

### H.459 (REDI Districts) Summary and Analysis

Introduced by Representatives Laura Sibia (I-Dover) and Chip Conquest (D-Newbury), House bill H.459 provides a process for creating flexible, inter-municipal districts that may finance, build, acquire, own, and operate community-based infrastructure to enhance local economic opportunities. These are known as REDI (Rural Economic Development Infrastructure) districts.

Originally conceived as a better way to obtain financing for high-speed broadband networks in areas too small or too fragmented to consider forming *communications union districts* enabled in Act 41<sup>1</sup>, it became immediately apparent that REDIs could also be used for other economic development projects in agriculture, local food systems, alternative energy, and other sectors.

H.459 borrows from two chapters in Vermont statute, namely, the process for forming locally defined *fire districts* (including those crossing town and county lines) along with the governance and non-recourse financing provisions of *communications union districts*. Vermont law enables other special-purpose municipalities (e.g., solid waste districts) or municipal instrumentalities (e.g., interlocal contracts). However, none of these constructs provides the flexibility to create a financeable entity for the road-by-road neighborhood-originated projects needed to bring high-speed fiber networks to underserved corners of Vermont. Organizations built on entire towns are too unwieldy, risk-laden, and slow to sponsor small-scale projects in the \$2-3 million range and 750 to 1,500 customer range.

Key feature of REDI districts are:

- they can be quickly, easily, and inexpensively formed to meet consumer-ready demand;
- they can attract lower cost capital from the municipal markets;
- they exist to meet community needs and bake in special provisions to ensure affordability for all;
- they are designed to promote public-private partnerships exploiting characteristics of each segment to enable outcomes not otherwise possible.

Expressly excluded from powers of taxation, debt-service for a REDI project must meet the financial viability requirements of would-be debt holders such as a bank, municipal bond bank, VEDA, or issuers of bond, capital lease, or comparable debt instruments. REDIs may not exercise eminent domain.

Like local fire districts<sup>2</sup>, REDIs are initiated by twenty or more residents petitioning the select board to form a special purpose district. When a REDI consists of two or more towns, the process requires separate actions by each selectboard. H.459 provides a means for organizing governance regardless of how many separate underlying towns are involved. Another important feature of REDIs is reliance on local governance augmented by outside expertise when needed.

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<sup>1</sup> See VSA Title 30, Chapter 82

<sup>2</sup> see VSA Title 20, Chapter 171

## Why REDI Districts?

REDI (Rural Economic Development Infrastructure) districts are the answer for the 61% of Vermont that lives in between the population centers and needs infrastructure for sustainable economic and community development. Goldilocks answer for economic infrastructure projects needing the tax-advantaged status of a unit of local government but relying on a revenue-generating customer base occupying territory that doesn't conform to existing municipal boundaries. This includes projects crossing several municipal lines and even unserved markets in geographic proximity but not necessarily contiguous with one another.

## Is a New District Form Necessary?

Nothing else allows underserved areas that are united by need, but divided by municipal boundaries, to group together to create the critical economic mass needed to support economic development infrastructure that can be paid for by the revenues of the investment. It is an *exceptional* opportunity to enable local bootstrapping of critical infrastructure projects, and enable provision of key infrastructure in remote areas without resorting to taxation. Vermont law provides several ways citizens' needs are addressable via a municipal entity other than cities and towns. However, nearly all are based on towns and cities as the basic building blocks.

- **Municipal unions:** Every Vermonter lives within a regional planning district, economic development district, solid waste district, and some sort of school district ... to name a few. Twenty-four east central Vermont towns reside within a telecommunications union district (ECFiber). In addition to these special district forms, Vermont law provides for two generic multi-town structures: (1) Interlocal Contracts (ILCs) commonly used for road maintenance and rescue services, and (2) Intermunicipal Service Agreements (IMSAs) formed by and within regional planning commission districts. Chittenden County's impending dispatch services is an example of the latter.
- **Intra-Municipal:** Some Vermont towns encompass water, sewer, or police districts generally serving the village, but excluding the less populated portions of town. In some cases, residents finance the services through user fees or reside within a special property-taxing district.
- **Extra-municipal:** Only one structure in Vermont statute contemplates a municipal structure serving only part of town and extending across the town line into a neighboring municipality: fire districts. There are fire districts serving portions of towns in Colchester, Barnet, Dover, and many others. Multi-town districts, though provided for in statute, were not enumerated in the 2015 Kling Report on fire services in Vermont (most multi-town fire protections is provided via contract to a neighboring district).
- **Other States:** In non-New England states where county form of government is the norm, rural economic development districts spanning political subdivisions are quite common. Examples are readily found in Oregon, Colorado, Illinois, Ohio, and the northern plains states.

<i>District or Organization Type</i>	<i>Purpose</i>	Grand list NOT taxed to cover debt service shortfall	Excluded from use of eminent domain.	Unifies multiple towns	Crosses town boundaries	Access to tax-advantaged capital
<b>Town or village</b>	Local governance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<b>Municipal Telecom Union Districts (Act 41)</b>	Telecom	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<b>Interlocal Contracts (ILC)</b>	Municipal services	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<b>Intermunicipal Service Agreements (RPCs)</b>	Extra-jurisdictional municipal services	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<b>Fire Districts</b>	Fire suppression/prevention	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
<b>Non-Profit</b>	Various (any tax-exempt purpose for 501(c)(3))	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<b>Co-ops</b>	Typically consumer outlets, electrification, other.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<b>Solid waste districts</b>	Solid waste	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<b>Sewer and water districts</b>	Water / sewer	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
<b>REDIs</b>	Economic development	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

- Yes
- Situational; generally no
- No