

Date: March 26, 2025

To: The House Committee on Ways and Means

From: Pollaidh Major, Vermont Housing and Conservation Board, Director of Policy and Special Projects

Re: Testimony on Property Classification and Standardizing Reappraisals

Property Classification: Affordable Housing

Thank you for the opportunity to testify and for this committee's work on property classification and the reappraisal process.

VHCB invests state and federal resources in the production of permanently affordable housing. Our funding supports the production of a range of housing including: homeownership units, improvements to manufactured home communities, rental apartments, shelters, and specialized housing including farmworker housing, refugee housing and recovery housing. Our investments have touched over 1,6000 homes statewide.

The majority of the affordable rental housing supported by VHCB is funded in conjunction with the Vermont Housing Finance Agency. VHCB administers the state and federal housing investments that leverage the tax credits administered by VHFA. VHCB and VHFA are working together to understand the impact of the legislation in front of this committee on affordable housing and VHCB supports the comments shared by VHFA.

VHCB's authorizing statute directs us to invest in perpetually affordable housing. This policy means that tenants are not at risk of losing their housing due to unsustainable rent increases, it means that neighborhoods can stay economically integrated even as the state faces upward real estate pressures, and it means that the state is making lasting investments. However, it also means that the operating margins of these properties are tight and affordable housing owners must carefully manage budgets to ensure they have adequate funds to reinvest in their properties to ensure quality and lasting housing.

The creation of an affordable housing classification category could create a policy lever that could help to support affordable housing in the following ways:

1. Support the long-term sustainability of properties providing affordable housing.
 - The rent restrictions placed on affordable housing result in very tight operating margins for properties. A moderate and predictable tax allows resources to go to maintenance and upkeep.
2. Support Vermonters living in affordable housing.
 - Reduced taxes and a lower valuation of affordable housing properties enables lower than market rents.
3. Support the production of future affordable housing.

- A lower potential operating budget increases a project's ability to take on debt. This reduces the state dollars needed to finance affordable housing and increases production.

We will work closely with VHFA, DHCD and the Tax Department through the implementation of the proposed changes. One piece we will be interested in is how the affordable housing definition is applied to non-traditional types of properties, including affordable refugee housing, housing for Vermonters with Intellectual and Developmental Disabilities, shelters, and recovery housing. Our understanding is that the current interpretation of affordable housing includes these unique property types where they have a housing subsidy covenant that protects perpetual affordability. We would continue to work with the certifying entity to ensure properties with housing subsidy covenants continue to qualify as affordable housing.

Property valuation/ Standardizing the reappraisal process

VHCB is also supportive of this committee's work to standardize the reappraisal process and assessment process statewide.

Affordable housing properties receive a valuation adjustment in recognition that the housing subsidy covenant reduces the earning potential of the property. This is included in: [32 V.S.A. § 5404a](#). However, affordable housing owners report that this statute is frequently not correctly applied resulting in the need to work with the municipality to arrive at a valuation that takes into account the earning restrictions placed on the property to ensure affordability. Regionalizing and standardizing property assessments could help this process.

Thank you for your work on both these initiatives and we look forward to continuing to work with affordable housing partners and this committee on these issues.

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