

# State of Vermont HOME-ARP Allocation Plan

February 16, 2022

This Allocation Plan describes how the State of Vermont intends to utilize funds appropriated under section 3205 of the American Rescue Plan Act of 2021 (P.L. 117-2) (“**ARP**”) for the HOME Investment Partnerships Program (HOME) to provide homelessness assistance and supportive services. On March 11, 2021, President Biden signed ARP into law, which provides over \$1.9 trillion in relief to address the continued impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses.

To address the need for homelessness assistance and supportive services, Congress appropriated \$5 billion in ARP funds to be administered through HOME to perform four activities that must primarily benefit qualifying individuals and families who are homeless, at risk of homelessness, or in other vulnerable populations. These activities include: (1) development and support of affordable housing, (2) tenant-based rental assistance (TBRA), (3) provision of supportive services; and (4) acquisition and development of non-congregate shelter units. The program described in this Plan is the **HOME-American Rescue Plan** or “**HOME-ARP**.”

ARP defines qualifying individuals or families as those that are (1) homeless, as defined in section 103(a) of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. 11302(a)) (“**McKinney-Vento**”); (2) at risk of homelessness, as defined in section 401 of McKinney-Vento; (3) fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; (4) part of other populations where providing supportive services or assistance would prevent a family’s homelessness or would serve those with the greatest risk of housing instability; or (5) veterans and families that include a veteran family member that meet the criteria in one of (1)-(4) above.

This Plan describes how the State of Vermont will utilize its \$9,564,691 award of HOME-ARP funds to provide assistance to Qualifying Populations. It has been prepared based on *HUD Notice CPD-21-10 (September 13, 2021) – Requirements for the Use of Funds in the HOME-American Rescue Plan Program*. This Plan includes descriptions of the following:

- A. Consultation
- B. Public Participation
- C. HOME-ARP Allocation Plan Requirements
  - 1. Needs Assessment and Gaps Analysis
  - 2. HOME-ARP Activities
  - 3. HOME-ARP Production Housing Goals
  - 4. Preferences
  - 5. HOME-ARP Refinancing Guidelines

The Vermont Housing & Conservation Board (VHCB) administers the HOME Program in Vermont under agreement with the Vermont Agency of Commerce and Community Development. VHCB will also administer HOME-ARP funds under a new agreement with the State. VHCB has the staff, procedures, and systems in place to effectively administer HOME-ARP funds.

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## A. Consultation

In order to determine the best use of HOME-ARP funds in Vermont, a consultation process was undertaken that sought input from State agencies, service providers, Continuums of Care (CoC's), non-profit housing developers, and other stakeholders. The various agencies and organizations listed below were each provided with information about Vermont's HOME-ARP award and eligible activities and asked for their input on how this funding should be utilized by the State to address the needs of Qualifying Populations. Methods of communication with the agencies and groups included direct discussion at inter-agency meetings (ex. Housing Recovery Working Group), individual outreach to appropriate individuals at institutions and advocacy groups, and discussions with the state agencies.

Among the entities and individuals consulted during this process, there was almost uniform consensus that the development of permanent affordable housing was the most pressing need; and that HOME-ARP funds should be used to produce housing which could serve Qualifying Populations. Vermont has had a longstanding shortage of affordable rental housing, and the COVID-19 pandemic exacerbated this. Production of more units specifically targeted to Qualifying Populations will directly address this situation.

On September 30, 2021, VHCB provided the inter-agency Housing Recovery Working Group with a description of eligible activities under Vermont's HOME-ARP allocation and facilitated a discussion about how it can best be used to address homelessness. This Working Group was established to coordinate the response to housing needs related to the COVID-19 pandemic and economic fallout. It comprises Vermont's statewide housing funders – the Vermont Housing and Conservation Board, the Department of Housing and Community Development of the Agency of Commerce and Community Development, the Department for Children and Families of the Agency of Human Services, the Vermont Housing Finance Agency, and the Vermont State Housing Authority. VHCB sought input from the Housing Recovery Working Group as part of that group's ongoing strategic planning of the use of housing recovery resources as well as the formal HOME-ARP consultation process.

A majority of the Working Group supported VHCB's recommended use of the HOME allocation because rental assistance is in abundant supply at the moment and new units are what is most needed. Many voucher holders cannot find apartments to rent to utilize their subsidy. There was also a discussion of the need for services and whether HOME-ARP should be used for that purpose. Some noted that funding for services is available currently and the limiting factor in being able to support all those who need them is related to staffing shortages and the difficulty in filling positions. In sum, there was not a consensus, but there was the most support for using HOME-ARP for rental housing development.

On October 7, 2021 staff from VHCB presented to the Chittenden County Homeless Alliance, the regional CoC, explaining the eligible uses of HOME-ARP funds and leading a conversation about how Vermont should use this funding. Participants were encouraged to also submit feedback in writing via email to VHCB staff. Although there was discussion about using some of the funds for supportive services, there was again widespread agreement that a shortage of affordable housing options was the principal obstacle to housing for many in the Qualifying Populations. VHCB did not receive any further comments via email from this group.

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VHCB also directly solicited feedback from the Vermont Coalition to End Homelessness (VCEH) which serves as the Continuum of Care for the balance of the state. Coalition members were surveyed via an email from VHCB forwarded by VCEH’s Executive Director. This email indicated the amount of HOME-ARP funds awarded to Vermont, included a summary of the eligible activities and the definition of Qualifying Populations, and a discussion of the proposed uses of these funds. Although no written feedback was submitted, interactions with various members indicated their general support for the proposed use of HOME-ARP funds to develop rental housing. In a follow-up conversation with VCEH’s Executive Director, he reiterated VCEH’s overall goals of safe affordable housing for all Vermonters, and if homelessness occurs, it is brief and rare occurrence during which everyone is treated with dignity and respect. The development of much needed affordable rental housing units for Qualifying Populations is in concert with these goals.

Domestic violence providers are members of the Continuums of Care that were consulted. Steps to End Domestic Violence is a member of the Chittenden County Homeless Alliance, the COC for the Burlington Area. Two domestic violence providers are represented on the Board of the Vermont Coalition to End Homelessness, the COC for the balance of the State. These groups are the Vermont Network Against Domestic and Sexual Violence and the Voices Against Violence program of the Champlain Valley Office of Economic Opportunity. Substantial direct outreach was made to members of both COC’s seeking input on the potential uses of HOME-ARP funds.

Also consulted were service providers, non-profit housing developers, advocates for the disabled, elderly, and veterans, as well as Legal Aid and tenant advocacy groups. The groups contacted and the feedback they provided are listed in the table below.

<b>Agency / Organization</b>	<b>Type</b>	<b>Method of Consultation</b>	<b>Feedback</b>
Chittenden County Homeless Alliance	CoC	Meeting presentation	Consensus rental housing development best use
Vermont Coalition to End Homelessness	CoC	Direct Outreach	No feedback / no changes to proposed uses
Vermont Housing Finance Agency	State agency	Meeting	Recognize need for more permanent housing, should consider using for supportive services.
Vermont Dept. of Housing & Community Dev. – Agency of Commerce & Community Development	State agency	Meeting	Development of rental housing is the State’s most pressing need.
Vermont State Housing Authority	Housing Authority	Meeting	More affordable housing options, development of affordable housing
Vermont Agency of Human Services	State Agency	Meeting	Concerns about providing continuing supportive services after current resources are gone; recognize overarching need for more affordable rental housing.
Vermont Housing & Conservation Board	State Board	Meeting	Development of rental housing, support for non-profits developing HOME-ARP projects.
Montpelier Housing Authority	Housing Authority	Direct outreach	No feedback / no changes to proposed uses

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Champlain Housing Trust, Inc.	Non-Profit Housing Developer/Owner	Direct outreach	support the Development of Rental Housing for Qualifying Populations as the highest priority use. We are in desperate need of new units serving the homeless in Chittenden County.
EverNorth	Non-Profit Housing Developer	Direct outreach	No feedback / no changes to proposed uses
Rural Edge	Non-Profit Housing Developer/Owner	Direct outreach	No feedback / no changes to proposed uses
Windham Windsor Housing Trust	Non-Profit Housing Developer/Owner	Direct outreach	No feedback / no changes to proposed uses
BROC Community Action	Community Action Agency	Direct outreach	No feedback / no changes to proposed uses
Champlain Valley Office of Economic Opportunity	Community Action / Tenant advocates / Fair Housing	Direct outreach, phone call	Agree with need for more affordable housing options, choices for at-risk populations, and long term, sustainable housing with necessary supports. Tenants in substandard housing have unmet needs.
Vermont Department of Disabilities, Aging, and Independent Living	State Agency	Direct outreach	No feedback / no changes to proposed uses
Vermont Center for Independent Living	Advocacy, Services for Disabled	Direct outreach	No feedback / no changes to proposed uses
Homeless Prevention Center	COC	Direct outreach	No feedback / no changes to proposed uses
Vermont Legal Aid	Legal Advocacy	Direct outreach	Supportive of development of rental housing, provided written comments with specific recommendations around siting and accessibility issues.
Vermont Office of Veteran Affairs	State Agency	Direct outreach	No feedback / no changes to proposed uses

### B. Public Participation

VHCB prepared a draft of this plan which was put out for public comment from December 15, 2021 through January 14, 2022. A properly noticed public hearing was held on January 4, 2022 from 4:30-5:30 PM where the public was invited to ask questions and comment on the potential uses of HOME-ARP funds. Information about Vermont HOME-ARP funds was also featured prominently during this time on VHCB's web site (<https://www.vhcb.org/our-programs/housing/home-arp-funding>), inviting written comments from stakeholders and the general public. The comments received from the public, both in writing and at the hearing, are summarized below.

#### *Efforts to broaden public participation:*

On the Department of Housing and Community Development (DHCD) web site is a Citizen Participation page where the public is encouraged to comment on Consolidated Plans and Action Plans. Citizens and stakeholders can review prior comments and responses and submit new comments. The HOME-ARP

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draft plan was featured prominently at the top of this page as the easiest avenue for public comments. Notice was sent to appropriate parties about the listing and encouraging them to submit comments.

Notice for the public hearing was published on December 17, 2021 in numerous publications across the State and was featured prominently on VHCB's and DHCD's web sites. Eighteen members of the public attended the virtual hearing.

To broaden opportunities for comment, VHCB also included discussion of HOME-ARP and its potential uses in a public information session on other new sources of funding for housing. The session was held on October 12, 2021, recorded and posted on VHCB's website. Approximately 50 stakeholders participated.

### *Summary of comments received:*

Eighteen members of the public attended the hearing on January 4, 2022. It was conducted as a teleconference although a public space was available for Vermont residents to attend in person (none did). A recording of the hearing is available on VHCB's web site: <https://www.vhcb.org/our-programs/housing/home-arp-funding>. A list of attendees is included with the written public comments also on the web site.

A commenter at the public hearing discussed the need for an expansion of Recovery Housing to help those experiencing substance-abuse disorders. They pointed out there are currently only 4 organizations in Vermont operating these facilities and there is space for affordable housing developers to work with these groups to develop housing that meets the needs of this population. They also described the need for a temporary, non-congregate facility that can house individuals who are experiencing a relapse who need somewhere to go but can't return to a recovery residence. This scenario commonly leads to fatal overdoses. *Response: The State of Vermont recognizes the need for more recovery housing and has recently received funding for this purpose from HUD. A number of recovery residences are under development throughout the State with funding from VHCB, DHCD and other sources. While the State does not intend to utilize HOME-ARP for recovery housing, the increase in units available to Qualifying Populations will certainly benefit those suffering from substance abuse who are homeless or at-risk.*

Another commenter who identified themselves as the founder of a non-profit group working on housing issues in the Bennington region was primarily concerned with predatory lending and its effects on vulnerable groups, particularly BIPOC populations. *Response: Vermont recognizes that predatory lending remains a serious problem, however HOME-ARP funds are not intended to be used to address this issue.*

A commenter from Orleans County with the Restorative Justice Center asked for more resources to be directed to the Northeast Kingdom (the northeast counties of Vermont) to address homelessness there. They described the lack of a shelter in Newport, one of the region's largest cities. This problem is exacerbated by a shortage of affordable housing. The commenter shared the story of a local resident whose outward appearance would not lend one to believe he was homeless, but who nonetheless could

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not find a permanent home. *Response: The State is well aware of the housing challenges facing the City of Newport and the rest of the region, including a failed downtown project that eliminated much needed housing but was never completed. VHCB has funded the development of numerous recent affordable housing projects both in Newport and other areas of the Northeast Kingdom, most by the local non-profit developer Rural Edge. However, like most parts of the State, there remains a shortage of housing affordable to low income households. The lack of a shelter in the immediate vicinity of Newport is also a concern. The State has recently developed additional shelters throughout the State using CRF and ARPA funding made available for that purpose. A viable proposal to develop a shelter would certainly be considered for funding from a variety of other non-HOME-ARP sources.*

Also commenting at the public hearing was a representative of Vermont Legal Aid (VLA). They expressed support for the development of permanent affordable housing to serve Qualifying Populations as well as a desire to see more variety in the siting of such projects, not concentrating them all in more populated regions. VLA also submitted substantial written comment making the following recommendations, many of which were shared by other commenters. There is concern about adding more tenant-based rental vouchers when many households who already have this assistance cannot find units to rent, and there is continuing discrimination against such households. VLA requested that more consideration be given during project design and development for the disabled and those suffering mental illness. VLA urged the construction of more affordable, unrestricted housing in high opportunity locations and give preference to housing that provides supportive services and integrates residents into the community. They urge that housing be constructed not just in downtown locations, but also in more rural communities to give those residents better housing opportunities. *Response: Some of VLA's suggestions are more targeted towards developers, such as siting of projects and design considerations. These comments will be forwarded to Vermont's regional non-profit housing developers for their consideration. VHCB does not direct developers to undertake specific projects, rather they consider funding them after they have been proposed. Higher priority can be given to projects with certain characteristics as demonstrated by Vermont's Consolidated Plan and the goals and objectives outlined there. Overall VHCB agrees with the spirit and substance of VLA's comments and will incorporate them when projects are being considered for HOME-ARP funding.*

A doctor and addiction specialist in Vermont provided written comments urging the development of more recovery housing to those with substance abuse disorders. He urged that recovery housing specifically include housing first models that result in permanent homes, rather than those that exclude people who are actively using substances, which results in the ongoing cycling of high risk individuals in and out of housing. He also urged that more support be given to those with eviction histories to help them access housing without discrimination. He suggested regulating short term rentals to address increasing housing prices. And he requested the development of short term transitional respite care housing for homeless individuals with chronic diseases. *Response: VHCB has recently funded recovery housing projects and will be considering additional projects in the near future. The Vermont Department of Housing and Community Development is also administering a HUD award specifically directed to recovery housing. The State recognizes the significant need for more facilities to help people recover from substance abuse and is working through many agencies to help facilitate this. Since 2020 VHCB has funded a large number of affordable housing projects specifically targeted at individuals and families experiencing homelessness. These were funds provided by the CARES Act and American Rescue Plan*

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*Act. All of these projects included a substantial amount in their budget to provide supportive services to the households these units serve. Regarding short term, transitional respite care for homeless individuals with a chronic disease, VHCB recently funded the Bridge Project in Rutland on Woodstock Ave, a partnership between the Rutland Housing Authority and the Medical Center. This project was funded with money from the federal CARES Act. It is not within the scope of the HOME-ARP award to regulate short-term rentals.*

A homelessness service provider recommended that the funding be used strategically with a long term view, including a thoughtful mix of housing, housing subsidies, and person-centered services. They also raised concerns that the housing created not have barriers that exclude the most vulnerable community members from accessing stability. Folks with the most perceived barriers (challenging tenant histories, poor credit, lack of engagement with providers, etc.) should be afforded opportunities arising from the use of these funds. *Response: VHCB agrees that a mix of new affordable rental units, subsidies, and services are all needed to address the current crisis. However, currently there are more housing subsidies than units that will accept them, and a lot of supportive service providers are having trouble hiring and keeping qualified staff. Therefore the consensus is to building more units specifically targeting the homeless or those at serious risk of becoming homeless. Units created with HOME-ARP funds will be filled through the Coordinated Entry system or other approved referral method to insure they are serving those in greatest need.*

*Summary of comments not accepted:*

A commenter wanted to know if new housing developments funded with HOME-ARP would be affordable to households who don't qualify for Section 8, or who make 80%-120% of AMI. This commenter thought some of HOME-ARP funds should be used for supportive services, and was dismayed at the amounts proposed in the draft Allocation Plan for non-profit operational and capacity building assistance and for administration of the award. *Response: There is a strong consensus among the parties consulted and commenters that the best use of HOME-ARP funds would be for the development of permanent affordable rental housing for Qualifying Populations. Non-profit operational and capacity support will be needed by these groups to develop additional projects with HOME-ARP funds. VHCB and the State of Vermont have substantial monitoring and reporting obligations that come with administering this award, including monitoring compliance for HOME-ARP rental units for 15 years to insure they are serving the populations intended. Administrative expenses also include the development of the Allocation Plan, consultation, public comments, the development of policies and procedures, and other tasks.*

### **C. HOME-ARP Allocation Plan Requirements**

The following sections of this Plan describe the Qualifying Populations in Vermont, their needs, and the housing and service gaps that prevent them from finding safe, stable, permanent housing. Proposed uses of HOME-ARP funds are discussed, as well as details about how applications will be solicited and evaluated, and the criteria that will be used to award of HOME-ARP funds for eligible activities.

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## 1. Needs Assessment and Gaps Analysis

The COVID-19 pandemic and the economic impacts it created have led to a significant increase in Vermont's homeless population and has put thousands of other residents at-risk of losing their homes. Emergency actions by the State during the pandemic included a large expansion of its motel voucher program to reduce crowding in congregate shelters and assist newly unsheltered households. Although currently extended until March 1, 2022, the motel voucher program will eventually be downsized, requiring the Qualifying Populations it serves to find other options. Vermont's Point In Time (PIT) count and a recent Housing Needs Assessment, discussed below, describe the Qualifying Populations and the challenges they face finding safe and affordable housing.

2021 has seen an unprecedented increase in the number of homeless households and individuals counted in Vermont's PIT. The PIT is an unduplicated statewide count of persons experiencing literal homelessness on a single night in January. The count captures the most vulnerable population, those literally homeless and does not include those at risk of homelessness, doubled up or couch surfing. Vermont's two Continua of Care (CoC) — the Vermont Coalition to End Homelessness (Balance of State CoC) and Chittenden County Homeless Alliance (Chittenden County CoC)—are the lead organizers of this effort. These CoC's, along with 11 local Continua of Care that are part of the Balance of State, comprised of service and housing providers, state agencies, those with lived experience of homelessness, and other key partners in the work to make all homelessness rare, brief and one-time. The full report can be found here (Attachment 1): <https://www.vhcb.org/our-programs/housing/home-arp-funding>

### Notable Findings – Size and Demographic Composition of Qualifying Populations:

- During the one-day count on January 27, 2021, 2591 Vermonters experienced literal homelessness, an increase of 1481 persons compared to the 2020 one-day count.
- A total of 2043 households were counted, an increase of 1222 households and more than double from 2020.
- Vermont did not count unsheltered persons in 2021 due to the logistics of Covid-19.
- 360 persons were children under 18, representing 13.9% of the entire homeless population counted; as compared to 2020, 216 children at 19%.
- 277 people, or 10.7%, reported they were fleeing domestic or sexual violence, this is a slight percentage decrease from 2020 which was 128 persons at 11.5%.
- A disproportionate amount of people identified as Black or African American compared to state demographics; 6.9% or 179 persons (an increase of 1.3% from 2020) were Black or African American, compared to 1% of the state population.

For the last decade or more, Vermont has seen a reduction in the number of new homes being built. This contrasts with the increasing demand for housing, especially housing affordable to low income residents. Rental vacancy rates remain extremely low in most parts of the state, and the units that are available tend not to be affordable to the most vulnerable residents. A 2020 Vermont state-wide Housing Needs Assessment concludes: "Low income households have the least flexibility to adjust to higher housing prices or move to other locations and are therefore hard hit when housing markets are constrained or decline. Nearly 90,000 renter and owner households (36% of all households in the state) are cost burdened by their housing costs. This means their monthly housing costs consume more than

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30% of their income for rent, mortgage, insurance, taxes and utilities --the maximum level considered affordable for the average household. Of these cost burdened Vermonters, 39,000 households (16%) spend more than half of their income for housing. These households are at especially high risk of housing instability, including frequent moves, eviction and even homelessness.”

The complete Housing Needs Assessment can be viewed here (Attachment 2):

<https://www.vhcb.org/our-programs/housing/home-arp-funding>. It should be noted that the needs have grown since the assessment was completed due to rising rents and home prices related to the pandemic. There have been reports in certain communities, such as St. Johnsbury and Rutland, of out-of-state entities purchasing relatively large numbers of rental units. These units then tend to be marketed to higher income groups, further limiting the availability of rental units affordable to low income households.

### ***Needs of sheltered and unsheltered homeless populations:***

A substantial portion of Vermonters experiencing homelessness have other challenges that contribute to them not being able to obtain stable housing. Recently obtained Coordinated Entry data from the Vermont Agency of Human Services for the period 10/1/20-9/30/21 shows:

- 4,925 households were in the Coordinated Entry system during the year, of which:
  - 26% reported having a substance use disorder
  - 51% reported having a mental health disorder
  - 23% reported having a chronic health condition
  - 33% reported having a physical disability

These statistics demonstrate a substantial need for recovery, mental and physical health services. People experiencing homelessness, however, are least able to avail themselves of assistance to address these conditions. Many times the first step to recovery and better health outcomes is a safe and stable home.

### ***Needs of currently housed populations at risk of homelessness:***

As noted in the 2020 Vermont Housing Needs Assessment, many currently housed households and individuals struggle to pay their housing costs with their current incomes. A long time shortage of housing affordable to those making 30% or 50% of median incomes means many live in constant fear of becoming homeless. Over half of the renters in Vermont (about 36,000 households) have housing costs that consume more than 30% of their income--the standard for assessing affordability. When housing costs consume more than this, tenants are less likely to have enough income remaining for other living expenses which can lead to housing instability. One quarter of Vermont’s renters (about 18,000 households) spend more than half of their income for housing costs. These renters are at high risk of housing instability, including frequent moves, eviction and even homelessness.

The term “cost burden” is often used to describe the hardship of spending high portions of income for housing. Although cost burden is pervasive among all Vermont counties, Chittenden County has the highest rates in the state of both moderate cost burden (spending 30-50% of income for housing) and

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severe cost burden (spending more than 50% of income for housing). Interestingly, neighboring Addison and Franklin counties have the lowest rates of cost burden statewide.

### ***Needs of other families requiring services or housing assistance or to prevent homelessness:***

Data gathered in the 2020 Vermont Housing Needs Assessment demonstrates the need to create more housing opportunities for low and very-low income residents. Vermont will need to increase the state's total stock of rental housing by 2,629 units before 2025 to meet expected demand among new households, replace homes removed from the stock and house the state's homeless. In addition, nearly 18,000 current renter households in the state are at a high risk of eviction and homelessness due to housing costs that exceed half of their income. While constructing new apartments helps to address this, converting existing housing to affordable, energy-efficient, safe homes for lower income Vermonters could also help meet the needs of these 18,000 at-risk, but currently housed, Vermont households.

Vermont's vacancy rates are lower than rates considered healthy by most published research. To relieve the upward pressure on rents resulting from sub-healthy vacancy rates in many parts of the state, the number of additional rental homes needed in Vermont's housing stock by 2025 would need to rise even further than currently projected.

### ***Needs of those at greatest risk of housing instability or in unstable housing situations:***

Waitlists can be an important indicator of the relative demand for and access to affordable rental housing. However, managers of affordable apartments in Vermont tend to organize applicants on waitlists for apartments in their portfolios based on a number of different criteria, including the location, number of bedrooms needed, the need for rental assistance, and property amenities. Furthermore, applicants may be placed on multiple lists, making it impossible to calculate an overall average length of time on waitlists or the total number of applicants for subsidized rental housing in Vermont.

Anecdotally, most managers reported their properties had waitlists of several hundred applicants, and that most applicants remained on the waitlist at least a year, with one property reporting a waitlist of 540 applicants and an average wait time of four to five years. Of the 513 publicly subsidized apartment developments in Vermont, about 77% have waitlists that are open, based on reports from managers. This means that for the remaining 23% (about 115 developments), apartment seekers may not even have the opportunity to add their name to a waitlist.

Individuals and families at risk of losing their homes due to decreased incomes and the inability to pay rent or mortgages are being assisted with federal resources such as the Emergency Rental Assistance programs and Housing Assistance Fund.

### ***Identification and consideration of current resources:***

A variety of local and statewide organizations make up Vermont's network for providing housing services to Vermonters experiencing homelessness, some of which are tailored to specific subpopulations. For example, the Family Supportive Housing (FSH) Program is a key player in addressing homelessness among families. The FSH program provides in-depth case management and service

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coordination to homeless families with children to stem homelessness and facilitate the transition to permanent housing. Funding is administered through the Vermont Department for Children and Families Office of Economic Opportunity. A network of community-based providers deliver the FSH programming in conjunction with affordable housing providers and private landlords.

Many State and Federal resources are available to assist Qualifying Populations in Vermont, and these have increased with funding from both the CARES Act and the American Rescue Plan Act (ARPA). Vermont's legislature decided to allocate substantial amounts of its allocation from these Acts to address increased homelessness brought about by the COVID-19 pandemic. In 2020, CARES Act funding was used move homeless families out of congregate shelters and into hotels or new permanent affordable housing. Funds were used to make modifications at congregate shelters around the State to allow them to safely house families and individuals following CDC COVID-19 guidelines. In 2021 ARPA funds are being used to purchase some hotels for use as non-congregate shelters and to develop permanent affordable housing to serve Vermont's most vulnerable residents. Despite all these efforts, the need among Qualifying Populations is still great, with thousands households still living in motels.

As mentioned above, the Housing Recovery Working Group is coordinating the strategic use of new state and federal housing funding. It's working summary of all current resources and eligible uses being deployed can be found here (Attachment 3): <https://www.vhcb.org/our-programs/housing/home-arp-funding>

### ***Identify gaps in housing / shelter / supportive services:***

As discussed earlier, the 2020 Vermont Housing Needs Assessment details the number and condition of the State's housing stock and the population it serves. The Assessment identifies a significant gap between the need for housing affordable to low income residents and the amount of such housing. These conditions existed before the COVID-19 pandemic, which only made things worse. The Scott Administration and the Vermont Legislature have recognized this problem for many years and have allocated substantially funding towards the creation of more affordable housing. At a news conference on October 18, 2021, Governor Scott stated: "I appreciate the thoughtful work of our housing and human services experts to identify both short term supports to transition people into more sustainable housing options and a path for a long term solution that will provide permanent housing for those experiencing homelessness. To make this plan a reality, we've proposed to the legislature historic investments in housing to help people move out of homelessness, benefiting them and their communities." Qualifying Populations in Vermont need safe, affordable housing which is currently not available. The full press release can be found here (Attachment 4): <https://www.vhcb.org/our-programs/housing/home-arp-funding>

Vermont utilized CARES Act and regular ARPA funding to upgrade and expand its shelter system in 2020 and 2021. Numerous hotels were purchased and used as non-congregate shelters, with the ultimate intention of converting most of these units into permanently affordable housing. At this time a further expansion of the shelter system would require funds better used to create more permanent housing options. The Vermont State Housing Authority recently reported that nearly half of households with rental vouchers are unable to find an apartment due to the lack of supply.

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To address the service needs of those experiencing homelessness or at-risk of losing their homes, Vermont created new programs and expanded existing ones. The State has recognized the need for on-site supportive services to address the needs of the most challenging clients, and has worked with housing development organizations to integrate these services in their projects. While there continue to exist unmet service needs, the most important obstacle currently is a lack of human resources as opposed to financial ones. Service providers are having great difficulty finding qualified personnel to fill what are often very challenging jobs. This is a problem that is affecting many aspects of the economy and will continue to limit the amount of services that can be provided.

## ***Characteristics of housing associated with instability:***

As described in the 2020 Vermont Housing Needs Assessment, many low income Vermont tenants live in substandard rental housing that is unhealthy and/or in danger of being taken off the market. A related problem exists in many mobile home parks, where a large number of homes are old and in need of replacement, but whose owners do not have the resources to do so. These types of housing situations can be associated with instability.

## ***Identify priority needs of qualifying populations:***

The priority need of Qualifying Populations in Vermont is access to safe, affordable, permanent housing.

## **2. HOME-ARP Activities**

Vermont proposes to use HOME-ARP funding to develop affordable rental housing units to serve Qualifying Populations, to provide operating and capacity building support to non-profits completing HOME-ARP activities, and for administration of the program. As noted earlier, VHCB will administer the HOME-ARP program for the State of Vermont under a detailed subrecipient agreement and will build on its successful administration of the HOME program.

Non-profit and for-profit housing developers seeking HOME-ARP dollars for eligible rental housing development projects will submit applications for funding to the Vermont Housing & Conservation Board (VHCB) using the [Common Housing Application](#). A HOME-ARP application supplement will be available on VHCB's website and must also be completed and submitted to VHCB. Applications will be accepted on a rolling basis, however funding decisions shall be made by the VHCB Board at regularly scheduled meetings. [VHCB board meeting and application due dates](#)

Projects will be evaluated by staff using VHCB's underwriting process. Staff will make recommendations to VHCB's Board who will ultimately make all funding decisions. The following *threshold criteria* must be met by an application to be considered for an HOME-ARP award: 1) the project must include the creation or preservation of permanent rental housing 2) the housing must remain affordable in perpetuity after the expiration of the HOME-ARP required period via a VHCB Housing Subsidy Covenant, 3) at least one of the State's Consolidated Plan housing priorities must be addressed, and 4) there must be a reasonable expectation that the project will be ready to proceed within 18 months.

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Applications must include a description of the eligible activities to be conducted with the HOME-ARP funds and must certify that housing units assisted with the HOME-ARP will comply with HOME-ARP requirements. All applicants seeking funding for affordable multi-family rental housing (for new units and rehabilitation of existing units) shall describe the plans and tools they have in place to insure HOME-ARP assisted units will be available to Qualifying Populations.

On a competitive basis, applications that have met the threshold criteria described above will be evaluated according to how and the extent to which they meet the HOME-ARP criteria listed below. These criteria will carry equal importance and weight. The HOME-ARP criteria, together with the criteria and considerations in the [VHCB Affordable Housing Funding Policy](#) and the [Underwriting Policy and Procedures](#) will be used to determine “Need,” “Impact,” and “Quality” scores (up to 10 points each) for a project’s funding recommendation to the VHCB Board of Directors.

## HOME-ARP Application Evaluation Criteria:

1. The applicant's ability to obligate HOME-ARP funds and undertake eligible activities in a timely manner
  - Applicants will be evaluated on their development capacity; their experience with federal affordable housing programs; and their track record for developing projects within a reasonable timeframe.
2. The extent to which the project has a mechanism or strategy to ensure deep affordability of the HOME-ARP units throughout the compliance period, including for Qualifying Populations with extremely low or no income.
3. The duration of the units' compliance period
  - All HOME-ARP funded projects will be subject to a minimum 15-year Compliance Period. Consideration will be given to projects that propose a HOME-ARP Compliance Period greater than the minimum 15 years.
  - After the expiration of the HOME-ARP period, all projects will be subject to perpetual VHCB affordability requirements at less restrictive income and rent levels, and every reasonable effort must be taken to structure the project in a manner that avoids displacement. The proposed number of VHCB restricted units and the level of the VHCB restrictions will be considered.
4. The adequacy and appropriateness of the project’s Tenant Selection Plan with respect to insuring that eligible tenants from Qualifying Populations will be referred to the developer; and the developer’s agreement or MOU with the local Coordinated Entry system, or other referring agency as applicable which describes referral methods and assures that all Qualifying Populations are served.

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5. The merits of the application in meeting the priority housing needs as identified in the State's Consolidated Plan
6. The extent to which the application makes use of non-federal funding sources
7. The extent to which the project Affirmatively Furthers Fair Housing

As referenced above, additional analysis will be performed by VHCB underwriting staff in accordance with VHCB's Underwriting Policy and Procedures. The following will be assessed and contribute to project scores in the areas of "Need", "Impact", and "Quality" prior to making a HOME-ARP funding recommendation to the Board:

- Development capacity and fiscal soundness of the applicant, and experience of the development team
- Project location
- Demonstrated need for Qualifying Populations, or Market demand for Low-income households
- Budget documents
- Plans and specifications
- HOME-ARP and other applicable federal requirements
- Developer/owner profit standard and evaluation

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## Administering HOME-ARP

Vermont’s Legislature has stipulated that the Vermont Housing & Conservation Board (VHCB) administer HOME Program funding which it has done since the 1990’s. VHCB will also administer HOME-ARP funds as it has the policies, procedures, and systems in place to do so. Technically, VHCB will be a subrecipient from the Vermont Agency of Commerce and Community Development (ACCD) and a detailed agreement will be executed between ACCD and VHCB describing the roles and responsibilities of each party. Such agreements are also used with regular formula HOME funds. This agreement will include a breakdown of administrative funds. While VHCB will utilize the bulk of these funds, some will go to ACCD for reporting and other activities they must complete. VHCB and ACCD incurred some minor costs during the preparation of this allocation plan.

Vermont intends to utilize HOME-ARP funding as indicated in the following table:

	Funding Amount	Percent of Grant	Statutory Limit
Supportive Services	\$0		
Acquisition and Development of Non-Congregate Shelters	\$0		
Tenant Based Rental Assistance (TBRA)	\$0		
Development of Affordable Rental Housing	\$7,173,518.25		
Non-Profit Operating	\$478,234.55	5%	5%
Non-Profit Capacity Building	\$478,234.55	5%	5%
Administration and Planning	\$1,434,703.65	15%	15%
<b>Total HOME-ARP Allocation</b>	<b>\$9,564,691</b>		

VHCB annually provides operating subsidies to non-profit housing developers throughout the State, and deploys CHDO operating assistance for this purpose as well. Therefore, VHCB has procedures and systems in place to evaluate the needs of these organizations as well as monitoring their fiscal health. These procedures and systems will be modified as needed to evaluate requests for HOME-ARP operating assistance and capacity building awards to insure they provide the greatest benefit possible.

### 3. HOME-ARP Production Housing Goals

Vermont estimates that it will be able to produce at least 35 affordable rental housing units to serve Qualifying Populations with its HOME-ARP allocation. The \$7,173,518 available for awards will likely be divided among 8-10 projects. These projects will include other, permanently affordable rental units with various levels of affordability to low income residents.

Vermont’s goal of producing 35 units serving Qualifying Populations will foster the production of additional affordable units as HOME-ARP funds are combined with other funding sources (State funds, tax credits, etc.) to move projects forward. We estimate that at least 100 additional affordable units will be produced beyond the HOME-ARP units, and per State policy all of these units will remain perpetually affordable through a housing subsidy covenant. These efforts directly serve the State’s highest priority need which is for the creation of more rental housing units affordable to the State’s most vulnerable residents.

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## 4. Preferences

Vermont intends to utilize HOME-ARP funds for the development of rental housing units to serve Qualifying Populations (QP's) as defined in HUD Notice CPD-21-10. These units will be made available to all QP's through referrals from the local Coordinated Entry system in the town or region where the individual projects are located. All Vermont towns are served by a CoC/CE and their services are available to all the QP's. No preferences or priorities will be used by the CE's when referring households to these units.

Each project awarded HOME-ARP funds will be required to have a Tenant Selection Plan that describes how the developer will work with the local CE system, and any other referring service agency as applicable, to identify appropriate QP households. An agreement or MOU between the developer and the CoC/CE will also be required and will describe the referral method(s) in detail for each HOME-ARP project and include assurances that the CE works with all four QP's.

## 5. Refinancing Guidelines for HOME-ARP Projects

Multi-family projects developed by locally based housing organizations that receive HOME-ARP funds for rehabilitation may utilize HOME-ARP funds to refinance existing debt if they meet the following guidelines:

1. Refinancing is necessary to reduce the overall housing costs and to make the housing more affordable and proportional to the number of HOME-ARP-assisted units in the rental project.
2. Rehabilitation is the primary eligible activity. A minimum of \$7,500 of rehabilitation per unit is required. The proportional rehabilitation cost must be greater than the proportional amount of debt that is refinanced;
3. The grantee must demonstrate management capacity and practices that ensure that the long term needs of the project can be met and the targeted population can be served over an extended affordability period;
4. The grantee must demonstrate that the new investment is being made to maintain current affordable units, to create greater affordability in current affordable units, to create additional affordable units, or to continue the affordability of units that could be lost;
5. Refinancing will be limited to projects that have previously received an investment of public funds;
6. The minimum HOME-ARP compliance period shall be 15 years. All HOME-ARP assisted projects are required to remain affordable in perpetuity after the expiration of the HOME-ARP required period via a VHCB Housing Subsidy Convent;
7. HOME-ARP funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.
8. Requires a review of management practices to demonstrate that disinvestment in the property has not occurred.