

Vermont Housing and Conservation Board

**POLICY POSITION
FUNDING FOR AFFORDABLE HOUSING PROJECTS**

The creation, rehabilitation and preservation of affordable housing for lower income Vermonters is of primary importance to Vermont's economic vitality and quality of life. Because Vermonters and Vermont communities face increasing difficulties in creating or preserving affordable housing, the Vermont Housing and Conservation Board was given a legislative mandate to assist non-profit organizations, co-ops, and municipalities. In carrying out its mission the Board has adopted the following thresholds, priorities, and factors for consideration. They apply to multi-unit developments of various types, not individual homes on scattered sites.

I. THRESHOLDS FOR CONSIDERATION BY THE BOARD

Projects must meet each of six thresholds before they will be considered by the Board:

A. Perpetual Affordability

1. Housing projects funded by the Board should involve mechanisms which assure perpetual affordability for lower-income Vermonters. Such protection shall be recorded in the land records and should be enforceable by the applicant or the Board. Projects which do not assure perpetual affordability are not a priority at this time. Feasibility or planning projects should address how the housing created or protected will be perpetually affordable.
2. Applicants must have a long term plan for stewardship of perpetually affordable projects. Stewardship shall include long-term affordability as well as maintenance of the property in good physical condition. The Board may hold the right to approve the transfer of projects it funds, hold a right-of-first-refusal to repurchase such properties, or recapture income earned upon sale by the applicant or its successors.
3. The Board shall prioritize application where there is a clear and effective mechanism to assure perpetual affordability and the applicant's purpose or history is consistent with that goal.

B. Location

1. Housing projects funded by the Board shall be in locations that meet Board priorities and considerations as described below including reinforcing historic settlement patterns, infill development and the rehabilitation of existing structures wherever possible.
2. The location should not, in the opinion of staff, have a large number of negative features such as excessive traffic, location that supports or encourages sprawl or is unfriendly to pedestrians, proximity to commercial, industrial or other uses that are

not compatible with residential uses, unless site or building layout is such as to substantially mitigate these negative features.

C. Readiness

1. The project must be ready to proceed within 18 months should funding be awarded.
2. Sufficient pre-development work should have been undertaken to demonstrate overall project feasibility.

D. Financial Viability

1. The project must be financially viable over time, meaning that affordability to the residents will be maintained and operations and reserves funded over time, as demonstrated by a 20 year cash flow projection. That said, the Board recognizes that physical assets may depreciate faster than anticipated so a capital needs assessment will be reviewed every five years to insure that reserves are adequate.

E. Plan for Addressing Major Health and Safety Issues

1. If major health and safety issues have been identified, there must be a financially viable and practical plan for successfully addressing or mitigating those problems.

F. Capacity of the Development and Management Teams

1. The development team should have experience in the development of affordable housing and, in the case of rental or service supported housing developments, there should be a management team identified with experience in managing affordable housing and stewarding the asset or a solid plan to contract with a qualified property and asset management entity. In the case of service supported housing there should be a Memorandum of Understanding with the service provider if the developer or property manager does not have the capacity to provide those services itself.

II. PRIORITIES FOR FUNDING

The Board establishes the following priorities for funding housing developments:

A. Need

1. Applicants must demonstrate a need for the particular type of housing proposed as compared to other types of housing in the community. Housing that addresses the greatest need within a community or the state as a whole will be a higher priority for funding as compared to housing that proposes to meet a lesser need.

2. In demonstrating need, applicants should be careful to differentiate between need for a particular type of housing and consumer demand for the housing.
3. The Board will support a wide range of housing options to meet a community's needs including: home or coop ownership, rental housing, family or elderly housing, service supported housing, and creating accessible housing for people with physical disabilities. The Board seeks a balance of housing options consistent with a community or region's needs. The Board will use available demographic and market data to evaluate whether a proposal addresses a community's needs. Applicants should conduct surveys or present other information which supports their assessment of need.
4. When and where there is a demonstrable shortage of affordable housing, adding net new units to the market will be a priority for the Board. Such units shall be added in accordance with the [VHCB Guidelines for New Construction Housing Projects](#).

B. Neighborhood or Downtown Revitalization

1. Projects that involve neighborhood or downtown revitalization will be a priority for the Board.
2. Rehabilitation or adaptive reuse of existing structures will generally take priority over new construction unless the new construction is infill housing or contributes to cleaning up a blighted neighborhood.

C. Location

1. Projects that are located in pedestrian friendly neighborhoods located in downtowns, existing residential neighborhoods or neighborhoods that create a logical addition to an existing neighborhood. Projects that are in designated growth centers may also be a priority for the Board.
2. Projects that are located in areas with access to services are a priority.
3. Projects that are located in neighborhoods served by public infrastructure are a priority.
4. Notwithstanding the priority for downtowns and existing residential neighborhoods, the Board recognizes that downtowns and town centers do not exist in every community yet those communities may have affordable housing needs. In those cases the Board will prioritize projects in locations with public infrastructure and/or access to public transportation, employment, and other services.

D. Serve Very Low Income Households or Households with Special Needs

1. Projects that provide affordable housing to households with the very lowest income or who are homeless or at risk of homelessness will also be considered

a high priority by the Board. Affordability to this population is an additional consideration under this priority.

2. Projects that serve households with special housing needs are also a priority. The presence of support services or a social service component is important considerations under this priority.

E. At Risk Housing

1. Projects that preserve federally subsidized housing units or provide rental assistance for households below 50% of median will be of very high priority.
2. The Board will also prioritize other at-risk housing where a lack of action may result in displacement.
3. Projects in which there has already been an investment of public funds that should be preserved shall also be a priority for the Board.

F. Dual Goal Projects

1. The VHCB recognizes the difficulty and cost of dual goal projects. Those endeavors which provide a community with both affordable housing and preservation of important Vermont lands will be a very high priority.
2. The historic significance of a structure will be weighed favorably in evaluating projects and awarding funds.
3. Housing projects shall not have a significant negative impact on important Vermont lands or on other VHCB goals.

G. Response to Natural and Other Disasters and Health or Safety Threats

1. Developments that will replace housing lost to fire, flood and other disasters will be a priority for the Board. It is understood that replacing such housing in the same location may not always be the best approach unless mitigation measures have been undertaken.
2. If there are existing and severe health or safety threats to lower income households and the project would correct those conditions, the project will be considered a priority for the Board.

H. Energy Efficiency

1. Because the residents of affordable housing developments have low or very-low incomes and because affordability and financial viability of affordable housing developments are particularly vulnerable to increases in the price of heating fuel it is expected that all multi-family housing developments and new for-sale units will, at a minimum, meet the federal energy efficiency (RBES)

requirements. Priority will be given to projects that meet the Roadmap for Housing Energy Affordability's long-term goals for energy affordability as outlined in the "Vermont Multifamily Energy Design Standards". Such standards provide flexibility for historic properties.

III. CONTRIBUTING FACTORS

In deciding whether or not to fund a particular application, the Board shall also assess the following contributing factors or considerations.

A. Leverage

Leverage of other funds is important to the success of projects. Leverage will be evaluated in conjunction with the economic mix of the residents to be served as well as the amount of the request, examined both on a per unit basis and percentage of total funds available. The presence of a bargain sale is considered leverage.

B. Proximity to services or public transportation

C. Overall cost effectiveness of the product as it related to quality and value of the product and the number of other priorities being addressed.

D. The project will create or contribute to a mixed income development or community or provide affordable housing for lower income households in a middle or upper income community.

E. Community involvement or support

Applicants should demonstrate a strong community base or community support for their project. For state-wide organizations applying for VHCB funds, community base or support can be demonstrated through a partnership with locally based project committees, non-profit development organizations, or other groups that include members who represent the residents. The Board will consider and evaluate local or regional policies which have an impact on the availability and affordability of housing.

F. Level of resident involvement in the development and management of the project.

Projects should indicate the extent of resident involvement in the development or management of the project. Applicants should have resident representation or plans for resident representation on the governing board of the recipient organization.

G. Livability including but not limited to quality of design and unit layout.

H. No displacement.

The project will not cause displacement, especially of lower income households. The Board may choose to make exceptions to this policy if a property is being converted to service enriched housing for a special population and an acceptable plan is developed to relocate existing residents.

I. The availability of other amenities either on site or within close proximity including but not limited to recreation, gardening or other open space. Amenities should be appropriate for the type of housing developed (i.e. greenspace and play areas for family housing).

J. Collaboration between different organizations, entities, or agencies where each party has a different role to play.

K. Location in a village area or compact growth center designated by a municipality where municipal infrastructure such as water and sewerage either exists or will exist in the near future.

L. Reduced rent for lower income households as a result of the project and/or failure to undertake the project will result in loss of equity for mobile home owners or coop members.

M. Project does not negatively impact another VHCB goal in a significant fashion.

N. Consistency with other adopted VHCB policies and guidelines.

O. Long term plan for stewardship of resource to be used for perpetually affordable housing.

P. Access to public transportation

Q. Pedestrian friendly

R. Number of units adaptable, accessible, and visitable to individuals with physical disabilities

S. Carbon smart or sustainable building practices.

IV. STEWARDSHIP

A commitment to long-term stewardship is essential, that is, both continued affordability to current and future residents along with maintenance of the property in good physical condition. Should the owner of a VHCB funded property find itself in the position in which a sale is necessary and/or the property no longer works for the intended use it is expected that the owner will vigorously pursue a sale to another entity or individual that will maintain the property as affordable housing of some type. If those efforts are unsuccessful the original VHCB award must be repaid.

V. FUNDING DECISIONS

The Board will assess applications for funding in the context of how the project meets Board priorities as well as other factors for consideration described above. Decisions will also involve a qualitative judgment on the part of the Board regarding how well a project meets the various priorities and factors, not just how many priorities and factors are met by a particular project. Consideration will also be given to geographic distribution, “fair share” considerations, meeting a variety of housing needs and the importance of timely action at a particular board meeting to make sure that a project can proceed.

VI. VHCB CONTRIBUTION

- A. Applicants should be mindful of past Board actions and note that the Board and staff will continue to monitor per unit investment and overall contributions necessary to make projects work effectively.
- B. It is expected that applicants will leverage other state, federal and private resources to the greatest extent feasible.

VII. STRENGTHENING AND ENHANCING CAPACITY

The Board recognizes that a strong local non-profit housing network is an integral component of a system that provides affordable housing throughout the state. Through its policies and funding decisions the Board seeks to strengthen that network and promote sustainability over time.

Neither the technical nor the financial resources exist to separately develop housing for every geographical area or distinct population group. An effective system to deliver needed housing will require cooperation among local, regional, and statewide organizations. The Board will work with and encourage collaborative regional efforts that bring together the range of resources necessary to carry out effective programs and maximize the capacity of the development and management team.