

For Local Opportunities: The MRV FLO Fund

Frequently asked questions *(updated 19Dec2018)*

Here are some of the most common questions that have come up so far.

For more info on the proposed FLO Fund, please visit mrvpd.org/FLO. You can have your own questions answered, or offer comments, by writing flofeedback@mrvpd.org or by leaving a message at 802-496-6782.

What is the FLO Fund?

This is a proposal to create a sustainable funding source to support Valley-wide projects and initiatives such as those that have been identified by the community over the last five years. The money for these projects would come from a 1% addition to current state taxes on rooms, meals, alcohol, and retail sales in Fayston, Waitsfield, and Warren. Voters in all three towns would need to approve this tax before it can take effect. This local option tax would not be added to any other items or services.

The receipts from this tax would go to the new Mad River Valley FLO (For Local Opportunities) Fund to ensure that the Mad River Valley has the continued resources to thrive... far into the future.

What kind of projects and community benefits could these funds deliver to The Valley?

Recent in-depth Valley-wide studies have identified priorities in areas such as housing, transportation, recreation, marketing and economic vitality. The FLO Fund would be available so that the towns and Valley organizations can begin putting these plans into action.

Getting moving on affordable housing, improving public transportation for residents and Valley employees, things like a roof and new cooling system for the ice rink, expanded mountain bike trails, a more connected PATH, wastewater infrastructure improvements, help for Mad River Valley Ambulance Service to maintain or replace aging equipment, bringing people to Valley businesses during the current quieter times of year, are all examples of projects that could be funded by the FLO.

Who is proposing this new tax?

The Mad River Valley Planning District serves the towns of Fayston, Waitsfield, and Warren. As a follow-up to recent studies, it set out to find a better way to support the great quality of life our residents, businesses, and children want and do it in a sustainable way that assures the Mad River Valley will remain an attractive place to live, work, and play well into the future. In February 2018 it appointed a group representing each of the towns, the Planning District, and the Mad River Valley Chamber of Commerce to suggest improvements to our current system.

Its members include Bob Ackland, Jasmine Bigelow, Jared Cadwell, Darryl Forrest, Peter MacLaren, and Don Simonini.

After eight months of research and discussions, the group is proposing the FLO Fund and recommending investments in four key components of the MRV—Community Projects, Recreation, Destination Marketing, and Economic Development.

Why is this new “tax” being proposed? Aren’t we doing fine here in The MRV?

The Valley’s assets--diverse topography, rural landscape, engaged citizenry, active cultural life, and an entrepreneurial agricultural/business community—are strong. But recent planning efforts show

there are challenges facing the MRV and its residents. These are being addressed in piecemeal fashion, but our towns and nonprofit groups lack the resources to tackle them in a sustainable way.

The Valley population is among the oldest in Vermont, and also in the country. Without the addition of younger families into our Valley we will become a place where there are only second homes, limited workers, and a declining infrastructure. Doing nothing is a declining spiral for our Valley.

Part of our research looked at funding the FLO by raising property taxes or other revenue sources. The proposed 1% LOT was identified as the best way for residents to fund investments in our future because it shares the cost with visitors and part-time residents who enjoy what the Valley offers.

To date, 25 Vermont towns and cities have a local option tax in place. Their experience has been very helpful in drafting this proposal.

What will be the impact of this 1% FLO tax on locals?

Three complementary studies have shown the FLO effect on year-round residents will on average be about 50 cents per person per week, or \$2 per month. A family living at the State defined poverty level of \$24,000 per year will pay on average less than \$5 per year in additional tax. 88% of the FLO collections will be contributed by our visitors and part time residents.

Will I pay the 1% on everything I purchase?

The 1% will apply to alcohol, rooms, meals, and non-exempt retail sales in our area. However, since most consumer goods are tax exempt by the State the 1% will not apply to them. For example, medications, clothing, prescription drugs, food, and dozens of other items are ALL tax exempt.

Will service businesses be affected by this tax?

No, services, including labor costs, are not taxable. Hence, The FLO 1% would not apply.

Won't adding a 1% LOT tax result in fewer people choosing to visit the Mad River Valley?

The MRV Vitality sub-committee has reviewed the publicly available sales tax collections for towns in Vermont that have implemented a LOT over the last 20 years. There is no indication at all that there has been any year over year negative impact on the number of visitors or the amount being spent following the implementation of a LOT. In fact, quite the opposite. Looking at our nearest neighbors of Killington, Stowe and Middlebury—which have all chosen to reinvest in their communities in various ways over the last few years to make them more attractive for both visitors and residents—their combined rooms, meals and alcohol sales have grown significantly over recent years. As a comparison, the Valley has experienced very little growth.

Anecdotally the vast majority of visitors do not make their decisions based on minor differences in tax rates, particularly as in most cases our visitors are coming from cities that have much higher state and local taxes on short-term accommodation. If that were the case, the MRV would be drawing a significant number of visitors who have instead chosen destinations like Killington or Stowe in spite of the local tax. Visitors are attracted by what a destination offers, not minor differences in tax rates.

Won't adding a 1% LOT tax on retail sales negatively impact our shops?

During the MRV Vitality sub-committee's research, it looked at whether a 1% LOT might drive retail business away from the Valley. It seems unlikely, since for example the big box store towns of Williston (Home Depot and Walmart) and Colchester (Costco) now have a 1% Retail LOT in place. Valley residents may choose to shop elsewhere for a variety of reasons, but they will not avoid the 1% by shopping in those towns, in fact by shopping at these stores you are already helping them invest in their communities. In addition, many of the items that Valley residents buy on a regular basis are exempt from the LOT, so there would be no incentive to buy them elsewhere. Local retailers would also stay on a level playing field with Amazon as well, since that company would collect and remit the LOT on any taxable purchases made from a Valley address.

Keep in mind, part of the FLO Fund will be used to smooth out our visitor cycle and help increase the viability of all our Valley businesses.

Also in our benchmarking we note this feedback from Dover (Mount Snow) about their experience: “The 1% LOT has had a hugely positive impact on the work (the town) has been able to do to attract events and visitors ... retailers are happy with what the tax \$ is achieving, and not complaining at all that it was the wrong thing to do ... visitors and shoppers don't even notice”. (Quote from their Chamber of Commerce Executive Director.)

Why did Killington drop the LOT on Retail Sales?

Killington initially launched a LOT on all of Rooms, Meals, Alcohol and Retail sales. In 2018 an agreement was reached with the Killington Ski Resort to replace the Retail sales LOT with a comparable direct grant from the resort. We understand that this change made sense for that town specifically as the resort is by far the largest element of the local retail economy. The other elements of the LOT remain in place.

We need more affordable housing in The Valley. How can THE FLO help this situation?

The Mad River Valley Planning District (MRVPD) staff in conjunction with the MRV Housing Coalition has already done considerable work to identify needs, possible land, and key challenges that need to be addressed to make developing affordable housing feasible. The results of the work to date, along with recommendations for next steps, are contained in a comprehensive report available on the mrvpd.org/FLO webpage.

However, moving forward into implementation requires the input and coordination of many players in the Mad River Valley. A key challenge has been the lack of a source of funds for critical work. With FLO funding, a town or nonprofit group could commission legal and permitting work for fresh water, waste water and other infrastructure. They could also work with private landowners to explore zoning changes, possibly provide subsidies for land purchases, and other actions to encourage development of low to moderate income housing that matches with Town plans.

The Towns are challenged to do this now as they are already struggling with an ever-increasing State school tax burden from Montpelier and cannot turn to property tax increases to fund the critical work needed to move ahead. Bottom line—the FLO can be the necessary source of funds to make progress on affordable housing a reality here in the MRV.

We can't find employees to work in our businesses. How will the FLO help mitigate this fact?

With more affordable housing alternatives available, businesses can then draw upon these new future residents of our Valley as potential employees. Improving public transportation will also increase our potential workforce options.

How will the FLO address our public transportation needs?

We could allocate some of the FLO Fund to Green Mountain Transit to try and improve year-round transportation here in the Valley for residents and employees and connect us to other routes such as Waterbury or Burlington. Our current seasonal service is focused on serving skiers and the local funding is primarily by Sugarbush.

What will we do about waste water / infrastructure development?

The FLO could help re-energize this discussion and provide some initial “seed” money to update existing plans to bring them current to today’s technology and standards, and to potentially provide a roadmap as to how to finally bring wastewater systems to our core town center in Irasville.

How the FLO Fund be managed and allocated? \$700,000 per year is a “huge” amount of money!

The proposal is for the FLO Funds to be managed by a 7-member Commission—one Commissioner appointed by each selectboard, one elected by each town’s voters, and a non-voting Chair appointed by the MRVPD. Bylaws have been drafted to govern the operation of the Commission. FLO

Commissioners will serve three-year terms. This commission will receive grant requests that will be reviewed under strict set of guidelines with the overriding guideline being: will this request satisfy a broad community need and will it be measurable over time to determine success? This process will be extremely rigid, disciplined and transparent. The Commission's meetings will be open to public and operated under the Vermont Open Meetings law.

I am concerned we are dividing up the funds into too many “buckets”. How about a couple of “high impact” projects?

The Bylaws that have been developed for the FLO Commission provide for extensive flexibility to allocate funds each year to the highest impact projects. The “buckets” are defined to provide specific guidance on where the funds *may* be used. However, apart from some specifically pre-allocated amounts, most of the funds will be available to use each year to provide grants for proposed projects that have the maximum impact of satisfying a broad community need. The bylaws also direct the Commissioners to give the highest priority to projects addressing affordable housing.

How will we know if these investments are paying off?

FLO Fund grants will require that recipients report trackable data to measure their project impact

As an example, a recent study for the Blueberry Lake trails show they have returned over \$2,000,000 being spent here in the MRV since their creation. Other possible measures for impact include trail counts, participation in programs (Youth baseball, soccer, lacrosse etc.), trends in MRV elementary school enrollment, and mid-week and non-peak weekend occupancy figures.

If Waitsfield represents 59% of the tax collected why not let them manage the funds? Why does the MRVPD become the “manager”?

Our Mad River Valley economy is tightly integrated with clear synergies that traverse town boundaries. For example, the ski areas are in Warren and Fayston, most of the accommodation is in Warren, most of the retail and services businesses are in Waitsfield, and there are restaurants in all three towns. As we plan for a sustainable viable future, looking at our community as one Valley seems to be our best approach.

The MRVPD, composed of representatives of each of the three Valley towns, is a logical choice to advance community development and be the manager of the MRV FLO. The MRVPD's history with housing, transportation, recreation and land planning provide it with in-depth knowledge of our area and it can provide guidance to the organizations needed to carry on this work as well as to the MRV FLO commission.

If the Chamber receives funding from the FLO Fund will they only use this money for Chamber members or for The Valley as a whole?

Money funded to the Chamber will be used for the benefit of the entire Valley. The FLO Fund will allow the Chamber to significantly boost its destination marketing efforts, so that it can make a significant impact beyond what its members are able to provide. The FLO Fund will be used specifically to promote the Mad River Valley as a whole, not individual businesses. The Chamber will be required to submit a detailed marketing plan, annually, that focuses on increasing visits during the summer and slower time periods, with a goal of improving the occupancy of *all* existing lodging, restaurants, retail and attractions to help them sustain a viable year-round business. An estimated \$8.5 million of increased annual revenue for existing businesses is projected by having the resources to create and execute an effective marketing plan.

Chamber members will continue to have the benefits they currently enjoy through the Chamber's innovative membership structure.

Some of the proposed funding will be used for job training, business training, and business development programs to help strengthen our existing and future businesses here in The Valley. The programs funded by the FLO will be open to all current and potential businesses in The Valley.

Is there any other way to collect funds without giving the State 30%?

No, the LOT program is set up with specific rules by the State. We estimate the State will collect about \$1 million dollars in year one and it is required to return 70% to the Valley. The FLO Fund will receive these deposits and 100% of these collected funds will go directly to The MRV community and be managed locally for local opportunities.

These FAQs will be updated ongoing. Check mrvpd.org/FLO for these and other information.