

DECEMBER 13, 2023

HOUSING IN DORSET

A REPORT FOR THE DORSET HOUSING TASK FORCE



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Introduction

On February 21, 2023, BCRC staff members Jonathan Cooper and Scott Grimm-Lyon joined the Town of Dorset Select Board meeting to present findings of their recent research into Dorset's housing market and related topics. In addition to data relevant to the town's housing and demographics, this review also addressed employment dynamics, local employer perspectives, and tools at the town's disposal. This document summarizes those findings, details starting points for subsequent consideration and discussion, and provides examples of housing development partnerships in Vermont communities with some similarities to Dorset.

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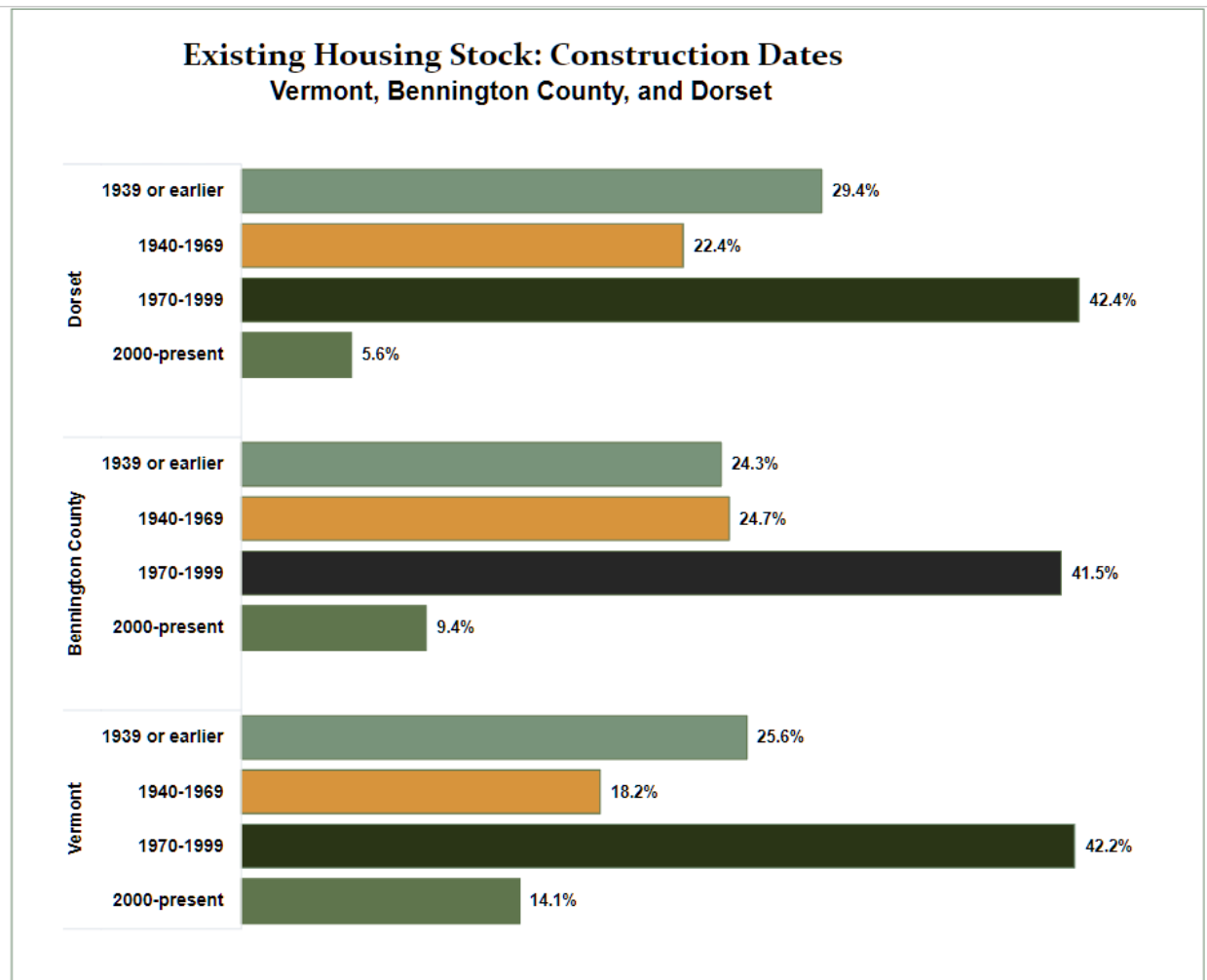
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Housing Stock

As is the case in many Vermont towns, Dorset's older housing stock plays a significant role in establishing the clear visual character of its village centers and outskirts. These "pre-war" homes - housing built before 1940 - account for 30 percent of the housing in town. Statewide, and within the county, this figure is about 25 percent.

This slight surplus of older homes is in stark contrast to Dorset's minimal stock of newer homes: only six percent of Dorset's housing stock has been built since 2000. This is well below the share of newer homes built in Bennington County since then, and significantly below the state figure of 14 percent.

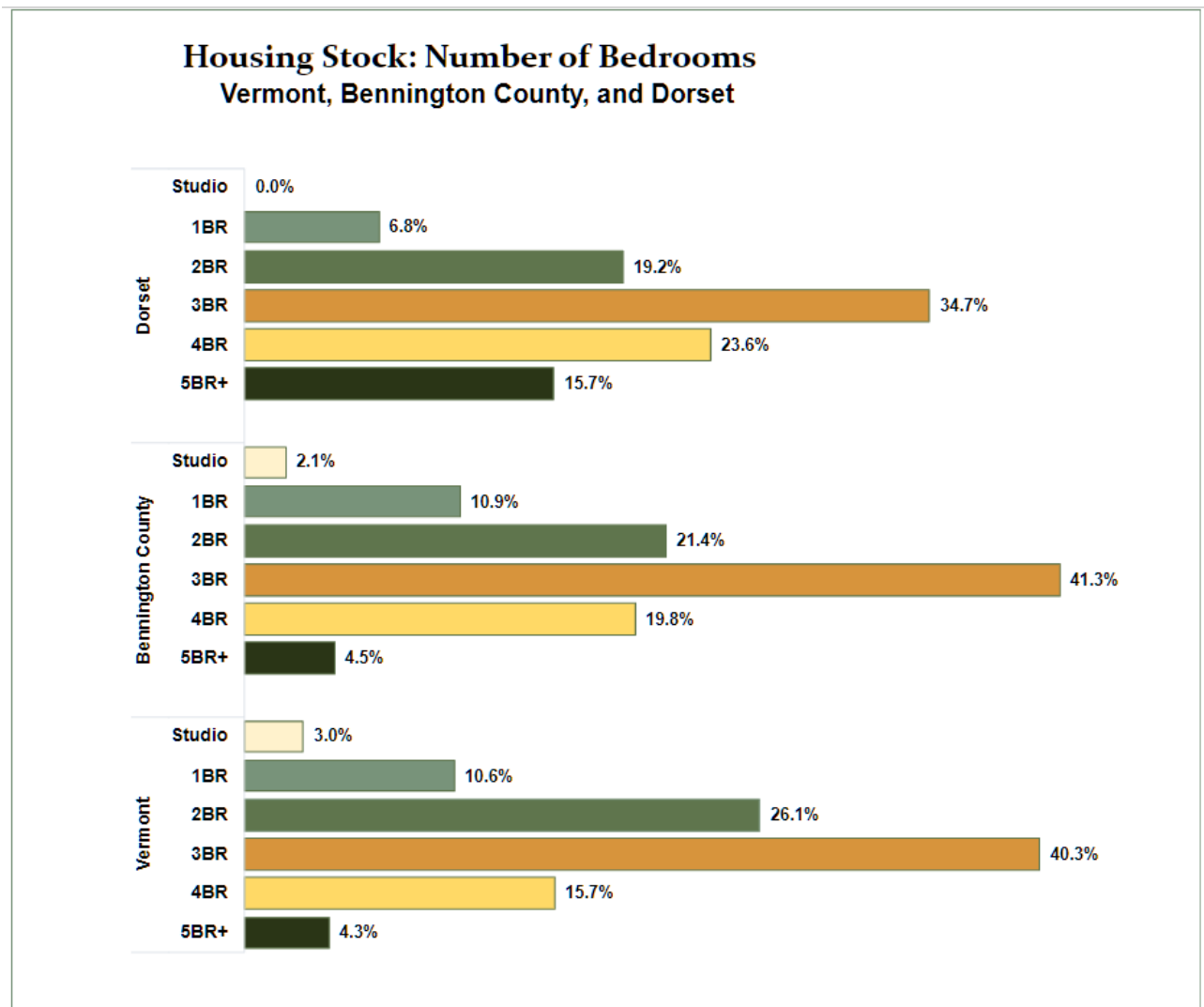
The scarcity of houses over the past 20-plus years was preceded in Dorset by a significant boom in 1990s construction, when approximately 15 percent of the town's houses were built. Although national economic conditions in the 1990s were favorable to homebuilding in ways that conditions in the 2000s were not, it is likely that other factors were also responsible for curbing a demand for more supply. With just 38 building permits issued in the previous decade - all of them for single-family housing - Dorset's population has grown by a mere 4.7 percent since 2000.



House Size

Homes in Dorset tend to be on the larger side. Just seven percent are studio/one-bedroom homes, half of the total in the county and state. Meanwhile, Dorset's share of homes with five or more bedrooms - nearly 16 percent of houses in town - is almost four times the share regionally and statewide. While this is partially explained by Dorset's larger-than-average share of older homes, which were built in decades characterized by large families with more children, the distinction is primarily attributable to the lack of apartment and senior housing in town.

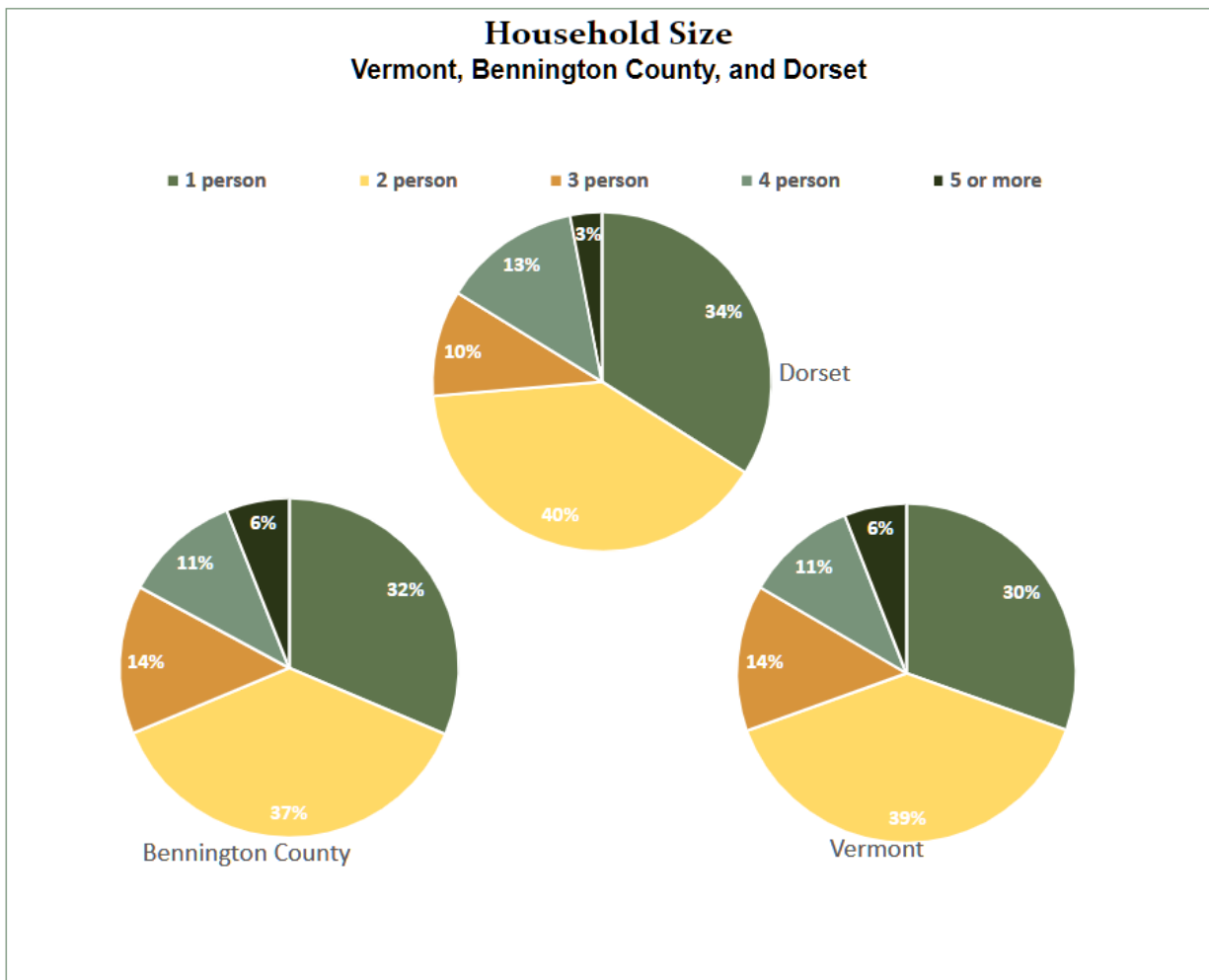
Approximately 90 percent of Dorset's housing stock is single-family homes; the figure is 70 percent in Vermont and 75 percent in Bennington County. Multi-unit housing, by contrast, is about 7.5 percent of Dorset's stock, well below the figures above 20 percent in the state and the region. A discrepancy between home size and family size is unsurprising in rural areas with older housing stock, but in Dorset the mismatch is especially acute.



Household Composition

Despite the scarcity of smaller residences, Dorset has no shortage of small households. In fact, nearly three quarters of Dorset's households are one or two-person, and one in eight households in Dorset is home to a senior citizen living alone. While the share of households living with children is comparable to state and county levels, just 11 percent of Dorset households have children under the age of six. This is half of the 22 percent statewide, and well below the county average of 20 percent.

This is likely a result of the local housing market pricing out younger families, but the parity of overall houses with children suggests that families with older children can and do find their way into the community. It stands to reason, then, that there is a consistent supply of families in the older-children demographic who are looking to move into Dorset.

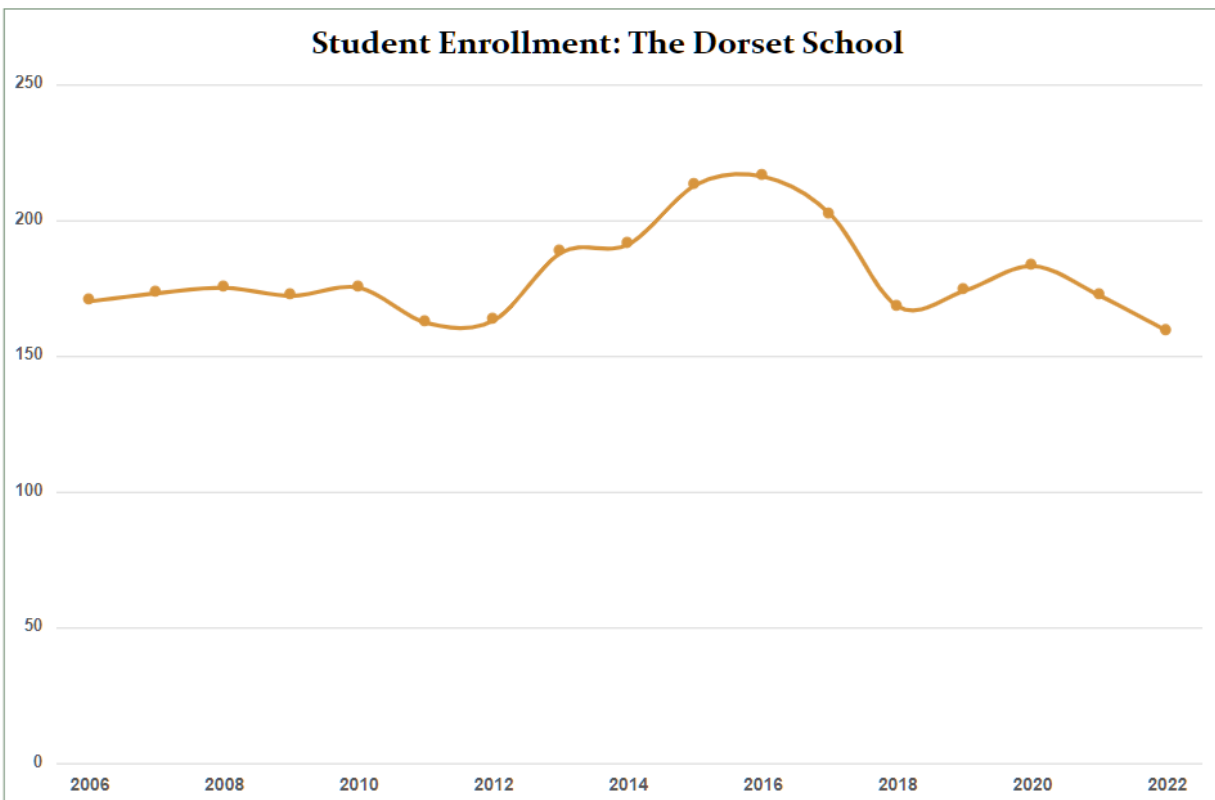


School Enrollment

The Dorset School experienced a surge in enrollments in the mid-2010s that has since been reversing. The school is not close to capacity, and the 168 students enrolled in 2023 is approximately three-quarters of the 216 enrolled there in 2016. This slightly outpaces the headcount decline in the Bennington-Rutland Supervisory Union, where the 1,160 students enrolled in 2023 represents 85 percent of the BRSU's peak of 1,356 students in 2017.

Public school enrollment levels are a helpful indicator of the presence of young families in a town, as their presence often generates demand for starter and mid-career homes. However, interdistrict school choice within a supervisory union can mask what would otherwise be an apparent decline in students living in Dorset, so it is difficult to draw inferences based on enrollment totals alone.

Having said that, it is worth noting that the combined enrollment in the kindergarten and pre-k classes this year is 20. This accounts for just 8 percent of the school's enrollment, and reflects the scarcity of families with young children living in Dorset. By comparison, 21 percent of BRSU students are enrolled in either kindergarten or pre-k across the district.

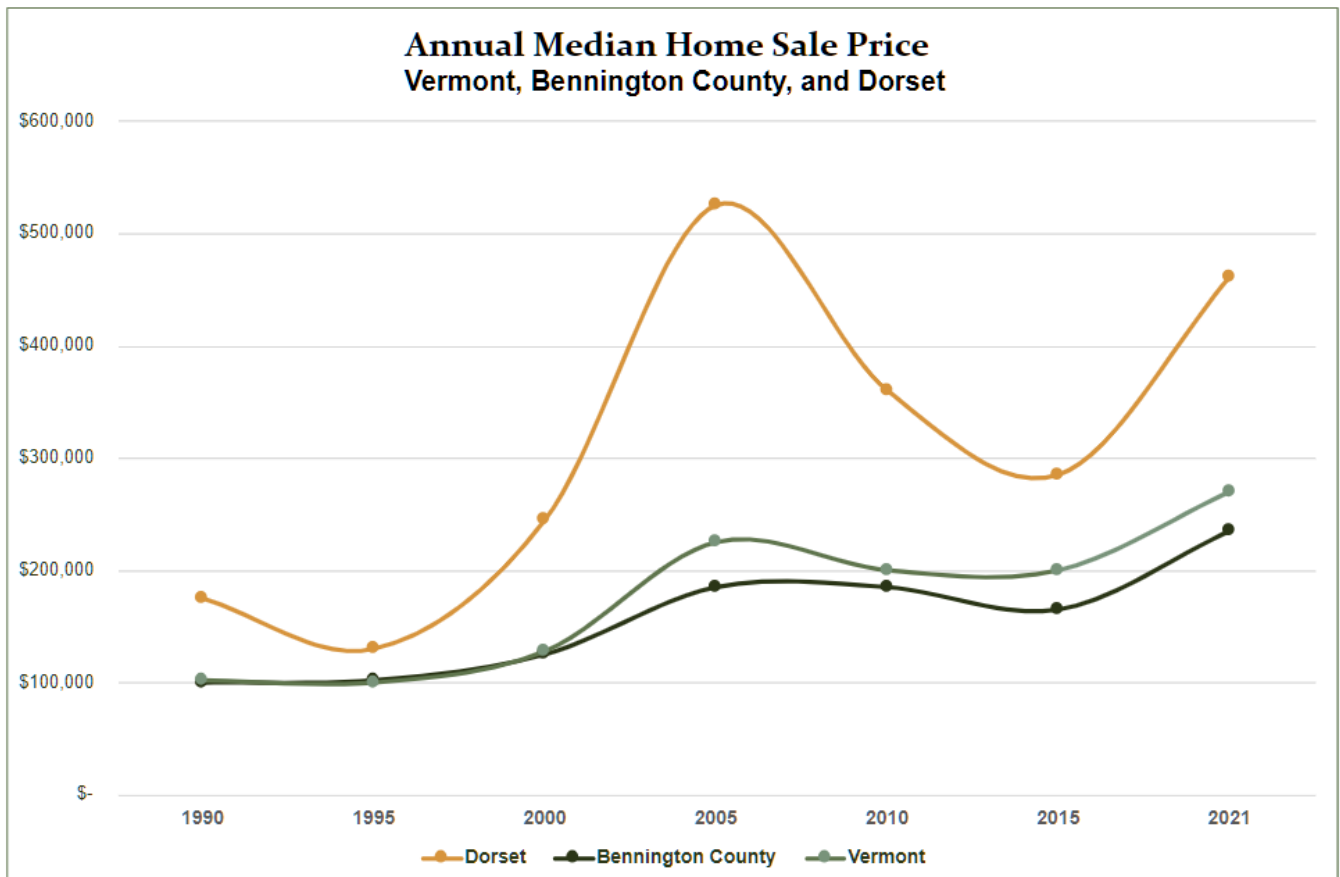


Home Prices

Dorset has long stood out among Vermont communities as an outstanding place to live. For the last 25 years the median home sale prices have followed broader trends, but with a premium that reflects the town's appeal to homebuyers. The median sale price in 2021 was \$461,000, well above the \$235,000 paid across Bennington County that same year. But with prices continuing to climb after bottoming out in the mid-2010s, it is easier to see how difficult it is becoming for regional residents to secure a home in Dorset.

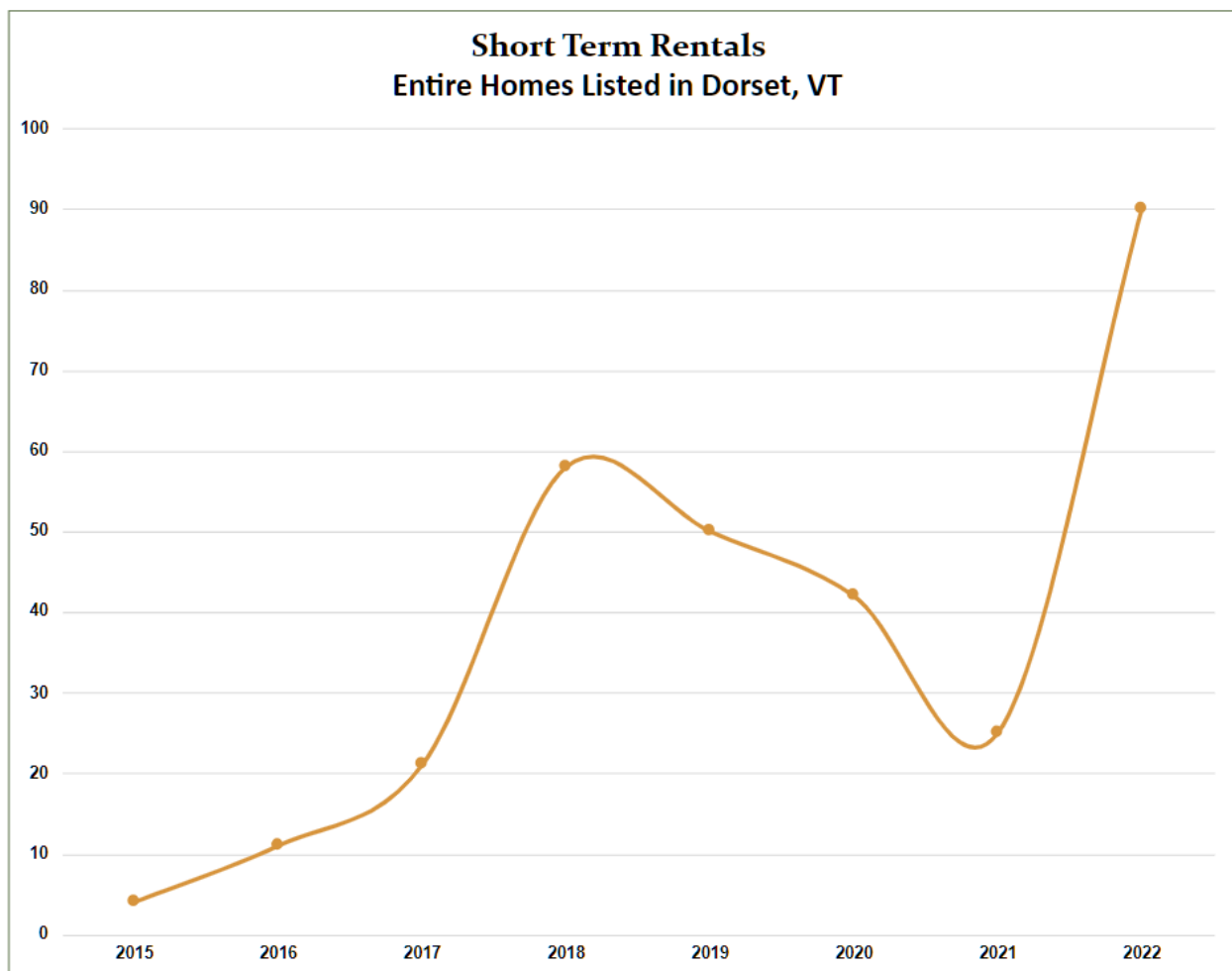
Assuming a five percent down payment, and applying statewide averages for closing costs, interest rates, property taxes, and a 30 percent cap on household income going to housing costs, prospective homebuyers would need to have \$40,000 in cash and \$133,000 in income to purchase a home in Dorset at that median price of \$461,000. A home available elsewhere in the county at the median price of \$235,000 would be available to homebuyers with an annual income of \$78,000 and \$25,000 in cash available. Remarkably, this level of income exceeds the \$74,957 median household income in Dorset today.

With only 43 percent of Bennington County households earning more than \$75,000 per year, and just 11 percent earning at least \$150,000, relatively few of the region's residents who would consider living in Dorset would likely have the means to secure a home there. Put another way, approximately one-third of the households in Bennington County enjoy annual income between \$75,000 and \$150,000. For many of these middle-to-upper-middle class households, Dorset is out of reach.



Short Term Rentals

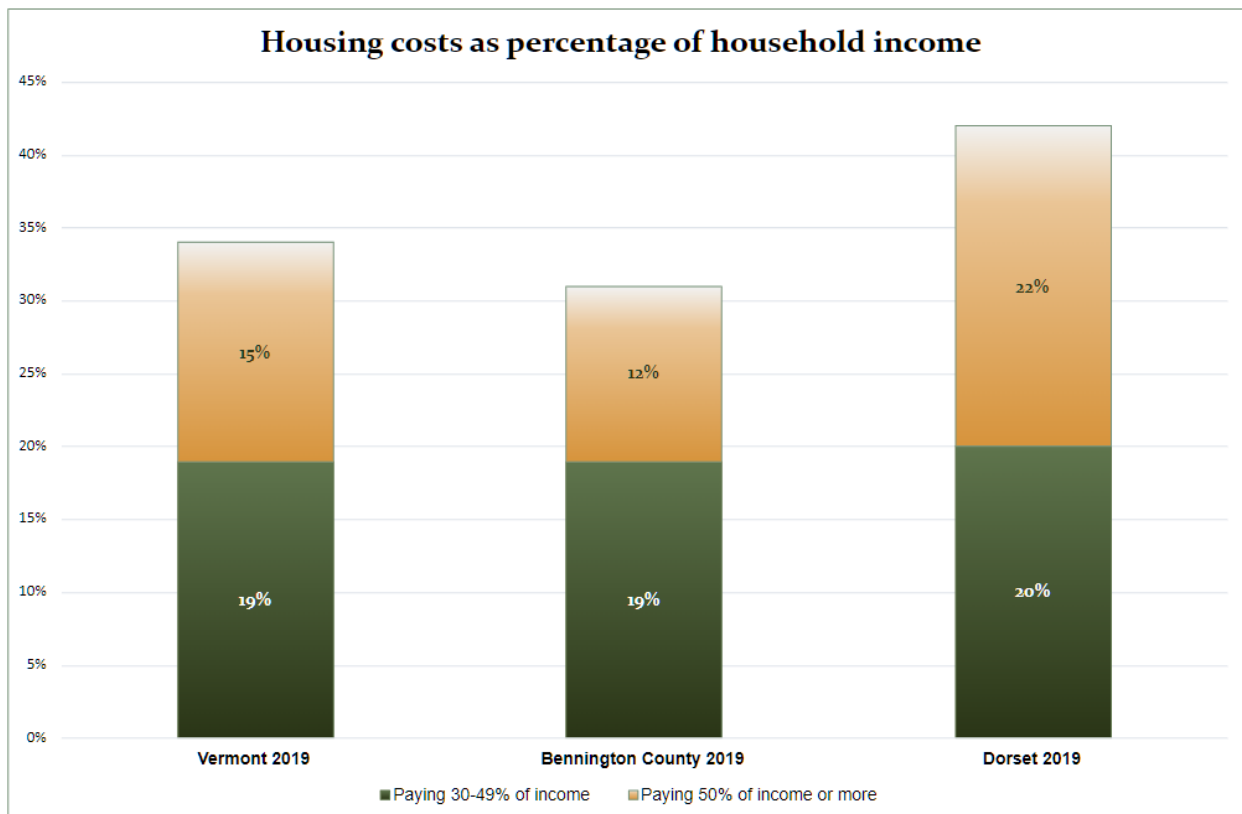
Short term rentals have become a topic of intense conversation in rural communities across Vermont and particularly in the Northshire. The reliability of existing data resources is unclear, but the rising popularity of online platforms for STRs has caused home listings in Dorset to jump from a handful in 2015 to approximately 90 by the end of 2022. Based on the estimates of 1,460 housing units in Dorset, this represents 6.2 percent of the town's housing stock being partially or fully-committed to STRs. The issue is acute statewide, but Dorset's share of STRs is more than double the state rate of 2.8 percent, and well above the county share of 4.2 percent. Another way to contextualize that 6.2 percent: it exceeds the total number of homes built in town over the past two decades.



Cost Burden

With supply low, demand high, and temporary rentals taking up a growing share of the market, housing costs in Dorset are difficult for many households to manage. In Dorset, 42 percent of households are defined as “cost-burdened,” meaning that they have to direct more than 30 percent of their income to mortgage/rent, taxes, utilities, and insurance. By comparison, about one-third of Vermont and regional households are in this position.

Unfortunately, Dorset’s share is most elevated among the severely cost-burdened: 22 percent of households in Dorset spend more than half of their income on housing. With so much of their income taken up by these basic expenses, cost-burdened households frequently face difficult choices around residential upkeep/maintenance, and are vulnerable to income loss, inflation pressures, or periods of illness. Seniors and others on fixed incomes are particularly at risk. The statutory reappraisal required of the town because of the Division of Property Taxation and Review’s 2022 Equalization Study may exacerbate this situation.



Employment Dynamics

Dorset is part of the broader Manchester Labor Market Area, and has the third-largest supply of year-round jobs in that LMA, following Manchester and Arlington. Although the pandemic introduced an unexpected jolt in the data, the trend over the past decade has stayed generally stable: in a given year, Manchester typically has slightly fewer than 4,000 jobs, Arlington has approximately 1,000 jobs, and Dorset has approximately 750 jobs. This does not include self-employed and gig economy individuals, which data sources estimate add about 100 positions to the town's total.

According to the most recent data, about 40 percent of Dorset's 759 employed residents (excluding the self-employed) are able to work in Dorset, and 60 percent work outside of town. Other data sources provide additional insights into the towns where those approximately 450 Dorset residents work:

- Manchester: 34 percent
- Bennington: 6 percent
- Rutland: 4 percent
- Arlington: 3 percent
- Other Vermont: 8 percent
- Out of state: 4 percent

According to the Vermont Department of Labor, Dorset's industry mix leans most heavily on two broad sectors: manufacturing and hospitality. Each sector provides slightly more than 20 percent of the town's jobs in an average year. Local schools – public and private – are another significant source of employment, as well as the construction and building trades. Taken together, these four sectors account for nearly two-thirds of the jobs in town.

Income and Wages

Although wages are rising everywhere, VDOL data shows Dorset to be undergoing one of the most significant wage increases in the state. The most recent annual figures show an average wage of \$62,423 per job in Dorset for 2022, a 47 percent increase over the 2017 average of \$42,394 per job. Across other geographies, the 2022 average wage and percent increase over 2017 figures are as follows: \$59,607/+29.1% in Vermont; \$54,574/+30.6% in Bennington County; and \$55,422/+36.4% in the Manchester LMA.

While this encouraging development suggests that Dorset is increasingly providing job opportunities that lead to homeownership, it is important to bear the pandemic's impacts in mind. First, the local labor force in 2022 was 3.5 percent smaller than it was in 2017, raising wages across the board as help became harder to find. Second, most of the most persistent vacancies created by the pandemic – retail and hospitality chief among them, along with entry-level positions in many industries – remain unfilled, thereby raising the average wage by removing the lower-paying positions from the calculations.

Employer Perspectives

Dorset's employers are only able to fill 40 percent of their jobs with Dorset residents. In conversations with four employers - operating in retail, manufacturing, and education - business owners and managers offered several perspectives on the impact of Dorset's housing market on the workforce. One employer operating in the education sector described the town's housing market as "a huge, huge problem," and shared that "none of our employees at any level have been able to find a house in Dorset." A growing manufacturer in East Dorset that is fielding housing inquiries from prospective hires interested in relocating observed that "we're telling people to look in New York, or up to fifty miles." A financial officer at another local manufacturing and showroom business laughed when asked about the number of employees living in town, replying "forty, fifty minutes is average [commute time] for a lot of us."

A far-flung workforce exposes Dorset's employers to retention risks, and a 50-mile housing search radius will hamper recruitment efforts almost anywhere. In Bennington County, where the average commute is 19 minutes, and the commutes in neighboring Rutland County and Washington County, New York are 23 and 26 minutes, respectively, some of Dorset's employers are over-reliant on workers willing to drive twice as far for work than their peers.

Public-Private Partnerships

To highlight the current housing crisis, the Vermont League of Cities and Towns recently observed that the state's busiest year for housing development was 1988, when building permits for 4,811 housing units were issued in a state of approximately 550,000 people. In 2020, despite a population reaching nearly 645,000, building permits were issued for just 2,077 units. (One remarkable change that further highlights how rural towns, dominated by single-family units, are being left behind by the trends: multi-family structures accounted for just 23 percent of the housing units in the 1988 permits; in 2020, the multi-family percentage was nearly double, at 44.4 percent.) As a result of this inadequate supply and increasing demand, cities and towns across Vermont are attempting to advance their interests and advocate for their communities by encouraging housing development and engaging with the process.

A municipality is rarely the prime mover in a housing development project, but it can bring significant value in other ways. This may take the form of bylaw modernization for inclusionary zoning, securing a state designation to encourage and incentivize development in a downtown or village center, applying for an infrastructure grant to partially offset the costs of new roads or sewer lines to a project site, or several other actions described here. In some instances, towns have served more than one role.

What Can a Town Actually DO?

- **Planning Process:** articulating data-driven targets for growth and development with appropriate relevance to regional and state plans; updating zoning bylaws to encourage same; procuring needs assessments, market research, and feasibility studies.
 - Pros: deliverables can prompt conversations with developers and potential project partners; increases likelihood that subsequent proposals will refer to local plans; opportunities for public input to strengthen mandate and reduce developer uncertainty; state grant funding available for planning-related work.
 - Cons: cost considerations for speculative analysis; potential projects with real upside may become non-starters due to location or other characteristics inconsistent with restrictive plans.
- **Table-Setting:** ensuring successful participation in state designation programs for Downtowns, Village Centers, New Town Centers, Neighborhood Development Areas, Growth Centers, and/or TIF Districts.
 - Pros: reduction in development costs through tax credits for historic building rehabilitations and code improvements, and permitting benefits for new housing; funding for transportation-related public improvements; priority consideration for other state grant programs.
 - Cons: requires additional levels of ongoing governance, administration, and designation maintenance; full utilization requires developer familiarity with programs.
- **Infrastructure:** making investments in water, sewer, roads, sidewalks, and other components of public infrastructure.
 - Pros: strong indicator of local support for development; multiple financial resources potentially available from federal and state sources to reduce or offset local spending; near-exclusive domain of municipalities and public districts.
 - Cons: requires special votes and significant public communications; potential to become financial millstone; bonding activity limits municipal capacity for other investment activity.
- **Site Control:** municipal ownership of or possession of rights to develop specific parcels.
 - Pros: municipalities can enter into low-risk partnerships with developers for predevelopment-phase work; potential to offer rights of first refusal; increases public leverage.
 - Cons: can lead to unwarranted focus on town-owned lands; can place contrasting potential uses in competition; can complicate local dialogue in the absence of a strong public mandate.

- **Anchor Tenant:** municipal presence in development on leasing terms.
 - Pros: prelease agreement assists developer in securing mixed-use project financing; stable, ongoing source of revenue for developer; can generate additional foot traffic for municipal services or sublease for service provider.
 - Cons: need cannot be immediate; lease represents an ongoing project subsidy.
- **Pass-Through Partner:** serve as grantee of record to bring additional external dollars to the project budget to be sub-granted to active project partners.
 - Pros: demonstrable added value to the project via municipal eligibility for federal and state funding dollars otherwise unavailable to project partners.
 - Cons: administrative burden in application and subsequent reporting; grant application windows and award timetables impact project timelines.
- **Active Investor:** allocating discretionary revenues or bond revenues to support project development.
 - Pros: substantial capital contribution increases certainty for additional financing if necessary; potential for more control over project program; potential for revenue generation; shorter timeline to development.
 - Cons: increased risk in multiple dimensions; repayment obligations where applicable; ongoing management requirements.

In recent years, Vermont’s housing-oriented public-private partnerships have largely focused on the state’s shortage of rental options for lower-income and workforce-income households. The partnerships detailed here all allocate the bulk of the new units to lower-income and workforce housing, with some units set aside for market rate offerings. In most instances, a Housing Development Corporation (HDC), such as Shires Housing, is involved in the ownership and/or operation and maintenance of the development.

Bristol: Firehouse Apartments, 2021 (under construction)

- Where: Bristol; pop. 3,782; 12 miles NE of Middlebury.
- What: construction of three two-story buildings on 2.6-acre parcel less than a half-mile from the Designated Downtown, with access to Bristol Trail Network.
- Mix: 14 1br units; 5 2br units; 1 3br unit. Five market-rate units up to 120% AMI; six below 50% AMI; nine 50-60% AMI. Four units prioritized for homeless households.
- Partners: Town of Bristol, Stoney Hill Properties, Evernorth, VHFA, VHCB, Addison County Community Trust.
- How: HDC purchase of unbuilt permitted housing development project from private developer for \$360,000 along with reimbursement for existing design and permitting work.
- Municipal role: Multiple
 - Planning Process: 2020 Town Plan noted need for additional affordable housing with Bristol.
 - Infrastructure: \$500,000 NBRC grant in 2020 for road extension, a new sidewalk, phone and data lines, electricity, and stormwater for the site.
 - Site Control. The town sold land to developers in 2015, and in 2021 agreed to redraw lot lines on neighboring parcel to donate undevelopable acreage to

project site, thereby enabling developers to meet density requirements to increase project from 15 to 20 units and increase property tax base.

- Pass-Through Partner: Town received CDBG funds in 2015 for Stoney Hill Feasibility Study and Master Plan
 - Active Investor: Town purchased 30-acre parcel from State of Vermont 22 years ago to create a business park, sold land to developers in 2015, and bought back portion of improved land with a new fire station on it in 2016.
- Costs: \$6,600,000
 - VHCB: \$1,100,000
 - HOME (HUD): \$520,000
 - VHFA: \$280,000
 - VCDP: \$510,000
 - Tax Credit Equity: \$4,136,000
 - EVT: \$54,000

Stowe: River Bend Apartments, 2021 (under construction)

- Where: Stowe; pop. 5,223; 22 miles NW of Montpelier, 36 miles NE of Burlington.
 - What: development of 14 residential units in two buildings on six-acre parcel, less than half a mile from Designated Downtown.
 - Mix: 3br house; 3 studios; 4 1br apt; 5 2br apt; 1 3br apt. Four market-rate over 80% AMI; five between 30-50% AMI; five 50-80% AMI. Four income-restricted units reserved for families/individuals experiencing homelessness.
 - Partners: Evernorth, VHCB, VHFA, Lamoille Housing Partnership, Mink Development, Town of Stowe.
 - How: HDC acquisition of private-sector development in turnkey condition to secure affordability covenants for ten rental units.
 - Municipal role: Pass-Through Partner. Grantee for 2021 VCDP award of \$350,000, directed towards acquisition cost.
- Costs: \$5,726,827
 - VHFA: \$2,086,957
 - VHCB: \$3,221,325
 - VCDP: \$350,000
 - Other: \$68,545