



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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S.127 – An act relating to housing and housing development **House Proposal of Amendment^{1,i}**

Bill Summary

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

Fiscal Summary

The bill proposes a program that would have impacts on the statewide Education Fund:

- Sections 25 and 26 would create a new, project-based tax increment financing (TIF) program, called the Community and Housing Infrastructure Program (CHIP). The proposed program would allow municipalities to retain up to 100% of incremental municipal property tax revenues and 60% – or 80% if at least 20% of the units in the housing development meet mixed income criteria established by the bill – of incremental education property tax revenues for 20 years to support financing of local projects.
- The bill allows the Vermont Economic Progress Council (VEPC) to approve up to \$40 million in lifetime Education tax increment retention in each year VEPC is authorized to prove application. In each year, VEPC may request a \$5 million increase of the cap, subject to Joint Fiscal Committee (JFC) approval. This annual cap represents the total lifetime amount of Education Fund increment that can be retained over the 20-year debt retention period to pay for CHIP project debt.
- Even with the cap described above, there are too many unknowns to provide a fiscal estimate of the cost of this proposal to the Education Fund. The approved increment retention caps are estimated at the time of application and the actual fiscal impact would depend on the amount of debt incurred, the total size of project districts, and future growth in property tax revenues. The impact would also depend on the number of projects that are made possible by CHIP versus the number of projects that would have happened in some capacity anyway.

The bill would also authorize the creation of the Residential Universal Design Study Committee, the State Housing and Residential Services Planning Committee, and the CHIP Board. Certain members of all three groups would be eligible for per diem compensation and expense reimbursement.

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

Background and Details

Section 1: Vermont Rental Housing Improvement Program (VHIP)

VHIP provides 5-year grants or loans and 10-year forgivable loans to rehabilitate existing vacant units or structural elements affecting multiple units, build accessory dwelling units (ADUs), build new residential units in an existing or new structure, and complete repairs necessary for code compliance. Under the current program, property owners are eligible to receive \$30,000 per unit for rehabilitation of 0-2 bedroom units, and \$50,000 per unit for 3+ bedroom units or creation of new units.

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

Section 2: Vermont Manufactured Home Improvement and Repair Program

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

Section 3: Vermont Infrastructure Sustainability Fund

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

- Preliminary engineering and planning;
- Engineering design and bid specifications;
- Construction for municipal water and wastewater systems;
- Transportation investments; and
- Other eligible activities determined by future guidelines.

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

Section 5: Residential Universal Design Study Committee

Section 5 would create a Residential Universal Design Study Committee to explore implementation of statewide universal design standards for all residential buildings. “Universal design” refers broadly to design practices that make built environments usable by people of different ages, abilities, and physical or cognitive characteristics without additional customization. The Committee would meet for not more than six meetings, submit a report to various committees of jurisdiction by November 1, 2025, and cease to exist on December 1, 2025. This report would review opportunities and challenges for the residential building industry to meet universal design standards, the costs and benefits of adopting universal design standards for residential buildings, existing best practices and standards for home accessibility and adaptability, and related topics.

Members serving in their capacity as a legislator when the General Assembly is not in session would be entitled to per diem compensation and expense reimbursement pursuant to 2 V.S.A. § 23, paid from funds appropriated to the General Assembly. The Joint Fiscal Office (JFO) estimates that legislator per diems and expense reimbursements would cost up to \$3,000 in fiscal year 2026. Non-legislative members who are not otherwise compensated or reimbursed for their attendance would be entitled to per diem compensation and expense reimbursement pursuant to 32 V.S.A. § 1010. JFO estimates this would cost up to \$11,500 in fiscal year 2026.²

Section 6: State Housing and Residential Services Planning Committee

Section 6 would create the State Housing and Residential Services Planning Committee to generate a State plan to develop housing for individuals with developmental disabilities. The Committee would create a plan that includes: a schedule for the creation of at least 600 additional units of service-supported housing, a description of the support needs of individuals with developmental disabilities, any anticipated funding needs, and any recommendations for changes to State laws or policies that are obstacles to the development of housing for individuals with Medicaid-funded home and community-based services. The Committee would meet for not more than six meetings, submit a report to various committees of jurisdiction by November 15, 2025, and cease to exist on November 30, 2025.

Members serving in their capacity as a legislator when the General Assembly is not in session would be entitled to per diem compensation and expense reimbursement pursuant to 2 V.S.A. § 23, paid from funds appropriated to the General Assembly. The Joint Fiscal Office (JFO) estimates that legislator per diems and expense reimbursements would cost up to \$3,000 in fiscal year 2026. Non-legislative members who are not otherwise compensated or reimbursed for their attendance would be entitled to per diem compensation and expense reimbursement pursuant to 32 V.S.A. § 1010. JFO estimates this would cost up to \$6,300 in fiscal year 2026.³

Sections 25, 26, and 27: Community and Housing Infrastructure Program (CHIP)

Sections 25 and 26 would create CHIP, a TIF program that would allow municipalities to retain growth in incremental property tax revenues to finance housing development. Municipalities would be able to retain 100% of the municipal increment until CHIP project debt is retired and 60% – or 80% if at least 20% of the units created meet middle income criteria established by the bill – of the education property tax increment for 20 years after the first incursion of debt. Under current law, TIF districts can retain 70% of education property tax increment and 85% of municipal property tax increment.

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

- *But-for test:* VEPC will determine that the project would not occur, or would occur in a less desirable way, if not for the tax increment financing. The but-for test requires considering:
 - the amount of additional time and/or cost that might be incurred in the absence of increment retention;
 - how the proposed housing developments and size would differ if at all, including, if applicable, the number of middle-income units would differ in the absence of increment retention; and
 - the amount of additional revenue property tax revenue expected to be generated by the proposed housing development.
- *Process:* the project must show it has created a project site, executed a housing infrastructure agreement with a developer or sponsor, and pledged incremental tax revenues to the project.

² The fiscal year 2026 appropriations bill as passed by the Senate contains an appropriation for this purpose.

³ There is no appropriation in the bill for this purpose.

- Project: at least 65% of the floor area of the housing project is dedicated to housing.

IF VEPC determines that the project is a mixed-income housing development, which means that at least 20% of the housing units in the housing development are subject to a perpetual housing subsidy covenant as defined in 27 V.S.A. § 610, the project would be able to retain 80% of incremental education property tax revenues for the 20-year retention period.

The bill allows VEPC to approve up to \$40 million of total retained education property tax increment to service CHIP project debt each year, with an up to \$5 million increase if approved by the Governor and JFC, until the program sunsets on December 31, 2031. This represents the total lifetime amount of Education Fund increment that can be retained to pay for CHIP project debt – not the single-year cost to the Education Fund.

In total, the \$40 million annual increment retention cap places a \$240 million limit on the amount of forgone revenue to the Education Fund that could occur over the lifetime of approved CHIP projects. However, the exact fiscal impact of this program to the Education Fund cannot be estimated at this time, since the scope of program utilization, the intended size of projects, and the amount of development that would otherwise occur in its absence is unknown.

As proposed to be amended by the House, Section 27 would end VEPC's authority to approve new TIF Districts on July 1, 2031. This would only apply to the approval of new TIF Districts beyond that date and would not constitute any change for TIF Districts approved prior to that date.

ⁱ The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.