

1 H.775

2 Introduced by Representatives Mihaly of Calais, Charlton of Chester, Bartley

3 of Fairfax, Graning of Jericho, Krasnow of South Burlington,

4 and Marcotte of Coventry

5 Referred to Committee on

6 Date:

7 Subject: Housing; municipal and county government; special assessments;

8 indebtedness; revenue bonds; State Treasurer; credit facility; Vermont

9 Housing Special Fund

10 Statement of purpose of bill as introduced: This bill proposes to create the

11 Rural Housing Finance Pilot Program and the off-site construction accelerator

12 pilot program; to authorize municipalities to issue revenue bonds backed by

13 special assessments for the purpose of financing a public improvement within a

14 special assessment district; to increase the financial cap on the Office of the

15 State Treasurer's authority to establish a credit facility for purposes of funding

16 mobile home park infrastructure; to authorize the State Treasurer to retain

17 interest on loans issued using credit facility funds for the purpose of promoting

18 the increased availability of housing and the bulk purchasing of off-site

19 constructed housing; to authorize the State Treasurer to create an additional

20 credit facility of one percent for the bulk purchase of off-site constructed

1 housing; and to create the Vermont Housing Special Fund for the purposes of  
2 administering interest paid on loans issued using credit facility funds.

3 An act relating to creating tools for housing production

4 It is hereby enacted by the General Assembly of the State of Vermont:

5 \* \* \* Rural Housing Finance Pilot Program \* \* \*

6 Sec. 1. RURAL HOUSING FINANCE PILOT PROGRAM

7 (a) Creation.

8 (1) There is created the Rural Housing Finance Pilot Program to  
9 stimulate the development of affordable housing in rural Vermont  
10 communities. Under the Program, the Department of Housing and Community  
11 Development may authorize for tax stabilization up to 300 housing units in  
12 eligible communities over a maximum application period of three years.

13 (2) The Department of Housing and Community Development shall  
14 work in collaboration with the Vermont Housing Finance Agency, the  
15 Vermont Housing and Conservation Board, the Office of the State Treasurer,  
16 and the Treasurer's Local Investment Advisory Committee in carrying out the  
17 provisions of this pilot program. The Department may enter into agreement  
18 with one or more of the abovementioned partners in carrying out specific  
19 provisions of this section.

1                   (3) The Vermont Housing Finance Agency, the Vermont Housing and  
2                   Conservation Board, and the Office of the State Treasurer shall provide  
3                   technical and administrative support to the Department of Housing and  
4                   Community Development in carrying out the provisions of this section.

5                   (b) Administration. The Department of Housing and Community  
6                   Development shall administer the Program according to the requirements of  
7                   this section. Pursuant to 3 V.S.A. chapter 25, the Commissioner of Housing  
8                   and Community Development shall adopt any rules necessary for the  
9                   implementation, administration, and enforcement of this section.

10                   (c) Application. The Department of Housing and Community  
11                   Development shall develop a simple application process for municipalities to  
12                   participate in the Program that requires the sponsoring municipality to  
13                   demonstrate compliance with the requirements of this subsection.

14                   (1) Location. The proposed housing development will be located in a  
15                   sponsoring municipality with a population of fewer than 5,000 persons and  
16                   will not be located in a TIF district or a housing development site.

17                   (2) Maximum size. A proposed housing development must be primarily  
18                   residential space and may include commercial space. The residential portion  
19                   of the proposed housing development shall not exceed 16 housing units. The  
20                   commercial portion of the proposed housing development shall not exceed  
21                   5,000 square feet.

1                   (3) Affordability. At least 15 percent or a minimum of two of the  
2                   proposed housing units shall be affordable housing units. Affordable housing  
3                   units shall be subject to covenants or restrictions that preserve their  
4                   affordability for a minimum of 15 years or longer as provided in municipal  
5                   bylaws.

6                   (d) Selection. The Department of Housing and Community Development  
7                   shall develop a procedure for selecting from among the qualifying applications  
8                   under subsection (c) of this section that takes into consideration both the  
9                   overall affordability of the proposed housing units and the extent to which tax  
10                   stabilization facilitates that affordability. Using the selection procedure, the  
11                   Commissioner of Housing and Community Development shall recommend to  
12                   the Commissioner of Taxes up to 300 housing units for tax stabilization.

13                   (e) Tax stabilization. Notwithstanding any law to the contrary, a  
14                   sponsoring municipality may contract with the owner of property selected for  
15                   tax stabilization under subsection (d) of this section to fix and maintain for the  
16                   duration of 10 years the valuation of the property in the grand list as follows:

17                   (1) From years one through seven. For the first seven years following  
18                   completion of construction of the proposed housing development, the property  
19                   shall be valued at the pre-development value of the property.

1                   (2) From years eight through ten. For the final three years of the  
2                   agreement, the property shall be valued at the pre-development value of the  
3                   property plus an adjustment calculated as follows:

4                   (A) for year eight, 25 percent of the property value change;  
5                   (B) for year nine, 50 percent of the property value change; and  
6                   (C) for year 10, 75 percent of the property value change.

7                   (f) Compliance. The Department of Housing and Community  
8                   Development shall monitor housing developments awarded tax stabilization  
9                   under the Program and shall annually confirm with the Department of Taxes  
10                   compliance with the terms of the tax stabilization agreement for the duration of  
11                   the agreement.

12                   (g) Reporting. Annually on or before January 31, the Department of  
13                   Housing and Community Development shall submit a report to the House  
14                   Committees on General and Housing and on Ways and Means and the Senate  
15                   Committees on Economic Development, Housing and General Affairs and on  
16                   Finance updating the Committees on the status of the Program and any housing  
17                   developments selected for tax stabilization under the Program.

18                   (h) Definitions. As used in this section:  
19                   (1) “Affordable housing” has the same meaning as in 24 V.S.A. § 4303.  
20                   (2) “Application period” means the period commencing on the first day  
21                   the Department accepts applications for the Program and ending three years

1        following commencement or upon publication by the Department that the  
2        application period is closed, whichever occurs first.

3            (3) “Department” means the Department of Housing and Community  
4            Development.

5            (4) “Housing development site” has the same meaning as in 24 V.S.A.  
6            § 1906.

7            (5) “Municipality” means a city, town, or incorporated village.

8            (6) “Pre-development value” means the valuation of the property as  
9        determined in accordance with 32 V.S.A. chapter 129 as of the most recent  
10      annual appraisal date preceding preparation of the property for development.

11        (7) “Program” means the Rural Housing Finance Pilot Program created  
12      by this section.

13        (8) “Property value change” means the difference in property valuation  
14      for a property calculated by subtracting the pre-development value of the  
15      property from the fair market value of the property in the year for which the  
16      property value change is being calculated.

17        (9) “TIF district” has the same meaning as “district” in 24 V.S.A.  
18      § 1891.

1 Sec. 2. 32 V.S.A. § 5404a(a) is amended to read:

2 (a) A tax agreement or exemption shall affect the education property tax  
3 grand list of the municipality in which the property subject to the agreement is  
4 located if the agreement or exemption is:

5 \* \* \*

6 (3) An agreement relating to affordable housing, which may be  
7 approved under this subdivision by the Commissioner of Taxes upon  
8 recommendation of the Commissioner of Housing and Community ~~Affairs~~  
9 Development, provided the agreement provides either for new construction  
10 housing projects or rehabilitated preexisting housing projects and secures  
11 federal financial participation that may include projects financed with federal  
12 low income housing tax credits.

13 \* \* \*

14 (7) An agreement under the Rural Housing Finance Pilot Program  
15 established under this act, which may be approved under this subdivision by  
16 the Commissioner of Taxes upon recommendation of the Commissioner of  
17 Housing and Community Development.

18 \* \* \* Special Assessment Bonds \* \* \*

19 Sec. 3. 24 V.S.A. § 3257 is added to read:

20 § 3257. SPECIAL ASSESSMENT BONDS

1        (a) Upon approval of the legislative body of the municipality and subject to  
2        subsection (c) of this section, a municipality may issue revenue bonds for the  
3        purpose of financing a public improvement for the benefit of the limited area  
4        of the municipality to be served by the improvement. A revenue bond issued  
5        under this section is issued for an essential and governmental purpose.

6        (b) A revenue bond issued pursuant to this section shall be payable solely  
7        and exclusively from the special assessments levied on the properties to be  
8        served by the improvement and shall not constitute general indebtedness of the  
9        municipality. No holder of a bond issued under this section shall have the right  
10        to compel any exercise of the taxing power of the municipality to pay on the  
11        bond.

12        (c) The municipality may issue a revenue bond pursuant to this section only  
13        if one or more of the following conditions are met:

14        (1) the Vermont Bond Bank has provided a commitment letter for the  
15        issuance;

16        (2) a major credit rating agency rates the issuance at a minimum credit  
17        rating of BBB; or

18        (3) a private bank has provided a commitment letter for the issuance and  
19        a certification that the private bank is a qualified institutional buyer as that  
20        term is used in 17 C.F.R. § 230.144A (Rule 144A, Securities Act of 1933).

1 \* \* \* Vermont Housing Special Fund \* \* \*

2 Sec. 4. 10 V.S.A. § 10 is amended to read:

3       § 10. VERMONT STATE TREASURER; CREDIT FACILITY FOR LOCAL  
4           INVESTMENTS

11 (b) The Treasurer may use amounts available under subsection (a) of this  
12 section to provide financing for infrastructure projects in Vermont mobile  
13 home parks and may modify the terms of such financing in the Treasurer's  
14 discretion as is necessary to promote the availability of mobile home park  
15 housing and to protect the interests of the State.

16 (c) Notwithstanding any provision of 32 V.S.A. § 433(a) to the contrary,  
17 and in addition to the provisions of subsection (a) ~~on~~ of this section, the  
18 Vermont State Treasurer shall have the authority to establish a credit facility of  
19 up to two and one-half percent of the State's average cash balance on terms  
20 acceptable to the Treasurer and consistent with prudent investment principles  
21 and guidelines pursuant to 32 V.S.A. § 433(b) ~~–~~ (c) 433(b) and (c) and the

1 Uniform Prudent Investor Act, 14A V.S.A. chapter 9. The Treasurer may use  
2 amounts available under this subsection only to provide financing for climate  
3 infrastructure and resilience projects and may modify the terms of such  
4 financing in the Treasurer's discretion as is necessary to protect the ~~interest~~  
5 interests of the State.

6 (d) Annually, on or before November 15, the Treasurer shall submit a  
7 report detailing the activities, financing, and accounting of any credit facilities  
8 created pursuant to subsection (c) of this section during the preceding calendar  
9 year to the Governor; the House Committees on Appropriations, on Commerce  
10 and Economic Development, and on Ways and Means; and the Senate  
11 Committees on Appropriations, on Economic Development, Housing and  
12 General Affairs, and on Finance.

13 (e)(1) The Treasurer shall retain any interest paid on loans established  
14 under this section. Interest funds shall be transferred upon receipt to the  
15 Vermont Housing Special Fund established in section 12 of this title.

16 (2) Notwithstanding any provision of 32 V.S.A. § 433(a) to the contrary,  
17 the Treasurer may use interest paid on loans under this subsection to provide  
18 capital for housing projects in Vermont that, in the Treasurer's discretion, are  
19 necessary to promote the increased availability of housing, including the bulk  
20 purchasing of off-site constructed housing as set forth in subsection (f) of this  
21 section. This capital may be provided on terms acceptable to the Treasurer,

1       including in the form of grants, interest-free loans, or the investment of equity  
2       stakes in housing projects.

3           (f) The Treasurer shall have the authority to create a credit facility of up  
4       to one percent of the State average cash balance pursuant to the total funding  
5       allocation under subsection (a) of this section to facilitate the bulk purchasing  
6       of off-site constructed housing. The Treasurer may use amounts available  
7       under this subsection and subdivision (e)(2) of this section to aid in the  
8       purchase of off-site constructed housing units to facilitate housing  
9       development. Purchases shall be made on terms acceptable to the Treasurer,  
10      and any financial losses shall be repaid from the Vermont Housing Special  
11      Fund established in section 12 of this title.

12      Sec. 5. 10 V.S.A. § 12 is added to read:

13      § 12. VERMONT HOUSING SPECIAL FUND

14           (a) There is established the Vermont Housing Special Fund to be  
15       administered by the State Treasurer in accordance with 32 V.S.A. chapter 7,  
16       subchapter 5.

17           (b) The Fund shall consist of the following:

18              (1) any monies appropriated to the Fund by the General Assembly;  
19              (2) any monies transferred to the Fund from the federal government,  
20       State agencies, or other governmental sources; and

1                   (3) any interest paid on loans authorized pursuant to subsection 10(a) or  
2                   (c) of this title.

3                   (c) The Treasurer shall credit to the Fund all interest and income derived  
4                   from the deposit and investment of monies in the Fund.

5                   (d) Any unexpended and unencumbered monies at the end of a fiscal year  
6                   shall remain in the Fund.

7                   (e) The Treasurer may also use these funds to pay the administrative costs  
8                   necessary to support the credit facilities created in this section.

9                   \* \* \* Off-Site Construction Accelerator Pilot \* \* \*

10                  Sec. 6. OFF-SITE CONSTRUCTION ACCELERATOR PILOT

11                  (a) The Agency of Commerce and Community Development in  
12                  collaboration with the Department of Buildings and General Services shall  
13                  develop a pilot demonstration project and study that explores the possibilities  
14                  of reducing housing development costs through modular construction.

15                  (b) The pilot will consider the following elements:

16                  (1) bulk purchasing for a single development or aggregation of multiple  
17                  developments;

18                  (2) streamlining regulatory processes by creating preapproved modular  
19                  designs;



1

\* \* \* VHIP \* \* \*

2 Sec. 7. 10 V.S.A. § 699 is amended to read:

3 § 699. VERMONT RENTAL HOUSING IMPROVEMENT PROGRAM

4 (a) Creation of Program.

5 (1) The Department of Housing and Community Development shall  
6 design and implement the Vermont Rental Housing Improvement Program,  
7 through which the Department shall award funding to statewide or regional  
8 nonprofit housing organizations, or both, to provide competitive grants and  
9 forgivable loans to private landlords for the rehabilitation, including  
10 weatherization and accessibility improvements, of eligible rental housing units.

11 (2) The Department shall develop statewide standards for the Program,  
12 including factors that partner organizations shall use to evaluate applications  
13 and award grants and forgivable loans. The Department may authorize  
partnership organizations to advance funding at the beginning of a project as  
part of an award.

16 \* \* \*

17 \* \* \* Positions \* \* \*

18 Sec. 8. POSITIONS

19 Two new permanent, full-time Grants Management Specialist Housing and  
20 Community Development classified positions are created within the  
21 Department of Housing and Community Development.

1 \* \* \* Effective Date \* \* \*

## 2 Sec. 9. EFFECTIVE DATE

3                   This act shall take effect on July 1, 2026.