

Affordable Housing Incentives

Act 181 Study Group Report

House Committee on General and Housing

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Legislative Charge

Act 181 - Sec. 37. AFFORDABLE HOUSING DEVELOPMENT REGULATORY INCENTIVES STUDY

a) The Department of Housing and Community Development, the Vermont Housing and Conservation Board, the Land Access and Opportunity Board, and the Vermont Housing Finance Agency shall:

(1) engage with diverse stakeholders, including housing developers, local government officials, housing advocacy organizations, financial institutions, and community members to **identify regulatory policies that incentivize mixed-income, mixed-use development and support affordable housing production as a percentage of new housing units in communities throughout the State**, including examining the impact of inclusionary zoning; and

(2) develop recommendations for legislative, regulatory, and administrative actions to improve and expand affordable housing development incentives within State designated areas.

Study Group & Report Methodology

- Membership
 - State of Vermont Department of Housing & Community Development (DHCD)
 - The Vermont Housing & Finance Agency (VHFA)
 - The Vermont Housing & Conservation Board (VHCB)
 - The Vermont Land Access and Opportunity Board (LAOB)
- Six meetings (June-December 2024)
- Led focus group outreach
- Led public survey outreach
- Led research and analysis
- Made recommendations

Public Outreach

Expert Focus Groups

- Groups
 - Municipal officials
 - Housing developers
 - Housing advocates
- Standard set of questions to understand current conditions and identify new options for affordable housing development.

Expert Focus Groups Key Findings

- Subsidy is necessary for affordable housing
- Priority housing projects have been effective
- Market conditions vary throughout the state; inclusionary zoning (requiring a minimum percentage of affordable units) can be helpful in certain markets
- Key market factors are increasing housing costs and stressing affordable housing
- Reducing production costs requires broader changes to the system

Expert Focus Groups Key Findings

- Affordable housing must be a primary public interest in public policy
- Local resistance to affordable housing can slow or stop development
- Local administrative capacity for affordable housing and housing-supportive infrastructure varies
- Developers face difficulties finding development ready locations.

Public Survey

- Non-scientific
- 757 responses
- Open 31 days - December & January
- Help identify preferred options and actions

Public Survey Key Findings

- Strong support for mixed-income housing
- Faster and more predictable approvals for affordable housing development seen as an important incentive
- Predictable funding sources for affordable housing, brownfield cleanup, and infrastructure to support affordable housing seen as important strategies.
- Support for narrowing the grounds to appeal affordable housing permits
- Support for Act 250 exemptions for larger housing projects that include affordable units

Recommendations

Act 250

- **New municipal funding incentives for Act 250 Tier 1A**
 - Create programs that allow municipalities to finance infrastructure for housing
- **Remove Unit Cap on Act 250 Tier 1B**
 - Apply a PHP-like exemption for affordable housing with no unit cap
- **Make Act 250 Tier 1B Default (Opt-out, rather than opt-in)**
 - Communities that qualify for 1B and the associated Act 250 exemptions should automatically qualify.

Funding Incentives

- **Subsidize Affordable Homes**
 - Recognize that regulatory incentives alone cannot create homes, subsidy is necessary to sustain affordable housing production
- **Continue Strategic Collaborations**
 - Continue coordination between federal, state, local and philanthropic funding sources
- **Encourage Municipal Action for Affordable Housing**
 - Municipalities can consider financially supporting housing or fee waivers.
- **Continue Municipal Planning Grants for Bylaw Modernization and inclusionary policies**
 - Maintain downtown incentives in line with the HOME Act and Act 181 place based housing development.

Inclusionary Zoning

- **Fund Municipal Inclusionary Zoning**
 - Support technical assistance for municipalities
- **Technical Assistance for Compliance**
- **Explore Act 250 Tier 1 inclusionary zoning provisions**

Appeals of Permit Decisions

- **Buffer affordable housing projects from appeals**
- **Expedite appeals for affordable housing projects**
- **Support rapid remedies by the Human Rights Commission**
- **Explore equity and access for permit appeals**

Brownfields

- **Expedite brownfield reviews**
- **Provide subsidies for decontamination**
- **Study regulatory thresholds for adjustment**

Tax Policy

- **Encourage land donation for affordable housing**
- **Expand the Charitable Housing Tax credit**
- **Explore a land value tax study**
- **Consider residential tax rate impacts**

Focus Recommendations for Today's Discussion

- Subsidize Affordable Homes
- Make Act 250 Tier 1B Default (Opt-out, rather than opt-in)
- Explore Act 250 Tier 1 inclusionary zoning provisions
- Expedite Appeals for Affordable Housing
- Expedite Brownfields Reviews by ANR for Affordable Housing
- Consider Residential Tax Rate Impacts

Discussion Prompts

- What recommended actions are interdependent and need to be sequenced accordingly?
- What policy making, rulemaking, and strategic planning is currently underway that we can leverage to advance these actions?
- What summer and fall work can we collectively do to set your committee up for action next session?