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H.163

Introduced by Representatives Baser of Bristol, Scheu of Middlebury, Carr of  
Brandon, Christie of Hartford, Deen of Westminster, Frenier of  
Chelsea, Giambatista of Essex, Greshin of Warren, Higley of  
Lowell, Houghton of Essex, Kimbell of Woodstock, LaLonde  
of South Burlington, Marcotte of Coventry, Masland of  
Thetford, McCoy of Poultney, Mrowicki of Putney, Ode of  
Burlington, O’Sullivan of Burlington, Parent of St. Albans  
Town, Shaw of Pittsford, Sibilina of Dover, and Stuart of  
Brattleboro

Referred to Committee on

Date:

Subject: Commerce and trade; housing

Statement of purpose of bill as introduced: This bill proposes to authorize the  
Agency of Commerce and Community Development to grant authority for up  
to five municipalities to incur debt to support a workforce housing pilot project  
and use workforce housing tax increment financing to repay debt.

An act relating to promoting workforce housing

1 It is hereby enacted by the General Assembly of the State of Vermont:

2 Sec. 1. WORKFORCE HOUSING PILOT PROJECTS

3 (a) Definitions. As used in this act:

4 (1) “Improvements” means the installation, new construction, or  
5 reconstruction of infrastructure to benefit a workforce housing pilot project,  
6 including utilities, transportation, public facilities and amenities, land and  
7 property acquisition and demolition, and site preparation.

8 (2) “New workforce housing development” means new construction of  
9 owner-occupied housing, rental housing, or both, on a single parcel or multiple  
10 contiguous parcels of land, to create 12 or more independent dwelling units,  
11 which may be detached or connected.

12 (3) “Related costs” means expenses incurred and paid by the  
13 municipality, exclusive of the actual cost of constructing and financing  
14 improvements, that are directly related to the creation and implementation of a  
15 workforce housing tax increment financing district, including reimbursement  
16 of sums previously advanced by the municipality for those purposes, direct  
17 municipal expenses such as departmental or personnel costs related to creating  
18 or administering the project, and audit costs allocable to the district.

19 (4) “Senior housing redevelopment” means renovation of one or more  
20 existing structures on a single parcel or multiple contiguous parcels of land to  
21 create four or more independent dwelling units of owner-occupied housing,

1 rental housing, or both, the occupation of which is limited by covenant or  
2 restriction to include at least one person who is 55 years of age or older.

3 (5) “Workforce housing pilot project” means a new workforce housing  
4 development, a senior housing redevelopment, or a workforce housing  
5 redevelopment, subject to the following criteria:

6 (A) The project is:

7 (i) located in a designated downtown development district,  
8 designated new town center, designated growth center, or designated  
9 neighborhood development area under 24 V.S.A. chapter 76A; or

10 (ii)(I) has a minimum residential density greater than or equal to  
11 four single-family detached dwelling units per acre, exclusive of accessory  
12 dwelling units as defined in 24 V.S.A. § 4303, or no fewer than the average  
13 existing density of the surrounding neighborhood, whichever is greater; and

14 (II) the area in which the project is located represents a logical  
15 extension of an existing compact settlement pattern and is consistent with  
16 smart growth principles as defined in 24 V.S.A. § 2791.

17 (B) For purposes of calculating density pursuant to subdivision

18 (A)(ii)(I) of this subsection, total acreage includes all of the acreage within the  
19 parcel or parcels on which a project is located, regardless of whether any  
20 portion of the land may be unsuitable for development.

1           (C) If the project is a new workforce housing development or  
2           workforce housing redevelopment:

3                   (i) For a minimum of 25 percent of the total units in the project,  
4                   the total annual cost of owner-occupied housing, including principal, interest,  
5                   taxes, insurance, and condominium association fees, and the total annual cost  
6                   of rental housing, including rent, utilities, and condominium association fees,  
7                   will not exceed 30 percent of the gross annual income of a household at  
8                   80 percent of:

9                           (I) the county median income, as defined by the U.S.  
10                           Department of Housing and Urban Development; or

11                           (II) the standard metropolitan statistical area median income if  
12                           the municipality is located in such an area, as defined by the U.S. Department  
13                           of Housing and Urban Development.

14                   (ii) For a minimum of 50 percent of the total units in the project,  
15                   the total annual cost of owner-occupied housing, including principal, interest,  
16                   taxes, insurance, and condominium association fees, and the total annual cost  
17                   of rental housing, including rent, utilities, and condominium association fees,  
18                   will be between 30 percent of the gross annual income of a household at more  
19                   than 80 percent, and 30 percent of the gross annual income of a household at  
20                   120 percent, of:

1                   (I) the county median income, as defined by the U.S.

2                   Department of Housing and Urban Development; or

3                   (II) the standard metropolitan statistical area median income if  
4                   the municipality is located in such an area, as defined by the U.S. Department  
5                   of Housing and Urban Development.

6                   (6) “Workforce housing redevelopment” means renovation of one or  
7                   more existing structures on a single parcel or multiple contiguous parcels of  
8                   land to create four or more independent dwelling units of owner-occupied  
9                   housing, rental housing, or both.

10                  (b) Eligible workforce housing pilot projects; approval. The Agency of  
11                  Commerce and Community Development shall create an application and  
12                  approval process to authorize a workforce housing pilot project in up to five  
13                  municipalities, subject to the following limitations:

14                  (1) Not more than one project may be located in a municipality with a  
15                  population of more than 10,000 full-time residents.

16                  (2) Not more than two projects may be located in a single county.

17                  (3) Not more than one project may be located in a single municipality.

18                  (4) At least one project shall be located in a county in which the 2015  
19                  per capita personal income is equal to or less than \$41,000.00, as determined  
20                  by the Vermont Department of Labor.

1           (5) If the Agency approves a project in a municipality that is currently  
2           authorized to use education tax increment financing under 24 V.S.A. § 1894,  
3           the municipality shall segregate all monies and accounts related to the project  
4           and to the authorized tax increment financing district.

5           (c) Reports. On or before January 15, 2018 and annually thereafter, the  
6           Agency of Commerce and Community Development shall report to the House  
7           Committees on Commerce and Economic Development and on General,  
8           Housing and Military Affairs and the Senate Committee on Economic  
9           Development, Housing and General Affairs on action it has taken pursuant to  
10           this act, the status of any municipal action on developing one or more  
11           workforce housing pilot projects, and any recommendations for additional  
12           administrative or legislative action.

13       Sec. 2. WORKFORCE HOUSING TAX INCREMENT FINANCING

14           (a) General authority. Notwithstanding any provision of 24 V.S.A. chapter  
15           53 or 32 V.S.A. § 5404a to the contrary, upon approval of the Agency of  
16           Commerce and Community Development, a municipality may incur debt to  
17           provide funding for improvements and related costs and use workforce housing  
18           tax increment financing pursuant to this section to repay the debt and related  
19           costs.

20           (b) Municipal approval.

1           (1) A municipality may issue a request for proposals from one or more  
2           developers to create a workforce housing pilot project within the municipality.

3           (2) The legislative body of the municipality shall hold one or more  
4           public hearings to gather information and consider the details of project  
5           proposals, including:

6                   (A) the type and scope of the workforce housing pilot project;

7                   (B) how the project and municipal funding conforms with the criteria  
8           and purposes of this act;

9                   (C) the current taxable value of the tax parcel or parcels on which the  
10           project is planned and the projected value of the parcel or parcels following  
11           completion of the project; and

12                   (D) a workforce housing tax increment financing plan that includes  
13           the type and amount of debt the municipality would incur, projections on the  
14           economic feasibility of the project, and an analysis of the ability to repay  
15           the debt.

16           (3) Following public notice, hearing, and opportunity to comment, the  
17           legislative body of the municipality may grant initial approval to a proposal  
18           and pursue approval from the Agency of Commerce and Community  
19           Development.

20           (c) Board approval; voter approval.

1           (1) The Agency shall review and approve applications in its discretion  
2           based on the overall viability of the project and the extent to which it achieves  
3           the efficient creation of necessary housing, promotes economic development in  
4           the municipality and the region, and uses smart growth principles.

5           (2) If the Agency approves a project, before the municipality may incur  
6           debt for the project, the voters of the municipality shall approve the debt  
7           obligation by a majority vote of those present and voting at a regular or special  
8           meeting for which voting upon the debt obligation was properly warned.

9           (3) Following final voter approval, the municipality has up to one year  
10          to incur debt pursuant to the financing plan, which the Agency may extend up  
11          to one additional year for good cause.

12          (d) Life of district. A workforce housing tax increment financing district  
13          remains active and subject to this act from the date the municipality incurs debt  
14          for the project until the date the municipality repays the debt, including debt  
15          that it refinances, or for 20 years, whichever is sooner.

16          (e) Financing. During the life of an active district, the following apply,  
17          notwithstanding any provision of law to the contrary:

18               (1) Valuation.

19                   (A) Within 30 days of voter approval pursuant to subsection (c) of  
20                   this section, the lister or assessor for a municipality shall certify to the  
21                   legislative body of the municipality the original taxable value of a workforce



1 housing pilot project parcel as of the date the voters approved the debt  
2 obligation.

3 (B) On or before June 30 following voter approval and annually  
4 thereafter, the lister or assessor shall assess and certify to the legislative body  
5 the current value of a project parcel.

6 (2) Tax rate.

7 (A) The lister or assessor shall use the original taxable value of a  
8 project parcel when computing the municipal tax rate.

9 (B) When calculating the amount of tax due on a project parcel, the  
10 treasurer shall apply the municipal tax rate to the current assessed value, rather  
11 than the original taxable value.

12 (3) Tax increment.

13 (A) The “tax increment” is the amount of tax paid on a project parcel,  
14 as calculated pursuant to subdivision (2)(B) of this subsection using the current  
15 assessed value, that exceeds the amount of tax that would have been due if the  
16 tax rate were applied to the original taxable value.

17 (B) The tax increment includes both the municipal share and the  
18 State share of the tax owed.

19 (C) A municipality shall segregate the tax increment in a special  
20 account and in its official books and records.

21 (4) Use of tax increment.

1           (A) As of each date the municipality receives a tax payment and  
2           retains a portion of the tax increment pursuant to this section, the municipality  
3           shall use the portion of the tax increment that is necessary to pay costs actually  
4           incurred as of that date for debt service and related costs.

5           (B) If, after paying for improvements and related costs, there remains  
6           any excess portion of the tax increment, the municipality shall:

7                   (i) allocate 25 percent of the excess portion to a debt service  
8                   reserve fund for future debt service and related costs;

9                   (ii) allocate 25 percent of the excess portion to its general  
10                  fund; and

11                  (iii) transfer 50 percent of the excess portion to the Vermont  
12                  Housing and Conservation Board for the purpose of supporting affordable  
13                  housing.

14           (f) Annual audit.

15                  (1) The municipality shall ensure that the segregated account for the  
16                  workforce housing tax increment financing district required by this act is  
17                  subject to the annual audit requirements prescribed in 24 V.S.A. §§ 1681  
18                  and 1690.

19                  (2) Any audit procedures shall include verification of the original  
20                  taxable value and current assessed value, expenditures for project debt service

1 and related costs, annual and total tax increment funds generated, and  
2 allocation of tax increment funds.

3 Sec. 3. WORKFORCE HOUSING REVOLVING LOAN FUND

4 (a) The Agency of Commerce and Community Development shall work  
5 with the Vermont Housing Finance Agency to establish a revolving loan fund  
6 for the purpose of funding infrastructure and other required construction for  
7 eligible workforce housing projects similar to those described in Sec. 1 of this  
8 act.

9 (b) The Fund shall be provided credit support through reserve and pledged  
10 equity funds as authorized in 10 V.S.A. § 632a or other such credit  
11 enhancement as approved by the State Treasurer and the Vermont Housing  
12 Finance Agency.

13 Sec. 4. EFFECTIVE DATE

14 This act shall take effect on July 1, 2017.