

RENTAL HOUSING AFFORDABILITY
IN BURLINGTON, VERMONT
A Report to the Burlington City Council

Prepared For:

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INTRODUCTION

The purpose of this analysis of Burlington, Vermont's rental housing is three-fold:

- o To consider the affordability of rental housing in Burlington in an effort to determine whether improving the energy efficiency of such housing would yield substantial economic benefits to Burlington renters;
- o To assess the availability of rental housing in Burlington to determine whether renters who now face unaffordable rental costs have realistically available affordable housing choices; and
- o To examine the rental housing stock in Burlington to determine whether it is subject to improvement through the installation of energy efficiency measures.

This analysis focuses on: (1) low-income households in Burlington; and (2) the low-income housing units that are both available and affordable to those households. The Tables referenced in the text of the analysis are presented at the end of the report.¹

Before beginning the review of information, however, two sets of definitions are in order. First, two levels of income are considered to be low-income for purposes of housing programs. For most HUD programs, "low-income" includes all households from 50 to 80 percent of the area median income; "very low income" includes all households at or below 50 percent of the area median income.² Second, "affordable" housing refers to housing the total cost of imposes a shelter burden of at or below 30% of income. For these purposes, "shelter" burden includes the cost of rent *plus* the cost of all utilities (except telephone). Accordingly, if rent plus the sum of home heating, electricity and water/sewer exceeds 30% of income, the housing unit is considered to be "*not* affordable."

¹ Note the distinction between households and housing units throughout this analysis. Households refers to people. Housing units refers to dwelling structures.

² The data below is confined to an examination of low-income and very low-income households. The information is further broken into three discrete groups for which analysis is undertaken: (1) households at 0 - 30% of median income; (2) households at 31 - 50% of median income; and (3) households at 51 - 80% of median income.

Given these definitions, the three issues identified above are discussed in turn below.

THE AFFORDABILITY OF RENTAL HOUSING IN BURLINGTON

There is a serious lack of affordable rental housing for low-income households in Burlington, Vermont. This shortage of affordable housing can be shown in several ways. The first approach below looks at public assistance recipients. The second approach looks at absolute income. The third approach looks at excess housing burdens for households at different levels of median incomes.

The Role of Energy Costs and Shelter Affordability

It is not possible to divorce a discussion of the affordability of Burlington's rental housing from a discussion of energy affordability. Home energy bills substantially contribute to the lack of overall shelter affordability. A review of monthly Fair Market Rents (FMRs),³ and the extent to which utility bills contribute to those monthly shelter costs, is set forth in Table 1.⁴ This Table shows Burlington's utility bills in relation to total shelter costs in Burlington. Average monthly utility bills represent roughly 26 percent of total shelter costs. In contrast, the Federal National Mortgage Association (FNMA or Fannie Mae) has indicated that utility costs should equal no more than 20 percent of total shelter costs. To the extent that energy efficiency can reduce these bills, overall shelter affordability will improve. If monthly energy bills in Burlington could be reduced 15 percent,

³ FMRs set by HUD are based on area rents at the 40th percentile.

⁴ See generally, R.Colton (1994). ***The Role of Utility Costs in Setting Fair Market Rents For Section 8 Housing***, presented in, *Section 8 Housing Assistance Payments Program--Fair Market Rent (FMR) Schedules for Use in the Rental Certificate Programs, Loan Management and Property Disposition Programs, Moderate Rehabilitation Program and Rental Voucher Program*, HUD Docket No. N-94-3754 (October 1994) (presented on behalf of ten Legal Services Corporation offices) (looking at data from 100 cities in 38 states and the District of Columbia).

utility costs as a proportion of shelter costs would drop to 23 percent.

Public Assistance Recipients

Table 2 examines the availability of affordable rental housing to recipients of public assistance in Burlington.⁵ According to the most recent Census data, more than 1200 Burlington households receive public assistance. The average monthly income for these households is only \$371. Defining "housing affordability" as housing which imposes a total shelter burden of 30% or less, the extent of the shortfall in affordable housing for these households is evident. As Table 2 shows, while an affordable rental unit for these households would cost only \$111 per month,⁶ there are fewer than 620 rental units available with a monthly rent of \$200 or less. Monthly rents of less than \$200 are not disaggregated. Thus, despite the two factors which make this conclusion conservative,⁷ even under the best of circumstance,⁸ only one-half of the public assistance recipients living in Burlington could find affordable rental housing.

⁵ "Public assistance" refers to more than the former Aid to Families with Dependent Children (AFDC) program. AFDC is now called Temporary Assistance for Needy Families (TANF). "Public assistance" as used by the Census includes SSI and local general assistance as well.

⁶ Even this is somewhat overstated, since utility costs are not included as they should be.

⁷ (1) There will be some rents in the \$111 - \$200 range which would be unaffordable; and (2) the \$111 level of affordability is over-stated since it does not account for utility costs.

⁸ The "best circumstances" refers to a situation where all housing that is affordable to public assistance recipients is, in fact, occupied by public assistance recipients. As the discussion below shows, however, this situation does not arise in reality.

Table 3 casts these average figures in a somewhat different light. This Table shows the distribution of rental units in Burlington by monthly rental costs and number of bedrooms in the unit. When a household receives public assistance, there are likely children in the home. Assuming that households will not seek to live with adults and children living in the same bedroom, these households would require housing units with at least two bedrooms. Table 3 shows first that the rents in the range of \$200 and below are virtually all for units with one or fewer bedrooms. The Tables reveals that 511 of the 614 units with monthly rents at or below \$200 (83%) have fewer than two bedrooms. Moreover, Table 2 shows that the rents for units with two bedrooms or more are consistently in the \$300+ range. The lack of affordable rental housing, taking into account household size and composition as well as the number of bedrooms, is thus even greater than revealed by the averages.

Households by Absolute Levels of Income (in Dollars)

Table 4 examines the availability of affordable rental housing by absolute levels of income (in dollars) for Burlington. The Table sets forth the rental burden which households bear in terms of rents as a percentage of income. Under standards adopted by the U.S. Department of Housing and Urban Development, households which bear a shelter burden of more than 30 percent are financially over-committed. As Table 4 demonstrates, the cost of rental housing in Burlington places undue financial burdens on households with incomes of \$20,000 and less. The Table shows that more than 84% of the households with incomes of less than \$10,000 bear an excessive burden of income for rental costs. Nearly 75 percent of the households with incomes of between \$10,000 and \$20,000 bear an excessive burden for rental costs. Table 5 shows that this rental burden affects a substantial number of households in Burlington. Nearly 1,800 households live with incomes of at or below \$20,000.

Excess Shelter Burdens by Level of Median Income

The impact of having an inadequate supply of affordable rental housing is that households are forced to pay rents beyond their financial capabilities. This impact is manifested by shelter burdens which exceed the 30% of income which HUD has determined to be "affordable." Table 6 presents the data on excess shelter burdens for Burlington. As the Table shows, more than 1900 of the 2400 Burlington renters (80%) living at 0 - 30% of median income pay more than 30 percent of their income for rent, while almost 1600 of those 2400 renters (65%) pay more than 50 percent. The numbers improve as income increases, but nonetheless, still, 27 percent of renters at 31 - 50 percent of median income (501 of 1825) pay more than 50 percent of their income for rent

while eight percent (157 of 1960) do at 51 - 80 percent of median income.

THE AVAILABILITY OF AFFORDABLE HOUSING CHOICES IN BURLINGTON

One common reaction to the unaffordability of a rental housing unit to a particular low-income tenant is the belief that households have a responsibility to *move* if they cannot afford to live where they do. Even assuming that low-income tenants have the financial wherewithal to move, this reaction assumes that affordable alternatives exist. This section of the analysis of rental housing affordability in Burlington, therefore, examines the overall supply of affordable rental housing. If affordable alternatives do not exist, moving is not an available choice.

Vacancy Rates

The first measure of affordable alternative housing choices in a community generally involves an assessment of vacancy rates. The U.S. Department of Housing and Urban Development (HUD) directly measures the availability of "affordable housing" for households at different levels of median income. Table 7 shows that "vacant" renter and owner-occupied units --affordable to low-income (and very low-income) households in Burlington-- are virtually non-existent. Only 29 vacant rental units that are affordable to households at 0 to 30 percent of median income existed at the time of the most recent HUD data (1993).

Table 8 shows that there is simply an insufficient vacancy rate in Burlington amongst affordable units to absorb the entire low-income population which is currently paying unaffordable shelter costs. The inadequacy of supply is true for both renter-occupied and owner-occupied units.

Occupancy Distribution

In contrast to these vacancy rates, Table 9 would appear to show that while Burlington has a lack of affordable rental units for households at 0 to 30% of median income (2,375 renters and only 1,155 affordable rental units), there is an adequate supply for households at 31 - 50% of median income (1,825 renters and 2,540 affordable units) as well as at 51 - 80% (1,960 renters and 4,043 affordable units).

Further analysis shows the fallacy of this conclusion. Table 10 shows that while there are 2,540 rental units that are affordable to households who live at 31 - 50% of median income, for example, only 721 are actually occupied by households at that income level. While there are 4,043 rental units that are affordable to households who live at 51 - 80% of median income, only 1,031 are actually occupied by households at that income level.

This mismatch is to be expected. Any analysis that simply compares the total number of households to the total number of affordable housing units fails to take into account an assessment of "occupancy distribution."⁹ As one recent analysis for the Cornell University urban planning department found:

Even when 100 units of affordable housing exist for households at or below 50 percent of median income, for example, not all 100 of those units are necessarily occupied by households at or below 50 percent of median income. Instead, some may well be occupied by households at 80 percent of median income.

The Cornell analysis concluded:

Merely because a housing unit exists which is affordable to a household who lives at 0 - 30% of median income does not mean that that housing unit is actually occupied by a household with that income. No reason exists, in other words, why a households living at 80% or 100% or more of median income might not live in a unit that would be affordable to a household with much lesser financial means. The lesson to be learned from this observation is that because of the distribution of housing occupancy among income groups, the *total* supply of housing that is affordable to low-income households might be quite different from the *available* supply of housing that is affordable to low-income households.

⁹ Roger Colton, "Fair and Affordable Housing for the Poor: Accounting for Occupancy Distribution and Housing Quality," *Colloqui* (forthcoming Spring 1997) (Department of Urban Planning, Cornell University, Ithaca, New York).

Looking at the available supply of affordable rental housing in a community must take into account both the downward pressure (from more wealthy income ranges) and upward pressure (from less wealthy income ranges) on occupancy amongst affordable units. In fact, as the Cornell work counselled, and as the Burlington rental housing stock bears out, when the number of housing units affordable at particular income levels is merely equal to the number of households at those incomes, the supply of affordable housing is inadequate.

AFFORDABLE RENTAL HOUSING AND THE POTENTIAL FOR ENERGY EFFICIENCY

It is difficult, if not impossible, to quantify the precise number of low-income housing units in Burlington that are in need of energy efficiency improvements. Insights can be obtained into the magnitude of energy efficiency needs, however, by considering surrogate factors that can reasonably be expected to be associated with lack of energy efficiency.

Age of Housing Units

While no direct measurement exists of the number of energy *inefficient* low-income rental units in Burlington, some correlation can be drawn between energy inefficiency and the age of housing units. Table 11 sets out the number of Burlington renters, at different levels of "being poor," distributed by the age of the housing units in which they live. As can be seen, while this analysis does not reach conclusions with any specificity regarding the actual *extent* of energy inefficiency, it *is* possible to see the potential that hundreds (if not thousands) of low-income Burlington tenants live in old, and presumptively energy inefficient, housing units. Nearly 2,000 renters living at or below 50 percent of median income live in housing that was constructed before 1940. More than 4,100 households living at or below 80 percent of median income live in housing that was constructed before 1940, more than 55 years ago.¹⁰ An additional 1,400 low-income households live in units constructed between 1940 and 1949.

¹⁰ Moreover, these units do not refer to all housing units, but rather simply to housing units that are affordable (*i.e.*, yield total shelter burdens at or below 30 percent of income) at those income levels.

Housing Units with "Physical Problems"

Finally, Table 12 presents the number of Burlington's low-income households who live in rental units which have some type of physical problem associated with them.¹¹ As can be seen, four-in-five of Burlington's households living at 0 - 30 percent of median income (80.7%), more than four-in-five of Burlington's households at 31 - 50 percent of median income (82.0%), and two-in-five Burlington households at 51 - 80 percent of median income (40.4%) have some type of physical problem. If one engages in the assumption that housing units with "physical problems" are likely to have energy efficiency problems as well, the extent of the acute need for low-income energy efficiency improvements in Burlington rental housing is evident.

SUMMARY AND CONCLUSIONS

In sum, the following conclusions can be reached regarding rental housing affordability in Burlington, Vermont:

- o Burlington has a serious shortage of affordable rental housing for low-income households.
- o Because of this shortage, low-income renters in Burlington are paying excessive shelter burdens, many of whom are paying 50% or more of their incomes for shelter.
- o Because of this shortage, low-income renters who are paying excess shelter burdens have no affordable housing alternatives available, thus precluding the ability to move to affordable rental housing.

¹¹ Physical problems are categorized by HUD into "moderate" or "severe." The "severe classification" is based on an assessment of five different factors, including: plumbing, heating, electric, upkeep, and hallways. The "moderate" classification examines each of these given factors along with the kitchen. A distribution between housing units with "moderate" and those with "severe" physical problems is not available.

- o While it is not possible to directly measure the energy inefficiency of Burlington's rental housing stock, a substantial proportion of Burlington's rental housing stock exhibits characteristics which could reasonably be associated with the inefficient use of energy.
- o Energy costs make a substantial contribution toward excess rental housing burdens in Burlington. Improving the energy efficiency of Burlington's rental housing by only 15% would significantly improve the overall affordability of Burlington's rental housing.

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TABLE 1:
CONTRIBUTION OF UTILITY COSTS TO TOTAL SHELTER COSTS
BURLINGTON, VERMONT

City	FMR /a/	Monthly Utility Bills		Average Monthly Utility Bill	Percent of FMR Devoted to Utilities
		Home Energy	Water/Sewer		
Burlington	\$644	\$120	\$45	\$165	26%

NOTES:
/a/ Fair Market Rents (FMRs) include contract rent plus all utilities. Determined and published by HUD on annual basis.

TABLE 2:
AFFORDABLE RENTS AVAILABLE TO RECIPIENTS OF PUBLIC ASSISTANCE
BURLINGTON, VERMONT

No. Public Assistance Recipients	Monthly Public Assistance	Rent at 30% of Income /a/	No. Units w/ Monthly Rents <\$200 /b/			
			0 BR	1 BR	2 BR	3+ BR
1,223	\$371	\$111	77	434	78	25

SOURCE:

Calculations derived from U.S. Census, STF 3A, Tables P096 and P103.
Number of public assistance recipients obtained from STF 3A, Table P095.

NOTES:

/a/ Affordability is set at 30% of income *including utilities*.

/b/ Information not disaggregated for rents lower than \$200. "Rents" in this table do not include utilities.

TABLE 3:
NO. OF HOUSEHOLDS WITH SPECIFIED RENTS BY NUMBER OF BEDROOMS
BURLINGTON, VERMONT

	No. of Housing Units at Different Rent Levels					
	Below \$200	\$200 - \$299	\$300 - \$499	\$500 - \$749	\$750 - \$999	\$1000+
0 Bedrooms	77	84	357	25	0	0
1 Bedroom	434	237	1,755	426	45	29
2 Bedrooms	78	149	897	1,910	239	54
3+ Bedrooms	25	146	230	567	443	439

SOURCE:

U.S. Census, STF 3A, Table H034.

TABLE 4:
HOUSEHOLD INCOME BY GROSS RENT AS A PERCENTAGE OF INCOME IN 1989
BURLINGTON, VERMONT

Rental Burden	No. of Households at Different Levels of Annual Income				
	Less than \$10,000	\$10,000 - \$19,999	\$20,000 - \$34,999	\$35,000 - \$49,999	\$50,000+
Less than 20%	48	115	630	685	488
20 - 24%	77	178	629	237	86
25 - 29%	219	363	432	63	47
30 - 34%	113	441	263	37	0
35% or more	1,590	1,477	369	25	0

SOURCE:

U.S. Census, STF 3A, Table H050.

NOTES:

"Rental costs" in this Table do not include utility costs.

TABLE 5:
NUMBER OF HOUSEHOLDS AT DIFFERENT LEVELS OF ANNUAL INCOME
BURLINGTON, VERMONT

Less than \$10,000	\$10,000 - \$19,999	\$20,000 - \$34,999	\$35,000 - \$49,999	\$50,000+
751	1,003	1,714	1,610	2,076

SOURCE:

U.S. Census, STF 3A, Table P080.

TABLE 6:
NUMBER OF RENTERS AT DIFFERENT RATIOS OF INCOME TO MEDIAN INCOME
COMPARED TO NUMBER OF RENTERS WITH THOSE RATIOS LIVING WITH EXCESS SHELTER BURDENS
BURLINGTON, VERMONT

Median Income	Renter Households		
	Total No.	With Housing Burden	
		> 30% of Income	> 50% of Income
0 - 30%	2,375	1,907	1,552
31 - 50%	1,825	1,468	501
51 - 80%	1,960	740	157
SOURCE: U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).			

TABLE 7:
NUMBER OF HOUSING UNITS AFFORDABLE
AT DIFFERENT LEVELS OF MEDIAN INCOME
BURLINGTON, VERMONT

Median Income	Number of Housing Units			
	Occupied		Vacant	
	Renter	Owner	For Rent	For Sale Only
0 - 30%	1,185	815	29	0
31 - 50%	2,540	186	119	0
51 - 80%	4,043	711	164	32

SOURCE:
U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).

TABLE 8:
HOUSING AFFORDABILITY AT DIFFERENT LEVELS OF HUD-ADJUSTED MEDIAN FAMILY INCOME (HAMFI)
BURLINGTON, VERMONT

Income Range	Affordable Vacant Units		Households w/ Shelter Burden > 30%			Households w/ Shelter Burden > 50%		
	For Rent	For Sale	Renter	Owner	Total	Renter	Owner	Total
0 - 30% HAMFI	29	0	1,907	331	2,238	1,552	202	1,754
31 - 50% HAMFI	119	0	1,468	177	1,645	501	70	571
51 - 80% HAMFI	164	32	740	264	1,004	157	56	213

Source:

U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).

TABLE 9:
NUMBER OF RENTERS AT DIFFERENT RATIOS OF INCOME TO MEDIAN INCOME
COMPARED TO NUMBER OF RENTAL UNITS AVAILABLE AT THOSE RATIOS

Median Income	Number of Renters	No. of Affordable Rental Units
0 - 30%	2,375	1,155
31 - 50%	1,825	2,540
51 - 80%	1,960	4,043
SOURCE:		
U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).		

TABLE 10:
 OCCUPANCY OF RENTAL UNITS AFFORDABLE AT DIFFERENT RATIOS OF INCOME TO MEDIAN INCOME
 NUMBER OF UNITS OCCUPIED BY RENTERS WITH DIFFERENT INCOMES
 BURLINGTON, VERMONT

Levels of Median Income at which Units are Affordable	Renter-Occupied Units			
	Total No. Affordable Units	Renter Occupant Incomes		
		0 - 30%	0 - 50%	0 - 80%
0 - 30%	1,185	843	119	111
31 - 50%	2,540	528	721	694
51 - 80%	4,043	867	736	1,031

SOURCE:
 U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).

TABLE 11:
AFFORDABLE RENTAL UNITS BY YEAR BUILT AND PERCENT OF MEDIAN INCOME
BURLINGTON, VERMONT

	Year Rental Housing Unit Built				
	Before 1940	1940 - 1949	1950 - 1959	1960 - 1979	1980 - 1990
0 - 30% HAMFI	476	44	41	457	167
31 - 50% HAMFI	1,449	1,086	101	544	250
51-80% HAMFI	2,222	273	290	608	650
SOURCE:					
U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).					

TABLE 12:
 TOTAL NUMBER OF RENTERS AT INCOMES OF DIFFERENT RATIOS OF INCOME TO MEDIAN INCOME
 COMPARED TO NUMBER OF RENTERS AT THOSE RATIOS LIVING IN HOUSING UNITS WITH PHYSICAL PROBLEMS
 BURLINGTON, VERMONT

Median Income	Renter Occupied	
	Total	With Physical Problems
0 - 30%	2,375	1,917
31 - 50%	1,825	1,497
51 - 80%	1,960	791
SOURCE: U.S. Department of Housing and Urban Development, CHAS Data Base (CD-ROM).		