

# Rutland City

## TIF District Narrative

### Statement of Purpose

The City of Rutland is proposing a Tax Increment Financing District (hereafter TIF District or District) for the purposes of collecting incremental revenue for transportation, water and wastewater, brownfields, stormwater, and utility infrastructure improvements that will effectively stimulate commercial and residential development, create new affordable housing, and increase tax revenues for the City and State. In accordance with 24 VSA 1893, the TIF District will catalyze economic growth in one of the State's most densely utilized and urban areas.

### Introduction

The Rutland City TIF District application addresses the need for public infrastructure improvements that will help "tip the balance" so developers and landowners will see adequate returns on their investments. The more immediate projects in the proposed TIF District are the development of a new Downtown Hotel and the redevelopment of the former Lynda Lee Dress Factory. These projects rely on major pieces of infrastructure: brownfields remediation, site preparation, water/sewer/stormwater infrastructure, transportation access, and streetscape improvements.

City Officials understand that the proposed TIF District is not the only answer to the existing stagnation threatening Rutland City. However, as this plan demonstrates, the creative financing the District will foster will bring millions of dollars in new investment to the City, along with state and federal support, grants, and other funding sources.

Over the twenty years of the District, the City projects \$58.4 million of private development value

that could conceptually generate enough incremental tax revenue to repay the debt service on \$20.6 million of public infrastructure investments needed for these projects to move forward. This would also yield approximately \$3.1 million and \$6.8 million of revenue for the General Fund and Education Fund, respectively during that time.

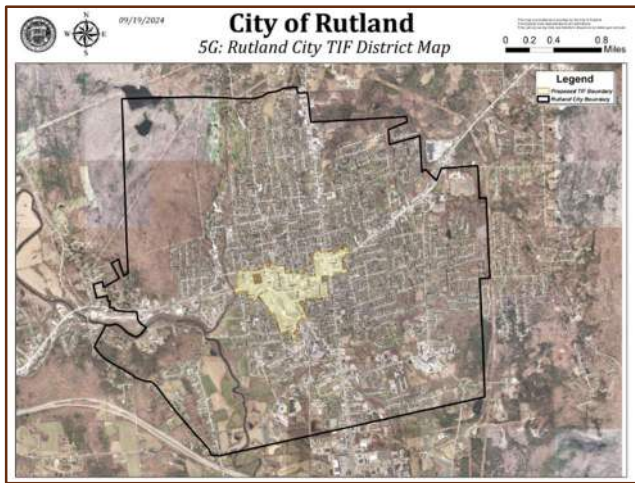
The proposed brownfields remediation and other infrastructure improvements are expected to support additional units of affordable housing and serve as a catalyst for other redevelopment opportunities in the downtown area and throughout the entire TIF District, which encompasses major corridors in the City such as Woodstock Avenue (US4), West Street (Business Route 4), Main Street (US7) and State Street (located in the Northwest Neighborhood). The developers and development teams involved with these projects have explicitly acknowledged that they will not be going forward in their efforts, but for the City's assistance in investing in necessary infrastructure.

These new commercial and residential projects will make Rutland City more viable economically, more affordable for new residents, result in fewer downtown vacancies, and generate other taxes (i.e. sales and income taxes) through the increased vitality. Thus, the TIF District will be a valuable tool for catalyzing positive momentum and growth in Rutland City that will add much-needed new sources of investment. The TIF District will help Rutland City recapture its full economic potential, thereby increasing its significant contribution to building an ever-stronger economy for all of Vermont.

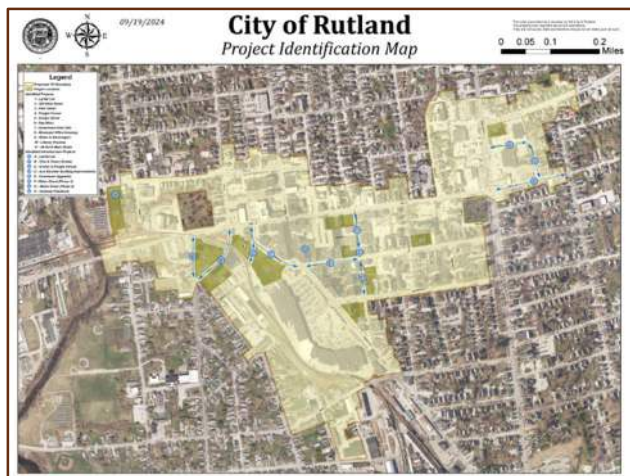
### TIF District Boundary and Parcels

The City intends to stimulate development and remove barriers in areas that are mostly blighted properties in identified growth areas. The proposed TIF District's boundary reflects careful consideration that intentionally captures sites and

redevelopment areas identified in numerous community planning projects. The projects in the district are primarily within the Rutland City Neighborhood Development Area and Designated Downtown (with an exception of 3.37 acres, which represents 1.82% of the District). Every property within the District is developed or has been previously impacted (not including municipal parks).



The opportunities for development, business growth, and rehabilitation of vacant and underutilized spaces are apparent in Rutland. These areas are the densest in the District and where the burden on infrastructure is the highest. The City began the process of creating the District by identifying over 30 prospective projects and redevelopment areas that have shown potential over the years, but lacked feasibility due to



prohibitive infrastructure costs. Simply put – if the development was financially lucrative, projects relating to these properties would have been completed by now without any investment by the City. The selected projects included in this TIF District Plan were identified as having the most likelihood for redevelopment over the next ten years. That said, there are many sites within the TIF District boundary that could become TIF projects as the City effectively uses the tool and District vitality grows. The City looks forward to the progression of the revitalization and fully expects to return to VEPC in later years with substantial changes for projects not yet envisioned at the onset of the District’s development.

The District is comprised of 380 parcels, totaling approximately \$147,119,858 in current assessed value. This equates to approximately 15% of the City’s total grand list value and approximately 3.77% of the total City acreage.

## The Need

With approximately 16,000 people, Rutland City has one of the largest populations in the State of Vermont, and is the largest population in the southern portion of the state. The City has many positive attributes, including a robust entrepreneurial ecosystem, residents who support local business, access to many nearby outdoor recreation resources, and ample historical buildings in a walkable and connected street network.

However, the City is working through its share of challenges: from businesses weathering stagnant population growth and economic shifts to relatively high property crime, and from labor shortages to the closing of the College of St. Joseph. The City is also facing significant problems that many other Vermont communities are experiencing, which specifically includes declining and aging populations, an outdated and obsolete housing stock, and limited commercial investment.

Many economic development, business, and planning entities have previously invested and put forth efforts towards boosting Rutland’s quality of life and economic conditions. Those efforts are starting to be realized, as the City has been a finalist in a national downtown competition, recently being ranked #7 by Travel and Leisure Magazine in addition to completing the Center on Rural Innovation’s Placemaking Plan. Other successes are being completed with the encouragement of new residents via the “Rutland Red Carpet” and the State’s Stay to Stay program, building community connections via one of the many monthly and annual events, or offering business incentives and assistance to new and established entities.

## **History**

Originally home to the Wabanaki and Mohican peoples, Rutland was chartered in 1761, and was first fully settled in the late 18th century – largely in the area of what is now the intersection of US Routes 4 & 7. During this period, Rutland established itself as a center of industry, commerce, religion, and government in West Central Vermont. Industrialization in the 1800’s was catalyzed through large-scale marble quarrying. Driven by a large supply of slate, and rail lines running north, south, west, and southeast, Rutland experienced a massive influx of wealth during the “marble boom.” This led to the construction of a new downtown near the railroad, including the creation of the Berwick Hotel in 1868.

This relocated compact city center created by the marble industry contained a variety of business and cultural attractions and was originally accessible throughout the County by way of an electric trolley system. The Rutland Railroad provided additional options for getting to and from downtown, and the area became a destination for arts, culture, and recreation. Throughout the industrial revolution, downtown Rutland was the metropolitan center of the Rutland Region. However, in the late 1800’s settlement patterns

began to change, beginning with the division of Rutland into four separate communities: Proctor, West Rutland, Rutland City, and Rutland Town.

Further identity loss occurred when the trolley system was replaced with auto-centric infrastructure, as well as several tragic fires and floods that destroyed many of the historic buildings in the heart of Rutland City. By the mid-twentieth century, much of the dense, compact, urban development that previously defined the City had spread out across Rutland County.

## **Demographics**

The City of Rutland is located at the center of Rutland County, Vermont, entirely surrounded by Rutland Town, with the communities of Proctor and West Rutland to the northwest and west, respectively. While much of the County is filled with farms and forestlands, the City of Rutland is almost entirely developed, with a mix of residential, commercial, and industrial uses in a historic downtown setting. Rutland City has a central “hub status” within southern Vermont, facilitating transportation access to other areas by air, car, train, and bus. Additional Rutland amenities include its growing artist scene, as well as its proximity to regional outdoor attractions that include major ski resorts, hiking trails, and national and state forests.



The largest local employers within the City are Rutland Regional Medical Center, GE Aerospace, Green Mountain Power, Casella Waste Systems, and the City itself, making the area a hub for healthcare, manufacturing, utilities, and waste management in Rutland County. In 2019, more than 65% of jobs in Rutland County were located within the City of Rutland.

As of 2020, the population of Rutland City is 15,807, with a median age of 49.7 years old. The City has a housing stock of 8,197 total units, with a recent Housing Needs Assessment estimating that an additional 1,000 are needed to meet current demand. Less than 15% of downtown is dedicated to housing, and only 12 new units were added to this area between 2012 and 2019. Currently, more than 1,600 workers commute to downtown for work, but only 13 work and live Downtown.

While the City of Rutland saw a very slight recent uptick in its total resident population between 2017 and 2022 (by roughly 80 individuals or a 0.5% population increase), this has only occurred after decades of consistent population decline (noting that the City has witnessed a net decline of over 3,400 individuals since the 1970s).

As of 2022, roughly 15% of the City's population was living in poverty (and over 32% of its renters are at or below the poverty level). Additionally, 23.3% of owner-occupied units and 48.9% of renter-occupied units were "cost burdened," or spending 30% or more of the household income on housing costs (either a mortgage or monthly rent). For comparison purposes, only 10.4% of Vermont's population in 2022 were living in poverty; though, Vermonter's experience being cost burdened with 24.6% of owner-occupied units and 47.2% of renter-occupied units being cost burdened – similar to Rutland City, as noted above.

## Market Viability – Rutland Real Estate Market

### *Housing Market*

Rutland is an economic hub and generator for the region, with several large employers and a dense, walkable downtown. With the Amtrak station and major bus depot central to the proposed District, Rutland's TIF District is prime for more density and infill development. While Rutland has experienced a population decline, the strength of the employers and the creation of a ski village in nearby Killington suggest that the need for housing at every price point remains significant. The age of the City's housing stock, the scarcity of all types of housing options, and the financial difficulty cited by multiple parties pertaining to the feasibility of new development collectively and separately mean that supply is greatly outpaced by demand.

Similarly, the cost of rent has continued to rise significantly (without incomes keeping pace in a generally lower income area), but not at a level that can justify the cost of construction without considerable public funds. Some investors/developers have been creative in their efforts to rehabilitate existing stock, but for the overall demand to be met, there will need to be a significant increase in the number of units brought online. In downtown Rutland, the housing vacancy is less than 2%, with most landlords reporting a constant waiting list. With Killington Village being developed close by, workers to construct and serve the project will likely need and want to live in Rutland City.

Commercial space can be a component of any future mixed-use projects, but retail and office demand are low and vacancy rates within the TIF District suggest that for the foreseeable future commercial development will be small-scale and accessory to residential uses.

With limited physical barriers and a supportive development environment, there is an ecosystem in Rutland City that will support the creation of multi-family and multi-unit housing throughout the TIF District. Because of its central location within the county, the presence of significant employers, the desirability of downtown living across all demographic segments, and the proximity to big employers in surrounding communities, Rutland City is poised to accommodate a large share of the County's population and housing growth over the next 20 years, especially relating to affordable and workforce housing units.



### **Private Development**

A sense of optimism exists in the Rutland development world that is stemming from local and State funding and incentives that are currently available for the creation of housing and other mixed-use projects in designated areas. Combined with funding through the TIF District, there appears to be enough assistance available to overcome what the existing market is failing to provide on its own.

At the local level, the City of Rutland has recently cut all water and sewer allocation rates for new housing development. The new rates, combined with low-interest revolving loan funds offered by

the City, and the potential of commercial and residential tax stabilization by the Board of Aldermen, has led to significant interest in the redevelopment of underutilized sites.

Furthermore, the City's existing *Land Use Development Regulations* are not a barrier to development, as they allow for dense, infill construction of commercial and residential uses. The *Land Use Development Regulations* facilitate development by excluding parking minimums, allowing very reasonable, and in some cases no, setback requirements in the various districts in the Designated Downtown and NDA, as well as excluding building and lot coverage requirements.

At the State level, the recently passed Act 181 has many provisions designed to encourage the development more housing units. This includes the opportunity to produce an unlimited number of housing units in Designated Downtowns (up to 75 in NDAs) without needing an Act 250 permit. Also included within that Act is the availability of tax exemptions for three years on housing production if a project is initiated before 2028. Municipalities will also have the opportunity to apply for locally based jurisdiction and the extinguishment of existing Act 250 permits in specified areas.

The combination of the aforementioned local and State-level endeavors that focus on redevelopment and housing production has led to a path forward for the redevelopment of the TIF District sites provided below. The tools offered from a Tax Increment Finance district will be the final pieces needed to overcome the most common barriers to private development in Rutland, such as environmental contamination, sewer/water/stormwater system upgrades, site preparation, building demolition, pedestrian and vehicular access, and streetscape upgrades.

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

Tier 1 includes the two most likely projects that are expected to commence in the near future: Lynda Lee and the Downtown Hotel.

Tier 2 includes properties that have owner interest or investor interest in pursuing the development potential of the buildings and/or land located in the proposed TIF District. These Tier Two projects can possibly move forward independent of other development initiatives but will certainly benefit from the economic momentum created by the Tier 1 projects.

Tier 3 properties include buildings and land that have development potential identified within the planned vision for Rutland City. Each property has the potential for redevelopment in the anticipated ten-year window.

For the purposes of evaluating the District’s potential, the City has developed estimated post-development values based on known factors and possible build-out scenarios.<sup>1</sup> While Tiers 2 and 3 are speculative, they are reasonable estimates of what could result as investment builds and the market strengthens.

## Tier 1 Projects

### Lynda Lee

The Lynda Lee dress factory was constructed in the early-1940’s and was considered one of the premier manufacturing facilities in southern Vermont. Located a couple of blocks away from downtown, in the walkable and, at the time, thriving Northwest Neighborhood, the architecturally significant building was a source of pride for those in the area.

Unfortunately, hard times hit the manufacturing industry in Rutland City, and the facility and

neighborhood quickly deteriorated and declined. By the 1990’s the building had become vacant, and blight spread from the site into the surrounding neighborhoods.

In the last twenty years, the Northwest Neighborhood has received significant attention through State of Vermont VCDP planning and implementation grant awards and as a focus area for housing providers, which include the Housing Trust of Rutland County and Neighborworks of Western VT. These efforts have led to investment in the neighborhood and noticeable improvements in the private and public realms.

Unfortunately, all proposals for redeveloping the Lynda Lee site have failed, and the site continues to sit vacant and blighted, thus creating disinvestment and decay in the middle of the neighborhood and serving as a negative focal point. But for the City’s participation in brownfield remediation, building demolition, site preparation, and streetscape, the redevelopment of the property will not happen (as exemplified over the past four decades). The costs of these improvements are too significant to make any project “pencil out” on a purely private basis.

Fortunately, the combination of Act 250 permitting exemptions and housing tax exemptions provided in Act 181,

lowered water and sewer fees from the City of Rutland, and the possibility of TIF District funding that is expected to assist with infrastructure improvements



**Lynda Lee in its current state**

<sup>1</sup> Note: The City is expecting to do a reappraisal in the coming years. These post-development values were calculated with the City’s common level of appraisal in

2024 to account for the impact of the reappraisal during the life of the TIF.

has led to interest by a private developer. Their proposal is to create a mixed-use project on the site that include units of mixed-income housing and several ground-level commercial units/spaces. The new building and streetscape will integrate the site into the surrounding neighborhood, while repairing the urban fabric of the area. *Estimated post-development value: \$7,357,748.*

### **Downtown Hotel Site**

The Downtown Hotel site has long been a focus for redevelopment in Rutland City. Located in the heart of downtown Rutland, the site is currently known as the “Pit” and has been vacant or used as a gravel surface parking lot since the Berwick Hotel, a cultural and commercial landmark, burned down in 1973. For the past 50 years, the “Pit” has been a visual blight in the community and the City’s downtown, and its redevelopment has been, and continues to be, a top priority.

Previous proposals for redevelopment have been explored and presented; however nothing came to fruition. In 2020, a local family purchased the property and entered into a contract with Cambria Hotels to construct a new 99-room, seven-story hotel, including 26 residential units on the upper floors, and commercial space at the street and rooftop levels.



**The site of the former Berwick Hotel “The Pit” has been used as a gravel surface parking lot since 1973**

The proposed development will result in a much-needed downtown hotel and will bring needed housing, jobs, and increased tax revenue to Rutland City and the State of Vermont.

The site location is the corner on Center Street and Wales Street, adjacent to the parking garage, across the street from the famous Paramount Theater, and a block from the Amtrak Station with active service lines to New York City and Burlington.

To complete the project, however, the Downtown Hotel site needs significant infrastructure improvements, which cannot be completely funded by the property owner and developer. These improvements include water, sewer, and stormwater line upgrades along and within Wales and Center Streets, as well as brownfields remediation. If the infrastructure improvements are built in partnership with the City, as proposed, construction of the project could begin in 2026. *Estimated post-development value: \$15,000,000.*

## **Tier 2 Projects**

### **Pine Street**

Also located in Rutland City’s Designated Downtown, and across the street from 200 West (discussed below), is the Pine Street site. This property is adjacent to BROCC Community Outreach, and contains an existing large, underutilized building. Despite its current condition, the property’s location reinforces the walkable character of the neighborhood due to its positioning and aesthetic.

With the passage of the Act 181, as well as the local incentives being offered, there has been significant interest in the property for redevelopment into housing units, which under local and State permitting could be substantial.

Similar to 200 West Street (discussed below), transportation and streetscape improvements are essential to the redevelopment of this property, in

additional to brownfields remediation. *Estimated post-development value: \$3,367,453.*

### **34 North Main Street**

The 34 North Main Street site is located at the intersection of US 4 (Woodstock Avenue) and US 7 (Main Street). This intersection is one of the busiest in the State of Vermont, experiencing a significantly high volume of daily vehicle trips. The land uses surrounding the intersection are mostly commercial with limited residential uses, the exception being a 50-unit senior affordable housing facility operated by the Rutland Housing Authority.

Due to the valuable location and recently completed Class 1 road reconfiguration projects on Woodstock Avenue and Main Street (4 to 2 lane conversions), there is significant interest in the property, especially for commercial development. The site is located within the Neighborhood Development Area and within a 10-minute walk of the downtown core.

The site has been vacant for many years (as have been adjacent and abutting vacant or underutilized sites) and needs more manageable access and traffic-calming measures to be redeveloped *Estimated post-development value: \$500,000.*

### **Key West**

To the north of the Downtown Hotel where Wales Street intersects with West Street (Business Route 4), is the Key West site. The site is a corner property comprised of a surface parking lot on the western part of the site abutting both West and Wales Streets. The site includes a large building fronting West Street, which is only partially occupied. The site is considered the northeast corner of the downtown core.

As a result of the provisions of Act 181 and local incentives available, there has been significant interest in the property for redevelopment into

housing units, which under local and state permitting could be significant.

Similar to the Downtown Hotel site, significant infrastructure improvements are needed making any potential project infeasible to this point. But for brownfields remediation, site preparation, and water, sewer, and stormwater upgrades, redevelopment will not occur. (This infrastructure project is called “Wales Street, Phase 1” to differentiate it from the work described below for a separate project.) *Estimated post-development value: \$8,492,819.*

### **Municipal Office Housing and Library Housing (City Hall and Library Relocation)**

The State of Vermont, City of Rutland, and Rutland Free Library are in discussions to relocate the municipal offices and the library to the Asa Bloomer Building on Merchants Row in the downtown core. The Asa Bloomer Building is owned by the State of Vermont, who purchased and renovated the building in the 1990s. Currently it is mostly vacant. Other properties relating to this proposal include Rutland City Hall and Rutland Free Library, both of which are owned by the City of Rutland.

The proposal being discussed involves the Library and Rutland City Hall moving to and operating out of the Asa Bloomer Building, which would allow the City to sell the existing City Hall and Library to a selected developer. Doing so would allow the City and library to operate with reduced expenditures, allow new housing opportunities in historic buildings, and add two now-exempt properties onto to the taxable base.

To execute this project, the municipal office and library spaces would need to be “fit-up” in the Asa Bloomer building. The cost of fit-up for the public facility will be too substantial for the City to incur, and therefore, the municipal and library housing projects will not happen but for the City’s “fit-up” investment and divestment of the two properties.



Municipal Office Housing estimated post-development value: \$2,219,079. Library Housing estimated post-development value: \$2,784,456.

## Tier 3 Projects

### Wales and Washington

To the south of the Key West and the Downtown Hotel is a project area the City is calling “Wales and Washington.” This area is comprised of four properties on the corner of Wales and Washington Streets. One parcel is owned by the City of Rutland, while two of the other properties are owned by local families with significant land holdings in the downtown area; the smallest piece is owned by another local property owner. The City envisions the four properties being combined (all of which are in the Designated Downtown) and redeveloped into a mix of commercial and residential uses.

For the project to be completed, the water and sewer lines need to be upgraded and a new stormwater line needs to be constructed within Wales Street. Brownfields remediation and streetscape improvements will also likely be necessary to bring this project to fruition. (This infrastructure project is called “Wales Street, Phase 2” to differentiate it from the work being done towards the north side of Wales Street.) *Estimated post-development value: \$5,094,998.*



### 200 West Street

The same property owners as the Downtown Hotel site also control property in the Pine and Forest Street areas. This site, which is within a minute’s walk to downtown and three blocks from Mount Saint Joseph Academy, has the potential for significant housing and commercial development.

This redevelopment area has access from West Street (Business Route 4) and is positioned between a traditional walkable neighborhood, downtown amenities, and a high-volume transportation corridor, including the active Amtrak New York City line. Additionally, the existing buildings on the site exhibit positive contributions/characteristics, which could conceivably be incorporated into a future redevelopment.

While locationally the site is well-positioned and close to the downtown core, the rail line to the north of the property inhibits direct and easy access to the site and surrounding location. Therefore, creating improved access to Pine and Forest Streets is essential. Having the ability to utilize TIF for these transportation and streetscape improvements, as well as brownfields remediation, will be crucial to redeveloping the site and moving this project forward. *Estimated post-development value: \$4,466,841.*

### Freight Corner

The Freight Corner site (sometimes and formerly known as the TD Bank parking lot site) shares a similar history to that of the Evelyn Street (see directly below) site across Freight Street. Both sites were developed in a downtown style in the 1880s, backing the railyards with ground-floor commercial space and upper-floor residential space. Both sites were razed in the late-1960s.

Unlike the Evelyn Street site, this property has been used as a surface parking lot for the last 50 years. The site owners (TD Bank) continue to lease and

operate the bank drive-through on the adjacent Evelyn Street site.

With a public-private partnership, the potential redevelopment of the site akin to the original site layout is high, which the expectation of some ground-floor commercial space and upper-floor residential space. This site benefits from being within walking distance of restaurants, shopping opportunities, services and the train station.

But for public infrastructure in the form of brownfields remediation, upgraded water and sewer infrastructure, access management, and streetscape improvements, this site *will not* be redeveloped. *Estimated post-development value: \$4,840,776.*

## **Evelyn Street**

The Evelyn Street site has seen three distinct development styles and uses over the last 50 years. This site was comprised of downtown “brownstone” style 3-4 story mixed-use buildings that backed the Rutland Railroad’s railyards. When the Rutland Railroad went bankrupt in the mid-1960s, a block of buildings that formed the western edge of downtown was demolished. In subsequent years a gas station, drive-through bank, and 3-story parking deck occupied the space and were all subsequently demolished. Currently, all that remains of this development is a drive-through ATM associated with TD Bank. The remainder of the site is a vacant and decaying asphalt and gravel wasteland.

Previous owners of the property had no interest in redevelopment. The current owners, however, have been supportive of recent planning efforts for the area, including site concepts that showing a redevelopment proposal that mimics the original downtown-style mixed-use buildings fronting Evelyn Street. Similar to when constructed in the 1880s, the proposed concept features ground-floor commercial space with upper-floor residential space, benefiting from being located in downtown’s

traditional development pattern within walking distance of restaurants, shopping opportunities, services and the train station.



**Evelyn Street and Freight Corner before demolition in the late-1960s**

For this site to begin redevelopment, the City would need to invest in brownfields remediation, upgraded water and sewer infrastructure, access management, and streetscape improvements to create the essential connection to the adjacent Merchants Row corridor. *Estimated post-development value: \$7,147,580.*

## **Public Infrastructure**

### **Necessary Public Infrastructure Improvements**

Necessary public infrastructure that will yield success for those proposed projects in the TIF District is similar throughout the District. Costs associated with brownfields remediation, site preparation, upgrades to water/sewer/stormwater systems, transportation access improvements, and streetscape improvements have formed significant barriers to redevelopment over recent decades.

Having an industrial past has led to environmental issues at most of the project sites. With the conclusion of EPA and State of Vermont funding for brownfields assessment work, both Tier 1 sites have Corrective Action Plans (CAP) in place which provide specific cleanup and site preparation costs

associated with their respective proposed redevelopment project. The other featured sites have had contamination identified, and some have had assessments that will expedite preparing CAPs.

The City of Rutland has ample water and sewer capacity, operating some of the largest systems in the State of Vermont. However, while there is capacity, the distribution system is old, dating back to the early-1900s, with some pipes dating back to the 1800s. For new development to proceed, the distribution system needs to be upgraded, which is especially true for sites located in the Designated Downtown.



Also in the downtown area, stormwater system improvements are desperately needed. As an MS4 town, new development is required to have separated stormwater and sewer, which only exists in a handful of areas – mostly outside of the downtown area. For example, for the Downtown Hotel project to proceed, a new stormwater line needs to be constructed below Center Street.

Finally, many of the projects require transportation access and streetscape improvements to proceed. While not as costly as brownfields remediation or water and sewer upgrades, without these necessary improvements, development will not be able to occur in a manner consistent with the traditional and walkable urban form of Rutland City.

## Public Infrastructure Projects

The following are the identified public infrastructure projects necessary to complete the proposed private development projects. The cost estimates associated were developed by the City team and with the consultation of the engineering firm VHB. The costs listed below are the raw estimates as of 2024; the totals in year of construction (including the variables and calculations can be found on Table 5I of the TIF District workbook). It is expected that several of these projects will not be completely funded through TIF and that the public-private partnership will need to secure other sources to complete the necessary improvements.

***Downtown Upgrades*** – The infrastructure needs required to redevelop the Downtown Hotel site are abundant. To date, the City has done a significant amount of planning and engineering work to prepare for the hotel development, but has discovered there are limited ways to fund these investments. The improvements necessary include the construction of sewer and stormwater lines in Center Street, which will replace the existing (nearly) one hundred-year-old lines. One block of above-ground streetscape improvements is also necessary on Center Street. Along the section of Wales Street directly abutting the hotel, the water line needs to be upgraded for the hotel to connect and the power lines will be buried along with streetscape improvements.

With the existing contamination that is present on site, the City could also help facilitate brownfield remediation and site prep necessary to enable the construction of the hotel. In addition, these utility upgrades are also expected to encourage and incentivize other Center Street property owners to reinvest in their vacant or underdeveloped upper floors. There are multiple projects along Center Street which are unlikely to come to fruition due to the current waterline's lack of capacity to serve a substantial increase in development. (These projects are not included in this TIF District Plan, as they would be considered Tier 4 based on

speculation but are worth mentioning for the potential of this District.)

Total Cost: \$2,002,979. Entirely TIF funded.

**Lynda Lee** – Brownfields remediation, building demolition, site preparation, and two blocks of streetscape improvements are the infrastructure needs associated with the proposed development at the Lynda Lee site in Rutland City’s Northwest Neighborhood. This area has been the focus of recent community planning initiatives, which determined that, but for infrastructure improvements, the mixed-use project, including residential units, will not proceed.

Total Cost: \$1,671,236. TIF funded portion: \$671,236.

**Pine and Forest Streets** – This infrastructure project will serve both the 200 West Street and Pine Street private developments and includes brownfield remediation, building renovations, site preparation, transportation access management to allow pedestrian connections to downtown, and approximately two blocks of streetscape improvements. The proposed redevelopment will include reuse of historic buildings for commercial use and new residential units on both sites.

Total Cost: \$2,363,569. TIF funded portion: \$1,063,569.

**Gateway Roadwork** – Transportation access and streetscape improvements are the infrastructure needs associated with the proposed redevelopment at 34 North Main Street. This area has been the focus of recent planning initiatives, which have determined that, but for improvements to the street network (Norton Street, Sheldon Place and Terrill Street), development will not proceed in the community’s preferred manner. A redevelopment of the building at this critical gateway corner will depend on the City’s investment in this important City node.

Total Cost: \$478,780. Entirely TIF funded.

**Wales Street, Phases 1 & 2** – Similar to the Downtown Hotel, water lines along the north and south sides of Wales Street are aging and undersized and will need to be upgraded for the Key West and Wales and Washington private developments to proceed. The City will also need to bury the power lines along those blocks, assist in site preparation and brownfield remediation, and continue the streetscape improvements begun in the Downtown Upgrade project. These are separate phases because of the likely timing and the separation of location, although the projects are very similar.

Total Cost: \$2,776,925. Entirely TIF funded.

**Asa Bloomer Building Improvements** –

This public facility infrastructure project is the critical piece that will allow the City Hall and Rutland Free Library buildings to become housing projects. To vacate those buildings, the municipal offices and library will need to relocate into the unoccupied and underutilized space in the Asa Bloomer Building. The cost of fit-up for the 22,000 sq. ft. of offices and new library space is very expensive and would be considered an unaffordable project with a municipal bond backed by the General Fund and City taxpayers.

Total Cost: \$11,835,446. TIF funded portion: \$9,335,446.

**Evelyn and Freight Streets** – For the Evelyn Street and Freight Corner mixed-use private development projects to commence, infrastructure improvements on Evelyn and Freight Streets are needed. Improvements include brownfields remediation, site preparation, access management, and two blocks of streetscape.

Total Cost: \$4,304,559. Entirely TIF funded.

## “But For”

When analyzing the private projects that have been stalled or underdeveloped for a long period of time, the City concluded that the major barrier to development and redevelopment was the need for new, improved, or expanded public infrastructure. The City’s downtown area and surrounding and associated areas (largely comprised in the City’s Neighborhood Development Area) have an enormous potential to grow. While housing, both affordable and market rate, and economic development initiatives have long been stated goals of the Rutland City Board of Aldermen, aging underground pipes, brownfield issues, transportation and other infrastructure challenges have inhibited many of those projects.

Without TIF assistance – along with private funding, federal and State grants, environmental cleanup funds, and other sources of assistance – these private development opportunities most likely will not happen, or in some cases, will be scaled back significantly, thus failing to maximize the site’s full potential and economic impact. Assisting these projects come to fruition supports the City’s goal to grow in a way that is consistent with the walkable, dense, and vibrant downtown. In addition, with every infrastructure investment shown in the TIF District Plan, the investment will likely open the door to unanticipated projects. For example, upgrading water and sewer pipes to Center Street will enable abutting properties and development projects to connect into the new lines less expensively and move forward with nearby projects that to date have been too costly. Example development projects include the significantly underutilized upper floors of residential and commercial space in the downtown area.

The City cannot afford to make the estimated public infrastructure improvements to catalyze projects. The City’s tax rate is already burdensome for the City’s demographic and is one of the highest tax rates in the State of Vermont; there is an existing financial strain from a backlog of repairs

and routine maintenance. However, without the public investments, the City of Rutland will continue to see the stagnant Grand List of the last few decades, which will continue to put pressure on its residents due to inflation and the growing costs of maintain the municipality.



## Nexus & Proportionality

The City understands that these public investments must have a direct nexus with the development project and be 100% proportionate and will provide testimony at the time of each phase filing with VEPC. The infrastructure projects conceptualized in this TIF District Plan have been carefully identified to catalyze the specific private developments within the TIF District. Thus, all seven projects have a direct nexus to a TIF District development project and 100% proportionality. Each infrastructure project will be serving particular sites, and any additional benefit they provide to the District as a whole and abutting properties is secondary to the primary purpose of the investment. As plans with each site evolve, the City will be entering into development agreements with the prospective developer for the public-private partnership.

## Financing Plan

This TIF District Financing Plan includes conceptual projections for how the City could undertake the series of seven infrastructure projects over the coming years and catalyze the development of eleven private developments. The TIF planning team has come to these projections through a number of models for calculating value, engineering estimates, and bond terms. The resulting Financing Plan is an illustration of how this District is expected to materialize. Note, however, that this proposal is by no means a final *action* plan. There are many variables that could alter how these projects proceed, including developer plans and timing, evolving infrastructure limitations, and market factors. But with this concept in hand, as well as an approved Master TIF District, the City will have the ability to meet with property owners to determine how to maximize a project's potential using these figures as a starting point. The City fully expects that the exact values and scope of each project will evolve over time and each phase filing will undergo significant review by the Board of Aldermen, the public, and VEPC before the matter is put forth to the voters for incurring debt.

For the purposes of the Master TIF District application, the TIF Financing Plan is a roadmap and includes estimates of infrastructure, adjustments for inflation, possible special tax circumstances, projected post-development scenarios and taxable values, financing terms, and the City's related costs to administer the District. This Plan provides a projected cash flow analysis and illustrates how the debt service would be covered by incremental revenue and the TIF Fund balance at the end of the District.

There are two unique taxing circumstances that have been added to this TIF District Financing Plan: municipal tax stabilization and the Act 181 State tax exemption for housing projects. This model contemplates how some projects may be approved by the Board of Aldermen for tax stabilization agreements. This model also factors in the Act 181

three-year tax exemption for the residential portion of the developments applying by the end of 2027.

For several of the bigger projects, the City expects that additional funding will be needed to complete the projects. TIF alone cannot be the only tool to build this infrastructure, especially in the early years. The grants identified in the workbook for additional funds are representative of the types of sources that will be researched and pursued as these plans evolve.

With these considerations, the Financing Plan demonstrates that a total of \$20.6M of public infrastructure investment could catalyze \$58.4M of new private property value over the next eight years. In addition to covering debt service, over the life of the district the incremental tax revenue would generate an additional \$3.1M and \$6.8M of revenue for the General Fund and Education Fund, respectively.

While there are several years of negative cash flow in the early years because of the special tax circumstances, the City considers carrying the negative cash flow to be feasible and the resulting TIF Fund balance is significant. This model also contains several conservative factors, including a flat tax rate for all twenty years of retention and no contributing increment from background growth within the TIF District boundary. It is important to note that the early projects are relatively modest due to the sensitive nature of the early years of a TIF District. Given that it takes time to see the effects of TIF investment, the first few projects need to generate sufficient increment to cover debt service without relying on other increment from surrounding properties or previous projects. The City recognizes that each project will need to be evaluated for its own financial viability in the particular public-private partnership.