| 1        | S.101   |
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| 2        | Introduced by Senators Sirotkin, Balint, Brock, Clarkson and Ram                  |
| 3        | Referred to Committee on  |
| 4        | Date:   |
| 5        | Subject: Housing; municipal bylaws; tax credits; wastewater permits; grants       |
| 6        | Statement of purpose of bill as introduced: This bill proposes to adopt           |
| 7        | multiple changes to promote housing choice and opportunity in smart growth        |
| 8        | areas, including:   |
| 9        | • updating the Municipal and Regional Planning Fund program to allow              |
| 10       | grants for municipalities seeking to modernize their bylaws to increase           |
| 11       | housing choice;   |
| 12       | • extending the Downtown and Village Center Tax Credit Program to                 |
| 13       | neighborhood development areas as well as raising the cap on the amount           |
| 14       | of tax credits available;   |
| 15       | • training developers to navigate the permitting process; and                     |
| 16       | • removing the requirement for State water or wastewater permits where            |
| 17       | the municipality has issued a permit.   |
|          |   |
|          |   |
| 18<br>19 | An act relating to promoting housing choice and opportunity in smart growth areas |

| 1  | It is hereby enacted by the General Assembly of the State of Vermont:             |
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| 2  | * * * Municipal Bylaw Grants * * *  |
| 3  | Sec. 1. 24 V.S.A. § 4306 is amended to read:                                      |
| 4  | § 4306. MUNICIPAL AND REGIONAL PLANNING FUND                                      |
| 5  | (a)(1) The Municipal and Regional Planning Fund for the purpose of                |
| 6  | assisting municipal and regional planning commissions to carry out the intent     |
| 7  | of this chapter is hereby created in the State Treasury.                          |
| 8  | (2) The Fund shall be composed of 17 percent of the revenue from the              |
| 9  | property transfer tax under 32 V.S.A. chapter 231 and any monies from time to     |
| 10 | time appropriated to the Fund by the General Assembly or received from any        |
| 11 | other source, private or public. All balances at the end of any fiscal year shall |
| 12 | be carried forward and remain in the Fund. Interest earned by the Fund shall      |
| 13 | be deposited in the Fund.   |
| 14 | (3) Of the revenues in the Fund, each year:                                       |
| 15 | (A) 10 percent shall be disbursed to the Vermont Center for                       |
| 16 | Geographic Information;   |
| 17 | (B) 70 percent shall be disbursed to the Secretary of Commerce and                |
| 18 | Community Development for performance contracts with regional planning            |
| 19 | commissions to provide regional planning services pursuant to section 4341a       |
| 20 | of this title; and  |
| 21 | (C) 20 percent shall be disbursed to municipalities.                              |

| 1  | * * *   |
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| 2  | (d) New funds allocated to municipalities under this section may take the       |
| 3  | form of special purpose grants in accordance with section 4307 of this title.   |
| 4  | Sec. 2. 24 V.S.A. § 4307 is added to read:                                      |
| 5  | §4307. MUNICIPAL BYLAW MODERNIZATION GRANTS                                     |
| 6  | (a) There is created Municipal Bylaw Modernization Grants to assist             |
| 7  | municipalities in updating their land use and development bylaws. Bylaws        |
| 8  | updated under this section shall increase housing choice and opportunity in     |
| 9  | smart growth areas. The Grants shall be funded by monies allocated from the     |
| 10 | municipality allocation of the Municipal and Regional Planning Funds            |
| 11 | established in subdivision 4306 (a)(3)(C) of this title and any other monies    |
| 12 | appropriated for this purpose.  |
| 13 | (b) Disbursement to municipalities shall be administered by the                 |
| 14 | Department of Housing and Community Development through a competitive           |
| 15 | process providing the opportunity for all regions and any eligible municipality |
| 16 | to compete regardless of size.  |
| 17 | (c) Funds may be disbursed by the Department in installments to ensure the      |
| 18 | municipal bylaw updates meet the goals of this section.                         |
| 19 | (d) Funding may be used for mapping, the cost of regional planning              |
| 20 | commission staff or consultant time, carrying out the provisions of             |

| 1  | subchapters 5 through 10 of this chapter, and any other purpose approved by      |
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| 2  | the Department.  |
| 3  | (e) To be eligible for funds, a municipality shall adopt bylaws that support     |
| 4  | a neighborhood development pattern that is pedestrian oriented and consistent    |
| 5  | with smart growth principles established in section 2791 of this title. The      |
| 6  | municipality shall commit to adopting bylaws that increase housing choice and    |
| 7  | opportunity in unconstrained water and sewer service areas that are located      |
| 8  | outside important natural resource areas and are located outside identified      |
| 9  | flood hazard areas and river corridors or are suitable for infill development as |
| 10 | defined in §§ 29–201 of the Vermont Flood Hazard Area and River Corridor         |
| 11 | Rule.  |
| 12 | (f) To receive the grant, the municipality shall:                                |
| 13 | (1) identify water and sewer infrastructure, constrained water and sewer         |
| 14 | service areas, and the constraints on that infrastructure;                       |
| 15 | (2) allow duplexes within smart growth areas to the same extent that             |
| 16 | single-family dwellings are allowed;   |
| 17 | (3) require parking waiver provisions in appropriate smart growth areas          |
| 18 | and situations;  |
| 19 | (4) review and modify street standards that implement the complete               |
| 20 | streets principles as described in 19 V.S.A. § 309d and that are oriented to     |
| 21 | pedestrians; and   |

| 1  | (5) adopt dimensional, use, parking, and other standards that allow             |
|----|---|
| 2  | compact neighborhood form and support walkable lot and unit density, which      |
| 3  | may be achieved with a standard allowing at least four units per acre with site |
| 4  | and building design standards or minimum lot sizes of at least one-quarter of   |
| 5  | an acre or by other means established in guidelines issued by the Department.   |
| 6  | (g) On or before September 1, 2021, the Department shall adopt guidelines       |
| 7  | to assist municipalities applying for grants under this section.                |
| 8  | Sec. 3. APPROPRIATION; MUNICIPAL BYLAW MODERNIZATION                            |
| 9  | The sum of \$500,000.00 is appropriated to the Department of Housing and        |
| 10 | Community Development from the General Fund in fiscal year 2022 for the         |
| 11 | Municipal Bylaw Modernization Grants in accordance with 24 V.S.A. § 4307.       |
| 12 | Any funds not allocated as grants under 24 V.S.A. § 4307 by July 1, 2023 shall  |
| 13 | be returned to the General Fund.  |
| 14 | Sec. 4. APPROPRIATION; TRAINING AND PERMITTING ASSISTANCE                       |
| 15 | The sum of \$100,000.00 is appropriated to the Department of Housing and        |
| 16 | Community Development from the General Fund in fiscal year 2022 to provide      |
| 17 | training and assistance in navigating the development of accessory dwelling     |
| 18 | units and small-scale and infill housing. Any funds not used under this section |
| 19 | by July 1, 2023 shall be returned to the General Fund.                          |

| 1  | * * * Tax Credits * * *  |
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| 2  | Sec. 5. 32 V.S.A. § 5930aa is amended to read:                                   |
| 3  | § 5930aa. DEFINITIONS  |
| 4  | As used in this subchapter:  |
| 5  | (1) "Qualified applicant" means an owner or lessee of a qualified                |
| 6  | building involving a qualified project, but does not include a State or federal  |
| 7  | agency or a political subdivision of either; or an instrumentality of the United |
| 8  | States.  |
| 9  | (2) "Qualified building" means a building built at least 30 years before         |
| 10 | the date of application, located within a designated downtown or, village        |
| 11 | center, or neighborhood development area, which, upon completion of the          |
| 12 | project supported by the tax credit, will be an income-producing building not    |
| 13 | used solely as a single-family residence. Churches and other buildings owned     |
| 14 | by religious organization may be qualified buildings, but in no event shall tax  |
| 15 | credits be used for religious worship.   |
| 16 | (3) "Qualified code improvement project" means a project:                        |
| 17 | (A) to install or improve platform lifts suitable for transporting               |
| 18 | personal mobility devices, limited use or limited application elevators,         |
| 19 | elevators, sprinkler systems, and capital improvements in a qualified building,  |
| 20 | and the installations or improvements are required to bring the building into    |

compliance with the statutory requirements and rules regarding fire prevention,

| 1  | life safety, and electrical, plumbing, and accessibility codes as determined by    |
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| 2  | the Department of Public Safety;   |
| 3  | (B) to abate lead paint conditions or other substances hazardous to                |
| 4  | human health or safety in a qualified building; or                                 |
| 5  | (C) to redevelop a contaminated property in a designated downtown                  |
| 6  | or, village center, or neighborhood development area under a plan approved by      |
| 7  | the Secretary of Natural Resources pursuant to 10 V.S.A. § 6615a.                  |
| 8  | (4) "Qualified expenditures" means construction-related expenses of the            |
| 9  | taxpayer directly related to the project for which the tax credit is sought but    |
| 10 | excluding any expenses related to a private residence.                             |
| 11 | (5) "Qualified façade improvement project" means the rehabilitation of             |
| 12 | the façade of a qualified building that contributes to the integrity of the        |
| 13 | designated downtown or, designated village center, or neighborhood                 |
| 14 | development area. Façade improvements to qualified buildings listed, or            |
| 15 | eligible for listing, in the State or National Register of Historic Places must be |
| 16 | consistent with Secretary of the Interior Standards, as determined by the          |
| 17 | Vermont Division for Historic Preservation.  |

\* \* \*

tax credit.

| 1  | Sec. 6. 32 V.S.A. § 5930ee is amended to read:                                    |
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| 2  | § 5930ee. LIMITATIONS   |
| 3  | Beginning in fiscal year 2010 and thereafter, the State Board may award tax       |
| 4  | credits to all qualified applicants under this subchapter, provided that:         |
| 5  | (1) the total amount of tax credits awarded annually, together with sales         |
| 6  | tax reallocated under section 9819 of this title, does not exceed \$3,000,000.00. |
| 7  | <u>\$4,750,000.00;</u>  |
| 8  | * * *   |
| 9  | Sec. 7. 24 V.S.A. § 2793a is amended to read:                                     |
| 10 | § 2793a. DESIGNATION OF VILLAGE CENTERS BY STATE BOARD                            |
| 11 | * * *   |
| 12 | (c) A village center designated by the State Board pursuant to                    |
| 13 | subsection (a) of this section is eligible for the following development          |
| 14 | incentives and benefits:  |
| 15 | * * *   |
| 16 | (4) The following State tax credits for projects located in a designated          |
| 17 | village center:   |
| 18 | (A) A State historic rehabilitation tax credit of ten percent under               |
| 19 | 32 V.S.A. § 5930cc(a) that meets the requirements for the federal rehabilitation  |

| 1  | (B) A State façade improvement tax credit of 25 percent under                    |
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| 2  | 32 V.S.A. § 5930cc(b).   |
| 3  | (C) A State code improvement tax credit of 50 percent under                      |
| 4  | 32 V.S.A. § 5930cc(c) The Downtown and Village Center Tax Credit Program         |
| 5  | described in 32 V.S.A. § 5930aa et seq.  |
| 6  | * * *  |
| 7  | Sec. 8. 24 V.S.A. § 2793e is amended to read:                                    |
| 8  | § 2793e. NEIGHBORHOOD PLANNING AREAS; DESIGNATION OF                             |
| 9  | NEIGHBORHOOD DEVELOPMENT AREAS   |
| 10 | * * *  |
| 11 | (f) Neighborhood development area incentives for developers. Once a              |
| 12 | municipality has a designated neighborhood development area or has a             |
| 13 | Vermont neighborhood designation pursuant to section 2793d of this title, any    |
| 14 | proposed development within that area shall be eligible for each of the benefits |
| 15 | listed in this subsection. These benefits shall accrue upon approval by the      |
| 16 | district coordinator, who shall review the density requirements set forth in     |
| 17 | subdivision (c)(7) of this section to determine benefit eligibility and issue a  |
| 18 | jurisdictional opinion under 10 V.S.A. chapter 151 on whether the density        |
| 19 | requirements are met. These benefits are:  |
| 20 | (1) The the application fee limit for wastewater applications stated in          |
| 21 | 3 V.S.A. § 2822(j)(4)(D) <del>.</del> ;  |

| 1  | (2) The the application fee reduction for residential development stated         |
|----|--|
| 2  | in 10 V.S.A. § 6083a(d) <del>-</del> ;   |
| 3  | (3) The the exclusion from the land gains tax provided by 32 V.S.A.              |
| 4  | § 10002(p)- <u>: and</u>   |
| 5  | (4) eligibility for the Downtown and Village Center Tax Credit Program           |
| 6  | described in 32 V.S.A. § 5930aa et seq.  |
| 7  | * * *  |
| 8  | Sec. 9. 24 V.S.A. § 2794 is amended to read:                                     |
| 9  | § 2794. INCENTIVES FOR PROGRAM DESIGNEES   |
| 10 | (a) Upon designation by the Vermont Downtown Development Board                   |
| 11 | under section 2793 of this title, a downtown development district and projects   |
| 12 | in a downtown development district shall be eligible for the following:          |
| 13 | (1) Priority consideration by any agency of the State administering any          |
| 14 | State or federal assistance program providing funding or other aid to a          |
| 15 | municipal downtown area with consideration given to such factors as the costs    |
| 16 | and benefits provided and the immediacy of those benefits, provided the          |
| 17 | project is eligible for the assistance program.                                  |
| 18 | (2) The following State tax credits:   |
| 19 | (A) A State historic rehabilitation tax credit of 10 percent under               |
| 20 | 32 V.S.A. § 5930cc(a) that meets the requirements for the federal rehabilitation |
| 21 | tax credit.  |

| 1  | (B) A State façade improvement tax credit of 25 percent under                     |
|----|---|
| 2  | 32 V.S.A. § 5930cc(b).  |
| 3  | (C) A State code improvement tax credit of 50 percent under                       |
| 4  | 32 V.S.A. § 5930cc(e) The Downtown and Village Center Tax Credit Program          |
| 5  | described in 32 V.S.A. § 5930aa et seq.   |
| 6  | * * *   |
| 7  | * * * Wastewater Connection Permits * * *   |
| 8  | Sec. 10. 10 V.S.A. § 1974 is amended to read:                                     |
| 9  | § 1974. EXEMPTIONS  |
| 10 | Notwithstanding any other requirements of this chapter, the following             |
| 11 | projects and actions are exempt:  |
| 12 | * * *   |
| 13 | (9) A project completed by a person who receives an authorization from            |
| 14 | a municipality that administers a program registered with the Secretary           |
| 15 | pursuant to section 1983 of this title.   |
| 16 | Sec. 11. 10 V.S.A. § 1983 is added to read:                                       |
| 17 | § 1983. REGISTRATION FOR MUNICIPAL WASTEWATER SYSTEM                              |
| 18 | AND POTABLE WATER SUPPLY CONNECTIONS  |
| 19 | (a) A municipality may issue an authorization for a connection or an              |
| 20 | existing connection with a change in use to the municipal sanitary sewer          |
| 21 | collection line via a sanitary sewer service line or a connection to a water main |

| 1  | via a new water service line in lieu of permits issued under this chapter,     |
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| 2  | provided that the municipality documents the following in a form prescribed    |
| 3  | by the Secretary:  |
| 4  | (1) The municipality owns or has legal control over connections to a           |
| 5  | public community water system permitted pursuant to chapter 56 of this title   |
| 6  | and over connections to a wastewater treatment facility permitted pursuant to  |
| 7  | chapter 47 of this title.  |
| 8  | (2) The municipality shall only issue authorizations for:                      |
| 9  | (A) a sanitary sewer service line that connects to the sanitary sewer          |
| 10 | collection line that serves a single connection; and                           |
| 11 | (B) a water service line that connects to the water main that serves a         |
| 12 | single connection.   |
| 13 | (3) The building or structure authorized under this section connects to        |
| 14 | both the sanitary sewer collection line and public community water system.     |
| 15 | (4) The authorizations from the municipality comply with the technical         |
| 16 | standards for sanitary sewer service lines and water service lines in the      |
| 17 | Wastewater System and Potable Water Supply Rules.                              |
| 18 | (5) The municipality requires documentation in the land records that the       |
| 19 | connection authorized by the municipality was installed in accordance with the |
| 20 | technical standards.   |

| 1 | (6) The municipality requires the retention of plans that show the              |
|---|---|
| 2 | location and design of authorized connections.                                  |
| 3 | (b) The municipality shall notify the Secretary 30 days in advance of           |
| 4 | terminating any registration. The municipality shall provide all authorizations |
| 5 | and plans to the Secretary as a part of this termination notice.                |
| 6 | * * * Effective Date * * *  |
| 7 | Sec. 12. EFFECTIVE DATE   |
| 8 | This act shall take effect on July 1, 2021.                                     |