



Testimony for VT Habitat for Humanity Affiliates
to the House General & Housing Committee

April 7, 2023 9:00am

Testimony from Central VT Habitat for Humanity

Zachariah Watson, Executive Director

Hello and Thank you very much, Chair Stevens, Vice Chair Chestnut Tangerman, and the other members of the House General & Housing committee for giving the VT Habitat for Humanity affiliates the opportunity to come and speak with you.

My Name is Zachariah Watson, I am the executive director for Central Vermont Habitat for Humanity. I am joined today by Alison Johnson from Green Mountain Habitat for Humanity, Rebekah Stephens from Rutland Habitat for Humanity, and Cindy Luce from Bennington Habitat for Humanity. They will each speak for a couple minutes about the work they are doing in their communities around the state. Members from the Upper Valley, Greater Springfield, and Addison County Habitat for Humanity affiliates were not able to join us today.

Beyond a handful of other people, you are looking at around half of the paid Habitat for Humanity staff across the whole state. Our organizations are powered by volunteers. As you will hear later today from the house floor resolution, since 2010, 23,903 volunteers have devoted 317,321 hours to build, rehabilitate or recycle 112 housing units for homeownership, and repaired an additional 101 housing units. Our homes are built by, and able to remain affordable for our homeowners because of our volunteers.

Habitat for Humanity, is a 501(3) affordable housing non-profit. Not only are we one of the largest and most recognizable household names for affordable housing in VT and across the world, thanks in no small part to the work of Jimmy Carter, but we also have a very effective model which builds community and helps lift people out of poverty.

When Millard and Linda Fuller started this organization in 1979, they took it upon themselves as their Christian mission to provide homeownership opportunities for people in need of shelter who would otherwise not qualify for a traditional mortgage. Their model was simple.

1. Partner with low income people who are in need of housing
2. Use donations, donated materials and volunteer labor to keep the cost of construction low
3. Offer a 0% interest mortgage which is affordable, less than 30% of their household income.

4. Recycle the mortgage payment back into the homeownership program to build more houses for homeownership.

This is the same model that all Habitat for Humanity affiliates use today. All affiliates also have the same requirements for who we partner with for our homeownership program.

Homeowners must;

1. Have a household income of 30-80% of the area median come based on their household size
2. They must live and or work in our service area
3. They must be in need of housing
4. They must be willing to partner by helping to build their home.

Our focus is on homeownership. Our program is a hand up, not a hand out. Our partner homeowners help build their homes, they pay a monthly mortgage which includes insurance and property taxes, and as a result they are able to build their own wealth with every mortgage payment that they make, and even benefit from a portion of the appreciated value of their homes. It is probably no surprise to you to hear that the largest financial asset for Americans is their home. We believe that homeownership is a path for people to get out of poverty.

Many people know that we build homes working with volunteers, but may not realize that we are also non-traditional mortgage lenders and that some of us originate and service our own mortgages which plays a big role in how we are able to offer affordable mortgages to income sensitive Vermonters. We often times provide our own mortgage subsidy for our homes, which we refer to as a silent mortgage. We also benefit from mortgage subsidies from the VT Housing and Conservation Board, which guarantees that our homes are perpetually affordable through resale restrictions and shared appreciation. Our Habitat for Humanity Subsidy, as well as the VHCB mortgage subsidy, reduce the mortgage amount from the appraised value down to an amount, usually between \$100,000-\$140,000.00, to where the monthly mortgage payments are affordable for our partner homeowners.

We do not have any specific asks for you today. We will tell you about our work around the state and challenges we are experiencing when it comes to building affordable homeownership opportunities. We hope that you will find opportunities within S. 100, or other housing bills, to help address some of the challenges we are experiencing so that we can build more houses, more quickly for affordable homeownership. We would be happy to come back at a later date to give more details.

In Central Vermont, which include Washington and Orange Counties. We are currently building a duplex in Randolph. We operate a summer home repair program. We will be building a home in Barre City next year and received a missing middle grant to support the construction of that home. We are also at the tail end of a feasibility study for a 115 unit mixed income new neighborhood development on Northfield st. in Montpelier.

In addition to VHCB's mortgage subsidy program, we are also starting to explore utilizing homeownership tax credits through the VT Housing and Finance Authority.

The challenges that we are experiencing right now for our programs have to do primarily with added costs from the state. Here are 5 examples of how the state can reduce permitting fees to help support the construction of affordable homeownership opportunities in VT.

1. Despite being an affordable housing non-profit we are not exempt from property taxes while we are building our homes, which clearly falls within our non-profit mission. We usually hold onto and construct a house within two-three years. This can easily be around \$3,000 per project. **We would love to be exempt from paying property taxes while we are building our homes.**
2. We also pay a percentage of what is costs to build our homes to obtain a **State Construction Permit**. For the duplex in Randolph, we will probably pay over \$3,000.
3. We will also need to pay for a **State Wastewater Permit**, just to connect to municipal water and sewage, which will cost another \$870. This is in addition to over \$4,000 that we paid for a water allocation with the town.
4. This one is small but, when you are trying to build affordable housing, every little bit can have a big impact. We are now required to pay \$200 bi-annually for the **Residential Contractor** registry.
5. We only require a \$500 down payment for our homeowners, but closing costs are starting to get really high which is becoming another barrier for our homeowners. Our homeowners will pay around \$1,500, or a total of \$3,000 for a duplex in **Property Transfer Taxes**, despite that they received a VHCB mortgage subsidy, which is paid for by the property transfer tax. This is cyclical and doesn't make sense.

All of these fees equate to around \$10,000 per project. Which can amount to approximately 5% our total out of pocket construction expenses for our homes, which is significant. While we could always use more money to support our work, we also think that the state could just as easily exempts us from these fees and save us \$10,000.

Testimony Green Mountain Habitat for Humanity

Alison Johnson, Director of Development

My name is Alison Johnson from Green Mountain Habitat for Humanity. Our Habitat affiliate serves Chittenden, Franklin, Grand Isle, and Lamoille Counties. Since 1984, we have built 112 Habitat homes and helped hundreds of Vermont families become Habitat homeowners. Currently we are in different phases of building in Shelburne, Colchester, Burlington, South Burlington, Hinesburg, Underhill, Swanton, and Morrisville. I'm here today to share with you the importance of affordable housing and homeownership within the state of Vermont and its positive impacts on our communities. Evidence shows that families who live in unsafe, overcrowded, and expensive rentals often face difficult choices between having to purchase food or go to the doctors, or paying their rent. Children living in these same conditions tend to

struggle more in school and may experience more mental health challenges. Families who are living in unstable and insecure rental properties are not as engaged in their communities and often will not vote in elections.

However, families who become Habitat homeowners become more independent and secure in their future. They can begin to build equity in their home which allows them to create generational wealth for years to come. Their children feel safer and more secure knowing that they won't have to move to a new place, and a new school, when the rent increases. Families begin to see a bright future for themselves and their children.

It's an American tradition to create a better future for those that come behind us, and the impact affordable homeownership has on generations of Vermont families, as well as the communities we live in, is immense. While we are all thankful for the affordable rental housing we have in Vermont, it is subsidized and will eventually be a drain on the state over time. But building affordable homes for Habitat homeownership has long-term sustainability. Because Habitat affiliates receive no funding from Habitat for Humanity International, we must raise these much needed funds in our communities. While this is certainly a challenge for all of us, we also see it as an opportunity to reach deeper into our communities and to have more conversations with our legislators, to raise more awareness around this very important mission of providing opportunities for low-income, hardworking Vermont families

Testimony Rutland Habitat for Humanity:
Rebekah Stephens Executive Director

"The answer to Vermont's housing crisis is affordable long-term homeownership opportunities. Affordable home inventory needs to be increased. Habitat for Humanity affiliates must secure funding for each affordable home we build. A sustainable funding source would allow us to build faster. Thank you."

Bennington Habitat for Humanity
Cindy Luce, Executive Director

Homeownership that is affordable is a paramount piece to resolving the housing crisis and VT needs to embrace and support it.

Our affiliate is currently building houses #33 & 34 in Manchester, as well as, accepting applications for our next two homebuyers.

One of our biggest challenges at the moment is finding qualified buyers. I am looking to partner with another organization or two in our area that might help with this. We mailed out 130 applications last month and to-date only 6 have been returned. I'm not sure if they are too overwhelming or complicated or if people are realizing after receiving them they probably wouldn't qualify. If anyone has any ideas please stop by our table out in the card room.