

# Increasing the Supply of Housing for Working Families through Off-Site Construction

by Jeffrey Lubell

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General Affairs

# Personal background

| Selected Work History  | Years     |
|--|-----------|
| Principal Associate, Housing and Asset Building, <b>Abt Associates</b> , telecommuter  | 2013-2023 |
| Executive Director, <b>Center for Housing Policy</b> , Washington, DC  | 2006-2013 |
| Director, Policy Development Division, Office of Policy Development & Research, <b>US Department of Housing and Urban Development</b> , Washington, DC | 2000-2003 |

- Vermont resident for about 15 years (Norwich and Weybridge)
- Active as a volunteer in local government
- The views I express today are my personal views and not those of my employer, Abt Associates, or of the Norwich Affordable Housing Subcommittee or any other organization

# What problem are we trying to solve?

- There is a significant **shortage of housing** affordable to working families in Vermont that contributes to high housing costs.
- This shortage **negatively impacts affected families** and **inhibits the economic growth** of Vermont businesses that need an adequate supply of housing to attract workers.
- A key barrier to the development of housing affordable to working families in Vermont is an **inability to achieve robust economies of scale** through traditional site-built construction techniques.

New York Times Dec. 18, 2023

OPINION  
BINYAMIN APPELBAUM

# Why Do We Build Houses in the Same Way That We Did 125 Years Ago?



# Offsite construction as potential solution

- Off-site construction can facilitate the **economies of scale** needed to produce less expensive housing that would be affordable to working families.
  - If conducted within Vermont, off-site construction can also create **well-paying year-round jobs** that contribute to the achievement of Vermont's workforce and economic development goals.
- Off-site construction can facilitate the production of homes that are highly **energy-efficient and resistant to natural disasters**. It can also facilitate the **supply of low-cost homes needed to quickly help victims of future floods**.
- There are **multiple barriers to the establishment and scaling of off-site construction** in Vermont including the high costs of purchasing factories, equipment and materials; risks associated with investigating and implementing new business models; and high financing costs.
- Initial investments by the state in offsite construction can provide **lasting benefits** to meet Vermont's need for housing affordable to its workforce.

# Sec. 2 -- Off-site Construction Fund

- Provide \$15 million to support creation or expansion of off-site construction facility(ies) in Vermont
- Awarded competitively
- Recipient(s) would agree to long-term agreement to produce housing at discounted prices to meet the state's needs for workforce and/or affordable housing.
  - Such housing could include, for example, manufactured homes; modular single-family, duplex or triplex homes; or multifamily homes.
- Single round of investment would produce long-term benefits, including lower-cost housing and jobs
- I would propose the Vermont Housing Finance Agency as administering entity

# Sec. 3 -- Revolving Purchase Fund

- \$25 million to allow VHFA to enter into bulk purchase agreement(s) for entry-level homes.
- For example, VHFA could enter into agreement to purchase 165-200 entry-level homes at a cost (structure only) of \$125,000- \$150,000 each and make homes available to families through the state's nonprofit housing providers.
- Fund would be replenished when families purchase the homes, along with funding to cover inflation factor and admin costs, preserving buying power of fund
- Over 30 years, the fund would support approximately 5,000 to 6,000 homes.
- Homes would be highly energy-efficient; where feasible, permanently affordable. Could be used for flood replacement.

# Sec. 4 – Expanding Offsite Capacity

- Foster increased private capacity for offsite construction
- \$500,000 for planning grants
  - Businesses interested in expanding or starting an offsite construction plant
  - Studies of challenges and solutions to use of offsite construction to build housing affordable to working families and others.
- Prioritization of creation or expansion of facilities for offsite construction for working families and other non-luxury housing segments within existing funding streams of The Economic Development Authority, Agency of Commerce and Community Development, Small Business Development Center, and Procurement Technical Assistance Center
- Report on use of funds and whether existing funding streams adequate to facilitate expansion of private facilities.



# Sec. 5 – Planning/Transitional Support

- \$500,000 for planning studies to support implementation of the Offsite Construction Fund and/or Revolving Purchase Fund.
  - A key focus here is on process for getting homes from plant to specific lots.
- \$2 million for transitional fund
  - Goal is to be able to distribute all the homes made affordable through bulk purchases using full amount of Revolving Purchase Fund
  - It may take several years to build the capacity to distribute that many homes through state partners
  - In the meantime, volume discount may not be as great, so subsidy may be needed on temporary basis to model the effects of a program offered at scale. For example, if manufacturers charge \$140,000 per home rather than \$125,000 because of bulk purchase of 100 homes rather than 200 homes, the fund could cover the difference.
- Advisory Board
- Admin Expenses (up to 2%)

# Conclusion

- Need innovative solutions for workforce housing that do not rely only on subsidy
- A public-private partnership can help nurture a robust and effective set of off-site construction providers in Vermont to generate economies of scale needed to reduce housing costs.
- Will generate jobs as well as reduce housing costs
- Opportunity for Vermont to be a national leader.

# For more information

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