per P.M. Peak Hour Trip End)	$675,000	Not Applicable
Airport Parking Surcharge ($0.10 on each parking permit)	$375,000	Not Applicable

1. Support from the Town of Williston for a special assessment dedicated to Exit 12B tax is unlikely.
2. South Burlington intends to establish a TIF district for the City Center project. Only one TIF district is permitted per municipality. Therefore, TIF is not a viable option for Exit 12B.
3. Has potential to double charge developers if used in combination with special assessment tax.

5.2.7 Municipal Review

A meeting was held with representatives of the two municipalities to illustrate the findings presented above and to assess their responses to the various financing approaches. In general, both municipalities noted that they already used impact fees for transportation improvements and were unlikely to impose additional fees on development in their portions of the service areas. South Burlington also indicated that, since the State allows only one Tax Incremental Financing District per municipality, the City would prefer to use that to support its City Center development plans. Williston officials also pointed out that there are transportation needs in their Town that may be suitable for funding via a Special Assessment District made up of a part of the Exit 12B service area, and that it may not be practicable for the Town to do both.

The bottom line is that only the Special Assessment District based on the South Burlington portion of the assumed financing district (see Figure 1 page 11) is the only municipal mechanism that seems to have any realistic chance of being applied. A discussion of local property owners indicated a clear preference for the Special Assessment District based on non- residential floor area since it would not apply to undeveloped land that was not producing revenues.

5.2.8 Special Assessment Sensitivity Analysis

As noted in the proceeding section, a Special Assessment district within South Burlington is the one financing option that may be acceptable at the local level. The analysis of the potential revenue that could be generated by a Special Assessment tax assumes that the tax would be established at $0.05 per square foot (See Section 4.1). With a $0.05 tax, the South Burlington portion of the financing district would support a bond of $1.75 million. However, the non-federal share of the Exit 12B project may be as much as $9.5 million.

A final iteration of the analysis therefore, was to assume that it was necessary to support a bond sufficient for $9.5 million of the non-federal share of the project costs through a special assessment on the South Burlington portion of the financing, and to estimate the level of assessment that would be required. Assuming a lag of five years between the establishment of the district and the onset of debt service payments, the required assessment would be $0.28 per square foot. If the bond were deferred until eight years after the district begins accumulating revenues, the required assessment rate would be $0.24 per square foot of building space.

6.0 CASE STUDIES

The analyses of the various scenarios have focused on aggregate revenue streams for the respective portions of the financing districts and the amount of bonded indebtedness those streams could support. To make it more apparent what the various scenarios might mean to individual properties, the special assessment rates have been applied to two sample properties within the South Burlington Exit 12B financing district based on information provided by Pizzagalli Properties. One is a property that is currently developed, and one is not yet developed. Each of these properties was run through the cash flow models described above.

Table 4 presents the results for the undeveloped parcel case study. The parcel area is 15.07 acres and is currently assessed at $580,000. The build-out of 58,000 square feet is assumed to occur in year 7. The total assessed value of the new building was estimated based on $110 per square foot in year 1, increasing at an annual rate of 2 percent to year 7, resulting in a unit value of $121 per square foot in year 7.

Table 4: Case Study A - Undeveloped Parcel Case Study

Special Assessment District with an assessment of $0.05 per square foot (supports $1.75 million bond)		
Annual payments during years 1 through 6:	$	-
Annual payments during years 7 through 33:	$	2,900
Cumulative payments over 33 years	**$**	**78,300**

Special Assessment District with an assessment of $0.24 per square foot (supports $9.5 million bond)		
Annual payments during years 1 through 6:	$	-
Annual payments during years 7 through 33:	$	13,920
Cumulative payments over 33 years	**$**	**375,840**

Special Assessment District with assessment of $0.05 per $100 of assessed value (Supports $1.75 million bond).		
Annual payments during years 1 through 6:	$	290
Annual payments during years 7 through 33:	$	3,522
Cumulative payments over 33 years	**$**	**122,786**

Development Impact Fee based on 2.5 trips per 1,000 sf, and $500 fee per trip (Supports $0.675 million bond).		
Annual payments during years 1 through 6:	$	-
One time payment in year 7	$	72,500
Annual payments during years 7 through 33:	$	-
Cumulative payments over 33 years	**$**	**72,500**

Developers on the Advisory Committee were concerned that any type of special assessment would make a property they own in South Burlington less competitive with properties in surrounding communities. Table 5 shows how the special assessment options would impact annual property taxes once the parcel is developed. The equivalent tax rate combines the baseline and special assessment tax into one overall tax rate per $100 of assessed value that can then be compared with the non-residential tax rates in surrounding communities presented Table 6.

Table 5: Estimated Impact on Annual Property Tax for Case Study A after Development Occurs

Financing Scenario	**Annual Impact of Financing Scenario**	**Baseline Property Tax[1]**	**Total Property Tax**	**Percent Increase**	**EquivalentTax Rate** (Per $100 of Assessed Value)
Special Assessment of $0.05 per sf (Supports $1.75 million bond)	$2,900	$119,706	$122,606	2%	1.7406
Special Assessment of $0.24 per sf (Supports $9.5 million bond)	$13,920	$119,706	$133,626	12%	1.8970
Special Assessment of $0.05 per $100 Assessed Value (Supports $1.75 million bond)	$3,522	$119,706	$123,228	3%	1.7494

1. (S. Burlington Non Residential Tax Rate = 1.6994/$100 assessed value) x (Assessed Value of 58,000 sf case study building = 58,000 sf x $121/sf)

Table 6: Non-Residential Tax Rates in Surrounding Municipalities

Municipality	Non-Residential Tax Rate (Per $100 of Assessed Value)
Burlington	2.1264
Colchester	2.5958
Essex Town	1.7304
Williston	1.6479

Table 7 presents the results for the developed parcel case study. The parcel is 4.52 acres and containing a 30,000 square foot building. The assessed value is $3,217,400. Table 8 shows the impact on annual property taxes.

Table 7: Case Study B - Developed Parcel Case Study

Special Assessment District with an assessment of $0.05 per square foot (supports $1.75 million bond)		
Annual payments during years 1 through 33:	$	1,500
Cumulative payments over 33 years	**$**	**49,500**

Special Assessment District with an assessment of $0.24 per square foot (supports $9.5 million bond)		
Annual payments during years 1 through 33:	$	7,200
Cumulative payments over 33 years	**$**	**237,600**

Special Assessment District with assessment of $0.05 per $100 of assessed value (Supports $1.75 million bond).		
Annual payments during years 1 through 33:	$	1,609
Cumulative payments over 33 years	**$**	**53,087**

Development Impact Fee based on 2.5 trips per 1,000 sf, and $500 fee per trip. Existing development not subject to impact fees unless it expands.		
One time payment in year 7	$	-
Annual payments during years 7 through 33:	$	-
Cumulative payments over 33 years	$	-

Table 8: Estimated Impact on Annual Property Tax for Case Study B

Financing Scenario	Annual Impact of Financing Scenario	Baseline Property Tax[1]	Total Property Tax	Percent Increase	EquivalentTax Rate (Per $100 of Assessed Value)
Special Assessment of $0.05 per sf (Supports $1.75 million bond)	$1,500	$54,676	$56,176	3%	1.7460
Special Assessment of $0.24 per sf (Supports $9.5 million bond)	$7,200	$54,676	$61,876	13%	1.9232
Special Assessment of $0.05 per $100 Assessed Value (Supports $1.75 million bond)	$1,609	$54,676	$56,285	3%	1.7494

1. (S. Burlington Non Residential Tax Rate = 1.6994/$100 assessed value) x (Assessed Value of 30,000 sf case study building is $3,217,400 from tax records)

Since the two case studies are of different sizes and contain differing amounts of development, it is not appropriate to compare the fees estimated for one parcel with those estimated for the other. It may, however, be useful to compare the estimated fee

on one parcel under one scenario with the estimated fee on the same parcel under another scenario. It may also be useful to use these examples as a sort of reality test as to how palatable any of the scenarios might be to property owners.

The case studies are presented to help the developers on the Advisory Committee think about how the financing scenarios may affect their specific properties. The financial impacts will vary significantly based on the building size, assessed value and development timing for a specific property. However, the case studies suggest that the $0.05 special assessment tax based either on square footage or assessed value has a relatively minor impact. Relative to property taxes, commercial properties within the South Burlington Exit 12B financing district would continue to be less competitive with properties in Williston, comparable to properties in Essex and much more competitive than properties in Colchester and Burlington.

If the entire non-federal share of the project cost (up to $9.5 million) is covered with a special assessment tax, the impact on annual property taxes would be significant. Properties within the South Burlington Exit 12B financing district would be at a noticeable competitive cost disadvantage to properties in Williston and Essex Town. However, even with an effective increase in property taxes of about 12%, properties within the South Burlington Exit 12B financing district would continue to have lower property taxes than similar commercial properties in Colchester and Burlington.

7.0 SUMMARY AND CONCLUSIONS

The purpose of this study is to explore possible innovative financing options for the construction of a proposed new interchange between I-89 and VT 116 in the City of South Burlington, VT (referred to as Exit 12B). This report provides background information on the proposed Exit 12B project and its costs, describes the national transportation funding context, describes several local mechanisms that could be used to fund a portion of the project and estimates their potential contribution towards its costs, and presents case studies to show how the most likely funding mechanisms could affect specific properties.

The total estimated project cost ranges from $33.4 for a modified diamond to $47.5 million for single point urban interchange, not including right-of-way acquisition. Under current law, federal funds may be used for 80% to 90% of these costs. The minimum non-federal match requirement ranges from a low of $3.3 million to a high of $9.5 million, depending on the design selected and the availability of 80% or 90% federal funds.

The funding mechanisms with potential to generate a revenue stream include Special Assessment Tax Districts (based on square footage or assessed value), Tax Incremental Financing District, Development Impact Fees, and fees at the Burlington International Airport for parking. Table 9 presents a summary of the bonds that could be supported using revenues generated by these funding mechanisms.

Table 9: Bond Amount Supported by Different Funding Mechanisms

Financing Approach	Financing District	
	South Burlington	***Williston***
Special Assessment District[1] ($0.05 per s.f of Floor Area)	$1,750,000	$1,750,000
Special Assessment District[1] ($0.05 per $100 of Assessed Value)	$1,750,000	$4,500,000
T.I.F. District[2]	$3,000,000	Not Applicable
Impact Fees[3] ($500 per P.M. Peak Hour Trip End)	$675,000	Not Applicable
Airport Parking Surcharge ($0.10 on each parking permit)	$375,000	Not Applicable

1. Support from the Town of Williston for a special assessment dedicated to Exit 12B tax is unlikely.
2. South Burlington intends to establish a TIF district for the City Center project. Only one TIF district is permitted per municipality. Therefore, TIF is not a viable option for Exit 12B.
3. Has potential to double charge developers if used in combination with special assessment tax.

The most likely sources of local revenues are the Special Assessment Tax limited to the South Burlington portion of the Exit 12B financing district and airport surcharges.

A multi-jurisdictional special assessment district is allowed under state law and has the potential to generate the largest amount of revenue. However, based on conversations with Town officials, it is unlikely that Williston will support an Exit 12B special assessment district because of competing needs within its own borders. In addition, current state statutes would not allow revenues generated by a TIF district or development impact fees to be allocated for projects outside of a municipality. Therefore, revenue generated in Williston by these means would not be available for Exit 12B.

In South Burlington, the TIF option is not available as a stand alone approach to fund Exit 12B. South Burlington officials are reserving their one option to establish a TIF district to support infrastructure needs for the City Center project. It is possible that the City Center TIF district could include Exit 12B along with other related infrastructure. Estimating the revenue that could be generated for Exit 12B in that scenario is beyond the scope of work for this study. Presumably, the potential revenue would be less than the $3,000,000 estimated for an Exit 12B specific TIF district.

The development impact fee may also be acceptable. However, development impact fees and the special assessment tax should not be combined because of the potential of assessing developers twice for Exit 12B.

In order to fund the potential maximum non-federal match of $9.5 million, the special assessment tax would need to be approximately $0.24 per square foot on non-residential buildings within the assumed South Burlington Exit 12B financing district. This assessment would increase property taxes by about 13% on commercial property within the financing district and would make commercial properties in South Burlington noticeably less competitive with properties in Williston and Essex. Developers that participated in the Advisory Committee conducted an informal survey of commercial property owners in the assumed financing district and found that $0.05

per square foot was considered a reasonable assessment. A $0.05 per square foot assessment would increase total property taxes in the South Burlington Exit 12B financing district by about 3% and would have little or no impact on the competitiveness of properties outside of the financing district.

A special assessment tax rate of $0.05 per square foot in combination with a surcharge on parking at the Burlington International Airport could contribute approximately $2.1 million towards the cost of constructing Exit 12B. The balance of funds required will depend on the final design selected for the interchange and whether 80% or 90% federal funds would be available for the project. Table 10 presents a funding plan that accounts for these variables. It assumes that any gap in the non-federal match will be covered using the funds from the State's highway trust fund (although there are no guarantees that those funds will be available).

Table 10: Exit 12B Funding Source Options

80% Federal Funding Scenario		
Funding Source	**Modified Diamond**	**Single Point Urban Interchange**
80% Federal	$ 26,667,520	$ 37,969,971
Exit 12B Special Assessment	$ 1,750,000	$ 1,750,000
Airport Parking Surcharge	$ 375,000	$ 375,000
State Highway Trust Fund	$ 4,541,880	$ 7,367,493
Total	$ 33,334,400	$ 47,462,464

90% Federal Funding Scenario		
Funding Source	**Modified Diamond**	**Single Point Urban Interchange**
90% Federal	$ 30,000,960	$ 42,716,218
Exit 12B Special Assessment	$ 1,750,000	$ 1,750,000
Airport Parking Surcharge	$ 375,000	$ 375,000
State Highway Trust Fund	$ 1,208,440	$ 2,621,246
Total	$ 33,334,400	$ 47,462,464

Note: Project cost estimates may change as a result of the EIS process.

This study presents the revenue that could potentially be generated by a variety of locally initiated funding mechanisms. The most viable options appear to be the Special Assessment District and surcharges at the Airport. Both options will require local approval. In order to establish a special assessment district, the South Burlington City Council will need to (1) decide that it supports the concept and (2) seek approval by a majority of the voters of the municipality. The special assessment district could also be established if the owners of all property located in the proposed district agree to the special assessment; a much less likely scenario. Fees at the airport must be approved by the Airport Commission.

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APPENDIX A: ADVISORY COMMITTEE MEMBERS

First Name	Last Name	Organization
Amy	Bell	VTrans
Michele	Boomhower	CCMPO
Bob	Bouchard	Pizzagalli
Paul	Conner	City of S. Burlington
Christine	Forde	CCMPO
Denis	Gravelin	S. Burlington
Chuck	Hafter	S. Burlington
John	Illick	Technology Park
Christopher	Jolly	FHWA
Heather	Kendrew	BIA
Evan	Langfelt	Technology Park
Bob	McEwing	BIA
Jeff	Nick	JL Davis Realty
Stephanie	O'Brien	O'Brien Brothers Agency
Brian	Searles	BIA
John	Zicconi	VTrans

In addition to members listed above, meetings were held throughout the process with the Town of Williston Manager and Planning Director to brief them on the project and obtain input with regards to components of the project which might impact the Town of Williston and its tax payers.

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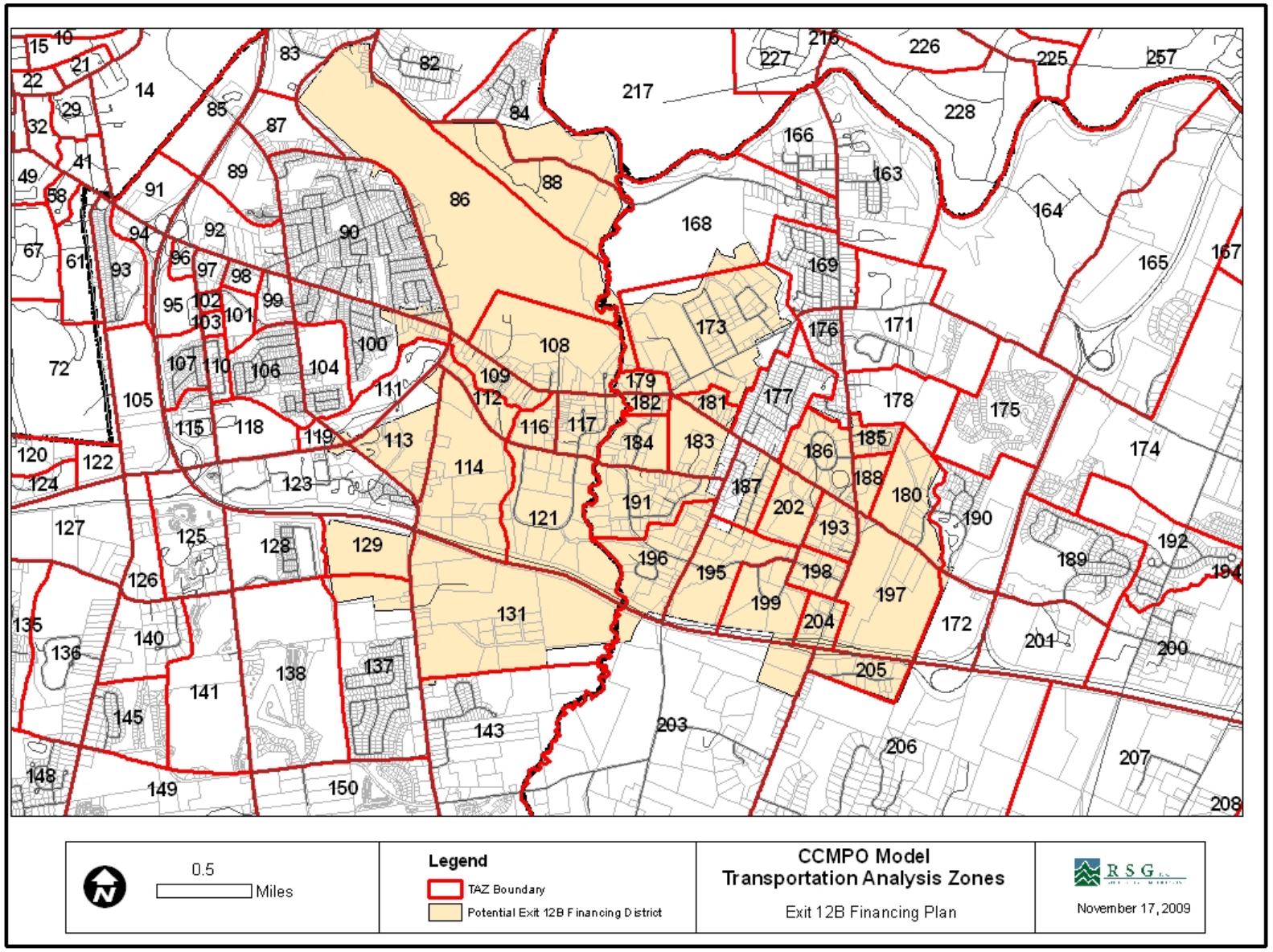
APPENDIX B: DEVELOPMENT ASSUMPTIONS

TAZ	S. Burlington Project Description - from Dorset St Corridor Project	Housing			Employment / Commercial						
		by '10	by '15	Total HU	Breakdown / notes		Total Square Feet	by '10	by '15	Total Employment	More Notes - base data from Dorset St Project and / or updated late October 2007 as noted
113	O'Brien Residential Development	110	110	220						0	
114	Pizzigalli Tilley Drive Office Park				All office	Med-Low	350,000	290	345	635	discussion with Bob Bouchard, Pizzagalli Properties, 10/07, includes 2 bldgs built, 1 near completion. Employment scaled 350/210 for add'l s.f. added. Assume 1/4 by '10 and done by '15
117	Gregory Drive Commercial	0	0	0	Light Industrial		18,700	18,700	0	34	Per J.B. Hinds June 5, 2006 phone call One vacant parcel aprox building size = 110X170
121	Technology Park				300 KSF office, 55 KSF light industrial	Med-Low	355,000	161	484	645	s.f. verified by Abby Lisius, Trudell CE 11/1/07, includes 1 bldg just completed (72k), 1 under constr. (54.5k) assume 1/4 by 10, 3/4 by 15
	Totals			**220**			**723,700**			**1,314**	

TAZ	S. Burlignton Assumptions from the Circ Highway	by '10	by '15	Total HU	Office SF		Retail SF	by '10	by '15	Total Employment	Source
113	Snyder Lancaster	70		70							Completed 2006
116	LNP, Inc.				69050	Med-Low		173		173	Completed 2006
131	Avalanche Development				8900	Med-Low		22		22	City Planning Dept. 4/06
131	Gravelin				10000	Med-Low		25		25	City Planning Dept. 4/06
TAZ	**other South Burlington Projects, from US2 Corridor Study**					**Percent Enplanemnt Growth 2000-2030**		by '10	by '15	Total Employment	**Notes**
86	Burlington Intn'l Airport (BTV)						96%				See BIA worksheet - Trip gen based on ALP projected enplanement growth
108	BTV South Development								600	600	See BIA worksheet - S Development Master Planning assumptions

TAZ	Williston projects	by '10	by '15	Total HU	Hotel Rooms		Commercial / Employment				Notes / descriptions
							(sq feet)	by '10	by '15	Total Employment	All projects updated 10-26-07 w/ data provided by Lee Nellis / Town Planner
181	Industrial/Commercial					Low	15,000	25		25	commercial - industrial. Flexible building (Munson)
183	Industrial/Commercial					Low	100,000		167	167	Industrial (Robearge)
191	Industrial/Commercial					Low	40,000		67	67	Commerical/Industrial (site 6 on map)
195	Industrial/Commercial					Low	40,000		67	67	Industrial (site 5 on map)
180	condos/Townhouses		356	356						-	residential/ Finney Crossing
180	Specialty Retail					Med-High	25,000		50	50	retail/ Finney Crossing
180	General Office					Med-Low	25,000		83	83	non-retail commercial/ Finney Crossing
184	Block between Shunpike Road and US 2 next to Muddy Brook						110,000				Parcel is about 50 acreas. There is about 50 acres between Marshall, Brownell, and Shunpike that has approx 170 ksf light commercial. I am assuming this parcel will develop in a similar manner
185	Hamlet by Village Association - Zephyr Drive	110	-	110							
186	General Office					Med-Low	50,000		167	167	office/ Blair Park
188	Drug Store					Med-High	30,000		60	60	retail/ Judge (North)/ drug store
188	condos/Townhouses	60	50	110						-	Village Associates
193	Drug Store					Med-High	10,000	20		20	retail/ Jeff Davis Expansion, north side/ Drug Store
193	Restaurant					High	7,000	23		23	restaurant. High-turnover sit down. Texas Roadhouse
197	General Office					Med-Low	10,000	33		33	office/ MTP
197	Specialty Retail					Med-High	10,000	20		20	retail/MTP
197	condos/Townhouses		123	123						-	residential/ Senacal development
197	General Office					Med-Low	81,000		270	270	Office/ Senacal
197	condos/Townhouses		50	50						-	Lapierre/ 78 acres of land, very wet. Maybe 30 acres to develop
198	Restaurant					Med-High	5,000	17		17	restaurant/ Jeff Davis
199	condos/Townhouses		50	50						-	residential/ Davis transfer of commercial to residential
199	Retail/ Commercial store					Med-High	130,000		433	433	Retail - stand alone store
202	General Office					Med-Low	40,000		133	133	General Office/ Jeff Davis
202	Specialty Retail					Med-High	20,000		40	40	retail/ Jeff Davis Expansion
205	General Office					Med-Low	70,000	233		233	single use office complex (Qimonda R&D facility)
202	condos/Townhouses		100	100						-	Davis residential
202	Hotel				200	Hotel			200	200	Hotel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Miles
Legend
TAZ Boundary
Potential Exit 12B Financing District
CCMPO Model
Transportation Analysis Zones
Exit 12B Financing Plan
RSG
November 17, 2009

APPENDIX C: PROPERTY TAXES FOR CHITTENDEN COUNTY MUNICIPALITIES

TABLE A-1

SUMMARY OF LOCAL TAX RATES IN CHITTENDEN COUNTY

Municipality	Homestead Education.. Tax	Non-Residential Education Tax	Municipal Tax	Total . Non-Residential Tax
Bolton	1.2454	1.3325	0.5407	1.8732
Buels Gore	0.7387	1.1547	0.5	1.6547
Burlington	1.1094	1.4564	0.67	2.1264
Charlotte	1.2535	1.2489	0.1863	1.4352
Colchester	1.5651	1.8628	0.733	2.5958
Essex Town	1.3571	1.3292	0.4012	1.7304
Essex Junction	1.3233	1.3297	0.3212	1.6509
Hinesburg	1.3477	1.3339	0.4482	1.7821
Huntington	1.3079	1.415	0.6792	2.0942
Jericho (Central School)	1.2382	1.3736	0.4513	1.8249
Jericho (ID School)	1.2329	1.3701	0.4513	1.8214
Milton	1.1105	1.2886	0.3938	1.6824
Richmond	1.1438	1.3062	0.5098	1.816
St. George	1.8486	2.1451	0.3172	2.4623
Shelburne	1.159	1.2207	0.3222	1.5429
South Burlington	1.3547	1.3557	0.3437	1.6994
Underhill (Central School)	1.201	1.3369	0.4379	1.7748
Underhill (ID School)	1.2097	1.3443	0.4379	1.7822
Westford	1.6169	1.8398	0.6167	2.4565
Williston	1.3274	1.4479	0.2	1.6479
Winooski	1.1086	1.3002	0.79	2.0902

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