

Cheap housing scarce

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Rents in Vermont are the second-lowest in New England and much lower than the national average. But the report by the Federal Reserve Bank of Boston also found that while apartments in much of New England are affordable, there is a critical shortage of affordable housing for low-income residents.

"Though rental housing in New England is expensive relative to the rest of the nation, the region's incomes are high enough that rental housing is affordable to most New Englanders," according to the affordable housing study by the New England Public Policy Center at the Federal Reserve Bank of Boston.

The 173-page report, which also looked at home ownership, said the lack of affordable housing "may be undermining the region's ability to attract and retain workers, especially those with skills in high demand."

A Vermont low-income advocate criticized the report's conclusion that rents in Vermont and throughout New England are affordable.

"I think if you talk to any working person in Vermont you'll find more and more people are unable to find affordable apartments," Emma Mulvaney-Stanak of the Vermont Livable Wage Campaign said Wednesday.

At the same time, the report bolstered the state's position that "Vermont is facing a housing affordability crisis that must be addressed or our economic security will be threatened," Kevin Dorn, secretary of the Agency of Commerce and Community Development, said in a statement.

To address the problem, Dorn cited proposed legislation called the New Neighborhoods Initiative, which would streamline the permit process for housing in municipalities with appropriate planning and zoning.

"This bill would allow the creation of relatively small housing developments that would not contribute to sprawl; that would be served by existing infrastructure; and that would be affordable to working families," Dorn said.

The Boston bank's report said that between 1995 and 2005 apartment prices have not accelerated as quickly as housing prices in the six New England states. In 2005, New England's gross monthly rent was \$805, 10 percent higher than the national median of \$730 a month.

While Connecticut, Massachusetts and New Hampshire were among the 10 highest states for median rent, the report said that "rents even in those states were only about 15 percent higher than the U.S. median."

Vermont and Maine were exceptions. Vermont's median rents were 10 percent below the national average while Maine's rents, the lowest in the country, were 20 percent below average.

While New England-wide rents are higher than the rest of the country, rental housing remains largely affordable because incomes in the region are also higher. In 2005, the median household income in New England was \$55,000, nearly 15 percent higher than the national median.

In terms of affordability, or what the Boston bank refers to as "cost burden," New England renters fare better than the nation as a whole. The yardstick of being "cost burdened" is when a household spends 30 percent or more of its income on housing costs.

For middle-income renters, New Englanders spend an average of 15 percent of their incomes on housing while the national average is 18 percent. In Vermont, that figure is 8 percent, the second-lowest among the New England states after Connecticut at 7 percent.

Middle-income homeowners in the region spend 25 percent of their incomes on housing compared to a national average of 21 percent. The Vermont average is far less at 15 percent.

For very low-income Vermont renters, however, it's a far different story.

Very low-income Vermont renters spend 83 percent of their income on housing compared to a New England average of 74 percent and national average 83 percent. In New England, very low-income homeowners spend 84 percent of their incomes on housing, slightly more than both the Vermont and national average of 80 percent.

By a second measure of affordability, called income adequacy, New England renters also fare better than the rest of the nation, according to the study.

"In 2005, the median household income in New England earned between 1.5 and 1.8 times the income needed to rent the median-priced apartment, comparable to the national ratio of 1.65," the report stated.

For a middle-income Vermont renter, that ratio was 1.83, the highest in New England. For a low-income Vermont renter the ratio was 1.01, again higher than the national ratio of 0.89.

Mulvaney-Stanak, director of the Vermont Livable Wage Campaign, took issue with the report's conclusion that apartments in Vermont are largely affordable. Mulvaney-Stanak criticized the report for using median household income as an affordability gauge.

"Most people who are renting are not making the median household income or even above the median household income," she said.

Mulvaney-Stanak also questioned the report's "one-year snapshot" of rents. She said a three-year average would be a more accurate measurement to determine "where rents are at in Vermont and New England-wide."

When it comes to availability of affordable housing stock, the report found that New England lags the nation. Between 2000 and 2005, the number of apartments and homes in the region increased 3.2 percent, half the national rate of 7.4 percent.

The shortage, the report continued, is particularly acute for low-income households because they "have little choice but to commit an extra portion of their income to pay for shelter, at the expense of other important items."

The inadequate supply of affordable rental units translates into one affordable apartment for every two households. Very low-income renters are being squeezed out of the market by higher-income households seeking affordable apartments.

When apartments occupied by higher-income households are excluded, the report found there is one affordable apartment available for every three or four very low-income households.

"There are simply not enough affordable units to go around, again saying nothing about the quality of these low-cost apartments," according to the report, which noted that New England's housing stock is much older than the national average.

The report was not optimistic that the situation would improve. One troubling trend is that many apartment owners are converting their units to condominiums. That's what happened to the Otter Creek apartments on Campbell Road in Rutland City, which were recently converted to condominiums.

The study also found that home ownership in the region is becoming less affordable. Driving demand and in turn higher prices, are low interest rates and easier-to-obtain mortgages. On the supply side of the ledger, the study offered that rising construction costs, higher land prices and increased regulatory obstacles may be responsible for putting the brakes on new construction in the region.

"Recent research indicates that such regulations can raise prices from 17 to 50 percent, depending on the type of restriction and geographic area studied," the report said.

Possible solutions include curtailing the ability of municipalities to restrict land use. The report said that, "A successful solution will require coordination across cities and towns, metropolitan areas, and even states to create policies that will have a measurable effect on prices throughout the region." The report concluded by saying that failure to deal with the

problem has the potential to adversely affect New England's economy.

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