

Increasing the Supply of Housing for Working Families through Off-Site Construction

by Jeffrey Lubell

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General Affairs

Personal background

Selected Work History	Years
Principal Associate, Housing and Asset Building, Abt Associates , telecommuter	2013-2023
Executive Director, Center for Housing Policy , Washington, DC	2006-2013
Director, Policy Development Division, Office of Policy Development & Research, US Department of Housing and Urban Development , Washington, DC	2000-2003

- Vermont resident for about 15 years (Norwich and Weybridge)
- Active as a volunteer in local government
- The views I express today are my personal views and not those of my employer, Abt Associates, or of the Norwich Affordable Housing Subcommittee or any other organization

What problem are we trying to solve?

- There is a significant **shortage of housing** affordable to working families in Vermont that contributes to high housing costs.
- This shortage **negatively impacts affected families** and **inhibits the economic growth** of Vermont businesses that need an adequate supply of housing to attract workers.
- A key barrier to the development of housing affordable to working families in Vermont is an **inability to achieve robust economies of scale** through traditional site-built construction techniques.

New York Times Dec. 18, 2023

OPINION
BINYAMIN APPELBAUM

Why Do We Build Houses in the Same Way That We Did 125 Years Ago?



Offsite construction as potential solution

- Off-site construction can facilitate the **economies of scale** needed to produce less expensive housing that would be affordable to working families.
 - If conducted within Vermont, off-site construction can also create **well-paying year-round jobs** that contribute to the achievement of Vermont's workforce and economic development goals.
- Off-site construction can facilitate the production of homes that are highly **energy-efficient and resistant to natural disasters**. It can also facilitate the **supply of low-cost homes needed to quickly help victims of future floods**.
- There are **multiple barriers to the establishment and scaling of off-site construction** in Vermont including the high costs of purchasing factories, equipment and materials; risks associated with investigating and implementing new business models; and high financing costs.
- Initial investments by the state in offsite construction can provide **lasting benefits** to meet Vermont's need for housing affordable to its workforce.

Sec. 2 -- Off-site Construction Fund

- Provide \$15 million to support creation or expansion of off-site construction facility(ies) in Vermont
- Awarded competitively
- Recipient(s) would agree to long-term agreement to produce housing at discounted prices to meet the state's needs for workforce and/or affordable housing.
 - Such housing could include, for example, manufactured homes; modular single-family, duplex or triplex homes; or multifamily homes.
- Single round of investment would produce long-term benefits, including lower-cost housing and jobs
- I would propose the Vermont Housing Finance Agency as administering entity

Sec. 3 -- Revolving Purchase Fund

- \$25 million to allow VHFA to enter into bulk purchase agreement(s) for entry-level homes.
- For example, VHFA could enter into agreement to purchase 165-200 entry-level homes at a cost (structure only) of \$125,000- \$150,000 each and make homes available to families through the state's nonprofit housing providers.
- Fund would be replenished when families purchase the homes, along with funding to cover inflation factor and admin costs, preserving buying power of fund
- Over 30 years, the fund would support approximately 5,000 to 6,000 homes.
- Homes would be highly energy-efficient; where feasible, permanently affordable. Could be used for flood replacement.

Sec. 4 – Expanding Offsite Capacity

- Foster increased private capacity for offsite construction
- \$500,000 for planning grants
 - Businesses interested in expanding or starting an offsite construction plant
 - Studies of challenges and solutions to use of offsite construction to build housing affordable to working families and others.
- Prioritization of creation or expansion of facilities for offsite construction for working families and other non-luxury housing segments within existing funding streams of The Economic Development Authority, Agency of Commerce and Community Development, Small Business Development Center, and Procurement Technical Assistance Center
- Report on use of funds and whether existing funding streams adequate to facilitate expansion of private facilities.

Sec. 5 – Planning/Transitional Support

- \$500,000 for planning studies to support implementation of the Offsite Construction Fund and/or Revolving Purchase Fund.
 - A key focus here is on process for getting homes from plant to specific lots.
- \$2 million for transitional fund
 - Goal is to be able to distribute all the homes made affordable through bulk purchases using full amount of Revolving Purchase Fund
 - It may take several years to build the capacity to distribute that many homes through state partners
 - In the meantime, volume discount may not be as great, so subsidy may be needed on temporary basis to model the effects of a program offered at scale. For example, if manufacturers charge \$140,000 per home rather than \$125,000 because of bulk purchase of 100 homes rather than 200 homes, the fund could cover the difference.
- Advisory Board
- Admin Expenses (up to 2%)

Conclusion

- Need innovative solutions for workforce housing that do not rely only on subsidy
- A public-private partnership can help nurture a robust and effective set of off-site construction providers in Vermont to generate economies of scale needed to reduce housing costs.
- Will generate jobs as well as reduce housing costs
- Opportunity for Vermont to be a national leader.

For more information

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