Mad River Valley Housing Study
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Executive Summary

Community leaders in the Mad River Valley have long recognized the growing need for affordable housing in the region and realized that the local marketplace has not been able to produce an adequate or diverse supply of housing for Valley residents.

Housing prices, including rental rates, land costs and the costs of single family homes and condominiums are increasing much more rapidly in the Valley than in other parts of Washington County and the state as a whole. Additionally, home prices are increasing at a much higher rate then the wages of those living or working in the Mad River Valley. The pressure in the real estate market in the Valley is affected by those who are moving into the area or by those who purchase vacation homes and have accumulated financial resources elsewhere. For those who rent, housing costs are equally challenging.

There is a pressing need for single family home development, mostly for families with incomes ranging between 50% and 80% of the median income for the County or with annual incomes between $32,750 and $52,400 for a family of four. This means the dwelling units developed must enter the market place between $130,000 and $220,000. When examining the circumstances of existing homeowners, of those who are of low-moderate incomes in 2000, more than half reported housing costs in excess of 35% of their incomes. This indicates a real need for programs which help preserve homeownership for these individuals. Additionally, there is an increasing need for affordable rental units. Using projected population trends, in order to maintain similar diversity of incomes, family sizes and homeownership opportunities in the Valley, an additional 200 rental units affordable to low and moderate income households will be required.

The barriers to the creation of affordable housing in the Valley are considerable. Most notable is the limited supply of developable land. Additionally, state and local development regulations are often sited as further restricting potential developable sites. The lack of municipal sewer and water services in the Valley prevent additional development in designated growth areas. The scenic beauty, town character and wildlife populations are important considerations for development and require delicate balance. At times, those messages are used by members of the community who simply do not want to see development in their "backyard." The rising costs of energy, labor and construction materials also place a barrier on not only the development of affordable housing but also on homeownership retention for low and moderate income Valley residents.

The strategies in addressing the affordable housing crisis in the Mad River Valley range from low impact, short term efforts to those requiring substantial community investment and resources. Education - what affordable housing is, who lives there and how it is created - will be critical to ensure that residents of the Valley are informed and prepared to expend public resources and funds on affordable housing creation. Education of potential homebuyers can also have an effect on ensuring that those entering the marketplace are properly apprised of resources available and what can be expected from the process.

A few possible strategies can be highlighted. There must be a mechanism in place to remove potential affordable housing sites or existing properties from the open market while development proposals are explored - something like a land bank or local housing trust fund. The capital in the fund could also be used to fund feasibility analyses for development or remove affordable single family homes from the open market for those who are eligible for special mortgage products. Employer assisted housing programs offer a range of options for local employer involvement in housing for employees; ranging from sponsoring homebuyer education workshops to providing second mortgage financing or some form of mortgage guarantee. Local municipal governments can work towards providing better clarity in their existing development regulations. The municipalities should also consider additional acceptable land uses such as accessory apartments and districts to provide for greater density and affordable housing, as well as explore adoption of inclusionary zoning.

Introduction

This study was commissioned by the Vermont Land Trust and the Mad River Valley Planning District to assess the housing needs of the Mad River Valley ("MRV"), specifically in the towns of Warren, Waitsfield and Fayston. The purpose of the study is to summarize and update the findings of prior studies done on the topic, provide an analysis of the barriers to creation of housing in the Valley and suggestions on means to overcome these barriers, and to provide a resource guide which can be utilized by professionals and laypersons to gather more information on related topics. Findings have been presented based on research of market and census data and interviews with housing stakeholders.

One of the key areas to address in any analysis is the need for housing which is "affordable" versus the demand for luxury or vacation homes. Realization of the National housing goal would provide a "decent home and a suitable living environment for every American family".[1] All three town plans call for the availability of or access to "safe and affordable housing for all… (town) residents."

Affordable housing is defined for program purposes by state and federal government as housing that costs no more than 30% of the total household's income. Factors considered in owner occupied housing include principal and interest payments, property taxes and insurance costs (PITI). Factors considered in rental housing include rent and utility costs. Based on these factors, a "typical" family in the Mad River Valley (MRV) consisting of two modest wage earners with two children earning $50,000 could afford to pay $1,250 per month in housing costs.

It has been generally presumed that in most places and in most cases, the market will supply adequate housing for most households with incomes above 80% of the area wide median. Because the market has not always provided an adequate supply of safe, decent and affordable housing, state and federal programs offer subsidies to lower the cost of producing housing to increase the supply ("supply side programs") or to increase the "buying power" to the owner/renter through shared equity or rent subsidies ("demand side programs"). Subsidies are designed to make housing affordable to low and moderate-income households.[2]

The MRV town plans recognize that the local housing market has not been able to produce an adequate supply of housing for a much broader segment of the market. It appears that households with incomes up to 130% of county median—unadjusted for family size—can expect to

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[1] US Code, Section 1441, Congressional Declaration of National Housing Policy.
[2] Low-moderate income is defined as those households with incomes below 80% of the area-family median adjusted for family size. Some homeownership programs increase eligibility to 100% of median or slightly higher.

experience difficulty purchasing a home. Any discussion of affordable housing must include all households that are not adequately served by the private market. Thus, the following discussion of barriers and strategies will focus on housing affordable to households and families that are not being served in the current market.

All three town plans also emphasize enhancement of the "scenic landscape and rural character";[3] preservation of field, forest, streams and rivers, wetlands and open space; the "maintenance, preservation and enhancement of…natural features and environmental quality;"[4] and protection and enhancement of wildlife population.

Although Vermont has been a leader in the recognition that housing and conservation are best considered together, it is often difficult to balance competing values and interests. The MRV is home to a continuum of individual opinions and self-interests ranging from proponents of laissez faire development policies to those who would prefer almost no new development at all. Local boards and commissions charged with the drafting, interpretation and administration of development regulations have to perform a difficult balancing act and, faced with a large, controversial project[5], may find themselves in a "no-win" public opinion situation. While this discussion focuses on strategies for the creation and preservation of affordable housing, we have attempted to remain sensitive to the overall goals of the town plans and the universal reality of competing community values.

Methodology

The Mad River Watershed Conservation Partnership (MRWCP), which is made up of the Vermont Land Trust, Friends of the Mad River and the Mad River Planning District, has expressed a strong commitment to the future development of affordable housing in the Mad River Valley. This Partnership reached out to the Central Vermont Community Land Trust, an affordable housing nonprofit operating in Central Vermont, to conduct an examination of housing conditions unique to the Valley, addressing and identifying housing demand, the barriers to affordable housing creation, and available resources and strategies to affordable housing creation.

Informal meetings with members of the MRWCP and the Central Vermont Community Land Trust initiated the process. These discussions produced general agreement on: the need for action; the scope of work required for the project; and stressed the importance of a user-friendly updatable document.

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[3] Warren Town Plan Objective 3.7
[4] Fayston Town Plan, Goal 4.2
[5] It should be noted that "large" in the MRV may be insignificant in larger more urban markets. And, it may be that "large" and "controversial" in the same sentence is most probably redundant.

Using the two previous studies on affordable housing in the Valley as a base, updates to the Valley's demographics, housing stock and prices, housing affordability, housing needs and local economy were obtained. Sources for updated information included: The Vermont Housing Data website, the United States Census and the American Community Survey (conducted annually between censuses), and the Vermont State Data Center. Additionally, information was gathered from Warren, Waitsfield and Fayston's town plans, the Economic and Demographic Forecast for the Central Vermont Planning Region and the State of Vermont's Consolidated Plan.

Interviews were conducted with several community leaders, including business leaders, real estate agents, select board and planning commission members and representatives from the Community Fund and Habitat for Humanity. These discussions have allowed greater context to the affordable housing situation in the Mad River Valley to be incorporated throughout the study (and their input and contributions are gratefully acknowledged).

The next major step in the process was to compile information regarding resources for the Housing Resource Guide section of the study. This section provides comprehensive information regarding Federal and State Government initiatives and funding resources for affordable housing creation, national, state and regional affordable housing developers, funders and advocates and information on other organizations providing direct services to individuals.

Finally, a draft of the study was submitted to members of the Mad River Valley Planning District, the Vermont Land Trust and Friends of the Mad River for comments.

Section I NEEDS ASSESSMENT

Summary of Current Studies

In 1991, DJK & Associates prepared a "Housing Needs Assessment for the Mad River Valley Planning District"[6] ("MRVPD") followed a few months later by the Humstone/Squires "A Future for Affordable Housing in the Mad River Valley" that outlined a housing plan for the MRVPD in Fayston, Waitsfield, and Warren. The plan was commissioned in response to concerns about a growing gap between incomes and housing prices. The plan offered a list of 16 recommended goals and policies for affordable housing in the MRV many of which have been incorporated into the three Town Plans. The plan noted a variety of approaches and suggested several activities that the MRVPD and the Housing Coalition might incorporate into their work programs

[6] Demographics and the local housing market have changed so dramatically since 1991 that any needs assessment produced then is obsolete.

to organize the community to meet the affordable housing needs of the MRV. Finally, the plan outlined seven strategies that included development of specific affordable housing initiatives. Many of the recommendations of the plan are still appropriate and will be referenced and incorporated throughout this document. A copy of the plan is included in the Appendixes.

In 2001, the Center for Rural Studies at UVM updated the Needs and Strategies section of the Humstone work. This focused on a survey of MRV community leaders' reflections on the strategies outlined in the earlier plan. In 2003, the Center updated demographic and income information based on the newly released census data. Findings of the Update are also referenced and incorporated throughout this document. Copies of the 2001 and 2003 updates are included in the Appendixes.

The Mad River Housing Plan (Humstone) describes the housing development of the Valley as being largely the result of the topography of the land. The region is a made up of steep mountain slopes, plateaus, valley slopes and floodplains. Each Valley town plan also notes that the local economy, largely based on tourism and winter recreation, plays a significant role in the overall character of the Valley. The tourism and ski industries have had the effect on housing development in the types of housing units desired, the wages captured by residents employed in the industry, as well as the increase of temporary and part time employees, especially in the winter months. Additional land uses that have an effect on housing development include the history, as well as the active influence of, farming in the Valley. Additionally, this development pattern, with open meadows and rich river floodplains, has also allowed for a diverse population of wildlife.

The Valley's housing stock reflects its early settlement patterns of outlying farms and village settlements surrounding early water powered mills. The population trends have also been a large factor in housing development with notable increases during the 1960's and 70's fueled in large measure by the growth of the ski industry. This change can be seen in the increase of seasonal units, condominium construction, additional subdivisions and the development of large high-end single-family homes. This effect has contributed significantly to the loss of affordability of housing lots, decreasing availability of acceptable lots for on-site sewage disposal and increase in purchasers of seasonal units with purchasing powers far exceeding those of most MRV residents.

The Mad River Valley Towns

Fayston

The Fayston Town Plan, written in 2002, notes the poor, shallow soils that discouraged agriculture and the steep eastern slope of the Green Mountain Range along the western border that limited development potential. These same features also led to the creation of two alpine ski areas in the community. Additionally, the town plan notes the bulk of developable land, exists in North Fayston in the Shepard Brook Valley, and in South Fayston in the Mill Brook Valley.

Fayston has no village center and, as the Humstone study notes, development is concentrated along Center Fayston Rd, North Fayston Road and Bragg Hill, as well as a mix of vacation homes and permanent residences on German Flats Road and Route 17. Fayston's principal economic activity occurs at the two major ski resorts in South Fayston, an area that is also the remaining focus of development for town planners. The Town Plan notes potential for further development along German Flats Road. Finally, the town plan recognizes the close proximity of North Fayston to I-89 allowing for an easy commute to Burlington, Barre/Montpelier and Waterbury that has contributed significantly to the residential development in North Fayston.

The Town Plan references a resident survey conducted in 2000 that reflects a strong preference among respondents for preservation of the high quality of the rural landscape. This survey indicated that the most important planning goals should focus on preserving the scenic quality of Fayston and protecting the community's water and wildlife resources. The Town Plan notes that, as of the year 2000, about 16% of the community or approximately 4,000 acres have been placed in some form of conservation agreement.

There are five zoning districts within Fayston. The Forest and Recreation Districts are comprised of the community's shallow soils and steep slopes and include the ski resort areas; these two districts allow for only limited development. The lands made up of the Residential District are designed to accommodate the majority of the Town's growth and encompasse about half of Fayston's land mass. The Commercial District, located in the Irasville village area and an extension of it, is small and largely restricted by wetlands. The Soil and Water District is made up of those lands between the high elevations of the Forest District and those lands comprised of the Rural Residential District and have severe physical limitations to development.

The Vermont Housing Data resource estimates the population in 2004 to have increased to 1,206 residents. In 2000, The Vermont Housing Data estimated 900 housing units in Fayston, with over half of those housing units being seasonal or vacation dwellings. The Town Plan notes the Town has experienced a 31% increase in the number of year-round housing units during the 1990s and concludes that one of the largest trends affecting land uses in Fayston is the increase in the Town's population.

Waitsfield

The Waitsfield Town Plan, written in 2005, acknowledges the community as the commercial center of the Mad River Valley. Waitsfield's topography is characterized on its eastern border by the Northfield mountain range, to the west of this range is a broad plateau with the Mad River meandering and the community is encompassed along the western edge with a series of steep ridges and hills bordering the river valley. The Town Plan notes that historically, development has been concentrated on the Mad River Valley floor, however, the changing construction and transportation technology has placed development pressure throughout the upper elevations of the community. A component of Waitsfield's natural environment and active farming community relates to the concentration of classified "prime" agricultural soils and soils of "statewide" agricultural importance primarily near Waitsfield Commons. Well-drained soils and proximity to services make these sites particularly vulnerable to development pressure.

Historically, Waitsfield Village served as the Valley's primary commercial and service center and still houses traditional uses including a church, fire station, elementary school, health center, and library. A Historic Village Overlay District has been adopted to ensure future development is compatible with Village's historic character. Additionally, a Village Residential District has been established to maintain the residential character of the Village area. The Town Plan has identified the land west of Route 100, surrounding the "polo field," as providing an excellent opportunity to expand the Village with additional side streets and dense residential development.

A significant amount of commercial development in Waitsfield has shifted to Irasville which serves the entire Valley. Irasville is made up of a significant amount of mixed commercial space and nearly 80 residential dwellings. There seems little question that the majority of the development that has occurred in the Irasville has been oriented toward automobile traffic and the Town Plan focuses on the importance of making it more pedestrian friendly as well as providing for additional development to create a "downtown" character. The Town Plan also notes this area of Waitsfield as having significant potential for additional residential development and in-fill development potential. However, the needs for water and wastewater infrastructure in Irasville, as well as storm water management are important consideration for additional development sites in Irasville Village.

The largest land use district, Agricultural-Residential District, encompasses the majority of the Town's open land, as well as the majority of the Town's single-family housing units. Additionally, the Town Plan acknowledges the majority of any new residential growth is likely to occur within this District; thus maintaining a land base for the production of food and fiber while accommodating the demand for additional housing is among the greatest challenges facing Waitsfield.

The Town Plan has specified the area north of Waitsfield Village and west of Route 100 for additional residential densities, as well as the land adjacent to Route 100 and the boundary with Warren Town. Additionally, the

Town Plan notes small-scale in-fill residential development would be well suited in the area to the southwest of the lower East Warren Road, including areas served by Hastings Road and Palmer Hill Road.

Roads are another important consideration: the Town Plan notes the extension of a road network that links the Carroll Road to Brag Hill Road, west of Route 100, as well as a road connecting Winter Park to the Old County Road in Waitsfield Village would open up several developable sites.

Vermont Housing data estimates the population of Waitsfield to have increased to 1,706 residents in 2004, and unlike the other two communities doesn't have the same high number of seasonal dwellings.

Warren

The Warren Town Plan, written in 2005, attributes much of the community's character to historic development patterns emerging from the farms and working forests of the community. Nearly 85% of the community is now forested with most of the active farming on the East Warren plateau. Commercial development is clustered in Warren Village, the base of Lincoln Peak and at the intersection of Route 100 and Sugarbush Access Road. Residential development is clustered in Warren Village, Alpine Village and the base of Lincoln Peak but is also widely distributed throughout the community.

Warren has classified three areas of the community as village centers, Warren Village, Alpine Village and Sugarbush Village. Warren Village is the historic center of the community[7], where most community services are located. The village area has grown slightly in the northeast corner, off Brook Road. The Town has installed a limited municipal wastewater system to serve existing properties with on-site systems. Alpine Village was first developed in the early 1960s primarily for vacation and recreational dwellings. With the conversion of these recreational units as well as the greater availability of affordable land, Alpine Village has grown and benefited from the investment of the residents. However, the condition and private ownership of the road system has dampened additional residential development to some extent. Poor soils, lack of municipal wastewater and small lot sizes have further restricted additional residential development in Alpine Village. The Sugarbush Village and Lincoln Peak Base area is where the most recent commercial and residential development has occurred and the Town Plan acknowledges that additional development is likely to occur in this area. Wastewater treatment, storm water management and encroachment of development into more remote areas are important considerations for further development in this area of the community.

[7] Though the original town center was at the "four corners", Warren Village has been the center of activity since the advent of the Vermont version of the "industrial revolution" when commerce clustered around the mills run by water power from the Mad River.

The Town of Warren is unlike any other Valley community in that it has a regulation allowing for the Transfer of Development Rights ("TDR"). This regulation allows for development potential to be "sold" from one part of the community to allow for greater density in areas that are better suited for that development. The Town Plan notes this regulatory program has not been as widely used as hoped. Those areas where development rights can be transferred mostly surround areas near Sugarbush Village where zoning already allows higher density development.

The majority of the land use in Warren is located within the Forest Reserve and Rural Residential District. These two Districts include the community's working landscape, the active forest and farmland, and more recently have been the focus of significant pressure for additional residential development. The Forest Reserve District is highly restricted to development, requiring 25 acres for a single-family home. The Rural Residential District permits many more land uses and requires at least one-acre parcels for single family homes.[8]

Vermont Housing Data estimates Warren's population in 2004 to be at 1,716. Warren has the greatest concentration of seasonal housing units, estimated at 1,336, or over half of Warren's total housing units.

The Setting for Housing the Mad River Valley

Several factors are unique to the housing characteristics and conditions in the Mad River Valley Region of Vermont. The seasonal ski resorts and other tourism-related amenities play a significant role in the affordability of housing in the region. This condition directly relates to the makeup of housing in Valley. The tourism industry affects the types of housing developed with a large market for second homes and recreational dwellings. Additionally, this market affects the make-up of the Valley housing stock through the conversion of existing structures to bed and breakfasts, inns, restaurants and other commercial tourist enterprises. These pressures often place housing units out of reach for many year-round Valley residents.

Additionally, the growth and change in the demographic make-up of the Mad River Valley has affected the types of housing needed. The Valley region has a significant percentage of workers who are either self-employed or telecommute to their jobs. An aging population and smaller households mirror the national trend and result in the need for additional housing units even if population remains constant.

The lack of municipal sewer and water infrastructure plays a role in the affordability of housing in the Mad River Valley by limiting development

[8] Subdivisions created on larger parcels require lower density.

potential. Without proper wastewater and water facilities the areas identified by the town plans are unable to be developed to their full potential due to health and safety issues. Most significantly, this limits the potential of in-fill development in existing high-density areas throughout the Valley.

Lastly, the Mad River Valley is unique in that is has a regional planning organization, the Mad River Valley Planning District (MRVPD). This provides a real opportunity for collaboration on housing issues in the Valley. It is important to note the additional benefit the organization has in negotiation with the major employer, Sugarbush. The MRVPD was able to administer the Memorandum of Understanding with Sugarbush Resort (see below).

Affordable Housing Accomplishments

The Humstone/Squires, "A future for Affordable Housing in the Mad River Valley", outlining a housing plan for the Mad River Valley Planning District, set forth many recommendations. The following recommendations have since been accomplished:

- The Housing Plan noted the importance of including provisions for affordable housing in the Memorandum of Understanding between the Mad River Valley Planning District and Sugarbush. Sugarbush offered and officially agreed to contribute $76,000 to affordable housing activities in the Valley. The funds are administered by the Vermont Housing and Conservation Board and must be used for the creation of housing, not for planning activities.
- It was recommended that when Verdmont Mobile Home Park was offered for sale, it should be purchased by a non-profit organization to maintain affordability. The Central Vermont Community Land Trust purchased Verdmont in 1998 and has made significant system upgrades.
- The Housing Plan also recommended that the Mad River Meadows Apartments be preserved as affordable housing. The Central Vermont Community Land Trust purchased Mad River Meadows in 2004.
- Also recommended was the development of subsidized elderly housing. The Mad River Seniors purchased an Inn on Route 100 in 1998, which is now Evergreen Place Apartments. Central Vermont Community Land Trust purchased Evergreen Place in May of 2005. Since then CVCLT has invested substantially in the property, renovating the facility from an assisted living facility to individual apartment units, and adding an addition providing for additional apartment units. The Mad River Seniors still are located in the building and host a variety of services and programs.
- The Humstone/Squires report also recommended a greater use of Central Vermont Community Land Trust's single family homeownership programs. Due to the high cost of the existing homes in the MRV the use of the Homeland Program (down payment subsidies given in exchange for permanent affordability restrictions) has been limited.

Currently three homes have been placed in the Homeland Program in the MRV. One home is located in Warren and was placed in the program in 2001. The two other homes in the program are located in Moretown; one was placed in the program in 1999 and the other entered the program in 2003.

- The Housing Plan stressed the importance of Habitat for Humanity as a form of constructing additional affordable single-family homes. A local chapter of Habitat was formed in 2001. This volunteer organization has completed one home in Fayston and two homes in Warren.
- Also of note, is the new loan product offered by Central Vermont Community Land Trust. The Green Mountain Loan Fund offers affordable rehab loans for low and moderate income homeowners. These funds allow low and moderate income-eligible homeowners throughout Washington, Lamoille and Orange Counties to perform critical health and safety upgrades such as weatherization, lead abatement, access modification and the correction of code violations.
- Additionally, it is important to note the town of Warren has formed a group to address affordable housing matters. This group has been heavily involved in the tract of land purchased by the town for affordable housing purposes. Sugarbush has also contributed to this effort by agreeing to donate adjacent property. Currently, this parcel of land is still being examined for feasibility.

Summary of Current Economic & Demographic Information

The unmet needs for affordable housing in the MRV are most clearly revealed by a summary of the demographics of those who commute to jobs in the MRV and by those who vacation in the MRV as much as by the demographics of the current permanent residents. Housing prices, including rental rates, land costs and the costs of single-family homes and condominiums are increasing much more rapidly than in the remainder of the County or the State as a whole and more rapidly than wages.[9] The upward pressure is coming partly from in-migration of new permanent residents with the financial resources to outbid local would-be homebuyers, but mostly from those purchasing vacation homes. Few wage earners who do not already own a home here can afford the price of admission. Those who may be able to find an affordable property can almost certainly find better value outside of the MRV.[10] Only a handful of first time home-buyers, including renters who work in the MRV, can expect to secure a suitable home here. Renters whose earning capabilities are increasing cannot expect to "move up" to better or bigger accommodations either because rental rates are also increasing faster than wages.

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[9] Property transfer tax information maintained by the VT Housing Data bank and DET annual data for LMA's and towns.

[10] A mortgage originator serving the MRV and towns to the East and North notes that a home near the Northfield/Roxbury line with a market value of, say $150,000 might be expected to fetch three times that much in the MRV, especially with a view.

This trend began to emerge in the 1980's culminating in the MRV response with the Humstone Action Plan in 1991. The trend continued to escalate unabated through the 1990's so that by 2000, MRV residents overwhelmingly recognized housing affordability as a "concern". Since 2000, the trend has continued to escalate, almost exponentially since 2002, to crisis proportions today.

In 2004, the estimated MRV population exceeded 4,600 in about 2,035 households, an increase of about 3.3% since the 2000 census as compared to an estimated state-wide increase of a little over 2.1%[11]. Households are getting smaller; the estimated average household size in the state has dropped from 2.44 in 2000 to an estimated 2.41 in 2004[12]. As of 2000, average household size in the MRV ranged from about 2.26 in Warren and Waitsfield to 2.36 in Fayston, already lower than the average sizes in the County and the State. The trend to smaller household size likely continues in the MRV as well—at least it is highly unlikely that it is increasing. The population in Vermont is aging with an increase in median age of 37.7 in 2000 to an estimated 40.4 in 2004[13]. It is likely that this trend is mirrored in the MRV as well, though in 2000, the average age was already just under 40[14]. The school population is declining in the MRV despite increases in population, which is consistent with an aging population and smaller households. About 62% of households are families of which 85% own their own homes. About 56% of non-family households are also homeowners. Overall, in 2000 about 74% of MRV households owned their own homes.[15] As in most rural Vermont towns, there is and always has been a high propensity to purchase among MRV residents[16].

Incomes and wages are increasing throughout the State as are housing costs. As of 2004, only 53% of Vermont residents were born here[17]. In the MRV, the percentage is much lower—dipping to about 35% by 2000 and certainly lower now[18]. In short, trends in the MRV are not unique, but some may be more pronounced than in the county or state as a whole. This is particularly true of housing costs.

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[11] Vermont Housing Data, Main Housing Data Profile for towns/county/state
[12] Vermont Housing Data, Main Housing Data Profile for towns/county/state
[13] The American Community Survey, 2004
[14] The United States Census, 2000
[15] The state ownership rate has actually risen from about 70% in 2000 to 73% in 2004.
[16] The United States Census, 2000
[17] The American Community Survey, 2004
[18] The United State Census, 2000

Median Incomes of MRV Households have been rising relative to the remainder of Washington County and Vermont as a whole.

As recently as 1980, incomes of MRV families, as reflected by the median family income, lagged behind Washington County as a whole. The median family income in Waitsfield was the same as for the County. The median family incomes in Warren and Fayston, however, were considerably lower than the county as a whole. By 1990, the medians in Warren and Waitsfield had surpassed the county and only Fayston continued to lag slightly. By the 2000 census, median family incomes in all three towns exceeded those of the county with Fayston boasting the highest median family income in the Valley. The most likely explanation for the relative shifts in income is in-migration from areas outside of the MRV[19].

	Median Household Incomes			Estimate
Location	1979	1989	1999	2005
Fayston	16,010	34,712	60,938	73,784
% of County	94%	98%	119%	118%
Warren	14,716	36,950	57,206	69,264
% of County	87%	104%	112%	111%
Waitsfield	17,021	37,361	54,868	66,435
% of County	100%	106%	107%	106%
Average MRV	**15,916**	**36,341**	**57,671**	**69,828**
Washington Cty	**17,006**	**35,396**	**51,075**	**62,600**
MRV as % of Cty	**94%**	**103%**	**113%**	**112%**

Note: The 2005 medians are based on an extrapolation of data collected during the American Community Surveys conducted at intervals between Censuses'. For Vermont, data is collected and reported statewide based on a sample survey. This data is used by HUD to estimate median family income for each county for determination of eligibility to HUD programs. The FFIEC[20] Geocoding System uses this information to estimate median family incomes for individual census tracts annually. The community figures above are based on this information and may well be understated.

A quick glance at the most readily available income statistics for the Mad River Valley and data contained in the 2001-2003 UVM Update indicate that the median household income increased by over 50% between the 1990 and 2000 census. So were households doing 50% better in 2000 than in 1990? No. When adjusting for inflation of about 37% during that time, the median household income in the MRV increased by only about 13%. It appears that the MRV fared better than Washington County with a County-wide increase of only 2.4%, but this isn't the whole story. The median household income in Fayston (the fastest growing town in the MRV) increased a whopping inflation adjusted 28%. Warren fared less well with an inflation-adjusted increase of 11%. In Waitsfield, however, the increase in

[19] Historical Data from Vermont Housing Data and the United States Censuses
[20] FFIEC is the Federal Financial Institutions Examining Council.

inflation adjusted household median income was 1.3%, lower than for Washington County as a whole[21].

The chart below shows the relative increase in median household income from 1990 to 2000.

Median Household Income in 2000 dollars			
Area	1990	2000	% Increase
Fayston	42,644	54,472	27.7%
Waitsfield	44,988	45,577	1.3%
Warren	42,787	47,438	10.9%
MRV	**43,473**	**49,162**	**13.1%**
County	39,994	40,972	2.4%

Incomes in the Context of the Local Economy

Changes in the median income are affected, in part, by employment opportunities in the local and surrounding labor markets. Employment opportunities in the MRV include both covered wages and self-employment. The Dept. of Labor has identified the MRV plus Moretown as a distinct Labor Market Area (LMA). About 87% of the employers and 86% of the jobs are in the three MRV towns. As is no surprise, the largest sector is "Leisure & Hospitality" with about 27% of the jobs and the lowest average annual wage—due in part to the high number of part time jobs.[22] This covers Sugarbush Resort and Mad River Glen as well as the local B&B's, inns and restaurants. The winter season adds an additional 500-600 jobs, many of which are part time. Retail weighs in next with 14% of the jobs. The combination of the "Information" and "Professional Services" sectors accounts for about 13% of the jobs that are, on average, the highest paying jobs in the MRV. The remainder of the jobs are relatively equally divided among manufacturing, real estate, financial services, construction, private health and education, public education, and other services such as repairs and maintenance, landscaping and the like[23].

The 340+ MRV businesses are small, even by Vermont standards. Of the 25 largest employers in the MRV, only three employ more than 100 people with Sugarbush being the largest. An additional three businesses employ between 50 and 99 people. Four of the largest employers in the LMA are the elementary schools. Of the 20 largest private employers, however, about half are not dependent on tourism[24].

[21] Inflation adjustments were calculated using www.westegg.com/inflation
[22] A bit less than 12% of jobs statewide are associated with this sector.
[23] Vermont Department of Employment and Training, labor market area statistics
[24] Vermont Department of Employment and Training

A healthy economy needs ways to bring in capital from outside of the market area. Traditionally, businesses produce value added goods and services that they export to other markets. The MRV has "grown" several small, but successful examples. Some, like Green Mountain Coffee Roasters simply "outgrew" the Valley and moved—though it remains an employer of MRV labor force. So long as new businesses continue to emerge to replace those that fail or leave, the MRV economy will remain stable.

"The life blood of the service industry is its people, and they have to have a place to live that makes sense for them to continue to work in the Valley" – Robert Tierney

Clearly, tourism is a major economic factor in the MRV. Tourism is like export industries, but instead of exporting goods and services, tourism brings the customer, and their money, to the MRV. The ski industry is maturing and areas must fight for a sustaining share of a steady market. But, tourism in the MRV has been diversifying - including the newly burgeoning "wedding" business. Lower wage, seasonal and part time jobs are less likely to provide essential wages for MRV families. Often, these workers are younger and more transient than MRV families and long-term residents. On the plus side, tourism has provided opportunities for new business formation by local residents with limited means.

Humstone reports that about 75% of the MRV jobs were filled by MRV residents in 1990. The labor force reported in the 2000 census was 2,600 of which 1,615, or 62%, worked in the MRV. Of the 2,850 jobs offered in the MRV in 2000, however, 1,235, or 43%, were filled by workers who lived outside of the three towns[25]. The numbers of employers and jobs continue to increase though there is no good data to indicate how many of the new jobs have been filled by MRV residents and how many by commuters from area towns.

Though the Valley is a separate labor market area, it can hardly be described as a major employment center like Barre-Montpelier or even Stowe-Morrisville with large employers like the State, National Life Insurance, Central Vermont Hospital, or Green Mountain Coffee Roasters[26]. Yet, although new businesses are being formed and net new jobs created, the percentage of the workforce that lives in the MRV is declining as workers commute in from neighboring labor market areas in increasing numbers.

The trending increase of workers commuting into the MRV is consistent with a housing market where prices have outpaced local wages.

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[25] The Vermont State Data Center, commuting data for 2000

[26] In central VT, only the State employs more than 1,000 workers. Even in Burlington, there are only 6 employers with over 1,000 workers—the City, Homeland Services, Fletcher Allen, UVM, the State and IBM)

Sources of Income

Income may come from wages, self-employment, wealth, pensions and social security, and/or some form of public assistance. As of the 2000 census, about 75% of all families headed by couples, including elderly families, included two or more wage earners. Over 88% of families with a single male or female head of household included at least one wage earner[27].

Average annual wages for employees covered by the Dept. of Labor increased 42% in Washington County between the 1990 and 2000 census - doing a bit better than inflation. Annual wages in the Warren-Waitsfield Labor Market Area (MRV plus Moretown), increased by only 34%--which means that wages for covered jobs in the MRV did not quite keep pace with inflation. Average annual wages in Warren-Waitsfield have historically lagged behind the County due, in part, to the high percentage of jobs in Leisure & Hospitality Services. This industry tends to offer more part time and seasonal employment that tends to dampen the average because the report does not distinguish between full and part-time positions[28]. Many primary wage earners may make ends meet by combining two or more part-time positions. It should also be noted that part time and seasonal jobs and jobs in the service sector (retail, food services, et. al.) are less likely to include medical insurance, paid vacation time, and even paid sick leave and paid holiday leave. Therefore, unless another wage earner has health insurance benefits, wage earners in these jobs who want health insurance for themselves and their families, may spend an additional $4,500 to $15,000 per year for medical insurance coverage.

Some of the part time seasonal ski area positions are held by casual workers that are not in the traditional labor force and that are not dependent on these jobs for subsistence.[29] These may include, for example, retirees or others workers seeking free season's passes, students working on weekends and during school vacations, and "visiting workers". This may tend to understate typical wage levels for primary wage earners. These casual wage earners depend on other sources for health insurance and are content with the primary benefit—a free season pass.

A higher percentage of MRV residents report income from self-employment (27%) than in the County as a whole (18%)[30]. Some of the increase in median income may be attributable to higher incomes from self-employment in the information sector which generally pays well. However, income from self-employment is likely to be spread across many income

[27] The United States Census, 2000

[28] Vermont Department of Employment and Training, inflation adjustments were made with www.westegg.com/inflation

[29] Certainly, some of the young transient workers do live on the winter earnings, but they are highly mobile and cannot be said to depend on the jobs in the same way that a primary wage earner does.

[30] The United States Census, 2000

levels. As one 50-something native Valley resident observed, "If you wanted to stay, you pretty much had to work for yourself." Self-employed workers need to earn $4,500 to $15,000 more to pay for health insurance if no other family member has health insurance benefits from covered employment. Often, one wage earner will remain in a job that may pay modest wages, but offers health insurance and other benefits.

A higher percentage of households in the MRV derive income from dividends, interest and rent than in Washington County as a whole. A little more than 56% of MRV households derive some income from investments as opposed to just under 48% in Washington County as a whole[31]. Although there is no supporting data, it is highly likely that a higher percentage of MRV households are wealthy than in the County as a whole. Wealth, as opposed to wages, means that the household is not dependent on income earned from wages, but derives a substantial income from capital investments such as stock dividends, interest from bonds and other instruments, and rental income. People with wealth also have the option of liquidating assets for major purchases. The incomes of wealthy households may not truly reflect their economic well-being, as "income" may be entirely discretionary. That is, a mature couple, so-called "empty nesters", may own their home and cars without debt, and no longer need to spend for the care, feeding, and education of offspring. Newcomers may be able to purchase more expensive homes with proceeds from the sale of long-held property in the northeast urban corridor.

As wages in the area labor markets are not increasing so rapidly as the median incomes and as the median incomes in the MRV are increasing more rapidly than in the County or in Vermont as a whole, increases in wages can't account for the relatively higher increase in incomes in the MRV. As has been noted in all the studies and in the town plans, population growth in the MRV towns has outpaced growth in the County and in the State as a whole through in-migration from other areas—mostly from other states. The 1990 census found that about 41% of the MRV residents were born in Vermont. By the 2000 census, it had fallen to about 35% compared to 59%, a majority, of Washington County residents who had been born in Vermont. The population of the MRV increased by 1,138 or by 34%. The net increase of those born in Vermont and living in the MRV was 128. That would have been a 4% increase that is lower than natural increase from births over deaths[32].

"Median Incomes" and Housing Costs

The median income of households in the MRV is higher than in both Washington County and the State as a whole. As of the 2000 census there were relatively slightly fewer households with income below $15,000 in the

[31] The United States Census, 2000
[32] UVM Center for Rural Studies, Vermont Indicators Online, Town Profile

MRV and there were more households with incomes in excess of $100,000 than in the County as a whole. The percentage of families reporting incomes between $35,000 and $75,000 was about the same for the MRV (46.9%) as in Washington County (45.4%). The percentage of non-family households earning between $15,000 and $35,000 is also comparable with Washington County (40% for MRV compared to 37% in Washington County). So, while it is true that the median income is rising, most families and households are "middle income". Even accounting for increases in wages since 2000, it is clear that most families living here could not now purchase a home in the MRV.

	Median Household Incomes			
Location	1979	1989	1999	2005
Fayston	16,010	34,712	60,938	73,784
% of County	94%	98%	119%	118%
Warren	14,716	36,950	57,206	69,264
% of County	87%	104%	112%	111%
Waitsfield	17,021	37,361	54,868	66,435
% of County	100%	106%	107%	106%
Average MRV	**15,916**	**36,341**	**57,671**	**69,828**
Washington Cty	**17,006**	**35,396**	**51,075**	**62,600**
MRV as % of Cty	**94%**	**103%**	**113%**	**112%**

Between 2000 and 2004, average annual "covered" wages increased by about 10% in the Warren/Waitsfield Labor Market Area and about 7% in the County as a whole—adjusted for inflation[33]. In 2000, the average selling price of a single-family home for a primary residence in the MRV was already about 1.4 times the average house in the County as a whole[34]. By 2004, in constant dollars, the price of single-family homes for primary residency had increased another 14% in Waitsfield, 45% in Fayston, and 79% in Warren[35]. As of 2004, the average cost of a single-family house in the MRV had increased to over 1.7 times the cost of the average house in the County[36].

Of the 60 houses on the market as of May 12, 2006, 20 were offered for less than $300,000 with the least expensive mobile home on one acre offered at $170,000. There were only four additional properties offered for less than $200,000 requiring incomes between $58,000 and $69,000. Another 15 homes were offered at prices ranging from $225,000 to $300,000 that would require incomes ranging from $77,300 (107% of current

[33] Vermont Department of Employment and Training, Labor Market Area information and inflation calculator
[34] Vermont Housing Data
[35] Vermont Housing Data
[36] Vermont Housing Data

estimated median) to $103,000 (over 140% of median). Purchasers who have recently sold a home in which they had considerable equity can manage with less income to support a smaller mortgage. The remaining 40 homes were offered at prices between $300,000 and $2.35 million[37].

Purchasing a condominium as a "starter" home may provide a transitional option for some individuals and fledgling families. Most condominium projects in the Valley were designed and built as vacation homes and are marginally suited for permanent residency. As of 1990, the Humstone report noted the availability of affordable condos for purchase or long-term rental. Vacation condo prices, which had been lagging behind prices for single-family homes and land, have begun to catch up, however. Units at Sterling Ridge on the Sugarbush Access Road had attracted some permanent residents, but asking price for two bedroom units now start at $300,000. Butternut Hill in Waitsfield had provided relatively inexpensive, though small "starter" units. Currently, however, a one-bedroom unit of 600 square feet is listed at $99,500 and a two-bedroom unit with 900 square feet is listed at $139,900. By contrast, a newly constructed 2 and 3 BR condo in Northfield is priced at $178,000.

As of 2000, about 466 households, or about 24% of all households, rented apartments, condos, or houses in the MRV. Of these, 72% of the 167 renters with incomes below $20,000 paid over 35% for housing. Over 15% of all renters paid in excess of 50% of income for housing costs. Rental costs have been increasing steadily since 2000 as well. Renter households tend to have less income as a group than homeowners and their incomes tend to rise more slowly than incomes in the MRV as a whole. In mid-May, advertised rentals were sparse. One-bedroom apartments ranged from $450 (one listing) to $800 per month. Lucky apartment seekers might manage on an income of $22,000, but more likely, most one-bedroom apartments are affordable to individuals or couples with incomes of $24,000 to $30,000. Two bedroom apartments and condos range from $725 to over $1,000 per month and are affordable to households with incomes in the $32,000 to $36,000 range. Three bedroom apartments and houses rent net of all utilities for about $1,300 per month, and four bedroom houses for $1,300 to $1,600 per month. These higher rentals are affordable to households with incomes in the $60,000 range[38].

In general, the MRV and its residents are doing quite well. The only problem is that increasingly fewer people can afford to live here because housing costs have increased dramatically—especially during the past 4 years. Home ownership is out of reach for most first time homebuyers who work here. Rental costs, too, have increased. Little additional supply of rental units has been supplied at any price. Some MRV workers may have moved out of the MRV to purchase a home or to find a better rental value.

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[37] Multiple Listing Service
[38] The Valley Reporter

Others may have accepted employment here with no desire or expectation of moving into the MRV. But the imbalance—that is the fact that more workers commute into work than out to work—supports the presumption that increasing numbers of MRV workers who would like to live here cannot find appropriate affordable housing.[39] An assessment of affordable housing needs must address housing opportunities for those who work here but cannot find housing here.

As the UVM 2001 Update indicates and the data demonstrates, the percentage of very low-income families (those with incomes below $20,000 per year) is a little lower than in the County as a whole. In 2000, about 40% of households in the Valley had incomes below $40,000 as opposed to 49% for Washington County as a whole. This might indicate that households in the MRV are doing a bit better than in the County as a whole and that might be true for households that already own a home.

The Housing Market

The housing market is ruled by the law of supply and demand. Some increase in housing costs may be attributable to in-migration from older households arriving with a combination of comfortable incomes, substantial investments and cash from the proceeds of the sale of a home "down-country". A great deal of the upward pressure on property costs, however, is coming from vacation home purchasers. Unlike some other resort areas, people seeking second homes in the MRV are more likely to look "off the mountain" in neighborhoods that have traditionally housed permanent residents.

The table on the next page demonstrates what has happened to the median price of houses relative to median incomes in constant 2005 dollars. The difference in ratios of the cost of a median priced single family house to median family income is most dramatic. Were the ratios in the MRV the same as in the County as a whole, the median cost of single family homes would be reduced by over $100,000.

[39] We are referring mostly to workers with year round full time or at least primary employment.

in constant 2005 dollars					
	1989	1999	increase	2005	increase
Fayston					
Median income	54,106	69,500	28%	73,784	6%
Median SF house	151,194	187,042	24%	325,000	74%
hse cost/income	3.67	3.08		4.08	
Warren					
Median income	57,594	65,243	13%	69,264	6%
Median SF house	198,647	214,398	8%	301,050	40%
hse cost/income	3.45	3.29		4.35	
Waitsfield					
Median income	58,235	62,577	7%	66,435	6%
Median SF house	169,898	201,869	19%	316,500	57%
hse cost/income	2.92	3.23		4.76	
Washington County					
Median income	55,172	58,251	6%	62,600	7%
Median SF house	148,960	134,070	-10%	192,581	44%
hse cost/income	2.70	2.30		3.08	

Between the 1990 and 2000 Census, the median income in Warren and Fayston increased at a greater rate than the selling prices of single-family homes purchased for permanent residences. The price increase of single-family residences in Waitsfield was greater than the increase in median income, but not substantially greater than the increase in house prices in the other two towns. In inflation adjusted dollars, the median price of single-family residences in Washington County as a whole actually fell. Since 2000, however, the selling prices of single-family homes for permanent residences have skyrocketed throughout the County, but because prices in other areas of the region were lower in 2000, the result is nowhere near so dramatic as here in the MRV.

The median selling price of all houses in Washington County in 2005 was about $193,000[40]. Using the VHFA formula, a family with a 5% down-payment, and a 30 year fixed rate mortgage at 5.75%, would need to earn about $63,700 and save about $10,000 for a down-payment to purchase the median priced house[41]. This is just a bit more than the median family income for the County. In Fayston, however, a family would need an income of at least $107,000 and would need to have saved at least $17,000 to purchase a median priced house at $325,000 in the town. The situation was marginally better in Warren and Waitsfield in 2005, but that is partially because their housing stock is older and there are a few more very modest homes and homes that may suffer deferred maintenance needing substantial improvements to building or mechanical systems.

[40] Vermont Housing Data
[41] Vermont Housing Finance Agency

The graph below shows the discrepancy between median incomes, median home prices and the income needed to purchase a home at the median price.

in constant 2005 dollars			
10% down payment, 30 years, 5.75%			
	1989	1999	2005
Fayston			
Median house	151,194	187,042	325,000
Median income	54,106	69,500	73,784
Income needed	50,029	61,883	107,525
% of median	92%	89%	146%
Warren			
Median house	198,647	214,398	301,050
Median income	57,594	65,243	69,264
Income needed	65,714	70,934	99,603
% of median	114%	109%	144%
Waitsfield			
Median house	169,898	201,869	316,500
Median income	58,235	62,577	66,435
Income needed	56,207	66,785	104,713
% of median	97%	107%	158%
Washington County			
Median house	148,960	134,070	192,581
Median income	55,172	58,251	62,600
Income needed	49,282	44,333	63,704
% of median	89%	76%	102%

Obviously, it is even more dramatic to look at the prices of homes in the MRV compared to the County median family income. For example, a household would need 172% of the county median family income to purchase the median priced house in Fayston in 2005. Of the 59 single family homes listed in mid-May, 2006, in the Multiple Listing Service, the median asking price was $366,500. Of those 30 properties below the median, the average asking price was $289,500 and there were only 13 homes listed below $280,000.

According to local realtors and mortgage originators, immigrants from “down country” or vacation home-buyers are outbidding local working families. Additionally, when speaking with mortgage originators working in the MRV, it is of interest to note that many families who have outgrown their current homes are turning to construction financing to expand and alter their existing homes since many cannot afford to enter the real estate market.

Section II Summary of Types of Housing Needed and Options

Unmet Housing Needs as a "fair share" of the State Consolidated Plan Adjusted for MRV realities.

The Vermont State Consolidated Plan estimates current unmet housing needs for low-moderate income households by income and housing tenure. We have calculated the MRV share of renters and home-owners to develop a very rough estimate of the MRV fair share of this unmet need.

First Time Home-Buyers

The following indicates an unmet need for 18 "homes" (single-family, mobile homes, or condominiums) for households with a high propensity to buy with incomes less than 80% of median in Washington County. Most of these are for families with 50% to 80% of median or a range of annual incomes between $32,750 and $52,400 for a family of four. This translates to sales prices between $130,000 and $220,000 assuming RD or VHFA best products.

First Time Home Buyers	Households	percent of county	0-30% of median	31-50% of median	51-80% of median	Total Homebuyers
Fayston	484	2.05%	0.3	1	3	4
Warren	742	3.14%	0.4	2	4	7
Waitsfield	734	3.10%	0.4	2	4	7
Total	**1,960**	**8.28%**	**1**	**5**	**12**	**18**
County	23,659	100.00%	13	64	142	219

This number of units is most likely understated as there are most certainly households with a high propensity to purchase and qualifications for a reasonable mortgage loan that have abandoned the search for housing in the MRV in favor of a better value (or any home at all) outside of the MRV.

Habitat has been creating housing for MRV families with incomes below 70% of median, adjusted for family size. Given the price of land, it is unrealistic to believe that anyone but Habitat can successfully address homeownership opportunities for families with incomes below 50% of median except for mobile homes on leased land. In the MRV, those opportunities are currently limited to Verdmont. Unfortunately, Habitat can only provide a very limited number of homes and at this time, the local group and its donors are experiencing a period of limited activity. To continue at the current pace, the Habitat group would need additional financial resources and additional human resources including an expanded volunteer base. Perhaps grant funds to support a paid coordinator to serve as a general contractor would be helpful.

Partnering with Barre Vocational Technical School to build modular homes on reasonably priced lots might also produce a limited number of homes affordable to families below 80% of median.

Aggressive use of programs like the VHCB's Homeland subsidies combined with donations or bargain sales of land or use of town lands is another possibility for meeting the needs of families with incomes below the County median. However, from our discussions with realtors and mortgage originators, both noted that these products are difficult to use for housing in the Valley. Most of the programs have caps on the price of the property and additionally special circumstances, such as shared driveways, septic systems and wells or use of a spring for a source of water, make many Valley properties ineligible for these loan products.

"Family friendly" condominiums are another alternative, though these will almost certainly also require some subsidy through the Homeland program or reduction of land or site costs through use of Vermont Community Development Program grants or Town owned land.

Though not addressed in the Consolidated Plan, through our discussions with realtors and mortgage originators we've seen that there is a pressing need for ownership opportunities for families with incomes up to 130% of median.[42] Single-family homes are preferred, of course, but condominiums might be more appealing if they are more "family friendly" than the currently available stock. Only one new condominium project has been built in the past several years and those units are being purchased by the vacation market starting at $289,000. There just isn't very much for sale under $300,000.

The Humstone report indicated that 75% of the MRV jobs were filled by MRV residents. Since this report came out, the percentage has dropped to about 62%. If it were to increase back to 75%, 485 workers would need to find housing for themselves or their families in the MRV. Assuming that most have incomes below 140% of median, even if only one quarter were so inclined and only one quarter of those had resources and a propensity to purchase, over 30 new homes would be needed at sale prices below $300,000. From the various discussions with area realtors we believe the number of potential home-buyers is actually much higher.

Existing Homeowners

As of 2000, there were about 1,248 homeowners in the MRV of which 354, or 28% had incomes below 80% of the country median (not adjusted

[42] The gap actually extends up to 140% of median but is less pressing.

for family size)[43] Of low-moderate income homeowners, 229, or 65% reported housing costs in excess of 30% of income. More than half (53%) reported housing costs in excess of 35% of income.

Homeowners	Households	percent of county	0-30% of median	31-50% of median	51-80% of median	Total homeowners needing support	Paying >30% for Housing Costs (census)	Paying >35% for Housing Costs (census)	Percentage Paying >35%
Fayston	384	3.83%	28	33	48	109	47	47	12%
Warren	550	5.48%	40	47	69	156	107	86	16%
Waitsfield	314	3.13%	23	27	40	89	75	54	17%
Total	**1,248**	**12.44%**	**90**	**107**	**157**	**354**	**229**	**187**	**15%**
County	10,030	100.00%	721	857	1,264	2,842	2,264	1,522	15%

This indicates a strong need for programs that help preserve homeownership for low-moderate income homeowners in the MRV. These might include use of CVCLT's Green Mountain Loan Fund, assistance with household budgeting, foreclosure intervention, and similar programs outlined in the strategies section.

Rental Units

The chart on the following page shows the MRV fair share of unmet needs for rental units for "small families" with 2-4 members with incomes below 80% of the County median. It should be noted that the MRV share is based on households that already live here and rent, not on those that have given up trying to find affordable rentals in the MRV. In addition, Habitat reports many of their applicants are from very low income, small families with single heads of household.[44] As ownership may not be a viable possibility at this time for many of these households, more appropriate and affordable rental units provide more housing stability and an improved quality of life.

[43] Because the data does not yield family size, we have not adjusted for it, but the average family size in the MRV is less than 3 people.
[44] Interview with Susan Lee, Habitat.

	Total Number Households	percent of county	0-30% median small families with 2-4 members	31-50% median small families with 2-4 members	51-80% median small families with 2-4 members	Total Small Family Rental
Fayston	100	1.40%	5	4	2	11
Warren	172	2.41%	9	6	4	19
Waitsfield	212	2.97%	11	8	5	24
Total	**484**	**6.77%**	**26**	**18**	**10**	**54**
County	7,145	100.00%	378	265	154	797

The chart below shows the MRV fair share of unmet needs for rental units for "large families" with 5 or more members with incomes below 80% of the county median. It should be noted that the MRV share is based on households that already live here and rent, not on those that have given up trying to find affordable rentals in the MRV. Because the percentage of large families is smaller in the MRV relative to the County as a whole, this number may be adequate. However, Habitat also receives applications from larger families including families headed by couples with four or more children.[45] There are extremely few apartments with three or more bedrooms in the MRV and rental houses most often available are offered for $1,200 or more per month plus utilities and are affordable only to families with incomes of at least $50,000 per year.

It is impossible to produce units affordable to the large families who need them without deep subsidies. Current HUD fair market rent (FMR) for a four-bedroom unit including all utilities is $1,034. Project based Section 8 vouchers allow rents at 110% of HUD FMR's or $1,137 per month. This suggests that large family units must be produced by non-profit housing development organizations utilizing public funds for subsidies.

Large Family Rental Units	Total Number Households	percent of county	0-30% median large families with 5+ members	31-50% median large families with 5+ members	51-80% median large families with 5+ members	Total Large Family Rental Units
Fayston	100	1.40%	0.5	0.1	0.2	0.8
Warren	172	2.41%	0.9	0.2	0.3	1.4
Waitsfield	212	2.97%	1.1	0.2	0.4	1.7
Total	**484**	**6.77%**	**3**	**1**	**1**	**4**
County	7,145	100.00%	37	8	12	57

45 Interview with Susan Lee, Habitat.

Of the 484 renters in the MRV in 2000, 185 were families. The remaining 300 were non-family households. Again, we don't know how many families or non-family households with members who work in the MRV have unsuccessfully sought affordable rentals in the Valley. Anecdotally, examples of non-family households seeking rentals have recently included a single special education assistant at a local elementary school, three young women in food services seeking to rent together, a self-employed sports equipment representative, and a worker at the phone company.

Elderly & Special Needs Housing

Based on the State Consolidated Plan and the MRV fair share, it would appear that there is an unmet need for affordable rental housing for independent seniors. Many of the MRV elderly are homeowners that have preferred to remain in their homes despite some financial hardship. At least some elderly have sold their homes or are considering selling (mortgage free and at a considerable profit) so that even though incomes are modest, there may be a market for "life-time" tenancies and/or modestly priced in-town condominiums built with universal design principals. Recent efforts at Evergreen Place have expanded the supply of subsidized elderly units. As waiting lists develop for both Evergreen and the elderly units at Mad River Meadows, it will be easier to assess future needs for subsidized elderly units. Therefore, although a high need is indicated using the State Consolidated Plan as a guide and looking only at the ratio of MRV renters to renters in the County, other affordable housing needs including rentals for non-elderly and ownership opportunities should receive priority at this time.

Elderly Age 62+ Not Frail	households	percent of county	Elderly age 62+ 0-30% of median	Elderly age 62+ 0-30% of median	Elderly age 62+ 0-30% of median	Total Elderly Rental
Fayston	100	1.40%	5	2	1	8
Warren	172	2.41%	8	4	1	14
Waitsfield	212	2.97%	10	5	1	17
Total	**484**	**6.77%**	**23**	**11**	**3**	**38**
County	7,145	100.00%	344	169	50	563

Using this methodology, it would appear that there is a large unmet need for housing for frail elderly and individuals with special needs as indicated in the chart on the next page.

Elderly & Special Needs-Rental	households	percent of county	Frail Elders & Special Needs 0-30%	Frail Elders & Special Needs 31-50%	Frail Elders & Special Needs 51-80%	Frail Elders, Homeless & Special Needs
Fayston	100	1.40%	9	5	2	16
Warren	172	2.41%	15	8	4	27
Waitsfield	212	2.97%	18	10	5	34
Total	**484**	**6.77%**	**42**	**24**	**12**	**77**
County	7,145	100.00%	614	352	175	1,141

An earlier effort to supply single room occupancy housing with shared community space for activities and meals and with limited services like prepared meals at Evergreen Place was not successful. Although it is likely that a need exists, the MRV's recent experience with Evergreen suggests that future efforts be postponed until further analysis of needs can be completed and a more appropriate response can be carefully thought through.

At least some MRV non-elderly residents with special needs (developmental challenges, physical disabilities, or persistent mental illness) may leave the MRV to secure appropriate living accommodations. In many cases, these folks require individual assistance at some level as well as specialized services. Some thought should be given to a limited number of units (owner-occupied or rental) that can provide accommodation in the MRV. These might include shared housing of universal design with an accessory adjoining apartment for a caregiver.

Single Room Occupancy

Some form of shared housing, "dorm-style" housing, or Single Room Occupancy might be appropriate and marketable to single seasonal employees or even very young "couples". There are more seasonal employees during ski season than in the summer months so it would be advantageous to design SRO housing that might be used during the summer months. Possibilities might include an "elder hostel", housing for special summer events that tend to attract young singles (mountain bike events, etc.), Yestermorrow students, or special summer camps. Sugarbush Resort does currently have an agreement with Yestermorrow, where they use about 20 beds at the school, which during the summer months are used for students attending courses at Yestermorrow. There are few subsidies available for this type of housing and it is a low priority for scarce funds.

Affordable Housing from now until 2020

Based on projected population trends, the current pattern of distribution of income among MRV households, the current homeownership/rental ratio, and the current distribution of households by size, it is possible to project a rough estimate of the market for units over the next 14 years. Unfortunately, this is only the “demand”[46] side of the equation. There is no reason to expect that the private market will supply anything but high-end, high-cost units. The following graph gives an idea of the distribution of units that will be needed to maintain a similar diversity of incomes, family sizes, and homeownership opportunities for residents of the MRV over the next several years.

Incomes as of 2000 Census Data	**2000 Census**	**2010 Projected Increase**	**2020 Projected Increase**	**1-2 BR Rental Units**	**3+ BR Rental Units**	**Single-Fam or Condos**	**Max Hsg Cost in 2000$$**
MRV Total	1,971	2,192	2,397	54	4	18	
Increase	426	221	205				
<$25,000	484	54	50	70	35	-	$ 625
$25,000-39,999	316	45	42	55	27	5	$ 1,000
$40,000-59,999	484	54	50	18	9	78	$ 1,500
$60,000-74,999	226	20	21	6	-	35	$ 1,875
$75,000-99,999	211	24	22	-	-	46	$ 2,500
Market	250	28	26	-	-	54	
Total				203	74	236	
Total Deep Subsidy—Affordable				**124**	**39**	**5**	
Total Part Subsidy--Moderate Income				**55**	**27**	**96**	
Market with encouragement						46	

Note: The estimates for 1-2 bedroom units do not include independent elderly, frail elderly or special needs.

Essentially, over the next 14 years, the MRV will need about 150 new homes that are affordable to families earning up to 120% of median for the County including at least 100 of which are affordable to families earning below 100% of median.

There is an increasing need for affordable rental units. It appears that there will be a need for up to 200 additional units of rental housing that is affordable to low and moderate-income households. There will be an increasing need for units appropriate for elderly households as well. As many of the elderly currently living in the MRV own their own homes, despite low incomes, many will have the means to pay higher rents or “entry fees”. It is more likely that the private market will respond to the needs of the elderly than for other groups needing modestly priced housing.

Rental projects require 2-5 years from proposal to completion. Creation of subdivisions and/or affordable homes for sale may require slightly less time, but the scarcity of affordable land and fewer deep subsidies makes creation of ownership opportunities more difficult.

[46] Unfortunately, it’s more like a “ideal” side as suppliers currently have no incentive to satisfy the demand for lower cost housing.

The conclusion is that, without intervention, it is unlikely that the MRV will produce enough affordable units to reach the common community goal of a "diversity" of housing to meet the needs of all Valley residents.

Section III Barriers to Creation

What are the various barriers identified to affordable housing creation?

The housing market is subject to the laws of supply and demand. Strategies to "correct" a housing market, usually fueled by public dollars, may include initiatives that increase supply and/or initiatives that increase the effective demand of consumers who can't otherwise compete effectively for the available supply.

SUPPLY SIDE BARRIERS & STRATEGIES

Barrier: There is too much demand and too little supply of land in the Mad River Valley

The MRV is a valley and well defined at its southern boundary by Granville Gulf, at its eastern boundary by the Northfield range and to its west by the spine of the Green Mountains. To the north the Moretown/Middlesex market and the Waterbury/Duxbury markets all overlap. There is a high demand for housing and land in the MRV. The supply of land is limited by geography and topography. Even in the absence of development regulations, site development costs on marginal land would drive up the costs. Land in the MRV is simply too expensive for affordable housing.

The costs of labor, capital and building materials are substantively similar across the region—the value of MRV developable land is the single major barrier to creation and preservation of affordable housing. There is nothing to be done that can increase the supply of raw land. And there is little that can be done, or that the MRV might be prepared to do to dampen demand.

Possible Strategies: There are three potential strategies offered that address the rising costs of raw land: establishment of a land bank (or Local Housing Trust Fund), donations and/or bargain sales of property, and donation and/or below market sale of town-owned property. All these strategies will be discussed in greater detail later in the section.

Barrier: State and Town development regulations further restrict and reduce the supply of potential home sites.

1. Maximum densities are too low to develop affordable housing efficiently in many zones. In some cases, the development capacity of the land is greater than the densities allowed by

regulations. This is particularly true in Warren's Regulations for residential areas that decrease densities as parcels increase in size.

2. The meadowland overlay in Warren has removed some of the most easily developable land in Warren from the housing market.

3. Scenic road setbacks and other requirements in Waitsfield increase cost of development (site costs increased)

4. Multi-family housing is only allowed by Conditional Use:
   a. The state mandates 5 criteria, only one of which is subjective and problematic—"character of the area affected". Although the Towns provide a hint, there is uncertainty as to what might be acceptable and what will be challenged.
   b. Town Development Regulations impose additional "Specific Standards" for Conditional Uses that are subjective in varying degrees and open opportunities for NIMBY cloaked as concerns that specific standards be followed. These objections often begin "we need affordable housing, but it's not appropriate on this site because…."

   Debates about conformance to "character of the area" and specific standards may increase the length of time and the amount of work that a developer must pay to obtain a decision. Time is money and engineers, attorneys, and other "experts" come at a dear price. The permit process can cost hundreds of thousands of dollars for a large development and there is no guarantee of a favorable decision.

   Some debates about "design" and "visual impact" are so subjective that they cannot help but elicit private aesthetic opinions that may or may not constitute "criteria" that best serves the community.

5. The two tier approval mechanism for approval of major subdivisions (local subdivision approval followed by State Land Use Permit (Act 250)) lengthens the process, complicates the process and often doubles the opportunities for challenge from the public. This two-tier system invariably adds significant costs to the creation of the subdivision—thus increasing necessary sales prices for individual lots. A few individuals interviewed noted the challenges poised by the level of citizen involvement in the permitting process. That is, each project up for review is given limited time before the decision making board, often requiring the developer to reappear on multiple occasions. However, the process never limits the amount of time a citizen

may address the board, allowing duplicate opportunities for citizens to address their concerns, often these individuals address the same concerns repeatedly, lengthening the permitting process.

6. Subdivision regulations appear to have grown increasingly complex and demanding over the years. This is partially in response to characteristics of earlier subdivision design that PC's might have wanted to prevent in the future. It is probable that there are existing subdivisions in each town that could not be approved under current regulations. Nonetheless, this increase in complexity, level of review (more micro-review), and added considerations requiring subjective judgments add to the developer's cost during the permitting phase. These costs are passed on to the end user.

7. The combination of market forces and development regulations have decreased housing diversity and increased the incidence of "homogeneous" neighborhoods (subdivisions) at the expense of production of modestly priced lots and homes. As Henry Ford once remarked "mini cars make mini profits" and so it is with housing development. Diversity (the integration of affordable housing) is much harder to introduce than to continue.

8. In general, many interviewed noted the complexity, lack of clarity, and general difficulty of the permitting process at both the state and local levels. Although all three sets of development regulations were mentioned, several interviewees noted some differences in levels of "difficulty" in permitting among the three towns. Many felt that the permitting process deters development all together. One member of a planning commission discussed one particular project which took close to 14 months to go through the process at a cost of about $135,000 to the developer.

Possible Strategies: It is difficult to recommend an immediate revisit of town development regulations as all three towns have so recently undertaken this grueling process. Strategies discussed below are included as examples: clarification of some "standards" to increase developer certainty and decrease NIMBY challenges, thus reducing risk; addition of some density provisions for affordable housing (both single and multi-family) in residential areas; adding incentives for inclusion of a limited number of "affordable lots" to new major subdivisions; considering "minimum density" requirements in some zones; consider combining local subdivision permit with Act 250 where developer is willing to include affordable lots; in Warren, relax some requirements that accompany "rural hamlets" and "farmstead clusters" to allow use of these alternatives for affordable housing; adopt policies that consciously favor utility and simplicity over unnecessarily complex designs for affordable housing (that is, place value on the needs of the end user as well as on the preferences of the community). Waitsfield is reviewing subdivision regulations in response to a request from local attorneys that included requests for clarification of terms and Waitsfield continues to work on development regulations for Irasville.

Barrier: Conservation easements have removed some of the most easily developable land from the housing market.

Conservation of land for agriculture, recreation, open-space, and wildlife habitat is a high priority for MRV residents and one to which the majority is willing to commit public and private resources. Much of conserved land is not appropriate for development, but some is.

Possible Strategy: Land considered for conservation might be subject to review by the local planning commission and/or the MRVPD to determine whether opportunities for a "dual purpose project" (conservation & affordable housing) may exist. Some community leaders we spoke with felt private owners of conservation lands should pay a portion of their reduced tax burden to affordable housing efforts or perhaps donate a parcel from their conserved land, if applicable, to affordable housing development.

Barrier: State Water & Waste Water Regulations have further restricted the supply of developable home sites.

Under current Agency of Natural Resource regulations, it is highly unlikely that Alpine Village and Prickly Mountain could be developed—certainly not to the extent that they have been. Density restrictions imposed by local development regulations notwithstanding, there are most certainly parcels that could support higher densities if more affordable alternative septic systems were permissible.

Possible Strategies: Research possible alternative systems and advocate for pilot project in the MRV. Yestermorrow might be asked to coordinate or conduct this activity. The State of Vermont will be reviewing its current regulations pertaining to acceptable alternative septic systems in March of 2007. It seems likely that a public comment period will be a part of this review and the Mad River Valley Planning District should follow the issues closely.

Barrier: There are not adequate municipal services (water & septic) to allow increased densities in village centers and most identified growth centers:

Poor soils, wetlands around Irasville, high water tables, and flood hazard areas have thwarted additional development in some villages and designated growth areas.

Possible Strategies: A strategy mentioned in town plans is to use town capital budget to expand municipal services to village centers and growth centers. Waitsfield is working hard to realize public water and septic in the Irasville section.[47] Waitsfield has also included requirements for second stories to encourage second story residential opportunities in Irasville. Another strategy would be to advocate for a water-sewer set aside for a mix of uses including affordable housing. Sugarbush Village is served by a private system that has allowed dense development in that zone. Warren Village has recently installed publicly operated community septic systems; funding sources require that capacity be restricted to systems that existed at the time of construction. It is recommended that all three towns continue to consider additional water/sewer systems in areas targeted for higher density growth, for example, in the area surrounding the base of Mt. Ellen.

Barrier: No one likes Sprawl & everyone loves "Smart Growth":

Affordable housing developers and the sources of their subsidies are biased against projects they perceive as contributing to sprawl or that do not appear to conform to all of the principles of "smart growth". Yet, town development regulations permit unsubsidized subdivisions and very large single-family home construction—often on large lots that do contribute to "rural sprawl" and that do not conform to "smart growth" principals. Bias against affordable housing outside of villages or "growth centers" may be a barrier to some appropriate affordable housing development.

Possible Strategy: Accusations of "sprawl" applied to proposed affordable housing is a convenient excuse for opposition that masks NIMBYism. There may be instances where an affordable housing development might be perceived as contributing to sprawl. However, where the proposed development does not contribute to sprawl to any greater extent, or to a lesser extent, than alternative permissible uses, town boards should take that into consideration and support the project. For example, does a 7,000 square foot house and accessory buildings on 5 acres constitute less "sprawl" than five 1,200 square foot houses clustered on the same lot? Affordable Housing Endorsement Guidelines, if adopted, should incorporate these considerations into the criteria.

Barrier: Impact on Wildlife Habitat:

Wildlife habitat is a sensitive issue that appears to increase in intensity as development pressure increase. Town regulations need to be clear about what is permissible and where it is permissible. Unfortunately, in many cases, a single-family structure—no matter how large—is permitted by right but any additional subdivision opens the door to challenges.

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[47] There are several communities smaller than Waitsfield (Plainfield for example) that do have public systems serving their village centers that has allowed much denser development.

Possible Strategies: Efforts underway by Fayston and Waitsfield to map sensitive areas, wildlife habitat and travel corridors to guide the drafting of regulations to guide development are a good beginning. This is a potentially divisive exercise and the resulting regulations must be clear and reasonable.

Barrier: NIMBYism:

Sadly, the "Not In My Back Yard" (NIMBY) syndrome does exist in the MRV. NIMBY is an acronym for the phenomenon in which residents oppose a development as being inappropriate for their local area but, by implication, do not have a blanket opposition to such developments elsewhere. It is therefore used to signify protest by people whose major concern about some development or activity is for it not be associated with or developed within their locale. It should be noted that it is not necessarily aimed only at "affordable" housing, but may extend to a variety of proposed development. There is a mistaken presumption that community policies reflect common goals and that undesirable behavior (NIMBYism for example) stems primarily from ignorance. Thus, information and education may help marginally but will not go so far as may be hoped. It is important to note, many of those we interviewed believe that residents of the Valley assume that new affordable housing will attract undesirable people from outside the area, not address the housing needs of those who already live and/or work here. Many stressed the importance of raising the level of local citizens understanding of affordable housing needs and issues, particularly if municipal funds are expended, since many municipal officials are reluctant to propose using public money contrary to the current "the will of the voters".

Possible Strategies: While they won't solve the problem, information and education will help. Though many people may not consciously change their minds, the idea of affordable housing will become less of a novelty and less threatening. [48]

BARRIERS TO PRESERVATION & CONSERVATION OF EXISTING AFFORDABLE HOUSING—DEMAND SIDE STRATEGIES

Barrier: Costs to replace essential building & mechanical systems are rising:

Many of the MRV lower income homeowners own aging properties or properties built in the 1960's or 1970's with modest construction standards and materials. The costs of capital replacements (heating systems, roofs, windows, etc.) are putting burdens on low-income homeowners.

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[48] Except for a few plain-speaking folk, NIMBY objections often begin, "We need affordable housing (or insert other proposed development) but…..deer/bear/fox live there; it's too close to the school; rich people on their way to the mountain don't want to see it; those people need to be closer to town; the project is too big…..etc.

Possible Strategies: Aggressively market the CVCLT Green Mountain Loan Fund[49] and, perhaps, enhance "stretch" loans with other local funds like those available from the Mad River Valley Interfaith Council, the Vermont Community Loan Fund, Community Loan Fund or other local service organizations.

Barrier: Rising utility costs are increasing financial burdens on low-income homeowners.

As utility cost increases outpace inflation and local increases in income, growing numbers of lower income homeowners will face increased financial burdens. Annual reliance on fuel assistance and similar programs is an undesirable option.

Possible Strategies: Market CVCLT's Green Mountain Loan Fund for energy efficient measures; raise awareness for Central Vermont Community Action Council's Weatherization program; marshal resources available from Efficiency Vermont; and provide training & technical assistance for energy efficient measures.

Barrier: Some low-income homeowners are at risk of losing their homes.

Some lower income homeowners are being stretched so thin that they are at risk of losing their homes due to some combination of reduced income, essential repairs, unexpected medical or other expenses, high utility costs, and/or local property tax liabilities. Despite income sensitivity for lower income property tax payers, families with more than 2 acres must pay full taxes on the additional land. This is often mentioned as a major problem for MRV residents living on land that has been in the family for many years.

Possible Strategies: Provide referrals to CVCLT or other organizations for foreclosure intervention, credit counseling, or assistance with household budgeting; explore use of revolving loan funds for assistance. In those cases where fore-closure is unavoidable or when a homeowner decides to sell, explore purchase of property through Land Bank (especially foreclosure where the Land Bank can negotiate with the mortgage lender.

"KNOWLEDGE IS POWER": ADDITIONAL DEMAND SIDE BARRIERS & STRATEGIES

Households with lower incomes looking to buy or rent affordable homes in the MRV can "demand" all they want. With a limited supply, their demands are not effective. The market has no incentive to supply those demands in

[49] The Green Mountain Loan Fund provides affordable loans for low and moderate homeowners to perform essential home repairs.

the MRV. Increasing effective demand may or may not have a noticeable effect on increasing supply, but it will help some lower income households and many of the initiatives are easy to execute and will be helpful if and when greater supply at the affordable end of the market is made available. Possible strategies to address the following **barriers** are included under short-term strategies.

- **Effective demand is reduced by lack of information about the home-buying process**
- **Lack of information about financing options will hinder ability to compete with well-informed purchasers**
- **Homebuyer demand is reduced by unreasonable expectations about the size, price, amenities what the household can realistically afford**
- **Households are short down-payment funds and/or closing costs that would increase buying power**
- **Renters are short funds needed to secure an apartment initially (last month's rent and security, for example)**
- **Households are outbid by purchasers with cash and no contingencies**

Possible Strategies: Generally, strategies include initiatives and programs that provide information and technical assistance to low-moderate income households and first time home-buyers.

Section IV Strategies for Overcoming these Barriers; Long Term Vision and Short Term Work Plan.

Short Term—Low Cost activities:

There are a variety of inexpensive initiatives and activities that can help keep affordable housing on the front burner and engage a broad range of participants. Most, but not all, of these initiatives are **Demand Side** proposals and will not substantially increase the supply of affordable housing in the MRV. Many are geared toward dissemination of accurate information about housing in general and affordable housing in particular. Some are geared toward increasing skills and knowledge of homebuyers, homeowners, and renters to increase their ability to access affordable housing opportunities.

These activities and initiatives will require an instigator and coordinator. It is recommended that the MRVPD take on this responsibility. Implementation activities can generally be accomplished by others.

1. **Guide to Housing in the MRV:** A guide to resources will be produced as part of the work product. A Regional Guide produced by the Affordable Housing Coalition has already been distributed in the

MRV. This guide will be based on a resource guide produced by the State-Wide Affordable Housing Coalition. It will describe organizations and programs and include eligibility requirements for programs available in the MRV including affordable rental housing, Homeland, VHFA mortgage financing, the CVCLT RLF, Section 8, Habitat and others. Many of these programs (Section 8, Homeland, and VHFA mortgages for example) are difficult to use in the MRV as there so few properties that meet program eligibility requirements.

2. **Local Media:** Develop a series of short programs, announcements, informational messages, Q & A's, etc. for Valley Reporter, Channel 44, and WMRW radio. Updates on affordable housing initiatives, including developments, should be coordinated and publicized in all media outlets.

   This will work best if there is a single coordinator. Ideas may be submitted from a variety of sources. Perhaps there might be a place on the MRV web-site for submission of questions or ideas. Different groups, CVCLT, each planning commission, the realtors, or the Chamber, for example might be assigned a month when they are responsible for providing some material. This initiative has no significant cash costs and may be accomplished with currently available personnel and resources.

2. **Revitalize the Mad River Valley Housing Coalition:** This group can help guide affordable housing activities in the MRV, but it must be staffed and it must be a recognized and accountable committee under the aegis of the MRVPD.

3. **Promote & Offer Homebuyer Education Classes in MRV:** CVCLT offers Homebuyer education classes that include one-to-one counseling opportunities.

   - It is recommended that all realtors, mortgage loan originators, and attorneys that serve MRV homebuyers be provided in-depth information about Homebuyer education. In addition, CVCLT can provide a specially tailored short course for MRV professional service providers so that they may describe the benefits of the course and give hearty recommendations to their clients.
   - Information about homebuyer education should be more widely publicized in the MRV. Information about Homebuyer Education could be one of the early informational initiatives described in #2 above.
   - Information about Homebuyer Education should be made available to larger employers in the MRV. CVCLT Homebuyer Education staff should contact and explain the program to human resource personnel in the larger businesses. Many workers in the MRV commute into the MRV. It is safe to assume that some of these

commuters would prefer to live closer to work if they could find suitable housing in the MRV. It is also safe to assume that many employers would prefer their workers to live nearer to their workplace.

- Should there be sufficient interest, CVCLT could conduct a workshop in the MRV. Employers might be asked to release employees who are considering homeownership in the MRV for an afternoon session during work hours. And/or a group of businesses may "sponsor" a workshop in the MRV. This initiative might be coordinated by the MRVPD in concert with CVCLT and the Chamber (VEDA). This may be considered an "Employer Assisted Housing" initiative. Of course, as there is very little product available at this time, sessions will be most useful for employees who will qualify for homes in the $250,000 to $350,000 range through a combination of income and savings or proceeds from sale of a home in another market.

4. **Provide informational materials &/or workshops for landlords and homeowners considering an accessory apartment:** State law provides for development regulations that permit accessory apartments. Addition of accessory apartments does not appear to have occurred at any significant level in the MRV. Many apartments are leased net of utilities whose costs may be lowered by cost effective weatherization and energy saving systems. Property owners who do not use professional real estate office services may have poorly crafted rental agreements leaving both landlord and tenant exposed to unpleasant misunderstandings. Topics or materials might include: a sample lease; an explanation of rights and responsibilities of both tenants and landlords; an explanation of "Housing Quality Standards"[50]; resources to assist in creating an accessory apartment; tips on how to qualify a potential tenant; information and resources to increase energy efficiency, etc.

A program like this cannot be expected to substantively increase the supply of rental units from creation of accessory apartments, but it might help stabilize the rental market and marginally increase the supply of code compliant energy efficient units in the MRV.

This initiative might be incorporated into Yestermorrow's workshop offerings. As an adjunct, MRVPD might consider approaching the local community of architects to offer a limited number of hours of design services at no cost or at a reduced cost to assist homeowners that want to create an accessory apartment or improve existing units. Additionally, each municipality may want to

[50] Even though Section 8 certificates are incredibly scarce, it is in the best interests of the community to encourage preservation of housing units that meet HQS.

consider some form of incentive to encourage existing homeowners to create an accessory unit, such as an initial property tax break.

5. **Yestermorrow Courses:** One strategy employed by MRV residents to lower the cost of new construction has been to serve as their own general contractors and/or to invest sweat equity. Yestermorrow courses might be offered to local residents at a reduced rate or funds might be raised locally for a scholarship program.[51]

6. **Design Competition:** Although the high cost of building lots contributes most to the cost of creating new units, strategies to produce the buildings at a lower cost and with lower maintenance and energy costs can contribute significantly to affordability. The MRV is home to more than a fair share of architects and home to Yestermorrow. The MRVPD in partnership with the Chamber and Yestermorrow might sponsor a competition to produce affordable home and multi-family housing designs that are efficient to build, efficient to operate, and built to last. Successful designs might include those which are easy to expand for growing families. A coordinator will be needed, sponsors mobilized, and a jury identified.

7. **Sponsor an Annual Valley Housing Fair for home buyers, owners and renters:** This sounds promising, but should not be tried until and unless there are realistic options to offer MRV residents with incomes below 120% of median (say, below $85,000) viable affordable housing opportunities. Currently, VHFA mortgages don't work because there are so few—if any houses that qualify. Section 8 certificates are incredibly scarce and their use has always been substantially underrepresented in the MRV due to lack of rental units below County Fair Market Rents that meet Housing Quality Standards.

8. **MRV Housing Awareness Campaign:** This wouldl include a public forum to be presented jointly by Central Vermont Community Land Trust and The Vermont Land Trust. The forum would focus on the need for an integrated approach to conservation and affordable housing. It would also address the myths associated with affordable housing and present approaches to increase affordable housing opportunities in the Valley. An awareness campaign may also include recommendations for opportunities to increase awareness of affordable housing through use of local media outlets (Valley Reporter, Channel 44, local radio station, etc.)

9. **Partner with Barre Vocational/Technical School to offer a modular house to a low-moderate income family:** Barre Voc/Tech students build one house each year for sale at a cost limited

[51] Unfortunately, banks still favor construction financing where a GC has been hired to oversee construction. This may include some discussions with local lenders.

to the cost of materials, site preparation, and moving expenses on land provided by the buyer. Even with increases in material costs, it is still possible to produce a house on site for less than $160,000 (assuming fairly standard site preparation costs). The cost of the lot is additional. Coordination may be possible through Habitat or CVCLT.

Long Term Vision: The following are strategies that require considerable time and effort—they are not listed in any particular order of priority.

1. Establish a Land Bank or a Local Housing Trust Fund:

Barrier: Land costs and property costs are very high—due in part to intense competition for properties from second home purchasers and wealthy retirees. Properties that might be appropriate for purchase by a lower income household, or appropriate for development for affordable housing, are often purchased quickly, sometimes without financing or other contingencies, and at a premium above asking price. There is a need for a mechanism to secure control of promising sites quickly and "hold" the sites off the market while non-profit or other developers pledging to create affordable housing can determine feasibility, complete certain pre-development activities and obtain permits and necessary financing commitments. The length of the permitting process in general has been cited as a major deterrent to MRV projects requiring Planning Commission or Development Review Board approval.

Response: Design and establish a Land Bank to provide a mechanism to remove potential affordable housing sites and/or properties suitable for rehabilitation for affordable housing from the open market while development proposals are secured. A lead coordinator will have to be identified to find and secure funding sources and to structure a "land bank" similar to the one established by the Upper Valley Housing Coalition. Land Bank capital could be used to secure long-term options, provide down payments, or collateralize loans for outright purchase using loan financing from participating banks. Pledges by businesses could be used to secure low interest short-term loans to finance the purchase of land. This fund might also be used to provide low interest loan money to conduct initial feasibility analyses by for-profit investors/developers who do not have access to VHCB feasibility grants. It is recommended that the coordinator also explore the possibility of using the fund to remove affordable single-family homes from the open market for sale to buyers who are eligible for VHFA financing, to buyers eligible for Rural Development 502 financing, or to buyers eligible for Homeland participation and/or who are participating in an Employer Assisted Housing initiative. Level of eligibility will depend on the cost of the property.

Other Uses:

- At a recent public forum in Warren, a participant suggested approaching owners of large single home lots to consider subdivision of one acre (or other small sized lots) from their large lot for donation for one or two single family affordable homes.[52] Several recent purchasers have bought very large parcels that they are maintaining for protection—or perhaps for future development of large lots for high-end homes. In some cases, there appear to be opportunities for a small lot here and there along the perimeters that will not compromise privacy or future development opportunities. These owners can often benefit more from donating a small lot than from trying to subdivide and sell one. A nonprofit 501(c)(3) organization such as CVCLT would have to agree to accept the donation for development of one or two affordable homes. Donation of small parcels would allow CVCLT to amass three or four parcels in order to decrease the per unit development costs through modest economies of scale.

- "Encourage" subdivision developers to include or add a small number (depending on size of subdivision) of "affordable" lots (say $\leq$ \$50,000, maybe a bit less). As an incentive, agree to use the Land Bank to purchase the lots as soon as the permit is issued. This provides cash to the developer for site improvements.

- First time homebuyers who live and/or work here sometimes do find an appropriate, affordable property to purchase. If they have competition for an out-of-state buyer (moving here permanently or more likely, seeking a vacation home), the first time homebuyer almost always loses. This gets extremely frustrating and often families simply give up looking. Even if a first time homebuyer can meet the price of the competition, they usually have to ask for contingencies for financing and home inspection, and the sale must be contingent on the outcome of an appraisal, etc. Vacation home purchasers may have already refinanced a primary residence and be able to pay cash or at least offer a contract with few if any contingencies—often at a higher price. The Land Bank could be used to level the playing field by purchasing such properties and holding them while local families meet contingencies.

Tasks to establish a Land Bank will most likely include:

- Review policies and procedures of the Upper Valley Housing Coalition Land Bank and meet with participating banks and administrators to discuss the process used to establish the Bank.
- Identify and review similar efforts in other regions including conservation land banks.

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[52] See also, interview with Susan Lee, Habitat

- Create a subcommittee with representation from banking, real estate, businesses, non-profit developers including CVCLT, and others to help develop parameters and an initial outline of how a Land Bank may function in the MRV.
- Identify potential sources of funding and financing mechanisms for the Land Bank. Potential banking partners include Chittenden Bank, Banknorth, and Northfield Savings Bank all of which maintain branches in the MRV. It will also include Community National Bank which has expressed interest in participating in MRV affordable housing efforts and Citizen's Bank that is augmenting its CRA file.
- Identify an established organization (Bank, VHFA, or other financial institution) to serve as an administrator for the Land Bank.
- Identify and meet with large land-owners to explore the possibilities of small lot donations under the IRS "Bargain Sale Provisions".
- Present an outline to business leaders, banks, real estate professionals and other stakeholders, solicit feedback and refine operating policies and procedures, administrative structure, and financing plan.
- Solicit funds and signed commitments to backstop loans
- Prepare organizational and other legal documents and file necessary documents for establishing the Land Bank
- Finalize policies and procedures including criteria for consideration of various properties
- Appoint Board of Directors

Other potential sources of funding for the Land Bank include proceeds from:

- Some proportional contribution for affordable housing from developers of non-affordable housing (as appropriately defined) and commercial properties.
- Increased permit fees for housing that exceeds a certain size (whatever that might be)
- Proceeds from local property transfer tax, if that is adopted.
- The City of Montpelier has established a Housing Trust Fund by placing an article before the voters of Montpelier on town meeting day. This article allows for one cent to be added to the property tax rate on every one hundred dollars of assessed value of real estate subject to property tax, the proceeds of which go to fund affordable housing.

2. Employer Assisted Housing Initiatives (EAH)

Background: MRV employers are one of the few groups with a true economic interest in the creation of affordable housing. Valley employers are experiencing increased difficulties in attracting and retaining good employees in large part because of the lack of affordable housing opportunities in the Valley. Many have identified a need for affordable housing opportunities in the MRV to attract and retain good employees. Research has demonstrated that replacing a competent employee is an expensive proposition incurring costs during recruitment, training, and lost opportunity. Employees who live near their place of employment spend less time and energy commuting and are closer to their children's schools and after school activities. Benefits to employers often begin with an "R": recruitment, retention, return, reduced commuting, relationships, right thing to do, and recognition.

Local employers report three areas of concern. First, employees with a propensity to rent, have trouble finding good quality reasonably priced rental units. Those that secure a decent unit are often forced to move in a year or two because of a change in situation.[53] Second, the supply of existing housing is limited and working families generally need a financing contingency. They often compete with wealthier buyers who can pay cash and are often willing to pay a premium (often above appraised value) for the properties. Third, some employees are willing to tackle new construction, but often have difficulties with construction loans.

A second, less obvious, group of "employers" includes primary and vacation homeowners with financial means but lacking skills or a propensity for all the chores necessary to maintain a large home. Local availability of lawn care, plowing, landscaping, minor repairs, house-cleaning services, and catering is in the best interests of both client and supplier. Employer Assisted Housing programs for this group are not appropriate and strategies for homeowner employers will be addressed separately.

Response: Employer Assisted Housing initiatives (EAH) offer programs and strategies for investments that create affordable housing. The menu of opportunities includes both demand side and supply side initiatives. Activities in the demand side column promise less risk and a lower investment and are most likely to be favored initially. In a housing market like that in the MRV, demand side programs are unlikely to result in the creation of new affordable units—especially over the short term.[54] However, short term progress can still be made on a long term goal.

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[53] For example, a three unit rental building in Warren has been purchased by a single family that uses the entire building as a vacation property for their extended family.

[54] Because EAH has not been viewed as a way to create new affordable units quickly, it has not been targeted as a primary affordable housing strategy by State wide agencies.

An individual or group (perhaps Vermont Economic Development Authority) should be identified to work with MRV employers to design, implement and coordinate a menu of EAHI initiatives tailored to respond to special challenges of the MRV housing market. Fannie Mae has produced extensive literature that can provide the starting point for this activity. Some of Fannie Mae's literature on the topic can be found in the appendixes. Fannie Mae also can provide technical assistance including a visit from one of their specialists. CVCLT is working with other Homeownership Centers on a statewide EAH program and efforts should be made to partner with other housing providers to integrate their program opportunities.

Tasks to design and initiate an EAH program will most likely include:

- Collect and review literature on EAH including materials produced by Fannie Mae and other organizations that have sponsored EAH in rural areas and among smaller businesses.[55]
- Create a subcommittee with representatives of local businesses, non-profit housing providers, homeownership centers, and others to help develop parameters and an initial outline of EAH initiatives that appear appropriate for MRV businesses.
- Assess the housing needs of MRV employees, especially those that commute substantial distances and would like to relocate into the MRV, those with a high propensity to purchase that currently rent, and renters that have experienced difficulties securing stable and appropriate rental accommodations.
- Present an outline to business leaders and other stakeholders, solicit feedback and refine operating policies and procedures, administrative structure, and costs for various options.
- Develop an EAH manual for employers and provide initial assistance in setting up programs.
- Develop an ongoing mechanism to update and disseminate information about EAH to MRV employers.
- Develop a mechanism for ongoing "linkage" between businesses and housing providers including CVCLT and their Homeownership Center.

EAH Initiatives that might be considered include a range of activities from the simple and inexpensive to serious real estate investments:

[55] Colorado has produced an excellent matrix that lists the menu of EAH initiatives with a list of employers and number of employees that participate in each of the initiatives. Employers with as few as 5 employees are listed. This will allow employers to be able to check with each other about successes or difficulties with each initiative.

- Alone or with a group of employers, sponsor a Homebuyer Education Workshop by CVCLT's Homeownership Center.
- Provide a specific number of hours of paid leave or "at desk time" (or allow use of some accrued sick time) for house hunting, acting as one's own general contractor, sweat equity activities, seeking financing, attending real estate closings, and the like.
- Provide down payment and/or closing cost assistance as a grant, low or no interest loan, or "forgivable" loan (self-amortizing loan)
- Offer a savings plan with employer making a matching contribution or some portion thereof.
- Provide second mortgage financing.
- Provide full or partial mortgage guarantee
- Invest substantial equity in the home to be repaid at sale. Several repayment formulas may be considered
- Rental assistance including assistance with initial rent costs (last month's rent and deposit)
- Invest in affordable rental projects in return for preferential admission for employees
- Invest in market rental developments
- Master lease properties and rent them to employees with or without an additional subsidy of some sort.
- Participate in "Land Bank" by pledging funds for purchase of land or buildings for affordable housing (See Land Bank)

3. **Adoption of Affordable Housing Endorsement Guidelines:** The Upper Valley Housing Coalition of Vermont and New Hampshire has created project endorsement guidelines. The endorsement guidelines established by the Upper Valley Housing Coalition provide clear criterion the Housing Coalition uses to determine whether support will be given for a housing development proposal. These guidelines are intended to not only increase the planning and production of a diversity of housing, but also provide a level of education designed for the general public and employers to understand the importance of housing. These guidelines are also an evaluation tool for review by planning commissions and help guide would be developers about the planning projects endorsed by the local communities. It is important to note that, if a housing development project receives endorsement from the Upper Valley Housing Coalition, the Coalition actively works throughout the community to inform and gain project support and endorsement of the housing development project. This endorsement goes beyond just a formal position to an active role in seeing and supporting the project through the permitting phase.

4. **Help Habitat**:

The Camel's Hump Chapter Habitat that serves the Valley is in need of a revitalization of volunteers and donors. It is a popular MRV initiative, however, and might be able to continue production with additional assistance. Donation of a buildable lot would certainly help. In addition, Federal Home Loan Bank of Boston Affordable Housing Program Funds and other funds might be sought to provide cash for materials and to provide funds to support a paid coordinator to provide general contractor services. Perhaps a Vista Volunteer or Americorps Member could be secured to work with a part-time paid coordinator.

5. Develop Self-Help options to compliment Habitat:

Even if it could expand dramatically in the Valley, Habitat serves families in "unsafe or unhealthy" housing situations and cannot respond to first-time homebuyers who are otherwise adequately housed. For example, several mobile home owners at CVCLT's Verdmont Mobile Home Park have expressed interest in Habitat, but are not considered priority applicants.   Many lenders will not finance new construction without a general contractor. Organized self-help programs have been successful in rural areas funded by USDA's Rural Development Services (the old Farmers' Home). This program is difficult and expensive and probably not appropriate for the MRV, but some other similar "home-grown" variety might work. This will require considerable additional exploration and Yestermorrow would be a good source of assistance.

6. Scattered site conversion of existing structures to shared housing and family rental units:

The scarcity of vacant sites for new construction suggests an opportunity to create new units through adaptive use of existing structures or purchase and rehabilitation of larger in-town homes for shared housing or smaller apartments. This seems most appropriate for Irasville and Waitsfield Village. Lack of municipal septic and/or water increases the challenge of this approach. Further, installation of a municipal system will substantively increase the value of properties that may otherwise represent attractive opportunities for re-use.

7. Promote economic development activities to increase local wages:

It appears that the MRV Labor Market Area employment opportunities are expanding with new businesses and new jobs. In addition, it has been noted that a higher percentage of MRV workers are self-employed than in the County or State as a whole. Policies to support initiatives to promote economic development are a decision for the Towns. However, it is unlikely to contribute significantly to increased supply of affordable housing or to increase the effectiveness of local worker demand for affordable housing. Incomes and wages are not so much the problem as the high cost of housing. Jobs in businesses that offer sufficiently high wages to afford housing at current prices would not likely be filled by MRV workers who are currently in jobs with wages competitive with similar jobs in the surrounding labor markets, just not high enough to afford an appropriate house in the MRV. There is already an increasing percentage of workers commuting to jobs in the MRV. Some, undoubtedly, commute because they cannot locate appropriate affordable housing in the MRV and have chosen instead a better value in another community.

MUNICIPAL STRATEGIES—TOWN POLICIES, PROCEDURES, & DEVELOPMENT REGULATIONS

1. Development Regulations:

Responsible development in much of the MRV is already complicated by high land prices and the physical development capacity of much of the land (poor soils, steep slopes, wetlands, flood zones, and access requiring expensive river crossings). Several of those interviewed noted the additional challenges to development posed by the local development regulations and by the responses of the various town boards. Development is a risky business. Developers, including "good" and "socially responsible" developers, are successful only to the degree that they can manage and minimize risk. Lack of clarity in the town's development regulations, mixed messages, escalating demands for information and uncertainty as to how a given board will respond to challenges from the public all increase risk, thereby increasing costs to the developer. Developers don't like to lose money and costs associated with risk will be passed on to the end user, thus increasing the cost of housing. Developers with reduced risks can afford to budget more for amenities actually favored by the market of end users.

At some point, the three towns might consider a single core set of development regulations with special provisions added to address specific unique characteristics of each town. For example, Waitsfield has the major commercial center for the MRV and it is appropriate to treat it in a very special manner—as Waitsfield has been doing. The towns of Warren and Fayston have ski area facilities that might be developed more intensely for high end vacation homes and condominiums—as they have recognized in their regulations.

As the towns continue to examine and revise their development regulations, special attention should be paid to clarity, simplicity (in the sense of "straightforwardness"), predictability, and consistency. These characteristics should also inform the actions of the boards themselves as well as the regulations. The regulations and the boards who administer them may be "tough", as long as they are "fair", predictable, consistent … so that the developer can manage risk and minimize unknowns. To the extent that regulations and boards are flexible, flexibility should be toward greater accommodation and away from the perception of escalating expectations.

Some additional regulatory tools the towns could consider include creating land use zones setting minimum densities and creating zones allowing for the creation of additional mobile home parks. The minimum density regulatory tool allows towns to set the minimum density allowed for in a given zone, instead of the maximum density which is found in most traditional zoning ordinances. This tool encourages compact development through the use of increased density minimums. Certainly there are items for consideration, such as ensuring the town infrastructure will serve the build-out density in the minimum density zone. Municipalities could also consider allowing property owners to exceed the minimum density for a fee which could be placed in the housing trust fund.

The towns could consider creating an additional land use zone which allows for the creation of a mobile home park. The Verdmont Park in Waitsfield provides an affordable homeownership alternative in the MRV. There are very few vacancies seen and, based on anecdotal information, Verdmont receives a significant level of interest from those looking for an affordable housing option in the MRV. Considerations that would need to be addressed include what entity would be required to develop an additional park and also manage it once it has come on-line.

2. Secure legislative authority to create a local property transfer tax to finance affordable housing:

Legislation enabling property transfer taxes to support conservation of land and/or affordable housing is in place in all but 13 states. Several states have provisions for local levy of property transfer taxes. Two examples that the MRVDP may want to explore further are Block Island, Rhode Island and Aspen, Colorado (further information about these programs is included in the appendixes). Both are resort areas where property values are extremely high with markets driven by out-of-state buyers seeking vacation properties. It should be noted that in many states, the primary use of transfer tax revenues is for land conservation for open space. Here in Vermont, the funds that are directed to the Vermont Housing & Conservation Board are used for both affordable housing and conservation. The National Association of Realtors (NAR) opposes transfer taxes on the grounds that they:

- have a negative impact on housing costs and economic development;
- reduce housing opportunities across the income spectrum; and,
- are a particularly poor revenue source for the general operating budgets of state and local governments because of their extreme volatility.

In those communities where transfer taxes exist (as noted above, often for the primary purpose of conserving open land), the NAR recommends:

- the redirection of this revenue source to be used for one-time capital acquisitions which are related to housing or commercial property improvements (e.g. infrastructure); and/or,

- exemptions to transfer taxes for first-time homebuyers and for homebuyers from low- and moderate-income households.

Some jurisdictions forgive up to a certain amount to adjust for more modest properties. Others have established different schedules for different situations. In Vermont, there are exemptions for properties purchased by non-profit housing development organizations and fees vary according to the length of time that the property has been held. Several states (including CT, HI, and NJ) charge a higher percentage for higher sales amounts. Other states (chiefly states like MI which continue to maintain County governments) share the transfer tax with the county in which the property is located. Arizona simply adds $2 to the fees for recording documents.

This strategy appears to be worth further exploration but will certainly raise controversy in the MRV. Substantive revenues will require substantive taxes. Consideration of a local property transfer tax should be MRV-wide and, if adopted, should be the same for all three towns.

3. Adopt inclusionary zoning:

Inclusionary zoning provisions may be voluntary or mandatory. Mandatory inclusionary zoning ordinances create the highest number of units. Inclusionary zoning ordinances have a series of predetermined parameters: they apply only to developments with more than a certain number of units; the affordable units are available to families making a certain percentage of area median income or less; and acceptable rent and sales prices of affordable units are updated periodically to accommodate changing production costs. Affordable units must stay affordable for a specified time period, which usually differs for rental and for-sale units. If for-sale units were locked into an affordable price for too long, purchasers would not be able to realize a good return on their investment and the program would lose its appeal. However, some price-control period is necessary to keep units from disappearing from the affordable housing pool too quickly.

The drafters of these kinds of ordinances must determine the circumstances by which developers may be allowed to buy out of the program, and how much it will cost developers to do so. Instead of constructing units on site, developers may be permitted to pay a fee in lieu of providing units, provide units at another location, or provide land elsewhere for the construction of affordable units. Usually, these alternatives are allowed when they would result in the creation of substantially more affordable units than would have been created on site, or the inclusion of affordable units on this site (particularly in high-end residential developments) would provide an undue financial hardship for either the developer or the potential occupant. However, some buy-out provisions can actually interfere with the creation and equitable distribution of affordable housing units.[56]

This strategy has worked well in urban/suburban areas characterized by high growth and high property values. The greater Washington, DC region includes several communities where inclusionary zoning has resulted in the creation of affordable units. Here in Vermont, Burlington has also adopted mandated inclusionary zoning ordinances that include density bonuses and lot coverage bonuses. Their ordinances cover 5 or more units of new construction or substantial rehabilitation and 10 or more units resulting from adaptive use or conversion from another use.

Though housing costs are high and the market is strong in the MRV, it is being propelled primarily by second home-owners and there are few large subdivisions or condominium or rental developments for primary residences. This means that the "target" for mandatory inclusionary zoning would be restricted to subdivision developers without regard to whether the subdivisions are best suited for second home construction or for primary homes. The alternative of allowing developers to "buy out" by contributing to a housing fund (or a Land Bank) might be more acceptable, but there is no reason, then, to restrict it to larger developments. Rather, it could be applied to all "high-end" building including single family homes over a certain size.

A voluntary initiative might work if reasonable incentives are offered. Certainly, density bonuses help. In addition, Land Bank financing might be used to purchase the "affordable lots" in a new subdivision as soon as permitting is complete. This money could be used by the developer in lieu of construction financing toward site improvements.

4. Make Accessory Apartments a permitted use where single family homes are permitted:

Provisions are currently in place in all three towns to permit accessory apartments as a conditional use. It has been reported that several homeowners have converted space or added accessory apartments without the benefit of a permit. This may be because they are unaware that a permit is required or, more likely, are "put off" by the uncertainty and time required by the conditional use permit process. Homeowners might be encouraged to create "legal" accessory apartments if the permit process included information, technical assistance or even "moral support" in the planning and financing and if the permitting process were short, simple and predictable.

Towns in Massachusetts, especially on the Cape, have encountered a similar situation. Efforts to bring existing accessory apartments into compliance include:

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[56] "Inclusionary Zoning: The missing piece to the affordable housing puzzle" by Doug Porter, President of the Growth Management Institute in Chevy Chase, Maryland.

a. Waiver of fees for the inspection and monitoring of the properties identified;

b. Designation of town staff to assist the property owner in navigating through the process established under the permitting process;

c. To the extent allowable by law, the negative effects entailed by deed restrictions for affordability will be reflected in the property tax assessment, and

d. To assist property owners in locating available municipal, state and federal funds for rehabilitating and upgrading the properties.

5. Waive permit fees for affordable housing:

This is a "nice" welcoming gesture, but permit fees for affordable housing are a very tiny part of the costs. Developers of affordable housing welcome the waiver of fees, but this should not be seen as a significant strategy to encourage the creation of affordable housing.

The following strategies have been incorporated into various town development regulations. Many were recommended in the Humstone Report.

1. Covenant for perpetual or long term affordability of subsidized housing:

Organizations that provide subsidies for affordable housing generally require long-term affordability. Vermont Housing & Conservation Board requires perpetual affordability maintained through a Housing Subsidy Covenant. All three towns require that developers using the density bonus for affordable housing make provisions for long term affordability.

2. Make no distinction between "stick built" and "manufactured housing" in zoning regulations:

This is a state-mandated prohibition that has been incorporated into all three zoning regulations. Covenants for subdivisions, however, often prohibit "mobile homes" and may require certain minimum square footage for homes in the subdivision. Finally, the costs of building lots make it difficult to justify or finance a lot for a mobile home. This is a provision that is appropriate and necessary, but won't likely result in any increase in housing.

3. Offer Density Bonuses for Affordable Housing:

Density bonuses are a form of "inclusionary zoning". A developer sells or rents a percentage of units in a new development at prices that low to moderate-income families can afford, and, in return is given a "density bonus," which gives permission to build more units than local zoning regulations typically allow. Additional units are created because of increased density (units per acre), and not through the purchase of additional land. This "free land" acts as a subsidy, since land costs are not included in the rent or sales prices of affordable units.

All three towns offer density bonuses for affordable housing and for development in a PUD or PRD. Developers who "want" to develop some affordable units in the MRV may be able to do so economically with the assistance of the density bonus. The density bonus was used successfully over 10 years ago in Waterbury Center. Affordable housing development organizations would most likely need the bonus to render any given site feasible for affordable housing. Thus, the bonuses are greatly appreciated and they are useful for those with a propensity to develop affordable housing. However, given the high land values, the second home market pressures, and general regulatory climate, it is highly unlikely that the density bonuses will stimulate the creation of any affordable housing by a private-for-profit developer.

4. **Provide incentives or require second story residential above new commercial development in Village Centers or commercial zones:**

Waitsfield currently has this in Irasville. Lack of adequate septic causes hardship on developers. Completion of a community septic system and/or water supply will make this less burdensome of potential developers of commercial property in Irasville. This approach is effective in zones where high-density commercial development is encouraged.

5. **Transfer of Development Rights:**

Warren has TDR's from residential to the more densely zoned areas around the Sugarbush ski area. Much of that area already allows for high-density development. This is an area more suited to vacation homes than affordable housing—with the exception of housing for young seasonal or single workers at recreational facilities at the mountain. TDR's would be more useful in the residentially zoned areas. They might also be used to increase density on large lots so long as the development was confined to a reasonable footprint.

Section V HOUSING MATRIX

Housing Matrix Attached

There is no such thing as a perfect site. The better approach is to catalog available sites, or even a "wish list" of potential sites then determine the most appropriate housing types and densities.

Building standards for multi-family housing are regulated by the Department of Labor & Industries. Vermont funding agencies favor good quality design and building standards. The quality of single-family homes is determined by the market, though state and some local regulations proscribe standards for septic systems, water supply and energy efficiency standards. During the 1970's several FmHA homes were built in the MRV. The builders relied on minimum standards that often didn't include basements, used 2X4 studs, minimal insulation, and inexpensive windows and exterior materials. Unfortunately, poorly built houses do not tend to "weather" well and are often expensive to maintain. Many of these homes have been completely gutted and renovated to higher standards. Thus, though a better quality construction is more expensive up-front, it provides a better value over time and should be encouraged for all housing.

The locational and site requirements for housing are subject mostly to the physical development capacity of the site, zoning restrictions, and "marketability". Some specialized housing, like housing for the elderly, is best located in or very near a village center. SRO housing for seasonal employees is best located near the workplace—in this case, "on the mountain."

Conclusion

The Mad River Valley has seen and is likely to continue to see an increase in population, as well as a decline in overall household size. These two factors alone play a significant role in the housing needs of Valley residents and by themselves require the creation of additional dwellings units. When taking into consideration the more unique aspects of the Valley, the challenges to affordable housing creation increase considerably.

The Mad River Valley's landscape is distinctive, with mountain ranges defining much of the landscape. There is a high demand for land in the Valley and supply is quite limited by the area's topography. There is little question that the value of the Valley's developable land is the single largest barrier to the creation and preservation of affordable housing. In combination with the lack of municipal sewer and water infrastructure, housing development becomes even more limited. Without the commitment of public resources, affordable housing creation is virtually impossible.

The Mad River Valley's local economy also contributes to the Valley's current housing shortage. The seasonal ski resorts and other tourism related businesses play a significant role in the affordability of housing in the area. This industry directly affects the types of housing created, which is geared toward the second home and vacation markets. Additionally, this sector of the economy employs the greatest number of Valley residents and offers the lowest average annual wage (in part due to the part-time nature of many of the jobs). In 1990, 75% of the jobs in the Valley were reported to be filled by Valley residents, by 2000 this number decreased to 62%. This shows more workers are commuting into the Valley to work than commuting out of the Valley to their jobs. It is hard to know if some area workers have chosen to leave the Valley to purchase a home or secure a rental, since they are likely to find a better value for their money, or simply have chosen to live elsewhere. However, this imbalance seems to indicate an increasing number of employees in the Valley who would like to live here cannot find appropriate affordable housing.

Over the next 14 years it is estimated the Mad River Valley will need at least 150 additional new homes which are affordable to families earning up to 120% of the County median income, with 100 of those homes being made available to those earning less than 100% of the median County income. Additionally, the Valley, in order to maintain a similar level of community diversity, will require an additional 200 rental units that are affordable to low and moderate income households.

Again, the housing market is subject to the laws of supply and demand. There are a variety of initiatives and activities which can at the very least help keep affordable housing discussions active. Addressing the affordable housing crisis in the Valley will not be easy and will necessitate long term vision and require commitment and resources from a variety of community leaders. The Mad River Valley is unique; it is a generous community and contains individual talent which can be engaged in affordable housing efforts. The Valley community has an asset in its local planning organization, the Mad River Valley Planning District, which will need to continue to be a leader in the coordination of affordable housing efforts in the Valley.