Middle-Income Housing in Inner Core Communities

Demand, Barriers to Development, and Strategies to Address Them
Middle-Income Demand

When people think of housing the middle class...
Middle-Income Demand

When people think of housing the middle class...

they think of this post-WW2 ideal.

Image: Bernard Hoffmann for Life Magazine, Bernard Levey Family
Middle-Income Demand

Really, the picture of middle-income housing is much more varied.
Middle-Income Demand

- Increasing populations and households
- Largely built out
- Low vacancy rates
- Older housing stocks
- Dominant housing type and tenure varies
Middle-Income Demand

Who are we talking about when we talk about the middle in Greater Boston?

$47,450

$127,050
Middle-Income Demand

Middle-income households comprise a third to a half of total in each municipality

Source: U.S. Census Bureau, 2008-2012 American Community Survey
Middle-Income Demand

Five of eight municipalities have experienced a net loss of middle-income individuals over last five years.

Source: ACS 2012 tables B07010 and B07410
A significant percentage of lower-middle-income households are cost-burdened.

Source: CHAS 2011 Table 11
Middle-Income Demand

The difference in rates of cost burden by tenure is more dramatic as income rises.

Source: CHAS 2011 Table 11
Middle-Income Demand

The rate of cost burden declines among upper-middle-income households

Source: CHAS 2011 Table 11
Middle-Income Demand

Median Sales Price, Study Area Municipalities: 2000 to 2013

Source: Zillow 2013 and HUD 2013
Middle-Income Demand

Median Monthly Rent, Study Area Municipalities: 2010 to 2013

- 135% AMI
  - Three-Person Household

- 80% AMI
  - Two-Person Household

Year
- 2010
- 2011
- 2012
- 2013

Median Rental Rate
- $3,000
- $2,500
- $2,000
- $1,500
- $1,000

Source: Zillow 2013 and HUD 2013
Middle-Income Demand

A Tale of Two Middles
Middle-Income Housing Market Conclusions

1. Lower-middle-income households have the fewest housing options
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2. Multi-family rentals and condos are most affordable to them
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2. Multi-family rentals and condos are most affordable to them

3. Municipalities need to produce this housing faster to meet demand from middle-income and all households
Barriers

1. Land acquisition costs

Images: Grid designed by Francisca Munoz Colina
Barriers

1. Land acquisition costs

2. Construction costs

Images: Grid designed by Francisca Munoz Colina; hard hat designed by Andrew Renault
Barriers

1. Land acquisition costs

2. Construction costs

3. Regulatory costs

Images: Grid designed by Francisca Munoz Colina; hard hat designed by Andrew Renault; paperwork designed by Matthew Hall
Barriers

1. Land acquisition costs
2. Construction costs
3. Regulatory costs
4. Other Disincentives

Images: Grid designed by Francisca Munoz Colina; hard hat designed by Andrew Renault; paperwork designed by Matthew Hall; Cancel designed by Brandosaur.us from the Noun Project
Barriers

Land Acquisition Costs

1. Limited availability of land and property
2. Sale price calculated for highest and best use
3. Density bonus can inflate prices further
Construciton Costs

1. Materials and labor are fixed costs

2. Steel-frame construction & structured parking are costly
Barriers

Regulatory Costs

1. Special permit or variance
2. Building codes
3. Multiple review and approval processes
Barriers

**Disincentives**

1. Lack of middle-income housing programs

2. Mixed-income housing is less competitive for low-income subsidies

3. Deed restriction is an onus for developers

4. High return on market-rate housing
SHRINK THE GAP
Strategies

- Land disposition
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- Prefab construction
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• Streamlined permitting
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- Real estate tax exemption
- Creative funding
Conclusion

1. Comprehensive approach
2. Mission-based developers
3. Secondary markets
4. Balance affordability & marketability

Image: Light bulb designed by Roy Verhaag from the Noun Project
Next Steps: DLTA 2015

• Model language for inclusionary programs, by-right zoning bylaws, streamlined permitting process

• Analysis of legal/contractual alternatives to deed restriction

• Proposed state program and policy changes to the real estate tax framework and M.G.L. Chapter 40R
Discussion

COMMENTS, OTHER IDEAS, and/or QUESTIONS?
Thank you!

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