

HousingInCT2013

While there are signs of improvement in the housing market, new data from the Census Bureau and other sources indicate **Connecticut's housing is too expensive and too scarce – a situation exacerbated** by an increase in wealth disparity that drives up the price of housing for low- and moderate-income residents.

Connecticut's median monthly housing costs are the 6th most expensive in the nation and its median home values are 8th.¹ Earlier this year, the National Low Income Housing Coalition reported that Connecticut has the 8th highest housing wage, what a worker must earn to afford a typical 2-bedroom apartment. Meanwhile, the Census Bureau's 2012 American Community Survey numbers show an increasing demand for rental housing, with 33.1% percent of households now renting, up from 32.6% a year ago and just 30% in 2007.

While the housing downturn has reduced the statewide median home value to \$268,000 in 2012 from \$278,000 in 2011,¹ Connecticut's prices are still relatively unattractive to workers and younger families, particularly those that employers are seeking to attract or keep in Connecticut. In fact, fewer than 30% of Connecticut homes are valued under \$200,000.¹

The high ownership and rental prices force more than 39% of Connecticut households to spend more than 30% of their income on housing¹ – 50% of renters and 34% of owners¹ – while more than 120,000 renting households spend an unsustainable 50% or more of their income on housing,¹ leaving little for other necessities. The housing shortage and lack of affordability can be seen in the increasing volume of service requests logged by United Way of Connecticut's 2-1-1 assistance line. The monthly housing-related requests grew to 3,478/month in the first eight months of 2013 from 3,423/month in 2012.²

Meanwhile, low-income households – those in the bottom 20% of income earners, making an upper limit of \$26,146 per year – saw their incomes drop more than 4% since 2006.¹ The second quintile saw an increase of only 1.5%, while those in the third, fourth and fifth quintiles saw their incomes rise 6%, 10% and 9%, respectively.¹ For too many, this disparity in income has led to homelessness, which rose by 10% in 2012 compared to 2010³ as the state's most vulnerable residents struggle to recover from the Great Recession.

33%
Households in Connecticut that rent.¹

2 of 5
Households that spend more than 30% of their income on housing.¹

10%
Increase in homelessness since 2010.³

2nd
Connecticut's wealth disparity ranking compared to other states.¹



Supply, Demographics & the Economy

The cost of housing is a matter of simple supply and demand. Connecticut has the 7th highest percentage of 65+ population;¹ it is projected to rise to 21% by 2030 from 14% two decades earlier.⁴ Baby Boomers are expressing a need for smaller, denser, more affordable, energy-efficient homes in walk-able communities that, if possible, are near transit. In the same way, Millennials are seeking the same housing options for the same reason: cost.

The Federal Reserve Bank of New York reported this year that average student education debt was more than \$25,000 and “total student loan balances almost tripled between 2004 and 2012 due to increasing numbers of borrowers and higher balances per person. Nearly one third of the borrowers in repayment are delinquent [and] the higher burden of student loans and higher delinquencies may affect borrowers’ access to other types of credit and the performance of other debt.” Translation: even if Millennials want a single-family home in the suburbs – and many don’t – they won’t likely qualify for a mortgage. They will push up demand for multifamily housing. In the same way, 57% of current workers – many of them Baby Boomers – have less than \$25,000 in savings, according to a March 2013 study by the Employee Benefit Research Institute. And only 66% have saved for retirement.⁵ They too are driving up the demand for multifamily housing.

The result is a staggering lack of supply affordable to low- and moderate-income residents. More than 10% of the housing stock is affordable in only 31 of Connecticut’s 169 municipalities,⁶ resulting in less mobility and opportunity for low- and moderate-income households. The National Low Income Housing Coalition estimated in 2013 that Connecticut had a 90,492-unit shortage of housing units that

were both affordable and available to residents earning less than 30% of median income; the shortage for those earning under 50% was 82,195.

Homelessness: Progress, Still Problems

Homelessness remains a serious challenge for Connecticut, with 14,287 residents experiencing homelessness in 2012, a 10% increase from 2010 according to data from the Connecticut Coalition to End Homelessness (CCEH). Data show 1,385 families, with 2,524 children, experienced homelessness in 2012, a 9% rise in the number of families since 2010, but a 13% increase in the number of children.³

CCEH also coordinates the annual Point In Time Count (PIT), which measures homelessness on a single night in January and provides a snapshot in time of homelessness. The 2013 PIT data indicate that 4,506 people experienced homelessness in the state on that night, including 919 individuals who were living in unsheltered conditions;³ a 7% increase from the 4,215 people counted in the 2012 PIT.³

While the increasing number of people experiencing homelessness is of concern, improvements in data collection and quality provide a better understanding of the needs of those experiencing homelessness. In 2013, CCEH was able to provide a more accurate estimate of the number of people experiencing chronic homelessness, which stood at 3,006 persons in 2012. A better understanding of the issues facing those who experience homelessness allows resources and interventions, such as permanent supportive housing, rapid rehousing and deeply affordable housing, to be targeted more effectively.

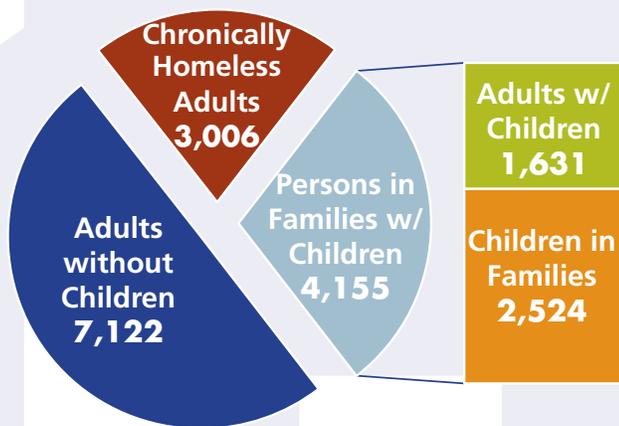
The improved data now available are also propelling Opening Doors-Connecticut, a multi-faceted effort to end homelessness among families, veterans, youth and those experiencing chronic homelessness. Opening Doors-CT, staffed by the Partnership for Strong Communities and implemented by the Reaching Home Campaign, has brought together experts in housing, mental health, health care, employment services and at-risk youth. These experts and stakeholders in the public, private and non-profit sectors are assessing the needs of those who experience homelessness and identifying gaps that allow the most vulnerable residents to fall into homelessness. Given the fiscal challenges ahead, it is essential that work to prevent and end homelessness be collaborative and coordinated.

Wealth Disparity Broadens Problem

The Gini Coefficient, a measure of wealth disparity, indicates Connecticut had the nation’s second worst disparity between rich and poor in 2012 after New York.¹ Because the state’s lowest quintile – the bottom 20% on the income scale – have seen a 4% decline in income since 2006 and the income of the next lowest 20% remained essentially unchanged over

Populations Experiencing Homelessness in 2012

Source: CT Coalition to End Homelessness



Homelessness continues to impact many of Connecticut’s most vulnerable residents. Annual data from the Homelessness Management Information System shows more than 14,000 people experienced homelessness in Connecticut in 2012, including 1,385 families with children.

13% Growth in the number of children who experienced homelessness in CT from 2010 to 2012.³

that period,¹ their ability to compete for a shortage of housing supply was far outstripped by the top 60%, who saw their incomes rise from 6% to 10%.¹ The bottom 20% of wage earners shared 2.94% of the state's income in 2012, down from 3% in 2011,¹ while the top 20% received 52.3%, up from 51.9% a year ago.¹ The increases for the top three quintiles fueled an increase in the state's median household income to \$67,276 from \$65,753 in 2011.¹ Renter median household income still remained below the 2008 peak of \$35,465 at \$34,226 in 2012.¹

Homeownership: Bad But Slightly Better

The modest decline in the median value of a Connecticut home – to \$268,000 from \$278,000¹ – made ownership slightly more affordable for low- and moderate-income households. The percentage of homes available under \$200,000 rose to 29.8% from 26.9% in 2011 but 7 in 10 homes remained above that threshold and more than 2 in 5 were valued over \$300,000.¹ The problem: not enough supply to meet the demand. Connecticut experienced an increase in housing permits issued in 2012 – up to 4,669 from 3,173 in 2011¹ – but that remained well below the 9,376 issued in 2000 and ranked 47th on a per capita basis among the states.⁷ Over the last decade, 2003-2012, Connecticut is 50th among the 50 states in housing permits issued per capita.⁷ The cost of owning a house remains burdensome for many households. Of the 908,452 households who own a home, 166,246, or more than 18%, make less than \$50,000 and pay more than 30% of that income for housing, up from 116,000 in 2000.¹

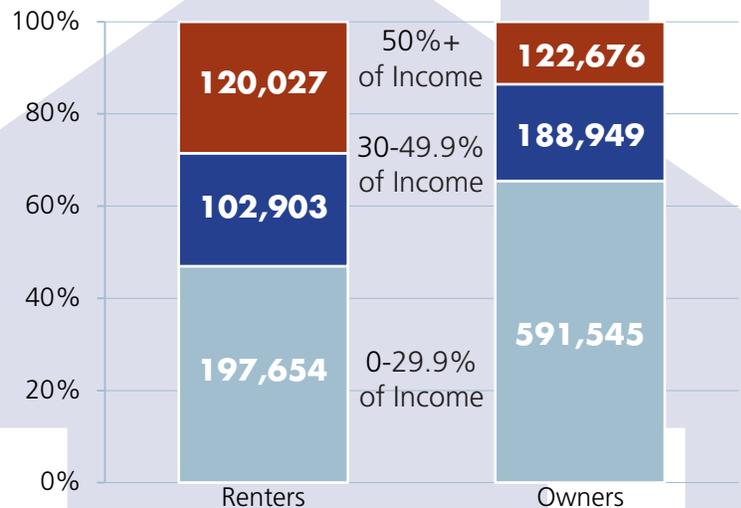
The Rental Market: Expanding

Consistent with national trends, significantly more Connecticut residents are renting. That number grew in 2012 to 449,360 households – a third of state households – from 395,875, or 30%, in 2007,¹ immediately before the housing downturn and financial crisis. And average renter household size has risen to 2.31 from 2.22 in 2007 even as homeowner household size has fallen to 2.68 from 2.71 over the same period.¹ As the percentage of renting households has increased to 33.1%,¹ there is also some evidence that the market is responding: there was a 30% increase in 2012 over 2011 in the number of 5-or-more-unit buildings for which permits were issued, which represents a 161% increase in units in such 5-or-more-unit structures.¹

But that market response to heightened demand for rental housing hasn't been enough. The state's housing wage – the hourly pay a resident must earn to affordably rent a typical 2-bedroom apartment – while slightly improved, remains high. It dropped to \$23.22/hour in 2012 – and 8th among the 50 states and the District of Columbia – from \$23.58, and 7th, in 2011.⁸ According to the state Department of Labor, almost half the state's occupations provide an average wage lower than the housing wage.

Percent of Income Spent on Housing

Source: 2012 1-Year American Community Survey



Housing costs take up a large share of income for many of Connecticut's residents, with more than 240,000 households paying over 50% of their income for their housing.

Median gross rent was 10th highest in the nation, falling slightly to \$1,019/month, from \$1,021 in 2011, but up markedly from \$681 in 2000.¹ The burden of high rental costs falls heavily on those in the two lowest income quintiles. In addition to the 120,027 renting households spending more than 50% of their incomes on rent, 222,930 of the 449,360 renting households in Connecticut spend more than 30%.¹

Foreclosures: Roller Coaster Ride Continues

Connecticut foreclosures and lis pendens – notice of intention to sue – rose in 2012 on what has been an annual roller coaster ride since the 2008 financial crisis. Connecticut initially saw fewer foreclosures than many other states in the wake of the subprime mortgage scandal because predatory lending in the state was confined to several dozen neighborhoods in fewer than a dozen municipalities. But as the economy worsened, foreclosures increased, then fell back as the robo-signing scandal and processing delays slowed legal action. In 2012, 3,578 foreclosures were filed, up 31% from 2011 but still well below the 6,582 in 2010 at the depths of the downturn.⁹ Lis pendens filings also rose 47% to 18,526 in 2012, but remained below the peak of 24,544 in 2009.⁹

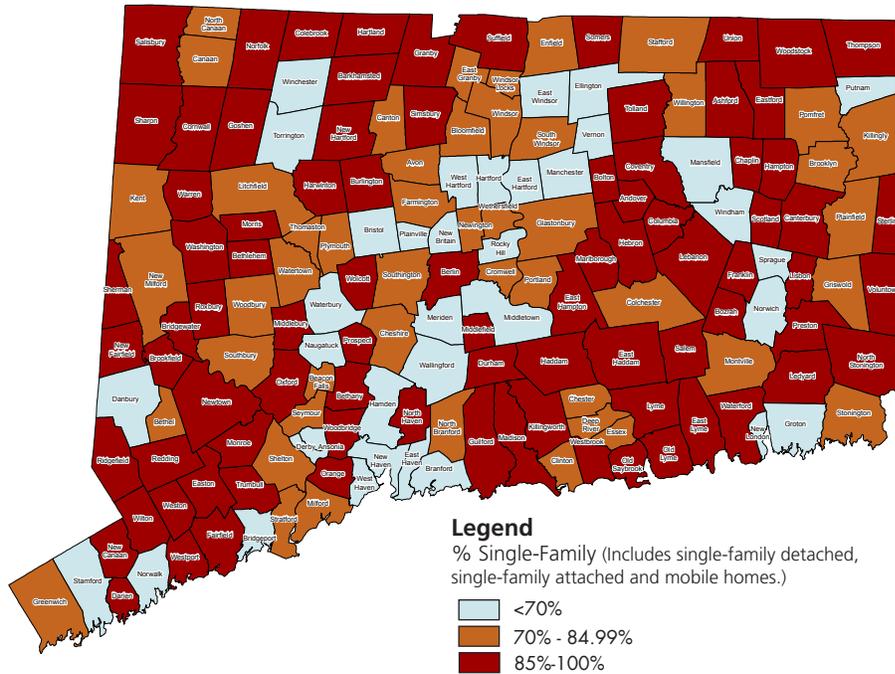
Connecticut Policy Makers Respond

Despite declining federal support for affordable housing creation, Gov. Dannel P. Malloy and the Connecticut General Assembly have provided significant new financing for preservation of existing affordable housing and construction of new homes to serve homeless, low- and moderate-income individuals and families. In his initial budget, Gov. Malloy added \$130 million in new capital funding for new affordable and supportive housing with an annualized \$2.6 million for

\$25,000 Average student loan debt expected to keep Millennials from affording or qualifying to buy homes.¹¹

Percentage of Single-Family Housing in CT's Cities and Towns

Source: 2007-11 American Community Survey



70% or more of the housing stock is single-family in 133 of Connecticut's 169 municipalities, leading many to consider expanding their array of housing choices: more affordable and mixed-income multifamily rental and ownership options, along with modest market-rate homes, to meet increasing demand from downsizing Baby Boomers, Millennials with education debt and workers and families who can't afford the state's high housing prices.

operating and support services.¹⁰ In January 2012, the Reaching Home Campaign's Opening Doors-Connecticut blueprint to end homelessness was launched by the convening of a steering committee, which included Lt. Gov. Nancy Wyman and many state government officials.

Last February in his mid-term budget adjustments, Governor Malloy expanded his commitment to housing and included a comprehensive package to enhance the state's investment and reorganize housing efforts. With the legislature's approval, the 2014-15 biennial budget included about \$200 million in capital funding for the development and revitalization of affordable housing – including supportive housing, public housing, congregate housing, and municipal incentives – with a further plan to commit \$210 million over the next seven years for further public housing revitalization.¹⁰ The budget also includes an additional annualized \$1 million for support services and an additional annualized \$4 million for rental subsidies to sustain the supportive housing and housing preservation activities the administration has prioritized.¹⁰

Looking Ahead

Although Connecticut's housing remains too expensive for many households, progress is being made. There are a growing number of municipal officials who understand how the housing market has changed and the state is also engaged in addressing the increasing demand for smaller, denser, more affordable units located in walk-able locations such as town centers and transit station areas. The state is making significant investments in transit-oriented development with a policy goal of creating housing options

that allow low- and moderate-income state residents to live near transit or close to services that can help them connect to mass transit, thus lowering their housing and transportation costs.

The increasing demand for denser housing – to promote affordability, create walk-able neighborhoods and improve energy efficiency – will require a continuing realignment of development patterns, attitudes and actions by local zoning bodies. The speed and effectiveness of that change will determine whether Connecticut provides the wide array of housing options its many different residents, including those of low and moderate income, require.

Sources

1. U.S. Census Bureau
2. United Way of Connecticut
3. CT Coalition to End Homelessness
4. CT State Data Center
5. Employee Benefit Research Institute
6. CT Dept. of Housing
7. Partnership for Strong Communities
8. National Low Income Housing Coalition
9. CT Housing Finance Authority
10. State of Connecticut, Office of the Governor
11. Federal Reserve Bank of New York

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