

DRAFT

AFFORDABLE HOUSING FUND POLICIES AND CRITERIA

PREAMBLE: The question of whether to establish an Affordable Housing Revolving Fund in the amount of \$45,000 was put to voters of the Town of Norwich in an article included on the November 6th, 2018 ballot. The measure was supported by the voters. What follows is proposed guidance for the management of the fund.

PURPOSE STATEMENT: The purpose of the Norwich Affordable Housing Revolving Fund (fund) is to facilitate the provision of housing in Norwich that remains affordable in perpetuity. The fund shall be managed in such a way as to attract the maximum additional support for affordable housing from other private, public and not-for-profit entities. In this manner, the impact of the fund will be quantifiably greater than the original \$45,000 commitment.

WHO CAN APPLY: Individuals and households are not eligible to apply. Entities registered with the VT Secretary of State to conduct business in VT, 503 (c), and/or recognized affordable housing providers are encouraged to apply. A demonstrated track record in the development and/or management of affordable housing is a prerequisite for application.

ELIGIBLE PROJECTS: A proposal that demonstrates a need for the town's funding that cannot be readily met through other sources in order to provide two or more affordable housing units in perpetuity located in Norwich. Projects that demonstrate a substantial leveraging of the town's funding with other private and/or public funding sources for the creation of affordable housing units are preferred.

PERFORMANCE PERIOD OF FUNDS: The Town expects there will be an inverse relationship between the duration (term) of the loan of performance period of the funds and the number of affordable dwelling units any proposed project provides. The smaller the number of affordable housing units created, the shorter the required repayment period. Shorter repayment periods are to be preferred if practicable.

Comment [JL1]: I'm suggesting this change in the interest of greater public understanding since the meaning of the term "performance period" may not be clear to everyone.

REPAYMENT OF FUNDS: The obligation is on the applicant to show how the project will benefit from the use of the funds and to propose a repayment schedule that is both workable from the project's standpoint and consistent with the affordable housing fund policies and criteria~~the most advantageous arrangement for repayment~~. Repayment holidays, deferred payment schedules and balloon payments are all devices applicants can propose to advance project viability.

INTEREST OWED ON USE OF FUNDS: An interest rate of one point below the prime rate as published in the Wall Street Journal (WSJ prime) per annum will be set on all dispersed funds unless:

- a. The Selectboard (or their designees) in reviewing the application determines that the public good justifies foregoing any expected interest payments (principal is not forgiven)
- b. The applicant demonstrates to the Selectboard's satisfaction that the levying of interest on the repayment of funds would jeopardize the viability or successful execution of the project

TRACKING OF FUNDS: Where an applicant proposes a lengthy installment plan (more than three years) for repayment, and/or multiple payments, the recovery of the administrative costs associated with tracking payments will be considered when settling on loan terms.

ELIGIBLE USE OF FUNDS: These funds are not available for: markets studies, property appraisals, site assessments, engineering, permitting or design, legal review or any soft costs associated with the acquisition of real

property or project management. These funds cannot be used for the payment of Norwich property taxes, education taxes, VT taxes or US taxes. Applicants are encouraged to use these funds as a match for other funding sources. A project may ~~comprise~~ include dwelling units that do not meet the definition of 'affordable' (below), so long as the project delivers the minimum number of affordable units required for eligibility under this fund.

MATCH FOR STATE OR LOCAL GRANT: Norwich reserves the right to use some or all of the fund as a match in order to secure a state or local grant for affordable housing.

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DEFINITIONS:

Affordable: This program will use the definition of affordable housing adapted from 24 VSA § 4303 (1).

(1) "Affordable housing" means either of the following:

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(A) Owner-occupied housing for which the total annual cost of ownership, including principal, interest, taxes, insurance, and condominium association fees, does not exceed 30 percent of the gross annual income of a household at 80 percent of the highest of the following:

- (i) the county median income, as defined by the U.S. Department of Housing and Urban Development;
- (ii) the standard metropolitan statistical area median income if the municipality is located in such an area, as defined by the U.S. Department of Housing and Urban Development; or
- (iii) the statewide median income, as defined by the U.S. Department of Housing and Urban Development.

(B) Rental housing for which the total annual cost of renting, including rent, utilities, and condominium association fees, does not exceed 30 percent of the gross annual income of a household at 80 percent of the highest of the following:

- (i) the county median income, as defined by the U.S. Department of Housing and Urban Development;
- (ii) the standard metropolitan statistical area median income if the municipality is located in such an area, as defined by the U.S. Department of Housing and Urban Development; or
- (iii) the statewide median income, as defined by the U.S. Department of Housing and Urban Development.

Perpetuity: means the longest possible time period permitted under state law, which will be enforced through legal instruments attached to the property title or other binding legal documents. The following specific provisions shall apply to rental and owner-occupied affordable housing:

- Affordable rental housing must be occupied, in perpetuity, by households with incomes at or below 80 percent of the highest of the three income standards specified in the definition of affordable housing. Housing that serves households with lower incomes is to be preferred where practicable.
- Owner-occupied affordable housing shall use a resale formula designed to share equity between the purchaser and the program to facilitate the accumulation of assets by the homeowners while maintaining long-term affordability. Unless good cause is shown to use a different resale formula, the resale formula shall be one of those commonly in use in Vermont. The initial occupant of owner-occupied affordable housing must have an income at or below 80 percent of the highest of the three income standards specified

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in the definition of affordable housing. Subsequent purchasers must have an income at or below the higher of: (a) 80 percent of the highest of the three income standards specified in the definition of affordable housing or (b) the income level needed to afford the price specified by the resale formula.