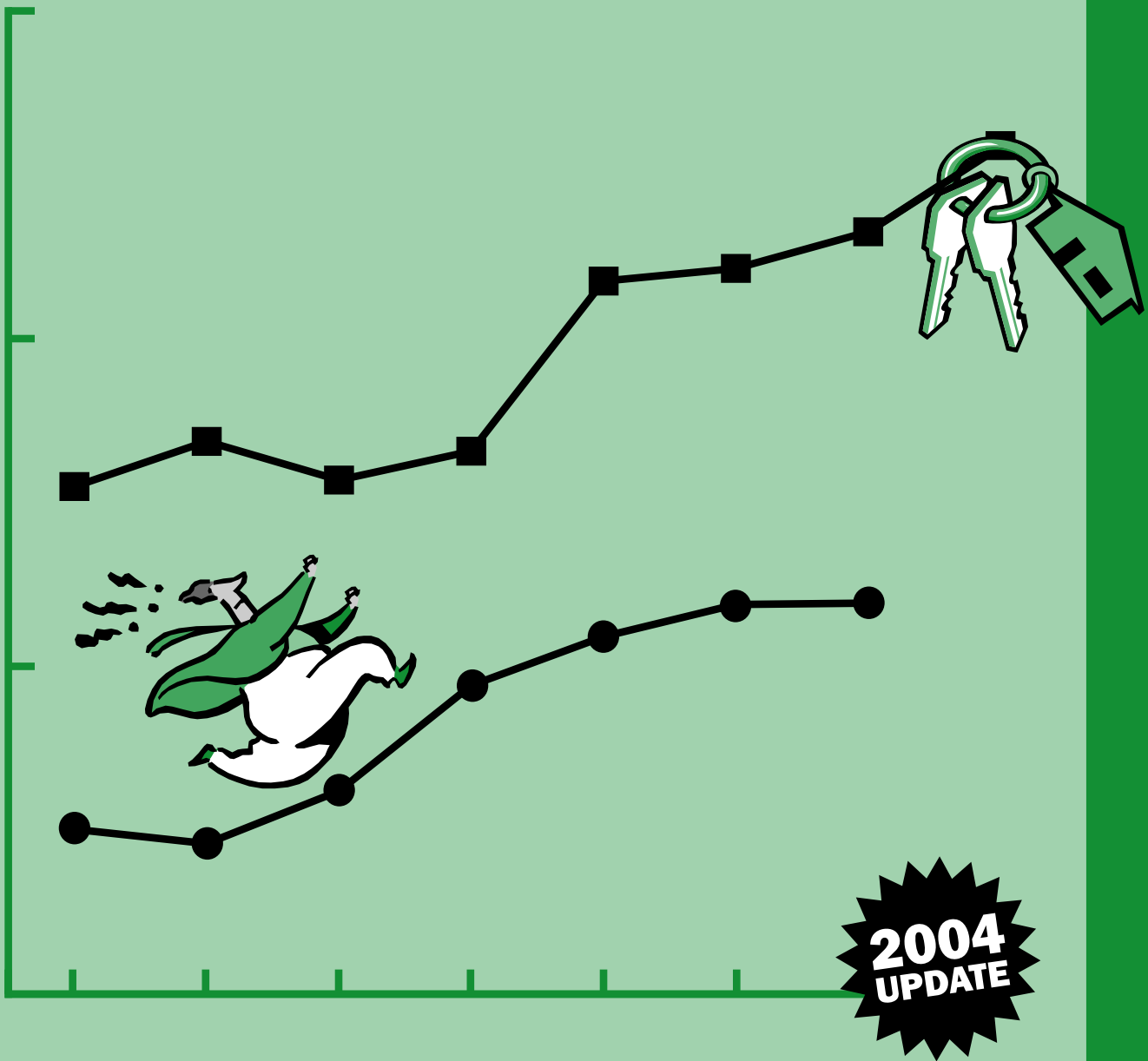


# Between a Rock and a Hard Place: *Housing and Wages in Vermont*



2004 IS THE THIRD YEAR the Housing Council and the Vermont Housing Awareness Campaign have published *Between a Rock and a Hard Place*, which tracks the gap between Vermont's housing costs vs. Vermonters' incomes. That gap continues to grow, and many Vermonters are still having a tough time finding housing they can afford.

### Vermont's current housing situation:

- The median price of a home in Vermont jumped nearly 54 percent between 1996 and 2003, from \$97,500 to \$150,000. Between 2002 and 2003 alone, the median price of a home went up slightly more than 11 percent.<sup>1</sup>
- Between 1996 and 2004, the Fair Market Rent for a modest two-bedroom apartment increased by nearly 28 percent, from \$561 to \$717 a month.<sup>2</sup>
- Vermonters' wages, by comparison, have not kept pace, rising only about 20 percent since 1996.<sup>3</sup>
- Vermont's "housing wage" has risen to \$13.78 per hour, and 61 percent of Vermont workers — 156,000 people — are employed in jobs with median wages below \$13.78.<sup>4,5</sup>
- Forty-nine percent of Vermont households who rent are paying more than 30 percent of their incomes for rent.<sup>6</sup>
- Rising housing costs are in large part due to a lack of supply. Housing development has lagged behind demand for several years, and data show much of the housing being built in Vermont is "high-end" housing, rather than starter homes and apartments affordable to average Vermonters.
- Vermont's housing shortage hurts us economically, too. Businesses report problems recruiting and retaining workers, even executive staff, because of Vermont's high housing costs. That, in turn, limits their ability to grow.

Economist Jeffrey Carr, who has extensively researched Vermont's housing costs, says the situation isn't going to get any better. In fact, he says, "The pressure driving up housing costs is only going to intensify." It is clear we can — and we must — do more to solve Vermont's housing shortage.<sup>7</sup>

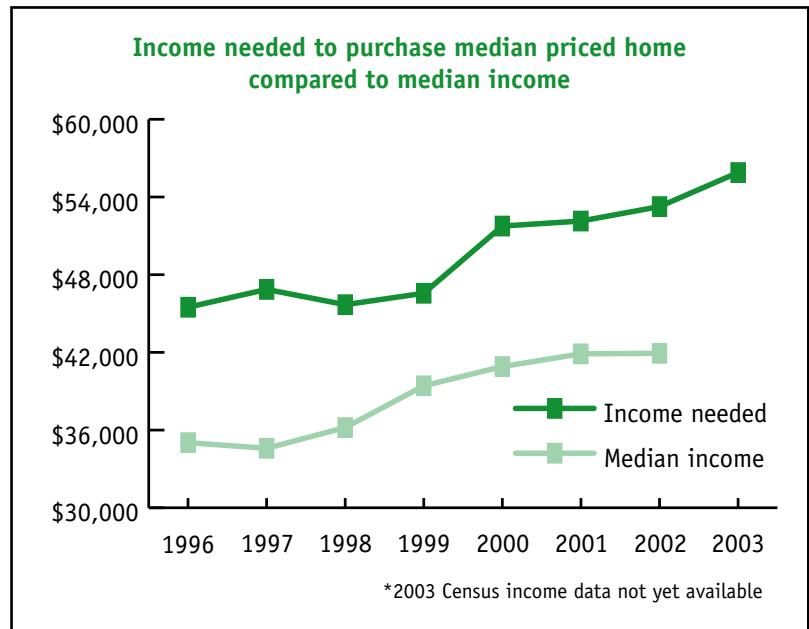
### What is "affordable housing?"

Housing affordability is determined by two factors — (1) the cost of a home or apartment and (2) the ability of a household to pay that cost. Housing is "affordable," when a household pays no more than 30 percent of its income for rent and utilities or for mortgage, taxes and insurance. The 30 percent standard is not ideal — it is too high to leave many households with much

income for other necessities like health care, transportation or child care — but it is the benchmark for both private lenders and public housing programs.

### The American dream is slipping out of reach for many Vermonters

Using that definition of “affordable housing,” it is clear Vermont still has a serious problem. Most Vermonters own homes, but buying a first home is getting harder. In 2003, the median price of a home in Vermont had risen to \$150,000, an increase of nearly 54 percent from 1996 and about 11 percent from 2002 alone.



A Vermont household needs to earn \$56,090 to afford that median-priced home.<sup>8</sup> In 2002, the most recent year for which data are available, Vermont’s median household income was \$41,930.<sup>9</sup> Many Vermonters — police officers, nurses’ aides, EMTs, teachers, and office workers are familiar examples — who once could afford to purchase their first homes can no longer do that.

Making this situation more difficult is the fact that, according to the most recent data, half of Vermont’s households have only one, or less than one, full-time worker.<sup>10</sup>

As single-family home prices soar, a Vermont household may consider purchasing a condominium or a mobile home on a lot. But prices for condominiums used as primary residences have increased faster than single-family home prices — 62 percent since 1996. The median price of a mobile home sold with land increased by 57 percent over the same period.<sup>11</sup>

“Finding a place to live that’s safe, that’s decent and that’s affordable can be really hard for an ordinary working person. I looked for 18 months to find a house that was in decent shape and that I could afford. I finally did it, but it took a long time.”

— Linda Hurley, *Bellows Falls*

### Paying the rent is harder, too

The Fair Market Rent for a modest two-bedroom apartment in Vermont rose to \$717 a month in 2004, an increase of nearly 28 percent since 1996.

To pay that \$717, a household needs to earn at least \$28,662, or \$13.78 per hour. This is the “housing wage,” the income necessary to afford the Fair Market Rent while working 40 hours a week and paying no more than 30 percent of household income for rent and utilities.

**Housing wage**

Vermont average	\$13.78
Addison County	\$12.50
Bennington County	\$13.04
Burlington MSA <sup>12</sup>	\$16.35
Caledonia County	\$11.31
Chittenden County	\$14.90
Essex County	\$11.02
Franklin County	\$12.37
Grand Isle County	\$11.42
Lamoille County	\$11.79
Orange County	\$11.94
Orleans County	\$10.21
Rutland County	\$12.88
Washington County	\$12.81
Windham County	\$13.54
Windsor County	\$13.42

Sixty-one percent of Vermont workers — 156,000 people — are employed in jobs with median wages under \$13.78 per hour. These include hundreds of jobs essential to our communities — emergency medical technicians, farm workers, secretaries, child care workers, home care aides, cooks, and a wide range of retail and factory workers who provide the services and produce the goods on which we depend every day.

The result of this gap between wages and rents? 49 percent of Vermont households who rent pay more than 30 percent of their income for rent.

The situation is even tougher for more than 12,000 Vermonters trying to live on Supplemental Security Income (SSI) benefits.<sup>13</sup> Monthly SSI checks were \$604 in 2002. The Fair Market Rent for a typical one-bedroom apartment that year would swallow up 91 percent of an

SSI recipient’s check, leaving her or him with a grand total of \$46 left over for all other expenses.<sup>14</sup> Considering 55 percent of SSI recipients have no other source of income, there are several thousand Vermonters who must choose between paying rent and paying for food, medical bills or heat.<sup>15</sup>

“We know what the answer is. The answer is housing.”

— Rita Markley, COTS executive director

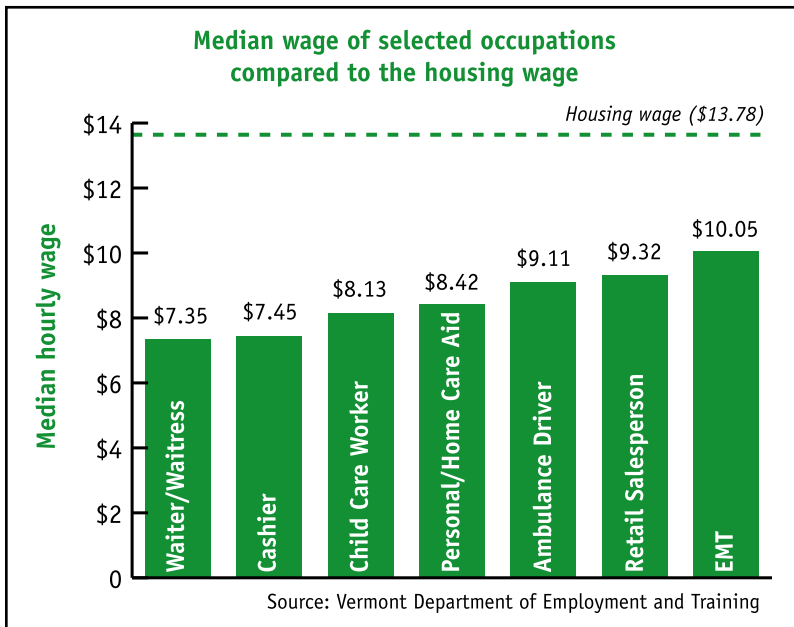
**Homelessness in Vermont . . . “The answer is housing.”**

As housing costs rise, homelessness remains a serious concern.

Agencies serving Vermont’s homeless population reported that, in 2002, Vermont had 416 families with 993 children among the 4,000 homeless people in the state.<sup>16</sup> A one-night survey of homeless shelter residents in November,

2003, found 61 percent had been there longer than one month.<sup>17</sup>

While progress has been made against homelessness, there’s still a long way to go. Vermont’s largest homeless provider, the Committee On Temporary Shelter (COTS) in Burlington, reported the number of homeless families it served skyrocketed to more than 330 in 2000, a 400 percent increase in five years.<sup>18</sup> As new affordable housing in Burlington and South Burlington became available, that number has been dropping.



## Vermont isn't building affordable housing fast enough

One of the main reasons housing costs are rising is lack of supply. The number of permits for single-family and apartment construction has remained relatively flat, even as our population grows. The average size of a Vermont household has shrunk, adding to demand. Studies over the last three years have projected housing shortages across the state, particularly housing for Vermonters with modest incomes.

A healthy housing market should have a 3 percent vacancy rate for owner-occupied housing and a 5 percent rate for rental housing. Vermont's vacancy rate for owner-occupied housing is 1.1 percent. For rental housing, the vacancy rate is 3.8 percent, the second-lowest in the nation.<sup>19</sup> Even though these rates are slightly higher than recent years, they remain well below the standards for a healthy housing market.

Much of Vermont's single-family construction is "high-end" housing, not starter homes. The average value of housing construction permits has jumped 65 percent since 1996.<sup>20</sup> The median new home sales price in 2003 was \$265,000. Only 6 percent of the new homes sold in Vermont last year were within the reach of a household earning Vermont's median income.<sup>21</sup>

To make matters worse, we are losing some housing stock. Over the past five years, between 8 and 9 percent of annual home sales in Vermont were primary residences that were used as vacation properties after the sale.<sup>22</sup>

Boosting production will take some work. While housing development continued during the recent recession, it's not likely to greatly accelerate on its own as Vermont's economy recovers. If interest rates begin to rise, as is likely as the recovery picks up steam, that would slow the pace of development.<sup>23</sup>

## Rising housing costs have other effects

As affordable housing becomes harder to find, many Vermonters must live further from their jobs. Longer commutes mean added expense, time away from families, and, in some cases, added difficulty getting to work. Data from the 1990 and 2000 Censuses show the number of Vermonters commuting more than an hour jumped 92 percent.<sup>24</sup> One in five Vermont workers crosses a county line to get from home to work.<sup>25</sup>

Workers in Vermont's ski areas know this problem well. In 2000, 82 percent of Killington's workforce lived outside town limits. In Warren, 66 percent of the workers lived elsewhere. In Stowe, it was 64 percent.<sup>26</sup>

"Housing development is expensive. I just paid \$125,000 for a one-acre lot, and other costs will probably drive the price of that lot to \$145,000 before I even put a shovel in the ground. That makes it tough to build housing that's affordable to ordinary Vermonters."

— Bob Bickford, president, Bickford Construction Corp., Williston

“We have many employees that have been here over 10 years that commute close to an hour each way. Think of the toll that must take on their home lives and their families.”

— Reggie Cooper, president and general manager, Topnotch at Stowe Resort & Spa

A lot of Vermonters between the ages of 25 and 39 are commuting — out of state. Vermont ranks seventh in the nation in losing its educated young people.<sup>27</sup> That’s a major loss of an important social and economic resource, and high housing prices do not help us keep our young people here.

Businesses around the state report increasing difficulty finding and keeping employees — even senior staff — because of Vermont’s housing costs. This seriously limits their ability to grow.

### Housing construction has benefits

Housing construction provides a basic need and an economic stimulus. It creates jobs, and people who work at those jobs earn money they spend on goods and services. It is estimated that, between 1988 and 2002, more than 10,000 Vermont jobs were created by housing development.<sup>28</sup> Construction contracting currently provides more than 27 percent of all private, non-service jobs in Vermont, and more than half of those jobs are related to residential construction.<sup>29</sup>

The National Association of Home Builders estimates that building 100 single-family homes creates 250 jobs and \$11.6 million in economic activity — wages and income to local businesses — in the first year of construction alone. Building 100 multi-family units creates 112 jobs, and \$5.3 million in economic activity in the first year of construction.<sup>30</sup>

### What can we do?

It will take a combination of efforts at the local and state level to get more housing built that average Vermonters can afford to rent or own.

- First and foremost, leaders at the local and state level — including **elected officials**, **businesspeople**, the **faith community** and others — need to be advocates for housing development. This is everybody’s challenge.
- **Town officials** can take steps to remove unnecessary regulatory barriers to housing construction and/or rehabilitation and to create incentives for housing development, particularly in town centers.
- **State officials** can actively support continuing Vermont’s investment in affordable housing, encourage the business community to make provisions for housing development with job expansion, create incentives encouraging towns to develop more housing and remove disincentives.
- **Employers** can develop employment benefit packages that include housing assistance and work with other community leaders to promote housing development.
- **Private citizens** also can form housing task forces, host public discussions on the need for housing in their communities, support increased government and private investment in housing and publicly support proposed housing development in their communities.

## Endnotes

- 1 Vermont Housing Finance Agency (VHFA) analysis of Vermont Department of Taxes' Property Transfer Tax receipts. This includes all single family, primary residence homes with valid records. It excludes any transactions that were not deemed at "arm's length." [www.state.vt.us/tax/propertytransferdata.htm](http://www.state.vt.us/tax/propertytransferdata.htm)
- 2 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 all counties plus the Burlington Metropolitan Statistical Area (see note 10), weighted according to the number of renter households reported by the U.S. Census Bureau. [www.huduser.org/datasets/fmr.html](http://www.huduser.org/datasets/fmr.html)
- 3 US Census Bureau. Three year non-adjusted average median income for years 1996 to 2002, the most recent available data. [www.census.gov/hhes/income/income02/statemhi.html](http://www.census.gov/hhes/income/income02/statemhi.html)
- 4 "Out of Reach: America's Housing Wage Climbs." National Low Income Housing Coalition, Washington, DC. September, 2003. [www.nlihc.org/oor2003/](http://www.nlihc.org/oor2003/)
- 5 "2002 Statewide Occupational Wage Estimates." VT Department of Employment and Training, Montpelier, VT. [www.vtلمي.info/public/wagevt.xls](http://www.vtلمي.info/public/wagevt.xls)
- 6 See note 4.
- 7 Presentation by Jeffrey Carr and Lawrence Copp of Economic Policy Resources, Inc. to the VHFA Board of Commissioners, December 18, 2003.
- 8 VHFA calculation, January, 2004. Based on 2003 median sale price (see note 1) with Freddie Mac's average 2003 interest rate (5.83%) and points (.6) for a 30-year mortgage with 5% down payment, average statewide property taxes, property insurance, private mortgage insurance, and a 30% housing payment ratio.
- 9 See note 3.
- 10 US Census Bureau, Washington, DC. Summary File 3, Tables P48. [factfinder.census.gov/](http://factfinder.census.gov/)
- 11 See note 1, but transactions are limited to condominiums or mobile home purchases with land.
- 12 The Burlington Metropolitan Statistical Area (MSA) includes the Chittenden County towns of Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, South Burlington, Williston and Winooski; Franklin County towns of Fairfax, Georgia, St. Albans City, St. Albans Town and Swanton; and Grand Isle County towns of Grand Isle and South Hero.
- 13 "SSI Recipients by State and County, 2002." Social Security Administration, Washington, DC. December 2002. [www.ssa.gov/policy/docs/statcomps/ssi\\_sc/2002/index.html](http://www.ssa.gov/policy/docs/statcomps/ssi_sc/2002/index.html)
- 14 "Priced Out in 2002." Technical Assistance Collaborative and Consortium for Citizens with Disabilities Housing Task Force, Boston, MA. May 2003. [www.tacinc.org/cms/admin/cms/\\_uploads/docs/PO2002.pdf](http://www.tacinc.org/cms/admin/cms/_uploads/docs/PO2002.pdf)
- 15 "SSI Annual Statistical Report, 2002." Social Security Administration, Washington, DC. August 2003. [www.ssa.gov/policy/docs/statcomps/ssi\\_asr/2002/index.html](http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2002/index.html)
- 16 "Overnight Shelter Guests." VT Office of Economic Opportunity, Waterbury, VT. July 1, 2001 to June 30, 2002. [www.housingdata.org/profile/additionalSpecialResult.php#homeless](http://www.housingdata.org/profile/additionalSpecialResult.php#homeless)
- 17 VT Office of Economic Opportunity, Waterbury, VT. One night census of the homeless population, conducted November 25, 2003.
- 18 "Resources: Homeless Facts Children and Homelessness." Committee on Temporary Shelter (COTS), Burlington, VT. [www.cotsonline.org/homeless\\_kids.html](http://www.cotsonline.org/homeless_kids.html)
- 19 "Housing Vacancies and Homeownership, Annual Statistics: 2002." US Census Bureau, Washington, DC. Homeownership: [www.census.gov/hhes/www/housing/hvs/annual02/ann02t3.html](http://www.census.gov/hhes/www/housing/hvs/annual02/ann02t3.html). Rental: [www.census.gov/hhes/www/housing/hvs/annual02/ann02t3.html](http://www.census.gov/hhes/www/housing/hvs/annual02/ann02t3.html)
- 20 "Housing Units Authorized By Building Permits. Table 2 - United States, Region, Division And State." US Census Bureau, Washington, DC. [www.census.gov/const/www/C40/table2.html#annual](http://www.census.gov/const/www/C40/table2.html#annual).
- 21 Based on information from the Vermont Real Estate Information Service, Inc. for the period 1/1/03 through 12/31/03.
- 22 VHFA's analysis of Vermont Department of Taxes' Property Transfer Tax receipts. [www.state.vt.us/tax/propertytransferdata.htm](http://www.state.vt.us/tax/propertytransferdata.htm)
- 23 Tom Kavet of Kavet, Rockler and Associates. January 2004.
- 24 US Census Bureau. Summary File 3, Table P31.
- 25 "Worker Flow Files." US Census Bureau, Washington, DC. [www.census.gov/population/www/cen2000/mcdworkerflow.html](http://www.census.gov/population/www/cen2000/mcdworkerflow.html)
- 26 See note 25.
- 27 "Migration of the Young, Single, and College Educated: 1995 to 2000." US Census Bureau, Washington, DC. November 2003. [www.census.gov/prod/2003pubs/censr-12.pdf](http://www.census.gov/prod/2003pubs/censr-12.pdf)
- 28 "The Economic Benefits of Investments by the Vermont Housing and Conservation Board." Vermont Housing and Conservation Board, Montpelier, VT. October 2003. [www.vhcb.org/economicbenefits.pdf](http://www.vhcb.org/economicbenefits.pdf)
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## **Between a Rock and a Hard Place: *Housing and Wages in Vermont***

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The Vermont Housing Council is a broad-based group of public and private housing entities created to oversee implementation of the state's housing policy and to coordinate housing services and initiatives.

### **And the Vermont Housing Awareness Campaign**

The Vermont Housing Awareness Campaign is an effort by public and private sector interests to promote more housing opportunities for all Vermonters.

*Download a PDF copy of the full report "Between a Rock and a Hard Place: Housing and Wages in Vermont" at [www.housingawareness.org/facts.htm](http://www.housingawareness.org/facts.htm).*