# Chapter 1: Executive Summary

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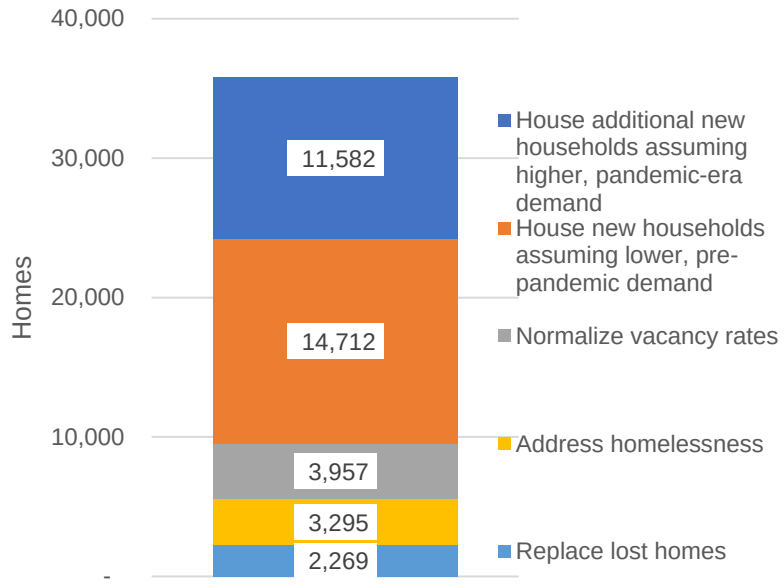
# Executive Summary

Vermont has a long-standing, statewide shortage of affordable homes available to lower income households, which became more severe with the COVID-19 pandemic and resulting market shifts. After decades of very slow growth, demand to live in Vermont year-round began to increase in 2017 and picked up further in 2020. Combined with a slow pace of home building and elevated construction costs, vacancy rates declined to near record levels, home prices and rents jumped, and homelessness increased dramatically. High home prices and low availability have left thousands of jobs across the state unfilled in many industries, including those that are critical to addressing housing needs such as home construction and repair and social services. Vermont's unemployment rate of 2.2% in December 2023 is third lowest in the country and far below the national average of 3.7%.[1]

Half of all Vermont renters are cost-burdened, and one-in-four pay more than 50% of their income on housing costs, putting them at high risk of eviction. Although options are most limited for low-income renters, renters at all income levels struggle to find an apartment. Vermont's rental vacancy rate of 3% is among the lowest in the country, and well below the 5% rate of a healthy market. The most populous area, Chittenden County, had a vacancy rate estimated at just 1% in 2023.[2]

The shortage of apartments for rent has contributed to a tripling of the number of Vermonters experiencing homelessness between 2019 and 2023.[3] Vermont has a per capita homelessness rate of 51 per 10,000 people, the 2nd highest nationally.[4] With Vermont's owner vacancy rate even lower than for rentals, the median days-on-market of homes listed for sale is at an all-time low.

***Figure 1-1 36,000 Vermont primary homes needed in 2025-2029***




Source: Based on data from U.S. Census Bureau and Vermont Coalition to End Homelessness.

Without enough available apartments, many of Vermont's lowest income residents as well as the workers needed to house and support them face extreme challenges. By providing more apartments as well as adequate support services and rental assistance, Vermont can regain balance in addressing the deep affordability and complex needs of the most vulnerable households. More affordable homes near employment centers also open a path to filling vacant jobs and ensuring an adequate future construction and service workforce.

[1] U.S. Bureau of Labor Statistics on FRED (St. Louis Fed Economic Data).
[2] Allen, Brooks & Minor Report, June 2023, A comprehensive semi-annual analysis of the real estate market as reported in the Chittenden County Regional Planning Commission's Building Homes Together October 2023 update.
[3] Vermont Point-in-Time (PIT) counts of people experiencing homelessness from housingdata.org.
[4] U.S. Department of Housing and Urban Development (HUD) Annual Homeless Assessment (AHAR) 2023 report.

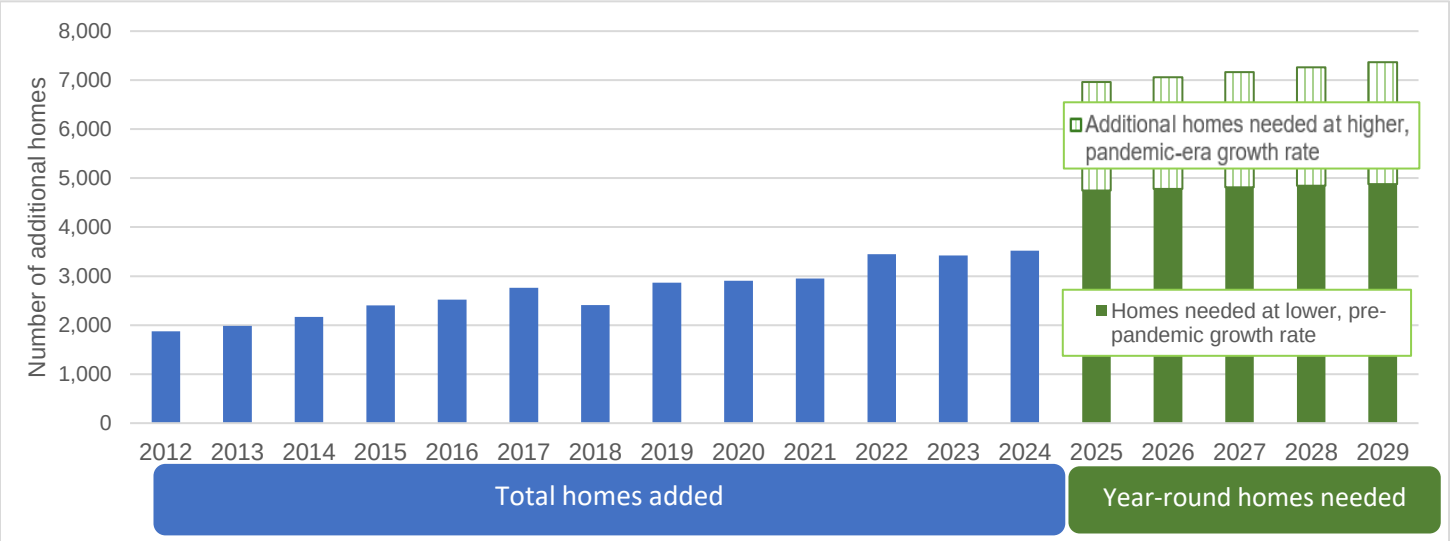
## Housing Shortage Deepens in 2020

Along with the rest of the country, construction of new homes in Vermont dropped to a low point following the Great Recession, with fewer than 1,500 homes statewide permitted each year in 2008-2012.[5] Although the annual number of Vermont homes permitted has increased since then, it has not returned to pre-recession levels and growth of the housing supply has trailed growth in the demand to live in Vermont.

During the three years before the pandemic, the number of new households in the state increased by about 1% each year. When this pace doubled in 2020, Vermont's housing shortage became acute, sinking vacancy rates and inventories of homes for sale.[6] The pace of home building will need to increase to create the 24,000-36,000 additional year-round homes needed in 2025-2029 to meet demand, normalize vacancy rates, house the homeless and replace homes lost from the stock through flooding and other causes.[7]

Vermont's housing shortage coupled with elevated costs of home building and of ongoing building maintenance and management since 2020 have worsened the state's housing needs.[8]

***Figure 1-2 Gap in year-round Vermont homes reduces availability and affordability***




Source: 2012-2024: Based on Census Bureau Building Permit, Housing Completion and Housing Unit Estimates. 2025-2029: Based on Census Bureau Current Population Survey/Housing Vacancy Survey and American Community Survey and Vermont Coalition to End Homelessness 2023 Point-In-Time Count of those Experiencing Homelessness. "Pre-pandemic demand" is based on household demand increases in 2016-2019 of 1% per year. "Pandemic-era demand" is based on 2019-2022 household demand increases of 1.8% per year. Assumes a target vacancy rate of 5% for rental homes and 2% for owner homes and annual housing loss rate of 0.15%.

[5] New Privately-Owned Housing Units Authorized in Permit-Issuing Places on FRED (St. Louis Fed Economic Data).
[6] Vermont Housing Data website visualizations on rental vacancy rates and homes for sale.
[7] 2012-2024: Based on Census Bureau Building Permit, Housing Completion and Housing Unit Estimates. 2025-2029: Based on Census Bureau Current Population Survey/Housing Vacancy Survey and American Community Survey and Vermont Coalition to End Homelessness 2023 Point-In-Time Count of those Experiencing Homelessness. "Pre-pandemic demand" is based on household demand increases in 2016-2019 of 1% per year. "Pandemic-era demand" is based on 2019-2022 household demand increases of 1.8% per year. Assumes a target vacancy rate of 5% for rental homes and 2% for owner homes and annual housing loss rate of 0.15%.
[8] VHFA's data on publicly subsidized housing show faster increases in the costs of home building and building operations since 2020 than in prior years. National data available in State of the Nation's Housing 2023, Joint Center for Housing Studies of Harvard University.

## Lower Income Households and Renters are Hardest Hit

Rising rents and home prices have hit low- and middle-income Vermonters hardest. A quarter of renters are severely cost burdened and fewer renters can afford to buy a median-priced home, further stressing the supply of rental homes. In each year since the pandemic began, rising home prices and mortgage interest rates, coupled with stagnant incomes among many Vermont renters, have drastically shrunk the portion of renters who are likely to leave the rental market by buying a home. In 2021, 32% of renters had the income needed to buy a median-priced home but this plummeted to 6% in 2023.[9] This means that many renters who otherwise might have bought their first Vermont home were kept living in rental housing by rising prices, interest rates and other market constraints.

High rents and inadequate housing quality have led to hundreds of unused tenant-based rental housing vouchers, highlighting the multi-dimensional challenges of meeting housing needs in Vermont's current housing market.

BIPOC Vermonters and lower-income Vermonters are more likely to rent and face the challenges of rising rents and decreased availability. Black, Hispanic, and Native American Vermonters are disproportionately likely to experience homelessness, according to the most recent data available. While Black Vermonters represent 1% of the state population, they comprised 8% of the people experiencing homelessness counted in 2023.[10]

## Physical Vulnerabilities of Vermont's Housing Stock

Vermont's relatively old housing stock, with a sizeable portion in rural areas, presents unique housing quality challenges. Low vacancy rates and higher maintenance and repair costs in recent years increase the risk that low-income residents may live in unsafe conditions. About 20,000 homes across the state have indications of housing quality concerns, according to 2022 Census microdata.

Vermont's 64,000 very low-income households (making less than 50% of the median income in their area) are split between the rental and homeowner markets. This means that 32,000 low-income Vermont homeowners, many aged 65 and up, may struggle to afford to repair deteriorating homes or make energy efficiency and accessibility improvements. Shortages of home repair contractors make home maintenance uncertain particularly for lower-income rural residents.

*Figure 1-3 Mann's Meadow apts. in Jeffersonville after July 2023 flooding*

Although about 20% of the state's rental housing stock are homes funded and monitored by public agencies, at least 19,000 low-income renter households live in privately owned and managed apartments. With rising evictions in 2023 and few housing alternatives in Vermont's extremely tight market, renters may avoid requesting repairs, and many landlords struggle to cover rising operating and maintenance costs.[11]

Some of Vermont's historic town centers are near waterways that now risk flooding more frequently as the climate changes. At least 4,000 homes were damaged in the state's July 2023 floods according to FEMA.[12] An estimated 20% of all manufactured home communities in Vermont have one or more homes located in a known flood plain.[13]

[9] Based on U.S. Census Bureau, 2022 American Community Survey 5-year estimates, average U.S. mortgage interest rates and Vermont Property Transfer tax records on primary homes sold.
[10] Vermont Point-in-Time (PIT) Count of people experiencing homelessness in 2023 from housingdata.org.
[11] Legal Services Corporation, Civil Court Data Initiative, Eviction Filings and Defaults in Vermont, accessed May 2024.
[12] Federal Emergency Management Agency, Vermont Individual Assistance Snapshot, January 2024
[13] Vermont Department of Housing & Community Development (DHCD), Mobile Home Park Risk Assessment Tool

## Rising Needs for Service-Enriched Housing

Compared to national averages, Vermont has higher rates of addiction disorder and disability among residents in addition to a sizeable population of people older than 75 with mobility and independent living challenges. The state's limited supply of service-enriched housing struggles to meet these growing and complex needs. Specialized services needed include expanded recovery housing, permanent housing with services for those exiting homelessness, and care at home and in congregate residences for older adults with complex conditions.

In 2021, the Corporation for Supportive Housing described Vermont in this way:

> *Statewide, systems are stressed beyond capacity, hundreds, if not thousands of social service positions are vacant, emergency efforts are strained, and homeless encampments are forming and growing in a number of communities. The service needs of those individuals, families, and communities are only growing in acuity and complexity.*[14]

In addition to identifying the creation of more affordable housing units as the primary homelessness prevention measure, Vermont's Council on Housing and Homelessness made a series of recommendations in 2023 to support and provide more much needed service enriched housing. Their recommendations include supporting substance use disorder stabilization locations, developing a statewide model for medical respite, expanding the Vermont Department of Mental Health Housing First program and increasing recovery housing and residential therapeutic group homes.

The Council on Housing and Homelessness also supported the efforts of the Vermont Agency of Human Services in designing and implementing a Medicaid Permanent Supportive Housing Assistance Program. The program plans to serve 100 Vermont households exiting homelessness during its first year.[15]

[14] Corporation for Supportive Housing, December 2021, Strengthening the Housing and Services System: Recommendations and Strategies for Vermont.
[15] Vermont Council on Housing & Homelessness, Dec. 2023, 2023 Report: Recommendations to support affordable housing development and help reduce and prevent homelessness.