



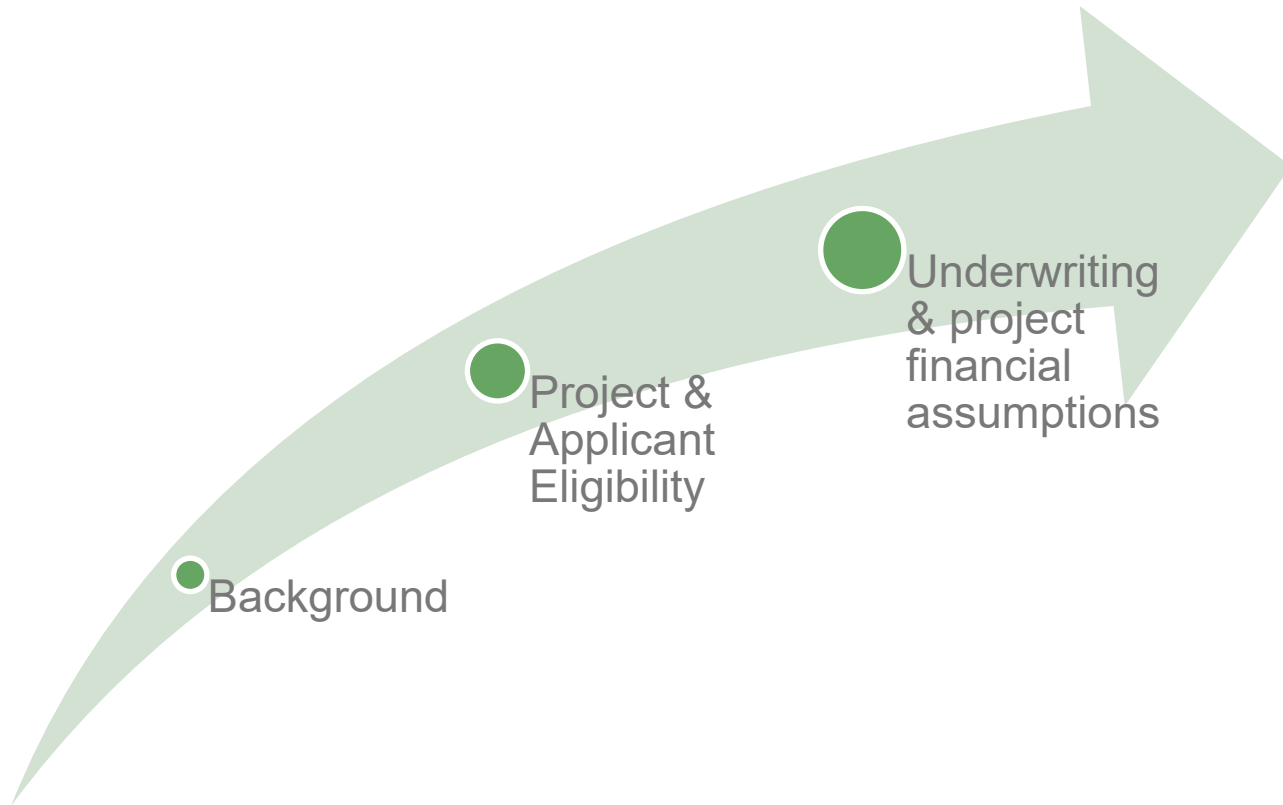
Rental Revolving Loan Fund

Program Draft Guideline Overview Forum



Vermont Housing Finance Agency

Goals for Today



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



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



Rental Revolving Loan Fund 101

Established as part of Act 47 by Vermont Legislature in 2023

Targets middle-income rental households

Created in acknowledgement that all development in Vermont is difficult to pencil

Initial \$10 million in funding



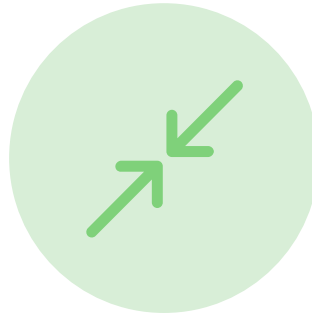
Eligible Applicants

- For-Profit and Non-Profit
- Priority for new, small/medium sized, and emerging developers
- Demonstrate some combination of experience, or a solid support team
- Ability to manage the construction/contracting processes
- Long-term property management (lease-up, ongoing maintenance, future recapitalizations)

Eligible Projects



NEW CONSTRUCTION



BRINGING UNITS BACK ON-LINE



NATURALLY OCCURRING
AFFORDABLE HOUSING:
ACQUIRING AT-RISK HOUSING
THAT IS CURRENTLY SERVING
80% AMI OR LOWER

At least 25% of units in a
project should be
Program-Eligible

Rental Revolving Loan Fund: Gap Funds for Middle-Income Rental Housing Development


Low or no-interest loan to help development rental housing that serves between 65-150% Area Median Income

Tiered approach with income band served, program maximum subsidized loan:

- ❖ Serve Households between 65%-80% AMI: \$125,000 or 35% of Development Cost
- ❖ Serve Households between 80%-120% AMI: \$100,000 or 35% of Development Cost

Setting Rents: Banding to serve spectrum of affordability

Rent levels set at 65% AMI rents may serve up to 80% AMI Households



Rent Levels set at 80% AMI may serve up to 120% AMI Households



If serving households up to 150% AMI, consult with VHFA on area market rents to determine target rent levels

Example of subsidy cap consideration

10 Unit Project with Total Development Cost of \$4.25 million

Project cost per unit: \$425,000

5 Units have 85% AMI rents and are program eligible

5 Units are market rents outside program eligibility

Consider both subsidy options:

35% of TDC for units is \$743,750

Total Subsidy available is \$500,000 (5 eligible units at \$100,000 subsidy level)

Terms of Rental Revolving Loan Fund

- ❖ Interest rates between 0 – 2%
- ❖ Always structured as a loan
- ❖ Term/Amortization or Interest only options available
- ❖ 10-year term, with 30-year amortization will be standard
- ❖ Funds may come in at construction, and convert to permanent
- ❖ RRLF may be subordinate to other resources, will take best lien available
- ❖ VHFA will require a note and subsidy covenant

Project Budget General Guidelines

- Debt Service Coverage Ratio (DSCR) for projects with 50% or more of units with rents at or above 80% AMI shall use at 1.20 minimum DSCR. Projects with deeper affordability or long-term operating subsidies may request a review by VHFA to consider a lower DSCR.
- Vacancy rates shall be between 2.5-5% depending on market factors
- Year-over-year income trending will be 3.5% for all program units. Non-program units may carry a 4.5% year-over-year income trend.
- Year over-year expense trending will be 2% for all units.
- Developer shall establish a per-unit replacement and repair reserve budget as part of the project's operating budget. Amount may vary based on construction type and building design/mechanicals.

VHFA may defer to guidelines or requirements set by primary lender on case-by-case basis

How Projects will be Prioritized



Projects that obtain direct or in-kind financial investment from area employers, with highest priority for direct or in-kind investment of 5% of total project costs (see “Employer Investment” section)



Project applicant being a new and emerging developer



Projects that activate unlimited resources that may otherwise go unused – like the 4% Low-Income-Housing Tax Credit program, without needing other soft/scarce resources



Projects located in underserved and rural communities (more to come on metrics)

Three required components of employer engagement

1. Developers are required to demonstrate direct outreach efforts to employers to learn about their needs. Examples could include a list of one-on-one meetings with local employers or focus group meetings with multiple employers.
2. Developers are required to provide letters of support from local employers with the application for funding.
3. Developers required to survey local employers to demonstrate how rents support local wages with a focus on vacant positions. Surveys may be completed by the owner/administration of an employer. VHFA will provide an example survey that can be customized to meet local/regional needs.

The survey should be distributed to at least the 5 largest employers in the area, although with approval from VHFA the developer may target the survey to smaller businesses that have a well-defined need.

Going Deeper for Prioritization: 5%

Examples of what employers & municipalities can do to help get projects prioritized



Create a local or regional investment pool with other employers



Identify individual projects and provide direct, indirect, or in-kind financial investment



Participate in land acquisition



Support homebuyer education classes at workplace & rental developments at no cost to employees/tenants



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

Other Considerations

Construction:

VHFA will conduct a design review prior to construction.

VHFA will require stamped plans, demonstration the program meets local and state code

VHFA will rely on primary lender for construction monitoring

Right of First Refusal:

VHFA will include a Right of First Refusal on projects with sale terms that rely on appraised value. This will apply if VHFA loan is placed at the time of sale.

Application Process & Fees

- Application will be released in December
- Volume of applications will determine whether program will be awarded in a single round
- VHFA will issue an advanced notice before closing applications
- Program fees available online:

Type of Application	Application	Commitment*	Origination	Reservation	Compliance Monitoring	Documentation/ Closing
Rental Revolving Loan Fund	\$300	\$1,000	\$1,000	N/A	\$50 per unit per year	\$1,500

Layering Resources: Local Investment Advisory & 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

Future of the Rental Revolving Loan Fund?



All repayments will be revolved into pool



VHFA will continue seeking resources for the fund, similar to the \$16 million in capital raised for the Vermont Housing Investment Fund

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
- 25% 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

