

SAVI TALKS HOUSING:

How Indy's affordable housing market is changing and why it matters



Photo courtesy of Near East Area Renewal

Getting past the misperception



Pruitt-Igoe, built in 1954

Getting past the misperception



Pruitt-Igoe, 1972

Getting past the misperception



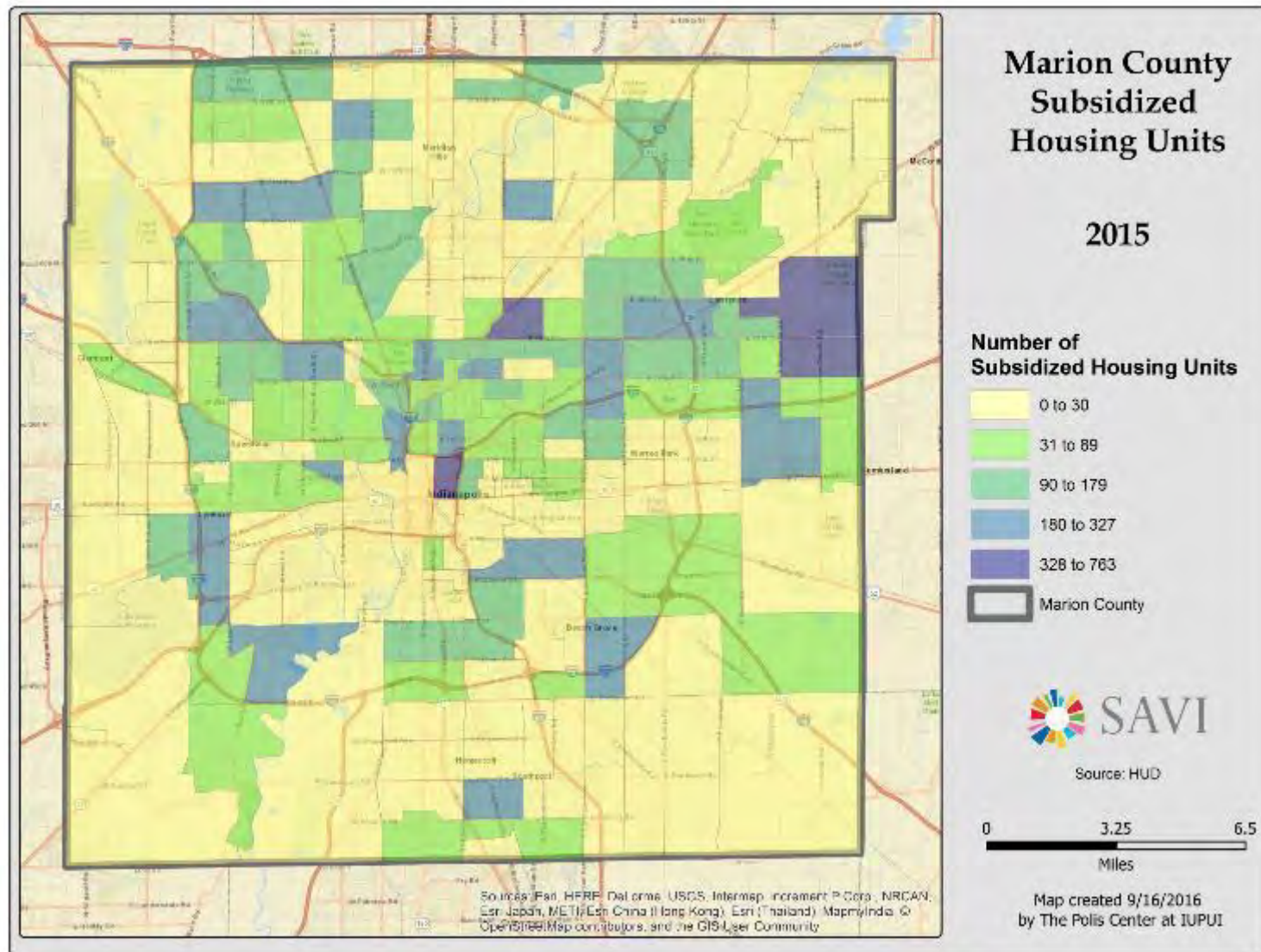
Getting past the misperception



Two homes a block apart:
one is subsidized
one is not



Getting past the misperception



Defining affordability



Rules of Thumb

- A household can generally afford a home that is **3x its annual household income**
- **28/36 Rule** – A household should encumber no more than 28 percent of its monthly income on housing-related expenses and no more than 36 percent of its monthly income on debt obligations
- US Census – Calculates cost **burden in excess of spending 30 percent** of monthly income on housing-related costs (including principle/interest or rent, real estate taxes, utilities, etc.)

Is Indy Affordable?



Monthly Housing Costs, by Metro Area

Rank	Metro Area	Monthly Costs*
1	McAllen, TX	\$673
2	Youngstown, OH	\$710
3	El Paso, TX	\$785
4	Winston-Salem, NC	\$787
5	Greenville, SC	\$795
33	Indianapolis	\$934
96	Oxnard-Ventura, CA	\$1,778
97	Washington DC	\$1,782
98	San Francisco, CA	\$1,905
99	Bridgeport, CT	\$1,950
100	San Jose, CA	\$2,108

*Median housing costs, weighted by tenure; US Census: ACS 2015, 1-year estimates

Monthly Housing Costs as a percent of Median Household Income, by Metro Area

Rank	Metro Area	% of Income*
1	Ogden, UT	19.2%
2	Grand Rapids, MI	19.2%
3	Pittsburgh, PA	19.4%
4	Des Moines, IA	19.5%
5	Baton Rouge, LA	19.6%
23	Indianapolis, IN	20.6%
96	Riverside, CA	27.6%
97	San Diego, CA	28.9%
98	Miami, FL	29.2%
99	New York, NY	29.5%
100	Los Angeles, CA	30.5%

*Median household income adjusted to monthly incomes; US Census: ACS 2015, 1-year estimates

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100	Los Angeles, CA	30.5%

Income Inequality, by Metro Area

Rank	Metro Area	GINI CC
1	Ogden, UT	0.3941
2	Elizabethtown, KY	0.4153
3	Provo, UT	0.4208
4	Harrisburg, PA	0.4235
5	Salt Lake City, UT	0.4264
64	Indianapolis, IN	0.4688
96	Greenville, NC	0.5017
97	Cleveland, TN	0.5161
98	New York, NY	0.5163
99	Miami, FL	0.5163
100	Bridgeport, CT	0.5404

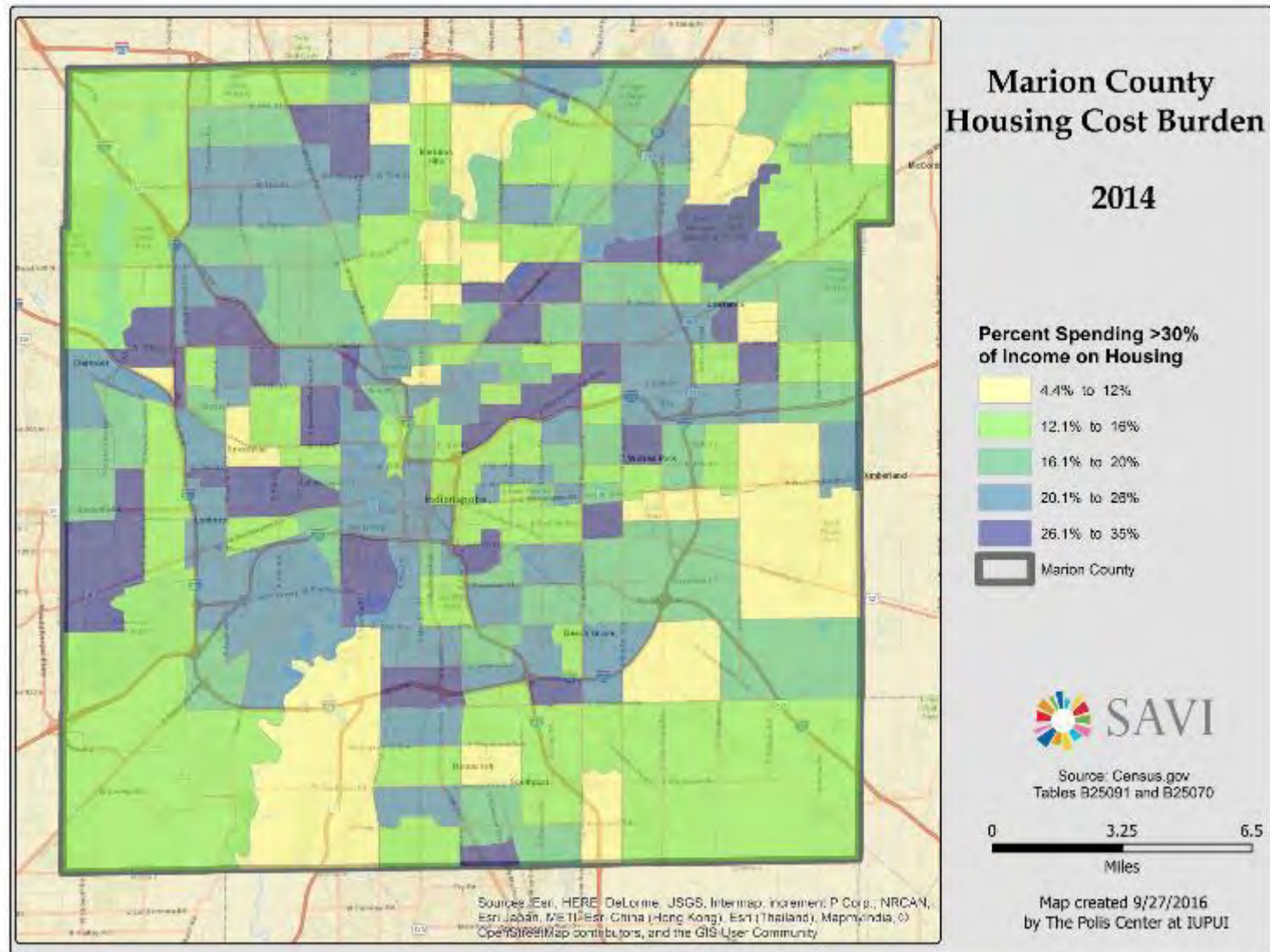
*Median household income adjusted to monthly incomes; US Census: ACS 2015, 1-year estimates



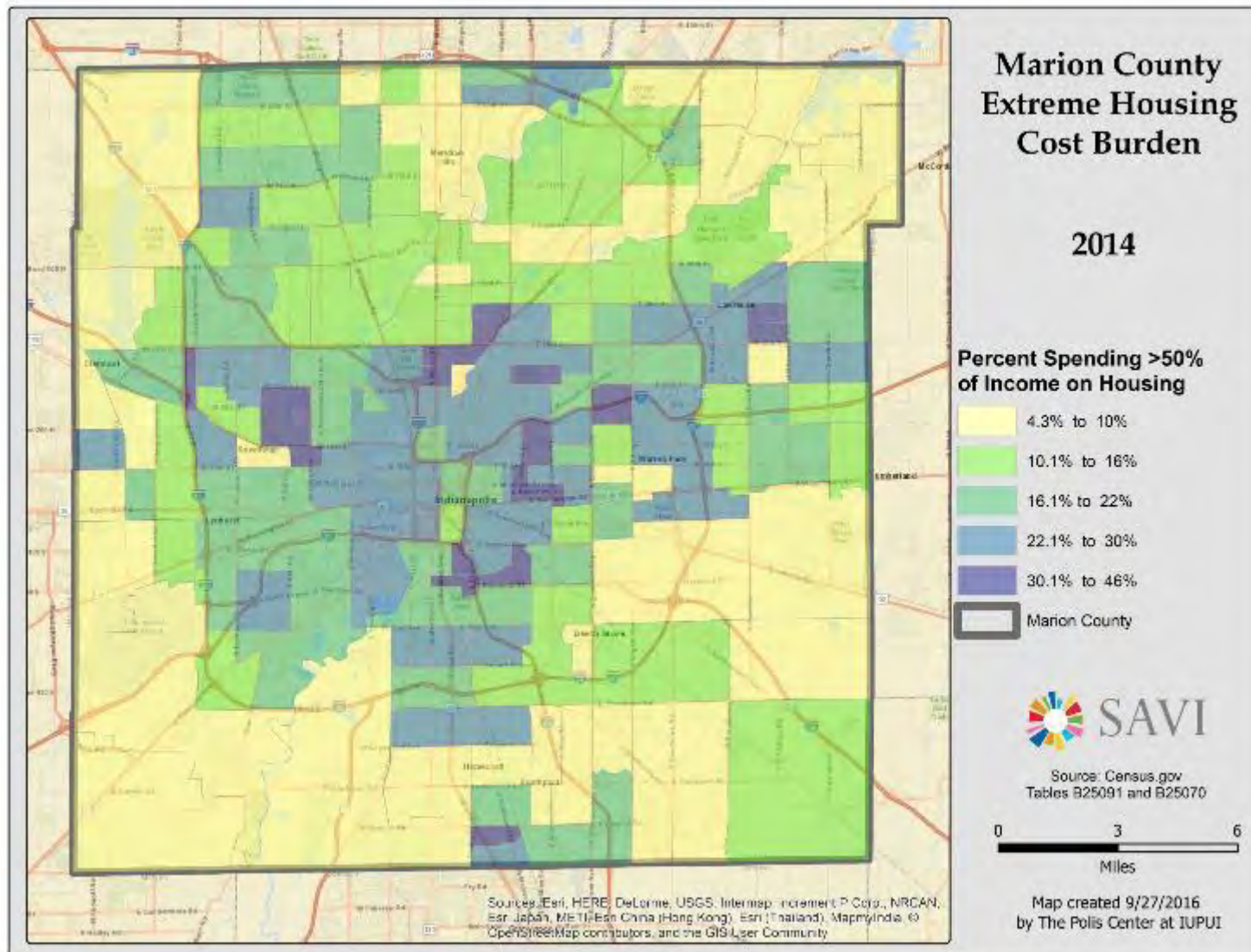
KEY TAKEAWAY #1

HOUSING AFFORDABILITY IS EMBEDDED
WITHIN THE BROADER REGIONAL ECONOMY

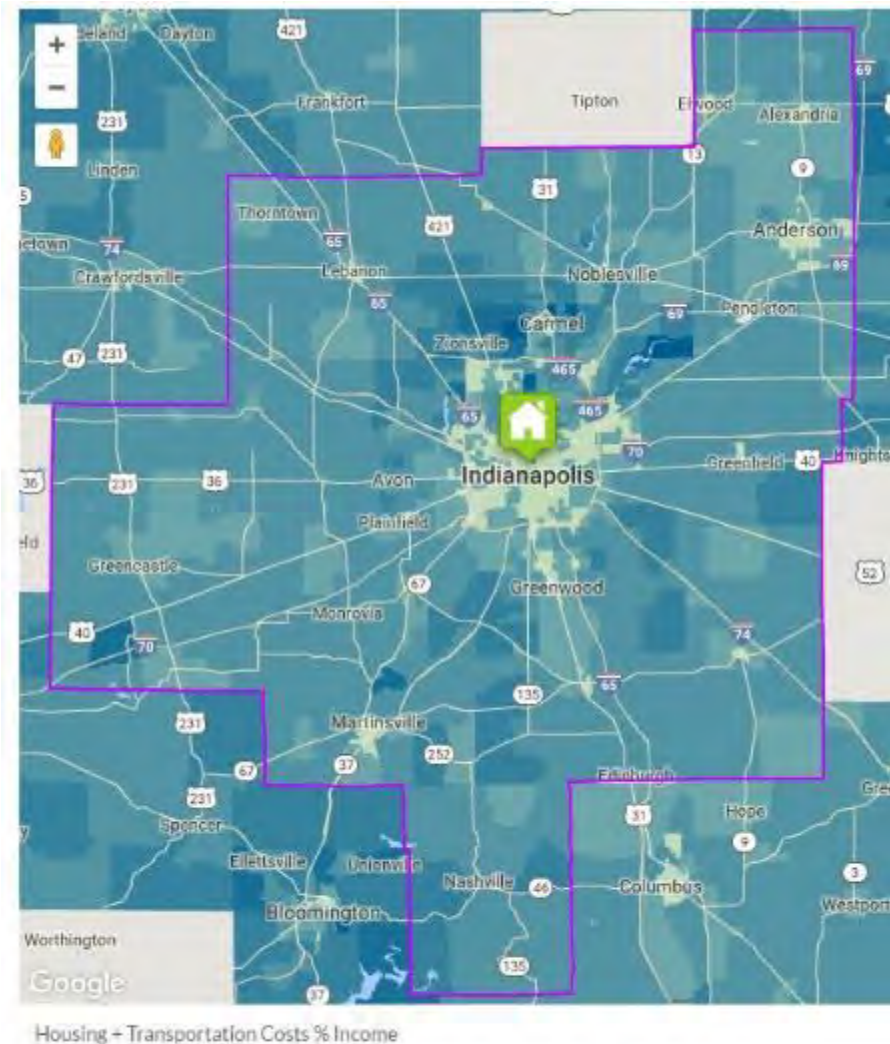
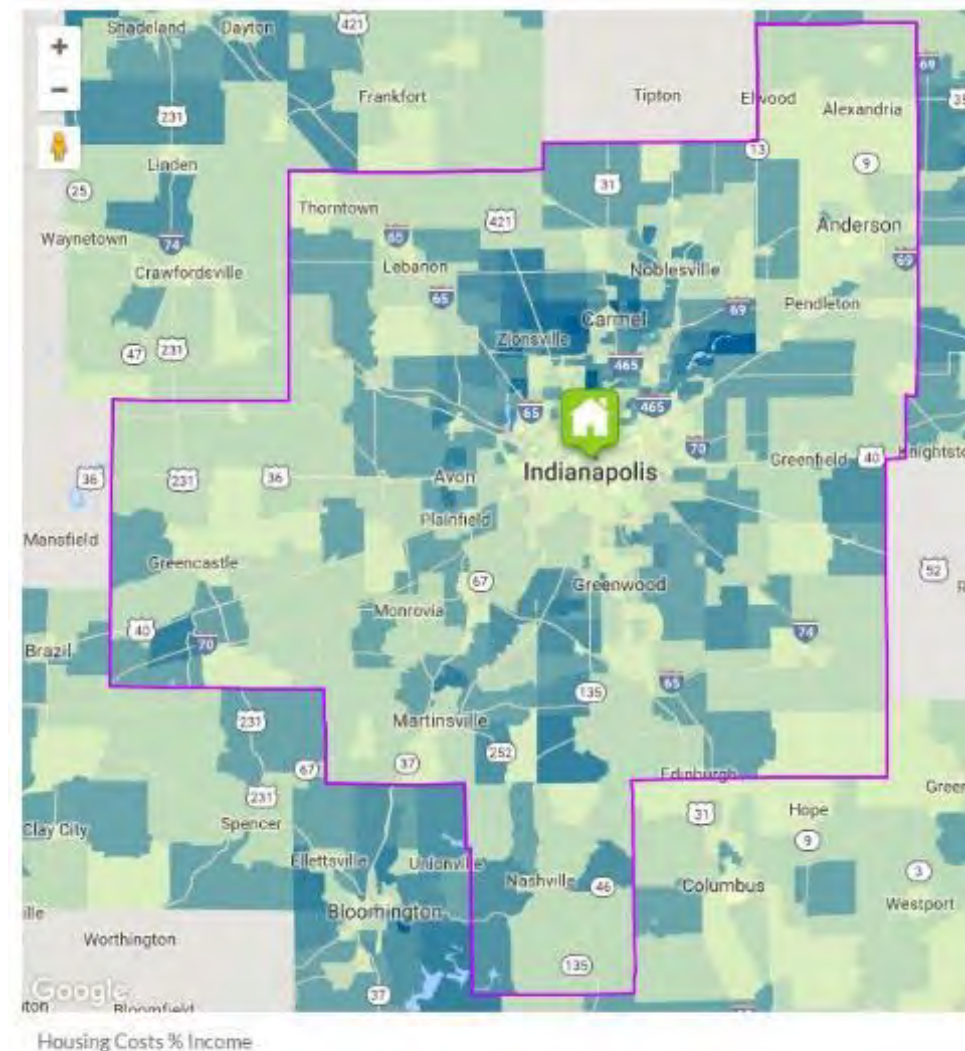
Is Indy Affordable?



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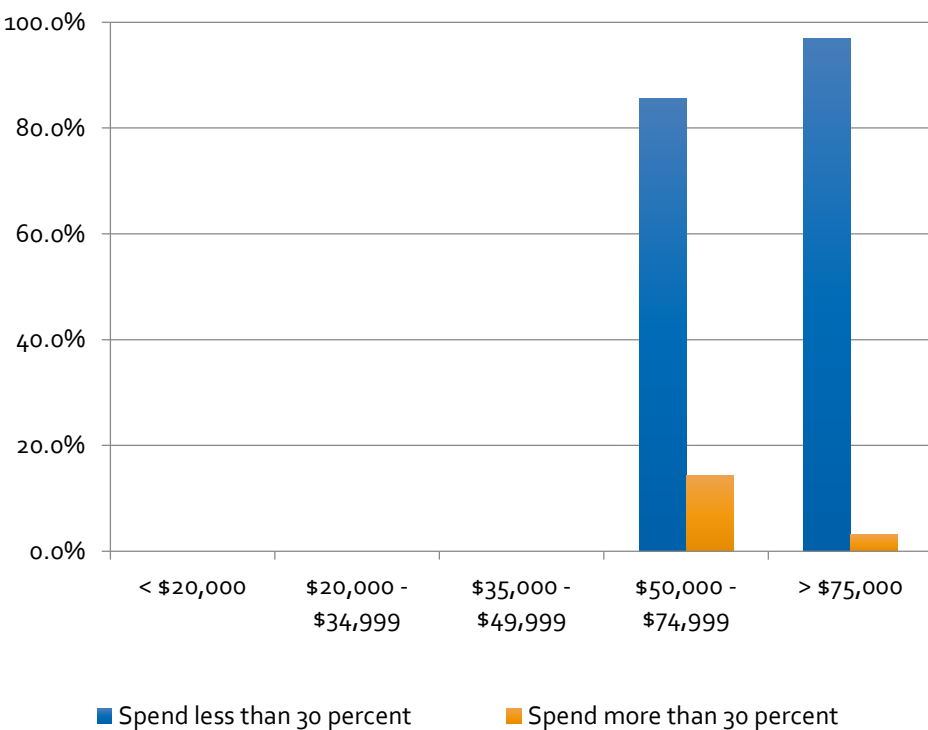
Is Indy Affordable?



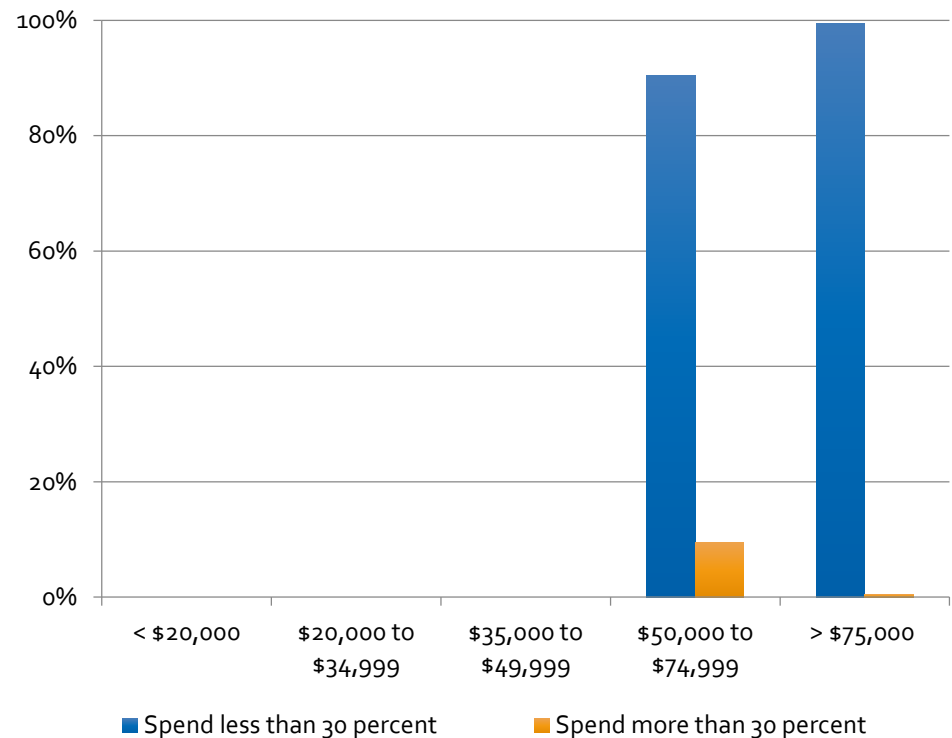
Affordability: A Question of Income?



Cost-burden for households with a mortgage,
by income cohort (Marion County)



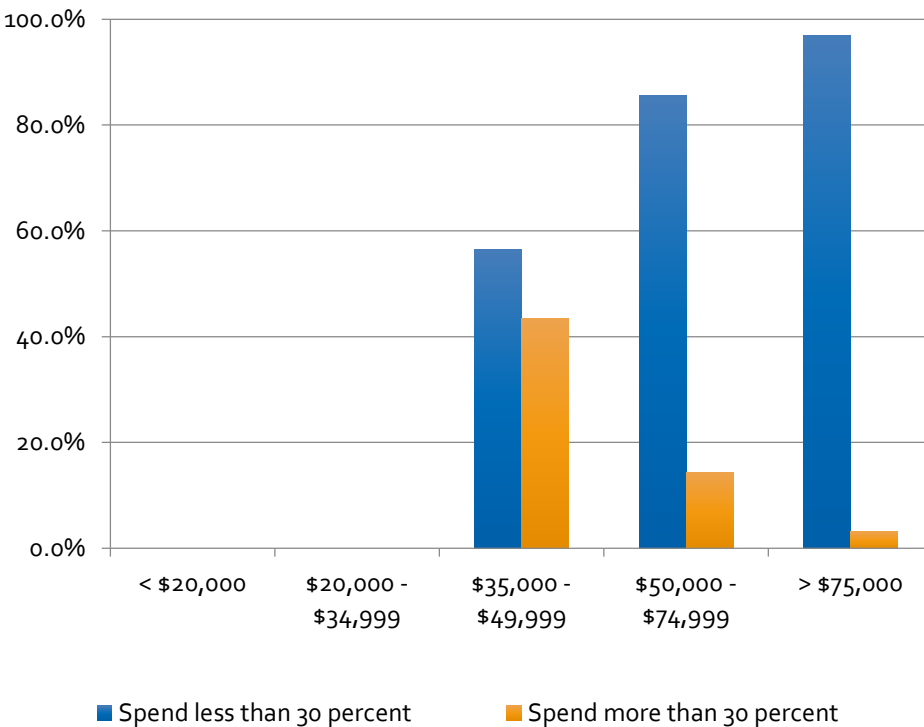
Cost-burden for renting households,
by income cohort (Marion County)



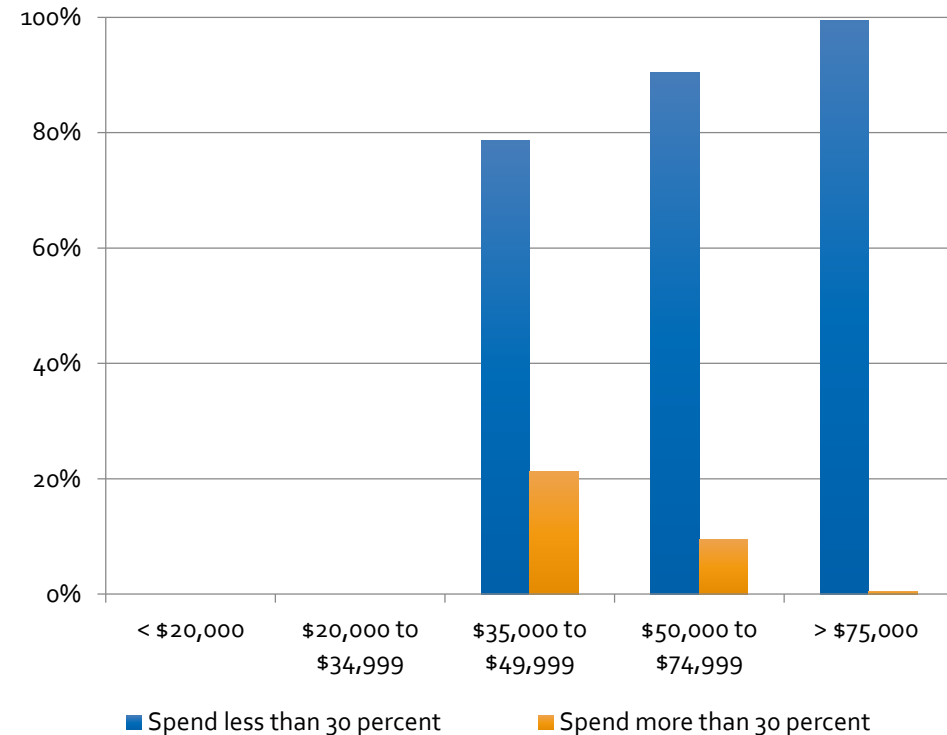
Affordability: A Question of Income?



Cost-burden for households with a mortgage,
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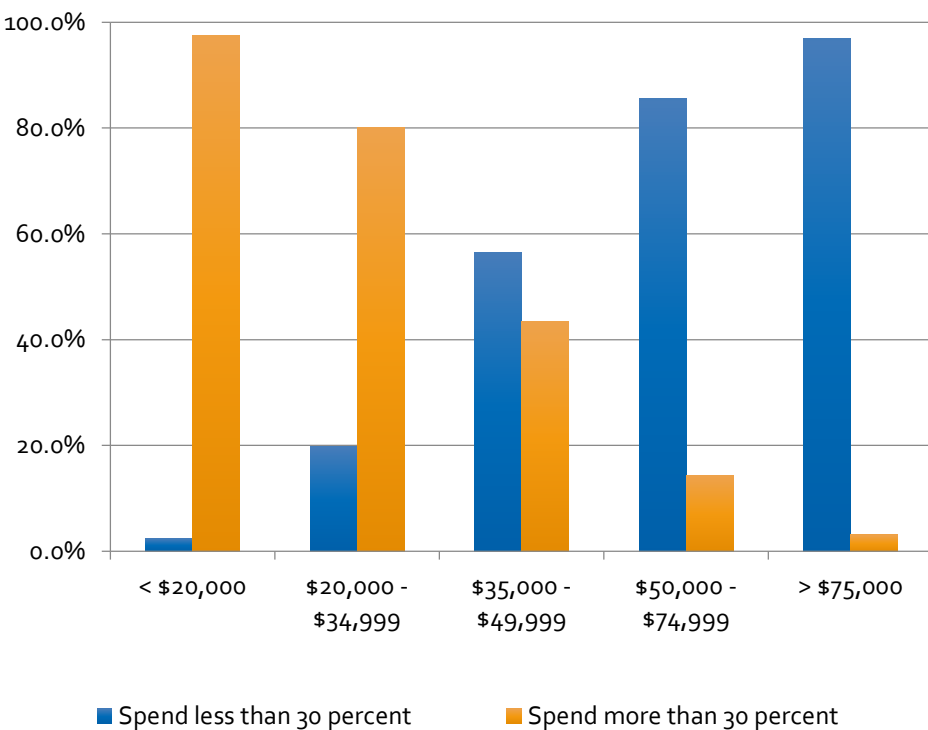
Cost-burden for renting households,
by income cohort (Marion County)



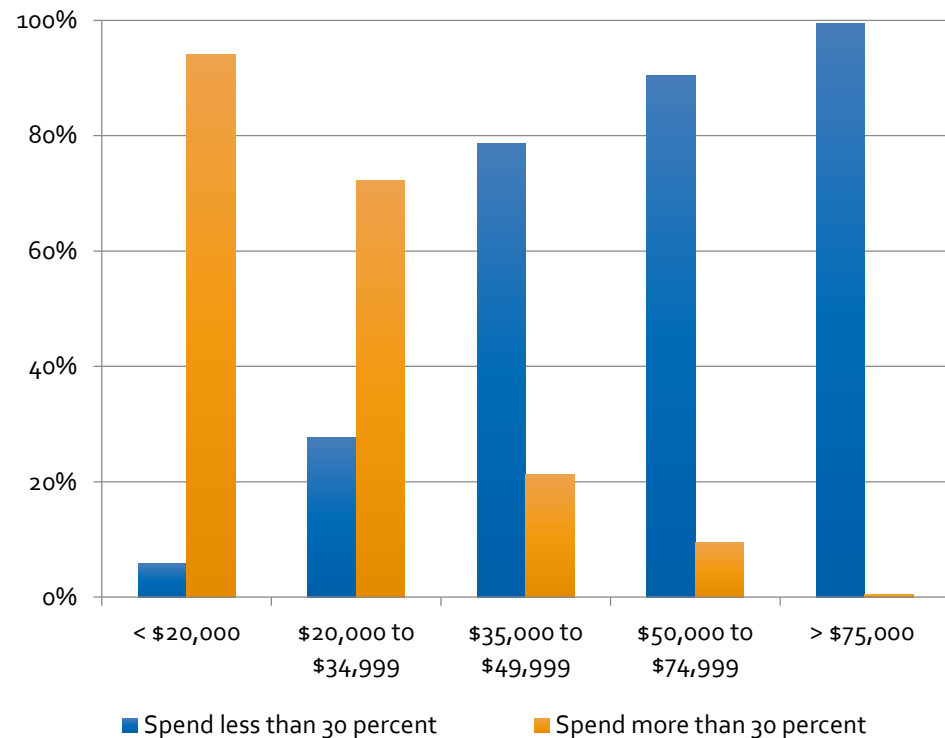
Affordability: A Question of Income?



**Cost-burden for households with a mortgage,
by income cohort (Marion County)**



**Cost-burden for renting households,
by income cohort (Marion County)**



What does income get you?



1. **Options** – a variety of pathways that you can pursue for you and your family
2. **Control** – the ability to choose the best path for you and your family

Examples:

Choice to buy or rent

Access to financing

Choice of locations

Proximity to amenities

Value maximization

Buying versus renting



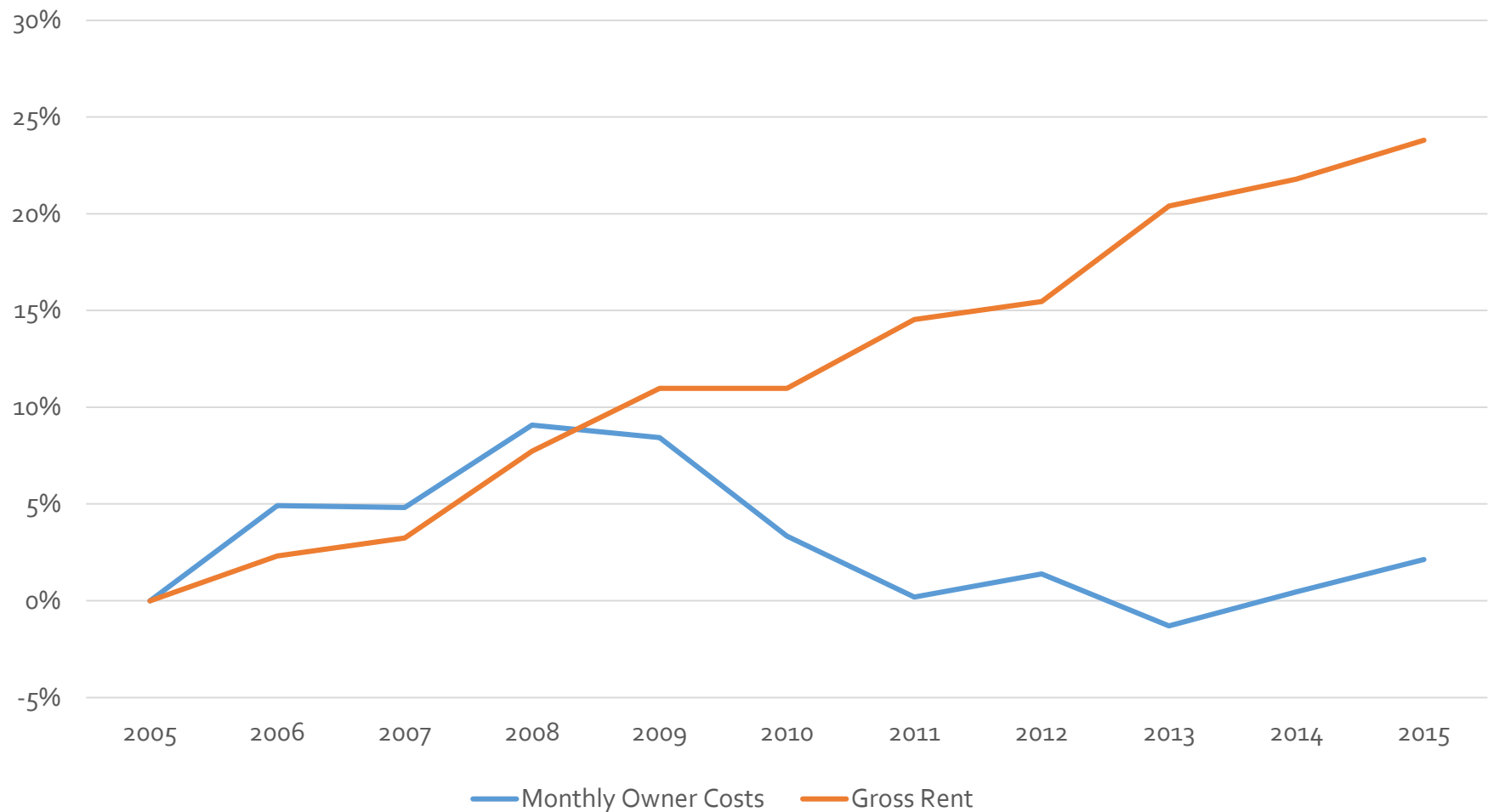
- **The right choice?**
 - Highly individualized
 - Based on several factors
- **Macro/Regional considerations**
 - Indianapolis is more advantageous to buyers than most other regions¹
 - 15th best region for buying relative to renting¹
- **Allows householder to control housing costs over the long-term**

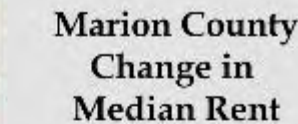
¹2015 *Should Millennials Rent or Buy* Report, Trulia

Constant v. Adjustable Housing Costs

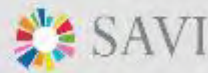


Gross Rent vs Monthly Owner Costs
Percent Change from 2005

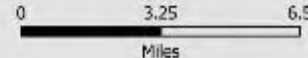




Percent Change



Source: Census.gov
Table B25034



Map created 9/27/2016
by The Polis Center at IUPUI

93 census tracts
increased more than
10 percent

39 increased
by more than
20 percent

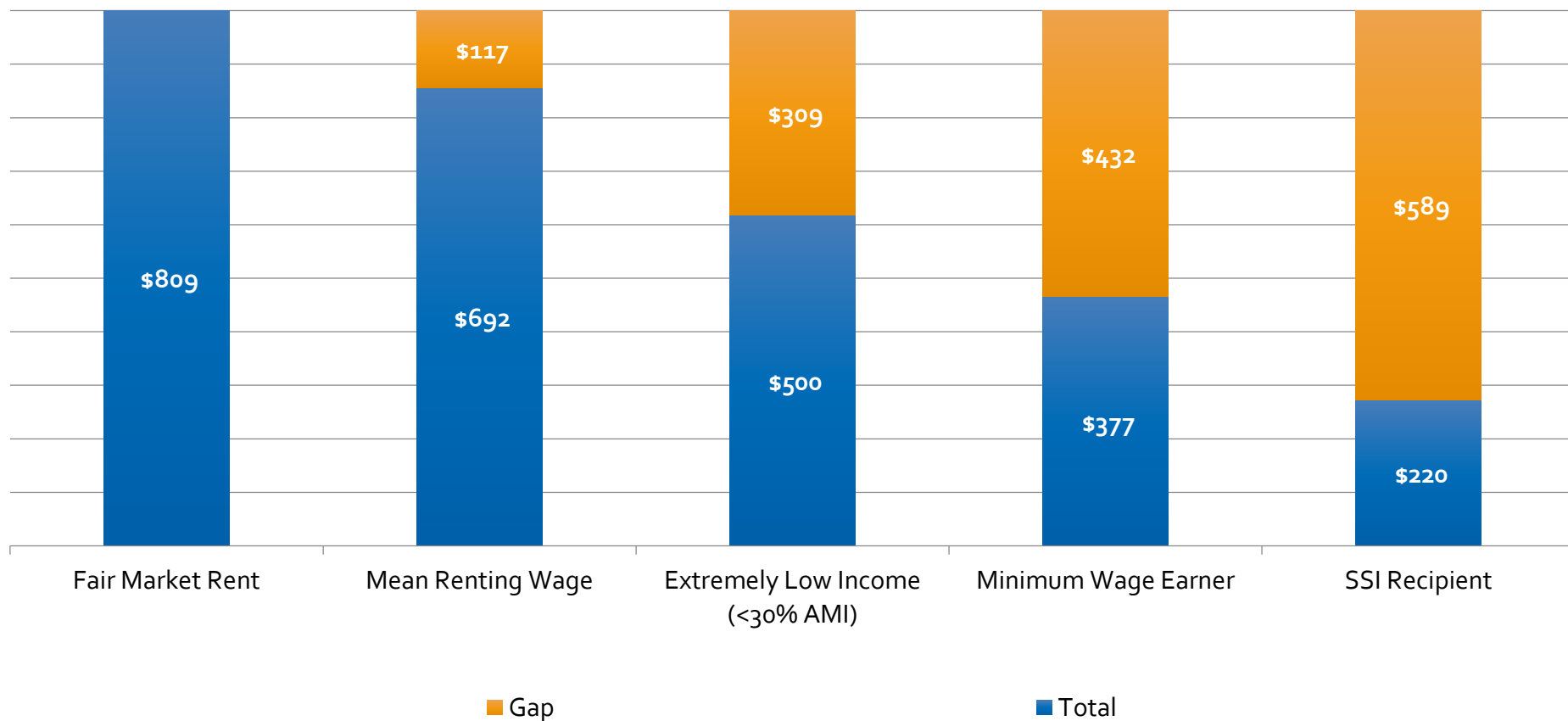
4 increased by more than 50 percent

Monthly owner costs declined 2.7 percent over the same time

Escalating Rents



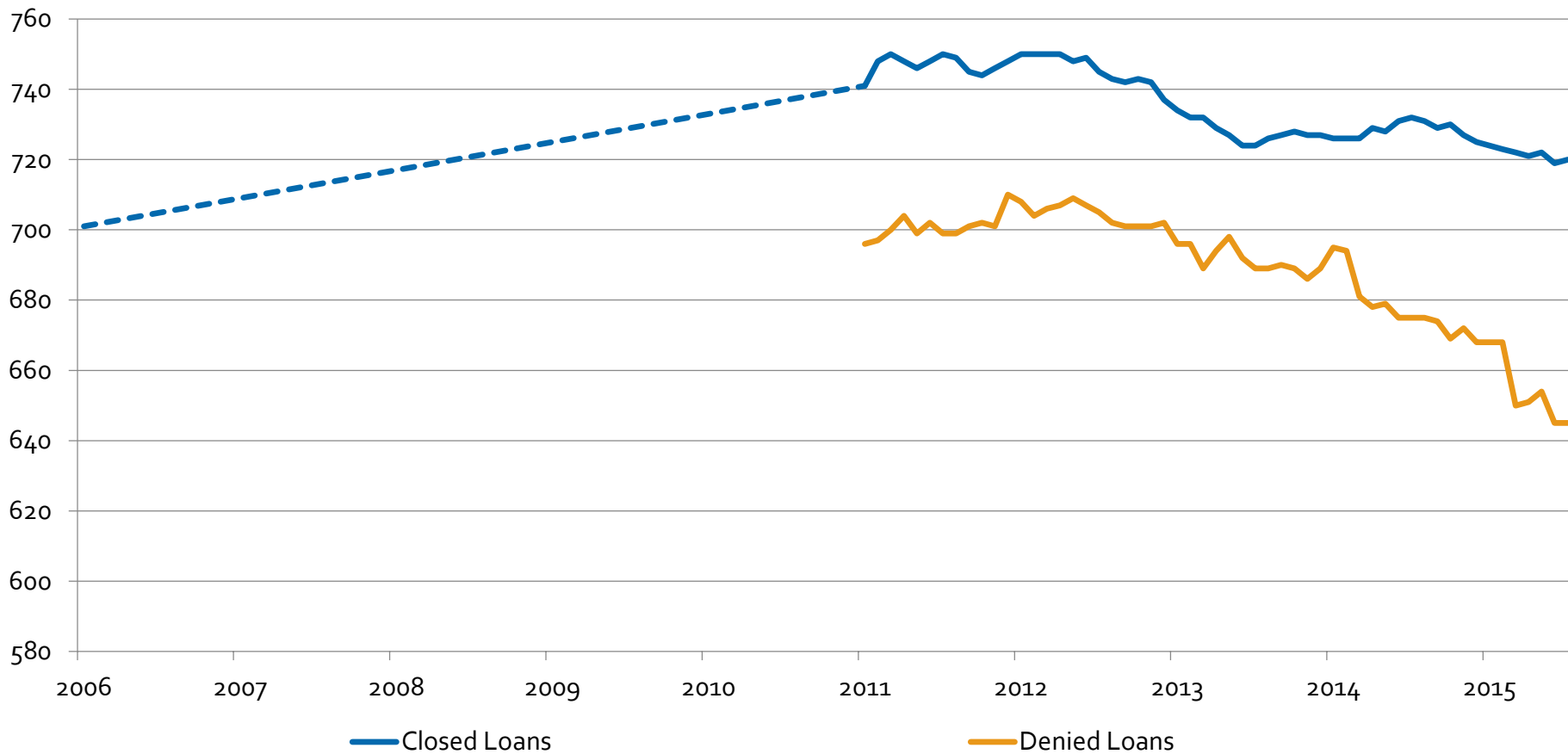
**Gap Between Fair Market Rent and
Selected Income Levels (Marion County)**



Tightened Credit



Average FICO Score for Closed and Denied Loans

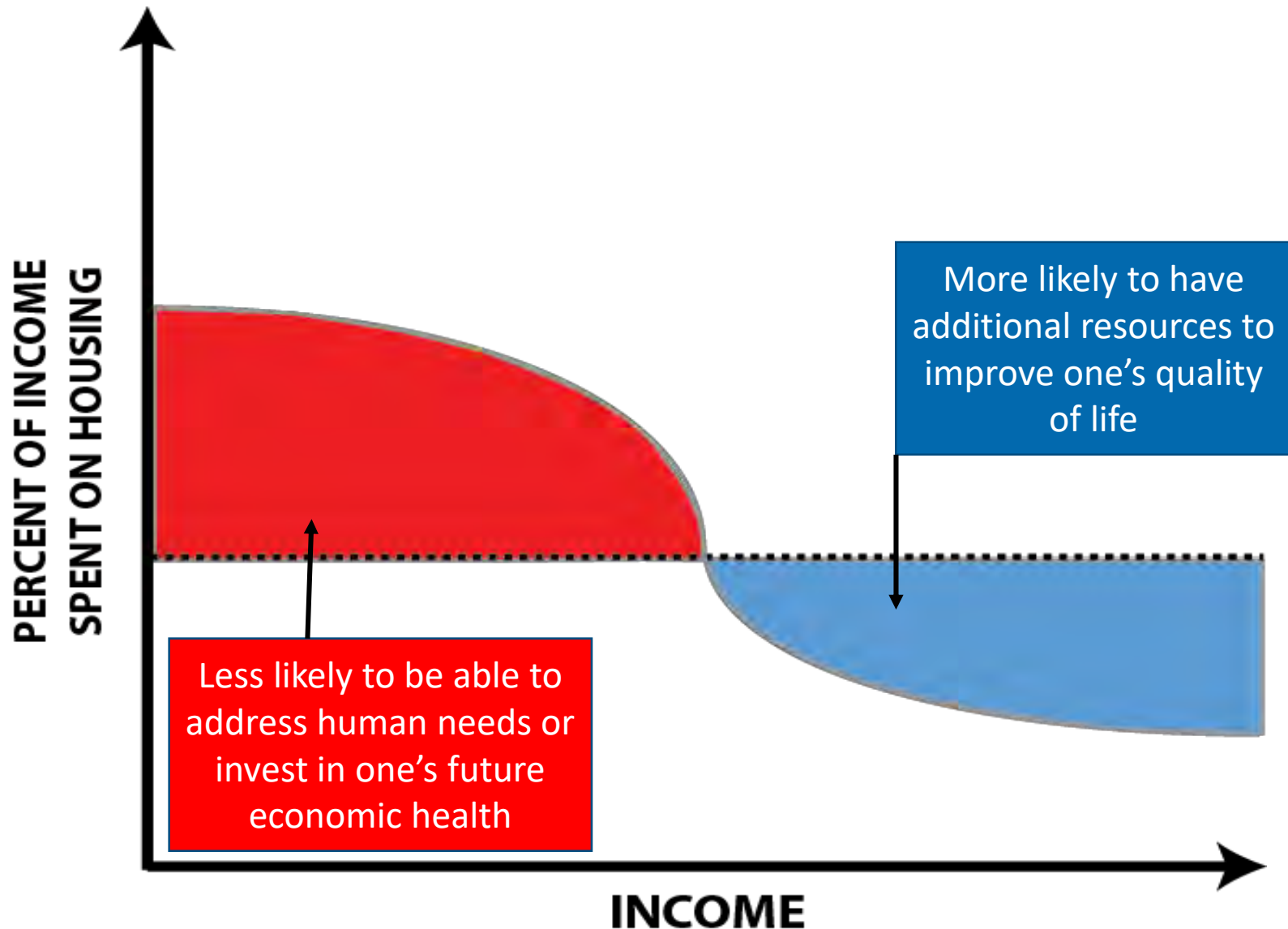




KEY TAKEAWAY #2

WHEN HIGHER-INCOME HOUSEHOLDS PAY
LESS THAN 30 PERCENT FOR HOUSING,
THERE ARE FEWER UNITS AVAILABLE FOR
THOSE WITH LOWER INCOMES

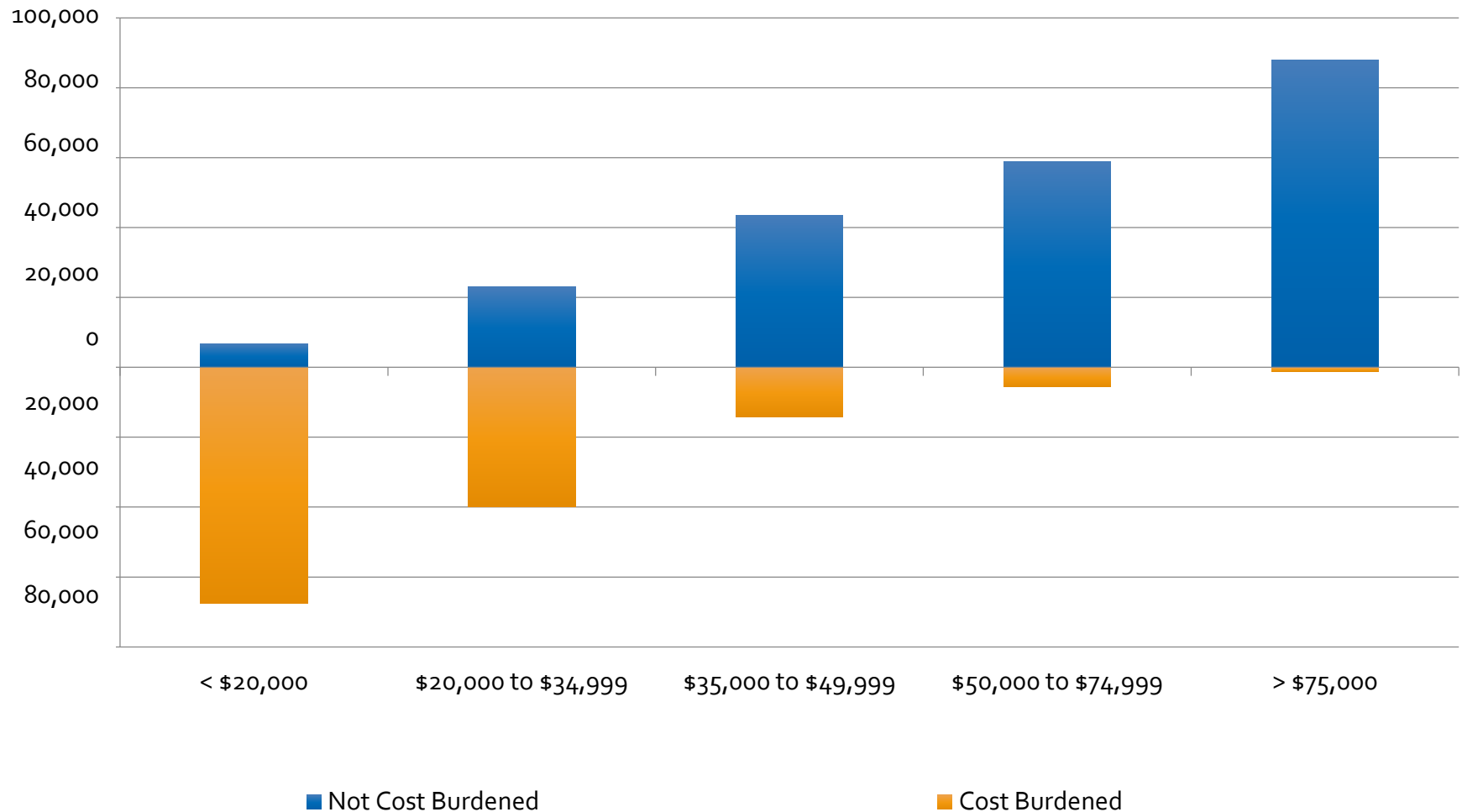
Value Maximization: Conceptual



Value Maximization: Reality



Cost burden by income cohort, Marion County



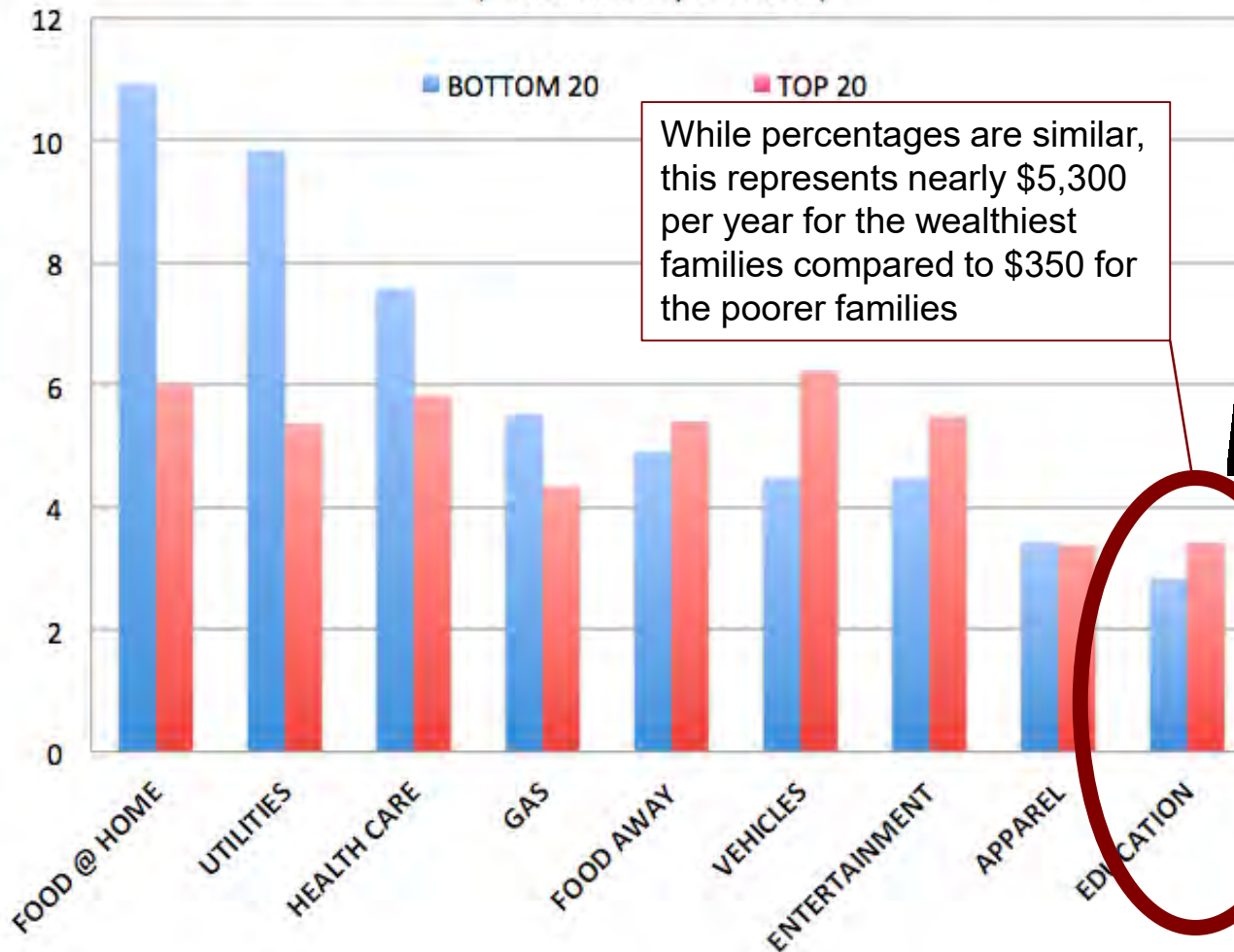
Value Maximization: Impacts



Richer and Poorer

The Biggest Spending Gaps Between the Top/Bottom Quintiles

(Y Axis: % of Expenditures)



While percentages are similar, this represents nearly \$5,300 per year for the wealthiest families compared to \$350 for the poorer families



Value Maximization: Impacts



Wonkblog The shocking number of Americans who can't cover a \$400 expense

By Ylan Q. Mui May 25



...aking, America's economic re
...s seventh year, making it on
...ord. The unemployment ra

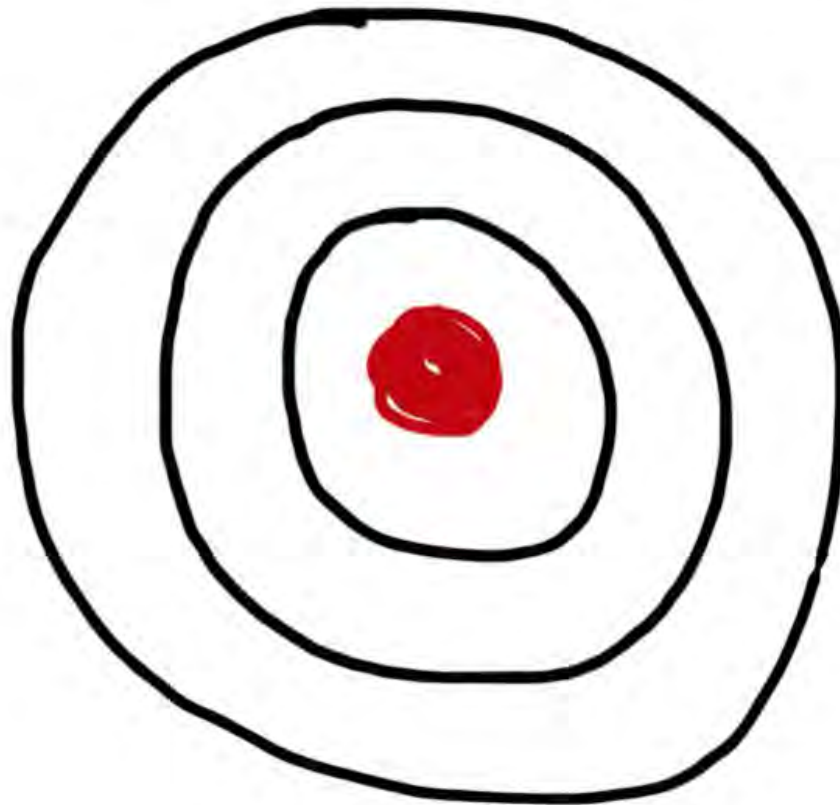


The Precarious State of Family Balance Sheets

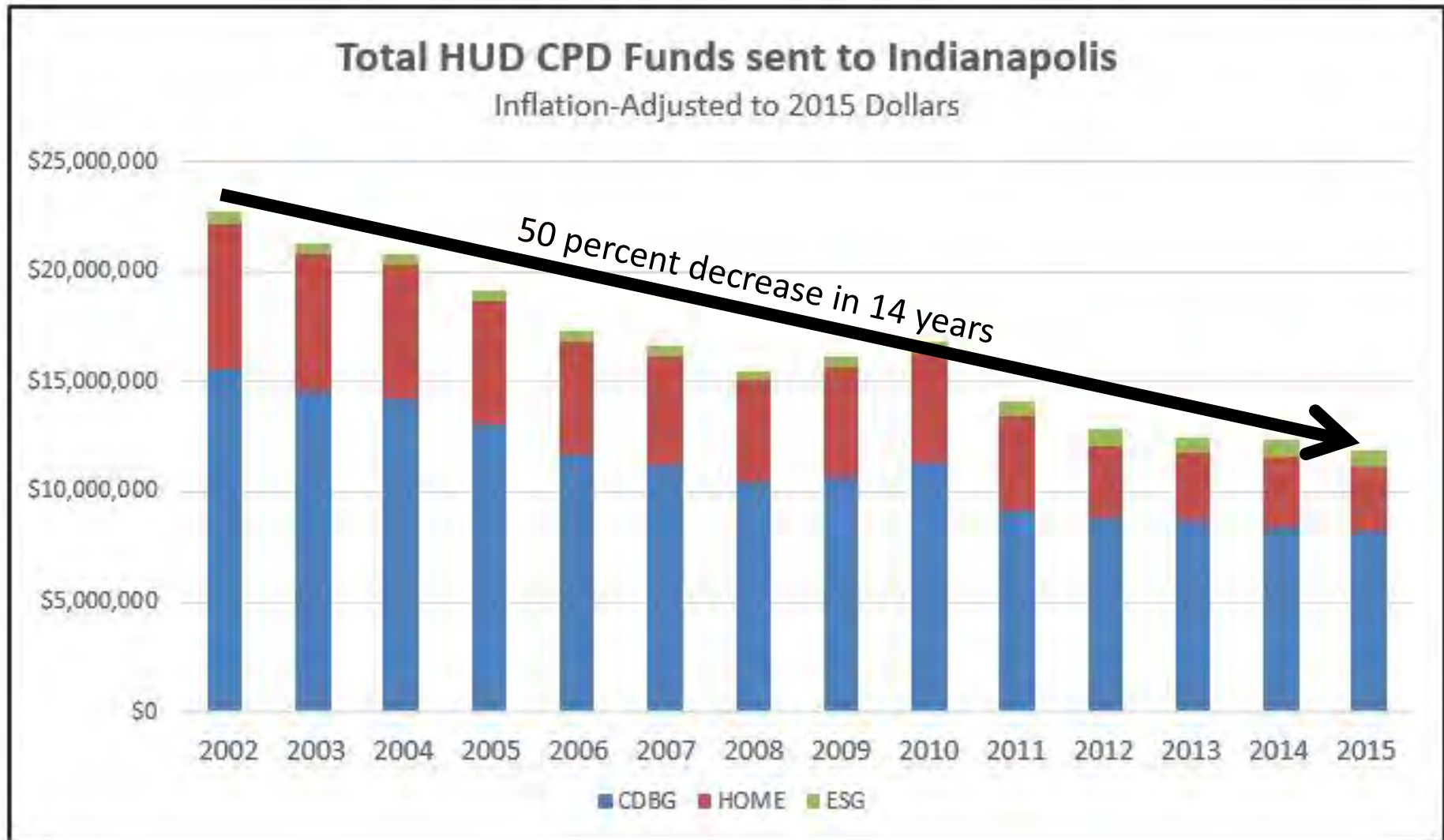
So what do we do?



WILL A SILVER BULLET WORK?



We can't (and probably shouldn't) subsidize our way to affordability



Place oriented strategies



- **Increase housing supply**

- Build pools of capital to make housing projects viable in underserved neighborhoods
- Ease regulatory restrictions
 - Lot size minimums, parking minimums, maximum densities, height restrictions*
- Consider inclusionary zoning or density bonuses

- **Consider location efficiencies in subsidies**

- Consider investments near jobs, services, and transportation
- Retain subsidized units that are location efficient

- **Embed strategies within broader initiatives**

People oriented strategies



- **Improve access to credit and savings**
 - Rehabilitate credit for those with challenges
 - Improve financial literacy for all
 - Savings programs (e.g., Individual Development Accounts)
- **Provide assistance through job training and services**
 - Improving access to high quality educational opportunities
 - Access to training opportunities to build marketable skills
- **Embed strategies within broader initiatives**



KEY TAKEAWAY #3

IF HOUSING IS AFFORDABLE AT 30 PERCENT OF
YOUR INCOME, YOU CAN MAKE HOUSING
AFFORDABLE TWO WAYS:

- 1) LOWER HOUSING COSTS
or
- 2) RAISE INCOMES

IDEALLY HOUSING STRATEGIES COMPLEMENT
OTHER STRATEGIES TO SUPPORT FAMILIES **AND**
VICE VERSA