

#### **Northeastern University**

**Dukakis Center Presentations** 

Kitty & Michael Dukakis Center for Urban and Regional Policy

October 27, 2005

### The Greater Boston Housing Challenge

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#### Recommended Citation

Bluestone, Barry, "The Greater Boston Housing Challenge" (2005). *Dukakis Center Presentations*. Paper 30. http://hdl.handle.net/2047/d20003620

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### The Greater Boston Housing Challenge

#### **Barry Bluestone**

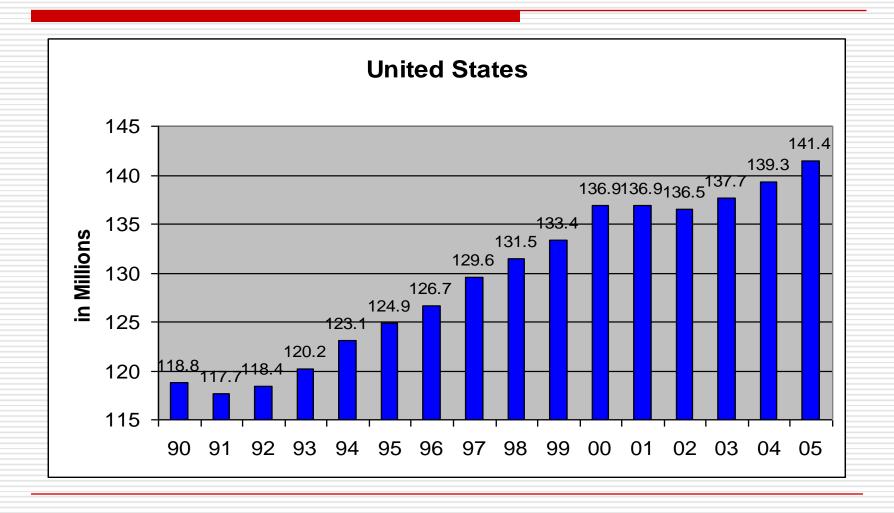
Center for Urban and Regional Policy
Northeastern University

WBZ
"Attaining the American Dream"
October 27, 2005

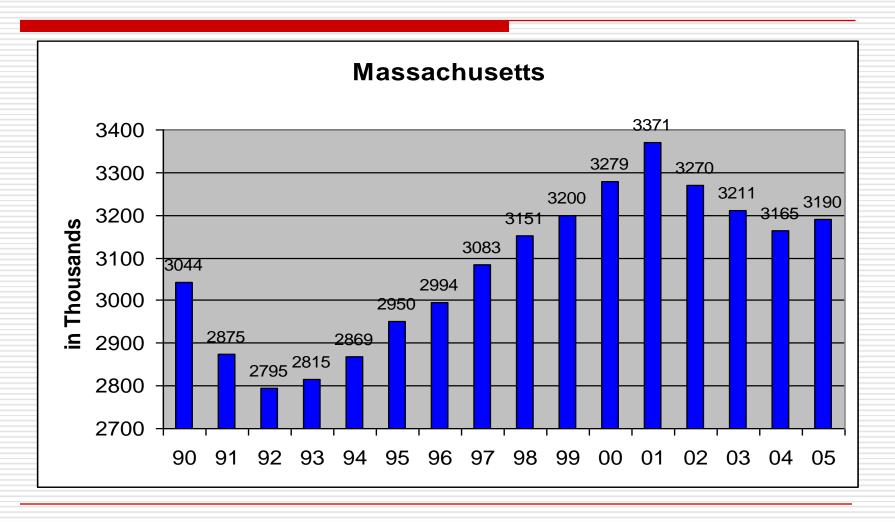
## How is Greater Boston doing ... economically?

- By the end of 2004, employment in Greater Boston was still down by more than 160,000 from its pre-recession peak
- □ Real median household income dropped by 3.5% between 2000 and 2004

### **Employment Trend**

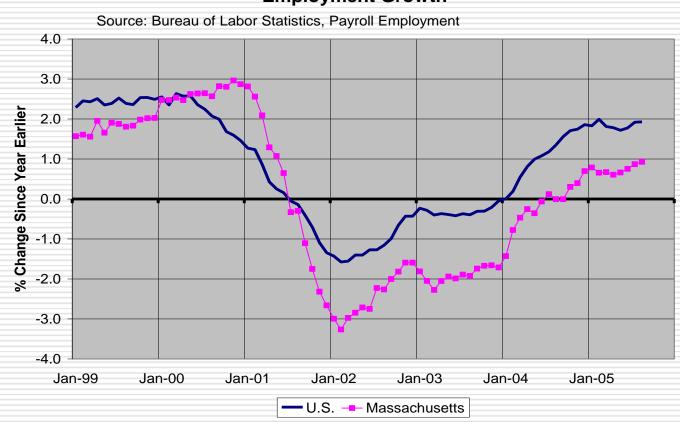


### **Employment Trend**

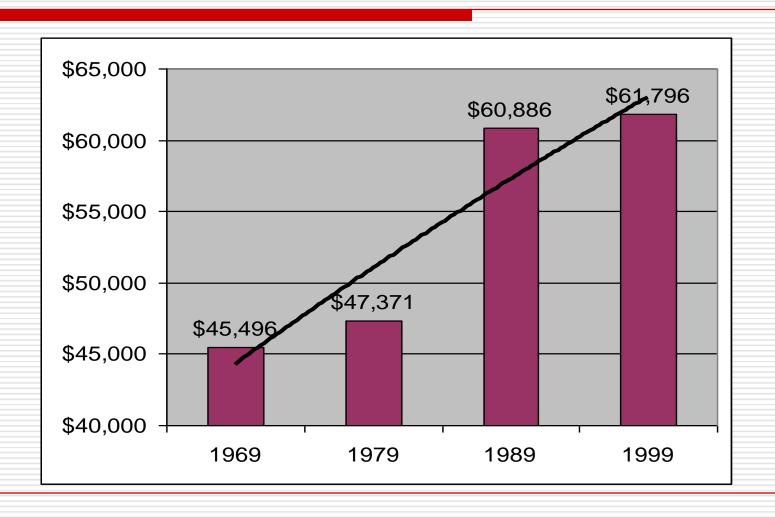


### U.S. vs. Massachusetts

#### **Employment Growth**

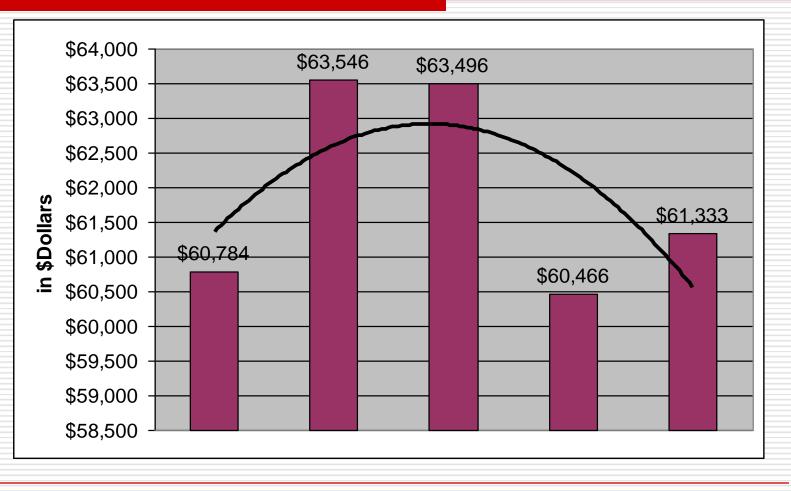


### Greater Boston MSA Real Median Household Income 1969-1999 (\$2004)



### Greater Boston Real Median Household Income

(\$2004)



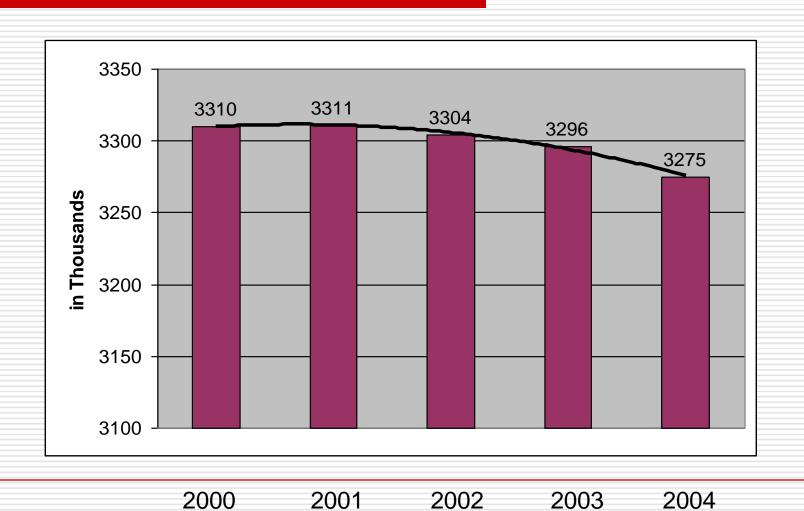
2000 2001 2002 2003 2004

### How do the demographics look?

We are losing population to outmigration

The largest net losses in population were in the young prime age cohorts

## Greater Boston Population 2000-2004



# Massachusetts Net Migration 2000-2004

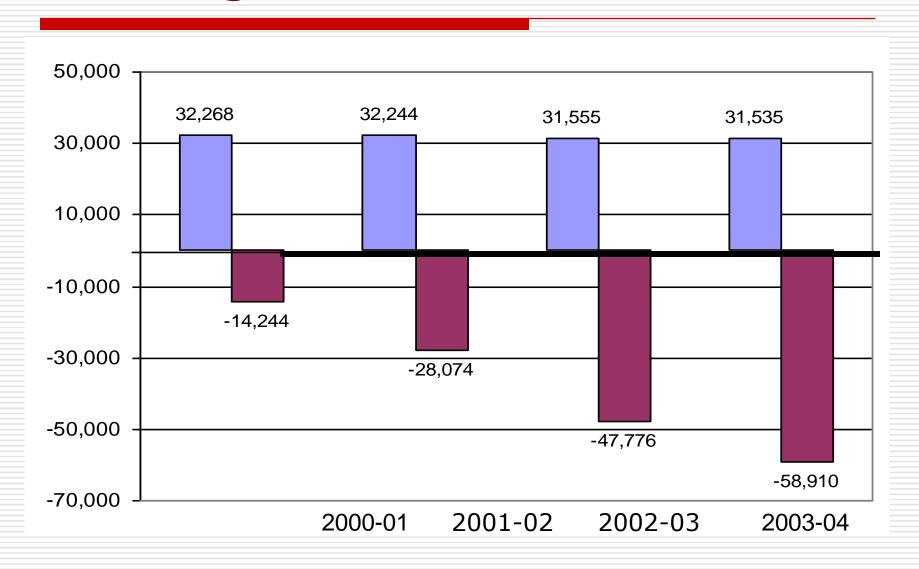
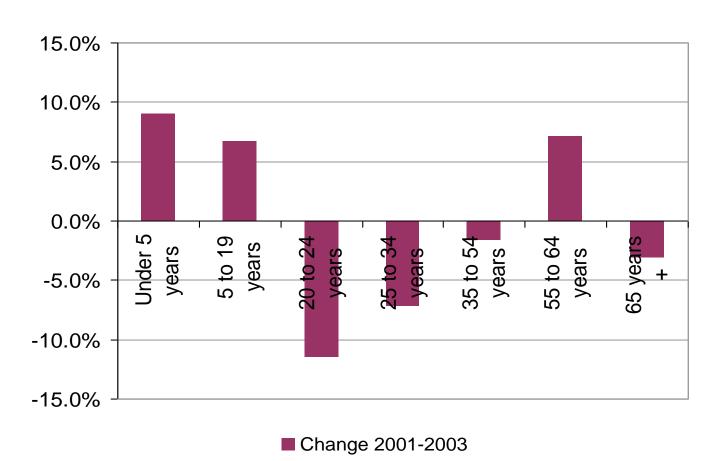
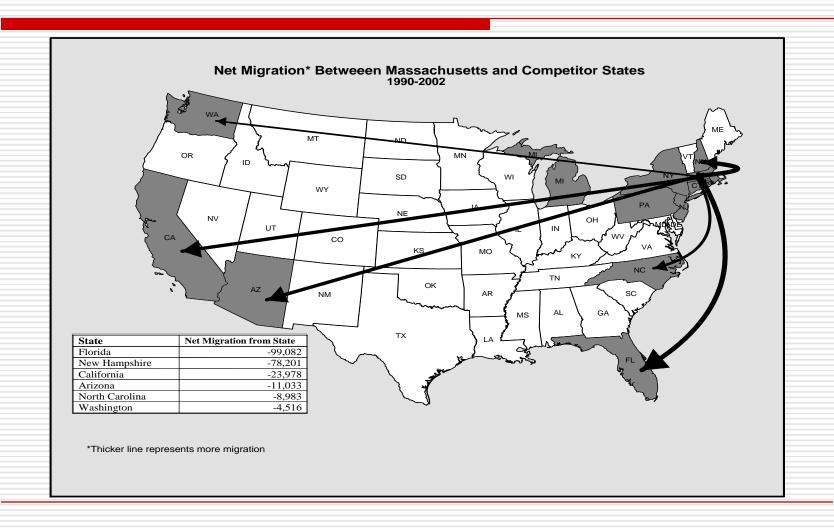


Figure 2.3
Population Change by Age Cohort Boston PMSA 2001-2003



### Where did they go?

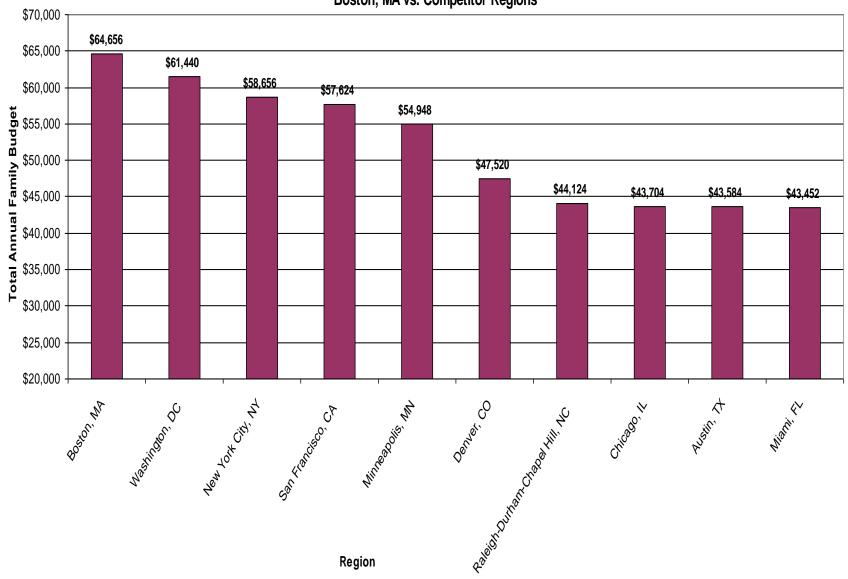


## What's doing with the Cost of Living?

- According to a new measure of living costs, Greater Boston has the highest cost of living of any metro area in the United States
- A family of four needs \$64,656 to pay for the costs of housing, transportation, day care, health care, and other basic necessities.
- □ This is more than \$3,000 higher than in Washington, D.C; \$6,000 higher than in New York City; and \$7.000 more than in San Francisco
- Monthly housing costs are 40% higher than in Austin, Chicago, and Miami and 63% higher than in Raleigh-Durham-Chapel Hill

Figure 2.1

Total Annual Family Budget for a Family of Four Boston, MA vs. Competitor Regions



#### A Tale of Two Cities

### Basic Budget 2 Parents, 2 Children

Boston	Raleigh-Durham-Chapel
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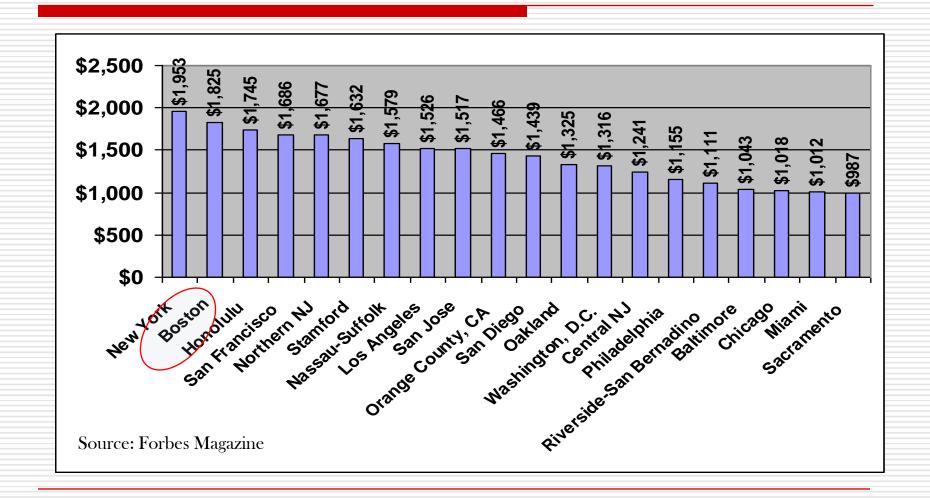
#### Hill

		1 1111			
Monthly Housing	\$1,266	Monthly Housing	\$	779	
Monthly Food	\$ 587	Monthly Food	\$	587	
Monthly Child Care	\$1,298	Monthly Child Care	\$	866	
Monthly Transportation	\$ 321	Monthly Transportation	\$	358	
Monthly Health Care	\$ 592	Monthly Health Care	\$	368	
Monthly Other Necessity	\$ 500	Monthly Other Necessity	\$	369	
Monthly Taxes	\$ 824	Monthly Taxes	\$	350	
Monthly Total	\$5,388	Monthly Total	\$3	,677	
Annual Total	\$64,656	Annual Total	\$44	,124	

### Rents and Prices

- □ With a vacancy rate of 6%, average effective rents remained relatively stable in 2004 (February 2005) after declining from peak rents in 2000
  - □ \$1,748 for Class A Apartments (-5.1% since October 2002)
  - □ \$1,187 for Class B Apartments (-3.7% since October 2002)
  - □ \$967 for Class C Apartments (-4.0% since October 2002)
- From May 2004 to February 2005, rents have remained largely unchanged

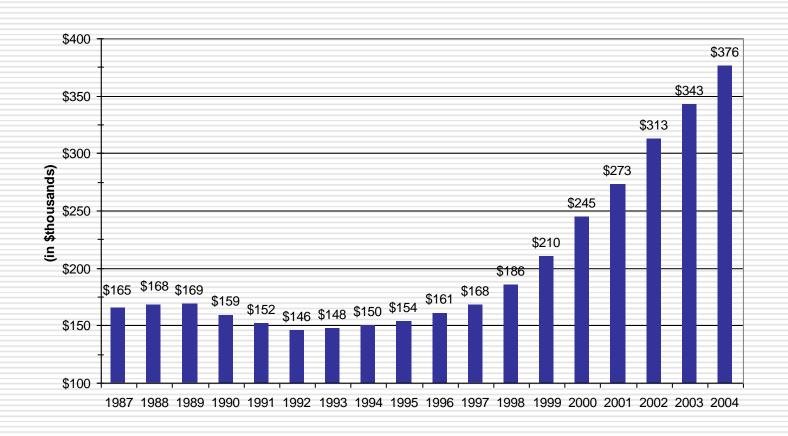
## 2005 Class A Apartment Rents



# Affordability Problem Persists for Renters in Greater Boston

- □ The number of cost burdened renters in 2003 increased to nearly 50% of all renter households -- from 43.3% in 2002
- ☐ The number of severely cost burdened renter households (those paying over 50% of income for rent) swelled to nearly 25% -- from 21.5% in 2002
- Despite softening in area rents over past 2 years, rent levels remain high throughout most of the region
- ☐ Although there were 34,000 fewer renter households in the Boston PMSA than in 2000, 19,000 more faced severe cost burdens

### Median Single Family Home Price 1987-2004



# Owner Occupied Housing Affordability

- By 2004, households earning the median income of their city or town could afford its median priced single family home in only 27 of the 161 towns and cities in the region, down from 77 in 2002 and 148 in 1998.
- In only 1 town in Greater Boston could first time homebuyers earnings only 80% of municipal median income afford a home that sold for 80% of the median priced house ... down from 17 in 2002 and 116 in 1998.

### # of Communities with Median Single Family Sales Price

	1998	2000	2001	2002	2003	2004
Below \$100,000	4	0	0	0	0	0
\$100,000 - \$199,999	82	41	14	5	0	0
\$200,000 - \$299,999	50	68	74	62	43	19
\$300,000 - \$399,999	16	32	42	52	61	74
\$400,000 - \$499,999	4	10	12	22	30	33
\$500,000 - \$999,999	4	9	18	19	25	33
\$1,000,000 and Above	0	0	0	0	1	1

### % of Communities with Median Single Family Sales Price

	1998	2000	2001	2002	2003	2004
Below \$300,000	85.0%	68.1%	55.0%	41.9%	26.9%	11.9%
\$300,000 - \$499,999	12.5%	26.3%	33.8%	46.3%	56.9%	66.9%
\$500,000 and Above	2.5%	5.6%	11.3%	11.9%	16.3%	21.3%

### Is it any wonder then ....

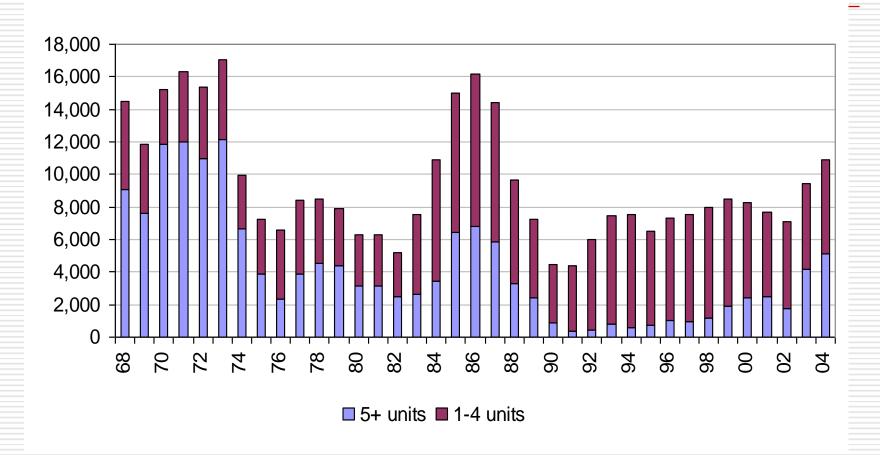
That we are losing young people who can't afford Greater Boston's cost of living

That we are losing jobs because firms have difficulty in finding sufficient labor for their enterprises at nationally competitive wage rates

## New Housing Production – Some Good News

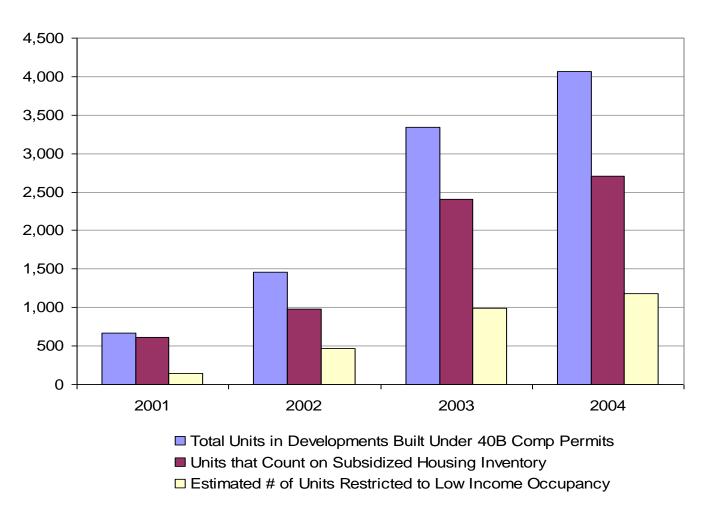
- □ Building permit issuance increased by 12% in 2004 to 13,556 after increasing by 22% in 2003.
- ☐ For the first time since 1998, permits for single family units increased ... to 7,000 in 2004 from 6,020 in 2003
- BUT, total permits remain well below peak years of the 1970s and 1980s when more than 20,000 units/year were permitted
- □ And, single units permits are still well below the number issued each year from 1998 through 2000.

Figure 3.1
Housing Units Permitted
Boston PMSA



Year	Total Units Permitted	Units in Single Family Structures	Single Family Units as % of Total	Units in 2-4 Unit Structures	Units in 5+ Unit Structures
1998	10,846	8,639	79.70%	574	1,633
1999	10,662	7,775	72.90%	746	2,141
2000	10,342	7,102	68.70%	701	2,539
2001	9,701	6,313	65.10%	686	2,702
2002	9,520	6,408	67.30%	764	2,348
2003	12,121	6,020	49.70%	1,093	5,003
2004	13,556	7,000	51.60%	994	5,562

Table 5.1
Units Built Under Chapter 40B Comprehensive Permits



### Some Good News ... but

## Housing Production in the Boston PMSA vs. Housing Goals in the *New Paradigm* Report ...

	Category	Paradigm Target Production	2002	2003	Change 2002-03	2004	Change 2003-04	
	Market Rate	9,860	5,952	7,525	26%	9,259	+23%	
	% of Category Goal Met		60%	76%		94%		
	Subsidized New Construction	4,300	1,114	1,514	36%	1,678	+11%	
	% of Category Goal Met		26%	35%		39%		
	Student Housing	1,500	951	500	-47%	367	-27%	
	% of Category Goal Met		63%	33%		24%		
	Total 3 Categories	15,660	8,017	9,539	20%	11,304	+19%	
	% of Overall Goal Met		51%	61%		72%		

### Conclusion

- ☐ Greater Boston now has the highest living costs of any metro area in the United States .... led by high housing costs (as well as by high medical and day care costs)
- ☐ It is not surprising then that Greater Boston and Massachusetts are losing population, especially among young working families, to other regions of the country
- Housing production has improved in Greater Boston over the past three years, but total production in 2004 was still at only 72 percent of the level needed to slow housing price appreciation to normal levels
- We still need to encourage more housing production as a "moral imperative" and as an "economic necessity"

## Solving the Housing Crisis

## Five Solutions for Housing Affordability

### 1. Zoning for Housing Affordability

- Comprehensive Permit Statute (Ch. 40B)
   40% of all new production
   80% of all new affordable housing in suburbs
- Smart Growth Housing Production (Ch. 40R)
  Upfront bonus payments
  School costs reimbursements
- Inclusionary Zoning (10-15% of market rate developments)

#### 2. Increased State Investments

- Affordable Housing Trust Fund for new production
- Preservation of Existing Subsidized Housing (public housing and expiring use)

#### 3. Business Community Involvement

- Investments in state tax credits (housing, historic preservation, brownfields)
- □ Employer assisted housing to increase homeownership
- ☐ Support for local housing proposals

## 4. Compact Between State and Municipalities

- Increased support for community planning
- Technical assistance for housing development (Community Preservation Act)

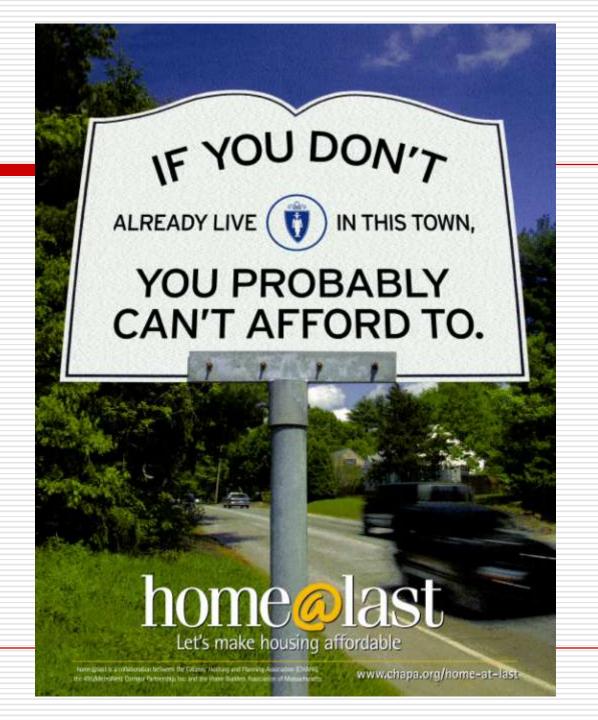
## 5. Greater Public Awareness and Education

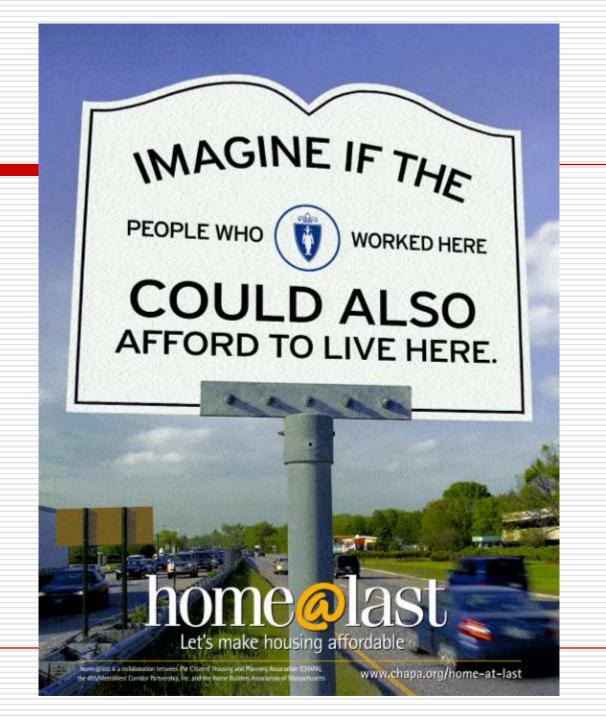


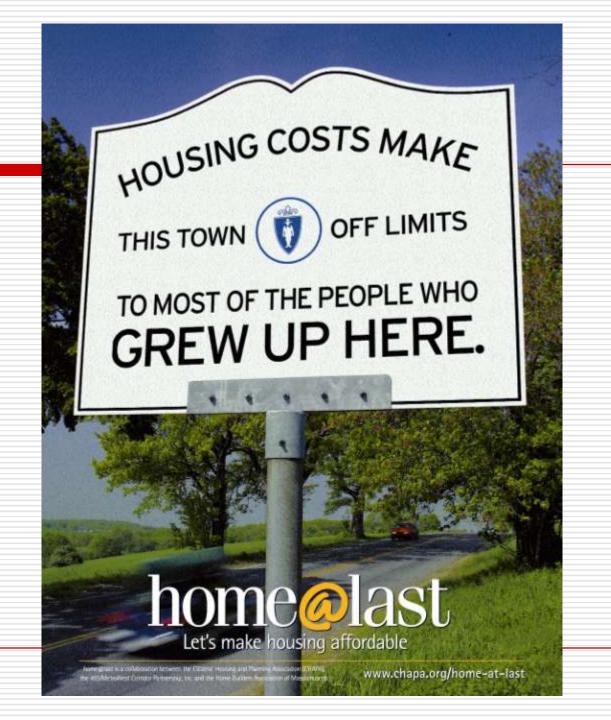
### Home@Last Campaign:

- Educate community members about the benefits and importance of affordable housing
- Video, posters, brochures, media and advertisements

Community presentations to civic groups, municipal officials, and others







### **Conclusion: Ingredients for Success**

Partnership between the public and private sector

2. Leadership from the Governor and Legislature

3. Greater local support and involvement