

Housing Needs in Burlington's Downtown & Waterfront Areas



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for the City of Burlington Planning
& Zoning Department
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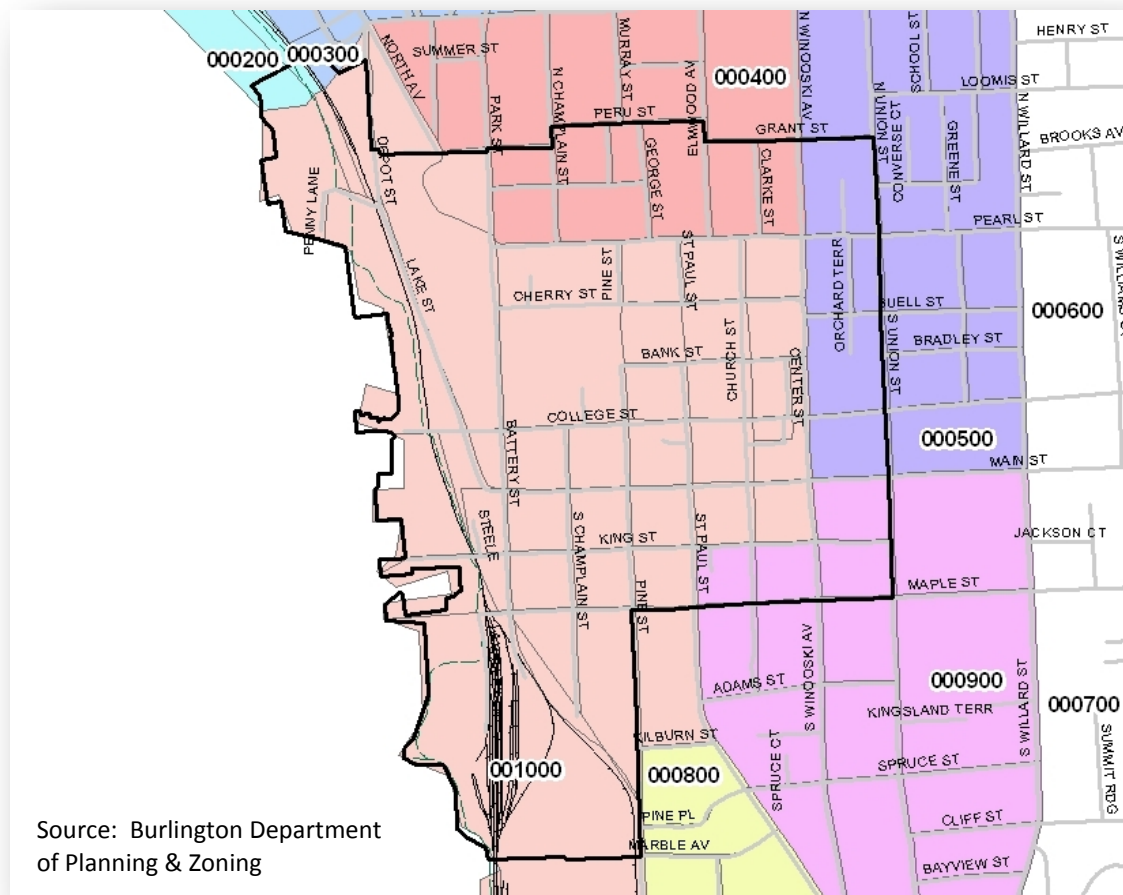
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Vermont Housing Finance Agency conducted this study under contract to the Burlington Department of Planning and Zoning, as part of a broader effort to develop a land use and development plan for the city's downtown and waterfront areas. The work that provided the basis for this report was supported by funding under an award with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. The author and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

Introduction

Burlington's downtown and waterfront areas are well-loved destinations for tourists and local residents. These areas include most of Burlington's stores and restaurants, including the Church St. Marketplace, as well as the spectacular waterfront park area. In addition to retail, commercial, hotel, office, and recreation activity, 3,800 people live in Burlington's downtown and waterfront neighborhoods. The area's diverse housing stock includes lakefront row houses, buildings constructed through public programs for lower income residents, condominiums along Battery Street, and older Victorian homes split up into rental apartments.

Figure 1. Burlington's downtown and waterfront study area



The study area was defined as the 57 blocks bounded by Lake Champlain on the west and North/South Union streets on the east. Most of the blocks in the area are in Census tract 10, although portions of tracts 4, 5, and 9 are also included, as shown on Figure 1.

Unless otherwise noted, statistics presented in this report are from the Census 2000 and 2010, Summary File 1 for this 57-block area.

Executive Summary

Since 2000, the number of households living in Burlington's downtown and waterfront neighborhoods has grown substantially faster than Burlington's population as a whole. If trends hold, the area's population is likely to grow still further. How and where these additional households live will be determined by the way development and conversions to residential use proceed in the coming years.

New households in the downtown and waterfront areas have primarily been single-person households, renters, and headed by someone who is under the age of 65. Market rate rental apartments comprise more than half of the area's housing stock. The remaining units are subsidized rental housing and a small number of owner-occupied units.

Generally, housing costs exceeding 30% of a household's income are considered unaffordable. For households with the area's median income of \$30,000, apartments renting for \$833 or less, including utilities, fall into this affordable category. However, with a median rent of \$1,250 in the study area, most available market rate apartments are unaffordable to typical downtown and waterfront neighborhood households. Approximately one-third of renters are spending a surprising 50% or more for housing. When housing consumes such a great portion of income, these households become extremely susceptible to unexpected declines in income or increased expenses. This problem is particularly serious for lower income households and can lead to eviction, frequent moving, and family instability.

The area's small owner housing stock is similarly out of line with the buying power of most residents. With a median sales price of \$271,000, most opportunities to buy a home downtown or near the waterfront are limited to those few households with incomes of at least \$81,000.

Who lives in the downtown and waterfront areas?

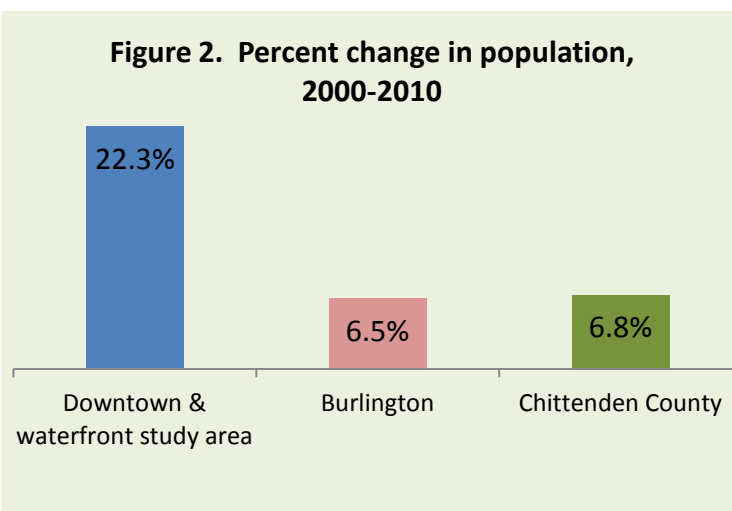
The number of households in the downtown and waterfront study area has grown substantially since 2000. By 2010, this area contained nine percent of Burlington’s population. The fastest growing population segment in the downtown and waterfront areas is the 45-65 age group, consistent with widespread trends as baby boomers age. However, like Burlington, roughly 60% of the study area’s households are headed by someone who is younger than 35—substantially more than in Chittenden County as a whole, at least in part because of the sizeable off-campus college student population.

Downtown and waterfront residents are much more likely than households in other Burlington neighborhoods to rent their homes (vs. own). The area is unique in comparison to Burlington in other ways as well. More of the area’s households have incomes of less than \$15,000, more identify themselves as non-white, and more are single-person households than the rest of the city.

Some residential blocks in the downtown and waterfront study area share demographic characteristics with blocks in the neighboring Old North End. Many blocks in both of these areas are more racially diverse and have lower median incomes than Burlington as a whole. However, this report presents sub-city information exclusively for the study area, providing comparisons to the town and county rather than to other neighborhoods within the city.¹

A rapidly growing population

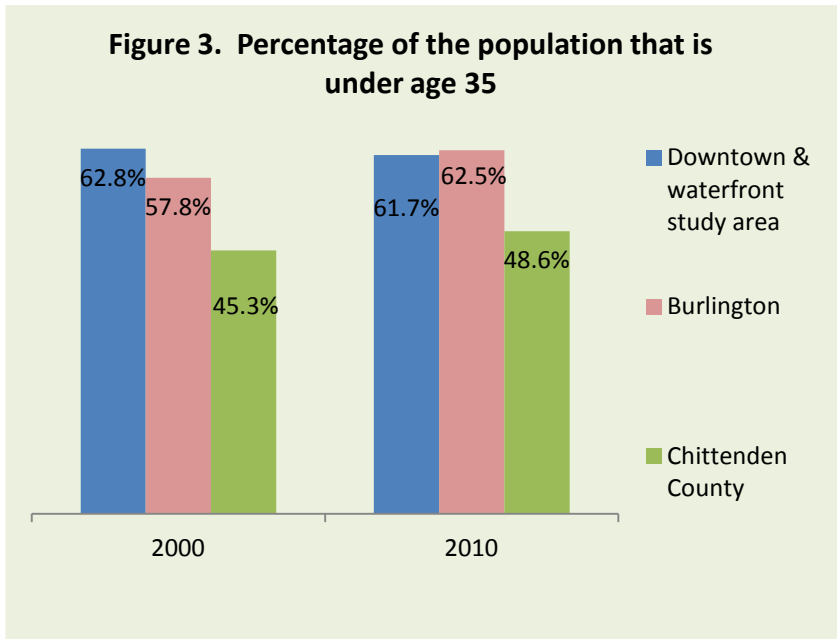
Burlington’s population has been growing slowly – from 39,824 in 2000 to 42,417 in 2010. This growth rate of 6.5% is typical of the city’s historical growth. In contrast, the downtown and waterfront study area’s population has grown about three times as fast – from 3,109 in 2000 to 3,803 in 2010, as shown in Figure 2. This increase suggests that the area has experienced construction of new buildings, conversions of existing buildings to residential use and/or creation of additional residential units, such as accessory apartments, within existing structures.



Demographers expect the downtown and waterfront areas to continue to surpass the rest of the city in rate of growth during upcoming years. The number of households is expected to increase by 3% between 2010 and 2015, compared to less than 1% Burlington-wide.² However, further growth in the area is largely dependent on the availability of additional housing units.

A young area

The baby boom generation has been creating an older population in Vermont each year. The percentage of the state’s population under age 35 dropped from 46% in 2000 to 42% in 2010. Remarkably, both Chittenden County and Burlington saw *increases* in the percentage of the population under age 35. The downtown and waterfront areas have consistently had more than 60% of its population under age 35, as shown in Figure 3.



Although the fastest growing population segment in the study area between 2000 and 2010 was households headed by someone who was between 45 and 64 years old, the number of householders in all age groups increased, as shown in Figure 4.

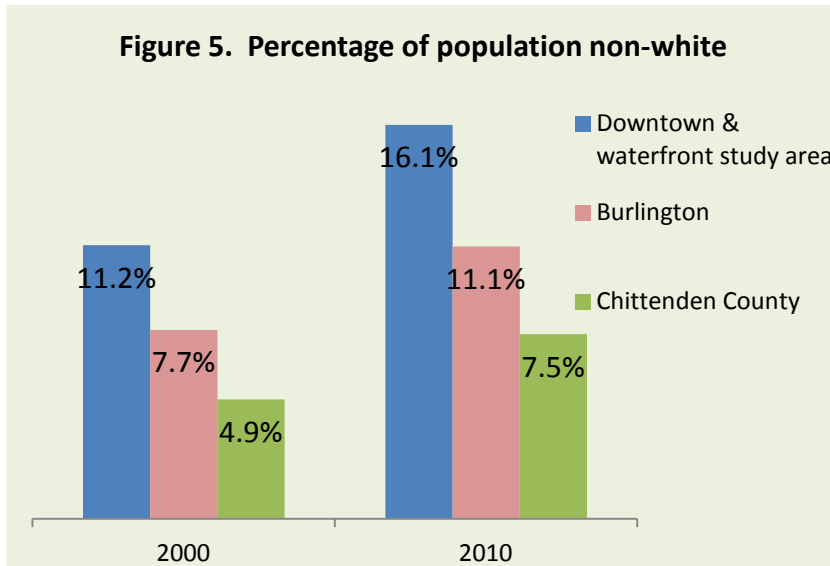
Figure 4. Households in the waterfront and downtown study area

	2000	2010	change
Householder 15 to 24 years	368	458	24%
Householder 25 to 34 years	454	550	21%
Householder 35 to 44 years	267	279	4%
Householder 45 to 54 years	166	249	50%
Householder 55 to 64 years	125	235	88%
Householder 65 to 74 years	135	159	18%
Householder 75 to 84 years	110	117	6%
Householder 85 years and over	50	57	14%
Total	1,675	2,104	26%

It is not surprising for the number of householders born during the baby boom (in the 45 to 74 age groups) to increase. Growth of over 20% in the numbers of householders younger than 35 is likely due to more local dynamics. One contributor to the increased number of younger householders is growing enrollment at Burlington’s colleges. As of the 2011-2012 school year, the University of Vermont (UVM) had a total enrollment of 12,122 students, including undergraduate, graduate, medical and non-degree students. Due to significant enrollment increases since 2000, the number of UVM students living off campus, primarily in downtown Burlington, has increased to an estimated 6,400—a 40% jump during the past 10 years. Champlain College enrolled 2,000 primarily undergraduate students. Only about 1,100 of Champlain’s students are housed on-campus, leaving 900 to join the large population of students living off-campus in Burlington’s rental housing stock.

Racially diverse and becoming more diverse

In 2000 – 2010, the proportion of the population that is non-white increased substantially in Chittenden County, in Burlington, and in the downtown and waterfront study area. The study area continues to be the most diverse of these three geographic areas, with 16% of its householders identifying themselves as not white alone, as shown in Figure 5.



Mostly renters and small households

Only 35% of Chittenden County’s households are renters. This percentage is significantly higher in Burlington and in the downtown and waterfront study area. Fifty-nine percent of the households of Burlington and 88% of the households in the study area are renters, as shown in Figure 6. The portion of households renting in the study area, Burlington, and the county remained virtually unchanged during 2000-2010.

City-wide, the population exhibits a typical relationship between age of householder and housing options: younger householders are more likely to rent, and older householders are more likely to own homes. However, in the downtown and waterfront areas, most households rent, regardless of the age of the householder, as shown in Figure 7.

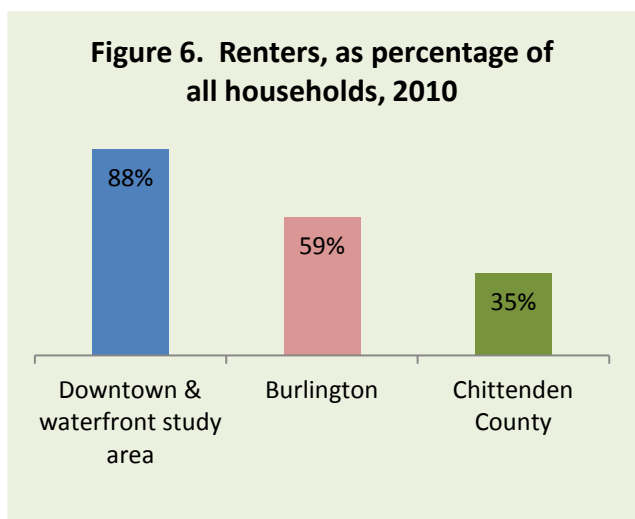
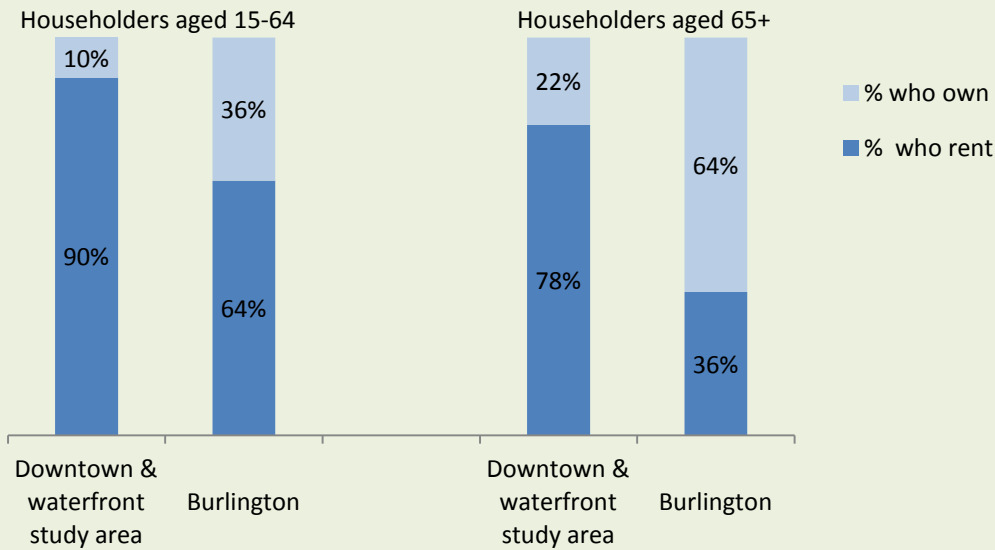
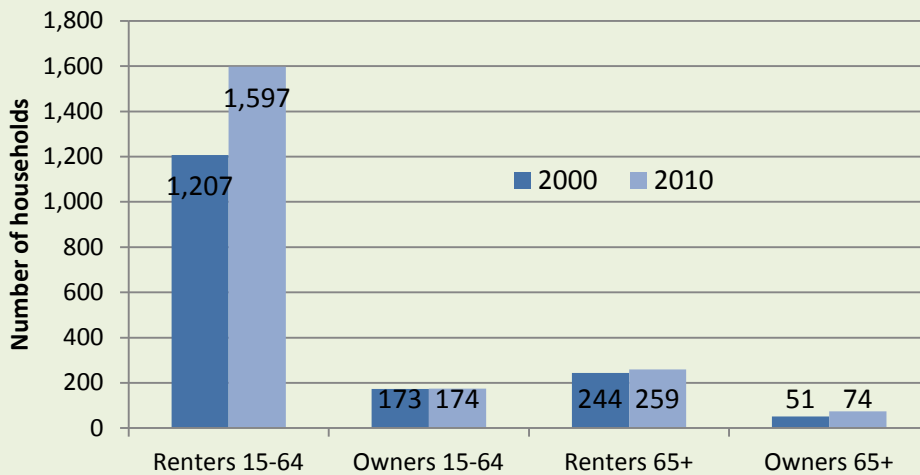


Figure 7. Renting prevalent among younger and older residents of the study area, 2010



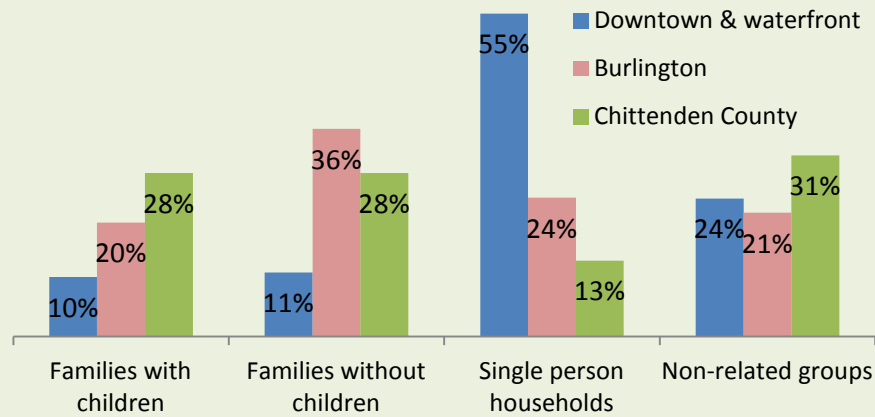
Most of the population growth in the downtown and waterfront areas between 2000 and 2010 is due to the segment of households who rent their homes and are headed by someone aged 15-64. In contrast, the number of owner households in this age group in these neighborhoods remained virtually unchanged during the decade, as shown in Figure 8.

Figure 8. Study area's population growth primarily due to renters under the age of 65



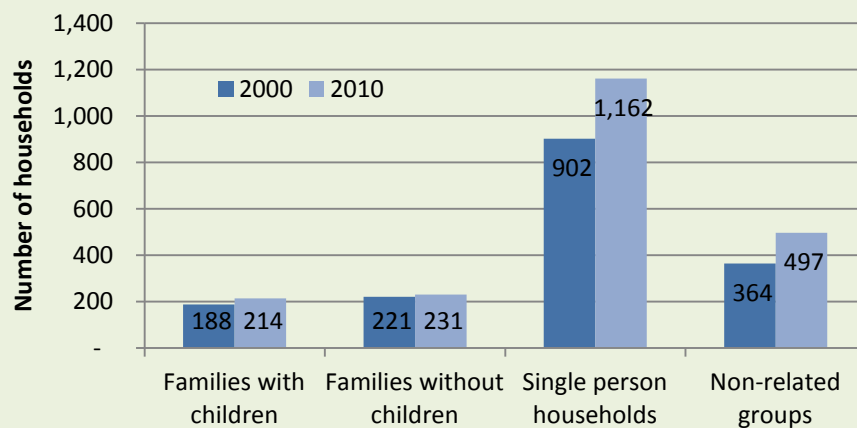
The composition of the downtown and waterfront areas by household type remained relatively unchanged between 2000 and 2010. More than half of the households (55%) are people living alone—far more than in Burlington (24%) or Chittenden County (13%), as shown in Figure 9.

Figure 9. Percentage of households in area by type, 2010



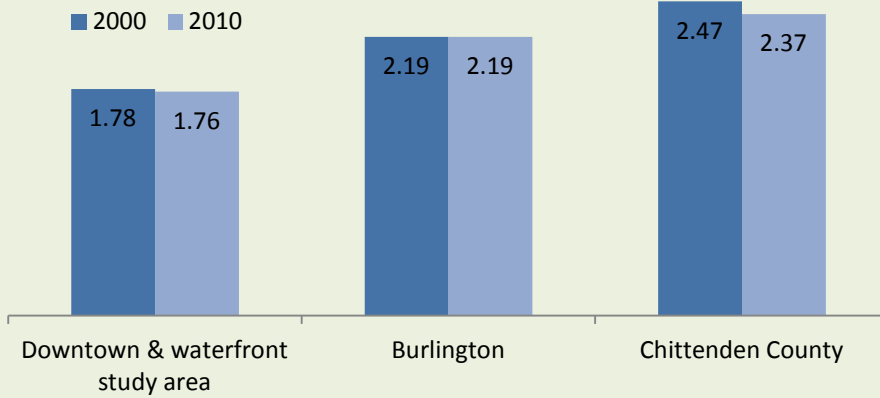
The growth in the number of households living in the downtown and waterfront study area is primarily due to increases in the number of single-person households and households composed of unrelated people, as shown in Figure 10. These types of households increased by 31%, while family households grew by only 9%.

Figure 10. Downtown & waterfront study area's growth due primarily to non-family households



The downtown and waterfront study area is remarkable for its consistently low average household size – 1.76 persons in 2010. This is consistent with a high prevalence of single person households in the area, as shown in Figure 11.

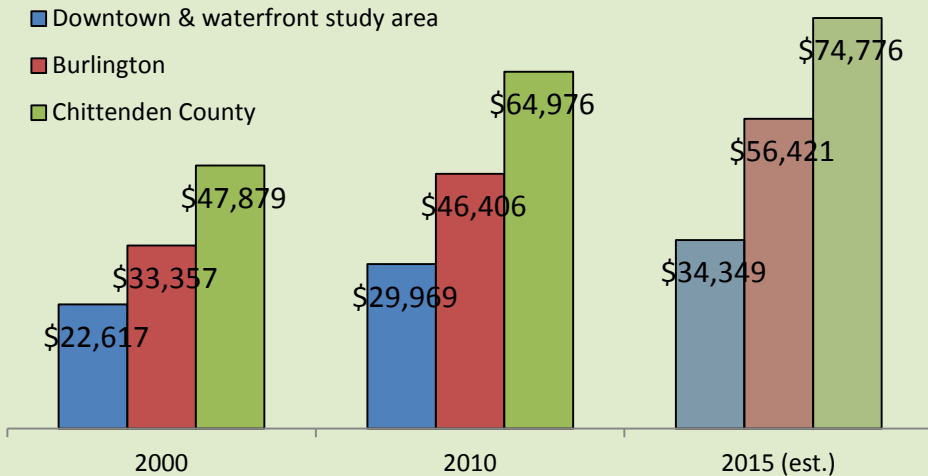
Figure 11. Study area's average household size remains smaller



A lower income area, but income is increasing

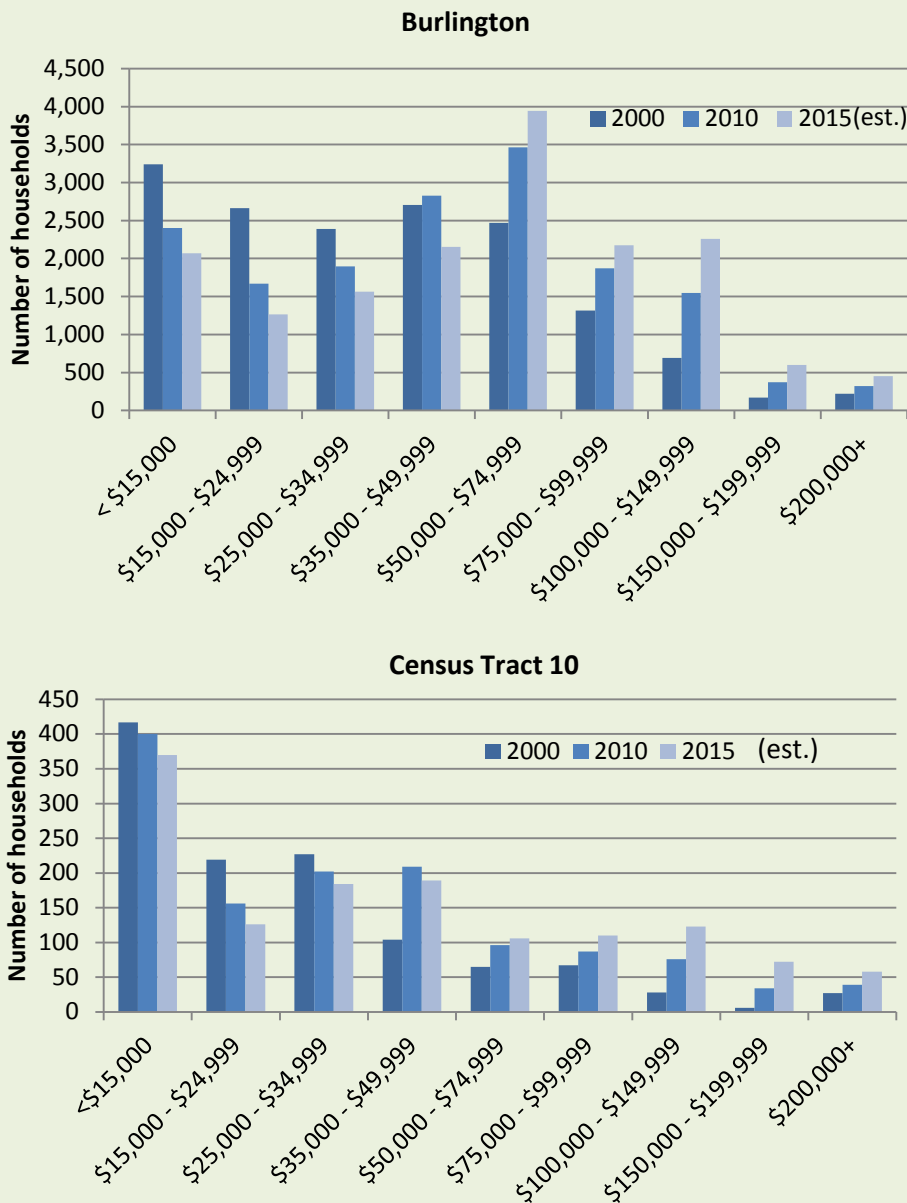
The median household income in the downtown and waterfront study area is significantly lower than for the rest of Burlington, as shown in Figure 12. This is likely at least in part because of the area’s prevalence of single-person households (with only one potential wage earner). Median income is likely to continue increasing for Burlington and for the downtown and waterfront areas, if prevailing trends continue.

Figure 12. Estimated median household income



Source: ESRI. Census tract 10 represents downtown & waterfront study area

Figure 13. Estimated household income



Source: ESRI. Note: Income categories are shown in nominal dollars.

Household income in Burlington is “normally distributed” because households are more numerous in the middle income categories and less numerous at both extremes, as shown in the upper graph in Figure 13. Since 2000, Burlington’s income distribution has been shifting to the right. This means that the number of households with incomes less than \$35,000 has fallen and the number with incomes of \$50,000 or more has increased. Since these income groups are in nominal dollars, at least part of this shift may be due to typical inflationary increases that occur for a household’s income.

In contrast to Burlington, downtown and waterfront residents (as indicated by Census Tract 10), are much more likely to have extremely low incomes of less than \$15,000, as shown in the lower graph in Figure 13.³ While an estimated 15% of Burlington’s households have incomes this low, at

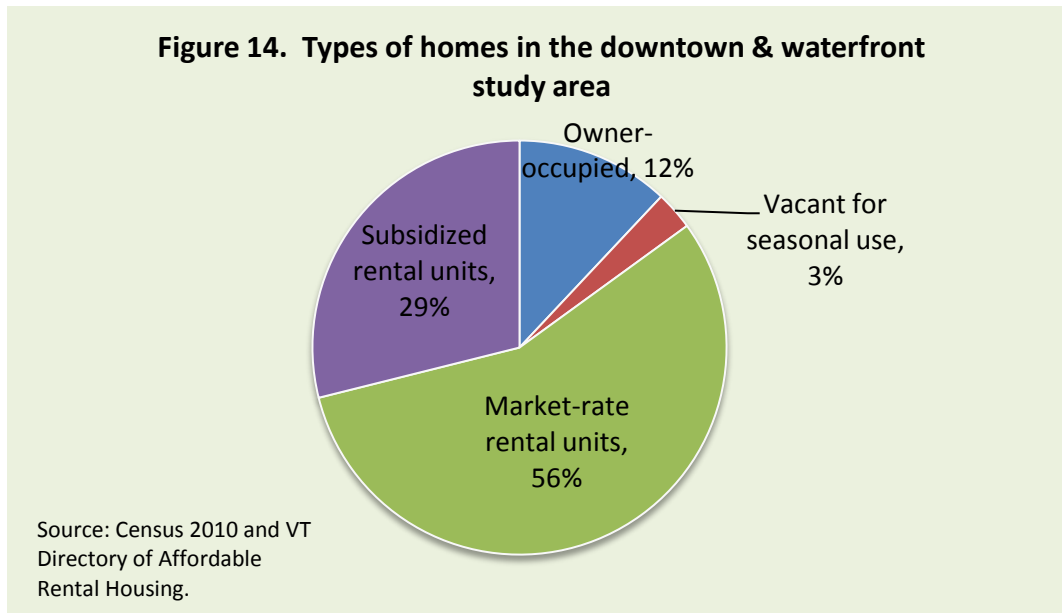
least 30% of the downtown and waterfront households are estimated to be in this category. This is likely due at least in part due to the high prevalence of single-person households (with only one potential wage earner) in the study area. Consistent with a city-wide trend, the number of the area’s households at the higher end of the income category has increased, while the number at the lower end has declined.

What types of housing are in the downtown and waterfront study area?

The most common type of housing in downtown and waterfront neighborhoods is market-rate rental housing, although a sizeable portion is rental housing subsidized through public programs for lower income households. Only 12% of the area's housing stock is owner-occupied homes.

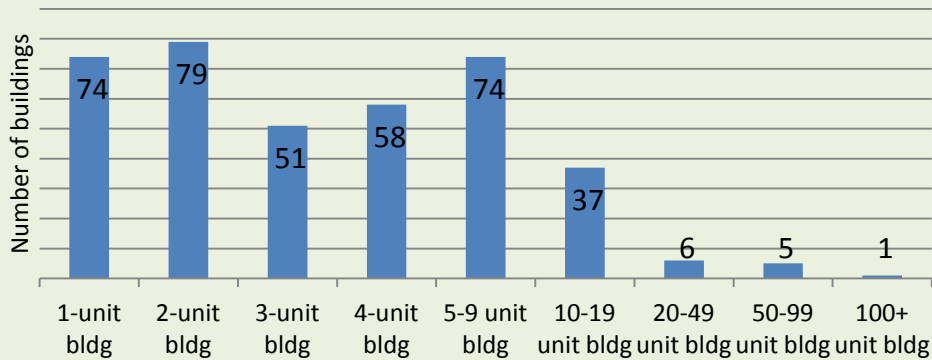
Small, multi-unit buildings are common

The downtown and waterfront's housing stock consists of 397 buildings containing 2,200 residential units.⁴ The vast majority (88%) of these units are rental apartments, as shown in Figure 14. The remaining 12% are owner-occupied homes.



According to a land use survey of the area conducted by Milone & MacBroom, Inc. for the Burlington Department of Planning and Zoning in 2011, 19% of the study area's residential buildings are single-family detached homes, while another 48% contain two, three, or four units. Twelve buildings contain more 50 or more units, with the largest serving as an assisted-living facility, as shown in Figure 15. Although this data is not available by tenure, it is likely that approximately 90% of the units in the area's multi-unit buildings are rented.⁵

Figure 15. Residential buildings in the downtown & waterfront study area, 2011



Source: Land use survey by Milone & MacBroom, Inc. Includes all buildings with living quarters including institutional care settings, but excludes transient quarters such as hotels.

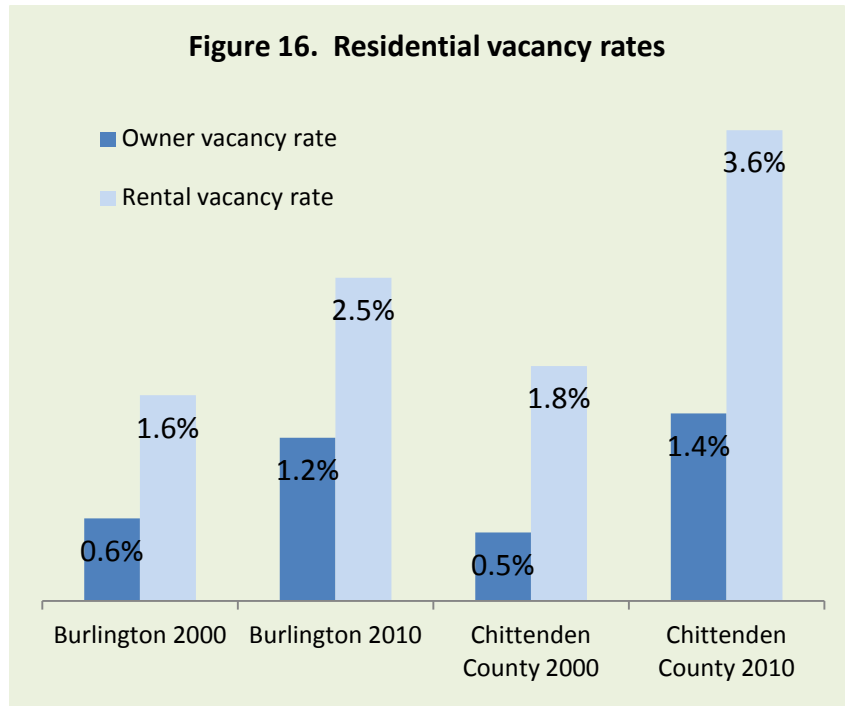
Vacancy rates

Very few residential units in the downtown and waterfront areas are unoccupied, according to the 2010 Census. Three percent were vacant because they are vacation homes.

As shown in Figure 16, the rental vacancy rate in the study area (2.8%) is similar to Burlington’s (2.5%)—almost a full percentage point lower than the county-wide rate, reflecting the tightness of Burlington’s rental market. As of the 2010 Census, 14 of the study area’s 265 owner units were vacant and for sale, bumping the owner vacancy rate in the area up to 5.3% (well above the rates in Burlington and Chittenden County of 1.2% and 1.4%, respectively).

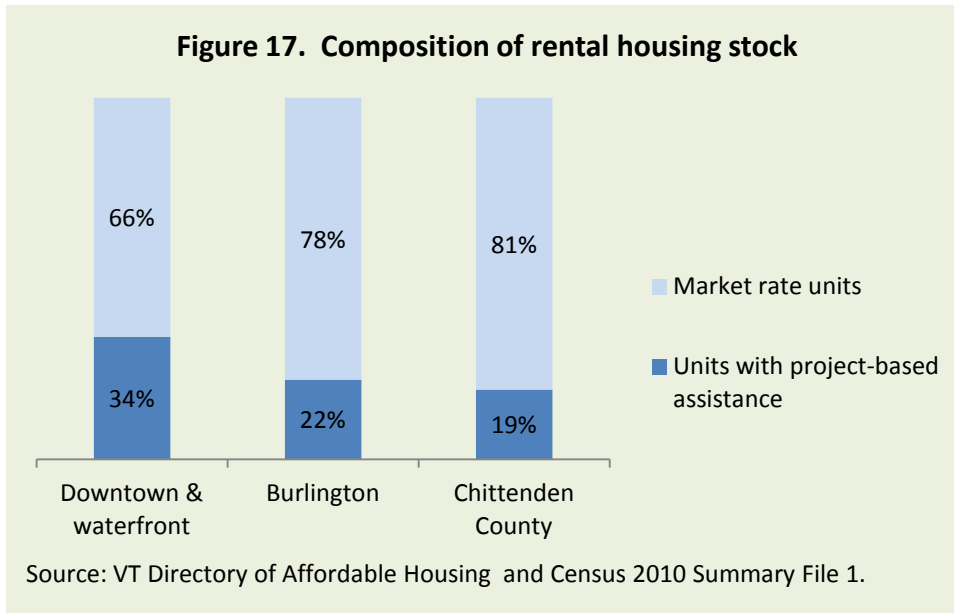
Vacancy rates in 2010 are slightly higher in Burlington and Chittenden County than they were in 2000, reflecting a national trend that began with the recent economic recession.

Figure 16. Residential vacancy rates



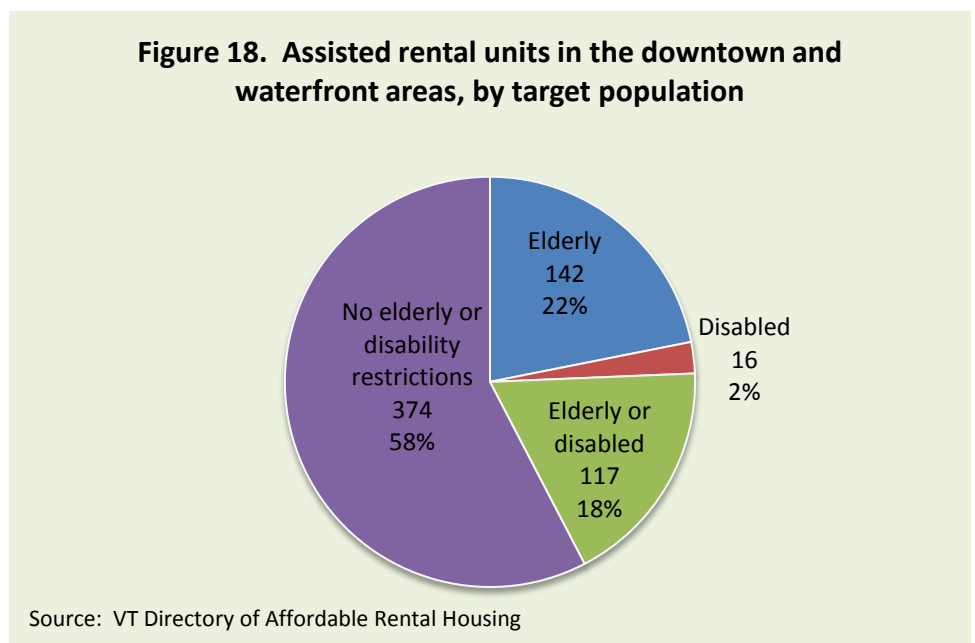
Predominantly rental

Market rate rental apartments are the primary type of residence in the downtown and waterfront areas, as shown in Figure 17. They comprise about two-thirds of the 1,918 rental units counted by the 2010 Census. The remaining rental units are targeted to lower income households and receive public, project-based subsidies. These subsidies enable landlords to charge lower rents than in the conventional market place. It is also likely that some of the private “market rate” rental apartments house tenants who receive tenant-based rental assistance (i.e. housing vouchers), thereby subsidizing their rent.



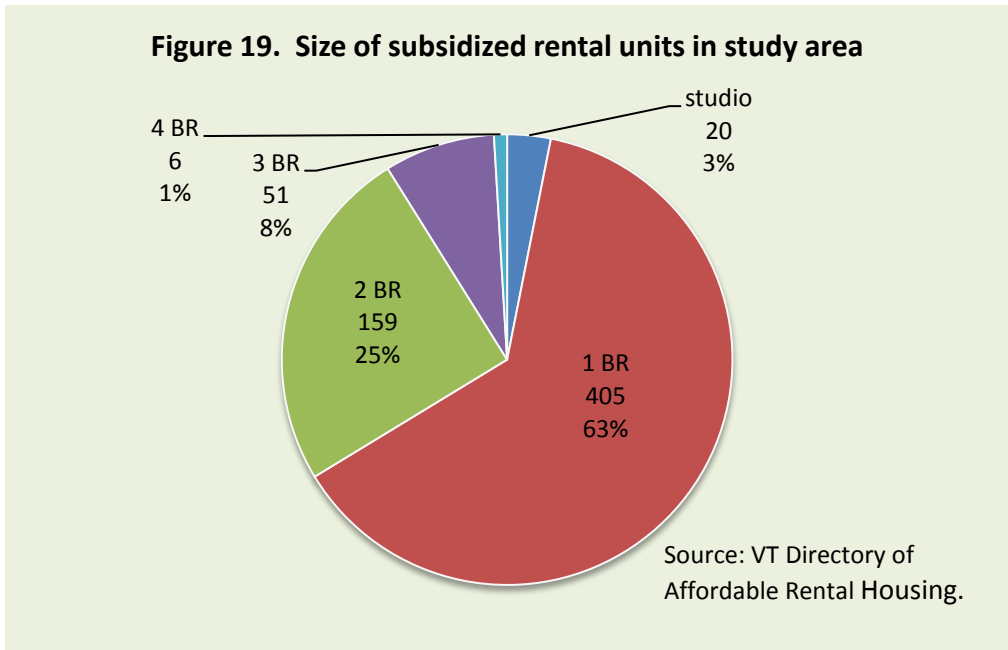
The ratio of publically assisted to market rate rental housing is higher in the downtown and waterfront than in the rest of Burlington or Chittenden County. One out of 3 apartments in the downtown and waterfront study area is assisted housing, while the ratio is roughly 1 in 5 in Burlington and Chittenden County.

Two hundred seventy-five (275) of the area’s publically assisted rental apartments units are targeted to elderly

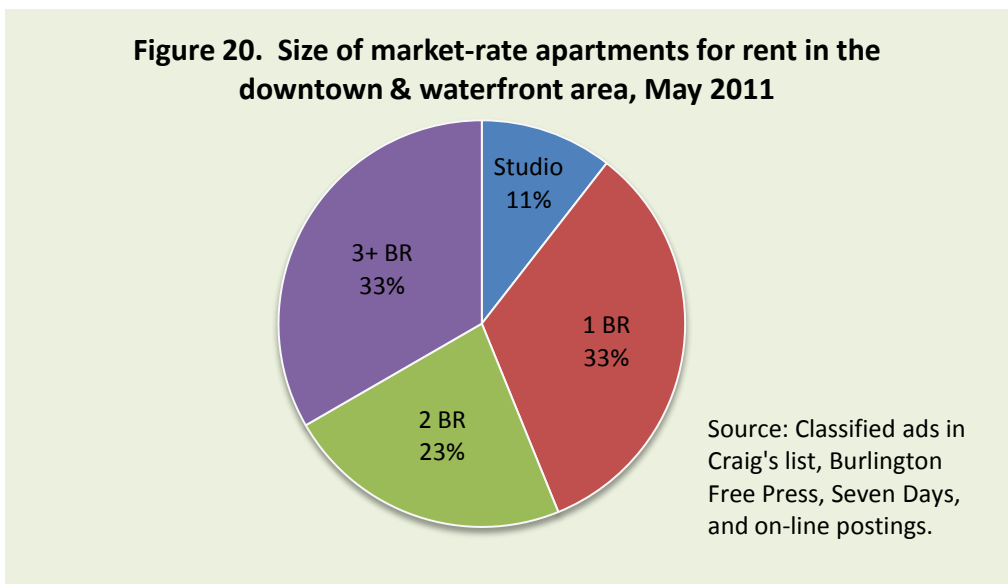


and/or disabled households, as shown in Figure 18. Since the area is home to only 333 households headed by someone who is at least 65 years old, it is likely that the majority of the area’s seniors are living in assisted rental housing.

Almost two-thirds of the subsidized rental units in the study area are one bedroom apartments or studio apartments, as shown in Figure 19. More than half of these small units are targeted to the elderly or disabled. There are 57 subsidized apartments with 3-4 bedrooms for larger families.



Market-rate units for rent in the study area ranged in size, with 56% having two or more bedrooms, as shown in Figure 20.



Rents vary widely

Monthly rents among most market rate apartments in the downtown and waterfront areas are at least \$1,000. The median rent among market rate apartments for rent in the study area in May 2011 was \$1,250.

Among the area's assisted housing, maximum rent levels are set by the public agencies and programs that have provided subsidies for developing the housing--HUD, the Federal Home Loan Bank, the Vermont Housing & Conservation Board, the Vermont Housing Finance Agency, and the Low-Income Housing Tax Credit. Monthly rent paid by tenants in these projects range from less than \$50 to \$1,000, depending on the size of the unit, the types of subsidies involved, and in some cases on the household's income.

According to the most recent estimates available through the Census Bureau, median rent paid by tenants throughout the rental stock (including market-rate and subsidized units) in Burlington was \$893 and \$951 in Chittenden County in 2005-2009.⁶

Rent levels in Chittenden County have increased significantly in recent years. According to the Allen & Brooks *Residential Report* for March 2011, the annual rate of rent increase was in the 4-5% range between 2006 and 2009—higher than the rate of overall inflation. Between 2009 and 2010, the rate of rent increase slowed somewhat to 1.6%, the report explains.

The creation of an additional 113 publicly-subsidized and market rate apartments in the downtown and waterfront areas are currently in the planning stages, according to the Allen & Brooks report. About half of these planned apartments will be on South Champlain Street and Browns Court, targeted to lower income residents through public subsidies. The remaining units are planned to be created within three existing buildings in the study area (in the former Gallagher Flynn, Stratos, and Sanel buildings) explains the Allen & Brooks report.⁷

Small stock of owner housing

Twelve percent (or 265 homes) of the residential housing stock in the area are owner-occupied homes. As with the rest of the Burlington, about 30% of these homes are owned free and clear of a mortgage. An estimated 31% of the owner-occupied homes in the downtown and waterfront study area are condominiums. The remaining 183 homes are single-family detached houses and duplexes.⁸

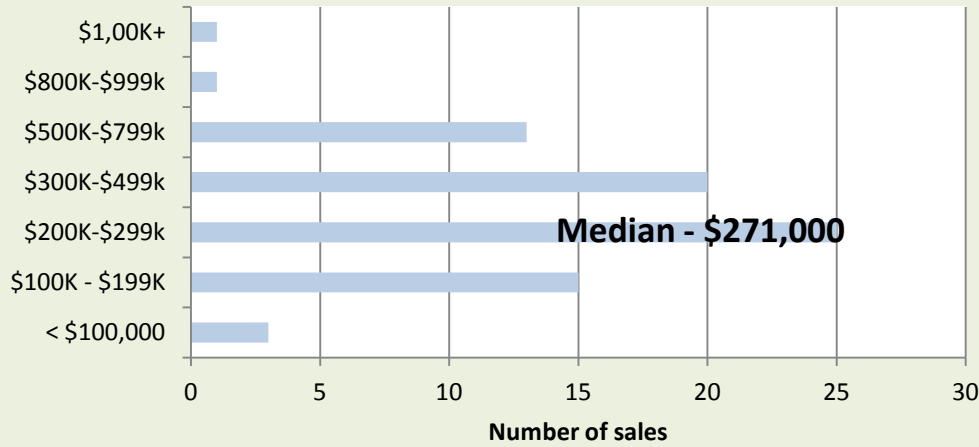
The creation of an additional 47 condominium units in the study area are currently in the planning stages, according to the March 2011 Allen & Brooks *Residential Report*. Forty of these units are in the early planning stages for a single building on lower Church Street (#210) while the other seven are planned to be created in an existing building (above Advance Music).⁹

Median prices of owner housing higher than rest of city

Prices of owner-occupied homes in the downtown and waterfront areas range dramatically, with median prices consistently above the rest of Burlington. As shown in Figure 21, the median home sales price in the downtown and waterfront study area was \$271,000 in 2008-2010--about 11% higher than

the median price citywide (\$245,000). Most homes sold in the area each year are condominiums. In 2008-2010, an estimated 77% of the sales were condominiums.¹⁰

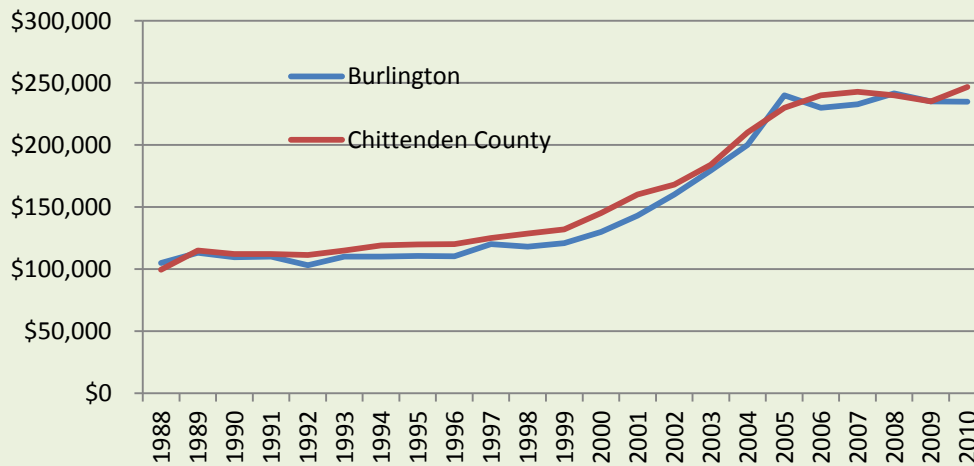
Figure 21. Primary homes sold in the downtown & waterfront study area, 2008-2010



Source: Analysis of property transfer tax data from the VT Dept. of Taxes.

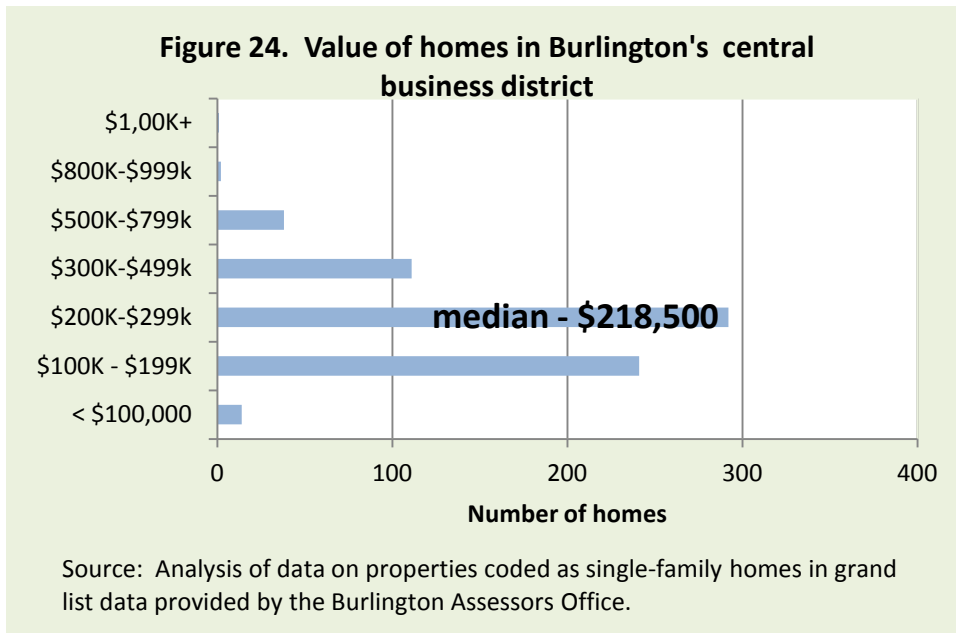
Prices of owned homes in Burlington and Chittenden County increased dramatically between 2000 and 2006, leveling off when the recession took hold in 2007, as shown in Figure 23.

Figure 23. Median price of primary homes



Source: Analysis of property transfer tax data from the VT Dept. of Taxes.

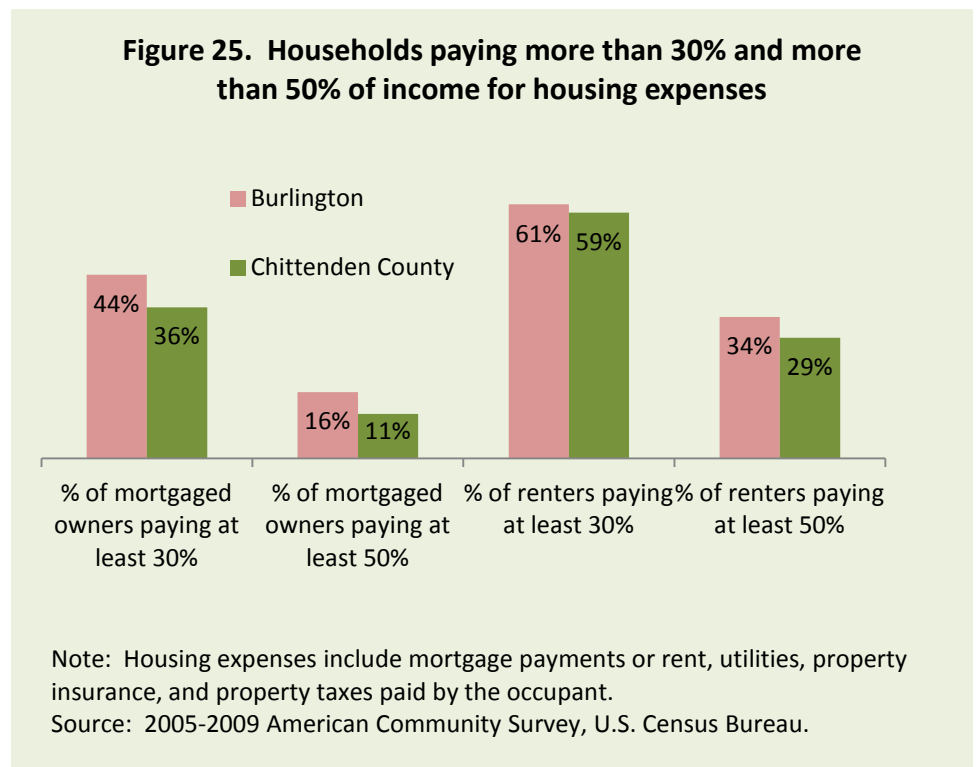
The median value of all homes sold in Burlington’s Central Business District (which overlaps but is not identical to the study area) is \$218,500.



Is the housing in the downtown and waterfront study area affordable for its residents?

Most renters in Burlington do not have housing that is affordable, given their incomes, monthly rent, and utility expenses. Sixty-one percent of Burlington’s renter households pay more than 30% of their income for rent and 34% pay an alarming 50% or more, as shown in Figure 25. When renters pay more than 50% of their incomes for rent, they have few resources for other basic necessities such as food, transportation, and medication.

Among those Burlington homeowners with mortgages, 44% spend more than 30% of their income on their mortgage



payment and other housing expenses. An estimated 16% are extremely cost burdened by their housing expenses, paying at least 50% of their income for housing.

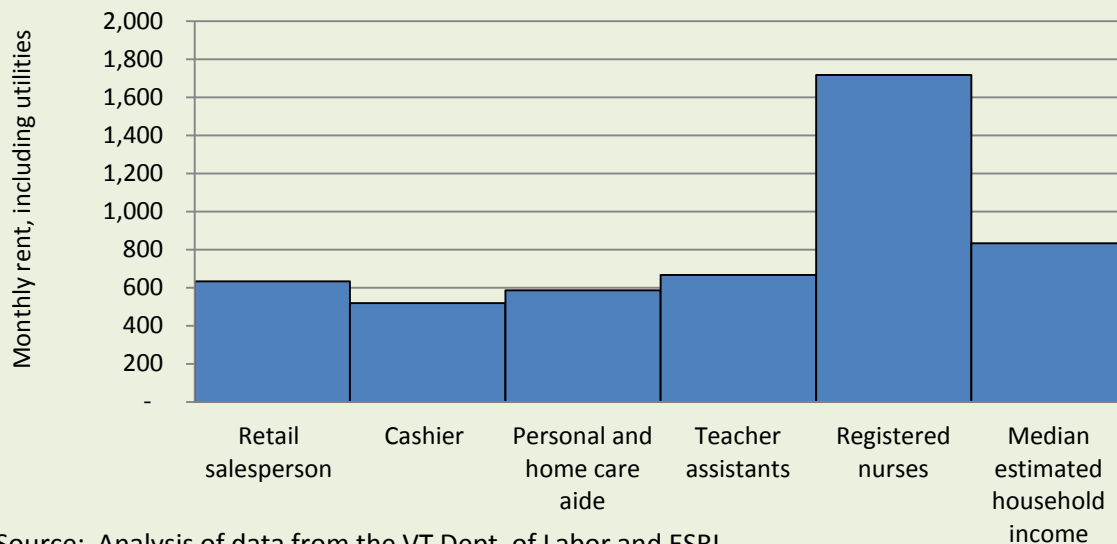
Transportation costs can easily consume another 15-30% of household income depending on workplace location. Optimally, a lower income household would pay less than 45% of their income on housing and transportation expenses.¹¹

The lower a household's income, the more likely it is to face unaffordable housing costs. Cost burdened residents with low incomes face especially serious financial risks should their income decline or expenses increase unexpectedly. They are at far greater risk of eviction or foreclosure than higher income residents. They are also more likely to move frequently, which can lead to household and neighborhood instability, particularly when the household includes school-age children.

Renters

If you ranked the incomes of every household in the area from lowest to highest, the median is the point halfway down the list and is often used to represent the income of a "typical" household. A median income household in the downtown and waterfront study area would be likely to afford a monthly rent (including utility expenses) of \$833. However, since the median rent of available market rate apartments in the area is substantially higher (\$1,250), it is not surprising that many renter households find themselves paying rents higher than they can afford.

Figure 26. Rents affordable for workers in most prevalent occupations and median income households in the study area



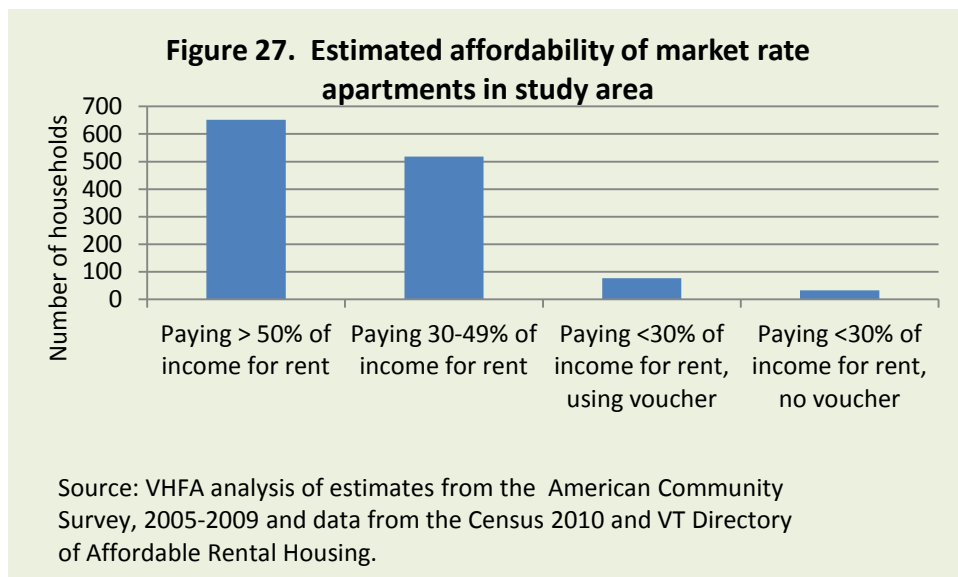
Source: Analysis of data from the VT Dept. of Labor and ESRI.

Note: Assumes that an affordable rent consumes 30% of a resident's wages.

The most prevalent occupations among Vermont's workers are retail salesperson, cashier, personal and home care aide, teacher assistants, and registered nurses. Of these occupations, only registered

nurses had median wages high enough to afford the median rent of an available market-rate apartment in the downtown and waterfront areas (\$1,250), as shown in Figure 26.

Residents of the downtown and waterfront area spending more than 50% of their incomes for housing are most likely living in market rate rental apartments. About half of these 1,280 homes are likely to be occupied by renters paying this exceedingly high level, as shown in Figure 27. Another 500 are likely to be occupied by households paying between 30-49% of their incomes for rent—a level still considered unaffordable by many. Only about 100 market rate rentals are likely to be truly affordable for their occupants with rents no more than 30% of household income, although some of these occupants receive Section 8 rental assistance vouchers to help bridge the gap between their income and the amount of rent charged by private landlords.



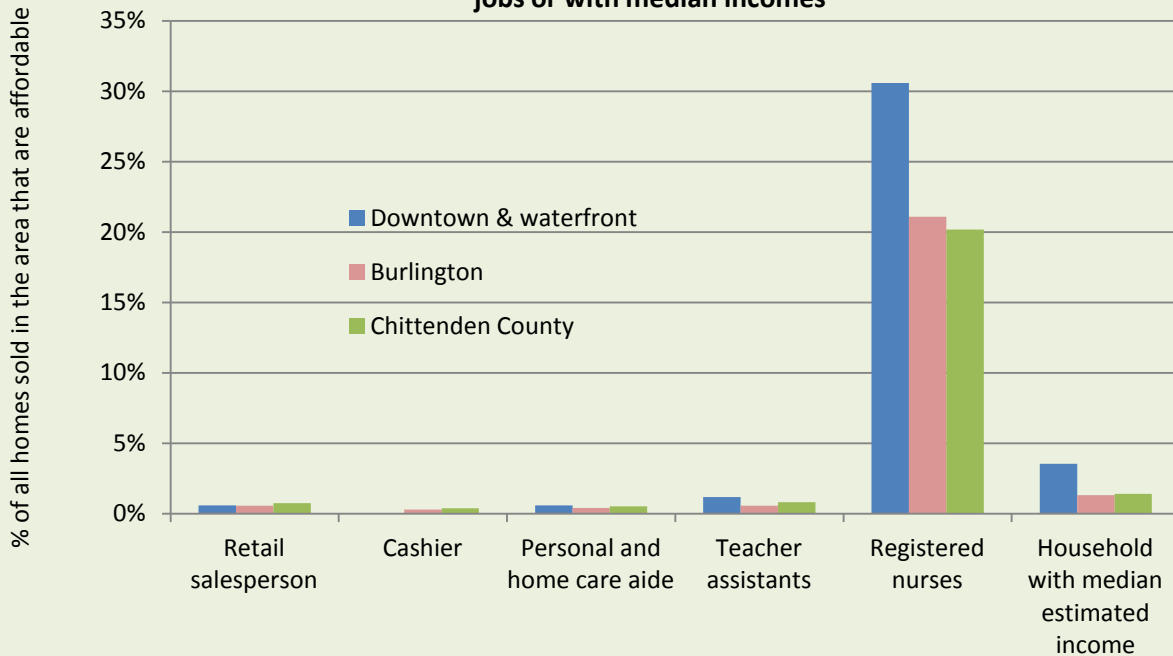
Virtually all of the study area residents living in market rate rental apartments are likely to be under the age of 65, since the area’s seniors are likely living in the subsidized housing targeted for their age group.

Owners

To afford a median priced home in the study area of \$271,000, residents would likely need a household income of approximately \$81,000 and to have saved at least \$22,000 to cover closing costs and a 5% down payment. Fewer than 10% of the area’s households have incomes this high.

Few owner homes sold in the area are in price ranges affordable by households at the median estimated income of \$30,000 or for residents working in Vermont’s most prevalent occupations. Of these occupations, only registered nurses earned enough on average to afford more than 5% of the homes sold in the area in 2005-2010, as shown in Figure 28.

Figure 28. Few homes sold in 2005-10 are affordable for people with most prevalent jobs or with median incomes



Source: Analysis of data from the VT Dept. of Labor, ESRI, and VT Dept of Taxes. Note: Assumes average interest rates, property taxes, property and mortgage insurance and premiums, closing costs, a 5% down payment and a 30% housing payment ratio.

Efforts to preserve affordability

Faced with a mismatch between the incomes and housing costs of many Burlington residents, area government and non-profit organizations have taken steps to ensure that at least a portion of the homes in the downtown and waterfront neighborhoods remain affordable in the long run.

Rental housing

Rental housing that is guaranteed to remain affordable in the long-run helps combat the adverse effects of rising rents and cost burdens. The downtown and waterfront’s 650 publicly-assisted units are likely to remain affordable through the use of restrictions to which owners agree when they receive the subsidies. As these arrangements expire, public agencies typically work to extend the use of these buildings as affordable housing, such as the Wharf Lane building. The “preservation” of Wharf Lane ensures that these 37 rental apartments remain in the downtown and waterfront’s stock of affordable rental housing.

In another effort to improve the availability of housing that is affordable to Burlington households at low and moderate income levels, Burlington city officials instituted an inclusionary zoning requirement. This provision requires that 15% to 25% of the homes in new developments be affordable to households at 65% of median income (or \$49,205 in 2011).¹² Since 2006, 10 perpetually affordable rental units have been created in the downtown and waterfront areas through inclusionary zoning.¹³

As Burlington's largest institution of higher learning, the University of Vermont's ability to provide housing for its students is a critical factor in the local housing market. According to Allen & Brooks *Residential Report* for March 2011, UVM and Champlain together will provide over 1,000 new student housing beds by fall 2012, reducing the number of students living off campus. This will likely lead to some stabilization of rents in predominantly student-occupied neighborhoods.

Owner homes

In the face of increasing home prices and to make homeownership an option for some local families, seven homes in the downtown and waterfront areas have been brought into the stewardship of Champlain Housing Trust through its shared-equity homeownership program. Through this program, qualified low and moderate-income buyers receive down payment grants and in exchange share a portion of the home's increase in value with the next buyer when they sell. In this way, these homes are kept perpetually affordable.

In addition, two owner-occupied condominiums in the downtown and waterfront areas were developed through Burlington's inclusionary zoning requirement, requiring affordability for households at 75% of median income (or \$56,775 in 2011).

¹ For demographic information about each Burlington census tract, see the *City of Burlington's Analysis of Impediments to Fair Housing Choice* (http://www.vhfa.org/documents/cedo_2010.pdf) and the 2010 Census results in the U.S. Census Bureau's American Fact Finder for Summary File 1 (<http://factfinder2.census.gov/main.html>).

² Projections developed by ESRI.

³ Census tract 10's boundaries are close but not exactly synchronized with the boundaries of the downtown and waterfront study area. The study area also includes small portions of Census tracts 4, 5, and 9.

⁴ Excludes dwelling units for transient occupants such as hotels, but includes all other buildings with living quarters including institutional care settings.

⁵ Based on the 88% rental rate in the downtown and waterfront areas, the number of owners and 1-unit buildings in the area, and the 81% rental rate in Burlington's multi-unit buildings.

⁶ U.S. Census Bureau, American Community Survey 2005-2009.

⁷ Allen & Brooks, *Residential Report*, March 2011, p. 172.

⁸ Based on grand list data for Burlington's Central Business District provided by the Burlington Assessors Office.

⁹ Allen & Brooks, *Residential Report*, March 2011, p. 138.

¹⁰ Based on Vermont Department of Taxes property transfer tax data. Most owner-occupied units not coded as a 1-4 unit property are considered condominiums.

¹¹ Todd Litman, *Affordable-Accessible Housing In A Dynamic City*, 2011.

¹² Based on the HUD estimated median area income for a 4-person household in Burlington in 2011 of \$75,700.

¹³ Burlington Community and Economic Development Office.