

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

*Summary Report*

*A report commissioned by the*  
**Vermont Housing Council**

*Released in conjunction with the*  
**Vermont Housing Awareness Campaign**



**ALTHOUGH VERMONT HAS ENJOYED A STRONG ECONOMY FOR MUCH OF THE PAST TEN YEARS,** four out of five Vermont households actually lost buying power as their earnings did not keep pace with the rate of inflation. At the same time, the cost of housing in Vermont has soared. As a result, working families are finding it harder and harder to keep a roof over their heads without paying a disproportionate amount of their earnings for housing. These Vermonters are finding themselves *Between a Rock and a Hard Place*.

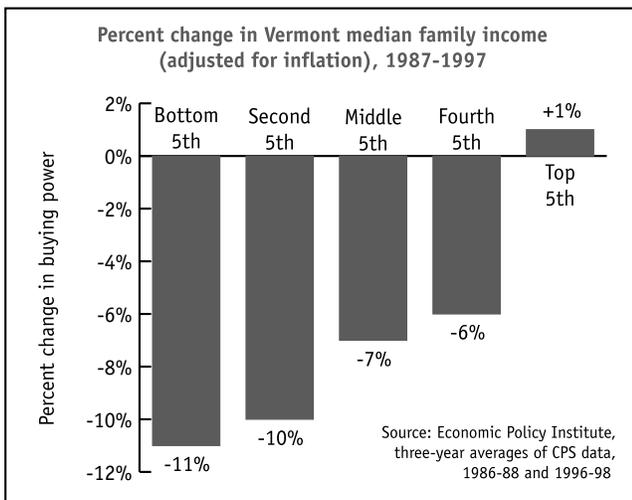
■ **“Doesn’t the housing affordability problem just affect people on the bottom of the economic ladder?”**

The growing gap between wages and the cost of housing reaches well up into the middle class. In some parts of our state, households with incomes of \$50,000 cannot find housing they can afford. Your town’s police officer, your child’s caregiver, the clerk at the 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.

■ **“Isn’t this just an issue in Burlington and Chittenden County?”**

While the Burlington area is one of Vermont’s tightest housing markets, housing affordability problems occur in every county. Lamoille, Windsor, Franklin, Windham and Rutland Counties had the sharpest increases in home prices over the past two

Earnings aren’t keeping up with inflation



years. In addition to the Burlington area, Caledonia and Franklin Counties saw the largest rent increases over the same period. In fact, a recent national study reports that between 2000 and 2001 Vermont’s rural areas had the third highest increase in rental housing costs in rural America.

■ **“But housing isn’t as expensive in Vermont as it is in big cities like Boston ...”**

While that is true, it is the rate of increase of Vermont housing prices that is alarming. The median price of a house in Vermont increased by

29.8% between 1996 and 2001. During the past two years alone the median-priced home jumped by 13.6% — well over three times the overall rate of inflation. Renters have likewise seen sizeable increases. The average “fair market rent” for a two-bedroom apartment rose almost 20% in the past five years, and 10.9% during the past two years. But housing affordability isn’t just a matter of housing prices alone — you have to compare housing costs to wages.

### ■ “Don’t Vermont jobs pay enough to cover the rent?”

Two thirds of Vermont’s jobs pay less than \$13.21/hour (\$27,475/year). That’s Vermont’s average “housing wage” — the amount a household would have to earn in order to be able to work 40 hours per week and afford a modest two-bedroom apartment costing \$687 (the statewide average “fair market rent”), without paying more than 30% of their income towards rent and utilities. The 30% standard is a generally accepted definition of housing affordability.

### ■ “Who are these working Vermonters that are affected?”

It’s hard to find a place to live solely on the wages of a firefighter (median wage \$11.90/hr), Emergency Medical Technician (\$9.64/hr), ambulance driver (\$8.17/hr), or child care worker (\$7.60/hr). None of these wages would enable the worker’s family to afford the average, modest two-bedroom apartment without a second income. The housing affordability gap is certainly not limited to these professions. In fact, the Vermont Department of Employment and Training estimates that 66% of Vermont jobs pay less than the statewide housing wage of \$13.21.

### ■ “How many families are we talking about?”

The 1999 Vermont Housing Needs Assessment estimates that 22,000 Vermont households were likely paying more than 30% of their income towards rent and/or were living in sub-standard housing. Of these, 90% were families with children. A national study estimated that just under half of all renter households in Vermont could not afford rent and utilities for a modest two-bedroom apartment in 2000, and just over 60% could not afford a three-bedroom apartment. By this measure, Vermont was tied for the least affordable state in the nation for rental housing.

### ■ “But don’t most Vermonters own their homes?”

Almost 70% of Vermonters own rather than rent. But the dream of home ownership is moving out of reach for many Vermonters as home prices escalate more rapidly than wages. The median-priced house in Vermont last year cost \$129,900 (the average-priced home cost far more, at \$149,430). In order to purchase that median-priced home, a household would need an income of \$48,290. This is 18% more than Vermont’s 2000 median household income of \$40,900. 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.

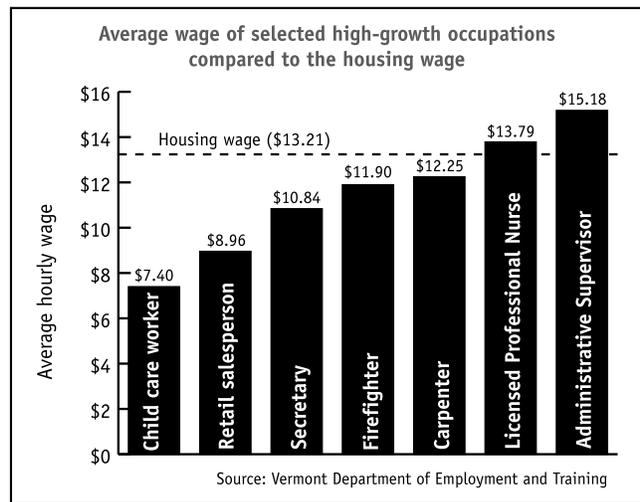
#### County housing wage

Burlington MSA*	\$15.67
Addison	\$11.98
Bennington	\$12.52
Caledonia	\$10.83
Chittenden (non-MSA)	\$14.27
Essex	\$10.58
Franklin (non-MSA)	\$11.85
Grand Isle (non-MSA)	\$10.96
Lamoille	\$11.29
Orange	\$11.44
Orleans	\$9.79
Rutland	\$12.35
Washington	\$12.27
Windham	\$12.98
Windsor	\$12.87

*\*The Burlington “Metropolitan Statistical Area” (MSA) includes Burlington, Charlotte, Colchester, Essex, Fairfax, Georgia, Grand Isle, Hinesburg, Jericho, Milton, Richmond, St. Albans (City and Town), St. George, Shelburne, South Burlington, South Hero, Swanton, Williston, and Winooski.*

**“But won’t wages catch up to housing prices?”**

The distribution of jobs by wage range is not expected to change in the near future. It is projected that in 2008, less than 40% of Vermont jobs will pay more than the current housing wage of \$13.21 per hour. Of course, housing costs will undoubtedly increase as well. Even as this report goes to press during an economic recession, both rental and homeownership markets in most of Vermont continue to be strong. In large areas of the state it is projected that housing demand will continue to outpace supply in spite of the recession, which will inevitably lead to rising housing costs.



Many important professions don't pay enough to pay the rent

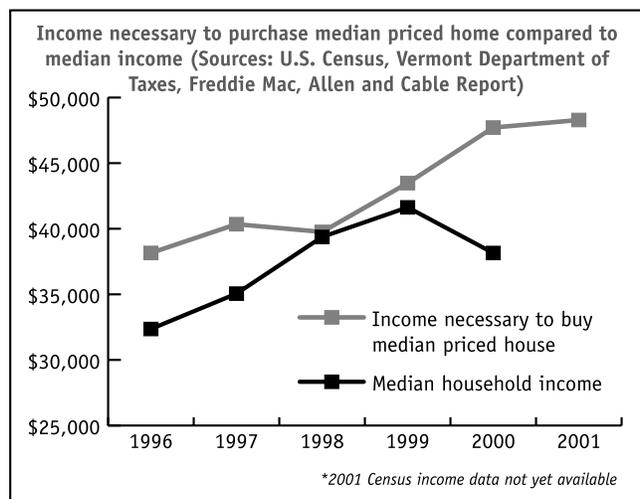
**“But I see housing being built all the time. Isn’t the law of supply and demand working?”**

Vermont’s housing boom peaked in the mid-1980s and production has dropped off sharply since, even though Vermont’s population continues to rise. In the 1990s, Vermont only built five new housing units for every six new households. Many housing economists say a 3% vacancy rate for owner-occupied housing and a 5% rate for rental housing ensure a healthy degree of price competition. But Vermont’s statewide vacancy rates are currently just 0.9% for owner-occupied housing and 3.8% for rental housing. According to the U.S. Census, Vermont’s statewide rental vacancy rate is now the third lowest in the nation, and our homeownership vacancy rate was tied for the fourth lowest.

**“Why isn’t more housing being built that is affordable to working Vermonters?”**

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. 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.

Homeownership is out of reach for many working Vermonters



## ■ “What about the quality of Vermont’s housing?”

In some regions of Vermont prevailing wages and market rents do not support adequate reinvestment in housing, making the quality of the housing stock the most pressing housing issue. Vermont has the second oldest housing in the nation, and the condition of many lower-cost rental units is often substandard, especially in respect to fire safety, energy efficiency, lead paint hazards, and accessibility. Vermont has one of the highest fire death rates in the nation; approximately 80% of the state’s fire-related deaths occur in residential housing, half of these in rental apartments. A recent State Housing Needs Assessment estimates that 9,000 Vermont households are living in severe to moderately substandard housing, and of the state’s 33,000 low-income renter households, 27% reside in substandard units.

## ■ “How can I help?”

**If you’re a town official**, you can examine 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 state’s continued investment in housing for working Vermonters; you can craft incentives and requirements for cities and 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 look at where housing needs are greatest, and 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, ask whether your savings are invested in housing for working families.

### **All of us can:**

- § Actively support more investment by the federal government and the State of Vermont in housing that working Vermont families can afford,
- § Welcome working families into our neighborhoods and communities by supporting the growth, conversion, and rehabilitation of housing that 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
- § Donate time and dollars to regional or local nonprofit housing organizations.

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

*Researched and written by:*

Roberta Harold, Harold & Associates  
Douglas R. Hoffer

John E. Davis, Burlington Associates in Community Development

*Commissioned by the Housing Council*

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

*Released in conjunction with the Vermont Housing Awareness Campaign*

The Vermont Housing Awareness Campaign is an effort by a group of public and private sector interests who agree that Vermont is in the midst of a severe housing shortage, and that it is important for our people and our state as a whole to provide more housing opportunities for all Vermonters.

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*Report Advisory Committee:*

Kenn Sassorossi, Housing Vermont  
Arlene Shorten, Vermont State Housing Authority  
Erhard Mahnke, Vermont Affordable Housing Coalition  
Bill Cormany, Vermont Department of Employment and Training  
Pat Peterson, Vermont Department of Housing and Community Affairs  
John Fairbanks, Vermont Housing Finance Agency  
Ingrid Malmgren, Vermont Housing Finance Agency  
David Tucker, Vermont Office of Economic Opportunity  
Fred Roane, U.S. Department of Housing and Urban Development

*Coordinated by:*

David Weinstein, Vermont Housing and Conservation Board

*Design and layout:*

Craig Bailey, Vermont Housing Finance Agency

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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.