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Consolidated Plan Citizen Advisory Group

March 30, 2016

Present: in person: Willa Davidian, Richard Williams, Sarah Carpenter, Cindy Reid, Erhard Mahnke, Kenn Sassorossi, Rachel Batterson, Curt Carter, Steven Greenfield, Emily Higgins, (by phone) Martin Hahn
Staff: Arthur Hamlin, Josh Hanford, Shaun Gilpin, Claire Forbes

Welcome and Introductions
Arthur opened the meeting at 2:30 with introductions. Erhard Mahnke joined by phone until he arrived to the meeting.

February 8, 2016 Meeting Notes
There were no additional changes to the notes.

DHCD Initiatives
Josh Hanford introduced two initiatives DHCD is interested in adding to the Consolidated Plan.

The first one is the "15%" goal. DHCD is looking to see where this fits into the HUD IDIS Con Plan template to inform applicants that DHCD wants to see it included in their application. He reiterated that this is not a set-aside or an allocation. HOME and VHFA will also have it as part of their applications. DHCD will develop language to let applicants to VCDP know they will be asked questions about how they will make units available to people who are homeless in their portfolio as well as specific projects.

The second initiative is that DHCD wants to add language to encourage applicants who submit scattered site rehab applications, to expand their rehab program to include small rental properties of less than four units. This is also not a set aside or requirement. The fact is that the RLF's can do this already, but we have a challenge with our rental housing stock and DHCD wants to encourage them to do more. Josh added that the programs have always been available for LMI households for "single family" homes, and these include rentals under four units per HUD. These could be owner occupied, but definitely need to be LMI households and other requirements.

Arthur gave a brief update on the outcome indicators included in the plan. DHCD slightly increased the rental housing goal from 45 rehab / 45 new units, to 55 each, and decreased the homeowner housing rehab from 100 to 80. Homeowner units added was changed from 4 to 0.

Josh then explained that DHCD also changed the percentage allocation for CDBG funds from 68% housing/20% economic development/12% public facilities to 63% housing and 25% economic development. The strong communities goal percent was left at 12%. In the last five years there ~~had~~ has been only about one economic development application and the dollars for housing has been about 95%. He also clarified that this year CDBG has funded one business, but the applications expected this year would hit the 20%.

Arthur added that comments on the NHTF allocation plan are also appropriate and that the full plan on the DHCD website is easier to read than the sections in the Con Plan.

Advisory Group Comments

Comments re: allocation percentages

Willa Davidian said it makes sense to look at how fund were split in the past, but expressed concern that reducing the allocation for housing would become a new cap or limit, when resources are limited and the demand is so huge. Josh said HUD's guidance is for 40-50% each for housing and economic development. In the past, VCDP funds have been 90-98% housing, but it's important to recognize that the funds are available for economic development and put it into the correct framework. That said, DHCD still expects many more housing applications.

Curt Carter expressed support for the allocation priorities as changed, noting that farther back in history, VCDP has funded up to 60/40 or even 50/50. CDBG is more difficult for economic development but if the timing is right on a project it can work.

Rachel Batterson asked if HUD has any requirements on how funds are spent. Josh answered that HUD doesn't have any requirements on how funds are spent in eligible categories. There are a variety of ways states spend CDBG; some states dedicate 100% of their CDBG funds for economic development or infrastructure. Rachel cautioned that some states have gotten into trouble for not serving low and moderate income people. Josh added that the appropriateness of using CDBG for economic development is not in question.

Erhard Mahnke said that as it's just a goal he's not worried about the change. Having observed CDBG funding for thirty years he recognizes that it's hard to do economic development with CDBG funds and show benefit to LMI people. He said he doesn't think there should be a dichotomy between housing and economic development as housing is economic development.

Sarah Carpenter said her only concern is that we should be careful not to lower the standards for economic development in order to get applications to meet the goal. Companies might need seed capital but CDBG is not the right fit. Josh reiterated that it is just a goal and there is no funding set aside for any purposes.

Kenn Sassorossi asked about the criteria for job creation and retention. Josh explained that job retention is very hard; 51% of the existing employees have to meet LMI and the business must be in danger of closing if not funded. These are business that pay low wages. Job creation is easier; the business needs to fill or make available at least 51% of the new jobs to people who are currently LMI. Other requirements are having an MOU with the State Department of Labor, and showing that the business needs the CDBG funding to fill a gap it can't meet on its own.

Josh added that the criteria are somewhat self-selecting because applicants have to go through the public process and businesses are not likely to do that unless they really need the money.

Kenn asked if the business needs to meet the LMI job benefit only at the beginning. Josh explained it's a maximum of $40,000 per job, and the business is monitored, but once they've met the job requirements they can initiate a close out procedure. But, he added, they are structured as loans with repayment and VCDP gets approximately $350,000 annually in program income from past economic development loans. This is turned around into other grants, often for housing applications.

Curt Carter commented that Vermont Smoke and Cure is a good example of a successful job creation application that would not have happened without CDBG. Richard asked if the business has to actually be closing, or for example if they were threatening to leave the state would they be eligible? Josh didn't think the example of a company moving would qualify and gave some examples of companies in Vermont that were funded, but eventually closed.

Rachel asked where infrastructure projects that support housing get counted. Josh answered that if the infrastructure is part of the housing development then it's counted in housing. In the case of a municipal project the benefit is LMI residents of the municipality or for LMI job creation. Examples given were the Pownal sewer project that connected three mobile home parks benefiting LMI residents, and the Randolph sewer extension to Freedom Foods which created the LMI jobs for the business. There are also HUD census tracks that are entirely LMI and these are automatically considered income eligible.

Cindy Reid asked whether CDBG staff was aware of the FHLBB program that she emailed, and could refer businesses there. FHLBB wants to come up to meet with the State. Josh said it's good to know all of the resources and tools available, because there can still be gaps.

<u>Comments re: outcome indicators</u>

Kenn asked for a brief explanation of why the outcome indicators were changed from 90 rental housing units (45 rehab/45 new) to 110 (55 rehab/55 new). Josh said this was partly because of the addition of the National Housing Trust Fund money, and past performance suggested that we increase the goal. Arthur explained that the 18 units projected in the NHTF allocation plan is based on the small state minimum of $3 million. If Vermont gets less this will be adjusted.

<u>Comments re: small rental rehab</u>

Erhard agreed that small private rental rehab has been a need for a long time, but there are some things that have to be watched out for.

As background, he was involved with two groups last summer, working on the plan to end homelessness goal of bringing housing units back online that might be substandard, and as a member of the Poverty Council which also ~~they~~ worked on this issue ~~as well~~.

He said these subgroups came up with a recommendation for a program in a few pilot towns where there is knowledge of the conditions of the housing stock and they have code enforcement, and where the municipality is involved. The key takeaways from their discussions and thinking about the rental rehab programs in the 80's and 90's are that:

- Provisions for vouchers are important to allow the landlords to increase debt but protect the tenants because the landlords will have to take on additional debt;
- Because of the dearth of vouchers, any program should start with some kind of rent stabilization agreements;
- Guidelines need to be established so low income tenants are not displaced and to prevent gentrification.

Sarah said one of her concerns is the capacity of the RLFs, and that the landlords who need the assistance may need substantial "hand holding" and may be on relatively shaky ground (financially speaking). Her other concern is that other similar programs have not been well received, citing a post-Irene loan program set up in Barre. Martin Hahn commented that that program only made one loan. Erhard added that NeighborWorks of Western Vermont also tried something using 504 funds that was not popular.

Emily Higgins concurred saying her experience in her previous job at Champlain Housing Trust was that they made money available to private landlords but very few proceeded, because it's a long process, and additional layers of regulations like environmental review.

Josh responded to the above comments saying the DHCD doesn't have the answer but this is a known problem for a long time, and there are models out there that seem to work including states where it is a significant part of their funding. DHCD is not creating a small rental rehab program, but looking for proposals from the RLF's on how to address this.

Sarah agreed there are anecdotal stories, but the data is poor. She suggested that the DHCD could do more analysis to understand the extent of the problem. Josh responded that we do have some data about failed properties from AHS, mentioning that Bennington, St. Johnsbury, and Rutland have high rates of rental housing problems. He said outreach material from the homeownership centers doesn't even mention landlords, even though they have neighborhoods and downtowns with high percentages of rental housing. When asked, the RLF's agreed with the assessment that most of their work is in their more rural areas.

Erhard reiterated his support, but feels that more direction is needed. He suggested that a planning grant may be the way to start. Kenn agreed. He added that just mentioning it in the consolidated plan will encourage people to apply for this funding, and suggested starting with the pilot approach with one applicant.

<u>Comments re: fair housing</u>

Rachel expressed her opinion that there's a disappointing lack of housing discrimination language in the plan, in particular about where to build housing. She said this a big focus of HUD. She suggested adding something in the strong communities' goal, and including more about integrated communities and quality of life.

Josh commented that the AI is phasing out, and the Assessment of Fair Housing is still in comment period but not phasing in for Vermont until 2019. Rachel commented that Burlington is doing theirs now. Josh said the State is interested in meeting with CEDO and HUD will be holding Webinars. States are concerned that the AFH will cost a significant amount to comply.

Sarah asked if we should have a small working session to look at where we're missing opportunities to build affordable housing. She is aware of two projects located near ski areas which were identified as not diverse, but those projects are not doing well, because there are few permanent low income residents in those towns. Rachel said she's done some preliminary work on her own.

Willa concurred with adding some more general affirmative statements in the plan, and mentioned that they included language in the National Housing Trust Fund allocation plan about locating affordable housing in areas of opportunity. Rachel said that section is hard to find, and uses the term "AFFH" which people might not understand. Josh agreed and said that DHCD is committed to add something where we can.

Rachel said she'd like to see the State investigate and enforce Section 8 discrimination as Legal Aid does not get funding for this because "receipt of public assistance" is not a federally protected category. She commented that landlords will refuse Section 8 because the apartments can't pass Housing Quality Standards. Erhard offered the opinion that vouchers are not as useful in this area because of the very-low vacancy rates and lack of vouchers.

Sarah commented that we have lots of training with housing managers but has not with developers in particular on where to build housing, and VHFA would be happy to sponsor a training or work with VHCB and others. Rachel suggested that training on how to deal with tenant on tenant issues / harassment is also needed.

<u>Comments re: economic development</u>

Steve Greenfield agreed with earlier comments that economic development and housing are not against each other. He is aware of the FHLBB program and is looking into it, but it needs to be channeled through member organizations, and they are not a member. He added that bank capital fluctuates over time, but much of the private funds are not available for the kind of businesses they work with, which are a "level down". CDBG fills a gap but it is a tough fit.

Martin Hahn said he agreed with Steve's comments and is glad to see an economic development focus continue. Community Capital has used CDBG for job creation, and start-up businesses and is glad to see the State's commitment to this continue.

Next steps / questions

Arthur announced the public hearing will follow the meeting, and written comments are due by April 29, 2016.

Kenn asked when any further changes will be available. Josh said Department will work on the changes discussed and send an updated draft to the Advisory Group and post it online on DHCD's website, with tracked ("red line") changes.

Curt asked if the list of local RLF's that was posted includes all of them since it seems short. Arthur and Josh explained that there are more local RLF's but DHCD decided to list only the ones that met the criteria required by HUD to be included. DHCD is being cautious about what to include.

Willa clarified that the NHTF estimates are based on the small-state minimum of $3 million, but we're not expecting Vermont will continue to receive this much in the future. Shaun Gilpin added that 36 states qualify for the small-state minimum. Sarah and Erhard talked about the reasons the overall funding for the NHTF may decrease.

Rachel suggested making sure the Executive Summary specifies which time period the "2016" Program Year covers. Josh explained the different fiscal and program years involved. The program year starts July 1.

The meeting adjourned at 4:00 p.m.

The public hearing scheduled for 4:15 was cancelled due to no attendance by any member of the public.