

HOUSINGVERMONT

Building possibilities.



House Committee on General, Housing and Military Affairs

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Kenn Sassorossi
Vice President for Partner Relations
(802) 863-8424
kenn@hvt.org
www.hvt.org

Housing Vermont

Housing Vermont is a private, nonprofit development company founded in 1988 to produce permanently affordable rental housing for Vermonters through partnerships with communities and the private sector. The partnerships advance State and local development goals, particularly downtown revitalization, application of smart growth practices and the preservation of at-risk housing.

Since its inception in 1988, Housing Vermont has raised \$300 million in private equity to finance 159 affordable rental housing developments throughout the State. This equity has leveraged an additional \$391 million in private financing and public investment. The 4,950 apartments created or renovated in these efforts serve low and moderate income Vermonters including seniors and those with special needs. Many developments also include commercial space.

Housing Vermont raises equity by syndicating low income housing and historic tax credits. In addition to a reliable return on their investments, community banks and other Vermont and national companies which invest with Housing Vermont have an opportunity to help communities build or renovate tangible, long-lasting housing resources.

Housing Vermont brings other critical services to its partners. Housing Vermont's development staff is skilled in shepherding nascent projects through the complex permitting process. The staff also helps to secure loans and grants to complement the equity and provide construction management services to complete the project on time and within budget.

Once a development is occupied, Housing Vermont works with local partners to provide asset management and financial reporting services. Housing Vermont is responsible for administering the tax and finance matters for each partnership, including the maintenance of books and records and the preparation of quarterly reports for investors. Housing Vermont also monitors the annual audit of each development and the tax return process.

In 2010, Housing Vermont launched its New Markets Tax Credit (NMTC) program to support investment in the economic, environmental, and social well-being of Vermont communities. NMTC funds are used to retain and create jobs for Vermonters by financing key community developments in downtown and village centers and in other concerted community efforts which demonstrate positive impacts on Vermont's economic, health care, energy and food systems.

Prospective NMTC projects generally need to be located in qualified census tracts. In Vermont those areas include much of northern Franklin, Grand Isle, Lamoille, Essex and Orleans counties as well as parts of the towns and cities of Barre, St. Albans, Rutland, Bennington, Bellows Falls, Fair Haven, Burlington, Winooski, Newport, St. Johnsbury, Brattleboro, Middlebury and other locations.

Housing Vermont has used the New Markets Tax Credit program to provide favorable financing in excess of \$87 million to eleven economic development projects including the construction of Community College of Vermont's new building in downtown Rutland, the expansion of Weidmann Electrical Technology in St. Johnsbury and the Commonwealth Dairy in Brattleboro, the construction of new office buildings in Barre and St. Albans, and the redevelopment of the Brooks House in Brattleboro.

Housing Vermont has a staff of 22. Oversight is provided by an 11-member board of directors.

Shifts in Federal Rental Affordability Delivery Mechanisms

Public Housing Program

- Relies upon municipal or state agencies to deliver services to fixed areas.
- In Vermont, first arose in 1960s. There are currently nine local public housing authorities (PHAs).
- Uses federal HUD funds to provide project-based housing (1,797 apartments) for households with incomes less than 50% of HUD area median.
- PHAs also operate Section 8 Housing Choice Voucher program providing tenant-based rental assistance (and several specialized Voucher subprograms).
- Difficulties:
 - Needs federal capital funds to build (funds for new public housing no longer available).
 - Needs annual operating subsidies to meet operating expenses.
 - Only municipalities with housing authorities can use the program.

Section 8 Program

- New approach contained in Housing and Community Development Act of 1974: Uses private sector to build/rehab and operate. No capital grants were necessary, only annual operating subsidies from HUD.
- Programs for both project-based and tenant-based rental assistance.
- Section 8 Developments.
 - State housing finance agencies and others provide construction loans for project-based New Construction and Substantial Rehab programs while HUD provides monthly subsidy to cover difference between 30% of income and contract rent.
 - New Construction/Substantial Rehabilitation programs were very successful in expanding affordable apartments: Vermont has about 2,540 Section 8 New Construction/Substantial Rehabilitation apartments.
- Tenant-based Section 8.
 - Tenant-based rental assistance (now called “Section 8 Housing Choice Vouchers” or simply “Vouchers” is provided through the Vermont State Housing Authority and the local public housing authorities.
 - Vermont has about 6,300 Section 8 Vouchers.
- Problem is that annual subsidy costs are high and growing—collectively they are assuming more of the HUD budget.

Federal Low Income Housing Tax Credit Program

- Created as part of major changes in federal tax code in 1986, with LIHTC program going on line in 1988.
- Nationally, has become the single largest source of funds for project-based affordable rental housing.
- Is a supply side initiative.
- Makes housing affordable by minimizing “must pay” debt (ideally zeroing it out).
- HV has raised more than \$300 million in equity since 1988 to create 4,950 apartments. HV is not the only source of LIHTC equity.
- To be eligible, households must have incomes less than 60% of HUD area median.
- LIHTC does not provide operating subsidies, though it can be combined with HUD and USDA Rural Development subsidies, if they are available.

The Vermont Affordable Housing Network

Four state agencies share responsibility for affordable housing subsidies and capital grant/loan programs. Though the agencies are independent, policies and funding decisions are well coordinated.

[Vermont Housing Finance Agency](#): Single family & multi-family mortgages, administers LIHTC and state housing credits.

[Vermont State Housing Authority](#): Administers Section 8 program in areas not covered by local PHAs and preserves/rehabilitates mobile home parks.

[Vermont Department of Housing & Community Development](#): Sets state housing policy and administers federal Community Development Block Grant Program (CDBG).

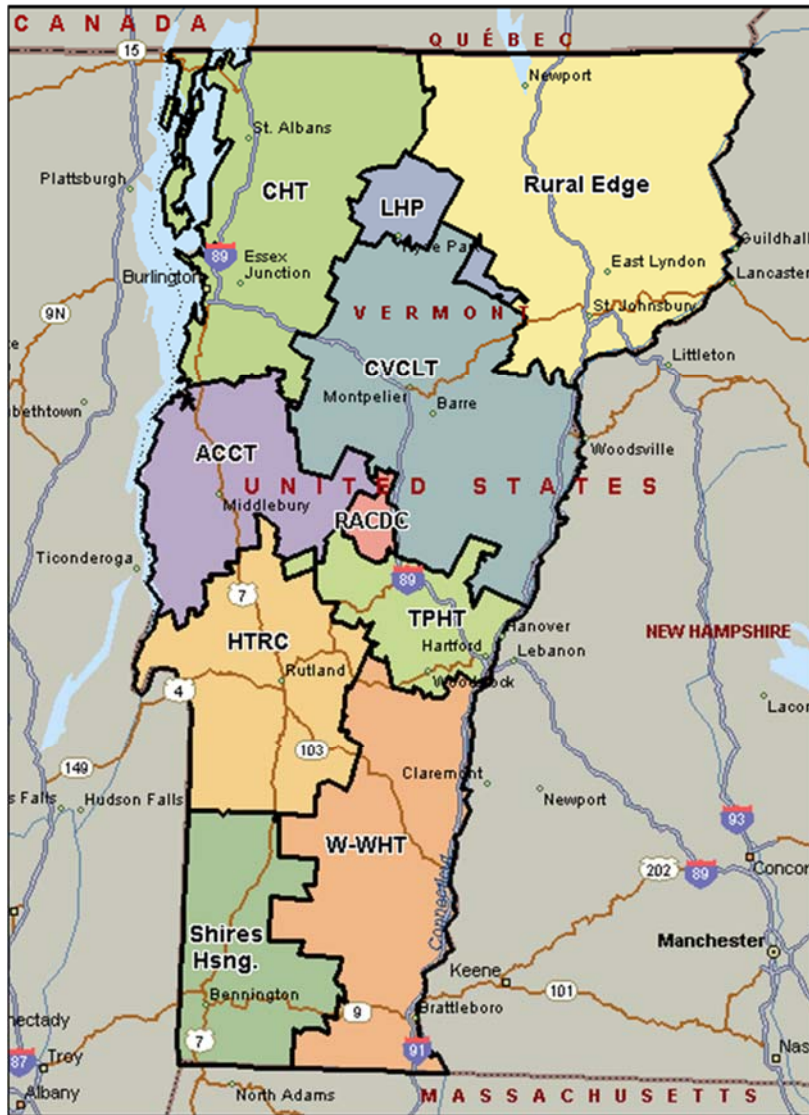
[Vermont Housing & Conservation Board](#): Administers HOME, HUD lead program as well as its own funds for housing (capacity support, multifamily loans, shared equity grants to nonprofits, special needs housing capital grants) and conservation.

The foundation of Vermont's affordable housing delivery system is a system of regional nonprofit housing organizations which collectively provide a comprehensive range of services including multifamily housing development and property management, single- and multi-family rehabilitation programs, and home ownership counseling. They work with community service organizations to provide housing with support services to homeless veterans, homeless families, persons with disabilities and others. Many of the regional nonprofits and PHAs make use of the innovative SASH program, developed by the Cathedral Square Corporation (CSC), to provide coordinated services to seniors and others in need of services to remain at home. CSC owns and manages about 930 senior apartments while the remainder of the regional nonprofits own about 3,900 apartments, most through the LIHTC program. Housing Vermont, a statewide nonprofit, provides development and tax credit syndication services to the regional and local nonprofits.

There are nine local public housing authorities in Vermont with a combined 461 units of family public housing and 1,336 elderly public housing apartments plus about 3,190 vouchers (the state housing authority has another 3,100 vouchers). All but three PHAs have developed affordable apartments through the Section 8 New Construction/Substantial Rehabilitation programs and/or the Low Income Housing Tax Credit program. The aggressive use of project based vouchers has contributed to Vermont serving a high percentage of extremely low-income people in its affordable housing. For example, 53% of Housing Vermont's Housing Credit apartments serve households with incomes below 30% of county median.

Vermont has several statewide advocacy groups: the Vermont Affordable Housing Coalition is Vermont's lead agency for the New England Housing Network and the National Low Income Housing Coalition; the Vermont Housing & Conservation Coalition is a group of organizations representing historic preservation, the preservation of agricultural land and perpetually affordable housing; and LeadingAge Vermont is a coalition of residential providers including assisted living residences, residential care homes, elderly nonprofit housing, public housing and Continuing Care Retirement Communities.

Service Areas of Regional Nonprofit Housing Development Organizations



ACCT	Addison County Community Trust
CHT	Champlain Housing Trust
CVCLT	Central Vermont Community Land Trust
HTRC	Housing Trust of Rutand County
LHP	Lamoille Housing Partnership
Shires Hsng.	Shires Housing
TPHT	Twin Pines Housing Trust
W-WHT	Windham & Windsor Housing Trust

Federal Low Income Housing Tax Credit Program

Basics

- Intended to offer investors incentive to invest in affordable rental housing.
- Provides a 10-year stream of federal tax credits in exchange for equity investment.
- Promotes affordability by minimizing debt service.
- Projects must meet occupancy and affordability criteria.
- IRS sets rules. Administered by VHFA.

LIHTC Project Eligibility Requirements

- Occupancy
 - At least 20% of the units occupied by families with incomes ≤50% of HUD AMI; or
 - At least 40% of the units occupied by families with incomes ≤60% of the HUD AMI.
- Affordability
 - Gross rent cannot exceed 30% of the applicable qualifying income.
 - Rent does not fluctuate based on size of family in unit or the household's income.

Sample Maximum Initial LIHTC HH Income

Location	1 Person	2 Persons	3 Persons
Windham County	\$26,940	30,780	34,620
Windsor County	29,280	33,420	37,620
Chittenden County	33,720	38,520	43,320
Essex County	26,940	30,780	34,620
Rutland County	26,940	30,780	34,620
Washington County	30,240	34,560	38,880
Lamoille County	28,260	32,280	36,300

Sample Maximum LIHTC Gross Rents

Location	1 BR	2 BR	3 BR
Windham County	\$721	865	1,000
Windsor County	783	940	1,086
Chittenden County	903	1,083	1,251
Essex County	721	865	1,000
Rutland County	721	865	1,000
Washington County	810	972	1,123
Lamoille County	756	907	1,046

Other Features

- Two types of LIHTC
 - Allocated Credits (“9%”)
 - Bond Credits (4%)
- Federally required 30-year use restriction.
- VHFA requires restrictive covenant ensuring that low income occupancy in assisted units continues in perpetuity.
- Nonprofits arrange in advance through right of first refusal to purchase property after initial 15-year compliance period for pre-determined price (outstanding debt + any tax liability).



Harrington Village, Shelburne



Alburgh Family Housing



Roaring Branch Apartments, Bennington



Lamoille View Housing, Morrisville



Sylvan Woods, Stowe



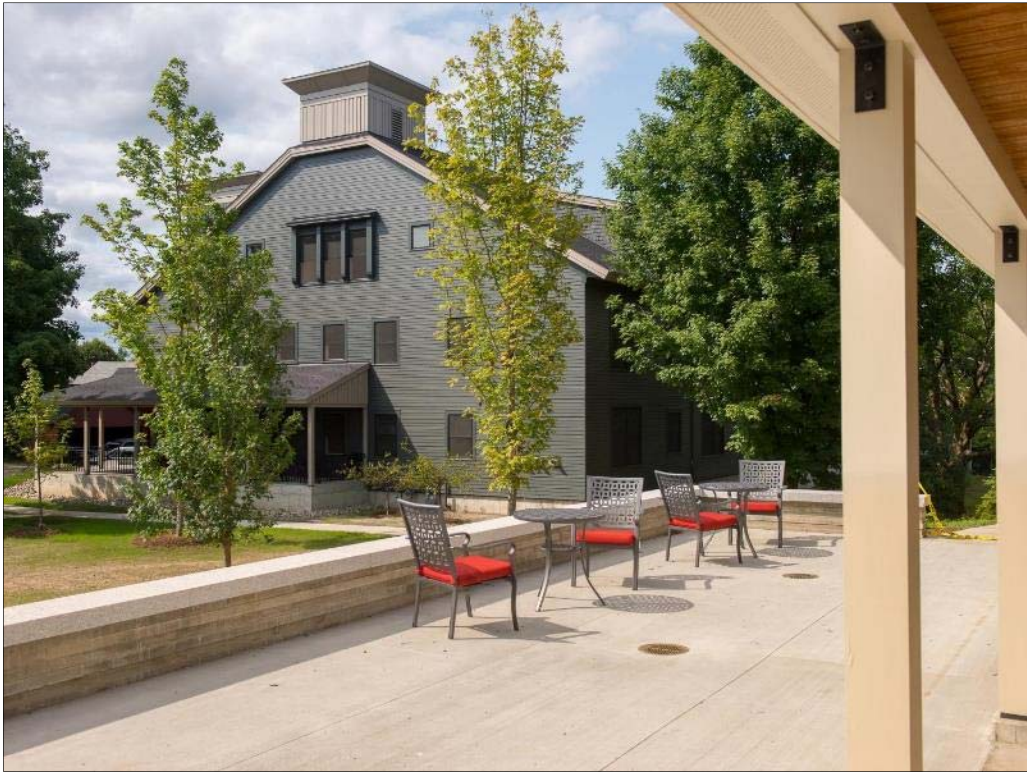
Pine Manor Senior Housing, Alburgh



Hickory Street, Rutland



Hickory Street, Rutland



Harrington Village, Shelburne



Canal Street Veterans Housing, Winooski



River Station Apartments, Montpelier