

## 2009 Community Lending Plan

### Executive Summary

The 2009 Community Lending Plan addresses significant affordable housing and community development needs and potential market opportunities identified in the New England district. The 2009 Community Lending Plan establishes the Federal Home Loan Bank of Boston's (FHLB Boston) community lending goals for the calendar year. While the research conducted and needs identified in the Plan specifically address New England, these are representative of the challenges and obstacles facing affordable housing and community development nationwide.

Housing production, preservation, and affordability remain critical issues for many communities across New England and the rest of the country where FHLB Boston member financial institutions do business. These needs are heightened by the subprime credit crisis, rising foreclosures, the housing market downturn, and rising energy prices. Overall, the lack of affordable housing presents multi-faceted challenges for economic growth and sustainability. To respond to these challenges, the FHLB Boston will seek opportunities to educate and work with member financial institutions, community development organizations, and others with a goal to increase the availability of affordable housing. The FHLB Boston will provide technical assistance, education, training, and other outreach to help member financial institutions serve their communities, increase targeted community lending, and expand affordable housing finance activities.

### Regulatory Requirements

Federal regulation 12 CFR 944.6 requires each Federal Home Loan Bank to develop a community support program. The 2009 Community Lending Plan is an integral part of the FHLB Boston's program and, as such, also codifies the FHLB Boston's community support program overall.

This plan is structured in the following manner:

1. Market Analysis
2. Community Development Needs, Constraints, and Opportunities
3. FHLB Boston's Response to Community Development Needs
  - a. Summary of Community Lending Plan Initiatives in 2008
  - b. New Community Lending Plan Initiatives for 2009
  - c. FHLB Boston's Ongoing Strategies and Initiatives
4. Quantitative Targeted Community Lending Performance Goals for 2009
5. Appendix A: State by State Market Research
6. Appendix B: Summary of State Priorities as identified in the Low Income Housing Tax Credit Qualified Allocation Plans for New England
7. Appendix C: Regulatory Basis and Requirements of the Community Lending Plan and Fulfillment of the Community Support Program Requirement.

### **Market Analysis**

The current housing market downturn is now exacerbating the affordable-housing and community-development needs within New England and in communities across the rest of the nation where member financial institutions are doing business. Increasing foreclosures, falling home prices and rising vacancy rates for owner-occupied housing units are contributing to a glut of housing on the market and have other negative impacts on communities. In the short term, foreclosures reduce prices, lower homeownership rates, and may lead to increased crime and urban disinvestment. In the longer term, foreclosures and the credit crunch also affect rental housing, driving up demand while constricting credit, potentially leading to more homelessness and the reduction of rental housing production and investment. (Joint Center on Housing Studies, *State of the Nation's Housing 2008*)

Another result of the current market downturn is an increase in unemployment. According to the United States Bureau of Labor Statistics, the national unemployment rate has continued to rise during 2008. Similarly in New England, the statewide unemployment rates are also rising. Rising unemployment will also contribute to make housing more unaffordable in the short and longer term.

The lack of adequate affordable housing poses a real impediment to economic growth in all six states and either directly or indirectly affects earners at all income levels. Housing affordability is both a supply and demand problem. This challenge is further compounded because rehabilitation needs are increasing as the housing stock ages and the cost of producing new housing remains high. In New England, housing costs and the income needed to afford rents and homes remain high compared to the rest of the nation. Massachusetts, Connecticut, New Hampshire, and Rhode Island rank in the top ten out of all fifty states as having the highest housing wages according to the National Low Income Housing Coalition (*Out of Reach 2007-2008*). Increasing diversity and falling household size will also affect the volume and nature of housing demand over the long term. (Joint Center on Housing Studies, *State of the Nation's Housing 2008*)

Rising energy prices dramatically call attention to the need for more sustainable development on a variety of fronts. Immediately, rising energy prices increase operating costs for renters, home owners, and multifamily owners and managers. Rising prices point to the need to design, build, and retrofit buildings to be more energy efficient. Moreover, where we locate our housing also becomes more important from smart growth, transportation-cost, and land-use perspectives. All of this taken together makes land-use planning and long-term sustainability critical elements for housing affordability and production.

These challenges will continue in the short term and also point to longer-term obstacles and opportunities for community development.

These findings are based on research conducted by FHLB Boston staff, market conditions as reported in Affordable Housing Program applications made to the FHLB Boston and discussions with members of the FHLB Boston's board of directors and Advisory Council as well as representatives from the housing finance agencies in New England. Housing and Community

Investment staff of the FHLB Boston researched these community development needs primarily using state-level planning documents such as the five-year and one-year consolidated and action plans, the Low Income Housing Tax Credit Qualifying Allocation Plans, and other sources as well. These findings are also based on our discussions with members through our community development consultations.

### **Community Development Needs, Constraints, and Opportunities**

Based on the market analysis, the following is a summary of the community development needs, constraints, and opportunities:

- *The downturn of the housing market has broad implications for the regional and national economy.* Entire neighborhoods are under pressure to maintain housing values. Families are financially strained in trying to meet rising mortgage payments if they unwittingly became victims of the predatory and subprime mortgage market. Financing in other related areas has been negatively affected as well, such as multifamily housing and student loans.
- *Rising and continuing foreclosures.* An immediate and continuing result of the predatory and subprime mortgage crisis has been the loss of home-owner equity and an increasing number of mortgage defaults and foreclosures. According to the Joint Center on Housing Studies, foreclosures have doubled nationally and are affecting low-income and minority communities where subprime mortgages were concentrated. The subprime and foreclosure crisis is not limited to these neighborhoods however. Connecticut, Massachusetts, and Rhode Island appear the hardest hit in New England. Foreclosures have negative economic and social impacts on the foreclosed families and the neighborhoods where they live, such as crime, lost municipal tax revenues, homelessness, and urban blight.

In response, local and statewide initiatives are targeting financial and other assistance to affected home owners, additional counseling to prevent foreclosures, as well as efforts to purchase and stabilize these vacant properties.

- *Promoting homeownership is more difficult.* The market downturn has made it more difficult for developers to sell homes resulting in a glut of vacant and surplus homes for sale. The subprime crisis has also tightened credit making it more difficult for first-time home buyers of any income to purchase homes. Recently in Southeastern Massachusetts and Rhode Island, some developers of income-restricted for-sale homes are having difficulty selling newly developed homes. Other barriers remain such as the high cost of development, insufficient savings by potential home buyers to cover down payments and closing costs, and perceived inaccessibility of the mortgage process by potential minority home owners.
- *Lack of affordable housing and high housing cost burdens.* Housing affordability remains the primary issue regionally and nationally. The overall lack of sufficient affordable housing stock is consistently noted as a community-development need and is a real impediment to economic growth. Households with moderate and severe housing cost burdens are increasing across the income spectrum but are concentrated among lower-income households. The high

cost of housing development coupled with the increasing amount of subsidy funds needed to fill the gap between the cost and the amount that low- and moderate-income families can afford is frequently cited as one of the biggest barriers to providing affordable housing. In some communities, the “all-in-cost” of building and rehabilitating housing significantly exceeds the appraisal value of the resulting units.

- *Rising utility costs.* Rising utility prices pose short- and long-term challenges to home owners, renters, and multifamily property owners, especially affordable housing owners. Rising utility prices exacerbate the chronic affordability/high cost burden issue and also affect the quality of the housing stock and owners’ ability to maintain housing. This is a particular concern in New England since the housing stock is older on average than the rest of the nation. Retrofitting and rehabilitation to improve energy efficiency is a growing priority across New England.
- *Lack of public awareness for additional resources, policy solutions, and coordination among funding agencies to produce and preserve affordable housing.* While the mortgage crisis has helped generate media coverage and public attention on foreclosures and falling home prices, there remains a need for greater resources, new policy responses to overcome the barriers to development, and more coordination among funding agencies in order to produce and preserve affordable housing, both rental and homeownership.
- *Zoning and local land-use decisions are critical obstacles to affordable housing.* Awareness of the role of state and local land-use decisions and restrictions on housing production continues to grow. Advocacy efforts promoting smart growth, transit-oriented development and inclusionary zoning are gaining momentum as is uniting diverse constituencies e.g. environmental and housing advocates.
- *Changing demographics.* Several trends affect the nature of housing demand including changes in ethnicity and age, out-migration of residents in some parts of New England, increases in foreign-born immigration, and declining household size. These changing demographics will require adaptation by lenders, developers, and communities. The Joint Center for Housing Studies reported:  
As the number of minority and foreign-born households grows, the housing industry will increasingly serve groups with lower homeownership rates, incomes, and wealth than native-born whites. Ethnic identification of some minorities and cultural preferences of recent immigrants will also challenge housing supplies to tailor their marketing to a diverse population. (State of the Nation’s Housing 2008, p. 16)
- *Funds to support economic development and job creation.* There is a perceived lack of loans, grants and equity funds available for community-economic development, smaller businesses, as well as start-up ventures. Access to the funds that are available is seen as overly complex. The federal New Market Tax Credit Program (NMTC) is one potential resource because it brings additional equity and debt resources to businesses located in census tracts at or below 80 percent of area median income.

- *Investment in physical infrastructure of our communities.* Public and private investments are still needed to improve and maintain roads, water/sewer, and educational facilities, for example.
- *Expanded capacity for community-development organizations.* The many different “jobs” of community development continue to change and increase in complexity as times change. Mergers and consolidations among financial institutions and local organizations, changes in staff and accelerating technological change also contribute to this complexity. Education, training and identification of best practices remain vital. Training focused on best practices and funding resources such as Community Development Financial Institutions or New Market Tax Credits have the potential to expand organizational capacity.

In response, specific community-development objectives include:

- Production of new affordable housing units;
- Preservation and rehabilitation of existing affordable housing stock;
- Sustainable development, including increased energy efficiency, green building, and land use;
- Supportive housing for the homeless;
- Housing for veterans;
- Workforce housing; and
- Creation and expansion of funds to support affordable housing production and preservation.

### **The FHLB Boston’s Response to Community-Development Needs**

The FHLB Boston has and will continue to respond to the identified credit and community-development needs and market opportunities. The following section details the initiatives conducted in 2008, initiatives planned and considered for 2009, and the FHLB Boston’s ongoing strategies and initiatives.

### **Summary of Community Lending Plan Initiatives in 2008**

The FHLB Boston continued strong support of its long-standing and ongoing elements of this plan, including effective administration of the Affordable Housing Program (AHP), conducting the eighth Annual Housing Development Competition, and expanding the use of the internet-based materials and trainings, as well as other technological resources in the use and management of the FHLB Boston’s targeted programs.

Additionally, the FHLB Boston has continued its leadership role in quality design and regional smart growth issues. In 2008, the FHLB Boston published its finance and community development *Results* magazine, developed a new online publication, *OnSite*, and continued to present web-based profiles highlighting best practices in affordable housing and community development. In addition, through groundbreakings, dedications, press stories, numerous presentations, speeches, and discussions, the FHLB Boston continues to focus on the need for the preservation and development of affordable housing.

Specifically, the FHLB Boston proposed to undertake several initiatives in 2008. The status of those activities currently is as follows:

1. Build on the FHLB Boston's reputation for effective forums:
  - a. *Foreclosure prevention and response.* The FHLB Boston continues to participate in local and regional efforts to respond to the predatory and subprime mortgage crisis. In March, the FHLB Boston sponsored and participated in a "Don't Borrow Trouble" forum for members and community stakeholders in Danbury, Connecticut with the Housing Development Fund.
  - b. *Supportive Services forums.* The FHLB Boston developed and hosted a forum in June with the New England Network on the topic of opportunities and constraints for funding supportive services in affordable housing developments. This forum was targeted at the three southern New England states (Connecticut, Massachusetts, and Rhode Island). A second forum targeted to the three northern New England states (New Hampshire, Vermont, and Maine) was held in September.
  - c. *Sustainable Development.* Based on our support of the Capital Markets Partnership Sustainable Development Initiative, the FHLB Boston developed and planned to host a forum on sustainable development and green building underwriting and lending standards. Due to current market conditions, this forum was canceled.
  - d. *Two forums with the United States Department of Agriculture Rural Development (USDA RD).* The FHLB Boston co-hosted a forum with USDA RD in New Hampshire in June and a second one in Vermont is planned for November that addressed how to coordinate FHLB Boston funding and community investment programs with RD funds.
2. MIT/CRE Affordability Index Initiative:

After meeting with the designers, the MIT/CRE Affordability Index Initiative was put on hold due to the lack of broad acceptance of its methodology and difficulty of mapping rural areas. Consequently, the FHLB Boston did not support the initiative in 2008.
3. Implementation of the AHP risk-based monitoring system:

At the start of the year, the FHLB Boston announced the implementation of the new AHP risk-based monitoring system for long-term monitoring of rental initiatives. The FHLB Boston revised its 2008 AHP Implementation Plan and all internal procedures and controls to implement this system, beginning in December 2008.
4. Research into the utilization of tax exempt bond capacity and Low Income Housing Tax Credits:

In 2008, the FHLB Boston began to develop research opportunities regarding the utilization of tax exempt bond capacity in connection with the four percent Low Income Housing Tax Credit Program in an attempt to quantify its net effect on the production of affordable rental housing. This effort will continue in 2009. The FHLB Boston may convene a forum of industry practitioners to present and discuss the findings.

5. 2008 Affordable Housing Development Competition:  
In April, the FHLB Boston successfully completed the eighth annual Affordable Housing Development Competition together with our sponsors the Greater Boston Chamber of Commerce, Citizens' Housing and Planning Association, Kevin P. Martin & Associates, P.C. and our newest sponsor, the Boston Society of Architects, AIA.
6. Continued sponsorship of the New England Housing Network:  
The New England Housing Network is a broad coalition of housing and community development organizations from all six New England states formed in 1995 by the Citizens' Housing and Planning Association as the first regional response in the country to changes in federal housing and community development programs.
7. Support of the Capital Markets Partnership Sustainable Development Initiative:  
The mission of the Capital Markets Partnership Sustainable Development Initiative is to enable the private real estate sector including lenders and developers to assess the value and risk of investing in sustainable buildings from a fiduciary perspective.
8. 2008 BuildBoston conference:  
The FHLB Boston partnered with the Boston Society of Architects/AIA and the Massachusetts Technology Collaborative to sponsor a sustainable development workshop as part of the November 2008 BuildBoston conference.
9. Affordable Housing Program (AHP) and Equity Builder Program (EBP) Program trainings:  
The FHLB Boston continued to sponsor its regular series of pre- and post-AHP/EBP educational workshops and webinars for members and sponsors. The FHLB Boston provided several webinars to maximize the attendance and benefits to our members.
10. Continued co-sponsorship of the Smart Growth Leadership Forum in November 2008:  
The FHLB Boston continued to sponsor this forum along with the Lincoln Land Institute, Northeast EPA, the University of Massachusetts Lowell, and the Boston Society of Architects/AIA.
11. Grants for New England Partnerships:  
In 2008, based on available funding of \$25,000, the FHLB Boston awarded 25 grants to nonprofit and other charitable organizations on behalf of our members who submitted and drew longer-term Community Development Advances in 2008.

#### **New Community Lending Plan Initiatives for 2009**

For 2009, the FHLB Boston plans to focus on and support a range of initiatives based on the availability of funding and the interest of member financial institutions and community stakeholders. The FHLB Boston will consider regional multistate forums, smaller events/working groups focused on state sub regions, communities, or needs of member financial institutions, partnership with other organizations, and sponsorship, or other means to address these initiatives and community development issues. The FHLB Boston intends to focus on:

- A forum on foreclosure response and neighborhood impacts.
- Hosting or sponsoring a forum addressing the opportunities and constraints to develop workforce/family housing. Alternatively, the FHLB Boston may explore convening small state sub-regional/community-based forums or working groups including members and key stakeholders in a few selected areas to develop plans for workforce/family housing development.
- Continue to develop research opportunities concerning the use of tax exempt bond capacity with Low Income Housing Tax Credits and the net effect on affordable rental housing production.

In addition, the FHLB Boston will seek to address or promote the following initiatives and community development issues through partnerships with other stakeholders, sponsorships, and other avenues:

- Forums or other training events with USDA RD and/or other funding agencies, including housing finance agencies.
- A forum focused on how to sell deed-restricted, affordable homes in the current market perhaps focused on southern New England or southeastern Massachusetts and Rhode Island.
- Zoning and land-use forum as a follow up to the 2006 forum hosted by the FHLB Boston.
- A forum on rising utility and energy costs, energy efficiency, and rehabilitation.
- Continued co-sponsorship of the Smart Growth Leadership Forum, along with the Lincoln Land Institute, Northeast EPA, the University of Massachusetts Lowell, and the Boston Society of Architects.
- Continue to sponsor the Capital Markets Partnership Sustainable Development Initiative, the Green Building Finance Consortium, the MIT Affordable Housing Indices, or other academic research to identify affordable housing and community development lending trends, issues, and best practices.
- Research and pursue sponsorship of additional conferences to highlight affordable housing development challenges, such as the BuildingEnergy conference.

### **The FHLB Boston's Ongoing Strategies and Initiatives**

*Continue to effectively administer the Affordable Housing Program (AHP).*

The AHP continues to be an important source of affordable housing funding across New England. Applications for funding in current rounds still significantly exceed available funding. The FHLB Boston will continue to pursue increased efficiency through administrative and technological improvements in order to ensure that the AHP continues as a valuable resource for affordable-housing development. The FHLB Boston will continue to review its database of developments in order to provide models of successful affordable housing development to members and community-development organizations. The FHLB Boston also intends to continue to build upon the success of the homeownership set-aside program (the Equity Builder Program — EBP), also a component of the AHP.



*Continue the use of the Internet as a training tool and as a way to make the use of FHLB Boston resources more efficient.*

During 2009, the FHLB Boston will continue to expand the use of descriptive articles, case studies, and profiles on the FHLB Boston's website and through the new *OnSite* online magazine to illustrate the use of FHLB Boston resources in the provision of affordable housing and community economic development. The FHLB Boston will continue to increase the ease and efficiency of its dealings with members and others by providing additional electronic access to forms, applications, and reports.

*Maintain a guiding role in quality design, sustainable development, and regional smart growth.* The economic growth of New England and the communities across the rest of the nation served by our members is critical to the success of the FHLB Boston and its member institutions. A key to sustainable economic growth is quality design and a balanced approach to development that preserves the physical character of the communities while encouraging a growth in jobs and needed infrastructure. In 2009, the FHLB Boston intends to continue to encourage discussion and implementation of smart growth principles and continue its specialized forums and regular training activities.

*Promote the need for resources, new policy solutions, and greater coordination among funding agencies in order to support the preservation and development of affordable housing.*

During 2009, the FHLB Boston will continue to cooperate with other housing and development organizations to encourage the development of additional resources, policy solutions and coordination among funding agencies to preserve and create more affordable housing.

*Use the CD Consults to promote the Community Development Advance.*

The FHLB Boston will continue to work with members using the Community Development Advance by focusing its discussions with them through the FHLB Boston's community development consultation (CD Consult) program. CD Consults, provided through the FHLB Boston's Relationship and Account Managers and Community Investment Managers, assist members in the use of the FHLB Boston's products for housing, small business, infrastructure and community-development lending. The FHLB Boston will continue to build upon the success of the consultation program with individual members and development organizations on specific proposals to be funded with FHLB Boston advances and targeted programs.

*Offer standby and confirming Letters of Credit for targeted residential housing finance and community-lending activities.*

The FHLB Boston is authorized to issue standby or confirming Letters of Credit (LOC) on behalf of members to assist in facilitating targeted residential housing finance and community-development activities under the Community Development Advance program.

*Continue to maintain collaborative relationships with the state housing finance agencies.* The FHLB Boston will continue and seek to expand our collaborative efforts with the six New England housing finance agencies. One area of collaboration may be to sponsor the statewide conferences of the housing finance agencies, such as the New Hampshire Housing Finance Agency and MaineHousing conferences in 2008. The FHLB Boston will also seek to coordinate

smaller-scale training events with agency staff and other funders to help members and stakeholders to assess our funding resources. FHLB Boston will look for funding opportunities with the housing finance agencies as market conditions present themselves.

*Continue to help identify new trends and issues in affordable housing and community-development lending.*

As a regional wholesale bank and affordable housing/community-economic development funder, the FHLB Boston has the opportunity to learn about new trends, best practices and issues in the fields of affordable housing and community-development finance. The Housing and Community Investment staff of the FHLB Boston will continue to develop this knowledge base and relationships through its work with members and stakeholders, research, professional development education, and representation at a range of trade conferences. FHLB Boston will maintain and seek to expand affiliations with organizations such as the Citizens' Housing and Planning Association, the New England Housing Network, the Partnership for Strong Communities, and other regional and statewide community-development organizations, FHLB Boston staff will use this information and work with the Advisory Council to help guide the development of future program priorities, training initiatives and planning activities.

*Continue the Grants for New England Partnerships program (GNP).*

Based on the availability of funding, the FHLB Boston will continue to use the GNP to highlight the partnerships between our member financial institutions and community organizations to meet the needs of their communities.

*Continued development of a program to facilitate use of the New Market Tax Credits as a financing tool for affordable housing and community-economic development.*

The FHLB Boston will continue to look for opportunities to build on its previous forums created to help members and other stakeholders utilize New Market Tax Credits.

#### **Quantitative Targeted Community Lending Performance Goals for 2009**

In 2009, the FHLB Boston will establish the targeted community lending performance goal of 10 to 20 percent growth in targeted mission-related Community Development advances programs over the prior year.

FHLB Boston staff will actively use the outreach and education tools available to achieve the goal, including the CD Consult program, funding strategies, training programs, and examples of successful initiatives.

November 13, 2008

## 2009 Community Lending Plan — Appendix A

### State by State Market Research

#### Connecticut

Relative to the nation, the State of Connecticut generally has higher incomes and housing prices. Considerable variation exists among rural, suburban, and urban areas. Rising foreclosures continue to be a persistent challenge for several urban centers, notably those with higher concentrations of low-income and minority households. Consequently, state priorities include homeownership, foreclosure prevention, as well as economic development and investments in community infrastructure. In terms of rental housing, priorities include supportive housing to end homelessness, expanding the supply of affordable rental housing through production and preservation, and housing for special needs.

Local and statewide efforts to address these issues continue. The HOMEConnecticut campaign is a statewide, multi-faceted effort by a wide range of public and private institutions focused on increasing public awareness and production and preservation of affordable housing.

Representing service providers, developers, and other public and private institutions, the Reaching Home Campaign advocates for the production of 10,000 units of supportive housing by 2014 in order to end long-term homelessness. Additionally, a number of other initiatives are also underway to build public awareness around foreclosures and smart growth.

#### Maine

The state's community development needs remain housing affordability, downtown development, energy efficiency, and job creation and retention. Housing priorities include the elderly, homeless, low-income, and workforce/family housing. Recent increases in the job base and employment composition in Maine have been observed. In the five-year consolidated plan for Maine 2005-2010. While the state enjoyed a net increase in employment it has traded construction, manufacturing, and financial sector jobs for healthcare, service, and travel and leisure employment. Energy efficiency is now a critical issue across the state given the age of the housing stock and rising energy and transportation prices. Anecdotal evidence from developers indicates that while some are pursuing efforts to retrofit properties to become more energy-efficient, others cannot bear the cost and are abandoning properties. The rapid surge in heating costs will greatly challenge home owners, renters, and multifamily property managers. Consequently, weatherization efforts, sustainable development and greater green building standards have risen in priority and are receiving additional state funding.

#### Massachusetts

Massachusetts remains one of the highest housing cost markets in the nation. Housing production has fallen to 46 out of 50 states. Overall, the state has lost population, notably younger college-educated workers; this has been offset somewhat by foreign-born immigration. Several communities, especially low-income and minority neighborhoods, are beset by rising foreclosures and the resulting negative impacts. This is worsened by falling prices and the increasing number of homes remaining on the market. Similar to the other New England states, heating prices will pose a great challenge both in the short and long term.

Stakeholders across the Commonwealth are responding to the foreclosure problem in several ways. These include promoting education, potential rescue avenues, and efforts to capitalize

funds for the purchase and rehabilitation of vacant, foreclosed properties in target communities such as Boston, Chelsea, Lawrence, New Bedford, Springfield, and Worcester. Massachusetts also has a new sustainability initiative and a “growth districts initiative” to streamline permitting and create “development readiness” for commercial and residential development. Additionally, public funding priorities include preservation of expiring use properties and workforce housing.

### **New Hampshire**

The mismatch between housing production and housing needs continues in New Hampshire. The priorities identified in the state’s five-year consolidated plan, the one-year action plan, and the qualified allocation plan include developing and preserving affordable rental housing for very low-income families, service-enriched and special needs housing, permanent housing for the homeless, and increased energy efficiency in development. Local zoning and land-use decisions continue to obstruct housing permitting and development. The reliance on property taxes for local revenues often creates community resistance to development. Rising energy prices will affect home owners and renters and contribute to higher housing cost burdens. Relative to the other New England states, up to this point, foreclosures have been lower in New Hampshire. Given the lack of sufficient rental subsidy, there is little expectation for any short-term relief.

Economic development goals range from infrastructure development to job creation. Specifically, state funding priorities will focus on capacity grants for regional development corporations, microenterprise development, and job creation. Improvements for water and sewer facilities and investment in childcare are two other cited goals.

### **Rhode Island**

Rhode Island continues to face multiple affordable housing and economic development challenges made harder by the current economic climate. The housing market downturn has produced a high number of for-sale homes remaining on the market, which is making it increasingly difficult for developers to sell affordable, income and deed-restricted homes. This has broader repercussions on these neighborhoods and these developers to stay in business. Thirty-four out of 39 communities have not achieved their ten percent “fair share” of affordable housing stock. Many Rhode Island families face moderate or severe housing cost burdens. Additionally, state funding resources are increasingly scarce.. Consequently, housing production and preservation are key priorities for the state with a focus on assisting families, the homeless, and the elderly. Serving veterans is a rising priority as well.

### **Vermont**

Vermont has an insufficient supply of affordable housing across all types except housing targeted to the highest income families. While vacancy rates are increasing due to the current economy, there remains a locational mismatch between where the need is and where the units are. Moreover, Vermont’s housing stock is older and requires significant investment. Rising energy prices and the lack of sufficient capital reserves will be serious obstacles to rehabilitation and management of existing housing. The median income in the state remains insufficient to afford the median house price. Two-thirds of the non-farm employees earn less than the housing wage needed to afford a fair market rent. Vermont has the highest per capita of homelessness in New England. Similar to the rest of New England, high energy prices are a real challenge.

Fortunately, Vermont has a high homeownership rate and to-date fewer home owners are struggling with foreclosure proportionally than the rest of New England or the nation.

Based on these needs, the production of affordable and workforce housing are paramount in Vermont. Additional tenant-based rental assistance could help to mitigate the vacancy mismatch and reduce some vacancy rates. The Vermont Agency of Human Services is implementing the HousingNow initiative to target homelessness and create service-enriched housing for homeless families. Given demographic changes, elderly housing development is also a priority. Based on the rural character of the state and the growing commitment to smart growth, downtown redevelopment is also a key funding objective. Economic development objectives include job creation and retention.

## 2009 Community Lending Plan — Appendix B

### Summary of State Priorities as identified in the Low Income Housing Tax Credit Qualified Allocation Plans for New England

<b>Connecticut 2008 Qualified Allocation Plan</b>	<b>Maine Amended 2008-2009 Qualified Allocation Plan</b>	<b>Massachusetts 2008 Qualified Allocation Plan (Amended October 2008)</b>
<ul style="list-style-type: none"> <li>• Rehabilitation or new construction of rental housing where poor housing conditions limit quality rental options for low-income renters</li> <li>• Homeless or imminently homeless</li> <li>• Persons with disabilities</li> <li>• Attracts private investment capital particularly for individuals with special needs</li> <li>• Supports neighborhood revitalization in Neighborhood Revitalization Zones</li> <li>• Revitalizes severely distressed or obsolete public housing</li> <li>• Preserves existing Federally assisted low-income housing (e.g. “expiring use”)</li> <li>• Adds larger proportion of units with more than two bedrooms</li> </ul>	<ul style="list-style-type: none"> <li>• Construction and preservation of housing for the lowest income households</li> <li>• Housing for very low-income persons</li> <li>• Rehabilitation of existing housing stock</li> <li>• Service-enriched housing for persons with special needs including the homeless, persons with disabilities, and the elderly</li> <li>• Smart growth principles contributing to mixed-use, downtown communities</li> <li>• Green design and construction methods</li> <li>• Efficient use of funds including projects which have federal subsidies such as USDA Rural Development</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of new affordable housing units, in particular units suitable for families</li> <li>• Projects actively promoting fair housing principles</li> <li>• Consistent with the Massachusetts 10 Sustainable Development Principles</li> <li>• Part of comprehensive neighborhood improvement plans</li> <li>• Preservation of valuable existing affordable units</li> <li>• Housing for households with incomes below 30% of area median income</li> <li>• Projects with low per-unit costs</li> <li>• Located in communities with expanding social or educational opportunities, increasing employment opportunities, or significant revitalization activities</li> </ul>

<p><b>New Hampshire  2009 Qualified Allocation  Plan Draft 4  (October 2008)</b></p>	<p><b>Rhode Island  2009 Qualified Allocation  Plan</b></p>	<p><b>Vermont  2009-2010 Qualified  Allocation Plan Draft  (October 2008)</b></p>
<ul style="list-style-type: none"> <li>• New construction or substantial rehabilitation</li> <li>• Projects providing housing for families including those without senior designations or have more units with two or greater bedrooms</li> <li>• Service-enriched housing for families focusing on economic self-sufficiency and/or homeless</li> <li>• Service-enriched housing for seniors ranging from independent living to congregate and personal care services</li> <li>• Housing for persons on public housing waiting lists</li> <li>• Projects located in designated community revitalization areas</li> <li>• Projects which are ready to proceed</li> <li>• Green development</li> </ul>	<ul style="list-style-type: none"> <li>• Production and preservation of affordable housing including new units, assisted living, and expiring use projects</li> <li>• Redevelopment of abandoned and/or foreclosed properties</li> <li>• Transitional and permanent housing for the homeless</li> <li>• Assist communities to fulfill the State’s goal of at least 10 percent of affordable housing stock in each community</li> <li>• Smart growth and sustainable development, including locating in areas identified in Neighborhood Revitalization Plans or the Keep Space Initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Production or preservation of affordable housing units in tight rental housing markets</li> <li>• Family housing, unless other demonstrated community needs</li> <li>• Smart growth and sustainable development, including maintaining historic settlement patterns and meeting LEED H or Green Communities standards</li> <li>• Service-enriched housing and housing for special needs populations</li> <li>• Workforce housing in ski areas with specific locational characteristics</li> <li>• Mixed-income housing</li> <li>• Projects providing housing for households with incomes below 30% of area median income</li> <li>• Families on public housing waiting lists</li> </ul>

## **2009 Community Lending Plan — Appendix C**

### **Regulatory Basis and Requirements of the Community Lending Plan and Fulfillment of the Community Support Program Requirement**

12 CFR 944.6 requires that the FHLB Boston establish and maintain a community support program that provides technical assistance to members, promotes and expands affordable housing finance, identifies opportunities for members to expand financial and credit services to underserved communities, and encourages members to increase their targeted community lending and affordable housing finance activities by providing incentives and technical assistance.

12 CFR 944.6 also requires that the Community Lending Plan should:

- Include market research,
- Include a description of how the FHLB Boston will address identified credit needs and market opportunities,
- Consult with the Advisory Council, members, and other stakeholders in developing the Community Lending Plan, and
- Include quantitative targeted community lending performance obligations.