



Act 181 §37 of 2024 Study Group

A Report to the General Assembly on Affordable Housing Incentives

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All materials and appendices referenced in this document are available online and upon request.

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Executive Summary

Building affordable housing in Vermont remains a formidable challenge, driven by high development costs, regulatory hurdles, limited infrastructure, and complex market dynamics. While the recent influx of federal funds has helped create affordable housing, many communities lack adequate water, sewer, and transportation systems for compact, cost-effective development. The old age of Vermont's housing stock adds to these pressures, and the increasing frequency of flooding has led to the loss of existing housing.

Although Vermont has made progress in regulatory reform, state and local permitting processes remain fragmented. They often favor lower-density, single-family homes over more affordable housing options that are attainable for a wider range of residents, including mixed-income, multi-unit development. Local opposition and concerns about preserving community character frequently delay or scale back projects, increasing the development cost.

These issues are compounded by an aging and limited construction workforce, rising material costs, and fierce competition for buildable land served by existing infrastructure. Consequently, many housing projects are financially unviable without significant subsidies—a shrinking resource as pandemic recovery funds diminish.

Overcoming this intricate web of challenges requires a coordinated strategy that advances regulatory reforms, prioritizes infrastructure investment, and offers strong support for home builders. Only through such comprehensive and systemic action can Vermont ensure access to affordable housing for all its residents.

Tasked with finding solutions, the Department of Housing and Community Development (DHCD), the Land Access Opportunity Board (LAOB), the Vermont Housing Finance Agency (VHFA), and the Vermont Housing and Conservation Board (VHCB) began their work in 2024. From June through December, we engaged with stakeholders and focus groups and broadly surveyed over 750 Vermonters to gather ideas and suggestions to increase the supply of affordable housing in and around downtowns and village centers. Addressing the depth and breadth of this complex issue within a six-month timeframe was challenging. This report presents actionable recommendations for the next steps Vermont can take to incentivize affordable housing development in Vermont thanks to the thoughtful and dedicated participation of the team and stakeholders.

Recommendations

The study group makes the following recommendations based on the research, outreach findings and analysis contained in this report.

Act 250

As Act 250 location-based jurisdiction reforms are implemented, adapt the priority housing project¹ regulatory incentives.

1. **New Funding Incentive for Act 250 Tier 1A.** Extend municipal authority in Tier 1A² areas for priority housing project infrastructure bonds to help build affordable homes using debt serviced by municipal and education property tax increment.
2. **Remove Unit Cap on Act 250 Tier 1B.** Apply a priority housing project Act 250 exemption to Tier 1B areas with no unit cap to encourage affordable unit production.
3. **Make Act 250 Teir 1B the Default (Opt-Out vs. Opt-In).** Make Act 250 exemptions the default in all Tier 1B areas and establish that municipalities can only opt-out of Tier 1B with demonstrated progress toward housing production targets and fair housing compliance.

Funding Incentives

Continue to provide data-driven and needs-based funding for affordable housing solutions.

1. **Subsidize Affordable Homes.** Continue to subsidize housing development to help close cost/affordability gaps to ensure ongoing affordability for renters and homeowners. Funding sources should be stable and predictable to allow

¹ Priority Housing Projects are mixed-income housing projects with affordable units located within and surrounding certain state designated areas eligible for an Act 250 exemption. Find more information, [here](#).

² Act 181 reforms Act 250 and establishes place-based Act 250 jurisdiction using tiers, mostly derived from the state's 11 regional plans. Tier 1 will include areas planned for development in and around centers where more land development will be exempt from Act 250. Tier 3 will include important natural resources where more land development will be subject to Act 250. All other areas of the state are Tier 2, which will mostly maintain the current jurisdiction. Interim exemptions apply as the tiers are established.

developers and municipalities to plan effectively. Support housing funders continued efforts to innovate funding and financing options.

2. **Continue strategic collaborations.** Foster partnerships across federal, state, non-governmental organizations, and philanthropic sectors to secure additional funding for subsidies. A recent example is the Housing Funders and Regulators Roundtable, which created a “one-stop shop” to help home builders access inter-agency funding sources and resolve regulatory issues early in the development process.
3. **Encourage Municipal Action for Affordable Homes.** Expand policy and funding incentives for municipal action that supports affordable housing, such as: municipal fee waivers, housing trust funds, land inventories and donations, infrastructure development, bonding for housing infrastructure, and land banking (for more information, see Act 181 Land Bank Study).
4. **Continue Municipal Planning Grants for Bylaw Modernization & Inclusionary Policies. Maintain Municipal Planning Grant** funding and Community Investment Board (formerly the Downtown Development Board) incentives to assist municipalities with implementing the HOME Act of 2023 and Act 181 of 2024 that expands opportunities for affordable housing development.

Inclusionary Zoning

Support inclusionary zoning (IZ)³ as a local regulatory tool to increase the production of affordable housing.

1. **Fund Municipal Inclusionary Zoning.** Provide technical assistance to communities seeking to draft and adopt local inclusionary zoning ordinances as a tool to mitigate the displacement of low- and moderate-income families, affordable housing loss, year-round housing loss, and high market demands (lack of affordability). One way

³ Local IZ ordinances can include mandatory requirements or offer incentives for developers to incorporate affordable, deed-restricted housing units into new or renovated projects. By addressing the impact of exclusionary zoning, IZ seeks to better integrate the housing market and ensure a steady supply of affordable housing. Ideally, IZ policies provide low- and moderate-income households with opportunities to live in high-amenity downtowns and village centers close to transit, jobs, schools, and stores. However, the [effectiveness of IZ in achieving these goals remains a topic of debate](#). Currently, three Chittenden County communities—Burlington, South Burlington, and Hinesburg—have adopted IZ ordinances. Winooski and Stowe have considered implementing IZ but are unlikely to do so due to its administrative complexity and their limited staff capacity.

to accomplish this could be support for inclusionary zoning through the Municipal Planning Grant program.

2. **Technical Assistance for Compliance.** The ongoing responsibility of monitoring compliance with affordability requirements is a barrier to communities seeking to establish inclusionary zoning. Technical assistance to support affordability compliance monitoring could help alleviate this burden on municipalities.
3. **Explore Act 250 Tier 1A Affordability.** Explore the impact of an inclusionary requirement for projects in Tier 1A areas with over 100 units to increase mixed-income housing and affordable housing production.

Appeals of Permit Decisions

Ease permitting, reduce appeals, explore equitable access by underserved communities, and expedite conflict resolution for affordable projects.

1. **Buffer Affordable Housing Projects from Appeals.** Research and establish a clear legal standard that protects affordable housing projects from development review downsizing or grounds for appeals that have an exclusionary impact on affordable housing.
2. **Expedite Appeals for Affordable Housing Projects.** Establish an appeals body able to provide expedited, consolidated, and time-certain review for appeals that include affordability, including priority housing, inclusionary zoning, or other projects that meet an affordability threshold.
3. **Support Rapid Remedies by the Human Rights Commission.** Continue to support the enforcement function of the Vermont Human Rights Commission to protect the public's interest in equal access to housing and pursue rapid remedies for development review downsizing and exclusionary appeals of affordable housing.
4. **Explore Equity & Access for Permit Appeals.** Study factors relating to affordable housing permit appeals and explore equity and access in future appeals structures, including who has status to appeal, timelines to resolution, and impacts to underserved communities in planning and regulation-making processes and development review.

Brownfields

Ease costs associated with brownfield remediation for mixed-income affordable housing.

1. **Expedite Brownfield Reviews.** Expedite brownfield review, including reducing the comment period from 30 to 10 days.

2. **Provide Subsidies for Decontamination.** Subsidize costs of decontamination, including but not limited to developing a state facility for disposal for more affordable disposal.
3. **Study Regulatory Thresholds for Contamination for Adjustment.** Explore regulatory thresholds for contaminated soils among the states to understand how Vermont may vary and consider opportunities to reduce regulatory thresholds for contaminated soils.

Tax Policy

Explore tax policy to support affordable housing projects.

1. **Encourage Land Donation for Affordable Housing.** Provide tax incentives for land donations for affordable housing when in areas designated for growth and served by publicly funded infrastructure.
2. **Expand the [Charitable Housing Tax Credit](#).** Increase the charitable housing tax credit, currently limited to \$5 million, which is met annually.
3. **Explore a [Land Value Tax](#).** In addition to financing priority housing project infrastructure in Act 250 Tier 1A areas (see Act 250 recommendations above), support a land value taxation study by the Department of Taxes. Land value taxation is a method of property taxation that assesses the value of the land more than improvements. It removes the disincentive to invest and improve properties. It incentivizes developing higher-value but under-maximized infrastructure-served sites (like under-used parking lots in water and sewer service areas) for housing. A study would help frame policy alternatives, and model approaches to spur development.
4. **Consider Residential Tax Rate Impacts.** Study the impacts of the homestead/non-homestead tax rates on the supply of affordable year-round housing.

Public Outreach

The public outreach process engaged a wide range of stakeholders to shape the policy recommendations included in this report. It began with targeted interviews with focus groups and professionals, including developers, housing advocates, and municipal officials, to identify barriers to affordable housing development and explore solutions and incentives to support development. Policy recommendations were drafted from the interview process and included in a broader public survey to gauge public support.

Expert Focus Groups

The study group began its outreach by identifying expert stakeholders with direct knowledge and experience of policies on affordable housing production, including developers, housing advocates, and municipal officials. These stakeholders are listed in the appendix. Developers were interviewed one-on-one, and the other stakeholder groups were engaged using focus group discussions.

The focus group outreach had two objectives:

1. Identify policy and administrative alternatives based on stakeholder knowledge and experience; and
2. Frame broader public outreach on policy alternatives using a standard survey.

Relevant studies and existing literature also helped frame the questions for stakeholders. The study group leads asked the same questions of all participants. Participants were provided the questions before the interviews and focus groups. The questions asked include:

1. *What are the most significant regulatory barriers to affordable housing development?*
2. *What are the biggest non-regulatory barriers to affordable housing development?*
3. *On priority housing projects, what worked and what didn't?*
4. *In municipalities with an inclusionary zoning ordinance, what works for affordable housing development, and what does not?*
5. *What are the most effective incentives (subsidy or regulatory relief measures) to produce affordable housing development; what is adequate where/which situations?*
6. *What are effective regulatory (inclusionary) requirements to produce affordable housing development; what is adequate where/which situations?*
7. *What other administrative or governance factors should be considered for new public subsidy/ regulatory oversight?*

8. *If you could design a program, what would be your recommendation for replacing priority housing projects moving forward?*

The study group took general notes during the focus groups and interviews. The participants' statements are anonymized to the stakeholder audience unless written attribution has been previously coordinated and confirmed with the participant. The summary findings are below, with detailed notes available in the Appendix.

Focus Group Findings

A subsidy is necessary for affordable housing to overcome market pressures, especially increasing production costs. Subsidies can take many forms, including regulatory relief (which lowers cost and timeline barriers), fee waivers, and direct funding.

Priority Housing Projects (PHPs) have been effective at delivering affordable mixed-income housing projects and bringing affordable housing developers 'to the table'. Stakeholders broadly support the PHP policy and suggested ways to maintain affordable housing for mixed-income households in the new land use framework.

Inclusionary Zoning can be helpful in denser areas. Developers noted that Inclusionary Zoning (IZ) works well in high-demand urban areas but requires subsidies to be feasible, especially in lower-income zones. They highlighted the challenges of IZ in rural areas where it may be less effective and more expensive.

Certain market conditions are increasing housing costs. Increased housing demand, workforce shortages, developer shortages, construction materials costs and supply chain issues, brownfield remediation costs, water/wastewater costs, other project infrastructure costs, and land acquisition costs have all contributed to higher housing costs and reduced supply.

Market pressures are stressing affordability. Many stakeholders mentioned market pressures related to second homes and short-term rentals and expressed concern for low-income displacement in high-opportunity (strong economy) communities to support affordable housing.

Reducing production costs requires long-term systems change. Long-term changes mentioned in focused groups include building the construction workforce, exploring modular construction or modular components and pre-approved designs for affordability, modifying the tax code to reduce pressures on year-round affordable homes, creating new platforms for collaborative private/public investment, ongoing land use reforms, and support the structural capacity of non-profit housing developers.

Affordable housing must be a primary public interest in all policies. There are many competing public interests that affordable housing development is expected to address or pay for. These can appear as municipal impact fees, brownfield cleanup costs, agricultural soil fees, water/sewer enterprise infrastructure needs, discretionary review processes, school capital needs, or transportation improvements. Many stakeholders want to see affordable housing as a primary public interest so that competing public interests do not frustrate affordable housing delivery. Stakeholders suggested ways to address competing public interests to keep affordable housing projects on track, including accelerated review timelines, fee relief, or new mechanisms to subsidize municipal impacts or infrastructure connections in a fair and measurable way.

Local resistance to affordable housing can slow or stop development. Stakeholders reported that interested parties can disrupt housing projects on highly discretionary grounds like character of the area standards and viewshed protections, which can frustrate broader public interests like sufficient housing for all. Many stakeholders called for a faster way to resolve affordable housing permit disputes. Stakeholders emphasized the importance of ‘front-loading’ more decisions into the public plan-making and regulation-making process so development review and permitting becomes less discretionary and more predictable. Stakeholders also raised equity concerns about the forthcoming Act 250 Tier 1A and 1B jurisdiction (exempt and partially exempt areas), which rely on municipalities ‘opting-in’ to Tier 1 versus ‘opting-out’. There is concern that the opt-in requirement could result in wealthier and higher opportunity municipalities maintaining higher barriers to affordable housing than others.

Vermont’s market conditions vary significantly by location. In specific locations, resident displacement and the loss of year-round homes for workers to second homes are concerns. In others, very little large-scale development is happening or no development at all. Stakeholders emphasized that policy approaches must be linked to data and the Statewide Housing Needs Assessment.

Local administrative capacity for affordable housing and housing-supportive infrastructure varies greatly. For instance, resort towns can have major affordability needs but need more staff to negotiate and manage policy solutions affordability. The lack of local administrators and project managers can frustrate opportunities for affordable development in lower-capacity municipalities.

Developers face real difficulties finding development-ready locations served by available infrastructure. Stakeholders report that the land areas served by ready infrastructure, where other location-based incentives align, are extremely limited. Many called for a more permissive and coordinated approach to infrastructure investment and related development-ready incentives provided by the State.

Public Survey

Survey Objectives

The Housing Policy Survey was a nine-question survey developed to gather public input on actions that could most effectively promote mixed-income, mixed-use developments, support affordable housing development across the state, and enhance housing incentives within state-designated areas. While not designed as a scientific study, the survey was a tool to gauge public perspectives on proposed policy approaches and actions. The responses provide valuable insights into community preferences and priorities, offering guidance for shaping recommendations and future policy decisions.

The study group engaged a wide range of stakeholders as directed in Act 181, including housing developers, municipal officials, advocacy groups, and community members. A complete list of organizations that received the survey is provided in the Appendix. As a follow up to the findings of the policy experts and focus group interviews, the survey was developed to collect more detailed feedback from a broader pool of perspectives. The survey questions focused on key themes identified during the interviews and areas where policy consensus remained unresolved.

Survey Design and Participation

The survey was conducted online using SurveyMonkey and remained open for 31-days, from December 10th to January 10, 2025. **757 responses were received**, reflecting input from a diverse range of stakeholders. Participants that identified as members of the public made up 65% of respondents, demonstrating significant engagement from this group. Municipal government officials constituted 20% of the responses, while state government officials, including state representatives, accounted for 15%. The survey's broad distribution through partner organizations and state representatives ensured inclusive participation and robust representation of various interests and demographics.

Key Takeaways

As described in more detail below, the survey results demonstrate strong public support for a range of targeted actions that could address barriers to affordable housing development in Vermont. A consistent theme emerged across all questions: the need for streamlined processes, stable funding, and innovative approaches to effectively meet the state's housing needs. Mixed-income housing received overwhelming endorsement, with nearly 70% of respondents supporting the inclusion of units for different income levels in larger-scale developments. Similarly, participants emphasized the value of faster housing approvals and more predictable permitting as key incentives for affordable housing

development, reflecting a desire to reduce administrative delays that can impede construction and development.

Stable funding sources and infrastructure investments were also identified as critical priorities. Respondents ranked predictable revenue streams and funding for essential infrastructure — such as water, sewer, and transportation systems — among the most effective strategies for reducing development costs and supporting affordable housing projects. These findings highlight the importance of targeted financial support to ensure effective long-term planning for affordable housing and sustainable development.

Finally, respondents strongly supported addressing regulatory barriers, particularly by narrowing the scope of appeals and expediting the permit review process. Creative incentives, such as increasing unit limits in new 1A and 1B areas where projects include affordable units and promoting local inclusionary zoning, also resonated strongly. Collectively, the survey findings point to a clear public preference for policies that prioritize efficient permit review, provide predictable funding sources, and innovate in the new Tiered areas to tackle Vermont’s housing challenges.

Survey Findings

Participants answered questions related to various potential actions that could be taken to address issues that may be barriers to affordable housing development based on the main themes that emerged during the stakeholder interviews. Charts showing details on all survey results can be found in the Appendix. An analysis of each question is provided below.

Mixed-Income Housing Support. A vast majority of respondents, almost 70%, expressed support for including a mix of units for different income levels in new, larger-scale housing developments to promote affordability. They emphasized the importance of enhancing housing affordability. 25% of respondents selected, “It depends on other factors,” noting that there is some nuance to the public’s preferred approach to incentivizing affordable housing and that blanket policies may not capture the complete picture of what is appropriate where.

Incentives for Affordable Housing Development. Faster housing approvals emerged as the respondent’s preferred incentive, including making the processes for obtaining permits for affordable housing projects quicker and more predictable. The next most popular potential policy action was support for needs-based funding. This would include providing funding incentives for housing partners like municipalities and public-private housing partnerships to further support affordable housing production for project components such as infrastructure and site control. These findings highlight the administrative and

financial hurdles that can impede housing projects and the need to simplify these processes and provide strategic financial support to support the creation of affordable housing.

Funding Strategies for Affordable Housing. Respondents' top choice of funding strategies, based on their potential to create affordable housing for lower-income households, was ensuring predictable funding sources to support affordable housing development, including the creation of stable revenue sources for affordable housing programs. This action could support long-term planning efforts by housing partners, including those led by municipalities and developers. The next most popular funding strategy identified by participants was funding to support infrastructure specifically. As described in the survey question, this would include the expansion of water, wastewater, stormwater, and transportation infrastructure to reduce the overall development cost burden on affordable housing developers and partners. Collectively, these findings emphasize the critical role of stable and direct funding mechanisms, including those that support infrastructure, in facilitating affordable housing projects.

Addressing Environmental Barriers. Respondents ranked providing financial subsidies to offset cleanup costs as the measure they believe would most effectively address this concern. Participants ranked updating the regulatory thresholds for handling these contaminated soils as the next most effective measure that could be taken. Concerns about the lengthiness of the brownfield remediation process emerged during the interviews with housing developers at the outset of the outreach efforts related to Act 181. Housing developers identified that a shorter and more predictable review process related to brownfield remediation would be most effective. While this feedback does not directly align with what we heard from survey participants, it is likely that the public and many developers would not be familiar with the intricacies of this process.

Improving Permit Review Processes. Respondents prioritized the narrowing of grounds of appeals of affordable projects, as well as faster resolution of permit appeals, as their top responses. This includes the need to focus appeals on true project defects, impacts, and direct harms and reducing the ability to file appeals based on exclusionary objectives for affordable housing projects. Respondents felt that implementing more explicit and expedited timelines for appeals and project reviews would provide greater certainty for housing developers. These findings point to a strong consensus on reducing bureaucratic delays and improving efficiency in permitting procedures, especially appeals processes.

Strategies for Exempt Housing Areas. With the implementation of Act 181 and the sunset of Priority Housing Projects in the state's designated areas, there is some concern that the incentives that currently bring affordable housing developers to the table

when large-scale developers are creating projects will be lost. The project team felt it was essential to include a question to this effect in the survey. However, it is the most technical question included in the survey and may have been difficult for some who are not as familiar with this process to participate. Participants ranked “increasing unit limits for affordable housing projects” as their top choice for an incentive in these areas. This would include strategies that would raise the maximum number of units allowed for housing developments, including affordable units in these Tier 1A and Tier 1B areas. Participants ranked switching the municipal opt-in option for Tier 1B areas to a municipal opt-out option as their second-choice strategy. Specifically, this would mean that instead of requiring municipalities to opt into the Tier 1B category areas, municipalities can opt-out if they can commit to fair and affordable housing targets at the municipal level in an alternative way.

Supporting Mixed-Income Development. Respondents believe that financial support, including increasing the amount of direct subsidies or low-interest loans for affordable housing projects as well as supporting efforts such as affordable housing development funds to provide revenue for affordable housing trusts or land banking were the most effective options. Expedited permitting, such as fast-track permitting for affordable housing developments, and promoting local inclusionary zoning, including municipal support for the development, adoption, and implementation of these zoning measures, also emerged as highly ranked options. These responses highlight the continued need for additional revenue sources to support affordable housing development as well as the respondent’s support for making permit review more efficient and aligning zoning with affordable housing goals.

Open-Ended Feedback

Survey respondents cited regulatory improvements, infrastructure investments, the need for different types of “affordable” housing, funding mechanisms, equity needs, and bigger-picture policy goals as the most critical elements to encourage PHP housing. These are summarized in more detail below.

Regarding regulatory and zoning improvements, participants called for simplified and streamlined permitting processes to reduce costs and delays. Several participants suggested providing zoning templates and technical support to towns to update their zoning regulations, especially for implementing inclusionary zoning. Limiting the power of appeals to block projects and addressing frivolous objections were also frequently mentioned as critical steps to accelerate affordable housing development. A number of participants criticized Act 250, with some finding that Act 250 has contributed to the current housing shortage and others wishing for more environmental protection.

Infrastructure investments emerged as another priority. Respondents prioritized funding for water, sewer, and transportation infrastructure, particularly in village centers.

In addressing housing types and affordability, participants underscored the importance of promoting a mix of affordable, workforce, and market-rate housing to cater to diverse needs. Another key recommendation was expanding funding and incentives for “missing middle” housing and starter homes like those described in the ‘Homes for All’ program. Ensuring affordability for low-income households was a recurring theme. Many highlighted the potential of adaptive reuse of existing buildings, underutilized properties, and expanding support for modular and manufactured housing.

Respondents proposed several tax and funding mechanisms to support housing efforts. Suggestions included lowering property taxes to reduce the overall cost of living in the state by revisiting education funding models. Others suggested creating incentives for private developers through tax breaks or low-interest loans. Increasing state investment in housing projects and exploring tools like TIF districts were also emphasized. Some advocated for land value taxes and higher taxes on second homes to deter speculation.

Community engagement and equity were highlighted as essential components of successful housing policies. Addressing public opposition, often characterized as “Not In My Backyard” (NIMBY) attitudes, through outreach and education was seen as crucial. Respondents emphasized the importance of community integration in mixed-income housing projects and the alignment of housing policies with workforce needs and job creation efforts.

Participants also identified cost drivers as a major barrier to affordable housing. Tackling high construction costs by standardizing designs and encouraging local manufacturing were common suggestions. Eliminating redundant or costly regulatory requirements, such as excessive energy codes, was another frequently mentioned strategy.

Finally, respondents offered long-term policy suggestions and visions for Vermont’s housing landscape. These included encouraging universities to house more students on campus to free up housing stock, focusing on homeownership opportunities to build equity and stability, and increasing incentives for accessory dwelling units (ADUs). Many stressed the importance of protecting Vermont’s rural charm while addressing growth strategically, balancing density goals with preserving open spaces and small-town character.

Appendix

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