



Federal Housing Funding Primer

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Funding needed for affordable rental housing



Predevelopment

Acquisition and other tasks that must be completed prior to construction and/or rehabilitation



Development

Wide range of activities typically supported by one-time funding to support building or rehabilitation of housing



Operations

Projection of the costs to maintain the housing project once it is ready for occupancy



Supportive Services

Budget and partnership plans/agreements to provide supportive services based on anticipated needs of target tenant population.

Development costs:

- Acquisition (land, buildings)
- “Hard costs”:
 - Rehabilitation and/or new construction – paying the contractor to build or renovate the property
 - Other construction expenses
- “Soft costs”:
 - Architect, development consultants, and attorneys;
 - Insurance coverage;
 - Operating charges during construction such as taxes or security; financing fees; and the developer’s fee
- Reserves

Federal funding for affordable rental housing

Major Federal Funding

- *Congressionally Directed Spending (\$14M, 1-time, includes homeownership)*
- Community Development Block Grant (\$6M)
- HOME Program (\$3M)
- HOME American Rescue Plan (\$8M, 1-time)
- National Housing Trust Fund (\$3M)
- Section 811 or Section 202 for Targeted Populations (rare, competitive)
- USDA Multi-Family Construction (rare, competitive)

Other Funding

- Federal Affordable Housing Program (\$4M)
- Deferred Developer Fees (varies)
- Energy Funding (varies, <\$1M)

Tax Credits

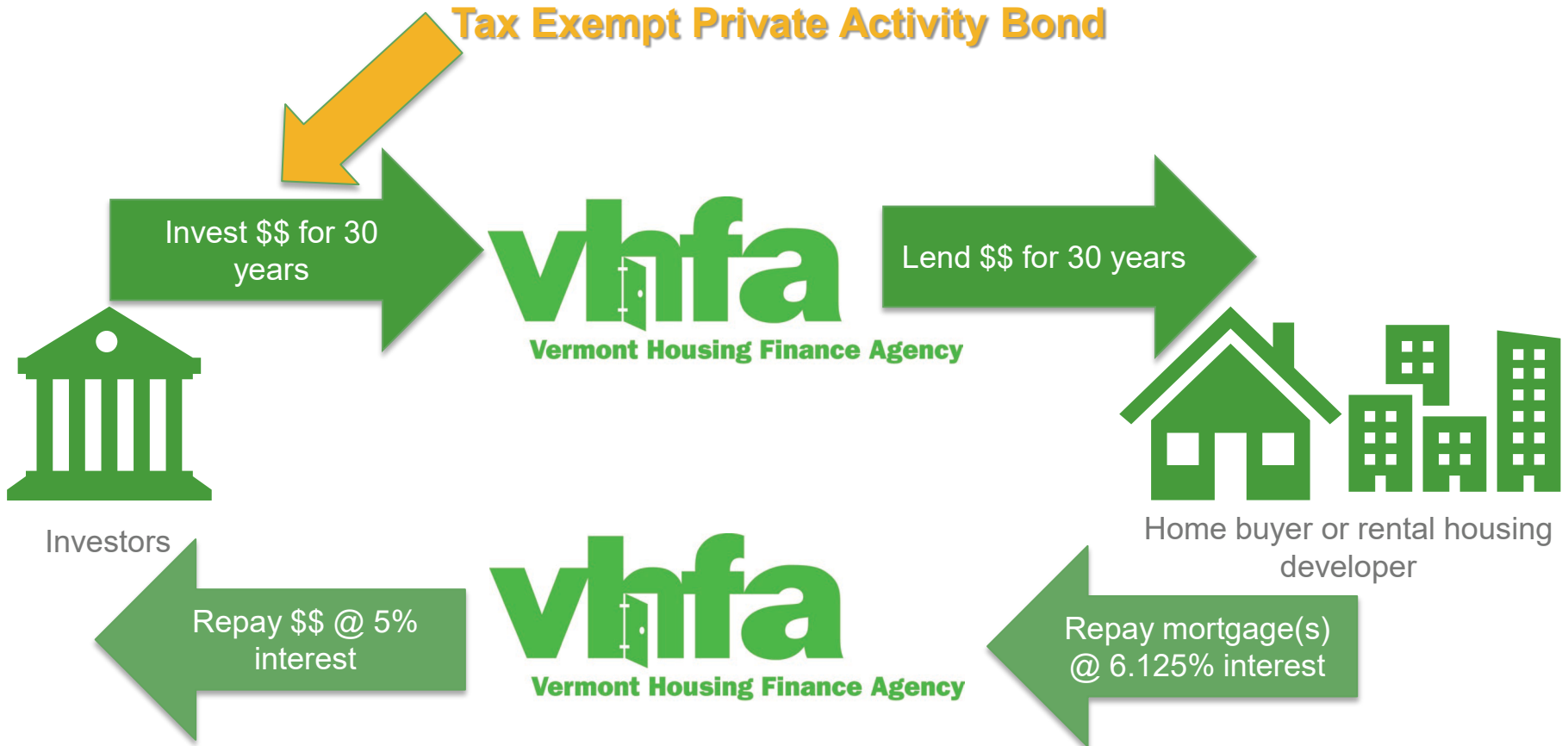
- **Low-Income Housing Tax Credit (\$41M)**
- Historic Preservation Tax Credit (varies)



VHFA's role in Vermont



Tax Exempt Private Activity Bond



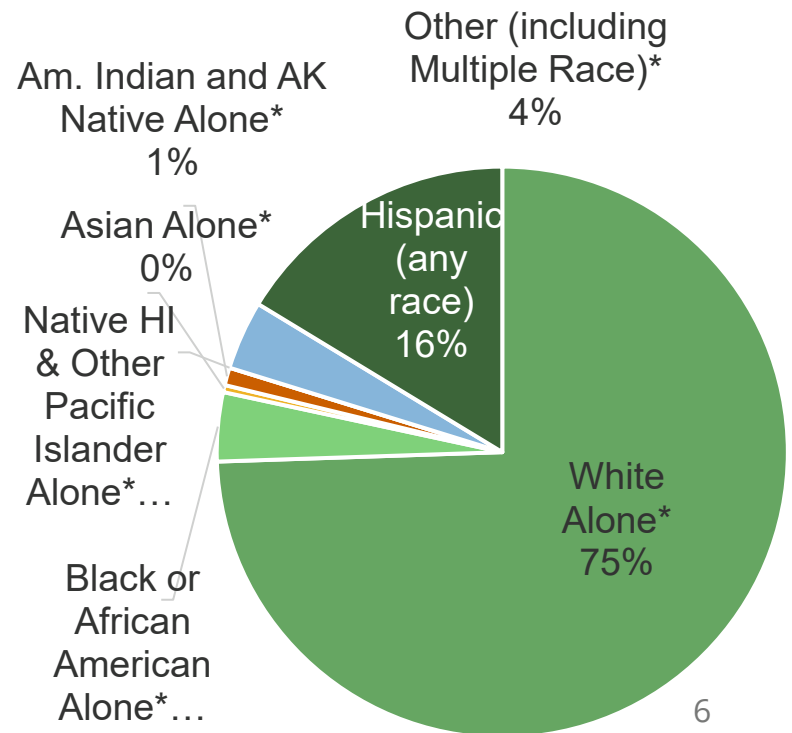
2 types of credits: 4% and 9%



	4% Bond Credits	9% Allocated Credits
What's created?	Rental housing for low-income households (<60% AMI)	
Who can receive?	All eligible developers (for- and non-profit)	
How to receive?	Automatic when 50%+ of a project is financed with tax-exempt PABs (often construction)	Competitive – annual award each spring. More priorities met, more likely to get award
Benefit	~35% of development costs	~70% of development costs
How much available?	Almost unlimited	~\$32 million for developments
Priorities to receive	Follow IRS rules + site, mixed income, 15% homeless, universal design, building standards	← + downtowns, more homeless, services, deeper affordability, more debt, access to transportation, @ risk, remediation, historic, energy efficient, & more
Affordability	30 years (other \$ may extend)	Perpetual

Who is housed in tax credit housing

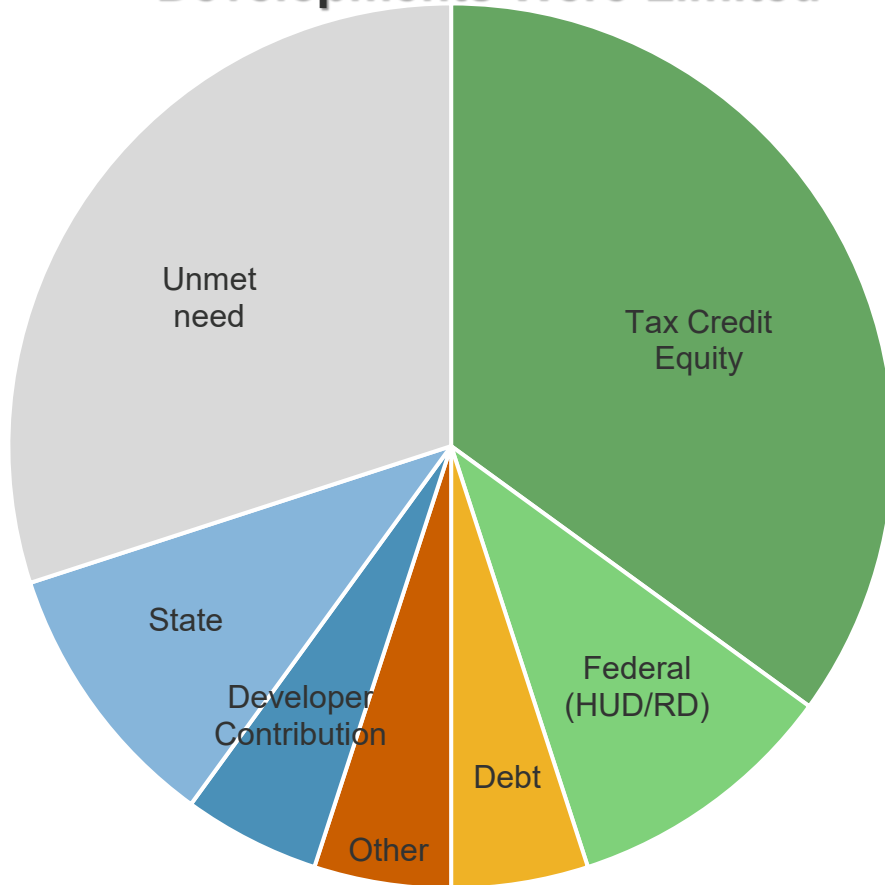
- 46% of households include someone older than 65
- 16% of households include at least 1 member with a disability
- Median income:
 - VT all households: \$82,000 (2 person)
 - VT (all renters): \$43,102
 - VT (LIHTC tenants): \$16,800



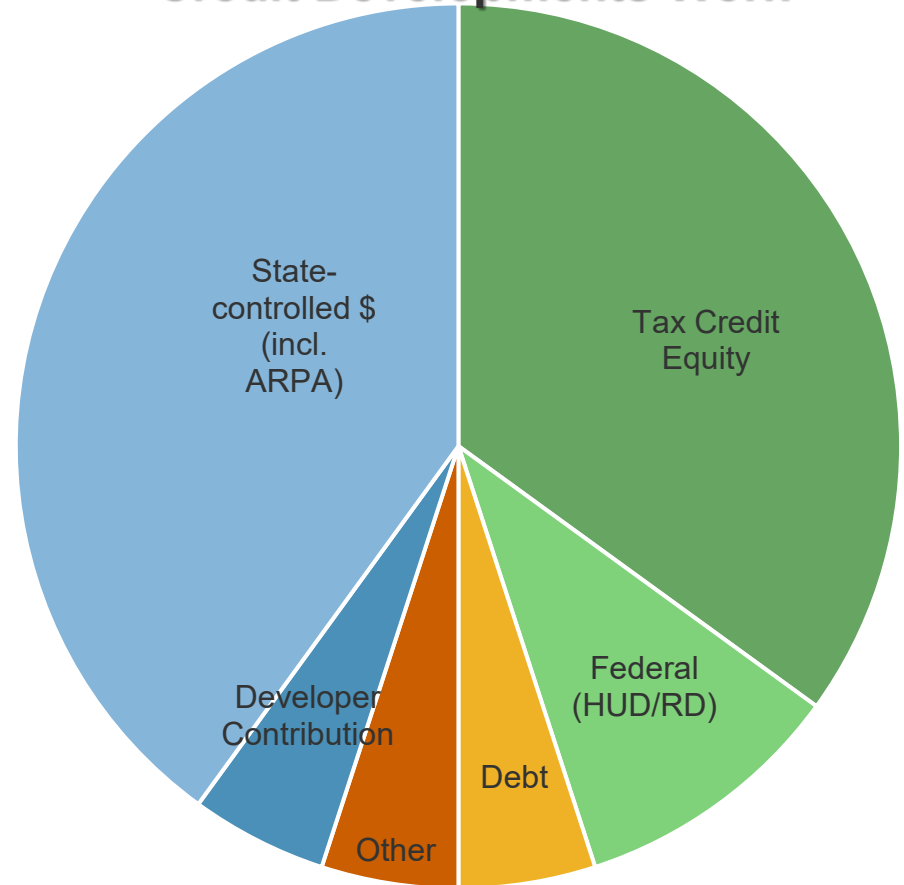
What it takes for 4% Tax Credit developments to work



Pre-2020: Why 4% Tax Credit Developments Were Limited



Post-2020: Making 4% Tax Credit Developments Work



Bonds and credits for multifamily housing: pre- & post-pandemic



- Private Activity Bonds for multifamily housing
 - 2015-2019: \$82 million
 - 2020-2024: \$269 million
 - Most recent year: \$82 million
- } 230% increase
- An **additional** \$120 million of federal resources (+510%) has come to Vermont via 4% Tax Credits since 2020

4% Low Income Housing Tax Credits	2015 to 2019	2020 to 2024
# Projects	19	34
Total Units	634	1,347
New Units	22	674
<u>Total Private Equity Generated from Tax Credits</u>	\$30.6 million	\$156.6 million