

May 7, 2025

To: The House Committee on Ways and Means

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

Re: Creating affordable housing through the Community and Housing Infrastructure Program in S. 127

Thank you for the opportunity to testify on S.127 and the Community and Housing and Infrastructure Program. Infrastructure is a critical component of all housing development and its funding can stretch project budgets. VHCB supports the committee's work creating a financing source for housing related infrastructure projects.

VHCB works to create mixed-income communities by financing housing that is permanently affordable to low and moderate income households. VHCB's investments this decade has supported the creation and preservation of housing and shelter for over 5,000 Vermonters. TIF has been a valuable tool for the creation of affordable housing. VHCB has worked to support affordable housing development within Vermont's existing TIF districts and have seen TIF as a powerful tool for financing infrastructure development. In the St. Albans TIF district, VHCB has helped to finance 149 affordable homes, out of the total of 240 new homes created within the district.

VHCB supports the efforts of prior committees in the House and Senate to focus CHIP investments on the creation of the low- and moderate-income homes needed by Vermont communities. The following provisions in the program are specifically helpful in targeting this resource:

- The purpose to “**provide revenues for improvements and related costs to encourage the development of primary residences for households of low or moderate income.**”
- Integrating the purpose into program design including in the Housing Agreement, VEPC's project review, and the CHIP board's decisions.
- The inclusion of definitions for low- and moderate-income housing and mixed income housing.
- The requirement for 70 percent of the project floor area be dedicated to housing
- The requirement that the program create primary dwellings
- The enhanced increment available to mixed-income developments

In light of the concerns raised by members of the committee on the impact of CHIP on the Education Fund, I have the following suggestions for methods to further target this resource to housing for low- and moderate-income Vermonters.

- 1) **Incorporating an inclusionary provision** – The [Act 181 Report on Affordable Housing Incentives](#) recommends the creation of a tax increment financing program for mixed-income communities. CHIP can 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. This program can mirror the successful Priority Housing Project provision ([10 V.S.A. § 6001](#)) in existing law which is set to end with the Act 250 reforms included in Act 181.

For reference, affordability levels under this provision would be roughly:

- a. Affordability levels using the statewide AMI and a 3-person household:
 - i. Household income at 80% AMI: \$80,450
 - ii. Rent affordable at 80% AMI: 2 Bedroom = \$2,011; 3 Bedroom = \$2,324
 - iii. Household income at 120% AMI: \$121,248
 - iv. Home sale price affordable at 120% AMI: 2 bedroom = \$367,500; 3 bedroom = \$422,500

To ensure that small rural projects can fully access CHIP, the committee could look at including a threshold for the inclusionary provision of 15 units.

- 2) **Enhanced Increment** – Presently, the bill includes a 10% increment bonus for mixed income projects. In order to meaningfully incentivize the inclusion of affordable units, the enhanced benefit must be greater than the smaller increment generated by the lower-value affordable homes. I suggest the committee explore increasing the spread of the increment to create a strong incentive for creating mixed-income communities. The committee can prevent future economic displacement of residents by requiring that the affordable homes that help a neighborhood qualify for this enhancement be permanently affordable.
- 3) **Prioritize investment in affordable and mixed-income projects** – I understand the committee is discussing if and how to set a limit on the tax revenue allocated to CHIP to ensure adequate revenue for the Education Fund while protecting property tax rates. If the committee caps the tax capacity available through CHIP, then it should consider targeting the investments to ensure the creation of low- and moderate-income homes. Because the market alone cannot finance housing that sells or rents at an affordable level because of the cost of construction, there is a natural ‘but for’ built into these affordable homes. Affordable homes are typically

built to a higher average level of density than higher value homes resulting in a more efficient use of infrastructure. Finally, these homes are accessible to the roughly two thirds of Vermont renters who are at or below 80% AMI. Prioritizing CHIP investment in affordable and mixed-income communities most closely aligns the program outcomes with the program's stated purpose to encourage the creation of primary homes for low- and moderate-income Vermonters.

These policies help to ensure that public funding for infrastructure results in the public good identified in the program's purpose. The [2025 Housing Needs Assessment](#) estimates that Vermont needs at least 24,000 homes this decade. In order to meet Vermonter's housing needs, these homes must be affordable to Vermont's population. 15,000 of these homes must be affordable to households making up to 80 percent Area Median Income to meet the need of the projected growth of low-income households (13,000 this decade) and to provide housing to Vermonters experiencing homelessness (2,600). To meet the State's economic goals, these homes must be affordable to Vermont's workforce, its health care support staff, carpenters, early childhood educators and automotive technicians. By directing infrastructure financing towards developers building mixed income housing, you can ensure that this new tool helps create inclusive communities.

Thank you for your consideration and your continued work on CHIP.

Sincerely,

Pollaidh Major
Director of Policy and Special Projects
The Vermont Housing and Conservation Board