Strategies for Rebuilding Rural Vermont Workforce

As the state looks to attract younger people and a larger workforce, it is important to specific locations, encourage long term investment, leverage the most effective mechanisms for incentivizing relocation, and place workers in a strong financial position to succeed. Broad marketing efforts, while necessary, could have the impact of simply encouraging new residents to move to regions of the state that already enjoy in-migration, compounding existing housing challenges. A more strategic approach could yield stronger financial results, put the state on a pathway to more resilient economic growth and narrow the opportunity gap between rural and urban parts of the state.

Across the country, rural communities in economic crisis suffer from aging and declining overall populations, and rural Vermont is no exception. Rural areas have seen declines in entrepreneurship, shrinking school enrollments,, and a lack of financial support for a wide variety of civic institutions that typically support healthy communities. The good news is that many of these communities have ample, low cost, high quality housing stock that, in the age of the Internet, provide an opportunity for attracting telecommuters, knowledge economy workers, skilled laborers and entrepreneurs. However, these locations need to be "de-risked" to be viable alternatives and any initiative must communicate clearly to young people that they are wanted in those communities.

Over the last several years, corporations have discovered that anxiety about student debt has made student debt retirement is one of the most attractive mechanisms for attracting talent. Companies like Commonbond and Tuition.io have emerged to handle all of the back end work for processing loan payments. Beyond the anxiety, student debt growth leads to young workers putting off home ownership or starting a business.

The Strong Start Home Ownership Program: Provides up to a $40,000 reduction in student debt for any individual making a first home purchase in a rural New Market Tax Credit zone in Vermont. This incentive would reward actual investment in the communities most struggling to attract financing and talent, while providing an opportunity for home ownership and equity building.

- Marketable incentive - A clear incentive that would be marketed and amplified by real estate brokers and economic development corporations, and could be reinforced through earned media and statewide distribution arms like Vermont Life. One could also launch a "come on home" campaign using targeted social media advertising.
- Targeted and Financially Beneficial - Targeting incentive initiatives to rural New Market Tax Credit Zones gives clear, predefined boundaries in areas where new economic activity and younger home buyers are rare. For JFO forecasting purposes, this would mean that new activity would provide net new tax revenue in transfer taxes, property taxes and, likely, income taxes, offsetting some, if not all of the cost. See New Market Tax Credit zones and specifically ones in non-metro communities to understand the

locations this would be targeting. It would also avoid simply exacerbating the housing crunch in places with current in-migration like Burlington and WRJ.

- Containable - Incentive could be contained by limiting the number of sales in the first year to gauge impact and tax benefit. (Minimum 100)
- Cost spread out over time - The incentive cost could be spread out over a number of years. A recipient would agree to pay the loan back over a four- year period and, if the house was resold before four years, the amount of the incentive would be prorated accordingly. (Two years of home ownership would cover $20k, 3 years would cover $30k, etc.) Lending institutions should be able to determine what would be the clearest form of debt forgiveness commitment to allow them to increase loan amounts.
- First home purchases to encourage young people - Incentive would be limited to first home purchases, but would be available to people currently living in Vermont or outside of the state.
- Financing incentives - In addition, the committee may also want to explore legislation that would allow home mortgage lenders to provide loans for 100% of appraised value (instead of current 75% which is standard), if the additional valuation amount can include remaining student debt. For example, if someone purchased a home for $100k, rather than $25k going towards a down payment, the $25k would go towards reducing student debt leaving the individual with the same debt load, just with a lower interest rate since home mortgages are nearly half student debt interest rates. Maryland has a similar program where the state writes off the difference http://mmp.maryland.gov/Pages/SmartBuy/default.aspx
- Urgency - Interest rates are starting to climb. If we want to encourage re-investment in homes in these locations, the best opportunity is now.

Additional Strategies

Attracting a strong workforce also means creating vibrant downtowns, with diverse work options and things to do. We have seen these kinds of transformations happen when institutions of higher education,with the intentional support of entrepreneurs come into downtowns and villages, attracting investments in desirable loft housing investment in new coffee shops/restaurants, and the creation of knowledge economy jobs.

Financial Support for Co-Work Spaces - Telecommuters are more successful and resilient when given a structured place to work with shared video conferencing equipment and broadband capacity. These entities are not viable on membership dues alone, at least not in the first several years and one-time money to set them up can make a big difference. The state could focus on the same NMTC zones for investment.

Promote Sites that have job openings - Through sites like All You Can Tech and LinkedIn, job openings, particularly in parts of Vermont that are struggling, can be promoted nationally and can be targeted to specific skills. In addition, the shortage of construction workers could justify state coordination with contractors for ads in newspapers and other appropriate mediums in larger markets.

Support for Expanded Broadband and Cell Phone Coverage - Broadband is a great equalizer for rural participants in the digital economy. The state should continue to invest bonded money into fiber to the home using models like EC-Fiber and ensuring competition. Expanding cell coverage is also critical to attracting young people and telecommuters to the state. Having the universal service fund underwrite the 911 costs for small cell deployment in locations that have no cell service will make a huge difference making small cell deployment viable. Exempting small cell carriers from having to provide 911 service when First Net is deployed will be necessary since it would be duplicative.

Doubling Historic Tax Credits for buildings in rural NMTC zones - Many of these communities in decline have beautiful older building that could be ideal for attracting knowledge economy workforce - coffee shops, loft apartments, co-work space, tap rooms. Unfortunately, many of the buildings have net negative value. Increasing redevelopment incentives, like historic tax credits, would make a big difference and create economic activity where none will happen otherwise.

Allocating resources for Brownfields - Many of these communities have beautiful, old industrial buildings that are perfect for live/work space, but they would require investment in Phase 1 and Phase 2 environmental investigations which cost in the neighborhood of $30k and further investment in the associated cleanup. Providing dollars to DEC to cover these costs leads to many kinds of returns. Itbrings valuable real estate back online and de-risks the predevelopment costs.

Investing in program staff for micro-finance - Micro finance has been an incredibly powerful tool in rebuilding downtown storefronts and small business ownership in Vermont. There is a lot of financing available for work across the state, but very few dollars for staff to be able to make sure people know about it and are able to use it effectively. Modest investments in staff in targeted locations would have a significant return.