

Application Guidelines

for

Reallocation of Sales Tax Receipts for Building Materials Used in a Qualified Downtown Project

Qualified projects located within a downtown development district designated in accordance with the Downtown Development Act (24 VSA Chapter 76A) may be eligible for a reallocation of receipts related to the tax imposed on sales of construction materials. Pursuant to 32 VSA §9819, municipalities and the developer of the qualified project may jointly apply to the Downtown Board for approval to reallocate sales taxes generated by the qualified project to the municipality. Reallocated taxes must be used by the municipality to support the qualified project.

To qualify for the reallocation of sales taxes:

- Applications must be for qualified projects within a downtown designated under 24 VSA Chapter 76A. The Board will not consider projects that are substantially completed before designation is granted to the municipality.
- Applications may be submitted either just prior to the start of construction or during construction of the qualifying project, but not after construction has been substantially completed.
- Applications will not be considered at the same Board meeting as a request for downtown designation.
- The application must demonstrate that the qualified project, as defined below, will be under construction within 12 months of the award date, and that the municipal project must be completed within 30 months of the award date
- Applications and projects must be consistent with the following definitions:

(1) "Construction materials" means all construction 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; sand, gravel, etc incorporated into the site; 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.

(2) "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 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 either the historic or older building tax credits authorized under subchapter 11F or subchapter 11G 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 designated 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.

(3) "Municipal project" means a project undertaken by the municipality in support of a qualified project and which uses the reallocated sales tax revenues in support of that qualified project.

The amounts available for reallocation are as follows:

- (1) in a municipality with a population of 7,500 or less, all taxes paid on sales of construction materials in excess of \$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 in excess of \$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 sales of construction materials in excess of \$1,000,000 for each separate qualified project may be reallocated to the municipality.

The benefits of this program, combined with the several downtown and village center tax credits, are capped at \$1,000,000 annually. Funding for the combined projects in any given municipality may not exceed 40% of this total cap in one year.

Application procedure:

Applications must be submitted jointly by the municipality and the owner of the qualified project, either prior to construction of the qualified project or at any time up to the substantial completion of the project. While there are no forms, an application must include the following information:

1. A cover page, including the primary contact person for the application, and their address and phone number.

2. A copy of a municipal resolution, meeting minutes, or other evidence of the local legislative body's decision to apply.
3. A signed letter of intent to apply for the sales tax reallocation from the owner of the project.
4. A description of the qualified project including:
 - Project location marked on a map of the Designated Downtown District;
 - A detailed written description of the scope of work;
 - Design drawings of the project;
 - A budget showing major categories of expenditures for the qualified project. **This budget must break out and summarize the taxable cost of construction materials (as defined above) to be 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
 - That subcontractor's total bid price; and
 - The taxable cost of materials

The actual bid documents do not need to accompany the application, but should be referenced, and must be made available to the Board on request.

 - An explanation of how the this project meets the definition of a "qualified project" above; and
 - A project schedule demonstrating that the qualified project will be under construction within 12 months of award, and that the municipal project will be completed within 30 months of the Downtown Board's approval.

If the "qualified project" involves new construction, the application must also demonstrate, through a **written municipal analysis**, that the design of the qualifying project is compatible with the existing nearby buildings that contribute to the integrity of the district in which it is located. The analysis must address each of the items in Appendix A – "Design Criteria for New Construction Projects". The application must also include project design drawings and streetscape pictures, pictures and information regarding the integrity of the district, and any other information demonstrating compatibility. The Downtown Board will use the same design criteria provided in these Guidelines, and will accept the municipal determination of compatibility unless there are strong indications to the contrary.

5. A description of the municipal project that will be financed with the reallocated sales taxes, including:
 - An explanation of how it will support the qualified project;
 - Design drawings and written scope of work;

- A budget (please be sure to include project cost, all necessary funding sources, and the status of each funding source); and
- A schedule for completion. The municipal project must be completed within 30 months of the Board’s approval of the application.

The reallocated funds may only be used by the municipality for expenditures on this municipal project, as approved by the Downtown Development Board.

Requests for funds and closeout:

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 a statement that the municipal project has begun construction, and a summary of the costs to date, and shall be sent to the Vermont Downtown Program at the address below.

The final 50% payment shall be made when both the qualified and municipal projects have been completed and a final report submitted to and accepted by the Agency. The final report shall include photos of both the completed qualified project and the completed municipal project, a description of the municipal project as completed, and a summary of the expenses of the municipal project. The Final Report shall be sent to the Vermont Downtown Program at the address below

Application Submission:

Sixteen (16) copies of the application must be received no later than 4:30 p.m. on the first Monday of any month in order to be considered at that month’s meeting.

Applications shall be submitted to:

Vermont Downtown Program
Department of Housing and Community Affairs
National Life Office Building, Drawer 20
Montpelier, VT 05620-0501
Phone: 800-622-4553 or 802-828-3211

Vermont Downtown Program Coordinators

Joss Besse

Phone: 802-828-5212

email: joss.besse@state.vt.us

APPENDIX A

Design Criteria for New Construction Projects Applying for Sales Tax Reallocation

If the reallocation request is in support of a new construction project, the application must demonstrate 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.

New design should respect the traditions of earlier buildings - but should also be able to make their own contributions to the downtown and not merely copy these buildings. It is important to identify those design themes that recur in the district, and designing new structures that are consistent with these themes.

An application based on new construction must include an analysis and municipal determination of compatibility, meeting each of the criteria below:

Massing - New construction should be designed to be compatible with existing buildings with particular attention given to height, bulk, shape, orientation and roof angle.

Size, Scale, and Proportion - under these criteria, review includes the extent that a building and its components are compatible with existing buildings that contribute to the integrity of the district, as they relate to existing heights, widths, setbacks, and spacing.

Features - Features include windows, entryways, cornices and other major architectural elements, as well as the rhythm of openings created by the placement of windows and doors on buildings, and the rhythm of building masses to spaces between them. A new building should use these elements in a way that respects the established themes within the district.

Materials - The use of similar materials is a defining characteristic in most downtowns. Where this is the case, new construction should maintain existing traditions or be compatible with them.