
Bristol; Image Credit: DuBois & King

Vermont Planning Manual
Module 2: State Designation Programs

Agency of Commerce and Community Development

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VERMONT

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About this guide:

This is **Module 2** of the Vermont Planning and Land Use Series. Developed in accordance with 24 V.S.A. Sec. 4304, this series seeks to inform and empower municipal officials and citizen planners to promote vibrant communities through best practices in planning and land use. This manual was revised in the early days of implementing the Act 181 (2024) requirements. It will be updated as new information and processes are available.

Other modules in this series:

Module 1: *The Municipal Plan.* A step-by-step blueprint for citizen planners to create local plans that matter. Last updated June 2025.

Module 3: *Enabling Better Places Through Incremental Local Bylaw Reform*. Small but powerful steps to reform local zoning and increase housing opportunities in downtowns, villages, and neighborhoods. Last updated June 2025.

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Randolph; Image Credit: DuBois & King

Chapter 1. Why Designation?

This Edition of the Vermont Planning Manual, Module 2:

- Outlines the changes in the designation process from Act 181;
- Provides a summary of the two designations along with case studies;
- Explains the benefits of designation.

Northfield; Image Credit: DuBois & King

Vermont's landscape of compact centers surrounded by working farms and forest land is integral to our economy, community spirit, and way of life. To help promote this traditional settlement pattern, the State created a unique framework to recognize and "designate" downtown/village centers and surrounding or adjacent neighborhoods, and then provide an array of tools and incentives to keep them economically strong and vital. This approach not only builds Vermont's economy – but helps achieve related goals:

- protecting working lands,
- promoting active transportation,
- reducing energy consumption and emissions,
- stimulating building rehabilitation and new housing, and
- preserving our historic and natural resources, while supporting smart growth.

Since 1998 Vermont's designation programs have successfully channeled public and private resources to restore historic buildings, create safe and pleasant pedestrian streets, revive commercial districts, plan for thoughtful growth, and build new housing. Across the state, communities have used the programs, with the technical assistance that it offers, to get the most from their substantial public investments in infrastructure like roads, sidewalks, and wastewater treatment, and create places where businesses can thrive and families can live close to jobs, schools, shops, and transportation options. Many municipalities have maximized their benefits by layering multiple state designations to secure priority consideration for State grants.

1.1. What Has Changed in the State Designation Program:

Facing an urgent housing crisis and a desire to better align community 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. These legislative changes make the State designation program more accessible, and help to coordinate community investment.

One major element of Act 181 of 2024 is that it shifts the designation process to a new regional plan map approval process, which expands access to the designation programs and transfers all legacy designations into the new framework. Act 181 also simplifies the program by condensing the five "legacy" designations into two – Downtown/Village Centers, with tiered "steps," and Neighborhoods.

Benson; Image Credit: DuBois & King

The new designation framework simplifies the five former "legacy" designations into two categories: "Downtown/Village Centers" surrounded by "Neighborhoods." These two designations will continue to recognize the historic downtown and village centers throughout the state, and the neighborhoods surrounding them.

1.1.1. Downtown/Village Centers

Purpose of the New Downtown/Village Centers

The Downtown/Village Center designation supports the revitalization efforts of historic 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 vitality by incentivizing public and private investments.

"Stepped" Structure of the Downtown/Village Center 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 former legacy designation associated with the Downtown/Village Center. Through these three steps, Downtown/Village Centers will gain access to varying levels of incentives. Municipalities can step up to higher levels of benefits by implementing best practices for successful community investment.

The new Step 1 Downtown/Village Center designation will expand program participation by providing a new, lower-barrier pathway for all historic centers to become designated, and to access State benefits. Centers can then "step up" to access greater levels of incentives and support by demonstrating local commitment and alignment with the goals and requirements of the program. Steps 1 and 2 are most like the legacy village center program. Step 3 is most like the legacy downtown program.

Mapping the Downtown/Village Centers

Downtown/village centers will be mapped by regional planning commissions' Future Land Use (FLU) maps in their respective regional plans. The Future Land Use Maps prepared at the regional level will include land use categories that correspond to the two designation categories. These maps are reviewed and approved by the State's new Land Use Review Board (LURB) and updated at least every eight years to reflect changes in the community. The land use category downtown/village center in the Regional Future Land Use Maps automatically receive Downtown/Village Center designation when the LURB approves the regional plan.

Per Act 181 of 2024, Regional Planning Commissions must have an approved FLU map by December 31, 2026.

Downtown/Village Center Requirements and Benefits

DOWNTOWN/VILLAGE CENTER REQUIREMENTS	Step 1	Step 2	Step 3
Meets one of the following location factors:			
○ Mapped as ***downtown and village center*** 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 *(Unless a Legacy New Town Center on 12/31/2026)*			X
Adopted Downtown Design or Form-Based Code Regulations			X
Regionally Confirmed Municipal Planning Process		X	X
Anchored by Historical Settlement *(Includes areas listed or eligible for National Register of Historic Places)*	X	X	X

DOWNTOWN/VILLAGE CENTER BENEFITS	Step 1	Step 2	Step 3
Downtown Vibrancy Grant Funding			X
Sales Tax Reallocation Funding			X
National Main Street Accreditation Eligibility			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
○ Municipal Plans/Visioning/Assessment	X	X	X
○ Special Purpose Plans		X	X
Better Places Grant Funding *(not currently funded)*	X	X	X
Downtown & Village Tax Credit Funding	X	X	X

1.1.2. Neighborhoods

Purpose of Neighborhoods

The Neighborhood designation supports revitalization, redevelopment, and planning for growth in areas surrounding designated Downtown/Village Centers, including the construction of new and infill housing.

Mapping Neighborhoods

As with Centers, Neighborhoods are mapped by regional planning commissions' FLU maps in their respective regional plans. The land use categories planned growth areas and village areas in the Regional Future Land Use Maps automatically receive Neighborhood designation when the LURB approves the regional plan.

Neighborhood Requirements and Benefits

The following is a chart of Neighborhood requirements and benefits:

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

1.1.3. Community Investment Board

Act 181 of 2024 updates the State Designation Program to align with local and regional plans, makes it more accessible for lower-capacity communities, streamlines administration to save time and cost, and simplifies requirements and benefits.

As in the prior designation program, new designations will be staffed by the Department of Housing and Community Development and overseen by a State Board with modified membership and a new name: the Community Investment Board (CIB), formerly the Downtown Development Board. The CIB will continue to deliver place-based benefits that help sustain and revitalize communities through smart growth, historic preservation, equitable opportunity, and climate resilience.

The new 16-member Board will increase focus on infrastructure investments, justice, inter-governmental cooperation, and expanding local, regional, and state efforts to build strong communities. The CIB will administer the state designation programs that target training and technical assistance, grants, tax credits, and permit relief. These programs empower state and local leaders to plan for and build vibrant, inclusive communities. Visit the Community Investment Board website.

The members of the Board represent a variety of state agencies, organizations, and communities. In addition to the State Treasurer and State Historic Preservation Officer, the Board currently includes the following members:

- Appointed by the Governor:
  - Representing local government (2 members)
  - Representing the VT Association of Chamber Executives
  - The Vermont Natural Resources Council and the Preservation Trust of Vermont
- Designated by the:
  - Secretary of Commerce and Community Development
  - Regional Development Corporations
  - Secretary of Natural Resources
  - Vermont Association of Planning and Development Agencies
  - Vermont Planners Association
  - Office of Racial Equity
  - Secretary of Transportation
  - Commissioner of Public Safety
  - Vermont Bond Bank
  - Vermont League of Cities and Towns

1.1.4. Transitioning Existing Designations to the New System

Renewals of existing designations (called "legacy designations") are no longer required as of July 1, 2024. There is still a short window of time to pursue a designation under the legacy program while the regional FLU maps are under development. Applications for legacy designations must be submitted to the Community Investment Board by October 6, 2025. Upon approval by the Land Use Review Board of a regional plan, the legacy designations will be transferred into the new designation program.

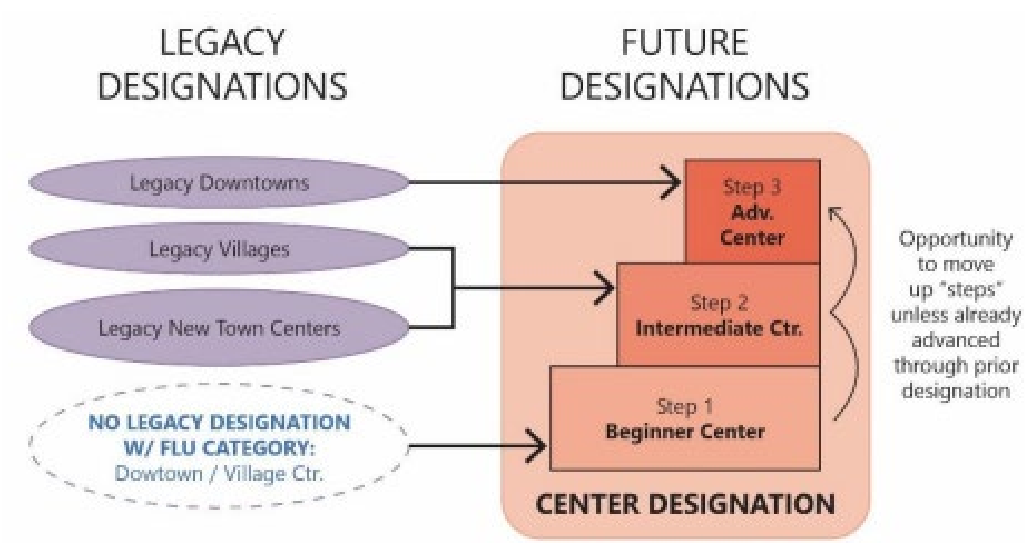
There will be no loss of existing incentives for legacy designated areas existing or established prior to December 31, 2025 upon transition into the new designation program with approval of the regional plan by the LURB by December 31, 2026.

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**. Legacy Neighborhood Development Areas and Growth Centers will be consolidated into **Neighborhoods** under the new designation program.

Downtown/Village Centers

This new designation process uses a "Step" system, as described and shown in the flow chart diagram and table below:

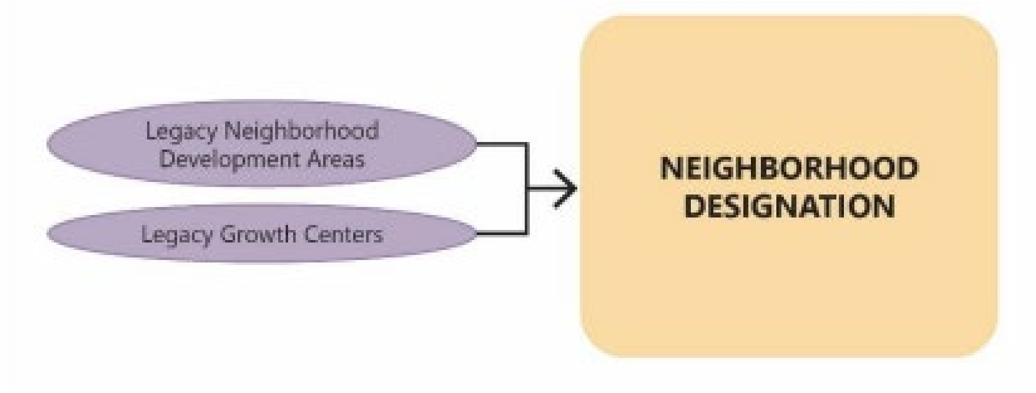
- Legacy designated Downtowns will enter the new program at Step 3.
- Legacy designated Villages and New Town Centers will enter the new program at Step 2.
    - Step 1 is for new Centers created through the Regional Future Land Use mapping process that have not advanced ("stepped up") to Step 2 or 3.



Neighborhoods

Growth Center and Neighborhood Development Area designations become Neighborhoods through the regional planning commissions' Regional Plan Future Land Use maps. There is no Step system for Neighborhoods.

Additional information on the transition from the former legacy designations to their new corresponding designation can be found here, an overview document prepared in 2025 by the Agency of Commerce and Community Development.



Key Transition Timelines
July 1, 2024: Renewals of legacy designations are no longer required as of July 1, 2024.
December 31, 2025: The deadline to apply for legacy designations. All legacy designation in effect by this date remain until approval of the regional plan on or before December 31, 2026.
December 31, 2026: 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.
July 1, 2034: All benefits for legacy designated areas that transition into the new designations through a timely regional approval shall remain in effect until July 1, 2034. The legacy designation statute (Chapter 76A) is removed on July 1, 2034.

1.1.5. Designation of New Areas without a Legacy Designation

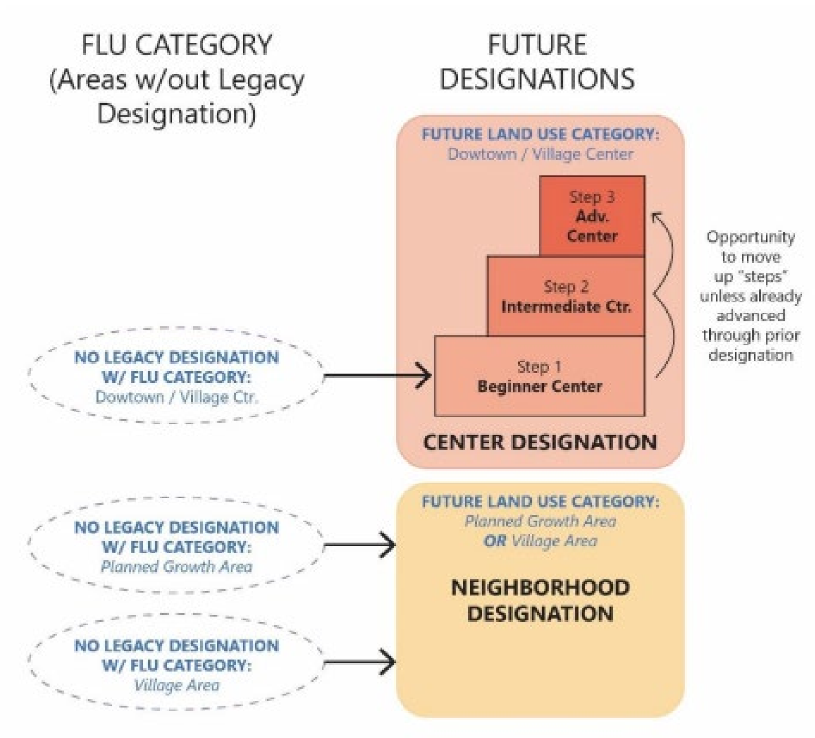
All new designations are established by Regional Plans. Act 181 of 2024 creates standard land use categories for future land use areas (see Module 1 of this Manual) for approval by the State Land Use Review Board (LURB). The new designations are established upon LURB plan/map approval of three eligible regional land use categories:

1. Downtown and Village Centers
2. Planned Growth Areas
3. Village Areas

Through this land use mapping process, areas without a legacy designation may become designated **Downtown/Village Centers** or **Neighborhoods**.

Areas mapped as Downtown and Village Centers in the future land use plan but lacking a current legacy designation will enter the new program as a Step 1 Center. This new Step 1 status lowers the barrier for historic centers to gain designation and benefits. Once a Step 1 Downtown/Village Center is created, the municipality can “step up” by applying to Department staff for administrative review and approval within 30 days. This application process will launch by January 2026, when the first regional plan FLU maps under Act 181 receive approval. To learn where your respective regional plan is in the LURB approval process, contact your regional planning commission.

Likewise, the regional plan may map planned growth or village areas that will enter the new program as Neighborhoods. The diagram below shows the process.



Castleton; Image Credit: DuBois & King

Chapter 2. The Two Designations

2.1. Which Designation Fits?

As noted in the previous section, there are now two state designations in the Vermont Community Investment Program: Centers and Neighborhoods. Spatially, they can be thought of per the image at the right with neighborhoods surrounding centers.

If your community already has a designated area, one of the five “legacy” designations, great! There is a clear path to maintaining this designation moving forward and receiving all of the accompanying benefits. See section 1.1.5 for more information.

However, what if you are considering new or modified designations? There is a clear path for that, too. It starts with a couple of questions:

- Which designation fits?
- Which designation will best serve the needs of your community?

The answers to these questions are largely determined by the issues and opportunities you face, the scale and capacity of your municipality, the aspirations expressed in your municipal plan, and consistency with statute.

Working through this process should be done in collaboration with your regional planning commission, as they will be more central than ever to the local designation process in promoting compact and walkable areas at or near where they already exist, and preserving more rural, agricultural, and natural areas. In this way, the regional planning commissions will be identifying locations for Centers in your community, if appropriate. This “smart growth” approach is at the core of the State Designation Program, and, along with the financial and technical assistance benefits to designation, is the fundamental rationale for a community moving forward with designation.

Truly, there is no downside to designation! A community is not compelled by designation—whether a Center or a Neighborhood-- to allow more development than is permitted by local bylaws or permitting processes. You retain local control of this process in accordance with the systems that you put in place. However, if development happens, the benefit of designation (by encouraging growth in line with historical settlement patterns) is to minimize adverse impacts to working lands and the scenic and natural character of your community.

This collaborative process starts by identifying the core commercial or business district—the concentrated “centers” where people, buildings, and activities come together. If your community has zoning, perhaps these areas already have land use or zoning district names like Commercial or Village Center or Neighborhood Commercial. However, your designated area may or may not exactly match your zoning boundaries.

Once the core Center area is designated, there may be interest in designating areas beyond the core to encourage housing or more comprehensive community planning—these comprise the "Neighborhood." Your regional planning commission will work with you to help define suitable areas. This can be done in conjunction with the preparation of your Municipal Plan, as coordination of designations with the land use categories of the regional plan maps is one of the innovations of recent state-level legislation.

Otherwise, in addition to financial opportunities and technical assistance, one of the great benefits of designation is that it offers a process for state, local, and regional entities, as well as private business owners and developers, to come together and discuss common concerns and to form an agreement about where and how to invest in the future.

Along with your regional planning commission, staff from the Department of Housing and Community Development is also available to answer your questions and assist you with process.

The following sections provide more detail on both Centers and Neighborhood designation programs to help you determine which program is the right fit for your community and its needs. Additional information on the designation programs is included in the application guidelines for each program.

2.2. More About Centers

Bennington; Image Credit: DuBois & King

The new Center designation aligns with the former legacy designations—Downtown, Village Center, and New Town Center—and with the new standardized map categories—downtown center and village center—required by Act 181 of 2024 for future land use maps from regional planning commissions. More broadly, how should planners and community members discuss and consider the role of Centers in their community?

Like Vermont's villages, towns, and cities, Centers vary in shape, size, and character. However, they often share traits that can guide community discussions and collaboration with regional planning commissions during the FLU mapping process:

- Centers are generally mixed-use areas that provide goods, services, civic and religious functions, jobs, and housing for the surrounding population.
- They include historic cores or feature road networks, setbacks, and buildings that reflect traditional patterns.
- Centers are sized and arranged to support walkability and other non-motorized travel between destinations.
- They often offer outdoor spaces—greens, plazas, or commons—for public gatherings, social connection, and commemoration.
- Centers may continue to grow, in a flood-resilient way.

2.3. More About Neighborhoods

Montpelier; Image Credit: Richard Amore

The new Neighborhoods designation aligns with the legacy Neighborhood Development Areas and Growth Centers, as well as the new standardized land use categories—planned growth area and village area—required by Act 181 of 2024 for future land use maps from regional planning commissions.

How should we talk about Neighborhoods and their role in your community? Neighborhoods vary by context but share common features. When discussing them locally and with your regional planning commission during the FLU mapping process, consider:

- Neighborhoods may be traditional or new settlement areas arranged along a main street and side streets, within walking distance for nearby residents.
- They offer opportunities for infill or new development to support flood-resilient growth.
- Neighborhoods are future growth areas with relatively high concentrations of housing, population, and jobs, scaled to the community.
- They may include a mix of commercial, residential, civic, or cultural sites, active streetscapes, and Complete Streets that connect to the community and Downtown/Village Center. Neighborhoods may be larger than the Center and help support its economic and cultural activity.

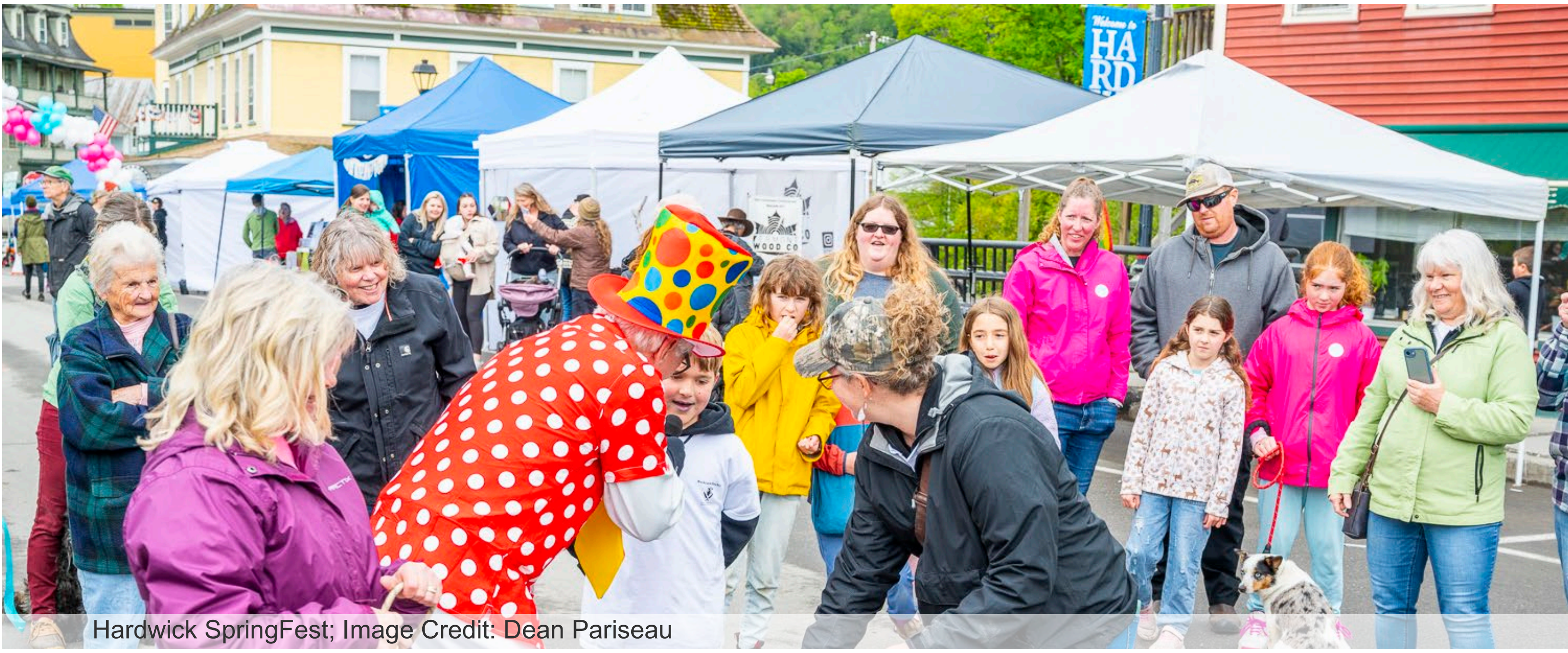
2.4. Case Studies

Rutland; Image Credit: DuBois & King

The several designation case studies included in this document are based on the legacy designations. As the new system advances, these case studies will be updated to illustrate the opportunities and benefits of the new Center and Neighborhood designations.

However, many of the underlying benefits that have applied to the legacy designations carry forward with the new designations, including financial incentives and technical assistance to promote compact, walkable communities and preserved open space and rural areas. Therefore, these case studies remain relevant and appliable.

2.4.1. Case Study: Hardwick



Hardwick SpringFest; Image Credit: Dean Pariseau

Designation Leads to Hardwick's Revival

- **Village Center Designation, 2003**

Several years ago, Hardwick's Main Street, like many in Vermont, was in a state of decline. Many of its buildings were run down, underused, or even condemned. After a fire destroyed a key building downtown, the community chose to restore it instead of replacing it with a parking lot or park. This decision signaled Hardwick's new direction and showed other small towns that saving one historic building can spark wider revitalization.

With tax credits, Hardwick has rehabilitated seven buildings and is finishing five more. Nearly $625,000 in state tax credits leveraged over $7.5 million in private investment, driving new businesses, quality housing, jobs, and renewed energy downtown. A village center property value study shows this public investment quickly pays off through higher property taxes. Downtown and village center tax credits closed funding gaps, made projects viable, revived vacant buildings, and strengthened Hardwick's sense of place. Building on this success, Hardwick secured a Municipal Planning Grant to prepare its Downtown Designation application in early 2023, while East Hardwick received Village Center Designation.

2.4.2. Case Study: Bristol

Bristol Town Green; Image Credit: DuBois & King

Designation Leads to New Streetscape Infrastructure and Recreation Enhancements

- **Downtown Designation 2006**

Bristol, a small town in Addison County at the edge of the Green Mountains, has transformed over the past decade through investments in public infrastructure and gathering spaces. These improvements created a welcoming, walkable village that attracts visitors and residents while supporting private development in a compact, historic setting. Bristol enhanced these efforts by forming Bristol CORE, an organization required for its 2006 Vermont Designated Downtown status, which soon brought tangible benefits.

In 2009, Bristol used a $75,000 Downtown Transportation Fund grant to rebuild Prince Lane behind Main Street, improving sidewalks, lighting, landscaping, and access to the pharmacy, grocery store, and parking. The project also created more appealing rear entrances for Main Street businesses, adding outdoor seating and dining.

In 2015, VTrans funding supported major streetscape upgrades at the town’s main intersection, including new traffic signals, sidewalks, bulb-outs, and landscaping. Bristol also used state funds from the Agency of Transportation and the Downtown Transportation Fund to upgrade the village green and its Main Street intersection. This $104,669 project added pedestrian improvements, trash receptacles, benches, and new lighting.

2.4.3. Case Study: South Burlington

South Burlington's New City Center; Image Credit: City of South Burlington, Ilona Blanchard

Designation Leads to a New Downtown

- **New Town Center Designation, 2010**
- **Neighborhood Development Area Designation, 2014**

For more than 30 years, South Burlington has envisioned transforming the Dorset Street and Williston Road area into its future City Center. Originally developed over 50 years ago for car-oriented shopping centers, standalone retail, and some office and multi-family uses, the area is now shifting toward a vibrant downtown designed to strengthen civic life and build community pride and identity. In 2010, the city secured a new town center designation to help achieve this goal.

This designation gave South Burlington priority for municipal planning grants and enabled Tax Increment Financing (TIF) District approval and a neighborhood development area designation. State and regional grants, along with TIF-funded public infrastructure, have encouraged landowners and businesses to invest in a compact, walkable, transit-friendly, and bikeable urban center.

Since earning the designation, the city has built two high-quality infill projects and started a 12-unit housing development. Many more projects are planned to leverage new roads, parks, and public buildings like the library and City Hall, partly funded by the TIF District. These investments lower development costs, expand the city's grand list by millions, and bring South Burlington closer to creating a downtown that residents take pride in.

2.4.4. Case Study: Burlington

Burlington; Image Credit: DHCD

Designation Lowers Housing Costs

➢ **Neighborhood Development Area Designation, 2014**

Burlington was one of the first Designated Downtowns in 1998 under the original State Designation Program. Its vibrant mixed-use downtown, walkable neighborhoods, historic charm, and major employers have made the city a popular place to live and work. This popularity, however, has strained Burlington's housing market as new residents and students compete for limited homes.

Despite vacancy rates hovering around 1%, Burlington's 2014 Downtown Housing Strategy Report found that only 222 downtown units were built between 2002 and 2013, driving up prices and rents. The typical renter spends over 44% of their income on housing, worsening affordability. To address this, Burlington adopted a housing action plan that uses the Neighborhood Development Area designation to help lower costs for building well-designed, mixed-income housing that fits the city's character.

Since gaining this designation, Burlington has planned about 1,000 new units. One example is the Champlain Housing Trust's Bright Street Coop, a 42-unit mixed-income infill project on 1.35 acres in the Old North End. Located in the designated neighborhood development area, the project avoided Act 250 review, saving over $50,000 and three months of permitting time. It also saved $5,000 in wastewater fees and avoided appeals. The neighborhood development area designation continues to help Burlington expand housing by lowering costs for new mixed-income projects in and around the Designated Downtown.

2.4.5. Case Study: St. Albans City

St. Albans Main Street; Image Credit: Richard Amore

Designation Leverages Vitality

- **Downtown Designation, 2004**
- **Growth Center Designation, 2010**

St. Albans has transformed into a thriving, attractive downtown. The community began by renovating Main Street, adding new facilities, services, and jobs. Downtown and growth center designations secured state support and encouraged strong public-private partnerships, making strategic use of public funds. St. Albans continues to build on this success, using its designations to strengthen its economy and keep its downtown vibrant. Achievements supported by designation include:

- Downtown master planning supported by $25,500 in Municipal Planning Grants.
- Streetscape improvements funded by over $250,000 in Downtown Transportation Funds and $2.5 million in other Vermont Agency of Transportation grants.
- Historic building renovations leveraged $619,955 in state tax credits and over $4.2 million in private investment.
- Major projects—including streetscape enhancements, a parking garage, brownfield redevelopment, new hardware store, State Office Building, and an 88-room hotel—were supported by $14 million in TIF bonds and additional transportation funds totaling $600,000.

Dorset; Image Credit: DuBois & King

Chapter 3. Benefits of State Designation

The types of benefits available to municipalities and to private entities are detailed in the following pages. Note that some of these programs may change their names and particular benefit targets as the “legacy” designations transition to the new Center and Neighborhood designations in the coming years.

3.1. Municipal Benefits

3.1.1. Financial resources and technical assistance for designated areas

Most state grants to municipalities are issued through a competitive application process that ranks applications on a set of selection criteria. By obtaining designation, municipalities improve the competitiveness of their applications and their ability to access the following funds:

- **Downtown Transportation Fund**. The Downtown Transportation Fund makes investment in infrastructure and public spaces, stimulates private investment, and creates a sense of identity and pride in Vermont's downtowns and eligible village centers. In 2025, eight designated areas received $1,452,405 in grant projects.
- **Better Connections Program** (ACCD and VTrans, Vermont DEC). The Better Connections Program provides technical assistance and funds to local communities to help them achieve their goals and plan for growth. The program funds planning efforts to increase multi-modal transportation options and to improve land use, water quality, public health, and economic vitality in Vermont communities. The interagency program provides targeted municipal assistance to:
    - help communities identify and prioritize their goals and projects;
    - develop an action-oriented plan to achieve the goals and move projects directly to implementation; and
    - link the communities to a growing network of public and philanthropic partners to help them implement their priority projects.
- **Better Places Program**. Better Places is a non-competitive, community matching grant program empowering Vermonters to create inclusive and vibrant public. Depending on funding ability, the program supports community-led projects that create, revitalize, or activate public spaces, that bring people together to build welcoming and thriving communities across Vermont.
- Priority consideration for funding programs – the type of priority given to designated areas and the weight given for designation may vary by designation and funding program and may change from year to year:
    - **Municipal Planning Grants** (ACCD). The Municipal Planning Grant (MPG) program encourages and supports planning and revitalization for local municipalities in Vermont. Awarded annually and administered by the Department of Housing and Community Development, the MPG program

works to strengthen Vermont by funding local planning initiatives that support statewide planning goals.

- **Vermont Community Development Program** (ACCD) -- The Vermont Community Development Program (VCDP) administers U.S. Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funding. Vermont's CDBG funding assists communities on a competitive basis by providing financial and technical assistance to identify and address local needs in areas of:
  - housing
  - economic development
  - public facilities
  - public services
  - accessibility modifications
- **Transportation Alternatives Program** (VTrans) -- The Transportation Alternatives Program (TAP) provides funding for projects defined as transportation alternatives, including on- and off-road pedestrian and bicycle facilities, infrastructure projects for improving non-driver access to public transportation and enhancing mobility, community improvement activities, and environmental mitigation, trails that serve a transportation purpose, and safe routes to school projects.
- **Bicycle and Pedestrian Program** (VTrans) -- The Bicycle and Pedestrian Program goal is to provide safe and convenient facilities for those Vermonters who desire alternative transportation opportunities.
- **Historic Preservation Grants** (ACCD) -- The Historic Preservation Grant Program helps municipalities and non-profit organizations rehabilitate the historic buildings that are a vital part of Vermont's downtowns, villages, and rural communities, as well as its iconic landscape. Grants have been used to revitalize buildings such as town halls, museums, theaters, libraries, recreation centers, and other municipal buildings. If your municipality or non-profit organization owns a historic property, you may be eligible for a Historic Preservation Grant to assist with the cost of capital projects to repair and restore historic building features.
- **Northern Border Regional Commission** -- The Commission supports grant funding programs to stimulate economic growth and inspires partnerships that improve rural economic vitality across Vermont, Maine, New Hampshire, and New York. In Vermont, eligible projects that are either located in or are directly benefiting a state designated downtown or village center may rank more competitively.
- **Clean Water State Revolving Loan Fund for Water/Wastewater infrastructure** (ANR) -- Vermont's CWSRF Program provides funding for Vermont's Clean Water projects in the form of low interest loans to

municipalities and private entities for eligible projects. Several types of loans are available. Clean Water projects can be described as:

- Wastewater collection system and treatment facility construction, upgrade, or refurbishment projects
- Combined Sewer Overflow abatement, monitoring, or elimination projects
- Stormwater and wastewater separation projects
- Stormwater conveyance and/or treatment projects
- Community decentralized wastewater disposal systems
- Asset management plans, resiliency plans, TMDL related planning and optimization efforts
- Watershed projects
- Solid waste projects and brownfields projects where they relate to water quality
- Other projects as defined by the PList funding categories or the CWSRF Eligibilities Overview Paper

- **State funds for affordable housing** (various opportunities) -- Main funders include the Vermont Housing Finance Agency (VHFA), the Vermont Housing & Conservation Board (VHCB), and the Vermont Department of Housing and Community Development (DHCD) Community Development Program.
- **Locating State buildings or offices** -- Priority site consideration by the State Department of Buildings and General Services when leasing or constructing buildings. While not specifically funding for a municipality, the additional “feet on the street” from a state office building adds to the business vitality of the designated area, increasing the value of nearby property and thus of property tax assessments.
- **Technical Assistance** --- Dedicated state employees provide assistance to designated communities, offering advice on community planning, revitalization and economic development, one-on-one consultation, board development and assistance with funding to help revitalize and strengthen your community.

In addition, when one-time opportunities for funding or technical assistance arise, such as special funding after disasters, municipalities with designated centers are likely to be selected for technical assistance and funding.

Improving Technical Assistance Delivery: Vermont Evaluation of Rural Technical Assistance (VERTA)

This module has described the many improvements to the State Designation Program. As the program is expanded to include more Centers and Neighborhoods, improving the technical assistance network will ensure that program benefits are delivered in an effective manner. A study known as VERTA-- the Vermont Evaluation of Rural Technical Assistance-- is underway and will shape recommendations to provide a more coordinated delivery of TA to Vermont’s Centers and Neighborhoods, and areas beyond.

It is well known that Vermont's rural communities face significant threats from climate change, aging infrastructure, outdated governance, population decline, and limited municipal capacity. These challenges are further exacerbated by a lack of cohesive support from state agencies and partner technical assistance (TA) providers. While TA support exists, anecdotal evidence from rural communities suggests significant room for improvement.

In 2024, recognizing the challenges faced by communities, the Vermont Legislature directed VT Agency of Commerce and Community Development (ACCD) to develop recommendations for enhancing technical assistance and resources for rural communities under Act 181. This mandate underscores the critical need to align and prioritize resources and technical assistance to ensure the long-term vitality of rural communities.

Municipal staff, volunteers, and elected officials need coordinated, robust, and sustained support to strengthen municipal operations and governance, capital planning and finance, civic engagement, and community resilience. The Vermont Evaluation of Rural Technical Assistance (VERTA) is charting a path forward – advancing rural prosperity through capacity building, research and data collection, student and university engagement, and strategic coordination of state agency and rural technical assistance providers to leverage better outcomes.

VERTA works closely with UVM, state agencies, and TA service providers to create actionable recommendations for an integrated approach to delivering rural technical assistance. This partnership among UVM, the State of Vermont, and TA service providers is evolving to co-develop new solutions and models of advancing rural development and resilience.

VERTA’s report and recommendations will be available for the 2026 legislative session.

3.1.2. Taxing Authority

Designation may give municipalities the option of adopting taxing mechanisms to raise funds specifically for public facilities in the designated area.

- **Special Assessment District** – (also known as special benefits district or business improvement district) may be created in a designated downtown to raise funds for both operating costs and capital expenses to support specific projects. Without downtown designation, revenue for special assessments may only be applied to capital expenses.
- **Tax Increment Financing** (TIF) – is a tool that municipalities use to finance improvements for public infrastructure like streets, sidewalks and storm water management systems. The improvements serve a specified area known as a TIF District. Active and retired TIF Districts have proven that TIF leverages additional private investment that builds and renovates the housing, commercial, and retail space needed to grow jobs and the economy.

3.1.3. Special consideration in applying state requirements for designated communities

- **Traffic Calming Options** – With the passage of Act 181, municipalities now have the authority to post speed limits of less than 25 miles per hour in Step 2 Downtown/Village Centers and Neighborhoods to help calm traffic and create a pedestrian-friendly environment. In other locations, 25 miles per hour is the minimum speed on a public road that is a Town Road or Class 1 Highway. These lower motor vehicle speeds increase comfort for bicyclists, for example parents with children. It also promotes safer crossings, and an overall nicer environment in the downtown for shopping and outdoor dining.
- **Signage Options** – With regards to the state laws governing off-premise signs (also know as the Billboard Law), municipalities with designated downtowns are allowed to post informational signs to help guide visitors to the downtown and to significant historical, educational, recreational or cultural landmarks.
- **Public Street Trees** – VTrans offers design flexibility in the planting and maintaining of public street trees within state highway rights of way in designated communities. Designated communities must have an active Tree Board, adequate maintenance budget, and comply with Vermont State Standards for Design of Transportation Construction and the Landscape Guide for Vermont Roadways and Transportation Facilities.

3.2. Landowner/Developer Benefits

3.2.1. Reducing the cost of construction

Incentives are available for renovating historic income-producing buildings in designated downtowns and village centers. The neighborhood development area designation provides benefits for creating new residential units in close proximity to a designated downtown or village center.

3.2.2. Tax Credits

Vermont's Downtown and Village Center tax credit program has helped to stimulate private investment, create jobs, restore historic buildings and jump start revitalization. Successful projects range from multimillion dollar downtown redevelopments to small country stores. Eligible costs include interior and exterior improvements, investments in code compliance, plumbing and electrical upgrades, façade improvements, investment in elevators and sprinkler systems, HVAC installation, and data networks.

- **Improvement Tax Credit** – eligible facade work up to $25,000 in designated downtowns.
- **Reallocation of Sales Tax on Construction Materials** – municipalities and the developer of the qualified project in a designated area may jointly apply for a reallocation of sales taxes on construction materials. Reallocated taxes must be used by the municipality to support a related and qualified project.
- **Federal tax credits** -- Available for eligible historic commercial buildings. These are income-producing buildings, listed in the National Register of Historic Places. Federal credits may be "sold" through the use of a limited partnership; however, these syndicated transactions are quite complicated and must be carefully considered. The rule of thumb is that the new investment must exceed $1 million to justify the transactional costs.
- **State tax credits** -- Available for eligible commercial properties. Buildings must be over 30 years old. Private residences are not eligible but rental properties are. Non-profits may also apply. Projects must be within a designated area. The state income tax credit may be easily sold to Vermont-based banks or insurance companies.

3.2.3. Quicker, predictable, lower-cost state permitting

Greater predictability and reduced permitting costs entice developers to work in compact centers where local, regional, and state goals align to encourage development but where development costs can be higher than when building on undeveloped land. For example, there are no Act 250 permit fees to go along with special downtown process with reduced criteria; qualified mixed use-housing projects are exempt from Act 250 review.

3.2.4. Act 250 Jurisdiction

The state's environmental review law, Act 250, requires a permit for development depending on either the location of the project, or the project's size. Centers and Neighborhoods, as mapped on the regional future land use map, are eligible for full or partial exemption from Act 250, if the municipality opts in to this.

The law's new jurisdiction is organized into three tiers. The areas eligible for exemption are called Tier 1A and 1B areas.

In Tier 1A, all residential, commercial and industrial development will be exempt from Act 250. Tier 1A areas shall include the core town center and an area that can meet the housing goals identified in the municipal plan. To qualify for a Tier 1A designation a municipality must have water and sewer, a duly adopted municipal plan, zoning and subdivision regulations that meet certain standards to address the resource issues covered in Act 250, the capacity to administer its land use regulations. Full requirements and process for 1A exemptions are available from the Land Use Review Board.

In Tier 1B, up to 50 residential units per project on a lot 10 acres or less shall be exempt from Act 250. The Tier 1B area shall include a core village center and a ¼ mile radius around the village center. Lots or units in Tier 1A or 1B do not count toward the jurisdictional trigger outside of Tier 1. To qualify for a Tier 1B designation, a municipality must have permanent zoning and subdivision regulations, water, sewer or an alternative to sewer service to accommodate growth in the Tier 1B area.

These exemptions provide new incentives for municipalities to plan and regulate locally, applying best practices for redevelopment and infill projects to reduce the time and cost of development. It also helps focus development in denser areas of our communities, while offering greater protections to the agricultural and natural lands and features that Vermonters and visitors alike value so highly.

Tier 1A and Tier 1B areas can be identified by the RPCs in consultation with municipalities. Along with other local planning initiatives and infrastructure investments, your community can also use the state designation program to chart a course through inevitable change that works best for you, your community vision and goals. Talk with your regional planning commission about specific requirements for Act 250 oversight and how it relates to your municipal plan and designation opportunities.

Wilmington; Image Credit: DuBois & King

Appendix A. Earning Designation for Your Community

Once you've determined which designation best fits the needs of your community, review the application requirements for designation and begin the application process.

A1.1. Designation Requirements

With designation tied to the approval of regional Future Land Use (FLU) maps, areas must meet certain requirements and physical characteristics that correspond to a particular land use category, which ultimately determine an area's designation (Center or Neighborhood). Refer to Section 1.1.5 for more information regarding the relationship between FLU maps and designation.

Communities can take proactive steps in their municipal planning processes, infrastructure planning and development, and zoning reform to create places that correspond to the various FLU category requirements that flow into designated Centers and Neighborhoods. If met, communities can collaborate with their Regional Planning Commission to ensure that these areas are mapped appropriately and receive benefits of the designation program. If your community does not have a legacy designation, refer to the LURB guidance on the various regional land use categories. This will be used by your RPC when creating the FLU map.

- For Center designations, if your community does not have a legacy Downtown, Village Center for New Town Center designation, an eligible area of your community will be mapped as a *downtown* or *village center* category in the regional plan as approved by the Land Use Review Board.
- For Neighborhood designations, if your community does not currently have a legacy Growth Center or Neighborhood Development Area, an eligible area of your community mapped as either a *planned growth area* or *village area* categories in the regional plan as approved by the Land Use Review Board.
- If you have a duly adopted municipal plan, your land use plan is encouraged to identify areas proposed for designation and explain how designation will further your plan's goals. This helps connect state benefits with local planning priorities for implementation. Example language is available in A.1.2 below.

A comparison of the different requirements is summarized in the tables at the beginning of this document, in Section 1.1.1 and Section 1.1.2.

A1.2. Designation in the Municipal Plan

To strengthen the linkage between community revitalization and planning, municipalities with a duly adopted Municipal Plan may describe in this document's future updates how designation supports community goals. For example, while not a requirement to maintain designation, it would be useful if municipalities anticipate the intent to obtain designation "step ups," and indicate which of the town's goals would be furthered by higher steps of designation, as may apply to Centers that would be moving from a Step 1 to Step 2 process, or a Step 2 to Step 3 process.

The following is **example text** for best practices.

Brownington 2015 Town Plan

Two primary goals of this Town Plan are to preserve historic assets and concentrate village-scale commercial and residential uses in these centers at such densities as on-site wastewater disposal can support.

The Village Center designation can help Brownington achieve these goals by:

- Making the Town more competitive for certain state grant programs.
- Tax credits. The primary benefits of this program are state tax credits for fit-up and rehabilitation of certain income producing properties built before 1983.

Brattleboro 2015 Town Plan

Downtown and village center designations achieve the following goals:

- Furthering the intent of the Land Use Chapter – Downtown and West Brattleboro Village are important mixed-use districts. The Town Plan identifies the need to make public and private physical improvements in these areas. Continued designation will focus additional resources to help these areas thrive, including the ability to have a special tax assessment in the Downtown Improvement District and priority consideration for several grant programs.
- Preserving significant historic, architectural, and cultural heritage – The access to historic tax credits and code improvement tax credits will support redevelopment of older and historic properties, preserving the historic character of the Designated Downtown and Village Center districts.

A1.3. Contributors

This Module was initially created in 2018 through generous contributions from the Vermont Agency of Commerce and Community Development, Department of Housing and Community Development (DHCD).

The 2025 update to this Module was led by the Northeastern Vermont Development Association in association with the Vermont Department of Housing and Community Development (DHCD) and consulting team from DuBois & King.

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