

Achieving efficiency with equity

Outlook for affordable housing



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Balancing goals



Vermont is in the midst of an affordable housing crisis, with one of the highest rates of homelessness in the nation.



As Vermont attempts to rapidly bring new affordable homes online, project costs have increased 40% over the last five years due to material prices and labor constraints.



Housing funders must balance the goals of:

- 1) Building more affordable housing**
- 2) Incentivizing highly efficient construction to reduce GHG emissions**
- 3) Mitigating operating costs for building owners and utility costs to residents.**

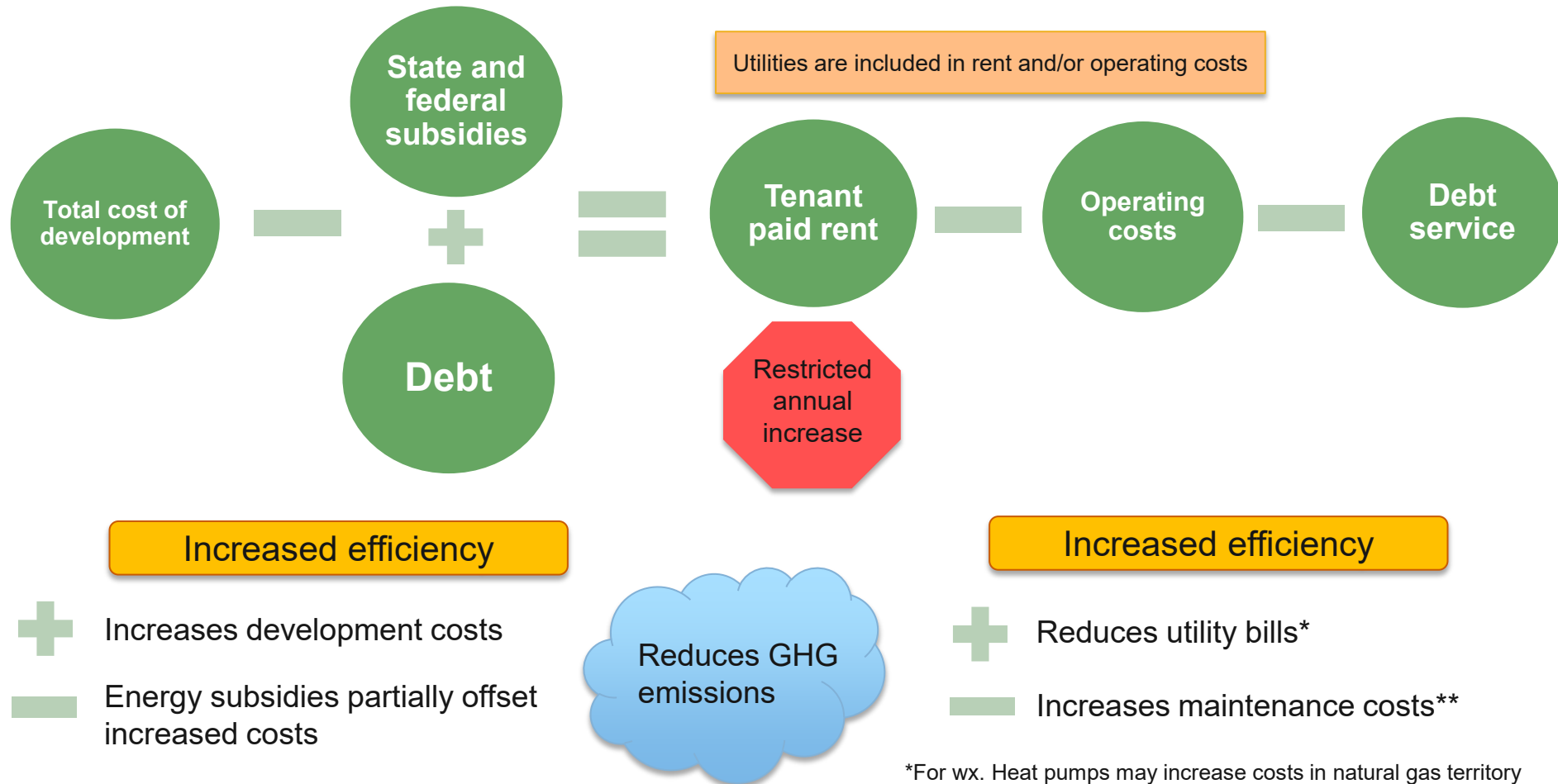
Renter comparison



Vermont renters	Renters in subsidized affordable housing
81,849 households	14,670 apartments (18% of VT renters)
Median household income: \$45,289 (ACS 2023)	Median household income: \$16,800 (2024 HNA, LIHTC units)
77% pay for at least some utilities in rent	Rents include utilities (almost always heat) or consider cost of utilities in affordable rent calculation
Split incentive challenge	<i>Complex incentive environment</i>

Where do efficiency costs go?

Developer needs to design a project that *pencils out*



*For wx. Heat pumps may increase costs in natural gas territory

**For heat pumps, compared to gas boiler

Assessing costs of High-Performance design



*O'Brien Farms in South Burlington,
under construction*

Costs of High-Performance design in multifamily affordable housing (per unit)

Estimated average cost of energy efficiency driven construction	\$62,000
Average EEU incentives for High-Performance track	- \$3,700
Estimated average net additional cost	\$58,300
<i>Total net costs in average new development</i>	<i>\$1.8 million</i>

Competitive funding approach to reaching climate goals

Climate-friendly features that VHFA's Qualified Allocation Plan (QAP) requires or incentivizes for tax credit awards to new affordable housing projects:

- High Performance Building Design
- Location in downtown, village center or targeted growth area
- Public Transportation within 0.5 miles
- Property Remediation
- Advanced building certification (ex. Passive House or Net Zero)



French Block, Montpelier

Framework to encourage emissions reductions in affordable housing



- ✓ Think beyond direct energy use of building
- ✓ Incentivize heating with electricity
- ✓ Leverage available federal resources
- ✓ Resources should be highly income-sensitive to serve very low-income residents
- ✓ Incentives must reduce up-front project costs or reliably reduce long-term operating costs
- ✓ Long-term operating cost reductions must offer tangible benefit to building property owner