

# The Innovative Capital

An Economic Development  
Strategic Plan  
for  
Montpelier, VT



June, 2016



## Executive Summary: The Innovative Capital Strategy

Montpelier is in a time of transition. For years, it was the uncontested urban core of Central Vermont. While Vermont's Capital City remains a vibrant, walkable community, other places in the region have recently outpaced Montpelier in private job growth. In this time of increasing competition from its neighbors, Montpelier cannot afford to rest on its laurels. Indeed, all indications are that should the City maintain its current posture, it is likely to lose much of its vitality.

This Economic Development Strategic Plan calls for Montpelier to claim its place as a superior quality location for economic development in Central Vermont, its Innovative Capital. For Montpelier is not only the State capital. It is an Innovative municipal government. It is the single biggest repository of creative assets in Central Vermont and is the hub for innovative enterprises in the region. The central purpose of this Economic Development Strategic Plan is to enable Montpelier to fully realize its potential as Central Vermont's Innovative Capital.

Economic development involves stimulating and/or channeling economic activity so that the activity preserves and improves a community's quality of life. An economic development strategic plan defines a long-term, unified approach to use the resources in a community to capture the available economic activity that community desires.

## Realizing Montpelier's Economic Potential

Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with great talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent.

Calvin Coolidge

A strategic plan is a long-term commitment. Some research has even suggested that the factors separating successful strategies from unsuccessful ones are—as President Coolidge suggested—persistence and determination. This economic development strategic plan sets a direction for Montpelier's economic future. As it is implemented, some of its recommended actions will meet with success, others may falter. But the plan's ultimate value will

Table ES-1. Employment Trends for Montpelier, Barre & Waterbury, 2009-14			
Employment by Municipality, 2014	Montpelier	Barre	Waterbury
Total Employment	9,539	5,146	3,379
Change in Total Employment from 2009	599	648	(1,209)
Private Employment	5,810	4,146	2,887
Change in Private Sector Employment from 2009	10	394	294
Source: US BLS, Quarterly Census of Employment & Wages			

arise from a long-term commitment to an approach for building prosperity and quality of life in Montpelier. It is that commitment and perseverance that, more than anything else, can guarantee the success of this effort.

The analysis of Montpelier's existing economic conditions (found in the appendices to this report) suggests that this is in fact a critical time to ensure that the City's economy is positioned to maintain and expand the relative prosperity it currently enjoys. Table ES-1 summarizes the case for Montpelier to weigh its economic prospects. From 2009 to 2014, while Barre added 394 private-sector jobs and Waterbury gained 294 private-sector jobs, Montpelier saws its private employment increase by a mere 10 jobs. Clearly the City has not been as effective as Barre and Waterbury in participating in the modest economic growth taking place in Central Vermont.

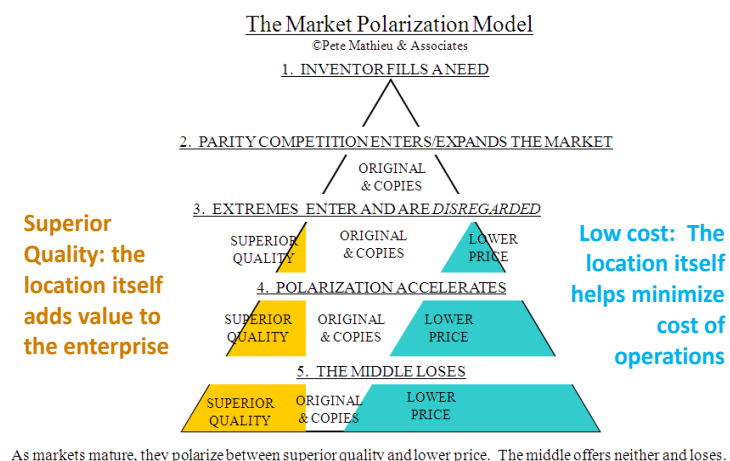
The critical question facing a community looking to better its local economy becomes: "how are we going to compete in the marketplace?" Marketing consultant A. H. Pete Mathieu created a model to help makers of consumer products decide how they would compete. Simply put, products can compete on the basis of providing either high quality or low price. More importantly, Mathieu points out that, as any market matures, it polarizes. That is, the consumers split into two groups: those that prefer premium products and those that prefer low cost products. If your product is not clearly identified as either a premium product or a low-cost product, it will lose to the products at those two extremes. (See Figure ES-1.)

A "middle market" giant like Sears eventually lost its market to the low-end discounters like Wal-Mart and the premium outlets like The Talbots and Nordstrom. The "Big 3" automakers almost went bankrupt responding to the combined pressure from low-cost Japanese cars and high-end models like Mercedes, Volvo and Lexus.

This model works just as well for communities seeking economic development. In the same way, a community can seek to position itself as a premium location for business, offering high value in terms of access to markets, workforce, infrastructure and/or quality of life. On the other side of the spectrum, a community can seek to be a low-cost location, offering low-cost real estate and labor to entice business.

This is the situation in which Montpelier finds itself in the

Figure ES-1.  
Mathieu's Model of Market Polarization



early years of the 21<sup>st</sup> Century. For years, it was the only significant urban experience in Central Vermont. 25 years ago, Barre was a granite mining community with economic problems and little charm. At that same time, to the west, Waterbury was a small community mostly noted for the presence of a mental hospital. Over the decades, this all changed. Barre has actively positioned itself as a low-cost alternative to Montpelier. Building upon its success with globally recognized food brands, and tapping into the nearby ski industry, Waterbury is emerging as a higher-priced home for hospitality, recreation and food-based businesses. Montpelier finds itself in the middle of this polarized market. As the model suggests, Montpelier is compelled to choose how it wishes to respond to these circumstances. Doing nothing in response will ensure that the City will see a gradual but, over time, dramatic erosion of its economic vitality and ultimately, its quality of life.

## **The Innovative Capital Strategy: Montpelier as a Superior Quality Location in Central Vermont**

Montpelier's response to the fact of market polarization is clear. It must compete as a superior quality location. There are two primary reasons for this:

1. Community vibrancy is an essential component of a superior quality location. Montpelier already has a reputation as an arts, culture and fine dining hub in Central Vermont. That, plus its attractive, walkable downtown tend to cast it as a superior quality location.
2. Montpelier is already a high-cost location in Central Vermont whether measured by wages, education levels, housing costs, rents, etc. In this context, the City is compelled to compete on the basis of superior quality. Fortunately, as this strategic plan will make clear, it is well-positioned to use its position to do so. This can extend the associated opportunities to all residents of the City.

As depicted in Figure ES-2, the goal of the strategy then, is to position Montpelier as a superior quality location for development to increase economic activity, private-sector jobs and population in the City over the next five years.

### **Tactics: The Four Building Blocks for Montpelier's Economy**

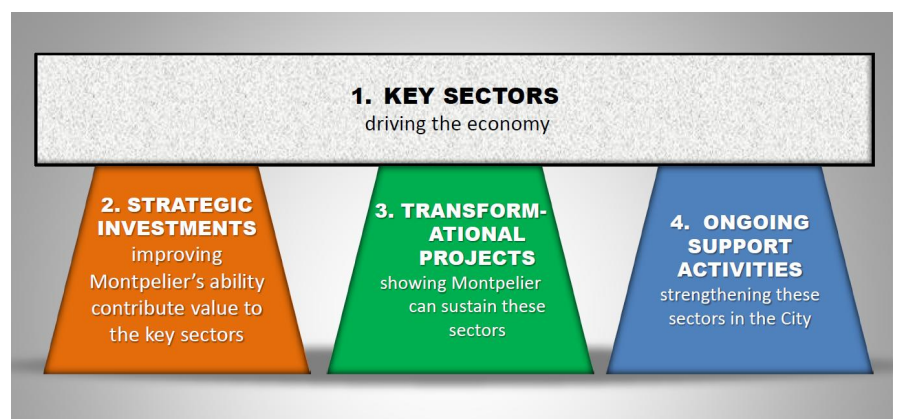
The essence of this strategic plan then is to create a coordinated

Figure ES-2. The EDSP Goal.

The goal of the EDSP is to position Montpelier as a superior quality location for development so that it can increase economic activity, private-sector jobs and population in the City.



Figure ES-3. The Four Building Blocks of Montpelier's Economic Development Strategic Plan.



program to continue to improve the City's ability to add value to enterprises located in (or interested in locating in) Montpelier. This will involve four tactics to implement that strategy. These tactics serve as building blocks to strengthen the City's economy. The relationship of these four tactics is depicted in Figure ES-3. The first tactic defines the key sectors or market opportunities that Montpelier should pursue. The three other tactics are intended to build support for these sectors in the City's economy. Slighting any one of the tactics reduces the chances for success. All four tactics are described in full detail in the body of the report.

## **Putting the Strategy in Motion: Implementing the Economic Development Strategic Plan**

### **Building Administrative Capacity to Implement and Manage the Strategic Plan through a Local Development Corporation**

The Economic Development Strategic Plan has identified a series of tactics and tools to position Montpelier as a superior quality location for development. Somebody has to make this all come together into a coherent program. ***Implementation of this Economic Development Strategic Plan will require the creation of at least one full-time economic development position*** charged with implementing and overseeing the Economic Development Strategic Plan. This position will be responsible for coordinating the many partnerships with public and private agencies that must work together in implementing the EDSP. To implement the Economic Development Strategic Plan, the City should create a Local Development Corporation (LDC) in which to house the economic development position.

### **Creating a sustained, unified work plan for the Innovative Capital Strategy.**

Figure ES-4 provides a graphic depiction of a recommended work plan for the EDSP. It shows the various initiatives undertaken by the economic development position, the City Council, the City Planning Department and Montpelier Alive. The tactics to which each initiative corresponds is indicated at the left of the figure.

## **Estimated Return and Investments for the Economic Development Strategic Plan**

### **The Investment: \$100,000 per year for five years for a Local Development Corporation**

A full-time economic development position is likely to involve approximately \$100,000 in costs per year in salary, benefits and expenses. This is consistent with the budgets for other local economic development offices (mostly LDC's) in Vermont towns and cities. The other immediate expense for this program is to re-establish funding for the City's Housing Trust Fund at a level of approximately \$50,000 annually. Thus, over five years, the implementation of the Economic Development Strategic Plan is likely to total \$750,000. This is a major investment for the City and it is important to understand the potential returns to the City's economy for the first two years at full implementation could surpass that 5-year total expense.

Figure ES-4. A Proposed Work Plan for Implementing the EDSP.



### **The Target Return: Over \$5.6 million per year in new economic activity**

The potential returns to the City would be increased spending in the City as a result of increased population and increased revenues to the City from property tax and the local options tax. This analysis provides an estimate of what those returns will be. The estimates are not a precise prediction of the future. Rather, they are intended to provide an indication that the magnitude of the potential returns to the City is worth the magnitude of the investment required by the City.

For purposes of this analysis, it is assumed that Montpelier's per capita spending was \$18,632. Even with this conservative estimate of spending, the City of Montpelier could add an additional \$750,000 in spending in the City annually if the Economic Development Strategy attracted 41 additional residents to the City. If the City were able to attract 300 new residents to the City through the EDSP as is called for in the plan metrics, that would bring in an additional \$5.6 million of spending into the City.

### **The Tax Impact of the Economic Development Strategic Plan**

This section looks at the effect that successful implementation of the Economic Development Strategic Plan would have on City tax revenues. This is summarized in Table 12. NOTE: Table ES-2 represents the annual tax benefit associated with the plan once it is fully implemented. If tax stabilization is used to catalyze any of the projects, the full property tax revenues will not be realized until the expiration of the tax stabilization agreement for those particular projects. After that point, the increase in taxes would be permanent.

<b>Table ES-2. Projected Annual Tax Revenues Produced by Implementation of the Economic Development Strategic Plan.</b>		
<b>Source of New Value:</b>	<b>New Value Created in the City</b>	<b>New Tax Revenues Generated Each Year in the City</b>
Hotel/Conference Center	\$10,000,000	\$112,480
150 New Housing Units @ \$228,000/unit	\$34,200,000	\$384,682
Increased Property Taxes due to ripple effect of \$5.6 in new spending by 300 additional residents	\$4,443,101	\$49,976
<b>Total New Property Taxes</b>	<b>\$48,643,101</b>	<b>\$547,138</b>
Increased Meals & Rooms Tax Revenue (Montpelier's Local Option)	\$93,507	\$ 7,193
<b>TOTAL</b>		<b>\$ 554,330</b>
Source: compiled by Fairweather Consulting from various sources.		

Based upon these calculations, modest gains in the City's economy could return the City's \$150,000 investment in economic development. The economic development effort can return the annual investment of \$150,000 through increased property taxes with the construction of 60 new homes worth \$228,000 each (the average for the City), or \$13.5 million in other new ratables (e.g., a new hotel and 13 houses or small office buildings worth \$228,000 each.) As indicated above, in the first two years in which the City reaches the outcomes described in Table ES-2, the EDSP could result in over \$1 million in new taxes (\$550,000 each year).



## **Contents**

Introduction .....	1
The Planning Process .....	1
What is an Economic Development Strategic Plan and Why Does Montpelier Need One? .....	2
The Strategy: Montpelier as a Superior Quality Location in Central Vermont .....	4
The Factors Contributing to a Superior Quality Location .....	5
Critical Factors for Montpelier .....	6
Tactics: The Four Building Blocks for Montpelier’s Economy .....	6
Tactic 1. Identifying Key Sectors .....	7
Tactic 2. Making Strategic Investments in sites, infrastructure, approval process, and other areas to improve Montpelier’s ability contribute value to the key sectors .....	10
Tactic 3. Championing transformational projects that demonstrate Montpelier’s ability to serve as a “superior quality” location for these sectors.....	12
Tactic 4: Ongoing Activities to Support the Key Sectors.....	15
Putting the Strategy in Motion: Implementing the Economic Development Strategic Plan .....	16
Assembling the tools to carry out the Tactics.....	16
Building Administrative Capacity to Implement and Manage the Strategic Plan through a Local Development Corporation .....	19
Creating a Local Development Corporation.....	19
The Importance of Establishing Partnerships .....	20
Creating a sustained, unified work plan to maintain Montpelier as a superior quality location for its key sectors.....	20
Potential Areas for Transformational Projects .....	23
Metrics for the Economic Development Strategic Plan.....	24
Estimated Investments and Return for the Economic Development Strategic Plan .....	24
The Investment: \$100,000 per year for five years in the Local Development Corporation .....	24
The Target Return: Annual returns of over \$5.6 million in new economic activity and \$550,000 in new taxes in Montpelier .....	25
The Tax Impact of the Economic Development Strategic Plan .....	27
APPENDICES .....	29



## Introduction

Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with great talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent.

Calvin Coolidge

A strategic plan is a long-term commitment. Some research has even suggested that the factors separating successful strategies from unsuccessful ones are—as President Coolidge suggested—persistence and determination. This economic development strategic plan sets a direction for Montpelier’s economic future. As it is implemented, some of its recommended actions will meet with success, others may falter. But the plan’s ultimate value will arise from a long-term commitment to an approach for building prosperity and quality of life in Montpelier. It is that commitment and perseverance that, more than anything else, can guarantee the success of this effort.

## The Planning Process

The Economic Development Strategic Plan was compiled over a six-month process beginning with a public kickoff meeting on November 2, 2015 with subsequent public meetings held March 1 and 2, 2016 and April 26, 2016, with a presentation of the draft findings made to the City Council at its regular meeting on April 27, 2016. The process also involved extensive analysis of the existing economic conditions in Montpelier, Central Vermont and the State as a whole along with interviews and meetings with a wide variety of stakeholders. The details of the analysis and interviews are found in the appendices to this report. The planning process was overseen by a nine-member committee that met several times during the six-months to review findings, identify stakeholders for interviews and otherwise assist in the timely completion of the Economic Development Strategic Plan. The Plan would not have been created without their assistance. Member of the committee included:

- Jean Olson, City Council
- William Fraser, City Manager
- Michael Miller, Planning Director
- Kevin Casey, Community Development Director
- Jessie Baker, Assistant City Manager
- Timothy Beavin, Beavin & Sons Printing,
- Sam Andersen, Central Vermont Economic Development Corporation
- Andrew Brewer, Onion River Sports
- Ashley Witzemberger, Montpelier Alive

There was also a website for the plan (<http://montpelierplan.com>) through which the public could review plan documents and comment on the plan.

## What is an Economic Development Strategic Plan and Why Does Montpelier Need One?

Economic development involves stimulating and/or channeling economic activity (spending, job creation & investment) so that the activity preserves and improves a community's quality of life. Economic development harnesses economic power, but it isn't economic power. Effective economic development depends upon market realities & motivated business people. A community can't wish itself to economic prosperity. It must take advantage of the actual opportunities the market places before it.

An economic development strategic plan defines a long-term, unified approach to use the resources in a community to capture the available economic activity that community desires. If that is so, does Montpelier really need an economic development strategic plan? By many accounts, Montpelier is a successful community. It is a relatively affluent community by Vermont standards. It has an attractive, walkable downtown and is home to a number of vital businesses, cultural institutions and strong K-12 and post-secondary schools.

But the analysis of Montpelier's existing economic conditions (found in the appendices to this report) suggests that this is in fact a critical time to ensure that the City's economy is positioned to maintain and expand the relative prosperity it currently enjoys. Table 1 summarizes the case for Montpelier to consider its economic prospects. From 2009 to 2014, the City added 599 jobs, compared to neighboring Barre's addition of 648 jobs and

Table 1. Employment Trends for Montpelier, Barre & Waterbury, 2009-14			
Employment by Municipality, 2014	Montpelier	Barre	Waterbury
Total Employment	9,539	5,146	3,379
Change in Total Employment from 2009	599	648	(1,209)
Private Employment	5,810	4,146	2,887
Change in Private Sector Employment from 2009	10	394	294
Source: US BLS, Quarterly Census of Employment & Wages			

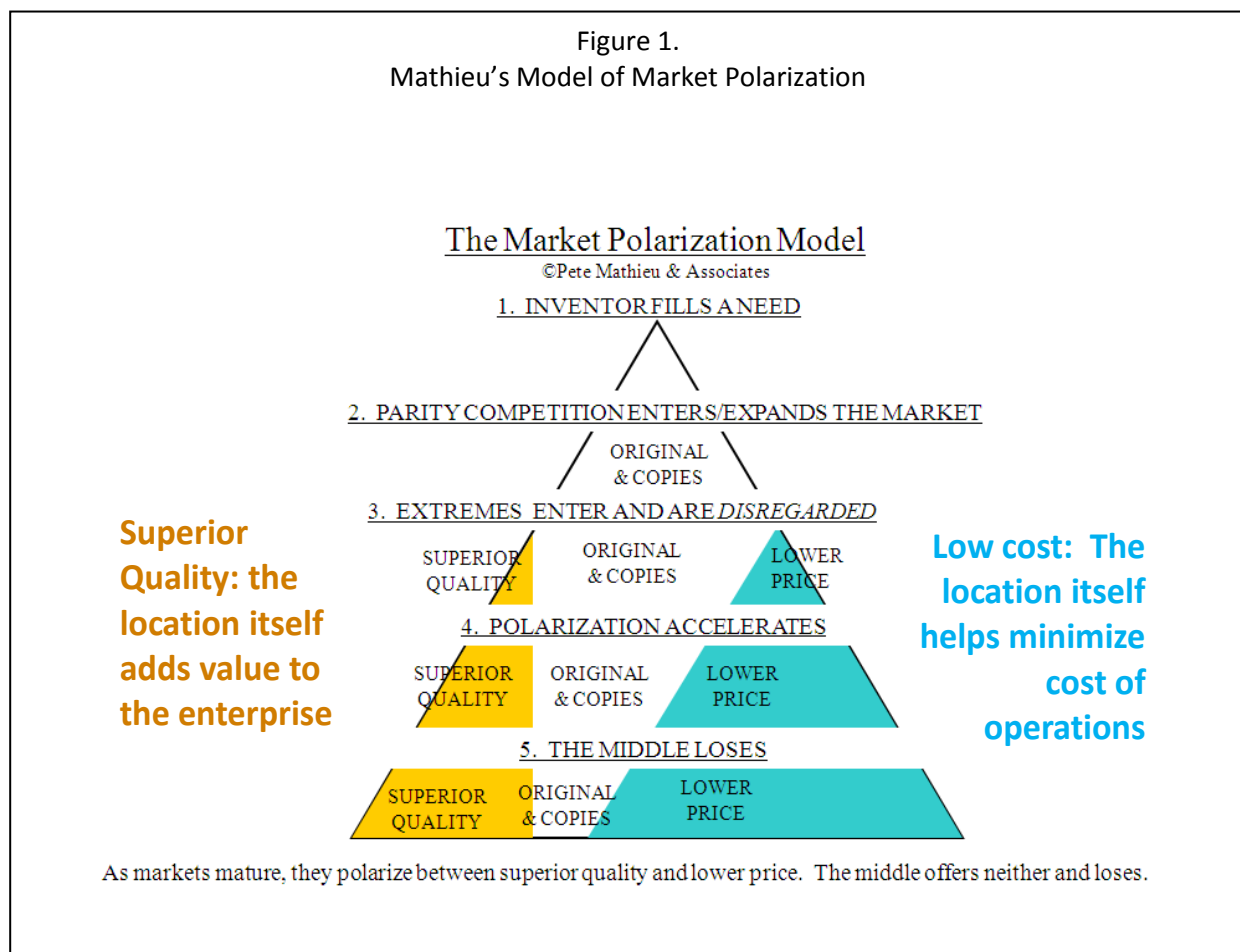
nearby Waterbury's loss of 1,209 jobs as State agencies relocated to Montpelier while the new office complex was built. But the real issue for Montpelier is seen in the trend with regard to private sector jobs. In that same time period, while Barre added 394 private-sector jobs and Waterbury gained 294 private-sector jobs, Montpelier saws its private employment increase by a mere 10 jobs. Clearly the City has not been as effective as Barre and Waterbury in participating in the modest economic growth taking place in Central Vermont.

The critical question facing a community looking to better its local economy becomes: "how are we going to compete in the marketplace?" Marketing consultant A. H. Pete Mathieu created a model to help makers of consumer products decide how they would compete. Simply put, products can compete on the basis of providing either high quality or low price. More importantly, Mathieu points out that, as any market matures, it polarizes. That is, the consumers split into two groups: those that prefer premium products and those that prefer low cost products. If your product is not clearly identified as

either a premium product or a low-cost product, it will lose to the products at those two extremes. (See Figure 1.)

A “middle market” giant like Sears eventually lost its market to the low-end discounters like Wal-Mart and the premium outlets like The Talbots and Nordstrom. The “Big 3” automakers almost went bankrupt responding to the combined pressure from low-cost Japanese cars and high-end models like Mercedes, Volvo and Lexus.

This model works just as well for communities seeking economic development. In the same way, a community can seek to position itself as a premium location for business, offering high value in terms of access to markets, workforce, infrastructure and/or quality of life. On the other side of the spectrum, a

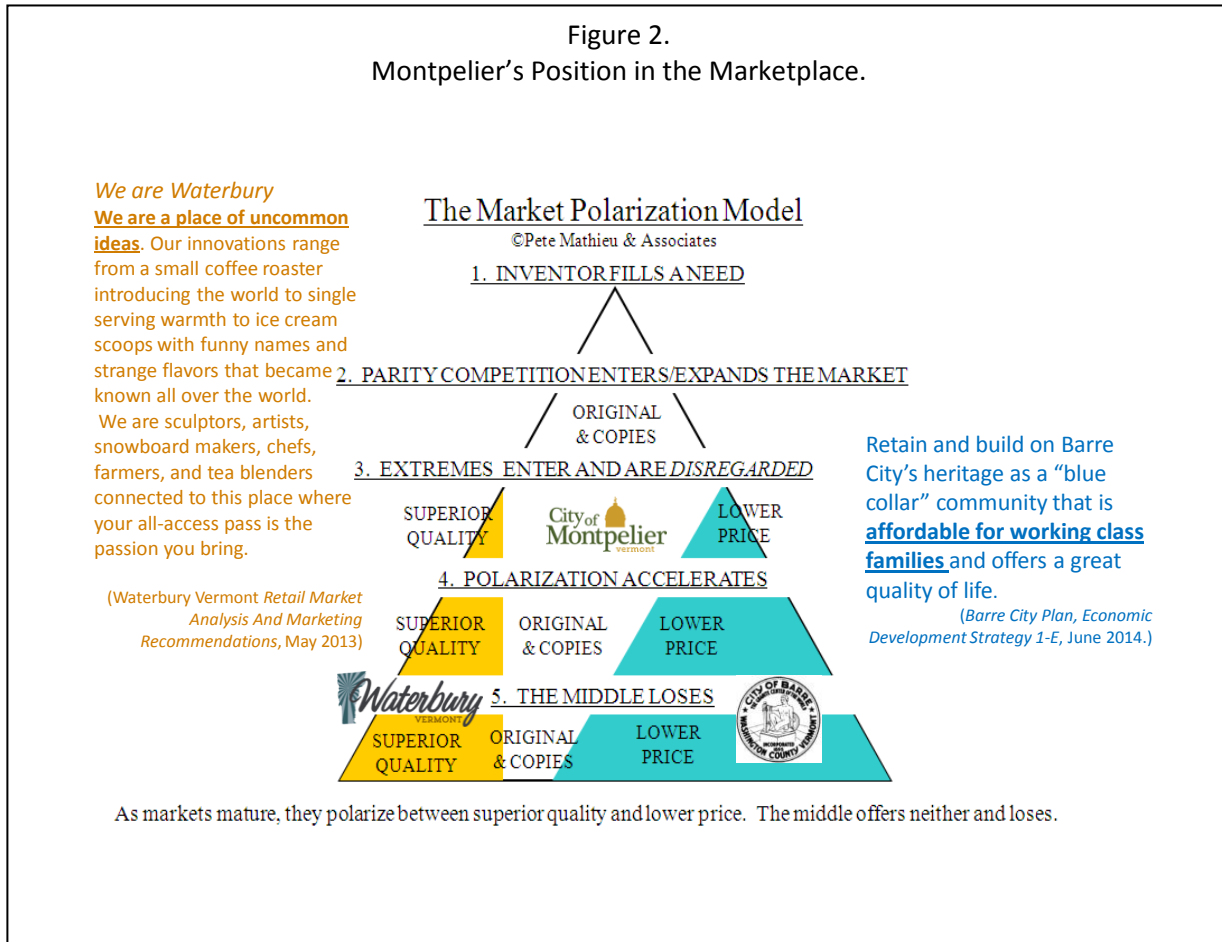


community can seek to be a low-cost location, offering low-cost real estate and labor to entice business.

This is the situation in which Montpelier finds itself in the early years of the 21<sup>st</sup> Century. For years, it was the only significant urban experience in Central Vermont. 25 years ago, Barre was a granite mining community with economic problems and little charm. At that same time, to the west, Waterbury was a small community mostly noted for the presence of a mental hospital. In recent years, this has all changed. Barre has actively positioned itself as a low-cost alternative to Montpelier, and building upon

its success with globally recognized food brands, and tapping into the nearby ski industry, Waterbury is emerging as a higher-priced home for hospitality, recreation and food-based businesses. As illustrated in Figure 2, Montpelier finds itself in the middle of Central Vermont's economy. The figure contains quotes from the economic development strategies of each of these communities. They have clearly positioned themselves at either end of the increasingly polarized market. Montpelier has yet to make a strategic choice how it intends to compete leaving it at risk of remaining in the middle of the market and losing substantial opportunities to its better positioned neighbors.

Note: establishing a competitive position in a polarizing market does not necessarily preclude communities from cooperating with one another on a regional basis. In fact, regional cooperation becomes easier once each community has an understanding of its position in the market and the opportunities it wishes to pursue.



## The Strategy: Montpelier as a Superior Quality Location in Central Vermont

Montpelier's response to the fact of market polarization is clear. It must compete as a superior quality location. There are two primary reasons for this:

1. Montpelier already has a reputation as an arts, culture and fine dining hub in Central Vermont. That, plus its attractive, walkable downtown tend to cast it as a superior quality location.
2. Montpelier is already a high-cost location in Central Vermont whether measured by wages, housing costs, rents, etc. In this context, the City is compelled to compete on the basis of superior quality. Fortunately, as this strategic plan will make clear, it is well-positioned to do so.

The goal of the strategy then, is to position Montpelier as a superior quality location for development to increase economic activity, private-sector jobs and population in the City over the next five years.

### **The Factors Contributing to a Superior Quality Location**

What exactly does it mean to compete as a superior quality location? As indicated in Figure 1, such a location should add value to the businesses it hosts. It can do that in a number of ways. Table 2 provides a summary of the results of a recent study of small cities in Massachusetts to identify those factors associated with private-sector job growth.

This study is a useful guide in that its findings are consistent with general economic development practice. The study results showed that the top six factors associated with job growth include having sites available for development, site amenities (which in this case meant a vibrant and walkable downtown), economic development marketing, timely approvals, available parking for employees and good quality schools.

Other factors that contributed to job growth in this study included adequate infrastructure, fast-track permitting, labor quality, etc. Factors that were not associated with job growth included traffic congestion, low tax rates, low housing costs, the quality of development sites,

Table 2.

Results from a Recent Study Correlating Economic Development Self-Assessment Tool (EDSAT) Data to Municipal Economic Growth

**Table 3. Correlation between EDSAT Variables and Employment Growth, All Private-Sector Industries in Working Cities 2001–2013:II**

EDSAT Measure	Correlation Coefficient
Available sites for development	+.59
Site amenities (a nice downtown)	+.37
Economic-development marketing	+.36
Timeliness of approvals	+.25
Available parking	+.18
School success	+.15
Adequate infrastructure	+.14
Fast-track permitting	+.14
Cross-Marketing – public/private efforts	+.13
Marketing follow-up	+.13
Labor quality	+.13
Low crime rates	+.07
Complementary business services	+.07
Good public transit	+.04
Labor cost	.00
Predictable permitting	-.02
Highway access	-.03
Adoption of a comprehensive marketing plan	-.07
Commercial/Industrial rents	-.08
Cultural and recreational amenities	-.12
Traffic congestion	-.23
Low local tax rates	-.27
Low housing costs	-.28
Quality of available development sites	-.33
Little citizen opposition to development	-.35
Physical attractiveness of the municipality	-.35

Source: Barry Bluestone, “What Makes Working Cities Work? Key Factors in Urban Economic Growth. Federal Reserve Bank of Boston, *Community Development Issue Brief 3*, 2014, May, 2014.



little citizen opposition to development and the physical attractiveness of the municipality.

### Critical Factors for Montpelier

All of this suggests that Montpelier has in place many factors that contribute to private sector job growth and help employers add value to their businesses, ranging from available infrastructure to site amenities to high quality schools. The critical issues for the City appear to be:

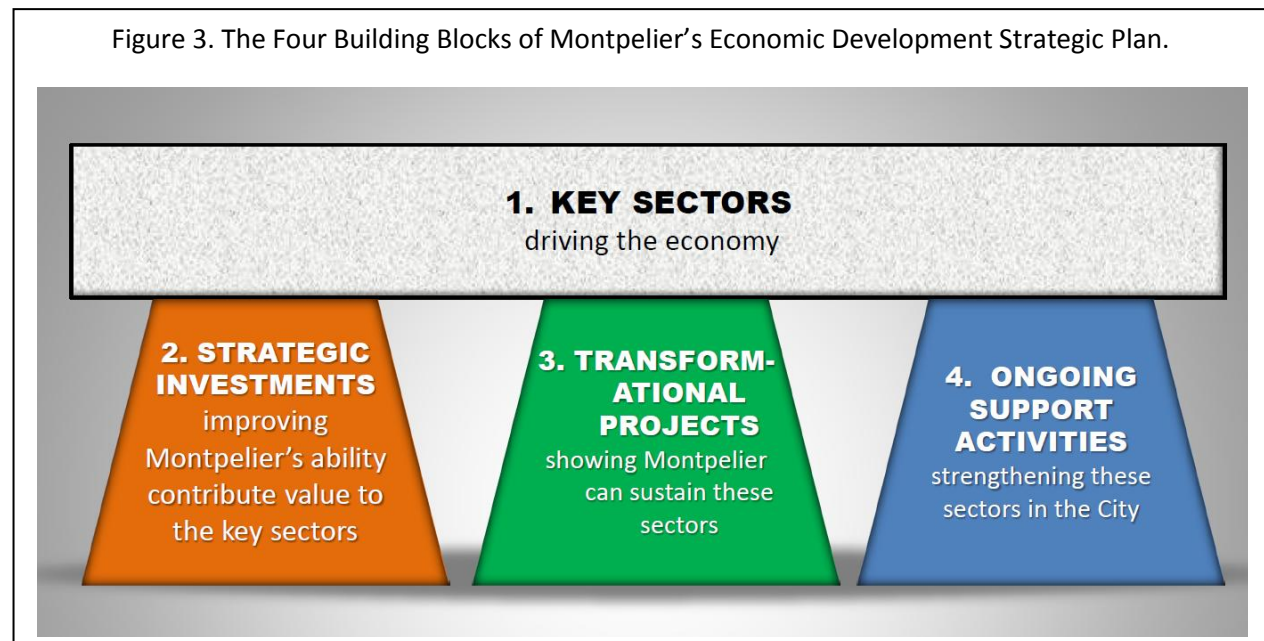
- Ensuring that sites are available and ready for development,
- Adequate infrastructure including sewer and water (which are readily available in the City), as well as parking, and broadband
- A timely approvals process,
- Available high quality workforce
- Community amenities centered around a vibrant downtown
- Marketing for economic development initiatives in the City

Note: as will be discussed below, Montpelier needs to make investments in the community to solidly position itself as a superior quality location. But, at the same time, the City must remain a prudent steward of these investments in order for them to bring about the desired results.

### Tactics: The Four Building Blocks for Montpelier's Economy

The essence of this strategic plan then is to create a coordinated program to continue to improve the City's ability to add value to enterprises located in (or interested in locating in) Montpelier. This will involve four tactics to implement that strategy. These tactics serve as building blocks to strengthen the City's economy. The relationship of these four tactics is depicted in Figure 3. The first tactic defines the

Figure 3. The Four Building Blocks of Montpelier's Economic Development Strategic Plan.



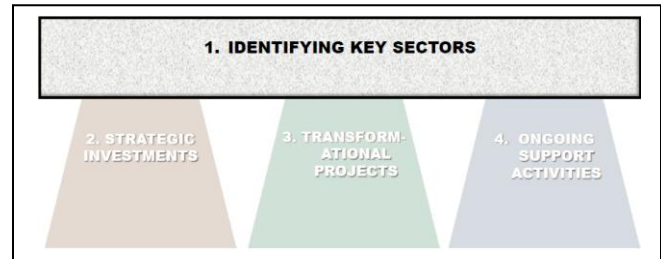
key sectors or market opportunities that Montpelier should pursue. The three other tactics are



intended to build support for these sectors in the City's economy. Slighting any one of the tactics reduces the chances for success. All four tactics are each described below in greater detail. The appendices contain a description of the specific supporting tactics for each of the strategy's key sectors.

## Tactic 1. Identifying Key Sectors

The economic analysis conducted for this strategic plan is included in the appendices to this report. It involved an examination of both short-term and long-term trends in job creation at the State, regional and local levels along with consultation with existing reports on the economy such as the most recent Comprehensive Economic Development Strategy (CEDS) for the State of Vermont and interviews with stakeholders from a variety of sectors in Montpelier and Central Vermont.



This analysis identified eight sectors that are particularly important for Montpelier's economy. As shown in Table 3, these are related to the target sectors of the Statewide Comprehensive Economic Development Strategy. Each key sector is described below in greater detail.

### Higher Education/Adult Learning

The higher education and adult learning sector includes four-year colleges, community colleges, and technical/job training programs. Education is an important sector to the economy because it creates a more skilled workforce, attracts out of state students, resulting in tuition revenue and possible new state residents, and provides quality jobs in teaching, administration, and other support staff. This sector is similar to the target industry of Education in the Statewide CEDS.

### Food Processing and Advanced Manufacturing

This sector includes manufacturing-related enterprises for which Montpelier may be a logical location. Food processing includes the preparation and storage techniques necessary before selling fruits and vegetables at grocery stores, craft enterprises such as bakeries, breweries, and wineries, as well as the processing and packaging of dairy products, and other commodities. This is similar to the target industry of Food Systems in the Statewide CEDS. This target sector also includes other types of advanced manufacturing beyond food processing, focusing on smaller specialty firms that use sophisticated technology to make their goods and/or those who embed such technology in their final products.

Table 3. How the EDSP Key Sectors Relate to the Target Sectors for the Statewide Comprehensive Economic Development Strategy (CEDS)

EDSP Key Sectors	Corresponding CEDS Target Sectors
Higher Education/ Adult Learning	Education
Food Processing/Advanced Manufacturing	Food Systems Advanced Manufacturing
Entrepreneurs (particularly in software development & IT)	Software Development and IT Renewable Energy and Efficiency
Finance/Insurance	Financial Services and Insurance (including Captive Insurance)
Not-for-Profit Services	Arts and Culture
Professional, Business & Technical Services (including Green Businesses)	Renewable Energy and Efficiency Green Businesses
Specialty Retail	NA
Tourism, Hospitality & the Arts	Tourism Arts and Culture

### **Entrepreneurs (particularly in software development and IT)**

This sector encompasses many different industries, but focuses on new business creation. However, fostering entrepreneurship requires such a unique set of skills, resources and support that it can be considered its own sector. Entrepreneurs require access to capital and property, risk reduction, education, governmental support, and business services, among others. Of particular interest for Montpelier is entrepreneurship in the software development and information technology sectors. This sector includes creating new software, testing, troubleshooting, and maintaining software, creating and maintaining databases, computer servicing, and creation and maintenance of communication systems, among others. This sector is similar to the Software Development and Information Technology sector in Statewide CEDS. But it is worth noting that entrepreneurs can come from any one of these eight key sectors (and others not mentioned in this strategy). Quality of life and community vibrancy are essential characteristics for any community wishing to attract entrepreneurs in these fields. Thus, the recommendations for the key sectors of Specialty Retail and Hospitality, Tourism & the Arts will also improve the City's competitiveness for entrepreneurs.

### **Finance/ Insurance**

Finance and insurance includes banking, asset management, venture capital, and insurance. The services and products this sector provides include loans, financial advice, transaction processing, and insurance policies among others. Vermont is a leader in this sector due to its captive insurance market. This sector is consistent with the Financial Services and Insurance sector in the Statewide CEDS.

### **Not-for-Profit Services**

The not-for profit industry is thriving in Montpelier. As the state capital, Montpelier is attractive to many not-for-profits who want proximity and access to the policy-making process. The City is home to not-for-profit industries focusing on state policy, energy, environmental, and sustainability issues, education, the arts, housing, and community development, among others. These types of not-for-profit enterprises require a workforce skilled in management, fundraising, science, and policy.

### **Professional, Business, Science, and Technical Services**

This sector is defined by the NAICS<sup>1</sup> as consisting of businesses that perform technical, professional, or scientific tasks for other individuals and businesses. This could include law, architecture, engineering, bookkeeping/accounting and many others. For Montpelier, this sector also includes firms using technology to provide important environmental services and services related to energy conservation and climate resiliency.

### **Specialty Retail**

Specialty retail stores provide a specific type of product, as opposed to a broad breadth of products. Specialty retail stores provide a greater selection of specific products that cannot be found elsewhere as well as expertise, and personalized shopping experiences. This sector includes bookstores, record stores, artisan/craftsmen shops, home goods, and sporting goods store, among others. One of the most

---

<sup>1</sup> The North American Industrial Classification System, used by governments in the US and Canada to classify businesses by industry.

important contemporary trends in retail is what is termed “experience-based” retail, in which shopping is embedded in a larger social and cultural experience of a place. With its walkable downtown and a host of cultural experiences and festivals, the City is well positioned to compete in the experience-based retail market. As mentioned above, efforts to improve vibrancy and “experience-based” retail will also strengthen the City’s ability to attract businesses and workers from other sectors.

### **Tourism, Hospitality, and the Arts**

Montpelier already has the competitive advantage of being the State capital, a draw for many visitors. Tourism, hospitality and the arts includes hotels, restaurants, historic sites, museums and recreational activities. This sector includes both the Tourism and Recreation sector and the Arts and Culture sector in the Vermont 2016 CEDs. According to the CEDs the arts economy has a direct impact, creating revenue from “the sale of art and the ticket sales for music and theatrical productions. . . the sale of arts goods and materials, recording production of music and film for mass distribution, and studio residencies and training programs.”<sup>2</sup> Montpelier’s efforts to promote experience-based retail will also improve its draw for tourists. The City should continue to develop festivals and other activities to attract new visitors. To repeat: a vibrant tourism, hospitality and arts scene in the City improves its competitiveness for other sectors as well.

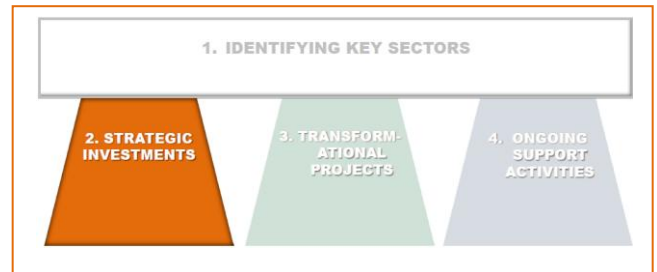
NOTE: this analysis does not conclude that these are the only sectors worthy of consideration for improving Montpelier’s economy. Rather these are the ones with the greatest likelihood of success and the greatest chance to lift other sectors as they improve.

---

<sup>2</sup> Vermont 2020 Comprehensive Economic Development Strategy. Updated February 2016

## **Tactic 2. Making Strategic Investments in sites, infrastructure, approval process, and other areas to improve Montpelier’s ability contribute value to the key sectors**

Part of the process of positioning Montpelier as a superior quality location for economic development is ensuring that investments to strengthen those aspects of the community that can provide important support to the target industries. These investments must address the critical factors that can make Montpelier a superior quality location for development:



- **Ensuring that sites in the City are prepared for private development** through such investments in proper zoning for the sites, ensuring that they are served by infrastructure and are free of impediments to re-use (e.g., brownfield contamination, etc.)
- **Providing adequate infrastructure for development**, including parking, broadband, access for foot, bike and auto transportation, etc.
- **Providing expeditious and effective project reviews** so that developers can have confidence that their proposals will be assessed accurately, completely and in as short a time frame as possible.
- **Building a pipeline of talented workers** so that businesses remain confident that their enterprises will have access to sufficient numbers of workers possessing the skills they require to operate their businesses successfully. This means ensuring that housing in the City is attractive and affordable to a wide range of incomes and working with educational institutions to ensure proper training opportunities are available.
- **Strengthening community amenities** so that Montpelier will be an attractive place in which enterprises can operate, employees can live and customers can conduct their business. This is also essential as Montpelier strengthens its ability to serve the “experience-based” retail market.
- **Marketing Montpelier to businesses** by building a brand for the City’s efforts to improve its economy and providing personal support in locating resources to assist businesses to both enterprises now located in the City and those considering relocating to Montpelier.

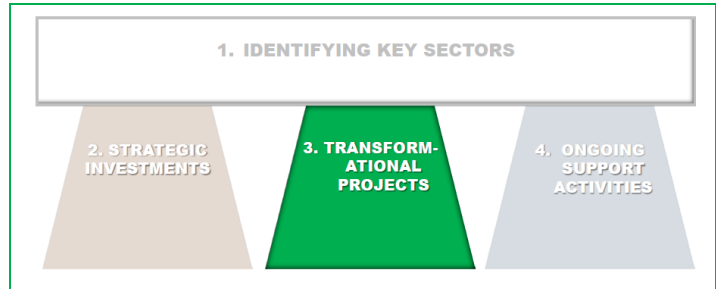
Table 4 describes the investments required to address each of these issues in Montpelier.

**Table 4. Strategic Investments to Strengthen Montpelier as a Superior Quality Location.**

<b>Issue:</b>	<b>Investment</b>
<b>Sites Improvements</b> (e.g., ensure appropriate zoning and infrastructure at development sites, work with developers to secure specific improvements needed for particular projects) :	<p>Prepare sites for use as:</p> <ul style="list-style-type: none"> <li>• <b>class A office space</b> in downtown and Barre Street/Stonecutters Way area for professional services, entrepreneurs and not for profits.</li> <li>• <b>food processing/second stage advanced manufacturing</b> in Barre Street/Stonecutters Way area</li> <li>• <b>hotel/conference center</b> in or adjacent to downtown core.</li> <li>• <b>family housing in larger parcels</b> in and adjacent to existing neighborhoods.</li> <li>• <b>infill housing</b> in downtown core for young singles.</li> </ul>
<b>Infrastructure</b>	<p>Ensure adequate employee parking at each site through a comprehensive parking strategy.</p> <p>Provide broadband connectivity to key growth sites</p> <p>Ensure pedestrian/bike connections to development sites.</p>
<b>Provide Expeditious Project Reviews</b>	<p>Seek ways to increase predictability of project review duration, including adopting the Municipal Administrative Procedures Act (MAPA) standards for contested projects. The City should also streamline policies related to holding festivals and other events in the City (e.g., street closings, use of parks, etc.)</p>
<b>Build the Pipeline of workforce talent</b>	<p>Provide a variety of housing types to ensure adequate housing for talent pipeline:</p> <ul style="list-style-type: none"> <li>• Executive housing in downtown and other locations</li> <li>• Housing for young professionals with families</li> <li>• Senior housing for retirees and to free up existing housing stock</li> <li>• Affordable housing for young singles and others.</li> </ul> <p>Encourage K-16 educational institutions to offer skills instruction for target industries.</p>
<b>Strengthen Community Amenities</b>	<p>Continually to upgrade streetscapes, facades and recreational facilities to enable Montpelier to better compete for experience-based retail.</p>
<b>Marketing</b>	<p>Build a brand for Montpelier's EDSP and incorporate it into economic development promotions.</p> <p>Provide personal service for business development, approvals, financing, etc.</p> <p>Recruit firms in target industries to Montpelier in cooperation with the Central Vermont Economic Development Council and State industry attraction efforts.</p>

### Tactic 3. Championing transformational projects that demonstrate Montpelier’s ability to serve as a “superior quality” location for these sectors

This economic development strategy is premised on the idea that Montpelier can compete as a superior quality location for economic development. Businesses, property owners, residents, potential investors and others must see concrete demonstrations of the strategy’s success and its future potential.



It is therefore important that, as the strategy is implemented, proof of this success is provided early and often. That is the role of the transformational projects. During the analysis and community outreach for this strategic plan, a number of transformational projects were identified for the target sectors. These are listed in Table 5.

NOTE: this list is intended to serve as a sample of potential projects. It should not be considered exhaustive. Table 5 provides a brief description of each project and how it would foster activity in the target sector(s) with which it is associated.

Table 5. Description of Potential Transformational Projects and Target Sectors Served by Them	
Potential Transformation Project	Target Sector(s) Served
<b>Hotel &amp; Conference Center:</b> The project would involve the construction of a hotel and conference center in or near the downtown, working with existing operators and/or developers to create additional rooms and conference space to support business & tourism travel. The project would improve the capacity of Montpelier to host festivals and business meetings as well as provide further diversity in terms of high-quality lodging available in the City.	Tourism, Hospitality & the Arts; Adult Learning; Finance/Insurance; Not-for-Profit Services; Services (inc. Green Businesses)
<b>Housing Projects:</b> This would provide a variety of housing types to ensure adequate housing for workers in Montpelier businesses. The projects could include: <ul style="list-style-type: none"> <li>• Executive housing in downtown and other locations</li> <li>• Housing for young professionals with families (e.g., 1st-time homebuyers)</li> <li>• Senior housing for retirees and to free up existing housing stock</li> <li>• Affordable housing for young singles and others.</li> </ul>	Finance/Insurance; Services (inc. Green Businesses)
<b>Not-for-Profit Advocacy Training Center:</b> The Center would offer training programs in social advocacy and not-for-profit management to take advantage of opportunities for experiential learning about government processes in a small state capital. The Center would also provide training support to the not-for-profit organizations in the City.	Not-for-Profit Services; Adult Learning; Tourism, Hospitality & the Arts
<b>Local Food/Spirits Venue:</b> A processing/retail operation to build upon the regional strengths in local food & food processing.	Food Processing and Advanced Manufacturing;

<b>Table 5.</b> <b>Description of Potential Transformational Projects and Target Sectors Served by Them</b>	
<b>Potential Transformation Project</b>	<b>Target Sector(s) Served</b>
	Specialty Retail
<b>Retail Arcade:</b> A retail space subdivided into small-footprint spaces for start-up retailers to create opportunities for start-up retailers to have access to lower cost retail space as a platform to build their business.	Specialty Retail; Tourism, Hospitality & the Arts; Food Processing and Advanced Manufacturing
<b>Office/Mixed Use Development:</b> Renovation of downtown office space (possibly mixed with retail or apartments) or construction of office space along Barre Street and/or Stonecutters Way to host the service-related enterprises among the target sectors.	Not-for-profit services, Business, Technical and Professional Services (including Green businesses)
<b>Innovators Attraction Program:</b> Skilled workers in the target sectors of business services, food processing/advanced manufacturing, arts, higher education/adult learning, not-for-profits and finance/insurance (tourism, hospitality and retail are excluded) would be given special incentives for relocating their residences and businesses to Montpelier. The incentives could include: <u>For start-up businesses (who must apply to the program):</u> <ul style="list-style-type: none"> <li>• Forgivable Loans carved out of the Montpelier Business Loan Fund for start-up business moving into Montpelier or for new business being created in Montpelier: The repayments would be deferred each year the business is in the City, with the loan totally forgiven if the business remains in the City for five years</li> <li>• Tax stabilization for any real estate and equipment used for their business if they are a business owner</li> </ul> <u>For individual innovators (who must be nominated by their employer):</u> <ul style="list-style-type: none"> <li>• Forgivable Loans carved out of the Revolving Loan Fund to finance five years of student loan debt up to \$5,000. Residents would have to be nominated for this program by their employer in one of the target sectors. The loan is given to the participant to retire student loan debt with repayment deferred each year they are living and working in the City, with the loan totally forgiven if the person remains living in the City for five years.</li> <li>• Priority access to the 1<sup>st</sup>-time Homebuyer program</li> </ul> All participants would be invited to attend regular innovator meet-ups that not only involve young start-ups but also innovative employees from established enterprises in the City.	Not-for-profit services, Business, Technical and Professional Services (including Green businesses);

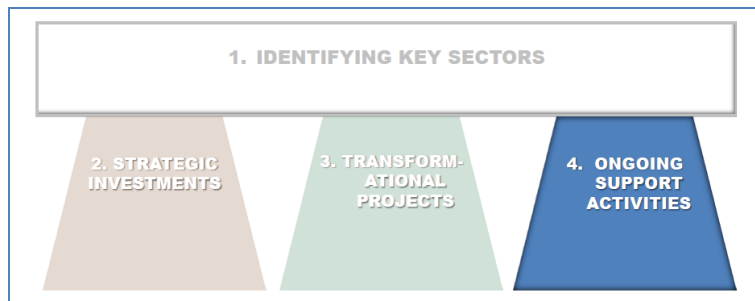
The matrix in Table 6 shows the interrelationships between the key sectors of this strategy and the potential transformational projects listed here. As you can see, each project listed has the potential to support at least three of the key sectors for the strategy. Note that the housing projects and the innovators attraction program serve virtually every one of the eight key sectors.

Table 6. The Relationship Between Potential Transformational Projects and Key Sectors for Montpelier (A star indicates the Transformational Project serves the associated Key Sector.)								
Pot- ential Transform- ational Projects	Sectors: Higher Education/Adult Learning	Food Processing & Advanced Manufacturing	Entrepreneurs	Finance/Insurance	Not-for- Profit Services	Professional, Business & Technical Services	Specialty Retail	Tourism, Hospitality & the Arts
Hotel & Conference Center	★			★			★	★
Housing Projects	★	★	★	★	★	★	★	
Not-for-Profit Advocacy Training Center	★				★			★
Local Food/Spirits Venue		★	★				★	★
Retail Arcade		★	★				★	★
Office/Mixed Use Development			★		★	★		
Innovators Attraction Program	★	★	★	★	★	★		



## Tactic 4: Ongoing Activities to Support the Key Sectors

Table 7 identifies actions that should be taken on an ongoing basis to support the key sectors. These actions are of two types. Expansion efforts are intended to encourage the growth of enterprises in those sectors that are already located in Montpelier. Attraction efforts are intended to bring enterprises from those sectors into Montpelier.



**Table 7. Ongoing Actions to Support Key Industries**

Sectors	Actions
<b>Higher Education/Adult Learning</b>	EXPANSION: Work with VCFA, NECI and CCV to strengthen and expand their presence in the City and its economy. ATTRACTION: Promote the creation of new adult learning ventures to create “pipeline” for other target sectors.
<b>Food Processing and Advanced Manufacturing</b>	EXPANSION: Regularly meet with existing firms to understand needs and opportunities. ATTRACTION: Provide space for “second stage” companies growing in Central Vermont.
<b>Entrepreneurs (particularly in software development &amp; IT)</b>	EXPANSION: Support Co-working Spaces & Digital Design and Technology enterprises. Support the creation of an entrepreneur’s forum—include entrepreneurs and extend it to support services, financiers, etc. ATTRACTION: Promote Montpelier to Digital Design and Technology enterprises.
<b>Finance/Insurance</b>	EXPANSION: Encourage housing and other amenities related to talent attraction. Regularly meet with existing firms to understand needs and opportunities. Seek solutions that allow existing firms to expand and/or build stronger relationships between their workforce and the Downtown
<b>Not-for-Profit Services</b>	EXPANSION: Improve the quality and quantity of office space available to Not for profit organizations. Build the “talent pipeline” for not-for-profit leadership through a specialized training program. ATTRACTION: Promote Montpelier to Not for Profit enterprises involved in State policy, energy/environmental/ sustainability and related issues.
<b>Professional, Business &amp; Technical Services (inc. Green Businesses)</b>	EXPANSION: Regularly meet with existing firms to understand needs and opportunities. ATTRACTION: Promote Montpelier to firms involved in energy/ environment/sustainability and related issues.
<b>Specialty Retail</b>	EXPANSION: Support the work of Montpelier Alive to strengthen Montpelier as a place for “experience-based” retail enterprises & Montpelier as a tourism destination.

Table 7. Ongoing Actions to Support Key Industries

Sectors	Actions
	ATTRACTION: Promote creation of a space with small footprint retail spaces to launch new retail enterprises in Montpelier.
Tourism, Hospitality & the Arts	EXPANSION: Support the work of Montpelier Alive to strengthen Montpelier as a tourism destination, including the creation of festivals and other activities intended to support vibrancy in the Downtown. ATTRACTION: Support the creation of a hotel conference center to expand overnight stays in the City.

## Putting the Strategy in Motion: Implementing the Economic Development Strategic Plan

This section describes the steps involved in implementing the Economic Development Strategic Plan.

This involves:

- assembling the tools needed to implement each of the four tactics
- identifying the administrative capacity required for strategy implementation
- specification of a unified work plan to position the City as a superior quality location for development.

These three items are addressed in the sections which follow.

### Assembling the tools to carry out the Tactics

A preliminary list of the tools required to carry out the tactics of this strategy is provided below. As work progresses on the EDSP, additional tools may be required. This can be considered a starting point for the work.

**Business Retention & Expansion Program to focus the ongoing activities of Tactic 4:** Economic development research indicates that up to eighty percent of all new jobs in any economy come from existing firms. Therefore an important ingredient in any economic development effort should be a program to assist in the retention and expansion of existing firms in the key sectors. A Business Retention and Expansion (BR&E) program has two components: the first is a program of regular visits to businesses in Montpelier, focusing on those in the key sectors. The second component is to create a referral system so that businesses can easily get assistance with the issues or opportunities that are identified through the BR&E visit. The person running the BR&E program must have a good list of businesses in the City by sector and a strong referral network to get firms assistance on issues that may run from worker training to financing to development approvals. It is equally important that the entities on the referral list have made a commitment to responding to request for assistance that have emerged

from BR&E visits. (NOTE: This effort should be coordinated with Montpelier Alive's ongoing outreach to businesses in the City.)

**A Developers/Property Owners Roundtable to help identify transformational projects (Tactic 3):** In the same way that economic development in Montpelier will involve maintaining close contact with employers, it also means building close relationships with developers interested in working in Montpelier and property owners with extensive holdings in Montpelier. This could mean holding annual or semiannual roundtables in the City to which these parties are involved. The purpose of the sessions would be to alert the developers and/or property owners to potential development projects in which they might participate and to keep abreast of the needs and desires of developers and property owners who may be interested in undertaking one of the strategy's transformational projects or otherwise pursue projects consistent with the Economic Development Strategic Plan.

**Create Grant/Financing Packages for Partner Developers/Property Owners to assist in Tactics 2, 3, and 4:** One of the most important development constraints facing Montpelier at this time is the costs of development in the City are virtually identical to the cost of development in Burlington. At the same time, the sales price or rent that can be expected from a project in Burlington is much higher than can currently be commanded in Montpelier. Therefore, in order to encourage developers to seek projects in Montpelier, it is critical to find ways to lower the costs of development so that the net return on such a project starts to approach the net return to produce projects that can be priced for Montpelier. There are a number of programs that can be used to help reduce the costs of development in Montpelier. They include:

- *Brownfield Programs* that provide funding to rehabilitate contaminated sites ("brownfields") so that they can safely accommodate development. Funding can cover the initial assessment of the contamination, creation of remediation programs and even market analysis of future use of such sites.
- *Downtown and Village (Historic) Tax Credits* are available to commercial buildings in designated downtowns that are listed on the National Register (or eligible for such listing).
- *New Market Tax Credits* are available for projects that are located in a Qualified Low-Income Census Tract, is deemed to have a high community impact, has a total project cost above \$3 million and where at least 20% of income from the completed project will come from commercial use (nonresidential). While these credits are only applicable in one census tract in Montpelier, they have been used in at least one project in the City. (A map of the relevant census tract is found in the appendices to this report.)
- *The Montpelier Business Loan Fund (MBLF)* is administered by the City and intended to provide new businesses with financing in those situations where funding cannot be obtained through existing commercial lenders.
- *Tax Stabilization* allows forgiveness on the new tax revenues that may be added to a property due to development or redevelopment. Montpelier should use tax stabilization to provide stabilization of municipal taxes for projects that support the key industries of this Economic Development Strategic Plan. This provides modest relief for the developer, given that the bulk

of property taxes support education. However, if such a project is approved by the Vermont Economic Progress Council, it may be possible to provide the development with forgiveness on new educational property tax and forgiveness for some of the sales and use tax incurred as part of project construction.

- *Tax Increment Financing (TIF)* is a creative way to finance infrastructure or other components of a development project through revenues generated by new development. Through a TIF agreement between a municipality and a development project, the new tax revenues generated by the project can be dedicated to pay off bonds used to finance infrastructure created to support the project. Currently state law has halted the use of tax increment financing. It will require state legislation to enable Montpelier to create TIF agreements to finance public infrastructure associated with development.

Details on many of these programs are found in the appendices to this report.

**Consider Creating an Annual Fee for Vacant Buildings:** This strategic plan is intended to encourage superior quality development in Montpelier by building positive working partnerships with businesses, property owners and other partners. However, there may be occasions when it might be necessary to provide negative incentives, or a stick rather than a carrot, to move the economy forward. Such may be the case if the City experiences problems associated long vacant buildings that are not actively marketed and/or improved by their owners. A sample law from the City of St. Albans is included in the appendices to this report. The Vermont League of Cities and Towns also has a model ordinance for vacant buildings. The thrust of such legislation is to enable the municipality to collect an annual fee for any building determined to be vacant to offset the costs to the municipality of responding to problems associated with vacant buildings (e.g., crime, vandalism, etc.) while providing a financial incentive for the property owner to find a use for the building.

**Housing Trust Fund as an important Aid for Tactics 2 & 3:** The City's Housing Trust Fund is an important tool for addressing housing, which plays a central role in Tactic 2 (investments) and 3 (transformational projects) for virtually every key sector in this Economic Development Strategic Plan. The Trust Fund was created by the City to address the problem of housing affordability. Funded by the City (but also eligible to receive grants from third parties). Its primary purpose is to encourage affordable housing for lower income residents, but the City's regulations for the Fund allow it to waive some or all of the Trust's funding guidelines to "take advantage of special opportunities or unpredictable circumstances" that can further the purpose of the Trust Fund.<sup>3</sup> An adequately funded Trust Fund will be an important tool in financing the variety of housing types called for in this Economic Development Strategic Plan.

**Establish an External Marketing Presence for Montpelier to aid Tactics 2 & 4:** While much economic development activity for Montpelier will come from within the City, it is equally important to establish an external marketing presence for Montpelier to help attract new businesses and residents to the City. This should consist of at least three components:

---

<sup>3</sup> Amended Guidelines, Montpelier Housing Trust Fund, City Council, October 27, 2010, Section 105.

1. *Close working relationships between the City and those entities responsible for attracting businesses to Vermont and Central Vermont.* The Vermont brand is well regarded throughout the Northeastern United States and beyond, with a host of agencies promoting it for economic development purposes. Rather than trying to establish a separate presence in the business attraction market, the City should piggyback on the existing efforts of such organizations. This means maintaining regular contact with those entities to understand to whom they are marketing and who their latest prospects are. It also means keeping them abreast of the opportunities in Montpelier in terms of available properties and sites, incentives, etc.
2. *One office that can answer any questions a prospective business may have.* Montpelier has a dedicated and skilled set of professionals in government and the not-for-profit sector that work hard and effectively to support business in the City. But there is no one office or no one individual to serve as a “case manager” for a new or existing business that is seeking information about relocation or expansion. Creating that one-stop capacity sends a clear marketing message that the City is prepared to assist businesses in the City.
3. *A team of business ambassadors for Montpelier.* The single most relied upon source of information for businesses considering relocation is information from their peers. As part of Montpelier’s Economic Development Strategic Plan, it is important to assemble a team of representatives from the key sectors who are willing to speak to peers in their sectors about the advantages and opportunities Montpelier provides.

### **Building Administrative Capacity to Implement and Manage the Strategic Plan through a Local Development Corporation**

The Economic Development Strategic Plan has identified a series of tactics and tools to position Montpelier as a superior quality location for development. Somebody has to make this all come together into a coherent program. ***Implementation of this Economic Development Strategic Plan will require the creation of at least one full-time economic development position*** charged with implementing and overseeing the Economic Development Strategic Plan. This position will be responsible for coordinating the many partnerships with public and private agencies that must work together in implementing the EDSP.

To implement the Economic Development Strategic Plan, the City should create a Local Development Corporation (LDC) in which to house the economic development position. As the employee of a private entity, the economic developer will be able to provide greater confidentiality for businesses with which it works and to serve as an outside advocate to the City on behalf of economic development. In addition, the City could create its contract with the LDC to focus deliverables squarely on final work plan for the EDSP, providing a clear trail of accountability for its implementation. An LDC is also better positioned to secure private sector support for its operations.

### **Creating a Local Development Corporation**

The City Council should direct its counsel to create articles of incorporation for the Montpelier Local Development Corporation. The articles identifies the formal name of the entity, specifies that it is a

public benefit corporation and describes the mission/purpose of the organization. The articles are then filed with the Secretary of State. The LDC becomes active when its articles of incorporation receive approval by the Secretary of State.<sup>4</sup>

The City Council must then appoint a board of directors. It is considered best practice for the board to have representation from City government, other important economic development organizations (e.g., the regional economic development corporation, the regional planning commission, the Central Vermont Chamber of Commerce, etc. It is also important to have representation from the City's private sector, including the key sectors for this strategy and such groups as Montpelier Alive.

Once appointed, the board is responsible for adopting and maintaining by-laws for the organization. At that point, it is important for the City and the LDC to establish a written contract for services provided to the City by the LDC and the amount and terms of payment may by the City to the LDC for the services provided. In this case, the work plan for the LDC should be derived from the recommendations of this Economic Development Strategic Plan. With this agreement in place, the Board should establish a physical office for its operations and seek to hire the economic development director. A sample job description for this position is included in the appendices to this report.

### **The Importance of Establishing Partnerships**

The Economic Development Strategic Plan cannot be implemented by one person or one office. The City's economic developer must build close working relationship with agencies and organizations involved in economic development in Montpelier. Within City Hall, this will include the City Manager's Office, Planning and Community Development, Public Works and Montpelier Alive. It also includes State agencies such as Agency of Commerce & Community Development, Vermont Economic Development Authority, the Manufacturing Extension Center and the Small Business Development Center. Private sector partners will include the Central Vermont Economic Development Corporation, Community Capital of Vermont, the Vermont Council on Rural Development, the Central Vermont Regional Planning Commission, financial institutions, etc.

### **Creating a sustained, unified work plan to maintain Montpelier as a superior quality location for its key sectors.**

It is not possible to immediately take on the full range of activities required to implement this Economic Development Strategic Plan. Consequently, it is important that a work plan be created to establish priorities so that the economic development position created by the City can make the greatest possible progress with the EDSP in the shortest possible time. Figure 4 provides a graphic depiction of a recommended work plan for the EDSP. It shows the various initiatives undertaken by the economic development position, the City Council, the City Planning Department and Montpelier Alive.

As Figure 4 indicates, the first year of the work plan focuses on establishing the Business Retention & Expansion Program, addressing broadband connectivity in the City, and pursuing the Hotel/Conference Center as a transformational project. In the first year, the economic development position will also

---

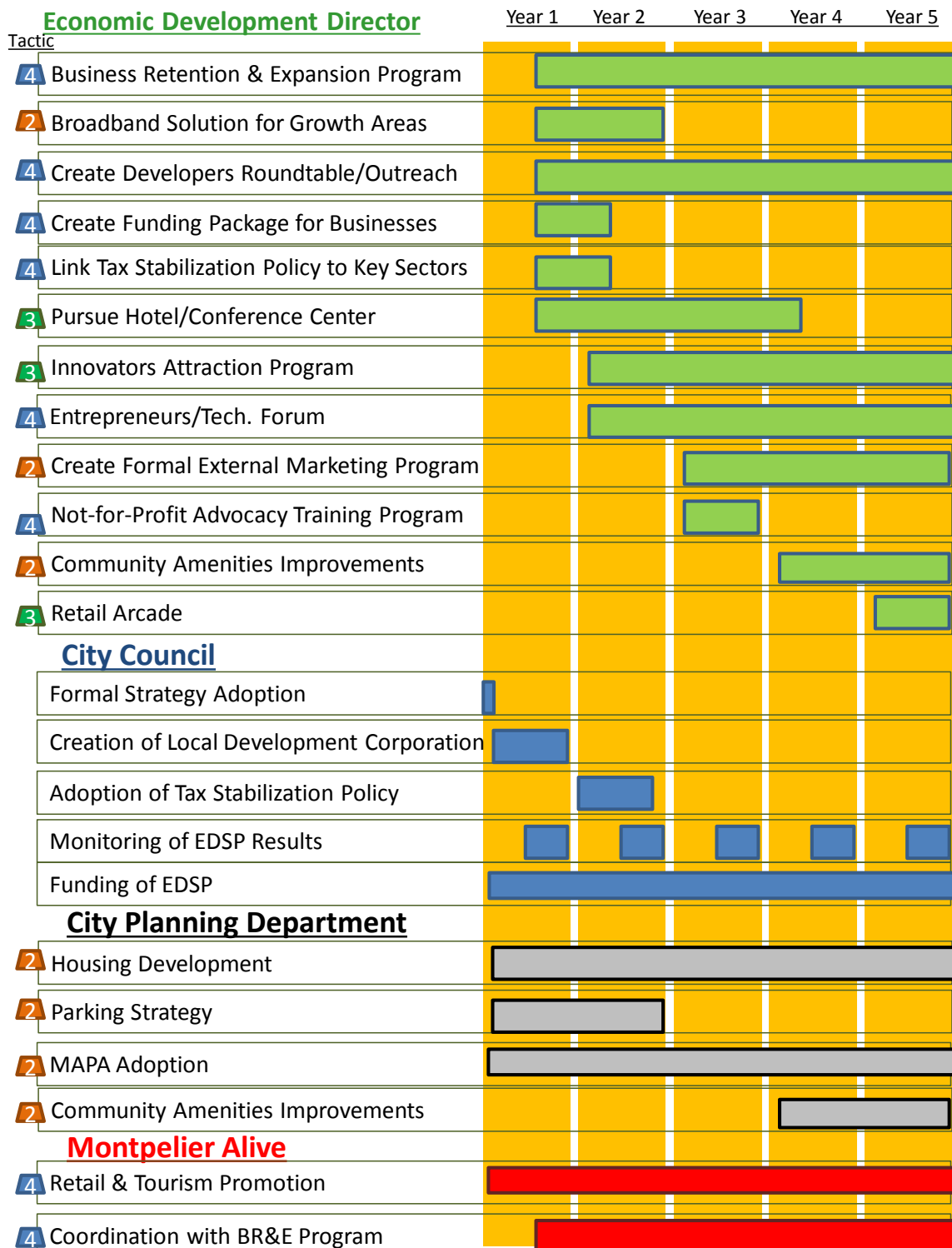
<sup>4</sup> Cf. Vermont State Law Title 11B. Not-for-Profit Corporations. (<http://legislature.vermont.gov/statutes/title/11B>)

assemble the funding package to help reduce development costs, create the developer's roundtable and recommend ways to link the City's tax stabilization efforts to the key sectors of the EDSP.

In the first year, the City Council is responsible for adopting the EDSP and creating the Local Development Corporation. At the same time, the City Planning Department will take the lead in creating the housing projects called for in the EDSP, developing a parking strategy and working with City government to adopt the Municipal Administrative Procedures Act for development project reviews.

The proposed work plan is summarized in Figure 4. The tactics to which each initiative corresponds is indicated at the left of the figure. Note that this work plan is offered as a guide for creating the actual work plan once the economic development position is established. In any case this work plan is offered as an illustration of the need to observe clear and consistent priorities when implementing the EDSP.

Figure 4. A Proposed Work Plan for Implementing the EDSP.

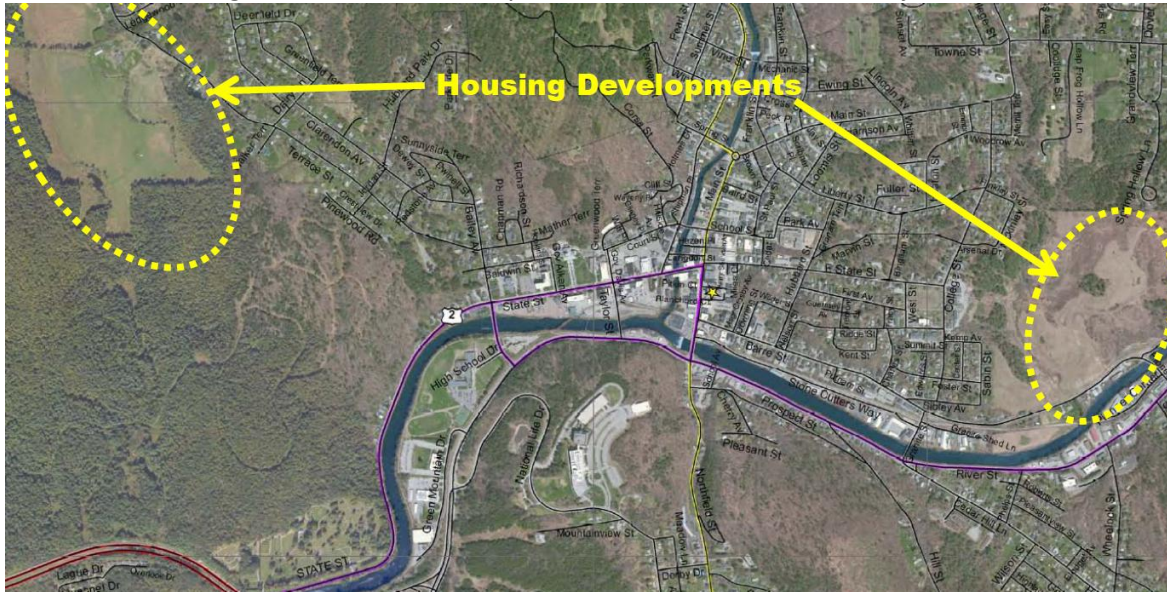




## Potential Areas for Transformational Projects

The success of the EDSP involves having sites that can support development projects based upon the availability of supporting infrastructure and upon the ability of the location to serve the needs of the business. This will be particularly true for transformational projects associated with the EDSP. Figure 5 provides an indication of general locations in the City that have the potential to support transformational projects related to housing, the hotel/conference center and business, technical and professional services as well as food processing/advanced manufacturing.

Figure 5. Areas in the City Suited for Transformational Projects.

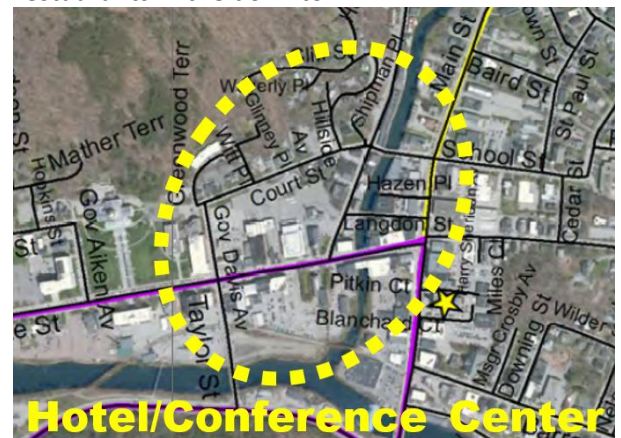


**HOUSING:** While small in-fill housing projects are possible in many locations in the City, larger projects may be possible in larger sites of vacant land such as the vacant lands off of Terrace Street and Barre Street. The Barre Street site is particularly valuable because it could provide housing that is easily walkable to the downtown.

**OFFICE/FOOD PROCESSING/ADVANCED MANUFACTURING:** The area on either side of the River is well suited for these uses, since Barre Street, Stone Cutters Way and River Street already host such uses.



**HOTEL/CONFERENCE CENTER:** This project should be located in the core downtown to maximize the extent to which guests at the hotel and attendees at conferences avail themselves to the shops and restaurants in the downtown.



## Metrics for the Economic Development Strategic Plan

The goal of the strategy is to increase economic activity, private-sector jobs and population in the City over the next five years. As part of implementing the strategy, it is important to have metrics to track the progress in terms of each of these measures. This section provides a set of such metrics summarized in Table 8 below. For each metric used (e.g., population), a criterion is provided (e.g., 300 residents by 2011).

Table 8. Metrics for the Montpelier Economic Development Strategy	
Metric	Criterion
Private Sector Employment	300 private sector jobs added by 2021 as reported by the Vermont Department of Labor through the Quarterly Census of Employment and Wages (QCEW)
Number of Net New Establishments	20 new establishments added in the Key Sectors of the Strategy by 2021 as reported by the Vermont Department of Labor through the Quarterly Census of Employment and Wages (QCEW).
Population	300 residents added to the City's population by 2021 as reported by the Census Bureau's American Community Survey. (The lower bound of any confidence interval for the 2021 estimate must exceed the 2016 population estimate by at least 100).
Housing	150 housing units approved for construction represented by building permits issued by the City by 2021.
Economic Activity Metrics	Criterion
Meals Receipts*	4.5% annual increase (30% over five years)
Rooms Receipts*	6% annual increase (42% over five years)
*as reported in the statistical reports of the Department of Taxes of the Vermont Agency of Administration.	

These metrics have been generated by comparing activity in the City of Montpelier during the economic recovery (i.e., from 2009 to 2014) with comparable measures for Vermont as a whole, Washington County, the City of Barre and the Town of Waterbury. The rationale for each of the metrics is discussed in the appendices to this report.

## Estimated Investments and Return for the Economic Development Strategic Plan

### The Investment: \$100,000 per year for five years in the Local Development Corporation

A full-time economic development position is likely to involve approximately \$100,000 in costs per year in salary, benefits and expenses. This is consistent with the budgets for other local economic development offices (mostly LDC's) in Vermont towns and cities. A sample of expenses of Local Development Corporations from similar size communities is provided in Table 9.

**Table 9.**  
**Annual Expenses for Selected Local Development Corporations, 2014.**

	<b>Barre Area Development Corporation</b>	<b>Newport City Renaissance</b>	<b>Lake Champlain Islands EDC</b>
Total Expenses (Form 990, line 17)	\$ 95,244	\$ 82,235	\$ 86,445
Source: compiled by Fairweather Consulting from Form 990s filed by the organizations for 2014.			

The other immediate expense for this program is to re-establish funding for the City's Housing Trust Fund at a level of approximately \$50,000 annually. Thus, over five years, the implementation of the Economic Development Strategic Plan is likely to total to \$750,000. This is a major investment for the City and it is important to understand the potential returns it could produce for the City's economy.

**The Target Return: Annual returns of over \$5.6 million in new economic activity and \$550,000 in new taxes in Montpelier**

The potential returns to the City would be increased spending in the City as a result of increased population and increased revenues to the City from property tax and the local options tax. This analysis provides an estimate of what those returns will be. The estimates are not a precise prediction of the future. Rather, they are intended to provide an indication that the magnitude of the potential returns to the City is worth the magnitude of the investment required by the City.

For purposes of this analysis, it is assumed that Montpelier's per capita spending was \$18,632. As is explained in the notes to Table 10, the difference is based upon a series of assumptions about which type of spending takes place in the City and which takes place outside of it. This is a very conservative estimate to *deliberately underestimate* the economic impact of spending by new residents in Montpelier and confine the direct impact of new spending within the City limits. Table 10 provides an estimate of per capita personal consumption expenditure for Montpelier residents based on the 2014 per capita personal consumption estimate made for the State of Vermont. State per capita spending was \$44,768.

Using this estimate of \$18,632 of spending per resident, the City of Montpelier could add an additional \$750,000 in spending in the City *annually* if the Economic Development Strategy attracted 41 additional residents to the City. At that point, one year's return would exceed the City's total five-year investment in the LDC and the Housing Trust Fund. If the City were able to attract 300 new residents to the City through the EDSP (see the section on metrics below), that would bring in an additional \$5.6 million of spending into the City each year.

In addition to the direct effect of \$5.6 million in new spending, this activity will generate ripple effects throughout the City's economy as the money is circulated among businesses and households. This can be estimated using an economic impact model. Table 11 summarizes that ripple effect. The "direct" effect column estimates the immediate impact of the spending on businesses in the City that directly receive that money. The indirect impact measures the impact of that spending on suppliers to the businesses that directly received that money. The induced impact is the effect of spending by



households whose members are employed by the businesses that benefitted from the direct and indirect spending.

<b>Table 10. Estimate of per capita personal consumption expenditures (PCE) for Montpelier based on Statewide PCE, 2014</b>		
	<b>Vermont 2014</b>	<b>Estimate for Montpelier</b>
<b>Total Per Capita Personal consumption expenditures</b>	<b>\$ 44,768</b>	<b>\$ 18,632</b>
Goods	\$ 14,986	\$ 6,155
Durable goods	\$ 4,483	\$ 880
Motor vehicles and parts	\$ 1,760	\$ 880
Furnishings and durable household equipment*	\$ 921	
Recreational goods and vehicles*	\$ 1,277	
Other durable goods*	\$ 525	
Nondurable goods	\$ 10,503	
Food and beverages purchased for off-premises consumption	\$ 4,104	\$ 821
Clothing and footwear	\$ 853	
Gasoline and other energy goods	\$ 2,183	\$ 1,092
Other nondurable goods	\$ 3,363	\$ 3,363
Services	\$ 29,782	\$ 12,477
Household consumption expenditures (for services)	\$ 27,791	\$ 12,477
Housing and utilities	\$ 7,307	\$ 7,307
Health care*	\$ 7,473	
Transportation services	\$ 1,020	\$ 1,020
Recreation services***	\$ 1,576	\$ 158
Food services and accommodations****	\$ 2,701	\$ 135
Financial services and insurance	\$ 2,845	\$ 1,423
Other services	\$ 4,869	\$ 2,435
Final consumption expenditures of nonprofit institutions serving households (NPISHs)*	\$ 1,991	
Gross output of nonprofit institutions*	\$ 5,222	
Less: Receipts from sales of goods and services by nonprofit institutions*	\$ 3,231	
Compiled by Fairweather Consulting from US Bureau of Economic Analysis data. *It is assumed that 100% of these expenditures outside of Montpelier. **It is assumed that 50% of these expenditures are made outside of Montpelier. ***It is assumed that 90% of these expenditures are made outside of Montpelier. ****It is assumed that 80% of these expenditures are made outside of Montpelier.		

<b>Table 11. Annual Economic Impact of \$5.6 million in New Residential Spending on Montpelier</b>				
<b>Effect</b>	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>Output</b>
Direct Effect	49.7	\$ 1,616,052	\$ 3,350,943	\$ 5,561,363
Indirect Effect	5.0	\$ 202,423	\$ 320,325	\$ 632,186
Induced Effect	2.9	\$ 111,165	\$ 197,089	\$ 334,976
Approximate Total Effect*	57.7	\$ 1,929,639	\$ 3,868,357	\$ 6,528,526
*Total is approximated and assumes the entire direct impact is felt within City limits.				
Source: Compiled by Fairweather Consulting using results of IMPLAN Economic Impact Model for 05602 ZIP Code.				

Note that the multipliers used to estimate the indirect and induced impact were for the 05602 ZIP Code, not the City of Montpelier. Therefore the total amount of indirect and induced impacts for employment, labor income, value added and output were apportioned to the City based upon the ratio of total retail sales in the City compared to the ZIP code (\$192,803,734 for the City, and \$364,898,975 for the 05602 ZIP Code<sup>5</sup>) Thus 52.8 percent of the indirect and induced impacts produced by the multipliers are assumed to be felt within the City limits. The results of this adjustment are shown in Table 11.

The model indicates that the \$5.6 million in spending produces a total impact in the City that would produce 57 new jobs, \$1.9 million in wages (for an average wage of over \$30,000) and \$6.5 million in total overall impact.

### **The Tax Impact of the Economic Development Strategic Plan**

This section looks at the effect that successful implementation of the Economic Development Strategic Plan would have on City tax revenues. This is summarized in Table 12. NOTE: Table 12 represents the annual tax benefit associated with the plan once it is fully implemented. If tax stabilization is used to catalyze any of the projects, the full property tax revenues will not be realized until the expiration of the tax stabilization agreement for those particular projects. After that point, the increase in taxes would be permanent.

<b>Table 12. Projected Annual Tax Revenues Produced by Implementation of the Economic Development Strategic Plan.</b>		
<b>Source of New Value:</b>	<b>New Value Created in the City</b>	<b>New Tax Revenues Generated in the City Each Year</b>
Hotel/Conference Center	\$10,000,000	\$112,480
150 New Housing Units @ \$228,000/unit	\$34,200,000	\$384,682
Increased Property Taxes due to ripple effect of \$5.6 in new spending by 300 additional residents	\$4,443,101	\$49,976
<b>Total New Property Taxes</b>	<b>\$48,643,101</b>	<b>\$547,138</b>
Increased Meals & Rooms Tax Revenue (Montpelier's Local Option)	\$93,507	\$ 7,193
<b>TOTAL</b>		<b>\$ 554,330</b>
Source: compiled by Fairweather Consulting from various sources.		

Table 12 indicates that, when successfully implemented, the Economic Development Strategic Plan will generate \$550,000 in new tax revenues annually. This is a conservative estimate in that it does not include any ripple effects from the construction and operations of the hotel. It also does not include any impact from office space created to host firms in such key sectors as, finance/insurance, business services and not-for-profit organizations. The economic development effort can return the annual

<sup>5</sup> Source: ESRI Business Analyst Online.

investment of \$150,000 through increased property taxes with the construction of 60 new homes worth \$228,000 each (the average for the City), or \$13.5 million in other new ratables (e.g., a new hotel and 13 houses or small office buildings worth \$228,000 each.)

The tax impact in Table 10 is based upon the following assumptions:

1. Increases in Grand List:

It is assumed the hotel conference center would be valued at \$10 million, similar to the project proposed for Taylor Street several years ago.

It is assumed that the 150 units of housing would have an average value of \$228,000 (the value used in determining average residential tax burden in the current City budget document).

2. Increases in the Property Tax and Sales Tax due to increased residential spending of \$5.6 million:

It is assumed that the direct economic impact of increased residential spending would be felt entirely within the City. The indirect and induced economic impact would be distributed between the City and the balance of the 05602 ZIP code in a proportion similar to the ratio of total retail sales in the City versus the ZIP Code. (\$192,803,734 for the City, and \$364,898,975 for the 05602 ZIP Code<sup>6</sup>) Thus 52.8 percent of the indirect and induced impacts are assumed to be felt within the City limits.

The property tax revenues for the hotel development and the housing units are calculated based upon a total city tax rate for 2017 of 1.1248 (Total municipal rate of 1.0348 plus Water benefit of 0.02 and a CSO Benefit of 0.02).<sup>7</sup>

The local property taxes to be collected based on the impact of residential spending were calculated as a ration of the City tax rate (1.1248) divided by the total nonresidential tax rate (2.74). (The total nonresidential tax rate is used because it is higher than the total residential tax rate (2.723) and therefore will provide a more conservative estimate of the City's share of total taxes.

For the sales tax projected from the increased residential spending of \$5.6 million, it is assumed that the City's share would be 0.5/6.5 or 7.7 percent of the estimated sale tax revenues resulting from the increased residential spending. This is an attempt to reflect the amount that would be capture through the local options meals and rooms tax.

---

<sup>6</sup> Source: ESRI Business Analyst Online.

<sup>7</sup> Source: City of Montpelier, Approved FY2017 Budget, page 15.

## **APPENDICES**

Appendix 1. Analysis of Existing Conditions

Appendix 2. Outreach to Stakeholders

Appendix 3. Potential Partner Organizations/Programs

Appendix 4. Analysis for Metrics

Appendix 5. Draft Job Description for the Economic Development Director Position

Appendix 6. Map of Montpelier Census Tract Eligible for New Market Tax Credits

## **Appendix I: Analysis of Existing Conditions**



## Benchmark Analysis

Phase 1 provides an overview of the economic condition of the City of Montpelier, summarizing the extensive economic analyses that were conducted during the planning process. The first stage is the benchmark analysis, in which Montpelier is compared to “benchmark” areas. The city of Barre, VT and the town of Waterbury, VT were chosen as benchmark towns. The intention was to compare various aspects of the demographics and economics of these towns to Montpelier to better understand the ways in which Montpelier is (and is not) comparable to these other towns in terms of its ability to sustain and/or attract economic activity.

**Barre, VT:** The largest of the three communities, Barre is known for its granite. Barre and Montpelier are paired together to form a “micropolitan area.”

**Waterbury, VT:** Waterbury is the smallest of the three communities. However, it is home to some of the most well known Vermont food producers and manufacturers such as Ben and Jerry’s, Cabot Creamery, the Alchemist Brewing Company, Lake Champlain Chocolates, and Green Mountain Coffee Roasters.

Table A-1 shows population demographics for Montpelier and the benchmark communities of Barre and

**Table A- 1**

Population Demographics, Montpelier, Barre & Waterbury 2000, 2013 & 2015.			
Variable:	Montpelier	Barre	Waterbury
2010 Population	8,035	9,291	4,915
2013 Population	7,815	9,001	5,074
% Change	-2.74%	-3.12%	3.23%
<b>Median Age</b>			
2015	44.5	39.9	43.6
<b>Median Household Income</b>			
2015	\$54,423	\$41,423	\$66,314
<b>Per Capita Income</b>			
2015	\$32,725	\$23,710	\$38,208
<b>2015 Population 25 + by Education Attainment</b>			
Total	5,783	6,017	3,728
Less than 9th Grade	2.1%	7.2%	0.5%
9th - 12th Grade, No Diploma	3.5%	5.4%	2.6%
High School Graduate	16.3%	33.8%	21.3%
GED/Alternative Credential	2.3%	6.0%	2.7%
Some College, No Degree	14.9%	18.4%	14.5%
Associate Degree	7.0%	8.5%	8.7%
Bachelor's Degree	26.5%	16.2%	31.6%
Graduate/ Professional Degree	27.5%	4.5%	18.2%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020. Esri converted Census 2000 data into 2010 geography.

Waterbury. Barre has the largest population at 9,291, then Montpelier at 8,035, followed by Waterbury at 4,915. From 2010-2013 Montpelier and Barre’s populations both decreased by around 3%, whereas Waterbury’s population increased by 3.23%. Montpelier and Waterbury both have median ages around 44, whereas Barre’s median age is around 40. This indicates that all three communities have an aging population.

Barre has the highest median household income at \$66,314, followed by Montpelier at \$54,423, then Barre at \$41,423. Montpelier’s median

household income is consistent with the statewide median household income of \$54,447, where as Waterbury and Barre represent the higher and lower ends respectively of Vermont’s household incomes. One significant advantage that Montpelier shows compared to Waterbury and Barre is the high educational attainment of its population. 27.5% of the population possesses a graduate or professional

degree and 26.5% possess a bachelor's degree. This is likely due to the large number of state government employees as well as the employees of the National Life Group. Waterbury has the largest percent of the population with only a bachelor's degree at 31.6%. Barre lags in both the percent of the population with a bachelor's degree at 16.2% and the percent of the population with a graduate or professional degree at only 4.5%.

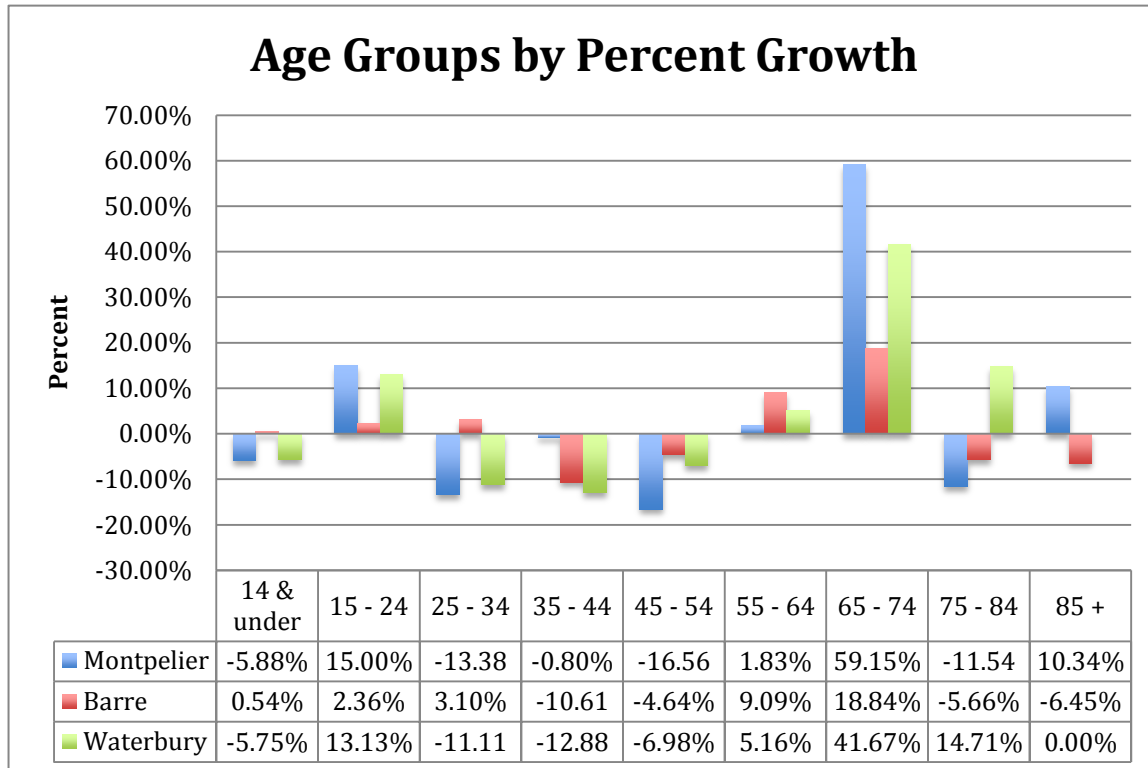
Table A-2 shows housing demographics in each of the benchmark communities. The median home value in Montpelier is \$217,000, which falls between Waterbury at \$264,680, and Barre at \$140,964. Montpelier also falls in the middle on the percent of owner occupied housing units at 51% compared to Waterbury at 63.7% and Barre at 41.8%. This means that for housing, Barre offers a cheaper option, and Waterbury offers a premium option.

**Table A-2**

<b>Housing Demographics, Montpelier, Barre &amp; Waterbury, 2015.</b>			
<b>Variable:</b>	<b>Montpelier</b>	<b>Barre</b>	<b>Waterbury</b>
<b>2015 Owner Occupied Housing Units by Value</b>			
Total Number of Owner-Occupied Units	2,083	1,883	1,561
Average Home Value	\$235,790	\$160,913	\$299,231
Median Home Value	\$217,703	\$140,964	\$264,680
<b>Household Summary</b>			
2015 Households	3,814	4,026	2,286
2015 Average Household Size	2	2.12	2.23
2015 Families	1,848	2,076	1,393
2015 Average Family Size	2.72	2.82	2.79
<b>Housing Unit Summary</b>			
2015 Housing Units	4,082	4,509	2,452
Owner Occupied Housing Units	51.0%	41.8%	63.7%
Renter Occupied Housing Units	42.4%	47.5%	29.6%
Vacant Housing Units	6.6%	10.7%	6.8%
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020. Esri converted Census 2000 data into 2010 geography.			

## Population Stagnation

Figure A-1



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020. Esri converted Census 2000 data into 2010 geography.

Figure 5 shows age groups by percent growth for Montpelier, Barre, and Waterbury. The 65-74 year old age group far outpaced any other age group. In Montpelier the 65-74 year-old age group grew by 59.15% while ages 25-54 showed negative growth. This means that Montpelier's population is rapidly aging. In addition, the overall population is stagnant. As seen in Table A-1, Montpelier's population declined by almost 3% from 2010 to 2014. The median age in Montpelier is 44.5, with the largest growth in the 65- 74 year-old age groups as shown in Figure 5.

"We've known for a while that Vermont's population is virtually stagnant — there were only 770 more people living in Vermont in 2014 than in 2010 — but we now know just how widespread that stagnation is. Fewer than half of Vermont's towns and cities — actually just a little more than one-third — have more residents today than they did in 2010... The Census numbers show that Vermont's historic cities — Barre, Bennington, Brattleboro, Bellows Falls, Montpelier, Rutland, Springfield, Windsor, St. Johnsbury, St. Albans City, Winooski, and Burlington — all have fewer residents than they did in 2010."

- Burlington Free Press, May 2015 , Data from US Census Bureau 2014

## Economic Activity

Table A-3 shows employment trends in Montpelier compared to Waterbury and Barre. A large percentage of Montpelier's employment is in the public sector with only 5,810 out of 9,539 jobs in the private sector. This is expected given that Montpelier is the state capital. However, the change in private sector employment from 2009 to 2014 was only 10 jobs. This is distressingly low compared to 394 in Barre and 294 in Waterbury. Despite a net loss of 1,209 jobs, Waterbury still gained 294 private sector jobs.

**Table A-3**

Employment Trends, Montpelier, Barre & Waterbury, 2009 & 2014.			
Employment by Municipality, 2014	Montpelier	Barre	Waterbury
Total Employment	9,539	5,146	3,379
Change in Total Employment from 2009	599	648	(1,209)
Private Employment	5,810	4,146	2,887
Change in Private Sector Employment from 2009	10	394	294

Source: US BLS, Quarterly Census of Employment & Wages

**Figure A-2**

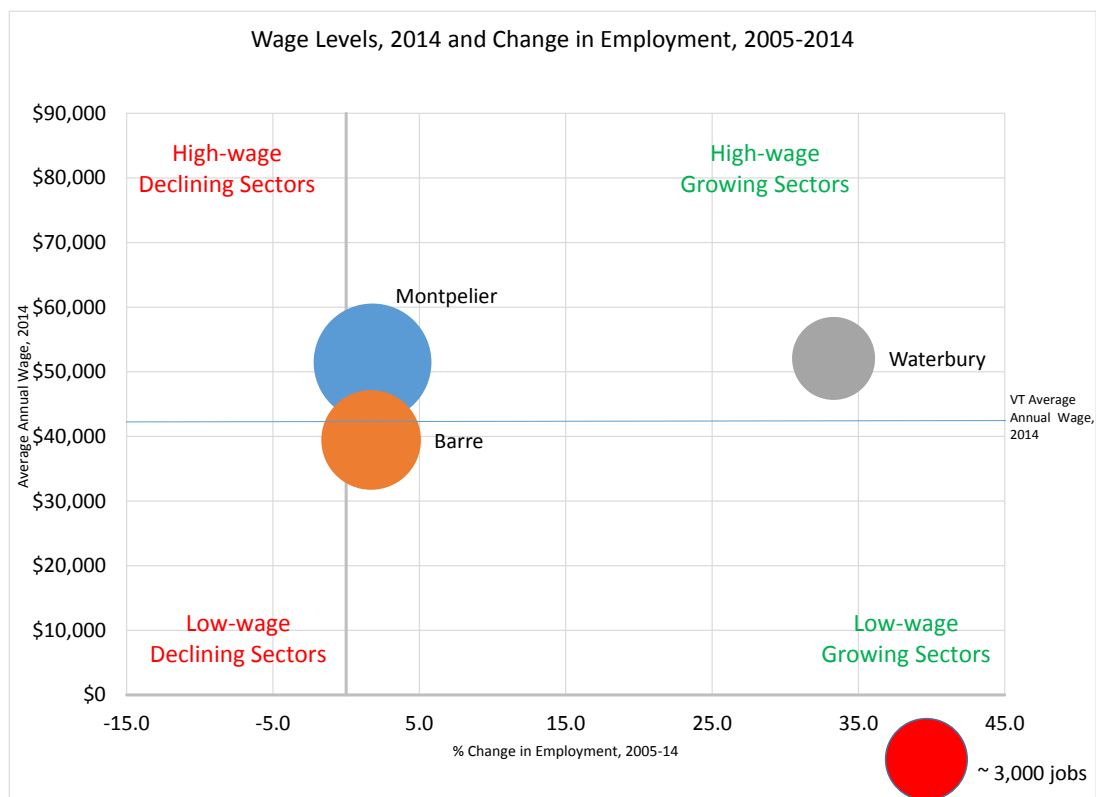


Figure 1 shows wage levels vs change in employment from 2005-2014 for Montpelier and each of the benchmark communities. Each community is represented by a circle. The size of the circle is based on

the total employment. From this graph it is evident that Montpelier and Barre have both experienced a small percent change in employment, close to 0%. Montpelier however has higher wages. Waterbury showed a higher percent change in employment, around 30%. Waterbury and Montpelier have a similar average annual wage of around \$50,000.

Figure 2 shows wage levels and change in employment for specific industries in Montpelier. Similarly to the total cluster, most sectors experienced less than .5% change in employment from 2009-2014. Manufacturing and information experienced negative change in employment. Financial services is the largest employer as well as the industry with the highest wages.

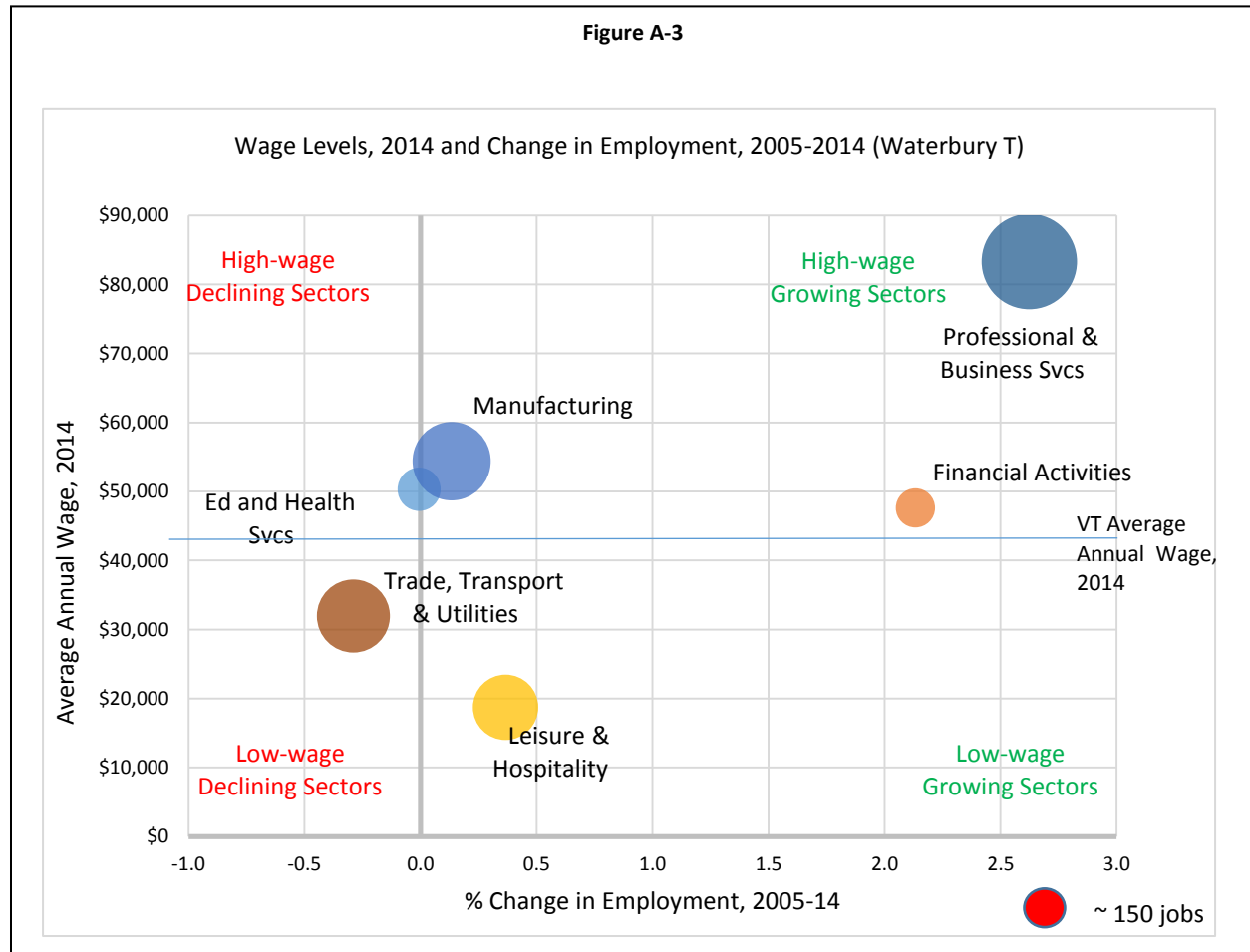


Figure 3 shows wages and change in employment for specific industries in Waterbury. Compared to Montpelier, Waterbury has more industries with a percent change in employment above 1%, with high wage industries like financial activities and professional and business services at over 2%. Manufacturing in Waterbury is high wage and growing as well.

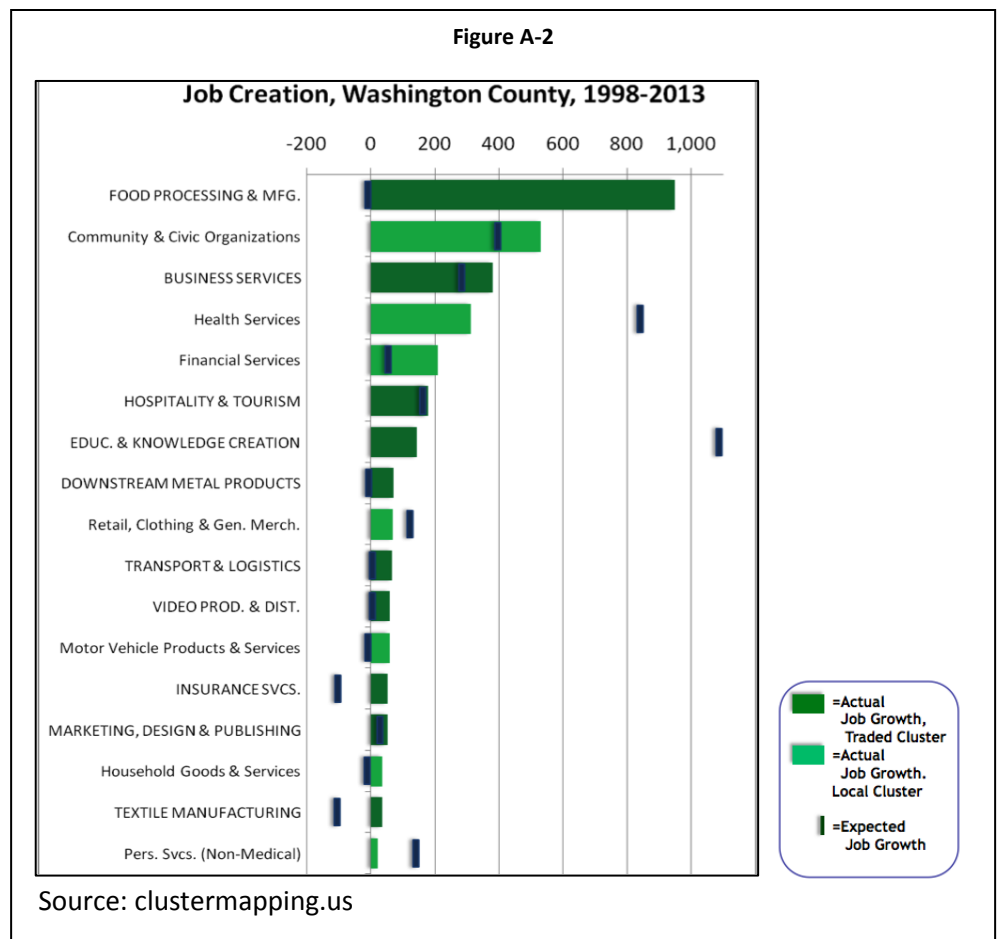
## Cluster Analysis

The US Cluster Mapping Project is a web-based application developed by the Harvard Business School for the US Economic Development Administration. According to the US Cluster Mapping Project Website:

“The US Cluster Mapping Project is a national economic initiative that provides over \$50 million open data records on industry clusters and regional business environments in the United States to promote economic growth and national competitiveness. The project is led by Harvard Business School’s Institute for Strategy and Competitiveness in partnership with the U.S. Department of Commerce and U.S. Economic Development Administration...”<sup>1</sup>

The US Cluster Mapping Project provides a set of tools for examining long term structural conditions in a local economy to better understand the groupings of businesses that are particular catalysts for economic activity in that area. The US Cluster Mapping Project dataset focuses on long-term trends in the economy. The data enables users to track trends from 1998-2013. This fifteen-year time frame enables users to examine structural changes in sectors that go beyond expansions and recessions of the business cycle.

- In addition, the US Cluster Mapping Project seeks to identify those portions of the local economy that are exporters of goods and services and importers of income and wealth. Referred to by the project as “traded” clusters, these sectors constitute important economic drivers for a local economy. Local clusters “sell products and services primarily for the local market.” These types of cluster are located in almost every region and include drug stores,



<sup>1</sup> <http://www.clustermapping.us>

elementary schools, and community and civic organizations.

Figure 4 shows actual versus expected job growth for the strongest trade clusters in Washington County. The dark green bars indicate actual job growth for traded clusters in Washington County from 1998-2013 while the light green bars indicate actual job growth for local clusters. The dark blue marks indicate the job growth that would be expected in that cluster if the County had experienced the same rate of job growth in that cluster as had occurred in the national economy.

As illustrated by Figure 4, Washington County has a strong cadre of traded clusters. Food Processing and Manufacturing in Washington County added nearly 1,000 jobs from 1998-2013, while the expected growth rate was close to zero. Washington County's job growth outpaced the expected growth in all sectors except for Education and Knowledge Creation. Businesses Services outpaced national growth, adding close to 400 jobs. Insurance Services showed modest growth despite projections of job loss.

Washington County's local clusters showed growth with some industries outpacing national projection and others falling behind. Community and Civic Organizations added nearly 600 jobs, outpacing national projections. Local Health Services showed less than 50% of the growth expected. Local financial services exceed national growth projections adding 200 jobs.

## National and State Trends

### Slow Growing Economy

Montpelier's economic progress should be measured in the context of a slow-growing national and state economy. The recovery period following the Great Recession of 2008 has been steady, however real GDP growth rates have stayed below 3%. Projections for the next 10 years show growth rates staying below 3%<sup>2</sup>.

The state economic climate should be taken into consideration as well. Vermont's economy is expected to follow the trends of the national economy. However, because the impacts of the economic recession were less severe in Vermont, the recovery has been more moderate. Thus, growth in the labor market, housing market, GDP, and income, as well as declines in unemployment rate are expected to continue to be moderate going into the next decade. This moderate growth in the national economy and state economy will create economic headwinds for Montpelier as opportunities for job growth and entrepreneurship will be limited<sup>3</sup>.

---

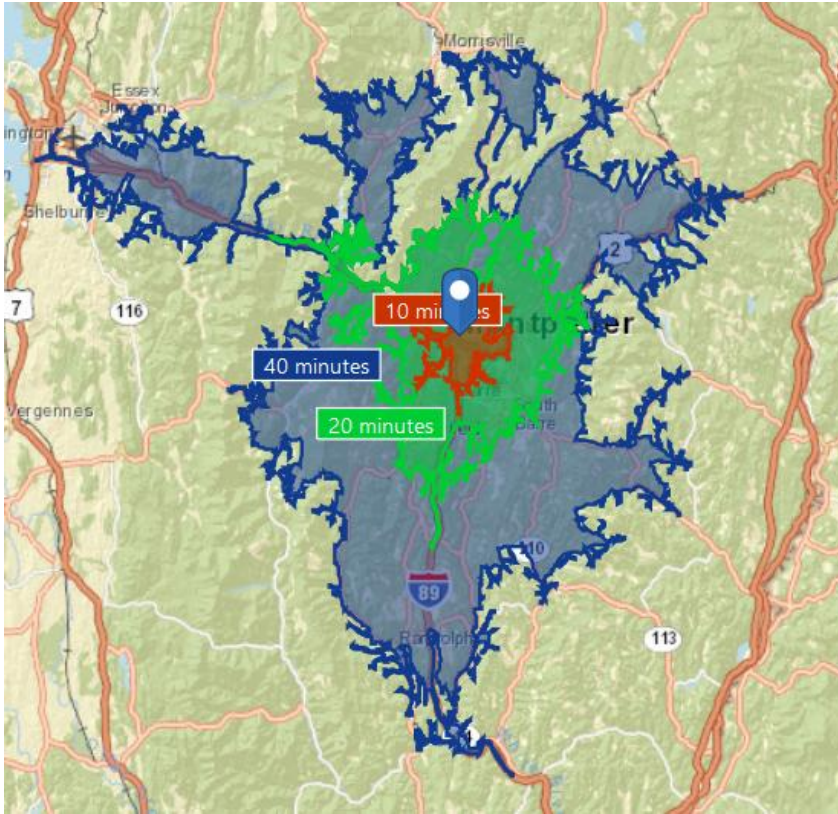
<sup>2</sup> Congressional Budget Office, *The Budget and Economic Outlook 2015-2025*, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49892-Outlook2015.pdf>

<sup>3</sup> New England Economic Partnership, *Vermont Economic Outlook, October 2014*  
file:///Users/jff56/Downloads/VTOUTLOOK\_09-17-2014-Exec-Summary%20(2).pdf



## Retail Analysis

Figure A-3: Retail Drive Area Map



A “leakage/surplus analysis” compares the *amount of spending* in a designated area with the *amount of selling* that also takes place in that area. Where (A) represents the *estimated spending by area residents* (how much are local residents spending for each type of good or service in a specified drive time?) and (B) represents the *estimated sales by area retailers* (what portion of sales of each good or service do local establishments make within a specified drive

time?), if (A) is less than (B), there is *surplus*, meaning money is coming into the area; if (A) is greater than (B), there is *leakage*, and money is leaving the area. This data is from within three geographical areas: the circumference of a ten-minute drive from Montpelier, that of a twenty-minute drive from Montpelier, and that of a forty-minute drive. This is presented on a map in Figure 5 and offers a sense of the geographic scope. The ten-minute drive is illustrated in red, the twenty-minute drive in green, and the forty-minute drive in blue.

Montpelier is the largest, most affluent retail center (based on average sales/establishment)

No clear set of sectors to dominate, but the City has some strengths by size and by market share (e.g., auto related, lawn & garden, books, office supplies)

**Table A-4: Surplus and Leakage**

<b>Sectors Ranked by Total Retail Sales</b>	<b>Retail Sales, 2014</b>	<b>% of Sector's Sales w/in a 20 Mi. Radius</b>	<b>Location Quotients for 20-mile Radius</b>	<b>% of all Retail Sales in Montpelier</b>	<b>Sales/ Establishment</b>
<b>Automobile Dealers</b>	<b>\$84,493,232</b>	<b>36.7%</b>	<b>2.11</b>	<b>41.6%</b>	<b>\$ 14,082,205</b>
<b>Gasoline Stations</b>	<b>\$27,705,454</b>	<b>18.9%</b>	<b>1.09</b>	<b>13.6%</b>	<b>\$ 4,617,576</b>
<b>Auto Parts, Accessories &amp; Tire Stores</b>	<b>\$9,691,869</b>	<b>54.6%</b>	<b>3.14</b>	<b>4.8%</b>	<b>\$ 1,615,312</b>
Full-Service Restaurants	\$8,314,511	14.6%	0.84	4.1%	\$ 639,578
<b>Bldg Material &amp; Supplies Dealers</b>	<b>\$7,548,188</b>	<b>27.4%</b>	<b>1.58</b>	<b>3.7%</b>	<b>\$ 754,819</b>
<b>Lawn &amp; Garden Equip &amp; Supply Stores</b>	<b>\$7,208,758</b>	<b>57.1%</b>	<b>3.29</b>	<b>3.6%</b>	<b>\$ 3,604,379</b>
<b>Limited-Service Eating Places</b>	<b>\$6,053,116</b>	<b>21.5%</b>	<b>1.24</b>	<b>3.0%</b>	<b>\$ 672,568</b>
<b>Office Supplies, Stationery &amp; Gift Stores</b>	<b>\$5,447,506</b>	<b>46.2%</b>	<b>2.66</b>	<b>2.7%</b>	<b>\$ 2,723,753</b>
<b>Clothing Stores</b>	<b>\$3,554,478</b>	<b>23.9%</b>	<b>1.38</b>	<b>1.8%</b>	<b>\$ 355,448</b>
<b>Book, Periodical &amp; Music Stores</b>	<b>\$1,270,636</b>	<b>19.0%</b>	<b>1.09</b>	<b>0.6%</b>	<b>\$ 181,519</b>
<b>Total Retail Trade, Food &amp; Drink</b>	<b>\$202,997,885</b>	<b>17.4%</b>	<b>1.00</b>	<b>100.0%</b>	<b>\$ 1,611,094</b>
Source: compiled by Fairweather Consulting using data from ESRI Business Analyst Online.					
*includes home delivery newspaper routes; home delivery of heating oil, liquefied petroleum					

**Sectors for Which Central Vermont has a Sales Surplus at 20-Minute Drive Time from Montpelier**

Automobile Dealers  
 Gasoline Stations  
 Food Services & Drinking Places  
 Miscellaneous Store Retailers  
 Auto Parts, Accessories & Tire Stores  
 Full-Service Restaurants  
 Bldg Material & Supplies Dealers  
 Limited-Service Eating Places  
 Office Supplies, Stationery & Gift Stores  
 Sporting Goods/Hobby/Musical Instr Stores  
 Other Miscellaneous Store Retailers  
 Grocery Stores  
 Lawn & Garden Equip & Supply Stores  
 Book, Periodical & Music Stores

Florists

Used Merchandise Stores

Beer, Wine & Liquor Stores

Specialty Food Stores

**Sectors with Leakage at 40-Minute Drive Time**

Furniture Stores

Health & Personal Care Stores

Shoe Stores

Jewelry, Luggage & Leather Goods Stores

Book, Periodical & Music Stores

Other General Merchandise Stores

Full-Service Restaurants

Limited-Service Eating Places

Special Food Services

Drinking Places - Alcoholic Beverages

## **Appendix II: Engagement— Outreach to Stakeholders and Identification of Barriers, Opportunities & Partners**

## Stakeholder Interviews:

Table A-5	
Stakeholders Contacted During Outreach Process	
Person	Affiliation
Greg Gossens	Gossens Bachman Architects
Kari Bradley	Hunger Mountain Coop
	Lost Nation Theater
Ed Hoekstra	Redstone Development
Justin Johnson	Secretary of Administration
Phil Dodd	Longtime Resident
Chris Kiper	Anomal
Martha Englert	Downstreet
	Montpelier Alive
Karl Miller	Property Owner
Tim Heney	Realtor
John Adams	Housing and Community Development
Gary Holloway	Downtown Program Coordinator
Carolyn Wesley	Governor's Office (Early Childhood Education)
Jared Duval	VT Economic Development Director
James Brady	Agency of Transportation
Leslie Welts	Agency of Natural Resources
Anne Watson	Montpelier High School
Hannah Smith	Agency of Natural Resources
James Pepper	Governor's Office
Alyson Richards	The Permanent Fund
Rebecca Sameroff	Tax Department
Andrew Stein	Auditor's Office
Ryan McCormack	Harwood High School
Andrew McCullough	Pro-cyclist
Geoff Green	Governor's Office
Thad Gibson	Vermont Art's Council
Jake Feldman	Tax Department
Emily Byrne	Budget Office
James Secor	Artist
Brad Kukenberger	Budget Office
Cliff Nickerson	Black River Architects
Kate McCarthy	Natural Resources Council (Montp DRB)

planning and review process itself was also described as difficult and slow.

Stakeholder outreach is an essential component of the planning process. The stakeholders contacted covered a range of demographics including non-profit leaders, government, entrepreneurs, artists, and athletes. One on one interviews were conducted in-person or on the phone. Fairweather Consulting had the opportunity to meet with the Montpelier Business Association and the members of the association present were included as stakeholders interviewed. Table A 4 shows a complete list of stakeholders interviewed. Certain topics were discussed in multiple interviews. These common topics are outlined below:

### Sabin's Pasture

Sabin's Pasture is a 94-acre parcel of undeveloped land that many stakeholders saw as a great opportunity for development. There is the possibility of building housing that can be integrated into existing neighborhoods, preserving open space.

### The Difficulty of the Planning Process

Many stakeholders stated that citywide projects were difficult to accomplish. This is due to a lack of agreement in the city on Montpelier's direction. The

**Aging Population**

Stakeholders were concerned that the population of Montpelier is stagnating. They observed that young people moved to Barre, which is more affordable, or Burlington, which is livelier. Stakeholders wish to attract more young people and young families to Montpelier.

**Lack of Affordable Housing for Young Families**

One reason that young people are not moving to or staying in Montpelier is the lack of affordable housing for young families. Stakeholders feel high housing costs and property taxes in Montpelier are deterrents for the younger generation.

**Lack of Parking**

Many stakeholders were concerned about downtown parking. They felt that there was not enough parking for downtown visitors and downtown employees. A parking garage was discussed as a possible solution to this issue.

**The Need for Flood Mitigation**

Montpelier is home to the Winooski, North Branch, Dog, and Steven's Branch Rivers. Parts of the town are located in a 100-year floodplain. Many business owners mentioned the need for increased flood mitigation strategies and infrastructure.

**A Hotel Downtown as a Potential Project**

A common suggestion for what was needed in Montpelier was a hotel downtown. Burlington recently built the Hotel Burlington, which has been met with great success. Stakeholders thought a similar project would thrive in Montpelier. However, there is contention over whether the hotel would be independent or part of a larger franchise.

**Montpelier as a Hub for Creative Entrepreneurs**

Many of the stakeholders interviewed were young entrepreneurs in creative enterprises. These stakeholders felt that Montpelier was a place with a lot of potential for creative entrepreneurship and felt that the city should focus on that direction.

## SWOT Analysis

Figure A-6

<b>Strengths</b> <ul style="list-style-type: none"> <li>• State Government as an economic safety net</li> <li>• The Insurance Industry- under global stress, but still strong.</li> <li>• An Entrepreneurial Tradition</li> <li>• An innovative higher education sector</li> <li>• A market with real opportunities/demand</li> <li>• A walkable vibrant community</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Slow economic and demographic growth</li> <li>• Relatively high taxes and cost of development</li> <li>• A mismatch between prices offered by owners and prices expected by prospective tenants and buyers</li> <li>• State Government as an economic safety net</li> <li>• No clear consensus on the way forward.</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Professional, Business, and Non-Profit Services</li> <li>• Finance/Insurance</li> <li>• Specialty Retail</li> <li>• Tourism and Hospitality</li> <li>• Adult Learning</li> <li>• Advanced Manufacturing</li> <li>• Entrepreneurism</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Loss of National Life Group</li> <li>• State Government Decline or Consolidation</li> <li>• Increased regional competition</li> <li>• Long term challenges of transitioning to a post-carbon economy</li> <li>• Global/National</li> </ul>

In order to identify key issues that need to be addressed by a strategic plan, it is useful to conduct a SWOT analysis. The SWOT analysis identifies Strengths, Weaknesses, Opportunities and Threats. Table 4 summarizes the SWOT analysis for Montpelier.

In a SWOT analysis:

**Strengths** identify the attributes Montpelier has that contribute to its competitiveness.

**Weaknesses** identify those aspects of the City that reduce its competitiveness.

**Opportunities** identify the trends in the greater environment outside the

City that it can take advantage of to improve its economic growth.

**Threats** identify the trends in the greater environment outside the City that could threaten its ability to generate or sustain economic growth.

### Strengths:

As shown in table 4, Montpelier has its share of both strengths and weaknesses.

State government is both an aid and a crutch. It provides an “economic safety net,” meaning that unlike a corporation, the state government will not close down or move away. Montpelier can rely on the State government as a fairly stable form of employment into perpetuity.

The insurance industry is a large employer in Montpelier due to the presence of National Life Group. The insurance industry had a “relatively slow economic recovery” after the recession.<sup>4</sup> Because of this, insurance companies have taken a more cautious approach in recent years. Growth will be largely due to consolidation in the form of mergers and acquisitions. In 2014, there were 399 merger and acquisition deals. According to a Wells Fargo 2016 Insurance Market Outlook, “underwriting profitability will be sustained in spite of rate reductions and the industry will likely continue to attract new capital”.<sup>5</sup>

Montpelier has a strong entrepreneurial tradition. Montpelier is home to numerous locally owned small businesses that are well-supported by the community.

Montpelier has an innovative higher education sector including the Vermont College of Fine Arts, the New England Culinary Institute, and the Community College of Vermont. These institutions present the unique opportunity for Montpelier to tailor higher education efforts to economic development efforts in the areas of food processing and manufacturing, digital design and technology, not-for-profit leadership, and the creative arts.

Montpelier has a market with real opportunities and demand. Economic analysis shows that industries such as food processing and manufacturing, tourism and hospitality, and specialty retail are growing. Central Vermont has a relatively affluent population and attractions affluent tourists.

Montpelier has the strength of being a walk-able and vibrant community. Montpelier was ranked in 2015 as one of the “Top 100 Small Towns” according to Livability.com.<sup>6</sup> This ranking is largely due to Montpelier’s walkability and bikeability. Visitors and residents can easily walk or bike to the Hunger Mountain Co-Op, one of the many locally-owned bars and restaurants, or exercise on the Montpelier Recreation Path. According to studies by the National Association of Realtors (NARS), homebuyers are flocking to walkable communities in increasing numbers<sup>7</sup>.

Montpelier is home to a thriving arts community, a vibrant small business environment, and easy access to natural areas. Hubbard Park, Cliff Point Overlook, and Wrightsville Beach provide the outdoor experiences Vermonters crave. Local restaurants serve food sourced from Vermont’s many farms. Montpelier is also home to festivals such as the Green Mountain Film Festival and various

## **Weaknesses**

---

<sup>4</sup> Deloitte, “2016 Insurance trends: Taking a closer look, Interview with Gary Shaw,” <http://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-industry-outlook.html>

<sup>5</sup> Wells Fargo, “2016 Insurance Market Outlook: Insights from our national practice leaders”, 2016

<sup>6</sup> <http://www.livability.com/vt/montpelier/why-montpelier-vt-best-small-town-2015>

<sup>7</sup> <http://www.inman.com/2015/06/22/nar-and-locus-research-indicate-walkability-is-increasingly-important-to-homebuyers/>



One of Montpelier's greatest strengths is also one of its weaknesses: its stable State Government. As shown by the benchmark analysis of employment trends in Table 3, this heavy reliance on public employment has dampened private sector growth.

Montpelier has relatively high taxes and cost of development. Vermont's cost of doing business is 13% above the national average. In terms of "business friendliness" Vermont is ranked at #42 of the 50 states<sup>8</sup>. This means that Vermont is low on the list for site selectors and large corporations.

Montpelier shows slow economic and demographic growth. In addition to the projected national trend of slow economic growth, Vermont was ranked as #45 for state growth prospects.<sup>9</sup> Statewide, population is stagnant and aging. As seen in Table 1, Montpelier's population declined by almost 3% from 2010 to 2014. The median age in Montpelier is 44.5, with the largest growth in the 65- 74 year-old age groups as shown in Figure 5.

Previous economic development efforts have been hampered by having no clear consensus on the way forward. Montpelier as a community must find a common identity and direction in order to develop in a strong and unified manner.

---

<sup>8</sup> <http://www.forbes.com/best-states-for-business/list/#tab:overall>

<sup>9</sup> <http://www.forbes.com/places/vt/>

### **Appendix III: Creation—Identifying Key Industries for Montpelier**

In order to compete with other locations and to reach its economic development goals, Montpelier needs to position itself as a superior quality location. Superior quality locations provide value to businesses that is not found elsewhere. Montpelier needs to **provide value to local businesses through a 4-pronged approach that:**

1. *Supports key sectors* that can drive the economy
2. *Champions transformational projects* that strengthen the local economy
3. *Makes Strategic Investments* in
  - development/redevelopment sites
  - infrastructure (e.g., utilities, parking, connectivity, etc.)
  - regulatory certainty
  - housing & quality of life to build a ready supply of talent & customers
  - marketing efforts to foster new businesses

## Identification of Target Industries/Key Sectors

### Higher Education/Adult Learning

The higher education and adult learning sector includes four-year colleges, community colleges, and technical/job training programs. Education is an important sector to the economy because it creates a more skilled workforce, attracts out of state students, resulting in tuition revenue and possible new state residents, and provides quality jobs in teaching, administration, and other support staff. This is similar to the target industry of Education in the Statewide CEDS.<sup>10</sup>

### Food Processing and Manufacturing

This sector includes the production of marketable food and beverages from raw materials. Food processing includes the preparation and storage techniques necessary before selling fruits and vegetables at grocery stores, craft enterprises such as bakeries, breweries, and wineries, as well as advanced manufacturing such the processing and packaging of dairy products, and other commodities. This is similar to the target industry of Food Systems in the Statewide CEDS.<sup>11</sup>

### Entrepreneurs (particularly in software development and IT)

This sector encompasses many different industries, but focuses on new business creation. However, fostering entrepreneurship requires such a unique set of skills, resources and support that it can be considered its own sector. Entrepreneurs require access to capital and property, risk reduction, education, governmental support, and business services, among others.

Of particular focus in Montpelier is entrepreneurship in the software development and information technology sectors. This sector includes creating new software, testing, troubleshooting, and maintaining software, creating and maintaining databases, computer servicing, and creation and

---

<sup>10</sup> page 88, *Vermont 2020 Comprehensive Economic Development Strategy*, Prepared by the Agency of Commerce and Community Development, The Vermont CEDS Committee and the Garnet Consulting Group. Updated February 2016  
[http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS\\_feb2016.pdf](http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS_feb2016.pdf)

<sup>11</sup> page 94, *Vermont 2020 Comprehensive Economic Development Strategy*, Prepared by the Agency of Commerce and Community Development, The Vermont CEDS Committee and the Garnet Consulting Group. Updated February 2016  
[http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS\\_feb2016.pdf](http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS_feb2016.pdf)

maintenance of communication systems, among others. This sector is similar to the Software Development and Information Technology sector in the Statewide CEDS.<sup>12</sup>

#### **Finance/ Insurance**

Finance and insurance includes banking, asset management, venture capital, and insurance. The services and products this sector provides include loans, financial advice, transaction processing, and insurance policies among others. Vermont is a leader in this sector due to its captive insurance market. This sector is consistent with the Financial Services and Insurance sector in the Statewide CEDS<sup>13</sup>.

#### **Not-for-Profit Services**

The not-for profit industry is thriving in Montpelier. As the state capital, Montpelier is attractive to many not-for-profits who want proximity and access to the policy-making process. The City is home to not-for-profit industries focusing on state policy, energy, environmental, and sustainability issues, education, the arts, housing, and community development, among others. Not-for-profit enterprises require a workforce skilled in management, fundraising, science, and policy.

#### **Professional, Business, Science, and Technical Services**

This sector is defined by the NAICS as consisting of businesses that perform technical, professional, or scientific tasks for other individuals and businesses<sup>14</sup>. This could include law, architecture, engineering, bookkeeping/accounting and many others. These positions require advanced training and/or professional degrees.

#### **Specialty Retail**

Specialty retail stores provide a specific type of product, as opposed to a broad breadth of products. Specialty retail stores provide a greater selection of specific products that cannot be found elsewhere as well as expertise, and personalized shopping experiences. This sector includes bookstores, record stores, artisan/craftsmen shops, home goods, and sporting goods store, among others. Montpelier's unique specialty shopping experiences are a draw for tourists.

#### **Tourism, Hospitality, and the Arts**

Tourism, hospitality and the arts is a far-reaching sector that includes, hotels, restaurants, specialty retail, historic sites, museums, recreational activities, and second homes. This sector includes both the Tourism and Recreation sector and the Arts and Culture sector in the Vermont 2016 CEDs. According to the CEDs the arts economy has a direct impact, creating revenue from "the sale of art and the ticket sales for music and theatrical productions...the sale of arts goods and mat

---

<sup>12</sup> page 100, *Vermont 2020 Comprehensive Economic Development Strategy*,

Prepared by the Agency of Commerce and Community Development, The Vermont CEDS Committee and the Garnet Consulting Group. Updated February 2016

[http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS\\_feb2016.pdf](http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS_feb2016.pdf)

<sup>13</sup> page 92, *Vermont 2020 Comprehensive Economic Development Strategy*,

Prepared by the Agency of Commerce and Community Development, The Vermont CEDS Committee and the Garnet Consulting Group. Updated February 2016

[http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS\\_feb2016.pdf](http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS_feb2016.pdf)

<sup>14</sup> NAICS 541, North American Industry Classification System, Bureau of Labor Statistics,

<http://www.bls.gov/iag/tgs/iag54.htm>

erials, recording production of music and film for mass distribution, and studio residencies and training programs.”<sup>15</sup>

---

<sup>15</sup> p.82, 103, Vermont 2020 Comprehensive Economic Development Strategy, Prepared by the Agency of Commerce and Community Development, The Vermont CEDS Committee and the Garnet Consulting Group. Updated February 2016 [http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS\\_feb2016.pdf](http://accd.vermont.gov/sites/accd/files/Documents/business/VT%202020%20CEDS_feb2016.pdf)

## **Appendix IV: Potential Partners for Transformational Projects**

### **Potential Partners**

Below is a list of potential partners for the key industries and transformational projects above.

#### **Community Capital of Vermont**

“Community Capital of Vermont’s mission is to help small businesses and lower income entrepreneurs prosper through the provision of flexible business financing.”<sup>16</sup>

Community Capital of Vermont provides loans from \$1,000- 100,000 to entrepreneurs that otherwise would not be able to receive a bank loan. CCV has already helped Montpelier entrepreneurs start and expand their businesses. Liberty Chocolates of Montpelier was able to expand production through a loan from CCV. CCV also provided start-up financing to Bailey Road clothing boutique in Montpelier.

<http://www.communitycapitalvt.org/>

#### **National Life Group Charitable Foundation**

The National Life Group Charitable Foundation gives \$750,000 a year to established 501(c)(3) non-profit organizations. According to their website, projects eligible for funding must have:

- “A well-planned approach to underlying issues or needs
- A base of support
- A committed and skilled leadership team”

NLGCF primarily gives smaller grants of ~\$5,000. The top causes they support are children and families(51.14%), health (17.1%), the arts (12.34%), and education (11.32%)<sup>17</sup>.

<https://www.nationallife.com/PublicSite/Views/FinancialReports.aspx?id=8589935458>

#### **Local Banks**

Community National Bank is a Vermont based bank with offices in Montpelier. As part of stakeholder outreach, Justin Bourgeois, Commercial Lender for Community National Bank was interviewed. In his interview he indicated that Community National Bank would be interested in lending to any eligible projects that result from this strategic plan.

<https://www.communitynationalbank.com/>

#### **Vermont Council on Rural Development**

##### **Climate Economy Initiative**

This unique initiative aims to achieve climate change mitigation goals through “innovative economic development.” This initiative aims to create policy, develop networks, and aid entrepreneurs is building the “green economy.”

##### **Clean Energy Finance Collaborative:**

This program aims to stimulate investment in green energy enterprises

##### **Climate Economy Network Development Initiative**

---

<sup>16</sup> <http://www.communitycapitalvt.org/>

This initiative provides seed funding and technical assistance for entrepreneurs in green energy, transportation, efficiency, and community resilience work.

<http://vtrural.org/programs/climate-economy>

### **Downstreet Housing and Community Development**

Downstreet is a non-profit housing and community development organization that could be a potential partner for a housing project in Montpelier. Downstate focuses on providing low-income and affordable housing. Real estate development is one of their many services. According to their website:

“Downstreet’s development activities involve working alone or in partnership to carry out essential development activities, including:

- Acquisition of property or buildings
- Assembling a development team capable of undertaking the project
- Crafting a design for the property or buildings
- Obtaining financing
- Obtaining necessary permits
- Contracting for and managing construction
- Leasing or selling the property, depending upon planned use”<sup>18</sup>

Current and upcoming housing projects in Montpelier include the Barre St. Properties and the French Block. The French Block apartments are in progress and will include 2 floors of one-bedroom apartments over Aubuchon Hardware.

<http://downstreet.org/>

### **Vermont Manufacturing Extension Center**

VMEC helps Vermont’s small and medium size manufacturers with reducing cost, optimizing production, marketing and branding, and products development among other services. VMEC is a valuable resource for Montpelier entrepreneurs looking to start or expand their manufacturing business

<http://www.vmec.org/>

### **Community College of Vermont**

CCV provides affordable education and job training to Vermont residents. CCV is a potential partner for workforce development efforts in Montpelier. CCV programs can serve as “pipelines” for target sectors, such as food processing and manufacturing, IT, finance, and entrepreneurship.

<http://ccv.edu/>

### **Vermont Technology Alliance**

The Vermont Technology Alliance is a business organization focused on Vermont’s technology sector. The VTA provides peer mentorship and networking to its members and advocates for technology-friendly legislation. The VTA is an important resource for new technology businesses in Montpelier.

<http://www.vermonttechnologyalliance.org/>

### **The Vermont Community Foundation**

---

<sup>18</sup> <http://downstreet.org/about-us/red/>



The VCF funds enterprises that “build community” in Vermont. They have a number of grants programs that may be useful for Montpelier’s economic development efforts.

**Small and Inspiring**

\$250-\$2,500 grants to organizations statewide to support work that builds communities.

**The Vermont Arts Endowment Fund**

\$1,000-\$5,000 grants for Vermont artists and Vermont arts organizations

<http://www.vermontcf.org/>

**Central Vermont Economic Development Corporation**

The CVEDC is a regional economic development corporation that helps businesses with retention and expansion, advisory services, and education and information.

In addition they work to promote Central Vermont and to improve the infrastructure necessary for businesses attraction and expansion.

<http://www.cvedc.org/>

**Vermont Employment Growth Incentive (VEGI)**

which can provide a cash payment to businesses based on the revenue return generated to the State by prospective job and payroll creation and capital investments.

**Technical Assistance (TA) grants** for qualifying businesses through the Central Vermont Economic Development Corporation through the Agency of Commerce and Community Development

**Rural Business Enterprise Grant (RBEG) and Rural Business Opportunity Grants (RBOG)** to qualifying businesses through the USDA Rural Development office.

**WET Funds Grants**, through CVEDC and the Vermont Department of Labor

**VT Training Program Grants**, through the Agency of Commerce & Community Development’s Department of Economic Development.

**Vermont Housing and Conservation Board**

The Vermont Housing and Conservation Board has dual goals of providing affordable housing to Vermonters and preserving natural areas.

**“LOAN AND GRANT PROGRAMS**

The Vermont Housing & Conservation Board (VHCB) makes deferred loans for the acquisition, rehabilitation and construction of affordable housing by nonprofit housing organizations. Since 1987, VHCB has contributed to the development of more than 11,000 permanently affordable homes. Both private and non-profit developers are eligible to apply for federal HOME Program funding for rental housing developments. For-profit and non-profit landlords as well as homeowners are eligible to apply for Lead Paint Hazard Reduction Program funding administered by VHCB. VHCB also has a Healthy Homes Program to assist with health and safety hazards in the home.”

<http://www.vhcb.org/rental-housing-development.html>

### **Montpelier Alive**

Montpelier Alive is great asset to developing Montpelier's downtown specialty retail. The mission of Montpelier Alive from its website:

"The Montpelier Downtown Community Association, Inc., bda "Montpelier Alive", is a non-profit corporation with a mission to enhance the quality of life for people who live, work and visit Montpelier by helping the downtown and adjacent areas develop into the 21st century as a vital and diverse community center for retailing, cultural and entertainment activities, education, recreation, business and professional services, dining, government and residential use."<sup>19</sup>

The City should support the work of Montpelier Alive to strengthen Montpelier as a place for "experience-based" retail enterprises & Montpelier as a tourism destination.

### **Vermont Agency of Commerce and Community Development**

This state agency's mission is to improve quality of life and build strong communities. Within the agency is The Department of Housing and Community Development (DHCD) and Department of Economic Development (DED), The Department of Tourism and Marketing (DT&M), and the Chief Marketing Office.

This agency has several programs that can be of assistance to Montpelier.

From the website:

"The Vermont Small Business Offering (VSBO), allows Vermont businesses and start-up companies to raise up to \$2 million in capital by selling shares in their company to in-state investors. The regulation allows for a simplified process to reduce the regulatory burdens and costs usually associated with securities registration."

Traditionally, federal and state securities laws have limited investments in small businesses to wealthy individuals. VSBOE gives all Vermonters the opportunity to support their local entrepreneurs, existing and new small businesses. Participating businesses will be registered with DFR and will allow individual investors to purchase up to \$10,000 in stock equity from a single business. VSBOE also allows certain high net-worth individuals to purchase an unlimited amount of equity.

The Vermont Center for Emerging Technologies (VCET) is a leading-edge technology incubator serving all of Vermont under a mandate to increase technology startups and accelerate next generation job creation for this generation of Vermonters. VCET offers a targeted business incubator program designed to foster the success of high opportunity technology firms by providing firms with substantive business mentoring along with traditional incubator services such as low cost, flexible office space, shared resources, capital, networking, training, etc . VCET is an independent 501 c (3) public benefit corporation in affiliation with the University of Vermont and partners with Norwich University, Middlebury College, Champlain College and the five Vermont State Colleges."

---

<sup>19</sup> <http://www.montpelieralive.org/151/Vision-Mission>

<http://accd.vermont.gov/business/start/entrepreneurship>

#### **Vermont Community Loan Fund**

The Vermont Community Loan fund provides funding opportunities for small businesses, affordable housing, and community facilities among other enterprises. Assistance is available in the form of loans, grants, and comprehensive business development assistance.

<http://www.investinvermont.org/borrowers/small-business>

#### **Vermont Sustainable Jobs Fund**

“The Vermont Sustainable Jobs Fund, located in Montpelier, Vermont, was created by the Vermont Legislature in 1995 to accelerate the development of Vermont’s green economy. We provide early stage grant funding, technical assistance, and loans to entrepreneurs, businesses, farmers, networks and others interested in developing jobs and markets in the green economy.”

<http://www.vsjf.org/who-we-are>

#### **Vermont Employee Ownership Center**

“The Vermont Employee Ownership Center is a statewide non-profit whose mission is to promote and foster employee ownership in order to broaden capital ownership, deepen employee participation, retain jobs, increase living standards for working families, and stabilize communities.

We provide information and resources to owners interested in selling their business to their employees, employee groups interested in purchasing a business, and entrepreneurs who wish to start up a company with broadly shared ownership.”

The VEOC already helped to fund the transition of the New School of Montpelier to employee ownership, making it the largest worker cooperative in Vermont. The VEOC operates a revolving loan fund, provides business assessment, education, and training.

<http://www.veoc.org/>

#### **Vermont Small Business Development Center**

“We work as a team to positively impact sustainable, economic development in Vermont by strengthening both established businesses and start-up entrepreneurs. Our certified professionals specialize in high quality, innovative advising and training to be responsive and serve the market.”

<http://www.vtsbdc.org/about>

#### **Vermont Economic Development Authority**

“The Vermont Economic Development Authority (VEDA) is Vermont’s statewide economic development finance lender. Created by the General Assembly in 1974, VEDA’s mission is “to contribute to the creation and retention of quality jobs in Vermont by providing loans and other financial support to eligible and qualified Vermont industrial, commercial and agricultural enterprises.”

<http://www.veda.org/about-veda/>

VEDA provides loans for manufacturing, travel and tourism, technology, retail and service, not-for-profit, as well as for general infrastructure upgrades. Visit the website for a comprehensive list of the many large and small loan programs offered by VEDA  
<http://www.veda.org/help-me-find-the-loan-i-need/>

## **Appendix V: Analysis for Establishing Metrics**

### Metrics for the Economic Development Strategy

The goal of the strategy is to increase economic activity, private-sector jobs and population in the City over the next five years. As part of implementing the strategy, it is important to have metrics to track the progress in terms of each of these measures. This section provides a set of such metrics summarized in Table A-6 below. For each metric used (e.g., population), a criterion is provided (e.g., 300 residents by 2011).

Table A-6

Table A-6. Metrics for the Montpelier Economic Development Strategy	
Metric	Criterion
Private Sector Employment	300 private sector jobs added by 2021 as reported by the Vermont Department of Labor through the Quarterly Census of Employment and Wages (QCEW)
Number of Net New Establishments	20 new establishments added in the Key Sectors of the Strategy by 2021.
Housing	150 housing units certified for occupancy by 2021
Population	300 residents added to the City's population by 2021 as reported by the Census Bureau's American Community Survey. (The lower bound of any confidence interval for the 2021 estimate must exceed the 2016 population estimate by at least 100)
Economic Activity Metrics	Criterion
Meals Receipts*	4.5% annual increase (30% over five years)
Rooms Receipts*	6% annual increase (42% over five years)
*as reported in the statistical reports of the Department of Taxes of the Vermont Agency of Administration.	

These metrics have been generated by comparing activity in the City of Montpelier during the economic recovery (i.e., from 2009 to 2014) with comparable measures for Vermont as a whole, Washington County, the City of Barre and the Town of Waterbury. The rationale for each of the metrics is discussed below. Table 7 below provides an alternate set of metrics comparing Montpelier to Vermont as a whole

### Private Sector Employment

Table A-7

Table A-7. Annual Private Employment 2009-2014				
	2009	2014	Compound Annual Growth	Average Annual Change
State	239,759	251,528	0.80%	2,354
County	24,099	25,239	0.77%	228
Montpelier	5,800	5,810	0.03%	2
Barre	3,752	4,146	1.68%	79
Waterbury	2,593	2,887	1.81%	59
Source: Compiled by Fairweather Consulting from the Quarterly Census of Employment & Wages.				

## Establishments

Table A-8

Table A-8 Metrics for Net New Establishments for Each Key Sector in the Economic Development Strategic Plan.					
NAICS Code	NAICS Industry	Estab- lish- ments 2014	Change from 2009	Change from 2013	Goal for Net New Establish- ments, 2021
--	All Covered Private ownership	560	-5	1	
<b>Key Sector: Food &amp; Advanced Manufacturing</b>					<b>5</b>
31-33	Manufacturing	11	1	0	5
311	Food manufacturing	4	3	2	3
<b>Key Sector: Specialty Retail</b>					<b>5</b>
44-45	Retail trade	71	-10	1	5
442	Furniture and home furnishings stores	1	0	0	
443	Electronics and appliance stores	2	1	0	
444	Building material & garden supply stores	9	-1	0	
445	Food and beverage stores	7	-2	0	
446	Health and personal care stores	3	0	0	
448	Clothing & clothing accessories stores	8	-3	-1	
451	Sporting goods, hobby, musical instrument, & book stores	8	1	0	
453	Miscellaneous store retailers	9	-2	1	
<b>Key Sector: Finance/Insurance</b>					<b>0</b>
52	Finance and insurance	37	-2	0	0
524	Insurance carriers and related activities	20	-2	-1	
<b>Key Sector: Prof./Technical/Business Services</b>					<b>5</b>
54	Professional and technical services	109	-1	0	5
<b>Key Sector: Higher Education/Adult Learning</b>					<b>0</b>
6113	Colleges and universities	2	1	0	
6114	Business, computer & management training	2	-2	0	
6115	Technical and trade schools	4	1	1	
6116	Other schools and instruction	6	0	-1	
<b>Key Sector: Tourism, Hospitality &amp; the Arts</b>					<b>5</b>
71	Arts, entertainment, and recreation	5	-3	1	2
721	Accommodation	4	0	0	1
722	Food services and drinking places	34	3	3	2
<b>Key Sector: Not-for-Profit Organizations</b>					<b>0</b>
813	Membership associations & organizations	79	5	4	0
<b>Total Goal for Net New Establishments:</b>					<b>20</b>

Source: Establishment data for 2009-2014 compiled by Fairweather Consulting from Vermont Department of Labor Covered Employment Data.



As shown in Table 2, Montpelier had virtually no private sector job growth from 2009 to 2014, while Barre and Waterbury experienced average annual gains approaching 2 percent. Given the relative shortage of developable land in Montpelier, it may be difficult for the City to approach two percent annual job growth. But if the EDSP is to be deemed a success, it must substantially increase its private sector employment. A one percent average annual growth rate would represent a significant increase in Montpelier's ability to generate jobs. This growth rate would yield approximately 300 private sector jobs in five years.

Table A-9

Population 2009-2014				
	2009	2014	Compound Annual Growth	Average Annual Change
State	624,817	626,562	0.05%	349
County	59,353	58,998	-0.10%	(71)
Montpelier	7,860	7,671	-0.40%	(38)
Barre	9,059	8,837	-0.41%	(44)
Waterbury	5,048	5,098	0.16%	10
Source: Compiled by Fairweather Consulting from US Census Bureau American Community Survey data.				

### Population

As seen in Table 3, sustaining population growth is a challenge throughout most of Vermont outside of the Burlington area. But it is critical for Montpelier's economic health that it generate population to continue to support local businesses, provide a workforce for local businesses and maintain a critical mass of students in the City's schools. If population growth target equaled the target growth for jobs (i.e., 300 in five years), that would mean an increase of 3.9 percent over the five years. This represents a significant turn-around in Montpelier's population, but is still a relatively modest annual average rate of 0.6 percent, just slightly above the 0.5 percent average annual growth rate Vermont experienced from 2009 to 2014.

### Other Economic Activity

The EDSP is intended to bring in more retail sales and tourism related activity to Montpelier. This can best be measured by taxable receipts for taxes on Meals, Rooms and Retail Sales. The tables below show activity for each of these tax revenues from 2009 to 2014, comparing Montpelier to Vermont as a

Table A-10

Meals: Taxable Receipts, 2009-2014				
	2009	2014	Compound Annual Growth	Average Annual Change
State	784,554,621	959,696,829	3.42%	35,028,442
County	71,436,972	92,496,137	4.40%	4,211,833
Montpelier	18,459,623	22,960,767	3.70%	900,229
Barre	17,966,891	22,945,600	4.16%	995,742
Waterbury	11,215,925	14,315,646	4.15%	619,944
Source: Compiled by Fairweather Consulting from the statistical reports of the Department of Taxes of the Vermont Agency of Administration.				

whole, Washington County, Barre City and the Town of Waterbury.

Sales in restaurants are an important indicator of economic activity in the City. As shown in Table 5, Montpelier had an average annual rate of growth in taxable meals receipts of 3.7 percent, trailing Barre, Waterbury and Washington County. A benchmark that would require significant growth in Montpelier would be to set the metric at an annual average growth rate of 4.5 percent per year.

### Rooms

Room receipts are an important indicator of tourism and business travel. As shown in Table 6, Montpelier had an annual average growth in room receipts of 6.15 percent from 2009 to 2014, far outpacing Barre, Waterbury, Washington County and Vermont. In order to encourage this trend, the metric for the growth in room receipts is recommended to be 6 percent per year.

Table A-11

Rooms: Taxable Receipts, 2009-2014				
	2009	2014	Compound Annual Growth	Average Annual Change
State	332,383,729	461,935,391	5.64%	25,910,332
County	20,595,574	24,288,924	2.79%	738,670
Montpelier	2,687,766	3,844,696	6.15%	231,386
Barre	1,469,662	1,672,351	2.18%	40,538
Waterbury	4,186,642	4,379,082	0.75%	38,488
Source: Compiled by Fairweather Consulting from the statistical reports of the Department of Taxes of the Vermont Agency of Administration.				

### Alternative Metrics

The metrics provided above assume that the general economic conditions in place at the current time (i.e., a sustained by slow economic recovery) will persist over the next five years. On the other hand, if

Table A-12

Alternative Metrics for the Montpelier Economic Development Strategy	
Metric	Criterion
Private Sector Employment	Average annual growth rate for Montpelier is double that for Vermont as reported by the Vermont Department of Labor through the Quarterly Census of Employment and Wages (QCEW)
Population	Average annual growth rate for Montpelier is above that for Vermont as reported by the Census Bureau's American Community Survey.
Economic Activity Metrics	
Total Retail Sales Receipts*	Average annual growth rate for Montpelier is double that for Vermont.
Meals Receipts*	Average annual growth rate for Montpelier is 1.5 times greater than that for Vermont.
Rooms Receipts*	Average annual growth rate for Montpelier is 1.25 times greater than that for Vermont.
*as reported in the statistical reports of the Department of Taxes of the Vermont Agency of Administration.	

conditions change markedly (that is, the economy begins a period of more rapid growth or enters a sustained decline), it may be appropriate to recast the EDSP metrics in a way that measures Montpelier's performance with respect to the overall performance of Vermont's economy. Table A-12 provides such alternative metrics.

## **Appendix V: Job Description, Economic Development Director**

### **Job Description-Economic Development Director**

**Nature of Work:** Performs a variety of administrative, technical and professional work to implement and as necessary update the City of Montpelier Economic Development Strategic Plan.

This full time position reports to the Board of Directors of the Local Development Corporation (LDC). The Director will also work closely with the City Manager, Department of Development and Planning and other City staff in promoting the business and economic development interests within the community consistent with the Economic Development Strategic Plan (EDSP).

This position will include working with all noted departments and businesses and organizations the City of Montpelier and beyond to assist individual entrepreneurs and established firms so that they may establish, relocate, or expand their businesses within the City of Montpelier. The position will include assistance in the planning and coordination of economic development projects, assisting business applicants with local and State permitting processes, and providing research for City sponsored projects.

### **Essential Duties and Responsibilities:**

Directs economic development initiatives to achieve the outcomes outlined by the Economic Development Strategic Plan (EDSP) as incorporated in an agreement between the Local Development Corporation and the City Government, with guidance from the Board of Directors of the LDC.

Provides assistance in the development of short and long term economic development plans, as well as the gathering of information and preparation of studies, reports, and recommendations to achieve such goals. This will involve the preparation and maintenance of information on utilities, taxes, zoning, transportation, community services, financing tools, and incentives, in order to respond to requests for information for economic development purposes, and the coordination with other departments and agencies as needed.

Provides professional economic development advice, assist in the application and permitting process, and serve as an advocate for economic development in line with the City's Economic Development Strategic Plan as it pertains to the Master Plan, zoning ordinances, and goals as established by the City.

Promotes the redevelopment of commercial and industrial sites in the City, as necessary, promoting the aggregation of lots, securing appropriate development incentives and/or financing, and otherwise encouraging the orderly development of projects on commercial and industrial sites within the City.

Implements a Business Retention & Expansion program involving regular visits to employers in the City of Montpelier and organizations important to economic growth in the City to understand the obstacles and opportunities facing those enterprises and develop responses to assist them.

Formulates and implements marketing and business attraction strategies, including familiarity with the goals and objectives of Montpelier Alive, the Central Vermont Economic Development Corporation and other public and private agencies involved in economic development.

Prepares grant proposals and applications, contracts and other necessary documents as may be required to implement initiatives related to the EDSP.

Maintains a liaison with various State, and Federal agencies, coordinating projects with agencies as deemed necessary and appropriate, i.e., the Central Vermont Economic Development Corporation, the Central Vermont Chamber of Commerce, the Central Vermont Planning Commission and the various State and Federal agencies involved in economic development.

Provides information and/or make presentations to City Council, boards, commissions, civic groups, businesses, individuals, and the general public on economic development issues, programs, services, and plans.

Maintains a familiarity with the existing inventory of available buildings and business and residential development sites within the community. This will include both public and private buildings and land areas.

Assists with negotiation and the management of professional service contracts, property sales or acquisition, and economic development oriented negotiations, as requested by the City manager and approved by the LDC Board of Directors.

Serves as a member of economic development groups or task force that promote economic and community development at the Regional, State or Federal level, as deemed necessary or appropriate.

Monitors legislation and regulations relating to economic development, and report findings to the appropriate parties, [i.e., the LDC Board of Directors the City Manager, the City Council, etc. ]

Maintains strong working relationships with the general public, area businesses, clients, the media, and others.

Attends professional development workshops and conferences to keep abreast of trends and developments in the field of economic development, and to represent the interest of the City of Montpelier on matters related to economic development.

Conducts other related work as assigned.

**Training and Experience Required:**

Previous experience in economic development, including administrative responsibility;

Graduation from a four-year college or university, preferably with specialization in economic and community development or a related field; or any equivalent combination of experience and training.

Considerable knowledge of business development, community, and economic development.

Working knowledge of municipal zoning and infrastructure, and planning programs and processes.

Ability to communicate effectively to groups and individuals, engineers, architects, contractors, developers, businesses, supervisors, employees, and the general public.

Ability to establish effective working relationships with City staff as well as other organizations and economic development practitioners.

Ability to prepare and analyze reports and data, and have skill in the operation of necessary tools and equipment, i.e. computer, word processing, spreadsheet software, and general office equipment (telephone, fax, copier, calculator, etc.).

## Appendix VI: Map of Montpelier Census Tract Eligible for New Market Tax Credits



Source: Vermont Rural Ventures