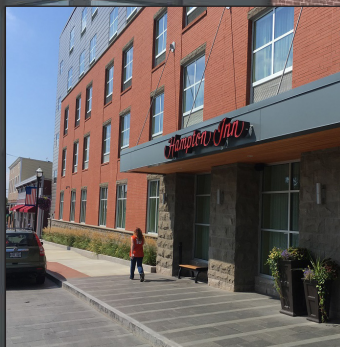


Vermont Sales Tax Reallocation Program

Guidelines and Application



Vermont Department of Housing
and Community Development
2025



AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT

2025 Sales Tax Reallocation Guidelines and Application

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Introduction

A developer and municipality must apply jointly for a reallocation of sales taxes. Qualified projects must be within a designated downtown district. Sales taxes generated by the qualified development project are available for reallocation. Municipalities must use reallocated taxes to support the qualified project. In 2024, \$3 million in funding is available for both the Downtown and Village Center tax credit program and the Sales Tax Reallocation program. Projects in both categories will compete for the available funding. **Applications are due Friday, August 1, 2025, by COB (4:30 pm).**

For more information, to receive this information in an alternative format, or for other accessibility requests, please contact:

Caitlin Corkins
Tax Credits & Grants Coordinator
caitlin.corkins@vermont.gov
802-828-3047

Amounts Available for Reallocation

Funding available for specific projects depends on the size of its municipality.

- In a municipality with a population of 7,500 or less, taxes paid on sales of construction materials exceeding \$100,000 may be reallocated.
- In a municipality with a population between 7,500 and 30,000, taxes paid on construction materials exceeding \$200,000 may be reallocated.
- In a municipality with a population over 30,000, taxes paid on construction materials exceeding \$1,000,000 may be reallocated.

The funding cap for this program combined with the downtown and village center tax credit program is \$3 million. No single municipality may receive more than 1/3 of the total funding available in one year. Municipalities may only use reallocated funds to pay for the approved municipal project.

Program Eligibility and Standard Provisions

To qualify for funding, applications must meet the following requirements.

- Applications must be for qualified projects within a designated downtown.
- A developer and municipality must apply jointly for funding.

- Project are eligible before the start of construction or during construction. Projects are not eligible after construction is substantially complete.
- The Downtown Board will not consider applications for funding at the same meeting at which designation is requested.
- Funded municipal projects must use the reallocated sales tax revenues in support of a qualified project.
- Funded projects must be under construction within 12 months of an award. Both the qualified project and the municipal project must be complete within 36 months.

Applications and projects must be consistent with the following **statutory definitions**:

Construction materials

“Means all materials purchased by the owner or owner’s representative, project manager, construction manager, general contractor, or subcontractor to be incorporated into a qualified project.”

Construction materials include building components and landscaping material incorporated into the site. Construction materials do not include furniture or equipment which does not become real property. Construction materials do not include tools used in construction, fuel, or other supplies.

Qualified project

“Means expansion or rehabilitation of contiguous real property that is or will be used at the completion of the expansion or rehabilitation as a structure in a downtown development district designated under 24 V.S.A. chapter 76A, but only to the extent that the expansion or rehabilitation becomes an integral component of the real property and the project does not seek qualification for either tax credit authorized under subsection 5930cc(a) or (b) of this title. “Qualified project” also means new construction of contiguous real property that will be used at the completion of the construction as a structure in a downtown development district designated under 24 V.S.A. chapter 76A, but only to the extent that the new construction is compatible with the buildings that contribute to the integrity of the district in terms of materials, features, size, scale and proportion, and massing of buildings.”

Staff Support and Site Visits

For specific advice on proposed projects, staff from the Downtown Program are available. Virtual or in person site visits are possible. Projects in historic downtown districts must be compatible with the surrounding district. Downtown program staff can assist owners with finding appropriate design solutions. Projects must also meet all local and state permit requirements. To schedule a meeting, email Caitlin Corkins at caitlin.corkins@vermont.gov or call 802-828-3047.

Application Submission Instructions

Applications are due Friday, August 1, by COB (4:30 pm). Submit applications by email to Caitlin Corkins at caitlin.corkins@vermont.gov. Handwritten or faxed applications are not accepted. Late applications will not be considered. The Downtown Board will make funding decisions by September 30, 2025.

Required Attachments

Application attachments:

1. A signed letter of intent to apply from the owner of the development project.
2. Municipal resolution, meeting minutes, or other evidence of the local legislative body's decision to apply.
3. Documented site control of the entire parcel involved in both the private development and the municipal project.
4. Limits of the project location marked on a map of the Designated Downtown District.

Development Project attachments:

1. Design elevations and renderings of the qualified development project.
2. For new construction, provide evidence of the municipal determination of project compatibility with the downtown district.
3. A budget (excel spreadsheet preferred). The budget should show major categories of expenditures for the qualified development project. The budget must break out and summarize the taxable cost of construction materials. Per statute, these must be based on the successful construction bid(s) for the qualified project. For each major subcontractor, the budget should itemize the subcontractor's total bid price and the taxable cost of materials. Note: Full bid documents must be made available to the Board upon request.
4. A project schedule. Qualified projects must be under construction within 12 months of the award. Both the qualified project and municipal project must be complete within 36 months of approval.

Municipal Project attachments:

1. Design drawings of the municipal project.
2. A budget for the municipal project. This should include the project cost, all necessary funding sources, and the status of each funding source.

3. A project schedule. The municipal project must be under construction within 12 months of the award. Both the qualified project and municipal project must be complete within 36 months approval.

Scoring Process and Tiebreaker Policies

Applications are due August 1, 2024. The Downtown Development Board (Downtown Board) scores applications and makes award decisions. These will be announced by September 30, 2024. Recipients have three years from the date of the award to complete projects and claim the funds.

Selection Criteria:

Sales Tax Reallocation awards are competitive. The Downtown Board scores projects using its Competitive Criteria (see Appendix A). Program staff review applications for eligibility and completeness. Staff then compile Board scores and results are then ratified by the Board.

Funding Process and Minimum Score Requirement:

Scores are tallied and ranked high to low. Projects must score a minimum average score of 25 points to receive funding. The average is derived from individual Board scores divided by number of Board members scoring. Projects are funded in rank order until the credits are exhausted; however, the Board may fund projects at its discretion.

Tie-breaker Policy:

If there is a tie score at the funding cut-off, the Board will award bonus points to break the tie. They will first consider the geographic distribution of applications. First, they will award a bonus point for projects in counties or communities with no other projects funded in the same round of funding. Second, the Board will consider previous tax credits awarded to a project or applicant. They will award a bonus point to a project or applicant who has not received funding through the program in the past. If projects are still tied, the remaining tax credits available will be divided between tied projects based on the percentage of each request.

Award Alternates

The Downtown Board will award funding as available. If requests exceed funding, the Board will name 1-6 alternate projects. These will be those projects below the cut-off for available funds in that round. If additional funding becomes available by December 30, 2024, and equals more than half an alternate's request, staff will offer these alternate projects funding.

Alternate projects will receive any available funding in rank order. Partially funded projects will receive recaptured funds to match their full request. Then funding will go to the next project on the list. Completed projects may not receive additional recaptured funds, even if partially funded. If alternate projects scores are tied, staff may ask the Board to review applications of tied alternate projects later as funding becomes

available. They will re-score alternate projects using the same scoring criteria. If needed, they will use the tie-breaker policy outlined above.

Recapture Policies

The following list includes situations where recapture of awarded credits may apply:

Project does not meet completion deadlines.

The deadline for project completion is three years (36 months) from the date of award. This includes both the private development and municipal project. If this deadline is not met, applicants may apply to the Downtown Board for an extension. Extensions may be for up to two more years for project completion. There are no extensions beyond this 5-year deadline without exception.

Change in ownership may trigger recapture.

This occurs if there is a change in ownership of the private development project (developer) before a project is complete.

Change in the scope of a project may disqualify a project.

This occurs if there is a substantial change in the scope of the private development project or municipal project. A “substantial change” may include, but is not limited to, changes in use, project size, or project design.

Requests for Funds and Project Close-out

Funds through this program are typically allocated in two installments as described below. A single reimbursement request after completion of both the qualified project and municipal project is also permissible. Recipients should use the attached reimbursement request form and include the required attachments outlined below for each request. Email reimbursement requests to Caitlin Corkins at caitlin.corkins@vermont.gov. The requests will also be reviewed by the Vermont Department of Taxes before payment is issued.

The first 50% payment shall be made when the qualified development project is at least 50% completion, and a report is submitted to and accepted by the Department of Housing and Community Development.

The 50% reimbursement request should be submitted electronically and shall include:

1. A Reimbursement Request Form (see page 11).
2. A letter, signed by both the developer and the municipality certifying that qualified development project is at least 50% complete and a statement that the municipal project has begun construction.

3. A summary of the qualified development project costs to date. This should include the amount of sales taxes paid on construction materials related to the qualified development project.

The final 50% payment shall be made when both the qualified and municipal projects are complete, and a final report is submitted to and accepted by the Department of Housing and Community Development.

The final reimbursement request should be submitted electronically and shall include:

1. A letter signed by both the developer and the municipality with a summary of final costs. This self-certification from the Owner of the qualified project must include the total cost of the qualified development project and the amount of sales taxes paid on construction materials for the project.
2. Labeled photographs of both the completed qualified development project and the completed municipal project.
3. A description of the municipal project as completed.
4. A summary of the expenses of the municipal project.

Appendix A: Scoring Criteria

Scores are based on three scoring criteria that correspond to sections of the program application form. These are 1. Project Scope and Timeline, 2. Project Budget, and 3. Public Benefit. Projects must score a minimum of 25 points to receive funding.

1. Project Scope and Timeline: 0-7 points

Board members will refer to Section 3 of the application and consider the following questions.

1. Does the project scope clearly explain the work, uses, and outcomes of the project?
2. Is the project timeline feasible/realistic?
3. If applicable, are required permits in hand?
4. If the project is phased, are the phases logical and well-defined?

The following scale will be used to evaluate and score projects:

Poor 0-1 points: incomplete information, scope of project is not clear, permits are not identified.

Fair 2-3 points: complete information, but scope of project is not well defined, or permits/approvals needed are not identified.

Good 4-6 points: information is complete, project scope is clear, and all permits/approvals are in process.

Excellent 7 points: scope of project is well defined, including applicable phases, and all permits/approvals are in hand.

2. Project Budget: 0-12 points

Board members will refer to Section 4 of the application and consider the following questions.

1. Is the proposed budget logical and well-conceived?
2. Does the budget match the scope of the project?
3. Is the project based on credible construction costs?
4. Will a state tax credit award leverage other private/public funding?

5. Is there a financial gap and if so, will the credit allow the project to proceed?

The following scale will be used to evaluate and score projects:

Poor 0-2 points: incomplete information, budget does not match scope of work.

Fair 3-6 points: information is complete but shows discrepancies or a financial gap larger than credit request, with no additional funding sources.

Good 7-10 points: information is complete, and budget is clear with funding sources defined.

Excellent 11-12 points: budget is clear, project funding, aside from requested tax credits, is in hand and will allow the project to effectively leverage a tax credit award.

3. Public Benefit: 0-17 points

Board members will refer to Section 5 of the application and consider the following questions.

1. Will the project meet the identified needs of the local community?
2. Does the project involve rehabilitation of a vacant or underutilized building?
3. Will the project attract new businesses, create jobs, or fill a need for housing?
4. Will the project have long-term positive impacts in the community?
5. Does the project help further local revitalization goals or initiatives?
6. Are there partners/others who will benefit if this project goes forward?

The following scale will be used to evaluate and score projects:

Poor 0-4 points: applicant does not identify needs the project will address and/or the impacts of the project.

Fair 5-9 points: applicant identifies a need met by the project (a-c) but not impacts (d-f) or vice versa.

Good 10-14 points: applicant addresses how project will address at least one identified community need and identifies at least one positive impact as defined in questions a-f.

Excellent 15-17 points: applicant identifies how project will address multiple needs and have multiple impacts as defined in questions a-f and includes data/facts to back up any needs met, or impacts made by the project.

Appendix B: Secretary of the Interior's *Standards for Rehabilitation*

The *Standards for Rehabilitation* provide direction in making appropriate choices for all historic rehabilitation projects. These standards apply to historic buildings of all materials, types, and sizes. They apply to both the exterior and the interior of historic buildings as well as attached, adjacent, or related new construction.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments (such as sandblasting) that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

For more details on applying the Standards to specific situations visit the [National Park Service](#) website. We also encourage applicants to contact Caitlin Corkins to discuss specific projects before work begins at 802-828-3047 or caitlin.corkins@vermont.gov.

Sales Tax Reallocation Reimbursement Request Form

Project Summary

Name of Municipality

Primary Contact

Phone & Email

Address

Name of Project Owner/Developer

Primary Contact

Phone & Email

Financial Summary

Check one:

50% Request

100% Request

Total Estimated Project Cost (from application)

Total Amount of Sales Tax Allocation Award

Total Sales Taxes Paid on Materials

2025 Sales Tax
Reallocation *Application*

2025 Sales Tax Reallocation Program Application

Please complete all sections of this form. See Section 6 on page 6 for a list of required attachments which must be submitted separately. Submit completed application forms to: caitlin.corkins@vermont.gov. Copies of funded applications may be shared with the Vermont Department of Taxes. **Applications are due on Friday, August 1, 2025.**

SECTION 1: Applicant Contact Information

Name of Municipality

Municipal Contact Name

Mailing Address

Daytime Phone & Email

Name of Developer

Developer Contact

Mailing Address

Daytime Phone & Email

SECTION 2: Project Location and Funding Request

Please attach a map showing the location of the qualified development project. See Section 6, Required Attachments on page 6 for more details.

Address of Development Project

Total Estimated Development Project Costs

Estimated Construction Materials Costs

Population of Municipality

- ☐ Less than 7,500
- ☐ 7,500-30,000
- ☐ More than 30,000

Sales Tax Reallocation Request

SECTION 3: PROJECT SCOPE/TIMELINE

Describe the scope of the qualified development project. What work will be completed? What will the building be used for? If applicable, identify project phases.

Describe the scope of the municipal project. How will this project support the qualified development project?

Construction Start Date (month/year):

Estimated Construction Completion Date (month/year):

Please list any permits and/or approvals required for your project and when they will be in hand.

SECTION 4: PROJECT BUDGET

Please attach a budget for both the development project and the municipal project which will support the development. See Section 6, Required Attachments on pages 6 for more details.

A. Funding Sources

Please include all funding sources for the project. This includes private financing and bank loans, tax credit equity, and any private or public grants or loans. Note if the funding is in hand, committed or planned at the time of application.

Funding Source	Status of Funding	Amount
Total Project Funding		

B. Partners

Please list any partners, both public and private, involved in this project. For example, non-profit organizations, business owners/tenants, schools etc.

C. Funding Gap

Explain how you will address any funding gap (difference between total project funding and project costs). This could include plans to apply for additional public funding, seek more financing, phase the project, or reduce the scope of the project. If there is no funding gap, explain how a tax credit award will improve your project.

D. Budget Narrative:

Explain how your budget was compiled. For example, do you have estimates/quotes from contractors or cost estimators? Have you worked with an architect or consultant?

SECTION 5: PUBLIC BENEFIT

Please describe how this project will meet a need in your community and have a long-lasting positive impact. For example, how will the project meet the needs of your community? Does it help further local revitalization efforts? Will the project attract new businesses, create jobs, or fill a need for housing? Will it have a wider economic impact? Please reference applicable data and/or planning documents such as municipal or regional plans to demonstrate needs and impacts.

Section 6: Required Attachments

Applications must include all the following attachments:

- ☐ A signed letter of intent to apply from the owner of the development project.
- ☐ Municipal resolution, meeting minutes, or other evidence of the local legislative body's decision to apply.
- ☐ Documented site control of the entire parcel involved in both the private development and the municipal project.
- ☐ Limits of the project location marked on a map of the Designated Downtown District.

Development Project Attachments:

- ☐ Design elevations and renderings of the qualified development project.
- ☐ For new construction, provide evidence of the municipal determination of project compatibility with the downtown district.
- ☐ A budget (excel spreadsheet preferred). The budget should show major categories of expenditures for the qualified development project. The budget must break out and summarize the taxable cost of construction materials. Per statute the budget numbers must be based on successful construction bid(s) for the qualified project. For each major subcontractor, the budget should itemize the subcontractor's total bid price and the taxable cost of materials. Note: Do not include the bid documents with the application. These must be made available to the Board upon request.
- ☐ A project schedule. Qualified projects must be under construction within 12 months of the award. Both the qualified project and municipal project must be complete within 36 months of approval.

Municipal Project Attachments:

- ☐ Design drawings of the municipal project.
- ☐ A budget for the municipal project. This should include the project cost, all necessary funding sources, and the status of each funding source.
- ☐ A project schedule. The municipal project must be under construction within 12 months of the award. Both the qualified project and municipal project must be complete within 36 months approval.

Email completed application form to:
Caitlin Corkins at caitlin.corkins@vermont.gov