A collection of commentary on affordable housing, how smart growth makes housing unaffordable, and how residential growth increases our quality of life:
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AFFORDABLE HOUSING & CT Competitiveness

- CT housing prices have increased 49.7% since 2000.
- 40% of CT households earning 80% of median income (547,000 households.
- 19.1% or 257,000 households are currently in need of affordable housing. (1 in every 6 households)
- Median prices of SF homes have risen 4 times faster than income.
- 2004 median price of SF home in Fairfield County $470,000.
- 110% of income to afford 2 BR rent in Fairfield County
- Labor shortages are most pronounced in Fairfield County
- Transit oriented housing must be encouraged
- 62% of projected CT new jobs will pay $40,000 or less.
- Every effort should be made to address the supply side of affordable housing for both renters & owners through zoning regulations, density and developer incentives. ***(Excerpted from "New Perspectives on the Need for Affordable Housing in CT" courtesy of Donald Klepper-Smith, Data Core Partners)***

Affordability Problems Escalating Even As Housing Market Cools

Harvard Releases 2006 State of the Nation's Housing Report

With interest rates rising and speculative demand cooling, the housing boom is coming under pressure, finds this year's *State of the Nation's Housing* report. As long as the economy continues to create jobs and builders trim production to match slowing demand, house prices will keep climbing and the housing sector will likely achieve a soft landing. Although house price growth will likely moderate in many areas, sharp drops in house prices are unlikely anytime soon. Major house price declines seldom occur in the absence of severe overbuilding, major job loss, or a combination of heavy overbuilding and modest job loss. Fortunately, these preconditions are nowhere in evidence across the nation's metropolitan areas.

Even with higher interest rates and home prices crimping affordability, the lure of house price appreciation continues to draw homebuyers to the market. While the national homeownership rate edged down a tenth of a percent in 2005, it increased in the West and Northeast where house price growth was the strongest. In fact, about 1 million homeowners were added nationally last year. Mortgage innovations such as low-downpayment, hybrid-adjustable, and interest-only loans helped blunt the impact of higher home prices and interest rates.

"While homeowners with annually adjusting mortgage rates are facing interest increases this year, including those with expiring teaser discounts, only about one in ten homeowners face higher mortgage payments this year" remarks Nicolas P. Retsinas, director of Harvard's Joint Center for Housing Studies.

Fully eight in ten owners has no mortgage or a fixed-rate mortgage, and most owners with adjustable loans have an initial fixed-rate period of three or more years. Similarly, most interest-only loans extend for at least five years, leaving ample time to move, refinance, or incomes to grow before principal payments start coming due.

But, the report cautions, five years of unprecedented house price appreciation and decades of land use restrictions that make building affordable housing difficult are adding to widespread housing affordability problems. From 2001 to 2004 alone, the number of households spending more than half their incomes on housing increased by 14 percent to 15.8 million. The paradox of today's housing market is that while more people are building home equity than ever before, slow growth in wages for households in the bottom three-quarters of the income distribution is not keeping pace with escalating housing costs. Amidst a housing boom, it is now impossible to build housing at prices anywhere near what low-income households can afford without subsidies.

Further, the report draws attention to the problems of concentrated poverty. Neighborhood decline is fuelling the loss of affordable housing and exposing residents to poor neighborhood conditions. From 1993-2003 the supply of rentals affordable on a $16,000 income fell by 1.2 million, while in 2001 12 percent of such rentals were operated at a loss.

This year's report also highlights the significant contribution that the foreign-born and minorities will make to overall household growth. New household projections incorporating higher but more realistic immigrant assumptions suggest household growth will accelerate to 14.6 million over the next ten years from 12.6 million over the last ten. "Strong household growth, combined with record incomes and wealth, will lift housing investments to new highs next decade," remarks Eric Belsky, executive director of the Joint Center. "Each generation is achieving higher homeownership rates, incomes, and wealth than the one ahead of it, with the leading edge of the echo baby boom now in their 20s and the baby bust now in their 30s starting off on especially high paths. This is despite the fact that each younger generation has successively higher shares of foreign-born and minority household heads with lower average incomes than same-age native-born whites."

"Even as the housing industry looks past the current softness to robust growth in the decade ahead, the challenges of providing affordable housing for low-income, and increasingly even middle-income households, are clear," concludes Retsinas. "Slow growth in domestic discretionary spending at the federal level and the reluctance of state and local governments to relieve intense barriers to the production of more affordable housing make the road ahead difficult. Unless governments step up to these challenges, spending on housing will increasingly crowd out spending on pensions and savings among those with low and moderate incomes."

Harvard's Joint Center for Housing Studies is the nation's leading center for information and research on housing in the United States. Established in 1959, the Joint Center is a collaborative unit affiliated with the Harvard Design School and the Kennedy School of Government. The Director of the Joint Center for Housing Studies is Nicolas P. Retsinas. The Center's research and additional information about its programs and activities are available at www.jchs.harvard.edu.

How Smart Growth Makes Housing Unaffordable

Smart growth and other land-use restrictions cost U.S. homebuyers at least $275 billion in 2005. This conclusion is based on several measures of housing affordability in more than 300 metropolitan areas. The 48-page report finds that high housing prices are almost always due to government planning rules that prevent homebuilders from meeting the demand for new homes. Such rules cause prices to increase much faster than incomes, which quickly makes housing unaffordable.

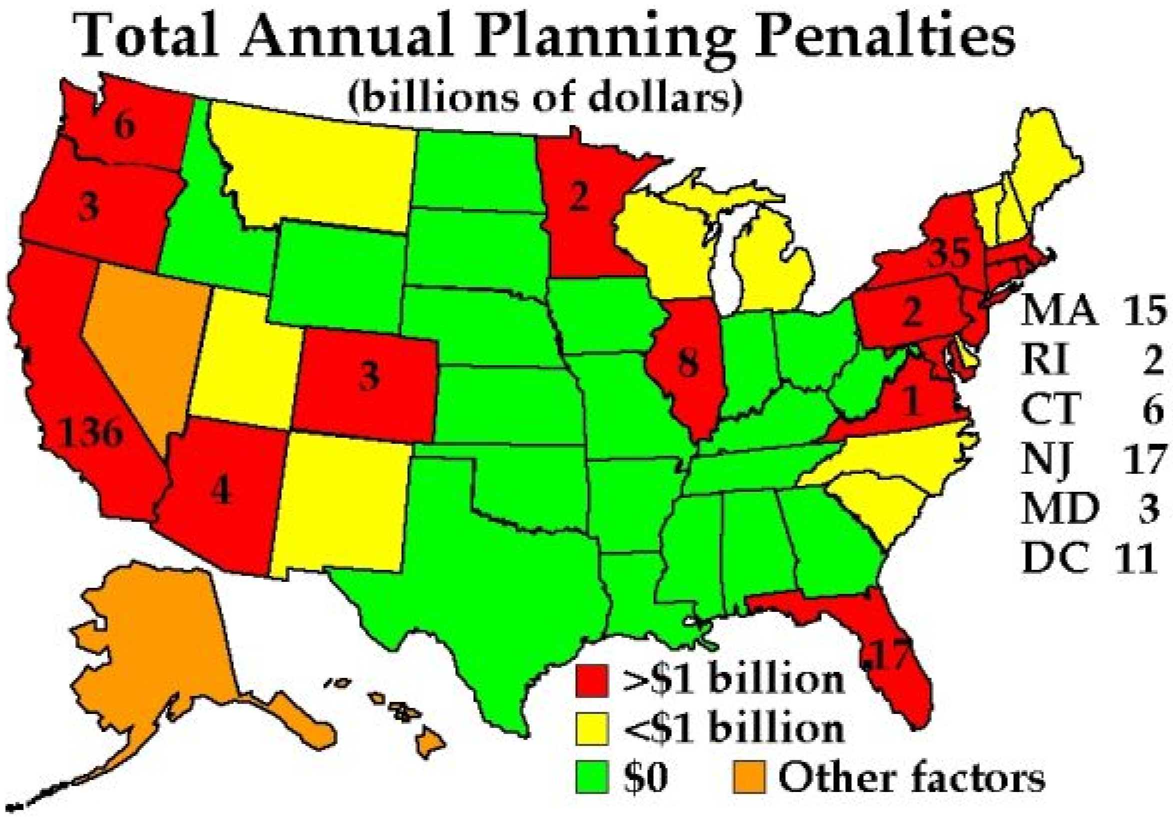
How do we measure housing affordability? Several measures are described on this affordability measurements page.

The report estimates that planning-induced housing shortages have added at least $100,000 to the cost of a median-value home in more than fifty metropolitan areas. This is the penalty people must pay for buying a home in a region with smart-growth planning. The penalty ranges as high as $850,000 in the San Francisco metropolitan area. In fifty more areas, planners have imposed penalties of $25,000 to $100,000 per home. The report notes that these costs are conservatively calculated and probably average at least 25 percent more.

Is housing overpriced in your city or region? Find out using our pricing guide.

Most planning penalties are far more than the so-called costs of sprawl. According to page 13 of The Costs of Sprawl 2000, low-density development costs about $11,000 more for urban services than compact development. Why is it better to make all homebuyers pay $25,000 to $850,000 more for homes than to make some pay $11,000?

(See Map below: please print in color)



- Californians suffer from half of the total increase in housing costs due to planning, largely because California pioneered the use of growth-management planning in the 1970s.
- Just twelve states (CA, NY, FL, NJ, MA, IL, WA, CT, AZ, CO, OR, MD) account for more than 90 percent of all planning penalties.
- Fourteen states have penalties in all or nearly all metro areas.
- Thirteen states have penalties in only a few metro areas
- Twenty states have no planning penalties at all.
- Alaska, Hawaii, and Nevada also have overpriced housing but in those states it is partly due to causes other than growth-management.

The Planning Penalty shows that housing prices start rapidly growing soon after cities or regions enact smart-growth plans and estimates the costs that such plans impose on homebuyers. But previous researchers have already shown a connection between high housing prices and land-use regulation.

- [The Impact of Zoning on Housing Affordability](), by Harvard economist Edward Glaeser and Wharton economist Joseph Gyourko, concludes that "Government regulation is responsible for high housing costs where they exist." Professor Glaeser's research was recently featured in the [New York Times Magazine](). You can download more of his papers, many of which are on the topic of housing affordability, from [his web page]().

Quality of life found to rise with residential growth

A new study from researchers at NAHB challenges the assumption of local zoning officials that residential development is detrimental to the quality of life in their community.

Using two sources of data for their analysis, the NAHB researchers clearly showed that there is a positive correlation between growth and the quality of life.

“Many local decisions made by officials concerning growth and development” are based on the perception that additional growth will deteriorate the quality of life, the study says. “Elaborate public policy initiatives, such as impact fees, urban service boundaries and mandatory land conservation are designed and implemented in order to mitigate the ‘negative consequences of growth’ and to ‘preserve quality of life.’

“All too often, the many benefits of growth — such as job creation, increased cultural and educational facilities, transportation improvements and improved health care facilities — are overlooked within the context of considering further development.”

The study correlated housing starts per capita in 260 metropolitan areas collected from the u.s. census bureau for 2000-2003 with a quality index compiled by well-known researcher Bert Sperling.

The publication “2004 BEST PLACES — cities ranked and rated” was produced by Sperling, and in 1986 he also produced the very first rankings of money magazine’s “best places to live.” his quality index is based on hundreds of local data in such areas as education, health care, transportation, jobs and crime.

Researchers at NAHB conducted a simple correlation analysis by comparing the quality of life index and growth index, with each metro area represented as a point on a graph. The result shows a line of **rising quality of life as per capita growth increases**.

“While local governments have a responsibility to respond to the needs of their citizens by utilizing local land use tools such as zoning, they need to apply those tools with a better understanding that improvements to their community also occur through growth and development,” the study says.

For more information, e-mail David Crowe at NAHB, or call him at 800-368-5242 x8383