

Housing Costs Too Much: Why & What Can We Do About It?

white + burke

VERMONT
DEVELOPMENT
CONFERENCE

Key Takeaways

- What is driving the cost of affordable rental housing in Vermont?
- Opportunities and choices to shift policy to increase the supply of housing.
- Common zoning barriers to housing development in walkable places.

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VERMONT

AGENCY OF COMMERCE & COMMUNITY DEVELOPMENT
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT

VAPDA

Vermont Association of Planning & Development Agencies



Vermont Housing &

Conservation Board

vhfa

Vermont Housing Finance Agency

Impetus of Study

- Costs are increasing? What Drives Cost?
- What differences exist between affordable and market rate development cost trends?
- How are we doing relative to other markets (states, regions)?
- Can we better understand how our policy goals impact cost?





Who is LSA?

Lisa Sturtevant, PHD: is President and founder of LSA. Dr. Sturtevant has been involved in research and analysis on local economic, demographic and housing market conditions and local housing solutions for more than 15 years. As president of LSA, she leads housing studies and planning projects for local communities throughout the country. In addition, she conducts empirical research on housing, demographic and economic development-related topics. She is a nationally-recognized expert on local housing issues, and speaks frequently to housing organizations and other groups across the country.



Michael A. Spotts: is an Affiliate of LSA and President and founder of Neighborhood Fundamentals, LLC (NFLLC). Michael has over a decade of experience providing research and technical assistance to on-the-ground practitioners in both the public and private sectors, at every level of government, and in urban, suburban and rural areas. NFLLC's current portfolio includes research and technical assistance on senior housing, municipal efforts to improve cost-effectiveness in housing construction, county comprehensive housing affordability strategies, and regional approaches to housing supply growth and affordable housing preservation.



Cost Study Outcomes

- Provides an in-depth analysis of the factors associated with the costs of producing and rehabilitation affordable rental housing in Vermont,
- Compares affordable and cost trends in the broader market over time,
- Reviews best practices in cost containment strategies in states throughout the country, and
- Evaluates potential recommendations in light of the State's multifaceted goals.

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Data & Methodology

- Comprehensive cost data for affordable projects was available (105 developments, 3500 units, statewide)
- 50+ participants in outreach meetings, focus groups, and interviews
- We had relatively low participation by for-profit market rate developers
- Descriptive analysis as well as multivariate regression analysis
- We compared to comprehensive national reports (Abt)

What Does Housing Cost?

	Number of Projects	Number of Units	25 th percentile	50 th percentile (median)	75 th percentile	Average (mean)
Vermont	105	3,446	\$155,303	\$211,278	\$259,409	\$204,804
U.S. ^a	2,547	162,447	\$121,254	\$164,757	\$224,903	\$182,498
New England ^a	183	10,224	\$174,277	\$234,101	\$305,138	\$251,197

^aLubell, Jeffrey and Sarah Wolff. 2018. *Variation in Development Costs for LIHTC Projects*. Rockville, MD: Abt Associates, prepared for National Council of State Housing Agencies. LIHTC projects only. Projects funded between 2011 and 2016. Costs are in 2016 inflation dollars.

General Market Trends

- Cost are rising. Vermont may be lower than national averages, but costs are appreciating at a higher rate.
- High Costs of Labor & material are being felt in Vermont, and indicators are that this will continue.
- The cost of development in Vermont overall and affordable housing development in particular is increasing faster than the overall U.S. market

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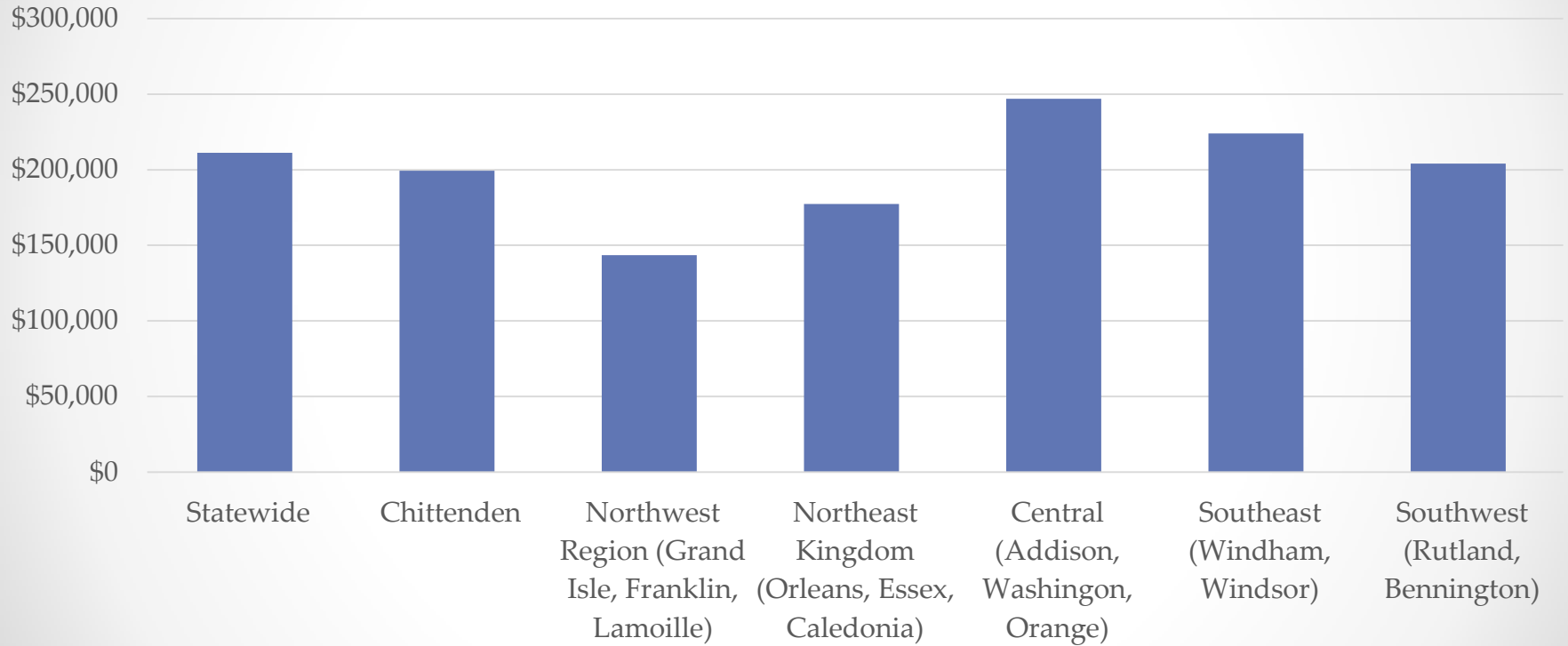
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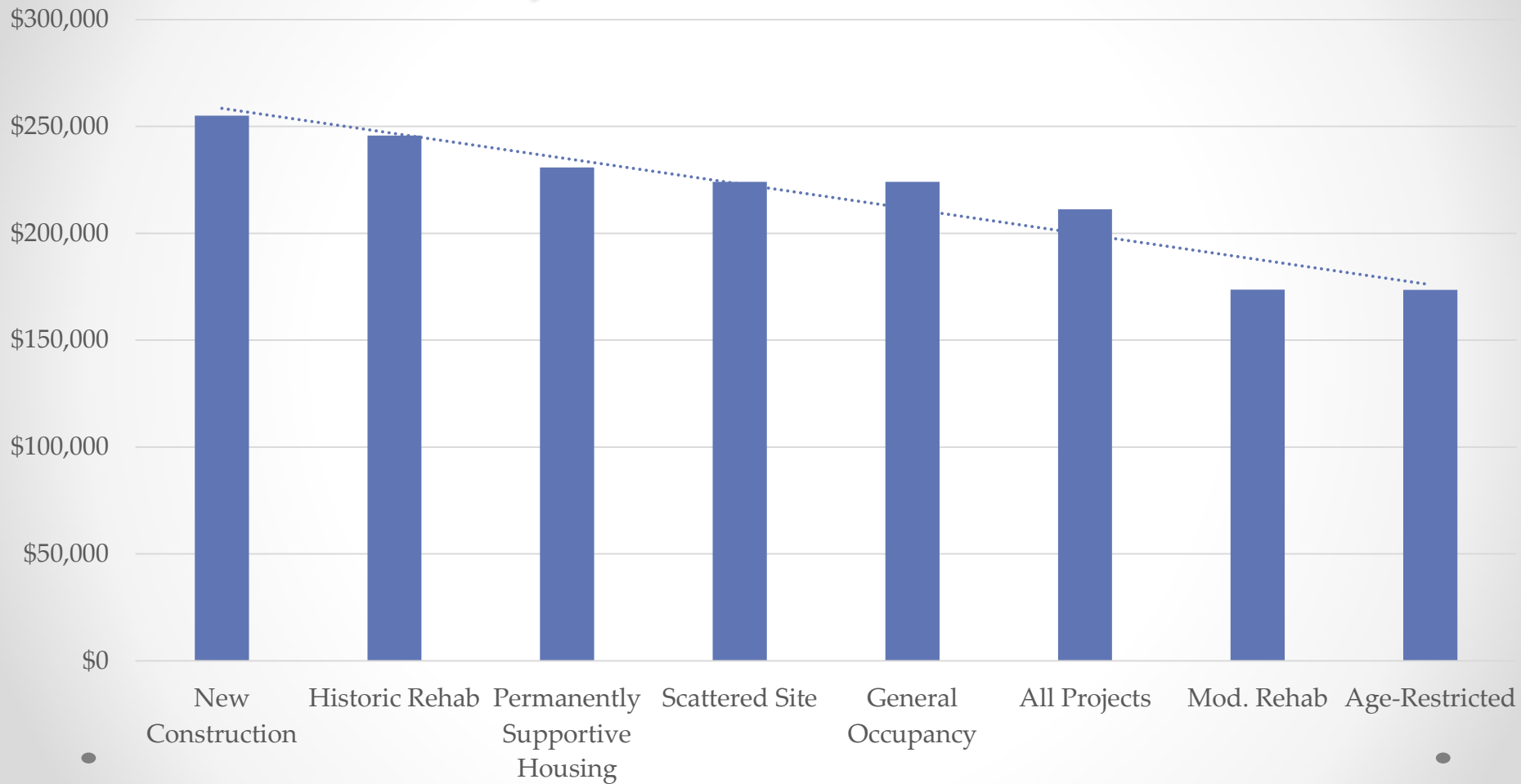
Location & Region

TDC Per Unit by Region



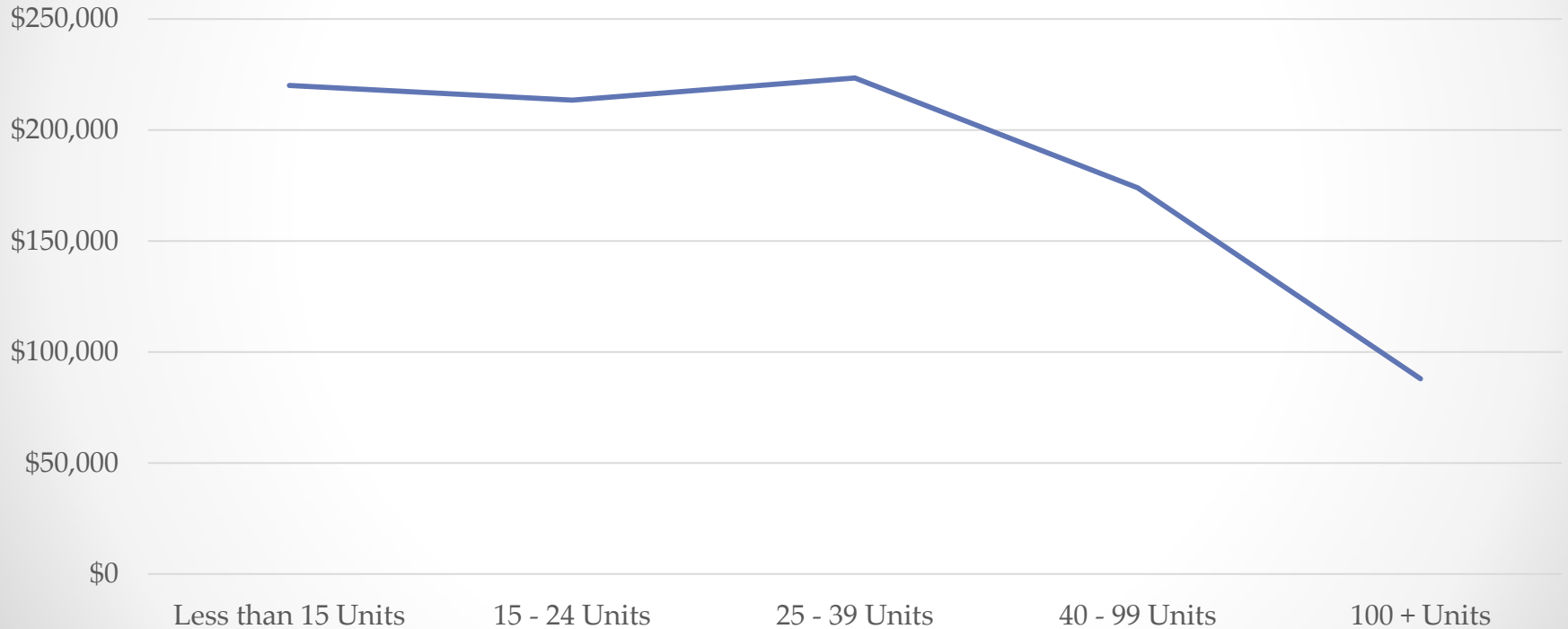
- Within a Qualified Census Tract (QCT) \$43,552 < than outside a QCT •

Project Characteristics

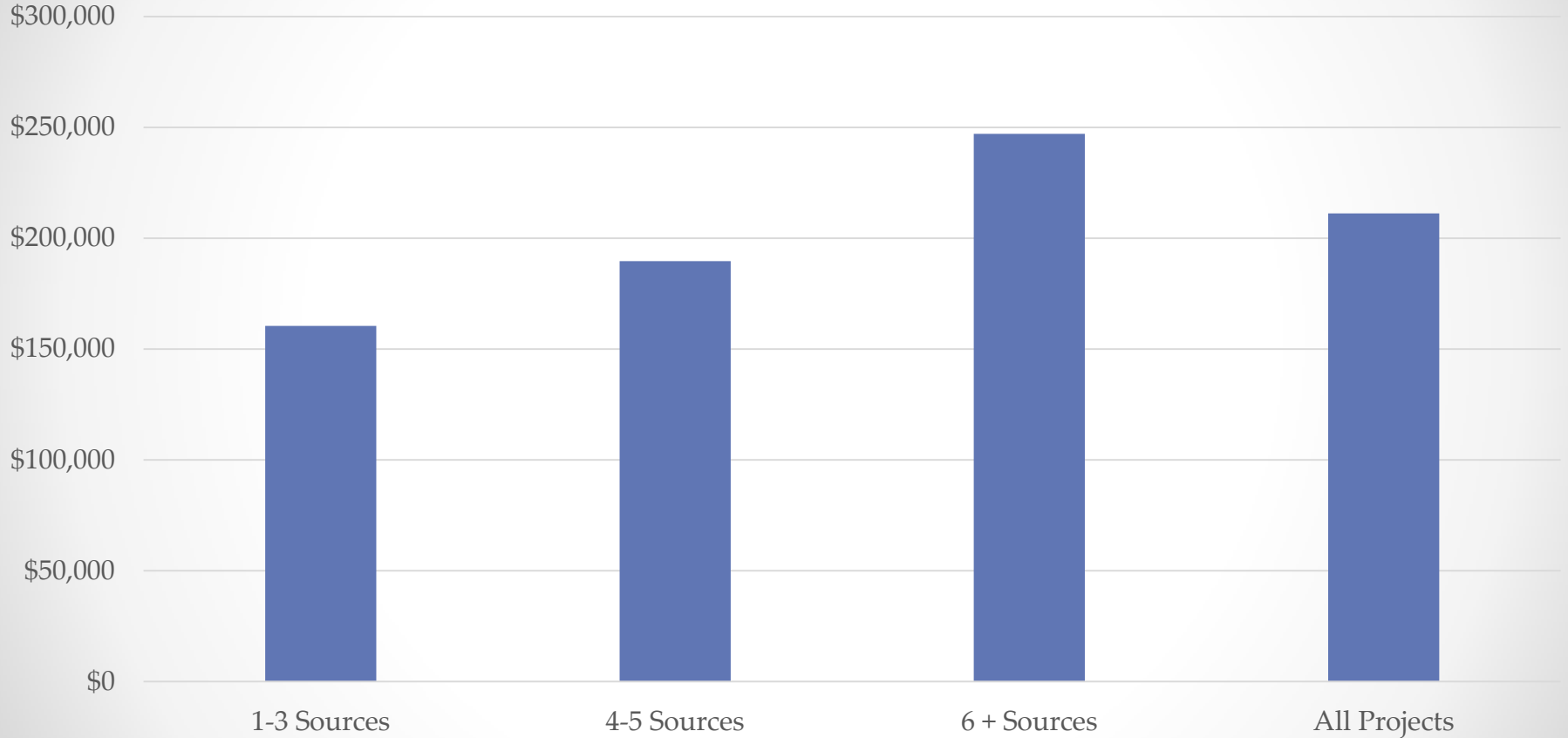


In Vermont Scale Is Important Context

- Each additional unit lowers the cost of other units by \$442



Number of Funding Sources



Key Cost Drivers ID'ed

- Labor & materials
- Lack of scale
- Local fees and conditions add direct costs
- Multi-layered approval for permits and for funding
- Act 250 exacerbate other challenges
- Public policy priorities contribute for cost profiles
- Infrastructure Requirements
- Cost is not currently formalized in guidelines

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QUESTIONS?

SPEAKERS

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