

St. Johnsbury TIF District Plan Working Draft June 2019

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REAL ESTATE INVESTMENT ADVISORS

Statement of Purpose

St. Johnsbury created a Tax Increment Financing district to provide incremental revenue for infrastructure improvements that will stimulate the development of several priority sites within downtown St. Johnsbury. Development projects could include long-term housing units, office space to accommodate state agencies and the growing demand for professional space, and commercial that will occupy first floor spaces within the identified development projects. It is the Town's intent to use TIF to catalyze development and redevelop brownfields within St. Johnsbury's Designated Downtown. Town officials are focused on development projects that will create new affordable housing, address issues of transportation and circulation in the core of the Town, and catalyze further economic growth in one of the state's most dense areas, in keeping with the intent of 24 VSA 1893.

St. Johnsbury – A Snapshot

St. Johnsbury (known locally as "St. J") is the shire town of Caledonia County, Vermont, United States. The population was 7,603 at the 2010 census. St. Johnsbury is located approximately 10 miles (16 km) northwest of the Connecticut River and 48 miles (77 km) south of the Canada-U.S. border.

St. Johnsbury is located within the Northeast Kingdom of Vermont (NEK). Traditionally the NEK is the poorest region in the state with poverty levels in the 13%-15% range. Although St. Johnsbury, (and Caledonia County), boast better metrics than the other two counties that make up the NEK (Essex and Orleans), St. Johnsbury falls well below the state averages. St. Johnsbury's AMI is \$54,504 vs. the state AMI of \$64,771. The median family income for a family of four is \$74,886 vs. the state median income of \$82,922.

Once a booming downtown and home of a vibrant railroad system St. Johnsbury struggles like many rural communities with poverty, lack of a skilled workforce, deteriorating housing stock, out-migration of young people, empty storefronts, brownfields, and an aging population. Several of the iconic downtown buildings have fallen into disrepair making private investment in the downtown too risky for private investment.

St. Johnsbury received its Designated Downtown in 1999 when the program was first made available. According to a recent report filed to the state St. Johnsbury's Designated Downtown is home to 211 businesses and 33 vacant storefronts (12.5%).

Over the last twelve years, downtown businesses have invested over \$2.2M in their properties and have received \$1.1M in Designated Downtown Tax Credits. Of the \$2.2M invested \$1.8M was spent on two projects, \$1.1M at 438 Railroad Street to replace the

building that was lost in a fire in 2012, and \$738K was invested in a property located at 1350 Main Street. Except for those two projects, no significant investment has been made by the private sector since 2007 until Housing Vermont purchased the Depot Square Apartments building at 10 Eastern Avenue in July of 2018.

In 2016 the Town invested \$750K in a Railroad Streetscape project, and in 2017 the Town invested \$363K in the Depot Square Park project. These two municipal projects have improved the aesthetics and walkability of the downtown. Although these improvements have been well received, they have not been enough to catalyze significant development.

The Town's Grand List has seen a steady decline from \$594M to \$552M over the last ten years, and concerns of an aging population with declining incomes are particularly concerning considering the rising costs of maintenance and emergency services.

St. Johnsbury CDP experienced population growth of only one person between 2000 and 2010, and a decline of 63 households (-2.3%) during this same period. Between 2010 and 2016, the population declined by 91 (-1.5%) and households declined by 41 (-1.6). Between 2016 and 2021, it is projected that St. Johnsbury's population and the number of households will continue to decline, but at a smaller rate compared to past years. During this period, the population is projected to decrease by 59 (-1.0%), and the number of households is projected to decrease by 23 (-0.9%).

Nearly 3,000 People Commute into St. Johnsbury for work on a daily basis – based on data reported by www.onthemap.com; there were a total of 3,741 persons employed and working within St. Johnsbury in 2015. While 924 (24.7%) of these employed persons also live in St. Johnsbury, the town has a notable inflow and outflow of employed persons. A total of 1,573 workers leave St. Johnsbury for employment during the day, while 2,817 people that work in St. Johnsbury commute from outside of St. Johnsbury. This inflow of 2,817 workers represents an opportunity for the town to retain such commuters as permanent residents.

Private Development Barriers

Brownfields continue to be a factor restricting downtown development. Lead paint, asbestos, polychlorinated biphenyls (PCB's), soil-gas contaminants associated with dry cleaning operations, and petroleum-based contaminants have been identified in buildings within the downtown. Town Officials continue to work with property owners and state officials to identify and develop strategies to remediate these properties. The inability to budget for brownfields cleanup remains a challenge, and the ability for the Town to assist with remediation could significantly reduce the burden and uncertainty for developers.

Housing has also been a hurdle for development, both the lack of available housing and the age of the housing stock (average age is 70yrs. vs. state average age of 35 yrs.) makes it difficult for the workforce to find quality housing close to their jobs. In December of 2017, the town received a Housing Needs and Assessment report that was funded by a grant from the State of Vermont's Community Development Program. The report shows that the largest share (63.2%) of rental housing supply in St. Johnsbury was built before 1950. No new housing has been added since at least 2010. Many of the rentals are reaching an age that requires notable repairs and/or modernization. Housing in the surrounding area is comprised of a broader range of housing, in terms of year built. As such, it is likely that prospective renters and homebuyers looking for a more modern product will have their housing needs met outside of St. Johnsbury.

Community Engagement

The Town of St. Johnsbury was the recipient of a "Community Visit" by the Vermont Council on Rural Development in 2015. This well-attended event brought two hundred stakeholders and residents together to define both key assets and key concerns of the Town. It resulted in the creation of several committees, each tasked with working on a particular piece of the puzzle which is the revitalization of St. Johnsbury.

Committees include Housing, Communications, Downtown Revitalization, and Riverfront Revitalization. Committee members remain engaged and continue to work with Town Officials to prioritize projects, identify resources, and develop timelines. As a result, the Town has procured several grants and has committed significant resources to see these community-led projects through to fruition.

Through the efforts of the Riverfront Committee, the town received a Municipal Planning Grant (MPG) from the Department of Housing and Community Development, to develop a master plan connecting the riverfront to the downtown which was completed in 2017. In the spring of 2017, the town was awarded a \$425,000 Northern Borders Regional Commission Grant to build the trailhead and recreation path and connect the Designated Downtown to the riverfront. If approved, TIF could pave the way for future infrastructure improvements necessary to stimulate private investment along the riverfront.

The Downtown Revitalization and Communications Committees are led by the St. Johnsbury Chamber of Commerce, the Designated Downtown organization. The St. Johnsbury Chamber utilizes the Main Street Approach "which is a proven strategy that encourages communities to take steps to enact long term change, while also implementing short term, inexpensive activities that attract people to the downtown and create a sense of enthusiasm and momentum about their community" (ACCD website). All of the committees have active participation, and specific goals and objectives focused on making St. Johnsbury a better place to live, work, and play.

Leaders from St. Johnsbury's largest employers and institutions participate on these committees. Representatives from St. Johnsbury Academy, St. Johnsbury public school system, Weidmann Technology Inc., Northeastern Vermont Hospital, the Fairbanks Museum, the Athenaeum, NCIC, NVDA, the Select Board and Planning Commission, the St. Johnsbury Chamber of Commerce, local banks, business owners, and state agency workers participated with residents on these committees. The Town showed its commitment to the revitalization process by hiring a full-time economic development specialist in 2015 to take the lead on downtown revitalization.

Members of these committees, along with residents, and town officials, participated in the recent Town Plan process to ensure that the efforts are aligned and represent a broad cross-section of the town population. On July 19, 2017, St. Johnsbury's new eight-year Town Plan was adopted. This document acts as the guide and provides direction as the Town works to revitalize St. Johnsbury. Tax Increment Financing was mentioned explicitly as a priority for St. Johnsbury:

"2.5 Economic Development Policy: Invest in business and industry with access to jobs that increase the median income of St. Johnsbury households, support diverse employment opportunities, and contribute to the quality of life and well-being of all residents... Work to grow economic development incentives (i.e., Tax Stabilization, Tax Increment Financing, Home Buyer Incentives, Public Utility Incentives, etc.)."

TIF alone will not be the answer to St. Johnsbury development woes but teamed with other resources that could include the newly formed Opportunity Zones, VCDP CDBG's, Downtown Tax Credits, Foreign Trade Zone status, and community investment, St. Johnsbury's revitalization efforts will be more significant and accelerated.

Economic Development History

At the January 30, 2017, St. Johnsbury Select Board meeting Select Board members voted to join a consortium to support efforts to expand the number of allowed Tax Increment Financing (TIF) Districts in the state. The Select Board voted unanimously to allocate funds from the economic development reserves to join Springfield, Newport, Rutland, Montpelier, and the Brattleboro Development Corporation to hire White + Burke Real Estate Investment Advisors, Inc. to lobby to have the moratorium on the creation of TIF Districts lifted.

Consequently, the legislature voted to lift the cap on TIF Districts and made available six (6) new TIF Districts.

In December of 2017 St. Johnsbury received a Municipal Planning Grant from the Vermont Community Development Fund to determine whether TIF was a viable tool for

St. Johnsbury and review potential development opportunities and appropriate development sites. The scope of work also included the mapping of a proposed TIF District in downtown St. Johnsbury.

After the proposed TIF District Boundaries were identified, Town Officials worked to amend the Design Control District (DCD) and Designated Downtown (DDT) to meet TIF District requirements. The Select Board approved the DCD on March 25, 2019, and the Designated Downtown Boundary Amendment was approved by the State of Vermont's Designated Downtown Board on April 22, 2019.

The St. Johnsbury Select Board approved the submittal of the letter of intent to apply to the Vermont Economic Progress Council on April 22, 2019 (sent to VEPC on April 24, 2019).

On May 13, 2019, the Town received a letter from the Public Valuation and Review Division (PVR) of the Department of Taxes approving a partial reappraisal during the spring of 2019. The partial re-appraisal approval was instrumental in the TIF process as it enabled the town to set the required Original Taxable Value (OTV) for the parcels within the proposed TIF District.

Throughout the TIF feasibility process Town Officials have used resources made available by the State of Vermont Agency of Commerce and Community Development along with outreach to Vermont communities with TIF Districts. Discussions about best practices were had with Bennington, St. Albans, Montpelier, and Winooski along with a site visit to St. Albans in 2018. Public meetings and hearing have been held seeking public input at every juncture of the TIF planning process. Multiple meetings have taken place with VEPC, PVR, and ACCD as St. Johnsbury moved through the process of preparing the Town of St. Johnsbury for submittal of its TIF District Plan to VEPC.

These economic development initiatives have momentum and the creation of this TIF District will be the next step in many to bringing the Town's goals to fruition.

“But For” Rationale

Over the last 40 years, St. Johnsbury has seen little to no significant development within its downtown core. Once a thriving retail center that attracted shoppers from the region (including New Hampshire) St. Johnsbury has seen its retail sector dwindle with the coming of the box stores in tax-free New Hampshire, and recently, the effects that Amazon has had on the retail industry sector. St. Johnsbury's downtown has thirty-three (33) empty commercial spaces, and many of the buildings and public infrastructure suffers from deferred maintenance.

Water lines are undersized in parts of the downtown, and several of the town sewer lines serving the businesses and residents are 100+ years old.

The adverse effects of a prominent dry-cleaning industry are having a significant impact on downtown development. Recently, multiple downtown properties were identified as brownfields. Two development projects were halted because of the uncertainties about the contamination, the costs of clean-up, and the liability associated with property ownership. It is likely that some level of remediation is required for every development project identified within this plan. Most significantly the Calderwood and Armory projects have major brownfields issues that have resulted in foregone investment and nothing is likely to develop without public involvement.

Although the Town takes pride in the walkability and interconnectivity of the downtown to the neighborhoods, educational institutions, and arts & cultural assets, the sidewalks are in disrepair. Included in the TIF District Plan will be improvements to sidewalks connecting the development projects with downtown assets including parking, multi-modal transportation hubs, and downtown shopping and dining options.

St. Johnsbury is truly at a crossroads, and there is a sense of urgency when St. Johnsbury's future is discussed. St. Johnsbury's aspirations to use TIF as a tool for downtown revitalization follows on the heels of other towns in Vermont that were granted the opportunity to use TIF, and have done so successfully!

Proposed District Boundary

District Details

The District is comprised of 146 parcels, totaling approximately \$ 37 million in current assessed value. The Town Assessor is currently assessing all properties within the proposed TIF District and letters are scheduled to go out next week informing all property owners in town of any changes to their property value. Currently, the properties listed within the proposed TIF District represent 7% of the Town's total grand list and is comprised of commercial, retail, and residential properties. The TIF District is located within the Designated Downtown (see attached map).

Market Viability

St. Johnsbury has recently implemented a rental housing code compliance program to address its deteriorating housing stock. Improvements and investment into the housing stock will yield higher monthly rents, which in turn will make investment more attractive. Higher quality housing will attract a new working population to St. Johnsbury, which would help offset St. Johnsbury's aging, declining population.

Recently, St. Johnsbury was the recipient of a Vermont Community Development Program Planning Grant to perform a Housing Study and Needs Assessment. The project was completed in December of 2017 and identified a demand for all types of housing in St. Johnsbury (see table below).

St. Johnsbury Housing Needs Estimates (2017 to 2021)	
Housing Segment	Number of Units*
Subsidized Rental Housing (Senior & Family)	50
Affordable Workforce Rental Housing	30
Market-rate Rental Housing	125
Senior Care Housing	50 (Beds)
Entry-Level For-Sale Homes	10
Moderate-Income For-Sale Homes	15
High-Income For-Sale Homes	40

*Maximum number of units assumes product is marketable, affordable and in an appropriate location. Variations of product types will impact the actual number of units that can be supported. Additionally, incentives and/or government policy changes could encourage support for additional units that exceed preceding projections.

Although demand for housing was identified in the Housing Study, construction of new housing has not occurred. High construction costs, and below state average rents, are the likely barriers to development. If approved, Tax Increment Financing will provide a tool that the town could use to reduce project costs, thus catalyzing development.

The demand for quality office space in St. Johnsbury is not as well defined as the need for housing. Recently Flex Office at 397 Railroad Street chose to close its shared office space to meet the growing demand of another business in the building. Closure of the Flex Office space displaced fifteen professionals that are currently in the market for new space. If you combine this new demand with the Town's efforts to bring back the state office workers that left the downtown in 2017 there is a demand for approximately 100 offices in the downtown. This demand, teamed with TIF, could make redevelopment of several vacant downtown properties attractive to private developers.

Experience

The St Johnsbury Town Manager's office has extensive experience with multiple grant funding sources and has managed numerous Federal grants in recent years, including funds from USDA Rural Development and Northern Borders Regional Commission. St Johnsbury Town Manager Chad Whitehead has worked on more than \$41,000,000 of infrastructure projects with the Town of St Johnsbury since 2008, projects primarily funded through USDA Rural Development. Chad is supported by the Town's Finance Officer, Lesley Russ, with more than 30 years of accounting background and by Assistant Town Manager Joe Kasprzak with more than 30 years of business experience, including work as an Economic Development Specialist with NVDA. The Town of St.

Johnsbury has annual audits performed by Sullivan, Powers & Co. P.C. of Montpelier, Vermont. Since 2014 there have been no Material Weaknesses identified in either the financial or single audits.

Private Development & Redevelopment

The TIF District Plan will identify development opportunities and ranked them on a three-tier analysis based on impact, planning stage, financing and design.

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

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

Tier 3 properties include buildings and land which have development potential identified within the planned collective vision for St. Johnsbury. Each has the potential for redevelopment in a 5-10 year window.

For the purposes of evaluating District potential, the Town's assessor is developing an estimated post-development value forecast based on known factors and possible build-out scenarios. While Tiers 2 and 3 are speculative, these are reasonable estimates of what could result as investment builds and the market strengthens.

Potential Projects: TBD

Public Infrastructure Projects To Support Private Development: TBD