



Downtown and Village Center Tax Credits

Overview

Background

The tax credits are one of the primary benefits of Downtown and Village Center designation, and supports the revitalization seen in community centers across the state. The program is popular and to date there are 24 Designated Downtowns and 118 Village Centers. Annually, these designated areas submit over 30 rehabilitation and renovation projects requesting \$4.3 to 4.5 million in tax credits.

With support from the legislature, the program received a \$500,000 increase which allowed the Downtown Board to fund a record number of projects to spur building rehabilitation and economic development in 26 communities. In FY15, \$2.2 million in credits leveraged nearly \$18 million worth of construction activity. Another legislative change added new incentives to encourage technology-related infrastructure investments to help draw high-tech businesses and jobs to our downtowns. The provision was used by 8 projects that received \$139,600 in credits.

Since 2007, the program has supported 150 projects and leveraged over \$180 million in outside investment. On average, every \$1 of downtown credit leverages \$17 in outside investment. Most of the funding supports state-mandated code retrofits like elevators and sprinklers systems that are cost prohibitive to most building owners.

"I was able to grow my businesses from one to four ... [and] went from leasing a space with five employees, to owning a building and employing 26 Vermonters. Between payroll taxes and retail sales taxes, I have more than doubled the state's investment in my business."

Valerie Beaudet, Barre

Tax Credits Stimulate Private Investment

Every dollar of tax credits awarded leverages \$17 in additional investment. The Department of Taxes analysis of Grand List values from the program's project portfolio show significant gains in property values as a result of projects funded through the program. Across the state, rehabilitation of a single prominent building helps stimulate the revitalization of an entire area. In other cases, a series of smaller rehabilitations can ultimately result in a critical mass necessary to return a community center or neighborhood back to its prosperity, as is demonstrated in Hardwick, Barre and Wilmington.

Tax Credits Create More Jobs

In Vermont, every million dollars in tax credits resulted in 109 jobs. Excluding new elevator installations (cars are built out of state) – 60% of the total project costs was labor. This result is consistent with an economic impact study done for the State of Michigan (and many other states), that found rehabilitation projects devote 60-70% of total project cost to labor, compared to 50 percent in new construction. Our survey data also supports other state studies that found building rehabilitation creates more jobs than the construction of new buildings – not because rehabilitation is more expensive, but because it's more labor intensive.

Tax Credits Generate Tax Revenue

Again, 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. A Maryland study found that for every \$1 paid out by the State, \$0.34 was returned prior to any credit being paid out, \$1.02 was returned in the first year, and \$3.31 in the fifth year after the project's completion. This study showed that the balance of forgone revenue is returned within a year of project completion; thereafter, the increased property taxes become a revenue generator.



After a fire just before Christmas 2012, the Landry Block (1879) on Railroad Street in St. Johnsbury was saved and rehabilitated with the aid of tax credits in 2013. Not only was the historic character of the building preserved, code improvements mean the two commercial units and four apartments are now fully accessible.

Conclusion

Vermont's downtowns and village centers are an essential part of the State's brand. It's increasingly clear that to maintain Vermont's quality of life and economy we must make investments to make them strong and vital (and discourage consumptive development patterns increasingly seen across the state). Current development trends if left unchecked, not only threaten what we all cherish about Vermont, but also come with enormous social, environmental and economic costs – the burden of which has largely been hidden, ignored, or quietly borne by Vermonters. We ignore these costs at our peril. The state is at a unique and unprecedented point in its history with an opportunity to work collaboratively across state agencies and with our partners. Strategies and programs that invest in smart, sustainable growth today will pay dividends in the long-term fiscal, economic, and environmental viability of the state.

Overview

The damage in Wilmington resulting from 2011's Tropical Storm Irene was among the worst in the state with over 48 businesses flooded. Tucked in the mountains in southern Vermont, this classic skiing and recreation town is now a poster child for what can happen when people collaborate and unite around a shared goal to rebuild a devastated downtown economy. Thanks to the hard work of municipal leaders, local residents, a strong and dedicated group of second-homeowners, local foundations, businesses, private investors, and state policymakers, Wilmington's revival is now well on its way.

The Challenge

In 2011, the community was struggling economically with declining population and slowing tax revenue. Irene's flood destruction drove retail sales to new lows. Worse still, in the historic downtown, 80% of the buildings were damaged by flood waters, two were completely swept away by the raging waters, and every business was forced to close. Although some businesses began to re-open in the coming months, others closed for good. With so many vacant or severely damaged buildings the cost to rebuild was difficult to comprehend. In addition to structural problems and water damage, state building codes required owners to bring their historic buildings up to current codes. Even for building owners fortunate to have flood insurance, the cost of the flood repairs and code improvements often exceeded the value of the property.

The Solution

In response, an energetic organization, Wilmington Works was founded to champion and lead downtown's revival. Working alongside municipal staff, a major goal of the group was to foster economic development via a new partnership between the public and private sector. The Downtown and Village Center tax credit program, along with the special flood provisions enacted by the legislature, played a critical role bridging the financial gap and attracting investors needed to restore the downtown to its former glory.

The Result

Since Irene, ten projects in Wilmington have received state tax credits. The resulting reconstruction projects gave the community hope at a critical time and created the momentum needed to spark a larger revival. Today, iconic landmarks in Wilmington are back in business, including Dot's Restaurant and the Vermont House, and additional tax credit projects are in progress or nearing completion. Over \$550,000 in state tax credits is anticipated to leverage almost \$6 million in private investment. "Without this program, there are several projects in Wilmington that could not have happened or would have been a lot harder," says Adam Grinold, former Director of Wilmington Works. "We would still be looking at vacant storefronts instead of new businesses and ongoing construction." Now the local economy is on the upswing with receipts returning to their pre-Irene levels, jumping 22% between 2012 and 2013. "This community really came together after Irene," says Grinold "but without the help of the tax credits, we wouldn't have been able to come back this quickly or strongly."



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or visit: http://accd.vermont.gov/strong_communities/opportunities/revitalization/downtown_village_tax_credit

Overview

In Hardwick, seven buildings have been rehabilitated with the help of tax credit-financing and another five are in progress, or near completion. Approximately \$820,000 in state tax credits have leveraged over \$5 million in outside investments to date, jump-starting new businesses and creating jobs, developing quality housing, and bringing new vitality to the commercial district. An analysis of Hardwick's downtown property values (Grand List) is evidence that public investment to improve these buildings results in increased property tax revenue. By promoting reinvestment and encouraging projects that put dollars back into the local economy, tax credits are a critical factor in promoting economic vitality for communities that take advantage.

Bemis Block - 73 South Main Street



Grand List After
\$797,400

Grand List Before
\$257,800



Hill Block [1874] - 35 South Main Street



Grand List After
\$314,500

Grand List Before
\$55,400



Hardwick Inn - 1 North Main Street



Grand List After
\$583,300

Grand List Before
\$147,800



Marshall Block - 87 South Main Street



Grand List After
\$297,200

Grand List Before
\$145,500



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