
NEW PERSPECTIVES ON **THE NEED FOR** **AFFORDABLE HOUSING** **WITHIN CONNECTICUT**

entrepreneurial efficient dynamic versatile responsive trusted creative progressive visionary

PREPARED BY:

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- **Chief Economist and Director of Research, DataCore Partners, Inc.**, a consulting firm specializing in economic & demographic analysis, market research, and customer satisfaction programs (present)
- **Chief Economist and Director of Research, Scillia Dowling and Natarelli Advisors LLC**
• market research, economic analysis, demographic forecasting, strategic planning (4/2001- 5/2004).
- **Economics Commentator**, WTNH Television, New Haven CT (2000 to present)
- **SNET's Corporate Economist**, specializing in economic analysis, economic modeling, demographics & forecasting- 1982-1996
- **Over 20 years of experience as a professional economist** involving public utility issues, having been involved with multiple economic impact analyses involving telecommunications, electric utilities and various retail developments, 1979-99
- **Two-Time Economic Advisor to the Governor of the State of Connecticut, (Weicker, Rell)**
- **President of the Hartford Area Business Economists**, 2005
- **Past President of Economic Club of CT, longtime member of NABE**, 1984-86
- **Represented State of CT before multiple Bond Rating agencies on Wall Street**, trying to improve State's bond rating- 1996
- **MPA from S.U.N.Y at Stony Brook** focusing on economics, econometric modeling, statistics -1978
- **B.S. in Applied Mathematics** from S.U.N.Y at Stony Brook- 1975
- **Clients** now include SNET, CBIA, United Illuminating, Banknorth, CERC, State of CT, the U.S Small Business Administration, many CT Towns and Municipalities

" At this point, our lack of affordable housing is clearly undermining Connecticut's economic foundation. Its impact on jobs, workforce development, and overall economic output can no longer be dismissed".

**- Don Klepper-Smith
Chief Economist & Director of Research
DataCore Partners LLC**

HOW LARGE IS THE U.S. AFFORDABLE HOUSING PROBLEM?

- **1 OUT OF EVERY 8 FAMILIES IN THE U.S.- REPRESENTING 14 MILLION PEOPLE- HAD “CRITICAL” HOUSING NEEDS IN 2003, DEFINED AS EITHER PAYING MORE THAN HALF THEIR INCOME FOR HOUSING OR LIVING IN RUN DOWN QUARTERS.**
- **THE U.S. CENTER FOR HOUSING POLICY, A NATIONAL COALITION THAT IS RESEARCHING THE U.S. HOUSING AFFORDABILITY PROBLEM, HAS FOUND THAT ROUGHLY 7.7 MILLION PEOPLE OR 55% OF THESE 14 MILLION ARE HOMEOWNERS, AND 6.3 MILLION OR 45% ARE RENTERS.**
- **THIS STUDY ON AFFORDABLE HOUSING SETS OUT TO ADDRESS THE SCOPE AND SEVERITY OF THE PROBLEM IN CONNECTICUT, LOOKING AT BOTH OWNERS AND RENTERS.**

ANALYSIS OVERVIEW:

- **1. DEFINING THE NEED FOR AFFORDABLE HOUSING**
- **2. CHAS DATA ON THE # OF HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING**
- **3. LONG-TERM INCOME TRENDS IN CT.**
- **4. THE U.S. & CT. HOUSING MARKETS**
- **5. CT.'S RENTAL MARKET & HOUSING AFFORDABILITY**
- **6. OCCUPATIONAL PROJECTIONS & THE NEED FOR WORKER HOUSING**
- **7. THE LINKAGE BETWEEN AFFORDABLE HOUSING & BUSINESS COMPETITIVENESS**

ANALYSIS OVERVIEW:

- **8. COST OF LIVING DATA & ESTIMATED JOB LOSSES DUE TO HIGH HOUSING COSTS**
- **9. POSITIVE ECONOMIC & FISCAL IMPACTS DERIVED FROM THE CREATION OF NEW AFFORDABLE HOUSING UNITS**
- **10. OPPORTUNITY COSTS ASSOCIATED WITH HIGHER HOUSING PRICES**
- **11. OTHER IMPACTS DUE TO THE HIGH COST OF CT. HOUSING**
- **12. TEN KEY SUMMARY POINTS**
- **13. NARRATIVE ON AFFORDABLE HOUSING**
- **14. APPENDIX- SUPPORTING DATA**

1. DEFINING THE NEED **FOR AFFORDABLE HOUSING:**

- **HOUSING AFFORDABILITY IS A RELATIVE MEASURE WHICH TAKES INTO CONSIDERATION MANY FACTORS, INCLUDING LOCAL HOUSING PRICES AND RENTS, HOUSEHOLD INCOMES, AND GEOGRAPHICAL DIFFERENCES.**
- **GENERALLY SPEAKING, BOTH FEDERAL & CT. GUIDELINES USE A STANDARD MEASURE THAT SAYS THAT EVERY HOUSEHOLD SHOULD PAY NO MORE THAN 30% OF ITS INCOME TOWARDS HOUSING.**
- **THE REASON: PAYING MORE THAN 30% LEAVES A HOUSEHOLD TOO LITTLE FOR OTHER NECESSITIES SUCH AS FOOD, CLOTHING, AND TRANSPORTATION.**

1. DEFINING THE NEED **FOR AFFORDABLE HOUSING:**

- **AFFORDABLE HOUSING PROGRAMS, IN CT. AND ACROSS THE U.S., ARE BASICALLY ADMINISTERED ON A METROPOLITAN AND NON-METROPOLITAN BASIS.**
- **ACCORDING TO HUD, AND GENERALLY SPEAKING, A NEED FOR AFFORDABLE HOUSING NEED EXISTS WHERE: 1) HOUSEHOLDS ARE MAKING LESS THAN 80% OF AN AREA'S MEDIAN INCOME, AND 2) DEDICATE MORE THAN 30% OF THEIR INCOME TO HOUSING, EITHER FROM A RENT OR MORTGAGE STANDPOINT.**

2. CHAS DATA ON THE # OF HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING

- **CHAS (COMPREHENSIVE HOUSING AFFORDABILITY STRATEGY) DATA IS THE DEFINITIVE SOURCE FOR HOUSEHOLD COUNTS IN NEED OF AFFORDABLE HOUSING. DATA HAS BEEN COMPILED FROM DETAILED 1990 AND 2000 U.S. CENSUS TAPES.**
- **THESE CENSUS DATA POINTS ALLOW FOR A LONGITUDINAL COMPARISON OVER TIME.**
- **1990 AND 2000 CHAS DATA WAS USED IN THIS STUDY TO IDENTIFY THE # OF CONNECTICUT HOUSEHOLDS, EITHER OWNERS OR RENTERS, IN NEED OF AFFORDABLE HOUSING.**
- **A HOUSEHOLD IN NEED OF AFFORDABLE HOUSING IS DEFINED AS EARNING <80% OF THE STATE'S MEDIAN HOUSEHOLD INCOME, WHILE ALSO SPENDING MORE THAN 30% OF HOUSEHOLD INCOME ON HOUSING.**

ECONOMIC IMPACTS DUE TO THE LACK OF AFFORDABLE HOUSING:

- **ECONOMIC IMPACTS WERE CALCULATED AS A RESULT OF A POTENTIAL LACK OF AFFORDABLE HOUSING AND ARE BASED ON “CONSERVATIVE ASSUMPTIONS AND CALCULATIONS”.**
- **AS A RESULT, THESE CALCULATED IMPACTS CAN BE CONSIDERED TO REPRESENT “MINIMUM” OR “BASELINE” MEASURES, WHICH IN ALL LIKELIHOOD, ARE LIKELY TO BE MUCH GREATER IN ACTUALITY.**

HOUSEHOLDS PAYING MORE
THAN 30% OF INCOME FOR HOUSING:

TOTAL NUMBERS OF CT. HOUSEHOLDS PAY MORE THAN 30% OF THEIR INCOME FOR HOUSING

	<u>1990 CENSUS</u>	<u>% OF TOTAL</u>	<u>2000 CENSUS</u>	<u>% OF TOTAL</u>
RENTERS	161,317	13.1	156,589	12.0
OWNERS	159,296	12.9	174,452	13.4
TOTAL >30% HOUSING	320,613	26.1	331,041	25.4
TOTAL HLDS	1,230,243		1,301,670	

SOURCE: U.S. CENSUS DEPT.

NOTE: PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS

ESTIMATED 2005 CT. HOUSEHOLDS PAYING MORE THAN 30% OF INCOME FOR HOUSING:

- GIVEN THE SURGE IN CONNECTICUT MEDIAN SINGLE-FAMILY HOUSING PRICES, WHICH HAVE CLIMBED FROM \$165,000 IN 2000 TO 247,000 IN 2004, REPRESENTING A RISE OF 49.7%,....
- AND GIVEN PRIOR 2000 CENSUS READINGS THAT SHOWED THAT 1 IN EVERY 4 CT. HOUSEHOLDS WERE PAYING MORE THAN 30% OF THEIR INCOME ON HOUSING,.....
-IT IS HIGHLY PROBABLE THAT CONNECTICUT NOW HAS AT LEAST 25% OF ITS HOUSEHOLDS PAYING MORE THAN 30% OF INCOME TOWARDS HOUSING.
- GIVEN CURRENT ESTIMATES OF 1.3 MILLION CT. HOUSEHOLDS AS OF 2005, AND THIS 25% RATIO, DATACORE CALCULATES THAT THERE ARE PRESENTLY 339,000 HOUSEHOLDS CURRENTLY DEDICATING MORE THAN 30% OF THEIR INCOME TO HOUSING.

HOUSEHOLDS EARNING LESS THAN
80% OF MEDIAN HOUSEHOLD INCOME:

CT. HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING

- CT. HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING LACK ADEQUATE INCOME GIVEN THE COST OF LIVING IN THE CONNECTICUT, AND THEREFORE SPEND A DISPROPORTIONATE AMOUNT OF THEIR INCOME ON HOUSING.
- CURRENT ESTIMATES FOR 2004 FROM CLARITAS, A WELL-RESPECTED DEMOGRAPHICS FIRM, SHOW THAT THE NUMBER OF HOUSEHOLDS EARNING < 80% OF AREA MEDIAN INCOME HAS GROWN BY ROUGHLY 31,000 SINCE THE LAST CENSUS.
- BOTTOM LINE: THE NUMBER OF HOUSEHOLDS EARNING<80% OF MEDIAN HLD INCOME HAS RISEN FROM 516,000 IN THE 2000 CENSUS (2000 HOUSEHOLD BASE=1,301,670) TO AN ESTIMATED 547,000 AS OF 2004.

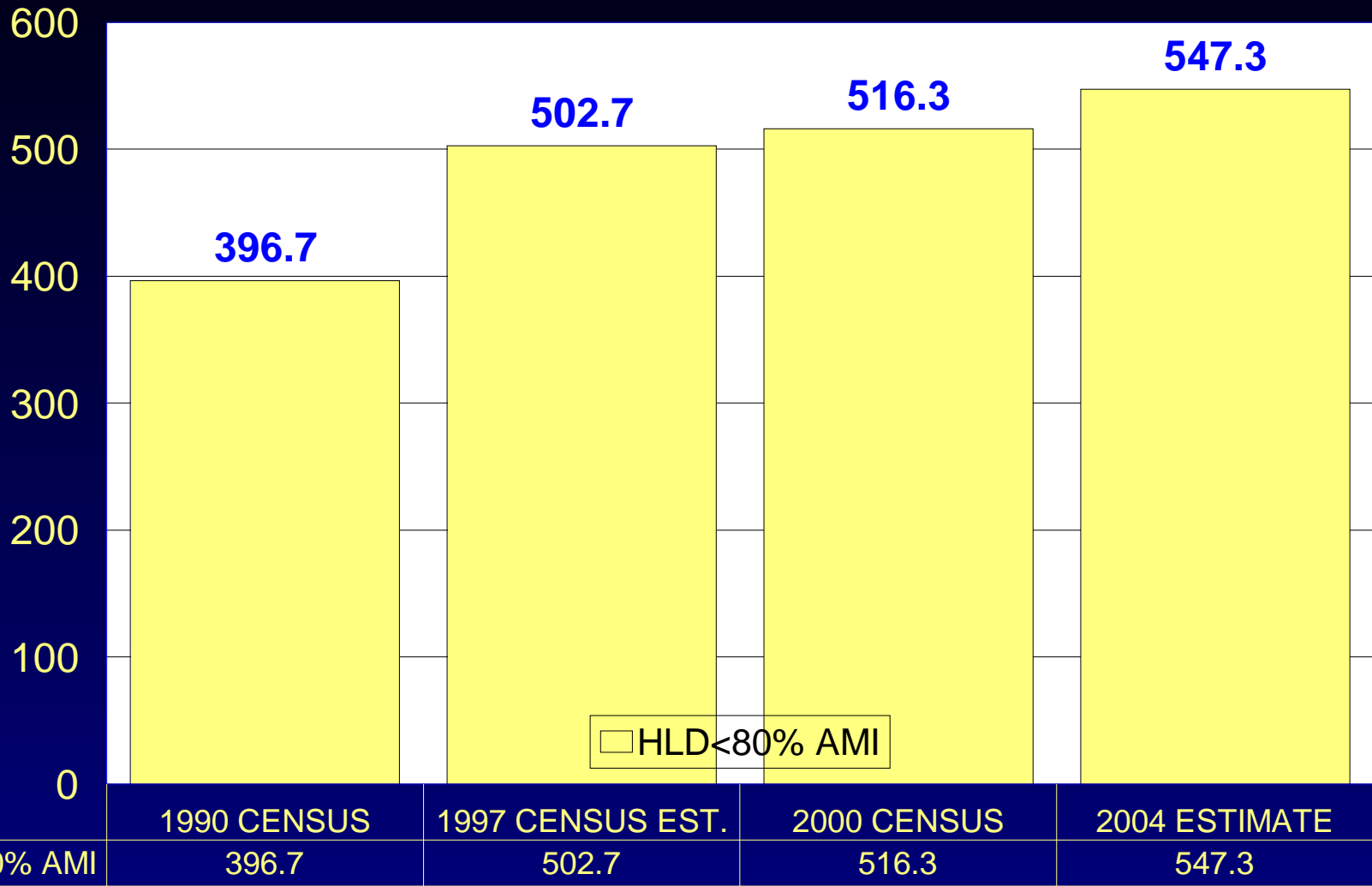
TOTAL NUMBERS OF CT. HOUSEHOLDS EARNING LESS THAN 80% OF MEDIAN HOUSEHOLD INCOME

	<u>HLDS</u> <u>0-30% OF</u> <u>AMI</u>	<u>HLDS</u> <u>31-50% OF</u> <u>AMI</u>	<u>HLDS</u> <u>51-80% OF</u> <u>AMI</u>	<u>TOTAL</u> <u>HLDS <</u> <u>80% OF</u> <u>AMI</u>	<u>% OF</u> <u>TOTAL</u> <u>HLDS</u>
1989	140,788	119,929	135,941	396,658	32.2%
1997	159,433	132,657	210,432	502,522	39.4%
1999	171,502	137,022	207,749	516,273	39.6%
2004 CLARITAS	na	na	na	547,272	40.7%

SOURCE: U.S. CENSUS DEPT., CLARITAS

NOTE: PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS

NUMBERS OF CONNECTICUT HOUSEHOLDS EARNING < 80% MEDIAN HLD INCOME, 1990, 1997 & 2000 CENSUS DATA, 2004 ESTIMATE, (000)



SOURCE: U.S. CENSUS BUREAU, CLARITAS DATA AS OF 2004

HOUSEHOLDS EARNING LESS THAN
80% OF MEDIAN HOUSEHOLD INCOME AND
SPENDING MORE THAN 30% ON HOUSING:

“CONNECTICUT COMPREHENSIVE HOUSING AFFORDABILITY STATISTICS” (CHAS DATA):

- THE LATEST CHAS DATA FOR BOTH RENTERS AND OWNERS FROM THE 2000 CENSUS SHOWS THERE ARE **249,000** HOUSEHOLDS WHO MET THE "RISK" CRITERIA (EARNING <80% OF AMI, AND SPENDING MORE THAN 30% ON HOUSING).
- THE # OF HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING NOW REPRESENTS ABOUT **19.1%** OF ALL CT. HOUSEHOLDS.
- **THIS FIGURE OF 249,000 HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING INDICATES THAT THE GAP BETWEEN THE SUPPLY OF AFFORDABLE HOUSING AND DEMAND FOR AFFORDABLE HOUSING HAS WIDENED DRAMATICALLY IN RECENT YEARS.**
- **BACK IN THE LATE 1990'S, PRIOR TO THE AVAILABILITY OF CHAS DATA, THE CT. BLUE RIBBON COMMISSION ON AFFORDABLE HOUSING PEGGED THE SHORTFALL IN AFFORDABLE UNITS AT 67,915 UNITS.**

“CONNECTICUT COMPREHENSIVE HOUSING AFFORDABILITY STATISTICS” (CHAS) DATA:

- IN ALL FAIRNESS, THIS FIGURE OF **249,000** HOUSEHOLDS AS OF THE 2000 CENSUS MAY ALSO INCLUDE SMALL NUMBERS OF HOUSEHOLDS THAT CHOOSE TO SPEND MORE THAN 30% OF THEIR INCOMES ON HOUSING, OR WEALTHY INDIVIDUALS WITH SUBSTANTIAL EQUITY IN THEIR HOMES LIVING OFF OF FIXED INCOMES, OR OTHER HOUSEHOLDS THAT MIGHT NOT BE TRULY IN NEED OF AFFORDABLE HOUSING.

**THE # OF CONNECTICUT HOUSEHOLDS IN
NEED OF AFFORDABLE HOUSING HAS
SURGED GREATLY SINCE THE 2000
CENSUS :**

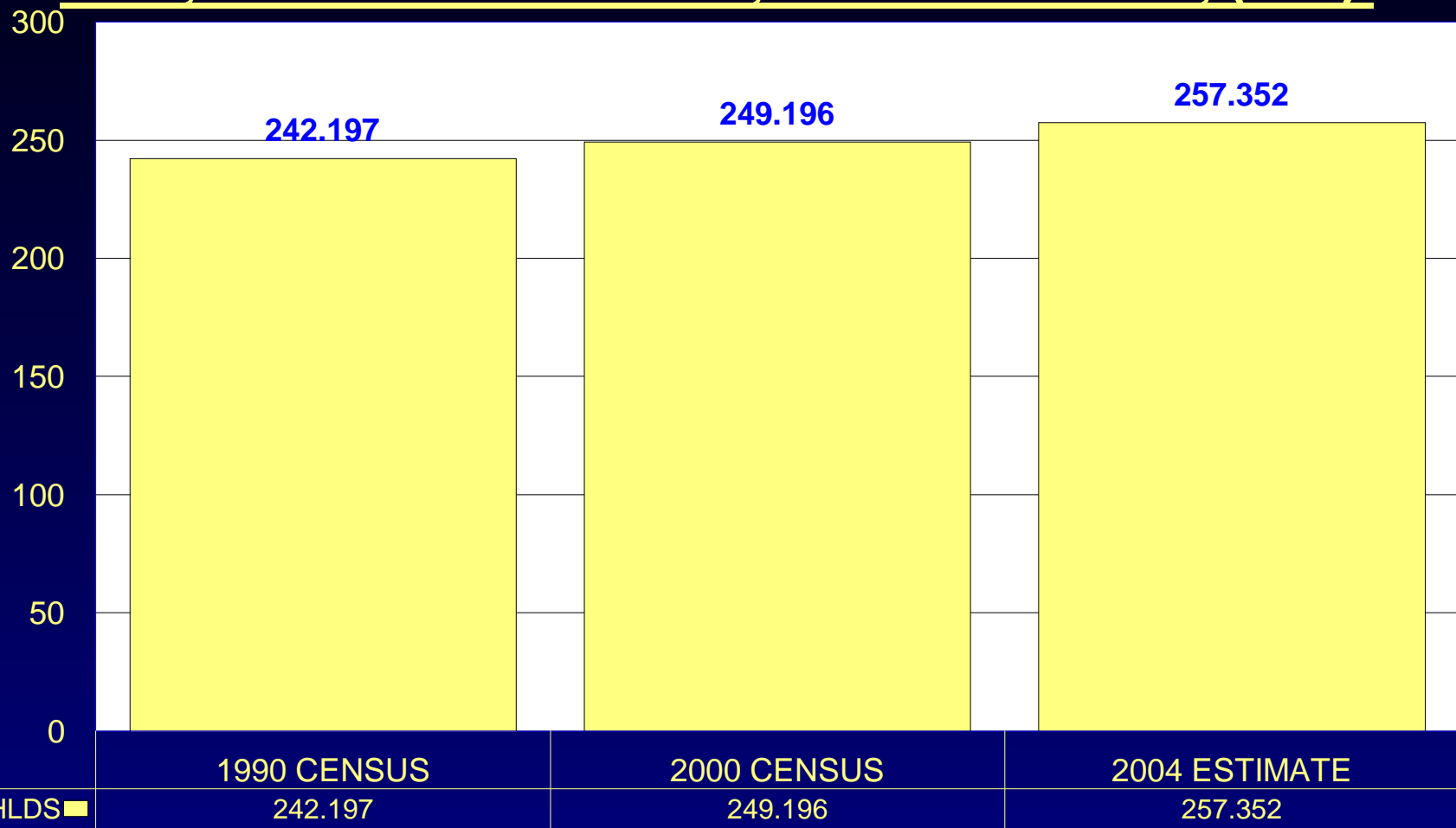
- **BOTTOM LINE: THE COLLECTIVE DATA ON INCOME AND HOUSING FOR THE PERIOD BETWEEN 2000 AND 2004 SHOWS THAT THERE ARE GREATER NUMBERS OF CONNECTICUT HOUSEHOLDS “IN NEED OF AFFORDABLE HOUSING” RELATIVE TO THE LAST CENSUS.**

THE # OF CONNECTICUT HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING HAS RISEN SINCE THE 2000 CENSUS :

- CURRENT ESTIMATES, BASED ON CONSERVATIVE RATIOS FROM THE LAST CENSUS WHICH HAVE PROBABLY RISEN, SHOW THAT THE NUMBER OF HOUSEHOLDS SPENDING MORE THAN 30% ON HOUSING AND EARNING LESS THAN 80% OF AREA MEDIAN HOUSEHOLD INCOME, IS NOW AT LEAST 257,000 HOUSEHOLDS, REPRESENTING 19% OF ALL CONNECTICUT HOUSEHOLDS, OR 1 IN EVERY 5 HOUSEHOLDS.

**TOTAL # OF CONNECTICUT HOUSEHOLDS IN
NEED OF AFFORDABLE HOUSING:
(EARNING < 80% MEDIAN HLD INCOME
& SPENDING >30% ON HOUSING)**

1990, 2000 CENSUS DATA, 2004 ESTIMATE, (000)



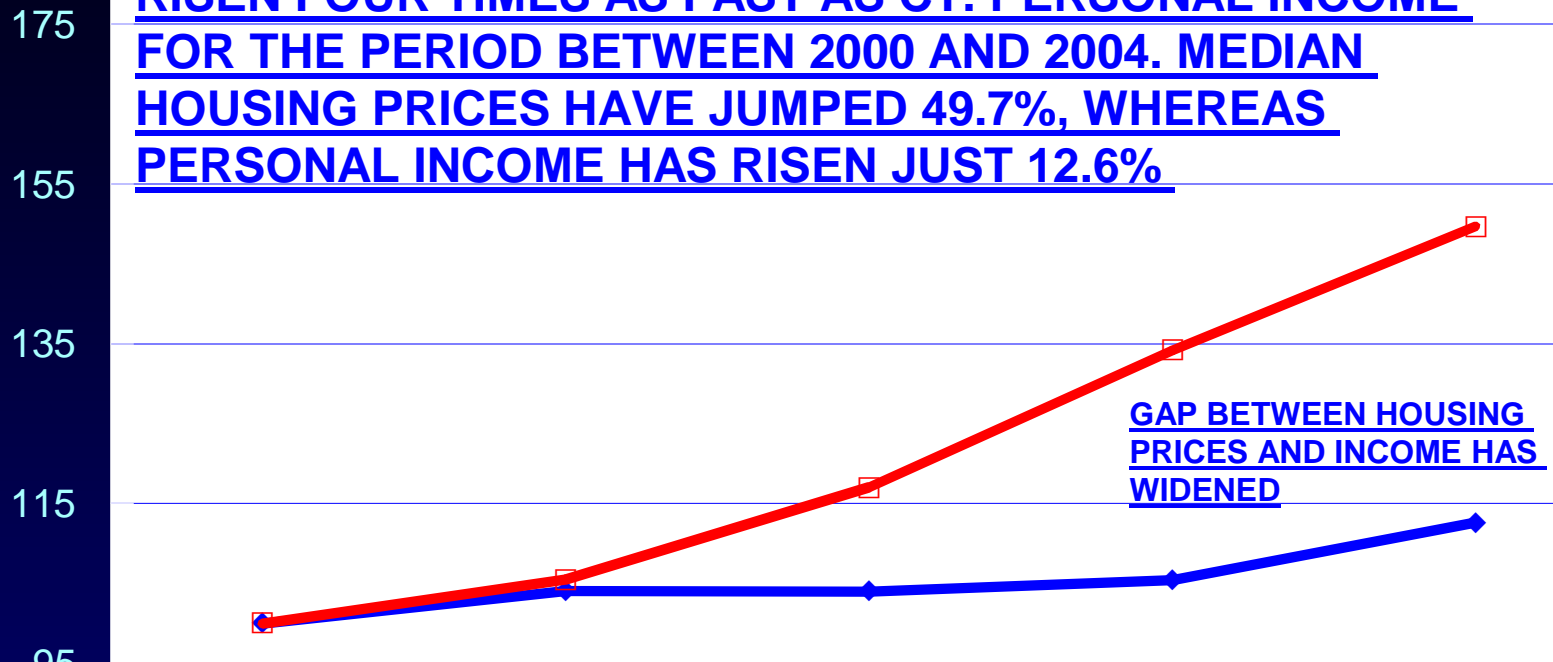
SOURCE: CHAS DATA, U.S. CENSUS BUREAU, DATACORE ESTIMATE FOR 2004
NOTE: PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS

3. LONG-TERM INCOME TRENDS **IN CONNECTICUT**

- **INCOME GROWTH HAS DRAMATICALLY LAGGED GROWTH IN HOUSING PRICES IN RECENT YEARS.**
- **INCOME GROWTH HAS BECOME "POLARIZED", WITH THE GAP BETWEEN THE UPPER AND LOWER ENDS BECOMING WIDER.**

CONNECTICUT MEDIAN SINGLE-FAMILY HOUSING PRICES vs. CT. NOMINAL PERSONAL INCOME 2000-2004, INDEX FORM, 1994=100.0

MEDIAN PRICES FOR CT. SINGLE-FAMILY HOMES HAVE RISEN FOUR TIMES AS FAST AS CT. PERSONAL INCOME FOR THE PERIOD BETWEEN 2000 AND 2004. MEDIAN HOUSING PRICES HAVE JUMPED 49.7%, WHEREAS PERSONAL INCOME HAS RISEN JUST 12.6%

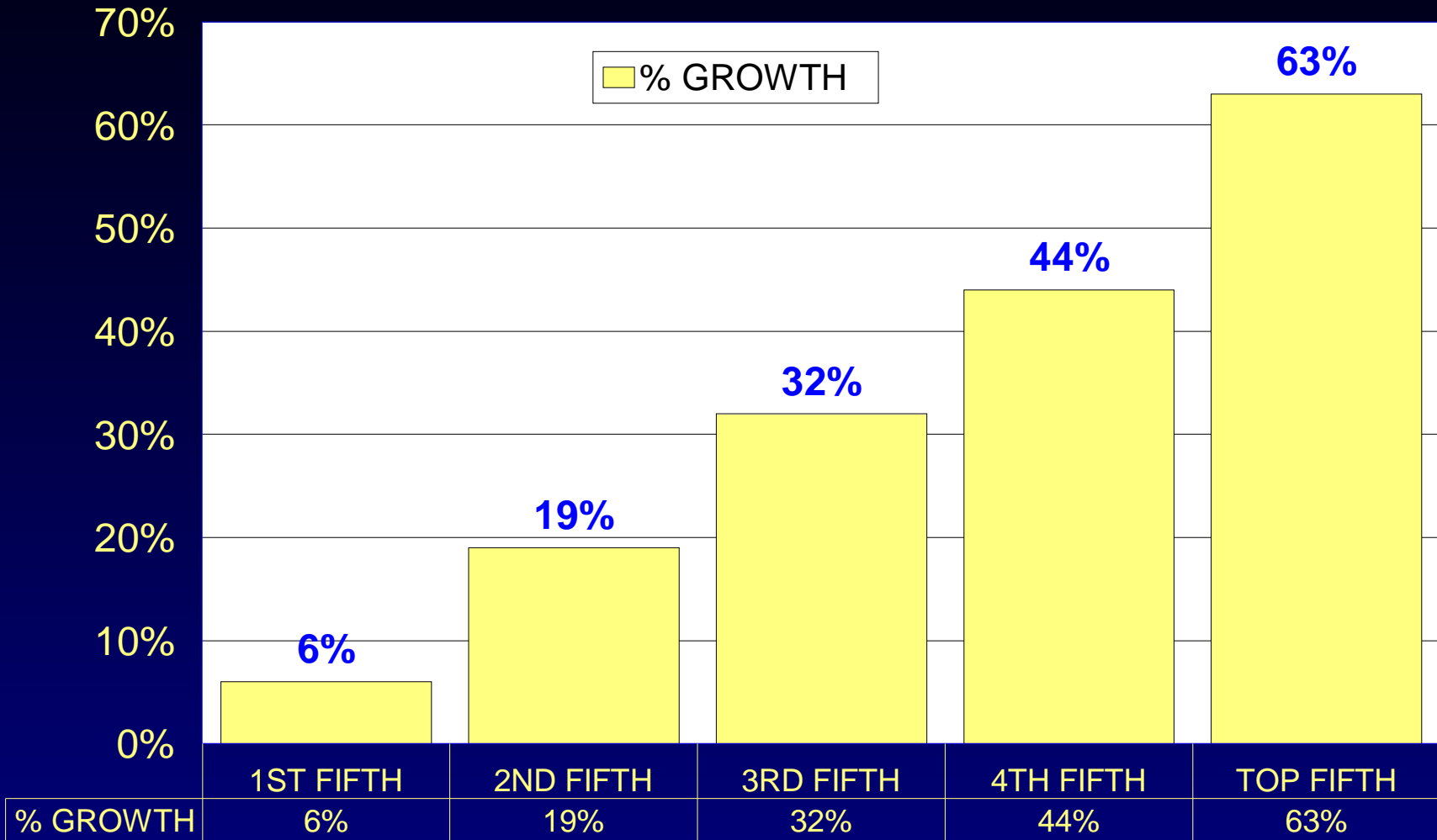


	2000	2001	2002	2003	2004
CT HOUSING \$	100	105.5	117	134.2	149.7
CT PERS. INCOME	100	104.1	104	105.4	112.6

■ CT HOUSING \$ ◆ CT PERS. INCOME

SOURCES: U.S. COMMERCE DEPT., THE WARREN GROUP

% GROWTH IN CONNECTICUT INFLATION-ADJUSTED HOUSEHOLD INCOMES BY QUINTILE, 1980 CENSUS TO 2000 CENSUS



SOURCE: U.S. CENSUS BUREAU, ECONOMIC POLICY INSTITUTE

LONG-TERM TRENDS SHOW A “POLARIZATION” OF INCOME STREAMS:

- IN THE 1980 CENSUS, THE TOP 20% OF HOUSEHOLDS HAD INCOMES THAT WERE 6.1% TIMES AS LARGE AS THE LOWEST QUINTILE.
- IN THE 2000 CENSUS, THAT RATIO HAD GROWN TO 9.4, INDICATING GREATER POLARIZATION WITHIN THE STATE’S INCOME STREAMS, AND WAS THE SIXTH HIGHEST RATIO IN THE NATION.
- AVERAGE INFLATION-ADJUSTED HOUSEHOLD INCOME IN THE LOWEST QUINTILE ROSE FROM \$18,220 IN THE 1980 CENSUS TO \$19,350 IN THE 2000 CENSUS, A RISE OF 6.2%.

SOURCE: U.S. CENSUS BUREAU, ECONOMIC POLICY INSTITUTE

LONG-TERM TRENDS SHOW A “POLARIZATION” OF INCOME STREAMS:

- **AVERAGE INFLATION-ADJUSTED HOUSEHOLD INCOME IN THE TOP QUINTILE ROSE FROM \$111,040 IN THE 1980 CENSUS TO \$181,190 IN THE 2000 CENSUS, A RISE OF 63.2%.**
- **ACCORDING TO THE 2000 CENSUS, ABOUT 22% OF ALL FAMILIES (196,000) IN CONNECTICUT EARNED LESS THAN \$35,000 A YEAR.**
- **ACCORDING TO THE 2000 CENSUS, THERE WERE 174,000 PEOPLE IN CONNECTICUT OVER THE AGE OF 18 THAT WERE LIVING BELOW POVERTY LEVEL.**
- **LACK OF INCOME GROWTH IN THE LOWEST QUINTILES HAS CLEARLY IMPACTED HOUSING AFFORDABILITY.**

SOURCE: U.S. CENSUS BUREAU, ECONOMIC POLICY INSTITUTE

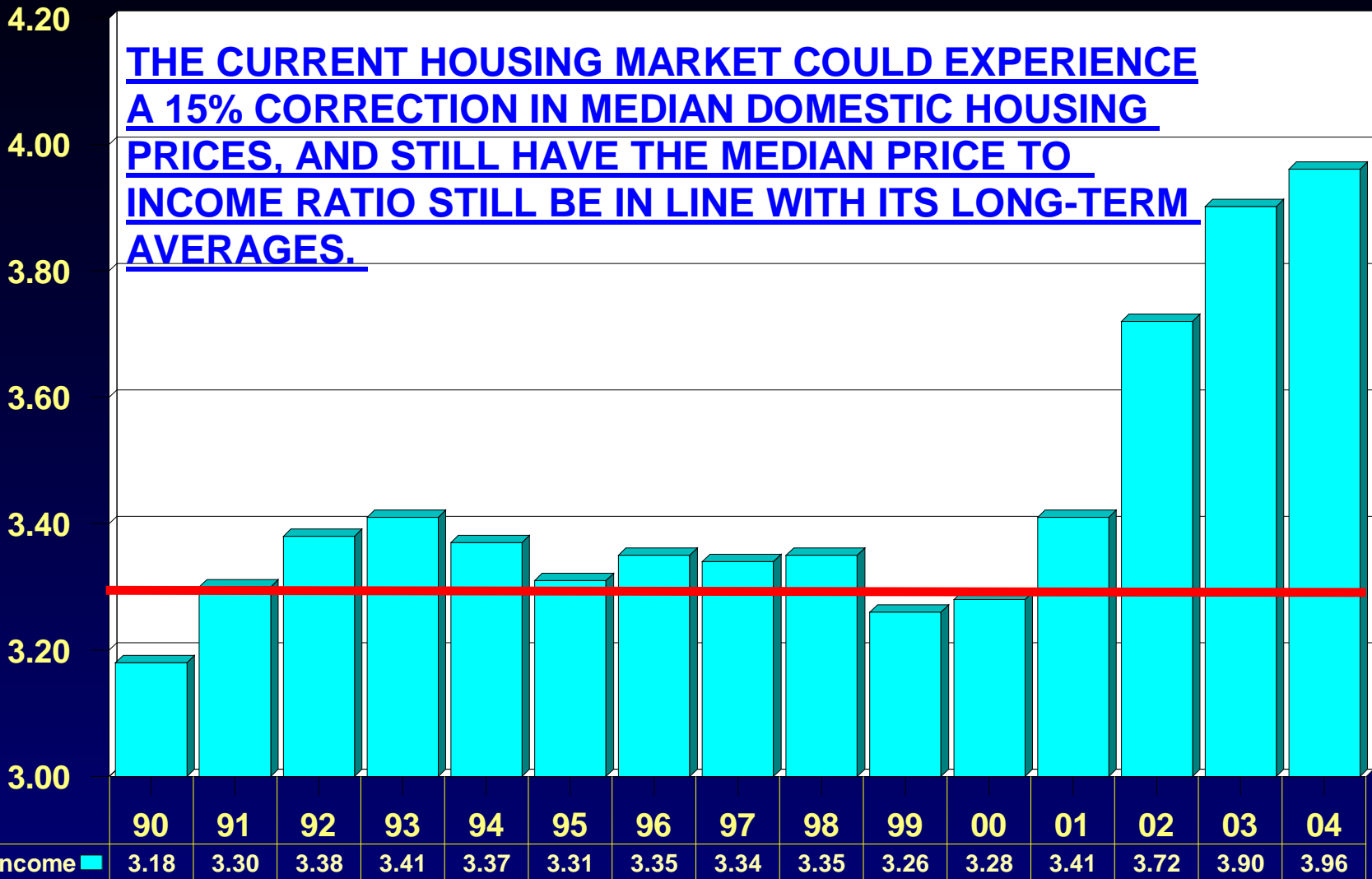
4. THE U.S & CONNECTICUT HOUSING MARKETS:

MEDIAN EXISTING SINGLE-FAMILY **HOME PRICES BY REGION** **2001-2004, \$000**

	2001	2004	% CHANGE
United States	147.8	184.1	24.6
Northeast	146.5	220.0	<u>50.2</u>
Midwest	130.2	149.0	14.4
South	137.4	169.0	23.0
West	194.5	265.8	36.7

SOURCE: NATIONAL ASSN. OF REALTORS

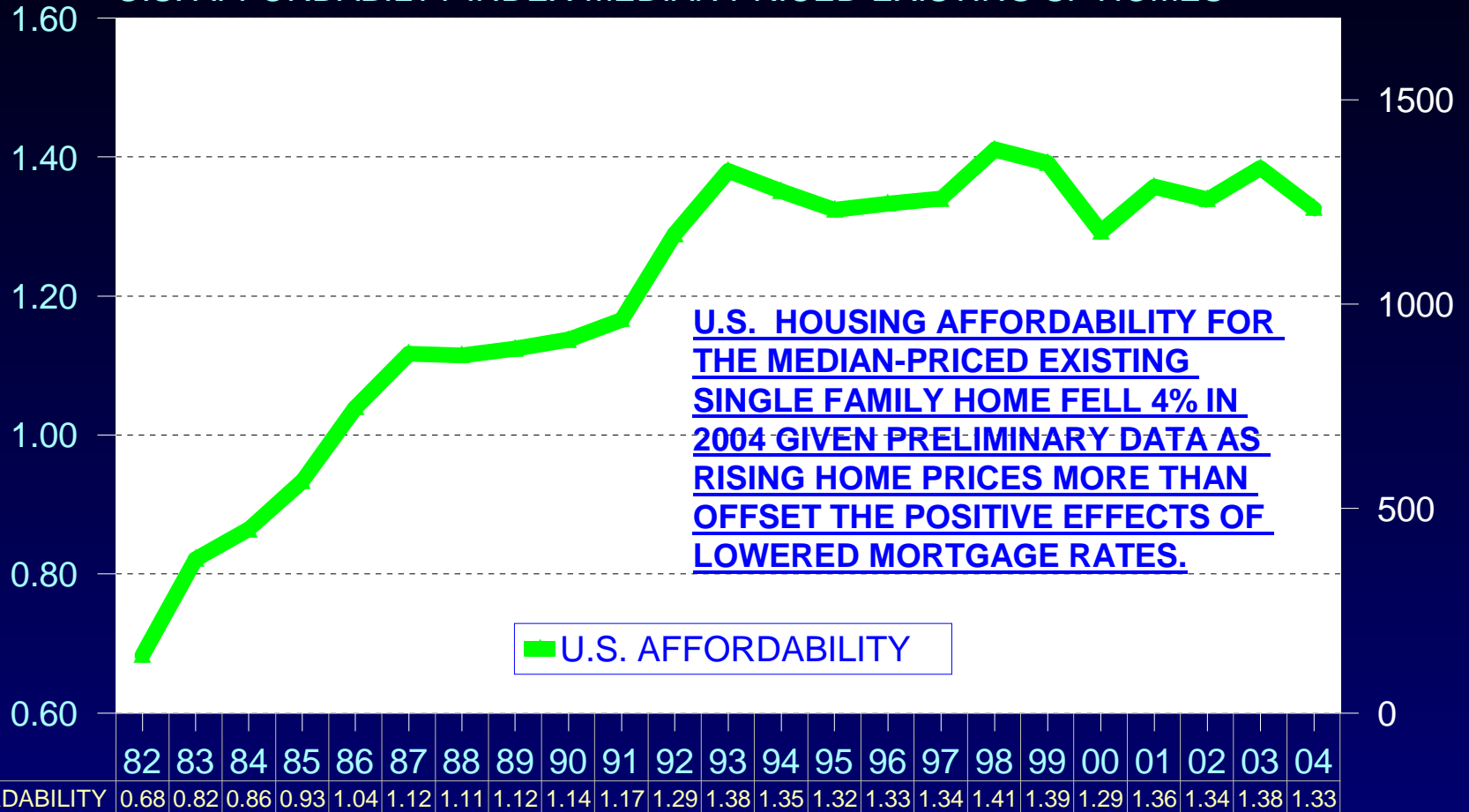
RATIO OF MEDIAN U.S. HOUSING PRICES TO U.S. MEDIAN HLD INCOME, 1990-2004



SOURCES: US Census Dept, NAR
2004 Income Estimate from Claritas

U.S. HOUSING AFFORDABILITY, 1982-2004 (RATIO OF DISPOSABLE INCOME PER HLD TO QUALIFYING INCOME REQUIRED)

U.S. AFFORDABILITY INDEX-MEDIAN PRICED EXISTING SF HOMES



SOURCES: NATIONAL ASSN OF REALTORS

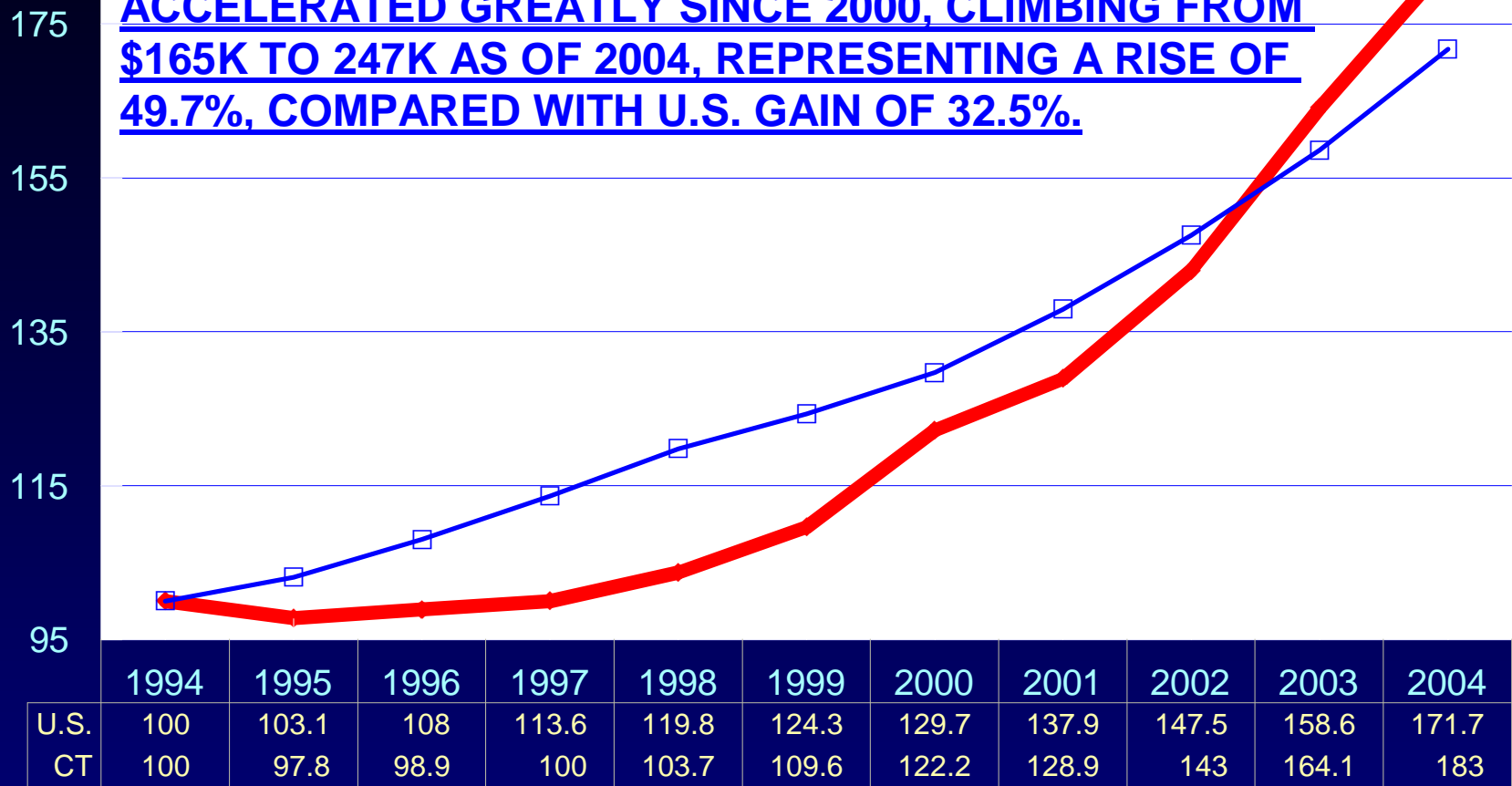
NOTE: U.S. INDEX REFLECTS MEDIAN SINGLE-FAMILY HOUSING PRICES

AND A COMPOSITE RATE OF FIXED & VARIABLE MORTGAGE RATES, ASSUMING 80% LOAN TO VALUE RATIO.

2004 FIGURE REPRESENTS PRELIMINARY DATA.

COMPARISON OF U.S. AND CONNECTICUT MEDIAN SINGLE-FAMILY HOUSING PRICES 1994-2004, INDEX FORM, 1994=100.0

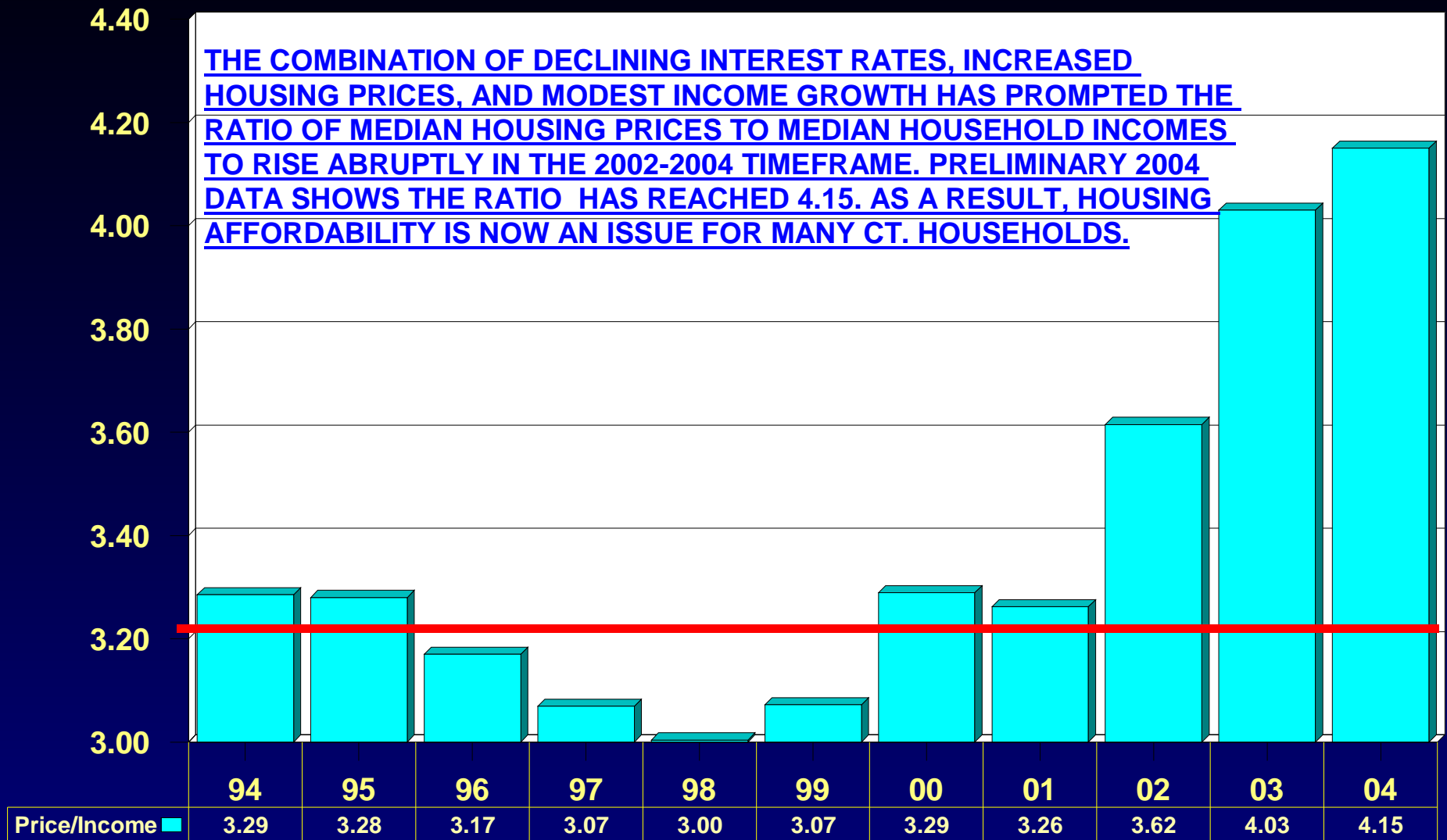
CT. MEDIAN PRICES FOR SINGLE-FAMILY HOMES HAVE ACCELERATED GREATLY SINCE 2000, CLIMBING FROM \$165K TO 247K AS OF 2004, REPRESENTING A RISE OF 49.7%, COMPARED WITH U.S. GAIN OF 32.5%.



■ U.S. ▲ CT

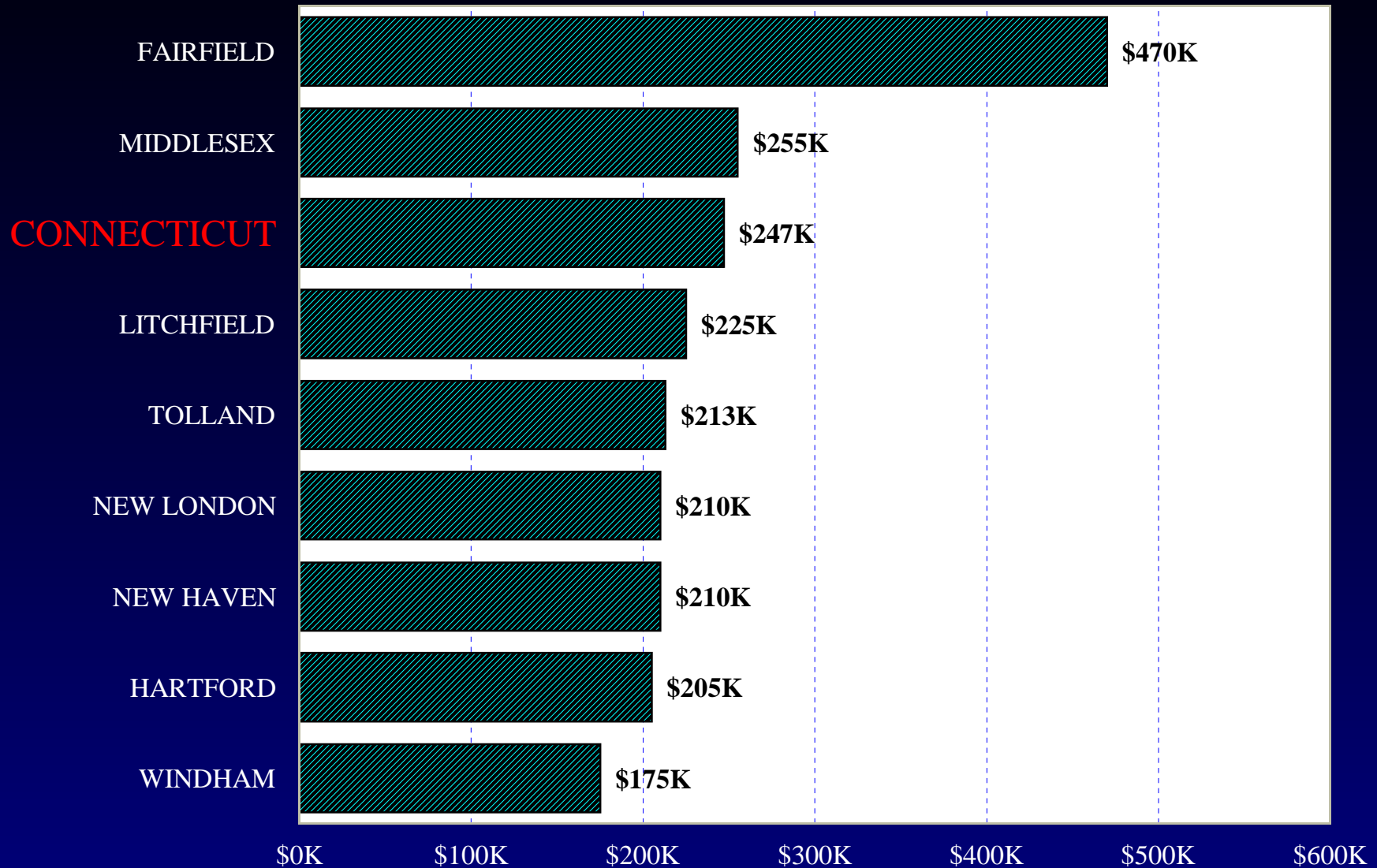
SOURCES: NATIONAL ASSN OF REALTORS, THE WARREN GROUP

RATIO OF CT. MEDIAN SINGLE-FAMILY HOUSING PRICES TO CT. MEDIAN HLD INCOME, 1994-2004



SOURCES: US Census Dept, The Warren Group
2004 Income Estimate from Claritas

2004 MEDIAN PRICES FOR SINGLE-FAMILY HOMES BY CONNECTICUT COUNTY (\$000)



SOURCE: THE WARREN GROUP

5. CONNECTICUT'S RENTAL **MARKET &** **HOUSING AFFORDABILITY:**

2004 HOUSING AFFORDABILITY IN CONNECTICUT FROM A RENTAL STANDPOINT:

- **IN CONNECTICUT, AN EXTREMELY LOW INCOME HOUSEHOLD (EARNING \$23,132, OR 30% OF THE AREA MEDIAN FAMILY INCOME OF \$77,107) CAN AFFORD A MONTHLY RENT OF NO MORE THAN \$578, WHILE THE FAIR MARKET RENT FOR A TWO-BEDROOM UNIT IS \$931, A 61% DIFFERENCE.**
- **A CONNECTICUT WORKER RECEIVING MINIMUM WAGE OF \$7.10 PER HOUR CAN AFFORD A MONTHLY RENT OF NO MORE THAN \$369.**

NOTE: PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS

2004 HOUSING AFFORDABILITY IN CONNECTICUT FROM A RENTAL STANDPOINT:

- **A CONNECTICUT WORKER RECEIVING MINIMUM WAGE MUST WORK 101 HOURS PER WEEK IN ORDER TO AFFORD A TWO-BEDROOM APARTMENT AT FAIR MARKET RENT.**
- **THE HOUSING WAGE, DEFINED AS THE AMOUNT A WORKER MUST EARN PER HOUR TO AFFORD A TWO-BR APARTMENT AT FAIR MARKET RENT, IS NOW \$17.90 IN CONNECTICUT, 16% ABOVE THE U.S. AVERAGE OF \$15.37, AND 22% ABOVE THE CT. HOUSING WAGE RECORDED IN 1999.**

NOTE: PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS

CT FAIR MARKET RENTS, ANNUAL INCOMES REQUIRED, AND HOUSING WAGES AS OF 2004

	<u>FAIR MARKET RENT</u>	<u>ANNUAL INCOME REQD FOR FMR</u>	<u>HOUSING WAGE NEEDED @ 40 HOURS</u>	<u>HOUSING WAGE AS % OF MIN. WAGE</u>
1 BEDROOM	\$766	\$30,639	\$14.73	207%
2 BEDROOMS	\$931	\$37,229	\$17.90	252%
3 BEDROOMS	\$1136	\$45,437	\$21.84	308%
4 BEDROOMS	\$1307	\$52,272	\$25.13	354%

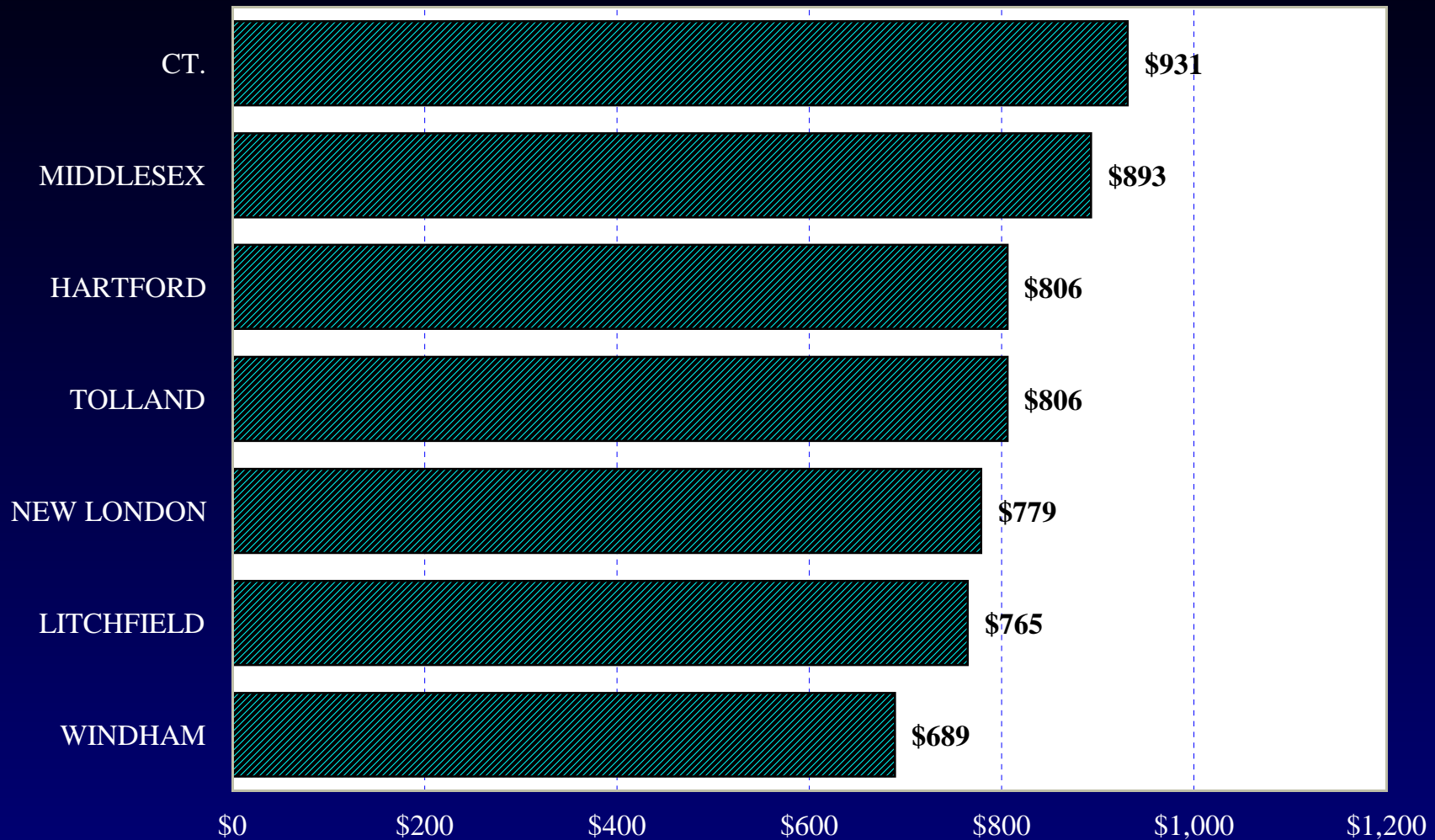
SOURCE: NATIONAL LOW INCOME HOUSING COALITION,
NOTE: PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS

2004 ESTIMATED RENTER MEDIAN INCOME FOR METRO & NON-METRO PORTIONS OF CT. & INCOME REQUIRED FOR FMR OF 2-BR APARTMENT

	<u>ESTIMATED RENTER MEDIAN INCOME</u>		<u>% OF RENTER INCOME NEEDED TO AFFORD 2BR @ FMR-*</u>
CT.	\$36,157		103%
BRIDGEPORT PMSA	\$36,448	100% or above indicates that more income is needed to afford a 2-BR apartment, indicating a lack of affordability.	102%
DANBURY PMSA	\$47,825		93%
HARTFORD MSA	\$34,899		100%
NEW HAVEN-MERIDEN PMSA	\$32,149		112%
NEW LONDON-NORWICH MSA	\$36,331		85%
STAMFORD-NOWALK PMSA	\$52,443		110%
WATERBURY PMSA	\$30,528		99%
MIDDLESEX	\$42,133		95%
WINDHAM	\$31,055		89%
TOLLAND	\$37,743		85%
NEW LONDON	\$36,788		85%
LITCHFIELD	\$36,356		85%
HARTFORD	\$34,018		84%

*- ABOVE 100% INDICATES MORE INCOME REQUIRED
 SOURCE: NATIONAL LOW INCOME HOUSING COALITION
 NOTE: PERCENTAGES GREATER THAN 100% INDICATE NEED FOR AFFORDABLE HOUSING
 METRO AREAS IN BACK, NON-METRO AREAS IN BLUE,

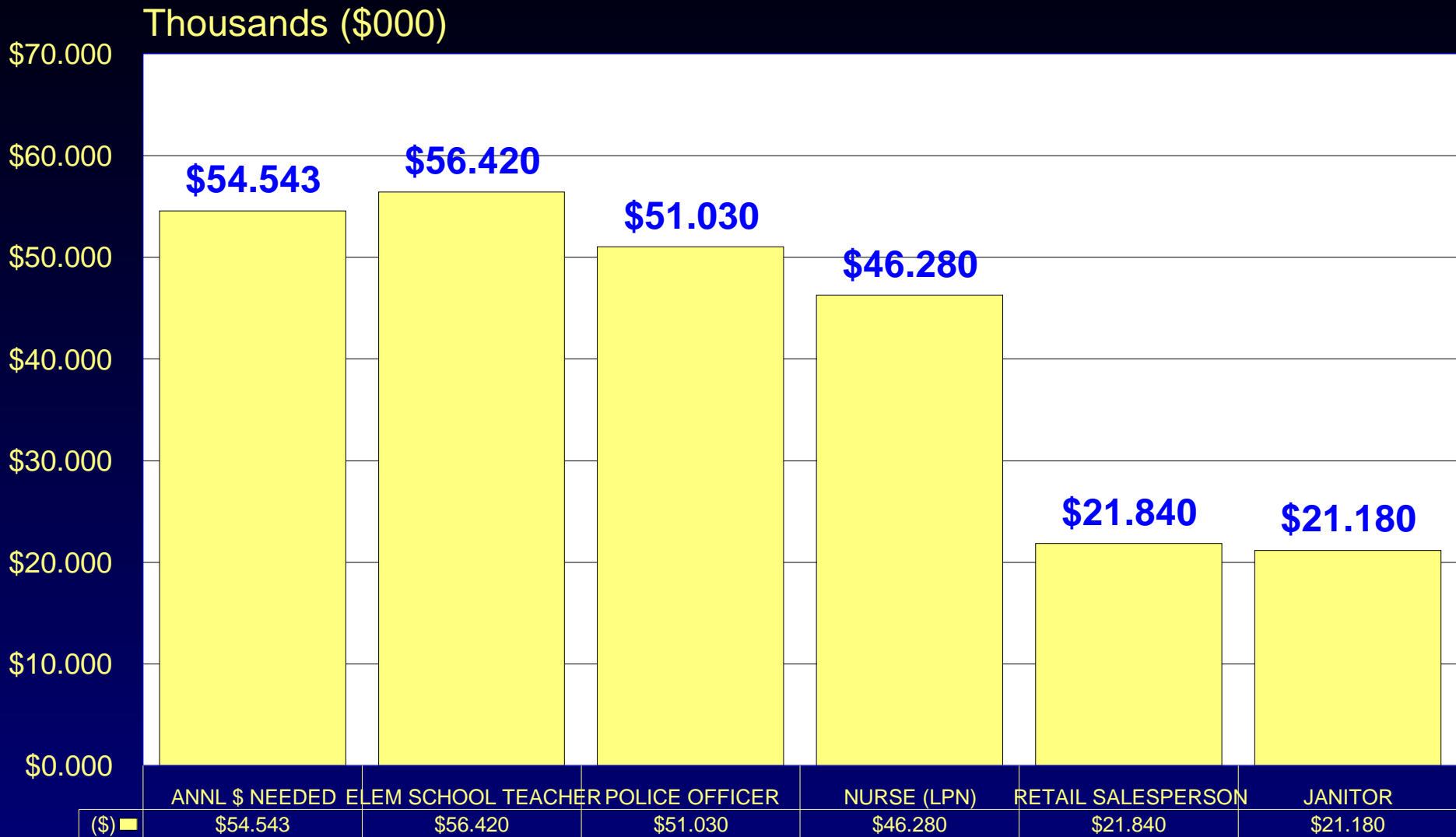
2004 FAIR MARKET RENTS FOR A TWO-BEDROOM APARTMENT WITHIN NON-METRO PORTIONS OF SELECTED CT. COUNTIES



SOURCE: NATIONAL LOW INCOME HOUSING COALITION,
PROGRAMS ADMINISTERED ON A METRO AND NON-METRO BASIS.
DATA IDENTIFIED ABOVE INDICATES NON-METRO PORTIONS OF CT ONLY

6. OCCUPATIONAL PROJECTIONS AND THE NEED FOR WORKER HOUSING

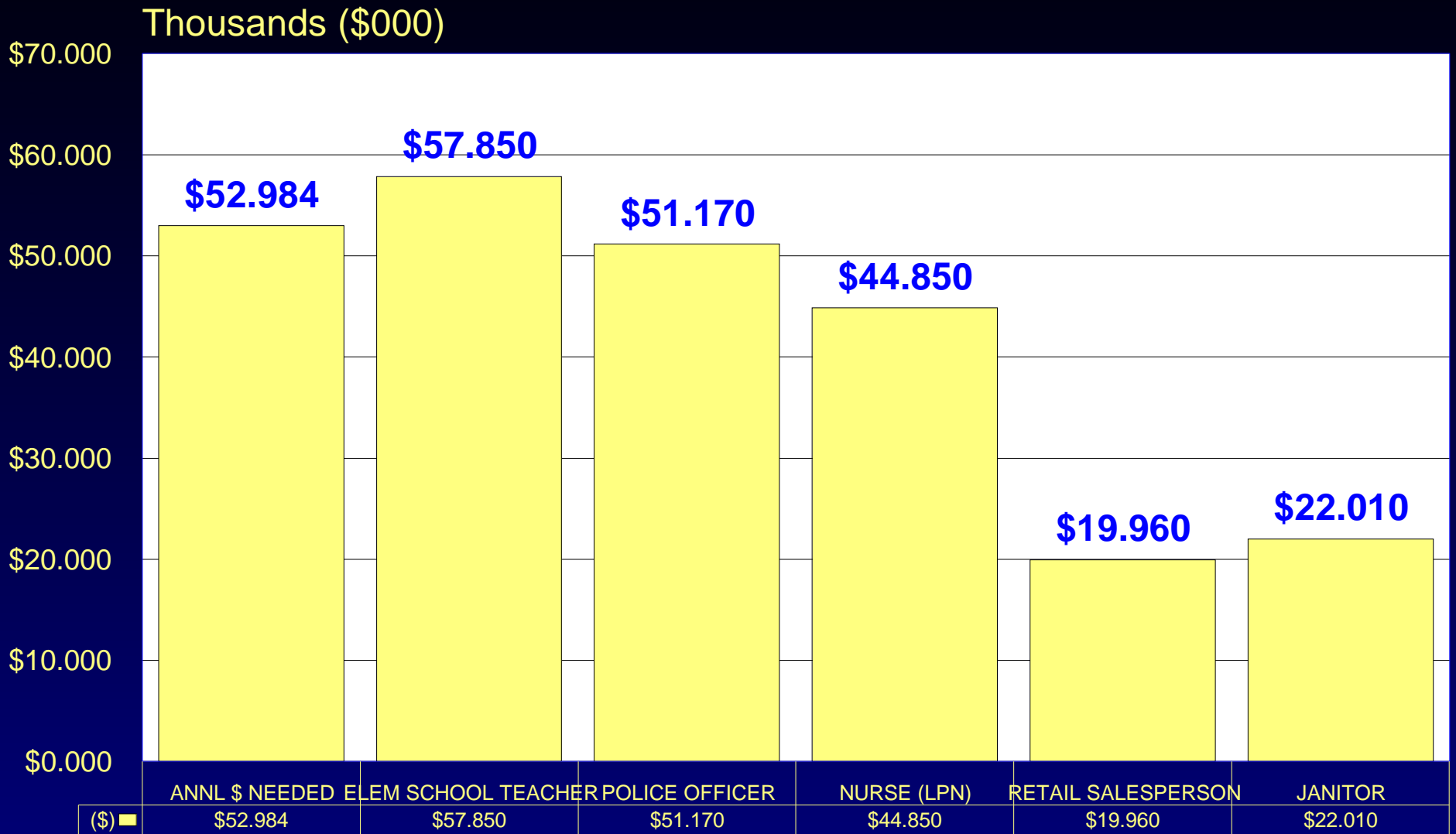
2003 HOMEOWNERSHIP MARKET IN HARTFORD: MEDIAN PRICED HOME: \$175,000



SOURCE: U.S. Center for Housing Policy

Note: Income needed to qualify for homeownership assumes prevailing interest rate, 10% downpayment, mortgage insurance, & payments on P&I, insurance, and taxes.

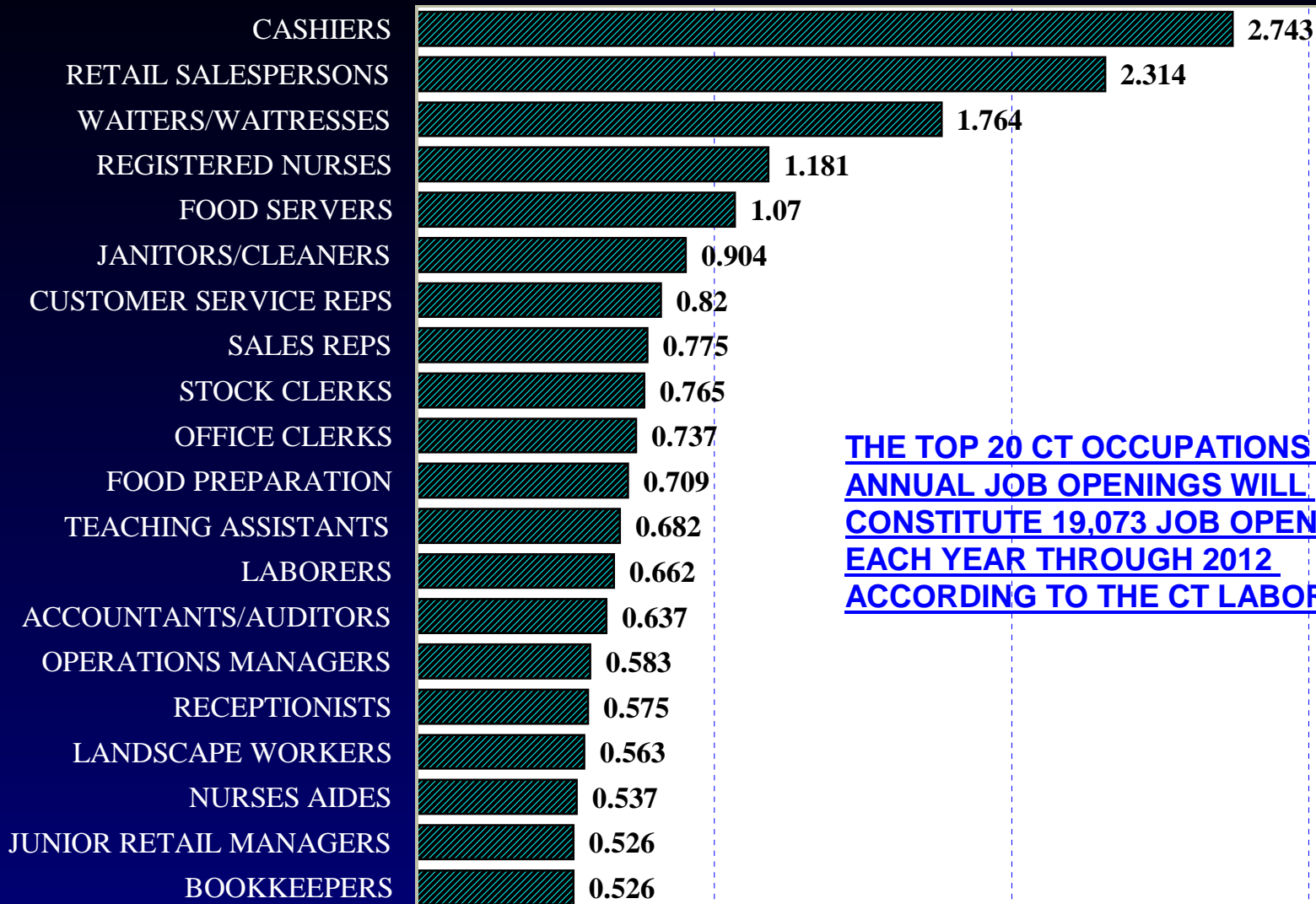
2003 HOMEOWNERSHIP MARKET IN NEW HAVEN: MEDIAN PRICED HOME: \$170,000



SOURCE: U.S. Center for Housing Policy

Note: Income needed to qualify for homeownership assumes prevailing interest rate, 10% downpayment, mortgage insurance, & payments on P&I, insurance, and taxes.

TOP 20 CT. OCCUPATIONS BY ANNUAL JOB OPENINGS AND EXPECTED SALARIES, 2002-2012, (000)



THE TOP 20 CT OCCUPATIONS BY ANNUAL JOB OPENINGS WILL CONSTITUTE 19,073 JOB OPENINGS EACH YEAR THROUGH 2012 ACCORDING TO THE CT LABOR DEPT.

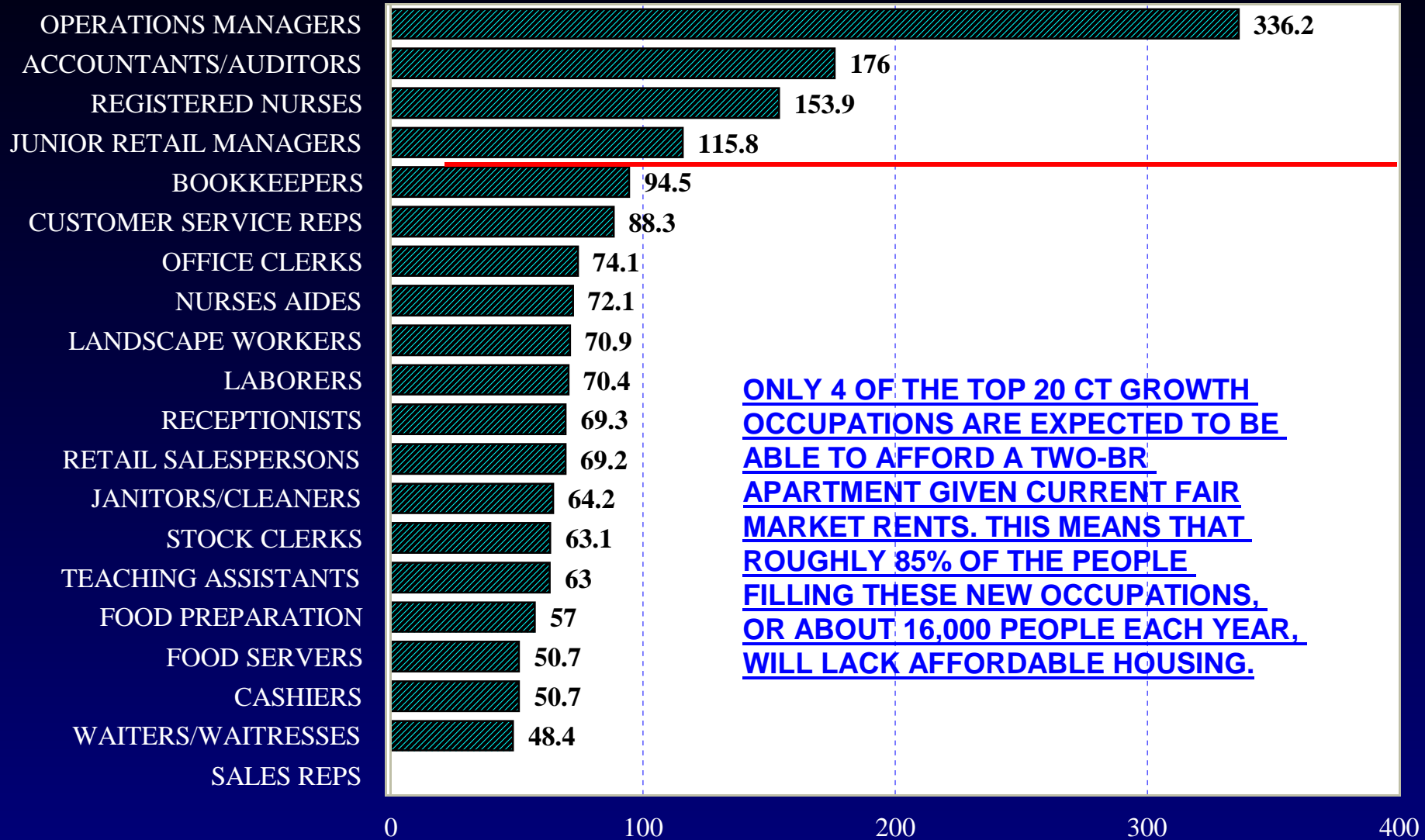
SOURCE: CT. LABOR DEPT., JAN 2005 EMPLOYMENT PROJECTIONS
NOTE: SALARIES ARE AS OF 2003

PROJECTED ANNUAL JOB OPENINGS BY WAGE LEVEL, 2004-2010

<u>AVG ANNUAL WAGES</u>	<u>TOTAL PROJECTED OPENINGS</u>	<u>% OF TOTAL OPENINGS</u>	<u>TOTAL OCCUPATIONS REPRESENTED</u>
LESS THAN \$25K	19,220	35.7%	60
25K-\$40K	14,382	26.7%	108
\$40K-\$75K	16,338	30.4%	137
75K OR HIGHER	3,861	7.2%	30

SOURCE: JOBS 2010 REPORT, CT. ECONOMIC RESOURCE CENTER

RATIO OF ESTIMATED ANNUAL SALARY TO ANNUAL INCOME REQUIRED TO RENT A 2-BR APARTMENT (\$37,229)



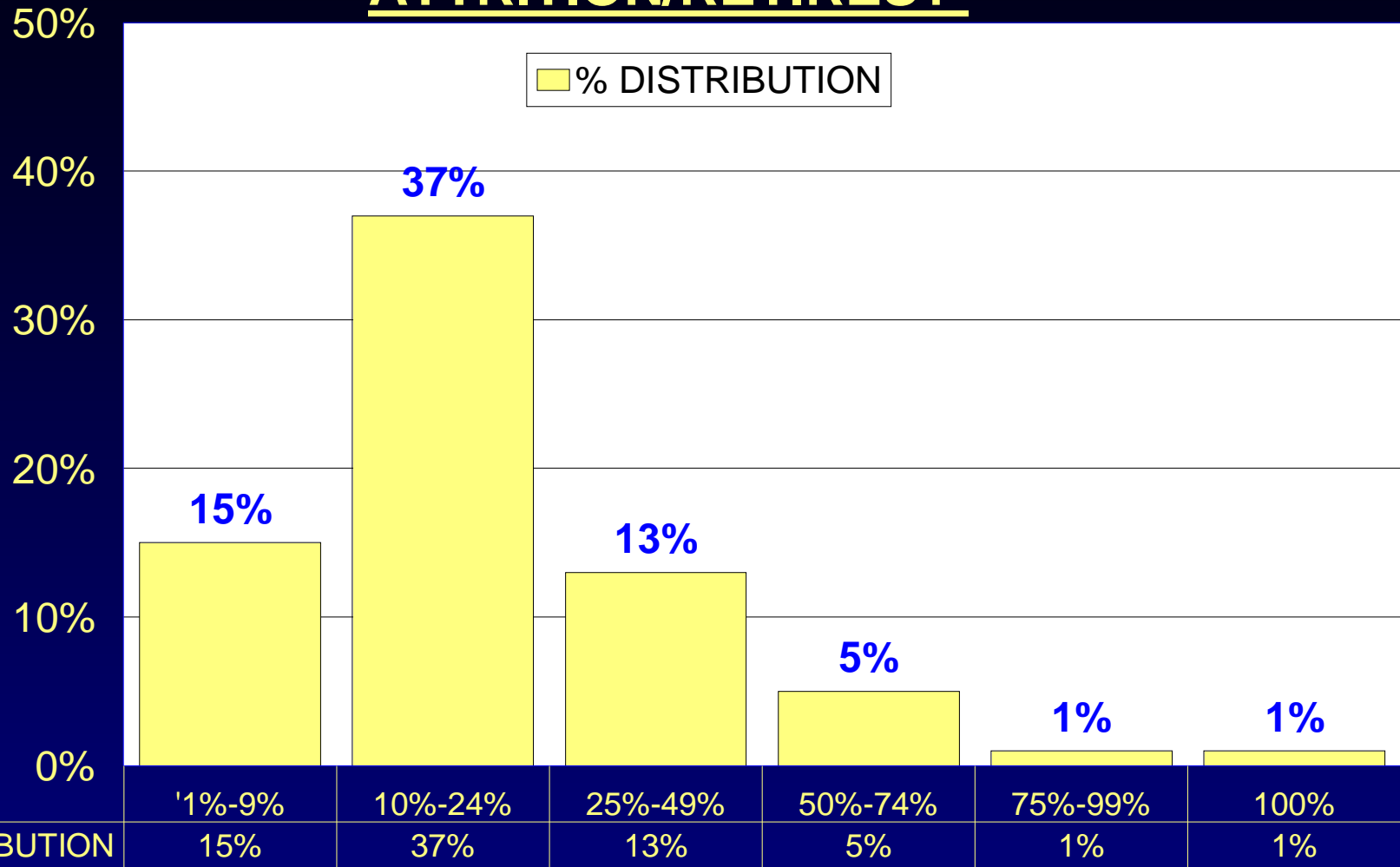
SOURCE: JAN 2005 EMPLOYMENT PROJECTIONS, CT LABOR DEPT., DATACORE PARTNERS LLC
ANNUAL SALARY NEEDED FOR FMR OF 2 BR APARTMENT IS \$37,229, NOTE THAT SALARIES ARE AS OF 2003

7. THE LINKAGE BETWEEN AFFORDABLE HOUSING AND BUSINESS COMPETITIVENESS

CBIA SURVEY FINDS SHORTAGE OF SKILLED WORKERS IN KEY INDUSTRY SEGMENTS

- **A 2004 CBIA SURVEY HAS FOUND THAT MANY CT. EMPLOYERS ARE INCREASINGLY CONCERNED ABOUT THEIR ABILITY TO RECRUIT ENTRY-LEVEL WORKERS GIVEN RISING DEMAND. LABOR SHORTAGES WERE FOUND IN 12 SKILLED MANUFACTURING OCCUPATIONS.**
- **80% OF THE RESPONDENTS EXPECT TO HIRE MORE WORKERS BY 2009, WITH A THIRD OF THOSE BUSINESSES EXPECTING WORKFORCE EXPANSION OF 25% OR MORE.**
- **ACCORDING TO CBIA, THE MAJORITY OF NEW JOBS ARE EXPECTED TO COME IN ENTRY LEVEL POSITIONS, INDICATING A GROWING DEMAND FOR ENTRY-LEVEL HOUSING.**
- **BOTTOM LINE: AFFORDABLE HOUSING IS LINKED TO “BUSINESS COMPETITIVENESS” BECAUSE IT IMPACTS OUR ABILITY TO ATTRACT AND RETAIN WORKERS. MOREOVER, HIGHER COSTS OF LIVING INEVITABLY TRANSLATE INTO HIGHER COSTS OF DOING BUSINESS.**

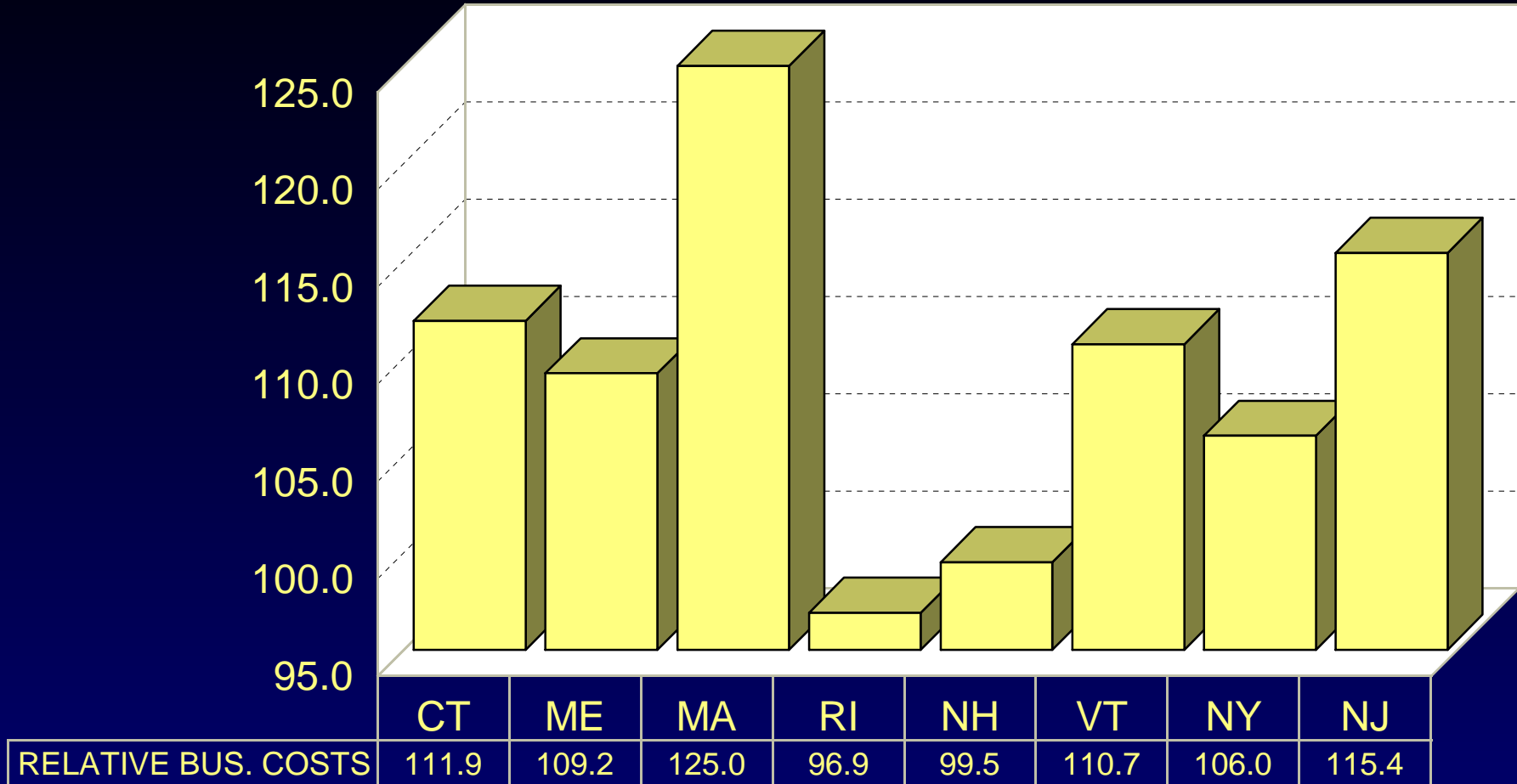
2004 CBIA SURVEY RESULTS:
Q: % OF YOUR WORKFORCE YOU EXPECT TO
REPLACE OVER NEXT 5 YEARS DUE TO
ATTRITION/RETIREES?



SOURCE: CBIA

CURRENT RELATIVE BUSINESS COST RANKINGS FOR NORTHEAST STATES AS OF LATE 2004

RELATIVE BUSINESS COSTS. U.S. AVG=100.0

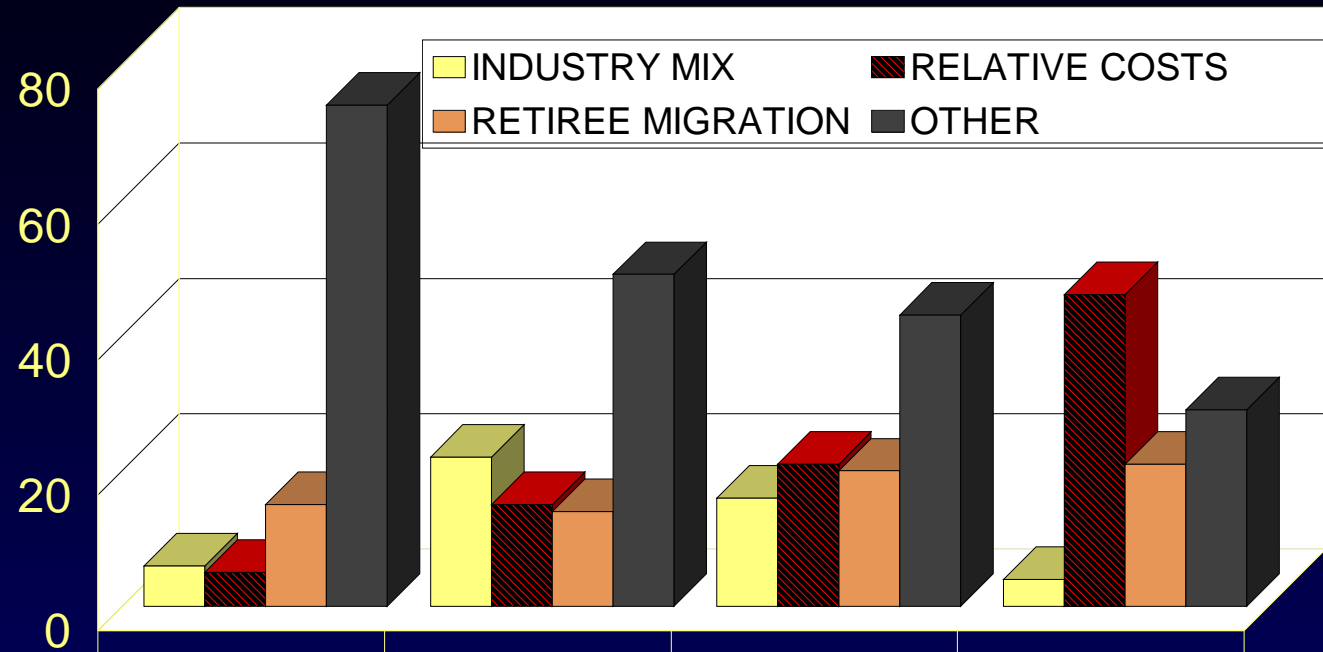


■ RELATIVE BUS. COSTS

SOURCE: ECONOMY.COM

CATEGORIES: WAGES, TAXES, ENERGY

RELATIVE BUSINESS COSTS ARE THE MOST IMPORTANT LONG-TERM DETERMINANTS OF REGIONAL ECONOMIC PERFORMANCE

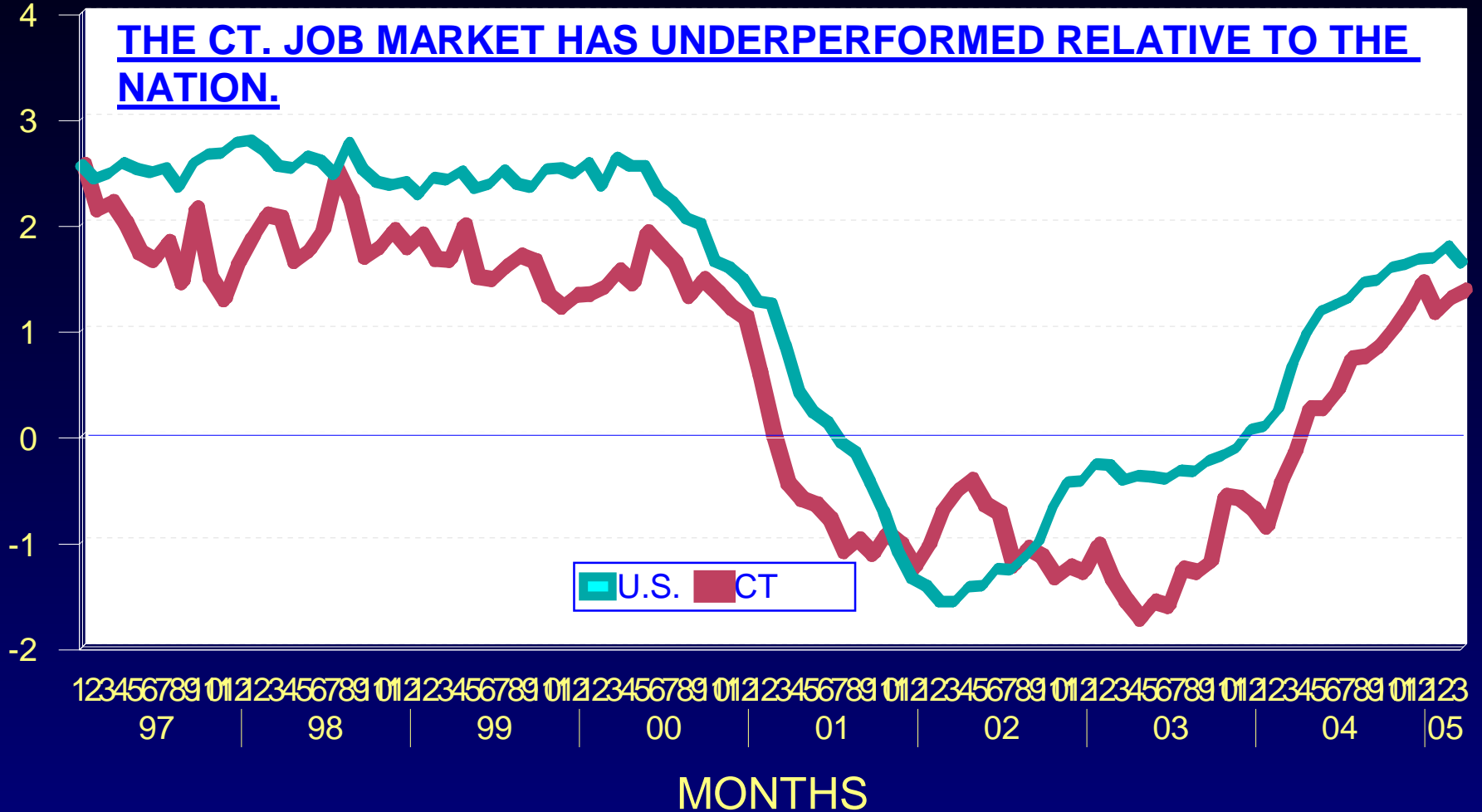


	1 YEAR	3 YEARS	5 YEARS	10 YEARS
INDUSTRY MIX	6	22	16	4
RELATIVE COSTS	5	15	21	46
RETIREE MIGRATION	15	14	20	21
OTHER	74	49	43	29

SOURCE:ECONOMY.COM

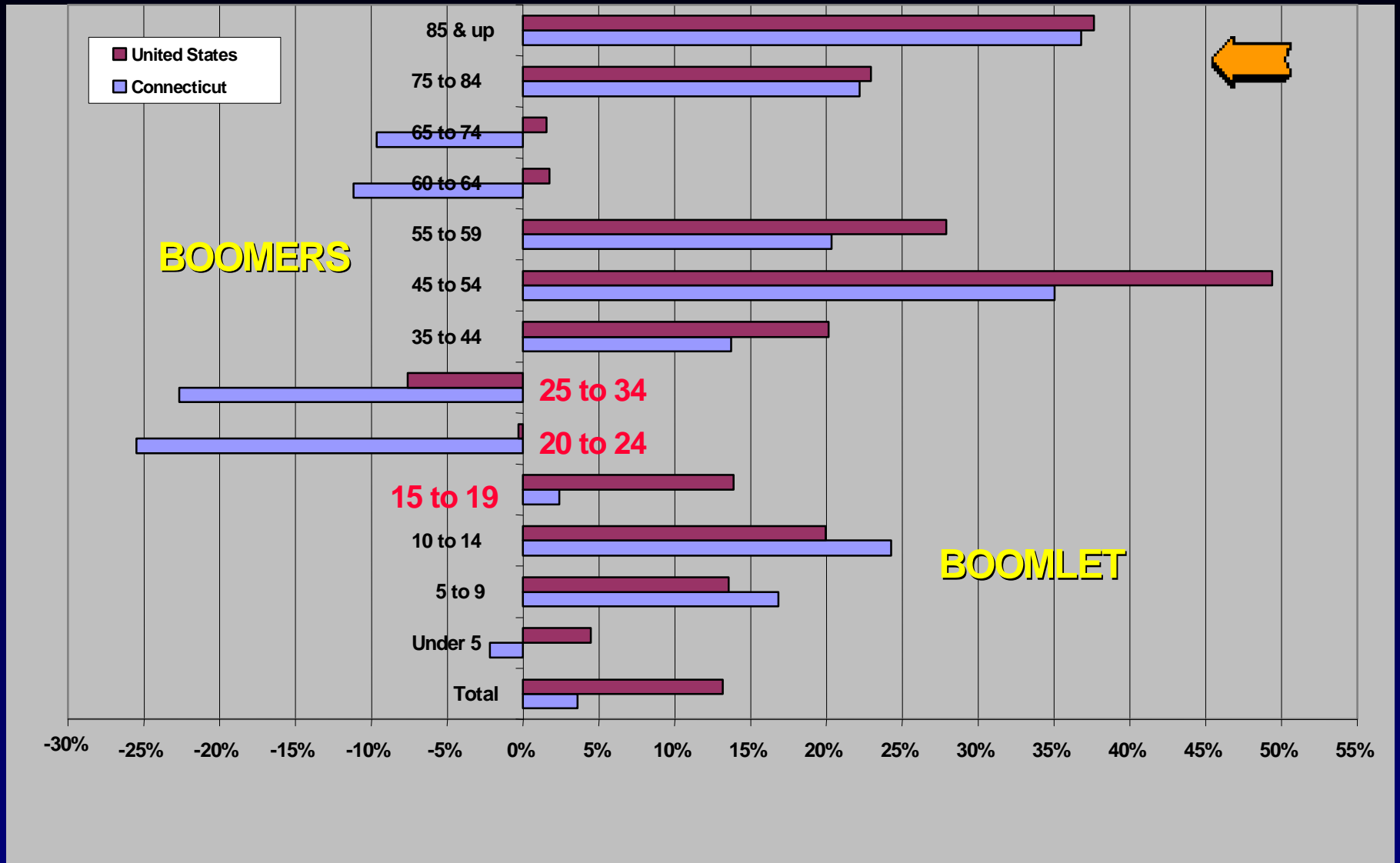
YEAR-OVER-YEAR % CHANGE IN TOTAL NON-FARM EMPLOYMENT CONNECTICUT. VS U.S./ JAN97-MAR05

U.S. AND CT % CH -EMPLOYMENT-YR/YR



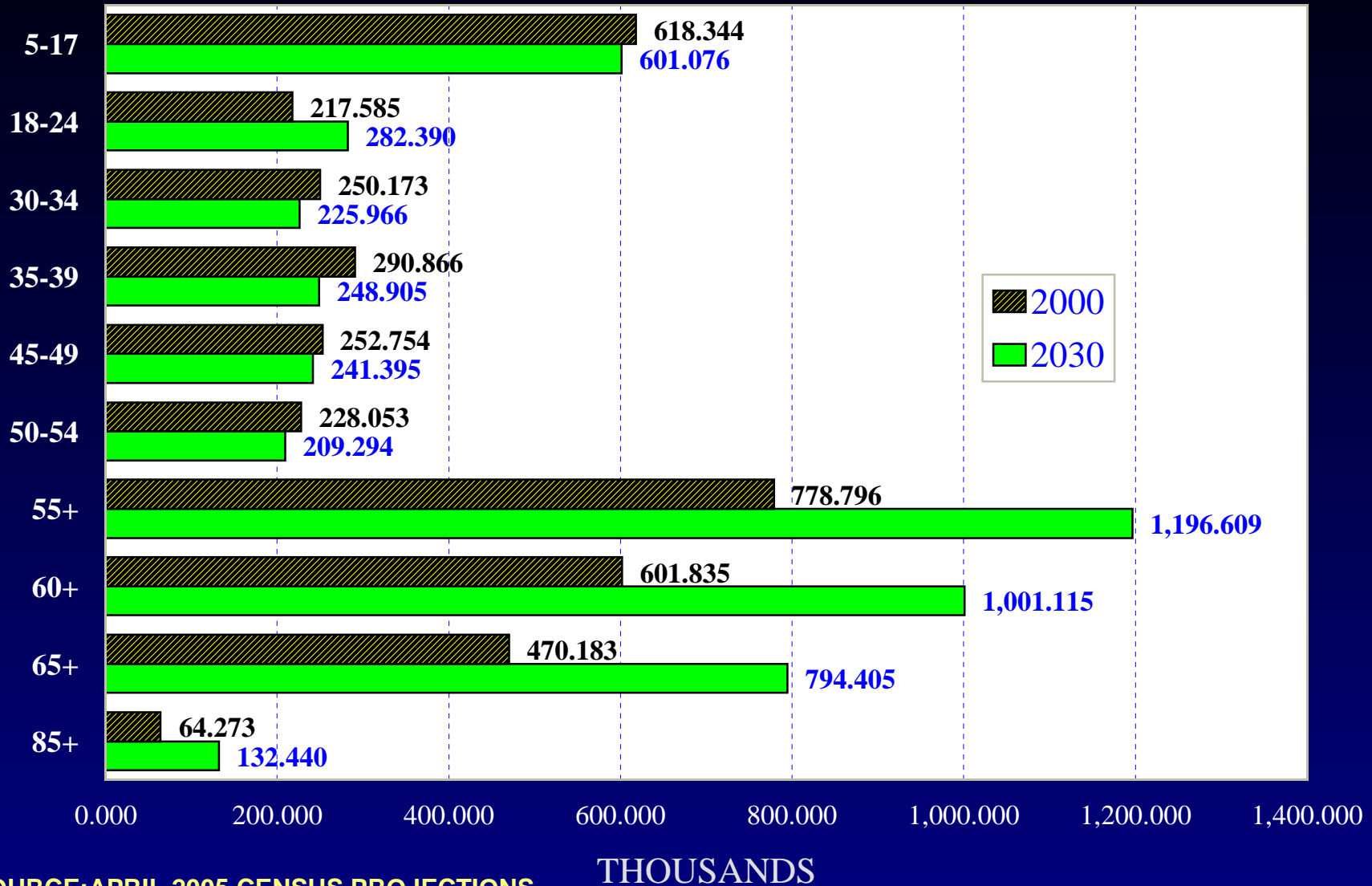
SOURCES: U.S. DEPT. OF LABOR

CONNECTICUT'S AGING WORKFORCE AND DEMOGRAPHIC SHIFTS IMPLY THAT THE FUTURE WORKFORCE MAY BE INADEQUATE.
(% Change in Age Category, 1990-2000 Census, CT vs. U.S.)



SOURCE: U.S. CENSUS

CONNECTICUT POPULATION FOR SELECTED COHORT GROUPS, 2000 CENSUS VS. 2030 PROJECTED

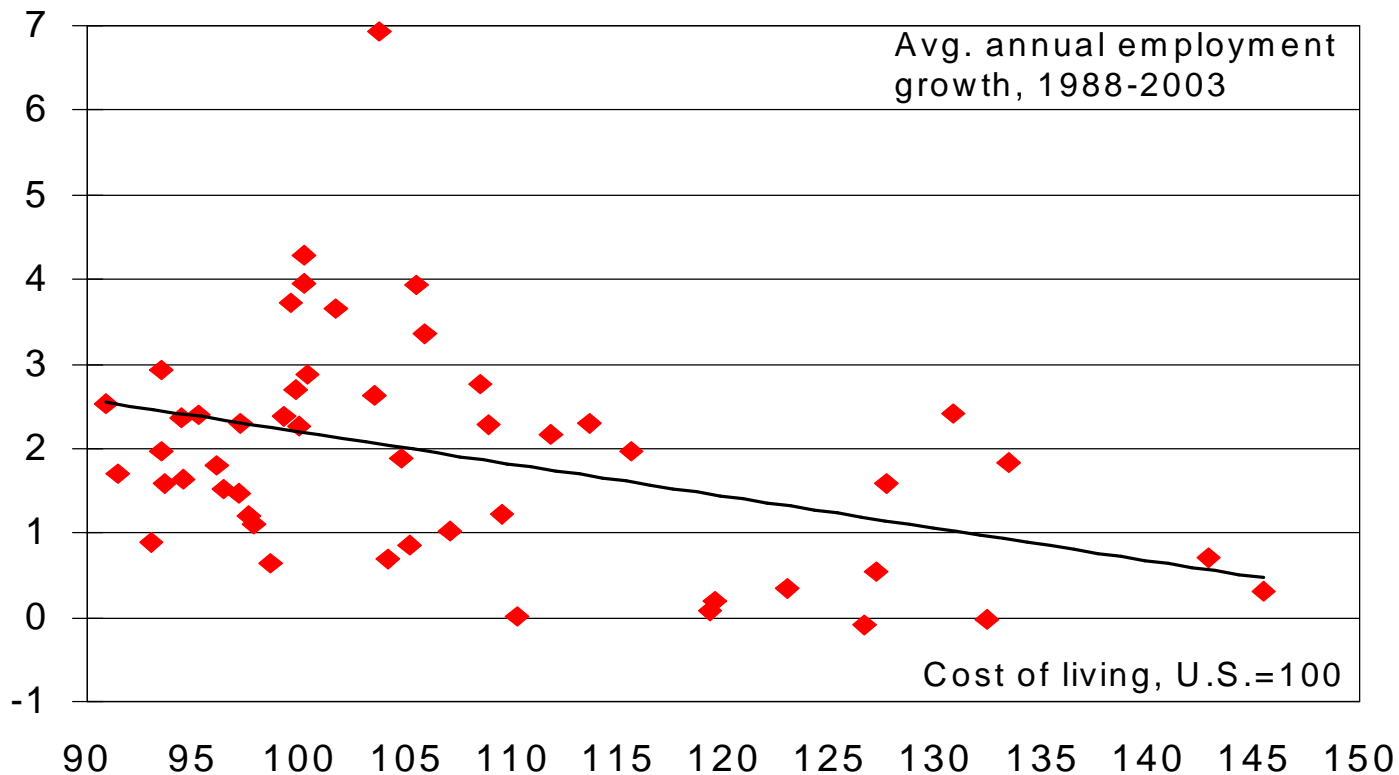


SOURCE: APRIL 2005 CENSUS PROJECTIONS

8. COST OF LIVING DATA AND ESTIMATED JOB LOSSES DUE TO HIGH HOUSING COSTS

DATA FROM ECONOMY.COM SHOWS AN INVERSE RELATIONSHIP BETWEEN THE COST OF LIVING AND LONG-TERM JOB GROWTH

Chart 1: Clear Relation Between Costs and Growth
Based on top 50 metro areas



SOURCE: ECONOMY.COM

CATEGORIES: HOUSING, FOOD, ENERGY, AUTO INSURANCE, TRANSPORTATION, TAXES, AND RETAIL GOODS

USING REGRESSION ANALYSIS AND COST OF LIVING DATA FROM ECONOMY.COM, JOB LOSSES DUE TO THE HIGH RELATIVE COST OF HOUSING CAN BE CALCULATED:

- DATA ON THE COST OF LIVING AS OF 2003 WAS COMPILED FOR THREE METRO AREAS IN CONNECTICUT: NEW HAVEN (110.2), NEW LONDON (108.6) AND HARTFORD (106.3), PRODUCING AN AVERAGE FOR THE STATE OF 108.4, COMPARED WITH A NATIONAL AVERAGE OF 100.0
- USING A REGRESSION MODEL COMPARING COST OF LIVING DATA WITH RATES OF CHANGE IN LONG-TERM EMPLOYMENT, DATACORE PARTNERS CALCULATES THAT FOR EVERY 10% THAT CT. HOUSING PRICE EXCEED THE NATIONAL AVERAGE, THE STATE LOSES 1900 JOBS IN THE LONG RUN.
- GIVEN RECENT 2004 DATA ON MEDIAN HOUSING PRICES FOR CT. AND THE NATION, SHOWING THAT CT. PRICES EXCEED NATIONAL PRICES BY 34%, DATACORE ESTIMATES THAT THE STATE HAS LOST 6,459 JOBS OVER A 15-YEAR PERIOD DUE TO HIGHER HOUSING COSTS.

CALCULATED ECONOMIC IMPACTS DUE TO THE LOSS OF 6,459 JOBS

- TOTAL DIRECT DOLLAR IMPACT ON STATE INCOME TAX & SALES TAX REVENUES: AT LEAST \$5.2 MILLION ANNUALLY. THIS ASSUMES THAT ALL JOBS LOST WERE IN HOUSEHOLDS AVERAGING 50% OF AREA MEDIAN INCOME, OR \$29,700 AS OF 2004, WITH AN EFFECTIVE INCOME TAX RATE OF 1.4%.
- CONSERVATIVE IMPACT ON STATE INCOME TAXES: \$2.1 MIL ANNUALLY.
- CONSERVATIVE ESTIMATES LOST SALES TAX REVENUE: \$3.1 MILLION ANNUALLY IN STATE SALES REVENUE (2004).
- DATA CORE CALCULATES THAT THE STATE IS NOW LOSING ABOUT \$52 MILLION ANNUALLY IN TAXABLE PERSONAL CONSUMPTION.
- ASSUMING THAT ALL JOBS LOST WERE MAKING AN AVERAGE OF 80% OF AREA MEDIAN INCOME, OR \$47,590, THEN THE ANNUAL LOSS IN INCOME AND SALES TAXES WOULD BE \$11.9 MILLION.

NOTE: TAX DATA PROVIDED BY CHARLES R. BOGEN, JR., CPA

THE LOSS OF 6,459 JOBS:

- THERE ARE NO DEFINITIVE RESEARCH TOOLS AT THIS POINT TO HELP ESTABLISH WHAT INDUSTRY SEGMENTS STAND TO LOSE THE MOST JOBS DUE TO HIGH RELATIVE HOUSING COSTS.
- HOWEVER, RESEARCH SHOWS THAT LOW INCOME HOUSEHOLDS ARE APT TO BE MOST AFFECTED. THIS WOULD SUGGEST THAT THE SECTORS AROUND RETAIL TRADE, TOURISM, AND THE SERVICE SECTOR ARE THREE KEY SEGMENTS OF THE ECONOMY THAT ARE APT TO BE MOST IMPACTED BY HIGH RELATIVE HOUSING COSTS.

9. POSITIVE ECONOMIC & FISCAL IMPACTS DERIVED FROM THE CREATION OF NEW AFFORDABLE HOUSING UNITS:

- **IN EVALUATING THE 2004 FIGURE OF 257,000 HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING, IT IS DATA CORE'S ASSESSMENT THAT BETWEEN 10% AND 15% OF THESE HOUSEHOLDS ARE TRULY "IN JEOPARDY OF LEAVING THE STATE" DUE TO ECONOMIC HARDSHIPS AND AN INABILITY TO KEEP UP WITH THE STATE'S HIGH COST OF LIVING, CONSTITUTING ABOUT 2%-3% OF ALL CT. HOUSEHOLDS.**
- **THESE "HOUSEHOLDS ARE IN JEOPARDY OF LEAVING CONNECTICUT" BECAUSE OF HIGH CT. HOUSING COSTS, GENERALLY HIGH COSTS OF LIVING, AND LOWER RELATIVE COSTS ELSEWHERE.**

POSITIVE ECONOMIC & FISCAL IMPACTS DERIVED FROM THE CREATION OF NEW AFFORDABLE HOUSING UNITS:

- THOSE AFFECTED RANGE FROM YOUNG COLLEGE GRADUATES, TO ENTRY LEVEL WORKERS, TO MID-LEVEL WORKERS, TO SEASONED PROFESSIONALS.
- ALL TOLD, THE # OF “HOUSEHOLDS IN JEOPARDY OF LEAVING” THE STATE ARE ESTIMATED TO THEREFORE BE SOMEWHERE BETWEEN 25,700 AND 38,550 AS A REASONABLE RANGE, REPRESENTING 2%- 3% OF ALL CT. HOUSEHOLDS.

CALCULATED FISCAL IMPACTS
FROM 25,700 “HOUSEHOLDS IN
JEOPARDY OF LEAVING” AT 50% OF
MEDIAN HOUSEHOLD INCOME

- **STATE INCOME TAX REVENUES: \$10.7 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$15.3 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$26.0 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 50% OF MEDIAN HOUSEHOLD INCOME, 1.4% EFFECTIVE INCOME TAX RATE, AND 1.23 JOBS PER HOUSEHOLD
NOTE: 25,700 HOUSEHOLDS REPRESENTS 1.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

CALCULATED FISCAL IMPACTS
FROM 38,550 “HOUSEHOLDS IN
JEOPARDY OF LEAVING” AT 50% OF
MEDIAN HOUSEHOLD INCOME

- **STATE INCOME TAX REVENUES: \$16.0 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$22.9 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$38.9 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 50% OF MEDIAN HOUSEHOLD INCOME, 1.4% EFFECTIVE INCOME TAX RATE, AND 1.23 JOBS PER HOUSEHOLD
NOTE: 38,550 HOUSEHOLDS REPRESENTS 2.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

RANGES OF FISCAL IMPACTS
FROM “HOUSEHOLDS IN
JEOPARDY OF LEAVING”,
ASSUMING 2%-3% OF ALL HLDS
AND 50% OF MEDIAN HLD. INCOME

- **STATE INCOME TAX REVENUES: \$10.7 - \$16.0 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$15.3- \$22.9 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$26.0- \$38.9 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 50% OF MEDIAN HOUSEHOLD INCOME, EFFECTIVE INCOME TAX RATE OF 1.4%, AND 1.23 JOBS PER HOUSEHOLD. 38,550 HOUSEHOLDS REPRESENTS 2.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

CALCULATED FISCAL IMPACTS
FROM 25,700 “HOUSEHOLDS IN
JEOPARDY OF LEAVING” AT 80% OF
MEDIAN HOUSEHOLD INCOME

- **STATE INCOME TAX REVENUES: \$33.0 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$24.5 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$57.5 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 80% OF MEDIAN HOUSEHOLD INCOME, EFFECTIVE INCOME TAX RATE OF 2.7%, AND 1.23 JOBS PER HOUSEHOLD
NOTE: 25,700 HOUSEHOLDS REPRESENTS 1.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

CALCULATED FISCAL IMPACTS
FROM 38,550 “HOUSEHOLDS IN
JEOPARDY OF LEAVING” AT 80% OF
MEDIAN HOUSEHOLD INCOME

- **STATE INCOME TAX REVENUES: \$49.5 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$36.7 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$86.2 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 80% OF MEDIAN HOUSEHOLD INCOME, EFFECTIVE INCOME TAX RATE OF 2.7%, AND 1.23 JOBS PER HOUSEHOLD
NOTE: 25,700 HOUSEHOLDS REPRESENTS 1.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

RANGES OF FISCAL IMPACTS
FROM “HOUSEHOLDS IN
JEOPARDY OF LEAVING”,
ASSUMING 2%-3% OF ALL HLDS
AND 80% OF MEDIAN HLD. INCOME

- **STATE INCOME TAX REVENUES: \$33.0 - \$49.5 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$24.5- \$36.7 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$57.5- \$86.2 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 80% OF MEDIAN HOUSEHOLD INCOME, EFFECTIVE INCOME TAX RATE OF 2.7%, AND 1.23 JOBS PER HOUSEHOLD
NOTE: 25,700 HOUSEHOLDS REPRESENTS 1.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

RANGES OF FISCAL IMPACTS
FROM “HOUSEHOLDS IN
JEOPARDY OF LEAVING”,
ASSUMING 2%-3% OF ALL HLDS
AND 100% OF MEDIAN HLD. INCOME

- **ASSUMING 100% OF STATE MEDIAN INCOME, THE TAX IMPACTS ARE AS FOLLOWS:**
- **STATE INCOME TAX REVENUES: \$58.1 - \$87.1 MILLION ANNUALLY.**
- **STATE SALES TAX REVENUES: \$30.6- \$45.9 MILLION ANNUALLY**
- **TOTAL STATE TAX IMPACT: \$88.7- \$133.0 MILLION ANNUALLY**

NOTE: ANALYSIS ASSUMES 100% OF MEDIAN HOUSEHOLD INCOME, EFFECTIVE INCOME TAX RATE OF 3.8%, AND 1.23 JOBS PER HOUSEHOLD. 38,550 HOUSEHOLDS REPRESENTS 2.9% OF ESTIMATED 2004 HOUSEHOLD BASE OF 1,344,600

MULTIPLIER EFFECTS REGARDING CONSTRUCTION EMPLOYMENT:

- ACCORDING TO THE U.S. COMMERCE DEPARTMENT, EVERY REGIONAL CONSTRUCTION JOB CREATES AN ADDITIONAL 1.15 JOBS IN SUPPORTING INDUSTRIES ELSEWHERE IN THE REGIONAL ECONOMY DUE TO INDIRECT MULTIPLIER EFFECTS .
- ACCORDING TO THE U.S. COMMERCE DEPARTMENT EVERY DOLLAR SPENT WITHIN THE REGION'S CONSTRUCTION SECTOR CREATES AN ADDITIONAL \$1.06 IN INDIRECT SPENDING DUE TO INDIRECT MULTIPLIER EFFECTS .

ECONOMIC IMPACTS DERIVED FROM THE CREATION OF 1,000 NEW AFFORDABLE HOUSING UNITS:

- FOR EVERY 1,000 AFFORDABLE HOUSING UNITS CREATED:
- 3,339 NEW DIRECT CONSTRUCTION JOBS, AND ANOTHER 3,839 INDIRECT JOBS: TOTAL EMPLOYMENT IMPACT OF 7,178 JOBS
- VALUE OF CONSTRUCTION: \$250 MILLION, WITH ANOTHER \$265 MILLION IN INDIRECT ECONOMIC ACTIVITY: TOTAL DOLLAR IMPACT OF \$515 MILLION.
- \$7.5 MILLION IN LOCAL PROPERTY TAXES

NOTE: ANALYSIS ASSUMES \$250,000 PER UNIT, AVG. ANNUAL CONSTRUCTION SALARY OF \$37,440, AND 50% OF MEDIAN HOUSEHOLD INCOME, MILL RATE OF 30.00

10. OPPORTUNITY COSTS ASSOCIATED WITH HIGHER HOUSING PRICES:

- RESEARCH SHOWS THAT THE STATE NOT ONLY LOSES JOBS DUE TO HIGH HOUSING COSTS OVER, BUT MISSES OUT ON THE OPPORTUNITY ATTRACT WORKERS FROM OUT-OF-STATE.
- OUT-OF-STATE WORKERS AWARE OF THE HIGH-COST ISSUE IN CONNECTICUT LOOK ELSEWHERE, CREATING AN “**OPPORTUNITY COST**”, WHICH COULD BE IN THE TENS OF MILLIONS OF DOLLARS.
- THIS MEANS THAT THE STATE MISSES OUT ON ATTRACTING NEW WORKERS, ADDING NEW JOBS, AND ASSOCIATED SOURCES OF TAX REVENUE.

CT'S HIGH COST OF LIVING AREAS ARE MOST IN NEED OF AFFORDABLE HOUSING:

- NOT SURPRISINGLY, LABOR SHORTAGES ARE MOST PRONOUNCED IN FAIRFIELD COUNTY AND OTHER HIGH COST REGIONS, SUGGESTING THAT EFFORTS TO INCREASE THE SUPPLY OF AFFORDABLE HOUSING, WITHIN REASONABLE DRIVING DISTANCES OF THESE STRESSED LABOR MARKETS, MAKES GOOD ECONOMIC SENSE.
- REGIONAL LABOR SHORTAGES COULD BE MITIGATED BY A GIS-ORIENTED ANALYSIS THAT GEOGRAPHICALLY PINPOINTS WHERE AFFORDABLE HOUSING DEVELOPMENT OPPORTUNITIES LIE THAT ARE IN PROXIMITY TO THESE STRESSED LABOR MARKETS (CONCEPT OF TRANSIT-ORIENTED HOUSING).

REDIRECTED INCOME?

- HIGHER HOUSING COSTS ARE PAID IN THE FORM OF INCREASED MONTHLY PRINCIPAL & INTEREST PAYMENTS THAT USUALLY GO TO FINANCIAL INSTITUTIONS THAT MAY OR MAY NOT BE IN CONNECTICUT.
- WHAT IF THOSE EXTRA DOLLARS NOW BEING PAID OUT IN THE FORM OF HIGHER HOUSING PRICES WERE TO BE REDIRECTED AND USED MORE PRODUCTIVELY IN OTHER PORTIONS OF THE STATE'S ECONOMY? INJECTIONS AND LEAKAGES?
- BOTTOM LINE: CONNECTICUT'S ECONOMY WOULD CLEARLY BENEFIT.

11. OTHER LIKELY IMPACTS DUE TO THE HIGH COST OF CT. HOUSING:

- **POSSIBLE LABOR SHORTAGES IN KEY INDUSTRY SEGMENTS**
- **POTENTIAL LOSS OF YOUNG PROFESSIONALS, AND OTHER MEMBERS OF OUR FUTURE WORKFORCE, TO OTHER AREAS OF THE U.S.**
- **CONSTRAINTS ON THE FUTURE WORKFORCE HAVE THE POTENTIAL TO UNDERMINE LONG-TERM ECONOMIC OUTPUT**
- **LOSS OF BUSINESS COMPETITIVENESS IF ADEQUATE SUPPLIES OF LABOR CANNOT BE FOUND.**
- **THE ECONOMICALLY DISADVANTAGED AND ELDERLY STAND TO POTENTIALLY INCREASE THEIR USE OF STATE SERVICES, FURTHER COMPOUNDING THE PROBLEM.**

12. THE TEN KEY SUMMARY POINTS

KEY SUMMARY POINT #1:

- THE LATEST CHAS DATA FOR BOTH RENTERS AND OWNERS FROM THE 2000 CENSUS SHOWS THERE ARE **249,000 HOUSEHOLDS “IN NEED OF AFFORDABLE HOUSING”** WHO MET THE “RISK” CRITERIA (EARNING <80% OF AMI AND SPENDING MORE THAN 30% ON HOUSING), CONSTITUTING ABOUT 19.14% OF ALL HOUSEHOLDS.
- THIS FIGURE OF 249,000 HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING INDICATES THAT THE GAP BETWEEN THE SUPPLY OF AFFORDABLE HOUSING AND DEMAND FOR AFFORDABLE HOUSING HAS WIDENED DRAMATICALLY IN RECENT YEARS.
- DATACORE ESTIMATE ON THE NUMBER OF HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING AS OF 2004: **257,000.**

KEY SUMMARY POINT #2:

- LONG-TERM INCOME TRENDS SHOW A “POLARIZATION” OF HIGH AND LOW INCOME GROUPS WHEN LOOKING AT 1980 AND 2000 CENSUS DATA, CREATING AN ENVIRONMENT OF “HAVE’S AND HAVE NOTS”.
- SINCE 2000, RECORD-LOW INTEREST RATES HAVE PROMPTED A SURGE IN U.S. AND CT. HOUSING PRICES, FURTHER COMPOUNDING THIS DISPARITY.
- CT. MEDIAN PRICES FOR SINGLE-FAMILY HOMES HAVE ACCELERATED GREATLY SINCE 2000, CLIMBING FROM \$165K TO 247K AS OF 2004, REPRESENTING A RISE OF **49.7%**, COMPARED WITH U.S. GAIN OF 32.5%.

KEY SUMMARY POINT #3:

- CT. MEDIAN PRICES FOR SINGLE-FAMILY HOMES HAVE RISEN FOUR TIMES AS FAST AS CT. PERSONAL INCOME FOR THE PERIOD BETWEEN 2000 AND 2004. MEDIAN HOUSING PRICES HAVE JUMPED 49.7%, WHEREAS PERSONAL INCOME HAS RISEN JUST 12.6%
- THE SURGE IN HOUSING PRICES HAS BECOME MORE PRONOUNCED IN CT. RELATIVE TO THE NATION AS THE RATIO OF MEDIAN SINGLE-FAMILY HOUSING PRICES TO MEDIAN FAMILY INCOME HAS SPIKED TO 4.15 AS OF 2004, VS 3.96 FOR THE NATION AS A WHOLE.

KEY SUMMARY POINT #4:

- HOUSING AFFORDABILITY IS NOW A KEY ISSUE FOR MANY INCOME GROUPS, WITH LOW AND MODERATE INCOME HOUSEHOLDS BEING PARTICULARLY AFFECTED.
- IN CONNECTICUT, AS OF 2004, AN EXTREMELY LOW INCOME HOUSEHOLD CAN AFFORD A MONTHLY 2-BR RENT OF NO MORE THAN \$578, WHILE THE FAIR MARKET RENT FOR A 2-BR UNIT IS \$931, A DIFFERENCE OF 61%.
- THE HOUSING WAGE, DEFINED AS THE AMOUNT A WORKER MUST EARN PER HOUR TO AFFORD A TWO-BR APARTMENT AT FAIR MARKET RENT, IS NOW \$17.90 IN CONNECTICUT, 16% ABOVE THE U.S. AVERAGE OF \$15.37, AND 22% HIGHER THAN THE LEVEL RECORDED IN 1999.

KEY SUMMARY POINT #5:

- ABOUT 62% OF CONNECTICUT'S NEW JOBS THROUGH THE BALANCE OF THE DECADE ARE EXPECTED TO PAY LESS THAN \$40,000, INDICATING THAT AFFORDABLE WORKFORCE HOUSING WILL BE AN IMPORTANT ECONOMIC ISSUE IN YEARS TO COME.
- WITHOUT INCREASED SUPPLY, WHERE WILL THOSE WORKERS LIVE?
- ONLY 4 OF THE TOP 20 CT. GROWTH OCCUPATIONS ARE EXPECTED TO BE ABLE TO AFFORD A TWO-BR APARTMENT GIVEN CURRENT FAIR MARKET RENTS. THIS MEANS THAT ROUGHLY 85% OF THE PEOPLE FILLING THESE NEW OCCUPATIONS, OR ABOUT 16,000 PEOPLE EACH YEAR, WILL BE IN NEED OF AFFORDABLE HOUSING.

KEY SUMMARY POINT #6:

- **AFFORDABLE HOUSING FOR WORKERS IS AN ISSUE THAT IS IMPORTANT TO CT. “BUSINESS COMPETITIVENESS”.**
- **A 2004 CBIA SURVEY HAS FOUND THAT MANY CT. EMPLOYERS ARE INCREASINGLY CONCERNED ABOUT THEIR ABILITY TO RECRUIT ENTRY-LEVEL WORKERS GIVEN RISING DEMAND IN THE CURRENT BUSINESS CYCLE. LABOR SHORTAGES HAVE BEEN FOUND IN 12 SKILLED MANUFACTURING OCCUPATIONS.**
- **80% OF THE RESPONDENTS IN THE SURVEY EXPECT TO HIRE MORE WORKERS BY 2009, WITH A THIRD OF THOSE BUSINESSES EXPECTING WORKFORCE EXPANSION OF 25% OR MORE.**
- **ACCORDING TO CBIA, THE MAJORITY OF NEW JOBS ARE EXPECTED TO COME IN ENTRY LEVEL POSITIONS, INDICATING A GROWING DEMAND FOR ENTRY-LEVEL HOUSING.**

KEY SUMMARY POINT #7:

- USING A REGRESSION MODEL COMPARING COST OF LIVING DATA WITH RATES OF CHANGE IN LONG-TERM EMPLOYMENT, DATACORE PARTNERS CALCULATES THAT **FOR EVERY 10% THAT CT. HOUSING PRICES EXCEED THE NATIONAL AVERAGE, THE STATE LOSES 1900 JOBS IN THE LONG RUN.**
- **GIVEN RECENT 2004 DATA ON MEDIAN HOUSING PRICES FOR CT. AND THE NATION, SHOWING THAT CT. PRICES EXCEED NATIONAL PRICES BY 34%, DATACORE ESTIMATES THAT THE STATE HAS LOST 6,459 JOBS OVER A 15-YEAR PERIOD DUE TO HIGHER HOUSING COSTS.**

KEY SUMMARY POINT #8:

- IN EVALUATING THE 2004 FIGURE OF 257,000 HOUSEHOLDS IN NEED OF AFFORDABLE HOUSING, IT IS DATACORE'S ASSESSMENT THAT BETWEEN 10% AND 15% OF THESE HOUSEHOLDS ARE TRULY "IN JEOPARDY OF LEAVING THE STATE" DUE TO ECONOMIC HARDSHIPS AND AN INABILITY TO KEEP UP WITH THE STATE'S HIGH COST OF LIVING, CONSTITUTING ABOUT 2%-3% OF ALL CT. HOUSEHOLDS.
- THESE "HOUSEHOLDS ARE IN JEOPARDY OF LEAVING CONNECTICUT" BECAUSE OF HIGH CT. HOUSING COSTS, GENERALLY HIGH COSTS OF LIVING, AND LOWER RELATIVE COSTS ELSEWHERE.

KEY SUMMARY POINT #8 (CONT):

- ASSUMING 100% OF STATE MEDIAN INCOME, THE TAX IMPACTS ARE AS FOLLOWS:
- STATE INCOME TAX REVENUES: \$58.1 - \$87.1 MILLION ANNUALLY.
- STATE SALES TAX REVENUES: \$30.6- \$45.9 MILLION ANNUALLY
- TOTAL STATE TAX IMPACT: \$88.7- \$133.0 MILLION ANNUALLY
- ASSUMING 80% OF STATE MEDIAN INCOME, THE TOTAL STATE TAX IMPACT WOULD BE BETWEEN \$57.5 MILLION AND \$86.2 MILLION.
- ECONOMIC IMPACTS FOR EVERY 1,000 AFFORDABLE HOUSING UNITS CREATED: TOTAL EMPLOYMENT IMPACT OF 7,178 DIRECT AND INDIRECT JOBS AFTER MULTIPLIERS
- TOTAL DOLLAR IMPACT OF \$515 MILLION ACCOUNTING FOR ECONOMIC MULTIPLIERS; AND \$7.5 MILLION IN LOCAL PROPERTY TAXES.

KEY SUMMARY POINT #9:

- RESEARCH SHOWS THAT THE STATE NOT ONLY LOSES JOBS OVER TIME DUE TO HIGH HOUSING COSTS, BUT ALSO **MISSES OUT ON THE OPPORTUNITY TO GAIN NEW JOBS** AS THE HIGH-COST ISSUE IN CONNECTICUT FORCES POTENTIAL WORKERS TO LOOK ELSEWHERE FOR AFFORDABLE HOUSING, CREATING AN “**OPPORTUNITY COST**”, **WHICH COULD BE IN THE TENS OF MILLIONS OF DOLLARS.**
- THIS MEANS THAT THE STATE MISSES OUT ON ADDING NEW JOBS AND ASSOCIATED SOURCES OF TAX REVENUE.

KEY SUMMARY POINT #10:

- NEW DATA SHOW THAT CURRENT LEGISLATION AT THE FEDERAL AND STATE LEVEL HAS BEEN INSUFFICIENT IN PROVIDING ADEQUATE QUANTITIES OF AFFORDABLE HOUSING FOR CONNECTICUT RESIDENTS.
- THE COMBINATION OF SURGING HOUSING PRICES, THE FACT THAT LOCAL DEVELOPERS CURRENTLY LACK ECONOMIC INCENTIVES FOR CREATING AFFORDABLE HOUSING, AND WEAK INCOME GROWTH, ALL SUGGEST THAT **EVERY EFFORT SHOULD BE MADE TO ADDRESS THE SUPPLY SIDE OF THE PROBLEM.**
- IMPORTANT ISSUES THAT NEED TO BE ADDRESSED: ZONING REGULATIONS, DENSITY ISSUES, INCENTIVES FOR DEVELOPERS.
- PROVIDING FINANCIAL AID TO THOSE IN NEED MISSES THE KEY POINT THAT CURRENT SUPPLIES OF AFFORDABLE HOUSING ARE INADEQUATE. POLICY MAKERS WOULD DO WELL TO FOCUS ON WHAT CAN BE DONE TO INCREASE THE **SUPPLY OF AFFORDABLE HOUSING FOR BOTH RENTERS AND OWNERS.**

KEY QUESTIONS:

- WHAT HAPPENS WHEN THE BABYBOOMERS START TO RETIRE, INCREASING THE LOCAL SUPPLY OF THREE AND FOUR BEDROOM COLONIALS, AT A TIME WHEN RISING NUMBERS OF ENTRY-LEVEL WORKERS WILL BE LOOKING FOR MORE AFFORDABLE HOUSING?
- OVER THE INTERMEDIATE-TERM, THERE IS STRONG EVIDENCE TO SUGGEST THAT A “MISMATCH” IS NOW EVOLVING WITH RESPECT TO THE TYPE OF HOUSING THAT IS NEEDED IN CT. AND THE TYPE OF HOUSING THAT WILL BE AVAILABLE.

BOTTOM LINE:

- **THE GROWING NEED FOR AFFORDABLE HOUSING CAN BEST BE ADDRESSED IN THE FORM OF INCREASING SUPPLY. SUBSIDIES, WHILE HELPFUL, DO NOT READILY ADDRESS THE ISSUE OF SHORTAGES IN AFFORDABLE HOUSING INVENTORIES.**
- **HOW DO WE CREATE INCENTIVES FOR INCREASING SUPPLY?**
- **CONCLUSION: THE STATE'S LONG-TERM ECONOMIC HEALTH CAN CLEARLY BE ADVANTAGED BY PROVIDING ADEQUATE LEVELS OF AFFORDABLE HOUSING FOR BOTH RENTERS AND OWNERS. WITHOUT IT, WE STAND TO LOSE JOBS, TAX REVENUE, AND BUSINESS COMPETITIVENESS.**

BOTTOM LINE:

- **FROM A POLICY STANDPOINT, WE HAVE A STARK CHOICE: WE CAN CHOOSE NOT TO ADDRESS THE AFFORDABLE HOUSING PROBLEM - AND LOSE POTENTIALLY HUNDREDS OF MILLIONS IN STATE TAX REVENUE- OR WE CAN ADDRESS THE AFFORDABILITY PROBLEM, AND CAN ADD BOTH DIRECT AND INDIRECT JOBS AND INCREMENTAL TAX REVENUE.**

" In the long run, CT's economy must have adequate levels of affordable housing. Without it, our efforts to promote workforce development and job growth are likely to fall short. Affordable housing has to be an integral part of CT.'s economic equation if we're to live up to our full potential".

**- Don Klepper-Smith
Chief Economist & Director of Research
DataCore Partners LLC**

13. NARRATIVE ON AFFORDABLE HOUSING

14. APPENDIX- SUPPORTING DATA

DataCore Partners LLC