



# Meeting in the Middle: How philanthropy can expand access to homeownership

## THE TAKEAWAY

Too many middle-income people are being shut out of homeownership in Vermont, with potentially dire results for the state's economy and individual financial security. Philanthropy can help preserve Vermont's high homeownership rate with strategies that target missing middle buyers who earn too much for income-restricted housing programs but can't afford market-rate property. Charitable individuals can boost missing middle homeownership by supporting:

- Innovative programs that reduce construction and purchase costs
- Gifts of land to reduce the price of home building
- Zoning changes to allow more condos and small lot homes



## VERMONT NEEDS ADDITIONAL HOUSING OF ALL TYPES.

One important piece of the puzzle is the creation of more homeownership opportunities in the category sometimes called the "missing middle." These are homes for buyers who don't qualify for income-restricted housing but can't afford most market-rate homes, especially when the going rate is half a million dollars. That price tag is not hyperbole in Vermont.

The surge in home prices over the past two years and lack of inventory continue to squeeze buyers, especially in resort areas and job centers. In Chittenden County, the most populous region of Vermont, the median single-family home price

hit \$505,000 in July of this year, up 19 percent since January. And so far, rising mortgage interest rates have not substantially cooled the market in Vermont. Instead, higher borrowing costs are putting homeownership even further out of reach for many people.

This is a negative trend for Vermont's economy and for community institutions such as public schools, where enrollment is declining statewide. If middle-class families can't find homes to buy in Vermont, some end up leaving for more affordable states. And if out-of-state workers can't find homes here, they decide not to take jobs in Vermont, exacerbating our labor shortage.

It's hard to overstate the financial security that long-term homeownership can bring. On average, homeowners in the U.S. have a net worth that is about 40 times higher than renters, with much of the difference coming from home equity and appreciation that accrues over decades, helping build wealth for the next generation.

Still, some might ask why policymakers and philanthropy need to get involved when it comes to middle income housing. Can't the private marketplace take care of that? After all, even amid the recent real estate price surge, Vermont continues to have one of the highest homeownership rates in the country. It hovers around 73 percent compared to a national average of 66 percent. The Vermont average should indeed be recognized as a positive economic indicator, but it does not mean we have a healthy housing market.

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The average rate masks worrying trends, including racial inequities and stark geographic differences in homeownership. The Black homeownership rate in Vermont is 24 percent compared to 72 percent for whites, a gap that underscores the legacy of structural racism and need for change. In more populous parts of Vermont and in ski resort towns, many residents can't live where they work. Or if they do, they have little hope of moving from renter to homeowner. In Burlington, the homeownership rate is 38 percent. At the beginning of September, Zillow listed only nine homes or condos for sale under \$400,000.



Communities of haves and have nots are not healthy communities, said Josh Hanford, commissioner of the Vermont Department of Housing and Community Development. "If we don't have middle income people as part of a community, it's not a true community. It's hollowed out."

Another consideration: Many of the state's current homeowners bought their properties when real estate was more affordable. Today's young adults face a very different market that could eventually result in a lower overall homeownership rate for Vermont. "If you look at younger workers in our state, they are paying so much for rent that it is very difficult for them to save up and have a down payment to purchase a home," said Maura Collins, executive director of the Vermont Housing Finance Agency.

Homeownership should not be the exclusive preserve of the wealthy. But the costs of land, permitting, and other factors mean many private developers in Vermont can't make a profit from building "starter" homes or condos in the \$200,000 to \$300,000 range, said Hanford. So, they build homes in the \$500,000 and up range.



“The market is just out of whack,” said Hanford. “It can’t produce homes at a price that the folks in the middle need them to sell for.”

Meanwhile, many state and federal housing programs, including tax credits for developers, are designed to support housing production for lower income residents. This is understandable—help should go first to the people who need it most. But again, the result is that Vermont is seeing very few “naturally occurring,” market-rate starter homes being developed by private builders, Hanford said.

The good news is that policymakers, employers, nonprofit leaders, and private sector builders are working hard to address the missing middle housing need.

## Vermont home prices have risen sharply over the last five years.

July	Median home sale price	Annual increase
2018	<b>\$232,500</b>	1.8%
2019	<b>\$250,500</b>	7.8%
2020	<b>\$263,600</b>	5.2%
2021	<b>\$321,200</b>	21.9%
2022	<b>\$372,500</b>	16%

Source: Redfin

Here is how charitable individuals can help:

### Support programs to reduce construction and purchase costs

This fall, an innovative pilot, called the *Missing Middle Homeownership Development Program*, is being rolled out in Vermont. It will give developers gap funding to bring down construction costs and give buyers a substantial down payment subsidy to bring down the purchase price. It will allow buyers to keep most of the equity and appreciation their homes accrue, and while it does have income restrictions, they are higher than typical subsidized homeownership models. The \$10 million program, funded with American Rescue Plan Act (ARPA) federal dollars, was approved by the Legislature earlier this year and will be administered by the nonprofit Vermont Housing Finance Agency.

The pilot program is expected to produce 75 homes statewide. Developers across Vermont have already lined up to apply and there is substantial interest in the program, said Collins, adding, “This is pretty innovative, new, and different.” Philanthropic donors can give to help stretch the program with private dollars. The Vermont Community Foundation was one of the cornerstone investors in a Vermont Housing Finance Agency housing fund that launched in 2020, for example. Some of these dollars will likely be used to help with the new Missing Middle pilot and additional giving could help expand the program further, said Collins.

Donors can also give to nonprofits that build or redevelop homes to be purchased under what is known as the shared equity model. An additional \$5 million in federal ARPA funds has been allocated through the *Missing Middle Homeownership Development Program* to generate about 25 new shared equity homes around Vermont. Under this model, buyers who meet income restrictions receive a large discount on purchase price and then are allowed to keep about 25 percent of a home’s appreciation at sale,



along with the equity accrued through mortgage payments. While the model does not allow the owner to keep as much equity as the new Missing Middle pilot will allow, or as they would in a regular market purchase, it still plays a crucial role in meeting Vermont's housing needs. Many shared equity buyers use their proceeds to go on to purchase market-rate homes.

Champlain Housing Trust, a Burlington-based nonprofit that administers a popular shared equity home purchase program, has more than 636 perpetually affordable homes in this portfolio. The average length of ownership is seven years, and the average amount of money sellers receive at sale is \$26,000.

Shared equity can also go a long way toward redressing structural racism, by helping buyers whose parents were shut out of homeownership and could not pass on equity to their children. Champlain Housing Trust has helped at least 77 BIPOC Vermonters become homeowners and a new down payment assistance program specifically directed to BIPOC buyers will help boost those numbers. Giving to these efforts is another way to help.

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### **Support gifts of land to reduce the price of home building**

Vermont has a proud tradition of land conservation and generous giving to preserve forestland, farms, watersheds, and wildlife habitat. This giving also helps build recreation opportunities and tourism, which is all to the good. Considering the critical need for more housing, philanthropists who are accustomed to supporting conservation might also wish to think strategically about land gifts that support new home building near Vermont's town centers and cities.

Earlier this year, Champlain Housing Trust announced an agreement with Vermont philanthropist Jan Blomstrann, co-founder and former CEO of NRG Systems. Her donation of approximately 46 acres of land in Hinesburg will support the construction of 100 homes close to the town center. The neighborhood will be a mix of shared equity and market-rate homes, including modest "starter home" designs. Michael Monte, chief executive officer of Champlain Housing Trust, said this kind of gift can go a long way. "There needs to be more homeownership opportunities of every kind...so there is some mobility," said Monte. Philanthropic dollars, including funds from the Vermont Community Foundation, have allowed Champlain Housing Trust to stretch other sources of revenue and complete housing and community projects that would not have been possible otherwise. New donations can seed future partnerships like the one in Hinesburg.

**"We have plenty of people who want to buy homes."**

Donors can also support partnerships that may utilize city or town land, college acreage, or land owned by employers. Hospitals in Bennington, St. Johnsbury, and Burlington are using their resources to build housing, and this month the University of Vermont announced it would spend \$22 million to support new housing in downtown South Burlington. Middlebury College has acquired a 35-acre parcel near campus to be developed as workforce housing, with some units for purchase and some for rent. In Winooski, Champlain Housing Trust partnered with the city to build the 18-unit shared equity Butternut Condominiums on city-owned land. All the condos went under contract before construction completed, Monte said. "We have plenty of people who want to buy homes."

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## Support zoning changes to allow more condos and small lot homes

Vermont is fortunate to have regulations designed to protect the environment and the state's quality of life. But sometimes those regulations create red tape or prevent housing from being built even in desired locations.



Philanthropy can help by funding nonprofits that lead public conversation about zoning changes needed to spur construction of condos, cottages, and small homes in and around growth centers. Even incremental change, such as “upzoning” from single family to three-unit zoning can be a good step, said Hanford. “Allowing duplexes and triplexes makes a lot sense for a variety of affordability and equity reasons.”

Planning can also help the public get up to speed on new opportunities. For example, Vermont will spend more than \$30 million in federal ARPA funds on new water and sewer line projects in communities. Waitsfield, Richmond, and Westford are among towns studying sewer expansion. Colchester, Manchester, Montpelier, and Vergennes have already approved expansions and modernizations. With good planning, this trend could support condos and small-lot starter homes in central locations that did not have the infrastructure for compact neighborhoods before. Numerous nonprofits are involved in land

use planning efforts. For example, the Vermont Natural Resources Council works with communities on smart growth planning, which includes creating affordable housing opportunities and choices. Also, the state's *Zoning for Great Neighborhoods* project received support from AARP-VT and technical assistance from the Congress for New Urbanism, a national nonprofit organization with an impressive array of resources for creating appealing neighborhood density around the country.

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### Deeper reading:

[The Homeownership Rate and Housing Finance Policy, Joint Center for Housing Studies Harvard University](#)

[Overcoming the Nation's Housing Supply Shortage, Moody's Analytics](#)

[Vermont racial breakdown of renters and homeowners, Vermont Housing Finance Agency](#)

[Northwest Vermont Market Report Mid-Year 2022, Hickok and Boardman](#)

[Missing Middle Homeownership Development Program, Vermont Housing Finance Agency](#)

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