Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

Date: March 18, 2021

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S.101 An act relating to promoting housing choice and opportunity in smart growth areas – Senate Economic Development, Housing and General Affairs Recommendation of Amendment

https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Finance/Bills/S.101/S.101~Ellen%20Czajkowski~As%20Introduced~3-17-2021.pdf

Summary

This bill proposes to make changes to promote housing choice and opportunity in smart growth areas. It updates the statute of the Municipal and Regional Planning Fund to allow grants to municipalities seeking to modernize their bylaws increase housing choice. It expands the eligibility of the Downtown and Village Center tax credit program to Neighborhood Development Areas (NDAs) as well as expands the annual cap on the credits. It also allows municipalities to issue authorization for water system connections in lieu of state permitting, while also exempting them from state fees for those projects.

Fiscal Impact

The bill appropriates $600,000 from the General Fund in FY22. In addition, the statutory cap increase for the Downtown and Village Center tax credit program will result in a revenue reduction of $1.75 million in FY22 and ongoing years. The exemption of state water connection fees will also reduce revenues to the Environmental Permit Fund by up to $150,000 in FY22 and up to $275,000 annually thereafter.

Appropriations: $600,000 in FY 2022

Section 2 updates the existing purposes of the Municipal and Regional Planning Fund to allow for grants to municipalities seeking to modernize their bylaws to increase or improve housing. $500,000 is appropriated from the General Fund in Section 3 for this purpose.

Section 4 appropriates an additional $100,000 to the Department of Housing and Community Development to provide technical assistance to municipalities and developers navigating the development of accessory dwelling units and small-scale housing.

Reductions in Revenue: $1.90 million in FY 2022

Sections 5 and 6 make revisions to the Downtown and Village Center tax credit program. Section 5 expands the eligibility of the existing credits to NDAs. This expansion is not expected to reduce revenues by itself because the program's credits are still limited by statute.

Section 6 expands that statutory limit from $3 million to $4.75 million. Since these credits are oversubscribed every year, JFO estimates that this will reduce General Fund revenues by $1.75 million in FY 2022.

The revenue reductions in section 6 will impact the General Fund.

Sec. 11 proposes to delegate authority to municipalities to permit wastewater and potable water service connections. Currently this authority resides with the Dept. of Environmental Conservation (DEC), although there is a provision in current law for partial delegation to municipalities. Under the proposal, the municipality would need to register these projects with DEC and the project would have to meet certain criteria described in the bill.

Currently DEC assesses fees for connections that vary based on design flows. These fees raise approximately $1.0 to $1.1 million per year to DEC's Environmental Permit Fund. Projects that are permitted by municipalities as described above would be exempt from the DEC fees (Sec. 10). DEC estimates that this fee exemption could have a revenue impact of up to $275,000 annually, but the impact would be dependent on municipalities and connection projects taking advantage of the new permitting mechanism. It is unlikely that the full revenue impact would be incurred in FY22. The FY22 impact is estimated to be $150,000.