



Colchester, Vermont

Economic Development Action Plan

Adopted by the Colchester Select Board

June 25, 2013

Prepared By:

Garnet Consulting Services, Inc.

In Association With:

Wadley-Donovan GrowthTech, LLC



Colchester, Vermont

Economic Development Action Plan

Contents

Introduction.....	1
Colchester’s Grand List and Buildout Analysis.....	2
Some Important Caveats	6
Investing in Infrastructure	6
Staff Capacity	6
Current Competitive Realities in Economic Development	6
Competitive Assessment	14
Introduction	14
Colchester’s Changing Economic Base.....	14
Colchester’s Position in the Regional Economic Context.....	16
Strengths and Weaknesses Summary	17
Colchester’s Primary Marketable Strengths as a Location for Business	23
Colchester’s Primary Weaknesses as a Location for Business	23
Major Issues Shaping the Town’s Economic Development Potential	24
Primary Economic Development Opportunities on which the Town can Capitalize	25
How this Competitive Assessment will be Used	26
Potential Targets for Colchester	27
County-wide Targets	27
Business and Administrative Services.....	28
Clean Tech/Green Tech	28
Digital Media	30
E-Commerce	31
Health Care and Wellness	32
Higher Education	32
Information Technology	33
Non-profit Organizations.....	33
Retail.....	33
Tourism	34

Value-Added Manufacturing	34
Niche Opportunities.....	35
Maritime Niche	35
Housing	35
Inducing a Niche.....	35
Economic Development Action Agenda.....	36
Initiative #1: Colchester Branding Program and Market Niche Development.....	38
Initiative #2: Economic Development Communications Plan	42
Initiative #3: Economic Development Team-Building Program	47
Initiative #4: Colchester Business Association.....	50
Initiative #5: Business Retention and Expansion Program.....	53
Initiative #6: Available Property Inventory	56
Initiative #7: Annual Business Survey	60
Initiative #8: Business Prospect Tour.....	64
Initiative #9: Malletts Bay Development Plan.....	68
Initiative #10: Package Treatment Plant Study	71
APPENDICES.....	73
A. Statistical Background Data – Town of Colchester, VT	
B. Employer Survey	

Colchester, Vermont

Economic Development Action Plan

Introduction

As the fourth largest population center in Vermont, and located just north of Burlington, the state's largest city, the Town of Colchester is a community that both provides economic development opportunities for its residents and businesses and has economic development needs because of its growing population.

Located in Chittenden County, Colchester is part of a region for which an Economic Development Action Plan ("The ECOS Project: A Sustainable Future for Chittenden County") is being prepared under a Sustainable Communities grant from the U.S. Department of Housing and Urban Development. Within the context of this county level plan, and as an add-on to the Sustainable Communities planning effort, the Town of Colchester retained the services of Garnet Consulting Services, Inc. to prepare an Economic Development Action Plan customized to allow the Town to:

- Capitalize on its marketable strengths and identifiable opportunities
- Identify community weaknesses, obstacles and impediments impacting the Town's economic development potential and craft responses to increase competitiveness
- Identify trends, issues and conditions that will shape Colchester's economic development future
- Identify the strongest business development sectors, clusters or operational types with an emphasis on value-added businesses.

This Action Plan is envisioned as a "Ten Year Economic Development Opportunities Portfolio." It will provide policy direction for the Town's Select Board; function as the economic development element of the Colchester Town Plan 2012; provide a background document for use during Act 250 hearings; and provide the strategy and tactics for growing the Town's economic base and demonstrating its positive business climate.

In initiating the process of creating this Economic Development Action Plan, the Town identified the following goals:

1. Support opportunities for improving the competitiveness and profitability of existing businesses.
2. Advance the formation of new businesses and expansion of existing businesses.
3. Encourage value added businesses and industries to locate in Colchester.
4. Foster the development of physical infrastructure to support future economic development.
5. Maintain the desired quality of life through managed growth.
6. Cultivate a spirit of cooperation between business, government, schools and the community.

In meeting these goals, this Plan provides much more detail on specific Initiatives needed to accomplish the Goals and related tactical details on how to implement the Initiatives.

A related Town project has been the “Heritage Project”, focused on helping the Town develop a broadly shared and clearly articulated ten year vision for the future. Included in the Heritage Project are the following economic development priorities:

- Increase revenue through commercial tax growth;
- Develop a brand identity and marketing plan; and
- Adopt an approach to local economic development in our growth centers that supports our current and future economic drivers, provides the necessary physical and social infrastructure, and leverages our assets and resources.

Colchester’s Grand List and Buildout Analysis

Various Town offices provided information concerning the Town’s Grand List growth, the commercial portion of the Grand List, historical and projected tax rates, and related data. A summary of the residential versus commercial portion of the Town’s Grand List during the 2001 – 2011 period is presented in Table 1.

Table 1
Colchester Grand List Growth, Commercial Portion, and Tax Rate

Year	Total Grand List	Commercial Portion of Grand List	Municipal Tax Rate
2001	\$920,460,641	26.93%	0.6671
2002	\$939,338,461	27.19%	0.7156
2003	\$1,270,519,193	24.53%	0.7346
2004	\$1,290,877,996	24.10%	0.5987
2005	\$1,316,031,450	23.63%	0.6217
2006	\$1,346,198,120	23.69%	0.6555
2007	\$1,370,516,228	23.84%	0.6776
2008	\$1,390,258,349	23.82%	0.7154
2009	\$1,436,238,466	23.58%	0.7330
2010	\$1,425,709,643	24.56%	0.7423
2011	\$2,117,542,327	20.88%	0.7387

Source: Town of Colchester

Table 1 shows that between 2001 and 2010, the Town’s Grand List increased from \$920,460,641 to \$1,425,709,643 (although the 2010 Grand List declined by more than \$10 million from 2009). During the 2001 – 2010 decade, the commercial portion of the Grand List ranged from 23.58% (2009) to 27.19% (2002).

However, because of a reappraisal, while the 2011 Grand List increased to \$2,117,542,327, the commercial portion of the Grand List declined to 20.88%. This commercial portion of the Grand List differs slightly from the comparison of Colchester and surrounding communities prepared by the Chittenden County Regional Planning Commission (CCRPC), which showed Colchester's commercial portion of the Grand List as 21.78% (see Table5). Nonetheless, in a community like Colchester seeking to reduce the tax burden on residential tax payers, this is obviously heading in the wrong direction.

The municipal tax rate has increased continually from 2004 when it was 0.5987 to 2010 when it hit 0.7423, before declining slightly in 2011 to 0.7387. Because of the 2011 reappraisal, the 2012 tax rate dropped to 0.5370 and then rose to 0.5530 for 2013.

In response to this concern about the Grand List and tax rates, the Town, working with the CCRPC, prepared a detailed Build-out Analysis that attempted to project future growth in Colchester – both residential and commercial – and what that growth would create in additional tax revenue. This is a very important analysis that relates directly to the first priority listed above from the Heritage Project – the increase in tax revenues for the Town from commercial development so as to reduce the tax burden on residential tax payers.

The analysis is too detailed and sophisticated to include in its entirety here. It uses 2010 building square footage and 2012 assessed value as baseline data and projects development out to 2030 using historical growth trends and average value per square foot by neighborhood. It also projects maximum square footage that could be developed in the various neighborhoods of the Town.

Tables 2 and 3 summarize some of the key data on commercial properties. Following Table 3, we offer observations on what we consider to be the most important points.

Table 2
Summary Space Data from Colchester Commercial Buildout Analysis

Neighborhood	2010 Gross Floor Area (SF)	2030 Gross Floor Area (SF)	Total Gross Floor Potential (SF)	Total Growth Potential from 2010 (SF)
Bean/Macrae	6,037	6,037	6,037	0
Clay Point Area	7,800	7,800	7,800	0
Colchester Village	161,964	167,895	398,052	236,088
East Lakeshore Dr. Vicinity	4,461	4,461	4,461	0
Exit 16	2,072,230	2,312,488	4,516,266	2,444,036
Exit 17	156,685	174,851	466,953	310,268
Ft. Ethan Allen	596,704	665,887	1,666,785	1,070,081
Malletts Bay Ave.	2,016	2,016	2,016	0
Marble Island/Malletts Head	9,521	9,521	9,521	0
Northeast Quadrant	38,384	38,384	38,384	0
Porters Point	124,594	139,040	140,097	15,503

Prim Rd./Warner's Corner/Heineberg Dr.	189,243	211,184	395,362	206,119
Severance Corner Growth Center	20,855	200,815	574,168	553,313
Severance Road	0	1,272	1,272	1,272
Shipman Hill	14,882	16,607	278,403	263,521
Town Services Center	247,211	275,873	280,185	32,974
West Lakeshore Dr.	79,385	88,589	799,494	720,109
Total	3,731,972	4,322,720	9,585,256	5,853,284

Source: CCRPC data analyzed by Garnet Consulting Services, Inc.

Table 3
Summary Value Data from Colchester Commercial Buildout Analysis

Neighborhood	2012 Total Assessed Value	2030 Total Assessed Value	2012 – 2030 Increase in Assessed Value
Bean/Macrae	\$408,700	\$408,700	\$0
Clay Point Area	\$420,800	\$420,800	\$0
Colchester Village	\$15,503,400	\$16,131,753	\$628,353
East Lakeshore Dr. Vicinity	\$422,200	\$422,200	\$0
Exit 16	\$123,388,296	\$141,591,364	\$18,203,068
Exit 17	\$7,506,500	\$9,452,098	\$1,945,598
Ft. Ethan Allen	\$69,928,915	\$82,787,788	\$12,858,873
Malletts Bay Ave.	\$593,600	\$593,600	\$0
Marble Island/Malletts Head	\$579,707	\$579,707	\$0
Northeast Quadrant	\$502,500	\$502,500	\$0
Porters Point	\$10,227,600	\$11,522,382	\$1,294,782
Prim Rd./Warner's Corner/Heineberg Dr.	\$14,612,600	\$16,684,784	\$2,072,184
Severance Corner Growth Center	\$2,527,900	\$18,973,890	\$16,445,990
Severance Road	\$334,500	\$334,500	\$0
Shipman Hill	\$298,400	\$324,232	\$25,832
Town Services Center	\$28,483,600	\$31,553,473	\$3,069,873
West Lakeshore Dr.	\$7,706,500	\$9,007,063	\$1,300,563
Total	\$283,445,718	\$341,290,834	\$57,845,116

Source: CCRPC data analyzed by Garnet Consulting Services, Inc.

Here are the most salient points from Tables 2 and 3 (all figures are rounded to the nearest 1,000):

- Colchester has 17 neighborhoods that have some business development. In 2010, these contained 3,732,000 square feet of space. However, 7 of these (Bean/Macrae, Clay Point Area, East Lakeshore Dr. Vicinity, Malletts Bay Ave, Marble Island/Malletts Head, Northeast Quadrant, and Severance Road) are not projected to have any additional business growth

in the future. These seven districts currently contain slightly less than 70,000 square feet, or 1.9% of the total business space in the Town.

- It should be noted that the total square footage above overstates the amount of space actually occupied by taxpaying businesses because it includes space in government buildings, educational institutions, and otherwise tax exempt organizations. On the other hand, the total square footage does not include commercial apartments, which are considered a taxable business use.
- Colchester has substantial growth capacity within its ten existing business districts where more development is expected. CCRPC calculated that the total amount of floor space possible in the Town is about 9,585,000 square feet allowing for future growth of more than 5,853,000 square feet.
- Between 2010 and 2030, the gross floor area of commercial properties will increase by 591,000 square feet, from 3,732,000 square feet to 4,323,000 square feet.
- This development is projected to result in an increase in the assessed value of commercial property from a total of \$283,446,000 in 2012 to \$341,291,000 in 2030, an increase of approximately \$57,845,000. Per square foot values used in the calculations are from 2010 with no attempt to estimate increases over time. Therefore, the 2030 assessed values and the increase in assessed value between 2012 and 2030 shown in Table 3 are low.
- \$1 million in assessed value results in an increase in the Grand List of \$10,000.
- At the current municipal tax rate of \$0.5530, that \$1 million in new assessed value generates \$5,530 in new tax revenue.
- Based on the historical trending of the Town's operating budget provided by the Town Manager's office (not including educational costs), and the combined growth in the Grand List from both residential and commercial properties from the Buildout Analysis, the municipal tax rate is projected to increase from its current level (\$0.5530) to \$0.5903 in 2015, \$0.6848 in 2020, \$0.7839 in 2025, and \$0.8775 in 2030.

The bottom line here is two-fold:

1. Under Colchester's property tax system, it takes a massive amount of new investment to generate a significant increase in tax revenues.
2. The sooner Colchester can start stimulating that new commercial development, the better off it will be in terms of property taxes paid by residents. Hence, the importance of this Economic Development Action Plan.

Some Important Caveats

Economic development rarely happens for free. Communities that want it make an investment to get it – the return on that investment.

Investing in Infrastructure

While Colchester has the potential for substantial new development, not all this area meets the test of being “shovel-ready” – that is, fully served with necessary utilities, telecommunications services, and access roads. Waiting for private land owners to upgrade these services where necessary usually results in exactly that – waiting for something to happen. Communities can make themselves more competitive by investing in necessary infrastructure improvements, recognizing that this will lead to more rapid development and therefore increased tax revenues in a shorter timeframe.

A second benefit to community support of development by assisting with necessary infrastructure is that the property owner does not need to recoup the costs of the infrastructure, thereby allowing the land to be priced lower, making it and the host community more competitive.

Staff Capacity

Another possible impediment to Colchester’s economic development future is a reliance on already over-committed staff and volunteer boards to carry out the work. While this reduces expenses, it also reduces the capability of meeting all the day-to-day responsibilities of running an aggressive and professional economic development program. Colchester would be wise to restaff its Community and Economic Development Department to handle the implementation of this Action Plan and the related Heritage Project.

Current Competitive Realities in Economic Development

As part of identifying the economic development potentials and needs of Colchester, and carrying out a program that capitalizes on your potentials and meets your needs, it is necessary to understand the broader context in which current economic development occurs. Economic development is a continually evolving process and discipline. How it occurs today is much different than how it occurred as recently as five years ago. Even more perplexing, there is a growing recognition that how the economic development business operates in an unknown future is likely to be very different from today. Community leaders and residents must understand these competitive realities.

Within that context, it is important to understand some of the key philosophies and trends upon which modern economic development is dependent:

Economic Development Is Extremely Competitive

Conway Data Inc.'s New Corporate Facilities and Expansions Database reports that nationwide in 2012, there were 5,580 project announcements (new construction and expansions for manufacturing, distribution, offices, R&D, and mixed-use facilities) that met any of 3 tests: an investment of at least \$1 million; 50 or more employees; or a facility of 20,000 square feet or larger. The 2012 activity was the third year in a row with an increase from the prior year (there were 4,978 projects in 2011; 4,623 in 2010; and 4,345 in 2009. However, the 2012 level is still but was 55% below 2000 when there were 12,529 such announcements.

Activity in Vermont since 2000 has been:

Table 4
Conway Data Vermont Project Activity; 2000 - 2011

Year	Manufacturing		Other	Total
	New	Expanded		
2000	0	1	0	1
2001	1	0	1	2
2002	0	9	0	9
2003	0	2	1	3
2004	1	0	2	3
2005	0	0	0	0
2006	1	2	1	4
2007	0	4	0	4
2008	1	0	0	1
2009	6	5	1	12
2010	5	4	3	12
2011	1	1	1	3
2012	2	6	0	8
Total	18	34	10	62

Over this 123 year period, Vermont has claimed only .07% of the total 83,862 projects in the United States. Colchester is fortunate to be in the part of the state that is the dominant economic region.

There are an estimated 15,000 – 18,000 economic development organizations in the United States competing for these projects. In other words, in the United States alone, there are at least 3 to 4 times as many economic development agencies as there are new projects of

substantial size announced annually. Many of these locations have one or more master-planned business parks intended to attract those projects.

The competition to attract the capital investment and jobs brought by business locations is fierce. A focus on attracting big projects is foolish.

Avoiding Elimination

Due to the abundance of locational opportunities, the site selection process relies on an initial phase that emphasizes rapid elimination of regions and communities so as to reduce to a workable number the areas to be studied in detail. Companies in a search mode begin by evaluating regions; if they like a region, they will consider the individual communities in it. Therefore it is important that all communities be active allies with their regional economic development agency.

Even the smallest regional or community flaw can result in elimination. Critical regional and community attributes currently are:

- Essential community/regional data available from an easily navigable website and the ability to quickly produce customized reports
- Adequate labor supplies and skills
- An inventory of "ready-to-go", available, fully serviced sites and buildings
- A friendly business climate and expedited permit and approval procedures
- Incentives and assistance programs
- A business climate that shows the community is seriously interested in the project.

There are many other variables evaluated, and different industry sectors and companies will have their own set of priorities, but those listed above are usually the most important to most companies. Colchester is currently at a disadvantage in having a limited inventory of available buildings and "shovel-ready sites."

This is not just a business recruitment factor – companies already in a community, but in need of new space, will also consider these and other factors, and compare their current community with alternative locations.

Speed Has Become Essential

The duration of the typical site location process has been cut in half from 5 – 10 years ago. Site selection consultants report that the typical time frame for larger projects now allows 6 to 8 weeks from the beginning of the process to the selection of the "preferred" community, and another 6 to 8 weeks to have a site under control. These companies would like to receive all local permits and approvals within a 14 day time frame (with 7 days preferred) and all state

permits and approvals within a 45 day period (30 days is preferred). Smaller companies may have longer time frames, but delay is still a project killer.

Vermont's statutory requirements make the entire state less competitive than other states with the ability to expedite the permit and approval process. Nonetheless, communities like Colchester are competing with places that can meet these processing speeds and must do what they can to overcome this problem.

Staff Empowerment to Expedite Projects and Site Readiness Programs

Due to this need for expeditious project processing, an increasing number of communities are responding by creating clear land use regulations and empowering staff to issue necessary permits and approvals for projects found to be in full compliance with regulations after careful staff review. Other places are implementing "self-certification" procedures where qualified architects and engineers can certify that plans meet all local requirements.

While the ability to do things like this is severely limited in Vermont, nonetheless, competitive communities are constantly evaluating their project approval procedures in order to streamline them. Other approaches worth considering are undertaking the pre-permitting of sites without a specific project in hand, or having sites certified as "Shovel-Ready", a tool that is now available in 24 states with others like Connecticut working to establish such a program.

Available Sites and Buildings are Essential

Between 65% and 75% of all prospects conducting a site search begin looking for an existing building into which they can move quickly. In most states, about 50 - 60% of projects that actually occur use existing buildings, and that is even higher in many places right now that have an abundance of vacant, modern buildings. Again, this is a function of the need for speed. This puts a premium on having available both vacant space and fully serviced and appropriately zoned sites on which construction can begin immediately and be completed in a short time frame. The majority of companies are unwilling to wait for a community or private land owner to debate whether to help make a site ready, prepare designs, commit financing, and undertake infrastructure design, permitting, and construction. There are too many other communities already fully prepared. If you are not ready, you lose. As already noted, Colchester is at a disadvantage here, but has the land available to host future economic growth if that land meets the "ready-to-go" test.

You Must Be Aggressive

For some time now we have been in an era of a "global investment and jobs auction". Companies have jobs to offer (and the capital investment and tax revenues that come with them) and can put them in a multitude of locations. Colchester competes not only with neighboring communities, but with locations in other states, and places such as Barbados, Mexico and India as well. It is a buyers' market, and communities are both the sellers and the