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Consolidated Plan Citizen Advisory Group

February 8, 2016

Present: in person: Willa Davidian, Jen Hollar, Debbi Ingram, Richard Williams, Sarah Carpenter, Sarah Phillips, Cindy Reid,

by phone: Bob Flint, Todd Rawlings, Robin Scheu, Erhard Mahnke, Kathy Metras

Staff: Arthur Hamlin, Josh Hanford

Welcome and Introductions

Deputy Commissioner Josh Hanford opened the meeting at 2:30 p.m. Members around the table introduced themselves, followed by those on the phone.

State Consolidated Plan overview

Arthur gave a brief overview of the Consolidated Planning process. This is the second year of the 2015-2019 five-year plan, which is the Action Plan update. Starting last year, the Con Plan is contained in HUD's IDIS system. This is the first Advisory Group meeting and will be followed by a public hearing. After the draft Plan is published in March there will be a second public hearing and written comment period.

Arthur handed out a current list of Advisory Group members, and "member description" drafted by the Department. There are some new members this year, including Robin Scheu from Addison County Economic Development Corp. who replaced Joan Goldstein (now Economic Development Commissioner). Todd Rawlings from CEDO Burlington also joined the meeting because the NHTF includes the City of Burlington.

Consolidated Plan overview

Vermont receives approximately \$10 million annually, although this has gone down over time. The Consolidated Plan is the application for, and describes the state's priorities for how the state plans to spend, these funds. The process generally starts in January and the Plan is submitted to HUD in mid-May. HUD has 45-days to review. This year the Plan must include the National Housing Trust Fund. Vermont may receive up to \$3 million but the amount, if any, won't be known until mid-April.

The four strategic goals in the 5-year plan are: Increase the supply and quality of affordable housing, decrease the number of people experiencing homelessness, create and retain jobs, and strengthen communities and improve quality of life for Vermonters.

Under each goal, the Plan includes annual goal outcome indicators and the amount of funding allocated to each goal. Arthur handed out printouts of the annual goals and allocation priorities from 2015 for review. Josh described the allocation priorities which are the percent of funds associated with each priority. Based on where we are half way through the current program year, he believes we should be able to meet the goals, but one of the important roles of this

Advisory Group is reviewing whether these are the right goals, and provide input on whether we need to adjust them.

Another role the Advisory Group can play is related to the ongoing discussion about making units available to people who are homeless and provide permanent housing. Additionally, the Advisory Group provides input on programs. For example, the number of CDBG board meetings. Cindy Reid asked for clarification that the handouts are the goals for the current year. Josh stated that is correct. After the CDBG Board meeting on Thursday DHCD can provide a status update on how the goals are being met to date. Willa will provide a HOME update. The CDBG-Disaster Recovery Funds that were in last year's plan will be expended so that will come out of the Plan this year.

National Housing Trust Fund

Willa gave an overview of the draft NHTF Allocation Plan, emailed to the group ahead of time. NHTF originally came of the recovery act in 2008. The actual funding comes from an assessment on loans made by Fannie Mae and Freddie Mac. The first year is key. HUD's plan is to publish a Final Rule after states have had time to work with the program.

NHTF is a state program, unlike CDBG and HOME, which is why Burlington is included. VHCB is the administrator. It's used for capital funding for affordable housing projects, so a certain number of units in a project have to be designated as NHTF units.

It's similar to HOME but key differences are that it can't be used for rental assistance, and the income targeting is lower. It's primarily for households at or below 30% of median income. The affordability must be maintained for 30 years.

Up to 10% can be used for homeownership, but VHCB is recommending that NHTF be used for rental housing only. It must be permanent housing and tenant must have a minimum one-year lease. Sarah asked if it was explicitly a one-year lease requirement. Willa said it is explicitly a one-year lease requirement, but can be less with mutual agreement.

Richard asked there was a way to go back and swap out other funds from projects. Willa stated that the regulations specifically prohibit this.

The small state minimum is \$3 million but given the uncertainty of funding for the first year, VHCB included \$250,000 in their budget. Larger states are not happy with the minimum. Jen heard that funding is a little more certain.

Richard asked about the number of units VHCB expects to create, particularly with no rental assistance. VHCB expects to create between two and 18 units. Using the highest subsidy limit will reduce the number of units but it's necessary to meet the extremely low income targeting with no rental assistance.

Jen suggested talking about how the rents will work. HUD will publish the NHTF rent limits. The rent limits are the higher of affordable rent (30% of) at 30% of AMI or the poverty rate. In Washington County the two-bedroom rent at 30% of AMI is \$499 and \$502 for 30% of poverty so it's not a large difference. In certain areas it could be higher. The NLIHC is concerned about this as it means some households will be cost-burdened. This will affect most of the counties two and three bedroom units.

Based on Richard's question, Josh asked, what the strategy is without rental assistance. VHCB believes the NHTF will work best with project-based rental assistance. Jen added that it's a balance and there is lot of national attention on what Vermont does. Since the rents are so low there will have to be operating subsidies. However, it will only be a few units in any project.

Up to one-third can be used for operating assistance and operating reserves. HUD will issue more guidance. VHCB recommends using the limits HUD provides. Cindy and Sarah discussed the challenges of maintaining affordability for 30 years and projecting 30-year cash flows.

Willa said one piece of good news is that Davis-Bacon does not apply, however all the other typical requirements, e.g. environmental review, relocation, AFFH, section 3, do apply. Cindy asked for clarification that it will be a statewide pool, with no separate allocation for Burlington. Willa said that is correct.

Richard commented that Burlington PHA may be able to do some project-based rental assistance, but the other housing authorities are probably too small. If HR3700 gets through the Senate smaller PHA may be able to expand their ability to do project based vouchers.

Erhard commented that the NLIHC has put up information on projects that have capitalized reserves and internal subsidies. None are easy but these are models that could be adapted. Willa added there are two reports that NLIHC issued and she can send the links.

Willa reviewed the preferences in the draft allocation plan. These cover the kinds of projects and what owners can do. VHCB is recommending that the priorities be permanent supportive housing with services, projects located in downtowns and villages, or smart growth areas, and projects that create new units or preserve units owned by private owners. This means that in-portfolio rehab projects would be eligible but do not have priority.

Sarah is concerned that limiting NHTF units to downtowns will be challenging given the small number of units and other limits and preferences. Jen added we'll have opportunity through the Consolidated Plan to review the preferences. Willa clarified this is not a requirement.

Cindy asked what definitions were used for the preference populations. Jen suggested that since the NHTF is tied to the Consolidated Plan it means HUD definitions, unless we specify otherwise. Sarah again expressed caution about limiting the preferences because of the small number of units we're talking about.

Josh asked if there were any other public input requirements. Willa said her understanding is including it in the Consolidated Plan process covers it. Willa is also going to the Council on Homelessness and Affordable Housing Coalition. Willa encouraged people to submit written comments even before the draft is published on March 14.

Willa said the NLIHC is offering three training webinars.

Advisory Group input

Sarah asked since there will likely be an Executive Order asking that owners receiving a public subsidy make available 15% of their housing for the homeless, should we include that in NHTF and Consolidated Plan. Josh commented that there are new initiatives every year and it will be in the narrative for CDBG and should be for HOME. Arthur commented that NHTF money will be reflected in the allocation percentages. VHC has put in placeholders for the NHTF in IDIS. Sarah would like to see the 15% in the NHTF allocation plan.

As Josh needed to leave for another meeting, he asked if any Advisory Group member or those on the phone had any comments or concerns.

Erhard said if people wanted him to ask Ed Gramlich from NLIHC to come to a meeting let him know.

Robin stated it's her first meeting but she wanted when is economic development and job creation discussed. Josh answered this is a good time to talk about it. Job creation and retention is one of the four goals and is certainly staying. He added that the outcome indicators for businesses assisted and jobs created for 2015 have already been met. DHCD wants input from groups like ACEDC and suggested reviewing the list of strategies under the goal and let DHCD know if anything is missing.

Erhard asked if the refinancing guidelines could somehow make it possible to use NHTF money in existing projects with project based rental assistance to take out other loans. Willa suggested that refinancing with NHTF money would be part of a re-syndication, although that may not be the only way. Sarah asked if (#8) prohibiting any refinancing of multifamily loans made or insured by any federal program is required. She wants to make sure we're not being more restrictive than we have to be. Willa will look into whether #8 is required, but if refinancing guidelines are not in the plan it won't be allowed at all.

Schedule

Arthur invited members to stay for the Public Hearing immediately following this meeting. Erhard asked, and Arthur reviewed the schedule. DHCD anticipates publishing the draft by March 15, 2016 for comment. The second public hearing to take comment is tentatively scheduled for March 30, 2016 at DHCD, but this could change.

Meeting adjourned at 3:50 p.m.