

Plan to Strengthen the Economy and Make Vermont more Affordable



Put more Vermonters to work building housing and infrastructure to create a better, stronger and more affordable Vermont.

1 Support the \$35 million Housing Bond

- Creates more housing in areas designated for growth and reinvestment.
- Encourages more mixed-income housing projects.
- Creates housing for the most vulnerable.

2 Increase the Number of Tax Increment Financing (TIF) Districts

- Brings this important infrastructure investment tool to other communities across the state.
- Enables new infrastructure investment to support new housing opportunities, grow jobs and strengthen communities.

3 Add \$200,000 to the Downtown and Village Center Tax Credit program

- Stimulates investment in older and historic buildings in the 24 state-designated downtowns and 124 village centers.
- Brings buildings up to code with fire sprinklers, elevators, accessibility and technology improvements.
- Supports housing rehabilitation and returns vacant or underutilized buildings to the Grand List.

4 Expand the 'Priority Housing Project' (PHP) Exemption from Act 250

- Removes the cap on the number of housing units in a Priority Housing Project for communities with populations over 10,000.
- Adjusts the "affordable" rental compliance requirements to build more housing for all.
- Allows permitting benefits for new housing projects that have existing Act 250 permits.

For more information, please contact:

[Katie Buckley](#), Commissioner

Vermont Department of Housing and Community Development



1 What will it do?

- Create all types of housing that serves a full spectrum of needs - from homelessness to homeownership - including some market rate housing.
- Prioritize the creation of net new housing units.
- Leverage public and private partnerships whenever possible maximizing dollars to grow the housing supply.
- Provide funding to improve existing properties in areas of Vermont where rehabilitation is needed. This is especially important in downtowns and village centers.
- Increase single family home ownership opportunities and multifamily housing properties.
- Enable affordable housing developers to create more diverse income mixes when developing their projects by adding units for those earning 80-120% of median income, which typically do not receive subsidy.
- Create more housing in areas designated for growth and reinvestment.
- Be deployed statewide, quickly and easily.

2 Who will it serve?

- At least 25% of the housing will be affordable to middle income Vermonters who are not typically eligible for housing assistance, those between 80%-120% of median income.
- At least 25% of the housing will be affordable for very low income Vermonters (earning 50% of median income or less).
- The remainder— will create net new units of housing in the areas of the state that need it most and at the income levels up to 120% of median income.

3 What is the process?

- The State Treasurer in collaboration with DHCD, VHCB, VHFA and others will determine the mechanics of the bond issuance with the goals of maximizing the yield and leverage while protecting the state's bond rating.
- VHCB will administer the proceeds of revenue bond issued by VHFA.
- DHCD will work cooperatively with VHCB and stakeholders (private developers, affordable housing developers, regional planning staff, state and local officials, etc.) to determine the highest and best uses for the bond proceeds.
- Priority will be given to communities with identified housing needs (net new units or underutilized housing stock).

For more information, please contact:

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1 What is Tax Increment Financing (TIF)?

- A tool that funds public infrastructure using incremental property tax revenue to repay municipal debt incurred to build/improve public infrastructure and related costs associated with the redevelopment of an identified area (District).
- Is a “public-private partnership” - public action stimulates private investment.
- Specific statutory requirements:
 - Infrastructure improvements must serve the TIF District and stimulate private sector development or re-development.
 - Development must provide employment opportunities.
 - Development must improve and broaden the tax base.
 - Development must enhance the economic vitality of the municipality, region or state.

2 How does TIF work?

- A municipality identifies an area requiring re-development, draws the TIF District around the area, and freezes the base tax of the District.
- All taxes on the frozen base value continues to go to the taxing authorities.
- Private developers, enticed by the improved infrastructure, build within the District.
- The property tax revenues that were flat or declining now increase.
- A portion of the tax increment is captured and set aside to help retire the debt that funded the infrastructure improvements, for a specified length of time.
- Taxpayers benefit from added value to the grand list once the debt is retired and may receive more wage taxes if the development project creates new jobs.
- Taxpayers benefit from the improvements to blighted areas and infrastructure improvements and they may see lower taxes in the long run because of the project.

3 When is TIF the Appropriate Financing Tool?

- Substantial real property development is required to improve economic viability of community/region.
- A substantial scale of public infrastructure is required to ensure real property development.
- Cost of public infrastructure is beyond normal and available municipal financing.
- Real property development will generate adequate incremental property tax revenue to service debt incurred.
- Meets the specific statutory requirements outlined above.

QUICK TIF FACTS

- Vermont has 9 active TIF Districts: Barre City Downtown; Burlington Downtown; Burlington Waterfront; Hartford Downtown; Milton North/South; Milton Town Core; South Burlington New Town Center; St. Albans City Downtown; Winooski Downtown.
- As of June 30, 2016, the grand list value of properties within all active TIF Districts has increased \$316.5 million.
- Between FY2012 and FY2015, the average annual amount of Education Property Tax increment utilized for TIF debt was \$3.1 million. In FY15, the amount was \$4.6 million.
- TIF Districts will generate approximately \$60 million in new revenue to the Education Fund during the life of the TIF district.
- After the life of all TIF Districts, revenue to the Education Fund will be increased by \$17 million per year.

For more information, please contact:

Fred Kenney, Executive Director, Vermont Economic Progress Council.
Vermont Department of Housing and Community Development

Background

Investment in older and historic buildings will not occur when the development costs exceed what banks estimate a property will be worth afterwards. The downtown and village center tax credits help close that gap and make these difficult to finance projects happen. In the past 5 years - \$10.7M in tax credits leveraged over \$208M in private investment to rehab 140 historic buildings and make them safe and accessible. **Every dollar in tax credits leverages \$18 more.**

1

Program Overview

- The program competitively awards tax credits to commercial buildings in designated downtowns and village centers for rehabilitation work, including the installation of sprinklers and elevators that are needed to bring abandoned or underused upper floors back in use.
- Funding is currently capped at \$2.2 million a year. Annually, building owners or lessees submit well over 30 rehabilitation and renovation project applications to support total investments that exceed \$40 million.
- Since 2002, demand for downtown and village center tax credits has exceeded funding by as much as 3 to 1.
- The long queue for tax credits can delay project startups by as much as three years. This demand has made the program funding unpredictable and frustrating for property owners wanting to invest in their buildings and their communities.

2

Recommendations to Improve the Tax Credit Program

- Increase tax credits by \$200,000 to support 4-5 more projects annually.
- Target increase to create more maker and co-working spaces that attract new entrepreneurs and business to Vermont's downtowns and village centers.

3

Return on Public Investment

- An analysis of property values using local grand list data shows how public investment to improve buildings in designated downtowns and village centers has increased property tax revenue. This investment not only revitalizes communities, it provides a permanent increase in tax revenue to support the education fund and creates jobs and housing.



Grand List Before: \$145,640



Grand List After: \$398,550

The Landry Block, St. Johnsbury

The Landry Block suffered a devastating fire in 2012 and was in danger of being demolished. With the help of tax credits, the building was saved and rehabilitated. It now includes two ground floor commercial spaces and four market rate apartments, filling a need for quality housing in downtown St. Johnsbury.

For more information, please contact:

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Background

Act 157 of 2016 directed the Agency of Commerce and Community Development to appoint a steering committee of experts to develop recommendations to fill the gap in the state's housing and infrastructure needs. The committee found that public incentives are critical to improve the quality and quantity of housing and to finance repairs to sidewalks, roads, sewer and water systems to support new development. Tools like the downtown and village center tax credits and tax increment financing (TIF) have been particularly effective in [St. Albans](#), [Winooski](#), [Barre](#) and in other communities.

Regulatory Incentives Work

The committee learned that regulatory incentives can also lower the cost of housing. One example of this is the Priority Housing Project (PHP) exemption from Act 250 permitting [\[10 VSA § 6001\(35\)\]](#). The exemption has facilitated the development of more than 200 housing units in the state by saving an estimated average of 6 months from state permitting timelines and more than \$250,000 in permit fees. PHPs must be in communities with a state-designated development area and adequate planning and bylaws to ensure that growth happens consistent with state and local goals.

Act 157 Recommendations to Improve Priority Housing Projects

1

Allow state-designated communities with populations greater than 10,000 to determine the appropriate number of housing units (designated communities with pop. over 10,000 = Burlington, Essex, South Burlington, Colchester, Rutland, Bennington, Brattleboro).

The existing jurisdictional threshold is 275 units. This number is arbitrary. It does not consider the size of parcels and has decreased the number of units produced in some cases.

2

Allow rental housing at any price to qualify as a Priority Housing Project.

Determining the price of an affordable rental unit varies considerably depending on methodology used. Stakeholders said this uncertainty raised concerns over the compliance cost and risk of documenting affordability over 20 years and it is unclear how these criteria would be enforced. This uncertainty discouraged use of the PHP benefit. Practitioners also questioned if the regulatory benefit was commensurate with the risk.

3

Allow priority housing projects in certain state-designated centers to proceed without a permit amendment to an existing Act 250 permit provided that any existing permit conditions remain in effect.

Outside of designated downtowns, once an Act 250 permit is issued on a tract of land, an owner must seek a permit amendment for any future changes. Several housing projects did not qualify as Priority Housing Projects solely because they were located on land with an existing Act 250 permit. After obtaining the necessary designation and proposing a Priority Housing Project it is discouraging for developers to be faced with this limitation, especially given the state's need for new housing.

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