Community Investment Package

WHAT: The community investment package helps the state tackle its housing, revenue, and demographic challenges by aligning state and local regulations with new funding to increase housing quality, supply, and affordability within Vermont's downtowns, villages, and neighborhoods.

WHY: Jobs are going unfilled, employees are driving farther and farther from work to find homes they can afford, and the most vulnerable among us are struggling to find or maintain the foundation to well-being – a decent, warm, dry, safe, and secure place to call home.

A recent survey by the Department of Housing and Community Development found that high land and construction costs, unnecessarily complicated regulations (local zoning and Act 250), limited water and wastewater infrastructure, and too few tools or incentives to help cities and towns support new development have constrained the market's ability to meet Vermont's housing needs.

Aligning regulations and funding within Vermont's walkable centers will create more housing opportunities, supercharge successful community revitalization efforts, help expand the workforce, and ensure the state's economy can meet its full potential.

WHO: The proposal aims to help first-time homebuyers and renters; downsizing older adults; middle-income and workforce Vermonters (80–120% AMI); employers seeking workers and workforce housing; struggling downtowns, villages, and neighborhoods; landowners and homebuilders; and state and municipal revenue.

HOW: The package takes a comprehensive approach to address Vermont's housing, revenue, and demographic challenges. Specifically, the proposal:

1. **Speeds permitting for new and rehabilitated housing units by exempting certain state designated centers from Act 250 and state water and wastewater connections permits.**
2. **Provides new tools, funding, and training to help municipalities adopt 'housing ready' bylaws.**
3. **Trains the next generation of builders and landlords to help jump-start housing investment in all counties.**
4. **Makes rental housing in state designated Neighborhood Development Areas eligible for Downtown and Village Center Tax Credits.**
5. **Offers new grants to bring unsafe, blighted, and vacant rental units up to code and back online.**
6. **Eliminates the capital gains on the sale of improved homes located within federally designated Opportunity Zones.**
7. **Establishes a framework to leverage funding for 'placemaking' projects within state designated centers.**

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VERMONT
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1 Speeds Permitting

Exempt State Designated Downtowns and Neighborhoods from Act 250 Review

WHAT: Reduce double-permitting by eliminating state Act 250 review in state designated downtowns and neighborhood development areas; and transition existing Act 250 permits to municipal review in these locations.

WHY: Encouraging development and reinvestment in our downtowns and adjoining neighborhoods helps revitalize our historic centers, supports small businesses, attracts private investment, employers and workers, improves access to jobs, increases property values and is responsive to the needs generated by the state's demographic shifts.

Municipalities that qualify for downtown and neighborhood development designation have demonstrated the capacity to guide development consistent with their community goals and standards. This can make Act 250 review redundant.

Exempting certain designated centers from Act 250 review means housing and commercial development within designated downtowns and neighborhoods will be less expensive and more predictable.

WHO: When municipal planners were asked what state benefit (other than funding) would be most beneficial to state designated centers, the top response was to eliminate Act 250 review in those areas. Doing so would help level the playing field with greenfield developments and allow small-scale home builders, developers, and businesses to secure permits more efficiently. The proposal aims to help first-time homebuyers and renters; downsizing older adults; middle-income and workforce Vermonters (80–120% AMI); employers seeking workers and workforce housing; struggling downtowns, villages, and neighborhoods; landowners and homebuilders; and state and municipal revenue.

HOW: Update the Act 250 statute to eliminate the need for a permit and enhance municipal review in state designated downtowns and neighborhood development areas in the following ways:

- No development will be subject to Act 250 permitting in state designated downtown and neighborhood development areas.
- Update the local development review requirements for designated downtowns to ensure the local development review process adequately guides development.
- Improve the requirements for designated neighborhood development areas to better address flood resilience in vulnerable places.

FUNDING: No new funding needed. This will be part of a larger Act 250 reform package that may include a funding request to support other components of the bill.

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2 Water and Wastewater Service Connections

One Stop State and Municipal Water/Wastewater Service Connections

WHAT: Create a process for one stop, municipal permitting of new connections to municipal water and wastewater systems and statewide maps of municipal water and sewer systems.

WHY: Currently a state issued wastewater system and potable water supply permit is necessary for any new building that connects to a municipal sewer or water line – in addition to obtaining a local approval, unless the municipality has undertaken a process to issue state permits through partial delegation. To date, only two municipalities have chosen delegation. The proposed change in statute allows municipalities to approve a sanitary sewer service line and a water service line from a building to the collection line or water main to reduce cost, time, and complexity in the permitting process. The proposed change would also result in statewide maps of water and sewer service area lines, facilities, and service areas.

WHO: This will benefit landowners engaged in development within municipalities that choose to meet minimum standards for the safe regulation of sewer and water connections by eliminating the need for both local and state applications, reducing any additional time and cost caused by interaction with two separate review authorities, and mapping water and sewer lines, facilities, and service areas.

HOW: This section proposes a change to statute, establishing a relatively simple process for the Secretary of the Agency of Natural Resources to grant municipalities, through registration rather than delegation, the authority to review and approve sanitary sewer service lines and water service lines. The legislation also requires that municipalities map water and sewer lines and service areas if/when they update their 8-year plans.

FUNDING: No new funding will be requested.

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3 Modernize Local Regulations

Modernize Municipal Regulations for Inclusive Housing

WHAT: Expand small-scale and 'missing middle' residential development opportunities in state designated downtowns and neighborhood development areas; provide technical assistance to municipalities to help them adopt zoning that welcomes inclusive housing; offer training for missing middle developers and landlords to grow the next generation of local housing providers.

WHY: Vermont's housing supply is mismatched with demand. While high construction costs contribute to this mismatch, surveys and studies have also shown that 1970s style suburban and auto-oriented zoning frequently require excessive land and parking requirements to create new housing and these outdated zoning regulations subject small multi-unit projects to outsized review. These regulations can delay, limit, or block the types of housing needed for young workers looking to move to Vermont, increase the cost living, and they can lead to gentrification.

New funding and training is needed to help communities adopt more inclusive housing regulations – especially in places where transportation, public services, and utilities are present, affordable, and sustainable. Providing tools and resources to create more opportunities for safe and conveniently located homes in areas with jobs and services helps protect the vulnerable and makes Vermont more affordable.

WHO: This package builds a big tent of stakeholders ready to benefit from more homes – from the 20-something looking for rental housing near work, to the downsizing senior wanting a new downtown apartment, to the employer who can't fill open jobs because of a lack of adequate housing. For municipalities, welcoming more homes grows the grand list, helps maintain population to support commercial and social vitality, and – most importantly – improves the affordability and financial solvency of municipal infrastructure that's becoming increasingly harder to sustain without federal support. Farmers, foresters, smart-growth advocates, and conservationists can also appreciate that encouraging more development in these areas eases development pressures on working lands and natural areas.

HOW: Rental properties within neighborhood development area designations receive tax credits to improve the quality and habitability of units. Modern housing ready bylaws and guidance (available this spring) and additional funds for municipal planning grants and regional planning commissions would help cities and towns take steps to modernize their zoning. New training developed in partnership with consulting experts and non-profit partners would help create a new generation of landlords and small-scale developers working to ensure the new tax credits and grants improve the quality of housing in all of Vermont's fourteen counties.

FUNDING: $300,000 – Municipal planning assistance for inclusive housing development
$50,000 – Missing middle housing developer and landlord training

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4 Expand Downtown and Village Center Tax Credits

Expand Tax Credits and Improve Rental Housing

WHAT: Expand the successful downtown and village center tax credit program to support the improvement of rental housing in neighborhood development areas; and strengthen community flood preparedness by providing tax credits to floodproof buildings within flood hazard areas.

WHY: The downtown and village tax credits are a proven way to jump start the revitalization seen in Vermont's historic centers. These investments in community vitality support small businesses, attracts private investment, employers and workers, improves access to jobs, and increases property values. Expanding this existing program to improve rental housing would increase the supply, quality, and flood resilience of rental housing in and around Vermont's historic centers.

WHO: The proposal would help community supported enterprises, small businesses and employers, private and non-profit housing, and commercial property developers. Enhancing the tax credits to increase private investment in existing housing stock, helps attract younger Vermonters seeking housing opportunities near work, downsizing older adults wanting to live closer to shops and services, employers struggling to fill open jobs because of a lack of adequate housing, and help qualified owners flood proof their property. For municipalities, stimulating rental housing investment increases the value of the grand list, improves flood readiness, helps maintain the population needed to ensure their long-term vitality and viability, and makes the operation of schools, and the repair and maintenance of municipal infrastructure, more affordable.

HOW: Amend the tax laws to enable rental properties within neighborhood development areas to qualify for downtown and village center tax credits; and expand tax credit-eligible building improvements to include flood mitigation work within special flood hazard areas.

FUNDING: Increase the cap by $1.4M, for a total of $4M.

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5 Rehabilitate Rental Housing

Small Grants to Rehabilitate Rental Housing

WHAT: The Vermont Housing Incentive Program (VHIP) aims to incentivize small-scale, private apartment owners to re-invest in rental units that have been closed due to housing quality concerns. By providing grants to be matched with private investments, VHIP will allow for the owners of blighted and vacant units to make the necessary safety and weatherization improvements to increase the availability of affordable housing units to middle-income households. The program will be available to landlords with holdings of four or fewer units who agree to maintain affordable rental rates for at least five years after completion of the rehabilitation.

WHY: Vermont has some of the oldest housing stock in the country. This is especially true of our rental housing. Of Vermont's rental housing stock, 80% is more than 40 years old, and nearly half of these units are more than 80 years old.

WHO: Of Vermont's rental housing units, only 17% are subsidized or otherwise publicly supported. The remaining 83% of Vermont's rental housing stock is held by private landlords and has not benefited from recent investments made to increase our affordable housing stock. Many of these landlords are not professional property managers and are low-moderate income earners themselves.

In many areas of the state the cost of these important investments requires rental rates that are not affordable to households in the middle-income brackets. Offering small grants, coupled with attractive loan terms, has proven to be a cost-effective way to incentivize small-scale rental property owners to invest in underutilized and poor-quality housing stock. This not only adds quality rental units that are affordable to middle-income households but represents an important investment in the existing buildings in our communities.

HOW: VHIP will be administered by the Department of Housing and Community Development (DHCD). Modeled after a successful pilot program undertaken in Bennington, owners of four or fewer rental units can apply for grants for necessary health, safety, and weatherization improvements on vacant rental units. Grants will require a two-to-one match of private funds and the improved units are to be rented at rates affordable to households making 80% or less of the area median income. Specific application parameters and monitoring is to be determined by DHCD in consultation with the Home Ownership Centers.

FUNDING: $1M in grant funds.

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Tax Incentives to Spur Housing Investment within Opportunity Zones

WHAT: Expand the personal income tax exemption for any capital gain realized from the sale of a primary residence within Vermont's 17 federally designated opportunity zones where the buyer intends to use it as their primary residence.

WHY: Vermont's housing stock is among the oldest in the nation and many Vermont communities with federally designated opportunity zones lack resources to reverse neighborhood disinvestment trends. This proposal aims to help tackle this challenge by exempting homeowner improvements from capital gains. This would promote investment in new and existing residential housing stock and simulate construction activity – an important part of the economy that pays living wages and generates tax revenues. It would also enhance federal investment incentives within Vermont's 17 opportunity zones.

WHO: While the proposed tax credits and grants help rental property owners, this incentive is aimed at homeowners who sell new or improved housing within Vermont opportunity zones. This is a benefit already enjoyed by Vermonters who sell their primary residence and expanding it would help create new and rehabilitate existing owner-occupied housing in these areas. For municipalities, stimulating housing investment within the opportunity zone increases the value of the grand list, helps maintain the population needed to ensure their long-term vitality and viability, and makes the operation of schools and the repair and maintenance of municipal infrastructure more affordable. It also helps employers who struggle to fill open jobs because of a lack of adequate housing.

HOW: Amend the tax laws to exempt any capital gain included in the taxpayer's adjusted gross income from the sale of homes located within a federally designed opportunity zone sold to a person who occupies the home as their primary residence.

FUNDING: There are just under 22,000 residential parcels in opportunity zones around Vermont. Creating this exemption is expected to reduce personal income tax revenues from an estimated 300 real estate transactions. Forgone revenue is estimated at less than $100,000.

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7 Create Better Places

Create Better Places Grant Program to Spark Community Revitalization

WHAT: Establish a scalable, 50/50 matching community grant program that strategically coordinates the efforts of several funders who support place-based economic development projects like walking and biking trails, public art, parks, and farmers markets.

WHY: Existing grant programs have incompatible timelines and administrative requirements which often means it can take several years to secure the funding needed to launch projects. The Better Places proposal aims to simplify the funding process by creating a one-stop-shop for funders to collaborate and provide communities a more nimble, flexible source to quickly fund, and launch local placemaking projects.

WHO: This proposal supports local leaders across the state working on projects to improve the livability and quality of life in their communities. The new funding platform is aimed at smaller 'quick build' projects, that create a shared community focus, help build social capital, and empower local leaders. Tackling small projects together can restore confidence, rebuild capacity, and renew local pride of place – critical elements proven to spark larger community transformations that attract businesses, new workers, residents, and visitors to Vermont.

HOW: Through a partnership between state, nonprofit, and philanthropic organizations, the Better Places proposal utilizes an innovative 'crowdgranting' funding model to support community development efforts in Vermont's downtowns, villages, and neighborhoods. Specifically, the proposal:

- Establishes enabling legislation to create the Better Places program to accelerate local projects that improve streets and parks, walking and biking trails, and vacant properties.
- Streamlines and integrates grantmaking of multiple funders so residents, businesses, and community organizations achieve more immediate results.
- Empowers local leaders to play an active role in shaping their communities, building social capital, local pride, and community leadership.

FUNDING: $250,000 in grant funds will leverage an additional $250,000 from program partners and private philanthropies.

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Stakeholders Consulted

General Assembly Members
Senator Sirotkin, Chittenden County
Senator Cummings, Washington County
Representative Marcotte, Newport
Representative Kimbell, Woodstock
Representative Stevens, Waterbury
Representative Sheldon, Middlebury

Non-Profit Housing Developers
Nancy Owens and Kathy Beyer, Housing Vermont
Cindy Reid and Miranda Lescaze, Cathedral Square
Ludy Biddle, Neighborworks of Western Vermont
Jen Hollar, VHCB
Andrew Winter, Twin Pines Housing
Maura Collins and Seth Leonard, VHFA
Chris Donnelly and Amy Demetrowitz, Champlain Housing Trust
Erhard Mahnke, Vermont Affordable Housing Coalition
Tyler Maas, Vermont State Housing Authority

For-Profit Housing Developers
Chris Snyder, Snyder Homes
Erik Hoekstra, Redstone Development
Katie Buckley, M+S Development

Municipal Leaders and Regional Planners
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Catherine Dimitruk, NRPC
Tasha Wallis and Seth Jenson, LCRPC
David Snedeker, NVDA
Steve Lotspeich, Waterbury
Dominic Cloud and Chip Sawyer, City of St. Albans
Jeff Wennberg, City of Rutland
Jessie Baker, City of Winooski
David Rugh, Stitzel, Page + Fletcher/VPA
Elaine Haney, Essex
Jim Jutras, Essex Junction
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Andrew Brewer, DRM
Kelly Stoddard Poor and Philene Taormina, AARP
Gwynn Zakov and Karen Horn, VLCT
Nancy Lynch, Vermont Association of Realtors
Tom Torti and Austin Davis, Lake Champlain Chamber of Commerce
Adam Necrason, Necrason Group
Brian Shupe, Jon Groveman and Kate McCarthy, Vermont Natural Resources Council
Charles Martin, Vermont Chamber of Commerce
Sandra Levine, Conservation Law Foundation
Chris D'Elia, Vermont Bankers Association
Angela Zaikowski, VT Landlords Association

Sister Agencies
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Greg Boulbol and Evan Meenan, NRB
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Others
Eli Spevak, Orange Splot, Oregon
State Treasure Beth Pearce

Better Places Stakeholders
Kelly Stoddard Poor, AARP Vermont
Michele Bailey, Amy Cunningham, and Karen Mittleman, Vermont Arts Council
Maura Carroll and Abby Friedman, VLCT
Sarah Waring and Chelsea Bardot Lewis, Vermont Community Foundation
Beth Rusnock, National Life Foundation
Liz Gamache and Lisa Ryan, Preservation Trust of Vermont
Jenna Koloski, Vermont Council of Rural Development
Rebecca Sandborn Stone, Bethel Revitalization Initiative
Ward Joyce, Ward Joyce Design
Katherine Sims, Northeast Kingdom Collaborative
Shelby Semmes, Trust for Public Land
Kate McCarthy, Vermont Natural Resources Council
Karen Yacos, Local Motion
Ben Doyle, USDA-Rural Development
Suzanne Kelley, Department of Health
Alissa Matthews, Agency of Agriculture, Food, and Markets
Jackie Cassino and Jon Kaplan, VTrans
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