



Vermont Businesses  
for Social Responsibility

March 30, 2022

House Committee on General, Housing, and Military Affairs  
Vermont State House  
115 State Street  
Montpelier, VT 05633-5301

Dear Representatives,

Thank you for the opportunity to offer comments on S. 226, the Omnibus Housing Bill as well as S. 210. We appreciate the efforts of this Committee to both support and expand housing development in Vermont while also maintaining our state's environmental integrity and shared commitment to creating just, equitable communities.

Vermont Businesses for Social Responsibility is a statewide, nonprofit business association with a mission to leverage the power of business for positive social and environmental impact. For over 30 years, our organization has promoted the opportunity and responsibility of the business community to set a high standard for protecting the natural, human, and economic environments of our citizens.

Most of our members are small employers. Roughly 35% employ 10 Full time employees (FTEs) or less, 65% employ 50 FTEs or less, and only about 6% (or 40 companies) employ 300 or more FTEs.

It is no secret that Vermont is in a difficult moment in its history and businesses, families, and communities are feeling the effects. In VBSR's most recent membership survey, availability of affordable housing (62%) ranked as the top barrier to success for VBSR businesses followed by the Cost of health care (57%), Access to affordable and high-quality childcare (34%) and Paid Family Leave (28%). Each of these issues have created significant workforce shortages and stifled economic growth, but housing especially is front of mind for many Vermont businesses.

Housing stock is extremely low meanwhile costs are skyrocketing—with many Vermonters spending at least a third or more of their income on housing. As these challenges continue to grow buying power in turn continues to decline—hurting not just working Vermonters but local economies. The average Vermont household's buying power in 2018 was no better than it was before the recession over 10 years ago. More recent, post pandemic data paints an even starker picture—according to the annual 'Out of Reach' report from the National Low Income Housing Coalition, the average Vermonter needs to earn nearly \$24 per hour to afford a safe, decent place to live in Vermont, however the average renter makes less than \$14 per hour—marking the sixth-largest affordability gap in the nation.

To put it bluntly, Vermont cannot tackle our workforce issues, we cannot create a more equitable economy, without creating more abundant and accessible housing for our workforce.

### **Neighborhood Planning Areas**

VBSR supports the intent of this section, namely, to encourage municipalities to construct housing near designated downtowns, village centers, and other areas suitable for development. The inclusion of smart growth principles like compact settlement patterns, walkability, and climate resilience are also welcome

and appreciated inclusion as we strive to both support housing development while maintaining Vermont's natural character and brand.

Green design and construction standards should be required for all new development in Vermont. Our economy thrives when it is in balanced co-existence with our natural environment. Future development in Vermont should strive for habitat protection, flood management and prevention, and maintaining and protecting clean water. Vermont suffers from outdated and inefficient wastewater and storm water systems due to chronic underfunding—all to the detriment of our economic, social, and environmental health. However, with the sudden influx of federal dollars, we have an extraordinary opportunity to support local housing development while also strengthening our wastewater infrastructure.

### **Large Employer Housing Partnership Program**

VBSR strongly supports the creation of a Large Employer Housing Partnership Program. Many of our members are unable to bring on new talent because they have nowhere to live. Others are losing employees who are seeking opportunities out of state not for professional gain but simply because they either can't afford their current living spaces or cannot find new ones. Businesses have pursued a variety of solutions to these challenges.

For example, some have developed [income advance programs](#) to help their employees deal with financial stressors. Developed in partnership with Rhino Foods and B Lab, this benefit has been tremendously helpful in helping staff with unexpected expenses—including the cost of finding and securing new housing. Other businesses have chosen purchase workforce housing for their employees either individually or in partnership with other local employers. However, like any developer or prospective homeowner, they face significant hurdles in raising the necessary capital to acquire land, secure labor, purchase building materials, and navigate their local permitting processes. The Large Employer Housing Partnership Program would take their efforts to new heights by providing them with the additional financial support needed to meet these challenges head on.

### **Commercial Property Conversion Incentive Program**

Tapping into Vermont's existing building stock presents us with a near term opportunity to bolster Vermont's housing stock. While programs like the Vermont Housing Improvement Program have done a tremendous job channeling resources toward our vacant and dilapidated rentals, few resources are readily available for commercial property owners interested in converting their spaces into livable homes. I have had conversations with multiple local manufacturers who have excess space in their facilities and explored converting said spaces into needed workforce housing but were largely deterred by the upfront costs.

Commercial to residential conversions require significant capital investment. Owners have already made substantial investments in their building(s) and conversion to housing requires additional dollars that may not increase the value of the property overall—especially when you consider the fact that the owner will have no initial income from the space but will need to pay the upfront costs. The only time it is financially viable is when the building is either highly devalued to the point that it is no more valuable than the vacant land or if the new housing will be worth much more than the building was prior to the conversion.

For example, much residential conversion in New York City's financial district was driven by the booming housing market coupled with tax incentives. It's important to note however, that this primarily resulted in the construction of market-rate housing not affordable housing. In other words, conversions to affordable units are not an appealing option from an economic standpoint unless there is some form of government funded subsidy. For these reasons, VBSR supports this program and encourages this Committee to provide it with robust funding that is commensurate with the needs of property owners.

Previous iterations of S. 226 included \$5 million in funding for the Large Employer Housing Partnership Program and an additional \$5 million for the Commercial Property Conversion Incentive Program, however the bill has since been amended to only authorize the Vermont Housing and Conservation Board to spend up to \$5 million on *both* programs. Given the urgency of Vermont's housing crisis and the turnkey nature of both investment opportunities, **VBSR urges the Committee to both restore full funding for these programs at \$5 million each and to direct VHCB to carry out these programs instead of merely authorizing them to do so.**

### **Missing Middle Income Homeownership Program**

VBSR strongly supports The Missing Middle Home Ownership Development Pilot Program and consider it a historic opportunity to provide moderate income Vermonters with the resources they need to make a home here in Vermont. For workers, Access to home ownership represents a significant opportunity to build intergenerational wealth and boost class mobility. For employers, it means a reliable, lasting workforce.

As you know, our organization has long supported what we call “livable jobs” – a vision for economic growth centered on the creation of jobs with good wages and benefits. And while our members consistently offer above average wages and benefits to their employees, we are still hearing from countless business about their struggles in attracting and retaining staff due to lack of middle-income housing. Giving working Vermonters an avenue to purchase an affordable home would help to keep workers here in Vermont while also alleviating pressure on the state's rental market.

While Vermont's housing market should be able to provide quality homes for middle income workers, we have seen an unprecedented spike in the cost of housing—one that has created a value gap that is insurmountable for most working Vermonters. Vermont homes have appreciated 37% over the last three years meanwhile our developers are struggling with unprecedented material costs and labor shortages. These cost pressures are largely out of their hands and force builders to sell homes well above their appraised value to cover growing construction costs. The missing middle income homeownership program would help to challenge this paradigm by subsidizing the construction of middle-income housing and bridging the aforementioned value gap.

Vermont's businesses and communities would assuredly benefit financially from having more middle-income homeowners. Property taxes make up one of the largest sources of local government revenue for Vermont cities and towns. Areas with widening income gaps and decreased economic mobility are facing difficult choices between increasing property tax rates or allowing the quality of our public services to diminish, which also threatens our economic stability. Bolstering middle-income homeownership can produce additional property tax revenue from a wider cross section of households. Additionally, middle-class residents also increase consumer spending—using their disposable income to participate in our local economies by purchasing groceries, eating at restaurants, shopping at local stores, and seeking other goods and services. In other words, investments in middle income housing initiatives yield strong economic returns.

**VBSR is gravely concerned that the Missing Middle Income Homeownership Program will be stripped from the bill given the House Appropriations Committee's decision not to include funding for the program as part of their FY23 budget. We feel that this would be a costly mistake.**

In short, tackling Vermont's housing crisis requires both short term and long-term solutions. In the long term we must work to bolster our total housing stock to meet demand—a goal that will take years to achieve. Additional changes in Vermont's permitting processes will also help to spur development, but again it will take time before Vermont's employers and employees feel the effects. In the meantime, there

are only so many near term opportunities to help working Vermonters overcome barriers to homeownership, especially those who do not currently qualify for housing assistance but cannot possibly compete in Vermont's current housing market. **It is critical that the legislature allocate full funding for the Missing Middle Income Homeownership Program at \$5,000,000 in fiscal year 2022 and \$10,000,000 in fiscal year 2023.**

### **Vermont Housing Investment Program**

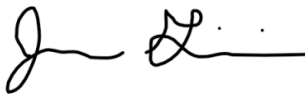
Vermont has the most vacant homes of any state in the country and some of the oldest housing stock as well, especially when it comes to our rental housing. Of Vermont's total rental housing stock, 80% is more than 40 years old, and nearly half of these units are more than 80 years old. While it's imperative that Vermont invests in new housing stock, we cannot forget the thousands of homes across the state that are in disrepair. Many of which are owned by landlords who are not professional property managers themselves and/or are low-to-moderate income.

While some could raise their rental rates to cover the cost of repairs, this would price out the low-to-moderate income Vermonters searching for an affordable rental unit, many of whom are employees or VBSR members. Offering landlords modest grants for home improvements is a proven, cost-effective way to encourage rental property owners to invest in their underutilized and ailing housing stock. That's why VBSR is a strong support of the Vermont Home Investment Program (VHIP.) Previous versions of S. 226 included \$20 million in funding for VHIP but that has since been moved over to H. 210—legislation VBSR also endorses.

There is additional language included in S. 226 that would set aside a portion of VHIP funding for the purposes of constructing accessory dwelling units or ADUs. While we do not oppose this move, **we encourage this committee to incorporate language that would ensure ADUs remain affordable for the long term.**

As always, thank you for your tireless work to allocate state and federal funds to the maximum benefit of our businesses, communities, families, and shared environment. VBSR appreciates the opportunity to offer comments on S. 226 and we are available for further questions and testimony at your convenience.

Sincerely,



*Jordan Giaconia*

Public Policy Manager