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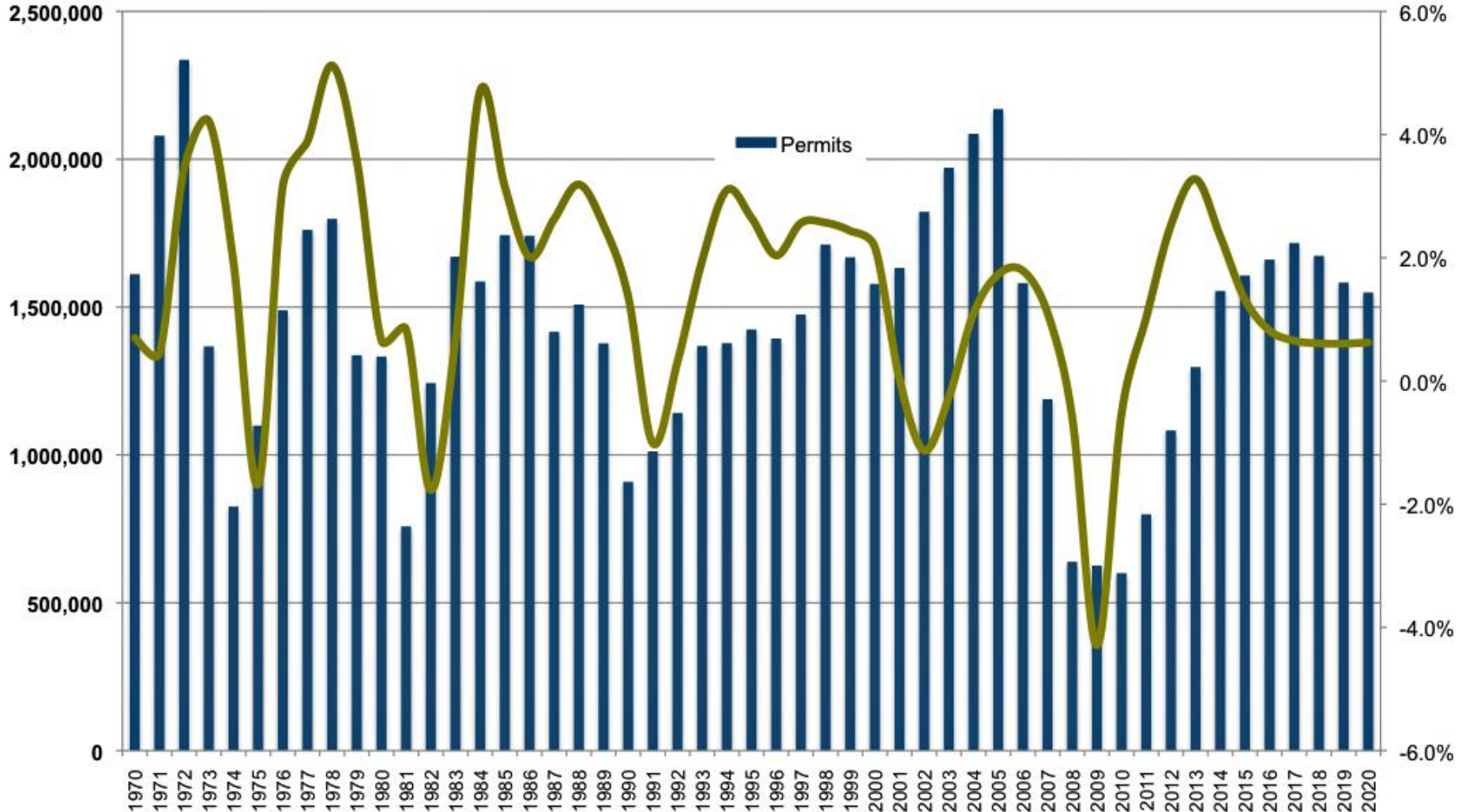
PERSISTENCE OF THE WORKFORCE HOUSING GAP

Gregg Logan, Managing Director | ULI Terwilliger Affordable Workforce Housing Forum | March 8, 2011



RCLCO FORECAST TO 2020

RCLCO's Total Residential Permits Forecast; Moody's Percent Job Growth Change



Sources: RCLCO; Census; Moody's Economy.Com

HOUSING LANDSCAPE 2011 REPORT

Center for Housing Policy

- **One in four working households have a severe housing cost burden**
 - More than half of income spent on housing
 - About 10.5 million working households, an increase of nearly 600,000 households from the prior year
- **Affects working households at up to 120 percent of AMI**
 - Most prevalent among the households with the lowest incomes
- **Key factors:**
 - High unemployment
 - Falling incomes



TOP 5 DEMOGRAPHIC AND SOCIAL TRENDS IMPACTING HOUSING DEMAND AND AFFORDABILITY

1

Largest metros growing larger, faster, sprawling further

2

Nation becoming majority minority...under-18, non-white population in large metros already majority

3

Nation experiencing demographic dumbbell with boomers and seniors at one end and Gen Yers at the other extreme

4

Household formation suspended by great recession, increasing pent up demand

5

High unemployment and stagnating incomes creating growing divide between low- and middle-wage workers and high-wage workers

KEY JOBS LOCATE IN REGIONAL CENTERS WHERE HOUSING IS EXPENSIVE

- Regions composed of a hierarchy of Cores, or “centers”, job concentrations

- **30% to 40% of ALL jobs, including highest paying, locate primarily in these Cores**

- *The number, quality, characteristics of Cores in a region influences job growth*

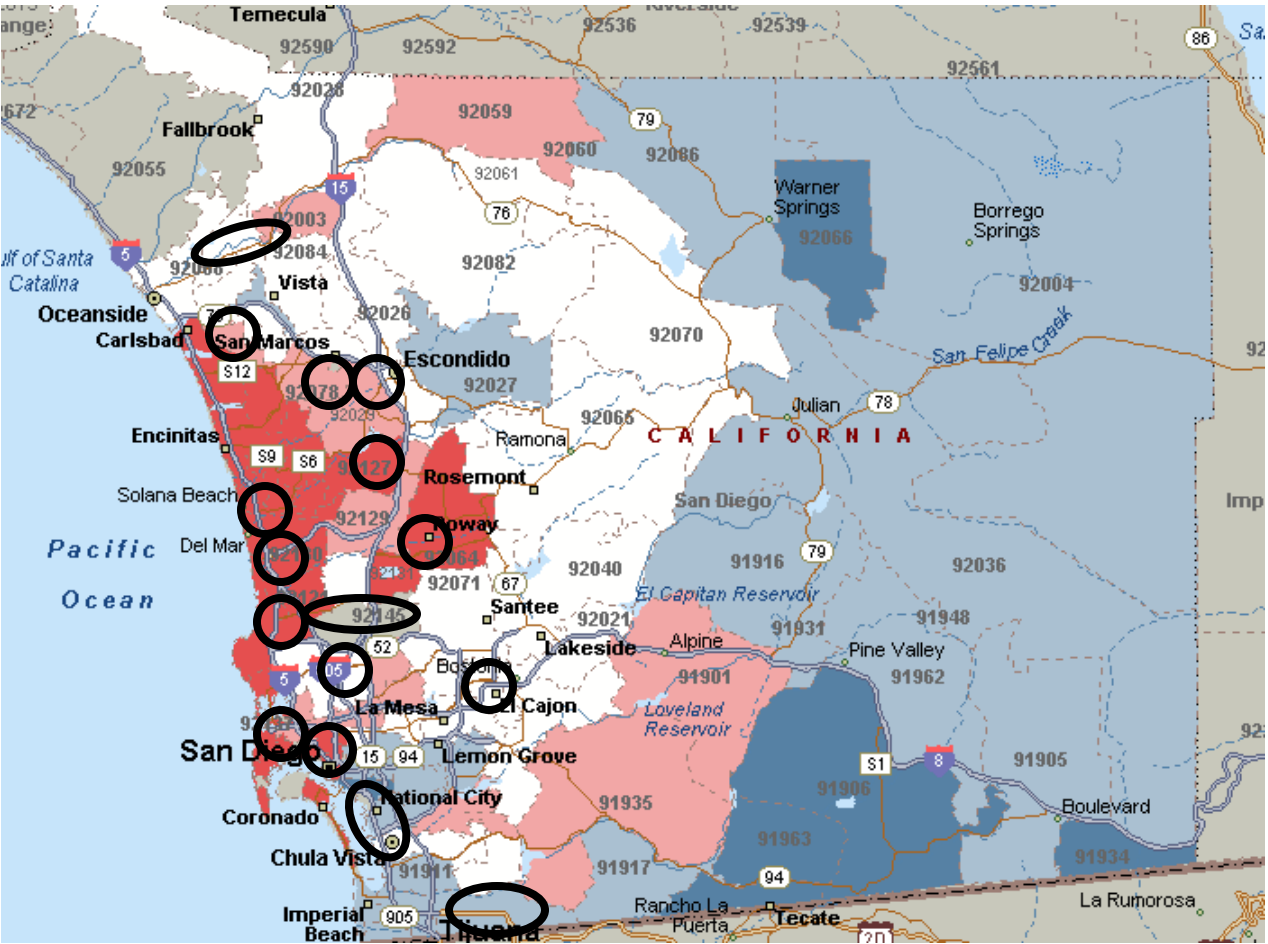
- **High correlation between where the best jobs are, and high housing costs**



EXAMPLE: JOB CENTERS AND HOME PRICE IN SAN DIEGO

LABOR FORCE HOUSING IS TO THE SOUTH AND EAST

Darker red = higher average Single-Family Home Sales Price
 San Diego County, California



- Employment Cores
- Greater than \$600,000
- \$450,000 to \$600,000
- \$300,000 to \$450,000
- \$150,000 to \$300,000
- Less than \$150,000

High quality, high paying tech and office jobs are virtually all located near executive housing.

SOURCE: SANDICOR

PUBLIC POLICY: INFILL VERSUS GREENFIELD

CAN WE RECONCILE SMART GROWTH WITH HOME PRICES?

▶ PREFERENCES AND POLICIES

▪ Infill often more attractive to communities

- More efficient use of transportation investments, infrastructure
- Reduce driving, environmental impacts, sometimes less costly to provide services
- Placemaking, walkability, as catalyst

▪ Greenfield less costly to the developer

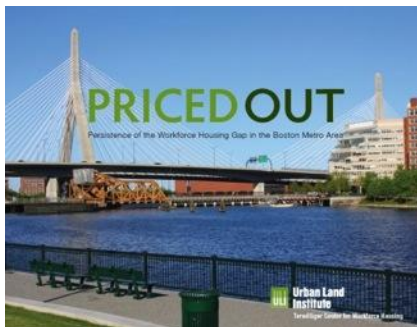
- Lower land costs
- Fewer financing barriers
- Less expensive infrastructure (e.g. less transit, open parking)
- Responsive to consumer preferences for lower density

▪ More Infill will require more public/private partnerships

- Help with infrastructure, co-investment, tax abatement, etc.



DESPITE HOUSING CRISIS, WORKFORCE HOUSEHOLDS REMAIN PRICED OUT



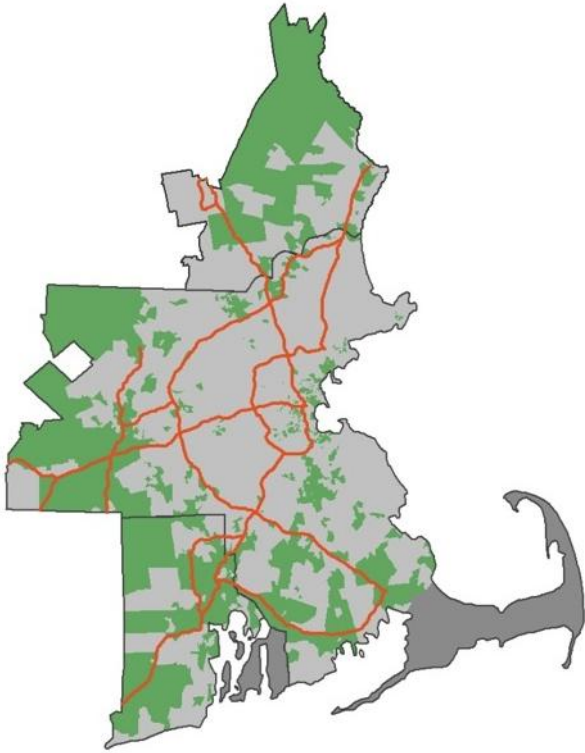
Key Findings

- ▶ Workforce households (representing 30% of the workforce in cities studied) are still Priced Out of employment rich locations in high cost U.S. cities
- ▶ Centripetal dispersion of workforce households is intensifying
- ▶ Long-term future deficit is quantifiable and untenable
- ▶ Families are particularly impacted
- ▶ Cost burden also applies to rental households
- ▶ Construction realities make building new workforce housing extremely challenging in employment and transit rich locations

AFFORDABLE FOR-SALE HOUSING – 80% OF AMI

2000

Boston



Washington



Bay Area



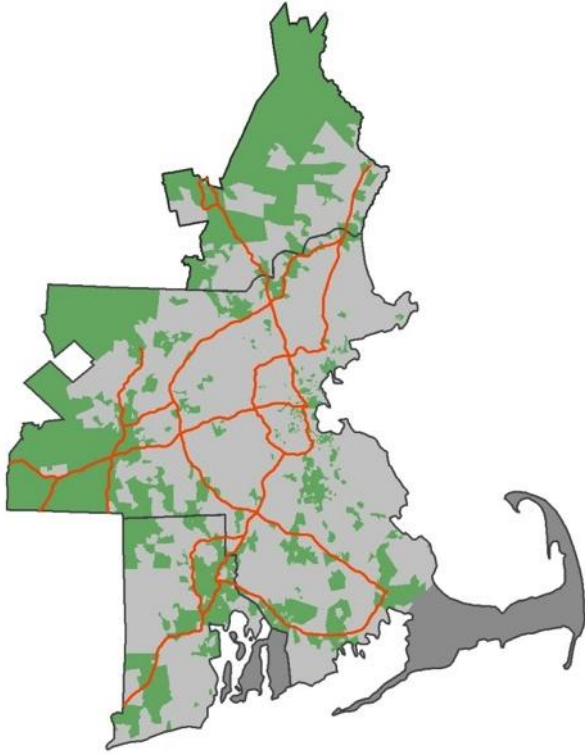
**Comparison of For-Sale Affordability
Across Three Peer Metro Areas**



AFFORDABLE FOR-SALE HOUSING – 80% OF AMI

2009

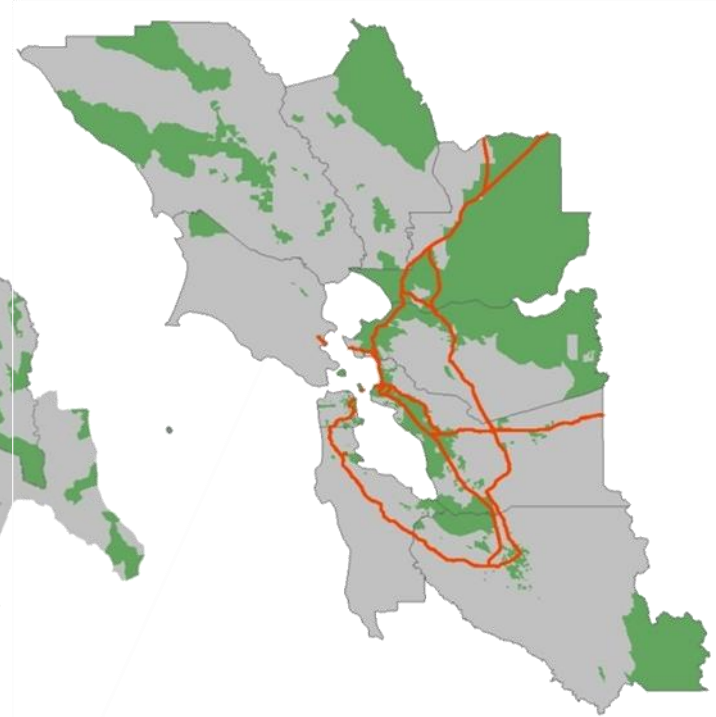
Boston



Washington



Bay Area



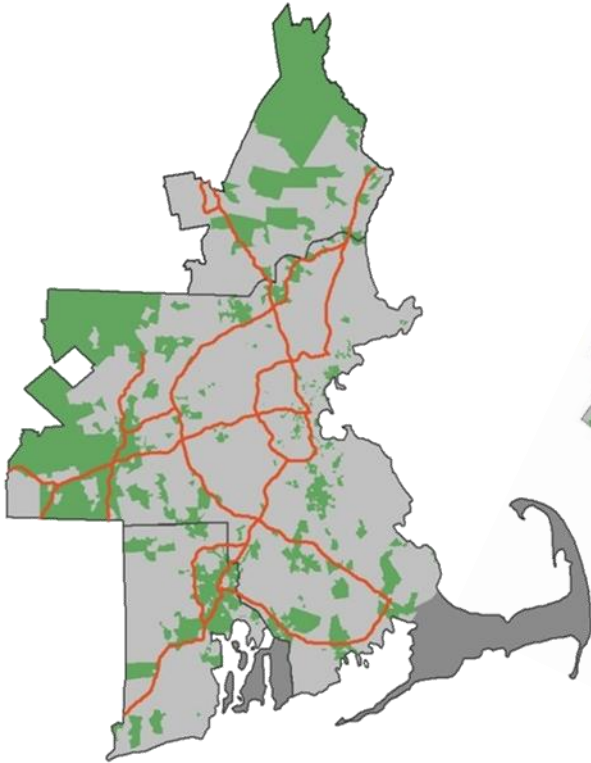
**Comparison of For-Sale Affordability
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AFFORDABLE FOR-SALE HOUSING – 80% OF AMI

2014

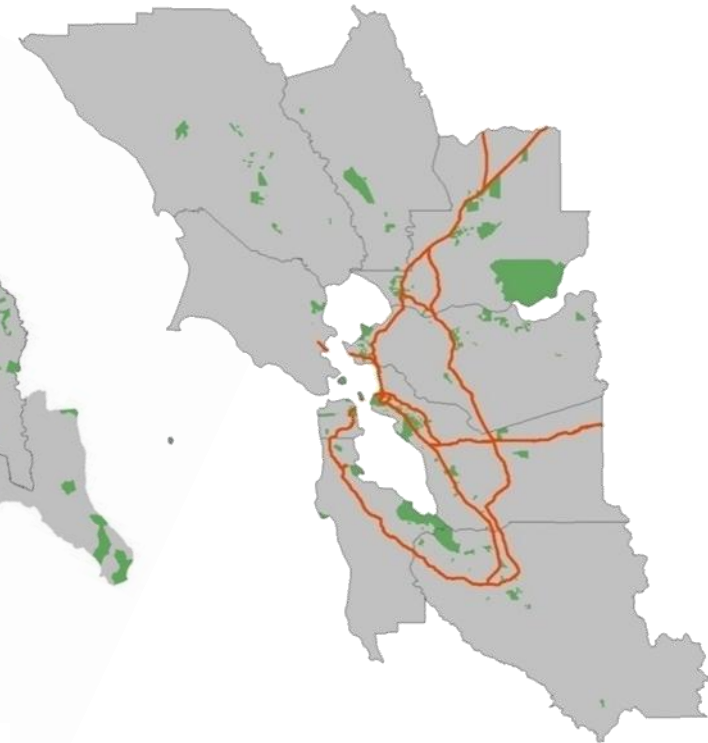
Boston



Washington



Bay Area

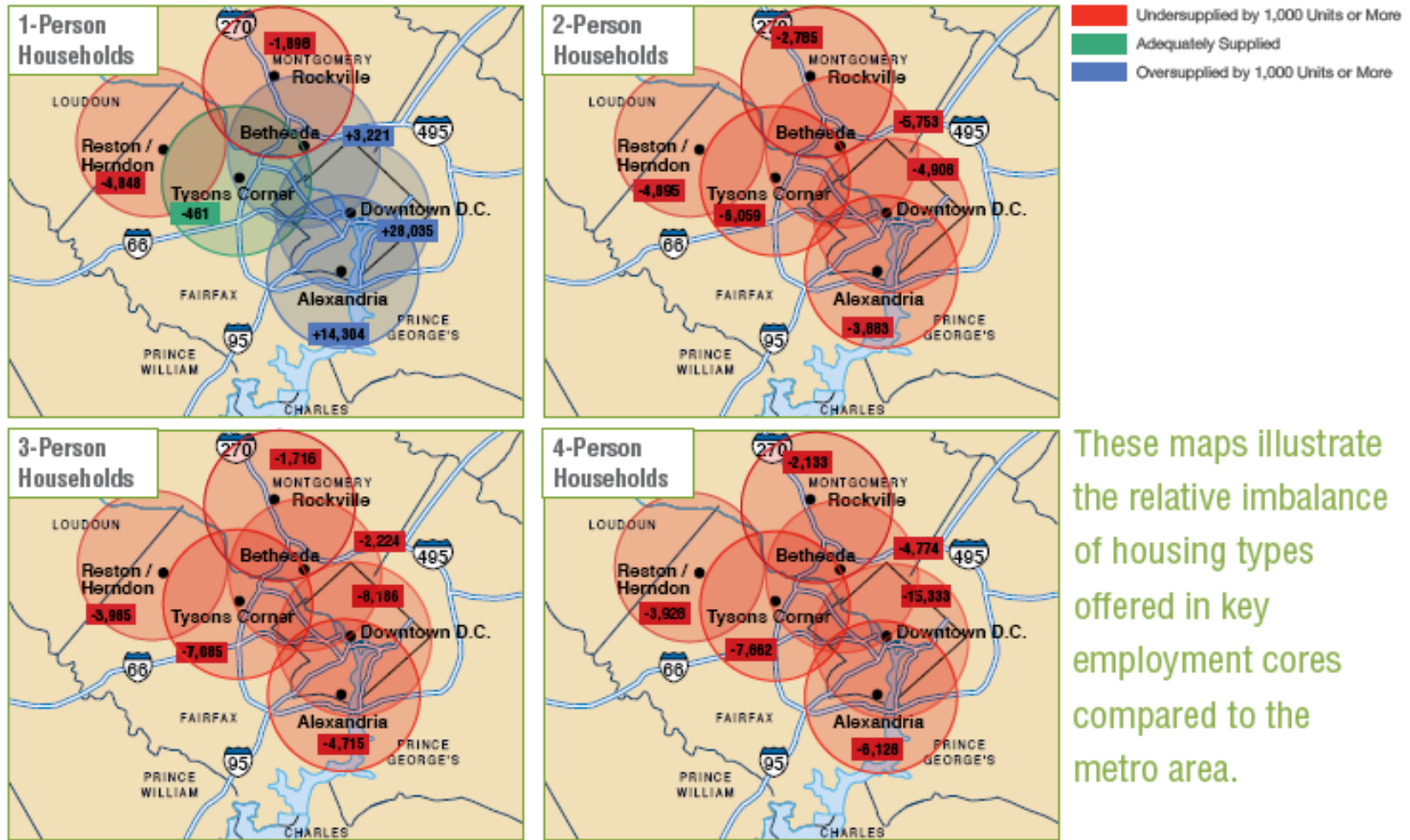


**Comparison of For-Sale Affordability
Across Three Peer Metro Areas**



WORKFORCE FAMILIES PRICED OUT OF MAJOR EMPLOYMENT CENTERS

Over- and Undersupply of Workforce Households
60 to 100 Percent AMI, Washington, D.C., Metro Area



These maps illustrate the relative imbalance of housing types offered in key employment cores compared to the metro area.

DESIRED DEVELOPMENT AROUND TRANSIT CHALLENGING DUE TO HIGH COSTS

New Apartment Construction Affordable to Workforce Households

High-Rise Rental Development			Supportable Rent per Square Foot for Workforce Households				
Persons per Household	Typical SF	Unit Type	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI
1	450	Studio	PRICED OUT				\$3.51
2	700	1B					
3	900	2B					
4	1,200	3B					
5	1,500	3B					
6	1,800	4B					



New rental apartments in the Boston area, and other high-cost metro areas, too expensive to build

Mid-Rise Rental Development			Supportable Rent per Square Foot for Workforce Households						
Persons per Household	Typical SF	Unit Type	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI		
1	450	Studio	PRICED OUT				\$2.81	\$3.16	\$3.51
2	700	1B					\$2.58		
3	900	2B							
4	1,200	3B							
5	1,500	3B							
6	1,800	4B							

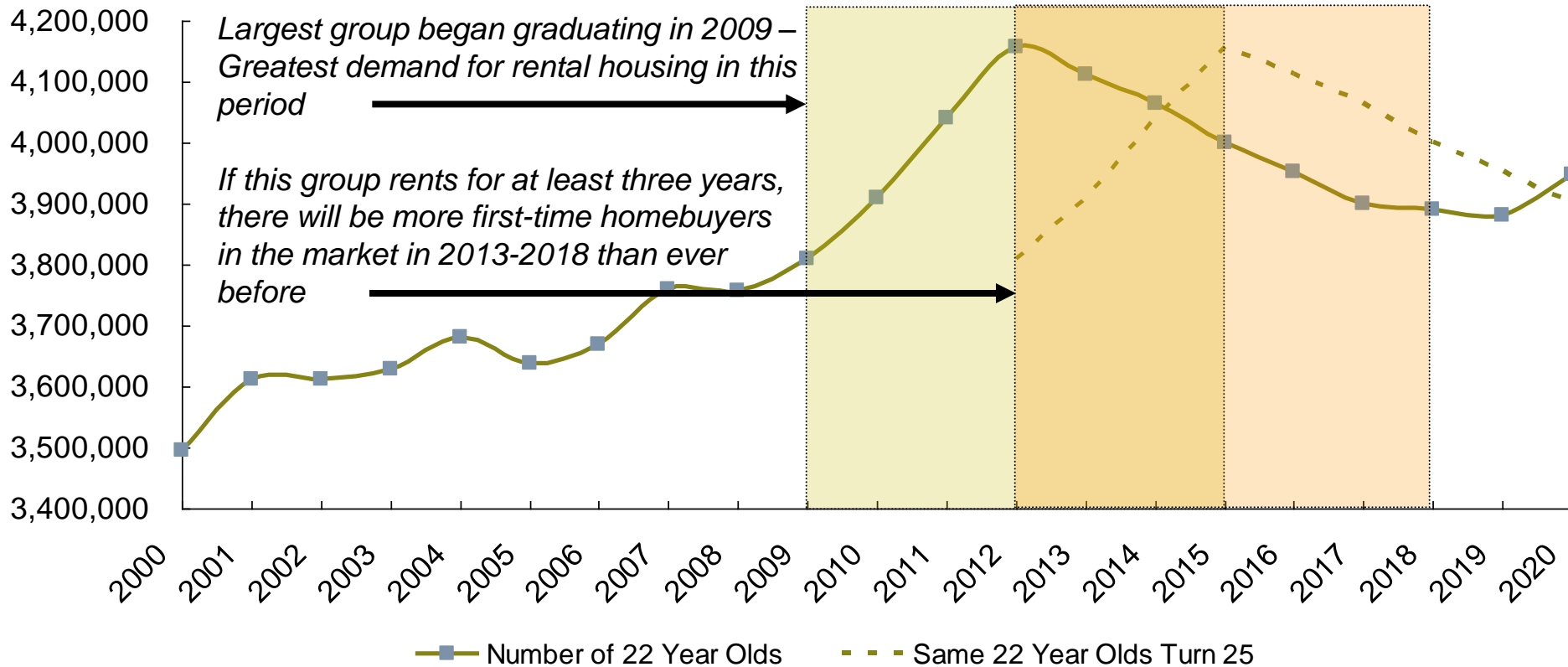


Garden Rental Development			Supportable Rent per Square Foot for Workforce Households							
Persons per Household	Typical SF	Unit Type	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI			
1	450	Studio	PRICED OUT				\$2.46	\$2.81	\$3.16	\$3.51
2	700	1B					\$2.32	\$2.58		
3	900	2B					\$2.26			
4	1,200	3B								
5	1,500	3B								
6	1,800	4B								



WHERE WILL GEN Y WORK AND LIVE?

SEEKING DYNAMIC URBAN ENVIRONS...CAN THEY AFFORD IT?



NOTE: Number of 22-year olds is based upon birth rate and does not factor in death rates and migration.

SOURCE: U.S. Centers for Disease Control and Prevention

GEN Y WANTS WALKABLE, MIXED-USE CHALLENGE IS PROVIDING PRODUCT THEY CAN AFFORD



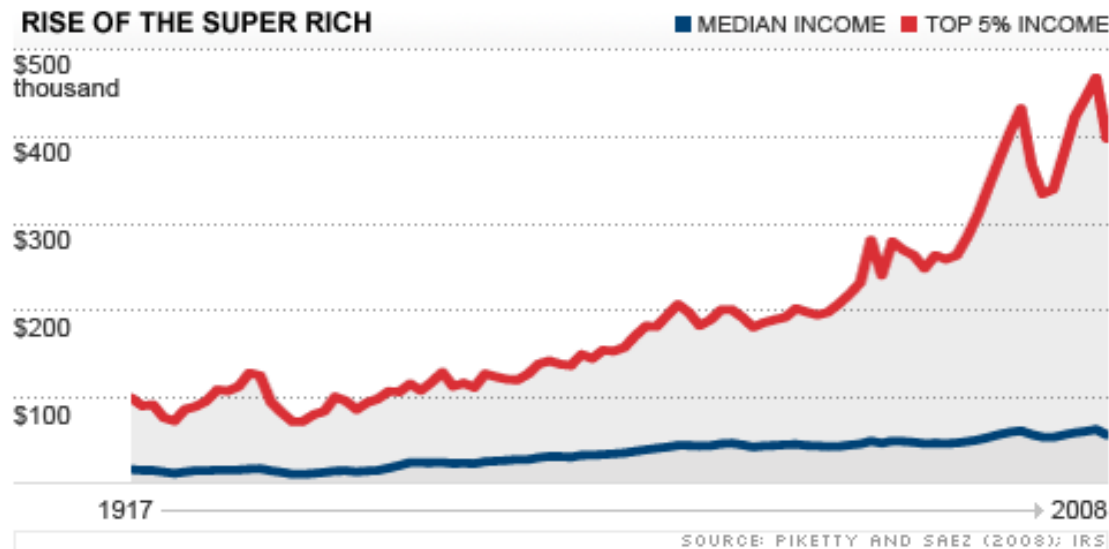
- Driven by convenience, connectivity, and a healthy work-life balance to maintain relationships
- **1/3** say they'd pay more to walk to shops, work, and entertainment (can they afford it?)
- **2/3** say that living in a walkable community is important
- More than **1/2** of Gen Y would trade lot size for proximity to shopping or to work
- Even among families with children, **1/3** or more are willing to trade lot size and "ideal" homes for walkable, diverse communities

SOURCE: RCLCO Consumer Research

AGING BOOMERS AND GEN Y PREFER WALKABLE NEIBORHOODS

ASPIRATIONS DON'T MATCH INCOMES

How the middle class became the underclass



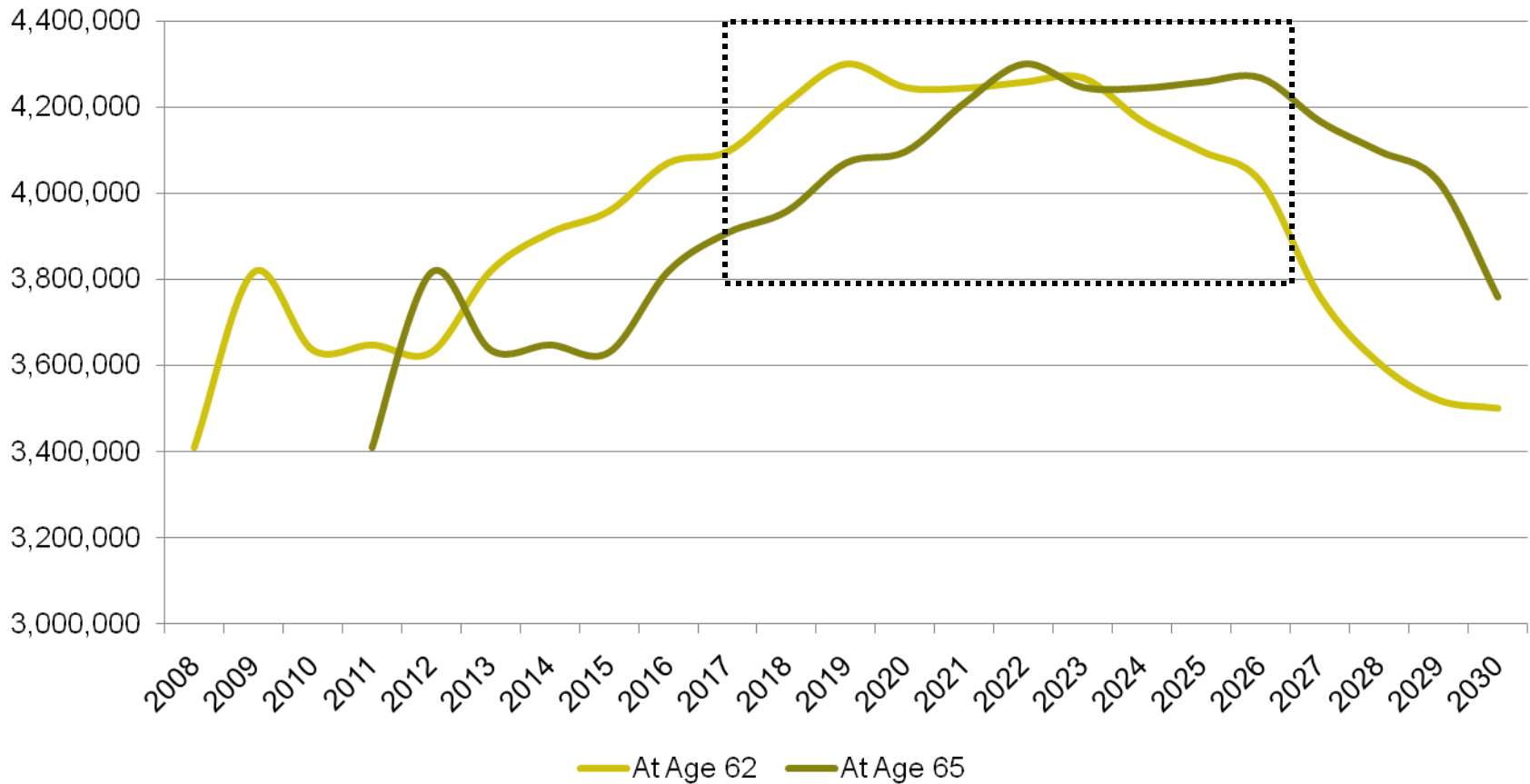
Source: IRS, CNN, Piketty and Saez

- Growing income disparity
- Avg. income in 1988 was \$33,400
- Avg. income in 2008 was \$33,000
- Incomes for wealthiest Americans (\$383k+) grew 33%
- Globalization, educational attainment gap, stock market gains are the culprets

SENIOR HOUSING

DELAY IN DEMAND FOR RETIREMENT HOUSING

Baby Boomers Estimated Rate of Retirement
2008 to 2030



SOURCE: National Center for Health Services,

NOTE: Based on an average retirement age of 62 according to the U.S. Census, Age 65 based on Metlife Middle Boomers Survey

CAPTURE FUTURE VALUE OF TRANSIT LOCATION PRESERVE AND ENHANCE AFFORDABLE WORKFORCE HOUSING

Portland Streetcar Property Value Change 1997-2003

Legend

- Streetcar Stop
- Streetcar Line
- MAX Light Rail

Percent Change 97-03

- < 0
- 0 - 50
- 50 - 100
- 100 - 150
- 150 - 200
- 200 - 250
- 250 - 300
- 300 - 350
- 350 - 400
- 400+



Original cost - \$54M

*Catalyzed
Investment - \$3.8B*

Multiplier – 74X

SOURCE: RCLCO,
Reconnecting America

IN CONCLUSION



The high cost of land, entitlement, and construction make developing new workforce housing near employment cores challenging.

Without creative new ways to help finance housing for workforce households, job rich areas will face a further shortage of units, leaving workers vital to the regional economy **PRICED OUT**



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