

## **Proposal for Use of One-Time Funds Vermont Infrastructure Sustainability Fund (VISF)**

### **Summary:**

This proposal seeks to address a key barrier to expanding housing opportunities in certain municipalities where the lack of water and sewer capacity and the cost of transportation infrastructure is prohibiting growth. The proposal couples three new funding and assistance initiatives with existing water and sewer infrastructure programs administered by the Vermont Municipal Bond Bank. This proposal seeks to:

- Establish a new state funding source and revolving loan fund to address the gap within existing water and wastewater funding programs by expanding project eligibilities, creating more flexibility to address barriers preventing the development of these projects, and complement existing funding sources.
- Broadly reduce housing development costs by facilitating public ownership of shared infrastructure assets including pedestrian friendly transportation improvements.

By creating this dedicated funding mechanism and partnership, the VISF will support increased infrastructure capacity to meet housing demands and goals, work to increase the supply of affordable and market-rate housing, enable municipalities to overcome financial constraints, stimulate housing production and ultimately foster economic growth and community development in every region of Vermont, and especially rural areas. As proposed, this revolving loan fund structure ensures affordability for local governments, while utilizing repaid funds to be reinvested to support future projects.

### **\$9,100,000 – Vermont Infrastructure Sustainability Fund:**

These funds will allow for the low-cost implementation of infrastructure projects that will result in new housing development and are intended to serve two primary purposes. The first is to fund projects not eligible to receive Clean Water and/or Drinking Water State Revolving Funds or are low priority on the project priority list and perennially remain unfunded. The existing revolving loan funds prioritize repair and replacement or public health and environment leaving projects focused primarily on development either low priority or ineligible for the funds. The second purpose is to use innovative strategies to co-fund projects with existing Clean Water and Drinking Water SRF loans. The flexibility of this fund will allow financial structuring that can better match the needs of the underlying project and related development timeline.

Additional coordination on project prioritization is needed but areas for priority consideration include project readiness, connection and importance to housing development, diversity of existing funding sources, community engagement, and municipal and regional planning considerations. A range of water and sewer infrastructure projects that address capacity limitations are eligible including water and sewer extensions, water and wastewater connections, collection and distribution system improvements (pressurization, piping, and appurtenances), treatment system upgrades, and source water development. Additionally, complementary transportation improvements to ensure “complete streets” design and/or integrated infrastructure planning will be eligible.

Eligible Activities	Requirements
<ul style="list-style-type: none"> <li>• Preliminary engineering</li> <li>• Engineering design and bid specification</li> <li>• Construction for municipal water and wastewater systems</li> <li>• The municipality making application for funding under this program certifies/demonstrates that the project will serve or reserve water and/or wastewater capacity for new housing units.</li> <li>• Eligible transportation investments include those required by municipal regulation, the municipality's official map, designation requirements, or other planning or engineering identifying complete streets and transportation- and transit-related improvements, including improvements to existing streets.</li> <li>• Additional activities as determined by the program guidelines developed in partnership between the Bond Bank and DHCD.</li> </ul>	<ul style="list-style-type: none"> <li>• Direct link to housing unit production</li> <li>• The recipient must be a Vermont governmental unit</li> <li>• Own and operate projects throughout their useful life</li> </ul>

Criteria	Description
Impact on Housing Production	Direct connection to proposed or in-progress housing development with demonstrable progress toward regional housing target.
Location	Expansion of existing system / Proximity to Designated Area if New System
Project Timeline	Estimated time until use of the financing – will contemplate project readiness (i.e., completion of preliminary engineering, successful bond, permits obtained, bid readiness)
Ranking on Vermont Communities Index	<a href="https://finance.vermont.gov/content/municipal-technical-assistance">https://finance.vermont.gov/content/municipal-technical-assistance</a>
Complete Financing of Project or Project Component	Ability of financing to wholly fund a project or project component (e.g., full A&E costs or mechanical building within larger plant)

Hypothetical Terms	
<b>Award Amount</b>	Maximum award amount of \$4 million
<b>Eligible Uses</b>	Infrastructure that supports the development and/or substantial renovation of housing units.
<b>Term*</b>	Up to 25 years depending on the useful life of the project
<b>Amortization</b>	Beginning at the earlier of 2 years or the end of construction
<b>Interest Rate</b>	TBD
<b>Forgiveness</b>	TBD – potentially up to 20% or principal
<b>Security</b>	General obligation
<b>Prepayment</b>	Continuous
<b>Approval / Review</b>	Subject to Bond Bank credit review and approval; Bond Bank consulting engineer verified conformity with related handbooks
<b>Flow of Funds</b>	Periodic draws reviewed and approved by consulting engineer prior to release
<b>Legal</b>	Local bond counsel's opinion of authorization and legality prior to closing
<b>Covenants</b>	TBD