

## MEMORANDUM

**TO:** Senator Susan Bartlett, Chair, Joint Fiscal Committee

**FROM:** Gus Seelig, Executive Director

**DATE:** June 24, 2008

**RE:** Affordable Housing Operators and the Cost of Fuel for  
Upcoming 2008-2009 Heating Season

Like all Vermonters, non-profits, public housing authorities and private/public partnerships operating affordable housing are struggling greatly with the costs of fuel. There are 12,000 publicly supported apartments in Vermont. Approximately 7,000 apartments rely upon #2 fuel oil or propane most of which have included heat as part of the rent. In the past, this was beneficial because our housing partners were able to: 1) purchase fuel at discounted bulk pricing, and 2) utilize more efficient central heating systems rather than localized systems.

Over the last two winters, most operators were able to get pre-buys at \$2.40 per gallon or less. For the coming winter, the price two weeks ago was expected to be at or above \$4.00 per gallon. This will put a huge strain on what are already very tight operating budgets making many go negative without intervention.

The attached memorandum from Eric Schmitt of Housing Vermont (our largest partner) illustrates that:

- Heating costs have gone from 10% of their operating budget to 20% over the last three years.
- The projected results include rents would have to go up on average 10% to cover the increased cost of fuel.
- The attached chart indicates that more than half the residents of these units are considered by HUD to be extremely low income (below 30% of median).

- Rent increases need to keep pace with fuel costs (\$65-\$85/month on average) will increase delinquencies, turnovers and evictions.
- A single non-profit in Bennington County operating 200 apartments purchased and used 86,000 gallons of fuel last year. At \$3.99 per gallon this would add \$106,000 to their operating budget over the '07/'08 winter

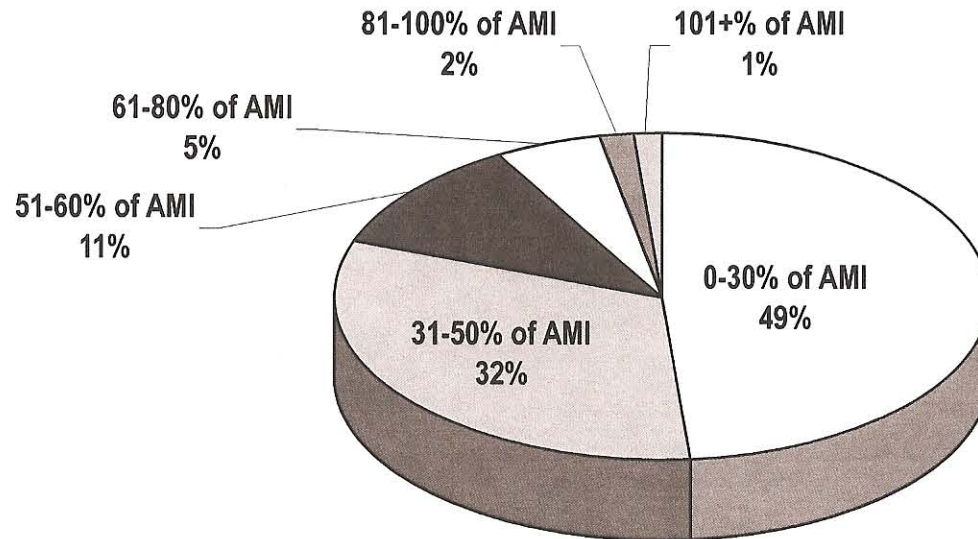
VHCB recently held a brainstorming session with housing partners, representatives of state government including the LIHEAP weatherization program, Efficiency Vermont, the Fuel Dealers Association, and others to generate short and long-term strategies to tackle this very difficult problem.

As a result of the brainstorming, five committees/task forces have been formed focusing on federal policy, state policy, short-term solutions, how to work with and involve tenants, and appropriate standards for conservation and alternative fuel investments. Among the short-term solutions we have identified are:

- 1) Increasing LIHEAP support for the state.
- 2) Obtaining LIHEAP eligibility for tenants whose heat is included in the rent but will be hit with fuel surcharges.
- 3) Examining opportunities for use of short-term Lines of Credit, restricted building reserves and other options to make cash available for pre-buys (this will also help the fuel dealers who are cash strapped).
- 4) Making non-profits eligible to participate in the state's pre-buys (public housing authorities are already eligible) or other bulk purchase options.

We will keep you advised of each committee's work and recommendations which will take place over the summer and conclude by the end of September. We appreciate your Committee's interest in this topic because obviously the 7,000 units are a critical resource for Vermont's very low income citizens and compromising the already tight margins upon which people operate will have other ramifications for both economically vulnerable Vermonters and the state budget.

## Household Income in Housing Units Funded by VHCB and Low Income Housing Tax Credits



AMI is the median income by area for each household size based on a survey of 1500