

Between a Rock and a Hard Place

Housing and Wages in Vermont

**2006
UPDATE**





There are really two housing worlds in Vermont. In one world, the population can afford the rapidly-escalating costs of housing — these are the Vermonters who benefit from prosperity generating high-quality jobs and an expanding real estate market. A very different part of Vermont’s population has persistently low incomes and struggles to find affordable, high-quality housing.”

[2005 Vermont Housing
Needs Assessment](#)¹

THIS IS THE FIFTH YEAR the Vermont Housing Council and the [Vermont Housing Awareness Campaign](#) have released “Between a Rock and a Hard Place: Housing and Wages in Vermont.”

This report has tracked the gap between housing costs and wages in Vermont, and that gap continued to grow wider in 2005.

There are signs Vermont may make progress in the coming years against our persistent affordable housing shortage; however, despite a growing economy, the number of Vermonters and their families feeling the squeeze of soaring housing costs continues to rise.

Some basic facts about Vermont’s housing environment

- In 2005, the median purchase price for a home in Vermont rose to \$182,000, a 10 percent increase from 2004 and a 87 percent increase since 1996.²
- To purchase that median-priced home, a Vermont household would need an income of approximately \$65,000³; 73 percent of all Vermont households have annual incomes below that figure.⁴
- The median household income in Vermont is \$45,700⁵. A household earning that median income could afford a home priced at about \$124,000.⁶
- The median price for a newly-constructed home is much higher, reaching \$245,900 in 2005, a decrease from 2004, due to the fact that 31 percent of the new home stock was created by two affordable developments built in South Burlington. Without those developments, the median price of a new home reached \$299,900, a slight increase from 2004.⁷
- The average Fair Market Rent for a modest two-bedroom apartment in Vermont reached \$723 in 2005, a 29 percent increase since 1996.⁸
- A Vermont household would have to earn \$13.90 per hour, or \$28,903 annually, to afford that Fair Market Rent.⁹ At least 56 percent of Vermont’s non-farm employees — more than 155,000 people — work in occupations with median wages below that amount.¹⁰
- Vermont currently has a shortage of 21,000 affordable rental units, and we will need 12,300 more owner-occupied units by the year 2010, virtually guaranteeing the state will continue to have very tight rental and homeownership markets.¹¹
- The average number of Vermonters who have relied on homeless shelters over the past four years has stayed around 4,000, one-fourth of them chil-

dren.¹² That figure does not include the homeless who make do with some other form of temporary – and often inadequate – housing.

- Vermonters who can get into homeless shelters are staying longer. In 2000, the average stay in a shelter was 12 days. By 2004, the average stay had more than doubled, to 26 days.¹³

How do we define “affordable housing?”

The generally-accepted standard for housing affordability holds that housing is “affordable” if the household is paying no more than 30 percent of its income for rent and utilities or for mortgage, taxes and insurance. This standard may, in fact, be too high, given the rising costs of other necessities, such as health care, fuel, and child care, but it remains the basis for defining “affordable housing.”

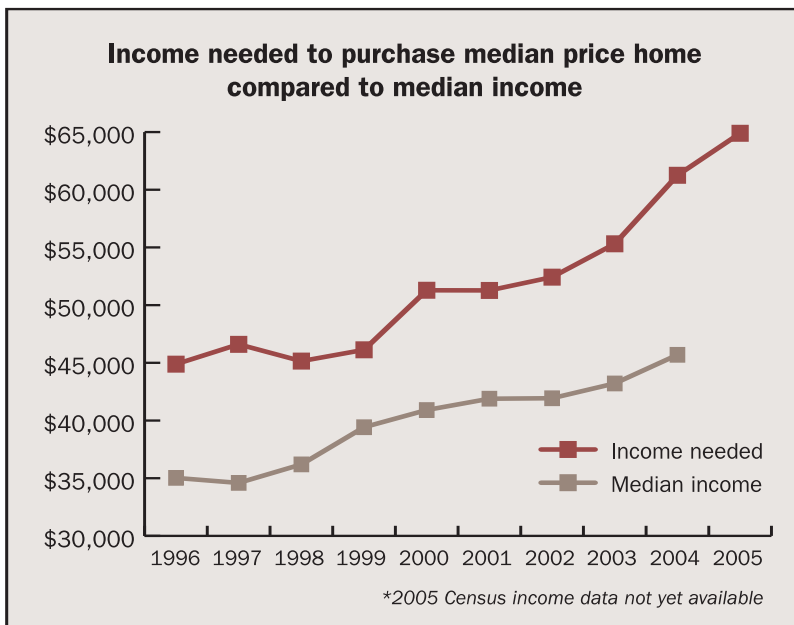
Affordability is determined by two factors – the cost of housing and the ability of people to pay that cost. As home prices and rents escalate at a rate much higher than Vermonters’ wages, housing becomes less and less affordable for more and more people.

The rising cost of housing

Homeownership

For most Vermonters, owning a home is fundamental to their idea of family and is the bedrock of their financial security. A home is, for most people, the largest asset they have.

But buying a home, and especially buying a first home, is getting more and more expensive, even relative to rising prices of other necessities. In 2005, the median purchase price of a home in Vermont reached \$182,000, an increase of just over 10 percent from 2004 and 87 percent from 1996.¹⁴

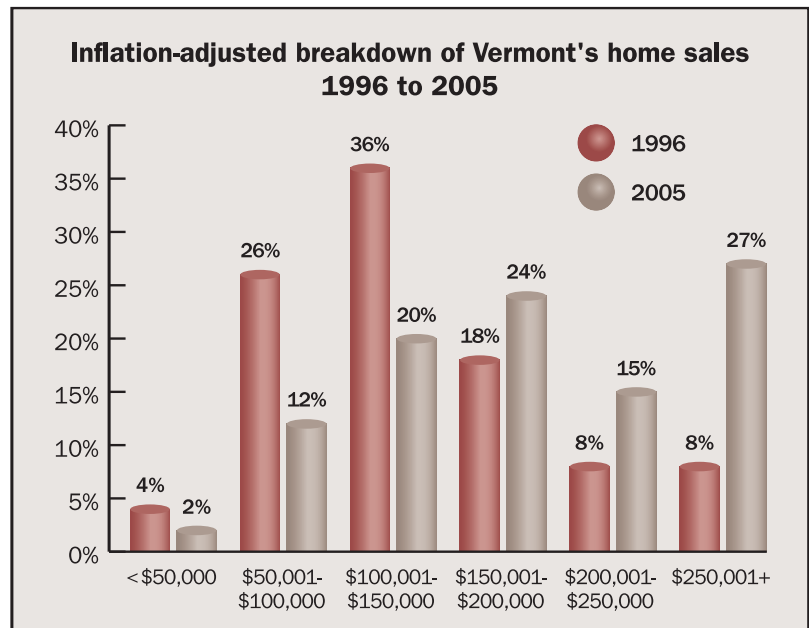


To afford that median-priced home, the average Vermont household would need an annual income of about \$65,000.¹⁵ But Vermont’s median household income is significantly lower, \$45,700, enough to afford a home priced in the \$124,000 range.¹⁶

For new construction, prices were much higher, although there is some good news on that front. An analysis of available real estate sales data shows that, as of November 30th, the median price

of a newly-constructed home in Vermont in 2005 was \$245,900. That is a drop from 2004, and it is due to the fact that 151 affordable units – approximately 31 percent of the new units sold in Vermont – came on the market. These units were created in two condominium developments in the Farrell Street area in South Burlington. Excluding those units; however, the median purchase price of a new residence in Vermont last year would be \$299,900, a slight increase from 2004.¹⁷

This is one indicator suggesting much of Vermont’s single-family housing development is still taking place at the upper end of the market. Another is the number of million-dollar homes in Vermont, which has grown rapidly. In 2000, Vermont had 48 million-dollar homes. By 2003, there were 1,030, which ranked Vermont 23rd in the nation in the number of million-dollar homes relative to its total housing stock.¹⁸ The number of million-dollar homes sold has increased steadily each year from five in 2000 to 44 in 2005.¹⁹



Condominiums and mobile homes have been a less-expensive alternative to traditional “stick-built” single-family homes, but prices there are rising, too. The median price of a primary-residence condominium in 2005 was \$176,500, a 14 percent increase from the year before. For mobile homes with land, the median price in 2005 reached \$73,750, a 9 percent increase from 2004.²⁰

Because of the large aging population competing with younger households for low-maintenance condos, analysts estimate that appreciation will continue for this once-affordable housing option.

High prices are, in part, a function of a still-tight housing market. Vermont’s homeownership vacancy rate, 0.8 percent, is the fourth lowest in the nation.²¹ In addition, speculation in Vermont’s real estate market has helped push prices up.

But isn’t the housing market cooling off? There are signs to indicate that may be happening, but those signs don’t automatically translate into prices coming down. A more likely result is that single-family home prices will continue to rise at a slower rate that will still be higher than increases in Vermonters’ wages. For example, prices of existing Vermont houses appreciated by 12.4 percent between September 30, 2004 and September 30, 2005, based on repeat sales data. This was the highest appreciation rate in New England, and the 15th highest in the nation.²²

What about low interest rates? In recent years, low mortgage interest rates have helped make housing a little more affordable for some, but the gap between wages and housing costs is so large that, for many aspiring homebuyers, low interest rates alone are not enough to make up that difference.

Rental housing

Vermont has approximately 71,000 renter households, and many of them are seeing the costs of keeping a roof over their heads taking larger and larger portions of their incomes.²³ Even though our state’s rental vacancy rate has eased somewhat over the past two years – it’s now 4.7 percent – it is still the lowest rental vacancy rate of any state in the nation.²⁴

The average Fair Market Rent, or FMR, for a modest two-bedroom apartment in Vermont, as calculated by the [U.S. Department of Housing and Urban Development \(HUD\)](#), reached \$723 in 2005.²⁵ While this is a modest increase from the Fair Market Rent calculation for 2004, many of Vermont’s housing experts believe HUD’s calculation understates rental costs in Vermont because of the methodology used.

Housing wage	
Addison County	\$13.67
Bennington County	\$13.21
Caledonia County	\$11.17
Chittenden County	\$15.92
Essex County	\$12.04
Franklin County	\$15.92
Grand Isle County	\$15.92
Lamoille County	\$12.52
Orange County	\$12.54
Orleans County	\$9.92
Rutland County	\$12.44
Washington County	\$13.15
Windham County	\$14.58
Windsor County	\$13.21
Vermont	\$13.90

However modest the increase, renting is less affordable for thousands of Vermonters. To pay that \$723 rent, for example, a household would have to earn at least \$13.90 an hour, or \$28,903 annually. This is the “housing wage,” the income needed to pay the Fair Market Rent and utilities while working 40 hours per week.²⁶ At least 56 percent of Vermont’s non-farm employees – 155,000 people – work in occupations with median wages below \$13.90 an hour.²⁷ Half of Vermont’s households have only one, or less than one, full-time worker.²⁸ As a result, approximately 54 percent of Vermont’s low-income households paid more than 30 percent of their incomes for rent.²⁹

The situation is much harder for almost 12,900 Vermonters who live on Supplemental Security Income, or SSI.³⁰ Monthly SSI checks were \$631 in 2005, or \$92 less than the above-quoted Fair Market Rent.³¹ Even the average FMR for a one-bedroom apartment in Vermont – \$514 – would gobble up 81 percent of an SSI check.³² It should also be noted that 56 percent of SSI recipients have no other source of income.³³

Federal housing assistance declines

Very low income Vermonters once could rely on the federal government to help close the affordability gap. Cities and states could count on federal grants and loans to help create affordable housing. But in the last 30 years, there has been an overall decline in funding for the HUD, and [USDA Rural Development](#) has

seen similar cutbacks. Since 1978, the high water mark for HUD funding, its budget has declined by 66 percent.³⁴

The Section 8 housing voucher program, which helps very low income Vermonters pay their rent or, in some cases, their mortgage, received insufficient funding this year and last. As a result, 64 fewer households received assistance last year.³⁵ Section 8 currently serves approximately 6,000 Vermont households,³⁶ 65 percent of which have members who are elderly or disabled and live on SSI or Social Security.³⁷ Changes in the funding formula and the way rent ceilings are calculated have left many housing authorities without the funds needed to use all their vouchers. Many Vermonters who receive assistance find themselves having to pay more for rent. Those on the state's already-long waiting lists will have to wait years for Section 8 assistance.

The Community Development Block Grant program, another mainstay of federal housing assistance, was cut by almost \$500 million for the current federal fiscal year, with Vermont scheduled to lose \$1 million.³⁸ The HOME program and the fund that pays for capital improvements to public housing also sustained cuts.

Homelessness

Vermont is still unable to provide adequate shelter for its homeless population. The number of Vermonters relying on one of our homeless shelters has stayed around 4,000 annually, and about 1,000 of those people are children.³⁹ This is by no means a complete count of Vermont's homeless population, as it cannot take into account the number of people who are taking refuge in some other form of temporary shelter, no matter how inadequate. The [Vermont Office of Economic Opportunity \(OEO\)](#) estimates that, between July, 2004 and June, 2005, 1,443 people were turned away from shelters that were already filled.⁴⁰ That means that, on any given night, balmy summer or 40-below winter, there will be men, women and children taking refuge in apartments or homes belonging to friends or relatives, in abandoned buildings, in campgrounds, or in their cars.

With the state's housing market so tight, it is not surprising the average stay in homeless shelters has risen from 12 days in the year 2000 to 26 days in 2005.⁴¹ Homeless providers say it is not uncommon for them to serve people who are working full time, and they report the fastest-growing portion of Vermont's homeless population continues to be working families.

"Vermont communities should recognize the importance of housing development to ensure their future vitality. Housing is integral to many essential community functions, from supporting schools to enhancing citizen participation."

Juli Beth Hinds, Director of Planning and Zoning, [South Burlington](#)

"I'll tell you what it's like: It's like treading water. The water's so cold, your muscles ache. And every time you think you're getting somewhere, the current changes or the waves get rougher."

A 34-year-old mother of two, working full time and homeless

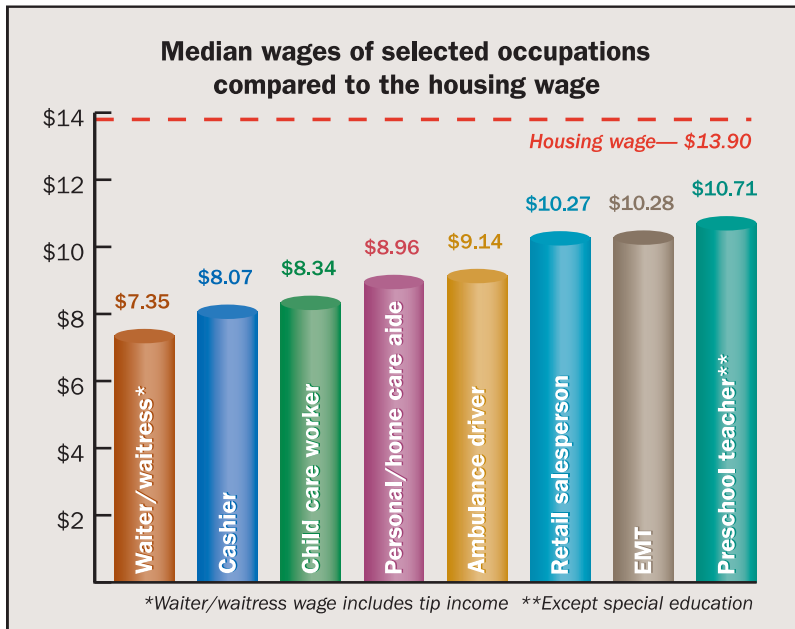
Vermont OEO reports the number of homeless shelter “bednights” — defined as one person sleeping in one shelter bed for one night — increased to almost 102,000 in 2005, a 52 percent increase in four years.⁴²

Wages aren’t keeping up

Vermont’s economy, while growing, is still creating a large number of jobs at the lower end of the pay scale. According to the [Vermont Department of Labor](#) figures for November, 2004, the most recent available, the top 10 occupations with the largest employment in the state were:

cashiers; retail salespersons; bookkeeping, accounting and auditing clerks; waiters and waitresses; teacher assistants; registered nurses; office clerks, general; secretaries, except legal, medical and executive; janitors and cleaners, except maids and housekeeping cleaners; and truck drivers, heavy and tractor-trailer.

These jobs employ almost 60,000 Vermonters, or just more than 19 percent of our workforce. Only two of those job categories — registered nurses and truck drivers — had median wages of more than Vermont’s housing wage of



\$28,903. The median annual wage in the largest employment category, cashiers, was \$16,790. Thousands of other Vermonters are filling a lot of important jobs — such as child care workers, EMTs, and nurse’s aides — whose median wages fall below the housing wage.⁴³

Housing development

Housing development is a powerful economic generator, and it is also becoming clear that a lack of housing affordable to ordinary Vermonters and their families acts as a drag on the economy.

Various studies have attempted to estimate the actual economic benefit of housing development. A study released in January by [Vermont Housing Finance Agency](#) showed that development of 25 modest, new single-family homes would create or support 61 jobs paying more than \$2 million in wages, and would generate more than \$6 million in income for businesses.⁴⁴ An October, 2003 study prepared for the [Vermont Housing & Conservation Board](#) found that housing development created 10,000 jobs in the state between 1998 and 2002, and that more than half of Vermont’s construction industry jobs are related to residential construction.⁴⁵

But with Vermont already short 21,000 affordable rental units and in need of 12,300 more owner-occupied units in the next five years⁴⁶, it is clear we have a great deal more work to do if we're going to create the housing we need and the jobs and the economic activity that come with it. Last year, [CFED](#), a Washington, D.C.-based non-profit, non-partisan economic policy organization formerly known as Corporation for Enterprise Development, released its Assets & Opportunity Scorecard that ranked states on how difficult it is for people in those states to reach a reasonable level of comfort and security. CFED used five categories – financial security, business development, homeownership, health care, and education – to make its determination. Vermont received an “A” grade for every category but one – homeownership. There, the Green Mountain State managed only a “C.”⁴⁷

“The Vermont Country Store recognizes that affordable housing opportunities for working families are essential to create healthy and sustainable communities in Vermont.”

Elliott Orton, President, Vermont Country Store

The economic consequences of our housing shortage are becoming more apparent. Vermont’s employers are expressing concern about the impact our housing shortage is having on their ability to attract and retain workers, and they recognize the cost and availability of housing for their workers is an obstacle to overall economic development. For example, a 2005 survey of 108 Vermont employers conducted by the Vermont Housing Finance Agency found:

- 96 respondents (89% of the sample) described the cost and availability of housing as an obstacle to economic development that needs to be addressed.
- 99 respondents (92%) said a shortage of homes for sale that are affordable to their employees is a problem.
- 95 respondents (88%) said a shortage of rental housing that is affordable to their employees is a problem.
- 97 respondents (90%) said the availability of affordable housing is a problem for their employees.
- 72 respondents (67%) said employees have extended commutes because local housing is too expensive, and 53 respondents (49%) said that has affected absenteeism, tardiness or early departures.
- 61 respondents (56%) said their companies felt pressure to pay higher salaries so employees could afford housing, and 53 respondents (49%) said housing costs had posed problems in their efforts to recruit employees.⁴⁸

Where do we go from here?

Vermont's housing shortage, and the soaring rents and home prices that have resulted, has been a persistent problem for several years, but there are signs that we may begin to regain some lost ground providing affordable housing.

In October, 2005, Gov. Douglas released his "Homes For Vermonters," a new policy initiative aimed at addressing the housing shortfall. The Governor's proposal has helped identify our housing shortage as a critical concern and stimulate debate on proposed strategies to solve the problem.

In communities around the state, housing task forces or housing committees have sprung up to support local housing development. Vermont's business community is also responding. Following the model of the Upper Valley Housing Coalition, a business-led housing organization based in White River Junction (www.uvhc.org), similar groups have formed in Brattleboro, in Central Vermont and in Chittenden County.

Vermont must continue to put more public and private investment into housing, continue developing policies that encourage housing while protecting our state's character and environment, and continue bringing community leadership into solving Vermont's housing problems.

STATE OFFICIALS should look for ways to expand investment in housing development, strengthen programs that help Vermonters afford housing, and develop policies that encourage housing development.

LOCAL OFFICIALS should work to make sure their communities encourage, rather than discourage, housing development through their planning and zoning. They can create incentives for construction and/or rehabilitation of affordable housing, particularly in town centers, and they can bring other community leaders together to support housing and educate the public on the need for and benefits of housing development.

VERMONT'S BUSINESS COMMUNITY, in addition to becoming active supporters of housing development, can look into offering Employer-Assisted Housing benefit packages for employees. These can range from grants or forgivable loans to assisting with costs of commuting.

PRIVATE CITIZENS can form housing task forces, host public discussions on housing in their communities, and support lawmakers' and policymakers' efforts to continue investment in housing and create policies that encourage housing. ■



Endnotes

- 1 2005 Vermont Housing Needs Assessment by Gent Communications Consulting, LLC for the VT Dept. of Housing & Community Affairs. This report is included in the HUD Consolidated Plan, Vol. 1. <http://www.dhca.state.vt.us/Housing/ConPlan/index.htm>.
- 2 Vermont Housing Finance Agency (VHFA) analysis of VT Department of Taxes' Property Transfer Tax receipts. This includes all valid records for primary residence homes including single family, condominiums, and mobile homes with land. It excludes any transactions that were not deemed at "arm's length." www.state.vt.us/tax/propertytransfer/data.shtml.
- 3 VHFA calculation, January 2006. Based on Freddie Mac's average 2005 interest rate and points for a 30-year mortgage with 5% down payment, average statewide property taxes, property insurance, private mortgage insurance, closing costs, and a 30% housing payment ratio.
- 4 VHFA analysis of 2000 Census data on the number of Vermont households by income group.
- 5 US Census Bureau. Three year non-adjusted average median income for years 1996 to 2004, the most recent available data. <http://www.census.gov/hhes/www/income/histinc/h08b.html>
- 6 See note 3.
- 7 Based on information from the Vermont Real Estate Information Service, Inc. for the period January 1, 2005 through November 30, 2005.
- 8 Fair Market Rents (FMRs) are rent estimates calculated annually by the U.S. Department of Housing and Urban Development. FMRs are 40th percentile rents, the dollar amount below which 40 percent of standard quality rental housing units rent, including the cost of utilities. The statewide average FMR is an average of each county including the Burlington-South Burlington Metropolitan Statistical Area (which is a combination of Chittenden, Franklin, and Grand Isle counties). The rents are weighted according to the number of renter households reported by the U.S. Census Bureau. www.huduser.org/datasets/fmr.html.
- 9 "Out of Reach 2005." National Low Income Housing Coalition, Washington, DC. 2005. www.nlihc.org/oor2005.
- 10 "November 2004 Statewide Occupational Wage Estimates." VT Department of Employment and Training, Montpelier, VT. www.vtلمي.info/public/wagevt.xls.
- 11 See note 1.
- 12 VT Office of Economic Opportunity. Annual Data of VT's Emergency Shelters. Fiscal years 2000-2005.
- 13 See note 12.
- 14 See note 2.
- 15 See note 3.
- 16 See note 5.
- 17 See note 7.
- 18 U.S. Census Bureau, 2003 American Community Survey. http://www.census.gov/Press-Release/www/2005/homes_by_percentage.pdf
- 19 See note 2.
- 20 VHFA analysis of VT Department of Taxes' Property Transfer Tax receipts for primary residences.
- 21 "Housing Vacancies and Homeownership, Annual Statistics: 2004." US Census Bureau, Washington, DC. www.census.gov/hhes/www/housing/hvs/annual04/ann04ind.html.
- 22 "House Price Index for the Third Quarter of 2005," U.S. Office of Federal Housing Enterprise Oversight. Washington, DC. <http://www.ofheo.gov/HPI.asp>.
- 23 U.S. Census Bureau, Census 2000, Summary File 1, Table H-4.
- 24 See note 21.
- 25 See note 8.
- 26 See note 9.
- 27 See note 10.
- 28 U.S. Census Bureau, Washington, DC. Summary File 3, Tables P48 and P10.
- 29 See note 1.
- 30 "SSI Recipients by State and County, 2004." Social Security Administration, Washington, DC. March 2005. www.ssa.gov/policy/docs/statcomps/ssi_sc.
- 31 VT Department of Health, Division of Mental Health.
- 32 VHFA calculation based on methodology created by Technical Assistance Collaborative, Boston, MA.
- 33 "SSI Annual Statistical Report, 2004." Social Security Administration, Washington, DC. September 2005. www.ssa.gov/policy/docs/statcomps/ssi_asr.
- 34 "Changing Priorities: The Federal Budget and Housing Assistance, 1976-2005." Cushing N. Dolbeare, Irene Basloe Saraf & Sheila Crowley. National Low Income Housing Coalition, Washington, DC. October 2004. www.knowledgeplex.org/kp/report/report/refiles/nlihc_changing_priorities.pdf
- 35 U.S. Department of HUD, Vermont State Office. November 2005.
- 36 "Public Housing Agency Profiles," U.S. Department of Housing and Urban Development. www.hud.gov/offices/pih/systems/pic/haprofiles/index.cfm and U.S. Department of HUD, Vermont State Office, November 2005.
- 37 "Resident Characteristics Report," U.S. Department of Housing and Urban Development. www.hud.gov/offices/pih/systems/pic/50058/rcr/index.cfm.
- 38 "What Do the Across-the-Board Cuts Mean for Domestic Appropriations?" including state-by-state data tables. Center on Budget and Policy Priorities, Washington, DC. Revised January 2006. www.cbpp.org/12-8-05bud2.htm and www.cbpp.org/12-8-05bud2-tables.pdf.
- 39 See note 12.
- 40 See note 12.
- 41 See note 12.
- 42 See note 12.
- 43 See note 10.
- 44 "Housing and the Vermont Economy: First in a Series of Issue Papers," VHFA, January 2006.
- 45 "The Economic Benefits of Investments by the Vermont Housing & Conservation Board." Vermont Housing and Conservation Board, Montpelier, VT. October 2003. www.vhcb.org/economicbenefits.pdf.
- 46 See note 1.
- 47 CFED, Washington, DC. "Assets and Opportunity Scorecard." <http://www.cfed.org>.
- 48 See note 44.

Between a Rock and a Hard Place

Housing and Wages in Vermont

February 2006

Research

Maura Collins, Vermont Housing Finance Agency
Leslie Black-Plumeau, Vermont Housing Finance Agency

Writing/editing

Rick DeAngelis, Vermont Housing & Conservation Board
John Fairbanks, Vermont Housing Finance Agency
Erhard Mahnke, Vermont Affordable Housing Coalition

Design

Craig Bailey, Vermont Housing Finance Agency

*A publication of the **Vermont Housing Council** and the **Vermont Housing Awareness Campaign**. The Vermont Housing Council is responsible for coordinating and overseeing the implementation of the state's housing policy, evaluating housing services and initiatives, and serving as a resource to housing providers in their efforts to supply safe, decent and affordable housing to Vermonters. The Vermont Housing Awareness Campaign is an effort by a group of public- and private-sector organizations to promote more housing opportunities for all Vermonters.*

Housing resources

Vermont's housing development network is strong and effective, a model for other parts of the U.S. There is a wealth of information about Vermont's housing environment and steps being taken to address our housing shortage online. A few of the many Vermont housing websites include:

Vermont Housing Awareness Campaign — www.housingawareness.org

Vermont Housing & Conservation Board — www.vhcb.org

Vermont Housing Data Website — www.housingdata.org

Comprehensive statistical information regarding housing costs, housing supply, and ability to afford housing

Vermont Department of Housing and Community Affairs — www.dhca.state.vt.us

Includes the Vermont housing needs assessment

Vermont Housing Finance Agency — www.vhfa.org

Vermont State Housing Authority — www.vsha.org

Housing Vermont — www.hvt.org

Vermont Association of Planning and Development Agencies — www.vapda.org

Other housing organizations — land trusts, homeless providers, and local housing task forces among them — also have websites. Many can be found linked from the websites listed above.