PARTNERSHIP FOR STRONG COMMUNITIES

# HousingInCT2012

## The Latest Measures of Affordability

Connecticut continued to be buffeted by demographic and economic changes in 2012, but its housing resources struggled to keep up. Despite rising demand for rentals and more modest and affordable ownership options, the supply of such units in Connecticut has not increased enough to meet that demand, leading to higher rental costs and continued high prices to own a home.

For those who own homes already, or are seeking to sell them, significant increases in sales volume through most of 2012 indicate an improving market, although prices remained down.[1] The fall in prices from their peak in 2007-'08[1] also made more homes available to the under-$200,000 and under-$300,000 markets.[2]

But for those Connecticut residents with lower incomes, and for those who rent, the housing market has provided little good news. More renters are burdened by their home costs,[2] and fewer municipalities across Connecticut have significant stocks of affordable housing options.[3] This leaves working-class residents confined to communities and neighborhoods with overburdened schools, few community services and depleted neighborhood resources. The Connecticut Department of Economic and Community Development found that the affordable housing stock reached 10% or more in only 29 of Connecticut's 169 cities and towns in 2011, down from 31 the previous year.

Connecticut's rental prices are 6th highest in the nation according to the National Low Income Housing Coalition and its median home value ranks 8th highest among the states according to the U.S. Census Bureau's American Community Survey. The state's overall monthly housing costs, for both owners and renters, rank 6th highest according to Census data.

The high prices for both are tied to the laws of supply and demand. According to the Census Bureau, Connecticut fell to 50th in 2011 in housing units built per capita and has consistently ranked near the bottom over the last decade. That lack of production translated into insufficient supply to meet a growing demand for rental housing. A ray of future hope: monthly building permit issuance indicated a modest increase and heightened activity in 2012, much of it for multifamily housing according to the Census Bureau's construction data.

Calls from state residents to United Way of Connecticut's 2-1-1 Infoline seeking housing assistance – information about homeless shelters, affordable rentals, help with rent payments or rental deposits and mortgage counseling – remained at record levels. Data compiled through August 2012 indicate that 2-1-1 will receive 79,781 housing-related service requests through the end of the year, on par with the 80,402 of 2011 and up from the 65,546 housing-related service requests received in 2009.

Meanwhile, those burdened by their housing costs – households paying more than 30% of their incomes for housing – have risen to 41.3% in 2011, up from 41.1% in 2010 and 28.6% in 2000.[2] For renters, the increase since 2000 has been considerable: 52% are now burdened by their housing costs, up from 36.5%.[2] For homeowners, it has also been significant: 36.1% in 2011, up from 23.9% in 2000.[2]

**52%**
of renters pay more than 30% of their income for housing.[2]

**$23.58**
The hourly wage needed in CT to afford the typical 2-bedroom apartment.[8]

**765**
children were homeless on a single night in January 2012.[4]

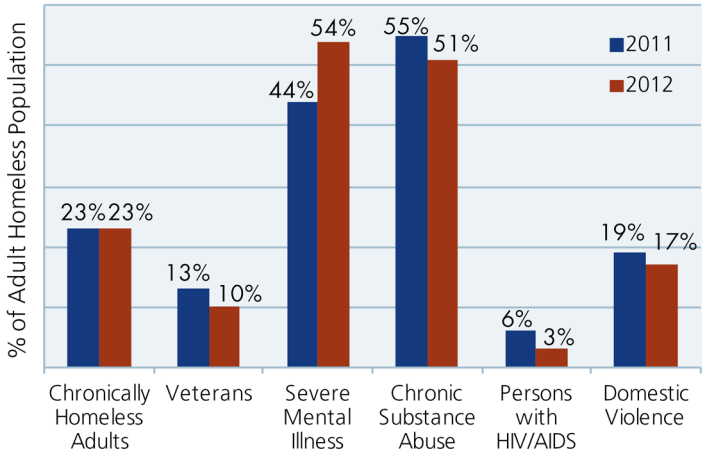
## Fighting Homelessness: New Strategies

Connecticut's high housing costs are a significant burden for households with low incomes and, when combined with other challenges such as a job loss, divorce, physical or mental illness, a disability or domestic violence, can lead to homelessness. Connecticut's Point in Time Count (PIT), which counts all of those who are homeless on a single night in January each year, counted 3,524 individuals in 2,689 households who experienced homelessness in 2012 – down slightly from the 3,756 individuals in 2,872 households counted in 2011.[4]

In looking specifically at families, data from the Homelessness Management Information System (HMIS), which is used to track those using shelters and other homeless services over time, showed a 31% increase in family homelessness from 1,169 families in 2010 to 1,535 in 2011.[4,10] 2012 PIT data showed a small decrease in family homelessness, with 432 families counted, down from 465 families living in shelters and transitional housing in 2011.[4]

### Conditions Reported by Adults Experiencing Homelessness in Connecticut

Source: Connecticut Coalition to End Homelessness, 2011 & 2012 CT Point in Time Counts




*Adults experiencing homelessness in Connecticut, as counted on a single night in January, often face significant barriers towards remaining stably housed, including physical and mental illnesses.*

The Connecticut Coalition to End Homelessness reports that this reduction may have resulted from the diversion of households with housing instability into prevention and rapid re-housing programs (HPRP) funded by the 2009 federal stimulus. With a focus on short-term housing assistance, these programs tend to be targeted to families. Data from HMIS indicate that rapid re-housing has been remarkably effective, with no more than 7% of the households assisted each year from 2009-2012 returning to shelters or transitional housing.[4]

While HPRP programs have been effective in addressing homelessness experienced by families, who tend to be new to homelessness and stay for relatively short periods of time,[4] data from the 2012 PIT also indicate that most of those experiencing homelessness are single adults who often have other serious challenges. The percentage of sheltered adults counted by the PIT who reported having a severe mental illness rose from 44% in 2011 to 54% in 2012, indicating a continued need to combine affordable housing with support services to stabilize these individuals.

In addition, it is important to note that measures like the PIT and HMIS data do not count those who lack a home of their own and are "doubled up" - living with friends or relatives. The National Alliance to End Homelessness estimated in 2009 that approximately 39,000 people in Connecticut lived in "doubled up" situations, a number that has likely increased over the last few years as the recession deepened. Data from the United Way of Connecticut's 2-1-1 Infoline indicates that the need remains strong, with service requests from those trying to find a homeless shelter topping 12,153 from January to August 2012, on track to exceed last year's 17,864 requests. Service requests for rent payment assistance, rental deposit assistance and HPRP services are also likely to exceed 20,000 in 2012 as they did in 2011.[5]

## Demographic Factors: Changing Markets

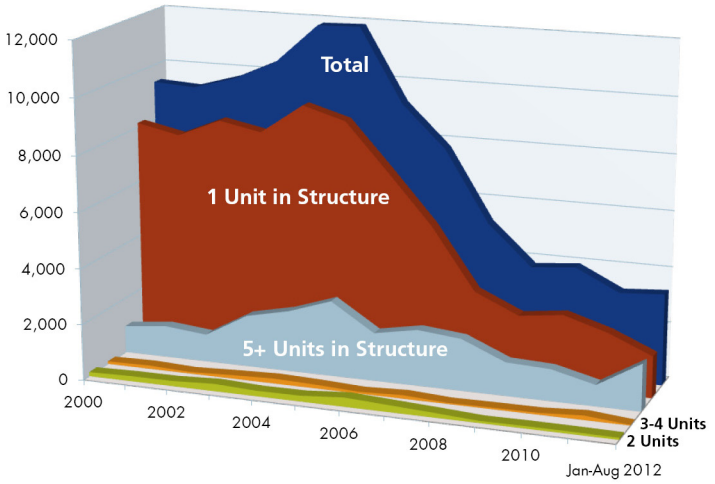
Connecticut's lack of housing supply was exacerbated by the state's disparity of wealth, which has seen higher-income residents drive up the cost of many goods and services, including housing. Census Bureau figures show that the mean household income for the state's bottom 20% fell to $13,851 from $14,554 between 2006 and 2011. Meanwhile, mean household income for the fourth and fifth quintiles rose to $103,747 and $239,273 from $96,069 and $226,744, respectively.[2] Connecticut's Gini Coefficient – the Census Bureau measure of wealth disparity, whereby a 1.0 score means all wealth is concentrated in one entity and 0.0 means it is spread equally among all – is 0.4859, 2nd highest in the nation after New York State.[2]

Connecticut is also growing older. It moved to 9th in the 2010 Census from 10th in 2000 in the percentage of its population 65 or over. By another measure – a "dependency ratio" that measures the number of non-workers in a town per 100 workers – Connecticut Voices for Children projects that, unless more young workers and families are lured to Connecticut, the ratio will exceed 100 in more than half of Connecticut's towns by 2030 and rise from the present average of 66 to 82 statewide. At that point, it will be difficult for Connecticut's workers to provide the tax revenue to support so many non-workers.

Connecticut's median housing costs are the 6th highest in the nation at $1,361 per month.[2]

## Building Permits Issued in Connecticut by Number of Units in Structure, 2000-2012

Source: U.S. Census Bureau




*Housing production in Connecticut has been anemic over the last five years, but 2012 has seen a slight upturn, driven by an increase in building permits issued in multifamily structures.*

Household debt burden and savings will also play a significant role in housing choices: the average student loan debt stands at $26,600[6] and more than half of workers and current retirees have less than $25,000 in savings.[7] Demographers and housing experts agree that those groups will need smaller, energy-efficient, affordable rentals and ownership opportunities to come, stay and prosper in Connecticut.

## Renters: Hardest Hit

Connecticut has the 6th highest "housing wage" of any state: in Connecticut, a renter must earn $23.58 an hour to rent a typical 2-BR apartment without spending more than 30% of his/her income on rent.[8] That hourly wage equates to a salary of more than $49,000 a year, rising from the $29,000 salary needed in 2004.[8]

Those rising rents are consistent with the trend nationally – 55% of Realtors reported rising rents in August 2012, up from 39% at the end of 2010[9] – and an increase in demand. In Connecticut, 32.6% of households rented in 2011, up from 30% two years earlier.[2] For those households, the lack of supply has left 33.3% spending more than 30% on rent even though they make less than $35,000/year – only slightly more than 50% of the state's median income.[2]

Those in most need – "severely burdened" households earning less than 50% of the median income and spending more than half of that income on housing – totaled 114,891 households, or 26% of the 436,538 Connecticut households who rent, 10 percentage points higher than in 2000.[8] According to data analysis from the National Low Income Housing Coalition, those making less than half the area median income faced a 33,705-unit shortage of affordable rental homes in 2011; when looking for rental housing units that are both affordable *and available*, the shortage grows to 82,578 rental homes. The median gross rent, according to the Census Bureau, has risen to $1,021/month in 2011 from $681 in 2000, a 50% increase that far outstrips the 9% increase in median household income for renters and the 22% overall increase in median household income for state residents during that period.

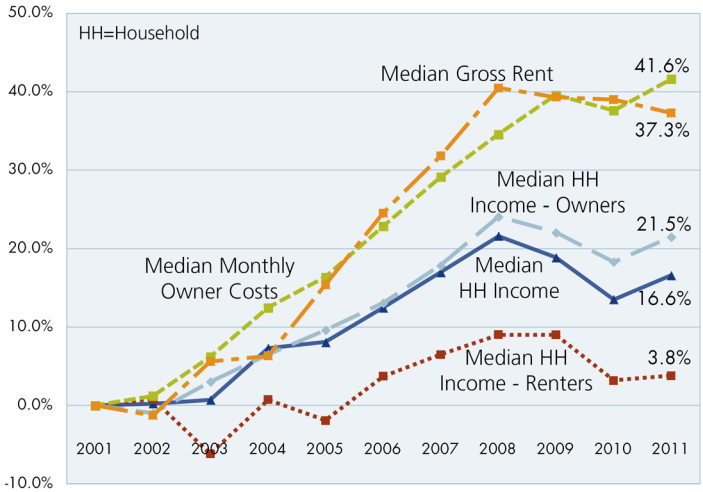
## Homeowners: Some Relief

Buying a home in Connecticut became marginally more affordable over the last year because of falling sales prices and an increase in the median household income statewide and in many municipalities. The Partnership for Strong Communities' *Affordability in Connecticut, 2011* report indicates that the state median household income was insufficient to purchase a home (with a 10% down payment) in 88 of the state's cities and towns, down from 112 municipalities in 2010. Similarly, the town median household income was able to qualify for a mortgage to buy that town's median sales price home in 115 towns, an improvement from 73 towns in 2010.[10]

According to data gathered by the Warren Group, the median sales price of a home dropped to $240,000 through August of 2012 from its 2007 peak of $295,000. Because of falling home sales prices and accelerating growth in personal income since 2009, more state residents are theoretically able to qualify for mortgages on more homes. The state's aggregated personal income has grown faster than home prices since 2000: 47.5%[11] to 41.2%.[1] Still, tight credit and down payment requirements may limit purchasing power, even as interest rates for mortgages remain at record lows.[9]

## Change in Median Household Income and Housing Prices from 2001-2011

Source: U.S. Census Bureau, American Community Survey, 2001-2011

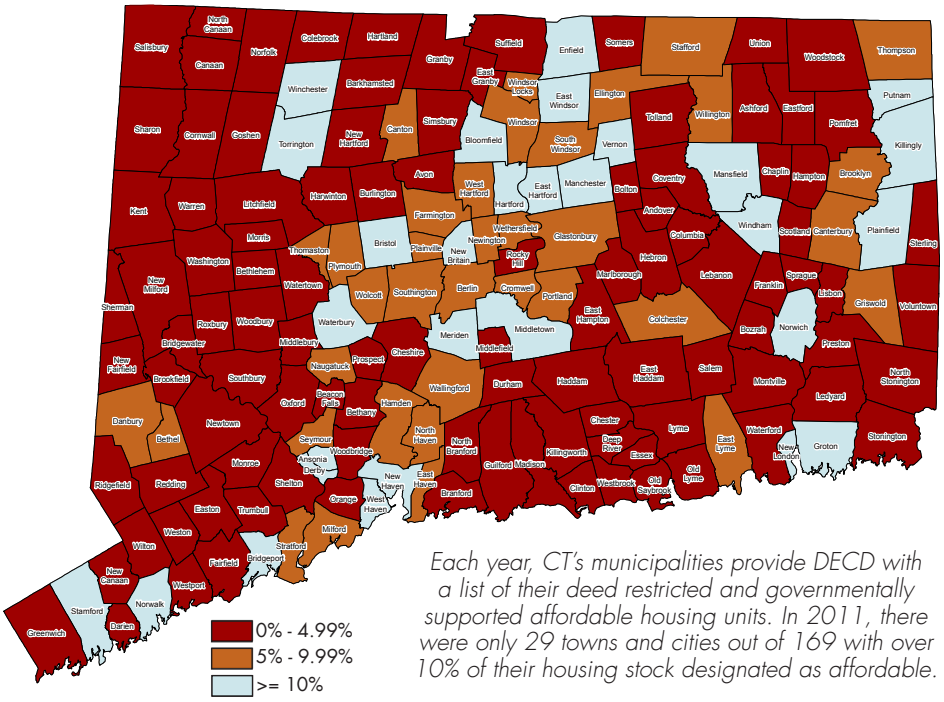



*Rental housing costs have increased nearly ten times faster than the income of renter households over the last decade. For homeowners, housing costs have increased twice as fast as income.*

2-1-1 received an average of 6,600 requests for housing assistance each month in 2012.[5]

## Percentage of Affordable Housing in CT's Cities and Towns

Source: Connecticut Department of Economic and Community Development, 2011 Affordable Housing Appeals List




*Each year, CT's municipalities provide DECD with a list of their deed restricted and governmentally supported affordable housing units. In 2011, there were only 29 towns and cities out of 169 with over 10% of their housing stock designated as affordable.*

Another factor to consider is the buying power of those just graduating from college, which has shrunk with the median household income of those under 25 years old falling to $27,425 in 2011 from $35,274 in 2006.[2] Those over 25 have seen their household incomes increase.[2] For those whose income provides them only a limited choice of homes to buy, the pickings were better, but still slim: of Connecticut's 911,059 owner-occupied homes in 2011, 27% were valued under $200,000 and 56% were valued under $300,000, higher percentages than 23% and 53% in 2010, but still many fewer than the 65% and 83% in 2000, before the huge run-up in housing prices.[2]

## ■ Foreclosures: Impacting Sales

There are signals that the housing downturn might be bottoming out. Single family home sales, which totaled 37,922 in 2006 and fell to 21,141 in 2011, according to The Warren Group, appeared ready to finish slightly higher in 2012 based on 16,217 sales through August. But foreclosure deed filings in the state – which fell to 2,723 in 2011 from 6,582 in 2010 after banks imposed a moratorium in the wake of the robo-signing scandal – appeared to be increasing again, with 2,601 through the first three quarters of 2012, according to data provided to the Connecticut Housing Finance Authority by The Warren Group.

## ■ Strong State Support

While federal funding for housing was reduced in many areas because of the pressure to reduce the federal deficit and spending cuts proposed by the Congress, Connecticut enjoyed a resurgence in housing support from Gov. Dannel Malloy. The Governor proposed – and the General Assembly approved – $300 million in new bonding to preserve existing affordable housing over the next decade. In addition, the Governor provided more than $200 million in new spending for supportive housing, congregate housing, loan programs, construction financing, foreclosure prevention and municipal incentives. The Governor has also marshaled a coordinated effort to increase mass transit services in Connecticut and marry the new commuter rail and bus rapid transit with affordable and mixed-income housing creation near the transit stations.

## ■ Progress on the Horizon

Gov. Malloy and the General Assembly are expected to continue their strong support of housing creation for all income groups, including the most vulnerable. With the support of Gov. Malloy and Lt. Gov. Nancy Wyman, the Partnership for Strong Communities, the Connecticut Coalition to End Homelessness, the Corporation for Supportive Housing, the Connecticut Housing Coalition, other advocates and key state agencies have joined together to implement Opening Doors-Connecticut, a wide-ranging effort to prevent and end homelessness across the state by tailoring the federal Opening Doors campaign to Connecticut's particular needs.

The Malloy administration and the General Assembly have promoted the increased availability of supportive housing to reduce recidivism, help families remain intact, deal with child welfare issues, reduce Medicaid expenses, assist those with mental illness and other disabilities, focus on the problem of teen homelessness and many other issues. The Governor and legislature are also exploring a restructuring of state systems and programs to ensure a more coordinated, cost-effective and helpful government response to high housing costs and a lack of supply. Connecticut has many housing problems to solve, but they are not going unaddressed.

### Sources

1. The Warren Group
2. U.S. Census Bureau
3. CT Dept. of Economic and Community Development
4. CT Coalition to End Homelessness
5. United Way of Connecticut
6. Pew Research Center
7. Employee Benefit Research Institute
8. National Low Income Housing Coalition
9. National Association of Realtors
10. Partnership for Strong Communities
11. Bureau of Economic Analysis

For more information, contact: David Fink, Policy Director, or Christina Rubenstein, Senior Policy Analyst
Partnership for Strong Communities, The Lyceum, 227 Lawrence Street, Hartford CT 06106
www.pschousing.org 860-244-0066