

To: Marc Mihaly, Ashley Bartley
From: Shaun Gilpin
Date: 2-26-2025
Subject: Considerations on VHIP

Chair Mihaly, and Vice Chair Bartley

Thank you for your committee's continued interest in the Vermont Housing Improvement Program and working with us to ensure this important program continues to be successful. As noted by Commissioner Farell, our team has been considering how best to continue this program in a way that helps address immediate needs while also being forward looking and holistic about the larger housing ecosystem.

VHIP is, at its core, a unit creation program. It was originally designed to address the lack of available units that met HUD's minimum housing quality standards. The lack of units meeting this standard continues to be a challenge for Vermonters. Even those who have braved the years-long waiting lists and have federal rental vouchers in hand struggle to find places where they can utilize that assistance. Over the past several years, this has resulted in many vouchers being mandatorily reassigned or sent back to the Federal government. In most cases, these households end up in unhealthy, unsafe or overcrowded housing situations – or find themselves homeless. VHIP's 10-year affordability commitment requires these minimum quality standards be met so that rent assistance voucher holders can occupy and afford these units.

I provide this context to underscore that the immediate results of VHIP include, in addition to raising people out of the most dire situations, ensuring that more of the vulnerable households in our State avoid the deleterious trauma of becoming homeless in the first place and are given a level of stability to improve their quality of life. In the medium and long term, this program results in more units available generally, which is essential to improve the health of our housing market writ large. We have worked over the last five years to carefully craft VHIP to address this spectrum of service and are eager to continue that trajectory by providing manageable service options for the private property owners with whom we partner.

Department staff and our Homeownership Center partners (essential elements in administering this program) share the fear that requiring a homelessness service component for both the 5-year and 10-year VHIP options removes any reason for a property owner to commit to the longer 10-year affordability requirement. This would likely result in significantly less program uptake and reducing the number of units VHIP ultimately brings online. Some considerations include:

- There are no support services inherently attached to VHIP units. The property owners are not trained in social service provision or other best

practices with addressing the needs of households rising out of homelessness.

- These are “scattered site” projects, making provision of services much more difficult than providing such with our subsidized housing projects. And, indeed, no housing development funding program requires 100% utilization by households leaving homelessness.
- The underlying infrastructure is often insufficient to take someone exiting homelessness and place them in a fully self-sufficient unit without additional services. Therefore, there is a naturally limited supply of landlords that can be successful with the 5-year option, and artificially increasing the number of landlords participating will lead to enforcement issues:
 - Landlords may accept VHIP funds because they are the only available resource for development at this scale, but not be truly equipped to serve a higher-need tenant, which can result in evictions, failing to comply with the program requirements by leasing to a non-qualifying tenant, or returning program funds prior to the culmination of the affordability term.

The Department staff and our partners are proud of the progress VHIP has made in housing our most vulnerable neighbors – more than 400 households that were homeless or precariously housed are now safely residing in a VHIP unit, with more on the way. We are, however, quite sensitive to the concerns voiced that as the program matures, that the proportion of property owners opting to serve homeless Vermonters will dwindle to nothing.

To that end, the Housing Team would like to propose that the 5-year and 10-year options remain as designed and that we identify the appropriate minimum dollar amounts going to each option. This could be accomplished via additions to the program’s Administrative Policy committing to the following:

- DHCD shall consult with AHS, VHCB, VSHA, the HOCs, and the Coordinated Entry Organizations to establish an appropriate minimum dollar set-aside for the 5-year program track. *For example, for the 2026 allocation, DHCD shall set aside a minimum of 30% of funding for the 5-year track.*
- DHCD and program partners shall re-evaluate set-aside annually to ensure a balance of efficiently bringing units online, serving the appetite of prospective landlords, and ensuring a steady flow of 5-year units that will serve individuals exiting homelessness.
- If after 1 year a portion of the set-aside goes unused, DHCD may release those funds for use in the 10-year track.

Making these commitments to program proportionality in our Administrative Policy would allow for the flexibility to meet evolving needs and regional differences in such a way that maintains nimbleness in the program.

Such a statutory update could take the following form:

10 V.S.A. § 699. Vermont Rental Housing Improvement Program

a. Creation of the program.

(6) Annually, the Department shall establish a minimum allocation of funding set aside to be used for 5-year grants or forgivable loans to serve eligible households pursuant to section §699 (e). Remaining funds may be used for either 5-year grants or forgivable loans, or 10-year forgivable loans pursuant to §699 (f).

- (i) The Department shall consult with the Agency of Human Services to evaluate factors to establish the amount of the set aside, including but not limited to: the availability of housing vouchers; the current need for housing for eligible households; the ability and desire of landlords in to house eligible households; the support services available for landlords; and the prior uptake and success rates for participating landlords.
- (ii) The Department shall annually publish the amount of the set aside on its website.
- (iii) Any funding from the set aside not utilized after one year shall become available for 10-year forgivable loans.

I will gladly discuss these and other thoughts and lessons learned about the first five years of an evolving VHIP. Our non-profit housing partners, homeless service providers, and the growing group of property owners committing to solving Vermont's housing crisis are all eager to see VHIP strengthened and supported as an essential part of that mission.

Thank you again for your interest and your service.

Sincerely,

Shaun