



July 16, 2021

Office of the Undersecretary for Domestic Finance
Department of the Treasury
1500 Pennsylvania Avenue
NW Washington, DC 20220

Re: TREAS-DO-2021-0008-0002

Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule Comments

Submitted via www.Regulations.gov

On behalf of the Vermont Housing and Conservation Board, I write to offer clarifications and modifications to the Interim Final Rule and associated guidance. We believe these changes will allow CSFRF to be used more effectively to help Vermonters and their communities recover from the COVID-19 public health emergency. They will also address barriers to equitable access to housing and assisting those who have been disproportionately impacted.

VHCB is a multi-purpose funder of affordable housing and conservation. We administer a state housing trust fund that has invested in more than 13,400 permanently affordable homes across Vermont. We also administer both the HOME and National Housing Trust Fund programs for the state. In 2020, VHCB was allocated \$33 million in Coronavirus Relief Funds from the CARES Act which created 247 affordable homes and improvements to 12 emergency shelters to address homelessness related to the pandemic. With other statewide housing entities, we are coordinating the administration of American Rescue Plan Act and other federal relief programs through a Housing Recovery Working Group. These comments reflect VHCB's experience with federal housing and relief programs as well as needs and priorities identified by the Working Group.

We are pleased the Interim Final Rule explicitly allows the funds to be used for affordable housing. Known homelessness in Vermont more than doubled during the pandemic and is exacerbated by an underlying shortage of affordable housing. Hundreds of households remain temporarily sheltered in motels. Even with rental vouchers, many are unable to find an apartment. The lack of available affordable homes severely limits the ability of impacted households and the state's economy to recover.

The pandemic has led many to relocate to Vermont further stressing an already tight housing market with very low vacancies. So-called "migration mania" has been well reported and the National Association of Realtors indicates prices of existing homes are up 24 percent from last year. Labor and material shortages as well as rising construction costs have stalled market rate development in



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Vermont. Escalating rents and home prices are making affordable homes even less available and increasing inequities. Production of both rental and single family homes is necessary to recover from the economic fallout caused by the pandemic and rebalance the housing market.

To address these challenges, Vermont has allocated nearly \$150 million in CSFRF and State funds for the development of housing to meet immediate and longer term housing needs, to date. However, the Interim Final Rule restricts the potential benefits of the funding by limiting the funds for housing to Qualified Census Tracts or other areas that can be proven to have been disproportionately impacted by the COVID-19 pandemic.

We understand the reasoning behind presumptive eligibility for projects located in QCTs, but encourage the Department to recognize that it can lead to new affordable homes being disproportionately sited in economically distressed census tracts and being correspondingly absent in neighborhoods with resources. This runs counter to the public policy consensus and imperative to deconcentrate poverty and create affordable homes in areas of opportunity. In addition, it is well established that QCTs are often an ineffective tool for identifying areas of need in rural states such as Vermont.

The rule's lack of clarity on how to demonstrate disproportionate impact creates ambiguity that will divert administrative capacity and delay new housing that is urgently needed but takes time to develop. Or, recipients may shift resources away from affordable housing development in high-impact areas, choosing instead to stick to definitively allowable uses to avoid funds being clawed back. It threatens to further segregation and racial discrimination.

We urge you to consider the following to ensure affordable housing developments proceed without delay, eligibility can clearly be determined, and assistance is targeted to those impacted as intended.

- Affirmatively state that all rental housing affordable to households at or below 80% of the Area Median Income is eligible. (It has been widely determined that lower-income households were disproportionately impacted.)
- Include [Difficult Development Areas](#) (as determined by HUD) as areas presumed to be eligible in addition to QCTs.
- Include REAP (Rural Economic Area Partnership Program) Zones (as determined by USDA) as areas presumed to be eligible in addition to DDAs and QCTs. Recent reports indicate that rural New England communities suffered larger economic losses due to the COVID-19 pandemic relative to nearby urban centers and rural counties across the United States.
- Include mobile home parks and residents in the defined areas and households presumed to be eligible.
- Create a certification tool or simple template for CSFRF recipients (States) to document to Treasury which populations or geographic areas it has determined to be disproportionately impacted, beyond the areas above, and therefore eligible.

The Interim Final Rule does not appear to address affordable homeownership. It has been well documented that the pandemic has exacerbated existing racial and economic disparities in homeownership. It is also clear that providing access to homeownership helps disadvantaged households build wealth. Congress recognized the importance of assisting homeowners by including programs supporting homeownership in ARPA. In our state, we will not be able to fully address the

shortage of affordable rentals without creating more homes and allowing renters currently priced out of the market to move into homeownership. We urge Treasury to:

- Allow the use of CSFRF to fund the development of affordable homeownership units and provide purchase assistance to low and moderate income households, those up to 120% AMI. It may consider allowing homeownership activities to the extent a recipient's CSFRF recovery plan has prioritized addressing the needs of those experiencing or at-risk of homelessness.

Affordable Housing is not defined in the Interim Final Rule. Compliance and Reporting Guidance appears to presume that services or assistance (including affordable housing) targeted to low and moderate income households are eligible activities. Federal programs differ in their definitions of low and moderate income. For this reason and based on the needs in Vermont, we ask Treasury to:

- Set the definition of affordable housing as developments with a majority of units affordable at 80% AMI for rental housing and 120% AMI for homeownership.
- Clearly define "development of affordable housing" to mean the construction, preservation, rehabilitation, or operation of affordable housing and ensure the longest possible affordability period.
- Define preservation as housing that is naturally affordable to households at 80% or rental housing that is currently under a HUD or RD contract but that is at risk of conversion. This appears to meet the intent of the rule because the "development or preservation of affordable housing" is a named indicator in the affordable housing expense category.

Fiscal Recovery Funds present a significant opportunity for communities to not only expand their supply of affordable housing, but to ensure units are affordable to people with the greatest needs and have the supportive services necessary to ensure long-term housing stability. To support this effort:

- Explicitly state that CSFRF may be used to fund operating expenses and rental reserves in permanent supportive housing and affordable housing developments.

Expanding eligibility to include these customary and necessary expenses is needed to secure the long-term affordability of units and can help developments provide current and prospective residents with service coordination and housing navigation services.

Thank you for your consideration of these comments and ongoing efforts to ensure the Coronavirus State and Local Fiscal Recovery Funds are used appropriately and to achieve the greatest impact.

Sincerely,

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