



Vermont

Low Income Housing Preservation in 2010

Low Income Housing Tax Credits (9% Tax Credits)

Vermont's 2009 - 2010 QAP does not provide a point allocation system but instead states Evaluation Criteria and Top Priorities. The 5 Top Tier of these priorities include projects that provide rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades (along with infill new construction or places that lack affordable housing). The Second Tier priorities include creative rehab of a historic structure of statewide significance. Preference must also be given for the acquisition and rehab of existing federal subsidized projects, where preserving affordability is at-risk. 9% credits required to be affordable into perpetuity.

Rehab projects should be at least \$6000/unit or 20% of adjusted basis.

Projects that are less than 49 units and either meet Green Building and Design Standards or are 15% market units are eligible for the 30% basis boost.

Allocations (2003-2009)

Properties Preserved: 26

Apartments Preserved: 599

State Low Income Housing Tax Credits

In 2011, Vermont allocated \$400,000 towards its state tax credit program. The state credits are administered separately from the federal program, and bear a 5 year credit period.

Private Activity Bonds with 4% Tax Credits

4% credits have a 30-year requirement.

Allocations (2003-2009)

Properties Preserved: 26

Apartments Preserved: 570

Additional Info: Vermont did not allocate any 4% tax credits towards preservation in 2009.

Housing Trust Funds

The Vermont Housing and Conservation Trust Fund, overseen by the Vermont Housing and Conservation Board, provides loans and grants for acquisition, rehab and construction of affordable housing, including rental housing. Revenues from the real estate transfer tax (\$15.4 million in FY2008) are leveraged by recipients four-fold with other private and public funds.

PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).

Other Preservation Incentives

With a relatively strong economy, more of the state's workers and seniors face high rents. As the price of heating oil increases, the costs to operate affordable rental housing also are rising. To help mitigate these increased rents, Vermont is engaging in several initiatives to lessen the rental burden on lower income households, including improvements that encourage energy conservation and the use of Medicare and Medicaid to assist in elderly housing. Vermont is receiving a \$600,000 MacArthur grant to Vermont Housing and Conservation Board and a \$2 million program-related investment to the Vermont Housing Finance Agency.

Other Preservation Incentives (continued)

VHFA has continued efforts to redefine its relationship with property owners and partnerships that are facing an ever-increasing income tax burden. Where possible, this has led to Preservation Agreements that provide increased return on equity and access to cash including additional loans. In exchange for these incentives, owners must agree to honor the full term of the Housing Assistance Payments (HAP) Contract and VHFA mortgage. The Agency also secures an Option to Purchase and, in most cases, receives a commitment to extend the affordability of apartments should any rental assistance be available at the expiration of the HAP contract.

VHFA has also been able to facilitate the sale and transfer of some properties to nonprofits or tax credit partnerships. In these transactions, at least 30 years of additional affordability is guaranteed beyond the HAP contract and energy conversions and other physical improvements are often made. In all preservation decisions, VHFA's actions are guided by a commitment to secure the longest term of affordability in exchange for gaining access to public funds and below market financing.

The Agency has also worked closely with Vermont's congressional delegation on efforts to introduce legislation that would offer to reduce the capital gains tax due when an owner sells their property to someone who agrees to an extended commitment of affordability.

The Agency's activities with respect to non-VHFA portfolio preservation efforts have evolved and the use of any resources has been guided by a commitment to secure the longest term of affordability for the maximum number of apartments. According to state housing officials, in all but one case of the 10 properties (920 apartments) preserved under the Agency's program, nonprofit ownership has been a central ingredient to these preservation transactions. The emergence of statewide nonprofit housing development and management network played an important role in the creation of local partnerships that have been critical to the success of these nonprofit acquisitions.

The Vermont Housing and Conservation Board, which was created in 1987, is a state agency that makes loans and grants to nonprofits, municipalities, and state agencies for affordable housing and conservation. VHCB makes investments to fulfill its mission to ensure permanently affordable housing and the conservation of Vermont's agricultural land, wildlife, and historic buildings. Funded by a portion of the proceeds of the Vermont Property Transfer tax, VHCB has assisted in financing the creation and preservation of 8,500 units of affordable housing from 1987 to 2007.

Burlington, Vermont

The city of Burlington, Vermont requires housing units that are demolished or converted to nonresidential use to be replaced. The replacement units must remain rental or limited equity housing for a period of 10 years and must be sold or leased to low-income households.

Green Multifamily Preservation Initiatives

Green Incentives in State Tax Credit Allocation Plan

Vermont's 2009 - 2010 QAP gives preference to rehab projects that provide lead paint abatement or energy efficient upgrades. Preferences also given to projects that meet LEED H or Green Communities standards. Additionally, all projects must meet the standards in the state's energy checklist. These require Energy Star rated appliances among many other energy efficiency measures. Rehab projects are subject to lower standards for building tightness and insulation. Rehab projects are generally only required to meet design standards for systems and aspects within the scope of the rehabilitation. Projects that meet Green Building and Design Standards and are less than 49 units are eligible for the 30% basis boost.

Other Green Incentives Relevant to Preservation

The Office of Economic Opportunity administers Vermont's Weatherization Assistance Program. Vermont sets aside a portion of their WAP allocation for the weatherization of multifamily projects. The Vermont Housing Finance Agency is working with the VT Dept. for Children and Families to secure \$12-15 million in weatherization funds to supplement a multifamily energy efficiency loan fund. For complete information on VT's weatherization program see: <http://www.waptac.org/grantee-contacts.aspx>.

Other Green Incentives (continued)

The Vermont Housing and Conservation Board (VHCB), in conjunction with Vermont Fuel Efficiency Partnership, have used SEP funds to establish a flexible program aimed towards improving the efficiency of affordable multifamily properties with high energy costs. Awards are made as grants, but can be structured as a loan or a deferred loan if requested by the applicant. VHCB and the Vermont Housing Finance Agency have surveyed owners of multifamily affordable housing properties to determine high energy use properties, which will receive first priority for the funds. Also a high priority are properties undergoing redevelopment where energy efficiency improvements are part of the scope of work. Funds can be used for a range of activities including energy audits, base weatherization, mechanical system energy upgrades, energy and air sealing, window and door replacement, advanced thermal shell upgrades/deep energy retrofits, and installation of renewable energy systems. Applicants are expected to leverage SEP funds with other sources of state or federal funds, including Weatherization Assistance Program, EECBG, Regional Greenhouse Gas Initiative funds, or state energy loan funds.

In March 2010, VHFA began making energy/rehab bridge loans through funding from the MacArthur Foundation.

For additional information on green initiatives, visit www.aceee.org for more on policies related to energy efficiency or www.dsireusa.org for programs that may be available to developers to incentivize renewable energy or energy efficiency.

Sustainable Communities & Transit-Oriented Development Incentives

Project location and project characteristics (including whether the use of housing is part of a community revitalization plan in a Qualified Census Tract.) are top priorities in Vermont's 2009 - 2010 QAP.

One of Vermont's top tier priorities is supporting developments that are located in or within walking distance to the downtown of a village center.