

**Note: The Norwich Planning Commission adopted the following Affordable Housing Fund Policies and Criteria at its 2-14-19 meeting. The redlining shows changes made to the version recommended by the affordable housing subcommittee. The Planning Commission also requested that the Affordable Housing subcommittee consider one additional issue at its next scheduled meeting.**

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 6<sup>th</sup>, 2018 ballot. The measure was supported by the voters. What follows is ~~proposed~~ guidance for the management of the fund.

**Comment [L1]:** When approved, the guidance will no longer be proposed. "Guidance" is already non-binding.

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.

**Comment [L2]:** Not sure how to measure or require this.

~~GOVERNANCE: The Selectboard may approve the disbursement of funds in support of an affordable housing project that aligns with the guidance contained herein. Such a project is to be led by a designated sponsor. The Planning Commission will review potential projects for compliance with the Town Plan and make recommendations to the Selectboard.~~

**Comment [L3]:** Term is consistent with VHFA.

~~WHO CAN APPLY/ELIGIBLE SPONSORS: 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~~ eligible. A demonstrated track record in the development and/or management of affordable housing is ~~a prerequisite for application~~ required. ~~Individuals and households are not eligible.~~

**Comment [L4]:** This formulation is silent on where a project comes from – i.e. directly from a sponsor via an application, or from an RFP from the town, or some other mechanism we can't envision today.

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~~ direct 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 [L5]:** This was raised at the last meeting. It should be "direct" – i.e. longer with more, shorter with fewer.

**Comment [L6]:** This would imply we're also going to prefer fewer units. Better to avoid the confusion.

REPAYMENT OF FUNDS: The obligation is on the ~~applicant~~ sponsor 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~~ sponsors 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-project determines that the public good justifies foregoing any expected interest payments (principal is not forgiven)
- b. The applicant sponsor demonstrates to the Selectboard's satisfaction that the levying of interest on the repayment of funds would jeopardize the viability of the project

TRACKING OF FUNDS: Where an applicant sponsor 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-Sponsors 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.

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:

(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:

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- 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 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.

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