Strategies for Rebuilding Rural Vermont Workforce

As the state looks to explore attracting younger people and a larger workforce, it is important to be targeted in location, encourage long term investment, leverage the most effective mechanisms for incentivizing relocation and placing people in a strong financial position to succeed. Broad marketing efforts, while necessary at some level, could have the impact of simply encouraging more people to move to places where there is already gravitational pull, net new migration and housing challenges. A more strategic approach could yield stronger financial results, put the state on a pathway to more resilient economic grown and narrow the opportunity gap between rural and urban parts of the state.

Rural communities in economic crisis suffer from aging and declining overall populations, and rural Vermont is no exception. The impacts are many, including declines in entrepreneurship, school populations and financial support for a wide variety of civic institutions that typically support those 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 and entrepreneurs. However, these locations need to be “de-risked” to be viable alternatives and there needs to be an initiative that states clearly to that community of young people that they are wanted in those communities.

Over the last several years, corporations have discovered that anxiety over student debt has made student debt retirement 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 anxiety, student debt growth has many times lead to financial positions for young people that precludes home ownership or starting a business.

The Rural New Market Home Ownership Program would provide 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 that would reward actual investment in communities most struggling to attract investment and talent, while providing a opportunity for home ownership and the growth of equity.

- Marketable incentive nationally - Clear incentive that would be marketed and amplified by real estate brokers and economic development corporations, and could be reinforced through statewide distribution arms like Vermont Life.
- Targeted and Financially Beneficial - Locating incentive in rural New Market Tax Credit Zones give clear guidelines and are in areas where new economic activity and younger people purchasing homes 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 nonmetro 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 allowed to use this incentive in a first year to gauge impact and tax benefit. I would not do fewer than 100.
- Cost spread out over time - The incentive cost could be spread out over a number of years by agreeing to pay the loan over a 4 year period and, if the house was resold before 4 years, the amount of the incentive would be prorated accordingly. (2 years of home ownership would cover $20k, 3 years would cover $30k, etc.) Reaching out to lending institutions to determine what would be the clearest form of commitment to make them able to increase the amount they would underwrite a loan for the individual.
- First home to encourage young people - Incentive would be limited to first home purchases, but could be for anyone with debt at any institution inviting back Vermonters who have moved away.
- Financing incentives - In addition, the committee may also want to explore legislation that would allow/require 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 (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 reinvestment in homes in these locations, the best opportunity is now.

Other investments could also encourage attracting workforce to the state with an emphasis on these same locations.

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 up make a big difference. The state could focus on these same NMTC zones for investment.

Support for cell phone coverage - Expanding cell coverage is 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 in viability in the short term and then exempting small cell carriers from having to provide 911 service when First Net is deployed since it will be duplicative.

Doubling Historic Tax Credits for buildings in rural NMTC zones - Many of these communities in steep 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 are post industrial and require investment in Phase 1 and Phase 2 environmental investigations which cost in the neighborhood of $30k and then the associated cleanup. Providing dollars to DEC to cover these costs have all kinds of returns as it brings real estate back online and derisks the predevelopment costs.

Investing in program staff for micro-finance - Micro finance has been an incredibly powerful tool in rebuilding communities and small business ownership in Vermont. There is also now a lot of financing available for work across the state, but very few dollars for staff to be able to engage people in using it. Modest investments in this kind of staff in targeted locations would have a significant return. Mary Niebling is your guru on this.

Demonstration projects - The state could chose to fund demonstration project or two in targeted locations. Happy to describe the project we are attempting to pull together in Springfield and I know there are other efforts in other parts of the state as well that could serve the purpose.