

**Vermont's Housing Crisis**  
**House Commerce and Economic Development Committee**  
**Wednesday, February 14, 2024**

Chair Marcotte and honorable members of the House Commerce and Economic Development Committee, my name is Clay Adams. I am the President and CEO of Mascoma Bank, a mutually owned bank and also a certified B Corporation with nearly \$3B in assets and more than 400 employees. I am here today to offer testimony on the housing crisis affecting Vermont.

As the person who leads a community bank, I am afforded a broad view of the housing crisis facing our state. For Mascoma Bank itself, we see this through our residential mortgage lending activities each day. It affects borrowers at every point of the socioeconomic spectrum, but it is most heartbreaking to see those attempting to purchase their first home. During the pandemic the interest rate environment was more favorable for homeownership. However, the unprecedented 11 rate increases and quantitative tightening by the Federal Reserve in 2022 and 2023, led to much higher interest rates as they attempted to shrink the money supply to reduce inflation. These Fed actions result in less purchasing power for prospective buyers. There is a very strong likelihood that mortgage rates will come down over the next year, but I will argue that the larger problem will remain the dearth of housing in Vermont. Home prices will continue to rise beyond the reach of many Vermonters even if the rate environment is more favorable for home ownership. As a note, I will add that Mascoma Bank did create a first-time homebuyer loan that requires very little downpayment and waives a considerable amount of fees. We are also funding a new position in 2024 with Vital Communities, an Upper Valley based non-profit, that will help people of color navigate the home ownership process.

This leads me to offer my second and more concerning view. That involves the conversations I have with business owners and leaders throughout the

region. Regardless of business size, the refrain I hear time and time again focuses on the difficulty finding and retaining employees. Most often employers will cite to me the difficulty employees, particularly those trying to relocate to Vermont, face finding suitable, affordable housing. Again, I hear this from every sector of the Vermont economy, including healthcare, manufacturing, technology, non-profits and the service industry. It is not unusual to have someone accept a job and then regretfully retract that acceptance because they cannot find housing. One person told me they never thought they'd pay more for rent in this region than in Los Angeles from where they'd relocated.

We are also starting to see people leave the region for opportunities in other parts of the country where housing is more plentiful and affordable. This typically happens when someone has worked and been trained by an employer over a number of years. Quite often this is someone looking to start a family or find something beyond an apartment. Their training affords them mobility and they can rather easily find another job and purchase a home in another part of the country. These are just examples, but they illustrate that the shortage of housing is jeopardizing the economic vitality of the region, retention of younger workers and ability of businesses to expand their operations or even site themselves in Vermont in the first place.

I am also seeing businesses taking matters into their own hands. Some are master leasing apartments, subsidizing them and then offering them at more affordable rates for their employees. This may help the business master leasing, but it effectively reduces rental availability for other renters. Others are becoming the developer of housing themselves. This may involve the employer helping with infrastructure, sponsoring the construction and then selling it to their employees in the case of a homeownership model.

In the Upper Valley a group of businesses worked with Evernorth to create the Upper Valley Loan Fund. We capitalized this fund with \$10 million to

be allocated to multi-family, affordable workforce housing projects for those in our communities earning between 50 and 80 percent of the average median income. The employers receive a 1.5% return on their investment. This creates a very efficient and flexible capital stack that makes shelter more accessible to a greater number. To date, this fund is being invested in three different projects that will lead to nearly 200 affordable homes – each of them also getting investment from the State through the Vermont Housing & Conservation Board and as an added benefit, will be affordable forever.

All of these examples illustrate two things to me:

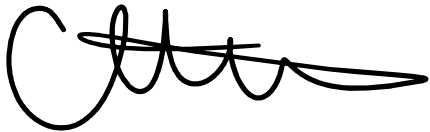
- First, the housing market is under great duress and not operating in a manner that serves all constituencies. From a purely capitalistic perspective, perhaps it is operating as designed, pricing new homes that come on the market at the highest marginal rate. This may be profit maximizing but it is not serving the needs of everyday Vermonters.
- Second, this problem has become so prevalent and dire that every sphere of our regional society....all levels of government, non-profit, and business are now collaborating more to identify solutions. This gives me some hope.

So, I am here today not just to share my own perspective or to give voice to the employers and constituents affected by this, but to encourage this committee to continue allocating resources to housing. This is particularly important for affordable housing. The need here, whether it is multi-family apartments or missing middle homes for sale, is the greatest. As an initial step, I would like to encourage the committee to ask the House Appropriations Committee to support full funding for VHCB. The legislature should be commended for their funding efforts in recent years by going beyond this base funding. Continuing to commit \$110M or \$140M as has been the case will continue to allow housing providers like

the Twin Pines Housing Trust in my region, Evernorth, and many other capable community organizations to address this need.

Finally, I'd like to speak what I believe is a larger, looming problem. This involves infrastructure. The Upper Valley where I live is probably like a lot of parts of Vermont. There are very few towns with public infrastructure; this includes water and sewer systems. The systems that do exist are old and in need of significant repairs and upgrades. In some cases they have no capacity to add homes to existing systems, which are predominantly in villages. This is absolutely counter to the state's growth plans to increase village density with infill and ADUs. Unless we find ways to invest in and expand our infrastructure, we will not be able to create more homes or create more development in our designated villages.

Thank you.

A handwritten signature in black ink, appearing to read 'Clayton R. Adams'. The signature is fluid and cursive, with a large initial 'C' and a long, sweeping tail.

Clayton R. Adams

President and CEO, Mascoma Bank