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**DRAFT**

**Local Investment Advisory Committee (LIAC)**

**9/08/2023**

**LIAC Members Present:**

MIKE PIECIAK, Vermont State Treasurer

CASSIE POLHEMUS, Vermont Economic Development Authority

MICHAEL GAUGHAN, Vermont Municipal Bond Bank

PETER WALKE, Efficiency Vermont Representative

TOM LITTLE, Vermont Student Assistance Corporation Designee

**Also Attending:**

Gavin Boyles, Deputy State Treasurer

Ashlynn Doyon, Office of the Vermont State Treasurer

Scott Baker, Office of the Vermont State Treasurer

Jeremiah Breer, Office of the Vermont State Treasurer

Justin St. James, Office of the Vermont State Treasurer

Nick Koleszar, Office of the Vermont State Treasurer

Maura Collins, Vermont Housing Finance Agency (LIAC member, but recused from this meeting)

Peter Samson, Vermont Economic Development Authority

Zak Hale, Hale Resources

Laurel Will, Northern Forest Center

Evan Oleson, Northern Forest Center

Josh Hanford, Commissioner, Department of Housing and Community Development

**CALL TO ORDER:**

**Treasurer Pieciak called the meeting to order at 12:03 p.m.**

**ITEM 1: Approval of March 30, 2023 Minutes**

**Mr. Little made a motion to approve the minutes from March 30, 2023. Mr. Gaughan seconded the motion. The Committee approved the motion to approve the minutes unanimously.**

### **ITEM 2: Overview of Proposals Received**

Treasurer Pieciak reminded the committee of the priorities of housing and energy that it identified earlier in the year, as well as the work that was done to develop the investment and conflict of interest policies. He noted that two previously scheduled meetings this summer were cancelled due to the July flooding event, both for technical reasons and also to see whether or not LIAC funds were needed as part of an immediate flood response effort. Treasurer Pieciak noted that the flooding event has highlighted once again the need for new and safe housing in Vermont and that the State's cash balances remain strong in the wake of the natural disaster.

Treasurer Pieciak also reminded committee members of the conflict of interest policy which states that they should not participate in the discussion around projects that they themselves or their organizations may directly benefit from.

Ms. Collins said that she would recuse herself from the entire meeting except to answer direct questions about the VHFA proposal.

Mr. Walke asked for a description of the other applications not brought to the full committee.

Treasurer Pieciak described the proposals received as totaling over \$330 million, with more proposals related to housing than energy, as well as some commercial and municipal applications. Staff decided to prioritize the housing proposals, as well as those proposals that offered an indirect lending structure. Staff prepared a spreadsheet to organize all proposals received and will distribute a version to committee members.

Mr. Little identified that he chairs the Act 250 District Commission for Chittenden County and that some of the projects identified in the proposals would need to go through that process.

Mr. Gaughan disclosed for the minutes that he sits on Burlington's Planning Commission, as well as Evernorth's investment committee.

Ms. Collins noted that VHFA would never be an applicant for an Act 250 permit and that they always act as a funder and so would never be in front of a District Commission applying on behalf of a project or endorsing project. Mr. Little's conflict concerns were assuaged with this information.

### **ITEM 3: Committee Discussion of VHFA Proposal**

Mr. Breer reviewed the merits of the VHFA proposal, including the creation of the an estimated 1,000 affordable housing units of different types, the assumption of risk by VHFA, and the diversity of terms, all 20 years or less. The indirect lending structure for 17 projects identified in the portfolio is also attractive to the Treasurer's Office because it will require less staff resources. Mr. Breer asserted that staff recommends this project, so long as we are able to enter into an agreement on terms favorable to the Treasurer.

Treasurer Pieciak noted that VHFA had updated its application since the July flooding to have more of a focus on recovery and resiliency in the housing space.

Ms. Collins reviewed the six uses of the funding and how the \$50 million will be split up by term and by use. She highlighted that the LIAC money is unique because it is low cost capital and that VHFA will use

this funding for the projects that have gaps. Ms. Collins also detailed a new program that is trying to build the capacity of small and emerging developers with a focus on BIPOC developers. Finally, she discussed the tranches of funding that will serve manufactured home communities and homeownership opportunities.

Treasurer Pieciak opened the discussion to questions.

Mr. Gaughan asked, if given the emerging nature of some of these needs, if the categories would be flexible in order to optimize capital.

Ms. Collins replied that she hopes that the agreement with the Treasurer's Office will allow for revisiting as environments change. Treasurer Pieciak agreed and noted that there are opportunities for discussion at each draw down of the funds and that VHFA could even come back to the full committee if there are significant adjustments in the portfolio.

Ms. Polhemus stated that she was happy to see employee and farmer housing addressed in VHFA's application. She asked if there is anything that VHFA underwriters will be doing differently in this economic environment given the challenges of housing, to get more projects to the finish line.

Ms. Collins stated that VHFA is going to continue to do good underwriting and evaluations of creditworthiness. She noted that she thinks that projects are having difficulty reaching the finish line, not because of process, but because of cost and supply chain delays.

Mr. Little asked whether there is adequate expertise in Vermont within the civil engineering and construction communities to inform the resilient housing approaches.

Ms. Collins said that VHFA is a collaborative partner with entities like the Agency of Natural Resources and the Department of Housing and Community Development that are the planning leads in Vermont.

Mr. Hanford noted that VHFA is one of the most creative and responsive housing funders and that he anticipates that these funds will be stretched and leveraged in ways that will be even more beneficial than one would think that \$50 million would support.

Ms. Collins estimated that the \$50 million will leverage \$315 million, 1,700 jobs, have an economic impact of \$125 million, and generate \$24 million in taxes.

**Mr. Gaughan made a motion that the committee recommend that the Treasurer approve VHFA's application. Ms. Polhemus seconded the motion. There was no further discussion and the motion was approved unanimously.**

#### **ITEM 4: Committee Discussion of VEDA Proposal**

Mr. Breer reviewed the VEDA proposal, which was originally for \$30 million and also included energy-related projects. The proposal before the committee is just a piece of the portfolio that deals with \$5 million for the expansion of an assisted living facility in Vergennes that will create 65 new assisted living beds. Similar to the VHFA proposal, this is an indirect lending structure where VEDA will manage the project and guarantee repayment on the loan.

Ms. Polhemus noted that will be recusing herself from the discussion of this proposal, but did want to note the difference between this proposal and what VHFA does in the housing sector and that VEDA fills a gap in being able to lend to long-term care facilities.

Mr. Samson spoke on behalf of VEDA and noted that these funds will only be about 20% of the overall project, and that there is demand for this type of housing. He also noted that the project will need to get the lease up on a fairly short schedule, but that VEDA feels this is a manageable risk given the supply demand.

Mr. Little asked if the Addison County Community Trust has a role or participation in the project.

Mr. Samson replied that he did not believe so and they are not a funding source.

Mr. Gaughan asked about the guarantee from VEDA and the term of the loan.

Mr. Breer replied that it will either be a 10 or 20 year agreement, contingent on staff entering into an agreement acceptable to the Treasurer and that the Treasurer's Office would require a general obligation pledge from VEDA.

Treasurer Pieciak added for the committee's understanding that the 65 beds are considered to be "middle market" or a population that otherwise has a challenging time getting into assisted living and that a certain number of rooms will also be memory care units.

Mr. Hanford noted that with this segment of the market, the need is a much bigger impact. If folks are able to leave their existing housing where they might be over housed, than they allow that to pass on to new families. He stated that there is such a need for this type of housing, especially at that sort of middle market, because what you find is there's affordable housing, Medicaid, Medicare, and then there's very expensive.

**Mr. Little made a motion to recommend approval subject the Treasurer's terms and conditions. Mr. Walke seconded the motion.**

Mr. Gaughan added that he hopes the Treasurer's Office can approach terms that reflect the underlying amortization at the time of any refinancing.

**The motion passed unanimously.**

#### **ITEM 5: Discussion of Other Proposals**

Mr. Breer reviewed a third proposal for the committee from the Northern Forest Center for \$500,000 of LIAC funds to rehabilitate a building on Railroad St. in St. Johnsbury. The building will have a few small commercial units and nine residential rental units. The project is for a shorter, 8-year term, and serves the goals of both geographic diversity and workforce housing.

Mr. Oleson added that the organization is really focuses on attracting and retaining young folks and young professionals to communities.

Mr. Gaughan asked a question about the commercial space in the project.

Mr. Oleson replied that the number one goal of the project is housing, and that the commercial space is a relatively small portion of the project, and that the building is on a highly visible and high traffic portion of Railroad St. Mr. Oleson also added that the other source of debt on the project is from a privately released impact investment fund called the Northern Forest Fund. The Treasury loan would be the senior and only secured debt source on the project to date.

Mr. Gaughan suggested that the Treasurer's Office might seek a mortgage interest rather than a general obligation.

Mr. Walke expressed his appreciation for the Northern Forest Center in bringing this project forward and that he has seen their work in both New York and Vermont.

Ms. Polhemus asked about the number of restricted donations in the organization's financials.

Treasurer Pieciak asked about the project timeline.

Mr. Oleson replied that they anticipate construction work to begin in November.

Ms. Polhemus asked about energy efficiency components of the project.

Mr. Oleson replied that it is a gut renovation and that they are planning for an all-electric building with heat pumps and that they are targeting a high performance track with Efficiency Vermont.

**Mr. Walke made a motion to recommend approval.**

Mr. Gaughan suggested adding to the motion clarification from the Treasurer's Office on both priority of payment and security.

Ms. Polhemus recommended the Treasurer's Office look closely at the restricted donations in the FY23 financials as they pursue agreement.

**Ms. Polhemus seconded the motion. There was no further discussion and the motion passed unanimously.**

#### **ITEM 6: Agenda Planning for Next Meeting**

Treasurer Pieciak noted that he does not have a recommendation for a next meeting at this time, but does think that it makes sense to circle back in a couple of weeks to discuss where things stand without presenting additional project recommendations, in order to discuss timing and priorities that have arisen since June.

Mr. Walked thanked the Treasurer's Office for prioritizing housing projects in the post-flood world.

#### **ITEM 7: Public Comment**

Zak Hale of Hale Resources thanked the committee for their leadership and noted he thought that this was an awesome program and what Vermont needs right now to push projects forward.

#### **ITEM 8: Adjourn**

**Mr. Walke made a motion to adjourn. Ms. Polhemus seconded the motion. The committee unanimously agreed to adjourn at 1:56 p.m.**