

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 Legacy *Downtown* Designation Transition

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 consolidates the State's five legacy designations, including designated downtowns, into two categories: **Centers** surrounded by **Neighborhoods**. The **Center** designation will

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continue to recognize the legacy Downtown, New Town, and Village Center designations throughout the state, and the **Neighborhood** designation will continue to recognize the legacy Neighborhood Development Area and Growth Center designations.

The two new designations (**Centers** and **Neighborhoods**) are designed to support coordinated investments in compact places planned for efficient growth. Legacy Downtown designations will become designated as new designated **Centers** upon approval of the Regional Plan Future Land Use Map.

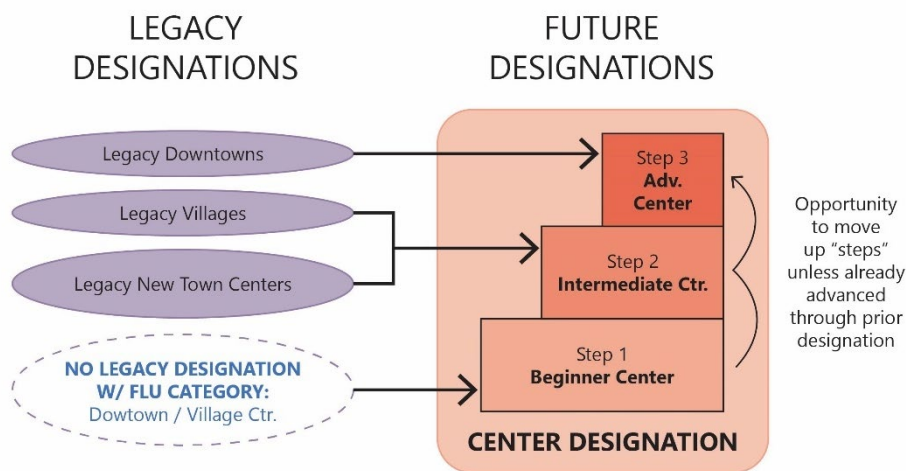
Centers are organized into three “steps” based on the characteristics of the community, local capacity, planning initiatives within the community, and their legacy designation. Through these three steps, **Centers** will gain access to varying levels of incentives, similar to the legacy designation structure. Communities will have the ability to move up “steps” and access greater levels of incentives and support. This happens through an application process where communities demonstrate their alignment with goals of the designation program.

The Transition of Legacy Downtowns to Step 3 Centers

Legacy downtowns will be mapped in the regional planning commissions’ Regional Plan Future Land Use (FLU) Map as downtown and village centers for approval by the State’s new Land Use Review Board (LURB). Legacy Downtowns will enter the new program as **Step 3 Centers** upon approval of the regional plan by the LURB.

All legacy designated Downtowns have a direct path to recognition in the new regional plan maps and future designation categories, and they will lose no benefits upon transition. Municipalities with legacy Downtown designations will remain designated until the regional maps are adopted, prior to December 31, 2026. During this period, no renewal or check-ins will be required.

Step 3 Centers are subject to renewal according to guidelines that will be established by the Department in 2025. At the time of first renewal, all **Step 3 Centers** will be required to meet the full requirements of the new program. The Department will provide guidance on the **Step 3 Center** renewal process in coordination with the legacy downtown municipalities to support successful outcomes.



Benefits

- Vermont Downtown Program *Downtown Vibrancy Grant* funding to support local downtown organizations,
- Eligibility for sales tax reallocation under 32 V.S.A 9819,
- Eligibility to receive national *Main Street America* Accreditation,
- Placemaking/wayfinding/off-site signage exemptions under the billboard law VT DHCD 2024 Legislative Summary on Community Planning & Revitalization, p.15,
- Housing permit appeal limitations as described in Title 24 of Chapter 117,
- Location priority for locating a State Office Building,
- Eligibility for Downtown Transportation Improvement Fund under 24 V.S.A. 5808,
- Better Places Grant funding under 24 VSA 5810 (not currently funded),
- Downtown and Village Tax Credits under 32 VSA 5930aa,
- Funding priority for developing and amending a municipal plan, visioning, and assessment under the Municipal and Regional Planning Resilience Fund 24 VSA 4306,
- Funding priority for special-purpose plans, capital plans, and area improvement reinvestment plans under the Municipal and Regional Planning Resilience Fund 24 VSA 4306,
- Better Connections Grant funding priority,
- Funding priority for infrastructure scoping, design, engineering, and construction under State Board and Community Investment program guidelines,
- Municipal authority to create a special taxing district under 24 V.S.A. Chapter 87 for area improvements,
- Priority consideration for State and federal affordable housing funding,
- Authority to lower speed limits less than 25 mph under 23 V.S.A. 1007(g),
- State wastewater permit fees capped at \$50 for residential development under 3 V.S.A. 2822,
- Exemption from the land gains tax under 32 V.S.A. 10002(p), and
- Assistance and guidance from the DHCD establishing municipal historic preservation regulations.

Requirements

- Meets Step 1 Center requirement by being mapped as, and meeting the requirements of, a ***downtown and village center*** (baseline criteria for a Center designation), or existing legacy designated Downtown Center before December 21, 2026
- Has a confirmed municipal planning process under 24 V.S.A 4350,
- Is listed or eligible for listing in the National Register of Historic Places,
- Has a downtown improvement plan,
- Has a downtown investment agreement,
- Has a capital plan adopted under 24 V.S.A 4430 that implements these requirements,
- Has a local downtown organization,
- Has available public water/wastewater,
- Has permanent zoning and subdivision,
- Has historic preservation regulations (unless a legacy New Town Center that entered the program prior to December 31, 2026), and
- Has adopted downtown design or form-based regulations.

Timelines

- Renewals are no longer required to maintain legacy designations as of July 1, 2024. Legacy designations will continue through December 31, 2025. No loss of existing incentives will occur during the transfer to the new designation structure.
- October 6, 2025: The deadline to apply for designation under the legacy program, for consideration at the October 27, 2025 Community Investment Board meeting.
- Ongoing through December 31, 2026: Regional Planning Commissions will update Regional Plans and Future Land Use maps, which will establish the areas eligible for designation. Legacy designations will transfer into the new framework with regional plan adoption.
- To maintain an approved **Step 3 Center** after December 31, 2026, the municipality shall apply to DHCD for renewal following a regional planning approval by the LURB and meet the program requirements. The Department will provide guidance on the **Step 3 Center** renewal process in coordination with the legacy downtown municipalities to support successful outcomes.

Contact

- If you have any questions, please contact Jacob Hemmerick (Jacob.Hemmerick@vermont.gov) or Gary Holloway (Gary.Holloway@vermont.gov).