Vermont Business
ROUNDTABLE

Vermont Business Roundtable Policy Statement On *Housing Prices, Availability, and Affordability in Vermont*

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VERMONT BUSINESS ROUNDTABLE

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Vermont Business Roundtable
Policy Statement On
Housing Prices, Availability, and Affordability in Vermont

The accompanying study entitled, *Housing Prices, Availability and Affordability in Vermont*, prepared for the Vermont Business Roundtable examines the market for owner-occupied housing in Vermont in 1999. It focuses on affordability issues and the number of houses available at different price ranges, especially at lower price ranges. The study is focusing on the experience of the recent past, and not on policies geared to the future. But if a goal is to improve housing availability and affordability in Vermont, especially for owner-occupied housing for middle and lower income Vermonters, certain issues and policies follow from the findings of the report. These issues should be addressed in any future studies and discussions of housing and housing affordability in Vermont:

- Among houses sold in 1999, a surprisingly large number were sold at all price ranges in all counties of the state. This seems to suggest that housing affordability is not as significant a problem as it is perceived by many. That fact does not diminish the reality that there is a problem of a relatively low number of houses currently in the market.

- For both rental and owner-occupied housing, a larger supply will reduce price, or at a minimum reduce price increases. Policies that increase the cost of land, the cost of developing land, or that increase construction costs will raise the price of all housing, not just newly constructed housing. These policies will also contribute to a reduction in the total amount of housing construction. State and local governmental policies should be analyzed systematically in order to avoid redundancy and duplication of expenses and to ensure that policies that are designed to solve one problem do not inadvertently cause other problems, such as higher prices, reduced affordability, and less availability. These policies include local zoning and subdivision regulations, Act 250, environmental permitting requirements, and similar costs at the local and state level.

- The problem of housing affordability, rather than being defined solely by price, may be better seen as a more complex problem which includes lack of familiarity with the credit process and lack of experience with consumer finance. This is not to deny that price is important, but other problems may be even more important than the price in limiting home ownership. Many lower income Vermonters find it difficult to save for a down payment and have problems establishing credit so that they can obtain a mortgage. If a goal is to promote home ownership among lower income Vermont families, then assistance in budgeting, instruction on how to set financial goals and priorities, and help with money management skills may be as important to that goal as is providing state-subsidized housing.

- The recently completed study for several housing and economic development groups, titled *Housing in Northwestern Vermont* foresees a need for significant new housing construction over the next decade. That study concludes that a carrot and stick approach is needed to ensure an adequate supply of housing, especially for low income households. A large part of that report is devoted to the stick of "fair share" housing apportionment. Housing affordability is a problem for very low income Vermonters, but the fair share approach of many housing advocates can be counterproductive. This approach advocates that every town provides a certain percent of the housing needs of low income households by giving towns incentives to approve this type of housing and financial penalties if they do not.

- The "fair share" approach misses the fact that most households with very low incomes (under $15,000) are most likely have social, transportation, health, and other needs that go along with low incomes. It is likely to be more cost effective for both social service agencies and for the households themselves to be in close proximity to one another. Families who require access to social service organizations, day care, job training, and jobs themselves, are better served by living in close proximity to resources rather than living in scattered locations throughout each county and region.

- The Chittenden County housing market shows that high density housing represents the market response to high housing prices. Chittenden County has had the highest housing prices in the state for many years. Private developers responded to consumer demand for lower cost housing by building condominiums in the county, and these housing units were and are priced below stand alone single family housing. Condominiums and other types of high density housing should be encouraged through zoning as a way for the private sector to provide lower cost housing not only in Chittenden County, but in other areas as well.

- Much of the subsidized housing stock is being promoted as "perpetually affordable" through deed covenants and restrictions on equity gains. Although this reduces the price of the housing unit, it has the undesirable effect of limiting the benefits of increased home equity to the owner. As a result, it is more difficult for the owner to trade up to a bigger or more expensive home, which means there is less turnover of these lower cost houses. These restrictions ultimately reduce the supply of housing available to lower income households in the future.

- Not much is known about apartments and other types of rental housing. There is little high quality statewide or countywide data available on the number of apartments, the number for rent at any time, on monthly rents, or on the incomes of renters. These types of data are important for a better understanding of the problems faced by renters in order to make better policy decisions.