

Date: April 24, 2025

To: The House Committee on Commerce and Economic Development
From: Gus Seelig, Vermont Housing and Conservation Board Executive Director
Re: The creation of mixed-income housing through the Community Housing and Infrastructure Program in S.127

Dear Committee,

Thank you for the invitation to comment on the Community Housing and Infrastructure Program included in S. 127 which creates a new tool for creating much needed housing in Vermont. VHCB strongly supports the purpose as stated in the legislation to “provide revenues for improvements and related costs to encourage the development of primary residences for households **of low or moderate income.**”

I have heard that a lot of the discussion around this program has centered on creating “guardrails” for the program. I appreciate that, and what I hear is that you want to make sure that your policy does the most good, avoids bad or risky outcomes, and results in achieving a vision of our communities that you’d be proud of facilitating. It’s in that spirit that I come to you and ask you to think about the “guardrails” more as a way to cultivate the positive community outcomes resulting from building housing.

One way to see this goal accomplished and to address the housing needs of Vermont’s workforce with limited state resources, is to focus the program on creating inclusive mixed-income communities. We’ve had a lot of success doing this. First of all, the bill is silent on how much of the CHIP investments need to support housing. If this is a housing bill and that’s the purpose, I’d encourage you to state that. Mixed-use developments are great for communities, but if the goal is to create more housing, I’d encourage you to set a threshold, and I’ll get into specific recommendation in a little bit.

Tax Increment Financing has been an effective tool to address the housing challenge. In the St. Albans TIF district, VHCB helped to finance 149 affordable homes, out of the 270 total homes built or now under construction in the district. Project based TIF as envisioned through CHIP presents a method to offset the costs of infrastructure in housing development and creates an opportunity to ensure a portion of the homes benefiting from this public program are affordable to Vermonters. Because the financing capacity under project based TIF is a function of the property value, the benefit will be highest for the high-value homes that the market can already produce and more modest for affordable homes that appraise at a lower value. For this reason, housing developers may need an incentive to direct this resource towards affordable housing.

You’ve heard about the Priority Housing Project provision within Act 250 as an example of where public policy has incentivized mixed-income communities. The PHP provision allows housing developments in growth areas that include affordable homes to bypass Act 250. This benefit has incentivized private developers to directly include affordable units or partner with

affordable housing providers to build affordable homes in new neighborhoods. Examples include 36 affordable apartments included as part of the 180 home Sunderland Farm neighborhood in Colchester, 48 affordable apartments in Hartford as part of a 240-home master development, and 99 homes as part of a 700-home development in South Burlington. These are great examples where carrots – not sticks – encourage more development and a range of affordability.

The committee has an opportunity to focus the benefits of CHIP on the creation of housing that is affordable and available to working Vermonters, while creating more housing broadly. While the CHIP purpose speaks to the creation of primary residences for low- and moderate-income households, the program's parameters do not directly restrict it to that use. There are likely some simple parameters that can be adopted that would ensure the housing created to be either owner-occupied or a long-term rental – not a vacation home or short-term rental.

More specifically, **VHCB suggests the addition of the following policies to ensure that CHIP helps to build mixed-income communities and meet Vermont's housing needs.**

- 1) Enhance housing production by requiring that 60% of the floor area of the development be housing.**
- 2) Ensure the creation of primary dwelling units and long-term apartments by requiring homes produced through this program are sold as primary residences or used as long-term apartments.**
- 3) Incentivize the creation of mixed-income housing by requiring that 20% of the housing be affordable to renters up to 80% AMI and homeowners up to 120% AMI for at least the duration of the tax increment retention period.**

These policies help to ensure that public funding for infrastructure results in the public good identified in the program's purpose. The Vermont Housing Needs Assessment identifies both the need for Vermont to create 24,000 – 36,000 new homes, and the need to ensure that a significant portion of these homes are affordable to the low- and moderate-income households. These households are critical to Vermont's workforce, they include medical assistants, early childhood educators, police officers, teachers as well as members of many other professions. By directing infrastructure financing towards developers building mixed income housing, you can ensure that this new tool helps create inclusive communities.

If these policies are of interest to the committee, VHCB is happy to provide suggested language for the committee to review.

Sincerely,

Gus Seelig
Executive Director
Vermont Housing and Conservation Board