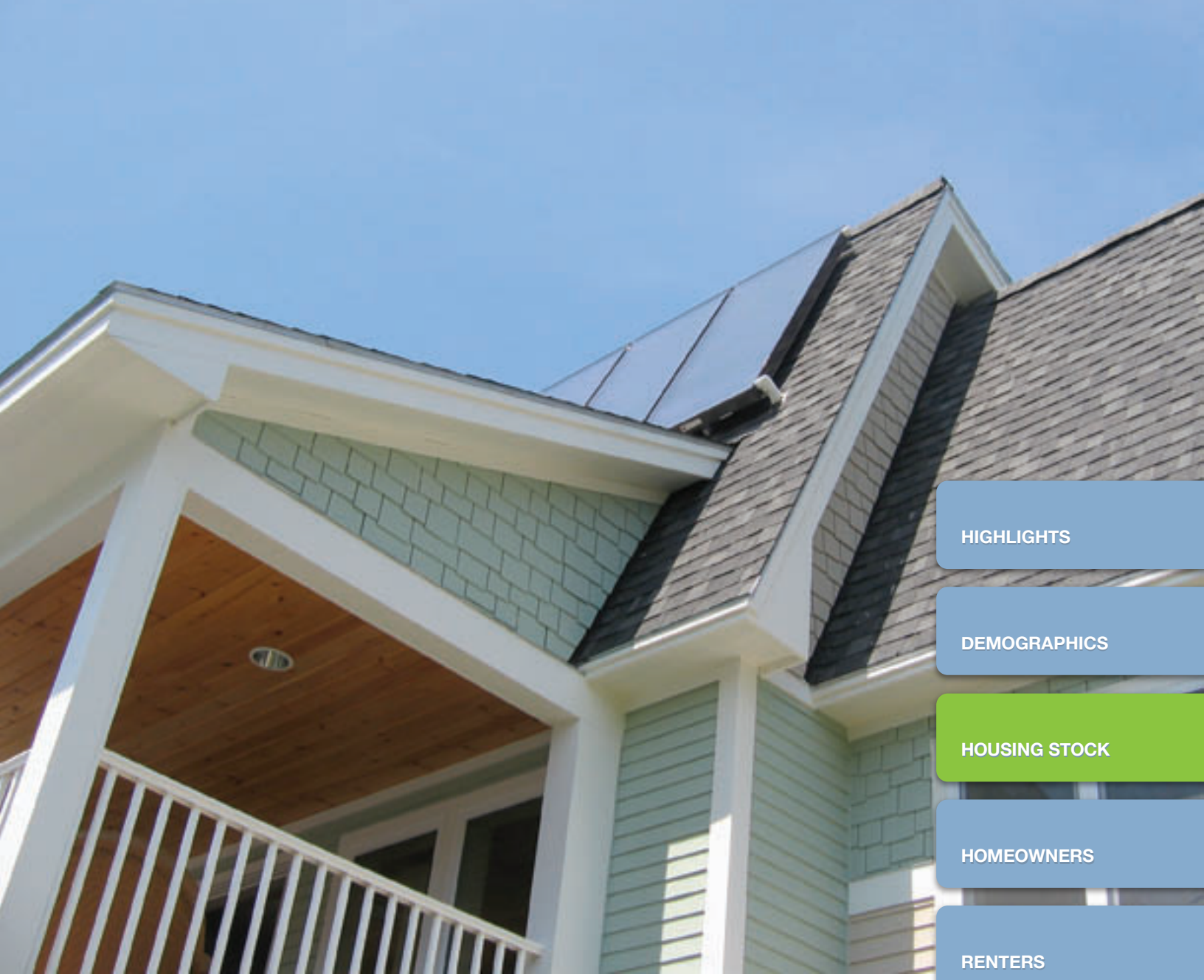

HIGHLIGHTS
DEMOGRAPHICS
HOUSING STOCK
HOMEOWNERS
RENTERS
ELDERS
SPECIAL NEEDS
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2010 VERMONT HOUSING NEEDS ASSESSMENT

Vermont's Housing Stock Challenges

This assessment was conducted by Vermont Housing Finance Agency for the Vermont Department of Economic, Housing and Community Development, with financial and technical support from the Vermont Housing & Conservation Board, Vermont Agency for Human Services, and Vermont State Housing Authority.

Based on national and state data, this assessment estimates current housing needs in Vermont and projects trends for the next five years. Results focus on housing needs among the state's 55,000 lower income households that have incomes at or below $41,000, approximately 80% of the state median.

An explanation of the study's methodology is online.

Prepared by staff of
VERMONT HOUSING FINANCE AGENCY

Written by
Leslie BLACK-PLUMEAU
Maura COLLINS

Designed by
Craig BAILEY

Cover photo: Sam Falzone
December 11, 2009

VERMONT'S HOUSING STOCK CHALLENGES

Summary

- Vermont's housing stock is dominated by older, owner-occupied homes. An estimated 44% of the housing stock in 2009 is comprised of owner-occupied primary residence homes built before 1950.

- Many homes in the state are likely to contain lead-based paint due to the age of the stock and the small scale of public efforts to assist with hazard reduction.

- Many homes were constructed before high energy costs made many energy conservation practices and products cost effective. The availability of new technologies could cost-effectively reduce the energy burden for many Vermont families.

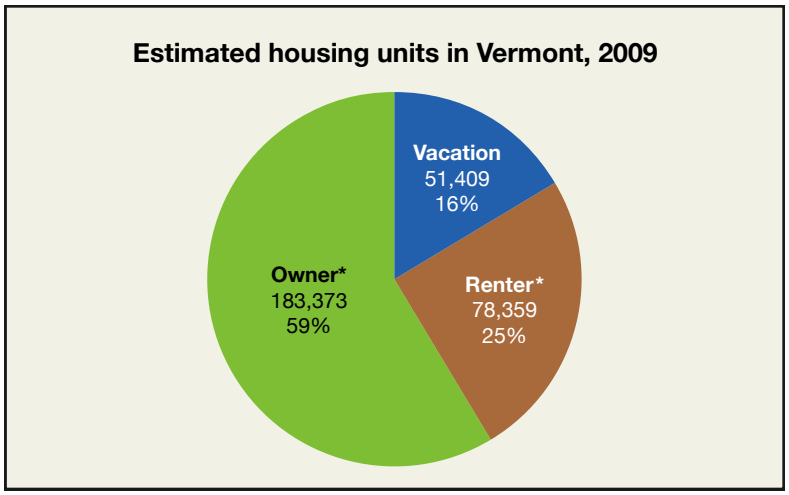
- The rate of Vermont home building has been extremely slow in recent years, due in part to the cost of development and other regulatory constraints. Only six states had slower rates of construction between 2007 and 2008.

- Relatively few homes in Vermont have been stricken by the wave of foreclosures sweeping the U.S. during the current recession. One cause is the relatively low level of subprime lending in Vermont earlier in the decade. For Vermonters who have suffered foreclosure recently, the most common reasons cited are job loss and income reduction.

Types of homes in Vermont's stock

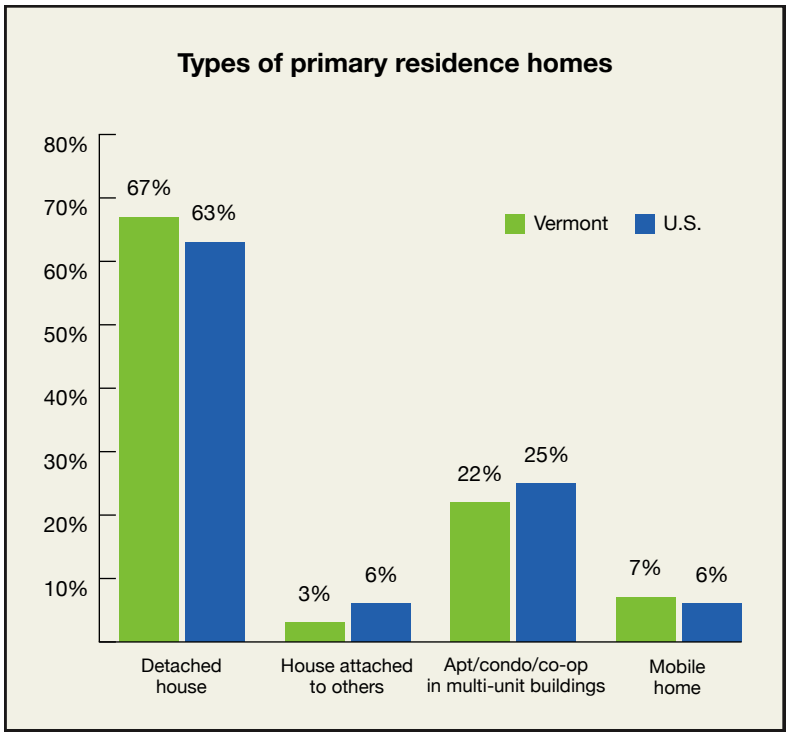
Vermont's housing stock is dominated by older, owner-occupied homes, with relatively few new homes built each year. The type of homes comprising Vermont's housing stock has remained largely unchanged in recent years. Seasonal homes comprise 16% of Vermont's housing stock, compared to 7% of the nation's homes overall.[1]

About 67% of Vermont's primary housing stock is composed of detached houses — somewhat more than the nationwide average of 63%. Attached homes, such as townhomes, and units in multi-unit buildings, such as apartments and condominiums, compose 25% of Vermont's stock, as compared the national average of 31%.



SOURCE: VHFA ANALYSIS BASED ON U.S. CENSUS BUREAU HOUSING UNIT ESTIMATES (TABLE HU-EST08-01), BUILDING PERMIT DATA AND AMERICAN COMMUNITY SURVEY 2005-7 TABLES B25003 AND B25004 AND ESTIMATES PROVIDED BY NIELSEN CLARITAS.

**Renter and owner units are primary homes.*

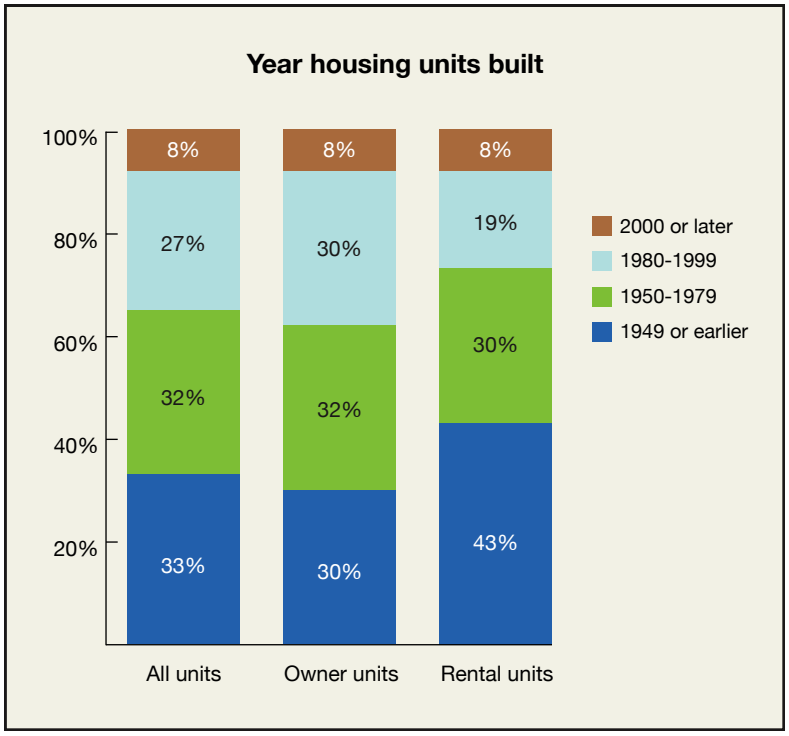


SOURCE: VHFA ANALYSIS OF ESTIMATES FROM U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2007, TABLE B25032. INCLUDES ALL HOMES THAT ARE OCCUPIED AS SEPARATE LIVING QUARTERS AND AS THE OCCUPANT'S CURRENT PLACE OF RESIDENCE, ASSUMING THEY ARE STAYING THERE FOR AT LEAST 2 MONTHS.

A third of Vermont's housing stock built before 1950

A sizeable portion of Vermont's housing stock is comprised of older homes, with 33% built before 1950. Among rental homes, this percentage is even higher (43%).

The median renter-occupied home in Vermont was built in 1959, while the median owner-occupied home was built fourteen years later in 1973.[2]

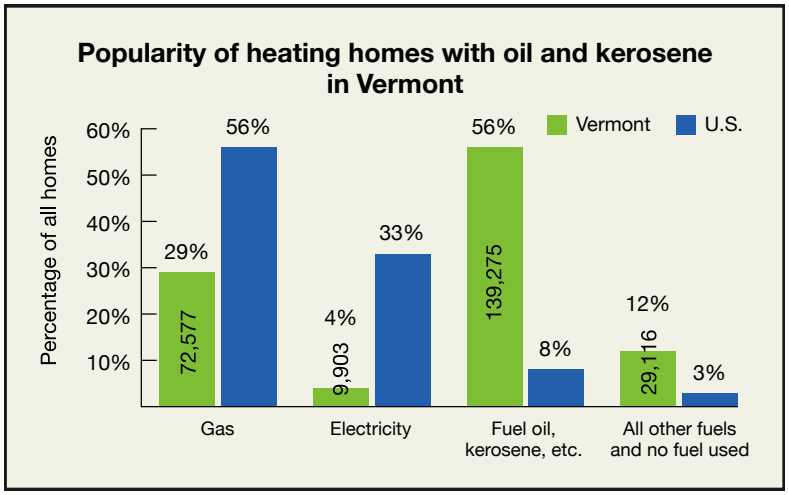


SOURCE: VHFA ANALYSIS OF ESTIMATES FROM U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2007, TABLE B25036

Utilities in Vermont homes

Many homes were constructed before high energy costs made many energy conservation practices and products cost effective. The availability of new technologies could cost-effectively reduce the energy burden for many Vermont families.

The most prevalent type of home heating in Vermont is fuel oil and kerosene. While heating only 8% of homes nationwide, oil and kerosene heat 56% of Vermont's homes. Like New England's other northern states Maine and New Hampshire, far fewer homes in Vermont are heated with natural gas, when compared to oil and kerosene. The cost of natural gas and electricity is regulated by the state while the market determines the price of fuel oil, kerosene and propane. There is higher potential for dramatic fluctuations in prices of fuel oil because of this.



SOURCE: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2005-7 TABLE C25117

Note: "Gas" includes utility gas and bottle, tank, or LP gas. "All other fuels" includes coal, coke, wood, solar, and other fuels.

The rising cost of home heating oil hits states like Vermont especially hard. According to the U.S. Energy Information

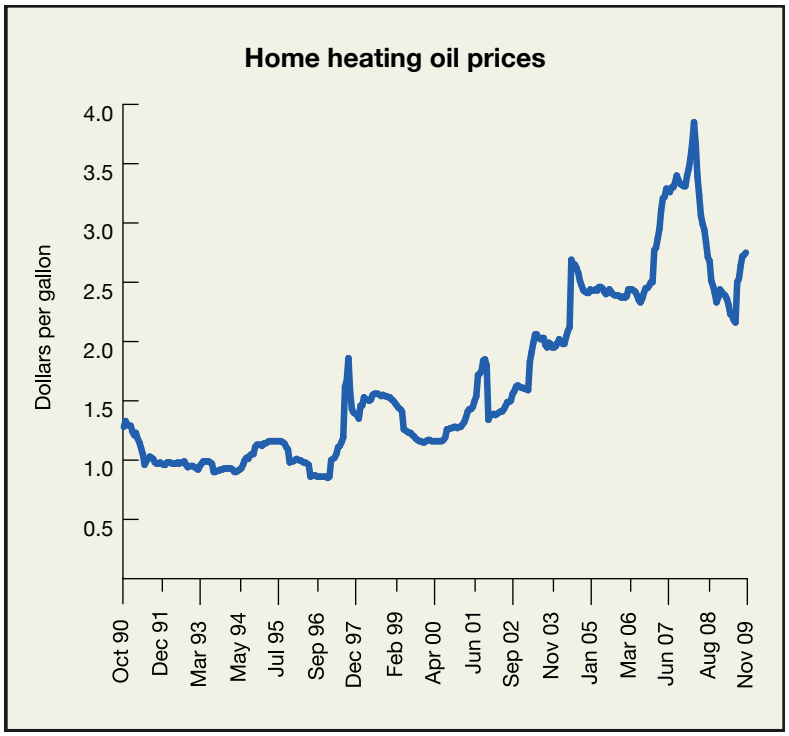
Administration, home heating oil prices have more than doubled during the past 10 years.

Lead-based paint is Vermont's most prevalent housing quality problem

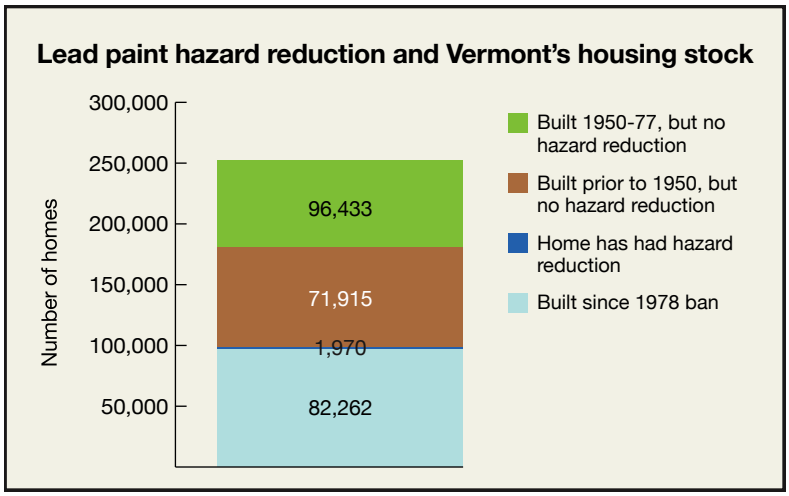
Approximately 62% of Vermont's residential housing stock was built before 1978 when lead was banned in residential paint. Of these potentially lead painted homes, about 84,000 were built before 1950 when lead-based paint was commonly used and actively promoted.[3]

As of March 2009, about 1,970 households lived in homes that received lead-based paint hazard reduction assistance through the Vermont Housing and Conversation Board and the City of Burlington. The health risks of the households in these units have been dramatically reduced through these programs. However, the unmet need for lead paint hazard reduction is high. An estimated 82,000 Vermont homes built before 1950 continue to contain lead-based paint. About 65% of these homes are owner occupied, while the remaining 35% are rental units. It is also likely that many of the 72,000 renter and owner occupied homes built later, between 1950 and 1978, also contain lead-based paint.

In addition to lead paint hazard reduction assistance, the state of Vermont also helps property owners reduce lead exposure in housing built before 1978 by offering training in "Essential Maintenance



SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION



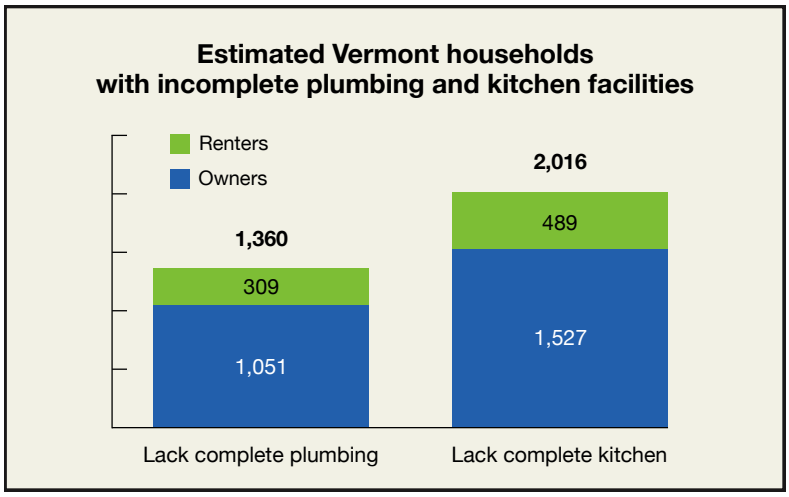
SOURCE: VHFA ANALYSIS OF ESTIMATES FROM U.S. CENSUS BUREAU AMERICAN COMMUNITY SURVEY 2007 TABLE 25036 AND LEAD PROGRAM ACTIVITY STATISTICS AS OF MARCH 2009 PROVIDED BY VERMONT HOUSING AND CONSERVATION BOARD (WHICH INCLUDE BURLINGTON LEAD PROGRAM ACTIVITY).

Practices." Every year, owners of pre-1978 housing are required to submit a certification to the state that they have completed these practices, which help reduce exposure to potential lead-based paint. As of June 2009, about 3,000 of these certifications had been filed by Vermont property owners.[4]

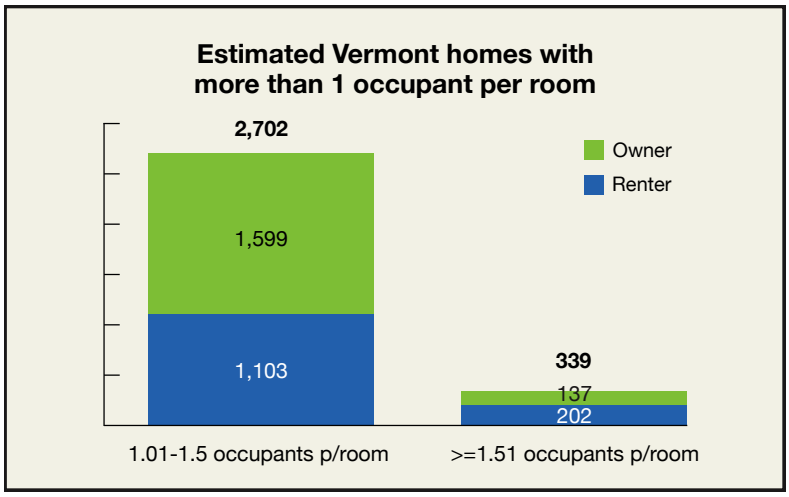
Lead paint is the leading cause of learning problems in children, according to Vermont's Child Poverty Council.[5] As of 2005, an estimated 3% of one- to five-year olds in Vermont tested positive for lead levels of 10 ug/dl or more — a level considered unsafe.[6] The state's goal is to fully eliminate childhood lead poisoning. The incidence of elevated lead levels among young children in Vermont is about the same as the nationwide average, according to data collected by the U.S. Center for Disease Control.[7]

Although not nearly as prevalent as lead based-paint, inadequate kitchen and plumbing facilities are also an indication of substandard housing conditions that may be potentially dangerous or have an adverse affect on a household's health. About 2,000 homes in Vermont lack complete kitchen facilities and about 1,500 lack complete plumbing facilities. These homes comprise less than 1% of the state's occupied housing stock.

While lacking plumbing and kitchen facilities are the Census Bureau's indicators of inadequate or substandard housing, those familiar with Vermont's diverse living conditions know that unfortunately these estimates barely scratch the surface in terms of capturing the number of substandard housing units in Vermont.



SOURCE: U.S CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2007, TABLE 25053 AND 25049.



SOURCE: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2005-7, TABLE B25014.

Note: Rooms include all year-round rooms in the home, except bathrooms, utility rooms, halls, foyers, balconies, half-rooms, strip or pullman kitchens, and unfinished space.

An estimated 3,041 Vermont households live in overcrowded conditions, with more than one occupant per room in the home. An estimated 339 of these households live in severely overcrowded housing, with more than 1.5 occupants per room, as shown above.

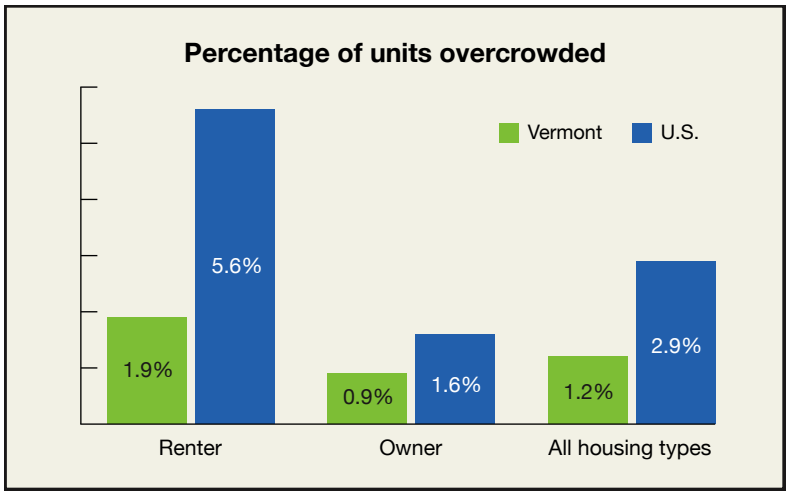
Overcrowded Vermont homes comprise 1.2% of the state's total housing stock—substantially less than the 2.9% rate prevalent nationwide.

Slow growth in Vermont housing units

Vermont's already slow pace of housing unit growth slowed even further when the current economic decline began. Between 2000 and 2005, the stock grew by an average pace of 0.8% with an estimated 2,500 homes added each year. The housing downturn slowed growth during 2005-9 to an estimated average pace of 0.5% (or roughly 1,500 homes) annually. In total, Vermont's housing stock increased by an estimated 1.9% (roughly 5,900 homes) from 2005 to 2009. Between 2007 and 2008, Vermont's rate of growth was only half the national average. Only six states had slower growth rates.[8]

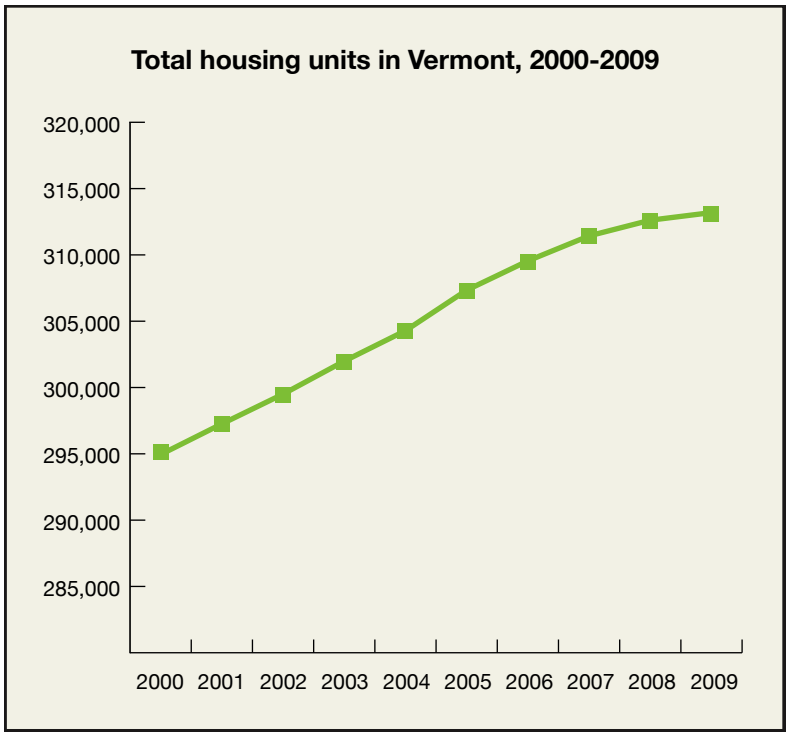
Between 2005 and 2008, about 675 primary homes were sold and converted to vacation homes each year. Conversely, about 400 vacation homes were sold and converted to primary homes each year. The net annual impact of these conversions was a reduction of the primary housing stock in Vermont by about 275 homes.[9]

One bright spot to this is that considering Vermont's tight vacancy rate and low proportion of speculative building, some have credited the slow growth in the state's housing units as helping to buffer Vermont from the worst of the



SOURCE: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 2007, TABLE B25014.

Note: Units with more than one occupant per room are considered "overcrowded."

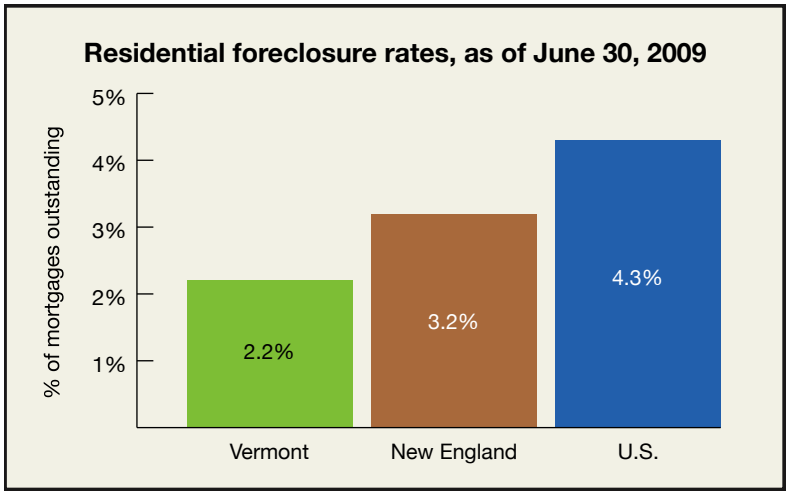


SOURCE: U.S. CENSUS BUREAU HOUSING UNIT ESTIMATES (2000-8), VHFA ESTIMATE BASED ON BUILDING PERMIT DATA (2009)

foreclosure crisis felt in other states with high inventory.[10]

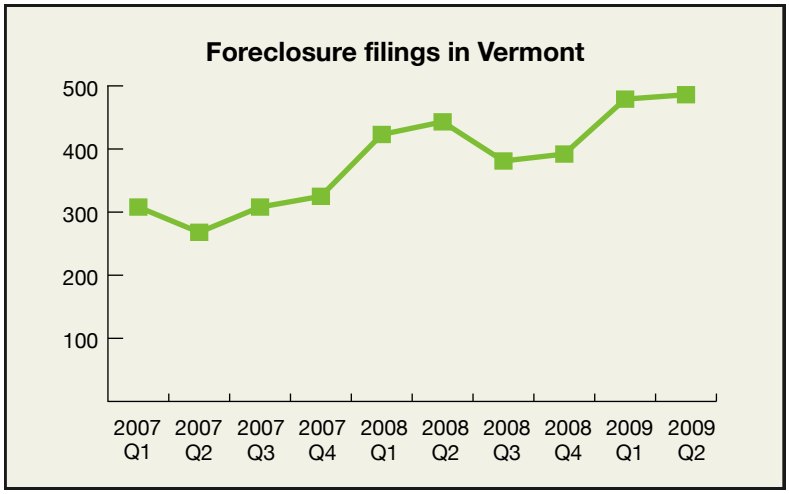
Foreclosure and subprime crisis affects far fewer Vermont homes than elsewhere

Relative to the U.S. as a whole and many other states, the portion of Vermont's housing stock experiencing the wave of foreclosures moving across the U.S. is low. Of the first-lien home mortgages outstanding at the end of June 2009, 2.2% were in foreclosure in Vermont, compared to New England's rate of 3.2% and the U.S. rate of 4.3%.



SOURCE: MORTGAGE BANKERS ASSOCIATION, DATA FROM THE MORTGAGE DELINQUENCY SURVEY, 2ND QUARTER 2009.

Despite Vermont's success in avoiding the worst of the national mortgage crisis, making mortgage payments is difficult for an increasing number of Vermonters suffering loss of income through unemployment or work hour reductions resulting from the recession. The number of foreclosures has risen fairly steadily in Vermont since 2007, according to the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISHCA). Job loss and income reduction are the reasons for foreclosure cited most frequently by Vermonters accessing BISHCA's Mortgage Assistance Program.



SOURCE: VERMONT DEPT. OF BANKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMINISTRATION, "VERMONT FORECLOSURE DATA BY COUNTY"

Vermont's low foreclosure rate is correlated in part with the low rate of subprime lending that took place in recent years. Vermont has far fewer subprime loans for owner-occupied homes than neighboring states. As of May 2009, approximately 7.9% of every 1,000 owned homes in Vermont had a subprime loan. The next lowest subprime rate in New England is Maine with 13.2%.[11]

Some reports have credited the state's tight land-use laws and banking regulations with curtailing the number of subprime loans made in Vermont.[12] Since the mid-1990s, mortgage brokers are subject to state fiduciary responsibilities and lenders are

required to provide detailed disclosures, particularly when mortgage loans have interest rates above state adjusted thresholds.

Policies impacting cost and development of housing

The following policies affect the cost of housing and the incentives to develop, maintain, or improve affordable housing in Vermont:

- ***Limited public resources limit housing for low-income Vermonters***
  - Much housing development has been focused on homeownership options for Vermonters, and those homes are typically out of reach for lower income households. The median price of a newly constructed home in Vermont was $270,000 in 2008, requiring an annual income of about $85,000 and $18,000 in closing costs.
  - Public funding for housing development (homeownership and rental housing) is over subscribed and many eligible housing developments are not awarded funds due to lack of available resources. The investment market for the largest source of rental housing funding, the Low Income Housing Tax Credit, has shrunk during the recession, leaving less equity available for developments. Existing assisted housing units have low vacancies and long waiting lists. The waiting list for a rental assistance voucher in Vermont is often several years long.
- ***Vermont Housing and Conservation Trust Fund***
  - The property transfer tax is levied on the transfer of all real estate in Vermont, based on the sales price, which adds to the cost of housing. The state's Housing Trust Fund is administered by the Vermont Housing and Conservation Board and funds non-profit housing developers who create permanently affordable housing for lower income Vermonters, creating an incentive for development. Since fiscal year 2001, statute requires the proceeds of this tax to be spent on affordable housing, conservation and regional planning, although since 2002 the fund has received $38.6 million less than the formula amount, reducing the funding available to encourage development.
- ***Commitment to permanent affordability***
  - Four programs require permanent affordability in return for public funds, as administered by Vermont agencies: the HOME program, Community Development Block Grant, the Housing Trust Fund and federal Low Income Housing Tax Credits.
- ***Act 250 and land use controls***
  - Act 250 provides "a public, quasi-judicial process for reviewing and managing the environmental, social and fiscal consequences of major subdivisions and development in Vermont through the issuance of land use permits."[13] Supporters cite this as an important tool against unchecked development and sprawl while critics say it lacks predictability and increases costs ultimately passed on to residents.
- ***Legislation to allow affordable housing statewide***
  - In 2003, the State Legislature passed legislation which mandated every municipality in Vermont to allow accessory dwelling units under certain conditions. According to the Vermont Department of Economic, Housing and Community Development, "changes to Vermont's law on equal treatment of housing and town bylaws created a new opportunity for homeowners to add an apartment to

their house… The overriding state law says homeowners must be allowed to add one Accessory Dwelling Unit as a permitted use…" as long as certain criteria are met.[14]

- This same legislation authorized that local bylaws may require that a certain percentage of housing units in planned development meet defined affordability standards.

- ***Designated areas for growth***
  - There are five designations communities can apply for to encourage development according to smart growth principles: Designated Downtowns, Designated Village Centers, New Town Centers, Growth Centers, and Vermont Neighborhoods. Each has unique characteristics, goals and incentives to support housing development.

- ***Impact fees***
  - While not a statewide fee or policy, some communities in Vermont charge sewer and water hook up or school impact fees for new residential construction. Municipalities contend that these fees are necessary to cover the costs of increased development, while critics complain that they drive up the cost of housing.

- ***Density bonuses***
  - While not a statewide fee or policy, several Vermont communities have density bonuses that reward the development of affordable housing. According to HUD, "Density bonus ordinances permit developers to increase the number of units allowed on a piece of property if they agree to restrict the rents or sales prices on some of the units. Developers can use the additional cash flow from these bonus units to offset the reduced revenue from the affordable units."[15]

- ***Large lot sizes***
  - Although construction costs make up about 70% of the total cost, the cost of developing housing is also driven by the cost of land. Local zoning ordinances that require large lot sizes, and the lack of public sewer in the vast majority of the state coupled with state sewage laws, depress the construction of affordable housing. While not a statewide policy, these minimum standards are in effect in many municipalities.

- ***Standards for health and habitability***
  - A variety of standards for health and habitability exist in Vermont, enforced by either a funding source or through federal, state, or local adoption and interpretation of building codes and standards. These cover a variety of areas including handicapped accessibility, lead safety, historic preservation, fire safety, septic, habitability and others. These have the potential to add both cost and value to a property.

- ***State housing tax credit benefits to Vermonters***
  - The State of Vermont has an annual allocation of $400,000 of State Affordable Housing Tax Credits, which may be used for affordable rental housing projects. This credit is available to projects which qualify for the federal Housing Credit and have received community support. These credits efficiently raise private equity to create affordable rental housing and home ownership opportunities. Housing developers may also be able to use other state tax credits for building in downtowns and village centers and for historic preservation.

- ***Tax benefits for assisted housing***
  - Act 68, passed in 2003, divided all Vermont properties into homestead (residential) and

non-homestead (non-residential) properties. Since assisted housing projects are classified as non-homestead, the law allows certain subsidized housing properties to reduce their assessment and effective tax burden.

- Act 75, passed in 2005, required local property tax assessors to value housing projects subject to affordability covenants using an income method as opposed to full market value. The intent was to recognize that affordable properties have a reduced value because of the limited rental payment potential.

Design and community development standards

- Public resources, as administered by Vermont housing agencies, often require certain design features or standards in developments. These requirements are intended to make units more marketable, accessible, energy efficient, and improve the quality of life for residents. The tradeoff is that sometimes they require more initial investment, increasing the cost of development.

- Vermont-based research done in 2000 shows that "multiple community development objectives, such as rehabilitating historic downtown buildings and/or abating environmental hazards, can add up to 40% to the typical cost per square foot. Special funding sources are used to address such non-shelter objectives. These special sources appear to equalize costs between 'shelter only' and developments serving multiple objectives."[16]

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1 The primary source of estimates on the number of seasonal homes in Vermont is the U.S. Census Bureau's American Community Survey, which defines seasonal homes as homes occupied for two or fewer months of the year, intended only for use on weekends or during specific seasons.
2 *American Community Survey 2005-7, Table 25037*. US Census Bureau.
3 *Get the Lead Out of Vermont*. Vermont Attorney General and Health Department. February 2007. Page 6.
4 Office of the Attorney General of Vermont. September 2009.
5 *Improving the Odds for Kids*. Vermont Child Poverty Council. January 29, 2009. Page 54.
6 *2008 Health Status of Vermonters*. Vermont Department of Health. March 2008. Page 14.
7 *Number of Children Tested and Confirmed EBLLs by State, Year, and BLL Group, Children < 72 Months Old*. US Center for Disease Control.
8 *Estimates of Housing Unit Change for the United States and States, and State Rankings: July 1, 2007 to July 1, 2008*. US Census Bureau.
9 Averages for 2005-8 based on VHFA analysis of Vermont Property Transfer Tax data which classifies home use as "primary" or "vacation" based on whether the buyer intends to use the home as their primary residence.
10 *Vermont Mortgage Laws Shut the Door on Bust — and Boom*. Gary Fields, Wall Street Journal. August 2009.
11 FirstAmerican CoreLogic, Loan Performance Data.
12 *Vermont Foreclosures Held Off by Yankee Ways, Land Use Laws*. Brian K. Sullivan, Bloomberg News. January 2009. and *Vermont Mortgage Laws Shut The Door on Bust — and Boom*. Gary Fields, Wall Street Journal. August 2009.
13 http://www.anr.state.vt.us/dec/permits.htm#act250
14 http://www.dhca.state.vt.us/Housing/accessory_apts.pdf
15 http://www.huduser.org/rbc/newsletter/vol2iss4more.html
16 Housing Development Costs in Vermont. Capital Needs Unlimited. April 2000. Page 1.