

# Capital Investment Program

Interim Report  
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FROM  
**Lindsay Kurrle, Secretary**  
Agency of Commerce and  
Community Development  
Lindsay.kurrle@vermont.gov  
802-828-3080

**Joan Goldstein, Commissioner**  
Department of Economic  
Development  
Joan.goldstein@vermont.gov  
802-272-2399

**Jessica Vintinner, Principal  
Assistant**  
Agency of Commerce and  
Community Development  
Jessica.vintinner@vermont.gov  
802-343-3164

## About the Capital Investment Program

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The Capital Investment Program (“the Program”) was established pursuant to Act 74 (2021). The goal of the program is to provide funding for transformational projects that will provide regions of the State the opportunity to attract and retain businesses, create jobs, and make capital investments in communities to promote economic growth. The Agency of Commerce and Community Development (“the Agency”, “ACCD”) was appropriated \$10,580,000 in General Fund dollars to create, implement, and deploy the Program.

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## SUMMARY OF PROGRAM DEVELOPMENT

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### Executive Summary

Vermont was awarded \$1.05 billion in Coronavirus State and Local Fiscal Recovery Funds as part of the federal American Rescue Plan Act of 2021. A portion of these funds were distributed in ACT 74, signed by Governor Scott on June 8<sup>th</sup>, 2021. Sec. G.300(a)(12) of ACT 74 appropriated \$10,580,000 to create the Capital Investment Program (CIP) to make funding available for transformational projects that will provide each region of the State with the opportunity to attract and retain businesses, create jobs, and invest in their communities by encouraging capital investments and economic growth.

This grant program started accepting applications on September 27, 2021 and applications will be accepted for 3 months, per statute, with the program closing on December 27, 2021. The Department of Economic Development is anticipating making grant funding decisions in January 2022.

As of December 14, 2021, the Agency of Commerce has received 88 applications for the Capital Investment Program totaling \$65,210,000 in capital investment need. Of those applications, to date, 52 applicants have been invited to complete a Stage 2 application.

### Guidelines, Application & Model Development

The legislation outlines the requirements that funded projects will:

1.) Be transformational;

*“Transformational projects” are interpreted as those that have impacts beyond the immediate economic impacts of job and wage growth directly associated with the investment. These additional impacts can include:*

- *Regional impacts on workforce development or supply chain improvements;*
- *Adding stability to local areas with fragile economic conditions; and*
- *Sector-wide impacts that other businesses will be able to benefit from.*

*Applicants can describe the transformational aspects of their proposals by adding specificity through those three categories of impact in their application.*

2.) Attract new businesses or retain existing businesses;

*New and Retained businesses are identified by applicants by describing the specific business activities that will be supported by the CIP award as a part of the overall project.*

3.) Be geographically distributed across the state;

*Geographic distribution will be gauged by the Agency looking at the distribution across the Vermont counties as well as the specific community type that may have suffered specific Covid related negative impacts.*

4.) Encourage capital investment and economic growth.

*Capital investment and economic impact are measured by the value of leveraged investments designed into the project implementation and an analysis of the differing levels of indirect and induced impacts of the project*

Applicants are also required to provide descriptions and elaboration on the following items to be considered:

- A description of the need this project will address;
- A description of the population served;
- A description of the measurable proposed impacts of the project, with at least 3 performance measures that can be tracked and reported;
- An equity Impact describing how the project will help build a just, equitable, and sustainable COVID-19 recovery and how disproportionate impacts of inequities are addressed;
- A budget narrative, including all proposed project revenues by funder and expenditures; and
- Descriptions of additional special considerations, and any other information that might assist the State in its selection.

### Informational Webinar Series

In addition to promoting the Capital Investment Program through partner channels (Regional Development Corporations, Advocacy and Trade Groups, the Vermont League of Cities and Towns, Regional Planning Commissions...etc.) the Agency has

promoted and held two webinars dedicated to providing the public and interested entities with information about the Capital Investment Program. These webinars were attended by over 150 individual participants. The webinars provided basic information about the application process, program guidelines, net fiscal impact model development and featured robust question and answer sessions that allowed participants to interact with Agency program staff. Because the application for the program is open on a three-month rolling timeline, the Agency will continue to provide webinars and informational materials to partners, businesses and the general public to ensure that notice of additional funding opportunities are communicated, as well as additional rounds of funding and any pertinent program updates.

## APPLICATION AND REVIEW PROCEDURES

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### APPLICATION SUMMARY AND DESCRIPTION

On September 27, 2021 the Agency released a Notice of Funding Opportunity (NOFO) to the general public. The NOFO provides details on the program, as well as describes in detail the type of information ACCD requests from all applicants before applying.

Program applications, per statute, are accepted on a 3-month recurring schedule. The first round of funding for the program is working within the following timeline:

**Timeline Indications:** NOFO posted: September 27, 2021

**Quarterly Application Window Closes:** December 27, 2021

**Decisions on Funding:** January 2022, based on application volumes

Applications for the program are received in two stages:

**Stage I:** Eligible applicants are asked to submit first-stage applications. Those applicants will receive feedback, and may be asked for additional project information. During the period of review, analysis will be conducted and used for determining the qualified candidates that *will be invited to proceed* to the Stage II Application process. ACCD encourages all applicants to respond as soon as possible for the first-stage of the process.

**Stage II:** After review of the full Stage I application, selected applicants will complete and submit a final application by December 27, 2021. During the Stage II process additional project specific information will be requested that was not a part of the Stage I application.

### REVIEW PROCUEURES

Review of applications occurs during Stage 1 of the application process. Per statute, the Agency reviews each application using the data model and methodology approved by the Joint Fiscal Committee. The Agency then analyzes the information provided in an application to estimate the net State fiscal impact, that includes the following factors:

- increase to the site's grand list value;
- improvements to the supply chain';
- jobs impact, including the number and quality of new jobs; and
- increase to State GDP

Per statute, an interagency team has been established to review and analyze projects for funding based on the net State fiscal impact of a project and on other factors that include:

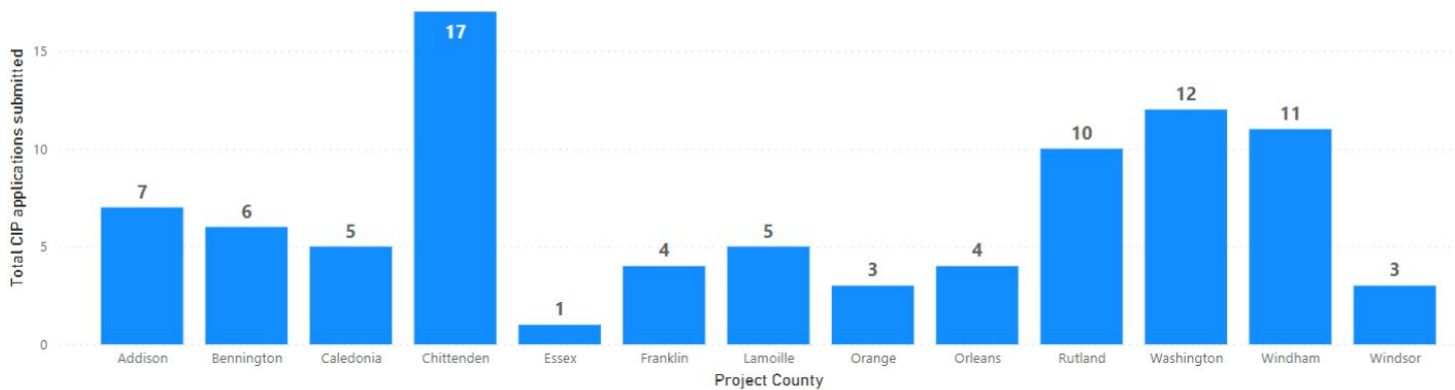
- transformational nature of the project for the region.
- project readiness, quality, and demonstrated collaboration with stakeholders and other funding sources.
- alignment and consistency with regional plans and priorities; and
- creation and retention of workforce opportunities.
- Statement of need
- Population served
- Measurable results and evaluation
- Equity impact
- Opportunities for coordinated projects
- Program specific considerations
- Amount of match provided.

Once the interagency team reviews and analyzes project applications, final award decisions will be made by the Secretary of the Agency of Commerce and Community Development.

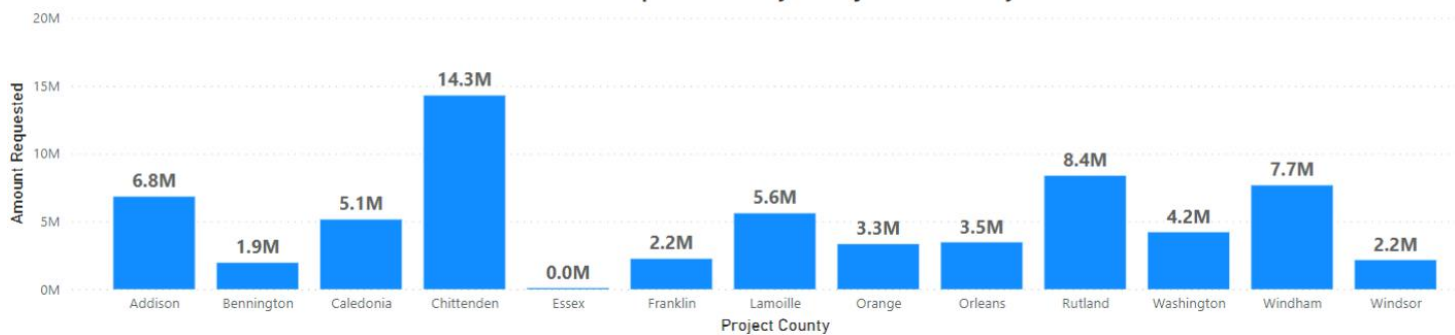
## PROGRAM UTILIZATION AND TO-DATE OUTCOMES

As of December 14, 2021, the Agency of Commerce has received 88 applications totaling requests of \$65,210,000. Of those applications, to date, 52 applicants have been invited to complete a Stage 2 application.

### Total CIP applications submitted by Project County

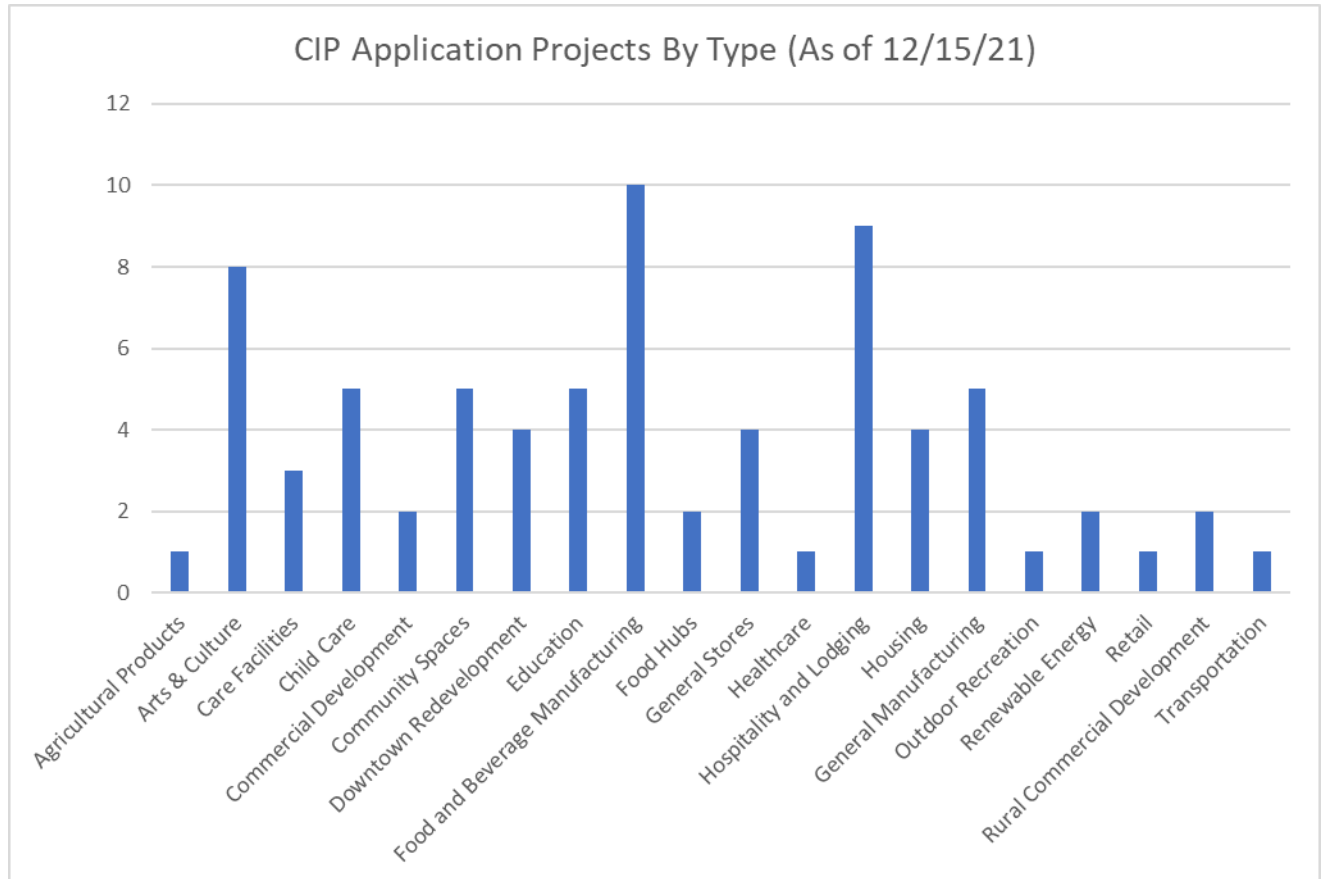


### Amount Requested by Project County



Footnote: 0.0M represents an application request less than \$1 million.





## RECOMMENDATIONS

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1. **Changes to Award Justification/Net Fiscal Impact:** The Agency of Commerce worked with the Legislative economist and State's economist to create a net fiscal impact model per statute that requires each project to be analyzed through the model in order to determine award amount. While the process to create the net fiscal impact model was a beneficial exercise in understanding the elements of impact each project may bring to their region and locality, the process for determining an award based on the impact is proving to be problematic.

It is the Agency's position that using the net fiscal impact calculation as a determining factor for awards is contrary to the congressional intent of the American Rescue Plan Act (ARPA). States received ARPA funding for the purposes of the being able to improve economic conditions for businesses and individuals, and to create policy and programs that will assist in overall recovery. The intent of state ARPA funding was never to help improve the tax situation of the state or municipalities, and utilizing the net fiscal impact model and analysis to determine award amounts based on revenue generated, jobs and social impact is contrary to the original federal intent. ***It is the Agency's position that the net fiscal impact model and analyses should be a secondary consideration when determining award amounts, and not be used as a deciding factor in the program's award eligibility and amount.*** Legislative changes to the program would need to be made to remove this requirement.

2. **Additional Funding:** The Capital Investment Program, while complex, has received 88 applications since this first funding round has opened. The amount of funding applied for is over \$65 million. The Agency is requesting additional in ARPA funding for FY 2023 so the next two rounds of applications and projects can be funded through 2022. Applications for the program are received on a 3-month rolling basis, and additional funding will allow the Agency to utilize the momentum and attention the program has now to continue to encourage economic development projects across the State.
3. **Municipality Inclusion & Access to the Program:** Currently the Capital Investment Program per statute excludes municipalities from being eligible

applicants. While the Agency supported this decision during the Program's inception, the last 6 months have revealed potentially critical gaps in infrastructure funding for municipal projects. ***It is the Agency's recommendation that in order to address potential gaps in funding for water, wastewater and other infrastructure projects, municipalities may be eligible for project funding through this program***

## APPENDIX A: PROGRAM GUIDELINES

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All grants awarded by the Agency of Commerce and Community Development are subject to standard audit provisions as established by the guidelines set forth in this document.

Grantees must maintain all records pertaining to the use and expenditure of their award. Records include any written or recorded information, regardless of physical form or characteristics, which is produced or acquired by the grantee in the performance of this agreement. Records produced or acquired in a machine-readable electronic format shall be maintained in that format.

The records described shall be made available at reasonable times during the period of the award and for five years thereafter or for any period required by law for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the five-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved.

Each applicant must attest, under penalty of perjury, that all information provided on all application forms and uploaded documents is true and accurate. The State of Vermont will rely on this certification as a material representation in making this grant award. Further, applicants must attest to understanding that intentional misrepresentation of information is fraud and may subject the application disqualification from receiving further benefits, administrative penalties, and criminal prosecution.

### Notice of Funding Opportunity Guidelines

Vermont was awarded \$1.05 billion in Coronavirus State and Local Fiscal Recovery Funds (Recovery Funding) as part of the federal American Rescue Plan Act of 2021. The Governor's Recovery Plan is focused on transparent investments in key infrastructure needs including housing, broadband, waste water and sewer systems, climate change prevention and mitigation, and economic development. The explicit objective of this plan is to provide long term economic recovery opportunities to communities statewide, with a focus on those with the greatest demographic declines over the past 20 years.

The Vermont legislature passed, and Governor Scott signed Act 74 which established the Capital Investment Program (CIP) to:

Make funding available for transformational projects that will provide each region of the State with the opportunity to attract and retain businesses, create jobs, and invest in their communities by encouraging capital investments and economic growth.

This Notice of Funding Opportunity (NOFO) provides details on the program and describes the information ACCD requests from applicants.

All responses shall include, at a minimum:

- Statement of Need describing the need this project will address. Include data to demonstrate the need and cite the source of the data.
- Population Served including number and demographic characteristics of those served.
- Results including a description of the measurable proposed impacts of the project, with at least 3 performance measures that will be tracked and reported. Wherever possible, include baselines and goals for each performance measure.
- Equity Impact describing how this project will help build a just, equitable,

and sustainable COVID-19 recovery and how disproportionate impacts of inequities are addressed.

- Budget including all proposed project revenues by funder and expenditures.
- Special Considerations describing any other information that might assist the State in its selection.

### **Program details**

The legislation outlines the requirements that funded projects will:

- 1.) Be transformational
- 2.) Attract new businesses or retain existing businesses
- 3.) Be geographically distributed across the state
- 4.) Encourage capital investment and economic growth

Transformational projects are those that have impacts beyond the immediate economic impacts of job and wage growth directly associated with the investment. These additional impacts can include:

- Regional impacts on workforce development or supply chain improvements
- Adding stability to local areas with fragile economic conditions
- Sector-wide impacts that other businesses will be able to benefit from

Applicants can describe the transformational aspects of their proposals by adding as much specificity as possible on those three categories of impact – regional impacts, local economy stabilization and sector wide impacts.

New and Retained businesses are identified by applicants by describing the specific business activities that will be supported by the CIP award as a part of the overall project.

Geographic distribution will be gauged by the Agency looking at the distribution across the Vermont counties as well as the specific community type that may have suffered specific Covid related negative impacts.

Capital investment and economic impact are measured by the value of leveraged investments designed into the project implementation and an analysis of the differing levels of indirect and induced impacts of the project.

### **Project funding**

Grantfunding from the Program cannot represent more than 50 percent of the total project cost.

### **The applicant must demonstrate:**

- Community and regional support for the project.
- 1.) COVID impact or 2.) be in the hospitality sector or 3.) be in a qualified census tract <https://geocoding.geo.census.gov/geocoder/geographies/address?form>
- To determine if your census tract is qualified, look up your Census Tract Name here: HUD
- That grant funding is needed to complete the project.
- The leveraging of additional sources of funding from local, State, or federal economic development programs; and
- An ability to manage the project, with requisite experience and a plan for fiscal viability.

The total grant for an individual project will not exceed the lesser of \$1,500,000 or the calculation of the net fiscal, economic, and social impact of the proposed project to the State as determined by the net fiscal impact model approved by the Joint Fiscal Committee.

### Applicant Eligibility

Act 74 requires that eligible applicants:

- are located within this State, and
- are a for-profit entity with not less than a 10 percent equity interest in the project or
- are a nonprofit entity;
- are in good standing with the State and Federal government

The following are ineligible to apply for a grant:

- State or local government-operated businesses
- municipalities
- businesses that, together with any affiliated business, owns or operates more than
- 20 locations, regardless of whether those locations do business under the same
- name or within the same industry: and
- publicly-traded companies

### Timeline Indications:

NOFO posted: September 27, 2021

Quarterly Application Window Closes: December 27, 2021

Decisions on Funding: January 2022, based on application volumes

**Stage I:** Eligible applicants will submit a first-stage application. Those applicants will receive feedback, and may be asked for additional project information. During the period of review, analysis will be conducted and used for determining the qualified candidates that will be invited to proceed to the Stage II Application process. ACCD encourages all applicants to respond as soon as possible for the first stage of the process.

**Stage II:** After review of the full Stage I application, selected applicants will complete and submit a final application by December 27, 2021. During the Stage II process additional project specific information will be requested that was not a part of the Stage I application.

### How Funding Decisions Will Be Made

Using the data model and methodology approved by the Joint Fiscal Committee that assesses and prioritizes the fiscal, economic, and societal impacts of proposals. The Agency will analyze the information provided in an application to estimate the net State fiscal impact of a project, including the following factors:

- increase to the site's grand list value.
- improvements to the supply chain.
- jobs impact, including the number and quality of new jobs; and
- increase to State GDP.

An interagency team, which may include members from among the Department of Economic Development, the Department of Housing and Community Development, the Agency of Agriculture, Food and Markets, the Department of Public Service, the Agency of Natural Resources, or other State agencies and departments, shall review, analyze, and rank projects for funding based on the estimated net State fiscal impact of a project and on other contributing factors, including:

- transformational nature of the project for the region.

- project readiness, quality, and demonstrated collaboration with stakeholders and other funding sources.
- alignment and consistency with regional plans and priorities; and
- creation and retention of workforce opportunities.
- Statement of need
- Population served
- Measurable results and evaluation
- Equity impact
- Opportunities for coordinated projects
- Program specific considerations
- Amount of match provided.

**Awards will be made in the best interest of the State. All other considerations being equal, priority will be given first to those projects in regions or counties struggling the most with job losses, demographics, and income levels. Priority will also be given to those projects developed in coordination with other planned infrastructure development for the greatest transformative impact. Qualitative determinations will be made regarding community need and community impacts.**

The Secretary of Commerce and Community Development shall consider the recommendations of the interagency team and shall give final approval to projects.

*The Vermont Capital Investment Program is funded by State Fiscal Recovery (SFR) funds and is subject to the eligibility, financial, and performance requirements of the SFR funds as set by the US Treasury. The regulations relating to SFR funds are still being reviewed and revised, and applicants may be required to modify or revise their proposed projects to align with federal funding requirements. Projects funded by the Vermont Capital Investment Program will be subject to substantial financial and performance reporting requirements associated with SFR funds.*



## CAPITAL INVESTMENT GRANT

### FREQUENTLY ASKED QUESTIONS



#### 1. What is the difference between Stage I and Stage II of this process?

**Stage I:** Eligible applicants (go to questions 8 and 9 to determine eligibility) will submit a required Stage I application process. Those applicants will receive feedback, and a preliminary review that will assist the applicant in submitting a Stage II application. In addition, the responses to the Stage I application will provide the review team samples for analysis that will be used for reviewing the Final Applications. ACCD encourages all applicants to respond as soon as possible for the first stage of the process.

**Stage II:** After review of the first stage of the application, applicants will complete a final application by December 27, 2021. There may be some additional information requested in the Stage II application process that is not a part of the application in Stage I.

#### 2. Is Stage I required? YES

#### 3. Can the application be saved?

No. Once an application has been created the form cannot be saved. Applicants should read the full application outline and instructions prior to commencing an application and have answers ready to provide in the form.

#### 4. How is the VT Capital Investment Programs being funded?

By the State Fiscal Recovery (SFR) funds. It is subject to eligibility, financial, and performance requirements of the SFR funds as set by the US Treasury.

#### 5. For any reasons that awarded funds may be reclaimed?

The Capital Investment Program is a grant program that provides funds to applicants when they incur expenses associated with their projects. The final grant agreement will describe the grant requirements that must be followed for recipients and only if an applicant does not follow the rules required for submitting their claim for awarded funds will ACCD potentially reclaim funds.

#### 6. If approved for Capital Investments Program grant; how will I receive the funds?

Award of a grant agreement allows the applicants to submit for reimbursement for all or a portion of the project costs. The details for each award will be described in the grant agreement.

#### 7. What does transformational projects mean?

Those that have impacts beyond the immediate economic impacts of job and wage growth directly associated with the investment. These additional impacts can include:

- \*Regional impacts on workforce development or supply chain improvements
- \* Adding stability to local areas with fragile economic conditions
- \* Sector-wide impacts that other businesses will be able to benefit from

Applicants can describe the transformational aspects of their proposals by adding as much specificity as possible on those three categories of impact – regional impacts, local economy stabilization and sector wide impacts

#### 8. What constitutes eligibility?

A For-profit entity with not less than a 10% equity interest in the project or a non-profit and projects are located in the State of Vermont. You can also refer to the [NoFO guidelines](#) for further information.

#### 9. What constitutes ineligibility?

- State or local government-operated businesses
- Municipalities)
- businesses that, together with any affiliated business, owns or operates more than 20 locations, regardless of whether those locations do business under the same name or within the same industry, and
- publicly traded companies.