PUBLIC INFORMATION NOTICE
TAX INCREMENT FINANCING
CITY OF RUTLAND
RUTLAND TAX INCREMENT FINANCING DISTRICT

This Public Information Notice is prepared by the City of Rutland to provide information to the public relating to the proposed ballot question seeking authorization to pledge the credit of the City to borrow, finance, or otherwise pay for tax increment financing (TIF) improvements to serve the City of Rutland's Tax Increment Financing (TIF) District. If approved by the voters, the City expects to use tax increment revenues from within the TIF District to pay for the indebtedness and direct and related costs for the TIF improvements. This notice is intended to provide the voters with information concerning (1) the proposed projects, (2) the terms of indebtedness to be incurred, (3) the related costs that may be incurred by the City, (4) the expected source of payment for such indebtedness and direct and related costs, and (5) the expected development to occur.

WARNING AND PUBLIC VOTE

At an August 25, 2025 special meeting, the City's Board of Aldermen approved, as part of a resolution entitled "NECESSITY RESOLUTION FOR INCURRING BONDED DEBT FOR PUBLIC IMPROVEMENTS IN THE TAX INCREMENT FINANCING (TIF) DISTRICT", the request for the following question to be placed on the ballot at a special City meeting on October 7, 2025:

"Shall the City (i) issue general obligation bonds or notes and pledge the full faith and credit opf the City to secure indebtedness in a total principal amount not to exceed $3,900,000 (which will bring the total Tax Increment Financing (TIF) District debt approved since the TIF District's creation to $3,900,000) for the purpose of funding one or more public improvements in or serving the TIF District, and funding certain expenses related to the TIF District, specifically:

(A) Public Improvements: install new water mains on Wales Street; install a new sewer main, new water main and new stormwater main on Center Street; bury electrical and communication conduits below ground on a portion of Wales Street; replace sidewalks on Center Street, Wales Street and Willow Street; make streetscape improvements on Center Street from Wales Street to Merchants Row; payment of, or reimbursement for, costs paid to outside vendors, consultants, and various related fees and other expenses related to the public improvements; and payment of the first four semi-annual interest payments on the associated debt;

(B) Related Costs: payment of, or reimbursement for, TIF-eligible related costs incurred by the City for the creation, implementation, administration and operation of the TIF District, including costs paid to outside vendors, consultants, and various related fees and other expenses related to the TIF District, as well as direct municipal expenses, such as departmental or personnel costs related to creating or administering the District, to the extent such costs are paid from the municipal, and not education incremental taxes, and are otherwise reimbursed in accordance with law;

the combined cost of which is estimated to be $8,499,093.00, and (ii) expend up to $400,000 of the principal amount for related costs, which will bring the total related costs authorized by voters to $400,000 since the TIF District's creation, with the understanding that tax increment from the properties within the TIF District shall be pledged and appropriated for the payment of such indebtedness or direct costs of the improvements?"

THE PUBLIC IMPROVEMENTS

This first phase of TIF District public improvements to be financed (the "**Public Improvements**") are related to the development of the Downtown Hotel + Living Project (as defined in "THE EXPECTED PRIVATE DEVELOPMENT" section below) and will include:

- Burying and feeding all electrical and communication conduits to be relocated from above ground to below ground on Wales Street, from Willow Street to south of Center Street; and provide the Downtown Hotel + Living Project's developer (the "**Developer**") with a new transformer to serve the Downtown Hotel + Living Project which Developer will install on adjacent State-owned land.

- Installing new water mains on Wales Street sufficient to serve the Downtown Hotel + Living Project with tees and valves for the Downtown Hotel + Living Project.

- Upgrading sewer and water mains, and installing a new stormwater main on Center Street sufficient to serve the Downtown Hotel + Living Project with service connections for the Downtown Hotel + Living Project.

- Replacing sidewalks on Center, Wales and Willow Streets during construction of the Downtown Hotel + Living Project.

- Making streetscape improvements on Center Street from Wales Street to Merchants Row.

- Paying of, or reimbursing for, costs paid to outside vendors, consultants, and various related fees and other expenses related to the above; and

- Paying the first four semi-annual interest payments on the indebtedness associated with this financing.

The City has estimated that the Public Improvements will cost approximately $8,500,000 to complete and place into service, and that approximately $3,900,000 of that amount will be paid from proceeds of the indebtedness. Therefore, the total amount of TIF District debt to be approved by voters is expected to finance approximately 46% of the total cost of the Public Improvements.

THE EXPECTED PRIVATE DEVELOPMENT

The proposed "Downtown Hotel + Living Project" will be a 6-story structure on the corner of Center and Wales Streets, located in the heart of Downtown Rutland at the site of the former Berwick Hotel (which is also sometimes referred to as "The Pit"). It is proposed to create a hotel with a restaurant, bar, and hospitality area, as well as 99 rooms on the first four floors. It is also proposed to include a rooftop restaurant and bar. The fifth and sixth floors are proposed to have 26 one- and two-bedroom market rate apartments.

Pursuant to a Development Agreement between the City and the Developer, dated May 22, 2025 (the "**Development Agreement**"), the Developer will use good faith efforts to secure sufficient funds (anticipated to be approximately $5,000,000) through grants and loans to remediate existing environmental contamination at the site.

Furthermore, the Public Improvements should increase the economic vitality of neighboring areas and buildings. The City considers this as a positive gateway project that would allow for a better commercial and housing development climate, which could boost the City's economy. New jobs, safer streets, sidewalks, streetscapes and a more secure long-term tax base are just a handful of the benefits that the City anticipates.

<u>FINANCING OF PUBLIC IMPROVEMENTS – INDEBTEDNESS</u>

As discussed further in this section, the City intends to finance the estimated cost of $8,500,000 for the Public Improvements with a combination of bonds or notes (which may be issued in a competitive or negotiated sale, in a private placement, or through the State of Vermont's Revolving Loan Fund), Northern Border Regional Commission (NBRC) grant funds, and other grants.

At this time, subject to the receipt of necessary voter approvals, the City intends to primarily finance the Projects by the issuance of bonds or notes, in one or more instances, for a total principal amount not exceeding $3,900,000. Issuance of the bonds, notes or other evidence of indebtedness will be subject to the City of Rutland's Board of Aldermen authorization. The City has historically sold its general obligations bonds to the Vermont Municipal Bond Bank, but may pursue other methods of financing if the City's Aldermen determines it is in the City's interest to do so. The City may also sell and issue such bonds or notes through either a competitive or negotiated sale, depending on whether the Vermont Municipal Bond Bank approves the issuance by the City of the full amount of debt authorized by the voters. The City may structure the indebtedness to allow for the deferral of payments on principal for several years.

Whether issued to the Vermont Municipal Bond Bank or through a competitive or negotiated sale, the City expects that the terms of repayment would not exceed thirty (30) years and the interest rate and fees would be determined based upon the term length and market conditions at the time of incurrence of debt. The current interest rate for bonds, as of September 2025, if used through the Vermont Municipal Bond Bank, is estimated to be 4.73% per annum for a thirty (30) year bond. These rates are expected to change based upon a number of factors, including market conditions at the time of the borrowing and incurrence of the debt, federal and state tax policies, credit ratings of the issuer for the source of funding, and the type of debt instrument issued by the City. The bonds or notes may be issued on a tax-exempt or taxable basis, depending upon federal tax laws at the time of issuance. Based on current market interest rates, if the full amount of the authorized debt is incurred, the total interest payable is estimated to be approximately $2,790,000 over the life of the bond or bonds for a thirty (30) year bond. Interest rates are subject to change and the total amount of interest payable on the bond(s) will vary accordingly. The estimate of total interest to be paid is further dependent upon whether the bonds will qualify to be issued as tax-exempt obligations and/or how much of the principal is deferred.

Depending on market conditions, the City's Board of Aldermen may authorize the issuance of bond anticipation notes and other short-term debt, which would be refinanced at a later date with long-term debt. Currently, the City expects that it will not need to issue bond anticipation or other short-term debt, though that may change depending on the City's needs and market conditions.

To finance a portion of the planned $3,900,000 debt, the City may also issue notes or incur indebtedness through the State of Vermont's Revolving Fund (SRF). The SRF allows municipalities to borrow money at favorable interest rates in order to design, plan and construct improvements for drinking water or for clean water management, which includes management and handling of stormwater. For any such SRF loans, the City would enter into a loan agreement with the Vermont Municipal Bond Bank, as administrator of the SRF loan program, to evidence the repayment of such a loan. Such loan agreement would contain covenants that will require the City to construct the improvements, operate the water projects in a prudent fashion, and maintain the system in good working condition. The interest rates for SRF loans can vary but would likely be less than the interest rates on bonds. The terms are currently estimated to be 0% interest for a 40-year $2,400,000 loan (to be used to fund eligible costs associated with the Public Improvements) with the potential for 50% loan forgiveness as the City is currently considered a disadvantaged locality.

Lastly, the City has, and will continue to pursue, grants and other forgivable loans to pay for the balance of the Public Improvements (and potentially reduce the amount of debt that it will need to incur). The City has already been awarded a Northern Border Regional Commission (NBRC) grant in the amount of $3,000,000.

In the event that grants and other fund sources are not sufficient to finance the full $8,500,000 for the Public Improvements, the City may use on-hand funds from sources that include its capital reserve fund, local option tax or excess stormwater funds. The City may also value engineer or reduce the scope of the streetscape improvements on Center Street from Wales Street to Merchants Row.

<u>PROJECTED TAX INCREMENT REVENUES</u>

The City estimates that the tax increment revenue from the TIF District will be sufficient to pay the debt service costs of the financing for the proposed Public Improvements and the related costs. The forecasts are dependent upon the expected development that will occur in the TIF District.

Under the Development Agreement, the City has agreed to stabilize municipal taxes on the Downtown Hotel + Living Project for a ten (10) year period following construction, at the April 1, 2025 property assessment value. Thereafter, the Downtown Hotel + Living Project will be assessed at fair market value, but the Developer has agreed to a <u>minimum</u> assessment of the lesser of (i) $15,000,000 or (ii) such amount as would be sufficient to ensure that the available tax increment is sufficient to service the indebtedness for the Public Improvements. The minimum assessment will be a covenant burdening the Downtown Hotel + Living Project property until the City has repaid the indebtedness for the Public Improvements.

Only after the Developer has certified that it is ready to proceed with construction will the City actually incur any indebtedness that is authorized by the voters for the Public Improvements.

<u>RELATED COSTS</u>

The City may use its TIF incremental revenues to pay for a broad category of items which are defined by law as “related costs.”, either directly or through payment on the indebtedness (if such related costs were paid for with proceeds of the indebtedness).Related costs can be City expenditures related to the specific public improvements or they can be related to the City’s overall implementation and administration of its TIF District. The following are expected “related costs” to be paid from TIF revenues:

- Cost of plans, studies, or reports that are specific to preparing the TIF District Plan and the TIF District Finance Plan submitted to VEPC, application to VEPC, or subsequent filing or reporting required to maintain the District;
- Costs of providing public notification about, and obtaining public approval for, the City’s TIF District Plan and District Finance Plan;

- Consulting, design, architectural, engineering, accounting, legal, project management, or other professional services incurred during preparation of the City's TIF District process;
- Cost of audits by the State Auditor of Accounts required by statute, including costs billed back to the City by the State Auditor of Accounts and any audit-related costs incurred by the City during the conduct of those audits; and
- TIF District-related costs of the independent annual municipal audit required by statute.

Some of the foregoing "related costs" can wholly utilize tax increment revenues, while others by law may not use the portion of incremental taxes for education and may only utilize any municipal tax increment that exceeds 85% of the incremental municipal tax revenue which the City does not currently plan to do. Additionally, rules promulgated by VEPC permit soft costs such as consulting, design, architects, engineering, accounting, legal, project management, or other professional services directly related to the implementation and construction of eligible District improvements to be treated as "related costs." The City has elected to include such costs in its calculation of costs of the Public Improvements to be financed by TIF indebtedness. In total, the City expects to utilize up to $400,000 of TIF incremental revenues in order to cover related costs for the Public Improvements and for the TIF District.

PLEDGE OF THE CREDIT OF THE CITY

The City projects that the TIF incremental revenues will be sufficient to pay the debt service obligations of the City that may be incurred if such debt for the Public Improvements is authorized by voters. However, if the tax increment received by the City is insufficient to pay the principal and interest on the debt or any other form of TIF District financing in any year, for whatever reason (including a decrease in property value or repeal of the education property tax source, unless determined otherwise at the time of such repeal), voters are notified that by authorizing the City to pledge the credit of the City to secure indebtedness in connection with the Public Improvements, the City shall remain liable for payment of the full principal and interest for the term of the indebtedness.