



# AFFORDABILITY

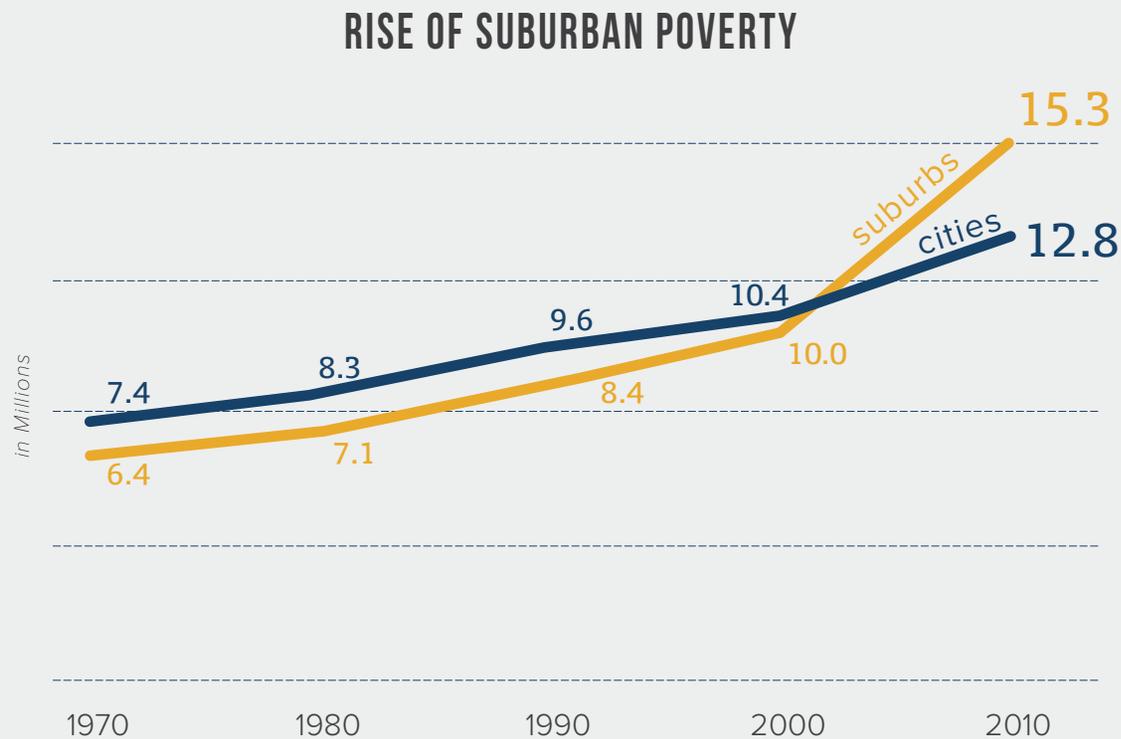
Housing that is Affordable,  
Not Affordable Housing

Neighborhoods NOW Conference  
November 10, 2016

**greenstreet**  
development • brokerage • consulting

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“At some point during the 2000s, America reached an unexpected milestone: There are now more poor people living in the suburbs than in the inner cities.” *Washington Post*, 2013



*Washington Post*, Poverty is growing twice as fast in the suburbs as in cities, May 2013

Nationally, stagnant incomes, tighter lending standards, and a shrinking middle class guide developers towards the higher end of the market where the economics are better, even with less demand.



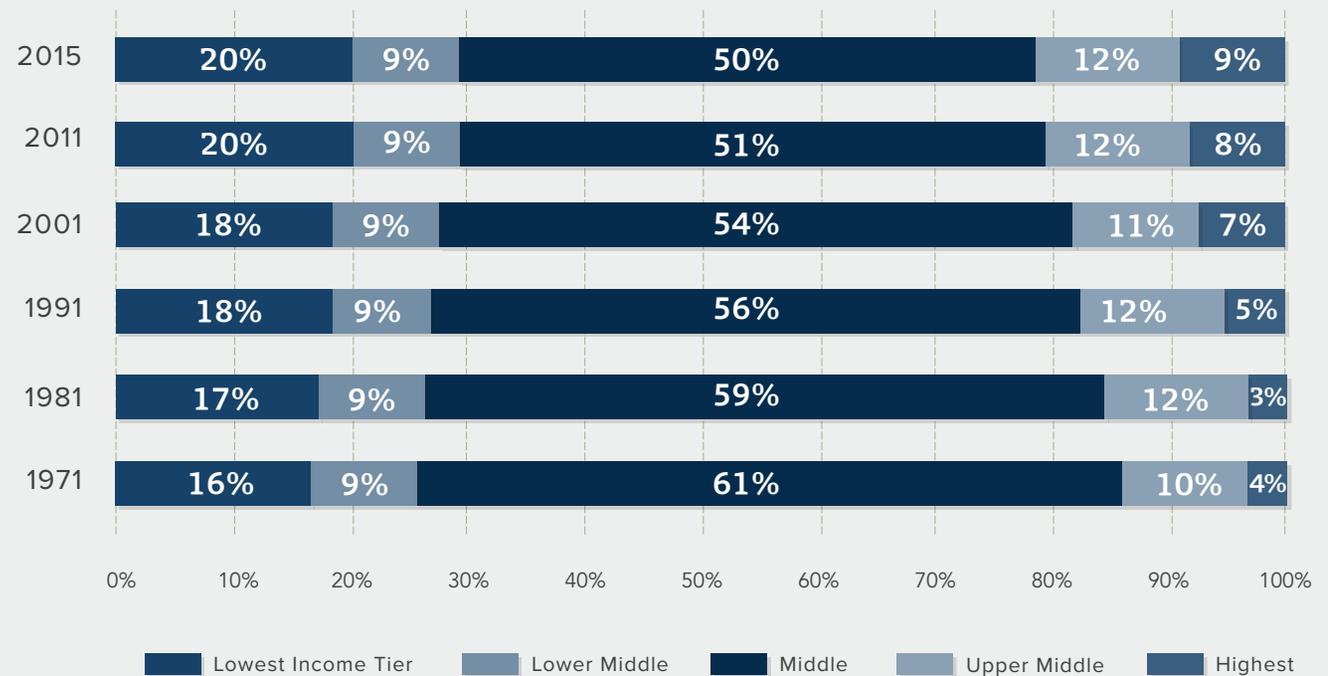
**\$58,781**

2000 Median U.S. Household Income\*

**\$57,385**

2010 Median U.S. Household Income\*

### MIDDLE SHRINKING, LOWEST GROWING



source: adapted from RCLCO ULI Colorado Winter Symposium, 2016; U.S. Census Bureau, 2015  
\*Adjusted for inflation, reflects 2016 dollar

New homes today are 60 percent larger than ones built just thirty years ago, all while household sizes continue to shrink. At 3,000 square feet (*average in Q2 2016*) Hamilton County homes are larger than the national average.

### SUPERSIZING OUR HOUSING SUPPLY



**1975**  
1,645 sqft.



**1985**  
1,785 sqft.



**1995**  
2,095 sqft.



**2005**  
2,434 sqft.



**2015**  
2,687 sqft.

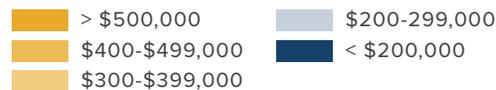
*source: U.S. Census average national home size*

New homes today costs over \$100,000 more than they did just 30 years ago. A family would need to earn around \$90,000 a year (*nearly double the US median household income*) to afford a home at that price.



### Recent Hamilton County Construction

Nearly half of the homes built last year sold for over \$300,000 and almost one quarter sold for over \$400,000. Just 16 percent of homes sold for under \$200,000.

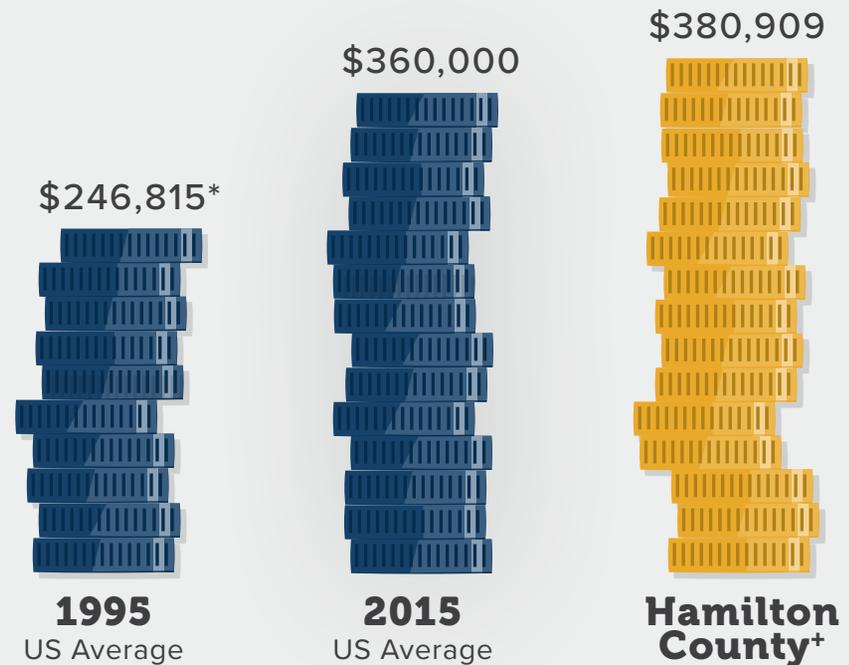


source: U.S. Census; MetroStudy

\*reflects 2015 dollars

†Hamilton County reflects Q2 2016 average in 2016 dollars

### NEW CONSTRUCTION PRICES CLIMB



Housing is considered “affordable” if a household spends less than 30 percent of their total annual income on housing related costs. Using this estimation of affordability, a minimum wage worker can afford a \$60,000 home.

### BOB’S YEARLY HOUSING EXPENSES



Meet Bob

**\$15,080**

Bob earns minimum wage working as a retail sales clerk. He owns his home and lives alone.

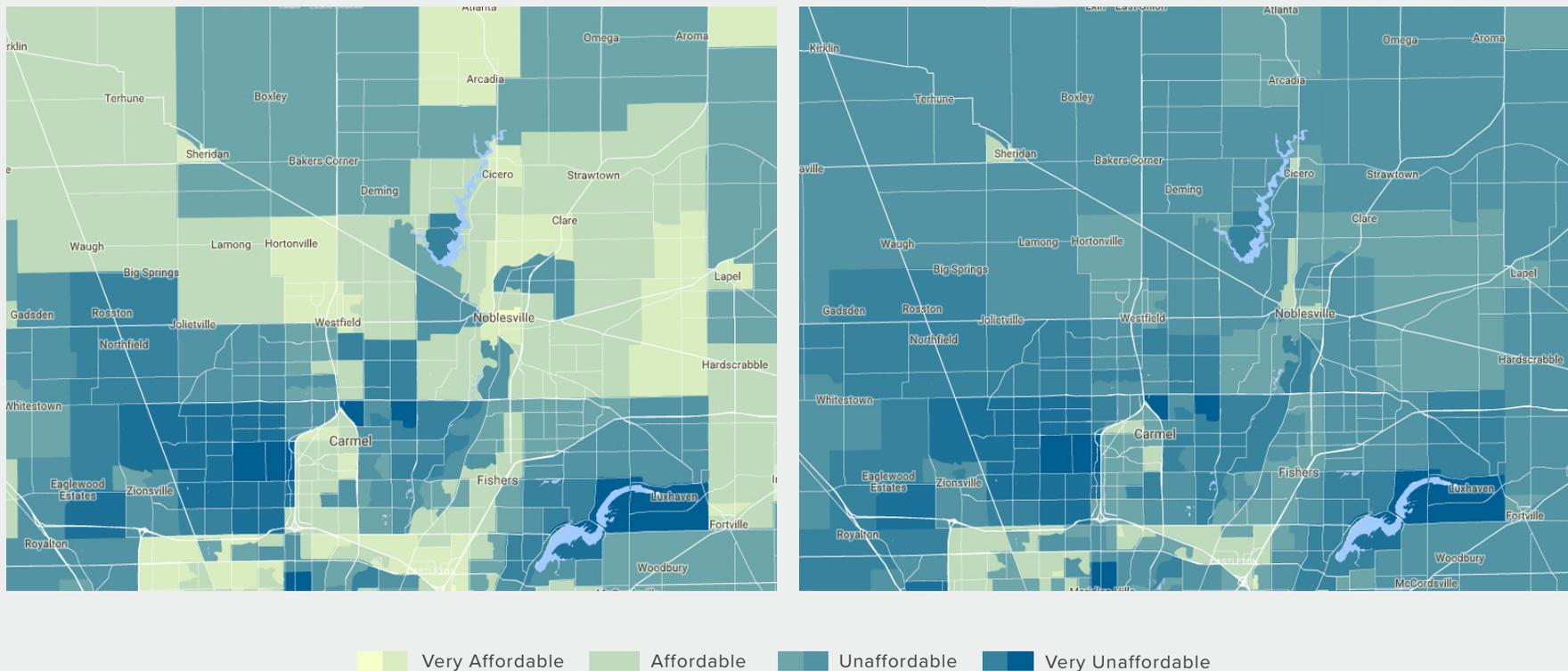
Annual Household Income	\$15,080
Mortgage Payment	\$2,775
Taxes	\$736
Insurance	\$211
PMI	\$182
Utilities	\$620
<b>Total Annual Housing Expenses</b>	<b>\$4,523</b>

*If Bob rented, he could afford \$377 a month in rent\*.*

source: Bureau of Labor Statistics, Greenstreet Ltd.  
\* if utilities are included

Affordability is directly related to income. If we can raise a household's income, they can "afford" higher cost housing. Or if we can lower other household costs (like transportation), they can "afford" to spend more on housing.

## TRANSPORTATION COSTS AND OPTIONS AFFECT HOUSING AFFORDABILITY



Who can still afford the American Dream?  
How many households in the Indy Metro can “afford” to  
purchase the average new home in Hamilton County?

Option #1



36%

of Indianapolis Metro  
Households

Option #2



47%

of Indianapolis Metro  
Households

Option #3



59%

of Indianapolis Metro  
Households

source: U.S. Census, MetroStudy

# Who can still afford the American Dream? How many households in the Indy Metro can “afford” to purchase the average new home in Hamilton County?

## Option #1



**36%**

of Indianapolis Metro  
Households



**\$95,300**

required household  
income needed to  
“afford” average  
new home in  
Hamilton County



**57%**

median household  
earns just 57 percent of  
the income needed to  
“afford” average new  
home in Hamilton County

source: U.S. Census, MetroStudy

If a household can't afford to buy, another option is to rent. But how many Metro household's can "afford" to rent a two-bedroom apartment in Hamilton County?

**Option #1**



**68%**

of Indianapolis Metro Households

**Option #2**



**75%**

of Indianapolis Metro Households

**Option #3**



**81%**

of Indianapolis Metro Households

source: U.S. Census, Tikijan Associates (rent on averager 2-bdr apartment in Hamilton County is \$1,036)

# If a household can't afford to buy, another option is to rent. But how many Metro household's can "afford" to rent a two-bedroom apartment in Hamilton County?

## Option #1



# 68%

of Indianapolis Metro Households



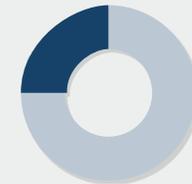
# \$49,440

required household income needed to "afford" 2-bdr apartment in Hamilton County



# 64%

median renter household earns just 64 percent of the income needed to "afford" 2-bdr apartment in Hamilton County



# 77%\*

minimum wage worker would need to spend 77 percent of their income to "afford" a 1-bdr apartment in Hamilton County

source: U.S. Census, Tikijan Associates  
\*does not include utility costs



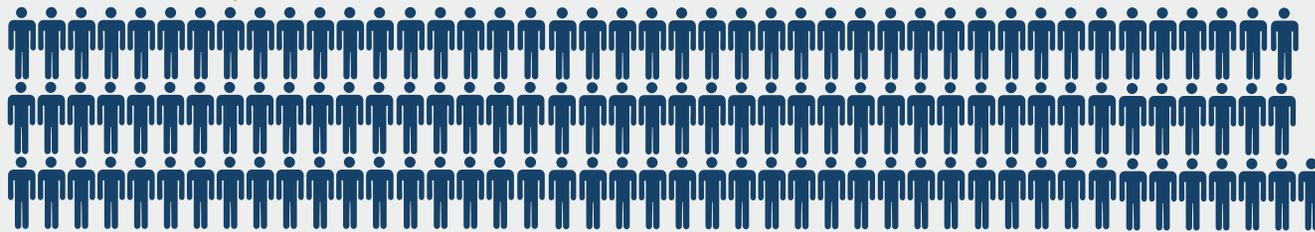
# THE MARKET

Who Needs Affordably Priced  
Housing in Hamilton County?

Demand is not the issues for lower income households. For every one subsidized unit, there are six cost burdened low income households already in Hamilton County. Today, demand exceeds supply by over 10,000 units.

### BIG DEMAND, LITTLE SUPPLY FOR LOWER INCOME HOUSEHOLDS

# 13,005



cost burdened low income families

# 2,183



subsidized units

 approximately 100 households  
 approximately 100 housing units

source: *Equitable Transit Oriented Development: The Case for Indianapolis*; Greenstreet, Ltd.

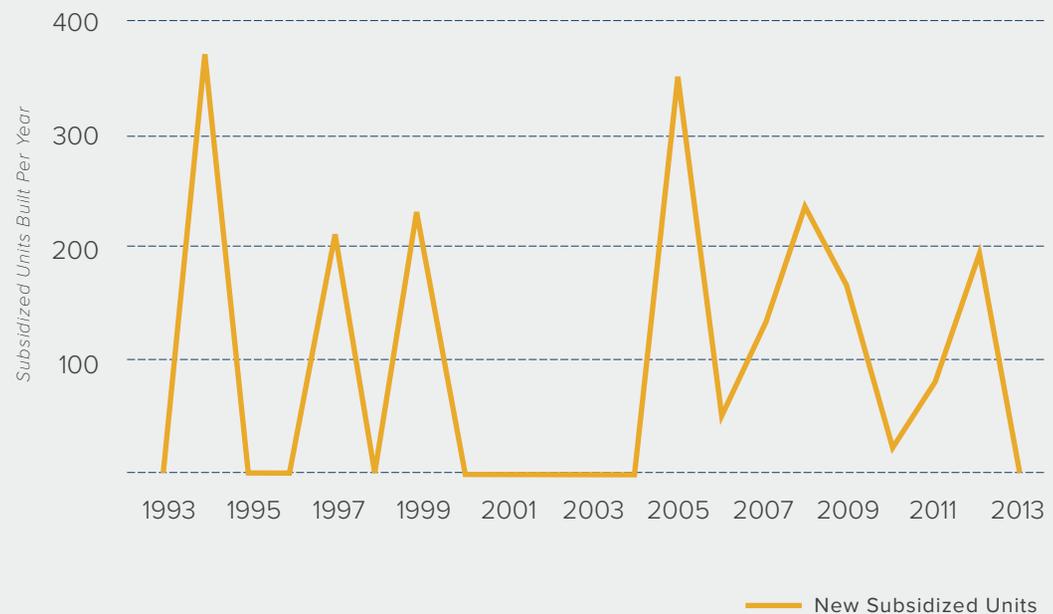
To meet current demand, Hamilton County would need an additional 11,000 more units. At the current rate of construction, it would take 100 years for supply to catch up with demand (*which is projected to nearly double by 2040.*)

## CONSTRUCTION NOT KEEPING UP WITH DEMAND



### Expiration & Conversion Risk

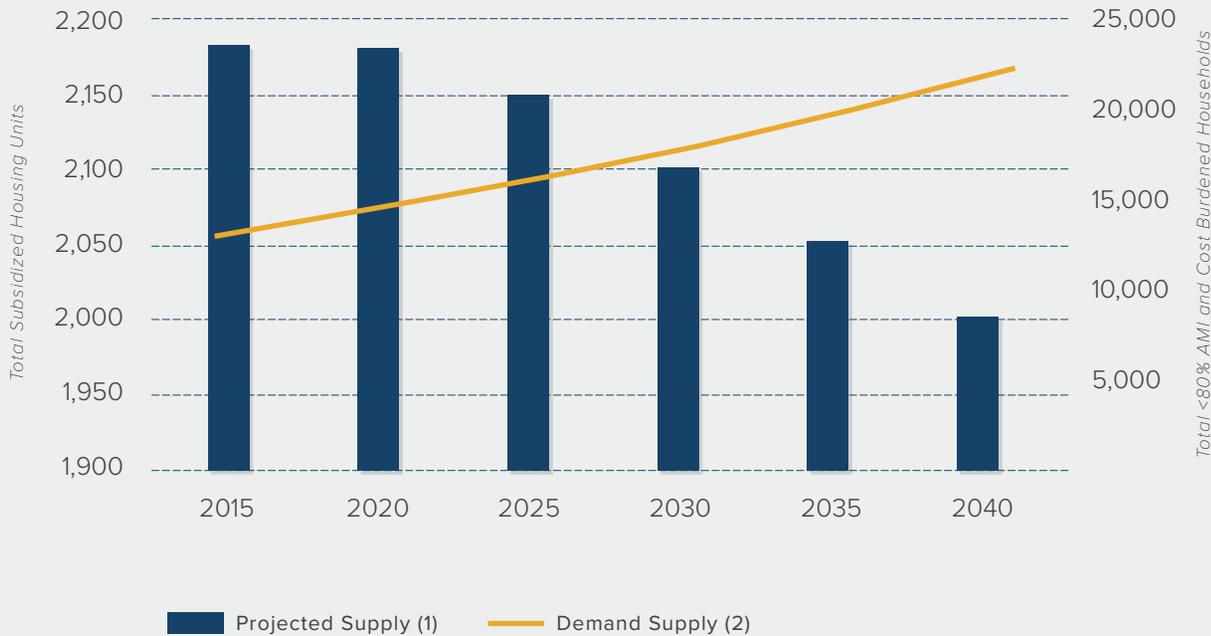
Even though nearly 100 units (on average) are built each year, affordability requirements on 67 units expire. This leaves them open to convert to market rate units, removing those from the affordable housing supply.



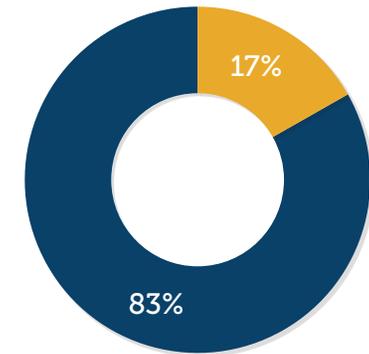
source: [preservationdatabase.org](http://preservationdatabase.org) and HUD User Database

Demand is expected to exceed 22,000 households by 2040. Each year, 300 to 400 new units would be needed just to keep up with new demand.

### SUPPLY DECREASING, DEMAND INCREASING



source: Equitable Transit Oriented Development: The Case for Indianapolis; Greenstreet, Ltd.



#### Unmet Demand Today

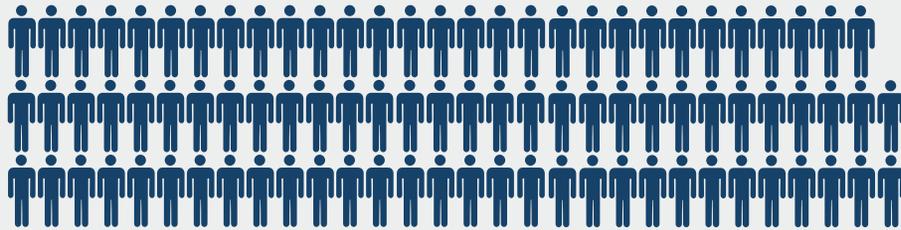
Only 17 percent of the demand for subsidized affordable housing is met today (2015) in Hamilton County. This leaves nearly 11,000 households in need of affordable housing and that number is projected to double by 2040 if no new subsidized units are built.

unmet demand met demand

There are nearly 9,000 families that don't meet conventional affordable housing income requirements. Many of these households earn over the median income and still struggle with housing affordability.

### COST BURDENED AVERAGE INCOME HOUSEHOLDS

8,852



cost burdened average income families

 approximately 100 households

source: *Equitable Transit Oriented Development: The Case for Indianapolis*; Greenstreet, Ltd.

While lower cost housing may exist, recent sales transactions (over the last 12 months) illustrate the current availability of affordably priced homes in the Hamilton County market are limited.

### AFFORDABILITY BY RECENT SALES INVENTORY



source: U.S. Census; MIBOR (median sales price over this time period - \$248,900)

New construction is even more challenging for lower and moderate income households. Even median income earners can only afford half of the homes built in the last year.

### AFFORDABILITY BY RECENT CONSTRUCTION



source: U.S. Census; MetroStudy (average value in 2Q 2016 - \$380,909)  
 \*\*reflects estimates, specific values for homes under \$99,999 and over \$500,000 are unavailable

Affordable housing solutions must address the needs of households at all income levels with diverse housing products.

## WHAT DO WE KNOW?

1

suburban poverty is growing faster than urban poverty

2

supply doesn't reflect future demand

3

need isn't limited to low-income families

4

housing is only one piece of the larger affordability issue

5

housing options and choices are limited



# OBSTACLES

Barriers to Addressing  
Affordability in Hamilton County

# Which development has a higher density?

**Option #1**



Pruitt Igoe Public Housing  
*St. Louis, MO circa 1955*

**Option #2**



Benedict Commons  
*Aspen, CO circa 1995*

The perception of affordable housing is often very different from reality and based, often times, on a lack of understanding (*for both the need and potential impacts*) as well as a lack of well executed examples to reference.

### 50 UNITS/ACRE



- Increased traffic
- School overcrowding
- Increased demand on city services
- Decreased property values
- Changes in “character”

### 78 UNITS/ACRE



- No negative impacts on property values
- Population growth does not necessarily yeild higher municipal costs
- Less school related costs with construction of multi-family than new single-family developments

source: Shelterforce, “Fear of Affordable Housing: Perception vs. Reality,” 2012; theguardian.com; EPA.org  
\*not comprehensive findings and assumes project is well designed, complements surroundings, and is well managed

Approximately 50 percent of the homes in the High Point neighborhood (in Seattle) are affordable to lower income households. Energy efficiency, further reduces on-going cost to the homeowners.



source: designadvisor.org; asla.org

Compact development and varied housing types increase opportunities for home ownership, meet the growing demand for walkable neighborhoods, decrease municipal service delivery costs, resulting in higher revenue for municipalities.

## EXAMPLES OF MIDDLE HOUSING



Source: [missingmiddle.com](http://missingmiddle.com)

Planning and development policies often address the far ends of the housing spectrum (*single-family detached and larger multi-family*) neglecting alternative development types.

## MISSING MIDDLE HOUSING TYPES EXPAND CHOICE & AFFORDABILITY

Multi-unit or clustered housing that is in scale with surrounding single-family neighborhoods offers a solution to the disconnect between existing housing stock and shifting demographic preferences.



source: [missingmiddlehousing.com](http://missingmiddlehousing.com)

Infill development, which can be profitable for both builders and municipalities. Permit-ready designs, like those used in Portland, expedite the process and make development easier and cheaper.



source: [bluestar.com](http://bluestar.com)

## INFILL DESIGN TOOLKIT

Portland, Oregon

- Accommodating greater density while respecting desired neighborhood character;
- Encouraging quality design while facilitating affordable housing;
- Providing for automobile parking while contributing to pedestrian-friendly street frontages;
- Meeting our density goals while providing usable open space;
- Minimizing impervious surfaces while ensuring durable vehicle areas; and
- Allowing the new while respecting the old.

**Daybreak, Utah (a master planned community) offers diverse housing products that are affordable to range of income levels. Townhomes start at \$180,000, nearly \$75,000 below the median home value.**



source: [daybreakutah.com](http://daybreakutah.com)



# QUESTIONS?

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