VERMONT

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MEMORANDUM

TO: Municipal Planning and Development Review Officials
FROM: Vermont Department of Housing and Community Development (DHCD)
Chris Cochran, Director of Community Planning & Revitalization
Jacob Hemmerick, Community Planning & Policy Manager
Maxwell Krieger, General Counsel
DATE: July 8, 2026
RE: 2026 Legislative Revisions Affecting Community Planning and Revitalization

At the close of each year's legislative session, DHCD issues a summary of laws that affect municipal and regional officials involved in planning and development review.

The 2026 legislative session was shaped by a continued focus on affordability, with education reform and property tax pressures dominating debate through the final days. At the same time, lawmakers advanced a broad package of legislation covering housing, economic development, climate, and community development. Notably, the Legislature revisited and recalibrated the implementation of Act 181, making targeted changes to preserve housing incentives in designated centers and modernize regional planning maps. They also repealed portions of the new Act 250 framework related to Tier 3 areas and the "road-rule" jurisdiction.

We thank our partner state agencies and departments, the Office of Legislative Counsel, the Vermont Association of Planning and Development Agencies (VAPDA), and the Vermont League of Cities and Towns (VLCT) for their assistance in compiling this summary and in the work ahead.

The next two-year legislative session begins on January 6, 2027.

The Vermont Statutes Online website (also known as 'the green books') is typically updated in October and does not include prior session changes until then.

Housing, Act 250, State Designations, Planning and Regulation

- **S. 325 (Act 152) - An act relating to regional planning and Act 250 Tier jurisdiction**

  Act 250 Amendments
  The Act extends Act 250 interim exemptions through January 1, 2028 (instead of 2027) and repeals Tier 3 areas, leaving Tiers 1A, 1B, and 2 in place. Tier 1 will continue to provide exemptions from Act 250. Tier 1 areas are established when the Land Use Review Board (LURB) determines that the regional plan complies with the statute for the

following land uses: Downtown & Village Centers, Planned Growth Areas, and Village Areas. These are the same areas that establish Community Investment Designations. Tier 2 retains Act 250 jurisdiction, now without the road rule, which would have asserted jurisdiction over longer roads and driveways. The Act also adds new exemptions for specified on-farm businesses.

Important to municipal officials, the Act outlines the process for applying and enforcing prior Act 250 permit conditions for legacy permits in exempted areas. The Act extends the rulemaking deadline for Forest Blocks and Habitat Connectors (8C) and requires recommendations for a public engagement plan that addresses the consequences of lost working lands and the stewardship of natural resources. It further creates a joint legislative oversight committee (through July 1, 2029) for LURB implementation and ANR permitting.

Regional Plans

The act aligns the regional plan reviews conducted by the LURB and the Community Investment Board with those of the Department of Public Service when the region requests a determination of energy compliance. This determination gives the Public Service Board greater deference to member municipalities on energy siting matters. These reviews must be completed within 60 days.

The act also expedites the process for amending a regional plan's future land use map, creating a new pathway for non-minor (major) amendments. The expedited process now requires only one hearing with 15 days' notice to the public and the statutory parties, instead of a minimum of two hearings with 30 days' notice prior to an amendment. Once approved regionally, the LURB must hold a hearing within 30 days for all amendments (instead of 60) -- without the preliminary application review process -- and make a decision within 30 days after the hearing (instead of 15 days for full adoptions). This process does not involve reviews or comments by statutory parties beyond the notice of the public hearing. The scope of a minor amendment is limited to a 10-acre map change, and the scope of non-minor (major) amendments is unlimited. Amendments do not extend the 8-year lifecycle of a regional plan.

The act also allows a municipality to apply to change its **Tier 1B status** either through the regional amendment process or independently with the LURB. Both options require action by the municipal legislative body to opt in or out.

The act amends elements of the regional plan; **future land uses** must now be consistent with smart growth principles, as added to Chapter 117. It also amends land uses that establish Tier 1 Act 250 exemptions and community investment designations. First, downtown and village centers no longer need to be both traditional and historic central business and civic centers and can include 'planned or emerging' centers. *Planned growth areas* have a stronger focus on meeting the housing targets. The prior complete streets and walkability standards for centers and planned growth areas remain. *Village areas* no longer need to have municipal water or wastewater, so long as there is either one of those public services, or the area has soils adequate for wastewater disposal, i.e., suitable areas for septic systems.

The Act removes an inactive process for formal reviews of regional planning commission decisions and extends the validity of regional plans expiring in 2026 and 2027 until December 31, 2027. Notwithstanding this extension, regional plans not approved by the

LURB by December 31, 2026, will result in the expiration of legacy designations, and those designations will no longer be eligible for vested benefits.

Municipal Plans
The act also extends the validity of municipal plans expiring in 2026 and 2027 through December 31, 2027.

Community Investment Designations
The Act establishes that historic downtown and village tax credits are eligible only in Step 2 or 3 centers, or in Step 1 centers where a portion of the designated center is listed or eligible for listing in the National Register of Historic Places. Step 2 and Step 3 centers continue to have historic requirements; this means that some planned or emerging centers will not be able to 'step up' to the benefits prioritized for traditional and historic centers. The legislature enacted a narrow exception to the historic requirements for legacy New Town Center designations.

The Act establishes new community investment program reporting requirements on January 15th of each year to summarize how benefits are allocated among the designations and municipalities.

Discretionary Reviews & Permit Appeals
The Act directs the Department of Housing & Community Development to report on policy approaches to limit housing permit appeals and discretionary reviews.

Environmental Justice
The implementation of environmental justice legislation, including reporting, rulemaking, and mapping, was delayed.

- **S.328 (Act 179) - An act relating to housing and common interest communities**

The Act advances several housing and community development initiatives that municipalities should be aware of, including new financing tools, updates to local planning requirements, and additional flexibility to support housing production.

For municipalities, one notable change creates a new authority for **special assessment bonds**, allowing them to finance public improvements within a defined area and repay those costs through special assessments rather than the municipal tax base. This creates a potential new tool to support infrastructure for housing and development projects.

Municipal Plans
The Act also updates municipal planning requirements by strengthening the **housing element of municipal plans**. Going forward, plans must not only reflect regional housing needs and targets but also identify regulatory, labor, and physical constraints on housing production and describe actions municipalities may take to accommodate projected housing demand. Municipalities will also be expected to document progress toward meeting housing targets during plan updates and readoption.

Municipal Bylaws
Additional housing provisions reinforce existing statewide housing reforms by clarifying that local bylaws may not exclude modular, manufactured, or prefabricated housing

where residential development is allowed (except under the same terms that conventional housing would be excluded), that bylaws must allow **duplexes** as a permitted use rather than a conditional use without owner-occupancy limitations, and that **multi-unit dwellings with four or fewer dwelling units** must be allowed on the same size lot as a single-unit dwelling in all residential zoning districts served by water and sewer service. However, municipalities may apply conditional use review if the zoning district specifically requires multi-unit buildings to have more than four units (effective January 1, 2028). Unless otherwise noted, all provisions take effect on July 1, 2026.

The Act also states that bylaws must now permit **accessory dwelling units** without an owner-occupancy requirement for the lot.

State Designation
The Act amends the **community investment designation** requirements for Steps 2 and 3, allowing a preexisting (legacy) New Town Center to be a Step 2 or 3 Center without the requirement to be listed in the National Historic Register. The Department is analyzing how to apply this change.

Reports
The act also requires new reporting and public postings for common interest communities (like condominium associations).

Special Initiative
It also establishes an Off-Site Construction Accelerator Pilot, administered by the State Treasurer, to explore whether bulk purchasing, financing tools, and modular construction can reduce housing development costs statewide. The pilot includes coordination with DHCD and other housing partners and may inform future policy recommendations.

- **H. 757 (Act 155) - An act relating to manufactured homes and limited equity cooperatives**

  The Act introduces a series of changes to improve housing affordability, expand opportunities for resident ownership, and reduce barriers to manufactured housing in Vermont. While much of the bill affects financing, taxation, and State programs, several provisions are relevant to municipalities and local housing efforts.

  It continues Vermont's shift toward treating manufactured housing more like conventional housing. It updates State law to recognize manufactured homes financed as residential real estate and clarifies the standards for when a home is considered permanently sited.

  The law amends 24 V.S.A. § 4412 to clarify that local bylaws may not exclude off-site-built housing from residential districts unless conventional housing would be treated the same way. Municipalities retain authority to regulate health and safety and to establish site standards within existing mobile home parks, but those standards may not effectively prevent the replacement of homes on existing lots.

  The bill also strengthens support for limited equity cooperatives (LECs) in mobile home parks. These resident-owned structures will be treated similarly to nonprofit entities for

State funding and grant eligibility. The bill also places guardrails on subleasing to maintain affordability and resident stability.

On the affordability front, the legislation expands sales tax exemptions for manufactured and modular housing, including enhanced treatment for energy-efficient homes. These changes are intended to lower acquisition costs and improve parity between factory-built and site-built housing, though the tax provisions do not take effect until January 1, 2028.

Finally, Act directs DHCD to prepare a report by November 15, 2026, identifying State infrastructure, grant, and financing programs available to mobile home parks and evaluating the barriers faced by limited equity cooperatives.

- **H.723 (Act 90) - An act relating to posting of land subjects:**

  This Act makes it easier for landowners to post their property to prohibit hunting, fishing, trapping, or taking wildlife and to ensure those restrictions remain enforceable. A recorded posting is valid for 365 days from the date it is filed with the town clerk. The Act also clarifies that minor mistakes or unintentional deviations in how land is posted will not invalidate enforcement, as long as a reasonable person understands that those activities are prohibited and the posting has been properly recorded with the town clerk.

- **H. 940 (Act 97) - An act relating to miscellaneous public utility subjects**

  Sections 2–3: The Act updates regional and municipal planning processes to enhance energy planning and better integrate energy review into existing planning and approval structures. Regional planning commissions are now required to submit draft regional plans to the Department of Public Service at the same time as to the Land Use Review Board (LURB), creating closer alignment between those review processes.

  The Act also requires earlier LURB review of draft regional plans and provides municipalities with more detailed notice and mapping information when proposed regional future land use maps would change, creating additional opportunities for local input before adoption.

  To support continuity and reduce administrative burden, the Act streamlines public engagement by integrating enhanced energy planning review into broader municipal and regional plan adoption processes, rather than maintaining separate tracks. It also updates approval standards and procedures to help municipalities avoid gaps in approved energy plans and to maintain eligibility for substantial deference in energy siting proceedings.

- **H.941 (Act 166) - An act relating to municipal regulation of agriculture**

  The Act clarifies and narrows municipal authority over agricultural activities in response to the Vermont Supreme Court's 2025 *In re 8 Taft Street* decision. The bill states that the Legislature's intent is to reaffirm that municipalities generally may not regulate farming activities or the construction of farm structures through local zoning when those activities are subject to Vermont's Required Agricultural Practices (RAPs).

  It also creates several targeted exceptions. Municipal zoning authority is retained for the raising, feeding, and management of livestock on farms with fewer than one contiguous acre, and farms with one to four contiguous acres must demonstrate an adequate land base for nutrient and waste management to remain exempt from local regulation.

Municipalities may also adopt performance standards to address swine waste impacts in designated downtowns and village centers but may not prohibit swine operations outright and must provide notice and an opportunity to cure before enforcing.

The law further limits local regulation of plant cultivation and establishes statewide protections for keeping poultry flocks. Municipal bylaws may not prohibit or charge fees for keeping poultry for personal use, donation, or sale, and must allow at least 12 chickens (excluding roosters and ratites). Municipalities may continue to regulate overall flock size based on parcel characteristics.

Municipalities should review zoning bylaws and agricultural provisions to ensure consistency with these updated limits on local regulatory authority before the July 1, 2026, effective date.

- **S.202 (Act 149) - An act relating to portable solar energy generation devices - municipal permit exemptions for portable solar devices (under 1200 W).**

  The Act authorizes Vermonters to install small plug-in photovoltaic (solar) devices—up to a combined capacity of 1,200 watts per electric meter—without a Public Utility Commission permit or utility interconnection agreement, provided the systems meet applicable safety and technical standards. These systems are not eligible for net metering, and exported electricity is not compensated.

  The law prohibits municipal bylaws from regulating the installation, operation, or maintenance of plug-in photovoltaic devices and from broadly prohibiting renewable energy devices. Public buildings must continue to comply with applicable Fire and Building Safety Code requirements. The bill also establishes notice procedures for tenants installing these devices and extends protections against private deed restrictions that would prevent installation. The Act takes effect on July 1, 2026.

  S.212 (Act 174) - An act relating to potable water supply and wastewater system connections

  This Act updates Vermont’s potable water and wastewater permitting framework to make connection approvals more efficient while maintaining environmental and public health protections.

  For municipalities, the most significant changes are the creation of a new general permit process for water and sewer connections and a revised municipal delegation model. Municipalities that own and operate both water and sewer infrastructure may request authority from the Agency of Natural Resources (ANR) to conduct technical reviews and approve eligible municipal water and wastewater connections locally, provided they meet state qualification and reporting requirements and comply with state permit standards.

  The law also directs ANR to give greater deference to certifications prepared by licensed designers to reduce review times and to establish a streamlined approval path for certain utility connections in designated downtowns.

Municipalities that administer delegated connection reviews may charge local fees to recover review costs but must submit project documentation to ANR along with a $100 administrative processing fee.

Most implementation steps will occur through rulemaking and permit development over the next two years, with ANR required to publish the new general permit and guidance manual by December 1, 2027, and to begin accepting certifications under the new process on January 1, 2028.

Economic Development

- **S.327 (Act 128) - An act relating to economic development**

  This is a broad economic development bill focused on business growth, redevelopment, financing tools, and workforce development.

  A major component directs the Department of Economic Development to conduct a statewide review of Vermont's business support system. The study will examine business development stages, public and private resources, access to capital, succession planning, and investor readiness, and will include recommendations to create a more coordinated and accessible business support ecosystem. A report is due by December 15, 2026.

  It also repeals the scheduled sunset of the Vermont Employment Growth Incentive (VEGI) program, allowing incentives to continue beyond January 1, 2027, while lowering annual approval caps and increasing oversight if those limits are exceeded.
  The Act establishes and expands the Rural Industry Development Grant Program in statute. The program supports local development corporations in land acquisition, site development, infrastructure, permitting, and redevelopment to facilitate business expansion and relocation. It broadens eligible uses, allows larger awards in limited cases, and removes certain repayment requirements tied to future property appreciation.

  Finally, the law establishes a statewide Commercial Property Assessed Clean Energy (C-PACE) framework. Municipalities may opt into the program, enabling commercial and industrial property owners to finance energy, resilience, and water improvements through special assessments secured by the property. This creates a new mechanism to attract private investment while limiting municipal financial exposure.

Taxation

- **H. 933 (Act 164) An act relating to miscellaneous administrative and policy changes to the tax laws**

  The Act combines technical tax administration updates with targeted investments in housing and redevelopment. Beginning in FY27, the annual cap for the downtown and village center tax credit programs will increase from $3 million to $3.5 million. The program supports historic rehabilitation, upper-floor housing development, code and accessibility upgrades, façade improvements, and mixed-use redevelopment in designated centers.

It also increases the annual cap for first-year allocations under Vermont's Down Payment Assistance Program from $250,000 to $350,000 annually for FY27 through FY31.

The law also updates the Municipal Grand List Stabilization Program to provide more predictable municipal reimbursement after flood-related property acquisitions. Municipal payments will be calculated using the affected property's grand list value and the prior year's municipal tax rate and will continue annually for five years.

Additional provisions update equalization rules so that municipalities with housing development sites and TIF districts are treated based on fair market value rather than on original taxable value.

Budget & Appropriations

- **H. 951 (Act 144) - An act relating to making appropriations for the support of the government**

  The FY27 budget includes several investments that support local capacity, housing, and rural community development**.** It increases investment in local and regional planning through the Municipal and Regional Planning and Resilience Fund, including $1.32 million for Municipal Planning Grants (MPGs) to support local planning and implementation, and $7.84 million for Regional Planning Commissions (RPCs) to provide technical assistance, regional coordination, municipal plan review, and support for housing, infrastructure, resilience, and community development initiatives. In addition, the budget provides $250,000 for municipal technical assistance through the Vermont Council on Rural Development (VCRD**)**, creating additional capacity to help communities advance planning, project development, coordination, and implementation, particularly in smaller and rural towns with limited staff resources. Budget writers also appropriated $2 million for the Rural Industry Development Program to support business growth, job creation, and economic opportunity in rural communities.

  Housing investments remain a top priority and include an additional one-time appropriation of $800,000 for the Manufactured Home Improvement and Repair Program (MHIR)**;** $4 million in base funding to make the Vermont Housing Improvement Program (VHIP) permanent, bringing existing units back online and expanding housing availability; $1 million for rent arrears assistance; and $100,000 for first-generation homebuyer assistance.

  The budget also continues support for community resilience and infrastructure**,** including funding for municipal disaster recovery and mitigation programs through state aid for town highways and municipal mitigation assistance. In addition, it allocates $1 million for electric vehicle supply equipment (EVSE) to expand charging infrastructure across the state and $50,000 for Vermont's 250th Anniversary celebration**,** creating opportunities for local engagement, tourism, and placemaking.

  H.952 (Act 163) An act relating to capital construction and State bonding budget adjustment.

  The law provides approximately $10 million in FY2027 for targeted clean water investments, replacing DEC's flexible appropriation with dedicated funding for specific programs. It clarifies that municipalities retain the authority to establish and operate local stormwater utilities even where regional stormwater utilities exist, and authorizes municipalities to assess fees based on equivalent residential units or impervious surface. It also exempts agricultural properties regulated under the Required Agricultural Practices from municipal stormwater utility fees.

Transportation

- **H.944 (Act 168) - An act relating to the fiscal year 2027 Transportation Program and miscellaneous changes to laws related to transportation**

  This Act aims to address mounting pressure on transportation revenues and rising construction costs. The Legislature notes that Transportation Fund revenues have underperformed forecasts and that municipalities face similar challenges, with state support for town highways increasing more slowly than local costs, placing additional pressure on municipal budgets and property taxpayers.

  The FY27 program continues significant investment in transportation infrastructure that supports local mobility and community development. The act provides $2 million for the Park and Ride Program to advance three statewide projects; $24.6 million (including local match) for bicycle and pedestrian investments to support construction, design, and scoping work in communities across Vermont; $4.5 million (including local funds) through the Transportation Alternatives Program for local transportation, stormwater, and active transportation projects; $57.9 million for public transit services and mobility initiatives statewide; and $60.3 million for rail infrastructure and passenger service, including continued support for freight and intercity rail.

  For communities participating in regional transit systems, the Act clarifies that municipalities and partners may make voluntary local match contributions to support grants, operations, and capital investments without affecting existing assessment formulas.

  The Act establishes a clearer framework for bridge inspections, postings, and closures. VTrans will continue inspecting bridges on both State and town highways and must notify municipalities when locally maintained bridges require posting or closure. Municipalities remain responsible for implementing and funding closures, signage, traffic control, notifications, and barricades for bridges under local responsibility. VTrans may act directly when immediate public safety concerns arise, and violations of bridge postings or closures may result in civil penalties of up to $1,000.

  The Act also streamlines transportation administration by repealing outdated rules for the Municipal Heavy Equipment Loan Fund and continuing administration through the Municipal Equipment and Vehicle Loan Fund structure already established in statute. It also increases flexibility for emergency transportation work by raising the threshold for waiving bonding requirements on certain contracts from $100,000 to $250,000, helping speed emergency stabilization efforts.

  The Act prohibits unreasonable restrictions by Common Interest Communities on the installation of EV charging and establishes basic parameters for approval processes, installation, and management responsibilities.

Finally, the Act begins Vermont’s transition to a Mileage-Based User Fee (MBUF) for electric vehicles on January 1, 2027, as part of a broader effort to stabilize long-term transportation funding as fuel tax revenues continue to decline. Under the new system, electric vehicles will pay 1.4 cents per mile traveled, capped at $178 annually, with a flat-rate option available.

The Act also directs the Commissioner of Taxes to examine the potential to generate additional revenue for the Transportation Fund through a fee on electricity sold through EVSE available to the public.

Prior DHCD memos summarizing the statutory changes beginning in 2007 are available at http://accd.vermont.gov/community-development/resources-rules/planning. If this summary is revised to correct any errors or omissions, the date will be updated accordingly.

Disclaimer: This summary is solely to provide a broad overview of the Acts passed during the 2026 legislative session from the Department of Housing and Community Development’s perspective. This summary cannot be relied upon for legal effect or interpretation of statute. For legal advice, please consult a private attorney.