



Housing Revenue Bond

Outline

Approximately \$35 million for the development and improvement of ownership and rental housing for very low to middle-income Vermonters – protecting the most vulnerable while creating new homes for workers.

The Vermont Housing & Conservation Board will review applications and fund projects for the construction and rehabilitation of multi-family rental and single family housing with an emphasis on creating new homes to ease Vermont's housing crunch.

The funding source is the proceeds from a housing revenue bond to be issued by the Vermont Housing Finance Agency. Revenue bonds are payable from and secured only by a specific source of revenue and are not a general obligation of the state. The proposed revenue source is the dedication of \$2.5 million in annual property transfer tax revenue for the payment of debt service on the bond for 20 years, through 2038. The proposal does not affect Capital Bill bonding under the Debt Affordability Cap.

VHCB's annual state appropriation comes primarily from property transfer tax receipts. (Statute provides for 50% of PTT after 1% for the Tax Department.) The Governor's FY18 budget recommends \$12,304,840 for VHCB from the PTT and an additional \$4,000,000 from the Capital Bill. This represents a \$1 million increase from FY17 and is linked to the payment of the bond.

Housing

New construction. Rehabilitation of existing homes. Multi-family apartments. Single family homeownership. Revitalization of blighted or historic properties in community centers. New neighborhoods. Public-private development and ownership partnerships.

VHCB estimates creating and improving approximately 550-650 units of housing. This assumes current funding of state and federal housing programs. Leverage is anticipated at 2:1 with the goal of reaching 3:1. In other words, the bond will help secure an additional \$70-100 million.

Targeting

All bond proceeds will be used for housing affordable to households at or below 120% AMI.

- At least 25% of the housing will be targeted to very low-income Vermonters (households at or below 50% area median income)
- At least 25% of the housing will be targeted to middle-income Vermonters (households at or between 80 and 120% of area median income)
- The balance will be based on community needs, applications received and the availability of resources for leverage.



Median Incomes

Statewide median income for a household of four is \$70,200.

- 120% of median for a household of four is \$84,240
- 80% of median for a household of four is \$56,160
- 50% of median for a household of four is \$35,100

Varies by county

Geographic Location

In areas targeted for growth and reinvestment statewide.

Timing

Revenue bond to be issued in FY18. Proceeds to be committed to projects over 2-3 years.

Linked to \$1 million proposed increase in VHCB FY18 budget over FY17. \$2.5 million needs to be set aside in a bond reserve at time of issuance to assure bondholders, make bonds competitive in the market and maximize yield.

In addition to the current pressure on Vermonters from the tight housing market, bonding now makes sense due to low interest rates, uncertainty of federal funding and rising construction costs.

Need for Housing

Vermont has a very limited supply of affordable and available housing that has been documented recently by a number of studies and which informed the bond proposal.

- Vermont Futures Project of the Vermont Chamber of Commerce set a growth target of 5,000 new and improved housing units annually.
- *Roadmap to End Homelessness* calls for 180 new units for permanent supportive housing and 1,251 new homes affordable at 30% of median or below over the next five years.
- 2015 statewide housing needs assessment by Bowen National Research found the largest gaps in housing affordable to households below 30% of median and between 85% and 120%, although need was across the income spectrum.

Statutory Change

The dedication of property transfer tax revenue needs to be made clear in Title 32 as well as language saying the state will not adjust the property transfer tax rate to yield less than \$12 million. (FY18 estimate is \$41.9 million.) The Administration, State Treasurer, VHCB and VHFA, have developed and submitted this language after consultation with financial advisors and bond counsel.