

To: Senate Finance Committee
From: Miro Weinberger, Let's Build Homes Executive Chair
Date: 3/21/25
RE: Affordability Test

Thank you for the opportunity to testify about S.127 and CHIP in your committee yesterday. I am writing to follow-up on my comments about including an “affordability test” in the legislation and whether CHIP funding should be considered a subsidy.

CHIP financing is not a “housing subsidy”

In times past, public infrastructure such as streets and utilities were paid for by the government. But in recent decades in Vermont, when housing projects were built we required developers to construct new public infrastructure. The cost of that new infrastructure is added as an additional cost on top of the private housing improvements. In effect this additional cost is a tax that is added to the developer's costs and ultimately paid by tenants and buyers. This tax results in a new public asset that the municipality benefits from for many ensuing decades.

The proposed CHIP legislation would create a new source of funds for paying for public infrastructure and eliminates this tax. (It is important to remember that the program requires that the developer and new residents of a project would be responsible for paying their entire property tax bill – CHIP is not a tax break on those taxes that everyone pays).

In short, the proposed CHIP program will allow qualified new projects to avoid taxes that we currently often impose, but it does not create what we would typically think of as a new housing subsidy.

LBH advises *against* including an affordability test in S.127

The core mission of LBH is to make Vermont housing more affordable, and we are advocating for public investment in permanently affordable housing - so how could we be against an affordability test?

One reason not to create an affordability test flows from the rationale above – since CHIP is not a housing subsidy, there is not the same justification for imposing an affordability test like those that we place on many other housing subsidy programs. There are several reasons:

- 1) All homes are sacred and contribute to overall housing affordability.** LBH believes that housing costs too much because we have an acute housing shortage and that competition for scarce homes is driving up the cost to unacceptable levels. The solution to this shortage is to build as many homes as possible, of all shapes and sizes, for all backgrounds. It is urgent that we build as many permanently affordable homes as possible, however new homes that serve the upper end of the market also promote affordability by increasing overall housing supply. We are concerned about adding requirements requiring a certain level of affordability could have the opposite impact if they complicate materially the use of CHIP.
- 2) Affordability compliance is complicated and requires both the housing provider and government officials to invest time and effort to be meaningful.** In my experience as both a developer and as the head of a municipal agency responsible for overseeing local affordability rules, I have learned that even seemingly simple and straight-forward affordability tests are complicated and burdensome to administer.
- 3) The Federal Government, Vermont and even some municipalities already have a large number of affordability tests governing housing development – we don't need a new one.** Builders today already face a dizzying array of carrots and sticks encouraging the creation of permanently affordable housing that are binding on builders as they try to figure out the housing program for a new development. A new affordability test on CHIP is unlikely to alter those programmatic decisions and could simply add complexity without changing outcomes.
- 4) Adding new policy goals to legislation can make them more difficult to implement, undermining the primary purpose of the policy.** The goal of CHIP is to make it easier for housing infrastructure to get built – let's stay focused on that goal. Ezra Klein has described the pitfall of adding multiple public goals to a new policy [this way](#), “sometimes [a new policy] tries to accomplish so much within a

single project or policy that it ends up failing to accomplish anything at all.”

Recommendation: assess the results once CHIP is in operation before concluding there is a problem that needs to be fixed

In summary, LBH urges the legislature not to complicate CHIP with an “affordability test” because it is likely to work against true housing affordability. As an alternative, we recommend explicitly reviewing the unit mix of homes that is created using CHIP in its early years of implementation. If at the conclusion of 3-5 years the legislation has not helped create a healthy mix of homes serving different income levels perhaps some kind of affordability test will be justified at that time.