Consolidated Plan Advisory Group
April 7, 2017
** Draft **

Present: Martin Hahn, Willa Davidian, Devon Ayers, Jamie Stewart, Kenn Sassorossi, Angus Chaney, Erhard Mahnke, Sarah Carpenter, Carol Lighthall. **By phone:** Tom Porter, Emily Higgins, Brooke Jenkins, Beth Ann Maier. **Staff:** Josh Hanford, Arthur Hamlin, Claire Forbes

Welcome and introduction
The meeting was convened a few minutes early because there was no one wanting to make a comment during the public hearing. Josh suggested switching the agenda around and talking about the federal budget first.

Potential impact of Federal budget
Josh stated that the FY 2017 Federal budget is on a Continuing Resolution (CR) through 4/28. This is the budget that includes the funding for this year's Consolidated Plan. HUD does not want plans submitted with estimated funds. We're already half way through FY2017 but CDBG awards funds a year later. The draft Plan assumes level funding at FY16 amounts. But we've heard that the administration budget cuts CDBG 50% and eliminates it entirely in FY18. Josh thinks we can expect some cuts but not 50% due to the CR and the fact the year is half over.

HUD needs five weeks after the allocation is set to calculate the allocation formulas so there's no way we'll be able to submit the plan by May 15th. We should get a notice from HUD with instructions to wait until we get the allocation. We may need to change our goals if there are substantial cuts. Josh stated there could be another advisory group meeting and possibly more public input.

Erhard reported what they heard at the New England Housing Network in DC. They met with Senate and House THUD and Agriculture appropriation staff. The House and Senate both passed THUD bills last summer but then waited till after the election. There's $3 billion for CDBG in both bills. However, the administration's supplemental bill cuts $1.5 billion, in part for the Mexico wall. The Senate, and Democrats won't approve funding to pay for the wall so we could end up with a government shutdown. This would look bad for Congressional Republicans. Planned Parenthood is also an issue. Erhard noted that they still need 60 votes to pass a budget.

Martin asked what happens with sequestration if the CR continues to October. Erhard stated that sequestration comes back in FY 2018. Trump's FY 2018 budget eliminates CDBG, HOME, LIHEAP, Weatherization, and CSBG. In total he cuts $15-$16 billion from HUD. The priority is preserving vouchers (so any cuts will come from capital funding).

Josh reported on the COSCDA meeting in March. The political forecasters said the programs on chopping block are not strategic. They simply cut from any funds not already committed for ongoing maintenance etc. with no prioritization or any review of effectiveness.

Erhard added that it's a partial budget. HUD has $4 billion of unspecified cuts. Advocacy groups say to ask Congress to lift caps and balance domestic discretionary and defense spending. The appropriations committees don't have budget numbers yet. The budget committees provide a resolution which is framework only. They don't expect numbers until sometime in May.

January 30, 2017 notes
Arthur circulated the draft notes of the advisory group and public hearing in case there are any more changes or corrections. These were emailed in January and posted online.

Josh clarified that the advisory group isn't a public body so these are not official minutes.

Review draft NHTF allocation plan (VHCB)
Arthur explained that the HTF plan is partially included in the Consolidated Plan as required by HUD. The full allocation plan is developed by VHCB and is also open for comment.

Willa said this is the second HTF Allocation Plan. Not much has changed from 2016 other than dates and minor clarifications. HUD is still operating the HTF on interim Rules. It's similar to HOME but the main difference is the HTF has deeper income targets than HOME and a longer affordability period. Fannie Mae and Freddie Mac's income (which funds the HTF) were slightly higher, so if Congress doesn't change how the funds flow, VHCB anticipates receiving the $3 million small state minimum again.

Erhard added that $220 million was designated overall for the HTF. It has support but is always in danger.

HTF will still be distributed statewide, and used for rental housing only. The regulations allow homeownership but Willa said the deep income targeting makes it difficult. The eligibility is no more restrictive than HUD requires, but capacity and experience are still key for developers. VHCB is not proposing any change to selection or threshold criteria, or subsidy limits. Subsidy is the maximum that can be put into a HTF restricted unit set by VHCB (Grantee). VHCB chose to use HUD's HOME limits which are $140k for a 0-bedroom unit up to $195k for a 2-bedroom. They wanted to be cautious about how many units are restricted at the extremely low-income HTF requirements. Willa also mentioned that VHCB had to do statewide analysis of housing costs to demonstrate to HUD that costs don't vary significantly across regions of the State for different project types.

Willa explained that HTF can't be used for rental subsidy, and HUD hasn't issued guidance on using HTF for operating subsidy, so VHCB is not planning to use HTF funds for that at this point. Using HTF for operating subsidy is complicated, could lock in future funding, and would reduce the annual HTF unit production. Generally, HTF works best with units that have project-based rental assistance.

Erhard asked how they make it work without setting aside operating subsidy. Willa explained that most have project based rental assistance; for example, preservation projects, Dept. of Mental Health. Units with tenant-based assistance can't charge maximum rents. Erhard commented that other states are using HTF for operating reserve.
Willa noted that the easiest way to set up an operating subsidy is to pre-capitalize the costs for 30 years and use it like a sinking fund, however she noted that this reduces capital available for projects. Each month the amount for that unit would be drawn down. She thought it might be easier to get money out the door but it would mean doing fewer units, and may not lower tenant payments.

Erhard asked VHCB to take another look at adding operating subsidy to the HTF Allocation Plan. For reference the NLIHC website has a report on all HTF plans. (Note: the draft HTF Allocation Plan does state that operating subsidies are eligible, but VHCB prefers not awarding any until HUD issues guidance.)

Willa explained that the preferences are the same as 2016, but they slightly reduced the projected outcomes based on experience. The rehab standards haven't changed but they've found it's tough to spend HTF on rehab and have wrestled with the process. The differences in environmental rules are challenging, and less flexible. On example is that lead pipe, solder and flux are not allowed at all in rehab projects.

Angus asked if the HTF could be a topic for the Housing Council, thinking of how it fits in and how we can best utilize it.

Claire asked how much of the $3 million has been used. Willa stated that $2.3 million out of $2.7 million for projects has been used. The other $300,000 is for administrative costs. The rest will be awarded in May.

Lastly Willa noted that the FY 2017 Allocation Plan can't be submitted before the amounts are published, but if the timing works it can be submitted together with the Consolidated Plan.

Review draft plan, goals and outcomes (DHCD)
Josh reviewed the Executive Summary of the Draft Action Plan (pg. 2). The one-year Action Plan guides the use of $13 million including CDBG, HOME, and ESG, plus the HTF. HTF has a separate plan (just discussed) but parts of the HTF are also included in the Consolidated Plan. The Action Plan establishes the goals and priorities for the next year, describes the resources available, and reviews past performance. The Plan describes HUD's three goals (decent affordable housing, suitable living environment, expanding economic opportunity), and Vermont's guiding principles (perpetual affordability, promoting development in designated areas and areas consistent with historic settlement and smart growth, linking homeless assistance with permanent housing.)

Josh reviewed the State's four overarching goals (increase supply and quality of affordable housing, decrease the number of people experiencing homelessness, create and retain jobs, strengthen communities). He noted that the housing goals are increased from last year. The jobs and businesses assisted goals are unchanged. Strengthen communities has also increased slightly. The goals for brownfields continue to be very conservative.

Claire distributed a printout of CDBG results from last five years. These show that DCHD exceeded its goals.

Josh explained the reason for increasing the housing goals is because HUD questioned why the goals were so low. Part of the reason is that outcomes are reported to HUD when a grant closes out so they can include grants from two or three years ago. In the Plan DHCD tries to estimate what State can do with this year's funding. DHCD also tweaked the allocation percentages (housing decreased to 60%, economic development remains at 25%, strong communities increased to 15%).

DHCD is finding that communities are more ready for infrastructure project than in the past. Communities will apply for small (i.e. $200,000) grant because they're not able to raise enough money from the community without a negative impact. Josh also noted that the cost of accessibility upgrades is increasing and many communities are reaching the $75,000 Access Modification (AM) cap.

Advisory Group comments on draft plan
Jamie asked if there any economic development grant applications in the pipeline. Josh said one so far this year with 25 jobs, and a couple in the pipeline. Some grants have an indirect impact on economic development but don't show up that way. Brownfield grants are an example where DHCD is part of the funding, but the jobs created aren't counted. Projects like the Putnam Block in Bennington are another example.

Sarah commented that it would be helpful to have a report with more detail of where the funds were used.

Josh said there haven't been any economic development projects some years, but that's usually been because no one applied.

Erhard asked why the housing goals are higher but the allocation percentage is lower. One reason is last year's goals were exceeded and HUD questioned why. HUD wants the Plan to reflect what we're actually doing. If the Plan changes more than 10% DHCD needs to do an amendment. Another reason is the outcomes are counted when the project closes out, which could be three or four years after completed. Josh gave the Cartoon School as an example where graduates became small businesses and those jobs weren't reported until later.

Martin commented about the housing allocation decreasing over time. We should note that trend. He's concerned but not recommending a change. He also commented on the decreasing dollar amount being proposed for planning grants (PG). Through their partners VHCB knows that PG have not been an effective tool for pre-development. The change of allocation makes sense, but the process is difficult. Martin hopes this can be improved over time. He also noted that the proposed $35 million bond will require pre-development funds, at same time that decreasing funds are available.

Josh explained that PGs come out of the same allocation and have the same rules and regulations at implementation grants, but are not always the right tool for smaller projects. The VCDP staff feel that increasing each grant is good, but the demand for more funding is not there. DHCD hopes $50,000 is enough so applicants don't have to go to multiple sources. Other sources are available for smaller planning projects (e.g. $10,000 VHCB feasibility grant). Tom Porter said he agrees with change.

Carol commented that Community Capital of Vermont works with many low income entrepreneurs who are not served so she's very interested in the Cartoon School example that Josh talked about.

Sarah asked if the 10 housing units for homeless means purpose-built units only. Josh said an example would be a homeless shelter. Part of the reason to increase from 5 to 10 units is the addition of the HTF.

Erhard had the same question. Based on the rental housing goals, the 15% goal equals 55 units. Josh clarified that this is for HUD reporting. DHCD can't count permanent housing as housing for homeless. HUD looks at total units of housing assistance being provided. Homeless housing is reported separately. Angus noted we integrate our numbers, but HUD doesn't.

Willa commented that that the 15% goal also appears in the program specific sections of the Consolidated Plan, but the boxes in IDIS can't add up to more than the total.

Erhard asked if DHCD could add the 15% goal to the narrative on page 3. "With goal of making 15% of these rental housing units available for the homeless."

Angus suggested that we could decide what's reasonable and increase that by 10% to push ourselves. Claire explained that would be difficult because the demand ebbs and flows. Grants are not funded at the amount requested, and the grantees ask for enhancements up to the original amount they applied for. Costs are also increasing.

Angus commented that we try to put every funding source into every project, which forces every project to deal with every piece of red tape. He gave 100% of ARRA to the most robust agencies and only gave them ARRA. VHCB is doing that with HTF for same reason.

Sarah suggested that we should publish the interagency report which is a comprehensive list of every project, with its funding sources.

Josh noted that is similar to the Housing Investment and Budget Report. Since the goal is to serve the most people it's a conversation we should have. It could save time and money if developers went to funding sources that fits their project the best.

Willa commented that HOME and HTF need to be part of funding because of the lower income targeting. This allows mixed income developments which are limited by market rents and how many market units can be in a project.

Sarah talked about the gap between market rate and subsidized rents. Markets outside Chittenden County can't make tax credit units work. Can't carry debt. There's no subsidy above 60% and it's not graduated. Josh commented that CDBG is 51% at 80% or below. Sarah questioned if CDBG would give two or three times as much to make higher rent apartments.

Kenn agreed that projects in Vermont are small and can't support much debt. Sarah commented that one problem is the income limits count gross income, and households applying for tax credit apartments are above that but realistically can't afford rents at 60%.

Josh mentioned that the Consolidated Plan includes fair housing section and that DHCD rolled out an updated Analysis of Impediments to Fair Housing. DHCD is moving forward regardless of whether HUD's new fair housing rule comes out. The HUD is tool not helpful for Vermont.

Devon disagreed that the HUD data and tools are not helpful. They are helpful in understanding trends. She commented that Legal Aid would like State to use the tools to look at where housing being built and who serving and also look at zoning; i.e. Burlington.

Meeting adjourned at 3:30 PM