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S.237

Introduced by Senators Sirotkin, Clarkson, Balint and Hooker
Referred to Committee on Economic Development, Housing and General
Affairs
Date: January 7, 2020
Subject: Housing
Statement of purpose of bill as introduced: This bill proposes to adopt
miscellaneous provisions to promote access to affordable housing.

An act relating to promoting affordable housing

It is hereby enacted by the General Assembly of the State of Vermont:

~~Sec. 1. 24 V.S.A. § 4382 is amended to read:~~

~~§ 4382. THE PLAN FOR A MUNICIPALITY~~

~~(a) A plan for a municipality may be consistent with the goals established
in section 4302 of this title and compatible with approved plans of other
municipalities in the region and with the regional plan and shall include the
following:~~

~~* * *~~

~~(4) A utility and facility plan, consisting of a map and statement of
present and prospective community facilities and public utilities showing
existing and proposed educational, recreational, and other public sites,~~

1 ~~dings and facilities, including hospitals, libraries, power generating plants and~~
2 ~~transmission lines; water supply, lines, facilities, and service areas; sewage~~
3 ~~disposal, lines, facilities, and service areas; refuse disposal, storm drainage,~~
4 ~~and other similar facilities and activities; and recommendations to meet future~~
5 ~~needs for community facilities and services, with indications of priority of~~
6 ~~need, costs, and method of financing.~~

7 * * *

8 (10) A housing element that shall include a recommended program for
9 addressing low and moderate income persons' housing needs as identified by
10 the regional planning commission pursuant to subdivision 4348a(a)(9) of this
11 title. The program should account for ~~permitted accessory dwelling units, as~~
12 ~~defined in subdivision 4412(1)(E) shall comply with the requirements of 4412~~
13 ~~of this title, which to provide affordable housing.~~

14 * * *

15 Sec. 2. 24 V.S.A. § 4412 is amended to read:

16 § 4412. REQUIRED PROVISIONS AND PROHIBITED EFFECTS

17 (a) Notwithstanding any existing bylaw, the following land development
18 provisions shall apply in every municipality:

19 (1) Equal treatment of housing and required provisions for affordable
20 housing.

21

1 ~~(D) Bylaws shall designate appropriate districts and reasonable~~
2 regulations for multiunit or multifamily dwellings. No bylaw shall have the
3 effect of excluding these multiunit or multifamily dwellings from the
4 municipality. Within any regulatory district that allows multiunit residential
5 dwellings, no bylaw shall have the effect of prohibiting multiunit residential
6 dwellings of four or fewer units as an allowed, permitted use, or of
7 conditioning approval based on the character of the area.

8 (E) Except for flood hazard and fluvial erosion area bylaws adopted
9 pursuant to section 4424 of this title, no bylaw shall have the effect of
10 excluding as a permitted use one accessory dwelling unit that is located within
11 or appurtenant to an owner-occupied single-family dwelling. A bylaw may
12 require a single-family dwelling with an accessory dwelling unit to be subject
13 to the same review, dimensional, or other controls as required for a single-
14 family dwelling without an accessory dwelling unit. An accessory dwelling
15 unit means ~~an efficiency or one-bedroom apartment~~ a distinct unit that is
16 clearly subordinate to a single-family dwelling, and has facilities and
17 provisions for independent living, including sleeping, food preparation, and
18 sanitation, provided there is compliance with all the following:

19 (i) ~~The~~ the property has sufficient wastewater capacity.

20 (ii) The unit does not exceed 30 percent of the total habitable floor

21 ~~area of the single-family dwelling.~~

1 ~~(iii) Applicable setback, coverage, and parking requirements~~
2 ~~specified in the bylaws are met.~~

3 (F) Nothing in subdivision (a)(1)(E) of this section shall be construed
4 to prohibit:

5 (i) a bylaw that is less restrictive of accessory dwelling units; or
6 (ii) a bylaw that ~~requires conditional use review for one or more~~
7 ~~of the following that is involved in creation of an accessory dwelling unit:~~

8 ~~(I) a new accessory structure;~~
9 ~~(II) an increase in the height or floor area of the existing~~
10 ~~dwelling; or~~

11 ~~(III) an increase in the dimensions of the parking areas~~
12 ~~regulates short-term rental units distinctly from residential rental units.~~

13 * * *

14 (2) Existing small lots. Any lot that is legally subdivided, is in
15 individual and separate and nonaffiliated ownership from surrounding
16 properties, and is in existence on the date of enactment of any bylaw, including
17 an interim bylaw, may be developed for the purposes permitted in the district
18 in which it is located, even though the small lot no longer conforms to
19 ~~minimum lot size requirements of the new bylaw or interim bylaw.~~

1 ~~(A) A municipality may prohibit development of a lot not served by~~
2 ~~and able to connect to municipal sewer and water service if either of the~~
3 ~~following applies:~~

4 ~~(i) the lot is less than one-eighth acre in area; or~~

5 ~~(ii) the lot has a width or depth dimension of less than 40 feet.~~

6 * * *

7 (b) Inclusionary Growth.

8 (1) Except in a municipality that has reported substantial municipal
9 constraints in accordance with subdivision (b)(2) of this section and
10 notwithstanding any existing bylaw other than flood hazard and fluvial erosion
11 area bylaws adopted pursuant to section 4424 of this title, the following land
12 development provisions shall apply in every municipality:

13 (A) No bylaw shall have the effect of prohibiting the creation of
14 residential lots of at least:

15 (i) 10,890 square feet or one-quarter acre within any regulatory
16 district allowing residential uses served by and able to connect to a water
17 system operated by a municipality; or

18 (ii) 5,400 square feet or one-eighth acre within any regulatory
19 district allowing residential uses served by and able to connect to a water and
20 sewer system operated by a municipality.

1 ~~(B) The appropriate municipal panel or administrative officer, as~~
2 applicable, shall condition any subdivision approval on obtaining a State
3 wastewater permit pursuant to 10 V.S.A. chapter 64.

4 (C) No bylaw shall have the effect of prohibiting or requiring
5 conditional use approval for a two-unit dwelling on any lot within any
6 regulatory district allowing residential uses served by and able to connect to a
7 water and sewer system operated by a municipality to any greater extent than a
8 one-unit dwelling would be prohibited or restricted within such district with no
9 additional review, dimensional, or other controls than would be required for a
10 single-family dwelling without a second unit.

11 (D) When a bylaw establishes a parking minimum for residential
12 properties, each residential parking space that will be leased separately from
13 residential units shall count as two spaces for purposes of meeting the parking
14 minimum for any proposed development located within a half mile of a transit
15 stop. The parking space lease costs shall be reasonably proportional to the
16 production, operation, and maintenance cost of the space to reduce generalized
17 subsidy of leased spaces by other residents. A municipality may condition the
18 municipal land permit on continuation of the separate leasing of parking
19 spaces and residential units.

1 (2) A municipality may opt out of the requirements of subdivision (1) of
2 this subsection by filing a Substantial Municipal Constraint Report with the
3 Department of Housing and Community Development.

4 (A) The Substantial Municipal Constraint Report shall demonstrate
5 that:

6 (i) the municipality's bylaws comply with all of the requirements
7 of subsection (a) of this section; and

8 (ii) the municipality has documented substantial municipal
9 constraints on its municipal water, municipal sewer, or other services that
10 prevent the adoption of bylaws that conform to the requirements of subdivision
11 (1) of this subsection (b).

12 (B) On or before January 1, 2021, the Department of Housing and
13 Community Development shall provide a template and guidance on the form
14 and content of the Substantial Municipal Constraint Report.

15 (C) The Department of Housing and Community Development shall
16 post all Substantial Municipal Constraint Reports on the Department's website,
17 and shall promptly provide a copy to the municipality's regional planning
18 commission, the State program directors for municipal and water sewer
19 funding, the Vermont Community Development Board, the Vermont
20 Downtown Development Board, the Vermont Housing and Conservation
21 Board, and the Natural Resources Board, as well as any person requesting

1 ~~ce. Any person may provide comment on the municipality's report to the~~
2 Commissioner of Housing and Development within 60 days of the filing. The
3 Department shall post all comments with the Report on the Department's
4 website.

5 (D) A municipality that has filed a Substantial Municipal Constraint
6 Report shall update the Report each time it updates its municipal plan or
7 bylaws. Failure to update the Report shall disqualify the municipality from the
8 incentives identified in subdivision (3) of this subsection (b) and may subject
9 the municipality to review by the Commissioner of Housing and Community
10 Development pursuant to section 4351 of this title.

11 (3) Incentives and funding.

12 (A) On or before July 1, 2021, any municipality that requests
13 technical assistance from a regional planning commission to update local
14 bylaws to address inclusionary growth as described in subdivision (1) of this
15 subsection (b) shall receive priority technical assistance through additional
16 funding made available to the applicable regional planning commission by
17 section 4306 of this title or municipal funding made available through the
18 Municipal Planning Grant Program established by section 4306 of this title and
19 may use resources developed by the Department of Housing and Community
20 Development to assist with the updates.

1 ~~(B) The following State funding programs shall prioritize funding in~~
2 ~~municipalities that have updated their bylaws to comply with this subsection or~~
3 ~~are actively pursuing actions that will bring their bylaws into compliance with~~
4 ~~this section.~~

5 ~~(i) State funding for Municipal Water and Sewer Systems;~~

6 ~~(ii) Municipal Planning Grants under section 4306 of this title;~~

7 ~~(iii) Vermont Community Development Program under 10 V.S.A.~~
8 ~~chapter 29, subchapter 1; and~~

9 ~~(iv) Neighborhood Development Area Historic Tax Credits under~~
10 ~~32 V.S.A. § 5930cc.~~

11 ~~(4) A municipality that has adopted bylaws that comply subdivision (1)~~
12 ~~of this subsection (b) may adopt bylaws that allow land development that has~~
13 ~~been restricted by covenants, conditions, or restrictions in conflict with the~~
14 ~~goals of this chapter and duly adopted municipal policies. This subsection~~
15 ~~shall not affect the enforceability of any existing deed restrictions.~~

16 Sec. 3. 27 V.S.A. § 545 is added to read:

17 § 545. COVENANTS, CONDITIONS, AND RESTRICTIONS OF
18 SUBSTANTIAL PUBLIC INTEREST

19 Deed restrictions, covenants, or similar binding agreements running with
20 the land added after July 1, 2020 that prohibit or have the effect of prohibiting
21 land development allowed under the municipal bylaws in a municipality that

1 ~~has adopted a bylaw in accordance with 24 V.S.A. § 4412(b)(4) shall not be~~
2 ~~valid.~~

3 Sec. 4. REPORT ON SUBSTANTIAL MUNICIPAL CONSTRAINTS

4 On or before January 15, 2023, the Department of Housing and Community
5 Development shall report to the General Assembly on any Substantial
6 Municipal Constraint Reports received. The report shall address the number of
7 municipalities that have reported substantial municipal constraints, the nature
8 of the constraints, the impact on the development of housing in those
9 municipalities, and any steps the Department recommends towards reducing or
10 eliminating constraints.

11 Sec. 5. 10 V.S.A. § 6001(35) is amended to read:

12 (35) "Priority housing project" means a discrete project located on a
13 single tract or multiple contiguous tracts of land that consists exclusively of:

14 (A) mixed income housing or mixed use, or any combination thereof,
15 and is located entirely within a ~~designated downtown development district,~~
16 ~~designated new town center, or designated growth center, or designated village~~
17 ~~center that is also a designated neighborhood development area under 24~~
18 ~~V.S.A. chapter 76A; or~~

19 (B) ~~mixed income housing and is located entirely within a designated~~
20 ~~Vermont neighborhood or designated neighborhood development area under~~

21 ~~24 V.S.A. Chapter 76A.~~

1 ~~Sec. 6-10 V.S.A. § 6081 is amended to read:~~

2 § 6081. PERMITS REQUIRED; EXEMPTIONS

3 * * *

4 (o) If a designation pursuant to 24 V.S.A. chapter 76A is removed,
5 subsection (a) of this section shall apply to any subsequent substantial change
6 to a ~~priority housing project~~ development or subdivision that was originally
7 exempt pursuant to subdivision 6001(3)(A)(iv)(I) of this title or subsection (p)
8 of this section on the basis of that designation.

9 (p)(1) No permit or permit amendment is required for any subdivision,
10 development, or change to a project that is located entirely within a downtown
11 development district designated pursuant to 24 V.S.A. § 2793, ~~if the change~~
12 ~~consists exclusively of any combination of mixed use and mixed income~~
13 ~~housing, and the cumulative changes within any continuous period of five~~
14 ~~years, commencing on or after the effective date of this subsection, remain~~
15 ~~below any applicable jurisdictional threshold specified in subdivision~~
16 6001(3)(A)(iv)(I) of this title or a neighborhood development area designated
17 pursuant to 24 V.S.A. § 2793e. Upon receiving notice and a copy of the
18 permit issued by an appropriate municipal panel pursuant to 24 V.S.A. §
19 4460(f), a previously issued permit for a development or subdivision located in
20 a downtown development area or a new neighborhood is extinguished.

21 (2) No permit or permit amendment is required for a priority housing
22 ~~project in a designated center other than a downtown development district if~~

1 ~~the project remains below any applicable jurisdictional threshold specified in~~
2 ~~subdivision 6001(3)(A)(iv)(I) of this title and will comply with all conditions~~
3 ~~of any existing permit or permit amendment issued under this chapter that~~
4 ~~applies to the tract or tracts on which the project will be located. If such a~~
5 ~~priority housing project will not comply with one or more of these conditions,~~
6 ~~an application may be filed pursuant to section 6084 of this title.~~

7 * * *

8 ~~(v) A permit or permit amendment shall not be required for a development~~
9 ~~or subdivision in a designated downtown development district for which the~~
10 ~~District Commission has issued positive findings and conclusions under~~
11 ~~section 6086b of this title on all the criteria listed in that section. A person~~
12 ~~shall obtain new or amended findings and conclusions from the District~~
13 ~~Commission under section 6086b of this title prior to commencement of a~~
14 ~~material change, as defined in the rules of the Board, to a development or~~
15 ~~subdivision for which the District Commission has issued such findings and~~
16 ~~conclusions. A person may seek a jurisdictional opinion under section 6007 of~~
17 ~~this title concerning whether such a change is a material change. [Repealed.]~~

18 * * *

19 Sec. 7. REPEAL

20 The following are repealed:

21 ~~(1) 10 V.S.A. § 6085a(d) (neighborhood development area fees).~~

1 ~~(2) 10 V.S.A. § 6086b (downtown development)~~

2 Sec. 8. 24 V.S.A. § 4460 is amended to read:

3 § 4460. APPROPRIATE MUNICIPAL PANELS

4 * * *

5 (f)(1) This subsection shall apply to a subdivision or development that:

6 (A) was previously permitted pursuant to 10 V.S.A. chapter 151;

7 (B) is located in a downtown development district or neighborhood
8 development area designated pursuant to chapter 76A of this title; and

9 (C) has applied for a permit or permit amendment required by zoning
10 regulations or bylaws adopted pursuant to this subchapter.

11 (2) The appropriate municipal panel reviewing a municipal permit or
12 permit amendment pursuant to this subsection shall include conditions
13 contained within a permit previously issued pursuant to 10 V.S.A. chapter 151
14 unless the panel determines that the permit condition pertains to any of the
15 following:

16 (A) the construction phase of the project that has already been
17 constructed;

18 (B) compliance with another State permit that has independent
19 jurisdiction;

20 ~~(C) federal or State law that is no longer in effect or applicable,~~

1 (D) an issue that is addressed by municipal regulation and the project
2 will meet the municipal standards; or

3 (E) physical or use condition that is no longer in effect or applicable,
4 or that will no longer be in effect or applicable once the new project is
5 approved.

6 (3) After issuing or amending a permit containing conditions pursuant
7 to this subsection, the appropriate municipal panel shall provide notice and a
8 copy of the permit to the Natural Resources Board.

9 (4) The appropriate municipal panel's determinations shall be made
10 following notice and hearing as provided in section 4464(a)(1) of this title and
11 to those persons requiring notice pursuant to 10 V.S.A. § 6084(b). The notice
12 shall explicitly reference the existing Act 250 permit.

13 (5) The appropriate municipal panel's decision shall be issued in accord
14 with section 4464(b) of this title and shall include specific findings with
15 respect to its determinations pursuant to subdivision (2) of this subsection (f).

16 (6) Any final action by the appropriate municipal panel affecting a
17 condition of a permit previously issued pursuant to 10 V.S.A. chapter 151 shall
18 be recorded in the municipal land records.

19 Sec. 9. 24 V.S.A. § 2793 is amended to read:

20 § 2793. DESIGNATION OF DOWNTOWN DEVELOPMENT DISTRICTS
21

1 ~~(b) Within 45 days of receipt of a completed application, the State Board~~
2 shall designate a downtown development district if the State Board finds in its
3 written decision that the municipality has:

4 (1) Demonstrated a commitment to protect and enhance the historic
5 character of the downtown through the adoption of a design review district,
6 through the adoption of an historic district, or through the adoption of
7 regulations that adequately regulate the physical form and scale of
8 development that the State Board determines substantially meet the historic
9 preservation requirements in subdivisions 4414(1)(E) and (F) of this title, ~~or~~
10 ~~through the creation of a development review board authorized to undertake~~
11 ~~local Act 250 reviews of municipal impacts pursuant to section 4420 of this~~
12 ~~title.~~

13 * * *

14 Sec. 10. 24 V.S.A. § 2793e is amended to read:

15 § 2793e. NEIGHBORHOOD PLANNING AREAS; DESIGNATION OF
16 NEIGHBORHOOD DEVELOPMENT AREAS

17 * * *

18 (c) Application for designation of a neighborhood development area. The
19 State Board shall approve a neighborhood development area if the application
20 demonstrates and includes all of the following elements:

21 (1) The municipality has a duly adopted and approved plan and a
22 ~~planning process that is confirmed in accordance with section 4356 of this title~~

1 ~~and has adopted bylaws and regulations in accordance with sections 4414,~~

2 4418, and 4442 of this title.

3 (2) A preapplication meeting with Department staff was held to review
4 the program requirements and to preliminarily identify possible neighborhood
5 development areas.

6 (3) The proposed neighborhood development area is within a
7 neighborhood planning area or such extension of the planning area as may be
8 approved under subsection (d) of this section.

9 (4) The proposed neighborhood development area consists of those
10 portions of the neighborhood planning area that are generally within walking
11 distance from the municipality's downtown, village center, or new town center
12 designated under this chapter or from locations within the municipality's
13 growth center designated under this chapter that are planned for higher density
14 development.

15 (5) The proposed neighborhood development area consists of those
16 portions of the neighborhood planning area that are appropriate for new and
17 infill housing, excluding ~~identified~~ undeveloped flood hazard and fluvial
18 erosion areas. In determining what areas are most suitable for new and infill
19 housing, the municipality shall balance local goals for future land use, the
20 ~~availability of land for housing within the neighborhood planning area, and the~~

1 ~~smart growth principles. Based on those considerations, the municipality shall~~

2 select an area for neighborhood development area designation that:

3 (A) Avoids or that minimizes to the extent feasible the inclusion of
4 “important natural resources” as defined in subdivision 2791(14) of this title.

5 If an “important natural resource” is included within a proposed neighborhood
6 development area, the applicant shall identify the resource, explain why the
7 resource was included, describe any anticipated disturbance to such resource,
8 and describe why the disturbance cannot be avoided or minimized. If the
9 neighborhood development area includes flood hazard areas or river corridors,
10 the local bylaws must contain provisions deemed adequate by the Agency of
11 Natural Resources to ensure that new infill development within an existing
12 settlement occurs outside the floodway, new development is elevated or flood
13 proofed at least two feet above Base Flood Elevation, or otherwise reasonably
14 safe from flooding, and will not exacerbate fluvial erosion hazards within the
15 river corridor.

16 (B) Is served by planned or existing transportation infrastructure that
17 conforms with “complete streets” principles as described under 19 V.S.A. §
18 309d and establishes pedestrian access directly to the downtown, village
19 center, or new town center.

20 (C) Is compatible with and will reinforce the character of adjacent
21 ~~National Register Historic Districts, National or State Register Historic Sites,~~

1 ~~and other significant cultural and natural resources identified by local or State~~
2 government.

3 (C) The neighborhood development area is served by:

4 (A) municipal sewer infrastructure; or

5 (B) a community or alternative wastewater system approved by the
6 Agency of Natural Resources.

7 (7) ~~The~~ Within the neighborhood development area, the municipal
8 bylaws allow as of right minimum lot sizes of one-quarter of an acre or less
9 and minimum net residential densities ~~within the neighborhood development~~
10 ~~area~~ greater than or equal to four single-family detached dwelling units per
11 acre, exclusive of accessory dwelling units, or no fewer than the average
12 existing density of the surrounding neighborhood, whichever is greater.

13 (A) The methodology for calculating density shall be established in
14 the guidelines developed by the Department pursuant to subsection 2792(d) of
15 this title.

16 (A)(B) Regulations that adequately regulate the physical form and
17 scale of development may be used to demonstrate compliance with this
18 requirement.

19 (B)(C) Development in the neighborhood development areas that is
20 lower than the minimum net residential density required by this subdivision (7)
21 ~~shall not qualify for the benefits stated in subsections (f) and (g) of this~~

1 ~~ion. The district coordinator shall determine whether development meets this~~
2 ~~minimum net residential density requirement in accordance with subsection (f)~~
3 ~~of this section.~~

4 (8) Local bylaws, regulations, and policies applicable to the
5 neighborhood development area substantially conform with neighborhood
6 design guidelines developed by the Department pursuant to section 2792 of
7 this title. These policies shall:

8 (A) ensure that all investments contribute to a built environment that
9 enhances the existing neighborhood character and supports pedestrian use;

10 (B) ensure sufficient residential density uses and building heights;

11 (C) minimize the required lot sizes, setbacks, and parking
12 requirements, and street widths; and

13 (D) require conformance with “complete streets” principles as
14 described under 19 V.S.A. § 309d, street and pedestrian connectivity, and
15 street trees.

16 (9) Residents hold a right to utilize household energy conserving
17 devices.

18 (10) The application includes a map or maps that, at a minimum,
19 identify:

20 (A) “important natural resources” as defined in subdivision 2791(14)

21 ~~of this title,~~

1 (B) existing slopes of 25 percent or steeper;

2 (C) public facilities, including public buildings, public spaces, sewer
3 or water services, roads, sidewalks, paths, transit, parking areas, parks, and
4 schools;

5 (D) planned public facilities, roads, or private development that is
6 permitted but not built;

7 (E) National Register Historic Districts, National or State Register
8 Historic Sites, and other significant cultural and natural resources identified by
9 local or State government;

10 (F) designated downtown, village center, new town center, or growth
11 center boundaries as approved under this chapter and their associated
12 neighborhood planning area in accordance with this section; and

13 (G) delineated areas of land appropriate for residential development
14 and redevelopment under the requirements of this section.

15 (11) The application includes the information and analysis required by
16 the Department's guidelines under section 2792 of this title.

17 (d) Designation process. Within 45 days of receipt of a complete
18 application for designation of a neighborhood development area, the State
19 Board, after opportunity for public comment, shall approve a neighborhood
20 development area if the Board determines that the applicant has met the
21 requirements of this section.

1 ~~(1) When approving a neighborhood development area, the State Board~~
2 shall consult with the applicant about any changes the Board considers making
3 to the boundaries of the proposed area. After consultation with the applicant,
4 the Board may change the boundaries of the proposed area.

5 (2) A neighborhood development area may include one or more areas of
6 land extending beyond the delineated neighborhood planning area, provided
7 that at least 80 percent but no fewer than seven of the members of the State
8 Board present find that:

9 (A) including the extended area beyond the neighborhood planning
10 area is consistent with the goals of Section 4302 of this title;

11 (B) residential development opportunities within the neighborhood
12 planning area are limited due to natural constraints and existing development;

13 (C) the extended area represents a logical extension of an existing
14 compact settlement pattern and is consistent with smart growth principles; and

15 (D) the extended area is adjacent to existing development.

16 (e) Length of designation. Initial designation of a neighborhood
17 development area shall be reviewed concurrently with the next periodic review
18 conducted of the underlying designated downtown, village center, new town
19 center, or growth center.

20 (1) The State Board, on its motion, may review compliance with the
21 designation requirements at more frequent intervals.

1 ~~(2) If the underlying downtown, village center, new town center, or~~
2 growth center designation terminates, the neighborhood development area
3 designation also shall terminate.

4 (3) If at any time the State Board determines that the designated
5 neighborhood development area no longer meets the standards for designation
6 established in this section, it may take any of the following actions:

7 (A) require corrective action within a reasonable time frame;

8 (B) remove the neighborhood development area designation; or

9 (C) prospectively limit benefits authorized in this chapter.

10 (4) Action taken by the State Board under subdivision (3) of this
11 subsection shall not affect benefits already received by the municipality or a
12 land owner in the designated neighborhood development area.

13 (f) Neighborhood development area incentives for developers. Once a
14 municipality has a designated neighborhood development area or has a
15 Vermont neighborhood designation pursuant to section 2703d of this title, ~~any~~
16 a proposed development within that area shall be eligible for each of the
17 benefits listed in this subsection. These benefits shall accrue upon approval by
18 the district coordinator, who shall review, provided that the project meets the
19 density requirements set forth in subdivision (c)(7) of this section to determine
20 benefit eligibility and issue a jurisdictional opinion under 10 V.S.A. Chapter

1 ~~151 on whether the density requirements are met, as determined by the~~
2 ~~administrative officer, as defined in 24 V.S.A. chapter 117. These benefits are:~~

3 (1) The application fee limit for wastewater applications stated in 3
4 V.S.A. § 2822(j)(4)(D).

5 (2) ~~The application fee reduction for residential development stated in~~
6 ~~10 V.S.A. § 6083a(1).~~

7 (3) ~~The exclusion from the land gains tax provided by 32 V.S.A. §~~
8 ~~10002(p).~~

9 (g) Neighborhood development area incentives for municipalities. Once a
10 municipality has a designated neighborhood development area, it may receive:

11 (1) priority consideration for municipal planning grant funds; and

12 (2) training and technical assistance from the Department to support an
13 application for benefits from the Department.

14 (h) Alternative designation. If a municipality has completed all of the
15 planning and assessment steps of this section but has not requested designation
16 of a neighborhood development area, an owner of land within a neighborhood
17 planning area may apply to the State Board for neighborhood development
18 area designation status for a portion of land within the neighborhood planning
19 area. The applicant shall have the responsibility to demonstrate that all of the
20 requirements for a neighborhood development area designation have been

21 ~~satisfied and to notify the municipality that the applicant is seeking the~~

1 ~~ation. The State Board shall provide the municipality with at least 14 days'~~
2 ~~prior written notice of the Board's meeting to consider the application, and the~~
3 ~~municipality shall submit to the State Board the municipality's response, if~~
4 ~~any, to the application before or during that meeting. On approval of a~~
5 ~~neighborhood development area designation under this subsection, the~~
6 ~~applicant may proceed to obtain a jurisdictional opinion from the district~~
7 ~~coordinator under subsection (f) of this section in order to obtain shall be~~
8 ~~eligible for the benefits granted to neighborhood development areas, subject to~~
9 ~~approval by the administrative officer, as provided in subsection (f) of this~~
10 ~~section.~~

11 Sec. 11. 32 V.S.A. § 5930aa is amended to read:

12 § 5930aa. DEFINITIONS

13 As used in this subchapter:

14 (1) "Qualified applicant" means an owner or lessee of a qualified
15 building involving a qualified project, but does not include a State or federal
16 agency or a political subdivision of either; or an instrumentality of the United
17 States.

18 (2) "Qualified building" means a building built at least 30 years before
19 the date of application, located within a designated downtown, ~~or~~ village
20 center, or neighborhood development area, which upon completion of the
21 project supported by the tax credit will be an income-producing building not
22 ~~used solely as a single-family residence. Churches and other buildings owned~~

1 ~~by religious organization may be qualified buildings, but in no event shall tax~~
2 credits be used for religious worship.

3 (3) "Qualified code improvement project" means a project:

4 (A) to install or improve platform lifts suitable for transporting
5 personal mobility devices, limited use or limited application elevators,
6 elevators, sprinkler systems, and capital improvements in a qualified building,
7 and the installations or improvements are required to bring the building into
8 compliance with the statutory requirements and rules regarding fire
9 prevention, life safety, and electrical, plumbing, and accessibility codes as
10 determined by the Department of Public Safety;

11 (B) to abate lead paint conditions or other substances hazardous to
12 human health or safety in a qualified building; or

13 (C) to redevelop a contaminated property in a designated downtown,
14 ~~or~~ village center, or neighborhood development area under a plan approved by
15 the Secretary of Natural Resources pursuant to 10 V.S.A., § 6615a.

16 (4) "Qualified expenditures" means construction-related expenses of the
17 taxpayer directly related to the project for which the tax credit is sought but
18 excluding any expenses related to a private residence.

19 (5) "Qualified façade improvement project" means the rehabilitation of
20 the façade of a qualified building that contributes to the integrity of the
21 ~~designated downtown or, designated village center, or neighborhood~~

1 ~~velopment area, façade. Façade improvements to qualified buildings listed, or~~
2 eligible for listing, in the State or National Register of Historic Places must be
3 consistent with Secretary of the Interior Standards, as determined by the
4 Vermont Division for Historic Preservation.

5 (6) "Qualified historic rehabilitation project" means an historic
6 rehabilitation project that has received federal certification for the
7 rehabilitation project.

8 (7) "Qualified project" means a qualified code improvement, qualified
9 façade improvement, or qualified historic rehabilitation project as defined by
10 this subchapter.

11 (8) "State Board" means the Vermont Downtown Development Board
12 established pursuant to 24 V.S.A. chapter 76A.

13 Sec. 12. FINDINGS AND PURPOSE; AFFORDABLE HOUSING BOND

14 (a) Findings.

15 (1) In 2017, the General Assembly, in partnership with the Vermont
16 Housing Conservation Board, the Vermont Housing Finance Agency, the State
17 Treasurer, and other affordable housing stakeholders, provided for the funding
18 and creation of an affordable housing bond to support the development of
19 affordable housing throughout the State.

20 (2) To date, the Vermont Housing Conservation Board has committed
21 over \$24.8 million of the total \$37 million bond proceeds, leveraging another

1 ~~\$140 million through partner programs and supporting the creation of~~
2 approximately 550 housing units. The remaining bond proceeds are expected
3 to be fully committed by the end of 2019. The Vermont Housing Conservation
4 Board is on track to meet or exceed the production and leveraging goals of the
5 bond and meet the income targeting requirements.

6 (3) The General Assembly finds that additional investments are needed
7 to help create more affordable housing options for Vermonters.

8 (b) Purpose and intent.

9 (1) The purpose of Secs. 1–7 of this act is to promote the development
10 and improvement of affordable housing for current and future Vermont
11 residents throughout the State.

12 (2) It is the intent of the General Assembly to authorize the Vermont
13 Housing Finance Agency to issue a new housing bond, or a series of housing
14 bonds, between FY 2022 and FY 2027 and transfer the proceeds to the
15 Vermont Housing Conservation Board to support the development of
16 additional affordable housing.

17 Sec. 13. 10 V.S.A. § 315 is added to read:

18 § 315. HOUSING BOND; INVESTMENT

19 The Vermont Housing and Conservation Board shall use the proceeds of
20 bonds, notes, and other obligations issued by the Vermont Housing Finance
21 Agency pursuant to subdivision 621(23) of this title and transferred to the

1 ~~Vermont Housing and Conservation Trust Fund to fund the creation and~~
2 ~~improvement of owner-occupied and rental housing for Vermonters with very~~
3 ~~low to middle income up to 120 percent of the area median, in areas targeted~~
4 ~~for growth and reinvestment. The Board shall use the proceeds to fund~~
5 ~~housing that meets community needs and in consideration of the following~~
6 ~~priorities:~~

7 ~~(1) creating new multifamily and single-family homes;~~

8 ~~(2) addressing blighted properties and other existing housing stock~~
9 ~~requiring reinvestment including in mobile home parks; and~~

10 ~~(3) providing service-supported housing in coordination with the~~
11 ~~Agency of Human Services including those who are elderly, homeless, in~~
12 ~~recovery, experiencing severe mental illness, or leaving incarceration.~~

13 Sec. 14. 10 V.S.A. § 323 is amended to read:

14 § 323. ANNUAL REPORT

15 Prior to January 31 of each year, the Board shall submit a report concerning
16 its activities to the Governor and to the House Committees on Agriculture and
17 Forestry, on Appropriations, on Corrections and Institutions, on Natural
18 Resources, Fish, and Wildlife, and on Ways and Means and the Senate
19 Committees on Agriculture, on Appropriations, on Finance, on Institutions,
20 ~~and on Natural Resources and Energy. The report shall include the following.~~

1 ~~(1) a list and description of activities funded by the Board during the~~
2 preceding year, including commitments made to fund projects through housing
3 bond proceeds pursuant to ~~section~~ sections 314 and 315 of this title, and
4 project descriptions, levels of affordability, and geographic location;

5 * * *

6 Sec. 15. 32 V.S.A. § 9610 is amended to read:

7 § 9610. REMITTANCE OF RETURN AND TAX; INSPECTION OF
8 RETURNS

9 (a) Not later than 30 days after the receipt of any property transfer return, a
10 town clerk shall file the return in the office of the town clerk and electronically
11 forward a copy of the acknowledged return to the Commissioner; provided,
12 however, that with respect to a return filed in paper format with the town, the
13 Commissioner shall have the discretion to allow the town to forward a paper
14 copy of that return to the Department.

15 (b) The copies of property transfer returns in the custody of the town clerk
16 may be inspected by any member of the public.

17 (c) Prior to distributions of property transfer tax revenues under 10 V.S.A.
18 § 312, 24 V.S.A. § 4306(a), and subdivision 435(b)(10) of this title, two
19 percent of the revenues received from the property transfer tax shall be
20 deposited in a special fund in the Department of Taxes for Property Valuation
21 ~~and Review administration costs.~~

1 ~~(d)(1) Prior to any distribution of property transfer tax revenue under~~
2 ~~10 V.S.A. § 312, 24 V.S.A. § 4306(a), subdivision 435(b)(10) of this title, and~~
3 ~~subsection (c) of this section, \$2,500,000.00 of the revenue received from the~~
4 ~~property transfer tax shall be transferred to the Vermont Housing Finance~~
5 ~~Agency to pay the principal of and interest due on the bonds, notes, and other~~
6 ~~obligations authorized to be issued by the Agency pursuant to 10 V.S.A.~~
7 ~~§ 621(22), the proceeds of which the Vermont Housing and Conservation~~
8 ~~Board shall use to create affordable housing pursuant to 10 V.S.A. § 314.~~

9 ~~(2) As long as the bonds, notes, and other obligations incurred pursuant~~
10 ~~to subdivision (1) of this subsection remain outstanding, the rate of tax~~
11 ~~imposed pursuant to section 9602 of this title shall not be reduced below a rate~~
12 ~~estimated, at the time of any reduction, to generate annual revenues of at least~~
13 ~~\$12,000,000.00.~~

14 ~~(e) Prior to any distribution of property transfer tax revenue under~~
15 ~~10 V.S.A. § 312, 24 V.S.A. § 4306(a), subdivision 435(b)(10) of this title, and~~
16 ~~subsection (c) of this section, \$4,000,000.00 of the revenue received from the~~
17 ~~property transfer tax shall be transferred to the Vermont Housing Finance~~
18 ~~Agency to pay the principal of and interest due on the bonds, notes, and other~~
19 ~~obligations authorized to be issued by the Agency pursuant to 10 V.S.A.~~
20 ~~§ 621(23), the proceeds of which the Vermont Housing and Conservation~~
21 ~~Board shall use to create housing pursuant to 10 V.S.A. § 315.~~

1 ~~(f) Provided bonds, notes, and other obligations incurred pursuant to~~
2 ~~subsection (d) or (e) of this section, or both, remain outstanding, the rate of tax~~
3 ~~imposed pursuant to section 9602 of this title shall not be reduced below a rate~~
4 ~~estimated, at the time of any reduction, to generate annual revenues of:~~

5 ~~(1) at least \$30,000,000.00 while bonds, notes, and other obligations~~
6 ~~incurred pursuant to both subsections remain outstanding; and~~

7 ~~(2) at least \$18,000,000.00 while bonds, notes, and other obligations~~
8 ~~incurred pursuant to subsection (d) of this section have been satisfied but~~
9 ~~obligations under subsection (e) of this section remain outstanding.~~

10 Sec. 16. 10 V.S.A. § 621 is amended to read:

11 § 621. GENERAL POWERS AND DUTIES

12 The Agency shall have all of the powers necessary and convenient to carry
13 out and effectuate the purposes and provisions of this chapter, including
14 without limitation those general powers provided a business corporation by
15 11A V.S.A. § 3.02 and those general powers provided a nonprofit corporation
16 by 11B V.S.A. § 3.02 and including, without limiting the generality of the
17 foregoing, the power to:

18 * * *

19 (21) use funds received from real estate trust and escrow accounts
20 established under 26 V.S.A. § 2214(c), IORTA funds, for down payment and
21 closing cost assistance with priority given to persons and families at or below

1 ~~90 percent of median income and to persons and families purchasing~~

2 perpetually affordable housing;

3 (2) issue bonds, notes, and other obligations secured by the property
4 transfer tax revenues transferred to the Agency pursuant to 32 V.S.A.

5 § 9610(d); and

6 (23) issue bonds, notes, and other obligations secured by the property
7 transfer tax revenues transferred to the Agency pursuant to 32 V.S.A.

8 § 9610(e).

9 Sec. 17. 10 V.S.A. § 631(m) is added to read:

10 (m)(1) The bonds, notes, and other obligations authorized to be issued
11 pursuant to subdivision 621(23) of this title shall be secured by a pledge of
12 \$4,000,000.00 from the property transfer tax revenues to be transferred to the
13 Agency pursuant to 32 V.S.A. § 9610(e) and shall mature on or before June 30,
14 2042.

15 (2) The Agency may issue the bonds, notes, and other obligations in one
16 or more series at one time or from time to time, provided that the aggregate
17 annual debt service on the bonds, notes, and other obligations shall not exceed
18 \$4,000,000.00 at any time.

19 (3) The Agency shall transfer the proceeds of the bonds, notes, and
20 other obligations, less issuance fees and costs and required reserves, to the

21 Vermont Housing and Conservation Trust Fund established pursuant to section

1 ~~312 of this title for use by the Vermont Housing and Conservation Board as~~
2 ~~provided in section 315 of this title.~~

3 ~~(4) The Agency, the Vermont Housing and Conservation Board, and the~~
4 ~~State Treasurer may execute one or more agreements governing the terms and~~
5 ~~conditions under which the property transfer tax revenues that secure the~~
6 ~~bonds, notes, and obligations shall be transferred to the Agency, and any other~~
7 ~~issues they determine appropriate.~~

8 Sec. 18. FY 2021 RESERVE FUNDING; HOUSING BOND; VERMONT

9 HOUSING AND CONSERVATION TRUST FUND

10 ~~In fiscal year 2021, the amount of \$4,000,000.00 in revenues generated~~
11 ~~from the property transfer tax and the revenues generated from the rooms tax~~
12 ~~on short-term rentals shall be transferred to the Vermont Housing and~~
13 ~~Conservation Trust Fund to reserve for future debt payments on the new~~
14 ~~housing bond authorized in Secs. 5 and 6 of this act.~~

15 Sec. 19. REPEAL

16 ~~The following are repealed on July 1, 2042:~~

17 ~~(1) 10 V.S.A. § 315 (Vermont Housing and Conservation Board;~~
18 ~~housing bond and investments).~~

19 ~~(2) 10 V.S.A. § 621(23) (Vermont Housing Finance Agency (VHFA)~~
20 ~~authority to issue debt obligations).~~

21 ~~(3) 10 V.S.A. § 631(m) (debt obligations issued by VHFA).~~

1 ~~(4) 32 V.S.A. § 9610(e), (f) (property transfer tax priority for housing~~
2 ~~debt repayment).~~

3 Sec. 20. 24 V.S.A. 1892(d) is amended to read:

4 (d) The following municipalities have been authorized to use education tax
5 increment financing for a tax increment financing district:

- 6 (1) the City of Burlington, Downtown;
- 7 (2) the City of Burlington, Waterfront;
- 8 (3) the Town of Milton, North and South;
- 9 (4) the City of Newport;
- 10 (5) the City of Winooski;
- 11 (6) the Town of Colchester;
- 12 (7) the Town of Hartford;
- 13 (8) the City of St. Albans;
- 14 (9) the City of Barre;
- 15 (10) the Town of Milton, Town Core; and
- 16 (11) the City of South Burlington;
- 17 (12) the Town of Bennington; and
- 18 (13) the City of Montpelier.

19 Sec. 21. SHORT-TERM RENTALS

20 The Agency of Commerce and Community Development shall adopt rules
21 to collect sufficient data to allow the State to understand the impact of short-

1 ~~term rentals on the availability of housing in this State, while balancing the~~
2 ~~privacy interests of short-term rental operators and their guests.~~

3 Sec. 22. HOMELESSNESS PREVENTION

4 (a) Consistent with the report mandated in 2019 Acts and Resolves No. 72,
5 Sec. E.300.4, the Secretary of Human Services shall take reasonable measures,
6 including increasing case management services for Vermonters who are
7 homeless, to reduce the loss of specialized federal rental assistance vouchers.

8 (b) The Secretary shall report to the Senate Committees on Appropriations,
9 on Economic Development, Housing and General Affairs, and on Health and
10 Welfare and to the House Committees on Appropriations, on General,
11 Housing, and Military Affairs, on Human Services, and on Health Care on or
12 before October 15, 2020 on measures taken, and results achieved, in increasing
13 the use of specialized federal assistance vouchers.

14 Sec. 23. EFFECTIVE DATE

15 ~~This act shall take effect on July 1, 2020.~~

** * * Municipal Zoning * * **

Sec. 1. 24 V.S.A. § 4382 is amended to read:

§ 4382. THE PLAN FOR A MUNICIPALITY

(a) A plan for a municipality may be consistent with the goals established in section 4302 of this title and compatible with approved plans of other municipalities in the region and with the regional plan and shall include the following:

** * **

(4) A utility and facility plan, consisting of a map and statement of present and prospective community facilities and public utilities showing

existing and proposed educational, recreational, and other public sites; buildings and facilities, including hospitals, libraries, power generating plants and transmission lines; water supply, lines, facilities, and service areas; sewage disposal, lines, facilities, and service areas; refuse disposal, storm drainage, and other similar facilities and activities; and recommendations to meet future needs for community facilities and services, with indications of priority of need, costs, and method of financing.

** * **

(10) A housing element that shall include a recommended program for addressing low and moderate income persons' housing needs as identified by the regional planning commission pursuant to subdivision 4348a(a)(9) of this title. The program should account for permitted accessory dwelling units, as defined in subdivision 4412(1)(E) shall comply with the requirements of section 4412 of this title, which to provide affordable housing.

** * **

Sec. 2. 24 V.S.A. § 4412 is amended to read:

§ 4412. REQUIRED PROVISIONS AND PROHIBITED EFFECTS

(a) Notwithstanding any existing bylaw, the following land development provisions shall apply in every municipality:

(1) Equal treatment of housing and required provisions for affordable housing.

** * **

(D) Bylaws shall designate appropriate districts and reasonable regulations for multiunit or multifamily dwellings. No bylaw shall have the effect of excluding these multiunit or multifamily dwellings from the municipality. Within any regulatory district that allows multiunit residential dwellings, no bylaw shall have the effect of prohibiting multiunit residential dwellings of four or fewer units as an allowed, permitted use, or of conditioning approval based on the character of the area.

(E) Except for flood hazard and fluvial erosion area bylaws adopted pursuant to section 4424 of this title, no bylaw shall have the effect of excluding as a permitted use one accessory dwelling unit that is located within or appurtenant to ~~an owner-occupied~~ a single-family dwelling on an owner-occupied lot. A bylaw may require a single-family dwelling with an accessory dwelling unit to be subject to the same review, dimensional, or other controls as required for a single-family dwelling without an accessory dwelling unit. An accessory dwelling unit means an efficiency or one-bedroom apartment a distinct unit that is clearly subordinate to a single-family dwelling, and has

facilities and provisions for independent living, including sleeping, food preparation, and sanitation, provided there is compliance with all the following:

(i) The property has sufficient wastewater capacity.

(ii) The unit does not exceed 30 percent of the total habitable floor area of the single-family dwelling or 900 square feet, whichever is greater.

~~(iii) Applicable setback, coverage, and parking requirements specified in the bylaws are met.~~

(F) Nothing in subdivision (a)(1)(E) of this section shall be construed to prohibit:

(i) a bylaw that is less restrictive of accessory dwelling units; or

(ii) a bylaw that ~~requires conditional use review for one or more of the following that is involved in creation of an accessory dwelling unit:~~

~~(I) a new accessory structure;~~

~~(II) an increase in the height or floor area of the existing dwelling; or~~

~~(III) an increase in the dimensions of the parking areas regulates short-term rental units distinctly from residential rental units.~~

* * *

(2) Existing small lots. Any lot that is legally subdivided, is in individual and separate and nonaffiliated ownership from surrounding properties, and is in existence on the date of enactment of any bylaw, including an interim bylaw, may be developed for the purposes permitted in the district in which it is located, even though the small lot no longer conforms to minimum lot size requirements of the new bylaw or interim bylaw.

(A) A municipality may prohibit development of a lot not served by and able to connect to municipal sewer and water service if either of the following applies:

(i) the lot is less than one-eighth acre in area; or

(ii) the lot has a width or depth dimension of less than 40 feet.

* * *

(b) Inclusive Development.

(1) Except in a municipality that has reported substantial municipal constraints in accordance with subdivision (b)(2) of this section and notwithstanding any existing bylaw other than flood hazard and fluvial erosion

area bylaws adopted pursuant to section 4424 of this title, the following land development provisions shall apply in every municipality:

(A) No bylaw shall have the effect of prohibiting the creation of residential lots of at least:

(i) 10,890 square feet or one-quarter acre within any regulatory district allowing residential uses served by and able to connect to a water system operated by a municipality; or

(ii) 5,400 square feet or one-eighth acre within any regulatory district allowing residential uses served by and able to connect to a water and sewer system operated by a municipality.

(B) The appropriate municipal panel or administrative officer, as applicable, shall condition any subdivision approval on obtaining a State wastewater permit pursuant to 10 V.S.A. chapter 64.

(C) No bylaw shall have the effect of prohibiting or requiring conditional use approval for a two-unit dwelling on any lot within any regulatory district allowing residential uses served by and able to connect to a water and sewer system operated by a municipality to any greater extent than a one-unit dwelling would be prohibited or restricted within such district with no additional review, dimensional, or other controls than would be required for a single-family dwelling without a second unit.

(D) When a bylaw establishes a parking minimum for residential properties, each residential parking space that will be leased separately from residential units shall count as two spaces for purposes of meeting the parking minimum for any proposed development located within a half mile of a transit stop. The parking space lease costs shall be reasonably proportional to the production, operation, and maintenance cost of the space to reduce generalized subsidy of leased spaces by other residents. A municipality may condition the municipal land permit on continuation of the separate leasing of parking spaces and residential units.

(2) A municipality may opt out of the requirements of subdivision (1) of this subsection by filing a Substantial Municipal Constraint Report with the Department of Housing and Community Development.

(A) The Substantial Municipal Constraint Report shall demonstrate that:

(i) the municipality's bylaws comply with all of the requirements of subsection (a) of this section; and

(ii) the municipality has documented substantial municipal constraints on its municipal water, municipal sewer, or other services that

prevent the adoption of bylaws that conform to the requirements of subdivision (1) of this subsection (b).

(B) On or before January 1, 2021, the Department of Housing and Community Development shall provide a template and guidance on the form and content of the Substantial Municipal Constraint Report.

(C) The Department of Housing and Community Development shall post all Substantial Municipal Constraint Reports on the Department's website, and shall promptly provide a copy to the municipality's regional planning commission, the State program directors for municipal and water sewer funding, the Vermont Community Development Board, the Vermont Downtown Development Board, the Vermont Housing and Conservation Board, and the Natural Resources Board, as well as any person requesting notice. Any person may provide comment on the municipality's report to the Commissioner of Housing and Development within 60 days of the filing. The Department shall post all comments with the Report on the Department's website.

(D) A municipality that has filed a Substantial Municipal Constraint Report shall update the Report each time it updates its municipal plan or bylaws. Failure to update the Report shall disqualify the municipality from the incentives identified in subdivision (3) of this subsection (b) and may subject the municipality to review by the Commissioner of Housing and Community Development pursuant to section 4351 of this title.

(3) Incentives and funding.

(A) On or before July 1, 2021, any municipality that requests technical assistance from a regional planning commission to update local bylaws to address inclusionary growth as described in subdivision (1) of this subsection (b) shall receive priority technical assistance through additional funding made available to the applicable regional planning commission by section 4306 of this title or municipal funding made available through the Municipal Planning Grant Program established by section 4306 of this title and may use resources developed by the Department of Housing and Community Development to assist with the updates.

(B) The following State funding programs shall prioritize funding in municipalities that have updated their bylaws to comply with this subsection or are actively pursuing actions that will bring their bylaws into compliance with this section:

(i) State funding for Municipal Water and Sewer Systems;

(ii) Municipal Planning Grants under section 4306 of this title;

(iii) Vermont Community Development Program under 10 V.S.A. chapter 29, subchapter 1; and

(iv) Neighborhood Development Area Historic Tax Credits under 32 V.S.A. § 5930cc.

(4) Pursuant to 27 V.S.A. § 545, in a municipality that has adopted bylaws that comply with subdivision (1) of this subsection (b), deeds may not be restricted by covenants, conditions, or restrictions that conflict with the duly adopted municipal bylaws or policies. This subsection shall not affect the enforceability of any existing deed restrictions.

Sec. 3. 27 V.S.A. § 545 is added to read:

§ 545. COVENANTS, CONDITIONS, AND RESTRICTIONS OF
SUBSTANTIAL PUBLIC INTEREST

Deed restrictions, covenants, or similar binding agreements added after July 1, 2020 that prohibit or have the effect of prohibiting land development allowed under the municipal bylaws in a municipality that has adopted a bylaw in accordance with 24 V.S.A. § 4412(b)(1) shall not be valid. This section shall not affect the enforceability of any property interest held in whole or in part by a qualified organization or State agency as defined in 10 V.S.A. § 6301a, including any restrictive easements, such as conservation easements and historic preservation rights and interests defined in 10 V.S.A. § 822. This section shall not affect the enforceability of any property interest that is restricted by a housing subsidy covenant as defined by section 610 of this title and held in whole or in part by an eligible applicant as defined in 10 V.S.A. § 303(4) or the Vermont Housing Finance Agency.

Sec. 4. REPORT ON SUBSTANTIAL MUNICIPAL CONSTRAINTS

On or before January 15, 2023, the Department of Housing and Community Development shall report to the General Assembly on any Substantial Municipal Constraint Reports received. The report shall address the number of municipalities that have reported substantial municipal constraints, the nature of the constraints, the impact on the development of housing in those municipalities, and any steps the Department recommends towards reducing or eliminating constraints.

~~*** Act 250 Downtown Exemption ***~~

Sec. 5. 10 V.S.A. § 6001 is amended to read:

~~(27) "Mixed income housing" means a housing project in which the following apply.~~

~~(1) *Owner-occupied housing.* At the option of the applicant, owner-occupied housing may be characterized by either of the following:~~

~~(i) *at least 15 percent of the housing units have a purchase price that at the time of first sale does not exceed 85 percent of the new construction, targeted area purchase price limits established and published annually by the Vermont Housing Finance Agency; or*~~

~~(ii) *At the time of initial sale at least 20 percent of the housing units have a purchase price that at the time of first sale does not exceed 90 percent of the new construction, targeted area purchase price limits established and published annually by the Vermont Housing Finance Agency meet the requirements of affordable owner-occupied housing under subdivision (29)(A) of this section, adjusted for the number of bedrooms, as established and published annually by the Vermont Housing Finance Agency.*~~

~~(B) *Rental housing.* At least 20 percent of the housing units that are rented constitute affordable housing and have a duration of affordability of For not less than 15 years following the date that rental housing is initially placed in service, at least 20 percent of the housing units meet the requirements of affordable rental housing under subdivision (29)(B) of this section, adjusted for the number of bedrooms, as established and published annually by the Vermont Housing Finance Agency.~~

~~* * *~~

~~(35) *“Priority housing project” means a discrete project located on a single tract or multiple contiguous tracts of land that consists exclusively of:*~~

~~(A) *mixed income housing or mixed use, or any combination thereof, and is located entirely within a designated downtown development district, designated new town center, or designated growth center, or designated village center that is also a designated neighborhood development area under 24 V.S.A. chapter 76A; or*~~

~~(B) *mixed income housing and is located entirely within a designated Vermont neighborhood or designated neighborhood development area under 24 V.S.A. chapter 76A.*~~

~~Sec. 5. [Deleted.]~~

~~Sec. 6. 19 V.S.A. § 6081 is amended to read:~~

~~§ 6081. PERMITS REQUIRED; EXEMPTIONS~~

~~* * *~~

~~(c) If a designation pursuant to 24 V.S.A. chapter 76A is removed, subsection (a) of this section shall apply to any subsequent substantial change to a priority housing project development or subdivision that was originally exempt pursuant to subdivision 6001(3)(A)(iv)(I) of this title or subsection (p) of this section on the basis of that designation.~~

~~(p)(1) No permit or permit amendment is required for any subdivision, development, or change to a project that is located entirely within a downtown development district designated pursuant to 24 V.S.A. § 2793, if the change consists exclusively of any combination of mixed use and mixed income housing, and the cumulative changes within any continuous period of five years, commencing on or after the effective date of this subsection, remain below any applicable jurisdictional threshold specified in subdivision 6001(3)(A)(iv)(I) of this title or a neighborhood development area designated pursuant to 24 V.S.A. § 2793e. Upon receiving notice and a copy of the permit issued by an appropriate municipal panel pursuant to 24 V.S.A. § 4460(f), a previously issued permit for a development or subdivision located in a downtown development area or a neighborhood development area is extinguished. Existing permits in these areas may seek to be released from jurisdiction pursuant to subsection 6090(c) of this title.~~

~~(2) No permit or permit amendment is required for a priority housing project in a designated center other than a downtown development district if the project remains below any applicable jurisdictional threshold specified in subdivision 6001(3)(A)(iv)(I) of this title and will comply with all conditions of any existing permit or permit amendment issued under this chapter that applies to the tract or tracts on which the project will be located. If such a priority housing project will not comply with one or more of these conditions, an application may be filed pursuant to section 6084 of this title.~~

~~***~~

~~(v) A permit or permit amendment shall not be required for a development or subdivision in a designated downtown development district for which the District Commission has issued positive findings and conclusions under section 6086b of this title on all the criteria listed in that section. A person shall obtain new or amended findings and conclusions from the District Commission under section 6086b of this title prior to commencement of a material change, as defined in the rules of the Board, to a development or subdivision for which the District Commission has issued such findings and conclusions. A person may seek a jurisdictional opinion under section 6007 of this title concerning whether such a change is a material change. [Repealed.]~~

Sec. 6. [Deleted.]

~~Sec. 7. REPEALS~~

~~*The following are repealed:*~~

~~*(1) 10 V.S.A. § 6083a(d) (neighborhood development area fees).*~~

~~*(2) 10 V.S.A. § 6080b (downtown development).*~~

Sec. 7. [Deleted.]

~~*Sec. 8. 24 V.S.A. § 4460 is amended to read:*~~

~~§ 4460. APPROPRIATE MUNICIPAL PANELS~~

~~* * *~~

~~*(f)(1) This subsection shall apply to a subdivision or development that:*~~

~~*(A) was previously permitted pursuant to 10 V.S.A. chapter 151;*~~

~~*(B) is located in a downtown development district or neighborhood development area designated pursuant to chapter 76A of this title; and*~~

~~*(C) has applied for a permit or permit amendment required by zoning regulations or bylaws adopted pursuant to this subchapter.*~~

~~*(2) The appropriate municipal panel reviewing a municipal permit or permit amendment pursuant to this subsection shall include conditions contained within a permit previously issued pursuant to 10 V.S.A. chapter 151 unless the panel determines that the permit condition pertains to any of the following:*~~

~~*(A) the construction phase of the project that has already been constructed;*~~

~~*(B) compliance with another State permit that has independent jurisdiction;*~~

~~*(C) federal or State law that is no longer in effect or applicable;*~~

~~*(D) an issue that is addressed by municipal regulation and the project will meet the municipal standards; or*~~

~~*(E) a physical or use condition that is no longer in effect or applicable, or that will no longer be in effect or applicable once the new project is approved.*~~

~~*(3) After issuing or amending a permit containing conditions pursuant to this subsection, the appropriate municipal panel shall provide notice and a copy of the permit to the Natural Resources Board.*~~

~~(4) The appropriate municipal panel shall comply with the notice and hearing requirements provided in subdivision 4464(a)(1) of this title. In addition, notice shall be provided to those persons requiring notice under 10 V.S.A. § 6084(b) and shall explicitly reference the existing Act 250 permit.~~

~~(5) The appropriate municipal panel's decision shall be issued in accord with subsection 4464(b) of this title and shall include specific findings with respect to its determinations pursuant to subdivision (2) of this subsection.~~

~~(6) Any final action by the appropriate municipal panel affecting a condition of a permit previously issued pursuant to 10 V.S.A. chapter 151 shall be recorded in the municipal land records.~~

~~*** Act 250 Release from Jurisdiction ***~~

~~Sec. 8. 10 V.S.A. § 6090 is amended to read:~~

~~§ 6090. RECORDING; DURATION AND REVOCATION OF PERMITS~~

~~***~~

~~(c) Change to nonjurisdictional use; release from permit.~~

~~(1) On an application signed by each permittee, the District Commission may release land subject to a permit under this chapter from the obligations of that permit and the obligation to obtain amendments to the permit on finding each of the following:~~

~~(A) One of the following is true:~~

~~(i) the use of the land as of the date of the application is not the same as the use of the land that caused the obligation to obtain a permit under this chapter;~~

~~(ii) the municipality where the land is located has adopted permanent zoning and subdivision bylaws, but had not when the permit was issued; or~~

~~(iii) the land is located in a designated downtown or neighborhood development area that is exempt from this chapter.~~

~~(B) The use of the land as of the date of the application does not constitute development or subdivision as defined in section 6001 of this title and would not require a permit or permit amendment but for the fact that the land is already subject to a permit under this chapter.~~

~~(C) The permittee or permittees are in compliance with the permit and their obligations under this chapter.~~

~~(2) It shall be a condition of each affirmative decision under this subsection that a subsequent proposal of a development or subdivision on the~~

~~land to which the decision applies shall be subject to this chapter as if the land had never previously received a permit under the chapter.~~

~~(3) An application for a decision under this subsection shall be made on a form prescribed by the Board. The form shall require evidence demonstrating that the application complies with subdivisions (1)(A) through (C) of this subsection. The application shall be processed in the manner described in section 6084 of this title and may be treated as a minor application under that section. In addition to those required to be notified under section 6084, the District Commission shall send notice at the same time to all other parties to the permit and to all current adjacent landowners.~~

~~(4) The District Commission shall evaluate the conditions in the existing permit and determine whether the permit conditions are still necessary to mitigate impacts under the criteria of subsection 6086(a). If the District Commission finds that the permit conditions are still necessary, it shall deny the application or approve the application on the condition that the necessary conditions are added to the land's municipal permit.~~

Sec. 8. [Deleted.]

~~Sec. 9. 24 V.S.A. § 2792(a) is amended to read:~~

~~(a) A "Vermont Downtown Development Board," also referred to as the "State Board," is created to administer the provisions of this chapter. The State Board shall be composed of the following members or their designees:~~

~~* * *~~

~~(12) The executive director of the Vermont Housing and Conservation Board or designee.~~

Sec. 9. [Deleted.]

~~Sec. 10. 24 V.S.A. § 2793 is amended to read:~~

~~§ 2793. DESIGNATION OF DOWNTOWN DEVELOPMENT DISTRICTS~~

~~* * *~~

~~(b) Within 45 days of receipt of a completed application, the State Board shall designate a downtown development district if the State Board finds in its written decision that the municipality has:~~

~~(1) Demonstrated a commitment to protect and enhance the historic character of the downtown through the adoption of a design review district, through the adoption of an historic district, or through the adoption of regulations that adequately regulate the physical form and scale of development that the State Board determines substantially meet the historic~~

~~preservation requirements in subdivisions 4414(1)(E) and (F) of this title, or through the creation of a development review board authorized to undertake local Act 250 reviews of municipal impacts pursuant to section 4420 of this title.~~

~~***~~

~~(4) A housing element in its plan in accordance with subdivision 4382(10) of this title that achieves the purposes of subdivision 4302(11) of this title and that includes clear implementation steps for achieving mixed income housing, including affordable housing, a timeline for implementation, responsibility for each implementation step, and potential funding sources.~~

~~(5) Adopted one of the following to promote the availability of affordable housing opportunities in the municipality:~~

~~(A) inclusionary zoning as provided in subdivision 4414(7) of this title;~~

~~(B) a restricted housing trust fund with designated revenue streams;~~

~~(C) a housing commission as provided in section 4433 of this title; or~~

~~(D) impact fee exemptions or reductions for affordable housing as provided in section 5205 of this title.~~

~~(c) A designation issued under this section shall be effective for eight years and may be renewed on application by the municipality. The State Board also shall review a community's designation four years after issuance or renewal and may review compliance with the designation requirements at more frequent intervals. Any community applying for renewal shall explain how the designation under this section has furthered the goals of the town plan and shall submit an approved town plan map that depicts the boundary of the designated district. Beginning on July 1, 2022, any community under review or seeking renewal shall comply with subdivisions (b)(4) and (5) of this section. If at any time the State Board determines that the downtown development district no longer meets the standards for designation established in subsection (b) of this section, it may take any of the following actions:~~

~~(1) require corrective action;~~

~~(2) provide technical assistance through the Vermont Downtown Program;~~

~~(3) limit eligibility for the benefits established in section 2794 of this chapter without affecting any of the district's previously awarded benefits; or~~

~~(4) remove the district's designation without affecting any of the district's previously awarded benefits.~~

Sec. 10. [Deleted.]

Sec. 11. 24 V.S.A. § 2793a. is amended to read:

§ 2793a. DESIGNATION OF VILLAGE CENTERS BY STATE BOARD

** * **

(c) A village center designated by the State Board pursuant to subsection (a) of this section is eligible for the following development incentives and benefits:

** * **

(4) ~~The following State tax credits for projects located in a designated village center:~~

(A) ~~A State historic rehabilitation tax credit of ten percent under 32 V.S.A. § 5930cc(a) that meets the requirements for the federal rehabilitation tax credit.~~

(B) ~~A State façade improvement tax credit of 25 percent under 32 V.S.A. § 5930cc(b).~~

(C) ~~A State code improvement tax credit of 50 percent under 32 V.S.A. § 5930cc(e) The Downtown and Village Center Tax Credit Program described in 32 V.S.A. § 5930aa et seq.~~

** * **

~~Sec. 12. 24 V.S.A. § 2793c is amended to read:~~

~~§ 2793c. NEIGHBORHOOD PLANNING AREAS; DESIGNATION OF NEIGHBORHOOD DEVELOPMENT AREAS~~

~~ * *~~*

~~(c) Application for designation of a neighborhood development area. The State Board shall approve a neighborhood development area if the application demonstrates and includes all of the following elements:~~

~~ * *~~*

~~(5) The proposed neighborhood development area consists of those portions of the neighborhood planning area that are appropriate for new and infill housing, excluding identified flood hazard and fluvial erosion areas, except those areas containing preexisting development and areas suitable for infill development as defined in section 29-201 of the Vermont Flood Hazard Area and River Corridor Rule. In determining what areas are most suitable for new and infill housing, the municipality shall balance local goals for future land use, the availability of land for housing within the neighborhood planning~~

~~area, and the smart growth principles. Based on these considerations, the municipality shall select an area for neighborhood development area designation that:~~

~~(A) Avoids or that minimizes to the extent feasible the inclusion of "important natural resources" as defined in subdivision 2791(14) of this title and flood hazard areas and river corridors. If an "important natural resource" is included within a proposed neighborhood development area, the applicant shall identify the resource, explain why the resource was included, describe any anticipated disturbance to such resource, and describe why the disturbance cannot be avoided or minimized. If the neighborhood development area includes flood hazard areas or river corridors, the local bylaws must contain provisions consistent with the Agency of Natural Resources rules required under 10 V.S.A. § 754(a) to ensure that new infill development within a neighborhood development area occurs outside the floodway, new development is elevated or floodproofed at least two feet above Base Flood Elevation, or otherwise reasonably safe from flooding, and will not cause or contribute to fluvial erosion hazards within the river corridor. If the neighborhood development area includes flood hazard areas or river corridors, local bylaws shall also contain provisions to protect river corridors outside of the neighborhood development area consistent with the Agency of Natural Resources model river corridor bylaws.~~

~~(B) Is served by planned or existing transportation infrastructure that conforms with "complete streets" principles as described under 19 V.S.A. § 309d and establishes pedestrian access directly to the downtown, village center, or new town center.~~

~~(C) Is compatible with and will reinforce the character of adjacent National Register Historic Districts, National or State Register Historic Sites, and other significant cultural and natural resources identified by local or State government.~~

~~(6) The neighborhood development area is served by:~~

~~(A) municipal sewer infrastructure; or~~

~~(B) a community or alternative wastewater system approved by the Agency of Natural Resources~~

~~(7) The Within the neighborhood development area, the municipal bylaws allow minimum lot sizes of one-quarter of an acre or less and minimum net residential densities within the neighborhood development area greater than or equal to four single family detached dwelling units per acre, exclusive of accessory dwelling units, or no fewer than the average existing density of the surrounding neighborhood, whichever is greater.~~

~~(D) The methodology for calculating density shall be established in the guidelines developed by the Department pursuant to subsection 2792(d) of this title.~~

~~(A)(B) Regulations that adequately regulate the physical form and scale of development may be used to demonstrate compliance with this requirement.~~

~~(B)(C) Development in the neighborhood development areas that is lower than the minimum net residential density required by this subdivision (7) shall not qualify for the benefits stated in subsections (f) and (g) of this section. The district coordinator shall determine whether development meets this minimum net residential density requirement in accordance with subsection (f) of this section.~~

~~***~~

~~(8) Local bylaws, regulations, and policies applicable to the neighborhood development area substantially conform with neighborhood design guidelines developed by the Department pursuant to section 2792 of this title. These policies shall:~~

~~(A) ensure that all investments contribute to a built environment that enhances the existing neighborhood character and supports pedestrian use;~~

~~(B) ensure sufficient residential density uses and building heights;~~

~~(C) minimize the required lot sizes, setbacks, and parking requirements, and street widths, and~~

~~(D) require conformance with "complete streets" principles as described under 19 V.S.A. § 309d, street and pedestrian connectivity, and street trees.~~

~~(9) Residents hold a right to utilize household energy conserving devices.~~

~~(10) The application includes a map or maps that, at a minimum, identify:~~

~~(A) "important natural resources" as defined in subdivision 2791(14) of this title;~~

~~(B) existing slopes of 25 percent or steeper;~~

~~(C) public facilities, including public buildings, public spaces, sewer or water services, roads, sidewalks, paths, transit, parking areas, parks, and schools;~~

~~(D) planned public facilities, roads, or private development that is permitted but not built;~~

~~(E) National Register Historic Districts, National or State Register Historic Sites, and other significant cultural and natural resources identified by local or State government;~~

~~(F) designated downtown, village center, new town center, or growth center boundaries as approved under this chapter and their associated neighborhood planning area in accordance with this section; and~~

~~(G) delineated areas of land appropriate for residential development and redevelopment under the requirements of this section.~~

~~(11) The application includes the information and analysis required by the Department's guidelines under section 2792 of this title.~~

~~(12) A housing element in its plan in accordance with subdivision 4382(10) of this title that achieves the purposes of subdivision 4302(11) of this title and that includes clear implementation steps for achieving mixed income housing, including affordable housing, a timeline for implementation, responsibility for each implementation step, and potential funding sources.~~

~~(13) The application includes information in the proposed neighborhood development area that the municipality has adopted one of the following to promote the availability of affordable housing opportunities in the municipality:~~

~~(A) inclusionary zoning as provided in subdivision 4414(7) of this title;~~

~~(B) a restricted housing trust fund with designated revenue streams;~~

~~(C) a Housing Commission as provided in section 4433 of this title;~~
~~or~~

~~(D) impact fee exemptions or reductions for affordable housing as provided in section 5205 of this title.~~

~~***~~

~~(e) Length of designation. Initial designation of a neighborhood development area shall be reviewed concurrently with the next periodic review conducted of the underlying designated downtown, village center, new town center, or growth center.~~

~~(1) The State Board, on its motion, may review compliance with the designation requirements at more frequent intervals.~~

~~(2) If the underlying downtown, village center, new town center, or growth center designation terminates, the neighborhood development area designation also shall terminate.~~

~~(3) If at any time the State Board determines that the designated neighborhood development area no longer meets the standards for designation established in this section, it may take any of the following actions:~~

- ~~(A) require corrective action within a reasonable time frame;~~
- ~~(B) remove the neighborhood development area designation; or~~
- ~~(C) prospectively limit benefits authorized in this chapter.~~

~~(4) Action taken by the State Board under subdivision (3) of this subsection shall not affect benefits already received by the municipality or a land owner in the designated neighborhood development area.~~

~~(5) Beginning on July 1, 2022, any community under review or seeking renewal shall comply with subdivisions (c)(12) and (13) of this section.~~

~~(f) Neighborhood development area incentives for developers. Once a municipality has a designated neighborhood development area or has a Vermont neighborhood designation pursuant to section 2793d of this title, any a proposed development within that area shall be eligible for each of the benefits listed in this subsection. These benefits shall accrue upon approval by the district coordinator, who shall review, provided that the project meets the density requirements set forth in subdivision (c)(7) of this section to determine benefit eligibility and issue a jurisdictional opinion under 10 V.S.A. chapter 151 on whether the density requirements are met, as determined by the administrative officer, as defined in chapter 117 of this title. These benefits are:~~

~~(1) The the application fee limit for wastewater applications stated in 3 V.S.A. § 2822(j)(4)(D);; and~~

~~(2) The application fee reduction for residential development stated in 10 V.S.A. § 6083a(d).~~

~~(3) The the exclusion from the land gains tax provided by 32 V.S.A. § 10002(p).~~

~~(g) Neighborhood development area incentives for municipalities. Once a municipality has a designated neighborhood development area, it may receive:~~

~~(1) priority consideration for municipal planning grant funds; and~~

~~(2) training and technical assistance from the Department to support an application for benefits from the Department.~~

~~(h) *Alternative designation.* If a municipality has completed all of the planning and assessment steps of this section but has not requested designation of a neighborhood development area, an owner of land within a neighborhood planning area may apply to the State Board for neighborhood development area designation status for a portion of land within the neighborhood planning area. The applicant shall have the responsibility to demonstrate that all of the requirements for a neighborhood development area designation have been satisfied and to notify the municipality that the applicant is seeking the designation. The State Board shall provide the municipality with at least 14 days' prior written notice of the Board's meeting to consider the application, and the municipality shall submit to the State Board the municipality's response, if any, to the application before or during that meeting. On approval of a neighborhood development area designation under this subsection, the applicant may proceed to obtain a jurisdictional opinion from the district coordinator under subsection (f) of this section in order to obtain shall be eligible for the benefits granted to neighborhood development areas, subject to approval by the administrative officer, as provided in subsection (f) of this section.~~

Sec. 12. [Deleted.]

** * * Tax Credits * * **

Sec. 13. 32 V.S.A. § 5930aa is amended to read:

§ 5930aa. DEFINITIONS

As used in this subchapter:

(1) *“Qualified applicant” means an owner or lessee of a qualified building involving a qualified project, but does not include a State or federal agency or a political subdivision of either; or an instrumentality of the United States.*

(2) *“Qualified building” means a building built at least 30 years before the date of application, located within a designated downtown or village center, or neighborhood development area, which, upon completion of the project supported by the tax credit, will be an income-producing building not used solely as a single-family residence. Churches and other buildings owned by religious organization may be qualified buildings, but in no event shall tax credits be used for religious worship.*

(3) *“Qualified code improvement project” means a project:*

(A) *to install or improve platform lifts suitable for transporting personal mobility devices, limited use or limited application elevators, elevators, sprinkler systems, and capital improvements in a qualified building,*

and the installations or improvements are required to bring the building into compliance with the statutory requirements and rules regarding fire prevention, life safety, and electrical, plumbing, and accessibility codes as determined by the Department of Public Safety;

(B) to abate lead paint conditions or other substances hazardous to human health or safety in a qualified building; or

(C) to redevelop a contaminated property in a designated downtown, ~~or~~ village center, or neighborhood development area under a plan approved by the Secretary of Natural Resources pursuant to 10 V.S.A. § 6615a.

(4) “Qualified expenditures” means construction-related expenses of the taxpayer directly related to the project for which the tax credit is sought but excluding any expenses related to a private residence.

(5) “Qualified façade improvement project” means the rehabilitation of the façade of a qualified building that contributes to the integrity of the designated downtown ~~or~~, designated village center, or neighborhood development area. Façade improvements to qualified buildings listed, or eligible for listing, in the State or National Register of Historic Places must be consistent with Secretary of the Interior Standards, as determined by the Vermont Division for Historic Preservation.

(6) “Qualified Flood Mitigation Project” means any combination of structural and nonstructural changes to a building located within an area subject to the River Corridor Rule or within the flood hazard area as mapped by the Federal Emergency Management Agency that reduces or eliminates flood damage to the building or its contents. The project shall comply with the municipality’s adopted flood hazard and river corridor bylaw, if applicable, and a certificate of completion shall be submitted by a registered engineer, architect, qualified contractor, or qualified local official to the State Board. Improvements to qualified buildings listed, or eligible for listing, in the State or National Register of Historic Places shall be consistent with Secretary of the Interior’s Standards for Rehabilitation, as determined by the Vermont Division for Historic Preservation.

(7) “Qualified historic rehabilitation project” means an historic rehabilitation project that has received federal certification for the rehabilitation project.

~~(7)~~(8) “Qualified project” means a qualified code improvement, qualified façade improvement, or qualified historic rehabilitation project as defined by this subchapter.

~~(8)~~(9) “State Board” means the Vermont Downtown Development Board established pursuant to 24 V.S.A. chapter 76A.

Sec. 13a. 32 V.S.A. § 5930cc is amended to read:

*§ 5930cc. DOWNTOWN AND VILLAGE CENTER PROGRAM TAX
CREDITS*

** * **

(d) Flood Mitigation Tax Credit. The qualified applicant of a qualified flood mitigation project shall be entitled, upon the approval of the State Board, to claim against the taxpayer's State individual income tax, State corporate income tax, or bank franchise or insurance premiums tax liability a credit of 50 percent of qualified expenditures up to a maximum tax credit of \$75,000.00.

** * * Wastewater Connection Permits * * **

Sec. 14. 10 V.S.A. § 1974(9) is added to read:

(9) A person who receives an authorization from a municipality that administers a program registered with the Secretary pursuant to section 1983 of this title.

Sec. 15. 10 V.S.A. § 1983 is added to read:

*§ 1983. REGISTRATION FOR MUNICIPAL WASTEWATER SYSTEM
AND POTABLE WATER SUPPLY CONNECTIONS*

(a) A municipality may issue an approval for a connection or an existing connection with a change in use to the municipal sanitary sewer collection line via a sanitary sewer service line or a connection to a water main via a new water service line in lieu of permits issued under this chapter, provided that the municipality documents the following in a form prescribed by the Secretary:

(1) The municipality owns or has legal control over connections to a public community water system permitted pursuant to chapter 56 of this title and connections to a wastewater treatment facility permitted pursuant to chapter 47 of this title.

(2) The municipality shall only issue authorizations for:

(A) a sanitary sewer service line that connects to the sanitary sewer collection line that serves a single connection; and

(B) a water service line that connects to the water main that serves a single connection.

(3) The building or structure connects to both the sanitary sewer collection line and public community water system.

(4) The municipality issues approvals that comply with the technical standards for sanitary sewer service lines and water service lines adopted by the Secretary under this chapter.

~~(5) The municipality requires documentation in the land records that the connection authorized by the municipality was installed in accordance with the technical standards.~~

~~(6) The program requires the retention of plans that show the location and design of authorized connections.~~

~~(b) The municipality shall notify the Secretary 30 days in advance of terminating any registration. The municipality shall provide all approvals and plans to the Secretary as a part of this termination notice.~~

~~Sec. 16. STUDY OF SUBDIVISION REGULATIONS IN AUTHORIZED MUNICIPALITIES~~

~~The Agency of Natural Resources' Technical Advisory Committee shall report to the House Committee on Natural Resources, Fish and Wildlife and the Senate Committee on Natural Resources and Energy on whether municipalities authorized under 10 V.S.A. § 1983 should also have jurisdiction to issue permits in lieu of the Secretary for subdivisions when the lot is served by municipal water and sewer.~~

~~*** Wastewater and Potable Water Supply Connections ***~~

~~Sec. 14. 10 V.S.A. § 1972 is amended to read:~~

~~§ 1972. DEFINITIONS~~

~~For the purposes of As used in this chapter:~~

~~***~~

~~(11) “Change in use” means converting to a different type of use, such as from a residence to a restaurant or office space or from a restaurant to a residence; change from seasonal to year-round use; or scaling up a use, such as increasing the number of employees or adding bedrooms. “Change of use” does not include the addition of a home occupation to a living unit.~~

~~(12) “Municipality” means a city, town, fire district, school district, consolidated water district, incorporated village, or unorganized town or gore.~~

~~(13) “Sanitary sewer service line” means piping and associated components that conveys wastewater from a building or structure or campground to a wastewater treatment facility, to an indirect discharge system, or to the leachfield of a soil-based wastewater system of less than 6,500 gallons per day. Sanitary sewer service lines also include piping that conveys wastewater from a building or structure or campground to a sanitary sewer collection line.~~

~~(14) "Water main" means water piping, such as a transmission main or distribution main, that is part of a public water system as defined in the Agency of Natural Resources' Water Supply Rule. A water main includes piping leading to fire hydrants.~~

~~(15) "Water service line" means the piping that is not a water main and extends from the water main to a building or structure or campground.~~

Sec. 14. [Deleted.]

~~Sec. 15. 10 K.S.A. § 1974(9) is added to read:~~

~~§ 1974. EXEMPTIONS~~

~~Notwithstanding any other requirements of this chapter, the following projects and actions are exempt:~~

~~* * *~~

~~(9) A person who receives an authorization from a municipality that administers a program registered with the Secretary pursuant to section 1983 of this title.~~

Sec. 15. [Deleted.]

~~Sec. 16. 10 K.S.A. § 1983 is added to read:~~

~~§ 1983. REGISTRATION FOR MUNICIPAL WASTEWATER SYSTEM
AND POTABLE WATER SUPPLY CONNECTIONS~~

~~(a) Notwithstanding the requirement under section 1976 of this title that the Secretary delegate to a municipality authority to approve a connection and notwithstanding the requirement under section 1973 of this title, a municipality may issue an approval for a connection or an existing connection with a change in use to the municipal sanitary sewer collection line by a sanitary sewer service line or a connection to a water main by a new water service line, provided that the municipality documents the following information in a form prescribed by the Secretary:~~

~~(1) The municipality owns or has legal control over connections to:~~

~~(A) a public community water system permitted pursuant to chapter 56 of this title; and~~

~~(B) a wastewater treatment facility permitted pursuant to chapter 47 of this title.~~

~~(2) The municipality shall only issue authorizations for:~~

~~(A) a sanitary sewer service line that connects to the sanitary sewer collection line that serves a single connection, and~~

~~(D) a water service line that connects to the water main that serves a single connection.~~

~~(3) The building or structure connects to both the sanitary sewer collection line and public community water system.~~

~~(4) The municipality issues approvals that comply with the technical standards for sanitary sewer service lines and water service lines adopted under the Agency of Natural Resources' Wastewater System and Potable Water Supply Rules.~~

~~(5) The municipality requires documentation in the land records of the municipality from a professional engineer or a licensed designer that the connection authorized by the municipality was installed in accordance with the technical standards.~~

~~(6) The municipality retains plans that show the location and design of authorized connections.~~

~~(b) The municipality shall notify the Secretary 30 days in advance of terminating any registration. The municipality shall provide all approvals and plans to the Secretary as a part of this termination notice.~~

~~(c) Upon request of the Secretary, a municipality approving a connection under this section shall provide copies of approvals of connection, connection plans, and any associated documentation.~~

Sec. 16. [Deleted.]

~~Sec. 16a. STUDY OF SUBDIVISION REGULATIONS IN AUTHORIZED MUNICIPALITIES~~

~~The Agency of Natural Resources' Wastewater and Potable Water Supply Technical Advisory Committee shall report to the House Committee on Natural Resources, Fish, and Wildlife and the Senate Committee on Natural Resources and Energy on whether municipalities authorized under 10 V.S.A. § 1983 should also have jurisdiction to issue wastewater and potable water supply permits instead of the Agency of Natural Resources for subdivisions when the lot is covered by municipal water and sewer.~~

Sec. 16a. [Deleted.]

* * * Age-Specific Housing Study * * *

Sec. 17. STATEWIDE HOUSING STUDY

(a)(1) The Department of Housing and Community Development, in collaboration with the Department of Disabilities, Aging, and Independent

Living, shall conduct a Statewide Housing Study to evaluate the current and projected needs for age-specific housing in Vermont.

(2) The Departments shall include recommendations for an age-specific housing plan and policies with measurable objectives that are focused on older Vermonters, in particular those with very low income or who are caregivers or living with disabilities.

(b) The Departments shall submit the Study to the Senate Committee on Economic Development, Housing and General Affairs and to the House Committee on General, Housing, and Military Affairs on or before January 15, 2021.

* * * Short-term Rentals * * *

Sec. 18. SHORT-TERM RENTALS

(a) The Department of Housing and Community Development may exercise its authority under 3 V.S.A. § 844 to adopt emergency rules to collect sufficient data to allow the State to understand the impact of short-term rentals on the availability of housing in this State while balancing the privacy interests of short-term rental operators and their guests.

(b) On or before January 15, 2021, the Department shall submit a report to the Senate Committee on Economic Development, Housing and General Affairs and to the House Committee on General, Housing, and Military Affairs that includes:

(1) information concerning the data it collects pursuant to this section and in conjunction with any housing needs assessment the Department conducts in conjunction with the Vermont Housing Finance Agency and Vermont Housing and Conservation Board;

(2) a compilation of the legal frameworks adopted by U.S. states and municipalities to regulate short-term rentals; and

(3) recommendations for any statutory and municipal regulation of short-term rentals in this State.

Sec. 19. 24 V.S.A. § 2291 is amended to read:

§ 2291. ENUMERATION OF POWERS

For the purpose of promoting the public health, safety, welfare, and convenience, a town, city, or incorporated village shall have the following powers:

* * *

(29) To regulate by means of an ordinance or bylaw the operation of short-term rentals within the municipality, provided that the ordinance or bylaw does not adversely impact the availability of long-term rental housing. As used in this subdivision, "short-term rental" means a furnished house, condominium, or other dwelling room or self-contained dwelling unit rented to the transient, traveling, or vacationing public for a period of fewer than 30 consecutive days and for more than 14 days per calendar year.

Homelessness Prevention

Sec. 20. HOMELESSNESS PREVENTION

(a) Consistent with the report mandated in 2019 Acts and Resolves No. 72, Sec. E.300.4, the Secretary of Human Services shall take reasonable measures, including increasing case management services under a "housing first" model for Vermonters who are homeless, to reduce the loss of specialized federal rental assistance vouchers.

(b) The Secretary shall report to the Senate Committees on Appropriations, on Economic Development, Housing and General Affairs, and on Health and Welfare and to the House Committees on Appropriations, on General, Housing, and Military Affairs, on Human Services, and on Health Care on or before October 15, 2020 on measures taken, and results achieved, in increasing the use of specialized federal assistance vouchers.

Sec. 20. [Deleted.]

* * * Mobile Home Parks * * *

Sec. 21. MOBILE HOME PARK INFRASTRUCTURE

(a) The Department of Environmental Conservation shall:

(1) assist the Town of Brattleboro and the Tri-Park Cooperative in the implementation of the Tri-Park Master Plan and Deerfield River & Lower Connecticut River Tactical Basin Plan, including through loan forgiveness or restructuring of State Revolving Loans RF1-104 and RF3-163 and additional loans, to allow for the relocation of homes in the floodplain and improvements to wastewater and stormwater infrastructure needs;

(2) provide similar assistance to the extent possible to similarly situated mobile home parks that also have relocation or infrastructure needs; and

(3) identify statutory and programmatic changes necessary to assist in the implementation of the plans and to improve access and terms by mobile home parks and other small communities to the Clean Water Revolving Loan Fund, Water Infrastructure Sponsorship Program and the Drinking Water State Revolving Fund.

(b) On or before January 15, 2021, the Department shall report on actions taken and recommendations for statutory or programmatic changes to the Senate Committees on Economic Development, Housing and General Affairs and on Institutions and to the House Committees on General, Housing, and Military Affairs and on Corrections and Institutions.

Sec. 22. 10 V.S.A. § 10 is amended to read:

§ 10. VERMONT STATE TREASURER; CREDIT FACILITY FOR LOCAL INVESTMENTS

(a) Notwithstanding any provision of 32 V.S.A. § 433(a) to the contrary, the Vermont State Treasurer shall have the authority to establish a credit facility of up to 10 percent of the State's average cash balance on terms acceptable to the Treasurer and consistent with prudent investment principles and guidelines pursuant to 32 V.S.A. § 433(b)–(c) and the Uniform Prudent Investor Act, 14A V.S.A. chapter 9.

(b) ~~The amount authorized in subsection (a) of this section shall include all credit facilities authorized by the General Assembly and established by the Treasurer, and the renewal or replacement of those credit facilities. The Treasurer may use amounts available under this section to provide financing for infrastructure projects in Vermont mobile home parks and may modify the terms of such financing in his or her discretion as is necessary to promote the availability of mobile home park housing and to protect the interests of the State.~~

* * * Vermont Housing Incentive Program * * *

Sec. 23. 10 V.S.A. chapter 29, subchapter 3 is added to read:

Subchapter 3. Vermont Housing Incentive Program

§ 699. VERMONT HOUSING INCENTIVE PROGRAM

(a) Purpose. Recognizing that Vermont's rental housing stock is some of the oldest in the country and that much of it needs updating to meet code requirement and other standards, this section is intended to incentivize private apartment owners to make significant improvements to both housing quality and weatherization by providing small grants that are matched by the private apartment owner.

(b) Creation of Program. The Department of Housing and Community Development shall design and implement a Vermont Housing Incentive Program to provide funding to regional nonprofit housing partner organizations to provide incentive grants to private landlords for the rehabilitation and improvement, including weatherization, of existing rental housing stock.

(c) Administration. The Department shall require any nonprofit regional housing partner organization that receives funding under this Program to develop a standard application form for property owners that describes the application process and includes clear instructions and examples to help property owners apply, a selection process that ensures equitable selection of property owners, and a grants management system that ensures accountability for funds awarded to property owners.

(d) Grant Requirements. The Department shall ensure that each grant complies with the following requirements:

(1) A property owner may apply for a grant for improvements to not more than four rental units that are vacant, blighted, or otherwise do not comply with applicable rental housing health and safety laws.

(2) A property owner shall:

(A) match the value of a grant at least two-to-one with his or her own funds and not through in-kind services;

(B) include a weatherization component; and

(C) comply with applicable permit requirements and rental housing health and safety laws.

(3) The Department and the property owner shall ensure that not fewer than half of the rental units improved with grant funds have rents that are affordable to households earning not more than 80 percent of area median income and remain affordable for not less than seven years.

(4) If a property owner sells or transfers a property improved with grant funds within seven years of receiving the grant, the property owner shall:

(A) repay the amount of the grant funds upon sale or transfer; or

(B) ensure that the property continues to remain affordable for the remainder of the seven-year period required in subdivision (3) of this subsection.

(e) As used in this section:

(1) "Blighted" means that a rental unit is not fit for human habitation and does not comply with the requirements of applicable building, housing, and health regulations.

(2) "Vacant" means that a rental unit has not been leased or occupied for at least 90 days prior to the date a property owner submits a grant application and remains unoccupied at the time the grant is awarded.

** * * Implementation of Incentives * * **

Sec. 24. IMPLEMENTATION

The incentives and funding established in 24 V.S.A. §4412(b)(3) shall be available immediately to municipalities that adopt bylaws to comply with 24 V.S.A. §4412(b)(1) prior to the effective date of July 1, 2023.

** * * Effective Dates * * **

Sec. 25. EFFECTIVE DATES

This act shall take effect on July 1, 2020, except in Sec. 2, 24 V.S.A. § 4412(b) shall take effect on July 1, 2023.