



Testimony on S. 99 - An act relating to authorizing additional tax increment financing districts

Submitted to Senate Committee on Finance

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Chairwoman Cummings and members of the committee: thank you for hearing from me today. For the record, I am Chris Donnelly, and I work for the Champlain Housing Trust, or CHT. CHT develops and manages affordable housing through the northwest three counties of the State, with approximately 2,800 homes under our stewardship ranging from temporary lodging for people experiencing homelessness, to supportive housing, affordable rentals and homeownership. In all, we estimate about 6,000 people go to bed each night in one of our homes.

While we are proud of our impact in the communities we serve, I think it's fair to say that there is a general agreement that Vermont has an affordable housing problem. Workers that we see each day struggle to make ends meet, and the high cost of housing is a significant piece of it. Chittenden County has the second highest percentage of renters of any county in New England (right after Barnstable County, home to Cape Cod) paying more than 30% of their income on their housing – nearly 60% do.

Part of the equation is wages relative to housing costs. A second piece is availability of housing stock, period. In the last year there seems to be more progress, but we still see 140 applications a month for rental housing when we'll only have 20 available at any given time.

We're seeing municipalities cast about for ways to keep their communities affordable and vibrant. I think this is why there is so much support for S.99 – which CHT supports as well. Several communities in CHT's service area have created Affordable Housing Task Forces to look for local solutions. For one, Hinesburg, the result was advocacy that led to 23 new apartments opening up this past year. For South Burlington, a new trust fund was created, and a new TIF is spurring the creation of a City Center 40 years in the making. Williston is looking at creating a new housing trust fund, too, and their select board may act on creating one this month.

The most significant obstacle in the way of creating more affordable housing is not Act 250 or NIMBY-ism. It's constrained resources to make the housing affordable.

That's why we wanted to speak with you about this TIF proposal. The basic premise behind TIF is that with investment, property values will go up. When property values increase, lower-income Vermonters have a harder time accessing the market. This is the theory behind funding the housing and conservation trust fund with the property transfer tax. The same could be applied to TIF funds.

In fact, two jurisdictions do this successfully. The City of Madison, Wisconsin sets aside 10% of its TIF as capital for affordable housing construction¹. The City of Portland, Oregon recently increased their set-aside from 30% to 45% in response to unmet housing needs².

A Vermont-style proposal could give local municipalities both an incentive and resources to invest in affordable housing that meets their own community's needs. In addition to South Burlington and Williston, a number of communities have housing trust funds, including Burlington and Montpelier. A policy this committee could pursue would be to encourage the creation of local housing trust funds by providing a portion of available TIF funds – likely from the municipal side, but possibly from the education fund increment.

If no local housing trust fund was in place, those resources could be dedicated to VHCB.

It should come as no surprise to you that we will likely see fewer housing resources coming from the US Department of Housing and Urban Development in the near future. Last week a proposal for a \$6 billion reduction in the HUD budget was leaked, including the elimination of community development block grants, which are a significant source of capital for Vermont – \$7 million annually.

We need to seek out new sources if we're going to solve our housing challenges. Coupling affordable housing development with TIF makes sense, doesn't increase taxes, and provides opportunities for local communities to embrace and invest in their housing stock for workers and Vermont's most vulnerable.

¹ <http://www.cityofmadison.com/cdbg/tif/process.htm>

² <https://www.portlandoregon.gov/citycode/?c=31334&a=553338>