

Economic, Demographic and Fiscal Impact
of the Proposed
Rutland Commons Development

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December 6, 2006

Executive Summary

Mid-Vermont Properties proposes to construct a retail development in the Town of Rutland. The developed property will be a commercial project called Rutland Commons. It will consist of a total of approximately 81,000 square feet of commercial space, the needed parking spaces, access roads, and a stormwater pond. This analysis measured the economic and demographic impact of this project. We then examined the project's impact in light of Criteria 6, 7, 9(A), 9(H) and 9(K) of Act 250. We found:

- The proposed Rutland Commons will lead to the creation of 31 jobs and a payroll of approximately \$1 million during the construction period. Then, in the first full year of operations, the proposed project will create a total of 269 jobs in Rutland County and a payroll of \$6.6 million.
- The proposed Rutland Commons will have a limited demographic impact on the host town and region. Only 45 new households will locate in Rutland County because of the project. Rutland Town will see the largest impact with nineteen new households. Rutland City will see seven new households. All other towns in the region will see two or fewer new households.
- The proposed project will have no impact on education property tax bills in the host Town of Rutland or any other town in the county. The current trend of declining school enrollments means adequate space is available for any new students. Act 68 (the current school financing system in Vermont) guarantees there will be no adverse impact on school property taxes.
- The proposed project will have a minimal impact on municipal property tax bills in the host Town of Rutland and no impact on these tax bills in the City of Rutland. No other town in the county will see a measurable impact from the project.
- The total growth and rate of growth in the town and region will be essentially unchanged from this project. The rate of population, housing, and employment growth with the project is nearly the same as it would have been in the absence of the project.
- The proposed Rutland Commons will be a net benefit to the region. The public costs from the project are negligible while the benefits to society from the new jobs and payroll are significant.
- Therefore, the project conforms to all requirements and standards of criteria 6, 7, 9(A), 9(H) and 9(K) under Act 250.

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I. Purpose and Outline of this Report

Mid-Vermont Properties proposes to construct a retail development in the Town of Rutland. Mid-Vermont owns a parcel of land on the southern side of the town located at the northwest corner of the intersection of U.S. Routes 7 and 4.

The developed property will be called Rutland Commons and will be a commercial project. It will consist of a total of approximately 81,000 square feet of commercial space, the needed parking spaces, access roads, and a stormwater pond. Construction is planned to begin in the spring of 2007 and take approximately twelve months.

Mid-Vermont must secure an Act 250 land use permit before beginning construction. Several of the criteria of Act 250 are best answered with a detailed economic, demographic, and fiscal impact analysis of the project. The purpose of this report is to present the findings of such an analysis as performed by Northern Economic Consulting, Inc.

This report begins in Section II with a detailed description of the proposed Mid-Vermont Properties project. Section III briefly discusses the secondary growth expected from the project. Section IV presents the methodology behind this analysis. Then Section V presents the basic economic and demographic impacts of this project

This analysis then turns to measuring the fiscal impact of the proposed development. Section VI discusses the impact of the project on the school system of towns and cities in the region (Criterion 6 of Act 250). Section VII measures the impact of the project on the municipal budgets of the towns and cities in the region (Criterion 7). Section VIII shows the impact of this project on the growth and rate of growth in the region and discusses the financial capacity of the town and region to accommodate the growth caused by the project (Criterion 9A). Section IX briefly discusses the concept of scattered development and the costs and benefits of the project (Criterion 9H). Section X examines the effects on public investment and services in the area of the project. Finally, Section XI summarizes the major conclusions of this analysis. Two appendices are attached.

II. Description of the Rutland Commons Development

Mid-Vermont Properties proposes to construct a commercial development in Rutland Town that will consist of 80,950 square feet of enclosed space. The majority of the development will be retail in nature, with the possibility of complementary service-oriented businesses using a minor portion of the space. The Site Layout Plan is presented on in Appendix One of this report.

The retail space will be located at the southern end of the development, highlighted by two major retail buildings connected together by five smaller retail/service stores. In addition, there will be two stand-alone restaurants. At the time of this analysis, the building configuration and assumed tenants are as follows.

Rutland Commons: Basic Description		
Identifier	Size	Expected Tenant
Building 1	28,000 sf	National bookseller
Building 2	21,000 sf	National electronics store
Building (Complex) 3	19,550 sf	Small retailers/services stores
Building 4	7,400 sf	National restaurant
Building 5	5,000 sf	National restaurant ¹

The firms locating in Rutland Commons will create jobs and salaries for Rutland County residents. We estimate the average annual employment and payroll of these firms as given below. Employment is measured as the average number of full and part time employees on the payroll over the course of a year. Employment was estimated based on annual reports and financial filings with the U.S. Securities and Exchange Commission of comparable national firms to those expected to locate at the Rutland Commons. Payroll was based on average annual earnings of similar firms in Vermont and Rutland County as reported by the Vermont Department of Labor.

¹ This smaller building may be configured to house two small food services businesses such as a coffee shop and/or bagel shop or one of these businesses plus a small service-oriented business. We have examined the impact of employment and wages in each of these scenarios. The estimates presented here are reasonable approximations for any of these situations.

Rutland Commons: Employment and Payroll (in current dollars)		
Item	Employment	Payroll
Building 1	50	\$1,000,000
Building 2	80	\$2,000,000
Building (Complex) 3	45	\$800,000
Building 4	65	\$900,000
Building 5	25	\$350,000
Totals =	265	\$5,050,000

Once in full operation, the businesses at Rutland Commons will have an average annual employment of 265 people and have an annual payroll of \$5.05 million.²

² We expect these firms to pay wage competitive with those prevailing in Rutland County. Estimates of the specific wages can be obtained from the Vermont Department of Labor wage survey for Rutland County. Note: it is not appropriate to divide the estimated payroll by the estimated employment and infer this is the average salary of any employee. This is because the employment total is a mix of full and part time employees as well as year-round and seasonal employees.

For purposes of this analysis, construction of this project is assumed to commence in the spring of 2007. Site work and basic infrastructure will be completed during the summer months. Building construction will follow. For purposes of this report, we assume the Rutland Commons will open for retail customers on January 1, 2008. The estimated cost of construction is given below.

Rutland Commons: Construction Cost (in current dollars)	
Item	Cost
Site preparation	\$1,305,686
Roads and parking	\$1,072,791
Utilities	\$726,409
Landscaping	\$150,000
Buildings	\$5,261,750
Total =	\$8,516,636

III. A Note on Secondary Growth

The Environmental Board and District Commissions have indicated that fiscal impact analyses should include measures of the impact of any secondary growth which is caused by a project. We discuss the Board's view of secondary growth and explain how it has been incorporated into our analysis. Secondary growth is defined by the Environmental Board in a 1995 decision.³ The definition is very different from secondary growth or induced growth as typically used by economists.

40. The proposed project is a large retail project which is likely to encourage and accelerate the development of other highway-oriented businesses in the area. The Board will refer to the additional development to be caused by the project as "secondary growth."

*41. In other New England communities, as well as in other communities across the country, Wal*Mart stores have been a catalyst for secondary growth in the vicinity of the stores. These types of stores are generally highway-oriented development, and typically can include fast-food franchises such as Burger King and Kentucky Fried Chicken, pizza and sandwich shops, gas stations, banks, video rental stores, new shopping centers, and expansion of existing shopping centers.*

We find that the highway-oriented development that the Board considers secondary growth will not occur with the proposed Rutland Commons for three reasons:

First and foremost, the many retail and service stores like those listed above already exist in the commercial area where the project will be located. Within just a short drive of the development site are all of the types of "secondary" businesses that could reasonably be expected to be attracted by this retail development. Given that the proposed Rutland Commons is a small addition to the total retailing in the area, existing businesses along Route 7 can easily meet the needs of customers and employees of the proposed Rutland Commons.

Second, the proposed Rutland Commons includes two food service businesses thereby dampening any potential demand for additional food services in the area.

³ Findings of Fact, Conclusions of Law, and Order, St. Albans Group and WalMart Stores, Inc., Application #6F0471-EB, page 18, #41 and #42.

Third, we note what happened with the recent construction in Rutland Town of the Home Depot store on Route 4. Although concern was raised about secondary development during the permitting process, this major retailer entered the market and no new secondary development occurred in the area. Just as with the proposed Rutland Commons project, the area around the Home Depot already supplied the other goods and services desired by consumers.

IV. Basic Study Methodology

We estimate the economic impact of the Rutland Commons based estimates of construction spending and employment growth referenced in the previous section of this report. Some of the impact from this project will be felt quickly as construction of the project unfolds. Construction workers from inside and outside the region will experience increased employment opportunities and enjoy rising incomes beginning in 2007. The additional regional spending generated from the operation of the Rutland Commons will continue into the future. Some of the impact will be felt more slowly. In particular, the income multiplier process, where the income and spending of new Rutland Commons employees becomes the income of area businesses and the spending of those businesses, will occur over time and create additional employment and income in the region more slowly.

To fully measure the economic impacts of the proposed development a dynamic forecasting and simulation model of the economy of the region can be used. Northern Economic Consulting, Inc. had such a model of the regional economy constructed specifically for this study by Regional Dynamics, Inc. (REDYN). A detailed description of the model is included in Appendix Two to this report. This model allowed NEC to estimate the employment, income and other impacts of the proposed development in a manner which captured the full interrelationships in the Vermont economy.

For purposes of this analysis we reached the following two conclusions:

- We define the primary region to be Rutland County. Data from the 2000 Census show that 95% of the employees of firms located in Rutland Town live in Rutland County. Only 1.1%, 0.5%, and 1.4% lived in Addison, Bennington, and Windsor Counties, respectively. Data from firms in Rutland City show the same pattern.
- The relevant period of analysis for this application includes the construction year (2007) and the first ten full years of operation of the new facility after its completion, 2008 to 2017. Therefore, estimates of the impact of the project will be presented from 2007 to 2017. Ten years is more than sufficient to capture the impacts of this project from the multiplier effect.

V. Basic Economic and Demographic Impacts of the Project

The proposed project will directly affect the economy of Rutland County, first during the construction period and then in the following years through the operation of the planned retail stores and restaurants. The net impact during the operation of the Rutland Commons project depends not only on the employment and wages paid at the site but on the multiplier process by which the income of the employees of the Rutland Commons stores are spent at other area businesses, thereby generating jobs and income at those businesses. In addition, especially with retail projects, some customers from existing area businesses shift their shopping to the stores at the proposed Rutland Commons. This has the effect of reducing the impact of the proposed project on the area's economy.

By use of the REDYN model, we are able to take into account all of these effects and estimate the economic impact of the proposed Rutland Commons. That impact is presented below.

A. Jobs and Payroll

We estimate the proposed Rutland Commons will increase the total number of jobs in Rutland County by approximately 270. At the site itself we previously estimated that there will be a gain of 265 jobs. By accounting for both the job losses at competing businesses and the multiplier process, we estimate with the REDYN model the following job and payroll gains in Rutland County from the proposed project.

Rutland Commons: Jobs and Payroll Impact		
Selected Years	Job Gain	Payroll Increase
2007	31.4	\$1,003,100
2008	268.6	\$6,626,000
2011	268.8	\$7,033,900
2014	269.1	\$7,433,100
2017	269.3	\$7,829,900

During the construction year (2007) jobs in the county will increase by approximately 31 and payrolls will rise by just over \$1 million. Then, with the operation of the retail stores and restaurants, the total number of new jobs in Rutland County in 2008 will equal just under 269 with a payroll of about \$6.6 million. Over the next ten years, the number of jobs will

remained essentially unchanged at 269. Payroll will grow with general wage increases, rising to \$7.8 million in 2017.

B. Population and New Households

The creation of just under 270 new jobs in Rutland County will tend to attract workers to the area. The commercial operations at the Rutland Commons will consist of retail stores and restaurants. There will be a mixture of full time and part time jobs at the site and a range of salaries. Restaurants typically rely on more part timers than do retail stores selling electronics or books. However, the retail stores will exhibit a definite seasonal pattern. Therefore, a significant share of the retail employment will be in the form of seasonal jobs.⁴

This means that the jobs created from this project will have a reduced demographic pull of new residents into the county (compared to, say, full time jobs in professional services) and will rely more on the local labor force for employees.

We estimate that two-thirds of these jobs will be full time and the remainder part time and/or seasonal.⁵ Therefore, for this analysis we assume only 180 of these new jobs hold the potential to attract new residents into the region.

We next examined the relationship between job growth and population growth in Rutland County from 1980 through 2005. The data show that every new job has been accompanied by a population increase of about 0.60 new residents. Using this measure, we estimate the Rutland Commons project will add 108 new residents to Rutland County. Given an average household size in Rutland County of 2.39 people, this implies an increase of 45 new households in Rutland County.

⁴ Part time and seasonal jobs perform an important function in the economy. Most part timers choose to work part time and are not looking for full time work. Bureau of Labor Statistics data show most part timers hold a full time job (69% of all part timers hold a full time job) and work part time to increase their pay. Seasonal work allows many families the opportunity to earn additional income at a time of the year when household expenses can rise.

⁵ The U.S. Bureau of Labor Statistics reports from its 2005 household survey data on part time and full time work. The data show 29% of workers in sales occupations work part time as do 37% of workers in services occupations. The Vermont Department of Labor reports quarterly employment totals for Rutland County. In 2005, the lowest quarterly employment was 87%, 68%, and 93% of the highest quarterly employment in the NAICS categories where electronics, books stores, and restaurants are classified, respectively. For purposes of this report we assume one-third of the new jobs of concern here are either part time or seasonal.

We assume that these households will locate in Rutland County in the same distributional pattern that existing employees of Rutland Town businesses have chosen to locate. Data on the commuting pattern by place of work is supplied by the U.S. Census.

Town of Residence of New Households from the Rutland Commons Project in Rutland County		
Town	Percent	New Households
Rutland Town	43.1%	19
Rutland City	16.0%	7
Clarendon	4.7%	2
Pittsford	4.1%	2
Castleton	2.9%	1
Towns elsewhere	29.2%	13

In 2000, 43.1% of employees at Rutland Town businesses reported commuting from Rutland Town. Therefore, we assume 43.1% of the 45 new households from the proposed Rutland Commons will live in Rutland Town. That equals 19 new households.

Using the same method, we allocate 7 new households to Rutland City and two or less to Clarendon, Pittsford, and Castleton. The remaining households, 13 of them, will be widely dispersed in the remaining towns of Rutland County (and some beyond), with no more than two households per town.

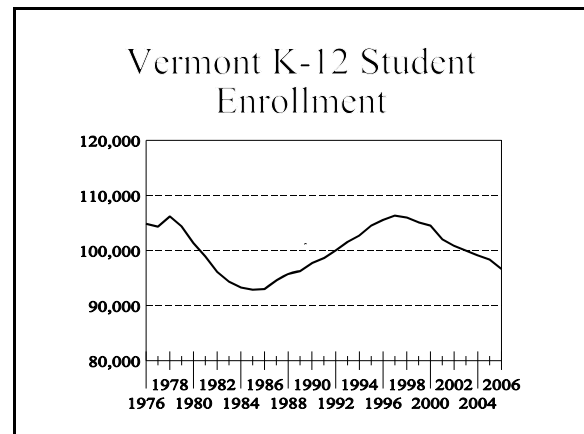
We conclude that only the impact on Rutland Town and Rutland City holds the potential to have an impact that concerns Criteria 6, 7, and 9A of Act 250.

VI. Fiscal Impact on the Region's Educational Services (Criterion 6)

A. School Demographic Trends and Act 68

Before we begin the analysis required under Criterion 6, it is necessary to review the basic demographic trends impacting the region's schools and the financing mechanism of Act 68.

- The number of Vermont public school children has decreased substantially and will continue to do so in the foreseeable future. The latest annual reports from the Vermont Department of Education show that between 1997 and 2006 the number of students in Vermont fell from 106,341 to 96,636, a decline of nearly 10,000 students or 9%.



The latest U.S. Census Bureau population projection for Vermont shows the decline continuing over the forecast horizon of this project. From 2005 to 2017, the Census Bureau projects the number of school-age children in Vermont will decline an additional 11%.

In the host town of Rutland, the elementary school enrollment has declined from 437 students in 2001/02 to 317 in 2004/05.⁶ Rutland City's K-6 program has seen enrollment declines. Area high school enrollment has yet to decline, but it will in the coming years as the lower enrollments in the primary schools advance to the high school level.

- Vermont's current education financing formula was enacted as Act 68. The local town school tax rate is determined solely by the spending level per pupil. If spending per pupil rises, the school tax rate rises.

⁶ Enrollment information is from the Department of Education's web site on school reports by town.

This presents a difficult problem for school districts facing declining enrollments. School districts find it hard to reduce teachers and staff (the major cost of schools) as enrollments decline. If staffing levels don't decline as enrollments decline, per pupil spending will rise. And, as a result, school tax rates rise.

This gives rise to a counterintuitive fiscal impact for a school district with declining enrollments. Since additional students from new residents can be accommodated relatively easily with the enrollment declines, the additional students have the effect of lowering the per pupil costs in the school district. Therefore, additional students lower the school tax rate, not raise it.

B. Impact on School Enrollment in Rutland Town

In the Town of Rutland, the elementary school enrollment has declined over the period 2001/02 to 2005/06 according to both town data and Department of Education data.⁷ Given that enrollments in the lower elementary grades (1-4) are less than in the upper elementary grades (5-8), enrollment will continue to decline in the near term. The same data show that the high school enrollment (mostly attending Rutland Senior High School) will soon decrease significantly as well.

Therefore, the school system of Rutland Town is faced with the same problem of many other Vermont towns: how to keep per pupil spending from increasing in light of declining enrollments.

If the Rutland Commons project adds 19 additional households to Rutland Town's population as estimated earlier, this could add 8 students to the school system.⁸ Eight new students will not cause a fiscal burden on the school system because:

⁷ The enrollment is reported in the 2005 Annual Report of the Town of Rutland as well as on the Department of Education's web site. The numbers differ but both show a decline in enrollment. The Town's numbers show a decline of 11% over a four year period while the Department of Education's numbers show a decline of 27% over a slightly different four year period.

⁸ Data from the 2000 Census show 18% of all residents are school-age children. With 19 households, there would be a total of 45 people (average size is 2.39). The number of school-age children would equal 8 (45 times 18%). This could be raised as new households are probably younger than the existing population. However, it could be lowered by about 10% to account for the households that do not send their children to public schools.

- the school system has the physical capacity to house more students. The elementary enrollments declined by much more than eight students.
- the increase of eight students will make it easier for the school system to adjust to declining enrollments (enrollment will still decline with eight additional students). This can keep per pupil spending from rising faster than it would otherwise, thereby keeping the local school tax rate from rising faster than otherwise.

Therefore, this project will not lead to any fiscal burden on Rutland Town's school system.

C. Impact on School Enrollment in Rutland City

The demographics facing Rutland City's schools are similar to that elsewhere in Vermont. In the City of Rutland, the K-6 elementary school enrollment has declined over the period 2001/02 to 2004/05 according to the Department of Education from 1,304 to 1,243, a decline of 5%. Enrollment has increased in the middle school (grades 7 and 8) and the high school. Given that enrollments in the lower elementary grades (k-6) are less than in the upper elementary grades (7-12), enrollment will decline in the near term in the upper grades.

Therefore, the school system of Rutland City is faced with the same problem as Rutland Town: how to keep per pupil spending from increasing in light of declining enrollments.

If the Rutland Commons project adds seven additional households to the City of Rutland's population as estimated earlier, this would add just three students to the school system. Three new students will not cause a fiscal burden to a school system of more than 2,000 students which is experiencing declining enrollments.

D. Conclusion to Criterion 6

Therefore, we find that the proposed project will not cause an unreasonable burden on the ability of any municipality in the town and region to provide educational services to its residents.

VII. Fiscal Impact on the Region's Municipal Services (Criterion 7)

In this section of the report, we present measures of the fiscal impact of the proposed project on the municipal budgets of the two municipalities that will see a measurable number of new households: Rutland Town with 19 new households and Rutland City with 7 new households.

A. Impact on the Demand for Municipal Services in Rutland Town

In an effort to quantify the potential impact, we estimate the municipal demand by direct examination of the Rutland Town municipal expenses as budgeted for fiscal year 2006-07.

Town of Rutland Municipal Budget: 2006-07			
Item	Budgeted Spending	Property Taxes	Non-Property Taxes
General Budget	\$787,140	\$557,140	\$230,000
Highway Budget	\$720,550	\$615,550	\$105,000
Fire Budget	\$171,200	\$171,200	\$0
Recreation Budget	\$130,550	\$94,050	\$36,500
All Other	\$118,381	\$118,381	\$0
Totals =	\$1,927,821	\$1,556,321	\$371,500

The potential impact of the proposed Rutland Commons on the municipal budget is limited by the fact that the project is located on Route 7, a state-maintained road. The highway budget is 37% of all municipal spending and is supported by 40% of the municipal taxes raised in the town.

We estimate the current municipal costs per employee and per household by use of a per capita expenditure method commonly used in conducting an impact analysis.⁹ The method divides municipal expenditures into residential and nonresidential based on grand list data. The table below shows the calculations for municipal cost per new employee (excluding highway costs) and per new residence in Rutland Town.

⁹ *Development Impact Assessment Handbook*, Robert W. Burchell, David Listokin, William R. Dolphin, Lawrence Q. Newton and Susan J. Foxley, Urban Institute, 1994, page. 129.

Rutland Town Municipal Impact Parameter Calculation		
1. Municipal budgeted expenditures (FY07)		\$1,927,821
2. Total Taxable Parcels		1,847
	Residential parcels	1,351
	Percent of total	73.1%
	Nonresidential parcels	496
	Percent of total	26.9%
2. Total Assessed Value		\$503,816,916
	Residential parcels	\$196,954,867
	Percent of total	39.1%
	Nonresidential parcels	\$306,862,049
	Percent of total	60.9%
3. Expenditure parameters		
	Residential	
	Share residential	56.1%
	Estimated residential expenditure	\$1,081,876
	Cost per residence	\$586
	Non-residential	
	Share nonresidential	43.9%
	Estimated nonres. expenditure	\$529,761
	Total Rutland Town employees (2005)	3,768
	Cost per employee	\$141

The cost of municipal services per new residence and new employee is \$586 and \$141, respectively. The cost is based on the average share of the parcel total and assessed value represented by residences and employment.

Next, we calculate the total cost, total tax revenue and net benefit from both the new residences and the project itself. Our calculations are shown in the table on the following page.

First, consider the fiscal impact on the municipal budget from the Rutland Commons project itself. We estimate the assessed value of the Rutland Commons will be \$6.5 million.¹⁰ This would generate \$21,278 in tax revenue for the town.¹¹ Using the per employee spending parameter developed above, the cost of new municipal services to the Rutland Commons project (using 265 employees) will be \$37,365. Therefore, the net impact on the municipal budget from this project alone will equal a cost of \$16,087 (\$21,278 less \$37,365).

Next, we assume the nineteen new households that move into residences in Rutland Town will live in homes of average listed value, which equals \$207,065. The total assessed value of the nineteen new households would be \$3,934,235. This would generate \$12,153 in tax revenue. The cost from the nineteen residences is \$11,134 based on the spending parameters determined above. Therefore, the town will see a net fiscal benefit from the nineteen new residences of approximately \$1,019 (\$12,153 less \$11,134).

¹⁰ The cost of construction of the project is estimated today at \$8,516,636. Commercial properties are listed at 80.88% of their fair market value on the town's grand list (Certified Final Computation Sheet - 12/19/05). This implies a listed value of \$6,888,255.

¹¹ The budgeted property taxes equal \$1,556,321 for FY07. The municipal grand list totals \$503,816,916. This implies a municipal tax rate of \$0.3089.

Rutland Town Municipal Impact Analysis Expenditure and Revenues		
Rutland Commons		
	Assessment	\$6,888,255
	Town Tax rate	\$0.3089
	Taxes	\$21,278
	Cost from the 265 employees	\$37,365
	Net benefit from project	(\$16,087)
New residences		
	Assessment of new residences	\$3,934,235
	Town Tax Rate	\$0.3089
	Taxes	\$12,153
	Cost from all new residences	\$11,134
	Net benefit from new residences	\$1,019
	Total net cost =	(\$15,068)

Finally, the combined net cost to the municipal budget from the Rutland Commons project and the nineteen new households is estimated to be \$15,068 (the net cost of \$16,087 plus the net benefit of \$1,019). This added cost will raise the municipal tax rate from \$0.3089 to \$0.3118, an increase of 1.0%.¹²

¹² Spending would rise by \$48,499 (\$37,365 plus \$11,134) from \$1,556,321. The grand list would increase by \$6,888,155 and \$3,934,235 from \$503,816,916. Therefore, the new implied tax rate would be \$0.3118.

The Environmental Board ruled in the Hurteau case that a tax rate increase of 4% was not an unreasonable burden on the community.¹³ The estimated increase in municipal taxes from proposed Rutland Commons is well below this threshold. (There is no impact on education property taxes).

B. Impact on the Demand for Municipal Services in Rutland City

We estimated that as a result of this project, Rutland City would see seven new households move into the city. This will have an impact on municipal spending. However, before we begin that analysis, we note that the population of Rutland City has been declining in recent years and is expected to continue to decline in the future. (See Section VIII of this report.) In our view it is advantageous to the City to attract new residents to offset the population decline.

We use the same methodology to estimate the municipal impact on Rutland City that we used above on Rutland Town. The table below shows the calculations for municipal cost per new residence in Rutland City.

¹³The Vermont Environmental Board has given a guideline on how to determine when a financial impact constitutes an unreasonable burden in the Hurteau Case (Land Use Permit #6F0369-EB). In Hurteau, the State Environmental Board ruled that a burden of a 4% increase in costs to a town because of a residential development is reasonable for a town to absorb.

Rutland City Municipal Residential Impact Parameter Calculation		
1. Municipal expenditures to be financed with property taxes (FY07)		\$11,431,168
2. Total Taxable Parcels		5,975
	Residential parcels	4,963
	Percent of total	83.1%
	Nonresidential parcels	1,012
	Percent of total	16.9%
2. Total Assessed Value		\$1,005,159,877
	Residential parcels	\$650,259,092
	Percent of total	64.7%
	Nonresidential parcels	\$354,900,785
	Percent of total	35.3%
3. Expenditure parameters		
	Residential	
	Share residential	73.9%
	Estimated residential expenditure	\$8,445,054
	Cost per residence	\$1,413

The cost of municipal services per new residence \$1,413. The cost is based on the average share of the parcel total and assessed value represented by residences.

Next, we calculate the total cost, total tax revenue and net benefit from the new residences. We assume the seven new households that move into residences in Rutland City will live in homes of average listed value, which equals \$131,021. Each would pay \$1,490 in municipal property taxes. This is \$77 in excess of the cost of services. Therefore, the city will see a net fiscal benefit from the seven new residences of approximately \$539.

Therefore, the Rutland Commons project will not be a fiscal burden on the City of Rutland.

C. Summation: Impact on Municipal Services in the Town and Region

We find there is no town in the region where the proposed project will place an unreasonable burden on the ability of the local government to provide municipal services.

VIII. Impact of Growth on the Town and Region (Criterion 9A)

Criterion 9A of Act 250 concerns the impact of growth.

In considering an application, the district commission or board shall take into consideration the growth in population experienced by the town and region in question and whether or not the proposed development would significantly affect their existing and potential financial capacity to reasonably accommodate both the total growth and rate of growth otherwise expected for the town and region and the total growth and rate of growth which would result from the development if approved.¹⁴

In the Environmental Board's Decision in RE: St. Albans Group and Wal*Mart Stores, Inc. Findings of Fact and Conclusions of Law and Order #6F0471-EB (Altered), June 27, 1995 the board states that applicants in towns with duly adopted capital improvement programs must provide and prove all the following:

- a. The growth in population experienced by the town and region in question.
- b. The *total* growth and *rate* of growth which is otherwise expected for the town and region.
- c. The *total* growth and *rate* of growth for the town and region which will result from the proposed project if approved.
- d. The anticipated costs for education, highway access and maintenance, sewage disposal, water supply, police and fire services and other factors relating to the public health, safety and welfare.
- e. Based on (a) through (d), that the proposed project will not cause an undue burden on the existing and potential financial capacity of the town and region in accommodating growth caused by the project.

We will provide and prove all of the above in this section of the report. While some of this information has already been presented, we repeat it here to clearly show compliance with criterion 9A.

¹⁴ Act 250 Criterion 9A, codified at 10 V.S.A. Section 6086 (a)(9)(A).

A. Growth in Population Experienced by the Town and Region

1. Growth in Population

Based on the 1990 decennial census and the 2005 population estimates of the U.S. Census Bureau we present the following population information for the Town of Rutland, the neighboring municipalities, Rutland County, and the state of Vermont.

Growth in Population Experienced by the Town and Region: 1990 to 2005				
	1990 Census	2005 Census Estimate	Total Growth	Compound Annual Rate of Growth
Town of Rutland	3,781	4,135	354	0.6%
City of Rutland	18,230	17,046	(1,184)	-0.4%
Town of Castleton	4,278	4,368	90	0.1%
Town of Clarendon	2,835	2,891	56	0.1%
Town of Pittsford	2,919	3,213	294	0.6%
Rutland County	62,142	63,743	1,601	0.2%
State of Vermont	562,758	623,050	60,292	0.7%

In the last fifteen years the state of Vermont has seen population growth occurring at the slow compound annual rate of just 0.7%. The population of Rutland County has grown even slower, at an annual rate of just 0.2%.

Rutland Town's population growth has also been slow at 0.6% per year. From 1990 to 2005 the Town of Rutland's population grew from 3,781 to 4,135. This is a growth of 354 people in fifteen years. Growth in the town is slowing, as the growth has declined since 2000.

Neighboring Rutland City has seen its population base decline by 1,184 since 1990.

2. Growth in Housing

The decennial U.S. Census releases counts of year-round housing units in Vermont towns. We present the following housing data for the Town of Rutland and the region. We use data on occupied housing units to eliminate the impact of vacation housing.

Growth in Housing Experienced by the Town and Region: 1990 to 2000				
	1990	2000	Total Growth	Compound Annual Rate of Growth
Town of Rutland	1,412	1,691	279	1.2%
City of Rutland	7,518	7,452	(66)	-0.1%
Town of Castleton	1,361	1,550	189	0.9%
Town of Clarendon	1,062	1,136	74	0.5%
Town of Pittsford	1,154	1,284	130	0.7%
Rutland County	23,690	25,678	1,988	0.5%
State of Vermont	210,650	240,634	29,984	0.9%

From 1990 to 2000 the number of occupied housing units in the Town of Rutland grew from 1,412 to 1,691. This is a gain of 279 units. The compound annual growth rate was 1.2%. This was slightly faster than the statewide growth rate of 0.9% and clearly faster than the county growth rate of 0.5%.

The City of Rutland saw a small decrease in the number of occupied housing units, giving the city a compound growth rate of negative 0.1%. Growth in the neighboring towns of Rutland County ranged from 0.5% to 0.9%.

3. Growth in Employment

The Vermont Department of Employment and Training prepares estimates of employment by county and town in Vermont based on the state's unemployment insurance program (called ES202 employment). We present the following employment data for the Town of Rutland and the region.

Growth in Employment Experienced by the Town and Region: 1990 to 2005				
	1990	2005	Total Growth	Compound Annual Rate of Growth
Town of Rutland	3,335	3,768	433	0.8%
City of Rutland	12,963	13,452	489	0.2%
Town of Castleton	1,093	1,546	453	2.3%
Town of Clarendon	850	1,345	495	3.1%
Town of Pittsford	659	819	160	1.5%
Rutland County	27,556	29,693	2,137	0.5%
State of Vermont	266,028	300,941	34,913	0.8%

From 1990 to 2005 the number of employees working at firms located in the Town of Rutland grew from 3,335 to 3,768. This a total growth of 433 jobs and a compound annual rate of growth of 0.8%.

The growth rate is identical to that for the state of Vermont as a whole and above the 0.5% compound annual growth rate for Rutland County as a whole. The City of Rutland added only 489 jobs during this period and posting a slow job growth rate of 0.2%.

The neighboring towns of Castleton, Clarendon and Pittsford all have small employment bases. The job growth rate in these three towns surpassed that of the region and state.

B. Total Growth and Rate of Growth Otherwise Expected

1. Population Total Growth and Rate of Growth Otherwise Expected

In the table below we present the projected populations of the Town of Rutland and the region in *absence* of the proposed Rutland Commons development. The population projections are the most recent ones prepared for Vermont by the U.S. Bureau of the Census.¹⁵

Expected Population Growth in Absence of the Proposed Rutland Commons Development				
	2005	2015	Total Growth	Compound Annual Rate of Growth
Town of Rutland	4,038	4,047	9	0.0%
City of Rutland	17,292	16,971	(321)	-0.1%
Town of Castleton	4,367	4,476	109	0.2%
Town of Clarendon	2,811	2,834	23	0.1%
Town of Pittsford	3,140	3,190	50	0.1%
Rutland County	63,400	63,936	536	0.1%
State of Vermont	608,827	625,935	17,108	0.2%

From 2005 through 2015, the Town of Rutland's population is expected to remain nearly unchanged, adding only nine new residents. This slow rate of population growth is forecasted for the entire state of Vermont. The state population will only grow at a compound annual rate of 0.2%, well below that which occurred since 1970. Rutland County will grow slowly as will each of the towns in the county shown in the table above.

¹⁵ The population projection was released by the Census Bureau in March 2004. Note that the estimated population for 2005 (also prepared by the Census Bureau) shown on page 22 of this report differs slightly from the projected population for 2005 shown above, as the former was prepared after the latter.

2. Housing Total Growth and Rate of Growth Otherwise Expected

There is no officially prepared housing forecast for the State of Vermont. Because most demographers expect that the household size decline will remain essentially unchanged between 2005 and 2015, the population trend will largely dictate the housing trend. Therefore, housing growth trends will follow population growth trends presented in the previous tables.

3. Employment Total Growth and Rate of Growth Otherwise Expected

In the absence of the proposed project, we expect employment in Rutland County to increase at a compound annual rate of 0.6% per year. This is derived from the future employment increase forecasted for the State of Vermont in the latest *Economic Outlook* prepared by the New England Economic Partnership and the relationship between employment growth in the state and Rutland County in from 1990 to 2005.

Employment Growth and Rate of Growth Otherwise Expected in the Region			
2005	2015	Total Growth	Compound Annual Rate of Growth
29,693	31,523	1,830	0.6%

From 2005 through 2015, Rutland County's employment is forecasted to grow from 29,693 to 31,523 in absence of the proposed project. This is an increase of 1,830 jobs.

Economic forecasts of employment at the town level are not prepared by the New England Economic Partnership nor by the State of Vermont.

C. Total Growth and Rate of Growth Resulting from the Proposed Project

The economic and demographic analysis presented in Section V described the impact from the proposed Rutland Commons development. The analysis showed a gain of 108 residents in 45 households in all of Rutland County.

1. Population Total Growth and Rate of Growth Resulting from the Project

The growth in population that could be expected in the town and region with the addition of the proposed Rutland Commons is shown below.

Expected Population Growth Resulting From the Proposed Rutland Commons Development				
	2005	2015	Total Growth	Compound Annual Rate of Growth
Town of Rutland	4,038	4,092	54	0.1%
City of Rutland	17,292	16,988	(304)	-0.1%
Town of Castleton	4,367	4,476	109	0.2%
Town of Clarendon	2,811	2,834	23	0.1%
Town of Pittsford	3,140	3,190	50	0.1%
Rutland County	63,400	64,044	644	0.1%
State of Vermont	608,827	626,043	17,216	0.2%

From 2005 through 2015, the Town of Rutland’s population is expected to increase slightly, with 45 more people than otherwise expected. (Compare the above table with that on page 25.) The compound annual growth rate will increase from 0.0% to 0.1%.

The population of the City of Rutland will continue to decline even with the addition of 17 new residents from the proposed Rutland Commons project.

The growth rate of Rutland City, Rutland County and all the other towns of interest remains unchanged from this project.

2. Housing Total Growth and Rate of Growth Resulting from the Project

The population increase will lead to an increase in the number of housing units in Rutland Town and Rutland County. In Rutland Town, we expect to see a total increase of nineteen additional housing units by 2010 as a result of the proposed project. That increases the growth rate of housing by just one-tenth of one percent.

Expected Growth in Housing Expected From the Proposed Rutland Commons Development			
	Housing Units in 2000	Additional Units Through 2010	Increase in Compound Annual Rate of Growth
Town of Rutland	1,691	19	0.1%
City of Rutland	7,452	9	0.0%
Town of Castleton	1,550	2	0.0%
Town of Clarendon	1,136	2	0.0%
Town of Pittsford	1,284	1	0.0%
All Rutland County	25,678	45	0.0%
State of Vermont	240,634	45	0.0%

The increase in housing units elsewhere in the region is too small to cause any increase in the expected compound annual rate of housing.

3. Employment Total Growth and Rate of Growth Resulting from the Project

Finally, we expect employment in the region to increase by 269 as a result of the proposed Rutland Commons project. The number of jobs in the county will increase to 31,792 in 2015 with the project. The growth will be 2,099. The compound annual rate of employment growth increases slightly, from 0.6% to 0.7%.

Employment Total Growth and Rate of Growth Resulting from the Proposed Project			
2005	2015	Total Growth	Compound Annual Rate of Growth
29,693	31,792	2,099	0.7%

D. Anticipated Costs and Revenues for Educational and Municipal Services

The proposed Rutland Commons development will not significantly affect the financial capacity of the Town of Rutland or any other town in the region to accommodate both the total growth and rate of growth of population. In this analysis of the total growth and rate of growth, we have shown that the project will cause only a very small increase in the population, housing, and employment expected in the region.

- Annual population growth in the host Town of Rutland will rise only by 45 people living in 19 new households during the period 2007 to 2017 due this project.
- The annual population growth rate elsewhere in the region will remain essentially unchanged by this project.

No town in the region will see its total growth or rate of growth rise much at all from this project. Therefore, no town in the region will be put in any financial distress because of this project.

We can safely conclude the proposed development will not significantly affect the Town of Rutland's nor the region's existing and potential financial capacity to reasonably accommodate both the total growth and rate of growth otherwise expected for the town and region and the total growth and rate of growth which would result from the development if approved.

E. Conclusions Based on A through D Above

In a recent decision, the Environmental Board wrote:¹⁶

*In re Wal*Mart Stores, Inc.* 167 Vt. 75 (1997), the Vermont Supreme Court held that the plain language of Criteria 9(A) requires the Board to consider the financial capacity of the town and region to accommodate growth. *Id.* at 81. Without significant growth to consider, the inquiry would be identical to that under criterion 7.

While the Board does not agree with Friends that the Project will result in many local competitors going out of business, the Board does agree with Friends' conclusion that even with the Project, the region will not experience significant growth. In fact, no party predicted that the region would experience significant growth, even with the project. Since Friends readily admits the Project will not cause growth, Friends has failed to meet its burden of demonstration any impacts from the growth. The project complies with Criterion 9(A).

The impact of the Rutland Commons project on growth and the rate of growth in the town and region is very similar to that referenced in the decision above. In the absence of the project, the town and region are experiencing little growth and are projected to experience even less growth. Even with the proposed Rutland Commons, very little additional growth will occur in the town and region. Therefore, the Rutland Commons project complies with Criterion 9(A).

¹⁶ The Home Depot Land Use Permit #1R0048-12-EB, pages 51-52. Note the references to "Friends" is a reference to a party opposing the granting of the permit.

IX. Scattered Development (Criterion 9H)

It is our opinion that the proposed Rutland Commons is not scattered development and therefore is consistent with the goals of Criterion 9H. We apply the reasoning used by the Environmental Board in 2001 with the Home Depot in Rutland Town to the proposed Rutland Commons.¹⁷ The existing settlement of concern here extends from downtown Rutland City south along Route 7 into Rutland Town until the end of the commercial development along Route 7 which extends south of the Route 4 intersection. The Rutland Commons will be located within the existing commercial development on the west side of Route 7. This project, therefore, is not scattered development.

However, should the Environmental Commission decide differently, the question of costs and benefits of the project arises.

The district commission or board will grant a permitwhenever it is demonstrated that ... the additional costs of public services and facilities caused directly or indirectly by the proposed development or subdivision do not outweigh the tax revenue or other public benefits of the development or subdivision such as increased employment opportunities or the provision of needed and balanced housing accessible to existing or planned employment centers. [10 V.S.A. Section 6086(a)(9)(H)]

This analysis (in Sections VI and VII) has shown the potential additional costs of public services from this project are negligible. In no town in the region is there an increase in educational property taxes as a result of this project. We estimate municipal taxes will increase only slightly in Rutland Town and decrease slightly in Rutland City. No other town will see a measurable increase.

The project brings significant benefits to the region. A total of 269 jobs will be created in Rutland County with a payroll of \$6.6 million in 2008 (the first year of operation of the project).

The jobs and payroll from the proposed project will create more than sufficient income in the region to pay the costs generated from this project and leave a net benefit to the region. Therefore, the project is a net benefit to the region.

¹⁷ See land use permit #1R0048-12-EB. See pages 54-55.

X. Effects on Public Investments and Services (Criterion 9K)

Criterion 9K of Act 250 concerns development affecting public investments.

*A permit will be granted for the development or subdivision of lands adjacent to governmental and public utility facilities, services, and lands, including, but not limited to, highways when it is demonstrated that, in addition to all other applicable criteria, the development or subdivision will not unnecessarily or unreasonably endanger the public or quasi-public investment in the facility, service, or lands, or materially jeopardize or interfere with the function, efficiency, or safety of, or the public's use or enjoyment of or access to the facility, service, or lands.*¹⁸

The only public investments adjacent to the proposed Rutland Commons are roads: specifically U.S. Routes 7 and 4.

- The Rutland Commons will use an existing access to Route 7 at the northwestern edge of its property. The existing traffic light will be sufficient to accommodate the added traffic.¹⁹ The project is requesting an additional right-hand-turn-only access onto Route 7. The cost of this access will be paid for by the applicant.
- The traffic study submitted with the application shows that: *“the “new” traffic increment generated by the proposed project can be absorbed into the traffic stream and accommodated by the existing highway corridor without causing unreasonable congestion or unsafe conditions with respect to the use of highways for present and future traffic conditions.*²⁰

The Rutland Common will not endanger these roads nor materially jeopardize or interfere with their function. There will be no road or traffic control construction costs needed from the state. The proposed project will not negatively impact the public investments adjacent to the project.

¹⁸ Act 250 Criterion 9K, codified at 10 V.S.A. Section 6086 (a)(9)(K).

¹⁹ See the *Traffic Impact Report for the Rutland Commons Shopping Center* prepared by Summit Engineering, October 3, 2006.

²⁰ See page 7 of the Summit Engineering Traffic Report.

XI. Conclusion to Impact Study

The proposed Rutland Commons project in the Town of Rutland, Vermont will have a small economic and demographic impact on the host town and region. The project will generate a total 269 jobs and a payroll of \$6.6 million in 2008.

We estimate that Rutland County will see a population increase of 108 people living in 45 households from this project. Rutland Town's share of this increase will be 45 people living in 19 new households. Rutland City will see 17 people in 7 new households. The remainder will be widely dispersed in the County.

We have shown that the proposed Rutland Commons will not present a financial burden to any town in the region in its efforts to provide educational and municipal services to local residents. The proposed project will only minimally affect the growth and rate of growth in the region. Overall, the public benefits of the Rutland Commons will outweigh the minimal municipal costs it may incur.

We find that the project is contiguous to the existing settlement in Rutland Town. Finally, the project will not materially jeopardize or interfere with the public's use of Routes 7 and 4, the only public investments adjacent to the project site.

As a result, the proposed project conforms to the requirements of Act 250 as given in criteria 6, 7, 9A, 9H and 9K.

XII. Appendix One - Site Layout Plan

The site layout plan is presented on the following page.

XIII. Appendix Two - The REDYN Model

Regional Dynamics offers REDYN, a fundamentally new, web-based, massively multi-regional, dynamic, nonlinear New Economic Geography analysis engine with a complete economic database and baseline forecast. After subscribing to the system, users input online changes by region and year: e.g., jobs, wages, output, income, intermediate demand, and final consumption, investment, and government demand. REDYN then estimates detailed, annual, gravity-based trade flows and impacts in all US counties and industries. The model is a live, online Internet service. It's also available to run batch mode jobs to process massively multi-regional tasks (3,100+ regions) for automated or scripted work.

The REDYN model applies a fresh I-O methodology based on very detailed make-and-use tables with social accounting matrix features for all entities, a comprehensive commodity production transformation function, and impedance-based commodity trade flows by five transport modes. Oak Ridge National Laboratories developed the impedance measures. The model automatically includes an explicit extra region for all US counties outside any given simulation to identify the full US output and trade flow response. The model also automatically seeks the suppliers of suppliers to find the complete US supply chain response by region and industry in any simulation.

REDYN excels at offering a uniquely complete and consistent model-building edge that no other modeling process can replicate for configuring and assessing plans, events, and risks fully and rapidly across regions and years.

Here's how it works. At run time, users apply their subscribed resources as an online tool kit to build and run custom models at will. This design flexibility lets users quickly build models scaled correctly for any studies, event analysis, overlapping or alternative analytic perspectives, or backcast analysis.