

Making Workforce Housing Affordable Again: A 21st Century Approach

Greater Boston Real Estate Board/GBAR Forum

Burlington, Massachusetts
October 11, 2018

Barry Bluestone

Northeastern University
School of Public Policy & Urban Affairs
www.northeastern.edu/dukakiscenter



The Problem

- Greater Boston has become more successful at retaining and attracting young professionals – graduate students, medical interns and residents, and young professionals from tech savvy entrepreneurs and financial wizards to line-chefs in our best restaurants. This will help keep our region vital and prosperous ... but it is causing a major housing problem for these young people and for the working families with whom they compete for housing.
- To afford housing, many of these “Millennials” are doubling and tripling up, renting apartment units in what has been the region’s traditional workforce housing stock – “triple-deckers”, duplexes, and garden apartments.
- As a result, working families in Greater Boston are being priced out of the rental market and cannot afford to buy into the condominium market in the older housing stock.
- Given the exorbitant cost of building new “family-size” housing in the region, working families have fewer and fewer affordable housing options in Boston, Cambridge, and Somerville, let alone in many of the region’s suburbs.



Answer #1: *The 21st Century Village for Millennials*

- While we should continue to try to find ways of building housing affordable to working families, we need to find ways to **develop a substantial amount of appropriately-sized and priced housing for the 20-34 year old “millennials” sufficiently attractive to draw them out of the older housing stock**, freeing up the older, robust stock of 2-4 bedroom housing for working families at more reasonable rents and prices.
- This will take fresh thinking about the design, development, construction, and financing of this new housing ... new developments which we might call **“21st Century Villages”**.
- To create a sufficient number of these new Villages will require a **new collaboration** between developers, architects, builders, the construction trades, universities, teaching hospitals, and state and local government officials.



Answer #2: The 21st Century Village for Seniors

- Beside a surge in millennials in Greater Boston, there will be a **surge in aging Baby Boomers** who are ready to downsize.
- By providing new forms of appropriate housing for them, we can **free up more workforce housing** for younger families with children.
- Many of these seniors need housing not unlike the housing for millennials.
- **The 21st Century Village will be suitable for both age cohorts.**



Meeting the Mayors' Goals

- On October 2, the mayors of 15 cities in the core of Greater Boston assembled and agreed to sharply accelerate the pace of home construction.
 - *Arlington, Boston, Braintree, Brookline, Cambridge, Chelsea, Everett, Malden*
 - *Medford, Melrose, Newton, Quincy, Revere, Somerville, and Winthrop*
- The new goal: **185,000 new homes by 2030**, including 69,000 in the City of Boston.
- A worthy goal ... but how can this be accomplished?
- **We need a new approach to housing with new partners joining to meet the housing challenge**
- Let's start with some history



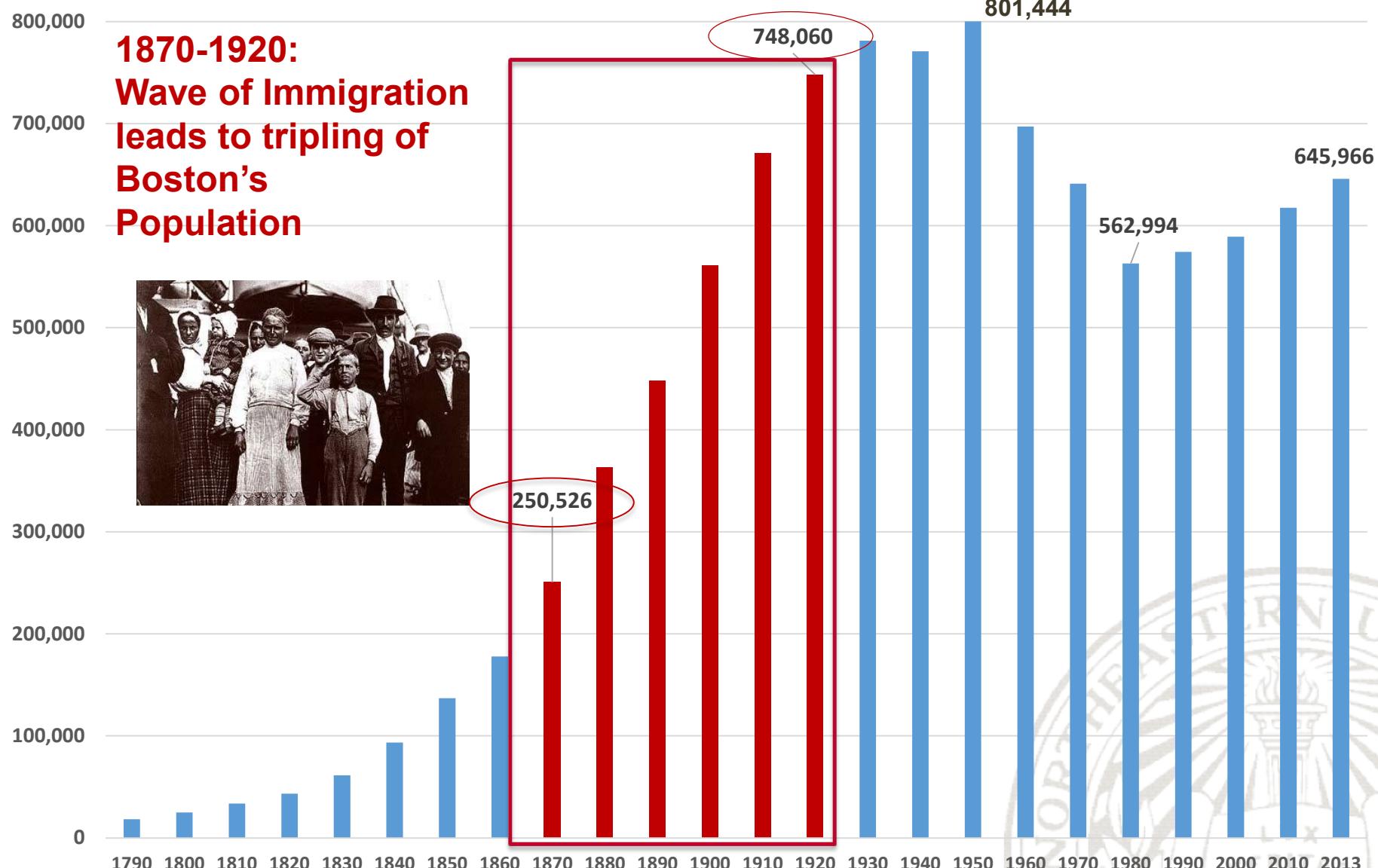
Historical Background

Demographic Revolution #1

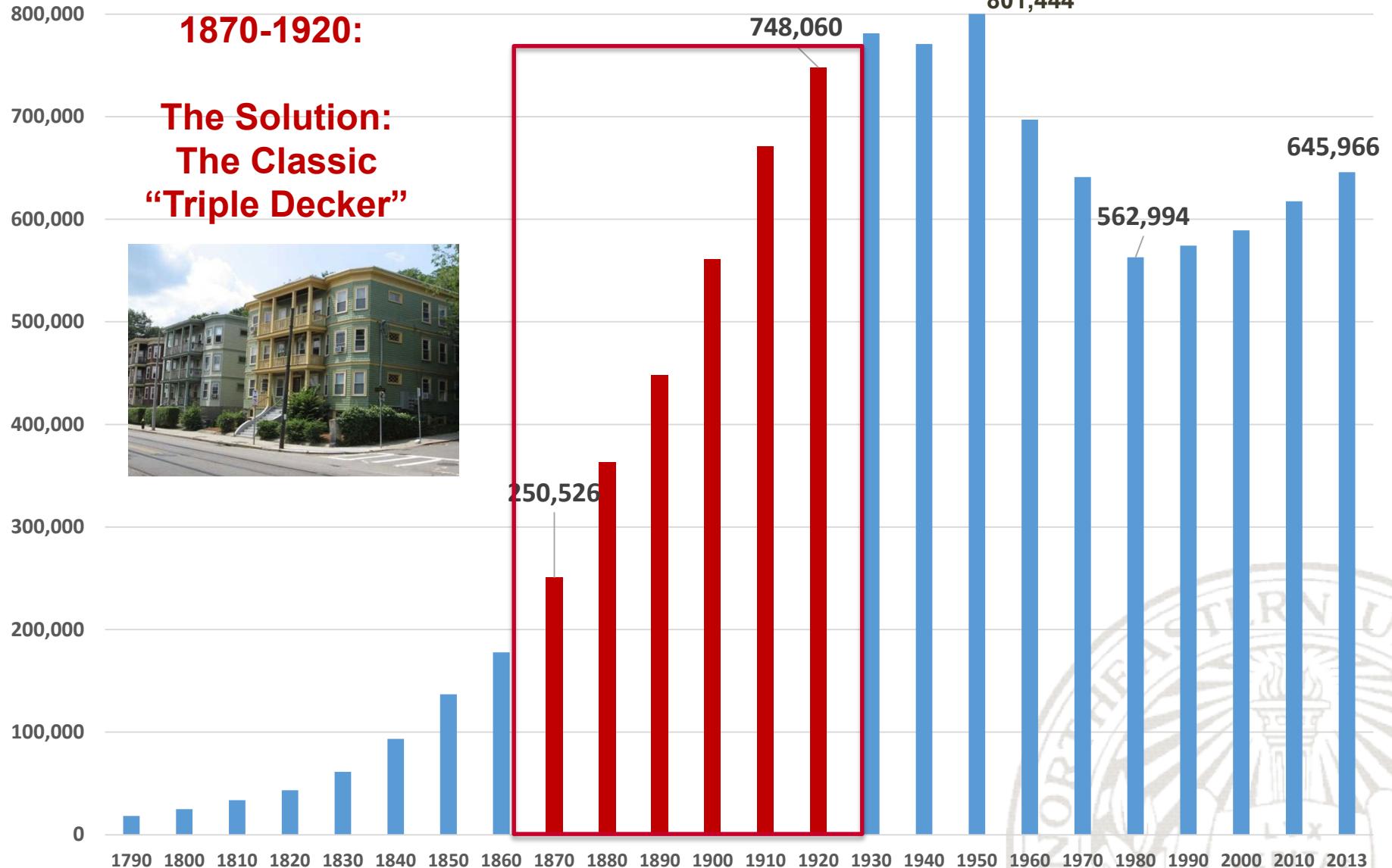
1870 -1920

Urban Development

City of Boston Population 1790-2013



City of Boston Population 1790-2013



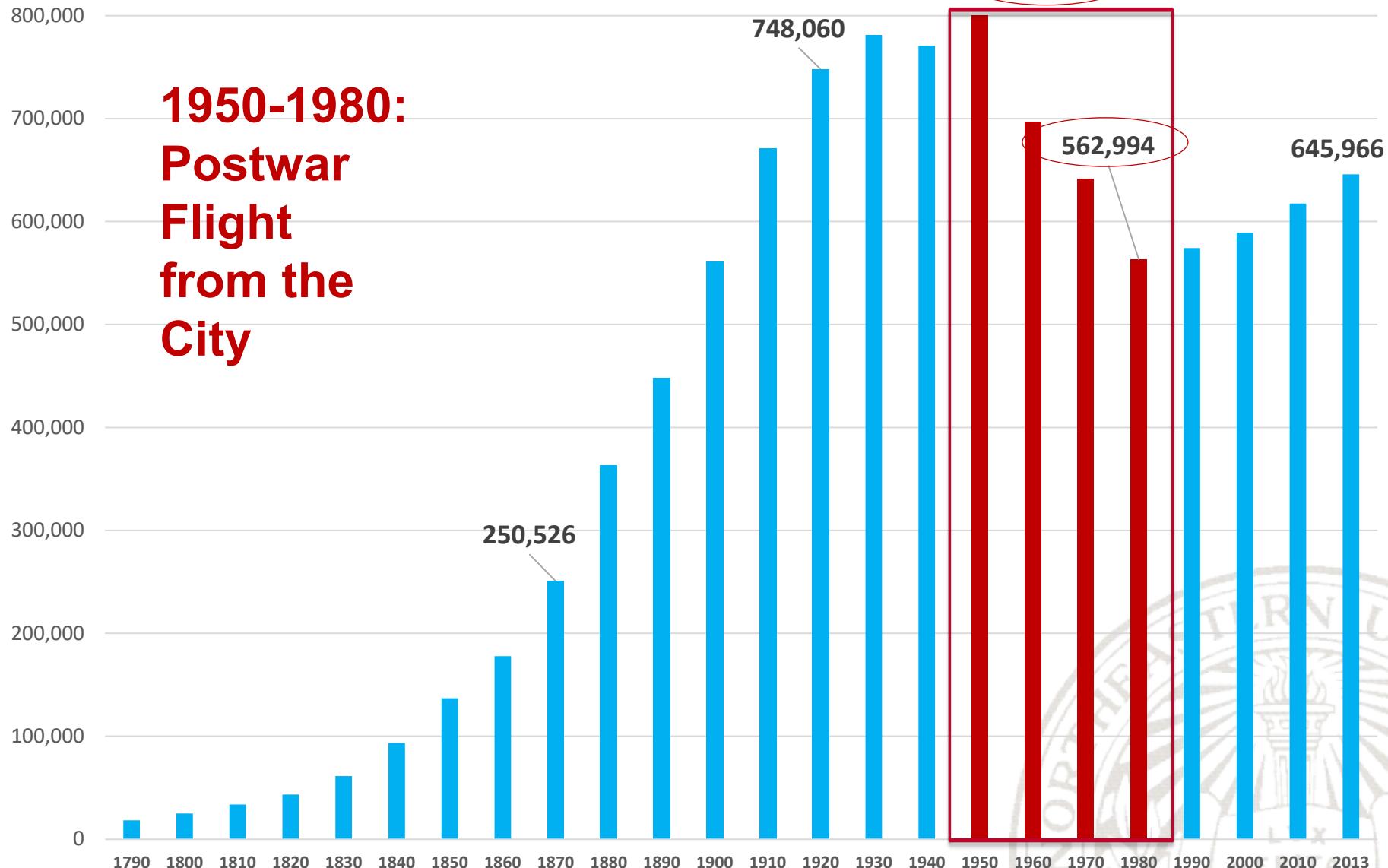
Demographic Revolution #2

1950 -1980

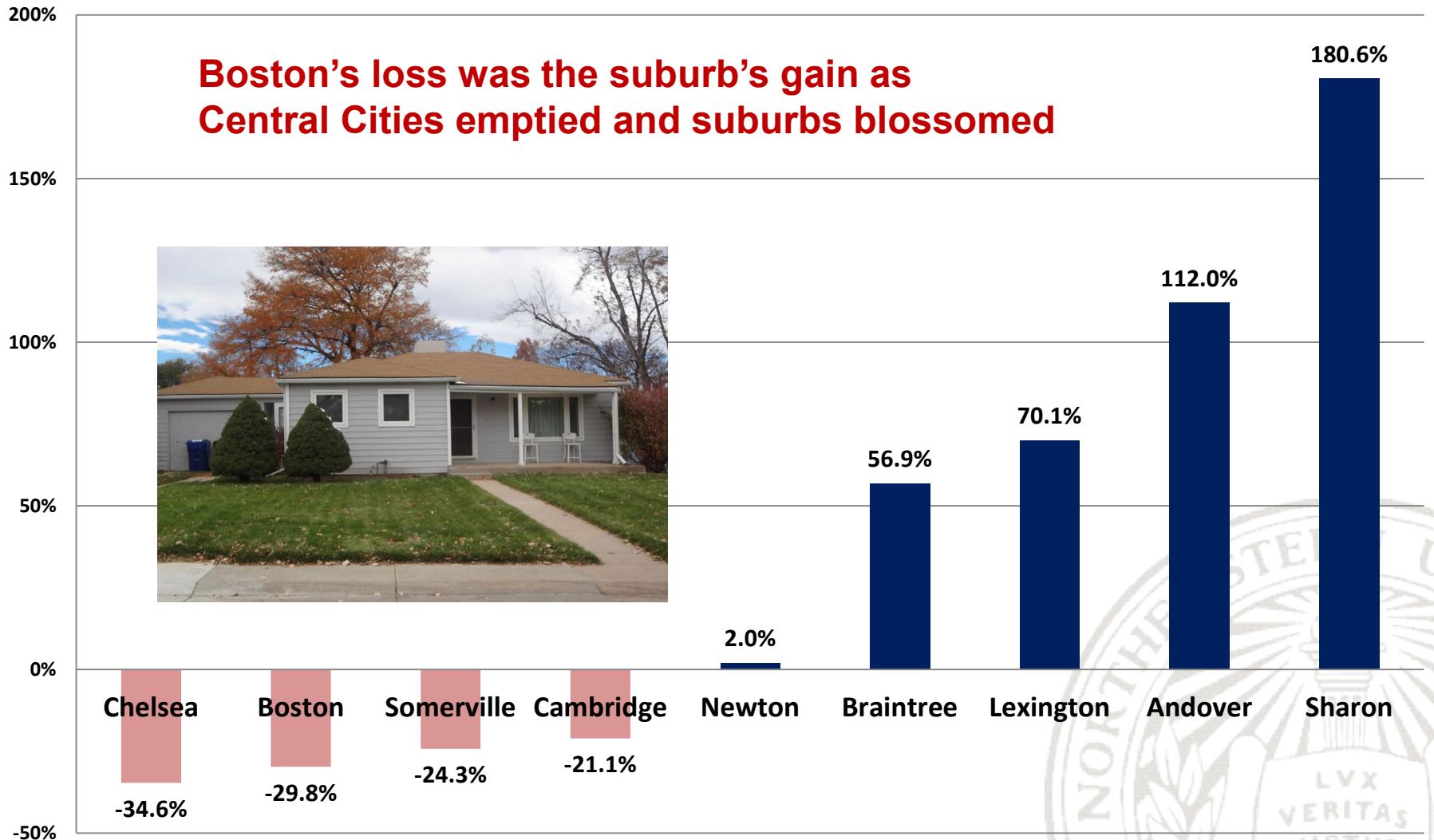
Suburban Development

City of Boston Population 1790-2013

**1950-1980:
Postwar
Flight
from the
City**



Percentage Change in Population for Greater Boston Municipalities 1950-1980

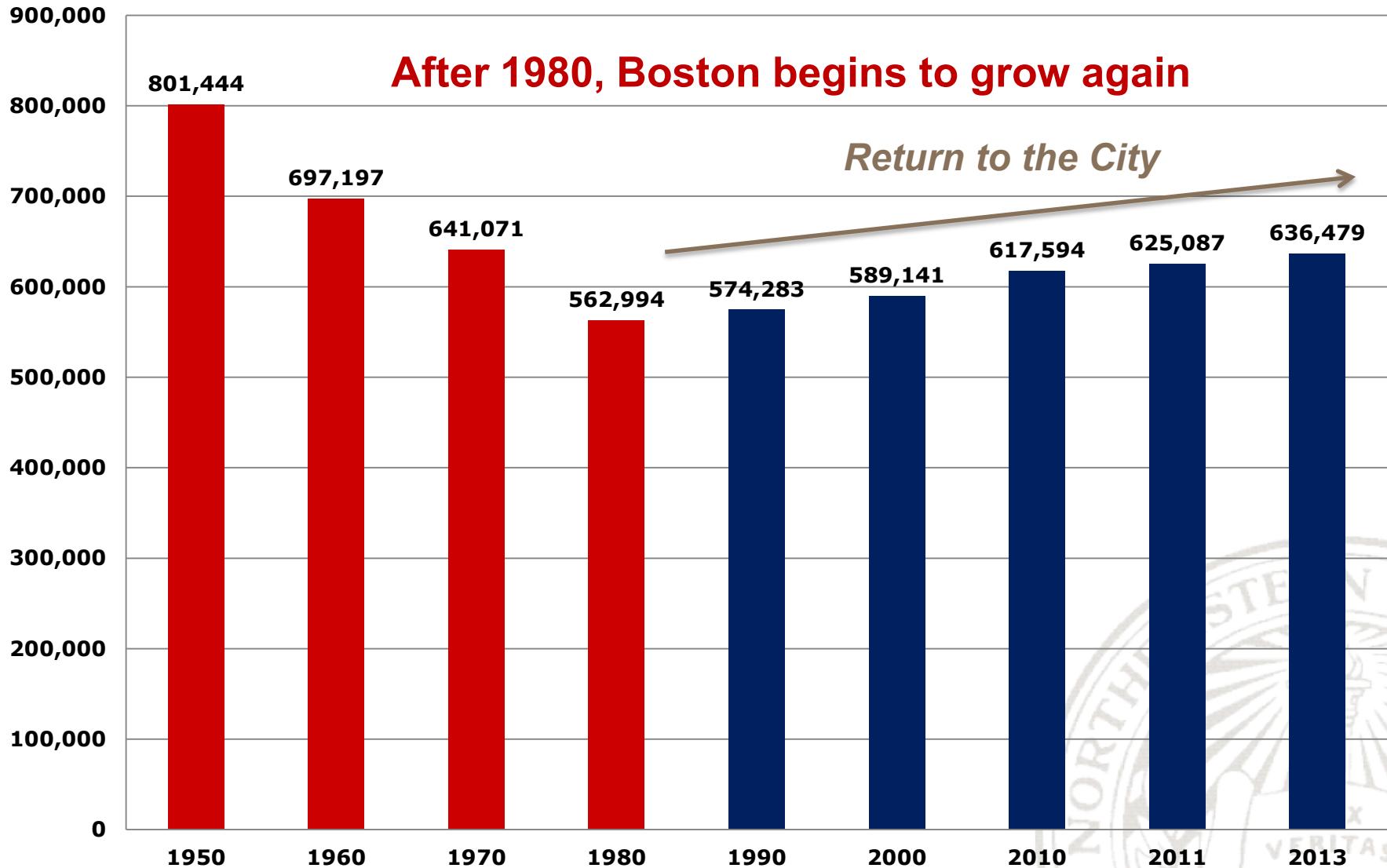


Demographic Revolution #3

1980-2010

**Young Millennials
Aging Baby Boomers**

City of Boston Population



Boston-Cambridge-Somerville

- In 2000, 20-34 year-olds comprise **34.8%** of the region's total population
- Between 2000 and 2010, 20-34 year-olds are responsible for **73.9%** of the growth in the region



Triple Decker 1910

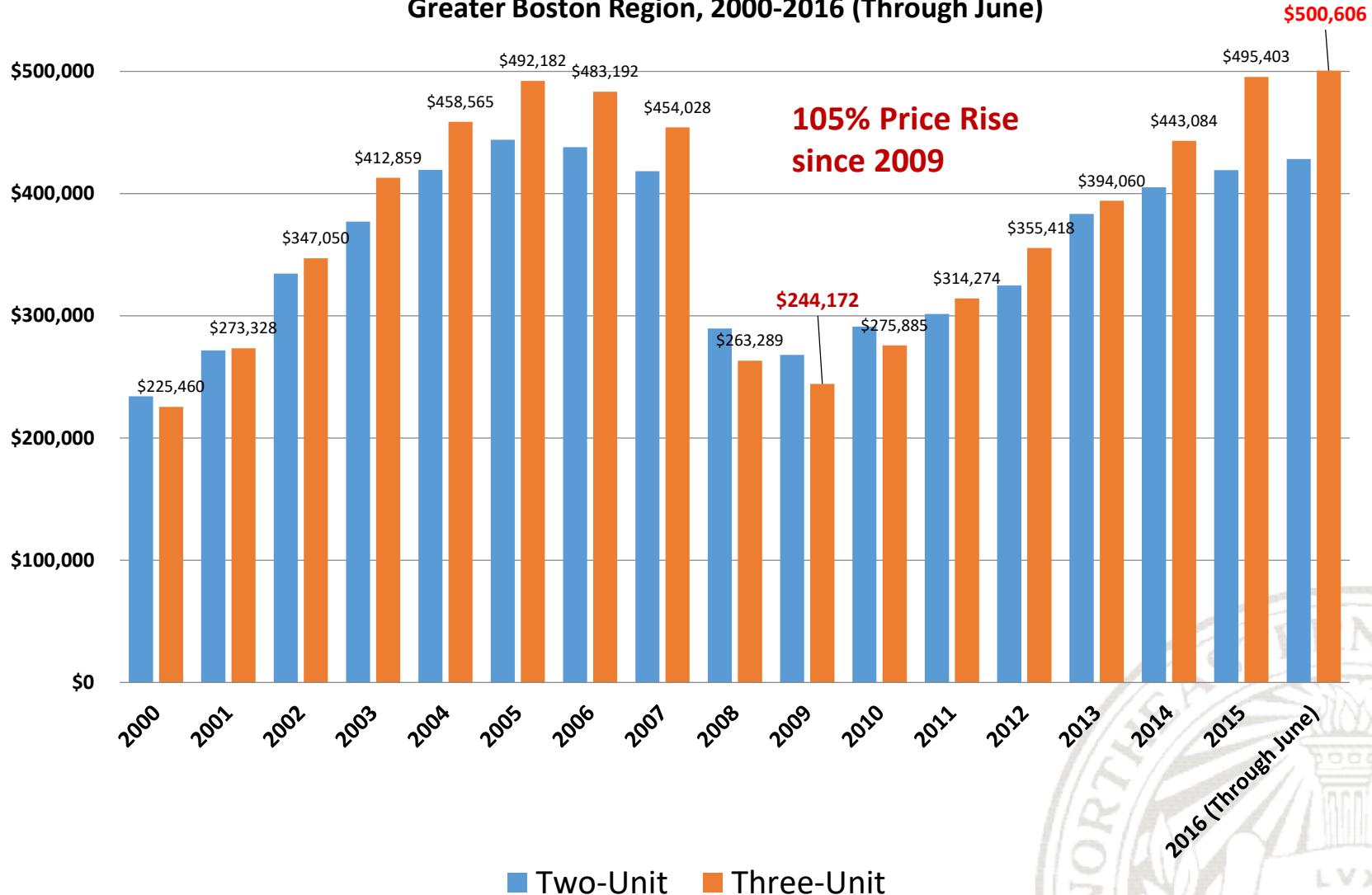


Triple Decker 2010

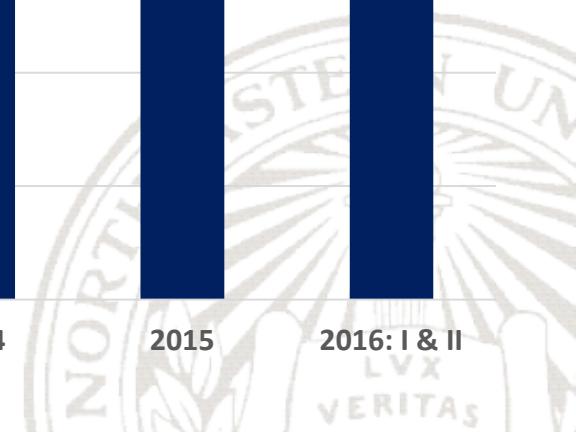
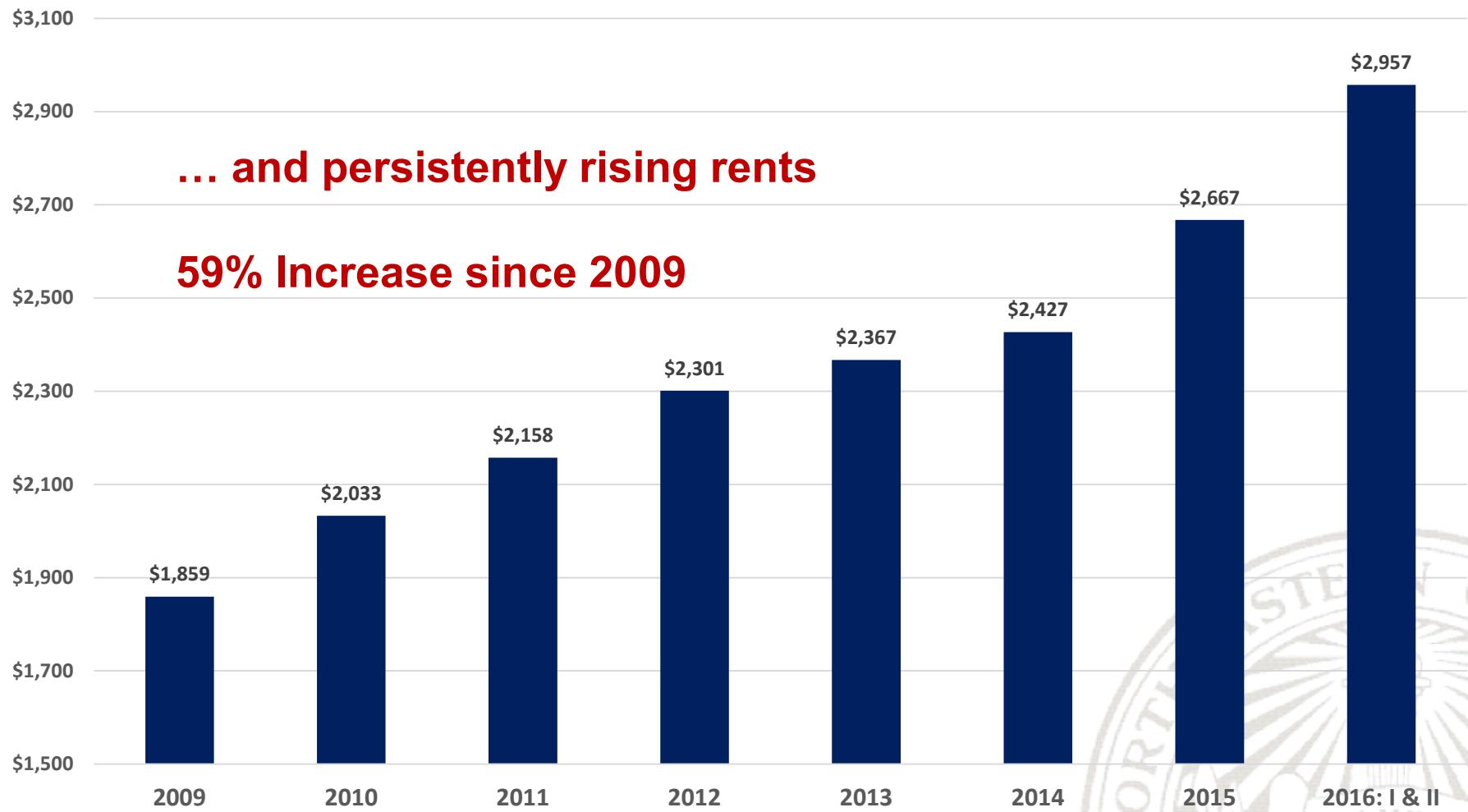
... and these millennials are doubling, tripling, and quadrupling up in Triple Deckers ... outbidding working families for what was traditionally working family housing



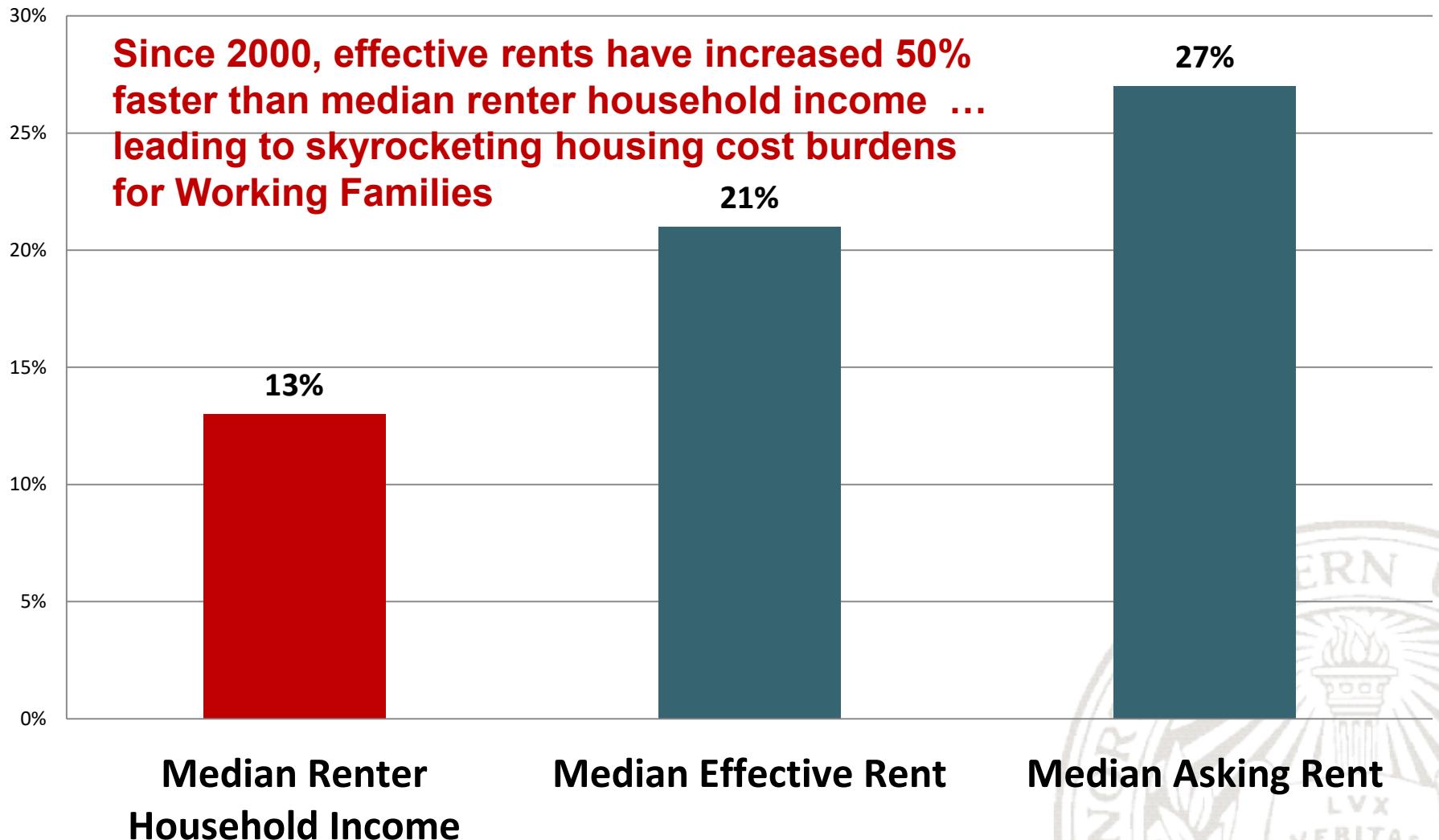
**Annual Median Price of Homes in Two-Unit and Three-Unit Structures in Five-County
Greater Boston Region, 2000-2016 (Through June)**



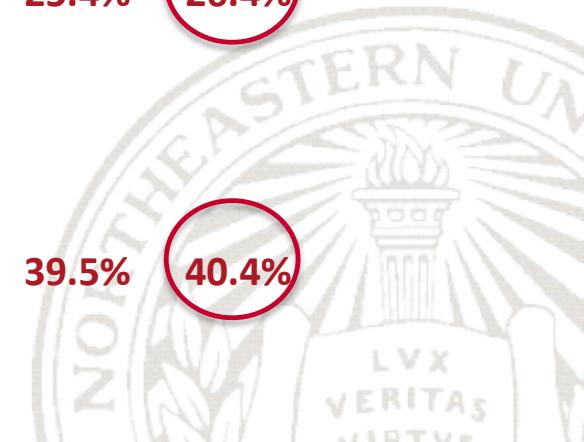
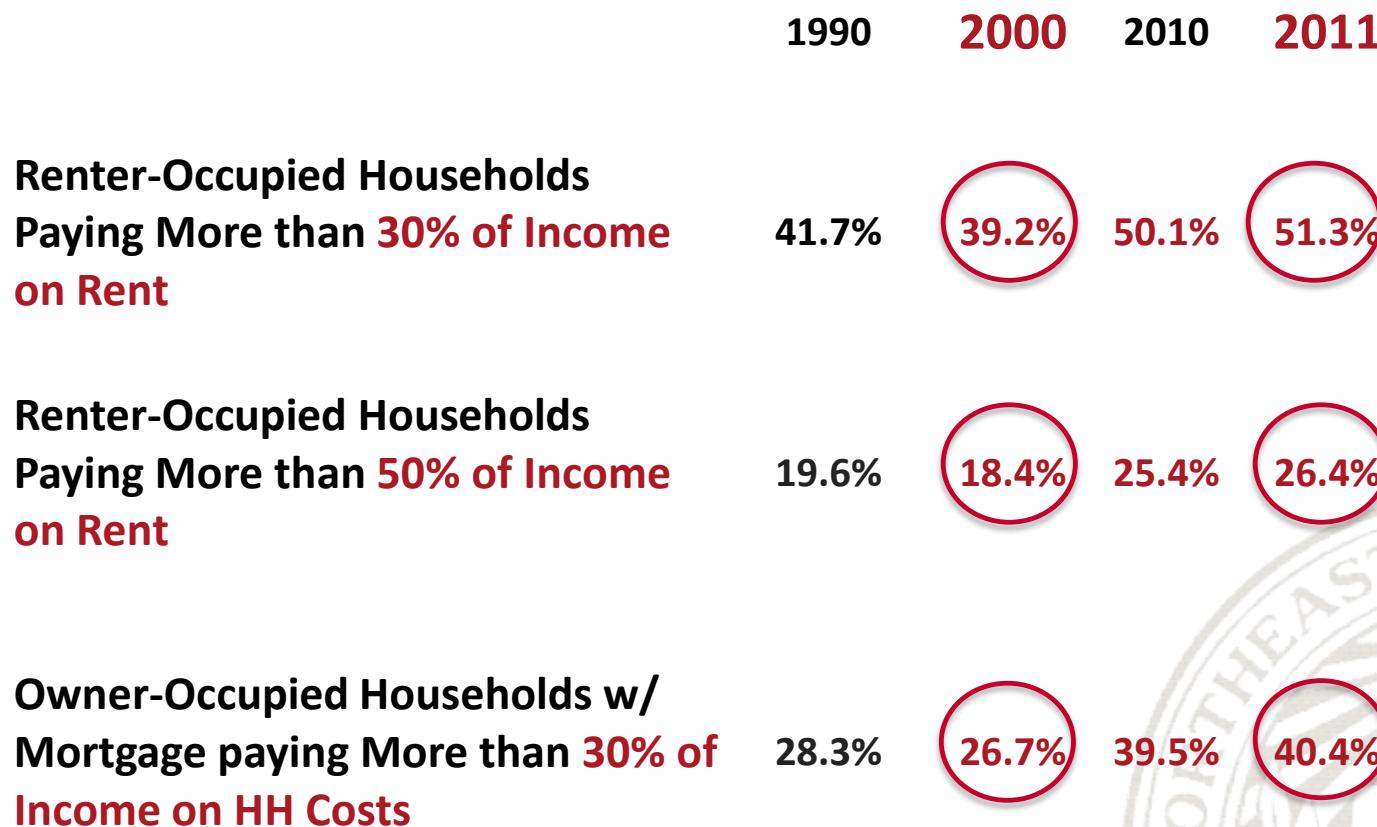
Average Market Rent
Inner Greater Boston Core
2009-2016:II



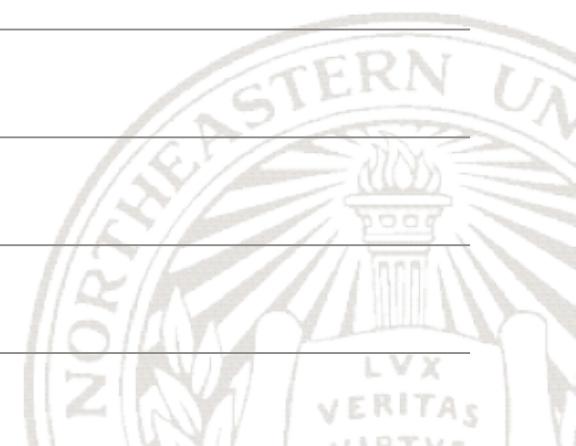
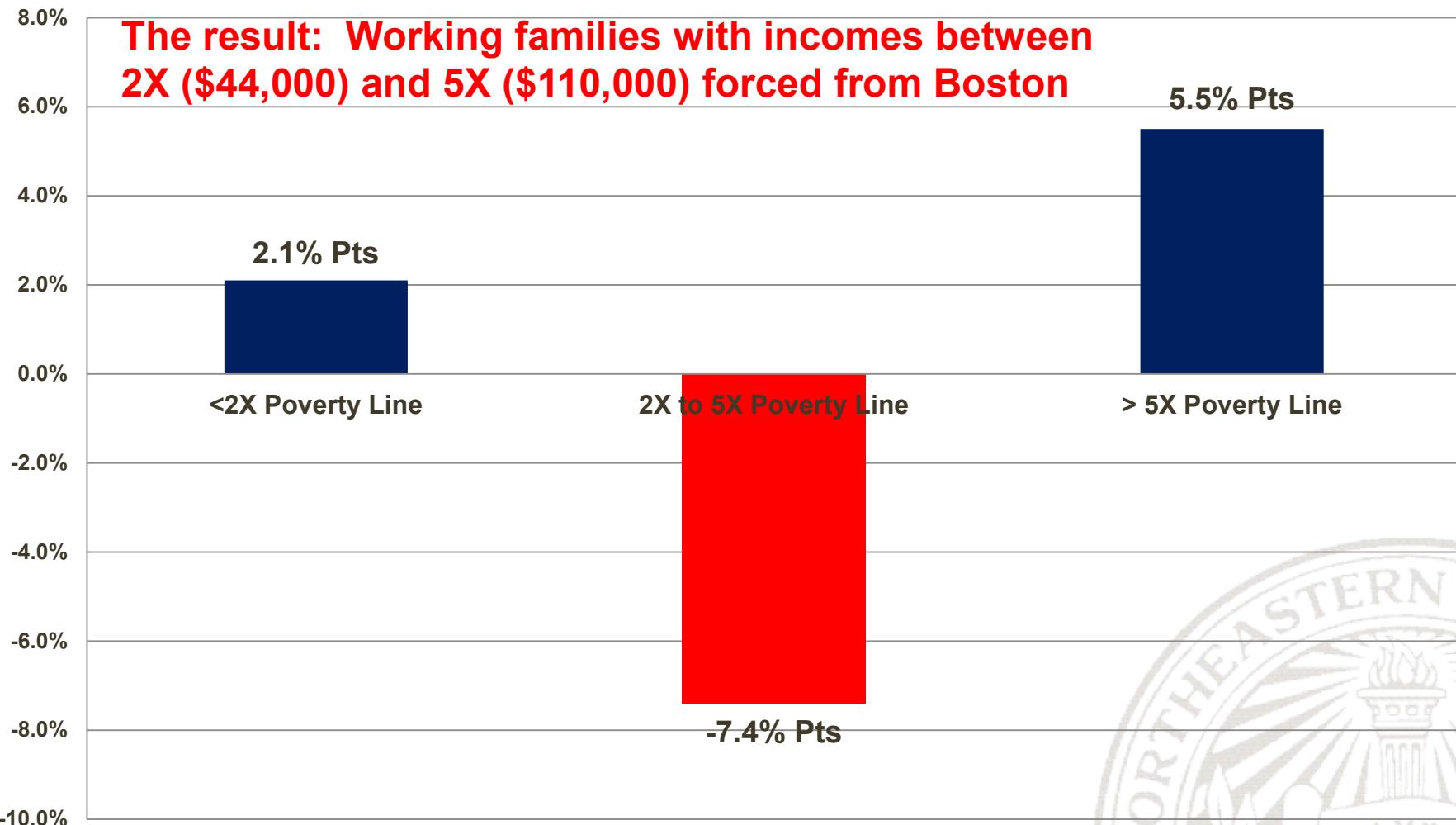
Percentage Change in Greater Boston Rents (2000-2013) vs. Percentage Change in Median Renter Household Income (2000-2011)



Rising Housing Cost Burden – Greater Boston



Percentage Point Change in Share of All Boston Families at Various Points in the Income Distribution 1990-2010



Goal: Free up Triple-Deckers in the City and Homes in the Suburbs

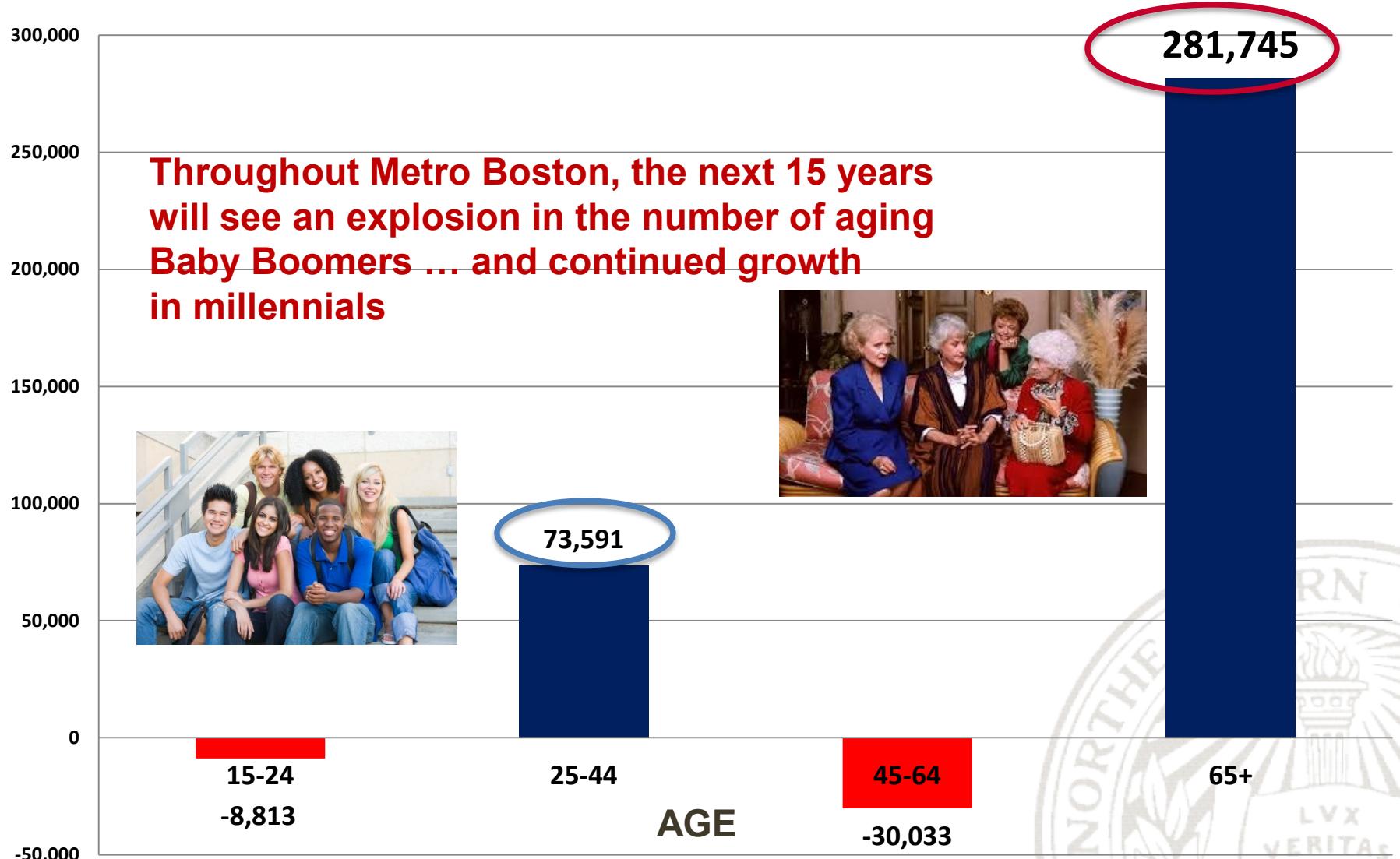
- By providing new housing opportunities for millennials, a substantial number of units in Triple Deckers and duplexes could be freed up for working families in the Inner Core cities of Greater Boston.
- By providing new housing opportunities for aging Baby Boomers who currently live in larger suburban homes, we can free up more of the existing suburban housing for working families.

What does the Future hold for Greater Boston's Demography?

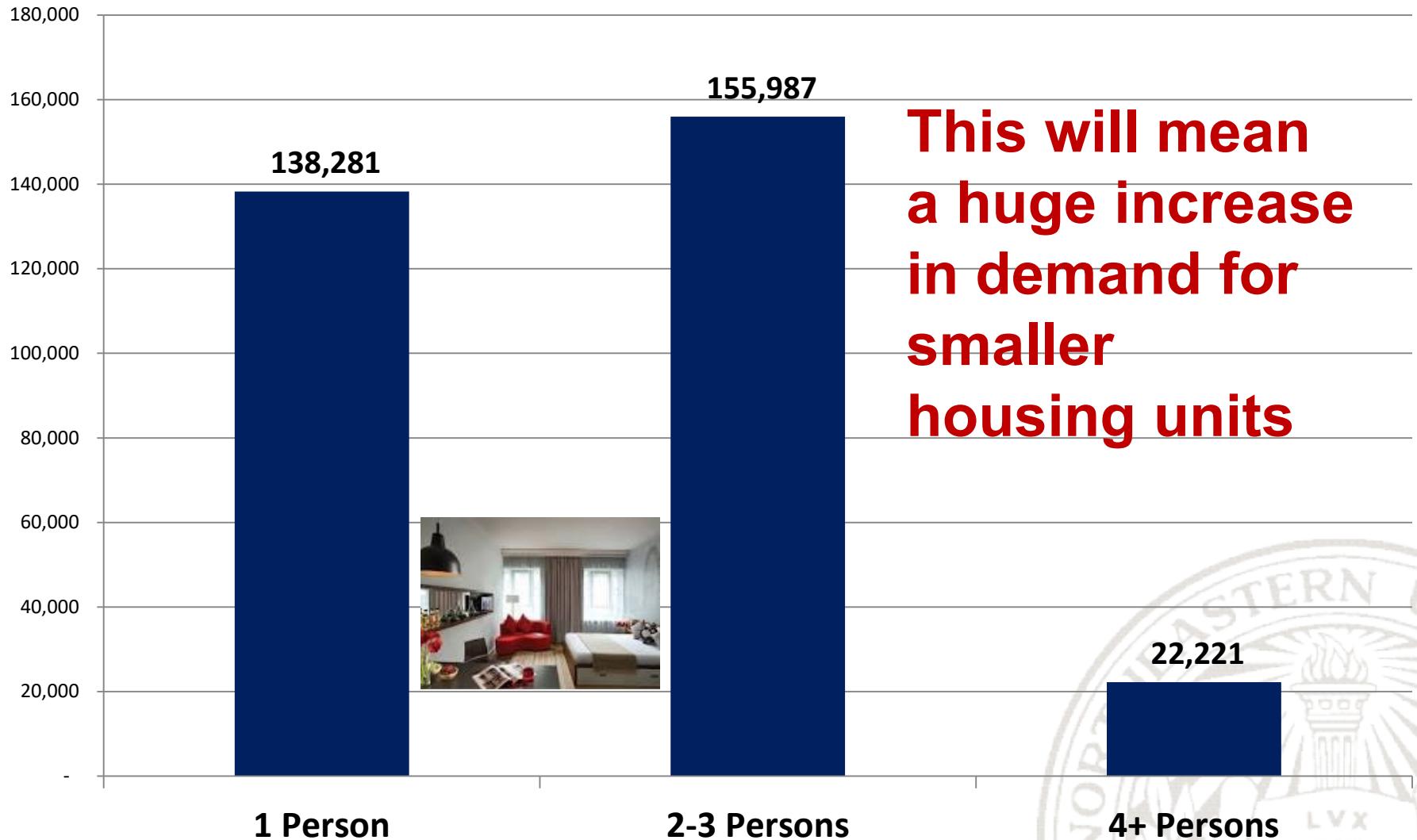
2010-2030



Change in Number of Households in Metro Boston 2010-2030 (Projected)



Increase in Number of Metro Boston Households by Household Size 2010-2030 (Projected)



Need for Housing for:

Young
Millennials



Working
Families



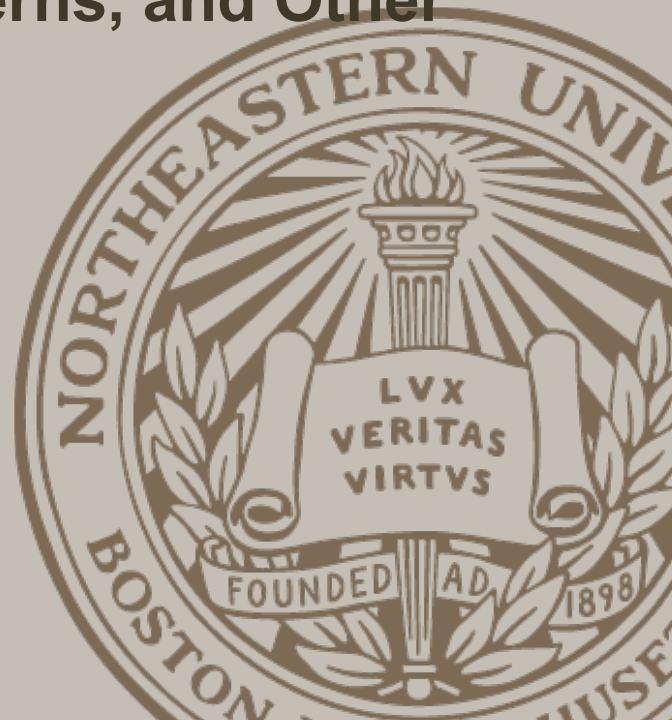
Aging Baby
Boomers



Solving One Part of the Housing Problem

“The 21st Century Village” – Housing for Graduate Students, Medical Residents & Interns, and Other Young Professionals ...

as well as Aging Baby Boomers



Making the 21st Century Village Attractive

- Apartment structures -- **Villages** -- with:
 - A **range of units** from small/"micro" apartment to studios and multi-bedroom units for graduate students, medical students, and other millennials ... as well as aging Baby Boomers varying in affordability from the low income graduate student to the more well-heeled student, young professional, and Senior.
 - **Common shared space** with lounges, laundry facilities, seminar rooms, study space, music practice rooms, work-out facilities, and offices that can act as small business incubators
 - Ground floors to house **retail establishments** – a grocery store, drycleaners, coffee shop
 - **Roof Garden for parties** and BBQ
 - Near **public transit** where possible
 - Parking for **Zip Cars**, bicycles
 - **Storage Lockers** in basement



Making the 21st Century Village Affordable

- Smaller Units ... including small double/triple bedrooms
- Shared kitchens & common space
- Limited/No parking
- State/local government assistance on financing and land costs
- Developer/Building Trades cost controls



Graduate Student Housing Survey

*Katie Kalugin
Amanda Pepper
Kaleena Seeley
Elizabeth Torres*

Research Subjects

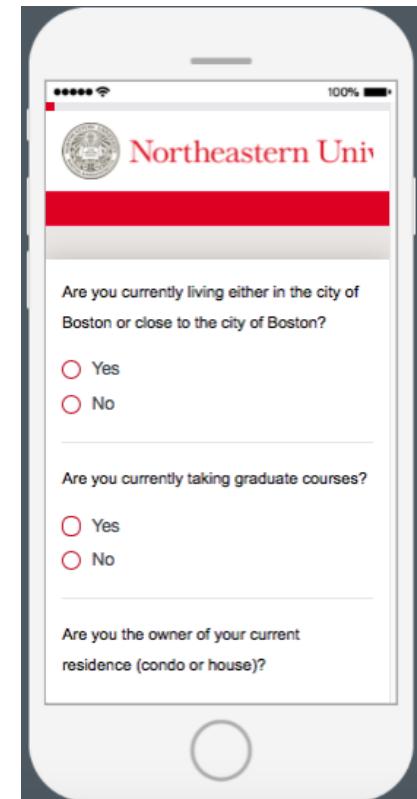
Worked with Northeastern student data specialists to obtain list of all graduate students at Northeastern University who:

- Were actively taking at least one course in the Winter 2018 quarter (CPS) or Spring 2018 semester (all other colleges), and
- Had at least one course on the Boston campus

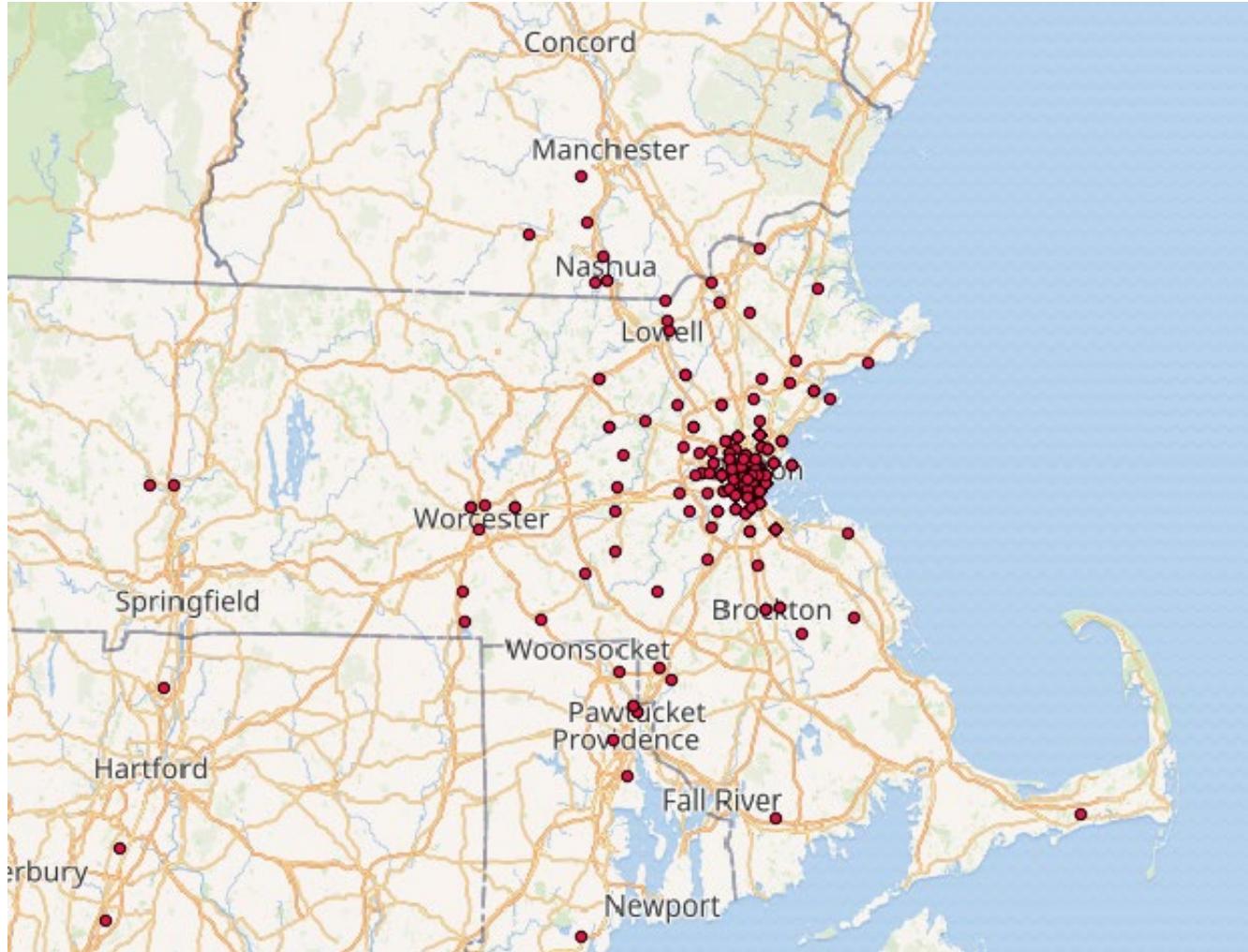
Survey to 8,305 students with valid email addresses

Received 1,000 + survey responses

- 66 skipped out of survey due to ineligibility (current homeowners, and/or not currently taking graduate courses)
- Received a number of incomplete responses
- **n = 880 completed surveys**

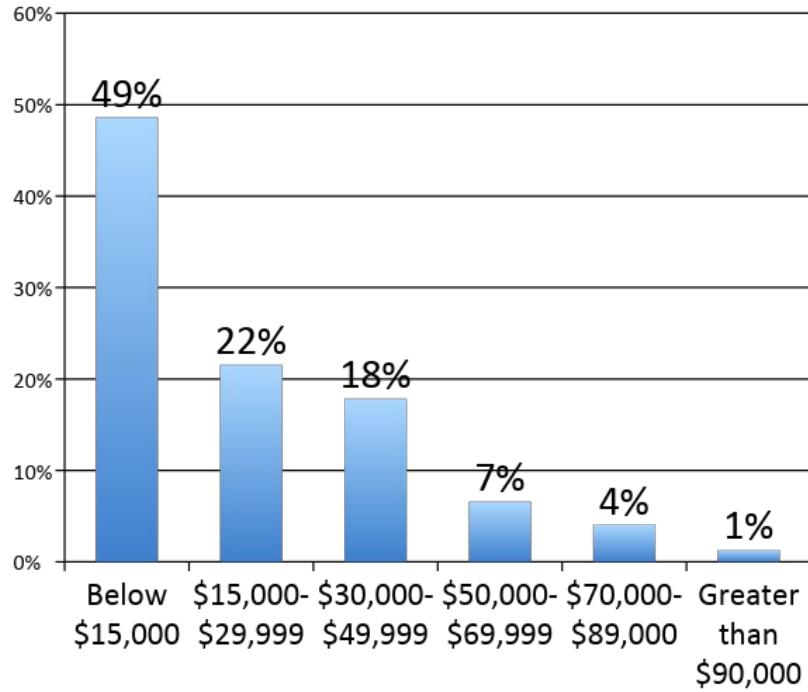


Response demographics

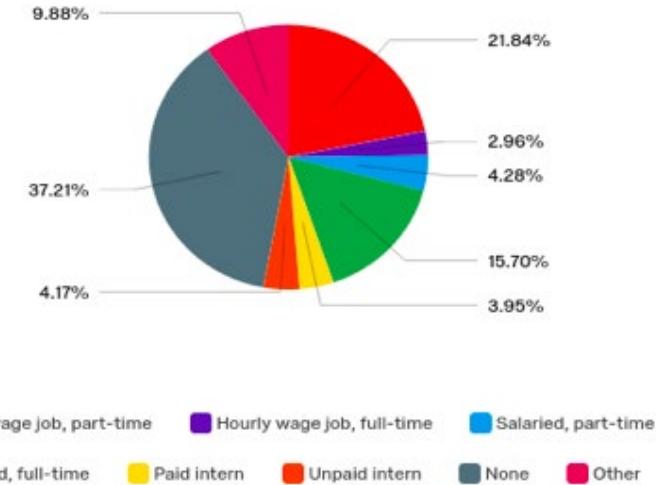


Response demographics

Annual Income for 2017



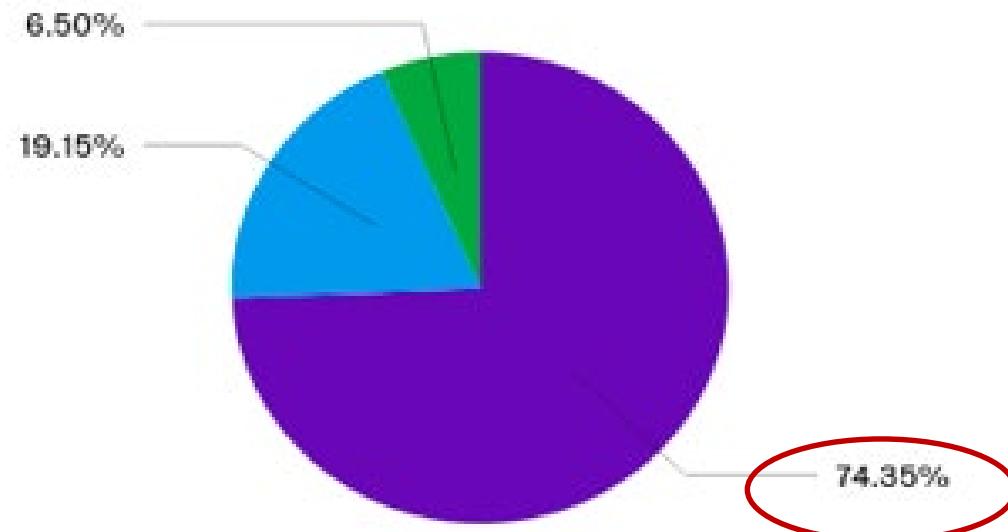
Current Employment Status



Average monthly personal contribution to rent: \$1,054.88

Current housing arrangements

Graduate Students Currently Live with...



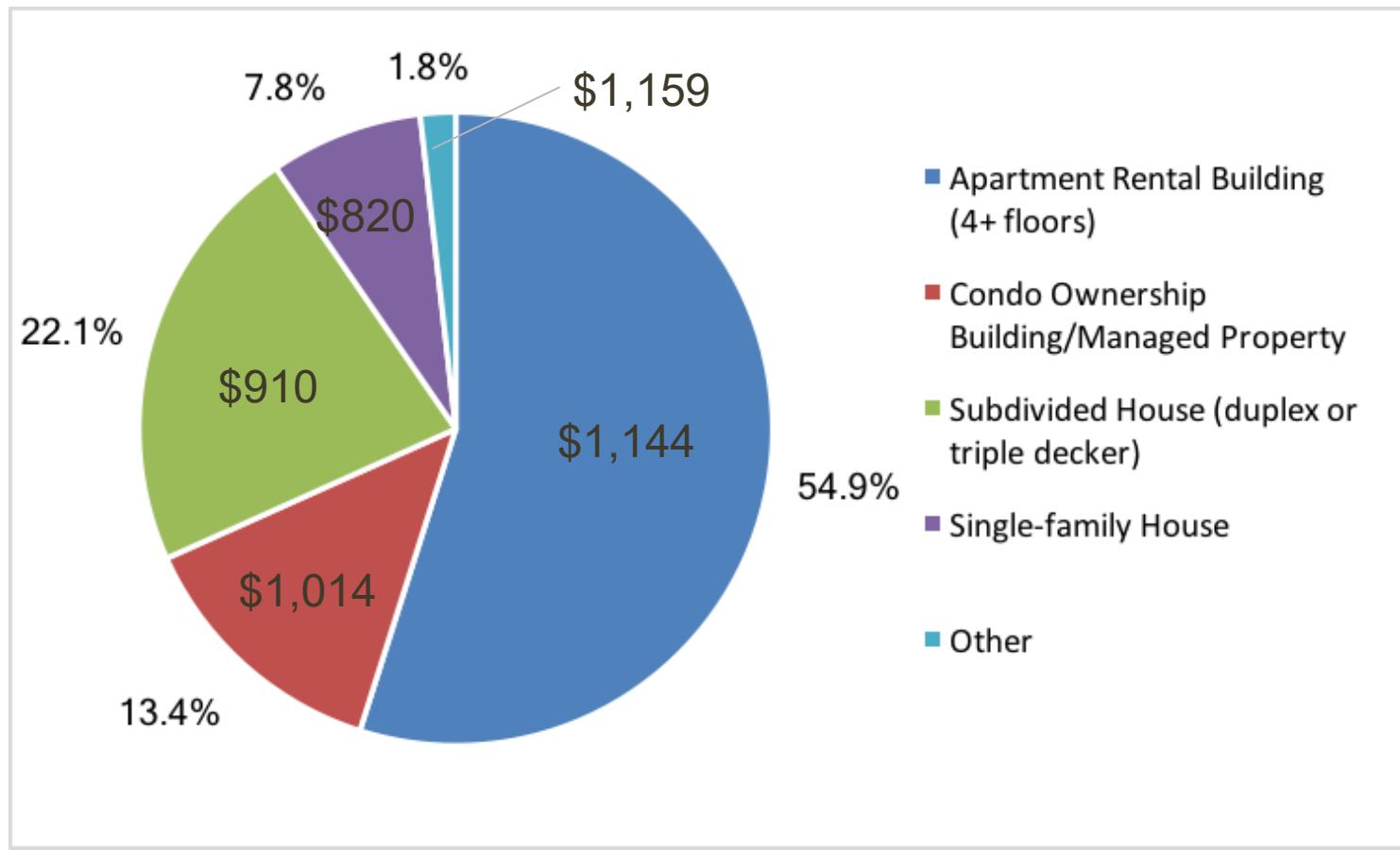
█ Roommates

█ Significant others (e.g., spouse or partner)

█ Family members who pay rent

Current housing arrangements

Type of housing graduate students currently live in
with average monthly rent contribution



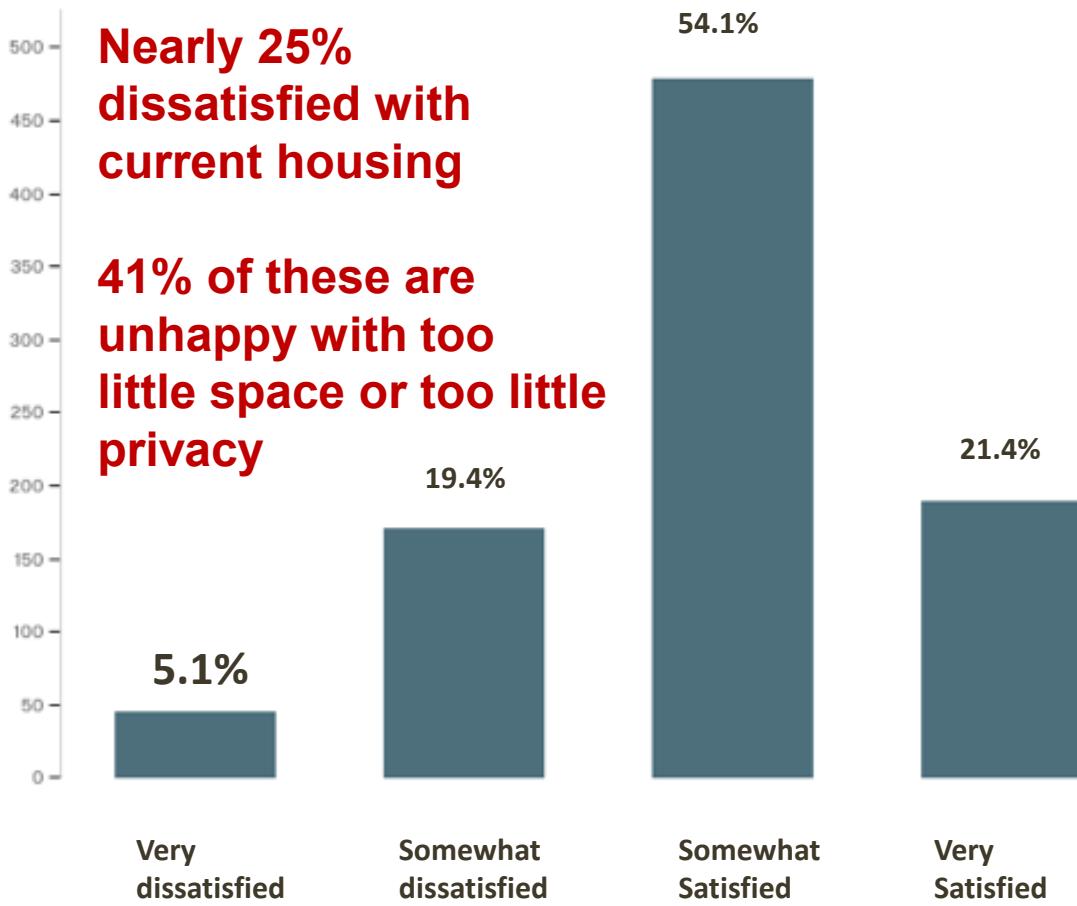
Current housing costs

Current Personal Contributions to Monthly Rent Costs

	Raw Survey Response	Less than \$1,250	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$1,999	\$2,000 or more
Survey respondents	804	588	79	48	26	63
Percentage of total responses	80.4%	73.1%	9.8%	6.0%	3.2%	7.8%
Extrapolated to general graduate student population	53,853*	39,367	5,278	3,231	1,723	4,201

* Graduate Students who are Boston-based, living off-campus in private housing, not in home, not studying abroad (Source: Bluestone, B. et. al. (2017). "The Greater Boston Housing Report Card 2017: Ideas from the Urban Core Responsive Development as a Model for Regional Growth," Northeastern University.)

Satisfaction with Current Housing



Reasons for dissatisfaction:

- 36% said housing costs too high
- 24% said there's too little space
- 17% said there's too little privacy
- 12% said commute is too long
- Other: house is old/needs renovation, location, unsafe/crime, not close to restaurants/amenities

Reasons for satisfaction:

- 32% said commute time is reasonable
- 26% said there's sufficient space
- 22% said there's sufficient privacy
- 17% said housing costs are affordable
- Other: close to school/amenities, responsive management, safety, close to public transportation

Factors for Changing Current Housing

Importance of Certain Factors for Changing Current Housing Arrangements

	Very important	Somewhat important	A little important	Not at all important
Affordability	82%	14%	4%	0%
Housing contains the right amenities	45%	41%	12%	2%
Living alone	23%	17%	23%	37%
Living with others	14%	27%	26%	32%
In the neighborhood I live	12%	21%	27%	41%
Furnished unit	10%	21%	24%	45%
Near family	7%	12%	17%	64%

**Affordability is very important, but
40% would like to live alone**

Cost of Future Housing

How much graduate students would be willing to spend for future housing rent
(regardless of housing type)

	Raw survey responses	Less than \$1,250	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$2,000	\$2,000 or more
Survey respondents	782	496	117	54	55	60
Percentage of total responses	78.2%	63.4%	15.0%	6.9%	7.0%	7.7%
Extrapolated to general graduate student population	53,853*	34,143	8,078	3,716	3,770	4,147

Yet, more than 11,600 would be willing to spend \$1,500 or more

* Graduate Students who are Boston-based, living off-campus in private housing, not in home, not studying abroad
(Source: Bluestone, B. et. al. (2017). "The Greater Boston Housing Report Card 2017: Ideas from the Urban Core Responsive Development as a Model for Regional Growth," Northeastern University.)

Future Housing Options

Survey respondents were given four options for future housing and asked whether they would consider living in each option and how much would they be willing to pay



Option 1: Micro-Unit



Option 3: Traditional Apartment



Option 2: Micro-Unit with shared common rooms



Option 4: Shared Apartment

1st Choice: Micro-unit with shared areas



Micro-unit with private bath in unit; shared kitchen and living area with other units

For those who chose Micro-unit with shared areas as first choice, current monthly rent costs:

	Raw Survey Responses	Less than \$1,250	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$2,000	More than \$2,000
Survey respondents	55*	41				
Percentage of total responses (n = 726)	7.6%	77.3%	7.6%	3.8%	0%	11.3%
Extrapolated to general graduate student population (53,853)	4,093	3,164	309	154	0	463

More than 925 would pay at least \$1,250 for a shared micro-unit

1st Choice: Micro-Unit



350 square feet or less with bath and kitchen in unit

More than 1,100 grad students would be willing to pay at least \$1,500 for a standard micro unit

For those who chose **Micro-unit** as first choice, what they would be willing to pay for unit:

	Raw Survey Responses	Less than \$1,250	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$2,000	More than \$2,000
Survey respondents	170*	138	12	11	9	0
Percentage of total responses (n = 726)	23.4%	79.6%	7.2%	5.4%	3.4%	0%
Extrapolated to general graduate student population (53,853)	12,602	10,031	907	681	428	0

1st Choice: One-bedroom apartment



More than 9,700 graduate students would be willing to pay \$1,750+ for a traditional one-bedroom apartment

For those who chose one-bedroom apartment as first choice, what they would be willing to pay for unit:

	Raw Survey Responses	Less than \$1,250	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$2,000	More than \$2,000
Survey respondents	304*	93	17	63	72	59
Percentage of total responses (n = 726)	41.9%	30.6%	5.6%	20.7%	23.7%	19.4%
Extrapolated to general graduate student population (53,853)	22,564	6,905	1,264	4,671	5,348	4,377

* Not all respondents who ranked this unit as their first choice provided an amount they would be willing to pay

1st Choice: Shared apartment



Private bedrooms with common bathroom, kitchen, and living room shared with roommates inside unit.

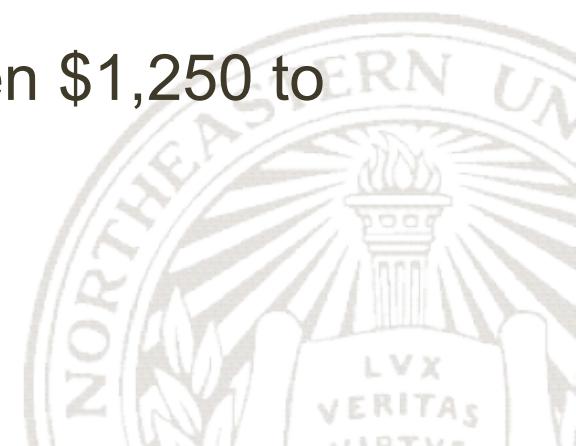
For those who chose shared apartment as first choice, what they would be willing to pay for unit:

	Raw Survey Responses	Less than \$1,250	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$2,000	More than \$2,000
Survey respondents	177*	142	10	4	0	21
Percentage of total responses (n = 726)	24.4%	80.2%	5.6%	2.3%	0%	11.9%
Extrapolated to general graduate student population (53,853)	13,140	10,538	736	302	0	1,564

* Not all respondents who ranked this unit as their first choice provided an amount they would be willing to pay

Summary

There is a legitimate market for micro-units up to \$1,749, and traditional one-bedroom and shared apartments up to \$2,000. Extrapolated to the larger Boston population of graduate students, this could mean a market of over 30,000 at the lower price point for all apartment types, and almost 15,000 willing to spend between \$1,250 to \$2,000.



Getting it Done: A New Collaborative

A Role for:

Private Developers
Quasi-public & Commercial Lenders
Universities and Teaching Hospitals
Architects and Construction Firms
Unionized Building Trades
Municipal Government
State Government



Private Developers

- 21st Century Villages will be **produced by private developers** – for profit and non-profit - and these housing projects will remain on the city's tax rolls.
- In order to maintain affordability, private developers will agree to rental rates so that they make a **reasonable, but not excessive, return on their investments.**



Quasi-Public and Commercial Lenders

Massachusetts is blessed with a range of commercial lenders along with **quasi-public agencies** that could play a role in the financing of these 21st Century Villages including:

MassDevelopment

MassHousing

Massachusetts Housing Partnership

Massachusetts Housing Investment Corporation



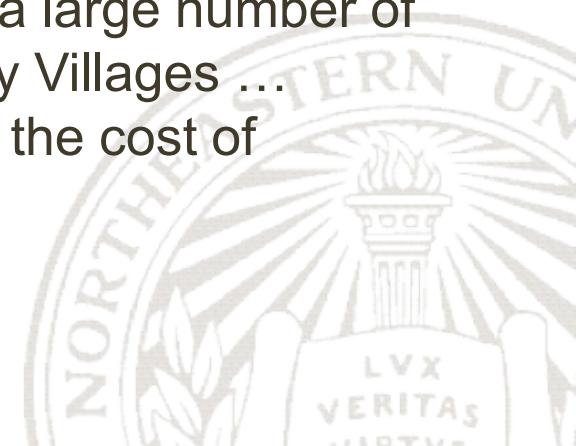
Universities and Teaching Hospitals

- In order to assure commercial financing for these housing projects, local universities and teaching hospitals should be encouraged to join together and agree to **master leases** for most of the units in each Village – with each of these non-profits agreeing to take a share of these leases with the right to trade shares if necessary among themselves.
- Local universities and teaching hospitals will **market this housing** to their graduate students, interns, and medical residents.
- Units not occupied can be rented to others including recent alumni ... as well as seniors who wish to live in housing where there are many amenities and the spirit of young professionals.



Architects and Construction Firms

- Architecture firms will be encouraged to produce **new designs for affordable units** including attractive “micro” units, studio apartments, and other innovative apartment models with a range of common spaces – including plans for construction using modular or panelized designs.
- Private firms, including construction companies, will be encouraged to develop plans for a **manufacturing facility** in Boston or Greater Boston capable of producing a large number of modular or panelized units for these 21st Century Villages ... drawing on new building techniques that reduce the cost of construction.



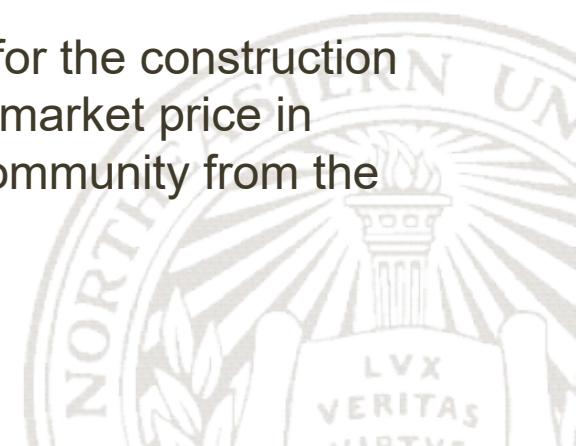
Unionized Building Trades

- In order to reduce the construction costs for these 21st Century Villages, the unionized construction trades are **encouraged to provide some relief on their normal labor rates** in return for producing units in a modular/panelized manufacturing facility with improved working conditions.
- The construction trades will be encouraged to **hire “apprentices” from inner city neighborhoods** and work with the **region’s vocational schools** to help provide the workforce for the new housing production facility.



Municipal Government

- In order to keep the units in these 21st Century Villages as affordable as possible, municipal government is encouraged to:
 - **Reform zoning regulations to permit smaller unit sizes and allow higher density development** in these housing projects
 - **Reduce or eliminate parking requirements** given the expectation that few of these residents will have private automobiles
 - Make **surplus municipal-owned land** available for the construction of this housing stock at a substantial reduction in market price in recognition of the public benefit accruing to the community from the construction of these units



State Government

- In order to keep the units in these 21st Century Villages as affordable as possible, state government is encouraged to:
 - Use **state bonding authority** primarily through existing state quasi-public lending agencies **to provide low interest loans** for the production of these Villages
 - Consider the possibility of developing a **state tax credit** available to private developers of these housing projects
 - Make **state-owned surplus land and MBTA sites available** for these housing projects at a substantial reduction in market price



Thank You

