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S.101

Introduced by Senators Sirotkin, Balint, Brock, Clarkson and Ram

Referred to Committee on Economic Development, Housing and General
Affairs

Date: February 26, 2021

Subject: Housing; municipal bylaws; tax credits; wastewater permits; grants

Statement of purpose of bill as introduced: This bill proposes to adopt
multiple changes to promote housing choice and opportunity in smart growth
areas, including:

- updating the Municipal and Regional Planning Fund program to allow grants for municipalities seeking to modernize their bylaws to increase housing choice;
- extending the Downtown and Village Center Tax Credit Program to neighborhood development areas as well as raising the cap on the amount of tax credits available;
- training developers to navigate the permitting process; and
- removing the requirement for State water or wastewater permits where the municipality has issued a permit.

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:

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 * * *

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
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
17 provide training and assistance in navigating the development of accessory
18 dwelling units and small-scale and infill housing. Any funds not used under
19 this section by July 1, 2023 shall be returned to the General Fund.

* * * Tax Credits * * *

Sec. ~~3~~ 3. 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

1 prevention, life safety, and electrical, plumbing, and accessibility codes as
2 determined by 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.

18 * * *

1 ~~Sec. 6. 32 V.S.A. § 5930ee is amended to read:~~

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 \$4,750,000.00;

8 ~~Sec. 7. 24 V.S.A. § 2793a is amended to read:~~
9 Sec. ~~7~~ 4. 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~~
20 ~~tax credit.~~

1 via a new water service line in lieu of permits issued under this chapter,
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.

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

