



Introduce yourself

RPA for Metro Boston serving 101 cities and towns representing 3.2M people and 2/3rds of the state's jobs, and promoting smart growth and regional collab

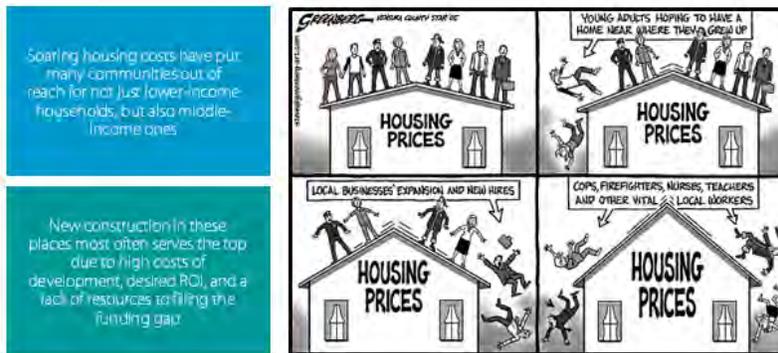
Our mission is to promote smart growth and regional collaboration through public policy research and advocacy, technical assistance, mapping and analysis, and regional planning.

Our housing work aims to advance regional equity, quality of life, and economic competitiveness.

As an agency, we endeavor to increase housing supply, diversity, and affordability throughout the region. We work with our member municipalities on proactive planning practices, leveraging of resources, and housing-friendly zoning policies (targeted to appropriate locations) that allow the market to quickly respond to demand.

The Missing Middle

The middle is missing, in part, because housing they can afford is missing



Jobs – and increasing wage polarization – is another factor of course, but we're going to look at the issue from a housing perspective today.

For all sorts of reasons, housing in high-demand markets has grown increasingly costly in recent history; it's increasingly difficult for not just LI HHs to secure housing, but also MI HHs to afford the types of housing in the locations they want.

New development often doesn't serve the middle due to exorbitant land acquisition, construction, and regulatory costs; ROIs that satisfy developers and lenders (high return on 'luxury' housing, why build anything else?); and a lack of resources to fill the resulting development funding gap.

As a result, high-cost cities are concerned about retaining MI HHs. Besides the argument that cities should be inclusive of a broad range of residents, MI HHs are a vital tax base, they provide discretionary income that bolsters local businesses, and they comprise a diverse workforce, attracting employers to locate in cities and grow the economy

Because of this, more and more cities are turning their attention to this issue and

struggling to develop strategies that address the various barriers (financial, regulatory, cultural) to developing housing at a price point affordable to MI HHs.

How Do We Define the Middle?

FY2014 Affordable Housing Income Limits,
Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area

	ELI (30% AMI)	VLI (50% AMI)	LI (80% AMI)	LMI (100% AMI)	UMI (120% AMI)
1P HH	\$19,800	\$32,950	\$51,150	\$65,900	\$79,080
2P HH	\$22,600	\$37,600	\$58,300	\$75,300	\$90,360
3P HH	\$25,450	\$42,450	\$66,900	\$84,700	\$101,640
4P HH	\$28,250	\$47,250	\$75,100	\$94,100	\$112,920
5P HH	\$30,550	\$50,550	\$79,700	\$101,700	\$122,040

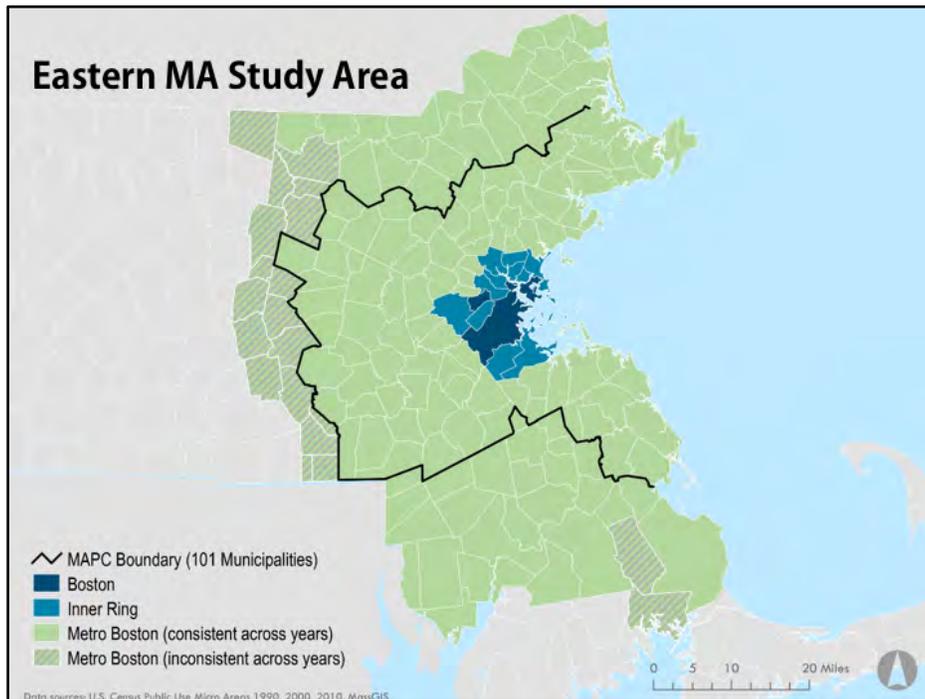
Source: U.S. Department of Housing and Economic Development, MAPC Analysis

There isn't really a standard definition for MI. A huge portion of the population identifies as middle class – which is less useful from the perspective of designing housing programming.

These are households that earn too much to qualify for most subsidized housing, but not enough to have access to many opportunities in the housing market.

New programs aiming to target this group really range, depending on the market and the affordability gap.

Most typically the range begins around 80% of AMI, where most low-income housing programs cut off, and goes to about 120% of AMI.



MAPC recently worked with ULI Boston/New England to explore this topic.

STUDY AREA: Most of Eastern MA, divided into Boston, Inner Ring (Cambridge, Somerville, Medford, Malden, Everett, Revere, Chelsea, Winthrop, Quincy, Milton, Brookline, Newton), and the rest of the region.



As background...

In many of our communities, there's limited land availability and costs of development are high (in part due to constraints – regulatory and physical), city and town voters have restricted dense development

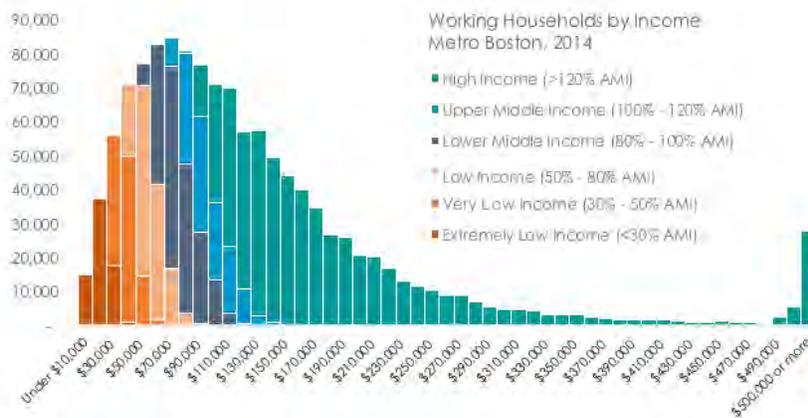
Greater Boston will need more housing at a range of price points if it is to attract/retain the workforce needed to grow the economy

More middle-income housing needed to meet demand from middle-income households and address economic segregation of households to higher- and lower-income communities

More middle-income housing needed to facilitate upward mobility and opportunity for lower-income households

The Greater Boston Workforce

Wage earners in middle-income households make up just a subset of the workforce

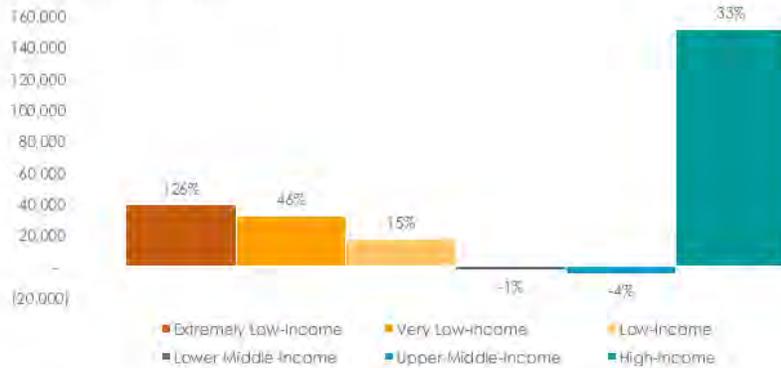


The workforce obviously covers a broad range of HH incomes, but the middle-income HHs make up 26% or roughly 1.3 million households, with incomes ranging from roughly \$50K to \$130K depending on HH size (compared to 25% of working households are LI – comparable)

Loss of Middle-Income Households

The study area has seen a decrease in middle-income households and increases to the opposite ends of the income spectrum

Working Households by Income Category
Metro Boston, 1990 - 2014



Source: U.S. Census Public Use Microdata Sample (PUMS) 1990 and 2010. 14

Since 1990, the number of MI HHs in the study area fell 2.4% from 333,000 to 325,000, while those at the ends of the income spectrum grew in number: HI by 33% and LI by 40%. In Boston and the Inner Ring, the number of MI HHs fell by about 12%, while the rest of the study area saw a slight increase.

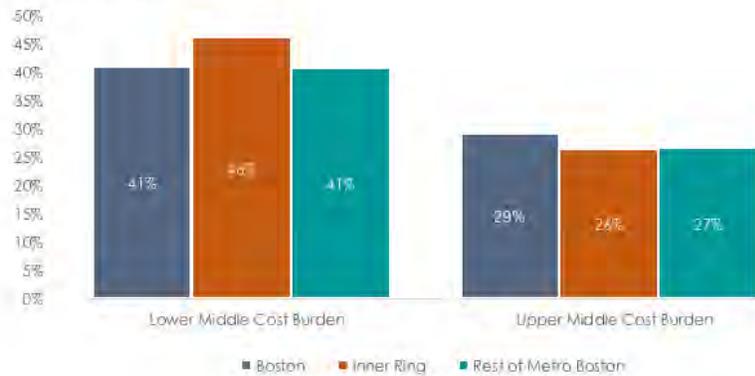
The share of MI HHs dropped from 33% to 26% of working HHs.

At the same time, the study area saw a decline in predominantly MI occupations, such as office, admin, and maintenance jobs, and a shift to lower-wage work in occupations such as sales and food prep, and disproportionate growth in high-wage jobs in mgmt, healthcare, and tech

Increasing Rates of Middle-Income Cost Burden

More than a third of middle-income households now spend 30% or more of their annual income on housing

Middle-Income Housing Cost Burden
Metro Boston, 2014



Source: FLMH, 2010-14

36% of MI HHs are CBed. CB is more common among LMI than UMI: 42% compared to 27%

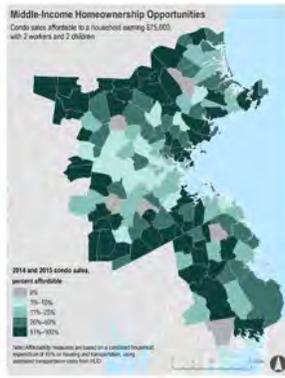
Homeowner CB increased dramatically since 1990, from 27% to 42%, an increase of more than 35,000 CBed MI HHs. This increase was most dramatic in Boston and the Inner Ring (27% increase, versus 14% in the rest of the study area) - renter CB is more prevalent in Boston and the Inner Ring than the rest of the study area.

Where is the Middle Missing?

There's a scarcity of housing affordable to middle-income households in many study area communities

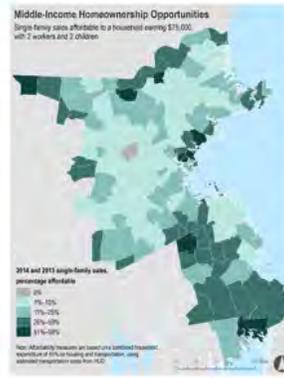
39%

Condos, 2014-15, in the study area, affordable to a LMI household of 4 earning \$75,000



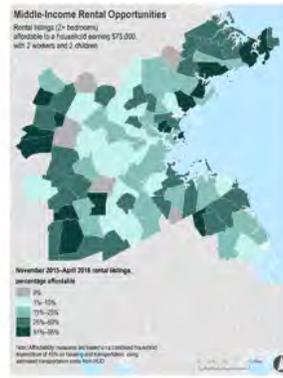
22%

Homes, 2014-15, in the study area, affordable to this hypothetical household



12%

Rentals, 2015-16, in the MAPC region, affordable to this hypothetical household

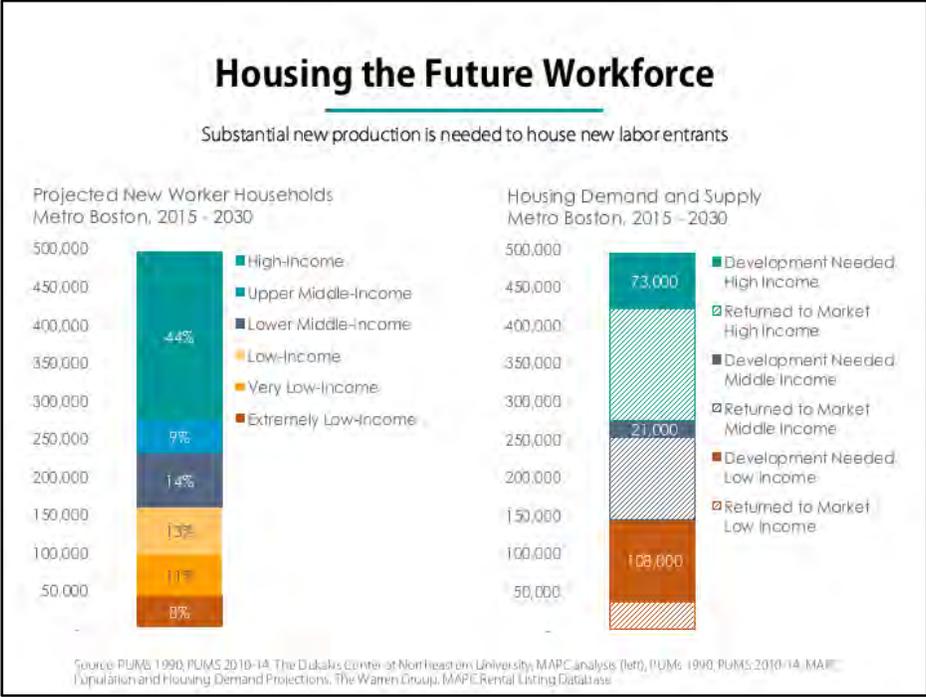


22% of SF homes and 39% of condos sold in the region in 2014-15 are affordable to a hypothetical HH with 2 workers and 2 children with an annual HH income of \$75K (LMI), assuming a 45% upper limit on combined hsg and estimated transpo costs.

Analysis of 111,000 rental listings from late 2015 to early 2016 indicates that approx 12% of rentals with 2+ BRs are affordable to this hypothetical 4-person HH (within the MAPC region, smaller than the study area)

Affordable rents seem to be scarcer than affordable homeownership opps, but student debt and down payment requirements present other barriers to homeownership

Affordability to MI HHs varies dramatically by location. Affordable units of both tenures are more abundant in the gateway cities, but many suburbs are exclusive, with most house, condos, and apts affordable only to high-income HHs. In more than 3 dozen cities and towns, less than 10% of sales are affordable to this hypothetical HH. For the same HH looking to rent, 2 dozen communities have less than 10% of listings affordable.



The study area is undergoing the first wave of Baby Boom retirement: current projections indicate that 717,000 workers born before 1970 will leave the area’s labor force between 2015 and 2030 due to retirement, outmigration, or mortality. The study area will need more than 800,000 (826,000) new entrants to the labor force by 2030 to fill vacant positions and support modest job growth (4%).

These new workers are estimated to form 493,000 new HHs by 2030. As little as 23% of them (115,500) could be MI HHs if wage polarization observed since 1990 continues over the next 15 years

These 493,000 HHs will likely demand 279,000 units of MF housing (rental or ownership) and 214,000 SF homes (based on current occupancy patterns). Some of this demand will be met by existing units: 136,000 MF and 155,000 SF units may return to the market before 2030 due to mortality, migration, and downsizing. This leaves demand for an additional 143,000 MF hsg units and 59,000 SF homes, a total of 202,000 units.

At least 21,000 of these new units will need to be affordable to MI HHs to meet the demand of those projected to form (while 108,000 needed for LI and 74,000 for HI).

If the rapid escalation of housing prices we've seen in recent years stopped (and there's no reason to think it would), then 108,000 of these units could be affordable to MI HHs – leaving demand for 7,500 units more. But if hsg prices continue to rise rapidly, and/or not enough high-end units are produced and therefore UI HHs occupy hsg that would otherwise be affordable to MI HHs, then more units affordable to MI HHs would be needed. Either way, that's a lot of units that must be produced in a landscape where housing production in general is fraught and costs tend to run much higher than what is affordable to MI HHs.

Policy Considerations

The economic polarization of the workforce, and corresponding segregation of households to higher- and lower-income communities, makes housing policy for middle-income households a priority



Currently few housing options affordable to MI HHs; this impacts the economy, these households, and LI HHs who may have the opportunity for earning increases but find few housing options once they no longer qualify for subsidized housing

Increasing density in Metro Boston has proven difficult in recent decades, but is critical if the region is to meet its coming workforce housing needs

How to...

Create more housing opportunities in high-cost markets: Increase the amount of housing affordable to middle-income households in wealthier suburbs

Balance affordability with marketability in secondary markets: Make gateway cities more appealing destinations for middle-income households (and in doing so, adopt strategies to manage neighborhood change and mitigate displacement), in order to balance affordability and marketability

Comprehensive Strategy: Increase housing production for all income levels

Policy Considerations

The economic polarization of the workforce, and corresponding segregation of households to higher- and lower-income communities, makes policy for middle-income households a priority



It's imperative policymakers address this gap; the current lack of housing options affordable to MI HHs impacts these households, LI HHs who may have the opportunity for earning increases but find few housing options once they no longer qualify for subsidized housing, and the economy

Increasing density in Metro Boston has proven difficult in recent decades, but is critical if the region is to meet its coming workforce housing needs

Policymakers should focus on how to...

- Create more housing opportunities in high-cost markets: Increase the amount of housing affordable to middle-income households in wealthier suburbs
- Balance affordability with marketability in secondary markets: Make gateway cities more appealing destinations for middle-income households (and in doing so, adopt strategies to manage neighborhood change and mitigate displacement), in order to balance affordability and marketability
- Adopt a Comprehensive Strategy: Increase housing production for all income levels, in

particular in the core communities that have been losing MI HH at a faster rate than the rest of the region.

THANK
YOU!

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