

MEMO

To: Sen. Alison Clarkson, Chair, Senate Economic Development, Housing & General Affairs Committee
From: Erhard Mahnke, Retired, Outreach Representative & Housing Policy Advisor, Office of Sen. Bernie Sanders & Former Coordinator, Vermont Affordable Housing Coalition
Date: April 4, 2025
Cc: SEDHG Committee Members, Sen. Phil Baruth, Sen. Andy Perchlik
Re: VHCB Funding & Senate Housing Bill

I reviewed your committee housing bill with interest and applaud the initiatives you have included. If enacted, they should help us continue to make significant headway on our severe and ongoing affordable housing crisis. Thank you for this ongoing important work.

I was disappointed, however, not to see included in the original bill **an appropriation for *permanently affordable* housing through the Vermont Housing and Conservation Board (VHCB)**. Your counterparts in the House included **\$27 million on top of statutory VHCB funding** in their bill before House Appropriations stripped it out and reduced it to \$5 million in the House-passed Big Bill. As you continue to work on housing, I would urge you to support at least \$27 million for VHCB, especially given your support for \$30 million for middle income housing. A few points to support my request:

- **Primarily, the state's housing crisis is one of housing affordability and availability for those least able to afford market rate housing without a subsidy.** While the crisis has increasingly affected middle-income residents over the last several years, it remains most acute for our lowest income working families, seniors and people with disabilities living on fixed incomes, as well as our unhoused neighbors.
 - According to the latest analysis by the National Low Income Housing Coalition (NLIHC), Vermont has 20,551 extremely low-income renter households.¹
 - Their incomes are at or below the poverty guideline or 30% of the HUD Area Median Income (AMI) -- \$33,960 for a four-person household.²
 - We have a shortage of 10,912 affordable and available rental homes for these households alone.
 - Fully 72% are *severely* cost burdened, meaning they spend more than half of their income on housing.³
 - They can afford only \$849 a month for rent and utilities⁴ while the average HUD Fair Market Rent for a two-bedroom apartment in Vermont is close to twice that at \$1,530 a month.⁵
 - These folks are thus more likely to sacrifice other necessities to pay the rent and to experience unstable housing situations like evictions and homelessness.
 - For people living on disability income, the situation is even more dire: they can afford a mere \$300 a month on rent and utilities while the average HUD Fair Market Rent for a one-bedroom apartment is \$1,206 a month, fully four times what they can afford.⁶
- **Do we need so much subsidy for middle-income housing?** Middle-income housing does not serve those with the largest affordability gaps. Middle-income housing will not move people out of motels.

- Vermont's middle-income housing programs are available to households at up to 150 percent of HUD AMI,⁷ which is now \$169,800 a year statewide for a four-person household.⁸
 - These folks can afford monthly rent and utilities of \$4,245, or a home selling for \$507,500, assuming \$39,228 for downpayment and closing costs.⁹
 - They may have trouble finding housing, but in most areas of the state they can certainly afford the statewide median-priced home at \$358,000, \$505,000 in Chittenden County.¹⁰
 - As it is, with \$30 billion a year in tax expenditures going mostly to higher-income homeowners, they are already the primary recipients of one of the largest federal housing subsidies in the form of the mortgage interest deduction.¹¹
 - By contrast, Income Limits for VHCB Rental Housing are below 100% of HUD AMI (state average \$113,200 annually), but primarily below 80% (\$90,560) -- and mostly below 50% (\$56,600) and 60% (\$67,920), as well as some below 30% (\$33,960).
 - Income limits for VHCB Homeownership are up to 120% (\$135,840), but primarily below 100%.
- Thanks to your committee's good work, the last several years have brought great progress on reforming the state's land use regulations to ease the path for housing production. But **without increased VHCB capital subsidies to create workforce housing for low- and moderate-income Vermonters, regulatory reform alone will do little to ease their housing challenges**, let alone provide housing for our ever-increasing numbers of unhoused Vermonters.
 - Given current construction costs, market-rate housing without subsidy will not create affordability for service sector workers.
 - Vermonters earning 60% of AMI, the income limit for the federal Low Income Housing Tax Credit program, can afford rent and utilities of \$1,330-1,546 depending on county.
 - Occupations at this income level include jobs like maintenance workers, cashiers, cafeteria workers, early childhood educators, bank tellers, healthcare support staff, home health aides, bookkeepers, construction workers, and cleaning staff, to name just a few.
 - Maximum affordable homeownership price at this income level is \$157,500 - \$184,000.
 - **Investing in permanently affordable housing through VHCB locks in the public subsidy forever**, not just for five, ten, fifteen, twenty, or even thirty years. With limited funding, permanent affordability gets the most out of the resources we have by investing in both the present and the future. Public dollars should not create assets for private wealth. Instead, they are best used to create long term community assets.
 - Developments like Northgate Apartments, whose 336 affordable homes were preserved with VHCB assistance 35 years ago, continue to provide quality affordable housing for seniors, low-income working families, and New Americans today.
 - Resident-owned and controlled by the Northgate Residents' Ownership Corp., at 336 units Northgate remains the single largest affordable housing development in the state.
 - Developed in the late 60's by a private sector developer using legacy HUD program funding, it was in danger of flipping and displacing 100's of low-and extremely low-income families when the owner was eligible to pre-pay their HUD mortgage and do away with all affordability requirements.
 - Northgate was saved as permanently affordable housing and comprehensively renovated in 1990 through a \$20 million investment in public funds and tax credits, including \$3 million from VHCB.¹²

- At a current estimated development cost of \$534,000 a unit, it would cost an estimated \$180 million to replace Northgate today.¹³
 - Market rate one-, two-, and three-bedroom rents in the Burlington area are currently roughly \$1,800, \$2,400, and \$2,600+ a month, respectively.¹⁴
 - By contrast, Northgate’s highest, “market rate” rents are less than half that at \$813, \$936, and \$1,175, respectively.¹⁵
- Like Northgate, **VHCB-funded shared equity homes are proven to remain affordable from one generation of low- or moderate-income homeowners to the next**, making the dream of homeownership a reality for Vermonters who may otherwise have been relegated to a lifetime of renting.
 - Pioneered by the Champlain Housing Trust and affordable housing nonprofits throughout the state and country, in return for an initial public subsidy, shared equity homeownership provides each successive generation of homeowner with a percentage of market appreciation, principal reduction, and credit for certain capital improvements, thus making its resale price trend significantly below market over time.¹⁶

At a time when pandemic era housing investments have run their course and federal capital housing investments may no longer be reliable, Vermont must continue to invest whatever it can in VHCB to keep making headway on the affordable housing crisis for the lowest income Vermonters. While Vermont can’t fill the budget gaps left by the withdrawal of federal funds, as federal policy changes shift resources from lower income Americans to higher income households, lawmakers can prioritize using state dollars to address the needs of those households who will be most hurt by the actions of the federal government.

Thank you for your time and consideration!

¹ National Low Income Housing Coalition (NLIHC), “Vermont State Data Overview”: <https://nlihc.org/housing-needs-by-state/vermont>

² NLIHC, “Vermont State Data Overview”: <https://nlihc.org/housing-needs-by-state/vermont>

³ NLIHC, “Vermont State Data Overview”: <https://nlihc.org/housing-needs-by-state/vermont>

⁴ Housing is considered unaffordable if a household pays more than 30 percent of income.

⁵ NLIHC, 2024 “Out of Reach” report: <https://nlihc.org/oor/state/VT>

⁶ NLIHC, 2024 “Out of Reach” report: <https://nlihc.org/oor/state/VT>

⁷ Vermont Housing Finance Agency (VHFA), Middle-Income Homeownership Development Program: <https://vhfa.org/developers/programs/MIHDP> & Rental Revolving Loan Fund: <https://vhfa.org/developers/programs/rrlf-cha>

⁸ HUD FY 2024 Median Family Incomes for States: <https://www.huduser.gov/portal/datasets/il/il25/FY25-Median-Attachment-State-Medians.pdf>

⁹ VHFA, Housing Data Website: <https://housingdata.org/toolbox/calculator>

¹⁰ VHFA, Housing Data Website: <https://housingdata.org/profile/homeownership-costs/primary-home-sales>

¹¹ Joint Committee on Taxation, “Estimates of Federal Tax Expenditures For Fiscal Years 2022-2026”, December 2022, <https://www.jct.gov/publications/2022/jcx-22-22/>

¹² Northgate Residents’ Ownership Corp., “The Northgate Success Story”: <https://www.northgateapartmentsvt.org/custompage.aspx?sectionid=284565> & “Northgate History”: <https://northgatehistory.org/>

¹³ Maura Collins, VHFA, “Vermont’s Housing Needs,” SEDHG Committee, January 17, 2025, <https://bit.ly/3XQo246>

¹⁴ Based on Internet search for average Burlington area rents, 3/13/25

¹⁵ 2025 Northgate rent schedule, received privately from Maloney Properties, 3/13/25.

¹⁶ Champlain Housing Trust, “What is Shared Equity Homeownership,” <https://www.getahome.org/homes/> & <https://www.getahome.org/innovation/>