



Rental Revolving Loan Fund

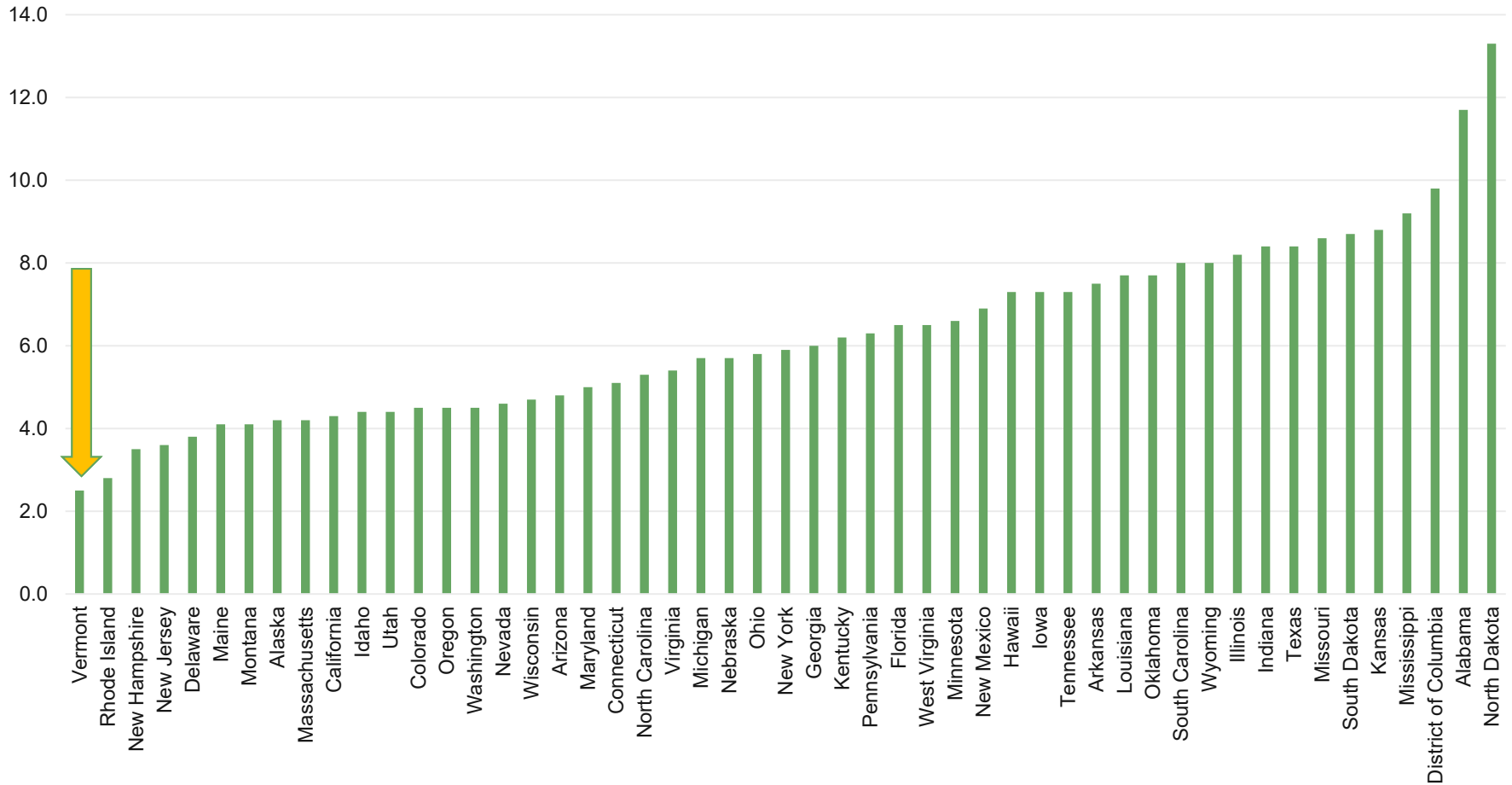


501 Main Street, 9 units in Fairlee

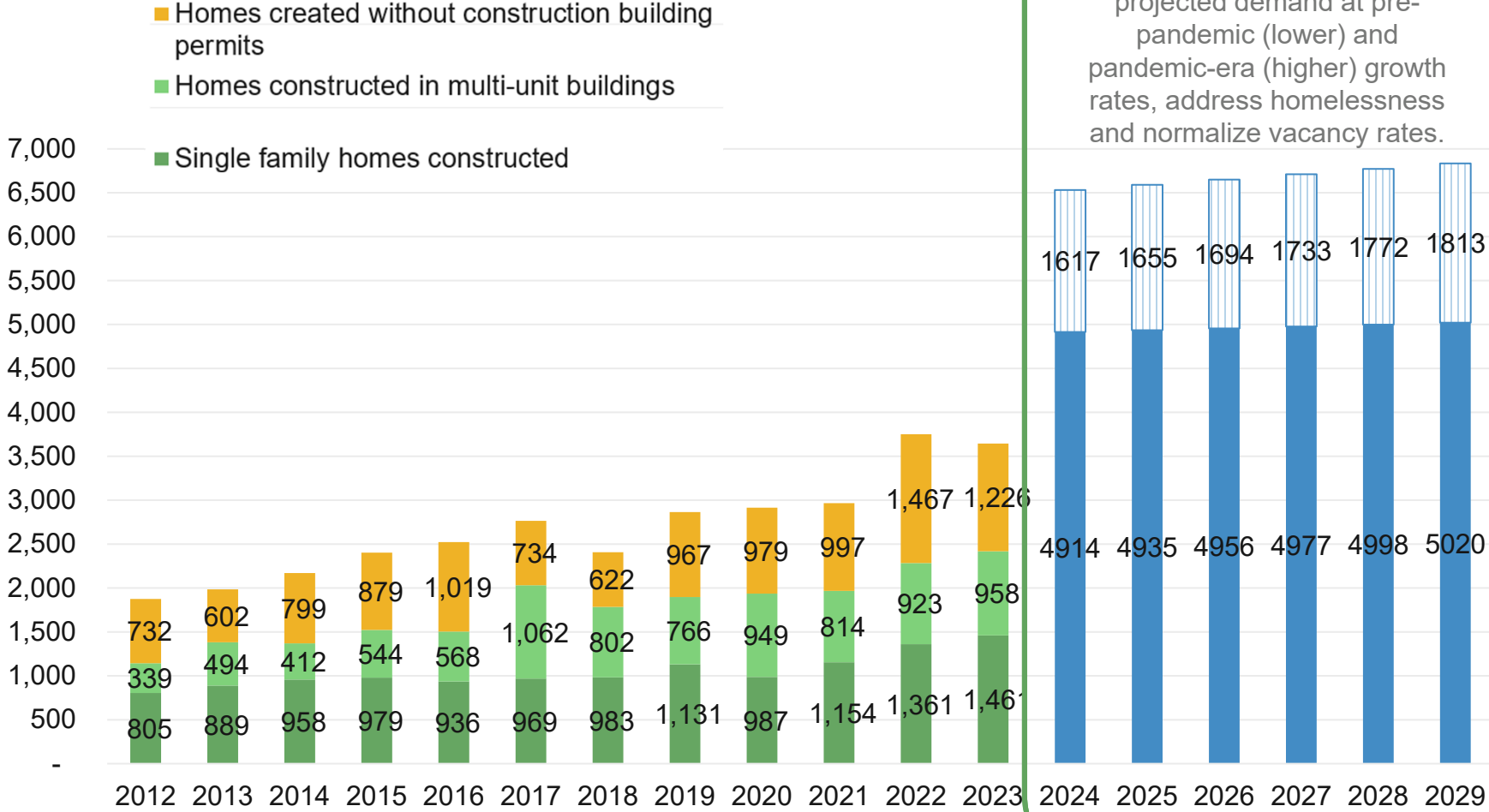
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Indicators of current housing market imbalance

Rental vacancy rate



Underlying data: 30,000-40,000 homes needed by 2030



Homes needed to meet projected demand at pre-pandemic (lower) and pandemic-era (higher) growth rates, address homelessness and normalize vacancy rates.



17% of homes are seasonal/vacation homes, meaning some past construction aren't permanent residences

Momentum in many Vermont communities



Employers and municipalities want to be part of the solution



Employers having difficulty attracting and retaining employees are participating in development of new housing or acquiring existing rental properties.



Municipalities have created revolving loan fund or housing development grant pools that are often too small to make a meaningful impact on their own.

The screenshot shows the Middlebury College website header with the logo and navigation links: "Our Schools", "About Middlebury", and "Offices and Services". Below the header is a breadcrumb trail: "Middlebury / News and Announcements / News / 2022 / April 2022". The main headline reads "Middlebury College Acquires Land for Affordable and Workforce Housing". A search bar is visible on the left. To the right of the search bar, the date "April 8, 2022" and the word "NEWS" are displayed. Below this is a section titled "NEWS AND ANNOUNCEMENTS" with a "News" sub-section. A vertical list of years from 2022 down to 2016 is shown. To the right of the list is a photograph of a large green field under a blue sky with white clouds. Below the photo, a caption reads: "Summit Properties will develop a 35-acre parcel acquired by Middlebury College and pictured above into affordable housing for 250-350 people."

Renters who make too much to receive traditional subsidies



Renters' Income



Affordable Rent Levels

Area Median Income Statewide	1-Person Household Income	2-Person Household Income	Rents Needed to Serve Households
65% - 80% AMI	\$42,250 - \$51,950	\$48,230 - \$59,400	\$1,131 - \$1,356
80% – 120%	\$51,950 - \$78,000	\$59,400 - \$89,000	\$1,305 - \$1,565

Incomes are banded to allow units to serve a wider range of incomes.

Developers need this flexibility to 1.) ensure households are not paying the maximum amount and 2.) make administration less cumbersome



Who are Vermont renters?



- **Most rental housing subsidies stop supporting households making 60% or more of Area Median Income (AMI)**
- **Program will serve households between 65-120% Area Median Income**
- **This income range supports a large portion of Vermont's labor force**



Why isn't the market meeting this need?



10 Unit Project

- Three – 2 Bedroom Units 65% Households
- Three – 2 Bedroom Units for 80% Households
- Four – 2 Bedroom Units for 100% AMI Households



Development Cost

- Estimated \$375,000 per unit development cost
- Total Development Costs \$3,750,000
- Current Interest rates: 6-8%



Sources and Gap

- Maximum Debt @ Rent Levels: \$2,062,500 (55%)
- Developer Equity/Cash: \$375,000 (10%)
- **Funding Gap: \$1,312,500**

How much subsidized loan is needed?

Projects serving these incomes are encountering gaps of around 35% of their costs.

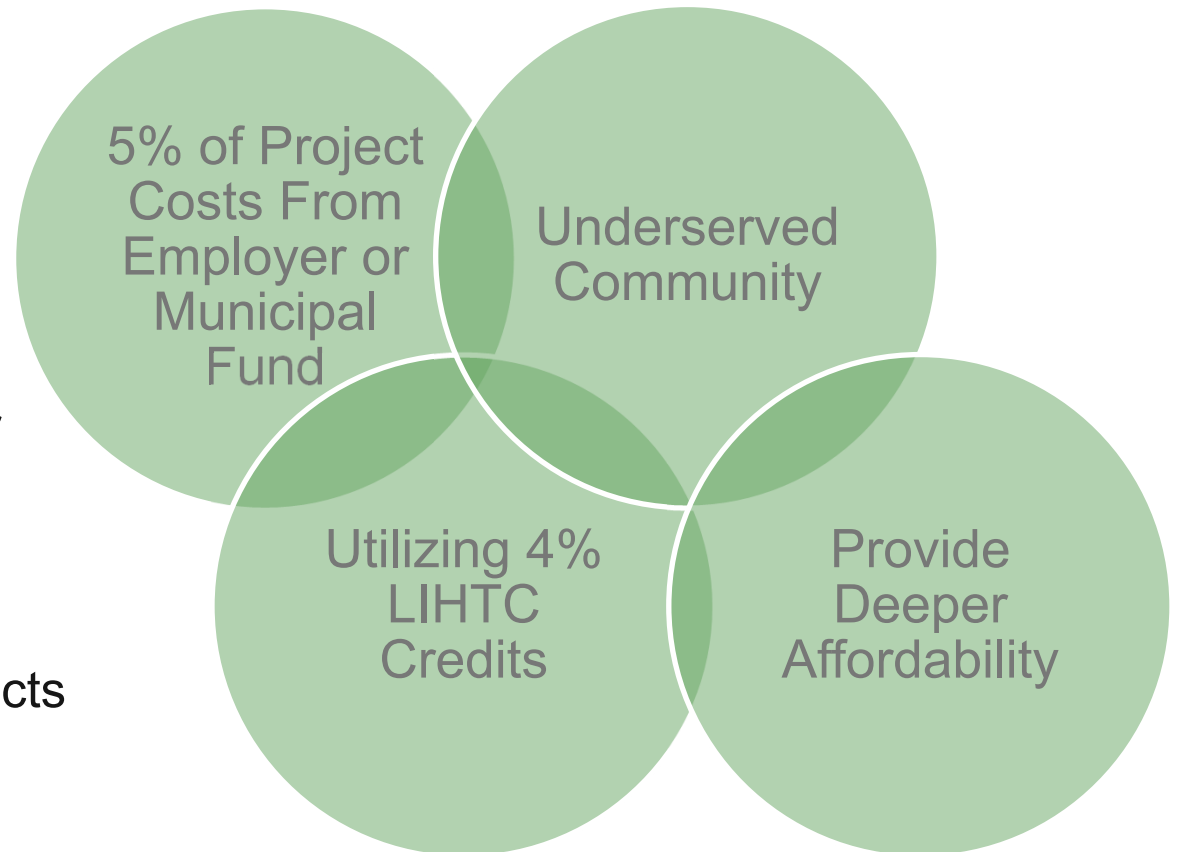
Tiered approach with income band served, program maximum subsidized loan:

- ❖ 65%-80% AMI: \$125,000 or 35% of Development Cost
- ❖ 80%-120% AMI: \$100,000 or 35% of Development Cost

Revolving Loan Fund Fills the Gap

- ❖ Rental Revolving Loan Fund would offer Construction-to-Permanent Loan.
- ❖ Terms from 3 to 30 years
- ❖ Interest rate as low as 0% for priority projects
- ❖ Interest-only options for projects that need extra support

Enhanced subsidy for project that meet one of the following:



Eligible Projects



New Construction: Projects may designate a percentage of units for program, or entire projects. At least 25% of units in a project must use the program. Per-project limit on funding to be established based on amount of funding available.



Preservation of Naturally Occurring Affordable Housing (NOAH): Properties currently serving 80% AMI households and lower that are at risk of speculative investment. Projects will require income survey. Households will not be displaced.



COMPLIANCE REQUIREMENTS

- ✓ Minimum Affordability Period: Lesser of 7 Years, Loan Repayment, or Term of the Loan (between 7-30 years)
- ✓ Rent increases capped at 3% annually, and rents certified annually by the agency
- ✓ Rents may not increase more than 3% for 3 years after property exits the program
- ✓ Income certification is required only at move-in, tenants may not be displaced for income eligibility reasons
- ✓ Owners/Managers required to demonstrate continued relationships with local employers

A role for employers

- ❖ Housing that supports workers with wages between \$42,000 and \$89,000
- ❖ Developers required to provide letters of support from local employers with application for funding
- ❖ Developers required to survey local employers to demonstrate how rents support local wages with a focus on vacant positions
- ❖ Employer investment into project or local housing fund will enhance program benefits to project

Three options for employers' direct investment (there may be others)

- Create a local or regional investment pool with other employers
 - Upper Valley Loan Fund approach

- Identify individual projects and provide direct financial investment
 - Hospital system is participating in examples of this approach

- Be part of land acquisition
 - Middlebury College's acquisition of parcel in Middlebury
 - Indirect and in-kind investments can count towards employer involvement