

HousingInCT2014

The Latest Measures of Affordability

The ground shifted beneath Connecticut's housing market in the last year, with sizeable state investments producing both significant progress in the fight against homelessness and thousands of new affordable homes, but monumental demographic and economic pressures worked to slow that momentum.

Connecticut remained 6th in monthly median housing costs and 8th in median home values, despite slight decreases in both.¹ Although the state's per capita rate of production increased over the last two years, it still ranked 50th for the last decade,^{2,4} leaving behind a legacy of high housing costs. High housing prices, like the prices of all goods and services, were also driven higher by income inequality, with Census data showing Connecticut's rate of income inequality to be the second highest among the 50 states.

Meanwhile, demand for multifamily housing, nationally and locally, continued its climb, with increased interest in smaller, denser, more affordable, energy-efficient homes within walking distance to services and, if possible, close to mass transit. This increased demand is being driven by Baby Boomers seeking to downsize, Millennials unable or uninterested in purchasing single-family homes, and working-class households with slow income growth. Nationwide, the Mortgage Bankers Association reported that multifamily lending rose a startling 18% in 2013 over 2012, reflecting enormous demand. In Connecticut, the Census Bureau reported, 34% of all households rented in 2013, up from 30% in 2007.

Despite the continuing high cost and high demand for rental housing, the effort to end homelessness made measurable progress, including a 10% decrease in individuals experiencing chronic homelessness from 2012 to 2013.³ Unprecedented efforts to coordinate federal, state and local resources has brought Connecticut to the threshold of ending veteran and chronic homelessness in the next two years. But more work is needed to continue that forward movement and to end homelessness among families, unaccompanied youth and single adults as well.

To help bring an end to homelessness and meet the changing housing needs of Connecticut's residents, municipalities, developers and policymakers will have to proactively create a wider array of housing options. Right now, Connecticut remains reliant on a stock of single-family homes built to meet the needs of earlier generations. Increasing the state's stock of multifamily housing will likely attract young professionals and families and help meet the needs of downsizing Baby Boomers. It will also lower rent costs for low- and moderate-income households, preventing homelessness and leaving them with more disposable income. A failure to increase the state's and towns' spectrum of housing options may hinder individual opportunity and the state's economic growth. A lack of housing choice contributes to a stagnant housing market, potentially increasing homelessness and driving young professionals and families out of Connecticut.

Homelessness: Momentum

Gov. Malloy's continued investment in housing creation, totaling approximately \$600 million in his first term, has included significant funds for permanent supportive housing to provide homes for those experiencing chronic homelessness and a commitment to funding affordable housing at lower income levels and rapid re-housing to assist those at risk of or experiencing homelessness.⁵

Homelessness Management Information System data show tangible results:

- There was a 10% decrease in adult-only households experiencing chronic homelessness, dropping from 3,006 in 2012 to 2,695 in 2013.

49%
of renters pay more
than 30% of their
income on housing.¹

\$23.02
is the hourly wage
needed in CT to afford
the typical 2-bedroom
apartment.²

2,440
children experienced
homelessness in 2013.³



a report by

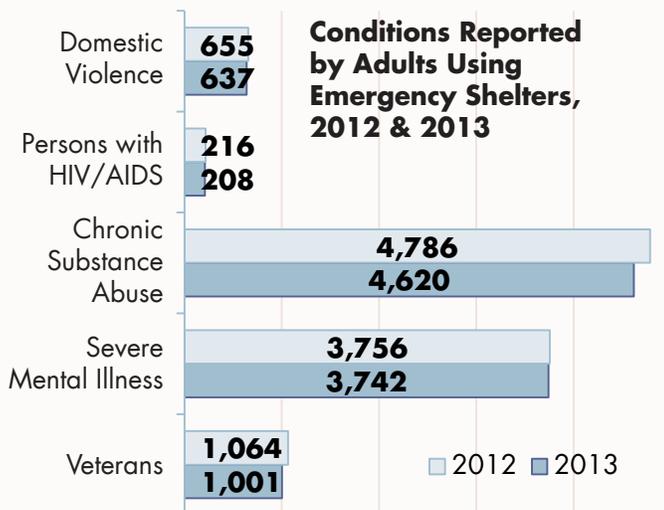
PARTNERSHIP FOR STRONG COMMUNITIES

- Overall homelessness declined by 4%, with 13,663 people experiencing homelessness, down from 14,287 in 2012.
- Homelessness among veterans declined to 1,001 people in 2013, a 6% drop from the 1,064 Veterans experiencing homelessness in 2012.

Much progress has come about by targeting new resources and strategies to those who are chronically homeless and are frequent users of healthcare services, and directing them to available housing and services. Additional strategies, from rapid re-housing of families and individuals immediately after they become homeless to the identification of unaccompanied youth before they can become chronically homeless, have also progressed.

Improved data collection and the cooperation of many organizations with state policymakers have also been vitally important. The progress being made has led the Reaching Home Campaign and Opening Doors-CT, the state-tailored framework based on the federal homelessness strategy, to view as achievable the eradication of veteran and chronic homelessness in Connecticut in 2016.

Many factors can impact an individual's ability to remain stably housed.



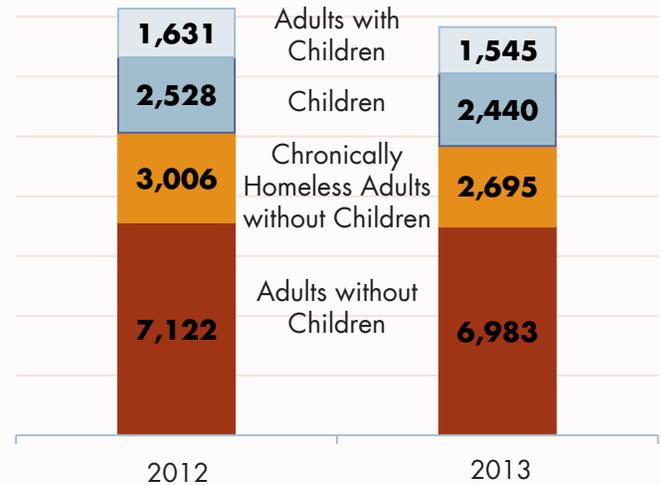
Source: CT Homelessness Management Information System Data provided by federal fiscal year (Oct. 1-Sept. 30).

But family homelessness remains a challenge, mostly because affordable units are unavailable² and many families currently housed make so little that any economic dislocation can cause homelessness. Meanwhile, too many were homeless in 2013:

- 2,440 children in 1,348 families used Connecticut's homeless shelters and transitional housing programs in 2013. Of these households, 73% (978) had at least one child aged 0 to 5 and 24% (321) were headed by an adult between the ages of 18 and 24.³
- Chronic homelessness – long-term or repeated homelessness, coupled with a disability – among families rose from 143 families in 2012 to 163 in 2013.³

Although homelessness declined by 4% in Connecticut from 2012 to 2013,³ the numbers of men, women and children without a home remained high.

Number of People Experiencing Homelessness Served by Transitional Housing and Emergency Shelters in CT, 2012 & 2013



Source: CT Homelessness Management Information System Data provided by federal fiscal year (Oct. 1-Sept. 30).

While overall homelessness among families decreased by 3% from 1,389 families in 2012 to 1,348 families in 2013, the numbers are still high. Most experts agree that many families who lack a stable home are not included in these numbers because they often live doubled-up with friends or family or in motels or other temporary accommodations.

Housing Affordability: Mixed Bag

Connecticut remained one of the nation's most expensive places to buy or rent a home. Connecticut's median monthly housing costs remained 6th highest in the nation in 2013, while falling slightly to \$1,337 from \$1,352.¹ Median gross rent rose to \$1,040/month in 2013 from \$1,019 in 2012 (10th).¹ Connecticut's "housing wage" – what one must earn to afford a typical 2-bedroom apartment – fell to \$23.02/hour (\$48,000/year) from \$23.22, but remained 8th in the nation.²

At the same time, median home values were little changed, falling to \$267,000 in 2013 from \$267,800, but remaining 8th.¹ Single-family home sales and prices have remained flat in 2014: according to The Warren Group, single-family prices for the first three quarters of 2014 were down 3.4% to \$256,000 from the previous year. Meanwhile, the real estate analytics firm CoreLogic reported in October 2014 that Connecticut was 45th in home price appreciation since its peak price year of 2006.

The portion of all households spending more than 30% of their incomes on housing fell to 37.5% in 2013 from 39.4% in 2012.¹ There was no change among renters: half still spent 30% or more.¹ Spending over 30% of income for housing

leaves little for food, clothing and other necessities, negatively impacting those households and Connecticut's economy.

Low-income renters – those earning less than 50% of the median income – were particularly burdened by housing costs. Of Connecticut's 447,000 renting households, 28% earned that amount and spent half or more of it on rent, coming perilously close to homelessness.²

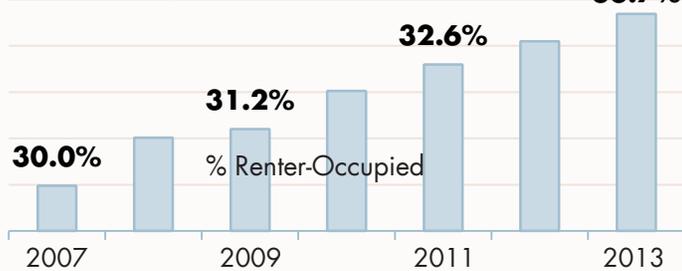
Rental Housing: Growing Demand

Connecticut has long had a higher rate of homeownership than the nation. However, like the nation, its households have been moving toward renting: 34% rented in 2013, up from 33% in 2012 and 30% in 2007.¹ Reis, Inc., which tracks U.S. rental markets, reported New Haven had the lowest rental vacancy rate in the nation and Hartford had the 6th lowest.

Rental housing demand has been spurred by downsizing Baby Boomers with little savings, Millennials with substantial education debt and urban lifestyles, and working-class households that have seen median incomes fall 6% in real dollars since 1989.¹ The Institute for College Access and Success reported that, in 2013, Connecticut's college seniors had \$30,000 in average education debt, 6th in the nation. The Employee Benefit Research Institute reported only 64% of workers 55 to 64 have savings equal to one year of income.

The percentage of renters in Connecticut has risen steadily over the last seven years...

Percent of Housing Units Occupied by Renters in CT, 2007-2013



Source: 2013 American Community Survey 1-Year Estimates

...while rental costs remain high.

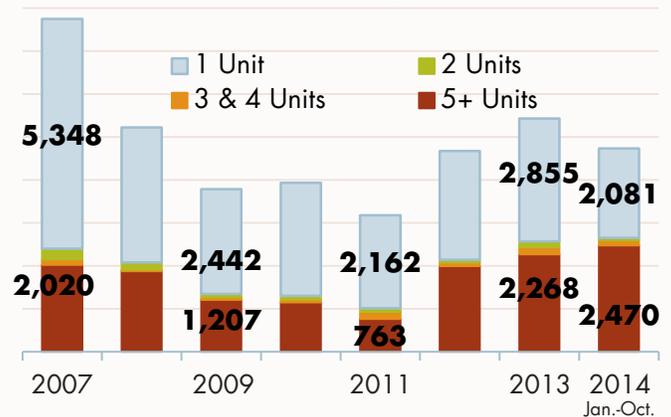
Median Gross Rent in CT, 2007-2013



Source: 2013 American Community Survey 1-Year Estimates

Production of multifamily housing has returned to levels seen just before the 2008 crash of the housing market, while single-family production has remained stagnant.

Building Permits Issued in CT by # of Units in Building, 2007-2013



Source: U.S. Census Bureau, Building Permits Survey

On the supply side, Connecticut remained 50th over the last decade in housing units built per capita, although it rose to 47th in 2013 with a new influx of multifamily building permits.^{2,4} New multifamily units in buildings of 5 or more units tripled to 2,268 between 2013 and 2011, accounting for 42% of new 2013 building permits.² Nineteen upper-income municipalities have sought state HOMEConnecticut grants to weigh mixed-income housing production.⁶

A slower-than-hoped-for recovery caused some adult children to move in with parents, contributing to a household size rise to 2.6 in 2013 from 2.55 in 2008.¹ With more Millennials moving out on their own and more delaying marriage, demand for multifamily units is expected to increase. The Pew Research Center reported 20% of adults older than 25, about 42 million people, have never married, up from 9% in 1960.

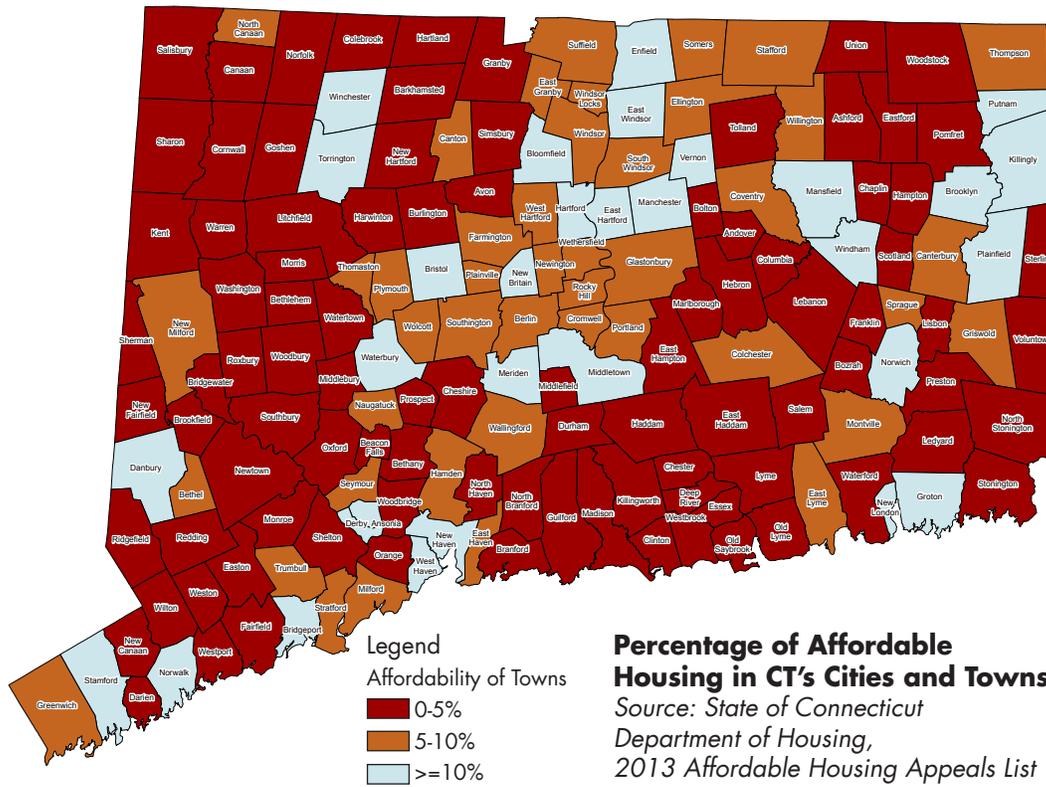
Income inequality: Widening

Across Connecticut, there is a shortage of 90,734 units of affordable and available housing for extremely low-income renters (0-30% of area median income).² The difficulty for low-income people in Connecticut, the state with the nation's highest per capita income, is that the scarcity of supply allows wealthier renters to drive prices beyond their reach.

Census Bureau data indicate that the state's income inequality continued to deteriorate in 2013. The Gini coefficient – where 0 signifies all have the same income and 1 indicates that one person has it all – rose to 0.4994 from 0.4915 in 2012 and 0.48 in 2009, again second highest in the U.S.¹

State Government's Response

The Malloy administration and the General Assembly have provided more resources for affordable housing than any governor or legislature in the prior 24 years. The investments



Increased funding and more robust efforts by the Department of Housing and the Connecticut Housing Finance Authority have helped to increase the number of affordable housing units in the state from 161,379 in 2012 to 167,504 in 2013.⁶ Still, the number of municipalities with limited affordable housing opportunities has remained at 138 of the 169 for many years.⁶

over the last four years have been devoted to a spectrum of uses: supportive housing, deeply affordable housing, rental assistance, new construction, rapid re-housing, transit-oriented development, mixed-income housing, homeownership assistance, and mental health, healthcare and other homelessness-related services.^{5,6}

Another component has been Gov. Malloy's commitment of \$30 million per year through 2020 to preserve and upgrade units of state-owned housing.^{5,6} To focus greater attention and resources to affordable housing creation, Gov. Malloy also reestablished a state Department of Housing.^{5,6}

The increase in affordable units available across the state – to 167,504 in 2013 from 161,379 in 2012⁶ – can be attributed largely to a more robust development effort. The Department of Housing reported it has developed 3,097 units since the beginning of 2011, 3,024 of them affordable, and has another 3,639 in the pipeline, more than 2,900 of them affordable.⁶

Conclusion: Cautious Optimism

Many Millennials face a weak job market with more debt. Many Baby Boomers enter their retirement years with inadequate savings, and middle-income jobs become harder to attain. Households like these are seeking different housing options across Connecticut. Income inequality, low supply and high resulting prices have also caused 474,000 households to fall below what the United Way of Connecticut's ALICE Report calls the "Household Survival Budget" – \$22,000 for a single adult, \$65,000 for a family of four. What these groups

want and need – and what the ALICE Report recommends – is smaller, denser, more affordable, energy-efficient homes that are walkable or close enough to transit to access jobs, education, healthcare, shopping and community services.

The future of our cities and towns – and many of our low- and middle-income residents – is at stake. Cities and towns that create a wider array of housing options will help themselves, their residents and the state by attracting young professionals and families. Those Millennials will provide a skilled labor pool to attract businesses, and provide purchasing power and vitality to Connecticut's cities. They can ultimately buy the Boomers' homes, increasing the towns' grand lists, providing property tax revenue and thus keeping property taxes down and service levels up.

Strong communities need many different types of people, and those people need many different types of housing. Connecticut has begun to provide those choices, but it is not there yet.

Sources

1. U.S. Census Bureau
2. National Low Income Housing Coalition
3. CT Coalition to End Homelessness/Homelessness Management Information System
4. Partnership for Strong Communities
5. State of Connecticut Office of the Governor
6. State of Connecticut Department of Housing

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