

Middle-Income Homeownership Development Program

Program Background

In 2022, VHFA launched the [Missing Middle-Income Homeownership Development Pilot Program](#), which provides financial incentives and resources to support the construction or rehabilitation of modest homes for purchase by Vermont households earning up to 120% of the Area Median Income (AMI). The program was created as part of [Act 182](#) and initially funded using America Rescue Plan Act (ARPA) – Coronavirus State Fiscal Recovery funds. Additional State General Fund dollars were appropriated as part of [Act 3](#), the FY 23 Budget Adjustment Act, bringing the total state investment to \$24 million. VHFA awarded funds in 2023 to 20 homeownership development projects, creating 138 homes. Also in 2023, the legislature passed [Act 47](#), which made a number of changes to the program including: changing the name to “Middle-Income Homeownership Development Program”, increasing the eligible household AMI to 150% and repealing the pilot, making the program permanent.

Proposed Changes

2023 Acts and Resolves No. 47, Sec. 36 is amended to read:

Sec. 36. MIDDLE-INCOME HOMEOWNERSHIP DEVELOPMENT PROGRAM

(a) The Vermont Housing Finance Agency shall establish a Middle-Income Homeownership Development Program pursuant to this section.

(b) As used in this section:

(1) “Affordable owner-occupied housing” means owner-occupied housing identified in 26 U.S.C. § 143(c)(1) or that qualifies under Vermont Housing Finance Agency criteria governing owner-occupied housing.

(2) “Income-eligible homebuyer” means a Vermont household with annual income that does not exceed 150 percent of area median income.

(c) The Agency shall use the funds appropriated in this section to provide subsidies for new construction or acquisition and substantial rehabilitation of affordable owner-occupied housing for purchase by income-eligible homebuyers.

(d) The total amount of subsidies for a project shall not exceed 35 percent of eligible development costs, as determined by the Agency, which the Agency may allocate consistent with the following:

(1) Developer subsidy. The Agency may provide a direct subsidy to the developer, which shall not exceed the difference between the cost of development and the market value of the home as completed.

(2) Affordability subsidy. Of any remaining amounts available for the project after the developer subsidy, the Agency may provide a subsidy for the benefit of the homebuyer to reduce the cost of purchasing the home, provided that:

(A) the Agency includes conditions in the subsidy; agreement or uses another legal mechanism; to ensure that, ~~to the extent the home value has risen, the amount of the subsidy upon sale of the home, to the extent proceeds are available, the amount of the affordability subsidy either:~~

(i) remains with the home to offset the cost to future homebuyers; or

(ii) is recaptured by the Agency upon sale of the home for use in a similar program to support affordable homeownership development; or

(B) the subsidy is subject to a housing subsidy covenant, as defined in 27 V.S.A. § 610, that preserves the affordability of the home for a period of 99 years or longer.

(3) The Agency shall allocate not less than 33 percent of the funds available through the Program to projects that include a housing subsidy covenant consistent with subdivision (2)(B) of this subsection.

(e) The Agency shall adopt a Program plan that establishes application and selection criteria, including:

(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 for plans with deeper affordability and longer duration of affordability requirements;

(8) sponsor characteristics;

(9) energy efficiency of the development; and

(10) the historic nature of the project.

(f) (1) When implementing the Program, the Agency shall consult stakeholders and experts in the field.

(2) The Program shall include:

(A) a streamlined and appropriately scaled application process;

(B) an outreach and education plan, including specific tactics to reach and support eligible applicants, especially those from underserved regions or sectors;

(C) an equitable system for distributing investments statewide on the basis of need according to a system of priorities that includes consideration of:

- (i) geographic distribution;
- (ii) community size;
- (iii) community economic need; and
- (iv) whether an application has already received an investment or is from an applicant in a community that has already received Program funding.

~~(3) The Agency shall use its best efforts to ensure:~~

~~(A) that investments awarded are targeted to the geographic communities or regions with the most pressing economic and employment needs; and~~

~~(B) that the allocation of investments provides equitable access to the benefits to all eligible geographical areas.~~

(g) The Agency may assign its rights under any investment or subsidy made under this section to the Vermont Housing and Conservation Board or any State agency or nonprofit organization qualifying under 26 U.S.C § 501(c)(3), provided such assignee acknowledges and agrees to comply with the provisions of this section.

(h) The Department shall report to the House Committee on General and Housing and the Senate Committee on Economic Development, Housing and General Affairs on the status of the Program annually, on or before January 15.

~~2023 Acts and Resolves No. 47, Sec. 37 is repealed.~~

~~Sec. 37. MIDDLE-INCOME HOMEOWNERSHIP; IMPLEMENTATION~~

~~The duty to implement Sec. 36 of this act is contingent upon an appropriation of funds in fiscal year 2024 from the General Fund to the Department of Housing and Community Development for a subgrant to the Vermont Housing Finance Agency for the Middle-Income Homeownership Development Program.~~