

Vermont Housing Finance Agency 2018 Annual Report



Affordable homes for a sustainable Vermont.

Contents

Contents 2

From the Executive Director 3

Affordable rental housing developed and monitored in 2018 4

Affordable owner housing developed in 2018 6

Providing Vermonters with homeownership opportunities 6

The Interest on Real Estate Trust Account 7

Down payment assistance program helps hundreds, but more funding is needed 8

Board of Commissioners 9

Summary of financial statements 10

 Statement of net position 10

 Statement of revenues, expenses and changes in net position 11

Staff and partners 12

Cover: Julia, Andrew, and baby Leo Parise at their South Burlington home, purchased with a VHFA mortgage. Photo by Danielle Landry

From the Executive Director



Since Vermont Housing Finance Agency (VHFA) was established in 1974, it has helped more than 137,000 Vermonters through a variety of programs. VHFA's activities in 2018 continued its mission to finance and promote affordable, safe and decent housing opportunities for low and moderate income Vermonters.

VHFA financed 16 different multifamily housing projects in FY 2018, which created or rehabilitated 441 apartments across Vermont. As in previous years, VHFA was the single largest source of funding for affordable rental housing development in the state. Federal and state housing credits awarded by VHFA produced approximately \$35 million in private upfront equity for construction, acquisition and renovations. Permanent loans from VHFA created \$2.6 million for four projects.

VHFA was also instrumental in creating a new funding source for constructing and preserving affordable housing across Vermont through its role in the issuance of Vermont Property Transfer Tax Revenue Bonds in 2018. These bonds created an additional \$37 million for housing--nearly \$2 million more than expected before the sale. Proceeds from these bonds are already being put to work by our local partners through the Vermont Housing and Conservation Board's Housing for All initiative.

This year through its home mortgage programs, VHFA helped 433 households purchase homes, the vast majority of whom were first-time home buyers. Many used VHFA's "ASSIST" down payment assistance program, which helps primarily young, first-time homebuyers afford closing costs. Demand for down payment assistance among VHFA mortgage borrowers has been twice as great as initial projections, exceeding the long-term funding available for DPA. VHFA continues to advocate for an increase in the Vermont Affordable Housing Tax Credits to meet this need.

VHFA's mission to serve Vermont is reflected in the enthusiasm and commitment of its staff. For the third year in a row, VHFA was ranked in the top five Best Places to Work among small sized organizations across the state by Vermont Business Magazine. VHFA staff continued to fundraise for United Way of Northwest Vermont, and was honored with its Affinity Award, which recognizes organizations with the highest percentage of participation in their industry sector. VHFA was also recognized by the New England Resident Service Coordinators (NERSC) for its efforts to support excellence in training and education for residence service coordinators.

On a personal note, 2018 is my last year as Executive Director of VHFA. In my 20 years in this role, VHFA has significantly expanded its efforts to promote affordable housing, including increasing the volume of VHFA mortgages by \$1.3 billion and working with legislators to enact the State Housing Tax Credit program to supplement the federal allocation due to pressing needs statewide for more affordable rental apartments and mortgage assistance for first time home buyers. This would not have been possible without VHFA's skilled staff and large network of dedicated partners. Although I will greatly miss VHFA, I know that I leave the agency in the capable hands of its incoming Executive Director, Maura Collins. Best wishes to all and thank you for giving me this wonderful opportunity to serve our great state.

Sarah Carpenter, Executive Director

Photo by Erica Da Costa

Affordable rental housing developed and monitored in 2018

Through funding for **16 projects** across the state, VHFA helped create and rehabilitate **441 rental apartments** in FY 2018. As in previous years, VHFA was the single largest source of funding for affordable rental housing development in the state. The federal and state housing credits VHFA provided to nine of this year's projects produced approximately **\$35 million** in private upfront equity for construction, acquisition and renovations. Permanent loans from VHFA created **\$2.6 million** for four projects. A 2017 grant from New England Federal Credit Union (NEFCU) provided **\$622,000** to two projects.

Several of these projects also received funding from the **Housing for All Initiative**, which VHFA played a major role in financing. On June 28, 2017, Governor Phil Scott signed Act 85 (Housing Bond Proceeds for Affordable Housing), with the goal of lessening the severe shortage of affordable housing in Vermont by building and rehabilitating substandard units. In February 2018, Housing Revenue Bonds (HRB) were sold via VHFA to raise \$37 million, exceeding estimates by nearly \$2 million. These HRB proceeds are distributed by Vermont Housing & Conservation Board (VHCB), who will award the bond funds over three years.



*Great River Terrace in Brattleboro.
Photo courtesy of Vermont Housing & Conservation Board*

FY18 projects already funded in part by HRB include Great River Terrace in Brattleboro. Windham & Windsor Housing Trust used the funds to renovate a former motel, creating 22 new rentals affordable to households at 30% of median income. These apartments are dedicated to formerly homeless individuals, with support services provided on site.

VHFA's work is not finished once a project is financed. VHFA monitors project development, and ensures that the work complies with all funding requirements. Once the construction or remodeling is completed, VHFA continues to help property owners and managers comply with state statutes, federal tax code, and contractual commitments. VHFA staff monitor more than **8,500** apartments across the state, and physically inspect over **300** properties every year.

Rental housing financing projects in FY 2018

2018 = FY2018 project
 H = financing provided in prior year

		Homes	Short-term / construction loan	Permanent loan	0% loan	Allocated housing credits	Bond housing credits	State housing credits	NEFCU grant
Bailey Baldwin Barre	Montpelier	15	2018	H		H			
Fern Hill Apts	Burlington	60	2018						
French Block	Montpelier	18			2018	2018			2018
Great River Terrace	Brattleboro	22	2018				H	H	
Hardwick Village Housing	Hardwick	18				2018			
Hawk's Nest Elderly	St. Albans	66		2018		H			
Heritage Court Apts	Poultney	17	H	2018			H	H	
Hollister Hill	Marshfield	16				2018			
Laurentide	Burlington	33				2018			
Memory Care - Allen Brook	Williston	14			2018				2018
Parkview Apts	Newport	12	2018			H	H		
Point School Apts	Colchester	5		2018					
Putney Landing	Putney	25				2018			
South Meadow	Burlington	64	H	H		H	2018	2018	
Sugarwood	Middlebury	12	H				2018	2018	
Windy Hollow MHP	Castleton	44		2018					

Affordable owner housing developed in 2018

VHFA also assisted the development of new homes for homeowners through financing, state housing tax credits, and NEFCU grants. This included **\$100,000** in tax credits for down payment grants for perpetually affordable single family or condominium homes. **\$200,000** in tax credits were used for Champlain Housing Trust’s Mobile Home Down Payment Assistance Program, which provides zero percent deferred second mortgages to purchase new energy-efficient manufactured homes in mobile home parks or on owned land. In total, these sources yielded approximately **\$1.4 million** for total homeownership assistance.

Providing Vermonters with homeownership opportunities

VHFA mortgage programs were used to purchase homes by **433 households** across the state in FY 2018. **Ninety-three percent** of these households were first-time home buyers. **308 households** used the down payment assistance program to buy their first Vermont home.

Average VHFA home buyer profile

Income	\$61,205
Mortgage amount	\$165,428
Home price	\$169,000

Home buyers who used VHFA loan programs

Program	Homes	Loan volume
Government	195	\$31,214,897
Conventional	230	\$39,015,516
Total	425	\$70,230,413

VHFA home buyer incomes

Percentage of area household median income	Percentage of home buyers
Less than 50%	7%
50.1 to 80%	35%
80.1 to 100%	26%
More than 100%	32%

Home buyers who used VHFA’s Mortgage Credit Certificate (MCC) program

Combined MCC with VHFA loan	32
Used MCC with loan from another source	8
Total	40



Jack LeClerc and Charlie the golden retriever in Winooski on closing day. Jack used a VHFA mortgage with down payment assistance to purchase their home. Photo by Madison Noyes.

The Interest on Real Estate Trust Account

The Interest on Real Estate Trust Account (IORTA) program is funded with the interest earned on earnest money and real estate contract deposits. Real estate brokers are required to put most of these deposits into pooled interest-bearing trust or escrow accounts and financial institutions are required to remit the interest made to VHFA for use in its homeownership programs.

For 26 years, funds from the proceeds of IORTA have been dedicated to VHFA for homeownership mortgage down payment or closing cost assistance. In FY 2018, VHFA received \$42,343 in IORTA funds, which were disbursed to the five Vermont Homeownership Centers, which provided 22 Vermont home buyers with down payment assistance using the funds. The timing of IORTA fund distribution to borrowers depends on the timing of home purchases.

IORTA assistance provided in FY 2018					
ADDISON	\$2,500	ORANGE	\$12,500	WINDHAM	\$1,000
CALEDONIA	\$1,500	RUTLAND	\$9,343	WINDSOR	\$2,000
LAMOILLE	\$3,500	WASHINGTON	\$10,000		

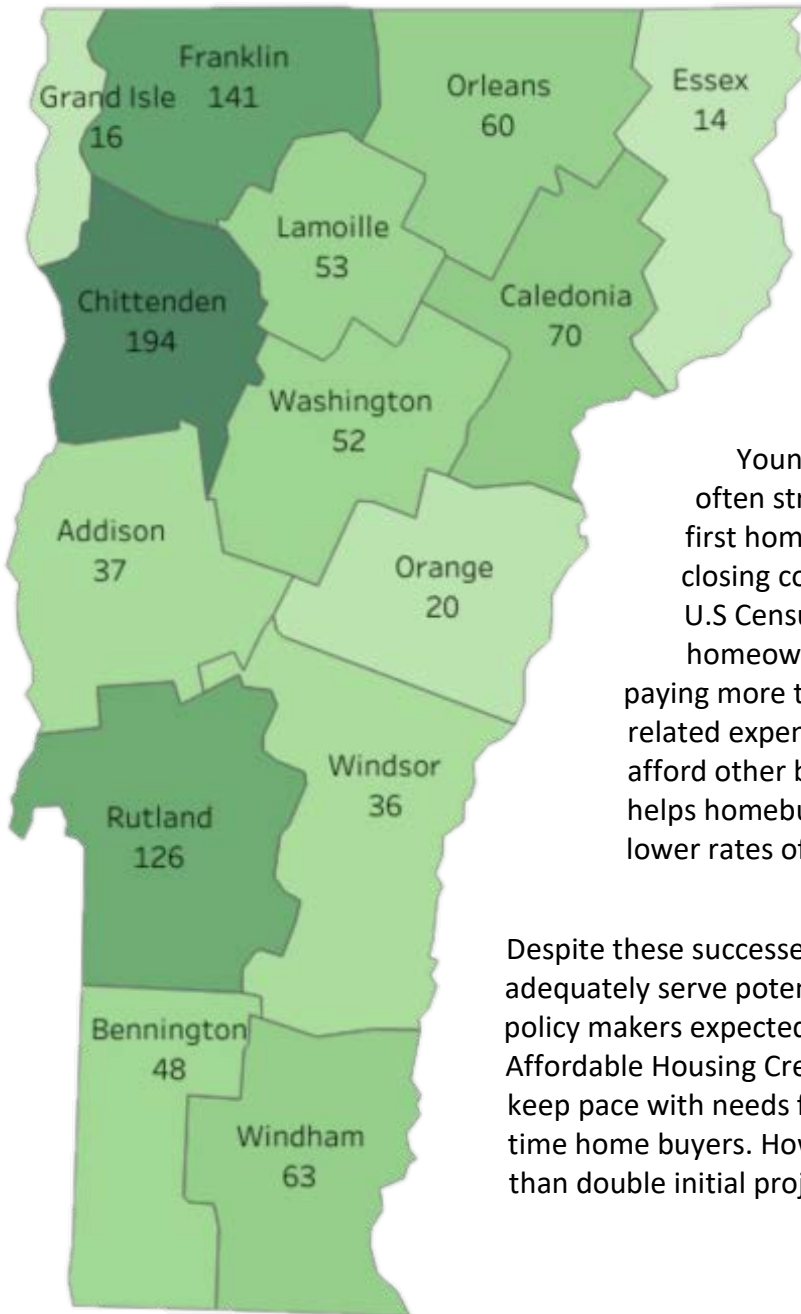


The Davis Family (Steve, Laura, Cooper, and Michael) on move-in day at their home in Dummerston. They received a VHFA MOVE loan with down payment assistance. Photo by Robin Castine

Down payment assistance program helps hundreds, but more funding is needed

Since the Vermont Down Payment Assistance (DPA) program began in 2015, VHFA has helped 930 Vermonters and their families use the program to buy their first homes. The DPA program has been used by buyers in 190 communities across the state and in every county.

DPA borrowers by county since 2015



Also known as the ASSIST program, the Down Payment Assistance Program provides up to \$5,000 to each qualifying homebuyer in the form of a non-amortizing, 0% second mortgage. Only available in conjunction with a VHFA first mortgage, the DPA loan is repaid when the first mortgage is refinanced or the home is sold.

Young households with entry-level salaries often struggle to afford closing costs on their first home, and Vermont has the 5th highest closing costs in the country. According to the U.S Census Bureau, one in three Vermont homeowner households are cost-burdened, paying more than a third of their income on housing-related expenses, which can make it difficult to afford other basic necessities. VHFA's DPA program helps homebuyers purchase their first home with lower rates of housing debt than unassisted buyers.

Despite these successes, more funding is needed to adequately serve potential Vermont homebuyers. Originally, policy makers expected that the equity from the Vermont Affordable Housing Credit that funds the DPA program would keep pace with needs for assistance among the state's first-time home buyers. However, demand for DPA has been more than double initial projections.

Board of Commissioners

VHFA is governed by a nine-member Board of Commissioners. The Board includes four *Ex Officio* members and five members appointed by the Governor of Vermont, representing private and public lending, real estate and housing development interests.

Members (as of June 2018)

- L. Randolph Amis (Attorney with Montroll Backus & Oettinger), Chair
- Lamont Barnett (Owner of [The Rock and Hammer](#))
- Jill Rickard, Designee for Michael Pieciak, *Ex Officio* (Commissioner of [Department of Financial Regulation](#))
- Dagne Canney (Principal Broker, [Vermont Real Estate Sales Co.](#))
- Katie Buckley, Designee for Michael Schirling, *Ex Officio* (Secretary of [Agency of Commerce and Community Development](#))
- Jeanne Morrissey (President, [J.A. Morrissey, Inc.](#))
- Michael Clasen, Designee for Beth Pearce, *Ex Officio* ([State Treasurer](#))
- Gustave Seelig, *Ex Officio*, Vice Chairman (Executive Director, [Vermont Housing & Conservation Board](#))
- Thomas Leavitt (President & CEO, [Northfield Savings Bank](#))



From left to right: Jeanne Morrissey, L. Randolph Amis; Gustave Seelig, Michael Clasen, Sarah Carpenter, Lamont Barnett, Katie Buckley, Thomas Leavitt, and Jill Rickard (missing: Dagne Canney)

Summary of financial statements

Statement of net position

June 30, 2018

(All amounts are in thousands of dollars)

ASSETS	
Cash and cash equivalents	71,727
Accrued interest receivable:	3,010
Other receivables and prepaid expenses	615
Investments	23,705
Mortgage loans receivable, net	250,518
Mortgage backed securities	185,402
Capital assets	687
Real estate owned	314
TOTAL ASSETS	535,978
DEFERRED OUTFLOWS OF RESOURCES	
Interest Rate Swaps	873
LIABILITIES	
Notes payable	47,019
Accrued interest payable	2,778
Other payables	442
Funds held on behalf of mortgagors	2,859
Bonds payable	396,245
Fair value of derivative instrument - interest rate swaps	873
Other liabilities	621
TOTAL LIABILITIES	450,837
NET POSITION	86,014

Statement of revenues, expenses and changes in net position

Year ended June 30, 2018

(All amounts are in thousands of dollars)

OPERATING REVENUES	
Interest income	20,839
Fee income	1,158
Sales of state tax credits	594
Gain on sales of loans and securities	462
Gain (loss) on bond redemptions, net	706
Other revenue	155
TOTAL OPERATING REVENUES	23,914
OPERATING EXPENSES	
Financing costs	14,229
Mortgage service and contract administration fees	259
Salaries and benefits	3,633
Operating expenses	1,069
Professional fees	198
Trustee and assignee fees	133
Provision for losses on loans and real estate owned	910
TOTAL OPERATING EXPENSES	20,431
OPERATING INCOME	3,483
NONOPERATING REVENUE (EXPENSES)	
Net appreciation in fair value of investments	(5,847)
Other nonoperating revenue	379
Federal program revenue	2,745
Federal program and administration expenses	(2,745)
TOTAL NONOPERATING REVENUE	(5,468)
INCREASE IN NET POSITION	(1,985)
NET POSITION AT BEGINNING OF YEAR	87,999
NET POSITION AT END OF YEAR	86,014

Audited financial statements are available at <http://www.vhfa.org/partners/investors/annual-financial-statements>

Staff and partners

<p>EXECUTIVE DIRECTOR</p> <p>Sarah Carpenter</p>	<p>DEPUTY DIRECTOR</p> <p>Maura Collins</p>
<p>ADMINISTRATION</p> <p>Victoria Johnson Administrative Assistant</p> <p>Steve Gronlund Human Resources Manager</p> <p>Lori Gilding Office Manager</p> <p>Leslie Black-Plumeau Policy & Planning Manager</p> <p>Mia Watson Research & Communications Coordinator</p> <p>Will White Social Media Intern</p> <p>Madison Noyes Graphic Design Intern</p>	<p>INFORMATION SYSTEMS</p> <p>Rick Jean Manager of Information Systems</p> <p>Joe Brouard SQL Server Report Writer and Analyst</p> <p>Sara Everest Web Developer</p> <p>Chris MacAskill System Analyst/Network Administrator</p> <hr/> <p>LEGAL</p> <p>George Demas General Counsel</p> <p>Brenda Howley Legal Coordinator</p>
<p>HOMEOWNERSHIP</p> <p>Jacklyn Santerre Director of Homeownership</p> <p>Diane Edson Senior Underwriter</p> <p>Jennifer Martin Underwriter</p> <p>Joshua Mead Operations Coordinator</p> <p>Heather Kvasnak Business Development Manager</p> <p>Zach Nelson Business Development Coordinator</p>	<p>MULTIFAMILY MANAGEMENT</p> <p>Kimberly Roy Director of Asset Management & Compliance</p> <p>Andrea Tieso Multifamily Management Officer</p> <p>Ann-Marie Plank Multifamily Management Officer</p> <p>Erin Philbrick Multifamily Management Officer</p> <p>Kathy Curley Multifamily Management Officer</p> <p>Robin Castine Multifamily Operations Analyst</p>

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<p>HOMEOWNERSHIP, continued</p> <p>Polly Thibault Loan Servicing Manager</p> <p>Pat LaFond Loan Servicing/Reporting Specialist</p> <p>Carolynn Mossey Loan Servicing Specialist</p>	<p>DEVELOPMENT</p> <p>Joe Erdelyi Director of Development</p> <p>Josh Slade Development Underwriter</p> <p>Sarah Woodward Development Underwriter</p>
<p>FINANCE</p> <p>Tom Connors Chief Financial Officer</p> <p>Lisa Clark Assistant Director of Finance</p> <p>Michelle Baird Manager of Bond Financing and Investments</p> <p>Brittany Garland Financial Analyst / Compliance Specialist</p> <p>Robert Purcell Financial Analyst/ Investment Specialist</p> <p>Tom Kimball Controller</p> <p>Matthew Harder Staff Accountant</p> <p>Darren Keniston Mortgage Loan Analyst</p>	<p>Financial / Legal Partners</p> <p>Bond Counsel Kutak Rock LLP</p> <p>Underwriters Raymond James & Associates, Inc Morgan Stanley</p> <p>Trustees Bank of New York Mellon Trust Company Wells Fargo Bank NA Wilmington Trust</p> <p>Auditor CohnReznick LLP</p> <p>Financial Consultant Piper Jaffray & Co.</p>

Contact

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Writing and Design

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