



February 3, 2026

Dear Members of the Vermont Legislature,

I write today on behalf of the Vermont Downtown Coalition representing 25 Designated Downtown organizations to strongly urge your support for increasing the annual allocation for Vermont's Historic Downtown and Village Center Tax Credit Program from its current level of \$3 million to \$6 million in the upcoming state budget. This critical investment supports downtown revitalization, economic growth, housing production, and aligns with statewide land-use and housing goals currently being advanced through legislative action.

1. Demand for the Program Exceeds Funding

In 2025, \$3.3 million in tax credits supported 34 projects in 23 designated downtowns and village centers, generating over **\$70 million in building improvements and public infrastructure** statewide. These projects helped create or rehabilitate nearly 70 housing units within existing underutilized and vacant buildings while supporting small business and community facilities.

Despite this success, demand for the program consistently exceeds available funding. Increasing the annual cap to \$6 million would better align resources with demonstrated need and unlock additional transformational projects across Vermont's downtowns.

2. Proven Economic and Community Impact

Over the past decade, the state credit program has *leveraged tens of millions of dollars* in federal rehabilitation credits and private investment. In recent years, the program has generated **over \$28 million in federal rehabilitation tax credits**, support housing creation, downtown occupancy, and stronger local tax base—delivering long-term returns for both communities and the state.

3. Alignment with Act 181 and Smart Growth Policy

Act 181, which reforms Vermont's land-use system, directs future growth into Tier 1 areas—*downtowns, village centers, and planned growth areas*—while reducing pressure on rural and conserved lands. Increasing the downtown tax credit directly supports this policy shift by enabling redevelopment in the very places the Legislature has identified as priority locations for housing and economic activity.

4. Maximizing Public Investment & Avoiding Sprawl

Reinvesting in existing downtown infrastructure reduces the need for costly new roads and utilities while protecting working lands, natural resources, and forests.

Each tax credit dollar leverages private investment and strengthens municipal finances over time.

In Summary:

- **Actual project demand far exceeds the \$3 million cap.**
- **The program delivers proven economic and housing outcomes.**
- **Funding must keep pace with the Legislature's own growth and land-use policies.**

For these reasons, I respectfully urge you to support doubling the annual historic downtown tax credit allocation to \$6 million as part of your budget priorities.

Thank you for your leadership in supporting Vermont's downtowns, businesses, and communities.

Sincerely,

Karen Duguay

Vermont Downtown Coalition Director

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25 Designated Downtown programs: Barre, Bellows Falls, Bennington, Brandon, Brattleboro, Bristol, Burlington, Hardwick, Middlebury, Montpelier, Morristown, Newport, Poultney, Randolph, Rutland, Springfield, St Albans, St Johnsbury, Stowe, Vergennes, Waterbury, White River Junction, Wilmington, Windsor and Winooski.