



Investing in Housing, Investing in Vermont

Affordable Housing Bond 2.0

The State of Vermont's investment into affordable housing addresses a wide range of public policy goals: helping the most vulnerable, improving the economy, supporting vibrant downtowns and rural village centers, reducing impact on climate, and offering housing opportunity for a workforce that our business community needs.

Investment in housing also alleviates pressure in the State's General Fund for Corrections and supports recovery for people with substance use disorder, addresses mental health and other health care needs, reduces homelessness and acts as a platform for aging with dignity.

Businesses need local and available housing to attract workers, and communities and anchor institutions depend on housing to staff critical services that we all need.

Even with the recent Housing for All Revenue Bond, Vermont is falling short on all of these fronts – and Vermonters really feel it: in a VPR/VPT poll in October 2018, the biggest financial stressor in Vermonters' lives was the cost of housing, and businesses continually cite housing as one of their top needs to recruit and retain their workforce.

Impact of Housing for All Revenue Bond of 2017

The 2017 Housing for All Revenue Bond will be all committed by the end of 2019. Out of the \$37 million raised, \$24.8 million has already been allocated to 21 new developments in eight counties, creating or rehabbing 619 homes. The total number of homes developed is clearly on pace to exceed the original target of 550-650 homes, and the overall investment leveraged nearly doubled the \$70 million originally estimated.

The homes have also reached their targeted affordability goals. By all measures, the housing bond has been a rousing success – but we still face a housing shortage, and especially an affordable housing one.

Need for More Housing

Vermonters are still struggling to afford basic needs, with the largest monthly expense for most being their housing costs. Affordable housing nonprofits continue to see robust demand for apartments and homeownership opportunity beyond what is available. In many markets

hundreds of people sit for months or years on waiting lists because of the lack of housing stock. Businesses continue to describe the tight housing market as an inhibitor to growing or expanding their operations in Vermont.

In addition, the Legislature could design how to spend a new housing bond to create housing specifically for today's pressing public policy needs. With access to the right services and subsidy, new housing could create new recovery residences for those struggling with substance use disorder, or housing for those currently unable to be released from Corrections.

Economic Impact

According to modeling done by the National Association of Home Builders, for every 100 rental apartments developed, there are 122 construction jobs sustained. After construction, the economic activity of the property and its residents' spending result in 31 jobs per 100 homes developed. For example, if a new housing bond created 700 homes, that'd result in supporting jobs for about 850 construction workers and adding 215 more jobs to our communities.

If this new bond leveraged other federal, state, local and private resources at the same rate as the 2017 housing bond, it would attract \$5 for every dollar the bond invests in housing development.

How to Pay for It

Closing two loopholes in the State tax code, according the Joint Fiscal Office, could generate \$4 million annually. This could theoretically cover the debt service over 20 years for a \$50 million bond – without sacrificing any future commitments to the Vermont Housing and Conservation Board (VHCB) or any other program.

Both of these loopholes are connected to housing and lodging taxes that are currently collected – the Property Transfer Tax should be extended to transactions that involve the transfer of a corporate owner of real estate, and the Rooms Tax should be collected from third party brokers of hotel and motel rooms, and short-term rentals.

Is it Okay for the State to Borrow More?

Not all debt is created equally. The debt from a housing revenue bond has three fiscal benefits: first, there is new, identified sources of revenue to offset the principal and interest payments; second, investment into housing construction is an economic driver; and third, there's a tangible asset created for community use over the long term.

“Houses go on the market and then they're gone within a week. And then there's a lot of really old properties that are, you know, subpar in a lot of ways ... Those are going on the market and getting snatched up anyway.”

Peter Kerson, who wants to move to Vermont with his family, on VPR's Brave Little State “Why Does Vermont Have Such a Housing Crunch?”