

Submitted to:
The Vermont General Assembly

2015 Vermont Housing Budget and Investment Report



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The Department also thanks the members of the Vermont Housing Council for their advice in the preparation of this report. Established by Executive Order, the Vermont Housing Council coordinates and oversees implementation of the State's housing policy, evaluates housing services and initiatives, and serves as a resource to housing providers in their efforts to supply decent and affordable housing to Vermonters.

Arthur Hamlin, DHCD Housing Program Coordinator, was the primary writer. The Department greatly appreciates the assistance given by Larry Mires, VHCB Administrative Officer, Maura Collins, VHFA Director of Policy and Administration, and Angus Chaney, AHS Director of Housing, with the Housing Budget Tables found in the report.

I. Introduction

24 V.S.A. §4498, Housing Budget and Housing Investment Reports, directs the Commissioner of the Department of Housing and Community Development (DHCD) to:

- (1)** Create a **Vermont housing budget** designed to assure efficient expenditure of State funds appropriated for housing development, to encourage and enhance cooperation among housing organizations, to eliminate overlap and redundancy in housing development efforts, and to ensure appropriate geographic distribution of housing funds. The Vermont housing budget shall include any State funds of \$50,000.00 or more awarded or appropriated for housing. The Vermont housing budget and appropriation recommendations shall be submitted to the General Assembly annually on or before January 15. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the recommendations to be made under this subdivision, and the report shall include the amounts and purposes of funds appropriated for or awarded to the following:
- (A) The Vermont Housing and Conservation Trust Fund.
 - (B) The Agency of Human Services.
 - (C) The Agency of Commerce and Community Development.
 - (D) Any other entity that fits the funding criteria.
- (2)** Annually, develop a **Vermont housing investment plan** in consultation with the Vermont Housing Council. The housing investment plan shall be consistent with the Vermont consolidated plan for housing, in order to coordinate the investment of State, federal and other resources, such as State appropriations, tax credits, rental assistance, and mortgage revenue bonds, to increase the availability and improve the quality of Vermont's housing stock. The housing investment plan shall be submitted to the General Assembly, annually on January 15. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the plan to be made under this subdivision, and the plan shall:
- (A) target investments at single-family housing, mobile homes, multi-family housing, and housing for homeless persons and people with special needs;
 - (B) recommend approaches that maximize the use of available State and federal resources;
 - (C) identify areas of the state that face the greatest housing shortages; and
 - (D) recommend strategies to improve coordination among State, local, and regional offices in order to remedy identified housing shortages.

This report includes:

- ✓ The Vermont Housing Budget: State and Federal funds awarded or appropriated for housing development in 2015 in excess of \$50,000, and combined State and Federal funds for housing development and housing assistance and subsidies;
- ✓ The Vermont Housing Investment plan which considers areas of the state that face the greatest housing shortages and describes planned investments in single-family housing, mobile homes, multi-family housing, housing for homeless persons, and housing for persons with special needs;
- ✓ Recommendations for approaches that maximize the use of available State and federal resources and strategies to improve coordination among State, local and regional housing providers to address identified housing shortages; and
- ✓ Organizational Chart of State Housing Agencies in Vermont.

The DHCD is committed to having a lead role in coordinating housing policy through the Vermont Housing Council and the development of the HUD Consolidated Plan. While DHCD has direct administrative oversight of some funding programs that have housing components, such as the Community Development Block Grant program (CDBG), its purview over many other sources of housing funding is limited by statute and federal regulations. DHCD relies on strong working relationships with the other housing organizations in the state to assure the efficient expenditure of all State and federal funds provided for housing development.

The Vermont Housing Council

The Vermont Housing Council¹ was originally established by Executive Order in 1995 to coordinate and oversee implementation of the State's housing policy, to evaluate housing services and initiatives, and to be a resource to housing providers in their efforts to supply decent and affordable housing for Vermonters. The current membership of the Housing Council was established in Executive Order 08-11 which also recognized that reductions in federal housing funds, and increasing fuel prices would put pressure on limited State resources for housing, and require investment in energy efficiency and renewables.

DHCD provides staff support and facilitates the Housing Council's bi-monthly meetings.

The standing members of the Housing Council are:

The Department of Housing and Community Development (DHCD); Vermont State Housing Authority (VSHA); Vermont Housing Finance Agency (VHFA); Vermont Housing and Conservation Board (VHCB); Agency of Human Services (AHS); Vermont Association of Public Housing Directors; USDA Rural Development; U.S. Department of Housing and Urban Development (HUD); Fire Safety Division of the Department of Public Safety; and the Division for Historic Preservation. In addition, the Governor appoints representatives of a statewide non-profit housing developer, a regional non-profit housing provider, a private sector housing provider, and a low income advocate to the Council for two-year terms.

II. Vermont Housing Budget

The State's funding resources for affordable housing development and rental assistance resides primarily in five agencies: The Department of Housing and Community Development (DHCD) of the Agency of Commerce and Community Development, the Vermont Housing and Conservation Board (VHCB), the Agency of Human Services (AHS), the Vermont Housing Finance Agency (VHFA) and the Vermont State Housing Authority (VSHA). In addition to these statewide organizations, affordable housing projects and services in Vermont are largely provided by a decentralized group of local, regional, and state affordable housing developers and non-profit community based organizations that cover the entire state. A few of the largest being Housing Vermont, Champlain Housing Trust, Windham and Windsor Housing Trust, Downstreet Housing and Community Development, Rural Edge, and the Housing Foundation Inc.

¹ http://governor.vermont.gov/boards_and_commissions/housing

As shown in Table III on page 13, in 2015 combined State and federal funding and private equity for affordable housing **development** (e.g. “bricks and mortar”) administered by VHCB, DHCD, and VHFA totaled approximately \$55 million. More than half of this through tax credit equity, leveraged by approximately \$4.1 million in federal and State affordable housing tax credits.

State funding for housing development agencies was comprised of approximately \$9 million awarded to VHCB. (Table I on page 11) Federal funding for housing development agencies totaled approximately \$16 million awarded to VHCB and DHCD, which in 2015 included approximately \$5.7 million in CDBG Disaster Recovery Funds. (Table II on page 12) In addition, there is considerable State and federal funding for the ongoing operations of affordable housing developments, in the form of ongoing rental assistance (subsidy). Combined State and federal funding for housing assistance and subsidies was nearly \$78 million. (Table IV on page 14) The majority of that was comprised of \$52 million of federal project and tenant-based rental assistance (Section 8).

The largest financial resource and routinely the largest funding component of any given affordable rental housing project are provided by Federal Housing Credits administered by the VHFA in accordance with the State’s Qualified Allocation Plan (QAP). Vermont’s allocation of federal credits in 2015 was \$2.68 million (for 10 years), generating approximately \$24 million in equity. In addition, VHFA awarded another \$556,000 in what are referred to as “bond credits” which are issued in conjunction with VHFA tax-exempt bonds, which generated more than \$4.8 million in private equity. (Table III on page 13)

The Federal Housing Credits were supplemented in FY 2015 with an allocation of \$825,000 of 5-year State Housing Tax Credits which generated a total of approximately \$3.7 million in equity. Of these State credits, VHFA used \$400,000, generating approximately \$1.78 million in private equity, to support loans for multi-family housing projects in conjunction with the allocation of Federal Housing Credits. VHFA used an additional \$425,000, generating approximately \$1.9 million in private equity, to support a number of funding programs for homeownership opportunities supporting mobile home replacements, down payment assistance for new homes, and to eligible first-time homebuyers.

Federal Funding for Housing Development

The most common federal resources brought to projects include two federal Department of Housing and Urban Development (HUD) sources: Home Investment Partnership Program (HOME), which is currently administered by VHCB, and Community Development Block Grant (CDBG), which is administered by DHCD under the program name the Vermont Community Development Program (VCDP). Together in 2015, these totaled approximately \$16 million, when the CDBG Disaster Recovery Funds used for housing projects are included. VCDP funds are available to all municipalities in the state with the exception of Burlington. Burlington is Vermont’s only “entitlement community” and receives CDBG funds directly from HUD.

Other federal resources which are targeted to specific housing types include HUD 202 (housing for the elderly), Rural Development 515 (multi-family rental housing production),

HUD's Lead Paint and Emergency Solutions Grant (ESG), and HOPWA (Housing Opportunities for Persons with AIDS). Another resource in many affordable housing projects is the Federal Home Loan Bank of Boston's Affordable Housing Program.

State Funding for Housing Development

The primary State resource for housing development comes from a portion of the property transfer tax which by statute is dedicated to VHCB. In FY 2015 VHCB received approximately \$9 million in dedicated funds to support housing development from the property transfer tax. This is the only direct State funding that supports the costs of building affordable housing units. (Table III on page 13)

Other less direct sources of State financial support for affordable housing include the Charitable Housing Investment Tax Credit, administered by DHCD, and the Downtown Program and Village Center tax credits available for historic façade and code improvements, also administered by DHCD. These credits are very frequently used for upper floor housing, including affordable housing, in our downtowns and village centers.

The majority of funding for affordable housing in Vermont goes to support multi-family rental housing. However, Act 51 of 2015 added an additional \$125,000 to the existing Vermont Housing Tax Credit program for the purpose of funding VHFA's down payment assistance program for first-time home buyers for a period of three years (State Fiscal Years 2016, 2017 and 2018). And, the Champlain Housing Trust operates a Mobile Home Down Payment Assistance Program supported by State General Funds awarded to DHCD by the Legislature in 2012. Using State Housing Credits allocated by VHFA, this program provides zero percent second mortgages to replace older, inefficient mobile homes and mobile homes damaged by flooding with energy efficient manufactured homes.

State Funding for Housing Assistance

Approximately \$13 million in State general fund dollars and \$7 million in special funds support programs of the departments of AHS to assist in supporting their clients' housing needs. The largest of these line items include; Temporary Housing/General and Emergency Assistance, Corrections Transitional Housing, the Vermont Rental Subsidy Program, and Housing Opportunity Program (HOP) grants.

AHS's programs often serve the lowest income, most vulnerable Vermonters. Should these families and individuals not be able to access housing in the community that is affordable to them, the alternative in many cases would be institutionalization or homelessness. The avoided costs of those alternatives are substantial. AHS' *The Value of Stable Housing* report (2015) documented reductions in emergency service and health care utilization and expenditure among formerly homeless families who received a state-funded rental subsidy.

Federal Funding for Housing Assistance

VSHA administers more than \$52 million of project and tenant-based rental assistance throughout the state of Vermont, and manages numerous affordable housing projects on behalf of separate non-profit organization, the Housing Foundation Inc. This diverse program includes the Section 8 Housing Choice Voucher program with an assortment of incentives and housing alternatives such as Family Self-Sufficiency, Homeownership,

Family Unification, Mainstream Housing Opportunities, Veterans Affairs Supportive Housing and Project-Based Initiatives.

VSHA also administers a Section 8 Moderate Rehabilitation program and the rental assistance component of a Housing Opportunities for Persons with Aids (HOPWA) grant provided to VHCB. VSHA, in conjunction with VHFA, is HUD's Contract Administrator on project-based Section 8 units constructed or rehabilitated by private developers and/or non-profits, and is the state's largest administrator of Continuum of Care Homeless funds.

Many affordable housing developments have at least some federally funded rental assistance either through the USDA's Rural Rental Assistance program or HUD Section 8 contracts administered by VSHA. The rental assistance allows families to pay approximately 30% of their income toward the rent. USDA's Rural Rental Assistance program provides an additional source of support for families in Rural Rental Housing (Section 515) or Farm Labor Housing (Section 514) projects.

Cooperation among Housing Organizations

Each of the statewide housing agencies, DHCD, VHFA, VSHA, and VHCB plays a unique and well-defined role in the production, rehabilitation, financing, and subsidy of housing for a broad spectrum of low and moderate income Vermonters. These agencies work together with federal housing agencies including HUD and USDA Rural Development – and with departments of AHS to create a delivery system that leverages the maximum amount of federal dollars available to Vermont.

Coordination is further enhanced by cross membership on the statewide agencies' boards. The DHCD Commissioner or Deputy sits on the board of VHFA as the designee for the Secretary of ACCD. The Executive Directors of VHFA and VHCB sit on each other's boards. The Executive Directors of VHFA, VHCB and the VSHA serve on DHCD's Consolidated Plan Advisory Group. Currently, the Executive Director of VHFA and AHS' Director of Housing are appointed members of the Vermont Community Development Board. (See Chart of Housing Agencies in Vermont). The agencies also comprise, along with representatives of USDA Rural Development and HUD, the Vermont Preservation Council which serves as a clearinghouse for preservation related policy work and developing solutions for troubled projects. This ensures non-duplication of effort, effective communication, multiple perspectives in policy decisions and consistency in priorities across the State's housing agencies.

All four statewide housing agencies, along with a representative of the Governor's office, comprise the Joint Committee on Tax Credits. The tax credit committee makes recommendations to the VHFA Board on the Qualified Allocation Plan (QAP). The VHFA Board considers the recommendations and then forwards the QAP to the Governor for his/her adoption.

Vermont's housing agencies collaborate in many ways to ensure State and federal resources are used efficiently and effectively. The three major housing funders, DHCD, VHFA and VHCB, developed and use a common housing application. This application can

be accessed by all three funding sources ensuring the funders have consistent information which helps to coordinate and expedite the application review. These agencies also share common underwriting guidelines and coordinate inspections.

Since the majority of housing projects being developed use multiple funding sources, the project developers are strongly encouraged to schedule a site visit and meeting with all the potential funders as early as possible in the project development. These “all players” project meetings allow for the project developer(s) to hear the myriad of questions/issues from the funding agencies at one time and provide critical information regarding the timing and readiness of a project. Diminishing funding and budget uncertainties at the federal level have made communication around the cost and timing of projects essential.

Geographic Distribution

As stated in Vermont’s HUD [Consolidated Plan](#) and the QAP, geographic distribution is a consideration but the State has not targeted its housing resources to any specific area. This is primarily due to the fact that outside Burlington, Vermont’s population is predominately rural and homogenous. However, for housing projects to get funded the developer must be able to demonstrate with a market study that the project meets local or regional housing needs. This ensures that projects are located appropriately. The AHS now employs geographic targeting with respect to emergency shelter, supportive housing and transitional housing programs.

In preparation for the 2015-2019 Consolidated Plan, the DHCD contracted with Bowen National Research (Bowen) to conduct a statewide Housing Needs Assessment (HNA) that included county level data.² This is significant as this level of analysis on a county level has not been available for 10 years. The assessment was used in the development of the Consolidated Plan and will be a resource to help target funding most appropriately and effectively. Each of the statewide housing agencies contributed time and financial resources to this effort.

Bowen’s HNA shows that there is significant need for housing throughout Vermont, however, the county level reports will be a valuable tool for affordable housing developers and funders in determining where the greatest needs are within the state and may supplement the specific market studies for each project. They will help policy makers and funders determine the particular needs for different areas of the state.

² Bowen National Research: “Vermont Housing Needs Assessment”. January 5, 2015
http://accd.vermont.gov/strong_communities/housing/planning/needs_assessment

Housing Budget Tables

The tables on the following pages make up the “Housing Budget” for 2015:

- TABLE I: State Funding for Housing Agencies for Development
- TABLE II: Federal Funding for Housing Agencies for Development
- TABLE III: State and Federal Funds and Private Equity for Housing Development (“Bricks and Mortar”)
- TABLE IV: State and Federal Funds for Housing Assistance and Subsidies

TABLE I: State Funding for Housing Agencies for Development

2015 State Funding for Housing Agencies for Housing Development		
SOURCES	VHCB	TOTALS
Property Transfer Tax Revenue	\$ 8,865,581	\$ 8,865,581
Loan Repayments	\$ 37,595	\$ 37,595
Interest on Fund	\$ 8,541	\$ 8,541
Mitigation Funds	\$ 25,000	\$ 25,000
TOTAL SOURCES	\$ 8,936,717	\$ 8,936,717
USES		
Operations	\$ 1,161,190	\$ 1,161,190
Grants/Loans/Direct Program	\$ 7,775,527	\$ 7,775,527
TOTAL USES	\$ 8,936,717	\$ 8,936,717

TABLE II: Federal Funding for Housing Agencies for Development

2015 Federal Funding for Housing Agencies for Housing Development			
SOURCES	VHCB	DHCD	TOTALS
HOME Program	\$ 2,955,000		\$ 2,955,000
HUD Lead Paint Program Healthy Homes	\$ 766,667		\$ 766,667
Healthy Homes VT	\$ 533,334		\$ 533,334
CDBG		\$ 11,814,226	\$ 11,814,226
TOTAL SOURCES	\$ 4,255,001	\$ 11,814,226	\$ 16,069,227
USES			
Operations *	\$ 515,001	\$ 200,476	\$ 715,477
Grants/Loans/Direct Program**	\$ 3,740,000	\$ 11,613,750	\$ 15,353,750
TOTAL USES	\$ 4,255,001	\$ 11,814,226	\$ 16,069,227
* DHCD is based on 50% of VCDP operating expenses less \$15,000 in grants			
** DHCD includes \$5,681,750 of CDBG-DR (Disaster Recovery) funds in addition to regular CDBG			

TABLE III: State and Federal Funds and Private Equity for Housing Development

**2015 State and Federal Funds and Private Equity Combined for Housing Development
("Bricks and Mortar")**

SOURCES	VERMONT HOUSING AND CONSERVATION BOARD	DEPT OF HOUSING AND COMMUNITY DEVELOPMENT	VERMONT HOUSING FINANCE AGENCY	TOTALS
State Property Transfer Tax	\$ 7,775,527			\$ 7,775,527
Federal Housing Program Revenue	\$ 3,740,000	\$ 11,613,750		\$ 15,353,750
Private Equity Generated by Federal Housing Credit*			\$ 23,584,000	\$ 23,584,000
Private Equity Generated by Federal Bond Credit***			\$ 4,840,849	\$ 4,840,849
Private Equity Generated by State Housing Tax Credit**			\$ 3,708,750	\$ 3,708,750
TOTAL SOURCES	\$ 11,515,527	\$ 11,613,750	\$ 32,133,599	\$ 55,262,876
USES				
Multi-family Rental Housing using Equity from State Housing Tax Credit			\$ 1,780,000	
Mobile Home Replacements using Equity from State Housing Tax Credit			\$ 890,000	
Down Payment Assistance for New Homes using Equity from State Housing Tax Credit			\$ 445,000	
Down Payment Assistance for First Time Homeowners using Equity from State Housing Tax Credit			\$ 593,750	
Programs providing grants/loans for affordable housing development projects	\$ 11,515,527	\$ 11,613,750	\$ 28,424,849	\$ 55,262,876
TOTAL USES	\$ 11,515,527	\$ 11,613,750	\$ 32,133,599	\$ 55,262,876

* Estimated based on 2015 allocation of \$2.68 million in federal 10-year credits and an average of prices paid by investors in recent years.

** Estimated based on 2015 allocation of \$825,000 in state 5-year credits and an average of prices paid by investors in recent years.

*** Estimated based on \$556,000 in federal 10-year bond credits provided in 2015 and average prices paid by investors in recent years.

TABLE IV: State and Federal Funds for Housing Assistance and Subsidies

2015 State and Federal Funds Combined for Housing Assistance/Subsidies					
SOURCES	AGENCY OF HUMAN SERVICES	VERMONT HOUSING FINANCE AGENCY	VERMONT STATE HOUSING AUTHORITY	VERMONT HOUSING AND CONSERVATION BOARD	TOTALS
State of Vermont General Fund	\$ 13,107,445				\$13,107,445
Federal Housing Program Revenue	\$ 2,219,733				\$ 2,219,733
Global Commitment Funds (GC) or Special Funds	\$ 7,091,659				\$ 7,091,659
Federal Rental Assistance Program (Project Based)*		\$ 2,600,000	\$ 25,156,616		\$27,756,616
Federal Rental Assistance Program (Tenant Based)			\$ 27,222,697		\$27,222,697
Federal HOPWA Program				\$ 471,886	\$ 471,886
TOTAL SOURCES	\$ 22,418,837	\$ 2,600,000	\$ 52,379,313	\$ 471,886	\$77,870,036
USES					
Programs providing housing assistance to individuals		\$ 2,600,000	\$ 52,379,313	\$ 471,886	\$55,451,199
Transitions Subsidies (Brattleboro)	\$ 80,000				\$ 80,000
Home and Community Access	\$ 100,000				\$ 100,000
VT Rental Subsidy Program	\$ 1,000,000				\$ 1,000,000
Harbor Place	\$ 433,275				\$ 433,275
Reach-Up Housing	\$ 864,911				\$ 864,911
Housing and Opportunity Program (HOP)	\$ 4,683,526				\$ 4,683,526
Family Supportive Housing	\$ 520,000				\$ 520,000
Correction transitional	\$ 6,955,410				\$ 6,955,410
Housing Assistance for HIV/AIDS	\$ 894,821				\$ 894,821
ADAP Transitional - Sober Housing	\$ 716,021				\$ 716,021
Youth Housing Subsidies	\$ 400,000				\$ 400,000
Temporary Housing/General Assistance/Emergency	\$ 2,300,000				\$ 2,300,000
Homeshare	\$ 327,162				\$ 327,162
Support and services at home SASH	\$ 974,023				\$ 974,023
CRT Housing Support Fund	\$ 886,809				\$ 886,809
DMH Housing Subsidy plus Care	\$ 982,879				\$ 982,879
Homeless outreach for severely mentally ill	\$ 300,000				\$ 300,000
TOTAL USES	\$ 22,418,837	\$ 2,600,000	\$ 52,379,313	\$ 471,886	\$77,870,036
* \$600,000 of VSHA's Federal Rental Assistance Program / Project Based Section 8 administration is shared with VHFA.					

III. Housing Investment Plan

Consolidated Plan Funding

The delivery of funding for affordable housing in Vermont is directed by the HUD Consolidated Plan for Housing & Community Development. The Consolidated Plan covers a period of five years and is updated annually by DHCD with input from an advisory group and citizen input representing a broad spectrum of the housing, economic development, and human service communities. The State's Consolidated Plan sets forth priorities for the State in spending federal (HUD) housing and community development funds. The State's current five-year Consolidated Plan covers program years 2015-2019 and is based upon the statewide housing needs assessment, community outreach meetings, citizen surveys and participation and the guidance of the Con Plan Advisory Group. For many years Consolidated Plan priorities have closely mirrored the priorities adopted by VHCB for spending trust fund dollars on affordable housing developments and VHFA for allocating the federal low income housing tax credits.

Vermont's Consolidated Plan guides the investment of more than \$10 million the State receives annually for three grant programs. This money typically leverages at least another \$20 million in other public and private funds. In recent years, the priority for Vermont's plan has been to direct resources toward economic development and housing activities.

Vermont Community Development Program

CDBG funding of approximately \$6.5 million annually is administered by the Vermont Community Development Program (VCDP) within DHCD. 2015's VCDP housing grants of almost \$12 million included \$5.7 million of CDBG-Disaster Recovery Funding awarded for affordable housing development. Projects that support affordable housing, employment opportunities, public facilities and public services are eligible and encouraged to apply for CDBG funding. The highest priorities continue to be to create affordable housing and employment opportunities for low and moderate income individuals, with preference for facilitating development and growth in Designated Downtowns and Village Centers.

Only Vermont municipalities are eligible to apply for VCDP funding through a competitive, needs based application process. Funding levels, maximum and minimum grant requests, selection criteria, State priorities, and application assistance can be found in the Consolidated Plan itself and at the VCDP website³.

The VCDP must expend at least 70% of its HUD Award over a period of three program years to fund activities that principally benefit persons of low and moderate income. Grants for activities which aid in the prevention or elimination of slums and blight or that are designed to meet community development needs having a particular urgency do not necessarily provide a direct benefit to persons with low and moderate incomes. Such

³ http://accd.vermont.gov/strong_communities/opportunities/funding/vcdp

awards, therefore, must be drawn from the remaining 30% of the CDBG award over a period of three program years. Over the last three program years, VCDP has awarded 80% of its HUD Award to affordable housing projects and 95% has directly benefited low and moderate income persons.

The following match requirements also apply:

Housing, public facilities and services, economic development	10% match requirement for business projects, 25% for planning grants, 25% match for ADA projects, 25% match for slums and blight
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HOME Investment Partnership Program

Home Investment Partnerships (HOME) funds of approximately \$3 million are administered by VHCB which has been designated to administer HOME on behalf of DHCD.

HOME funds are used for the following:

1. Acquisition and Rehabilitation Program, to be used for acquisition and rehabilitation of conventional rental properties to make them affordable to low income households, convert them to cooperative properties, or for the acquisition and improvement of mobile home parks;
2. New Construction Program, to be used for the production of conventional rental properties that serve an area or market where existing housing stock is limited, housing for households/individuals with documented special needs. Units created under this program must be affordable to low income households; and
3. Refinancing existing debt, multi-family projects developed by locally based housing organizations that receive HOME funds for rehabilitation may utilize HOME funds to refinance existing debt if there is significant rehabilitation of the property proposed in addition to the refinancing.

In addition, up to 15% of the State’s HOME allocation is reserved for Community Housing Development Organizations (CHDOs). The State of Vermont has an extensive track record in working with CHDOs and other non-profit organizations, through the support of the VHCB and VHFA.

The following match requirements also apply:

Affordable housing, Community Housing Development Organization (CHDO) capacity funds	25% match for rehabilitation and new construction
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Emergency Solutions Grant

Federal Emergency Solutions Grants (ESG) of approximately \$632,000 are administered by AHS Office of Economic Opportunity (OEO) to help non-profit organizations, including community and faith-based organizations; provide emergency overnight and day shelter; offer supportive services for homeless families and individuals; and implement effective homeless prevention and rapid re-housing initiatives within the local continuum of care. Vermont's ESG funds are combined with \$3.8 million in state general funds allocated by the Vermont Legislature, and approximately \$200,000 of Global Commitment funding to create the consolidated Housing and Opportunity Program (HOP).

Housing and services for homeless families and/or individuals	1:1 or 100% match requirement
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Areas with Greatest Housing Shortages

The funding priorities dictated in the Consolidated Plan do not underscore particular areas of the state and awarded funds are based on the strength of application received. Bowen's Housing Needs Assessment underscored that there is significant need for housing throughout Vermont. A housing market is typically considered balanced when there is a vacancy rate for units between 4% and 6%. A survey of multi-family rental units throughout the state conducted by Bowen National Research showed multi-family vacancies of 1%, with government subsidized units exhibiting a vacancy as low as 0.4%. The lowest vacancy rates in this category were in Grand Isle County (0.0%) and Addison County (0.2%) and highest vacancies in Chittenden and Windsor Counties, both at 1.3%. While the American Community Survey estimates the vacant, for-sale housing at 1.9%, Bowen's examination of the number of for-sale homes available on the market indicated a homeowner, for-sale availability of 4.5%, suggesting a healthier homeowner market than that for rental units.

The pent up demand for quality affordable housing is abundant. In September 2015, Safford Commons a 28-unit affordable rental housing development opened in Woodstock and was leased up in 10 days with 40 households on a waiting list.

One symptom of the low rental housing availability is the number of households who are spending an unaffordable amount on their housing costs. A household is considered housing cost burdened when more than 30% of household income is spent on housing cost, and severely cost burdened when housing costs consume 50% or more of household income. Amongst renter households in Vermont, 34,884 (47.5%) are cost burdened including 16,485 (22.4%) households with severe cost burden. The greatest share of severe cost burdened renter households resides in Chittenden County (26.6%). A total of 60,272 (32.9%) homeowner households are cost burdened with the largest share of this group residing in Windsor (14.7%) and Windham (14.6%) Counties. The number of homeless families and individuals in Vermont remains high. According to the annual HUD Point-In-Time count, Vermont's homeless population decreased a modest 2% between 2014 and 2015, but this was mostly in Chittenden County and demand for emergency

shelter and services remains extremely high in virtually all counties. After targeting new rental subsidy assistance and high-intensity supportive housing programming for homeless families, AHS is starting to see a small reduction in what had been a rapidly increasing number of homeless children.

Targeting Investments

The State's key objectives to address these housing needs as outlined in the Consolidated Plan are preserving existing affordable housing and developing new housing units or programs that are cost effective and sustainable.

These priorities are further guided by the State's preference for development and growth in Designated Downtowns and Village Centers and in other areas which incorporate "Smart Growth" principles, and the overarching priority of striving to achieve perpetual affordability in affordable housing projects that use public funds.

The specific goals relating to housing in the 2015-2019 Consolidated Plan are to; 1) Increase the supply and quality of affordable housing, 2) Decrease the number of people experiencing homelessness.

The specific strategies adopted for achieving these goals include;

1) Increase the Supply and Quality of Affordable Housing

- House lower income families and individuals, with special preference to projects housing extremely-low income families and individuals at or below 30% of area median income.
- Produce affordable senior rental units in regions where a market analysis identifies a shortage of elderly housing affordable to lower income seniors.
- Provide service enriched housing that allows seniors the opportunity to age in place.
- Provide service enriched housing serving persons with disabilities.
- Locate affordable rental housing in close proximity to public transportation services with access to employment centers, services, recreational opportunities, and schools.
- Increase the supply of affordable rental housing through the acquisition and/or rehabilitation of existing units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Increase the supply of affordable rental housing through the construction of new units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Promote mixed income developments to create integrated communities.
- Promote the development of new rental housing designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the Energy Star label.
- Identify and remove barriers to increasing the supply of rental housing.

- Preserve existing affordable housing projects including mobile home parks, in a manner consistent with prudent investment criteria.
- Redevelop existing properties with consideration given for projects that leverage other resources specific to the preservation of historic structures.
- Address habitability and infrastructure problems in mobile home parks.
- Preserve existing mobile home parks, and relocate families and individuals displaced by mobile home park closure.
- Develop, replace or relocate mobile home parks and lots that are in flood hazard areas.
- Support the network of scattered site rehabilitation programs.
- Redevelop foreclosed properties for affordable rental housing.
- Address barriers to rehabilitation of the existing supply of rental housing that serves extremely-low, low and moderate income families and individuals.
- Provide accessible or adaptable housing for persons with disabilities, including homeownership opportunities.
- Address the current and potential need for accessibility modifications and adaptable units to serve Vermonters with physical disabilities.
- Support the network of scattered site housing rehabilitation programs.
- Improve access to affordable mortgages and counseling-based lending for lower income families and individuals seeking to become homeowners.
- Increase programs for homeowner education and counseling.
- Maximize the use of the Section 8 homeownership option by public housing authorities.
- Support projects with employer assisted home ownership programs.
- Redevelop foreclosed properties for home ownership.
- Promote the development of home-ownership units designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the Energy Star label.
- Promote the development of home-ownership units that include a shared equity appreciation covenant.

2) Decrease the number of people experiencing homelessness

- Emergency Shelter Operations, including day shelters, year-round overnight shelters, warming shelters, and motel stays when other shelter is not available
- Essential Services to individuals and families in emergency shelter
- Rapid Rehousing, Housing Relocation and Stabilization Services (including short-term financial assistance)
- Rapid Rehousing, Rental Assistance for up to 24 months (including rental arrears)
- Homeless Management Information Systems (HMIS), including the costs to contribute data to the HMIS designated by the Continuum of Care

In addition to these Consolidated Plan priorities, in 2015, Governor Shumlin and Vermont Agency of Human Services Secretary Hal Cohen launched a statewide initiative to end child and family homelessness in Vermont by 2020.⁴ This three-part plan includes:

- 1) Adopting the national “Family Connection” framework, developed by the U.S. Interagency Council on Homelessness, to ensure that local communities have a coordinated system for assessing families’ housing needs and connecting them to the appropriate benefits, employment, and evidence-based interventions,
 - 2) Bringing together rental subsidy programs with intensive services for people who are homeless so that families can get into housing faster and local providers can spend less time coordinating resources and more time addressing and resolving the root causes that led to homelessness; and,
 - 3) Increasing the number of apartments that are accessible and affordable to Vermonters with extremely low incomes so that we create homes and opportunity for families experiencing homelessness today, as well as stabilize families who are housed but struggling under rents that are out of step with their income.
- Finally, this year the QAP was revised to address the high priority needs of Vermont’s homeless population. The QAP now includes two types of incentives to encourage developers to set aside either 10% or 25% of their Tax Credit units for people who are homeless.

Results of Investments

The combined efforts of the housing agencies committed funds have resulted in the following recent successes:

- In 2015, the VCDP awarded grants to 15 municipalities for housing projects that totaled approximately \$11.6 million in CDBG funding, including \$5.7 million of CDBG-DR funds, leveraging over \$61 million in local, private and other federal and State resources which will create or preserve 503 units of affordable housing.
- In FY 2014, State funding enabled VHCB to fund 17 housing projects with 280 units.
- In FY 2014, HOME funded projects created 137 new affordable rental units. In the past 5 years VHCB has funded approximately 50 homeownership purchases through the Land Trust model.
- During 2015 the Vermont Housing & Conservation Board (VHCB) administered the 2nd year of a 3-year HUD Lead Hazard Control Grant awarded in 2013. VHCB was awarded another Lead Hazard Control Grant in October 2015 which is still in the start-up stage and will run concurrently with the 2013 grant until that grant ends in July 2016. Over the past 5 years approximately 450 homes and apartments have had lead paint hazards removed through VHCB’s Lead Hazard Reduction program. Unfortunately, no further funding is available from HUD to continue this program.

⁴ <http://humanservices.vermont.gov/end-family-homelessness>

- In 2015, two mobile home parks, totaling 145 lots were purchased by resident owned cooperatives. Homeowners in two additional mobile home parks are continuing to work with non-profit housing organizations to negotiate for purchase.
- Since 2013, 58 households have used the Champlain Housing Trust down payment program to purchase energy efficient manufactured homes to replace older, inefficient mobile homes or mobile homes destroyed in flooding.
- In FY 2015, 258 households received assistance from VHFA in the form of low-interest mortgages or income tax-saving mortgage credit certificates. Loans made through VHFA to these households totaled \$39.1 million. Over the past 5 years, VHFA has financed 1,387 mortgages.
- The Vermont Center for Independent Living Home Access Program provides home access and bathroom modifications for low-income households with disabilities. In 2014, VCIL assisted with 25 bathroom modifications, and 28 ramps or entrance modifications.
- In 2015, AHS' support of Vermont's two Home Share programs provided housing matches for over 200 persons.
- In 2015, 192 formerly homeless households (consisting of 248 adults and 297 children) moved into affordable housing with a Vermont Rental Subsidy from AHS' Department for Children and Families. Among families who exited the program during the year, 87% successfully transitioned to a federal subsidy or increased income and did not require subsidy.
- In 2015, over 5,000 seniors and persons with disabilities maintained independent living with supportive services coordinated by AHS' Support and Services at Home (SASH) program.
- In 2015, the Emergency Solutions Grant in AHS' Office of Economic Opportunity provided safe emergency shelter or transitional housing to 4,303 homeless Vermonters, one quarter of whom were children.
- In 2015, 145 people with serious mental illness found affordable housing with a Subsidy & Care voucher from AHS' Department of Mental Health.
- In 2015, approximately 300 adults with mental illness were housed with financial assistance from the CRT Housing Support Fund in AHS' Department of Mental Health. 78% maintained housing stability for at least 90 days following assistance.
- In 2015, 91 formerly homeless families were housed and received intensive case management support through AHS' Family Supportive Housing program. 86% of families remained stably housed. A Legislative appropriation allowed the program to expand to serve five of twelve districts.
- In 2015, 912 offenders were housed in the community with service supports through AHS' Transitional Housing Program in the Department of Corrections.

The coordinated work of the state's housing agencies has also been extremely successful in securing federal resources that are subject to competitive applications. These include the Federal Home Loan Bank's Affordable Housing Program, which provides low interest loans or grants for affordable housing; USDA's Rural Development 515 program, which provides low interest loans for multi-family housing; HUD's 202 program, which provides capital grants and operating subsidies for housing for the elderly; HUD's McKinney housing for the

homeless programs; HUD's Lead Paint Hazard Reduction Program, which provides money to reduce lead based paint hazards in privately owned multi-family and single-family housing; HUD's Healthy Homes program, HUD's Housing Opportunities for Persons with AIDS (HOPWA) program, and the Commission on National and Community Service's AmeriCorps and VISTA programs, which have been used in Vermont to provide direct service to residents of State funded affordable housing, to help lower income Vermonters become homeowners and to help homeless Vermonters find housing.

IV. Recommendations

As shown, Vermont's Housing Budget provides nearly \$55 million in combined State and Federal Funds, and Private Equity for affordable housing development and down payment assistance. However, approximately \$9 million of this total is State funded. Approximately \$22 million in State funds support housing assistance programs through AHS.

These funds are primarily targeted to multi-family rental housing, including housing for the elderly, and/or extremely low income households. They also help fund single family homes and mobile homes. They additionally serve housing for people who are homeless and people with special needs, in accordance with the Consolidated Plan.

Important policy decisions are coordinated at the highest levels through DHCD's HUD Consolidated Plan and the Qualified Allocation Plan (QAP) for Federal Housing Credits and cross memberships on the boards of all statewide housing organizations and ongoing formal and informal collaboration.

A strong partnership exists between Vermont's housing agencies. While each brings a different perspective and disagreements arise, ongoing collaboration ensures the effective and efficient use of State and Federal resources. These efforts should continue in order to maximize the use of housing resources and the outcomes and benefits.

Despite the progress made and the State's ongoing commitment to affordable housing and services, significant work remains to be done. Vermont's annual statewide count of persons experiencing homelessness identified 1,523 Vermonters staying in emergency shelters, state-funded motels, HUD-funded transitional housing projects or on the street. More than 350 of those people, approximately a quarter of those counted, were children under 18. The fact that many Vermont shelters are full to capacity and that 150 homeless Vermonters remain unsheltered on a given night, indicate that there still remains a need for housing which is accessible and affordable to the population that is currently homeless. As shown in Bowen's Housing Needs Assessment, almost half of Vermont's renter households and one-third of its owner households remain cost-burdened, and there continues to be a gap in the supply of housing. Nearly a quarter of renters spend as much or more than 50% of their income on housing.

Bowen recommended several strategies for increasing the availability and improving the quality of Vermont's housing. These include:

- 1) Supporting the development of more rental housing due to very low vacancy rates, with an emphasis on multi-family units affordable to extremely low income (<30%) and middle income (95%-120%) households, and one and two bedroom units;
- 2) Supporting the development of senior housing or programs enabling seniors to age in place due to projected household growth among the senior age groups (55+, 65+);
- 3) Supporting first time home-buyer programs for low to middle income households due to projected owner household growth particularly in the middle income group (95%-120%);
- 4) Supporting affordable housing programs to develop or maintain affordable rental housing due to the current gap in the supply of rental units available to low income households and low vacancy rates;
- 5) Supporting home repair programs, particularly for seniors to remain in their homes longer, due to the age and condition of the existing housing stock, including assistance for repair and maintenance and weatherization;
- 6) Encouraging local governments to provide pre-development activities such as land banks, site prep and infrastructure, or market research and data, to attract developers to build affordable housing;
- 7) Expanding the VHFA's Directory of Affordable Rental Housing to include market rate and nonconventional rentals due to the lack of available housing and advertised housing in the state.

In addition to the General Assembly, Bowen's recommendations have been shared with state and local housing organizations, regional planning and development entities, and municipalities, realtors, homebuilders, the congressional delegation and others. The fact that these recommendations closely mirror the goals and strategies in the Consolidated Plan supports the direction the State has taken in allocating its housing dollars and suggests that they continue receiving serious consideration.

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State Housing Agencies in Vermont

