

### H.459 (REDI Districts)

#### Summary and Analysis

Introduced by Representatives Laura Sibilila (I-Dover) and Chip Conquest (D-Newbury), House bill H.459 provides a process for creating flexible, inter-municipal districts who can obtain financing, 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.

Because they are expressly excluded from powers of taxation, debt-service for a proposed REDI project must meet the financial viability requirements of would-be debt holders such as a bank, the state municipal bond bank, VEDA, or issuers of bond, capital lease, or comparable debt instruments. They are also prohibited from exercising eminent domain.

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

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