

S.226

An act relating to expanding access to safe and affordable housing

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

\* \* \* Housing; Permit Reform \* \* \*

**Sec. 1. FINDINGS**

The General Assembly finds that:

(1) Prosperous, sustainable, and inclusive communities are critical to Vermont's economic health and the well-being of its residents.

(2) Housing affordability and availability challenges require elected officials, community leaders, and developers making community investments to consider all options to increase the supply of housing.

(3) The State designation programs underpin Vermont's land use goals and provide numerous economic, health, quality of life, and environmental benefits.

(4) Increased housing choices in State designated centers advance statewide goals to encourage housing affordability, inclusion, and equity; conserve energy; decrease greenhouse gas emissions; provide a variety of transportation choices; promote the efficient use of transportation and other public infrastructure and services; protect the working landscape and natural areas from fragmentation; and foster healthy lifestyles.

(5) Small-scale and infill developers are critical to rural and community revitalization in locations where development is not occurring and is necessary to meet the full range of Vermont’s housing needs.

(6) Strategies, policies, programs, and investments that advance Vermont’s smart growth principles, complete streets principles, and planning and development goals pursuant to 24 V.S.A. § 4302 make communities more equitable and sustainable and improve the long-term fiscal, economic, and environmental viability of the State.

Sec. 2. 24 V.S.A. § 2793e is amended to read:

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

(a) Purpose. This section is intended to encourage a municipality to plan for new and infill housing in the area including and immediately encircling its designated downtown, village center, new town center, or within its designated growth center in order to provide needed housing and to further support the commercial establishments in the designated center. To support this goal, this section sets out a two-component process.

\* \* \*

(b) Definitions.

(1) “Neighborhood planning area” means an automatically delineated area including and encircling a downtown, village center, or new town center

designated under this chapter or within a growth center designated under this chapter. A neighborhood planning area is used for the purpose of identifying locations suitable for new and infill housing that will support a development pattern that is compact, oriented to pedestrians, and consistent with smart growth principles. To ensure a compact settlement pattern, the outer boundary of a neighborhood planning area shall be located entirely within the boundaries of the applicant municipality, unless a joint application is submitted by more than one municipality, and shall be determined:

\* \* \*

(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 in areas suitable for infill development as defined in §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 those 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. 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 shall 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 flood hazard area 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 the neighborhood development area consistent with the Agency of Natural Resources’ rules required under 10 V.S.A. § 754(a).

\* \* \*

- ~~(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. [Repealed.]~~

(7) The municipal bylaws allow minimum net residential densities within the neighborhood development area greater than or equal to four ~~single-family detached~~ dwelling units per acre for all identified residential uses or residential building types, exclusive of accessory dwelling units, or ~~no~~ not fewer than the average existing density of the surrounding neighborhood, whichever is greater. The methodology for calculating density shall be established in the guidelines developed by the Department pursuant to subsection 2792(d) of this title.

\* \* \*

Sec. 3. 24 V.S.A. § 2793b is amended to read:

§ 2793b. DESIGNATION OF NEW TOWN CENTER DEVELOPMENT  
DISTRICTS

\* \* \*

(b) Within 45 days of receipt of a completed application, the State Board shall designate a new town center development district if the State Board finds, with respect to that district, the municipality has:

\* \* \*

(2) Provided a community investment agreement that has been executed by authorized representatives of the municipal government, businesses and

property owners within the district, and community groups with an articulated purpose of supporting downtown interests, and contains the following:

\* \* \*

(B) Regulations enabling ~~high~~ densities that are ~~greater~~ not less than four dwelling units, including all identified residential uses or residential building types, per acre and not less than those allowed in any other part of the municipality not within an area designated under this chapter.

\* \* \*

Sec. 4. 24 V.S.A. § 4449 is amended to read:

§ 4449. ZONING PERMIT, CERTIFICATE OF OCCUPANCY, AND  
MUNICIPAL LAND USE PERMIT

(a) Within any municipality in which any bylaws have been adopted:

\* \* \*

(4) No municipal land use permit issued by an appropriate municipal panel or administrative officer, as applicable, for a site plan or conditional use shall be considered abandoned or expired unless more than two years has passed since the permit approval was issued.

\* \* \*

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

§ 6001. DEFINITIONS

As used in this chapter:

\* \* \*

(3)(A) “Development” means each of the following:

\* \* \*

(iv) The construction of housing projects such as cooperatives, condominiums, or dwellings, or construction or maintenance of mobile homes or mobile home parks, with 10 or more units, constructed or maintained on a tract or tracts of land, owned or controlled by a person, within a radius of five miles of any point on any involved land and within any continuous period of five years. However:

(I) A priority housing project shall constitute a development under this subdivision (iv) only if the number of housing units in the project is:

(aa) [Repealed.]

(bb) [Repealed.]

(cc) 75 or more, in a municipality with a population of 6,000 or more but less than 10,000.

(dd) 50 or more, in a municipality with a population of ~~3,000 or more but~~ less than 6,000.

(ee) ~~25 or more, in a municipality with a population of less than 3,000.~~ [Repealed.]

(ff) Notwithstanding subdivisions (cc) through (ee) of this subdivision (3)(A)(iv)(I), 10 or more if the construction involves the

demolition of one or more buildings that are listed on or eligible to be listed on the State or National Register of Historic Places. However, demolition shall not be considered to create jurisdiction under this subdivision (ff) if the Division for Historic Preservation has determined that the proposed demolition will have no adverse effect, will have no adverse effect if specified conditions are met, or will have an adverse effect that will be adequately mitigated. Any imposed conditions shall be enforceable through a grant condition, deed covenant, or other legally binding document.

\* \* \*

(27) “Mixed income housing” means a housing project in which the following apply:

(A) 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 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, 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. 6. 10 V.S.A. § 6081(p) is amended to read:

~~(p)(1) No permit or permit amendment is required for any 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 May 28, 2002, remain below any applicable jurisdictional threshold specified in subdivision 6001(3)(A)(iv)(I) 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.~~

\* \* \* First-Generation Homebuyers \* \* \*

Sec. 7. 32 V.S.A. 5930u is amended to read:

§ 5930u. TAX CREDIT FOR AFFORDABLE HOUSING

\* \* \*

(b) Eligible tax credit allocations.

\* \* \*

(3) Down Payment Assistance Program.

(A) The Vermont Housing Finance Agency shall have the authority to allocate affordable housing tax credits to finance down payment assistance loans that meet the following requirements:

(i) the loan is made in connection with a mortgage through an Agency program;

(ii) the borrower is a first-time home buyer of an owner-occupied primary residence; and

(iii) the borrower uses the loan for the borrower's down payment or closing costs, or both.

(B) The Agency shall require the borrower to repay the loan upon the transfer or refinance of the residence.

(C) The Agency shall use the proceeds of loans made under the Program for future down payment assistance.

(D) The Agency may reserve funding and adopt guidelines to provide grants to first-time homebuyers who are also first-generation homebuyers.

\* \* \*

\* \* \* Manufactured Home Relocation Incentives \* \* \*

Sec. 8. MANUFACTURED HOME IMPROVEMENT AND  
REPLACEMENT PROGRAM

Of the amounts available from federal COVID-19 relief funds, the following amounts are appropriated to the Department of Housing and Community Development for the purposes specified:

(1) \$3,000,000.00 for manufacture home community small-scale capital grants, through which the Department may award not more than \$20,000.00 for owners of manufactured housing communities to complete small-scale capital needs to help infill vacant lots with homes, which may include projects such as disposal of abandoned homes, lot grading/preparation, site electrical box issues/upgrades, E911 safety issues, legal fees, transporting homes out of flood zones, individual septic system, and marketing to help make it easier for home-seekers to find vacant lots around the State.

(2) \$1,000,000.00 for manufactured home repair grants, through which the Department may award funding for minor rehab or accessibility projects, coordinated as possible with existing programs, for between 250 and 400 existing homes where the home is otherwise in good condition or in situations where the owner is unable to replace the home and the repair will keep them housed.

(3) \$1,000,000.00 for new manufactured home foundation grants, through which the Department may award not more than \$15,000.00 per grant for a homeowner to pay for a foundation or HUD-approved slab, site preparation, skirting, tie-downs, and utility connections on vacant lots within manufactured home communities.

\* \* \* Large Employer Housing; Commercial Property Conversion; Multi-Agency Coordination \* \* \*

**Sec. 9. VERMONT HOUSING CONSERVATION BOARD; LARGE EMPLOYER HOUSING; COMMERCIAL PROPERTY CONVERSION; COMMUNITY PARTNERSHIP FOR NEIGHBORHOOD DEVELOPMENT**

(a) Authorization. Of the amounts appropriated to the Vermont Housing Conservation Board in fiscal year 2023, the Board is authorized to use up to \$5,000,000.00 for the following activities:

(1) housing created through the Community Partnership for Neighborhood Development created in subsection (b) of this section;

(2) funding for matching grants, which for each unit shall not exceed the lesser of \$50,000.00 or 20 percent of the employer cost, for large employers with 50 or more full time equivalent employees that provide housing for their employees; and

(3) funding for matching grants, which for each unit shall not exceed the lesser of \$50,000.00 or 20 percent of the developer cost, for projects that convert commercial properties to residential use.

(b) Community Partnership for Neighborhood Development.

(1) The Department of Housing and Community Development shall lead a cross-agency program to encourage and support local partnerships between municipalities, nonprofit and for-profit developers, employers, the Vermont Housing and Conservation Board, and local planning officials, by enhancing density and reducing or eliminating the cost of land and infrastructure from housing development while enhancing density, walkability, inclusiveness, and smart growth development that reduces greenhouse gas emissions.

(2) The Department shall lead an effort involving the Vermont Housing Finance Agency, the Agency of Natural Resources, the Agency of Transportation, the Department of Public Service, and the Vermont Housing Conservation Board to integrate resources for housing, land, and down payment assistance that also makes available funding for critical infrastructure, including funding from the American Rescue Plan Act and the Infrastructure Investment and Jobs Act.

(3) Participating municipalities may bring resources to the table by planning for and permitting dense housing development in smart growth locations, thereby reducing permitting risk for developers.

(b) Program goals. The Program shall seek to achieve the following goals:

(1) development of new denser neighborhoods in 5–10 communities of mixed income and mixed tenure of homeownership and rental opportunities, which, over time, will land bank and make available smart growth sites for 500–1000 energy efficient homes and apartments;

(2) financial and planning commitment and participation of municipalities and cooperation in siting and permitting development;

(3) enhanced construction of modestly sized homes, at least half of which should be single-family homes under 1600 sq ft. on small lots;

(4) opportunities for site development and skill building participation by technical education centers, Youth Build, Vermont Works for Women, and community volunteers such as Habitat for Humanity;

(5) reservation of 25 percent of single family lots for permanently affordable homes, including Habitat for Humanity, Youth Build, or Tech Center programs, at no cost for acquisition or infrastructure and only modest fees for all small homes; and

(6) reservation of 35 percent of multifamily rentals for Vermonters within income below 80 percent of median with no cost for publicly funded infrastructure.

\* \* \* Municipal Bylaw Grants \* \* \*

Sec. 10. 24 V.S.A. § 4306 is amended to read:

§ 4306. MUNICIPAL AND REGIONAL PLANNING FUND

(a)(1) The Municipal and Regional Planning Fund for the purpose of assisting municipal and regional planning commissions to carry out the intent of this chapter is hereby created in the State Treasury.

(2) The Fund shall be composed of 17 percent of the revenue from the property transfer tax under 32 V.S.A. chapter 231 and any monies from time to time appropriated to the Fund by the General Assembly or received from any other source, private or public. All balances at the end of any fiscal year shall be carried forward and remain in the Fund. Interest earned by the Fund shall be deposited in the Fund.

(3) Of the revenues in the Fund, each year:

(A) 10 percent shall be disbursed to the Vermont Center for Geographic Information;

(B) 70 percent shall be disbursed to the Secretary of Commerce and Community Development for performance contracts with regional planning commissions to provide regional planning services pursuant to section 4341a of this title; and

(C) 20 percent shall be disbursed to municipalities.

\* \* \*

(c) Funds allocated to municipalities shall be used for the purposes of:

\* \* \*

(4) The Fund shall be available to the Department of Housing and Community Development for the reasonable and necessary costs of administering the Fund, not to exceed six percent of total program funds.

(d) New funds allocated to municipalities under this section may take the form of special purpose grants in accordance with section 4307 of this title.

Sec. 11. 24 V.S.A. § 4307 is added to read:

§ 4307. MUNICIPAL BYLAW MODERNIZATION GRANTS

(a) There is created Municipal Bylaw Modernization Grants to assist municipalities in updating their land use and development bylaws. Bylaws updated under this section shall increase housing choice, affordability, and opportunity in areas planned for smart growth. The Grants shall be funded by monies allocated from the municipality allocation of the Municipal and Regional Planning Funds established in subdivision 4306(a)(3)(C) of this title and any other monies appropriated for this purpose.

(b) Disbursement to municipalities shall be administered by the Department of Housing and Community Development through a competitive process providing the opportunity for all regions and any eligible municipality to compete regardless of size.

(c) Funds may be disbursed by the Department in installments to ensure the municipal bylaw updates meet the goals of this section.

(d) Funding may be used for the cost of regional planning commission staff or consultant time and any other purpose approved by the Department.

(e) A municipality grantee shall use the funds to prepare amendments to bylaws to increase housing choice, affordability, and opportunity and that support a neighborhood development pattern that is pedestrian oriented in areas planned for smart growth consistent with the smart growth principles established in section 2791 of this title and that prioritize projects in designated areas in accordance with chapter 76A of this title.

(f) To receive the grant, the municipality shall:

(1) identify municipal water and wastewater disposal infrastructure, municipal water and sewer service areas, and the constraints on that infrastructure based on the best available data;

(2) increase allowed housing types and uses, which may include duplexes to the same extent as single-family homes;

(3) include parking waiver provisions in areas planned for smart growth consistent with smart growth principles as defined in section 2791 of this title and appropriate situations;

(4) review and modify street standards that implement the complete streets principles as described in 19 V.S.A. § 309d and that are oriented to pedestrians; and

(5) reduce nonconformities by making the allowed standards principally conform to the existing settlement within any area designated under chapter 76A of this title and increase allowed lot/building/dwelling unit density by adopting dimensional, use, parking, and other standards that allow compact neighborhood form and support walkable lot and dwelling unit density, which may be achieved with a standard allowing at least four units per acre or allowing the receipt of a State or municipal water and wastewater permit to determine allowable density or by other means established in guidelines issued by the Department.

(6) restrict development of and minimize impact to important natural resources, including new development in flood hazard areas, undeveloped floodplains, and river corridor areas, unless lawfully allowed for infill development in §29-201 of the Vermont Flood Hazard Area and River Corridor Rule;

(7) update the municipal plan's housing element as provided in subdivision 4382(a)(10) of this title related to addressing lower- and moderate-income housing needs and implement that element of the plan including through the bylaw amendments;

(8) comply with State and Federal Fair Housing Act, including the fair housing provisions of Vermont’s Planning and Development Act; and

(9) demonstrate how the bylaws support implementation of the housing element of its municipal plan as provided in subdivision 4282(a)(10) of this title related to addressing lower- and moderate-income housing needs.

(g) On or before September 1, 2022, the Department shall adopt guidelines to assist municipalities applying for grants under this section.

#### Sec. 12. APPROPRIATION

To the extent that increased funding is provided in fiscal year 2023 to the Municipal and Regional Planning Fund, \$650,000.00 shall be used for Municipal Bylaw Modernization Grants established in 24 V.S.A. § 4307.

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. 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 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 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. 14. 32 V.S.A. § 5930bb is amended to read:

§ 5930bb. ELIGIBILITY AND ADMINISTRATION

\* \* \*

(e) Sunset of Neighborhood Development Area tax credits. Effective on July 1, 2027, under this subchapter no new tax credit may be allocated by the State Board to a qualified building in a neighborhood development area.

Sec. 15. 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. 16. 24 V.S.A. § 2793e is amended to read:

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

\* \* \*

(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 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 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. These benefits are:

- (1) ~~The~~ the application fee limit for wastewater applications stated in 3 V.S.A. § 2822(j)(4)(D);
- (2) ~~The~~ 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); and
- (4) eligibility for the Downtown and Village Center Tax Credit Program described in 32 V.S.A. § 5930aa et seq.

\* \* \*

Sec. 17. 24 V.S.A. § 2794 is amended to read:

§ 2794. INCENTIVES FOR PROGRAM DESIGNEES

(a) Upon designation by the Vermont Downtown Development Board under section 2793 of this title, a downtown development district and projects in a downtown development district shall be eligible for the following:

- (1) Priority consideration by any agency of the State administering any State or federal assistance program providing funding or other aid to a municipal downtown area with consideration given to such factors as the costs and benefits provided and the immediacy of those benefits, provided the project is eligible for the assistance program.

(2) ~~The following State tax credits:~~

~~(A) A State historic rehabilitation tax credit of 10 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. 18. 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. 19. 10 V.S.A. § 1974 is amended to read:

§ 1974. EXEMPTIONS

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

\* \* \*

(9) A project completed by 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. 20. 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 authorization 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 over 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; and

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

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

(4) The authorizations from the municipality comply with the technical standards for sanitary sewer service lines and water service lines in the 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.

(6) The municipality 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 authorization. The municipality shall provide all authorizations and plans to the Secretary as a part of this termination notice.

(c) A municipality issuing an authorization under this section shall require the person to whom the authorization is issued to post notice of the authorization as part of the notice required for a permit issued under 24 V.S.A. § 4449 or other bylaw authorized under this chapter.

\* \* \* Accessory Dwelling Units \* \* \*

**Sec. 21. 24 V.S.A. § 4414 amended to read:**

§ 4414. ZONING; PERMISSIBLE TYPES OF REGULATIONS

\* \* \*

(4) Parking and loading facilities. A municipality may adopt provisions setting forth standards for permitted and required facilities for off-street parking and loading which may vary by district and by uses within each district. These bylaws may also include provisions covering the location, size, design, access, landscaping, and screening of those facilities. In determining the number and size of parking spaces required under these regulations, the appropriate municipal panel may take into account the existence or availability of employer “transit pass” and rideshare programs, public transit routes, and public parking spaces in the vicinity of the development. However, a municipality shall not require an accessory dwelling unit to have more than one parking space per bedroom.

\* \* \*

\* \* \* Missing Middle Housing \* \* \*

Sec. 22. MISSING MIDDLE-INCOME HOME OWNERSHIP

DEVELOPMENT PROGRAM

(a) The following amounts are appropriated from the America Rescue Plan Act (ARPA) – Coronavirus State Fiscal Recovery Funds to the Department of Housing and Community Development to grant to the Vermont Housing Finance Agency to establish the Missing Middle-Income Home Ownership Development Program:

(1) \$5,000,000 in fiscal year 2022.

(2) \$10,000,000 in fiscal year 2023.

(b) As used in this section:

(1) “Affordable owner-occupied housing” means owner-occupied housing identified in 26 U.S.C. § 143(c)(1) or that qualifies under Vermont Housing Finance Agency criteria governing owner-occupied housing.

(2) “Income-eligible homebuyer” means a Vermont household with annual income that does not exceed 120 percent of area median income.

(c) The Agency shall use the funds appropriated in this section to provide subsidies for new construction or acquisition and substantial rehabilitation of affordable owner-occupied housing for purchase by income-eligible homebuyers.

(d) The total amount of subsidies for a project shall not exceed 35 percent of eligible development costs, as determined by the Agency, which the Agency may allocate between the developer and the income-eligible homebuyer, consistent with the following:

(1) Developer subsidy. The Agency may provide a direct subsidy to the developer, which shall not exceed the difference between the cost of development and the assessed value of the home as completed.

(2) Homebuyer subsidy. Of any remaining amounts available for the project after the developer subsidy, the Agency may provide a subsidy to the income-eligible homebuyer to reduce the cost of purchasing the home, provided that:

(A) the Agency includes conditions in the subsidy, or uses another legal mechanism, to ensure that the value of the subsidy remains with the home to offset the cost to future income-eligible homebuyers; or

(B) the Agency uses a shared equity model that requires the Agency to retain not less than 75 percent of any increased equity in the home.

(3) The Agency shall adopt one or more legal mechanisms to ensure that subsequent sales of a home that is subsidized through the Program are limited to income-eligible homebuyers.

(e) The Agency shall adopt a Program plan that establishes an application and selection process for developer and income-eligible homebuyer applicants, eligible development costs, and project selection criteria, including:

(1) project location;

(2) geographic distribution;

(3) leveraging of other programs;

(4) housing market needs;

(5) project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan;

(6) construction standards, including considerations for size;

(7) priority for plans with deeper affordability and longer duration of affordability requirements;

(8) sponsor characteristics;

(9) energy efficiency of the development; and

(10) historic nature of the project.

(f) The Agency may assign its rights under any investment or grant made under this section to the Vermont Housing and Conservation Board or any State agency or nonprofit organization qualifying under 26 U.S.C. § 501(c)(3), provided such assignee acknowledges and agrees to comply with the provisions of this section.

(g) The Agency shall ensure that initial investments made under this program are obligated by December 31, 2024 and expended by December 31, 2026.

(h) The Department shall report to the House Committee on Housing, General, and Military Affairs and Senate Committee on Economic Development, Housing and General Affairs on the status of the program annually, on or before January 15, through 2026.

\* \* \* Residential Construction Contractors \* \* \*

#### Sec. 23. FINDINGS

The General Assembly finds that:

(1) There is currently no master list of residential construction contractors operating in the State.

(2) There is no standard process for determining or adjudicating construction contract fraud complaints either on the part of contractors or consumers.

(3) Public authorities have no mechanism to contact all contractors when necessary to provide updates to public health requirements, safe working protocols, codes and standards, available trainings and certifications, or building incentives or construction subsidies.

(4) Wide dissemination of information on codes, standards, and trainings is vital to improving construction techniques throughout the State's

construction industry. Since building thermal conditioning represents over one-quarter of the State's greenhouse gas emissions, improving energy performance is a key strategy for meeting the requirements of the Global Warming Solutions Act, 2020 Acts and Resolves No. 153.

(5) While registration is not licensure and confers no assurance of competence, consumers have no way of knowing whether a contractor is operating legally or has been subject to civil claims or disciplinary actions.

(6) A noncommercial, standardized public listing will provide contractors an opportunity to include in their record optional third-party, State-sanctioned certifications.

Sec. 24. 3 V.S.A. § 122 is amended to read:

§ 122. OFFICE OF PROFESSIONAL REGULATION

The Office of Professional Regulation is created within the Office of the Secretary of State. The Office of Professional Regulation shall have a director who ~~shall be~~ is an exempt employee appointed by the Secretary of State ~~and shall be an exempt employee~~. The following boards or professions are attached to the Office of Professional Regulation:

\* \* \*

(51) Residential Contractors

Sec. 25. 26 V.S.A. chapter 106 is added to read:

CHAPTER 106. RESIDENTIAL CONTRACTORS

Subchapter 1. General Provisions

§ 5501. REGISTRATION REQUIRED

(a) A person shall register with the Office of Professional Regulation prior to contracting with a homeowner to perform residential construction in exchange for consideration of more than \$10,000.00, including labor and materials.

(b) Unless otherwise exempt under section 5502 of this title, as used in this chapter, “residential construction” means to build, demolish, or alter a residential dwelling unit, or a building or premises with four or fewer residential dwelling units, in this State, and includes interior and exterior construction, renovation, and repair; painting; paving; roofing; weatherization; installation or repair of heating, plumbing, solar, electrical, water, or wastewater systems; and other activities the Office specifies by rule consistent with this chapter.

§ 5502. EXEMPTIONS

This chapter does not apply to:

(1) an employee acting within the scope of his or her employment for a business organization registered under this chapter;

(2)(A) a professional engineer, licensed architect, or a tradesperson licensed, registered, or certified by the Department of Public Safety acting within the scope of his or her license, registration, or certification; or

(B) a business that performs residential construction if the work is performed primarily by or under the direct supervision of one or more employees who are individually exempt from registration under subdivision (2)(A) of this section;

(3) delivery or installation of consumer appliances, audio-visual equipment, telephone equipment, or computer network equipment;

(4) landscaping;

(5) work on a structure that is not attached to a residential building; or

(6) work that would otherwise require registration that a person performs in response to an emergency, provided the person applies for registration within a reasonable time after performing the work.

#### § 5503. MANDATORY REGISTRATION AND VOLUNTARY

##### CERTIFICATION DISTINGUISHED

(a)(1) The system of mandatory registration established by this chapter is intended to protect against fraud, deception, breach of contract, and violations of law, but is not intended to establish standards for professional qualifications or workmanship that is otherwise lawful.

(2) The provisions of 3 V.S.A. § 129a, with respect to a registration, shall be construed in a manner consistent with the limitations of this subsection.

(b) The system of voluntary certification established in this chapter is intended to provide consumers and contractors with a publicly available, noncommercial venue for contractors to list optional approved certifications. The Director of Professional Regulation, in consultation with public safety officials and recognized associations or boards of builders, remodelers, architects, and engineers, may:

(1) adopt rules providing for the issuance of voluntary certifications, as defined in subdivision 3101a(1) of this title, that signify demonstrated competence in particular subfields and specialties related to residential construction;

(2) establish minimum qualifications, and standards for performance and conduct, necessary for certification; and

(3) discipline a certificant for violating adopted standards or other law, with or without affecting the underlying registration.

#### Subchapter 2. Administration

#### § 5505. DUTIES OF THE DIRECTOR

(a) The Director of Professional Regulation shall:

(1) provide information to the public concerning registration, certification, appeal procedures, and complaint procedures;

(2) administer fees established under this chapter;

(3) receive applications for registration or certification, issue registrations and certifications to applicants qualified under this chapter, deny or renew registrations or certifications, and issue, revoke, suspend, condition, and reinstate registrations and certifications as ordered by an administrative law officer;

(4) prepare and maintain a registry of registrants and certificants; and

(5) use the registry to timely communicate with registrants and certificants concerning issues of health and safety, building codes, environmental and energy issues, and State and federal incentive programs.

(b) The Director, after consultation with an advisor appointed pursuant to section 5506 of this title, may adopt rules to implement this chapter.

§ 5506. ADVISORS

(a) The Secretary of State shall appoint two persons pursuant to 3 V.S.A. § 129b to serve as advisors in matters relating to residential contractors and construction.

(b) To be eligible to serve, an advisor shall:

(1) register under this chapter;

(2) have at least three years' experience in residential construction immediately preceding appointment; and

(3) remain active in the profession during his or her service.

(c) The Director of Professional Regulation shall seek the advice of the advisors in implementing this chapter.

#### § 5507. FEES

A person regulated under this chapter shall pay the following fees at initial application and biennial renewal:

(1) Registration, individual: \$75.00.

(2) Registration, business organization: \$250.00.

(3) State certifications: \$75.00 for a first certification and \$25.00 for each additional certification.

#### Subchapter 3. Registrations

#### § 5508. ELIGIBILITY

To be eligible for registration, the Director of Professional Regulation shall find that the applicant is in compliance with the provisions of this chapter and applicable State law and has satisfied any judgment order related to the provision of professional services to a homeowner.

#### § 5509. REQUIREMENTS OF REGISTRANTS

(a) Insurance. A person registered under this chapter shall maintain minimum liability insurance coverage in the amount of \$300,000.00 per claim

and \$1,000,000.00 aggregate, evidence of which may be required as a precondition to issuance or renewal of a registration.

(b) Writing.

(1) A person registered under this chapter shall execute a written contract prior to receiving a deposit or commencing residential construction work if the estimated value of the labor and materials exceeds \$10,000.00.

(2) A contract shall specify:

(A) Price. One of the following provisions for the price of the contract:

(i) a maximum price for all work and materials;

(ii) a statement that billing and payment will be made on a time and materials basis, not to exceed a maximum price; or

(iii) a statement that billing and payment will be made on a time and materials basis and that there is no maximum price.

(B) Work dates. Estimated start and completion dates.

(C) Scope of work. A description of the services to be performed and a description of the materials to be used.

(D) Change order provision. A description of how and when amendments to the contract may be approved and documented, as agreed by the parties.

(3) The parties shall document an amendment to the contract in a signed writing.

(c) Down payment.

(1) If a contract specifies a maximum price for all work and materials or a statement that billing and payment will be made on a time and materials basis, not to exceed a maximum price, the contract may require a down payment of up to one-half of the cost of labor to the consumer, or one-half of the price of materials, whichever is greater.

(2) If a contract specifies that billing and payment will be made on a time and materials basis and that there is no maximum price, the contract may require a down payment as negotiated by the parties.

#### § 5510. PROHIBITIONS AND REMEDIES

(a) A person who does not register as required pursuant to this chapter may be subject to an injunction or a civil penalty, or both, for unauthorized practice as provided in 3 V.S.A. § 127(b).

(b) The Office of Professional Regulation may discipline a registrant or certificant for unprofessional conduct as provided in 3 V.S.A. § 129a, except that 3 V.S.A. § 129a(b) does not apply to a registrant.

(c) The following conduct by a registrant, certificant, applicant, or person who later becomes an applicant constitutes unprofessional conduct:

(1) failure to enter into a written contract when required by this chapter;

(2) failure to maintain liability or workers' compensation insurance as required by law;

(3) committing a deceptive act in commerce in violation of 9 V.S.A. § 2453;

(4) falsely claiming certification under this chapter, provided that this subdivision does not prevent accurate and nonmisleading advertising or statements related to credentials that are not offered by this State; and

(5) selling or fraudulently obtaining or furnishing a certificate of registration, certification, license, or any other related document or record, or assisting another person in doing so, including by reincorporating or altering a trade name for the purpose or with the effect of evading or masking revocation, suspension, or discipline against a registration issued under this chapter.

#### Sec. 26. IMPLEMENTATION

(a) Notwithstanding any contrary provision of 26 V.S.A. chapter 106:

(1) The initial biennial registration term for residential contractors pursuant to 26 V.S.A. chapter 106 shall begin on April 1, 2023.

(2) The Secretary of State may begin receiving applications for the initial registration term on December 1, 2022.

(3)(A) The registration fee for individuals who submit complete registration requests between December 1, 2022 and March 31, 2023 is \$25.00 and between April 1, 2023 and March 31, 2024, the fee is \$50.00.

(B) The registration fee for business organizations that submit complete registration requests between December 1, 2022 and March 31, 2023 is \$175.00 and between April 1, 2023 and March 31, 2024, the fee is \$200.00.

(4) Prior to April 1, 2024, the Office of Professional Regulation shall not take any enforcement action for unauthorized practice under 26 V.S.A. § 5510(a) against a residential contractor who fails to register as required by this act.

(b) On or before July 1, 2023, the Director of Professional Regulation shall establish an initial set of voluntary certifications, to include at minimum OSHA standards on construction projects and components of energy-efficient “green” building for insulators, carpenters, and heating and ventilation installers.

Sec. 27. CREATION OF POSITIONS WITHIN THE OFFICE OF  
PROFESSIONAL REGULATION; LICENSING

(a) There are created within the Secretary of State’s Office of Professional Regulation one new position in licensing and one new position in enforcement.

(b) In fiscal year 2023, the amount of \$200,000.00 in Office of Professional Regulation special funds is appropriated to the Secretary of State to fund the positions created in subsection (a) of this section.

Sec. 27a. ATTORNEY GENERAL; CONSUMER ASSISTANCE;  
POSITION; APPROPRIATION

(a) The Office of the Attorney General is authorized to create one classified, two-year full-time limited-service position within the Consumer Assistance Program, whose duties shall include:

(1) reducing, resolving, and assisting with consumer complaints concerning residential construction projects with a value of less than \$10,000.00; and

(2) coordinating and facilitating information sharing concerning complaints with the Office of Professional Regulation.

(b) In fiscal year 2023, the amount of \$200,000.00 is appropriated from the General Fund to the Office of the Attorney General to create the position and perform the duties provided in this section.

Sec. 28. SECRETARY OF STATE; STATUS REPORT

On or before January 15, 2024, the Office of Professional Regulation shall report to the House Committees on General, Housing, and Military Affairs and on Government Operations and to the Senate Committees on Economic Development, Housing and General Affairs and on Government Operations concerning the implementation of 26 V.S.A. chapter 106, including:

(1) the number of registrations and certifications;

(2) the resources necessary to implement the chapter;

- (3) the number and nature of any complaints or enforcement actions;
- (4) the potential design and implementation of a one-stop portal for contractors and consumers; and
- (5) any other issues the Office deems appropriate.

\* \* \* Vermont Rental Housing Investment Program;

Accessory Dwelling Units \* \* \*

**Sec. 29. Sec. 9 of S.210 (2022), as enacted, is amended to read:**

Subchapter 3. Housing; Investments

§ 699. VERMONT RENTAL HOUSING INVESTMENT PROGRAM

\* \* \*

(b) Eligible rental housing units. The following units are eligible for a grant or forgivable loan through the Program:

(1) Non-code compliant. The unit does not comply with the requirements of applicable building, housing, or health laws.

(2) New accessory dwelling. The unit will be a newly created accessory dwelling unit that meets the requirements of 24 V.S.A. § 4412(1)(E), provided that the unit is not used as a short-term rental, as defined in 18 V.S.A. § 4301.

\* \* \*

(d) Program requirements applicable to grants and forgivable loans.

(1) A grant or loan shall not exceed ~~\$30,000.00 per unit;~~

(A) \$30,000.00 to rehabilitate an existing unit; or

(B) \$50,000 to create a new accessory dwelling unit.

\* \* \*

Sec. 30. Sec. 15(b)(3) of S.210 (2022), as enacted, is amended to read:

(3) \$20,000,000.00 to the Department of Housing and Community Development to implement the Vermont Rental Housing Investment Program created in 10 V.S.A. § 699, provided that the Department shall allocate 25 percent of the funds for accessory dwelling units as follows:

(A) the Department may use not more than 20 percent of the funding available for accessory dwelling units to facilitate a statewide education and navigation system to assist homeowners with designing, financing, permitting, and constructing accessory dwelling units; and

(B) the Department shall use any remaining funds for accessory dwelling units for financial incentives or other financial supports to homeowners developing accessory dwelling units.

\* \* \* Effective Dates \* \* \*

Sec. 31. EFFECTIVE DATES

This act shall take effect on July 1, 2022, except that Sec. 22(a)(1) (missing middle housing; FY 22 funding) shall take effect on passage.