

## I. OVERVIEW

Annually, \$1.7 million in state income tax credits are allocated to projects that enhance the historic character and improve building safety of older and historic commercial buildings located in [Designated Downtown](#) or [Village Center](#) districts. The credits support general rehabilitation work, code compliance work, and exterior improvements and may be combined with the federal tax credit program. Past projects range from small retail, office, and rental apartment rehabilitations to multi-million dollar redevelopments.

## II. DESCRIPTION OF THE CREDITS

- **10% Historic Tax Credit** is only available to approved Federal Rehabilitation Tax Credit projects. This credit is not capped like the others; however, the first \$500,000 and half the costs exceeding \$500,000 are eligible for the credit. Design standards apply; refer to section VI for details.
- **25% Façade Improvement Tax Credit** for up to \$100,000 in eligible costs for a maximum of \$25,000 in credits. Projects eligible for the 10% Historic Credit above are ineligible for façade credits. Design standards apply; refer to section VI for details.
- **50% Code Improvement Tax Credit** for **elevators, platform lifts, and sprinklers**. The credit allocations are up to \$50,000 for elevators and up to \$50,000 for sprinkler systems and up to \$12,000 for lifts. **Other code work** to meet ADA requirements, electrical or plumbing codes, and the abatement of hazardous substances like lead paint and asbestos is eligible for a credit allocation of up to \$25,000 for the combined costs of these improvements. Code credit projects must be inspected by code officials; refer to section V for details.

## III. STANDARD PROVISIONS

- **Eligible Building:** Tax credits are available to owners or lessees of a building built prior to 1983, located within a Designated Downtown or Village Center, and not used solely as a single-family residence. Federal, state, and local governments and religious entities operating with a primarily religious purpose are not eligible for tax credits.
- **Minimum Expenditure:** Total project costs must exceed \$5,000 for any of the three credits.
- **Application Time Frames:** Applicants are encouraged to apply before work begins; however, applicants may apply for credits within one year of project completion. Please note that completed projects found to harm or detract from the historic features of the building are ineligible (see Section VI for guidance in planning a project that meets the design standards).
- **Combining Credits:** The 10% rehabilitation and 25% façade improvement credits may not be used on the same project. The 50% code improvement credit may be used with either the 10% rehabilitation or 25% façade improvement credit on the same project as long as the applicant does not claim credits more than once on any eligible expenditure (no double dipping). Applicants intending to use more than one category of credits must do so on a single application.
- **Amount of State Credits Available:** The Downtown Board allocates \$1.7M per state fiscal year to the three tax credits for Designated Downtowns and Village Centers and the sales tax reallocation program for building materials in Designated Downtowns only. Requests for credits are allocated on a first-come, first-served basis except when demand exceeds availability (which is typically the case). When this occurs, the credits are competitively allocated every July.
- **Maximum Amount:** No municipality may receive more than \$510,000 in tax credits per fiscal year.

- **Limitations:** Buildings receiving tax credits are ineligible for additional tax credits for two years from the date of the initial allocation. The sales tax reallocation program for Designated Downtowns may not be used with any of the tax credits on the same project.
- **Design Standards:** Projects must meet the design standards in Section VI. Applicants will be notified if their project does not meet minimum design standards and may choose to modify their project to meet them and re-apply at another time.

#### IV. USING THE CREDITS

- **Bank or Insurance Credit Certificate:** Applicants may request the credit allocation in the form of a bank or insurance credit certificate. Banks may accept the certificate in return for cash, or for adjustments to the rate or term of the applicant's mortgage or loan related to an ownership or leasehold interest in the qualified building. Insurance companies may purchase the credits for cash only. Tax credit allocations may be converted into credit certificate at anytime; however, the request must be in writing, show proof of project completion, and indicate the unused credit balance. The dollar amount of the converted tax credit is subject to the Tax Department's review and certification.
- **Claiming the credits:** Tax credits may be used in the first tax year in which the project is complete. A copy of an approved application is submitted with the first tax return and subsequent returns until the credits are exhausted. Unused credits may be carried forward nine years.
- **Expiration of the Credits:** Applicants forfeit their credits if they do not complete the project and claim the tax credit within 5 years from the date of the allocation.
- **Recapture:** A recapture penalty may be assessed within a five-year period after completion of construction for inappropriate work or fraud, or if in the case of the 10% historic credit, the property loses its federal "certified rehabilitation" status. The applicant remains responsible for this penalty even if the credit is sold to a bank or insurance company or if the property is sold. If the property is sold, applicants should ensure that subsequent owners understand this provision and may want to seek legal advice. In the event of recapture, the total amount of the allocated tax credit shall be recaptured or disallowed.

#### V. APPLICATION INFORMATION

- **Deadlines:** Since 2006, the demand for credits typically exceeds their availability. Consequently credits that were once allocated monthly on a first-come, first-served are now allocated in July on a competitive basis. Applications are due by the first Monday of July and the Vermont Downtown Board generally meets the on 4th Monday to make the tax credit allocations.
- **Selection Criteria:** When there is competition for tax credit allocations, the Board will rank projects using the Competitive Criteria. In competitive rounds, the applicant must include a written response to the criteria and photos of the building with their application.
- **Attachments for the 50% Code Credits:** Applicants must provide evidence that they have met on site with a building inspector from the [Division of Fire Safety at the Department of Public Safety](#) or, where authorized, a municipal fire marshal or building inspector to discuss the specific code requirements of the project. Typically the state or municipal code official documents site visits in a letter that identifies the work required to bring the building into compliance. This letter is required with the application as it assures a final code inspection and code compliance.

- **Attachments Required for 25% Façade Credits:** Projects must meet the design standards described in section VI. Applicants must include good, clear photographs that show all elevations of the building and its setting on the street **before** construction. Photographs should be labeled with the property address and the view (e.g., 122 Main, SW). Digital photographs may be e-mailed to [Chris Cochran](#) with the property address and view as the name of the file, (e.g., 122 Main Street, SW.jpg). Applicants must also include plans sufficiently detailed to show existing wall configurations and anticipated changes, e.g., elevations or floor plans.
- **Post-Construction Applications:** The tax credits are intended to enhance the historic character of Designated Downtowns and Village Centers and therefore all projects must meet the design standards to be eligible for the credits. Projects that use inappropriate man-made materials, that make incompatible window replacements, or that damage, destroy or obscure historic features are ineligible for tax credits. See Design Standards (Section IV) for additional information.
- **Mail applications to:**

**Downtown Development Board, Chris Cochran  
Department of Economic, Housing and Community Development  
One National Life Drive, 6th Floor  
Montpelier, VT 05620.**

Faxed applications are not accepted; however, applications may be e-mailed to [Chris Cochran](#) so long as an original signature page is submitted by the deadline.

The Board will not consider incomplete applications, e.g., any missing required attachments or projects that do not meet the design standards.

## VI. DESIGN STANDARDS AND APPLICANT ASSISTANCE

**Changes to Historic Buildings:** The Downtown Board assumes that some alteration of older or historic buildings will occur to provide for an efficient contemporary use. However, the project must not damage, destroy, or cover materials or features that help define the building's historic character. **Changes found to harm or detract from the historic character of the district or building may disqualify the entire project;** therefore applicants are encouraged to contact the Downtown Program staff so the plans may be discussed or reviewed prior to construction.

The Secretary of the Interior's Standards for Rehabilitation and special considerations for the 25% Façade Credit (pages 4-5) not only provides guidance to applicants, but also serves as the tool to evaluate applications for overall design compatibility for the building and its surroundings. The underlying concern expressed in the Standards is the preservation of historic materials and features of the building during the rehabilitation. The Standards apply with equal force to both interior and exterior work, and the staff review the entire rehabilitation not just the tax credit eligible portion of work.

**Getting Help:** The guidance found in the Standards is general in nature because no one building or rehabilitation is alike. For specific advice on proposed changes, staff from the Downtown Program is available to meet on site and discuss how the Standards apply to individual projects. To schedule a meeting, email [Chris Cochran](#) or call 802-828-3047.

In most instances, code work can be done without removing or damaging historic interior or exterior features or materials. Depending on your community, the Department of Public Safety, local Fire Marshal and/or Building Inspector, and the Downtown Program staff can assist owners with appropriate solutions to common life safety and accessibility issues in historic buildings. Scheduling a joint meeting with state or local code officials and Downtown Program staff is the best way for applicants to identify appropriate design options that protect both life and safety and a building's historic features.

### **SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION**

The Standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility. The 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.

Click [here](#) for more details on applying the Standards:

**SPECIAL CONSIDERATIONS FOR 25% FAÇADE CREDIT**

**Storefront Alterations:** Historic storefronts should be repaired when possible. Where historic storefronts were prior altered beyond recognition or missing entirely, new storefronts should be contemporary, but compatible. Justify changes to storefronts and provide photographs of the areas to be altered. Information should be provided on when the existing storefront was constructed; on what the existing physical conditions are, and if a historical treatment is planned, on what evidence the proposed new storefront designs are based. Storefront changes on the ground floor that alter the character of the structure and its relationship with the street or that destroys historic materials may result in a project ineligible for tax credits.

**New Windows:** When historic windows exist, they should be repaired when possible. When they are too deteriorated to repair, the replacement windows must match the design, visual qualities, and materials of the historic window. The quality of the match on street-facing sides of the building is more important than the match on an obscured rear or side elevation. The installation of vinyl or replacement or inappropriate windows disqualifies applicants from tax credits.

**Interior Partitions and Finishes:** When storefront alterations affect interior partitions, indicate existing condition of the interior area to be affected and document with photographs. Show which walls are to be removed or altered and note whether trim elements will be affected. Projects should not change floor plans unnecessarily or expose masonry or structural members unless this condition is supported by historical evidence.

**Exterior Masonry Cleaning:** Masonry should only be cleaned to halt deterioration or to remove graffiti and stains. If cleaning is necessary, it must be done using the gentlest means possible without damaging the surface of the masonry and in accordance with the guidance found in [Preservation Brief 1, The Cleaning and Waterproof Coating of Masonry Buildings](#). Specifications and test cleaning samples should be reviewed before proceeding with this work.

**Exterior Masonry Repair:** Owners are encouraged to repoint only those portions of the masonry that require repair. If determined necessary, indicate deteriorated areas that require repair and provide evidence that repointing mortar will match the original in composition (i.e., ratio of lime, cement, sand and any additives, color, texture, and tooling. Mortars with high percentage of Portland cement are not acceptable as they are too hard for many old bricks and cause the bricks to crumble or spall). Specifications and repointing samples should be reviewed and approved by before proceeding with this work.

**New Additions and New Construction:** New exterior additions may alter the appearance and form of historic buildings and may make projects ineligible. Similarly, new construction, including site work, may affect the relationship of a building to its site or otherwise damage the historic character of the property. Applicants should consult with Downtown Program staff before undertaking projects involving new construction.

## VII. OTHER HELPFUL PROGRAMS

**Federal Rehabilitation Tax Credits:** In addition to the state tax credits, there is an unlimited 20% federal tax credit that can be combined with the state credit to maximize the return on the investment. In the past ten years, over 200 Vermont projects qualified for over \$30 million in federal tax credits.

To qualify for the federal credit, the building must be income producing (not a private residence), must be historic (listed or eligible for listing in the National Register of Historic Places), and the new investment must exceed the building's adjusted basis. In addition, changes must comply with the Secretary of the Interior's Standards as determined by the National Park Service. For additional information about this program and to learn if your project qualifies, email [Chris Cochran](#) or call 802-828-3047.

**Federal Incentives for Improving Accessibility:** There are two tax incentives available to businesses to help cover the cost of making access improvements. The first is a tax credit that may be used for building adaptations, equipment acquisitions, and services such as sign language interpreters. The second is a tax deduction that can be used for building or transportation adaptations.

### **Fee Rebate from Department of Public Safety**

Designated Downtown applicants awarded sprinkler credits are eligible for a rebate of up to \$2,000 on construction permit fees. The fees for the entire construction project are eligible. To qualify for the rebate: The sprinkler system must be a complete automatic fire sprinkler system installed according to Department of Public Safety rules; the system must receive [Department of Public Safety](#) final acceptance testing and approval; The system must be installed in a building located within a designated downtown district (Village Centers are ineligible); and the applicant must provide a letter to the Department of Public Safety stating that the building is located within a designated downtown.

If in any year, applications exceed \$40,000, the Department of Public Safety shall grant rebates according to the date the building was awarded a downtown tax credit, with the earlier date receiving priority. To apply for a rebate, or for more information, contact either the manager of your regional Department of Public Safety, Fire Safety Division office or the Chief Fire Prevention Officer in Montpelier.

## APPLICATION FOR DOWNTOWN AND VILLAGE CENTER TAX CREDITS

**Summary Sheet:** Complete the boxes below and transfer totals from the budget worksheet on the following page. If approved, a copy of the application is attached to a tax return in order to claim the credits. Copies of approved applications are shared with the Vermont Tax Department.

NAME OF OWNER/LESSOR		LAST 4 DIGITS OF TAXPAYER ID
ADDRESS OF OWNER /LESSOR		
BUILDING ADDRESS		
DAYTIME PHONE & E-MAIL		
CONTACT NAME & PHONE & E-MAIL IF DIFFERENT FROM ABOVE		
ORIGINAL DATE OF BUILDING CONSTRUCTION (MUST BE BUILT PRE-1983 TO BE ELIGIBLE)		
CONSTRUCTION START DATE	COMPLETION DATE	
TOTAL PROJECT COST		
AMOUNT OF 10% HISTORIC CREDIT REQUESTED (FROM WORKSHEET)	AMOUNT OF 25% FACADE CREDIT REQUESTED (FROM WORKSHEET)	
AMOUNT OF 50% CODE CREDIT REQUESTED (FROM WORKSHEET)	GRAND TOTAL CREDIT REQUESTED (FROM WORKSHEET)	

**BANK OR INSURANCE CREDIT CERTIFICATE INFORMATION:** The state tax credits may be assigned (sold) to a bank or insurance company. If you know you would like the credits issued as a Credit Certificate, please complete the section below. This may be completed at a later time as well.

BANK NAME OR INSURANCE COMPANY NAME
ADDRESS
CONTACT NAME
CONTACT PHONE & E-MAIL

### ATTACHMENT CHECK LIST:

- Code Credits Only** – Letter from Code Official (see section V for details)
- Façade Credits Only** – Photos and Plans (see section V for details)

**APPLICATION FOR DOWNTOWN AND VILLAGE CENTER TAX CREDITS**

**Budget Worksheet:** Complete the following worksheet based on estimated or actual costs. The 10% and 50% programs and the 25% and 50% programs may be combined so long as there is no double dipping (see examples on the last page). The 10% and 25% credits may not be used together. **Note: each category of credit has caps -- "Max Credit."** Do not attach receipts or estimates; however, retain these records in the event of an audit by the Tax Department. Any budget misrepresentations may invalidate eligibility.

<h1 style="margin: 0;">10%</h1> <p style="margin: 0;">Historic Credit</p>	The first \$500,000 and half the costs exceeding \$500,000 are eligible for the credit	
	Estimated Costs Approved for Federal Credits	
	Approved Costs ≥ \$500,000 [	] x .1 =
	Approved Costs < \$500,000 [	] x .05 =
	<b>SUBTOTAL HISTORIC CREDITS</b>	

<h1 style="margin: 0;">25%</h1> <p style="margin: 0;">Facade Credit</p>	List Façade Work Items Below, Max Credit: \$25,000	Cost
		Total Façade Costs [
<b>SUBTOTAL FAÇADE CREDITS</b>		

<h1 style="margin: 0;">50%</h1> <p style="margin: 0;">Code Credit</p>	Max Credit: \$50,000 each for sprinklers & elevators, \$12,000 for lifts	
	Total Elevator Cost: [	] x .5 =
	Total Lift Cost: [	] x .5 =
	Total Sprinkler Cost: [	] x .5 =
	<b>SUBTOTAL ACCESS/SPRINKER CODE CREDITS</b>	
	Max Other Code Credit : \$25,000	
	Total ADA Costs: [	] x .5 =
	Total Fire Prevention Costs: [	] x .5 =
	Total Electrical Code Costs: [	] x .5 =
	Total Plumbing Code Costs: [	] x .5 =
	Total Hazard Abatement Costs: [	] x .5 =
	Total Brownfield Mitigation Costs* [	] x .5 =
	<b>TOTAL OTHER CODE CREDIT</b>	
	<b>SUBTOTAL CODE CREDITS</b>	
	<b>GRAND TOTAL CREDITS</b>	

*\*Must have approved plan from Agency of Natural Resources*

## APPLICATION FOR DOWNTOWN AND VILLAGE CENTER TAX CREDITS

**Signature Page:** Check the boxes indicating that you understand and will comply with the following provisions.

- Qualified Project:** I certify that I am a qualified applicant and that building was built prior to 1983, is located within a Designated Downtown or Village Center, and is not used solely as a single-family residence.
- Project Inspection and Recapture:** I understand that the Vermont Downtown Board reserves the right to make inspections at any time up to five years after the completion of the work and to recapture or disallow tax credits and or reclaim from the applicant the value of the credit certificate if it is determined that work was not undertaken as presented in the application and supporting documentation or if the applicant undertook further alterations inconsistent with the Secretary of the Interior's Standards for Rehabilitation or if the property loses its federal "certified rehabilitation" status. I understand that I am responsible for this penalty even if the credit is sold to via credit certificate or if the property is sold.
- Earning the credit:** I understand the tax credit allocation may be used in the first tax year in which the project is complete. I understand that if the actual qualified rehabilitation expenditures are less than that stated in application; the tax credit is accordingly adjusted to that lesser amount.
- Use of Application Materials:** I understand that all application materials, including photographs, become the property of the Downtown Program and may be used or reproduced without permission.
- Credit Expiration:** I understand that the credits shall be forfeited if the project is not complete and the credits have not been claimed within 5 years from the date of the allocation.
- Certification:** Under penalties of perjury, I declare that the information I have provided, to the best of my knowledge and belief, are true, correct, and complete and that I own or lease the property described in this application.

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Print Name

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Applicant Signature

Date

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### Downtown Program Use Only

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Downtown Board Authorized Signature

Award Date

10% Historic Allocation: \_\_\_\_\_

25% Façade Allocation: \_\_\_\_\_

50% Code Allocation: \_\_\_\_\_

**Total Credits Allocated:** \_\_\_\_\_

**Total Tax Credit Assigned:**

Tax Credit

Credit Certificate

## Downtown and Village Center Tax Credits Response to Competitive Criteria

The Vermont Downtown Development Board requires applicants to supply additional project information in competitive situations. The Board uses this information to score projects 0-5 in three categories: Cost Effectiveness, Community Need, and Community Impact. An additional bonus point is added to projects with Vermont taxpayer investment. The project scores are tallied, ranked high to low, and projects are funded until the credits are exhausted. Tie scores are broken with a Board vote.

**I. COST EFFECTIVENESS:** This following information assists in the comparison of projects and helps determine their relative cost effectiveness.

**Total Project Cost:** \_\_\_\_\_ **Total Credits Requested:** \_\_\_\_\_

**Existing Use (s) – for mixed uses check all that apply**

housing  retail  office  industrial  other \_\_\_\_\_

**Proposed New Use (s) – for mixed uses check all that apply**

housing  retail  office  industrial  other \_\_\_\_\_

**Total Housing Square Footage**      Before: \_\_\_\_\_ After: \_\_\_\_\_       N/A

**Number of Housing Units**      Before: \_\_\_\_\_ After: \_\_\_\_\_       N/A

**Total Commercial Square Footage**      Before: \_\_\_\_\_ After: \_\_\_\_\_       N/A

**Total Number of Commercial Units**      Before: \_\_\_\_\_ After: \_\_\_\_\_       N/A

**II. COMMUNITY NEED:** On a separate piece of paper and in a paragraph or two, please summarize your project and the community need it addresses. Clearly title your response with the headings “Project Description” and “Community Need.”

**III. COMMUNITY IMPACT:** In the space that remains, please describe the lasting benefit your project will have in the community. Title this response “Community Impact.” Limit your entire response to one page.

**IV. VERMONT TAX PAYERS:** Projects with investment from individual Vermont tax payers receive an additional point. If applicable, list the Vermont investors or members of the development partnership. Attach additional names if necessary.

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Name \_\_\_\_\_ City/Town \_\_\_\_\_

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Name \_\_\_\_\_ City/Town \_\_\_\_\_

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Name \_\_\_\_\_ City/Town \_\_\_\_\_

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**Examples:**

**A sample project combining the 50% Code Improvement and 10% Historic Rehabilitation Credits.**

The total qualified expenditures are \$500,000 including \$60,000 for the installation of a sprinkler system and \$120,000 for an elevator. Total project cost is \$510,000, but \$10,000 of these costs is for landscaping and parking lot improvements and is not eligible for state or federal benefits.

Of the \$180,000 invested in the sprinkler and elevator, only \$160,000 is qualified for the 50% Code Improvement Credit (50% of the 60,000 sprinkler system is \$30,000; 50% of the \$120,000 elevator is \$60,000, but the maximum credit is \$50,000).

The remaining \$340,000 in qualified expenditures is eligible for the 10% historic tax credit (\$500,000 minus \$160,000 for qualified sprinkler/elevator expenditures, for which the owner will use the 50% credit), a \$34,000 credit allocation.

The total net credit on \$500,000 qualified expenditures would be:

- \$100,000 federal RITC (20% of \$500,000 total qualified expenditures)
- \$30,000 state credit (50% up to \$50,000 max for a sprinkler system)
- \$50,000 state credit (50% up to 50,000 max for an elevator)
- \$34,000 state credit (10% of total project cost less qualified cost of sprinkler/elevator)

\$214,000 in combined state and federal total credits

**A sample project combining the 25% Façade Credit with a 50% Code Improvement Credit**

Total qualified expenditures are \$120,000 with a total project cost of \$150,000. \$30,000 in costs are ineligible for tax credits due to caps in total allocations and the fact that the state program provides incentives for certain types of rehabilitation work, unlike the federal program, which includes all rehabilitation costs—roofs, HVAC systems, foundations, etc.

\$20,000 is the estimated cost for the installation of a sprinkler system, \$60,000 for code improvements -- ADA bathrooms, asbestos abatement, and wiring upgrades, and \$55,000 for restoration of the storefront, 2<sup>nd</sup> and 3<sup>rd</sup> floor windows, and cornice. \$15,000 is budgeted for a new roof, but this is an ineligible cost as it is neither a code or façade improvement

- \$10,000 state tax credit (50% up to \$50,000 max for a sprinkler system)
- \$25,000 state tax credit (50% up to \$25,000 max for code improvements)
- \$25,000 state tax credit (25% up to \$25,000 max for facade improvements)

\$60,000 in combined state credits