



Written Testimony from Polly Nichol, Director of Housing Programs at Vt. Housing & Conservation Board and President of the Board of Directors of the Housing Assistance Council

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Thank-you Senator Mitchell and the Bi-Partisan Policy Center Housing Commission for providing this opportunity to comment on important housing issues. I would like to begin by outlining some of the ways in which rural America, especially rural New England, is different when it comes to housing needs and characteristics, differences that should be taken into account when developing solutions to housing problems. I would also like to highlight some practices and solutions that we have adopted in Vermont.

Data from the Housing Assistance Council tells us that:

- Rural America is poorer than the country as a whole – the poverty rate in rural America is 16.3% compared to 13.8% nationally. One quarter of the people in poverty in this country live in rural areas, areas that contain only 20% of the population.
- The population of rural America is older than the country as a whole. The median age in the U.S. overall is 37. In rural America it's 40.
- There is a higher percentage of homeownership in rural America – 72.1% v. 66.6% in the U.S. as a whole. Mobile homes are an important source of affordable housing, comprising 7% of the U.S. housing stock with over half of them located in rural areas.
- There is frequently a lack of access to public transportation and public infrastructure such as municipal water and sewerage systems.
- The size of developments is small. A 25 or 30 unit development is large in most Vermont neighborhoods. The small size means that it's difficult to achieve economy of scale in development, property management and asset management. Nationally, rural areas often lack professional housing developers, builders, and property managers as well as appraisers, engineers, and people certified to undertake environmental assessments and conduct energy ratings.

In rural New England and especially rural northern New England

- Poverty is often dispersed throughout a community rather than concentrated in a particular neighborhood.
- The housing stock is old.
- Heat and snow removal constitute significant operating expenses.
- There is a heavy dependence on unregulated sources of fuel, especially oil.
- There is a lack of public transportation.
- Real estate prices are high as are property taxes.
- Residents are more likely to be old and live in poverty than the population as a whole.

In the case of housing policy and programs one size definitely does not fit all. In order for a program to work well in both urban and rural areas it needs to be broad and flexible. HUD's HOME and CDBG

programs are examples of this. It isn't always necessary to invent something new. Progress can be made by helping existing programs work better and giving them the resources they need to succeed. We would also urge support for programs that are designed specifically for rural communities and have had a positive impact there. The Department of Agriculture's Rural Housing Services programs such as 515, 502 Direct, 504 and 521 are examples of such programs as is HUD's SHOP or self-help housing program. Most of the new initiatives in recent years were designed with urban America in mind. We would hope to either see comparable rural initiatives or at least program design and scoring that doesn't penalize rural areas. It is unfortunate that even a small rural program such as HUD's Rural Housing & Economic Development program, subsequently called Rural Innovations, has been eliminated.

I would also like to highlight a few key elements that we have viewed as important tools to help solve some of our housing problems in Vermont.

1 – The Non-Profit Housing Delivery System

- We have developed a network of regional non-profit housing organizations that covers the entire state.
- The Vt. Housing & Conservation Board (VHCB) uses both state dollars as well as federal HOME funds from HUD to annually provide core organizational funding.
- State entities, especially VHCB, worked to create this non-profit capacity where it didn't exist and have supported that capacity with technical assistance.
- Partnerships are essential to the success of this system. One statewide housing non-profit, Housing Vermont, partners with regional and local housing non-profits, playing the role of both a developer and syndicator of low income, historic, and new markets tax credits. They augment local efforts by bringing the capacity to undertake sophisticated and complicated projects statewide. They also bring a high level of professionalism to construction and asset management.
- Because the regional housing non-profits are community based, many of the developments that they undertake also meet broader community development objectives. There are many examples of a town asking the local housing organization to take on a project that is of critical importance to the community but that no one else is willing to undertake because it is too complicated or difficult or not profitable enough.

2 – Permanent Affordability

- Vt. has embraced permanently affordable housing for the past 25 years. It is a priority in the state's Consolidated Plan that governs the use of HOME and CDBG funds from HUD. VHCB was created in part in reaction to the loss of a couple of federally subsidized affordable housing developments. In deciding to spend state dollars on affordable housing, the legislature wanted to avoid that situation in the future. Through the use of covenants and other deed restrictions the housing remains affordable and the public does not have to pay more than once to acquire the same piece of property.
- In rental housing, permanent affordability is achieved through use of a housing subsidy covenant. In addition, the regional housing non-profit has the right to purchase the project at the end of the low income housing tax credit period, generally for only the cost of the exit

taxes, assuming that the investors have received their promised return. There are nearly 9,000 rental units in over 400 developments in Vt. that are restricted by covenants.

- In owner occupied housing, the shared appreciation model is enforced either through a community land trust ground lease and/or a housing subsidy covenant. Nearly 1,000 such shared appreciation homes exist in Vermont. Our foreclosure rate for this type of housing is 2.9% compared to the national rate of 4.43%, even though a low income population is being housed. Many of these homeowners have fixed rate, low interest loans from USDA Rural Development. Active stewardship by the housing non-profit is *essential* to the success of this model.
- In 2009 a comprehensive study of the shared appreciation homeownership model looked at resales of limited appreciation homes stewarded by the Champlain Housing Trust, one of the largest and oldest community land trusts in the country. The principal findings were:
 - a – Access to homeownership for people earning below median income was expanded. Upon resale the average household income as a percent of median was slightly less than the income of the initial household as a percent of median.
 - b – Upon resale most homeowners walked away with more wealth than they had at the time of the initial purchase.
 - c – The program enabled residential mobility. Households who sold their limited appreciation homes did so for similar reasons and with similar success as homeowners buying and selling in the open market. Nearly 58% were able to buy unrestricted market rate homes.
 - d – The affordability of the home not only continued but improved. On average there was a 5.65% gain in affordability.
 - e – The public subsidy was recycled and remained in the home at the time of resale. The initial public subsidy of the 205 homes studied helped 357 low-income households become homeowners.
 - f – The program enhanced residential stability. Nearly all homes stayed in Champlain Housing Trust’s portfolio as affordable owner occupied dwellings.

3 – Deep Energy Efficiency

Because most of the State of Vt. depends on unregulated fuels for heat, mostly oil, and affordable housing developments are unable to absorb large increases in operating cost, we have put a lot of money and effort into deep energy efficiency in order to stabilize cost and preserve the existing portfolio.

- With funding from the MacArthur Foundation, Vt. developed a “roadmap to energy efficiency” that set forth the various levels of energy efficiency that must be achieved in order to maintain certain levels of housing affordability.
- The Roadmap led to the adoption of VHCB/VHFA Energy Efficiency standards that exceed the national RBES (Residential Building Energy Standards) and include solar hot water, R60 insulation in the ceiling and R25 or 30 in the walls, and extensive air sealing among other standards.

- VHCB and the state’s weatherization agencies created the Vt. Fuel Efficiency Partnership and used ARRA economic stimulus money, solar tax credits and other incentives along with owner contributions to undertake deep energy retrofits in multi-family buildings. Improvements were made to 88 buildings containing 725 apartments with an average projected fuel savings of 37% and savings as high as 69% in some cases. This work is projected to generate annual savings of over 2.3 million cubic feet of natural gas, over 100,000 gallons of oil or propane and approximately 485,000 kilowatt hours (kwh) of electricity. The solar hot water systems installed will generate the equivalent of 350,000 kwh of energy annually.
- VHCB and its energy partners convinced the state’s utility regulator, the Public Service Board, to change the screening tool used by weatherization and other energy efficiency programs in order to recognize the non-energy benefits of energy retrofits in multi-family affordable housing and therefore adjust the cost benefit analysis so that multi-family affordable housing screens more readily and thus is eligible for more funding through the state’s energy efficiency programs.
- VHCB, Housing Vermont and other partners piloted several very deep energy retrofit projects in affordable housing developments.
- State agencies and housing non-profits engaged in a dialogue with the National Park Service, administrator of the historic rehabilitation tax credit, about the issue of placement of solar collectors on buildings that utilize that credit.
- VHCB is currently working with the state’s energy efficiency utility on the creation of a public purpose ESCO that would serve as an investment vehicle for energy efficiency upgrades to affordable housing developments.

4 – Focus on development consistent with smart growth principles and a holistic approach to affordable housing and land conservation

Because the major state funded source of capital for affordable housing, the Vt. Housing & Conservation Board, is charged with both creating and preserving affordable housing as well as conserving land and historic properties, funding applications are often viewed through a lens that examines a project for both housing and conservation values and promotes growth in villages and town centers while conserving the surrounding countryside. The board tends to have a broad view of community needs, recognizing the importance of housing that community residents can afford along with open space for recreation and agricultural land for food production. For example, VHCB policies

- Encourage rehabilitation and adaptive reuse of existing buildings over new construction wherever feasible
- State that when new construction is justified based on lack of existing buildings to rehabilitate or a market need for additional housing, it must maximize density, contribute to sense of community ,encourage the maintenance of open space and minimize the amount of land devoted to roads and parking
- Guide new developments to locations in proximity to services and jobs or where public transportation is available, in either an existing residential neighborhood or in a location that will create an extension of an existing neighborhood, and to sites served by municipal infrastructure.

Because VHCB funds both affordable housing and land conservation the Board tends to have a broad view of community needs, recognizing the importance of housing along with open space for recreation and agricultural land for food production. Looking at the needs of the community as a whole has become ingrained and has resulted in the building of coalitions and achievement of benefits that reach beyond the more narrowly focused interests of any one constituency.