



# Vermont Sales Tax Reallocation Program

## Guidelines and Application



Vermont Department of Housing  
and Community Development

2022



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

# 2022 SALES TAX REALLOCATION GUIDELINES

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## INTRODUCTION

Municipalities and the developer of a qualified project may jointly apply to the Downtown Board for a reallocation of sales taxes on construction materials. Qualified projects must be located within a designated downtown district. Reallocated taxes must be used by the municipality to support the qualified project. In 2022, funding is available for both the Downtown and Village Center tax credits and the Sales Tax Reallocation program, and projects in both categories will compete for the available funding. Applications are due Friday, July 1, 2022, by close of business (4:30 pm).

## PROGRAM CONTACT INFORMATION

For questions regarding this program, contact Caitlin Corkins, Tax Credits & Grants Coordinator at: [caitlin.corkins@vermont.gov](mailto:caitlin.corkins@vermont.gov) or by phone at 802-828-3047.

## AMOUNTS AVAILABLE FOR REALLOCATION

1. In a municipality with a population of 7,500 or less, all taxes paid on sales of construction materials exceeding \$100,000 for each separate qualified project may be reallocated to the municipality.
2. In a municipality with a population greater than 7,500 but less than 30,000, all taxes paid on construction materials exceeding \$200,000 for each separate qualified project may be reallocated to the municipality.
3. In a municipality with a population greater than 30,000, all taxes paid on construction materials exceeding \$1,000,000 for each separate qualified project may be reallocated to the municipality.

The benefits of this program, combined with the downtown and village center tax credits, are capped at \$3,000,000 annually. Funding for the combine projects (tax credits and sales tax reallocation) in any given municipality may not exceed 30% of this total cap in one year. Reallocated funds may only be used by the municipality for expenditures on this municipal project, as approved by the Downtown Development Board.

## PROGRAM ELIGIBILITY AND STANDARD PROVISIONS

- Applications must be for qualified projects within a designated downtown. The Board will not consider projects that are substantially completed before designation is granted to the municipality.
- Applications must be submitted jointly by the municipality and the owner/developer of the qualified project.
- Applications may be submitted either just prior to the start of construction or during construction of the qualifying project, but not after construction is substantially complete.
- Applications will not be considered at the same Board meeting at which the applicant municipality requests initial downtown designation.
- The application must demonstrate that the qualified project will be under construction within 12 months of the award date, and the qualified project and the municipal project must be complete within 36 months of the award.
- Applications and projects must be consistent with the following statutory definitions:

**“Construction materials”** means all construction materials purchased by the owner or the owner’s representative, project manager, construction manager, general contractor, or subcontractor to be incorporated into a qualified project. Construction materials include building components; sand, gravel, etc. incorporated into the site; and landscaping materials incorporated into the project. Construction materials do not include furniture, furnishings, and equipment which does not become real property, tools used in construction, or fuel or other supplies used in construction but not incorporated into the project.

**“Qualified project”** means expansion or rehabilitation of contiguous real property that is or will be used at the completion of the expansion or rehabilitation of a structure in a downtown development district designated under chapter 76A of Title 24, 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 the Vermont Downtown and Village Center Tax Credit Program authorized under

subchapter 11J of chapter 151 of Title 32. “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 under chapter 76A of Title 24 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.

“**Municipal project**” means a project undertaken by the municipality in support of a qualified project which uses the reallocated sales tax revenues in support of that qualified project.

### **STAFF SUPPORT AND SITE VISITS**

For specific advice on proposed projects, staff from the Downtown Program is available to meet on site and discuss how to ensure any new construction is compatible with the existing downtown district. Downtown program staff can assist owner 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](mailto:caitlin.corkins@vermont.gov) or call 802-828-3047.

### **APPLICATION SUBMISSION INSTRUCTIONS**

Applications are due Friday, July 1, 2022, by close of business (4:30 pm). Applications should be submitted electronically to Caitlin Corkins at [caitlin.corkins@vermont.gov](mailto:caitlin.corkins@vermont.gov). Handwritten or faxed applications are not accepted. Late applications will not be considered. Funding decisions will be made at the regularly scheduled July meeting of the Downtown Board, currently scheduled for July 25, 2022.

### **REQUIRED ATTACHMENTS**

#### *Application attachments:*

- A signed letter of intent to apply from the owner of the development project.
- The municipal resolution, meeting minutes, or other evidence of the local legislative body’s decision to apply.
- Documented site control of the entire parcel/parcels 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.
- If the qualified development project involves new construction, evidence of the municipal determination of compatibility with the charter of the downtown district.
- A budget (excel spreadsheet preferred) showing major categories of expenditures for the qualified development project. The budget must break out and summarize the taxable cost of construction materials used in the qualified project and should 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: Do not include the bid documents with the application, but they should be referenced, and must be made available to the Board upon request.
- A project schedule demonstrating that the qualified project will be under construction within 12 months of award and that the qualified project and municipal project will be complete within 36 months of the Downtown Board’s approval.

#### *Municipal Project attachments*

- Design drawings of the municipal project
- A budget for the municipal project, including the project cost, all necessary funding sources, and the status of each funding source.
- A project schedule demonstrating that the qualified project will be under construction within 12 months of award and that the qualified project and municipal project will be complete within 36 months of the Downtown Board’s approval.

### **SCORING PROCESS AND TIEBREAKER POLICIES**

In 2021, applications are due July 1, 2021 and funding decisions will be made by the Downtown Development

Board (Board) at their regularly scheduled monthly meeting on July 26, 2021. Projects selected for funding must be completed and the municipality must claim their sales tax reallocation within three years (36 months) from the date of allocation.

- **Selection Criteria:** Funding is competitively allocated. The Downtown Board ranks projects using its Competitive Criteria (see Appendix A). Applications are reviewed and scored in advance of the July meeting with results compiled by Downtown Program staff. Results are then ratified at the July Board meeting.
- **Funding Process and Minimum Score Requirement:** Scores are tallied and ranked high to low. Projects must score a minimum of 25 points (average derived from individual Board scores divided by the number of Board members scoring). Projects are typically funded in rank order until the funding is exhausted; however, the Board may fund projects at its discretion. Tie scores are broken with a Board vote.
- **Tie-breaker Policy:** The Board will first consider the geographic distribution of applications to be funded above the tied projects in that round of funding. They will award a bonus point to break the tie for projects in counties (first) and/or communities (second) with no other projects funded in the same round of funding. Should geographic distribution fail to break a tie, the Board will consider the number of previous tax credits awarded to a project and/or applicant. They will award a bonus point to break the tie for a project and/or applicant who has not received funding through the program in the past. Should the above criteria fail to break the tie, the remaining funding available will be divided between tied projects based on the percentage of each request.

#### **AWARD ALTERNATES**

- During the annual July Board meeting, the Board will award funding as available. If requests exceed funding, the Board will name 1-6 alternate projects. These will be those projects just below the cut-off for available funds in that round.
- Should substantial funding equaling more than half of an applicant's request become available after the July meeting but before the end of the same calendar year, that project will be offered a full or partial tax credit of these recaptured funds. Alternate projects will be funded in rank order. Any partially funded projects will be offered recaptured funds to match their full request before the next project on the list is offered a partial award. Projects that are complete and have collected their tax reallocation award will not be offered additional recaptured funds even if their initial request was only partially funded.
- If alternate projects are tied, staff may ask the Board to review applications of tied alternate projects at a later Board meeting as funding becomes available and to re-score alternate projects using the same scoring criteria as before and then using the tie-breaker policy outlined above if necessary.

#### **RECAPTURE POLICIES**

- Projects funded must be completed within three years (36 months) of the date of award. This includes both the private development and municipal project. At any time, applicants may apply to the Downtown Board for a waiver requesting an additional two years for project completion if a project cannot be completed within the 3-year timeframe. No extensions beyond this 5-year deadline will be granted.
- Funding may be recaptured if there is a change in ownership of the private development project (developer) before the project is completed.
- Funding may be recaptured if there is a substantial change in the scope of the private development project or municipal project before completion. A "substantial change" to the project may include, but is not limited to, changes in use, project size, project design, etc.

## **REQUESTS FOR FUNDS AND PROJECT CLOSE-OUT**

Funds through this program will typically be allocated in two installments as described below. A single reimbursement request after completion of both the qualified project and municipal project may also be requested. Email reimbursement requests to Caitlin Corkins at [caitlin.corkins@vermont.gov](mailto:caitlin.corkins@vermont.gov).

The first 50% payment shall be requested by letter, signed by both the developer and the municipality certifying that the qualified project is 50% complete, and requesting 50% of the amount awarded.

The letter shall include:

1. A statement that the municipal project has begun construction.
2. A summary of the qualified project costs to date.

The final 50% payment shall be made when both the qualified and municipal projects have been completed and a final report submitted to the and accepted by the Department of Housing and Community Development.

The final report should be submitted electronically and shall include:

1. Labeled photographs of both the completed qualified project and the completed municipal project.
2. A description of the municipal project as completed.
3. A summary of the expenses of the municipal project.
4. A certification from the Owner of the qualified project indicating the total amount of Sales Tax paid on construction materials for the project.

Both the progress 50% payment request and the final reimbursement request should be emailed to [caitlin.corkins@vermont.gov](mailto:caitlin.corkins@vermont.gov).

## APPENDIX A: PROGRAM SCORING CRITERIA

All applications are scored based on three scoring criteria that correspond to sections of the program application. Applicants with projects located within [Designated Downtowns](#) are encouraged to consult with their Downtown organizations. [Regional Planning Commission](#) staff may also be available to support applicants with projects in [Designated Village Centers](#).

### 1. Project Scope and Timeline: 0-7 points

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

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

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

0-1 points	Poor: incomplete information, scope of project is not clear, permits are not identified
2-3 points	Fair: complete information, but scope of project is not well defined, or permits/approvals needed are not identified
4-6 points	Good: information is complete, project scope is clear, and all permits/approvals are in process
7 points	Excellent: 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 6 of the application and consider the following questions.

- a. Is the proposed budget logical and well-conceived?
- b. Does the budget match the scope of the project?
- c. Is the project based on credible construction costs?
- d. Will a state tax credit award leverage other private/public funding?
- e. Is there a financial gap and if so, will the credit allow the project to proceed?

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

0-2 points	Poor: incomplete information, budget does not match scope of work
3-6 points	Fair: information is complete but shows discrepancies or a financial gap larger than credit request, with no additional funding sources
7-10 points	Good: information is complete, and budget is clear with additional funding sources defined
11-12 points	Excellent: budget is clear, project funding, aside from requested tax credits are in hand and additional funding sources will allow project to effectively leverage a tax credit award

### 3. Public Benefit: 0-17 points

Board members will refer to Section 7 of the application consider the following questions.

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

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

0-4 points	Poor: applicant does not identify needs the project will address and/or the impacts of the project
5-9 points	Fair: applicant identifies a need met by the project (a-c) but not impacts (d-f) or vice versa
10-14 points	Good: 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
15-17 points	Excellent: 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

2022 Sales Tax Reallocation  
*Application*

# 2022 Sales Tax Reallocation Program Application

Please complete all sections of this application. See Section 8 on pages 4-5 for a list of required attachments. Incomplete applications will not be considered for funding. Copies of funded applications may be shared with the Vermont Department of Taxes. All applications are due on **Friday, July 1, 2022**, by COB. Submit applications by email to [caitlin.corkins@vermont.gov](mailto:caitlin.corkins@vermont.gov).

## SECTION 1: Municipal Contact Information

NAME OF MUNICIPALITY
MUNICIPAL CONTACT NAME
MAILING ADDRESS
DAYTIME PHONE & E-MAIL

## SECTION 2: Developer Contact Information

NAME OF DEVELOPER
DEVELOPER CONTACT NAME
MAILING ADDRESS
DAYTIME PHONE & E-MAIL

## SECTION 3: Project Location

ADDRESS OF DEVELOPMENT PROJECT
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Please attach a map showing the location of the qualified development project. See Section 8, *Required Attachments* on pages 4-5 for more details.

## SECTION 4: Sales Tax Reallocation Calculation

TOTAL PROJECT DEVELOPMENT COSTS			
MATERIALS COSTS			
POPULATION OF MUNICIPALITY	Less than \$7,500	7,500 – 30,000	Greater than 30,000
SALES TAX REALLOCATION REQUEST			

## SECTION 5: PROJECT SCOPE/TIMELINE

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

Briefly 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 7: 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 a new business, create jobs, or fill a need for housing? Will it have wider economic impact? Please reference applicable data and/or planning documents such as municipal or regional plans to demonstrate needs and impacts.

## Section 8: Required Attachments

### **Applications must include all the following attachments:**

A signed letter of intent to apply for the sales tax reallocation from the owner of the development project.

A copy of a municipal resolution, meeting minutes, or other evidence of the local legislative body's decision to apply.

Documented site control of the entire parcel/parcels involved in both the private development and municipal project.

A map showing the location of the project marked on a map of the Designated Downtown District.

### **Development Project Attachments:**

Design elevations and renderings of the qualified development project,

If the qualified development project involves new construction, evidence of the municipal determination of compatibility with the charter of the downtown district.

A budget (excel spread sheet preferred) showing major categories of expenditures for the qualified development project. The budget must break out and summarize the taxable cost of construction materials used in the qualified project and 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: You do not need to include bid documents with the application, but they must be made available to the Downtown Board upon request.*

A project schedule demonstrating that the qualified project will be under construction within 12 months of award and that the qualified project and municipal project will be completed within 36 months of the Downtown Board's approval.

**Municipal Project Attachments:**

Design drawings of the municipal project.

A budget for the municipal project, including the project cost, all necessary funding sources, and the status of each funding source.

A project schedule demonstrating that the qualified project will be under construction within 12 months of award and that the qualified project and municipal project will be completed within 36 months of the Downtown Board's approval.

**Please submit completed Applications and ALL required attachments by email to Caitlin Corkins at [caitlin.corkins@vermont.gov](mailto:caitlin.corkins@vermont.gov) by 4:30 pm on Friday, July 1, 2022.**