VERMONT LEGISLATIVE
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Fiscal Note
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H.479 – An act relating to housing

As recommended by the Senate Committee on Economic Development, Housing and General Affairs[1,i]

Bill Summary

This bill pertains to various programs aimed at increasing the supply, affordability, and accessibility of housing in Vermont. The bill would also establish a tax increment retention program for housing infrastructure projects.

Fiscal Summary

The following sections of H.479 as recommended by the Senate Committee on Economic Development, Housing and General Affairs would have fiscal impacts:

- Section 1 would make various changes to programmatic and spending directives to the Department of Housing and Community Development (DHCD) regarding the Vermont Rental Housing Improvement Program (VHIP).
- Section 2 would create the Vermont Manufactured Home Improvement and Repair Program (MHIR) within DHCD.
- Section 3 would create the Vermont Infrastructure Sustainability Fund within the Vermont Bond Bank.
- Section 5 would create a temporary State Housing and Residential Services Planning Committee to generate a State plan for the development of housing for individuals with developmental disabilities.
- Sections 20 through 23 would establish various directives to the Secretary of Natural Resources pertaining to brownfields and authorize up to $2,000,000 in spending from the Environmental Contingency Fund in fiscal year 2026 for the assessment, planning, and cleanup of brownfield sites.
- Sections 26 and 26a would direct the State Treasurer to create and implement a two-year positive rental payment reporting pilot program, contingent on a fiscal year 2026 General Fund appropriation for this purpose. The purpose of this program would be to facilitate the reporting of rent payment information from participating tenants to consumer reporting agencies.
- Sections 27 and 28 would create the Community and Housing Infrastructure Program (CHIP), a tax increment financing (TIF) program that would allow municipalities to retain growth in incremental property tax revenues to finance housing development.

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[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Background and Details

Section 1: Vermont Rental Housing Improvement Program (VHIP)

VHIP provides five-year grants or loans and 10-year forgivable loans to rehabilitate existing vacant units or structural elements affecting multiple units, build accessory dwelling units (ADUs), build new residential units in an existing or new structure, and complete repairs necessary for code compliance. Under the current program, property owners are eligible to receive $30,000 per unit for rehabilitation of 0-2 bedroom units, and $50,000 per unit for 3+ bedroom units or creation of new units.

Section 1 would remove tenant selection requirements for the 10-year loans and replace them with a requirement that rent payments including utilities not exceed fair market rent. This section would also direct the Department of Housing and Community Development (DHCD) to establish a minimum allocation of annual VHIP funding to be set aside for 5-year grants or forgivable loans. The amount of this set-aside would be developed in consultation with the Agency of Human Services (AHS) but would not be less than 30% of annual VHIP funding. Funds set aside but not used after nine months would then become available for 10-year forgivable loans as well. This section also creates the VHIP Program Fund, which would receive funds repaid or returned to DHCD from VHIP grants or forgivable loans and allow DHCD to use these funds for VHIP expenditures and administrative costs.

Section 2: Vermont Manufactured Home Improvement and Repair Program (MHIR)

The Vermont Manufactured Home Improvement and Repair Program (MHIR) provides funding to improve existing manufactured homes, incentivize new slab placement, and for infill of more new homes. Up to $20,000 can be awarded for small-scale capital needs to help infill vacant lots with new homes. Up to $15,000 per grant can be awarded to pay for approved slabs or other site preparation, skirting, tie-downs or utility connections. This program was originally funded through $4 million in ARPA funding. Section 2 would permanently place the program in statute.

Section 3: Vermont Infrastructure Sustainability Fund

Section 3 would create the Vermont Infrastructure Sustainability Fund, a revolving loan fund administered by the Vermont Bond Bank. Loans would be available to fund:

- Preliminary engineering and planning;
- Engineering design and bid specifications;
- Construction for municipal water and wastewater systems;
- Transportation investments; and
- Other eligible activities to be required.

Funded projects would create reserve capacity necessary for new housing unit development, have a direct link to housing unit creation, and be owned by a municipality throughout its useful life.

Section 5: State Housing and Residential Services Planning Committee

Section 5 would create the State Housing and Residential Services Planning Committee to develop a plan for housing individuals with developmental disabilities. The plan would include a schedule for the creation of at least 600 additional units of service-supported housing, a description of the support needs of individuals with developmental disabilities, anticipated funding needs, and recommendations for changes to State laws or policies that hinder the development of housing for individuals receiving Medicaid-funded home and community-based services. The Committee would report to various committees of jurisdiction by November 15, 2025 and dissolve on November 30, 2025.

The Committee would be composed of twelve members: two legislators and ten representatives of various agencies, departments, and non-governmental organizations. Legislative members would be entitled to per diem compensation and reimbursement of expenses for up to six meetings, with payments made from funds appropriated to the General Assembly. Per diems and expense reimbursements for non-legislative members would be contingent on a fiscal year 2026 General Fund appropriation to DHCD for this purpose. In fiscal year 2026, per diems and expense reimbursements could cost up to approximately $3,100 for legislative members and $7,500 for non-legislative members, depending on the number of meetings held, meeting attendance, and member expenses.

Sections 19-23: Fiscal Year 2026 Environmental Contingency Fund Disbursement for Brownfields

Sections 19 through 22 would create various policy directives for the management of development soils and brownfield sites. Section 23 would authorize the Secretary of Natural Resources to spend up to $2,000,000 from the Environmental Contingency Fund in fiscal year 2026 for the assessment, planning, and cleanup of brownfield sites.

Sections 26 and 26a: Positive Rental Payment Credit Reporting Pilot

Section 26 of the bill would direct the State Treasurer to implement a two-year positive rental payment reporting pilot program, with Section 26a making implementation of this directive contingent on a fiscal year 2026 General Fund appropriation for this purpose.

The goal of the pilot program would be to facilitate the reporting of rent payment information from participating tenants to consumer credit reporting agencies. Contingent on an appropriation, the bill would require the State Treasurer to contract with a third-party contractor for program administration no later than May 1, 2026 and submit interim and final reports to the committees of jurisdiction by November 1 of 2027 and 2028, respectively.

Sections 27 and 28: Community and Housing Infrastructure Program (CHIP)

Sections 27 and 28 would create CHIP, a TIF program that would allow municipalities to retain growth in incremental property tax revenues to finance affordable housing development. Municipalities would be able to retain 100% of the municipal increment, and 80% of the education property tax increment for 20 years after the first incursion of debt. Under current law, TIF districts can retain 70% of education property tax increment and 85% of municipal property tax increment.

As recommended, tax increment could be used for direct payment of financing incurred to support the project and related costs, and for any direct costs of housing infrastructure. Use of increment for direct payments would be subject to the same public vote provisions as municipal debt incursion for the project. To qualify, projects would need to meet process, project, and location criteria:

- *Process:* The project must show it has created a project site, executed a housing infrastructure agreement with a developer or sponsor, and pledged incremental tax revenues to the project.
- *Project:* The projected housing development includes housing.
- *Location:* The project would also need to be in a Tier 1A, 1B, or Tier 2 area as designated on state land use or development plans or located within ½ miles of an existing settlement area as defined in 10 V.S.A. § 6001(16).

The fiscal impact of this program to the Education Fund cannot be estimated at this time, since the scope of program utilization, the intended size of projects, and the amount of development that would occur absent the program is not known. The bullets below reflect several fiscal costs and considerations:

- As recommended, projects located in Tier 1A, 1B, or Tier 2 that include housing would be able to retain incremental property tax revenues – the program does not include a "but-for" test to understand if the project would have happened absent the use of incremental property taxes.

Without that but-for test, the program will incentivize developments that would have occurred anyway, resulting in forgone revenue to the Education Fund.

- The bill would expand the types of projects that would be eligible to retain property tax increment compared to current law for TIF districts. Under current law the definition of "improvements" means "the installation, new construction, or reconstruction infrastructure that will serve a public purpose… including utilities, transportation, public facilities and amenities, land and property acquisition and demolition, and site preparation." This bill would expand that definition to include "the installation or construction of infrastructure that will serve a public good," and add digital infrastructure, public recreation, and flood remediation and mitigation to the above list of permitted infrastructure projects. This provision, along with a lack of a but-for test, increases the number of projects that could qualify for this program and the potential amount of education property tax increment that could be retained.
- The program would retain a larger percentage of incremental education property tax revenues compared with the current tax increment financing program, which retains only 70% of incremental revenues. With a higher retention percentage, potential costs to the Education Fund are also higher.
- Statewide Grand List growth is currently high. In fiscal year 2025 and 2026, equalized grand list growth is expected to be approximately 14%. If project sites are large enough to capture property value growth from adjacent parcels with existing development, the growth from those parcels would be retained in service of CHIP project costs instead of going to the Education Fund. This capture of existing growth would represent forgone revenue to the statewide Education Fund.

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[i] *The bill as originally introduced by the House Committee on General and Housing can be found here. The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be accessed through a bill number search on the JFO page.*