



Vermont's housing market

**Housing Committee on Natural Resources, Fish, and
Wildlife**

Seth Leonard, 3-30-2022

Resources & Research

Vermont Housing Needs Assessment:

<https://accd.vermont.gov/housing/plans-data-rules/needs-assessment>

Analysis of Vermont Affordable Rental Housing Development Cost Factors:

https://www.vhfa.org/sites/default/files/publications/final_analysis-_vt_affordable_rental_housing_dvt_cost_factors_-_01.15.2020.pdf

Affordable Housing: Barriers and Incentives in Vermont Towns:

https://vhfa.org/sites/default/files/publications/Affordable_housing_VT_towns_1.pdf

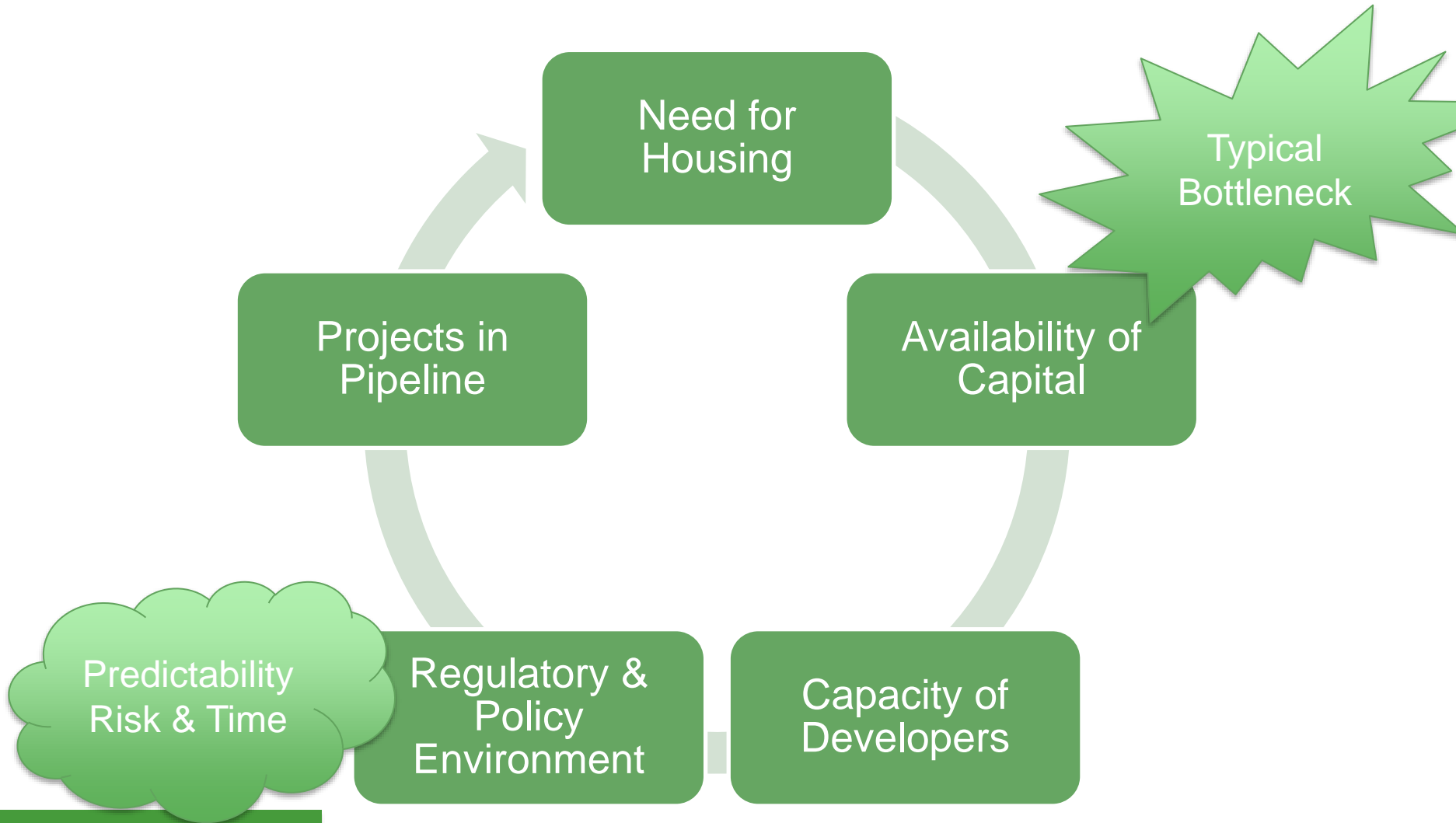
The State of Residential Development in Vermont in 2021:

<https://vhfa.org/sites/default/files/publications/State-Residential-Development-2021.pdf>

HousingData.org: <https://www.housingdata.org/profile/housing-stock>



Capital Absorption & Pipeline



Filling Need and Investing in Equity



Policy & Regulatory

Support and strengthen Designation programs

Increase opportunities for density

Support municipalities in updating bylaws



Funding: Meeting Unmet and Underserved Need

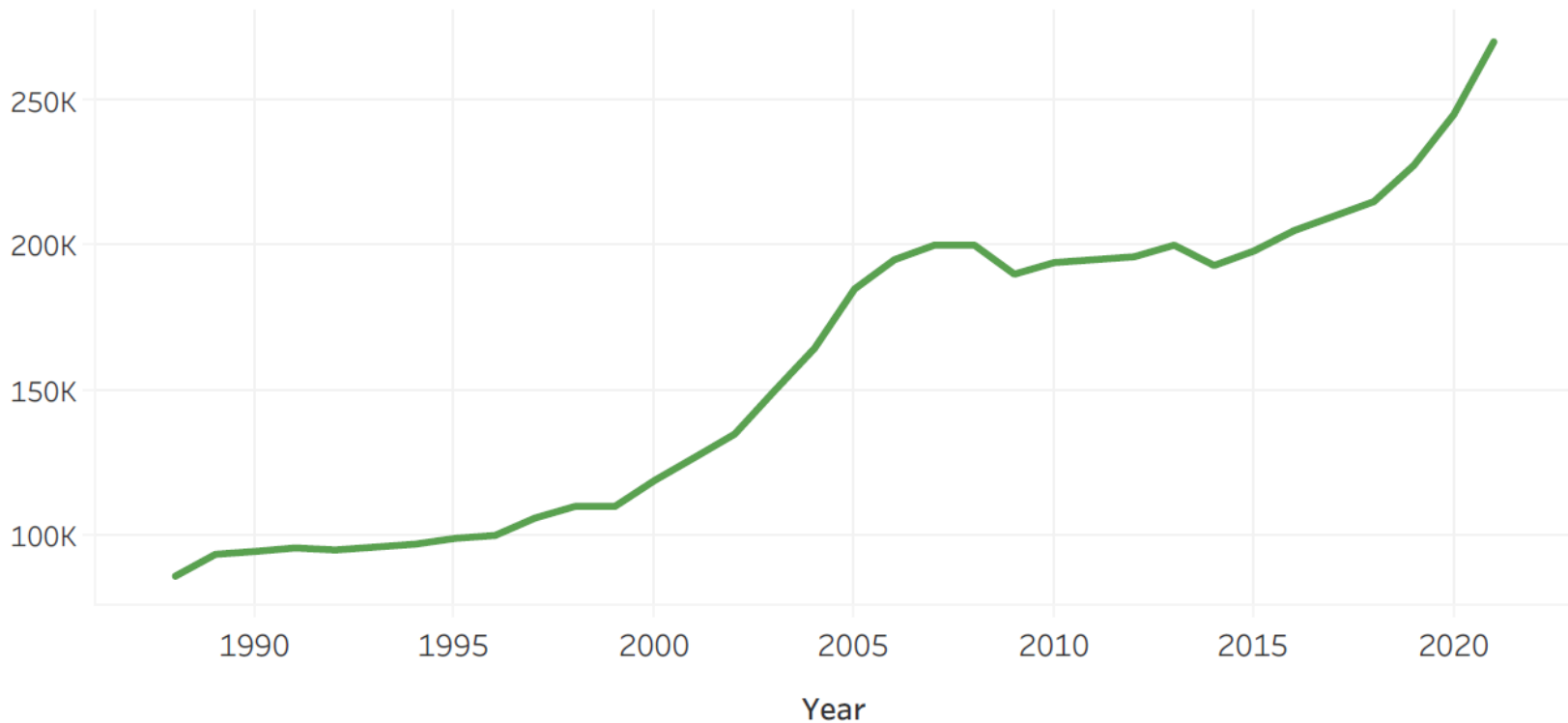
First Generation Homebuyer Assistance

Missing Middle Homeownership Development

Manufactured Home Community Investments

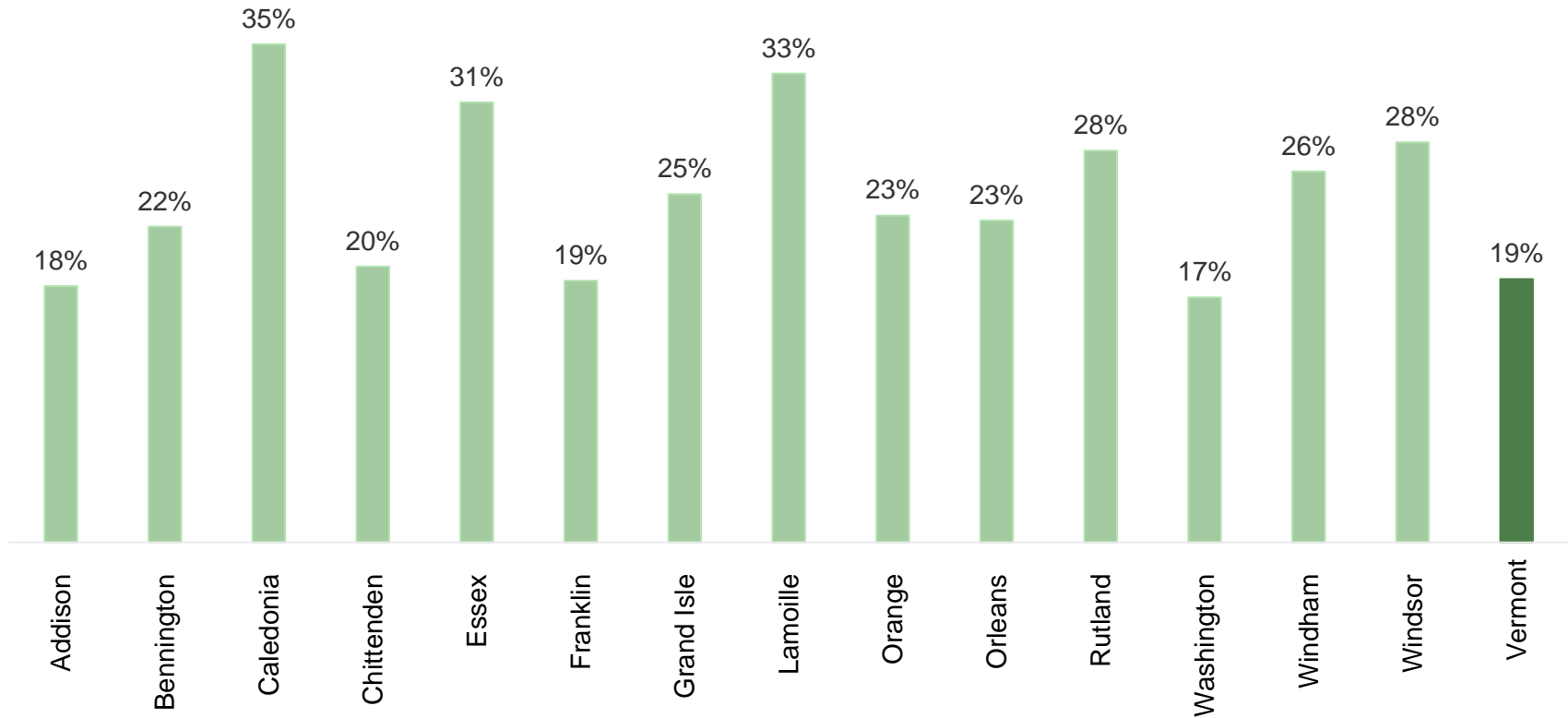
Single Family Home prices are accelerating

Median home sale price
Vermont
Home type: All



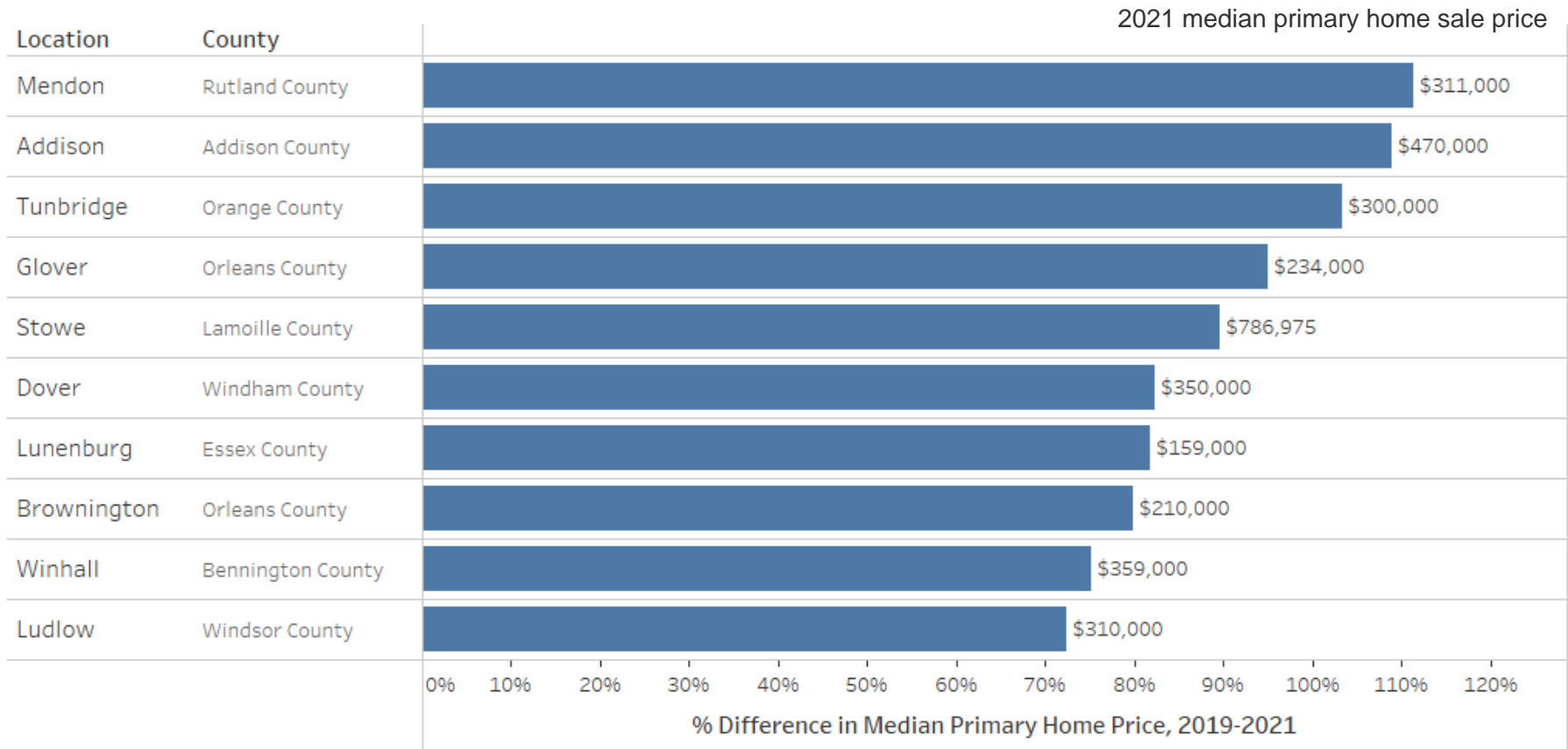
Home price growth, 2019-2021

Median primary home price, 2021: \$270,000



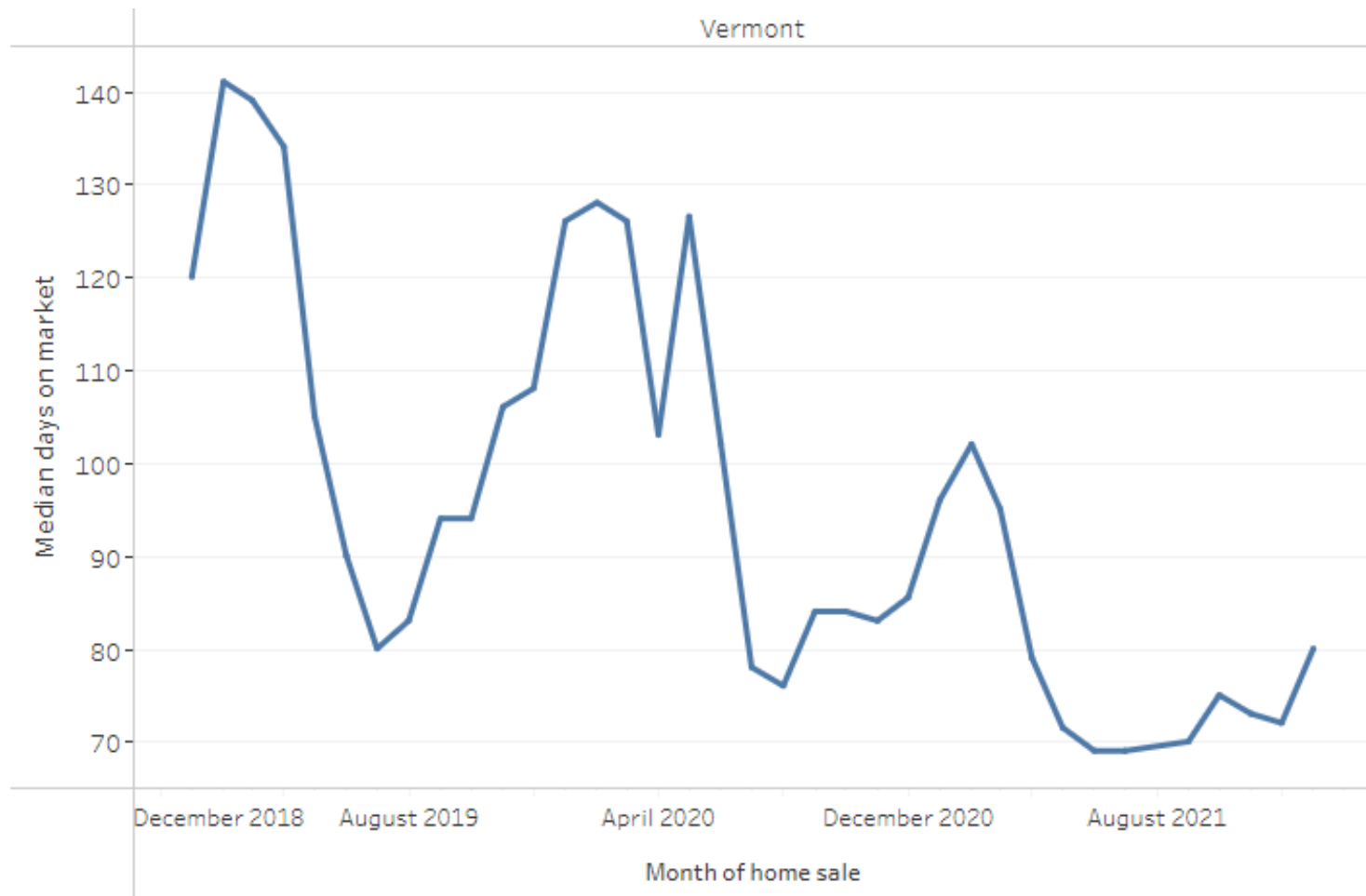
Source: Vermont Property Transfer Tax (PTT) records for median primary home sale prices

Top ten towns for home price growth



Source: Vermont Property Transfer Tax (PTT) records for median primary home sale prices

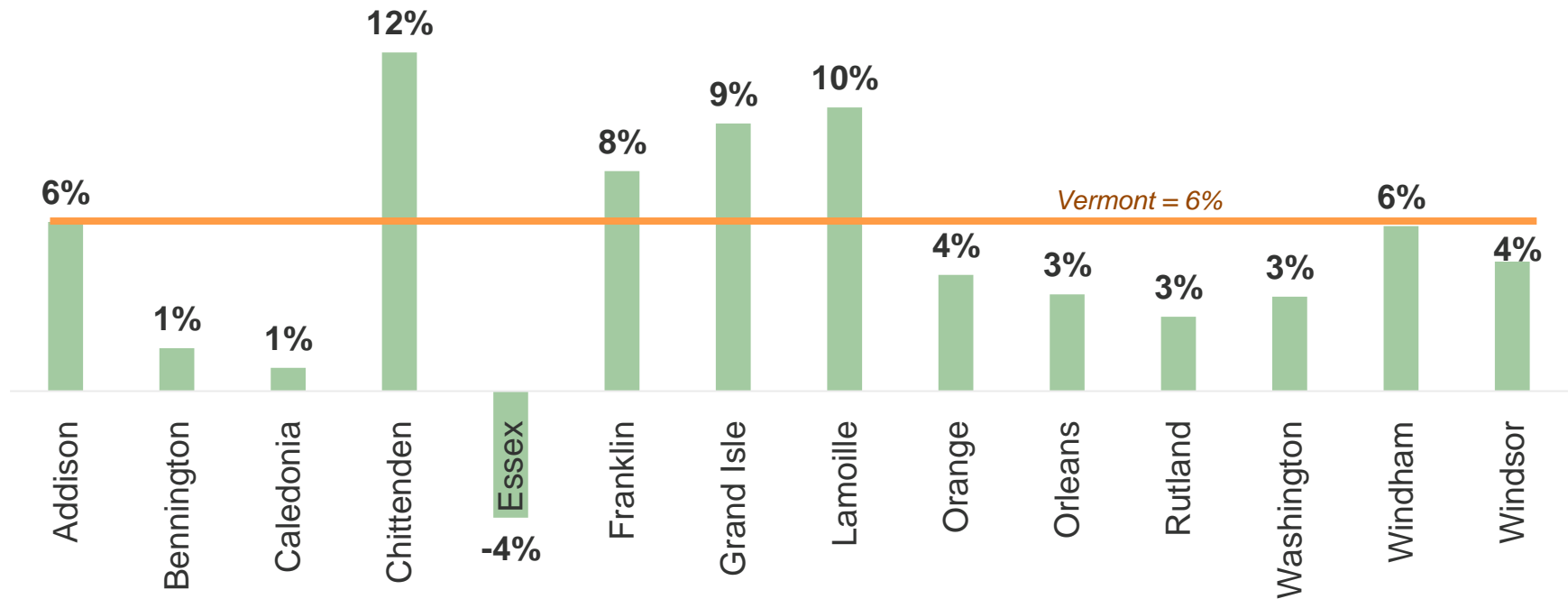
New lows for median days on market



Source: MLS from www.housingdata.org.

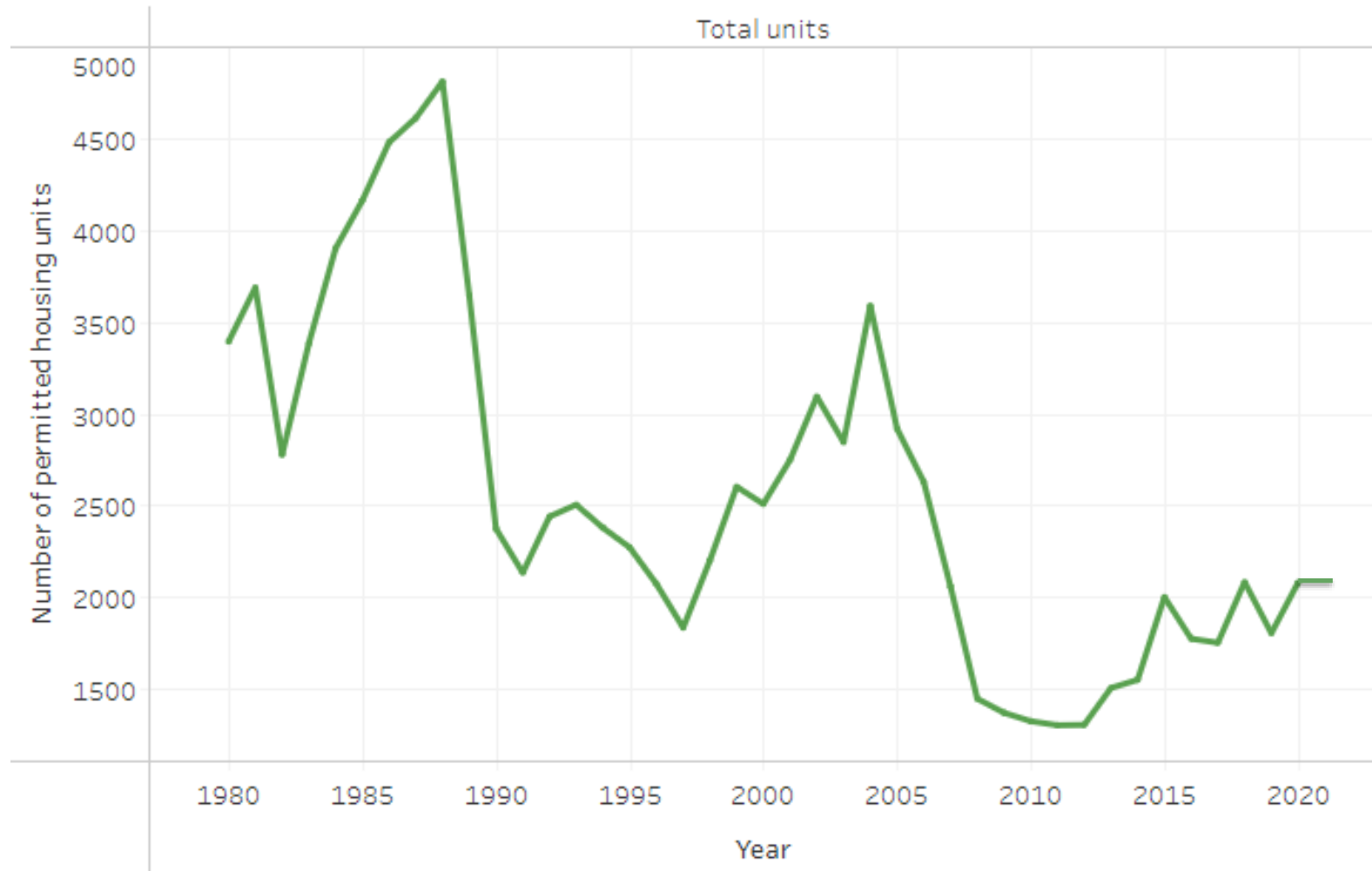
Building not meeting modest growth in households

Household growth, 2010-2020



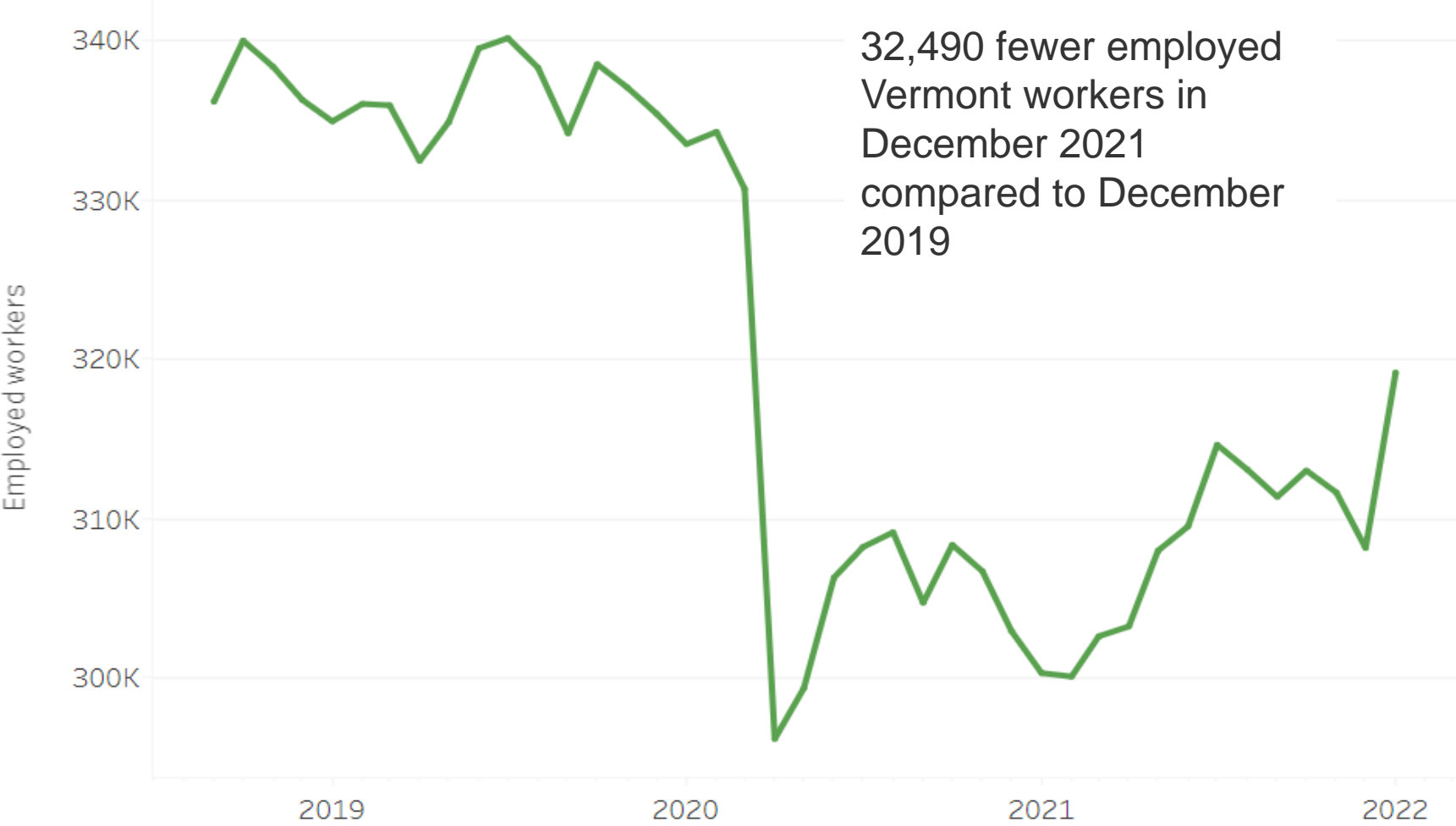
Source: US Decennial Census, 2010-2020

Home construction fails to keep pace with demand



Source: US Building Permits Survey from www.housingdata.org and 2021 preliminary estimate from U.S. Census Bureau.

Workers missing in economic recovery



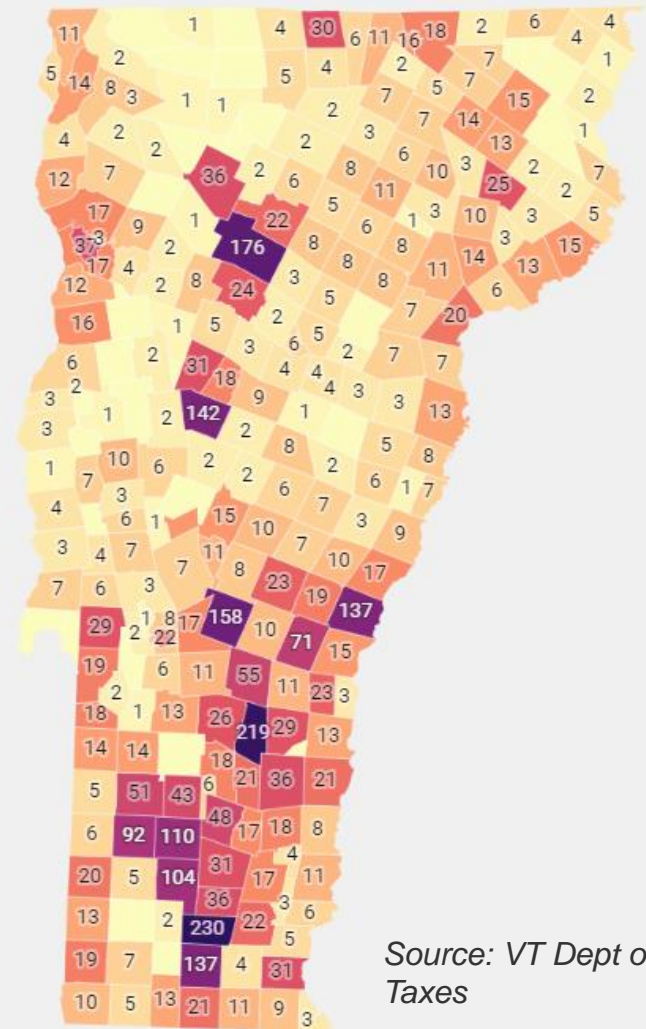
Source: VT Dept of Labor from www.housingdata.org.

The unclear visitor effect

- Sales to out-of-state buyers increased 38% in 2020
- 19% of Vermont homes are used seasonally or vacant for other reasons in 2020—unchanged from 2010.
- Short-term rentals rebounded to pre-pandemic levels but remain less than 2.5% of the housing stock.

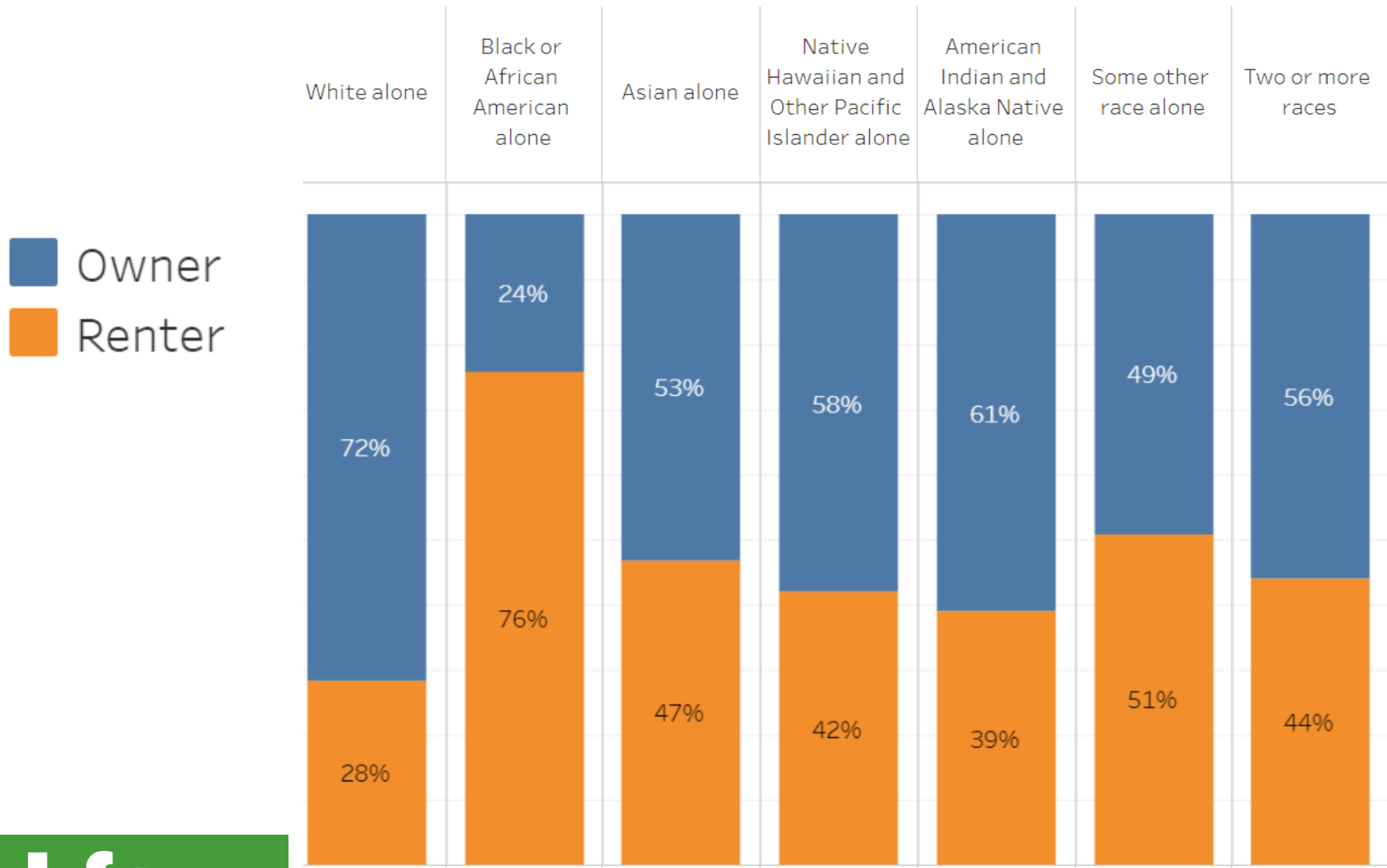
Residential Property Sold to Out-of-State Buyers in 2020

of transactions where buyer listed out of state mailing address



Source: VT Dept of Taxes

Inequitable homeownership rates by race



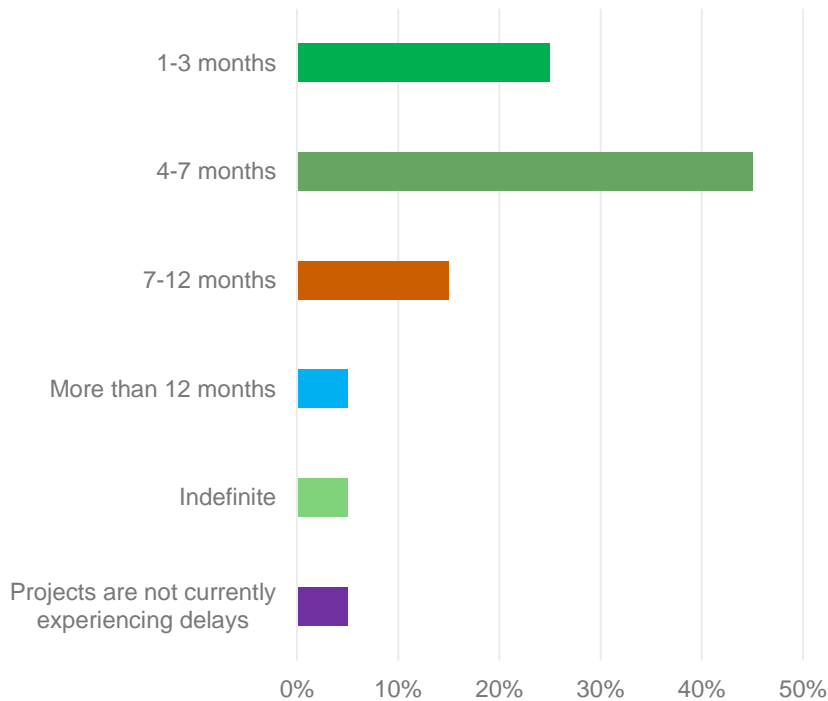
Cost of Development: Using 9% LIHTC Applicants as a barometer

| Year | Average Cost Per Unit |
|-------------------------|-----------------------|
| 2018 | \$285,705 |
| 2019 | \$309,740 |
| 2020 | \$305,188 |
| 2021 | \$333,774 |
| 2022 (early indication) | \$347,793 |
| 2022 Final Applications | \$368,937 |

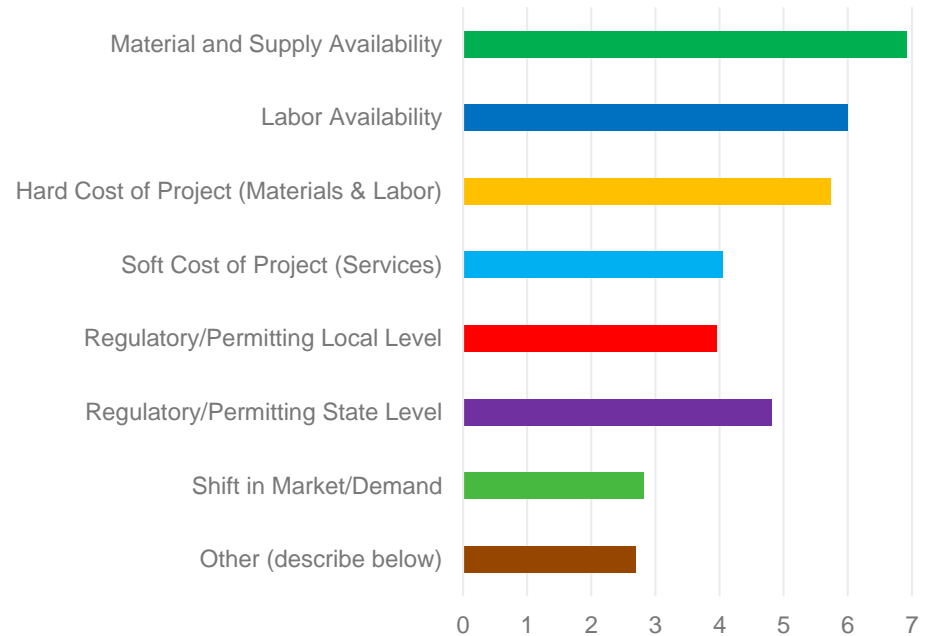
- Between 2021 and 2020, the proposed average cost of development for a Vermont apartment funded through the Low-Income Housing Tax Credit Program rose 9% to \$333,774, and another 4.1% for 2022 pre-applications.
- Final Applications for 2022 represent a nearly 10% increase in costs over a one year period.
- Nationwide multifamily construction costs in the third quarter of 2021 were 8% higher than a year earlier, according to the Fisher Price Index.
- During that same period, the baseline federal Low-Income Housing Tax Credit small state minimum allocation has generally increased between 1-2% each year.

Systemic Barriers & Pandemic Collide

Average range of delays experienced across work portfolio



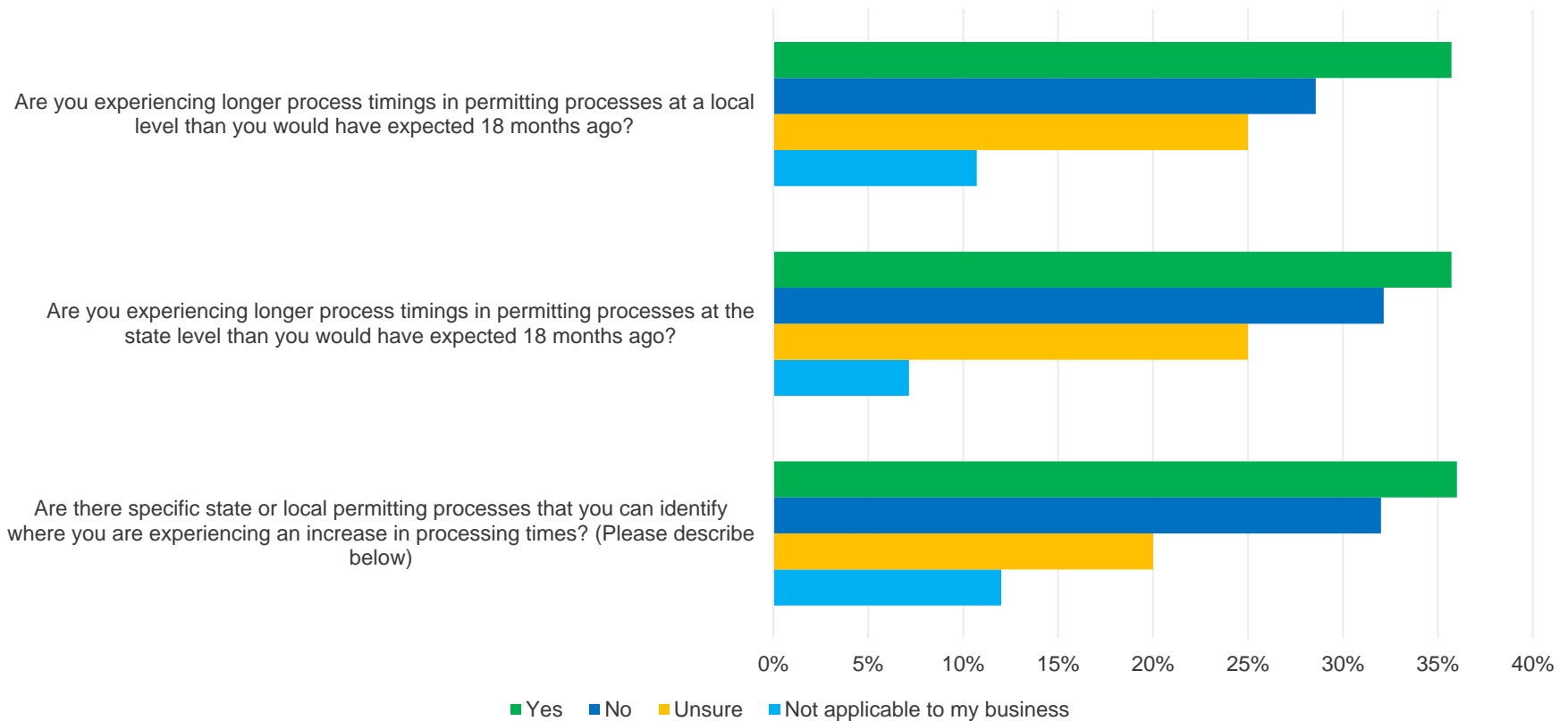
Most significant reasons for project delays



Respondents were asked to rank the reasons from most to least impactful. Displayed is the ranked choice value of the 8 options.

Permitting & the Pandemic

% of survey respondents with permitting process challenges



Missing Middle

Development
Affordability
Access Subsidy:

\$10-15 million

Maximum subsidy is 35% of Total Development Cost for homes serving households with incomes up to 120% AMI.

- **Value Gap** needed to close gap between development costs and home market price of home
- Purchase Price **Affordability Gap**
- Middle-income buyers
- Subsidy remains in home, making it more affordable for future buyers
- Option to layer with Shared Equity and existing familiar programs



Eligible Properties & Uses



Eligible Homes: Single-family home containing 4 or fewer units (including manufactured/modular), a condominium unit, or a house or an apartment owned by a cooperative housing corporation.



Eligible Uses: Land acquisition, hard construction costs, some soft construction costs, and on-site infrastructure

Affordability Levels

Maximum rent and purchase price affordability thresholds by income and household size, 2021

| Area | Income level (% of median income) | INCOME THRESHOLD BY HOUSEHOLD SIZE** | | | | | MAX GROSS RENT AFFORDABLE (INCLUDING UTILITIES)*** | | | | MAX PURCHASE PRICE AFFORDABLE**** | | |
|---|-----------------------------------|--------------------------------------|------------|--------------|-------------|-------------|--|--------|--------|--------|-----------------------------------|---------|---------|
| | | ONE PERSON | TWO PERSON | THREE PERSON | FOUR PERSON | FIVE PERSON | STUDIO | 1 BDRM | 2 BDRM | 3 BDRM | 1 BDRM | 2 BDRM | 3 BDRM |
| VERMONT | 30% | 17,650 | 20,200 | 22,700 | 25,250 | 27,250 | 441 | 473 | 567 | 656 | 67,000 | 80,500 | 94,000 |
| (also applies to all 11 counties not listed below*) | 50% | 29,450 | 33,650 | 37,850 | 42,050 | 45,400 | 736 | 788 | 946 | 1,093 | 113,000 | 137,000 | 158,000 |
| | 60% | 35,300 | 40,400 | 45,400 | 50,500 | 54,500 | 882 | 946 | 1,135 | 1,312 | 137,000 | 164,500 | 191,000 |
| | 80% | 47,100 | 53,800 | 60,550 | 67,300 | 72,650 | 1,177 | 1,261 | 1,513 | 1,749 | 183,000 | 220,500 | 255,500 |
| | 100% | 58,900 | 67,300 | 75,700 | 84,100 | 90,800 | 1,472 | 1,577 | 1,892 | 2,186 | 229,500 | 276,500 | 319,500 |
| | 120% | 70,600 | 80,800 | 90,800 | 101,000 | 109,000 | 1,765 | 1,892 | 2,270 | 2,625 | 276,500 | 332,000 | 384,000 |
| CHITTENDEN | 30% | 20,150 | 23,000 | 25,900 | 28,750 | 31,050 | 503 | 539 | 647 | 747 | 76,500 | 93,000 | 107,000 |
| FRANKLIN | 50% | 33,600 | 38,400 | 43,200 | 47,950 | 51,800 | 840 | 900 | 1,080 | 1,246 | 130,000 | 156,000 | 181,000 |
| GRAND ISLE | 60% | 40,300 | 46,000 | 51,800 | 57,500 | 62,100 | 1,007 | 1,078 | 1,295 | 1,495 | 156,000 | 188,000 | 217,500 |
| | 80% | 53,700 | 61,400 | 69,050 | 76,700 | 82,850 | 1,342 | 1,438 | 1,726 | 1,994 | 209,500 | 252,500 | 291,500 |
| | 100% | 67,200 | 76,800 | 86,400 | 95,900 | 103,600 | 1,680 | 1,800 | 2,160 | 2,493 | 263,000 | 315,500 | 364,500 |
| | 120% | 80,600 | 92,000 | 103,600 | 115,000 | 124,200 | 2,015 | 2,157 | 2,590 | 2,990 | 315,500 | 378,500 | 437,000 |

Project & Program Priorities

- (1) Project location;
- (2) Geographic distribution;
- (3) Leveraging of other programs;
- (4) Housing market needs;
- (5) Project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan;
- (6) Construction standards, including considerations for size;
- (7) Priority will be given for plans with deeper affordability and longer duration of affordability requirements;
- (8) Sponsor characteristics;
- (9) Energy efficiency of the development; and
- (10) Historic nature of the project.



Construction Cost, Size, and Profit Limits

1

Program will include maximum construction costs based on trends in hard costs per square foot.

2

Homes will have a maximum square footage based on number of bedrooms.

3

Profit or developer fee maximums will be applied, using National Association of Home Builders survey data on homebuilding profit-margins.

Subsidy Definitions

- **Value Gap** = cost to build home – Appraised/Market value
- **Affordability Gap** = Appraised/Market Value – Affordability Sales Price for Target Area Median Income
 - Subsidy retained: either repaid at sale/transfer or to reduce price of home for next buyers
- **Target AMI Sales Price:** Affordability for a household earning within the range of 80-120% Area Median Income. May be adjusted post-construction.

Subsidy Example

| | Amount | Development Affordable Access Subsidy Provided |
|------------------------------------|-----------|--|
| Cost to construct home | \$400,000 | \$0 |
| Appraised/Market Value | \$375,000 | Value Gap = \$25,000 |
| Sales price affordable at 100% AMI | \$319,500 | Affordability Subsidy = \$55,500 |
| Final Sales Price/Subsidy | \$319,500 | \$80,500 |

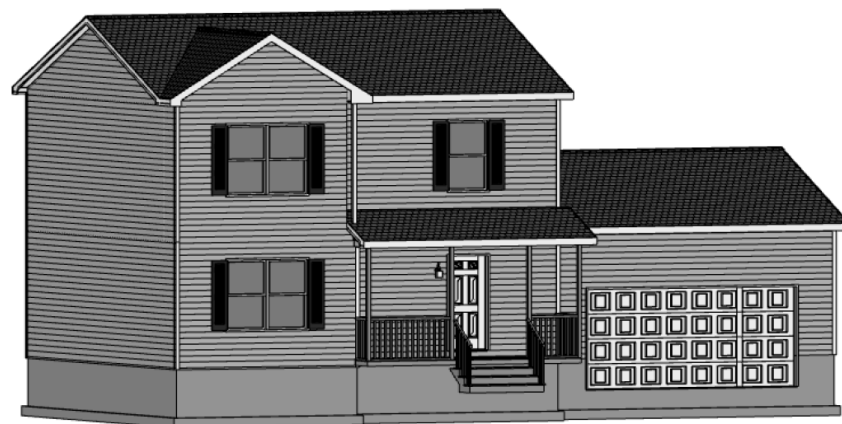
Value Gap: Provided to builder as a fully forgiven subsidy to offset cost of construction, amount is flexible and allows for capture of cost-overruns.

Affordability Subsidy: Retained to provide affordability longer-term. When home is sold, the sales price will be determined by subsidy covenant.

Sales Price in the future = Appraised Value – Affordability Subsidy received. AMI restrictions in current proposal. If Shared Equity model is used by the developer, resale would follow that model

Real World Example: Six Homes

- ✓ Vermont town of 5,000 residents requires that a portion of new housing developments be affordable to households earning 100% of the area median income.
- ✓ Proposed development includes 3 duplexes, for a total of 6 homes.
- ✓ Homes would be modestly sized and built using new modular approach to reduce cost.
- ✓ Affordability requirements and lack of a subsidy to support them means the “market homes” in the development must be priced higher to cover total development costs.



Running the numbers (per home)

| | |
|---|-----------|
| Land | \$60,000 |
| Development costs (excluding builder profit & soft costs) | \$310,000 |
| Total development costs (excluding builder profit & soft costs) | \$370,000 |
| Maximum purchase price | \$343,500 |
| Gap (in addition to builder's lack of profit and soft costs) | \$26,500 |

First Generation Homebuyer

(3) FIRST-GENERATION HOMEBUYER. The homebuyer is, as self-attested by the homebuyer—

- *(A) an individual—*
 - *(i) whose parents or legal guardians do not have any present residential ownership interest in any State; and*
 - *(ii) whose spouse, or domestic partner, and each member of whose household has not, during the 3-year period ending upon acquisition of the eligible home to be acquired using such assistance, had any present ownership interest in a principal residence in any State; or*
- *(B) an individual who has at any time been placed in foster care.*

[Downpayment Towards Equity Act of 2021](#)

Manufactured Home Community Investment Needs:



Small Scale Capital Needs: \$3,000,000 in new funding

Targets filling 51+ abandoned home sites and 343 vacant lots in Vermont communities (funds could impact up to 150 sites)



Homeowner Needs Grants: \$1,000,000 in new funding

Grants for up to 67 households to make substantial repairs, especially focusing on site, foundation, and efficiency needs



Vermont Homeownership Tax Credit: \$250,000 expansion

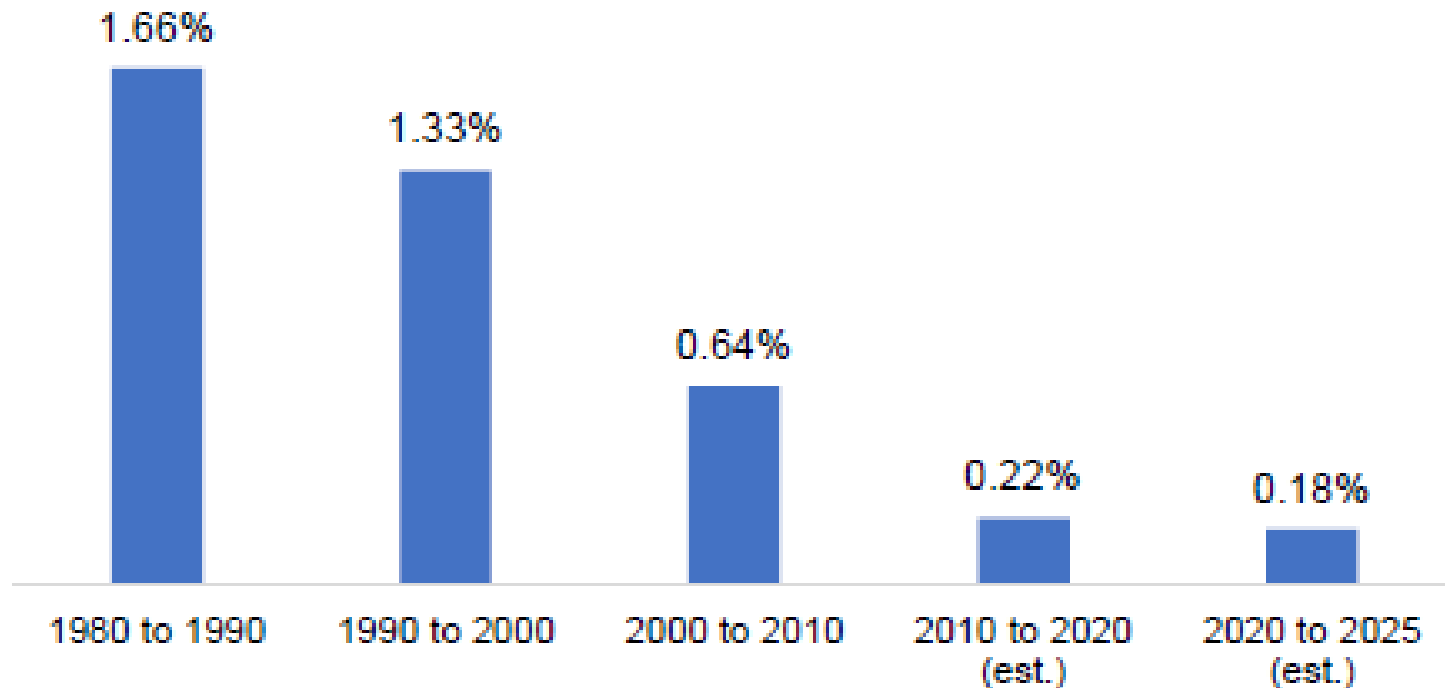
Expand on manufactured home replacement and purchase program that is currently funded through the state's Homeownership Tax Credit program = \$1,250,000 in funding

Permits show confidence in market

| | Multifamily buildings (5+ units) | | | Single family units | | |
|-----------------------------------|----------------------------------|--------|--------------------------|---------------------|---------|--------------------------|
| | 2019 | 2020 | 2021 (through September) | 2019 | 2020 | 2021 (through September) |
| Vermont | 47 | 48 | 56 | 987 | 1,154 | 1,034 |
| Northern New England (ME, NH, VT) | 170 | 145 | 172 | 7,207 | 8,367 | 8,011 |
| National | 15,961 | 15,383 | 14,859 | 862,084 | 979,360 | 864,184 |

Omnibus: How can we reverse this trend?

Figure 1-1: Average annual growth of Vermont's year-round housing stock decreases



Source: U.S. Census Bureau from [housingdata.org](https://www.housingdata.org) and Claritas.

Unfunded Policy Mandates

Well-intentioned State and local zoning or land use regulations incentivize or require homebuilding to include units affordable to low and middle income households. However, they provide no direct subsidy for the gap between development costs and affordable purchase prices.



Unfunded land use policy examples

Local land use requirements that a percentage of new development be affordable such as inclusionary zoning

Larger “campus” or higher density developments often require affordable units

Act 250 Priority Housing requirements

Options from survey and research paper:

22 of the 69 towns don't have any zoning less than 1/2 acre lots anywhere in their community.

Establish 'by right' development

Tax vacant land

Streamline the permitting process and reduce fees

Increase residential parking flexibility

Update zoning bylaws to allow and encourage higher-density development