

The Future of Homeless Housing in Vermont

Maura Collins, Executive Director of [Vermont Housing Finance Agency \(VHFA\)](#)

According to the Agency of Human Services, the Agency's Affordable Housing Priority is:

Permanent housing that is:

- 1) *affordable to those making less than 30% of Area Median Income (AMI); and*
- 2) *that accommodates the needs of AHS clients struggling with any number of challenges like poverty, family instability, and disabling medical conditions including substance use and mental health issues.*

In addition, AHS supports permanent affordable housing that:

- *gives preference to homeless households and utilizes data from the State's annual Point in Time (PIT) count to target the most vulnerable households in geographic areas where there is the most need;*
- *uses evidence-based and best practice approaches to the design, production and location of units,*
- *eliminates unnecessary barriers to entry and is in close physical proximity to community-based services including public transportation;*
- *is centrally located and integrated with market rate, affordable and permanent supportive housing units;*
- *facilitates the well-being and self-sufficiency of tenants; and preserves individual dignity and choice.*

Permanent Supportive Housing (PSH) is a nationally recognized evidence based best practice.¹ It means the housing is:

- Permanent: Tenants may live in their homes as long as they meet the basic obligations of tenancy, such as paying rent;
- Supportive: Tenants have access to the support services that they need and want to retain housing; and
- Housing: Tenants have a private and secure place to make their home, just like other members of the community, with the same rights and responsibilities.

Key elements

- Leases are in the tenant's name and they have full rights of tenancy under landlord-tenant law;
- Leases do not have any provisions that would not be found in leases held by someone who does not have a psychiatric disability;
- Participation in services is voluntary and tenants cannot be evicted for rejecting services;
- House rules, if any, are similar to those found in housing for people who do not have psychiatric disabilities and do not restrict visitors or otherwise interfere with a life in the community;
- Housing is not time-limited, and the lease is renewable at tenants' and owners' options;
- Before moving into PSH, tenants are asked about their housing preferences and are offered the same range of choices as are available to others at their income level in the same housing market;
- Housing is affordable with tenants paying no more than 30% of their income toward rent and utilities, with the balance available for discretionary spending;
- Housing is integrated. Tenants have the opportunity to interact with neighbors who do not have psychiatric disabilities;

¹ The following is all directly quoted from the Substance Abuse and Mental Health Services Agency:

<https://store.samhsa.gov/product/Permanent-Supportive-Housing-Evidence-Based-Practices-EBP-KIT/SMA10-4509>

- Tenants have choices in the support services that they receive. They are asked about their choices and can choose from a range of services, and different tenants received different types of services based on their needs and preferences;
- As needs change over time, tenants can receive more intensive or less intensive support services without losing their homes;
- Support services promote recovery and are designed to help tenants chose, get and keep housing; and
- The provision of housing and the provision of support services are distinct.

Benefits

“... housing with supports is cost effective when other societal costs of homelessness and mental illnesses—such as emergency room visits, hospitalizations, and incarceration—are taken into account...”

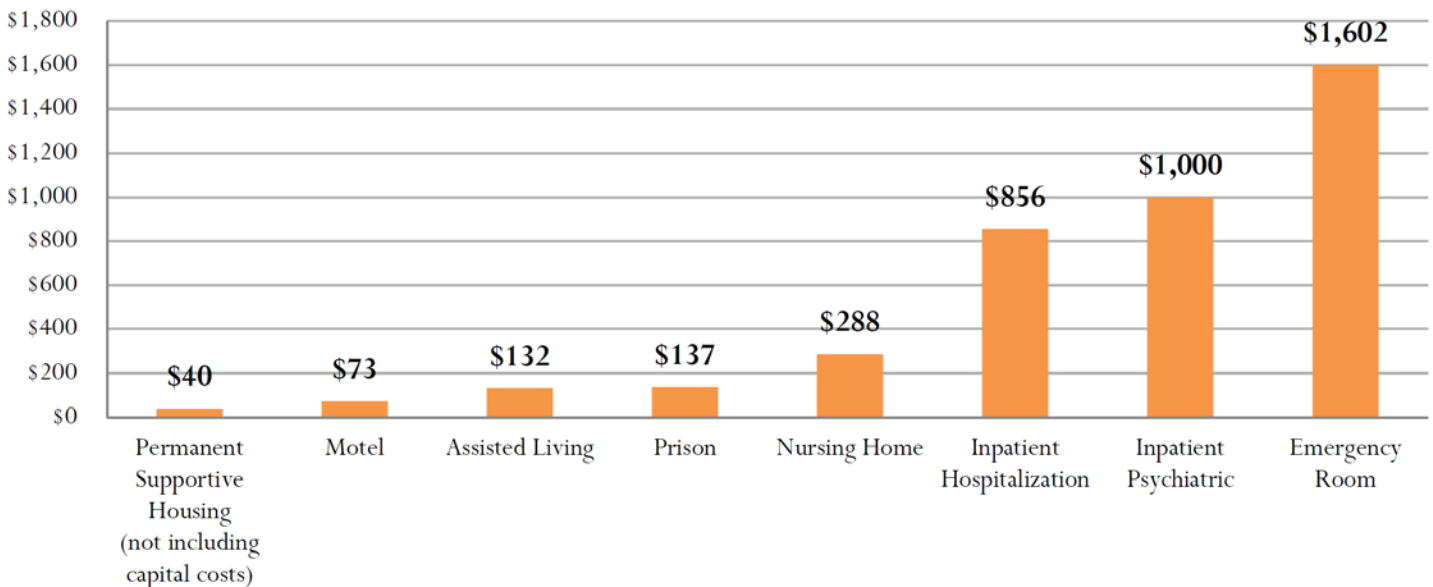
“... flexible, voluntary supports has been shown to produce outcomes that are as good as or better than more restrictive residential settings...”

“... Affordable housing with supports provides a stable base for recovery, which can be difficult for people who are the following:

- Homeless;
- Living in unnecessarily restrictive settings;
- At risk of losing housing;
- Living in substandard housing; or
- Living with others in tenuous situations.”

Estimated Daily Operating Costs in Vermont

Daily costs do not include capital costs



Sources: CSH, Vermont Financial Modeling; Vermont Agency of Human Services; Vermont Department of Corrections, Genworth Cost of Care Survey, 2015.

To: Senate Economic Development, Housing and General Affairs
From: Maura Collins, Executive Director
Date: April 21, 2020
Re: Housing Actions Needed

As a follow up to my testimony, I wanted to share some general and specific suggestions for how the legislature could support both housing and economic development. Generally, the state needs to dedicate substantial funding to the immediate needs of:

- **Renters** – by helping them pay their rent to the extent they are not covered by the federal government’s expanded affordable housing programs.
- **Homeless** – by expanding the state’s rental assistance program to permanently house the 1,500 people staying in state-funded hotels/motels who were previously living in congregate homeless shelters.
- **Mobile homeowners** – by helping subsidize their housing or the parks where they live to help lessen the double burden of owing mortgage payments so they do not lose their home, and lot rent payments so their home can remain in their community.

Move Homeless Vermonters from Hotels to Homes

Vermont is not only facing a housing crisis but also the single biggest opportunity to change the housing landscape of our state forever.

According to the Agency of Human Services, there are 1,500 people – including 300 children – who are no longer living in congregate homeless shelters but instead are staying temporarily in hotel/motel rooms. This is completely unsustainable and the deadline for them to move is fast approaching as hotels look to move back to serving tourists. There is a great opportunity to house homeless households in independent apartments connected to the services they may need so that we can reduce the ongoing shelter capacity in our state permanently.

If there were ever a time to do this – and if there were ever a state where a solution is so within reach – it is now and it is Vermont. While other communities look to [warehouse people without homes](#), Vermont can address its public health emergency while at the same time saving state funding and providing individuals with the dignity of their own home.

I ask that you **dedicate all the funding necessary to expand the state’s rental assistance program** and commit it to the homeless households staying in state-funded hotels/motels, so that when the hotels go back to serving tourists, the Vermonters currently housed there can go back to homes of their own. There may also be a need to provide supportive services to some of these households, but the savings to the public system will be borne by these households having safe, decent, and affordable permanent housing.

VHFA is a partner with the state in this effort and has led the state in prioritizing the creation of apartments dedicated to homeless households for many years. We can commit additional resources and funding to this effort if the state seriously wanted to end the use of congregate shelters in Vermont.

Protect Existing Affordable Housing Residents

What Is Being Done Already

VHFA is one of the largest lenders to affordable rental housing properties statewide. Of the ~500 properties assisted with government funding, VHFA has loans on about 125 of them, totaling approximately \$170 million. Of these, VHFA is closely monitoring 27 properties (covering over 1,100 apartments) that may be early candidates for multifamily loan

forbearances. These projects currently pay a combined \$193,693 in monthly loan payments and have a cumulative \$31.8 million in outstanding loan balances. We anticipate the list of properties we are monitoring to be very fluid over the next few months as rent collections are expected to be down for much of the next several months. We are working our way through those now to grant whatever allowances we can and re-work the loan terms if needed. We anticipate more applications to continue to come in over the next few months as rent collections are expected to be down for much of the next several months.

What's Needed

For some projects, their existing reserves have been depleted due to increased property management expenses such as cleaning supplies and PPE for staff needing to go into units for maintenance. Delaying mortgage payments in the form of a forbearance may not be enough to save developments and so VHFA has identified \$1.5 million that it will be able to lend to some projects for two years at 0% interest to eligible projects. We do not yet know if this amount will be enough to meet the needs, and we fear it will not.

We may be able to add to this amount if we knew that VHFA would not have to bear the risk of loan losses should these 2-year loans not be able to be repaid. Meaning, VHFA is willing to put up its funding if we knew that there was no risk of loss for that funding. We have approached the philanthropic community but have not yet been able to find a partner to help us fund a loan-loss reserve fund. We are **asking the legislature to create a loan-loss risk pool to cover these loans VHFA will make in its work to protect the low-income homes for thousands of Vermonters**, similar in the way the legislature has created loan-loss reserve funds for VEDA loans. There are several benefits of a program like this:

- Thousands of lower income Vermonters would be able to stay in their homes and not face potential instability because the affordable housing property cannot pay its bills;
- The thriving network of affordable housing providers, mostly non-profit regional entities, would be served by having this 0% funding available for its housing for the next 2 years; and
- The State of Vermont's credit rating would be protected because there would be a lower risk of default on any VHFA mortgages which are funded by bond investments. These bonds are protected by the Moral Obligation of the state, meaning that if renters don't pay their rent, and the projects can't pay their mortgages, then VHFA doesn't have the funding to pay the bondholders, at which point the state would need to step in. If this happened the ***entire*** \$55 million of MO-backed bonds VHFA has outstanding would be transferred over to the state's balance sheet, adding to the indebted responsibility of the state, thereby further limiting future state bonding. But to give projects access to this funding over the next two years, it is possible the projects could weather this storm and they could continue to pay their mortgages and not trigger this worst-case scenario.

Create More Flexibility in the Deployment of State Tax Credits

It is possible that rental and homeownership construction and financing opportunities may not both come back online at the same pace as each other. It would serve the state's housing and economic development interests best if the credits could be used in projects that are most ready to proceed once construction begins. To do this, VHFA requests flexibility when awarding FY21 and FY22 state tax credits between using them for rental and homeownership opportunities based on the more pressing needs and feasibility of each market. Existing statute allows \$400,000 to be awarded for rental housing construction and \$425,000 for homeownership construction or support (which includes Champlain Housing Trust's mobile home replacement program). Neither of these amounts includes the \$250,000 in VHFA's Down Payment Assistance program. **Adjusting 32 V.S.A. § 5930u (g)(1) to merge the two separate amounts for rental and owner-occupied into one blended pot would allow for this opportunity.** At this time we do not know the impact of the economic crisis on the yields the state credits will generate. It is possible that the state's tax credits will not go as far as they have historically, which may leave additional gaps in project budgets. Converting the next two years of state credits to appropriations would ensure that for every dollar the state is losing, it is being spent fully on housing efforts.