

MEMORANDUM

To: Rep. David Yacovone

From: Gus Seelig, Executive Director; Jen Hollar, Director of Policy & Special Projects, Anne Duffy, CFO

Date: February 8, 2019

Subject: Q & A on VHCB and the FY2020 Budget

Cc: Larry Mires, Administrative Officer

The following answers are offered in anticipation of questions that might come up as the Appropriations Committee considers the FY2020 appropriation from the Housing and Conservation Trust Fund to the Vermont Housing & Conservation Board.

1. What state funding is recommended for VHCB in FY2020?

The Governor's FY2020 budget proposes to reduce state funding to VHCB by \$1.125 million from FY2019.

It proposes \$11.3 million with a reduction of \$1.5 million to offset the debt payment on the Housing for All Revenue Bond for an FY2020 appropriation of \$9.8 million. This is level with FY19. The Governor also recommends \$4.6 million in the Capital Bill, a decrease of \$1.05 million from last year. The proposed reduction of \$1.05 million in addition to \$1.5 million for debt equals a \$2.5 million negative impact to VHCB's ability to fund its core mission of serving housing and conservation. In addition, the Governor's budget does not provide funding for the Rural Economic Development Initiative (REDI) which has been funded at \$75,000 for the last two years. The total FY2020 recommendation for VHCB in appropriated (\$9,804,840) and capital bill (\$4,600,000) funding is \$14,404,840.

SUMMARY OF STATE FUNDING	FY2020 Governor Recommend	FY2019 Budget	% Inc (Dec) from FY2019 Budget	Inc (Dec) from FY2019 Budget
Property Transfer Tax (net of \$1.5m Debt Service)	9,804,840	9,804,840	0.0%	-
Capital Bill Appropriation	4,600,000	5,650,000	-18.6%	(1,050,000)
Rural Economic Development Initiative	-	75,000	-100.0%	(75,000)
FY2020 State Funding	14,404,840	15,529,840	-7.2%	(1,125,000)
Housing Revenue Bond - final balance in FY2020	6,100,000	12,000,000	-49.2%	(5,900,000)
FY2020 Total	20,504,840	27,529,840	-25.5%	(7,025,000)

2. How does your overall \$20.5 million in State funding for FY2020 compare with FY2019?

State funding in FY19 was \$27.5 million. The reasons for the decrease include 1) a decrease in the Capital Bill recommendation 2) significantly smaller portion of the Housing Revenue Bond in the FY2020 budget as we commit the remaining balance, and 3) no funding recommendation for the REDI funds in FY2020.

3. How do the VHCB administrative costs compare to the overall budget?

VHCB's administrative costs represent approximately 8% of the organization's budget.

4. How does the Governor's proposed budget compare to the amount of property transfer tax (PTT) revenue dedicated to the Vermont Housing & Conservation Trust Fund by statute?

Statute directs 50% of the revenue from the property transfer tax (after certain other uses) to the VHCTF to be administered by VHCB. Based on the January 2019 revenue estimates, the FY2020 amount is approximately \$21.85 million. The total recommended by the Governor is \$14.4 million or \$7.45 million less than the statutory amount. (Because \$4.6 of the \$14.4 million is from the capital bill, the total proposed to be redirected to the General Fund is \$10.5 million.)

If VHCB were to receive the full \$21.85 million, it would be able to support 120 to 150 additional homes; increase the capacity of the Farm and Forest Viability Program by 50%; fund 6-9 more farm conservation projects and transfers; and 6-9 more recreational and natural areas would be conserved.

The history of total PTT revenues since 2001 is attached.

5. Can we increase your capital bill funding and decrease transfer tax revenue without compromising program quality?

No.

In the last several years, the appropriations bill has appropriated less from the Property Transfer Tax to VHCB and used the difference for general fund purposes. A portion of that difference has been made up in the capital bill.

But capital bill funds can only be used for certain tax-exempt bond eligible projects. Any further reduction in funding from property transfer tax would jeopardize our ability to fund many types of housing and conservation projects and related program activities. It would also reduce our ability to administer federal programs such as HOME and Housing Opportunities for Persons with HIV/AIDS and secure federal conservation funding including water quality funding from the Natural Resources Conservation Service.

6. What other resources does VHCB expect to receive in FY20?

The budget documents reflect all resources VHCB expects to receive and include state, federal, housing revenue bond proceeds and other resources as shown on the source and uses.

7. What can you tell us about the upcoming federal budget and the impact of tax reform on the availability of resources and mission of VHCB?

Federal funds projected in this budget represent only a slight decrease from the prior year, and reflects the best of our knowledge at this time. Although our

projections include the National Housing Trust Fund (NHTF) at \$3,000,000, the grant is at risk, given a variety of factors. The NHTF brings \$3 million per year to the state for housing for extremely low income households.

8. Can you explain how your program, which focuses on long-term investment, can have positive impacts on the State of Vermont's budget?

Our commitment to long term affordability and stewardship ensures the housing and land protections put in place with VHCB funds will serve many generations. Short term impacts on the state budget include less pressure on programs that serve the homeless, reduced growth in health care costs, increased revenue from housing construction, land-based business growth and sales, and visitors who come to enjoy our high-value landscape. Long term benefits include expanded tax base due to grand list growth as well as revenues from stronger and diversified agricultural and outdoor recreation economies.

9. How does the Housing Revenue Bond affect VHCB and how is it included in the budget docs?

The HRB has meant significant and exciting work for our staff. The bond sale exceeded expectations and generated nearly \$37 million. As of January 2019, VHCB had awarded \$24.8 million for 24 housing developments. We committed approximately \$18 million in FY18, expect to commit at least \$12 million in FY2019, and the remaining balance of \$6.1 million by December 2019.

The bond has a significant impact on our budget. For each of 20 years, we have committed to a reduction in our appropriation in the amount of \$1.5 million to offset the impact to the general fund of using \$2.5 million of PTT for debt service. (The other \$1 million comes from the property transfer tax surcharge.) This commitment assumed at least level funding and a gradual increase in the appropriation to VHCB as property transfer tax revenues rise.

We anticipate awarding the last of the bond proceeds before the end of 2019. At that time and until 2039, our ability to fund affordable housing will be diminished by \$1.5 million annually. Without an overall increase in the amount of PTT appropriated (closer to or at the statutory share) we will easily lose the gains made by the Housing Revenue Bond.

10. How much have you increased staff to manage the Housing Revenue Bond?

We added one person to our housing staff in FY2018 to assist with facilitating the new funding source. The cost is covered by the property transfer tax appropriation. We are not using any of the \$37 million in bond proceeds for administrative costs. All bond proceeds are awarded to projects.

11. Do you anticipate any activity that would relate to and support efforts to manage Vermont's opioid epidemic?

VHCB has provided funding for a statewide assessment of the need for recovery housing conducted in coordination with the Opioid Coordination Council. VHCB targeted \$4 million of the Housing Revenue Bond funds for supportive housing and

hopes to receive applications for recovery homes.

12. With regard to the Housing Revenue Bond, how many new homes will be under construction by the end of calendar 2019?

86 units in three developments are completed and occupied. Another 240 are under construction with 200 more set to get underway by the end of the year.

We are on track to meet the unit production goals and income targeting requirements.

13. What programs does VHCB administer?

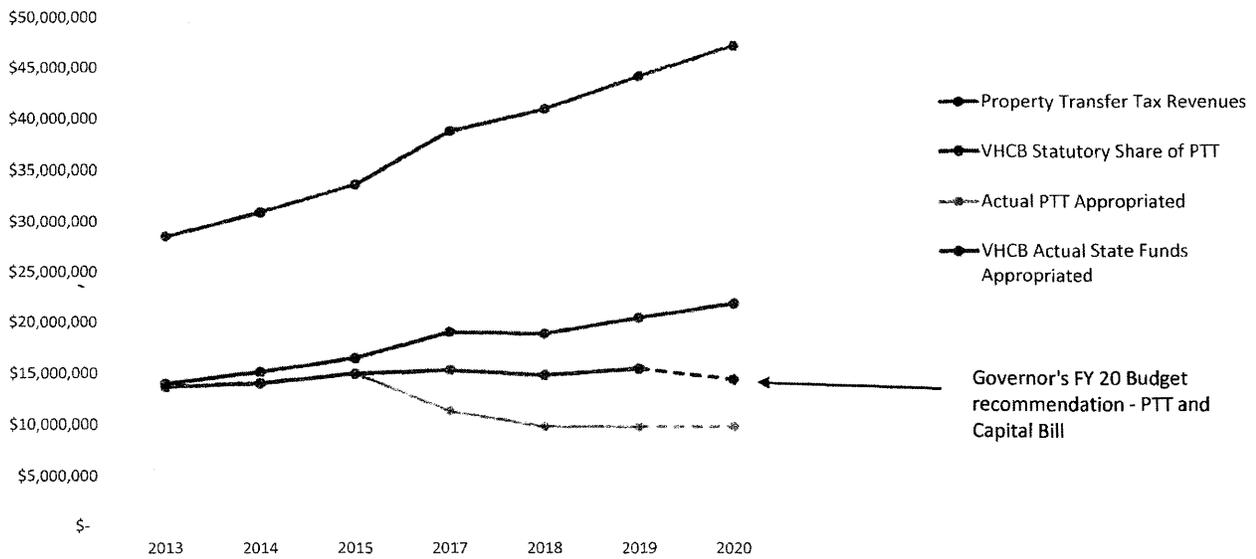
The Legislature's support of VHCB allows us to secure and administer many federal programs and other funding to benefit Vermonters and their communities. The state's investment through VHCB happens through these programs:

- Multi-Family Housing Development and Preservation
- Water Quality Grants to Farmers
- Farmland Conservation
- Vermont Farm & Forest Viability Program
- Farmland Access
- Forestland, Recreational land and Natural Area Conservation
- Home Ownership
- Home Accessibility
- Vermont Healthy & Lead-safe Homes
- AmeriCorps
- Historic Preservation
- Community Planning and Technical Assistance
- Modular Housing Innovation Program
- Housing Opportunities for Persons living with HIV/AIDS
- Rural Economic Development Initiative (REDI)

STATE PROPERTY TRANSFER TAX REVENUE HISTORY 2001-2020

Fiscal Year	Property Transfer Tax Revenues
2001	\$21,400,000
2002	\$25,015,560
2003	\$27,500,000
2004	\$33,951,657
2005	\$45,200,000
2006	\$43,700,000
2007	\$39,300,000
2008	\$34,000,000
2009	\$25,900,000
2010	23,800,000
2011	23,900,000
2012	25,500,000
2013	28,500,000
2014	30,900,000
2015	33,622,293
2016	35,700,000
2017	38,700,000
2018	40,900,000
2019	44,100,000
2020	47,100,000

VHCB Appropriations 2013-2020



FY2020 Based on Revenue Forecasts and Governor's Budget Recommendation

VHCB FUNDING HISTORY FY2013-FY2020

Fiscal Year	Property Transfer Tax Revenues	VHCB Statutory Share of PTT	Actual PTT Appropriated	Amt of PTT to Gen Fund	Capital Bill	VHCB Actual State Funds Appropriated	Revenues Lost from Housing & Conservation
2013	28,500,000	13,965,000	\$ 13,688,640	\$ 276,360		\$ 13,688,640	\$ 276,360
2014	30,900,000	15,141,000	\$ 14,014,000	\$ 1,127,000		\$ 14,014,000	\$ 1,127,000
2015	33,622,293	16,474,924	\$ 14,954,840	\$ 1,520,084		\$ 14,954,840	\$ 1,520,084
2016	35,700,000	17,493,000	\$ 9,554,840	\$ 7,938,160	\$ 4,550,000	\$ 14,104,840	\$ 3,388,160
2017	38,700,000	18,963,000	\$ 11,304,840	\$ 7,658,160	\$ 4,000,000	\$ 15,304,840	\$ 3,658,160
2018	40,900,000	18,816,000	\$ 9,804,840	\$ 9,011,160	\$ 5,000,000	\$ 14,804,840	\$ 4,011,160
2019	44,100,000	20,384,000	\$ 9,804,840	\$ 10,579,160	\$ 5,650,000	\$ 15,454,840	\$ 4,929,160
2020	47,100,000	21,854,000	\$ 9,804,840	\$ 12,049,160	\$ 4,600,000	\$ 14,404,840	\$ 7,449,160
Total	\$299,522,293	\$143,090,924	\$92,931,680	\$50,159,244	\$23,800,000	\$ 116,731,680	\$ 26,359,244

The dedication of \$2,500,000 in revenue from the property transfer tax pursuant to 32 V.S.A. § 9610(d) for the debt payments on the affordable housing bond (10 V.S.A. § 314) is to be offset by the reduction of \$1,500,000 in the appropriation to the Vermont Housing and Conservation Board (VHCB) and \$1,000,000 from the surcharge established by 32 V.S.A. § 9602a. The fiscal year 2018 & 2019 appropriations of \$9,804,840 to VHCB reflects the \$1,500,000 reduction. The affordable housing bond and related property transfer tax and surcharge provisions are repealed after the life of the bond on July 1, 2039. Once the bond is retired, the \$1,500,000 reduction in the appropriation to VHCB is intended to be restored.

