

Downtown and Village Center Tax Credits

Guidelines and Application

VT Dep. of Housing and Community Development







2025

VERMONT
AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT
DEPT. OF HOUSING & COMMUNITY DEVELOPMENT

2025 Downtown and Village Center Tax Credit Program Application Guidelines

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Introduction

The Downtown and Village Center tax credit program helps to stimulate private investment and create jobs. It supports the creation and improvement of rental housing. Tax credits can restore buildings and jump start revitalization in Vermont communities. Successful projects range from modest renovations in small centers to multimillion-dollar downtown redevelopments. Projects must be within a Designated Downtown or Village Center. Credits support general rehabilitation and code compliance work. The program also funds flood mitigation upgrades and exterior façade improvements.

Applications are due Friday, August 1, 2025, by close of business (4:30 pm).

Program Contact Information

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

Program Eligibility and Standard Provisions

Eligible Applicant: Owners or lessees of a qualified building may apply for credits. This includes non-profit organizations. Federal, state, and local governments are not eligible.

Eligible Building: Buildings must be at least 30 years old at the time of application. They must be within a state-designated downtown or village center. Buildings used for a personal residence are not eligible.

Minimum Expenditure: Total project costs must exceed $5,000.

Application Time Frames: Applicants should apply to this program before construction begins. However, they may apply during ongoing construction. Projects completed before August 1, 2025, are not eligible.

Combining Credits: Applicants cannot combine the 10% historic and 25% façade improvement credits. They may combine 50% code improvement credits and 50% flood mitigation credits with either the 10% historic or 25% façade improvement credit. Applicants cannot claim multiple credits on any eligible expenditure. Applicants intending to use more than one category of credits must do so on a single application.

Maximum Award Amount: There is a cap of $1,000,000 in tax credits per fiscal year for a single municipality. This amounts to 30% of the total available cap.

Limitations: An applicant that receives a tax credit award is not eligible for more tax credits for the same building the following year. Applicants may not apply for a sales tax reallocation and tax credits for the same building.

Description of Credits Available through the Program

1. Flood Mitigation Tax Credit – 50%

Available for structural and non-structural upgrades to reduce or eliminate flood damage to the building or its contents. The maximum 50% credit in this category is $100,000. Eligible work includes relocation of HVAC, electrical, plumbing, and other building systems, and equipment above the established flood level; repairs or reinforcement of foundation walls, including flood gates; or elevation of an entire eligible building above the flood level. Projects must comply with their local municipality's flood hazard bylaws, if applicable.

2. Façade Improvement Tax Credit – 25%

Available for exterior repairs or improvements. Work must be on the public side(s) of a qualified building. The 25% credit covers 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. Projects must meet the Secretary of the Interior's *Standards for Rehabilitation* (see Appendix B on page 10).

3. Code Improvement Tax Credit – 50%

Available for investments made to bring buildings into compliance with current building codes. 50% credit maximums apply. These include up to $75,000 for elevators, up to $60,000 for limited use/limited application elevators (LULAs) and up to $12,000 for lifts. The maximum credit for sprinklers is $50,000 and other code work is also eligible for up to $100,000. Other code work can include electrical and plumbing upgrades or accessibility improvements. It can also include abatement of hazardous substances like lead paint and asbestos. State code officials must inspect code-related work. Where authorized, this may be a municipal fire marshal or building inspector.

4. Historic Tax Credit – 10%

Available only for approved Federal Rehabilitation Tax Credit (RITC) projects. This credit is not capped. The first $500,000, and half of the costs exceeding $500,000, are eligible for a 10% credit. Projects must meet the Secretary of the Interior's *Standards for Rehabilitation* (see Appendix B on page 10).

Preservation Standards and Design Considerations

Work on historic buildings must meet the Secretary of the Interior *Standards for Rehabilitation* (see Appendix B on page 10). Preservation standards allow for some alteration of historic buildings to allow for modern use. However, projects must not damage, destroy, or cover materials or features that help define a building's historic character. Projects that use inappropriate materials, or that damage, destroy, or obscure historic features, are not eligible for funding. Below is some general design guidance.

Storefront Alterations:
Always repair historic storefronts when possible. If storefront features are in poor condition, new material should match the original. If a storefront was previously altered or removed, new construction should be compatible. It is a good idea to justify any changes to materials or features and document the location of any changes. When planning new construction, supply design plans. Projects that demolish historic storefronts are not eligible for funding. Storefront

changes that alter the character of a historic building are also not eligible. Applicants should consult with Program staff in advance of altering a historic storefront.

Windows:
When historic windows exist, repair them when possible. Install storm windows to improve efficiency. If windows are beyond reasonable repair, replacement windows must be appropriate. They should match the design, visual qualities, and materials of the historic window. The match on the street-facing sides of the building is more important than on a side or the rear elevation. Installation of inappropriate replacement windows disqualifies an applicant from tax credits. Applicants should consult with Program staff to decide what is appropriate in advance.

Exterior Masonry Repair:
Repair and re-point masonry only where required. Provide information showing new bricks and mortar will match the originals in appearance. Mortar should also be the same composition (i.e., ratio of lime, cement, sand, and any additives.) Mortars with a high percentage of Portland cement may not be acceptable. They are often too hard and will cause the bricks to crumble or spall. Seek approval for this work in advance.

Exterior Masonry Cleaning:
Only clean historic masonry to stop deterioration or to remove graffiti and stains. If cleaning is necessary, use the gentlest means possible. Do not damage the surface by sandblasting masonry. Follow the guidance in Preservation Brief 1, The Cleaning and Waterproof Coating of Masonry Buildings. Seek approval for specifications and test cleaning samples in advance.

Interior Partitions and Finishes:
Projects should not change the floor plan of a building unless needed to accommodate a new use or to meet code requirements. It is preferable to make changes to secondary spaces. Do not remove historic finishes if possible. Do not expose masonry or structural members unless they were originally exposed. Avoid making exterior changes that will impact interior walls if possible. Supply plans to show any planned interior changes. Applicants should consult with Program staff to decide what is appropriate in advance.

New Additions and New Construction:
Exterior additions will change the appearance and form of historic buildings. Inappropriate additions may make projects ineligible for funding. New construction, including site work, may also affect the relationship of a building to its site. This can damage the historic character of the property. Applicants should consult with Program staff before undertaking projects involving additions.

Non-Historic Building Renovations:
Work on buildings that are not historic does not need to meet the preservation Standards. However, work should still be compatible with the surrounding district. Applicants should therefore consult with Downtown Program staff in advance.

Staff Support and Site Visits

Staff Support:
Design guidance is general in nature because every building is different. For specific advice, staff from the Downtown Program are available to meet in person. Staff help interpret the Secretary of the Interior's *Standards for Rehabilitation* and how they apply. For example,

projects can meet code requirements without removing or damaging historic features. Staff can assist owners with finding solutions to common life safety and accessibility issues.

Site Visits:
To schedule a site visit contact Caitlin Corkins. Email caitlin.corkins@vermont.gov or call 802-828-3047. Applicants should also work with the Department of Public Safety or a local Fire Marshal. This will ensure all projects meet state and local code requirements. Scheduling a joint meeting with code officials and Downtown Program staff is a good idea. These professionals will help applicants to identify appropriate design options that protect both life and safety and a building's historic character.

Application Submission Instructions

Applications are due August 1, 2025, by close of business (4:30 pm). Applications should be emailed to accd.downtownvillagecentertaxcreditprogram@vermont.gov. Applications may also be submitted in hard copy by US Mail. Contact the program staff for a physical mailing address. Faxed applications are not accepted.

Please note: The Downtown Board will not consider incomplete applications, handwritten applications, or applications with missing attachments.

Required Attachments

1. For 50% Flood Credits, provide a written scope of work for the project. The scope of work must be certified by a registered engineer, architect, qualified contractor, or qualified local official. Improvements to historic buildings must meet the Secretary of the Interior's *Standards for Rehabilitation* (see Appendix B on page 10).

2. For 25% Façade Credits, e-mail additional labeled photographs. These must clearly show all sides of the building before construction. Applicants should also include plans showing anticipated exterior changes. These may include elevations, floor plans, sketches, or annotated photographs.

3. For 50% Code Credits, provide an inspection report from the Division of Fire Safety (DFS). In some towns, where authorized, a municipal fire marshal or building inspector may provide this report. State or municipal code officials document site visits in a report. This identifies the work required to bring the building into compliance. This letter is a required attachment as it assures a final code inspection and code compliance.

Note: If the project involves Brownfield Mitigation, you must provide additional documentation. This includes enrollment in the BRELLA program and an approved Corrective Action Plan from the Agency of Natural Resources.

4. For 10% Historic Credits, submit a copy of the approved Part 2 RITC cover sheet signed by the National Park Service.

Scoring Process and Tiebreaker Policies

Applications are due August 1, 2025. The Downtown Development Board (Downtown Board) scores applications and makes award decisions. These will be announced within 3

months of the application deadline. Recipients have three years from the date of the award to complete projects and claim the tax credit.

Selection Criteria:
Tax credit awards are competitive. The Downtown Board scores projects using its Competitive Criteria (see Appendix A). Downtown Program staff review applications for eligibility and completeness. Staff compile Board scores in advance of the meeting 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 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 31, 2025, 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 for 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.

Using A Tax Credit Award

Tax credits are available to use in the first tax year when a project or an identifiable phase of the project is complete. For example, when a sprinkler system is installed, inspected and in service. To claim the credit, submit a copy of a signed tax credit certificate with a tax return. File for the credit on the first tax return following project completion to claim the credit. Users may carry unused credit forward on subsequent returns until the credits are exhausted for up to a maximum of nine years.

Bank or Insurance Credit Certificate:
Applicants may request a credit allocation in the form of a bank or insurance credit certificate. Banks or insurance companies may purchase the certificate. Banks may also offer

adjustments to the rate or term of the applicant's mortgage or loan. Insurance companies may reduce insurance premiums. A tax credit award may be converted into a credit certificate at any time following completion of the project. Program staff will issue a tax credit certificate following proof of project completion. The dollar amount of the converted certificate is subject to the Tax Department's review and certification. To determine specific tax implications for the sale of tax credits, consult an accountant or tax attorney.

Recapture Policies

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

Expiration of the Credits:
Applicants forfeit their tax credits if they do not complete a project and claim the credit within three years from the award date. State statute mandates this deadline. Thus, no extensions are available under any circumstances.

Sale of Property:
If a property is sold before completion of a project awarded tax credits, the award is recaptured. Once a project is complete, there is no penalty for the sale or transfer of a property.

Good Standing:
If, after an award, an applicant is found to be ineligible, the tax credit may be forfeited. This also applies if an applicant supplies inaccurate information in their application, or if it is determined the information provided was fraudulent.

Project Inspection and Recapture Period:
There is a five-year compliance period for funded projects. The State of Vermont reserves the right to make inspections during this period. The State may recapture tax credits during the compliance period for any of the following reasons. 1. Work undertaken does not match the project as described in the application. 2. Further alterations within a five-year period do not meet the Secretary of the Interior's Standards for Rehabilitation, 3. The property loses its federal "certified rehabilitation" status.

Liability for Recapture:
The applicant is responsible for any recapture penalty. This applies even if the applicant sells a tax credit to a bank or insurance company. This is also true following the sale of property within the five-year compliance period. When a property sells, applicants should ensure that the new owners understand this provision and may want to seek legal advice.

Other Helpful Programs

Federal Rehabilitation Investment Tax Credit (RITC):
The National Park Service offers 20% federal tax credits for historic rehabilitation projects. To maximize return on investment, applicants can combine the federal and state program. In the past ten years, over 150 Vermont projects earned over $40 million in federal tax credits. To qualify for the federal credit, buildings must meet the following thresholds. 1. The building must be income-producing (not a private home). 2. It must be listed in the National Register of Historic Places. 3. The project investment must be substantial and exceed the building's adjusted basis. 4. All work must follow the Secretary of the Interior's Standards for Rehabilitation (see Appendix C). The National Park Service reviews and approves

applications. For more information email Caitlin Corkins at 802-989-2686 or caitlin.corkins@vermont.gov.

Federal Fire Sprinkler Incentive:
In 2017, important Fire Sprinkler Incentive legislation was enacted by the US Legislature. In 2020 it was renewed and expanded. This incentive allows owners of commercial and residential structures to write off the costs of a new sprinkler system. Enter this write-off under section 179 of the federal Tax Code.

Federal Accessibility Incentives:
There are two tax incentives available to help cover the cost of making accessibility improvements. The first is a tax credit for businesses. It covers building adaptations, equipment acquisitions, and services such as sign language interpreters. The second is a tax deduction for building or transportation adaptations. Work must meet the Americans with Disabilities Act (ADA) standards.

Efficiency Vermont Incentives and Business Support:
Efficiency Vermont is the statewide energy efficiency utility. They invest time, money, and resources to help all Vermonters save energy. Working with businesses of all sizes, they provide technical assistance and financial incentives. Call Efficiency Vermont's business customer service line at 855-317-2254 for more information.

Vermont Department of Public Safety Rebate:
Applicants in Designated Downtown may apply for a rebate of up to $2,000. This covers the cost of construction permit fees to install a sprinkler system. The fees for the entire construction project are eligible. To qualify, the system must be a completely automatic fire sprinkler system. It must also receive Department of Public Safety (DPS) final testing and approval. Applicants must provide a letter stating that the building is within a state-Designated Downtown to DPS. Properties within Designated Village Centers are not eligible. If application requests exceed $40,000, DPS will grant rebates to projects awarded a state tax credit. They will fund projects in order, with those with an earlier award date funded first. To apply contact the manager of your regional Division of Fire Safety. For more information contact Landon Wheeler at 802-885-8942 or landon.wheeler@vermont.gov.

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 the 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.