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HOUSE COMMITTEE ON GENERAL,
HOUSING, AND MILITARY AFFAIRS

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MEMORANDUM

To: Rep. Mary Hooper, Chair, House Appropriations Committee

From: Rep. Tom Stevens, Chair, House General, Housing and Military Affairs Committee

Date: January 12, 2022

Subject: GHMA Comments on the 2022 Budget Adjustment Act

Thank you for inviting our comments regarding the current proposals found in the 2022 Budget Adjustment Act relating to housing and to the National Guard. This memo will attempt to capture the wide range of opinions expressed by the Committee after testimony and during committee discussions over the course of the first week of the 2022 session.

Unlike years previous, a number of the proposals put forth have not been as clearly drawn in ways that led to, more often than not, relatively simple decisions of support. This year, with dire needs expressed with respect to both immediate and near-term housing deficiencies, and with the opportunity to utilize funding only recently available to us through federal programming, some of the proposals engendered both enthusiasm and caution.

The aim of this memo is to provide the Appropriations Committee with the information we gleaned and, where necessary, our qualified opinions on these proposals. Our discussions were based on the letter provided by you on December 30, 2021.

Military Affairs

We received testimony from the Deputy Adjutant General of the Vermont National Guard. The explanations provided coordinated with the explanatory text found in the BAA with respect to the budget changes proposed.

The numbers represent, in the first instance, the annual reversion of funds in the National Guard Educational Assistance and Tuition Benefit Programs. This reversion is required under the enabling statute. The Committee supports this adjustment.

In the second instance, the Guard is asking to use state monies to fund two positions. The first, a Veterans Service Officer, is a necessary component of the resources we provide to veterans who are seeking to use benefits due them. The Committee supports this appropriation. The second position, the Executive Director for the Adjutant General, is a currently vacant position that, in the recent past, has been funded by federal military dollars. The position is an equivalent to a "chief of staff" and may be filled by either a civilian or by military personnel. The most recent person in the position recently retired and was a member of the military.

The request to have this position funded with state monies is motivated by a recent decrease in military funding for the Vermont National Guard, resulting in the loss of 32 FTE positions (out of approximately 1,000) funded directly by the federal government. Funding for this Executive Director was included in these FTEs. State monies appropriated in the BAA would fund this position for the remainder of the fiscal year.

The Committee supports this adjustment.

Housing

The sections on Housing appear on pp. 10-13 of the Index provided by you on December 30. These proposals request the appropriation of approximately \$75 million of ARPA funding to help alleviate our housing crisis, first with the continuation of programs developed over the last two years and the proposed creation of new programming.

Vermont continues to experience an extreme shortage of housing, whether it is emergency housing, home ownership, long term rental housing and other, perhaps medically based or transitional. These shortages existed prior to the pandemic and have been exacerbated by economic trends that have developed during the pandemic. Federal funding has helped Vermont address the historic and ongoing needs of those experiencing housing instability resulting in homelessness. We have used federal and state funds to increase housing units, primarily rentals, with a focus on housing the over 2,500 Vermonters that have utilized emergency housing services since April 2020.

The Budget Adjustment Act proposals include the appropriation of \$50 million to the Vermont Housing and Conservation Board (VHCB) for the continuation of programs that have successfully created hundreds of new units since 2020.

This money will provide funding for the creation of mixed income, multi-family housing, with a focus on families exiting homelessness. The funds will also be used to expand shelters where appropriate.

We took testimony from ACCD and VHCB and remain heartened about the work accomplished and acknowledge the still-long road to housing those who need it most, as well as working to help local organizations move ahead with local solutions to their affordable housing needs. We also recognize that Treasury guidance over the use of ARPA funds may change over time and may impact the use of ARPA funds for these purposes.

The Committee supports the appropriation of up to \$50 million of ARPA funds to VHCB for these purposes.

The second major proposal has two parts. The first is a \$20 million appropriation to continue the Vermont Housing Incentive Program (VHIP), which offers landlords a certain amount of money, with a match, to improve and bring online units that currently do not pass code and are currently considered offline. ACCD testified that expenditures in the last two years have resulted in several hundred units to come online.

GHMA has been, for the last several sessions, supportive of this program in its earliest iterations. Evolving statutory language was written and resided in S.79 of the 2021 Session, which was ultimately vetoed by the Governor in June 2020. According to testimony given by the Commissioner of the Department of Housing and Community Development, the administration used the proposed guidelines in their dispersal of the budgeted funding.

GHMA remains supportive of the use of ARPA funding for this request, but expresses reservations with the creation of programming without statutory approval. We understand the crisis, and we appreciate the desire to use these funds for this purpose, but we also believe that statutory language — law — must be the basis of the expenditure. Future support will be based on the passage of the appropriate enabling legislation.

The second part of the \$25 million proposal for ACCD is for a \$5 million pilot project that would create subsidies for single family homes built with the purpose of providing housing stock for Vermonters whose incomes are generally higher than those we subsidize with our current state and federal dollars.

This project is based in part on existing proposals in federal legislation and in part on our existing affordable housing funding concepts, and it remains in its development phase. The footnote below¹ contains a link to a presentation made by the Executive Director of the Vermont Housing Finance Agency that was made to the Committee on Wednesday, January 5, 2022. We strongly suggest you receive further testimony from the Executive Director if you have questions on the program.

GHMA certainly shared in the enthusiasm exhibited by the Commissioner and the Executive Director in their presentations. The lack of housing — either affordable housing or housing that is affordable — is an issue that will continue to frame our desires to grow our state's economy.

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<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20General/Budget%20Adj%20FY2022/W~Maura%20Collins~VHFA%20-%20Building%20Access%20to%20Homeownership~1-5-2022.pdf>

Without housing, we will not be able to keep the so-called “missing middle” of Vermonters who are currently making their lives here, or attract others who fit in this economic demographic.

The initial proposal of this pilot would focus on buyers whose income fell between 80% and 140% of the Area Median Income. This is a wide range of income, and that income is geographically sensitive — those at the high end of this range in Chittenden County would make more than those at the high end of this range in Essex County.

The VERY basic point is that the program would provide compensation both for a developer and a buyer if a housing unit was created with criteria that would allow for a “buy-down” of the price, in order to make it affordable for a demographic that can be considered “too rich” for our traditional shared equity programs and “too poor” to qualify for a mortgage that may be too high at its base level for a “starter” home. This VERY basic explanation masks the legal and financial complexities involved.

Testimony shared on Tuesday, January 11 indicated that there are elements of this plan that deserve support moving forward, especially as it relates to the closing of what is being called “the value gap”, or the differential between the actual cost of a home built under specifications to be determined by this program and the amount a lending institution may appraise it at the time of purchase. This one element shows promise and the Committee indicated support for its further development.

We appreciate and share the enthusiasm represented in the desire to create this kind of programming and that ARPA funding may be the best mechanism to fund such an exploration. And we can appreciate that funding this proposal now “sends a message” that we are working on finding a way to help, in the very near future, to build quality homes for a demographic that is seeking to live here. Our own enthusiasm is tempered by the unknowns. If this were General Fund money, we would regretfully oppose the appropriation outright, but because it is ARPA funding, we are mixed in our recommendation. This is a proper use of these funds, but we are not as comfortable as we’d like to be given that the program is still in development.

The last section highlighted in your letter regards a policy change proposed by the Department of Children and Families. This proposal, according to testimony provided by the department, would exclude households living in motels and funded by Emergency Relief Funds from being considered “tenants” after living there for 28 days. The department is proposing that the ERAP dollars be used for this purpose to house those experiencing homelessness an extra 18 months of housing at a time when housing is being created but not yet available.

This is an important policy change, and it would allow the Vermonters who are currently in the hotel programs who remain there by the use of FEMA monies to remain there longer when the use of a different source of funding is used. There are concerns that this might negatively effect Vermonters who are currently residing in hotels of their own accord as “tenants” and not “guests.”

The department testified that under this exclusion, they would develop an MOU-type contract with the hotels that would afford tenants some protections over eviction. We did not see a draft of any kind of contract yet.

We did receive testimony and a memorandum from Vermont Legal Aid that expressed concern about the policy change. We recommend that the House Appropriations Committee receive further testimony from both DCF and Vermont Legal Aid as to the resolution of this issue.

GHMA strongly supports the continued housing of Vermonters experiencing homelessness. Given that DCF is within the portfolio of House Human Services Committee, we defer to their deeper knowledge of the policies related to the hotel/motel program. We sincerely hope the department and the stakeholders are able to reach agreement on a policy that will enhance the program and keep Vermonters who are experiencing homelessness safe.

Other

GHMA also heard from witnesses concerning the following elements of the BAA:

1. From Commissioner Greshin, \$500,000 of GF for transportation services for DCF to transport people to hotels when needed and \$500K for rapid rehousing.
2. From Commissioner Brown, \$5 Mil for a rental risk pool, to compensate property owners who participate in the program to house as many housing unstable Vermonters as possible and whose property is damaged during tenancy.
3. From the Executive Director of VHFA, the transition of \$9 Mil of ARPA funds appropriated in 2021 for the purpose of being used for weatherization to \$9 Mil of GF, as proposed. Given that Treasury guidance changed on the use of ARPA funds for this purpose, this change was requested.
4. We received information from Rep. Fagan regarding the proposal for adjustment to the budget for the Vermont Veterans Home. Rep. Fagan testified for the Committee and explained the need for the adjustment. The Committee inquired if ARPA funding was available for certain elements of the budget adjustment (equipment) and advocate for their usage if available.

GHMA supports these proposals.

Again, we appreciate the opportunity to weigh in on these proposals. Please do not hesitate to reach out with questions.

With Respect, and on behalf of the Committee,

Rep. Tom Stevens
Chair