



# Vermont Housing Finance Agency

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February 2023

# Pillars of Housing Development Program Development

Equity: Reaching all Vermonters and all of Vermont with investments and development opportunities

Capitalize projects that fulfill the promise of Local and State Land Use modernization efforts

Provide a reasonable level of subsidy, revolve the funds, build a long-term program

Build capacity in Vermont's development and construction industries

Engage employers in a meaningful way, both to meet their needs and leverage their interest in investments in housing

# 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.

Middlebury / News and Announcements / News / 2022 / April 2022

## Middlebury College Acquires Land for Affordable and Workforce Housing

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April 8, 2022  
NEWS

### NEWS AND ANNOUNCEMENTS

News

2022

2021

2020

2019

2018

2017

2016



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



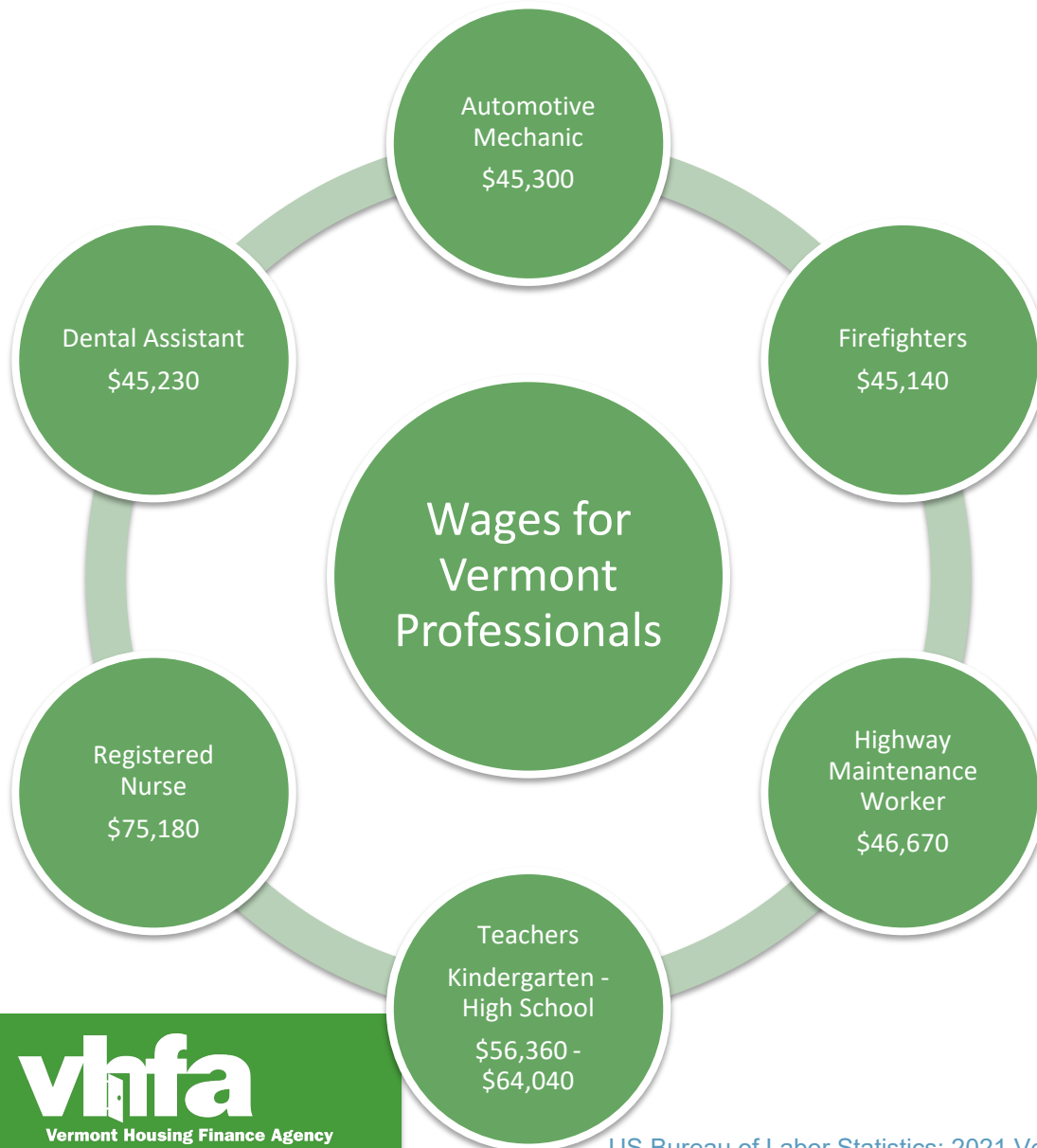
Affordable Rent Levels

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%



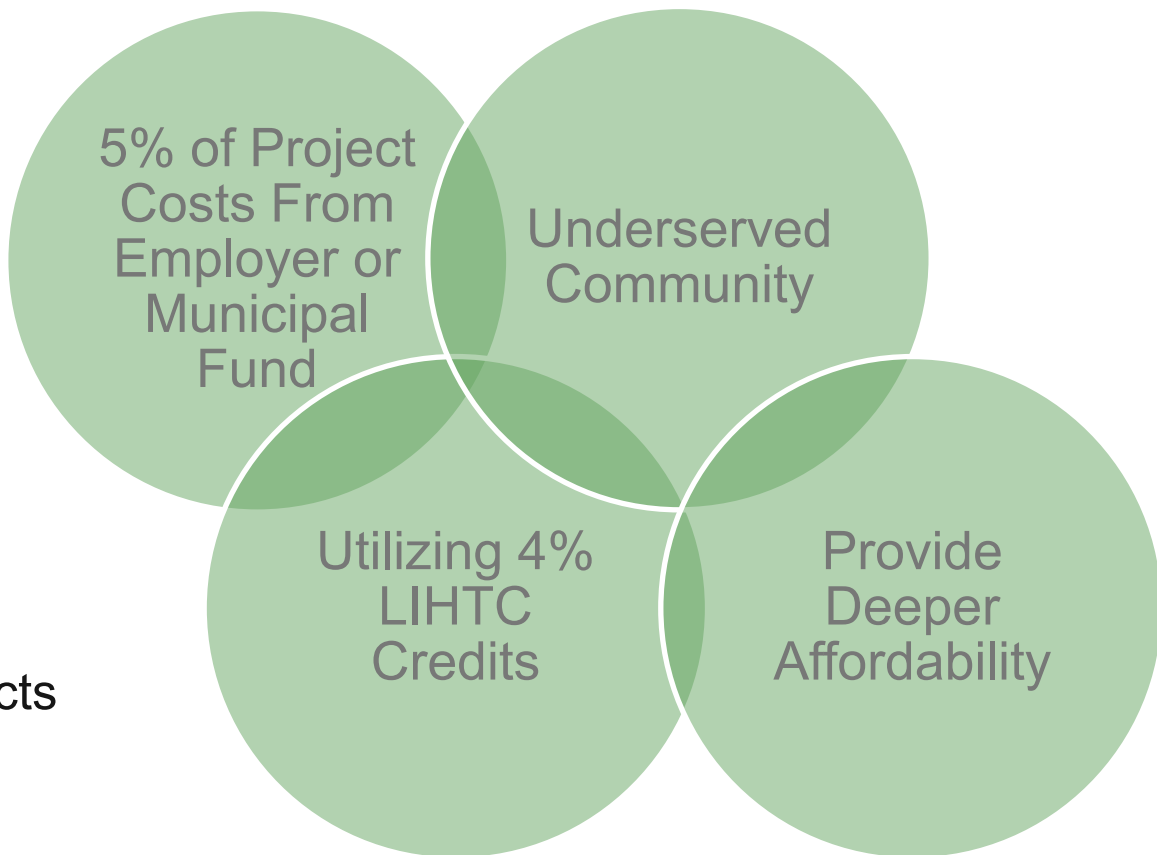
## Sources and Gap

- 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



# 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



# Prioritization of Projects & Outcomes:

Incentivize

Incentivize employers and municipalities to invest in housing



Promote

Promote investment in new construction that currently does not pencil



Preserve

Preserve Naturally Occurring Affordable Housing



Create

Create opportunities in rural communities and among smaller developers



Reward

Reward communities that have updated by-laws or are welcoming “missing-middle” infill housing



Reach

Reach needs by prioritizing projects that achieve lower rents both the program units and the market rate units in the project

# 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

# 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



# 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 meet the needs of local wage earners with a focus on vacant positions
- ❖ Employer investment into project or local housing fund will enhance program benefits to project

# 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

# Sec. 33 & 34: Missing Middle-Income Homeownership Development Program

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\$15 million for Development

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\$2 million for Construction Guarantee Pool

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33% of funding set-aside Shared Equity Homes

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Subsidy Retention required for all homes

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Serves households at or below 120% AMI

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New Construction & Rehabilitation


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Up to 35% of Development Costs may be eligible for subsidy:



## Value Gap

Homes Cost more to build than they will appraise for



## Affordability Gap

Modest homes are not priced for households between 80-120% Area Median Income

# Applications Due January 27, 2023



S.226 Signed by Governor

June 7<sup>th</sup>, 2022



VHFA issues Draft Guidelines for Public Feedback

June 13<sup>th</sup>, 2022



VHFA Board of Commissioners Approves Program Guidelines

August 15<sup>th</sup>, 2022



Signed Agreement between DHCD & VHFA

November 10<sup>th</sup>, 2022



Applications Formally Open

December 2<sup>nd</sup>, 2022



# Within 2 months:



17 Applications



\$23 Million



141 Homes,  
297 Bedrooms



15 Towns



1,500 Avg Sq. Ft.



9 Counties