



Affordable homes for a sustainable Vermont

\$37,825,000

Vermont Housing Finance Agency

Vermont Property Transfer Tax Revenue Bonds

Series 2018 (Federally Taxable) (Sustainability Bonds)

Transaction Overview – Presentation to Vermont Senate Economic Development & Housing Committee – Update

January 17, 2020

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Transaction Summary

Issuer	Vermont Housing Finance Agency (“VHFA” or the “Agency”)
Issue Description	Vermont Property Transfer Tax Revenue Bonds Series 2018 (Federally Taxable) (Sustainability Bonds)
Par Amount	\$37,825,000
Security	Statutory right to first \$2,500,000 of VT Property Transfer Taxes through Lock Box structure
Purpose	Develop and rehabilitate 550 - 650 units of affordable housing statewide through the Vermont Housing & Conservation Board (“VHCB”): <ul style="list-style-type: none">- 25% to households with income below 50% AMI- 25% to households with income between 80% to 120% AMI- Majority of proceeds targeting households below 80% AMI
Credit Rating	Aa2 (Moody’s)
Structure	Serial Bonds: 2018 - 2029; Term Bond: 2037
Redemption	Optional Make Whole Redemption and Mandatory Sinking Fund Redemption
Pricing / Closing Dates	Pricing: Tuesday, January 9, 2018; Closing: Thursday, January 25, 2018

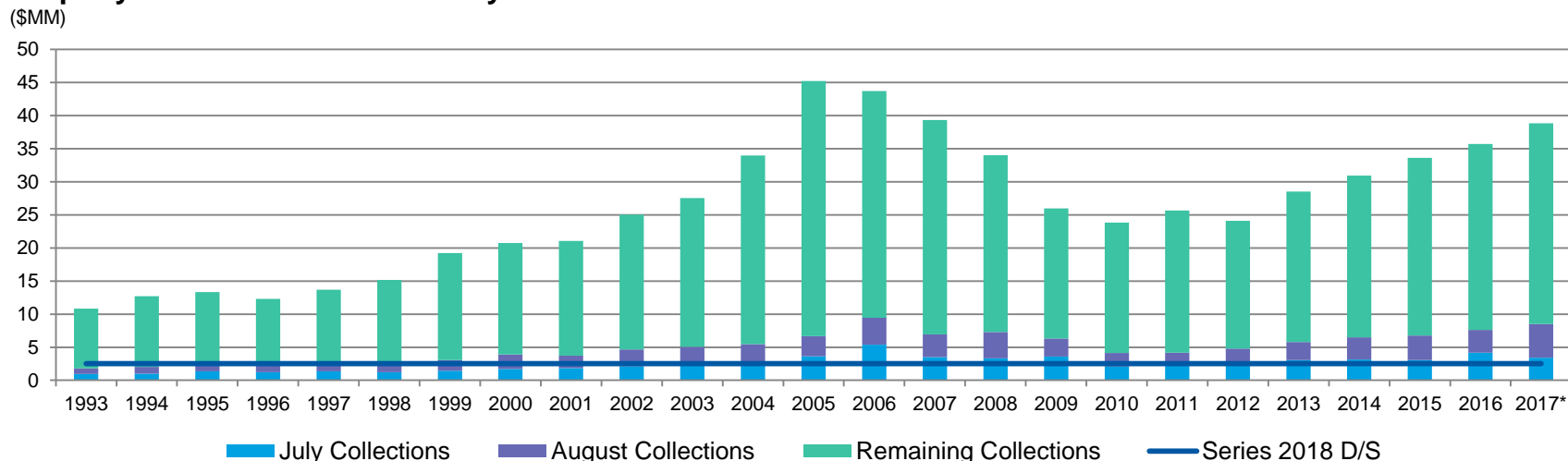
Source: VHFA Official Statement

Please see additional important information and qualifications at the end of this material.

VT Property Transfer Tax and Lock Box Agreement

- In 2017, the Vermont Legislature passed V.S.A. §9610(d), which dedicated the first \$2,500,000 of revenue received from the Vermont Property Transfer Tax (“VPTT”) to be transferred to VHFA to pay debt service on Bonds issued to create affordable housing via VHCB
- VHFA entered into a Lock Box Agreement with the State (through the Vermont Department of Taxes) so that that the first \$2,500,000 of the VPTT would directly flow to the bond Trustee in order to pay debt service on the Bonds
- Vermont Property Transfer Tax (“VPTT”)
 - Annual collections of this tax have been over \$23,000,000 each year since 2008
 - Vermont Legislature has also statutorily agreed that the VPTT shall not be reduced below a rate that would be expected to generate at least \$12,000,000
 - Issuance of additional bonds, if any, would require additional pledged VPTT Revenues

Property Transfer Tax Revenues by Fiscal Year Since 1993



Source: VHFA Official Statement

Please see additional important information and qualifications at the end of this material.

Incorporating a Sustainability Bonds Designation

- VHFA issued the 2018 Bonds as “Sustainability Bonds” to provide investors the ability to invest directly in bonds that financed socially beneficial projects with sustainable impacts

Use of Proceeds

- Develop and rehabilitate 550 - 650 units of affordable housing statewide:
 - 25% to households with income below 50% AMI
 - 25% to households with income between 80% to 120% AMI
 - Majority of proceeds targeting households below 80% AMI
- Certain developments will meet Smart Growth and Green Building and Design Standards
- Expected distribution among housing types is approx. 60% for affordable multifamily rental housing, 10% permanent supportive housing, 10% housing innovation funding, 18% affordable single family housing, and 2% home accessibility funding

Project Selection

- Housing projects that provide: (1) affordability, (2) environmental benefits, (3) community revitalization/development, (4) investment in areas identified for growth, (5) building efficiency levels exceeding State standards and renewable energy sources, and (6) geographic distribution

Proceeds Management

- Proceeds deposited into a segregated Program Fund and invested until disbursed

Reporting

- Annual disbursement updates from the Agency will detail each project, including location, population served, and environmental and community benefits
- Reporting ceases once all Series 2018 bond proceeds have been expended

Source: VHFA Official Statement

Please see additional important information and qualifications at the end of this material.

Additional Marketing Efforts

Net Roadshow

- Roadshow Highlights
 - Overview of VHFA and VHCB function and mission
 - Explanation of VT Property Transfer Tax and Lock Box Agreement
 - Sustainability designation and overview of use of proceeds
- Investor Impact
 - Roadshow viewed by 17 institutional accounts
 - 9 of these accounts placed \$125 million of orders



Vermont Housing Finance Agency

Vermont Property Transfer Tax Revenue Bonds
Series 2018 (Federally Taxable) (Sustainability Bonds)

Investor Presentation

December 28, 2017

Source: Morgan Stanley Municipal Securities Department
Please see additional important information and qualifications at the end of this material.

In-Person Retail Roadshow

- Roadshow Highlights
 - Held in Colchester, VT at Morgan Stanley Wealth Management office
 - Over 45 Morgan Stanley financial advisors in attendance
- Investor Impact
 - \$3.8 million orders from Vermont Retail

Transaction Press

- Transaction Press Releases
 - Series 2018 was highlighted for its unique structure, tax revenue security package, and intended social impact
 - Press focused on targeted use of proceeds to provide Vermont residents with affordable housing
 - Aided in garnering interest from socially focused investors
- Select Press Recognition
 - Vermont Digger
 - Bond Buyer
 - NPR



THE BOND BUYER



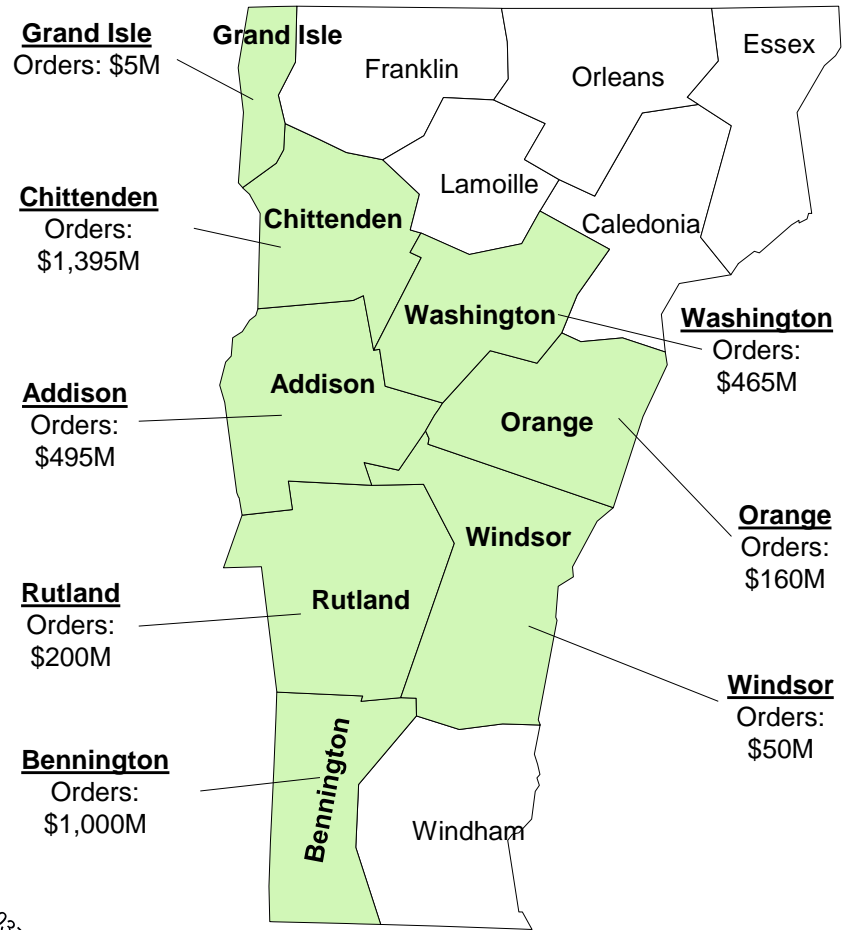
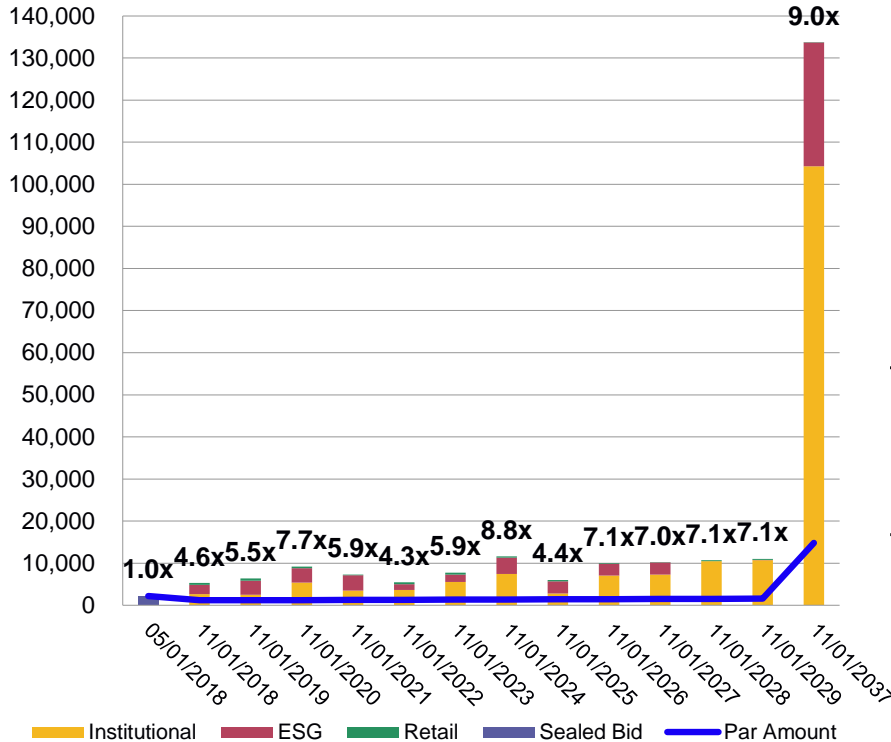
Transaction Received Significant Investor Demand

Institutional Orders: \$233 million from 35 investors

- ESG Institutional Orders:** \$58 million from 6 investors








Vermont Retail Orders: \$3.8 million from 45 VT residents

Total Orders: \$247 million with 6.5x oversubscription



Source: Morgan Stanley Municipal Securities Department
 Please see additional important information and qualifications at the end of this material.

Examples of ESG Designated Bond Financings Since January 2018

<p>\$444,115,000 New York State Housing Finance Agency December 4, 2019</p>  <p>Homes and Community Renewal</p> <p>Affordable Housing Revenue Bonds (Climate Bond Certified / Sustainability Bonds)</p>	<p>\$108,060,000 MassHousing November 19, 2019</p>  <p>MASSHOUSING</p> <p>Housing Bonds (Sustainability Bonds)</p>	<p>\$73,600,000* Rhode Island Housing and Mortgage Finance Corporation October 3, 2019</p>  <p>Multi-Family Development Bonds (Sustainability Bonds)</p>	<p>\$100,000,000 Low Income Investment Fund July 16, 2019</p>  <p>capital for healthy families & communities</p> <p>Taxable Bonds (Sustainability Bonds)</p>	<p>\$175,000,000 New York City Housing Development Corporation June 12, 2019</p>  <p>Multi-Family Housing Revenue Bonds (Sustainable Neighborhood Bonds)</p>
<p>\$129,975,000 New York State Housing Finance Agency June 4, 2019</p>  <p>Homes and Community Renewal</p> <p>Affordable Housing Revenue Bonds (Climate Bond Certified / Sustainability Bonds)</p>	<p>\$1,000,000,000 Starbucks Corp. May 2, 2019</p>  <p>Sustainability Bonds</p>	<p>\$76,335,000 Battery Park City Authority July 17, 2019</p>  <p>Battery Park City Authority</p> <p>Senior Revenue Bonds (Sustainability Bonds)</p>	<p>\$10,000,000 World Bank (IBRD) April 2, 2019</p>  <p>THE WORLD BANK</p> <p>Sustainable Development Bonds</p>	<p>\$125,415,000 New York State Housing Finance Agency March 13, 2019</p>  <p>Homes and Community Renewal</p> <p>Affordable Housing Revenue Bonds (Climate Bond Certified / Green Bonds)</p>
<p>\$125,000,000 New York City Housing Development Corporation October 4, 2018</p>  <p>Multi-Family Housing Revenue Bonds (Sustainable Neighborhood Bonds)</p>	<p>\$50,000,000 Enterprise Community Loan Fund September 25, 2018</p>  <p>Enterprise</p> <p>Taxable Bonds (Sustainability Bonds)</p>	<p>\$276,240,000 City of Los Angeles June 27, 2018</p>  <p>General Obligation Bonds (Taxable) (Social Bonds)</p>	<p>\$40,200,000 State of Oregon May 9, 2018</p>  <p>General Obligation Bonds (Taxable) (Sustainability Bonds)</p>	<p>\$37,825,000 Vermont Housing Finance Agency January 9, 2018</p>  <p>Vermont Housing Finance Agency</p> <p>Vermont Property Transfer Tax Revenue Bonds (Federally Taxable) (Sustainability Bonds)</p>

Source: Morgan Stanley Municipal Securities Department
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Mapping ICMA Standards to the UN SDGs

SUSTAINABLE DEVELOPMENT GOALS




*“At PIMCO, we believe that **securities can be created to target a range of impact outcomes based on the SDGs, without compromising on investment return potential, and in some cases even enhancing it.**”*

*“We are also engaging with issuers to encourage them **to map revenues to SDGs as well as to report more broadly on SDG progress.**”*

Scott A. Mather, CIO U.S. Core Strategies




Examples of Mapping of Selected GBP and SBP Project Categories to the SDGs:


SDG	GBP Category	SBP Category	Example Indicator
	<ul style="list-style-type: none"> Access to Essential Services Affordable Housing Socioeconomic Advancement and Empowerment 	<ul style="list-style-type: none"> Climate Change Adaption 	<ul style="list-style-type: none"> Products and services serving low-income groups Access to financial services, including microfinance Access to clean energy
	<ul style="list-style-type: none"> Renewable Energy Energy Efficiency 	<ul style="list-style-type: none"> Affordable Basic Infrastructure 	<ul style="list-style-type: none"> Renewable energy produced Avoided greenhouse gas emissions
	<ul style="list-style-type: none"> Clean Transport Renewable Energy Terrestrial and Aquatic Biodiversity Conservation Pollution Prevention and Control Green Buildings 	<ul style="list-style-type: none"> Affordable Housing Affordable Basic Infrastructure Socioeconomic Advancement and Empowerment 	<ul style="list-style-type: none"> Inadequate housing Convenient access to public transport

Source: “Green and Social Bonds: High-Level Mapping to the Sustainable Development Goals,” ICMA, June 2018
Please see additional important information and qualifications at the end of this material.


Gap Subsidy Funding Trends




- XI-Q GO allocation for LIFT Program
 - \$40mm (2015)
 - \$80mm (2017)
 - \$130mm budgeted (2019-21 biennium)
- \$653mm GO allocation – Metro (Measure 26-199) (2018)
- \$258mm GO allocation – City of Portland (Measure 26-179) (2016)




- \$500mm over three years committed by Microsoft to address affordable housing needs (2019)
- Structured as subordinate loans




- \$20bn commitment for statewide housing and homelessness initiative
- \$588mm 2017 allocation
- Supportive Housing Opportunity Program




- *Housing New York 2.0* adds 25,000 units annually (FY 2015 – FY 2026)
- Structured as 1% current pay subordinate loans – taxable GO bonds




- \$37.825mm Series 2018
- Vermont Property Transfer Tax Revenue Bonds
- Deferred 0% loans




- \$2bn No Place Like Home Program (2016, 2018)
- \$4bn Proposition 1 (2018) for veterans (\$1bn) and affordable housing (\$3bn)



- \$1.2bn Measure HHH (2016)
- Structured as 3% residual receipts loans – taxable GO bonds
- Supported by the County of Los Angeles' Measure H (2017) \$355mm annual funds



- \$580mm Measure A1 (2016)
- Structured as 0% or deferred low interest second loans – taxable GO bonds



- \$300mm annually Proposition C (2018) – Our City Our Home Fund
- \$500mm pledged by Partnership for the Bay's Future (which includes the Chan Zuckerberg Initiative) for affordable housing
- LISC will manage the fund, with Morgan Stanley providing a significant capital commitment

Source: Morgan Stanley Municipal Securities Department
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APPENDIX

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