

Town of Highgate
Tax Stabilization Policy

Purpose and Preamble:

The ultimate objectives of the Tax Stabilization Policy are to promote the economic vitality of the Town and reduce the tax burden on its citizenry. In order to accomplish these objectives, tax stabilization contracts provide short-term incentives to commercial or industrial businesses in order to obtain long-term investment and potential tax revenues.

As stabilization represents a community subsidy of an industry, and the intent of a subsidy is to encourage that which is a public benefit, it should be granted only after full consideration of its advantages and disadvantages.

Vermont law, 24 V.S.A. §2741, allows the Town, through its Selectboard to enter into contracts with owners, lessees, bailees or operators of agricultural*, forest land*, industrial or commercial real and personal property for the purpose of:

- 1) fixing and maintaining the valuation of such property in the grand list;
- 2) fixing and maintaining the rate or rates of tax applicable to such property;
- 3) fixing the amount in money which shall be paid as an annual tax upon such property;
- 4) fixing the tax applicable to such property at a percentage of the annual tax.

Note: This policy does not address agricultural or forest land since the State of Vermont current use program addresses tax relief for these entities.

By statute, contracts cannot be for a period in excess of 10 years, however, Highgate's tax stabilization contracts will not exceed five (5) years. It shall be town policy that tax stabilization is an economic development incentive administered with prudence but also with the flexibility necessary to achieve the joint development goals of the applicant and the Town. Tax stabilization agreements shall be negotiated on a case-by-case basis unconstrained by precedent. The Selectboard reserves the right to waive or modify these guidelines when they determine that the public interests and the purposes of this policy are best served.

Note: This policy allows the Town to make agreements to reduce only the municipal portion of the taxes. If the commercial/industrial entity wishes to have the state education tax stabilized it must apply for stabilization with the Vermont Economic Progress Council (VEPC).

In order to establish guidelines and criteria for both potential applicants and the Selectboard, this policy will set forth the following:

- 1) Public Interest Criteria
- 2) Parties eligible to apply
- 3) The application process
- 4) The decision-making process

This policy is intended to

- 1) give all parties guidance on the availability of tax stabilization and the requirements of applicants, and
- 2) create a process that allows all the information to be presented, evaluated, and decided in an orderly and fair fashion.

NOTHING IN THIS POLICY SHALL BE CONSTRUED TO CREATE A RIGHT TO TAX STABILIZATION. BY STATUTE, ALL TAX STABILIZATION DECISIONS ARE AT THE DISCRETION OF THE SELECTBOARD.

1. Public Interest Criteria.

As threshold requirements, applicants must meet the following criteria:

- a. promoting economic development
- b. enhancing the tax base
- c. creating new jobs
- d. create new commercial / industrial establishments or modify existing spaces
- e. improve aesthetics or eliminate blight on an existing structure
- f. does not have a negative impact on municipal, public safety or infrastructure
- g. meets all current local zoning by-laws, town plan and pertinent state regulations
- h. Applicant must be in good standing with the Town of Highgate, State of Vermont, and the internal revenue Service with respect to all taxes and not under indictment, incarceration or parole.

Five year tax stabilization agreement for new or existing projects based solely on the increase in assessed valuation due to the project.

- Year 1: Taxed at 10% of the current assessed value of the real property
- Year 2: Taxed at 20% of the current assessed value of the property
- Year 3: Taxed at 40% of the current assessed value of the property
- Year 4: Taxed at 60% of the current assessed value of the property
- Year 5: Taxed at 80% of the current assessed value of the property
- Year 6: Taxed at 100% of the current assessed value of the property

Applicants shall be ranked and given priority by the number of criteria they meet.

Note: As a guideline, the definition of "economic development" includes but it not limited to bringing new money into the local economy or providing a business or service which encourages or enhances further business development.

2. Parties eligible to apply

Stabilization shall be considered for those commercial or industrial buildings which are located in Highgate. Stabilization shall apply only to the value enhancement of the property and not the existing property value.

Stabilization is intended to encourage measurable benefit to the town's economy and tax base. Therefore, only projects which result either \$200,000.00 or more of increased property value or building improvements shall increase the assessed value by at least 35%.

Only those commercial and industrial buildings which substantially advance the purposes of this policy shall be awarded tax stabilization contracts.

3. Application process.

The application shall be in writing to the Town Administrator, and shall include:

- a. Project description
- b. List of land, buildings, equipment, etc. to be stabilized
- c. Date the property is expected to be occupied (if applicable)
- d. Reason the applicant believes the stabilization to be appropriate; specifically setting forth which public interest criteria the applicant claims to meet. (Applicants have the burden of proof that they have met one or more of the public interest criteria, described above. This requirement shall remain for the entire term of the stabilization contract, if it is awarded.)
- e. Financial information. (See paragraph 4a, below for confidentiality protection.) For new companies, provide a two year financial projection; for existing companies, provide a two year financial statement.
- f. Business Plan. (See paragraph 4a, below for confidentiality protection.) Provide a description of short and long term goals of the business. Include information that describes the business environment (e.g., size and character of the market, major competitors, major customers, and uniqueness of the product or service, special skill of applicant), general marketing and production plan, location of key personnel, and management plan.

The Selectboard may waive or amend one or more of the process requirements as appropriate for the circumstances of the application.

Applications must be submitted and reviewed prior to commencement of construction to be eligible.

4. Decision-making Process.

- a. The Selectboard shall place the application on its next agenda and shall invite or seek input from the Town Treasurer, Town Listers and Planning Commission. All discussion relating to the application shall be in open meeting, except the specific financial and business plan information described above which shall remain confidential, pursuant to 1 V.S.A. §§315 and 317. The applicant may waive the confidentiality requirements if he or she desires.
- b. If the Selectboard approves the application, a written Stabilization Agreement, a sample copy of which is attached hereto, shall be signed by the parties. The Agreement shall include provisions for payback or other penalties in favor of the Town should the applicant default on its commitment as presented to the Town and reflected in the Agreement. Eligibility and approval of the tax stabilization set forth herein shall be made by the Town Selectboard pursuant to the Tax Stabilization Policy adopted by the Town. The eligibility of Taxpayer must be established by Town's Finance Officer prior to April 1st of each year. The Taxpayer must be in good standing currently with their taxes with the Town. Taxpayer must provide the Town, on or before April 1st of each year, with a copy of any Warranty Deed, Lease and Memorandum of Lease affecting the commercial/industrial property. If prior to the end of the TERM of the stabilization agreement the property is used for other than commercial or industrial purposes or otherwise defaults on their commitment as presented in their application, the Town shall have the right to cancel the agreement. The Town may also terminate this Agreement if (a) the Taxpayer closes the business upon which the application is based or (b) if the Taxpayer or

the business files for bankruptcy or (c) if the Taxpayer fails to pay the Town of Highgate taxes in a timely manner or (d) if the Taxpayer fails to establish eligibility on before April 1st.

If the Town terminates this Agreement for any of the above reasons, then the Town shall also be entitled, upon demand, to a full repayment of the taxes that would have been due, plus an 8% penalty, plus interest at a rate of 12% per annum. Taxes shall be due and payable on the same dates and under the same conditions as property taxes in the Town of Highgate, generally.

c. The Selectboard will provide a written statement of its decision and the reasoning behind it.

5. Cancellation of the Agreement

If prior to the termination of the stabilization agreement the property is used for other than commercial or industrial purposes, the Town shall have the right to cancel the agreement.

If all or part of the real property is transferred to a new owner, and that owner uses the property for other than commercial /industrial uses or there is a loss of jobs, the Town shall have the right to cancel the agreement.

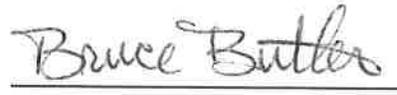
Such cancellations may result in the Town seeking repayment of the full taxes which would have been billed without stabilization, less the amount actually paid during the actual period of stabilization, or imposing other remedies as described under the terms of the contract or by operation of law.

Approved by Voters ~~3-4-20~~ 3/3/2020

Signed this 19 day of March by the Highgate Selectboard.



Sharon Bousquet



Bruce Butler

Randall Connelly



Kyle Lothian



Richard Flint

TAX STABILIZATION AGREEMENT

THIS AGREEMENT made as of this ____ day of _____, 20__ by and between the _____ (hereinafter referred to as _____) with its principal place of business at ____ in the Town of Enosburgh, in the County of Franklin, and State of Vermont, on the one hand, and the TOWN OF HIGHGATE (hereinafter referred to as "TOWN"), A Vermont Municipal Corporation.

WITNESSETH:

WHEREAS, _____ is a developer located at _____; and

WHEREAS, _____ is purchasing a certain parcel of real estate at _____; and

WHEREAS, the Selectboard is authorized to enter into contracts for the purpose of fixing and maintaining the valuation of both real and personal property in certain cases for a period not to exceed ten (10) years, under the authority of Title 24, Vermont Statutes Annotated, Section 2741 as amended; and

WHEREAS, TOWN has formulated a tax stabilization policy and adopted a set of procedures for the implementation of said policy; and

WHEREAS, application having been made by _____ to TOWN, all parties are agreeable that it is desirable and in the public interest to stabilize the valuation of the real estate located at _____, Highgate, Vermont for a period of not more than 5 (five) years; and

WHEREAS, it has been determined that _____ will be the owner of real estate located at Highgate, Vermont, within the meaning of the statute.

NOW, THEREFORE, pursuant to the statutory authority as aforesaid, and in consideration of the execution of these presents by the parties hereto, and of other good and valuable consideration, it is AGREED as follows:

1. VALUATION. The valuation of such real property shall be fixed and maintained for tax stabilization, for tax assessment and appraisal purposes as follows:

Year
20__

Current Municipal Property Value

2. OTHER PROPERTY. The stabilization shall not apply to any other or after acquired parcel of land or buildings erected thereon, or to additions to the building.

3. TERM. This Agreement shall become effective for the tax year beginning _____, and shall extend through the tax year beginning _____ and not thereafter.

4. REPEAL OF AUTHORITY. If, during the effective life of this Agreement, the authority of TOWN to enter into tax stabilization agreements is repealed or amended by the General assembly of the State of Vermont, without a savings clause for existing agreements so as to materially affect the tax dollar amounts paid by _____ and the right of the state to effect the repeal of this Agreement is upheld, or if this Agreement is held to be void as a matter of law by any Court or other judicial body of competent jurisdiction, then this Agreement shall be void as to all taxes subsequently assessed.

5. REAPPRAISAL. In the event of a complete reappraisal of all real property by the Board of Listers in the Town of Enosburgh or other duly constituted authority, the appropriate stabilization valuation provided above shall be applied to the estimated municipal property tax.

6. MATERIAL CHANGE. In the event that there is a material reduction or a material change in the use of the real property by _____ prior to the termination date of this Agreement, TOWN reserves the right to cancel this Agreement upon not less than thirty (30) days prior written notice to _____. If this Agreement is canceled, the property shall be set in the Grand List at its estimated full fair market value as of the first day of April following such cancellation, and Tenant shall pay to the TOWN a sum of money equal to the amount that such taxes would have been billed without stabilization, less the amount actually paid during the period of such stabilization (not including penalties and interest), together with interest at the rate of twelve percent (12%) per annum from the original due date of each such differential amount.

7. TRANSFER OF PROPERTY. It is agreed by the parties hereto that in the event that _____ shall transfer by sale or otherwise to new ownership all or part of the real property the taxes upon which property are stabilized by this Agreement shall cease to do business within the Town of Enosburgh within ten (10) years of the effective date of this Agreement, whether by its voluntary act or involuntarily, _____ shall pay to TOWN a sum of money equal to the amount that such taxes would have been billed without stabilization during the five- year period immediately preceding such termination date, less the amount actually paid during the five-year period (not including penalties and interest), together with interest at the rate of twelve percent (12%) per annum from the original due date of each such differential amount.

The filing of this Agreement in the Highgate Land Records shall constitute a lien against the stabilized real property of _____ at _____ and shall be discharged only upon payment of any sums which may become due under the provisions of this agreement. This lien may be foreclosed in the same manner as provided by statute in the case of statutory tax liens.

8. SUBORDINATION OF LIEN. In the event that it becomes necessary for _____ to mortgage the stabilized real property, TOWN agrees to entertain a request or requests from _____ that TOWN's lien be subordinate to the lien of any subsequent mortgage or mortgages obtained by _____

_____ on the stabilized real property, provided that the loans secured by said mortgage or mortgages are obtained from institutional financing sources and the proceeds thereof are used exclusively for _____'s business. Such request shall be made in writing and acted upon by the TOWN within thirty (30) days of the receipt thereof.

9. PERMIT CONDITIONS. If, during the effective life of this Agreement _____ violate the terms of its Act 250, Planning Commission, Development Review Board, or building permits, or any other terms or conditions imposed upon it by the District II Environmental Commission, Highgate Planning Commission or Highgate Development Review Board, and fail to cure such violation within a period of thirty (30) days after being notified in writing of the same, then the TOWN may cancel this Agreement upon not less than thirty (30) days prior written notice to _____. In the event of a cancellation of this Agreement, the property shall be set in the Grand List at its estimated full fair market value as of the first day of April following such cancellation, and _____ shall pay the TOWN a sum of money equal to the amount that such taxes would have been billed without stabilization, less the amount actually paid during the period of such stabilization (not including penalties and interest), together with interest at the rate of twelve percent (12%) per annum from the original due date of each such differential amount.

10. ASSIGNABILITY OF AGREEMENT. This Agreement is binding upon the parties hereto, and upon such assigns as may be approved in writing by TOWN. In the event of an assignment of this Agreement, any remaining benefits or obligations created hereunder shall inure to such assigns, provided that the succeeding taxpayer specifically assumes the obligations created by this Agreement.

Dated at Highgate, Vermont, the ___ day of _____, 20__

(CORPORATE SEAL)

By

Duly Authorized Agent

Dated at Highgate, Vermont, the ___ day of _____, 20__

(CORPORATE SEAL)

TOWN OF HIGHGATE

By

its Selectboard