

1 TO THE HONORABLE SENATE:

2 The Committee on Economic Development, Housing and General Affairs to
3 which was referred Senate Bill No. 226 entitled “An act relating to expanding
4 access to safe and affordable housing” respectfully reports that it has
5 considered the same and recommends that the bill be amended by striking out
6 all after the enacting clause and inserting in lieu thereof the following:

7 * * * Housing; Permit Reform * * *

8 Sec. 1. FINDINGS

9 The General Assembly finds that:

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

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

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

18 (4) Increased housing choices in State designated centers advance
19 statewide goals to encourage housing affordability, inclusion, and equity;
20 conserve energy; decrease greenhouse gas emissions; provide a variety of
21 transportation choices; promote the efficient use of transportation and other

1 public infrastructure and services; protect the working landscape and natural
2 areas from fragmentation; and foster healthy lifestyles.

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

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

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

12 § 2793e. NEIGHBORHOOD PLANNING AREAS; DESIGNATION OF
13 NEIGHBORHOOD DEVELOPMENT AREAS

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

20 * * *

1 (b) Definitions.

2 (1) “Neighborhood planning area” means an automatically delineated
3 area including and encircling a downtown, village center, or new town center
4 designated under this chapter or within a growth center designated under this
5 chapter. A neighborhood planning area is used for the purpose of identifying
6 locations suitable for new and infill housing that will support a development
7 pattern that is compact, oriented to pedestrians, and consistent with smart
8 growth principles. To ensure a compact settlement pattern, the outer boundary
9 of a neighborhood planning area shall be located entirely within the boundaries
10 of the applicant municipality, unless a joint application is submitted by more
11 than one municipality, and shall be determined:

12 * * *

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

16 * * *

17 (5) The proposed neighborhood development area consists of those
18 portions of the neighborhood planning area that are appropriate for new and
19 infill housing, excluding identified flood hazard and fluvial erosion areas,
20 except those areas containing preexisting development in areas suitable for
21 infill development as defined in §29-201 of the Vermont Flood Hazard Area

1 and River Corridor Rule. In determining what areas are most suitable for new
2 and infill housing, the municipality shall balance local goals for future land
3 use, the availability of land for housing within the neighborhood planning area,
4 and the smart growth principles. Based on those considerations, the
5 municipality shall select an area for neighborhood development area
6 designation that:

7 (A) Avoids or ~~that~~ minimizes to the extent feasible the inclusion of
8 “important natural resources” as defined in subdivision 2791(14) of this title.
9 If an “important natural resource” is included within a proposed neighborhood
10 development area, the applicant shall identify the resource, explain why the
11 resource was included, describe any anticipated disturbance to such resource,
12 and describe why the disturbance cannot be avoided or minimized. If the
13 neighborhood development area includes flood hazard areas or river corridors,
14 the local bylaws shall contain provisions consistent with the Agency of Natural
15 Resources’ rules required under 10 V.S.A. § 754(a) to ensure that new infill
16 development within a neighborhood development area occurs outside the flood
17 hazard area and will not cause or contribute to fluvial erosion hazards within
18 the river corridor. If the neighborhood development area includes flood hazard
19 areas or river corridors, local bylaws shall also contain provisions to protect
20 river corridors outside the neighborhood development area consistent with the
21 Agency of Natural Resources’ rules required under 10 V.S.A. § 754(a).

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* * *

(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:

1 * * *

2 (2) Provided a community investment agreement that has been executed
3 by authorized representatives of the municipal government, businesses and
4 property owners within the district, and community groups with an articulated
5 purpose of supporting downtown interests, and contains the following:

6 * * *

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

11 * * *

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

13 § 4449. ZONING PERMIT, CERTIFICATE OF OCCUPANCY, AND
14 MUNICIPAL LAND USE PERMIT

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

16 * * *

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

21 * * *

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

2 § 6001. DEFINITIONS

3 As used in this chapter:

4 * * *

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

6 * * *

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

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

15 (aa) [Repealed.]

16 (bb) [Repealed.]

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

19 (dd) 50 or more, in a municipality with a population of

20 ~~3,000 or more but~~ less than 6,000.

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

3 (ff) Notwithstanding subdivisions (cc) through (ee) of this
4 subdivision (3)(A)(iv)(I), 10 or more if the construction involves the
5 demolition of one or more buildings that are listed on or eligible to be listed on
6 the State or National Register of Historic Places. However, demolition shall
7 not be considered to create jurisdiction under this subdivision (ff) if the
8 Division for Historic Preservation has determined that the proposed demolition
9 will have no adverse effect, will have no adverse effect if specified conditions
10 are met, or will have an adverse effect that will be adequately mitigated. Any
11 imposed conditions shall be enforceable through a grant condition, deed
12 covenant, or other legally binding document.

13 * * *

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

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

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

1 center that is also a designated neighborhood development area under
2 24 V.S.A. chapter 76A; or

3 ~~(B) mixed income housing and is located entirely within a designated~~
4 ~~Vermont neighborhood or designated neighborhood development area under~~
5 ~~24 V.S.A. chapter 76A.~~

6 * * *

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

8 ~~(p)(1) No permit or permit amendment is required for any change to a~~
9 ~~project that is located entirely within a downtown development district~~
10 ~~designated pursuant to 24 V.S.A. § 2793, if the change consists exclusively of~~
11 ~~any combination of mixed use and mixed income housing, and the cumulative~~
12 ~~changes within any continuous period of five years, commencing on or after~~
13 ~~May 28, 2002, remain below any applicable jurisdictional threshold specified~~
14 ~~in subdivision 6001(3)(A)(iv)(I) of this title.~~

15 ~~(2) No permit or permit amendment is required for a priority housing~~
16 ~~project in a designated center other than a downtown development district if~~
17 ~~the project remains below any applicable jurisdictional threshold specified in~~
18 ~~subdivision 6001(3)(A)(iv)(I) of this title and will comply with all conditions~~
19 ~~of any existing permit or permit amendment issued under this chapter that~~
20 ~~applies to the tract or tracts on which the project will be located. If such a~~

1 ~~priority housing project will not comply with one or more of these conditions,~~
2 ~~an application may be filed pursuant to section 6084 of this title.~~

3 * * * First-Generation Homebuyers * * *

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

5 § 5930u. TAX CREDIT FOR AFFORDABLE HOUSING

6 * * *

7 (b) Eligible tax credit allocations.

8 * * *

9 (3) Down Payment Assistance Program.

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

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

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

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

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

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

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

5 * * *

6 * * * Manufactured Home Relocation Incentives * * *

7 Sec. 8. MANUFACTURED HOME IMPROVEMENT AND
8 REPLACEMENT PROGRAM

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

12 (1) \$3,000,000.00 for manufacture home community small-scale capital
13 grants, through which the Department may award not more than \$20,000.00
14 for owners of manufactured housing communities to complete small-scale
15 capital needs to help infill vacant lots with homes, which may include projects
16 such as disposal of abandoned homes, lot grading/preparation, site electrical
17 box issues/upgrades, E911 safety issues, legal fees, transporting homes out of
18 flood zones, individual septic system, and marketing to help make it easier for
19 home-seekers to find vacant lots around the State.

20 (2) \$1,000,000.00 for manufactured home repair grants, through which
21 the Department may award funding for minor rehab or accessibility projects,

1 coordinated as possible with existing programs, for between 250 and 400
2 existing homes where the home is otherwise in good condition or in situations
3 where the owner is unable to replace the home and the repair will keep them
4 housed.

5 (3) \$1,000,000.00 for new manufactured home foundation grants,
6 through which the Department may award not more than \$15,000.00 per grant
7 for a homeowner to pay for a foundation or HUD-approved slab, site
8 preparation, skirting, tie-downs, and utility connections on vacant lots within
9 manufactured home communities.

10 Sec. 9. 32 V.S.A. § 5930u(g) is amended to read:

11 (g)(1) In any fiscal year, the allocating agency may award up to:

12 (A) \$400,000.00 in total first-year credit allocations to all applicants
13 for rental housing projects, for an aggregate limit of \$2,000,000.00 over any
14 given five-year period that credits are available under this subdivision (A);

15 (B) ~~\$425,000.00~~ \$675,000.00 in total first-year credit allocations for
16 loans or grants for owner-occupied unit financing or down payment loans as
17 provided in subdivision (b)(2) of this section consistent with the allocation
18 plan, including for new construction and manufactured housing, for an
19 aggregate limit of ~~\$2,125,000.00~~ \$3,375,000.00 over any given five-year
20 period that credits are available under this subdivision (B). Of the total first-

1 year credit allocations made under this subdivision (B), \$250,000.00 shall be
2 used each fiscal year for manufactured home purchase and replacement.

3 (2) If the full amount of first-year credits authorized by an award ~~are~~ is
4 not allocated to a taxpayer, the Agency may reclaim the amount not allocated
5 and re-award such allocations to other applicants, and such re-awards shall not
6 be subject to the limits set forth in subdivision (1) of this subsection.

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

9 Sec. 10. VERMONT HOUSING CONSERVATION BOARD; LARGE
10 EMPLOYER HOUSING; COMMERCIAL PROPERTY
11 CONVERSION; COMMUNITY PARTNERSHIP FOR
12 NEIGHBORHOOD DEVELOPMENT

13 (a) Authorization. Of the amounts appropriated to the Vermont Housing
14 Conservation Board in fiscal year 2023, the Board is authorized to use up to
15 \$5,000,000.00 for the following activities:

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

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

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

4 (b) Community Partnership for Neighborhood Development.

5 (1) The Department of Housing and Community Development shall lead
6 a cross-agency program to encourage and support local partnerships between
7 municipalities, nonprofit and for-profit developers, employers, the Vermont
8 Housing and Conservation Board, and local planning officials, by enhancing
9 density and reducing or eliminating the cost of land and infrastructure from
10 housing development while enhancing density, walkability, inclusiveness, and
11 climate-sensitive, smart growth development.

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

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

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

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

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

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

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

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

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

20 * * * Municipal Bylaw Grants * * *

21 Sec. 11. 24 V.S.A. § 4306 is amended to read:

1 § 4306. MUNICIPAL AND REGIONAL PLANNING FUND

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

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

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

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

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

18 (C) 20 percent shall be disbursed to municipalities.

19 * * *

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

21 * * *

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

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

6 Sec. 12. 24 V.S.A. § 4307 is added to read:

7 § 4307. MUNICIPAL BYLAW MODERNIZATION GRANTS

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

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

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

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

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

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

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

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

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

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

1 (5) reduce nonconformities by making the allowed standards principally
2 conform to the existing settlement within any area designated under chapter
3 76A of this title and increase allowed lot/building/dwelling unit density by
4 adopting dimensional, use, parking, and other standards that allow compact
5 neighborhood form and support walkable lot and dwelling unit density, which
6 may be achieved with a standard allowing at least four units per acre or
7 allowing the receipt of a State or municipal water and wastewater permit to
8 determine allowable density or by other means established in guidelines issued
9 by the Department.

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

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

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

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

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

6 Sec. 13. APPROPRIATION

7 In fiscal year 2023 the amount of \$650,000.00 is appropriated from the
8 General Fund to the Municipal Planning and Regional Planning Fund to be
9 used for Municipal Bylaw Modernization Grants established in 24 V.S.A.
10 § 4307.

11 * * * Tax Credits * * *

12 Sec. 14. 32 V.S.A. § 5930ee is amended to read:

13 § 5930ee. LIMITATIONS

14 Beginning in fiscal year 2010 and thereafter, the State Board may award tax
15 credits to all qualified applicants under this subchapter, provided that:

16 (1) the total amount of tax credits awarded annually, together with sales
17 tax reallocated under section 9819 of this title, does not exceed ~~\$3,000,000.00~~
18 \$5,000,000.00 with up to \$1,000,000.00 awarded to qualified projects in
19 neighborhood development areas;

20 * * *

1 Sec. 15. 32 V.S.A. § 5930aa is amended to read:

2 § 5930aa. DEFINITIONS

3 As used in this subchapter:

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

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

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

16 (A) to install or improve platform lifts suitable for transporting
17 personal mobility devices, limited use or limited application elevators,
18 elevators, sprinkler systems, and capital improvements in a qualified building,
19 and the installations or improvements are required to bring the building into
20 compliance with the statutory requirements and rules regarding fire prevention,

1 life safety, and electrical, plumbing, and accessibility codes as determined by
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. Façade improvements to
14 qualified buildings listed, or eligible for listing, in the State or National
15 Register of Historic Places must be consistent with Secretary of the Interior
16 Standards, as determined by the Vermont Division for Historic Preservation.

17 (6) “Qualified Flood Mitigation Project” means any combination of
18 structural and nonstructural changes to a building located within the flood
19 hazard area as mapped by the Federal Emergency Management Agency that
20 reduces or eliminates flood damage to the building or its contents. The project
21 shall comply with the municipality’s adopted flood hazard bylaw, if applicable,

1 and a certificate of completion shall be submitted by a registered engineer,
2 architect, qualified contractor, or qualified local official to the State Board.
3 Improvements to qualified buildings listed, or eligible for listing, in the State
4 or National Register of Historic Places shall be consistent with Secretary of the
5 Interior’s Standards for Rehabilitation, as determined by the Vermont Division
6 for Historic Preservation.

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

10 ~~(7)~~(8) “Qualified project” means a qualified code improvement,
11 qualified façade improvement, or qualified historic rehabilitation project as
12 defined by this subchapter.

13 ~~(8)~~(9) “State Board” means the Vermont Downtown Development
14 Board established pursuant to 24 V.S.A. chapter 76A.

15 Sec. 16. 32 V.S.A. § 5930bb is amended to read:

16 § 5930bb. ELIGIBILITY AND ADMINISTRATION

17 * * *

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

21 Sec. 17. 24 V.S.A. § 2793a is amended to read:

1 § 2793a. DESIGNATION OF VILLAGE CENTERS BY STATE BOARD

2 * * *

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

6 * * *

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

9 (A) ~~A State historic rehabilitation tax credit of ten percent under~~
10 ~~32 V.S.A. § 5930cc(a) that meets the requirements for the federal rehabilitation~~
11 ~~tax credit.~~

12 (B) ~~A State façade improvement tax credit of 25 percent under~~
13 ~~32 V.S.A. § 5930cc(b).~~

14 (C) ~~A State code improvement tax credit of 50 percent under~~
15 ~~32 V.S.A. § 5930ee(e) The Downtown and Village Center Tax Credit Program~~
16 ~~described in 32 V.S.A. § 5930aa et seq.~~

17 * * *

18 Sec. 18. 24 V.S.A. § 2793e is amended to read:

19 § 2793e. NEIGHBORHOOD PLANNING AREAS; DESIGNATION OF
20 NEIGHBORHOOD DEVELOPMENT AREAS

21 * * *

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

10 (1) ~~The~~ the application fee limit for wastewater applications stated in
11 3 V.S.A. § 2822(j)(4)(D);

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

14 (3) ~~The~~ the exclusion from the land gains tax provided by 32 V.S.A.
15 § 10002(p); and

16 (4) eligibility for the Downtown and Village Center Tax Credit Program
17 described in 32 V.S.A. § 5930aa et seq.

18 * * *

19 Sec. 19. 24 V.S.A. § 2794 is amended to read:

20 § 2794. INCENTIVES FOR PROGRAM DESIGNEES

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

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

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

10 ~~(A) A State historic rehabilitation tax credit of 10 percent under~~
11 ~~32 V.S.A. § 5930cc(a) that meets the requirements for the federal rehabilitation~~
12 ~~tax credit.~~

13 ~~(B) A State façade improvement tax credit of 25 percent under~~
14 ~~32 V.S.A. § 5930cc(b).~~

15 ~~(C) A State code improvement tax credit of 50 percent under~~
16 ~~32 V.S.A. § 5930cc(e) The Downtown and Village Center Tax Credit Program~~
17 ~~described in 32 V.S.A. § 5930aa et seq.~~

18 * * *

19 Sec. 20. 32 V.S.A. § 5930cc is amended to read:

20 § 5930cc. DOWNTOWN AND VILLAGE CENTER PROGRAM TAX

21 CREDITS

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* * *

(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. 21. 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. 22. 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

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; and

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

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

14 (4) The authorizations from the municipality comply with the technical
15 standards for sanitary sewer service lines and water service lines in the
16 Wastewater System and Potable Water Supply Rules.

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

1 public parking spaces in the vicinity of the development. However, a
2 municipality shall not require an accessory dwelling unit to have more than
3 one parking space per bedroom.

4 * * *

5 * * * Missing Middle Housing * * *

6 Sec. 24. MISSING MIDDLE-INCOME HOME OWNERSHIP

7 DEVELOPMENT PROGRAM

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

13 (1) \$5,000,000 in fiscal year 2022.

14 (2) \$10,000,000 in fiscal year 2023.

15 (b) As used in this section:

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

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

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

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

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

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

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

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

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

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

7 (1) project location;

8 (2) geographic distribution;

9 (3) leveraging of other programs;

10 (4) housing market needs;

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

13 (6) construction standards, including considerations for size;

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

16 (8) sponsor characteristics;

17 (9) energy efficiency of the development; and

18 (10) historic nature of the project.

19 (f) The Agency may assign its rights under any investment or grant made
20 under this section to the Vermont Housing and Conservation Board or any
21 State agency or nonprofit organization qualifying under 26 U.S.C. § 501(c)(3),

1 provided such assignee acknowledges and agrees to comply with the
2 provisions of this section.

3 (g) The Agency shall ensure that initial investments made under this
4 program are obligated by December 31, 2024 and expended by December 31,
5 2026.

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

10 * * * Residential Construction Contractors * * *

11 Sec. 25. FINDINGS

12 The General Assembly finds that:

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

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

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

1 Sec. 27. 26 V.S.A. chapter 106 is added to read:

2 CHAPTER 106. RESIDENTIAL CONTRACTORS

3 Subchapter 1. General Provisions

4 § 5501. REGISTRATION REQUIRED

5 (a) A person shall register with the Office of Professional Regulation prior
6 to contracting with a homeowner to perform residential construction in
7 exchange for consideration of more than \$5,000.00, including labor and
8 materials.

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

17 § 5502. EXEMPTIONS

18 This chapter does not apply to:

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

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

4 (B) a business that performs residential construction if the work is
5 performed primarily by or under the direct supervision of one or more
6 employees who are individually exempt from registration under subdivision

7 (2)(A) of this section;

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

10 (4) landscaping;

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

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

15 § 5503. MANDATORY REGISTRATION AND VOLUNTARY

16 CERTIFICATION DISTINGUISHED

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

- 1 (1) provide information to the public concerning registration,
2 certification, appeal procedures, and complaint procedures;
3 (2) administer fees established under this chapter;
4 (3) receive applications for registration or certification, issue
5 registrations and certifications to applicants qualified under this chapter, deny
6 or renew registrations or certifications, and issue, revoke, suspend, condition,
7 and reinstate registrations and certifications as ordered by an administrative
8 law officer;
9 (4) prepare and maintain a registry of registrants and certificants; and
10 (5) use the registry to timely communicate with registrants and
11 certificants concerning issues of health and safety, building codes,
12 environmental and energy issues, and State and federal incentive programs.
13 (b) The Director, after consultation with an advisor appointed pursuant to
14 section 5506 of this title, may adopt rules to implement this chapter.

15 § 5506. ADVISORS

- 16 (a) The Secretary of State shall appoint two persons pursuant to 3 V.S.A.
17 § 129b to serve as advisors in matters relating to residential contractors and
18 construction.
19 (b) To be eligible to serve, an advisor shall:
20 (1) register under this chapter;

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

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

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

6 § 5507. FEES

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

9 (1) Registration, individual: \$75.00.

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

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

13 Subchapter 3. Registrations

14 § 5508. ELIGIBILITY

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

19 § 5509. REQUIREMENTS OF REGISTRANTS

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

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

3 (b) Writing.

4 (1) A person registered under this chapter shall execute a written
5 contract prior to receiving a deposit or commencing residential construction
6 work if the estimated value of the labor and materials exceeds \$5,000.00.

7 (2) A contract shall specify:

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

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

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

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

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

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

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

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

3 (c) Down payment.

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

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

12 § 5510. PROHIBITIONS AND REMEDIES

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

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

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

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

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

3 (3) committing a deceptive act in commerce in violation of 9 V.S.A.
4 § 2453;

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

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

13 Sec. 28. IMPLEMENTATION

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

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

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

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

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

4 (4) Prior to April 1, 2024, the Office of Professional Regulation shall
5 not take any enforcement action for unauthorized practice under 26 V.S.A.
6 § 5510(a) against a residential contractor who fails to register as required by
7 this act.

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

13 Sec. 29. CREATION OF POSITIONS WITHIN THE OFFICE OF
14 PROFESSIONAL REGULATION; LICENSING

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

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

1 Sec. 30. SECRETARY OF STATE; STATUS REPORT

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

7 (1) the number of registrations and certifications;

8 (2) the resources necessary to implement the chapter;

9 (3) the number and nature of any complaints or enforcement actions;

10 (4) the potential design and implementation of a one-stop portal for
11 contractors and consumers; and

12 (5) any other issues the Office deems appropriate.

13 * * * Vermont Rental Housing Investment Program;

14 Accessory Dwelling Units * * *

15 Sec. 31. Sec. 9 of S.210 (2022), as enacted, is amended to read:

16 Subchapter 3. Housing; Investments

17 § 699. VERMONT RENTAL HOUSING INVESTMENT PROGRAM

18 * * *

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

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

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

6 * * *

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

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

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

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

11 * * *

12 Sec. 32. Sec. 15(b)(3) of S.210 (2022), as enacted, is amended to read:

13 (3) \$20,000,000.00 to the Department of Housing and Community
14 Development to implement the Vermont Rental Housing Investment Program
15 created in 10 V.S.A. § 699, provided that the Department shall allocate 25
16 percent of the funds for accessory dwelling units as follows:

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

