MAD RIVER VALLEY PLANNING DISTRICT

Fayston Waitsfield Warren

Re: MRV FLO Proposal

Comments from Steve McKenzie and Responses from the MRV Vitality subcommittee:

1. I would like to see specific feedback and input from local businesses as well as other LOT towns, specifically Killington, on this proposal. Your group has stated such feedback has been solicited but I have not seen details. *Response: We have talked with our counterparts from Dover, Middlebury, Woodstock, and Killington, and plan to talk to other communities to gain their specific feedback on the success of their LOT. We do quote feedback from Dover on the FAQ illustrating the positive impact there.*

2. Reviewing the "12% would be paid by local residents" analysis, while I now understand the calculations MRVPD used to come up with this selling point, I would like to see further analysis of the finding that there's only about $4k in LOT-applicable annual taxable purchases per household, and therefore only $2/month impact. It just seems low to me at first glance. As a reference, in 2012 the Census.gov showed annual VT retail sales **per capita** of $15.9k. Assuming a ~2% inflation rate, that puts 2018 at about $17.8k per capita. Clearly not all resident purchases are made in the Valley, and not all purchases are taxable, but the disparity is unreasonable to me. *Response: Your question is a very fair one and one we have been very concerned about. The last thing we wanted to do was have the LOT hurt our local families, especially those living near the poverty line. We have analyzed these data in detail, and our analysis is well supported by information from the State. The devil is in the details here, and the detail many people muss is that so many of our day to day purchases are not taxable, nor LOT applicable. A document is on the FLO page: "Vermont Data for LOT Impact showing 4 families' budgets", published by the State of VT, and the effect the 1% LOT will have on these families. The family living on $24,000 per year will pay less than $5.00 per year in extra tax effect from the 1% LOT. The average LOT tax spend by Residents is based on the very thorough analytical study done in Colchester which supports this level of spending subject to tax, done by an independent third party. A complete overview of the analysis of the estimates of who would pay by percent is on the mrvpd.org/FLO page as "Tax impact of the FLO on the Mad River Valley"*

3. You have clarified that the LOT will be applicable to on-line sales to the extent the 'seller' collects, as with Amazon. Will residents be required to report and pay out-of-state (i.e., NH) purchases, as is done at the State level? *Response: Your question about out of state taxes is interesting. First, Amazon, and now after a US Supreme Court ruling in June, subject all out of state sellers to collect sales tax for sales occurring in VT [and all 50 states] BUT ONLY if our legislature enacts a tax law that meets the Supreme Court ruling, language, and guidelines. This is good for VT and for our retention of the LOT tax even on the out of state companies who sell to residents of Vermont. Your question about purchases we make on out of state sales is interesting. If you or I purchase something in NH for example, we technically are required to submit the sales tax equivalent to VT, referred to as "Use" tax. I doubt any of us do that except on vehicles, snowmobiles, ATV's, or other licensed vehicles where upon registration, we must show*

we paid a tax somewhere or VT imposes the tax. However, the LOT is NOT applicable to Use tax, so the passing of a LOT has no bearing on your personal out of state purchases.

4. In the 11/01/18 Valley Reporter, it was stated that the LOT funds are earmarked for:

Community projects (26 percent):	$182,000	($700k x 26%)
destination marketing (25 percent),	$175,000	
recreation (25 percent),	$175,000	
economic development (14 percent),	$ 98,000	
reserves (4 percent)	$ 28,000	
administration (6 percent).	$ 42,000	

Can you provide specific examples of identified projects and deliverables for the first four categories, possibly using current or recent grant requests?
The 6% admin (overhead) rate is low relative to the new paid positions called for in the LOT documents. These include a full time 'coordinator' position at a minimum of $45k (LOT case statement, page 7), and a part time administrator (LOT case statement, page 8). I am not clear if the Executive Director (Charter #902-15) references a current or additional position, as there is no differentiation in type/font to identify the LOT-related changes being proposed. *Response: Please review the updated Case Statement as answers to your questions are defined better here. The admin is adequate for a part-time admin position to help the Board of Commissioners evaluate grant requests; organize the financials; and handle the yearly audit. As you will see in the latest version, we have left the Commissioners to determine the minimum amount necessary for these tasks as we expect the actual number will be less than 6%. The other $45,000 you mention is for a full-time person in the Recreation District to manage the enormous number of grant requests by this group.*
With regard to priorities, since you wrote your thoughtful email, we have created much more flexibility in our process. The current thinking, for example, is to place perhaps $350,000 per year into a housing trust managed by the MRV Housing Coalition to be used to kickstart low to moderate income housing in The Valley. This trust would not build houses per se but rather enable private development with permitting, initial engineering, and possibly initial purchasing of the land. We desperately need to address the lack of affordable housing in the Valley and without this success we will continue to find it hard to attract younger families to live and work here.

5. Affordable housing is cited as a major issue and goal of the LOT. I reviewed the 2017 MRVPD Housing Study, which indicates a 'low' estimate of an additional 459 households and +684 population growth between 2010 and 2030. Page 13 states there were "In 2016, ….32 single-family home permits pulled in the three MRV towns.." Based on these numbers, what is the committees projected number of additional units needed? Assuming housing is part of the 'community projects' budget, can you clarify with specific examples how the $182k noted above is in solving the projected need? *Response: We believe with for example over $1M over 3 years (as explained in #4) we can finally have a way to increase housing. How many units we don't know. However, once we have some shovel ready projects in the queue, we then will develop a true sense for the actual demand.*

6. What is/are the specific MRV population growth goal(s)? The FLO Bylaws, Appendix A, Community projects, 1, state: "Goal: "lower the median age of the MRV population and increase MRV elementary enrollment w/in the first 5 years of FLO"**.** What are the

specific goals? Page 9 of the ’17 Housing Study states there was a ‘significant’ (23%) decrease in the number of 20-39 year old’s in the MRV between 2000-2010, 2-3X the rate of loss at the county and state level. Given this trend and the unspecified goal, what would be identified as a ‘successes’? How does this relate to #5, above? *Response: We don’t think we can answer this specifically except by saying we hope to see some of the LOT funds used to change the declining direction that the Valley has shown for the last 10>20 years. The reality is: if we don’t do something to change the existing direction, the MRV will continue to age and in 20>40 years we will lose our identity as an historical village and be a place where imported temp labor will be brought in and our shops and restaurants will not be able to have quality full time employees.*

Some will say but.....we have 3 ski mountains; recreation trails; the River BUT unless we can find a way to attract younger people to consider this Valley “home” we will die a slow death in seeing the vibrancy of the Valley disappear

We should note that this condition is a condition of rural America. But, does that mean we should not try to change this forecast of our future? At least the LOT gives us a chance to change direction. Our town Selectboards are generally not in a position to appropriate the funds to prevent this.

7. Relative to increasing elementary population, given the dramatic declines being experienced at the middle and high school levels in recent years, compared to a relatively flat elementary population, why won’t an increase in elementary population result in subsequent comparable losses at the MS and HS? Has there been any investigation on root cause(s) for the MS and HS losses? Plans for improvements? Quality of public education is a major draw for new young residents: if the ‘product’ at the MS and HS level is seen as inferior, how will that impact decisions to move to the MRV? *Response: The whole school situation is dynamic. We don’t pretend to have the answers per se but we do know that unless we can attract younger families to call the MRV “home” school populations will continue to decline. This whole process is not tied to any one thing. It is dynamic and interdependent. More affordable housing means more younger people may choose to live here=more children in the schools=maybe fewer school closures=more people available to work in our Valley businesses=more jobs available when the businesses are profitable=more people coming here=more sales and business revenue=more LOT funds =more housing etc. etc. etc. It is one interdependent economic system. The alternate is to do nothing - Status quo. And we know from the last 20 years stats what this has shown: declining enrollments and fewer families calling the MRV home.*

8. If the committees overall growth-related goals and objectives of the LOT are realized, what Vermont area can be used as an example of what the MRV will look like? Said differently, what is MRVPD’s vision of a future MRV? Stowe? Killington? Middlebury? ___________? *Response: This is a great question. We have said for decades that the MRV is LUCKY because we have not seen the dramatic and most often ugly development that has happened around Stowe, Killington, and some other “ski” towns. We have been “stuck” in the 70-80’s almost like a time capsule. And this is GREAT. We have the benefit of not repeating the errors of the past with other communities. We have thoughtful Planning Commissions, important zoning, and very, very conscientious*

concern for the environment and the beauty of our Valley. Just because we will have the LOT funding does not mean we go brain dead and allow development to happen willy-nilly. But, with careful and thoughtful planning and zoning, we can accommodate the necessary changes (like affordable housing) and not change the visual beauty of the Valley as we know and love it in the present.
The proposed destination marketing plans (now available to view on the FLO page) are to increase guests by about 300 per day in the Valley in the quieter non-ski season, non-foliage months with special emphasis on mid-week. This marginal change in Valley visitors will be negligible to each of us EXCEPT it will generate $8M to $9M of additional revenue to the Valley each year. What you and I will notice is restaurants being open 7 days a week; shops open longer hours; and maybe more shops and places for us to purchase those things that we order from Amazon or drive to Williston for.

9. If the stated growth goals are realized, what are the projected impacts on traffic, infrastructure, social services, etc.? As an example, what if any changes would be required at the Rt 17/ Rt 100 and Rt 100/Bridge Street intersections due to increased volume? *Response: We believe we addressed this in #8 above. 300 additional people per day in the quiet months will not be noticed by any of us, except over time we will see the positive economic impact as described in #8. No, in our life time we doubt we will see a traffic light. We all do pretty well without one now even when we have the crush of MLK weekend, Christmas week, or Washington's Birthday week. The Valley seems very able to deal with these peaks so if we add 300 additional people per day in the quietest months, we will not even notice the result when compared to those busy winter periods.*

10. Is there legal precedent for a quasi-non-elected body to directly receive and spend tax revenue? *Response: The difference in the Valley is that we are three towns operating as one economic entity. This situation is unique in Vermont. If we were ONE town vs. THREE we would not need to create a new legal entity, so the purpose of the Charter is to provide the same framework for operating a LOT as in the other 25 Vermont towns that have one.*

11. Relative to the "12%/88%" claim, what has been the feedback from non-residents / 2nd homeowners to paying the 88%? Is there any concern for negative publicity? *Response: This assumption is completely incorrect. While we have been emphasizing that residents will pay only about 12% of the total, this does NOT mean 2nd home owners will pay 88%! As you will see in the Case document, the majority of about 55% will be paid by short term visitors, about 12% will come from sales at the ski resorts to non-residents, and only about 20% will be paid by part-time residents (2nd home owners).*

12. What is impact to residents re: ski passes &/or ticket purchases? Is Sugarbush and/or MRG able to provide any specifics on resident spending on meals and alcohol? *Response: Please see the information in #11. No, we don't have specific information on detailed spending at the ski areas by residents as there is no way to easily track spending at this level of detail. However as noted in the Case document we have assumed that of the estimated approximately $15M gross spending annually at the two ski resorts, approximately $3M is attributed to residents and part-time residents. As a result, we have used $12M as the estimated sales to visitors, to avoid double counting in the other categories.*

13. If additional population / tourism, are additional infrastructure costs to be borne by property taxpayers per town, or will the tri-towns pool and share that responsibility? IE, repaving, life safety, police patrol, plowing, road maintenance, water, sewer, etc.? *Response: A Town's the use of the LOT would be for investment in community wide projects. If a town had a project that would benefit the broader community it could apply for LOT funds. The intent of the LOT as proposed is to enhance the broader community, not to defray town expenses.*

14. Have the noted LOT communities of Stowe, etc., experienced any leveling of "seasonality visits" that can be traced to LOT-related initiatives? *Response: We hope to have much more information from other towns in the near future. Once again, we reference the very positive feedback from Dover as noted in #1, and as also noted there the subcommittee is continuing to reach out to discuss with other communities about what they have accomplished since their LOT's were enacted.*

15. Members of the committee have inferred the LOT as a "progressive" tax. This is incorrect and misleading. A sales tax is regressive. *Response: We actually disagree as while this tax in "dictionary terms" is regressive, because of the way our sales tax code is written where taxes do not apply to most items that are essentials, those in our community who are struggling do not pay but pennies on sales tax and hence will not be significantly impacted by the LOT. For example, in Vermont we do not pay tax on groceries or clothing, but we do pay tax on a 6-pack of beer. Our view is that it is a consumption tax (or as some have suggested an "us tax") where we are taxing what is primarily our discretionary personal consumption to be DIRECTLY reinvested back into the place we call home: The MRV.*

16. Has the Committee identified any efforts that can be done absent new funding that will address the identified needs? Examples may be commercial zoning changes, commercial permit process/state coordination efficiencies, pooled marketing/coordination, or publication outreach such as hosting informative visits for Boston Globe, NYT, etc., travel writers? *Response: There are of course many avenues for us to try to make a change in the declining economy and health of The Valley. Many people are trying but the financial head winds are too strong. Without seed money for example to jump start housing, and Destination Marketing, we are swimming against the tide. By example: Waterbury spends per capital $111 for recreation, we spend $11per capita. The Waitsfield Selectboard almost turned down a minor request for $12,000 last year so we could complete the Valley Wide trail signage project. The Selectboards are very reluctant to raise property taxes to fund these needed benefits. Only the FLO, in our opinion, allows us to collect revenue LOCALLY and invest it LOCALLY for the benefit of the entire community.*

17. What were committees take-aways from public comment at the 12/13/18 public meeting? *Response: That people are studying the proposal, although not in depth enough; affordable housing is a major need; and most important have not taken the time, LIKE YOU, to get into the weeds on the why-how-benefits of the FLO.*

DOCUMENTATION QUESTIONS

CHARTER 11/25/18 version

1. Which specific sections, other than "SUBCHAPTER 2, page 11" are proposed additions to the existing MRVPD charter due to FLO? There are no identifiers in the draft proposal for modified/added language. *Response: We recognize that some sections of the Charter were a bit confusing as to what elements were specific to the management of the FLO. The draft has been updated to address the comments that you and others identified. The updated version will be published on the FLO page very shortly. Also note that subchapter 2 page 11 is the only change to how the MRVPD operates under the existing Articles of Agreement and the existing Memorandum of Understanding.*

BYLAWS, 11/15/18 version

1. Operations, #5, page 2: In April commissioners will request proposals…" Is there a standard template for proposals, or a subset of standard forms that require the same financial and policy information from each submittal for comparison: I don't see a standard RFP template on MRVPD website. *Response: We are leaving these detailed levels of the process to be finalized the Commissioners.*

2. Operations, #9-b, page 2: Community projects funded under FLO will be managed by the respective towns. Have the three towns indicated capacity/acceptance to do this? *Response: Your concern results from a misunderstanding based on our poor phraseology. We appreciate you pointing out this concern. The Bylaws have been updated on the FLO page to clarify that the organization successfully proposing a project is then responsible for managing it – e.g. if the Town of Warren successfully applies for a grant to carry out a project, they will manage it. Similarly, for the Mad River Path, the Path Board will have the responsibility. Etc. The intended message is that the Commissioners don't manage projects, the organization being funded does so, then is required to provide at least an annual report back to the Commissioners.*

3. Governance, #3, page 3: "Decisions on investments shall whenever possible be made unanimously. If a vote is required at least one Commissioner from each town must vote in the affirmative". This language, at face value, incorrectly reflects the intent? *Response: We don't see an issue here. Unanimity is the objective, with a fallback approach in case of a lack of unanimity, to ensure at least each town has one positive vote before a grant is approved.*

4. App. A, Community projects, 2: Improve public transportation options throughout the valley. This program shall have a minimum annual allocation of $40k". What is the basis for the $40k minimum? *Response: The current contribution locally, borne largely by Sugarbush, is about $80k. (The balance comes from State and Federal grants). The thinking is that to effectively influence the transportation planning to also serve residents and employees, we need to contribute an amount of at least half the amount related to skier transportation.*

5. App A, Community projects, 3: “Support a variety of other community projects” such as facilities, environmental protection, public safety, emergency communications, septic/water systems. Many of these are potentially higher cost projects. Relative to the focus on housing, and that housing support would come from this fund, and the concerns raised in question 5 in the top section, what funding is forecast as available for these other projects? *Response: At this stage it is unclear what and how much money will be used for “other community projects”. The intended process is for the Commissioners to make decisions on grants year by year based on having the best positive impact on the Valley within the guidelines of the Bylaws. Examples might be a grant to the fire departments-MRVAS to create a Valley wide emergency communications system (which does not exist now). Maybe the grant is $25,000 with a three town or community fund raising match; maybe a roof and new facility at the ice rink. Maybe a $50,000 grant per year for 5 years with a community fund raising matching grant. With housing as our most critical need the future grant process, at least for the initial years, will have a bias toward housing first and the other worthwhile community grants will follow.*

6. Appendix B: Destination Marketing: “shall have a minimum allocation of $75k/year”. What is the basis for the $75k minimum? For stated goals (32% to 37% mid-week/non-peak occupancy by 2023, an increase of ~$8.5M in annual visitor dollars), is there any way to equate the required min. ad spending to achieving such growth? $8.5m in incremental $’s / ($75k x 5 yrs: $400k) = ~$21 return for each adv $ spend. Is that a reasonable expectation based on ad industry standards? Some quick research indicates 4:1 to 10:1 range is typical? (*Webstrategiesinc.com: A 5:1 is middle of the road; 10:1 is exceptional). Response: Yes, we believe we can achieve a measurable difference with the dollars we have allocated to Destination Marketing (please see the most recent Case Statement). Jasmine Bigelow, our Chamber of Commerce Director, ran the Stowe Chamber and knows exactly what to do with new promotion dollars and what our return will be. With her depth of experience, we are very sure we can achieve these predicted results. As noted above in #8 an outline of the Destination Marketing proposal is now on the FLO page.*

7. Appendix B: Destination Marketing: is noted design/tracking work to be subbed out (via grant?) or done in-house? Either way, cost estimate? *Response: See answer to #6 above.*

   Appendix C. Recreation: if cited Waterbury and Stowe spends/ per capita on recreation ($111/Waterbury, $164/Stowe) are inferred to be “successful” then the commensurate MRV spend would $500k - $750k (4,600ppl x $111 or $164), vs defined minimum allocation of $45k. Conceptually most/all of incremental LOT could/should be spent on “recreation”? What is/are the most effective way(s) to utilize the lower spend and compete with Waterbury and Stowe? *Response*: *Yes, we are still behind the northern towns but with the emphasis on housing, the FLO Committee is being realistic. We have had various people within the community say put all the money in housing, put all the money in destination marketing, etc. There is only so much money being generated. The FLO Committee is only making recommendations and the MRV FLO Commission* *will make those decisions based on the justification of the proposals presented to them. Certainly we do hope that the FLO will help kick start a more formalized process for funding and increasing the effectiveness of the Recreation District in that overall context..*

8. Is this combined or separate activity from minimum $75k Destination Marketing Appendix B allocation? *Response: Recreation and Destination Marketing are seen as separate. The Recreation category is intended to focus on building and maintaining recreation assets in the Valley; Destination Marketing is intended to focus on bringing people to the Valley. There may be cross-over, however the flexibility inherent in the revised Bylaws will allow for the highest impact opportunities to be funded regardless.*

9. Regarding ad spending overall, has the committee seen any data on Waterbury and/or Stowe's return on their ad spending? 5:1? 10:1? *Response: No, we have not although Jasmine has the data which was used for our Destination Marketing budget projection and performance predictions.*

10. Appendix C, Recreation: Fund a staff position @ min $45k/yr allocation. Is this a FLO-wide position or just for Appendix C, Recreation? *Response: Recreation. For a Rec District position to manage grant requests, equipment, supplies, and planning. The Rec District Board is all volunteer and is tapped out for their available time. Most if not all Board members work full time jobs thereby limiting just how much time they have available to administer Rec District issues and communications day to day while spending their weekends and holidays building, clearing, and maintaining trails with their memberships all with volunteer time and labor. They need help to bring this entire Recreation District to the next level of execution and positive performance. All resulting in new $$$$$ coming to the Valley from local and visitor spending while enjoying our expanding recreational options in the MRV.*

11. Appendix D: Economic Development: 1: GOAL: Have at least 20 people request business training per year". Can you define 'people': one business with 20 people? Under this goal, will FLO will pay for private consultants? *Response: These numbers should be regarded more as an indicator than a specific. This can be a person, a group, or a specific business. The Chamber is holding sessions rights now for individuals and businesses to help them improve and expand their product/services. All without any funding. All on their own and on their personal time. We believe expanding this support will significantly help the Valley. This activity will be funded based on the merits of the Grant proposals made for associated projects.*

12. Appendix D, Economic Development, 2: GOAL: *Increase the number of businesses in the MRV by 2 per year over the initial 5-year period*." For success, what is a 'business'? Are there any metrics to further define success? Would two new 1-person business meet the goal? Is there an incremental $/yr goal? Tax rev/yr? Net new number of employees? How would you relate/associate any new business to the proposed efforts vs organic growth? What has been the organic growth rate of new businesses absent LOT investment? *Response: This a goal of the FLO result. Our historical tax revenue is flat going back the last 10 years. In the heyday of the 70-80-90's our Valley businesses*

were many and succeeding. Unfortunately, we lost some businesses in the past because we did not have enough employees, infrastructure, and affordable housing. With affordable housing we may be able to attract young people who may start businesses; those who can work independently (we have high speed fiber optic at 100 Mb/s for those whose jobs require this kind of speed (developers-code developers for the Gaming Industry for example).

13. Appendix E: Reserve fund: “Shall have a minimum allocation of 4%”.
    I assume this is 4% of the net, not gross, LOT receipts? Is there a minimum account balance? Can it be spent to $0 in a given year? *Response: The intent is 4% of the overall – e.g. if the LOT collected is $700k, a minimum of $28k would go Reserves. The detailed answer to this question is spelled out in the revised Bylaws. In principle it could be spent to $0 in any year, if approved as per the Bylaws.*

14. Appendix F: Administration: Pay for a part time administrator to record minutes…”, “…also require an independent audit which this investment area will pay for.” What is the anticipated annual cost for these two items? How does that impact the total administration budget per question 4 in the top section? *Response: As noted in #4, we have left the Commissioners to determine the minimum amount necessary for these tasks as we expect the actual number will be less than 6%. The annual estimated cost of an audit would be in the range of $15k to $20k.*