

## MEMORANDUM

---

TO: House Ways and Means Committee

FROM: Noelle MacKay, Commissioner Department of Housing and Community Development (828.5216; [noelle.mackay@state.vt.us](mailto:noelle.mackay@state.vt.us))

DATE: January 28, 2014

RE: Downtown and Village Center Tax Credit Testimony

---

Vermonters and visitors alike are drawn to our state's unique landscape of compact villages surrounded by working lands and realize that it is linked to our economy, our brand and our ability to connect with our neighbors to build a strong sense of community.

Enhancing this settlement pattern is one of Vermont's land use goals and to ensure that our historic centers remain central to this landscape, we have a suite of designation programs designed to provide incentives to areas targeting for compact, mixed use development. The Department of Housing and Community Development (DHCD) are the caretakers of these designation programs.

The first two designations were launched over 15 years ago – our Downtown and Village Center programs. Currently, we have 24 designated downtowns and 109 village centers [see map of designated areas]. One of the key incentives for these two programs are tax credits that support local revitalization efforts in our designated downtowns and villages.

The state tax credits are available to income producing properties and go to building and safety needs in these buildings such as façade improvements, upgrades for ADA accessibility (e.g. ramps, elevators, etc.) and sprinkler upgrades. Since 2002, the program has been oversubscribed by as much as 3 to 1.

And we have been tracking the benefits:

- In FY14, the program supported 31 projects in 20 different communities and leveraged nearly \$18 million work of construction activity [see summary of projects that received tax credits].
- Since 2007, the program has supported 150 projects and leveraged over \$180 million in outside investment. Thus, every dollar of tax credits awarded leverage \$15 in additional investment.

1/28/14

- Department of Taxes analysis of grant list values from the program's project portfolio shows significant gains in property values as a result of the program [see Hardwick case study].
- Rehabilitation of a single prominent building in many cases jump starts the revitalization of an entire area. And sometimes, a series of smaller rehabilitations results in the critical mass necessary to bring an area back to prosperity and economic vitality [refer to case study of Hardwick]
- The tax credits help spur job creation, both short and long-term (and studies have shown, pay their own way). A 2011 analysis of the program shows that building rehabilitation creates jobs and more of the construction budget goes to labor than materials than in a typical new construction. This helps keep more of the dollars in state and creates more household wealth for Vermonters (as local laborers and suppliers tend to get a larger share of the total expenditure in rehabilitation projects, the local benefits are magnified).
- From our 2011 survey, excluding elevator cars, 89% of materials were purchased locally. Given that tax credits are not paid out until the project is complete, the project starts to pay back the state's investment immediately with revenues generated from taxes on wages and the purchase of local materials.
- Rehabilitation of downtown buildings results in increased retail and business activity and provides much needed housing options. Our Downtown Program manager works with the 24 Downtown Managers to collect statistics on jobs created, net new businesses, etc. For example, Net gain in jobs was 265 in 2011 and 500 in 2012; net gain in new businesses was 94 in 2011 and 191 in 2012.
- These projects also make use of existing infrastructure, eliminating the need for taxpayer dollars to construct new sewer or water services.
- Dollars invested in the physical infrastructure of our downtown buildings stay in Vermont and continue to benefit the vibrancy and vitality of our commercial centers long after the investment is made. They cannot be exported, but stay with the building and community.

In addition to supporting the redevelopment of community centers and attracting new businesses and homes to settled areas, the program helps make our downtowns fire safe (the installation of sprinklers, elevators and other safety upgrades which in turn supports full occupancy and helps prevent the loss of life and property).

As we have seen in communities like Brattleboro, Randolph, Barre, Springfield Hardwick, and St. Johnsbury downtown fires are devastating to communities.

This is a key tool for revitalization and redevelopment in our downtowns and village centers. It meets several goals - land use, fire safety, higher and better use of historic buildings, providing space for new businesses and homes. It is targeted, provides a return on investment and as we have heard again and again from the project leads – made the difference in their decision to invest in a downtown or village center vs a green field in the countryside.