Kathy Beyer from EverNorth provided the following public comment on November 9th, 2020:

Suggested Language to follow Site Location & Designations:

1. c. Projects will receive two checkmarks based on location in:
   i. Dense Infill Sites. An additional checkmark may be awarded based on consultation with the Regional Planning Commission regarding the site's location as consistent with the Future Land Use Map of the RPC and in an area with, or planned for, growth as certified by the RPC.

CHAMPLAIN
HOUSING TRUST

To: VHFA Tax Credit Committee
From: Brenda M. Torpy, CEO
Re: Qualified Action Plan 2021 comments
Date: October 16, 2020

Thank you for continuing the dialogue with the field regarding proposed QAP changes. I could not attend yesterday's (10/15) discussion and presentation of VHFA's recommendations issued on October 7, 2020.

Here are Champlain Housing Trust's major concerns with the proposed changes at this point:

In spite of significant and consistent input from developers registering concern about the proposed income targeting, the October 7 QAP changes still awards affordability checkmarks to projects with units designated at 30% median income. It is not possible to set aside 30% units without Project-Based subsidy. These are limited and highly desirable but not readily available. We would all include such units if we could. Your scoring as proposed would reward the lucky applicants who secure this oversubscribed program rather than rewarding those structuring their deals for maximum affordability, something that is possible for any developer to do. We recommend instead that the QAP award 2 checkmarks for projects with 30% of the units at 50% median income.

In order to meet the QAP goals of serving the homeless we strongly recommend that the QAP award 2 checkmarks for sponsors who have 15% or more portfolio serving homeless persons; and 2 checkmarks for applicants that can demonstrate that they have retention or other services to keep people housed and prevent homelessness.

We also recommend that the QAP recognize the value to the program created by applicants who set their rents at 90 or 95% of the maximum allowed rent, with 2 and 1 checkmarks awarded respectively.

We reiterate our concern at the award of checkmarks to projects using debt. Debt has no value to the mission of affordability, which is the core mission of the LIHTC program.

Our final comments are on project location criteria. Again, the targeting has been broadened and does reflect Vermont's overall development priorities. Thank you. But it is just too skewed to designated downtown and village centers that are still a small part of available land with services. A more balanced checkmark allocation that recognizes the many opportunities for housing with walk-ability, and easy access to schools, job transportation and other services would create more opportunities. We completely support the need to assure that every project contributes to Vermont's traditional settlement patters and meets smart-growth criteria and our

suggestion would still do that. Finally, the current scoring does not take into account the need to site affordable housing in high opportunity areas that are often not the downtown. Chittenden County is a case in point. CHT has effectively used the LIHTC and other funding programs to site projects in many higher income suburbs like Shelburne, in locations that would not score competitively under the current proposal. Before that, the hearts of Winooski and Burlington had much more of the county's fair share of affordable housing, limiting people's choice of school systems, housing types and easy access to the many jobs that have moved to the suburbs.

Twenty one agencies charged with serving homeless persons and providing affordable housing, including one Public Housing Authority signed on to a comment letter recommending the same priorities in the scoring matrix that I have summarized here. This is a significant consensus from a high percentage of Vermont's affordable housing sector- your partners in this mission. We would greatly appreciate hearing your direct response to our collective input, and especially your reasons for not rewarding the elements we provide, without reliance on Project-Based subsidies, that add to affordability and to reducing and preventing homelessness.

Please confirm that these comments will be accepted today. The published deadline was the 15th but as the QAP recommendations due to be posted on the 5th were posted on the 7th I am anticipating that the deadline for comment has been pushed forward by forty eight hours as well.

Thank you in advance for your consideration.

Brenda Torpy, CEO

INTERNATIONAL
LIVING FUTURE
INSTITUTE℠

An International Vision for
Community-Driven Transformation

October 15, 2020

VERMONT HOUSING FINANCE AGENCY
164 Saint Paul Street
Burlington, VT 05402-0408 USA

Dear VHFA Tax Credit Committee:

Thank you for providing this opportunity to comment on the proposed 2022-2023 Qualified Allocation Plan. For a decade, the International Living Future Institute has been leading the transformation towards a built environment that is socially just, culturally rich and ecologically restorative. We are premised on the belief that providing a compelling vision for the future is a fundamental requirement for reconciling humanity's relationship with the natural world.

The climate crisis poses an imminently urgent threat to the planet's ecosystems and its people, with disproportionate impacts on frontline communities. Unfortunately, we are not decarbonizing the built environment fast enough to limit global warming to "well below 2 degrees C above pre-industrial levels" as outlined in the Paris Climate Accord. Further regulations and policy incentives are needed to accelerate the shift to zero fossil fuel use. Incentivizing zero energy and zero carbon affordable housing not only advances Vermont's commitment to a 40% reduction below GHG levels in 1990 by 2030 per the 2016 Comprehensive Energy Plan, it lowers utility and operating costs over the course of ownership, benefiting both developers and residents.

VHFA's Qualified Allocation Plan plays a vital role in setting guidelines for the allocation of Low-Income Housing Tax Credits and also has the ability to drive innovation and demand for better built homes and communities in Vermont. We applaud Vermont's current requirements in the 2022-2023 proposed QAP for Vermont-financed projects to receive one point for Passive House or Net Zero designs. **Given the nature of the urgent climate crisis, we believe that Net Zero designs should receive two total checkmarks under the new QAP, and should require third-party verification from ILFI's Zero Energy Certification** in much the same way as Passive House certifies projects, in order to ensure actual energy performance and to shift the burden of verification from VHFA.

ILFI's Zero Energy (ZE) Certification was created to allow projects to demonstrate zero energy performance, with the integrity of third-party performance certification. As the only international zero energy certification, ZE Certification requires that one hundred percent of the building's energy needs on a net annual basis be supplied by on-site renewable energy. Echoing calls for all-electric buildings provided to VHFA from other stakeholders, no combustion is allowed. These features, along with ILFI's reduced fee costs for affordable housing projects, make ILFI's ZE program the ideal verification method for VHFA's Net Zero incentive. ILFI's ZE standard works well as a next step up from Passive House, as you can see in Washington State's QAP and in the crosswalk that ILFI co-developed with Passive House. Because ZE certification goes beyond requiring an incredibly high-performing building—like PH—to require one that produces all of its renewable energy on-site, it deserves an additional checkpoint.

We at the Institute believe the benefits of green building—in particular the reductions in energy and water utility costs and healthy indoor air quality—should accrue to all residents in the state of Vermont, regardless of their income status. Buildings constructed to ZE standards use significantly less energy and require less maintenance than typical buildings. The superior quality and efficiency of the building enclosure maintains consistent interior temperatures far longer than a code-built building, making them naturally resilient. Further, these projects could achieve an 80% or more reduction in energy costs and a corresponding steep reduction in carbon emissions. For income-restricted residents the utility savings could be life changing. In properties with owner-paid utilities, these savings can be reinvested in critical wraparound services such as afterschool care, job training, and other services frequently provided by the city's affordable housing providers.

Please consider increasing the checkmarks provided for Net Zero buildings, and referencing ILFI's ZE Certification to verify Net Zero performance for the 2022-2023 QAP in Vermont. VHFA has the opportunity through this QAP to help project teams learn how to incorporate low energy strategies from the very beginning of the project when the power for cost optimization is strongest. We are working hard to protect our future through environmentally responsive buildings, and we need your help to continue.

Sincerely,

Marja Williams
Chief Programs Officer, International Living Future Institute

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living-future.org

evernorth
Investing in communities. Building possibilities.

To: VHFA
From: Kathy Beyer/SVP Real Estate Development, Evernorth
Date: October 15, 2020
RE: draft QAP dated October 7, 2020

Thank you for the opportunity to provide comments on the draft 2022 Qualified Allocation Plan. These comments are based on the QAP draft dated Oct 7th.

Housing Vermont (now Evernorth) was created by VHFA to assure that the 9% LIHTC would be utilized across the state, creating perpetually affordable housing for the low- and moderate-income community. As evidenced by Evernorth's Vermont portfolio, our LIHTC housing serves the most economically disadvantaged households. During 2019, 79% of the tenants in the HV portfolio had incomes below 50% of median income.

Our comments on the QAP are based on this foundation of building affordable housing equitably across the state, and in a manner that best serves our low income Vermonters.

EVALUATION CRITERIA:

Site location

The QAP scoring related to site location borrows from the state's Consolidated Plan, awarding check marks based on the priorities in the state's designated centers. EN has been a leader in building in our downtowns and village centers.

However, by focusing on the designated centers, the site location scoring criteria may be too narrowly targeted. For example, many dense infill sites provide excellent access to public transit, jobs and services far in excess of the rural designated village centers. The QAP should allow for a quantitative analysis of site location, that looks beyond the boundaries of the designated centers. This analysis could include minimum zoning densities, existing infrastructure, access to transportation, jobs and services, and access to open space, sidewalks and bike/walking paths. Such infill sites should receive 4 check marks.

For example, the Safford Commons development in Woodstock would receive two checkmarks under the proposed evaluation criteria because it is more than .5 miles from the designated village center. Yet the site has sidewalks to the local school and market, and was up-zoned for multifamily housing and has municipal infrastructure. Additionally, the community of

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evernorthus.org

Woodstock is one of the wealthiest in the state and prior to Safford Commons, had no affordable family housing.

Depth of affordability

The 9% LIHTC is our largest resource for building affordable rental housing in the state. It is our experience that when rents are projected to be at or near the regulatory maximum (60% rents), these rents are too high for most tax credit eligible tenants. For example, in Washington County, at the maximum 60% rent level, a one-person household needs to earn $33,000. In Chittenden County the regulatory maximum rent for a two bedroom apartment is $1,239 which means a household needs to earn $49,560. In the Evernorth portfolio for non-senior, non PBV housing, the average household income is $23,590. These properties serve lower income people because we commit to a minimum of 30% of the units targeted to 50% of AMI.

In terms of measuring affordability by the household income served, the proposed affordability matrix awards checkmarks to projects that can commit to 30% units. In order to target units at 30% AMI, the project will need to have PBRA. PBRA is a scarce resource which is not available to every project. There is no need to incentivize developers to secure PBRA – all developers want this resource.

Rather than awarding checkmarks for 30% AMI, checkmarks should be awarded to projects that commit to targeting units affordable to 50% of median income. Unlike securing PBRA, committing to the 50% AMI target is available to every project.

We recommend a simplified approach by awarding two checkmarks to a project that targets 30% of its units to 50% AMI. This will incentivize most developers to hit this minimum target and therefore deepen the affordability of all projects.

The draft QAP proposes to award checkmarks on a scale based on serving 25%, 35-45%, and greater than 45% of the units at 50% of median. This approach is similar to the scoring for the FHLBB Affordable Housing Program which drives applicants to sign up for the maximum number of 50% units. Again, in order to serve a high percentage of 50% units, the project will need PBRA to cash flow.

Permanent debt

One goal of incenting developers to maximize debt is to minimize public subsidy. The unintended consequence of incenting debt is that it minimizes affordability.
The correct level of permanent debt can be handled through underwriting, rather than scoring. The level of debt should be removed as a scoring criteria.

Passive House or Net Zero

We recommend adding to, or replacing, this section with all-electric buildings – all electric buildings will come on line being net-zero ready by definition. Both Passive House and Net Zero certifications are not ratified until after construction is complete, making it difficult to accurately award check marks in this category when projects are in various stages of design at the time of the 9% tax credit application. We recommend also considering a check mark for building designs that exceed Efficiency Vermont's High Performance Standard .

Underserved areas: The draft QAP awards one checkmark to projects that are in towns that has market need but has no affordable housing. This evaluation criteria could be enhanced by adding two checkmarks for projects in communities with incomes above the state average, and very little affordable housing inventory. This would provide incentives for bringing affordable housing to some of our wealthiest communities.

There is also a question of social equity and impact to residents. For families with children, living in a designated downtown or village center may not be a desirable location. Should we look at the economic integration of the community and award check marks for projects in communities which do not have their fair share of affordable housing?

THRESHOLD ISSUES

Universal design: The proposed language for meeting universal design in all projects and all units as a threshold criteria is not reasonable. There are 40 elements in the Universal Design checklist and it is doubtful that any project can meet this checklist in all units. The previous QAP language was "Universal Design elements used"; this is a more appropriate statement for a threshold issue relating to Universal Design.

STATE TAX CREDIT PRIORITIES:

The state tax credits are prioritized for our 4% bond projects. Given the shallow subsidy of the 4% credit, and the shallow subsidy of the state housing tax credit, it does not seem reasonable to layer on the priority for projects which target 15% of their units for homeless.

4 % rehab project are existing buildings which may or may not be located in an appropriate area to serve the homeless. Additionally, often these projects do not have project-based subsidies.

VHCB/VHFA BUILDING DESIGN STANDARDS:

We appreciate the efforts of VHFA and VHCB bringing together a collaboration of parties to work on these standards. There is one are that we believe may need more research before it is incorporated into the design standards: Sustainable and Low Global Warming Potential Materials and Practices. While we understand that the wording of this standard is "projects

should strive to avoid high GWP products and practices", we are concerned about the added costs of these efforts in comparison to their anticipated benefits. Perhaps this is a requirement that could wait for the next round of design standard recommendations.

Timing of the 9% LIHTC allocation round

After discussion with staff in our Portland office, we do not recommend moving the allocation round to September. We do not invest in construction drawings until we have secured a 9% allocation; our goal is to be out to bid in the early part of a calendar year, and we believe September would be too late for that goal. We recommend that VHFA continues with an April or May allocation month.

VERMONT LEGAL AID, INC.

HOUSING DISCRIMINATION LAW PROJECT

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OFFICES:
MONTPELIER
SPRINGFIELD

October 15, 2020

Seth Leonard
Managing Director of Community Development
Vermont Housing Financy Agency
164 St. Paul Street
Burlington, Vermont 05401

By email

Re: Comments on 2022 Qualified Allocation Plan

Dear Mr. Leonard:

Thank you for the opportuntity to comment on VHFA's Qualified Allocation Plan (QAP). I write to you as the Director of Vermont Legal Aid's Housing Discrimination Law Project. We appreciate VHFA's time in seeking and considering input.

Vermont Legal Aid's Housing Discrimination Law Project advocates throughout Vermont for fair housing, open communities, and inclusive neighborhood development. We provide a range of free legal services to older people, people with disabilities, people who are discriminated against, and poor people in many legal areas, including subsidized housing, landlord-tenant, planning and zoning, and fair housing matters. We also advocate for land use planning and zoning that supports diverse communities that are accessible to all. We do not finance, develop, build, or manage housing of any kind. However, we strongly support subsidized and affordable housing and the siting of such housing in inclusive neighborhoods.

A safe, decent, affordable home in an inclusive setting is the foundation each of us needs to succeed. Because one's home determines nearly everything else about our lives, inclusive community and housing development is the foundation of a succesful and equitable society. We are grateful for the work VHFA and others do every day to

provide housing for Vermonters, especially Vermont's most vulnerable citizens. Our comments here reflect our belief in the importance to every person of affordable housing as well as our analysis of current housing stock and Vermont's demographics.

Fair Housing and Tax Credit Housing

First, we want to thank VHFA for acknowleding the importance of inclusive housing and for including fair housing requirements in the QAP. As the primary driver of below-market housing development, it is critically important that tax-credit housing be built in inclusive settings and itself be inclusive. Vermont is relatively undeveloped. That means we have the opportunity to avoid the mistakes—and intentionally discriminatory policies—made in most of the rest of the country. By building perpetually affordable, tax-credit bricks and mortar housing in inclusive settings, we build inclusive, successful neighborhoods and a more just society.

In addition to the fair housing requirements suggested, we further suggest adding--if Treasury doesn't already have such a rule--a look back period to ensure that an applicant hasn't been found by an administrative or judicial tribunal to have violated fair housing laws within a reasonable period before the application.

Finally, we thank VHFA for continuing the long-standing policy of perpetual affordability which also supports inclusion and equitable community development.

Age-Restricted Housing

We agree with VHFA staff that there is already sufficient age-restricted housing in Vermont's portfolio of tax credit and subsidized housing and that investments in general occupancy housing that includes universal design are already reaching populations that qualify for age-restricted housing. However, we believe no new age-restricted housing should be funded for the following reasons.

1. Vermont's existing below-market housing stock already disproportionately serves older Vermonters relative to the population who needs it;
2. Older Vermonters can and do now live successfully in multifamily or general occupancy housing;
3. The benefits of services and support can be delivered in a scattered-site manner;
4. Every person, not just those of us over age 54, would benefit from having on-site services and support available to them; such services shouldn't or can be provided on site to all residents at below-market housing if that is the preferred model;
5. While some older people may prefer to live in housing that discriminates against families with children by barring them, and while such discrimination is legal, we submit that it is neither good public policy nor a wise or equitable use of public

funds to continue to fund such discrimination, particularly since it is discrimination against children that created the current disporportionate distribution of housing.

Permanently Supportive Housing & Targeting Investments for Homelessness
We applaud VHFA for continuing to include incentives for permanently supportive housing and for housing formerly homeless people. People who need permanent supportive housing and people who were formerly homeless are Vermont's most vulnerable citizens. Studies show that having a safe, secure, affordable place to live is more stabilizing than many other interventions.

We encourage VHFA to consider additional incentives based on proven high performance in keeping formerly homeless people housed permanently. While holding a percentage of housing available for formerly homeless people is an excellent goal, we would also urge VHFA to consider success based on the duration of stay per person rather than by percentage of housing units set aside for formerly homeless people. We suggest implementing metrics to track how long formerly homeless tenants stay housed and believe that QAP incentives for housing providers who are high performing in this regard will create incentives for providing reasonable accommodations, working with tenants who have the highest needs, and working even harder to successfully house people who have significant challenges. Such an incentive should also help to provide some of what nonprofit housing providers have requested: additional checkmarks for being a nonprofit and providing more than for-profit housing providers do.

Our one concern about the incentives for permanently supportive housing is that it appears that a project can can satisfy the requirement with units located anywhere within their "owned portfolio." We are concerned that this could lead to isolating all of the PSH units in one building, floor, or other particular area—something that would work against principles of fair housing and inclusion.

Accessibility & Universal Design
We thank VHFA for continuing to incentivize the inclusion of universal design in funded housing. Everyone benefits from universal design, but people with disabilities, which, statisically, every one of us will be at some point, especially do.

We encourage VHFA to be even more forward thinking and to consider the needs of people with mental health as well as physical disabilities. Our experience serving people with mental health disabilities suggests that there are physical elements that would help some people with mental health disabilities be better served in congregate housing. Single unit housing, such as mobile homes, may also serve some people with mental

health disabilities better than congregate housing. We believe a survey of people with mental health disabilities combined with surveying housing managers, social workers, therapists, and others would be the best way to identify the most adaptive options. A few possibilties that we suggest based on our experience are:

- Separate or additional entrances so that people who struggle with social interaction or who are likely to be harassed can access their home with minimal interaction;
- Adding greater sound proofing to some percentage of apartments;
- Locating mailboxes outside of the central "social" core—again, to lessen social interactions; and
- More training for staff on reasonable accommodations, de-escalation, particular disabilities and useful techniques, and working with "difficult" and "hard to house" tenants.

Domestic Violence and the Violence Against Women Act (VAWA)
If not already a requirement, we recommend including a requirement that all entities that receive LIHTC credits certify that all staff receive training about domestic violence and the VAWA requirements for recipients.

Serving the Poorest Vermonters
We applaud VHFA for focusing on funding for more, deeper income targeting for more units below 50% AMI. We believe that since tenants with incomes at 30% AMI and below are in the greatest need of below-market housing, they should be prioritized. We recognize that financing housing for people with incomes this low is challenging; that the tax-credit program isn't a deep, ongoing subsidy program; and that getting project-based Housing Choice Vouchers is highly competitive and a significantly limited resource. We will continue to advocate for more State rental subsidies to support these units.

Downtowns
We generally support the idea of incentivizing housing development in "Smart Growth" or designated downtowns. We hope that incentivizing "downtown" placement of housing won't make it more difficult for rural and scattered site projects to be awarded tax credits.

3.12. Proven Market Need
We urge adding criteria or metrics to VHFA's consideration of the impact of a proposed development on existing rental housing. Specifically, we suggest that when VHFA conducts its analysis, it explicitly considers whether the impacted rental housing complies with Vermont's Rental Housing Health Code. Where the existing rental housing

that will be negatively impacted by new tax-credit housing is not in compliance with the Health Code, we maintain that replacement housing is necessary despite the existence of some unsafe housing that is illegally on the market. In this circumstance, neither regulation nor the market is currently providing rental housing that is safe and legal in that location. We urge VHFA to disregard the existence of any housing that is not in compliance with Vermont's Rental Housing Health Code when conducting its analysis.

Thank you for your time and consideration and for all you do to ensure safe, affordable, equitable housing for Vermonters.

Sincerely,

/s/ Rachel A. Batterson
Director, Housing Discrimination Law Project

Feedback from Vermont Association of Planning and Development Agencies:

VAPDA was contacted by some of our housing partners and asked to provide some feedback on the draft QAP scoring criteria regarding siting (below).

"1. Site Location: Projects can receive a maximum of 4 checkmarks based on the criteria below.

a. Projects will receive **four** checkmarks based on location in: i. Downtowns or Village Center; ii. support of a Downtown or Village Center by virtue of their location (i.e., that are within a 0.5-mile walking distance from these areas); or iii. Neighborhood Development Areas or Growth Centers associated with a Downtown or Village Center.

b. Projects will receive **three** checkmarks based on location in: i. New Town Centers; ii. Growth Centers not associated with a Downtown or Village Center; or iii. Neighborhood Development Areas associated with a New Town Center or Growth Center

c. Projects will receive **two** checkmarks based on location in: i. Dense Infill Sites; or ii. Neighborhood Development Areas not associated with a designated area listed above."

We fully support having scoring criteria linked to the site location and appreciate VHFA supporting this concept.

We are slightly concerned that the location criteria is being reduced in importance by going from five checkmarks to four. We would encourage strengthening the importance of this criteria by continuing it at five checkmarks.

We do not think there is a good reason to decrease the scoring from four to three for projects in New Town Centers, Growth Centers and their associated Neighborhood Development Areas. Locating affordable housing in these areas is just as important as in or near our Downtowns and Villages. We would ask that criteria a. and b. be combined and get the highest number of checkmarks.

Category c should keep the concept of Dense Infill Sites to deal with those locations outside of the designations. However, there are no NDAs not associated with a designation so the second part can be deleted. As an alternative, we suggest adding a second criteria that would ask that the location be consistent with the Future Land Use map of the RPC and be in an area with, or planned for, growth as certified by the RPC. As you know, there are a lot of areas with existing infrastructure and services that would be suitable for affordable housing that are outside of the state designations. We would ask that that these areas receive three checkmarks.

Thank you for your consideration of these comments. Please get in touch if you have any questions.

Best regards,

Charlie

Charlie Baker, Executive Director
Chittenden County Regional Planning Commission
110 West Canal Street, Suite 202
Winooski, VT 05404
Cell (802) 735-3500
www.ccrpcvt.org

CCRPC employees are working remotely and the office is closed to visitors. Please call or email and we will respond as soon as possible. Thank you.

Cathedral Square
Advancing Healthy Homes, Caring Communities & Positive Aging since 1977

412 Farrell St., Suite 100
South Burlington, VT 05403
CathedralSquare.org

To: VHFA

From: Cindy Reid, Cathedral Square

Re: Draft QAP Changes 2022 – October 7th Version of QAP

Date: 10/15/2020

We do appreciate the thoughtful and thorough outreach staff has done to date regarding the draft 2022 QAP, and the opportunity to provide feedback. The following comments are regarding the October 7th Draft QAP, and mostly are additive to the comments CSC has already submitted.

Cathedral Square has utilized the Housing Credit program to advance its mission, *Advancing Health Homes, Caring Communities and Positive Aging.* CSC serves a very low income vulnerable population and provides SASH® services to all residents, creating homes where people age in place and thrive. In CSC's rental housing portfolio of 902 units, 92% of households are below 50% of AMI, and 68% are below 30% of AMI. Our average SASH participant has 6 chronic conditions and lives in independent housing with SASH support. This data illustrates the power of the health and housing model, a model which the Housing Credit program has played a critical role in funding.

The Housing Credit program is the largest funding source for affordable housing. The changes proposed deserve careful review and discussion. We offer the following comments on the draft 2022 QAP through the lens of creating service-enriched healthy homes that are perpetually affordable, where residents can thrive in their communities.

Depth of Affordability

We do not recommend awarding checkmarks for 30% affordability. Reaching 30% affordability is only possible with project based rental assistance (PBRA). Obtaining rental assistance is unpredictable, and when it is available is a highly competitive and scarce resource. We do not think an incentive is required for developers to apply for PBRA when it is available – indeed it is highly sought after. We do not recommend scoring based on 30% affordability and recommend this section be removed.

We do recommend simplifying the depth of affordability section, to instead provide two checkmarks to any project targeting 30% of its units to 50% AMI. This is an achievable target for projects, and aligns with VHCB funding. Incenting higher than 30% at 50% generally requires rental subsidy to make up the difference, which is unrealistic. Providing two checkmarks for

projects meeting 30% at 50% AMI can be cleanly addressed in the Housing Subsidy Covenant, and is a simple, clean and powerful way to address affordability.

Diversity, Equity and Inclusion
A missing element in the QAP is a section addressing diversity, equity and inclusion. Given that the Housing Credit program is the largest single funding source for affordable housing, allocation of this resource should be done through a lens of racial equity. How are housing sponsors and managers promoting and addressing diversity, equity and inclusion, among their staff, boards, and in their housing communities? How are we reaching out to and providing access to housing and services to BIPOC persons? How are housing resources being allocated to support an anti-racist agenda, and to support and expand access to marginalized communities?

Permanent Debt
We do not think projects should be ranked by how much debt they should take on. This is an underwriting issue, not a scoring issue. We recommend removing this criterion, as expressed in more detail in previously submitted comments.

Timing of Capital Needs Assessments
For new construction – change from "prior to issuance of 8609", to "within 6 months of completion". Obtaining a CNA between substantial completion and 8609 would be very challenging. "Within 6 months of completion" would mirror VHCB's policy. The more that funding policies are aligned, the more efficient it is for developers. With so many funding sources to manage, this alignment, where possible, is critical.

Rental Housing Tax Credits
State Tax Credits are prioritized for use with 4% Bond Credits, which are largely used for acquisition/rehabs, and in many cases, preservation. Given the lean subsidy of both the 4% credit and the State Credit, it does not seem reasonable to add a priority for projects targeting 15% for homeless. Some preservation projects are not well suited to adding Supportive Housing units - some rural projects lack access to transportation and proximity to services. And in many cases these projects do not have project based subsidy. Therefore, we recommend a waiver of this priority for projects sponsored by housing organizations that are already meeting or exceeding the 15% Executive Order.
Given one of VHFA's goals is to utilize 4% credits for new housing production, we recommend that this priority apply <u>only</u> to creation of new affordable housing units, not for housing already in the DOARH.

Timing of the 9% Tax Credit Round
We recommend keeping with the April (or May) Allocation Round, and not moving it to Fall.

Memorandum

To: VHFA Tax Credit Committee
From: Elizabeth Bridgewater, Executive Director, Windham & Windsor Housing Trust
Date: September 11, 2020
Re: Comments on Draft Qualified Allocation Plan 2022

Thank you for the opportunity to comment on the proposed changes to the 2022 Qualified Allocation Plan. It's clear in reading the draft that the VHFA staff have put a lot of time and effort into the proposed changes. They have also done a wonderful job with outreach and soliciting feedback from the affordable housing development community.

Like others working to create and preserve affordable homes for Vermonters, the Windham & Windsor Housing Trust recognizes that Vermont's LIHTC allocation is the largest and one of the most critical resources to fulfilling our mission. Any changes in the way the tax credits are distributed should be carefully considered to ensure that they efficiently align with other available resources as well balance the various needs in the community for high quality homes that Vermonters can truly afford.

Affordability

It is our experience that most tax credit eligible residents cannot afford rents set at the regulatory maximum. In addition, the application for and allocation of project based rental assistance (PBRA) currently do not currently align with the timing of the LIHTC allocations. Furthermore, PBRAs are a scarce resource and are difficult to secure. To address these realities, we routinely develop operating budgets that provide a greater window of affordability to minimize rent pressure on applicants and to broaden the number of people who may benefit from our apartments. While this practice diminishes our ability to project the use of permanent debt at the time of our application and therefore requires more public subsidy, it addresses the actual needs of Vermonters in our communities and is the most critical component of any homelessness prevention strategy. We recommend that this practice be incentivized by the following QAP elements:

1. Provide a basis boost to all projects that commit to 30% of units affordable to 50% median income.
2. Reward projects based on the depth of affordability by giving two checkmarks for rents set at 90% of maximum and one checkmark for rents set at 95% of maximum.
3. Eliminate all checkmarks for projects that have secured housing subsidies so that scoring is not dependent on a scarce resource with unpredictable application and allocation schedules.
4. Eliminate the proposed incentive to utilize debt from the scoring criteria and instead evaluate the feasibility of debt during the underwriting process.

Supportive Services Set-Aside

We agree with others that awarding 4 checkmarks for the set aside for Supportive Services for formerly homeless households functions like a threshold criterion rather than a competitive factor. The underlying challenge with aggressively incentivizing this approach is that there is no funding predictability for the other resources (PBRA & supportive services operating support) needed to successfully meet the needs of those experiencing homelessness. In addition, some locations with good access to services and supports are better suited to meet the needs of homeless households than others. Finally, we agree that serving the homeless is a very high priority and we are proud of our track record of annually exceeding the Executive Order 3-73 of 15% formerly homeless throughout our portfolio. Currently the percentage of formerly homeless household living in WWHT homes is 21%. Considering all of these factors, we recommend

1. Lowering the number of checkmarks awarded to this set-aside in order to provide flexibility to developers to address a variety of needs in the community while continuing to reward projects that address the ongoing needs of homeless individuals and families.

Project Location

We appreciate the creative thinking on broadening the definition of historic development patterns beyond official designated locations. This will allow developers to pursue sites that meet the spirit of the policy intention to incentivize development where there is good access to public resources such as water and waste water systems, public transportation and nearby services. This will also minimize our time working with local officials to create these overlay districts as part of the project development process and free up our development capacity and resources to focus our efforts on other important aspects of project development.

Non-Profit Affordable Housing

The community of non-profit affordable housing developers in Vermont have a long track-record of providing added value to their residents and the community. From leadership training opportunities, programs to address food insecurity and health care needs, and community building and conflict resolution through restorative justice practices, non-profit owners of affordable housing seek to support their residents beyond simply providing them with a home. Many of us, including the Windham & Windsor Housing Trust, have a good number of residents serving on our boards which provides residents with a strong voice on policy development, non-profit governance and customer service issues. This builds social capital for residents and increases their business acumen and knowledge.

In addition, non-profit affordable housing developers recycle development fees back into the community they serve which amplifies the impact of public subsidies and provides a greater public return on investment. Finally, our non-profit structure allows us to access other philanthropic funding to leverage state and federal funding dollars to creatively meet the needs in our community.

For these reasons, we recommend:

1. Awarding a minimum of two checkmarks for projects put forth from a non-profit affordable housing developers with a track record of complimentary programs.

Building Design Standards

We support VHFA's effort to encourage the creation of energy efficient, high performing buildings. However, we feel that this goal needs to be balanced with cost effectiveness. Therefore, we recommend:

1. Remove "certified to" under Passive House or Net Zero, and replace it with "designed and constructed to."

evernorth

Investing in communities. Building possibilities.

To: VHFA
From: Kathy Beyer, Evernorth
Date: September 10, 2020
RE: draft QAP changes for 2022

Thank you for the opportunity to provide comments on the draft 2022 Qualified Allocation Plan. These comments are based on the QAP draft dated August 11th; we look forward to providing additional comments on the next QAP draft.

Housing Vermont (now Evernorth) was created by VHFA to assure that the 9% LIHTC would be utilized across the state, creating perpetually affordable housing for the low- and moderate-income community. As evidenced by Evernorth's Vermont portfolio, our LIHTC housing serves the most economically disadvantaged households. During 2019, 79% of the tenants in the HV portfolio had incomes below 50% of median income.

Our comments on the QAP are based on this foundation of building affordable housing equitably across the state, and in a manner that best serves our low income Vermonters.

Site location

The QAP scoring related to site location borrows from the state's Consolidated Plan, awarding check marks based on the priorities in the state's designated centers. EN has been a leader in building in our downtowns and village centers.

However, by focusing on the designated centers, the site location scoring criteria may be too narrowly targeted. For example, many dense infill sites provide excellent access to public transit, jobs and services far in excess of the rural designated village centers. The QAP should allow for a quantitative analysis of site location, that looks beyond the boundaries of the designated centers. This analysis could include minimum zoning densities, existing infrastructure, access to transportation, jobs and services, and access to open space, sidewalks and bike/walking paths. Such infill sites should receive 4 check marks.

There is also a question of social equity and impact to residents. For families with children, living in a designated downtown or village center may not be a desirable location. Should we look at the economic integration of the community and award check marks for projects in communities which do not have their fair share of affordable housing?

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Targeting for homeless or at risk

In the 2016 report *Giving Due Credit: Balancing State Priorities in State LIHTC Allocation Policies* notes that "point-based incentives and weighting should be structured so that no single provision is effectively mandatory." The current QAP scoring for targeting 25% of the tax credit units to the homeless or at risk of homeless has effectively become a mandatory scoring criteria. We believe it is time to revisit this scoring approach, based on data and experience from the field.

With implementation of the Executive Order 3-73, great strides have been made among all of our nonprofit housing partners in targeting 15% of our portfolio to the homeless or at risk. Many of our partners have exceeded the 15% target and are working intensively with social service providers so that the outcome for the at-risk resident is successful. We believe it is appropriate to maintain the threshold requirement that all developers report on the portfolio targeting and adhere to maintaining 15% of the units in their owned properties targeted to homeless households.

Since 2018, the scoring criteria has awarded 4 points to projects which sign up for the 25% homeless target. All eleven projects that were awarded 9% credits in 2018 and 2019 signed up for this targeting. The same was true for 2020.

Our recommendation is to keep the homeless targeting as a policy priority, but to lower the scoring to two "check marks" to bring it in line with other pressing policy goals. In that way, those properties and owners with the resources and relationships to provide strong supportive services will choose to meet this priority and compete successfully to secure these additional points. However not choosing to reach for this priority will not automatically result in an inability to compete for an allocation.

Affordability---PBRA

The draft QAP awards three check marks for projects that have secured new PBRA of at least 25% of the total units. While securing new PBRA is the best way to increase the depth of affordability for a project, every project that applies for the 9% credit would be thrilled to bring this resource to the table. However, the allocation of PBRA often does not align with the LIHTC round in terms of timing, and the allocation plan for PBRA also does not align with the QAP.

Given the fact that the PBRA is a limited resource, check marks should not be awarded in this area.

Depth of affordability

The 9% LIHTC is our largest resource for building affordable rental housing in the state. There is a policy balance between the number of units to be built, and the affordability level of those units. It is our experience that when rents are projected to be at or near the regulatory maximum (60% rents), these rents are too high for most tax credit eligible tenants. For example,

in Washington County, at the maximum 60% rent level, a one-person household needs to earn $33,000. In the HV portfolio for non-senior, non PBV housing, the average household income is $23,590.

Therefore to reach a deeper level of affordability for all income ranges, including "market rents", a property that projects rents below the regulatory maximum, and includes a portion of the rents at the 50% rent level, will be more successful in delivering affordability to a wider income group of Vermonters.

Scoring criteria needs to be developed for projects which submit applications with rent levels below the 100% LIHTC maximum. For example, three checkmarks awarded for projects with rents set at or below 90% of maximum, and two checkmarks if set below 95% of maximum.

The proposed affordability matrix is weighted towards projects that can commit to 30% units; these projects are likely to only be the ones who have PBRA, because the 30% rents without rental assistance do not cover operating costs. As noted above, allocation of new PBRA does not align with the QAP.

Utilizing a simpler approach, that mirrors VHCB's policy on 50% units, may be a more rationale approach. Check marks would be awarded to projects that commit to having 30% of their units affordable to 50% of median income.

We are recommending 2 levels of scoring for affordability: % of maximum LIHTC rent, and % of units dedicated to 50% of median income.

Permanent debt

The level of permanent debt seems to be more of an underwriting issue, than a scoring issue. The level of permanent debt is also impacted by the depth of affordability achieved in a project. The level of debt should be removed as a scoring criteria.

Passive House or Net Zero

We recommend adding to, or replacing, this section with all-electric buildings – all electric buildings will come on line being net-zero ready by definition. Both Passive House and Net Zero certifications are not ratified until after construction is complete, making it difficult to accurately award check marks in this category when projects are in various stages of design at the time of the 9% tax credit application. We recommend also considering a check mark for building designs that exceed Efficiency Vermont's High Performance Standard .

THRESHOLD ISSUES & BASIS BOOST

The draft QAP proposes a new approach to awarding the basis boost, including a proposal to award the basis boost to projects which capitalize a supportive services operating reserve to be used towards the targeted homeless units. While this approach recognizes the additional operating costs of targeting units to a higher needs population, it is using affordable housing *capital* dollars to achieve this. When the QAP started to award check marks for projects that

included targeted homeless units, there was an understanding among state policy makers that we would not look to capital sources to support this effort. Now is not the time to change this policy; we need to build more units with the capital sources we have.

We recommend simplifying the approach, and award the basis boost to projects which commit to 30% of the units affordable to 50% of median income. The QAP should also continue to allow the basis boost for historic buildings located in our designated downtowns.

Universal design: The proposed language for meeting universal design in all projects and all units as a threshold criteria is not reasonable. The Universal design checklist is long and detailed, and it is doubtful that any project can meet this checklist in all units. The previous QAP language was "Universal Design elements used"; this is a more appropriate statement for a threshold issue relating to Universal Design.

STATE TAX CREDIT PRIORITIES:

The state tax credits are prioritized for our 4% bond projects. Given the shallow subsidy of the 4% credit, and the shallow subsidy of the state housing tax credit, it does not seem reasonable to layer on the priority for projects which target 15% of their units for homeless.

4 % rehab project are existing buildings which may or may not be located in an appropriate area to serve the homeless. Additionally, often these projects do not have project-based subsidies.

It is also not clear what the priority of "creates net new Housing Credit units in growing communities" is trying to accomplish. What is the definition of a growing community? This preference appears to be targeted to new construction projects using the 4% credit.

VHCB/VHFA BUILDING DESIGN STANDARDS:

We appreciate the efforts of VHFA and VHCB bringing together a collaboration of parties to work on these standards. There is one are that we believe may need more research before it is incorporated into the design standards: Sustainable and Low Global Warming Potential Materials and Practices. While we understand that the wording of this standard is "projects should strive to avoid high GWP products and practices", we are concerned about the added costs of these efforts in comparison to their anticipated benefits. Perhaps this is a requirement that could wait for the next round of design standard recommendations.

Cathedral Square
Advancing Healthy Homes, Caring Communities & Positive Aging since 1977

412 Farrell St., Suite 100
South Burlington, VT 05403
CathedralSquare.org

To: VHFA

From: Cindy Reid, Cathedral Square

Re: Draft QAP Changes 2022

Date: 9/10/2020

We appreciate the thoughtful outreach staff has done to date regarding the draft 2022 QAP, and the opportunity to provide feedback.

Cathedral Square has utilized the Housing Credit program to advance its mission, *Advancing Health Homes, Caring Communities and Positive Aging.* CSC serves a very low income vulnerable population and provides SASH® services to all residents, creating homes where people age in place and thrive. In CSC's rental housing portfolio of 902 units, 92% of households are below 50% of AMI, and 68% are below 30% of AMI. Our average SASH participant has 6 chronic conditions and lives in independent housing with SASH support. This data illustrates the power of the health and housing model, a model which the Housing Credit program has played a critical role in funding.

The Housing Credit program is the largest funding source for affordable housing. The changes proposed deserve careful review and discussion. We offer the following comments on the draft 2022 QAP through the lens of creating service-enriched healthy homes that are perpetually affordable, where residents can thrive in their communities.

Depth of Affordability
The formula initially proposed is complicated. We appreciate the staff looking into alternatives based on preliminary feedback. The alternative proposed on 9/1 awards projects checkmarks that can serve households at 30% AMI, with rental assistance. Rental assistance is a scarce and competitive resource. The allocation of it is unpredictable, and does not line up with any other housing development application timeframes. HOTMA legislation allowed for an increase in the ability for PHAs to project base rental assistance, but we may be on the tail end of this opportunity, therefore we think scoring projects based on their ability to get rental assistance should be removed (either project based assistance or tenant based assistance).

We propose as an alternative:

> If 30% of a project is affordable to households at 50% of AMI, the project receives 2 checkmarks. In addition,
>
> If a project's rents are at time of application and occupancy, at 5% below the maximum 60% tax credit rents, the project receives 1 checkmark.

If a project's 60% rents are set at time of application and occupancy, at 10% below the maximum 60% tax credit rents, the project receives 2 checkmarks.

The majority of housing developers seek project based assistance whenever available, and lease to households with tenant-based vouchers. An incentive to do so is not necessary.

Basis Boost

The basis boost is critical to the creation of financially viable mixed income affordable housing developments. It can be used strategically to incent goals of VHFA. Since deep affordability is a goal held by VHFA, we recommend providing a basis boost for projects that have 30% of their units serving households at or below 50% of AMI. This would incent greater than required affordability for tax credit projects.

We recommend leaving as is the currently allowed basis boost for historic buildings in designated downtowns.

Homeless/at risk of Homeless

We recommend reducing the checkmarks allocated to this criterion from four to two. This criterion has become a de-facto threshold because of its relative weight. However some projects are better suited than others (for example where there is access to transportation and services) to serve this population, and projects that have rental assistance and services (critical to serving this population) are better suited than projects without. Overall the affordable housing sector has done a great job of rising to the challenge to serve the needs of the homeless and at risk of homeless, yet clearly more needs to be done. We need to align housing opportunities <u>with</u> rental assistance and services to make the implementation of this policy goal more successful. Therefore we recommend adjusting the checkmarks allocated to this criterion to be more in line with criteria, and reduce from four checkmarks to two checkmarks.

Senior Housing

We strongly recommend changing the term "age-restricted" to "age-specific" throughout; "restricted" has a negative connotation, whereas "specific" describes without valuing.

We are pleased the cap was increased to 30% from 25% but still recommend having no cap. Given the demographic changes in Vermont, we <u>need</u> more age specific housing. Funding one, or sometimes no senior projects per year is not enough to meet the growing need.

We therefore recommend either removing the cap altogether, or else changing "Projects Tenancy/Type" in 4.2 Ceiling Credits (pg. 18) to remove the distinction between general occupancy and senior housing, and simply provide checkmarks for any project that is service-enriched, and none for those that are not service-enriched. Otherwise, senior housing has two significant challenges to overcome.

Diversity, Equity and Inclusion
A missing element in the QAP is a section addressing diversity, equity and inclusion. Given that the Housing Credit program is the largest single funding source for affordable housing, allocation of this resource should be done through a lens of racial equity. How are housing sponsors and managers promoting and addressing diversity, equity and inclusion, among their staff, boards, and in their housing communities? How are we reaching out to and providing access to housing and services to BIPOC persons? How are housing resources being allocated to support an anti-racist agenda, and to support and expand access to marginalized communities?

Permanent Debt, pg. 20
We do not think projects should be ranked by how much debt they should take on. This is an underwriting issue, not a scoring issue. We recommend removing this criterion.

While we understand the rationale behind incenting permanent debt (more debt means using less scarce resource), without addressing the "depth of affordability" there is a significant difference between types of projects funded and what is expected of each. There are projects which apply for tax credits having maximum 60% rents and can therefore afford more debt. And there are projects that come in with rents below LIHTC 60% maximum rents, and rents at 50% AMI, which provide greater affordability to residents. These kinds of projects can afford less debt, and have limited cash flow which typically stays with the project. I think we need to have transparent conversations about these differences, and what kind of projects public investment should be directed to, to prevent homelessness, provide long term financially feasible housing, for the greatest long term good. Having dual goals of addressing homelessness while taking on permanent debt is problematic, especially in an environment with limited access to rental assistance and service funding which is typically not multi-year stable funding.

Timing of Capital Needs Assessments, pg. 13
For new construction – change from "prior to issuance of 8609", to "within 6 months of completion".
Obtaining a CNA between substantial completion and 8609 would be very challenging. "Within 6 months of completion" would mirror VHCB's policy. The more that funding policies are aligned, the more efficient it is for developers. With so many funding sources to manage, this alignment, where possible, is critical.

5.1 Rental Housing Tax Credits, pg. 21
Prioritization 1: "targets a minimum of the equivalent of 15% of the total units to households who are homeless or at risk of homelessness".
State Tax Credits are prioritized for use with 4% Bond Credits, which are largely used for acquisition/rehabs, and in many cases, preservation. Most preservation projects are already subject to and implementing the 15% EO or are serving a higher % of previously homeless persons.
We recommend a waiver of this priority for projects sponsored by housing organizations that are already meeting or exceeding the 15% Executive Order. In most cases, acquisition/rehab

preservation projects seeking 4% credits are already serving homeless and at risk of homeless households in the projects seeking the credits.
Given one of VHFA's goals is to utilize 4% credits for new housing production, we recommend that this priority apply only to creation of new affordable housing units, not for housing already in the DOARH.

Building Design Standards
Remove "certified to" under Passive House or Net Zero, and have it be "designed and constructed to" instead. Preferably, include instead that projects that exceed Efficiency Vermont's High Performance Standard get this checkmark. This would be more practical and cost effective and have a similar goal, in creating high performance buildings.

Site Location, pg. 18
We understand the effort to align designations with State policy, however we recommend the tiers be less disparate from each other. Planners and funders want to see housing developed near transportation and services, in other words, developing housing communities in areas of opportunity. We recommend having the checkmarks for the 4 tiers be closer together (rather than 5,4,3,2, a less disparate scale).

Underwriting Concerns
We are concerned that projects are not evaluated using consistent criteria. For example, different projects use different trending rates; some projects have all of the cash flow going to owner (versus to cash flow to mission); others have restrictions on use of cash flow, and reinvest most of the cash flow back into the project. Public subsidy is scarce and competitive. We do not think projects that are publicly funded should have all cash flow going to owner (versus to mission). We would like to see more transparency in the underwriting process, and equity between how different projects are underwritten.

Nonprofit Sponsored Housing Projects
We recommend that projects sponsored by nonprofit organizations receive two checkmarks. Nonprofit sponsors create housing that most often has larger community development benefits, and that utilize or create partnerships to address services (e.g. SASH, DREAM, and garden/food programs to address food insecurity). Nonprofit housing sponsors provide housing retention services to keep vulnerable people successfully housed (examples include offering hoarding specialists and imbedded mental health services). CSC and CHT (and there may be others) have been commended by Vermont Legal Aid for their active roles in preventing evictions through effective interventions through housing retention services. This work prevents homelessness. In addition, the nonprofit housing sector has done an incredible job providing permanent housing to homeless persons. This work addresses homelessness head on, and continues. All told, this work strengthens our communities and helps low income and vulnerable persons thrive long after they are housed. This is the added value of the nonprofit affordable housing sector, and deserves additional consideration in the scoring criteria.

To: VHFA Joint Committee on Tax Credits

Re: Recommendations on Draft 2022 QAP

Date: 10/9/2020

We appreciate the opportunity to comment on the draft 2022 QAP.

The nonprofit and public housing development network has, throughout the life of the tax credit program, approached its housing development work through a broad community lens that has enabled us to bring additional value to the residents we serve and the neighborhoods in which we develop. We believe this value should be recognized in the QAP. Although Vermont's non-profit housing sector, and its projects, share many characteristics that add value to the LIHTC program, we do not expect the QAP to automatically differentiate non-profit from for-profit developers, but rather to assign checkmarks to relevant criteria, in order to assure that these mission-driven characteristics remain competitive. Our recommendations are:

Achieving Deep Affordability

Tax credit units developed by nonprofits in Vermont serve a much lower income population, people with disabilities, and other special housing needs, than nationally: 58% of low income housing tax credit units in Vermont serve households with incomes below 30% of county median. The national average is 8%. Vermont ranks highest in the nation in this regard. Thirty eight percent of all LIHTC tenants nationwide are cost-burdened. However, Vermont has reached deeper with affordability: 26% of LIHTC renters in Vermont are cost-burdened, compared to 50% of all Vermont renters.

To maintain this high standard of affordability the QAP must encourage it. Projects with one-third of the units restricted to 50% median income and below should receive two checkmarks in the relevant category. Projects that set rents below the 60% median income HUD maximum rent should receive up to 2 checkmarks: 2 checkmarks for rents set at 90% of maximum allowable and 1 checkmark for rents set at 95% of the maximum allowable. These lower rents help prevent homelessness, prevent cost-burden, and assure that all of the sources leveraged for the project go directly to the benefit of low and moderate income renters.

Addressing Homelessness

At the end of FY19, 18% of the permanent rental units in the statewide nonprofit portfolio were housing formerly homeless persons. This equates to more than 1,000 housing units. A third of the turnovers during FY19 were filled with individuals and families that were experiencing homelessness. Developers who demonstrate that they have 15% or more units portfolio-wide dedicated to the homeless should receive 2 checkmarks in the homelessness category.

Preventing Homelessness

The nonprofit housing network has invested significant resources in programs and on-site staff to keep people safely and successfully housed. These initiatives vary around the state, are ongoing, and include but are not limited to: housing retention services including hoarding

specialists; SASH program providing care coordination and wellness nursing; on-site Mental Health Pilot at two sites in Burlington; community building and conflict resolution through restorative justice practices, DREAM program for young people; and programs to address food insecurity. While addressing homelessness is critical, keeping people successfully housed and preventing homelessness is as important. Applicants that can demonstrate that such resources are available to their tax-credit renters should receive up to two checkmarks in the homelessness category.

Delivering Community Development/Community Benefit

Nonprofit sponsored projects support larger community development goals. Examples include but are not limited to: historic preservation; co-location with services such as libraries and social service agencies; downtown re-development; cleanup of slums and blight; access to walking trails and bike paths. We believe that the QAP as proposed rewards much of this by broadening the statewide designations recognized with checkmarks. We caution the committee to assure that such scoring does not have the unintended consequence of disadvantaging a project that meets the smart-growth criteria that is outside a formally designated neighborhood, and also that it does not exclude locations that affirmatively further fair housing opportunities.

Non-profits are governed by community boards of directors and project committees made up of community members. This ensures that our projects meet community needs beyond their financial feasibility. This level of participation provides the opportunity for the community to guide strategic decisions on how public resources are spent, and their volunteer labor brings value and resources to the mission.

Value stays with Property and Nonprofit Mission

Project cash flow remains with the property and/or mission of the sponsoring nonprofit, as does fee income. All earnings are plowed back into mission with direct benefit to the low and moderate income Vermonters that the tax credit investments are designed to serve. This practice should be recognized in the QAP.

Recommendation

We strongly recommend that the QAP award checkmarks for the projects described in this memo which provide: deeper affordability, address and prevent homelessness, and further community development and fair housing goals. Investment in nonprofit sponsored affordable housing supports the State's housing goals, shared by VHFA and other housing agencies. The nonprofit housing sector is committed to property performance and protection of these assets in perpetuity, with the added critical component of engagement with residents to ensure success and well-being. Projects that deliver the maximum financial investment to their communities and result in the highest return from tax credit investment should be the ones that the QAP scoring criteria rise to the top by making all or part of the changes proposed here.

Sincerely yours,

Elise Shanbacker, Executive Director
Addison County Community Trust

Sue Minter, Executive Director
Capstone Community Action

Kim Fitzgerald, CEO
Cathedral Square

Brenda Torpy, CEO
Champlain Housing Trust

Jonathan Farrell, Facilities Director
Committee on Temporary Shelter

Ruby Baker, Executive Director
Community of Vermont Elders

Eileen Peltier, Executive Director
Downstreet Housing & Community Development

Nancy Owens, Co-President
Evernorth

Rick DeAngelis, Executive Director
Good Samaritan Haven

Josh Davis, Executive Director
Groundworks Collaborative

Elisabeth Kulas, Executive Director
Housing Trust of Rutland County

Elizabeth Ready, Chief Financial Officer
John Graham Housing & Services

Jim Lovinsky, Executive Director
Lamoille Housing Partnership

Patrick Shattuck, Executive Director
RuralEdge

Kevin Loso, Executive Director
Rutland Housing Authority

Stephanie Lane, Executive Director
Shires Housing

Mark Redmond, Executive Director
Spectrum Youth & Family Services

Andrew Winter, Executive Director
Twin Pines Housing Trust

Michael Redmond, Executive Director
Upper Valley Haven

Mary Moulton, Executive Director
Washington County Mental Health Services

Elizabeth Bridgewater, Executive Director
Windham Windsor Housing Trust

September 9, 2020

DOWNSTREET
Housing & Community Development

Beyond Four Walls and a Roof

To: VHFA Tax Credit Committee
From: Eileen Peltier, Executive Director
Re: Qualified Action Plan 2021 comments

Thank you for the opportunity to offer reflection and feedback on the proposed QAP adjustments FY2022-2023. The importance of this comment process is critical, given the significant role that Vermont's Low-Income Housing Tax Credit allocation plays in the collective pursuit of building a healthier housing future for our local communities and state. We appreciate the commitment and partnership of VHFA in this collective pursuit. Undoubtedly, the governing criteria outlined in the QAP has the power to shape the future of housing projects and, thus, the future of Vermont communities and their corresponding housing agencies. With this in mind, we respectably offer the following comments through the lens of our regional perspective:

Affordability
The proposed QAP awards checkmarks to projects that can serve households at 30% AMI, with rental assistance. We oppose this for the following reasons:

- Rental assistance is a scarce and competitive resource;
- Even when rental assistance is available; it is unpredictable and varies geographically;
- The majority of housing developers seek project-based assistance whenever available, and lease to households with tenant-based vouchers;
- Different geographical regions within the state have varying levels of affordability needs. For example, in some communities with local PHA's there are significant rental assistance vouchers available; the need that remains is for those living between the 50-80% AMI level; and
- We believe recommendations that restrict too narrowly the affordability range will not be successful in all areas of the state

With that, we support the proposed alternative:

> *If 30% of a project's total units are affordable to 50% of AMI, the project receives 2 checkmarks.*

Homeless/at risk of Homeless
We recommend reducing the checkmarks allocated to this criterion, possibly from four to two, as we do not view this criterion as being a critical competitive factor. For Downstreet and many of our nonprofit housing colleagues, serving homeless households is a high mission priority, and most of us easily meet or exceed the state's 15% mandate. To Date, 19% of our portfolio consists of households who were previously homeless.

Permanent Debt
We are in alignment with our partner at Cathedral Square, as we too disagree with ranking projects on how much debt they should take on. This is an underwriting issue, not a scoring issue. We recommend removing this criterion.

> Cathedral Square's explanation:
> *"While we understand the rationale behind incenting permanent debt (using less scarce resource), without addressing the "depth of affordability," there is a significant difference between types of projects funded and what is expected of each. There are projects which apply having maximum 60% rents and can therefore afford more debt. And there are projects that come in with rents below LIHTC 60% maximum rents, and rents at 50% AMI, which provide greater affordability to residents. These kinds of projects can afford less debt and have limited cash flow, which typically stays with the project. I think we need to have transparent conversations about these differences, and what kind of projects public investment should be directed to, to prevent homelessness, provide long term financially feasible housing for the greatest long term good. Having dual goals of addressing homelessness while taking on permanent debt is problematic, especially in an environment with limited access to rental assistance and service funding which is typically not multi-year stable funding."*

Rental Housing Tax Credits
We concur with Cathedral Square's assessment and suggestions:

> Cathedral Square's public comment:
> *"Prioritization 1: "targets a minimum of the equivalent of 15% of the total units to households who are homeless or at risk of homelessness." State Tax Credits are prioritized for use with 4% Bond credits, which are largely used for acquisition/rehabs, and in many cases, preservation. Most preservation projects are already subject to and implementing the 15% EO.*
>
> *We recommend a waiver of this priority for projects sponsored by housing organizations that are already meeting or exceeding the 15% Executive Order. In most cases, acquisition/rehab preservation projects seeking 4% credits are already serving homeless and at risk of homeless households in the projects seeking the credits.*
>
> *Given one of VHFA's goals is to utilize 4% credits for new housing production, we recommend that this priority apply <u>only</u> to creation of new affordable housing units, not for housing already in the DOARH. "*

Building Design Standards
We recommend removing requirements for certification and, in its stead, emphasize the return on investment in energy conservation and performance, possibly in guidance with Efficiency Vermont's High-Performance Standards. It is our experience that the cost of procuring certifications is not always valuable nor meaningful over the long-term. Focusing on performance outcomes and utilizing cost-benefit analysis are already being conducted by

Downstreet and many of our nonprofit housing colleagues, presenting a more fruitful way of illustrating our collective favor of environmental stewardship.

Smart Growth
We support VHFA's assessment to align the QAP with the State's Consolidated Plan by awarding 5 points for projects that are in Downtowns, Village Centers, or Neighborhood Development Areas. However, we highly recommend including New Town Centers and Growth Centers in this list as such designations have been created by the state to incentivize development in keeping with Vermont's traditional settlement patterns, and all of them achieve this aim.

For instance, the town of Berlin is in the process of applying for a New Town Center designation. The designation offers tremendous economic and societal potential thanks to its location relative to Barre, Montpelier, and Interstate-89 in addition to the presence of high-valued Vermont businesses. The QAP, in its current form, would miss the smart growth mark that is being sought by omitting such designations.

Permanent Supportive Housing
We are in complete alignment with Cathedral Square's assessment of the value of having the option for permanent supportive housing. Choice is invaluable from both a developer and a resident perspective.

> Cathedral Square's public comment:
> *"We recommend that VHFA allow 100% permanent supportive housing projects (not just by waiver). In some cases, a designated PSH community may be appropriate, as service delivery is more efficient if done in a congregate setting. This is one of many models that can be helpful in moving people out of homelessness to successful permanent housing. In other cases, integrating supportive housing within permanent housing communities may be appropriate. There is no one-size-fits-all, so we recommend not dis-allowing 100% PSH projects."*

Nonprofit Sponsored Housing Projects
We support the recommendation that projects sponsored by nonprofit organizations receive two checkmarks for the following reasons:

- We strongly believe that services should be available at all affordable housing sites;
- A housing services model prevents homelessness, increases retention, strengthens our communities and helps low income and vulnerable persons thrive; and
- Nonprofits are legally obligated to pursue and deliver community benefits beyond financial incentives

For the sake equity in opportunity, we recommend that for-profit developers have opportunities to receive 2 checkmarks by providing proof of services satisfactory to VHFA's guidelines.

Lamoille Housing partnership

Date: August 31, 2020

To: VHFA Tax Credit Committee

From: Jim Lovinsky, Executive Director

Re: Qualified Action Plan 2021-2022 comments

First of all, let me thank you for managing a very difficult process and for the opportunity to comment on the proposed changes. As a local non-profit affordable housing developer working in the small towns of Lamoille County I know how critical the LIHTC program is for our program and for my sister organizations across the state that we work together with to provide safe, decent and affordable housing for all Vermonters. These days, with shrinking resources, higher acquisition and development costs, and more local need than ever I believe it is of the upmost importance that the plan for allotting tax credits to projects around the state align as closely as possible with our overall housing mission. The impact of Covid-19 over the coming years will bring even more pressure on both sides of the equation for us to contend with: higher acquisition cost due to a real estate boom, even higher construction costs due to shortages of materials and higher labor costs, and even more Vermonters needing housing as the economic impacts hit home and the most disadvantaged are effected the hardest. I have watched changes in the QAP and how they affected our projects in the past but have not commented thus far. The new proposed QAP has brought up some issues that I feel are relevant to our work and so I am offering my comments for your consideration.

Location

We are finding that as we scour the towns and villages of Lamoille County and Hardwick for suitable affordable housing locations that it is getting ever more difficult to find locations in Designated Downtowns. Point in case is our most recent project, Village Center Apartments in Morrisville. This is a small, vacant, in-fill lot located in the village center and only works because the town is willing to work with us to provide parking. Not all rural towns have the infrastructure to support multi-family development, lacking municipal water and sewer, placing more import on the towns that do to provide adequate housing development opportunities. I think there is a negative effect to this as it places an unequal burden on some communities, for example, Morrisville is becoming the affordable housing community for Stowe. Many locations are on the fringes and may loose "checkmarks" because they are not within boundaries. In addition, while many people thrive in a downtown location, many would rather not be restricted to a village center and want to be able to take advantage of other job and recreation opportunities that are more available on the edges of these areas, but still maintaining strong traditional growth patterns. I think there is too much weight placed on this scoring criteria and it could be reduced to 3, 2, and 1 checkmark respectively.

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Lamoille Housing partnership

Permanent Supportive Housing

Executive order 3-73 put a focus on having the non-profits increase housing the homeless and those at risk of becoming homeless. Since then we have increased and in most cases exceeded the percentage of units aligned with the goal of the executive order of 15%. Our property mangers report nearly 40% of our units are housing people who fit this definition. Without the ability to receive placed based rental assistance and reliable long-term social services commitments it will difficult to continue to meet the 25% threshold required of this scoring criteria. Both PBRA and services are not in our control which puts applicants in the position of agreeing to a criteria without knowing if it can be done or not. This criteria no longer as relevant and I would recommend lowering the number of checkmarks to 2 at most.

Non-profit Affordable Housing

Following on the previous criteria I would recommend adding new scoring criteria worth 2 checkmarks awarded to non-profit affordable housing developers. Because the non-profits operating model is so different and set up specifically to address low and moderate income housing by keeping rents below the allowable rates, it should be separated out from for profit developers.

Affordability

As non-profit developers we work with a range of funders, as you well know. For the sake of consistency and to support the mission of our work I would like to suggest that we award checkmarks to projects that meet the target of housing 30% of the development at 50% AMI.

It has also become necessary to address the difficulty in securing Place Based Rental Assistance, especially early on in the development process. While we would all like to serve those under 30% AMI it cannot realistically be done with out PBRA and in the current environment we cannot be assured of securing the same.

Basis Boost

We would also recommend the basis boost for projects that have 30% of units at 50% AMI.

Permanent Debt

Because of the households we server and the scarcity of PBRA it is extremely difficult for our projects to take on permanent debt. The numbers presented seem arbitrary. Is there data available to support the numbers suggested? I believe this is more of an underwriting issue than a scoring issue.

Building Design Standards

All of the projects that LHP has developed with our partners at Evernorth have strived to meet the highest energy standards that the project can afford. This is a critical difference from simply awarding point for meeting a specific standard. There are big differences between new and rehab projects, and

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whether or not we are using new technologies that have been proven for long-term efficiency, durability, and sustainability.

Future Board Meetings

With so many meetings now being held remotely I am wondering how we will be able to present our projects to board members, comment on staff recommendations, or bring forward last-minute updates and changes that might affect the project's scoring?

500 South Union Street
Burlington , Vermont 05401
February 11, 2020

Vermont Housing Finance Agency
Maura Collins, Executive director
164 St. Paul Street
Burlington, VT 05401

Dear Maura,

I am writing to you because I am quite concerned that there are so many individuals waiting for places in senior housing facilities, independent, assisted and memory care.

Having worked both as a nurse and clergy person for some years in these facilities, I recognize the advantages for many persons to have these potions in older years. Senior housing rather than mixed housing offers a more supportive living situation, especially for those in assisted living and memory care. Supportive services often include physical, mental, and spiritual help which do not exist to the same extent in mixed housing.

I have also had seniors tell me that they "feel safer" living with their own cohort. Since many seniors are living on the "margins" with regard to economic status, may need financial assistance with their housing either by adjusted rents or housing that has been built with special funding from the state and federal government.

Since Vermont's demographics show that we are an aging population. It seems like good sense to work with those persons willing to build this special housing for those who do not have the economic means to live in privately built senior housing.

Sincerely,

The Ven. Catherine Cooke

The Venerable Catherine Cooke

catherinecooke@burlingtontelecom.net

To: Nonprofit Housing Colleagues

From: Cindy Reid, Cathedral Square

Re: Draft 2022-2023 QAP Comments

Date: August 25, 2020

In reviewing the Draft 2022-2023 QAP, I have the following concerns and observations I wanted to share. I hope that more folks can weigh in on the proposed changes, this is our biggest housing finance resource. The following comments refer to sections identified and you can find them in the QAP link here:
https://www.vhfa.org/documents/developers/2022_qap_draft_8.11.2020_2.pdf

Depth of Affordability – Appendix 5, pg. 47 of QAP
We have the following concerns with this:

It is a very complicated formula;

It only calculates based on # of 50% units, # of 60% units, etc. It does not take into account that most (but not all) housing developers do not maximize 60% rents. The "60% LIHTC" rents in such projects are generally affordable to 53%-55% of AMI. Many of the housing nonprofits are deepening affordability by discounting the 60% rents, because we know that a high percentage of Vermonters are cost burdened (meaning many are a paycheck away from potential homelessness), and cannot afford 60% LIHTC rents. This represents a significant commitment on the part of nonprofit developers, who, if they maximized 60% rents, could generate cash flow/increase permanent debt. But the downside would be less affordability. The proposed approach does not address this important level of "depth of affordability";

In the last QAP meeting VHFA staff indicated that a developer could come in with 30% rents assuming tenant based vouchers (TBV). That approach would be risky, likely not be able to be underwritten by an equity investor, and present financial risk to both the housing sponsor and the development. What if a developer did apply assuming 30% rents, but be unsuccessful in getting TBV yet got the points and basis boost for deepened affordability? How will this be monitored so all applications are on a level playing field?

We recommend a simpler approach, having 30% of the overall units be affordable to 50% (aligning with VHCB's policy) and providing some number of checkmarks for having the majority of 60% units have rents that are set at a minimum of 55% AMI.

Basis Boost Appendix 4, pg. 46, and pg. 6
I want to flag this issue as it's a departure from the previous QAP.
I'm not sure that the basis boost should be tied to depth of affordability (at least the way it is interpreted in the proposed draft.) Would like to hear discussion on this topic.

Senior Housing, pg. 6
We strongly recommend changing the term “age-restricted” to “age-specific” throughout; “restricted” has a negative connotation, whereas “specific” describes without valuing.

We are pleased the cap was increased to 30% from 25% but still recommend no cap. Given the demographic changes in Vermont, we need more age specific housing. Funding one, or sometimes no senior projects per year is not enough to meet the need.

We therefore recommend either removing the cap altogether, or else changing “Projects Tenancy/Type” in 4.2 Ceiling Credits (pg 18) to remove the distinction between general occupancy and senior housing, and simply provide checkmarks for any project that is service-enriched, and none for those that are not service-enriched. Otherwise, senior housing has two significant challenges to overcome.

Permanent Debt, pg. 20
While we understand the rationale behind incenting permanent debt (using less scarce resource), without addressing the “depth of affordability” there is a significant difference between types of projects funded and what is expected of each. There are projects which apply having maximum 60% rents and can therefore afford more debt. And there are projects that come in with rents below LIHTC 60% maximum rents, that provide greater affordability to residents, but can afford less debt, and have limited cash flow which stays with the project. I think we need to have transparent conversations about these differences, and what kind of projects public investment should be directed to, to prevent homelessness, provide long term financially feasible housing, for the greatest long term good.

Timing of CNA, pg. 13
For new construction – change from “prior to issuance of 8609”, to “within 6 months of completion”.
Obtaining a CNA between substantial completion and 8609 would be very challenging. “Within 6 months of completion” would mirror VHCB’s policy. The more that funding policies are aligned, the more efficient it is for developers. With so many funding sources to manage, this alignment, where possible, is critical.

5.1 Rental Housing Tax Credits, pg. 21
Prioritization 1: “targets a minimum of the equivalent of 15% of the total units to households who are homeless or at risk of homelessness”.
State Tax Credits are prioritized for use with 4% Bond credits, which are largely used for acquisition rehabs, and in many cases, preservation. Most preservation projects are already subject to and implementing the 15% EO. Therefore, I recommend a waiver of this priority for housing developments that are already meeting the 15% EO. And that this priority apply only to creation of new affordable housing units, not already in the DOARH.

Some preservation projects in more rural areas with limited access to transportation or services may not be appropriate settings for homeless or at risk of homeless households.

Subsidy Layering Review, pg. 13
"The Sponsor must also demonstrate compliance with the Department of Housing and Urban Development (HUD) Subsidy Layering Review standards and Safe Harbor limits for both yield generated and Expense to Income Ratio."

Kathy has concerns about this topic. Will be good to discuss what is the current challenge, and what could be recommended as an improvement.

Building Design Standards
Remove "certified to" under Passive House or Net Zero, and have it be "designed and constructed to" instead, or preferably, meet Efficiency Vermont's High Performance Standard. This would be more practical and cost effective and have a similar goal, in creating high performance buildings.

Site Location, pg. 18
The new tiered approach and inclusion of New Town Center, Growth Center, and NDA align with other State policy and seem like a reasonable approach.

Underwriting Concerns
I am concerned that projects are not evaluated using the same criteria. For example, different projects use different trending rates, and some have all of the cash flow going to owner, while others have restrictions on use of cash flow, and others reinvest all of the cash flow into the project. I would like to see more transparency in the underwriting process, and equity between how different projects are underwritten.

Timing of Rounds
VHFA considering moving tax credit rounds to fall (gradually over a few years). Should discuss how this would work for the nonprofit housers.