



Building Access to Homeownership

Resources & Research

Vermont Housing Needs Assessment: <https://accd.vermont.gov/housing/plans-data-rules/needs-assessment>

Analysis of Vermont Affordable Rental Housing Development Cost Factors: https://www.vhfa.org/sites/default/files/publications/final_analysis-vt_affordable_rental_housing_dvt_cost_factors_-_01.15.2020.pdf

Affordable Housing: Barriers and Incentives in Vermont Towns: https://vhfa.org/sites/default/files/publications/Affordable_housing_VT_towns_1.pdf

The State of Residential Development in Vermont in 2021: <https://vhfa.org/sites/default/files/publications/State-Residential-Development-2021.pdf>

HousingData.org: <https://www.housingdata.org/profile/housing-stock>



Programs to help home buyers and owners

Single Family
Ownership
Development
Construction Loans

State Tax Credit
Equity for New
Owner Home
Construction

State and Federal
Acquisition &
Rehabilitation
Programs

Funding for
Manufactured Home
Replacement
Program

Down Payment
Assistance &
Affordable
Homeownership
Mortgage Programs

Manufactured Home
Community
Investments

Homeland & VHCB
Direct Funding

New Markets Tax
Credits (Limited)

Neighborworks
Funding

State Tax Credits

- ❖ Vermont Affordable Housing State Tax Credit program active since 2009.
- ❖ Over \$14 million in State Tax Credit equity toward homeownership development.
- ❖ Over \$6.6 million in investment in the construction or substantial rehabilitation of 182 "stick built" homes

Income Limit

The Homeownership Tax Credit units in the project must be sold to households whose incomes are at or below 120% of the Statewide Median Income. Preference will be given to projects where the sales price will be affordable to the lowest income household.

Term of Affordability

All units or programs receiving the Vermont Homeownership Tax Credit must be created and maintained as an affordable housing resource in perpetuity.



Safford Commons in
Woodstock



Dalton Drive (Officer's Row) in
Colchester

Responding to Financial Crisis of 2008



*Megan & Joseph Swan in
St. Albans with their
HARP Home*

- ❖ Housing Acquisition and Rehabilitation Program (HARP)
- ❖ Administered \$10 million in federal relief funding, impacting 74 homes
- ❖ Over 1,600 trades workers worked on homes funded by the program



A rehabbed home in St. Johnsbury

Vermont Innovates in Response to Tropical Storm Irene

- ❖ Flooding from Irene displaced manufactured home owners, and created a crisis for homeowners at risk from future flooding.
- ❖ Replacement program has funded 263 manufactured home replacements.
- ❖ Replacements helped advance construction start-ups in Vermont and leaps in energy efficient modular construction



Shelburne News
"What Shelburne Reads"



Manufactured Home Communities

- ❖ In past 24 months, VHFA has financed acquisition, rehabilitation, or refinancing of 13 manufactured home communities



- ❖ Impact 583 homes across 13 communities throughout Vermont
- ❖ Includes co-operative conversions, rehabilitation, infrastructure, and non-profit owned portfolios

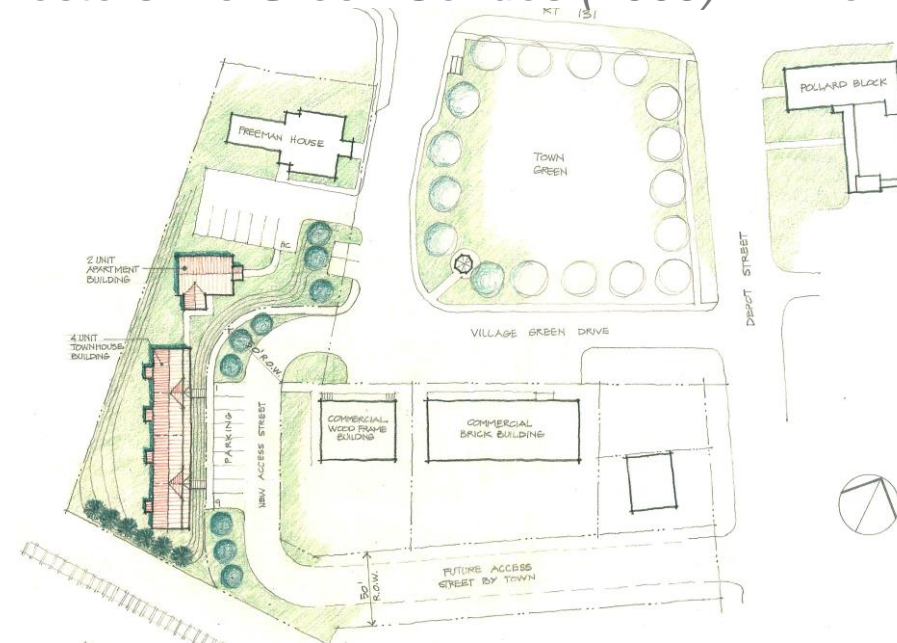
Single Family Development Construction Loans

East Branch Farms in Manchester (2020) – 20 Homes



VHFA has a long history of stepping in to make single family construction loans and investments when the market is less than ideal. When it does, the agency continues to support difficult projects that run into cost and other barriers to make sure they reach successful completion.

Proctorsville Green Condos (2009) – 4 homes



VHFA has ensured continued ownership opportunities through more than **\$18 million** in construction loans for non-profit and for-profit builders and developers in Vermont.

Single Family Loan Production & Down Payment Assistance Program

- ❖ Affordable Purchase programs have helped 30,000 low- and moderate-income home buyers get affordable mortgages. The vast majority are first-time home buyers.
- ❖ Vermont's down payment assistance program has helped 1,361 first-time home buyers since it started in 2015.

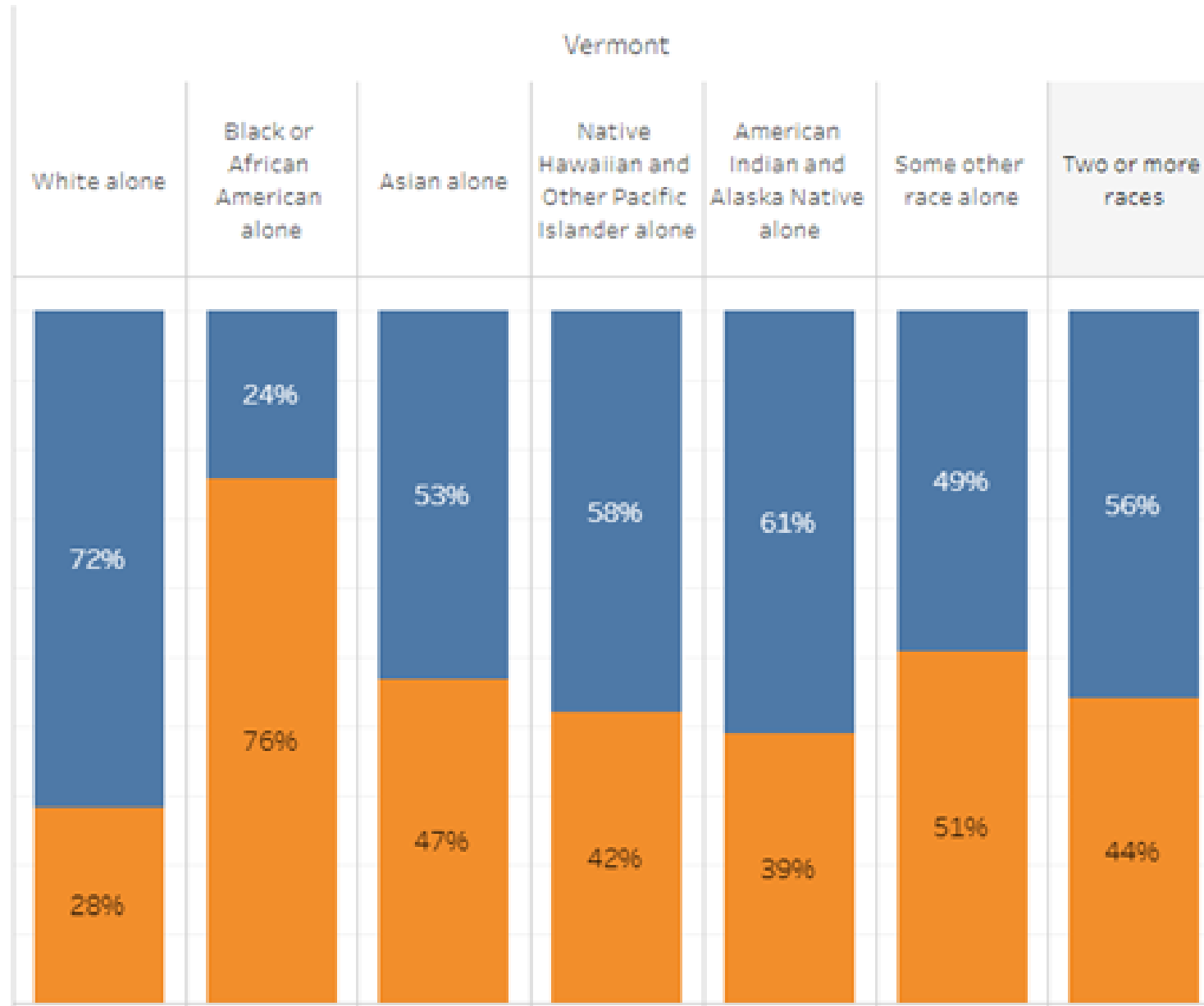


Nathan Lalonde at the home he purchased last year in Bolton with down payment assistance and mortgage financing through VHFA.

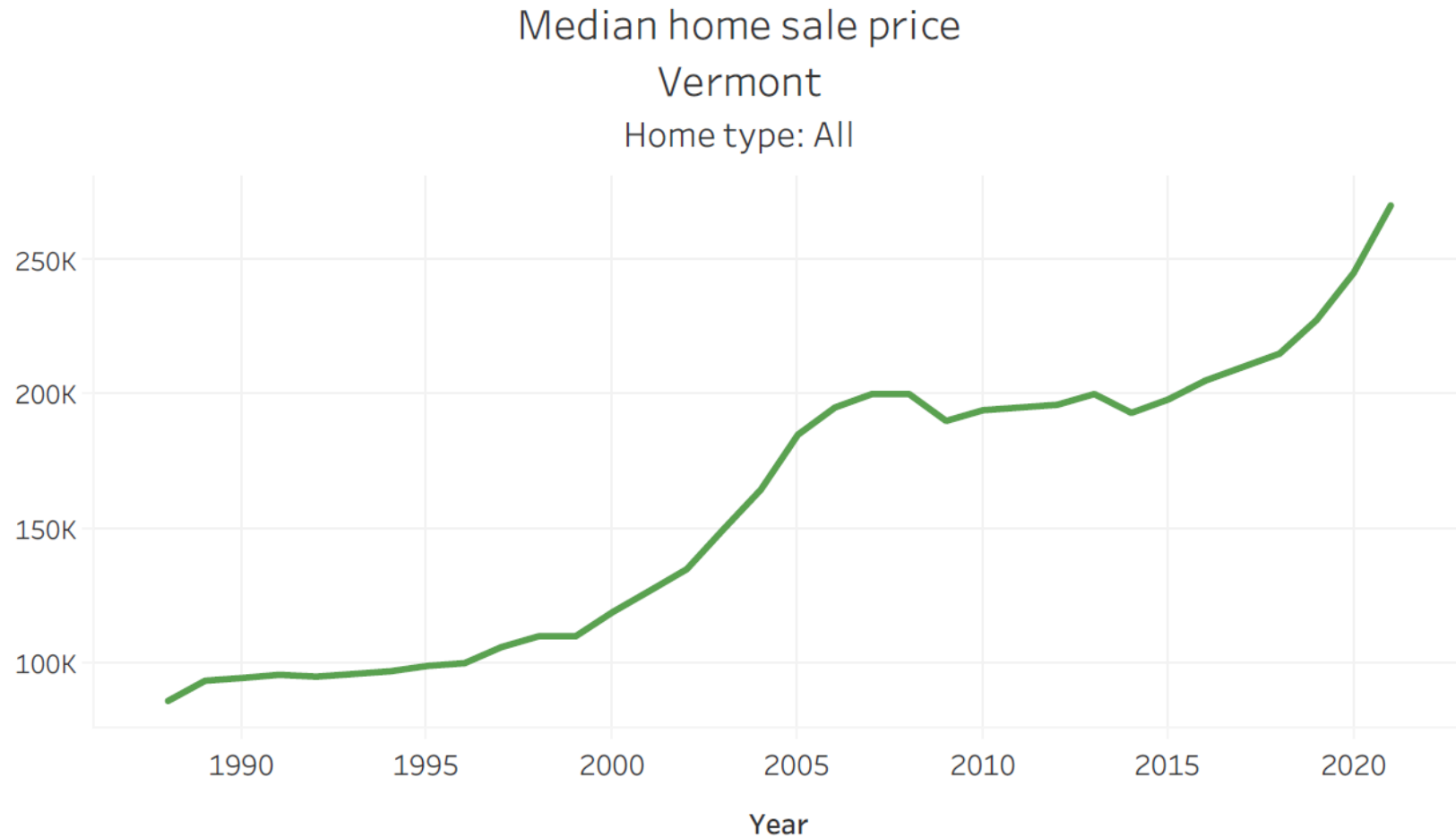
Percentage of homeowners and renters by race

Household type

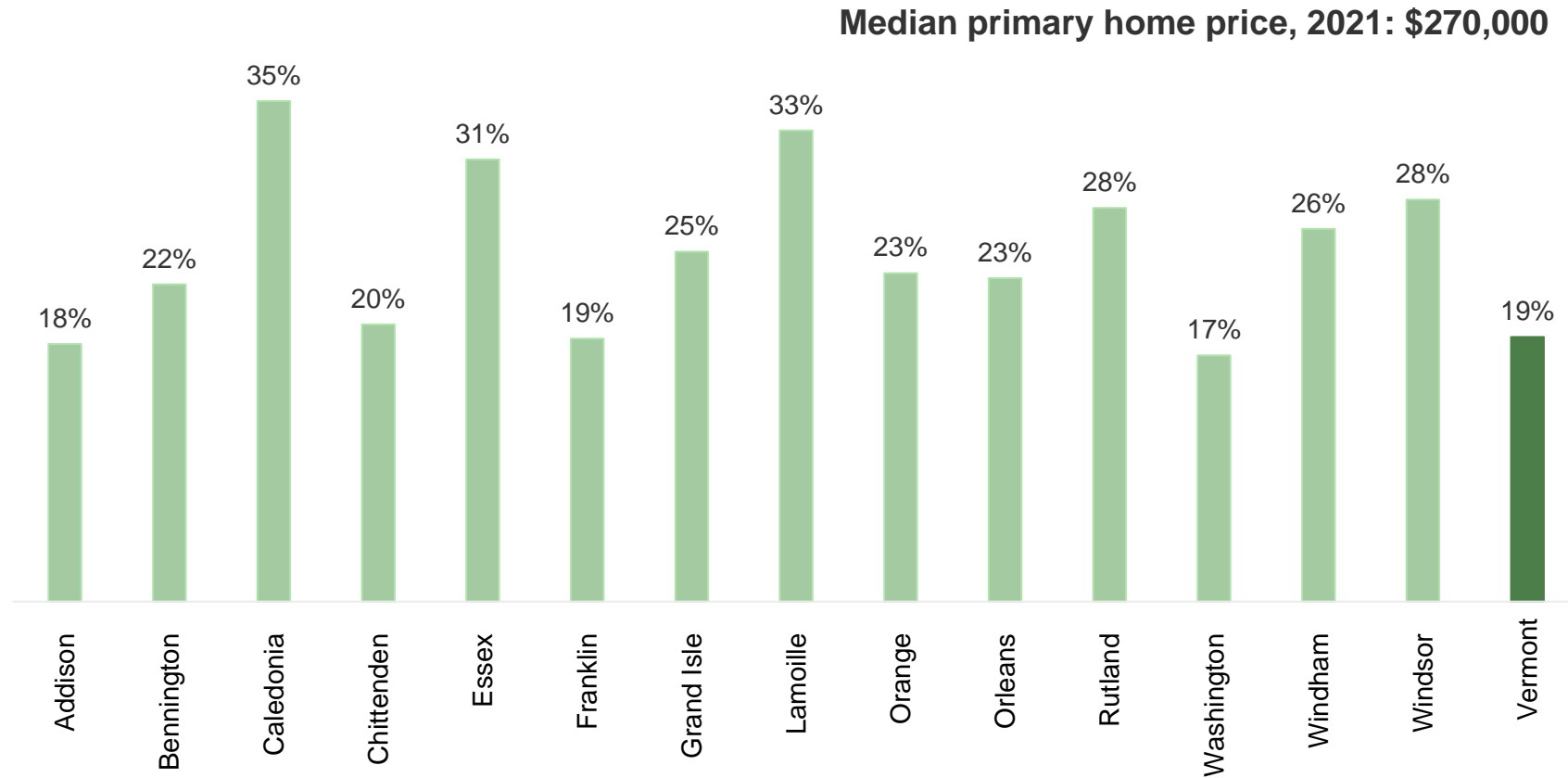
- Owner
- Renter



Single Family Homes prices are accelerating

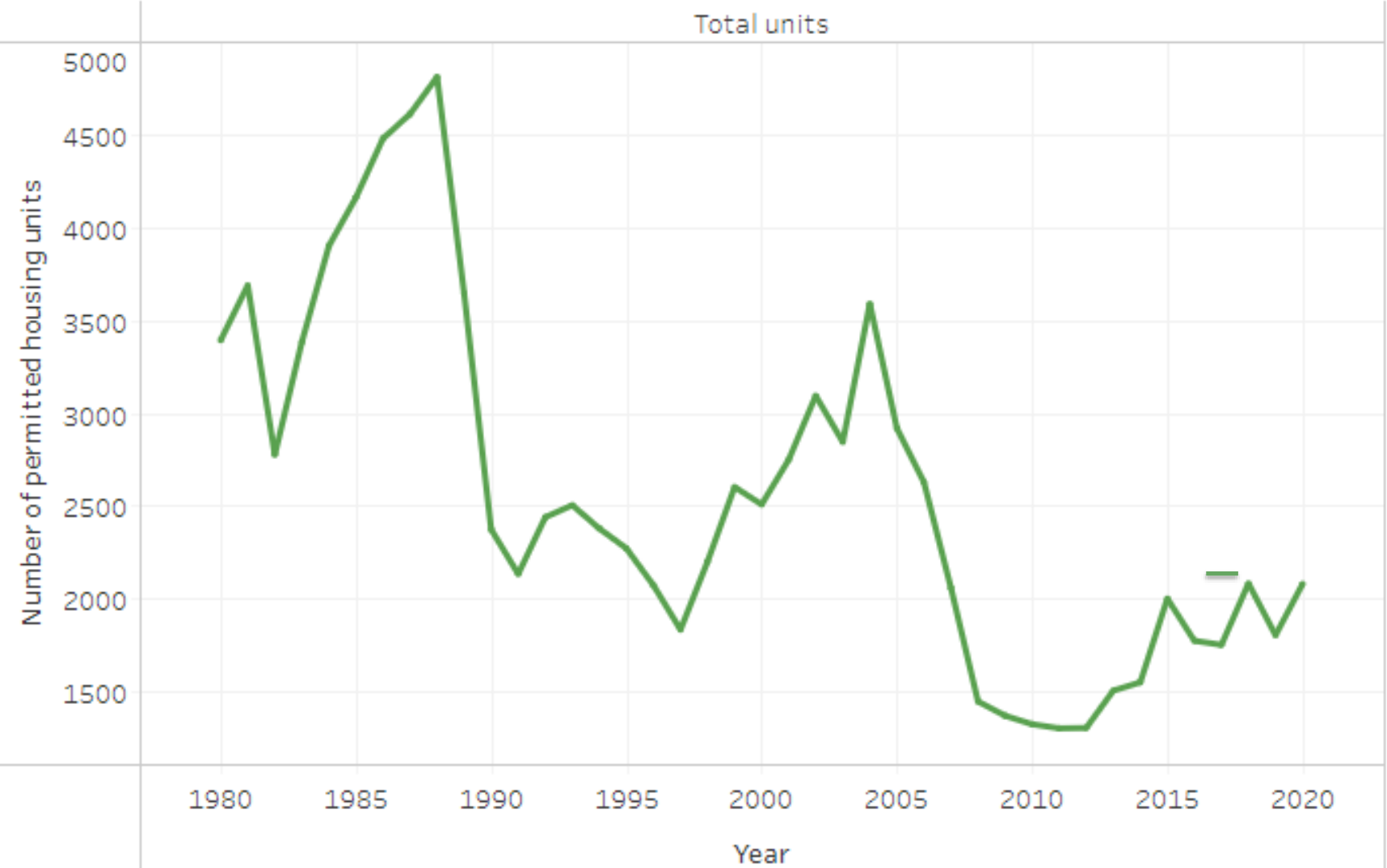


Home price growth, 2019-2021



Source: Vermont Property Transfer Tax (PTT) records for median primary home sale prices

Home construction fails to keep pace with demand



Source: US Building Permits Survey from www.housingdata.org and 2021 preliminary estimate from U.S. Census Bureau.



Goals: How we can increase the supply of homes affordable to middle-income Vermonters

Prepare	Prepare state for possibility of Neighborhood Homes Investment Act
Increase	Increase the participants that are building single family homes affordable to households at or below 120% AMI
Support	Support small and large scale developments that meet needs across the state
Create	Create a program that is accessible to builders, and has relatively low administrative barrier

Basics of Neighborhood Homes Investment Act (as proposed, each state will develop a plan)

- Structured similar to the Low-Income Housing Tax Credit Program
- Funds can cover up to 35% of construction of a new home, or costs of acquisition/rehabilitation
- Serves up to 140% AMI
- Geographic limitations are a challenge (we would like a state program companion)
- If the home resells within five years of purchase, the homeowner must pay a declining percentage of the gain on to the state for re-use on Neighborhood Homes eligible projects (50% in year 1...10% in year 5)


An orange rounded rectangle graphic on the left side of the slide, containing text about a subsidy program.

Missing Middle

Development
Affordability
Access Subsidy:

\$15 million

Maximum subsidy is 35% of Total Development Cost for homes serving households with incomes up to 120% AMI.

- **Value Gap** needed to close gap between development costs and home market price of home
 - Purchase Price **Affordability Gap**
 - Middle-income buyers
 - Subsidy remains in home, making it more affordable for future buyers
 - Option to layer with Shared Equity and existing familiar programs
- 
- A decorative graphic consisting of three yellow brushstroke-like lines in the bottom right corner of the slide.



This is now funded!

Construction
Capital
Access:

\$2 million

Supports Vermont banks and credit unions who provide construction loans for home builders. Will guarantee or provide direct investment up to 15% of eligible project costs.

Lenders have varied in their preference for method of supporting construction lending, initial Pilot Program is considering some mix of the following options:

Certificate of Guarantee: Issued to the financial institution by VHFA and can reduce the cost (and amount) of the construction loan to the developer

Deposit Access: Funds deposited in financial institution to provide capital directly into deal through lender to reduce the cost (and amount) of the construction loan to the developer

Construction Loan Participation: VHFA will provide a 2nd position construction loan to reduce the amount and cost of the primary construction loan

Eligible Properties & Uses



Eligible Homes: Single-family home containing 4 or fewer units (including manufactured/modular), a condominium unit, or a house or an apartment owned by a cooperative housing corporation.



Eligible Uses: Land acquisition, hard construction costs, some soft construction costs, and on-site infrastructure

Affordability Levels

Maximum rent and purchase price affordability thresholds by income and household size, 2021

Area	Income level (% of median income)	INCOME THRESHOLD BY HOUSEHOLD SIZE**					MAX GROSS RENT AFFORDABLE (INCLUDING UTILITIES)***				MAX PURCHASE PRICE AFFORDABLE****		
		ONE	TWO	THREE	FOUR	FIVE		1	2	3	1	2	3
		PERSON	PERSON	PERSON	PERSON	PERSON	STUDIO	BDRM	BDRM	BDRM	BDRM	BDRM	BDRM
VERMONT	30%	17,650	20,200	22,700	25,250	27,250	441	473	567	656	67,000	80,500	94,000
(also applies to all 11 counties not listed below*)	50%	29,450	33,650	37,850	42,050	45,400	736	788	946	1,093	113,000	137,000	158,000
	60%	35,300	40,400	45,400	50,500	54,500	882	946	1,135	1,312	137,000	164,500	191,000
	80%	47,100	53,800	60,550	67,300	72,650	1,177	1,261	1,513	1,749	183,000	220,500	255,500
	100%	58,900	67,300	75,700	84,100	90,800	1,472	1,577	1,892	2,186	229,500	276,500	319,500
	120%	70,600	80,800	90,800	101,000	109,000	1,765	1,892	2,270	2,625	276,500	332,000	384,000
CHITTENDEN	30%	20,150	23,000	25,900	28,750	31,050	503	539	647	747	76,500	93,000	107,000
FRANKLIN	50%	33,600	38,400	43,200	47,950	51,800	840	900	1,080	1,246	130,000	156,000	181,000
GRAND ISLE	60%	40,300	46,000	51,800	57,500	62,100	1,007	1,078	1,295	1,495	156,000	188,000	217,500
	80%	53,700	61,400	69,050	76,700	82,850	1,342	1,438	1,726	1,994	209,500	252,500	291,500
	100%	67,200	76,800	86,400	95,900	103,600	1,680	1,800	2,160	2,493	263,000	315,500	364,500
	120%	80,600	92,000	103,600	115,000	124,200	2,015	2,157	2,590	2,990	315,500	378,500	437,000

Project & Program Priorities

- (1) Project location;
- (2) Geographic distribution;
- (3) Leveraging of other programs;
- (4) Housing market needs;
- (5) Project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan;
- (6) Construction standards, including considerations for size;
- (7) Priority will be given for plans with deeper affordability and longer duration of affordability requirements;
- (8) Sponsor characteristics;
- (9) Energy efficiency of the development; and
- (10) Historic nature of the project.

Construction Cost, Size, and Profit Limits

1

Program will include maximum construction costs based on trends in hard costs per square foot.

2

Homes will have a maximum square footage based on number of bedrooms.

3

Profit or developer fee maximums will be applied, using National Association of Home Builders survey data on homebuilding profit-margins.

Subsidy Definitions

- **Value Gap** = cost to build home – Appraised/Market value
- **Affordability Gap** = Appraised/Market Value – Affordability Sales Price for Target Area Median Income
 - Subsidy retained: either repaid at sale/transfer or to reduce price of home for next buyers
- **Target AMI Sales Price:** Affordability for a household earning within the range of 80-120% Area Median Income. May be adjusted post-construction.

Subsidy Example

	Amount	Development Affordable Access Subsidy Provided
Cost to construct home	\$400,000	\$0
Appraised/Market Value	\$375,000	Value Gap = \$25,000
Sales price affordable at 100% AMI	\$319,500	Affordability Gap Subsidy = \$55,500
Final Sales Price/Subsidy	\$319,500	\$80,500

Value Gap: Provided to builder as a fully forgiven subsidy to offset cost of construction, amount is flexible and allows for capture of cost-overruns.

Affordability Subsidy: Retained to provide affordability longer-term. When home is sold, the sales price will be determined by subsidy covenant.

Sales Price in the future = Appraised Value – Affordability Subsidy received (proposed) *Senate Language includes AMI*

Subsidy Example: Acquisition & Rehabilitation

	Amount	Development Affordable Access Subsidy Provided
Cost to buy the home	\$220,000	\$0 (program support for these costs)
Rehabilitation Costs	\$180,000	\$0 (program support for these costs)
Appraised/Market Value	\$375,000	Value Gap = \$25,000 (total of \$400k in costs)
Sales price affordable at 100% AMI	\$319,500	Affordability Subsidy = \$55,500
Final Sales Price/Subsidy	\$319,500	\$80,500

Value Gap: Provided to builder as a fully forgiven subsidy to offset cost of construction, amount is flexible and allows for capture of cost-overruns.

Affordability Subsidy: Retained to provide affordability longer-term. When home is sold, the sales price will be determined by subsidy covenant.

Sales Price in the future = Appraised Value – Affordability Subsidy received

Subsidy Retention Requirements

- **Covenant Executed at Closing:** Affordability Gap stays in the home for the next buyer.
- **Future Sales:** Appraisal conducted prior to marketing property
Sales Price = Appraised value – Affordability Gap Subsidy
- **Equity Retention is determined by developer:** Program minimums include retention of subsidy, but Shared Equity model maybe applied at discretion of the builder/developer
- **Other models/proposals/ideas welcome for subsidy retention as long as program minimum standards are met.**

Real World Example: Six Homes

- ✓ Vermont town of 5,000 residents requires that a portion of new housing developments be affordable to households earning 100% of the area median income.
- ✓ Proposed development includes 3 duplexes, for a total of 6 homes.
- ✓ Homes would be modestly sized and built using new modular approach to reduce cost.
- ✓ Affordability requirements and lack of a subsidy to support them means the “market homes” in the development must be priced higher to cover total development costs.



Running the numbers (per home)

Land	\$60,000
Development costs (excluding builder profit & soft costs)	\$310,000
Total development costs (excluding builder profit & soft costs)	\$370,000
Maximum purchase price	\$343,500
Gap (in addition to builder's lack of profit and soft costs)	\$26,500