

CITY OF MONTPELIER
TAX STABILIZATION POLICY
Adopted by City Council, July 8, 2020

Purpose: The City Council, as authorized by Title 24, Chapter 75 Section 2741 of the Vermont Statutes and by votes of the City in 1980 and 2001, may enter into a tax stabilization contract with the owner(s) of industrial, commercial or commercial housing properties in order to promote growth and development that advances the city's goals and priorities, which include creating good job opportunities, expanding the Montpelier Grand List, promoting housing, enhancing public safety and encouraging environmentally responsible development.

1. **Granting of Tax Stabilization:** The granting of tax stabilization is the sole discretion of the City Council. The City Council may enter into tax stabilization contracts with owners of industrial and commercial real property to discount the property's newly added value on the Montpelier Grand List by one-half (1/2) for new industrial, commercial housing and commercial real or business personal property or for additions and renovations to existing industrial, commercial housing or commercial real property.
2. **Conditions:** Tax stabilization contracts are available for industrial and commercial projects subject to the following conditions:
 - a. Tax stabilization contracts shall have a term of no more than ten (10) years, effective at the beginning of the city's fiscal year following the date of approval of the contract.
 - b. The discount on the property value shall be for one-half (50%) of the newly added value of a new construction project or an additions/renovations project (including related business personal property) that would otherwise take effect in the year the contract is approved.
 - c. A proposed tax stabilization contract shall be the subject of two public hearings before the City Council prior to a final vote on the contract's acceptability.
 - d. Any discounted property value established by a tax stabilization contract shall be recalculated at the contract ratio in the event of a general property reappraisal and the discounted value will continue until the term of the contract is completed.
 - e. In an application for tax stabilization, the property owner(s) bears the burden of demonstrating how the project will meet the qualifying

criteria of this policy. However, for projects that are desirable and are believed to meet the criteria for tax stabilization, the City Council may extend an invitation to the property owner(s) to enter into a tax stabilization contract.

f. Applications for tax stabilization should be made after approval of a zoning permit or other permits from the Development Review Board but prior to the issuance of a building permit. The property owner(s) is at risk of being refused tax stabilization, irrespective of the merits of the project, if the application for tax stabilization is filed after the building permit is requested.

g. Applications for tax stabilization for business personal property may only be made in conjunction with applications for real property. Any awards will be made for the entire application.

h. Properties within the Tax Increment Financing (TIF) District are not eligible for Tax Stabilization.

5. **Compliance:**

a. A tax stabilization contract shall include any and all terms necessary to assure the City of the benefits which are the basis of the decision to grant tax stabilization to the project. In the case of a failure to carry out the terms of the contract, the City may terminate the contract and/or recapture the taxes for periods during which there was a breach of the terms, seek specific performance, and impose any other remedies which may be available under the terms of the contract or by operation of law.

b. Property owners who enter into tax stabilization contracts shall provide annual compliance statements documenting that all provisions of their tax stabilization contract are being met. Such compliance statements will be due by the anniversary date of the contract and will be reviewed by the city to assure that all criteria are maintained throughout the duration of the contract. Failure of the property owner(s) to provide compliance statements may be grounds for the City Council to terminate the tax stabilization contract..

6. **Municipal Taxes Only:** Tax stabilization awards shall be made consistent with the provisions of 24 VSA Chapter 75 Section 2741 and shall be only for the municipal portion of property taxes. Applicants who seek tax stabilization for education property taxes must do so through the Vermont Economic Progress Council.

7. **Findings of Fact:** Before approving a tax stabilization contract, the City Council shall make specific findings of fact on which to base the general findings that the project meets each of the required eligibility criteria set forth in this policy.

8. **Benefit Levels:** Tax Stabilization awards may be awarded as follows:

Base Award – A reduction in property value of one-half (1/2) for up to five (5) years.

Additional Years - Up to five (5) additional years may be added based on criteria articulated in this policy..

7. **Criteria for Base Award:** To be considered for tax stabilization, the project must meet ALL of the following criteria:

a. At the beginning of the contract term the real property additions and/or renovations and/or business personal property will:

i) be assessed at a total of \$400,000 or more; or

ii) be assessed at a total of \$100,000 or more for businesses with 25 or fewer full-time employees or with \$2 million or less in annual gross sales or;

iii) for creation or renovation of 5 or more commercial residential units or:

iv) the project can demonstrate to the satisfaction of the City Council that the project will positively affect in a significant way the number of employment opportunities in Montpelier.

b. No part of the completed project, which shall include the entire value of the real property and any improvements thereon, will be exempt from City taxes during the term of the contract and thereafter for a period equal to the contract term, other than property value discount granted under the tax stabilization contract.

c. The real property additions and/or renovations to receive tax stabilization must include commercial and/or residential sprinklers approved (or properly waived through the municipal appeal process) by the Montpelier Fire Chief and the Vermont Department of Public Safety (if applicable).

d. The project can demonstrate to the satisfaction of the City Council that, net of tax stabilization and all foreseeable tax impacts, it will provide a positive property tax benefit to the City. This is defined to mean that

the project will not require new service expenses in excess of the new tax revenues.

8. **Criteria for Additional Years** - To be considered for any additional years:

One year may be awarded per item up to a total of five (5) years:

1.a) The property owner(s) will deed to the City certain rights in real property which could otherwise be acquired only by outright purchase or eminent domain to promote the achievement of a specific policy or objective set out in the City Plan, including easements for riverfront walkways and parks, pocket parks, recreations trails and conservation easements that protect or create the following: key natural features, open space, greenways, specimen trees, etc. This provision shall apply only to acquisitions for which there is no reasonable or practicable alternative or;

b) The project will meet certain exceptional, enhanced aesthetic standards not otherwise required by law or the City Master Plan, such as replacement of existing above-ground power lines, preservation or creation of public views and vistas, maintaining or enhancing the historic authenticity of an existing building or unusual landscaping effects, or:

c) The project will include a unique and significant public amenity specifically referenced in the Montpelier City Plan, Economic Development Strategic Plan, Capital District Master Plan or Montpelier Arts Master Plan which will relieve the City of a significant cost which it would otherwise incur.

2. The project will result in a net increase of 15 or more residential units within the city.

3. At the commencement of the contract term the real property additions and/or renovations will be assessed at \$600,000 or more.

4. Throughout the life of the tax stabilization contract, the project will result in a net increase of 20 full time equivalent jobs which pay at least an amount equal to the lowest full time Montpelier city employee pay rate as of January 1 of the calendar year in which the application is filed and adjusted accordingly throughout the life of the contract. This rate will match or exceed the city's lowest full time hourly rate if the employer provides benefits. If the jobs do not provide leave and health benefits equivalent to the Vermont Health Connect Silver plan, the rate will increase by 45%.

5. The energy efficiency of the new development meets the City's Net Zero standards.

6. The new development preserves architectural features of unique historical value as documented by listing on the National Register of Historic Places or the Vermont State Register of Historic Places.

7. The development will include environmental improvements (diversion of storm water, solar installation for hot water, space heating, or electricity generation, or other significant environmental benefits) not already required for construction

10. **Recapture:** Where a project is subject to the recapture of taxes not paid because of a tax stabilization contract, the amount due shall be the total amount of the tax which would have been due if no tax stabilization contract had been in force plus interest from the date at which the tax would have been due. The property shall be subject to a tax lien for all unpaid amounts due under this provision.

11. **Transfer:** The tax stabilization contract shall be transferred to the new owner of any property subject to such contract. Failure to transfer the contract shall be subject to recapture of the full tax amounts or discontinuation of the tax stabilization contract.

12. **Definitions:**

a. Industrial real property is broadly defined as property used for the manufacturing (production or processing) of goods and commodities.

b. Commercial real property is broadly defined as property used for buying, selling and/or exchange of goods and commodities or the provision of services or multi family housing. Examples of commercial uses include, but are not limited to retail stores, warehousing, wholesaling, restaurants, hotels, offices and commercial apartments

c. The value of real property additions and/or renovations shall be calculated by comparing the assessed value of the property after improvement with the assessed value immediately before the improvement or the assessed value at the time of purchase, whichever is the greater. The difference is the amount of the real property addition and/or renovation.

d. Business personal property is defined by Title 32 of the Vermont statutes.