

To: Montpelier City Council
From: Housing Task Force
Re: Montpelier Housing Trust Fund FY 18
Date: Friday, September, 2016

The following Memo outlines the Housing Task Force recommendation related to programs, projects, and future funding scenarios. This memo will outline the funding history, benefits, and outcomes of the City's investment in the Housing Trust fund and its recommendation for future funding of this program.

Funding History

When the Trust Fund was a ballot item, beginning in 2007, it was presented to the voters and adopted as 1 cent for housing or \$52,000 annually. It received broad community support when it was a ballot item, passing each time with a substantial majority. When it became part of the city budget because of budget pressures it was cut to \$26,000, then \$41,000 and then \$21,000 for the past two years. During that time the need for housing in the city has only grown. Level funding would have generated an additional \$154,000. If the 1 cent for housing had been maintained this year's contribution to the Trust Fund would be \$85,751 based on the current grand list. Housing continues to be a priority in the city's Master Plan, a goal of the City Council and a key recommendation in the Economic Development Plan. A community meeting this past spring attended by approximately 100 people emphasized the importance of affordable housing to the citizens of Montpelier.

| Housing Trust Fund Funding Level History | | |
|---|----------------------|----------------------------------|
| Year | Funding Level | Line Item vs. Ballot Item |
| 2006 | \$52,000 | Ballot Approval |
| 2007 | \$52,000 | Ballot Approval |
| 2008 | \$52,000 | Ballot Approval |
| 2009 | \$52,000 | Ballot Approval |
| 2010 | \$26,000 | *Line Item |
| 2011 | \$26,000 | *Line Item |
| 2012 | \$41,000 | *Line Item |
| 2013 | \$41,000 | *Line Item |
| 2014 | \$41,000 | *Line Item |
| 2015 | \$41,000 | *Line Item |
| 2016 | \$21,000 | *Line Item |
| 2017 | \$21,000 | *Line Item |
| 2018 | \$130,000 | |
| 2019 | \$85,751* | |
| 2020 | \$85,751* | |
| | *\$0.01 per \$100 | |

Investment History

Trust Fund investments have totaled \$379,000 to date. In most cases these investments have been in new or renovated properties resulting in substantial additions to the Grand List. Investments have included River Station Apartments and Condominiums (direct MHTF investment only in 6 condos), the Bianchi/Hebert development (direct MHTF investment in Bianchi only), and 58 Barre St. More recently, the Trust Fund invested \$125,000 in 9 homes through the first time homebuyers program. Units directly subsidized by the Trust Fund on Barre St. alone have leveraged more than \$4 million in additional funding for those same units. Historically, leverage has ranged from 10-1 for an inexpensive single family home to 30-1 for the 58 Barre St. Apartments.

Additions to the Grand List

MHTF investments have added \$4.321 million to Montpelier's grand list to date. That's an additional \$118,659 in taxes is FY'17 alone. The City has been making Trust Fund investments since 2007.

First Time Homebuyers Program

A few years ago the City Council gave permission for Trust Fund dollars to be used to help first time homebuyers purchase existing homes in Montpelier. \$125,000 has been invested to date. Assistance is in the form of a deferred loan of up to \$15,000. One third of the loan is forgivable if the homeowner remains in the home for 5 years, 2/3 if s(he) remains for 10 years and all if the homeowner doesn't move for 15 years. Because Montpelier is an aging community that has seen a decrease in population the major goal of the program is to enable young families to purchase homes in the city. To date 9 deferred loans have been made under this program. The participating families have a total of 9 children.

One of the major financial benefits of this program is that each new child in the Montpelier schools increases the amount of aid for education that the city gets from the state. Given the current value of the grand list each new school child generates approximately \$9,701 annually in fy17.

Pending Requests

There is currently \$162,056.63 in the Trust Fund (we anticipate this balance to be \$177,056.63 subsequent to a closing on September 19, 2016). Downstreet Housing requested \$175,000 for the French Block, effectively depleting the entire Trust Fund.

The First Time Homebuyers Program needs at least \$60,000 this fiscal year and \$90,000 next fiscal year. It is important that there be enough funding in that program that home seekers have a reasonable expectation that the money will be there by the time they identify a home that meets their needs. These requests total \$325,000 needed through the end of FY'18 assuming there are no other major multi-family housing opportunities in addition to French Block during this time period.

| Fiscal Year | Purpose | Amount Needed | Amount Available |
|--------------------|--------------------------------|----------------------|-------------------------|
| FY'17 | 1 st Time Homebuyer | \$60,000 | \$173,214 |
| | French Block | \$175,000 | |
| FY'18 | 1 st Time Homebuyer | \$90,000 | |
| | French Block carryover | \$61,786 | |
| FY'19 | 1 st Time Homebuyer | \$90,000 | |
| FY'20 | 1 st Time Homebuyer | \$90,000 | |

Total FY'17-FY'20 need **\$505,000***

*without any new multi-family projects after French Block

Recommendation:

The Housing Task Force anticipates it will recommend that the City Council propose a special ballot item in 2017 (FY'18) that would raise \$100,000 for the Trust Fund. This will not result in a tax increase because it would equal this year's Trust Fund allocation plus the one time appropriation for the North Branch Nature Center. In addition, the Housing Task Force recommends that the city return to the 1 cent per \$100 of grand list funding level in FY'19 and beyond. (This is approximately \$85,000 on the current Grand List.)