

**Vermont Housing Budget
And
Investment Report**

to the

**House Committee on
General, Housing, and Military Affairs
and the
Senate Committee on
Economic Development, Housing & General Affairs**



Prepared by

The Department of Housing and Community Affairs

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Title 3, Chapter 2472

§ 2472. Department of housing and community affairs

(a) The department of housing and community affairs is created within the agency of commerce and community development. The department shall:

(1) Be the central state agency to coordinate, consolidate, and operate, to the extent possible, all housing programs enacted hereafter by the general assembly or created by executive order of the governor.

I. Introduction

As required by 24 V.S.A. §4498, Housing Budget and Housing Investment Reports, the Commissioner of the Department of Housing and Community Affairs (DHCA), of the Agency of Commerce and Community Development (ACCD), is pleased to provide the 2008 Vermont Housing Budget and the Vermont Housing Investment Report to the Legislature.

The report includes:

- 1) The Vermont Housing Budget: A combined FY 2008 budget of state housing dollars in excess of \$50,000;
- 2) The Vermont Housing Investment plan which identifies areas of the state that face the greatest housing shortages and describes planned investments in single-family housing, mobile homes, multifamily housing, housing for homeless persons, and housing for persons with special needs;
- 3) Recommendations for approaches that maximizes 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
- 4) A description of the Vermont housing agencies' principal roles and programs.

The DHCA 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 DHCA 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. DHCA 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.

Challenges to Meeting the Affordable Housing Need in Vermont

There are a number of challenges confronting the state regarding the provision of affordable housing including but not limited to the following:

- The unmet need is very large. In 2005, the Vermont Housing Needs Assessment estimated that the number of apartments that were affordable to Vermont's low-income renter households fell short by about 21,000 units. This same report projected a need for

the construction of 12,300 new owner-occupied homes to meet the total expected demand in 2010.

- Much of the existing housing stock is old and in need of some level of rehabilitation. Almost one third of our housing stock (78,000 units) was built prior to 1939 and is now over 70 years old. Preserving this existing housing stock in a cost efficient way is vitally important.
- The cost of developing and preserving affordable housing is high. VHCB estimated that the cost of developing affordable housing increased at a rate of 11.8% per year from 1996 – 2004, although leveling off slightly to ‘only’ 9.4% from 2002-2004¹, before jumping again in 2005 with a marked increase in hard costs per square foot. The total development cost per unit for all projects (using weighted averages, not adjusted for inflation) was just under \$200,000 in 2007.
- Affordability for all new housing production is largely achieved through the use of public funding, which limits the availability of funds to develop affordable housing to the sum of state and federal sources which total about \$48 million annually, including equity generated from the Federal Housing Credit. At the current cost per unit, the rate of production of affordable housing units per year that can be achieved using solely public funding is less than 300 units annually. This rate is insufficient to make a net gain on the ever increasing need and with an expected drop in Housing Credit equity housing production in 2009 may be even less.
- A substantial shortfall in capital reserves exists for many existing affordable housing projects. Repairing these projects and making them energy efficient where capital reserves are insufficient will substantially reduce the availability of public funds for new, affordable housing projects.
- Mobile homes, which comprise nearly 8% of Vermont’s housing stock (over 22,600 units), present their own unique issues. These include the fact that many mobile home parks have deteriorating infrastructure that is cost prohibitive to repair or replace. Even though Vermont’s statute was recently amended to allow mortgage financing for mobile homes on leased lots, which theoretically leads to a higher appreciation rate for those that own their mobile homes, the vast majority of mobile homes will continue to be classified as personal property, with very limited access to financing.
- Vermont’s drinking water and wastewater capacity is limited. In order to create new housing units, adequate and reliable water and wastewater systems must be available. The challenge is a lack of available municipal services and Vermont’s geography which limits the number of properties that can accommodate on-site septic systems.
- As a result of Act 133 of the 2001 adjourned session the Agency of Natural Resources (ANR) obtained jurisdiction over all failed water and wastewater systems in the state on July 1, 2007, with the exception of those few municipalities that adopt their own standards. ANR recorded 281 failed septic systems from July 1 – December 31, 2007, and nearly 500 failed septic systems in 2008. The cost to repair or replace these systems to proper performance standards ranges from \$5,000 for a simple in ground system to as much as \$30,000 for a system requiring a mound and an advanced treatment system. Many homeowners’ will not have the financial resources to afford to repair or replace

¹ Memo Re: Cost of housing from VHCB staff (Polly Nichol, Rick DeAngelis, Lorraine McBride, and Gus Seelig) to VHCB board dated 10/23/2003.

their septic system should it fail, and will need assistance through grants or low cost loans.

- Demographic shifts facing Vermont. We are an aging state: The Census data tells us that the proportion of Vermont households with members over 62 years of age is growing at a rate almost twice the rate of all households. It is estimated that by 2030, 24% of the population will be 65 years of age or older, and 3.5% - or about 25,000 people, will be the eldest, those 85 years and older. The total number of households is also projected to expand and these will be smaller households due in part to the impact of the housing demand by the growing senior population.
- There are numerous state, regional and local organizations (which often include individual governing or advisory boards), as well as private developers, involved in creating and preserving housing.

The following report will include strategies and objectives that have been implemented, are under consideration for implementation, or proposed to meet the above-listed challenges.

II. Funding Affordable Housing

As stated above, affordable housing projects in Vermont are primarily pursued and developed by a decentralized group of local and regional developers and non-profit community based organizations spread across the state. These organizations rely on funding from a mix of mostly government resources to get projects constructed.

The largest financial resource and routinely the largest funding component of any given affordable rental housing project is provided by Federal Housing Credits (formerly known as LIHTC program.) Vermont's allocation of federal credits in 2008 was \$2.6 million, generating approximately \$23 million in equity. In July 2008 VHFA also relieved a special allocation of a two-year 10% increase in Housing Credits as part of the Federal Housing and Economic Recovery Act (HERA). At this same time equity pricing began to decrease because of the decline in the investment market. VHFA anticipates up to a 15% decline in pricing and a much smaller pool of investors in 2009.

The Federal Housing Credits are supplemented with State tax credits which at \$400,000 in FY 2008 generated approximately \$3.6 million in equity. Federal Housing Credits are administered by VHFA. VHFA often provides loans for multi-family housing projects in conjunction with the allocation of Federal Housing Credits. VHFA also administers a number of funding programs for homeownership development. Another resource in many affordable housing projects is the Federal Home Loan Bank of Boston's Affordable Housing Program.

The most common federal resources brought to projects include two federal Department of Housing and Urban Development (HUD) sources: HOME, which is currently administered by VHCB, and the Community Development Block Grant (CDBG), which is administered by DHCA under the program name the Vermont Community Development Program (VCDP). VCDP funds are available to all municipalities with the exception of Burlington which gets funds directly from HUD. Other federal resources which are targeted to specific housing types include

HUD 811 (housing for people with disabilities), HUD 202 (housing for the elderly), Rural Development 515 (multi-family rental housing production), HUD Emergency Shelter Grant (ESG) program and HUD Special Purpose Grants.

The state's funding resources for affordable housing resides primarily in three agencies: DHCA, the Agency of Human Services (AHS) and VHCB. The primary state support for housing development comes from a portion of the property transfer tax which by statute is dedicated to VHCB. In FY 2008 VHCB received approximately \$8.6 million in dedicated funds to support housing development. This is the only direct state funding that supports the costs of building affordable housing units. Other less direct sources of state financial support for affordable housing include the state tax credit that supplements the Federal Housing Credit administered by VHFA, the Charitable Housing Investment Tax Credit, administered by DHCA, and the Downtown Program and Village Center tax credits available for historic façade and code improvements, also administered by DHCA. These credits are very frequently used for upper floor housing, including affordable housing, in our community centers. At the beginning of FY 2009 VHFA did receive \$50,000 in state funds to be used by the state's Homeownership Centers for foreclosure counseling. As well, there are negotiations with VHFA around allocation of state funds to support interest rate subsidy and administration of the Energy Saver Loan program.

Additionally, approximately \$7.7 million in state general fund dollars supports programs of the departments of AHS to assist in supporting their clients, including temporary shelters, temporary rental assistance, and promoting aging in place. Local funding resources include funds from municipal and regional revolving loan funds which may be contributed to a project in the form of a loan or grant. The majority of local revolving loan funds were initially capitalized with federal HUD funds for community development projects.

III. Leverage

Sources of leveraging are limited and include grants, amortizing, non-amortizing, federal earmarks, and tax credits. Tax credits induce banks and other investors to purchase a dollar's worth of tax credit against tax liability for less than one dollar in investment. Therefore, for every dollar "invested" through tax credits, the tax credit authority, state or federal, subsidizes the investment by some percentage, generally less than 10%.

As shown in the Investment Plan (**Appendix A**) last year there was approximately \$48 million of state and federal funds available for the development of housing projects in Vermont. Therefore, \$48 million is our dependable leveraging capacity. The production of affordable housing also creates jobs and encourages neighborhood revitalization which is less easily quantifiable but an important indirect benefit.

Federal Housing Credits raised approximately \$23 million in equity in 2008. However, that program only raises 50% - 60% of the cost of development. Matching state funds enable full utilization of the program especially outside of Chittenden County. This is also the case with CDBG. Program awards are capped at \$750,000 each, a level that is far below what is necessary to cover the complete cost of an affordable housing development. Again, state funds often

provided through VHCB supplement the federal programs that make up the largest percentage of funding for most projects. Vermont was one of the pioneers using Federal historic tax credits to support affordable housing development. This year the program generated over \$6.8M in equity to support affordable housing projects.

Vermont receives approximately \$3.4 million annually from HUD's HOME program and has received between \$500,000 and \$1 million annually for the past from HUD's Lead Paint Hazard Reduction Program. HOME requires a state match of 25% and the Lead Program requires a 10% state match.

Avoided Costs

Some of the state's investment in affordable housing helps to serve the lowest income, most vulnerable people. Should these people not be housed in a secure, affordable, often service supported environment, the alternative in many cases would be institutionalization or homelessness. The avoided costs of those alternatives are substantial. VHFA's May 2008 paper *The Costs and Benefits of Assisting Vermont's Chronically Homeless* describes the cost savings of providing permanent supportive housing to individuals who were chronically homeless as opposed to more costly emergency services, such as emergency rooms, prisons, and homeless shelters.

Rental Assistance

Many affordable housing developments have at least some federally funded rental assistance either through Rural Housing Services or HUD Section 8 contracts administered by the Vermont State Housing Authority (VSHA). The rental assistance allows families to pay approximately 30% of their income toward the rent. These contracts have an average value of \$5,000 for each household.

IV. Agency Coordination to Maximize the Use of Available State and Federal Resources

Each of the four major housing agencies, DHCA, the Vermont Housing Finance Agency (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 Housing and Urban Development (HUD) and USDA Rural Development – and with departments of the Agency of Human Services, to create a delivery system that leverages the maximum amount of federal dollars available to Vermont. **(See Appendix B for chart of the state housing agencies interrelationships and Appendix C for descriptions of state housing agencies in Vermont.) Specific efforts to enhance coordination between the housing agencies include the following:**

Consolidated Housing Application

In an effort to further improve coordination between state agencies and provide a quicker and more streamlined application process for project developers/applicants, the three major housing funders: DHCA, VHFA and VHCB have developed a common housing application. This new application is an improvement and allows applicants to fill out a portion on one application that is used to access three funding sources. It also allows the funders to have consistent information which helps to coordinate and expedite the application review. To further simplify the application submittal and review process, these same funding organizations are in the process of developing common underwriting guidelines. DHCA has also implemented a web-based on-line application system which has been in use by all VCDP applicants starting since July 2007. The on-line application system has greatly increased the efficiency of our application process for our clients.

Shared Compliance Monitoring

The three agencies, VHCB, VHFA and DHCA, are also working to streamline and consolidate their project monitoring. Because all three agencies administer federal funds they are required to ensure compliance with federal law and regulations pertaining to each specific funding source. It is possible that instead of all three agencies making three separate monitoring visits for a given project, one visit will be coordinated to cover all pertinent compliance areas. This has the potential for significant time and cost saving for the funding agencies as well as for the project grantees/developer(s).

All Players Project Meetings

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.

Housing Council

The Housing Council was 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. Members of the Housing Council include representatives from:

DHCA; VSHA; VHFA; VHCB; Agency of Human Services; the Governor's Office; Vermont Association of Public Housing Directors; Joint Housing Committee; USDA Rural Development; Fire Safety Division of the Department of Public Safety; the Division for Historic Preservation; and representatives of the three following interests: nonprofit housing provider, private sector housing providers, and a low income advocate.

The Housing Council meets bi-monthly and is the primary coordinating tool for the state's housing entities. Subcommittees of the Housing Council have several successful accomplishments, including the statewide Housing Awareness Campaign, and the 2006 Analysis of Impediments to Fair Housing Choice in Vermont.

HUD Consolidated Plan – Uniform Direction

The delivery of funding for affordable housing in Vermont is directed by the HUD Consolidated Plan for Housing & Community Development (Con Plan), updated annually by DHCA with input from an advisory group representing a broad spectrum of the housing, economic development, and human service communities. The Con Plan sets forth priorities for the state in spending federal (HUD) housing and community development funds. The Con Plan priorities are closely mirrored by the priorities adopted by VHCB for spending trust fund dollars on affordable housing developments and by the Joint Committee on Tax Credits for allocating the federal low income housing tax credit.

The current Con Plan, which covers program years 2005-2010, kept in place two overarching priorities from the previous 5-year plan – emphasis on development in downtowns and growth centers and striving to achieve affordability through the use of mechanisms which produce housing resources that remain affordable over time. Besides keeping in place these existing priorities, the current 5-year Con Plan set forth some new priorities which include the following: (1) increasing the supply of affordable and workforce housing; (2) expanding the delivery of scattered site housing rehabilitation services statewide to preserve our existing housing stock; and (3) focusing on remediating and reusing brownfield sites with the highest priority for re-use being housing or economic development projects that principally benefit low or moderate income households.

The specific priorities relating to housing in the Con Plan include: (1) housing families and individuals at low income levels with a preference for those with very low incomes including the homeless and people with special needs, (2) fulfilling the objectives of the Ten Year Plan to End Chronic Homelessness, (3) preserving and improving existing mobile home parks, (4) addressing the deterioration of the existing housing stock through acquisition, preservation, and rehabilitation, (5) demonstrating leverage of resources and cost effectiveness, (6) addressing the current and future need for accessibility modifications to serve those with physical disabilities, (7) enhancing opportunities to sustain and increase homeownership, (8) addressing the need for new in-fill family rental units in communities with tight housing markets, (9) accomplishing mixed income developments, including shared housing and (10) furthering fair housing opportunities.

The 2006/2007 Action Plan update added two new housing-specific priorities: (1) making elderly housing a priority in regions where the Housing Needs Assessment identifies a need for low-income elderly housing; and (2) allowing the VHCB Board to use HOME funds for tenant based rental assistance as required by cuts in federal funding or as may be needed to help address an increase in homelessness, or to respond to homelessness caused by a natural disaster. To date, VHCB has not pursued a HOME tenant based rental assistance program.

In 2008 DHCA twice amended the Action Plan update. The First Amendment made up to \$2 million of CDBG funds available through the scattered site revolving loan funds for home energy efficiency improvement loans to LMMI households. This activity was a response to the sudden and dramatic increase in home heating fuel prices. The Second Amendment implemented the DHCA's proposal for \$19.6 million made available to the State through the Neighborhood Stabilization Program of the Housing and Economic Recovery Act of 2008.

Cross-membership of Boards

Representatives of VHFA and ACCD/DHCA are board members on the VHCB Board. VHCB's Executive Director sits on the VHFA board, as does the Secretary of ACCD. The VHFA Director sits on the Vermont Community Development Program's Advisory Board.

The four housing agencies, along with a representative of the Governor's office, comprise the Joint Committee on Tax Credits. The tax credit committee evaluates applications for the Federal Housing Credits and supplemental state housing tax credit allocations through a competitive process. Private investors invest in housing developments that have received such allocations, providing needed equity for the development, and receive a federal tax deduction in return.

V. Results of Interagency Collaboration

Over the past five years the combined efforts of the housing agencies committed funds have resulted in the following successes:

- 1,149 additional multi-family units were added to the affordable housing stock ;
- 3 mobile home parks, with 116 homeowners, were purchased by nonprofits resulting in infrastructure upgrades and rent stability;
- 4,029 households received low-interest mortgages from VHFA;
- 270 households received assistance under the VCIL home access program;
- 550 units of housing were provided grants and loans from VHCB to mitigate lead hazards. An additional 18 units were mitigated by the City of Burlington's lead program during 2008; and
- More than 6,100 households receive rental assistance annually; 65% percent of these households have members who are elderly or disabled.

Through the Vermont Congressional Delegation's work on the HUD appropriations process approximately \$900,000 in additional HUD funds were received for FY2008.

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 and rental assistance for multi-family housing; HUD's 811 and 202 programs, which provide capital grants and operating subsidies for housing for people with disabilities or the elderly respectively; and 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 Housing for People with AIDS program, and the Commission on National and Community Service's AmeriCorps and A*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.

VI. Identify Areas of the State Facing the Greatest Housing Shortages

As stated in the Con Plan, the state does not direct assistance to any one particular area of the state. Vermont is predominately rural, with a largely homogenous social and economic profile. Finding decent, affordable housing throughout the state is an ongoing serious problem for low to moderate income Vermonters. In 2007 Vermont had the lowest homeownership vacancy rate in the nation of just 1%, and the second lowest rental vacancy rate of 4.9%.² For rental housing the shortage has been more severe in Addison, Chittenden, Franklin, Lamoille and Washington Counties. For homeownership, only Essex County had a high vacancy rate.

According to the October 2008 "Out of Reach" study published by the National Low Income Housing Coalition statewide, the Fair Market Rent (FMR) for a two-bedroom apartment is \$836. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn \$2,786 monthly or \$33,434 annually.

Households with very low incomes, or special needs because of a disability or other circumstances, tend to have a particularly hard time in all parts of the state. On January 30, 2008 the state's network of homeless service providers conducted the Point In Time Homeless Survey, counting 2,507 Vermonters including 430 families "sleeping in shelters, motels, or worse"³ on that date. On average people are staying in shelters more than a month, twice as long a stay as in 2000. When shelters remain full, other needy Vermonters have to be turned away. The recession that began in December 2007 has certainly increased homelessness, and shelters reported remaining full throughout the summer in 2008 and expect to remain over capacity throughout the winter. Although heating fuel costs have decreased recently, there will be households that are unable to afford to heat their homes, and the need for emergency and overflow shelters is expected to remain great.

VII. Key Objectives and Recommended Strategies to Remedy Identified Housing Shortages

Vermont's 2005-2010 Con Plan outlines the state's key objectives in the housing arena. The overarching objectives relating to housing in the Con Plan are to increase the supply of housing and stabilize the existing housing stock including: multi-family rental, homeownership units,

² U.S. Census "Housing Vacancies and Homeownership, Annual Statistics 2007"
<http://www.census.gov/hhes/www/housing/hvs/annual07/ann07ind.html>

³ Between a Rock and a Hard Place, Housing and Wages in Vermont; 2008 Update. Vermont Housing Council and Vermont Housing Awareness Campaign

mobile homes, elderly housing, and supportive housing for homeless, elderly and special needs persons.

DHCA's Recommended Strategies to Increase the Supply of Housing

- Vermont Neighborhoods – This new legislation was passed in spring 2008 to support and encourage new housing development within or contiguous to Designated Downtowns and Villages – supporting the vitality of these historic centers. Municipalities apply for areas that demonstrate the Neighborhood will meet expectations for dense development that is well integrated within the existing residential neighborhoods, commercial/civic services, and transportation networks, including sidewalks for pedestrians, is served by sewer and water systems, and is consistent with the “smart growth principles” outlined in statute. The primary benefit of the program is potential exemption from Act 250 if the development within the Designated Neighborhood includes affordable housing.
- Land Bank Initiative – Under this initiative, land owned by the state that is surplus to an agency's or department's core mission would be available for housing development. DHCA is reviewing the appropriateness of two parcels of state surplus land for housing.
- Manufactured Housing Pilot Project – In an effort to increase the supply of good quality and reasonably priced housing to meet the demand of low to moderate income Vermonters, state funding resources should be targeted to programs creating low cost modular, stick built units of housing. A preliminary feasibility analysis has been completed for the manufacture of homes in the Northeast Kingdom for a pilot program being administered by the Northeastern Vermont Development Association.
- Cost-savings Initiatives –. VHCB found that Vermont's cost of developing housing is consistent with other New England States, and even decreased from an average per unit cost of more than \$217,000 in 2005 to below \$200,000 in 2007; however, this average cost still represents a 150% increase from the average cost ten years ago. Therefore, because the total amount of funds available for affordable housing is finite there should be a renewed effort to review all the cost drivers associated with these projects, including financing costs, to see if there are creative ways to reduce costs or at least stem the rate of increase for these projects.

Recommended Strategies to Stabilize and Preserve the Existing Housing Stock

- Continue to support the regional scattered site housing rehabilitation programs administered by non-profit housing organizations throughout the state. With assistance from DHCA the entire state is now covered by one of these programs that are funded primarily by the VCDP. These programs provide low cost loans to income eligible homeowners to complete essential repairs to their homes. For the last 11 years, DHCA has invested over \$14 million in VCDP funds for these programs which have improved and preserved over 1,403 units of housing for low to moderate income households. During the past year, DHCA has spent considerable time coordinating meetings and workshops with these regional programs in an effort to streamline their programs, increase cost efficiency and improve the sustainability of their operations.
- Confront impending challenges brought forth by the Agency of Natural Resources' (ANR) Universal Jurisdiction over all failed water and wastewater systems. ANR recorded 281 failed septic systems from July 1 – December 31, 2007, and nearly 500 failed septic systems in 2008. The cost to repair or replace these systems to proper performance standards ranges from \$5,000 for a simple in ground system to as much as \$30,000 for a system requiring a mound and an advanced treatment system. Many homeowners will not have the financial resources to afford to repair or replace their septic system should it fail, and will need assistance through grants or low cost loans. DHCA has provided \$750,000 in funding to the regional scattered site housing rehabilitation programs administered by non-profit housing organizations throughout the state to assist with this problem for low and moderate income homeowners. In addition, VHCB set aside \$200,000 which has been used to remediate failed septic systems for 70 households.
- Be prepared to address the possibilities of significant funding cuts to federal rental subsidies or a significant increase in homelessness due to a natural disaster, by allowing the use of HOME funds on an as-needed basis for a limited housing rental voucher program.
- Ensure that the major state housing funding agencies assess, analyze and confront the underfunded capital needs, particularly the needs for weatherization and energy efficiency, of our older affordable housing stock.
- The Federal Neighborhood Stabilization Program (NSP) as authorized by in HERA 2008 will begin implementation in 2009. The purpose of this special \$19.6 million allocation of CDBG funds is to intervene and redevelop foreclosed, abandoned, and blighted properties. The action plan for implementation can be found on the DHCA website at <http://www.dhca.state.vt.us/VCDP/NSP.html>.

Appendix A

Housing Budget

2008 State Funding for Housing Agencies and Human Services

SOURCES	VHCB		DHCA		AHS		TOTALS
	Trust Fund	General Fund	Special Fund	General Fund	General Fund	TOTALS	
Property Transfer Tax (housing portion of projected \$14.4 million in revenue)	8,629,955						8,629,955
Loan Repayments	\$25,200						25,200
Interest on Fund	195,000						195,000
Federal Grants							
Mitigation Funds	100,000						100,000
Other	24,000						24,000
State General Fund		88,539			7,697,988		7,786,527
Mobile Home Park Special Fund			60,831				60,831
TOTAL SOURCES	8,974,155	88,539	60,831	7,697,988			16,821,513
USES							
Operations	805,518	28,539	60,831				894,888
Grants/Loans	8,168,637	60,000	0				8,228,637
Furnace and boiler replacement program				650,000			650,000
Correction transitional housing and prevention				1,134,000			1,134,000
Dismas House				103,000			103,000
Operating for Alcohol and drug abuse programs				16,400			16,400
Youth Housing Subsidies				430,000			430,000
Temporary Housing/General Assistance/Emergency Assistance				3,725,352			3,725,352
Housing Contingency Funds for mental health clients				852,236			852,236
Emergency Shelter grants and homeless assistance				787,000			787,000
TOTAL USES	8,974,155	88,539	60,831	7,697,988			16,821,513

2008 Federal Funding for Housing Agencies and Human Services

SOURCES	VHCB					TOTAL FEDERAL FUNDS FOR VHCB	DHCA Federal Funds CDBG	AHS Federal Funds	TOTALS
	Federal HOME Program	Federal HUD HOPWA	Federal HUD SPG IV	Federal HUD Lead Paint Program IV/Healthy Homes	Fed. Share Americorps				
Federal Grants	3,434,202	400,000	1,000,000	1,000,002	378,000	6,212,204	7,759,514	1,644,324	21,828,246
TOTAL SOURCES USES	3,434,202	400,000	1,000,000	1,000,002	378,000	6,212,204	7,759,514	1,644,324	21,828,246
Operations	211,000	15,006	16,371	432,939	194,997	870,313	159,514		1,900,140
Grants/Loans	3,223,202	384,994	983,629	567,063	183,003	5,341,891	7,600,000		18,283,782
Community provider-operating and shelter and housing funds									513,315
Transitional Housing for ADAP									275,435
Emergency Shelter Grants and Homeless Assistance									555,574
Homeless outreach for severely mentally ill									300,000
TOTAL USES	3,434,202	400,000	1,000,000	1,000,002	378,000	6,212,204	7,759,514	1,644,324	21,828,246

2008 State and Federal Funds Combined

**for
Bricks and Mortar**

SOURCES	VERMONT HOUSING AND CONSERVATION BOARD	DEPT OF HOUSING AND COMMUNITY AFFAIRS	VERMONT HOUSING FINANCE AGENCY	TOTALS	PERCENT OF TOTAL
Property Transfer Tax	8,629,955			8,629,955	17.95%
Interest on fund, repayments, mitigation funds	220,200		98,369	318,569	0.66%
State of Vermont General Fund					0.00%
Federal Housing Program Revenue	4,434,202	7,759,514		12,193,716	25.36%
Federal Housing Credit Equity*			23,137,686	23,137,686	48.12%
Mitigation Funds	100,000			100,000	0.21%
Other	24,000			24,000	0.05%
State Housing Tax Credit Equity**			3,679,632	3,679,632	7.65%
TOTAL SOURCES	13,408,357	7,759,514	26,915,687	48,083,558	
USES					
Programs providing grants/loans for affordable housing development projects	13,408,357	7,759,514	26,915,687	48,083,558	
TOTAL USES	13,408,357	7,759,514	26,915,687	48,083,558	100.00%
* This estimate based on the calendar year 2008 receipt of \$2.6 million in federal credits with .89 value for sale of credits.					
** This estimate based on the fiscal year 2008 receipt of \$400,000 in state credits with a value of .92 for the sale of credits.					

**2008 State and Federal Funds Combined
for**

Housing Assistance/Subsidies

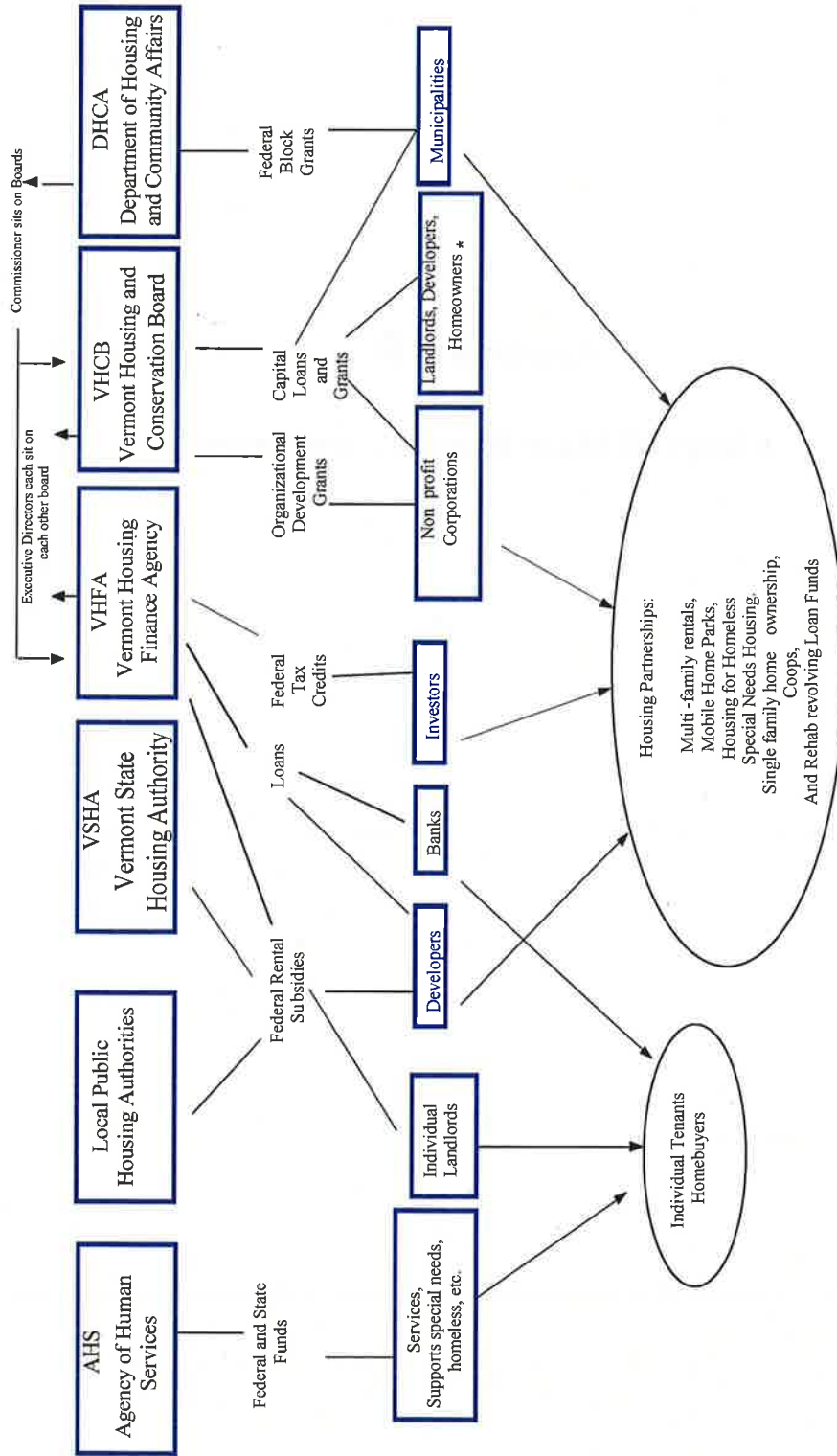
	AGENCY OF HUMAN SERVICES	VERMONT HOUSING FINANCE AGENCY	VERMONT STATE HOUSING AUTHORITY	VERMONT HOUSING AND CONSERVATION BOARD	TOTALS
SOURCES					
State of Vermont General Fund	7,697,988				7,697,988
Federal Housing Program Revenue	1,644,324				1,644,324
Federal Rental Assistance Program (Project Based)		2,700,000	20,250,000*		22,950,000
Federal Rental Assistance Program (Tenant Based)			18,900,000		18,900,000
Federal Lead Paint				1,000,002	1,000,002
AmeriCorps				378,000	378,000
HOPWA				400,000	400,000
TOTAL SOURCES	9,342,312	2,700,000	39,150,000	1,778,002	52,970,314
USES					
Programs providing housing assistance to individuals and rental assistance	9,342,312	2,700,000	39,150,000	1,778,002	52,970,314
TOTAL USES	9,342,312	2,700,000	39,150,000	1,778,002	52,970,314

* \$9.9 million of this Section 8 administration is shared with VHFA.

Appendix: B

Chart of State Housing Agencies

State Housing Agencies in Vermont



* Federal Lead Hazard Abatement and HOME Programs

Appendix: C

Description of State Housing Agencies

Agency of Commerce and Community Development

Department of Housing and Community Affairs

The DHCA is the principal housing policy arm for the state and prepares the HUD Consolidated Plan.

DHCA administers Community Development Block Grants (CDBG) to local governments and has historically awarded over 50 percent of its annual funding for housing planning and project development. This averages between \$5 and \$6 million in housing grants annually. DHCA also administers Act 252 which provides technical assistance to owners and residents of mobile home parks which are going through a sale or closure process, and the Charitable Housing Investment Tax Credit.

Over the past fifteen years:

- DHCA has awarded over \$49 million in block grants resulting in more than 3,000 affordable housing units. Included in these grants, were the capitalization of five regional revolving loan funds which provided low cost rehab loans to homeowners and private landlords.
- DHCA has made more than 50 CDBG planning grants to localities for housing.
- DHCA has advised residents of mobile home parks noticed for sale and 59 parks noticed for closure of their rights and assisted them throughout the sale/closure process.
- DHCA provides annual funding to a statewide community action agency program to assist residents of mobile home parks who receive notice of sale or closure of the park, or face habitability issues, or mediation of disputed rent increases. However, due to reduced general fund resources, this grant has been reduced since 2003 providing 50% of funding for the program.
- In addition, CDBG funds have been granted to a number of homeless shelters and transitional housing projects. Three were funded in the last fiscal year alone.
- DHCA has issued \$3 million of Charitable Housing Investment Tax Credit Certificates to eligible housing charities.

Vermont Housing and Conservation Board (Trust Fund, VHCB)

VHCB is a public instrumentality of the state and was established by state law in 1987. The VHCB mission includes the preservation, rehabilitation or development of housing affordable to families below median income, and the conservation and protection of agricultural land, historic properties, important natural areas and recreational lands. Over the years approximately 60 percent of VHCB's program funds have been used for housing.

With the funds received from the State of Vermont as well as federal sources, VHCB has funded affordable housing of various types, from single family homeownership, to mobile home parks, to multi-family rental apartments, to transitional housing for formerly homeless individuals, to shelters for battered women and others who find themselves suddenly homeless. In addition to project grants and loans, the organization offers capacity grants, training and technical assistance to the non-profit housing development organizations that develop affordable housing using VHCB funds.

Historically, much of the focus of VHCB's housing funding has been on the rehabilitation of buildings located in historic downtowns that not only provide decent, much needed housing, but serve a community revitalization function as well. In recent years, an increasing percentage of VHCB funding has gone to create new housing units and/or to provide homeownership opportunities, especially in the state's tightest housing markets. State dollars provided by VHCB often are the catalyst for a larger community redevelopment effort undertaken with both private and public funding.

VHCB is directed in its enabling legislation to fund housing that is "perpetually affordable", in other words, projects that will provide perpetual benefits to low and moderate income Vermonters. Through the use of housing subsidy covenants and other mechanisms, the Board strives to assure permanent use of each development as affordable housing and to avoid the costs associated with re-acquisition at a future time. The housing subsidy covenants proscribe the levels of rent and resident income and preclude the sale of the property for profit. In the case of homeownership, the covenant limits the future sales price of the home to insure the home's affordability to a future lower income household.

Grant/Loan Program

The vast majority of the Board's funds are used to provide grants and/or loans to eligible projects. In housing activities the Board generally provides funds for acquisition and rehabilitation or development of housing. These include awards for multi-unit affordable family housing, single family homeownership, mobile home park acquisition by nonprofit entities, and housing for Vermonters with special needs. The Board, as part of its loan and grant program, administers a number of other programs, most of which bring federal funds into the State of Vermont:

HOME Program

The Board is administering a U.S. Department of Housing & Urban Development (HUD) program, the HOME program, for the State of Vermont, in cooperation with DHCA. FY2008 began the fifteenth year of the HOME program. These funds are to be used to serve low and very low income Vermonters in housing projects meeting the priorities of the state's Consolidated Plan. HOME program awards either stand alone or supplement VHCB funds in a particular project, providing one of the essential funding components and create greater affordability. Both non-profit and for-profit developments have received funding from the HOME program. To date, 1,256 units of housing have been assisted with HOME funds.

During FY2008 \$200,000 in HOME funds was set aside to remediate failed septic systems. \$185,730 of that money has been committed with the rest expected to be committed by February 2009. Failed septic systems serving seventy homes were improved or replaced with these funds. The Board has also received a small amount of HOME money (enough to assist two or three households) for the ADDI (American Dream Downpayment Initiative) program that provides down payment money for first time homebuyers, single parents or displaced homemakers that meet certain criteria.

Lead Paint Hazard Reduction Program

In FY1995 the Board began administering this federal program funded by HUD providing funds to non-profit housing developers, private landlords, and low and moderate income homeowners to make housing units lead safe and therefore to reduce the possibility of lead poisoning in young children. VHCB received competitive grants enabling approximately 1,500 units of housing to be made lead safe.

AmeriCorps

Beginning in 1997, VHCB has received federal funding to place AmeriCorps or VISTA members in housing and conservation organizations throughout Vermont. Thirty-two AmeriCorps members work for twenty-two organizations on projects ranging from assisting homeless individuals to find housing, counseling first-time homebuyers, and working with rental housing residents on issues from budgeting to maintenance practices to environmental education, stewardship activities, and assessing lands for public access.

HOPWA (Housing Opportunities for Persons with AIDS)

This HUD funded program provides funds to AIDS service organizations and housing groups for Vermonters living with HIV/AIDS. VHCB administered a first round of this program in FY1997 and FY1998. Four subsequent awards of over \$1 million each have allowed the program to continue. Funds are used for long term rental assistance, emergency assistance to help households maintain housing, and direct client services with a focus on housing.

HUD Special Purpose

HUD Special Purpose awards are obtained by the Vermont Congressional Delegation directly through the HUD appropriations process and are designated by Congress for specific projects throughout the state. VHCB serves as a "pass-through" administering entity for these funds. Approximately \$900,000 was received for FY2008.

Act 250 Housing Mitigation funds

In several instances, the District Environmental Commissions have required ski areas undergoing expansion to mitigate the impact of that expansion through contribution to a special fund to be used for affordable housing in the area of impact. In most cases this fund is to be administered by VHCB. Agreements are currently in place with the Stratton, Mt. Snow, Stowe Mountain Resort, and Okemo ski areas.

Specific Uses of State Funds

Through the end of FY 2008 VHCB has used state funds as follows:

- VHCB has awarded funds to projects providing more than 9,365 perpetually affordable units, including 1,303 units of federally subsidized housing at risk of conversion.
- VHCB has provided funding for almost 964 units of homeownership and cooperative housing using shared appreciation models to maintain affordability.
- VHCB has helped nonprofits purchase or develop 48 mobile home parks with over 1,849 units of housing resulting in stabilization of rents and correction of water and sewage problems.
- VHCB has provided mini-grants for environmental assessments, options, appraisals, energy analysis, and other pre-development housing development costs.
- VHCB has funded a statewide HOMELAND program in conjunction with Vermont's non-profit housing organizations to assist prospective home-buyers in purchasing appropriate homes using a limited appreciation model to insure affordability for future buyers as well.
- VHCB has developed an active training and technical assistance program in conjunction with other housing agencies. The program has included co-sponsorship of a series of workshops as well as one-on-one direct technical assistance.
- VHCB has funded more than 1,130 service supported units ranging from transitional housing for the homeless to single room occupancy for persons with chronic mental illness to shared residences for elderly individuals no longer able to live independently.
- VHCB has a transitional housing fund designed specifically to fast track requests for funding for transitional housing developments that consist of fewer than ten units of housing. Seventeen projects have received funding since the fund was established in 2005.
- VHCB has provided organizational development grants to 12 nonprofit housing organizations.

The benefits of state and federal dollars provided through VHCB extend beyond these specific projects and programs. For every VHCB dollar invested, approximately \$5 is invested from other sources, often private investors or lenders. Not only do all of the funds that go into these programs create decent, affordable housing for lower income Vermonters but they often correct serious health or safety problems, revitalize communities, fix up eyesores, or give new life to historic properties. The economic benefits of the public dollars invested extend far beyond the project itself, in job creation, more vital downtowns, and attraction and retention of employers, to name just a few.

The Vermont State Housing Authority

The Vermont State Housing Authority (VSHA) was established in 1968 to improve housing conditions and expand housing opportunities for families of low and moderate income.

The VSHA receives no direct state funding and administers contracts funded by HUD. During the upcoming fiscal year, the VSHA anticipates that 3,466 units of Section 8 Existing housing, through Housing Choice Vouchers, Project Based Voucher, Moderate Rehabilitation, Shelter Plus Care, Family Unification and Mainstream Housing will be utilized. In addition, VSHA anticipates administering 2,952 units under New Construction/Substantial Rehabilitation Contract Administration as well.

VSHA administers the following programs:

Section 8 Housing Choice Voucher Program

This program provides tenant based vouchers to help eligible very low income families increase affordable housing choices. With funding provided by HUD and administered by local public housing authorities, as well as VSHA, this program utilizes privately owned existing housing stock.

Families, elderly, disabled and single people whose income falls within the income guidelines qualify for this program. After a person applies and is determined eligible, they are placed on a waiting list until funds become available to assist them. When funding becomes available, a Housing Choice Voucher (Voucher) is issued.

A Voucher is the written guarantee of VSHA to the tenant or prospective landlord that the Voucher holder is eligible for participation in the program. The Voucher is used by the holder to choose and lease safe, decent, and affordable housing. The Voucher sets forth the bedroom size the family needs and outlines the family's obligations under the program and the period of time the family has to locate suitable housing.

Project-Based Voucher and Moderate Rehabilitation

VSHA also administers the Project-Based Voucher and Moderate Rehabilitation programs. These programs are project specific housing rather than open market. Tenants are selected from the Section 8 Housing Choice Voucher waiting list, owners and/or managers determine suitability and VSHA determines eligibility for participation in the program. In the Moderate Rehabilitation programs, the subsidy is attached to the unit and not to the family. If a family vacates a Moderate Rehabilitation unit and still wishes to have a subsidy, they must reapply under a different program. Under the Project-Based Voucher Program, families are entitled to continued assistance provided they are in compliance with program requirements.

Supportive Housing and Shelter Plus Care

Two of the state's most at-risk populations – the homeless and the disabled homeless – are finding relief through collaboration between the federal government, state and community mental health agencies, private nonprofits and VSHA.

HUD funds two homeless programs in Vermont – Supportive Housing and Shelter Plus Care – under the Stewart B. McKinney –Vento Homeless Assistance Act of 1987. VSHA is the lead grantee for McKinney-Vento funded programs and oversees close to \$2.5 million.

HUD's McKinney-Vento funds, awarded competitively, require both the development of a continuum of care system to address homelessness that identifies needs and then builds strategies to address those needs, and the movement of people from transitional to permanent housing.

Family Unification

Family unification vouchers are made available to families for whom the lack of adequate housing is a primary factor in the separation, or threat of imminent separation, of children from their families or in the prevention of reunifying the children with their families. Family unification vouchers enable these families to lease or purchase decent, safe and sanitary housing that is affordable in the private housing market. Program eligible households are referred to VSHA by the Vermont Department for Children and Families.

Mainstream Housing Opportunities

Mainstream program vouchers enable families having a person with disabilities to lease affordable private housing of their choice. Mainstream program vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market. Only a family that includes a disabled person and is income eligible may receive a mainstream program voucher. Applicants will be selected from the VSHA housing choice voucher waiting list. It is the responsibility of a family to find a unit that meets their needs. If the family finds a unit that meets the housing quality standards, the rent is reasonable, and the unit meets other program requirements, the VSHA executes a Housing Assistance Payment contract with the property owner. This contract authorizes the VSHA to make subsidy payments on behalf of the family. If the family moves out of the unit, the contract with the owner ends and the family can move with continued assistance to another unit.

New Construction/Substantial Rehabilitation/Contract Administration

The Section 8 Program was authorized by Congress in 1974 and developed by HUD to create new and rehabilitated housing through a long-term commitment of rental subsidies for eligible tenant families (including single persons and the elderly) in communities without sufficient safe, sanitary, and adequate housing.

Although the statutory authority for the New Construction and Substantial Rehabilitation Programs was repealed in 1983, VSHA continues to administer rental subsidies for these units. For projects with VHFA mortgages or financing, contract administration is shared. VSHA conducts regular inspections to monitor the management activities of the owner, insure the buildings are well maintained, and determine the needs and/or satisfaction of tenants. The owner

selects the tenants. VSHA reviews all applications to insure each applicant's eligibility, and to insure that tenants are being charged the proper amount of rent.

Family Self-Sufficiency Family

This is a HUD program that encourages communities to develop local strategies to help assisted families obtain employment that will lead to economic independence and self-sufficiency. Public housing agencies (PHA's) or the VSHA work with welfare agencies, schools, businesses, and other local partners to develop a comprehensive program that gives participating FSS family members the skills and experience to enable them to obtain employment that pays a living wage. Families that are selected to receive a voucher or who currently receive assistance through the housing choice voucher programs may be eligible to participate in the FSS program with a local PHA or the VSHA. Under Section 8 funding received between 1992 and 1997, VSHA is mandated to administer an FSS program of 69 families. Each participant has the ability to accrue an escrow account as an incentive to continue working and to become economically self-sufficient.

Housing for Persons with AIDS (HOPWA)

VHCB contracts with VSHA to administer the housing piece of this grant to prevent homelessness by assisting low income persons with AIDS and their families with rental assistance. Eligible applicants are referred to VSHA by various AIDS service organizations throughout the state. VSHA serves approximately 40 individuals in this program.

Homeownership

These vouchers assist first-time homeowners with their monthly homeownership expenses. The home must pass an initial housing quality standards inspection conducted by the VSHA and an independent home inspection before the VSHA may approve the purchase by the family. VSHA has designated 5% (currently 161) of its Housing Choice Vouchers to enable families to purchase a home. First-time homebuyers can use their rental subsidy to pay for a mortgage and other monthly housing expenses. This effort is conducted in cooperation with USDA Rural Development, VHFA and the regional NeighborWorks® homeownership centers. VSHA's program has targeted participants in the Family Self-Sufficiency program or those enrolled in the Welfare-to-Work Program. To date the VSHA has had 87 closings.

Veterans Affairs Supportive Housing Program.

Funds support 20 vouchers under the HUD-Veterans Affairs Supportive Housing (VASH) initiative in partnership with the White River Veterans Affairs Medical Center. The HUD-VASH program combines HUD Housing Choice Voucher rental assistance for homeless veterans with case management and clinical services provided by the Veterans Affairs at its medical centers and in the community.

Development and Management

VSHA has been in the business of development and property management from very early in its history. The agency has pulled together many resources and partnerships, both public and private, to assist in the creation and/or rehabilitation of affordable housing. VSHA's property management portfolio consists of 43 properties, including multi-family, elderly, and mobile home parks.

Vermont Housing Finance Agency

The Vermont Housing Finance Agency (VHFA) was established in 1974 to finance and promote affordable housing opportunities for low- and moderate- income Vermonters. VHFA's primary activities include: Single Family Mortgage Financing; Multifamily Programs including Development, Monitoring and HAP Contract Administration and Housing Tax Credit Administration. In addition, VHFA serves as a significant resource for the collection of housing data and for the development of housing policy at the state and federal level, along with assistance to affiliated housing organizations.

VHFA operates with an average staff size of 40 and receives no general appropriation of State funds. Its loan programs are funded primarily through the issuance of tax-exempt bonds. VHFA operates on the net funds generated from fees and interest income that amounts to the difference between its cost of funds and the interest rate charged on its investment in loans. Bonds issued by VHFA are secured by the cash flows of the underlying loans made by the Agency, and are not obligations of the State of Vermont.

While this report looks back at FY 2008, the data here should be read in the context of the worsened economic environment that has existed since last summer. Since Fiscal Year 2009 began, VHFA – like the rest of the housing finance industry – has been dealing with significant financial challenges. Credit has dried up and is practically unavailable for many of the low- and moderate-income households VHFA serves. VHFA itself as an agency is experiencing a significant liquidity and credit crunch. The availability of reasonably priced capital is severely limited which reduces VHFA's ability to provide some of its normal program offerings. These factors are likely to have an immediate and negative impact on VHFA and Vermont as a whole. These trends have a significant impact on VHFA's ability to do business in FY2009 at the same level as in FY2008. Throughout this report, VHFA reported past performance, while also highlighting the future adversity the Agency faces as of mid-way through FY2009.

VHFA administers the following programs:

Single Family Mortgage Financing VHFA provides homeownership financing by purchasing loans from 35 participating lenders around the state (see VHFA.org). Participating lenders include banks, credit unions and mortgage companies. Homeownership opportunities and education are further enhanced through VHFA's financial support of and involvement with five NeighborWorks® Homeownership Centers located around the State. VHFA was instrumental in the start up and provides ongoing funding of the Centers. VHFA provided \$346,500 for operating funds to Home Ownership Centers in Fiscal Year 2008. In July 2008 VHFA received \$50,000 from the State to provide increased delinquency and foreclosure counseling. This will be passed through to the Homeownership Centers.

Since 1974, VHFA has made about 26,500 loans to Vermonters purchasing primary residences. The current portfolio of single family loans is 5,783 with a loan balance of approximately \$553 million. In fiscal year 2008, 89% of loans made by VHFA were made to households at or below 100% of median income and 58% of its borrowers were at or below 80% of median income. VHFA's typical borrower has an average household income of \$47,000, borrowed an average

loan amount of \$143,000 and purchased homes with an average purchase price of almost \$161,000. Comparatively, the average purchase price of homes in Vermont, based on transfer tax returns for 2007, was \$234,000.

VHFA Loan Volume

Loans purchased in FY2004:	\$68.4 million for 733 loans
Loans purchased in FY2005:	\$79 million for 714 loans
Loans purchased in FY2006:	\$99.9 million for 780 loans
Loans purchased in FY2007:	\$134 million for 937 loans
Loans purchased in FY2008:	\$124 million for 865 loans

The slowdown in home buying is being felt in all sectors. At the time of this report the lack of reasonably priced long term capital and the diminishment of the private mortgage insurance industry are severely limiting the pricing and availability of VHFA loan products. In FY 2009 VHFA will begin purchasing loans through Fannie Mae and Ginnie Mae mortgage backed securities which should provide better access to government mortgage insurance, although loan pricing for some may still be out of reach. This may be particularly problematic for non-conforming loans like some mobile home and condominiums where VHFA may not be able to find any relevant capital source.

Down Payment Assistance:

VHFA created a Cash Assistance Option within its single-family loan programs in 2000. Under this option, VHFA provides borrowers with up to 3 percent of the mortgage amount requested in cash available to assist them with down payment or closing costs. This program constituted 8 percent of VHFA's most recent loan volume.

VHFA also provided down payment and closing cost assistance using interest earned on Real Estate Trust Accounts. VHFA has made in excess of \$98,369 available to homebuyers through this program this fiscal year alone.

However as of mid FY2009, VHFA's down payment assistance will be limited to available IORTA funds only. The Agency is currently not able to find investment options for the Cash Assistance Option as it once did. If VHFA is able to secure the necessary financing to support this program, the Agency would hope to expand this assistance back to historical levels, helping hundreds of first time homebuyers every year.

Construction Loans for Homeownership Development

The Homeownership Construction Loan Program was developed by VHFA to increase the supply of affordable housing in communities in Vermont where a shortage of such housing exists. Financing is available for site acquisition, infrastructure development, as well as construction of individual housing units.

In FY 2008, VHFA provided 3 project loans through this program totaling \$6.6 million to support the construction of 94 affordable owner homes. However with the slowing of the housing market VHFA has suspended this program

New Mortgage Initiatives

For existing homeowners VHFA and the State have created a subsidized home loan program to assist with weatherization and energy efficiency improvements. This program, the Energy Saver Loan Program, will be implemented through the State's Revolving Loan Funds. The Emergency Board of the state has allocated \$250,000 of state funds to support interest subsidy and administration of this initiative, and after an interagency Memorandum of Understanding is signed between the State and VHFA, VHFA will pursue finding capital funds to support this effort.

Loans on multifamily housing projects are made directly by VHFA to community-based or statewide nonprofit agencies or organizations and private for-profit developers who are committed to creating and preserving housing to low and moderate income Vermonters.

In Fiscal Year 2008, VHFA provided loans and tax credits for 26 housing projects. The agency provided \$28.3 million in a combination of predevelopment, construction, and permanent financing to 26 housing projects containing 765 units. Many of these projects are not yet occupied and some have been occupied for years, but received unanticipated financing from VHFA to help maintain the property. Loan production during FY 2008 in each multi-family loan program is as follows:

FY 2007	Short Term Construction	Permanent Loan	Rehab Loan	Ventures Loan
# of Loans	10	11	2	10
# of Units Supported with Loans	317	217	36	395
\$ Volume	\$22,020,000	\$5,479,273	\$314,889	\$903,162

Note: Projects may receive more than one type of loan.

The amount of money developers can raise through tax credit equity, and the amount of capital they can generate through loans may become severely limited. VHFA hopes to do more work with the local investment community on this, as these projects bring direct economic stimulus to Vermont communities.

Acquisition, rehab, construction and construction/permanent loans made by VHFA are primarily made in conjunction with the allocation of federal housing tax credits. Most projects are funded through the issuance of tax-exempt bonds but also require public or private funding sources as well. VHFA has the responsibility of underwriting projects to be sure the projects are properly

built within budgeted constraints, completed within the stated time frame and meet affordability covenants. VHFA's underwriting analysis looks beyond compliance with program rules and target marketing. An in depth review is done of the underlying project assumptions, need for the project, demand for the project, acquisition and rehab/construction costs and long term financial viability. VHFA has established underwriting standards which are intended to balance credit risk to maintain a high bond rating, while providing the flexibility needed to meet a wide diversity of projects, and yet meet the needs of bond investors to make capital investment in Vermont attractive.

In the past, VHFA has operated homeownership and rental housing pre-development programs to aid developers starting the development process. In FY09, these programs are likely to be suspended for a variety of reasons. The homeownership pre-development programs have seen a dramatic drop off in use as fewer construction projects get underway because of the cooling market, and VHFA will be unable to continue its rental program at the same level because of a lack of access to below market capital.

Federal and State Housing Tax Credit Programs:

Federal Housing Credits (LIHTC) bring substantial equity investment into Vermont's housing market. In calendar year 2008, Vermont received federal Tax Credit authority to allocate approximately \$2.6 million ("Allocated Credits"). Since the inception of the program in 1987, VHFA has awarded approximately \$28.8 million in federal allocated tax credits to developers of over 4,874 units of affordable rental housing that have been built or acquired and rehabilitated through private sector equity investments. The equity this generated for affordable housing developments is estimated at \$256 million dollars.

For a variety of reasons, Vermont developers had always enjoyed a relatively high yield when selling their tax credits to investors. Recently the market prices for tax credits has diminished considerably, which translates into fewer dollars for housing developers, for the same amount of credits allocated to a project. This lower level of investment in housing tax credit will probably mean fewer units being built to support the strong proven demand.

VHFA also administers Federal Bond Credits which are similar to the Allocated Credits noted above, but which provide a lower level of credits and therefore lower equity investment to the project. The Bond Credits are automatically provided to eligible projects in conjunction with Private Activity Tax Exempt Bond Financing. VHFA has awarded \$6.1 million in Bond credits, generating approximately \$54 million in equity; although like the Allocated Credits VHFA expects a significant drop in equity pricing

Additionally, the State of Vermont made available \$400,000 in State Housing Tax Credits for FY2008. This has remained a very popular resource. The allocation of both federal and state credits is highly competitive and continues to be oversubscribed in each allocation round. The combined effect of the State and Federal tax credit programs was private equity investment of nearly \$29 million dollars in the past fiscal year alone that has been used to acquire, rehabilitate and/construct affordable housing units.

VHFA's responsibilities for administering the Tax Credit program include:

- Ongoing review of tax credit rules and regulations for incorporation and maintenance of the State Qualified Allocation Plan
- Coordination, Receipt, Review and Underwriting of Tax Credit Applications for presentation to the Tax Credit Allocation Committee and the VHFA Board of Commissioners
- Administration of the initial reservation, and ongoing compliance monitoring of projects with IRS requirements

As with debt financed projects, those financed with Tax Credit Equity require an extensive level of underwriting analysis.

Asset Management/Compliance Monitoring /HUD Contract Administration:

As part of its ongoing obligations under its bond issuances, VHFA monitors 140 housing projects with a total of 4,768 units for long term financial viability; property maintenance; program compliance; preservation of market value; and long-term--if not perpetual--affordability. The loan portfolio balance for multifamily is approximately \$130.4 million, including current construction loans.

VHFA's monitoring responsibilities include direct HUD HAP Contract Administration for \$2.8 million of annual Section 8 rental subsidy payments for 396 of these units and VHFA shares HAP Contract Administration with the VSHA and has oversight for an additional 1,478 units (with \$9.9 million in subsidy). VHFA takes the lead role in projects where VHFA is the primary lender or responsible for tax credit compliance monitoring. VHFA monitors 189 projects with 3,985 units for tax credit compliance and 64 of these have VHFA loans.

VHFA has also played an active role in negotiating Preservation Agreements with 79 property owners (2,283 units) to preserve and/or extend affordability or transfer these properties into long-term perpetually affordable ownership structures. This has been accomplished by new loans, debt restructuring, housing credits and by the reinvestment of VHFA earnings in long term deferred loans which are used to improve cash flows, rehabilitate projects, and/or to facilitate transfers of projects to assure permanent affordability.

Other Activities

Homeless Planning Activities

Homelessness is growing in our state, especially among working families. It is estimated that 3,463 Vermonters were homeless at some point during 2007 and that 888 of these people were children. In response to this, VHFA has become a leader in assisting the state in homeless policies and program planning. VHFA's Executive Director Sarah Carpenter sits on the Interagency Council and helped draft the 10-year plan to end homelessness.

Housing Data Resources

In addition to VHFA's loan, tax credit allocation, and monitoring responsibilities, VHFA serves as an important resource for the collection, maintenance and analysis of housing related data.

VHFA launched and maintains the Vermont Housing Data website in partnership with the UVM's Center for Rural Studies. It is a searchable database of every town, village, county and the state for over thousands of pieces of housing data and it is also home to the statewide Directory of Affordable Rental Housing (DoARH), which is also searchable by any area and also by bedroom size, tenant population, unit restrictions, vacancies and funding source.

The year 2008 also marked VHFA's release of two additional papers in its issue paper series. *The Costs and Benefits of Assisting Vermont's Chronically Homeless* describes the cost savings of providing permanent supportive housing to individuals who were chronically homeless as opposed to more costly emergency services, such as emergency rooms, prisons, and homeless shelters. The second report issued last year titled *Family Homelessness in Vermont* details the growing problem of family homelessness in Vermont and its devastating impacts.

Vermont Housing Awareness Campaign:

VHFA provides staff coordination for the Vermont Housing Awareness Campaign, a coalition of public and private interests and organizations working to address Vermont's housing shortage by promoting development of housing for all Vermonters. The Campaign has used a combination of advertising, media outreach and public education efforts to build support, particularly among community leaders—business owners, faith community leaders, elected officials, and community activists in particular—for housing development. The Campaign has worked with the Housing Council each year to issue "Between A Rock and A Hard Place," a report that tracks the gap between wages and housing costs in Vermont.

Agency of Human Services

The AHS serves as the umbrella organization for all human service activities within state government. The need for Vermonters to lead safe, healthy and productive lives is critical to the success of the Agency's mission. Two of the most basic life supports for AHS clients are housing and transportation. Each of the departments within AHS serves individuals and families that have housing and transportation needs. In order to continue to move forward in coordinating housing and transportation services, the AHS has a position of Housing and Transportation Director located within the Secretary's office. This enables the agency to coordinate housing and transportation services, programs and activities across departments within AHS and ensure that AHS speaks with one voice for AHS across all relevant forums, included but not limited to other state agencies, the federal government, and community partners. The Housing and Transportation Director is responsible for developing a comprehensive view of housing and transportation needs across the agency, developing and beginning to implement a statewide plan to end homelessness, and to lead the implementation of agency-wide initiatives for program enhancement and efficiency.

AHS leads through teams in the 12 human-service districts across Vermont. Each AHS district team is led by a Field Service Director; this provides a critical link between the housing providers, the emergency/transitional housing system and the community-based social services organizations within the districts. The Field Directors contributed approximately \$158,600 for supportive housing in FY'08.

In addition to the above, the departments directly affecting housing within the AHS are:

- Department for Children and Families (DCF)
 - Economic Services Division (ESD)
 - Family Services Division (FSD)
 - Office of Economic Opportunity (OEO)
- Department of Corrections (DOC)
- Department of Disabilities, Aging and Independent Living (DAIL)
 - Division of Disability and Aging Services
 - Vocational Rehabilitation
- Department of Health (VDH)
 - Alcohol and Drug Abuse Programs Division
- Department of Mental Health

The Agency of Human Services has important policy contributions to make to housing agencies because of its role in working with the lowest-income families and special needs populations. The AHS has been a strong advocate of targeting affordable housing development to families below 30% of median income and of developing housing for those with special needs. It is a critical partner in the development of housing with social services.

Developing an AHS agency-wide budget on housing is extremely complex. Many housing dollars are measurable but some are not. Some housing dollars are included in grants to community partners and the current reporting system does not require reporting outcome measures on housing specifically. This can become more complicated since there are direct dollars for housing allowances, utility payments, back rent, supportive service funds for persons with severe mental illnesses, temporary rental assistance and start up funds to enable individuals to maintain their independence within their communities while they wait for federal housing assistance programs.

The Department for Children and Families

This department administers various funding sources for housing services. More specifically, the Economic Services Division (ESD) uses LIHEAP, Reach Up TANF and General Assistance funds for housing. General Assistance and Emergency Assistance funds for housing total \$3,566,752. These funds are utilized for and support home ownership/rental, room, permanent housing, temporary housing catastrophic, back rent, security deposit, and temporary housing. The Reach Up TANF funds provide a housing allowance as part of the monthly grant to families who qualify.

ESD funds \$555,574 in Reach Up grants to several community providers for housing assistance. These providers include the Champlain Valley Office of Economic Opportunity, Committee on Temporary Shelter in Burlington, Morningside House in Brattleboro, Good Samaritan Haven in Barre, and the Rutland County Housing Coalition in Rutland. ESD also oversees the Fuel Assistance program which provides fuel assistance to qualified families to keep them in housing.

The Family Services Division (FSD)

FSD provides state funds under the Youth in Transition Law signed in June 2007 to support housing for youth exiting foster care up to their 22nd birthday. There are two categories of assistance; housing grants and adult living partners. Housing grants can be applied to living expenses, first month deposit, and rent. Funds for this category of support expended this year are \$98,000. Adult living partner's grants provide room and board reimbursements to approved adults who support youth living in their home. Annualized expenditures this year for the adult living partners program is \$332,000.

The Office of Economic Opportunity (OEO)

OEO provides funding to community providers which serve some of the lowest income Vermonters. OEO grants funding to community action agencies, homeless providers, transitional housing agencies, and has some flexible funds that go to the Field Services Directors through community action agencies. \$1,300,315 is granted to community providers for emergency shelter, prevention, hotel/motel payments, and homeless assistance grants. OEO also manages the weatherization program helping to maintain low-income Vermonters in their own home. The general funds utilized are \$650,000 for furnace and boiler replacement and repairs program. Within OEO the Community Service Block Grant (CSBG) is granted to community action agencies to cover many services for low income Vermonters. This program does not break out the housing dollars allocated for individual clients, therefore can not be determined at this time.

The Department of Corrections (DOC)

DOC allocates funding to community providers for transitional housing, reunification, and prevention programs for those who are transitioning out of a prison facility and into the community. The total appropriation for FY08 was \$1,134,000 which is all general funds. In FY2008 DOC also received an additional appropriation for the Dismas House of Vermont in the amount of \$103,000 which covered general programmatic costs.

The Department of Disabilities, Aging and Independent Living (DAIL)

DAIL makes a relatively small number of grants, discretionary loans, and other funding available for housing that may have incentive value to development. The payments assist general housing units occupied by persons with special needs (elders and adults with physical disabilities) and purpose-built special needs housing. Although funds are not reported within DAIL's budget, many special needs housing projects are based on services DAIL providers for the success of the housing initiative such as Aging in Place.

The Department of Health oversees the Alcohol and Drug Abuse Programs (ADAP).

ADAP provides support and maintain services within the communities by providing assistance through contracted community providers. The funds are granted to five community alcohol and drug abuse programs throughout the state. ADAP's \$275,435 federal funds were allocated to five community providers for operations of programs. In addition to the federal funds, the State of Vermont allocated 16,400 in general funds.

The Department of Mental Health (DMH)

DMH has a significant amount of funding for specific populations. The sum of \$391,736 is distributed through the mental health designated provider system for Housing Contingency Funds (HCF). HCF are used for security deposits, start up household furnishing for persons exiting the state hospital and Community Rehabilitation & Treatment (CRT) clients, and temporary rental assistance while those served await subsidy from Federal Section 8 program. Clients must be on the Section 8 list or other affordable housing development waiting lists. These funds are a mix of federal and state. In addition to the above funds, DMH also oversees \$300,000 of federal PATH funds. DMH allocates \$460,500 to housing recovery which is directly related to supporting people transitioning from Vermont State Hospital back to the community. These funds are directed to homeless outreach for severely mentally ill individuals with the expectation of getting this population into subsidized housing.