LOCAL INVESTMENT ADVISORY COMMITTEE
AUGUST 21, 2014

LIAC Members Present:
BETH PEARCE, CHAIR, Vermont State Treasurer
SARAH CARPENTER, VICE CHAIR, Executive Director, VHFA
PETER ADAMCZYK, SECRETARY, Energy Finance and Development Manager, Efficiency Vermont Designee
JO BRADLEY, Chief Executive Officer, VEDA
BOB GIROUX, Executive Director, VMBB

LIAC Member(s) *Absent*:

TOM LITTLE, Vice President and General Counsel, VSAC Designee

Also attending:
Amitava Biswas, Association of Africans Living in Vermont
Anthony Pollina, Vermont State Senate
Brian Palaia, Town of Milton
Bryan Kent, Association of Vermont Credit Unions
Chris Campany, Windham Regional Planning Commission
Chris D'Elia, Vermont Bankers Association
Dylan Giambatista, Assistant to State Treasurer Beth Pearce
Edward Delhagen, Public Service Department
Erhard Mahnke, Vermont Affordable Housing Coalition
Evan Forward, Orienteer Partners
Fred Nicholson, Rutland Regional Planning
Gabrielle Stebbins, Renewable Energy Vermont
Gwendolyn Hallsmith, Public Banking Institute
James Stewart, Rutland Economic Development Corp.
Jean O'Sullivan, Vermont House of Representatives
Jeff Forward, Forward Thinking Consultants
Jennifer Hollar, Department of Economic, Housing and Community Development
John Mandeville, Lamoille Economic Development Corp.
Josh Jerome, Community Capital of Vermont
Kenn Sassorossi, Housing Vermont
Kristina Michelson, Law Office of Kristina Michelsen, PLLC
Lars Torres, Agency of Commerce and Community Development
Linda Markin, Vermont Community Loan Fund
Michael Taub, Vermonters for a New Economy
Mike Pieciak, Department of Financial Regulation
Pat Moulton, Agency of Commerce and Community Development
Seth Bowden, Greater Burlington Industrial Corp.

Steve Jeffrey, Vermont League of Cities and Towns
Stephen Wisloski, Vermont Deputy State Treasurer
Tim Smith, Franklin County Industrial Development Corp.

<u>CALL TO ORDER:</u>

The Chair, Ms. Pearce, called the meeting to order at 9:05 a.m., which was held in the 4th Floor Governor's Conference Room, 109 State Street, Montpelier, VT.

<u>ITEM 1:</u> **Agenda Approval and Announcements**

Ms. Pearce acknowledged the Committee, noting Peter Adamczyk, Energy Finance and Development Manager of Efficiency Vermont, as designee of Efficiency Vermont. A general overview of the meeting's purpose was delivered.

<u>ITEM 2:</u> **Approve Meeting Minutes**

On a motion by Ms. Bradley, seconded by Mr. Adamczyk, the Committee unanimously approved the 7/16/2014 meeting minutes.

<u>ITEM 3:</u> **Committee and Local Investment Overview**

Ms. Pearce noted that the Local Investment Advisory Committee (LIAC) was created by the General Assembly. Senator Pollina explained the legislative intent behind the initiative. It was explained that the Committee's general goal is to increase economic development activity in Vermont and create jobs.

<u>ITEM 4:</u> **Strategic Priorities**

Ms. Bradley asked those in attendance to introduce themselves prior to any further discussion. Following introductions, Ms. Pearce made a presentation of the various issues that compelled creation of the Local Investment Working Group, the ad hoc predescessor to LIAC. Recent local investments were discussed.

Ms. Bradley provided an update on the loan program VEDA developed from Act 87 of 2013. Ms. Markin commented favorably on the Community Loan Fund's use of dollars made available by the same Act. Ms. Carpenter discussed VHFA's incorporation of energy efficiency improvements into its bond offerings. Ms. Pearce noted that $1.7 million of additional authorization remains from the $6.5 million authorized by Act 87 of 2013.

Ms. Pearce discussed the various parts of Act 199 of 2014 that created the Local Investment Advisory Committee. A cash management presentation was made. Ms. Pearce made a second presentation on the investment parameters the State regularly monitors. Mr. Jeffrey acknowledge the volatility of the State's cash flow cycle, noting that the State's ability to respond to disasters, such as Tropical Storm Irene, is enhanced by the State's suitable cash position.

Ms. Pearce shared an overview of the State's local investments made to date. Investments to date totaled $25 million. Ms. Pearce posited that an additional $8 to $10 million of lending capacity was contemplated by Act 199 of 2014, subject to the approval of the Treasurer.

<u>ITEM 5:</u> Group Discussion and Public Comment

Ms. Pearce concluded her presentations and opened the discussion for group comment.

Ms. Hollar suggested that the term of available money, due to practical limitations, could control the State's ability to meet unmet capital needs. Ms. Pearce agreed, noting that the model created by Act 87 of 2013 allowed for 10 year terms. 30 year terms, she explained, exceed her comfort as a fiduciary, due to the limitations on cash flow.

Ms. Carpenter referenced Act 199 of 2014 and discerned that the existing pool of available dollars (10 percent) should not be construed as a limiting factor to the Committee's overall discussions. The Act provides LIAC to make general recommendations. Ms. Pearce concurred that recommendations were permissable and welcome.

Mr. Wisloski asked the group to identify the types of capital associated with their investment types, mentioning loans, subsidized loans and equity as examples. Mr. Giroux added that it would be helpful to consider the barriers that inhibit access to capital. Mr. Adamczyk reminded the group that of the available dollars authorized by the Act, a portion are expected to be returned annually as investments are paid back to the State. Thus, he concluded, there will be more dollars available than a one-time 10 percent infusion.

Mr. Sassorossi shared that Low Income Housing Tax Credits have not been sufficient for organizations to meet all of the demand for affordable housing financing. It was noted that approximately $10 million of capital has been recently lost due to decreases in available federal grants, earmarks, etc. Mr. Sassorossi confirmed that loan repayment terms further constrain the ability to address affordable housing needs – 10 years is not enough. Mr. Sassorossi suggested 18 years might be sufficient for Housing Vermont's program.

Mr. Sassorossi concluded by providing an update on possible congressional action that could impact existing private activity caps, thereby freeing up more dollars of capacity for Vermont.

Ms. Moulton noted four key areas of capital need. Water/wastewater infrastructure represent a statewide need, with varying degrees of complication. The State has found municipalities require planning and technical assistance to lay the groundwork for long-term infrastructure needs.

Ms. Moulton described the importance of making targeted investments in Industrial park planning and industrial park infrastructure. VEDA, Ms. Moulton noted, has developed an effective program to address some of the needs. Successes notwithstanding, planning remains a frustrating factor, as well as the mismatch between development costs and reimbursement as parcels are sold . Ms. Bradley responded to Ms. Moulton's presentation on industrial park needs, and suggested VEDA may have flexibility to help address these capital shortfalls.

Ms. Moulton discussed whether a state-run New Market Tax Credit Program, analogous to the national model, might be possible. She acknowledged that the scale of the program would be proportionate to the number of dollars available for investment.

Ms. Moulton listed brownfield redevelopment as a final area of interest.

Mr. Campany represented inadequate infrastructure as a fundamental sustainability issue – one that is causing a ripple effect in local economies. Municipalities have struggled with the pressure. It was noted that part of Vermont's appeal of its historic building stock and the vibrancy of its villages. If wastewater needs are not addressed soon, Mr. Campany said Vermont could jeopardize its appeal as a regional tourist attraction. He noted the requirement of a Comprehensive Economic Development Strategy (CEDS) in order to obtain funds.

Ms. Hallsmith presented research completed by the Public Banking Institute and Vermonters for a New Economy. Ms. Hallsmith suggested that a public bank could add value to the State of Vermont, and noted that the difference between a bank and an agency was that the bank could create money through lending. She referenced the Gund Institute's study as an existing data set that could assist the Committee's work. Ms. Hallsmith cited the study's findings that Vermont's economic need could exceed $40 billion over the next twenty years, with approximately $23 billion attributable to renewable energy needs.

Ms. Hallsmith noted that the Public Banking Institute is engaged with the Post Carbon Institute to analyze how local communities could best invest their dollars to transition to sustainable infrastructures. She offered this information to the Committee as its process moves forward.

Mr. Mahnke presented several considerations of the affordable housing community. Vermont has a shortage of 9,000+ affordable and available housing units. The challenge in the area of affordable housing is that individuals cannot handle large amounts of debt. Mr. Mahnke cited a study that found the housing wage in Vermont is $19.36 an hour. Statistics show that 60% of Vermonters do not meet the requirements of the housing wage.

Mr. Mahnke pointed out that mobile homes are another building stock that requires additional capital for 15 to 30 year terms. There is also a rehabilitation need for landlords, but the State has not developed facilities to meet such credit requirements. Mr. Mahnke encouraged the continued incorporation of private placement bonds in VHFA's bond offerings, and noted that the largest need was foe equity. A needs assessment report is being prepared and will be available in December.

Ms. Pearce acknowledged that addressing affordable and multi-family housing was one of the goals of the Treasurer's Office's collaboration with VHFA pursuant to Act 87 of 2013.

Ms. Stebbins presented that local investments in renewable energy creates jobs and cited the statistic that Vermont is number one in the nation in renewable energy jobs per capita. Clean energy jobs were described as attractive because they generally pay a decent wage and do not require a degree. Ms. Stebbins suggested convening a group of energy advocates to look at the existing pool of dollars available through Act 199 of 2014, and to make recommendations on using said monies. Ms. Stebbins concluded by emphasizing the importance of reducing energy costs for local buildings.

Mr. Forward concurred with Ms. Stebbins's findings that renewable energy investments provide a good return. Individuals pay the cost one way or another, he suggested – either through higher operating costs or through capital costs. Biomass technologies were described. Mr. Forward expressed that one advantage of biomass is that the energy type requires ongoing, sustained jobs. Mr. Forward noted that approximately 45 large schools and supervisory districts utilize woodchips and benefit from cost savings, the most in the nation, and that this sector has access to low-cost long-term financing. He further noted that pellet boiler technology could be deployed in smaller schools to generate similar cost savings.

Mr. Forward shared that a USFS grant is available to Vermont to explore biomass heating. The two sectors covered by the grant are multi-family affordable housing and schools/municipal buildings. Mr. Wisloski asked where biomass carbon emissions land on the spectrum between zero-emission renewable energy types and fossil fuels. Mr. Forward answered that biomass is in the middle of the spectrum. Different technologies are more efficient than others.

Mr. Adamczyk explained that recent changes have blurred the economics of efficiency vs. renewables. Developments in technology combined with economies of scale and increased fuel prices have reduced the cost of many generation options so that their returns on investment are comparable to many efficiency measures. He emphasized the importance of looking at both types in an integrated manner as the Committee's discussion moves forward.

Mr. Stewart presented that Vermont's relatively low number of industrial buildings is a problem of increasing concern. Mr. Stewart attributed the discrepencies between market value (appraisals) and building costs as a major factor in the cost of commercial development. He concluded that regional development committees have almost filled Vermont's existing commercial spaces to capacity.

Mr. Bowden asked the group to consider how changing business landscapes can be addressed by state and local governments. He submitted that private/public partnerships should be considered as a bridge to navigate change through redevelopment of existing properties. IBM was offered as an example of an industrial site whose future has been questioned, but whose potential is high. To illustrate his point, Mr. Bowden suggested IBM's wastewater infrastructure could be reconstituted as a valuable municipal resource.

Mr. Bowden concluded his remarks by noting that the Town of Colchester has explored creating micro community wastewater plants. Their findings suggest that if the State were to help finance these projects, the sale of land parcels could create sufficient returns.

Brian Palaia of the Town of Milton thanked the group and concurred with many of the ideas brought to the floor.

Ms. Hollar emphasized the importance of keeping up with affordable housing needs and acknowledged the Treasurer's support of NeighborWorks of Western Vermont's work. She shared that preservation efforts, while valuable, can cut into available dollars for new development. Ms. Hollar added that small private landlords need assistance to update and maintain rental units.

Ms. Pearce thanked the group for its input and asked for comment on what the Committee’s primary focus areas should be. Ms. Hallsmith suggested that a capital gaps assessment should be part of the process. Ms. Hallsmith offered Vermonters for a New Economy's existing research for consideration.

Ms. Pearce listed affordable housing, energy, and wastewater treatment as possible areas for future discussion.

Mr. Campany inquired whether there was a state infrastructure working group. Campany suggested if shops with similar focus areas met regularly, it might assist in meeting their mission goals. Ms. Pearce agreed that separation of State agencies could frustrate the process. She further stated she would inquire of ACCD and members of the General Assembly as to how periodic meetings might benefit the State.

Mr. Bowden asked the Committee to look at local, regional and state needs as it proceeds with shaping future sessions.

Ms. Pearce put forth the following meeting subjects: energy, housing, infrastructure, water/wastewater, economic development, and education. Mr. Adamczyk suggested adding transportation. He further noted that transportation is capital intensive and is a major need that the State of Vermont will have to address, and that a coordinated approach of reducing existing electric demand through efficiency and renewable generation while increasing demand through electric vehicles would be efficient and could result in a substantial decrease in money leaving the state .

Mr. Campany noted that, in many cases, institutions of higher education are major regional economic drivers. He offered the example of several other states where it is commonplace for research parks and other ancillary institutions to be developed with or adjascent to higher education facilities. Mr. Campany asked whether the State of Vermont makes an analysis of higher education’s regional economic impact. Mr. Bowden responded that the University of Vermont has formed fruitful partnerships with the medical community.

The Vermont State College system, Mr. Bowden suggested, is offering non-traditional pathways that add value. He further noted that economic development dovetails with education. Mr. Mandeville concurred and noted the importance of regional tech centers.

On the subject of the Vermont State College system, Mr. Forward expressed the challenge college administrators face, based upon the process whereby they must sell their institution’s capital needs to legislators during the appropriations process. Mr. Forward discerned that investments in renewables might be financially attractive, but lacking visibility, State Colleges might opt for other, higher visibility projects.

Mr. Nicholson offered a parting remark that the shared goal of all of low income advocates should be to work oneself out of his/her job. Then, and only then, he reasoned, would the work be done to a satisfactory conclusion.

Ms. Pearce adjourned the meeting at 11:27 a.m.

Respectfully submitted,

Dylan Giambatista
Assistant to State Treasurer Beth Pearce