



VERMONT LEGISLATIVE Joint Fiscal Office

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Fiscal Note

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S.100 – An act relating to housing opportunities made for everyone

As recommended by the Senate Committee Economic Development, Housing and General Affairs¹

Bill Summary

This bill makes changes to land use regulations, municipal zoning law, and Act 250. It also appropriates funds towards housing programs aimed at developing and rehabilitating housing available for rent and ownership. The bill also appropriates funds to prevent eviction for renters and reduce homelessness.

Fiscal Impact

JFO estimates the bill would have a fiscal impact of \$90.4 in fiscal year 2024 as a result of General Fund appropriations for several housing programs made in the bill.

Background and Details

The following sections propose changes to Act 250 that would impact State revenues and result in new cost pressures for the Natural Resources Board.

Sections 16-17

These sections contain provisions that would result in reduced Act 250 permitting activity and reduced revenues to the Act 250 Permit Fund.

- Section 16 amends 10 V.S.A. § 6001 to raise the Act 250 jurisdictional threshold for housing projects from 10 housing units to 25 housing units.
- Section 17 amends 10 V.S.A. § 6081 to exempt all “priority housing projects” from Act 250 permitting. Currently, there are thresholds based on the number of proposed housing units in a development and the population of the town where the project is proposed to be built.
- Section 16 expands the definition of priority housing project to include projects in designated village centers with permanent zoning and subdivision bylaws. A priority housing project is currently defined in statute as “a discrete project located on a single tract or multiple contiguous tracts of land that consists exclusively of mixed income housing or mixed use, or any combination thereof, and is located entirely within a designated downtown development district, designated new town center, designated growth center, or designated neighborhood development area.”

¹<https://legislature.vermont.gov/Documents/2024/WorkGroups/Senate%20Economic%20Development/Bills/S.100/Drafts,%20Amendments,%20and%20Legal%20Documents/S.100~David%20Hall~As%20Introduced~2-24-2023.pdf>

- Section 17 also exempts proposed improvements to 24 or fewer housing units from the Act 250 permit amendment requirement.

Representatives from the Natural Resources Board, which administers the Act 250 permit program, indicated that a robust analysis of these provisions using the permitting data that is readily available would be both time and labor-intensive. The Board noted that housing projects make up about 30 percent of overall permitting activity and generally yield higher fee amounts due to the higher average cost of housing construction relative to other types of construction. The Board estimates that, under current law, Act 250 permit revenues will total approximately \$2.7 million in fiscal year 2024.

The changes to Act 250 listed above would have a material impact on annual Act 250 permit revenues. However, it is difficult to predict how many projects would happen or commence regardless of this legislation (for which the permitting changes would effectively result in forgone revenue for the State), and projects that would not happen but for this legislation and therefore would not negatively impact Act 250 fee revenues.

Sections 18-19

Section 19 establishes an enhanced designation process for municipalities that meet certain criteria. Subdivision and development in approved enhanced designation areas would be exempt from the Act 250 permit process. The bill charges the Natural Resources Board with drafting model bylaws that municipalities seeking an enhanced designation may adopt. It also charges the Board with reviewing and determining the status of enhanced designation applications.

Per the Natural Resources Board, a limited-service facilitator would be needed to coordinate the model bylaw creation and enhanced designation processes with stakeholders. This would have an estimated one-time cost of \$100,000 in fiscal year 2024. S.100 does not currently contain an appropriation for this purpose.

The Natural Resources Board also notes that a new staff attorney and possibly a new compliance and enforcement officer would be needed to ensure compliance with the model bylaws and enhanced designation requirements. These positions would have a combined annual cost of \$250,000. S.100 neither authorizes nor appropriates funding for these positions.

The following sections contain appropriations and would impact the State budget.

Section 14

Section 14 appropriates \$750,000 from the General Fund to the Municipal and Regional Planning Fund in fiscal year 2024.

Section 15

Section 15 appropriates \$300,000 from the General Fund to the Vermont Association of Planning and Development Agencies in fiscal year 2024 to hire Housing Resource Navigators to work with municipalities, regional and local housing organizations, and private developers to identify housing opportunities, help match communities with funding opportunities, and provide project management support.

Section 27

Section 27 appropriates \$150,000 from the General Fund to the Human Rights Commission in fiscal year 2024 to hire one full-time exempt litigator position. The litigator will be tasked with prosecuting violations of Vermont's antidiscrimination laws, including fair housing laws.

Section 30

Section 30 appropriates \$2,500,000 from the General Fund to the Agency of Human Services in fiscal year 2024 to provide eviction rescue funding on behalf of tenants with unpaid rent at risk of eviction.

Section 31

Section 31 appropriates \$200,000 from the General Fund to the Department of Housing and Community Development (DHCD) in fiscal year 2024 to expand home-sharing opportunities throughout the State.

Section 32

Section 32 appropriates \$500,000 from the General Fund to the DHCD in fiscal year 2024 to provide financial support for home repair, home improvement, housing transition, park infrastructure, legal assistance, and technical assistance for mobile homes and mobile home parks.

Section 34

Section 34 appropriates \$1.0 million from the General Fund to the Vermont Housing Finance Agency (VHFA) in fiscal year 2024 for grants through the First-Generation Homebuyer Program. As amended by Section 33 of this bill, the program will provide financial assistance to first-time homebuyers whose parents or legal guardians have never owned a home or lost ownership of a home due to foreclosure, short sale, or deed-in-lieu of foreclosure and have not owned a home since. Individuals who have at any time been placed in foster care qualify as well.

Act 182 of 2022 gave VFHA the discretion to reserve funding and adopt guidelines to provide grants to first-time homebuyers who are also first-generation homebuyers. Of the funds appropriated to DHCD in Act 74 of 2021, \$1.0 million was transferred to VHFA to provide grants to first-generation homebuyers. Providing this assistance in the form of grants rather than loans could result in fewer available funds in the future.

From 2015 through March, 2022, the VHFA ASSIST Down Payment and Closing Cost Assistance program provided \$7,474,098 in loans to 1,565 borrowers. Under current conditions, if the fund does not experience any losses, just over \$10 million in VHFA's revolving loan fund will be available to loan out through 2026. First-generation homebuyers would likely make up a very small subset of the overall program participant population, but because they would receive grants rather than loans the overall amount of the fund could decrease over time.

Section 37

Section 37 appropriates \$20.0 million from the General Fund to VHFA in fiscal year 2024 for the Middle-Income Homeownership Development Program. The Agency will use the funds to provide subsidies for new construction or rehabilitation of affordable owner-occupied housing available for purchase by income-eligible homebuyers. Income-eligible homebuyers are defined as those with annual income that does not exceed 150% of area median income. Subsidies available cannot exceed 35% of eligible development costs.

Section 39

Section 39 appropriates \$20.0 million from the General Fund to VHFA in fiscal year to implement the Rental Housing Revolving Loan Program. The program will provide subsidized loans for rental housing developments targeted toward middle-income households.

Loans cannot exceed the lesser of the following: 35% of project costs that are attributable to affordable rental units or \$150,000 per unit for each unit that is affordable to renters with annual income between 65 and 80% of area median income and \$100,000 per unit for each unit that is affordable to households with annual income between 81% and 150% of area median income. All affordable units that receive loans through the program must remain affordable for either seven years or until the full amount of the loan has been repaid plus three years, whichever is longer.

To be eligible for the loans a project must create two or more new rental housing units. Projects can

include both market rate and affordable units, but at least 25% of units in the project must be affordable. Affordable units must be affordable to households with annual income between 60% and 150% of area median income.

Section 41

Section 41 appropriates \$20.0 million from the General Fund to DHCD in fiscal year 2023 for the Vermont Rental Housing Improvement Program (VHIP). The Department will award the funding to statewide or regional nonprofit housing organizations to provide competitive grants and forgivable loans to private landlords for the rehabilitation, including weatherization, of eligible rental housing units.

Eligible units cannot be offered for short-term rental. Units are deemed eligible if they are non-code compliant, a newly created accessory dwelling unit, a newly created unit within an existing structure, a newly created single-unit structure, or a newly created unit within a newly created structure that contains five or fewer residential units. Loans or grants cannot exceed \$50,000 per unit and the landlord must contribute matching funds or in-kind services that equal or exceed 20% of the value of the grant or loan.

Units must be made available for a minimum period of five years to individuals exiting homelessness or are actively working with an immigrant or refugee settlement program. In instances where an eligible tenant cannot be found, landlords may rent the unit to a tenant with an annual income equal to or less than 80% of area median income. If an eligible tenant still cannot be found, the landlord may rent to other households subject to approval from the Department.

Section 42

Section 42 appropriates \$25.0 million from the General Fund to the Vermont Housing and Conservation Board (VHCB) in fiscal year 2024 to provide affordable mix-income rental housing and homeownership units. Funds may also be used for improvements to manufactured homes and communities, recovery residences, and housing available to farm workers and refugees. VHCB will also use the funds to expand shelter capacity and permanent homes for individuals experiencing homelessness.