

# Affordable housing: barriers and incentives in Vermont towns

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## **Defining Affordable Housing:**

The United State Department of Housing and Urban Development (HUD) defines affordable housing as 30 percent or less of household income, including utilities.<sup>1</sup> Any household paying more than this amount is considered "cost burdened." If a household pays more than 50 percent or more of their income in housing costs, they are considered "severely cost burdened."

These definitions are most useful for individual households. When planning for affordable development, the Area Median Income (AMI) is generally employed. This means that, for a town with a median annual income of \$60,000, "affordable" housing development for households making that income would be that which ensures the owner's or renter's annual housing costs are \$18,000 per year or less (\$1500 per month). By definition, however, half of the region's households will have an income less than \$60,000 and therefore can't afford those new units. Most "affordable" development is targeted to households who earn up to 60 percent of the AMI.

## **Why Affordability Matters**

### **Economy:**

Researchers in California found that municipalities with less affordable homes see slower employment growth.<sup>2</sup> As a city's job market grows, more and more types of workers will be attracted to the region. When demand rises for housing, many of these workers will be priced out of the city, driving some employees away and discouraging others from relocating in the first place. If employees are forced to live outside of a region and commute into it, the local infrastructure can be strained and resulting traffic delays can inhibit economic growth.<sup>3</sup> This point is pertinent given that the typical low-income household that qualifies for rental assistance spends on average 15 percent of its budget on transportation<sup>4</sup> due to more affordable, private-market homes generally being located farther from job opportunities.

In metropolitan areas, recent research indicates rising property values will provide diminishing returns to GDP and excessive housing costs will hurt economic growth.<sup>5</sup> This has serious implications for local business. Another study found that each percentage point increase in the share of cost-burdened homeowners reduces a metropolitan area's number of retail establishments by 1.5 and professional establishments by 4.9 in one year.<sup>6</sup> Such hindrances to economic growth can limit potential tax revenue gains.<sup>7</sup>

Meanwhile, a study of housing markets across the United States found that the development of affordable homes through the Low-Income Housing Tax Credit could actually increase property values and decrease crime in low-income neighborhoods.<sup>8</sup>

Health:

People who are forced to move into lower-cost, private-market homes due to a lack of affordable options are more likely than those who move for other reasons to report poor health<sup>9</sup> and unmet medical needs<sup>10</sup>—especially because lower cost homes are often lower quality homes, exposing residents to safety hazards like mold, pest, lead, or unsound building structures. The act of moving itself may exacerbate financial hardship through security deposits, time off from work, or job instability. Not only are many low-income families being priced out of unaffordable housing markets, but they are *paying to be priced out*. Another study has shown that undergoing foreclosure leads to increased anxiety and depression, and foreclosures at the population-level are correlated with more healthcare utilization for a region.<sup>11</sup>

The effect of unaffordable housing on children is particularly acute. Low-income families are more likely to be forced to move school districts in search of more affordable housing. This disruption negatively impacts a child's educational success.<sup>12</sup> If no affordable homes are available and families must spend large shares of their income on housing, a child's development can be inhibited further: insufficient funds can lead to poor nutrition and financial stress can mean weakened parent-child bonds.<sup>13</sup>

## **The Extent of Unaffordability in Vermont**

[HousingData.org](https://housingdata.org), created by the Vermont Housing Finance Agency, has state- and county-wide data on several key aspects of Vermont's housing market. It compiles information from state-based sources like the Vermont Department of Taxes and national sources like the U.S. Department of Housing and Urban Development. Below are some data points which help summarize the affordable housing picture in Vermont.

As of 2019, about 47,000 households in Vermont, or about 19 percent of the state's households, were considered cost burdened, paying 3-49% of their income towards housing. An additional 38,000, or 15 percent of all households, were severely cost-burdened, paying 50% or more of their income. This means that over one-third of Vermont households are living in unaffordable housing. This is problem is more severe for renter households, 51% of which are cost burdened or severely cost burdened. The same can be said for 27% of homeowners.

The price-to-income ratio is the ratio of a town's non-vacation home price to the county's median household income. The "affordability limit" is when it takes exactly 30 percent of household income to cover housing costs,<sup>1</sup> or a ratio of 3.50. In Vermont, 102 of 242 reporting municipalities have price-to-income ratios which exceed the affordability limit.

Estimated median rent (including utility costs) has climbed to an average of \$985/month across Vermont as of 2019. This would mean that a renting household would need an annual salary of \$39,400. However, the median renter household income in Vermont is only \$35,969. The median cost of renting, therefore, is 110 percent of the maximum a median renter should be paying. This is less than similar states; 128 percent of median rental income in New Hampshire<sup>14</sup> and 121 percent in Maine.<sup>15</sup>

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<sup>1</sup> Assuming 5 percent down payment and average interest rates, insurance premiums, taxes, and closing costs.

## Why Are Housing Costs So High?

Many experts see the rising costs of housing as an economic issue: there is not enough supply to meet growing demand. The number of building permits issued, a helpful proxy for the number of homes being built, has declined substantially since its peak in 1988. That year, over 4,800 permits were issued throughout the state. In 2020, that had dropped 57 percent to just over 2,000 permits issued. Between 2008 and 2017, even fewer than 2000 building permits were issued each year. Further evidence that Vermont's development activity has slowed can be found in the age of its current housing stock. One in four homes in the state were built before 1939. Vermont has more houses over 80 years old than all the homes built between 1990 and today.

Despite this decline in development, Vermont's population has increased by about 12 percent since 1988. Meanwhile, the number of people per household has been decreasing since 2000. Living alone was the third most common home arrangement in 1980. Today the one-person household is the most common.<sup>16</sup> This means that population has increased in the past decades, also that more Vermonters live alone or with fewer people, meaning the state requires more homes to accommodate its residents.

Not only is affordability a housing stock issue, but it is also largely influenced by income growth. In 1980, the median income in Vermont was about \$63,400, adjusted for inflation. In 2019, that figure had only increased marginally to \$64,300 (in 2021 dollars). This wage stagnation, combined with rising home prices, is a contributing factor to increasing unaffordability.

Housing cost-drivers can be loosely divided into five categories: 1) *baseline costs* like land and labor; 2) *industry-specific costs* like operation of affordable housing programs; 3) *investments* which improve building performance like energy efficiency; 4) *inefficiencies* caused by policies and regulations;<sup>17</sup> and 5) *financing costs* related to the ease of securing funding and loans, as well as interest rates.

A 2019 report for the Vermont Housing Finance Agency on the cost-drivers of affordable rental housing development outlines the following factors which lead to increased costs in Vermont:

- Labor and material costs
- Absence of economies of scale
- Locally required fees and conditions
- Multiple, uncoordinated steps in approvals
- Act 250 approvals
- Required infrastructure in rural areas

- Underwriting requirements
- Misaligned policy priorities across Vermont
- Fragmentation in the awarding of government subsidies

Many of these factors cannot be feasibly addressed at the municipal level. Labor and building materials, for example, account for roughly two-thirds of the cost of development and shortage of construction workers and building trade companies in Vermont have increased these labor costs over time.<sup>18</sup> There are, however, many tools that local governments can use to decrease costs to developers and improve the affordability of their community's homes.

#### Local Regulatory Barriers:

Municipal regulatory, zoning, and planning policies can exist to ensure the health, safety, culture, and economic vitality of a town. They are a necessary step in housing development as they instruct what types of units can be built, where they can be built, and which steps need to be taken so that they best fit into the surrounding community.

There is danger, however, in creating overly restrictive regulations on residential development. Certain policies can cause inefficiencies, redundant review processes, or even be so constraining that certain types of development are simply impossible—prohibiting many people from moving in.

While no town or housing project is the same, many costs can be and have been reduced (or increased) by local policies. For example, baseline costs can be less prohibitive if public land is donated to a developer on the condition that it is used for affordable housing. Investments in building performance, meanwhile, can be incentivized by introducing a property tax credit when certain desirable improvements are made.

There is a large body of research<sup>19</sup> that demonstrates that overly restrictive land use regulations are associated with higher housing prices and less construction.<sup>20</sup> For example, one study concluded that Massachusetts towns might increase local housing costs by up to 20 percent if they adopted minimum lot size requirements.<sup>21</sup> This is because developers will be forced to purchase more land per unit which will get passed on to the consumer. In fact, research on California's cities found that each adoption of any new land use regulation decreased the number of permits granted by an average of 4 percent.<sup>22</sup>

Some researchers suggest that regulatory barriers will encourage investment in the rehabilitation of existing properties can be redeveloped with zoning changes. This means that

the total housing stock will not increase and housing options that might have previously been affordable will be renovated so that they become more expensive. This hypothesis is supported by examples from Vermont; on average, it costs roughly \$77,000 more to build a new unit than to rehabilitate an existing building.<sup>23</sup> Ultimately, this will raise home or home prices in a community without increasing the number of homes, causing a shortage in the market which further exacerbates the problem.<sup>24</sup>

Local regulations can include required procedures that delay the start of construction like environmental impact reviews. Protecting natural surroundings is certainly an important step in the review process. However, if the review these processes are confusing, slow, or redundant, they can waste time and money. Further, most developers rely on loans from banks who are naturally risk-averse. Housing development projects with more uncertain outcomes and durations will be met with a more tepid response from the financiers of a development—the banks—and the developers themselves. This is complicated by Vermont's Act 250, a law that requires environmental, social, and fiscal review of major development projects state-wide.

Similarly, many municipal regulations require fees, conditions on development, and lengthy review processes which can increase costs, delay construction, and add further uncertainty to a project. For example, fees that increase with the size of the project can reduce the economies of scale for the development, placing a financial burden on larger projects. Larger private developments are more likely to produce affordable homes because fixed costs like land can be spread out over more units. Unfortunately, this is difficult in Vermont, especially its rural areas, due to a lack of infrastructure or insufficient demand.<sup>25</sup> Local regulations may also be uncoordinated with or even contradictory to state codes. This requires negotiation and reconciliation. Sometimes limits on building size are helpful because they prevent a development from putting too much strain on local infrastructure. It can be difficult to enact policies which are not overly burdensome for development while protecting the health, safety, and wellbeing of a community.



## **Survey Results: What Do We Know About Vermont Towns?**

From July 22–July 30, 2021, a survey of zoning regulations, infrastructure limitations, and attitudes to affordable housing development was completed by 73 town and regional government officials with applicable knowledge of these subjects for their town. These officials include town planners, zoning administrators, chairs of planning commissions, town clerks, directors of economic development departments, and more. A link to a SurveyMonkey form was sent out using an email list of these Vermont officials.

Four responses were fully omitted from the final tabulations: three due to irrelevancy of the respondent and one due to duplication of a town. Respondents were given the option to skip questions and therefore total responses for individual questions vary. Six respondents noted that their towns do not have zoning or other regulations asked about in the survey. A lack of zoning laws altogether can make it incredibly difficult to guide residential development, particularly at a larger scale.

Given Vermont's 246 incorporated municipalities, the 69 valid responses to this survey represent a 28 percent response rate.

A copy of the survey and full responses to each question are in the report Appendix A & B. Below are survey questions and responses which are particularly relevant to housing affordability.

### **Town Size**

Question 1:

*What is the population of your municipality?*

Response	Count	Percentage
3001 or greater	31	44.9%
1001–3000	25	36.2%
1000 or fewer	13	18.8%
Total	69	100.0%

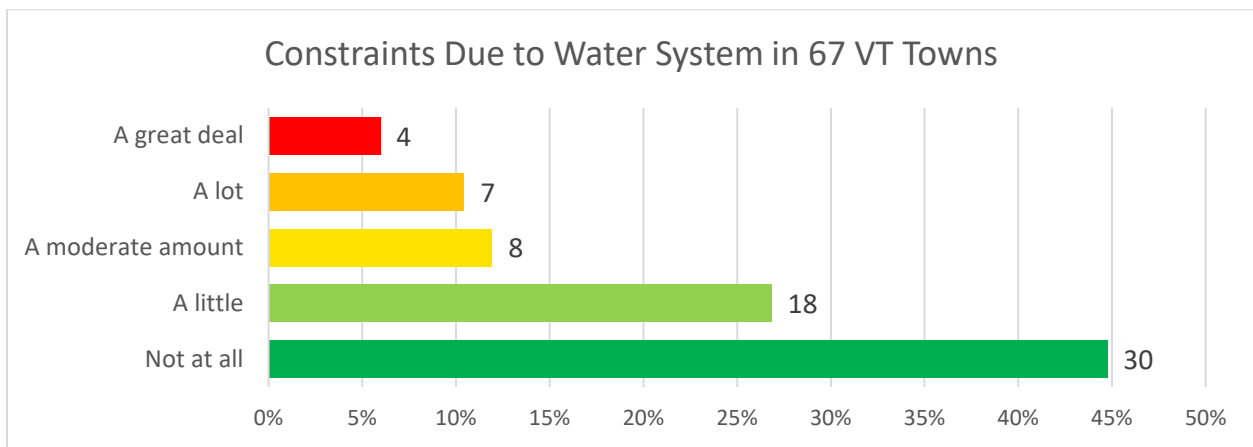
There are doubts as to whether this survey is representative of the towns in Vermont; 44.9 percent of respondents answered on behalf of a town with a population of over 3000, 36.2 percent a town with 1001–3000 people, and 18.8 percent came from a community of 1000

people or fewer. This means that, though these categories were chosen to divide Vermont's towns into three roughly equal groups, greater population municipalities were more likely to complete the survey. It is unclear whether this is due to lack of capacity by municipal staff in smaller towns, improper outreach, or something else.

### Infrastructural Barriers

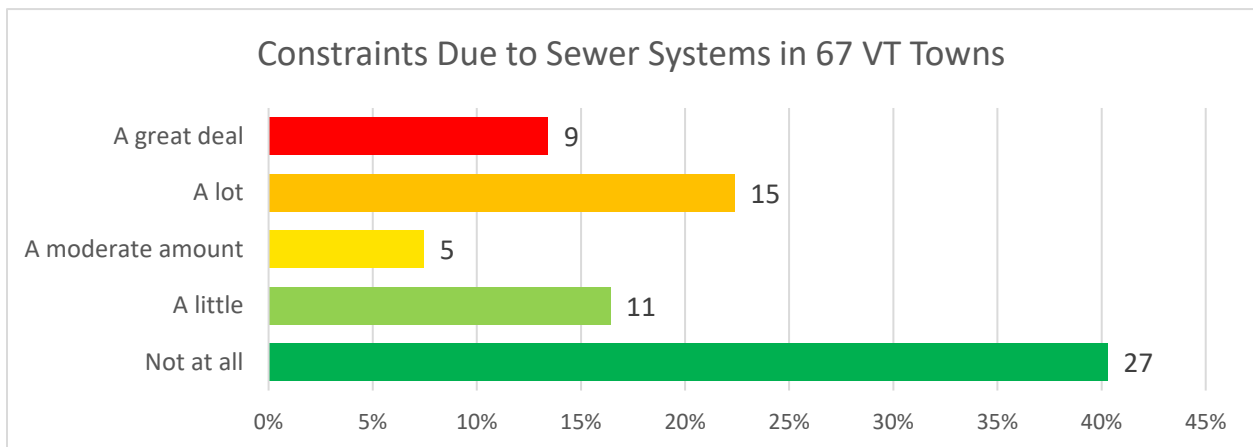
#### Question 2:

*In your opinion, to what extent have constraints with public or community water systems substantially restricted the development of new homes in your municipality?*



#### Question 3:

*In your opinion, to what extent have constraints with public or community sewer systems substantially restricted the development of new homes in your municipality?*



Questions 2 & 3 give insight into the infrastructural barriers to development across Vermont. The majority of towns reported having "a little" to "a great deal" of restricted development due to constraints in their public or community water systems (55.2 percent) and sewer systems (59.7 percent). The most-selected response, however, was that these infrastructures posed no constraints at all. This was unexpected as the 2019 *Analysis of Vermont Affordable Rental Housing Development Cost Factors* lists infrastructure requirements as one of the largest drivers of costs to developers.<sup>26</sup>

For those who said that water and sewer systems were constraints on development, some of the written comments give further clarification on the circumstances of individual towns. One respondent who said that both water and sewer systems posed "a lot" of constraints wrote, "no public/municipal water system. Largest community system at capacity; in need of expensive upgrades. No new connections allowed, limiting higher density development in area zoned for this."

This is the case for several other towns which reported that their water and sewer systems are at capacity, whether that was in a certain district or town wide. One local official described a lack of waste and potable water as "the BIGGEST factor limiting new housing in the small rural villages where I work."

A cross-tabulation of water system and sewer system constraints with town population (see Appendix C) show that medium size towns with 1001–3000 residents are more likely to encounter restricted development because of their public or community sewer and water systems. Whereas a little over one quarter of towns with 1000 people or fewer and a little under half of towns with over 3000 people reported some constraint with their water system, 76 percent of towns with 1001–3000 citizens felt development was restricted due to their water system. 28 percent of those towns classified the extent of the constraint as "a lot" or a "great deal," as opposed to 18 percent of smaller towns and 7 percent of larger ones.

Overall, sewer systems represented a larger perceived constraint. As with the water systems, a little over one quarter of towns with a population of 1000 or fewer said there was any constraint due to sewer systems. However, 54.9 percent of municipalities with over 3000 people and 80 percent with 1001–3000 people said there was some constraint on development due to their sewer systems. 22.6 percent of the largest towns said the extent was "a lot" or "a great deal" while 64 percent of medium sized towns said the same.

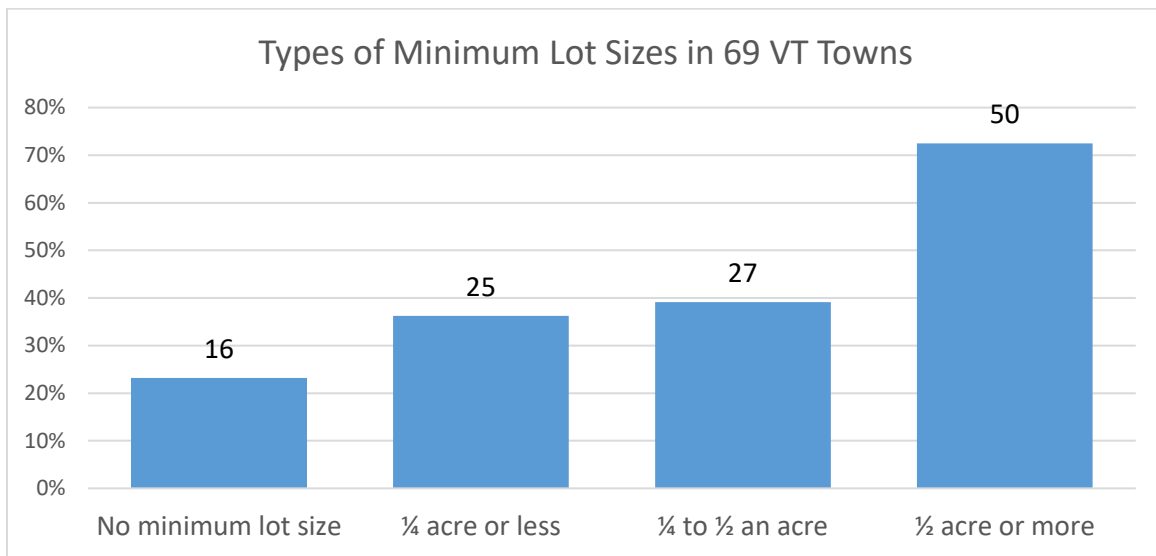
It makes logical sense that a medium-sized town would run into more difficulties with their water and sewer systems than a smaller or larger town; very rural communities are likely to

have less demand for development while larger towns are more likely to have the resources to invest in the necessary infrastructure.

### Regulatory Minimums & Maximums

Question 4:

*Which minimum lot sizes are in place? (Check all that apply)*



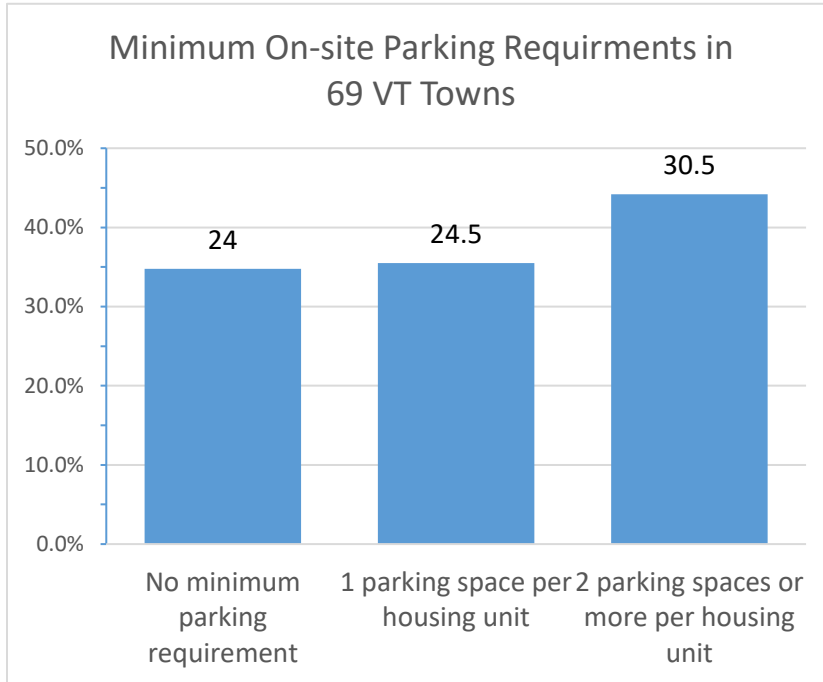
Of the 69 towns represented by respondents, 71 percent reported that their town contained at least one district with minimum lot sizes (MLS) of 1/2 acre or more. Several respondents left comments specifying that their MLS are as high as 5, 10, and 25 acres. 39.1 percent of towns contained MLS between 1/4–1/2 acre, and 36.2 percent had MLS of 1/4 acre or less. Less than a quarter (23.2 percent) of towns had districts in which there was no minimum lot size.

Of the 25 towns with an MLS of 1/4 acre or less, 20 of them also have an area where lots can be no smaller than 1/2 acre. Similarly, 24 of the 28 towns with MLS of 1/4–1/2 acre also require larger lots somewhere else in the town. Meanwhile, of the 50 towns which have a 1/2 acre or larger MLS somewhere in their borders, 22 of them do not have smaller MLS allowed anywhere. 17 towns had a mix of all three sizes somewhere within their districts.

Large lot sizes can pose significant barriers to housing affordability. When towns increase the amount of land required to build new residential units, those units will necessarily need to be sold or rented at a higher cost to make-up for that initial investment in property. As is discussed in the next section of this report, towns can adopt more flexible minimum lot sizes which still preserve the health, safety, and character of a community.

Question 5:

Which minimum on-site (off street) residential parking requirements are in place? (Check all that apply)



The most common parking requirement was 2 spaces per residential unit with 30.5 towns of the 69 reporting such regulations anywhere within the town.<sup>2</sup> 24.5 towns require 1 parking space per unit and 24 had no minimum off-site parking requirements in some part of their borders. Of the towns with no minimum parking in some districts, 8 also had a 1 or 2 space minimum somewhere else.

The optional comments for this question reveal that parking regulation are variable in their style and scope. For example, on respondent said that their town requires less than 1 space per unit for retirement homes and assisted living facilities. Another town mandates 2 spaces per unit, but available on-street parking can satisfy that requirement. A third town said that the parking requirement was determined by the size of the unit.

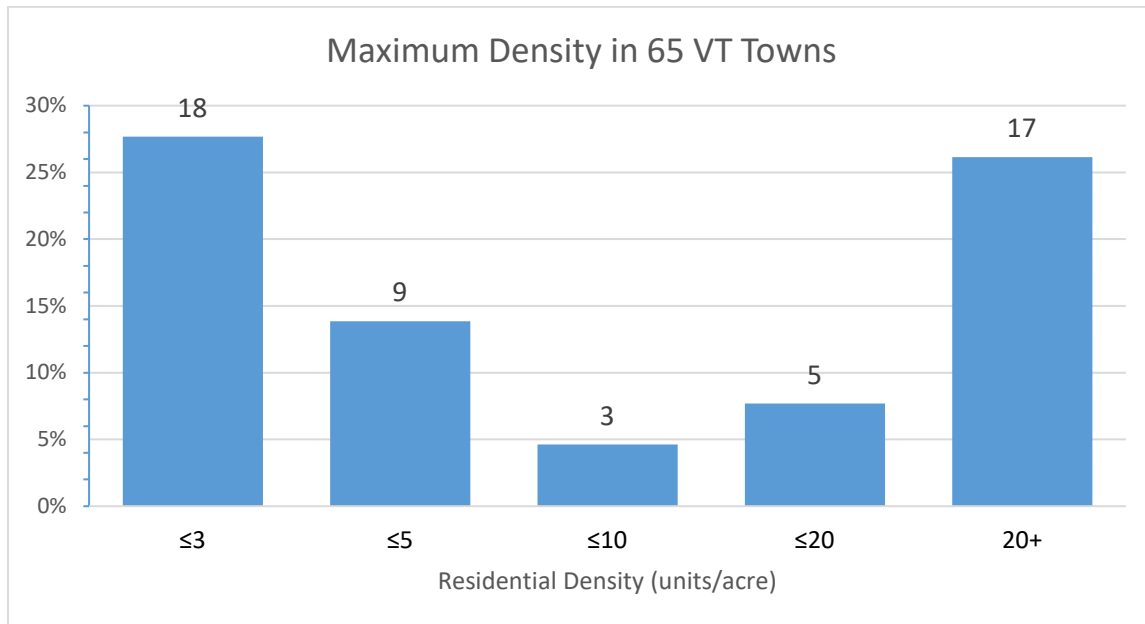
As with minimum lot sizes, parking requirements have the capacity to restrict potential development. If a multifamily unit is within walking distance of public transportation or a downtown district with commercial buildings, residents may not have a need for a car. A parking requirement would force them to pay for a space they do not use. These scenarios are more applicable to larger communities, but rural towns may still benefit from, for example, assessing where on-street parking can help off-set the need to construct large parking lots.

<sup>2</sup> One town reported a parking requirement of 1.5 spaces per residential unit, so 0.5 was added to the number of towns with a 1-space minimum and the towns with a 2-space minimum.



Question 6:

*What is the highest housing density allowed in your municipality? (Select one)*



The graph above demonstrates the extremes which the 65 responding towns take in setting density regulations. Over one quarter of Vermont towns surveyed restrict residential density to just 3 units or fewer per acre. Only a little more than a quarter allow more than 20 units per acre in at least one area of the town.

Nearly one fifth of respondents, however, reported unique regulations which could not be categorized with the answers provided. Five respondents said that their towns do not have zoning regulations of this type (or at all). One town utilizes form-based code, which is more likely than typical zoning to allow higher density projects\*\* Two respondents said that their towns allow one primary structure per lot, but that structure could be multifamily. Another said they had no statutory limit on density, but that a conditional use determination would be made before a project is approved.

Appendix C contains a crosstab of maximum density regulations by town population. As might be expected, 3 or fewer units per acre is the most common maximum density among towns with 1–1000 people (66.7 percent) and those with 1001–3000 people (62.5 percent). Very low maximum density was less frequent in towns of over 3000, but still higher than might be expected, with 14.3 percent reporting 3 or fewer units per acre.

\*\* Form based code is a zoning regulation which specifies development requirements based on the form and appearance of the building, rather than the use. You can learn more here: <https://formbasedcodes.org/definition/>

Meanwhile, the plurality (46.4%) of larger towns have a maximum density of over 20 units per acre. Less than 19 percent of either group of towns with fewer than 3000 people have a maximum density of 11 or more units.

Limits on density are another example of how regulations can unnecessarily restricting housing development. There are situations in which low maximum density requirements may be beneficial for safety or environmental factors. However, limiting density to one unit per acre is essentially the same as instituting a one-acre minimum lot size for a single-family home. The many towns that only allow 3 or fewer homes per acre have made it very challenging to build any multifamily structures.

Question 7:

*Does your municipality allow the development of the following housing types in any zoning districts, either 'by right' or with conditional use review? (Check all that apply)*

Response	Count	Percent
Multi-family with 5 or more dwelling units	51	73.9%
Boarding room housing	0	0.0%
Rooming/boarding/co-living house	46	66.7%
Manufactured/Modular/Mobile homes	60	87.0%
Total	69	

The types of housing listed in the above question are generally less expensive to build than single family dwellings, for example, and thus these home types are more likely to be affordable for families in lower income brackets. 73.9 percent of towns allow the development of multi-family buildings with 5 or more dwelling units; 66.7 percent allow rooming, boarding, or co-living housing; and 87 percent allow manufactured, modular, or mobile homes.<sup>3</sup> 41 of the towns, or 59.4 percent, allowed all three.

It should be noted that these types of development being legally allowed does not mean they are functionally possible to build; a cumbersome permitting process or conditional use review from a skeptical board can present unnecessary hurdles for affordable housing development.

<sup>3</sup> None of the respondents listed "boarding room housing" as a type that is allowed in their town, however it's plausible that a mistake in the survey design which included "boarding" in the third option, "Rooming/boarding/co-living house," caused confusion.

Question 8:

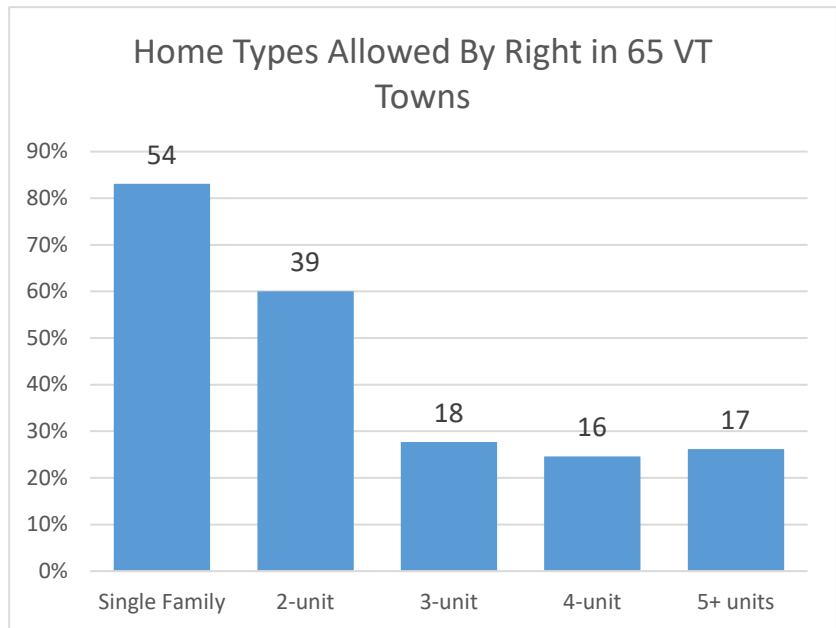
*Which of the following housing development is allowed 'by right' (permitted without conditional use review) in any zoning district? (Check all that apply)*

Response	Count	Percent
Accessory Dwelling Units	51	78.5%
Single Family Dwellings	54	83.1%
2-unit buildings/Duplexes (excluding ADUs)	39	60.0%
3-unit buildings/Triplexes	18	27.7%
4-unit buildings/Fourplexes	16	24.6%
Multi-family with 5 or more dwelling units	17	26.2%
Rooming/boarding/co-living house	0	0.0%
Use of entire dwelling unit as a short-term rental or lodging	0	0.0%
Manufactured/Modular/Mobile homes	39	60.0%
Other (please explain)	12	18.5%
Total	65	

Establishing 'by right' development lets a developer or property owner gain approval for their project administratively if they have met preset specifications rather than undergo an often lengthy and uncertain conditional use review process. Of the 65 towns surveyed, 78 percent reported allowing accessory dwelling units (ADUs) to be constructed by right. ADUs represent a relatively low-cost way to expand the affordable housing stock as the land has already been purchased for the primary dwelling. These expansions can be particularly useful for seniors

hoping to downsize while aging in place or homeowners hoping to earn some income by renting out a room.

For primary structures, the vast majority (83 percent) of towns allow single family home development by right, but that figure declines as the number of dwelling units increases; slightly fewer than one in four towns permit 4-unit buildings by right. Just over one in four towns enable by right development of multi-family buildings with 5 or more units.



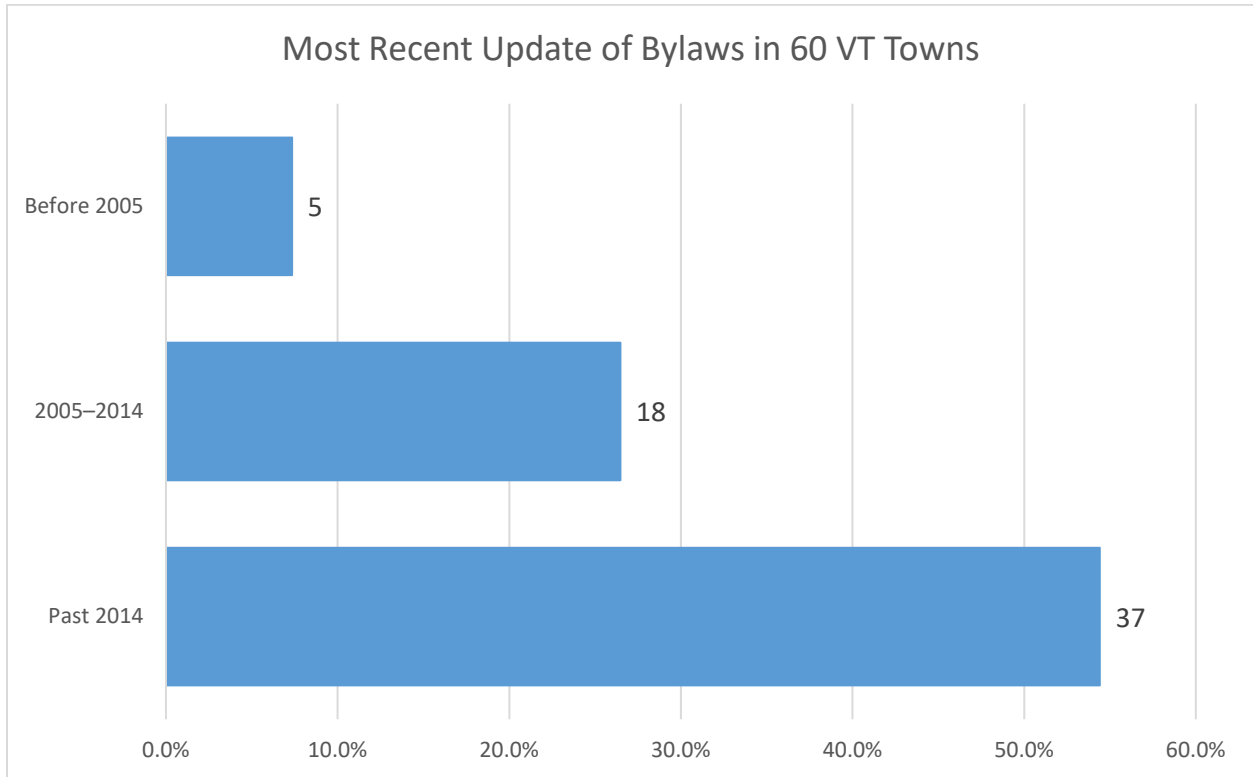
No town allows rooming, boarding, co-living houses, or short-term rental or lodging buildings by right. 14 towns (21.5 percent) allow single, double, triple, quadruple, and multi-family buildings to be developed by right.

Four respondents said that their town did not have any constraints or zoning laws which would preclude a developer from building a structure, but these responses were included among the "Other" group due to their lack of specificity. Some of the written comments demonstrate the variety in local regulations. One respondent wrote that they allowed most of the listed types of housing by-right, "except in [their] two downtown zoning districts where multifamily is allowed by right, but not single family or duplex." Another said that "these dwelling types are permitted in all districts except [one area]" where "up to a duplex is by right." A third survey taker commented that "single family dwellings [are] not allowed above 2500 ft in [the] ecological reserve district."

## **Bylaw Modernization**

### Question 12:

*When did your town last comprehensively update its bylaws?*



Vermont towns appear to be conscious of keeping their bylaws up to date. A little over half of respondents have comprehensively updated their bylaws since 2015. Roughly one quarter did so between 2005 and 2014. Only 7.4 percent haven't reviewed their code since before 2005.

Eight respondents reported that their town's circumstance did not fit into one of these categories. Three indicated that they are currently in the process of an update. Three said that they have no bylaws. One respondent said they were not sure and one reported that the last "comprehensive" update took place in the early 1990s but that small revisions have been made periodically since that time.

Our understanding of the implications of zoning on housing affordability is continuously expanding. This means that regardless of when bylaws were last updated, a town is always likely to find ways to better align them with the goal of addressing local housing challenges if they engage in bylaw review.



Question 13:

*Which of these are significant barriers to bylaw modernization faced by your municipality?  
(Check all that apply)*

Response	Count	Percent
Lack of municipal staff capacity	23	42.6%
Lack of funds to hire consultant to assist	18	33.3%
Lack of community support for updating bylaws	17	31.5%
No need to update bylaws	13	24.1%
Other	13	24.1%
Total	54	

A lack of staff capacity was the most common barrier to bylaw modernization with 42.6 percent of towns citing it. Similarly, one third of respondents said their town lacked the funds to hire consultants to assist with a bylaw update. 31.5 percent of town officials felt that there was not enough community support for a bylaw update. 14 towns listed only one of these barriers, 10 had two barriers, and 8 reported the presence of all three barriers.

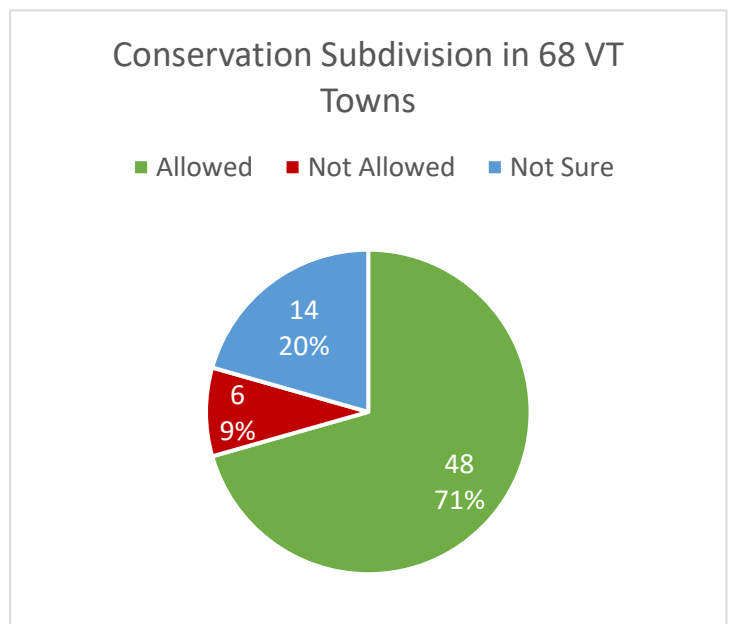
Of the 37 respondents who said in the previous question that they have updated their bylaws after 2014, 15 skipped this question and 7 selected "No need to update bylaws." There were 6 towns which last updated their bylaws 2014 or earlier who believed there was no need to update their bylaws. One gave an explanation that their municipal departments were sufficiently proactive in identifying needed bylaw adjustments.

**Tools for Promoting Affordability**

Question 11:

*Do you allow conservation subdivision (including Planned Unit Development) for housing development that preserves ecological functions and working lands by clustering housing?*

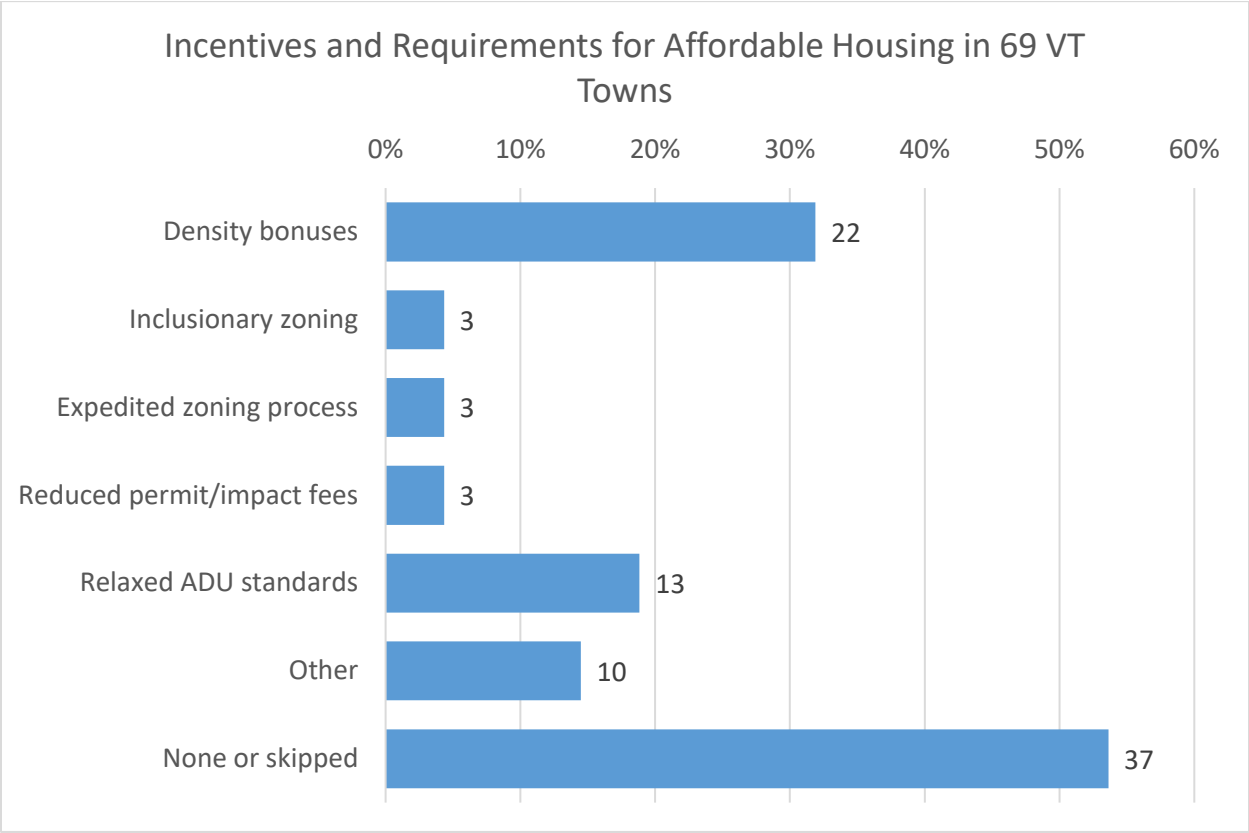
70.6 percent of towns allow conservation subdivision while 8.8 percent did not. When removing respondents who were not sure about their town's laws, those numbers increase to 88.9 percent allowing conservations subdivisions and 11.1 percent not allowing it.



Conservation subdivision is a development technique in which a large parcel of land contains many homes which are built close together in order to preserve open, common space with the remaining land. This is in contrast with a typical development strategy which spreads homes out over the land on larger individual lots and thus can cost more per home. Conservation subdivisions can be valuable tools in simultaneously promoting affordability and protecting natural resources.

**Question 14:**

*Does your municipality utilize any of the following incentives or requirements to promote the development of affordable/missing middle homes? (Check all that apply)*



This question asked respondents to list as many regulatory incentives and requirements as their town utilizes to promote the development of affordable homes. Just under one in three towns utilize density bonuses, a policy that allows developers to build units more densely than normally if their project is specifically designed to meet community goals—in this case, housing affordability. Vermont state law requires towns to allow homeowners to construct accessory dwelling units if certain conditions are met but, according to our survey, 18.8 percent of municipalities have further relaxed their ADU standards to encourage more development.

Inclusionary zoning is a policy which requires new residential development to contain some percentage of units which are affordable to lower-income households. Three towns reported having an inclusionary zoning law. Notably, two of those towns also utilize density bonuses and the third has reduced permitting and impact fees and relaxed ADU standards. Two other towns have reduced permitting and impact fees in an effort to keep development costs low. Both these towns have also adopted an expedited zoning process and one gives density bonuses and has relaxed its ADU standards. The third town with an expedited zoning process also uses density bonuses and relaxed ADU standards to encourage affordable housing development.

What this demonstrates is that many of the municipalities that set out to promote affordable housing development through regulatory policies utilize several techniques to accomplish their goal. Indeed, of the 27 towns which used any of the listed policies, 12 of them used more than one.

More than half (53.6 percent) of towns did not have any of these policies to encourage development or they skipped the question. In the comments, one respondent wrote that they "are considering all of the above, anything to encourage density and affordability while preserving undeveloped land." Another said that their town is "in the process of looking at ways to facilitate new development including demonstration public private projects."

A few respondents offered unique situations: "We don't have special provisions for 'affordable housing,'" wrote one, "but we have established densities that allow infill and made multifamily a permitted use in most zoning districts." Another survey taker commented on the development environment in his town when saying, "density bonuses are possible but have never been requested to my knowledge. Subdivision is incremental with only one or two lots being created at a time. No one is "developing" - there is just division of land primarily for transfer within families and estate planning purposes."

## Opinions and Perceptions

### Question 15:

*In your opinion, who is the most responsible for helping to improve housing affordability in your community? (Rank the following choices from most to least responsible)*

Response	Rank					Times Listed	Score
	(Most responsible)		(Least responsible)				
	1	2	3	4	5		
Federal government	13 23%	8 14%	9 16%	14 25%	12 21%	56 100%	2.93
State government	11 19%	23 40%	14 25%	7 12%	2 4%	57 100%	3.60
Local government	9 16%	10 18%	16 29%	11 20%	10 18%	56 100%	2.95
Non-profit organizations	12 21%	9 16%	12 21%	13 23%	11 19%	57 100%	2.96
Private developers	14 23%	7 12%	7 12%	11 18%	21 35%	60 100%	2.70

Survey takers were asked about who is most responsible for improving housing affordability between the federal, state, and local governments, non-profit organizations, and private developers. By examining the rank assigned to each potential developer or policymaker by the respondents, assigning higher scores to lower ranked (perceived to be more responsible) groups, then averaging the score by the number of times the group was ranked, a score can be determined. Higher scores mean that, on average, the group was thought to be more responsible for improving affordability.

No group was listed in the number one spot substantially more than another, but 57% of respondents ranked state government as most or 2nd most responsible. Private developers, meanwhile, were most consistently ranked in last place for responsibility to promote affordability. This resulted in their having the lowest overall score. Among the federal government, local government, and non-profit organizations, the scores were similar, and the rankings had no clear pattern.

While responsibility for improving housing affordability is a matter of opinion, ability to take action is more objective. Municipal governments have reliable policies at their disposal for encouraging affordable housing development, as discussed in the next section of this report.

Question 16:

*How interested would you say your municipality is in expanding its stock of homes affordable to lower income residents, with "1" being not interested at all and "100" being extremely interested?*

Range of Response	Count	Percent
0–24	16	24.2%
25–49	11	16.7%
50–74	16	24.2%
75–100	23	34.8%
Total Responses	66	100.0%

Average: 53.8

Respondents were asked to characterize their community's interest in expanding their stock of affordable homes on a scale of 1–100. The average score was 53.8, representing the mixed responses. Slightly less than one quarter of the survey takers inputted 24 or less, about one sixth said 25–49, another quarter wrote 50–74, and just over one third reported that their interest was 75 out of 100 or higher. Although 6 people listed "0" as their municipality's interest, 11 people listed "100."



## Survey Conclusions

We know that housing development in Vermont has slowed in recent decades and this—combined with modest population growth, declining home product, a decrease in household size, and wage stagnation—has led to the cost of buying and renting inching more and more out of reach for over one third of Vermonters. This survey provides a limited overview of what barriers to and incentives for affordable home development exist in Vermont towns.

The results show that there is no consensus on who is responsible for making homes more affordable and that interest in expanding their affordable housing stock is relatively split among Vermont municipalities. This has resulted in proactive policymaking from a handful of towns, including those that enacted a combination of density bonuses, inclusionary zoning, expedited zoning processes, and reduced permitting and impact fees.

Realistically, these regulatory tools are only available and applicable to towns with the demand for development and resources to put them in place. For many smaller towns, economics and infrastructure pose a much greater barrier to affordable development. That being said, reviewing and updating local bylaws can alleviate some of the burden to home builders even in small markets.

Nearly one quarter of Vermont towns limit their maximum residential density to 3 units or fewer per acre, while another quarter allows densities of more than 20 units per acre. 74 percent of towns allow multifamily buildings to be constructed, but only 26 percent allow them to be built by right, without a conditional use review. Over four out of five towns allow accessory dwelling units to be constructed by right while less than one out of five have relaxed their ADU standards more than the state requires.

No town has solved the affordable housing shortage solely through regulation but taking the steps available to them that promote smaller, more densely packed homes can go a long way in reducing housing costs. The results of this survey indicate that, while more work is required to reverse the trend of rising housing costs, progress is being made by Vermont's towns to expand opportunities for affordable home development. A long-term solution to housing unaffordability will necessitate action from federal, state, and local governments.

## **Local Policy Options for Creating more Affordable Housing**

There are many tools and resources a town or city can utilize to assist the development of affordable housing. The Vermont Housing Finance Agency maintains a "Housing-Ready toolbox" which can serve as a guide for local decision-makers and community members to assess their housing needs and make necessary corrections. This can be found using the URL <https://www.housingdata.org/toolbox/steps-for-municipalities>.

Any municipality interested in updating their regulatory environment to reduce barriers to housing development should examine the following:<sup>27</sup>

- **Establish 'by right' development**

Many towns require a proposed development undergo a discretionary review process which can add significant costs to the developer due to delay and uncertainty. Ultimately these costs are paid for by lowering the quality or quantity of units or increasing the price for the consumer. "By right" development allows a project to be approved administratively if the proposal adheres to local zoning regulations, increasing certainty and decreasing costs. By-right development can also be enacted to meet specific community goals like affordable housing or energy efficiency, and it can also be limited to certain areas to protect natural resources or historically significant places.

- **Tax vacant land**

Vacant residential land not only represents a missed housing opportunity, but it can also decrease property values, increase crime, and damage public health, and cost the municipal government.<sup>28</sup> A town can enact vacant property registration ordinances which require property owners to register vacant land and pay a fee. This fee can occur every set interval of time and increase the longer the property remains vacant, thereby incentivizing the owner to find a use for the land or sell it to someone who will.

- **Streamline the permitting process and reduce fees**

Delays and uncertainty can increase the cost of development. Lengthy permitting processes can restrict housing supply responsiveness to demand. San Diego, for example, set a regular, expedited permitting processes for affordable housing development with a 5-business day initial review. Technology can be leveraged to streamline the permitting process. Permit fees can also be reduced for affordable housing projects.

- Increase residential parking flexibility

Parking spaces take significant land and require the developer to acquire more of it for a project. This increases costs even if many parking spaces go unused. Relaxing parking standards and waiving parking requirements can help offset the price of development. For example, commercial and residential properties are generally used at different times of the day, so mixed-use development may be able to share spaces. Housing projects within walking distance to job centers or public transportation may also have greater flexibility with their parking needs.

- Update zoning bylaws to allow and encourage higher-density development

Housing projects are governed by economies of scale; generally, a development's cost-per-unit decreases with the number of units being built. All else being equal, the cost per home of a duplex should be less expensive than a single-family home because the two families are sharing resources like land or water, sewer, and electricity infrastructure. Many municipalities restrict the development of high density and multi-family homes through their zoning.

Minimum lot sizes for residential units can also be damaging to affordability. Single family homes built close together allows for greater financial savings in land and infrastructure construction than homes built farther apart. Removing these restrictive regulations go a long way in providing developers the flexibility they need to build affordable homes.

A town can accompany regulation changes with incentives like density bonuses, or the condition that relaxed density requirements will only be granted if a certain percentage of a proposal's units be affordable. Inclusionary zoning is an ordinance which simply requires that all new projects contain some number of affordable units for low- and moderate-income residents.

## **Appendix A: Sample Survey**

This survey has been created by the Vermont Housing Finance Agency and is co-sponsored by Vermont's Department of Housing and Community Development.

By answering these questions, you will help improve funding resources, inform decisions about the intersection of zoning and housing affordability in Vermont, and identify information gaps and future areas of research. The survey may also help connect you to potential funding sources and best practices for your community. All survey results will be summarized at a statewide, not individual town level.

**Feel free to answer questions anonymously and to use your best estimate or write "unsure" or "N/A" for any answers you are not confident about. Please complete by Friday, July 30, 2021. The survey should take no more than 15 minutes to complete. We invite you to contact us with questions or comments at [bharrold@vhfa.org](mailto:bharrold@vhfa.org).**

1. What is the population of your municipality?

- 1000 or fewer
- 1001–3000
- 3001 or greater

2. In your opinion, to what extent have constraints with public or community *water systems* substantially restricted the development of new homes in your municipality?

- A great deal
- A lot
- A moderate amount
- A little
- Not at all

Comment: \_\_\_\_\_

3. In your opinion, to what extent have constraints with public or community *sewer systems* substantially restricted the development of new homes in your municipality?

- A great deal
- A lot
- A moderate amount
- A little
- Not at all

Comment: \_\_\_\_\_

**Throughout the zoning districts in your municipality that allow residential development:**

4. Which minimum lot sizes are in place? (Check all that apply)

- No minimum lot size
- 1/4 acre or less
- 1/4 to 1/2 an acre
- 1/2 acre or more
- Other (please explain) \_\_\_\_\_

5. Which minimum on-site (off street) residential parking requirements are in place? (Check all that apply)

- No minimum parking requirement
- 1 parking space per housing unit
- 2 parking spaces or more per housing unit
- Other (please explain) \_\_\_\_\_

6. What is the highest housing density allowed in your municipality? (Select one)

- 3 or fewer dwelling units per acre
- 5 or fewer dwelling units per acre
- 10 or fewer dwelling units per acre
- More than 20 dwelling units per acre
- Other (please explain) \_\_\_\_\_

7. Does your municipality allow the development of the following housing types in any zoning districts, either 'by right' or with conditional use review? (Check all that apply)

- Multi-family with 5 or more dwelling units
- Rooming/boarding/co-living house
- Manufactured/Modular/Mobile homes

8. Which of the following housing development is allowed 'by right' (permitted without conditional use review) in *any* zoning district? (Check all the apply)

- Accessory Dwelling Units
- Single Family Dwellings
- 2-unit buildings/Duplexes (excluding ADUs)
- 3-unit buildings/Triplexes
- 4-unit buildings/Fourplexes
- Multi-family with 5 or more dwelling units
- Manufactured/Modular/Mobile homes



Other (please explain) \_\_\_\_\_

9. Does your municipality regulate short-term rentals? (Beyond the basic health and safety guidelines that apply to all homes in your community)

- Yes
- No
- Other (please explain)

10. Approximately what percent of your municipality's land area has natural conditions or local regulations that significantly limit new housing development, such as natural resource-based zoning districts, flood hazard area, major wetlands, conserved lands, or public lands?

- None
- 1-20%
- 21-40%
- 41-60%
- 61% or more
- Not Sure

11. Do you allow conservation subdivision (including Planned Unit Development) for housing development that preserves ecological functions and working lands by clustering housing?

- Yes
- No
- Not sure

12. When did your town last comprehensively update its bylaws?

- 2015 or more recently (skip next question)
- 2005–2014
- Prior to 2005
- Other (please explain) \_\_\_\_\_

13. Which of these are significant barriers to bylaw modernization faced by your municipality (Check all that apply)

- Lack of municipal staff capacity
- Lack of funds to hire consultant to assist
- Lack of community support for updating bylaws
- No need to update bylaws
- Other (please explain)

14. Does your municipality utilize any of the following incentives or requirements to promote the development of affordable/missing middle homes? (Check all that apply)

- Density bonuses
- Reduced permitting or impact fees
- Inclusionary zoning (i.e. requiring certain new development to include a portion of homes with prices or rents affordable for households with middle or lower incomes)

- Relaxed Accessory Dwelling Unit standards more than state law currently requires to encourage development
- Expedited zoning process
- Other (please describe) \_\_\_\_\_

15. In your opinion, who is the most responsible for helping to improve housing affordability in your community? (Rank the following choices from most to least responsible)

- \_\_\_ Federal government
- \_\_\_ State government
- \_\_\_ Local government
- \_\_\_ Non-profit organizations
- \_\_\_ Private developers

16. How interested would you say your municipality is in expanding its stock of homes affordable to lower income residents, with "1" being not interested at all and "100" being extremely interested?

1 \_\_\_\_\_ 10  
(Moveable slider)

## **Appendix B: Full Responses to Survey Questions**

### **Question 1:**

*What is the population of your municipality?*

Response	Count	Percentage
3001 or greater	31	44.9%
1001–3000	25	36.2%
1000 or fewer	13	18.8%
Total	69	100.0%

### **Question 2:**

*In your opinion, to what extent have constraints with public or community water systems substantially restricted the development of new homes in your municipality?*

Response	Count	Percentage
Not at all	30	44.8%
A little	18	26.9%
A moderate amount	8	11.9%
A lot	7	10.4%
A great deal	4	6.0%
Total	67	100.0%

### **Question 3:**

*In your opinion, to what extent have constraints with public or community sewer systems substantially restricted the development of new homes in your municipality?*

Response	Count	Percentage
Not at all	27	40.3%
A little	11	16.4%
A moderate amount	5	7.5%
A lot	15	22.4%
A great deal	9	13.4%
Total	67	100.0%

**Question 4:**

*Which minimum lot sizes are in place? (Check all that apply)*

Response	Count	Percent
No minimum lot size	16	23.2%
¼ acre or less	25	36.2%
¼ to ½ an acre	27	39.1%
½ acre or more	50	72.5%
Total	69	

**Question 5:**

*Which minimum on-site (off street) residential parking requirements are in place? (Check all that apply)*

Response	Count	Percent
No minimum	24	34.8%
1 space	24.5	35.5%
2 spaces	30.5	44.2%
Other	22	31.9%
Total	69	

**Question 6:**

*What is the highest housing density allowed in your municipality? (Select one)*

Response	Count	Percentage
3 or fewer dwelling units per acre	18	27.7%
5 or fewer dwelling units per acre	9	13.8%
10 or fewer dwelling units per acre	3	4.6%
20 or fewer dwelling units per acre	5	7.7%
More than 20 dwelling units per acre	17	26.2%
Other (please explain)	13	20.0%
Total	65	100.0%

**Question 7:**

*Does your municipality allow the development of the following housing types in any zoning districts, either 'by right' or with conditional use review? (Check all that apply)*

Response	Count	Percent
Multi-family with 5 or more dwelling units	51	73.9%
Boarding room housing	0	0.0%
Rooming/boarding/co-living house	46	66.7%
Manufactured/Modular/Mobile homes	60	87.0%
Total	69	

**Question 8:**

*Which of the following housing development is allowed 'by right' (permitted without conditional use review) in any zoning district? (Check all that apply)*

Response	Count	Percent
Accessory Dwelling Units	51	78.5%
Single Family Dwellings	54	83.1%
2-unit buildings/Duplexes (excluding ADUs)	39	60.0%
3-unit buildings/Triplexes	18	27.7%
4-unit buildings/Fourplexes	16	24.6%
Multi-family with 5 or more dwelling units	17	26.2%
Rooming/boarding/co-living house	0	0.0%
Use of entire dwelling unit as a short-term rental or lodging	0	0.0%
Manufactured/Modular/Mobile homes	39	60.0%
Other (please explain)	12	18.5%
Total	65	

**Question 9:**

*Does your municipality regulate short-term rentals? (Beyond the basic health and safety guidelines that apply to all homes in your community)*

Response	Count	Percent
No	60	88.2%
Yes	7	10.3%
Other (please explain)	1	1.5%
Total	68	100.0%

**Question 10:**

*Approximately what percent of your municipality's land area has natural conditions or local regulations that significantly limit new housing development, such as natural resource-based zoning districts, flood hazard area, major wetlands, conserved lands, or public lands?*

Response	Count	Percent
None	1	1.4%
1–20%	16	23.2%
21–40%	15	21.7%
41–60%	14	20.3%
61% or more	5	7.2%
Not sure	18	26.1%
Total	69	100.0%

**Question 11:**

*Do you allow conservation subdivision (including Planned Unit Development) for housing development that preserves ecological functions and working lands by clustering housing?*

Response	Count	Percent
Yes	48	70.6%

No	6	8.8%
Not Sure	14	20.6%
Total	68	100.0%

**Question 12:**

*When did your town last comprehensively update its bylaws?*

Response	Count	Percent
2015 or more recently (skip next question)	37	54.4%
2005-2014	18	26.5%
Prior to 2005	5	7.4%
Other (please explain)	8	11.8%
Total	68	100.0%

**Question 13:**

*Which of these are significant barriers to bylaw modernization faced by your municipality?  
(Check all that apply)*

Response	Count	Percent
Lack of municipal staff capacity	23	42.6%
Lack of funds to hire consultant to assist	18	33.3%
Lack of community support for updating bylaws	17	31.5%
No need to update bylaws	13	24.1%
Other	13	24.1%
Total	54	

**Question 14:**

*Does your municipality utilize any of the following incentives or requirements to promote the development of affordable/missing middle homes? (Check all that apply)*

Response	Count	Percent
Density bonuses	22	31.9%
Inclusionary zoning (i.e. requiring certain new development to include a portion of homes with prices or rents affordable for households with middle or lower incomes)	3	4.3%
Expedited zoning process	3	4.3%
Reduced permitting or impact fees	3	4.3%
Relaxed Accessory Dwelling Unit standards more than state law currently requires to encourage development	13	18.8%
Other	28	40.6%
None or skipped	19	27.5%
<b>Total</b>	<b>69</b>	

**Question 15:**

*In your opinion, who is the most responsible for helping to improve housing affordability in your community? (Rank the following choices from most to least responsible)*

Response	Rank					Times Listed	Score
	1	2	3	4	5		
Federal government	13 23%	8 14%	9 16%	14 25%	12 21%	56	2.93
State government	11 19%	23 40%	14 25%	7 12%	2 4%	57	3.60
Local government	9	10	16	11	10	56	2.95



Non-profit organizations	16%	18%	29%	20%	18%	57	2.96
	12	9	12	13	11		
Private developers	21%	16%	21%	23%	19%	60	2.70
	14	7	7	11	21		
	23%	12%	12%	18%	35%		

**Question 16:**

*How interested would you say your municipality is in expanding its stock of homes affordable to lower income residents, with "1" being not interested at all and "100" being extremely interested?*

Range of Response	Count	Percent
0–24	16	24.2%
25–49	11	16.7%
50–74	16	24.2%
75–100	23	34.8%
Total Responses	66	100.0%
Average:	53.8	

## Appendix C: Crosstabulations with Population

### Constraints Posed by Water System by Size of Town

Constraint	Size of Town			Total
	1000 or fewer	1001–3000	3001 or greater	
Not at all	8 72.7%	6 24.0%	16 51.6%	30 44.8%
A little	1 9.1%	6 24.0%	11 35.5%	18 26.9%
A moderate amount	0 0.0%	6 24.0%	2 6.5%	8 11.9%
A lot	1 9.1%	4 16.0%	2 6.5%	7 10.4%
A great deal	1 9.1%	3 12.0%	0 0.0%	4 6.0%
<b>Total</b>	<b>11</b> 100.0%	<b>25</b> 100.0%	<b>31</b> 100.0%	<b>67</b> 100.0%

### Constraints Posed by Sewer System by Size of Town

Constraint	Size of Town			Total
	1000 or fewer	1001–3000	3001 or greater	
Not at all	8 72.7%	5 20.0%	14 45.2%	27 40.3%
A little	2 18.2%	1 4.0%	8 25.8%	11 16.4%
A moderate amount	0 0.0%	3 12.0%	2 6.5%	5 7.5%
A lot	0 0.0%	9 36.0%	6 19.4%	15 22.4%
A great deal	1 9.1%	7 28.0%	1 3.2%	9 13.4%
<b>Total</b>	<b>11</b> 100.0%	<b>25</b> 100.0%	<b>31</b> 100.0%	<b>67</b> 100.0%

Maximum Density by Size of Town

Maximum Density (units/acre)	Size of Town			Total
	1000 or fewer	1001–3000	3001 or greater	
≤ 3	4 66.7%	10 62.5%	4 14.3%	18 36.0%
≤ 5	1 16.7%	2 12.5%	6 21.4%	9 18.0%
≤ 10	0 0.0%	1 6.3%	2 7.1%	3 6.0%
≤ 20	0 0.0%	2 12.5%	3 10.7%	5 10.0%
20+	1 16.7%	1 6.3%	13 46.4%	15 30.0%
Total	6 100.0%	16 100.0%	28 100.0%	50 100.0%

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