

MEMORANDUM

Vermont Housing & Conservation Board



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To: Representative Mitzi Johnson, Chair; Representative Peter Fagan, Vice-Chair; and Representative Matthew Trieber, House Appropriations Committee

From: Gus Seelig and Larry Mires 

Cc: House Appropriations Committee Members; Neil Mickenberg, VHCB Board Chair

Date: March 4, 2015

Re: House Appropriations Committee Follow-up Discussion

Thank you for the recent opportunity to discuss with you the Board's accomplishments and our proposed FY2016 budget. At the conclusion of my testimony, Representative Fagan asked what the impact would be on the Vermont Housing & Conservation Board if, instead of contributing over \$1 million as match currently planned to draw in an RCPP grant, that amount was increased by \$5 million to over \$6 million per year. Last week the "brainstorming" list proposed a reduction to the Board's budget of \$2.1 million.

The chart attached demonstrates the effect of such cuts on our program impact and opportunity to leverage other resources..

Effect of Reductions

The Board currently plans program targets for FY 16 that would distribute approximately 57-58% of available funding for housing and 42-43% for conservation purposes. Assuming we continue to follow our statute which requires a balanced approach to housing and conservation activities the reduction would have the following severe impacts:



First, please note that the Governor's budget proposal reduces our productivity from statutory levels by over 20%. The administration also proposes moving some funding for VHCB to the capital budget. This strategy has freed up \$5.6 million to support the general fund. VHCB production and impact would fall by another 20% under the \$2.1 million scenario and 60% under the \$6 million scenario.

Second, the economic impact would be felt directly in the construction sector, and would also be harmed by slowing momentum for downtown redevelopment which has significant spinoff economic benefits. The opportunity for reinvestment and diversification in the agriculture economy, along with our ability to respond in support of intergenerational transfers of farms, would also be greatly reduced.

Losing Leverage

Cuts of the size proposed would result in substantial leverage being lost for VHCB's programs. That means both less in terms of private investment for both agriculture and housing and, in the case of agriculture, leaving significant amounts of federal money on the table to be returned to Washington. This would include funding through the RCPP grant focused on improving water quality in the Champlain Basin.

Obviously the impact on program is 3 times worse at \$6 million. In the case of farmland preservation, we would lose more than \$2 million each year through the Natural Resource Conservation Service's Farmland Protection Program along with associated bargain sales, community fundraising and philanthropic gifts estimated to be at least another \$250,000 - \$500,000. Farmers would lose the opportunity to reinvest the proceeds from their development rights in expansion, efficiency, or diversification. Projects focused on farm transfers, getting the next generation of farmers into ownership, would be severely curtailed.

For housing interests, such a reduction could not come at a worse time. As noted in my testimony, Vermont is experiencing a statewide multi-family rental vacancy rate of approximately 1% according to a new study conducted by Bowen National Research. This will significantly set back the Board's special needs and supportive housing efforts, housing preservation for Section 8 projects, and new development. These projects generally leverage other capital at \$6- \$7 for every \$1 appropriated.

In addition, preservation projects that protect and preserve section 8 subsidies will be lost. These projects provide precious rental assistance which gives tenants an operating subsidy valued in excess of \$6,000 per unit per year. If 30-50 such units were lost next year the impact over a 20 year rental assistance contract would be \$3.5 - \$5 million.

The opportunity to provide service supported housing that reduces institutionalization would be curtailed, adding costs to our budget for prisons, the state hospital, nursing homes and motels.

Finally, our natural areas and public recreation projects, and our historic preservation mission would suffer, hurting our rural economy, diminishing travel, recreation and tourism opportunities.

Housing and Conservation Program Delivery

Vermont has built an effective system to serve housing and conservation interests in every part of the state, providing access to our most rural communities. More than 200 communities have benefited from the program. Communities such as Franklin and Richford along the Canadian border as well as Proctor and Guilford in Southern Vermont have benefited.. A funding reduction of \$2.1 million would begin to diminish regional capacity to undertake both housing and conservation projects, destabilizing the entities that have provided lower income Vermonters with homes and all Vermonters with land protection and public access for recreation throughout the state. A \$6 million reduction will destabilize that capacity in the coming year.

Water Quality Fund & the RCPP grant

There appears to be some confusion about the purposes of the RCPP grant and the Water Quality Fund that H.35 seeks to establish and for which the Governor announced a 5 year gift from Green Mountain Coffee Roasters. RCPP is a grant to Vermont from the USDA Natural Resource Conservation Service with specific activities. It totals \$16 million and has a series of activities eligible for which VHCB has pledged a \$6.5 million match over 4-5 years. We will specifically match \$4million in funding to conserve agricultural land in the Champlain Basin with farms along impaired waterways as our top priority. This is considered an important tool for

water quality. VHCB will also provide \$2.5 million in match from the Farm and Forest Viability program. This will include grants we administer from funding provided by Commonwealth Dairy for water quality practices. The Viability Program will help farmers with development of business and financing plans that are needed to address the financing and implementation of required water quality practices. Next year 80% of the projects in our pipeline have water quality characteristics.

VHCB's ability to meet the pledged match for both conservation and farm viability activities is based upon the funding level proposed by the Governor.

The Water Quality Fund is focused on a set of activities broader than VHCB's mission. The important thing to understand is that the Board's activities and programs complement but do not duplicate those of the new proposed fund.

Summary

The impact on VHCB's program of a \$2.1 million reduction will cost housing efforts 3 projects and over 50 Vermonters a place to call home while reducing farmland conservation activities and farm viability work necessary to pick up the pace in protecting water quality in Vermont,

The \$6 million cut mentioned would mean dropping below 140 homes annually for housing and expanding the wait time for agriculture projects from 3 to 6 years, increasing development pressure on our agricultural land base and reducing our effectiveness in conserving farms that can contribute positively to both improving water quality and flood resilience.

From our perspective, such a reduction would be devastating for our programs and for the Vermonters they serve. Such cuts would also be devastating to the landowners and developers who have had projects in the queue for significant amounts of time (sometimes years), with consequent costs and lost opportunities for them. The VHCB pipeline of projects is already oversubscribed by a factor of 3 years. Delay will mean many valuable opportunities would be forever lost to our communities.

Please let us know if you would like any further information.

VHCB Project Funding, by Year

Effects of Reduction on FY16 Recommend

Program Area	FY2014	FY2015	2016 at Statutory Amount	FY2016 Governor's Recommend	FY2016 Proposed Less \$2.1M	FY2016 Proposed Less \$6Million
Trust Funds Available for Project Awards*	\$9,900,000	\$10,400,000	\$ 13,834,000	\$ 7,300,000	\$ 5,200,000	\$ 1,300,000
Bond funds Proposed for Project Awards				\$ 2,800,000	\$ 2,800,000	\$ 2,800,000
Total Available for Project Awards	\$9,900,000	\$10,400,000	\$13,834,000	\$10,100,000	\$8,000,000	\$4,100,000
Housing Projects and Units	280 affordable units	296 affordable units	356 Affordable units	285 affordable units	230 affordable units	130 affordable units
Farms and Acres	25 farms; 2,808 acres	24 farms; 3,639 acres	31 farms; 4200 acres	23 farms; 3,000 acres	16-17 farms; 2,200 acres	9-10 farms; 1,200-1,500 acres
Historic Projects	2 historic projects	2 historic projects	3 historic projects	2 historic projects	1 historic project	0 historic projects
Forestry, Natural Area and Recreation	12 projects; 3,432 acres	9 projects; 2,330 acres	11 projects; 3,000 acres	9 projects; 2,500 acres	5-6 projects; 12-1500 acres	4-5 projects; 1,000 acres
Farm and Forest Viability	92 participants	139 participants	160 participants	135 participant	115 participants	70 participants
Leverage **	\$55 million	\$70 million	\$85 million	\$65 million	\$49 million	\$28 million

* Amount available for awards after support for federal programs and program operations

** Leverage includes federal funding requiring match, foundation support, local fundraising, municipal donations, bargain sales, and private equity investment through the low-income housing tax credit program.