



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

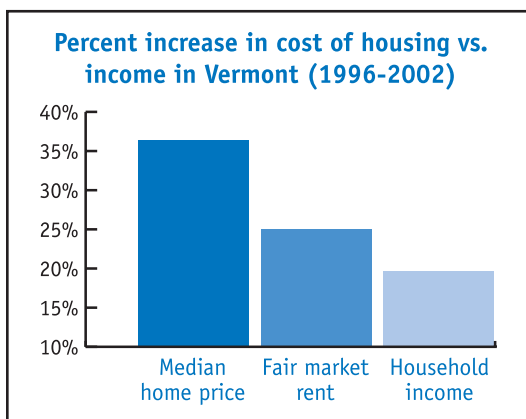
**2003  
UPDATE**

The 2002 report *Between a Rock and a Hard Place* examined the relationship between housing costs and wages in Vermont. It found that despite tremendous overall economic growth and low unemployment rates in the 1990s, Vermonters' incomes had not kept pace with the soaring cost of housing. The gap between wages and housing was found to reach well up into the middle class; in some parts of the state, families earning \$50,000 could not find housing they could afford. Households earning less were feeling the squeeze even more.

This summary updates key findings of that report. It shows the gap between housing costs and wages has not eased during the current economic downturn; in fact, it has grown wider. As a result, more Vermont households are finding it harder to keep a roof over their heads without paying a disproportionate amount of their earnings for housing. Your town's firefighter, your child's caregiver, the clerk at your grocery store, or the nurse at your health clinic — any or all of these people might be having trouble paying for a safe, decent place to live. These Vermonters are among the many who still find themselves living *Between a Rock and a Hard Place*.

## Housing costs keep rising faster than wages

The median sales price of a Vermont house has increased by 36% since 1996. During the past two years alone, the median price of a home jumped 15% — well over three times the overall rate of inflation.<sup>1</sup> Renters have likewise seen sizeable increases: the average “fair market rent” for a two-bedroom apartment has risen 25% since 1996.<sup>2</sup>



Meanwhile, Vermonters' incomes have increased by just 19.6% since 1996.<sup>3</sup> Even during the “booming” 1990s, four out of five Vermont households actually *lost* buying power, as their earnings did not keep pace with the rate of inflation.<sup>4</sup> With stagnating buying power and escalating housing prices, it is not difficult to see why Vermont has such a serious housing problem.

## What is “affordable housing?”

Housing affordability is defined by (1) how much housing costs, and (2) the ability of a household to pay that cost. When we say housing is “affordable,” we mean a family does not have to pay more than 30% of its income for rent and utilities (or for mortgage, taxes, and insurance if they own their home). This 30% standard is not ideal, as it is too high to leave many households with enough for other basic needs. However, it is the accepted benchmark used by both private lenders and public housing programs, and it is a very useful indicator of housing affordability.

## Vermont’s “housing wage” is on the rise

The housing wage is the amount a household would have to earn in order to work 40 hours per week and afford a modest two-bedroom apartment. Since most families require at least two bedrooms, the housing wage is usually calculated for a two-bedroom apartment at the fair market rent. In Vermont, the statewide average fair market rent is \$706 per month.<sup>5</sup> This isn’t the cost of the average Vermont apartment, but of a modest unit costing about 10% less than the median priced apartment (the average would cost quite a bit more).

Vermont’s statewide rental housing wage is currently \$13.58/hour (\$28,246/year), well over twice the state’s minimum wage. In the greater Burlington area, where rents are higher, a household would have to earn at least \$16.08/hour (\$33,446/year) to afford a two-bedroom apartment at the fair market rent. Nowhere in the state — not even in the Northeast Kingdom where housing costs are lower — was the housing wage less than \$10/hour.<sup>6</sup>

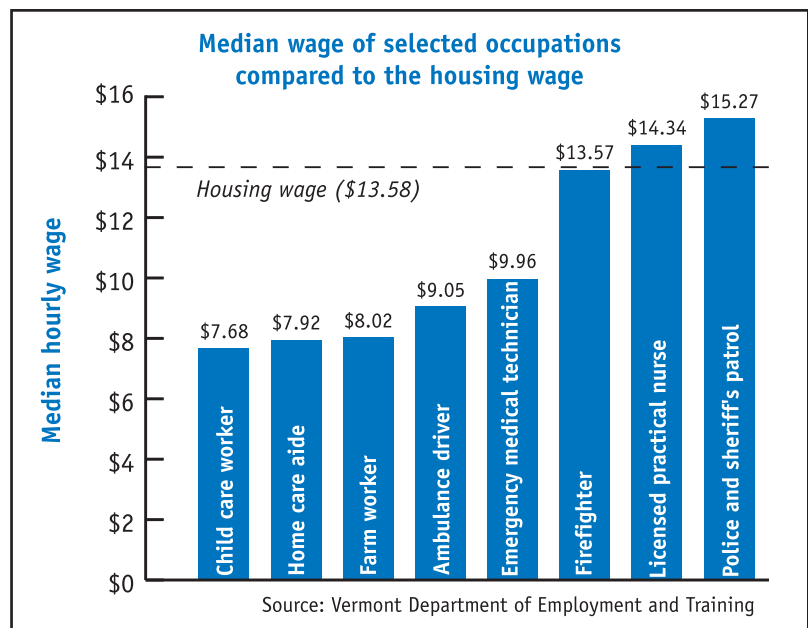
### Housing wage

Vermont average .....	\$13.58
Addison County .....	\$12.33
Bennington County .....	\$12.87
Burlington area <sup>7</sup> .....	\$16.08
Caledonia County .....	\$11.15
Chittenden County .....	\$14.69
Essex County .....	\$10.87
Franklin County.....	\$12.19
Grand Isle County .....	\$11.27
Lamoille County .....	\$11.62
Orange County .....	\$11.77
Orleans County .....	\$10.08
Rutland County .....	\$12.71
Washington County .....	\$12.63
Windham County .....	\$13.35
Windsor County.....	\$13.23

## Many working Vermonters can’t afford the rent

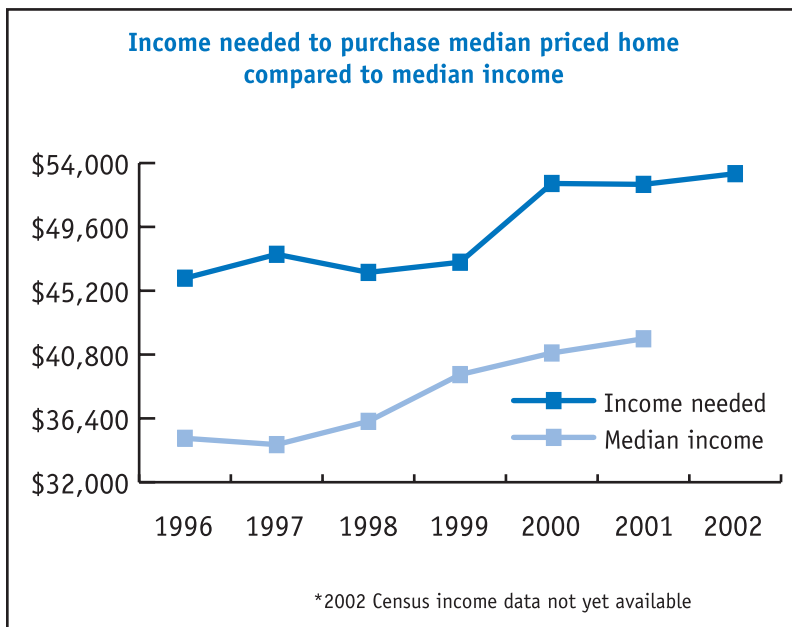
According to the most recent data, fully 68% of all Vermont jobs paid less than the housing wage.<sup>8</sup> In fact, many jobs essential to the vitality of our communities pay less than \$13.58/hour. It’s hard to find a place to live on the median wages of a Vermont firefighter, Emergency Medical Technician, farmworker, home care aide, or child care worker.

None of those jobs would enable a worker to afford a modest two-bedroom apartment without a second income. Incredibly, almost one-third of all working families with household incomes at or below the housing wage (\$28,246/year) have two or more wage earners, yet they still can’t afford the rent.<sup>9</sup> Not surprisingly, the most recent statewide Housing Needs Assessment estimated 22,000 low and moderate income Vermont households were paying more than 30% of their income towards rent and/or were living in substandard housing — and fully 90% of those households were families with children.<sup>10</sup>



## The dream of homeownership is slipping out of reach

Vermont enjoys a high rate of homeownership.<sup>11</sup> Yet even in this era of historically low interest rates, the dream of first-time homeownership is



fading for many Vermonters as home prices rise more rapidly than income. The median sales price of a house in Vermont was \$135,000 in 2002 (the average price was \$160,767).<sup>12</sup> In order to purchase that median priced home, a household would need an income of \$53,269.<sup>13</sup> This is 27% more than Vermont's 2001 median household income of \$41,888.<sup>14</sup> Of course, when families can't afford to buy, they compete for apartments, which in turn contributes to the growing squeeze and escalating prices in the rental housing market.

## Housing demand is outstripping supply

Vermont gained almost 30,000 new households during the 1990s, but added only 23,000 new housing units.<sup>15</sup> With supply lagging so far behind demand, vacancy rates have plummeted. Many housing economists say a healthy housing market should have a 3% vacancy rate for owner-occupied housing and a 5% rate for rental housing. The U.S. Census calculated Vermont's statewide owner-occupied vacancy rate at just 0.9% and the rental vacancy rate at 3.8%, making Vermont the fourth tightest owner market and the third tightest rental market in the nation.<sup>16</sup> This imbalance between supply and demand drives up housing prices and hits low and moderate income households the hardest.<sup>17</sup>

## We need more housing working Vermonters can afford

Vermont's housing boom peaked in the mid-1980s, but production has dropped off sharply since.<sup>18</sup> Most of the single-family homes being built in Vermont today are expensive "high-end" homes.<sup>19</sup> Vermont developers cite low profit margins, high risk, the uncertainties of the local permitting process and local opposition to affordable housing as reasons why they have pretty much stopped building modestly priced homes.<sup>20</sup> Another reason is found in town zoning policies that allow residential development only in the form of single family houses on large, multi-acre lots. This effectively screens out many working families, limits the construction of rental housing, and raises serious questions about land use in Vermont.<sup>21</sup>

## Housing quality suffers when wages are low

In some regions of Vermont, prevailing wages are so low that market rents do not support adequate reinvestment in housing. As a result, the quality of housing suffers. Vermont has the second oldest housing stock in the nation, and the condition of many lower-cost rental units is often substandard, particularly in regard to fire safety, energy efficiency, lead paint hazards, and accessibility.<sup>22</sup> For example, Vermont has one of the highest residential fire death rates in the nation, approximately half of which occur in rental apartments. The most recent statewide Housing Needs Assessment estimated that 9,000 Vermont households are living in severe to moderately substandard housing.<sup>23</sup>

## The housing crisis is statewide

An August, 2000 report by State Economist Jeff Carr drew considerable attention to the housing crisis in Vermont's six northwestern counties.<sup>24</sup> The study found that the six-county region was 7,400 units short of what it needed to accommodate its workforce, and the gap could grow to 10,000 units over the next decade unless the pace of housing construction quickened significantly. Otherwise, the report warned, unmet housing demand will continue to drive housing prices higher, worsening the already serious affordability problem.

However, **housing affordability is a serious problem in every corner of Vermont.** For example, Bennington, Essex, Grand Isle, Lamoille, Orange, and Orleans Counties all had sharper increases in home prices last year than Chittenden County.<sup>25</sup> Last year, a national study ranked Vermont's rural areas as the 8<sup>th</sup> least affordable region for renters in America.<sup>26</sup> A recent report on the housing situation in the Upper Connecticut River Valley pointed to widespread affordability problems as the housing supply fails to keep pace with demand and costs rise much more quickly than wages. In the absence of significantly higher housing production, the report concludes, the area's economic growth will be hampered and housing affordability issues will worsen.<sup>27</sup>

## Investment in housing stimulates the economy

Public investment in affordable housing is a proven economic stimulus for both the local and state economies. Housing construction creates jobs, leverages significant private investment, and adds net new revenues to state government.<sup>28</sup> For example, for every \$1 million in state funds that the Vermont Housing and Conservation Board (VHCB) invests in affordable housing, approximately 63 new jobs are created in the local economy (36 jobs in the construction industry alone). For every dollar VHCB invests in housing, approximately \$3.50 is invested from the private sector and other public sources, and an additional \$2.00 is spent in the local economy.<sup>29</sup>

"Always crucial to the economy, housing is especially important in today's unsettled world. It is uniquely positioned to cushion the effects of recession and lead the nation to recovery. ... Housing is also vital to local and state economies, creating jobs and generating taxes and wages that positively influence the quality of life."

— National Association of Homebuilders. Housing: the Key to Economic Recovery<sup>30</sup>



## Housing is the foundation of a strong economy

There is a growing recognition that Vermont's economic health is tied to housing availability.<sup>31</sup> Creating decent-paying jobs is only part of the challenge; as we

"The supply of affordable housing is the most important obstacle to economic development. During Act 250 reviews employers moving into the area should be asked to demonstrate how they plan to help their employees find housing they can afford."<sup>32</sup>

Jim Saudade, President,  
Green Mountain Economic  
Development Corporation

add new jobs we must also ensure there is an adequate stock of housing that is affordable to Vermont's working families. Many Vermont employers already report they can't attract and keep good employees because the workers simply can't find housing. Vermont's wage and housing crisis is putting at risk a resource that is indispensable to our state's prosperity: good workers who may leave in search of opportunity elsewhere. If Vermonters can find decent jobs at good wages *and* housing they can afford, they will stay and contribute to the continued prosperity and stability of our communities. That's an investment with returns for all of us.

### How can I help?

- If you're a **town official**, you can review your town's planning and zoning policies to remove unnecessary regulatory barriers to the construction or rehabilitation of rental housing and single family homes that working families can afford.
- If you're a **state policymaker**, you can support the continued investment in housing for working Vermonters; you can craft incentives and requirements for towns to plan for and provide affordable housing; and you can encourage and support employers that make provisions for affordable housing as they add new jobs.
- If you're an **employer**, you can look at your wage and benefits packages and make changes to help your workers better support — and better house — their families.
- If you're a **builder**, you can consider teaming up with state agencies and local non-profit housing development organizations to build modestly priced houses and apartments.
- If you're an **employee** or **union member** whose retirement savings are in a pension fund, you can ask whether your savings are invested in housing for working families.

### All of us can:

- Actively **support investment** by the federal government and the State of Vermont in housing working Vermont families can afford;
- **Welcome working families** into our neighborhoods and communities by supporting the growth, conversion, and rehabilitation of housing they can afford;
- **Work with the local selectboard** and planning commission to plan for affordable housing;
- **Form citizens committees** to raise awareness about the need for affordable housing in our communities; and
- **Support our regional and local nonprofit housing organizations** with time and dollars.

## Endnotes

---

- 1 Vermont Housing Finance Agency analysis of Vermont Department of Taxes Property Transfer Tax receipts. This includes all single family, primary residence homes, including condominiums and mobile homes with land with valid records. It excludes any transactions that were not deemed at "arm's length." Percent change is based on 1996 through 2002.
- 2 Fair Market Rents (FMRs) are rent estimates calculated annually by the U.S. Department of Housing and Urban Development. FMRs are 40<sup>th</sup> percentile rents, the dollar amount below which 40 percent of standard quality rental housing units rent, including the cost of utilities. The statewide average FMR is an average of all counties plus the Burlington Metropolitan Statistical Area (see note 7), weighted according to the number of renter households reported by the U.S. Census Bureau. Percent change is based on 1996 through 2002.
- 3 U.S. Census Bureau. Three year non-adjusted average median income for years 1996 to 2001, the most recent available data.
- 4 Author's calculations using Economic Policy Institute quintile income figures and U.S. Census Current Population Survey.
- 5 See note 2.
- 6 "Rental Housing for America's Poor Families: Farther Out of Reach Than Ever." National Low Income Housing Coalition. Washington, D.C. September, 2002. [www.nlihc.org/oor2002/index.html](http://www.nlihc.org/oor2002/index.html).
- 7 The Burlington Metropolitan Statistical Area (MSA) includes the Chittenden County towns of Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, South Burlington, Williston and Winooski; the Franklin County towns of Fairfax, Georgia, St. Albans City, St. Albans Town and Swanton; and the Grand Isle County towns of Grand Isle and South Hero.
- 8 "2001 Statewide Occupational Wage Estimates." VT Department of Employment and Training. Montpelier, Vermont.
- 9 "Current Population Survey, March 2001 Supplement." Table 12. Family Income and Number of Earners in Prior Years. U.S. Census and Bureau of Labor Statistics, Washington D.C.
- 10 "Vermont Housing Needs Assessment." Planning Decisions, Inc., April 1999: p. 11.
- 11 Approximately 71% of Vermonters owned their homes in 2000. U.S. Census Bureau. Profile of General Demographic Characteristics: 2000, Table H4.
- 12 See note 1.
- 13 Vermont Housing Finance Agency calculation, February, 2003. Based on 2002 median sale price with average 2002 interest rate for a .6-point, 30-year mortgage, 5% down payment, average statewide property taxes, property insurance, private mortgage insurance, and a 30% housing payment ratio.
- 14 See note 3.
- 15 U.S. Census Bureau. Profile of General Demographic Characteristics: 1990 and 2000, Tables P003, H001, P15, H1.
- 16 U.S. Census Bureau. Housing Vacancy Survey. 2000.
- 17 "Housing in Northwestern Vermont: A Review of Demand and Supply of Housing in the Six County Region." Economic Policy Resources. Williston, Vermont. August, 2001.
- 18 According to the U.S. Census Bureau, the number of permits for new single family housing dropped from a peak of 3,744 in 1987 to 2,225 in 2002, and permits for new rental housing dropped from a peak of 1,401 in 1985 to just 725 in 2002.
- 19 In 2001, the median price of a new Vermont home was \$180,000 and the average price was \$192,000. In 2002 the median price jumped by almost 28%, to \$229,900, and the averaged increased to \$245,000. See note 1.
- 20 Mertz, Cadence. "Building Up a Seller's Market." Burlington Free Press, May 20, 2001, and testimony of Eric Farrell, owner, Redstone Commercial Group, before Joint Legislative Housing Committee, September, 2001.
- 21 "Planning and Zoning." Vermont Forum on Sprawl. Exploring Sprawl Reports, Issue 3. Burlington, Vermont.
- 22 Kiss, Bob and Sussman, Susan. "Rental Housing and Safety Standards." December, 1999. Prepared for Vermont Department of Housing and Community Affairs.
- 23 See note 10.
- 24 The six northwestern counties (Chittenden, Addison, Franklin, Washington, Lamoille, and Grand Isle) are home to over half of the state's households, and have led the state in both job and household growth.
- 25 See note 1.
- 26 See note 6.
- 27 "Upper Valley Housing Needs Analysis." Applied Economic Research. Laconia, N.H. August, 2002.
- 28 Davis, John and Knodell, Jane. "Economic Benefits of Public Investment in Affordable Housing and Land Conservation: A Review of Arguments and Evidence." February 1999.
- 29 Ibid. Since 1987, the Vermont Housing and Conservation Board has invested \$89 million in state funds in affordable housing construction. This has helped generate over \$320 million in construction activity and has created approximately 10,700 jobs. [www.vhcb.org/economicbenefits.pdf](http://www.vhcb.org/economicbenefits.pdf).
- 30 "Housing: the Key to Economic Recovery." National Association of Homebuilders. [www.nahb.com](http://www.nahb.com).
- 31 "Joint Housing Committee Report." Vermont General Assembly. March, 2002. Montpelier, Vermont.
- 32 Remarks of Jim Saudade, President, Green Mountain Economic Development Corporation, at the Vermont Affordable Housing Conference, November 29, 2000.

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

March 2003  
Montpelier, Vermont

**Design and layout:**

Craig Bailey, Vermont Housing Finance Agency

**Photos:**

Craig Bailey  
Robert Eddy  
Sandy Macys

**Released by the Vermont Housing Awareness Campaign:**

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

**And the Vermont Housing Council:**

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



*For a copy of the full report "Between a Rock and a Hard Place: Housing and Wages in Vermont," please contact the Vermont Housing Council at 828-3211, Vermont Housing & Conservation Board at 828-3250 ([www.vhcb.org](http://www.vhcb.org)), Vermont Housing Awareness Campaign at 652-3449 ([www.housingawareness.org](http://www.housingawareness.org)), or the Vermont Affordable Housing Coalition at 660-9484.*