

By most measures, buying or renting a home remained an expensive and, too often, unaffordable proposition for Connecticut residents over the last year, despite a downturn in sales, price and demand. High unemployment and slow economic activity contributed to sobering realities: 15% more families were homeless,¹ income disparity increased,² and the number of households burdened by their housing costs grew.² Even as home prices declined and then leveled off,³ rental costs rose,⁴ leaving Connecticut among the 10 most expensive states for both.

United Way of Connecticut's 2-1-1 Infoline was a good barometer of hardship's connection to housing: requests for housing services – from homeless shelters to rent payment assistance – rose to 90,074 in 2010 from 72,251 a year earlier, and were projected to go up in 2011 based on requests through August. An example: in 2010, 2-1-1 received 16,721 service requests about homeless shelters – 46 a day – up from 14,802 in 2009 and on pace to exceed 18,000 in 2011.

For those who are homeless, ill-housed or overburdened by the cost of their housing, the answer will reasonably need to include maintaining and increasing the supply of homes for low- and moderate-income households through homeowner assistance, rental subsidy, new construction or preservation activities.

In addition, a changing market could mean much of our current housing stock may not meet the state's future needs. Economists and housing experts largely agree that increasing fuel and energy costs, the difficulty in obtaining mortgages, the aging of the state's population and other factors all add up to a market shift: larger homes and those far from transit with high energy or transportation costs may no longer have broad appeal. Indeed, as economic woes created more vacant homes, rental vacancies fell. Based on these trends, Connecticut's housing future may look more like this: many smaller, more affordable, energy-efficient homes in town centers and other walkable locations with access to transit. Reducing size along with transportation and energy costs can make more homes affordable for all, including the skilled labor Connecticut needs. Going forward, economic and demographic imperatives may not only impact the public's needs and buying power, but also the ability of government to help.

51%
Renters in Connecticut
who pay over 30% of
their income on rent.

15%
The increase in family
homelessness between
2010 and 2011.

112
The number of towns
where the state median
household income
cannot afford a
median priced home.



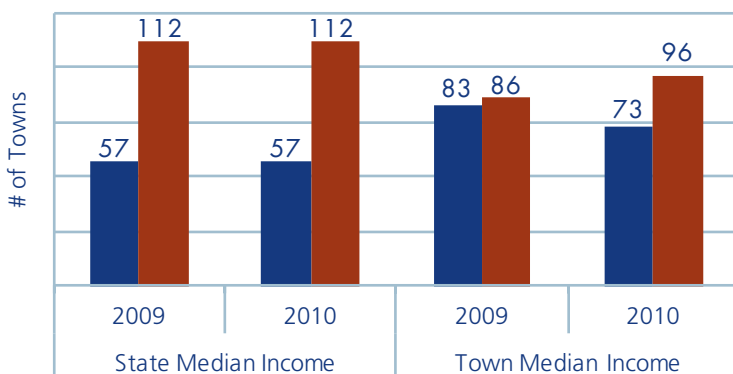
■ Owning A Home: Fewer Sales, Lower Prices, Less Activity, Still Expensive

Connecticut remains one of the costliest states to buy or rent a home, a barrier to formation of a strong labor pool, job creation and economic growth. The recession and anemic economy continued a housing slump in 2010 that saw home sales slump to 24,270 in 2010 from 37,922 in 2006, the high point of the state's recent housing boom.³ During that period, the median sales price dropped to \$250,000 from \$276,000 in 2006.³ Connecticut remained among the states producing the lowest number of new homes, with building permits totaling 3,932 in 2010, 47th per capita in the nation, down from 46th in 2009.²

Affording a Home in Connecticut in 2010

Connecticut's 2010 median household income could not qualify to purchase a home in 112 of the state's 169 cities and towns. The town median income was too low to qualify for the typical home mortgage loan in 96 of the state's towns in 2010.

Source: The Warren Group, CERC DataFinder Applied Geographic Solutions



■ Median Income Qualified: YES ■ Median Income Qualified: NO

Despite the economic downturn and the falloff in the housing market, there remains a gap between the growth of personal income – the ability to purchase a home – and the increase in the median sales price of a Connecticut home. Since 2000, personal income in the state has grown 43.4%,⁵ but the median sales price – despite a steep decline since 2007 – has grown 49.1% over the decade.³ As a result, the state remained uncompetitive in the cost of owning or renting a home when compared to states with which Connecticut competes for skilled labor, jobs and business investment.

This is bolstered by data from the Census Bureau's 2010 American Community Survey, which shows the median value of a home in Connecticut at \$288,800, the eighth highest in the nation. Perhaps most important for young families and professionals, the pool of affordable homes to buy stayed small. The Census Bureau reported that only 23% of the homes in the state were valued under \$200,000 in 2010, down from 65% in 2000; 53% were valued under \$300,000 in 2010, down from 83% in 2000.

Meanwhile, the Department of Economic and Community Development reported that the statewide total of affordable units – those whose costs were held down by government financing, mortgages or deed restrictions – rose to 155,050 in 2010 from 151,438 in 2009, primarily due to more effective use of government rental assistance. But that news was largely offset:

- DECD's Affordable Housing Appeals List indicated that at least 10% of the housing stock was affordable in only 31 of the state's 169 cities and towns.
- The Partnership for Strong Communities' "Affordability in Connecticut, 2010" study showed that the median household income in 96 towns could not qualify for a mortgage to buy the median sales price homes in those towns, up from 86 towns in 2010. The statewide median household income could not qualify for a mortgage to buy the median sales price home in 112 of Connecticut's 169 cities and towns in 2010, unchanged from 2009.
- The National Low Income Housing Coalition found that, based on the number of renters making 50% of median income or less, the state was short 147,911 affordable and available rental units.

Perhaps due to income declines, high home prices and more stringent mortgage underwriting standards, Connecticut's population continued a four-year move toward renting rather than ownership, consistent with national trends. In 2010, 32.0% of state residents rented, up from 30.0% in 2007.² Nationally, renters made up 34.6% of households in 2010, up from 32.8% in 2007.² Meanwhile, the number of vacant homes rose to 9% in 2010 from 8.3% in 2007.²

■ Foreclosures: Consistent With U.S. Slowdown But Prognosis Bleak

Connecticut, like the rest of the nation, experienced a slower pace of foreclosures in 2010 and 2011 due to the moratoriums established by banks in response to the "Robo-signing" scandals of 2010. As a result, foreclosure deeds filed in the first half of 2011 totaled 1,211, on pace for less than half of the 6,582 total of 2010.⁶ Similarly, lis pendens claims – notice of pending claims against a property, indicating it may be headed toward foreclosure – fell to 21,980 in 2010 from 24,544 in 2009 and numbered just 6,406 filings for the first two quarters of 2011.⁷

The second half of 2011 saw the pace of foreclosures accelerate nationally, raising the specter of new downward price pressures and greater demand for rental housing and other affordable alternatives in many communities of Connecticut.

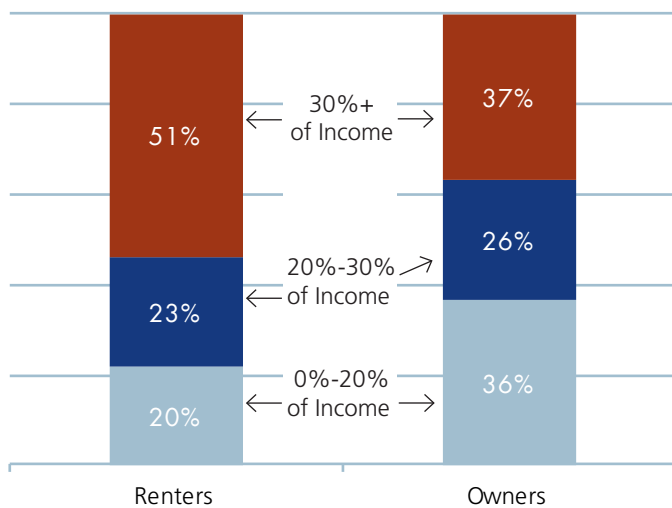
■ Rental Housing: Demand Drives Up Prices, Cost Burden

Housing availability and prices are strictly a function of supply and demand. Upward pressure on rental prices in Connecticut is driven by the increasing inclination of residents to rent rather



Percent of Income That CT Renters & Owners Paid Towards Housing Costs in 2010

Source: American Community Survey 2010 1-Year Estimates



50% of renters and 35% of owners in Connecticut spent more than 30% of their income on housing costs. These households have less money for other necessities, like food, clothing and healthcare.

than own. At the same time, falling median incomes left all households and, particularly, renting households, with less income to afford housing. Connecticut's median household income fell to \$64,032 in 2010 from \$68,595 in 2008; renting households saw a drop to \$33,556 from \$35,465 during the same period.² While income fell, Connecticut's "housing wage" – the wage needed to afford the rent for a typical 2BR apartment – was the 6th highest in the nation.⁴ The state's housing wage of \$23.37/hour equates to nearly \$49,000 annually,⁴ an average wage level that nearly half the state's occupations fail to reach.⁷

While all Connecticut residents found themselves subject to higher housing costs in 2010 – 41% of all households spent more than 30% of their income on housing, up from 40% in 2009 and 25% in 2000² – the burden was heaviest on renters:

- 27% of renting households were severely burdened by their housing costs in 2010: they were spending 50% or more of their income on housing.²
- Those renters earning \$35,000 or less – roughly half Connecticut's median income – and spending 30% or more of their income on housing rose to 39% from 33% in 2000, though unchanged from 2009.²
- 51% of renters spent 30% or more of their income on housing, up from 49% in 2009 and 36% in 2000.²

■ Homelessness: Higher With Unemployment and Economic Stagnation

Homelessness, as measured in January by the Point in Time Count conducted by the Connecticut Coalition to End Homelessness (CCEH), increased by several measures. Homeless shelters

have been filled to capacity for several years so an increase in homelessness will be seen most in homeless residents who must live out of doors. Total homelessness for all categories of individuals and families rose 8% between 2009 and 2011.¹ Among other findings of the count, which is conducted by scores of CCEH volunteers to compare a single night of homelessness each year:

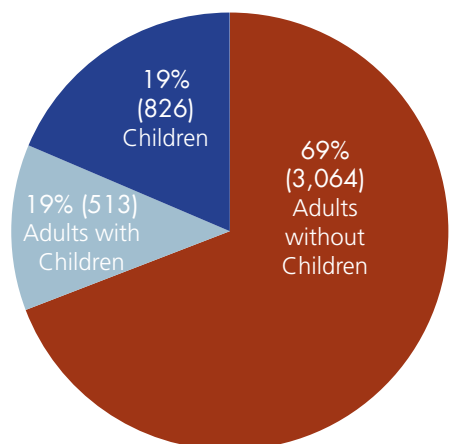
- The unsheltered population on the night of the count increased 38% over the last unsheltered count in 2009.¹
- Chronic homelessness increased 26% among all adults without children since 2009.¹
- After remaining steady for two years, the number of homeless families rose 15% between 2010 and 2011.¹

In addition, data from the Homelessness Management Information System (HMIS), administered by CCEH, indicates continued 100%-of-capacity demand on Connecticut's emergency shelters. HMIS data show that 11,561 persons utilized Connecticut's emergency shelters and 2,380 adults and children stayed in a transitional housing program in 2010.¹

HMIS also captures assistance provided by Homelessness Prevention and Rapid Re-Housing programs (HPRP). Since their inception in Fall 2009, Connecticut's HPRP programs have been able to serve over 2,200 households with the funding provided by the American Recovery and Reinvestment Act, just a portion of the 12,600 households who requested assistance.¹

Connecticut's Homeless Population

Data from the 2011 Point in Time Count (PIT) showed a total of 4,451 homeless persons in CT on a single night in January 2011. While most of those experiencing homelessness were adults without children, there was an alarming 15% growth in homeless families with children when compared to 2010 PIT data.



Source: Connecticut Coalition to End Homelessness, 2011 CT Point In Time Count

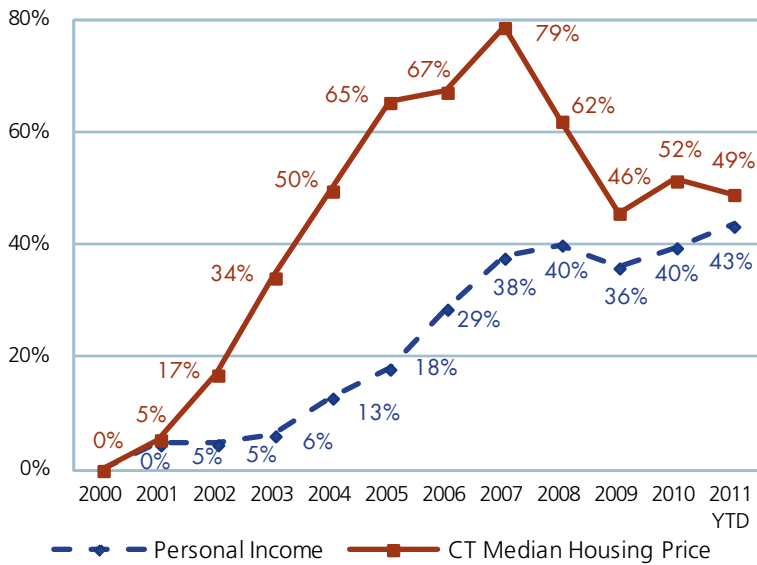
■ Income Disparity: Low-, Moderate-Income Residents Suffer

Income disparity remained significant in Connecticut in 2010, enhancing the potential for housing costs – like other goods and services – to rise further because of the growing ability of upper-income residents to pay higher prices for homes than low- and moderate-income resident can pay.

Connecticut is second in the nation in income disparity: The top 20% of the state's population enjoys an average income of \$233,617. The bottom 20% lives on an average income of \$13,969. One consequence of this is that we have witnessed distortions in the housing market that fuel the "affordability gap" for many Connecticut residents.

Change in CT Personal Income & CT Median Home Sales Price, 2000-2011 (Cumulative)

Sources: U.S. Dept of Commerce, Bureau of Economic Analysis; The Warren Group



The median home sales price in CT has risen at a more rapid rate than personal income for the state. Declines in home prices and increases in personal income have brought them closer together.

The Gini Coefficient, used by economists and demographers, rates inequality on a scale from 0 – complete equality in among all – to 1, whereby one person would have all the income or consumption, and all others would have none. Connecticut’s rating, 0.486, is up from 0.48 in 2009, second only to New York’s 0.499 rating.²

The average household income for the lowest quintile (20% of state residents) was \$13,969, down from \$14,525 in 2009 and the 2007 high of \$15,491.² The average household income for the highest quintile was \$233,617 down from \$238,354 in 2009 and \$240,360 in 2007.²

■ The Future: Recognizing Reality

Housing in Connecticut is the hub of public policy. While no more important than crucial policy areas such as education, healthcare, transportation and the environment, it has an uncommon connection to the solutions for problems in those areas. Studies have found that housing stability and housing opportunity are linked to better educational performance for low-income children. Similarly, providing access to quality housing that is free of lead paint, dust mites and other allergens, can help reduce the instances of lead poisoning, asthma, and other maladies that adversely impact children and adults.

Young families and professionals are more likely to build lives – and provide businesses with skilled, educated labor – in Connecticut if there are housing options that meet their income and lifestyle needs. Empty-nesters and elderly residents can stay out of costly nursing homes and lead more vital lives if they have housing choices in town and job centers that are near necessary services, friends, doctors and social connections. The list goes on. But the reality is stark: tight credit, high energy costs, higher transportation costs and other constraints are changing the housing market. Unless Connecticut can preserve and create a range of smaller, more affordable, energy-efficient, environmentally sound and transit-connected homes, it will not keep or attract the population it needs for a robust economy, high-performing students, and strong communities.

There is a growing understanding among municipal leaders that once-cited arguments against housing creation – the beliefs that housing raises school costs, lowers property values, or increases crime – are not, in fact, bolstered by respected research. That new realization will have to expand to residents across Connecticut so they understand that municipal tax bases and community vitality are dependent on young families and workers who take part in the life of the town, purchase goods and services from local merchants and drive up the demand for homes. Connecticut can help solve many of its economic, educational, environmental and transportation problems with the right type of housing creation. Governor Dannel P. Malloy and his Administration understands that, devoting unprecedented new resources to affordable housing creation. The question is whether municipalities, developers, banks, businesses and state residents will act as partners to preserve and create the affordable housing options Connecticut needs.

Sources

1. Connecticut Coalition to End Homelessness
2. U.S. Census Bureau
3. The Warren Group
4. National Low Income Housing Coalition
5. U.S. Department of Commerce, Bureau of Economic Analysis
6. Connecticut Housing Finance Authority
7. Connecticut Housing Coalition

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