Housing Infrastructure initiative (HIT)

2/21/25

LET'S BUILD HOMES

Overview – LBH Strongly Supports HIT

LBH Coalition created to advocate for policies that address Vermont's acute housing shortage which is driving up the cost of homes and negatively impacting many sectors of the state

At a time when VHFA projects that we need to build 30k homes in five years, projects are facing numerous stiff financial hurdles with high construction costs and interest rates

The Housing Infrastructure Initiative is focused on addressing one of those hurdles: **the high cost of public infrastructure**

Why is HIT needed? VT's public infrastructure is very limited and constrained

Vermont municipalities have very limited public infrastructure state to support new housing:

- More than 200 villages lack community wastewater disposal systems
- More than 100 Vermont villages do not have public water systems

ANR has stated that "While many communities have explored municipal water and wastewater solutions in the past, most could not proceed with the projects because users couldn't afford the new rates needed to cover the cost of the project.

2025 Session

LBH focus is on:

- Infrastructure
- Continued public investment in affordable housing
- Appeals Reform
- Clarifications and Updates of 2024’s landmark Act 250 reform

Recent VLCT member survey indicates magnitude of infrastructure funding gap

- 88 municipalities responded to a recent VLCT survey, and of those, 35 reported that they currently have plans to build or expand municipal water or sewer systems:
  - 28% have received some state funding, 16% have received some federal funding
  - Average total cost for a project is about $14 million, the median is about $10.2 million (for municipal systems only, excluding villages and fire districts)
  - **Total anticipated costs from all survey respondents is $393,871,000 and the funding secured to date is $151,912,000 – leaving an over $240 million gap just to meet expected costs for projects already underway.**

Why is HIT needed? (continued)

Even in locations that do have existing infrastructure, expensive upgrades are often needed to support substantial new housing

Making the public costs the responsibility of the housing builder can add large costs to project rendering it infeasible or less affordable

The state, municipalities and taxpayer/ratepayers are under financial pressures that limit public's ability to invest in infrastructure

HIT would give housing projects a new ability to "self-fund" infrastructure investment without requiring new state or local appropriations

Eligible projects

New construction projects in **geographically eligible** areas.

At least 50% of the gross floor area is allocated to new housing.

Project must have Public Infrastructure Agreements with their local municipalities.

Projects must be located on one or more contiguous properties (including properties located across public streets).

Geographic Eligibility

Locations within:

- Areas designated Tier 1 on Act 250 maps
- Areas temporarily exempt from Act 250 pursuant to Act 181.
- Existing Settlements
- Areas within a half-mile of Existing Settlements

Eligible costs

- Public infrastructure (as defined in current TIF statute)
- Brownfield remediation
- Flood resiliency measures on public or private properties

Proposed HIT Taxation Authority

Eligible Projects may utilize 80% of incremental new state and local property tax revenues generated by the projects for a period of up to 20 years

Financing Mechanisms

- Municipal Option
- Alternative Bond Issuer Option
- Developer Option
  - The Council of Development Finance Agencies (CDFA) indicates that 32 states authorize this kind of ”pay as you go” developer financing including neighbors in Maine, Massachusetts, and New York.

Oversight and Technical Assistance

- HIT projects would require Infrastructure Agreements approved by the local legislative body.
- Costs incurred by municipalities or alternative bond issuer agencies will be considered eligible expenses that may be paid from increment and/or debt proceeds
- VEPC staff will perform an administrative review of project application and Project Infrastructure Agreements to confirm geographic eligibility, and project eligibility, and to confirm that the projected incremental revenues will meet the projected debt service.
- If a project is claiming eligibility due to being located in an Existing Settlement or within a half mile thereof, the VEPC board must make this determination prior to final approval by VEPC staff.

Zeke Davisson

- Chief Operating Officer for Summit Properties

Stonecrop Meadows

- Middlebury, VT
- 254-unit master planned PUD
- $30m+ in public investment

Stonecrop Meadows

- Core Village = 80 Homes
- 45 Townhomes / Duplexes
- 35 Unit Apartment Building
- Annual Tax Revenue = $450,000

$75,000 / Home of new infrastructure

Stonecrop Meadows

- Future = 104 Homes
- Mix of townhomes, condos, rentals, triplexes
- Annual Tax Revenue = $575,000

$24,000 / Home of new infrastructure

Stonecrop Meadows

- Yellow = Town ROW
- Blue = Town Water Main
- Red = Town Sewer
- Orange = HOA Parks / Stormwater

Slides from Jonah Richard

- Owner/Principal of Village Ventures

Village Ventures

$16m in recent and planned investment in Fairlee’s village center

Bridge + Main
A 19-unit, $7.2m scattered site affordable housing project currently in pre-development.

512 Main
Conversion of vacant gas station to retail completed in 2024.

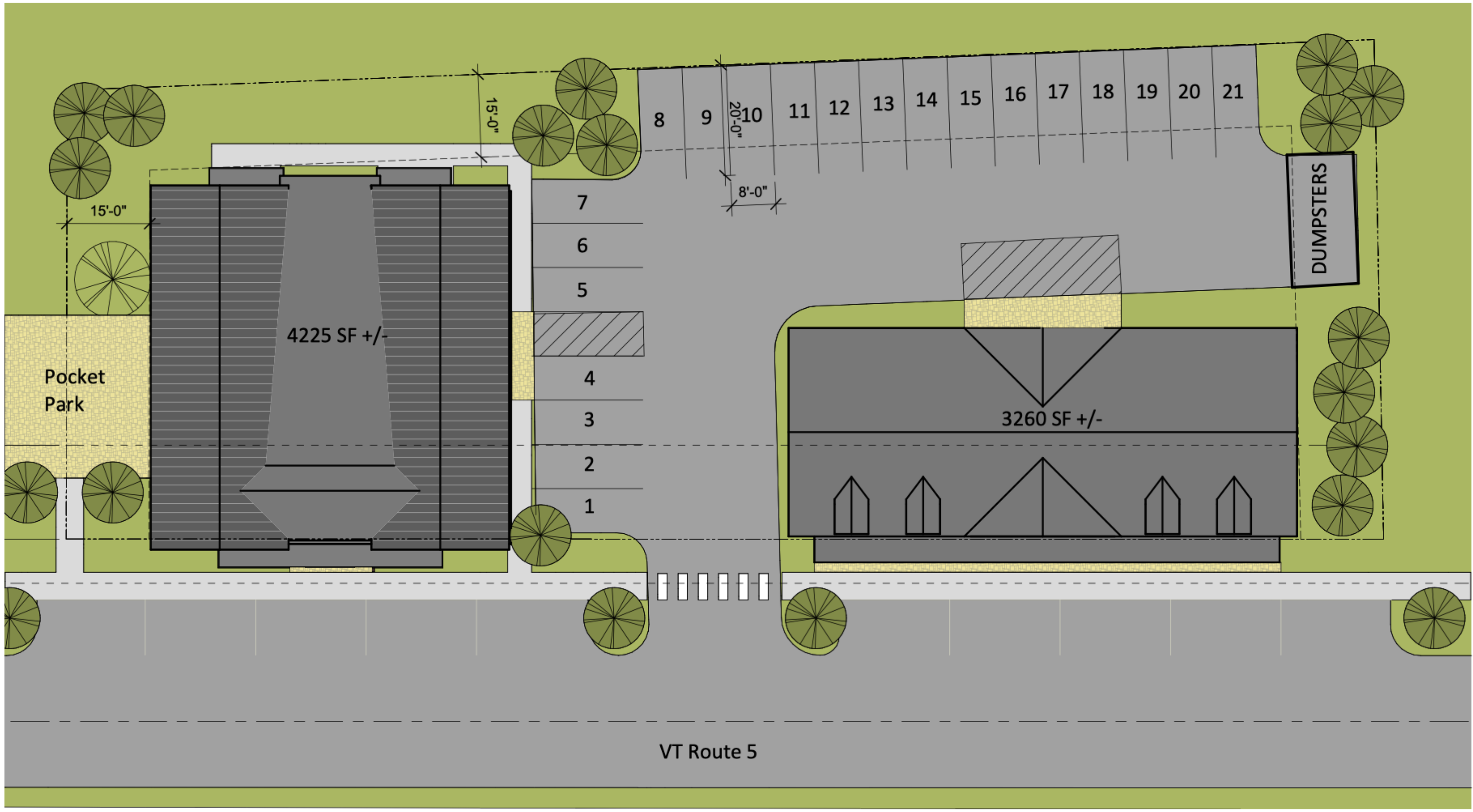
The Denison
$6.5m redevelopment of former Colby Block into 26 mixed-income apartments and retail spaces.

Chapman’s General
Recently invested $1.3m into business expansion and workforce housing. Currently under construction.

501 Main
New $1.4m, 9-unit residential (half affordable, half market rate) and coffeeshop completed in 2023.

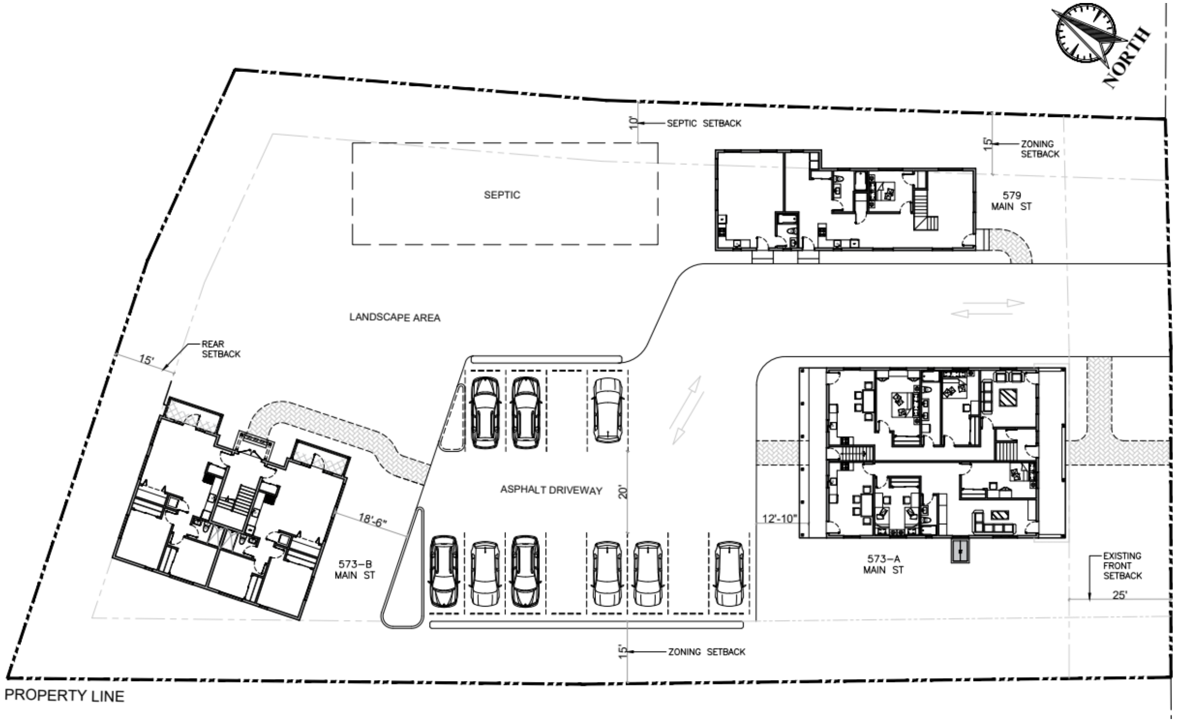
The Denison

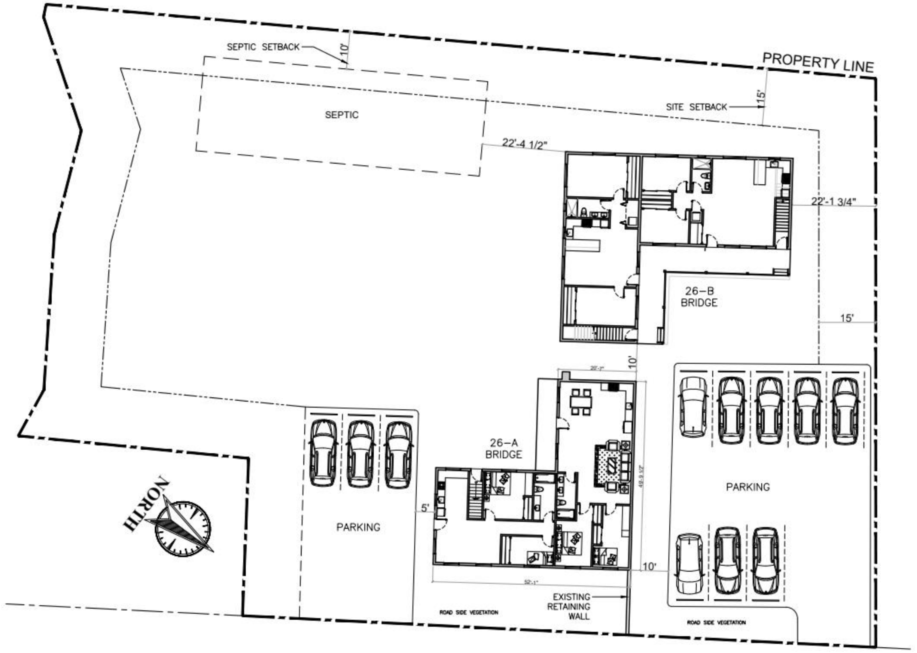
- 26-mixed income apartments with ground-floor retail in Fairlee
- Total development cost: $6.5m
- Infrastructure costs: $250,000
  - Town water hookup: $20,000
  - Off-site septic system: $100,000
  - Power service upgrades & connections: $40,000
  - Parking: $50,000
  - Site prep: $40,000
- Additional property tax generated: ~$60,000/yr
- Maximum additional debt that could be secured: $550,000



Bridge + Main

- A 19-unit, scattered site affordable housing development (LIHTC) in Fairlee
- Total development cost: $7.2m
- Infrastructure costs: $305,000
    - Town water hookup: $30,000
    - Multi-site septic installation: $80,000
    - Power service upgrades & connections: $45,000
    - Parking: $100,000
    - Site prep: $50,000
- Additional property tax generated: ~$40,000/yr
- Maximum additional debt that could be secured: $350,000





Mill Street Cottages

- A 15-home pocket neighborhood for the working-class in Bradford
- Total development cost: $3.9m
- Infrastructure costs: $225,000
    - Public water/sewer hookup & on site infrastructure: $50,000
    - Power service upgrades & connections: $60,000
    - Parking: $75,000
    - Site prep: $40,000
- Additional property tax generated: ~$60,000/yr
- Maximum additional debt that could be secured: $550,000

HIT is not TIF

There are **numerous** key differences between the proposed HIT legislation and Vermont's existing TIF legislation:

- TIF debt can be used to support many different investments
- Main public benefit of HIT is to support and accelerate the creation of more housing

VHFA 2025-2029 Needs Assessment

Figure 1-2 Gap in year-round Vermont homes reduces availability and affordability

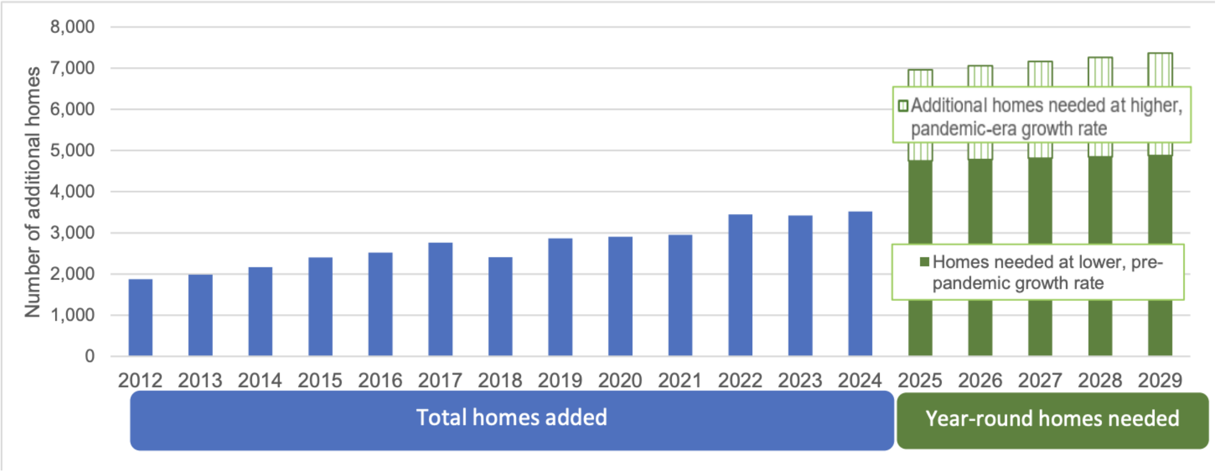
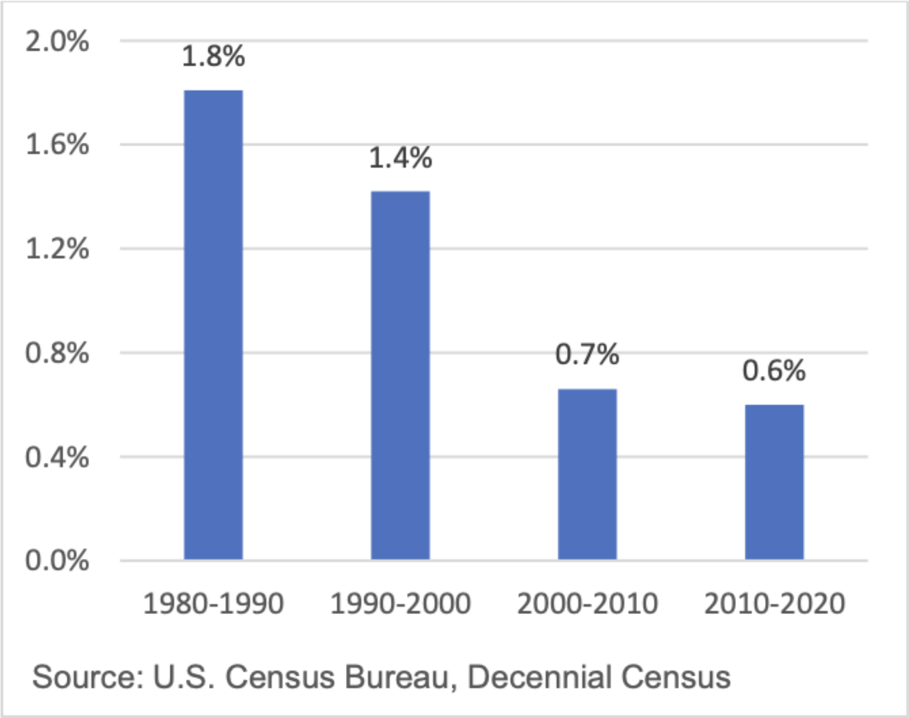


Figure 3-6 Average annual increase in occupied housing stock



HIT is <u>not</u> TIF (continued)

- As proposed, HIT does not include the “but for” test for grand list growth that has been at the core of so many past TIF debates
- HIT’s focus on specific projects fully addresses the TIF concern about capturing “background” tax increment growth in large districts
- An additional public benefit separate from grand list growth (that TIF is focused on) is to create additional public infrastructure
- Proposal would be far simpler and easier to administer than Vermont’s traditional TIF districts
- Because HIT debt would be one-time debt, needs and costs would be established up front and may allow greater percentage of increment to flow to Ed Fund and city over time
- Proposal would authorize builders – as an alternative to municipalities – to borrow debt for infrastructure, protecting taxpayers and putting some of the administrative burden on builders

How does TIF impact Education Fund?

- JFO worst case projection (which assumes that all of the incremental grand list growth would have happened without TIF investment) is that TIF is currently costing state $6.5 million in "tax expenditures"
- In comparison other programs are much larger:
  - Current use costs the state $80 million
  - Income sensitization of property taxes costs the state $160 million

- TIF is unique among these expenditures in that it is intended to grow the grand list