

Report to:
House Committee on General, Housing and Military Affairs
Senate Committee on Economic Development, Housing and General Affairs

2015 Vermont Housing Budget and Investment Report



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Acknowledgments: This report would not be possible without input from each of the statewide housing agencies that are included in the Vermont Housing Budget. The Department thanks the Vermont State Housing Authority, Vermont Housing and Conservation Board, Vermont Housing Finance Agency, the Vermont Agency of Human Services, and DHCD's Vermont Community Development Program.

Each of these agencies is also a member of the Vermont Housing Council. Established by Executive Order, the Vermont Housing Council coordinates and oversees implementation of the State's housing policy, evaluates housing services and initiatives, and serves as a resource to housing providers in their efforts to supply decent and affordable housing to Vermonters. The Housing Council was consulted in preparation of this report.

I. Introduction

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

(1) Create a **Vermont housing budget** designed to assure efficient expenditure of State funds appropriated for housing development, to encourage and enhance cooperation among housing organizations, to eliminate overlap and redundancy in housing development efforts, and to ensure appropriate geographic distribution of housing funds. The Vermont housing budget shall include any State funds of \$50,000.00 or more awarded or appropriated for housing. The Vermont housing budget and appropriation recommendations shall be submitted to the General Assembly annually on or before January 15. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the recommendations to be made under this subdivision, and the report shall include the amounts and purposes of funds appropriated for or awarded to the following:

- (A) The Vermont Housing and Conservation Trust Fund.
- (B) The Agency of Human Services.
- (C) The Agency of Commerce and Community Development.
- (D) Any other entity that fits the funding criteria.

(2) Annually, develop a **Vermont housing investment plan** in consultation with the Vermont Housing Council. The housing investment plan shall be consistent with the Vermont consolidated plan for housing, in order to coordinate the investment of State, federal and other resources, such as State appropriations, tax credits, rental assistance, and mortgage revenue bonds, to increase the availability and improve the quality of Vermont's housing stock. The housing investment plan shall be submitted to the General Assembly, annually on January 15. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the plan to be made under this subdivision, and the plan shall:

- (A) target investments at single-family housing, mobile homes, multifamily housing, and housing for homeless persons and people with special needs;
- (B) recommend approaches that maximize the use of available State and federal resources;
- (C) identify areas of the state that face the greatest housing shortages; and
- (D) recommend strategies to improve coordination among State, local, and regional offices in order to remedy identified housing shortages.

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

The Vermont Housing Council was originally established by Executive Order in 1995 to coordinate and oversee implementation of the State's housing policy, to evaluate housing services and initiatives, and to be a resource to housing providers in their efforts to supply decent and affordable housing for Vermonters. In 2011, Governor Peter Shumlin issued Executive Order 08-11 superseding the earlier Order. EO 08-11 updated the membership of the Council, and recognized that the reduction in federal housing funds, and increasing fuel prices would put pressure on limited State resources for housing, and require investment in energy efficiency and renewables.

DHCD provides staff support and facilitates the meetings of the Housing Council. The Housing Council meets bi-monthly.

The standing members of the Housing Council are:

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

This report includes:

- ✓ The Vermont Housing Budget: A combined budget of State housing funds awarded or appropriated in 2014 in excess of \$50,000;
- ✓ The Vermont Housing Investment plan which considers areas of the state that face the greatest housing shortages and describes planned investments in single-family housing, mobile homes, multifamily housing, housing for homeless persons, and housing for persons with special needs;
- ✓ Recommendations for approaches that maximize the use of available State and federal resources and strategies to improve coordination among State, local and regional housing providers to address identified housing shortages.
- ✓ Organizational Chart of State Housing Agencies in Vermont

II. Vermont Housing Budget

The State's funding resources for affordable housing resides primarily in three agencies: The Department of Housing and Community Development (DHCD) of the Agency of Commerce and Community Development, the Vermont Housing and Conservation Board (VHCB), and the Agency of Human Services (AHS). In addition to these statewide organizations, 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 that cover the entire state. These organizations rely on funding from a mix of mostly government resources to get projects constructed.

As shown in the tables that follow, in 2014 combined funding for affordable housing **development** (e.g. “bricks and mortar”) by VHCB, DHCD, and VHFA totaled approximately \$47 million annually. More than half of this through tax credit equity which represents private funds, leveraged by approximately \$3.3 million in federal and State allocations. State funding for housing and housing related human services totaled almost \$29 million. Federal funding for housing and housing related human services totaled almost \$22 million. Combined State and federal funding for housing assistance and subsidies was more than \$75 million.

The largest financial resource and routinely the largest funding component of any given affordable rental housing project are provided by Federal Housing Credits administered by the VHFA in accordance with the State’s Qualified Allocation Plan (QAP). Vermont’s allocation of federal credits in 2014 was \$2.635 million, generating close to \$23 million in equity.

The Federal Housing Credits are supplemented with State tax credits which at \$700,000 in FY 2014 generated approximately \$3 million in equity. 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 DHCD under the program name the Vermont Community Development Program (VCDP). VCDP funds are available to all municipalities in the state with the exception of Burlington. Burlington is Vermont’s only “entitlement community” and receives CDBG funds directly from HUD. Other federal resources which are targeted to specific housing types include HUD 811 (housing for people with disabilities), HUD 202 (housing for the elderly), Rural Development 515 (multi-family rental housing production), HUD’s Lead Paint and Emergency Solutions Grant (ESG), and HOPWA (Housing Opportunities for Persons with AIDS).

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 2014 VHCB received approximately \$7.8 million in dedicated funds to support housing development from the property transfer tax. This is the only direct State funding that supports the costs of building affordable housing units.

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 DHCD, and the Downtown Program and Village Center tax credits available for historic façade and code improvements, also administered by DHCD. These credits are very frequently used for upper floor housing, including affordable housing, in our community centers.

Additionally, approximately \$13.5 million in State general fund dollars supports programs of the departments of AHS to assist in supporting their clients. The largest of these line items include; Temporary Housing/General and Emergency Assistance, Correction Transitional Housing, the Vermont Rental Subsidy Program, and Community Housing Grants.

AHS's programs often 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* described 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.

Many affordable housing developments have at least some federally funded rental assistance either through the USDA's Rural Rental Assistance program or HUD Section 8 contracts administered by VSHA. The rental assistance allows families to pay approximately 30% of their income toward the rent.

USDA's Rural Rental Assistance program provides an additional source of support for families in Rural Rental Housing (Section 515) or Farm Labor Housing (Section 514) projects.

VSHA administers more than \$50 million of project and tenant-based rental assistance throughout the state of Vermont, and manages numerous affordable housing projects. This diverse program includes the Section 8 Housing Choice Voucher program with an assortment of incentives and housing alternatives such as Family Self-Sufficiency, Homeownership, Family Unification, Mainstream Housing Opportunities, Veterans Affairs Supportive Housing and Project-Based Initiatives.

VSHA also administers a Section 8 Moderate Rehabilitation program and the rental assistance component of a Housing Opportunities for Persons with Aids (HOPWA) grant provided to the VHCB. VSHA is HUD's Contract Administrator on units constructed or rehabilitated by private developers and/or nonprofits, and is the largest administrator of Continuum of Care Homeless funds in the state – and assists in the coordination of the annual Point-In-Time count of the homeless.

VSHA has been instrumental in the development and preservation of approximately 1,608 affordable housing units that include mobile home park lots, multifamily properties and housing for elderly.”

New initiatives include the administration of a State-funded rental assistance program for the Department of Mental Health, and the performance of housing inspections for the AHS' Vermont Rental Subsidy program.

Local 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.

Cooperation among Housing Organizations

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

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

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

Vermont's housing agencies collaborate in many ways to ensure State and federal resources are used efficiently and effectively. The three major housing funders, DHCD, VHFA and VHCB, developed and use a common housing application. This application can be accessed by all three funding sources ensuring the funders have consistent information which helps to coordinate and expedite the application review. These agencies also share common underwriting guidelines and coordinate inspections, and DHCD has also implemented a web-based on-line application system which has been in use by all VCDP

applicants since 2007 greatly increasing the efficiency of the application process for its clients.

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

Specific examples of coordination over the past year include an application to HUD for HUD 811 grant, participation in a HUD pilot program to streamline property inspections, a statewide housing conference, and maintenance of a combined multi-family project database.

Geographic Distribution

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

In preparation for the 2015-2019 Consolidated Plan, the DHCD contracted with Bowen National Research (Bowen) to conduct a statewide Housing Needs Assessment that includes County level data.¹ This is significant as this level of analysis on a County level has not been available for 10 years. The assessment will be used in the development of the Consolidated Plan and will be made widely available to help target resources most appropriately and effectively. Each of the statewide housing agencies contributed time and financial resources to this effort. Bowen’s Housing Needs Assessment shows that there is significant need for housing throughout Vermont, however, the County level reports will be a valuable tool for affordable housing developers and funders in determining where the greatest needs are within the state and may supplement the specific market studies for each project. They will help policy makers and funders determine the particular needs for different areas of the state.

¹ Bowen National Research: “Vermont Housing Needs Assessment”. January 5, 2015
http://accd.vermont.gov/strong_communities/housing/planning/needs_assessment

Housing Budget Tables

- State and Federal Funds Combined for Housing Development (“Bricks and Mortar”)
- State Funding for Housing Agencies and Human Services (SOURCES)
- State Funding for Housing Agencies and Human Services (USES)
- Federal Funding for Housing Agencies and Human Services
- State and Federal Funds Combined for Housing Assistance and Subsidies

2014 State and Federal Funds Combined for Housing Development				
SOURCES	VERMONT HOUSING AND CONSERVATION BOARD	DEPT OF HOUSING AND COMMUNITY DEVELOPMENT	VERMONT HOUSING FINANCE AGENCY	TOTALS
Property Transfer Tax/Misc. Rev.	\$ 7,775,527			\$ 7,775,527
Interest on fund, repayments, mitigation funds			\$ 42,158	\$ 42,158
State of Vermont General Fund				\$ -
Federal Housing Program Revenue	\$ 3,904,805	\$ 9,233,933		\$ 13,138,738
Federal Housing Credit Equity*			\$ 22,922,207	\$ 22,922,207
Other				\$ -
State Housing Tax Credit Equity**			\$ 3,045,000	\$ 3,045,000
TOTAL SOURCES	\$ 11,680,332	\$ 9,233,933	\$ 26,009,365	\$ 46,923,630
USES				
Programs providing grants/loans for affordable housing development projects	\$ 11,680,332	\$ 9,233,933	\$ 26,009,365	\$ 46,923,630
TOTAL USES	\$ 11,680,332	\$ 9,233,933	\$ 26,009,365	\$ 46,923,630
* This is based on the calendar year 2014 receipt of \$2.635 million in federal credits with .87 value for the sale of the credits.				
** This estimate based on the fiscal year 2014 receipt of \$700,000 in state credits with a value of .87 for the sale of credits.				

2014 State Funding for Housing Agencies and Human Services						
	VHCB	DHCD		AHS		
SOURCES	Trust Fund	General Fund	Special Fund	General Fund	Special Fund (GC)	TOTALS
Property Transfer Tax (housing portion of proj. \$14.4 million revenue)	\$ 8,865,581					\$ 8,865,581
Loan Repayments	\$ 37,595					\$ 37,595
Interest on Fund	\$ 8,541					\$ 8,541
Federal Grants						\$ -
Mitigation Funds	\$ 25,000					\$ 25,000
Other						\$ -
State General Fund		\$ 130,468		\$ 13,539,927	\$ 6,322,553	\$ 19,992,948
Mobile Home Park Special Fund			\$ 58,126			\$ 58,126
TOTAL SOURCES	\$ 8,936,717	\$ 130,468	\$ 58,126	\$ 13,539,927	\$ 6,322,553	\$ 28,987,791

2014 State Funding for Housing Agencies and Human Services						
	VHCB	DHCD		AHS		
USES	Trust Fund	General Fund	Special Fund	General Fund	Special Fund (GC)	TOTALS
Operations	\$ 1,161,190	\$ 59,168	\$ 58,126			\$ 1,278,484
Grants/Loans/Direct Program	\$ 7,775,527	\$ 71,300				\$ 7,846,827
Transitions Subsidies (Brattleboro)				\$ 80,000		\$ 80,000
Home and Community Access				\$ 306,896		\$ 306,896
VT Rental Subsidy Program				\$ 1,000,000		\$ 1,000,000
Harbor Place				\$ 433,275		\$ 433,275
Community Housing Grants				\$ 2,676,742		\$ 2,676,742
Family Supportive Housing				\$ 576,448		\$ 576,448
Correction transitional housing and prevention				\$ 4,184,422	\$ 2,525,531	\$ 6,709,953
Housing Assistance for HIV/AIDS				\$ 95,000	\$ 95,000	\$ 190,000
ADAP Transitional - Sober Housing				\$ 63,510	\$ 131,853	\$ 195,363
Youth Housing Subsidies				\$ 400,000		\$ 400,000
Temporary Housing/General Assistance/Emergency Assistance				\$ 2,616,884		\$ 2,616,884
Homeshare					\$ 327,162	\$ 327,162
Support and services at home SASH					\$ 746,192	\$ 746,192
CRT Housing Support Fund					\$ 886,809	\$ 886,809
DMH Housing Subsidy plus Care					\$ 1,420,018	\$ 1,420,018
Emergency Solutions grants and homeless assistance				\$ 1,106,750	\$ 189,988	\$ 1,296,738
TOTAL USES	\$ 8,936,717	\$ 130,468	\$ 58,126	\$ 13,539,927	\$ 6,322,553	\$ 28,987,791

2014 Federal Funding for Housing Agencies and Human Services										
	VHCB						DHCD	AHS	TOTALS	
SOURCES	HOME Program	HUD HOPWA	HUD SPG IV	HUD Lead Paint Program Healthy Homes	Healthy Homes VT	Fed. Share Americorps	TOTAL FEDERAL FOR VHCB	CDBG	Federal Funds	
Federal Grants	\$2,955,000	\$ 476,666	\$ 23,253	\$ 766,667	\$ 533,334	\$ 207,900	\$ 4,962,820	\$9,233,933	\$2,639,023	\$21,798,596
TOTAL SOURCES	\$2,955,000	\$ 476,666	\$ 23,253	\$ 766,667	\$ 533,334	\$ 207,900	\$ 4,962,820	\$9,233,933	\$2,639,023	\$21,798,596
USES										
Operations	\$ 255,000	\$ 4,780		\$ 468,786	\$ 164,204	\$ 52,250	\$ 945,020	\$ 184,678		\$ 2,074,718
Grants/Loans/Direct Program	\$2,700,000	\$ 471,886	\$ 23,253	\$ 297,881	\$ 369,130	\$ 155,650	\$ 4,017,800	\$9,049,255		\$17,084,855
Transitional Housing for ADAP									\$ 527,413	\$ 527,413
Emergency Solutions Grants and Homeless Assistance									\$ 580,653	\$ 580,653
Homeless outreach for severely mentally ill									\$ 300,000	\$ 300,000
Reach-up Housing Grants									\$ 831,261	
Housing Assistance HIV/AIDS									\$ 399,696	
TOTAL USES	\$2,955,000	\$ 476,666	\$ 23,253	\$ 766,667	\$ 533,334	\$ 207,900	\$ 4,962,820	\$9,233,933	\$2,639,023	\$21,798,596

2014 State and Federal Funds Combined for Housing Assistance/Subsidies					
SOURCES	AGENCY OF HUMAN SERVICES	VERMONT HOUSING FINANCE AGENCY	VERMONT STATE HOUSING AUTHORITY*	VERMONT HOUSING AND CONSERVATION BOARD	TOTALS
State of Vermont General Fund	\$ 13,539,927				\$ 13,539,927
Federal Housing Program Revenue	\$ 2,639,023				\$ 2,639,023
Global Commitment Funds (GC)	\$ 6,322,553				\$ 6,322,553
Federal Rental Assistance Program (Project Based)**		\$ 2,500,000	\$ 24,832,187		\$ 27,332,187
Federal Rental Assistance Program (Tenant Based)			\$ 25,704,338		\$ 25,704,338
HOPWA				\$ 444,307	\$ 444,307
TOTAL SOURCES	\$ 22,501,503	\$ 2,500,000	\$ 50,536,525	\$ 444,307	\$ 75,982,335
USES					
Programs providing housing assistance to individuals	\$ 22,501,503	\$ 2,500,000	\$ 50,536,525	\$ 444,307	\$ 75,982,335
TOTAL USES	\$ 22,501,503	\$ 2,500,000	\$ 50,536,525	\$ 444,307	\$ 75,982,335
* Federal receipts, reconciled with 2014 audit, Schedule of Federal Awards					
** \$600,000 of VSHA's Federal Rental Assistance Program / Project Based Section 8 administration is shared with VHFA.					

III. Housing Investment Plan

Consolidated Plan Funding

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

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

Community Development Block Grants (CDBG) funding of approximately \$6.5 million are administered by the Vermont Community Development Program (VCDP) within DHCD. Projects that support affordable housing, employment opportunities, public facilities and public services are eligible and encouraged to apply for CDBG funding. The highest priorities continue to be to create affordable housing and employment opportunities for low and moderate income individuals, with preference for facilitating development and growth in Designated Downtowns and Village Centers.

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

The VCDP must expend at least 70% of its HUD Award over a period of three program years to fund activities that principally benefit persons of low and moderate income. Grants for Activities which aid in the prevention or elimination of slums and blight (Slums and Blight) or that are designed to meet community development needs having a particular urgency (Urgent Need) do not necessarily provide a direct benefit to persons with low and moderate incomes. Such awards, therefore, must be drawn from the remaining 30% of the CDBG award over a period of three program years. The following match requirements also apply:

Housing, public facilities and services, economic development	10% match requirement for business projects, 25% for planning grants, 25% match for ADA projects, 25% match for slums and blight
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Home Investment Partnerships (HOME) funds of approximately \$3 million are administered by VHCB which has been designated to administer these funds on behalf of DHCD.

HOME funds are used for the following:

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

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

The following match requirements also apply:

Affordable housing, Community Housing Development Organization (CHDO) capacity funds	25% match for rehabilitation and new construction
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Emergency Solutions Grants (ESG) of approximately \$500,000 are administered by AHS Office of Economic Opportunity (OEO) to help nonprofit organizations, including community and faith-based organizations; provide emergency overnight and day shelter; offer supportive services for homeless families and individuals; and implement effective homeless prevention and rapid re-housing initiatives within the local continuum of care.

The Vermont legislature allocates \$792,000 in State general funds to be used for “homeless shelter and services.” These funds, also administered by the Office of Economic

Opportunity, are added to Vermont’s ESG allocation of \$589,905, fulfilling the ESG match requirement.

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

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

One symptom of the low rental housing availability is the number of households who are spending an unaffordable amount on their housing costs. A household is considered housing cost burdened when more than 30% of household income is spent on housing cost, and severely cost burdened when housing costs consume 50% or more of household income. Amongst renter households in Vermont, 34,884 (47.5%) are cost burdened including 16,485 (22.4%) households with severe cost burden. The greatest share of severe cost burdened renter households resides in Chittenden County (26.6%). A total of 60,272 (32.9%) homeowner households are cost burdened with the largest share of this group residing in Windsor (14.7%) and Windham (14.6%) Counties.

The number of homeless families and individuals in Vermont has also been on the rise. According to the annual HUD Point-In-Time count, Vermont’s homeless population increased 9% between 2012 and 2013. This growth puts increasing strain on homeless shelter providers and General Assistance funds used for emergency housing. In November of 2013 the Champlain Housing Trust (CHT) began operating Harbor Place, a homeless shelter with integrated assistance services in Shelburne. In the first 11 months of operation, Harbor Place provided beds for 593 unduplicated households and 28.7% of those households required shelter for more than 30 days.

Targeting Investments

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

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

The specific goals relating to housing in the Consolidated Plan are to; 1) Increase the Supply of Quality Affordable Rental Housing, 2) Preserve and Rehabilitate the Existing Housing Stock, 3) Provide Housing for People with Disabilities and Other Special Needs, 4) Provide Housing for Elders, 5) Support Homeownership.

The specific strategies adopted for achieving these goals include;

1) Increase the Supply of Quality Affordable Rental Housing

- House lower income families and individuals, with special preference to projects housing extremely low income families and individuals at or below 30% of area median income.
- Increase the supply of affordable rental housing through the acquisition and/or rehabilitation of existing units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Increase the supply of affordable rental housing through the construction of new units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.

2) Preserve and Rehabilitate the Existing Housing Stock

- Preserve existing affordable housing projects in a manner consistent with prudent investment criteria
- Redevelop existing properties with consideration given for projects that leverage other resources specific to the preservation of historic structures
- Address habitability and infrastructure problems in mobile home parks in order to prevent park or lot closures or health or environmental hazards
- Preserve existing mobile home parks
- Relocate families and individuals displaced by mobile home park closure.
- Relocate lots in existing parks or develop new parks to replace those in flood hazard areas or lost to natural disaster
- Support the network of scattered site rehabilitation programs
- Redevelop foreclosed properties for affordable rental housing
- Address barriers to rehabilitation of the existing supply of rental housing that serves extremely low, very low and low income families and individuals

3) Provide Housing for People with Disabilities and Other Special Needs

- Provide accessible or adaptable housing for persons with disabilities, including homeownership opportunities
- Address the current and potential need for accessibility modifications and adaptable units to serve Vermonters with physical disabilities
- Provide service enriched housing serving persons with disabilities

4) Provide Housing for Elders

- Produce affordable senior rental units in regions where a market analysis identifies a shortage of elderly housing affordable to lower income seniors
- Provide service enriched housing that allows seniors the opportunity to age in place

5) Support Homeownership

- Support the network of scattered site housing rehabilitation programs
- Improve access to affordable mortgages and counseling-based lending for lower income families and individuals seeking to become homeowners
- Increase programs for homeowner education and counseling
- Maximize the use of Section 8 homeownership option by public housing authorities
- Support projects with employer assisted home ownership programs
- Redevelop foreclosed properties for home ownership
- Promote the development of homeownership units designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the Energy Star label
- Promote the development of home-ownership units that include a shared equity appreciation covenant

Results of Investments

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

- Since 2010, 787 additional multi-family units were added to the affordable housing stock.
- In program year 2014, the VCDP awarded grants to 13 municipalities for housing projects that totaled over \$7.6 million in CDBG funding and leveraged over \$68 million in local, private and other federal and State resources which will create or preserve 353 units of affordable housing.
- Since 2011, VCDP funding has created or preserved 1,192 units of affordable housing and leveraged approximately \$277 million in other resources.
- In 2009, Vermont received \$19.6 million in Neighborhood Stabilization Program (NSP1) funds from the Federal Government to address the housing foreclosure crisis through acquisition and redevelopment of foreclosed, blighted and abandoned properties. Additional funds (NSP3) were received in 2011. Through 2013, NSP1 resulted in the acquisition of 53 single family homes, sale of 45 with permanent

affordability covenants to households; 54 units of multi-family housing preserved; and 34 new units completed and leased. An additional 21 homes were acquired and 12 sold under NSP3.

- In FY 2013, State funding enabled VHCB to fund 19 housing projects with 274 units.
- In FY 2012, HOME funded projects created 48 new units, plus 98 new or rehabbed units meeting Energy Star designation; over the past 5 years VHCB has funded approximately 50 homeownership purchases through the Land Trust model.
- In October 2012 HUD awarded VHCB a 3-year Healthy Homes Production Grant to create the Healthy Homes Vermont Program; over the past 5 years 450 homes have had lead paint hazards removed through VHCB's Lead Paint Hazard Abatement program.
- Through November 2013, VSHA managed the impact of Federal Sequestration by implementing a moratorium on issuing Section 8 vouchers on turnover. Although 239 were taken offline, no tenants had their subsidy terminated and VSHA was ranked by HUD as a high performer.
- Since 2011, three mobile home parks, with 139 homeowners, were purchased by resident owned cooperatives and VSHA was involved in purchase of a park with 32 lots by a nonprofit resulting in infrastructure upgrades and rent stability.
- In FY 2013, 402 households received low-interest mortgages from VHFA totaling \$62.8 million in loan volume. In FY2010 – 2014, VHFA has issued 1,255 mortgages.
- In FY 2013, under the VCIL Home Access Program households received assistance with 28 bathroom modifications, 22 ramps and 4 entrances.
- In the last two years, Vermont's AHS has added approximately 200 State funded tenant-based rental subsidies through the Department of Mental Health's Subsidy and Care program and the Department for Children and Families' Vermont Rental Subsidy Program.
- In FY 2014, AHS' Emergency Solutions Grant in the Office of Economic Opportunity provided safe emergency shelter or transitional housing to 3,934 homeless Vermonters, a quarter of whom were children under age 18.
- In FY 2014, AHS' CRT Housing Support Fund in the Department of Mental Health housed 297 people with mental illness.
- In FY 2014, AHS' Family Supportive Housing program housed 48 homeless adults and their 76 children and expanded to two additional districts for fiscal year '15.
- In FY 2014, AHS' DOC Transitional housing program housed 569 offenders in the community with service supports.

The coordinated work of the State's housing agencies has also been extremely successful in securing federal resources that are subject to competitive applications. These include the Federal Home Loan Bank's Affordable Housing Program, which provides low interest loans or grants for affordable housing; USDA's Rural Development 515 program, which provides low interest loans for multi-family housing; HUD's 811 and 202 programs, which provide capital grants and operating subsidies for housing for people with disabilities or the elderly respectively; 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.

IV. Recommendations

As shown, Vermont's Housing Budget provides nearly \$47 million annually for affordable housing development, more than half of this from private equity leveraged by \$3.3 million in Federal and State tax credits. Almost \$29 million in State funds support affordable rental housing development, and housing assistance programs through AHS and DHCD.

These funds are targeted to single family homes, mobile homes, multi-family housing, housing for the elderly, extremely low income households, and housing for homeless persons and people with special needs, in accordance with the Consolidated Plan. Important policy decisions are coordinated at the highest levels through DHCD's HUD Consolidated Plan and the Qualified Allocation Plan (QAP) for Federal Housing Credits and cross memberships on the boards of all statewide housing organizations and ongoing formal and informal collaboration.

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

Despite the progress made and the State's ongoing commitment to affordable housing and services, significant work remains to be done. Vermont's annual statewide count of persons experiencing homelessness showed a 9% one-year increase with a quarter of those counted being children under 18. As shown in Bowen's Housing Needs Assessment, almost half of Vermont's renter households and one-third of its owner households remain cost-burdened, and there continues to be a gap in the supply of housing. Nearly a quarter of renters spend as much or more than 50% of their income on housing. A 96.2% utilization rate of homeless housing beds and the fact that 164 persons remain unsheltered on a given night indicate that there still remains a need for housing which is accessible and affordable to the homeless population.

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

- 1) Supporting the development of more rental housing due to very low vacancy rates, with an emphasis on multi-family units affordable to extremely low income (<30%) and middle income (95%-120%) households, and one and two bedroom units;
- 2) Supporting the development of senior housing or programs enabling seniors to age in place due to projected household growth among the senior age groups (55+, 65+);

- 3) Supporting first time home-buyer programs for low to middle income households due to projected owner household growth particularly in the middle income group (95%-120%);
- 4) Supporting affordable housing programs to develop or maintain affordable rental housing due to the current gap in the supply of rental units available to low income households and low vacancy rates;
- 5) Supporting home repair programs, particularly for seniors to remain in their homes longer, due to the age and condition of the existing housing stock, including assistance for repair and maintenance and weatherization;
- 6) Encourage local governments to provide pre-development activities such as land banks, site prep and infrastructure, or market research and data, to attract developers;
- 7) Expanding the VHFA's Directory of Affordable Rental Housing to include market rate and nonconventional rentals due to the lack of available housing and advertised housing in the state.

In addition to the General Assembly, Bowen's recommendations are being shared with State and local housing organizations, regional planning and development entities, and municipalities, realtors, homebuilders, the congressional delegation and others. They should be seriously considered and refined. The fact that these recommendations closely mirror the goals and strategies in the current in Consolidated Plan supports the direction the State has taken in allocating its housing dollars.

Over the course of the next several months, these recommendations, the findings of the housing needs assessment, citizen participation and stakeholder consultation will inform the DHCD's development of the new Consolidated Plan. As the results of the needs data at the state and county level become available and are understood, they should be used to help update the QAP and inform funding and policy decisions at both the state and federal levels.

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State Housing Agencies in Vermont

