Burlington Town Center Redevelopment

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Transforming the heart of Burlington

Updated March 15, 2016

The Challenge:

The Burlington Town Center mall opened in 1976, inserting a suburban-style indoor mall right in the heart of downtown Burlington off Church Street. It was built on a portion of Burlington's "urban renewal" project, which destroyed a long-standing neighborhood of houses, shops and local streets to clear the way for large development on super blocks. The urban renewal zone has cut off the Old North End from the rest of downtown for 50 years.

The current mall development does not serve residents or visitors well. It has had the impact of (i) isolating Burlington's Old North End from the Downtown, (ii) reducing the quality of street life and "eyes on the street" with the mall's cement walls and dark parking garages fronting along Bank Street and Cherry Street, (iii) contributing to the separation of Church Street from the Waterfront, and (iv) confusing many drivers and visitors who come to Burlington's downtown. In part for these reasons, the BTC Mall – which occupies two central blocks in Vermont's largest downtown – has remained historically underutilized and was identified by the thousands of Burlingtonians as part of the multi-year public planning process *planBTV: Downtown & Waterfront* as a site in need of redevelopment. P*lanBTV: Downtown & Waterfront* was unanimously adopted by the Council in June 2013.

The proposed redevelopment is consistent with the goals identified by Burlingtonians in planBTV and advocated for by the City Administration, including:

- Increasing downtown vibrancy by replacing a one-story building with multi-story, mixed-use buildings
- Greater connectivity through the mall site by reconnecting the City's St. Paul and Pine streets;
- Enhancing the streetscapes around the BTC Mall to complement the great success of Church Street;
- Strengthening connectivity between Church Street and the waterfront and the Old North End; and
- Promoting the use of mass transit by concentrating development adjacent to the new State-supported Downtown Transit Center.

The Process:

After the current owner, Devonwood LLC ("owner"), acquired the property, the City pressed the owner to do more than just rehabilitate the current mall.

The City asked for a total transformation of the site, incorporating the vision of the unanimously adopted "PlanBTV." The City's vision calls mixed uses on the site, including substantial new housing, retail, and office space. *PlanBTV* seeks density for smart growth right in the downtown, reinvigorating the now-barren streets to attract pedestrians and activity throughout the downtown. PlanBTV also envisions actually rebuilding the street grid lost to the urban renewal and private ownership 50 years ago.

The owner's original plans did not match this community vision. The City and owner agreed to engage in an extensive public process soliciting design and usage input from residents, the city, and experts. The result is a significantly different and more desirable plan for the site that meets the City's adopted vision for downtown. Critical to the plan is the City's desire to reconnect the streets and create public streetscapes, coupled with the owner's willingness to build to a scope supported by those public improvements.

The Opportunity:

The proposed project is a $250 million redevelopment that will remove the mall and transform the heart of downtown Burlington by reclaiming the city's old connections, revitalizing Bank and Cherry Streets between Church and Lake Champlain, and providing a place where residents and visitors can live, work, and play.

- The project will provide much needed downtown housing, including affordable housing as an Act 250 Priority Housing Project, with 274 residential units including 55 units provided for residents with incomes at no more than 60% of the Area Median Income (family of 4 = $49,190 or less in 2015).
- The new project will be built for a city, not a suburb – bringing shops, office space, services, and restaurants fronting on Bank and Cherry Street. This will create a true downtown streetscape experience and connect Church Street to Lake Champlain.

- The project will create almost 1,000 construction jobs in total.
- Over the long-term, the project will support over 1,200 jobs in shops, services, and offices, across wage levels.
- The redevelopment will fix problems created by urban renewal by restoring much of the street grid and reconnecting Burlington's Old North End to the heart of downtown, by requiring the developer to provide land to create St. Paul and Pine Streets between Bank and Cherry.

The City's Public Infrastructure Investment:

The City's public infrastructure investment in the re-establishment of public corridors and streets at St. Paul and Pine, plus the improved pedestrian and streetscape along Cherry and Bank Streets, will support a significantly different and more desirable project than if those public improvements were not required for redevelopment of this site. Specifically, the proposed BTC redevelopment project involves substantial new public infrastructure investments in:

- The re-establishment and rebuilding of St. Paul Street between Bank Street and Cherry Street, featuring the high-quality public amenities and the creation of multiple entry points into the retail spaces within the Property from the street.
- The establishment of public connectivity along Pine Street between Bank Street and Cherry Street.
- The redevelopment of Bank Street and of Cherry Street between St. Paul Street and Pine Street, with high-quality public streetscape amenities and the creation of multiple entry points into the retail spaces from those streets.

The projected cost of this public infrastructure investment is approximately $20 million, and the City proposes to use Tax Increment Financing (TIF) to support these public investments. The parcels for this project are located within the approved Waterfront TIF District for the City of Burlington.

Impact on Education Fund Comparison - Guide and Spreadsheet:

The City is requesting a partial extension of the period of State education property tax increment retention, specifically the extension of the BTC Mall parcels within the Waterfront TIF district. Therefore, it is important to understand what impacts, if any, the City's proposal has on the State Education Fund.

The bottom line, as demonstrated in the chart at the end of this document, is that both the City and State are better off if the City finances these public improvements through TIF than the status quo. In fact, even with an extension of the BTC Mall parcels of the Waterfront TIF district, the redevelopment project will generate about an additional $315,000 annually for the State Education Fund. When the full increment from the redeveloped mall is available in 2036, the estimated annual revenue to the State Education Fund will be about $3,875,235, or about $1.4 million more than the current revenue without redevelopment.

The following narrative helps explain the associated detail in the chart. The first column, 2025, demonstrates the status quo if no redevelopment takes place in the years leading up to the expiration of the Waterfront TIF district. Currently, the State Education Fund generates revenue from the original value of the non-mall parcels ($21 million) the original value of the BTC Mall parcels (also $21 million). The $42 million in Education Fund Taxable Value generates about $736,000 annually for the State Education Fund.

The second section of the chart captures the years 2026 – 2035 and compares two scenarios. In the first, "No Build," the Mall is not redeveloped and the Waterfront TIF expires in 2025. In addition to the $42 million described above, the increment generated on the non-mall and BTC Mall parcels – $91 million and $4 million respectively – now generates new revenue for the State Education Fund. The original $42 million, plus the increment of $95 million, would then generate about $2.4 million for the State Education Fund.

The second scenario in that section demonstrates the importance of the Mall redevelopment project. In this scenario, the BTC Mall parcels of the Waterfront TIF district are extended until 2035, however the revenue generated for the State Education Fund is higher than in the No Build scenario because 25% of the mall property's

incremental (approximately $18 million) now generates revenues for the State Education Fund. In the Build scenario the total estimated annual Waterfront TIF revenue for the State Education Fund is approximately $2.7 million, more than $300,000 additional dollars.

The final section, looking at 2036 and beyond, is straightforward: A successful redevelopment of the BTC Mall will generate $88 million in new increment on the BTC Mall portion of the Waterfront TIF. That equates to an estimated annual revenue to the State Education Fund of about $3.9 million.

The City's Legislative Request:

The City's request is consistent with State statute. 32 VSA 5404 a(h)1, that "the new real property development would not have occurred or would have occurred in a significantly different and less desirable manner but for the proposed utilization of the incremental tax revenues."

The context for the BURLINGTON WATERFRONT TIF LEGISLATION – 2016:

1. The City's Waterfront TIF District is currently authorized to retain State Education Increment only through June 30, 2025.
2. Devonwood LLC owns the Burlington Town Center (BTC) and is prepared to rebuild re approx. $250 million project – to include $20 - $25 million City of Burlington public infrastructure investment via TIF to support the project. The City's proposed public infrastructure contributions via TIF assure a project that would not be occurring or would be occurring in a significantly different and less desirable manner otherwise.
3. Financial modeling indicates the BTC property's increment alone can service the TIF debt if the increment retention period for that property is extended through 2035.
4. The City now seeks to extend the life of the District in an extremely limited manner –
   (a) the City seeks legislative authorization to extend the state education property tax increment retention period until June 30, 2035 for the Burlington Town Center properties within the Cherry Street spur of the Waterfront TIF District; notwithstanding any earlier end date for state education property tax retention set by prior enactment of law.
   (b) the City also seeks legislative authorization to extend the debt incurrence period to June 30, 2021 for the financing of public improvements in support of the redevelopment of the Burlington Town Center properties within the Cherry Street spur of the Waterfront TIF District; notwithstanding the December 31, 2019 end date for Waterfront TIF District TIF debt incurrence set by prior enactment of law.
5. The pre-existing State education property tax increment retention period ending June 20, 2025 shall continue to apply to the Waterfront TIF District except as described in Section 4(a) above.
6. The pre-existing debt incurrence period ending December 31, 2019 shall continue to apply to the Waterfront TIF District except as described in Section 4(b) above.

The Proposed Legislation:

BURLINGTON TAX INCREMENT FINANCING

(a) Notwithstanding any other provision of Vermont law, the authority of the City of Burlington to incur indebtedness for its currently-existing Waterfront tax increment financing district is hereby extended for financing public improvements in support of development or redevelopment of property within the district to the east of the so-called Pine Street intersection of the so-called Cherry Street spur of the district, for eighteen months beginning December 31, 2019. Any increment calculated under this provision shall utilize the original taxable value for the properties subject to this extension.

(b) Notwithstanding any other provision of Vermont law, the authority of the City of Burlington to retain state education property tax increment for repayment of any indebtedness incurred for financing public improvement in support of development or redevelopment of property within the district to the east of the so-called Pine Street intersection of the so-called Cherry Street spur of the district from the date of enactment of this provision through June 30, 2021 is hereby extended to June 30, 2035.

(c) All other provisions relating to the City of Burlington's Waterfront tax increment financing district, including provisions relating to incurrence of indebtedness and retention of state education tax increment not addressed by subsections (a) and (b) of this section shall remain in full force and effect.

What is TIF (Tax Increment Financing)?

TIF is a long-term tool that uses incremental tax revenue over 20 years to repay debt. Investment debt will be repaid with the incremental tax revenue of the district, not just one particular project.
The purpose of TIF is to stimulate economic development and fund public infrastructure and/or public facilities. TIF is designed to have tax increment revenue fund improvements, not increase taxes. The infrastructure built in a district is intended to help support the growth of the tax base within the district over the life of the district. This allows the city to use increment (the increased tax revenue generated by this growth) to retire any debt associated with the construction of improvements without directly impacting individual taxpayers in the district.

What is a TIF district?

A municipality establishes a TIF district within an area requiring public infrastructure to encourage public and private real property development or redevelopment. When approving TIF financing, the State through the Vermont Economic Progress Council (VEPC) must determine that the new real property development would not have occurred or would have occurred in a significantly different and less desirable manner but for the proposed utilization of the incremental tax revenues.

When the municipality creates the district, the existing property values for properties within the district are recorded; this is the Original Taxable Value (OTV). These properties already generate a certain amount of tax revenue for both the municipality and the State Education Tax Fund. Revenues generated by the OTV will continue to go to the taxing entities (municipal and State) throughout the life of the TIF district. However, as the property value increases due to TIF-financed improvements, so does tax revenue generated by the district as a whole - this increase is the increment. The municipality incurs debt to build public infrastructure that will allow for real property development and redevelopment to occur.

Why TIF instead of other means for City investment?

The TIF program was created for exactly this type of project where investment in public infrastructure is necessary to leverage substantial new private investment. The project meets every objective and criterion which the State articulated when it established its tax increment financing laws. Moreover, as a result of Vermont's statewide education property tax, private property investment generates substantial new revenues to the City and the State and therefore the TIF program – in which the City and the State share the cost of the new public infrastructure investment -- is an appropriate tool for generating this economic development. This is especially true when municipalities are receiving virtually no federal or state support for their large general infrastructure needs, and when the Vermont municipalities working to achieve the state's clean water goals are facing massive new investments in stormwater and wastewater infrastructure costs. In short, the City has no other viable or fair financing source for the necessary public investment needed in this project.

What is the history of the Waterfront TIF District?

On January 22, 1996, the City of Burlington created a TIF district known as the "Waterfront TIF District" along the central and northern end of the waterfront. This district was established to redevelop the Lake Street district and reclaim the post industrial nearby waterfront area focusing on investment in public infrastructure and facilities that support economic development and public access.

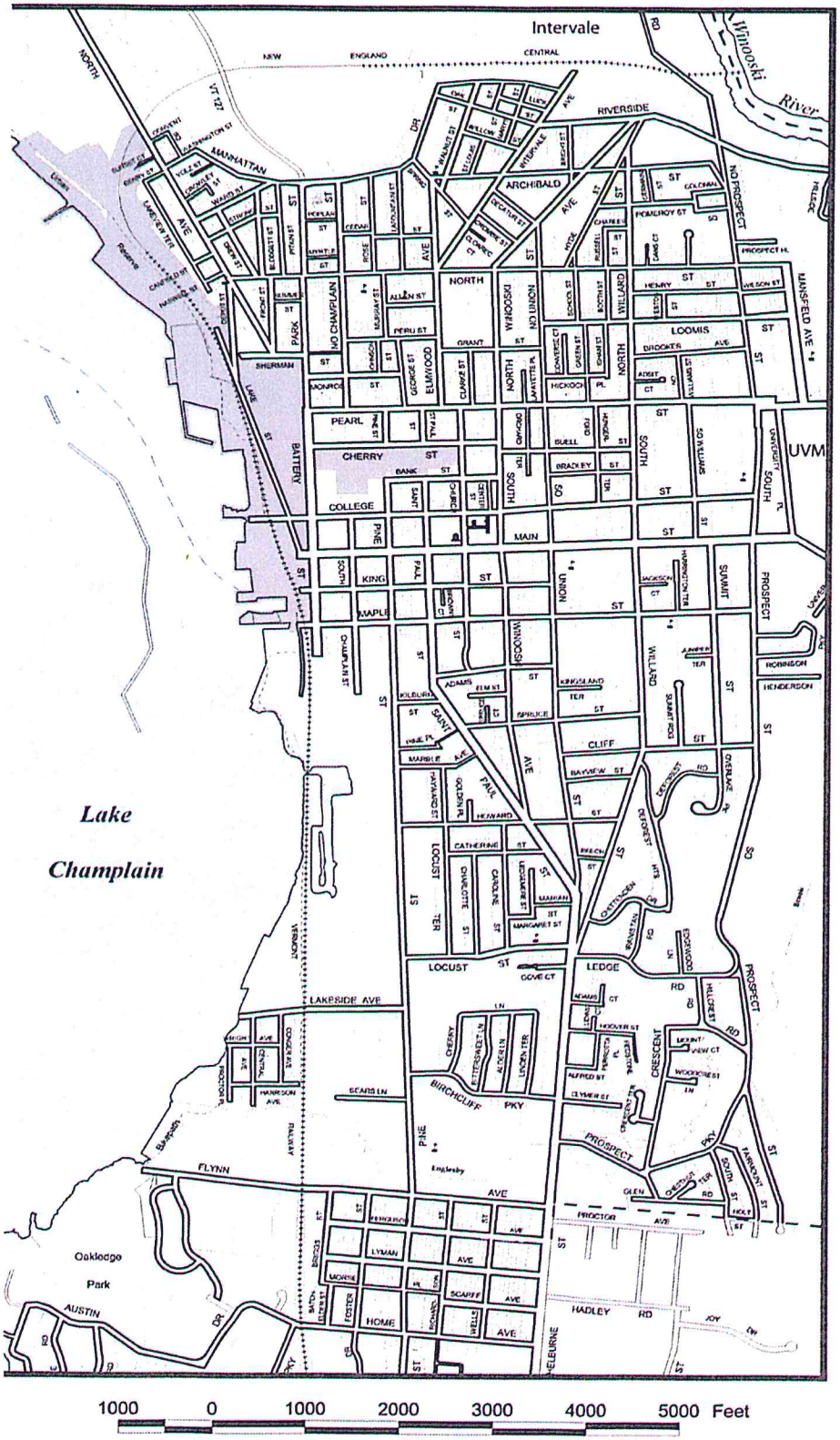
On June 23, 1997, the city expanded its TIF district with a sliver of property extending from the lakefront to Church Street along Cherry Street to facilitate increasing the housing supply and parking garage additions to help stimulate a market for commercial retail stores and business office, utilizing a special TIF grandfathering provision of Act 60 (1997). That Act also allowed 100% of the incremental state and municipal property tax revenues to be

dedicated to paying o the TIF District debt incurred to finance development within the district. Under the version of 24 V.S.A. § 1894 in statute when this TIF was created, Burlington could incur indebtedness for a period of ten years following creation of the district, with the indebtedness retired over any period authorized by the municipality's legislative body.

The city used the TIF district to redevelop the Lake Street district and make the waterfront area more accessible and vibrant. The City also invested in infrastructure upgrades and parking garage additions to stimulate the market for commercial retail stores and business offices. The infrastructure improvements to Lake Street, the Westlake Garage, and the Lakeside Parking Garage have encouraged business growth. Private "anchor projects" include Macy's, the Marriot Hotel and Hotel Vermont. There are on Lake Street a new office and retail building, 16 residential condos and 40 residential units of affordable housing.

Although the statute referred only to bonded debt, Burlington financed these projects from several sources other than bonding, including a federal EDA grant, state funds such as transportation grants and sales tax reallocation through the Downtown Program, a one-time developer payment, a HUD Section 108 loan, and Certificates of Participation (COP) financing. These alternative forms of financing were retroactively approved by the General Assembly in §72 of No. 190 of the acts of 2008. The following year, per Act 54 (2009 session), commencing January 1, 2010, Burlington's borrowing period for the Waterfront TIF district was extended for five years.
A provision enacted by the General Assembly in 2011 (§16 of Act 45) codified the closure date of the Burlington Waterfront TIF as 2025. The provision included rules specific to this TIF District, one of which requires that starting with the 2010 Grand List, a portion of the incremental education property tax revenue be paid to the Education Fund according to a formula (75%/25%).

In 2012 and 2014, Burlington voters approved the issuance of general obligation bonds or other debt not to exceed $6.05M and $9.6M respectively. These bonds cover renovations and enhancements to four sections of the bike path and construction of the Waterfront Access North project, including brownfield remediation, utility undergrounding, parking, skatepark, sidewalks, plantings and lighting improvements and a suite of development projects proposed for the City's northern waterfront redevelopment (marina, community sailing center, redevelopment of the Moran Plant as well as improvements to the Leahy ECHO Center).



CEDO

Community and Economic Development Office
Burlington, Vermont

TIF District (Tax Increment Financing)

Exhibit A

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PARKING
OFFICE
BANK STREET
CHERRY STREET
CHURCH STREET MARKETPLACE

AERIAL VIEW

CHERRY STREET LOOKING WEST (HOUSING)

WF TIF District: Impact on Education Fund Comparison

Created: 3/9/16

	2025	YEARS 2026 TO 2035		Years 2036 + beyond	
	Status Quo As District Expires	Scenario I: No Build	Scenario II: Mall	Scenario I: No Build	Scenario II: Mall Redeveloped
	Only revenues from original taxable base value are flowing to Ed Fund	Waterfront TIF district expires on 6/30/26. Incremental assessed value of mall and non-mall properties	Same as No Build except Mall Parcels remain in WF TIF District + 25% of new incremental redeveloped mall	No change from prior period	Full increment from redeveloped mall now released to Ed Fund
Base Assessed Value of Non-Mall Parcels	$ 21,000,000	$ 21,000,000	$ 21,000,000	$ 21,000,000	$ 21,000,000
Incremental Asssessed Value of Non-Mall Parcels		$ 91,000,000	$ 91,000,000	$ 91,000,000	$ 91,000,000
Base Assessed Value of Mall Parcels	$ 21,000,000	$ 21,000,000	$ 21,000,000	$ 21,000,000	$ 21,000,000
Incremental Value of Mall Parcels		$ 4,000,000	$ 22,000,000	$ 4,000,000	$ 88,000,000

Note 1: All values are in 2016 dollars and estimated annual tax revenues are calculated using FY16 Non-Homestead Education Tax Rate of 1.7535

Note 2: "No Build" scenario assumes no reduction in mall assessed value (University Mall's assessed value was reduced 60% in January, 2016 as a result of lost tenants and reduced revenues

Note 3: Table does not capture additional approximately $300,000 in annual revenues to Ed Fund that are projected to be generated upon completion of the redevelopment in 2019.

Note 4: "Mall Redeveloped" scenario does not include additional increment from planned Phase 2 of mall redevelopment.

Note 5: Growth in Non-Mall Increment is largely generated by the Cherry Street hotels and Main St. Landing project.