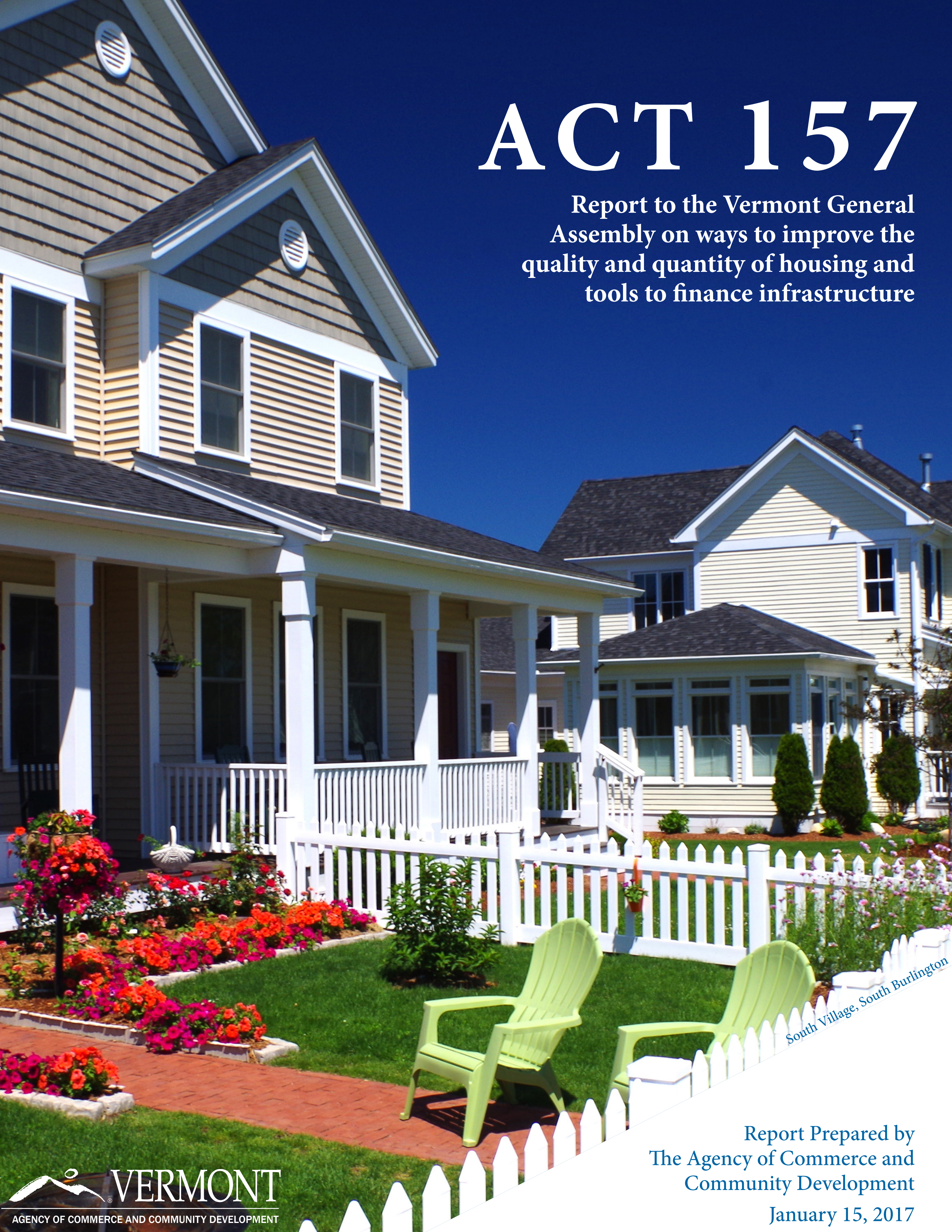

South Village, South Burlington

ACT 157

Report to the Vermont General Assembly on ways to improve the quality and quantity of housing and tools to finance infrastructure

Report Prepared by
The Agency of Commerce and Community Development

January 15, 2017

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Acknowledgments

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Executive Summary

Considering the infrastructure needed to support a thriving economy, roads, bridges, electrical lines and broadband may come to mind, but one crucial element is often overlooked: housing. Without homes that are affordable, desirable and within a reasonable distance of work, schools or shopping, the workforce needed for businesses and communities to thrive cannot be sustained. Despite the successful work of many institutions to improve and increase the supply of housing in Vermont, the gap between the need and availability of units stubbornly persists.

In 2016, recognizing the increasing lack of housing affordable to those who earn too much to qualify for federal assistance, the General Assembly identified a need for investigating methods that would encourage the development of "workforce housing." To that end, Act 157 of 2016 included a call for the Agency of Commerce and Community Development (ACCD) to work with stakeholders to recommend possible solutions.

With this charge, the Agency convened a Steering Committee as described in the Act. To inform the Steering Committee's discussions, surveys were distributed to municipal officials and housing developers to identify and attempt to quantify barriers to housing development, especially homes affordable to most Vermonters. The municipal survey received 33 responses from 10 counties and 12 responses from developers. The relatively low number of responses from developers highlights the fact that few developers are currently building housing that is affordable for much of our workforce. Steering Committee staff also communicated directly with developers, people in sister state agencies, and other stakeholders for additional input.

A review of existing statutes and programs found that most housing subsidies are used for those with low incomes, earning 80% of median income or less. The subsidies are essential, and they still fall short of meeting the needs of this population, most of whom are part of the workforce. However, there is also unmet need for additional housing for those earning 80%-120% of median income. Households that fall into this income range often struggle to find homes they can afford in Vermont's market and they are ineligible for most government assistance. Options are needed to create new housing for this mid-income range.

Vermont has several existing programs that provide incentives to encourage housing development. Many of these take the form of regulatory exemptions aimed at reducing housing development costs, especially in our historic centers. A key example is the Priority Housing Project exemption from Act 250 permitting. While the Priority Housing Project exemption has facilitated the development of more than 200 housing units by saving more than $250,000 in permit fees and reduced permit times for each eligible project, more the opportunities to apply these benefits are too limited. Other successful approaches to encouraging housing development entail making up-front investments in infrastructure so the expense of providing the necessary infrastructure – often needed by communities for other purposes as well – does not add to the cost of housing development. By taking these and other steps to reduce the time and costs associated with housing development, we can begin to alleviate the housing cost burden felt by an increasing number of working Vermonters.

Given the need to build and rehabilitate more housing that is affordable for those earning less than 120% of median income, the Steering Committee recommends that the Vermont General Assembly consider the following proposals (see page 23 for more detail on these recommendations):

Expand the Act 250 'Priority Housing Project' Exemption

1. Remove the caps on the number of housing units in a Priority Housing Project
2. Modify the compliance requirements related to "affordable housing" and "mixed income housing" to boost use of the Priority Housing Project incentive
3. Exempt Priority Housing Projects from having to obtain Act 250 permit amendments on properties that have existing Act 250 permits

Infrastructure Financing

4. Increase or eliminate the statutory cap on TIF Districts
5. Dedicate revenues for infrastructure serving housing
6. Expand the Downtown Transportation Fund
7. Create a Revolving Loan Fund for housing infrastructure development

Regulatory Reforms

8. Create a single point of contact to coordinate and accelerate state permitting for large projects
9. Encourage greater municipal control of water and wastewater permitting
10. Offer municipalities financial incentives to make housing development happen
11. Link new housing incentives to updates in local regulations
12. Consider increasing the income level used to calculate the maximum price of owner-occupied homes considered "affordable" for purposes of the Vermont Planning and Development Act (Chapter 117) from 80% of median income to up to 120%

Tax-based Incentives and Reforms

13. Update the tax code to encourage housing investment that provides a high return on public investment in existing infrastructure
14. Support the investment and rehabilitation of distressed homes with changes to the treatment of real-estate gains
15. Eliminate the land gains tax to support new housing construction
16. Expand the existing use tax (sales tax) exemption available to contractors completing a qualified Priority Housing Project
17. Increase funding for Downtown and Village Center Tax Credit program and explore ways that these credits could be used to better support housing needs

Capital Incentives and Other Recommendations

18. Provide capital incentives (low interest loans and grants) to improve existing housing stock
19. Maximize the use of existing housing stock by providing education, support and services to ensure a successful rental housing market

Introduction

Housing is more than just shelter. Where one lives affects every aspect of life – proximity to employment, access to good schools, fresh food and recreation, exposure to health hazards such as lead paint or traffic pollution. A growing body of research shows that both the quality and cost of housing have demonstrable effects on health and on childhood development. When a family or individual lives in a home they cannot afford, difficult budget choices must be made about what would otherwise be considered essentials, from healthcare to food. Housing also defines our communities. It determines who can live and work in town and the modes of transportation required. Quality housing can mean the difference between an attractive, vibrant downtown and a village that seems lifeless and in decline. The cost to repair and update existing housing stock can often exceed the appraised value of the building and an owner's ability to borrow. This fact can lead to declines in Grand List values. The availability of housing can help or hinder an employer's ability to attract and retain workers. What's more, the process of constructing and maintaining homes is an economic driver that supports and creates jobs and tax revenues. For all these reasons, it is alarming that the nation is facing a crisis of housing affordability. This is a crisis to which Vermont is not immune.

Affordable Housing

Every unit of housing is affordable – to someone, if their income is high enough. The term "affordable housing" is often used to refer to housing that is subsidized by the government. While subsidized housing is, by its nature, affordable to households at the lower end of the income scale, housing can be "affordable" without being "subsidized". Generally, a home is considered affordable when the household living in it spends 30% or less of household income on the costs of that housing, including rent or a mortgage, utilities, taxes, and the like. Unfortunately, a growing number of households throughout the country are spending more, sometimes far more, than 30% of household income on housing and the problem is not limited to low income households, or to those who qualify for subsidized housing. Any household that is spending more than 30% of household income on housing is considered 'cost burdened,' because of the impact that the housing cost has on everything else the household budget needs to cover. Those spending more than 50% of household income on housing are 'severely cost burdened'.

Because housing is a household expense and not an individual expense, housing costs and affordability are evaluated on a household basis. Median household income in Vermont was $56,990 in 2015 regardless of household size. (The median household size in Vermont was approximately two persons.) Half of the households in the state earn less than that. Using the 30% benchmark for affordability, a household earning the median income can "afford" to spend $17,100 per year on housing (30% of household income), or $1,425 per month. The following table shows the affordable monthly housing costs for Vermont households at various income levels relative to median household income:

Percent of Median Income	Annual Income	Monthly Income	30% of household income: "Affordable" monthly housing cost
120%	$68,388	$5,699	$1,710
100%	$56,990	$4,749	$1,425
80%	$45,592	$3,799	$1,140
50%	$28,495	$2,375	$712
30%	$17,097	$1,425	$427

When considering the rental market, where housing costs include monthly rent and basic utility costs, the table above illustrates why most government subsidies for housing are targeted at households making at or below 80% of median income. While rental rates vary across the state, it is difficult to find a quality rental unit anywhere in Vermont that is affordable for a household making less than 50% of median income, and in many parts of the state affordable units for a household at 80% of median income are scarce.

According to the Vermont Housing Needs Assessment (2015), the median collected rent for a one-bedroom, non-subsidized, apartment in Vermont was between $750-$1,000 and the vacancy rate for these units was a scant 1.1%, which means that finding an available unit is very difficult. Finding a unit available and affordable for a household making less than $45,592 per year is nearly impossible. Almost half (49%) of renter households were cost burdened nationwide, according to the Census Bureau's 2015 American Community Survey. In Vermont, 48% of renter households were cost burdened and 33% of homeowners were cost burdened, according to the 2015 Housing Needs Assessment. These percentages include 23% of renters and 12% of homeowners that are severely cost burdened. More complete data on rental housing affordability, using U.S. Department of Housing and Urban Development (HUD) estimates of area median income by household size on a county-by-county basis throughout the state, can be found in Appendix 5.

Affordability thresholds for homeowners is more complicated. While 30% of income remains the benchmark, it is harder to determine what is included in the 30% and how to calculate it. The general rule is that at the time of the home's sale, estimated principal, interest, taxes and insurance payments will constitute no more than 30% of income. However, there are other variables in determining homeownership costs, such as the size of the down payment. Developers need to be able to determine a sales price that is appropriate for a family at a certain income level, and then evaluate whether they can build at that price point, with or without subsidies. For purposes of setting "affordable" homeownership pricing related to development, a developer needs to adopt a formula to determine a sales price that is appropriate for a family at a certain income level. Data on home price affordability, using HUD's estimates of area median income, can be found in Appendix 5.

Defining Workforce Housing

To maintain successful businesses in a region, there must be housing available to the workforce at prices they can afford. High housing costs can make it difficult for companies to attract the workers they need or even maintain the workforce they have. Increasingly, this challenge is called out by the business community and various chambers of commerce, as well as the need for increased development of "workforce housing". It is important to note that most residents of subsidized housing are, in fact, part of the workforce. In fact, 77% of the non-senior, non-disabled households living in tax credit subsidized apartments are working. Nonetheless, the phrase "workforce housing" is often used to refer to housing that is affordable to households that make more than 80% of area median income, an income level that makes them ineligible for most subsidized housing. Other terms often used to capture this need include "moderate income" or "the missing middle." For the purposes of this report, "workforce housing" means housing that meets the affordability threshold (requiring less than 30% of household income) for households making between 80% and 120% of the area median income.

Homeowner households typically have higher incomes than renters due to the increased financial responsibility and outlays that come with the upfront purchase of real estate and longer term maintenance and repair of the home. A household making $46,000 (80% of median income) can afford to buy a home costing $159,500, but would also need to save up approximately $13,000 for upfront costs at closing. According to the realtor's Multiple Listing Service data, only four new Vermont single-family homes or condos with two+ bedrooms sold last year had sales prices this low. This is an unrealistically low sales price for new construction. Few, if any, developments could meet this standard without a government subsidy. Information on recently sold homes in Vermont, including new construction homes, is included in Appendix 6.

New houses typically cost more than comparably sized existing houses. New homes in Vermont had a median purchase price of $305,000 last year, well above the $198,000 median price of all homes. Compared to the prospect of buying a new home, a household making less than 120% of median is more likely to afford the purchase price and upfront cash needed at closing of an existing home (rather than new) or to rent their home.

State of Housing and Existing Housing Programs

Existing Supply and Demand

In 2015 the Department of Housing and Community Development commissioned a Housing Needs Assessment for each county and the state as a whole. Conducted by Bowen National Research, the assessment shed light on the existing housing need in Vermont and projections to 2020. The Needs Assessment reported a significant gap between existing housing availability and need in Vermont, a gap that will grow unless there is continued, and increased, investment in housing. The report found that most of the cost-burdened households were below 80% of area median income (AMI) and that the most widespread need is for more housing units at costs affordable to those households (where most of our subsidized housing is targeted). The report identified a large gap in the state's housing supply, based on future household demand and substandard quality, among households with incomes between 80% and 120% of area median income. Many of these may be persons over age 55 looking for a different type of home ownership or rental option, increasing competition in low vacancy markets. It will come as no surprise to those familiar with Vermont's demographic makeup that when projecting current trends over the next years a significant increase is expected in the number of senior (over 55 years of age) households as current residents age.

The type and location of housing units needed is also informed by the findings of the Needs Assessment. With the exception of Rutland County, where a small decrease in the number of households is forecast, household growth is projected for every county in the state, with the fastest growth in Chittenden County. Between now and 2020, the Needs Assessment projects notable growth in the number of single-person renter households. These households could represent more than 40% of all renter households by 2020, an important factor when calculating the earning potential and resulting levels of affordability for households with only one potential income earner.

The expected growth in population size and number of households varies around the state, as does the existing housing stock. However, the Needs Assessment notes that there are very few places that have an adequate supply of available housing. Housing vacancy rates between 4% and 6% are generally considered healthy for the rental and for-sale housing market. A healthy senior care housing market typically has vacancy rates between 9% and 11%. The Housing Needs Assessment found that multi-family rental units throughout the state had, on average, a 1% vacancy rate and nursing care housing had a 7.5% vacancy rate. As the Needs Assessment concluded "[V]acancy rates for the various housing segments in Vermont are considered low and are clear indications that demand for each housing segment is strong. As a result, it appears that Vermont residents have relatively limited housing availability."

Very little of Vermont's rental housing exists in what would be described as apartment buildings, instead taking form as duplexes, single family homes, apartments over storefronts and other small-scale rental buildings. Many of these rental buildings consist of large, historic, single-family homes in traditional turn-of-the-century neighborhoods that have been converted to multi-family apartments. Private landlords struggle to improve their units, citing the high costs to up-grade housing units to meet current energy and safety codes and the inability of tenants to pay for these capital improvements in the form of higher rents. Simply put, the profit margins of many small-scale landlords do not allow for re-investment in their properties and their tenants cannot afford higher rents. This unhealthy cycle of dis-investment has led to vacant, abandoned, and poor quality housing stock in many of Vermont's larger communities.

Outside the growth areas of Chittenden County and the immediately surrounding area, existing housing stock is underutilized, often in poor condition, and in need of re-investment. Historic neighborhoods with vacant and abandoned housing exist in communities across Vermont. Despite relatively low population growth expected over the coming years, the changing needs of the aging population and low vacancy rates indicate existing housing need at all income levels. Better data on housing location, condition, code violations and a comprehensive rental registry were cited by several Steering Committee members as important information missing in Vermont to help guide policy makers.

Existing Programs for Housing Development

Vermont has a variety of programs and statutes that support the development of new housing and the rehabilitation of existing housing. There are funding programs that channel federal and state financial support for housing development and rehabilitation. This report only addresses the programs and funding streams that are used for construction or rehabilitation. However, due to the disparity between construction costs in the New England region and current household incomes, even units constructed with these funds typically require additional rental subsidy in order to be rented at levels affordable to many Vermont households.

Because the lack of profit margins makes it virtually impossible to develop housing affordable to lower and moderate income households without some form of public investment, these programs are focused on providing housing for those with lower incomes. The terms of these programs restrict the home prices, rents, and resident incomes to ensure they remain affordable and are used as intended. It is state policy to require them to remain affordable permanently to protect the public's investment. In addition to these funding programs, there are regulatory relief and financial incentives for development that conforms to the state's traditional settlement pattern of compact centers surrounded by the rural, working landscape. The Priority Housing Project exemption from Act 250 is an excellent example of these. Lastly, there is the State's

Tax Increment Financing program, which supports infrastructure development for mixed-use projects in large municipalities.

Funding Programs (Federal and State)

Vermont Community Development Program (VCDP)

The Vermont Community Development Program (VCDP) is funded with federal Community Development Block Grant (CDBG) funds under Title I of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. Section 5301 et seq. The VCDP is authorized under the Vermont Community Development Act, Title 10 V.S.A. Chapter 29. The Agency of Commerce and Community Development (ACCD) administers the VCDP through the Department of Housing and Community Development (DHCD). All municipalities except Burlington (which receives funds directly from HUD) are eligible to apply for VCDP funding through a competitive, needs based application process.

This program aims to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. Funds may be used for a wide array of activities, including housing rehabilitation, homeownership assistance, lead-based paint detection and removal, construction or rehabilitation of public facilities and infrastructure, removal of architectural barriers, public services, rehabilitation of commercial or industrial buildings, and loans or grants to businesses.

State law requires that the allocation of VCDP funds must be competitive, allow for a wide range of community development activities, and be based on a system that measures the need and impact of the proposed projects (10 VSA Sec. 687). Allocations must be in accord with the State's Consolidated Plan. The VCDP Board reviews each application and staff analysis and makes funding recommendations to the ACCD Secretary on behalf of the Governor. Projects are evaluated based on whether they meet a documented community or regional need, meet a national objective (Low & Moderate Income, Slums & Blight, and Urgent Need), and feasibility. Federal law requires that at least 70% of the State's CDBG funds be used for projects that primarily benefit low and moderate income individuals, defined as those whose income is at or below 80% of area median income.

Vermont's CDBG allocation from the federal government was $6,418,887 in FY 2016 and $6,339,221 in FY 2015. The largest use for these funds has typically been housing. On average over 65% of CDBG funding each year is awarded to housing projects. Additional federal funds have been available in recent years as part of the federal Disaster Recovery response to Tropical Storm Irene, some of which have been used for housing purposes. The VCDP also receives approximately $250,000 in CDBG program income each year. In FY 2016, the VCDP awarded housing project grants that totaled nearly $3.7 million and leveraged nearly $35 million in local, private and other federal and state resources. This collaborative effort will create or preserve 251 units of affordable housing in 10 communities.

Vermont Housing and Conservation Board (VHCB)

The Vermont Housing and Conservation Board (VHCB) was established by the state with the dual purpose of creating affordable housing and protecting the Vermont's agricultural lands, forests, historic properties, important natural resources, and recreational lands. By statute, VHCB administers several federally and state funded programs that support the rehabilitation of existing housing as well as the development of new housing.

State Housing Trust Funds: The primary state resource for housing development comes from a portion of the property transfer tax which by statute is dedicated to VHCB. In FY 2016 VHCB received approximately $8 million in dedicated funds to support housing development from the property transfer tax and bond funds. These funds were used to develop 429 units of permanently affordable housing for Vermonters. These include multi-family rental housing affordable up to 80% of median income and homeownership units (single family homes) for households up to 120% of median. This is the only direct state funding that supports the costs of building affordable housing. It leverages many more millions in federal and private funding and has assisted 12,000 homes and apartments over the life of the program.

HOME Program: VHCB administers the federal HOME Investment Partnerships Program (HOME) which provides funds for the development and rehabilitation of affordable rental and ownership housing for low and moderate income households. In Vermont, HOME funds are used for activities that promote affordable rental housing throughout the state with the exception of the City of Burlington which receives its own allocation. By federal statute, the rents are restricted and households served must have incomes at or below 60% of median income. In projects with five or more HOME units, 20% of units must be occupied by families with incomes at or below 50% of median with the remainder at or below 60% of median. Incomes are restricted throughout the HOME affordability period of either 10, 15 or 20 years. Like the VCDP program, HOME funds must be allocated in accord with the State's Consolidated Plan.

In federal FY2016, VHCB was allocated $3,023,400. In the last full program year, from July 1, 2015 to June 30, 2016, five HOME assisted rental projects were completed with a total of 123 units and 30 HOME designated units. Fourteen of the HOME units or 47% were initially occupied by households at or below 50% of median income, and 7 were initially occupied by households at or below 30% AMI. For the current program year through February, 2016, $2,569,890 in FFY16 HOME funds has been preliminarily awarded to seven projects with a total of 162 units and 36 HOME designated units, creating 88 new affordable housing units, and rehabilitating 74.

National Housing Trust Fund: VHCB is also the administrator of a new federal housing program, the National Housing Trust Fund (NHTF). It will be allocated $3,000,000 by HUD. NHTF is like the HOME program in that it is for new construction and rehabilitation of rental housing development but is targeted to an even lower income population. All units are restricted to households at or below 30% of median and must remain so for at least 30 years. NHTF is also guided by the Consolidated Plan and preference will be given to projects that create permanent supportive housing for the homeless. Approximately 18 new households will benefit annually. Like the HOME program, NHTF funds are targeted to a relatively small number of units for regulatory and compliance reasons, but they make possible many more affordable apartments. Federal FY16 is the first year of the program and VHCB is currently considering the first project applications.

The $3,000,000 to the state from NHTF is approximately equal to the decreases in HOME and CDBG funding since 2010. As a new program, it is particularly vulnerable to federal budget cuts and has unfortunately been targeted for elimination by members of the U.S. Congress.

Vermont Housing Finance Agency (VHFA)

Vermont Housing Finance Agency (VHFA) was established by state statute to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters. VHFA does this primarily through its homeownership and multi-family loan programs and by administering Federal and State Housing Tax Credit programs.

Tax Credits are the largest source of subsidy for affordable housing. They are a vehicle for generating up front private equity capital in exchange for reduced tax liability over time. The credits are typically sold by a housing developer to an entity seeking to reduce future tax liability for a price based on a discounted present market value of the tax benefits. Tax credits in Vermont have typically been sold to financial institutions.

Federal Tax Credits: To qualify for the Federal Low Income Housing Tax Credit (LIHTC) program, owners or developers of rental housing must make certain percentages of their rental housing available for occupancy by low-income residents (households earning 60 percent of median income or less) for at least 30 years. Vermont's 2016 allocation of federal 9% competitive credits is $2.68 million, which yields over $22 million that can be invested in housing development. (The exact yield depends on the investment markets.) VHFA also administers 4% (non-competitive) credits which produce varied amounts of equity. These credits are often used in conjunction with the preservation or recapitalization of existing housing, and for projects that do not require deep subsidy. It is a resource that could be used more broadly if there were additional sources of gap funding to match the equity.

VHFA administers the tax credit program in accord with the State's Qualified Allocation Plan (QAP). The QAP closely reflects the State's housing priorities, goals and strategies and is designed to be consistent with the State's Consolidated Plan. Under the federal program, the state must give preference to projects that serve the lowest income tenants and to those that commit to serve that population for the longest period, as well as projects in designated areas that contribute to a concerted community revitalization plan. There are a number of other state priorities, including providing supportive housing for homeless persons. Most credit-funded projects require perpetual affordability.

State Tax Credits: In addition to the federal Housing Tax Credit program, Vermont has a State Tax Credit Program which VHFA administers. These credits are for 5 years and are "certificated," which means the credit recipient does not have to be a project owner (as is the case with the federal credits). The developer typically sells the credits to an investor who has tax liability in Vermont. The state allocation for credits is $825,000 per year, which yields an estimated $3.7 million that can be invested in housing development. Approximately half of the state credits are targeted to multi-family rental projects ($400,000). These projects follow the federal LIHTC rules and must be perpetually affordable. These multi-family credits produce over $1.8 million in funding.

The balance of the state credits are used for homeownership initiatives. Two hundred thousand dollars ($200,000) per year are targeted to the financing or replacement of manufactured housing or mobile homes. These funds are provided primarily through a statewide Down Payment Assistance (DPA) program administered by Champlain Housing Trust, and produce about $900,000 in funding. One hundred thousand dollars ($100,000) per year is targeted to support the development of new for-sale homes. Recipients of these funds must ensure that the housing or program funds remain as an affordable housing resource for future owners (i.e. covenant or second mortgage); these credits produce over $450,000 in funding.

Finally, a relatively new program provides $125,000 in credits targeted to a new Down Payment Assistance (DPA) program for VHFA loans. These DPA loans are available to first time homebuyers. The loans may be up to $5,000 with 0% interest due on sale.

These credits produce over $590,000 in pooled funds for DPA loans. The DPA funds are also supplemented by other VHFA funds as well as interest on Real Estate Trust Accounts. Since the program was initiated in the fall of 2015 VHFA has funded or committed to over 300 DPA loans totaling nearly $1.5 million.

Other VHFA Programs: A big part of VHFA's finance work is providing capital for homeownership loans which are originated by VHFA participating lenders. Eligibility is based on household income and purchase price. (Eligibility guidelines can be found on VHFA's website.) VHFA has a Mortgage Credit Certificate for individual homebuyers which provides additional tax benefits. And, to enhance affordability by reducing closing costs, VHFA homebuyers are exempt from a portion of the Vermont Property Transfer Tax when purchasing a home.

VHFA also provides construction and permanent financing for multi-unit housing where at least 20% of the units are determined by VHFA to be affordable. This financing has primarily been used for affordable rental housing and can be tax exempt or taxable bond financed, or agency general funds. Currently VHFA is primarily using financing through the Federal Financing Bank with FHA insurance which has competitive up to 40-year financing. VHFA may issue 501(c)(3) (non-profit) and governmental bonds. Governmental bonds may be applicable to infrastructure owned by a municipality to support housing, but VHFA has never issued any. VHFA has also done construction lending for homeownership construction developments with some affordable units. This program is not currently active because of recent market conditions and losses in earlier developments.

From FY 2009-2015, VHFA used federal funds from the Neighborhood Stabilization Program's Housing Acquisition and Rehabilitation Program to purchase and renovate homes that were in foreclosure. Over the life of this program, VHFA purchased and renovated, in conjunction with the state homeownership centers, 74 foreclosed homes and sold them to low income Vermonters at affordable prices. This program has ended.

Development of multi-family projects can take several years so assigning production to a fiscal year is complicated. FY16 is still being analyzed, but in FY15 VHFA provided subsidies and loans to about 16 rental projects with 495 units. The federal and state housing credits VHFA projects produced about $42 million in private upfront equity for construction, acquisition and renovations, much of which was financed during construction with a VHFA loan. Permanent loans from VHFA were $6 million. VHFA estimates these investments generated an estimated $146 million in economic activity across the state through new and sustained jobs and income for Vermont workers and businesses.

Overall, in FY16 VHFA provided close to $53 million in home mortgage products to 316 Vermont families.

USDA Rural Development

USDA Rural Development, formerly the Farmers Home Administration, provides loans, loan guarantees and grants to facilitate the construction and rehabilitation of single family and multi-family housing for low-income, elderly, or disabled individuals and families in eligible rural areas. All of Vermont except for Burlington, South Burlington, Winooski, Essex Junction, and portions of Colchester are eligible for Rural Development's Housing Programs. In federal fiscal year 2016, Rural Development invested $98,188,822 of loans, loan guarantees, rental assistance and grants in Vermont's housing market. In FY16, more than 400 Vermont families purchased a home with the assistance of a Rural Development loan product. Another 1,800

Vermont families lived in rental properties supported by Rural Development multi-family loans and rental assistance.

A list of Rural Development's housing programs frequently used in Vermont follows:

- **Single Family Home Ownership Direct Loans** – To assist low income families purchase a primary home with no money down and 100 percent financing. Applicants may be eligible for payment assistance on the loan.
- **Single Family Home Ownership Direct Repair Loans and Grants** – To make necessary home repairs for low income families. Loan up to $20,000 up to 20 years at 1 percent. Grants of $7,500 are available to very low income applicants 62 years or older unable to repay loans.
- **Single Family Home Ownership Guaranteed Loans** –To assist low and moderate income families purchase new or existing homes and refinance existing Rural Development guaranteed loans. 30-year fixed rate. Interest rate is negotiated between lender and applicant. Loans up to 100% of market value plus the amount of the guarantee fee being financed.
- **Self-Help Home Ownership Loans and Grants** – To construct a new home in part by the applicant under supervision. Individuals/families receive a direct loan from RD. Participating nonprofit housing organization receive grants for project supervision.
- **Rural Rental Housing Direct Loans and Loan Guarantees** – New construction or substantial rehabilitation of rental properties. 30-year term with a 50 year amortization.
- **Rural Rental Assistance** – Units in properties developed using RD Direct Loans may be eligible for rental assistance, ensuring families pay no more than 30 percent of their income towards rent.
- **Multi-Family Housing Preservation and Revitalization Loans and Grants** – Existing RD borrowers use funding to repair or do major rehab of existing RD financed rental properties.
- **Housing Preservation Grants** – Nonprofit organizations can apply to operate a program which finances repair and rehabilitation for single family or rental properties.
- **Farm Labor Housing** – construction or substantial rehabilitation of housing for farm laborers. 33-year term at 1 percent interest rate.

Priority Housing Projects, Other Incentives and Regulatory Relief

Vermont's landscape of compact centers surrounded by rural farm and forest land is integral to our economy, community spirit, and way of life. To help promote this traditional settlement pattern, the state created a unique framework that recognizes and "designates" these centers and offers an array of tools and incentives to keep them economically strong and vital. This approach not only builds Vermont's economy but helps achieve related goals like updating existing housing stock and supporting the infrastructure that promotes new housing development in places where it is most appropriate. Across the state, the designation programs have successfully channeled public and private resources to restore historic buildings, create safe and pleasant pedestrian streets, revive historic commercial districts, plan for thoughtful growth, and build new housing. Municipalities have used the programs to reverse declines in their Grand List, get the most from their substantial public investments in infrastructure like roads, sidewalks and wastewater treatment, and create places where businesses can thrive and families can live close to jobs, schools, shops and transportation options.

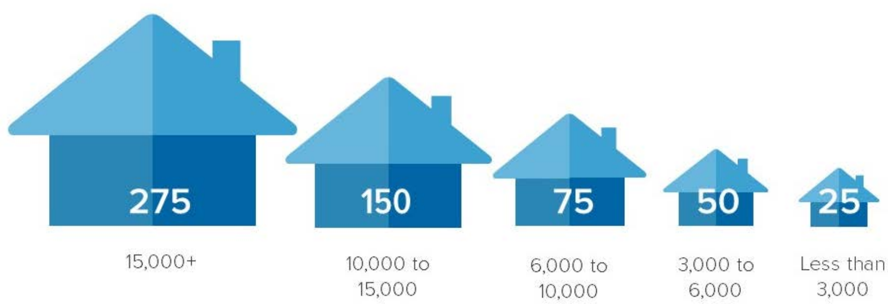
The state has five designation programs to help communities of all sizes. As of December 2016, Vermont has:

- **124 Village Centers** – small to medium-sized historic centers with at least one civic and/or commercial building.
- **24 Downtowns** – medium to large-sized historic centers in communities that have developed a comprehensive revitalization strategy.
- **2 New Town Centers** – compact, walkable, mixed-use centers for municipalities that have no designated downtown or village center.
- **6 Neighborhood Development Areas** – locations identified for their suitability for housing development in or very near an existing designated center.
- **6 Growth Centers** – areas beyond the commercial center with a framework of policies and regulations to ensure that 20 years of future development will enhance the vitality of the designated core while protecting farm and forest land outside the growth center.

Priority Housing Projects

Priority Housing Projects (PHPs) are an Act 250 regulatory incentive for certain mixed-use and mixed income housing developments located within a state-designated downtown, or neighborhood development area associated with a downtown, village center, new town center or growth center. Qualifying projects are exempt from Act 250 review if they meet state mixed-use and mixed income requirements and do not exceed the population-based unit thresholds (see below).

Number of PHP Units That Trigger Act 250 Review



Population of Municipality

Since the law was passed in 2013, Natural Resources Board records show that eight projects used this exemption. Construction costs for these projects ranged from $1.1 to 6.5 million. The Act 250 fee is a small percentage of total development cost – roughly 0.54% of construction costs (fees just increased to 0.74% of construction costs). The data collected show that PHP projects saved on average $33,000 in state permit fees (Act 250 and Water/Waste Water). Developers estimated that the exemption shaved approximately six months off the construction timeline. Appendix 7 provides additional details about the PHP projects approved since 2013 and the savings for each one.

While every dollar counts, project developers generally placed more value on the PHP time savings, noting it allows them to more quickly sell or lease their units and reduce their carrying costs. Depending on the time of year, a faster approval can determine if a project is delayed a due to winter or if it will face increased winter construction costs, which typically adds 10%.

PHP Case Study: Bright Street Coop, Burlington

Burlington's vibrant mixed-use downtown, walkable neighborhoods, historic character and world-class employers have made the city a desirable place to live and work, attracting visitors and new residents from New England and beyond. These circumstances, however, have placed significant pressure on the local housing market as an influx of new residents and college students compete for a limited supply of available homes. Despite historically low vacancy rates of around 1%, per the city's 2014 Downtown Housing Strategy Report, only 222 units were built in the downtown area between 2002 and 2013. Thus, the downtown market is facing severe housing supply constraints, rising home prices, and escalating rents that are further impacting affordability in a market where a typical renter household allocates more than 44% of their total income to housing costs.

Burlington has responded to these housing challenges with a housing action plan that highlights the use of the neighborhood development area designation to help lower the costs of building well-designed mixed-income housing that fits into Burlington's existing character. Since becoming designated, the city has plans for approximately 1,000 new units proposed to be built in the coming years. Among these projects is the Champlain Housing Trust's Bright Street Coop, a 42-unit mixed income infill housing project on 1.35 acres of land in Burlington's Old North End neighborhood. Located within Burlington's designated neighborhood development area, the project used the Priority Housing Project exemption to forgo Act 250 review - saving over $50,000 in associated costs and an estimated three months of permitting time (out of an approximately $6.5 million budget). Additionally, the project saved another $3,000 in wastewater connection fees and eliminated the risk of a project appeal. Burlington's neighborhood development area designation is expected to continue to help the city address its housing shortage by lowering the cost of building new mixed-income development in and around the designated downtown.

Neighborhood Development Areas

The Neighborhood Development Area (NDA) designation encourages municipalities and/or developers to plan for new and infill housing within walking distance of its designated downtown, village center, new town center, or within its designated growth center. By incentivizing housing within the NDA, the designation further supports the commercial establishments in the designated centers. Within the NDA, the objective is to create and maintain neighborhoods that are pedestrian oriented, contain a mix of uses (both residential and non-residential), accommodate but manage vehicular traffic, provide a variety of public spaces, have a sense of identity or place, and are connected to adjacent neighborhoods and the downtown or village core. Projects that are in located within an NDA qualify for a flat $50 state water and waste permit fee as well as a 50% reduction in the cost of an Act 250 permit. Act 250 permits for projects within NDAs cannot be locally appealed based on the "character of the area" criteria. Sales of undeveloped land to be used for housing developments within an NDA are exempt from land gains taxes. To date, the state has six NDAs.

Tax Credits for Historic Buildings

State tax credits are available for eligible older and historic commercial buildings and nonprofit-owned buildings located with one of the state's 124 designated village centers or 24 designated downtowns. Private residences are not eligible for these tax credits, but rental properties are. Although these tax credits are not specifically targeted at housing, many of the commercial properties eligible for the credits include housing on the upper floors. Commercial buildings and rental housing listed in the National Register of Historic Buildings may also qualify for federal tax credits.

Both the federal and the state credits support general rehabilitation, code compliance, and exterior improvements. The amount of the credit is based on total rehabilitation costs. The federal credit is 20% of eligible rehabilitation expenses. The state credit is between 10% and 50% of eligible rehabilitation expenses. However, there is an annual cap and selection criteria are applied to ensure the credits are allocated to projects that provide the most public benefit. When taxpayers receive allocations under both programs the return can be as high as 70% of eligible rehabilitation expenses. In July 2016, the Downtown Board allocated $2.25 million in state tax incentives for 21 projects, supporting over $47 million in downtown and village center construction and rehabilitation projects. This means for every dollar in credits awarded by the state in FY 2016, over $19 will be leveraged.

Downtown and Village Tax Credits: An analysis of property values using Grand List data is evidence that public investment to improve buildings in designated downtowns and village centers results in increased property tax revenue. This investment not only revitalizes communities; it provides a permanent increase in tax revenue to support the education fund.

Tax Credit Case Study: Landry Block, St. Johnsbury

Total Project Cost: $1,122,395 Tax Credits Awarded: $168,279

Built in 1879, the Italianate Revival Landry Block suffered a devastating fire in December 2012 and was in danger of being demolished. This would have left a major hole along Railroad Street, the town's major commercial street. With the help of tax credits, the building was saved and rehabilitated. It now includes two ground floor commercial spaces and four market rate apartments, filling a need for quality housing in downtown St. Johnsbury. The project also included a new elevator tower at the rear and a new sprinkler system for the entire building.

Grand list before: $145,640

Grant list after: $398,550

Downtown Transportation Fund

The Downtown Transportation Fund supports revitalization efforts in the State's 24 designated downtowns each year with over $300,000 in funding. As seen in communities like St. Albans, Winooski and Barre, investment in the infrastructure of public spaces stimulates private investment and creates a sense of identity and pride in downtowns across Vermont. These investments indirectly support housing rehabilitation and development by providing the infrastructure that residents need and want. Past projects include streetscape improvements, electric vehicle charging stations, parking facilities, rail or bus facilities, utility relocation, street lighting and wayfinding signage. In addition, many of the state agencies recognize the critical role state-designated areas like downtowns and villages play in Vermont's economy and give them preference in their policies and funding programs.

Property Tax Reallocation and Stabilization

Tax Increment Financing Districts

Tax Increment Financing (TIF) is a tested and proven method to finance public infrastructure to encourage or cause private development, including the construction of new housing and improvements to existing housing.

TIF is a popular tool nationally to finance new infrastructure and to make improvements and upgrades to, and increase the capacity of, existing infrastructure. The basic premise of TIF is to generate incremental tax revenues from within a designated area by making public improvements that will cause private development. The incremental revenues – those above and beyond the base revenues generated at the time of TIF designation – are utilized to finance infrastructure and other development costs. In theory, the incremental revenues are not being diverted from other uses because they are revenues that would not have been generated except for the investment in the infrastructure that caused or encouraged the new development. Without the incentive provided by the subsidized public infrastructure, the private development would not occur and the incremental revenue would not be available.

In Vermont, the authority for municipalities to create TIF Districts has been in statute since the 1980's. The TIF structure in Vermont has changed considerably over the years, most notably after Act 60 added a statewide education property tax and then by Act 184 in 2006, which requires that a state body approve utilization of incremental education property tax revenue to finance TIF District infrastructure.

Vermont's two-tiered property tax differentiates Vermont from most other states that utilize TIF, as do the limitations on only incremental property tax revenues and use of the revenue to finance only statutorily-defined public infrastructure.

The current approval process for TIF Districts also requires certain public good outcomes that align with state development priorities and provides an incentive for development in the state's designated areas. Five of the approved TIF Districts are within state-designated downtowns, two of which are also within state-designated growth centers. Another is within a state-designated new town center.

The controls in the TIF District approval process include:

- A requirement that the infrastructure would not be built/improved (and therefore the private development would not occur) except for the use of TIF;
- The private development will only occur in certain areas, primarily state-designated areas such as downtowns, growth centers, or new town centers;

- TIF revenue may only be used for specified public infrastructure (not for developers' costs);
- Only incremental property tax revenue (Municipal and State Education) may be utilized for TIF debt;
- Debt must be incurred within ten years and incremental revenue retention is limited to 20 years.
- The state provides monitoring and oversight of TIF Districts and regular audits.

There are nine active TIF Districts in Vermont. Three were authorized directly by the General Assembly (Burlington Waterfront, Winooski, and Milton North/South). Six were created after Act 184 (2006) and therefore developed TIF District plans and filed applications to the Vermont Economic Progress Council for authorization to utilize incremental education property tax revenue to finance infrastructure debt.

The approval process enacted by Act 184 does not ***require*** infrastructure improvements targeted to encourage housing development. But all the TIF Districts approved under that authority projected the construction of housing or improvements to existing housing units as part of larger mixed-use developments that include residential, commercial, retail, and public amenities.

Projected New Housing in Active TIF Districts

District	Projected Housing Units
Burlington Waterfront	363
Winooski Downtown	523
Milton North/South	0
Milton Town Core	450
Burlington Downtown	105
Hartford Downtown	188
St Albans City Downtown	70
Barre City Downtown	16
So. Burlington City Center	812
Total	2527

The infrastructure improvements made within Vermont's TIF Districts have or will also result in:

- Business development including new and expanded businesses;
- Redevelopment of upper floors for commercial and residential use;
- Mitigation and redevelopment of brownfields;
- Increased parking and improved transportation systems;
- Upgraded utilities including water, waste water, and stormwater;
- Sidewalk and streetscapes for improved walkability; and
- Public amenities.

The infrastructure improvements and the resulting private development benefit not only the communities in which they occur; they have positive regional impact and benefit the entire state. Additionally, the private development increases the property tax revenues flowing to the municipality and the state both during the TIF District retention period and especially after the retention period ends.

The current primary limitation on the use of TIF as a financing tool for infrastructure in Vermont is a legislative cap on the number of Districts that can be approved. The cap has been met. Therefore, no further TIF Districts can be approved unless and until the General Assembly raises or eliminates the cap.

TIF District Case Study: Hartford Downtown

The Town of Hartford includes White River Junction. Within the state-designated downtown and growth center in and around White River Junction there were barriers to development common in historic downtowns including outdated infrastructure. Developers showed interest in the community and in the properties ripe for substantial redevelopment but the town was faced with a gap between the deteriorating infrastructure conditions and the financial capacity to upgrade and build the infrastructure to a standard that would ensure successful development and provide the town and region with a vibrant downtown.

To bridge this gap, the town developed the White River Junction Village Revitalization Plan and applied for approval to utilize incremental municipal and education property tax revenue to finance the public infrastructure required to encourage private development, including:

- Extension, renovation, and upgrade of water, wastewater and stormwater treatment, in conjunction with roadway reconstruction;
- Resolution of conflicts between pedestrian and vehicle traffic, improvements to transit circulation and stops, and improvements to traffic circulation;
- Upgrades to sidewalks and streetscapes in conjunction with street and utility reconstruction and upgrades, supporting a walkable, safe, high-density downtown environment, including enhancements to street trees and furniture, signage, and plantings on reconstructed streets and parking areas in the downtown;
- Construction of supplemental parking to accommodate current and future needs;
- Mitigation of brownfields to allow development;
- Construction of public space and improvements to connect the downtown to the river.

Investment in this public infrastructure enabled private re-development including :

- a deteriorated industrial site along the river into three new commercial buildings, including a new State Office Building that will bring 100 new jobs to the downtown;
- an auto dealership converted to Northern Stage Theater, to include new theater spaces, classrooms, and additional commercial and residential space;
- an old hotel to include new hospitality and commercial space, plus residential units on the upper floors, some at workforce housing rents;
- a former auto dealership into an 80 unit assisted living facility;
- a vacant lot destroyed by fire into commercial and retail on the street level and residential on the upper floors, including at least 16 units of affordable housing.
- several parcels in the center of town to allow new retail and mixed-use, including a renovated supermarket, and other commercial and residential units;

The total cost to improve infrastructure is expected to be about $18 million, including finance costs. The projected private developments will increase the value of the properties within the TIF District by an estimated $63 million by 2020 which will generate an estimated $23 million in incremental revenue to service the infrastructure debt, as well as send $2.6 million to the municipal general fund and $5 million to the Education Fund. When the TIF debt is paid, $1.3 million more will be generated annually in property taxes than before the TIF District was created.

Property Tax Stabilization

State law allows municipalities to enter agreements with property owners to freeze (stabilize) the Grand List property value and/or tax rate applicable to selected parcels of real property for up to 10 years. If the agreement is approved by the Commissioner of Taxes after recommendation by the Commissioner of Housing and Community Development and provides either for new housing construction or rehabilitation of preexisting housing and secures federal financial participation, such as federal low income housing tax credits, the stabilization may apply to the education portion of the property tax. Otherwise, the stabilization agreement will only apply to the municipal portion of the property tax.

Another state law allows municipalities to exempt from the Grand List up to $75,000 of the appraised value of new homes for up to three years for purposes of the municipal portion of the property tax, but not the education fund portion of the property tax. This provision has rarely, if ever, been used.

Existing Barriers to Housing Development

Reducing the barriers to spur investment in infrastructure and improve Vermont's housing stock is largely an economic issue. Throughout the meetings with the Steering Committee and other stakeholders, as well as the survey of municipal officials and housing developers, we heard common threads about existing barriers as well as best practices, regulatory reform, alternative strategies, potential incentives, and other ideas to increase investment in housing and infrastructure.

A large majority (72%) of the 29 municipal respondents to the survey agreed that the existing housing stock in their communities is not adequate to meet the needs of their current and projected populations. Most municipalities felt the quality of the existing rental housing was in decline and several noted that their city or town lacks the type of housing needed to accommodate an aging population. Many municipalities identified affordability as a major obstacle to meeting their population's housing needs.

When municipalities were asked to identify the barriers to housing development or rehabilitation from a list of often cited barriers, the top three responses were: Inadequate Incentives (54%), Lack of or Inadequate Infrastructure (50%), and Zoning Restrictions (31%). The barriers identified most often by housing developers included "Permitting Process/Time" and "Zoning Restrictions," followed by "Permitting Requirements", "Inadequate Incentives", and "Local Opposition," although no single barrier was identified by more than three of the 12 developers who responded to the survey.

Regarding infrastructure, the cost of water supply and stormwater systems, access roads, sidewalks, lighting, and other amenities are increasingly falling to the developers of housing. Concurrently, the requirements around the specifications of such systems are steadily expanding. For instance, including bike paths and sidewalks on each side of new roads, street lighting, and modern stormwater mitigation to ensure our waters stay clean are all desirable elements of development but add to overall cost. Many municipalities are reluctant to pay for these elements up front, even when there is a desire to support more housing development, and developers find it very difficult to secure financing for these types of improvements. Conventional banks are reluctant to lend for infrastructure construction because of the risk involved at the early stages of a development.

Many federal and state funding sources for infrastructure are no longer available. Tax Increment Financing (TIF) Districts are capped statewide and there are few other resources communities can access or can afford to finance infrastructure. Many communities around the state do not have the necessary infrastructure (especially stormwater and wastewater) to support new development.

Most critical infrastructure cannot be seen – water, sewer and culverts – and therefore it is easier to overlook their maintenance when funds are limited. Vermonters are concerned that their taxes are too high and consequently elected officials are reluctant to bond for long-term infrastructure improvements.

Municipalities have looked to the private sector to build needed infrastructure to support housing and economic development, but housing developers consistently told us that the cost to build or improve infrastructure is difficult to privately finance, adds to construction costs, and increases the price of housing that does get built.

When asked to identify ways to overcome the infrastructure financing challenge, the top suggestion from municipalities was increased tax credits for investors who invest in housing related-infrastructure. A second suggestion was to increase the State's bonding capacity, but this proposal was not supported by the State's Treasurer. Third was to create a revolving loan fund for infrastructure. Several specific recommendations to finance infrastructure include expanding the availability of TIF financing, developing a simpler method to dedicate property tax revenues to infrastructure projects in smaller communities, expanding the Downtown Transportation Fund, and creating a Revolving Loan Fund for housing infrastructure development.

It is worth noting that the municipal respondents' proposals for increasing the supply of housing did not focus on infrastructure financing. Rather, their top suggestions included additional tax credits to improve the quality of rental housing, tax credits for the purchase and restoration of existing housing that needs major rehabilitation, and enhanced Act 250 benefits for projects located within state-designated areas.

The top suggestions from developers for increasing the supply of housing were enhanced Act 250 benefits for projects located within state-designated areas, increasing the number of communities eligible for Tax Increment Financing, increasing state bonding capacity, and offering developers impact fee rebates for new housing units. Developers also supported tax credits for the purchase and restoration of existing housing that needs major rehabilitation. Except for impact fee rebates, all of these ideas are included in the Steering Committee's recommendation in the next section of the report.

Through our meetings and the survey, we heard that state agency goals and development review can sometimes be inconsistent or undermine each other. These conflicts can delay approvals and result in missed opportunities to use limited staff resources efficiently and effectively.

Similarly, we heard from developers that local development review can be slow, unpredictable, and inconsistent. As with the state permitting process, this adds cost to development. Developers indicated that local appeals or the threat of appeal can delay or substantially reduce the number of units proposed in a housing development (although municipalities did not share that view).

Both developers and municipalities suggested that "improving the Act 250 benefits" for housing projects in designated development areas would create a positive effect on housing development by reducing the cost and time it takes to build housing in areas designated for growth. Developers noted that Vermont's short building season makes delays especially costly. When that is combined with the narrow profit margins on affordable and workforce housing projects, the potential for delays associated with permitting can prevent projects from going forward. In a similar vein, developers and others commented that the cost to hire a licensed designer and complexity of the state and local water and wastewater permit process has discouraged smaller developers from creating new units in existing buildings.

Several recommendations to address these concerns about permitting-related costs and delays include expanding the Priority Housing Project Act 250 exemption, creating a single point of contact to coordinate and accelerate state permitting for large projects, and encouraging municipal control over water and wastewater permitting. Developers also noted that outdated local requirements (zoning bylaws) for more parking than is necessary, overly-wide streets, impact fees, and low densities add to the cost of development (in some cases several thousand dollars per housing unit) and result in underutilized land. On the flip side of the same issue, municipalities noted that there are too few resources to help them modernize their regulations. To address these concerns, the Steering Committee recommends creating model bylaws and linking new housing incentives to updates in local regulations.

Existing housing in and around many state-designated downtowns and villages is often in need of repair and would benefit from weatherization, energy efficiency upgrades and general modernization. Concentrated development in places with existing infrastructure is cost effective and it reduces long-term infrastructure maintenance costs. Towns and developers alike identified the existing Downtown and Village Center Tax Credits as highly effective implementation tool to create new housing opportunities in vacant or underused upper floors and increase Grand List values in communities.

Municipalities and property owners also cited the need for loans, grants and incentives to help small scale landlords re-invest in their rental properties; improving the safety, energy efficiency and general habitability of the housing stock.

Recommendations

The Act 157 Steering Committee puts forth the following recommendations to improve and maintain existing housing, encourage new housing development and the infrastructure needed to support mix-income housing projects. The recommendations are based on the review of existing programs and statutes, stakeholder input and consideration of the housing needs throughout Vermont. The recommendations are not intended to be exhaustive or all-inclusive. Several require more investigation or study. However, if implemented they are designed to address the goals outlined in the Act.

Expand the 'Priority Housing Project' Exemption from Act 250

In 2013 changes were made to Act 250 to promote affordable housing projects in certain designated centers by raising the number of units which can be built without triggering Act 250 review. The following changes would encourage more housing in areas designated for growth:

1. **Remove the caps on the number of housing units in a Priority Housing Project.** Surveys and outreach with developers indicated that the caps on the number of allowed units are not working as envisioned, are arbitrary, do not consider the size of parcels and are decreasing density in some cases. Deferring to the number of units allowed under local regulations would help develop more housing in locations supported by the community.

2. **Modify the compliance requirements related to "affordable housing" and "mixed income housing" to boost use of the incentive.** To qualify as a Priority Housing Project, at least 20% of rental units must be affordable for households earning less than 80% of county median income and the affordability must be in place for at least 20 years. While developers and builders support the mixed income goals, they have concerns over the compliance cost and risk of documenting affordability over 20 years, especially on projects that do not have state or federal subsidies.

3. **Exempt Priority Housing Projects from having to obtain an Act 250 amendment for properties that have existing Act 250 permits.** Once an Act 250 permit is issued on a tract of land, current law requires that the owner seek a permit amendment for any future changes, even if the change is to develop a Priority Housing Project (except in state-designated downtowns). Several projects that meet the state's affordable housing goals did not qualify as Priority Housing Projects solely because they were located on land with an existing Act 250 permit. After obtaining the necessary designation and proposing a Priority Housing Project it is discouraging for developers to be faced with this limitation, especially given the state's need for new housing.

Infrastructure Financing

There is a need to expand the availability of Tax Increment Financing (TIF) and develop a simpler method to dedicate property tax revenues to housing infrastructure projects in smaller communities. TIF is a tested and proven method to finance the cost of municipal infrastructure required to encourage private, mixed-use development, including housing, primarily within downtowns and growth centers. Every active TIF District in Vermont is resulting in the development of housing, including affordable housing.

4. **Increase or Eliminate Statutory Cap on TIF Districts.** Current law prohibits the approval of any new TIF Districts. However, one of the original TIF Districts is retired and another was terminated. It is recommended that, at a minimum, the approval of TIF Districts be allowed to replace the two that are no longer active. Given the limited funding for certain types of public infrastructure, the documented backlog of delayed infrastructure maintenance and upgrades, the new clean water requirements to remove phosphorus, and the evidence that shows how infrastructure investments support housing and economic development, it is recommended that the cap on TIF Districts be eliminated altogether.

5. **Dedicate Revenues for Housing Infrastructure.** The geographic limitations and requirements for public good outcomes placed on TIF approvals, while desirable, when combined with the statutory requirements for approval, recordkeeping, monitoring, and reporting tend to put this financing tool outside the reach of smaller communities that do not have full-time planning and/or economic and community development staff. To address this, consider a program, perhaps in pilot form, that allows for the dedication or reallocation of incremental municipal and state education property tax revenues, generated by a housing development that benefits from public infrastructure, to help finance public infrastructure costs. All properties within the development pay their property taxes but, for a specified period of time, the municipality is authorized to dedicate all or a portion of the incremental property tax revenues to the cost of the public infrastructure that was required to get the housing built. It is recommended that requirements be minimized, the approval process kept simple and with technical assistance provided so that the program is accessible to smaller communities.. Additional administrative requirements at the state level would be minimal as the system already in use by municipalities and the Department of Taxes/Property Valuation and Review to track parcels in TIF Districts can be utilized for this proposal.

6. **Expand Downtown Transportation Fund.** The cost of driving from home to work, the grocery store and to school is an important consideration in the true cost of housing, especially in rural areas. Many working families face a tradeoff

between paying a greater share of their income for housing or enduring long commutes and high transportation costs. Increasing housing development in walkable places produces the biggest return on Vermont's investment in existing infrastructure and allows for significantly reduced housing costs. Thus, increased investments in the downtown transportation fund and continued efforts to make transportation investments that support economic development by creating better places (e.g. Barre, St. Albans, Winooski) is a proven way to revitalize local economies by leveraging private investments into existing housing stock and commercial space.

7. **Create a Revolving Loan Fund for Infrastructure Serving Housing Development.** This financing tool could be targeted either at developers who are undertaking the construction of infrastructure systems or created to encourage municipalities to invest in the required infrastructure. For developers, a financier who is willing to provide relatively low interest loans for the construction of roads, waste and stormwater systems, and such elements required to service housing development, would preclude the need to apply for conventional bank loans, which are often not available for housing projects. As an alternative, the General Assembly could consider providing a loan loss reserve for single family development projects meeting the objectives of Act 157. Depending on how this was structured and if these reserves were targeted for use with VHFA, it might enable VHFA to reactivate its single-family construction loan program.

Other Recommendations

In addition to the specific areas set forth in the Act 157 Study Committee Charge, the Steering Committee has additional recommendations to improve the quality and quantity of housing in Vermont, as follows:

Regulatory Reforms:

8. **Create a single point of contact to coordinate and accelerate state permitting for housing projects.** A single state point of contact to coordinate and accelerate housing projects could address potential issues early; help resolve disputes between the public, developers and agency personnel; coordinate agency comments; and assist in moving projects through the permit review process faster.

9. **Encourage greater municipal control of water and wastewater permitting.** In 2007, the state was granted exclusive jurisdiction over permitting all connections to the municipal water supply and sewer mains. While municipalities can approve the location of the connection of the water or sewer service line, they can only approve the design or require design changes if the state formally delegates its authority to the municipality. To date, no Vermont towns have sought this limited delegation to review and approve public sewer and water connections. Only two towns have secured the broader authority to implement the state water and wastewater rules in full, primarily for local review of onsite systems. Towns appear to be unaware of the opportunity to obtain delegation of permitting for municipal hookups.

10. **Offer municipalities financial incentives to make housing development happen.** Most incentives for housing development in Vermont are targeted towards developers and not municipalities. Innovative programs in Massachusetts and California provide direct payments to municipalities that approve building permits for housing. After establishing a payment schedule

based on the number of units to be constructed in a project, Massachusetts officials found that relatively small payments to municipalities (as little as $500 per unit) issued in part at time of permitting and part at issuance of a Certificate of Occupancy, were effective in increasing the number of building permits for housing. A direct incentive to the municipality for permitting units reduced local opposition, as the benefit of permitting was immediate and clear. State officials found that such incentives encouraged local planning and zoning officials to "get to 'Yes'" faster.

11. **Link new housing incentives to updates in local regulations.** Outdated public works standards, subdivision regulations, and zoning bylaws are often overly complicated and restrictive. Currently three of the existing state designation programs (neighborhood development areas, new town centers, and growth centers) require communities to modernize their zoning regulations to qualify for state benefits. Linking any new housing incentives to required local regulatory tune-ups can improve local permitting that results in more housing. Model regulations suitable for Vermont, would help municipalities with limited resources modernize their development review process more easily.

12. **Consider increasing the income level used to calculate the maximum price of owner-occupied homes considered "affordable" for purposes of the Vermont Planning and Development Act (Chapter 117) from 80% of median income to up to 120%.** While an 80% of median income limit is appropriate for affordable rental properties, allowing up to 120% of median income for homeownership developments would increase the viability of developing new homes using the incentives municipalities offer to affordable housing developments.

Tax-based incentives and reforms:

13. **Update the tax code to encourage housing investment that provides a high return on public investment in existing infrastructure.** Vermont does not have many 'housing developers' outside of Chittenden County, therefore work to improve Vermont's housing stock is going to be incremental and small in scale. Tax codes could be updated to encourage more Vermonters to take on projects to improve the quality of the housing in their neighborhoods.

14. **Support the investment and rehabilitation of distressed homes with changes to the treatment of real-estate gains.** In Vermont, the profit resulting from the sale of an investment is taxed as a capital gain. Currently $5,000 in real estate gains may be excluded but the law could be updated to further tax advantage investment in housing by treating capital gains in real estate more like other forms of capital gain. (Details in Tax Technical Bulletin 60)

15. **Eliminate the land gains tax to support new housing construction.** Currently the profit from the sale of land that was held for less than six years can be taxed. This law was aimed at reducing real-estate speculation and pre-dates Act 250. Since existing land use regulations, including Act 250 serves the purpose of reducing speculation and controlling unregulated growth, this tax may no longer be needed. Moreover, the law has many exemptions, is complicated to administer, and generates less than $1 million in annual revenue.

16. **Expand the existing use tax (sales tax) exemption available to contractors completing a qualified priority housing project.** Vermont's Tax Code currently allows for sales tax exemptions on materials used in the construction of

qualifying projects. To qualify, a project must be intended for exclusively public use and be owned by Federal or State government or a 501(c)(3). Expanding the qualifying parameters for this exemption to include certain housing projects would reduce the cost of construction materials for these projects. See "Form S-3C" for current definitions of qualifying projects.

17. **Increase funding for the Downtown and Village Center Tax Credit program and explore ways that these credits could be used to better support housing needs.** Housing investment will not occur when the development costs exceed what banks estimate a property will be worth afterwards. Tax credits help close that gap and are proven to improve the quality of housing stock in targeted areas. Grand List analysis shows this public investment is quickly repaid through increased property taxes.

    Since 2002, demand for downtown and village tax credits has exceeded funding by as much as 3 to 1. The long queue for tax credits can delay project startups by as much as three years. Funding is currently capped at $2.2 million annually. Additional, or targeted rental housing tax credits would foster more housing redevelopment and mixed uses in downtowns and village centers. Existing VHFA tax credit programs could also be enhanced to support more housing investment.

Capital incentives and other recommendations:

18. **Provide capital incentives (low interest loans and grants) to improve existing housing stock.** We are fortunate in Vermont to have a suite of housing rehabilitation programs managed by a network of regional housing organizations through their Homeownership Centers. These organizations and the revolving loan funds they operate (capitalized with CDBG and other federal, state, and private funds) exist throughout the state and are well positioned to help address this need. This resource is primarily offered to low and moderate income homeowners and has proven to be an effective tool, rehabilitating nearly 500 homes in the last 5 years. The need to assist low and moderate income homeowners continues, however by expanding the services of the Homeownership Centers to include existing small rental housing properties that have fallen into disrepair or are un-occupied due to code, weatherization or other habitability issues, the quality and quantity of the housing stock can be improved in communities throughout the state. With continued support, these regional organizations and other partners such as Vermont Community Loan Fund, Vermont Housing and Conservation Board and Vermont Housing Finance Agency can make loans and grants to small scale landlords to help them re-invest in their rental properties, improving the safety, energy efficiency and general habitability of these properties and the associated neighborhoods.

19. **Maximize the use of existing housing stock by providing education, support and services to ensure a successful rental housing market:** Landlords have expressed a need to protect their investments in property with more successful tenancies and less costly turn-over of units. Many landlords cite a lengthy eviction process as a major issue that leads to a loss of rental income and the inability to re-invest in their properties. The eviction process can be prolonged by a lack of familiarity with Vermont's legal system and tenant protections as well as an overloaded and backlogged court system. To assist small-scale landlords recover from failed tenancies and damaged property, efforts should be made to increase landlord tenant education, ensure support services are

available when needed, and explore alternatives to the current court eviction process.

Education is often the most effective tool for ensuring a successful outcome for both the landlord and the tenant. Many Vermont landlords are considered small by national standards, often operating other businesses and owning only a few units. Landlord tenant law, the eviction process, and fair housing rights are increasingly complicated. Continuing joint educational efforts by the Vermont Apartment Owners Association and Vermont Tenants, exemplified by "Finding Common Ground: The Definitive Guide to Renting in Vermont", is recommended.

Support and services such as the pilot "landlord liaison" program for landlords who house "high risk renters" will ensure more successful outcomes for renters and landlords. Several non-profit service provider organizations that work to help low income Vermonters find and maintain housing have utilized the landlord liaison model, whereby a case manager is assigned as the point of contact for a landlord when concerns with the tenant arise. These types of arrangements can help resolve issues outside of the court system and provide increased confidence for the landlord that they will have a successful relationship with the tenant.

Consider alternatives such as a dedicated "housing court," as used in Massachusetts to provide a specific legal venue for housing-related proceedings, or "virtual court proceeding" to reduce the time it currently takes for a court to hear an eviction cases, which landlords state is often four to six months, during which time the landlord is not receiving rent and property damage may be occurring.

Conclusion

The recommendations in this report identify programs, incentives, tax and regulatory policies, that if changed, would likely lead to increased support for and investment in "work force housing." New investments and policies that support housing at all levels are needed in Vermont. Increasing the supply of housing, giving Vermonters more options for buying and renting in locations convenient to work and services will strengthen our economy and make Vermont more affordable.

Given the complexity of these issues and the short time to study them, many of these recommendations will need further review and stakeholder involvement to assure the best options are pursued. However, without action, reform, incentives or additional capital we will not be able to meet the current and future housing needs of Vermont families, business and communities.

Appendix 1: Act 157 Study Committee Charge

"Sec. T.2. AFFORDABLE HOUSING; STUDY

On or before December 15, 2016, the Agency of Commerce and Community Development shall report to the House Committees on Commerce and Economic Development and on General, Housing and Military Affairs and the Senate Committee on Economic Development, Housing and General Affairs on the following:

(1) A review of existing statutes and programs, such as property tax reallocation, that may serve as tools to update existing housing stock.

(2) Data from the Agency of Natural Resources, the Agency of Agriculture, Food and Markets, and the Natural Resources Board with respect to priority housing projects.

(A) For each such project, these agencies shall provide in the report:

(i) Whether the project received an exemption under 10 V.S.A. chapter 151 (Act 250).

(ii) The amount of the fee savings under Act 250.

(iii) The amount of the fee savings under permit programs administered by the Agency of Natural Resources.

(iv) The cost under 10 V.S.A. § 6093 to mitigate primary agricultural soils and a comparison to what that cost of such mitigation would have been if the project had not qualified as a priority housing project.

(B) Based on this data, the report shall summarize the benefits provided to priority housing projects.

(C) As used in this subdivision (2), "primary agricultural soils" and "priority housing project" have the same meaning as in 10 V.S.A. § 6001.

(3) The results of a process led by the Executive Director of the Vermont Economic Progress Council to engage stakeholders, including representatives of the private lending industry; the private housing development industry; a municipality that has an Tax Increment Financing District; a municipality that has a designated downtown, growth center, or neighborhood development area; a municipality that has a priority housing project; the Department of Housing and Community Development; the Department of Economic Development; the Department of Taxes; and the Vermont Housing and Conservation Board, to investigate alternative municipal infrastructure financing to enable smaller communities to build the needed infrastructure to support mixed-income housing projects in communities around the State."

Appendix 2: Steering Committee

Note: The text in parentheses following the name indicates the sector or organization the individuals represent to fulfill the requirements of Section T2(3) of the Act. However, the Steering Committee and staff worked together on all sections of the report, not just T2(3).

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State Agency Partners

Natural Resources Board: Lou Borie, Greg Boulbol, Diane Snelling
Agency of Agriculture Food and Markets: Diane Bothfeld
Agency of Natural Resources: Ernest Christianson, Billy Coster, Rebecca Ellis, Jen Mojo, Bryan Redmond, Diane Sherman
Department of Taxes: Jake Feldman, Candace Morgan, Rebecca Sameroff, Andrew Stein
Agency of Transportation: Michele Boomhower

Meeting and Survey Participants

Erik Hoekstra, Redstone Commercial; Chris Snyder, Snyder Homes; David White, White + Burke Real Estate Investment Advisors; Nancy Owens, Housing Vermont; Liz Gamache, Efficiency Vermont; Laura Capps, Efficiency Vermont; Ashten Stringer, Lake Champlain Regional Chamber of Commerce; Robin Scheu, Addison County Economic Development Corporation; Katrina DeLaBuere, Vermont Realtors; Patrick O'Brien, SD Ireland; Regina Mahony, Chittenden County Regional Planning Commission; Christopher Rice, MMR; Sarah Carpenter, Vermont Housing Finance Agency; Joe Erdelyi, Vermont Housing Finance Agency; Jen Hollar, Vermont Housing and Conservation Board; Martin Hahn, Vermont Housing and Conservation Board; Wright Preston, Northfield Savings Bank; Bob Giroux, VT Municipal Bond Bank; Cindy Reid, Cathedral Square Corporation; Leslie Black-Plumeau, Vermont Housing Finance Agency; Kathy Beyer, Housing Vermont; Alan Norris; Jeff Metcalf, Burlington Housing Authority; Mike Davidson, Execusuite; Bill Bittinger, Bittinger Associates; Bruce Baker, Clarke Demas & Baker; Owiso Makuku, Farrell Real Estate; Erhard Mahnke, Vermont Affordable Housing Coalition; Maura Collins, Vermont Housing Finance Agency.

Municipal Survey Participants

Bradford, Bristol, Berlin, Canaan, Concord, Dover, East Montpelier, Fair Haven, Fairlee, Guilford, Hinesburg, Hubbardton, Hyde Park, Manchester, City of Montpelier, Morristown, Pittsford, Richford, Shelburne, City of St. Albans, Williston, Wilmington, Waitsfield, Wallingford, West Windsor, Westford, Westminster, City of Winooski.

Appendix 3: Study Timeline

9/26 – Steering Committee Meeting # 1

10/12 – Housing Development Stakeholders Meeting

10/21 – Housing Developer Survey Due

10/21 – Municipal Survey Due

10/31 – Steering Committee Meeting # 2

12/14 – Distribute Draft Report

12/16 – Steering Committee Meeting # 3 (review report)

12/23 – Distribute Final Draft

1/15 – Submit Final Report

Appendix 4: Meeting Notes

Steering Committee Meeting Notes #1 – 9/26

September 26, 2016 - 9:00 a.m. - 11:00 a.m.
Agency of Commerce and Community Development, Montpelier

Present
Robin Scheu, Addison County Economic Development Corporation; Wright Preston, Northfield Savings Bank; Jake Feldman, Dept. of Tax; Dominic Cloud, St. Albans; Mike Harrington, Bennington; Trevor Lashua, Hinesburg; Joe Erdelyi, Vermont Housing Finance Agency; Bob Giroux, VT Municipal Bond Bank; Martin Hahn, Vermont Housing and Conservation Board; Eric Hoekstra, Redstone (by phone); Fred Kenney, VEPC; Joan Goldstein, Dept. Economic Development; Josh Hanford, Department of Housing and Community Development

Absent
Chis Louras, Mayor of Rutland; Sarah Carpenter, VHFA; Jennifer Hollar, VHCB

Staff
Chris Cochran, Dale Azaria, Shaun Gilpin, Ken Jones

Introduction
Fred Kenney began the meeting with introductions and reintroduced the statutory language that mandated this Housing Study in Act 157 of 2016. The study request is broken into three parts, which are distinct but interrelated:

1. **A review of existing statutes and programs, such as property tax reallocation, that may serve as tools to update existing housing stock.**

   Josh Hanford introduced this section. Along with an examination of existing programs, it may be beneficial to provide a general overview of existing programs and funds that are used for housing and infrastructure development for legislators who may not be familiar. While the language is explicit about existing housing stock, given the general shortage of available housing across the state, there was consensus that the group should also investigate and suggest strategies to encourage new housing development as well. There was some discussion of this throughout the meeting and while some were wary of straying from the statutory language, Dale Azaria, who was involved in the discussion that resulted in this study language, asserted that the legislative intent was not being undermined by investigating both upgrading existing housing and developing new. This is particularly true considering the different specific housing needs and status of existing stock throughout the state.

   Notes & Ideas:
   - This review should not be limited to what is traditionally referred to as "affordable housing" – publicly funded housing targeted for households making at or below 80% Area Median Income (AMI).
     - There are fewer tools, incentives and funding opportunities for housing targeted at households making between 80% and 120% AMI, but the need is great and growing in this market segment.
     - Significant CDBG funding goes to 5 Homeownership Centers for home owner rehabilitation projects but is only available for households earning < 80% AMI

- Bennington County is seeing many 1-2 unit properties that need significant upgrades upon purchase. The pricing of these homes is making it unaffordable for young potential buyers to both purchase and afford needed improvements. This may get worse as the population ages.
- Foreclosed properties are a significant challenge elsewhere
  - There may be an opportunity for partnerships between municipalities, developers, and foreclosing lenders to obtain ownership and rehabilitate these properties.
  - Finding a way to empower municipalities to enforce property maintenance ordinances could help to address this issue
- It is important to consider who is the recipient of program benefits and align properly to address development bottlenecks
- Historic Tax Credits have been helpful for commercial rehabilitation projects
  - Minimum investment requirements (value of the building) is a hurdle with the federal program
  - Any flexibility to relax historic preservation requirements, particularly regarding windows, could be helpful in driving down costs
  - A homeowner, or other type of housing tax credit could be modeled after the state's program that is more flexible.
- Property Tax Stabilization
  - Review 32 VSA 5404(a)(3)
  - Never been utilized
  - Can only benefit subsidized housing
- Sales Tax Reallocation
  - Would need changes to work for smaller projects
  - Benefit to muni's, not developers
  - Current program demand exceeds available funding 2 to 1.
- Fee relief
  - Beware underfunding needed local infrastructure and schools that need this funding
  - Not beneficial for upgrading existing stock
- Code compliance/Life safety improvements
  - Encourages rehabilitation of existing and underused stock
  - Tax credit can support this work for rental housing, but the program is oversubscribed and credits can be difficult for some owners to use
- Re-examine income sensitive property tax adjustment
  - While property tax adjustments based on income were established to lower property tax burdens as households move from the workforce onto fixed retirement income, they may be having a negative effect on the housing market. The adjustment removes the incentive for households to "right size" their housing as household needs change, particularly as households age increases and space needs shrink as children leave. This not only stops multi-bedroom housing from being put on the market, restricting supply and driving up prices, it may also cause aging Vermonters to stay in homes they are increasingly unable to maintain, which leads to deterioration of the housing stock. A large proportion of Vermont property owners receive income sensitivity.

2. **Data from the Agency of Natural Resources, the Agency of Agriculture, Food and Markets, and the Natural Resources Board with respect to:**
   A. For each project, these agencies shall provide in the report:
      i. Whether the project received an exemption under 10 V.S.A chapter 151 (Act 250)
      ii. The amount of fee savings under Act 250
      iii. The amount of the fee savings under permit programs administered by the Agency of Natural Resources
      iv. The cost under 10 V.S.A. 6093 to mitigate primary agricultural soils and a comparison to what that cost of such mitigation would have been if the project had not qualified as a priority housing project
   B. Based on this data, the report shall summarize the benefits provided to priority housing projects. Chris Cochran described the efforts begun on this section of the study. It is largely a data gathering exercise with some analysis.

      Chris gave a brief explanation of the state designation program and housing benefits to developers within these areas. The NRB has a list of projects qualifying as 'Priority Housing Projects,' that would otherwise be subject to Act 250 review. Along with the data, a story or case study about a particular project may be illustrative for the legislature.

      Notes & Ideas:
      - It may be beneficial to provide a comparison of development costs inside and outside of a state designated center
      - Permit appeals by neighbors, and NIMBYism generally, is a major wildcard for development costs that will not be accounted for in this data
      - A survey/focus group of developers could highlight development challenges beyond what this data will show
        - Non-profit developers are easy to contact, for profits may be harder (it's a rather small group)
        - There was more development happening in the recent past – possibility to reach out to "dormant" developers?

3. **The results of a process led by the Executive Director of the Vermont Economic Progress Council to engage stakeholders,** including representatives of the private lending industry; the private housing development industry; a municipality that has a Tax Increment Financing District; a municipality that has a designated downtown, growth center, or neighborhood development area; a municipality that has a Priority Housing Project; the Department of Housing and Community Development; the Department of Economic Development; the Department of Taxes; and the Vermont Housing and Conservation Board, to investigate alternative municipal infrastructure financing to enable smaller communities to build the needed infrastructure to support mixed-income housing projects in communities around the State.

   Fred Kenney is leading the process described in this section. It seems the legislature is looking for alternatives to TIF districts that have a similar result. The types of infrastructure included in this process should not be limited to water and wastewater capacity but also include roads, sidewalks, lighting, etcetera, as the needs and limiting factors to development will vary amongst communities.

Notes & Ideas:

- Infrastructure needed to spur development will differ depending on community needs
- It is expected that upgrading/replacing existing infrastructure and increasing capacity of water and wastewater systems will be the biggest hurdles to infill development currently – and these improvements maintain the 'status quo' and are unlikely to increase Grand List values enough to support TIF bonding.
- TIF districts have been successful in financing infrastructure development but expansion of the program may not be politically palatable currently
- Survey of municipalities to articulate needs should be undertaken – ACCD will create and Dom Cloud can distribute
- Reallocation for Public Infrastructure (mini-TIF)
  - Only for public infrastructure supporting housing development and rehabilitation
  - Incremental revenue generated by a housing development or rehabilitation may not be sufficient to cover cost of infrastructure debt
- Funding to buy down land costs
  - According to Hoekstra land costs comprise approximately 10% of development cost
- Pay municipalities for building permits issued and for units placed in service (Mass model)
- Direct appropriations for public infrastructure
- Tax credit for soft development costs
- "VEDA-like" revolving loan fund for housing o VHFA has program for subsidized housing
- Allow universal 1% option tax and allow municipalities to designate for housing infrastructure
- Eliminate/reduce impact fees by allowing payment by property owner through property taxes

Previous Reports/studies

The group discussed some of the reports that have recently been completed or are underway as well as several initiatives underway. DHCD has also begun research on housing development initiatives conducted in other states in the region and nationally. While some may be adapted to Vermont, most other states are dealing with significantly more resources and building larger projects than would be appropriate in this setting. Piloting some of these ideas in a few communities could be an option.

- Vermont Housing Needs Assessment 2015 – Dept. of Housing and Community Development
  - Conducted by Bowen National Research on behalf of DHCD, this study analyzed projected demographic change over 2015-2020 and the resulting housing needs.
  - Statewide report with stand-alone chapters specific to individual counties.
  - http://accd.vermont.gov/housing/plans-data-rules/needs-assessment
- Roadmap to End Homelessness – UNDERWAY – Vermont Housing and Conservation Board

    - The VHCB is leading an effort to “map” the homelessness service system and identify gaps in service to move people from homelessness to permanent housing
    - Corporation for Supportive Housing (CSH) hired as outside consultant
    - Study underway with final report due in December
- Housing Cost Study – PLANNED – Housing VT
    - Housing Vermont is leading effort to study regional cost drivers in housing development
    - Based largely on extensive data compiled by Vermont Housing Finance Agency
    - RFP in development, report deadline likely Spring 2017
- “Vermont Futures” – VT Chamber of Commerce
    - Campaign for increased housing development
    - Calling for 5,000 units annually
- “Building Homes Together” – Champlain Housing Trust, Chittenden County RPC, Lake Champlain Chamber, and other allies.
    - Coalition to raise awareness of the housing needs in Chittenden County
    - 3,500 new homes in Chittenden County in the next five years.
    - Expected to outline policy changes and request funding before the Legislative Session
    - http://www.ecosproject.com/building-homes-together/

Housing Development Stakeholders Meeting – 10/12

October 12, 2016 - 8:30 a.m. - 10:00 a.m.
Vermont Energy Investment Corporation, Burlington

Attendees:
Erik Hoekstra, Redstone Commercial; Chris Snyder, Snyder Homes; David White, White + Burke Real Estate Investment Advisors; Nancy Owens, Housing Vermont; Liz Gamache, Efficiency Vermont; Laura Capps, Efficiency Vermont; Ashten Stringer, Lake Champlain Regional Chamber of Commerce; Robin Scheu, Addison County Economic Development Corp.; Katrina DeLaBuere, Vermont Realtors; Patrick O'Brien, SD Ireland; Regina Mahony, Planning Director CCPRC; Christopher Rice, MMR; Sarah Carpenter, VHFA; Lucy Leriche, Chris Cochran, Fred Kenney, Shaun Gilpin, ACCD; Lou Borie, NRB

By Phone:
Jen Mojo, ANR
Josh Hanford, DHCD
Jen Hollar, VHCB
Ken Jones, ACCD
Mike Harrington, Bennington Economic and Community Development Director

Introductions:
Lucy Leriche began with a welcome and introductions and thanked participants for their attendance and willingness to offer their time and ideas to improve the quality and quantity of housing. The report will queue up ideas and suggestions for the next administration and the General Assembly to consider.

Liz Gamache explained the mission, goals and broad reach of VEIC and indicated the willingness of Efficiency Vermont to partner with individuals and the group to find housing solutions.

Designation Program Overview
Chris Cochran provided an overview of the state designation programs. The five designations primarily provide incentives to commercial developments and have played an important role supporting compact growth and revitalization efforts state wide. The neighborhood development area designation has received particular interest in Chittenden County and has potential to be a vehicle for testing new ideas to spur housing development. Chris concluded with a brief history of Fred Baser's 'Workforce Housing' bill, described the three components of the study, their staff leads and the workplan for its completion.

Financing/Funding Infrastructure for Housing
Discussion was opened to the ideas to improve housing and infrastructure, beginning with new financing/funding ideas.
New financing/funding for municipal infrastructure:

1. *Simplify local options taxes process to support infrastructure*
2. *Expand the Downtown Transportation Fund (currently about $400K annually) to support transportation-related capital improvements*
3. *Provide grants or a revolving loan for housing or housing-related infrastructure projects (new or refurbished)*
4. *Create tax credits for investors who invest in housing-related infrastructure funds*
5. *Increase State bonding to support housing related infrastructure*

The discussion began with a clarification of what constituted "infrastructure". The term is to be used broadly to include, but not be limited to: water/wastewater systems, transportation (roads, sidewalks, bike paths, etc.), electrical, stormwater management systems, and the like. This is not necessarily limited to that infrastructure which is to be owned and maintained by the municipality, although the original bill prompting this study did focus on publicly owned systems.

Water and Sewer capacity was cited as a significant cost and potential barrier to development. The impact fees for a water and wastewater connection and service are a significant cost driver. Lowering the price of sewer and water (likely by sharing costs of infrastructure expansion across all ratepayers in the municipality) could have significant effects on per unit costs.

Increasing onsite stormwater treatment requirements were also cited as a significant cost increase recently. This is particularly true on sites where on-site ground infiltration, a preferred method of stormwater management, is not possible due to soil composition.

The “Complete Streets” requirements, while desirable to future residents, have increased the cost of road construction in a new development. Requiring sidewalks and bike lanes on both sides of traffic lanes means not only additional material costs but possible reduction in development opportunities on the buildable land area. One developer noted that in years past his company has budgeted $300 per linear foot of road and now assumes at least $500 per linear foot for road construction (60% increase). Additionally, these public roads often benefit the greater community while the expense is borne entirely by the purchasers of homes in the development. Public funding for this type of community-serving infrastructure would increase housing affordability.

Electrical infrastructure costs have risen “exponentially” as utility companies have matured. Utility companies once paid for infrastructure to serve new customers, however, that is no longer the case. The lack of competition within regions results in a complete inability to negotiate with the Utility regarding costs. It was suggested that perhaps the PSB could have a role in allowing infrastructure costs in new developments to be spread across all rate-payers.

Several developers noted that permitting fees and soft costs resulting from environmental and other regulations have risen significantly over time. Not only do the monetary costs of permit requirements increase the cost of housing, but the requirements often reduce the amount of land available on a parcel for development (see complete streets above).

Due to many of these challenges, Vermont developers often have very tight profit margins. There is a public misperception, however, that this is not the case. At several points during the meeting it was pointed out that the messaging around housing development needs to change. Namely, infrastructure and housing development need to be underscored as investments for a community. Housing is an economic development engine that is necessary for continued commercial and community development.

It was noted that there is little legislative appetite for more programs or more funding. Therefore, cost neutral proposals will likely be most attractive. Tax credit and tax increment financing has been successful in spurring development, but many legislators do not consider these mechanisms to be cost neutral.

Ideas #3 (revolving loan funds) and #5 (increased state bonding) above were cited as potentially helpful in tandem. With interest rates as low as they currently are, much of the challenge of financing housing development has less to do with the cost of capital than with access to capital. National banks are not particularly attracted to financing projects as small as those typically proposed in Vermont, and neither National nor Regional banks have any interest in financing infrastructure projects (lack of saleable collateral or obvious cash flow). Having a State guarantee of these loans could greatly expand financing capacity. Currently, developers often have to rely on local banks for bonds to finance infrastructure and the cost of this is passed on to purchasers of homeowner units or into the rent of rental units. Ability of a developer to borrow "through" the municipality could potentially create a new source of financing, particularly for infrastructure elements. There was some interest in investigating the utilization of the state Bond Bank, some feel it is underutilized, but the Treasurer may disagree as the AAA bond rating is of paramount importance to the Treasury.

Tax Increment Finance (TIF) districts have proven to have much potential. The TIF district in St. Albans City was a very powerful tool for revitalizing their downtown. TIF is a sophisticated tool that requires capacity and expertise to use effectively. However, while it was a tough initial sell to the community, success with TIF development in St. Albans has engendered increased enthusiasm amongst community members for additional infrastructure projects. The legislative apprehension to expanding this program largely comes from two thoughts; 1, that TIF diverts money from the Education Fund, and 2, the equity in spreading 'costs' across the state for discreet projects. Messaging around the success of this program should underscore that, when used appropriately, TIF districts incite development that would not have otherwise happened, meaning that the tax dollars diverted for bond repayment would not have been realized but for the TIF districting. Also, only up to 75% of the increased tax base is diverted to bond repayment, meaning the Education Fund still does see increased revenue from TIF districts. There was some discussion about whether modifications to the program could make it more politically palatable.

New Financing for Housing
The discussion turned to address a number of ideas for increasing financing opportunities for housing directly.
New Financing for Housing

1. *Additional tax credits to improve quality of rental housing in state-designated areas (could be overlaid with Efficiency Vermont and/or utility-managed efficiency programs)*
2. *Create a tax credit for homebuyers who buy and restore houses in need of major rehabilitation (benefits could be targeted to attract more young people to the state)*
3. *Expand eligibility for property tax stabilization/abatement (renovation of existing buildings or new construction)*
4. *Provide per unit funding for towns that permit new housing developments within state-designated areas (municipal incentive for approving permits, molded after successful programs in MA and CT)*
5. *Expand eligibility of sales tax reallocation program to support housing and smaller projects*
6. *Offer developers impact fee rebates for new housing units*
7. *Re-examine property tax income sensitivity (tax reform to encourage "right-sized" housing)*
8. *Improve Act 250 benefits for housing projects*
9. *Eliminate the land gains tax*
10. *Create a 'Renter Risk Pool' to help small scale, private landlords who rent to lower income Vermonters and who have registered with the fund for the use of repairing significant damages caused by a tenant*

While some regions of the state, particularly Chittenden County, need significant new housing development, many regions are more affected by low quality of existing stock. For a developer, the administrative costs of rehabilitating a property are often mostly fixed regardless of the number of units in the property. This means that the per unit cost to rehabilitate a duplex or small apartment building is often prohibitive. There may be an opportunity to create a small funding incentive for private property owners who qualify for conventional financing – particularly to cover soft costs that cannot be financed. Another suggestion was training to help “Mom and Pop” rental property owners invest in rental and mixed-use buildings. This incentive could be tied to desired policy priorities and/or overlaid with existing Efficiency Vermont weatherization programs.

Vermont Housing Finance Agency once administered a program aimed at rehabilitating foreclosed homes. One major hurdle was that the requirements to bring a neglected home up to current safety and energy codes often meant the resulting property was more expensive than the market would bear.

It was suggested that, due in part to tight rental markets and low vacancy rates, some private landlords are not incentivized by market forces to upgrade and maintain rental units. Some municipalities have a code enforcement office and conduct inspections on rental units, but most do not. A rental inspection program could not only alleviate health hazards sooner, but also prompt landlords to ensure regular maintenance of units. Coupled with an incentive for unit upgrades and improvements, in the form of grants or deferred or low-interest loans, this approach could lessen the amount of rental stock slipping into disrepair. Requiring a rental housing inspection at the time a rental property changes ownership is another mechanism that was suggested.

Item # 8 (improved regulatory benefits in state-designated centers) was discussed in the context of reducing regulatory barriers in areas where the state and communities have made substantial public investment to leverage private new development and investment in existing buildings. Specifically cited were the complications and time involved to amend existing Act 250 permits as well the state rules regarding “involved land”. While the potential consequences from lifting existing state permit requirements in these areas has been explored, this is ultimately a matter for the next administration to consider.

Other concerns noted included the public building requirements in New Town Centers. The high cost of “Fair Share” traffic mitigation fees were also flagged as well as the need to carefully consider the land-consumptive nature of stormwater regulations in areas were compact developed is desired.

A question was asked regarding the value of local density bonuses allowed by zoning. Developers explained they offer no meaningful benefit and reducing the amount of land required for stormwater treatment would be more valuable.

One major hurdle to rehabilitation of existing housing stock is remediation of asbestos. One meeting participant mentioned a relatively new rule imposed by the EPA that greatly increases the cost of removing asbestos. Buildings containing vermiculite insulation (that often contains asbestos) makes it prohibitively expensive to do major rehab or weatherization in older housing stock.

Next steps are to share the draft notes with the attendees to make sure they are correct and that we did not overlook an important comment or suggestion. Once the notes are finalized, we will share them along with a survey of ideas to improve housing with a broader group of stakeholders and housing developers.

Invitees: Act 157 - October 12, from 8:30-9:45 @ VEIC, Burlington

1. Jeffrey Nick, J.L. Davis Realty
2. Erik Hoekstra, Redstone Commercial
3. Larry Williams, Redstone Commercial
4. Don Sinex, Devonwood Investors
5. Ken Braverman, Braverman Company
6. Bob Bouchard, Pizzagalli Properties
7. Patrick O'Brien, SD Ireland
8. Chris Snyder, Synder Homes
9. David White, White+Burke Real Estate Investment Advisors
10. Bart Frisbie, Sterling Construction
11. Brad Dousevicz, Dousevicz Real Estate
12. John Giebink, Green Mountain Development
13. Charlie Brush, Green Mountain Development
14. Jeff Glassburg, Jeffry D. Glassberg Real Estate Development Services
15. Bobby Miller, Robert E. Miller Development
16. Ernie Pomerleau, Pomerleau Real Estate
17. Peter Kahn, Bartlett-Weaver Associates
18. Bill Bittinger, Bittinger Associates, LLC
19. Mike Davidson, Execusuite, LLC
20. Matt Bucy, Tip Top Development
21. William Runsic, Manchester
22. Jeff Feussner, Homestead Design Investments, LLC
23. Kathy Beyer, Housing Vermont
24. Nancy Owens, Housing Vermont
25. Kenn Sassorossi, Housing Vermont
26. Brenda Torpy, Champlain Housing Trust
27. Andrew Winter, Twin Pines Housing Trust
28. Tom Torti, Lake Champlain Regional Chamber of Commerce
29. Katie Taylor, Lake Champlain Regional Chamber of Commerce
30. Charlie Baker, Chittenden County Regional Planning Commission
31. Chris Rice, MMR
32. Tim Heney, Heney Realtors
33. Katrina DeLaBuere, Vermont Realtors

Steering Committee Meeting Notes #2 – 10/31

October 31, 2016 – 9:00 a.m. - 11:00 a.m.
Agency of Commerce and Community Development, Montpelier

Present Fred Kenney, VEPC; Sarah Carpenter, VHFA; Jennifer Hollar, VHCB; Trevor Lashua, Hinesburg; Bob Giroux, Vermont Bond Agency, Jake Feldman, Dept. of Tax; Ken Jones, ACCD; Joan Goldstein, ACCD

By Phone:
Robin Scheu, Addison County Economic Development Corporation; Eric Hoekstra, Redstone; Wright Preston, NSBvt

Absent
Chris Louras, Mayor of Rutland; Dominic Cloud, City of St. Albans; Mike Harrington, Bennington Economic and Community Development Director

DHCD Staff
Josh Hanford, Chris Cochran, Shaun Gilpin, Dale Azaria

Introduction
Chris Cochran provided a recap of the timeline for the study and the scope of the report.

Developer Outreach and Survey Results
Prior to discussing the take-away messages from the survey results, Chris provided some framework around the state-designated areas and priority housing programs within these areas. Interest in the designation program is growing. Most of the state development incentives are targeted to these areas and this will likely inform the recommendations of this report. Chris presented some of the advantages of a "Priority Housing Projects" in these areas, including exemption from Act 250 review, reduced state permit fees, and no appeals based on the "character of the area", which is often used to appeal projects and can be very costly to defend against.

Chris presented some of the data collected regarding estimated permit related savings on Priority Housing Projects. Based on a sample of 6 projects, the approximate savings were as follows:

- Water Fee Savings: $1,800
- Cost to Complete Act 250 Application: $8,000
- Act 250 Fee Savings: $45,000 (approximately $60,000 in 2016)
- Act 250 Review Time Saved: 6 Months

The same project developers were asked to describe their perception of the major cost drivers for these projects:

- Local permitting, parking, overlapping permit jurisdiction*, impact fees
- Cost of Infrastructure
- 'Background' contaminated urban soils
- Historic preservation requirements, windows in particular (noted by affordable housing developers)

*State and municipality applying differing permit criteria to the same project

When questioned about the State permitting process, responses from these developers highlighted:

- Act 250 review process is predictable and professional
- No Act 250 review is "one less thing to do"

- There are challenges with other state permits required for Act 250
  - Overlapping state and local stormwater jurisdiction in 'Municipal Separate Storm Sewer System (MS4)' towns
  - Overlapping state and local jurisdiction for water and waste water permits
- Clear separation of state and local jurisdictions could help speed permitting

And a major recommendation was to improve regulatory benefits in the areas that have been designated for growth. Regarding the local permitting process:

- Too complicated and takes too long
- Lack of predictability and appeals – one property owner can delay a project for months or years
- Lack of local planning capacity to lead a process to build support for housing development
- Regulations requiring more parking than is necessary, overly wide streets, undue impact feels and minimum-lot-size that encourage low densities.

Recommendations to address these issues included, development of 'leaner' codes or the creation of model bylaws for municipalities to work from and supporting 'by-right' permitting where basic uses and criteria are laid out and, when achieved, a project is permitted.

At a meeting of housing development stakeholders on October 12, the following items were cited as major barriers to housing development:

- A lack of water and sewer capacity are barriers to housing development
- Costs have increased and private financing difficult to secure
- Cost of "complete streets" requirements • Increase in soft cost for permitting
- Cost of stormwater controls and the land required for stormwater treatment limits density

At this meeting it was acknowledged that many municipalities are not willing to invest in infrastructure that once was the sole purview of government. The cost of these elements is borne by the future residents of these developments, driving up purchase price or rents, while benefits are often recognized by the community at large. There is a significant challenge to developers who seek to finance the construction of these roads, stormwater systems and the like. Historically only local banks have been willing to finance such portions of a project and the pool of such institutions is shrinking.

Recommendations to reduce these barriers included:

- Increase public and private financing options: RLF, state bonding, TIF districts
- Communicate how investments in housing pays a return to the economy
- Improve regulatory benefits in areas the state and communities have designated for growth

Regarding the rehabilitation of existing housing, barriers cited included the high expense of removing vermiculite and asbestos, and the reality that much of the existing housing stock requires investment that will exceed the market value of the resulting unit. Historically, this was also an issue with rehabilitation of commercial space in downtowns and tax credits were used to alleviate the issue. Enforcement of existing housing codes may help to prevent units from falling into this level of disrepair.

A brief survey was distributed to a number of developers and municipalities to identify perceived barriers to housing development. There were approximately 14 developer responses and 30 municipalities that responded.

When asked to identify the greatest barriers to development, the top 5 most cited barriers according to developers (both non-profit and for-profit) included:

- Permitting Process/Time
- Permitting Requirements
- Zoning Restrictions
- Inadequate Incentives
- Local Opposition

When asked to identify barriers to development Municipal respondents cited the following top 5:

- Inadequate Incentives
- Lack of or Inadequate Infrastructure*
- Zoning Restrictions
- Local Opposition
- Permitting Requirements

* The most often cited infrastructure that was lacking was Wastewater capacity. Municipal water was also cited as a limiting factor and several respondents commented that transportation infrastructure was having a negative effect on housing development in their area.

Nearly all developer respondents (93%) noted that local opposition stopped or delayed a project and 85% claimed that a proposed project was reduced in size in response to local opposition. This is almost the exact opposite to the municipal responses to the same questions. Approximately 82% of municipal respondents claimed local opposition had not delayed or stopped any projects and 89% claimed no projects had been reduced in size as a result of local opposition. Further investigation is needed to see why the findings diverge.

When asked about tools municipalities had used to encourage housing, most municipal respondents cited encouraging Accessory Dwelling Unit (ADU) development, however, developer respondents noted that despite being an often-cited tool it was not particularly effective especially when parking requirements often served to limit ADU development.

It was clear through the survey responses that many of the developer respondents cited permitting process and appeals as a barrier to housing development. While many communities recognize that their own land use bylaws do not support local goals as well as they could, few have the resources or expertise to make the specific regulatory changes that will create the growth desired by the community. Developing regulations is not easy and often a municipality borrows from a neighboring municipality without carefully considering if the laws will efficiently implement goals in the town plan or provide greater certainty in the development review process.

It was noted that Neighborhood Development Area designation process reviews local bylaws to assure they support housing and good neighborhood design and is a good tool to support modernization of local bylaws.
The committee recognized that many of the barriers are on a local level and would be difficult to effect via state regulatory mechanisms, but for the purposes of this report, believed these barriers should be noted.

One suggestion that was discussed pertained to the development of model bylaws that are structured to encourage housing development in growth areas for municipalities to adopt and build upon. DHCD does perform outreach intended to assist with development of bylaws but with volunteer municipal officials, this task is iterative and ongoing. Regional Planning Commissions are also a vehicle for this type of education, however the political leverage of RPCs over municipal decisions is not particularly strong.

When asked to select the top 5 ideas that would do the most to increase the quality or quantity of housing, developer respondents most often cited (in order of perceived efficacy):

- Improve Act 250 benefits for housing projects
- Increase state bonding/capital funding for housing or infrastructure • Offer developers impact fee rebates for new housing units
- Increase the number of communities eligible for Tax Increment Financing
- Tax credits for homebuyers who buy and restore houses in need of rehabilitation

To the same question, municipal respondents listed:

- Additional tax credits to improve quality of rental housing
- Tax credits for homebuyers who buy and restore houses in need of rehabilitation
- Improve Act 250 benefits for projects located in designated areas
- Expand eligibility for property tax abatement/stabilization
- Re-examine property tax income sensitivity to encourage "right-sizing" of housing

Discussion of Survey Results Report Outline and Potential Recommendations

Several non-profit developers and affordable housing advocates are engaged in an examination of housing cost drivers. Numerous studies have been conducted around this topic over the past several years. A review of the resulting reports identifies several consistent recommendations:

- Continue discussion regarding requirements of historic preservation
- Permit reform
- Workforce development – encouraging training in tradespeople
- Smarter parking requirements
- Eliminating zoning barriers and promote "by-right" housing development
- Adopting state policies to streamline local development
- Local incentives for affordable housing.

A solid definition of "workforce housing" needs to be determined. This term is used increasingly, but is not universally understood. The discussion around the legislation that lead to this report generally revolved around housing that would be affordable to a household making between 80% and 120% of area median income. Similarly, a review of the parameters around determining if development projects qualify as a "Priority Housing Project" well as the rental affordability monitoring requirements could encourage more housing development for this income level and below.

Low Income Housing Tax Credits (LIHTC) are the most often used tool for affordable housing development in Vermont. These credits have typically been used for developing housing units affordable at income levels below 80% AMI. However, LIHTC allows for more market-rate units in projects funded with credits and changing the affordability levels of units developed with LIHTC and changing the targeting of this resource may be a timely discussion.

Question raised whether we need to differentiate in the report between the needs of municipalities in Chittenden County versus the balance of the state. Many towns outside of Chittenden County do not see increasing number of housing units as a priority, rather updating and investing in existing housing stock is the greater need.

Recent programs (HARP) that have acquired foreclosed or abandoned housing and rehabilitated it for sale have required significant amounts of subsidy to make the sale price affordable. In many areas there is demand for greater number of units but the cost to develop them is such that the resulting rents or sale price are higher than wage-earners in the area can afford.

The draft outline of the report was presented to the Steering Committee and no alterations or changes were suggested.

The goal is to provide up to 5 "top" recommendations for rehabilitation and another 5 for new housing development, rather than an exhaustive list.

Recommendations for housing rehabilitation will likely focus on incentives for redevelopment of underutilized properties as well as code enforcement, largely of existing codes, rather than permit reform, which is unlikely to have a great effect on this type of development activity.

Recommendations could also include suggestions on how to avoid dis-incenting development. An example being to avoid municipal energy codes that differ from a state-wide standard code.

Some ideas that are at top of mind for the group

- "Renter Risk Pool"
- Rental unit improvement fund (grants and low interest loans for private landlords to improve units – coupled with increased code enforcement)
- Property tax stabilization for improvements (State portion, municipalities have the option to stabilize municipal property taxes on blighted properties)

It was noted by the group that effective recommendations need to include both "carrot" and "stick" approach.
Group discussed including some form of property tax reallocation to finance infrastructure debt in support of new and rehabilitated housing. Fred would like to include some test subjects using data from actual projects to see if adequate incremental revenue would be generated to pay for required infrastructure. Will need to define the infrastructure that could be paid for with the reallocated revenue.

Also, while tax credits can be useful tools for larger projects and larger developers, to incent small scale development or investment in most of the stock around the state, some cash incentive is going to be required (tax credit sales could be used to create cash pool, but direct tax credits are not valuable for those with low tax liability).

There was some discussion about potentially waiving capital gains tax on developers who "flip" a small number of homes annually. While this idea may have some merit, it was noted that Federal capital gains tax is much larger than State capital gains tax, which is already low compared to other states.

Re-assessing income sensitivity on property taxes is a potentially controversial recommendation that may have significant, positive effects on the housing market. Currently the system of income sensitivity on property taxes dis-incentivizes aging residents to downsize housing as their needs and ability to maintain the property changes. Changing this formula would also have a positive effect on tax revenue as a large and growing number of Vermonters qualify for this sensitivity. Coupling income sensitivity to the creation of ADUs may be a way to allow residents to keep their rebate while also incentivizing development of units within existing structures.

The remaining timeline for the report was reviewed. After the end of this meeting, the final steering committee meeting for draft review was postponed to November 28th.

Appendix 5: Rent and Purchase Price Affordable by Income Level and Household Size

Area and median 4-person household income	Income level (% of median income)	Median Income by Household Size *						Rent Affordable					Purchase Price Affordable**			
		One Person	Two Person	Three Person	Four Person	Five Person	Six Person	Studio	1 BDRM	2 BDRM	3 BDRM	4 BDRM	1 BDRM	2 BDRM	3 BDRM	4 BDRM
VERMONT	30%	13,173	15,080	17,472	21,060	24,648	28,236	329	353	436	571	705	47,000	58,500	77,500	96,500
70,200	50%	24,614	28,109	31,605	35,100	37,916	40,732	615	659	790	912	1,018	90,000	108,000	126,000	140,500
	60%	29,536	33,731	37,925	42,120	45,499	48,878	738	790	948	1,095	1,221	108,000	130,500	151,000	169,000
	80%	39,317	44,947	50,578	56,160	60,674	65,188	982	1,053	1,264	1,460	1,629	145,000	175,000	202,500	226,000
	100%	49,227	56,218	63,209	70,200	75,832	81,463	1,230	1,318	1,580	1,825	2,036	182,000	219,500	254,000	283,500
	120%	59,073	67,462	75,851	84,240	90,998	97,756	1,476	1,581	1,896	2,190	2,443	219,500	264,000	305,000	340,500
Chittenden	30%	17,650	20,200	22,700	25,200	28,440	32,580	441	473	567	670	814	64,000	77,000	91,500	111,500
Franklin	50%	29,400	33,600	37,800	42,000	45,400	48,750	735	787	945	1,092	1,218	107,500	130,500	150,500	168,500
Grand Isle	60%	35,280	40,320	45,360	50,400	54,480	58,500	882	945	1,134	1,311	1,462	130,500	156,500	181,500	203,000
84,000	80%	46,000	52,600	59,150	65,700	71,000	76,250	1,150	1,232	1,478	1,708	1,906	170,500	205,000	238,000	265,500
	100%	58,800	67,200	75,600	84,000	90,800	97,500	1,470	1,575	1,890	2,185	2,437	218,500	263,000	304,500	339,500
	120%	70,560	80,640	90,720	100,800	108,960	117,000	1,764	1,890	2,268	2,622	2,925	263,000	316,000	365,500	407,500
Washington	30%	15,250	17,400	20,160	24,300	28,440	32,580	381	408	504	659	814	54,500	68,500	90,000	111,500
72,500	50%	25,400	29,000	32,650	36,250	39,150	42,050	635	680	816	942	1,051	93,000	111,500	130,000	145,000
	60%	30,480	34,800	39,180	43,500	46,980	50,460	762	816	979	1,131	1,261	111,500	135,000	156,000	174,500
	80%	40,600	46,400	52,200	58,000	62,650	67,300	1,015	1,087	1,305	1,508	1,682	150,000	180,500	209,500	233,500
	100%	50,800	58,000	65,300	72,500	78,300	84,100	1,270	1,360	1,632	1,885	2,102	188,000	226,500	262,500	293,000
	120%	60,960	69,600	78,360	87,000	93,960	100,920	1,524	1,632	1,959	2,262	2,523	226,500	273,000	315,000	351,500
Windsor	30%	15,200	17,400	20,160	24,300	28,440	32,580	380	407	504	659	814	54,500	68,500	90,000	111,500
72,300	50%	25,350	28,950	32,550	36,150	39,050	41,950	633	678	813	940	1,048	93,000	111,500	129,500	144,500
	60%	30,420	34,740	39,060	43,380	46,860	50,340	760	814	976	1,128	1,258	111,500	134,500	155,500	174,000
	80%	40,500	46,300	52,100	57,850	62,500	67,150	1,012	1,085	1,302	1,504	1,678	149,500	180,000	209,000	233,000
	100%	50,700	57,900	65,100	72,300	78,100	83,900	1,267	1,357	1,627	1,880	2,097	187,500	226,000	262,000	292,000
	120%	60,840	69,480	78,120	86,760	93,720	100,680	1,521	1,629	1,953	2,256	2,517	226,000	272,000	314,500	350,500

Area and median 4-person household income	Income level (% of median income)	Median Income by Household Size *						Rent Affordable					Purchase Price Affordable**			
		One Person	Two Person	Three Person	Four Person	Five Person	Six Person	Studio	1 BDRM	2 BDRM	3 BDRM	4 BDRM	1 BDRM	2 BDRM	3 BDRM	4 BDRM
Addison	30%	14,950	17,050	20,160	24,300	28,440	32,580	373	400	504	659	814	53,500	68,500	90,000	111,500
71,000	50%	24,850	28,400	31,950	35,500	38,350	41,200	621	665	798	923	1,030	91,000	109,000	127,500	142,000
	60%	29,820	34,080	38,340	42,600	46,020	49,440	745	798	958	1,107	1,236	109,000	132,000	153,000	171,000
	80%	39,800	45,450	51,150	56,800	61,350	65,900	995	1,065	1,278	1,476	1,647	147,000	177,000	205,000	228,500
	100%	49,700	56,800	63,900	71,000	76,700	82,400	1,242	1,331	1,597	1,846	2,060	184,000	221,500	257,000	287,000
	120%	59,640	68,160	76,680	85,200	92,040	98,880	1,491	1,597	1,917	2,215	2,472	221,500	267,000	308,500	344,500
Lamoille	30%	13,900	16,020	20,160	24,300	28,440	32,580	347	374	504	659	814	50,000	68,500	90,000	111,500
66,200	50%	23,200	26,500	29,800	33,100	35,750	38,400	580	621	745	860	960	84,000	102,000	117,500	132,500
	60%	27,840	31,800	35,760	39,720	42,900	46,080	696	745	894	1,032	1,152	102,000	123,000	142,500	159,000
	80%	37,100	42,400	47,700	52,950	57,200	61,450	927	993	1,192	1,376	1,536	137,000	165,000	191,000	213,000
	100%	46,400	53,000	59,600	66,200	71,500	76,800	1,160	1,242	1,490	1,721	1,920	172,000	207,000	239,500	267,500
	120%	55,680	63,600	71,520	79,440	85,800	92,160	1,392	1,491	1,788	2,065	2,304	207,000	249,000	287,500	321,000
Windham	30%	13,700	16,020	20,160	24,300	28,440	32,580	342	371	504	659	814	49,500	68,500	90,000	111,500
65,200	50%	22,850	26,100	29,350	32,600	35,250	37,850	571	611	733	848	946	83,000	100,500	116,000	130,500
	60%	27,420	31,320	35,220	39,120	42,300	45,420	685	734	880	1,017	1,135	100,500	121,500	140,500	156,500
	80%	36,550	41,750	46,950	52,150	56,350	60,500	913	978	1,173	1,356	1,512	135,000	162,500	187,500	210,000
	100%	45,700	52,200	58,700	65,200	70,500	75,700	1,142	1,223	1,467	1,696	1,892	169,000	203,500	236,000	263,500
	120%	54,840	62,640	70,440	78,240	84,600	90,840	1,371	1,468	1,761	2,035	2,271	204,000	245,500	283,500	316,500
Orange	30%	13,650	16,020	20,160	24,300	28,440	32,580	341	370	504	659	814	49,500	68,500	90,000	111,500
64,900	50%	22,750	26,000	29,250	32,450	35,050	37,650	568	609	731	843	941	82,500	100,000	115,500	130,000
	60%	27,300	31,200	35,100	38,940	42,060	45,180	682	731	877	1,012	1,129	100,000	121,000	139,500	156,000
	80%	36,350	41,550	46,750	51,900	56,100	60,250	908	973	1,168	1,350	1,506	134,500	161,500	186,500	209,000
	100%	45,500	52,000	58,500	64,900	70,100	75,300	1,137	1,218	1,462	1,687	1,882	168,500	203,000	235,000	262,000
	120%	54,600	62,400	70,200	77,880	84,120	90,360	1,365	1,462	1,755	2,025	2,259	203,000	244,500	282,000	314,500
***64,400	30%	13,550	16,020	20,160	24,300	28,440	32,580	338	369	504	659	814	49,500	68,500	90,000	111,500
Bennington	50%	22,550	25,800	29,000	32,200	34,800	37,400	563	604	725	837	935	82,000	99,000	114,500	129,000
Caledonia	60%	27,060	30,960	34,800	38,640	41,760	44,880	676	725	870	1,005	1,122	99,000	120,000	138,500	154,500
Essex	80%	36,050	41,200	46,350	51,500	55,650	59,750	901	965	1,158	1,339	1,493	133,000	160,000	185,000	207,500
Orleans	100%	45,100	51,600	58,000	64,400	69,600	74,800	1,127	1,208	1,450	1,675	1,870	167,000	201,000	232,500	260,500
Rutland	120%	54,120	61,920	69,600	77,280	83,520	89,760	1,353	1,450	1,740	2,010	2,244	201,500	242,500	280,000	312,500

*HUD guidance stipulates that homes have at least 1 bedroom for every 1.5 people in the household. This means that the affordable rent and purchase price of a 1 bedroom home are based on the average of the median incomes of 1 person household and of a 2 person household as a proxy for the median income of a "1 .5 person household". The affordable rent and purchase price for a 2 bedroom home are based on the median income of a 3-person household (i.e. 2 bedrooms x 1.5 people/bedroom = 3-person household). For a 3 bedroom home, the rent and price are based on the average of the median incomes of a 4 and 5 person household. For a 4 bedroom home, the rent and price are based on the median income of a 6 person household.

**Purchase price affordable assumes 5% down payment, average VT insurance, taxes and interest rates and a 30% affordability threshold (i.e. that the buyer spends 30% of income for principal and interest payment, taxes and insurance).

***In non-metro counties with median income estimates lower than for the entire non-metro area, HUD allows the use of the median for the entire metro-area. In 2016, Bennington, Caledonia, Essex, Or1eans and Rutland counties all had median income estimates lower than the $64,400 median among all non-metro counties. The county specific income estimate in Bennington is $62,900, in Caledonia is $56,400, in Essex is $46,200, in Orleans is $53,600 and in Rutland is $63, 100.

Source: VHFA analysis based on HUD median income and rent tables for 2016.

Appendix 6: Price of Homes Sold in Vermont in 2016

All Homes	Median Price	<$200,000	$220,000-299,000	$300,000-399,000	$400,000 +	Total Sales
		Homes Sold by Price Group				
Vermont	***$198,000***	***4,449***	***2,478***	***1,091***	***756***	***8,774***
Addison	$200,000	207	135	59	20	421
Bennington	$165,000	264	96	28	32	420
Caledonia	$137,000	261	49	11	4	325
Chittenden	$270,800	655	1047	635	496	2833
Essex	$90,000	49	3	-	-	52
Franklin	$199,000	379	305	60	11	755
Grand Isle	$216,000	57	29	32	6	124
Lamoille	$192,500	202	98	41	44	385
Orange	$160,000	255	81	21	16	373
Orleans	$134,400	254	41	8	6	309
Rutland	$141,000	551	115	28	13	707
Washington	$175,000	467	192	73	44	776
Windham	$159,000	370	98	21	8	497
Windsor	$174,500	478	189	74	56	797

Source: VHFA analysis of VT Property Transfer Tax records for non-vacation houses, condos and mobile homes on owned land sold in July 2015-June-2016

New Homes	Median Price	<$200,000	$220,000-299,000	$300,000-399,000	$400,000 +	Total Sales
		Homes Sold by Price Group				
Vermont	***$305,000***	***38***	***91***	***73***	***66***	***268***
Addison	$200,000	1	6	2	-	9
Bennington	$165,000	3	-	1	2	6
Caledonia	$137,000	2	3	-	1	6
Chittenden	$270,800	7	23	38	50	118
Essex	$90,000	-	-	-	-	-
Franklin	$199,000	3	34	20	-	57
Grand Isle	$216,000	-	1	-	1	2
Lamoille	$192,500	3	7	-	5	15
Orange	$160,000	3	2	1	-	6
Orleans	$134,400	5	1	1	-	7
Rutland	$141,000	1	1	-	-	2
Washington	$175,000	4	4	7	3	18
Windham	$159,000	5	6	3	3	17
Windsor	$174,500	1	3	-	1	5

Source: VHFA analysis of MLS records for houses, condos and mobile home sold in January-November 2016.

Appendix 7: Priority Housing Project Data

Estimated Priority Housing Project Savings in Neighborhood Development Areas*

Project	Applicant	WW Fee Paid	Non PHP W-WW Fee	Estimated Act 250 Fee Savings**
289 College Street, Burlington	Bruce Baker	$50	$870	$30,000
Meadow Mist, Route 116, Hinesburg	Alan Norris	$50	$870	$35,520
Archibald & Bright Streets, Burlington	Champlain Housing Trust	$50	$3,000	$51,000
711 Riverside Avenue, Burlington	Burlington Housing Authority	$580	$580	$8,140
Market Street, South Burlington	Cathedral Square/ Snyder/ Braverman	$50	$3,000	$48,100
95 North Avenue, Burlington	COTS/Housing Vermont	$50	$870	$37,161
351 North Avenue, Burlington	Eric Farrell	$50	$150	$19,000
27 North Main Street, Hartford	Railroad Row LLC	$50	$3,000	$27,202
		$930	$12,340	$256,123

TOTAL PHP SAVINGS: $267,533

*No projects were subject to mitigation fees for development on agricultural soils.

**Act 250 Fees increased as of July 1, 2015. The estimated savings are based on the fees prior to the increase.

Estimated Priority Housing Project Time Savings in Neighborhood Development Areas

Project	Applicant	Estimated Act 250 Time Savings
289 College Street, Burlington	Bruce Baker	6-8 Months
Meadow Mist, Route 116, Hinesburg	Alan Norris	6 Months
Archibald & Bright Streets, Burlington	Champlain Housing Trust	4 Months
711 Riverside Avenue, Burlington	Burlington Housing Authority	6 Months
Market Street, South Burlington	Cathedral Square/ Snyder/ Braverman	6 Months
95 North Avenue, Burlington	COTS/Housing Vermont	6 Months
351 North Avenue, Burlington	Eric Farrell	6 Months
27 North Main Street, Hartford	Railroad Row LLC	4 Months

AVERAGE SAVINGS: 6 Months

Priority Housing Project Details in Neighborhood Development Areas

Project	Project Description	Housing Units	Construction Cost	Applicant
289 College Street, Burlington	12 one-bedroom apartments on a half-acre lot	12	$3,800,000	Bruce Baker
Meadow Mist, Rt. 116, Hinesburg	24-unit Planned Unit Development on 5 1/2 acres of a 20 acre lot	24	$4,800,000	Alan Norris
Archibald & Bright Streets, Burlington	42-unit Planned Unit Development on 1.4 acres	42	$6,500,000	Champlain Housing Trust
711 Riverside Avenue, Burlington	6 bedroom community residence with 4 employees and a one-bedroom apartment on 0.2 acres	6	$1,100,000	Burlington Housing Authority
Market Street, South Burlington	35 one-bedroom apartments	35	$6,500,000	Cathedral Square/ Snyder/ Braverman
95 North Avenue, Burlington	14 units of affordable rental housing with offices and services in renovated structure	14	$5,500,000	COTS/Housing Vermont
351 North Avenue, Burlington	63 studio and one-bedroom rental units, public meeting space, and services in renovated historic orphanage, 6 acres	63	$5,000,000	Eric Farrell
27 North Main Street, Hartford	17 one-bedroom apartments, office, retail, and restaurant	17	$3,600,000	Railroad Row LLC

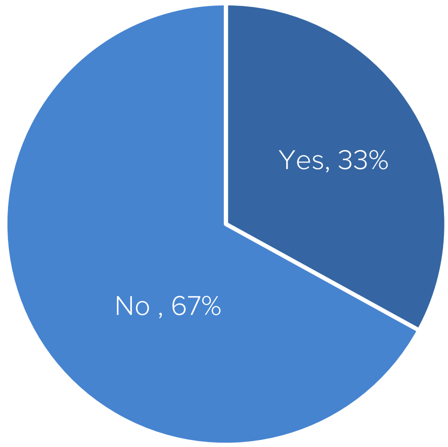
Appendix 8: Municipal Survey Results Summary

Q1. Municipal Information

Number of Respondents(N) 33

Municipality	Name	Municipal Title/Role:
Pittsford	Rick Conway	Planning Commission
City of Montpelier	Kevin Casey	Community Development Specialist
Canaan	Odette Crawford	Planning Commission Secretary
Waitsfield	Brian Voigt	Planning Commissioner
Waitsfield	Steve	Planning Commission
Fair Haven	Herb Durfee	Town Manager
Town of Concord	Cynthia Stuart	Planning & Zoning Chairperson
Town of Hinesburg	Alex Weinhagen	Director of Planning & Zoning
Hubbardton	Robert Gibbs	Zoning Administrator
West Windsor	Martha Harrison	Town Administrator
Shelburne	Ron Bouchard	Chair/Housing Committee
Town of East Montpelier	Bruce Johnson	Town Administrator
Dover	David Cerchio	Zoning Administrator
Canaan	Odette Crawford	Planning Commission
Town of Pittsford, VT	John Haverstock	Town Manager
Manchester	Alan Benoit	DRB
Richford	John Libbey	Zoning Administrator
City of Winooski	Heather Carrington	Community and Economic Development Officer
Town of Wilmington	Scott Murphy	Town Manager
City of Montpelier	Mike Miller	Director of Planning
Westford	Kate Lalley	Zoning Administrator
Westminster	Russell R Hodgkins	Town Manager
Town of Berlin	Thomas J Badowski	Assistant Town Administrator
Fairlee	Chris Brimmer	Director Planning, Zoning & Economic Development
Town of Williston	Ken Belliveau	Director of Planning
Guilford	Katie Buckley	Town Administrator
Wallingford	Jeff Biasuzzi	Zoning Administrator
Hyde Park	Ron Rodjenski	Town Administrator
Westford	Melissa Manka	Planner
Morristown	Todd Thomas	Planning Director
City of St. Albans	Chip Sawyer	Director of Planning & Development
Bradford	Marcey Carver	Planning Commission Chair
Bristol	Therese Kirby	Town Administrator

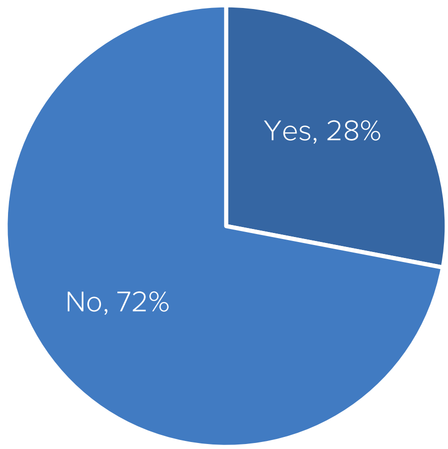
Q2. Has your select board or city council analyzed the housing needs of your community, including the housing needs of employers located nearby?
N. 30



Comments (13):

- Downstreet conducted a Housing Needs Assessment which included Montpelier in 2012 in relation to Seniors, LMI and Special Needs Housing. We have not done a formal assessment for housing needs of employers.
- In our development section of the town plan.
- this has been done by the Mad River Planning District (June 2006)
- The Town has completed the necessary steps outlined in VT law for preparation and adoption of a Town Plan. This recently was "approved" by the RRPC. However, the Town hasn't fully addressed, what I would term, "analyzing the housing needs" of the Town, especially as it relates to a regional perspective and in tandem with the needs of local employers.
- local housing needs assessment in 2010; needs to be updated with current census data and market information
- Housing section in Municipal Plan (2014)
- 2016 Housing Needs Assessment performed by University of Vermont, graduate coursework, Department of Community Development and Applied Economics
- The City has a Housing Task Force that has continuously been monitoring the housing conditions in the City. The City is in the process of updating zoning and the HTF has reviewed data and is making recommendations for revising the housing strategy for the next eight years.
- The Selectboard established as Affordable Housing Task Force in 2012 which looked at issues related to the creation of additional affordable housing. The Task force made recommendations in 2013.
- Through the municipal plan review and adoption process (currently with planning commission for review and 2017 re-adoption) existing housing stock is reviewed compared to other municipalities in the county.
- We stay in close contact with housing developers, especially developers of much needed new rental housing to accommodate our population growth.
- 2015. See www.stalbansvt.com/HousingStudy
- We have done an analysis in our town plan. And there were outreach forums done for the previous plan.

Q3. Is the existing stock (amount, quality, # of bedrooms) in your municipality adequate for current and projected populations?
N. 29



Comments (22):

- Current Vacancy rates are at less than 1%
- need low income housing, need infrastructure (water and sewer) to support compact, high-density development
- Our existing stock is comprised of a fair number of vacant and for sale properties. Also, given US Census population and housing statistics, it's possible that our population will show a decrease from 2010 to 2020 (similar to the 2000 to 2010 timeframe). Notably, the population will likely continue to age, so, though the there is available housing stock, it questionable as to whether or not the stock will adequately addressing the needs of the anticipated aging population.
- Higher quality rental property and senior living options are needed in Concord.
- need more housing for seniors to address aging demographic - e.g., single level living, accessible, designed to allow aging in place need additional affordable and reasonably priced housing
- The Shelburne Housing Committee was formed in May, 2016 and since that time has been gathering and analyzing data related to the housing situation in our town and how it relates to the county and the state. While this analysis has not been completed, it is obvious that Shelburne does not offer the type of housing (size, price, design, placement) to meet the needs of a chancing populace.
- The raw number of bedrooms may be sufficient, but the availability and affordability are not. Much of the less costly housing stock is old, in poor shape, and in numerous ways not fit for the purpose.
- More work force housing needed
- poor quality
- While the City of Winooski has a disproportionately large percentage of Chittenden County's affordable housing stock, the quality of some of the aging stock, both single family homes and multi-unit rentals needs considerable improvement and repairs. Preserving and rehabilitating existing housing quality is crucial to meeting the high demand for housing in the municipality.
- We need additional housing that is a higher level than affordable housing. There is a shortage of working class housing.
- For sale housing appears to be at a healthy supply (7 month supply with a goal of 6 month's supply) but rental housing is less than 1% vacancy. Rental units at all sizes and price ranges are needed. The lack of supply is resulting in high rents and no incentive to improve poor quality units (although poor quality is not considered a major issue, where units are substandard it is a significant problem.)

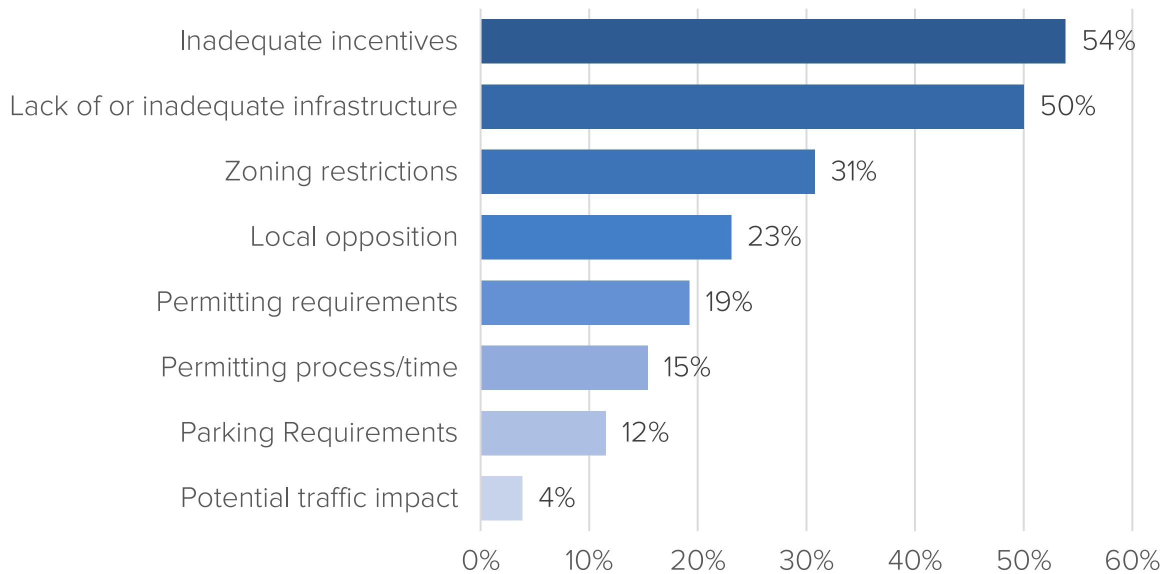
- Affordability of housing is the biggest obstacle in Westford.
- We lack housing for those making between $25-50k. The few rental units we have are almost 100% occupied and are usually rented by word of mouth within a month of being vacated.
- Williston is a continually growing community that consistently is able to add additional housing units that are readily absorbed by the market place. There is a well documented shortage of housing in Chittenden County, although Williston is one of the leaders in new housing growth.
- There is no way to determine this on the local level. The Town has not analyzed the housing needs in our community. The fact that Guilford has no zoning regulations makes this an even more difficult task to undertake. We simply have no way of knowing what is available with no real tools other than the information collected for the Grand List.
- Families are having difficulty with financing - all affordable housing types - from MH to small lot SF.
- lack of affordably priced housing
- More housing units are needed. Local housing production is not meeting the demands of population growth.
- Need more incentives to modernize our older housing stock for new efficiencies and codes.
- some housing stock is in need of energy improvements. we are hopefully getting planning grant to help us with master plan for commercial development and the resulting needs that come from such expansion.
- Bristol is working with Stoney Hill Properties to develop a business park and we would not have adequate worker housing. We have also had over a dozen seniors approach us about AFFORDABLE housing for them, as they want to continue to live in the village.

Q4. Estimate how many housing units have been constructed or rehabilitated in your municipality since 2010. (open ended)
N. 27

- approx 65
- 8 new construction. We don't tabulate rehabs.
- 16
- 30
- 30
- About 27, including a half dozen or so mobile home replacements
- 10
- 132
- 8
- 350
- 20
- 50
- 15
- 25
- 170
- 15
- 80 new
- approximately 75
- 45-60
- 24
- 35

- 2010-2016 = Approximately 500 new dwellings.
- 20
- 37
- The rehab part of this question makes me unable to answer this question. Permits are not needed for most rehabs.
- 25
- 20

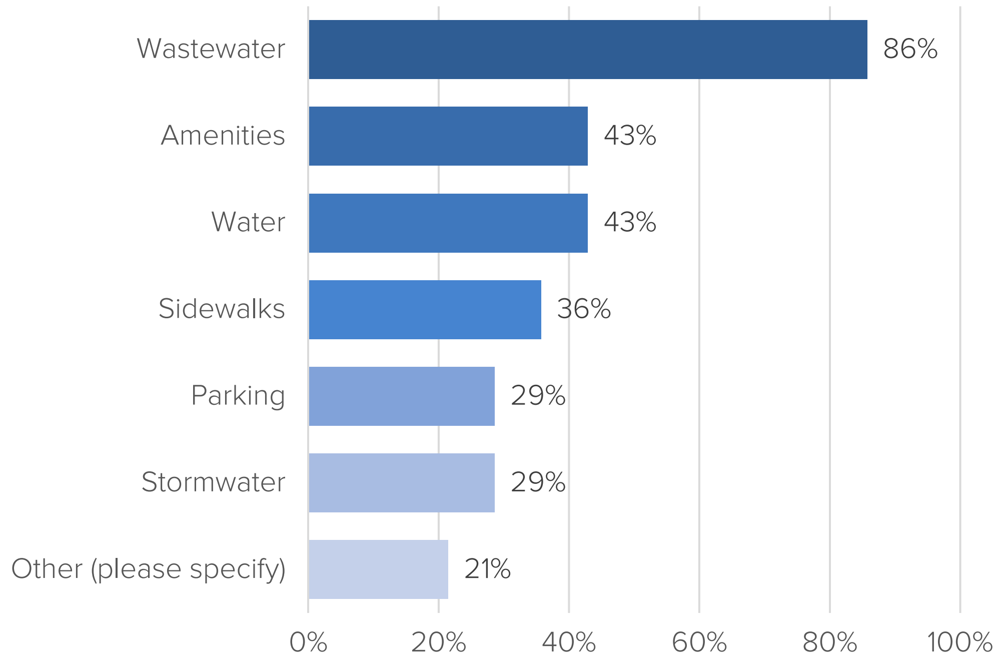
Q5. What do you believe are the barriers to housing development or housing rehabilitation in your municipality? Check all that apply.
N. 26



Comments (13):

- NIMBY'ism and Lack of Local "developers" (as opposed to landlords)
- Lack of demand
- Cost of land and new construction
- Poor economy and lack of economic attractiveness to contruct new housing
- land cost
- There existing housing supply is sufficient
- Property Taxes, changing regulations, cost and processing time for State Regulations, Act 250,
- lack of community wastewater in the Village (upcoming vote to acquire this capacity); zoning regs that made it difficult to add ADU (revised 2016); State WW requirements
- Water and Sewer
- cost of land
- For housing development: Act 250 & regional planning
- Age of housing structures and costs of modernization/codes. Issues with blighted vacant properties.
- we do not have a municipal sewer system

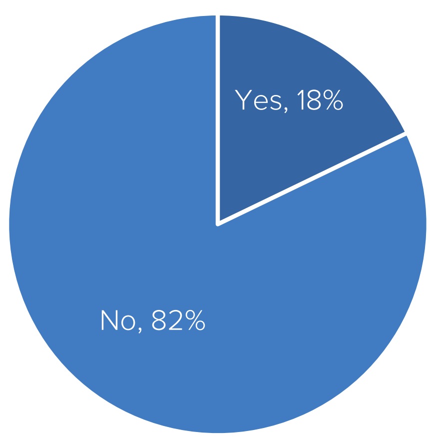
Q5a. If you checked the lack of or inadequate infrastructure, please check all that apply:
N. 14



Other (3):

- transportation infrastructure - signal improvements, streets, etc.
- lack of community WW and pedestrian infrastructure in the historic Village hampers new investment that could rehabilitate these properties
- affordable and adequate transportation to work.

Q6. If housing developments have been proposed, has resident opposition delayed or stopped any developments?
N. 28

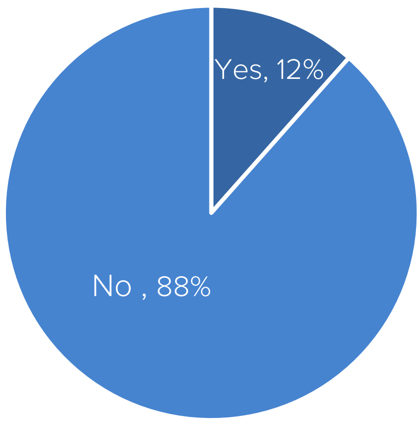


Comments (7):

- Proposed housing since 2010, has been related to singular unit applications not related to "larger" development proposals.
- n/a
- delayed due to design concerns, but not stopped

- Resident opposition has been a problem but not to a level that it has successfully impeded a project. Most of the opposition has been unorganized and uneducated.
- Nothing recently proposed - but prior resident support existed for senior mobile home park and other projects supported including partnership with Lamoille Housing
- I have not had any residential opposition to housing development in Morrisville
- assisted living was held up in court. expansion of multifamily went to environmental court due to neighbor opposition

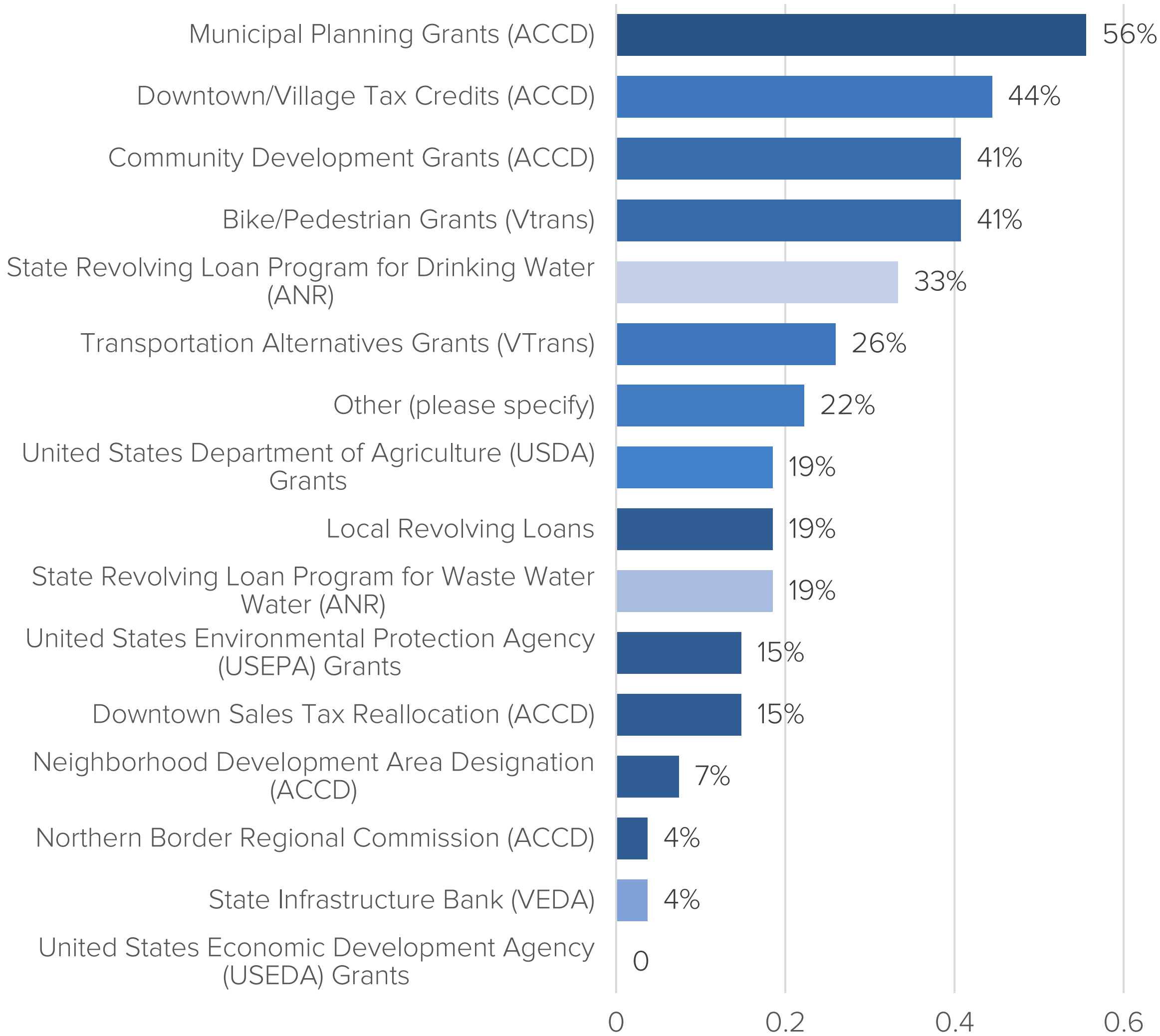
Q6a. Were projects permitted with fewer units than allowed by zoning due to local concerns?
N. 26



Comments (4):

- n/a
- Our growth management system introduces time delays to new housing developments.
- n/a no zoning
- plans were approved in both cases but costly delays to developers.

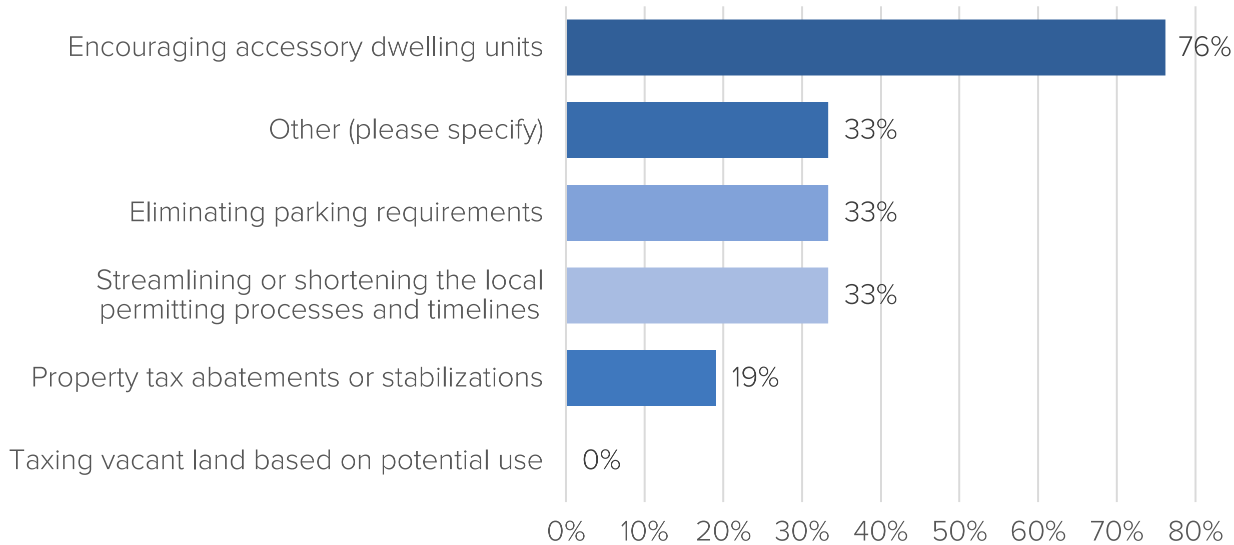
Q7. Has your municipality utilized any of the following programs to encourage housing development/rehabilitation? Check all that apply.
N. 27



Other (6):

- The grants "checked" in this section relate to infrastructure improvements but not for the purpose of encouraging new/rehabing housing
- I am sorry that i do not have the information to provide an answer to this question. To do so you can contact Shelburne's Director of Planning and Zoning, Dean Pierce
- We do not need programs, we need fewer regulations!!
- UPWP
- UPWP (CCRPC)
- Downtown Transportation Funds, US DOT TIGER program

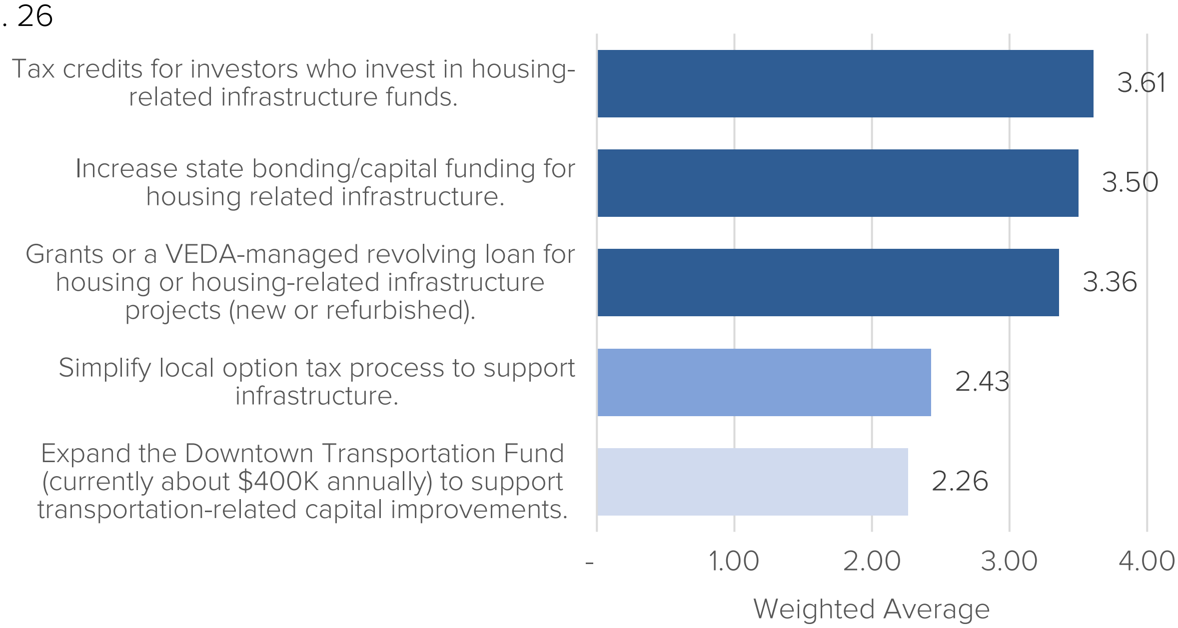
Q8. Has your municipality utilized any of the following tools to encourage housing development/rehabilitation? Check all that apply.
N. 21



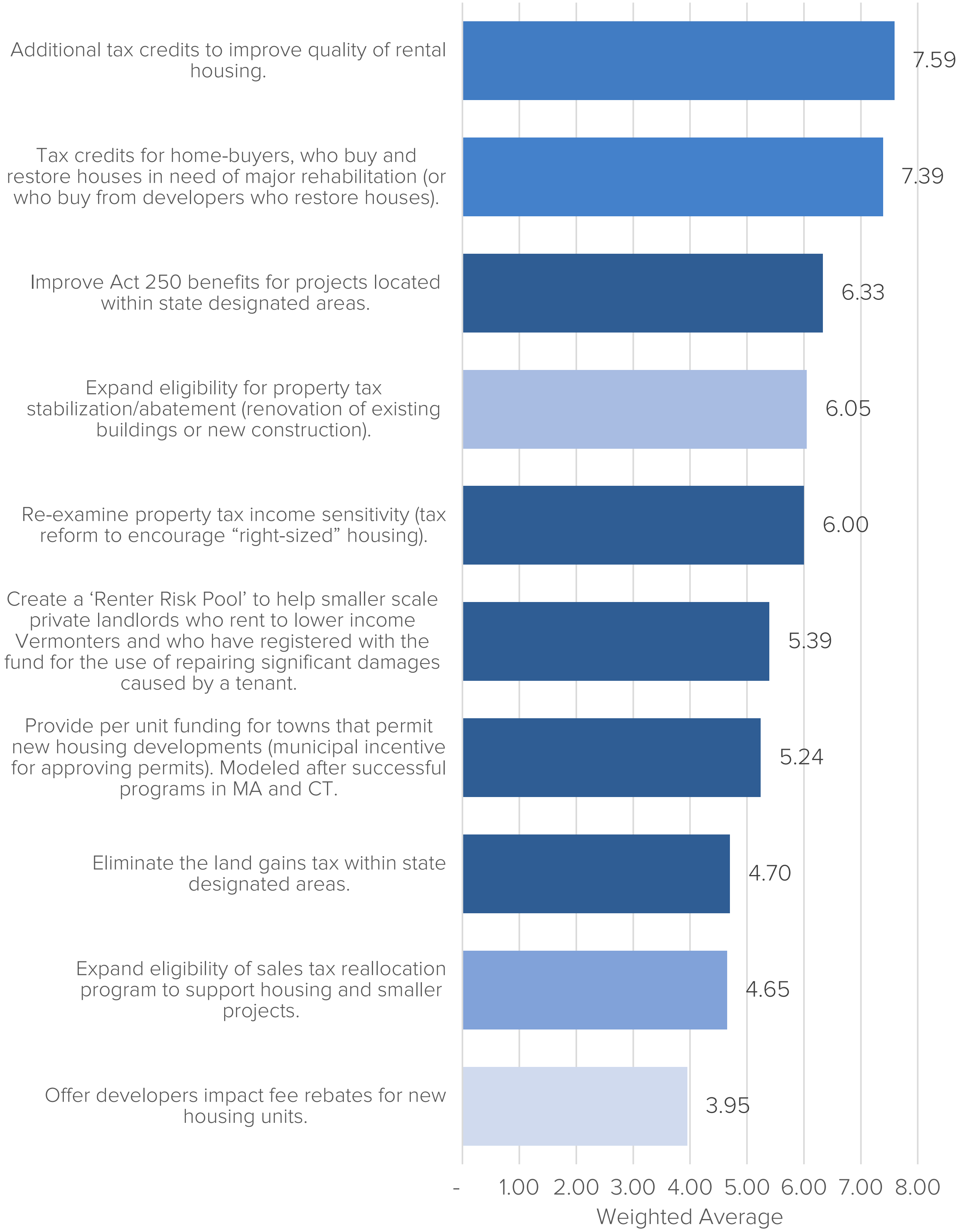
Other (7):

- n/a
- We recently implemented Form Based Zoning along the Route 7 corridor
- Planned residential development incentives for density
- Incentives in growht management for affordable units. Density bonuses.
- density bonuses & alllwing shared/off site parking in village
- Purchase of foreclosed housing for rehabilitation and resale.
- greater flexibility on parking

Q9a. Please rank the following infrastructure financing/funding ideas to increase the quality or quantity of housing in your community, with number 1 being the highest ranked:
N. 26



Q9b. Please rank the following financing/funding ideas to increase the quality or quantity of housing in your community, with number 1 being the highest ranked:
N. 27



Q10. Please list any other ideas, not included in Questions 9a or 9b, that you believe may improve the quality and quantity of existing housing and build new in and around existing centers.

N. 14

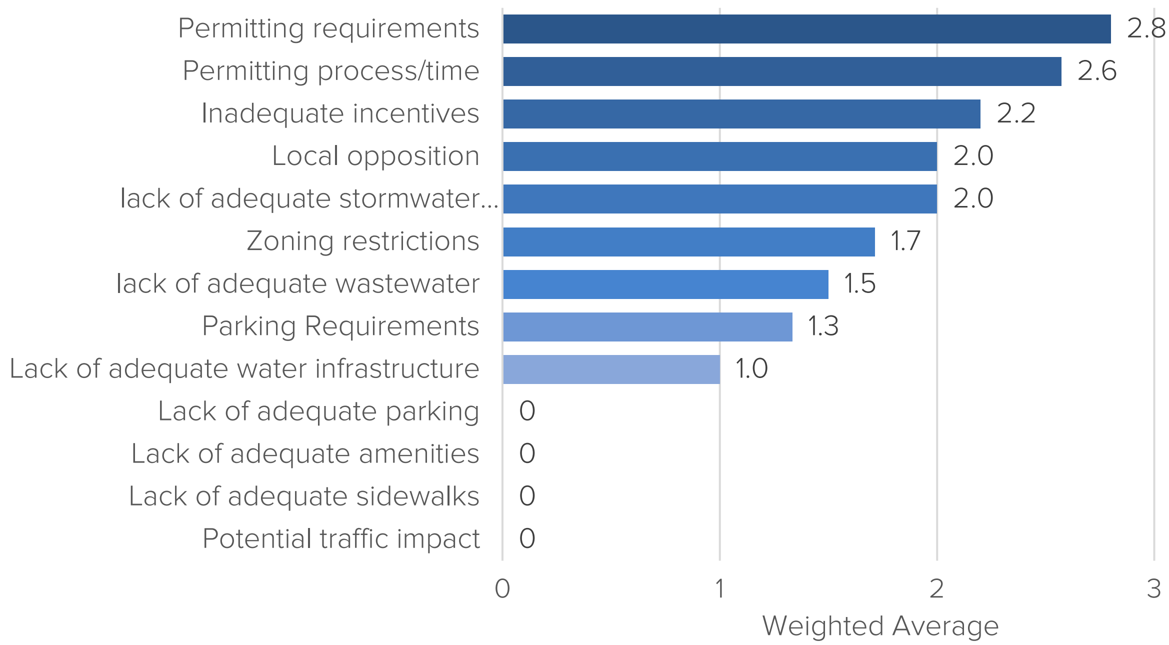
- More grants for rehabilitation of existing housing, Not income based.
- Lack of housing in our community is due to high cost of land, lack of infrastructure and the high cost of new construction. Anything that can reduce the cost of new housing would be helpful
- Clean water funding for infrastructure upgrades - e.g., wastewater treatment/capacity, stormwater control, etc. Streamlined Community Development Program - e.g., cut out some of red tape so municipal officials don't see administration of CDP grants as being so onerous. Allow more agricultural soils and wetlands impacts in growth centers
- I do not know enough specifics about these programs to make an educated assessment. I would like to add that it seems that the survey and the 'IDEAS AND SUGGESTIONS TO IMPROVE HOUSING AND INFRASTRUCTURE" document released by the VLCT deals almost exclusively with financing. I think zoning regulations in each town should be scrutinized to be sure they are doing all they could to incentivize current housing trends and needs. Money is great but if all it is going to lead to are more homes on five acre lots, what is the gain? I have completed this survey as the chair of the Shelburne Housing Committee. They are my own and do not necessarily reflect the thoughts of individual members. If you have any questions or I can be of nay further help, call me at 802-238-7529. Ron Bouchard
- Provide assistance/incentives for the expansion of existing infrastructure across town lines &/or development of new infrastructure in line with regional housing assessments
- Act 250 is a significant barrier to any commercial development. We do not need more state programs, grants or incentives. Take that money and reduce property taxes and fees and Vermont will be a more attractive state of business. PLEASE NOTE THAT MY COMMENTS DO NOT REPRESENT THE TOWN OF DOVER.
- Assisting villages and towns with community wastewater infrastructure would be a game changer!. In rural contexts wastewater capacity, especially if wells are also used, determines where all development may occur, oftentimes, whether it will occur at all. In historic villages and towns the cost of using individual systems and their siting requirements discourages reinvestment in these properties. Achieving individual WW on village lots can be highly challenging: in addition to being small in acreage, there are frequently site constraints that are hard to overcome. If the only option is to build a costly and undersized "best fit" WW system, many would-be investors look elsewhere. Lack of WW capacity also undermines the effectiveness of Form-based standards and codes in villages. Outside of designated Villages and Towns, much growth was historically organized in existing rural hamlets. Having access to more flexible WW infrastructure could foster incremental growth in these existing areas, to achieve an attractive, historic and efficient pattern of development that also looks like how many people think rural development should look in Vermont. In Westford, we have several "hamlets" featuring small existing lots with existing WW systems and mobile homes. Buyers seek these out because they are more affordable than developing raw land, or a new house in a subdivision. Buyers purchase these properties to redevelop them, living in the MH while they build a new house, reusing the WW system and removing the MH when the new house is finished. A big upgrade in the area's aesthetics, an affordable financial strategy, and a built result that doesn't create more sprawl. This trend has been happening 'organically', in spite of the zoning, rather than because of it. We believe this is an idea whose time has come. Westford aspires to create official hamlet districts and regulations to encourage these historic and potentially affordable development patterns.
- Montpelier has a popular and successful first time home buyer program where we partner with Downstreet and others to help potential home owners get into the market. The City is also considering an infrastructure extension program for projects that need

a sewer or water line improvement or extension to facilitate major development projects (the improvement must have a reasonable ROI).

- Reduce filing fees for Act 250 for qualifying affordable housing developments, or projects that meet some standards for being inclusionary.
- Tax credits for infill development within designated villages
- - Expand the DT Transportation Fund to include Village Centers, with limitations. For example, if a Village Center is located within X miles of a designated DT - projects could be more thoughtful to include a comprehensive, connected plan. - Re-examine property tax sensitivity PERIOD. If this were closely analyzed on a town by town level, it would quickly reveal that those who are receiving rebates are not the "poorest" among us. This is a very flawed system.
- I don't fund any of the ideas under Q9a helpful. More local control would be more helpful.
- focus benefits on instate investors/property owners. offer low interest mortgages to investors with less stringent qualifications. energy efficiency....make doing improvments easier (allow DIY or any contractor) and refundable credits, grants, loans, etc.
- Offer low interest loans to developers to help them with the cost of infrastructure or offer no interest for the first 2-5 years.

Appendix 9: Developer Survey Results Summary

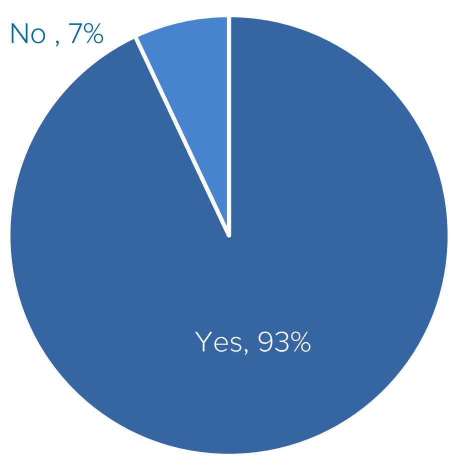
Q1. Review the items below and select the 3 greatest barriers to housing development or housing rehabilitation in Vermont. (#1 being the greatest barrier)
Number of Respondents(N) 14



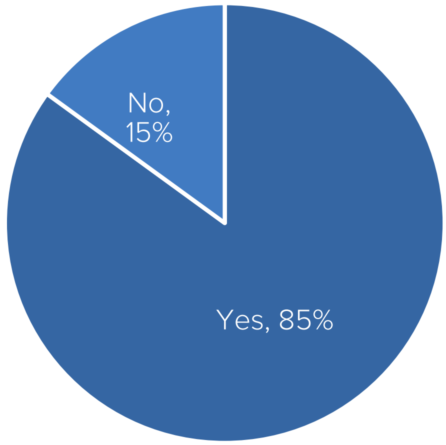
Comments (2):

- financial feasibility, investment in housing in most of the state is not terribly compelling
- Lack of infrastructure: water, waste and storm water are the same issues. See above for others

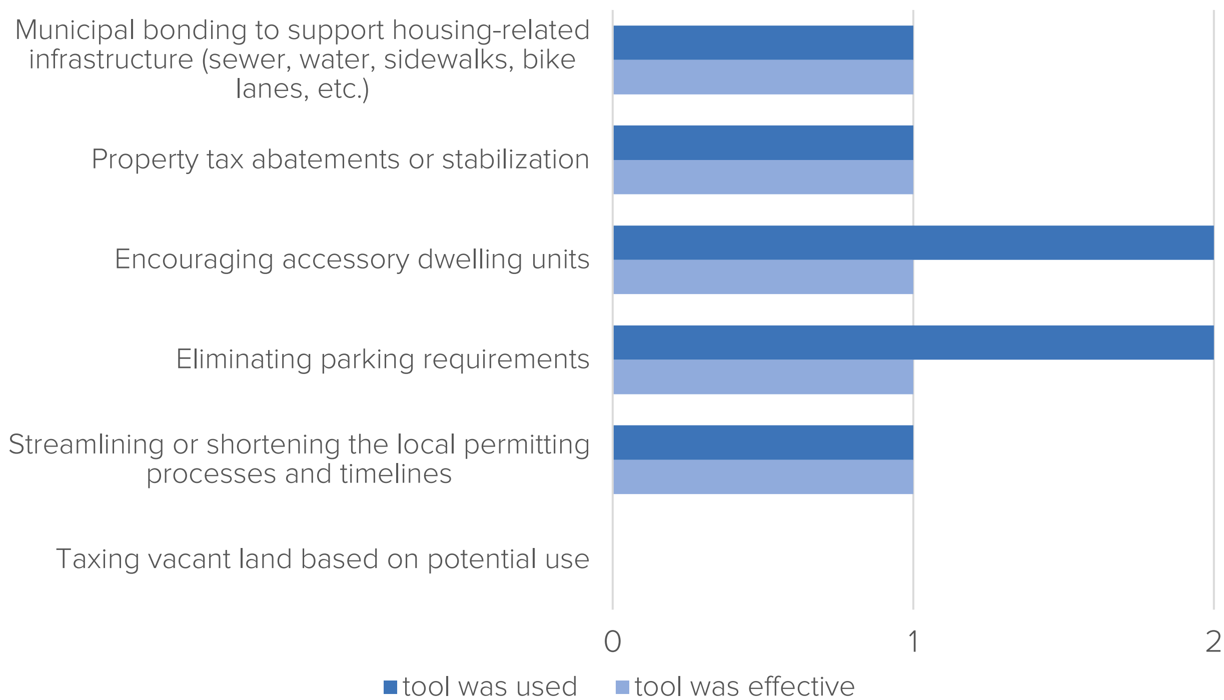
Q2. In the past 10 years, if housing developments have been proposed, has resident opposition delayed or stopped any developments?
N. 14



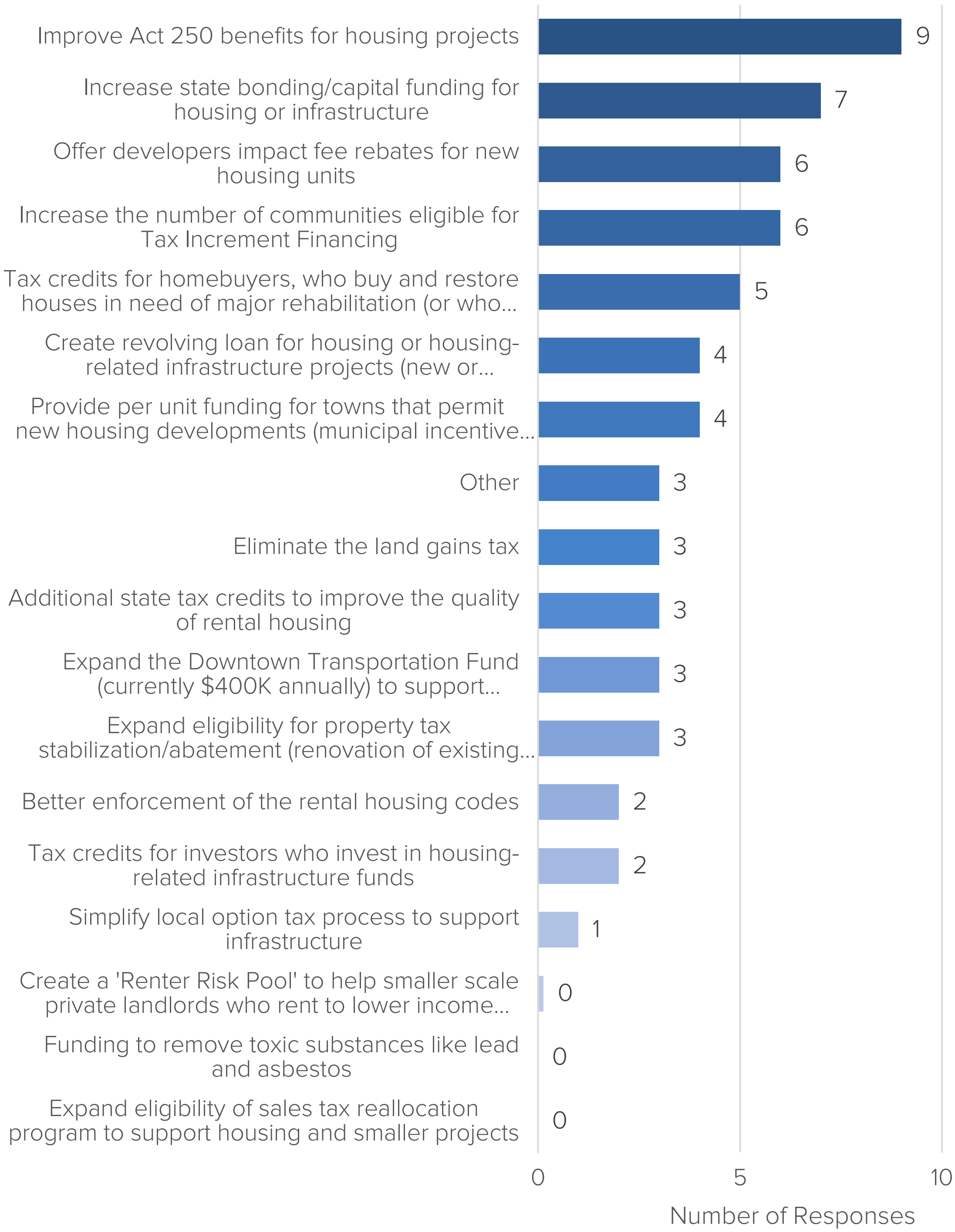
Q3. In the past 10 years, if housing developments have been proposed, were projects permitted with fewer units than allowed by zoning due to local concerns?
N. 13



Q4. Have the municipalities in which you have developed used any of the following tools to encourage housing rehabilitations and were they effective?
N. 4



Q5. Please select the top 5 ideas that would do the most to increase the quality or quantity of housing:
N. 14



Comments (3):

- Streamline the State Agencies- three are two too many!
- Rental subsidies for qualified tenants
- Eliminate inclusionary housing ordinances in towns like Buy

Q6. Please list any other ideas, not included in the above list, that you believe would improve the quality and quantity of existing housing and facilitate building new housing in and around existing centers. (optional.)
N. 5

- Streamline the process, both locally and State process, to bring projects to market more quickly. Time delays cause uncertainty; uncertainty translates to risk; risk is reflected 1) the number of projects even started through the process, and 2) price to the end-buyer. State attitudes have more impact than most people realize. And Vt portrays an attitude "we are not really interested in anything new" and "we really have to think about this...............".
- VHFA and VHCB should be combined a la New Hampshire
- Expand boundaries of designated growth and development areas that have already been created. Affordable housing that meets zoning, density, setbacks and height restrictions should automatically be permitted.
- Eliminate or limit the ability to appeal a permit especially if the project receives unanimous approval
- Eliminate or limit the ability to appeal a permit especially if the project receive unanimous approval