

Housing Outreach & Community Needs Discussions



501 Main Street, 9 units in Fairlee

Goals for Today

Brief introduction of statewide housing reflections: Market, Costs, Resources

What types of housing are current resources missing?

Review types of projects eligible for new resources

Timeline for applying for funding

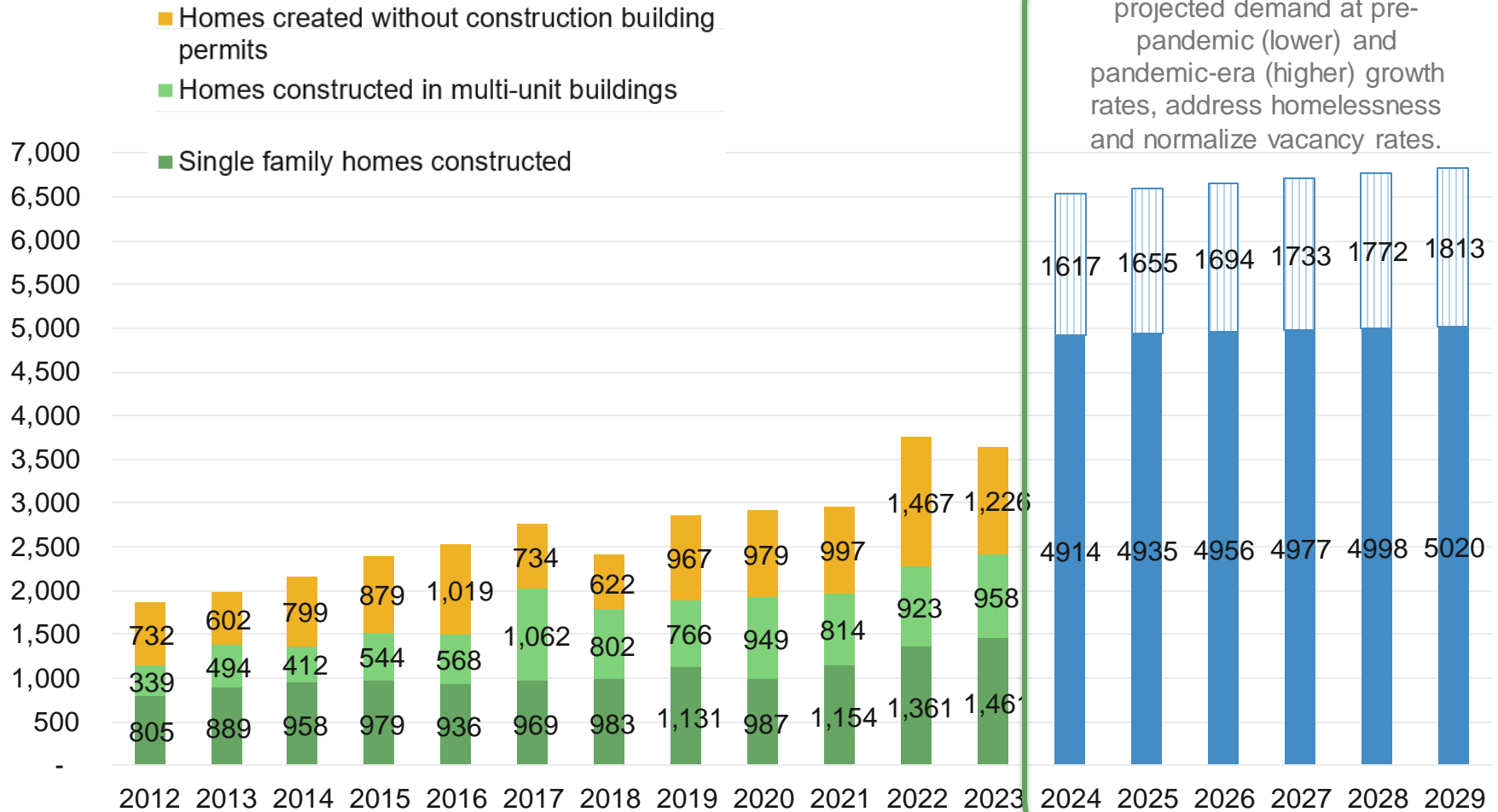
Your questions, ideas, feedback, and needs!

About us (and you)

- ❑ Created in 1974
- ❑ Quasi-Governmental...created by legislature but do not receive appropriations
- ❑ Over 30,000 homeowners supported through mortgage programs
- ❑ Financed over 9,000 affordable apartments statewide – mostly through the Low-Income Housing Tax Credit Programs
- ❑ Housing Policy, Data & Research



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

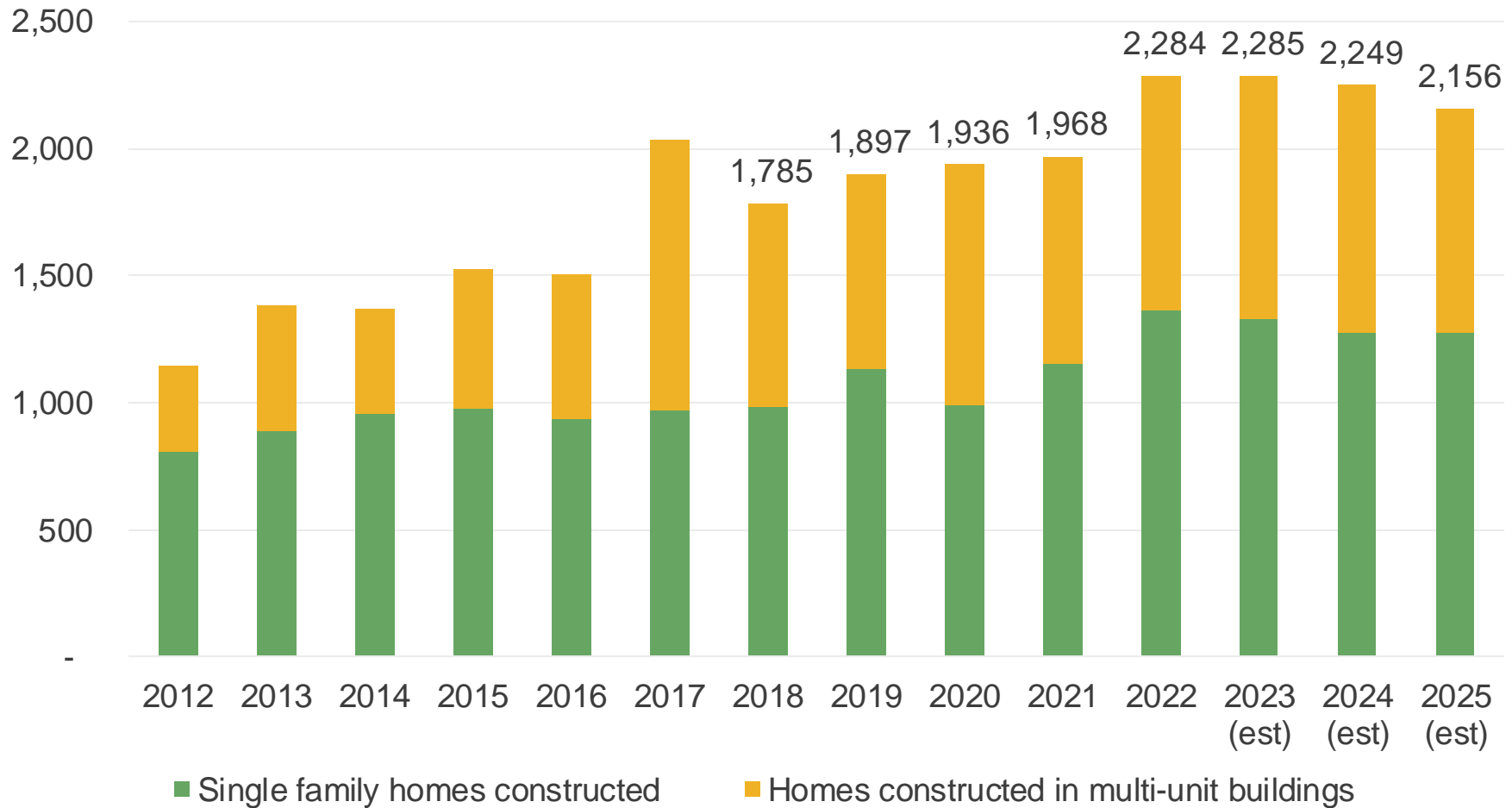


Homes needed to meet projected demand at pre-pandemic (lower) and pandemic-era (higher) growth rates, address homelessness and normalize vacancy rates.



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

Estimated new homes completed



Source: VHFA analysis of data on building permits issued and Census data on months from permit issuance to completion

New Resources for housing developers



Local Investment Advisory Committee (10% for Vermont): \$50 million



Rental Revolving Loan Fund: \$10 million for subordinate loans for middle-income rental housing development



Community Housing Accelerator: \$4.5 million Partnership with Vermont League of Cities and Towns and Philanthropy \$4.5 million



Housing Investment Fund leverages local investment to attract US Treasury Capital Magnet Fund: \$6 million in new funding



2023 Vermont Housing Investment Fund Annual Report



LIAC and Rental Revolving Loan Fund: Wide Spectrum of Affordability

Maximum rent and purchase price affordability thresholds by income and household size, May 2023



Area	Income level (% of median income)	INCOME THRESHOLD BY HOUSEHOLD SIZE**					MAX GROSS RENT AFFORDABLE (INCLUDING UTILITIES)***				MAX PURCHASE PRICE AFFORDABLE****			
		ONE	TWO	THREE	FOUR	FIVE		1	2	3	1	2	3	4
		PERSON	PERSON	PERSON	PERSON	PERSON	STUDIO	BDRM	BDRM	BDRM	BDRM	BDRM	BDRM	BDRM
VERMONT (also applies to all 10 counties not listed below*)	30%	20,600	23,550	26,500	29,450	31,850	515	551	662	766	66,000	79,000	92,000	106,000
	50%	34,400	39,300	44,200	49,100	53,050	860	921	1,105	1,276	111,000	134,000	154,500	173,000
	60%	41,200	47,100	53,000	58,900	63,700	1,030	1,103	1,325	1,532	133,500	161,000	186,000	214,000
	80%	55,050	62,900	70,750	78,600	84,900	1,376	1,474	1,768	2,043	179,000	215,500	249,000	278,500
	100%	68,800	78,600	88,400	98,200	106,100	1,720	1,842	2,210	2,553	224,500	270,000	312,000	348,000
	120%	82,400	94,200	106,000	117,800	127,400	2,060	2,207	2,650	3,065	269,000	323,500	374,500	430,000

- ✓ Traditional Affordable Housing investments target households between 0%-60% Area Median Income (AMI)
- ✓ “Middle Income” is between 60%-120% Area Median Income (AMI)



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

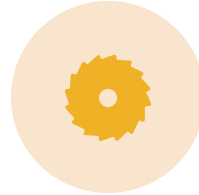
Types of investments available



PRE-DEVELOPMENT



ACQUISITION
(PRESERVATION &
OPPORTUNITY
BANKING)



CONSTRUCTION



EQUITY BRIDGE



PERMANENT

Investments from
State Treasurer,
State Legislature,
and Philanthropic
funding = below
market rate, flexible
terms

Traditional barriers we want to clear



“Housing resources are very complicated to use”



“I don’t have a 20-year history doing housing development”



“Interest rates and development costs make this impossible!”

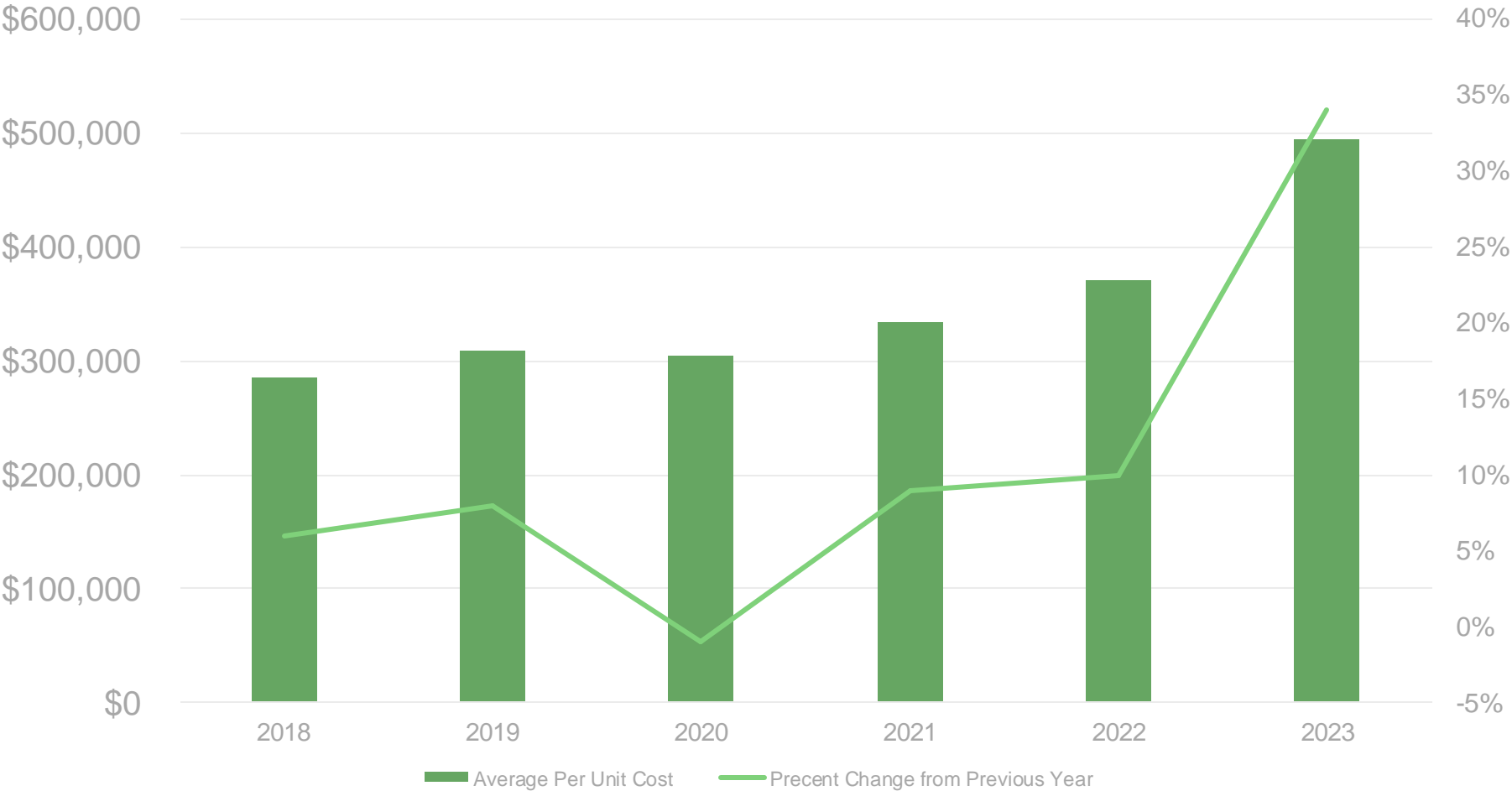


“My project just isn’t quite penciling”

Housing shortage meets skyrocketing costs

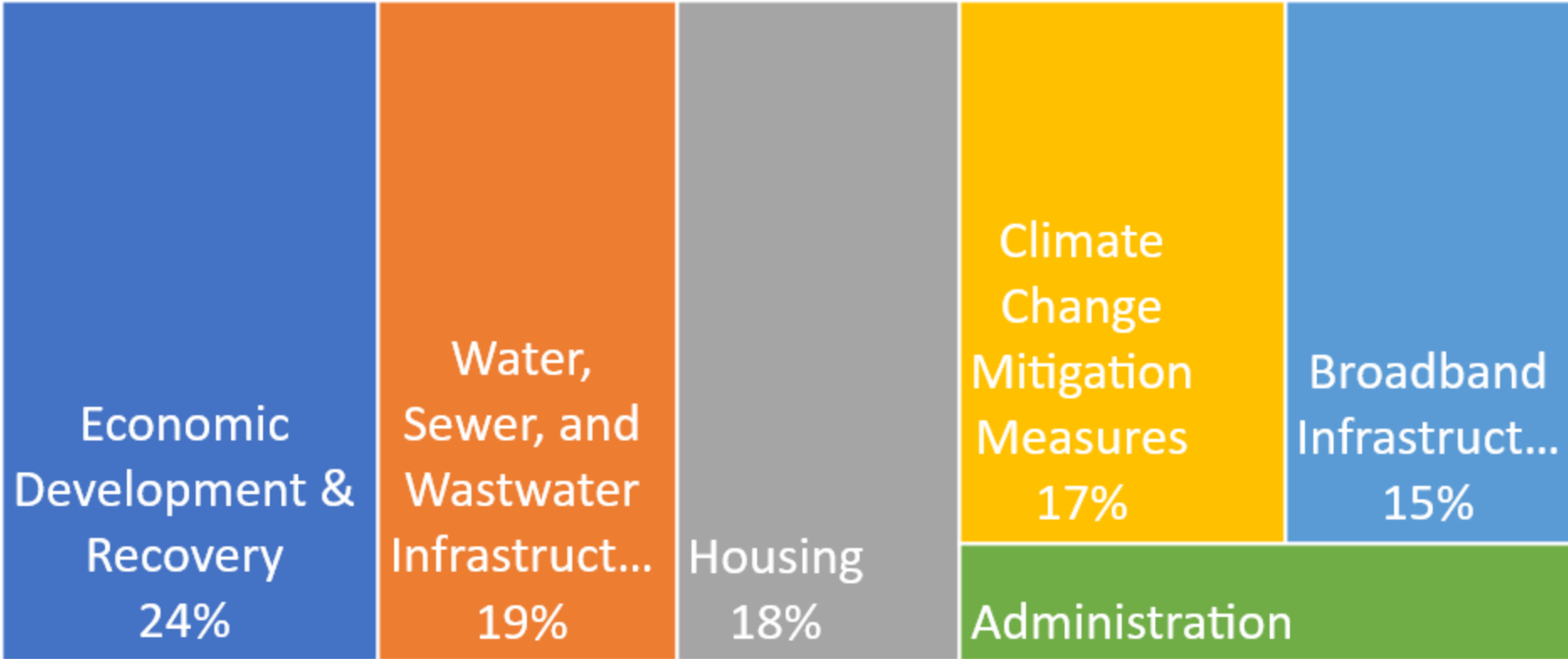


Cost Trends in Vermont 9% LIHTC Projects



Vermont ARPA Spending: \$1.05 Billion

- Economic Development & Recovery
- Water, Sewer, and Wastewater Infrastructure
- Housing
- Climate Change Mitigation Measures
- Broadband Infrastructure
- Administration



Local Investment Advisory Committee Funding

“10% For Vermont” Funding for primary debt



Low-interest construction and permanent debt



18 months to 15-year terms available for most projects



Rates assumptions generally between 2.5-3.5%



Can be combined with bank loan through a participation

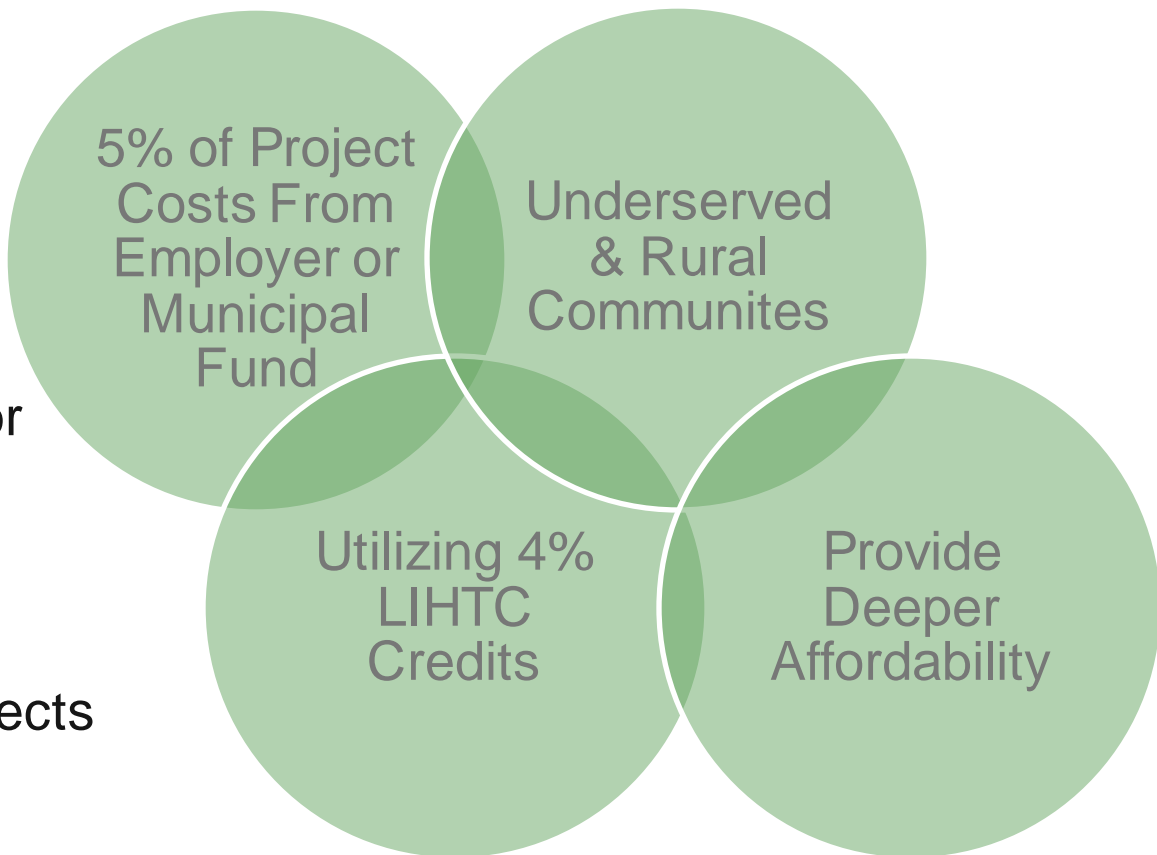


Different categories of use have different timelines for deployment

Rental Revolving Loan Fund: Gap Loan Program

Enhanced subsidy for project that meet one of the following:

- ❖ Rental Revolving Loan Fund 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



Rental Revolving Loan Fund: Maximum Gap Source

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

Eligible Projects



New Construction or Acquisition Rehab of unoccupied units: 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.

LIAC and Rental Revolving Loan Fund: Wide Spectrum of Affordability

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- ✓ “Middle Income” is between 60%-120% Area Median Income (AMI)



Solving Affordable Housing Math

Thirty 2 Bedroom Apartments in Washington County

Building Cost \$12 million to construct

Income	Maximum Rent	Annual Rent Generated by 30 units	Annual Operating Costs	Debt Capacity
30% AMI	\$626	\$225,360	\$246,960	\$0
50% AMI	\$1,043	\$375,480	\$246,960	\$1.7 million
60% AMI	\$1,252	\$450,720	\$246,960	\$3 million
80% AMI	\$1,670	\$601,200	\$246,960	\$5.5 million
100% AMI	\$2,087	\$751,320	\$246,960	\$8 million
120% AMI	\$2,505	\$901,800	\$246,960	\$10 million

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%)
- **Minimum Funding Gap: \$1,312,500**

Layering Resources: LIAC & Rental Revolving Loan Fund Working Together

\$1.3 million gap in our 10-unit project

LIAC at 3.5% instead of market interest rates at 6-8%
Increases primary debt capacity

\$1.8 - \$2.0 million → \$2.8 million (+\$800,000 into project)

Rental Revolving Loan Fund: \$500,000

Types of projects supported: LIAC + Rental Revolving Loan Fund

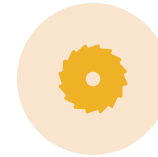
- ❖ **Traditional Affordable Housing** focused on households below 60% AMI, with 25% of units serving households exiting homelessness.
- ❖ **Middle-Income Rental Housing** that serves households between 65-120% AMI
- ❖ **Projects that are smaller in scale**, infill, and being constructed by emerging developers – focus on rural communities
- ❖ **Priority economic development projects** and projects that leverage support from employers or municipalities



PRE-DEVELOPMENT



ACQUISITION
(PRESERVATION
& OPPORTUNITY
BANKING)



CONSTRUCTION



EQUITY BRIDGE



PERMANENT

- ❖ **Manufactured Home & Homeownership Construction**

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.

A screenshot of a news article from the Middlebury College website. The article is titled "Middlebury College Acquires Land for Affordable and Workforce Housing" and is dated April 8, 2022. The article text states: "Summit Properties will develop a 35-acre parcel acquired by Middlebury College and pictured above into affordable housing for 250-350 people." The image shows a large green field under a blue sky with white clouds.

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Middlebury College Acquires Land for Affordable and Workforce Housing

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April 8, 2022
NEWS

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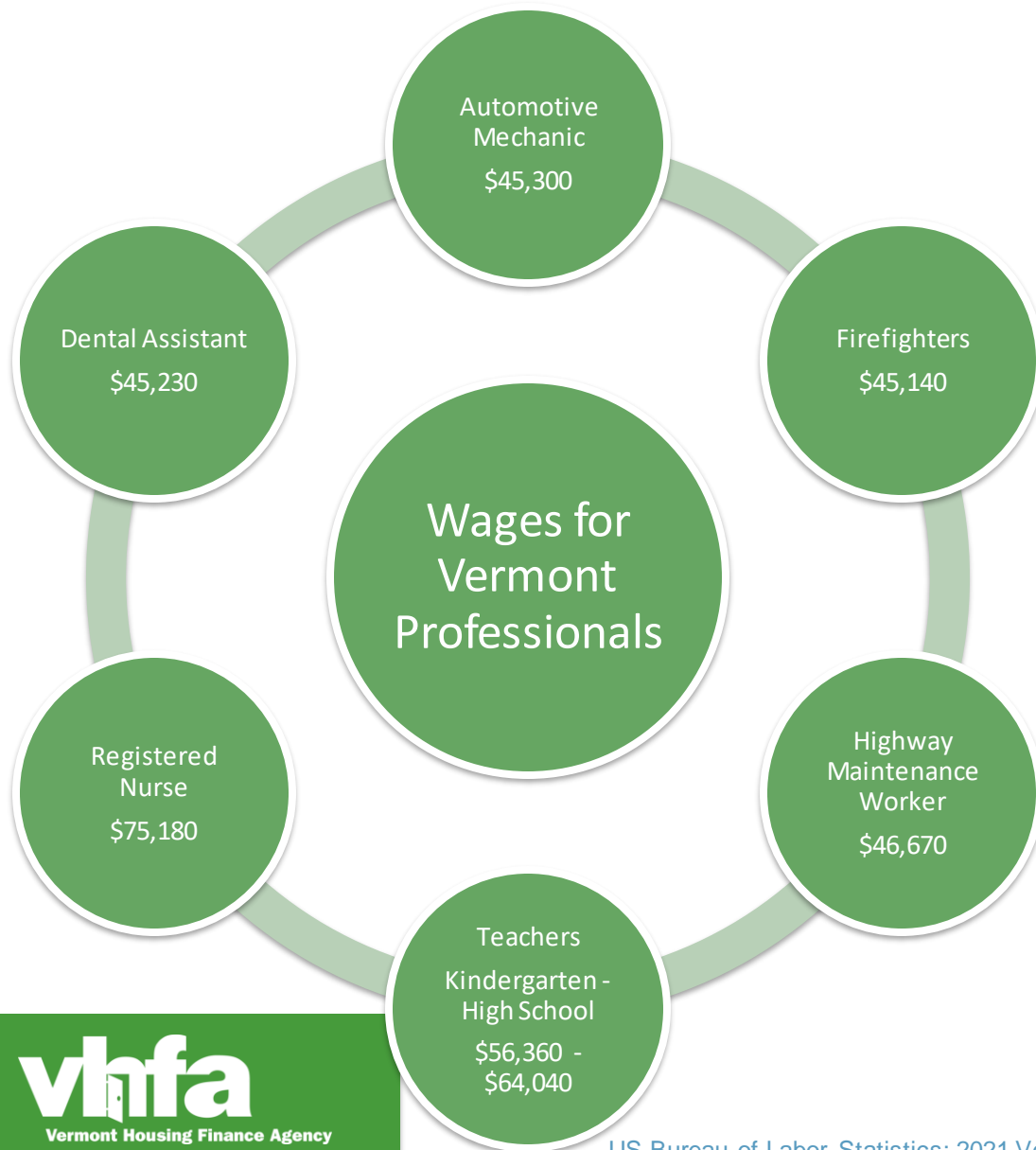
2018

2017

2016

Summit Properties will develop a 35-acre parcel acquired by Middlebury College and pictured above into affordable housing for 250-350 people.

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**



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

Key Timelines & Next Steps

01

November 2023:

Draft Guidelines issued for Rental Revolving Loan Fund + Outreach for Small/Emerging Developers

02

December 2023:

Rental Revolving Loan Fund and Small/Emerging Developer Applications open

03

Late Winter/Early Spring 2024:

Initial Commitments



LIAC Timeline for project types

- **Traditional/Homeownership/Manufactured Home Communities:** Low-Interest LIAC funding likely to be committed by early 2024. **Analyzing applications submitted to Treasurer in June.**
- **Priority Economic Development Projects:** Selecting project from group that applied to Treasurer in June 2023 – projects selected for intensive structuring work in coming months. **Analyzing applications submitted to Treasurer in June.**
- **Small and Emerging Developers:** **Outreach in fall/winter 2023-2024, Application available late 2023**
- **Flood Impacted Communities:** **Community need and outreach fall/winter 2023-2024**

Forms of Projects: Flexible!



Missing Middle-Income Homeownership Development Program

\$24 million deployed in 2023

\$2 million for Construction
Guarantee Pool


33% of funding set-aside Shared
Equity homes

Subsidy Retention models for non-
Shared Equity homes

Serves households at or below
120% AMI


New Construction and
Rehabilitation

Up to 35% of
Development Costs
may be eligible for
subsidy:



Value Gap

Homes Cost more to
build than they will
appraise for

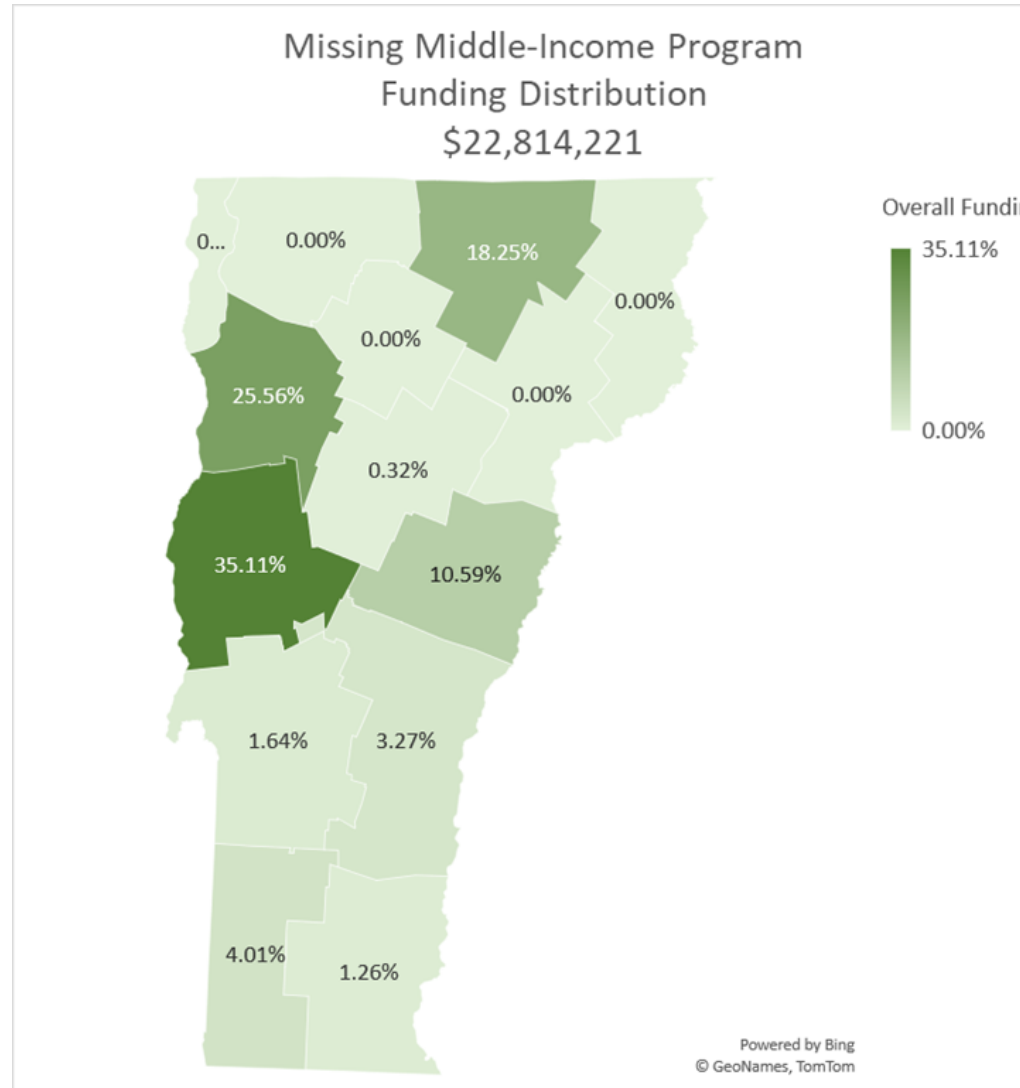


Affordability Gap

Modest homes are not
priced for households
between 80-120% Area
Median Income

Missing Middle Homeownership Impact to date

- 138 new homes with over 361 bedrooms.
- 76 of the funded homes will be perpetually affordable through Shared Equity, 55% of the total units funded.
- Average per unit subsidy \$165,320 per unit. Outcomes align with expectations expressed during program design



50% AMI	60% AMI	70% AMI	80 AMI	100% AMI	120% AMI
3	10	0	75	0	50

Solar For All program

- Available through the Inflation Reduction Act, administered through EPA
- Vermont's Public Service Department (PSD) has applied for \$100 million, expects to subgrant a portion to VHFA for affordable housing
- Eligible uses:
 - Rooftop or ground-mounted PV (solar) arrays
 - Residential-serving community solar
 - Associated storage (batteries)
 - Enabling upgrades (electrical systems, structural repairs, energy efficiency)
- Eligible projects: multifamily new construction/rehabilitation, single family developments, individual manufactured home replacements and/or manufactured home communities
- 20% of electric bill savings need to be passed on to tenants/homeowner (includes non-financial savings path for master-metered properties)
- Awards will be made as grants or low-interest loans to developers/property owners
- Timeline: Awards to be announced in Spring 2024, Funding available in late 2024



Vermont Homes for All

Toolkit:

A 'Design & Do' Toolkit for Small-scale Home Builders,
Investors & Community Leaders



Toolkit Components

Vermont Homes for All Toolkit

The Toolkit will provide a foundation for the implementation of “homes for all” prototypes in Vermont.

1. Builders’ Workbook

Start to finish guidance on the development process.

2. Missing Middle Homes Design Guide

Predevelopment-ready site and building designs.

3. Vermont Neighborhood Infill Design Case Studies

Guidance on how to address design factors for incremental infill development in existing communities.

Toolkit Trainer Summit

The Toolkit Trainer Summit will support collective implementation of the Toolkit concepts by training veterans and newcomers alike to serve in different implementation roles throughout Vermont. It will also serve as a promotional launch of the Toolkit and test-drive of all associated training materials.

Toolkit Goals:

- Build Affordably
- Grow Small Developers
- Cultivate Local Support
- Empower MMH Champions



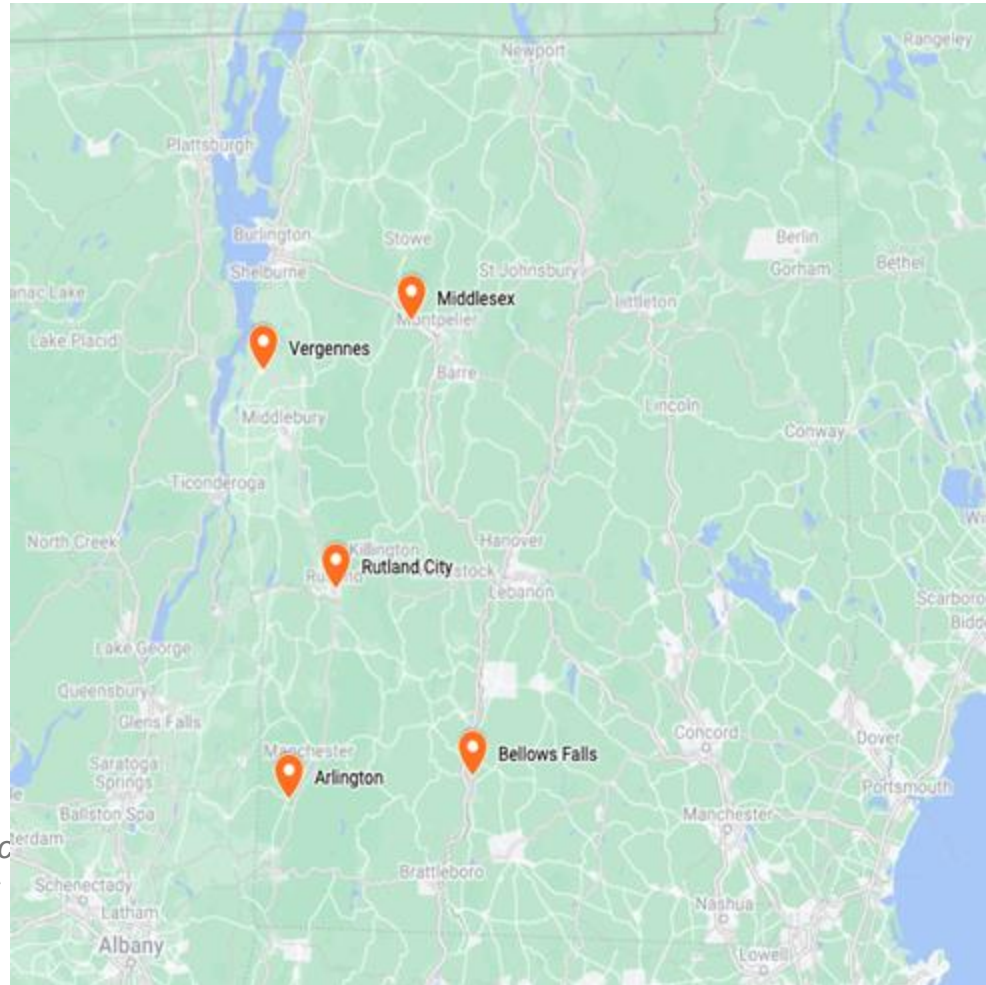
Precedent: Pittsfield Tyler Street District Plan

Neighborhood Infill Design Pilot Communities

These five communities were selected as representative communities of the range of contexts in Vermont where this Toolkit might be used

- **Rutland City** (Population 15,807)
- **Rockingham / Bellows Falls** (Population 2,747)
- **Vergennes** (Population 2,553)
- **Arlington** (Population 2,457)
- **Middlesex** (Population 1,779)

We are working with each community to conduct site-specific local testing to see how the missing middle home prototypes can be integrated into existing neighborhood contexts throughout a wide range of Vermont communities.



Project Arc

Phase 1 (2023-24): Engagement & Design

Actions: Homes for All Toolkit, Builders' Workbook, Infill Case Studies
Status: Underway



Phase 2 (2024-25): Training & Access

Actions: Training cohort; design contest for construction-ready drawings
Status: Funding secure



Phase 3 (2024-25): Implementation

Actions: Grants for homebuilding
Status: Seeking HUD Funding (PRO Housing Consortium Grant)