MEMORANDUM

TO: East Haddam Planning and Zoning Commission

FROM: Hinckley, Allen & Snyder LLP

DATE: June 2021

RE: Affordable Housing Need in East Haddam and Surrounding Towns

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This memorandum and the accompanying exhibits provide the Commission with data that will help it evaluate the need for affordable housing in East Haddam and surrounding towns.

I. Current Demand for Affordable Rental Housing

According to "The State of the Nation's Housing," a 2020 study by the Joint Center for Housing Studies at Harvard University, "[e]ven before the pandemic, housing affordability was at crisis levels" and "the current economic meltdown has revealed just how many millions of vulnerable households could be one rent payment away from eviction and homelessness. Short-term federal aid has helped some households weather the storm, but much more housing assistance—and housing supply—is necessary to counter the combined effects of the affordability crisis and the pandemic." See Tab A, p. 34. Moreover, "[e]ven before the pandemic-induced [economic] downturn, the number of US households with cost burdens held near record highs. Indeed, with the economy near full employment in 2019, some 37.1 million households (30.2 percent) spent more than 30 percent of their incomes on housing. Of this group, 17.6 million households had severe burdens, paying more than half their incomes for housing. Although on a downtrend, the number of cost-burdened households was still 5.6 million higher last year than in 2001." Id at p. 34. Furthermore, "[h]ousing affordability problems are more than twice as common among renters than among homeowners. Even with a 1.2 percentage point decline in 2018–2019, 46.3 percent of renter households were cost burdened last year, including 23.9 percent with severe burdens" Id at p. 34. "Many of today's 20 million cost-burdened renters have low to moderate incomes." Id at p. 6. Rental construction resumed a more moderate pace in September, after a sharp spike in the summer, "but sales of multifamily properties fell amid rising vacancy rates and ongoing uncertainty. Meanwhile, with most new units intended for the high end of the market and continued losses of low-cost units, rental affordability continues to erode, and the concentrated location of affordable units reinforces inequities." Id at p. 28.

II. Current Affordable Rental Housing Situation

A. In East Haddam:

The Affordable Housing Appeals List is a report of the percentages of deed-restricted and governmentally-assisted affordable housing units for all of Connecticut's municipalities that is

issued by the Connecticut Department of Housing ("DOH"). The 2020 list shows that 3.08% of dwelling units in East Haddam qualified as affordable housing. See Tab B.

The Town of East Haddam approved its operative Plan of Conservation and Development ("POCD" or "Plan") in 2019. As noted in the Introduction to that Plan, "[o]ne of the focus areas of the POCD is housing options and affordability for the town's shifting demographics." See Tab C, POCD Excerpt at p. 1. The Plan further provides that, as of 2017, only 2.6% of housing units in East Haddam met the Connecticut Department of Economic Community Development definition of affordability. Id, POCD at p. 10. As indicated above, the 2020 Affordable Housing Appeals List indicates that East Haddam continues to have about 3 percent, or 3.08%, affordable housing units in its housing stock. Nevertheless, the Plan recognizes that many residents believe the Town "needs smaller size housing options, including … small rental units." Id., at POCD p. 8. To address this unmet need for affordable, diverse housing, the Plan recommends requiring a minimum of 10% affordable units in multifamily housing and expanding access to affordable housing suitable for retirees and the elderly, among other things. Id., at POCD p. 11.

Under federal and state law, rent can take up no more than 30 percent of a household's income to be considered affordable. The Partnership for Strong Communities' 2020 Housing Data Profiles for East Haddam states that in East Haddam, 17 percent of households spend more than 30 percent of their income on housing and 34 percent of renters in East Haddam are burdened by the cost of housing. See Tab D, p. 1, 4.

B. In the Region:

The Partnership for Strong Communities' 2020 Housing Data Profiles for Middlesex County indicates that 8.9 percent of the region's housing is affordable. See Tab E, p. 6. In addition, "49% of renters in Middlesex County are cost burdened, that is, spend 30% or more of their income on rent and associated costs." Id. at p. 8. The median income for renters in the region is $45,000. Id., at p. 12.

In "Out of Reach 2020," a study published by the National Low Income Housing Coalition, an average full-time (40 hour per week) worker in the Southern Middlesex County area has to earn $27.87 an hour, or $57,960 annually, to be able to afford a basic two-bedroom apartment unit rental. Therefore, a worker in the region who earns minimum wage has to work 2.5 full-time jobs in order to afford a two-bedroom apartment. The estimated hourly mean renter wage in the area is $14.42 an hour. Therefore, a worker who earns the mean renter wage of $14.42 an hour in Westbrook has to work 1.9 full-time jobs in order to afford a two-bedroom apartment rental. See Tab F, p. 51.

C. In Connecticut:

"Out of Reach 2020" ranks Connecticut as the tenth most expensive state in the United States with regard to housing. According to this Study, an average full-time worker in Connecticut has to earn $26.42 an hour, or $54,956 annually, to be able to afford a basic two-bedroom apartment unit rental. Therefore, a worker who earns minimum wage in Connecticut has to work 2.4 full-time jobs in order to afford a two-bedroom apartment rental. The estimated hourly mean renter wage in Connecticut is $17.70 an hour. Therefore, a worker who earns the mean renter wage of $17.70 an hour in Connecticut has to work 1.5 full-time jobs in order to afford a two-bedroom apartment rental. See Tab F, p. 19.

A report by the Partnership for Strong Communities entitled "Housing in Connecticut 2020" assesses Connecticut's housing situation. "Nearly 120,000 Connecticut households spend over half of their income on rental housing (including rent and utilities). When households spend half their paycheck on home-related costs, they are forced to spend less on other needs, such as food, healthcare, and childcare. In turn, local businesses are negatively affected by residents' lack of income for other essentials." See Tab G, p. 1. "Household sizes in the U.S. have fallen for decades, leading to an increase in demand for multi-family homes. Despite this trend, multi-family housing starts have plummeted in Connecticut in recent years." Id.

III. **The Myth of Fiscal Impacts**

Recent studies have documented that mixed-income developments and affordable housing have no impact on home values in the communities where they are built. See Tabs H and I.

In addition, recent findings show that one and two-bedroom rental apartments have negligible impact on municipal and school expenditures. See Tab J.

IV. **What Affordable Housing Looks Like**

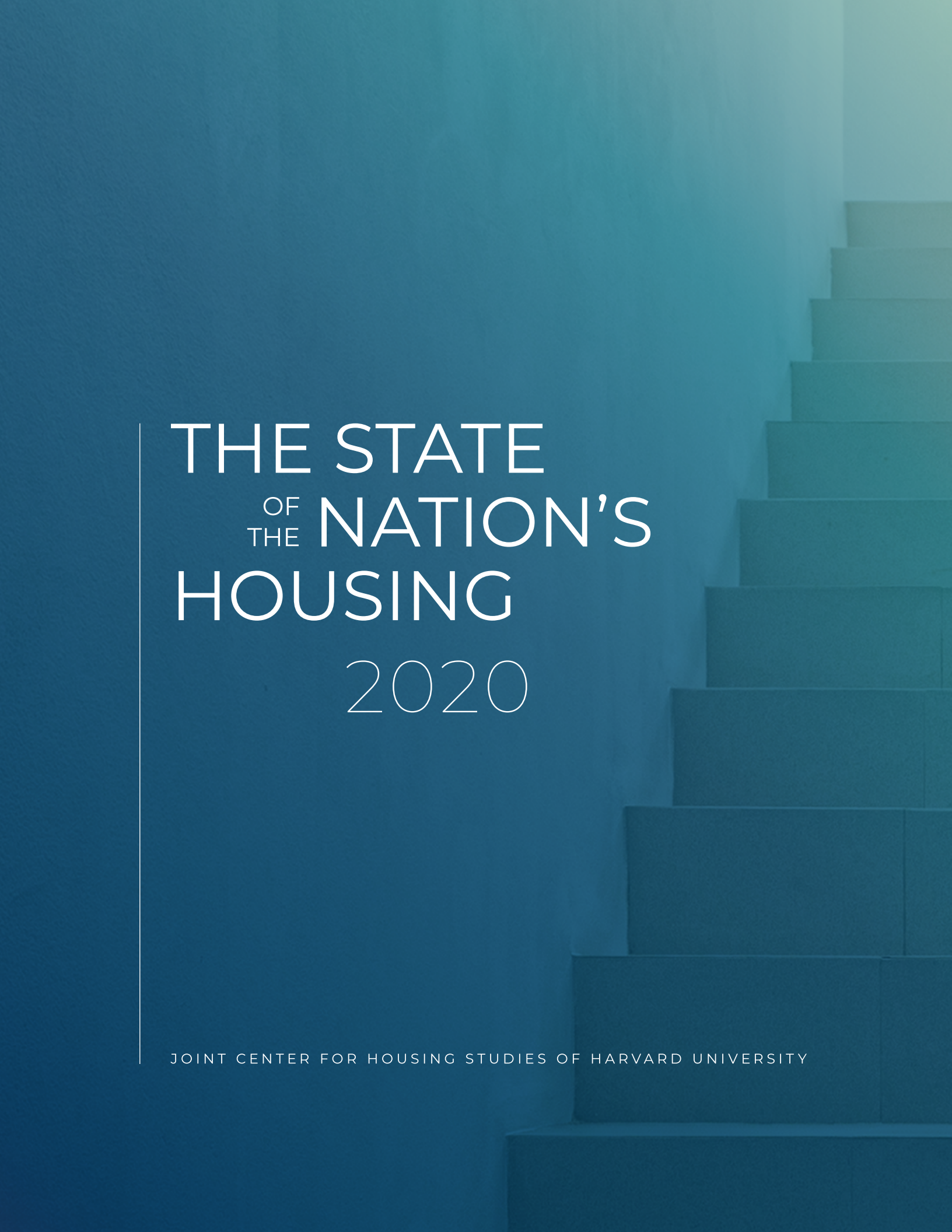
Local officials from Kent, Avon, Darien, West Harford, and Wallingford assess mixed-income housing developments built in their communities. See Tab K. For photographs of affordable housing built across the country, please see Tab L.

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THE STATE OF THE NATION'S HOUSING 2020

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

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Principal funding for this report was provided by the Policy Advisory Board of the Joint Center for Housing Studies and ABC Supply Company. Additional support was provided by:

- Federal Home Loan Banks
- Habitat for Humanity International
- Housing Assistance Council
- LeadingAge
- MBA's Research Institute for Housing America
- National Apartment Association
- National Association of Home Builders
- National Association of Housing and Redevelopment Officials (NAHRO)
- National Association of REALTORS®
- National Council of State Housing Agencies
- National Housing Conference
- National Housing Endowment
- National League of Cities
- National Low Income Housing Coalition
- National Multifamily Housing Council
- NeighborWorks America

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The opinions expressed in *The State of the Nation's Housing 2020* do not necessarily represent the views of Harvard University or the Policy Advisory Board of the Joint Center for Housing Studies.

1 | EXECUTIVE SUMMARY

For most of 2020, the country has been beset by the COVID-19 pandemic, social unrest sparked by longstanding racial injustice, and the devastating impacts of climate change. Although low interest rates and continued growth in some sectors have bolstered homebuying and the broader economy, conditions have worsened for many households. Indeed, the nation's failure to live up to its long-stated goal of a decent home in a suitable environment for all has never been clearer—particularly in the lack of affordable rental housing and unequal access to homeownership. Today's crisis conditions call for a comprehensive re-envisioning of national housing policy.

WORSENING AFFORDABILITY FOR RENTERS

With rent increases continuing to compete with income gains, some 20.4 million renter households paid more than 30 percent of their incomes for housing in 2019. Although this represents a modest decline since the peak in 2014, the total number of cost-burdened renters last year was still 5.6 million higher than in 2001.

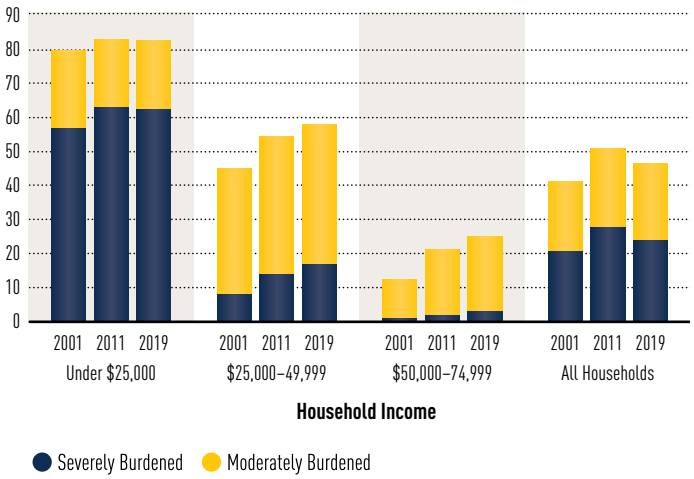
For lowest-income renter households, however, conditions have barely improved since 2011. More than four-fifths of households with incomes under $25,000 were at least moderately cost burdened in 2019, including 62 percent paying more than half their incomes for housing. Tight supply and rising rents have increased the pressures on moderate-income households as well, lifting the share of cost-burdened households earning between $25,000 and $49,999 from 44 percent in 2001 to 58 percent last year **(Figure 1)**.

The economic fallout from the COVID-19 pandemic has amplified the rental affordability crisis. According to the Census Bureau's Household Pulse Survey for late September, renters earning less than $25,000 a year were much more likely to report lost employment income since the March shutdown. Indeed, more than half (52 percent) of lowest-income renters lost wages during this period, compared with 41 percent of all households. Not surprisingly, about one in five renters earning less than $25,000 also said they were behind on rent, compared with 15 percent of all renters and just 7 percent of renters earning more than $75,000. Those earning $25,000 to $49,999 also struggled, with 53 percent losing income and 16 percent behind on rent.

FIGURE 1

Heading Into the Pandemic, Renter Cost Burden Rates Were Already High and Moving Up the Income Scale

Share of Renter Households with Cost Burdens (Percent)



Notes: Incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households pay 31–49% (50% or more) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Renter households of color have also suffered disproportionately from the pandemic's impacts. Even before the COVID-19 outbreak, the cost-burdened shares of Black and Hispanic renters, at 54 percent and 52 percent, were already more than 10 percentage points

higher than that of white renters. The disparity between white and Asian renters, however, was just 0.3 percentage point. But with the shutdown of the economy, many of these households experienced income losses. As a result, 23 percent of Black, 20 percent of Hispanic, and 19 percent of Asian renters were behind on their rents by late September, or about twice the 10 percent share of white renters.

Federal support provided through the CARES Act—including enhanced unemployment benefits, stimulus payments, and funding for state and local relief efforts—did manage to keep many renters afloat. The overall economy has also recovered to some degree, with the unemployment rate dropping from 14.7 percent in April to 6.9 percent in October. So far, state and federal moratoriums have slowed evictions, but without additional federal aid, many households that have missed payments may be unable to cover their back rents.

Additional government outlays would not only help keep renters stably housed, but also provide needed support for property owners. With so many tenants in financial distress, landlords are coming under pressure as well. The full impacts of the economic downturn on owners are as yet unknown, although weekly surveys by the National Multifamily Housing Council show that rent delinquencies at professionally managed buildings from May through October averaged just under 10 percent by the 20th of each month.

Still, collections at the types of properties that are not typically professionally managed are much lower. The Household Pulse Survey found that 17 percent of renters in single-family homes and 14 percent of renters in smaller multifamily buildings (with fewer than five units) were behind on rent during the last two weeks of September, compared with 11 percent of tenants in larger apartment buildings (with at least 20 units).

UNCERTAIN DIRECTION OF THE RENTAL MARKET

Even before the pandemic derailed the economy, rental housing demand had slowed as the millennials (born 1985–2004) moved into their prime homebuying years. The number of renter households fell in 2017 and 2018 before rebounding by 301,000 in 2019, leaving their numbers essentially unchanged from 2016. However, the number of renters with higher incomes did continue to rise over this period, buoying the apartment market despite slackening demand overall.

Going forward, rental demand is likely to weaken further as households that have fared well financially this year turn to the homebuying market, while individuals who have lost jobs are forced to double up with others or delay forming their own households. Indeed, with the closing of schools and orders to work from home, a surge of young adults moved back into their parents' homes. According to the Pew Research Center, the share of adults aged 18–29 living with their parents climbed to 52 percent in July 2020, up from 46 percent at the start of the year and the highest level since the Great Depression. While many of these young adults may move to their own homes as the economy reopens further, some share of this group will remain out of the rental market either out of choice or necessity.

Softening demand has been accompanied by a steady flow of new supply. CoStar data for 12.6 million professionally managed apartments put the vacancy rate at 7.0 percent in the third quarter of 2020—the highest level since 2010. The sharpest rise was in the higher-quality segment, up 1.9 percentage points from a year earlier, to 10.5 percent. The increases are widespread, with RealPage reporting higher vacancies in 93 of the 150 markets they survey.

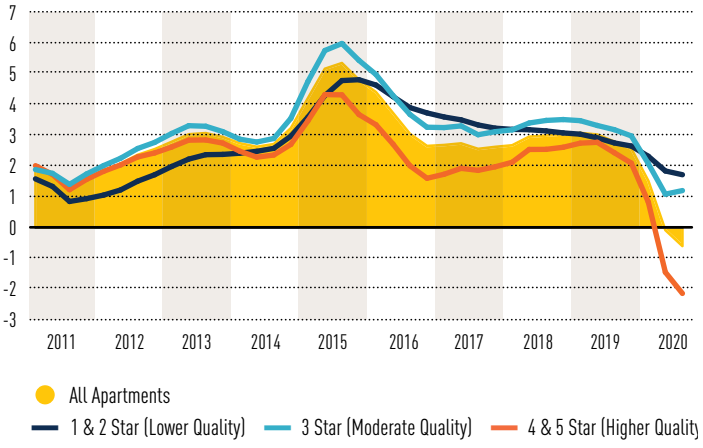
Rents have already started to respond to the falloff in occupancy **(Figure 2)**. CoStar finds that rents were down just 0.6 percent nationwide in the third quarter of 2020, but this decline represents a sharp reversal from the 2.8 percent gains averaged in 2019. With vacancy rates rising, the higher-quality segment has seen the largest drop in rents, off 2.2 percent. RealPage data indicate that third-quarter rents declined in 51 of the metros surveyed—six times the number a year earlier.

But if the rental market is at a turning point, relatively tight supply coming into the pandemic may prevent a steep downturn. In fact, market conditions appear to be relatively strong as apartment property prices

FIGURE 2

Rent Growth Has Slowed Sharply, Particularly at Higher-Quality Properties

Annual Change in Rents (Percent)



Note: Apartment quality is based on the CoStar Building Rating System for professionally managed market-rate apartments in buildings with five or more units.
Source: JCHS tabulations of CoStar data.

continue to rise. According to Real Capital Analytics, prices increased at an 8.8 percent annual rate over the 12 months ending in September 2020, down only slightly from the 9.5 percent rate a year earlier.

And despite concerns about tenants' inability to pay their rents, the delinquency rate for multifamily mortgages has not risen appreciably. The share of multifamily loans that are seriously delinquent (at least 90 days past due) inched up from just 0.12 percent in the first quarter to 0.19 percent in the second. Similarly, a Mortgage Bankers Association survey found that less than 1.7 percent of loans for professionally managed multifamily properties were in any stage of delinquency in September.

Moreover, construction of multifamily housing began 2020 well above the year-earlier pace. Although starts fell sharply during the spring lockdown, they made a quick and strong comeback. This lifted year-to-date starts in September above those in the same period in 2019, which was already the strongest year for multifamily construction in three decades. However, given the lengthy development process, a falloff in multifamily volumes would lag any drop in demand for new rentals. One indication that multifamily construction is in fact headed for a slowdown is that permitting activity was down 10 percent from year-earlier levels through September.

HOMEOWNERS ALSO HARD HIT

Although renters have been more likely to lose income during the pandemic, not all homeowners have been spared. Again, households of color and those with lower incomes have taken a disproportionate hit. While 36 percent of all homeowners reported having lost income between March and the end of September, the shares are as high as 44 percent among owners earning less than $25,000, 41 percent among Black owners, and 49 percent among Hispanic owners.

For many of these homeowners, the income losses come on top of cost burdens, leaving them struggling to pay their mortgages once the shutdown started. Among owners earning less than $25,000 annually, 69 percent were cost burdened going into the pandemic. Homeowners of color at this income level were also 5–10 percentage points more likely to have cost burdens than white homeowners.

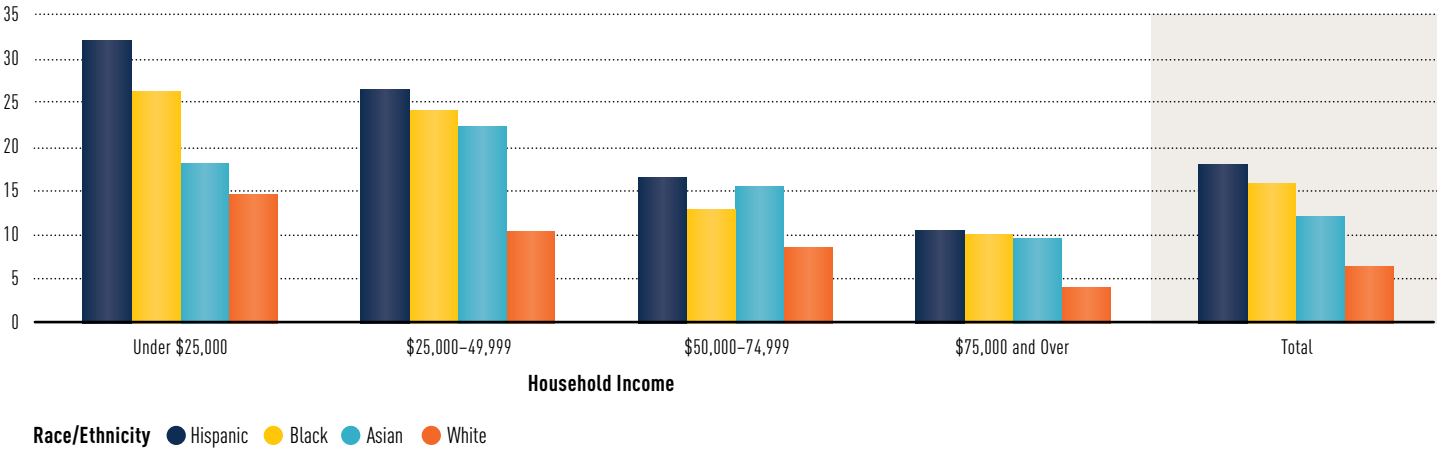
The pandemic has widened these disparities **(Figure 3)**. Just 7 percent of white homeowners were behind on mortgage payments in late September, but the share was nearly two-and-a-half times higher among Hispanic (18 percent) and Black (17 percent) owners, and nearly twice as high among Asian owners (12 percent). The shares of lowest-income households behind on their payments are especially alarming, including nearly a third of Hispanic, a quarter of Black, and a fifth of Asian homeowners.

Since roughly two-thirds of mortgages are federally backed, the government has considerable leeway to extend protections to distressed homeowners. Congress and the Federal Housing Finance Agency (FHFA)—the entity that oversees Fannie Mae and Freddie Mac—acted quickly at the start of the pandemic to provide homeowners forbearance of their monthly payments without penalties, fees, or the threat of foreclosure for up to a year. When the economy

FIGURE 3

Across Income Groups, Homeowners of Color Are More Likely than White Homeowners to Have Fallen Behind on Housing Payments During the Pandemic

Share of Homeowners Behind on Mortgage Payments as of September 2020 (Percent)



Notes: Homeowners behind on housing payments reported that they were not caught up at the time of survey. White, Black, and Asian households are non-Hispanic. Hispanic households may be of any race. Totals include owners that identify as other races or as multiracial.
Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

went into freefall in April, it was widely expected that more than one in five homeowners would opt for this relief. As it was, however, the share peaked at just 8.8 percent in June and fell steadily thereafter. Still, Black Knight Mortgage Monitor reports that 6.3 million homeowners had entered forbearance plans by the end of October.

These federal initiatives do not, however, cover 14.6 million homeowners with mortgages, although some lenders are extending similar safeguards to these borrowers. Another notable gap in protections is for the nearly three-quarters of owners of manufactured homes whose units are titled as personal property rather than real estate. Indeed, the Household Pulse Survey for late September shows that owners of manufactured homes are more likely to report lost income since March as well as to be behind on their housing payments.

In addition, homeowners under forbearance plans must work with loan servicers to remedy the accumulated debt. Black Knight reports that 53 percent of homeowners had already exited forbearance by late October, with a large majority of those who exited (68 percent) again current on their loans. Another 14 percent were delinquent but engaged with lenders in loss-mitigation efforts. These results are consistent with the expectation that many borrowers that are unable to make up for back payments will be able to add the outstanding amounts onto the end of their mortgage terms or otherwise restructure their loans. As of October, just 2 percent of these borrowers were at risk of foreclosure, having exited forbearance but still delinquent and not engaged in loss mitigation.

Of course, most homeowners that have exited forbearance plans are less likely to have suffered major income losses compared with those still in forbearance. In contrast, the 3.0 million owners that remain in forbearance may still be at risk of longer-term losses that will make it difficult for them to resume their normal mortgage payments even if the arrearage can be otherwise accommodated. With the steady rise in home prices, though, at least some of these financially stressed owners could avoid foreclosure by selling their homes or refinancing. As of August, some 15 percent of those exiting forbearance had paid off their loans by refinancing or by selling their homes.

But given the disproportionate impact of the pandemic on Black and Hispanic households, forced sales could take a toll on the homeownership rates of these already disadvantaged groups. Maintaining homeownership over a long period of time is critical to wealth creation by enabling households to ride out housing price cycles while gradually paying off mortgage debt. Loss mitigation approaches that help homeowners with longer-term income losses sustain homeownership are therefore important for both their current housing stability and their future financial success.

RESILIENCY IN THE HOMEBUYING MARKET

As 2020 began, the national homeownership rate had climbed back up to 64.6 percent, an increase of 1.2 percentage points from 2016. More importantly, the number of homeowner households grew at a 1.3 million average annual rate over this period, more than making up for nearly a decade of decline. Much of this growth was driven by younger adults, bolstered by the movement of the millennial population into the prime homebuying age group of 25–34. Indeed, the homeownership rate for households under age 35 rose 2.2 percentage points in 2016–2019.

Once the pandemic hit and the economy shut down, however, homebuying came to an abrupt halt. New home sales were down 14 percent year over year in April and existing home sales were off 27 percent in May. But the market for owner-occupied homes then made a surprisingly strong rebound, with total sales well above year-earlier levels by summer **(Figure 4)**. At their present pace, sales of both new and existing homes are likely to exceed 2019 levels this year.

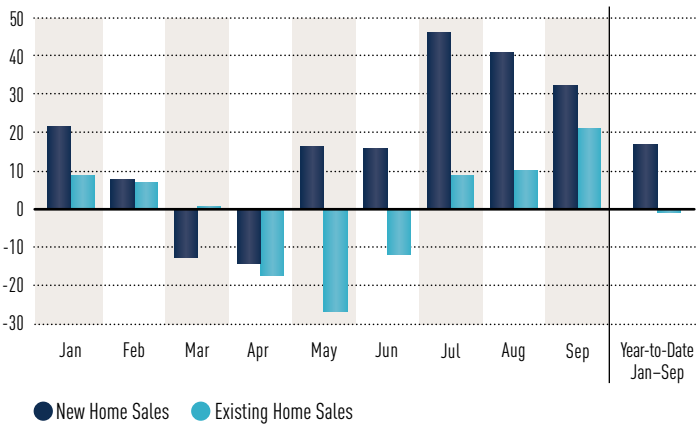
Meanwhile, single-family construction started the year at its fastest pace since the Great Recession, running above a 900,000 unit annual rate. Like home sales, though, single-family starts fell sharply in April, dipping below 700,000 units before making a rapid recovery. By September, construction activity was back to a 1.1 million annual rate, up 22 percent from a year earlier.

Still, the supply of homes for sale has not kept up with demand, shrinking already tight inventories. Only 1.47 million existing homes were on the market in September, representing a 2.7 months sup-

FIGURE 4

Home Sales Surged After a Sharp Dive in the Spring

Year-over-Year Change (Percent)

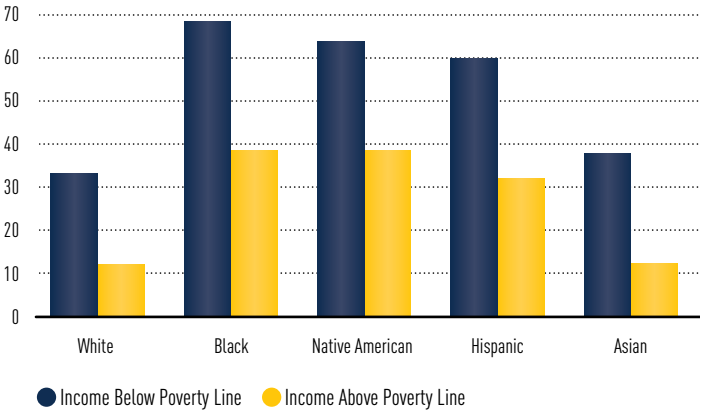


Notes: Year-over-year changes are based on seasonally adjusted data, while the year-to-date changes are not seasonally adjusted. Recent monthly data are subject to revision.
Source: JCHS tabulations of US Census Bureau, New Residential Sales; National Association of Realtors (NAR), Existing Home Sales.

FIGURE 5

People of Color Are More Concentrated in High-Poverty Neighborhoods than White People with Similar Incomes

Share of Population Living in Census Tracts with 20% or Higher Poverty (Percent)



Notes: Incomes above or below the poverty line are defined by the official measure of poverty established by the Office of Management and Budget (OMB). Only white individuals are non-Hispanic. Since Hispanic individuals may be of any race, there is some overlap with other racial categories.
Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 5-Year Estimates.

ply—the lowest level in decades. With strong competition for the limited stock of homes for sale and mortgage rates at record lows, the S&P CoreLogic Case-Shiller home price index rose at a 5.7 percent clip in September, exceeding the previous peak by more than 20 percent. Price increases for modest homes (valued at less than 75 percent of the area median) were especially strong, up 7.5 percent at an annual rate in July. Prices for higher-cost homes (valued at more than 125 percent of the median) rose more slowly but still increased at a 5.0 percent annual rate.

While high unemployment would normally be a significant headwind for the market, the combination of low inventories and low interest rates will likely keep upward pressure on home prices. However, several factors could make it difficult for some potential homebuyers to take advantage of today's low mortgage rates. In particular, house prices continue to outrun incomes, pushing up the national price-to-income ratio to 4.3 in 2019. Although lower than the 4.7 peak reached during the housing boom, the national ratio is well above levels that prevailed in previous decades. Indeed, price-to-income ratios set new highs in 39 of the nation's 100 largest metros. And even if low interest rates help to offset these high prices, the amount of savings needed for downpayment and closing costs still presents a significant hurdle for first-time buyers.

Moreover, lending standards have tightened. With all the uncertainty in the economy, the Mortgage Bankers Association Mortgage Credit Availability Index declined by 34 percent from February to September this year, dipping to its lowest levels since 2014. This decline reflects much more restricted access for borrowers with lower credit scores and higher loan-to-value ratios, as well as a pull-back from jumbo loans and non-qualified mortgages.

PERSISTENT RACIAL DISPARITIES

Racial disparities in housing are both a cause and a consequence of other social inequalities. Discriminatory practices have limited the opportunities for people of color to live in neighborhoods that offer good-quality schools and public services, while also increasing their exposure to crime and other environmental hazards. The nation's long history of housing and mortgage market discrimination has also prevented generations of Black and Hispanic households from buying homes and accruing wealth. The impact of this systemic inequality is evident in the lower incomes and wealth of today's households of color, a legacy that perpetuates their struggle to obtain decent, affordable housing in safe neighborhoods.

As a result, people of color have far higher cost-burden rates and far lower homeownership rates than white households, and account for a disproportionately large share of the homeless population. In 2019, some 43 percent of Black, 40 percent of Hispanic, and 32 percent of Asian households spent more than 30 percent of their incomes on housing, compared with 25 percent of white households. Although the higher rate of cost burdens among people of color in part reflects their generally lower incomes, disparities are evident even across households in the same income groups.

Inequality in homeownership rates is even more pronounced. While overall rates began to move up in 2016, the homeownership rate for Black households had increased just 0.6 percentage point by 2019—less than half the 1.4 percentage point gain among white households. And because Black rates fell much more sharply than white rates during the Great Recession, the Black-white homeownership gap is now larger than it has been in decades, at fully 31 percentage points. Although Hispanic and Asian households made more gains than Black households since 2016, their homeownership rates still lag those of white households by 27 and 16 percentage points, respectively.

Another important dimension of unequal housing access is the high degree of residential segregation that exists today **(Figure 5)**. Among the many factors contributing to this pattern are discriminatory housing practices, the lack of affordable rental and homeownership options in many communities, and missed opportunities to affirmatively further racial integration. A consequence of this segregation is that people of color are heavily concentrated in high-poverty neighborhoods and underrepresented in higher-income areas. Nearly two-thirds of the Black, Hispanic, and Native American populations living in poverty

reside in communities with poverty rates above 20 percent, about twice the share of the white population living in poverty. Large shares of relatively affluent households of color also live in these neighborhoods, including 39 percent of both Black and Native American households and 30 percent of Hispanic households.

The housing affordability challenges facing people of color are also clear from their disproportionately high rates of homelessness. In 2019, Black people accounted for just under 13 percent of the US population but nearly 40 percent of people experiencing homelessness. A large disparity also exists among Native Americans and Alaskan Natives, who collectively made up 0.9 percent of the population but 3.2 percent of those experiencing homelessness. Hispanics are also overrepresented, comprising 18 percent of the total population but 22 percent of homeless individuals.

THE CASE FOR A NEW NATIONAL HOUSING AGENDA

The economic dislocation caused by the pandemic has underscored the fundamental importance of secure, adequate, and affordable housing for all. It has also revealed just how many millions of cost-burdened households struggle to keep a roof over their heads. Indeed, the experience of the past year has thrown the differences between the country's haves and have-nots into stark relief. Most households with good-quality, appropriate housing have been able to maintain their health and financial security from within their safe harbors. Those without adequate resources and secure housing have faced not just the risk of eviction or foreclosure, but also greater exposure to life-threatening illness from COVID-19.

The National Housing Act of 1949 established the goal of a decent home in a suitable living environment for all. In the more than 70 years since this landmark legislation, the country has not come close to this ideal, at least in part because there is no coherent national housing policy. Instead, US housing policy is an amalgam of measures intended to address past priorities and market conditions, and generally created without regard for any overarching goal.

To be effective, a national housing policy would set out the appropriate roles and responsibilities of federal, state, and local governments in meeting the country's needs. It would establish funding sources and distribution channels for subsidies, create incentives for efficient private production of housing through regulatory and tax structures, and ensure the availability and affordability of mortgage financing as well as the stability of the housing finance system. Other critical elements would be to remedy both the legacy and continuing presence of racial discrimination in housing markets, accommodate the needs of the nation's rapidly aging population, and improve the resilience of the housing stock in the face of climate change.

As it is, however, federal funding has fallen far short of even holding the line on supporting cost-burdened families in need **(Figure 6)**. From 2000 to 2010, the share of federal expenditures for housing assistance fell from 9.0 percent of non-defense discretionary spending to just 7.1 percent, even as the number of cost-burdened renters rose by 6 million. Since then, the housing assistance share has increased marginally to 7.4 percent while the number of cost-burdened renters has barely retreated.

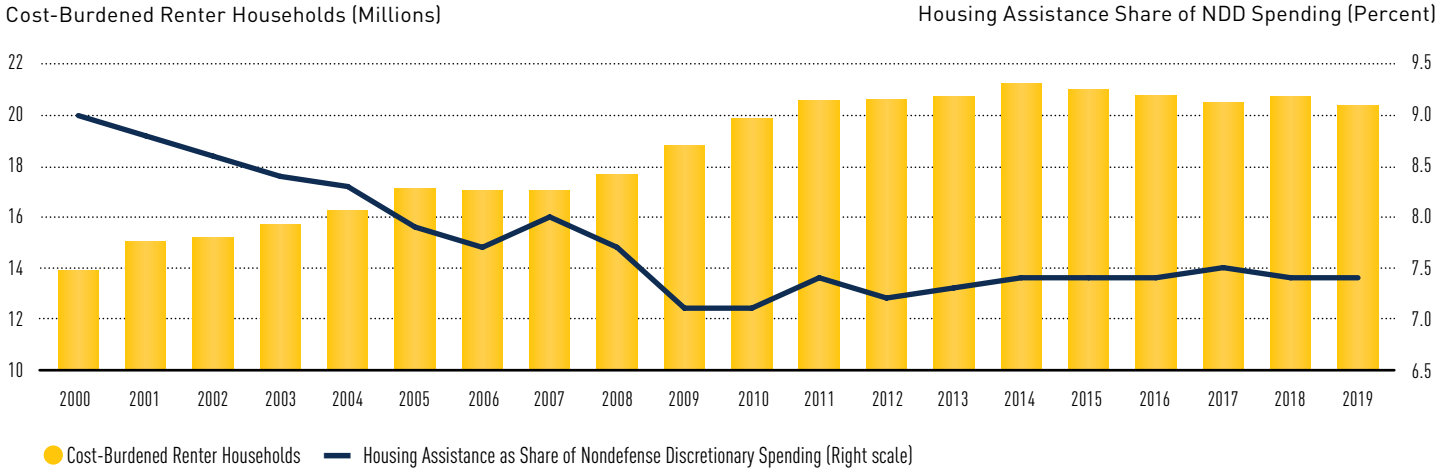
Although households with very low incomes (earning less than 50 percent of area median) are theoretically eligible for federal rent subsidies, housing assistance is not an entitlement program and is vastly underfunded. For the three out of four very low-income households unable to obtain subsidies, few affordable options are available on the open market. The National Low Income Housing Coalition estimates that only 57 rental units are affordable and available for every 100 very low-income renters. Conditions for extremely low-income renters (earning less than 30 percent of area median) are even tighter, with just 36 units affordable and available for every 100 households. A national housing policy should reconsider eligibility rules for housing assistance and then provide the means to fully meet that commitment.

Making housing assistance an entitlement would also help to remedy the country's homelessness crisis. But while stable and affordable housing provides the foundation for at-risk populations, many extremely low-income households need additional services to address the full range of challenges they face. A new national housing policy should therefore consider the best ways to combine rental assistance with other supports to provide the conditions and resources necessary for these households to succeed. And for the rapidly expanding number of older households on fixed incomes, a new national housing policy should ensure affordable, physically appropriate housing as well as the services needed to allow aging in community.

At the same time, many of today's 20 million cost-burdened renters have low to moderate incomes. The challenge for policymakers is to enable private entities to provide housing for these households without public support. However, many regulatory barriers—primarily at the state and local levels—constrain the ability of the private market to supply the types of well-located rental housing that these households can afford. While land use restrictions and building codes are essential to public health and safety, it is critical to balance those goals against the unmet need for smaller, denser housing that is convenient to transportation and employment opportunities. Tax policy at all levels of government has a powerful influence on the location, type, and cost of both new and existing homes, and should be used more strategically to reshape residential development patterns and make housing more affordable.

FIGURE 6

The Number of Cost-Burdened Renters Has Grown as Housing Assistance Has Become a Lower Budget Priority



Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates; US Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 2021, Table 8.7, Outlays for Discretionary Programs: 1962–2025.

Another priority is to help the many households that aspire to own homes but do not understand how to navigate the complex home-buying process or are unable to meet the financial requirements. Support for education and counseling for potential homebuyers, along with broad access to safe and affordable mortgage financing, should therefore be cornerstones of a national policy.

For many would-be homeowners, the large upfront investment for the downpayment and closing costs is perhaps the biggest obstacle. While most states and many localities do offer assistance with these costs, their programs are small relative to potential demand and the qualification criteria vary widely, making it challenging for homebuyers to identify and take advantage of these opportunities. A critical policy question is whether these financial supports should be brought to scale and, if so, how they can ensure that borrowers are positioned to succeed as owners given the financial risks of homeownership.

Beyond making housing affordable for all, a new national housing policy needs to promote reinvestment in long-distressed neighborhoods. In the years following the Great Recession, poverty rates in one out of five census tracts across the country exceeded 40 percent, nearly twice the number of high-poverty tracts in 2000. While the needs of these communities go well beyond housing, good-quality homes are an essential element of a comprehensive neighborhood revitalization strategy. It is true that past efforts to turn distressed neighborhoods around have not been altogether successful, but those experiences nonetheless provide lessons on which future policy can and should build.

Finally, a new national housing policy needs to be more attuned to how the built environment both contributes to and is affected by climate change. Housing is a major source of carbon emissions, not just because of energy use inside the home but also because of travel to and from work, school, and other destinations. Efforts to reduce the nation's carbon footprint must include federal policies aimed at making housing more energy efficient and better connected to low-carbon transportation networks. Investments are also needed to improve the resiliency of the nation's housing stock as natural disasters increase in power and frequency.

Between the health and economic consequences of the COVID-19 pandemic, the social unrest brought on by the nation's reckoning with its painful history of racial discrimination, and the series of storms, floods, and wildfires across the country, 2020 has been a difficult and challenging year for many. All of these sources of distress have important ties to longstanding housing policy issues. The hope is that now that these challenges are so clearly in the spotlight, we as a country can finally re-envision a national housing policy and recommit to the goal of a decent home in a suitable living environment for all.

2 | HOUSING MARKETS

After a year of healthy growth in home sales and new construction, housing markets stalled in mid-March 2020 with the COVID-19 outbreak. Since the summer, however, the rebound in both sales and construction has been surprisingly strong. Home prices have also continued their steady rise, propped up by the historically tight supply of homes for sale and record-low interest rates. These recent trends lend hope that the housing sector can lead the economy into recovery as it has in several past cycles. Whether this momentum will continue depends largely on containment of the virus and the pandemic's longer-term impacts on the labor market.

SHARP DECLINE AND REBOUND IN HOME SALES

Sales of existing homes were steady in the first quarter of 2020, on par with the first quarter of 2019. Once the economy began to shut down in response to the pandemic, however, year-over-year sales plunged 17 percent in April and 27 percent in May. Indeed, May sales sank to a 3.91 million unit annual rate, the lowest reading for that month in records dating back to 1999. Existing home sales began to bounce back in June to a 4.70 million unit annual rate, but were still down 12 percent year over year. The pace of sales then continued to pick up through the summer, climbing 10 percent in August (to a 5.98 million unit annual rate) and 21 percent in September (to a 6.54 million unit annual rate)—the strongest single month since 2006.

After a similar decline in the spring, new home sales recovered even more strongly **(Figure 7)**. Unlike existing home sales, new home sales are not constrained -by low inventories and can be recorded when the contract is signed, including before construction even starts. Year-over-year sales of new single-family homes were up 46 percent in July, 41 percent in August, and 32 percent in September. The summer surge put year-to-date new home sales some 17 percent higher in September than a year earlier, while existing home sales were off by just 0.2 percent.

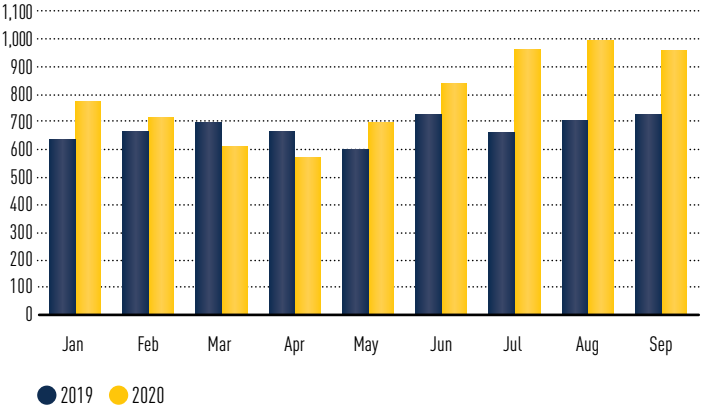
The robust market for new homes in 2020 continues the uptrend started in 2019 when sales jumped 10.7 percent, to 683,000 units—more than double the 2011 low of 306,000 units. In contrast, sales of existing single-family homes rose just 0.5 percent last year, to 4.77 million units, while sales of existing condos and co-ops fell 3.7 percent, to 579,000 units. As a result, existing home sales overall were flat in 2019 at 5.34 million units.

Home sales over the summer were strong for several reasons. First, interest rates dipped to historic lows as the economy entered a

FIGURE 7

After a Steady Decline in Early 2020, New Home Sales Are Now Well Above Year-Earlier Levels

Annualized New Home Sales (Thousands of units, seasonally adjusted)



Note: Recent monthly data are subject to revision.
Source: JCHS tabulations of US Census Bureau, New Residential Sales.

recession in March. According to Freddie Mac's Primary Mortgage Market Survey, the interest rate on a 30-year fixed-rate mortgage declined below 3.0 percent in July for the first time since the survey began in the early 1970s and stood at a record low of 2.8 percent at the end of October.

Second, demographic changes favor homeownership. The Census Bureau's most recent population estimates point to strong growth in the number of 30–44 year olds, the age group most likely to purchase homes. In fact, adults in this age range accounted for half of total population growth between 2018 and 2019. In addition, the economic fallout from the pandemic has had a relatively modest impact on higher-income households, another demographic group likely to purchase homes.

Third, the pandemic disrupted the usual seasonal pattern in home sales, which are typically low in winter months, increase in the spring, and then peak in early summer. This year, the pandemic delayed homebuying in April and May, likely shifting many purchases to the late summer and fall.

Fourth, the pandemic itself may encourage homebuying. With growing numbers of adults working from home and children unable to attend school, some households are looking for larger homes to accommodate their need for added space. Residents of multifamily buildings may also be moving to single-family homes to avoid the threat of virus transmission in shared spaces.

And fifth, innovations in homebuying and selling have streamlined the purchase process in ways that allow social distancing. According to Zillow's 2020 Urban-Suburban Market Report, virtual searches were up significantly over the summer and virtual showings have also become more commonplace. In addition, the Federal Housing Finance Agency (FHFA) made loan closings easier by allowing virtual appraisals and remote notarization of documents.

BOUNCEBACK IN RESIDENTIAL CONSTRUCTION

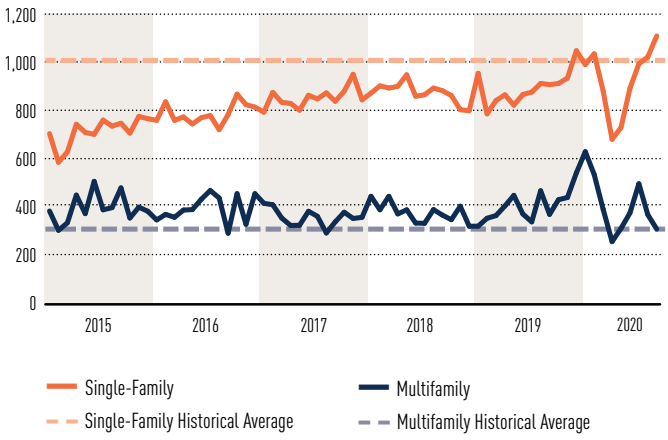
Housing construction also made a quick comeback after a sharp decline in the spring. From December 2019 through February 2020, housing starts were running near a 1.6 million unit annual rate for the first time since 2006. But when all non-essential activity was put on pause, annualized housing starts fell 19 percent between February and March, and another 26 percent from March to April—the largest one-month drop since 1984.

But new construction was back up to a 1.5 million unit annual rate by July, and held at a 1.4 million unit rate in August and September. Single-family starts led the way, increasing to a 1.1 million unit annual rate in September, up 22 percent from the year prior and the strongest month for single-family homebuilding in over 13 years **(Figure 8)**.

FIGURE 8

Housing Construction Is Back on Track After a Near-Record Decline in the Spring

Annualized Housing Starts (Thousands of units, seasonally adjusted)



Notes: Single-family and multifamily historical averages are of seasonally adjusted monthly data from January 1990 to September 2020. Recent monthly data are subject to revision.
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

The recent strength of single-family construction is a sharp departure from 2019 when starts edged up just 1.4 percent, to 887,700 units—the 12th consecutive year below the million mark. In contrast, construction of multifamily units continued to climb, with starts rising 7.5 percent last year to 402,300 units. This was the first year that multifamily starts topped 400,000 units since 1988.

With its current momentum, the housing sector could lead a broader recovery. Historically, housing has helped to bolster economic growth after recessions because starts and sales tend to rebound quickly. Moreover, the persistent deficit in homes for sale makes residential construction ripe for a continued upturn. Indeed, after more than a decade of limited homebuilding, the homeowner vacancy rate was just 1.1 percent in the first quarter of 2020 and the rental vacancy rate was 6.6 percent, both historic lows. Homebuilders are also optimistic about market conditions. According to the NAHB/Wells Fargo Housing Market Index, builder confidence hit 85 in October—the highest reading in the survey's 36-year history.

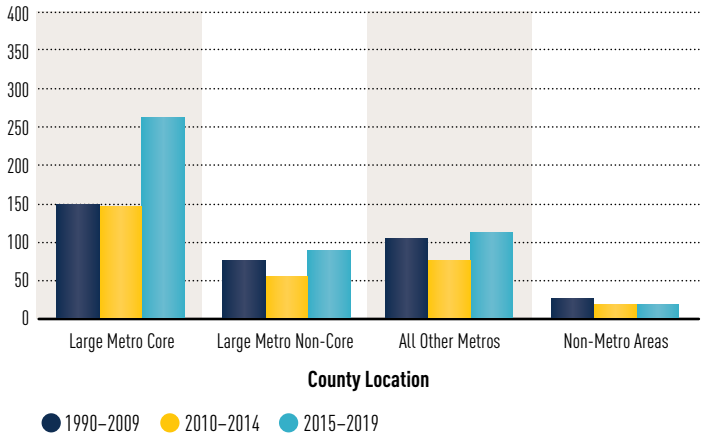
THE LOCATION OF NEW CONSTRUCTION

The pandemic could lead to a change in housing location preferences. For example, if working remotely becomes the norm, demand could strengthen for homes in outlying communities that are

FIGURE 9

Multifamily Construction Has Driven a Building Boom in Core Counties

Average Multifamily Permits (Thousands)

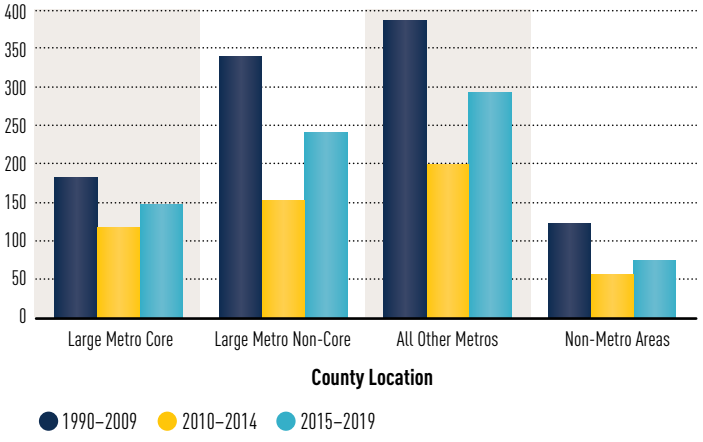


Notes: Large metro areas have at least 1 million residents. Core counties contain either the largest city in the metro area or any city with over 250,000 residents. Non-core counties are all other counties in large metro areas.
Source: JCHS tabulations of US Census Bureau, Building Permits Survey via Moody's Economy.com.

FIGURE 10

Although Reviving Across Locations, Single-Family Construction Still Lags Historical Averages

Average Single-Family Permits (Thousands)



Notes: Large metro areas have at least 1 million residents. Core counties contain either the largest city in the metro area or any city with over 250,000 residents. Non-core counties are all other counties in large metro areas.
Source: JCHS tabulations of US Census Bureau, Building Permits Survey via Moody's Economy.com.

relatively far from employment centers. In this case, construction activity could shift away from central urban areas to suburban communities and perhaps to less expensive markets away from the coasts. In fact, an NAHB analysis of second-quarter permitting data indicates that this may already be happening, at least in the short term. The fastest growth in permits was in the suburban counties of small metro areas, including a nearly 11 percent increase in single-family permits, while the number of units permitted in more central urban areas of large metro areas declined.

If this shift continues, it would represent a significant reversal of recent homebuilding patterns. For the past decade, construction has been concentrated in urban settings. In 2015–2019 alone, more than a third (446,000) of permits issued on average were in the core counties of large metros with at least a million residents, up from 27 percent (395,000) issued on average in 1990–2009.

This urban focus was driven largely by the growth and concentration of multifamily construction **(Figure 9)**. Fully 55 percent of multifamily permits (262,000) were issued in core counties in 2015–2019, compared with just 42 percent in 1990–2009. And although total multifamily permitting increased 36 percent in those five years relative to the prior two decades, its rate of growth in core counties was 78 percent. At the same time, multifamily permitting rose modestly in the suburban counties of large metros (up 17 percent) and in all other metro areas (up 8 percent), but fell in non-metro areas (down 31 percent).

Meanwhile, single-family construction in 2015–2019 was substantially lower across the board relative to the 20-year average **(Figure 10)**. Indeed, single-family permitting was off 26 percent in core counties, 29 percent in the suburbs of large metros, 24 percent in other metros, and 40 percent in non-metro areas. An uptick in single-family homebuilding in response to the pandemic would likely occur in all of these locations, but especially in the suburban counties of large metros and in other metro areas, where two-thirds of single-family construction activity typically takes place.

GROWING SIZE OF NEWER HOMES

Before the pandemic forced many households to work remotely, housing construction had increasingly focused on larger homes over the past several decades. Indeed, the share of newly completed single-family homes with four or more bedrooms grew steadily from 28 percent in 1989 to 47 percent in 2015, before a slight decline to 43 percent in 2019. Accordingly, the median size of new single-family homes jumped 24 percent from 1989 to 2019, to 2,301 square feet. Meanwhile, the average size of households living in newly built homes held at about 2.9.

As a result, many homeowner households have more bedrooms than people. Indeed, 96 percent of owner-occupied households have five or fewer members. Most of these households (61 percent) have at least one extra bedroom, including over a quarter (27 percent) with two or more extra bedrooms. Smaller households living in owner-occupied homes are far more likely to have at least one additional bedroom, including 93 percent of single-person and 79 percent of two-person households, compared with 36 percent of three-person households.

The long-term shift toward larger single-family homes has come at the expense of smaller, more affordable units. However, completions of homes under 1,800 square feet increased 13 percent in 2018–2019. Although well below their 37 percent share in 1999, smaller homes accounted for 24 percent of newly completed houses last year. Meanwhile, completions of homes with at least 3,000 square feet declined 4 percent last year, but still made up 25 percent of new units. The remaining 51 percent of homes completed in 2019 had between 1,800 and 3,000 square feet.

Construction of other smaller housing options also increased last year. Townhome completions were up 12 percent in 2019 (to 120,000 units) and are approaching levels in the early 2000s. Condo completions also rose 15 percent (to 31,000 units), but lagged far below their numbers every year from 1974 to 2009. Manufactured home shipments actually declined slightly in 2019 (to 94,600 units) and had been under 100,000 units every year since 2007. Ultimately, housing construction targeted toward different price points, including smaller homes, will be essential for maintaining affordability over the long term.

INVENTORIES AT NEW LOWS

In the first quarter of 2020, the number of existing single-family homes for sale was already down about 11 percent year over year. Indeed, the supply of for-sale homes was at its lowest level since at least 1982. The pandemic made the shortage even worse, preventing many potential sellers from putting their homes on the market and leaving inventories off about 20 percent from year-earlier levels from April through September. The number of single-family homes for sale stood at just 1.24 million in September 2020, compared with an already low 1.60 million in September 2019 **(Figure 11)**.

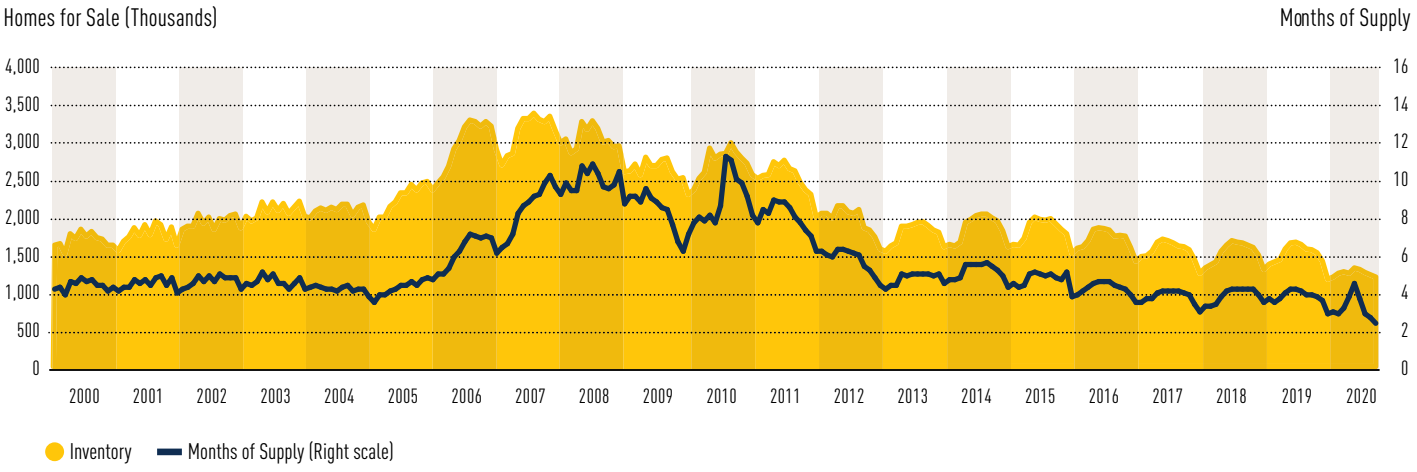
Measured in months of supply, for-sale inventories fell from an average of 3.9 months in 2019 to a record low of 2.5 months in September. Inventories were tightest for lower- and moderate-cost homes. According to CoreLogic, the supply was under 2.0 months in July for homes costing 50–150 percent of the metro area median sales price. Inventories of homes priced under 50 percent of the median also ticked down from 3.4 months in 2019 to 3.0 months so far in 2020, while those of homes costing more than 200 percent of the median fell from 5.3 months to 3.9 months.

The pandemic both broadened and accelerated the tightening of supply. In January, for-sale inventories had already fallen year over year in 65 of the 96 large markets tracked by Zillow. By June, inventories were lower in 94 of those markets, with declines accelerating in all but two. The sharpest drop in the number of homes for sale was in the Northeast, where supplies in the Allentown, Philadelphia, and Syracuse metro areas were down by more than 30 percent. Several Western metros also posted declines of more than 25 percent, including Los Angeles, San Jose, and Seattle. Inventories in only two markets—Colorado Springs and San Antonio—increased from the prior year, but by only 2 percent or less.

Inventories of new homes for sale were also below year-earlier levels in early 2020. The number of new single-family homes on the market was about 4 percent lower on average in the first four months of this year, 8 percent lower in May and June, and fully 12 percent lower from July to September. Meanwhile, months of supply of new homes dipped below 4.0 months in July for the first time since 2004.

FIGURE 11

Already Near Historic Lows, the Supply of Homes for Sale Declined Again in 2020



Notes: Data are for single-family homes only. Months of supply measure how long it would take the number of homes on the market to sell at the current rate, where six months is typically considered a balanced market.
Source: JCHS tabulations of NAR, Existing Home Sales.

CONTINUING IMPEDIMENTS TO CONSTRUCTION

Low for-sale inventories in much of the country are evidence of the growing supply-demand mismatch. Among the many reasons for the undersupply of housing—particularly of more affordable homes—are a myriad of regulatory requirements and development fees that both increase construction costs and limit the amount of new housing that can be built by right.

Joint Center analysis of the 2019 National Longitudinal Land Use Survey (NLLUS) found that more than a third of the 1,703 cities, villages, towns, and counties with zoning authority allowed no more than seven housing units per acre. These density restrictions imply a minimum lot size of at least 6,200 square feet in the entire jurisdiction. Indeed, minimum lot sizes up to a full acre are common even in large metro areas. In contrast, only about a quarter of jurisdictions surveyed had zones allowing more than 30 units per acre. A much larger share of these higher-maximum districts was in the West (51 percent) than in the South (27 percent), Midwest (18 percent), and Northeast (16 percent).

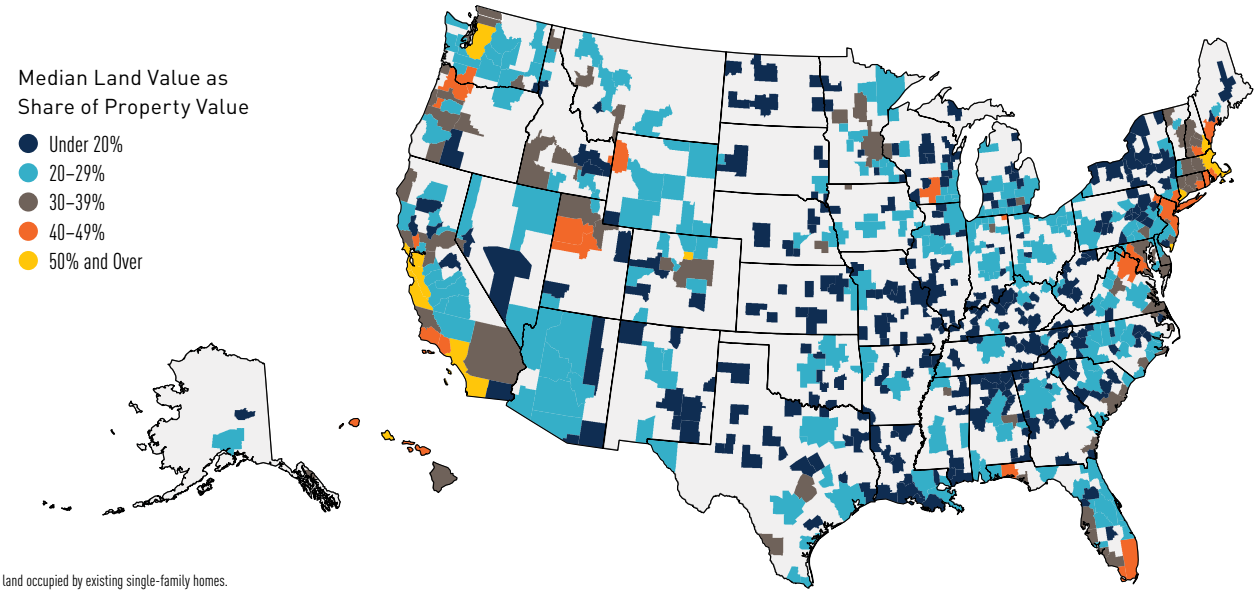
Regulations on housing density effectively limit the supply of new housing and push up land prices, particularly in highly restricted markets with strong demand. According to FHFA data, the median price per quarter acre of land underneath existing single-family housing was $144,100 in 2018, up 56 percent from 2012. At the median, land prices thus represented 39 percent of the total property value. But in highly constrained markets, land costs accounted for more than half of the value of single-family properties, with particularly high shares posted in San Jose (70 percent), Los Angeles (64 percent), and Honolulu (63 percent) **(Figure 12)**.

Local government fees also add directly to the costs of residential development. Many jurisdictions charge impact fees to fund schools, sewerage systems, roads, and other public services associated with new development and growing populations. These fees can be large and raise the price of new homes significantly. Nearly half of the jurisdictions (45 percent) responding to the 2019 NLLUS imposed impact fees, but the share in Western communities was nearly twice as high (86 percent). Parking requirements can also drive up development costs by reducing the amount of land available for housing units and in some cases requiring costly parking structures. Fully 46 percent of jurisdictions required two or more off-site parking spaces per multifamily unit constructed, while just 4 percent required less than one parking space.

Well before the pandemic, the costs of construction materials were on the rise. The Census Bureau's constant quality price indices for single-family home construction jumped 45 percent from 2010 through September 2020, and the current disruption of global supply chains may give another lift to prices, at least temporarily. For example, Bureau of Labor Statistics data indicate that softwood lumber prices jumped 87 percent between April and September—the largest five-month gain since recordkeeping began in the 1940s. NAHB also reports that prices for framing lumber shot up more

FIGURE 12

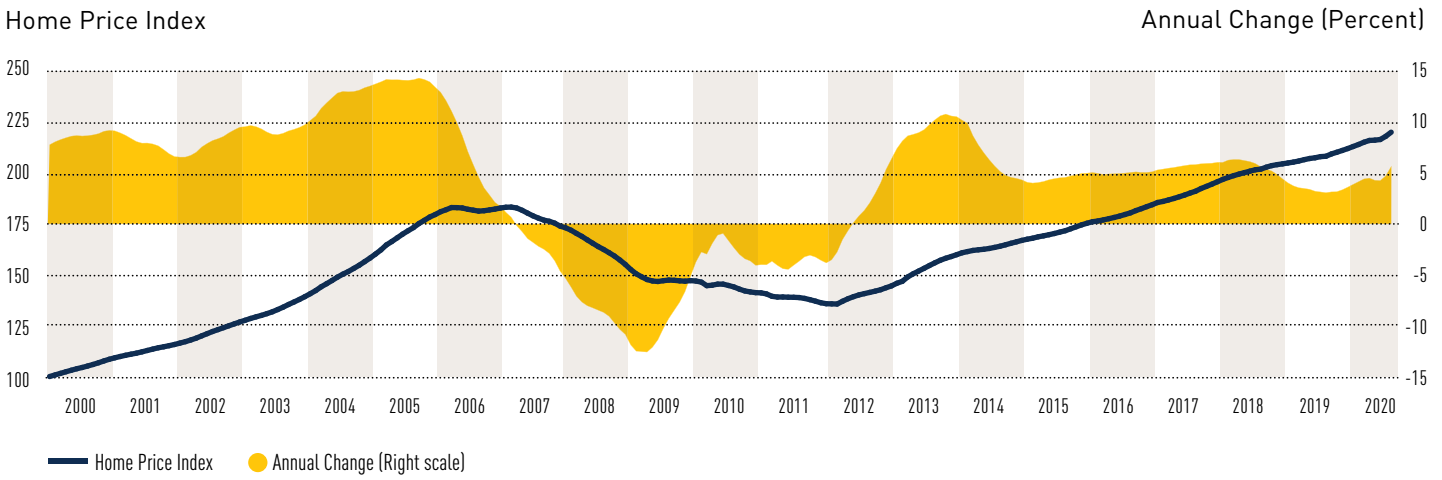
Land Costs Account for More Than Half of Single-Family Property Values in Several Highly Restricted Housing Markets



Note: Prices are for land occupied by existing single-family homes.
Source: JCHS tabulations of Federal Housing Finance Agency (FHFA), The Price of Residential Land for Counties, ZIP Codes, and Census Tracts in the United States.

FIGURE 13

Home Prices Continued to Climb Through the Summer Months



Source: JCHS tabulations of S&P CoreLogic Case-Shiller US National Home Price Index.

than 120 percent over that period, but appeared to decline slightly in October.

The persistent shortage of construction workers is yet another impediment to housing development. The number of construction job openings averaged 321,000 in 2019—the highest level since at least 2001. Openings have remained elevated, averaging 276,000 through August 2020, despite the number of separations (including both layoffs and voluntary quits) reaching new highs in March and April when the shutdowns began.

The pandemic could continue to affect labor availability in at least two ways. On the one hand, if housing construction maintains its momentum, the industry could attract unemployed workers from other sectors such as nonresidential construction. On the other hand, foreign-born workers are a key demographic, accounting for nearly a third of the construction labor force in 2018. Lower immigration could therefore shrink the already tight labor pool.

HOME PRICE GROWTH STILL STRONG

With supply tight and demand strong, home prices rose at an accelerating pace through the middle of 2020. According to the S&P CoreLogic Case-Shiller Home Price Index, nominal home prices were up 5.7 percent year over year in September—much faster than the 3.5 percent average increase in 2019 and even the 4.2 percent average earlier this year **(Figure 13)**. Real home prices also showed strong growth, increasing from 2.4 percent on average in 2019, to 2.6 percent in the first quarter of 2020, to 5.0 percent from April through August.

After rising for more than eight consecutive years, nominal home prices are now 20 percent above their previous peak. Indeed, home prices more than doubled between 2000 and mid-2020, up 121 percent. Even after adjusting for inflation, home prices climbed 51 percent over this period and are back near their previous record highs during the housing boom in the mid-2000s.

Prices for lower-cost homes continue to escalate the most, driven by high demand and limited supply. According to CoreLogic data, prices rose 7.6 percent in July for homes selling for 75 percent or less of the area median price, compared with 5.0 percent for homes selling for 125 percent or more of the area median. In both segments, home price growth accelerated during the spring and summer, although not quite to the pace in 2017 and 2018.

Home price increases in the second quarter of 2020 were widespread, with the FHFA All-Transactions Price Index showing nominal year-over-year gains in 117 of the nation's 120 largest metro areas and divisions. The most rapid increases were in Western markets, including Boise (up 10.0 percent), Tacoma (up 7.6 percent), and Phoenix (up 7.2 percent). At the height of the economic dislocation in the second quarter, price increases did slow in 81 of the 120 largest markets, with notable cooling in Las Vegas, Omaha, San Antonio, and Spokane.

Given such tight inventories and historically low interest rates, home prices will likely continue to rise in the short term. However, demand could drop if unemployment remains high and more temporary job losses become permanent. Freddie Mac forecasts a moderation in home price growth in 2021, while the CoreLogic Home

Price Index Forecast is for a 0.2 percent uptick from August 2020 to August 2021, including actual declines in about half of states. The biggest drops are likely to be in metros with economies that rely heavily on tourism, such as Las Vegas.

ELEVATED PRICE-TO-INCOME RATIOS

Rising home prices relative to household incomes can impede access to homeownership, particularly for low- and moderate-income households. In 2019, the median sales price of existing single-family homes continued to rise faster than the median household income for the eighth straight year, lifting the ratio from 4.2 in 2018 to 4.3. This marked the fourth consecutive year that the median sales price was quadruple median household income.

Moreover, the price-to-income ratio was higher in 2019 than in all but the three years before the housing bust, when it jumped from 3.9 in 2002 to 4.7 in 2005. What is different this time around, however, is that it took five years to reach its current level. And with interest rates so much lower now, buyers can bid up home prices but still keep their monthly payments relatively low, assuming they can afford the larger downpayments.

Even so, price-to-income ratios were higher last year in 39 of the nation's top 100 markets than during the housing boom. The largest increases were in metro areas with significant home price growth, such as Denver (with a ratio of 5.7), Charlotte (4.0), and Dallas (3.8).

And in seven large markets, last year's home prices were at least 6.0 times higher than median household income, including four with ratios above 8.0. With the exception of Miami (6.1), these markets were all in the West and include San Jose (9.8), Los Angeles (9.6), Honolulu (9.3), and San Francisco (8.8). At the same time, though, close to a fifth of the nation's large metro areas had price-to-income ratios below 3.0. Most of these markets were in the Midwest and Northeast, although ratios in three Southern markets—McAllen (2.6), Oklahoma City (2.7), and Little Rock (3.0)—were also relatively low.

THE OUTLOOK

Given the profound impact of the pandemic on how US households live and work, there is plenty of reason to believe that it could bring meaningful changes to housing markets. With millions of people forced to work remotely, employers and employees alike may find this an attractive option even after the pandemic ends. If so, demand would likely increase for homes large enough to provide office space, as well as easy access to outdoor spaces to exercise and socialize. And if long commutes are no longer everyday requirements, many households may move to lower-density areas where housing is less expensive. However, a major shift in residential development patterns is far from certain.

What is certain is that the need for more housing of all types, locations, and price points will persist. In the near term, the outlook for housing markets is bright, fueled by very low interest rates as well as unabated demand from more affluent households. If the pandemic persists, however, it will remain a serious drag on the labor market and wage growth, and ultimately on household formations. Still, the pandemic's negative impact on markets should be relatively muted given historically tight conditions on the supply side.

3 | DEMOGRAPHIC DRIVERS

As 2020 began, low unemployment and rapid income gains were fueling steady household growth, the main driver of housing demand. But the demographic forces that could drag down future demand were already at work, including slowdowns in native population growth, immigration, and residential mobility. And when COVID-19 hit, the crisis not only brought huge losses of life and livelihoods, but also highlighted how growing income inequality has left many millions of households behind.

MILLENNIALS DRIVING HOUSEHOLD GROWTH

Both major surveys of household growth confirm that 2020 started off at a strong pace. According to the Housing Vacancy Survey, annual household growth increased from an already high average of 1.3 million in 2016–2019 to a 1.5 million annual rate in the first quarter of 2020 **(Figure 14)**. The American Community Survey also puts average annual growth at roughly 1.3 million in 2016–2019. While differing somewhat over time, results of both surveys thus suggest that household growth was back to early 2000s levels early this year.

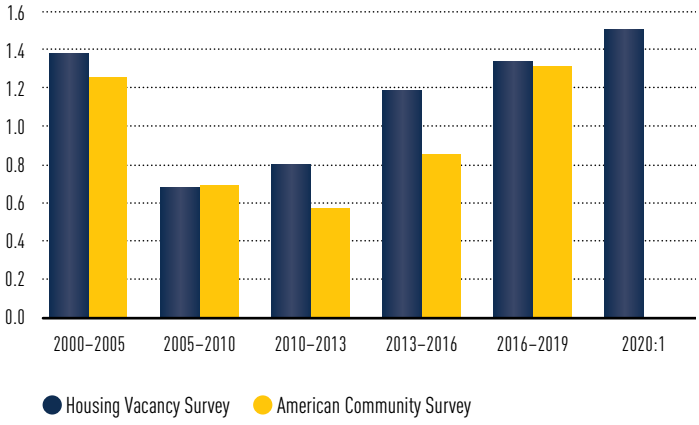
The recent acceleration of household growth reflects a pickup in household formation rates among millennials in their 20s and 30s. After several years of solid income and employment gains, the growth in households aged 25–34 alone jumped from just 34,000 per year in 2010–2013, to 170,000 per year in 2013–2016, to 250,000 per year in 2016–2019. As a result, the share of adults under age 35 heading their own households edged up for the first time in a decade, while the share living with parents declined slightly.

Even this small increase in headship rates among younger adults represents a major turnaround in housing demand for this age group. Between 2007 and 2017, falling headship rates had kept household growth among the under-35 age group to just 240,000 (1 percent), even though the population aged 15–34 increased by fully 5.5 million (7 percent) over that period. As headship rates rose in 2017–2019, however, the number of households under age 35 climbed by 570,000, more than twice the 230,000 growth in population aged 15–34. Still, there were 2 million fewer households headed by adults under age 35 in 2019 than if headship rates had remained at their 2007 level.

FIGURE 14

The Latest Surveys Point to a Continuing Pickup in Household Growth in Early 2020

Average Annual Household Growth (Millions)



Note: Estimate for 2020:1 is based on year-over-year change in the four-quarter trailing average.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates via IPUMS USA, University of Minnesota, www.ipums.org.

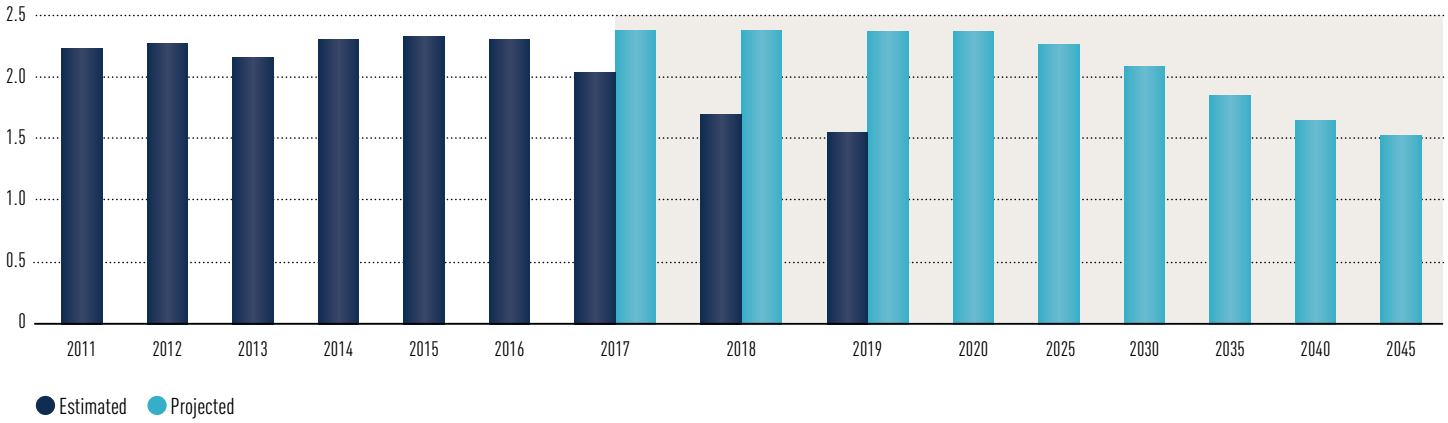
STRUCTURAL DRAGS ON HOUSEHOLD GROWTH

Even as headship rates among the millennial generation were strengthening, two other major drivers of household growth—

FIGURE 15

Census Estimates Indicate that Population Growth Has Slowed Far Earlier than Projected

Annual US Population Growth (Millions)



Source: JCHS tabulations of US Census Bureau, 2019 vintage Population Estimates and 2017 Middle-Series Population Projections.

resident population growth and immigration—were losing steam. Indeed, Census Bureau estimates indicate that US population growth edged up by just 0.48 percent last year, the lowest annual growth rate since 1918 according to the Brookings Institution. With the slowdown in both the natural growth of the resident population and a drop in net immigration, the US population increased by only 1.55 million last year—far less than the latest Census projections of at least 2.3 million annually until 2030 **(Figure 15)**.

Weaker natural growth of the resident population reflects lower-than-expected births and higher-than-expected deaths even before the pandemic struck. According to the Census Bureau, natural growth was a full 30 percent below its 2017 projections last year, as it dropped below 1 million for the first time in decades. Births were 7 percent below projections, accounting for most of the difference, while deaths were 4 percent above projections, accounting for about a quarter of the difference.

At the same time, the Census Bureau estimates that the net contribution of international immigration to US population growth fell 15 percent in 2019, to just 595,000. This brought the total drop since 2016 to 43 percent. Immigration is sensitive to a variety of economic, political, and other factors, and wide swings over a few years are not uncommon. Still, immigration has been a significant source of household growth for decades, driving well over a third (38 percent) of all household growth from the mid-1990s to 2019. In the 2010s alone, foreign-born households contributed more than 4 million of the roughly 10 million households added over the decade.

Slowing population growth is a long-term concern that has not yet affected current measures of household growth for several reasons. First of all, the overall aging of the population continues to have a large positive impact on household growth because the likelihood of heading a household increases with age. In addition, much of the decline in resident population growth is due to lower birth rates and fewer children under age 18—cohorts that are too young to form households. And finally, because the majority of immigrants do not immediately form their own households upon arrival in the country, the drag on household growth from lower immigration only becomes apparent over time.

SLOWDOWN IN POPULATION AND HOUSEHOLD GROWTH

In the short term, the fallout from the pandemic is sure to result in even slower population growth. International immigration was brought to a halt early in the year, and the spread of COVID-19 led to more than 230,000 additional deaths by November. In addition, the ongoing uncertainty in the economy is likely to lead to lower births, which the Brookings Institution notes typically decline in times of turmoil. Pandemic-related job and income losses in 2020 will also delay household formations among young adults, the age group driving most of household growth.

Beyond 2020, slower population growth is likely to lead to even lower household growth than previously projected. As it is, Joint Center projections from 2018, which were based on the 2017 Census population projections, already anticipated a drop in annual household growth from 1.2 million in 2018–2028 to 960,000 in 2028–2038.

A prolonged slowdown in immigration would lower these projections even further. The 2017 Census projections assumed average net annual immigration of 1.0 million in 2018–2038 (roughly the same as in 2016), well above its 2019 low-series assumptions of just 600,000 per year. Under that revised scenario, projected household growth

would drop to 1.0 million per year in 2018–2028 and to 760,000 per year in 2028–2038. Higher mortality rates and lower levels of natural population growth, which are also not factored into the 2017 Census projections, would make future household growth lower still.

DISRUPTIONS TO RESIDENTIAL MOBILITY

Residential mobility rates relate to the turnover of the housing stock, which opens up opportunities for homeowners and renters to form new households, upsize or downsize their housing, accept jobs in new locations, expand their families, or make any number of other lifestyle changes. Mobility also contributes to household growth within and across markets. For example, more than two-thirds of all household growth in Arizona (38,000 of 56,000 additional households) came from interstate moves in 2019. Similarly, half of the 96,000 increase in households in Florida also resulted from interstate moves.

After declining for decades, residential mobility rates for both owners and renters may have edged up slightly heading into the pandemic. Increased homebuying activity since 2016 stabilized the mobility rate of owners and even led to higher rates within certain age groups. Although the rate for renters fell again in 2019, the evidence suggests that apartment turnover was increasing. The National Apartment Association reported a small year-over-year decline in the share of units whose leases renewed last year, while RealPage noted a brief year-over-year decrease in apartment renewal rates in early 2020.

But as the pandemic spread, the uptick in mobility rates came to a halt. For owners, the pause may be temporary, given the sharp rebound in home sales in July. On the rental side, however, the reports are mixed. RealPage notes that renter retention rates climbed to an all-time high for the month of July. At the same time, though, there was a surge in short-term lease-ups, suggesting that renter mobility rates could rise in the coming months.

If the pandemic leads to lasting changes in work arrangements—particularly in working remotely—it could affect mobility between states as well as reverse the recent trend toward urban living. Although most household growth is still in the suburbs, an increasing share has been in urban areas. Annual household growth in cities more than doubled in the latter half of the 2010s, rising from 114,000 per year in 2010–2014 to 270,000 annually in 2014–2018 **(Figure 16)**. As a result, 31 percent of all household growth in 2014–2018 was in the central cities of metro areas, up from 14 percent in the 2000s and 18 percent in the 1990s. Meanwhile, more than two-thirds of household growth occurred in suburban communities and just 2 percent in non-metro areas.

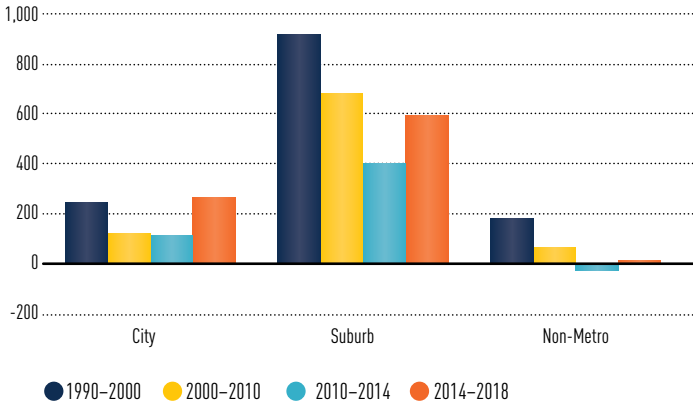
RISING INCOMES, BUT GROWING INCOME INEQUALITY

Prior to 2020, strong income growth and falling unemployment were giving a lift to housing demand. According to the American Community Survey, the median household income was up 4.7 percent in 2018–2019, to $65,000 **(Figure 17)**. Adjusted for inflation, the US median household income grew at a 2.5 percent average annual

FIGURE 16

While Still Concentrated in Suburban Communities, Household Growth Made a Comeback in Cities

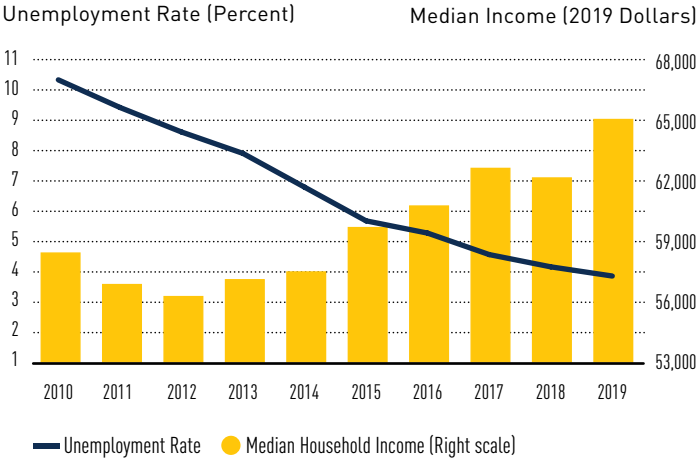
Average Annual Household Growth (Thousands)



Notes: Cities are defined following Kneebone & Nadeau (2015), where city tracts are either in the metro's principal city or in cities with populations over 100,000. All non-city tracts in metro areas are suburban.
Source: JCHS tabulations of US Census Bureau, 1990 and 2000 Decennial Censuses and 2010, 2014, and 2018 American Community Survey 5-Year Estimates.

FIGURE 17

Declining Unemployment and Rising Incomes Set the Stage for a Strong Housing Market in 2020



Note: Incomes are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates via IPUMS USA, and Current Population Surveys via IPUMS CPS, University of Minnesota, www.ipums.org.

rate from 2014 to 2019, and was 11 percent higher last year than in 2010. While all age groups posted gains, the biggest increase was among younger households. Indeed, the real median income for households under age 35 jumped by 21 percent over the decade.

Across-the-board income growth, however, did nothing to reduce the inequality between high- and low-income households. In fact, the gap between lowest- and highest-income households widened. After adjusting for inflation, the average annual income of households in the bottom decile ($7,800) increased just 5 percent from 2010 to 2019, or about $340. In contrast, the average income of households in the top decile ($316,000) soared by 20 percent, or about $52,000. As a result, the average income of top-decile households increased from 35 times the average income of bottom-decile households in 2010 to 41 times in 2019.

Income inequality between Black and white households also worsened. Although the median incomes of both Black and white households grew in the 2010s, Black household incomes rose much more slowly in absolute terms, leaving the income gap wider than it had been in decades **(Figure 18)**. The median income for Black households in 2019 was $43,200—roughly 60 percent of the $70,900 median for white households. The median income for Black households was also far below that for Hispanic households ($55,000), Asian households ($93,000), and households of all other races and ethnicities ($57,300).

In real terms, the median income of Black households in 2019 was only back up to its 2000 level, while the median for white households was 6 percent higher than in 2000. As a result, the Black-white income gap widened by $4,100 (17 percent) over the past two decades, to $27,700, with most of the increase occurring between 2010 and 2019.

COVID'S SEVERE AND DISPARATE ECONOMIC IMPACTS

The pandemic has reduced incomes, especially for those already struggling. The nationwide shutdown of businesses and organizations led to an unprecedented surge in unemployment as well as furloughs and other reductions in work schedules. More than 20 million workers lost jobs between March and April, and initial unemployment claims hit a record 6 million per week twice in those months. In the first five weeks of the shutdown alone, unemployment claims shot up by 20.4 million, the same as in the first year of the Great Recession. After 20 weeks, claims topped 50 million.

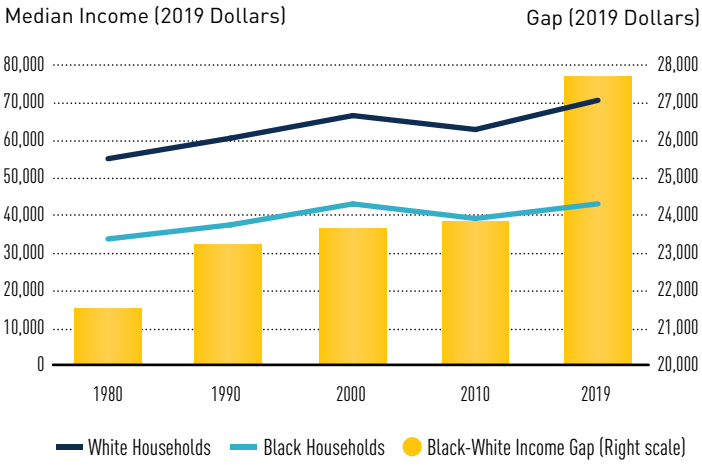
According to the Census Bureau's Household Pulse Survey in late September, 41 percent of all US households reported a pandemic-related loss in earned income since mid-March. Although economic impact payments from the federal government provided temporary support, the drop in employment income hit Hispanic, Black, and Asian households disproportionately hard. Some 54 percent of Hispanic households reported income losses over this period, 12 percentage points above the national average share. At 48 percent, the share of Black households that lost income was also well above average. The share of Asian households with losses was only slightly lower, at 42 percent. By comparison, 37 percent of white households reported income losses between mid-March and late September.

Large shares of lower-income households also had income losses, including 49 percent of households earning less than $25,000 and 45 percent of households earning between $25,000 and $49,999. The shares of households reporting lost income get progressively smaller as income rises, falling from 42 percent of households earning $50,000–74,999, to 35 percent of those earning at least $75,000. As a result, income inequality between the lowest and highest earners likely worsened this year.

Income losses are also more prevalent among households that have less education, rent their housing, and/or include children. Roughly 44 percent of households headed by someone without a college degree reported pandemic-related income losses between March and September, compared with 35 percent of households with a bachelor's degree or higher. The share of households reporting income losses was also significantly higher among renters (50 percent) than owners (37 percent). And with closures of daycare centers and the shutdown of schools, some 50 percent of households with children lost income this year, compared with 37 percent of households without children.

FIGURE 18

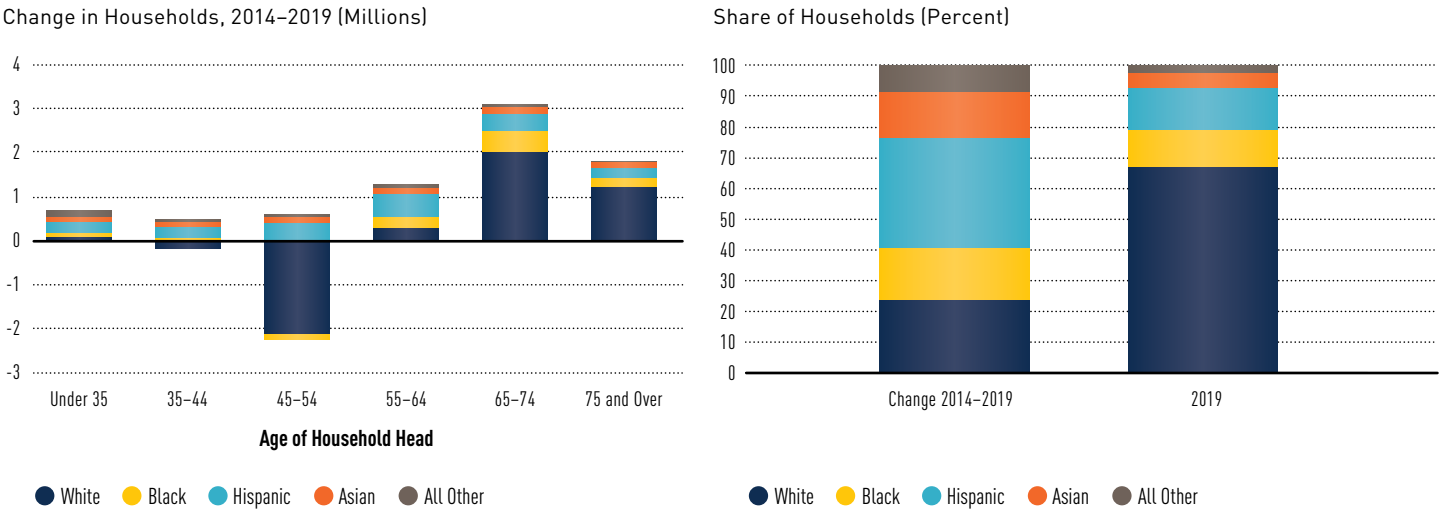
The Black-White Income Gap Widened Further in the 2010s



Note: Incomes are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, 1980, 1990, and 2000 Decennial Censuses, and 2010 and 2019 American Community Survey 1-Year Estimates via IPUMS USA, University of Minnesota, www.ipums.org.

FIGURE 19

US Households Are Becoming Older and More Diverse



Notes: Householders who are white, Black, Asian, or another race are non-Hispanic. Hispanic householders may be of any race.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Disparities in income losses in part reflect differences in the types of jobs held by earners. Workers in high-contact jobs, in businesses that depend upon activities most at risk of exposure to COVID, were most likely to have lost income during the pandemic. These jobs, which require being within arm's length of others—such as waiters, taxi drivers, and personal care aides—typically have relatively low incomes to begin with. Indeed, the median income of high-contact workers is $29,200, or about $10,000 less than the median for workers in other types of jobs.

Just under 44 million US households include at least one person who works in a job that requires close contact. In addition, larger shares of households of color—including 40 percent of Black households and 45 percent of Hispanic households—rely on the income from such jobs, compared with just 34 percent of white households.

INCREASING DIVERSITY AND AGE OF HOUSEHOLDS

With such a large share of household growth among people of color, income inequality has major implications for the strength of housing demand going forward. Over the past five years, households of color accounted for more than three out of every four additional households **(Figure 19)**. Hispanic households drove 36 percent of household growth (400,000 per year) in 2014–2019, lifting their share of all households to 14 percent. Black households were responsible for 17 percent of growth (190,000 per year) and made up 12 percent of all households in 2019. Asian households accounted for another 15 percent (165,000 per year) of the increases, raising their share of all households to 5 percent. By comparison, white households drove 23 percent of household growth (260,000 per year) and still made up two-thirds of all households in 2019.

Households of color are a higher share of younger households and accounted for just over 90 percent of additional households under age 35. The numbers of Black, Hispanic, Asian, and other households of color aged 35–64 also increased enough to offset the 2 million decline in white households in this age range over the past five years, with Hispanic households contributing much of this growth. Diversity within the 65-and-over age group is also slowly increasing, with the white share declining from 80 percent to 78 percent in 2014–2019.

Although the resurgence of household formations among the large millennial generation pushed up the number of younger-adult households over the past five years, the age distribution of US households continues to shift upward. As the baby-boom generation (born 1946–1964) makes its way through the 65-and-over age range, they are replacing the much smaller generation that preceded them. As a result, households aged 65-and-over are rising faster than any other age group both in number and as a share of all households. Indeed, as the number of households under age 45 grew by a total of one million between 2014 and 2019, the number of households aged 65 and over increased by nearly a million households each year during that time, lifting the share of older households from 24 percent to 26 percent.

Meanwhile, the younger half of the baby boomers are moving through the 55–64 year-old age group. Given that this is still the largest 10-year cohort of US households, the younger boomers will

continue to support growth in the number of households age 65 and over for the near future, but fastest growth over the next decade will be in the population 75 and over, which is projected to increase by 48 percent in 2020–2030.

At the same time, the aging of Generation X—the smaller cohort born after the baby boomers—reduced the number of households aged 45–54 by some 1.6 million in 2014–2019, and by more than 400,000 in 2018–2019 alone. This age group will continue to shrink until the mid-2020s, when members of Gen-X will begin to age out of this age range and the oldest millennials will begin to move in.

CHANGING MIX OF HOUSEHOLD TYPES

With such rapid growth in the older population, single-person households and empty-nest couples have become the fastest-growing household types. Over the past five years, the total number of single-person households increased by 2.2 million, accounting for 40 percent of all household growth. Households age 65 and over drove fully 80 percent of the increase in single-person households. Meanwhile, the number of married couples without young children living at home grew by 1.8 million, or another 32 percent of all household growth. Households age 65 and over accounted for nearly all of the increase in these households.

Younger adult households have also spurred growth in single-person households and married couples without children, but also in the number of unrelated adults living together as roommates. The increase in these households reflects the long-term trend toward delayed marriage and childbearing. In fact, single-person households headed by people under age 35 now outnumber same-age married couples with children. Even so, the aging of the older millennials has lifted the number of married couples with children in the 35–54 year-old age group, and will continue to do so as more members of this large generation move into this age range.

Growth in the number and share of older adults, along with the limited housing options that younger adults can afford, has led to an increase in multigenerational living. The growing diversity of the population has also contributed to this rise, given that Hispanic, Asian, and foreign-born households are especially likely to be multigenerational. The number of two-generation households, consisting of adult children at least 25 years old and their parents, rose by nearly 1.8 million (15 percent) from 2014 to 2019, to 13.8 million—accounting for roughly one out of every three households added during that period. Meanwhile, the number of three-generation households—made up of grandparents and their adult children and grandchildren, who may or may not be adults—also grew over the past five years, increasing by just under 200,000 (4 percent) to 4.7 million.

THE OUTLOOK

The pandemic and its economic aftermath are almost certain to slow the pace of household growth in 2020 and beyond. Immigration is set to drop from its already low 2019 level, and COVID-related deaths will push mortality rates above recent averages. And with the economy at a standstill for much of this year, fewer young adults are likely to have the resources to form their own households.

Still, the sheer size of the millennial and the baby-boomer populations should help to sustain housing demand over the coming decade. The aging of the millennials—the largest and most diverse generation in US history—will drive up the number of households in their prime homebuying years. Millennials will also boost the number of families with children. Similarly, the baby boomers will increase the number and share of age 65-and-over households to unprecedented levels, pushing up the number of single- and two-person households.

But the question remains whether persistent inequalities in income and opportunity will continue to make housing unaffordable to millions of households of color. If the pandemic has demonstrated nothing else, it has clearly shown how many households, young and old, lack the financial resources needed to withstand economic downturns and pay for housing without sacrificing other basic necessities.



4 | HOMEOWNERSHIP

Demand for homeownership firmed through 2019 and, after a dramatic but temporary slowdown when the pandemic took hold, is on track for a strong year in 2020. Low interest rates are attracting homebuyers, while rising home prices are lifting the housing wealth of current owners. Preferences for homeownership also remain steady. At the same time, though, ongoing economic uncertainty has led to tighter credit conditions and left many owners struggling to pay their mortgages. The disparity in Black-white homeownership rates also continues to widen, highlighting the enduring impacts of discriminatory housing policies and structural racism.

HOMEOWNERSHIP RATE EDGING UP

The US homeownership rate began 2020 with some momentum. The Housing Vacancy Survey reported a national rate of 64.6 percent for 2019, up slightly from 64.4 percent in 2018. While still far below the peak of 69.0 percent in 2004, the homeownership rate had recovered by more than a percentage point from the 63.4 percent low in 2016. Meanwhile, the number of net new homeowner households jumped by 1.3 million annually on average from 2016 to 2019 **(Figure 20)**. Strong home sales over the summer suggest that the homeownership rate could increase again in 2020.

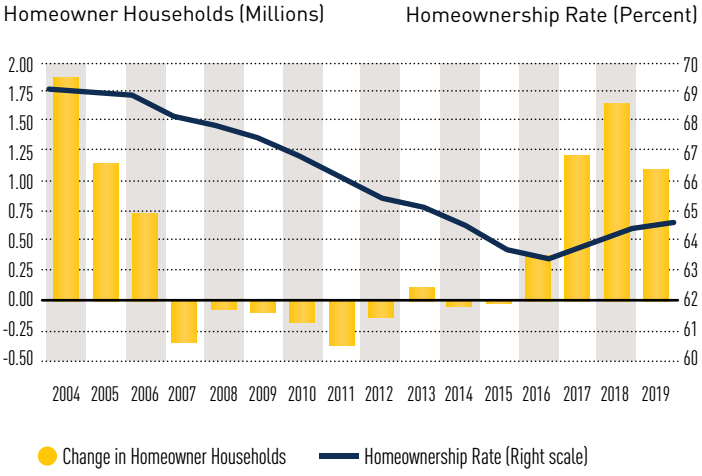
Some of the rebound over the last several years reflects rising homeownership rates among younger households. While older households traditionally have the highest rates, the gap between older and younger households widened sharply during the Great Recession as many households under age 45 delayed buying homes or returned to renting after selling or losing their homes to foreclosure. As a result, the homeownership rate for households under age 35 fell from a peak of 43.1 percent in 2004 and 2005 to just 34.6 percent in 2016, before climbing back up to 36.7 percent in 2019. The homeownership rate for households aged 35–44 dropped even more sharply from 69.3 percent in 2005 to a low of 58.5 percent in 2015, but recovered to 60.1 percent last year.

The aging of the US population has also helped lift the number of homeowners. With continued strong growth in the 65-and-over age group, the number of older homeowners increased by more than 2.5 million from 2016 to 2019. Over this same period, the aging of younger generations, along with the increase in their homeownership rates, pushed up the number of owners under age 35 by 800,000 and those aged 35–44 by nearly 700,000.

All of the recent growth in homeowners has been among households with higher incomes. According to the American Community Survey, the number of owner households increased by 4.9 million between

FIGURE 20

Growth in Homeowner Households Revived After 2016, Lifting the Homeownership Rate



Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

the post-Great Recession low in 2013 and 2019. This total represents 6.8 million more owners with real incomes over $75,000, offset by 698,000 fewer owners with incomes between $30,000 and $75,000 and 1.3 million fewer owners with incomes below $30,000. In fact, most recent gains have been among households with incomes of $150,000 or more, adding 4.3 million to the ranks of homeowners and accounting for more than 88 percent of net growth between 2013 and 2019.

MARKET STABILITY DESPITE ECONOMIC STRAINS

Even with strong income growth through 2019, the financial toll from the pandemic has left many homeowners struggling. Since April 2020, sizable shares of owners have reported that they have been unable to pay their mortgages on time. As of September, the Census Bureau's Household Pulse Survey found that 9 percent of the nation's 48 million homeowners with mortgages were behind on their housing payments.

With so many homeowners under pressure, the Federal Housing Finance Agency (FHFA) instructed Fannie Mae and Freddie Mac to suspend foreclosures for at least 60 days from mid-March, later extending the moratorium through the end of 2020. The Federal Housing Administration, US Department of Veterans Affairs, and US Department of Agriculture also enacted moratoriums through the end of the year. All told, these federal actions offered foreclosure protection to about 70 percent of single-family homeowners with mortgages. FHFA also directed Fannie Mae and Freddie Mac to purchase loans in forbearance (with mortgage payments suspended for up to 12 months), with guidance running through the end of October.

According to the Black Knight Mortgage Monitor (BKMM) report, some 6.3 million homeowners entered a forbearance plan between March and October, with a peak of more than 4.6 million households in active plans in May and June. Once the initial jolt to the housing market passed, however, many homeowners exited their plans and new forbearance starts declined. By the end of October, 3.0 million homeowners remained in forbearance, representing about 5.6 percent of all mortgages.

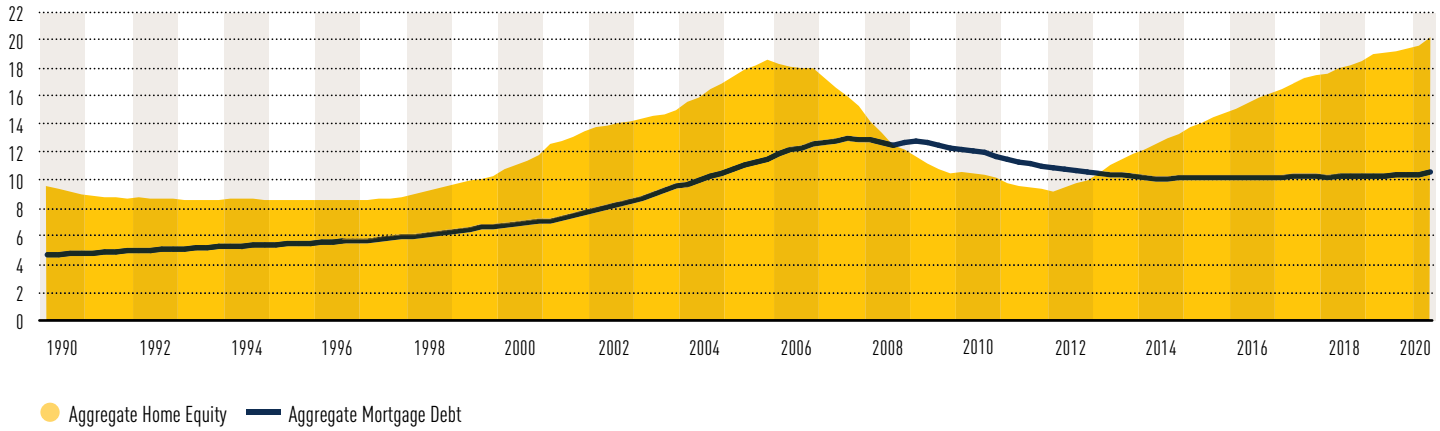
Despite these exits, many homeowners are still financially pressed. The BKMM report shows that the mortgage delinquency rate (including loans in forbearance with missed payments) spiked from a record low of 3.2 percent in early 2020 to 7.8 percent in May before falling back to 6.7 percent in September. This decline reflects a drop in the numbers of owners with payments 30 or 60 days past due, but the number of those that are 90 or more days past due is still growing. Of the 3.7 million owners who had exited forbearance by October, 68 percent were current on their mortgage payments, 15 percent had paid off their loans, 14 percent were delinquent but involved in active loss mitigation, and 2 percent were delinquent.

Fortunately, conditions today are much less threatening than before the foreclosure crisis. First, home price appreciation remains strong. According to the S&P CoreLogic Case-Shiller Home Price Index, seasonally adjusted prices surged 5.7 percent year over year in August 2020, compared to 3.1 percent in August 2019. In contrast, home prices were already falling as the economy headed into the Great Recession, leaving more and more homeowners underwater on their mortgages.

FIGURE 21

Home Equity Has Reached a Record High While Mortgage Debt Remains More Moderate

Trillions of 2020 Dollars

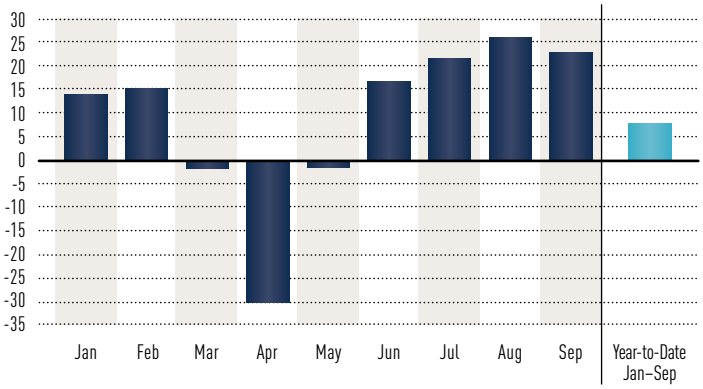


Note: Homeowner equity and mortgage debt are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of Federal Reserve Board, Financial Accounts of the United States via FRED.

FIGURE 22

After a Sharp But Brief Drop, Home Loan Applications Rebounded Quickly by June

Year-over-Year Change in Home Purchase Mortgage Applications (Percent)



Note: Monthly data are weekly averages.
Source: JCHS tabulations of Mortgage Bankers Association (MBA), Weekly Applications Survey via Moody's Economy.com.

Second, homebuyers are not as highly leveraged as they were entering the last downturn **(Figure 21)**. According to Federal Reserve Flow of Funds data, real home equity rose for 33 straight quarters from early 2012 to a new peak of $20.2 trillion in the second quarter of 2020. At the same time, mortgage debt grew only modestly to $10.6 trillion. The ratio of aggregate home equity to the value of real estate thus held at 65.6 percent, the highest level since mid-1990.

Third, federal interventions—including the foreclosure moratorium, forbearance plans, and stimulus payments—have allowed many homeowners to at least temporarily stay in their homes and suspend mortgage payments as their finances stabilize. With these protections in place, the Mortgage Bankers Association's (MBA's) National Delinquency Survey found that fewer than 265,000 loans were in foreclosure in the second quarter of 2020—the lowest level in more than two decades.

However, millions of homeowners did not benefit from these supports. According to an Urban Institute analysis, the majority of the nation's nearly 5 million owners of manufactured homes were excluded from federal foreclosure protections because their homes were titled as personal property rather than real estate. Many of these owners are in need of support, given that 35 percent work in industries that have had the greatest job losses during the pandemic. In addition, some 14.6 million owners with privately backed mortgages were not covered by federal forbearance plans and foreclosure moratoriums.

CONTINUED STRONG DEMAND FOR HOMEOWNERSHIP

According to the latest Home Mortgage Disclosure Act (HMDA) data, originations of first-lien mortgages for purchase of one- to four-family owner-occupied units rose steadily in 2019, to 3.85 million—the highest level since the homeownership peak in 2006. Originations remained strong at the start of 2020, with MBA reporting 891,000 in the first quarter, up from 830,000 in the first quarter of 2019.

Attitude surveys show continued enthusiasm for homeownership through 2019. According to Freddie Mac's Profile of Today's Renter and Homeowner conducted in April 2019, 61 percent of renter respondents said it was either somewhat or extremely likely they would ever own a home. Millennial renters (aged 23–38) are especially likely to see themselves as future homeowners, with 78 percent stating that they were somewhat or extremely likely to own. Among those expecting to move within the next five years or who were unsure about the timing of their move, 52 percent of millennial renters expected their next move to be to a home they buy.

The Fannie Mae National Housing Survey also reported a consistently positive view of homeownership and of homebuying conditions late last year, with 66 percent of respondents—both owners and renters—saying they would buy a home if they were going to move. Fannie Mae's Home Purchase Sentiment Index (HPSI) echoes these attitudes, rising 8.3 percentage points between January 2019 and January 2020 to 93.0. As the pandemic took hold, however, the HPSI plummeted from 92.5 in February to 63.0 in April before rebounding to 81.0 in September, when most components of the index were again trending positively.

After months of being largely confined to their homes, many households seem to be reexamining their housing options. Zillow reports that views of for-sale listings were up 42 percent year over year in June 2020, although searches largely focused on the same locations and types of homes as a year earlier. About two-thirds of potential homebuyers on the site looked for suburban properties in both years, and the shares searching for single-family detached homes and for homes over 3,500 square feet were relatively unchanged. Zillow did note an 83 percent jump in searches for newly built homes, which also tend to be located in suburban areas, but are only a small share of the for-sale market. Strong demand for homes is borne out by the jump in mortgage applications in the fall. According to the MBA's Purchase Applications Index, loan applications in late summer and into the fall were up more than 20 percent above year-earlier levels **(Figure 22)**.

SHARP CONTRASTS IN AFFORDABILITY

Continuing a decade of growth, US home prices increased again in 2020. The National Association of Realtors® (NAR) reports that the monthly median sales price of existing homes averaged $281,200 through the first six months of the year, a 3.3 percent rise in real terms from 2019. Meanwhile, the Freddie Mac Primary Mortgage Market Survey showed a steady drop in the 30-year fixed mortgage rate from 3.93 percent in 2019 to 3.51 percent in the first quarter

of 2020, 3.23 percent in the second quarter, and 2.95 percent in the third quarter—its lowest quarterly level going back to 1989. Weekly rates held under 3.00 percent from late July through the end of October. In addition to increases in household income, these record-low interest rates were enough to offset sustained price increases and reduce real homeownership costs in 2018–2020 for the first time since 2011–2012 **(Figure 23)**.

Black Knight estimates that 15.6 million homeowners are well-positioned to take advantage of these conditions by refinancing, potentially cutting their interest rates by 0.75 percentage point and saving an average of $289 on their monthly payments. Indeed, the MBA reported that 2.8 million borrowers of one- to four-family mortgages refinanced during the first half of 2020 as interest rates fell, more than triple the 810,000 that refinanced during the same period in 2019.

The Joint Center found that the drop in interest rates would benefit new homebuyers as well, despite a more than $9,000 increase in the median sales price of homes from 2019 to mid-2020. Assuming an interest rate of 3.37 percent (the average through the first half of 2020), new buyers could afford to borrow about $19,000 more but still keep their mortgage payments the same as they would have been in 2019. Alternatively, they could purchase the same-priced house as in 2019 and save $82 per month on their housing payments.

These conditions offer moderate-income buyers an opportunity to become homeowners. Based on a 30-percent-of-income affordability standard, a 30-year fixed rate, and an average downpayment for the area, NAR and Realtor.com® estimated that households with incomes under $75,000—close to the national median income for owner households—could afford 46 percent of the homes on the market in September 2020. Because of rising prices, however, this share is somewhat lower than the 49 percent posted in 2019. In addition, affordability varies widely across the country. In a third of the nation's 100 largest metros, households earning under $75,000 could afford less than 40 percent of homes for sale. And in nine of those metros (Boston, Los Angeles, New York, Oxnard, Sacramento, San Diego, San Francisco, San Jose, and Seattle), moderate-income households could afford less than 15 percent of for-sale homes.

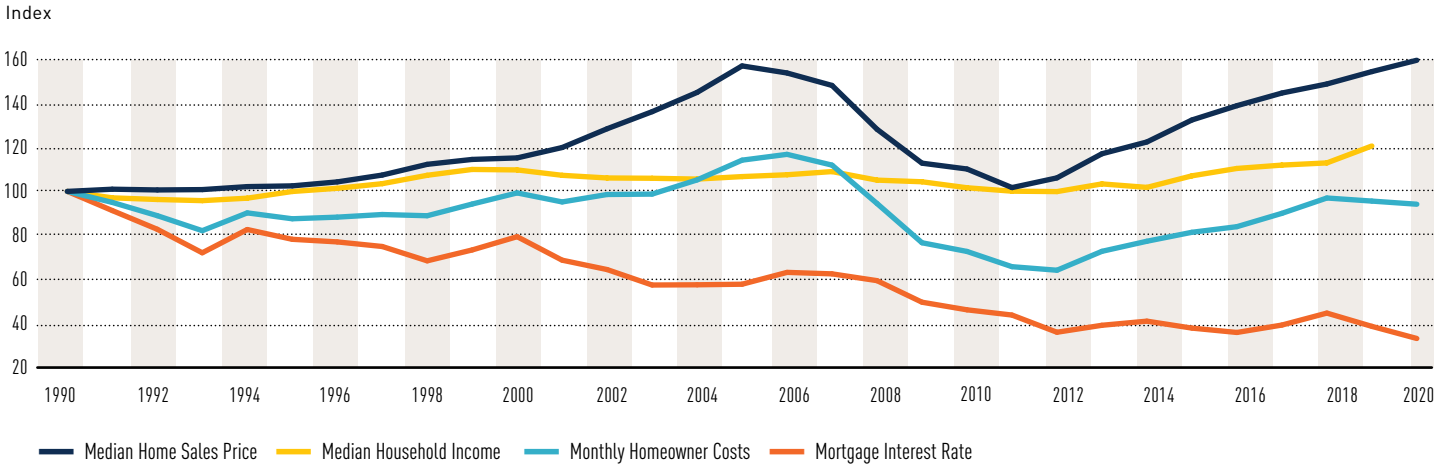
THE HIGH HURDLE TO HOMEOWNERSHIP

Both the upfront and long-term costs of homeownership are major constraints for first-time buyers. With the continuing climb in home prices, however, the lack of sufficient savings for the downpayment and closing costs has become an even greater barrier. The 2019 Profile of Today's Renter and Homeowner survey found that just under half of renters believed that not having enough money for upfront costs would be a "major obstacle" to buying a home. Large shares of respondents also considered being unable to afford monthly mortgage payments a major obstacle (41 percent), along with having mortgage payments higher than their current rents (40 percent).

Affordability is a particularly high hurdle for younger households with competing financial responsibilities. Some 27 percent of all renter respondents to the Freddie Mac survey—including more than a third of millennial renter respondents—adapted their housing

FIGURE 23

Higher Incomes and Lower Interest Rates Have Offset the Rise in House Prices, Bringing Down the Real Cost of Homeownership



Notes: House prices and monthly homeowner costs are adjusted to 2020 dollars using the CPI-U for All Items less shelter. Household incomes are adjusted to 2019 dollars using the CPI-U-RS for All Items. Monthly homeowner costs assume a 3.5% downpayment on a median-priced, existing single-family home (including condos and coops) with property taxes of 1.15%, property insurance of 0.35%, and mortgage insurance of 0.85%. Data for 2020 are the monthly averages from January to June.
Source: JCHS tabulations of NAR, Existing Home Sales; US Census Bureau, Current Population Surveys; Moody's Analytics Forecasts; Freddie Mac, Primary Mortgage Market Surveys.

choices to repay student debt. These renters typically chose to delay buying a home (22 percent), live in cheaper housing (22 percent), or live in smaller units (21 percent). In addition, 23 percent of all renter respondents and about a third of millennial renter respondents altered their housing choices to afford daycare or childcare costs. These renters chose to move to lower-cost areas (22 percent), cheaper housing (21 percent), or to live with family or friends (20 percent).

Another barrier to homeownership is a lack of full information on mortgage qualifications and low downpayment options. In a 2019 Consumer Mortgage Understanding Study, Fannie Mae found that respondents tended to overestimate the minimum credit score and downpayment requirements for buying a home, and to underestimate the maximum debt-to-income ratio that mortgage lenders would allow.

Moreover, only 23 percent of respondents were aware that low-downpayment programs existed. Indeed, the National Survey of Mortgage Originations found that fewer than half of borrowers taking out mortgages in 2017 were told about government programs providing low-downpayment options. While credit and financial constraints are very real barriers to homeownership for many, increased outreach to underserved communities and information about affordable loan options would improve access to ownership for those who want it.

TIGHTENING ACCESS TO MORTGAGE CREDIT

In addition to affordability constraints, tighter credit conditions limit access to homeownership at today's record-low interest rates. The MBA's Mortgage Credit Availability Index (MCAI) measures market tightness based on borrower characteristics (including credit score, loan type, and loan-to-value ratio), as well as lender and investor underwriting criteria. During the recovery from the Great Recession, the MCAI rose 90 points from December 2012 to December 2017 as access to credit eased, and then was essentially flat around 180 through the end of 2019. As the pandemic progressed in 2020, however, the credit availability index fell more than 60 points from January to September, holding near its lowest level in six years.

Mortgage borrowers need to have increasingly strong credit histories to qualify for loans. Indeed, data from the New York Fed Consumer Credit Panel and Equifax show that credit scores for borrowers of newly originated home purchase mortgages have generally been on the rise for two decades. From a low of 698 in the second quarter of 2000, the median credit score jumped to 743 in the first three quarters of 2003 and then held near 720 through the end of 2007. Since then, the median score fluctuated around the 760s before climbing to 770 in the fourth quarter of 2019. By the second quarter of 2020, the median score stood at 784—its highest level in records going back to 1999.

A 2019 Urban Institute analysis using Freddie Mac data highlights how reliance on credit scores poses a particular problem for Black households. The report found that more than half of white households had a FICO score above 700, compared with 21 percent of Black households. Structural racism and other systemic factors related to employment, income, and student loan debt for Black households all affect their credit scores, which do not take into account payment histories for other major items such as rent and utilities. Furthermore, nearly a third of Black households did not have a FICO score at all, compared with 18 percent of white households, effectively shutting these households out of the homeownership market.

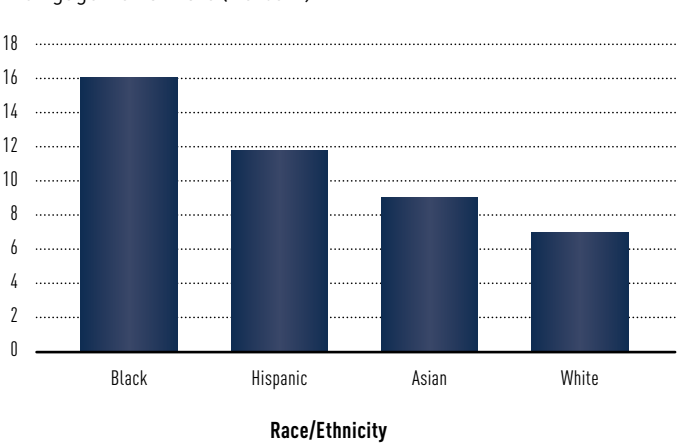
Reflecting differences in credit scores, among other factors, racial and ethnic disparities in loan denial rates persist. The 2019 HMDA data show that nearly 16 percent of Black applicants were denied home purchase loans, along with 11.6 percent of Hispanic applicants and 9.1 percent of Asian applicants. The comparable share of white applicants was just 7.0 percent **(Figure 24)**. An inadequate credit history is among the most common reasons for denial, especially for Black applicants.

THE WIDENING BLACK-WHITE HOMEOWNERSHIP GAP

For decades, official and unofficial housing policies at all levels of government, business practices of lenders and other private entities, and discrimination in other facets of society have worked to reduce the incomes, savings, and credit standing of households of color—and in turn, their access to homeownership. Even with today's better legal protections, the legacy of these actions is apparent in the chronic underserving of and underinvestment in communities

FIGURE 24

Black Households Experience Especially High Denial Rates for Mortgages



Notes: White households are non-Hispanic. Hispanic households are white only. Asian and Black households may be either Hispanic or non-Hispanic.
Source: JCHS tabulations of 2019 Home Mortgage Disclosure Act data.

of color, persistent residential segregation, dramatic disparities in home values, and the enduring—and widening—gap in homeownership rates between white households and households of color.

The largest disparity in homeownership rates continues to be between white and Black households. According to the Housing Vacancy Survey, the homeownership rate for white households ticked up from 73.0 percent in 2018 to 73.3 percent in 2019, while the homeownership rate for Black households was essentially flat at 42.8 percent. This 30.6 percentage point gap is the largest disparity since 1983. And even though the number of Black households increased by some 3.1 million between 2000 and 2019, the number of Black homeowner households rose by just 786,000.

Much of the growing homeownership gap reflects the fact that Black households face greater difficulty buying homes because of their lower average incomes and credit ratings, as well as explicit and implicit biases throughout the lending and buying processes. Homeownership rates for younger and middle-aged Black households thus remain well below their rates two decades earlier, as well as current rates for other racial and ethnic groups **(Figure 25)**. Between 2000 and 2019, homeownership rates for Black households under age 35, aged 35–44, and aged 45–54 were all down 7–10 percentage points. By 2019, Black homeownership rates for these age groups were 28–34 percentage points lower than for same-age white households, 8–12 percentage points lower than for same-age Hispanic households, and 14–24 percentage points lower than for same-age Asian households.

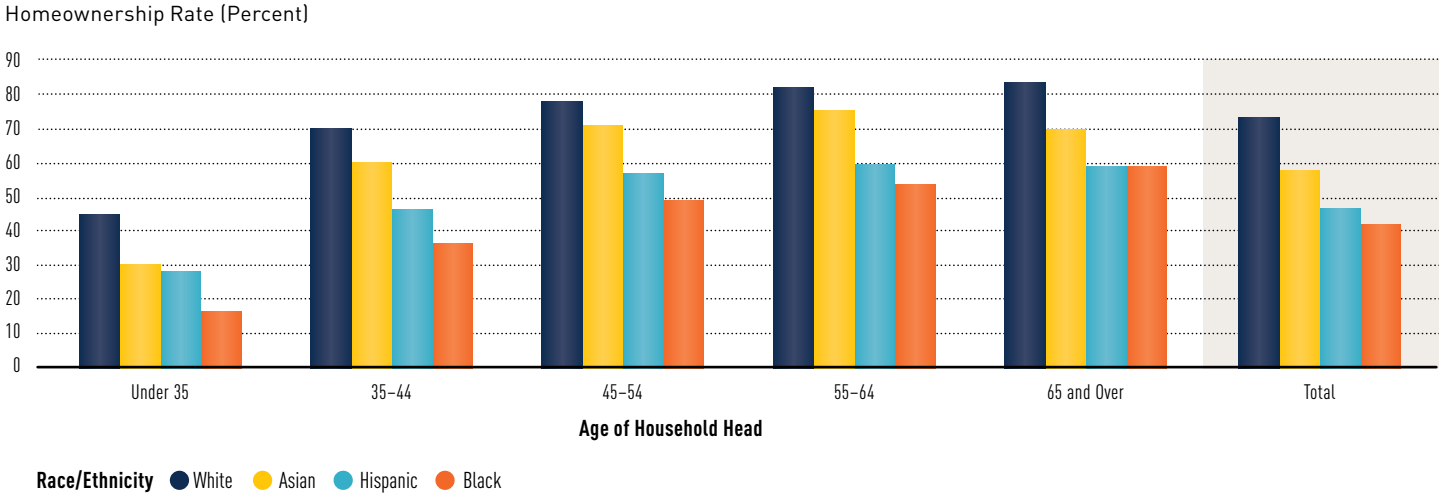
In addition, some of the growing Black-white gap is due to the disproportionate impact of the foreclosure crisis on Black homeowners. Analysis by the Center for Responsible Lending found that Black owners were 76 percent more likely than white owners to lose their homes between 2007 and 2009. Indeed, the homeownership rate for Black households now aged 55–64, one of the age groups most likely to have owned homes when the foreclosure crisis hit, fell from a peak of 66.9 percent in 2005 to just 53.6 percent in 2019. Although the homeownership rate for white households in this age group also declined during the housing downturn, it was just 4 percentage points short of the 85.9 percent peak by 2019. As a result, the Black-white homeownership gap for this age group stood at 28.3 percentage points last year.

Racial disparities in homeownership also increased within the 65-and-over age group. In 2000, 82.9 percent of older white households were homeowners, compared with 70.2 percent of same-age Black households. The homeownership rate for older white households remained in the 80–85 percent range for the next two decades, while the rate for older Black households peaked at 71.3 percent in 2003 and then dropped to 58.9 percent in 2019—doubling the gap to nearly 25 percentage points.

Although still underrepresented, Hispanic and Asian households have become a larger share of owners as their populations have grown. By the Current Population Survey's count, Hispanic households made up 7.7 percent of homeowners in 2000 and 10.0 percent in 2019. Similarly, the share of Asian homeowners nearly doubled

FIGURE 25

Homeownership Gaps Persist Across All Age Groups, with the Largest Disparities Between Black and White Households



Notes: White, Asian, and Black householders are non-Hispanic. Hispanic householders may be of any race.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys via IPUMS CPS, University of Minnesota, www.ipums.org.

from 2.5 percent to 4.8 percent over this period. These households also account for growing shares of recent homebuyers, with Hispanics making up 12.1 percent of households that bought within the previous year and Asians making up 5.5 percent in 2019, up from 9.6 percent and 3.5 percent, respectively, in 2000. In contrast, the share of Black households among recent homebuyers fell from 9.1 percent in 2000 to 6.9 percent in 2019, slightly worsening their underrepresentation among homeowners.

THE OUTLOOK

Entering 2020, both the national homeownership rate and the number of owner households were on the rise as more young and high-income households bought homes. The aging of the population also helped to lift the number of households into age groups with traditionally high homeownership rates. Attitudes toward and interest in homeownership remained positive, and demand for homeownership was strong. Although many homeowners struggled to make their mortgage payments when the pandemic hit, government interventions, rising home values, and high levels of home equity have so far kept a foreclosure crisis at bay.

Looking ahead, record-low interest rates should keep homebuying on the rise despite tighter credit conditions. However, inequality in the homeownership market may well increase. Current homeowners able to refinance may be able to reap savings on their monthly payments while also enjoying the benefits of rising home equity. But distressed owners now in forbearance plans will have to make up for missed mortgage payments over time, adding to their financial pressures. And for those buying for the first time, homeownership is increasingly out of reach for all but the highest-income households, particularly in many of the nation's largest metro areas.

Moreover, the pandemic has had a disproportionately large impact on lower-income workers, placing those that own homes at higher risk of foreclosure and limiting renter households' ability to save for future downpayments. Other real barriers to homeownership also remain, including tight credit conditions, competing financial demands, and, significantly, the far-reaching impacts of exclusionary housing policies. Efforts to expand access to homeownership as well as educational and economic opportunity must not only address current economic pressures but also confront the lasting legacy of discriminatory housing policy head on.



5 | RENTAL HOUSING

The economic fallout from the pandemic has hit renter households particularly hard. Despite widespread job losses and limited income support, however, most have continued to make their rent payments. After a sharp spike in the summer, rental construction resumed a more moderate pace in September, but sales of multifamily properties fell amid rising vacancy rates and ongoing uncertainty. Meanwhile, with most new units intended for the high end of the market and continued losses of low-cost units, rental affordability continues to erode, and the concentrated location of affordable units reinforces inequities.

HARDSHIPS FOR TENANTS AND LANDLORDS ALIKE

Renter households have been especially vulnerable to the economic disruption caused by COVID-19. According to the Census Bureau's Household Pulse Survey, 49 percent of renter households reported at least some lost employment income between mid-March and mid-September—a much larger share than the 36 percent of homeowners. Income losses have been widespread, affecting some 59 percent of Hispanic renters, 53 percent of Black renters, and 45 percent of white renters.

Nevertheless, most renters continued to make rent payments. As of late September, 15 percent of renter households responding to the Household Pulse Survey said that they were behind on rent. Meanwhile, the National Multifamily Housing Council (NMHC) reports that just 5 percent of the tenants in professionally managed apartments did not make payments by the end of September, a difference of just 0.9 percentage point from a year before. Even in April, when rent payments were down the most (3.1 percentage points), 95 percent of renters still made payments.

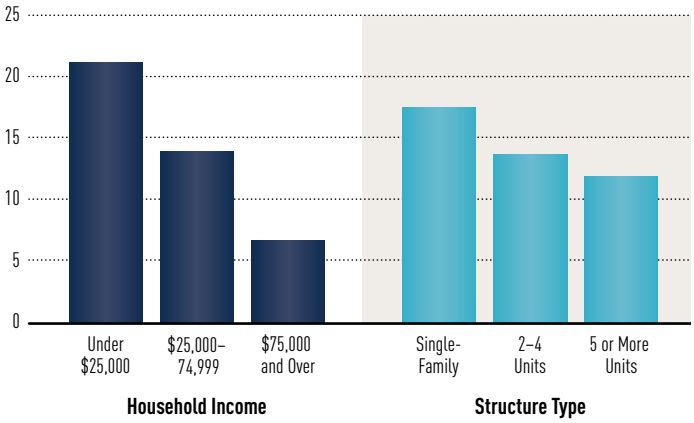
However, these professionally managed multifamily units make up only about a quarter of the rental stock. Tenants in these buildings typically have higher incomes and are therefore less likely to miss rent payments. Indeed, the Household Pulse Survey found that just 7 percent of renter households making at least $75,000 were behind on rent in late September, closely aligning with the NMHC rent collections rate. At the same time, though, some 21 percent of renters making less than $25,000 reported being behind on rent in September **(Figure 26)**. A larger share of tenants also reported being behind on rent in single-family (17 percent) and small multifamily rentals (14 percent)—the types of units that are not typically professionally managed.

As a result, the landlords of smaller rental properties may already be struggling to cover their costs. ApartmentList reports that tenants

FIGURE 26

Many Tenants with Lower Incomes and in Small Rental Buildings Have Had Difficulty Keeping Up with Rent

Share of Households Behind on Rent as of September 2020 (Percent)



Note: Households behind on rent reported that they were not caught up at the time of survey.
Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

of buildings with under 50 units were more likely to make partial payments or to miss a payment in the first week of July than those living in larger multifamily buildings. Avail's survey of smaller landlords, who typically own just one to four units, also found that incomplete rent payments increased 93 percent from March to May 2020, with more than a third of these landlords pulling from savings or emergency funds to cover the shortfall.

Short-term income supports have helped to keep some households afloat so that they could cover their rents. The Household Pulse Survey from late September found that 28 percent of renters used their one-time federal stimulus checks to cover basic needs, including rent, and 17 percent used unemployment insurance benefits. But many households also had to turn to other financial supports. Nearly a quarter of renters borrowed money from friends or family to cover costs, and 27 percent drew on savings. Since nearly half of renter households have savings of less than $1,000 and their rents typically exceed that amount, many have likely depleted their emergency funds.

SHIFTING DEMAND FOR RENTAL HOUSING

After a two-year slowdown, renter household growth resumed in 2019 with the addition of 301,000 households. The number of renter households held steady in the first quarter of 2020, increasing by a modest 18,000 year over year **(Figure 27)**. As a result, the share of US households renting their housing continued to decline, dipping to 35.2 percent in the first quarter—its lowest point in six years.

But even as overall rental demand slowed in recent years, American Community Survey data indicate that the number and share of higher-income renters were on the rise. Some 7.9 million renter households were added between the homeownership peak in 2004 and 2019, bringing the total number to 44.0 million. With higher-income households driving over half of this growth, the number of renter households with incomes of at least $75,000 increased by 4.6 million in 2004–2019 and their share of renter households jumped from 18 percent to 26 percent.

Meanwhile, the number of renter households with incomes under $30,000 grew by just 654,000 over this interval, reducing their share of renters from 42 percent to 36 percent. Indeed, the number of lower-income renter households was on the decline in recent years, including a drop of more than 750,000 in 2019 alone. However, the massive job losses due to the COVID-19 pandemic could reverse this trend, increasing both the number and share of renter households with lower incomes.

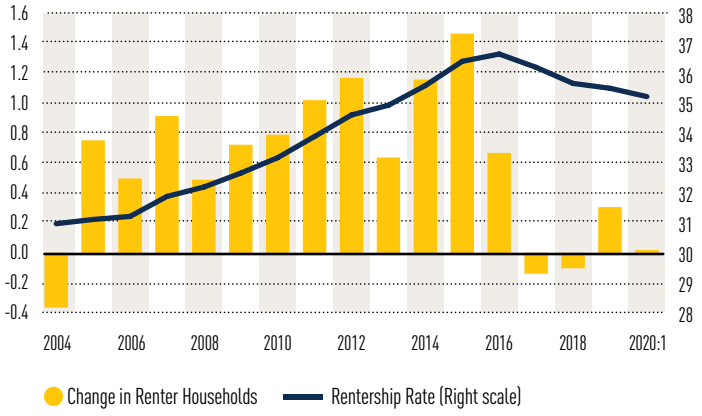
The racial and ethnic diversity of renters increased from 2004 to 2019, with households headed by a person of color accounting for about three-quarters of growth and foreign-born households making up more than a quarter of the growth. As a result, the share of renter households headed by a person of color increased 6 percentage points over this period, to 48 percent—well above their 33 percent share of all US households. And regardless of their incomes, households of color, particularly Black and Hispanic households, are more likely to rent their housing than white households.

With the aging of the population, adults age 55 and over drove about two-thirds of renter household growth in 2004–2019, lifting their share of all renters from 22 percent to 30 percent. Indeed, the rentership rate for older adults continued to increase in 2019, with their numbers up 327,600. While households under age 35 still made up just over a third of all renters, the slowdown in their household formation rates kept their share of renter household growth to only 4 percent over this period. Although the number of younger renters picked up by about 110,000 in 2018–2019, the pandemic will likely slow any gains in 2020.

Temporary college closures and rising unemployment among younger workers may also stifle rental demand and encourage more households to double up. Nontraditional households, such as adults living with parents or unrelated individuals, were already a fast-growing household type before the pandemic, accounting for a third of renter household growth in 2004–2019. Indeed, roommate households and adult children living with parents made up a fifth of all renter households last year. Nontraditional households are most common in expensive housing markets, suggesting that these living situations are related to rental affordability.

FIGURE 27

Growth in Rental Demand Was Flat Even Before the Pandemic Hit



Note: Estimates for 2020:1 are based on year-over-year change in the four-quarter trailing average.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

COOLING AT THE HIGH END

Although still positive, rent growth slowed slightly from March to September 2020 as the pandemic progressed. In September, however, the Consumer Price Index for rent of primary residence (a stable measure of overall rent growth that rarely shows nominal declines) rose at a 3.4 percent annual rate—down 0.3 percentage point from March but still more than four times the pace of prices for all other items. CoreLogic's Single-Family Rent Index also showed continued growth of 1.7 percent in July 2020, although a slowdown from 2.9 percent a year earlier.

At the same time, however, nominal rents for professionally managed apartments were falling. According to CoStar, rents for units in higher-quality (4 & 5 Star) properties were down by 1.6 percent year over year in the second quarter of 2020. This was the first actual decline since 2010 and a significant drop from the 2.7 percent increase a year earlier. Rents for top-quality units continued to slide in the third quarter, off 2.2 percent year over year. Rent growth for moderate-quality (3 Star) properties slowed somewhat less, easing from 3.1 percent in the third quarter of 2019 to 1.2 percent in the third quarter of 2020. The slowdown in the lower-quality (1 & 2 Star) segment was even more modest, with rent growth dipping from 2.7 percent to 1.7 percent.

The third-quarter cooldown in rent growth was widespread geographically, with about a third of the 150 markets tracked by RealPage reporting year-over-year declines. By comparison, only eight markets posted rent decreases a year earlier. Rents for professionally managed units dropped by more than 2 percent in 20 markets, 17 of which were in the South or West. Declines of more than 4 percent were posted in 11 markets, including Boston, Los Angeles, New York, and San Francisco.

Softening rents in professionally managed properties reflect rising vacancy rates. CoStar data indicate that the vacancy rate for apartments in buildings with at least five units rose to 6.9 percent in the second quarter and held at 7.0 percent in the third quarter of 2020, nearly a full percentage point higher than a year earlier. Vacancy rates climbed the most in the higher-quality segment, up nearly 2 percentage points year over year in the third quarter, to 10.5 percent. Meanwhile, the vacancy rate at the lower end of the market inched up only 0.2 percentage point to 5.3 percent.

Of the 150 markets tracked by RealPage, third-quarter vacancy rates were up year over year in 93 markets, with increases of more than 1.0 percentage point in 32. Within markets, CoStar reports that the biggest increases were in expensive, high-density urban areas, where rates jumped 3.0 percentage points **(Figure 28)**. The vacancy rate in these prime areas hit 9.1 percent in the third quarter as the rental supply increased by 3.8 percent but demand rose just 0.5 percent. In contrast, rental supply and demand in suburban areas were in close balance, lifting the vacancy rate by just 0.2 percentage point.

RealPage data confirm that expanding supply and faltering demand are behind the jump in rental vacancy rates. Second-quarter completions of new units outpaced the growth in renter households in 92 markets, and net demand fell in 44 markets. Several of the metros with a drop-off in rental demand were high-cost markets, including some that were initially hard hit by COVID-19, such as Boston, New York, and San Francisco. Rental demand regained strength in the third quarter, with especially large increases in Southern and Western markets. Completions of rental units exceeded renter household growth in just 29 markets and net demand was down from the previous quarter in only 11.

While not yet capturing the third-quarter uptick in demand, the Survey of Market Absorption indicates that apartment take-ups at the high end of the market slowed sharply during the spring. Only a third of new units completed in the first quarter of 2020 and renting for more than $2,050 were leased within three months, the lowest absorption rate posted in the last five years. By comparison, two-thirds of newly completed units with rents under $1,050 were leased within three months.

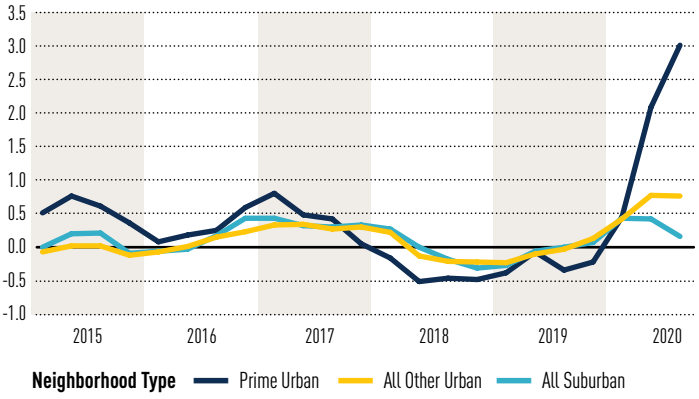
SLOWDOWN IN MULTIFAMILY INVESTMENT

After reaching a 12-year high at the end of 2019, the volume of apartment property transactions plunged 68 percent year over year in the second quarter of 2020 **(Figure 29)**. A slowdown in apartment

FIGURE 28

Vacancies Have Climbed Sharply in Prime Urban Areas

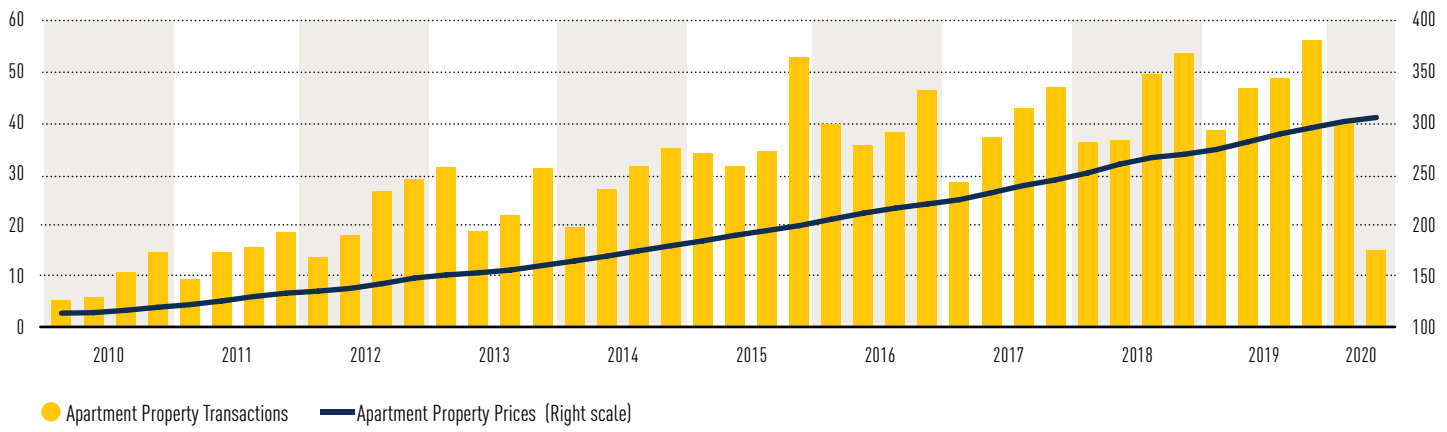
Year-over-Year Change in Vacancy Rate (Percentage points)



Notes: Prime urban areas are the most expensive urban markets. Urban/suburban areas are defined based on density in the 54 largest markets that CoStar tracks.
Source: JCHS tabulations of CoStar data.

FIGURE 29

Sales of Apartment Properties Plunged in Early 2020, But Prices Continued Their Ascent



Note: Apartment property prices are nominal and indexed to 2000.
Source: JCHS tabulations of Real Capital Analytics data.

price growth accompanied the sharp drop in transactions. According to Real Capital Analytics data, year-over-year price growth exceeded 9 percent through April 2020 but then fell steadily to 6.7 percent in September—the lowest year-over-year pace since early 2011.

Although still modest, delinquency rates for multifamily loans ticked up slightly from a near-historic low of 0.12 percent in the first quarter of 2020 to 0.19 percent in the second quarter. Defaults have likely remained low because most tenants continued to make rent payments and owners could use cash reserves to cover temporary shortfalls.

But with fewer transactions and weaker price gains, the total volume of multifamily mortgage originations fell 13 percent from the first to second quarters of 2020, leaving originations down 24 percent from a year earlier. While volumes at commercial banks and life insurance companies and held in commercial mortgage-backed securities declined, Fannie Mae and Freddie Mac continued to support the multifamily market with a 25 percent increase in originations.

With uncertainty in the market, multifamily credit conditions tightened going into the second quarter of the year. Nearly half of the respondents to the Federal Reserve Board's Senior Loan Officer Survey in April said that credit had tightened considerably, and none reported that it was easing. This was a sharp shift from January, when 94 percent responded that credit was either unchanged or easing. For investors that are able to obtain credit, however, mortgage interest rates remain at historic lows.

A sharp drop in net operating income (NOI) may signal problems ahead. According to the National Council of Real Estate Investment Fiduciaries, NOI grew at a strong 5.4 percent annual rate at the end of 2019, but then fell 1.5 percent in the second quarter of 2020—its first decline since 2010. The third quarter was even worse, with NOI down 10.3 percent. With vacancy rates rising, rent collections lagging, and pandemic-related expenses increasing, the net operating incomes of rental property owners will likely continue to fall in the coming months.

MODERATING GROWTH OF MULTIFAMILY CONSTRUCTION

Multifamily construction fluctuated wildly this year before settling back to a more sustainable pace in late summer. After reaching a 30-year high of 389,000 units in 2019, starts of multifamily buildings with at least five apartments jumped to a 426,000 unit annual rate in the first quarter of 2020. But once the pandemic hit and some state and local governments halted non-essential construction activity, seasonally adjusted starts fell 37 percent year over year in April and 31 percent in May. Multifamily starts then bounced back to their 2019 level in June and spiked in July, before gradually easing to a seasonally adjusted annual rate of 295,000 units in September.

Meanwhile, completions of multifamily apartments slowed from a 343,000 to a 335,000 unit seasonally adjusted annual rate in the first quarter of 2020. Much of this decline came in February when the seasonally adjusted number of new units coming on the market was down 43 percent from the year-earlier peak. Activity in the following two months was also weak, with completions falling 20 percent year over year in April and 3 percent in May. Even so, completions were already more than 10 percent higher in June and July than a year earlier, before climbing to a strong 480,000 annual rate in September.

Following the pandemic, changes in remote work policies could alter demand for the type and location of rental housing. In 2019, the majority of multifamily permits issued (53 percent) were in the core areas of major metros. In addition, 49 percent of newly completed units were efficiencies or one-bedroom apartments, and 58 percent were located in large buildings with at least 50 units. However, the number of new single-family homes intended as rentals has been on the rise in recent years, accounting for 51,000 seasonally adjusted completions in the second quarter of 2020. This could mark the start of a trend, with rental demand shifting to larger single-family homes that can accommodate home offices, units in smaller multifamily buildings with fewer shared amenities, and suburban locations that provide more outdoor space.

AFFORDABILITY CHALLENGES FROM STOCK SHIFTS

Well before 2020, changes in the composition of the housing stock had already made renting less affordable. The rental supply grew by 7.5 million units from 2004 to 2019, to a total of 47.4 million. Most of these additions (6.6 million) were either single-family rentals or units in buildings with at least 20 apartments **(Figure 30)**. Meanwhile, the supply of apartments in multifamily buildings with two to four units fell by 38,000.

The impacts of these stock changes are clear. Apartments in larger multifamily buildings and single-family rentals are typically more expensive than those in smaller multifamily structures. Including utilities, the median rent for apartments in buildings with 20 or more units was $1,200 in 2019 (up 29 percent in real terms from 2004) and the median for single-family rentals was also $1,200 (up 19 percent). By contrast, the median rent for apartments in small multifamily buildings increased just 13 percent over this period, to $975.

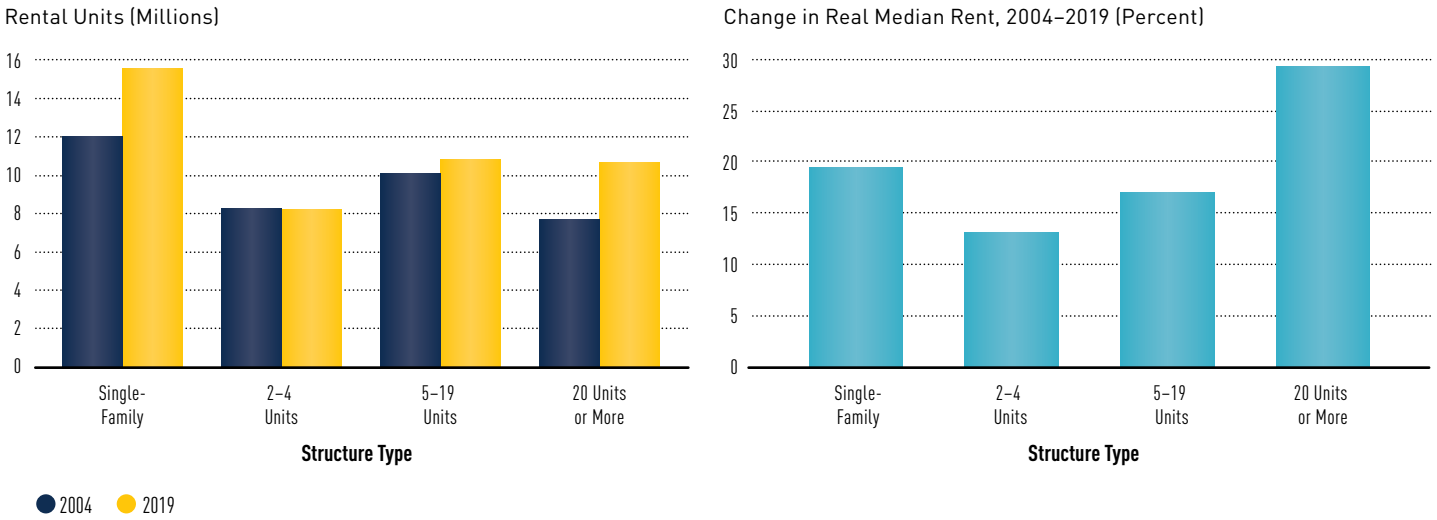
Meanwhile, the real median rent for occupied units increased 20 percent from 2004 to 2019. The number of units with real contract rents of at least $1,000 rose by 10.4 million over this period while the number renting for under $600 fell by 2.5 million. Losses of the low-rent stock were concentrated in small multifamily buildings, where the supply fell by more than 850,000 units. The number of low-rent apartments built before 1970 also declined by 2.1 million over this period, and 44 percent of the low-rent supply was at least 50 years old in 2019. As the rental stock continues to age and landlords of some smaller buildings are unable to collect full rents, more low-cost units will be at risk of deterioration or loss.

ROLE OF RENTAL STOCK LOCATION IN INEQUALITIES

Although rental units make up about a third of the housing in the average census tract, the distribution of the stock is highly uneven. About half of all rental units nationwide are located in just under a quarter of census tracts. Rentals make up more than 80 percent of the stock in just 4 percent of tracts, which are generally located in urban areas. Conversely, the housing in nearly a

FIGURE 30

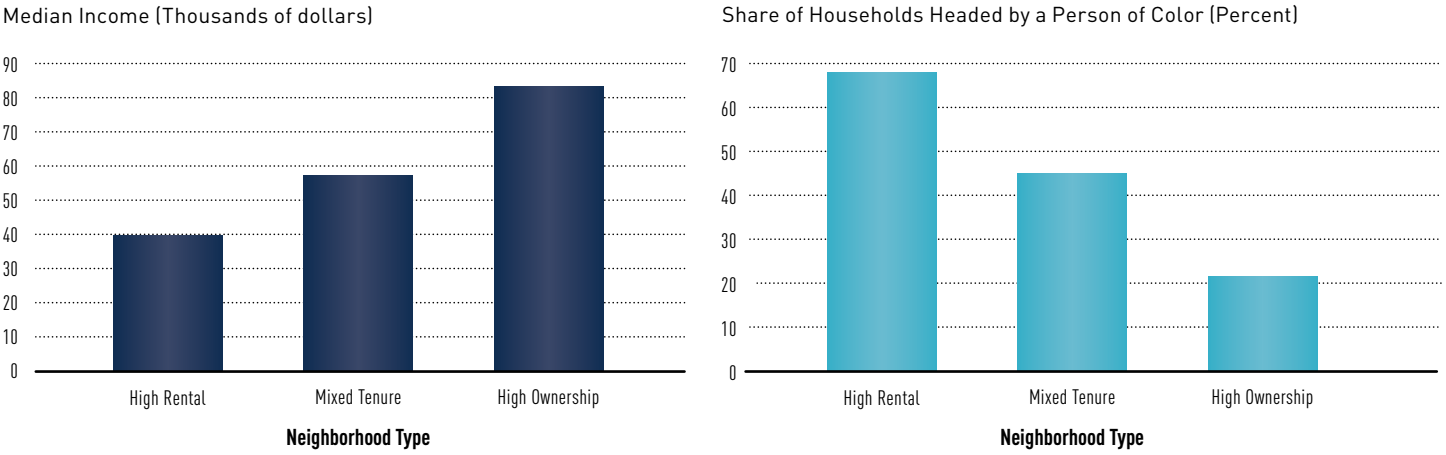
The Rental Stock Has Shifted Toward Single-Family Homes and Large Multifamily Buildings, Where Rents Have Risen the Most



Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied. Median rents are adjusted for inflation using the CPI-U for All Items Less Shelter. Median rents are for occupied units only and exclude units occupied without payment of rent.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

FIGURE 31

The Geographic Concentration of Rental Housing Contributes to Economic and Racial Segregation



Notes: Neighborhoods are census tracts. The housing stock in high-rental neighborhoods is more than 80 percent rental, while the stock in high-ownership neighborhoods is more than 80 percent owner-occupied or vacant for sale. Estimates are neighborhood averages.
Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 5-Year Estimates.

third of census tracts is at least 80 percent owner-occupied and typically located in suburban areas. And even though high-ownership neighborhoods far outnumber high-rental neighborhoods, they contain about the same share (10–12 percent) of the entire rental stock.

The spatial concentration of rental housing serves to perpetuate economic and racial segregation **(Figure 31)**. On average, the median household income in high-rental neighborhoods is less than half that in high-ownership neighborhoods. In addition, people of color head just over two-thirds of households in high-rental neighborhoods, or about twice their share of all households. Indeed, some 23 percent of households in high-rental neighborhoods are Black and 32 percent are Hispanic. In high-ownership neighborhoods, however, people of color make up just 20 percent of households, including 6 percent who are Black and 8 percent who are Hispanic.

Low-rent units are even more geographically concentrated than the overall rental stock. Half of the units with rents under $600 are located in just 12 percent of census tracts nationwide. Many of these rentals are in micropolitan areas and in small- to medium-size metros where rents tend to be cheaper. The low-rent stock is also more spatially dispersed in less expensive metros such as Little Rock, McAllen, and Scranton, but highly concentrated in the most expensive markets, including Honolulu, New York, and Washington, DC.

Federally subsidized units are the most spatially concentrated of all rentals. About half of all affordable units subsidized by tax credits are located in just 5 percent of census tracts. The project-based HUD stock, including public housing, is similarly concentrated in just 4 percent of tracts. Although somewhat more dispersed, about half of the private-market units that accept vouchers are located in 10 percent of tracts. On average, neighborhoods with the most subsidized units have higher rentership rates, lower median incomes, and more households of color than those with the least subsidized housing, directly reinforcing long-standing patterns of economic and racial segregation.

THE OUTLOOK

The full effects of COVID-19 on renter households and on the rental housing market remain to be seen. As it is, rental demand is likely to continue to moderate as income and job losses prevent younger adults from forming their own households and historically low mortgage rates encourage more higher-income renters to buy homes. At the same time, however, if foreclosure prevention measures now in place are ended, rental markets could see an influx of former homeowners.

In the near term, demand for higher-quality properties in urban areas and in expensive markets may cool further. The extent of the decline will largely depend on the persistence of the pandemic, the speed of the employment recovery, and the effectiveness of the policy response. Lower-income renters, especially those who have lost wages, are likely to see little relief from rising rents and limited housing choices, although the downward filtering of higher-end apartments could help to expand the affordable stock. But without a significant jobs recovery and a renewal of income or rental supports, more and more households may have difficulty paying their rents, in turn adding to the financial distress of property owners.



6 | HOUSING CHALLENGES

The COVID-19 pandemic has laid bare the connections between racial and income inequality and the nation's longstanding housing policy challenges. Even before the pandemic, housing affordability was at crisis levels, especially among low-income renters of color, and the current economic meltdown has revealed just how many millions of vulnerable households could be one rent payment away from eviction and homelessness. Short-term federal aid has helped some households weather the storm, but much more housing assistance—and housing supply—is necessary to counter the combined effects of the affordability crisis and the pandemic.

THE CONTINUING AFFORDABILITY CRISIS

Even before the pandemic-induced downturn, the number of US households with cost burdens held near record highs. Indeed, with the economy near full employment in 2019, some 37.1 million households (30.2 percent) spent more than 30 percent of their incomes on housing **(Figure 32)**. Of this group, 17.6 million households had severe burdens, paying more than half their incomes for housing. Although on a downtrend, the number of cost-burdened households was still 5.6 million higher last year than in 2001.

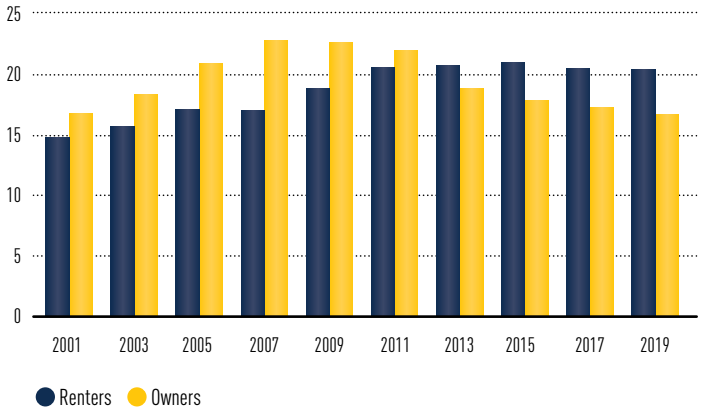
Housing affordability problems are more than twice as common among renters than among homeowners. Even with a 1.2 percentage point decline in 2018–2019, 46.3 percent of renter households were cost burdened last year, including 23.9 percent with severe burdens. Meanwhile, the share of cost-burdened homeowner households was down 1.4 percentage points, to 21.2 percent, and the share with severe burdens was at 9.0 percent. Still, the total number of cost-burdened homeowners (16.7 million) was not far below the number of cost-burdened renter households (20.4 million).

With affordability challenges moving up the income ladder, cost-burden rates among middle-income households edged up again last year. Although still stubbornly high at 83.5 percent, the share of cost-burdened households earning less than $15,000 per year actually dipped by 0.4 percentage point from 2018 to 2019. The rate for households earning $15,000–29,999 also declined by 0.9 percentage point. At the same time, though, the cost-burdened share increased 0.1 percentage point for households with incomes in the $30,000–44,999 range and 0.2 percentage point for those with incomes in the $45,000–74,999 range.

FIGURE 32

Despite Recent Progress, the Number of Cost-Burdened Households Still Exceeds 37 Million

Cost-Burdened Households (Millions)



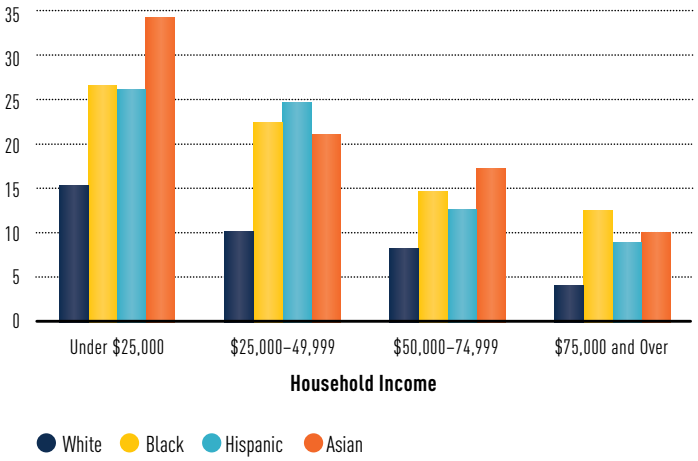
Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

The nation's youngest and oldest households are the most likely to be cost burdened. Households under age 25 have the highest cost-burden rates, including more than half (53.8 percent) of the 4.4 million house-

FIGURE 33

Households of Color Are More Likely to Have Fallen Behind on Housing Payments

Share of Households Behind on Rent/Mortgage in September 2020 (Percent)



Notes: Households behind on rent or mortgage reported that they were not caught up at the time of survey. White, Black, and Asian households are non-Hispanic. Hispanic households may be of any race.
Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

holds in this age group. The shares with burdens decline for each successive age group through ages 45–54, but rise thereafter. Cost-burden rates are especially high among those age 85 and over. Indeed, households in that age group had the second-highest cost-burdened share in 2019, with 1.5 million of the 4.0 million households in this age range (36.8 percent) paying more than a third of their incomes for housing.

For older homeowners more generally, having mortgage debt can make the difference between being cost burdened and not. The share of homeowners with housing debt at age 65 and over more than doubled from 1989 to 2019, while the median loan-to-value ratio on that debt nearly tripled to 36.8 percent. By 2019, 40.2 percent of older homeowners with mortgages (3.8 million) were cost burdened, compared with only 14.7 percent (2.4 million) of same-age owners without mortgages.

Among renters, Black and Hispanic households are particularly likely to have cost burdens. Black renters have the highest share at 53.7 percent, followed closely by Hispanic renters at 51.9 percent. By comparison, 41.9 percent of white renters were cost burdened last year, along with 42.2 percent of Asian renters and 46.6 percent of renter households identifying as multiracial or another race. Across most income groups, households of color are more likely to be cost burdened than white households.

DISPARATE IMPACTS OF THE PANDEMIC

The economic fallout from the pandemic has compounded affordability challenges. The unemployment rate soared from 3.5 percent in February to 14.7 percent in April, with 20.5 million jobs lost in that month alone. As of September, the unemployment rate had declined to 7.9 percent, although the number of unemployed persons remained high at 12.6 million. The households hardest hit by job losses were also the groups most likely to be cost burdened—renters, lower-income households, and households of color.

The pandemic has had a disproportionately large economic impact on people of color. Some 54 percent of Hispanic households reported income losses between March and September, along with 47 percent of Black households and 39 percent of Asian households. The share of white households was 37 percent. Across all income groups, Hispanic households are consistently the most likely to have lost income this year.

Despite federal stimulus payments and extended unemployment benefits early in the pandemic, many households still struggled to cover their housing costs. As of late September, 15 percent of renter households were behind on their rents and 9 percent of homeowners with mortgages were behind on their payments. Lower-income households were significantly more likely to miss payments, including 21 percent of renters and 20 percent of homeowners earning less than $25,000 per year. But even among households with incomes of at least $75,000, 7 percent of renters and 5 percent of homeowners were behind on their housing payments by late September.

The shares of Black and Hispanic households behind on housing payments were more than twice as high as that of white households. Among renters, 23 percent of Black households and 20 percent of Hispanic households were behind, compared with 10 percent of white households. The disparity among homeowners is also substantial, with 17 percent of Black owners and 18 percent of Hispanic owners behind on their mortgages, compared with just 7 percent of white owners.

These racial differences persist across incomes **(Figure 33)**. Among households earning less than $25,000, some 27 percent of Black households and 26 percent of Hispanic households were behind on their rent or mortgage payments in September, in contrast to just 15 percent of white households. And even among households with incomes of $75,000 or more, 13 percent of Black households and 9 percent of Hispanic households reported being behind on payments, far larger shares than the 4 percent of white households.

DIFFICULT TRADEOFFS FOR COST-BURDENED HOUSEHOLDS

Lower-income households with housing cost burdens have little to spend on food, healthcare, and other necessities. According to American Community Survey data, a large majority (71 percent) of households earning less than $15,000 had severe cost burdens in

2019, leaving these households with a meager $225 each month for all non-housing expenses. Households in this income group with moderate burdens had $550 left each month. Among those with incomes between $15,000 and $30,000, severely burdened households had less than $600 for all other expenses while moderately burdened households had $1,150.

When compared with other lower-income households that live in housing they can afford, the differences in spending are stark. Data from the 2018 Consumer Expenditure Survey show that unburdened households in the bottom expenditure quartile (a proxy for lower income) were able to spend 19 percent more each month on non-housing needs than moderately cost-burdened households and 52 percent more than severely cost-burdened households.

Conditions for low-income families with children and those headed by older adults are especially troubling **(Figure 34)**. Among households in the bottom expenditure quartile that included children under age 18, those with moderate cost burdens spent 57 percent less on healthcare (including insurance premiums and out-of-pocket expenses) and 17 percent less on food than unburdened households. Those with severe burdens spent 93 percent less on healthcare and 37 percent less on food.

Differences among households in the bottom expenditure quartile headed by adults age 65 and over are similarly large. Older adults with moderate cost burdens spent 31 percent less on healthcare and 21 percent less on food than same-age households without burdens, while those with severe burdens spent nearly 50 percent less on both healthcare and food.

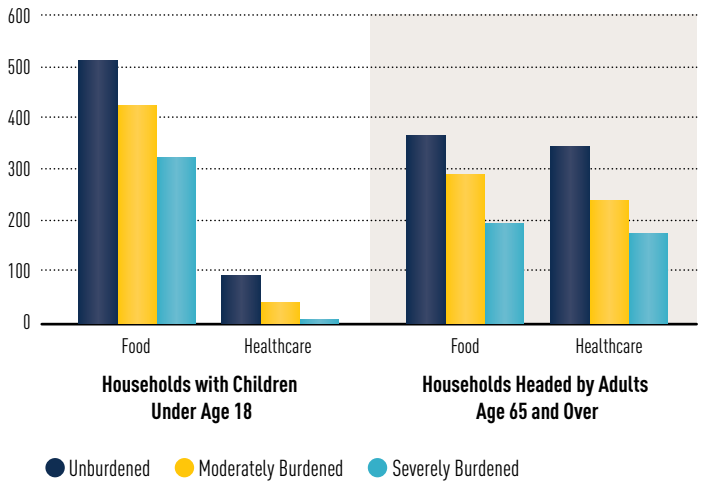
Renter households behind on their housing payments are at significant risk of food insufficiency. In early September, some 46 percent of renter households behind on rent reported they sometimes or often did not have enough to eat in the previous seven days—about double the 24 percent share of owner households behind on their mortgages. Lower-income households are especially vulnerable. Among households earning less than $25,000 in 2019 that were also behind on housing payments, 55 percent of renters and 38 percent of owners reported food insufficiency. Even households that earned more than $75,000 in 2019 and were behind on housing payments said they sometimes or often did not have enough to eat, including 23 percent of renters and 11 percent of owners.

Large shares of renter households of all races and ethnicities experienced food insufficiency in September 2020. Indeed, some 53 percent of white renters behind on rent reported that they sometimes or often did not have enough to eat in the previous seven days—an even larger share than of Black renters (47 percent) and Hispanic renters (45 percent). The shares of homeowners behind on mortgage payments that reported food insufficiency were lower but still sizable at 30 percent for Hispanic homeowners, 27 percent of Black homeowners, and 23 percent of white homeowners.

FIGURE 34

The Burden of High Housing Costs Prevents Vulnerable Households from Meeting Other Basic Needs

Average Monthly Expenditures of Lowest-Income Households (Dollars)



Notes: Data are for households in the bottom quartile of expenditures. Households are moderately (severely) burdened if housing accounts for more than 30% (more than 50%) of their spending. Healthcare expenditures include out-of-pocket costs and insurance premiums.
Source: JCHS tabulations of Bureau of Labor Statistics, 2018 Consumer Expenditure Survey.

HOMELESSNESS AGAIN ON THE RISE

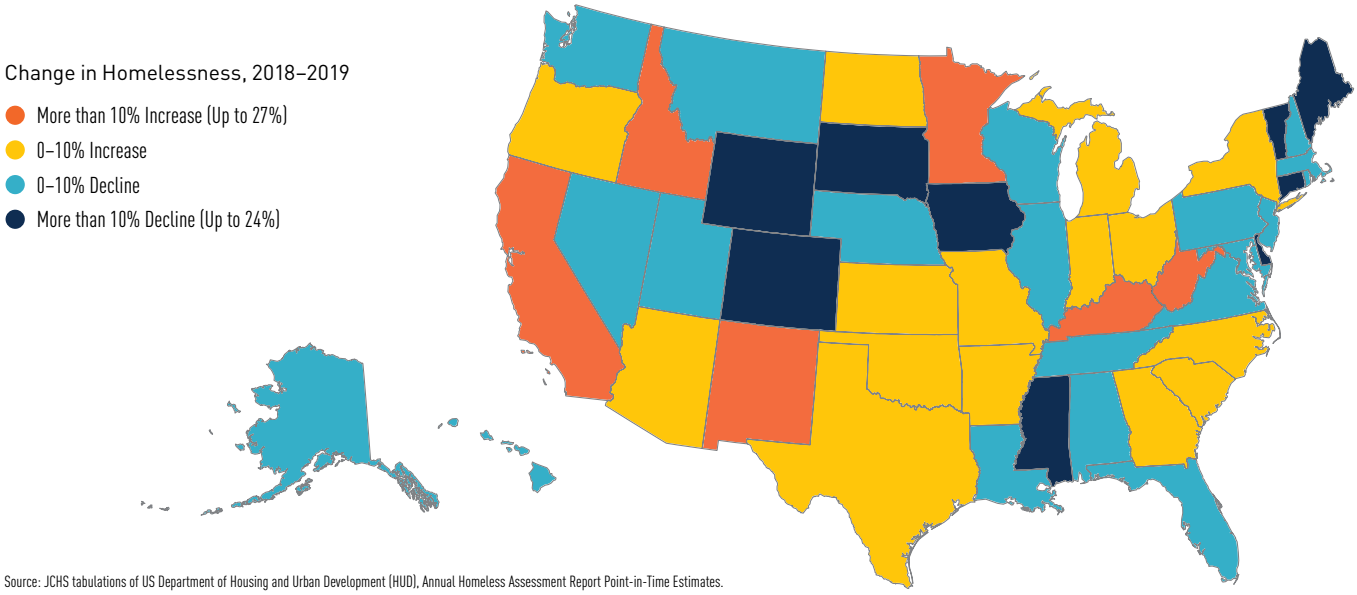
Even before the pandemic, the affordable housing crisis was fueling an increase in homelessness. After edging up in 2017 and 2018, the number of people experiencing homelessness rose more sharply in 2019. HUD's latest point-in-time estimates show a spike of 15,000 more people experiencing homelessness last year, bringing the total to nearly 568,000.

The uptick in homelessness was entirely due to growth in the unsheltered population, whose numbers rose by almost 17,000 (nearly 9 percent), to 211,000. Meanwhile, the number of people in shelters declined by 2,000 (less than 1 percent), reducing the total to 356,000. The number of people in families experiencing either sheltered or unsheltered homelessness also fell by about 9,000 last year, but the number of individuals jumped by nearly 24,000. Homelessness rose in both high- and low-cost states across the country in 2019, with increases of more than 10 percent in six states **(Figure 35)**.

People of color are disproportionately at risk. If homelessness were proportionate to population, 13 percent of people experiencing

FIGURE 35

Homelessness Increased in Both High- and Low-Cost Housing Markets in 2019



Source: JCHS tabulations of US Department of Housing and Urban Development (HUD), Annual Homeless Assessment Report Point-in-Time Estimates.

homelessness would be Black, 18 percent would be Hispanic, 1 percent would be American Indian or Alaska Native, and 72 percent would be white. As it is, however, 40 percent of people experiencing homelessness in 2019 were Black, 22 percent were Hispanic, 3 percent were American Indian or Alaska Native, and just 48 percent were white.

The increase in homelessness last year is especially alarming because people experiencing homelessness are at high risk of COVID-19 exposure. In fact, the Centers for Disease Control and Prevention (CDC) reported that a quarter of residents in 19 homeless shelters in four cities tested positive for the coronavirus between March 27 and April 15. A number of states and localities responded quickly to the public health threat by providing emergency shelter in hotels, convention centers, and trailers. For example, California's Project Roomkey was launched in April with a goal of securing 15,000 rooms in hotels and motels as safe isolation spaces for people experiencing homelessness.

An Urban Institute analysis in August found that about 70 percent of the nation's continuums of care (governing bodies that coordinate homeless services) also used hotels to provide temporary isolation shelters, although they were only able to house about 18 percent of their homeless populations on average. In addition, only a few of these communities had plans to transition their programs to permanent supportive housing, which may be in increased demand if the incidence of homelessness rises over the course of the pandemic.

THE FRAYING HOUSING SAFETY NET

The very high shares of low-income households with cost burdens is a measure of how weak the housing safety net has become. According to HUD's latest Worst Case Housing Needs report, only one in four very low-income renter households (earning less than 50 percent of area median income) received housing assistance in 2017. Nearly two in four very low-income renter households lack assistance and face either severe cost burdens or severely inadequate housing, or both.

Renters with very low incomes who do not receive assistance are left to find housing on the private market, where there is a substantial shortage of units they can afford. According to the National Low Income Housing Coalition's (NLIHC's) latest Gap report, only 10 million rentals on the private market were affordable and available for the nation's nearly 18 million households with very low incomes in 2018.

The lifting of affordability restrictions on thousands of subsidized units over the course of this decade is a potential threat to the low-cost housing stock. According to the 2020 Picture of Preservation report, affordability restrictions are set to expire on over 700,000 subsidized units by 2029. Moreover, a majority of the units with subsidies expiring in the next five years have for-profit owners, who are more likely to convert their properties to market rate. This is especially true for the 21,000 units with for-profit owners that are located in desirable neighborhoods.

Although recent federal budget changes held some promise, funding falls well short of need. Between 2001 and 2010, housing assistance declined from an 8.8 percent share of non-defense discretionary spending to 7.1 percent, even as the number of cost-burdened renter households rose by 6 million. While spending did edge up slightly to 7.4 percent in 2019, the increase was negligible in comparison with the growing incidence of cost burdens over the past two decades.

Of the major HUD programs, only project-based assistance and Housing Choice Vouchers received increased funding from fiscal 2010 to fiscal 2020. Funding for project-based rental assistance was up 25 percent over the decade in real terms, to $12.6 billion, while funding for vouchers rose 12 percent, to $23.9 billion. However, these increases were often dedicated to preserving units rather than expanding the pool of assisted households. The number of households with vouchers only rose from 2.1 million in 2010 to 2.3 million in 2019.

Other programs whose budgets increased from fiscal 2010 to fiscal 2020 include the McKinney-Vento Homeless Assistance grants, up from $2.2 billion to $2.8 billion (in 2019 dollars). The Rental Assistance Demonstration (RAD) program continued to support conversion of public housing units to long-term Section 8 contracts, bringing the total number of converted units to more than 130,000 by February 2020. RAD was expanded in late 2019 to include Section 202 housing for older adults.

At the same time, however, significant cuts were made to other critical programs, including the public housing operating fund (down 19 percent), the HOME Investment Partnership Program (down 37 percent), and Community Development Block Grant program (down 34 percent). While some funding for new homes under the Section 202 Housing for the Elderly program was restored in 2018, its budget in fiscal 2020 was still 18 percent lower than in 2010. Funding for Housing for Persons with Disabilities was also reduced by 43 percent over the decade.

GOVERNMENT RESPONSES TO COVID-19

When the economy nosedived in March, Congress passed the CARES Act, providing $2 trillion in short-term economic relief. The package included direct payments to individuals, funding for coronavirus responses through the Community Development Block Grant and the Emergency Solutions Grants programs, additional unemployment payments, and a moratorium on evictions and foreclosures involving properties with GSE-backed mortgages. The moratorium covered 28 million homeowners and about 28 percent of rental units.

Since March, 43 states and Washington, DC, halted evictions for varying periods, but only 15 had moratoriums still in place at the start of November. The CDC announced a sweeping new eviction moratorium in September, covering renters nationwide until the end of 2020, but the measure carries eligibility requirements and new limitations were added in October. None of these moratoriums forgave back rents.

According to the NLIHC, 43 states and Washington, DC, plus 310 localities, responded to the economic fallout from the pandemic with new or expanded forms of rental assistance. Many of these programs quickly ran out of funds, however, and many others were only able to offer short-term relief. Meanwhile, 35 states and Washington, DC, enacted utility shut-off preventions and payment plans for utility bills. At the start of November, though, these policies were still active in only 19 states and Washington, DC, according to the National Association of Regulatory Utility Commissioners.

The Urban Institute estimates that the cost of helping all renters return to their pre-pandemic income-to-rent ratio without unemployment assistance would be $5.5 billion per month, although even this support would leave many households with cost burdens. A similar Joint Center analysis, focused on workers in jobs at the highest risk of loss, puts the cost of rental assistance at $3.5 billion per month when paired with state unemployment support. Another report, commissioned by the National Council of State Housing Agencies, calculated a cumulative rent shortfall of at least $25 billion by January 2021.

THE NEED TO ADDRESS RESIDENTIAL SEGREGATION

It is a well-documented fact that where children grow up affects their long-term health and well-being. Research has found that children in families who move from high-poverty to low-poverty neighborhoods are more likely to attend college, earn more as an adult, and ultimately live in lower-poverty neighborhoods themselves.

Given the importance of neighborhood quality to future success, national housing policy must do more to reduce the concentration of both poverty and affluence. People of color—particularly low-income households—are far more likely than white people to live in high-poverty areas. Indeed, nearly two-thirds of low-income Black, Hispanic, and Native American individuals live in these communities, compared with only a third of low-income white individuals **(Figure 36)**. It is also striking that 38 percent of Black people with incomes above the poverty line live in high-poverty areas, more than three times the 12 percent share of white people with those incomes.

Today's conditions reflect a long history of housing policies—redlining, siting of public housing, and exclusionary zoning, to name just a few—that prevent people of color and low-income households from living in communities with good-quality public services, easy access to jobs, and healthy environments. Reducing residential segregation requires concerted efforts on multiple fronts, including the elimination of discriminatory treatment in housing and mortgage markets,

as well as the amendment of zoning laws that limit housing development in high-opportunity communities.

The federal government has an important role in this, but the recent rollback of HUD's Affirmatively Furthering Fair Housing regulations was a step in the wrong direction. These regulations represented one of the primary tools for ensuring that local governments identify, and take measures to remove, impediments to fair housing. Without state and federal mandates, many local governments are less inclined to expand the housing options for lower-income households.

Still, some jurisdictions have taken the lead in upholding the fight for fair housing. For example, Oregon passed a state mandate last year requiring most communities to allow medium-density housing. Even without a state mandate, the City of Minneapolis eliminated single-family zoning across the city's neighborhoods. These initiatives have gained widespread attention and may help to spur action in other states and localities.

Another federal priority should be to improve the quality of life for people of color living in the nation's distressed communities. Housing production programs would be one facet of these efforts, given the positive impacts of good-quality affordable housing on individual and community well-being. But neighborhood revitalization must also include substantial investments in schools, parks, public safety, transportation networks, and social services. Although past public efforts at urban revitalization have had notoriously poor outcomes, recent initiatives in distressed areas across the country demonstrate that community reinvestment can succeed and their example should inform much needed new policy initiatives.

THE LINKS BETWEEN HOUSING AND PUBLIC HEALTH

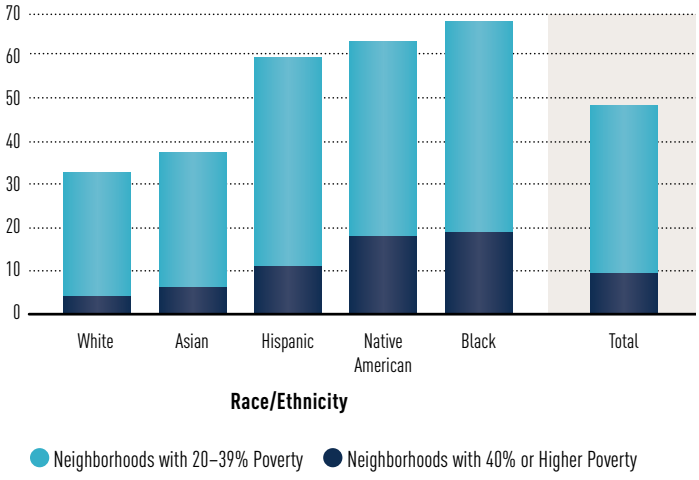
Public health guidance to shelter at home during the pandemic underscored the direct relationships between health and housing. In particular, the evidence suggests that death rates from COVID-19 are disproportionately high in neighborhoods with higher rates of poverty. In addition, research has shown how people living in overcrowded settings are more prone to respiratory illnesses, and the findings of early COVID-19 infection rates bear this out. Crowded conditions are especially common in communities of color, with particularly high rates among Hispanic, Asian, and American Indian or Alaska Native households **(Figure 37)**.

Meanwhile, living in congregate settings has put many older adults and people with underlying health problems at increased risk from COVID-19. Indeed, residents of nursing homes account for just 8 percent of coronavirus cases, but fully 40 percent of deaths. Older adults living in shared households are also more at risk of infection if they are unable to maintain social distancing. As it is, a fifth of adults age 65 and over live in multigenerational households (with at least two adult generations present), with shares reaching as high as 39 percent among older Hispanic adults, 43 percent among older Asian adults, and 28 percent for older Black adults.

FIGURE 36

People of Color with Low Incomes Are Concentrated in High-Poverty Areas

Share of Poor Living in High-Poverty Census Tracts, 2018 (Percent)

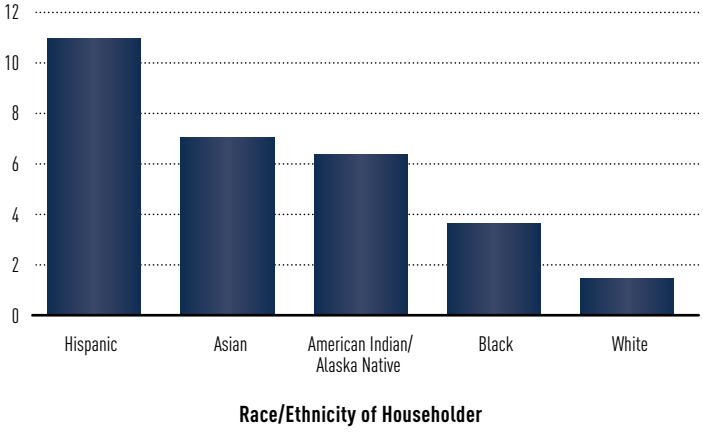


Notes: Incomes above or below the poverty line are defined by the official measure of poverty established by the OMB. Only white individuals are non-Hispanic. Since Hispanic individuals may be of any race, there is some overlap with other racial categories.
Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 5-Year Estimates.

FIGURE 37

Many Households of Color Live in Overcrowded Conditions

Share of Households with More than One Person per Room (Percent)



Notes: Asian, American Indian/Alaska Native, white, and Black householders are non-Hispanic. Hispanic householders may be of any race.
Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 1-Year Estimates.

But just as living with others may increase their exposure to the coronavirus, older adults living alone face a serious health risk from loneliness. In 2019, 14 million people age 65 and over lived by themselves, including 4.5 million age 80 and over. Recognizing that loneliness is such a threat to health, operators of age-restricted housing have continued to support communal life during the pandemic with shopping, care coordination, and other services. This support is vital given the competing needs for social distancing and socialization among older adults.

WORSENING IMPACTS OF CLIMATE CHANGE

So far in 2020, the United States has experienced 16 distinct billion-dollar disasters, making this year one of the three worst on record according to the National Oceanic and Atmospheric Administration. The cost of damages from these events neared $50 billion as of September, surpassing the total for all of 2019.

But the massive recovery efforts required by disasters on this scale often overlook the nation's most vulnerable households, particularly renters. For example, an NLIHC analysis of Superstorm Sandy's impact in three New Jersey counties found that there were large losses of low-cost rental units in two of the three counties and that many renters received no disaster assistance at all. A 2010 Government Accountability Office report also showed that only 18 percent of damaged rental units received federal assistance after Hurricanes Katrina and Rita, compared with 62 percent of damaged homeowner units.

Climate change has also added to the number of low-income households facing energy insecurity. When the pandemic forced families to spend more time at home, residential utility use went up—sometimes significantly. This was especially true during the record summer heat, when the need for air conditioning was extreme. For lower-income households, this forced a tradeoff between paying higher utility bills or suffering the health risks of excessive heat.

Even before the pandemic, communities of color were especially at risk of energy insecurity. According to the most recent Residential Energy Consumption Survey, 54 percent of American Indian or Alaska Native, 52 percent of Black, and 45 percent of Hispanic households experienced some form of energy insecurity in 2015—about twice the 25 percent share of non-Hispanic white households. More recent studies have also found that formerly redlined neighborhoods in US cities experienced more extreme heat events than surrounding areas.

THE OUTLOOK

The economic disruption caused by the COVID-19 pandemic has underscored the stark—and growing—differences between financially secure households and those living paycheck to paycheck. While relatively affluent households have been able to retreat to their homes and work remotely during this crisis, millions of low-income households have lost their jobs and fallen behind on their rent or mortgage payments. Many of these households had housing cost burdens even before the crisis hit, and are now facing the potential loss of their homes.

A disproportionate share of those at risk are households of color. The wide racial and income disparities between the nation's haves and have-nots are the legacy of decades of discriminatory practices in the housing market and in the broader economy. This year's traumatic events have delivered a wakeup call that access to affordable housing is an essential right, not only for the disadvantaged but also for the ability of entire communities to prosper. There is no better time for policymakers to seize the moment by framing a new, comprehensive housing strategy that will reduce inequalities and advance the longstanding goal of a decent, affordable home in a suitable living environment for all.

The State of the Nation's Housing 2020 was prepared by the Harvard Joint Center for Housing Studies. The Center advances understanding of housing issues and informs policy. Through its research, education, and public outreach programs, the Center helps leaders in government, business, and the civic sectors make decisions that effectively address the needs of cities and communities. Through graduate and executive courses, as well as fellowships and internship opportunities, the Center also trains and inspires the next generation of housing leaders.

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2020 Affordable Housing Appeals List - Exempt Municipalities

Town	2010 Census	2020 Gov Assisted	2020 Tenant Rental Assistance	2020 Single Family CHFA/USDA Mortgages	2020 Deed Restricted Units	2020 Total Assisted Units	2020 Percent Affordable
Ansonia	8,148	349	764	147	0	1,260	15.46%
Bloomfield	9,019	558	106	341	0	1,005	11.14%
Bridgeport	57,012	6,505	4,353	900	19	11,777	20.66%
Bristol	27,011	1,908	962	1124	0	3,994	14.79%
Danbury	31,154	1,615	1,269	565	289	3,738	12.00%
Derby	5,849	275	301	111	0	687	11.75%
East Hartford	21,328	1,593	815	1035	0	3,443	16.14%
East Windsor	5,045	559	42	116	0	717	14.21%
Enfield	17,558	1,340	227	659	7	2,233	12.72%
Groton	17,978	3,727	107	377	10	4,221	23.48%
Hartford	51,822	10,501	8,635	1523	0	20,659	39.87%
Killingly	7,592	520	147	188	0	855	11.26%
Manchester	25,996	1,851	950	964	32	3,797	14.61%
Meriden	25,892	1,964	1,270	1029	11	4,274	16.51%
Middletown	21,223	3,019	1,123	543	25	4,710	22.19%
New Britain	31,226	2,913	1,583	1167	100	5,763	18.46%
New Haven	54,967	9,511	6,867	982	440	17,800	32.38%
New London	11,840	1,598	510	509	101	2,718	22.96%
North Canaan	1,587	148	0	14	0	162	10.21%
Norwalk	35,415	2,242	1,468	437	635	4,782	13.50%
Norwich	18,659	2,249	794	567	0	3,610	19.35%
Plainfield	6,229	377	190	224	0	791	12.70%
Putnam	4,299	383	64	77	0	524	12.19%
Stamford	50,573	4,225	1,971	450	1270	7,916	15.65%
Torrington	16,761	908	322	547	17	1,794	10.70%
Vernon	13,896	1,509	461	386	12	2,368	17.04%
Waterbury	47,991	5,344	3,123	1,751	21	10,239	21.34%
West Haven	22,446	1,024	1,868	439	0	3,331	14.84%
Winchester	5,613	350	167	92	0	609	10.85%
Windham	9,570	1,763	617	363	0	2,743	28.66%
Windsor Locks	5,429	297	156	243	0	696	12.82%

2020 Affordable Housing Appeals List - Non-Exempt Municipalities

Town	2010 Census	2020 Gov Assisted	2020 Tenant Rental Assistance	2020 Single Family CHFA/USDA Mortgages	2020 Deed Restricted Units	2020 Total Assisted Units	2020 Percent Affordable
Andover	1,317	18	1	32	0	51	3.87%
Ashford	1,903	32	0	36	0	68	3.57%
Avon	7,389	244	16	44	0	304	4.11%
Barkhamsted	1,589	0	6	23	0	29	1.83%
Beacon Falls	2,509	0	4	46	0	50	1.99%
Berlin	8,140	556	50	142	4	752	9.24%
Bethany	2,044	0	2	13	0	15	0.73%
Bethel	7,310	192	26	154	87	459	6.28%

Bethlehem	1,575	24	0	9	0	33	2.10%
Bolton	2,015	0	2	28	0	30	1.49%
Bozrah	1,059	0	3	30	0	33	3.12%
Branford	13,972	233	77	170	9	489	3.50%
Bridgewater	881	0	24	1	0	25	2.84%
Brookfield	6,562	155	27	110	77	369	5.62%
Brooklyn	3,235	189	9	65	0	263	8.13%
Burlington	3,389	27	0	47	0	74	2.18%
Canaan	779	1	4	5	1	11	1.41%
Canterbury	2,043	76	1	68	0	145	7.10%
Canton	4,339	211	15	53	32	311	7.17%
Chaplin	988	0	1	37	0	38	3.85%
Cheshire	10,424	258	22	100	17	397	3.81%
Chester	1,923	23	3	16	0	42	2.18%
Clinton	6,065	105	8	66	0	179	2.95%
Colchester	6,182	364	38	146	4	552	8.93%
Colebrook	722	0	1	7	1	9	1.25%
Columbia	2,308	24	2	62	0	88	3.81%
Cornwall	1,007	28	2	6	0	36	3.57%
Coventry	5,099	103	5	131	20	259	5.08%
Cromwell	6,001	212	11	198	0	421	7.02%
Darien	7,074	136	10	2	104	252	3.56%
Deep River	2,096	26	6	32	0	64	3.05%
Durham	2,694	36	1	28	0	65	2.41%
East Granby	2,152	72	2	48	0	122	5.67%
East Haddam	4,508	73	3	63	0	139	3.08%
East Hampton	5,485	70	6	91	25	192	3.50%
East Haven	12,533	542	168	302	0	1,012	8.07%
East Lyme	8,458	396	20	95	19	530	6.27%
Eastford	793	0	0	15	0	15	1.89%
Easton	2,715	0	0	3	15	18	0.66%
Ellington	6,665	260	5	118	0	383	5.75%
Essex	3,261	58	2	17	16	93	2.85%
Fairfield	21,648	231	131	70	124	556	2.57%
Farmington	11,106	470	107	149	155	881	7.93%
Franklin	771	27	2	20	0	49	6.36%
Glastonbury	13,656	604	44	133	2	783	5.73%
Goshen	1,664	1	1	5	0	7	0.42%
Granby	4,360	85	2	51	5	143	3.28%
Greenwich	25,631	879	443	16	33	1,371	5.35%
Griswold	5,118	137	54	158	0	349	6.82%
Guilford	9,596	186	10	34	0	230	2.40%
Haddam	3,504	22	1	31	0	54	1.54%
Hamden	25,114	937	788	523	4	2,252	8.97%
Hampton	793	0	1	11	0	12	1.51%
Hartland	856	2	0	8	0	10	1.17%
Harwinton	2,282	22	5	36	5	68	2.98%
Hebron	3,567	56	3	51	0	110	3.08%
Kent	1,665	58	4	5	0	67	4.02%
Killingworth	2,598	0	0	18	5	23	0.89%
Lebanon	3,125	26	3	84	0	113	3.62%
Ledyard	5,987	32	8	233	0	273	4.56%
Lisbon	1,730	2	0	59	0	61	3.53%
Litchfield	3,975	140	2	28	19	189	4.75%
Lyme	1,223	0	0	5	8	13	1.06%
Madison	8,049	90	2	11	33	136	1.69%

Mansfield	6,017	175	124	96	2	397	6.60%
Marlborough	2,389	24	0	24	0	48	2.01%
Middlebury	2,892	77	5	25	20	127	4.39%
Middlefield	1,863	30	3	21	1	55	2.95%
Milford	23,074	726	208	192	74	1,200	5.20%
Monroe	6,918	35	3	54	8	100	1.45%
Montville	7,407	81	58	267	0	406	5.48%
Morris	1,314	20	4	8	0	32	2.44%
Naugatuck	13,061	493	315	367	0	1,175	9.00%
New Canaan	7,551	175	21	5	21	222	2.94%
New Fairfield	5,593	0	1	67	17	85	1.52%
New Hartford	2,923	12	4	55	15	86	2.94%
New Milford	11,731	307	44	182	17	550	4.69%
Newington	13,011	531	122	479	36	1,168	8.98%
Newtown	10,061	134	7	95	32	268	2.66%
Norfolk	967	21	2	5	0	28	2.90%
North Branford	5,629	62	13	52	0	127	2.26%
North Haven	9,491	393	53	97	23	566	5.96%
North	2,306	0	1	27	6	34	1.47%
Old Lyme	5,021	60	2	20	3	85	1.69%
Old Saybrook	5,602	50	15	25	73	163	2.91%
Orange	5,345	46	9	12	6	73	1.37%
Oxford	4,746	36	2	31	0	69	1.45%
Plainville	8,063	205	41	306	22	574	7.12%
Plymouth	5,109	178	21	196	0	395	7.73%
Pomfret	1,684	32	5	13	0	50	2.97%
Portland	4,077	185	94	70	0	349	8.56%
Preston	2,019	40	7	40	0	87	4.31%
Prospect	3,474	0	6	56	0	62	1.78%
Redding	3,811	0	1	17	0	18	0.47%
Ridgefield	9,420	175	7	36	69	287	3.05%
Rocky Hill	8,843	235	52	194	0	481	5.44%
Roxbury	1,167	19	0	5	0	24	2.06%
Salem	1,635	0	3	34	0	37	2.26%
Salisbury	2,593	24	2	2	14	42	1.62%
Scotland	680	0	1	31	0	32	4.71%
Seymour	6,968	262	28	113	0	403	5.78%
Sharon	1,775	32	1	3	0	36	2.03%
Shelton	16,146	254	45	137	82	518	3.21%
Sherman	1,831	0	1	7	0	8	0.44%
Simsbury	9,123	289	60	98	0	447	4.90%
Somers	3,479	146	9	35	0	190	5.46%
South Windsor	10,243	443	55	232	9	739	7.21%
Southbury	9,091	90	6	41	0	137	1.51%
Southington	17,447	499	63	354	51	967	5.54%
Sprague	1,248	20	13	27	1	61	4.89%
Stafford	5,124	257	22	127	0	406	7.92%
Sterling	1,511	0	7	24	0	31	2.05%
Stonington	9,467	441	16	97	0	554	5.85%
Stratford	21,091	524	460	373	33	1,390	6.59%
Suffield	5,469	296	5	51	15	367	6.71%
Thomaston	3,276	104	6	98	0	208	6.35%
Thompson	4,171	151	13	48	0	212	5.08%
Tolland	5,451	127	5	103	3	238	4.37%
Trumbull	13,157	315	19	97	303	734	5.58%
Union	388	0	0	5	0	5	1.29%

Voluntown	1,127	20	1	24	0	45	3.99%
Wallingford	18,945	354	129	328	35	846	4.47%
Warren	811	0	0	1	0	1	0.12%
Washington	2,124	14	2	4	23	43	2.02%
Waterford	8,634	123	30	266	0	419	4.85%
Watertown	9,096	205	32	229	0	466	5.12%
West Hartford	26,396	643	854	372	250	2,119	8.03%
Westbrook	3,937	140	5	30	29	204	5.18%
Weston	3,674	0	2	6	0	8	0.22%
Westport	10,399	265	60	4	58	387	3.72%
Wethersfield	11,677	705	114	293	0	1,112	9.52%
Willington	2,637	160	5	37	0	202	7.66%
Wilton	6,475	158	6	17	51	232	3.58%
Windsor	11,767	154	258	453	26	891	7.57%
Wolcott	6,276	313	9	184	0	506	8.06%
Woodbridge	3,478	30	8	6	0	44	1.27%
Woodbury	4,564	60	3	28	0	91	1.99%
Woodstock	3,582	24	0	32	0	56	1.56%
	########	92,075	47,034	29,858	5,241	174,208	

Final Draft POCD



TOWN OF EAST HADDAM

PLAN OF CONSERVATION AND DEVELOPMENT: 2019-2029

August 6th 2019

Prepared by the Town of East Haddam Planning and Zoning Commission

With assistance from

MILONE & MACBROOM

Introduction: East Haddam's 2019 Plan of Conservation and Development

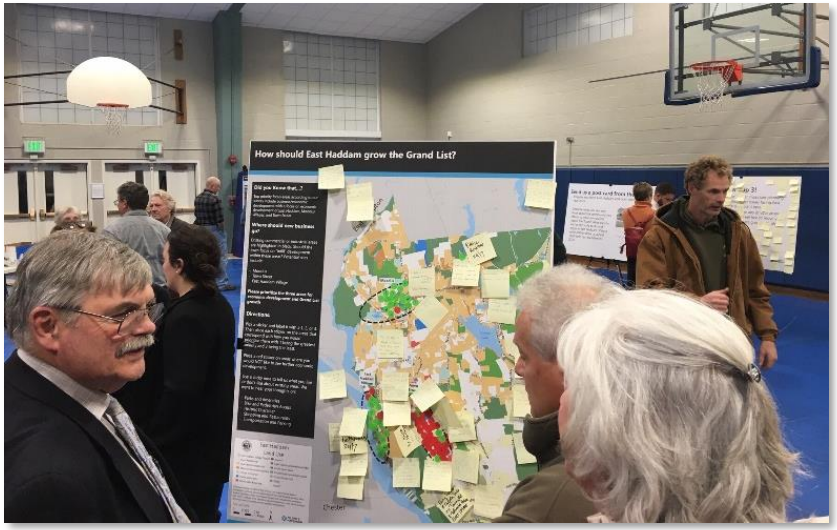
The purpose of this plan is to describe the Town of East Haddam (the Town) as it exists today; to capture the best thinking of the Town's officials, residents, and other stakeholders on future conservation and development priorities; to document the community's vision and goals for the coming decade; and to provide tangible direction and priorities for both public and private efforts to implement that vision.

The 2019 Plan of Conservation and Development (referred to throughout as the "POCD" or simply "the Plan") is an update of East Haddam's previous POCD, prepared in 2008. Section 8-23 of the *Connecticut General Statutes* requires municipal planning commissions to prepare and adopt a POCD once every 10 years and for the Plan to address key aspects of the Town's conditions, policies, and goals.

One of the focus areas of the POCD is housing options and affordability for the town's shifting demographics. In 2017 the State passed amendments to the Affordable Housing Land Use Appeals Act, General Statues §§ 8-30G (Public Act 17-170). Through this change in legislation, all municipalities are required to adopt and revise an Affordable Housing Plan every five years. To that end, East Haddam's POCD, in particular Chapter 1, shall serve to meet the new housing mandate.

Above and beyond meeting the state's regulatory requirements, the Plan provides a valuable opportunity for the community to form a long-term vision of what East Haddam should strive to accomplish in the next decade and beyond and to coordinate the efforts of its many officials, agencies, departments, community organizations, businesses, and property owners in pursuit of the most important and valuable ways of improving the Town's quality of life. In the course of developing the Plan, participants in the process were able to reflect on the Town's values and priorities, consider challenges and obstacles the Town faces as it moves forward, and identify achievable opportunities to attain lasting benefits.

The planning process involves assessing current conditions and trends in order to develop reasonable goals and strategies and engaging the community in a dialogue on its future. The POCD also supports the Town's pursuit of grants and other funding opportunities as a current POCD is a requirement for many State programs.



"Growing the Grand List" Workshop Exercise

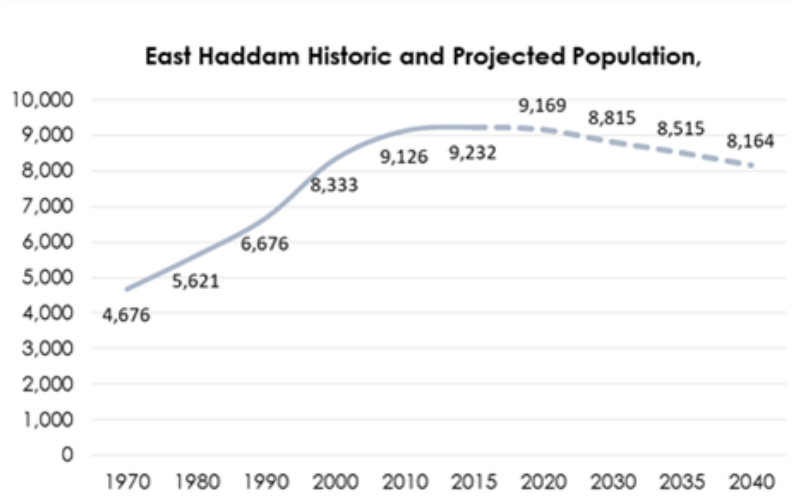
Chapter 1: Prepare for Changing Demographics - Attract, Support, and Maintain Housing Options

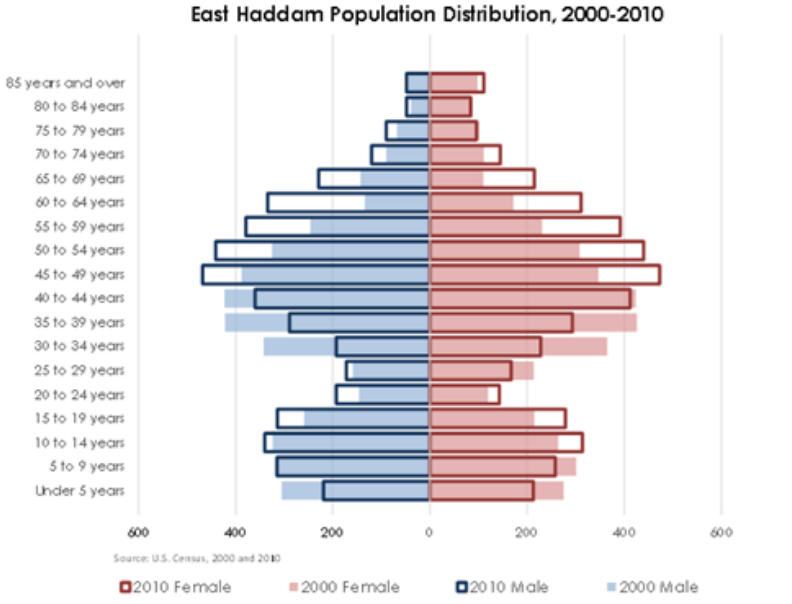
Where We Are

East Haddam's population growth has slowed in recent years. However, demographic changes, notably its aging population, will lead to demands for new types of housing and services.

Slowing population growth coupled with an aging community is not unique to East Haddam and is a trend seen at both the State and National levels. This trend reflects the aging "baby boomer" population, which is East Haddam's largest generational cohort.

- East Haddam's population grew by approximately 11% from 2000 to 2015. However, the population has only experienced a modest growth of 1.2% from 2010 to 2015.
- Between 2000 and 2010, the median age of East Haddam residents increased from 38.5 years old to 44.2 years old.
- Older working adults (age 45 to 69) grew faster than any other age groups. This is linked to the aging "baby boomer" cohort.
- The 30 to 44 age cohorts, who are most likely to have school-aged children, experienced the largest decrease between 2000 and 2010.
- Smaller households are becoming more prevalent; particularly, the number of adults over age 65 that live alone increased by about 8%, which may increase demands for smaller housing units and certain social or community services.





The Town encourages affordable and diverse housing opportunities to meet the needs of all residents, regardless of age and income, while ensuring that preservation of East Haddam's small-town and rural character is sustained.

While many seniors will age in place, some older residents may seek smaller or more accommodating housing units, leading to turnover of existing single-family housing. This provides an opportunity to attract younger families and young working professionals to the Town. It is important to provide diverse affordable housing options to grow the tax base, which is largely built on residential property taxes, to continue making East Haddam an attractive place to live, work, and raise a family.

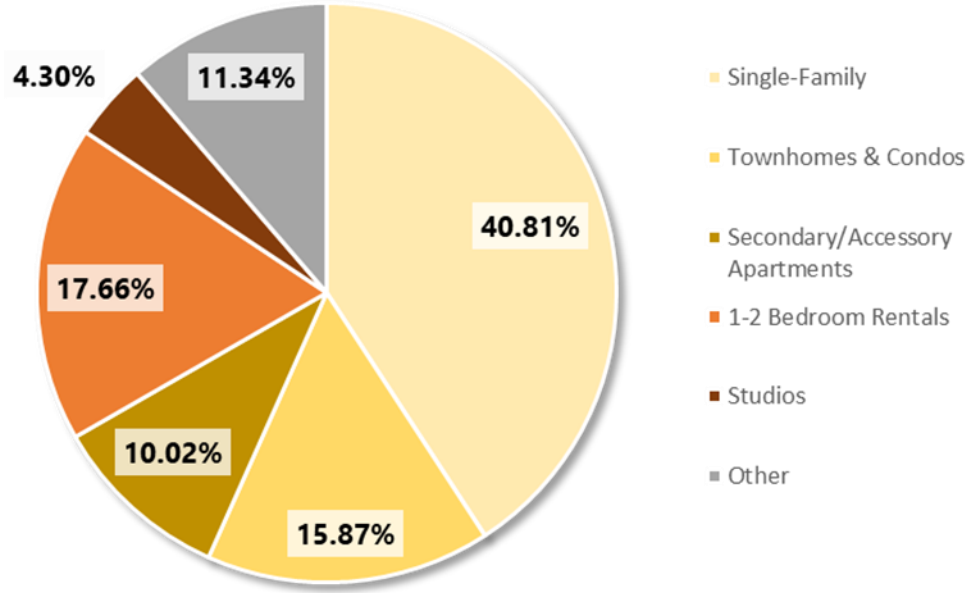
- East Haddam's housing stock is largely comprised of single-family units (90%), having a much larger share than both Middlesex County (71%) and the state (59%).



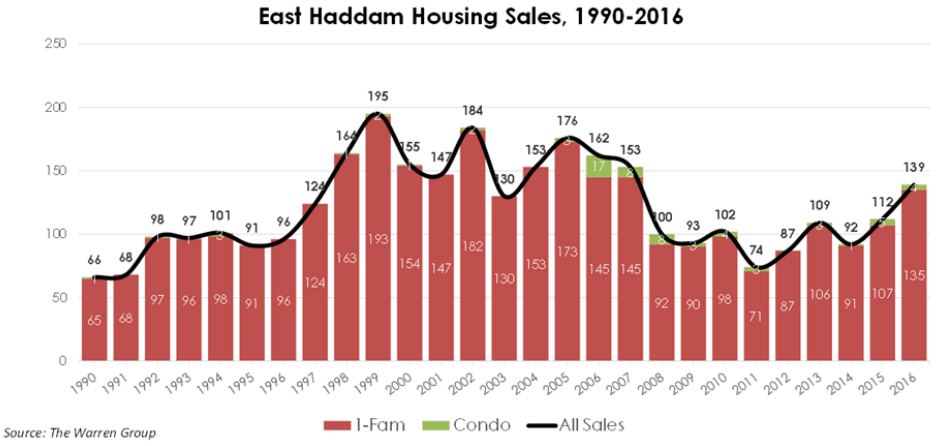
Seasonal Cottage at Lake Hayward, Photo Source: Coldwell Banker

- According to the town-wide community survey, many respondents believe the Town needs smaller size housing options, including townhomes, condominiums, small rental units, and accessory apartments.

If the Town were to focus on accommodating more housing options, which types are needed most?



- The share of homeowners over age 65 has increased in most areas of town, creating a large stock of homes with greater likelihood of turning over in coming years.
- 35% of all households include one or more persons age 60+ while almost 9% of all households consist of a householder age 65+ that lives alone.
- Public outreach showed that there is an appetite and unmet need for modest single-family homes for young families and empty-nesters seeking to downsize. Both segments of the population tend to seek smaller housing options: the young to build savings and the retirees to access equity and reduce home maintenance.
- Public outreach also showed that seniors support multifamily housing more than other age groups.



- East Haddam's housing market is recovering from the Great Recession. Total sales have increased each year since 2011 and are approaching pre-recession levels although sale prices have seen little recovery.
- A housing stock heavily weighted toward mid-20th century homes may increasingly require renovations to match the needs and desires of today's buyers.
- Only 34% of homes in East Haddam have two or fewer bedrooms (compared to 42% statewide), leading to fewer housing options for younger workers or those looking to downsize.



Duplex on Falls Bashan Rd

Housing Affordability and Availability

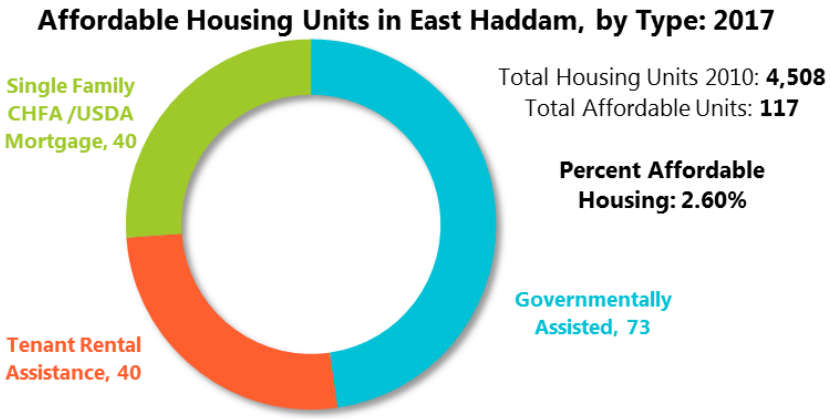
The State of Connecticut requires that the issue of affordable housing be addressed in each municipality's POCD. The state legislature has established an Affordable Housing Appeals Procedure, commonly referred to as Section 8-30g, to provide assistance with development of affordable housing throughout the state. Affordable levels mean housing for which persons and families pay 30% or less of income, where such income is less than or equal to 80% of the median income. In East Haddam, this would be housing affordable to a family of four making less than $71,900 annually.



Equal Opportunity Housing at Oak Grove

The procedure does not apply where at least 10% of the dwelling units in the municipality meet one or more of the following criteria:

- Governmentally assisted housing, units receiving either Rental Assistance Program (RAP) or Section 8 rental assistance.
- Currently financed by Connecticut Housing Finance Authority (CHFA) or Farmer's Home Administration (FmHA) mortgages.
- Subject to deeds containing covenants or restrictions that require sale or rental at affordable levels.



In 2017, 2.6% of housing units in East Haddam met the Connecticut Department of Economic Community Development (CT DECD) definition of affordability. Under Connecticut General Statutes, a municipality with fewer than 10% of its housing units qualified as affordable is subject to affordable housing appeals from developers who propose affordable housing developments. In affordable housing appeals cases, the municipality has to prove the public health, safety, or welfare interests protected by a denial of a proposed development.

It is important to note that the CT DECD does not include affordable, unrestricted market rate units in its count of affordable units. There are a variety of unrestricted units that serve as affordable homes for the town's population. For example, the median single-family home value in East Haddam in 2016 was $279,500, which is affordable to a household with an annual income of $81,331 (based on Department

of Housing and Urban Development [HUD] calculations of affordability). By comparison, a household making the median household income of $79,668 could afford a home costing up to $273,000. This is only 2% lower than East Haddam's 2016 median home value, suggesting that East Haddam's housing stock generally meets the needs of current residents.

While East Haddam is not likely to reach the 10% threshold of the Affordable Housing Appeals Act in the near future because of the sheer numbers of new or converted units that would be required, East Haddam can, in a planned manner, increase the percent of affordable housing (as calculated by the state formula) and work toward meeting the state goal. Recommendations include requiring a minimum of 10% affordable units in multifamily housing, providing for a greater variety of housing options as part of mixed-use development areas, expanding access to affordable housing suitable for retirees and the elderly, and increasing access to Connecticut Housing Finance Authority (CHFA) mortgages to expand access to homeownership.



New Single-Family Home at The Residences of Fox Hopyard



Multi-Family Home Available at Banner Estates



Age Restricted Apartments on Grove Street

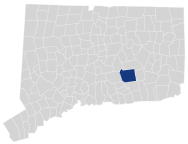
Where We're Going: Goals	How We'll Get There: Recommended Strategies
Diversify housing opportunities to meet the needs of all residents, regardless of age and income.	• Direct housing development to areas within and adjacent to East Haddam Village, Moodus Village and other designated nodes. • Encourage development of diverse housing types, scale, and densities in the village neighborhoods in close proximity to commercial areas and public facilities. • Discourage neighborhood-scale housing development in rural areas where natural land capacity, rural character, existing transportation and soils are not adequate to support development. • Consider developing a new Village Residential zoning district for areas within or adjacent to the villages, which allows development of a range of housing types, including small-lot single-family housing, two-family homes and townhomes within walking distance to the commercial areas. • Explore methods to better encourage mixed-use development in East Haddam and Moodus Village Centers, including a mix of commercial, office, and retail uses combined with an appropriate scale of housing types that support a traditional village character. • Explore establishing community programs that assist property owners in 1) maintaining and rehabilitating aging housing units, 2) developing accessory apartments, and/or 3) increasing the energy efficiency/sustainability of current housing units. • Evaluate the density provisions of the Planned Residential Unit Development (PRUD) floating zones to consider if regulating by units per acre rather than bedroom per acre would allow greater flexibility and variety in unit type to accommodate seniors and smaller households. • Consider incorporating provisions to allow designation of low-income or moderate-income housing in PRUD developments in exchange for density bonuses.

Where We're Going: Goals	How We'll Get There: Recommended Strategies
Establish programs and partnerships to expand housing opportunities.	• Monitor changes in demographics, family structure and composition, and the resulting effect on the housing needs of the town. • Investigate and pursue projects with non-profit developers to rehabilitate older housing for affordable housing units as opportunities for first-time buyers. • Pursue partnerships on a regional level to share resources to administer activities that promote housing programs and funding opportunities to expand affordable housing. • Where site conditions permit, explore methods to provide additional housing for senior citizens, such as allowance for increased density in PRUD districts to permit adult living communities at higher densities than is currently allowed. • In a planned manner, increase the percent of affordable housing (as calculated by the state formula) and work toward meeting the state goal of 10% affordable housing.

The Action Agenda and Implementation Plan Guidelines, and Commission, Board and Community Group Assignments can be found after Pg. 80

2020 Housing Data Profiles

EAST HADDAM



PARTNERSHIP FOR STRONG COMMUNITIES

KEY FINDINGS

Housing

3%
of housing is subsidized

12%
of households rent their home

10%
of housing units are in multifamily buildings

Affordability

17%
of households spend between 30% and 50% of their income on housing

11%
of households spend more than half of their income on housing

$23.65
the hourly wage needed to afford a 2-bedroom apartment

Population

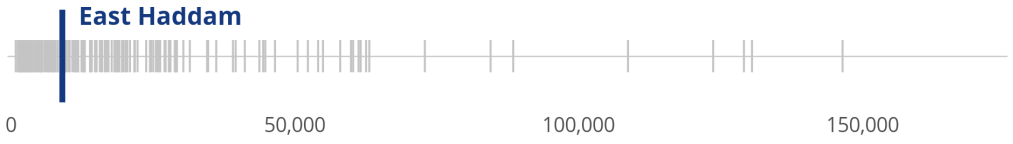
49
the median age of residents

6%
of residents are people of color (BIPOC)

-11%
projected population change from 2020 to 2040

HOW TO READ THIS REPORT

Throughout this report, a series of graphs like the one below are used to show how **East Haddam** compares to other towns in the state on a variety of measures.



ABOUT THE HOUSING DATA PROFILES

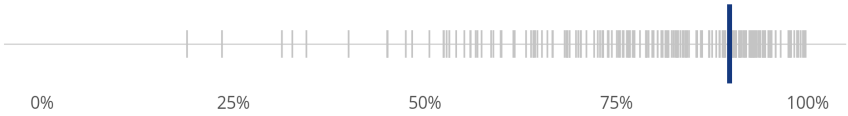
The Partnership for Strong Communities' Housing Data Profiles are a free resource to help Connecticut residents, developers, legislators, municipal officials, and others make data-informed decisions. Profiles are available for every town and county in the state. To learn more, please visit **pschousing.org** or **housingprofiles.pschousing.org** to view the interactive version of the profiles.

DATA NOTES

Data comes from the 2014-2018 American Community Survey unless stated otherwise. Percentages may differ slightly or not sum to exactly 100% due to rounding.

SINGLE-FAMILY HOMES AS PERCENT OF ALL HOMES

90%

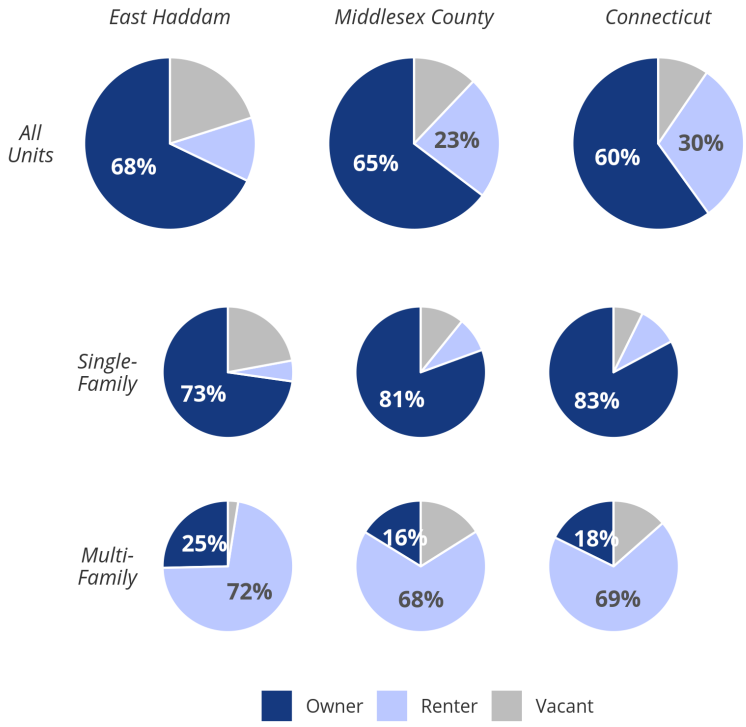


PERCENT OF ALL HOMES OCCUPIED BY OWNERS

68%

Overall, 64% of Connecticut's occupied housing stock is comprised of single-family housing, while 35% is multifamily housing (2+ units in structure). Most single-family homes are occupied by homeowners, while most multifamily units are occupied by renters.

In East Haddam, 90% of occupied homes are single-family, and 10% are multi-family. Owners live in 73% of East Haddam's 4,137 single-family homes, and renters live in 72% of its 473 multifamily homes.



CHANGE IN BUILDING PERMITS, 1990-2017

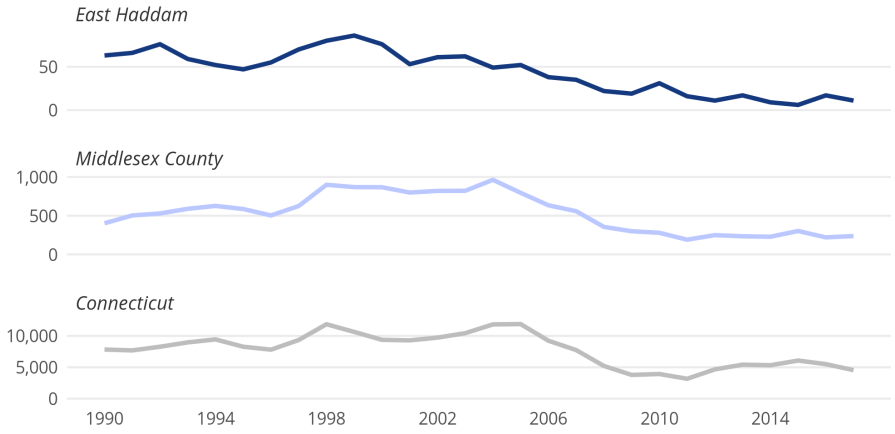
-83%

Growth is slow in the state, which has seen a 42% decrease in building permits between 1990 and 2017.

In East Haddam, there were 63 building permits issued in 1990, compared to 11 issued in 2017, representing a 83% decrease.

Number of building permits per year, 1990-2017

Note: y axis varies between locations



Source: Connecticut Department of Economic and Community Development

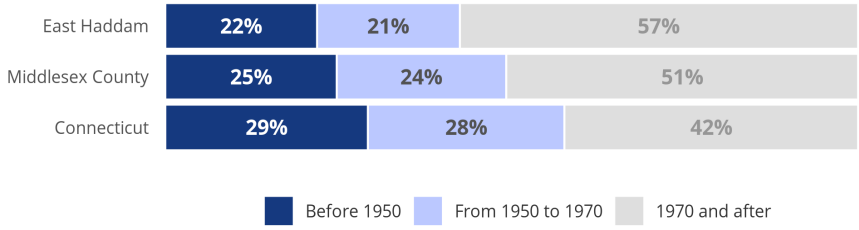
UNITS BUILT BEFORE 1970

43%

Older homes are prone to falling into disrepair, and often carry environmental risks such as lead paint. An aging housing stock can be a sign of poor housing quality.



Age of units

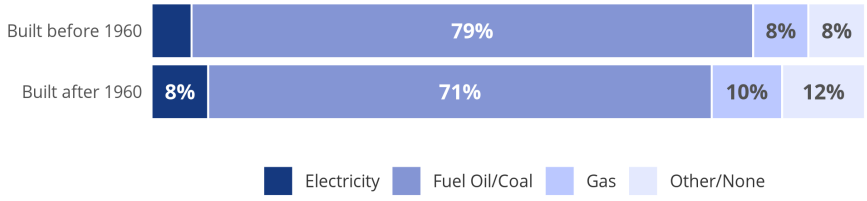


SPENDING ON ENERGY AS PERCENT OF TOTAL INCOME

3.0%

Households that use electricity spend 3.3% of their income on energy (3.1% for fuel oil/coal and 2.7% for gas).

Units by age and fuel type



Source: United States Department of Energy

AFFORDABLE HOMES AS A SHARE OF ALL HOUSING UNITS

3%

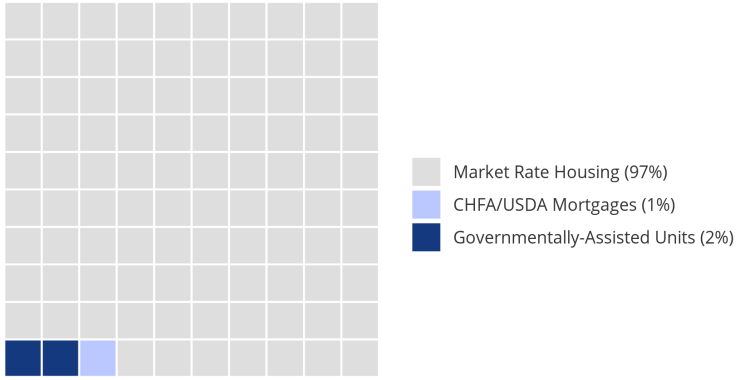
The CT Department of Housing calculates the percentage of affordable units in a municipality annually for the Affordable Housing Appeals List. Affordable units are units that are subsidized below market-rate through programs like Housing Choice Vouchers or CHFA/USDA mortgages.

Of the 4,508 total units in East Haddam, 137 are considered to be affordable.



Source: Connecticut Department of Housing

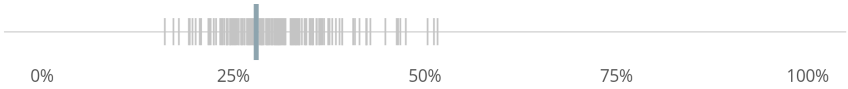
Affordable units by type



Source: Connecticut Department of Housing

PEOPLE BURDENED BY COST OF HOUSING

28%

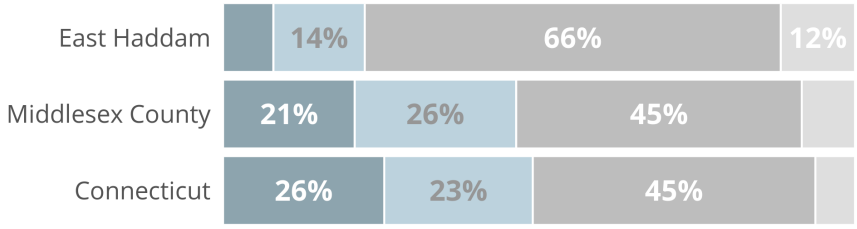


Households that are cost-burdened spend more than 30% of their income on housing. Severely cost-burdened spend more than 50% on housing.

RENTERS BURDENED BY COST OF HOUSING

34%

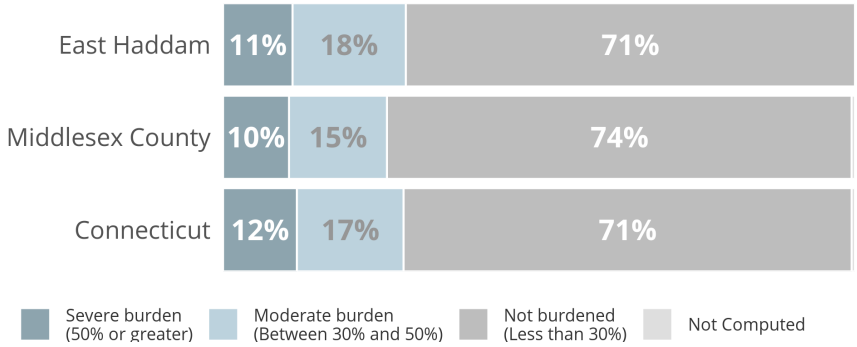
Housing cost burden for renters



OWNERS BURDENED BY COST OF HOUSING

29%

Housing cost burden for owners



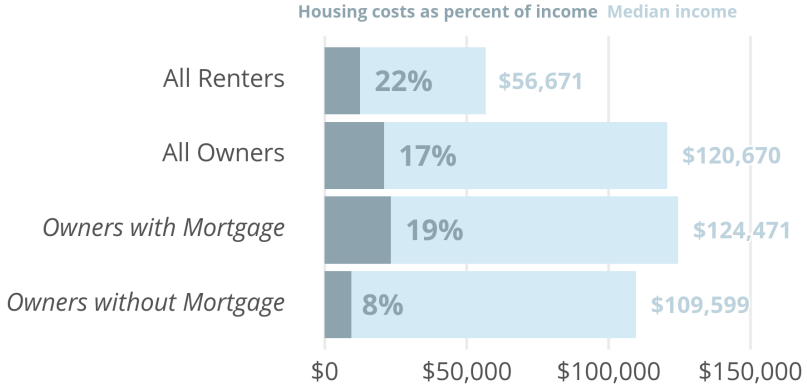
RENTERS' HOUSING COSTS AS PERCENT OF INCOME

22%

OWNERS' HOUSING COSTS AS PERCENT OF INCOME

17%

Housing costs as percent of income



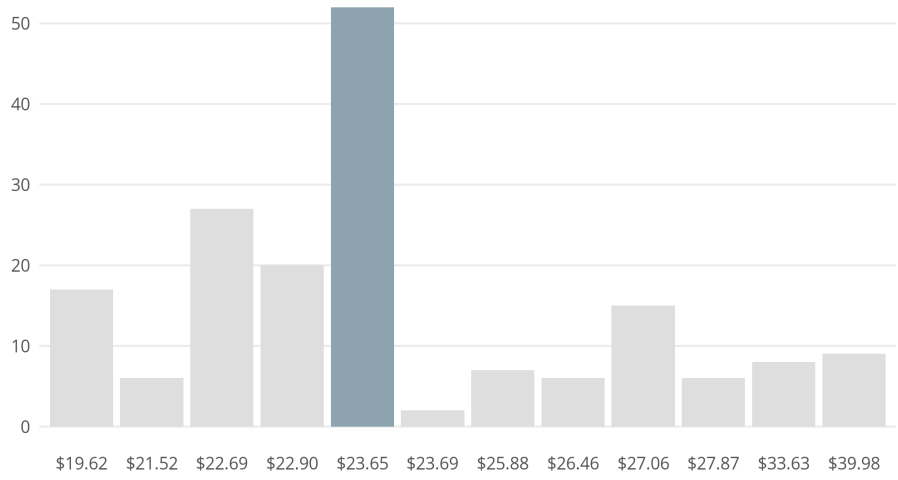
HOUSING WAGE

$23.65

Each year, the National Low Income Housing Coalition calculates the "housing wage," the hourly wage needed to afford a two-bedroom rental home without paying more than 30% of income on housing.

East Haddam is included in the Hartford-West Hartford-East Hartford HMFA. East Haddam's housing wage is lower than the state housing wage of $26.42.

East Haddam is one of 52 towns with a housing wage of $23.65



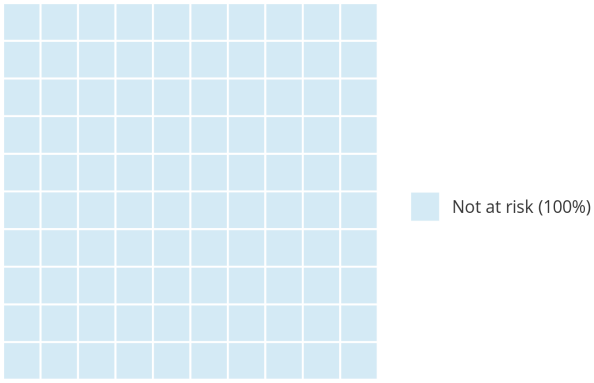
Source: National Low Income Housing Coalition

HOUSING PRESERVATION UNITS

0%

East Haddam has 36 federally assisted housing units, of which 0% are at risk of loss within the next 5 years.

Housing preservation by risk



Source: National Housing Preservation Database

TOTAL POPULATION

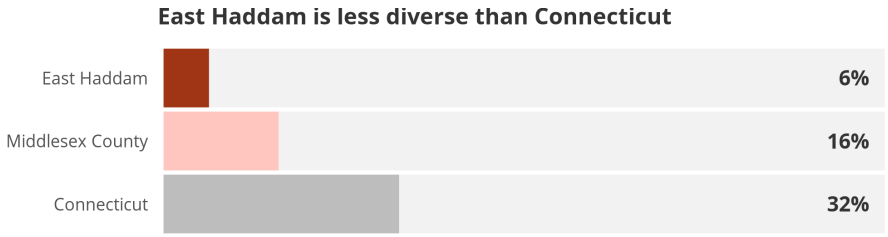
9,032

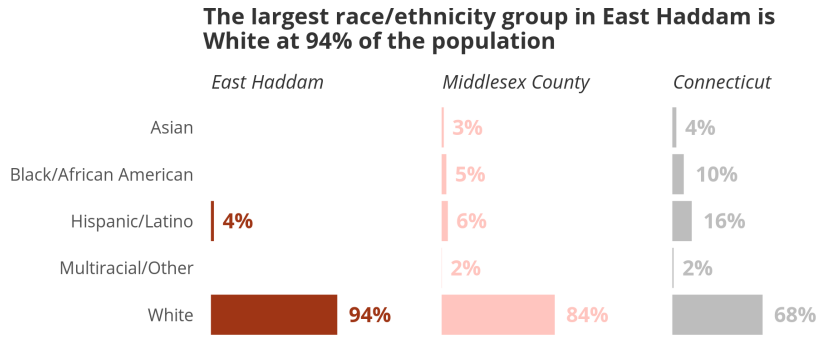


PEOPLE OF COLOR

6%

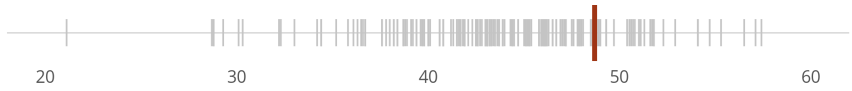
Connecticut population is becoming increasingly diverse, but the BIPOC population is concentrated in certain municipalities, especially Connecticut's cities. In East Haddam, 6% of residents are BIPOC, while 94% are white.





MEDIAN AGE

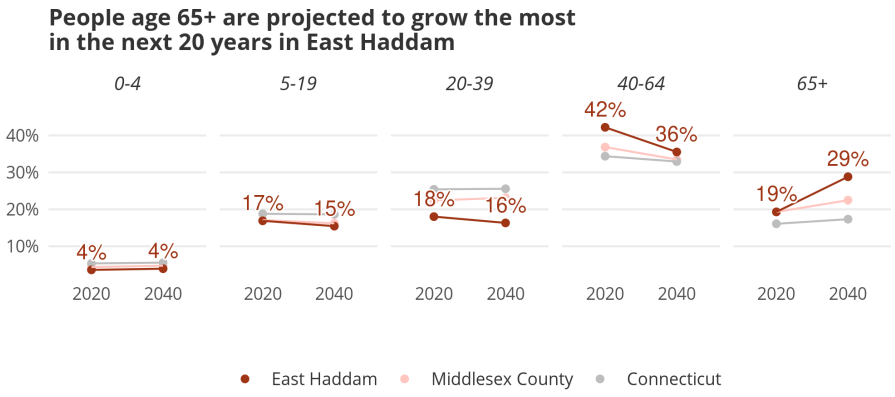
49



POPULATION CHANGE, 2020 TO 2040

-11%

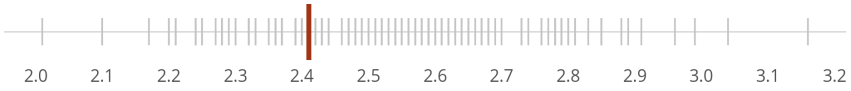
In the next twenty years, East Haddam's population is projected to shrink from 9,169 to 8,164.



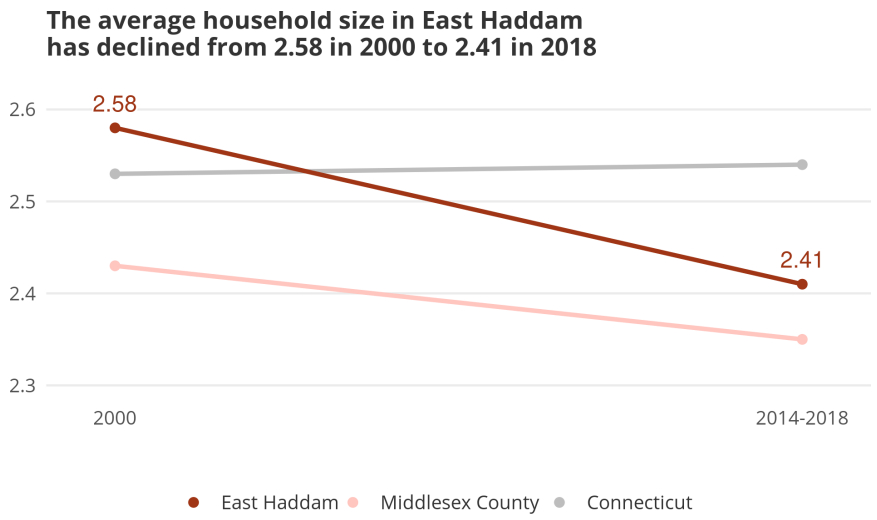
Source: Connecticut Data Center

AVERAGE HOUSEHOLD SIZE

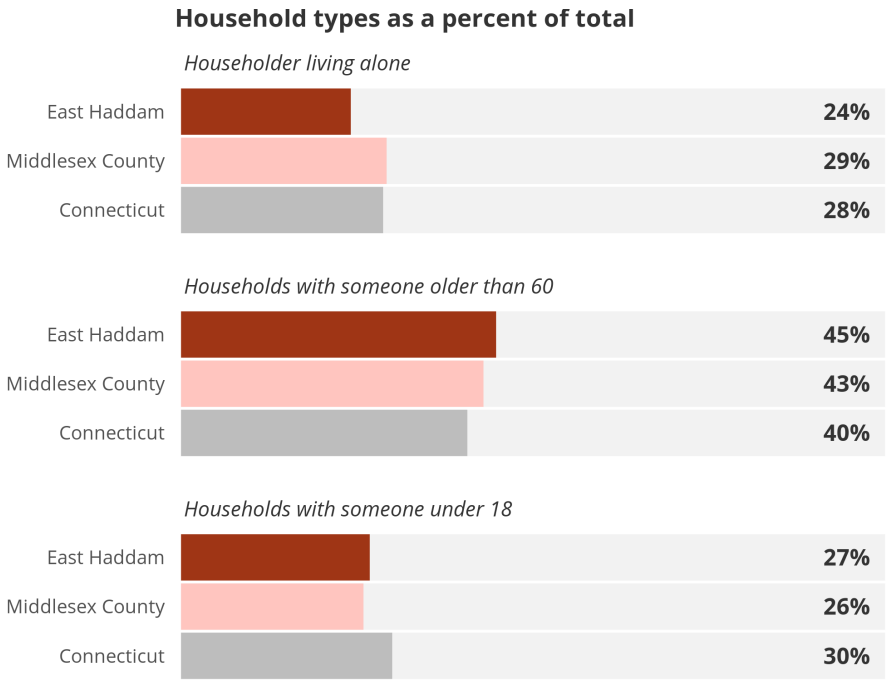
2.41



The average household size in East Haddam has declined between 2000 and 2018.



Understanding who lives in our towns provides insight into the housing and service needs for each community such as accessibility, transportation, child care, and education. Compared to Connecticut, East Haddam has more households with someone older than 60 and fewer households with school-age children.



PARTNERSHIP FOR STRONG COMMUNITIES

Housing Data Profiles

Data on housing and affordability for each of Connecticut's 169 towns and cities

Created by CT data collaborative

Funded through support from Fairfield County's Community Foundation and Liberty Bank Foundation

Choose towns and counties to compare

Middlesex County ×

Jump to Housing, Affordability, or Population.



Housing

Units in Structure

The table below shows breakdown of housing units (both occupied and vacant) by the number of housing units in the structure. Urban core areas have a higher share of multi-family housing, such as apartment buildings. Suburbs and rural areas tend to be built up with one-unit detached homes.

	Middlesex County	
Total	76,124	100.0%
1, detached	53,639	70.5%
1, attached	3,003	3.9%
2	4,753	6.2%
3 or 4	3,139	4.1%
5 to 9	3,948	5.2%
10 to 19	2,594	3.4%

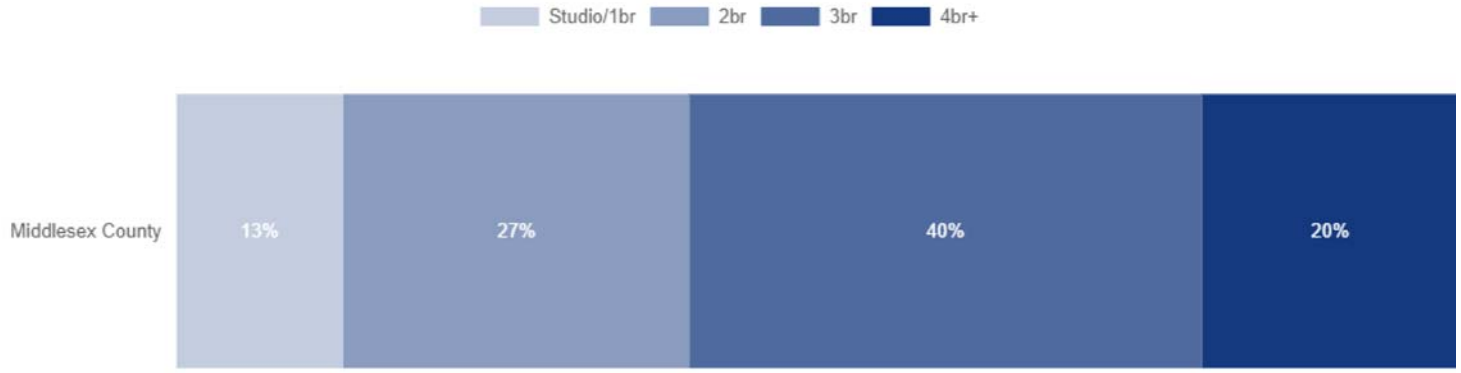
	Middlesex County	
20 to 49	1,795	2.4%
50 or more	2,430	3.2%
Mobile home	823	1.1%
Boat, RV, van, etc.	0	0.0%

Source: 2018 American Community Survey, 5-year estimates, Table B25024

Bedrooms

The bar charts below show what percent of housing units by number of bedrooms in Middlesex County.

Hover over bars to see units instead of percentages. Percentages may add up to 99 or 101 due to rounding error.

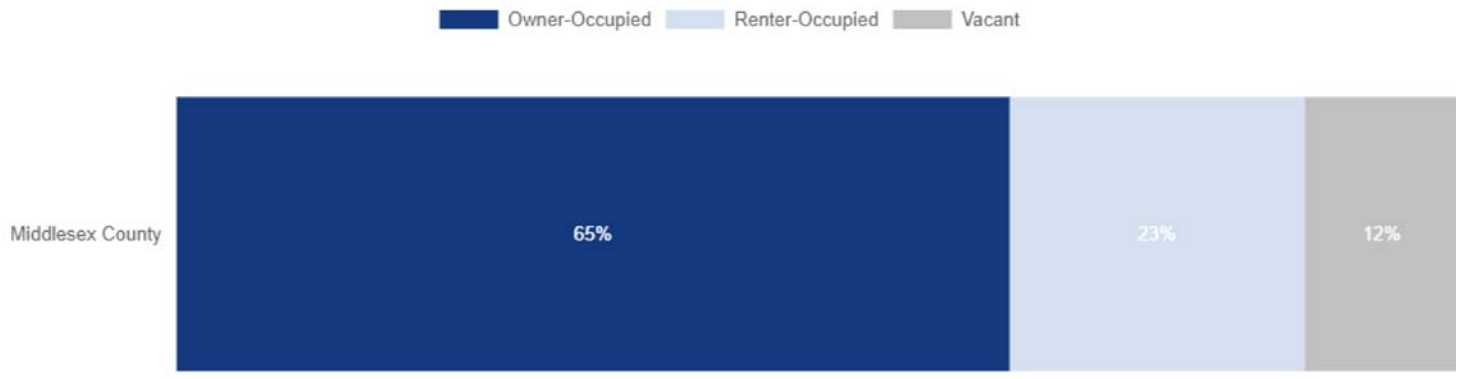


Source: American Community Survey 2018, 5-year estimates, Table B25041
Visualization created by CTData Collaborative

Occupancy Status

The bar charts below show what percent of housing units are owner- and renter-occupied, and vacant in Middlesex County.

Hover over bars to see units instead of percentages. Percentages may add up to 99 or 101 due to rounding error.



Source: American Community Survey 2018, 5-year estimates, Table B25004
Visualization created by CTData Collaborative

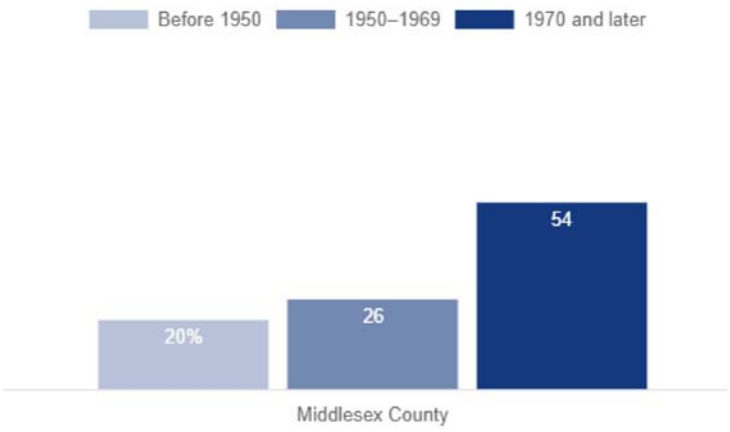
Age of Units

The age of housing is an important indicator for potential environmental hazards and the cost of maintenance and repairs. Homes built prior to 1950 likely have high concentrations of lead paint while those built after 1977 typically do not have lead paint.

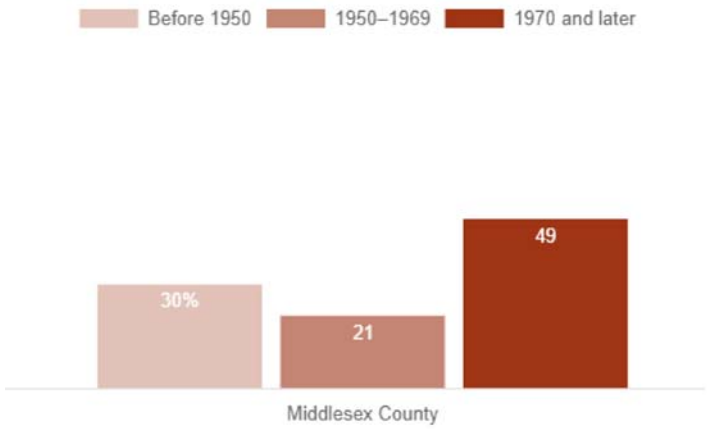
The bar charts below show owner- and renter-occupied housing units by year built (prior to 1950, between 1950 and 1969, and 1970 and later).

Hover over bars to see counts. Click categories in the legend to remove them from the chart. Percentages may add up to 99 or 101 due to rounding error.

Owner-Occupied



Renter-Occupied

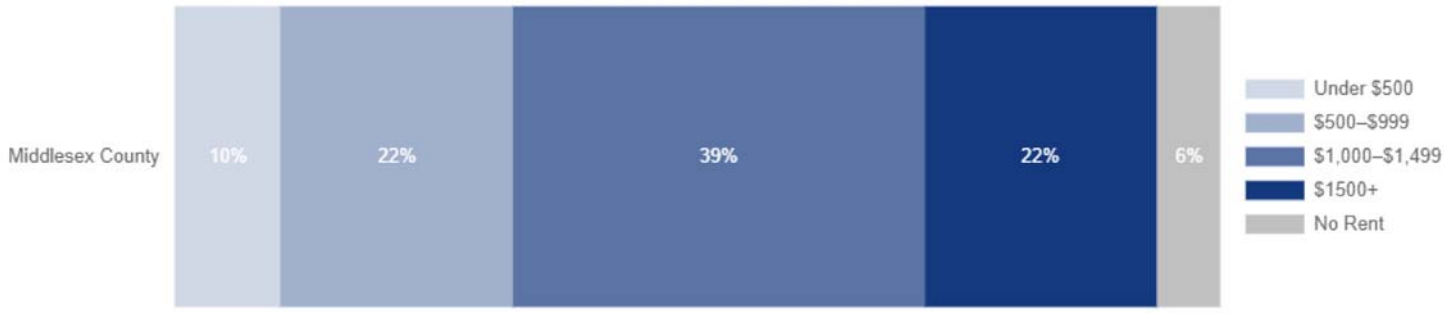


Source: American Community Survey 2018, 5-year estimates, Table B25036
Visualization created by CTData Collaborative

Units by Gross Rent

The bar chart below shows rental units by gross rent in Middlesex County.

Hover over bars to see units instead of percentages. Percentages may add up to 99 or 101 due to rounding error.



Source: American Community Survey 2018, 5-year estimates, Table B25063
Visualization created by CTData Collaborative

Building and Demolition Permits

Building permits are an important indicator of economic activity in the region. Areas of growing population and intense development see a larger number of issued permits.

The table below shows how many building authorizations were issued in 2017 in Middlesex County, by number of units.

	Middlesex County	
Permits, Total	237	100%
Permits, 1 Unit	150	63%
Permits, 2 Units	4	2%
Permits, 3 or 4 Units	0	0%
Permits, 5 or More Units	83	35%
Demolitions	25	–
Net Gain	212	–

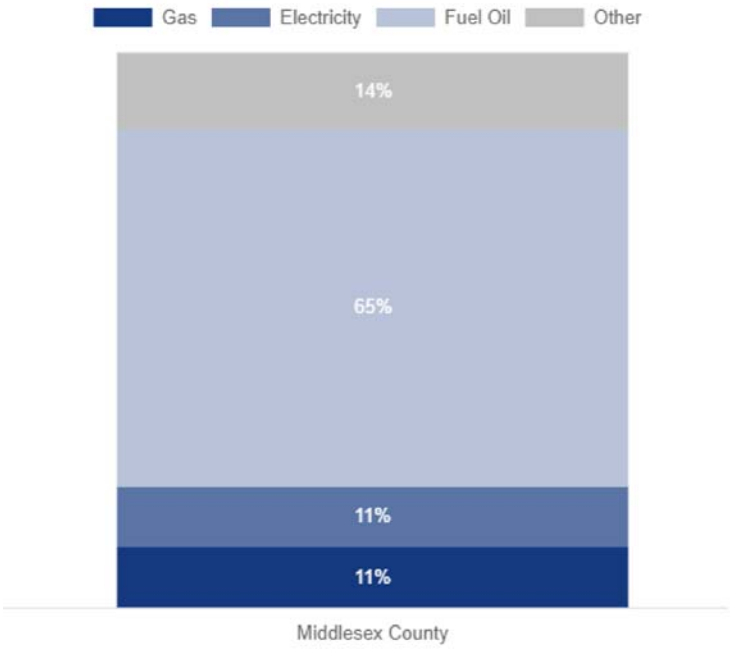
Source: 2017 CT Department of Economic and Community Development (latest available data as of August 2020)

Heating Fuel

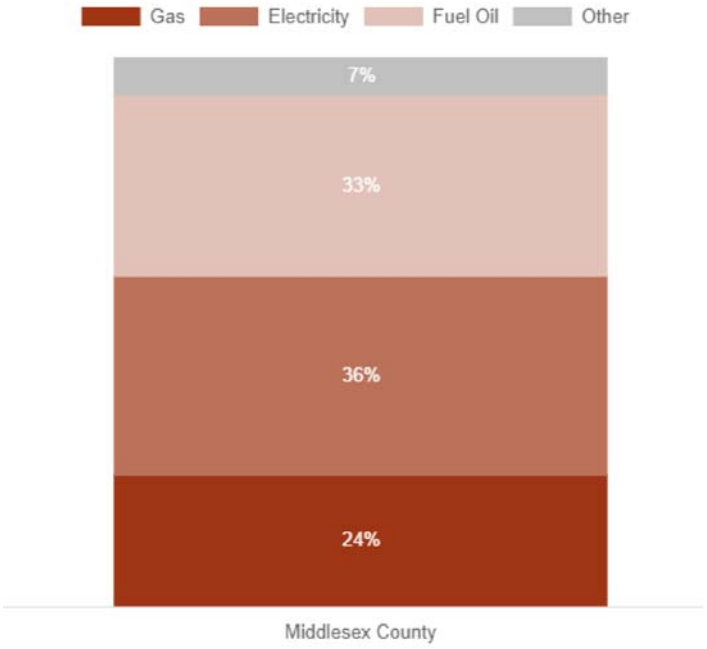
In Connecticut, gas, electricity, and fuel oil (such as kerosene) are the most common types of heating fuels. The bar charts below show owner- and renter-occupied housing units by heating fuel used in Middlesex County.

Hover over bars to see counts. Click categories in the legend to remove them from the chart. Percentages may add up to 99 or 101 due to rounding error.

Owner-Occupied



Renter-Occupied



Source: American Community Survey 2018, 5-year estimates, Table B25117. *Other* category includes bottled gas, coal, wood, solar energy, other fuels and no fuel.
Visualization created by CTData Collaborative

Affordability



Assisted Housing Units

Totally assisted units are housing units that receive government financial assistance or the construction or substantial rehabilitation of low and moderate income housing, and any housing occupied by persons receiving rental assistance.

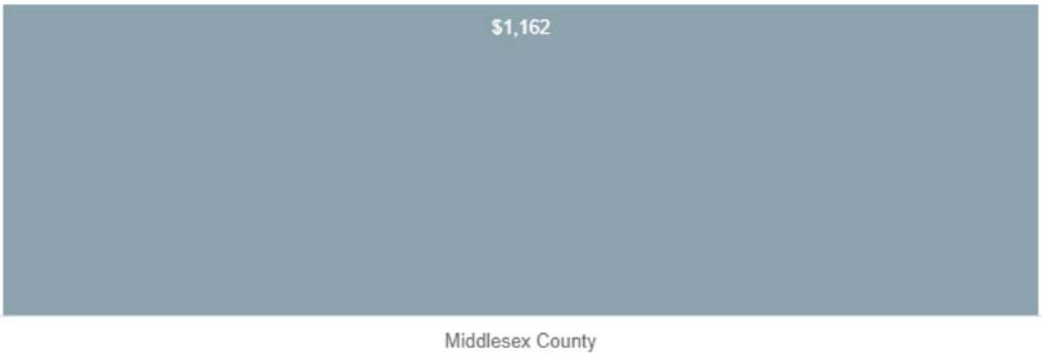
The table below shows the number of affordable units, and its share of all housing units in Middlesex County.

	Middlesex County
Total Assisted	6,639 (8.9%)
CHFA/USDA Mortgages	1,202
Governmentally Assisted Units	4,049
Tenant Rental Assistance	1,214
Deed Restrictions	174

Source: CT Department of Housing, 2019 Affordable Housing Appeals Listing

Median Rent

Median rent represents gross rent paid by the "middle" renter. In other words, half of renters pay less than the median rent, and half pay more.



Source: 2018 American Community Survey, 5-year estimates, Table B25064
Visualization created by CTData Collaborative

Housing Costs

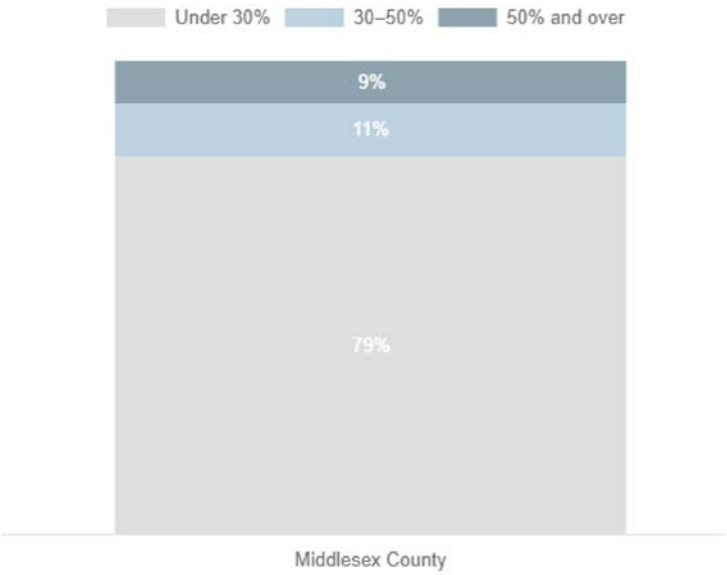
Guidelines from the federal Department of Housing and Urban Development state that households should pay no more than 30% of their income on housing to be able to pay other expenses. Those paying over 30% are considered cost-burdened, those paying 50% – severely cost-burdened. Those living in rented accommodation tend to spend a greater share of their income on housing compared to homeowners.

Three bar charts below show how much households spend on housing. It is broken down into homeowners with and without mortgage, and renters.

Hover over bars to see counts. Click categories in the legend to remove them from the chart. **Percentages may not add up to 100% due to *not computed* values.**

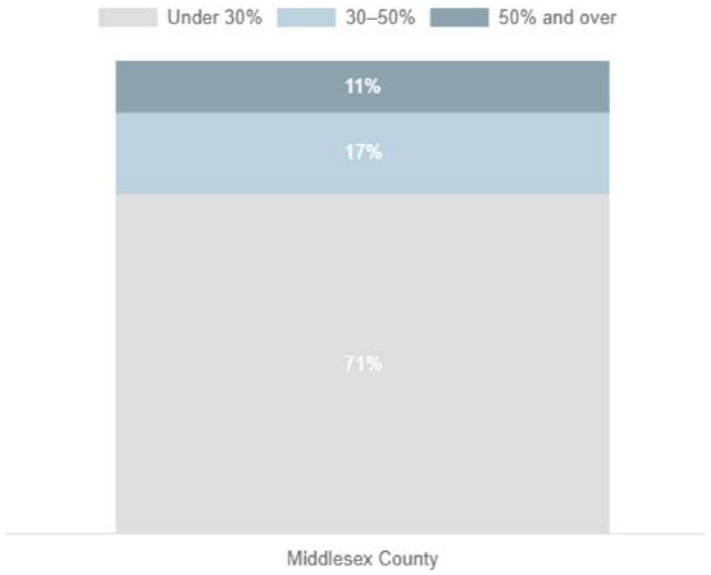
Homeowners, without mortgage

20% of homeowners (no mortgage) in Middlesex County are cost-burdened, that is, spend 30% or more of their income on housing costs.



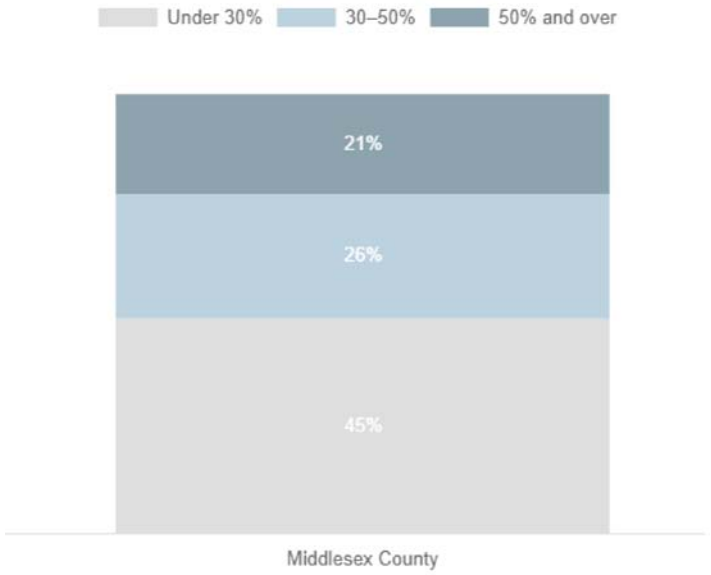
Homeowners, with mortgage

29% of homeowners (with mortgage) in Middlesex County are cost-burdened.



Renters

46% of renters in Middlesex County are cost-burdened, that is, spend 30% or more of their income on rent and associated costs.



Source: American Community Survey 2018, 5-year estimates, Tables B25070 and B25091
Visualization created by CTData Collaborative

Home Values

The real estate website Zillow provides data on home values across cities in the United States. The bar charts below show average home values in Middlesex County in 2019 for single-family residences, including condos and apartments.



Source: 2019 Zillow Home Value Index (average for 12 months)
Visualization created by CTData Collaborative

Housing Preservation Units

The table below shows the number of active, federally assisted rental housing units in Middlesex County. *At-risk* units are those rental homes that face an expiring affordability restriction in the next five years.

	Middlesex County
Active Units	3,026
At Risk	85 (2.8%)

Source: The National Housing Preservation Database (NHPD), accessed 30 September 2020.

Population



The table below shows estimated current and projected population, number of households (people occupying the same housing unit), average family and household size, and median age in Middlesex County.

See US Census Subject Definitions to learn the difference between households and families.

	Middlesex County
Population	163,368
Population Projection (2030)	166,533 1.9% ↑
Population Projection (2040)	163,365 -0.0% ↓
Households	66,892
Average Household Size	2.4
Average Family Size	2.9
Median Age	44.0

Source: 2018 American Community Survey, 5-year estimates, Tables B01002, B11001, B03002, and S1101. Population projections by CT State Data Center.

Population Change In Past 3 Years

The table below shows population change between 2015 and 2018 for Middlesex County, ordered by percent change.

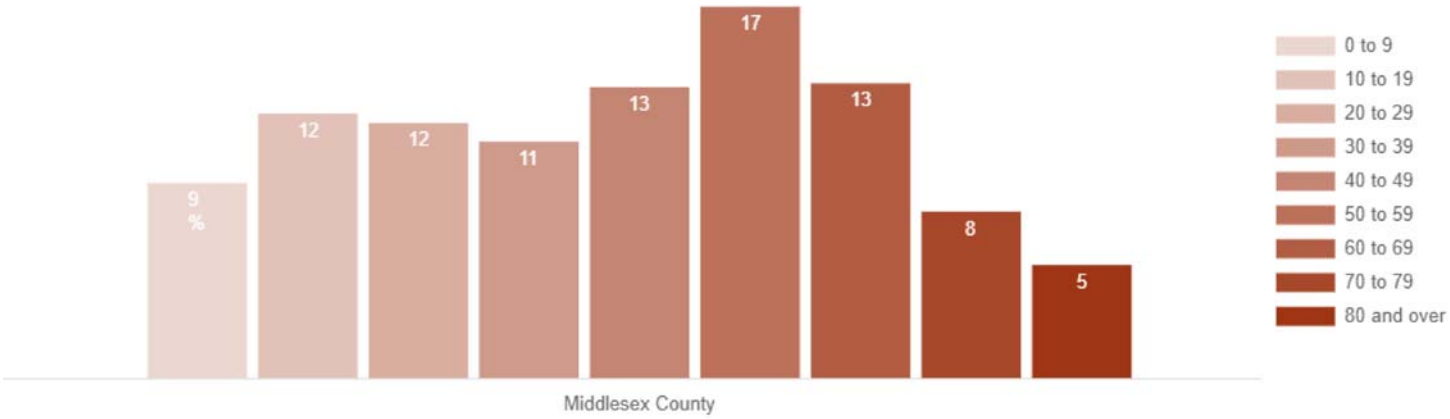
Geography	Population in 2015	Population in 2018	Change	% Change
Middlesex County	164,063	162,682	-1,381	-0.8% ↓

Source: CT Department of Public Health, annual population estimates

Population by Age

The chart below shows population breakdown by age. Each column represents a ten-year interval and is labeled by percentage of population in that age group.

Hover over bars to see population counts for the age groups. Click categories in the legend to remove them from the chart. Percentages may add up to 99 or 101 due to rounding error.

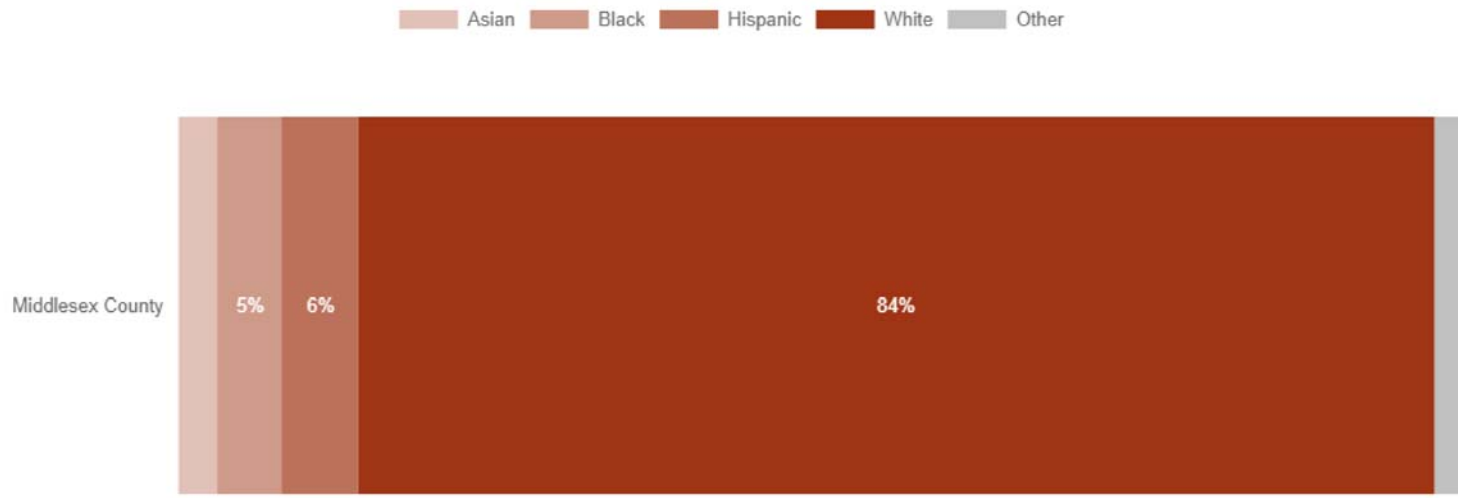


Source: American Community Survey 2018, 5-year estimates, Table S0101
Visualization created by CTData Collaborative

Population by Race

The chart below shows population breakdown by race and Hispanic ethnicity. Races include counts and percentages for non-Hispanic population of that race only. Hispanic population of all races is combined under Hispanic category.

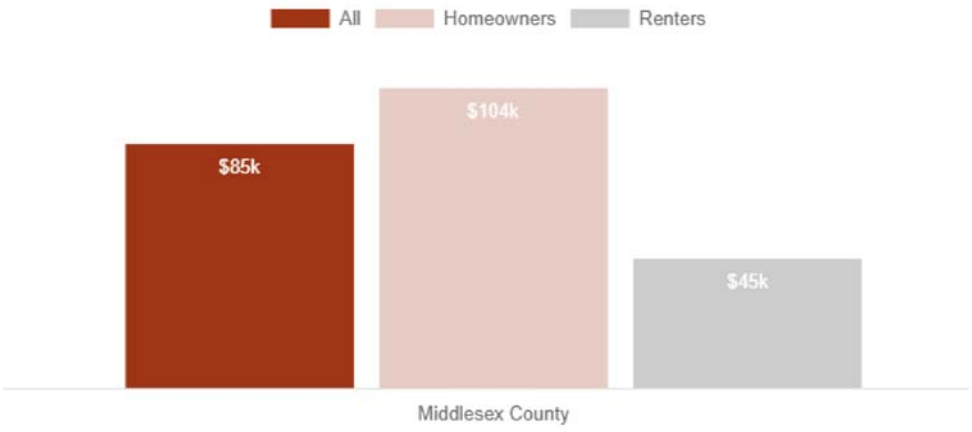
Hover over bars to see population counts for racial groups. Click categories in the legend to remove them from the chart. Percentages may add up to 99 or 101 due to rounding error.



Source: American Community Survey 2018, 5-year estimates, Table B03002. *Other* category includes those self-identifying as American Indian and Alaska Native, Native Hawaiian and Pacific Islander, some other race, and two or more races.
Visualization created by CTData Collaborative

Median Household Income

The bar chart shows median household income in Middlesex County for renters, homeowners, and everyone. Median represents the "middle" income if all households were to be arranged from lowest to highest. In other words, half of households earn less than the median amount, and half earn more.

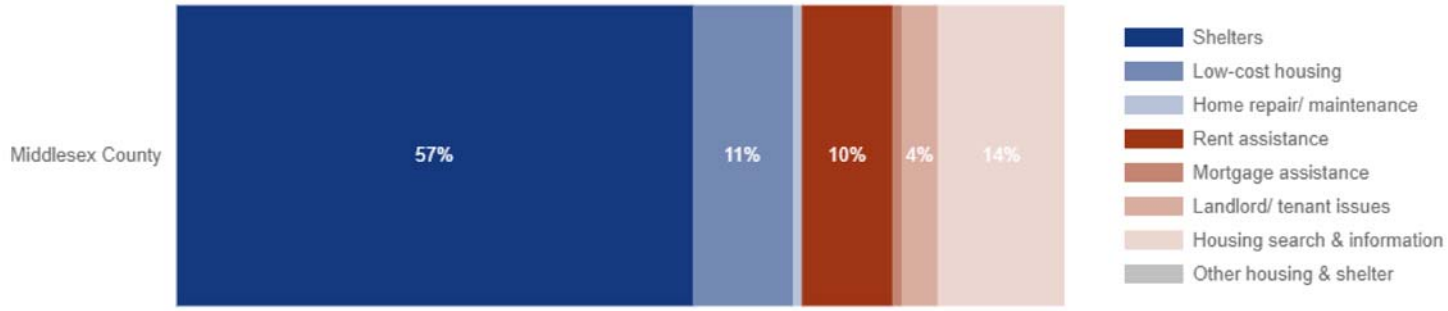


Source: 2018 American Community Survey, 5-year estimates, Tables B19013 and B25119
Visualization created by CTData Collaborative

2-1-1 Calls

The bar charts below show 2-1-1 calls related to shelters and housing in Middlesex County.

Hover over bars to see numbers instead of percentages. Percentages may add up to 99 or 101 due to rounding error.



Source: 211Counts Connecticut, https://ct.211counts.org/
Visualization created by CTData Collaborative

About

The Partnership for Strong Communities's Housing Data Profiles are a free resource to help Connecticut residents, developers, legislators, municipal officials, and others make data-informed decisions. Profiles are available for every town in the state, as well as each county, and the state as a whole.

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Related Links

Partnership for Strong Communities

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OUT *of* REACH

THE HIGH COST OF HOUSING



2020

NATIONAL LOW INCOME HOUSING COALITION

HOW TO USE THE NUMBERS

A renter household needs to earn at least **$23.96** per hour in order to afford a two-bedroom home at FMR.

The annual median family income (AMI) in the United States is **$80,320** (2020).

For a family earning 100% of AMI, monthly rent of **$2,008** or less is affordable.

There were **43,669,988** renter households in the United States (2014-2018).

Renter households represented **36%** of all households (2014-2018).

The estimated mean (average) renter wage in the United States is **$18.22** per hour (2020).

	FY20 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage[3] needed to afford 2 BR FMR	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Monthly rent affordable at 30% of AMI	Renter households	% of total households	Estimated hourly mean renter wage	Rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
UNITED STATES	**$23.96**	**$1,246**	**$49,830**	**2.4**	**$80,320**	**$2,008**	**$24,096**	**$602**	**43,669,988**	**36%**	**$18.22**	**$948**	**1.3**

The FMR for a two-bedroom rental home in the United States is **$1,246** (2020).

A renter household needs an annual income of **$49,830** in order to afford a two-bedroom rental home at FMR.

On average, a renter household needs **2.4 full-time jobs** paying the minimum wage in order to afford a two-bedroom rental home at FMR.

In the United States, a family at 30% of AMI earns **$24,096** annually.

For a family earning 30% of AMI, monthly rent of **$602** or less is affordable.

If a full-time worker earns the mean renter wage, monthly rent of **$948** or less is affordable.

A renter household needs **1.3 full-time jobs** paying the mean renter wage in order to afford a two-bedroom rental home at FMR.

1: BR = Bedroom.

2: FMR = Fiscal Year 2020 Fair Market Rent.

3: This calculation uses the higher of the county, state, or federal minimum wage, where applicable.

4: AMI = Fiscal Year 2020 Area Median Income.

5: Affordable rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

WHERE THE NUMBERS COME FROM

Divide income needed to afford FMR ($49,830) by 52 (weeks per year) and then by 40 (hours per work week) ($49,830 / 52 = $958; $958 / 40 = **$23.96**).

Multiply Annual AMI by .3 to get maximum amount that can be spent on housing for it to be affordable ($80,320 x .3 = $24,096). Divide by 12 to obtain monthly amount ($24,096 / 12 = **$2,008**).

HUD FY20 estimated median family income based on data from the American Community Survey (ACS). See Appendix B.

Divide number of renter households by total number of households (ACS 2014-2018) (43,669,988 / 120,935,203 = .36). Then multiply by 100 (.36 x 100 = **36%**).

ACS (2014-2018).

Average wage reported by the Bureau of Labor Statistics (BLS) for 2018, adjusted to reflect the income of renter households relative to all households in the United States, and projected to 2020. See Appendix B.

	FY20 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage[3] needed to afford 2 BR FMR	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Monthly rent affordable at 30% of AMI	Renter households	% of total households	Estimated hourly mean renter wage	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
UNITED STATES	**$23.96**	**$1,246**	**$49,830**	**2.4**	**$80,320**	**$2,008**	**$24,096**	**$602**	**43,669,988**	**36%**	**$18.22**	**$948**	**1.3**

Developed by HUD annually (2020). See Appendix B.

Multiply the FMR by 12 to get yearly rental cost ($1,245.75 x 12 = $14,949). Then divide by .3 to determine the total income needed to afford $14,949 per year in rent ($14,949 / .3 = **$49,830**).

National average of jobs needed across all counties, weighted by number of renter households. To find jobs needed in a particular state, metro, or county, divide annual income needed to afford the FMR by 52 (weeks per year). Then divide by the prevailing minimum wage. Then divide by 40 (hours per work week).

Multiply Annual AMI by .3 ($80,320 x .3 = **$24,096**).

Multiply 30% of Annual AMI by .3 to get maximum amount that can be spent on housing for it to be affordable ($24,096 x .3 = $7,228.80). Divide by 12 to obtain monthly amount ($7,228.80 / 12 = **$602.40**).

Calculate annual income by multiplying mean renter wage by 40 (hours per week) and 52 (weeks per year) ($18.22374 x 40 x 52 = $37,905.38). Multiply by .3 to determine maximum amount that can be spent on rent ($37,905.38 x .3 = $11,371.61). Divide by 12 to obtain monthly amount ($11,371.61 / 12 = **$948**).

Divide income needed to afford the FMR by 52 (weeks per year) ($49,830 / 52 = $958). Then divide by $18.22 (the United States' mean renter wage) ($958 / $18.22 = 53 hours). Finally, divide by 40 (hours per work week) (53 / 40 = **1.3 full-time jobs**).

1: BR = Bedroom.

2: FMR = Fiscal Year 2020 Fair Market Rent.

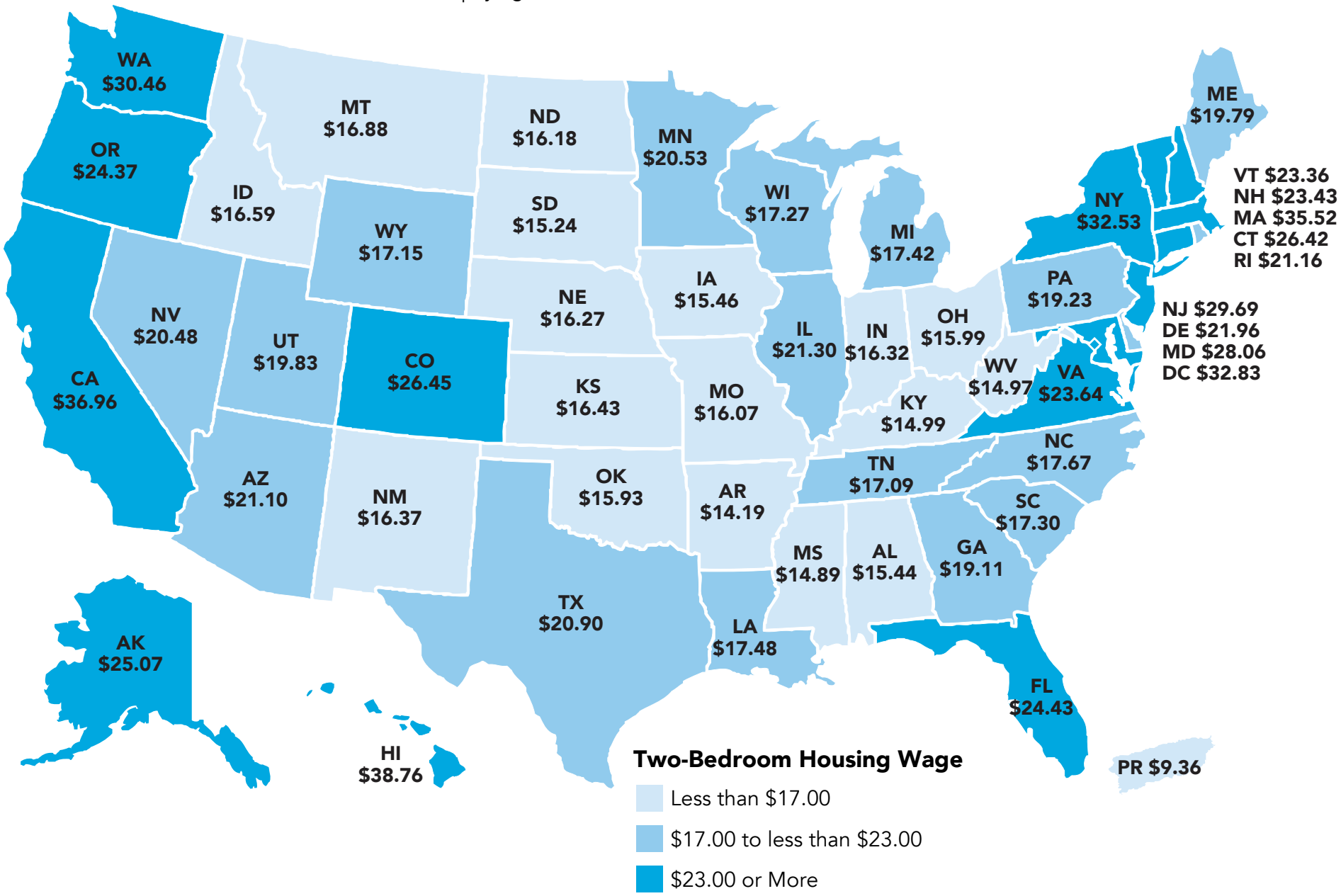
3: This calculation uses the higher of the county, state, or federal minimum wage, where applicable.

4: AMI = Fiscal Year 2020 Area Median Income.

5: Affordable rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

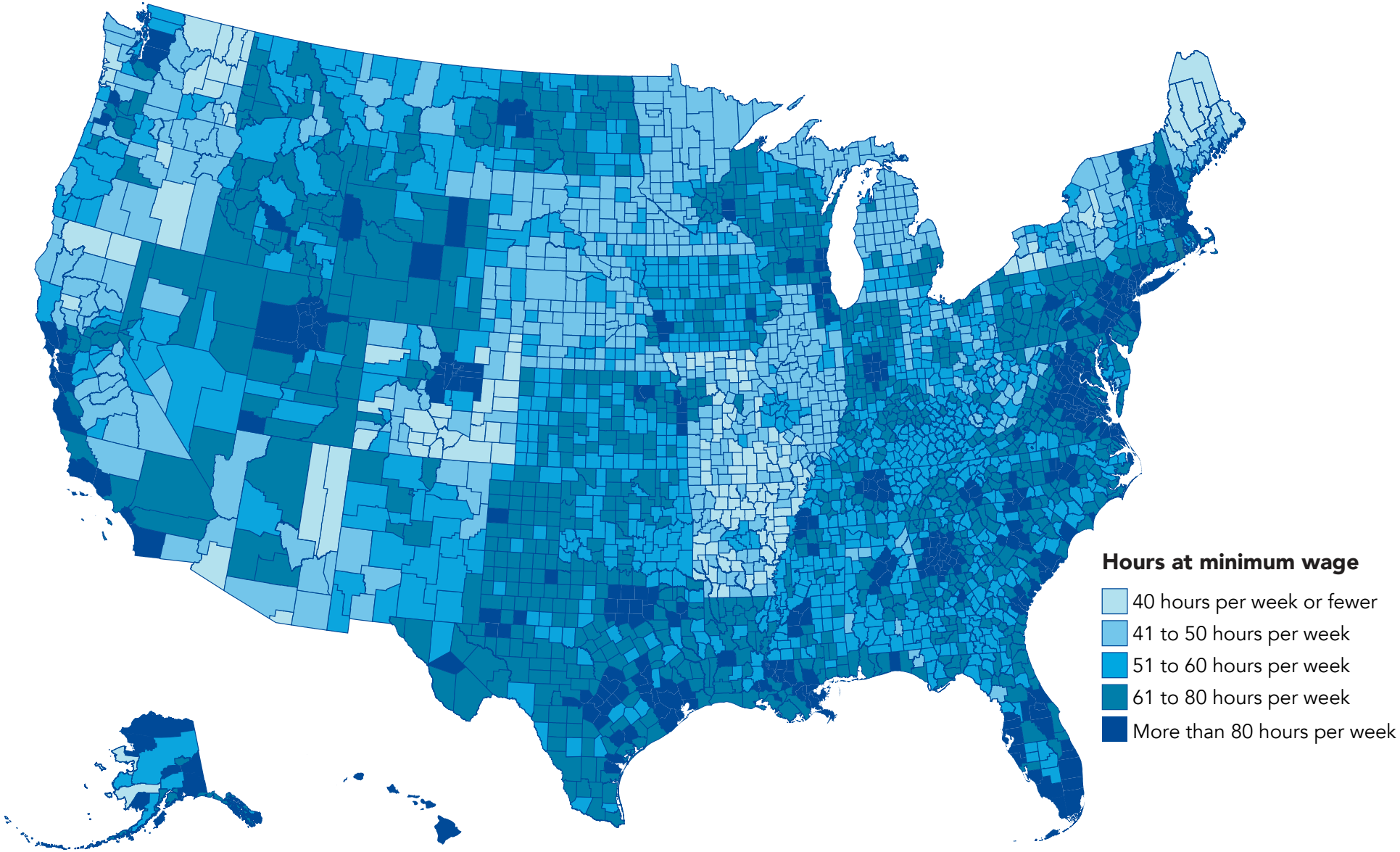
2020 TWO-BEDROOM RENTAL HOUSING WAGES

Represents the hourly wage that a full-time worker must earn (working 40 hours a week, 52 weeks a year) in order to afford the Fair Market Rent for a **TWO-BEDROOM RENTAL HOME**, without paying more than 30% of income.



2020 HOURS AT MINIMUM WAGE NEEDED TO AFFORD A ONE-BEDROOM RENTAL HOME AT FAIR MARKET RENT

*Note: New England states are displayed with HUD Fair Market Rent Areas. All other states are displayed at the county level. This map does not account for the 37 sub-county jurisdictions with minimum wages higher than the prevailing county, state, or federal minimum wage. None of these local minimum wages are sufficient to afford a one-bedroom rental home at the Fair Market Rent with a 40 hour work week. The geographic variation of Oregon and New York's state minimum wages are reflected at the county level.



MOST EXPENSIVE JURISDICTIONS

Metropolitan Areas	Housing Wage for Two-Bedroom FMR[1]
San Francisco, CA HMFA[3]	$64.21
San Jose-Sunnyvale-Santa Clara, CA HMFA	$57.12
Santa Cruz-Watsonville, CA MSA[4]	$48.44
Santa Maria-Santa Barbara, CA MSA	$44.69
Boston-Cambridge-Quincy, MA HMFA	$44.44
Oakland-Fremont, CA HMFA	$43.06
Santa Ana-Anaheim-Irvine, CA HMFA	$42.62
Honolulu, HI MSA	$41.54
Seattle-Bellevue, WA HMFA	$40.37
Stamford-Norwalk, CT HMFA	$39.98

Metropolitan Counties[2]	Housing Wage for Two-Bedroom FMR
Marin County, CA	$64.21
San Francisco County, CA	$64.21
San Mateo County, CA	$64.21
Santa Clara County, CA	$57.12
Santa Cruz County, CA	$48.44
Santa Barbara County, CA	$44.69
Alameda County, CA	$43.06
Contra Costa County, CA	$43.06
Orange County, CA	$42.62
Honolulu County, HI	$41.54

State Nonmetropolitan Areas (Combined)	Housing Wage for Two-Bedroom FMR
Hawaii	$29.81
Alaska	$26.11
Massachusetts	$23.69
Connecticut	$22.69
California	$20.00
New Hampshire	$19.90
Vermont	$19.00
Maryland	$18.91
Washington	$18.34
Colorado	$18.25

Nonmetropolitan Counties (or County-Equivalents)	Housing Wage for Two-Bedroom FMR
Kauai County, HI	$36.17
Aleutians West Census Area, AK	$33.75
Dukes County, MA	$33.23
Monroe County, FL	$33.23
Nantucket County, MA	$33.06
Bethel Census Area, AK	$32.46
Nome Census Area, AK	$32.40
Pitkin County, CO	$30.37
Denali Borough, AK	$29.60
North Slope Borough, AK	$28.50
Juneau City and Borough, AK	$28.50

1 FMR = Fair Market Rent.

2 Excludes metropolitan counties in New England.

3 HMFA = HUD Metro FMR Area. This term indicates that a portion of an Office of Management & Budget (OMB)-defined core-based statistical area (CBSA) is in the area to which the FMRs apply. HUD is required by OMB to alter the names of the metropolitan geographic entities it derives from CBSAs when the geographies are not the same as that established by the OMB.

4 MSA = Metropolitan Statistical Area. Geographic entities defined by OMB for use by the federal statistical agencies in collecting, tabulating, and publishing federal statistics.

STATES RANKED BY TWO-BEDROOM HOUSING WAGE

States are ranked from most expensive to least expensive.

Rank[1]	State	Housing Wage for Two-Bedroom FMR[2]
1	Hawaii	$38.76
2	California	$36.96
3	Massachusetts	$35.52
5	New York	$32.53
6	Washington	$30.46
7	New Jersey	$29.69
8	Maryland	$28.06
9	Colorado	$26.45
10	Connecticut	$26.42
11	Alaska	$25.07
12	Florida	$24.43
13	Oregon	$24.37
14	Virginia	$23.64
15	New Hampshire	$23.43
16	Vermont	$23.36
17	Delaware	$21.96
18	Illinois	$21.30
19	Rhode Island	$21.16
20	Arizona	$21.10
21	Texas	$20.90
22	Minnesota	$20.53
23	Nevada	$20.48
24	Utah	$19.83
25	Maine	$19.79
26	Pennsylvania	$19.23
27	Georgia	$19.11
28	North Carolina	$17.67
29	Louisiana	$17.48
30	Michigan	$17.42
31	South Carolina	$17.30
32	Wisconsin	$17.27
33	Wyoming	$17.15
34	Tennessee	$17.09
35	Montana	$16.88
36	Idaho	$16.59
37	Kansas	$16.43
38	New Mexico	$16.37
39	Indiana	$16.32
40	Nebraska	$16.27
41	North Dakota	$16.18
42	Missouri	$16.07
43	Ohio	$15.99
44	Oklahoma	$15.93
45	Iowa	$15.46
46	Alabama	$15.44
47	South Dakota	$15.24
48	Kentucky	$14.99
49	West Virginia	$14.97
50	Mississippi	$14.89
51	Arkansas	$14.19
	OTHER	
4	District of Columbia	$32.83
52	Puerto Rico	$9.36

1 Includes District of Columbia and Puerto Rico.

2 FMR = Fair Market Rent.

STATE SUMMARY

	FY20 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
State	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to Afford 2 BR FMR	Full-time jobs at minimum wage[3] needed to afford 2 BR FMR	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Monthly rent affordable at 30% AMI	Renter households (2014-2018)	% of total households (2014-2018)	Estimated hourly mean renter wage (2020)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Alabama	$15.44	$803	$32,110	2.1	$66,123	$1,653	$19,837	$496	585,046	31%	$13.30	$692	1.2
Alaska	$25.07	$1,304	$52,147	2.5	$92,899	$2,322	$27,870	$697	91,290	36%	$19.55	$1,017	1.3
Arizona	$21.10	$1,097	$43,892	1.8	$72,954	$1,824	$21,886	$547	918,235	36%	$17.46	$908	1.2
Arkansas	$14.19	$738	$29,514	1.4	$61,408	$1,535	$18,422	$461	395,744	34%	$13.92	$724	1.0
California	$36.96	$1,922	$76,879	2.8	$90,909	$2,273	$27,273	$682	5,880,000	45%	$23.96	$1,246	1.5
Colorado	$26.45	$1,375	$55,016	2.2	$91,959	$2,299	$27,588	$690	742,242	35%	$19.49	$1,013	1.4
Connecticut	$26.42	$1,374	$54,956	2.4	$101,816	$2,545	$30,545	$764	460,240	34%	$17.70	$921	1.5
Delaware	$21.96	$1,142	$45,669	2.4	$86,342	$2,159	$25,903	$648	103,457	29%	$17.83	$927	1.2
Florida	$24.43	$1,270	$50,807	2.9	$68,669	$1,717	$20,601	$515	2,667,159	35%	$17.28	$898	1.4
Georgia	$19.11	$994	$39,758	2.6	$72,224	$1,806	$21,667	$542	1,369,507	37%	$17.51	$911	1.1
Hawaii	$38.76	$2,015	$80,613	3.8	$97,168	$2,429	$29,151	$729	190,420	42%	$17.17	$893	2.3
Idaho	$16.59	$863	$34,511	2.3	$68,372	$1,709	$20,511	$513	190,031	31%	$13.26	$689	1.3
Illinois	$21.30	$1,108	$44,310	2.1	$85,252	$2,131	$25,576	$639	1,641,003	34%	$18.00	$936	1.2
Indiana	$16.32	$848	$33,940	2.3	$72,950	$1,824	$21,885	$547	793,086	31%	$14.44	$751	1.1
Iowa	$15.46	$804	$32,151	2.1	$79,229	$1,981	$23,769	$594	362,703	29%	$13.43	$698	1.2
Kansas	$16.43	$855	$34,185	2.3	$74,642	$1,866	$22,393	$560	378,704	34%	$14.21	$739	1.2
Kentucky	$14.99	$780	$31,183	2.1	$66,539	$1,663	$19,962	$499	571,050	33%	$13.79	$717	1.1
Louisiana	$17.48	$909	$36,356	2.4	$64,793	$1,620	$19,438	$486	602,937	35%	$14.64	$761	1.2
Maine	$19.79	$1,029	$41,156	1.6	$76,811	$1,920	$23,043	$576	154,809	28%	$12.34	$642	1.6
Maryland	$28.06	$1,459	$58,366	2.6	$109,357	$2,734	$32,807	$820	728,577	33%	$18.16	$944	1.5
Massachusetts	$35.52	$1,847	$73,890	2.8	$105,892	$2,647	$31,768	$794	968,213	38%	$21.74	$1,131	1.6
Michigan	$17.42	$906	$36,227	1.8	$74,703	$1,868	$22,411	$560	1,132,395	29%	$15.38	$800	1.1
Minnesota	$20.53	$1,068	$42,705	2.1	$92,812	$2,320	$27,844	$696	616,511	28%	$16.06	$835	1.3
Mississippi	$14.89	$774	$30,977	2.1	$57,678	$1,442	$17,303	$433	351,558	32%	$12.10	$629	1.2
Missouri	$16.07	$836	$33,424	1.7	$73,483	$1,837	$22,045	$551	794,426	33%	$15.28	$794	1.1
Montana	$16.88	$878	$35,112	2.0	$73,104	$1,828	$21,931	$548	136,687	32%	$13.15	$684	1.3
Nebraska	$16.27	$846	$33,838	1.8	$78,740	$1,968	$23,622	$591	255,496	34%	$13.70	$712	1.2

1 BR = Bedroom.
2 FMR = Fiscal Year 2020 Fair Market Rent.
3 This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix B.
4 AMI = Fiscal Year 2020 Area Median Income
5 Affordable rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

STATE SUMMARY

State	FY20 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to Afford 2 BR FMR	Full-time jobs at minimum wage[3] needed to afford 2 BR FMR	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Monthly rent affordable at 30% AMI	Renter households (2014-2018)	% of total households (2014-2018)	Estimated hourly mean renter wage (2020)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Nevada	$20.48	$1,065	$42,592	2.3	$72,497	$1,812	$21,749	$544	475,410	44%	$17.42	$906	1.2
New Hampshire	$23.43	$1,218	$48,726	3.2	$94,756	$2,369	$28,427	$711	153,320	29%	$15.83	$823	1.5
New Jersey	$29.69	$1,544	$61,762	2.7	$102,843	$2,571	$30,853	$771	1,158,949	36%	$19.10	$993	1.6
New Mexico	$16.37	$851	$34,047	1.8	$62,865	$1,572	$18,859	$471	251,409	32%	$13.99	$728	1.2
New York	$32.53	$1,691	$67,653	2.8	$87,886	$2,197	$26,366	$659	3,373,181	46%	$25.68	$1,335	1.3
North Carolina	$17.67	$919	$36,751	2.4	$71,385	$1,785	$21,415	$535	1,369,892	35%	$15.92	$828	1.1
North Dakota	$16.18	$841	$33,647	2.2	$88,698	$2,217	$26,610	$665	117,556	37%	$17.12	$890	0.9
Ohio	$15.99	$832	$33,267	1.8	$74,544	$1,864	$22,363	$559	1,582,848	34%	$14.42	$750	1.1
Oklahoma	$15.93	$828	$33,132	2.2	$66,385	$1,660	$19,916	$498	507,582	34%	$15.12	$786	1.1
Oregon	$24.37	$1,267	$50,687	2.0	$78,661	$1,967	$23,598	$590	606,312	38%	$16.78	$872	1.5
Pennsylvania	$19.23	$1,000	$39,992	2.7	$82,696	$2,067	$24,809	$620	1,557,665	31%	$15.90	$827	1.2
Rhode Island	$21.16	$1,101	$44,023	2.0	$87,969	$2,199	$26,391	$660	163,320	40%	$14.21	$739	1.5
South Carolina	$17.30	$900	$35,984	2.4	$67,964	$1,699	$20,389	$510	589,362	31%	$13.52	$703	1.3
South Dakota	$15.24	$793	$31,701	1.6	$76,055	$1,901	$22,817	$570	108,929	32%	$12.52	$651	1.2
Tennessee	$17.09	$889	$35,550	2.4	$67,463	$1,687	$20,239	$506	865,902	34%	$15.82	$823	1.1
Texas	$20.90	$1,087	$43,478	2.9	$75,592	$1,890	$22,678	$567	3,635,275	38%	$19.56	$1,017	1.1
Utah	$19.83	$1,031	$41,251	2.7	$82,685	$2,067	$24,805	$620	288,634	30%	$14.94	$777	1.3
Vermont	$23.36	$1,215	$48,597	2.1	$78,736	$1,968	$23,621	$591	76,019	29%	$13.81	$718	1.7
Virginia	$23.64	$1,229	$49,167	3.3	$93,280	$2,332	$27,984	$700	1,057,536	34%	$18.67	$971	1.3
Washington	$30.46	$1,584	$63,352	2.3	$93,484	$2,337	$28,045	$701	1,043,871	37%	$21.90	$1,139	1.4
West Virginia	$14.97	$778	$31,135	1.7	$61,519	$1,538	$18,456	$461	198,796	27%	$13.03	$678	1.1
Wisconsin	$17.27	$898	$35,913	2.4	$80,442	$2,011	$24,133	$603	775,089	33%	$14.32	$744	1.2
Wyoming	$17.15	$892	$35,663	2.4	$80,329	$2,008	$24,099	$602	70,509	31%	$15.15	$788	1.1
OTHER													
District of Columbia	$32.83	$1,707	$68,280	2.2	$126,000	$3,150	$37,800	$945	163,751	58%	$29.20	$1,518	1.1
Puerto Rico	$9.36	$487	$19,473	1.3	$25,255	$631	$7,576	$189	384,670	32%	$7.73	$402	1.2

1 BR = Bedroom.
2 FMR = Fiscal Year 2020 Fair Market Rent.
3 This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix B.
4 AMI = Fiscal Year 2020 Area Median Income
5 Affordable rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

CONNECTICUT #10*

In **Connecticut**, the Fair Market Rent (FMR) for a two-bedroom apartment is **$1,374**. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn **$4,580** monthly or **$54,956** annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

$26.42
PER HOUR
STATE HOUSING WAGE

FACTS ABOUT **CONNECTICUT:**

STATE FACTS	
Minimum Wage	$11.00
Average Renter Wage	$17.70
2-Bedroom Housing Wage	$26.42
Number of Renter Households	460,240
Percent Renters	34%

MOST EXPENSIVE AREAS	HOUSING WAGE
Stamford-Norwalk HMFA	$39.98
Danbury HMFA	$33.63
Southern Middlesex County HMFA	$27.87
New Haven-Meriden HMFA	$27.06
Milford-Ansonia-Seymour HMFA	$26.46

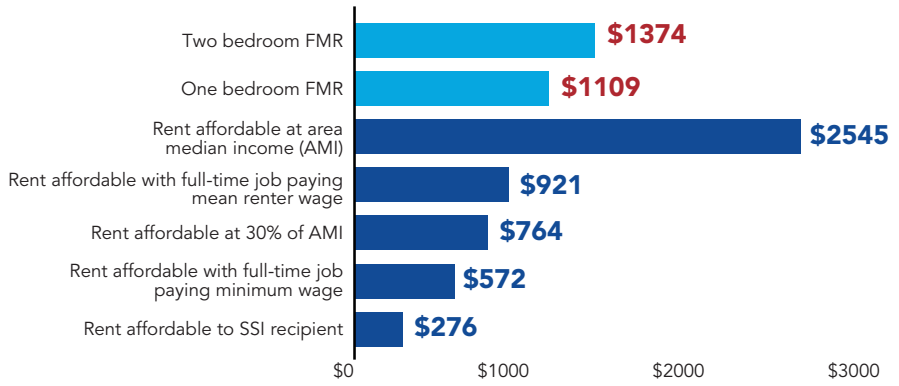
MSA = Metropolitan Statistical Area: HMFA = HUD Metro FMR Area.
* Ranked from Highest to Lowest 2-Bedroom Housing Wage. Includes District of Columbia and Puerto Rico.

96
Work Hours Per Week At **Minimum Wage** To Afford a **2-Bedroom Rental Home** (at FMR)

78
Work Hours Per Week At **Minimum Wage** To Afford a **1-Bedroom Rental Home** (at FMR)

2.4
Number of Full-Time Jobs At **Minimum Wage** To Afford a **2-Bedroom Rental Home** (at FMR)

1.9
Number of Full-Time Jobs At **Minimum Wage** To Afford a **1-Bedroom Rental Home** (at FMR)



TOWNS WITHIN CONNECTICUT FMR AREAS

BRIDGEPORT, CT HMFA

FAIRFIELD COUNTY

Bridgeport town, Easton town, Fairfield town, Monroe town, Shelton town, Stratford town, Trumbull town

COLCHESTER-LEBANON, CT HMFA

NEW LONDON COUNTY

Colchester town, Lebanon town

DANBURY, CT HMFA

FAIRFIELD COUNTY

Bethel town, Brookfield town, Danbury town, New Fairfield town, Newtown town, Redding town, Ridgefield town, Sherman town

HARTFORD-WEST HARTFORD-EAST HARTFORD, CT HMFA

HARTFORD COUNTY

Avon town, Berlin town, Bloomfield town, Bristol town, Burlington town, Canton town, East Granby town, East Hartford town, East Windsor town, Enfield town, Farmington town, Glastonbury town, Granby town, Hartford town, Hartland town, Manchester town, Marlborough town, New Britain town, Newington town, Plainville town, Rocky Hill town, Simsbury town, South Windsor town, Southington town, Suffield town, West Hartford town, Wethersfield town, Windsor Locks town, Windsor town

MIDDLESEX COUNTY

Chester town, Cromwell town, Durham town, East Haddam town, East Hampton town, Haddam town, Middlefield town, Middletown town, Portland town

TOLLAND COUNTY

Andover town, Bolton town, Columbia town, Coventry town, Ellington town, Hebron town, Mansfield town, Somers town, Stafford town, Tolland town, Union town, Vernon town, Willington town

MILFORD-ANSONIA-SEYMOUR, CT HMFA

NEW HAVEN COUNTY

Ansonia town, Beacon Falls town, Derby town, Milford town, Oxford town, Seymour town

NEW HAVEN-MERIDEN, CT HMFA

NEW HAVEN COUNTY

Bethany town, Branford town, Cheshire town, East Haven town, Guilford town, Hamden town, Madison town, Meriden town, New Haven town, North Branford town, North Haven town, Orange town, Wallingford town, West Haven town, Woodbridge town

NORWICH-NEW LONDON, CT HMFA

NEW LONDON COUNTY

Bozrah town, East Lyme town, Franklin town, Griswold town, Groton town, Ledyard town, Lisbon town, Lyme town, Montville town, New London town, North Stonington town, Norwich town, Old Lyme town, Preston town, Salem town, Sprague town, Stonington town, Voluntown town, Waterford town

SOUTHERN MIDDLESEX COUNTY, CT HMFA

MIDDLESEX COUNTY

Clinton town, Deep River town, Essex town, Killingworth town, Old Saybrook town, Westbrook town

STAMFORD-NORWALK, CT HMFA

FAIRFIELD COUNTY

Darien town, Greenwich town, New Canaan town, Norwalk town, Stamford town, Weston town, Westport town, Wilton town

WATERBURY, CT HMFA

NEW HAVEN COUNTY

Middlebury town, Naugatuck town, Prospect town, Southbury town, Waterbury town, Wolcott town

CONNECTICUT

	FY20 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTERS				
	Hourly wage necessary to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BMR FMR	Full-time jobs at minimum wage to afford 2BR FMR[3]	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Montly rent affordable at 30% of AMI	Renter households (2014-2018)	% of total households (2014-2018)	Estimated hourly mean renter wage (2020)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Connecticut	$26.42	$1,374	$54,956	2.4	$101,816	$2,545	$30,545	$764	460,240	34%	$17.70	$921	1.5
Combined Nonmetro Areas	$22.69	$1,180	$47,200	2.1	$102,600	$2,565	$30,780	$770	16,908	23%	$11.99	$623	1.9
Metropolitan Areas													
Bridgeport HMFA	$25.88	$1,346	$53,840	2.4	$98,000	$2,450	$29,400	$735	42,489	33%	$22.45	$1,167	1.2
Colchester-Lebanon HMFA	$23.69	$1,232	$49,280	2.2	$115,000	$2,875	$34,500	$863	1,689	19%	$16.83	$875	1.4
Danbury HMFA	$33.63	$1,749	$69,960	3.1	$122,000	$3,050	$36,600	$915	18,878	26%	$22.45	$1,167	1.5
Hartford-West Hartford-East Hartford HMFA	$23.65	$1,230	$49,200	2.2	$97,400	$2,435	$29,220	$731	152,962	34%	$16.92	$880	1.4
Milford-Ansonia-Seymour HMFA	$26.46	$1,376	$55,040	2.4	$108,200	$2,705	$32,460	$812	13,093	27%	$15.50	$806	1.7
New Haven-Meriden HMFA	$27.06	$1,407	$56,280	2.5	$91,200	$2,280	$27,360	$684	82,593	39%	$15.50	$806	1.7
Norwich-New London HMFA	$22.90	$1,191	$47,640	2.1	$91,800	$2,295	$27,540	$689	34,254	35%	$16.83	$875	1.4
Southern Middlesex County HMFA	$27.87	$1,449	$57,960	2.5	$112,000	$2,800	$33,600	$840	4,054	20%	$14.42	$750	1.9
Stamford-Norwalk HMFA	$39.98	$2,079	$83,160	3.6	$143,400	$3,585	$43,020	$1,076	49,955	36%	$22.45	$1,167	1.8
Waterbury HMFA	$21.52	$1,119	$44,760	2.0	$80,300	$2,008	$24,090	$602	29,876	41%	$15.50	$806	1.4
Windham County HMFA	$19.62	$1,020	$40,800	1.8	$86,900	$2,173	$26,070	$652	13,489	30%	$10.71	$557	1.8
Counties													
Litchfield County	$22.69	$1,180	$47,200	2.1	$102,600	$2,565	$30,780	$770	16,908	23%	$11.99	$623	1.9

1: BR = Bedroom
2: FMR = Fiscal Year 2020 Fair Market Rent.
3: This calculation uses the higher of the county, state, or federal minimum wage, where applicable.
4: AMI = Fiscal Year 2020 Area Median Income
5: Affordable rents represent the generally accepted standard of spending not more than 30% of gross income on gross housing costs.

APPENDIX B: DATA NOTES, METHODOLOGIES, AND SOURCES

Appendix B describes the data used in *Out of Reach*. Information on how to calculate and interpret the report's numbers are in the pages "How to Use the Numbers" and "Where the Numbers Come From."

FAIR MARKET RENT AREA DEFINITIONS

HUD determines Fair Market Rents (FMRs) for metropolitan and rural housing markets across the country. In metropolitan areas, HUD starts with the Office of Management and Budget's (OMB) metropolitan area boundaries to define FMR areas. Since FMR areas are meant to reflect cohesive housing markets, the OMB boundaries are not always preferable. Also, significant changes to OMB metropolitan boundaries can affect current housing assistance recipients. In keeping with OMB's guidance to federal agencies, HUD modifies OMB boundaries in some instances for program administration.

In FY06, HUD's FMR areas incorporated OMB's 2003 overhaul of metropolitan area boundaries. HUD used OMB's new boundaries but modified them if a county (or town) to be added to an FMR area under OMB's definitions had rents or incomes in 2000 that deviated more than 5% from the newly defined metropolitan area. HUD (and *Out of Reach*) refers to unmodified OMB-defined areas as Metropolitan Statistical Areas (MSAs) and HUD-modified areas as HUD Metro FMR Areas (HMFAs). OMB's subsequent changes to metropolitan boundaries through 2009 were incorporated into HUD's subsequent FMR areas.

OMB released new metropolitan area boundaries in February 2013. For FY16, HUD elected to apply pre-2013 boundaries to FMR areas except where the post-2013 OMB boundaries resulted in a smaller FMR area. Counties that had been removed from metropolitan areas were treated by HUD as nonmetropolitan counties. Counties that had been added to metropolitan areas were treated by HUD as metropolitan subareas (HMFAs) and given their own FMR if local rent data were statistically reliable. New multi-county metropolitan areas were treated by HUD as individual county metropolitan subareas (HMFAs) if the data were statistically reliable. This is consistent with HUD's objective to allow variation in FMRs locally. These changes resulted in more metropolitan areas in *Out of Reach*, beginning in 2016.

In cases in which an FMR area crosses state lines, *Out of Reach* provides an entry for the area under both states. While the Housing Wage, FMR, and Area Median Income (AMI) values apply to the entire FMR area and will be the same in both states, other data such as the number of renter households, the minimum wage, and renter wages apply only to the portion of the FMR area within that state's borders.

FAIR MARKET RENTS

The FY20 FMRs are based on five-year 2013-2017 American Community Survey (ACS) data, supplemented with one-year 2017 ACS data. For each FMR area, a base rent is typically set at the 40th percentile of adjusted standard quality two-bedroom gross rents from the five-year ACS. The estimate is considered reliable by HUD if its margin of error is less than 50% of the estimate and is based on at least 100 observations. If an FMR area does not have a reliable estimate from the five-year 2013-2017 ACS, then HUD checks whether the area had a minimally reliable estimate (margin of error was less than 50% of estimate and based on more than 100 observations) in at least two of the past three years. If so, the FY20 base rent is the average of the inflation-adjusted reliable ACS estimates. If an area has not had at least two minimally reliable estimates in the past three years, the estimate for the next largest geographic area is the base for FY20, which for a nonmetropolitan county would be the state nonmetropolitan area.

A recent mover adjustment factor is applied to the base rent. This factor is calculated as the percentage change between the five-year 2013-2017 40th percentile standard quality two-bedroom gross rent, and the one-year 2017 40th percentile recent mover two-bedroom gross rent. The one-year recent mover two-bedroom gross rent is reliable if its margin of error is less than 50% of the estimate and is based on at least 100 observations. If the one-year recent

mover two-bedroom gross rent estimate is not reliable, the one-year recent mover gross rent for all-sized units is used. If that is not reliable, the estimate for the next largest geographic area is used. HUD does not allow recent mover factors to lower the base rent.

Statistically reliable local rent surveys are used to estimate rents when their estimates are statistically different from the ACS-based rents. For FY20, the ACS is not used as the base rent or recent mover factors in 19 FMR areas. HUD currently does not have funds to conduct local rent surveys, so surveys must be paid for by local public housing agencies or other interested parties if they wish for HUD to reevaluate the ACS-based FMRs.

A local or regional CPI update factor is applied to the ACS base rent to adjust for inflation through 2018. A trend factor is then applied to trend the gross rent forward to FY 2020, using local and regional forecasts of the CPI gross rent data.

While the *Out of Reach* report highlights the one-bedroom and two-bedroom FMR, the *Out of Reach* website includes zero- to four-bedroom FMRs. HUD finds that two-bedroom rental units are the most common and the most reliable to survey, so two-bedroom units are utilized as the primary FMR estimate.

HUD applies bedroom-size ratio adjustment factors to the two-bedroom estimates to calculate FMRs for other bedroom-size units. HUD makes additional adjustments for units with three or more bedrooms to increase the likelihood that the largest families, who have the most difficulty in finding units, will be successful in finding rental units eligible for programs whose payment standards are based on FMRs.

Due to changes in FMR methodology over the years, we do not recommend comparing the current edition of *Out of Reach* with previous ones.

FMRs for each area are available at https://www.huduser.gov/portal/datasets/fmr.html

HUD's Federal Register notices for FY20 FMRs are available at https://www.huduser.gov/portal/datasets/fmr.html#2020_documents

NATIONAL, STATE, AND NON-METRO FAIR MARKET RENTS

The FMRs for the nation, states, and state nonmetropolitan areas in *Out of Reach* are calculated by NLIHC and reflect the weighted average FMR for the counties (FMR areas in New England) included in the larger geography. The weight for FMRs is the number of renter households within each county (FMR area in New England) from the five-year 2014-2018 ACS.

AFFORDABILITY

Out of Reach is consistent with federal housing policy in the assumption that no more than 30% of a household's gross income should be consumed by gross housing costs. Spending more than 30% of income on housing is considered "unaffordable."[1]

AREA MEDIAN INCOME (AMI)

This edition of *Out of Reach* uses HUD's FY20 AMIs. HUD calculates the family AMI for metropolitan areas and nonmetropolitan counties. The Census definition of "family" is two or more persons related by blood, marriage or adoption residing together. This family AMI is not intended to apply to a specific family size.

HUD used special tabulations of five-year 2013-2017 ACS data to calculate the FY20 AMIs. In areas with a statistically reliable estimate from one-year 2017 ACS data, HUD incorporated the one-year data. HUD's standard for a reliable estimate is a margin of error of less than 50% of the estimate and at least 100 observations on which the estimate is based.

Where a statistically reliable estimate from five-year data is not available, HUD checks on whether the area has a minimally reliable estimate (margin of error is less than 50% of the estimate) from any of the past three years. If so, the average of these years, is used.

The Congressional Budget Office (CBO) projection of the Consumer Price Index (CPI) was used by HUD to inflate the ACS estimate from 2017 to the mid-point of FY20.

1 The Housing and Urban-Rural Recovery Act of 1983 made the 30% "rule of thumb" applicable to rental housing assistance program.

Applying the assumption that no more than 30% of income should be spent on housing costs, *Out of Reach* calculates the maximum affordable rent for households earning the median income and households earning 30% of the median. This is a straight percentage and does not include HUD's adjustments to income limits for federal housing programs.

The median incomes for states and state combined nonmetropolitan areas reported in *Out of Reach* reflect the weighted average of county AMI data weighted by the total number of households from the 2014-2018 ACS.

FY20 family AMI for metropolitan areas and nonmetropolitan counties, the methodology, and HUD's adjustments to subsequent income limits are available at https://www.huduser.gov/portal/datasets/il.html

PREVAILING MINIMUM WAGE

Out of Reach incorporates the minimum wage in effect as of July 1, 2020. According to the U.S. Department of Labor, the District of Columbia and 29 states have a state minimum wage higher than the federal level of $7.25 per hour. *Out of Reach* incorporates the higher prevailing state minimum wage in these states. Some local municipalities have a minimum wage that is higher than the prevailing federal or state rate, but local rates associated with sub-county jurisdictions are not fully incorporated into *Out of Reach*.

Among the statistics included in *Out of Reach* are the number of hours and subsequent full-time jobs a minimum wage earner must work to afford the FMR. The national average number of hours a full-time worker earning minimum wage must work to afford the FMR is calculated by taking into account the prevailing minimum wage at the county level (or New England FMR area) and finding the weighted average of hours needed in all counties, weighting counties by their number of renter households. Accordingly that average reflects higher state and county minimum wages but not higher minimum wages associated with sub-county jurisdictions.

If the reader would like to calculate the same statistics using a different wage such as a higher local minimum wage, a simple formula can be used for the conversion:

[hours or jobs at the published wage] × [published wage] / [alternative wage]

For example, one would have to work nearly 120 hours per week to afford the two-bedroom FMR in Seattle, WA, if the local minimum wage was equivalent to the State of Washington's rate of $13.50. However, the same FMR would be affordable with 98.5 hours of work per week under the higher local minimum wage of $16.39 (119.6 * $13.50 / $16.39).[2] For further guidance, see "Where the Numbers Come From" or contact NLIHC research staff.

The Department of Labor provides further information on state minimum wages at www.dol.gov/whd/minwage/america.htm.

AVERAGE RENTER WAGE

Recognizing that the minimum wage reflects the earnings of only the lowest income workers, *Out of Reach* also calculates an estimated mean renter hourly wage. This measure reflects the compensation that a typical renter is likely to receive for an hour of work by dividing average weekly earnings by 40 hours, thus assuming a full-time workweek. Earnings include several non-wage forms of compensation like paid leave, bonuses, tips, and stock options.[3]

The estimated mean renter hourly wage is based on the average weekly earnings of private (non-governmental) employees working in each county.[4] Renter wage information is based on 2018 data reported by the BLS in the Quarterly Census of Employment and Wages. For each county, mean hourly earnings are multiplied by the ratio of median renter household income to median household income from the five-year 2014-2018 ACS to arrive at an estimated average renter wage. In nineteen counties nationwide, the median renter household income exceeds the median household income. Nationally, median renter household income was 64% of the median household income.

An inflation factor was applied to the estimated mean renter hourly wage to adjust from 2018 to FY20. The

2 U.C. Berkeley Labor Center (2020). Inventory of U.S. city and county minimum wage ordinances.

3 Please note this measure is different from median renter household income, which reflects an estimate of what renter households are earning today and includes income not earned in relation to employment..

4 Renter wage data for some counties are not provided in *Out of Reach* either because the BLS could not disclose the data for confidentiality reasons or because the number of employees working in the county was insufficient to estimate a reliable wage.

inflation factor (260.306 ÷ 251.104) was based on the CBO January 2020 forecast of the national CPI for FY20.

In approximately 13% of counties or county equivalents (including Puerto Rico), the renter wage is below the federal, state, or local minimum wage. One explanation is that workers in these counties likely average fewer than 40 hours per week, but the mean renter wage calculation assumes weekly compensation is the product of a full-time work week. For example, mistakenly assuming earnings from 20 hours of work were the product of a full-time workweek would underestimate the actual hourly wage by half, but it would still accurately reflect the true earnings.

Wage data from the Quarterly Census of Employment and Wages are available through the Bureau of Labor Statistics at www.bls.gov/cew/home.htm.

MEDIAN RENTER HOUSEHOLD INCOME

Median renter household income is from the 2014-2018 ACS projected forward to FY20 based on the CBO January 2020 forecast of the national CPI for FY20.

WORKING HOURS

Calculations of the Housing Wage and of the number of jobs required at the minimum wage or mean renter wage to afford the FMR assume that an individual works 40 hours per week, 52 weeks each year, for a total of 2,080 hours per year. Seasonal employment, unpaid sick leave, temporary lay-offs, job changes, and other leave prevent many individuals from maximizing their earnings throughout the year. According to the Bureau of Labor Statistics, as of April 2020, the average wage earner in the U.S. worked 34.2 hours per week.[5]

Not all employees have the opportunity to translate an hourly wage into full-time, year-round employment. For these workers, the Housing Wage underestimates the actual hourly compensation needed to afford the FMR. Conversely, some households include multiple wage earners. For these households, a home renting at the FMR would be affordable even if each worker earned less than the area's stated Housing Wage, as long as their combined wages exceed the Housing Wage for at least 40 working hours per week.

SUPPLEMENTAL SECURITY INCOME (SSI)

Out of Reach compares rental housing costs with the rent affordable to individuals receiving Supplemental Security Income (SSI) payments. The national numbers are based on the maximum federal SSI payment for individuals in 2020, which is $783 per month. *Out of Reach* calculations for states include state supplemental payments that benefit all individual SSI recipients in 21 states where the Social Security Administration (SSA) reports the supplemental payment amount.

Supplemental payments provided by other states and the District of Columbia are excluded from *Out of Reach* calculations. For some, these payments are administered by the SSA but are available only to populations with specific disabilities, in specific facilities, or in specific household settings. For the majority, however, the supplements are administered directly by the states, so the data are not readily available if they haven't been reported to the SSA. The only four states that do not supplement federal SSI payments are Arizona, Mississippi, North Dakota, and West Virginia. Residents of Puerto Rico cannot receive federal SSI payments.

Information on SSI payments is available from the Social Security Administration at https://www.ssa.gov/OACT/COLA/SSI.html.

The Technical Assistance Collaborative, Inc., publishes Priced Out, which compares FMRs with the incomes of SSI recipients. The most recent edition can be found at http://www.tacinc.org/knowledge-resources/priced-out-v2/

ADDITIONAL DATA AVAILABLE ONLINE

The print / PDF version of *Out of Reach* contains limited data in an effort to present the most important information in a limited number of pages. Additional data can be found online at http://www.nlihc.org/oor.

The *Out of Reach* methodology was developed by Cushing N. Dolbeare, founder of the National Low Income Housing CoalitionThe Technical Assistance Collaborative, Inc., publishes Priced Out, which compares FMRs with the incomes of SSI recipients. The most recent edition can be found at http://www.tacinc.org/knowledge-resources/priced-out-v2/

5 Bureau of Labor Statistics. (2020). *The employment situation – April 2020*. Washington, D.C.: U.S. Department of Labor.

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The *Out of Reach* methodology was developed by Cushing N. Dolbeare, founder of the National Low Income Housing Coalition.

DEFINITIONS

Affordability in this report is consistent with the federal standard that no more than 30% of a household's gross income should be spent on rent and utilities. Households paying over 30% of their income are considered cost-burdened. Households paying over 50% of their income are considered severely cost-burdened.

Area Median Income (AMI) is used to determine income eligibility for affordable housing programs. The AMI is set according to family size and varies by region.

Extremely Low Income (ELI) refers to earning less than the poverty level or 30% of AMI.

Housing Wage is the estimated full-time hourly wage workers must earn to afford a decent rental home at HUD's Fair Market Rent while spending no more than 30% of their income on housing costs.

Full-time work is defined as 2,080 hours per year (40 hours each week for 52 weeks). The average employee works roughly 34.5 hours per week, according to the Bureau of Labor Statistics.

Fair Market Rent (FMR) is typically the 40th percentile of gross rents for standard rental units. FMRs are determined by HUD on an annual basis, and reflect the cost of shelter and utilities. FMRs are used to determine payment standards for the Housing Choice Voucher program and Section 8 contracts.

Renter wage is the estimated mean hourly wage among renters, based on 2018 Bureau of Labor Statistics wage data, adjusted by the ratio of renter household income to the overall median household income reported in the ACS and projected to 2020.

Housing in CT 2020

PARTNERSHIP FOR STRONG COMMUNITIES

A Cost We Can't Afford

Housing costs in Connecticut are the 9th highest in the nation. Connecticut's residents are burdened by the lack of modestly-priced rental options – a problem which affects all communities, regardless of income levels.

Nearly 120,000 Connecticut households spend over half of their income on rental housing (including rent and utilities). When households spend half their paycheck on home-related costs, they are forced to spend less on other needs, such as food, healthcare, and childcare. In turn, local businesses are negatively affected by residents' lack of income for other essentials.

In the next five years, ***4,843 publicly supported rental homes in Connecticut are set to have their affordability restrictions expire.***

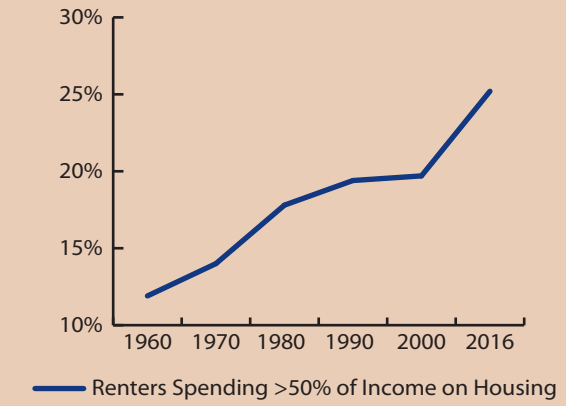
Growth Starts At Home

Housing construction in Connecticut has lagged behind that of its neighbors. In 2018, Connecticut ranked second-to-last of U.S. states in permit issuance rate, with a rate of 1.3 permits per 1,000 residents.

Analysis from the National Association of Homebuilders shows that, **for every $1 of state investment in multi-family housing, $4.57 in private investment is leveraged as a result.** Household sizes in the U.S. have fallen for decades, leading to an increase in demand for multi-family homes. Despite this trend, multi-family housing starts have plummeted in Connecticut in recent years.

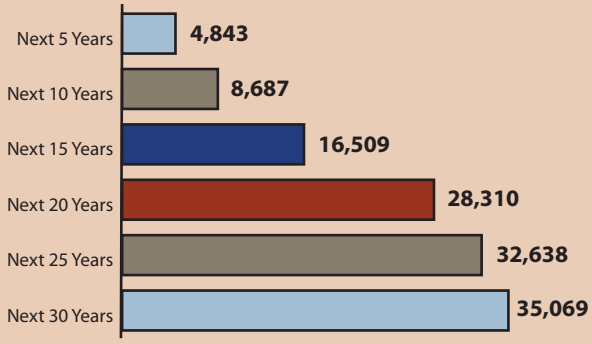
60 YEARS OF RISING COSTS

In 1960, just 11.9% of renters spent over half their income on housing costs. By 2016, that percentage had ***more than doubled*** *to 25.2%.*



PUBLICLY SUPPORTED RENTAL HOMES AT RISK

More than ***one in twenty*** *publicly supported rental homes face an expiring affordability restriction in the next five years.*



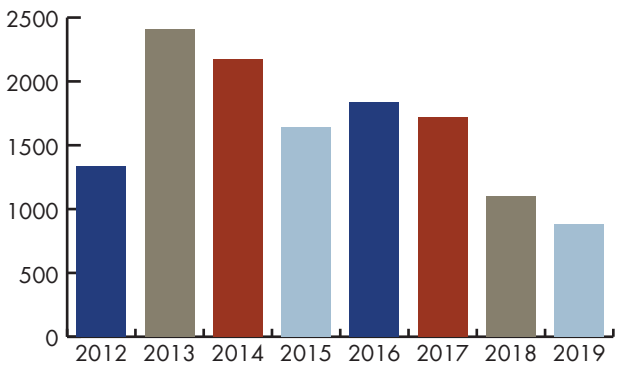
Source: Public and Affordable Housing Research Corporation (PAHRC)

Housing in CT 2020

Preserving Our Homes

Connecticut's housing problems are particularly dire when it comes to rental-assisted homes. In 2018, the State of Connecticut Department of Housing funded the construction of **884 rental-assisted homes**. Rental-assisted home construction fell for the fourth straight year and has declined 63 percent overall since 2013.

YEARLY RENTAL-ASSISTED HOME CONSTRUCTION, 2012-19



The state can help renters and boost economic growth by investing in rent-assisted housing. The state has averaged $112.8 million in new bond authorizations for rent-assisted housing from FY 2011 through FY 2019. However, there were no new bond authorizations adopted during the 2019 legislative session. Without an expanded investment in rental-assisted homes, the proportion of households spending half or more of their income on housing will inevitably grow.

Connecticut's housing stock is the 5th oldest of any state in the country. An estimated 2,230 units of public housing in Connecticut are in need of immediate investment – and thousands more privately-owned homes are similarly in disrepair.

*According to the Cheshire-based PAHRC research group, building rental-assisted housing results in a yearly average increase of **$7,000** in disposable income for families living in these homes.*

What You Can Do

We can reverse this trend of rising rents and priced-out households, while building a more equitable state. First, Connecticut needs to invest in rental options for all levels of income. At the same time, we need to recognize the value of knowledgable, informed Planning & Zoning Commissions in making critical decisions on housing. The Partnership for Strong Communities is proposing these legislative items for the 2020 session:

- **Continue necessary strategic capital investments in affordable housing** by authorizing $100 million each year in the Affordable Housing FLEX Fund, and $50 million each year for the state Housing Trust Fund.
- **Reorganize CGS Section 8-2 to make it more readable** to land use commissions and the public, **develop guidelines for municipal compliance** with the state's existing requirement that each town prepare an affordable housing plan, and require municipal compliance in order to ensure that all families have housing choices in high-opportunity areas.
- **Develop training on housing issues for local Planning & Zoning commissions** to give P&Z commissioners the tools they need to make important land use decisions.

Visit www.pschousing.org to learn more and add your support.

PARTNERSHIP FOR STRONG COMMUNITIES

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EXHIBIT 1

Does Low-Income Housing Affect Property Values?

Posted By *ScottMorgan1* On November 16, 2016 @ 11:27 am In Daily Dose,Data,Headlines,News | No Comments



The deep-set worry that low-income housing has a deleterious effect on the values of other properties appears to have little basis in reality. According to a new study by Trulia [1] of the country's 20 least affordable housing markets, low-income housing built during a 10-year span shows no effect on nearby home values.

Trulia reported Wednesday that resistance to affordable housing development has surfaced in places like San Francisco, New York, and Seattle, where low-inventory and high competition has sparked worries about affordable development. But the firm's analysis of more than 3,000 low-income housing projects built between 1996 to 2006 "found no significant effect on home values located near a low-income housing project, with a few exceptions."

Boston and Cambridge, Massachusetts, were two exceptions. Low-income housing projects there had a negative effect on nearby homes in terms of price per square foot––a drop of $18 to $19 per square foot, "suggesting a region-specific market effect for these two geographically adjacent metros," Trulia reported. But the reason could be too-much-too-fast.

"Concentrating subsidized housing projects in particular areas such as Roxbury and Dorchester in Boston, or Cambridgeport in Cambridge in a short time period, for example, might have the effect of crowding out other development activity," the report stated.

In almost all other markets, low-income housing seems to have had no effect either way. Denver, in fact, was the only metro where low-cost housing actually benefited other homes.

One reason for this could be that parts of downtown Denver around where low-income housing projects were built saw a renaissance in the 1990s, driven by the development of the lower downtown area and the construction of Coors Field.

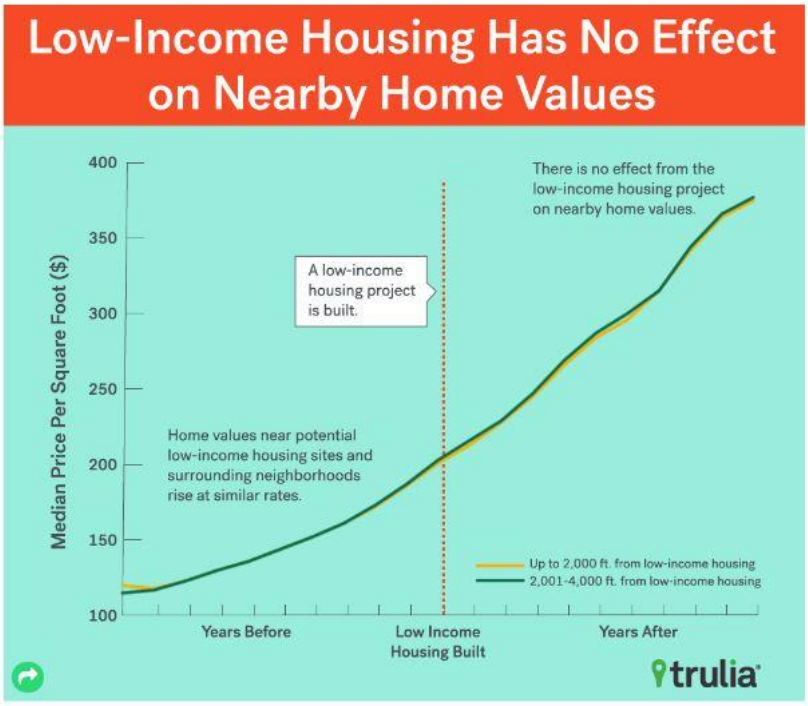
"Some of these neighborhoods in downtown Denver are now the most sought real estate in the metro area," the report stated. "Indeed, neighborhoods such as the Central Business District and Five Points, where low-income housing projects were concentrated in our study period, outperformed greater Denver in terms of home values per square foot."

The important thing to remember, Trulia reported, is that apart from these two wildly disparate examples, the overall truth is that low-cost housing doesn't affect real estate markets much.

"These are exceptions to the finding that low-income housing projects largely have no effect on home values," the report stated. "The bottom line for NIMBYs who fear that property values will take a hit when a low-income

housing project locates nearby is that their anxiety is largely unfounded––at least in cities where housing is either expensive or in short supply."

Click here [1] to view Trulia's complete report.



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URL to article:
https://themreport.com/daily-dose/11-16-2016/low-income-housing-affect-property-values

URLs in this post:

[1] a new study by Trulia:
https://www.trulia.com/blog/trends/low-income-housing/

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EXHIBIT 2

TRULIA RESEARCH \ AFFORDABILITY

There Doesn’t Go the Neighborhood: Low-Income Housing Has No Impact on Nearby Home Values



By **Cheryl Young** | Nov 16, 2016 12:01AM

In the nation’s 20 least affordable housing markets, low-income housing built during a 10-year span shows no effect on nearby home values.

Corrected Nov. 29 at 2 pm ET. See below.

Some of the nation’s least affordable markets are also ground zero for the fight against building affordable housing – which opponents say, among other things, depreciates nearby home values. Resistance to affordable housing development has surfaced in tight housing markets across the country such as **San Francisco**, **New York**, and **Seattle**.

Given **low inventory** and high prices in these tight markets, we set out to uncover how much homeowners really have to fear.

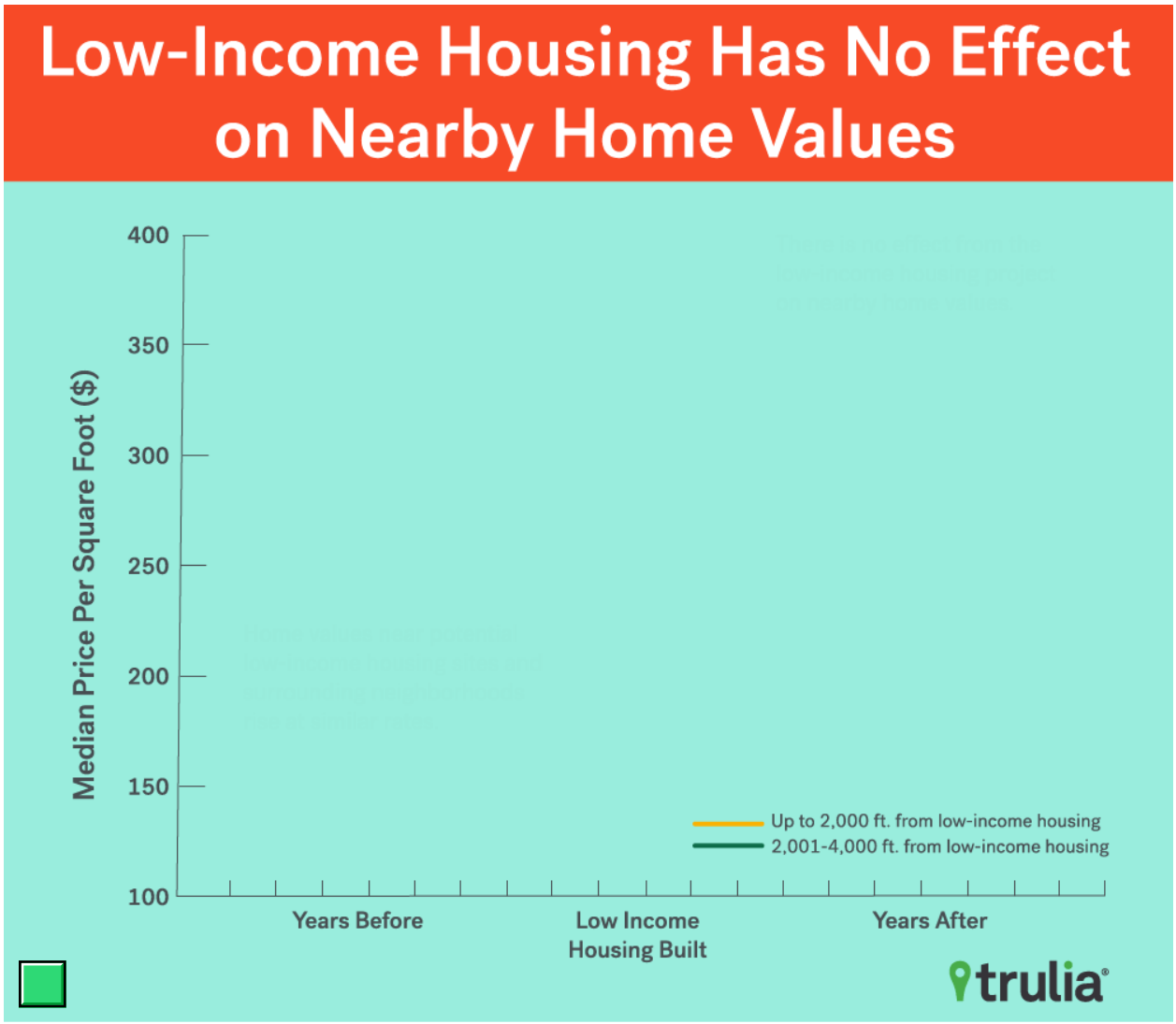
We define low-income housing projects as those funded through the Low-Income Housing Tax Credit (LIHTC) program administered by the U.S. Department of Treasury. Data on these low-income housing projects are collected by the U.S. Department of Housing and Urban Development (HUD). Using Trulia home value data, we examined changes in nearby home values before and after a low-income housing project is completed. Based on the location of low-income housing

projects and completion dates,[1] we determined whether or not these projects impact home values. We found:

- In the nation's **20 least affordable markets**, our analysis of 3,083 low-income housing projects from 1996 to 2006 found **no significant effect** on home values located near a low-income housing project, with a few exceptions.
- Among the cities where there was enough data to measure, **San Jose, Calif.**, was the most aggressive in adding low-income housing units (7.81 per 1,000 people) during the decade. Meanwhile, **Oakland**, (0.52 per 1,000 residents) added the fewest units per capita.
- Of the 20 markets examined, **Denver** was the only metro area where homes located near low-income housing projects registered a **positive** effect in terms of price per square foot after a project was completed.
- In **Boston** and **Cambridge, Mass.,** however, low-income housing projects had a **negative** effect on nearby homes in terms of price per square foot, suggesting a region-specific market effect for these two geographically adjacent metros.

We focused on the time period prior to the start of the housing bubble in 2007 in order to ensure that prices reflect consistent comparisons around the time a project is completed and ready for occupancy.

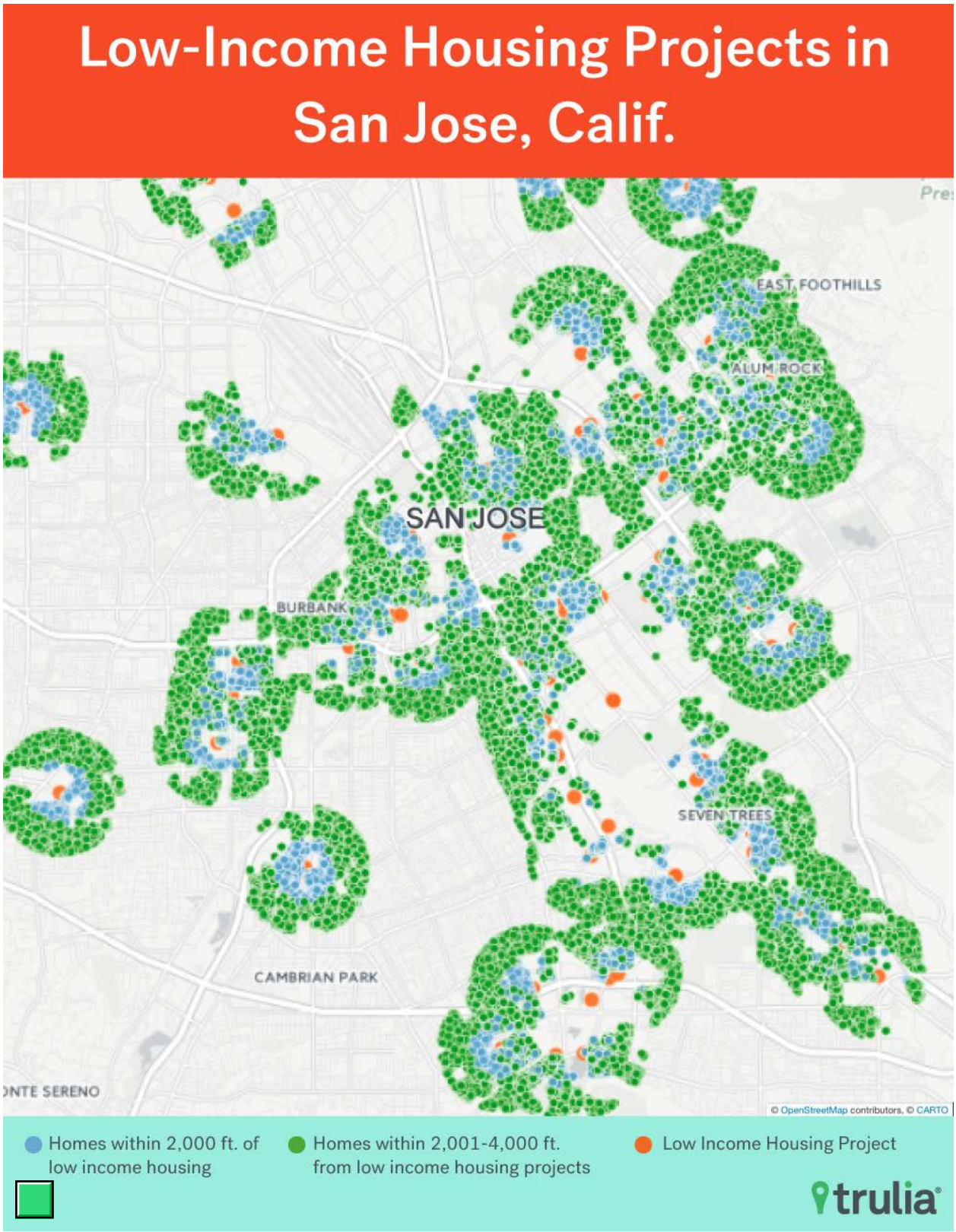
[1] HUD uses the term "placed into service" to denote when an eligible household can move in. For purposes of this report, we consider this the time at which the project is complete and ready for occupancy.



Least Affordable Housing Markets and Low-Income Housing Projects

To test for spillover effects of low-income housing, we tracked home values in terms of price per square foot at two different distances from the low-income housing project from 1996 to 2006. For the **neighborhood**, we identified properties within an inner ring of 2,000 feet of a given low-income housing project as close enough to be impacted by the project. Properties located 2,001 to 4,000 feet from the low-income housing project were used as a **comparison group**.[1] The chart below illustrates how properties are placed into inner (light blue) and outer (green) rings around a low-income housing project (orange).

[1] Using distance measures as a way to compare potential effects of housing projects on property values proximate to a project site to those in surrounding neighborhoods is common in the academic literature. See Ellen et al. (2007)’s analysis of the effect of subsidized housing projects in New York City on property values by comparing price changes of properties within a 2,000 foot distance ring to those in similar surrounding neighborhoods. Ellen, Ingrid Gould, Amy Ellen Schwartz, Ioan Voicu and Michael H. Schill. 2007. “Does Federally Subsidized Rental Housing Depress Neighborhood Property Values?” *Journal of Policy Analysis and Management*. Vol. 26, No. 2, pp. 257-280.



If there was an effect from the placement of a low-income housing project into a neighborhood, we would expect to see a drop in prices in the inner ring (red line) compared to the outer ring (blue line) after the project is completed (year 0). In terms of median price per square foot, the inner and outer distance buffers track closely together as shown in the figure below.

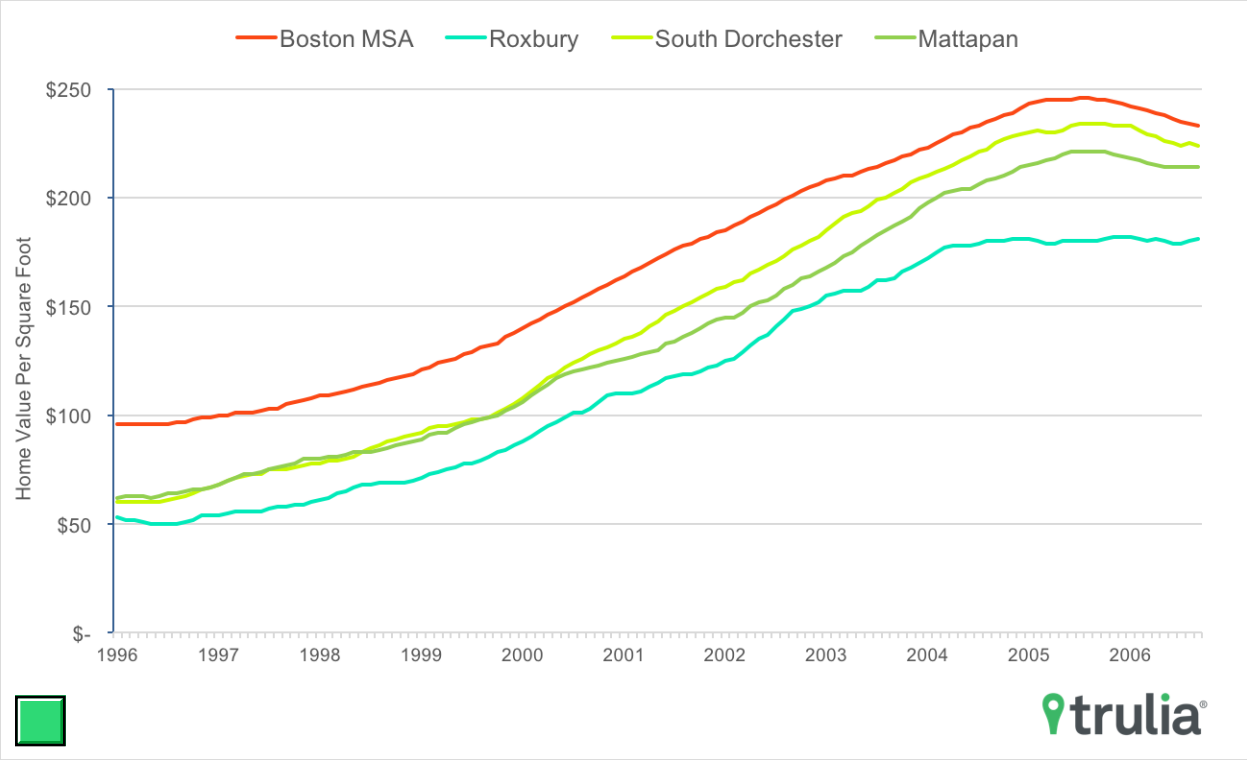
There is no statistically significant difference in price per square foot when comparing properties near a low-income housing project and those farther away when examining projects across all 20 metros. Likewise, at the metro level, the majority of markets yield no significant difference in prices between the inner and outer ring after a project is completed. However, a few housing markets revealed significant differences in price per square foot near low-income housing projects after they were placed into service.

Why did values diverge in some places?

Homes near low-income housing projects in both **Boston** and **Cambridge** saw a **negative** impact on per square foot property prices. Post-project prices near low-income housing projects saw an estimated $18 and $19 drop in prices per square foot relative to the outer ring. Given that these estimated effect in these two markets are geographically adjacent to one another, this effect might be attributed to a region-specific market effects that reflect where low-income housing projects were placed. Concentrating subsidized housing projects in particular areas such as Roxbury and Dorchester in Boston, or Cambridgeport in Cambridge in a short time period, for example, might have the effect of crowding out other development activity.**[1]** The chart below shows that in neighborhoods like Roxbury, prices were indeed depressed compared those of the greater Boston metro area.

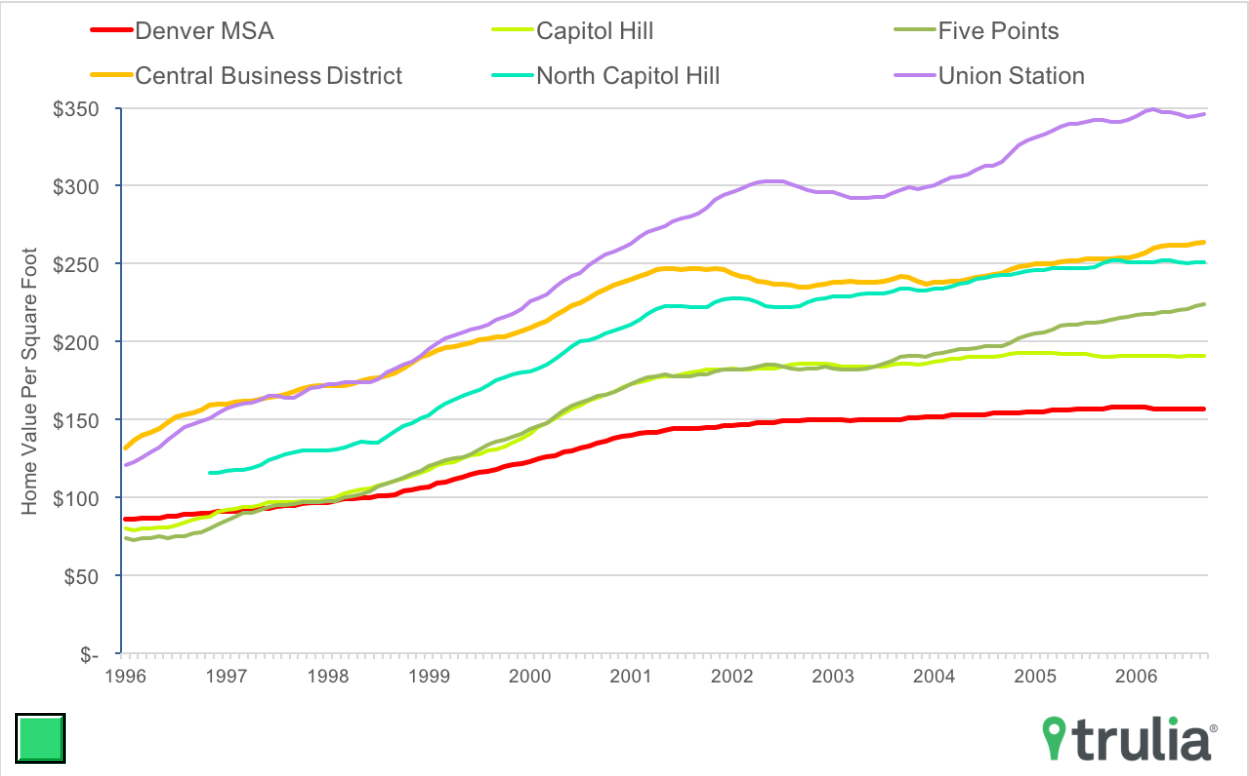
[1] Indeed, the concentration of affordable housing development in certain areas seems to have exacerbated an unequal geography of where low-income residents have settled in the Boston area according to a recent report by the ***Boston Globe***.

Low-Income Housing and Boston Neighborhoods



Unlike Boston and Cambridge, the effect of low-income housing projects in the **Denver** metro area were associated with a $7.35 per square foot **increase** in property values for the neighborhood versus the region. One possibility: parts of downtown Denver around where low-income housing projects were built saw a renaissance in the 1990s driven by the development of **LoDo** (Lower Downtown Denver) and the construction of Coors Field. Some of these neighborhoods in downtown Denver are now the most sought real estate in the metro area. Indeed, as the chart below illustrates, neighborhoods such as Central Business District and Five Points, where low-income housing projects were concentrated in our study period outperformed greater Denver in terms of home values per square foot.

Low-Income Housing and Denver Neighborhoods



What does it mean?

Again, these are exceptions to the finding that low-income housing projects largely have no effect on home values. The bottom line for NIMBYs who fear that property values will take a hit when a low-income housing project locates nearby is that their anxiety is largely unfounded – at least in cities where housing is either expensive or in short supply.

This post has been corrected to reflect that it is the U.S. Treasury Department that administers the LIHTC program. An earlier version of this post said HUD administered the program.

Methodology

LIHTC project location, unit count, and year placed into service data are accessed from the United States Department of Housing and Urban Development's LIHTC Database. While LIHTC projects do not cover the entire universe of affordable housing, they constitute the large majority of subsidized rental housing development in the nation. The precise location data of these projects also allows us to estimate their potential spillover effects on nearby property values.

Using the latitude and longitude of these projects, we constructed two distance buffers—one up to 2,000 feet from the project, and another from 2,001 to 4,000 feet. We then identified homes within these buffers and captured Trulia home value data for each of these homes from 1996 to 2006. Trulia home value data is collected as an annual snapshot on June 1st of each year. In order to avoid large shifts in prices from new construction, we only include homes with property records for the entire time period under study. The analysis in this report uses home value per square foot in order to control for changes for housing quality and mix as well as potential changes in value from renovations during the study period.

We use a basic differences-in-differences regression framework to estimate the difference in home values in the inner ring compared to the outer ring after the LIHTC project is placed into service. Differences-in-differences offers a way to identify the effect of a policy by examining relative changes in outcomes in treatment and control groups. In this report, the treatment group consists of those homes located in the inner ring, or nearby the LIHTC projects, and the control

group are those in the outer ring. The assumption is that these homes, on average, only differ in terms of their relative proximity to the LIHTC project. Note that after plotting the median home value per square foot of the two distance rings before and after the project, we felt confident home values between distance rings prior to the time projects were placed into service shared common trends. The treatment occurs once the project is put into place, so the differences-in-differences reflects the difference between the treatment group and control group (a proxy for the counterfactual) in the post-treatment period compared to the pre-treatment period.

In order to control for idiosyncratic differences in home values within years and different metro areas, we include year fixed effects (and metro fixed effects for regressions containing projects across all 20 metros). Additionally, we implement cluster-robust standard errors on individual LIHTC projects in order to correct for likely correlation of errors terms within the clusters. Our results yielded differences that were statistically significant in three metro areas. In Boston and Cambridge, the estimated effect of living near LIHTC projects was -$18.05 and -$19.05 per square foot. In Boston the effect was significant at the 99% confidence level and in Cambridge at the 95% confidence level. In Denver the estimated effect was $7.35 and significant at the 95% confidence level.

Affordability is defined as the percent of a median household’s income in that market that would be needed to afford a mortgage payment on the median listing price of a home in that market. These median listing prices reflect Trulia listing data from Q3, 2016. Population figures in this report come from the 2000 Census.

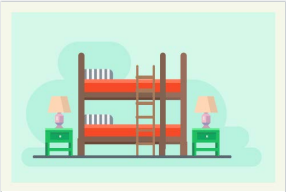


Cheryl Young

Cheryl is a Senior Economist at Trulia. Prior to Trulia she was a consultant with the World Bank’s Urban Development Unit. She has also served as an associate with Bankable Frontier Associates’ housing finance practice, led a housing research program… **See more**

AFFORDABILITY

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Bunk Bed Generation

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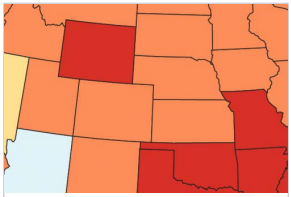
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EXHIBIT 3

UPDATED MAY 2014

Affordable Rental Housing Does Not Reduce Property Values: **Evidence from the Twin Cities**

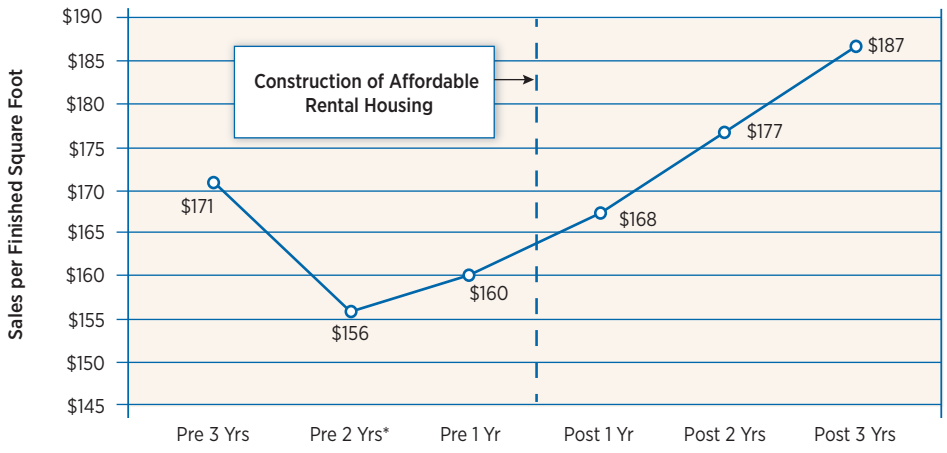
Some neighbors of proposed affordable housing developments express apprehension that the new buildings will lower nearby home values. Concern about property values is understandable; after all, a home is the single largest investment that most families will ever make.

However, the facts about the actual effect of affordable housing on neighboring home values tell a different story. A recent study found little to no evidence to support the claim that affordable housing developments stimulated a decline in their surrounding housing markets; in fact, each of the areas analyzed displayed stronger market performance after affordable housing was built.

The Family Housing Fund commissioned Maxfield Research, a private real estate research firm, to update their original study (published in 2000) of home sales in neighborhoods surrounding affordable rental housing developments with data from developments built between 2002–2008. Research for the updated report was conducted in four counties, within eight suburban communities: Dakota County (Inver Grove Heights, Lakeville, and Rosemount), Hennepin County (Bloomington and Minnetonka), Scott County (Prior Lake), and Washington County (Oakdale and Woodbury).

The affordable rental housing developments studied are typical of those being built throughout the Twin Cities metropolitan area today, all utilizing Low Income Housing Tax Credits to finance construction. The developments provide apartments and townhomes with affordable rents for families earning less than $50,000 per year (less than 60 percent of the area median income).

Average Sales Price Per Finished Square Foot of Homes Sold Three Years Before and After Construction of Affordable Rental Housing



Note: Data sets spand pre- and post-construction periods from 11/1/1999 through 12/8/2011

* The decrease in price per finished square foot in the two years prior to construction was due largely to the housing market crash that was occurring around the same time. Additionally, two of the areas studied had a large number of newer homes; new homes experienced a greater decline in value during the crash than existing stock, further depressing the group average.

Market Performance Remains Strong

In the updated report, Maxfield Research compared home sales prices in the neighborhoods surrounding affordable housing for the three years before and after construction, compared those sales to similar neighborhoods without affordable housing, and compared the data to the broader Twin Cities market. They concluded:

- **Prices Gained by Home Sellers:** Sellers increased the average price they received per square foot of finished space by nearly five percent annually after affordable housing was constructed. Additionally, the average sales price for the entire property increased more than two percent in the post-construction period.
- **Demand for Prices by Buyers:** While the average percentage of the list price that sellers received fluctuated over the six years, it was highest in the third year after construction (99.4 percent). This indicates there was little to no discounting by the buyer as a result of the presence of nearby affordable housing.
- **Speed of Home Sales:** The number of days homes stayed on the market was essentially stable after the affordable rental housing was built, indicating that developments did not make it more difficult for owners to sell their homes.
- **Market Performance:** Market performance of homes located near affordable housing (based on the three previously listed indicators) was as strong or stronger than those located farther from rental housing in 95 percent of the cases.

In short, Maxfield Research found little to no evidence to suggest that the construction of affordable rental housing hurt the performance of home sales. In the areas studied, home sales displayed similar or stronger performance in the period after affordable rental housing was built compared to a control group.

The study examined home sales during an unstable period in the housing market. In the Twin Cities, housing prices began deflating in 2006, and market activity did not renew until 2011. Because of this volatility, Maxfield Research compared the sales prices in the neighborhoods with affordable rental housing to the larger Twin Cities market. The study found that the neighborhoods studied performed similarly or better than the Twin Cities metropolitan area as a whole. Prior to the construction of affordable housing, the neighborhoods analyzed were growing 0.35 percentage points above the overall Twin Cities market. Post-construction, the growth of home sales prices in these neighborhoods was nearly five and a half percentage points higher than the Twin Cities market. In addition to providing evidence that affordable rental housing does not lower property values, this also indicates that the suburban neighborhoods studied were areas of higher price appreciation.

This new study supports the conclusion reached by Ed Goetz, et al. (University of Minnesota, Center for Urban and Regional Affairs, 1996) about the Twin Cities and Ingrid Ellen and Ioan Voicu (New York University, 2006) about New York City that affordable housing managed by nonprofit organizations has a positive impact on property values. Additionally, studies have found that access to affordable housing has a positive impact on education, health, and wealth/earnings outcomes for families.

Whether in the Twin Cities or elsewhere in the country, the evidence is overwhelming: providing quality housing that lower-income families can afford poses no threat to area property values.



Prairie Crossings, Lakeville, Minnesota, was one of the affordable housing developments studied.
(Photo courtesy of Dakota County Community Development Agency)

The full study, An Updated Analysis of the Relationship Between Affordable Family Rental Housing and Home Values in the Twin Cities*, can be ordered free of charge from the Family Housing Fund, or viewed and downloaded at www.fhfund.org/reports.*

This publication is part of a Public Education Initiative on affordable housing sponsored by the Family Housing Fund. The Family Housing Fund is a private, nonprofit organization created in 1980 to help bridge the gap between the housing that people need and the housing they can afford. Its mission is to provide safe, affordable, sustainable homes to all families in the Twin Cities metropolitan area through ongoing partnerships with the public and private sector.

For more information about the Family Housing Fund and/or to view other publications available in this series, please visit www.fhfund.org.

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May 2014
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Busted: Seven Myths About Affordable Housing

Posted by Twin Cities Habitat for Humanity on 8:00 AM on February 18, 2020



The need for affordable housing is a fact of life in most communities across the country, yet myths, fear, prejudice, and misunderstanding often overshadow the debate.

To give a little perspective to the debate, here are seven affordable housing myths and realities.

MYTH #1: Affordable housing drives down property values.

REALITY: Repeated research shows affordable housing has no negative impact on home prices or on the speed or frequency of sale of neighboring homes. According to the National Low Income Housing Coalition, 85% of affordable housing meets or exceeds federal quality standards and over 40% of this housing is considered "excellent." That means affordable housing is likely either on-par with its surrounding neighborhood or in even better condition than its neighbors!

MYTH #2: Affordable housing looks "cheap and undesirable."

REALITY: Builders of affordable housing must comply with all the same restrictions on design and construction standards as market-rate projects. Furthermore, because affordable housing projects frequently rely on some public money, they have to comply with additional restrictions and higher standards than market-rate housing.

The reality is that affordable housing is affordable because public and private funds go into making it less costly to live in, not because it's lower quality construction.

Take a look at our current available properties.

MYTH #3: Affordable housing hurts the quality of local schools and lowers standardized test scores.

REALITY: The opposite is actually true. Without affordable housing, many families become trapped in a cycle of rising rents and have to move frequently to find living space they can afford. That means their children are not able to stay in the same school for long, resulting in lower test scores on standardized tests.

When a child has a stable home and can remain in a single school system, their test scores rise. It also means children are able to build long-term relationships with peers, teachers, and mentors that are key to increasing performance in elementary and secondary schools. Finally, it increases the likelihood that children will be able to attend college. When housing disruptions are minimized, everybody wins.

MYTH #4: Affordable housing is a burden on taxpayers and municipalities.

REALITY: Affordable housing actually enhances local tax revenues. By improving or replacing substandard housing, affordable housing becomes a net plus on the tax rolls. Instead of low or no payment of taxes by distressed properties, affordable housing owners actively contribute to the local economy in the taxes they pay, the money they spend in local businesses, and in how they increase property values and revenue in a neighborhood. In fact, in 2019, Twin Cities Habitat for Humanity homeowners contributed nearly $2.7 million in property taxes alone.

MYTH #5: Affordable housing brings increased crime.

REALITY: There are no studies that show affordable housing brings crime to neighborhoods. In fact, families who own their own homes add stability to a neighborhood and lower the crime rate. Homeownership increases neighborhood cohesion and encourages cooperation in ridding communities of criminal activity. Families who live in affordable housing seek the same thing every family does – a safe place to raise children and the opportunity to enhance the value of what they own.

MYTH #6: Affordable housing is just another government hand-out.

REALITY: It isn't the poor who benefit the most from federal housing subsidies, it's the wealthy homeowner. Homeowners receive tax deductions for mortgage interests and a similar write-off for property taxes paid. According to the Department of Housing and Urban Development, in 2003 these subsidies cost the federal government $87.8 billion, while building and subsidizing affordable housing cost only $41.5 billion.

When you factor in improvements in property values, increases in taxes paid by stable employment, and enhanced revenues from a better-educated populace, affordable housing provides a net gain to governments at every level.

MYTH #7: Affordable housing only benefits the very poor, everyone else pays.

REALITY: Some of the people impacted by a lack of affordable housing include employers, seniors, low-income people, immigrants, low-wage or entry-level workers, firefighters, police officers, military personnel, and teachers. The lack of affordable housing means tax revenues are not in place to improve roads, schools, or air quality. It means businesses struggle to retain qualified workers, and lowers the amount of money available to spend in those businesses. Affordable housing isn't about doing something to help the poor, it's about improving business and raising the standards of working- and middle-class families, and the nation at large.

Here at Twin Cities Habitat for Humanity, our mission is to eliminate poverty housing from the Twin Cities and to make decent, affordable shelter for all people a matter of conscience. Despite the affordable housing myths, the truth is that helping people own their own home helps the community as a whole.

To learn more, read the "Myths and Stereotypes About Affordable Housing" report from Business and Professional People for the Public Interest.

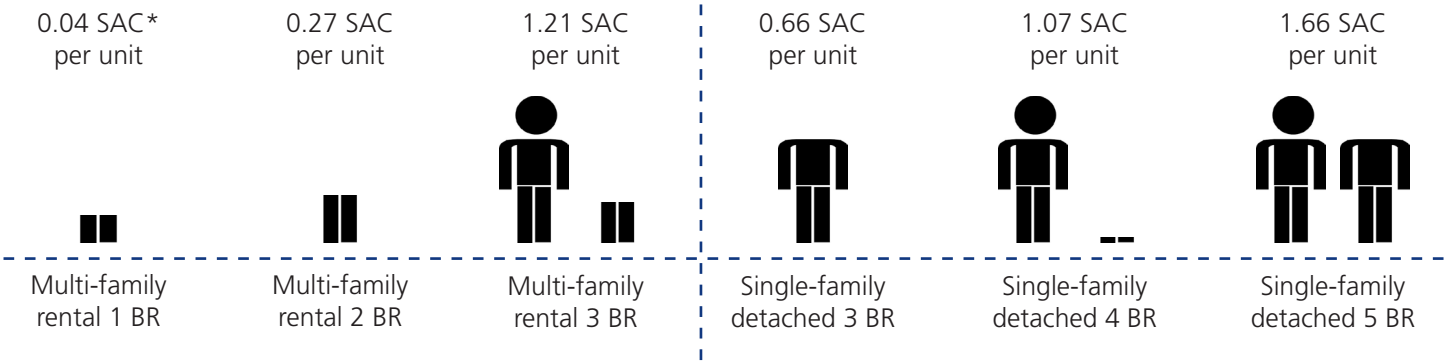
EXHIBIT 1

HOMECONNECTICUT
For Our Economy, Our Families, Our Future
a campaign of the Partnership for Strong Communities

The School Cost Myth:
All Housing **Doesn't** Increase School Costs

Only larger homes bring many school-age children

Rutgers University's Center for Urban Policy Research analysis (June 2006) of Connecticut's number of school age children living in various housing types indicate the following averages:



* SAC = School-Age Children

Plus, school enrollments are falling

Report by the CT State Data Center (June 2008) projected significant declines in CT school enrollment:

From their peak in 2004-05, school enrollments are expected to drop by 17% by 2020. Even if new housing brings additional school children, it is likely that classroom vacancies will be able to absorb them without additional costs.

Most school budget increases are not related to enrollment, or to the number of children in housing

Findings of a University of Massachusetts Donohue Institute study (May 2007) on school cost impact of mixed-income housing:

Studying seven Massachusetts communities with mixed-income housing between 1994 and 2004, they found teaching staff levels and overall expenditures increased independently of changes in enrollment.

During that time period, school enrollments statewide were essentially flat, while employment of full time equivalent (FTE) teaching staff increased by eight percent, and total school expenditures grew by 28.6 percent.

Some school districts studied had costs rise significantly even while their enrollment declined. There are clear fiscal pressures on municipalities due to educational costs, but there is no evidence that student enrollment growth is the cause of the budgetary problems.

PARTNERSHIP FOR STRONG COMMUNITIES

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860.244.0066
WWW.PSCHOUSING.ORG

EXHIBIT 2

THE WANING INFLUENCE OF HOUSING PRODUCTION ON PUBLIC SCHOOL ENROLLMENT IN MASSACHUSETTS

AN MAPC RESEARCH BRIEF
OCTOBER 2017



MAPC
METROPOLITAN AREA PLANNING COUNCIL

THE WANING INFLUENCE OF HOUSING PRODUCTION ON PUBLIC SCHOOL ENROLLMENT IN MASSACHUSETTS

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ABOUT MAPC
The Metropolitan Area Planning Council (MAPC) is a regional planning agency serving the people who live and work in the 101 cities and towns of Metropolitan Boston. Our mission is to promote smart growth and regional collaboration.

Our regional plan, MetroFuture, guides our work as we engage the public in responsible stewardship of our region's future. We work toward sound municipal management, sustainable land use, protection of natural resources, efficient and affordable transportation, a diverse housing stock, public safety, economic development, clean energy, healthy communities, an informed public, and equity and opportunity among people of all backgrounds.

PUBLICATION
October 2017

COVER PHOTO CREDIT
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One of the most widespread worries about new housing development, especially in suburban communities, is that it will drive up school enrollment. Many local officials and residents assume that new housing, and especially new multifamily housing, will attract families - families with children who will inevitably increase enrollment in the local public schools - creating additional education costs outweighing any new revenue the housing generates.

These apprehensions are rooted in the demographic and development patterns of the late 20th century, when Baby Boomers were in their prime child-rearing years. Their residential choices caused housing stock, enrollment, and school expenditures to grow quickly in many suburbs. Many communities even considered limiting housing development in hopes of curbing school budget increases and the need for more tax revenue.

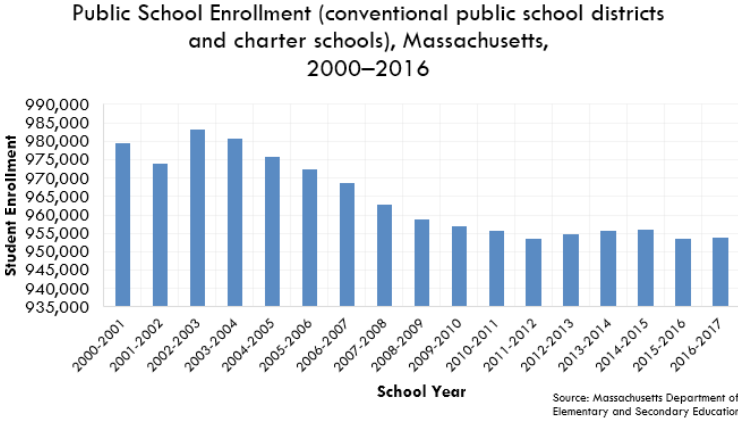
Over the past 15 years, however, multiple studies[1] have examined the enrollment and fiscal impacts of individual housing developments and found that concerns about those impacts are commonly overstated. To complement this work, MAPC examined housing permit and enrollment trends across 234 public school districts over the past 6 years, from 2010 to 2016, inclusive.[2]

We find that the conventional wisdom that links housing production with inevitable enrollment growth no longer holds true. At the district level, we observe no meaningful correlation between housing production rates and enrollment growth over a six-year period. While it is true that schoolchildren occupying new housing units may cause a marginal change in enrollment, they are one small factor among many. In cities and town with the most rapid housing production, enrollment barely budged; and most districts with the largest student increases saw very little housing unit change. The rate of housing unit growth is not a useful predictor of overall enrollment change, nor is rapid housing development a precondition to sudden enrollment increases. It appears that broad demographic trends, parental preferences, and housing availability now play a much larger role in enrollment growth and decline. Our findings raise important issues related to capital planning, education finance, and housing incentive programs.

STATEWIDE ENROLLMENT IS ON A STEADY DECLINE

Over the past 15 years, the patterns of housing growth and enrollment have changed substantially. The state's public school enrollment (including local and regional districts, as well as charter schools) peaked in 2002 and has been declining ever since, now standing at about 3% lower than 14 years ago. The enrollment decline in "conventional" districts (municipal and regional districts) has been somewhat faster, accelerated by a growing enrollment in charters (which now educate 4.5% of the state's pupils, compared to 3.0% in 2011), but at the statewide level, growing charter enrollment explains only about one-third of the decline in local and regional districts. None of the decline in statewide public school enrollment can be attributed to a net shift to private schools, which saw a 20% decline in enrollment over the same period. This decline in the number of school-age children is an expected result of sweeping demographic changes affecting the region. The Baby Boomers are now aging out of their prime child-bearing years, and younger generations are having fewer children, later in life. As a result of these persistent demographic trends, MAPC projects that the number of school-age children (ages 5–19) in Metro Boston will decline by 8% from 2010 to 2040, even as the total population grows by 13%, according to MAPC's population projections. In other words, the "new normal" for statewide school enrollment is likely one of long-term enrollment contraction as a result of slow growth and demographic factors.

FIGURE 1: PUBLIC SCHOOL ENROLLMENT IN MASSACHUSETTS, 2000–1016



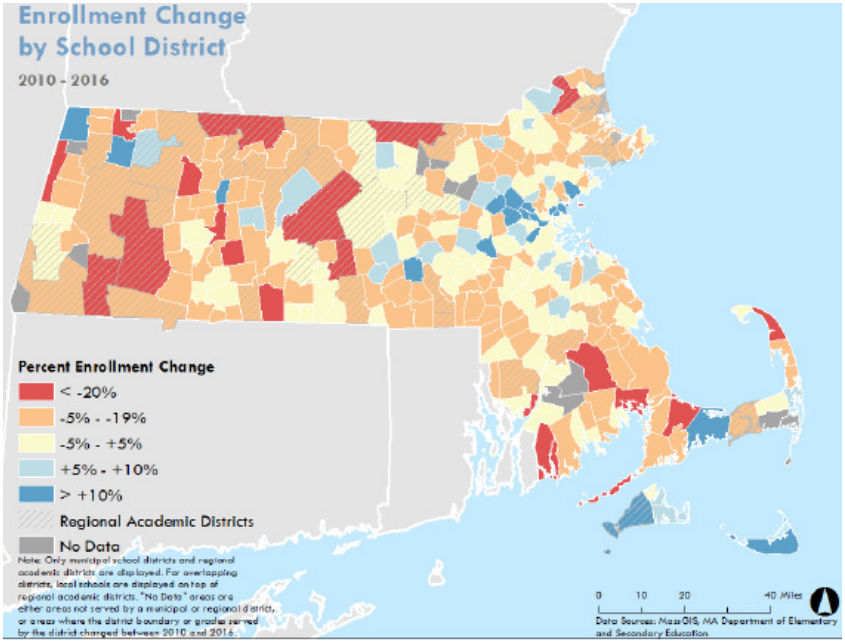
[1] *Housing the Commonwealth's School-Age Children* The Implications of Multi-Family Housing Development for Municipal and School Expenditures, 2003, Community Opportunities Group, Inc. & Connery Associates; Citizens Planning and Housing Association (https://www.chapa.org/sites/default/files/f_1239203891HousingSchoolAgeChildren.pdf); and *The Costs And Hidden Benefits Of New Housing Development In Massachusetts Michael Goodman, Elise Korejwa, and Jason Wright; PPC Working Paper No. 02 March, 2016* (http://publicpolicycenter.org/wp/wp-content/uploads/2016/03/GoodmanKorejwaWright_TheCostsBenefitsOfNewHousingDevelopment.pdf)

[2] School years are referenced by the starting year of the school year span.

URBAN DISTRICTS GROWING WHILE SUBURBS ARE CONTRACTING

Figure 2 is a map of enrollment change by school district. From this map it's clear that enrollment declined across vast swaths of the state. In fact, 159 out of 234 local school districts saw enrollment declines over the 6-year period. Also, 43 out of 51 regional academic districts saw declines in enrollment between 2010 and 2016.[3]

FIGURE 2: MAP OF ENROLLMENT CHANGE BY SCHOOL DISTRICT



Nor were these modest declines. In the MAPC region, districts with declining enrollment saw drops averaging 8%, and more than a dozen districts saw drops of 11% or more. Meanwhile, growing districts saw fairly sizeable growth (7% on average in the MAPC region) and a dozen local districts grew by more than 10%, adding an average of 826 students per district. This creates an interesting and significant dichotomy that bears further study, and that policy makers must take into account, since most districts are losing students fairly quickly, while at the same time some districts are growing rapidly. The overall patterns of enrollment change don't fit the narrative of suburban districts bursting at the seams while urban districts are on the decline. In fact, high rates of enrollment growth were more common in urban communities, while most suburbs saw declining enrollment.

Figure 3 shows average enrollment change as organized by MAPC's Community Types, a classification system that groups municipalities on the basis of demographic and land use characteristics. Districts in the highly urbanized Inner Core saw average enrollment growth rates of 8%, while the typical Regional Urban Center district saw little change. Conversely, both suburban Community Types (Maturing Suburbs and Developing Suburbs) averaged negative enrollment change, with the lower-density Developing Suburbs experiencing the sharpest declines in schoolchildren.[4]

> *In other words, the region's urban school districts are educating an increasing share of the region's schoolchildren, and the number of suburban pupils is rapidly declining.*

FIGURE 3: ENROLLMENT CHANGE BY COMMUNITY TYPE, MAPC REGION

Community Type	Average Enrollment Change, 2010–2016	Number of Districts	Example Districts
Inner Core	7%	16	Boston, Cambridge, Revere, Chelsea, Melrose, Arlington, Watertown, Milton
Regional Urban Centers	–1%	11	Lynn, Salem, Framingham, Quincy
Maturing Suburbs	–3%	43	Saugus, Lexington, Acton, Natick, Braintree
Developing Suburbs	–7%	23	Ipswich, Bolton, Holliston, Franklin, Norwell
All Districts	**–2%**	93	

In other words, the region's urban school districts are educating an increasing share of the region's schoolchildren, and the number of suburban pupils is rapidly declining.

[3] We excluded all regional academic districts that changed the area or grades they serve between these two years and excluded any schools that did not exist at both time points.
[4] A fifth Community Type, Rural Towns, is not represented in the MAPC region.

HOUSING PRODUCTION RATES

Of course, we don't expect enrollment to decline equally everywhere. Even as demographic patterns shift regionally, one would assume that rates of housing production would retain some influence on enrollment. We all know the Baby Boomers are getting older, but more housing still means more students, right? Not necessarily. MAPC tracked housing permit issuance and enrollment data for 234 public local school districts in Massachusetts.[5] We found that most school districts lost students over the last six years, and rates of housing production had no significant correlation with the rate of enrollment change.

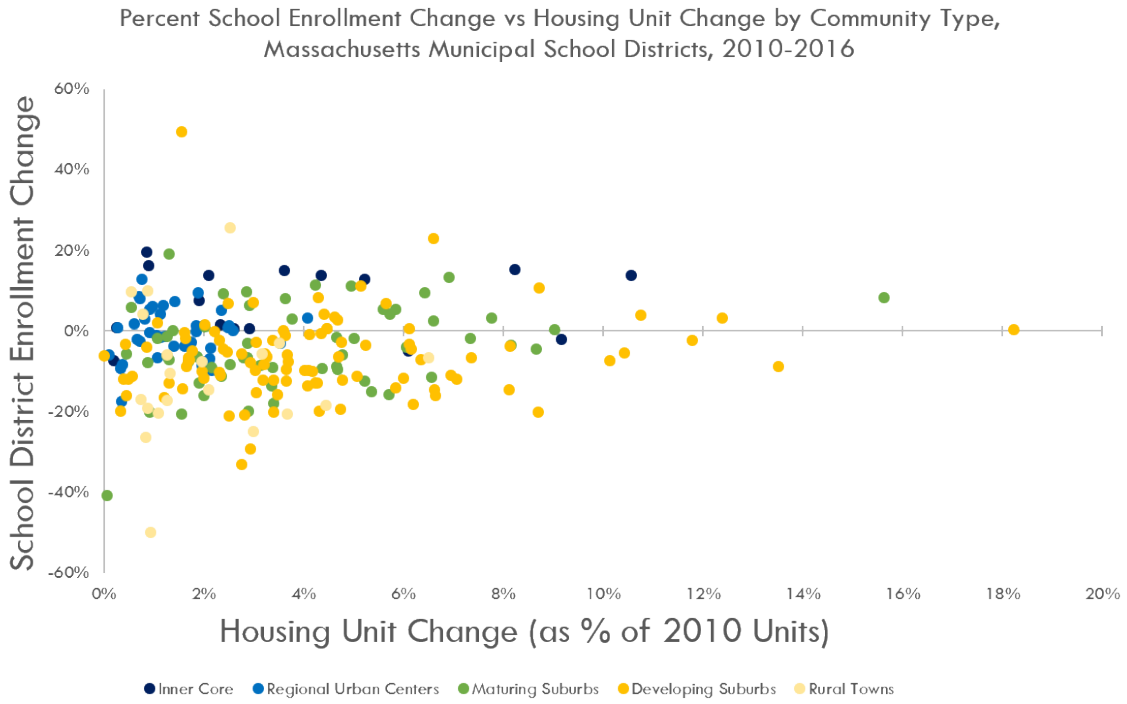
Figure 4 depicts housing-unit growth and enrollment change since 2010, and demonstrates a clear lack of correlation between the two. If these two outcomes were correlated, the data points on the chart would trend upward and to the right, so that districts with higher housing unit change would see higher enrollment growth, and vice versa. This association is clearly absent. The district with the most rapid housing unit growth (Hopkinton, at 18%), saw almost no change in enrollment (increase of 0.23%), and the dozen fastest-growing districts (from a housing perspective) saw enrollment growth of only 1%, on average. Meanwhile, those districts with very low rates of housing growth were highly scattered in their

We examined the 12 fastest-growing MAPC-region districts, which grew by an average of 14% over a six-year period, and found striking results.

In these 12 rapidly growing districts, as with the region overall, housing production rates show no significant correlation with enrollment.[6] Only Natick, Everett, and Chelsea added more than 5% new units, a far lower jump than their enrollment rates. Meanwhile, the fastest growing district, Revere, reported less than 1% housing unit growth, and saw a 20% increase in enrollment. These findings suggest that rapid housing unit growth is neither a predictor, nor a precondition, of net enrollment change. Whether or not much housing is being built, families are moving to these districts and adding their children to the public school rosters.

If not housing units, then what can explain the rapid enrollment growth in some districts, and what does this tell us about capital planning and education finance?

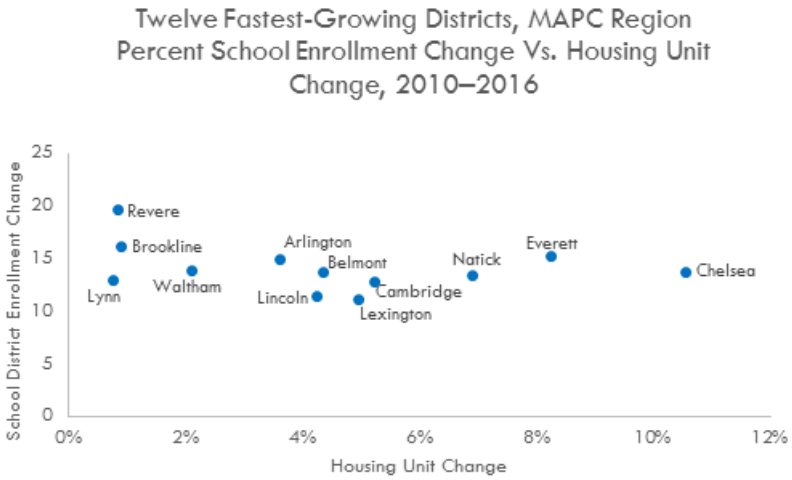
FIGURE 4: HOUSING PRODUCTION RATES AND ENROLLMENT CHANGE, BY DISTRICT



[5] We did not aggregate data for regional districts composed of multiple permit-issuing jurisdictions

[6] It should be noted that Chelsea and Arlington are inconsistent reporters to the Census Bureau building permit survey, providing permit data for fewer than half the months in the study period. However, the Census Bureau's use of imputed data for non-reported months helps to mitigate this lack of response.

FIGURE 5: HOUSING PRODUCTION RATES AND ENROLLMENT CHANGE, BY DISTRICT, 12 FASTEST-GROWING MAPC DISTRICTS



As a first step to explaining rapid enrollment growth in these districts, we found that they fall into two distinct clusters. Seven districts (Arlington, Belmont, Brookline, Cambridge, Lexington, Lincoln, and Natick) could be characterized as highly desirable from an educational perspective, with high standardized-test scores relative to the rest of the region. They have an average 75% proficiency rating on the 2013 3rd grade English Language Arts (ELA) MCAS[7], markedly higher than the 67% region-wide average proficiency rate. These districts are also correspondingly expensive, with a 2016 median home sale value of $815,000, almost twice as much as the MAPC regional median sale value of $455,000. With a few exceptions, they are also highly accessible to employment both in Boston and along Route 128, and they feature compact neighborhoods and vibrant, walkable downtowns that are increasingly attractive to some younger families. The other fast-growing districts (Revere, Everett, Chelsea, Lynn, and Waltham) are in diverse, lower-income, and generally more urbanized communities. These districts also exhibit lower test scores, averaging 41% proficient on the same 2013 ELA 3rd grade MCAS, well below the region-wide average proficiency. They are also much more affordable, with 2016 median sale prices of only $360,000, or 20% less than the regional median.

Troublingly, these results are consistent with existing theories about how educational segregation worsens over time. National studies[8] have found that when comparing across school districts, income segregation of families with children worsened by 15% over a 20-year period leading up to 2010, driven in large part by self-selection of wealthy families into high-income districts.[9] We speculate that wealthier families pursuing high-ranking schools may be bidding up housing prices in a limited number of attractive and accessible districts, with cascading results: these municipalities become less accessible to middle- and low-income families; rising prices may induce more Baby Boomers to sell their existing units and leave town, thereby freeing up even more units for young families; and higher socioeconomic status of the school-age population contributes to higher standardized test scores, making the district even more attractive and reinforcing the cycle, without a single new housing unit being built.

Meanwhile, districts with a high number of low-income, immigrant, and English-language learner students are also more likely to have lower standardized test scores, making them less attractive to wealthy families. These cities remain relatively affordable, and may provide the only viable options for low- and moderate-income families priced out of many other places, contributing to a rapidly growing number of students. The combination of rapidly growing enrollment, a high concentration of disadvantaged students, and limited fiscal capacity due to relatively low property values make it particularly challenging for these districts to provide sufficient resources and ensure positive educational outcomes for all students.

SUBURBAN ENROLLMENT DECLINES BRING THEIR OWN CHALLENGES

As described above, the vast majority of suburban communities are seeing sustained declines in enrollment. Even in communities where substantial housing construction has occurred, the corresponding growth in households and children has not generally been sufficient to offset the natural demographic decline in school-age residents associated with the aging of the children of Baby Boomers.

If Baby Boomers choose to age in place, as a result of personal preferences, lack of attractive alternatives, or financial reasons, then those suburban communities will see fewer new households and continued declines in enrollment.

[7] Massachusetts Comprehensive Assessment System
[8] Owens, A., Reardon, S.F., & Jencks, C.. (2016). *Income Segregation between Schools and School Districts* (CEPA Working Paper No.16-04). Retrieved from Stanford Center for Education Policy Analysis: http://cepa.stanford.edu/wp16-04
[9] Owens, A. (2016). *Inequality in Children's Contexts: The Economic Segregation of Households with and Without Children. American Sociological Review*, 81(3), 549–574.

While this may sound like music to the ears of local officials who are concerned about municipal finances, the lack of new housing and new households means that municipal tax rolls will become increasingly dependent on aging and retired Baby Boomers. Furthermore, sustained enrollment declines have negative repercussions as well. Many school expenditures are highly inelastic with regard to enrollment, so as enrollment goes down, per-pupil costs are likely to rise.[10] Declining enrollment may also result in less return on investment for capital improvements if recently-constructed facilities become rapidly underutilized. Excess capacity may become a drain on the system, suggesting that districts facing sustained decline need to develop flexible long-term plans for "right-sizing" their facilities and administration, or for combining their systems with those of neighboring communities.

CONCLUSIONS

This analysis provides additional evidence countering misconceptions regarding the patterns of enrollment growth across the region and their relationship to housing production. We observe that, consistent with MAPC's demographic projections, the state has entered a period of long-term decline in school-age population. Some districts are growing quite rapidly and are facing significant funding and capacity challenges, but this growth cannot be attributed only to new housing units. We found no relationship between housing production rates and enrollment growth rates for the 234 districts we studied.

We acknowledge that there are limitations to this analysis: we were not able to analyze charter school enrollment at the district level; building permits are an incomplete picture of housing production; and the lag between production and enrollment may be longer than analyzed here. We intend to continue this analysis with further research into the characteristics of new students, the volume of housing turnover, and the type of housing being produced across districts. Nevertheless, the results described here indicate clear and substantial conclusions relevant to state and local policy:

The permits don't produce the pupils.
These findings demonstrate that the fiscal impact of new residential development cannot be estimated without a full understanding of district demographics and school capacity. While it's true that some students may be housed in new units, the enrollment effect of these students is dwarfed by larger demographic factors driving declines in school age children and parental location preference. As it turns out, the presence of students living in new homes may actually help to mitigate what would otherwise be rapid and disruptive declines in enrollment in many communities, while in other communities, new housing may add students to a much lesser degree than is commonly supposed. Municipalities should take heart in this additional piece of evidence that under most conditions, additional housing, even "family" housing, can be accommodated without driving enrollment through the roof.

School cost reimbursement might not break the bank.
The Commonwealth currently offers a limited school cost reimbursement program tied to certain types of housing developments.[11] There have been calls to expand this "hold harmless" incentive to other types of housing developments. The cost of such a program might be less than assumed. Prior research[12] has shown that the marginal cost of each new student depends in large part on whether the district has available capacity in its physical plant and staff. As shown here, most districts across the state are experiencing declining enrollment and are likely to have excess capacity. Therefore, a program that a) specifically incentivizes multifamily housing and b) focuses on the marginal cost of each new student might require relatively little subsidy to reimburse municipalities for education costs that exceed the property tax generated by new housing.

[10] For example, statewide public school expenditures on benefits and fixed charges (including employee and retiree insurance), which make up 17% of all public school expenditures, increased 9% from 2012 to 2016, but as a result of declining statewide enrollment the per-pupil cost increased at the faster rate of 11%. (Source: MAPC analysis of FY12–FY16 Per-Pupil Expenditures published by MA Department of Elementary and Secondary Education at http://www.doe.mass.edu/finance/statistics/ppx12-16.html.)

[11] http://www.mass.gov/hed/community/planning/chapter-40-s.html

[12] The Costs And Hidden Benefits Of New Housing Development In Massachusetts Michael Goodman, Elise Korejwa, and Jason Wright; PPC Working Paper No. 02 March, 2016 http://publicpolicycenter.org/wp/wp-content/uploads/2016/03/GoodmanKorejwaWright_TheCostsBenefitsOfNewHousingDevelopment.pdf. That study found that in districts with excess capacity, the marginal cost of each new student is only 0.65 times the district-wide per pupil expenditures.

Chapter 70 Education Aid should adapt to the new normal.
In a cruel irony, those dense and diverse urban districts seeing rapid enrollment increases are also struggling with recent decreases in state aid that have resulted from a change in the way socioeconomic status is calculated. Recently, the state switched from using a free-lunch eligibility measure based on parent-reported income to using one based on tax and administrative records for public assistance programs.[13] In districts with large numbers of foreign-born residents, both documented and not, who are ineligible for public assistance, this has resulted in substantial declines in apparent economic disadvantage, and corresponding decreases in state aid. Our findings regarding the rapid enrollment growth in these same communities underscore the need to correct this deficiency in the Chapter 70 funding and work toward a system that better accounts for the needs and fiscal capacity of each district, while also recognizing the unique challenges faced by rapidly growing districts of all types.

Is it time to talk regionalization again?
Over the years, Commonwealth support for district consolidation and regionalization has ebbed and flowed; at this time, the incentives for regionalization are relatively weak. However, other factors such as excess capacity and growing fixed costs may prompt some districts to consider this option anew. Given the considerable efficiencies that may be achieved with a well-designed consolidation, the Commonwealth should evaluate how it can provide additional incentives and assistance for districts seeking to deliver more cost effective education to a steadily declining resident school-age population.

[13] http://www.doe.mass.edu/infoservices/data/ed.html

TECHNICAL NOTE:

This analysis examined 234 municipalities that maintained municipal school districts between the 2010–2011 and 2016–2017 school years (referred to as 2010 and 2016, respectively) according to the Department of Elementary and Secondary Education. This analysis does not include regional districts, charter schools, vocational schools, or municipalities/districts where the boundaries or grades served changed over the study period.

Housing-unit production growth in the 234 municipalities we examined was measured using the total number of units reported by the municipality to the Census Building Permit Survey from 2010–2016, as a percentage of 2010 housing stock (2010 Census). It must be acknowledged that building permits are an imperfect measure of actual housing unit growth. The Census Building Permit Survey excludes certain forms of housing unit creation, such as adaptive reuse of existing buildings. Issuance of a building permit is no guarantee of unit production, since construction may be halted due to financial reasons at any time. The worst limitation may be the result of incomplete reporting: numerous municipalities—including some that are known to be experiencing robust housing growth—fail to report building permits to the Census Bureau. In 2016, 47 of 234 municipalities did not provide any building permit reports. Fortunately, the Census Bureau does estimate permits for non-reporters based on prior years, which helps to mitigate the effect of these data gaps. Future research in this area should seek to exclude non-reporters or supplement the available data.

The permit data include the calendar years from 2010 to 2016, inclusive, while the enrollment data is based on school years from 2010 to 2016. Therefore, there is effectively a 9-month lag between permit issuance and enrollment counts. We tested the effect of using a longer lag period (21 months), which also revealed no correlation between housing permits and enrollment.

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For Our Economy, Our Families, Our Future
a campaign of the Partnership for Strong Communities

Municipal Officials Assess Mixed-Income Housing

South Commons, Kent



"I was a teacher in town when South Commons was being built. I, and many colleagues, were concerned about the residential element this new complex might bring. Within a year it became clear that **our fears were unjustified**. The new students were bright, made friends quickly and became an integral part of their classes. When Stuart Farms Apartments opened, it too filled quickly with a nice blend of locals and newcomers. **We are lucky to have these additions to Kent**."

Bruce K. Adams
First Selectman, Town of Kent

"Students coming from South Commons are certainly not a burden on our school system. Families with children having trouble finding housing they can afford has been a significant factor in our declining school enrollment. **Our schools will thrive if students, teachers and staff can afford to live here."**

Patricia Chamberlain
Superintendent, Region 1 Public School District

Old Farms Crossing - Avon



"We have brand new housing developments in Avon selling for $400,000 to $600,000, I don't think anywhere near as attractive as this Old Farms Crossing. **There's a need for affordable housing, and this is filling part of that void.** We could use more."

Richard Hines
Former Chair, Avon Town Council

"In comparison to other areas within the town, the calls for service to the Old Farms Crossing complex are at or below average. Essentially, **Old Farms Crossing is similar to anywhere else in town."**

Lieutenant Christina Barrows
Patrol Division Commander, Avon Police Depart-

PARTNERSHIP FOR STRONG COMMUNITIES

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Local Officials Assess Mixed-Income Housing

Clock Hill Condominiums - Darien



"Most people don't realize it's affordable housing. Its location is ideal - just a block away from the train station so people can easily get to work without driving, and it's within walking distance of restaurants, shops and other retail.

We all know housing in Fairfield County is expensive and **Clock Hill offers an opportunity for people who work in the area,** but may not have the income to support purchasing a market rate home in Darien, to live closer to their job and to transportation."

Evonne Klein
Former First Selectman, Town of Darien

"**The presence of affordable housing in Darien has not impacted calls for police services**."

Chief of Police Duane J. Lovello
Darien Police Dept.

Flagg Road, West Hartford

"The beauty of the Flagg Road development is that it blends in with the surrounding neighborhood. Town residents are almost uniformly surprised to learn it's 'affordable housing.' I've never heard of any decline in nearby property values. There's really no problem here, only benefits."

Scott Slifka
Mayor, Town of West Hartford

"We really haven't had a problem here."

James Strillacci
Chief of Police, West Hartford



Olde Oak Village, Wallingford



"I didn't see any measurable adverse impact on surrounding property values. And those nearby properties continue to appreciate."

Shelby Jackson
Assessor, Town of Wallingford

"Olde Oak Village has been great for Wallingford. **It allows us to house many of the middle-class workers that our local economy relies on,** even while housing costs in the region have been rising. These homes are attractive and well-maintained, and the people living there are great neighbors."

William W. Dickinson, Jr.
Mayor, Town of Wallingford





Photos of Affordable Housing From Across the Country

Business and Professional People for the Public Interest

What Affordable Housing Looks Like



Lincoln, Massachusetts

What Affordable Housing Looks Like



Boulder, Colorado

What Affordable Housing Looks Like



Wilmette, Illinois

What Affordable Housing Looks Like



St. Paul, Minnesota

What Affordable Housing Looks Like



Montgomery County, Maryland

What Affordable Housing Looks Like



Longmont, Colorado

What Affordable Housing Looks Like



Andover, Massachusetts

What Affordable Housing Looks Like



Montgomery County, Maryland

What Affordable Housing Looks Like



Chicago, Illinois

What Affordable Housing Looks Like



Fairfax County, Virginia

What Affordable Housing Looks Like



Denver, Colorado

What Affordable Housing Looks Like



Andover, Massachusetts

What Affordable Housing Looks Like



Denver, Colorado

What Affordable Housing Looks Like



Lincoln, Massachusetts

What Affordable Housing Looks Like



Highland Park, Illinois

What Affordable Housing Looks Like



Lincoln, Massachusetts

What Affordable Housing Looks Like



Boulder, Colorado

What Affordable Housing Looks Like



St. Paul, Minnesota

What Affordable Housing Looks Like



Denver, Colorado

What Affordable Housing Looks Like



Aurora, Illinois

What Affordable Housing Looks Like



Boulder, Colorado

What Affordable Housing Looks Like



Highland Park, Illinois

What Affordable Housing Looks Like



Chicago, Illinois

What Affordable Housing Looks Like



Newton, Massachusetts

What Affordable Housing Looks Like



Longmont, Colorado

What Affordable Housing Looks Like



St. Paul, Minnesota

What Affordable Housing Looks Like



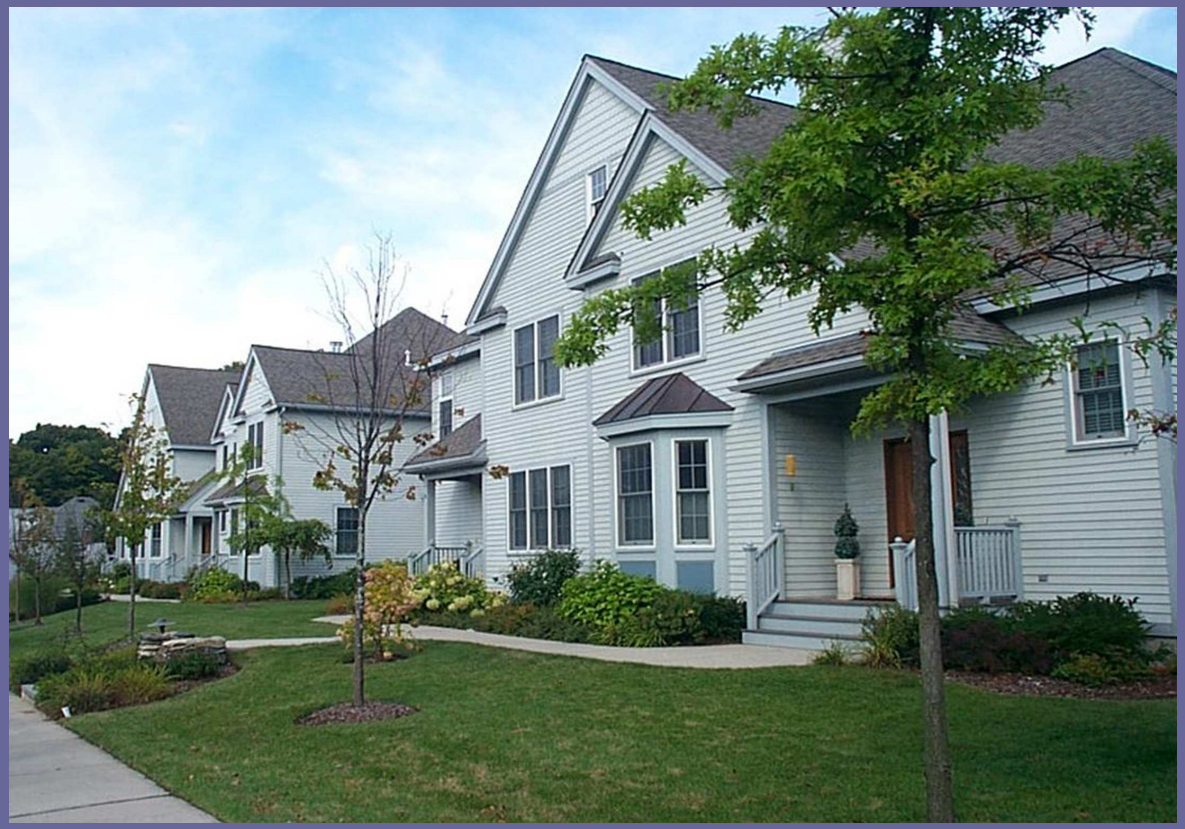
Fairfax County, Virginia

What Affordable Housing Looks Like



Montgomery County, Maryland

What Affordable Housing Looks Like



Newton, Massachusetts

What Affordable Housing Looks Like



Montgomery County, Maryland

What Affordable Housing Looks Like



Weston, Massachusetts

What Affordable Housing Looks Like



Longmont, Colorado

What Affordable Housing Looks Like



Newton, Massachusetts

What Affordable Housing Looks Like



Glendale Heights, Illinois

What Affordable Housing Looks Like



Montgomery County, Maryland

What Affordable Housing Looks Like



Chapel Hill, North Carolina

What Affordable Housing Looks Like



Newton, Massachusetts