

2019 Vermont Housing Budget and Investment Report

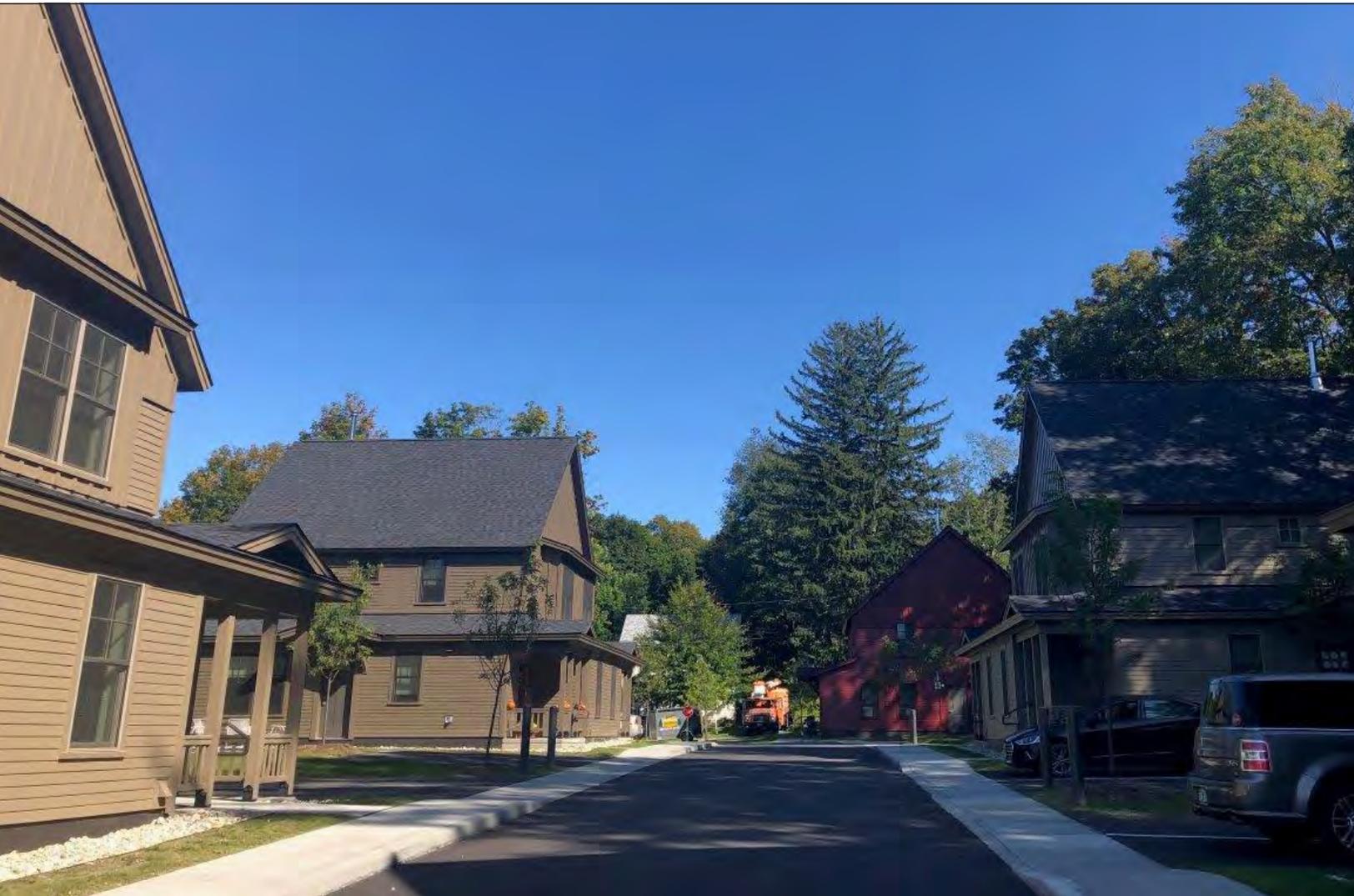


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Acknowledgments: This report was developed by the Department of Housing and Community Development (DHCD), with input from the Vermont State Housing Authority (VSHA), Vermont Housing and Conservation Board (VHCB), Vermont Housing Finance Agency (VHFA),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

The Vermont Housing Council, which the departments or agencies listed above are also members of, was consulted 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.

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 2019, 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 in the state, which is accomplished primarily 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 role in directing other sources of housing funding is limited by statute and federal regulations and relies on its strong working relationships with the other housing organizations in the state to assure the efficient expenditure of State and federal funds provided for affordable housing.

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 for two-year terms.

II. Vermont Housing Budget

The vast majority of Vermont's housing budget comes from federal resources, including rental assistance programs, and private equity from housing tax credits. In 2019, State funds contributed to only \$38.7 million of the combined total of \$154.8 million of funding (Table III and IV) for affordable housing in Vermont. State funds comprised of \$2.5 million of the State's property transfer tax revenue and \$765,000 in State housing tax credits supported \$15.5 million of the \$61.3 million used for housing development (Table III).

¹ http://governor.vermont.gov/boards_and_commissions/housing

These resources reside 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.

As shown in Table III on page 11, combined State and federal funding and private equity for affordable housing development administered by VHCB, DHCD, and VHFA totaled approximately \$61.3 million. Tax credit equity of \$33 million, leveraged by approximately \$4.1 million in federal and State Housing Tax Credits, provided just over half of this amount, and Housing Revenue Bond funds of \$12 million provided one fifth of the total.

As shown on Table IV on page 12, combined State and federal funding for housing assistance and subsidies, and support services that help people stay housed, totaled \$93.5 million. Almost two-thirds of this coming from \$60.7 million of federal project and tenant-based rental assistance through VSHA (Section 8). State general funds provided another \$16.8 million supporting programs through AHS.

State funding for housing development agencies totaled approximately \$20.5 million. This primarily consisted of property transfer tax revenue and capital bill funds appropriated to VHCB, and housing revenue bonds administered by VHCB, plus \$825,000 in State housing tax credits. (Table I on page 9) Federal funding for housing development agencies totaled approximately \$10.6 million awarded to VHCB and DHCD. (Table II on page 10)

The largest source of funding for affordable rental housing projects comes from federal Low-Income Housing Tax Credits administered by VHFA in accordance with the State's Qualified Allocation Plan (QAP). Vermont's allocation of federal credits in 2019 was \$3.17 million, generating approximately \$27.8 million in equity. In addition, VHFA awarded another \$196,913 in "bond credits" which are issued in conjunction with VHFA tax-exempt bonds, which generated approximately \$1.7 million in private equity. (Table III on page 11)

Federal Funding for Housing Development

In addition to the \$29.5 million generated by the federal Low-Income Housing Tax Credits (described above), the most common federal resources brought to projects are the Department of Housing and Urban Development (HUD) Home Investment Partnership Program (HOME), which is administered by VHCB, and Community Development Block Grant (CDBG), which is administered by DHCD under the program name the Vermont Community Development Program (VCDP).

Together, these total almost \$10 million. (Table II on page 10) VCDP funds are available to all municipalities in the state except Burlington. Burlington is Vermont's only "entitlement community" and receives CDBG and HOME funds directly from HUD. In FY 2019, the City of Burlington was awarded \$783,216 in CDBG and \$427,103 in HOME funding. Since 2017, Vermont has also received an annual allocation of \$3 million in National Housing Trust Fund

dollars for affordable housing development for very low-income households which is administered by VHCB.

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-Based Paint Hazard Control (LHC), Emergency Solutions Grant (ESG) and HOPWA (Housing Opportunities for Persons with AIDS) grant programs. 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 2019, VHCB received approximately \$7.3 million in dedicated funds to support housing development from the property transfer tax and the capital bill. This is the only direct and ongoing State funding that supports the costs of building affordable housing units. (Table I on page 9 and Table III on page 11)

Act 85 of 2017 created a new source of funding for affordable housing in Vermont – the Housing for All Revenue Bond (HRB) – which was issued by VHFA and is administered by VHCB. VHCB is awarding \$37 million in HRB proceeds 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, for debt payment on bonds. \$1.5 million of this amount is offset by a reduction in VHCB's property transfer tax appropriations.) The bond proceeds are used by VHCB to fund the development and rehabilitation of owner-occupied and rental housing for Vermonters with very low to middle incomes.

Through November 2019, VHCB awarded \$33 million to 30 housing developments with 682 homes, and 60 home accessibility projects. It has exceeded production goals and the overall investment leveraged to date is more than double the original estimate. VHCB is on track to meet the statutory targets for middle-income homes as well as those for vulnerable households. In FY 2019, VHCB awarded \$12 million in HRB funds to housing developments and anticipates committing the full \$37 million in proceeds to projects by the end of January 2020.

However, Act 48 of 2019 directs the State Treasurer to develop recommendations for building on the success of the Housing Revenue Bond and identify funding and financing options for the creation or preservation of 1,000 housing units over five years. That report will be submitted to the General Assembly by January 15, 2020.

In FY 2019, the federal Low-Income Housing Tax Credits were supplemented with an allocation of \$765,000 of 5-year state Housing Tax Credits which generated a total of approximately \$3.51 million in equity. Of these state Housing Tax Credits, VHFA used \$340,000³, generating

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

³ According to 32 V.S.A. § 5930u, "In any fiscal year, the allocating agency may award up to: \$400,000.00 in total first-year credit allocations to all applicants for rental housing projects, for an aggregate limit of \$2,000,000.00 over any given five-year period that credits are available under this subdivision." In FY19, VHFA only received applications for \$340,000 in credits. It is expected that the Agency will receive larger applications in subsequent fiscal years, up the aggregate limit specified.

approximately \$1.56 million in private equity, to support loans for multi-family housing projects in conjunction with the allocation of federal Housing Tax Credits.

VHFA used the other \$425,000, generating \$1.94 million in private equity, to support funding programs for homeownership opportunities supporting mobile home replacements, down payment assistance for new and rehabilitated homes, and to eligible first-time homebuyers (Table III on page 11). 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 energy 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 Vermont Legislature in 2012.

Two programs administered by DHCD that offer less direct funding for affordable housing are the Charitable Housing Investment Tax Credit and the Downtown and Village Center tax credit for historic façade and code improvements, which is frequently used for upper floor housing. 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.

Federal Funding for Housing Assistance

VSHA administers almost \$60.7 million of project and tenant-based rental assistance throughout the state. 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.

State Funding for Housing Assistance

Approximately \$16.8 million in State General Fund dollars and \$6 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.

Cooperation among Housing Organizations

The statewide housing agencies play unique and well-defined roles 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 federal dollars available to Vermont and ensures that State and federal resources are used efficiently and effectively.

Coordination among the statewide housing agencies is enhanced by cross membership on boards and committees including; the DHCD Commissioner sitting on the board of VHFA as the designee for the Secretary of ACCD, and the Executive Directors of VHFA and VHCB sitting on each other's boards. The Secretary of AHS is a member of VHCB. In addition, VHFA, VHCB, and VSHA are represented on DHCD's Consolidated Plan Advisory Board, and the Executive Director of VHFA is currently an appointed member of the Vermont Community Development Board.

In addition, the statewide housing agencies, along with a representative of the Governor's office, comprise the Joint Committee on Tax Credits which 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.

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.

To streamline the application process, DHCD, VHFA, and VHCB, developed and use a common application for housing funds and share common underwriting guidelines and coordinate inspections. The common application can be accessed by all three agencies ensuring that they have consistent information which helps to coordinate and expedite the application review.

Since most housing projects being developed use multiple funding sources, 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.

Geographic Distribution

As stated in Vermont’s HUD [Consolidated Plan](#) and the QAP, geographic distribution is a consideration, but with the exception of AHS targeting funding for new emergency shelters, supportive housing and transitional housing programs, the State has not targeted its housing resources based on location to any specific area(s). Rather, projects are prioritized based demonstrated need. 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 to help ensure that projects are located appropriately.

In preparation for the 2015-2019 Consolidated Plan, DHCD contracted with Bowen National Research (Bowen) to conduct a statewide [Housing Needs Assessment](#) (HNA) including county level data which had not been included in a HNA in 10 years.⁴ Bowen’s assessment was used in the development of the Consolidated Plan and as a resource to help distribute funding where it is needed most.

Although Bowen’s assessment identified a significant need for housing throughout Vermont, the county level reports have been a valuable tool for policy makers as well as affordable housing developers and funders in determining where the greatest needs are within the state supplementing the specific market studies for each project.

To give policy makers ready access to the latest data at the town, county and state level, VHFA operates and maintains Community Profiles on the Vermont Housing Data⁵ website. The profiles show the most recent data pertaining to the relative needs for housing assistance by resident age group, income, geographic location and housing type. Additionally, this winter, DHCD engaged with VHFA to complete a new Housing Needs Assessment in preparation for the 2020-2024 Consolidated Plan.

Housing Budget Tables

The tables on the following pages make up the “Housing Budget” for 2019:

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

⁴ Bowen National Research: “Vermont Housing Needs Assessment”. January 5, 2015

<http://accd.vermont.gov/housing/plans-data-rules/needs-assessment>

⁵ <http://www.housingdata.org/>

TABLE I: State Funding for Housing Agencies for Development

2019 State Funding for Housing Agencies for Housing Development				
SOURCES	VHCB	VHFA	DHCD	TOTALS
Property Transfer Tax and Capital Bill Funds	\$7,277,275			\$7,277,275
Housing Revenue Bond	\$12,000,000			
Loan Repayments	\$96,500			\$96,500
Interest on Fund	\$174,000			\$174,000
State Housing Tax Credits		\$825,000		
State General Funds			\$154,769	\$154,769
TOTAL SOURCES	\$19,547,775	\$825,000	\$154,769	\$20,527,544
USES				
Operations*	\$1,224,080		\$154,769	\$1,378,849
Grants / Loans - State Appropriation**	\$6,323,695			\$6,323,695
Grants / Loans - Housing Revenue Bond	\$12,000,000			\$12,000,000
Multi-family rental housing ***		\$400,000		\$400,000
Down payment assistance for new homes and mobile home replacements		\$300,000		\$300,000
Down payment assistance for first-time home buyers		\$125,000		\$125,000
TOTAL USES	\$19,547,775	\$825,000	\$154,769	\$20,527,544
*VHCB is housing portion only, DHCD is based on 50% of VCDP operating expenses				
**Amount available for development, see Sources on Table III				
*** VHFA only received applications for \$340,000 in credits. See footnote on pg. 5				

TABLE II: Federal Funding for Housing Agencies for Development

2019 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	\$1,077,049		\$1,077,049
National Housing Trust Fund	\$3,000,000		\$3,000,000
CDBG		\$3,568,775	\$3,568,775
TOTAL SOURCES	\$7,032,049	\$3,568,775	\$10,600,824
USES			
Operations*	\$579,218	\$43,775	\$622,993
Grants/Loans/Direct Program**	\$6,452,831	\$3,525,000	\$9,977,831
TOTAL USES	\$7,032,049	\$3,568,775	\$10,600,824
*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

2019 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 Appropriation	\$6,323,695			\$6,323,695
Housing Revenue Bond	\$12,000,000			\$12,000,000
Federal Housing Program Revenue	\$6,452,831	\$3,525,000		\$9,977,831
Private Equity Generated by Federal Housing Credit*			\$27,763,993	\$27,763,993
Private Equity Generated by Federal Bond Credit**			\$1,726,336	\$1,726,336
Private Equity Generated by State Housing Tax Credit***			\$3,507,750	\$3,507,750
TOTAL SOURCES	\$24,776,526	\$3,525,000	\$32,998,079	\$61,299,605
USES				
Multi-family Rental Housing using Equity from State Housing Tax Credit			\$1,564,000	\$1,564,000
Down Payments for New Energy Efficient Manufactured Homes 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	\$24,776,526	\$3,525,000	\$29,490,329	\$57,791,855
TOTAL USES	\$24,776,526	\$3,525,000	\$32,998,079	\$61,299,605
*Estimated based on 2019 allocation of \$3.17 million in federal 10-year credits and an average of prices paid by investors in recent years.				
**Estimated based on \$196,913 in federal 10-year bond credits provided in 2019 and average prices paid by investors in recent years.				
***Estimated based on 2019 allocation of \$765,000 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

2019 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	\$ 16,846,146				\$ 16,846,146
Federal Housing Program Revenue	\$ 6,808,972				\$ 6,808,972
Global Commitment Funds (GC) or Special Funds	\$ 6,070,771				\$ 6,070,771
Federal Rental Assistance Program (Project Based)		\$ 2,664,765	\$ 27,477,886		\$ 30,142,651
Federal Rental Assistance Program (Tenant Based)			\$ 33,181,548		\$ 33,181,548
Federal HOPWA Program				\$ 490,536	\$ 490,536
TOTAL SOURCES	\$ 29,725,889	\$ 2,664,765	\$ 60,659,434	\$ 490,536	\$ 93,540,624
USES					
Programs providing housing assistance to individuals and rental assistance/supportive housing		\$ 2,664,765	\$ 60,659,434	\$ 490,536	\$ 63,814,735
Home and Community Access	\$ 100,000				\$ 100,000
VT Rental Subsidy Program	\$ 1,000,000				\$ 1,000,000
Harbor Place	\$ 631,554				\$ 631,554
Reach-Up Housing	\$ 770,505				\$ 770,505
Housing and Opportunity Program (HOP)	\$ 5,279,246				\$ 5,279,246
General Assistance Community Investments	\$ 1,993,056				\$ 1,993,056
Family Supportive Housing**	\$ 718,600				\$ 718,600
Correction Transitional	\$ 6,785,471				\$ 6,785,471
Housing Assistance for HIV/AIDS *	\$ 200,000				\$ 200,000
ADAP Transitional - Sober Housing	\$ 854,916				\$ 854,916
Youth Housing Development Program Housing Subsidies	\$ 79,734				\$ 79,734
Temporary Housing/General Assistance/Emergency	\$ 3,937,159				\$ 3,937,159
Homeshare	\$ 327,162				\$ 327,162
Support and Services at Home (SASH)	\$ 3,382,140				\$ 3,382,140
CRT Housing Support Fund	\$ 1,425,646				\$ 1,425,646
DMH Housing Subsidy and Care	\$ 1,000,000				\$ 1,000,000
Homeless outreach for severely mentally ill (PATH)	\$ 390,000				\$ 390,000
Housing First (federal funds)**	\$ 850,700				\$ 850,700
TOTAL USES	\$ 29,725,889	\$ 2,664,765	\$ 60,659,434	\$ 490,536	\$ 93,540,624
* Figure reflects actual spent on housing activities as opposed to all eligible uses.					
** Support services only, no rent assistance					

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 the Consolidated Plan Advisory Board which represents a broad spectrum of the housing, economic development, and human service communities. The State's current five-year Consolidated Plan covers program years 2015-2019 and ends July 1, 2020 when a new five-year plan will begin.

The housing needs outlined in the plan were based on Bowen's Housing Needs Assessment, community outreach meetings, and a comprehensive and widely distributed survey. For many years Consolidated Plan priorities have closely mirrored the priorities set in state statute for VHCBC for spending Trust Fund dollars on affordable housing developments and VHFA for allocating the federal and State Housing Tax Credits.

Vermont's Consolidated Plan guides the investment of approximately \$10.5 million the State receives from HUD annually for three grant programs; CDBG, HOME, and ESG. This money leverages substantially greater amounts in 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 is administered by the Vermont Community Development Program (VCDP) within DHCD. In FY 2019, VCDP awarded grants of approximately \$3.5 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 are creating 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](http://accd.vermont.gov/community-development/funding-incentives/vcdp)⁶.

⁶ <http://accd.vermont.gov/community-development/funding-incentives/vcdp>

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. In FY19, VCDP awarded nine housing grants benefiting 142 households including 105 LMI households, or 74%. Over the last three program years, VCDP has awarded 56% of its HUD Award to affordable housing projects and 99% has directly benefited low- and moderate- income persons. Grants 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.

Municipalities receiving CDBG awards must provide matching funds, which may be cash or in-kind, as follows:

Housing, public facilities and services, economic development	10% match for all CDBG grants
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National Housing Trust Fund

The National Housing Trust Fund (HTF) was a new source of federal funding beginning in federal Fiscal Year 2016. Since then, Vermont has received the small state minimum of \$3 million annually of HTF funds. As the “State Designated Entity” for HTF, these funds are administered by the Vermont Housing and Conservation Board in accordance with Vermont’s National Housing Trust Fund Allocation Plan. Per the HTF Allocation Plan, each year, VHCB awards \$2.7 million of the \$3 million allocation to eligible developers of affordable rental housing. The remaining 10% are used for administering the HTF per the approved HTF 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 are administered by VHCB which has been designated to administer HOME on behalf of DHCD. Vermont receives the small state minimum of approximately \$3 million in HOME funds.

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
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Emergency Solutions Grant

Federal Emergency Solutions Grants (ESG) 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 of approximately \$650,000 are combined with \$6.1 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)
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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 and local needs. Bowen's 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 VHFA's Vermont Housing Data Community Profiles, 36,000 (51%) renter households in Vermont are cost burdened including 18,000 (25%) households with severe cost burden. The greatest incidence of severe cost burden among renter households is in Chittenden County (29%), Lamoille County (28%), and Orleans County (28%). In addition to cost-burdened renters, a total of 54,000 (30%) homeowner households were cost burdened, with the highest incidence of cost burden among owners in Lamoille County (33%) and Windham County (33%).⁷

Homelessness continues to be a major challenge in Vermont. The 2019 point in time count conducted on one night in January, enumerated 1,089 Vermonters (309 in Chittenden County and 780 in the Balance of State) experiencing homelessness. This represents a 16% decrease from 2018. However, between 2018 and 2019, the number of chronically homeless Vermonters increased from 152 to 170 households.

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

⁷ Source: U.S Census Bureau 2017 American Community Survey 5-year estimates

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.⁸ 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.

⁸ <http://humanservices.vermont.gov/end-family-homelessness>

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 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 1,200 new units affordable at 30% of median over the next five years and 1,200 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

These are some of the results of the combined efforts of Vermont's state housing agencies utilizing the funds awarded or appropriated for housing:

DHCD

- From July 2018 to June 2019, the VCDP awarded grants to 9 municipalities for housing projects totaling just over \$3.5 million in CDBG funding, leveraging almost \$32.8 million in other resources which will create or preserve 142 units of affordable housing.
- In 2019, DHCD amended the Consolidated Plan Action Plan establishing a 25% set-aside of CDBG funds for the statewide network of Homeownership Centers for scattered-site (SS) housing rehabilitation grants to be awarded in the first round of the FY20 program year. A minimum of 10% of units assisted need to be rental.

VHCB

- In FY19, State funding enabled VHCB to fund 16 housing projects with a total of 541 units of affordable housing across Vermont.
- Additionally, by the end of FY19, VHCB had committed \$29 million in Housing Revenue Bond proceeds to 27 housing developments with 637 homes in 19 different communities across 10 counties plus accessibility improvements for 60 homes and funding for Habitat for Humanity homes statewide. It is on track to meet the statutory targets for creating homes for very low- and moderate-income households and will exceed the overall goal of 550-650 homes.
- In FY19 HOME funded seven (7) affordable housing projects that created 91 new units and rehabilitated 66 units, for a total of 157 units.
- In FY19 HTF funded four (4) affordable housing projects that created 57 new units and rehabilitated 22 units, for a total of 79 units.
- VHCB finished up its 2015 HUD Lead Hazard Control award on 9/30/19 and is pleased to have been awarded another grant in 2019 for \$4 million which will run into 2023.

VHFA

- In FY 2019, 491 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 \$80 million.
- Since re-opening for applications in the fall of 2018, Champlain Housing Trust's Mobile Home Down Payment Assistance program for energy efficient manufactured homes has served 36 households.

AHS

- In 2018, through AHS investments in Independent Living housing programs:
 - 192 People secured affordable housing through the Home Share program.
 - 67 People had their homes made accessible through the Home & Community Access Program.
 - 4437 People received home-based wellness services through the Support and Services at Home program (SASH).

- 74 youth received rental assistance through the Youth Development Program (YDP).
- In 2019, through AHS investments in Emergency Shelter programs:
 - 2,503 unduplicated households served in the General Assistance Emergency housing program
 - 3,709 Persons utilized emergency shelter funded by the Housing Opportunity Program.
- In 2019, through AHS investments in Affordable Housing programs:
 - 25 People with HIV/AIDS were housed through the HOPWA Bridge program.
 - 349 People's housing was stabilized with CRT Housing Contingency Funds.
- In FY 2019, through AHS investments in Supportive Housing programs:
 - 210 Formerly homeless families (adults and children) were housed through Family Supportive Housing.
 - 193 People received Housing First supportive services through the Pathways program (no rent assistance).
 - 127 People were housed through the Subsidy and Care program
- In 2019, through AHS investments in Homelessness Prevention and Rapid Re-Housing programs:
 - 1775 Households were stabilized through the Housing Opportunity Program.
- In 2019, through AHS investments in Transitional Housing programs:
 - 647 individuals who were formerly incarcerated were housed through the DOC Transitional Housing program.
 - 455 Households were housed through the ADAP Sober Housing programs.

VSHA

Over the past five years, VSHA has continued to expand the Housing Choice Voucher Program portfolio, receiving awards of new funding as follows:

- funding award of \$286,964/year to support an additional 45 811 Mainstream Housing Vouchers
- funding award of \$598,047/year to support an additional 59 Family Unification Program Vouchers
- funding award of approximately \$264,303/year to support an additional 44 HUD-VA Supportive Housing Program Vouchers
- funding award of \$374,055/year (55 tenant protection vouchers) to assist residents displaced from Melrose Terrace as a result of Tropical Storm Irene
- Increased Project Based Voucher portfolio by an additional 200 vouchers, from 675 to 875 vouchers – of which at least 54 are designated to chronically homeless households.
- Offers a high-functioning Family Self-Sufficiency (FSS) Program that's available to families who have a Housing Choice Voucher with VSHA – current enrollment is 137 families, of which 61% have an escrow (savings) account held by VSHA. Since 1999, 239

families have graduated from VSHA's FSS program with an average savings account of \$6754.

- Have assisted an additional 39 families in becoming first-time homebuyers and providing them mortgage assistance. During this same time period, 34 families left the homeownership program.
- Continues to work as HUD's Performance Based Contract Administrator for Vermont, overseeing a portfolio of Section 8 Multifamily Housing consisting of 115 contracts (or 3076 total units).
- Continues to contract with the Vermont Department of Mental Health to administer the Housing Subsidy plus Care Program, serving on average of 120 households.
- Continues to contract with the Vermont Department of Health to administer the Bridge to HOPWA Program, a form of transitional housing assistance available to households who are HOPWA-eligible, serving approximately 25 households.
- Continues to contract with the Vermont Housing and Conservation Board to administer the statewide HOPWA program, serving approximately 30 households.
- Continues to contract with Vermont Agency of Human Services to inspect rental units funded by the Agency's Housing Opportunities Program and Vermont Rental Subsidy Program.
- Continues to administer HUD's Continuum of Care homeless program funds (Shelter plus Care and Rapid Rehousing) totaling approximately \$2,904,210 -- an increase of \$1,102,238 (from new grant awards / reallocation of funds from prior projects)
- In total, VSHA provides rental assistance to over 7,000 Vermont households.

Statewide

- The nine regional housing nonprofit organizations achieved the 15% goal established by [Executive Order No. 3-73](#). Collectively, more than 17% 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

The state's housing agencies have also been 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 Control Grant 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 provided nearly \$61.3 million in combined State and federal funds and private equity for affordable housing development and down payment assistance. In addition, State and federal funds provided \$93.5 million in housing assistance and subsidies, mostly through Federal Project and Tenant Based Rental Assistance.

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 Tax 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;

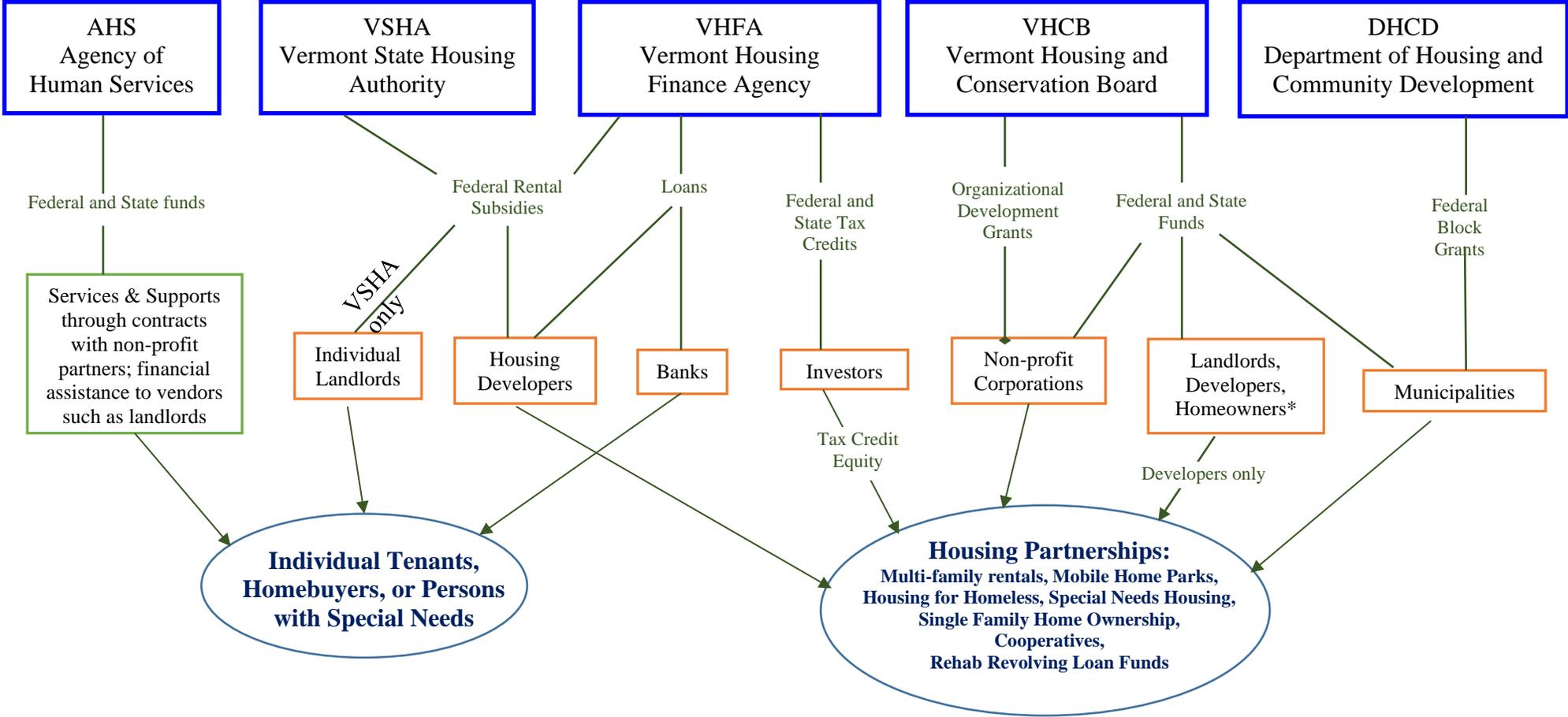
6) Encouraging local governments to provide pre-development activities such as land banks, site prep and infrastructure, or market research and data, to attract developers to build affordable housing;

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.

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State Housing Agencies in Vermont



* Federal Lead-based Paint Hazard Control and HOME Programs