

Department of Housing and Community Development

H.687 – Designation Program Overview + Recommendations, Secs. 35-51

Designation 101:

- Five current programs. First launched in 1999, it has grown and adapted over 25 years.
- Downtown, village center, new town center, neighborhood development area, growth center. Villages are the most active program.
- Strong participation: 285+ designations in 68% of Vermont communities.
- Program goals include public investment in revitalization, housing, historic preservation, and infrastructure in centers.
- Benefits include tax credits, Act 250 and permit relief, state grant priority, and technical assistance.

External Program Review:

- Act 182 of '22 directed DHCD to explore ways to simplify the program and make it more accessible and coordinate with the RPC and NRB report recommendations.
- With your support, we hired SGA and CW to review the programs independently.
- Input from over 500 stakeholders and over 120 cities and towns shaped the bill.
- We worked hard over the summer to coordinate recommendations with the NRB, RPCs, and key policymakers.
- The reports and recommendations are aligned and designed as a package, and this is why the designation programs are included in this bill.
- The bill aims to strengthen the connection between local and regional planning, the state designation programs, and Act 250 – to better coordinate investments, programs, and regulations to advance a place-based approach to land-use planning and community development that empowers state and local leaders to plan for and build vibrant, inclusive, and resilient downtowns, villages, and neighborhoods.

Recommended Changes:

Big Picture:

- Proposed designation reforms maintain a strong focus on historic, commercial areas
- They simplify the programs by reducing the number of designation programs from five to two:
 - A Center, Neighborhoods, with a separate, coordinated track for regulatory recognition under the tiered Act 250 status.
- A key aim is to improve alignment with other state land use/investment efforts and local and regional planning for non-regulatory investments & regulatory recognition.
- The language offers more flexible steps for centers of all sizes to unlock benefits like tax credits, which are often used to save older and historic buildings – and adapt them for climate change.
- Expands technical assistance that meets communities where they are

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Basic Structure:

- The two designations: centers & neighborhoods, would both receive TA support to advance high-quality planning and community development goals – and the designation incentives (like planning grants) would support community projects to achieve Tier 1A and make development- and redevelopment-ready investments.
- The new designation boundaries would flow from the regional plan maps and through the plan approval process, enable automatic recognition of downtown, villages, and neighborhoods for designation. This aims to make access to program benefits easier and more equitable – and we expect that the areas will be larger than they can be now. It will also save municipal, regional, and state time and resources, allowing us to focus on addressing other issues.

Approval Bodies:

- Designations and benefits will continue to be administered by the Department and State Board
- RPC delineation of the areas for Act 250 relief – would go to NRB/ERB approval, not the Downtown Board

Board Composition:

- Would be mostly stable, with a focus on increasing and coordinating public investments in communities
- Expand membership and diversity of the board: Office of Racial Equity, Treasurer, Bond Bank.

Implementation:

- Existing designations will vest, and benefits will not be lost during the transition.
- Establishes the structure and allows DHCD and other stakeholders to work out the details in guidelines, rulemaking, and, if necessary, statutory updates in the next biennium.
- New designations will provide more benefits and technical assistance over time to better address climate, housing, and rural capacity concerns.
- Directs Department to:
 - Increase benefits and improve interagency coordination.
 - Explore ways to expand technical assistance to help with local issues ranging from creating affordable housing - to providing building and sidewalk assessments - to developing targeted area plans - to preparing for a changing climate.

S.311 – Temporary Exemptions:

- Support SED’s proposal to increase the caps and the amount of time for the temporary exemptions to help address the housing crisis.
- Exemptions should not be allowed in flood hazard areas

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H. 687 - Section-by-Section - 35-51

Sec - 35 - Affordable Housing Development Regulatory Incentives Study

- Support

Sec. 36 - 24 V.S.A. § 4302 - Updates regional and municipal planning goals

- Support

Sec. 37-24 V.S.A. § 4345a - Duties of regional planning commissions

- Support

Sec. 38 -24 V.S.A. § 4347 - Adds climate resilience, mitigation, and adaption to regional plans

- Support

Sec. 39 -24 V.S.A. § 4348 - Updates the process for adopting the regional plan, including the notice, public engagement, and notice and engagement with municipalities.

- Support with changes:

(i) – Objections of interested parties (pg. 79-80) Typically, concerns are addressed during the planning process and not as part of the approval process. Recommend striking (i) – objections of interested parties as it is nonstandard and could be used to slow the plan approval process.

Sec. 40 - 24 V.S.A. § 4348a - Updates the elements required to be included in the regional plan and future land use maps, including the new land use categories to be used in the Act 250 Tier process.

- Support with changes:

(A) – Downtown or village centers (pg. 87) – Clarify that the designated centers must be historic

(C) – Villages (pg. 90) – Adequate soils are not mapped, consult with ANR to determine if this language is workable

(D) – Transition or infill areas (pg. 91) – Strike “planned” – given limited state resources, the designation benefits must support the improvement of existing areas

(c) Future Land Use Maps – (Pgs. 93- 94) – Changed date from July 1, 2024, prior to December 31, 2025 – one year before the adoption of plans

Other line edits are recommended for clarity and consistency and to remove redundant language.

Sec. 41 - Regional Planning Commission Study

- Support

Sec. 42 - Appropriates \$125,000 to Dept Fish and Wildlife for a new position

- Consult ANR

Sec. 43-44 -24 V.S.A. § 4306 - \$1.5M to Municipal and Regional Planning and Resilience Fund

- Oppose as this was not included in the Governor’s Budget. If retained, DHCD recommends changes to align the language with the existing program and split funding with \$600,000 for municipalities and \$900,000 for RPCs. These changes will improve the program and simplify administration.

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Sec. 45 - Appropriates \$250,000 to ACCD and ANR for positions

- Oppose as this was not included in the Governor’s Budget.

Sec. 46 - Repeals chapter 24 V.S.A. chapter 76A

- Support with addition of language to ensure no loss of program benefits while transitioning from the current programs to the new framework.

Sec. 47 - 24 -Creates new chapter 139 to replace chapter 76A

- Support with the addition of the 76A Policy and Purpose language to inform future guideline development and to shape interagency coordination.

(13) State Designated Downtown and Village Center (pg. 107) – add “historic.”

Request that language be added to allow DHCD to accept external funds to support conferences, special projects, and other public-private initiatives.

Other line edits recommended for clarity and consistency and to remove redundant language; some of the dates especially need modified to reflect other parts of the bill.

Sec. 48- 32 V.S.A. § 5930aa - Amends Downtown and Village Center Tax Credit program to reference new designated areas; updates Flood Mitigation tax credit to include buildings not located in the flood hazard area

- Support

Sec 49 - 32 V.S.A. § 5930bb-Amends Downtown and Village Center Tax Credit program to reference new designated areas

- Support

Sec. 50 -3 2 V.S.A. § 5930cc -Increases code improvement tax credit from \$50,000 to \$100,000; increases the flood mitigation tax credit from \$75,000 to \$100,000

- Support with the addition of the language in S.311 that increases tax credit cap by \$2M.

Sec. 51 -Revision authority for Legislative Counsel to replace all references to the “24 V.S.A. chapter 76A” with the “24 V.S.A. chapter 139.”

- Support

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