



**Statutory Authorization:** 24 V.S.A. Chapter 113; Chapter 117 §§4432, 4433

**Type:** NONREGULATORY

**Related Topic Areas:** Community & Economic Development; Housing Regulations

# Housing Programs

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## Overview

**H**ousing—and affordable housing in particular—is in short supply in many parts of the state. It's becoming difficult for an increasing number of Vermonters, including renters and first-time home buyers, to find suitable places to live near jobs and services. Many local employees—for example, municipal workers, teachers, and health-care and service providers—cannot afford to live in the communities where they work. Long commutes are common and, with rising fuel prices, increasingly costly. The lack of affordable housing also affects job recruitment and retention.

Over much of Vermont's history, local governments were solely responsible for the care and housing of the poor, giving rise to a statewide system of locally funded "poor farms." These establishments housed transients and indigent, elderly, and disabled individ-



**Housing programs, such as community land trusts and dedicated funding sources, can be critical to building housing on infill sites within older neighborhoods, where the complications of permitting and construction can reduce interest from the private sector. Once neighborhoods start to turn around, developers will often jump in to build additional units.**

uals who could not support themselves. Poor farms were never pleasant places to live but were viewed at the time as a humane and cost-effective way to address very real housing needs. The local poor farm system was phased out beginning in the 1930s under federal and state relief programs and was eliminated by the state in 1967 with the passage of the Social Welfare Act. The last poor farm, in Sheldon Springs, closed in 1968.

Interest in improving local housing then took other forms. Beginning in the 1950s, several larger Vermont municipalities undertook, with federal assistance, sometimes controversial urban renewal projects to relieve neighborhood slums and blight. Soon after state-enabling legislation went into effect in 1961, local housing authorities were created to access federal housing funds. Public housing pro-

grams, until very recently, focused on providing safe and sanitary housing for low-income tenants, including the elderly and disabled. Market rate housing development was left to the private sector, subject to state and local regulation.

Vermont's housing market has gone through several boom and bust cycles, generally following national trends. As a result, planning has had to address both housing shortages and the impacts of residential development on local communities. Affordable housing development and growth management are not mutually exclusive, as evidenced in the creation of the Vermont Housing and Conservation Trust Fund in 1987.

Municipal plans adopted under the Vermont Planning and Development Act (24 V.S.A. Chapter 117) are required to include a section on housing that recommends a program for

### Affordable Housing Definition

24 V.S.A. §4303

Housing that is owned or rented by its inhabitants, whose gross annual income does not exceed 80 percent of the county median income, or 80 percent of the standard metropolitan statistical area income (where applicable), as defined by the U.S. Department of Housing and Urban Development, and the total annual cost of housing is not more than 30 percent of the household's gross income. Housing costs for homeowners include principal, interest taxes, insurance, and condominium association fees. For renters, costs include rent, utilities, and association fees.

## Fair-Housing Standards

*Fair housing* is defined as the right to equal opportunity in rental, sale, and financing of housing under federal, state, and local laws. The Federal Fair Housing Act was originally enacted as part of the Civil Rights Act of 1968 and makes it illegal to discriminate on the basis of race, color, religion, national origin, sex, familial status, and disability. Vermont's Fair Housing Act is similar to federal law, with four additional protections: marital status, age, sexual orientation, and receipt of public assistance.

This act protects everyone from discriminatory or exclusionary housing practices. Municipal activities that affect housing, including one or more of the following, trigger fair-housing responsibilities:

**Regulatory Activities**, for example, zoning regulations and housing codes.

**Provision of Services**, including routine services provided to residential neighborhoods or individual residents.

**Provisions of Subsidies**, including financial incentives (grants, loans, loan guarantees) or special services (special infrastructure projects or housing rehabilitation services) to residential property owners and residents.

**Proprietary Activities**, for example, when a municipality buys or sells residential property.

Municipalities that receive federal and state housing funds, such as Community Development Block Grants, must certify that they are acting to "affirmatively further fair housing." Related activities may include:

- Conducting public education and outreach programs, including programs that counteract public resistance to affordable housing (for example, NIMBYism).
- Monitoring the practices of local lenders, housing providers, landlords, and realtors.
- Adopting a local fair-housing ordinance that is consistent with federal and state law or, in communities that lack local resources, assisting the state in the enforcement of federal and state requirements.

- Auditing and testing programs that target specific parties or groups and using trained auditors to investigate and uncover discriminatory practices for possible enforcement.
- Developing land use policies and regulations that promote affordable housing by eliminating regulatory barriers (for example, overly restrictive limitations on higher-density housing development), providing incentives (for example, density bonuses or waivers of standards and fees), requiring affordable housing development (for example, inclusionary zoning), or by directly building or subsidizing affordable housing development.
- Developing programs that increase geographic choice in housing (such as regional housing listings, job and housing search assistance, and rental voucher programs) that provide housing choices over an expanded geographical area.
- Developing programs that promote the desegregation of public housing.

All communities have fair-housing responsibilities whether or not state or federal funding is involved. Any activity that results in discrimination, regardless of intent, can be found in violation. Care must be taken in the management and administration of local housing programs and regulations.

Complaints under federal fair-housing laws may be filed with the U.S. Department of Housing and Urban Development (HUD) or in lawsuits in federal court. At the state level, complaints may be filed with the Vermont Human Rights Commission. The Fair Housing Project of the Champlain Valley Office of Economic Opportunity (CVOEO) also provides education, outreach, and enforcement of fair-housing laws, by conducting studies on rental and sales practices, investigating complaints, and assisting victims and attorneys involved in litigation.

Source: Adapted from *The Basics of Fair Housing and Examples of Activities to Affirmatively Further Fair Housing*, Vermont Association of Planning and Development Agencies (April 2002).

"addressing low and moderate income persons' housing needs, as identified by the regional planning commission" (§4382). Local efforts to both provide and regulate housing must conform to the municipal plan. They must also meet federal and state fair-housing standards that prohibit exclusionary or discriminatory practices (see side bar). This paper describes housing programs that can be undertaken by municipalities, typically in partnership with other groups. A related topic paper provides guidance on local housing regulations.

## Housing Task Forces and Commissions

Though planning commissions are responsible for preparing housing plans and related regulations, many municipalities appoint housing task forces or commissions that focus more specifically on community housing issues. Local housing groups generally serve in an advisory capacity to the legislative body, planning commission, and other local boards and may also conduct studies, educational programs, and public awareness campaigns to help address identified housing needs.

Some housing task forces are short-term, ad hoc groups appointed to oversee a particular housing study or initiative. Others, such as the Montpelier Housing Task Force, are longstanding. Housing groups to be effective often draw their membership from local residents, businesspeople, and professionals with interests or expertise in housing issues, including housing advocates and providers, landlords, realtors, developers, and tenant and homeownership groups.

Chapter 117 now provides for the creation of more formally constituted housing commissions or committees to assist the planning commission and legislative body to prepare, adopt, and implement the housing section of the municipal plan (§4433). A housing commission may be created at any



## Housing Task Force

### Example: *Montpelier*

The Montpelier Housing Task Force was organized in 1999 to (1) gather and evaluate information regarding housing trends in the city, (2) develop responses to housing concerns that are identified, and (3) recommend policies concerning housing to the Montpelier City government.

The mission of the Task Force is to preserve and enhance residential opportunities in Montpelier for households of all income levels. Working with community residents, city staff, elected officials, landlords, financial institutions, and community organizations, we will:

- Gain a better understanding of the complex issues affecting the quantity and quality of the city's housing;
- Recommend activities to increase the amount of housing in the city;
- Recommend strategies that protect against the loss of housing in the city; and

- Increase the public's participation in and awareness of city housing issues.

The Task Force consists of up to fifteen members of the community, including one representative from the Montpelier City Council. Membership in the task force is open to all but preference is given to those who live or work in Montpelier. The Department of Planning and Community Development provides staff support.

Since 1999, the Montpelier Housing Task Forces has been responsible for or assisted in the preparation of several housing studies and reports—including regular housing reports to the city council, a 2003 Housing Inventory and Needs Assessment, and a 2004 *Central Vermont Housing Resource Guide*, prepared in association with the Central Vermont Regional Planning Commission.

Source: Montpelier Housing Task Force website, [www.montpelier-vt.org/mhtff/](http://www.montpelier-vt.org/mhtff/).

trends, conditions, markets, and affordability. Housing assessments are usually prepared by local planning commissions or housing groups, with the assistance of planning staff and consultants, and may be incorporated in or adopted as an amendment to the municipal plan.

The Vermont Housing Finance Agency and UVM's Center for Rural Studies have issued the *Vermont Housing Needs Assessment Guide* for use by Vermont communities. The guide is intended to help community groups determine the local need for affordable housing for renters, home buyers, seniors, and groups with special housing needs.

The guide, and much of the data needed to prepare a local housing assessment, is available through the Vermont Housing Data website ([www.housingdata.org](http://www.housingdata.org))—a collaborative effort of state housing organizations and the largest single source for market rate and affordable housing information in the state. The guide and website also include links to housing providers, programs, and resources.

Municipal planning grants, administered through the Vermont Department of Housing and Community Affairs, can be used to fund housing needs assessments. Several assessments are available from the department or online through municipal and housing organization websites.

## Value of Housing Needs Assessments

Policy makers, leaders, and citizens continually analyze present data and future trends when determining the levels and types of housing needed at the state, regional or local levels. Whether projecting the capacity for sewer and water infrastructure, building roads, or planning for schools, housing needs assessments are an integral element in community and regional planning.

Source: *Vermont Housing Needs Assessment Guide*.

time by a vote of the municipality or through the adoption of bylaws that establish the commission. Commissions must have at least three members, a majority of whom should reside in the community. Housing commission powers and duties may include:

- *conducting inventories* of the current housing stock to identify housing gaps for households in different income groups or with special needs;
- *reviewing existing zoning and subdivision regulations, ordinances, and building codes and the local development review process* and making recommendations to facilitate the development of affordable housing under local regulations;
- *assisting appropriate municipal panels* (such as planning commissions, zoning or development review boards) and the Act 250 district environmental commission by providing testimony on the housing needs of the municipality, where pertinent to the review of permit applications;
- *cooperating with local officials*—including

the legislative body, planning commission, zoning board, development review board, road commissioner, and other municipal and private organizations—on matters affecting housing resources of the community. This may include, for example, working on a wastewater ordinance to allocate a percentage of available reserve capacity for affordable housing; and

- *collaborating with nonprofit housing organizations, government agencies, developers, and builders* in pursuing options to meet local housing needs.

## Housing Needs Assessments

The housing section of a municipal plan may include a general assessment of housing need based on readily available demographic information and targets provided by the regional planning commission. Housing needs assessments are supporting studies or plans that provide more detailed, in-depth analyses of local housing

# Municipal Housing Authorities

Public housing authorities evolved out of federal legislation, first enacted in the 1930s, to address housing needs through federally funded public housing programs. Legislation enacted by the state in 1961 established in each municipality a “public body corporate and politic to be known as the housing authority” (24 V.S.A. Chapter 113 §4003). Municipal housing authorities, however, must also be established locally through the legislative body. The local governing body can, at any time, declare by resolution that there is a need for a housing authority if it finds that unsanitary or unsafe inhabited dwelling accommodations exist in the municipality or there is a shortage of safe or sanitary dwelling accommodations available for low-income and elderly persons at rents they can afford.

Currently, there are eleven public housing authorities in the state, including ten municipal authorities and the Vermont State Housing Authority—a statewide housing authority created in 1968. The municipal housing authorities are in Barre, Bennington, Brattleboro, Burlington, Hartford, Montpelier, Rutland, St. Albans City, Springfield, and Winooski. Municipal housing authorities consist of five commissioners appointed by the legislative body for terms specified in statute.

Qualified public housing authorities are charged with administering U.S. Department of Housing and Urban Development’s (HUD) low-income housing programs, as well as other programs to provide and manage public housing. Housing authorities in Vermont have the power to:

- investigate living, dwelling, and housing conditions and methods for improving substandard conditions;
- acquire, insure, improve, and dispose of property;
- carry out, acquire, lease, and operate

## Housing Authority

*Example: Burlington*

The Burlington Housing Authority (BHA), created in 1961, is the state’s oldest and largest municipal public housing authority. Policies and priorities are established in five-year plans. Most program funding continues to come from the U.S. Department of Housing and Urban Development (HUD).

BHA manages over 500 affordable apartment units and provides rental assistance to more than 1,700 families through its Housing Choice Program. It also offers rental assistance programs for people with special needs, resident service, family financial self-sufficiency, and homeownership programs.

housing projects, including project construction, reconstruction, improvements, alterations, and repairs;

- arrange or contract for project work, services, or management, including services provided through other public and private agencies;
- lease dwellings, houses, accommodations, lands, buildings, or structures included in a housing project;
- invest funds held in reserve or sinking funds in property or legal securities; and
- enter into contracts, agreements, lawsuits, and other legal instruments necessary to carry out their powers and duties and to require that contractors or subcontractors comply with federal labor and wage requirements and other conditions of federal funding.

Vermont’s housing authorities were initially established, largely in urban communities, to address concentrations of substandard housing through the construction and management of federally funded housing projects. Federal housing priorities and funding levels have changed significantly over the years, requiring municipal housing authorities to adapt their programs accordingly.

Today, public housing authorities continue to manage housing projects,

housing choice programs (for example, Section 8 vouchers) and other types of federal programs intended mainly to assist low-income renters. They may also, however, provide a variety of other services, including financial counseling and employment training services, home ownership programs for qualified families, and home support services for the elderly.

Few Vermont municipalities have had the need or resources to establish local housing authorities, but this remains an option for communities that are growing or undergoing major redevelopment. Most communities instead rely on services provided by the Vermont State Housing Authority and other organizations, such as community land trusts and nonprofit housing corporations, to address their affordable housing needs.

## Community Land Trusts

Community land trusts (CLTs) are community-based nonprofit organizations that often arise from grassroots efforts to address local housing needs. The primary purpose of a CLT is to provide access to land and housing for people who are otherwise priced out of the housing market. The community land trust model, first introduced in the 1960s, has been successfully applied in poor inner city neighborhoods, gentrifying communities, and rural areas. CLTs are governed by boards of directors and draw their membership from the larger community. There are now several CLTs operating in Vermont, including the nation’s largest—the Burlington Community Land Trust. Most community land trusts in Vermont are regional, covering several municipalities.

CLTs, as independent nonprofit organizations, have the flexibility to address housing gaps that are not being filled by the market or public agencies. They work to develop a pool

## Housing Development Corporations

Community land trusts are one type of nonprofit housing organization. There are more than twenty active nonprofit groups statewide that focus on affordable housing development. In addition to community land trusts, these include several nonprofit housing development corporations that don't necessarily follow the land trust model but also develop and manage affordable housing projects and programs—often in partnership with community land trusts.

Housing development corporations, as other housing organizations, generally serve and manage projects in more than one community. The largest—Housing Vermont—operates statewide in partnership with local organizations, public agencies, and the private sector. Founded in 1988, Housing Vermont has helped produce more than 3,300 affordable units in over ninety different development projects around the state.

of permanently affordable housing by acquiring and holding land in trust. The land is then made available, under long-term lease (for example, ninety-nine years), for housing or other community development purposes.

The CLT retains ownership of the land, thereby reducing home sale and resale prices. Sale and lease agreements require that dwellings be sold back to the trust, under shared equity arrangements that maintain their long-term affordability. The amount the homeowner receives upon sale is determined under the CLT's resale formula, which is designed to give homeowners a fair return on their investment, while keeping the price affordable for subsequent home buyer. CLTs have the flexibility to:

- acquire land and properties for community purposes through gifts and donations or through purchases on the open market, often with the help of public funding;
- build new homes and rehabilitate older homes;

- acquire and develop multifamily housing under various ownership structures, which may include property ownership and management by residents (for example, as a cooperative or condominium), the community land trust, or another nonprofit housing provider;
- purchase mobile home parks to provide long-term security for park residents.
- make land available for community gardens, playgrounds, economic development activities, or open space (some may also function as land conservation trusts that hold easements on farm- or forestland); and
- provide services and training to first-time home buyers and crucial support to deal with needed repairs or to resolve financial problems.

Homeowners pay taxes on their homes, and the land trust pays taxes (or payments in lieu of taxes) on their land holdings, the cost of which is usually covered through rental fees. A property's assessed value, however, may be reduced based on the resale value of the home, which is determined by the trust's resale formula rather than the market value of the property.

It's common for community land trusts to work closely with local government, and in some cases, such as in Burlington, they've been initiated by the municipality. CLTs rely heavily on local support, especially to access public funding for property acquisition, development, and rehabilitation. Communities interested in promoting affordable housing development have also donated public land or other municipally acquired properties. Most CLTs also work closely with a broad network of housing providers, including other nonprofit housing corporations, to meet shared goals for affordable housing development.

While there is sometimes opposition to community land trusts because of the types of projects they take on, or perceived impacts to the local tax base, most officials recognize that CLTs are stewards of an important

local resource. They help address unmet housing needs, and their projects generally benefit the entire community.

## Public/Private Partnerships

Few if any Vermont municipalities have the wherewithal to address affordable housing needs on their own. Fortunately, as noted above, there are a number of housing groups around the state that have the needed resources and expertise—including project financing, development and management skills—to assist local communities. They also depend, however, on local support to function effectively within the community. Community support may take the form of:

- representation and active participation on housing boards and advisory committees;
- funding assistance—including municipal grants and loans through the Vermont Community Development Program, municipal endorsements for other sources of project financing (for example, the Vermont Housing Conservation Trust Fund), or funding through a local housing trust or revolving loan fund;
- donations of municipal land for affordable housing development;
- assistance with community education and outreach for projects that may be locally controversial but meet municipal housing goals and objectives, which could include hosting neighborhood meetings or supporting a mediation process to address local concerns as discussed below;
- incentives for affordable housing development under local land use regulations and infrastructure ordinances;
- downtown district or growth center designation under Vermont's Downtown Program, which provides additional financing and regulatory incentives for developers of affordable housing; and



## Employer Housing Programs

Some employers are large enough to affect housing markets by generating significant demand for affordable or seasonal workforce housing. Communities can encourage or, if they've done the needed analyses, require under local regulations (known as "linkage ordinances") that employers provide housing, housing assistance programs, or contribute to the development of affordable housing that allows their employees to live near where they work.

- municipal support in Act 250 hearings for projects that have received local approval.

Many communities are also working with private housing developers and employers who are interested in not just meeting their bottom line but also want to address the need for more affordable and mixed-income housing. Again, this may include providing incentives under local regulations and support for housing projects that meet community goals and objectives and involving non-profit housing groups to help develop and manage affordable units.

## Financing Programs

A number of communities manage programs locally, or in association with nonprofit housing groups, to provide funding for affordable housing development, home ownership, and home improvements. These usually take the form of local revolving loan funds that provide low interest loans to eligible applicants but may also include housing trust funds.

**Revolving Loan Funds.** Community Development Block Grants (CDBGs), administered through the Vermont Community Development Program and Community Development Board, are a major source of funding for the construction of af-

fordable housing, supporting infrastructure, and access improvements that serve low- and moderate-income groups. Block grants are available only to municipalities on a competitive basis. Funds received from implementation grants are generally issued as loans to project developers. Loan repayments may then be used to establish revolving loan funds that are administered locally. Local revolving loan funds may also be capitalized through other sources, including direct municipal contributions.

**Housing Trust Funds.** Housing trust funds are distinct funds established by state or local government to provide dedicated sources of funding that support the preservation and production of affordable housing. The Vermont Housing and Conservation Trust Fund (HCTF), established in 1987 to meet state land conservation and affordable housing objectives, is one of the best examples of a state financed and independently managed housing trust fund. The Housing and Conservation Trust Fund receives funding from a variety of sources—including a percentage of the state's property transfer tax revenues and other state and federal appropriations—and has been used to help finance more than 6,500 units of affordable housing around the state.

Communities around the country are establishing local housing trust funds, including, in Vermont, Burlington and Montpelier. Burlington's housing trust fund, established in 1988, is used to fund nonprofit housing development and to purchase affordable units that become available under the city's inclusionary zoning ordinance. Montpelier's housing trust fund, created by city voters in 2005, provides grants and loans to nonprofit organizations to preserve and develop affordable housing and to assist eligible home buyer. Both funds are supported primarily through local property taxes.

Local housing trust funds are relatively new and few in Vermont. They are not addressed in state statutes but are nevertheless subject to applicable state laws. Local housing funds established as reserve funds, or funded through development impact fees, may be subject to the same requirements as similar funds, for example, their use may be limited only to the financing of capital projects (such as land, houses, and supporting infrastructure) and the statutory time limit on impact fee expenditures (six years) may apply.

## Financing Affordable Housing

Affordable housing projects generally require creative financing, which includes funding from a variety of sources. Three primary sources of funding in Vermont include:

**Community Development Block Grants** administered through the Vermont Community Development Program, which are available only to municipalities on a competitive basis. Implementation grants may be used for housing, infrastructure, and access modification projects.

**Federal Home Investment Partnership (HOME) funds**, distributed through the Vermont Housing and Conservation Board (VHCB). These may be used for acquisition and rehabilitation, new construction, mobile home parks, and organizational support for Vermont's nonprofit housing developers. VHCB administers the Vermont Housing and Conservation Trust Fund, which also includes state funds allocated for affordable housing programs.

**Low Income Housing Tax Credits (LIHTC)** are indirect federal subsidies that are used to help build or preserve affordable rental housing. These are made available through the Vermont Housing Finance Agency, working in association with the Vermont Department of Housing and Community Affairs.

# Community Outreach Programs

Many smaller municipalities don't have the staff or resources needed to administer local housing programs, but all communities can provide information about the programs and resources that are available to local residents—especially to those in need. Community outreach efforts could include:

- referring residents to housing and homeowner assistance programs;
- offering municipal space for displays, meetings, and community forums;
- hosting housing forums or annual housing fairs;
- providing administrative support to mobile home park residents who want to form a cooperative; and
- developing a local housing resource

## Small Loan and Grant Programs

Many of Vermont's older homes are expensive to heat and maintain and can present special challenges for structural repair, lead paint removal, the installation of new water systems, or the replacement of failing septic systems. Several communities have established small loan and grant programs to help finance needed repairs and weatherization.

The town of Swanton and the Lake Champlain Housing Development Corporation have used VCDP grants to capitalize the Champlain Valley Revolving Loan Fund, a scattered site housing rehab program that serves income eligible households in Franklin and Grand Isle Counties and the town of Westford.

## Resources for Outreach

**The Vermont Housing Awareness Campaign** ([www.housing-awareness.org](http://www.housing-awareness.org))—initiated by public and private sector housing interests to address statewide housing issues—is a resource for similar efforts at the community level.

directory, or providing housing assistance and resource links on the municipal website.

Outreach is also critical for raising community awareness about local housing issues and to address the concerns of local residents when housing projects are proposed in their neighborhoods.

Longtime homeowners benefit from rising property values and, otherwise unaffected by the housing market, may not even be aware that a housing problem exists until their taxes go up or they need to move. Local residents are also understandably wary of any change in their circumstances, particularly if it's in the form of higher-density development that may have perceived or very real impacts on their neighborhood and daily activities. The common association of affordable housing with poorly designed and managed public housing projects of the past doesn't help. Development of any kind can be controversial, but affordable housing holds a special place in the "not in my backyard" list of undesired development.

Community support for affordable housing development is more likely when local residents:

- understand that providing affordable housing means providing housing options for teachers, town employees, health-care workers, retired

seniors on fixed incomes, and first-time home buyer—and their children when they decide to move out;

- can actively participate in the planning process in determining what type of housing is needed and where it should be located in the community; and

- have the opportunity to raise valid concerns about a proposed project in the initial stages of project design, during the development review process, and through mediation where appropriate and available.

Most municipalities, at some point, will face vocal opposition to an affordable housing project that requires local approval. Encouraging developers to involve neighbors in initial project design and, where feasible, to address their concerns outside the permitting process—for example, through facilitated mediation—may help resolve conflicts before they come before the board.

Community outreach programs can demonstrate, through example and illustration, that well-designed affordable housing projects benefit the entire community and therefore deserve broad community support.

## Housing Resource Guide

*Example: Central Vermont*

The *Central Vermont Housing Resource Guide*, compiled by the Montpelier Housing Task Force and the Central Vermont Regional Planning Commission, is designed to assist renters, homeowners, and potential home buyer by providing information on various housing programs available in Central Vermont. The resource guide can be found at [www.centralvtplanning.org](http://www.centralvtplanning.org).