

Deputy Commissioner Jen Hollar
Department of Housing and Community Development
Testimony before the House Commerce and Economic Development Committee
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Good Afternoon. My name is Jen Hollar and I serve as the Deputy Commissioner of the Department of Housing and Community Development. Our mission is to help Vermonters improve their quality of life and build strong communities. We do that in many ways including funding affordable housing projects and helping municipalities plan for and encourage the development of housing that is affordable at all income levels.

Workforce housing typically means housing that is made affordable to working households whose income is insufficient to find housing within a reasonable distance of their workplace. Most commonly, it refers those with incomes between 80 and 120% of the median in their areas. In Vermont, that translates to annual household income of between \$42,400 and \$63,600.

There is not a bright line between line between workforce and affordable housing. For purposes of publicly supported housing, affordable housing is usually defined as requiring no more than 30% of the income of a household at or below 80% of median income. Some grant and many financing programs go up to 120% of median, including VHFA's.

My understanding is that the committee's interest is stems from concerns of employers that a lack of housing options is affecting their ability to recruit and retain employees.

Our agency shares this concern, and as you've heard previously from Lisa Gosselin, our Commissioner of Economic Development, it surfaced repeatedly in her regional meetings on the Comprehensive Economic Development Strategy. And housing reinvestment was identified by communities when Noelle MacKay, our Commissioner of Housing and Community Development, surveyed them about what was most needed in their downtowns and village centers.

The issue is not new. In 2005, VHFA surveyed large and small employers across the state and found that 90% saw a lack of single family homes and rentals affordable to their employees was a problem. Most respondents said low and middle-income employees were the most affected. VHFA reached out to employers again in 2011 and found the concerns remained.

But it is not unique to employers and workers hoping to relocate. The challenge is part of a larger trend and recent affordability crunch that impacts households at all income levels, is felt most acutely at lower incomes but also affects those in the middle. Sarah and Cathy have spoken to current conditions so I'll focus my remarks on the broader economic factors that have created them and a few strategies for addressing them.

Problem

Employees and middle-income workers are interested in both single family and rental housing options. Younger workers, particularly those just entering the workforce, often seek affordable apartments close to where they work. Recent national economic and political trends have collided to create a rental affordability crisis that the Secretary of the Department of Housing and Urban Development calls the worst the country has seen. The Joint Center for Housing Studies at Harvard recently reported that from 2000 to 2012, U.S. renters were squeezed between median incomes that fell by 13 percent and median gross rents that went up by 6 percent.

Causes

The cost of building - land, labor and materials - has long exceeded the ability of lower income people to pay for it. That is why government housing programs were created. But the problem has become much worse in recent years and is increasingly true for those with moderate incomes as well. It is essentially a problem of supply and demand.

Nationally and in some parts of Vermont, like Chittenden County, the creation of new rental options over the last decade has not kept up with the increase in the number of renter households leading to high costs and low vacancy rates. For poorer households, more of their income goes to cover rent and utilities and they are forced to cut back on food and other necessities. In the worst cases, it means they lose their homes altogether and the need for emergency housing assistance grows.

For someone with a moderate income and more resources, it also means more of their income goes to housing and they have fewer choices where they live. They have more mobility and for some it may mean they chose not to move to an area.

Demand for rental units nationally has surged as:

- Tighter credit and downpayment requirements make it more difficult to buy
- People have lost homes to foreclosure
- Renting has more appeal after the burst of the housing bubble

- The tough job market leads households to put a higher value on mobility
- More households are being established as the Baby Boom “echo” sets up house

At the same time, the number new public and private rental units coming on line has declined:

- Construction slowed during the recession and many housing developers did not survive
- Financing for private multi-family development is difficult to obtain
- Cuts in and elimination of federal affordable housing development programs (CDBG, HOME, HUD 202, RD 515.....)
- Need to use more housing dollars to preserve private affordable housing projects with expiring federal contracts leaving fewer dollars for new units
- In Vermont, we also lost homes in Tropical Storm Irene

While beginning to rebound, housing starts in Vermont are still 70% below what they were before the recession. 1107 new housing units started in the most recent year reported compared to the previous peak of 3,723 in March of 2006. As building picks up it will gradually decrease housing pressures. This will benefit middle and higher income renters before low-income households as new private development tends to be directed towards them.

Vermont’s solid commitment to affordable housing, while it hasn’t matched demand, has kept the situation from becoming bleaker than it otherwise would be and much better than in other parts of the country. Success can be measured not only by what you gain but by what you haven’t lost. The nation’s supply of affordable rental housing – government supported and private – is shrinking. Public supported development during the recession also helped keep some developers in business.

Strategies

For all these reasons, parts of Vermont like the U.S. as a whole, are feeling an affordability crunch that is limiting the choices for middle income households, squeezing the low income and making it increasingly difficult for the poorest Vermonters to keep their homes.

While some these factors are beyond our ability to control, there are things we can and should be doing.

First, we must do all we can to improve economic opportunities and wage growth for Vermonters. This is your committee’s primary focus and our agency shares this mission.

We must do what we can to improve the conditions for private sector development housing to help relieve market pressures. Our department is focused on finding ways to make it easier and less expensive to develop housing affordable at all levels in our community centers and close to jobs. Sponsored by your committee and approved by the legislature last year, H.377 made changes to the Downtown and Village Center designation programs and enhanced options for new housing in neighborhood development areas. Commissioner MacKay is working on similar recommendations to the Growth Center designation program this session – as outlined in the Department’s Act 59 Report - and is working with other state agencies to identify a package of land use regulation improvements and incentives to make development more predictable and less costly.

Continued state support for housing development through VHCB and state affordable housing credits is critical. Many of the housing projects our Department, VHFA and VHCB fund are mixed-income developments, which can include units that are available at market rates with no income restrictions. In fact, our funding policies prefer this type of project. Examples include River Station Condominiums here in Montpelier. And publicly funded projects leverage private investment and can facilitate private development. Thayer Commons in Burlington is an example. Subsidized family and senior housing with market rate buildings.

It is also important to continue to monitor the federal situation and advocate for the housing programs. We are incredibly fortunate that our congressional delegation is both supportive and influential. It makes a difference and sometimes leads to good news from Washington.

For example, after recent changes to the Senate nomination rules, Mel Watt has been confirmed and is now leading the Federal Housing Finance Agency. The FHFA controls Fannie Mae and Freddie Mac, two giant companies that, in turn, control 90% of the national mortgage market. It is hoped that Watt will bring changes that make it easier to buy homes and ultimately decrease pressure on the rental market.

Closer to home, we need to learn more about the specific needs of different parts of the state and communities. Bennington is doing this now through a housing need assessment funded by a municipal planning grant from our Department. Rutland has recently done the same. And DHCD hopes to conduct a statewide housing needs assessment that will allow us better differentiate housing needs by region. While new units may be the need in Chittenden County, encouraging reinvestment in existing housing stock may be the answer in Rutland or Windham.

In the same vein, DHCD will focus on ways in which we can promote the development

of accessory dwelling units or micro apartments as an environmentally friendly way of creating new affordable homes in the hearts of our communities. Example. ADU, VHFA home loan.....

Another important thing to think about is the costs vs. benefits of legislative initiatives that can increase housing costs.

In conclusion, national economic and political conditions have collided to create an unprecedented affordability crisis and workers are feeling the same housing pinch that is squeezing low income Vermont's and creating a greater need for emergency housing. None of the strategies I've mentioned is a silver bullet, but taken together, they will make a real difference in the lives of Vermonters immediately and for many years to come.

With that, I'm happy to take any questions or suggestions.

Sources

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