

**Deputy Commissioner Jen Hollar**  
**Department of Housing and Community Development**  
**Testimony before the House Appropriations; General, Housing and Military Affairs;**  
**and Human Services Committees**  
**January 8, 2014**

Good Morning. 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, helping municipalities plan for and encourage housing development and tackling questions like the one we address today – Why has the need for emergency housing grown?

Commissioner Yacovone and others have offered compelling testimony on the human and programmatic aspects of the issue. At the risk of sounding dispassionate, I'll focus my remarks on the broader economic and political factors that complicate our joint efforts to ensure every Vermonter has a place to call home.

**Problem**

The reasons we see a greater need for emergency housing are not unlike the reasons you and your fellow legislators continue to face annual budget gaps. Despite making difficult budget decisions year after year, significant budget shortfalls persist. Revenues are simply not keeping pace with expenses and budget pressures. Similarly, for too many households, income is not keeping pace with housing costs. Wages are flat. Household income is declining. There is a persistent and growing gap between income and the cost of rent and utilities.

To illustrate, at the new minimum wage of \$8.73, a full employed person could reasonably afford to pay \$454 per month for rent and utilities. But this does not come close to actual costs. In 2013, the median rent for a one bedroom apartment in Caledonia County was \$655, in Rutland County was \$750 and in Chittenden County was \$836. The statewide median for all apartments was \$843 and would only be affordable for someone making over \$16.21 an hour.

This is part of a national trend that the Secretary of the Department of Housing and Urban Development calls the worst rental affordability crisis 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.

Rental assistance programs – like Section 8 Housing Choice Vouchers – are designed to bridge the gap between what families can afford and rents. But the programs are too small to help everyone that needs them. Nationally, only one-quarter of the households that qualify for rental assistance receive it. As you've heard, this situation is exacerbated by recent cuts to Section 8 and project-based rental assistance programs.

**Causes**

The cost of building and operating housing 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 it is essentially a problem of supply and demand.

Nationally and in some parts of Vermont, 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.

Demand for rental units 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 affordable 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, but not immediately benefit lower income households as new private development is directed towards middle and higher income renters.

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.

Vermont’s housing agencies, led by VHCB, VHFA, VSHA and our Department – have identified every privately-owned project at risk of conversion and preserved nearly every one of those at risk of conversion to market rate apartments. This is particularly important as they provide rental assistance in addition to lower rents.

The number of at-risk private projects is now declining which should translate to increased production of new units in the next few years.

### Strategies

For all these reasons, low income households are under incredible pressure. For some that means more of their income goes to cover rent and utilities and they are forced to cut back on food and other necessities. For others, it means they lose their homes altogether and the need for emergency assistance grows.

Both short and long term strategies are required.

In addition to the proposals recently announced by the Governor for immediately assisting the homeless, the state must continue to invest in the creation and preservation of permanent affordable housing. Ensuring everyone has the resources and services they need will not help them unless they also have access to safe and affordable apartments. Continued support for VHCB and state affordable housing credits is critical.

We must also 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.

It is also hoped that Watt, unlike his predecessor, will ensure the now profitable Fannie Mae and Freddie Mac fund a National Housing Trust with their proceeds as required by law. The Trust was established by Congress in 2008 but has remained unfunded. It is for housing affordable to the very low-income and could mean more federal housing dollars for Vermont in the years to come.

Monitoring the federal budget situation will also allow us to better target our precious state resources. Expanding the Vermont Rental Subsidy Program is necessary response to the cumulative cuts to Section 8. Over time, demands for Section 8 and other forms of rental assistance on HUD's budget, will increasingly squeeze out funding for CDBG, HOME and other programs that allow us to develop permanent housing which is equally important in the long term. Funding for VHCB will become even more essential if these programs continue to diminish.

Vermont's network of local housing nonprofits, the Champlain Housing Trust and its sisters, is nationally-recognized. At a time when other states are losing their local nonprofits and community organizations to federal cuts, we must support this network which best understands and can respond creatively to local needs. Harbor Place is an example. Our ability to use state and federal housing dollars to provide housing is only as strong as our partners including the network and the statewide developer Housing Vermont. At the same time, we must challenge our partners, as state agencies do themselves, to operate as efficiently as possible.

It is also important to continually assess the targeting and use of existing resources. As an example, VHFA is leading a review of priorities for allocating low income housing tax credits. How to strengthen incentives for developers include service-supported units for the homeless will be a focus. Our department will lead a major revision of the state's Consolidated Plan which guides the use of our federal housing programs for the next five years. As part of this process, we hope to conduct a statewide housing needs assessment that will allow us better differentiate housing needs by region, which vary greatly. While new units may be the need in Chittenden County, grants for home repairs for low income homeowners could be the answer in Windham.

We must also encourage private sector development of housing to help relieve market pressures that are ultimately felt by the most vulnerable. 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.

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. We will propose similar improvements to the Growth Center designation program this session and are working with other state agencies to identify a package of land use regulation improvements and incentives to make development more predictable and less costly.

In the same vein, DHCD will focus on ways in which we can promote the development of accessory dwelling units as an environmentally friendly way of creating new affordable homes in the hearts of our communities.

None of these strategies is a silver bullet and national economic and political cycles will frustrate our efforts at times. 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**

Joint Center for Housing Studies of Harvard University "America's Rental Housing: Evolving Markets and Needs"; Dec 9, 2013. <http://www.jchs.harvard.edu/research/publications/americas-rental-housing-evolving-markets-and-needs>

Bipartisan Policy Center *Housing Commission*, "Housing America's Future: New Directions for National Policy"; Feb 25, 2013. <http://bipartisanpolicy.org/library/report/housing-america%E2%80%99s-future-new-directions-national-policy>

US Department of Housing and Urban Development *Office of Policy Development and Research*, "Evidence Matters"; Summer 2013. [http://www.huduser.org/portal/periodicals/em/EM\\_Newsletter\\_Summer\\_2013\\_FNL.pdf](http://www.huduser.org/portal/periodicals/em/EM_Newsletter_Summer_2013_FNL.pdf)

Kavet, Rockler & Associates, LLC "July 2013 Economic Review and Revenue Forecast Update"; July 2013. <http://www.leg.state.vt.us/jfo/reports/2013-07%20Revenue%20Update.pdf>

Public Assets Institute "State of Working Vermont 2013"; Dec 2013. <http://publicassets.org/library/publications/reports/state-of-working-vermont-2013/>

