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Issue Brief

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Affordable Housing in Vermont

Introduction

The COVID-19 pandemic has highlighted Vermont's shortage of low- and moderate-income housing. Vermont is not alone, as this housing shortage is being experienced across the country. Although the housing shortage predates COVID-19, the issues of limited supply, increasing prices, and widening income and wealth disparities are at the heart of the housing imbalance, and the pandemic has only deepened this challenge.[1] The lack of adequate, safe, affordable housing impacts health, mental health, the ability of families to care for themselves and the ability of employers to attract workers. For policymakers, the availability of housing impacts many policy areas including health outcomes, the environment, the economy, workforce, education, justice, public safety, and energy. In the past 20 – 25 years, there have not been enough housing units developed across the state to meet the needs of families and individuals with very low- and low income, or starter homes for many moderate-income families.[2]

These income bands are typically defined relative to the Area Median Income (AMI) adjusted for family size. For households in Vermont in 2019, extremely low-income households are defined as earning less than 30% of the AMI, which is below $18,591. Low-income Vermonters earn between 30% and 80% of AMI, or below $49,578, and moderate-income families earn between 80% and 120% of AMI, or below $74,364.[3]

JFO's Series of Issue Briefs on Major Investment Areas

The recent surge in federal funding to Vermont stemming from the coronavirus pandemic has facilitated significant investments in state funding priorities. The Joint Fiscal Office is releasing a series of issue briefs on the priority areas identified in Section G.100 of the state fiscal year (FY) 2022 funding bill, Act 74 of 2021—investments in climate change, well-being and the economy, housing, broadband, and clean water. The General Assembly set a spending target of $1.2 billion for the five areas over three years, although actual spending may differ. Each issue brief provides some background and context for the appropriations and lays out considerations for legislators when thinking about future appropriations in the five areas.

The purpose of this issue brief is to:

- Highlight issues for policymakers to consider when making additional investments of public funds for affordable housing.
- Summarize the significant COVID-19-related housing expenditures made since the spring of 2020. To date, programs that assist people total over $622 million (see Appendix A), and investments to increase the supply of housing totals just over $200 million (see Appendix B) with a $75 million additional proposal pending.

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[1] The constrained supply leads to higher home and rent prices. Vermont is experiencing a large increase in real estate sales evidenced in property transfer tax receipts. The ability to work remotely makes Vermont an attractive place; there was a 38% increase in 2020 over 2019 in residential sales of property to out-of-state buyers. This current 'hot market' is in the context of the pre-existing dynamic of a significant amount (17%) of Vermont's housing stock being nonresident second/vacation homes and the ongoing impacts from short-term rentals.

[2] https://reports.nlihc.org/gap;

[3] https://www.housingdata.org/profile/income-employment/median-household-income.

- Briefly summarize the existing policy framework(s) related to affordable housing in Vermont and the pre-pandemic baseline. Annually, ongoing non-pandemic related funds to assist homeowners and renters are in the $75 – 90 million range, and programs that address the development of housing stock range of $45 million.

This document is not intended to go into great depth on every housing program, but it will provide an overview of affordable housing in Vermont and links to resources that will provide additional information. There are many small categorical programs that are important to beneficiaries and to the overall ecosystem of affordable housing. A wealth of information and resources exist at organizations in Vermont that administer housing programs and regulations. Links to these documents as well other national reports and articles are included in Appendix C.

General Overview of Affordable Housing in Vermont

In well-functioning housing markets where supply meets demand at prices that match incomes, middle-income families should not need subsidies to secure adequate housing. In Vermont, in both the rental and homeowner markets, supply has not kept pace with demand, resulting in price increases. In addition to the overall supply of housing units not keeping pace with demand, the conversion of privately held units from long-term rentals to short-term rentals, i.e., the 'Airbnb' effect, has contributed to further constraining the supply of rental units, particularly in destination areas.

There are many factors driving up prices and contributing to the lack of new affordable housing, including the cost of land, labor, and building materials. Another significant cost factor is the impact of regulations imposed at the state and local level. Local municipal authority for land use planning and regulation is enabled by statute and provides broad powers to cities, towns, and villages to adopt municipal plans, regulations, and other planning tools.[4] In some cases, these regulations can add up to 24% to the cost of building a housing unit.[5]

> **How Many New Housing Units Does Vermont Need?**
>
> *Per VHFA's 2020 Housing Needs Assessment Report:*
>
> *Projected need (pre-pandemic) of 5,800 new units by 2025*
>
> *50% new homes to meet the demand from new homeowner households*
>
> *50% units to meet rental demand and to house the homeless*

Vermont has a set of housing principles, priorities, and programs and a well-established network of coordinated public and quasi-public housing agencies. When developing low-income affordable rental housing, Vermont has adopted the principle of perpetual affordability. This is not the case in most other states where a project developed with public financing can, at the end of a term (10-20-30 years) become market based where rents are no longer affordable and long-term residents are at risk of being displaced. Vermont's additional priorities include siting mixed-use developments in designated areas such as downtowns, new town or growth centers, and energy efficiency requirements for both new construction and renovations.

Issues for Policymakers to Consider

Policy issues regarding affordable housing are addressed in various pieces of legislation and associated funding is distributed in a myriad of ways. Issues that policymakers may want to consider when addressing affordable housing in Vermont are listed below. Although federal resources related to the pandemic have been significant, the funds are not enough to make housing affordable to all Vermonters. Individuals and families who are financially challenged by the cost of housing include:

- Homeless Vermonters, including those who have been housed by the Department for Children and Families (DCF) in the General Assistance Emergency Housing Program. Finding housing for these clients is very challenging due to the lack of affordable units. If housing were to be identified for people transiting from homelessness, they could access funds from the Emergency Rental Assistance Program in the short term, and potentially Section 8 vouchers (see page 6) or other categorical assistance in the long term.
- Working families whose jobs are essential but face high rents yet earn too much to receive any type of housing assistance. This bind keeps them in a financially precarious state where it is very difficult to reach the stability needed to move to homeownership. For those that reach the ability to move to ownership, homes in the price range and location needed are not available.

[4] Enabling Better Places: A Zoning Guide for Vermont Neighborhoods. Congress for the New Urbanism and the Vermont Department of Housing and Community Development. August 2020., page 44.

[5] Josh Hanford, Vermont Department of Housing and Community Development, Dec. 8, 2021. All member Briefing.

- Families looking to move from affordable starter homes to the next level home. The competition for modest mid-level homes is significant and difficult to find and afford.

Balancing Need

The need for investments in housing is well documented. An important question to consider is the correct allocation of resources between rental units and starter homes and the amount of support that should be directed to public or nonprofit developers versus private for-profit owners and builders. To truly stabilize housing, policymakers may want to consider the best allocation of resources across the income span, from addressing homelessness up to the middle-income ranges. Although it may be difficult to place public resources further up the income scale, given the significant need at the lowest end, it may make sense for at least some portion of funding to be targeted at people in the mid-range. Below are issues to consider when designing approaches to the development of new affordable housing.

- The pandemic significantly impacted the use of commercial office space which may provide new opportunities to repurpose commercial property to residential use.
- Infill development opportunities that expand housing choices by incorporating accessory dwelling units or the development of multiunit townhouses or cottage courts into already-approved subdivisions or neighborhoods. To accomplish the benefits of infilling, changes to local ordinances would likely need to be considered. If public resources are applied to encourage infill development, commitments from developers and property owners who receive public funds must be carefully balanced.
- Identify the housing needs of people in different income ranges and family structures. The demand from working families with children, the elderly, single individuals, and the homeless are all important things to identify. Once identified, the allocation of resources to these groups must be considered.
- Over the past ten years, one-person households in Vermont have grown at five-times the rate as the rest of the country. Given this large number of single person households in Vermont, developing housing that single people could move to as they age might free up housing for younger cohorts in need of housing.[6]

Speed and Cost of Development

New or alternative housing models may help to address the time that it takes for new development to be completed and ready for occupancy, as well as the cost per unit. For example:

- Low cost manufactured or mobile housing units with shared, safe communal kitchen, bath, laundry, and social service facilities may be useful when addressing homelessness. This approach to housing may also meet the need for single room occupancy. Communities would need to embrace this approach to housing and assist to make them a reality. Considerations of whether this type of housing model fits into state housing priorities are needed as well as whether the speed and cost savings are worth making exceptions for.

Equity and the Generation of Wealth

If new models of providing housing are to receive investment, the question of who in the long-term has equity in the asset remains an important question. Historically, one of the most efficient and effective ways to build wealth over time is with the purchase of a home.

- There are existing shared equity programs that help Vermonters reach homeownership of the family qualifies for a mortgage, typically a reduced rate mortgage and down payment assistance through VHFA.
- There are working families who currently cannot qualify for low-cost mortgages, but with some additional assistance would be good candidates for homeownership. Policymakers may want to consider a pilot program which directly assists these working families to achieve the financial stability needed to qualify for a mortgage. One example might be a program that allows a portion of the family's monthly housing payment to accrue as equity over some set period of time. Underwriting such a pilot would likely require 100% state funding.

[6] Vermont Tax Structure Commission, "Population Changes and Vermont State Revenue", 2019

Inclusion

Socially and economically disadvantaged populations have historically been the least likely to benefit from the public investments related to housing, especially homeownership programs. This population has often been excluded or discouraged by bias in program design and implementation.

- With any investment of public funds to develop new housing units or the rehabilitation of existing units, assurances need to be in place that underrepresented populations have access.

Effects on Climate Change and Preparing for the Future

Any housing unit that is built or renovated today will be part of the housing stock for many years to come. To prepare for a future that will increasingly be impacted by climate change, new housing should be constructed with the following considerations in mind:

- Energy efficiency measures that protect the environment and keeps the utility costs of living in a house affordable. Issues to consider include whether energy efficiency measures should continue to be largely covered by housing funds. It may make sense to use existing energy efficiency incentives and funds that are separate from the housing funds to stretch the housing funds, creating more housing units. Additionally, the use of new federal climate or energy efficiency resources could be directed at making existing multifamily housing more efficient, including state affordable housing.
- Access to broadband and cell service that enables people to fully participate in educational and work opportunities from their home.
- Including electric car chargers enabling residents to take advantage of increasingly available electric vehicles.
- Housing units located near grocery stores to decrease travel time as well as making fresh, healthy foods available.
- Locating housing near the many services people will need to access on a regular basis, including health care.

Federal- and State-Funded Housing Affordability Programs

As with any investment of public funds that advance policy goals, identifying who the programs are intended to serve and how they will be served is critical. For the very low- and low-income individuals and families, the federal focus has been on rental units. For people with moderate incomes and above, the federal focus has been on homeownership. Vermont has mostly mirrored that approach.

Much of the pandemic funding dedicated to housing will not be recurring. Funding for both the Emergency Rental Assistance Program and the Homeowner Assistance programs have extended time frames. The intent is that most recipients of these programs will become financially stable after receiving assistance. Of course, not all program recipients will be stabilized, and it is important to identify which recipients are likely to remain at high risk of loss of housing once the federal benefit is longer available.

Missing Middle: Very few public resources are focused on increasing the supply of affordable units for the low- or moderate-income homeowner. Without a supply of housing for those with moderate incomes, it is unlikely that the full benefit and potential of the VHFA mortgage and down payment programs can be achieved. The Department of Housing and Community Development contend that without some sort of financial incentive, developers cannot build affordable 'starter homes' and make a profit. The inability for developers to make a profit is one of the issues behind the shortage of this type of housing in Vermont. The scarcity of homes that low- to moderate-income families can afford is known as the 'missing middle' and refers to the inability of the private market to meet this need. Mostly missing from Vermont's current housing market are modest two-bedroom homes. New programs are needed that incentivize building modest homes and tools need to be developed to help first generation, first-time homebuyers enter the housing market.[7] A $5 million pilot program through VHFA to reduce costs for builders of new homes is included in the FY 2022 budget adjustment proposal submitted by the Administration and under consideration currently in the Legislature.

[7] The State of Housing in Vermont, Commissioner Josh Hanford, Vermont Department of Community Development. December 8, 2021, page 18.

Making Homeownership Affordable: Most of the effort to make homeownership more affordable is through the federal and state tax codes for most people, including upper income people who have a mortgage. The programs targeted to first-time and moderate-income homebuyers lower the hurdle to 'stepping onto the property ladder' by reducing mortgage costs and assisting with down payment. These assistance programs are also financed through federal tax policy.

HOMEOWNERSHIP: FEDERAL AND STATE AFFORDABILITY PROGRAMS

Federal Programs
Homeownership Affordability

Income Tax Deduction: In the U.S, a person who itemizes tax deductions can deduct annual home mortgage interest (there are some high-end mortgage limitations). This is a federal housing subsidy in the form of an allowable home interest deduction. Property taxes up to an overall state and local tax limit are also deductible. For those that own multi-family property, depreciation is allowed for the investment unit(s).

Fannie Mae: Government sponsorship of the Federal National Mortgage Association (Fannie Mae) facilitates the securitization of mortgage loans, which in turn allows the existence of the fixed rate 30-year mortgage. This is key support for homeownership for those who qualify for mortgage financing.

Reduced Rate Mortgages: The Vermont Housing Finance Agency (VHFA) administers a home ownership program that provides lower cost mortgages to moderate-income, first-time homebuyers. The VHFA sells tax exempt Private Activity Bonds to investors willing to accept a lower rate of return because the interest on the bonds is exempt from federal income tax. The agency then uses the proceeds from these bonds to provide mortgages at lower interest rates for lower-income home buyers. Congress restricts mortgages financed this way to first-time home buyers who earn no more than 115% of the AMI, and homes purchased must be no more than 90 percent of the average area purchase price. In 2020, VHFA made 312 home loans.

ARPA Homeowner Assistance: VHFA is administering the $50 million program to help eligible pandemic impacted homeowners with incomes up to 150% AMI avoid foreclosure by addressing mortgage arrearages. This program can also help address homeowners with property tax, utility, and property association fee delinquencies. VHFA reports that it will utilize this entire program allocation by the September 2025 federal deadline.

State Programs
Homeownership Affordability

Income Tax Deduction: The reduction in federal income taxes resulting from the home interest deduction flows through to the Vermont tax return, lowering the amount owed to the state.

Property Tax Adjustment (Income Sensitivity): Vermont property taxpayers can opt to pay based upon their income, if they meet income and property value limits. If they qualify, they receive a property tax credit reducing the tax liability, making homeownership more affordable. About 70% of homeowners qualify for this option.

Down Payment Assistance: VHFA administers a Down Payment Assistance Program for first-time homebuyers with limited savings. With the equity raised from the Vermont Housing Tax Credit $250,000 allocation, a total of $3.2 million in down payment assistance was provided for new, and energy efficient manufactured, first time buyers homes. 83% of VHFA loans received down payment assistance.

Shared Equity: VHCB subsidizes home purchases often in partnership with Habitat for Humanity. For income eligible buyers, grants of up to $50,000, or 20%. of the purchase price can be made. The homebuyer's equity upon resale is limited to 25% of appreciated value, plus principal paid down and capital improvements. The grant stays with the home upon resale, recycling the subsidy to the next buyer. Buyers must obtain mortgage loan financing and contribute at least $1,500 towards the purchase price of the home.

CRF Foreclosure Prevention: In 2020 – 2021, the state allocated $9.7 million of the broad CARES Act CRF pandemic response funds to help avoid foreclosure for 888 impacted homeowners. The median income among grant recipients was $36,516, and the grant was $6,726. Income was restricted to those under $84,000 or $96,000 in Chittenden County.

Affordable Rental Market: Federal programs to make the rental market affordable target both supply and assistance to tenants are listed below. A summary of Vermont's efforts to allocate funds to supplement and expand these rental market programs are found below in the boxes on federal programs.

RENTAL MARKET: FEDERAL PROGRAMS FOCUSED ON AFFORDABILITY

SUPPLY: Federal Funds to Build or Rehabilitate Rental Units for Lower Income Populations

LIHTC: To incent the development of below market rental units, tax policy is the primary federal tool. The Federal Low-Income Housing Tax Credit (LIHTC) is administered by the Vermont Housing Finance Agency (VHFA). To qualify, at least 20% of a project's units must go to tenants with income below 50% of AMI or 40% with income below 60% of AMI. In 2020, Vermont's LIHTC allocation plus bond credits was $3.6 million, generating $32 million in development investment equity.

HOME: The Home Investment Partnership Program (HOME) is a federal program for the construction, acquisition, and/or rehabilitation of multi-family rental housing where there is a documented need. Usually, Vermont receives $3 million annually, which the Vermont Housing and Conservation Board (VHCB) administers. Burlington receives a direct allocation. In 2021, ARPA provided $9.5 million added pandemic program funds.

HTF: National Housing Trust Funds (HTF) are used in conjunction with other existing federal, state, and local efforts to increase and preserve the supply of housing for extremely low- and very low-income households. These funds are allocated much like the HOME funds. VHCB administers the $3 million HTFs annually.

CDBG: The long-standing federal Community Development Block Grant (CDBG) program can be used for a wide range of projects which includes affordable housing reconstruction and rehabilitation. The Vermont Community Development Program (VCDP) allocates CDBG funds administered by the Agency of Commerce and Community Development. Usually, Vermont receives between $7 – 8 million CDBG funds, while Burlington gets a direct allocation. In 2020, there was $8.9 million additional for pandemic response via the CARES Act of which $2.5 million has been allocated to develop new affordable housing units in the state. Funds were granted to non-profit housing organizations, to increase support capacity and services to low-income families.

ASSISTANCE: Federal Rent Subsidies for Very Low- and Low-Income Population

Section 8: The Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher program is administered by the Vermont State Housing Authority (VSHA). It is the federal government's primary program for assisting the very low- and low-income, the elderly, and the disabled to afford adequate, safe housing. Section 8 can take the form of tenant- or project-based assistance. The housing subsidy is paid directly to the landlord, and the tenant pays the difference between rent and the subsidy amount. Generally, eligible tenants pay 30% of their adjusted income, so the subsidy varies depending on tenant income. HUD sets income limits based on area AMI estimates and sets Fair Market Rent for each market. The portable voucher can be used for a range of rental housing options (apartments, condos, single or mobile homes etc.). If approved, a family could use their subsidy to purchase a home. The waiting list for a unit can be years long due to the lack of available vouchers.[1] In total VSHA is authorized by HUD to assist 7,640 households; via 3,262 across a portfolio of 116 project-based subsidy contract units, plus 4,378 vouchers providing roughly $32.6 million in annual rental assistance.

ERAP: The Emergency Rental Assistance Program (ERAP) assists households that are unable to pay rent or utilities. Vermont ERAP is administered by VSHA and open to renters that have experienced adverse effects of COVID-19. Up to 18 months of past-due or current rent can be paid directly to landlords to avoid eviction. Households are eligible at or below 80% of AMI. The program was funded through the Federal Consolidated Appropriations Act in Dec. 2020 and ARPA in March 2021. Of the total of $350 million in funding, as of Dec. 31, 2021, $92 million has been obligated on behalf of eligible renters. There are staggered deadlines by when states must obligate certain percentages of these funds or risk returning a portion to the US Treasury.

The Vermont State Housing Authority (VSHA) administered the $29.8 million CRF funded rental assistance program that helped over 7,600 Vermont renters in the early stages of the pandemic. This program exhausted the funding and ended in June 2021.

There are several Department of Housing and Community Development administered tax credits, including the Charitable Housing Investment Tax Credit, the Downtown and Village Center tax credit, as well as the federal Historic Preservation Tax Credits that assist with developing housing units on the upper floors of buildings and projects in historically significant buildings.

Vermont State Funded Programs to Increase Affordable Rental Unit Supply

VHCB: The Vermont Housing and Conservation Board (VHCB) was established over 30 years ago to balance and link Vermont's dual goals of affordable housing and land conservation. VHCB is the lead agency that administers publicly financed affordable rental projects. Projects come from the grassroots level, and when a need is identified at the local level, a development team is assembled. This team puts together a project and submits a funding application. In a community with great need, VHCB may facilitate a meeting or contact a developer to encourage an application. The local nonprofit or developer reaches out to members of the community that are supportive, and those likely to have concerns, to work through issues, and then takes the project through the local review process and Act 250, if needed.

The VHCB process focuses on projects once an application is submitted. VHCB staff review the application and the status of all the required permits, assesses the level of risk, underwrites the project, and makes a funding recommendation to the Board. VHCB provides guidance to applicants along the way. If permits are outstanding, a conditional award can be made but no funds are released until final permits are in hand.

Vermont statute dedicates roughly 50% of the property transfer tax to VHCB's Housing and Conservation Trust Fund. However, for many years this provision has been over-ridden due to other state budgetary pressures. In FY 2022 VHCB received $10.8 million from the property transfer tax revenues, with roughly half of that amount, or $5.4 million, dedicated to low-income housing initiatives. This funding level is consistent with prior years.

During the COVID-19 pandemic considerable additional state and federal funds were appropriated to VHCB to develop low-income rental housing units and to increase shelter capacity. In 2020 and 2021, in response to the pandemic, and what it revealed about the housing status of many Vermonters, over $176 million of combined state General Fund and broad federal state pandemic relief funding has been allocated to VHCB for affordable housing projects (see Appendix B).

The proposal for the FY 2022 budget adjustment submitted by the Administration is to increase the American Rescue Plan Act – State Fiscal Relief (ARPA-SFR) funding for the affordable housing and increased shelter capacity by $50 million. Final U.S. Treasury guidance was issued on January 6, 2022, for the use of ARPA-SFR last week. It did not, as hoped, change guidance on lending that limits a State's ability to maximize federal low-income housing tax credits in combination with ARPA-SFR funding. This will impact the number of units that can be created with ARPA-SFR funds. An updated projected unit count is pending at this time based on review of the financing structures needed for the development projects currently in the process for funding at VHCB.

Rehousing Recovery and VHIP: These two Department of Housing and Community Development (DHCA) administered programs are the newest rental supply incentive programs and were funded using federal broad state fiscal assistance funds provided by the federal CARES Act in March 2020 and the ARPA bill of March 2021.

Vermont allocated $7.2 million of its federal Coronavirus Relief Funds (CRF) to the Rehousing Recovery program with the five homeownership centers in the state. The program provided up to $30,000 grants per unit with a 10% property owner match to bring existing but vacant due to code deficiency units up to standard and into rentable condition. A five-year affordability covenant was required, as well as a requirement that in leasing the unit the owner must review at least three tenants transitioning from state emergency homelessness programs, but the owner was not required to lease to one of these candidates. A total of 251 units were assisted with this CRF funded program.

In 2021, Vermont allocated $5 million of ARPA-SFR for the Vermont Housing Incentive Program (VHIP) in Act 74. Since S.79 was vetoed, no language was enacted governing this program, and in the absence of new guidelines, DHCA continued the initial program from Act 74. Grant recipients of the ARPA-SFR funds who receive up to $30,000 per unit are required to rent to Vermonters who are transitioning from homelessness. The program was also able to provide a $30,000 'shell' grant per project for roofing, insulation, siding, or other building envelope work. To date, all funding is obligated, and 150 units are proposed to be created with this $5 million ARPA-SFR funded program. These grants require 20% match from the building owners, which can be 'in-kind'.

The proposal for the FY 2022 budget adjustment submitted by the Administration is to increase the ARPA-SFR funding for the program by $20 million. There is ongoing discussion about whether to increase the maximum grant amount allowed per unit, as the creation of new or accessory units is becoming more expensive.

Vermont Affordable Housing Tax Credit: This program is governed by 32 V.S.A. § 5930u. This program is administered by VHFA and makes allocations for developers of rental housing as well as support for homeownership via loans for owner-occupied housing and down payment assistance programs. Allocations of state credits for rental housing are intended to supplement eligible federal low-income housing tax credit rental projects. Pre-pandemic, the value of Vermont's tax credit program ranged from $2.4 million to $2.7 million annually.

Vermont Programs for Special Populations Including the Homeless: The U.S. Department of Housing and Urban Development (HUD) administers the Homeless Continuum of Care (CoC) program. Two entities, the Chittenden Homeless Alliance and the Vermont Coalition to End Homelessness, applied and receive approximately $6 million annually through this national competition. Funds pass through the CoC to member organizations to provide support services and rental assistance to Vermonters experiencing homelessness.

Emergency Shelter and Emergency Housing: Through the General Assistance (GA) Program at the Department for Children and Families (DCF), state and federal funds support emergency shelters operated by nonprofit organizations and the Emergency Housing Program that provides the homeless with rooms in hotels and motels. Funds for both grant programs, emergency shelters and emergency housing, is based on eligible populations defined in statute. The Legislature gave DCF the authority to broaden eligibility for the emergency housing program during periods of adverse weather. Prior to the pandemic, the GA Emergency Housing program was funded in the range of $3 to $4 million, housing 200 to 300 households during times of adverse weather conditions. In addition, community-based emergency shelters served approximately 2,500 households annually.

Beginning in the spring of 2020, to provide shelter in line with the Centers for Disease Control and Prevention (CDC) COVID-19 public health recommendations, the GA Emergency Housing program began providing non-congregate shelter in hotels and motels around the state and reducing the reliance on shelters. Since that time, the utilization of the program has grown significantly, peaking at just over 2,000 households during April of 2021, to approximately 1,300 households today. Funding for this program has been 100% reimbursement from the Federal Emergency Management Agency (FEMA), projected at a total $117 million through March 31, 2022. It is unlikely that there will be enough housing options for these households to find other housing arrangements once the FEMA funds are no longer available. It is anticipated that most of these households will receive financial resources through Emergency Rental Assistance Program subsidies, but many will be challenged to find an available unit to rent.

DCF also administers the Vermont Rental Subsidy (VRS) Program and the Housing Opportunity Grant Program (HOP). VRS provides temporary rental assistance to homeless households, primarily for families on Reach Up. The Housing Opportunity grants in addition to emergency shelter funding, go to community organizations to provide homelessness prevention and re-housing support services, financial assistance, and rental subsidy. These are consolidated homeless assistance grant funds from federal programs, Medicaid waiver investments, and the state General Fund under one program. Pre-pandemic the budget was approximately $7.2 million, including GA funds redirected to community-based emergency shelters. This budget now totals more than $13 million annually. DCF also launched the Family Supportive Housing program in 2014 to address family homelessness which helps 285 households maintain housing through General Fund and Medicaid dollars totaling $1.5 million annually.

Other non-homeless housing programs: Other categorical housing assistance programs exist primarily through the Agency of Human Services. Many of these programs are transitional and fragile in nature, such as housing assistance for individuals leaving Corrections custody, individuals who would have otherwise been in Mental Health acute care beds, recovery housing and housing assistance for people with AIDS. Housing assistance programs targeted at the eligible elderly and disabled populations are more permanent and tend to have blended state and federal funding. There are other indirect federally and state-funded programs that assist with affordability. The Home Weatherization and the Low-Income Home Energy Assistance Programs work to enable people to afford their housing while living in a healthy environment.

Conclusion

The pandemic revealed to a significant extent just how precarious housing is for many vulnerable, low- and even middle-income working Vermonters. Prices continue to rise, either to rent an apartment or to buy a house, due to the short supply of available housing. This is particularly true for modest starter homes that provide the middle space for those moving from rental to homeownership. The supply of federal rental subsidies has also fallen behind the growing need. Allocating resources to increase the supply of housing as strategically as possible in these two segments will reduce pressure across the continuum of the low- to moderate-income housing market. With the state and federal pandemic resources currently available, policymakers have the opportunity and the challenge to make investments that increase affordable housing options for the homeless, cost burdened renters, and moderate-income, working families aspiring to homeownership. The structural income and wealth gap factors that have led to this crisis will not be solved by these investments, but this opportunity will be a significant step towards providing more stable and affordable housing for the future.

Appendix A

Pandemic Housing Subsidies and Direct Assistance Programs						
Program	**Agency**	**Eligible**	**Fund Source**	**Funds Available (est. to date)**	**# Served**	**Description or note**
Non-Congregrate Shelter & Services aka Pandemic Emergency Housing	AHS - DCF	All homeless Vermonters initially eligible- in July 2021 moved back to categorical eligibility	FEMA	$117,000,000	Peak over 2k households Currently 1.3k households	FEMA Est. To March 2022 =$101m for rooms, remainder security and on site staff as well as food provided in initial stage of the program
Emergency Solutions Grants (ESG)	AHS - OEO	People experiencing homelessness	CARES Act - ESG funds	$6,759,000	477	Rental assistance and support services
Various, including Homelessness Exist/Essential Payment	AHS - DCF	Transitioning from the motel or shelter programs	CARES Act - from flexible State CRF	$9,000,000		Supplemental funding for shelters, Motel-based services, $2.5k essential payments to 723 exiting rooms, other safe exist flexible funds, 211 funding.
CRF - Rental Assistance	Vermont State Housing Authority	Renters impacted by COVID-19	CARES Act - from flexible State CRF	$29,800,000	7,614	Program ended June 2021
Vermont Emergency Rental Assistance Program	Vermont State Housing Authority DCF for Reach UP	Renter household income =< 80% AMI $56k to $69k for 3 person family size	Consolidated Bill Dec. 2021 and ARPA add	$350,000,000		Renters under 50% and 80% AMI. Up to 18 mos. rent and utility bills - $92m issued or obligated to date
Vermont Emergency Mortgage Assistance Program	Vermont Housing Finance Agency	Up to $84k income or $96k in Chittenden County	CARES Act - from flexible State CRF	$9,700,000	888	Foreclosure Prevention Program ended June 30, 2021
Vermont Homeowner Assistance Program	Vermont Housing Finance Agency	Up to 150% of AMI $105k to 129k income	ARPA specific program	$50,000,000	*TBD*	Homeowners under 100% AMI prevent mortgage delinquencies, foreclosures, loss of utilities
Utility Ratepayer Arrearages	Public Service Dept.	Utilities - offset to arrearages	CARES Act - from flexible State CRF	$23,143,000		prioritize the neediest utility customers for financial assistance
ARPA - LIHEAP supplemental funding	AHS -DCF		ARPA specified program	$26,600,000		Fuel benefit increase, add $3.9m to weatherization, expand the emergency heating system program
				$622,002,000		

Appendix B:

Pandemic Affordable Housing Supply Grant Incentive Programs

Program	Agency	Fund Source	Funding Available (Est. to date)	# Units	Description or note
Grants to housing organizations, assist with homelessness	Vermont Housing Conservation Board	CARES Act - from flexible State CRF	$32,466,679	235	People experiencing homelessness. 13 homeless shelters also received support from this funding
Re-Housing Recovery Program	Dept. of Housing and Community Development	CARES Act - from flexible State CRF	$7,200,000	251	$30k grants per unit w/10% property owner match. 5 year affordability covenant. required to review 3 homeless referrals, but no requirement to choose
VHIP Vermont Housing Incentive Program	Dept. of Housing and Community Development	ARPA - from flexible State Fiscal Recovery funds	$5,000,000	150	$30k grants per unit w/20% property owner match. $30k shell grant per project. 5 year affordability covenant. ARPA funds require unit to be rented to Vermonters exiting homelessness
Community Development Block Grant	Dept. of Housing and Community Development	CARES Act - CDBG funds	$2,500,000		$2.5m out of $8.9m total grant to non-profit housing organizations, to increase support capacity and services to low income families
Fast start - 2021 ready projects	Vermont Housing Conservation Board	General Funds	$10,000,000	75	Rental housing and facilities for homeless/at risk
Affordable housing initiatives	Vermont Housing Conservation Board	General Funds	$40,000,000	TBD	Priority given to populations in emergency motel program or who are currently without housing, includes providing permanent homes in mixed-income settings Unit count TBD based on US Treasury guidance on ARPA and other project financing needs
Provide housing and increase shelter capacity	Vermont Housing Conservation Board	General Funds	$30,000,000		
		ARPA - from flexible State Fiscal Recovery funds	$64,000,000		
HOME Investment Partnerships Program	Vermont Housing Conservation Board	ARPA - HOME non-entitlement	$9,565,000	135	Homeless & at-risk households
			$200,731,679		
FY22 Proposals pending: Add $75m ARPA, VHCB $50m, VHIP $20m and VHFA new pilot home builder program $5m. Unit count TBD.					

Appendix C: Additional Resources

ACCD – Dept of Housing and Community Development	Vermont Housing Finance Agency (VHFA)	Vermont Housing and Conservation Board (VHCB)	Vermont State Housing Authority (VSHA)	AHS: Dept. for Children & Families; Office of Economic Opportunity
Vermont Housing Needs Assessment: 2020-2024	Short Information Videos on Vermont Affordable Housing	VHCB/VHFA Building Design Standards	VSHA website	General Assistance Housing Adverse Weather Conditions (AWC) for the 2021-22 Season
State of Vermont HUD Consolidated Plan 2020-2024 Strategic Plan, and 2020 Action Plan, ACCD	Analysis of Vermont Affordable Rental Housing Development Cost Factors		Vermont Emergency Rental Assistance Program	Adverse Weather Conditions - Enhanced Predictability
Vermont DRAFT 2021 HUD Consolidated Annual Action Plan, March 19, 2021	2020 Vermont Housing Budget and Investment Report			
2020 Vermont Housing Budget and Investment Report	VHFA 2020 Annual Report			
Priority Housing Project Flowchart 2018				

Other

Long Waitlists for Housing Vouchers Show Pressing Unmet Need for Assistance,

The Center on Budget and Policy Priorities (CBPP) - Sonya Acosta and Brianna Guerrero, October 6, 2021

Who's to blame for high housing costs? It's more complicated than you think,

The Brookings Institution - Jenny Schuetz, January 17, 2020

Workforce housing and middle-income housing subsidies: A primer

The Brookings Institution - Tiffany N. Ford and Jenny Schuetz Tuesday, October 29, 2019

National Low Income Housing Coalition (NLIHC)

USDA Rural Rental Housing Programs