



## HOUSING AFFORDABILITY

### Overview

MetroWest towns continue to struggle to meet the state mandated 40B threshold of 10% affordable housing. This report documents the compliance of MetroWest towns as well as the Greater Boston lack of housing affordability which continues to significantly impact all populations, especially the most vulnerable. In addition, the region is becoming more difficult to move into. Included is a breakdown of average home costs and income requirements for both median priced home buyers and renters.

### ***MetroWest Towns Struggle To Meet 40B Threshold***, Brandon Butler, Worcester Business Journal Online

- **Geography:** MetroWest
- **Year:** May 24, 2010
- **Website:** <http://www.wbjournal.com/news46413.html?Type=search>

### Key Findings:

- In 1999 Natick finally had at least 10 percent of its housing stock classified as "affordable," as defined by the state's Chapter 40B law. If a community has less than 10 percent of its housing deemed "affordable," municipal planners can lose some control in crafting how affordable housing developments are built. Developers who do not receive local approval for projects can appeal to the state to supersede local dissent.
- But not many communities in MetroWest have been able to get to the 10 percent level. According to the state's Department of Housing and Economic Development's sustainable housing inventory list, as of last month only five out of 40 communities in the MetroWest/495 corridor had more than 10 percent housing classified as affordable.
  - Natick, Framingham, Marlborough, Franklin and Hudson are the only communities in the area above 10 percent. Another six communities were within 2 percentage points.
- But 14 communities have less than 5 percent of their housing stock classified as affordable and three communities are below 1 percent. On average, communities in the region have about 6 percent affordable housing.
- The 10 MetroWest towns who have the farthest to go to reach the 10% affordable housing threshold mandated by the state's Chapter 40B law includes:
  - Southborough-3.9%
  - Millis-3.7%
  - Hopkinton-3.3%
  - Harvard-2.8%
  - Sherborn-2.3%
  - Boxborough-1.3%
  - Carlisle-1.2%

### ***The Stage Is Set For Another Greater Boston Housing Price Bubble As Prices Recover, Analysts Wonder If They Fell Far Enough In The First Place***, Scott Van Voorhis, Banker & Tradesman Columnist

- **Geography:** Greater Boston
- **Year:** June, 2010
- **Website:** [www.bankerandtradesman.com/news138850.html?Type=search](http://www.bankerandtradesman.com/news138850.html?Type=search)

### Key Findings

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- The downturn did put a modest dent in the area's sky-high housing prices, but it has still left them at a relatively unaffordable level as we start to move from recession to recovery. That could set the stage for another Boston-area housing bubble – one that could succeed in making the loony home prices seen during the last-run up look reasonable.
- “[Massachusetts home prices] never fell far enough to be affordable,” said Barry Bluestone, a Northeastern University economist and housing expert. “Already there are signs they are going to rise again, making them even less affordable.”
- It's not completely fair to say the most recent housing downturn has done nothing to boost affordability. For a family earning the area median income of approximately \$90,000, the downturn has made housing 10 percent to 20 percent more affordable, the Fed found.
- Home prices are still out of whack – they would have to drop almost 20 percent more to bring them in line with what the average buyer around here can comfortably afford.
- For first-time buyers, the challenge is even more daunting. With a significantly lower median income of about \$48,000 in Massachusetts, first-time buyers are faced with home prices that are still 20 percent to 40 percent beyond what they can really afford, the Fed study finds.

**Report: *Mass. Faces 'Serious' Housing Affordability Problem*, Banker & Tradesman**

- **Geography:** State
- **Year:** March 9, 2009
- **Website:** [www.bankerandtradesman.com/news131918.html?Type=search](http://www.bankerandtradesman.com/news131918.html?Type=search)

**Key Findings**

- Slow population growth has led to a slow growth of housing demand since 2000, while decreases in household size and other demographic trends are changing the quantity and types of housing needed in the Bay State, according to a recent report from the University of Massachusetts Donahue Institute.
- While weak or negative job growth may continue to discourage population growth and housing production broadly, targeted responses to support economic stability are needed.
- In spite of the decline in housing prices, Massachusetts still faces a serious affordability challenge, especially for the most economically vulnerable populations. Even though Massachusetts outpaces the nation in providing tenant subsidies, the state's housing safety net has not fully met the housing assistance needs of our most vulnerable citizens during these difficult economic times, the report stated.

***The Housing Bust and Housing Affordability in New England: an Update of Housing Affordability Measures*, Discussion Paper 10-1, New England Public Policy Center, Federal Reserve Bank of Boston, Robert Clifford**

- **Geography:** Greater Boston, Massachusetts and New England
- **Year:** June, 2010
- **Website:** [www.bos.frb.org/economic/neppc/dp/2010/neppcdp1001.pdf](http://www.bos.frb.org/economic/neppc/dp/2010/neppcdp1001.pdf)

**Key Findings:**

- Minimum Annual Income Needed to Purchase the Median-Priced House, 2008, Massachusetts
  - Median Price-\$311,000
  - Interest Rate-5.99%
  - Monthly Mortgage Payment-\$1,490
  - Monthly Real Estate Taxes-\$236
  - Monthly Insurance Payments-\$86
  - Total Monthly Payment-\$1,811
  - Annual Income Needed-\$77,624

- Greater Boston has seen greater gains in affordability since 2006 than notable competitor metropolitan areas. Boston's gains in affordability since 2006 are partly due to timing. In the Boston area, real house prices peaked in 2005, and then fell 15.3 percent through 2008.
- "...the 2009 Greater Boston Housing Report Card showed declining rental affordability in the greater Boston area, owing to rising rents and stagnant incomes."
- As of 2008, nearly 80 percent of very-low-income households in New England spent 30 percent or more of their income on housing.
- In contrast, only 23.6 percent of the region's middle-income households were moderately burdened. Inequality is even starker if we look at the percentage of households that are severely burdened.
- More than half of very-low-income households spent more than 50 percent of their income on housing, compared with less than 4 percent of middle-income households.

***The Greater Boston Housing Report Card 2009 Positioning Boston in a Post-Crisis World, Barry Bluestone, Chase Billingham, Jessica Herrmann, The Kitty and Michael Dukakis Center for Urban and Regional Policy, Northeastern University***

- **Geography:** Greater Boston
- **Year:** 2009
- **Website:**  
[www.northeastern.edu/dukakiscenter/publications/projects\\_initiatives/documents/GreaterBostonHousingReportCard2009.pdf](http://www.northeastern.edu/dukakiscenter/publications/projects_initiatives/documents/GreaterBostonHousingReportCard2009.pdf)

**Key Findings**

- **Absolute Affordability-Home Ownership**
  - At the peak of the housing price "bubble" in 2005, the median selling price of a single family home in Greater Boston was 6.52 times median household income.
  - It remained above 6.0 in 2006 and 2007, but finally declined to 5.42 in 2008. Thus in 2008 absolute affordability returned to its 2002 level.
  - The affordability improvement in 2008 was largely the result of home prices dropping by nearly 10 percent while nominal household income rose by 3.9 percent. (Because of inflation, real median household income rose by 0.1 percent in the Northeast region of the U.S., bucking a downward trend nationwide.)
  - The median priced home was still less affordable to the median income household in 2008 than in either 2000 or 2001.
- **Absolute Affordability-Rental**
  - While housing has become more affordable for those who wish to own, a combination of increasing rents and stagnating income among households seeking to rent an apartment or home has actually reduced affordability at least since 2004.
  - In 2001, the ratio of average annual effective rents for units on the market to median renter household income was .46. That is, those seeking to rent, who had the median income of renters, had to spend 46 percent of their income on rent if they were renting an apartment priced at the average effective rent (including any discounts) in Greater Boston.
  - By 2006, they were spending a little more than half their income on rent, and this proportion has remained roughly constant since then, despite the recession. Essentially, with the exception of an apparent one-year increase in renter income in 2004, nominal incomes have remained nearly constant, while rents have increased.
  - Absolute affordability remains a serious problem for renters in Greater Boston because of the recession and because of the continued high price of effective market rents.