

## MEMORANDUM

To: Rick DeAngelis, VHCB

From: Eric Schmitt, Housing Vermont

Date: June 24, 2008

Re: Summary of Impact of the Fuel Increases on Affordable Rental Housing

Here is a memo summary of the power point presentation I made at the Energy Summit please see the attached which illustrates at-a-glance the trend in fuel costs, the historical rate growth of rental income, and the historical rate of growth of operating costs.

### Fuel Oil Problem

- Costs have increased from \$.95 in 2003 to over \$4/gal in 2008.
- The increase from 2007 to 2008 represents a 67% increase. The largest one year increase in the past five years.
- Oil used to comprise less than 10% of total operating costs. It is now over 20% of total operating costs, equivalent to total maintenance cost of the property (snow removal, grounds, painting, turnover, janitorial combined).
- In the past month heating fuel spiked from \$3.75/gal to the current \$4.35/gal. (16% in one month).

### Impact on Affordable Housing Real Estate

- Statewide there are over 12,000 units of affordable housing with 7,000 heating with oil or propane. Housing Vermont has developed over 4000 units of affordable housing with 1600 units heating with oil and propane.
- The portfolio was developed with energy efficiency – good building envelopes and efficient heating systems.
- We have updated older systems with more energy efficient systems.

### Impact on Affordable Housing Operating Budgets

- We have been able to absorb previous heating cost increases through reduction in other operating costs (large insurance grouping, tax appeals Act 75).
- Even with the most efficient systems operating budgets never anticipated such a large increase in fuel costs.

- Last year operating budgets were 85 per unit per month (PUM) for oil. Last month recommended minimum 100 pum. Now recommending 120 pum.
- Most properties will need to implement an additional 8% rent increase above the current scheduled increase in order to accommodate increase fuel prices at \$3.90/gal.
- With oil projected now to be above \$4/gal. Will need to implement an interim 10% rent increase.
- Rent increases will result in receivables, vacancy and turnover costs.

### Impact on Affordable Housing Real Estate

- The increased heating costs puts strain on new developments.
- Need to build even more energy efficient and use alternative energy sources. Greater capitalized costs, lower operational costs to help maintain affordability.

### Impact on Affordable Housing Households

- Over 1500 of the 1600 households in HV portfolio have heat included in their rent.
- Households are currently paying anywhere from 20-50% of their income towards rent. On average 30%.
- A 10% increase will result in some tenants paying 60% of their income towards housing. Creates burden without any access to assistance, even though it is related to heating.
- Those paying 60% are at or below 50% of median income with no subsidy and the ones who are most likely already getting all the other assistance they can to make ends meet.

**Percentage of Growth in Rental Income and Operating Costs  
Compared to Fuel Oil Cost as a Percentage of Total Operating Costs**

