

**Commission on Financing and Delivery of Affordable Housing and Conservation
Testimony of Erhard Mahnke, Coordinator, Vermont Affordable Housing Coalition**

Summary of points and responses to questions from the Commission

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Is there political pressure in the system, is there corruption and are there projects that should not have been funded? No.

The Vermont Affordable Housing Coalition is affiliated with the National Low-Income Housing Coalition, which is one of the pre-eminent national advocacy groups for affordable housing and community development. Vermont Affordable Housing Coalition is also the lead agency for the New England Housing Network, which brings together housing and community development advocates from all six of the New England States. We do advocacy at both the federal level as well as the state level.

Given our experience nationally, with our collaboration with a varying array of partners, we have received a lot of feedback about our state housing nonprofit delivery system. Vermont has a general reputation of doing things well in housing and community development: everything from having permanent affordability built into the bedrock of our state housing policy, to the way we have developed a highly sophisticated statewide nonprofit delivery system. There is no other state, that I am aware of, that covers every municipality in the state with a nonprofit that is focused on housing.

We don't just focus on housing, but on serving communities in a very broad way. Funding is not just driven by housing needs, but by all of the needs associated with it. For example, housing is essential to all of our lives; every person needs decent, safe, affordable housing in order to succeed. Since housing is so central, it highlights many other needs that have to be addressed.

So our nonprofits serve not just the housing needs, but the very broad community development needs of the communities they serve. They are doing economic development, creating jobs, and serving and housing those with special needs. They interface with human service providers and homeless service providers. They collaborate in order to provide some of the other human needs that are necessary for their residents to succeed. Through these efforts Vermont has gained a reputation of being a small state with a number of specialized agencies that work effectively together. This is especially true for the statewide housing agencies.

What are some things you'd lose when you merge statewide entities?

1) Insulation from the political process

From conversations with colleagues from states with megalithic housing agencies that are all housed within state government, there are obvious inherent differences that come up. One of those differences is that as a large state agency you lose the insulation from the political process and from the changes in politics. In Vermont we are somewhat insulated from the political process by taking our housing dollars and channeling them through agencies that are independent of the executive branch. These agencies are independent to a certain degree; they all have representation from the executive branch on their governing boards. None-the-less, they are one step removed from state government and politics.

Being removed from government has allowed the Vermont housing delivery system to maintain policies, like permanent affordability, to guard them and defend them for the past 20 years or so. Our policies have remained steady through different administrations. That is to say that with each change in administration our policies have been relatively unaffected; the basic principles remain the same and are protected. If we had a change in policy that coincided with a change in administration every two to four years our delivery system would be quite unstable.

Investing in agencies that are one step removed from politics has allowed the Vermont housing delivery system to take a long term view and it has allowed us to maintain sustainability, and thus achieve greater successes. It has also insulated us from political decisions being made around funding, which can be found in states with megalithic agencies. When politics infiltrate funding decisions it does not serve the particular state, communities, and certainly not the low-income people well.

2) Ability to respond to state needs

You would lose the nimbleness that we currently have in the system, and the ability to respond to state needs in a fast and efficient manner. For example, the Department of Economic and Community Development (which has already merged) administers one of the more bureaucratic programs there is, the HUD Community Development Block Grant Program (CDBG). CDBG has a lot of regulations and requirements surrounding it. If you merge all the programs into one state government entity, one concern is that all the housing programs would become more bureaucratic.

One of the reasons that VHCB was created with an independent board was to take advantage of the changing real estate market and deals that come with it, also to avoid going through the state capital bill process. VHCB would not be able to fund real estate deals if they had to wait on the Legislature to decide whether or not various committees want to fund a particular project. It would reduce our responsiveness to the market to get needed projects done.

3) Specialized services of individual agencies

We have an advantage with the specialized services provided by each housing agency. Each agency has a different focus and delivers a different complex funding stream. If they merged into a super-agency, we would still need individual departments to deal with different funding streams and missions. Each agency has its own distinct mission: VHFA is a bank, VSHA provides rent subsidies, and VHCB does both housing and conservation.

Even with one large agency one risks the occurrence of in-fighting between divisions and decreased collaboration. You also risk losing the specialization and expertise needed to administer these complicated federal programs. Another potential loss is the checks and balances that come from having independent governing boards, with each one holding its agency accountable.

We have an example of a merger within a state agency already: the Department of Housing and Community Affairs and the Department of Economic Development merged into the Department of Economic, Housing and Community Development. These were two departments within the Agency of Commerce and Community Development. Through this process there has been staff loss. There used to be five people who dealt with housing and now there is one person who deals exclusively with housing. That, in effect, diminishes what state government has been able to contribute to the housing world as a partner. They are not able to do a lot of the work they used to do.

4) *Accessibility of current system*

The current housing system is very personalized. People know each other well and have come to trust each other over many years. People are very accessible, it is easy to gain access to resources, and agencies are able to provide a lot of technical assistance. The close collaboration among agencies creates a system of responsiveness and accountability that would be lost if merged. Making the system more bureaucratic would limit access, responsiveness and the natural checks and balance in the current system.

Could there be efficiencies created from a merger?

Many efficiencies already exist. The entire housing delivery system that has been operating well for the past 25 years was created to make the system more efficient out of response to federal cutbacks in the 1980's. That being said, the system is constantly reviewing itself and looking for greater efficiencies. There have already been a number of mergers of housing nonprofits.

Mergers take time and cost money. There have been voluntary mergers done with Vermont housing nonprofits and they are very expensive and complicated processes. The Tiger Team recommendations of saving a million dollars through mergers do not address the costs of those mergers. It could cost millions of dollars to do this. Also, a merger of this magnitude would throw the system into disarray for several years and take a number of years to recover, so you would also have to take into account the lost stability and productivity of the Vermont housing delivery system during that time.

Certainly there are efficiencies that can be made if the Executive Directors and their management staff were not tied up responding to voluminous information requests and where not on the defensive to do so. One efficiency would be to send out one team to do monitoring for programs, instead of separate teams for each program. One agency could contract with the others to do all of their monitoring. Also, certain back office functions could maybe be done by one agency on behalf of the others. Another good idea would be to have one common housing application for all housing providers. However, the agencies consolidated their own funding application forms at one point, but this made them much longer and more complicated. This is an example of how trying to find efficiencies does not work. These things should all be looked at, but not under duress.

How well is Vermont served through our current system?

Our organization takes a broad view of Vermont's housing and community development needs and looks at how the system addresses the housing needs of the very lowest income people, people with special needs, people with disabilities. I would say from my perspective that Vermont is very well served by its current system.

- We have one of the highest low-income benefits of any state.
- We are second in the nation in terms of low-income housing tax credit projects having benefited people at or below 30% of area median income (AMI).
- 53% of our tax credit units have benefited people at or below 30% of area median income (AMI); that contrasts with the national average of approximately 11%, which puts us at 5 times the national average.
- 30% of area median income on a statewide basis is approximately \$21,000 for a family of four.

- VHFA surveyed just over 5,000 resident households in affordable rental housing in Vermont. 48% of households were at or below 30% AMI. 61% were below \$20,000 a year, and 74% were below \$25,000 a year.
- We already have a system that serves very low income Vermonters to a very high degree and very well. And that ought to be one of the tests to how well the system is doing.

Vermont is very competitive in getting federal dollars:

- One example is with USDA Rural Development funding, which is a very important part of our funding system. USDA administers the Section 515 grant, a multi-family rental housing program which often has project-based rental assistance with it. On a competitive basis, Vermont received over 10% of the entire national funding for the 515 program a year ago. This shows how competitive we are for limited federal dollars, especially for a small state like Vermont. We would not have been awarded such a large amount of money if it hadn't been for our developers being so successful in putting together projects at the local level and also agencies such as VHCB leveraging funding to be competitive.
- The Vermont State Housing Authority's (VSHA) project based a rental subsidies are a key part of the system. The Vermont Housing Finance Agency (VHFA) and the Vermont Housing and Conservation Board (VHCB) are only able to provide capital subsidies up front for development. Project-based subsidies provide ongoing operating support. VSHA is very aggressive at maximizing the number of vouchers under federal law that they're allowed to put into the project-based program. That is one thing that has enabled our system to serve such a high percentage of low-income Vermonters.

Input from network of nonprofits and the public during the management review process:

I was told on several occasions by Commissioner Brooks and Weidner that there would be no opportunity for input from the nonprofits that work with the statewide agencies and actually create and operate the affordable housing. There would be no opportunity for public comment until after the Weidner report was finished.

Are there for-profit developers that are successfully developing affordable housing?

There are a number of highly skilled for-profit developers, including:

- Eric Farrell of Farrell Real Estate, who was the lead partner in the O'Dell Parkway development in South Burlington, a partnership with the City of South Burlington, Burlington Community Land Trust, Housing Vermont, and Cathedral Square.
- The late Robert Marcellino of Homestead Design, who worked on numerous HOME and tax-credit projects.
- Charlie Brush and John Giebinck of Green Mountain Development Group, Inc. They have done low-income housing tax credit projects for seniors and partnered with VSHA on Shelburnewood.