To: House General, Housing, and Military Affairs Committee
From: Maura Collins, Executive Director of Vermont Housing Finance Agency (VHFA)
Date: April 12, 2022
Re: S.226 Missing Middle language revision proposal

In the official version of S.226 that passed the Senate, on page 50 it reads:

> *(2) Homebuyer subsidy. Of any remaining amounts available for the project after the developer subsidy, the Agency may provide a subsidy to the income-eligible homebuyer to reduce the cost of purchasing the home, provided that:*
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> > *(A) the Agency includes conditions in the subsidy, or uses another legal mechanism, to ensure that the value of the subsidy remains with the home to offset the cost to future income-eligible homebuyers; or*
> >
> > *(B) the Agency uses a shared equity model that requires the Agency to retain not less than 75 percent[1] of any increased equity in the home; or~~.~~*
> >
> > *(C) the Agency includes conditions in the subsidy, or uses another legal mechanism, to allow the homebuyer to repay the full subsidy amount* should the appraised value of the home no longer be affordable to an income-eligible buyer.*
>
> *~~(3) The Agency shall adopt one or more legal mechanisms to ensure that subsequent sales of a home that is subsidized through the Program are limited to income-eligible homebuyers.~~*

The intention of adding (C) is to allow for the subsidy to be recaptured should the appraised value of the home no longer be affordable to households earning less than 120 percent of Area Median Income (AMI) so that higher income home buyers would not receive the benefit of this assistance and it could be recycled into a future home.

We will need to continue to work with the Administration and their consultants about how to structure this within ARPA's rules and Guidehouse has yet to review this repayment provision. Flexibility will remain paramount as we continue to work through these options.

The language in (3) was added by the Senate to protect the intention of the program of only serving households below 120 percent AMI. In an environment where home prices escalated faster than incomes, it would be impossible to continue to serve households below 120 percent AMI without the investment of additional subsidies in the home.

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[1] Consider the benefits and drawbacks of naming a specific percentage. The committee might consider "the Agency uses a shared equity model that requires perpetual affordability."