

# Rental Revolving Loan Fund



501 Main Street, 9 units in Fairlee

**Vermont Housing Finance Agency**  
**January 2023**

# Three options for employers' direct investment (there may be others)

- Create a local or regional investment pool with other employers
  - Upper Valley Loan Fund approach
- Identify individual projects and provide direct financial investment
  - Hospital system is participating in examples of this approach
- Be part of land acquisition
  - Middlebury College's acquisition of parcel in Middlebury
  - Indirect and in-kind investments can count towards employer involvement

# Momentum in many Vermont communities



# Employers and municipalities want to be part of the solution



Employers having difficulty attracting and retaining employees are participating in development of new housing or acquiring existing rental properties.



Municipalities have created revolving loan fund or housing development grant pools that are often too small to make a meaningful impact on their own.

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## Middlebury College Acquires Land for Affordable and Workforce Housing

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### NEWS AND ANNOUNCEMENTS

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Summit Properties will develop a 35-acre parcel acquired by Middlebury College and pictured above into affordable housing for 250-350 people.

# Renters who make too much to receive traditional subsidies



Renters' Income



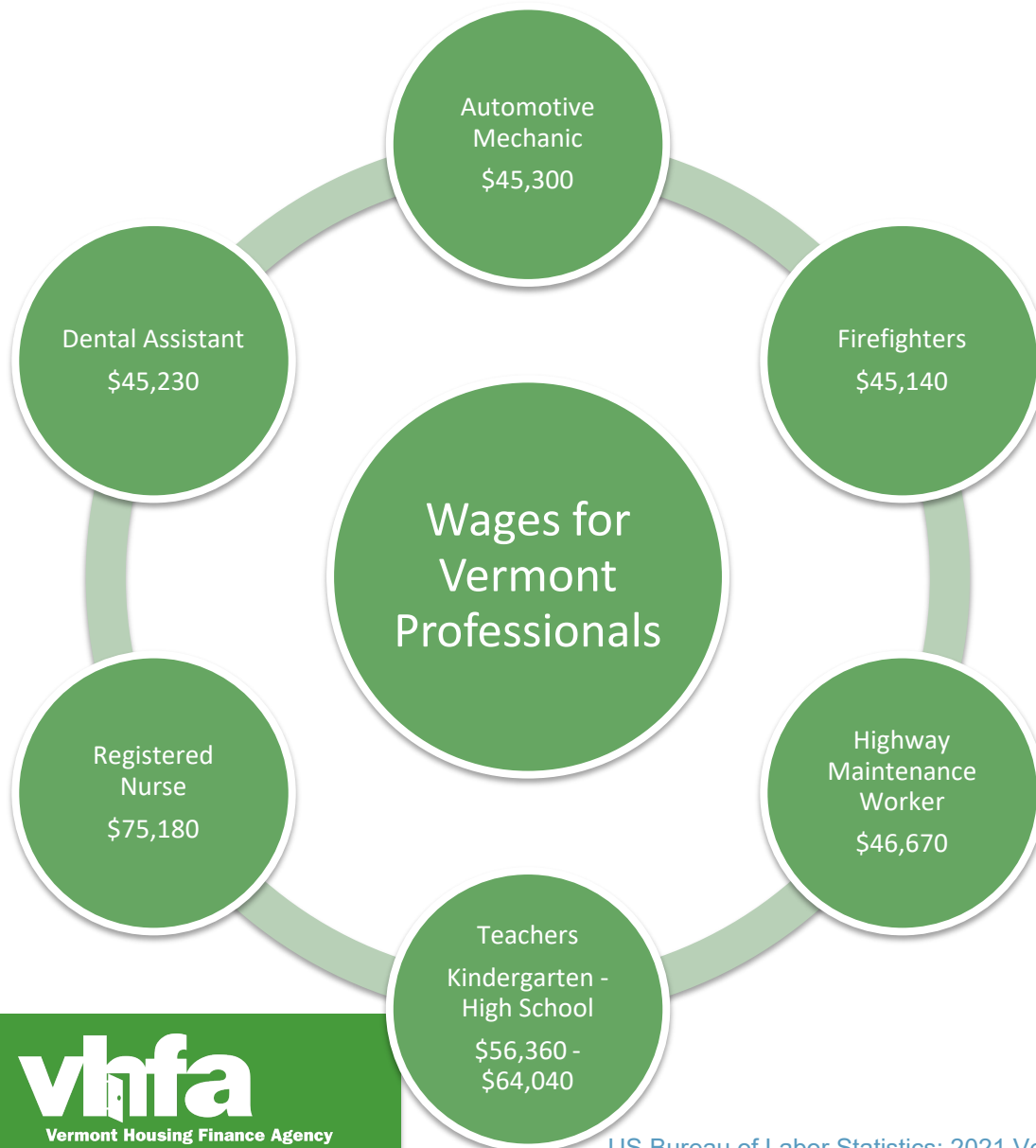
Affordable Rent Levels

Area Median Income Statewide	1-Person Household Income	2-Person Household Income	Rents Needed to Serve Households
65% - 80% AMI	\$42,250 - \$51,950	\$48,230 - \$59,400	\$1,131 - \$1,356
80% – 120%	\$51,950 - \$78,000	\$59,400 - \$89,000	\$1,305 - \$1,565

Incomes are banded to allow units to serve a wider range of incomes.

Developers need this flexibility to 1.) ensure households are not paying the maximum amount and 2.) make administration less cumbersome

# Who are Vermont renters?



- **Most rental housing subsidies stop supporting households making 60% or more of Area Median Income (AMI)**
- **Program will serve households between 65-120% Area Median Income**
- **This income range supports a large portion of Vermont's labor force**

# Why isn't the market meeting this need?



## 10 Unit Project

- Three – 2 Bedroom Units 65% Households
- Three – 2 Bedroom Units for 80% Households
- Four – 2 Bedroom Units for 100% AMI Households



## Development Cost

- Estimated \$375,000 per unit development cost
- Total Development Costs \$3,750,000
- Current Interest rates: 6-8%



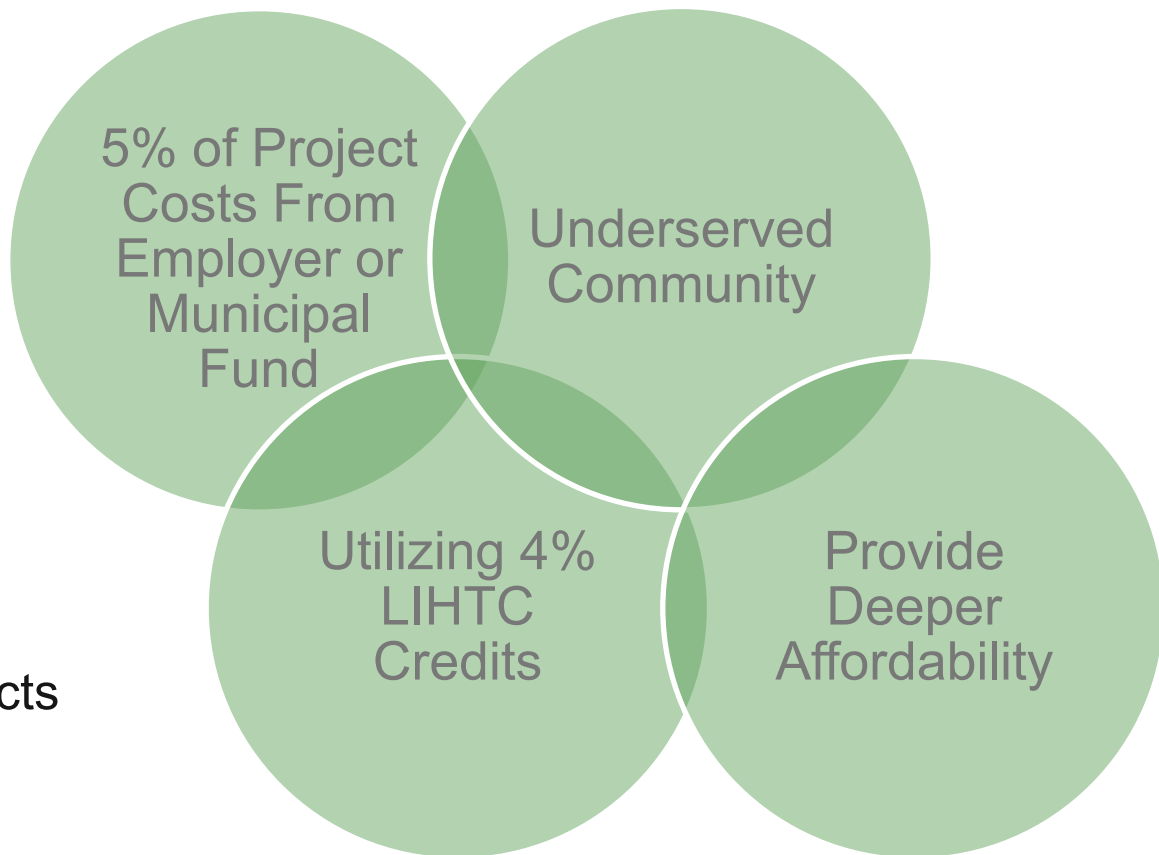
## Sources and Gap

- Maximum Debt @ Rent Levels: \$2,062,500 (55%)
- Developer Equity/Cash: \$375,000 (10%)
- **Funding Gap: \$1,312,500**

# Revolving Loan Fund Fills the Gap

Enhanced subsidy for project that meet one of the following:

- ❖ Rental Revolving Loan Fund would offer Construction-to-Permanent Loan.
- ❖ Terms from 3 to 30 years
- ❖ Interest rate as low as 0% for priority projects
- ❖ Interest-only options for projects that need extra support





# Revolving



Repayments of loans through the program will be placed back into the fund for future projects. VHFA will continue to analyze needs for future investment.



VHFA will continue seek other sources to pair with state investment, including aggregating statewide employer funds, and other non-traditional investors.



VHFA has experience in establishing funds that combine public, private, employer, and philanthropic funds – Vermont Housing Investment Fund.



## 2022 Vermont Housing Investment Fund Annual Report



# How much subsidized loan is needed?

Projects serving these incomes are encountering gaps of around 35% of their costs.

Tiered approach with income band served, program maximum subsidized loan:

- ❖ 65%-80% AMI: \$125,000 or 35% of Development Cost
- ❖ 80%-120% AMI: \$100,000 or 35% of Development Cost

# Eligible Projects



New Construction: Projects may designate a percentage of units for program, or entire projects. At least 25% of units in a project must use the program. Per-project limit on funding to be established based on amount of funding available.



Preservation of Naturally Occurring Affordable Housing (NOAH): Properties currently serving 80% AMI households and lower that are at risk of speculative investment. Projects will require income survey. Households will not be displaced.



## COMPLIANCE REQUIREMENTS

- ✓ Minimum Affordability Period: Lesser of 7 Years, Loan Repayment, or Term of the Loan (between 7-30 years)
- ✓ Rent increases capped at 3% annually, and rents certified annually by the agency
- ✓ Rents may not increase more than 3% for 3 years after property exits the program
- ✓ Income certification is required only at move-in, tenants may not be displaced for income eligibility reasons
- ✓ Owners/Managers required to demonstrate continued relationships with local employers

# A role for employers

- ❖ Housing that supports workers with wages between \$42,000 and \$89,000
- ❖ Developers required to provide letters of support from local employers with application for funding
- ❖ Developers required to survey local employers to demonstrate how rents support local wages with a focus on vacant positions
- ❖ Employer investment into project or local housing fund will enhance program benefits to project