

New State Designation for Community Investment

A Resource on Vermont's Transition to the New Community Investment Designations under Act 181 of 2024

Vermont Department of Housing & Community Development

Last updated May 2025

Overview of Designation Changes

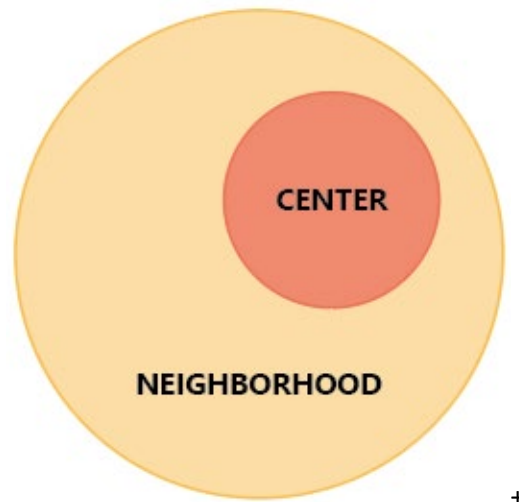
Act 181 Modernizes Vermont's Designation Programs

For nearly 30 years, the State of Vermont's "designation" programs – Downtowns, Villages, Growth Centers, New Town Centers, and Neighborhood Development Areas – have supported economic revitalization, community vitality, and smart growth. These programs work together to provide incentives, align policies and give communities the technical assistance needed to encourage new development and redevelopment in our vibrant and compact designated areas. The program's incentives are for both the public and private sector within the designated area, including tax credits for historic building rehabilitations and code improvements, permitting benefits for new housing, funding for transportation-related public improvements and priority consideration for other state grant programs.

Facing an urgent housing crisis and a desire to better align planning and investment, in 2023 Vermont's General Assembly funded a review of Vermont's five designation programs. The result, the [Designation 2050 Report](#), guided legislative changes enacted by the General Assembly in 2024 in Act 181. The legislative changes make the program more accessible and help coordinate community investment. One major element of Act 181 is that it shifts the designation process to a new regional plan approval process, which expands access to the designation programs and transfers all legacy designations into the new framework.

The New Designations for Community Investment

The new designation framework simplifies the five legacy designations into two categories: **Centers** surrounded by **Neighborhoods**. The **Center** designation will continue to recognize downtown and village centers throughout the state, and the **Neighborhood** designation will continue to recognize areas around **Centers**.



New Designated Centers for Downtowns & Villages

Purpose

The **Center** designation supports the revitalization efforts of downtown and village centers throughout the state. The designation brings financial incentives, training and technical assistance needed to attract new people, businesses, and vitality to Vermont's communities – small or large. Incentives and programs available to **Centers** support local efforts to restore historic buildings, improve housing, design walkable communities and encourage economic development by incentivizing public and private investments.

Mapping

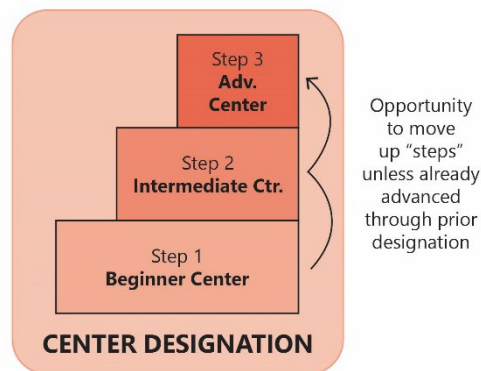
Downtown and village centers will be mapped by the regional planning commissions' Regional Plan Future Land Use (FLU) Maps and become automatically designated when the maps are approved by the State's new Land Use Review Board. Any newly mapped area with a FLU category of downtown and village center that is not associated with a legacy designation will enter the program as a **Step 1 Center** (see below for explanation).

Structure of New Designation

Centers are organized into three "steps" based on the characteristics of the downtown or village, local capacity, planning initiatives within the municipality, and any legacy designation associated with the Center. Through these three steps, **Centers** will gain access to varying levels of incentives, like the retiring legacy designation structure. The new **Step 1 Center** designation will expand program participation by providing a new, lower-barrier pathway for all historic centers (whether high or low-capacity) to become designated and access State benefits.

Centers can ‘step up’ to access greater levels of incentives and support by demonstrating local commitment and alignment with the goals and requirements of the program. Municipalities may apply directly to Department staff to reach **Step 2 or 3 Center** status. Application forms and guidelines will be made available following the approval of the first regional plan by the Land Use Review Board (expected late-2025).

Center Steps for Community Investment



Step 1 – Beginner **Center** (small village)

Step 2 – Intermediate **Center** (growing village/town center)

Step 3 -- Advanced **Center** (downtown, *Main Street America Program* member)

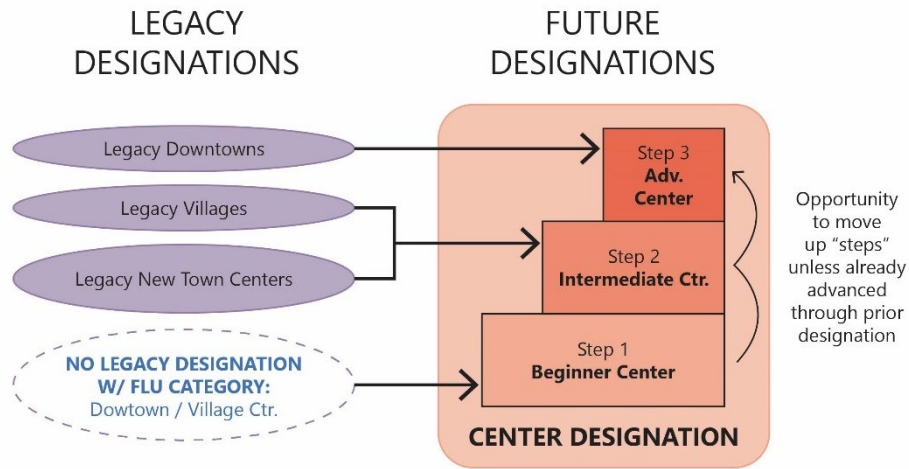
Community Investment

The new designations will be overseen by the re-named Downtown Board, now called the ‘[Community Investment Board](#)’ (CIB). The Board is staffed by the Department of Housing & Community Development and responsible for the stewardship of **Center** and **Neighborhood** investments and policies that grow and improve the vibrancy of Vermont’s designated places. The Board also makes certain funding decisions, like awarding Downtown and Village Tax Credits.

Transition of Legacy Designations

The **Center** designation consolidates the legacy Downtown, Village Center, and New Town Center designations and transfers them into the new **Center** designation through regional planning commissions’ Regional Plan Future Land Use maps. Legacy designated Downtowns will enter the new program as **Step 3 Centers**, and legacy designated Villages and New Town Centers will enter the new program at **Step 2**.

Designated Centers Flowchart: Transfer of Legacy Designations and Creation of New Centers



Center Requirements and Benefits

CENTER REQUIREMENTS	Step 1	Step 2	Step 3
<i>Meets one of the following location factors:</i>			
○ Mapped as <u>downtown and village center</u> area in approved regional plan, or	X	X	X
○ Has a Legacy New Town Center Designation on 12/31/26		X	
○ Has a Legacy Village Designation on 12/31/26		X	
○ Has a Legacy Downtown Designation on 12/31/26			X
Capital Plan			X
Local Downtown Organization			X
Available Public Water/Wastewater			X
Permanent Zoning and Subdivision Regulations			X
Historic Preservation Regulations			X
<i>(Unless a Legacy New Town Center on 12/31/2026)</i>			
Adopted Downtown Design or Form-Based Code Regulations			X
Regionally Confirmed Municipal Planning Process		X	X
Anchored by Historical Settlement	X	X	X
<i>(Includes areas listed or eligible for National Register of Historic Places)</i>			

Vermont Department of Housing & Community Development

Division of Community Planning + Revitalization

A Resource on Vermont's Transition to the New Community Investment Designations

Last Updated: May 2025

CENTER BENEFITS	Step 1	Step 2	Step 3
Downtown Vibrancy Grant Funding			X
Sales Tax Reallocation Funding			X
<i>National Main Street Accreditation Eligibility</i>			X
Placemaking/Wayfinding/Off-Site Signage Exemptions			X
Housing Permit Appeals Limitations			X
Location Priority for State Office Building Development			X
Downtown Transportation Improvement Funding Eligibility			X
Better Connections Grant Funding		X	X
Infrastructure Funding Priority		X	X
Priority Consideration for State and Federal Affordable Housing Funding		X	X
Municipal Authority to Create Special Taxing District		X	X
Priority Consideration for State/Federal Funding		X	X
Authority to Lower Speed Limits <25 mph		X	X
State Water/Wastewater Permit Fee Reduction		X	X
Exemption from Land Gains Tax		X	X
DHCD-Assistance on Municipal Historic Preservation Regs.		X	X
Other benefits under Department, Program or Board guidelines.		X	X
Funding Priority for Municipal and Regional Planning Resilience Fund	X	X	X
o Municipal Plans/Visioning/Assessment	X	X	X
o Special Purpose Plans		X	X
Better Places Grant Funding (<i>not currently funded</i>)	X	X	X
Downtown & Village Tax Credit Funding	X	X	X

New Designated Neighborhoods

Purpose

The **Neighborhood** designation supports revitalization and development efforts surrounding designated **Centers**.

Mapping

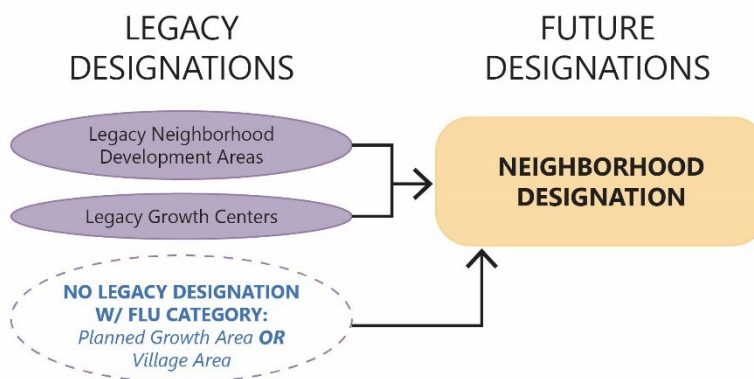
Neighborhoods will be mapped by the regional planning commissions on the Regional Plan Future Land Use (FLU) Map as *planned growth areas* or *village areas*. Once approved by the State's New Land Use Review Board, these two regional future land use categories establish a designated **Neighborhood**.

Transition of Legacy Designations

The new designation framework consolidates the legacy Neighborhood Development Area and Growth Center designations and transfers them into the new **Neighborhood** designation. The **Neighborhood** designation will expand program participation by providing a new and lower-barrier pathway for areas surrounding **Centers** to become designated and access benefits. This designation supports the creation

of new housing by providing tax, regulatory, and funding incentives for housing projects that are connected to **Centers**.

Designated Neighborhoods Flowchart: Transfer of Legacy Designations and Creation of New Neighborhoods



Neighborhood Requirements and Benefits

NEIGHBORHOOD REQUIREMENTS

Meets one of the following location factors:

- Mapped as **planned growth area** or **village area** in Approved Regional Plan, or
- Has a Legacy Growth Center or Neighborhood Development Area Designation on 12/31/26

NEIGHBORHOOD BENEFITS

Municipal and Regional Planning & Resilience Grant Funding Priority for:

- Municipal Plans/Visioning/Assessment
- Special Purpose Plans

Better Connections Grant Funding Priority

Infrastructure Funding Priority

Downtown & Village Tax Credits Eligibility

Affordable Housing Funding Priority

Housing Permit Appeal Limitations

Municipal Authority to Lower Speed Limits <25 mph

State Water/Wastewater Permit Fee Reduction

Land Gains Tax Exemption

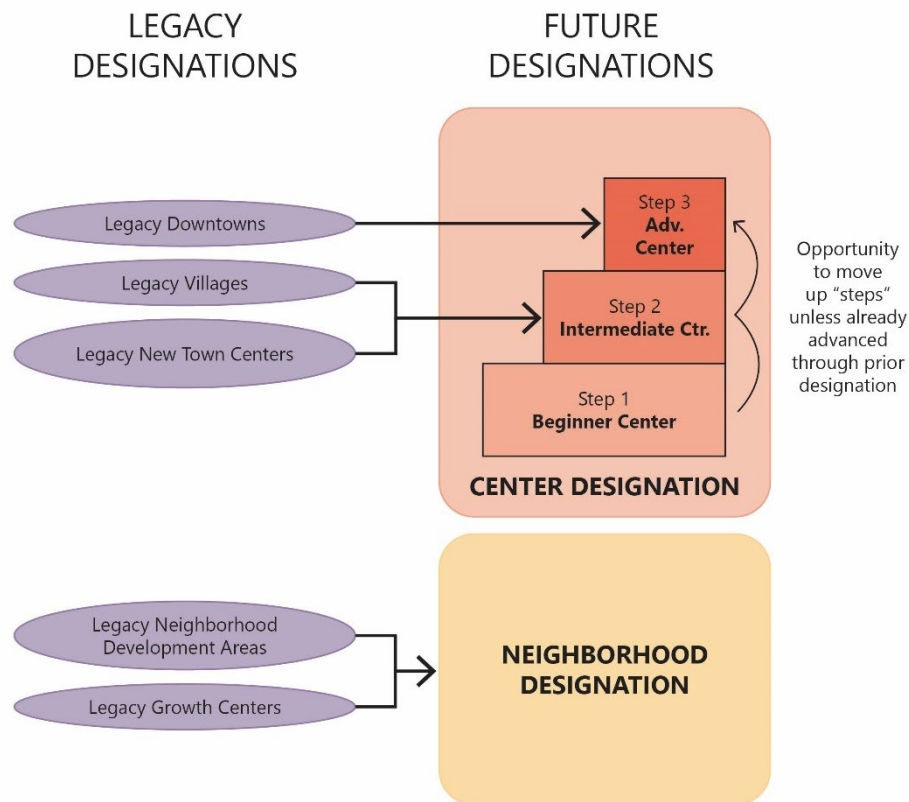
Municipal Special Taxing Authority

Transfer of the Legacy Designations

Upon approval of a regional plan, the legacy designations will be transferred into the new program using the boundaries established in the Land Use Review Board-approved regional plan, even if the boundaries differ from the legacy boundary. There will be no loss of existing incentives for legacy designated areas upon transition and the mapping of legacy areas will be maintained on the [Vermont Planning Atlas](#).

Under the new designation program, legacy Downtown, Village Center, and New Town Center designations will transition into a consolidated designation category, simply referred to as **Centers**. As noted above, the **Center** designation will have three different “steps” that define varying levels of incentives available to communities. Legacy Village Centers and New Town Centers will automatically enter the new program at **Step 2**, whereas legacy Downtowns will enter the new program at **Step 3**.

As noted above, legacy Neighborhood Development Areas and Growth Centers will be consolidated into **Neighborhoods** under the new designation program.

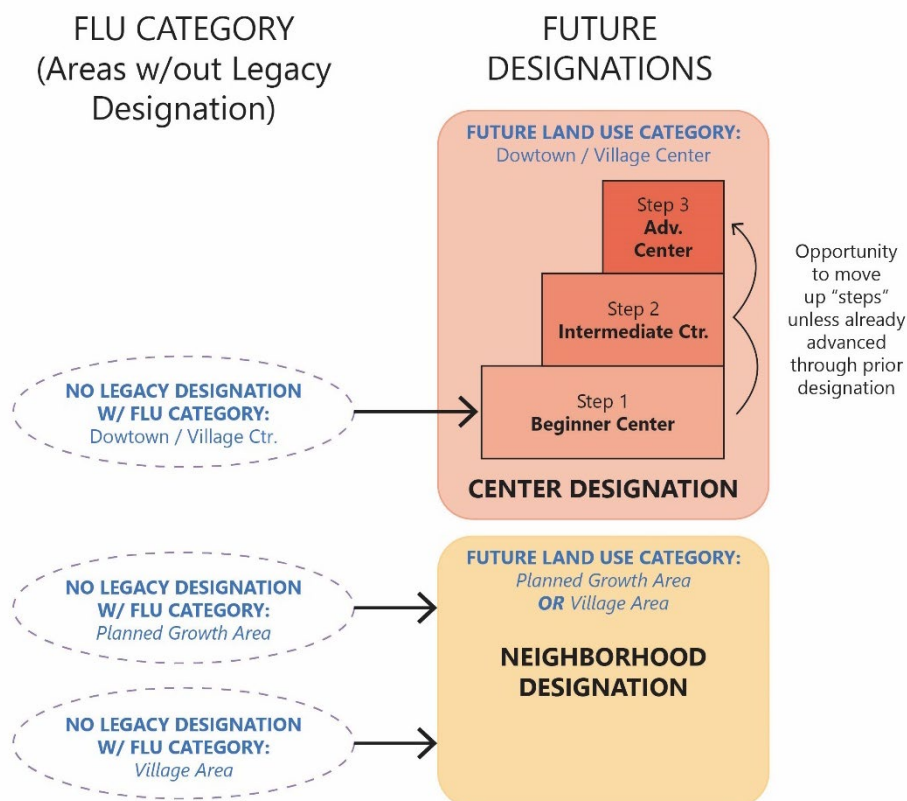


Creation of a New Designated Areas without a Legacy Designation

All New Designations Are Established by Regional Plans

Act 181 establishes standard categories for future land use (FLU) areas for approval by the State Land Use Review Board (LURB). New community investment designations are established upon LURB plan/map approval of three eligible regional land use categories: 1. downtown and village centers, 2. planned growth areas, and 3. village areas. Through this land use mapping process, areas may become designated “**Centers**” or “**Neighborhoods**” that did not previously have a legacy designation approved through DHCD. Areas mapped within the FLU category of downtown and village centers that do not have a designation under the legacy program will enter the new designation program as a **Step 1 Center**. Once a **Step 1 Center** is established, a municipality may “step up” by applying to Department staff for administrative approval within 30 days. The creation of a **Step 1 Center** creates a new, lower barrier entry point for historic centers to become designated and access benefits.

Similarly, the mapping process may identify areas with a FLU category of planned growth areas or village areas that will enter the new designation program as **Neighborhoods**. The chart below explains the process.



Key Transition Timelines

- Renewals of legacy designations are no longer required as of July 1, 2024.
- All legacy designations will continue through December 31, 2025. There will be no loss of existing incentives for legacy designated areas during the transition.
- The deadline to apply for designation under the legacy program for consideration at the October 27, 2025 Community Investment Board meeting is October 6, 2025.
- The Regional Planning Commissions will update Regional Plans and Future Land Use maps to establish the areas eligible for designation upon approval by the State Land Use Review Board (LURB) through December 31, 2026.
- All benefits for legacy designated areas transitioned into the new designations that are removed by the legislative changes shall remain in effect until July 1, 2034 to support a smooth transition for legacy areas.

Rural Technical Assistance Study for Better Community Investment

To support the new designation program, UVM, state agencies, and technical assistance (TA) service providers are working together to create actionable recommendations for an integrated approach to delivering rural TA. Known as the Vermont Assessment of Rural Technical Assistance (VERTA), this partnership will co-develop new solutions and models of advancing rural development and resilience that retains and builds upon the rural town and village foundation. With improved access to TA and increased local capacity, designated areas will be better positioned to access Federal and State funding, address aging or absent infrastructure, and further development and planning objectives within designated areas.

For more information, visit www.accd.vermont.gov/VERTA.

Contact & Questions

- Regional future land use mapping questions: Please contact your regional planning commission.
- Designation questions: Please contact Jacob Hemmerick (Jacob.Hemmerick@vermont.gov).