

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

Late Updated May 2025

Overview of Legacy *Neighborhood Development Area* 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.

Vermont Department of Housing & Community Development
Division of Community Planning + Revitalization

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The New Designations for Community Investment

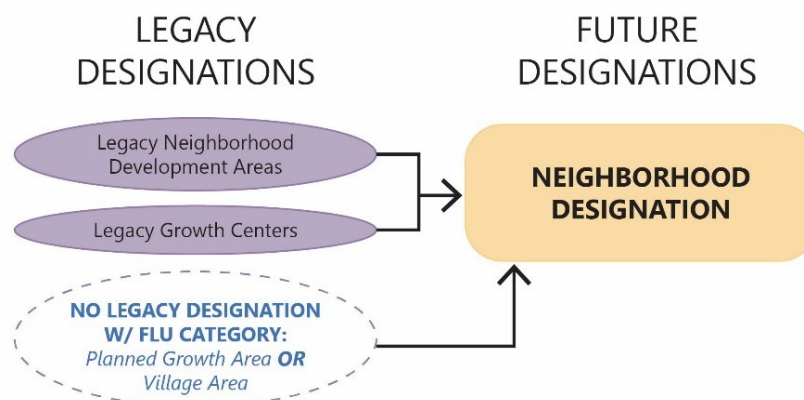
The new designation framework simplifies the State's five legacy designations, including designated Neighborhood Development Areas, into two categories: **Centers** surrounded by **Neighborhoods**. The **Center** designation will continue to recognize the legacy Downtown, New Town Center, and Village 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 Neighborhood Development Area designations will become designated as new designated **Neighborhoods** upon approval of the Regional Plan Future Land Use Map.

The Transition of Legacy Neighborhood Development Areas to Neighborhoods

Legacy Neighborhood Development Areas will be mapped in the regional planning commissions' Regional Plan Future Land Use (FLU) Map as planned growth areas or village areas for approval by the State's New Land Use Review Board (LURB). Legacy Neighborhood Development Areas will enter the new program as **Neighborhoods** upon approval of the regional plan by the LURB.

All legacy designated Neighborhood Development Areas 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 Neighborhood Development Area 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.



Benefits of Neighborhood Designation

- 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,

- Downtown and Village Tax Credits under 32 VSA 5930aa (not currently funded),
- Priority consideration for State and federal affordable housing funding,
- Housing permit appeal limitations as described in Title 24 of Chapter 117,
- 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
- Municipal authority to create a special taxing district under 24 V.S.A. Chapter 87 for area improvements.

Requirements of Neighborhood Designation

- Is mapped as, and meets the requirements of, a planned growth area or village area or has a legacy designated Neighborhood Development Area by December 21, 2026.

Contact

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