Housing Funding/Finance Public Meeting

Office of the State Treasurer

December 16, 2019

Statutory Requirement Pursuant to Act 48 of 2019

Sec. 9. STATE TREASURER RECOMMENDATION FOR FINANCING OF AFFORDABLE HOUSING INITIATIVE

(a) Evaluation. On or before January 15, 2020, the State Treasurer shall evaluate and report on options for funding and financing affordable housing in the State. The evaluation shall include:

(1) a plan to build upon the success of the affordable housing bond, created in 10 V.S.A. § 315, formed in coordination with the Vermont Housing and Conservation Board, the Vermont Housing Finance Agency, the Vermont Department of Housing and Community Development, and the Vermont Affordable Housing Coalition, for the creation or preservation of 1,000 housing units over five years for Vermonters with incomes up to 120 percent of the area median income as determined by the U.S. Department of Housing and Urban Development. In creating the plan, the State Treasurer and the other entities listed in this subdivision (a)(1) shall also consult with the business community, public and private housing developers, and experts in housing finance and affordable housing initiatives both in Vermont and nationwide;

(2) alternatives for financing the plan that take into consideration the use of appropriations, general obligation bonds, revenue bonds, investments, new revenues, and other financing mechanisms, including initiatives undertaken by other states;

(3) the plan shall assume that the 1,000 units shall be in addition to what would otherwise have been created or preserved by State funding through the Vermont Housing and Conservation Board equal to its FY 2019 base general fund and capital appropriations, and the other resources it typically leverages; and

(4) provisions for meeting housing needs consistent with publicly developed plans such as Vermont's Consolidated Plan, the 2017 Vermont Roadmap to End Homelessness, and Vermont Housing Finance Agency's Qualified Action Plan in the following areas:

(A) creating new multifamily and single-family homes;

(B) addressing blighted properties and other existing housing stock requiring reinvestment, including in mobile home parks;

(C) providing service-supported housing in coordination with the Agency of Human Services, including for those who are elderly, homeless, in recovery, experiencing severe mental illness or other disability, or leaving incarceration; and

(D) providing for the housing needs of households with extremely low income.

(b) Cooperation. In conducting the evaluation described in subsection (a) of this section, the State Treasurer shall have the cooperation of the Agency of Commerce and Community Development and the Department of Taxes.

(c) Report. The State Treasurer shall submit the report with recommendations based on the evaluation described in subsection (a) of this section to the Senate Committees on Economic Development, Housing and General Affairs, on Appropriations, and on Finance and the House Committees on General, Housing, and Military Affairs, on Appropriations, and on Ways and Means. The report shall also include a legislative proposal to implement the recommendations proposed in the report.

Proposed Housing Study Approach

- **Phase 1:** Treasurer's Office will work with the various entities to develop funding and financing options for 1,000 units:
  - Over and above what would have been created or preserved by state funding at FY 2019 base appropriation level, capital appropriation and other resources available to the Vermont Housing and Conservation Board (VHCB)
  - Work with various entities (VHCB, VHFA, Vermont Affordable Housing Coalition, Vermont Department of Housing and Community Development, other interest parties and advocacy groups)
  - Develop model to identify variables to cost (type, location, other) and to provide alternative scenarios to achieve the 1,000 units
  - Provide funding and financing options and recommendations
  - Completion date: January 15, 2020
- **Phase 2**: In partnership with housing agencies, authorities, interest parties noted above complete a comprehensive analysis of housing needs and costs including, but not limited to: expansion and improvement of housing supply, maintenance of permanent affordability, special needs and services, cost of service supported housing, rehabilitation vs. new construction, other considerations.
  - Public Meetings and comment (including this one)
  - Review of other state approaches
  - Collaboration and partnership
  - Completion date: March 2020

Considerations/Next Steps (Phase 1)

- It is not only a question of needing more housing but rather:
  - What is the best mix (by type, new vs. rehab, location, other)?
  - What is the best way to fund/finance this need?
    - Revenue sources
    - Borrowing (full or in part)
    - Other recommendations

- Other Considerations:
  - Impact on other borrowing needs (capital budget)
  - Impact of taxpayer affordability and bond ratings
  - Impact/savings in Medicaid, state social service programs (difficult to quantify)

Considerations/Next Steps

- What are the barriers to accessing housing?
- Vouchers
- Underutilization of existing tools (4% tax credits)
- Need and cost of service supported housing
- Special Service Needs
  - Homelessness
  - Individuals experiencing mental illness
  - Substance use disorders
  - Individuals with disabilities
  - Elderly populations
  - Re-integrating adults
  - New Americans
  - Migrant farm workers
- Challenges:
  - Cost burden paying over 30% of income for housing
  - Constrained market
  - Older housing stock
  - Lack of funding

Considerations/Next Steps (VAHC)

- Long Term Affordability
- Location- village center and downtown development
- Mixed income & affordability for people below 30% of median income
- Family housing
- Rehabilitation & new construction in low vacancy areas
- Supportive Housing for the homeless
- Service- enriched housing for seniors & support & services at home (SASH)
- Energy efficient, universal design, historic preservation
- Financially feasible & well-leveraged resources
- Experienced & sound developer & manager
- Market study supports concept/size

-Source: Affordable Housing 101, Vermont Affordable Housing Coalition

Housing Revenue Bond

- The Housing for All Revenue Bond was created by Act 85 of 2017

- The bond was issued by the Vermont Housing Finance Agency and the program is administered by the Vermont Housing & Conservation Board

- The sale raised $37 million

- The bond is to be repaid by the State of Vermont

- The dedication of $2.5 million in revenue from the property transfer tax (PPT) to pay the debt is to be offset by the reduction of $1.5 million in the appropriation to the Vermont Housing and Conservation Board (VHCB) and $1 million from the surcharge established by statute

- Included in the State’s net-tax supported debt

- As of 12/13/19, VHCB has awarded $34 million to 34 developments with 716 units in 21 different communities across 11 counties plus accessibility improvements for 60 homes and funding for Habitat for Humanity homes statewide. VHCB expects to commit the remaining funds in January 2020

- VHCB, December 2019

Housing Bond Impact

- **Grand list value** of the first three completed HRB-funded projects increased by an estimated$2.89 million—more than 500 percent.
- The 30 projects funded by HRB thus far will result in an estimated $145 million in construction activity.
- The National Association of Homebuilders indicates each new apartment built creates 1.13 jobs and generates $14,000 in state and local tax revenue. Single-family homes each create 2.97 jobs.
- “Construction as an industry has one of the highest economic multipliers, both in overall terms and for employment multipliers.” *Making Economic Development Policy*, State Auditor Report, July 2018.
- Hundreds of new homes for Vermonters earning 80-120%of median income.
- Majority of developments include apartments dedicated to those experiencing homelessness.
- Reduced pressure on state programs such as General Assistance, Corrections, and Medicaid.

- Source VHCB Presentation, November 2019

Remaining Need

Housing costs present the single greatest financial stressor for Vermonters

- October 2018 VPR/VPT poll

•Vermont Futures Project of the Vermont Chamber of Commerce has set a growth target of 5,000 new and improved housing units annually.

•*Roadmap to End Homelessness* called for 369 units of permanent supportive housing and 1,251 new homes affordable to the lowest income Vermonters.

•2015 statewide housing needs assessment by Bowen National Research identified a gap of 2,818 homes for families and 3,136 homes for seniors for the period between 2015 and 2020.

•Recovery Residences for those with Substance Use Disorders: need for an additional 300 beds, particularly for women with children.

•2019 Mobile Home Park Assessment: large and small-scale infrastructure needs exceed available resources.

-Source: VHCB Presentation , November 2019

Phase 1 Modeling

Model to Review Potential Mixes for Construction of 1,000 Housing Units- Preliminary Draft

- The cost of a housing unit varies greatly across housing type and location

- Model assumes resources available from other sources such as tax credits and federal housing programs also vary

- Model provided estimates on categories of housing type based on the direction of Act 48, VHCB’s experience with the Housing for All Revenue Bond and supporting housing creation and preservation with state funding over many years

- VHCB developed model includes additional need for reinvestment in mobile homes and park infrastructure

- Community Rehabilitation Investment Fund- intended to cover need for reinvestment in blighted single and multi-family homes.

Model to Review Potential Mixes for Construction of 1,000 Housing Units- Preliminary Draft

Unit Mix of 1000 Additional Units Projected Over Five Year Period

DRAFT

Type of Housing	**VHCB Award/unit**	**Per Unit TDC**	**Number of Units Low**	**Number of Units High**	**Percentage by type Low**	**Percentage by Type High**	**VHCB Funding Low**	**VHCB Funding High**	**Annual Funding (5 yr) Low**	**Annual Funding (5 yr) High**	**Total Development Cost Low**	**Total Development Cost High**
Multi-family rental - new	$60,000	$280,000	425	500	43%	34%	$25,500,000	$30,000,000	$5,100,000	$6,000,000	$119,000,000	$140,000,000
Multi-family very low-income - new	$70,000	$280,000	125	125	13%	9%	$8,750,000	$8,750,000	$1,750,000	$1,750,000	$35,000,000	$35,000,000
Single-family homes/condos - new	$90,000	$260,000	50	150	5%	10%	$4,500,000	$13,500,000	$900,000	$2,700,000	$13,000,000	$39,000,000
Service supported housing - new	$35,000	$200,000	75	150	8%	10%	$2,625,000	$5,250,000	$525,000	$1,050,000	$15,000,000	$30,000,000
Multi-family Rehabilitation	$35,000	$200,000	225	300	23%	21%	$7,875,000	$10,500,000	$1,575,000	$2,100,000	$45,000,000	$60,000,000
Single-family Rehabilitation	$80,000	$240,000	50	150	5%	10%	$4,000,000	$12,000,000	$800,000	$2,400,000	$12,000,000	$36,000,000
Community Rehab Investment Fund	$12,000	$50,000	50	75	5%	5%	$600,000	$900,000	$120,000	$180,000	$2,500,000	$3,750,000
Subtotal			1,000	1,450	100%	100%	53,850,000	80,900,000	10,770,000	16,180,000	$241,500,000	$343,750,000
MH Parks - homes & infrastructure	$22,000	$40,000	300	400			$6,600,000	$8,800,000	$1,320,000	$1,760,000		
TOTAL			1,300	1,850			60,450,000	89,700,000	12,090,000	17,940,000		

Note: This table is for illustration purpsoes and does not represent a final configuration or proposed allocation by type of housing

Possible Group Discussion topics

1. Types of housing to be included
2. Funding capacity over the next five years to match with the VHCB awards award
3. Time frame for completion of units
4. Possible methods of funding and financing of units including revneus sources and bonding of all or part of the VHCB funding

Next step: work with various groups to reconcile model with their calculations and develop alternative mixes, identify and quantify operational services not included and support services.

Bonding vs. Funding

- ***Financing*** involves the use of strategies, including bonding, that capture or leverage the value of a stream of revenue and then paying overtime for the current use of those future revenues.*
  - In cases where there are significant inflationary costs, this can also result in increased net resources, but as a general rule they add little or no new resources to the funding gap

- ***Funding*** refers to the generation of revenue through various means such as taxes, fees, and licenses
  - Appropriations
  - Tax Expenditure
  - Federal and/or State
  - Philanthropic

*Washington State Department of Transportation, Transportation Infrastructure Financing Alternatives, 2004, p1. While a different subject area, provides a good description of the concepts

VHCB FUNDING HISTORY FY2011-FY2020

Fiscal Year	Property Transfer Tax Revenues	VHCB Statutory Share of PTT	Actual PTT Appropriated	Amt of PTT to Gen. Fund	Capital Bill	VHCB Actual State Funds Appropriated	Revenues Lost from Housing & Conservation
2011	23,900,000	11,830,500	$ 6,101,662		$ 5,000,000	$ 11,101,662	$ 728,838
2012	25,500,000	12,622,500	$ 8,047,500		$ 4,000,000	$ 12,047,500	$ 575,000
2013	28,500,000	13,965,000	$ 13,688,640	$ 276,360		$ 13,688,640	$ 276,360
2014	30,900,000	15,141,000	$ 14,014,000	$ 1,127,000		$ 14,014,000	$ 1,127,000
2015	33,622,293	16,474,924	$ 14,954,840	$ 1,520,084		$ 14,954,840	$ 1,520,084
2016	35,700,000	17,493,000	$ 9,554,840	$ 7,938,160	$ 4,550,000	$ 14,104,840	$ 3,388,160
2017	38,700,000	18,963,000	$ 11,304,840	$ 7,658,160	$ 4,000,000	$ 15,304,840	$ 3,658,160
2018*	40,900,000	18,816,000	$ 9,804,840	$ 9,011,160	$ 5,000,000	$ 14,804,840	$ 4,011,160
2019*	41,100,000	18,914,000	$ 9,804,840	$ 9,109,160	$ 5,650,000	$ 15,454,840	$ 3,459,160
2020*	45,580,000	21,109,200	$ 10,804,840	$ 10,304,360	$ 4,600,000	$ 15,404,840	$ 5,704,360
Total	**$344,402,293**	**$165,329,124**	**$108,080,842**	**$46,944,444**	**$32,800,000**	**$ 140,880,842**	**$ 24,448,282**

* The dedication of $2,500,000 in revenue from the property transfer tax pursuant to 32 V.S.A. § 9610(d) for the debt payments on the 2017 Housing Revenue Bond is offset by the reduction of $1,500,000 in the annual appropriation to VHCB and $1.0 million from the PTT surchage established by 32 V.S.A. § 9602a.
Beginning in fiscal year 2018 the annual appropriation of PTT to VHCB reflects the $1,500,000 reduction.

From July 29, 2019 Consensus Revenue Forecast

Fiscal Year	Property Transfer Tax Revenues
2019	41,100,000
2020	45,580,000
2021	49,160,000
2022	51,900,000
2023	53,930,000
2024	55,850,000

Statutory Allocation of PTT	
32 VSA Sec. 9610 d	$2.5MM to VHFA for Housing Bond
32 VSA Sec. 9610 c	2% to Tax Dept.
Then Remainder:	
10 VSA Sec. 312	50% to VHCB
32 VSA Sec 435 b 10	33% to General Fund
24 VSA Sec 4306 a	17% to Municipal & Regional Planning Fund

Housing Bond Intended to Meet Some of the Gap

- The housing "bond is planned to fill the large gap we have in funding and is not intended to be paid back with mortgage revenue. The pay back will be from the Property Transfer Tax. The purpose of the bond is to provide capital that cannot be provided by traditional mortgage sources or current state or federal subsidy funds."

  - Letter, Sarah Carpenter, 2019

- But it comes at a cost through borrowing:

Total Payments in 5 Year Periods

	FY	**Principal**	**Interest**	Total
Years 1-5 *	2018-2023	9,050,000	**5,945,336.43**	14,995,336.43
Years 6-10	2024-2028	7,955,000	**4,544,831.25**	12,499,831.25
Years 11-15	2029-2033	9,430,000	**3,069,223.75**	12,499,223.75
Years 16-20	2034-2038	11,390,000	**1,112,832.50**	12,502,832.50
20 Year Total		**37,825,000**	**14,672,223.93**	52,497,223.93

*Period is actually 5.5 years (Bonds issued 1/9/2018)

Current Estimated Cost of Bonding

Housing Bond Debt Service Example
Taxable - Level Debt Service Structure - 20 Year Housing Bond
This includes mobile home cost in addition to 1,000 units

Proceeds		65,120,000
Project Fund		**60,457,015**
UD	0.50%	325,600
COI		225,000
DSRF		4,112,386
Contingency		-
Total		**65,120,000**

<==Calculated Bonds

Total Project funds	60,457,015	
Taxable amount	4,110,000	<==== Input Debt
Tax-exempt amount	56,347,015	Service Amount
DSRF Earnings Rate:	1%	
Target debt service:	4,110,000	

Tenor	Date	Coupon	Price	Proceeds	Principal	Interest	DS	DSRF Earnings	Net Debt Service
	5/1/2020								
Issue	5/1/2020					-	-		(65,120,000)
1	11/1/2020	1.64%	100.000%	2,730,000	2,730,000	1,380,088	4,110,088	41,124	4,068,964
2	11/1/2021	1.56%	100.000%	2,775,000	2,775,000	1,335,316	4,110,316	41,124	4,069,192
3	11/1/2022	1.47%	100.000%	2,820,000	2,820,000	1,292,026	4,112,026	41,124	4,070,902
4	11/1/2023	1.51%	100.000%	2,860,000	2,860,000	1,250,572	4,110,572	41,124	4,069,448
5	11/1/2024	1.53%	100.000%	2,905,000	2,905,000	1,207,386	4,112,386	41,124	4,071,262
6	11/1/2025	1.59%	100.000%	2,945,000	2,945,000	1,162,939	4,107,939	41,124	4,066,815
7	11/1/2026	1.69%	100.000%	2,995,000	2,995,000	1,116,114	4,111,114	41,124	4,069,990
8	11/1/2027	1.76%	100.000%	3,045,000	3,045,000	1,065,498	4,110,498	41,124	4,069,374
9	11/1/2028	1.87%	100.000%	3,100,000	3,100,000	1,011,906	4,111,906	41,124	4,070,782
10	11/1/2029	1.93%	100.000%	3,155,000	3,155,000	953,936	4,108,936	41,124	4,067,812
11	11/1/2030	2.02%	100.000%	3,215,000	3,215,000	893,045	4,108,045	41,124	4,066,921
12	11/1/2031	2.19%	100.000%	3,280,000	3,280,000	828,102	4,108,102	41,124	4,066,978
13	11/1/2032	2.33%	100.000%	3,355,000	3,355,000	756,270	4,111,270	41,124	4,070,146
14	11/1/2033	2.49%	100.000%	3,430,000	3,430,000	678,098	4,108,098	41,124	4,066,974
15	11/1/2034	2.53%	100.000%	3,515,000	3,515,000	592,691	4,107,691	41,124	4,066,567
16	11/1/2035	2.57%	100.000%	3,605,000	3,605,000	503,762	4,108,762	41,124	4,067,638
17	11/1/2036	2.61%	100.000%	3,700,000	3,700,000	411,113	4,111,113	41,124	4,069,989
18	11/1/2037	2.65%	100.000%	3,795,000	3,795,000	314,543	4,109,543	41,124	4,068,419
19	11/1/2038	2.69%	100.000%	3,895,000	3,895,000	213,976	4,108,976	41,124	4,067,852
20	11/1/2039	2.73%	100.000%	4,000,000	4,000,000	109,200	4,109,200	41,124	4,068,076
Total				65,120,000	65,120,000	17,076,576	82,196,576	822,477	81,374,098

Housing Bond Debt Service Example

Taxable - Level Debt Service Structure - 20 Year Housing Bond

Does not include mobile home option in addition to 1,000 units

Proceeds		57,835,000
Project Fund		**53,668,280**
UD	0.50%	289,175
COI		225,000
DSRF		3,652,545
Contingency		-
Total		**57,835,000**

<==Calculated Bonds

Total Project funds	53,668,280	
Taxable amount	3,650,000	<==== Input Debt
Tax-exempt amount	50,018,280	Service Amount
DSRF Earnings Rate:	1%	
Target debt service:	3,650,000	

Tenor	Date	Coupon	Price	Proceeds	Principal	Interest	DS	DSRF Earnings	Net Debt Service
	5/1/2020								
Issue	5/1/2020					-	-		(57,835,000)
1	11/1/2020	1.64%	100.000%	2,425,000	2,425,000	1,225,820	3,650,820	36,525	3,614,294
2	11/1/2021	1.56%	100.000%	2,465,000	2,465,000	1,186,050	3,651,050	36,525	3,614,524
3	11/1/2022	1.47%	100.000%	2,500,000	2,500,000	1,147,596	3,647,596	36,525	3,611,070
4	11/1/2023	1.51%	100.000%	2,540,000	2,540,000	1,110,846	3,650,846	36,525	3,614,320
5	11/1/2024	1.53%	100.000%	2,575,000	2,575,000	1,072,492	3,647,492	36,525	3,610,966
6	11/1/2025	1.59%	100.000%	2,615,000	2,615,000	1,033,094	3,648,094	36,525	3,611,569
7	11/1/2026	1.69%	100.000%	2,660,000	2,660,000	991,516	3,651,516	36,525	3,614,990
8	11/1/2027	1.76%	100.000%	2,705,000	2,705,000	946,562	3,651,562	36,525	3,615,036
9	11/1/2028	1.87%	100.000%	2,750,000	2,750,000	898,954	3,648,954	36,525	3,612,428
10	11/1/2029	1.93%	100.000%	2,800,000	2,800,000	847,529	3,647,529	36,525	3,611,003
11	11/1/2030	2.02%	100.000%	2,855,000	2,855,000	793,489	3,648,489	36,525	3,611,963
12	11/1/2031	2.19%	100.000%	2,915,000	2,915,000	735,818	3,650,818	36,525	3,614,292
13	11/1/2032	2.33%	100.000%	2,980,000	2,980,000	671,979	3,651,979	36,525	3,615,454
14	11/1/2033	2.49%	100.000%	3,050,000	3,050,000	602,545	3,652,545	36,525	3,616,020
15	11/1/2034	2.53%	100.000%	3,125,000	3,125,000	526,600	3,651,600	36,525	3,615,075
16	11/1/2035	2.57%	100.000%	3,205,000	3,205,000	447,538	3,652,538	36,525	3,616,012
17	11/1/2036	2.61%	100.000%	3,285,000	3,285,000	365,169	3,650,169	36,525	3,613,644
18	11/1/2037	2.65%	100.000%	3,370,000	3,370,000	279,431	3,649,431	36,525	3,612,905
19	11/1/2038	2.69%	100.000%	3,460,000	3,460,000	190,126	3,650,126	36,525	3,613,600
20	11/1/2039	2.73%	100.000%	3,555,000	3,555,000	97,052	3,652,052	36,525	3,615,526
Total				57,835,000	57,835,000	15,170,199	73,005,199	730,509	72,274,690

Note: Good news is that interest rates have declined since May 2019, lowering interest cost. Using new taxable rates, estimated interest for a $58 million bond is $15.2 million which is still substantial. Please note that interest rates can and do vary.

Cost of Borrowing

- In reviewing any funding and /or financing options it necessary to look at cost
  - Interest paid and timeframe

- These should be viewed in relationship to criteria for bonding:
  - The costs saved through accelerated construction (inflation and preventative maintenance) exceed the interest paid on the funds; and/or
  - Quantifiable economic benefits exceed the cost of borrowing; and
  - A future identifiable and available revenue sources exists to pay for the bonds
  - Generational Equity
  - Borrowing by the State must also consider the impact on the state’s net tax supported debt levels
    - Taxpayer affordability
    - Capital Debt Affordability Advisory Committee (CDAAC) process
    - Legislative approval within CDAAC levels

Impact on State Bonding Capacity

- Capital Debt Affordability Advisory Committee (CDAAC)
  - The CDAAC was created by State statute in 1989
  - Annually reviews affordability of Vermont's net tax-supported debt
  - Recommends annual debt issuance to Governor and General Assembly
  - Recommendation is advisory; in practice, Governor and General Assembly have always adopted
  - Reviews amount and condition of bonds, notes and other obligations the State has a contingent liability or moral obligation
  - Used various debt criteria to develop recommendation

- Recommends on a biennial basis
- FY2020, 2021 Recommendation: $132.610 in 2021; $61.590 Annually through 2030

- **While bond rating is a significant concern the <u>primary issue is the affordability of debt for the taxpayer</u>**

- **Vermont's authorized debt issuance, exclusive of the Housing Bond, is currently $61.590 million per year with debt service exceeding $77 million**

Impact of Addition of Existing Housing Bond

Scenario 1: Base Case (excluding Housing Bonds) - $132.610 in 2021; $61.590 Annually through 2030

Fiscal Year (ending 6/30)	Net Tax-Supported Debt Per Capita (in $): State of Vermont	Moody's Median	State's Rank [4]	Net Tax-Supported Debt as Percent of Personal Income: State of Vermont	Moody's Median	State's Rank [4]	Net Tax-Supported Debt Service as Percent of Revenues [5]: State of Vermont [5]	Moody's Median	State's Rank [4]
Actual [1]									
2007	706	787	28	2.1	2.4	30	5.1	n.a.	n.a.
2008	707	889	32	2.0	2.6	33	5.0	n.a.	n.a.
2009	692	865	34	1.8	2.5	35	5.5	n.a.	n.a.
2010	709	936	36	1.8	2.5	36	5.7	n.a.	n.a.
2011	747	1,066	37	1.9	2.8	36	5.1	n.a.	n.a.
2012	792	1,117	34	2.0	2.8	36	4.9	n.a.	n.a.
2013	811	1,074	33	1.9	2.8	35	4.6	n.a.	n.a.
2014	878	1,054	30	2.0	2.6	34	4.7	n.a.	n.a.
2015	954	1,012	28	2.1	2.5	31	4.2	n.a.	n.a.
2016	1,002	1,027	27	2.1	2.5	30	4.2	n.a.	n.a.
2017	1,068	1,006	24	2.2	2.5	27	4.3	n.a.	n.a.
2018	987	987	25	2.0	2.3	28	3.8	n.a.	n.a.
2019	1,140	1,068	25	2.2	2.2	26	3.9	n.a.	n.a.
Current [2]	1,079	n.a.	n.a.	2.0	n.a.	n.a.	3.9	n.a.	n.a.
Projected (FYE 6/30) [3]		State Guideline [6]			State Guideline [7]			State Guideline	
2020	990	720		1.8	2.0		4.0	6.0	
2021	1,113	739		1.9	2.0		4.0	6.0	
2022	1,116	759		1.9	2.0		4.4	6.0	
2023	1,117	780		1.8	2.0		4.4	6.0	
2024	1,118	801		1.8	2.0		4.4	6.0	
2025	1,113	823		1.7	2.0		4.4	6.0	
2026	1,107	845		1.7	2.0		4.4	6.0	
2027	1,100	868		1.6	2.0		4.4	6.0	
2028	1,091	891		1.6	2.0		4.3	6.0	
2029	1,080	915		1.5	2.0		4.2	6.0	
2030	1,069	940		1.4	2.0		4.1	6.0	
5-Year Average of Moody's Mean for Triple-A States		934			2.0			n.a.	
5-Year Average of Moody's Median for Triple-A States		701			1.7			n.a.	

Scenario 2: Base Case (including Housing Bonds) - $132.610 in 2021; $61.590 Annually through 2030

Fiscal Year (ending 6/30)	Net Tax-Supported Debt Per Capita (in $): State of Vermont	Moody's Median	State's Rank [4]	Net Tax-Supported Debt as Percent of Personal Income: State of Vermont	Moody's Median	State's Rank [4]	Net Tax-Supported Debt Service as Percent of Revenues [5]: State of Vermont [5]	Moody's Median	State's Rank [4]
Actual [1]									
2007	706	787	28	2.1	2.4	30	5.1	n.a.	n.a.
2008	707	889	32	2.0	2.6	33	5.0	n.a.	n.a.
2009	692	865	34	1.8	2.5	35	5.5	n.a.	n.a.
2010	709	936	36	1.8	2.5	36	5.7	n.a.	n.a.
2011	747	1,066	37	1.9	2.8	36	5.1	n.a.	n.a.
2012	792	1,117	34	2.0	2.8	36	4.9	n.a.	n.a.
2013	811	1,074	33	1.9	2.8	35	4.6	n.a.	n.a.
2014	878	1,054	30	2.0	2.6	34	4.7	n.a.	n.a.
2015	954	1,012	28	2.1	2.5	31	4.2	n.a.	n.a.
2016	1,002	1,027	27	2.1	2.5	30	4.2	n.a.	n.a.
2017	1,068	1,006	24	2.2	2.5	27	4.3	n.a.	n.a.
2018	987	987	25	2.0	2.3	28	4.0	n.a.	n.a.
2019	1,140	1,068	25	2.2	2.2	26	4.0	n.a.	n.a.
Current [2]	1,001	n.a.	n.a.	1.8	n.a.	n.a.	4.0	n.a.	n.a.
Projected (FYE 6/30) [3]		State Guideline [6]			State Guideline [7]			State Guideline	
2020	1,043	720		1.8	2.0		4.1	6.0	
2021	1,163	739		2.0	2.0		4.1	6.0	
2022	1,164	759		2.0	2.0		4.5	6.0	
2023	1,163	780		1.9	2.0		4.5	6.0	
2024	1,161	801		1.9	2.0		4.5	6.0	
2025	1,154	823		1.8	2.0		4.6	6.0	
2026	1,145	845		1.7	2.0		4.5	6.0	
2027	1,135	868		1.7	2.0		4.5	6.0	
2028	1,123	891		1.6	2.0		4.4	6.0	
2029	1,110	915		1.5	2.0		4.3	6.0	
2030	1,096	940		1.5	2.0		4.2	6.0	
5-Year Average of Moody's Mean for Triple-A States		934			2.0			n.a.	
5-Year Average of Moody's Median for Triple-A States		701			1.7			n.a.	

Note: No change was made to interim recommendation for FY2021, but the addition of housing bond was included in calculations and it has put additional pressure on debt per capita metric which will need to be addressed in FY2022.Some pressure on the net tax-supported debt metric, but not out of compliance, as it reaches the guidance metric in 2021 and 2022. Any additions in FY2021 would result in further impacts.

Impact of Addition of Existing Housing Bond (cont.)

Scenario 3: DPC Compliant Case (excluding Housing Bonds) - $132.610 in 2021; $50.145 Annually through 2030

Fiscal Year (ending 6/30)	Net Tax-Supported Debt Per Capita (in $): State of Vermont	Moody's Median	State's Rank (4)	Net Tax-Supported Debt as Percent of Personal Income: State of Vermont	Moody's Median	State's Rank (4)	Net Tax-Supported Debt Service as Percent of Revenues (5): State of Vermont (5)	Moody's Median	State's Rank (4)
Actual (1)									
2007	706	787	28	2.1	2.4	30	5.1	n.a.	n.a.
2008	707	889	32	2.0	2.6	33	5.0	n.a.	n.a.
2009	692	865	34	1.8	2.5	35	5.5	n.a.	n.a.
2010	709	936	36	1.8	2.5	36	5.7	n.a.	n.a.
2011	747	1,066	37	1.9	2.8	36	5.1	n.a.	n.a.
2012	792	1,117	34	2.0	2.8	36	4.9	n.a.	n.a.
2013	811	1,074	33	1.9	2.8	35	4.6	n.a.	n.a.
2014	878	1,054	30	2.0	2.6	34	4.7	n.a.	n.a.
2015	954	1,012	28	2.1	2.5	31	4.2	n.a.	n.a.
2016	1,002	1,027	27	2.1	2.5	30	4.2	n.a.	n.a.
2017	1,068	1,006	24	2.2	2.5	27	4.3	n.a.	n.a.
2018	987	987	25	2.0	2.3	28	3.8	n.a.	n.a.
2019	1,140	1,068	25	2.2	2.2	26	3.9	n.a.	n.a.
Current (2)	1,079	n.a.	n.a.	2.0	n.a.	n.a.	3.9	n.a.	n.a.
Projected (FYE 6/30) (3)		State Guideline (6)			State Guideline (7)			State Guideline	
2020	990	720		1.8	2.0		4.0	6.0	
2021	1,113	739		1.9	2.0		4.0	6.0	
2022	1,098	759		1.9	2.0		4.4	6.0	
2023	1,082	780		1.8	2.0		4.3	6.0	
2024	1,066	801		1.7	2.0		4.2	6.0	
2025	1,047	823		1.6	2.0		4.3	6.0	
2026	1,026	845		1.6	2.0		4.2	6.0	
2027	1,005	868		1.5	2.0		4.1	6.0	
2028	984	891		1.4	2.0		4.0	6.0	
2029	962	915		1.3	2.0		3.9	6.0	
2030	940	940		1.3	2.0		3.8	6.0	
5-Year Average of Moody's Mean for Triple-A States		934			2.0			n.a.	
5-Year Average of Moody's Median for Triple-A States		701			1.7			n.a.	

Scenario 4: DPC Compliant Case (including Housing Bonds) - $132.610 in 2021; $47.750 Annually through 2030

Fiscal Year (ending 6/30)	Net Tax-Supported Debt Per Capita (in $): State of Vermont	Moody's Median	State's Rank (4)	Net Tax-Supported Debt as Percent of Personal Income: State of Vermont	Moody's Median	State's Rank (4)	Net Tax-Supported Debt Service as Percent of Revenues (5): State of Vermont (5)	Moody's Median	State's Rank (4)
Actual (1)									
2007	706	787	28	2.1	2.4	30	5.1	n.a.	n.a.
2008	707	889	32	2.0	2.6	33	5.0	n.a.	n.a.
2009	692	865	34	1.8	2.5	35	5.5	n.a.	n.a.
2010	709	936	36	1.8	2.5	36	5.7	n.a.	n.a.
2011	747	1,066	37	1.9	2.8	36	5.1	n.a.	n.a.
2012	792	1,117	34	2.0	2.8	36	4.9	n.a.	n.a.
2013	811	1,074	33	1.9	2.8	35	4.6	n.a.	n.a.
2014	878	1,054	30	2.0	2.6	34	4.7	n.a.	n.a.
2015	954	1,012	28	2.1	2.5	31	4.2	n.a.	n.a.
2016	1,002	1,027	27	2.1	2.5	30	4.2	n.a.	n.a.
2017	1,068	1,006	24	2.2	2.5	27	4.3	n.a.	n.a.
2018	987	987	25	2.0	2.3	28	4.0	n.a.	n.a.
2019	1,140	1,068	25	2.2	2.2	26	4.0	n.a.	n.a.
Current (2)	1,134	n.a.	n.a.	2.1	n.a.	n.a.	4.0	n.a.	n.a.
Projected (FYE 6/30) (3)		State Guideline (6)			State Guideline (7)			State Guideline	
2020	1,043	720		1.8	2.0		4.2	6.0	
2021	1,163	739		2.0	2.0		4.1	6.0	
2022	1,142	759		1.9	2.0		4.5	6.0	
2023	1,120	780		1.8	2.0		4.4	6.0	
2024	1,099	801		1.8	2.0		4.3	6.0	
2025	1,073	823		1.7	2.0		4.3	6.0	
2026	1,047	845		1.6	2.0		4.2	6.0	
2027	1,021	868		1.5	2.0		4.1	6.0	
2028	994	891		1.4	2.0		4.0	6.0	
2029	967	915		1.3	2.0		3.9	6.0	
2030	940	940		1.3	2.0		3.8	6.0	
5-Year Average of Moody's Mean for Triple-A States		934			2.0			n.a.	
5-Year Average of Moody's Median for Triple-A States		701			1.7			n.a.	

Note: This is NOT a recommendation for the next biennium. Updated debt medians have not been published. In addition the CDAAC plans to review the criteria it uses, including possible revisions to the debt per capita metric. The CDAAC and Treasurer have, however, advised the General Assembly that some reduction to authorized debt limits is likely. In addition, Scenario #4 demonstrates that the inclusion of the existing $37 million housing bond does reduce the amount of debt that can be authorized, effectively limiting capital appropriations.

Hypothetical Impact of Addition of Existing Housing Bond AND a $57 Million Bond (cont.)

Scenario 8: DPC Compliant (including 2018 actual Housing Bonds and 2019 hypothetical Housing Bonds)
$132.610 in 2021; $43.560 Annually through 2030

Fiscal Year (ending 6/30)	Net Tax-Supported Debt Per Capita (in $) State of Vermont	Moody's Median	State's Rank [4]	Net Tax-Supported Debt as Percent of Personal Income State of Vermont	Moody's Median	State's Rank [4]	Net Tax-Supported Debt Service as Percent of Revenues [5] State of Vermont [5]	Moody's Median	State's Rank [4]
Actual [1]									
2007	706	787	28	2.1	2.4	30	5.1	n.a.	n.a.
2008	707	889	32	2.0	2.6	33	5.0	n.a.	n.a.
2009	692	865	34	1.8	2.5	35	5.5	n.a.	n.a.
2010	709	936	36	1.8	2.5	36	5.7	n.a.	n.a.
2011	747	1,066	37	1.9	2.8	36	5.1	n.a.	n.a.
2012	792	1,117	34	2.0	2.8	36	4.9	n.a.	n.a.
2013	811	1,074	33	1.9	2.8	35	4.6	n.a.	n.a.
2014	878	1,054	30	2.0	2.6	34	4.7	n.a.	n.a.
2015	954	1,012	28	2.1	2.5	31	4.2	n.a.	n.a.
2016	1,002	1,027	27	2.1	2.5	30	4.2	n.a.	n.a.
2017	1,068	1,006	24	2.2	2.5	27	4.3	n.a.	n.a.
2018	987	987	25	2.0	2.3	28	4.0	n.a.	n.a.
2019	1,140	1,068	25	2.2	2.2	26	4.0	n.a.	n.a.
Current [2]	1,225	n.a.	n.a.	2.2	n.a.	n.a.	4.0	n.a.	n.a.
Projected (FYE 6/30) [3]		State Guideline [6]			State Guideline [7]			State Guideline	
2020	1,130	720		2.0	2.0		4.4	6.0	
2021	1,247	739		2.2	2.0		4.3	6.0	
2022	1,216	759		2.1	2.0		4.7	6.0	
2023	1,184	780		1.9	2.0		4.6	6.0	
2024	1,152	801		1.8	2.0		4.5	6.0	
2025	1,117	823		1.7	2.0		4.5	6.0	
2026	1,082	845		1.6	2.0		4.3	6.0	
2027	1,046	868		1.5	2.0		4.2	6.0	
2028	1,011	891		1.4	2.0		4.1	6.0	
2029	975	915		1.4	2.0		4.0	6.0	
2030	940	940		1.3	2.0		3.8	6.0	
5-Year Average of Moody's Mean for Triple-A States		934			2.0			n.a.	
5-Year Average of Moody's Median for Triple-A States		701			1.7			n.a.	

Note: As noted on previous page, this is a hypothetical demonstration of the addition of another housing bond issuance and NOT a recommendation by CDAAC.

Adding another bond to fund $1,000 units further reduce the level (hypothetical) of authorized debt to $43.560 million annually. This would result in lowering the dollars available for the Capital and Institutions Committees for debt appropriations. Also note, this calculation was completed in Fall 2019 and will be updated to reflect recent changes in interest rates.

In the report, the Treasurer's Office will calculate the impact at lower levels and staggering of housing bond issuance

STATE OF VERMONT
Proposed Trsut Fund Model for Housing
Estimated Durationof 20 year for Bond Comparibility
Assumes $4 Million in Revenue Based on Senate Economic Development Proposal
VHCB Spend is based on projections provided by VHCB

Year	Revenue	VHCB Spend	Balance	Additional Funds Deposited	Earned Interest Rate	Interest Earned During Year
1	4,000,000	-1,500,000	0	2,500,000	4%	50,000.00
2	4,000,000	-1,500,000	2,550,000	2,500,000	4%	152,000.00
3	4,000,000	-1,500,000	5,202,000	2,500,000	4%	258,080.00
4	4,000,000	-1,500,000	7,960,080	2,500,000	4%	368,403.20
5	4,000,000	-1,500,000	10,828,483	2,500,000	4%	483,139.33
6	4,000,000	-1,500,000	13,811,623	2,500,000	4%	602,464.90
7	4,000,000	-1,500,000	16,914,087	2,500,000	4%	726,563.50
8	4,000,000	-1,500,000	20,140,651	2,500,000	4%	855,626.04
9	4,000,000	-1,500,000	23,496,277	2,500,000	4%	989,851.08
10	4,000,000	-1,500,000	26,986,128	2,500,000	4%	1,129,445.12
11	4,000,000	-1,500,000	30,615,573	2,500,000	4%	1,274,622.93
12	4,000,000	-1,500,000	34,390,196	2,500,000	4%	1,425,607.84
13	4,000,000	-1,500,000	38,315,804	2,500,000	4%	1,582,632.16
14	4,000,000	-1,500,000	42,398,436	2,500,000	4%	1,745,937.44
15	4,000,000	-1,500,000	46,644,374	2,500,000	4%	1,915,774.94
16	4,000,000	-1,500,000	51,060,148	2,500,000	4%	2,092,405.94
17	4,000,000	-1,500,000	55,652,554	2,500,000	4%	2,276,102.18
18	4,000,000	-1,500,000	60,428,657	2,500,000	4%	2,467,146.26
19	4,000,000	-1,500,000	65,395,803	2,500,000	4%	2,665,832.11
20	4,000,000	-1,500,000	70,561,635	2,500,000	4%	2,872,465.40
	80,000,000	-30,000,000	75,934,100			25,934,100.37
			$46,340,375.00	**Present value**		

Creation of a Trust Fund Model:

- Model contemplates using $4 million per year to invest in fund
- A portion would be used to make up the $1.5 million offset to VHCB
- At 4% interest rate, projected to earn $25.9 in interest, provide $30 million in funds to VHCB and earn $75.9 million for housing needs

Summary: Funding/Financing Options

- Appropriations/Tax Expenditure
  - Current VHCB appropriations increased to statutory levels would fill a significant portion of the gap
  - Other revenues (for discussion)
  - Advantage: more dollars available at lower costs.
  - Concerns: general fund constraints unless viable funding options are available
- Bonding
  - Within context of CDAAC , state net tax-supported levels
  - Possible staggering of need over years to reduce impact on CDAAC recommended authorizations
  - Advantage: Dollars are immediately available
  - Concerns: Interest costs, capital appropriation constraints
- Creation of a Reserve/Trust Fund
  - Appropriate funds to seed fund
  - Advantage: Earns interest and provides capital to fund ongoing housing needs
  - Concerns: Timing of funds available for use.

- Bottom line: Whatever mechanism(s) are adopted availability of housing is a critical issue for Vermont's citizens, to address our demographic challenges, and to promote economic development. The goal is to achieve maximum infusion of housing dollars in the most affordable manner for the taxpayer.

Back to the Beginning… We Need to Hear From You!

- What are the barriers to accessing housing?
- Vouchers
- Underutilization of existing tools (4% tax credits)
- Need and cost of service supported housing
- Special Needs/services
    - Homelessness
    - Individuals experiencing mental illness
    - Substance use disorders
    - Individuals with disabilities
    - Elderly populations
    - Re-integrating adults
    - New Americans
    - Migrant farm workers
- Challenges:
    - Cost burden paying over 30% of income for housing
    - Constrained market
    - Older housing stock
    - Lack of funding

- Long Term Affordability
- Location- village center and downtown development
- Mixed income & affordability for people below 30% of median income
- Family housing
- Rehabilitation & new construction in low vacancy areas
- Supportive Housing for the homeless
- Service- enriched housing for seniors & support & services at home (SASH)
- Energy efficient, universal design, historic preservation
- Financially feasible & well-leveraged resources
- Experienced & sound developer & manager
- Market study supports concept/size

-Source: Affordable Housing 101, Vermont Affordable Housing Corporation

We would appreciate your comments on these or any other issues relevant to housing, availability of resources, delivery and cost. In addion to this and a subsequent public meeting, we want your comment by emailing: **Ashlynn.Doyon@Vermont.gov**