

1 S.240
2 Introduced by Senator Vyhovsky
3 Referred to Committee on
4 Date:
5 Subject: Executive; Office of the State Treasurer; housing; bonds
6 Statement of purpose of bill as introduced: This bill proposes to authorize the
7 State Treasurer to issue one-time bonds in the sum of \$50,000,000.00 to
8 purchase or develop State-owned affordable housing projects to be
9 administered by the Vermont Department of Housing and Community
10 Development.

11 An act relating to developing State-owned affordable housing

12 It is hereby enacted by the General Assembly of the State of Vermont:

13 Sec. 1. 3 V.S.A. chapter 18A is added to read:

14 CHAPTER 18A. VERMONT HOUSING PRODUCTION REVOLVING

15 FUND

16 § 540. VERMONT HOUSING PRODUCTION REVOLVING FUND

17 (a) Establishment; purpose. There is created a special fund to be known as

18 the Vermont Housing Production Revolving Fund, administered by the Office

19 of the State Treasurer, for the purpose of providing perpetual affordable

20 housing to households with low and moderate income.

1 **(b) Funds.**

2 **(1) The Vermont Housing Production Revolving Fund shall be funded**
3 **by the issuance of bonds, notes, and other obligations as authorized by**
4 **subsection (c) of this section.**

5 **(2) The Treasurer shall retain payments of principle, interest, and any**
6 **fees in the Fund, the amounts of which the Treasurer shall use to issue future**
7 **loans through the Fund.**

8 **(3) The Treasurer may seek and accept gifts, donations, and grants from**
9 **any source, public or private, to be dedicated for deposit into the Fund.**

10 **(4) All interest earned on Fund balances shall be credited to the Fund.**

11 **(c) Bonds.**

12 **(1) The Office of the State Treasurer may issue one-time bonds, notes,**
13 **or other obligations in the amount of \$50,000,000.00, in fiscal year 2027, to**
14 **fund the Vermont Housing Production Revolving Fund.**

15 **(2) The funding from the bonds, notes, or other obligations issued under**
16 **this subsection shall be for the purposes established in this section.**

17 **(d) Project criteria.**

18 **(1) The Office of the State Treasurer shall use the funds raised to**
19 **purchase or develop multifamily housing units to be administered by the**
20 **Vermont Department of Housing and Community Development as outlined in**

1 3 V.S.A. chapter 47, subchapter 7 that serve households with low and
2 moderate income into perpetuity.

3 (2) As used in this section, “households with low and moderate income”
4 means housing units affordable to a household earning up to 150 percent of the
5 applicable area median income.

6 (3) Housing units purchased or developed under this chapter shall be
7 owned by the State of Vermont.

8 (e) Loans; eligibility; criteria.

9 (1) The Office of the State Treasurer shall adopt processes, procedures,
10 and guidelines to issue proceeds consistent with this section, including a
11 simple application process that is accessible to developers, builders, and
12 contractors.

13 (2) The Office of the State Treasurer shall determine the term and
14 interest rate of loans issued from the Fund. Interest rates shall not exceed a
15 rate necessary, when combined with any rents, to pay for the debt service on
16 the bonds issued to capitalize the Fund.

17 (3) The Treasurer may adopt one or more mechanisms to provide
18 enhanced subsidy to incentivize projects, including:

19 (A) a lower interest rate;
20 (B) an interest-only option with deferred principal repayment; and
21 (C) partial loan forgiveness.

1 (4) The Treasurer shall use one or more legal mechanisms to ensure that
2 a subsidized loan for housing remains affordable to a household earning the
3 applicable percent of area median income as outlined in this section.

4 (f) Program design.

5 (1) The Office of the State Treasurer shall consult with stakeholders and
6 experts in the field prior to issuing funds from the Vermont Housing
7 Production Revolving Fund.

8 (2) The Treasurer shall:

9 (A) develop a streamlined and appropriately scaled application
10 process;

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

14 (C) develop an equitable system for distributing investment statewide
15 on the basis of need according to a system of priorities that includes
16 consideration of:

17 (i) geographic distribution;

18 (ii) community size;

19 (iii) community economic need; and

20 (iv) whether an applicant has already received an investment or is
21 from an applicant in a community that has already received funding.

1 (3) The Office of the State Treasurer shall use its best efforts to ensure

2 that:

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

5 (B) the allocation of investments provides equitable access to the
6 benefits to all eligible geographic areas.

7 (g) Reports.

8 (1) The Office of the State Treasurer shall report to the House
9 Committees on General and Housing and on Appropriations and the Senate
10 Committees on Economic Development, Housing and General Affairs and on
11 Appropriations on the status of the Fund annually on or before January 15.

12 (2) The provisions of 2 V.S.A. § 20(d) (expiration of required reports)
13 shall not apply to the report to be made under this subsection.

14 Sec. 2. 3 V.S.A. chapter 47, subchapter 7 is added to read:

15 Subchapter 7. State-Owned Affordable Housing
16 § 2600. STATE-OWNED AFFORDABLE HOUSING

17 It is the purpose of this subchapter that the Department of Housing and
18 Community Development administer and manage housing projects purchased
19 or developed through the Vermont Housing Production Revolving Fund
20 created by 3 V.S.A. § 540. It is the intent of the General Assembly that units

1 administered through this subchapter be forever maintained as affordable
2 housing in accordance with this subchapter.

3 § 2601. POWERS

4 (a) Powers. The Department of Housing and Community Development
5 shall have the following powers in carrying out the provisions of this
6 subchapter:

7 (1) To prepare, carry out, acquire, lease, and operate housing projects
8 and to provide for the construction, reconstruction, improvement, alteration, or
9 repair of any housing project or any part thereof.

10 (2) To arrange or contract for the furnishing by any person or agency,
11 public or private, of services, privileges, works, or facilities for, or in
12 connection with, a housing project or the occupants thereof.

13 (3) To lease or rent any dwellings, houses, accommodations, lands,
14 buildings, structures, or facilities embraced in any housing project and to
15 establish and revise the rents or charges therefore; to own, hold, and improve
16 real or personal property; to purchase, lease, obtain options upon, acquire by
17 gift, grant, bequest, devise, or otherwise any real or personal property or any
18 interest therein; to sell, lease, exchange, transfer, assign, pledge, or dispose of
19 any real or personal property or any interest therein; to insure or provide for
20 the insurance of any real or personal property or operation of the Department
21 against any risk or hazards to procure insurance or guarantees from the federal

1 government of the payment of any debts or part thereof, whether or not
2 incurred by the Department, secured by mortgages on any property included in
3 any of its housing projects.

4 (4) Within its area of operation, to investigate into living, dwelling, and
5 housing conditions and into the means and methods of improving the
6 conditions.

7 (5) To manage and operate its housing projects in an efficient manner so
8 as to enable it to fix the rentals for dwelling accommodations at the lowest
9 possible rates consistent with providing decent, safe, and sanitary dwelling
10 accommodations and shall not construct or operate any such project for profit,
11 or as a source of revenue to the State or municipality. To this end, the
12 Department shall fix the rental for dwellings in its projects at no higher rate
13 than it shall find to be necessary in order to produce revenue that, together with
14 all other available monies, revenues, income, and receipts of the Department
15 from whatever source derived, will be sufficient:

16 (A) to pay, as the same become due, the principal and interest on the
17 bond from the Vermont Housing Production Revolving Fund;
18 (B) to meet the cost of and to provide for maintaining and operating
19 the projects, including the cost of any insurance, and the administrative
20 expenses of the Department related to the projects; and

1 (C) to create, during not less than six years immediately succeeding
2 its issuance of any bonds, a reserve sufficient to meet the largest principal and
3 interest payments that will be due on such bonds in any one year thereafter and
4 to maintain such reserve.

5 (b) Lease terms; rent increases; restrictions.

6 (1) The Department shall make units available to households earning up
7 to 150 percent of the applicable area median income. The determination of a
8 household's earnings shall occur at the time of initial application. A household
9 shall not be removed from a unit or denied a subsequent lease due to a
10 household's earnings exceeding the thresholds identified in this subdivision
11 after initial placement within a unit.

12 (2)(A) The Department shall offer initial and subsequent residential
13 rental agreements of up to 12 months. Agreements shall be in writing.
14 Agreements may be renewed at the sole discretion of the tenant.

15 (B) A tenant may only be removed for failure to pay rent or for
16 breach of the rental agreement. A tenant shall not be removed for no cause.

17 (C) Notice and termination shall be provided as required in 9 V.S.A.
18 chapter 137.

19 (3)(A) Rent for a given unit shall not exceed 30 percent of a household's
20 income.

1 (B) An annual increase in rent shall not exceed three percent, unless
2 the household's earnings exceed 150 percent of applicable area median
3 income, in which case, the rent may be increased above three percent. In no
4 event shall the rent exceed 30 percent of the household's earnings.

5 (4) The Department shall prohibit subletting by tenants.

6 (5) The Department may obtain from the Vermont Crime Information
7 Center the record of convictions of any person applying for residence in any
8 housing project administered by the housing authority.

9 § 2602. TAXATION

10 The property of the Department subject to this subchapter is declared to be
11 public property used for essential public and governmental purposes and such
12 property shall be exempt from all taxes and special assessments of the State or
13 any State public body thereof; provided, however, that in lieu of such taxes or
14 special assessments, the Department may agree to make payments to the State
15 public body for improvements, services, and facilities furnished by such State
16 public body for the benefit of the housing project, but in no event shall the
17 payments exceed the estimated cost to such State public body of the
18 improvements, services, or facilities to be so furnished.

19 Sec. 3. EFFECTIVE DATE

20 This act shall take effect on July 1, 2026.