The Policy Basis Behind Permanently Affordable Housing
A Cornerstone of Vermont's Housing Policy Since 1987

Since the passage of the Vermont Housing and Conservation Trust Fund Act in 1987[1], housing that is subsidized by the State of Vermont must be permanently affordable to lower income Vermonters[2]. This goal is usually enforced by a housing subsidy covenant, a deed restriction recorded in the land records and monitored by a community-based nonprofit corporation or a public agency like the Vermont Housing and Conservation Board ("VHCB")[3]. Housing subsidy covenants insure that the homes will be affordable to future generations and the value and effectiveness of the public's investment in these homes will be maintained in perpetuity.

Permanent affordability means that rental and homeownership units which receive VHCB funds will continue to be occupied by lower income Vermonters for a price that is affordable to them. Properties with homes that are rented are owned and operated by nonprofit charitable corporations that agree to hold this real estate to provide affordable shelter in perpetuity. Buyers of single-family homes and condominiums sign housing subsidy covenants or ground leases that are monitored by community land trusts ("CLTs"). These documents contain resale restrictions which insure that public funds benefit multiple generations of homeowners and that resale prices remain well below market value. For example, most CLT's in Vermont permit homeowners to take mortgage equity, twenty-five (25%) of market appreciation and the value of physical improvements with them when they sell their homes.

When the Vermont Legislature first invested state funds in land conservation and affordable housing, Vermont decided that **permanence** would be a feature of such investments. So, when public funds are used to purchase and rehabilitate homes, land and shelter will benefit future generations of Vermonters. VHCB has assisted nonprofits and municipalities develop 8300 permanently affordable homes. Using different methods of **subsidy retention**, these homes will continue to provide Vermonters with decent, safe and affordable housing for generations to come. If Vermont had based its current housing policy on **subsidy recapture**, funds would be repaid at the time of resale, but those homes would leave the affordable housing portfolio and new and larger public subsidies would be needed to replace them.

A more detailed discussion of the impact of permanence on owners of resale-restricted homes can be found in the 2003 Burlington Community Land Trust[4] report on 100 resales entitled "Permanently Affordable Homeownership" [5] ("BCLT Study"). Some findings of this study are summarized below.[6]

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[1] Chapter 15 of Title 10, Vermont Statutes Online, 10 VSA 301-325a.
[2] In the HCTFA, "lower income" means adjusted household income less than or equal to median income. In Vermont, public funds are not used to assist households with incomes above median. However, since many multi-family projects include unrestricted, market-rate units, many households with incomes above median benefit from the public investment in the restricted units.
[3] For more information about VHCB, visit www.vhcb.org.
[4] In October 2006 BCLT became Champlain Housing Trust after merger with another housing nonprofit.
[5] Davis & Demetrowitz, PERMANENTLY AFFORDABLE HOMEOWNERSHIP, Does the Community Land Trust Deliver on its Promises? A Performance Evaluation of the CLT Model Using Resale Data from the Burlington Community Land Trust, May 2003. CHT, P.O. Box 179 Burlington, VT. 05401, Tel: 802-862-6244.
[6] Available online at www.champlainhousingtrust.org/pdf/publications/permanent_affordable_homeownership.pdf.

Another excellent resource is the 2006 National Housing Institute Study on Shared Equity Homeownership ("NHI Study") written by John Emmeus Davis, Research Fellow[7]. The NHI Study is available as a free download from the NHI website at *Shared Equity Homeownership*[8] and contains excellent information and profiles, including a chapter on the role of government in supporting shared equity homeownership[9] and a discussion of durable affordability and subsidy retention. After many years of escalating housing costs and shrinking public resources, many governmental officials and housing advocates are asking about subsidy retention and long-term affordability. Here are some thoughts about why permanent affordability and subsidy retention have worked well in Vermont.

Single Family Homes

Both the BCLT and NHI Studies provide good information and perspective about resale-restricted housing. In Vermont, it has become a cornerstone of state housing policy. At first, public officials and consumers had many questions about whether the CLT model was fair and equitable. However, now that Vermont has had twenty (20) years of experience, there is good information to accompany the policy goals established in the mid-1980s[10]. As public officials weigh how to best invest valuable public resources in homeownership, this information should be very helpful. Importantly, the BCLT Study listed these principal findings:

Preserving Affordability	Affordability continued and improved between successive generations of homebuyers
Retaining Community Wealth	Public subsidies remained in the homes at resale, guaranteeing affordability for buyers
Enhancing Residential Stability	Land and housing brought under the stewardship of BCLT were rarely removed
Expanding Homeownership	Access to homeownership for persons excluded from the market was expanded
Creating Individual Wealth	At resale, most BCLT homeowners walked away with more wealth than they had when they bought the home
Enabling Residential Mobility	A majority of BCLT homeowners bought market-rate homes after leaving BCLT. Also mobility was assured with households who left doing so for similar reasons and destinations as homeowners buying and selling on the open market.

As the price of purchasing single family homes and condominiums rises, middle class Americans find themselves locked out of the homeownership market. Though shared equity homeownership limits wealth-building, it is a reasonable compromise which is working with potential first-time homebuyers in the over-heated market of the last few years. It is also a good investment.

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[7] Davis, John Emmeus, SHARED EQUITY HOMEOWNERSHIP, The Changing Landscape of Resale-Restricted, Owner-Occupied Housing, 2006, National Housing Institute.

[8] www.nhi.org/policy/SharedEquity.html

[9] Id., Chapter 4, Policy: The Role of State & Local Government in Supporting or Impeding the Expansion of Shared Equity Homeownership.

[10] Vermont's experiment in permanently affordable housing began in the early 1980s when the City of Burlington decided to invest $200,000 in the newly organized Burlington Community Land Trust.

Multifamily Housing

Vermont's policy of permanent affordability is based on the theory of **subsidy retention** rather than **subsidy recapture** as well as the principle that where government invests in affordable housing, there should be no displacement of lower income Vermonters. So, with the creation of VHCB and passage of the state law which allows perpetual housing subsidy covenants[11], Vermont also began to invest substantial state funds in rental housing affordable to lower income Vermonters which is permanently affordable. Since most of this housing consists of new construction or substantial rehabilitation located within Vermont's city, town and village centers, this investment also promotes development within "growth centers"[12] and protects Vermont's working landscape for agriculture, forestry and tourism.

One example of the wisdom of permanent affordability is the public investment made to purchase and rehabilitate 330 homes at Northgate in Burlington in 1989. Northgate was built in 1969 at a cost of $6 million. The development was purchased and rehabilitated by the residents in 1989 for about $12 million in federal and state funds. In 2005 a city assessment valued the property at $29 million. The low income housing tax credit period recently expired and the city is using $340,000 in federal HOME funds to help make capital improvements and to continue the affordability into the future. VHCB housing staff estimates that 336 units of rental housing would cost $53-60 million to construct today. Since Northgate is restricted by perpetual housing covenants, the State of Vermont will never have to buy these housing units again and residents will never be displaced by gentrification.

Conclusion

In the last 20 years, VHCB has invested substantial amounts of public funds in the construction or rehabilitation of 8300 homes, rented and owned[13]. This investment of the people's money will be retained and reinvested as this housing continues to provide safe and affordable shelter to Vermonters, often located close to stores, schools, jobs, restaurants, theatres, and greenspace. As such, it is a good investment in Vermont's communities and people.

Vermont Housing and Conservation Board, *www.vhcb.org*
James M. Libby, Jr.
802-828-3252
jlibby@vhcb.org

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[11] 27 VSA 610, Housing Subsidy Covenants; Enforceability

[12] In 2006, the Vermont General Assembly took another significant step toward encouraging growth in cities and towns by passing S.142 An Act Relating to the Creation of Designated Growth Centers and Downtown Tax Credit Program. For more information on responsible growth in Vermont, contact the Vermont Forum on Sprawl.

[13] These homes include a range of housing including, homeless & emergency shelters, transitional housing, service-supported housing, group homes, mobile home parks, housing cooperatives, co-housing, multi-family rental housing, condominiums and detached, single family homes. All of these homes are permanently affordable.