

COMMISSION ON FINANCING AND DELIVERY OF AFFORDABLE HOUSING AND CONSERVATION

EXECUTIVE SUMMARY

The Commission on Financing and Delivery of Affordable Housing and Conservation (Commission) was created by the General Assembly in Act No. 156 of the 2009-2010 Biennium. The 8 member Commission was charged to review and assess the work of the four Statewide Entities that are responsible for funding organizations and individuals who provide or receive affordable housing and to determine the impact of a merger or consolidation of the Statewide Entities on the production of permanently affordable housing, land conservation, and historic preservation (see page 1 of the report for a full statement of the charge.)

The Commission met six times, heard from 50 witnesses including representatives from business, banking, nonprofit affordable housing organizations, residents of affordable housing, state government, agriculture, and organizations concerned with historic preservation, conservation and recreational lands. The Commission also reviewed a long list of documents, reports and other relevant information.

The testimony before the Commission can be summed up in the words of Stephen Marsh, President and Chief Operating Officer of Community National Bank who said, “If it ain’t broken don’t fix it.” Brenda Torpy, Eileen Peltier, Connie Snow and Nancy Eldridge who represent nonprofit affordable housing producers in Vermont not only echoed this sentiment, but emphasized how well the Vermont housing system works and how favorably it compares with housing systems in other states.

The witness testimony was supported by numerous reports and indices showing that the Statewide Entities are doing an excellent job fulfilling their statutory missions and rank near the top nationally in terms of performance. For example:

- Vermont’s 2010 ranking in the HOME program which serves people with extremely low incomes was fourth in the nation.
- Vermont is the highest among the 50 states in terms of contributions to reserves for replacement (critical for ensuring the quality of the housing over the long term.)
- 53% of low-income housing tax credit units in Vermont serve households with incomes below 30% of the county median. The national average is 11%. Vermont ranks second highest in the nation.
- Vermont is one of only 11 States with low income housing tax credit extended use restrictions of greater than 50 years.
- Vermont’s rental assistance voucher utilization rate is consistently 98% or better.

In terms of controlling costs, building quality housing and obtaining resources, Vermont does very well. For example, Erhard Mahnke testified that on a per capita basis, Vermont is second in the nation in having Low Income Housing Tax Credit projects benefit people at or below 30% of area median income.

The Commission was specifically charged with reviewing the report called for in Executive Order # 02-10 of March 18, 2010 (the Weidner Report). The Commission received testimony from Weidner representatives and spent substantial time in reviewing the Weidner Report. The Weidner Report strongly recommended consolidating the Statewide Entities. In the report and in their testimony before the Commission, the Weidner consultants stated that they had not done a cost-benefit analysis of consolidation. They looked only at the potential benefits of consolidation and did not consider the substantial costs associated with it. The consultants also failed to compare Vermont's performance with the fifteen states that use a consolidated approach to affordable housing. Several witnesses testified that their experience working in New Hampshire, which did consolidate its affordable housing agencies, was inferior to their experience working in Vermont. The Commission found the Weidner Report to be of little value due to its flawed methodology and narrow scope, and because its recommendations lacked empirical support.

The Commission strongly recommends not consolidating the Statewide Entities. Although all of these agencies deal with "affordable housing," the evidence before the Commission was clear that they have very distinct and separate missions which require different types of skills. Because these are specialized agencies they are better able to secure specialized funding, a critical attribute since funding from the State accounts for only 9% of the money that goes into affordable housing. As smaller, specialized agencies, they have demonstrated an ability to be nimble and responsive to emerging needs; to be accessible to clients and transparent in their activities; to monitor and administer a wide array of programs; and to remain free of policy shifts with each change in political administration. Such shifts would be particularly disruptive to affordable housing and conservation projects that often take years to develop.

Based on extensive testimony, the Commission believes that the issue of deferred, zero interest loans has been vastly overblown. Deferred loans are used throughout the nation to leverage additional resources and to insure that the housing serves low income people. Without deferred loans, several witness testified that the development of affordable housing for very low income persons would come to a halt. Recycling these deferred loans by insisting on periodic (amortizing) payments in many instances would result in the ongoing costs of the project increasing so substantially that low income residents would lose their housing and be replaced by higher income families. Loan repayment is currently expected, however, it is also expected that this housing will

remain perpetually affordable, so each refinancing proposal is individually reviewed by the VHCB board, and the commission believes it has been handled in an open and professional manner that is consistent with State priorities.

The Commission finds that the Vermont Housing and Conservation Board has been highly successful in fulfilling its statutory responsibilities. VHCB, VHFA and VSHA represent outstanding examples of quasi-state agencies with an extraordinary record of accomplishment. Can they do better? Our full report includes several recommendations for consideration by the boards of the agencies to improve their performance and improve the affordable housing system in Vermont. But unlike the Weidner Report, the commission believes that before one proposes radical changes, one needs to assess the potential costs and also develop a realistic baseline as to how the current system is working. Eric Farrell, a for-profit developer summed up the view of the Commission succinctly in an email when he wrote: “if you ask me if the current system is working my answer is an unequivocal YES!”