

2017 Vermont Housing Budget and Investment Report



This page left intentionally blank

TABLE OF CONTENTS

Contents

Acknowledgments:.....	3
I. Introduction.....	4
The Vermont Housing Council	5
II. Vermont Housing Budget	5
Federal Funding for Housing Development	6
State Funding for Housing Development	6
State Funding for Housing Assistance.....	7
Federal Funding for Housing Assistance.....	8
Cooperation among Housing Organizations	8
Geographic Distribution	9
Housing Budget Tables	10
TABLE I: State Funding for Housing Agencies for Development.....	11
TABLE II: Federal Funding for Housing Agencies for Development	12
TABLE III: State and Federal Funds and Private Equity for Housing Development	13
TABLE IV: State and Federal Funds for Housing Assistance and Subsidies	14
III. Housing Investment Plan.....	15
Consolidated Plan Funding.....	15
Vermont Community Development Program.....	15
National Housing Trust Fund.....	16
HOME Investment Partnerships Program	16
Emergency Solutions Grant	17
Areas with Greatest Housing Shortages	17
Targeting Investments	18
Results of Investments.....	21
IV. Recommendations.....	23

Acknowledgments: This report was developed by the Department of Housing and Community Development (DHCD, or “Department”), with input from the Vermont State Housing Authority (VSHA), Vermont Housing and Conservation Board (VHCB), Vermont Housing Finance Agency (VHFA), Vermont Agency of Human Services (AHS), and DHCD’s Vermont Community Development Program

The Department thanks the members of the Vermont Housing Council for their advice in the preparation of this report. Established by Executive Order, the Vermont Housing Council coordinates and oversees implementation of the State's housing policy, evaluates housing services and initiatives, and serves as a resource to housing providers in their efforts to supply decent and affordable housing to Vermonters.

This report was written by Arthur Hamlin, DHCD Housing Program Coordinator. Data for the Housing Budget tables was provided by Cindy Blondin, DHCD Grants Specialist, Larry Mires VHCB Administrative Officer; Leslie Black-Plumeau, VHFA Policy and Planning Manager, Richard Williams, VSHA Executive Director, and Angus Chaney, AHS Director of Housing.

I. Introduction

24 V.S.A. §4498, Housing Budget and Housing Investment Reports, directs the Commissioner of the Department of Housing and Community Development (DHCD) to:

- (1)** Create a **Vermont housing budget** designed to assure efficient expenditure of State funds appropriated for housing development, to encourage and enhance cooperation among housing organizations, to eliminate overlap and redundancy in housing development efforts, and to ensure appropriate geographic distribution of housing funds. The Vermont housing budget shall include any State funds of \$50,000.00 or more awarded or appropriated for housing. The Vermont housing budget and appropriation recommendations shall be submitted to the General Assembly annually on or before January 15. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the recommendations to be made under this subdivision, and the report shall include the amounts and purposes of funds appropriated for or awarded to the following:
- (A) The Vermont Housing and Conservation Trust Fund.
 - (B) The Agency of Human Services.
 - (C) The Agency of Commerce and Community Development.
 - (D) Any other entity that fits the funding criteria.
- (2)** Annually, develop a **Vermont housing investment plan** in consultation with the Vermont Housing Council. The housing investment plan shall be consistent with the Vermont consolidated plan for housing, in order to coordinate the investment of State, federal and other resources, such as State appropriations, tax credits, rental assistance, and mortgage revenue bonds, to increase the availability and improve the quality of Vermont's housing stock. The housing investment plan shall be submitted to the General Assembly, annually on January 15. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the plan to be made under this subdivision, and the plan shall:
- (A) target investments at single-family housing, mobile homes, multi-family housing, and housing for homeless persons and people with special needs;
 - (B) recommend approaches that maximize the use of available State and federal resources;
 - (C) identify areas of the state that face the greatest housing shortages; and
 - (D) recommend strategies to improve coordination among State, local, and regional offices in order to remedy identified housing shortages.

This report includes:

- ✓ The Vermont Housing Budget: State and Federal funds exceeding \$50,000 awarded or appropriated for housing development in 2017, and combined State and Federal funds for housing development and housing assistance and subsidies;
- ✓ The Vermont Housing Investment plan which considers areas of the state that face the greatest housing shortages and describes planned investments in single-family housing, mobile homes, multi-family housing, housing for homeless persons, and housing for persons with special needs;
- ✓ Recommendations for approaches that maximize the use of available State and federal resources and strategies to improve coordination among State, local and regional housing providers to address identified housing shortages; and
- ✓ Organizational Chart of State Housing Agencies in Vermont.

The DHCD is committed to having a lead role in coordinating housing policy through the Vermont Housing Council and the development of the HUD Consolidated Plan. While DHCD has direct administrative oversight of some funding programs that have housing components, such as the Community Development Block Grant program (CDBG), its purview over many other sources of housing funding is limited by statute and federal regulations. DHCD relies on strong working relationships with the other housing organizations in the state to assure the efficient expenditure of all State and federal funds provided for housing development.

The Vermont Housing Council

The Vermont Housing Council¹ was originally established by Executive Order in 1995 to coordinate and oversee implementation of the State's housing policy, to evaluate housing services and initiatives, and to be a resource to housing providers in their efforts to supply decent and affordable housing for Vermonters. The current membership of the Housing Council was established in Executive Order 08-11 which also recognized that reductions in federal housing funds, and increasing fuel prices would put pressure on limited State resources for housing, and require investment in energy efficiency and renewables.

DHCD provides staff support and facilitates the Housing Council's bi-monthly meetings.

The standing members of the Housing Council are:

The Department of Housing and Community Development; Vermont State Housing Authority; Vermont Housing Finance Agency; Vermont Housing and Conservation Board; Agency of Human Services; Vermont Association of Public Housing Directors; USDA Rural Development; U.S. Department of Housing and Urban Development (HUD); Fire Safety Division of the Department of Public Safety; and the Division for Historic Preservation. In addition, the Governor appoints representatives of a statewide non-profit housing developer, a regional non-profit housing provider, a private sector housing provider, and a low-income advocate to the Council for two-year terms.

II. Vermont Housing Budget

The State's funding resources for affordable housing development and rental assistance resides primarily in five agencies: The Department of Housing and Community Development (DHCD) of the Agency of Commerce and Community Development, the Vermont Housing and Conservation Board (VHCB), the Agency of Human Services (AHS), the Vermont Housing Finance Agency (VHFA) and the Vermont State Housing Authority (VSHA). In addition to these statewide organizations, affordable housing projects and services in Vermont are largely provided by a decentralized group of local, regional, and state affordable housing developers and non-profit community based organizations that cover the entire state. A few of the largest being Housing Vermont, Champlain Housing Trust (CHT), Windham and Windsor Housing Trust (W-WHT), Downstreet Housing and Community Development, Rural Edge, and the Housing Foundation Inc.

¹ http://governor.vermont.gov/boards_and_commissions/housing
VT Dept. of Housing and Community Development

As shown in Table III on page 13, in 2017 combined State and federal funding and private equity for affordable housing **development** (e.g. “bricks and mortar”) administered by VHCB, DHCD, and VHFA totaled approximately \$57.5 million, with tax credit equity of \$38.5 million, leveraged by approximately \$4.8 million in federal and State affordable housing tax credits, providing two-thirds of this amount.

State funding for housing development agencies was comprised of approximately \$8.9 million primarily consisting of property transfer tax revenue awarded to VHCB. (Table I on page 11) Federal funding for housing development agencies totaled approximately \$11.7 million awarded to VHCB and DHCD. (Table II on page 12) In addition, there is considerable State and federal funding for the ongoing operations of affordable housing developments, in the form of ongoing rental assistance (subsidy). Combined State and federal funding for housing assistance and subsidies was \$88.8 million. (Table IV on page 14) The majority of this was comprised of almost \$57.9 million of federal project and tenant-based rental assistance (Section 8).

The largest financial resource and routinely the largest funding component of any given affordable rental housing project are provided by Federal Housing Credits administered by the VHFA in accordance with the State’s Qualified Allocation Plan (QAP). Vermont’s allocation of federal credits in 2017 was \$2.72 million (for 10 years), generating approximately \$24 million in equity. In addition, VHFA awarded another \$1.26 million in “bond credits” which are issued in conjunction with VHFA tax-exempt bonds, which generated approximately \$10.9 million in private equity. (Table III on page 13)

Federal Funding for Housing Development

The most common federal resources brought to projects include two federal Department of Housing and Urban Development (HUD) sources: Home Investment Partnership Program (HOME), which is currently administered by VHCB, and Community Development Block Grant (CDBG), which is administered by DHCD under the program name the Vermont Community Development Program (VCDP). In addition, in 2017 Vermont received \$3 million from HUD in National Housing Trust Fund dollars, administered by VHCB for affordable housing development. Together in 2017, these totaled approximately \$10 million. (Table II on page 12) VCDP funds are available to all municipalities in the state except Burlington. Burlington is Vermont’s only “entitlement community” and receives CDBG funds directly from HUD.

Other federal resources which are targeted to specific housing types include HUD 202 (housing for the elderly), Rural Development 515 (multi-family rental housing production), HUD’s Lead Paint and Emergency Solutions Grant (ESG), and HOPWA (Housing Opportunities for Persons with AIDS). Another resource in many affordable housing projects is the Federal Home Loan Bank of Boston’s Affordable Housing Program.

State Funding for Housing Development

The primary State resource for housing development comes from a portion of the property transfer tax which by statute² is dedicated to VHCB. In FY 2017 VHCB received

² <https://legislature.vermont.gov/statutes/section/10/015/00312>

approximately \$8.6 million in dedicated funds to support housing development from the property transfer tax and the capital bill. This is the only direct State funding that supports the costs of building affordable housing units. (Table I on page 11 and Table III on page 13)

In FY 2017, the Federal Housing Credits were supplemented with an allocation of \$825,000 of 5-year State Housing Tax Credits which generated a total of approximately \$3.7 million in equity. Of these State credits, VHFA used \$400,000, generating approximately \$1.78 million in private equity, to support loans for multi-family housing projects in conjunction with the allocation of Federal Housing Credits.

VHFA used the other \$425,000, generating approximately \$1.94 million in private equity, to support funding programs for homeownership opportunities supporting mobile home replacements, down payment assistance for new, rehabilitated and converted homes, and to eligible first-time homebuyers (Table III on page 13). This includes an increase of \$125,000 provided by Act 51 of 2015 for VHFA's Down Payment Assistance Program for first-time home buyers for a period of seven years (State Fiscal Years 2016 - 2022), and CHT's Mobile Home Down Payment Assistance Program, which provides zero percent deferred second mortgages to purchase new efficient manufactured homes in mobile home parks or on owned land. CHT's program is administratively supported (through 2019) by State General Funds awarded to DHCD by the Legislature in 2012.

Two programs administered by DHCD that offer less direct sources of State financial support for affordable housing include the Charitable Housing Investment Tax Credit, and the Downtown and Village Center tax credit available for historic façade and code improvements which is frequently used for upper floor housing, including affordable housing, in our downtowns and village centers. DHCD also administers the federal Historic Tax Credit, which can be a sizable source of funding for some multi-family affordable housing projects in historically significance properties.

Act 85 of 2017 created a new source of funding for affordable housing in Vermont – the Housing for All Revenue Bond (HRB) – to be administered by VHCB. VHCB will award the HRB proceeds (estimated at \$34 million) in the form of grants and loans over three years. The Act directs the first \$2.5 million of the state's property transfer tax revenue, annually for twenty years, to the Vermont Housing Finance Agency for debt payment on bonds to be issued by the Agency. The proceeds of the bond will be transferred to VHCB to fund the development and rehabilitation of owner-occupied and rental housing for Vermonters with very low to middle-incomes. HRB funding will become available in FY 2018 and will be included in next year's report.

[State Funding for Housing Assistance](#)

Approximately \$14 million in State general fund dollars and \$7 million in Global Commitment and special funds support programs of the departments of AHS to assist in supporting their clients' housing needs. The largest of these include; Temporary Housing/General and Emergency Assistance, Corrections Transitional Housing, the Support and Services at Home (SASH) Program, and Housing Opportunity Program (HOP) grants.

AHS's programs serve the lowest income, most vulnerable Vermonters. Should these families and individuals not be able to access housing in their community that is affordable to them, the alternative in many cases would be institutionalization or homelessness. The avoided costs of those alternatives are substantial. AHS' [*The Value of Stable Housing*](#) report (2015) documented reductions in emergency service and health care utilization and expenditure among formerly homeless families who received a state-funded rental subsidy.

Federal Funding for Housing Assistance

VSHA administers almost \$58 million of project and tenant-based rental assistance throughout the state of Vermont, and manages numerous affordable housing projects on behalf of a separate non-profit organization, the Housing Foundation Inc. This diverse program includes the Section 8 Housing Choice Voucher program with an assortment of incentives and housing alternatives such as Family Self-Sufficiency, Homeownership, Family Unification, Mainstream Housing Opportunities, Veterans Affairs Supportive Housing and Project-Based Initiatives.

VSHA also administers a Section 8 Moderate Rehabilitation program and the rental assistance component of a Housing Opportunities for Persons with Aids (HOPWA) grant provided to VHCB. VSHA, in conjunction with VHFA, is HUD's Contract Administrator on project-based Section 8 units constructed or rehabilitated by private developers and/or non-profits, and is the state's largest administrator of Continuum of Care Homeless funds.

Many affordable housing developments have at least some federally funded rental assistance either through the USDA's Rural Rental Assistance program or HUD Section 8 contracts administered by VSHA. The rental assistance allows families to pay approximately 30% of their income toward the rent. USDA's Rural Rental Assistance program provides an additional source of support for families in Rural Rental Housing (Section 515) or Farm Labor Housing (Section 514) projects.

Cooperation among Housing Organizations

Each of the statewide housing agencies, DHCD, VHFA, VSHA, and VHCB plays a unique and well-defined role in the production, rehabilitation, financing, and subsidy of housing for a broad spectrum of low- and moderate-income Vermonters. These agencies work together with federal housing agencies including HUD and USDA Rural Development, and with departments of Vermont's AHS to create a delivery system that leverages the maximum federal dollars available to Vermont.

Coordination is enhanced by cross membership on the statewide agencies' boards. The DHCD Commissioner or Deputy sits on the board of VHFA as the designee for the Secretary of ACCD. The Executive Directors of VHFA and VHCB sit on each other's boards. The AHS Housing Director and the Executive Directors of VHFA, VHCB and the VSHA serve on DHCD's Consolidated Plan Advisory Group. Currently, the Executive Director of VHFA and AHS' Director of Housing are appointed members of the Vermont Community Development Board. (See Chart of Housing Agencies in Vermont). The agencies also comprise, along with representatives of USDA Rural Development and HUD, the Vermont Preservation Council which serves as a clearinghouse for preservation related policy work and developing

solutions for troubled projects. This ensures non-duplication of effort, effective communication, multiple perspectives in policy decisions and consistency in priorities across the State's housing agencies.

All four statewide housing agencies, along with a representative of the Governor's office, comprise the Joint Committee on Tax Credits. The tax credit committee makes recommendations to the VHFA Board on the Qualified Allocation Plan (QAP). The VHFA Board considers the recommendations and then forwards the QAP to the Governor for his/her adoption.

Vermont's housing agencies collaborate in many ways to ensure State and federal resources are used efficiently and effectively. The three major housing funders, DHCD, VHFA and VHCB, developed and use a common application for housing funds. This application can be accessed by all three funding sources ensuring the funders have consistent information which helps to coordinate and expedite the application review. These agencies also share common underwriting guidelines and coordinate inspections.

Since most housing projects being developed use multiple funding sources, the project developers are strongly encouraged to schedule a site visit and meeting with all the potential funders as early as possible in the project development. These "all players" project meetings allow for the project developer(s) to hear the myriad of questions/issues from the funding agencies at one time and provide critical information regarding the timing and readiness of a project. Diminishing funding and budget uncertainties at the federal level have made communication around the cost and timing of projects essential.

Geographic Distribution

As stated in Vermont's HUD Consolidated Plan and the QAP, geographic distribution is a consideration, but the State has not targeted its housing resources to any specific area. This is primarily because outside of Burlington, Vermont's population is predominately rural and homogenous. However, for housing projects to receive funding the developer must be able to demonstrate with a market study that the project meets local or regional housing needs. This ensures that projects are located appropriately. AHS uses geographic targeting with respect to any new emergency shelter, supportive housing and transitional housing programs.

In preparation for the 2015-2019 Consolidated Plan, DHCD contracted with Bowen National Research (Bowen) to conduct a statewide Housing Needs Assessment (HNA) that included county level data.³ This is significant as this level of analysis on a county level has not been available for 10 years. The assessment was used in the development of the Consolidated Plan and will be a resource to help target funding most appropriately and effectively. Each of the statewide housing agencies contributed time and financial resources to this effort.

³ Bowen National Research: "Vermont Housing Needs Assessment". January 5, 2015
<http://accd.vermont.gov/housing/plans-data-rules/needs-assessment>
VT Dept. of Housing and Community Development

Bowen’s HNA shows that there is significant need for housing throughout Vermont. The county level reports are a valuable tool for policy makers as well as affordable housing developers and funders in determining where the greatest needs are within the state, and can supplement the specific market studies for each project.

Housing Budget Tables

The tables on the following pages make up the “Housing Budget” for 2017:

- TABLE I: State Funding for Housing Agencies for Development
- TABLE II: Federal Funding for Housing Agencies for Development
- TABLE III: State and Federal Funds and Private Equity for Housing Development (“Bricks and Mortar”)
- TABLE IV: State and Federal Funds for Housing Assistance and Subsidies

TABLE I: State Funding for Housing Agencies for Development

2017 State Funding for Housing Agencies for Housing Development			
SOURCES	VHCB	DHCD	TOTALS
Property Transfer Tax Revenue	\$8,598,785		\$8,598,785
Loan Repayments	\$40,827		\$40,827
Interest on Fund	\$13,000		\$13,000
State General Funds		\$221,847	\$221,847
TOTAL SOURCES	\$8,652,612	\$221,847	\$8,874,459
USES			
Operations*	\$866,000	\$221,847	\$1,087,847
Grants/Loans/Direct Program**	\$7,786,612		\$7,786,612
TOTAL USES	\$8,652,612	\$221,847	\$8,874,459
*VHCB is housing portion only, DHCD is based on 50% of VCDP operating expenses			
**Amount available for development, see Sources on Table III			

TABLE II: Federal Funding for Housing Agencies for Development

2017 Federal Funding for Housing Agencies for Housing Development			
SOURCES	VHCB	DHCD	TOTALS
HOME Program	\$2,955,000		\$2,955,000
HUD Lead Paint Program / Healthy Homes	\$1,093,167		\$1,093,167
National Housing Trust Fund	\$3,000,000		\$3,000,000
CDBG		\$4,622,374	\$4,622,374
TOTAL SOURCES	\$7,048,167	\$4,622,374	\$11,670,541
USES			
Operations*	\$481,315	\$59,809	\$541,124
Grants/Loans/Direct Program**	\$6,566,852	\$4,562,565	\$11,129,417
TOTAL USES	\$7,048,167	\$4,622,374	\$11,670,541
*VHCB is housing portion only, DHCD is based on 50% of VCDP operating expenses			
**Amount available for development, see Sources on Table III			

TABLE III: State and Federal Funds and Private Equity for Housing Development

2017 State and Federal Funds and Private Equity Combined for Housing Development (Amounts Do Not Include Administrative Overhead / Operations)				
SOURCES	VERMONT HOUSING AND CONSERVATION BOARD	DEPT OF HOUSING AND COMMUNITY DEVELOPMENT	VERMONT HOUSING FINANCE AGENCY	TOTALS
State Property Transfer Tax Revenue	\$7,786,612			\$7,786,612
Federal Housing Program Revenue	\$6,566,852	\$4,562,565		\$11,129,417
Private Equity Generated by Federal Housing Credit*			\$23,907,743	\$23,907,743
Private Equity Generated by Federal Bond Credit**			\$10,939,928	\$10,939,928
Private Equity Generated by State Housing Tax Credit***			\$3,708,750	\$3,708,750
TOTAL SOURCES	\$14,353,464	\$4,562,565	\$38,556,421	\$57,472,450
USES				
Multi-family Rental Housing using Equity from State Housing Tax Credit			\$1,780,000	\$1,780,000
Mobile Home Replacements using Equity from State Housing Tax Credit			\$900,000	\$900,000
Down Payment Assistance for New Homes using Equity from State Housing Tax Credit			\$450,000	\$450,000
Down Payment Assistance for First Time Homeowners using Equity from State Housing Tax Credit			\$593,750	\$593,750
Programs providing grants/loans for affordable housing development projects	\$14,353,464	\$4,562,565	\$34,832,671	\$53,748,700
TOTAL USES	\$14,353,464	\$4,562,565	\$38,556,421	\$57,472,450
*Estimated based on 2017 allocation of \$2.72 million in federal 10-year credits and an average of prices paid by investors in recent years.				
**Estimated based on \$1.26 million in federal 10-year bond credits provided in 2017 and average prices paid by investors in recent years.				
***Estimated based on 2017 allocation of \$825,000 in state 5-year credits and an average of prices paid by investors in recent years.				

TABLE IV: State and Federal Funds for Housing Assistance and Subsidies

2017 State and Federal Funds Combined for Housing Assistance/Subsidies					
SOURCES	AGENCY OF HUMAN SERVICES	VERMONT HOUSING FINANCE AGENCY	VERMONT STATE HOUSING AUTHORITY	VERMONT HOUSING AND CONSERVATION BOARD	TOTALS
State of Vermont General Fund	\$ 14,412,481				\$14,412,481
Federal Housing Program Revenue	\$ 6,344,578				\$ 6,344,578
Global Commitment Funds (GC) or Special Funds	\$ 7,070,771				\$ 7,070,771
Federal Rental Assistance Program (Project Based) *		\$ 2,627,300	\$ 26,592,698		\$29,219,998
Federal Rental Assistance Program (Tenant Based)			\$ 31,277,248		\$31,277,248
Federal HOPWA Program				\$ 478,000	\$ 478,000
TOTAL SOURCES	\$ 27,827,830	\$ 2,627,300	\$ 57,869,946	\$ 478,000	\$88,803,076
USES					
Programs providing housing assistance to individuals and rental assistance/supportive housing		\$ 2,627,300	\$ 57,869,946	\$ 478,000	\$60,975,246
Transitions Subsidies (Brattleboro)	\$ 80,000				\$ 80,000
Home and Community Access	\$ 100,000				\$ 100,000
VT Rental Subsidy Program	\$ 1,289,871				\$ 1,289,871
Harbor Place	\$ 440,490				\$ 440,490
Reach-Up Housing	\$ 848,731				\$ 848,731
Housing and Opportunity Program (HOP)	\$ 6,246,019				\$ 6,246,019
Family Supportive Housing (services, no rent assistance)	\$ 517,376				\$ 517,376
Correction transitional	\$ 6,551,372				\$ 6,551,372
Housing Assistance for HIV/AIDS *	\$ 155,077				\$ 155,077
ADAP Transitional - Sober Housing	\$ 716,049				\$ 716,049
Youth Housing Subsidies *	\$ 82,774				\$ 82,774
Temporary Housing/General Assistance/Emergency	\$ 2,730,568				\$ 2,730,568
Homeshare	\$ 327,162				\$ 327,162
Support and services at home SASH **	\$ 4,678,423				\$ 4,678,423
CRT Housing Support Fund	\$ 993,120				\$ 993,120
DMH Housing Subsidy plus Care	\$ 920,018				\$ 920,018
Homeless outreach for severely mentally ill	\$ 300,000				\$ 300,000
Housing First (supportive services, no rent assistance)	\$ 850,780				\$ 850,780
TOTAL USES	\$ 27,827,830	\$ 2,627,300	\$ 57,869,946	\$ 478,000	\$88,803,076
* Figure reflects actual spent on housing activities as opposed to all eligible uses.					
** Figure includes both grant and Medicare funds spent on SASH					

III. Housing Investment Plan

Consolidated Plan Funding

The delivery of funding for affordable housing in Vermont is directed by the HUD Consolidated Plan for Housing & Community Development. The Consolidated Plan covers a period of five years and is updated annually by DHCD with input from an advisory group and citizen input representing a broad spectrum of the housing, economic development, and human service communities. The State's Consolidated Plan sets forth priorities for the State in spending federal (HUD) housing and community development funds. The State's current five-year Consolidated Plan covers program years 2015-2019 and is based upon the statewide housing needs assessment (2015 Bowen report), community outreach meetings, citizen surveys and participation and the guidance of the Consolidated Plan Advisory Group. For many years Consolidated Plan priorities have closely mirrored the priorities adopted by VHCB for spending Trust Fund dollars on affordable housing developments and VHFA for allocating the federal and state low income housing tax credits.

Vermont's Consolidated Plan guides the investment of approximately \$10 million the State receives from HUD annually for three grant programs; CDBG, HOME, and ESG. This money typically leverages at least another \$20 million in other public and private funds. In recent years, the priority for Vermont's plan has been to direct resources toward economic development and housing activities. (Funding received by the State from the National Housing Trust Fund is allocated pursuant to the Vermont National Housing Trust Fund Allocation Plan, which is only partly incorporated into the Consolidated Plan.)

Vermont Community Development Program

CDBG funding of approximately \$6.3 million annually is administered by the Vermont Community Development Program (VCDP) within DHCD. In 2017 VCDP awarded grants of approximately \$4.5 million for affordable housing development. Projects that support affordable housing, job creation and retention, public facilities and public services are eligible and encouraged to apply for CDBG funding. The highest priorities continue to be to create affordable housing and employment opportunities for low- and moderate- income individuals, with preference for facilitating development and growth in Designated Downtowns and Village Centers.

Only Vermont municipalities are eligible to apply for VCDP funding through a competitive, needs based application process. Funding levels, maximum and minimum grant requests, selection criteria, State priorities, and application assistance can be found in the Consolidated Plan itself and at the VCDP [website](#)⁴.

The VCDP must expend at least 70% of its HUD Award over a period of three program years to fund activities that principally benefit persons of low and moderate income. Grants

⁴ <http://accd.vermont.gov/community-development/funding-incentives/vcdp>

for activities which aid in the prevention or elimination of slums and blight or that are designed to meet urgent community development needs do not necessarily provide a direct benefit to persons with low and moderate incomes, and must be drawn from the remaining 30% of the CDBG award over a period of three program years. Over the last three program years, VCDP has awarded 80% of its HUD Award to affordable housing projects and 95% has directly benefited low- and moderate- income persons.

The following match requirements also apply:

Housing, public facilities and services, economic development	10% for business projects, 25% for planning grants, 25% for ADA projects, 25% for slums and blight
---	--

National Housing Trust Fund

The National Housing Trust Fund (HTF) was a new source of federal funding for Federal Fiscal Year 2016. The Vermont Housing & Conservation Board, the State Designated Entity for HTF, received the small state minimum of \$3 million and awarded \$2.7 million to eligible developers of affordable rental housing in accordance with Vermont’s National Housing Trust Fund Allocation Plan.

HTF funds are used for projects that include the creation or preservation of rental housing which: 1) remain affordable in perpetuity, 2) address at least one of the State’s Consolidated Plan housing priorities, and 3) will be ready to proceed within 18 months.

HTF assisted units must be occupied by and affordable to households with incomes at or below 30% of area median income or 30% of poverty level, whichever is lower. Funding preference is given to projects that 1) include the creation of permanent supportive housing (PSH) with rental assistance and support services for persons who are homeless or at risk of homelessness; 2) are located in State designated downtowns, village centers, neighborhood development areas, or other “Smart Growth” locations; and/or 3) create new units or preserve affordable subsidized units in properties acquired from private owners.

HOME Investment Partnerships Program

Home Investment Partnerships (HOME) funds of approximately \$3 million are administered by VHCB which has been designated to administer HOME on behalf of DHCD.

HOME funds are used for the following:

1. Acquisition and Rehabilitation Program, to be used for acquisition and rehabilitation of conventional rental properties to make them affordable to low income households and/or convert them to cooperative properties, and to preserve existing affordable rental properties;
2. New Construction Program, to be used for production of conventional rental properties that serve an area or market where existing housing stock is limited and/or to

provide housing for households/individuals with documented special needs. Units created under this program must be affordable to low income households; and

3. Refinancing existing debt, multi-family projects developed by locally based housing organizations that receive HOME funds for rehabilitation may utilize HOME funds to refinance existing debt if there is significant rehabilitation of the property proposed in addition to the refinancing.

A minimum of 15% of the State’s HOME allocation is reserved for rental projects developed, owned, or sponsored by qualified Community Housing Development Organizations (CHDOs). Up to 5% of the State’s HOME allocation may be used for general operating assistance for qualified CHDOs who are expected to receive CHDO project funds within 24 months. The State of Vermont has an extensive track record in working with CHDOs and other non-profit organizations, through the support of the VHCB and VHFA.

The following match requirements also apply:

Affordable rental housing	25% for rehabilitation and new construction activities
---------------------------	--

Emergency Solutions Grant

Federal Emergency Solutions Grants (ESG) of approximately \$630,000 are administered by AHS Office of Economic Opportunity (OEO) to help non-profit organizations, including community and faith-based organizations; provide emergency overnight and day shelter; offer supportive services for homeless families and individuals; and implement effective homeless prevention and rapid re-housing initiatives within the local continuum of care. Vermont’s ESG funds are combined with \$5.4 million in state general funds allocated by the Vermont Legislature, and approximately \$200,000 of Global Commitment funding to create the consolidated Housing and Opportunity Program (HOP).

The following match requirements also apply:

Housing and services for homeless families and/or individuals	100% (1:1)
---	------------

Areas with Greatest Housing Shortages

The funding priorities dictated in the Consolidated Plan are not targeted to specific areas of the state, but are based on the strength of the applications received. Bowen’s Housing Needs Assessment underscored that there is significant need for housing throughout Vermont. A housing market is typically considered balanced when the rental vacancy rate and the number of homes for sale are between 4% and 6%. Bowen’s survey of multi-family rental units throughout the state showed multi-family vacancies of 1%, with government subsidized units exhibiting a vacancy as low as 0.4%. The lowest vacancy rates in this category were in Grand Isle County (0.0%) and Addison County (0.2%) and highest vacancies in Chittenden and Windsor Counties, both at 1.3%.

Bowen's examination of the number of homes for sale statewide indicated an availability of 4.5%, suggesting a healthier homeowner market than that for rental units. Based on data from the American Community Survey, the percent of vacant homes is lower (1.9%) but this is not generally considered indicative of housing availability.

One symptom of the low rental housing availability is the number of households who are spending an unaffordable amount on their housing costs. A household is considered housing cost burdened when more than 30% of household income is spent on housing cost, and severely cost burdened when housing costs consume 50% or more of household income. Per Bowen's study, 34,884 (47.5%) renter households in Vermont were cost burdened including 16,485 (22.4%) households with severe cost burden. The greatest share of severe cost burdened renter households was in Chittenden County (26.6%). In addition to cost-burdened renters, a total of 60,272 (32.9%) homeowner households were cost burdened, according to Bowen, with the largest share of this group residing in Windsor (14.7%) and Windham (14.6%) Counties.

Homelessness continues to be a major challenge in Vermont. The 2017 point in time count conducted on one night in January, enumerated 1,225 Vermonters (291 in Chittenden County and 934 in the Balance of State) experiencing homelessness. Although this reflects an 11% increase over 2016, the number of homeless persons in Chittenden and Franklin County decreased by 12% and 17%, while there was a significant increase in most other Vermont counties. Coincidentally, there was a winter storm on the night of the point in time count that triggered a Cold Weather exemption for shelters in five counties which likely increased the number of persons seeking shelter, however, the number of unsheltered persons decreased by the same percentage.

Targeting Investments

The State's key objectives to address these housing needs as outlined in the Consolidated Plan are preserving existing affordable housing and developing new housing units or programs that are cost effective and sustainable.

These priorities are further guided by the State's preference for development and growth in Designated Downtowns and Village Centers and in other areas which incorporate "Smart Growth" principles, and the overarching priority of striving to achieve perpetual affordability in affordable housing projects that use public funds.

The specific goals relating to housing in the 2015-2019 Consolidated Plan are to; 1) Increase the supply and quality of affordable housing, 2) Decrease the number of people experiencing homelessness.

The specific strategies adopted for achieving these goals include;

1) Increase the Supply and Quality of Affordable Housing

- House lower income families and individuals, with special preference to projects housing extremely-low income families and individuals at or below 30% of area median income.
- Produce affordable senior rental units in regions where a market analysis identifies a shortage of elderly housing affordable to lower income seniors.
- Provide service enriched housing that allows seniors the opportunity to age in place.
- Provide service enriched housing serving persons with disabilities.
- Locate affordable rental housing close to public transportation services with access to employment centers, services, recreational opportunities, and schools.
- Increase the supply of affordable rental housing through the acquisition and/or rehabilitation of existing units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Increase the supply of affordable rental housing through the construction of new units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Promote mixed income developments to create integrated communities.
- Promote the development of new rental housing designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the Energy Star label.
- Identify and remove barriers to increasing the supply of rental housing.
- Preserve existing affordable housing projects including mobile home parks, in a manner consistent with prudent investment criteria.
- Redevelop existing properties with consideration given for projects that leverage other resources specific to the preservation of historic structures.
- Address habitability and infrastructure problems in mobile home parks.
- Preserve existing mobile home parks, and relocate families and individuals displaced by mobile home park closure.
- Develop, replace or relocate mobile home parks and lots that are in flood hazard areas.
- Support the network of scattered site rehabilitation programs.
- Redevelop foreclosed properties for affordable rental housing.
- Address barriers to rehabilitation of the existing supply of rental housing that serves extremely-low, low- and moderate- income families and individuals.
- Provide accessible or adaptable housing for persons with disabilities, including homeownership opportunities.
- Address the current and potential need for accessibility modifications and adaptable units to serve Vermonters with physical disabilities.
- Support the network of scattered site housing rehabilitation programs.
- Improve access to affordable mortgages and counseling-based lending for lower income families and individuals seeking to become homeowners.
- Increase programs for homeowner education and counseling.
- Maximize the use of the Section 8 homeownership option by public housing authorities.

- Support projects with employer assisted home ownership programs.
- Redevelop foreclosed properties for home ownership.
- Promote the development of home-ownership units designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the Energy Star label.
- Promote the development of home-ownership units that include a shared equity appreciation covenant.

2) Decrease the number of people experiencing homelessness

- Emergency Shelter Operations, including day shelters, year-round overnight shelters, warming shelters, and motel stays when other shelter is not available
- Essential Services to individuals and families in emergency shelter
- Rapid Rehousing, Housing Relocation and Stabilization Services (including short-term financial assistance)
- Rapid Rehousing, Rental Assistance for up to 24 months (including rental arrears)
- Homeless Management Information Systems (HMIS), including the costs to contribute data to the HMIS designated by the Continuum of Care

In addition to these Consolidated Plan priorities, Vermont has adopted a statewide framework to reduce child and family homelessness in Vermont.⁵ This three-part plan includes:

1) Adopting the national “Family Connection” framework, developed by the U.S. Interagency Council on Homelessness, to ensure that local communities have a coordinated system for assessing families’ housing needs and connecting them to the appropriate benefits, employment, and evidence-based interventions,

2) Bringing together rental subsidy programs with intensive services for people who are homeless so that families can get into housing faster and local providers can spend less time coordinating resources and more time resolving the root causes that led to homelessness; and,

3) Increasing the number of apartments that are accessible and affordable to Vermonters with extremely low incomes to create homes and opportunity for families experiencing homelessness today, as well as stabilize families who are housed but struggling under rents that are out of step with their income.

Finally, in 2015 the QAP was revised to address the high priority needs of Vermont’s homeless population. The QAP now includes two types of incentives to encourage developers to set aside either 10% or 25% of their Tax Credit units for people who are homeless.

In FY 2017, the housing agencies and other stakeholders used \$40,000 in funding from the General Assembly and other resources to assess Vermont’s approach to addressing homelessness. They contracted with the Corporation for Supportive Housing and together developed a Roadmap to End Homelessness which identified five major barriers to housing

⁵ <http://humanservices.vermont.gov/end-family-homelessness>

the homeless - lack of housing supply, inadequate data, continued reliance on motels, not yet fully functional coordinated entry system, and limited access to transportation. It recommended the following to address them.

1. A more formalized approach to funding supportive housing projects that makes capital, operating subsidies and service funding available as a package to create 368 units over the next five years.
2. Complete the design and rollout of the Vermont's coordinated entry system.
3. Increase the supply of rental housing to create 1200 new units affordable at 30% of median over the next five years and 1200 units of rapid rehousing (short term rent support and services in existing units.)
4. Maintain existing programs that are working well such as the Vermont State Rental Subsidy Program, Housing Review Teams, SASH and housing first programs such as Pathways and FSH.
5. Design and test new programs including targeting frequent users (persons cycling between homelessness and institutions) and creating and monitoring standards of quality for supportive housing projects.

Results of Investments

The combined efforts of the housing agencies committed funds have resulted in the following recent successes:

- In 2017, the VCDP awarded 14 grants to 12 municipalities for housing projects that totaled approximately \$4.5 million in CDBG funding, leveraging more than \$46 million in local, private and other federal and State resources which will create or preserve 321 units of affordable housing.
- In 2017, the VCDP funded the statewide network of HomeOwnership Centers to assist over 240 low income homeowners rehabilitate their homes improving the safety, energy efficiency and value. VCDP grants to HomeOwnership Centers will also assist small scale landlords improve and bring back into service over 27 rental units.
- In FY 2017 State funding enabled VHCB to fund 17 housing projects with 425 units.
- In FY2017 HOME funded affordable rental housing projects that created 104 new units and rehabilitated 75 units, for a total of 179 units.
- In the past 5 years VHCB has funded approximately 80 homeownership purchases through the Land Trust model.
- VHCB was awarded another three-year Lead Hazard Control Grant in October 2015. Over the past 5 years approximately 450 homes and apartments have had lead paint hazards removed through VHCB's Lead Hazard Reduction program.
- The nine regional housing nonprofit organizations achieved the 15% goal established by [Executive Order No. 3-73](#). Collectively, more than 16% of their permanent affordable apartments are now home to the formerly homeless as defined by HUD with many more housing those who were at risk of homelessness

- In 2017, 30 households used Champlain Housing Trust’s Mobile Home Down Payment Assistance program to purchase energy efficient manufactured homes.
- In FY 2017, 483 households received assistance from VHFA in the form of low-interest mortgages, income tax-saving mortgage credit certificates, and down payment assistance. Loans made through VHFA to these households totaled \$76 million.
- In 2017, through AHS investments in Independent Living housing programs:
 - 298 People were matched in housing through the Home Share program.
 - 66 People had their homes made accessible through the Home & Community Access Program.
 - 4,741 People received home-based wellness services through the Support and Services at Home program (SASH).
 - 82 Youth received rental assistance through Youth Development Program.
- In 2017, through AHS investments in Emergency Shelter programs:
 - 4,135 Households were sheltered through the General Assistance program.
 - 3,952 Persons were sheltered through the Housing Opportunity Program.
 - 369 Households were sheltered through the Harbor Place partnership.
- In 2017, through AHS investments in Affordable Housing programs:
 - 148 Homeless families were housed through the Vermont Rental Subsidy program.
 - 124 People were housed through the Subsidy and Care program.
 - 16 Homeless families were housed through the Transitions to Housing program.
 - 7 People with HIV/AIDS were housed through the HOPWA Bridge program.
 - 198 People’s housing was stabilized with CRT Housing Contingency Funds.
- In 2017, through AHS investments in Supportive Housing programs:
 - 147 Formerly homeless families (191 adults and 248 children) were housed through Family Supportive Housing.
 - 156 People received Housing First supportive services through the Pathways program (no rent assistance).
- In 2017, through AHS investments in Transitional Housing programs:
 - 890 People were housed through the DOC Transitional Housing program.
 - 354 Households were housed through the ADAP Transitional Housing program.
 - 78 People were housed through the Reach Up Housing program.
 - 62 Youth & Veterans were housed through the Housing Opportunity Program.
- In 2017, through AHS investments in Homelessness Prevention and Rapid Re-Housing programs:
 - 4,282 Persons were stabilized through the Housing Opportunity Program.
 - 366 Persons were stabilized through the Reach Up Housing program.

The coordinated work of the state's housing agencies has also been extremely successful in securing federal resources that are subject to competitive applications. These include the Federal Home Loan Bank's Affordable Housing Program, which provides low interest loans or grants for affordable housing; USDA's Rural Development 515 program, which provides low interest loans for multi-family housing; HUD's 202 program, which provides capital grants and operating subsidies for housing for the elderly; HUD's McKinney housing for the homeless programs; HUD's Lead Paint Hazard Reduction Program, which provides money to reduce lead based paint hazards in privately owned multi-family and single-family housing; HUD's Healthy Homes program, HUD's Housing Opportunities for Persons with AIDS (HOPWA) program, and the Commission on National and Community Service's AmeriCorps and VISTA programs, which have been used in Vermont to provide direct service to residents of State funded affordable housing, to help lower income Vermonters become homeowners and to help homeless Vermonters find housing.

IV. Recommendations

As shown, Vermont's Housing Budget provides nearly \$57.5 million in combined State and Federal Funds, and Private Equity for affordable housing development and down payment assistance. Approximately \$11.7 million of the total is State funded with appropriations of \$8 million and \$3.7 million of equity from State housing tax credits. Another \$11 million is Funded with Federal grants. The majority of housing development funds derive from Federal tax credit equity through the LIHTC.

In addition, approximately \$28 million in State, Federal and Special funds support housing assistance programs through AHS.

These funds are primarily targeted to multi-family rental housing, including housing for the elderly, and/or extremely- low income households. They also help fund single family homes and mobile homes. They additionally serve housing for people who are homeless and people with special needs, in accordance with the Consolidated Plan.

A strong partnership exists between Vermont's housing agencies. Each brings a unique perspective and ongoing collaboration ensures the effective and efficient use of State and Federal resources. These efforts should continue to maximize the use of housing resources and the outcomes and benefits. Important policy decisions are coordinated at the highest levels through DHCD's HUD Consolidated Plan and the Qualified Allocation Plan (QAP) for Federal Housing Credits and cross memberships on the boards of all statewide housing organizations and ongoing formal and informal collaboration.

As shown in Bowen's Housing Needs Assessment, almost half of Vermont's renter households and one-third of its owner households remain cost-burdened, and there continues to be a gap in the supply of housing. Nearly a quarter of renters spend as much or more than 50% of their income on housing.

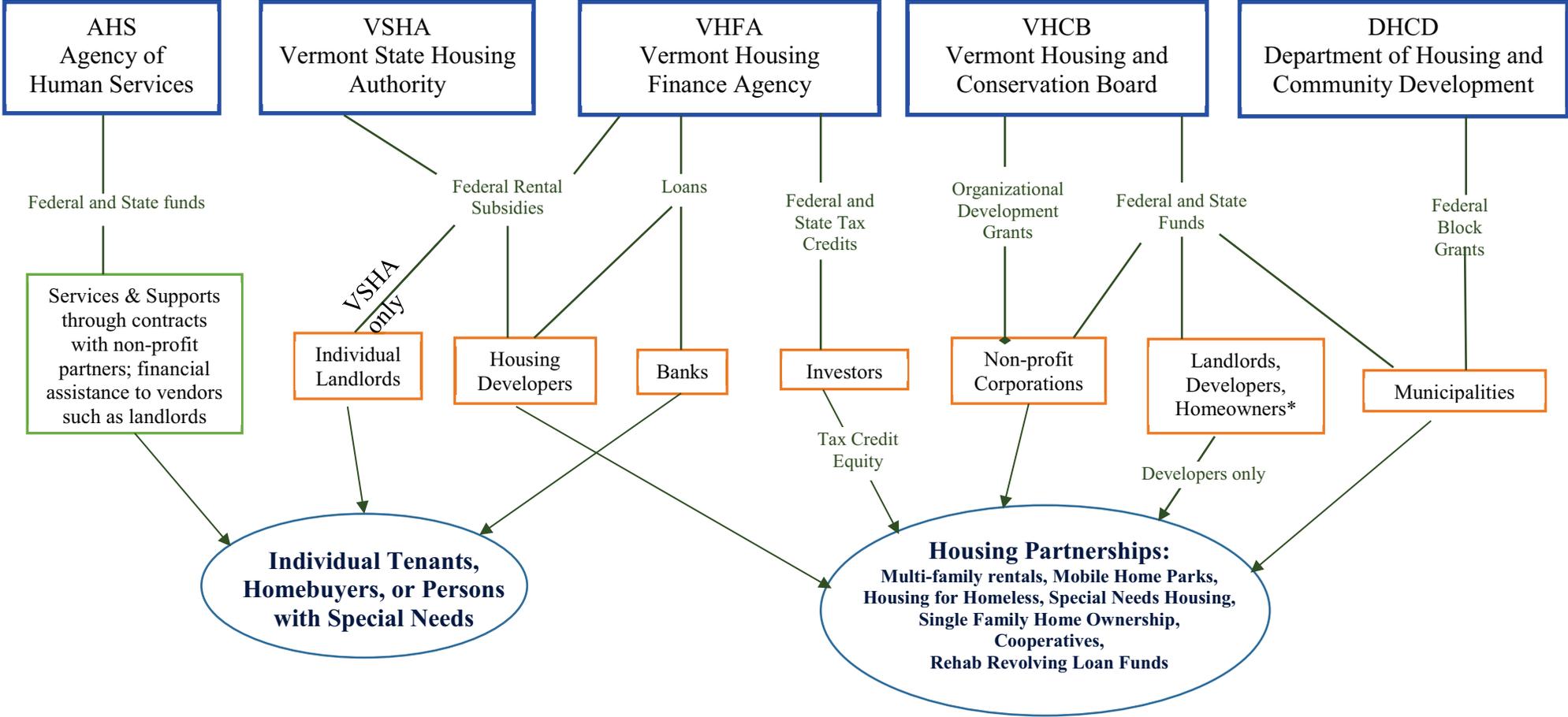
Bowen recommended several strategies for increasing the availability and improving the quality of Vermont's housing. These include:

- 1) Supporting the development of more rental housing due to very low vacancy rates, with an emphasis on multi-family units affordable to extremely low income (<30%) and middle income (95%-120%) households, and one- and two-bedroom units;
- 2) Supporting the development of senior housing or programs enabling seniors to age in place due to projected household growth among the senior age groups (55+, 65+);
- 3) Supporting first time home-buyer programs for low to middle income households due to projected owner household growth particularly in the middle-income group (95%-120%);
- 4) Supporting affordable housing programs to develop or maintain affordable rental housing due to the current gap in the supply of rental units available to low income households and low vacancy rates;
- 5) Supporting home repair programs, particularly for seniors to remain in their homes longer, due to the age and condition of the existing housing stock, including assistance for repair and maintenance and weatherization;
- 6) Encouraging local governments to provide pre-development activities such as land banks, site prep and infrastructure, or market research and data, to attract developers to build affordable housing;
- 7) Expanding the VHFA's Directory of Affordable Rental Housing to include market rate and nonconventional rentals due to the lack of available housing and advertised housing in the state.

In addition to the General Assembly, Bowen's recommendations have been shared with state and local housing organizations, regional planning and development entities, and municipalities, realtors, homebuilders, the congressional delegation and others. The fact that these recommendations closely mirror the goals and strategies in the Consolidated Plan supports the direction the State has taken in allocating its housing dollars and suggests that they continue receiving serious consideration.

#

State Housing Agencies in Vermont



* Federal Lead Hazard Abatement and HOME Programs