

To: Helen Head, Chair, House Committee on General, Housing and Military Affairs
From: Northeastern Vermont Development Association planning staff
RE: H. 702
Date: March 10, 2016

We appreciate the opportunity to provide input into the crafting of a workforce housing bill. Workforce housing is desperately needed throughout Vermont, and the need for moderately-priced housing in turn-key condition has been recognized as a critically lacking piece of the infrastructure supporting job growth in the Northeast Kingdom. Building workforce housing in designated centers and neighborhood development areas is a way to re-invest in the historic settlement areas in Vermont and avoid the suburbanization of valuable rural lands.

H. 702 appears to propose to extend the exemption from Act 250 regulations currently afforded to “priority housing projects” (as defined by 10 VSA §6001) to “workforce housing pilot projects.” The bill also proposes to extend the perimeter of neighborhood planning areas, for the purpose of a workforce housing pilot project, to 2 miles from the boundary of a designated downtown and 1/2 mile from a designated village center. These boundaries are currently set in 10 VSA 2793e at ½ mile from a designated downtown and ¼ mile from a designated village center.

A “priority housing project” is currently defined in statute as a “mixed-income housing” development that is entirely located within a designated neighborhood development area, downtown district, new town center or growth center. Mixed income housing can be rental or owner-occupied, but when consisting of owner-occupied housing, it is characterized as having 15% to 20% of the units in the development priced at no more than 85% or 90% of the purchase price limits set by VHFA [10 VSA, §6001(27)(A)(i)]. The July 2015 purchase price limits published by VHFA for a single-family house in Caledonia County is **\$300,000; 85% of that value would be \$255,000.**

It is understood that some changes have been proposed to H. 702 since it was first introduced, so some of these comments may have already been addressed.

Comments:

1. Median income is quite low in the NEK. According to the chart prepared by VHCB, a family of four earning 150% of median for Caledonia County could not afford a house priced for sale at \$300,000, the purchase price limit set by VHFA, although \$255,000 (85%) would be within reach. In Essex County, a family of four at 150% of median can only be expected to afford a house priced at \$250,500 – and only if they can manage to save up \$18,625 to cover a downpayment and closing costs. While a house priced at \$300,000 may be a bargain for households earning 150% of median in every other region of Vermont (as indicated on the chart), it is out of reach for households in that category in the three counties of the Northeast Kingdom. However, although salaries and land prices may be lower in the NEK than in the rest of the State, energy and construction costs are just as high. Hopefully, the state funding sources identified in H. 702 can be used to bridge the affordability gap, which in the NEK may need to be extended to families earning up to 150% of median. Perhaps loan guarantees to avoid the need for PMI, and /or interest-free down-payment assistance could be provided.

2. If the determination of income eligibility under this pilot project is not bound by any particular state or federal guidelines, it is suggested that household income be adjusted to deduct student loan payments, medical payments, and childcare costs.

For example:

A family of four with two working members in Caledonia County earns a combined gross annual income of \$85,000. After deducting student loan payments, childcare costs and/or medical payments, their adjusted annual income is \$75,000, which would allow them to qualify for a unit restricted to households earning up to 150% of county median income. Based on an adjusted income of \$75,000, they can afford a monthly housing cost of \$1,875 (30% of monthly adjusted income).

3. In order to preserve the character and pattern of existing settlements, it is suggested that the existing boundaries set by 24 VSA § 2793e be used, and only expanded if there are no locations within the tighter perimeter that could accommodate a housing development.
4. As a way to promote reinvestment in aging housing stock and preserve the historic character of traditional centers, it's suggested that the definition of a workforce housing pilot project allow for a combination of substantially rehabilitated housing units and new construction in the minimum count of dwelling units.