

# Vermont Housing Investment Fund

## **Vermont Housing Finance Agency**

Rental Housing: Encouraging New Construction

### **HFA Staff Contact**

Mia Watson

[mwatson@vhfa.org](mailto:mwatson@vhfa.org)

## Vermont Housing Investment Fund

Vermont's increasingly visible housing crisis has led to a corresponding interest in supporting affordable housing from both philanthropic institutions and from private funders including banks and credit unions who want to contribute beyond just making traditional loans. [The Vermont Housing Investment Fund \(VHIF\)](#) was established by Vermont Housing Finance Agency (VHFA) to leverage this private investment to fund affordable housing development. VHIF allows VHFA to combine investments into a single revolving platform that it awards alongside tax credits and debt, maximizing investor impact. At the same time, private investors know that VHFA is experienced in underwriting and awarding their funding, ensuring their investments are made in alignment with state housing policies.

The fund seeks to respond to emerging challenges in Vermont's housing ecosystem. The goal of VHIF is to provide critical missing capital that fills project gaps not being met through traditional affordable housing resources. VHIF's ability to provide gap funding was especially vital through the pandemic, as developers have seen unavoidable pandemic-related delays and cost increases.

VHIF launched in 2020 with a long-term investment from the Vermont Community Foundation (VCF). Since then, the fund has grown to over \$9.5 million in lifetime investments, including a \$4 million Capital Magnet Fund award, and has supported 813 homes in 17 projects across Vermont.

### Investors

The evolution of the fund's sources was a blend of timing, strategic outreach, and thoughtful growth. VCF recognized that housing was a key barrier to their goal of addressing the opportunity gap in Vermont, but it also knew that it did not have the capacity to fully assess the competing needs for housing resources. Its goal for its \$1.5 million investment was to efficiently distribute its resources in a multitude of housing projects with geographic and income diversity and ensure ongoing compliance, so it looked to VHFA, the state's largest housing funder, to be the chosen vehicle for such investment.

Within a year the state's largest mortgage lender, New England Federal Credit Union (NEFCU), wanted to invest a portion of their profits into Vermont communities and help multifamily rental housing, of which it did not do any direct lending. VHFA pitched the idea to NEFCU that it should pool its charitable contribution with the VCF investment, blending sources to expand impact, resulting in a \$3 million investment from the credit union.

The Federal Home Loan Bank of Boston had long invested in regional HFAs through its Helping to House New England program, but due to the robust deposits of regional banks, its ability to maintain its \$5 million annual investments in HFAs decreased to \$600,000 across all six states. With a relatively modest investment of \$100,000 for Vermont, it would be difficult to show meaningful impact on the state's housing market. By pooling this funding into VHIF, both the Bank and VHFA's mission-based interests were served.

Lastly, inspired by other state HFAs such as Rhode Island and Massachusetts, VHFA's Board of Directors approved a commitment from the agency's general fund based on annual earnings. It was important to VHFA to be a part of the funding solution, and not just the administrators of other's funds.

Investments to the fund have been made in the form of grants or long-term, low-interest loans. All funds are revolving within the term of the grant or loan, and all are awarded at VHFA's discretion, not targeted to specific projects.

2023 NCSHA Awards  
Category: Rental Housing  
Sub-Category: Encouraging New Construction  
Entry: Vermont Housing Investment Fund



## Capital Magnet Fund Award

As the next step in the growing the fund and diversifying the sources to include public dollars, VHFA was able to successfully leverage VHIF into a \$4 million award from Capital Magnet Fund (CMF) program of the Community Development Financial Institutions (CDFI) Fund of the U.S. Treasury. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities. The application process is highly competitive, receiving requests for nearly three times the available annual funding, with applications from HFAs, CDFIs, and developers nationwide.

VHFA credits VHIF with its 2021 award. The CDFI Fund requires that every CMF award dollar is leveraged against at least 10 dollars in other funding, with a preference for private over public funds. VHFA was able to use VHIF (in addition to tax credit equity and debt) to demonstrate that it could reach a leverage factor of at least 25:1 (VHIF has historically leveraged at 36:1). VHIF also helped demonstrate credibility to CDFI, which prioritizes applications from institutions with a track record of success. In its application, VHFA could point to its experience receiving, targeting, and deploying private investments through VHIF.

## Terms and priorities

VHIF currently offers construction, acquisition, equity bridge, and permanent financing for housing projects, primarily focused on new construction of multifamily rental housing. VHFA typically awards VHIF alongside LIHTC or other agency financing. This reduces the number of organizations developers must approach for different development stages, creating efficiencies that save time and money. VHIF prioritizes projects that have gaps that cannot be filled by other sources due to timing constraints, or that have maximized other available sources.

The current maximum award is \$400,000, and all funding is made as low-interest loans (as low as 0%, and typically no more than 3.5%) for up to 30 years. VHFA estimates that the rates offered through VHIF save projects up to \$26,000 in interest-only payments annually when compared to market rates of 6.5-8.0%, allowing those projects to maintain low rents and operational sustainability.

When possible, VHFA encourages awards that allow funds to stay in a transaction for multiple capital stages, for example, converting loans from pre-development, to construction, to subordinate permanent debt.

A full overview of VHFA's award process and priorities is provided in the [Vermont Housing Investment Fund Policy](#).

## Results

To date, VHIF has made funding commitments of over \$4.5 million to 17 projects with total development costs of over \$161 million. Projects include 813 homes in new construction, rehabilitation, and manufactured home developments, located in 10 counties across Vermont. VHIF also further VHFA's core housing goals. 80 homes supported by the fund are reserved for formerly homeless households, and 156 homes are supported by Project Based Rental Assistance coordinated through the state housing authority.

The fund has also been vital in helping VHFA leverage resources to fill gaps to move more new construction projects, especially focusing on the 4% bond credit program. Vermont has historically

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underutilized the Private Activity Bond Cap that generates the credits. Between 2019-2021 the annual 4% bond credit equity in Vermont projects averaged \$4 million. In 2022, the number increased to \$65 million. Although this was largely attributable to the large influx of ARPA funding, VHIF was instrumental in rounding out project funding stacks. With the impending expiration of ARPA funding, VHIF will be a critical resource to allow Vermont to continue to activate these resources.

The main challenge encountered with VHIF is that demand for resources significantly exceeds available funding. With the impact of construction delays, cost increases and labor shortages that continue to affect developers, VHFA has been unable to fund all requests and has had to increase awards in several projects mid-development.

### **Demonstrating impact to investors**

VHIF has been an attractive vehicle for entities interested in philanthropic investments in housing due to its ability to leverage other public and private funds, VHFA's experience in navigating Vermont's development funding landscape and selecting projects, and its strict compliance and auditing standards.

Investors have also pointed to VHFA's ability to create data-driven, customized reporting to demonstrate impact. VHFA has produced regular reports on fund activity, including the [2022 VHIF Annual Report](#). The annual report is a useful tool to show impact to current investors as well as promote the fund to prospective new investors.

The report includes lifetime and annual metrics on the number of projects funded and units supported, populations served by income level and characteristics such as highly energy efficient projects and assistance for households experiencing homelessness. The report also includes custom impacts that speak to investors' interests, estimating that construction on VHIF-funded projects supported 566 local jobs and \$47.3 million in direct and indirect economic activity.

The report also gives VHFA the opportunity to highlight new investor contributions, share details of new projects and updates on previously funded projects. VHFA also includes a section on other agency initiatives, new housing research, and DEI-focused efforts, giving investors a holistic understanding of the agency's work to support affordable housing in Vermont.

### **Replicability and benefits for HFAs**

Although the VHIF was born out of VHFA's specific needs and Vermont's opportunities, a Housing Investment Fund can be a powerful tool for funding housing at other Housing Finance Agencies. All HFAs could benefit from the ability to offer additional gap funding to projects. VHFA's strategies to leverage 4% tax credits, Capital Magnet Fund awards, and data-driven annual fund reporting also have the potential to be replicated.

While attracting philanthropic investment for housing is certainly easier said than done, a fund can be started with a single cornerstone investor. The affordable housing crisis is slowly receiving more national recognition, and diverse funders from around the country have made recent, large contributions to housing. HFAs are state-wide entities with extensive financing track records and strong ties to developers that can serve as trusted partners for investment. HFA-led Housing Investment Funds can provide both a platform for existing housing resources and opportunities for attracting entities new to housing philanthropy in their communities.

# Vermont Housing Investment Fund Policy, Goals & Priorities

## Housing Investment Fund Goals

The Vermont Housing Investment Fund (VHIF) has three goals related to community development capital in Vermont: 1.) provide critical “missing capital” that fills gaps not being met through traditional affordable housing resources; 2.) activate and leverage new capital that expands Vermont’s financial resources for affordable housing development; and 3.) provide a platform for non-traditional and traditional affordable housing resources to work together.

The fund will be a resource that seeks to simultaneously be responsive to emerging challenges in Vermont’s housing development ecosystem and seek to support innovation in housing development. VHFA will recalibrate the goals, as well as program guidelines and priorities from time to time to best meet Vermont’s community development needs.

## Compliance with general Agency Guidelines & Standards

While VHIF loans will have unique considerations, all projects are required to demonstrate compliance with VHFA’s loan underwriting guidelines and standards that apply to multi-family rental housing development of homeownership development, as applicable. Project applicants should refer to VHFA’s [general underwriting standards](#) for key definitions, general project requirements and standards.

Projects that are funded using certain sources, for example Capital Magnet Funds, may be subject to other external guidelines and standards.

## Housing Investment Fund Project Priorities

The following are current priorities of the fund:

1. Projects that assist the funding in meeting Target Investment Area thresholds will receive priority (projects locations may meet the definition of more than one of these areas):
  - a. **55% in Areas of Economic Distress** as defined by the CDFI Fund.<sup>1</sup>
  - b. **55% in Rural Areas** as defined by the CDFI Fund.<sup>1</sup>
  - c. **35% in High Opportunity areas** as defined by the CDFI Fund.<sup>1</sup>
2. New Construction, or addition of net new affordable housing units: while rehabilitation projects may be considered on a case-by-case basis, VHIF is focused on production of new units of housing.
3. High impact community development projects in community development designated areas, town, or village centers. With additional priority for those that include historic rehabilitation or mixed use (commercial, community, or office space): To meet this priority projects should be located within areas identified through [Vermont’s State Designation Program](#) and preserve a historically significant building and/or create a mixed-use building.
4. Projects that demonstrate development cost efficiencies: Projects that can show measurable reduction in cost and resource use.

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<sup>1</sup> See Definitions section at the end of this document for further information.

5. Projects that support innovation in design, development team approaches, or construction methods that may serve as a model for increasing housing statewide.
6. Project that are not using other types of “gap” or subordinate financing: Projects that are not already leveraging Community Development Block Grant, HOME, National Housing Trust Fund, and other traditional sources of state/federal gap funding.
7. Projects that have gaps that cannot be filled by other sources due to timing constraints, or that have maximized other available sources: Projects experiencing funding gap that jeopardize the viability of the project or could incur timing delays that increase costs will meet this priority.
8. Projects in areas that have experienced historic underinvestment, and/or rural communities where project scale is a deterrent to all housing development: VHFA staff will continuously monitor VHIF investments and seek to achieve statewide balance in meeting housing needs. While the agency will generally seek to promote development at scale to achieve cost efficiency, the agency will also seek to support projects with lower scale that meet rural community needs.
9. Projects that are using VHFA as the permanent and construction debt source.

## **Project Guidelines and Requirements**

### **Application Process:**

Projects seeking VHIF Funding that are also applying for Low-Income Housing Tax Credits (LIHTC) or VHFA construction/permanent financing may request VHIF by including the program funding as part of the proposed funding sources.

Projects that are not seeking other funding resources from VHFA should reach out to the agency to determine what materials will be required for a formal application.

### **Eligible Multi-Family Activities and Capital Stages:**

Applicants may submit requests for a range of proposed multi-family development activities. Investment of VHIF funding will be considered at each capital stage of development, as defined by the following four stages:

- Predevelopment
- Acquisition
- Equity Bridge
- Subordinate Permanent Financing, which may include including funds as a Construction source

The agency will consider requests from sponsors to have funds stay in a transaction for multiple capital stages. For example, a Pre-Development Loan may stay in the deal through Construction and convert to Subordinate Permanent Financing

### **Single-Family Homeownership Development:**

Applicants seeking funding for the State Homeownership Credit or Missing Middle-Income Homeownership Development Program may also be eligible for VHIF Funding for eligible project costs under each program’s requirements. Homeownership requests will be considered on a case-by-case basis.

### **Maximum Award Amount**

VHIF award maximums will be subject to the lower of the following:

- \$400,000 per-project limit at any single capital stage applying prior to 7/1/2023. Project applying after this date may request up to \$500,000 for an individual project.
- 25:1 Leverage Ratio Requirement: VHIF funding must be matched by other resources at a rate of \$25 of other private/public sources for each \$1 of VHIF funds.
  - Applicants may calculate this ratio by taking all funding sources used to develop housing units with maximum rents at or below 120% AMI and dividing by 25.

### **Interest Rate:**

The Housing Investment Fund has an initial underwriting rate of 3.5%. Projects should use that rate as an initial assumption in the proforma. Based on project financials, staff may recommend the project be eligible for a subsidized rate.

A project's location and other characteristics may restrict the amount of interest rate subsidy the agency is able to provide. For example, projects located in an area that can only be served by a VHIF investment that requires a certain interest rate may not be eligible to receive a rate below the initial underwriting rate. Sponsors should consult with VHFA about the agency's ability to provide a subsidized rate before assuming a lower rate than the initial underwriting rate.

### **Analysis of Maximum Subsidy and Investment Structure:**

To determine the structure of VHFA's VHIF investment, each multi-family project shall be run through a step of scenarios to determine the terms of the investment. Projects receiving VHIF may not have a Debt Service Coverage Ratio in excess of 1.45.

VHFA staff, in collaboration with sponsors, will perform a form of subsidy and cash flow analysis to determine the terms and structure of the VHIF investment:

- Calculate an amortizing loan at agency minimum starting interest rate (see Interest Rate section for more information) for the term of the primary loan or earliest expiring affordability restrictions
- Calculate an interest only payment, with a balloon due at year 17, 30, or 40 depending on the term of the primary loan.
- Calculate a principle only payment amortized over a term not to exceed 30 years
- For projects that meet a high number of program priorities, and limited financial capacity, the agency may consider a no-interest and non-amortizing structure.

In each case the VHIF loan will be payable upon expiration of the term, project refinance, or change of ownership. Projects will not be subject to prepayment penalties; however, prepayment does not release the recipient from meeting the other requirements of the program (affordability restrictions, etc.). Project sponsors should not assume that VHIF funds will be automatically extended or refinanced into subsequent resyndications or project financial repositioning.

### **Minimum Affordability Requirements:**

Projects must meet VHFA's general affordability guidelines. In addition to the general agency requirement the following applies:

- At least 20% of the units in each multi-family development funded by VHIF must be affordable to households at or below 80% AMI.
- At least 20% of the Affordable Units supported by the program must serve households at or below 50% Area Median Income.

Projects receiving VHIF funds should consult with VHFA before designating any units to exceed 120% AMI or be completely unrestricted.

### **Term of Affordability**

Each project is required to execute a VHIF Agreement that preserves the affordability requirements of the affordable units for a minimum of 10 years. Additional affordability requirements by the agency (or other funders) may exceed the VHIF affordability period and shall supersede the VHIF requirement.

### **Eligible Investments & Terms:**

VHFA will seek investments that align with the goals of the fund, and its existing programs. However, the goal of the fund is to remain flexible and responsive to financing the creation of affordable multi-family and single-family housing.

Investments will be accepted by institutional investors, philanthropic organizations, businesses, and individuals:

- Grants to the agency
- Short-term investments (1-3 years)
- Long-term investments (3+ years)

In most cases, VHFA will seek investments that are targeted at serving the entire state. However, the agency may also set up geographically targeted funds to serve specific areas.

### **Revolving Fund:**

The Vermont Housing Investment fund shall be a revolving fund. Repayments of loans shall be used for future projects that meet VHIF goals, requirements, and priorities.

### **Reporting to Investors:**

No less than annually, but more often depending on the investment agreements, investors in the Housing Investment fund shall receive an annual report outlining investments in the projects. Recipients of funding from VHIF shall support information requests, inclusion of VHIF investors in public events like ribbon-cuttings, and provide project pictures to help with investor reporting.

## **Documents & Agreements**

### **Loan Note**

### **Capital Magnet Fund Regulatory Agreement**



## Definitions:

*Areas of Economic Distress* - as defined by the Community Development Financial Institutions (CDFI) Fund of the U.S. Treasury, in 2021 or 2022. Areas of Economic Distress are tracts that meet at least one of the following criteria:

- (i) At least 20% of Very-Low Income households (50% of AMI or below) spend more than half of their income on housing; or
- (ii) Unemployment rate is greater than 1.5 times the national average; or
- (iii) The tract is a Low-Income Housing Tax Credit qualified census tract; or
- (iv) Greater than 20 percent of households have incomes below the poverty rate with a rental vacancy rate of at least 10 percent; or
- (v) Greater than 20 percent of households have incomes below the poverty rate with a homeownership vacancy rate of at least 10 percent; or
- (vi) Tract is an underserved rural area.

Economic Distress status is among the selection criteria for the CDFI Fund's Capital Magnet Fund application.

*Rural Areas* - as defined by the CDFI Fund, in 2021. Rural Areas are tracts that meet the following criteria:

- (i) A census tract outside of a metropolitan statistical area, as designated by the Office of Management and Budget; or
- (ii) A census tract in a metropolitan statistical area, as designated by the Office of Management and Budget, that is outside of the metropolitan statistical area's Urbanized Areas as designated by the U.S. Department of Agriculture's Rural-Urban Commuting Area Code #1, and outside of tracts with a housing density of over 64 housing units per square mile for USDA's RUCA Code #2.

This classification can be used in the CDFI Fund's Capital Magnet Fund application to determine whether a census tract is Rural or Non-Rural.

*High Opportunity Areas* - as defined by the CDFI Fund, in 2021. High Opportunity Areas are

- (i) tracts designated by the Department of Housing and Urban Development (HUD) as a "Difficult Development Area" (DDA) during any year covered by an Enterprise's Underserved Markets Plan or in the year before a Plan's effective date, whose poverty rate falls below 10 % (for metropolitan areas) or 15 % (for non-metropolitan areas). Or
- (ii) an area designated by a state or local Qualified Allocation Plan (QAP) as a high opportunity area whose poverty falls below 10% (for metropolitan areas) or 15% (for non-metropolitan areas).

High opportunity areas are used to determine eligibility for extra credit under Duty to Serve.



# 2022 Vermont Housing Investment Fund Annual Report



# ANNUAL INVESTMENT PARTNERSHIP REPORT

Vermont Housing Finance Agency (VHFA) is pleased to share the annual report for the Vermont Housing Investment Fund (VHIF). The pandemic has brought unprecedented change to Vermont's housing landscape, with Vermonters facing rapid and unsustainable home and rent price increases resulting from record-low home inventory levels after decades of slow housing supply growth. Local media reports, backed by data collected by VHFA and others, continue to highlight stories of Vermonters exiting temporary accommodations at risk of homelessness and employers fighting to find workers to fill open positions, due to a lack of affordable homes.

However, the pandemic has also brought new focus, new housing funding and a growing public recognition that Vermont needs more housing to thrive. We have a once in a generation opportunity to build new partnerships, reinvest in our housing stock, and create a better future for low- and moderate-income Vermont families.

Vermont is coming together to meet this moment. We are seeing more towns working to become communities of housing opportunity through the creation of housing commissions, making investments in infrastructure that support thoughtful growth, and reconsidering overly restrictive land-use policies that limit housing. Meanwhile, affordable housing developers are increasingly ambitious in identifying projects that meet the range of scale and community needs across the state.

Vermont's investment community must work to ensure we have the resources in place to make these projects possible. The state's affordable housing development pipeline is larger than it has been at any point in recent history. VHFA saw nearly \$3 requested in applications for every \$1 we had to award during 2022 tax credit rounds.

By offering financing for pre-development activities, gap loans to support projects during unprecedented cost and interest rate pressures, and flexible bridge loans to meet a range of needs, the Vermont Housing Investment Fund continues to provide critical "missing capital" that is not being met through traditional resource pools. Your support of the fund allows us to make worthwhile projects feasible, attract new resources to the state, and strategically leverage resources.

Thank you for being incredible partners in housing Vermonters.



Maura Collins  
VHFA Executive Director

2022

CORNERSTONE INVESTORS



FHLBank Boston



**New England  
Federal Credit Union**



THE  
Vermont  
Community  
Foundation



**Vermont Housing Finance Agency**

# WHY THE HOUSING INVESTMENT FUND IS SO IMPORTANT, NOW

Housing is at the heart of strong and healthy communities, and well-placed investments are incredibly powerful in positively impacting the lives of Vermonters. Not only is affordable housing a transformative resource for ending homelessness and building wealth for moderate income Vermonters, housing is a major driver of Vermont's economy (both during and after construction) and is one of the most direct ways we can support workforce development.

Since 2020, the Vermont Housing Investment Fund (VHIF) has been entrusted with \$4.6 million of private investments in recognition of the potential of the fund to change Vermont's affordable housing landscape.

Investors willing to provide patient, slow capital can see the impact of investments through clear metrics and outcome reporting. As this report details, those funds from Vermont investment partners have also succeeded in attracting significant new capital to the state.

The VHIF builds on VHFA's long track record of leveraging public and private sources to achieve state, regional, and local community development goals. Fund investments are carefully selected, often through competitive resource allocation processes, to support projects across the state that have significant need to come to fruition and will have a significant community impact. VHFA is the single largest housing funder in Vermont and relied upon for strong project underwriting and strategic funding decisions. The fund leverages investor resources alongside the bond-funded loans and housing tax credits that VHFA awards. Inserting VHIF funds into a larger funding package allows the fund's investments to consistently achieve a leverage factor above 25:1. No other housing investment opportunity in the state can achieve this level of impact through leveraging.

Pairing VHIF funds with other state and federal funding links the investments to those sources' rigorous long-term compliance standards. Projects that receive investment are well-managed, undergo annual ongoing compliance monitoring, and will continue to be safe and affordable homes for residents.

Finally, depending on an investor's goals, VHFA will recycle repaid loans from the fund into future projects that meet similar community development goals or return funds to the investor in years to come.

*Fund activities to date:*

12   
multifamily projects

354   
units supported

12   
Vermont communities

39:1   
investment leverage ratio

# FUND UPDATES

In January 2021, the Vermont Housing Investment Fund (VHIF) stood at \$1.5 million through our cornerstone investment with the **Vermont Community Foundation (VCF)**. As we move into July 2022, the fund has grown to **\$9.1 million** in commitments.

In September of 2021, VHFA welcomed **New England Federal Credit Union (NEFCU)** as an investor to the Vermont Housing Investment Fund. NEFCU will invest \$3 million into the fund over a three-year period, substantially increasing the impact of the fund.

“The housing shortage in Vermont, already a crisis, has been made even worse by recent events,” noted John Dwyer, Jr., NEFCU President & CEO. “Major, immediate action is needed. In line with our ongoing mission of community support, we are beginning a comprehensive campaign that will provide multiple solutions to this complex challenge.”



*VHFA Executive Director Maura Collins accepts a \$3 million check from NEFCU President & CEO John Dwyer, Jr.*

NEFCU's investment will be targeted to meet a range of housing needs, from gap funding for multifamily projects to helping spur investment in homeownership development opportunities.

VHFA also received \$100,000 from the **Federal Home Loan Bank of Boston's** annual Helping to House New England program in 2021, which it has invested in the fund. VHFA intends to apply for a 2022 award from the program for \$100,000 to invest in the fund as well.

“Making capital move quickly and effectively is more important than ever in this challenging housing market,” said Ken Willis, Senior Vice President at FHLBank Boston. “We appreciate this partnership with VHFA and the Vermont investment community to provide flexible funding at terms that make affordable housing possible.”

VHFA's Board of Directors approved a commitment of \$500,000 of the Agency's own unrestricted general fund capital into the fund to further its impact. The VHFA Board of Commissioners also indicated a commitment to invest a percentage of the agency's future unrestricted general fund capital to the fund on an annual basis.

## Capital Magnet Fund Award

On June 22nd, 2022 the VHIF received a \$4 million award from Capital Magnet Fund (CMF) program of the Community Development Financial Institutions Fund (CDFI) of the U.S. Treasury. The program is intended to create and preserve affordable housing for low-income families and revitalize distressed communities by attracting private capital. The CMF application process is highly competitive, receiving requests for nearly three times the available annual funding. VHFA's CMF award was one of only 59 awarded to applicants nationwide this year.

VHFA was able to point to the VHIF as a proven vehicle for deploying housing funding, strengthening its CMF application. The Treasury prioritizes applications from institutions with a track record of success and who can leverage both public and private capital to quickly and reliably invest in communities.

VHFA applied for the award in coordination with its congressional delegation. Representative Peter Welch joined VHFA and housing and investment partners on June 26th in South Burlington at the future site of O'Brien Farms (see *New Investments* section below for more details) to celebrate the award.



*Pictured (from left): John Dwyer Jr., President & CEO of NEFCU; Katrina Menard, Office of Senator Bernie Sanders; Chris Flannery, VHFA CFO; Representative Peter Welch; Evan Langfeldt, CEO at O'Brien Brothers; Tricia Coates, Office of Senator Patrick Leahy; Tom Getz, Owner & CEO Summit Properties; Dan Smith, Vermont Community Foundation President & CEO*

He praised the innovative collaboration between housing funders in responding to the challenges of financing and developing affordable homes in Vermont.

"This can only happen when we see the value of cooperation as opposed to conflict," said Welch.

The CMF award will be invested into the VHIF, nearly doubling its impact. The award will be invested as predevelopment loans, short-term loans to bridge equity or allow for preservation-focused acquisitions, and low-interest subordinate long-term gap loans for affordable multifamily projects. VHFA anticipates that the award will impact an estimated 300 total apartments, across a minimum of 10 projects over a three-year period. VHFA will leverage over \$81 million in private sources and \$14.9 million in public sources, supporting \$100 million in eligible project costs. VHFA will reinvest CMF-funded loans back into the fund upon repayment.

# PROJECT UPDATES

VHFA is happy to report that several projects that have previously received VHIF loans have made significant progress in the last several months:

## River Bend

Phase 1 of the River Bend Apartments project in Stowe and Morrisville is now complete. The project is a mix of new construction and rehabilitation of existing buildings to create 16 income affordable rental apartments to Stowe and Morrisville. Phase 1 are the nine newly constructed units on Maple Street in Stowe. Four of these apartments are reserved for Vermonters experiencing or at risk of homelessness. The building is already fully occupied.

Kristy, a new resident, spoke about how she had been living in temporary motel accommodations for over a year after escaping domestic violence. She described how much having a permanent home meant to her.



*River Bend in Stowe*

“I can start my life over and not have to worry about the things other people take for granted.”

On June 14th, VHFA Executive Director Maura Collins joined Vermont Community Foundation (VCF) President & CEO Dan Smith at a ribbon-cutting event in Stowe.



*VCF President & CEO Dan Smith speaks at River Bend. Photo courtesy of Evernorth, Andy Duback Photography*

Collins recognized VCF’s leadership in making the first contribution to the fund which helped inspire further investments from other organizations.

“VCF’s vision recognized that housing development can be complicated, and their investment has allowed us to support projects like this one without creating additional hoops to jump through,” remarked Collins.

VHIF investment was critical in filling in project gaps, allowing the sponsors, Lamoille Housing Partnership and Evernorth, to utilize federal American Rescue Plan Act (ARPA) funds. This allowed the project to be completed in just under a year, despite the many challenges posed by during the pandemic.



"When I get to see that our charitable assets are invested in a project like this, and knowing that every time one of these doors opens someone is coming into a home that they may not have had access to before, it makes me feel that real progress is possible," said Smith.

Phase 2 of the project has begun. It will involve rehabilitation of existing buildings at #6 Hutchins Street in Morrisville to create seven apartments.

## Tuttle Block

Tuttle Block in Rutland closed on their construction loans and are commencing the rehabilitation work on the existing units and converting Housing Trust of Rutland County's former office space into new units. Housing Trust of Rutland County has relocated their offices to another commercial space in Rutland that was previously vacant, helping to balance the residential and commercial markets in the community.



Construction site at Bellows Falls Garage. Photo courtesy of Windham & Windsor Housing Trust/Liz LaVorgna

## Bellows Falls Garage

Construction has begun at Bellows Falls Garage in downtown Rockingham. The project has overcome significant challenges with state historical and environmental programming as well as pandemic related delays. The previous blighted historic building will be repurposed from a garage to 27 mixed income apartments with a commercial space on the ground floor. Construction is anticipated to be complete in spring 2023.



DeWitt Building in Brattleboro

## Flat Street/DeWitt

The DeWitt building in Brattleboro has received funding approval for its final sources in May and is anticipating a financial close and start of construction over the next two months. The project encountered steep challenges in historic preservation and has been very creative in building their funding stack, with the Vermont Housing Investment Fund acting as an anchor gap source that has continued to attract other capital to the project.

# NEW INVESTMENTS

In June, VHFA’s Board of Commissioners awarded federal bond or ‘4%’ housing tax credits and state housing tax credits. Several of these projects were paired with new VHIF loans.

## O’Brien Farms

The O’Brien Hillside project is a large master development in South Burlington. The O’Brien Farms project within the development involves two separate neighboring 47-unit mixed-income buildings, one of which has received ceiling, or 9%, low-income housing tax credits from VHFA, and the other has received federal bond tax credits and state housing tax credits from VHFA as well as ARPA pandemic relief funds awarded by Vermont Housing & Conservation Board (VHCB).

This split project financing approach has been used before in Vermont, most notably at Juniper House in Cambrian Rise in Burlington, and allows VHFA to support larger, cost-efficient developments without crowding out smaller projects in its limited annual funding pool. The two projects will combine to bring 94 units of housing to South Burlington, supporting increased income diversity to an area that has seen a higher level of market-rate building over the past decade.

The building receiving bond credits has received a permanent \$400,000 loan from the VHIF. This loan will help fill in a project gap, enabling the sponsors to use ARPA funds bring new units online as quickly as possible and take advantage of efficiencies related to developing at a larger scale.

The building will serve 39 total households earning at or below 60% of area median income (AMI). Twelve of those units will be reserved for households who are formerly homeless, paired with supportive services and additional rental assistance to help them succeed.

The project features access to walking paths, gardens, and a pocket park within the O’Brien Hillside Community as well as convenient access to public transportation routes. The development will include both single and multifamily homes to create a diverse, inclusive community. The O’Brien Farms project is expected to be completed by December 2023.



*Rendering of O'Brien Farms building, courtesy of Summit Properties*

## Salisbury Square

This project is the second phase of the Salisbury Square Planned Community in downtown Randolph, developed by the Randolph Area Community Development Corporation. New units will build upon the success of the initial development completed in 2009, which transformed a formerly blighted industrial parcel to 14 affordable apartments and one single family home. The second phase was long delayed by the housing market crisis but will now finally complete the neighborhood by adding 12 new apartments and eleven new single-family homes. VHFA will be considering the homeownership portion of the project for receipt of homeownership development resources over the coming months.

The VHIF award will support the 12 new rental units. Five apartments will be targeted to household earning 60% AMI, two targeted to 50% AMI, and three targeted to 30% AMI. The building will be developed to Net Zero high performance home standards including rooftop solar arrays. The project has also received a Congressional Directed Spending award from Senator Bernie Sanders to build out their solar and electric storage via an innovative micro-grid approach.



*Governor Phil Scott signs housing legislation at Salisbury Square. Photo courtesy of the Office of Governor Phil Scott.*

The project will receive a loan for up to \$400,000 from the Vermont Housing Investment Fund. The loan will help make the project feasible using bond housing tax credits. The bond credits are historically underutilized for new construction projects because they cover a smaller amount of project costs than the ceiling (or 9% credits). VHIF loans can help bridge this gap, ensuring that Vermont maximizes available federal resources.

Largely due to the creative and extensive leveraging of resources to fund the project, it was recently selected by Governor Phil Scott as the location to sign the state's major pieces of housing legislation.

## 10th Cavalry

After several unsuccessful proposals to convert historic buildings at historic Fort Ethan Allen to market-rate housing, 10th Cavalry Apartments will be developed as an adaptive reuse project in Colchester to create new affordable apartments. Champlain Housing Trust and Evernorth will renovate three buildings originally constructed as army barracks and most recently used as dorms by Saint Michael's College.

The affordable project will serve 64 households at or below 80% of area median income (AMI) with most at much lower incomes, including providing supportive housing to 11 homeless/at-risk households. 18 of the units will have project based rental assistance (PBRA) to ensure that tenants are not cost-burdened.

The project will draw from a variety of funding sources including bond housing tax credits awarded by VHFA, a grant from federal ARPA funds awarded by VHCB, and historic preservation tax credits.

However, VHFA staff have identified a long-term gap in permanent debt needed to complete the project. They have recommended that the project receive a \$300,000 0% loan from the VHIF. Principle payments will be made annually towards the VHIF loan, allowing funds to be recycled into other projects.



Exterior of buildings at Fort Ethan Allen. Photo courtesy of Champlain Housing Trust & Evernorth.

## Bay Ridge

Bay Ridge is a redevelopment of the Harbor Place motel on Shelburne Road by Champlain Housing Trust and Evernorth. The site is currently being used as temporary accommodations for households experiencing homelessness. The project will move those residents to the newly acquired Days Inn hotel across the street while work is done at Harbor Place. The project will rehabilitate the existing buildings to create 20 apartments, and add a new 48-unit building and an eventual new construction homeownership project, resulting in 94 total homes on the site. The master development features a new community garden, playground, and a pedestrian-friendly streetscape.

The project to develop the 48-unit new building has received 4% housing tax credits, state housing tax credits and a \$400,000 VHIF loan.

*Master site plan for Bay Ridge. The new construction project receiving VHIF investment is the connected building A and B on the map. D, E and G are the existing motel buildings to be rehabbed as a separate project. Buildings H-O will be homeownership units.*

*Site map courtesy of Champlain Housing Trust & Evernorth.*



The new 48-unit building will serve 38 households at or below 60% of area median income (AMI) and 10 units up to 80% AMI. 10 of the apartments will be reserved for supportive housing for homeless households, paired with additional project-based rental assistance.

This project is notable because it meets many of VHFA's goals – providing housing available to formerly homeless households using bond credits, rehabilitating existing homes while also creating new stock, as well as integrating apartments for formerly homeless households into a mixed-income, mixed-use community.

## Granite City

Granite City is a 27-unit project involving new and rehabilitated units. Downstreet and Evernorth will renovate the Old Ward 5 School in Barre to develop eight new rental apartments. The building is owned by the Barre Housing Authority and is eligible for the National Historic Register. Because of its current state of serious disrepair it will receive gut-rehabilitation.

The project will also renovate two existing buildings in Downstreet's portfolio on nearby Bromur Street to update 19 apartments. The newly renovated Ward 5 School building and the existing properties will be combined into a scattered-site project. The project received a \$255,000 loan from the VHIF.

The apartments are targeted to serve households earning the area median income or less, including seven units at 60% AMI, 11 at 50% AMI, and six for very low-income households earning 30% AMI or less. 14 apartments have project-based rental assistance.



*Historic Ward 5 School in Barre. Photo courtesy of Downstreet & Evernorth.*

Eight total units will be reserved for homeless or at-risk households. The project is using an innovative and collaborative approach through a partnership with the Family Center of Washington County and Good Samaritan Haven to serve households with individualized levels of supportive services based on the intensity of need.

## East Calais General Store

The East Calais General Store is an example of how restoration of a historic community landmark and creation of affordable housing can go hand-in-hand. Originally built in the early 1850s, the building was Vermont's longest operating general store until it closed in 2019 due to financial struggles.

A group of Calais residents formed a Vermont nonprofit called the East Calais Community Trust (ECCT) to purchase the store, with the goal of preserving it as a community resource.

The Preservation Trust of Vermont has provided guidance and fiscal sponsorship for the group, accepting donations on its behalf.

There will be three rental units above the store, one to be rented at market rate, one targeted to 80% AMI, and one targeted to 60% AMI.



*East Calais General Store building. Photo courtesy of the East Calais Community Trust*

The project sponsors have also received a grant from the State's Community Development Program, and have assembled over 20 unique funding sources to make the project feasible. This includes over half a million dollars raised by the community of East Calais, which highlights the strength of the community support for this project. The VHIF investment is an opportunity for VHFA to support community-based housing opportunities at a smaller scale. VHFA staff have recommended that the project receive a \$50,000 0% non-amortizing loan, a small but meaningful sum to get the project to completion.

## Summary of new projects

Financial Information	O'Brien Farms	Salisbury Square	10th Cavalry	Bay Ridge	Granite City	East Calais General Store	Total
<b>Total Units</b>	47	12	64	48	27	3	<b>201</b>
<b>Net New Units</b>	47	12	64	48	8		<b>179</b>
<b>Rehabilitation Units</b>					19	3	<b>22</b>
<b>Development Cost</b>	\$13,560,052	\$5,587,234	\$20,386,590	\$21,664,508	\$7,910,845	\$2,396,869	<b>\$71,506,098</b>
<b>VHIF Investment</b>	\$400,000	\$400,000	\$300,000	\$400,000	\$255,000	\$50,000	<b>\$1,805,000</b>
<b>Leverage (X:1)</b>	34	14	68	54	31	48	<b>40</b>

Populations Served	O'Brien Farms	Salisbury Square	10th Cavalry	Bay Ridge	Granite City	East Calais General Store	Total
30% AMI	4	3	5	10	6		28
50% AMI	8	2	13	5	11		39
60% AMI	27	5	34	23	7	1	97
80% AMI			12	10		1	23
Market	8	2			3	1	14
<b>Total</b>	<b>47</b>	<b>12</b>	<b>64</b>	<b>48</b>	<b>27</b>	<b>3</b>	<b>201</b>

Special Features	O'Brien Farms	Salisbury Square	10th Cavalry	Bay Ridge	Granite City	East Calais General Store	Total
Homelessness Units	12		11	10	8		41
Project Based Rental Assistance	12		18	10	14		54
High Performance Energy	Yes	Yes	No	Yes	No	No	3

Community Development Indicators	O'Brien Farms	Salisbury Square	10th Cavalry	Bay Ridge	Granite City	East Calais General Store	Total
Local Income Generated	\$5,499,000	\$1,404,000	\$7,488,000	\$5,616,000	\$7,589,021	\$2,015,767	<b>\$29,611,787</b>
Taxes and Revenue for Local Government	\$1,034,000	\$264,000	\$1,408,000	\$1,056,000	\$1,497,670	\$170,178	<b>\$5,429,848</b>
Local Jobs Supported	76	19	103	77	43	5	324
Commercial Square Feet						1,986	1,986
Community Development Designated Area	No	Yes	No	No	Yes	No	2
Opportunity Zone	No	Yes	No	No	Yes	No	2
Community	South Burlington	Randolph	Colchester	Shelburne	Barre	Calais	6
County	Chittenden	Orange	Chittenden	Chittenden	Washington	Washington	3

# AGGREGATE FUND INVESTMENT IMPACT

12 

multifamily projects

354 

units supported

12 

Vermont communities

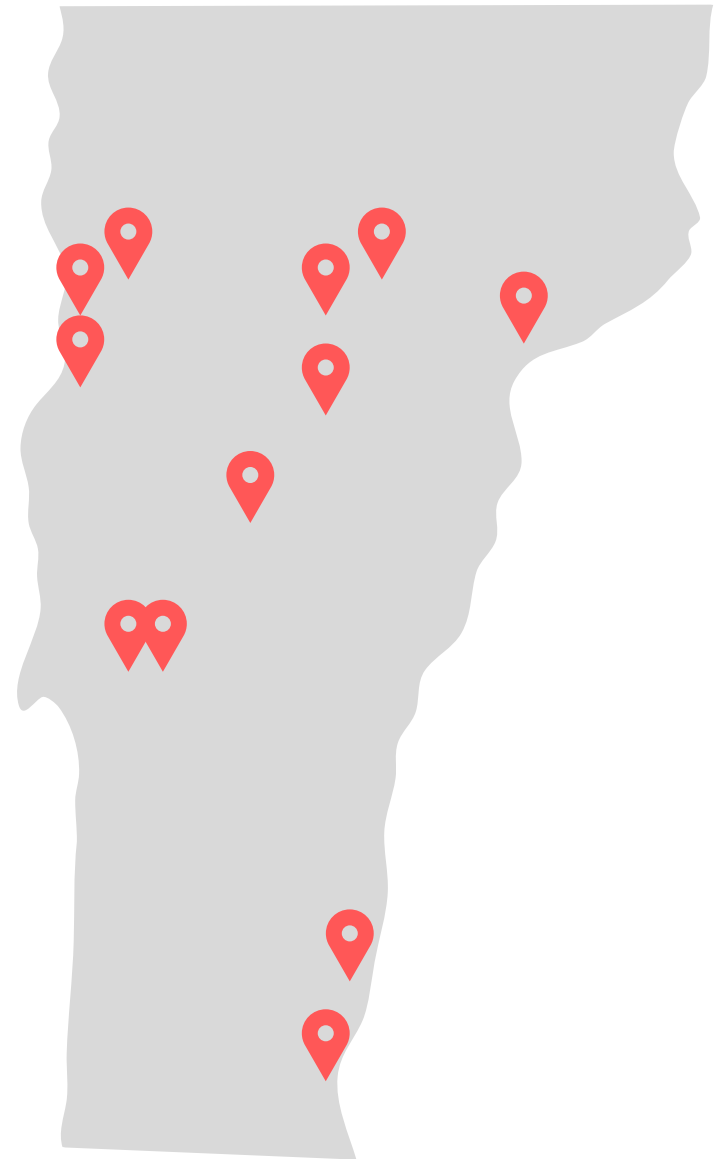
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investment leverage ratio

Metric	Totals
Net New Units	233
Rehabilitated Units	121
Total Development Costs	\$109,862,324
VHIF Investment	\$2,851,588

To date, VHIF funding has been committed to 12 projects in 12 towns across Vermont. Over \$2.8 million of investment has supported nearly \$110 million in total development costs, maintaining a powerful overall leverage factor of 39 to 1.

This investment has or will help to build 233 new apartments and rehabilitate and preserve 121 existing affordable units. 85% of these homes will support Vermonters earning 60% AMI or less.



Income Group Served	Units
30% AMI	62
40% AMI	7
50% AMI	90
60% AMI	142
80% AMI	30
Market	23



Special Features	
Homelessness Units	56
Project Based Rental Assistance Units	114
High Performance Energy Projects	5

In addition, 56 units are reserved for households at risk of or experiencing homelessness. Ending homelessness is a key priority for Vermont Housing Finance Agency, and the VHIF. These units will be paired with rental assistance to ensure affordability and with community-based health services to help these households transition to stability.

However, VHIF investment stretches even further than homes in its support of Vermont communities. Based on economic impact factors provided by the National Association of Homebuilders (NAHB), the apartments supported by the VHIF are expected to generate \$47.3 million in direct and indirect local economic activity within the first year of construction or renovation, with an additional \$7.6 million in local taxes and revenue. These projects will help support the jobs of 566 local workers.

**\$47.3 million** 

in direct and indirect economic activity

**566** 

local jobs supported

Community Development Indicator	Activity Generated by Investments
Estimated Local Income Generated	\$47,294,460
Estimated Taxes and Revenue for Local Governments	\$7,625,781
Commercial Square Feet	8,244
Community Development Designated Area	7 projects
Opportunity Zone	6 projects
Communities	12
Counties	7

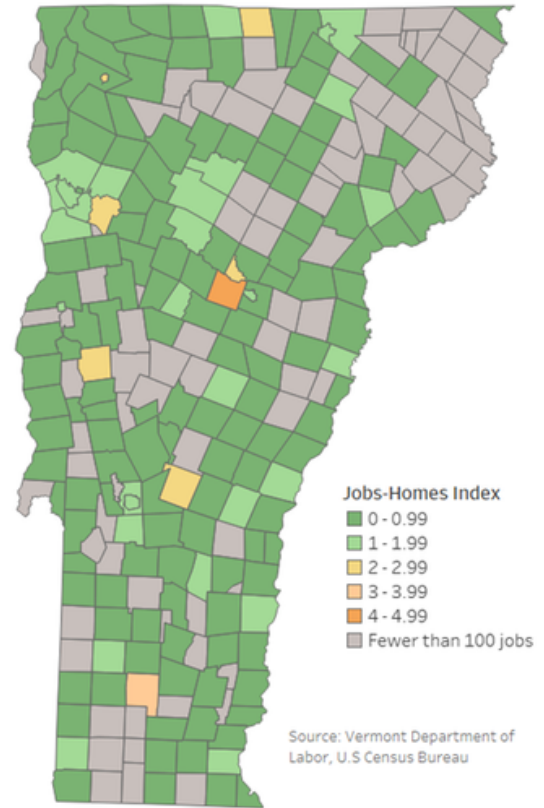
Of course, economic impacts stretch much further than the initial construction of the project. NAHB estimates that 50 apartments will support 22 local jobs and provide \$1.3 million in local income annually. Residents of apartments financed by VHIF are workers, consumers and taxpayers in the local economy.

Developing workforce housing is now more important than ever as Vermont employers struggle to attract employees.

# OTHER RECENT VHFA INITIATIVES

VHFA’s research team regularly publishes its results to inform housing policy. Recent highlights include:

- An analysis of recent home sales data which suggests that prices have increased 19% over the course of the pandemic, highlighting the continued importance of VHFA’s homeownership programs.
- The latest Census results confirm that Vermont has the second highest rate of vacant homes in the nation. Diving into the data more closely shows that the vast majority of Vermont’s vacant homes are seasonal or vacation homes, which are considered vacant under the Census Bureau’s methodology. Vermont’s long-standing preponderance of seasonal homes offers a stark contrast to its extreme shortage of another type of vacant home—those for rent or sale.
- New research compares the ratio of jobs to homes across Vermont, highlighting the towns meeting the housing needs of its workers. Building workforce housing and bringing workers closer to job centers is vital both for sustained economic development and to help Vermont reach its climate goals.



**Late on your bills due to the pandemic?**  
**Vermont's Homeowner Assistance Program**  
has grants for eligible homeowners

Learn more at [vermonthap.vhfa.org](http://vermonthap.vhfa.org)

**vhfa**  
Vermont Housing Finance Agency

Both Vermont renters and homeowners who have faced economic hardship brought on by the COVID-19 pandemic been buoyed by two critical assistance programs:

- Vermont’s Homeowner Assistance Program opened in January 2022 to assist homeowners who have fallen behind on their housing expenses. The program, funded by \$50 million from the federal American Rescue Plan Act, provides grants of up to \$30,000 per household towards overdue mortgage payments, utility bills, property taxes, and property association charges.

To date, the program has disbursed \$9 million in grants to support nearly 2,000 homeowner households. The program is expected to operate over the next two years as Vermont continues to recover from the pandemic.

- Vermont’s Emergency Rental Assistance Program, administered by the Vermont State Housing Authority, also funded by the American Rescue Plan Act, has supported over 12,000 renter households, and is approaching \$100 million in grants made since its inception in 2020.

VHFA was awarded \$15 million by the Vermont Legislature to establish the Missing Middle-Income Development Program for owner-occupied homes. The program is targeting the creation of modest homes with a focus on building or rehabilitating homes that will serve households between 80-120% AMI. The program includes development subsidies for up to 35% of a home’s development cost by 1) offsetting the difference between the cost to build a modest home and what it appraises for, and 2) further reducing the price to be affordable for homebuyers at or below 120% AMI.



Through a partnership with Vermont Housing and Conservation Board (VHCB), VHFA will also be offering construction guarantees to support capital availability for homebuilders.

## **Diversity, Equity and Inclusion Focus at VHFA**

VHFA recently concluded its multi-month Whiteness at Work Training. In total, 30 staff and one board member participated in 15 hours of training and discussion that confronted racism, institutional inequities, and power dynamics. VHFA’s internal work continues as its Justice, Equity, Diversity, and Inclusion workgroup develops an all staff/board survey that will be used to measure organizational diversity and inclusion and inform future VHFA decision making.

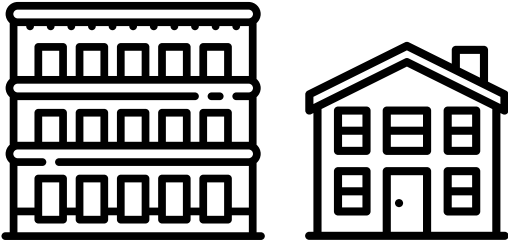
VHFA is part of the Racial Equity Diversity & Inclusion (REDI) initiative, a network of housing agencies to support racial equity efforts throughout the affordable housing sector. In April, the first phase of the initiative began with planning a seminar and roundtable discussion series focused on addressing the housing needs of BIPOC Vermonters. The group will spend the next several months meeting to review data, materials and discuss approaches to development of the series.

This session, the Vermont Legislature transferred \$1 million of FY22 funding to VHFA's existing down payment assistance program (DPA). The program previously offered down payment assistance as loans to be repaid when the home sold, however the Legislature has now allowed VHFA to offer grants. This allows VHFA to reach a target population the Legislature would like to see served: first generation, first-time home buyers.



These buyers have parents who do not own their home and so they, presumably, have had less access to generational wealth. Although the funds will be available to any qualified Vermonter, first generation homebuyers are disproportionately Black, Indigenous, and People of Color. VHFA intends to meaningfully engage with and plan outreach to BIPOC Vermonters before setting up a new program to ensure that the grants have an equitable impact.

*Dorothy Pfende in her South Burlington home. Pfende used VHFA's down payment assistance program to purchase her first home in 2016.*



## CREDITS

Writing: Mia Watson, Seth Leonard  
Design: Mia Watson

Vermont Housing Finance Agency  
164 Saint Paul Street  
Burlington, VT 05401  
Email: [home@vhfa.org](mailto:home@vhfa.org)  
Phone: 802-864-5743  
Web: [www.vhfa.org](http://www.vhfa.org)

