Affordable Housing in Middletown, CT

A Report done by a Wesleyan Research Team under the direction of the Middletown Department of Planning, Conservation and Development May 2003

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Introduction

This report was produced by four Wesleyan students in partnership with the Middletown Department of Planning, Conservation, and Development (MPCD). The purpose of this report is to give clear, accurate information on the affordable housing situation in Middletown. The data provided are intended to help planners and other concerned citizens make informed decisions about housing in Middletown.

We began this report with one central question: What is the supply of and the need for affordable housing in Middletown? We set out to create a Master-List and map of all government assisted affordable housing units in Middletown, and to use Census data, rental listings, and information on housing sales to provide a picture of both government-assisted housing and market-based housing.

The term "affordable housing" is often misperceived as signifying solely low-income housing. The department of Housing and Urban Development, however, defines affordable housing as housing that costs no more than 30% of household income. By this measure, affordability is a relative concept that can be applied to people of all income levels. Our report uses two methods to approach the concept of affordable housing. The first is based on the HUD standard. We also use an alternative measure of affordability that is based on Michael Stone's concept of shelter poverty.

Literature Review

Federal Housing Policy

As Nancy Andrews has written "affordability is the most vexing problem on the housing landscape" (Andrews 1). Why has housing affordability become such a crisis in recent times? Jennifer Daskal writes "while the total number of low-income renters increased almost 70% between 1970 and 1995, the number of affordable units actually fell" (Daskal 2).

Constructing a brief timeline of US housing policy in terms of federal housing programs, Daskal and Gerckens analyze the change in federal aid. Daskal emphasizes the expansion of the amount of public housing construction from the Depression through

the 1970's and the extensive reduction evident in the past twenty years. During the 1930's, the role of the federal government took on a whole new level with the formation of the Federal Housing Administration; the FHA became involved not only in providing grants to local authorities, but also the massive construction of public housing, especially in urban centers. Through the post-war period until the 1960's, "rapid uncontrolled construction for urban housing, the pride of the 19th century, [became] the housing crisis of the 20th century" (Gerckens 42). As a reaction of this urbanization, many local communities enacted laws with minimum lot requirements per housing unit, thus denying entry to many lower-middle and lower-income groups (Gerckens 45). In response, HUD developed a plan in 1968 to push for construction of six million units of subsidized housing, but public housing projects, except those for the elderly and those with special needs, have long since been taken out of federal sponsorship.

The Section 8 program was started in 1974, issuing government subsidies to private builders in return for a guarantee that all the units produced would be affordable. These project-based Section 8's, which were entire buildings subsidized by government grants, are no longer being built. Now the emphasis of the federal government on housing has been placed on Section 8 vouchers, which are tenant-based rather than project-based. In other words, vouchers are not connected to one specific building, but can be used anywhere; the government pays a subsidy directly to the landlords of tenants with Section 8 vouchers. The federal government's focus also turned to programs such as the Low Income Housing Tax Credit and the HOME program, a grant to local and state governments (Daskal 37). While the federal government is still involved in sponsorship of Section 8 vouchers, construction of housing for the elderly, tax relief programs, discrimination laws, and provision of grants to local authorities, there has been a shift from federal oversight of housing affordability issues to local and state control.

The push from federal to local control of housing could lead to a complete change in how the housing market is run. On April 29, 2003, President Bush proposed a bill to the Senate called Housing Assistance for Needy Families (HANF) that would block-grant Section 8's into the hands of the state. While this bill has not yet been passed, it has

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¹ Of course, the urban explosion was not due to public housing alone. However, it did effect public housing programs since these were highly concentrated in urban areas.

already generated controversy among housing advocacy groups such as the National Students against Hunger and Homelessness campaign who argue that, "history and common sense have shown us that programs block-granted in the name of state flexibility lead to decreased funding over time and fewer services for the neediest families."

Regionalism

Because of the large power that State and local governments exercise over affordable housing policy, any discussion of affordable housing issues in Middletown must touch on the unique characteristics of Connecticut's housing policy. In particular, planning theory requires an examination of regional policy issues in Connecticut, which are unique due to the lack of powerful regional institutions in the state. A discussion of regional issues, drawing largely on work by Terry J. Tondro, may shed some light on housing concerns in Middletown and will be relevant to the analysis of data presented later.

The two main ideas behind regional planning are to enable towns to pool resources and take on projects that are beyond the scope of any town alone, and to compel towns to take the interests of their neighbors into consideration when designing policy. Possible goals of regional planning include creating efficient waste management plans, designing inter-town parks, promoting racial and economic integration, increasing economic equality between towns, revitalizing inner-cities, and limiting suburban sprawl (Tondro 1124). It is easy to see how these goals could not be achieved at the town level, but would require significant inter-town cooperation. Effective regional planning requires the existence of a central inter-town authority, such as a county government (Tondro 1123).

In 1959, however, Connecticut abolished its county governments, leaving towns without a central authority. A number of regional institutions do exist, but they lack much power to implement their plans. Each Connecticut town belongs to a Regional Planning Agency (RPA), and the Connecticut Office of Policy and Management (OPM) deals with regional issues including inter-governmental relationships and the creation of a State conservation and development plan. However, the RPA's rely on funds made available by the state and federal government, and thus must design their plans in

accordance with the specific allocation of those funds. This limits their power to pursue a unique regional plan for their area (Tondro 1129). The power of the OPM is also limited in that towns do not have to adhere to OPM suggestions if they conflict with their local laws or plans (Tondro 1129). This weakness of regional planning in Connecticut has been reinforced in the judicial arena by court decisions that fail to recognize effects on surrounding towns as important considerations in assessing local policies (Tondro 1130 – 1135).

Throughout the 1990's the main exception to the lack of regionalism in Connecticut policy was the Affordable Housing Land Use Appeals Act, which was passed by the General Assembly in 1989 (Frisman). According to this Act, any town that does not have at least ten percent of its housing stock guaranteed affordable (either through public assistance or deed and lease restrictions) must accept any affordable housing development proposed by a developer or bear the burden of proof for rejecting the development. This proof consists of showing that the rejection "is supported by sufficient evidence; that it is necessary to protect a substantial public interest; that the public interest clearly outweighs the need for affordable housing; and that the public interest could not have been protected by making reasonable changes to the proposal" (Frisman). This is a reversal of the normal situation, where it is assumed that a decision made by a town is valid, and the developer bears the burden of proof to show if this is not the case.²

When deciding on Appeals Act cases, the courts have ruled against towns that rejected affordable housing developments based on local zoning or affordable housing regulations and municipal limits for affordable or multi-family housing (Tondro 1140). The Appeals Act took precedence over these local guidelines, limiting local control in favor of a more regionalist approach. According to Tondro, who served as co-chair of the committee which recommended the Appeals Act, "The Act sought to foster the recognition that housing, education, transportation, and jobs—important issues for people

² According to Tondro, the 10% requirement was not chosen to suggest that this was an adequate amount of affordable housing, but rather was selected in recognition of the difficulty of measuring the supply of affordable housing on the market. The 10% figure does not reflect all affordable units, but rather all government assisted affordable units. It is possible that the actual number of affordable units in a town is significantly higher.

of all incomes—were a common concern for all those persons living in a particular metropolitan area" (Tondro 1142)

The power of the Appeals Act to foster regionalism in Connecticut was severely limited, however, by the July 1999 Supreme Court decision in the case of *Christian Activities Council v. Town Council of Glastonbury*. This decision weakened the regional tone of the Appeals Act in two ways. First, the court set a low standard for the evidence a town can use to reject an affordable housing development. A newspaper article on the case cited the opinion of the dissenting judge, Justice Borden, that with this decision "the majority had undone the Legislature's attempt to make towns meet a much more rigorous standard when rejecting affordable housing plans" (Frisman). Second, the court ruled that the frame of reference that must be used in estimating the need for affordable housing was local, rather than regional. As a result, proving that "the public interest clearly outweighs the need for affordable housing" would be fairly easy for towns with very small low-income populations. This undermined efforts to use the Act to address economic segregation between towns and force suburbs to share the affordable housing burden placed on cities.

Middletown: The Local Picture

Middletown is the urban center of Middlesex County. With 42.51 square miles, Middletown is one of Connecticut's largest cities in terms of land area. Middletown is also the largest community in Middlesex County, home to approximately 45,000 people in 18,000 households. As the urban center, Middletown has historically provided the majority of affordable housing and services for the County's lower-income and special needs population (Consolidated Plan, 2000).

Homeownership in Middletown is significantly lower than the county average. The city is looking for ways to increase homeownership by advocating a growth of single-family units. This is done both out of concern for the protection of the rural nature of Middletown, as well as the idea that homeowners are more involved in the community, and invest more money in their homes. (Plan of Development, 2000)

The changing face of federal housing assistance is affecting Middletown along with the rest of the country. The Consolidated Plan has mentioned concern that as cities

receive fewer Federal dollars to support housing and service programs, "the condition of the housing stock will deteriorate and services will diminish, if not become extinct." So despite its higher percentage of government-assisted units, affordable housing is still a critical issue in Middletown.

Methodology

Originally, our Wesleyan Research team was assigned to work on three major tasks. These tasks were to compile a Master List of affordable housing, examine and evaluate the Census data for Middletown, and analyze the changing housing market using newspaper and realtor data. Each of these tasks involved a different methodology as discussed below.

Master List

One of the three major tasks assigned to our Wesleyan research team was the creation of a Master List of specified affordable housing which includes government public housing, government subsidized project-based housing, government subsidized tenant-based housing, and housing built by non-profit developers. This list is important because it shows the number of units in Middletown that are provided by the government and non-profits to ensure a supply of affordable housing.

Part of the purpose of compiling the Master List was also to create a map of the known affordable housing in Middletown. Through a mapping computer program called Microsoft Streets and Trips[®], the address of each of these units was mapped to locate their position in Middletown.

A variety of approaches were used to form the Master List, but we conducted our research in a way to collect the same information on each unit: the name of the unit, the type of the unit (such as elderly and/or non-profit), the location, the number of units, the administrator, and the contact number or person for each entry. Using a combination of internet research through government websites and our contact at the Middletown Housing Authority, we were able to formulate a list of locally sponsored government subsidized tenant-based units and public housing, including elderly residences. The numbers and locations of these units were checked by calling individual buildings.

Another aspect of compiling our list involved individual contacts with community members. Our connection with the Supportive Housing Coalition was useful in contacting people who are knowledgeable about affordable housing units in Middletown. Using their information, we were able to formulate a count of the non-profit developed housing units as well as shelters and transitional living facilities in the area. The number of units and location were double-checked by internet research as well as phone calls and emails to those who are active in supportive housing concerns.

A compilation of all the Section 8's in town was also done with permission from the Middletown Housing Authority. They gave us the addresses of the Section 8's without any characteristics as to the identification of the family, and we transferred it digitally into the same mapping program. We are then able to see the distribution of Section 8's in the city.

Towards the end of our research, the DECD sent us a back-up list of the Housing Appeals Act enumerating Middletown's affordable housing units, which we then used as a check of our Master List. We investigated the inconsistencies between the two lists and attempted to determine which figures were more accurate.

Because there was no central source of information on government-assisted units, there is no way to be absolutely certain of the accuracy of our Master List. We relied on Internet and personal sources and as a result our final list may contain errors. Even the Department of Economic and Community Development cannot guarantee the accuracy of their information on affordable housing units.

Census

Besides government and non-profit sponsored affordable housing, the market itself can also provide housing that is affordable. Our report uses information from the 2000 US Census to paint a picture of the demographic and housing characteristics of Middletown. We made extensive use of the Census website, www.Census.gov, to access information. The majority of the Census statistics in this report were taken from the 2000 Summary File 3, a compilation of 813 detailed tables of information about population and housing characteristics. The information in these tables is based on the long-form questionnaire, a questionnaire sent by the Census to one in every six

households in the country. The data gathered from these responses are weighted to represent the entire population.

The Census breaks up areas within towns and cities (referred to as "places" in Census geography) into Census Tracts and Block Groups. Middletown contains 12 Census Tracts (tract 5411 through 5412) and 29 Block Groups. The map below shows the boundaries of Middletown's 12 Census Tracts.³ In general, the 12 Census Tracts within Middletown match up with the following 12 neighborhoods:⁴

Tract 5411 – North End, West of Main Street (NE)

Tract 5412 – Newfield (NF)

Tract 5413 – Westlake (WL)

Tract 5414 – Westfield (WF)

Tract 5415 - Wesleyan University (WU)

Tract 5416 – Central Business District (CBD)

Tract 5417 – South End (SE)

Tract 5418 – Connecticut Valley Hospital (CVH)

Tract 5419 – Randolph Road South/Maromas (RR)

Tract 5420 – South Farms (SF)

Tract 5421 – Long Hill North (LHN)

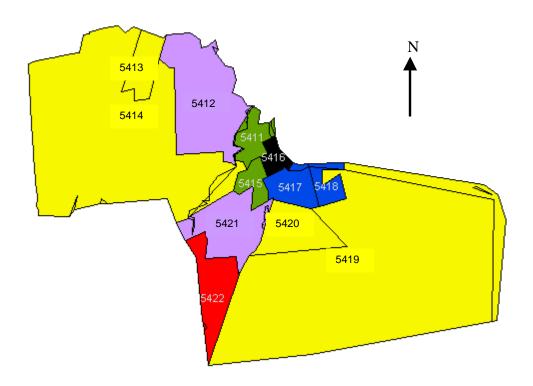
Tract 5422 – Long Hill South (LHS)

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³ Map is from MPCD website

⁴ Fair Housing Plan – City of Middletown

Map 1: Middletown Census Tracts



We gathered Census data for Middletown as a whole, and for Census Tracts and Block Groups within Middletown. The mean Census Tract in Middletown consists of 1546 households, with a range from a low of 12 households in Tract 5418, which consists mainly of Connecticut Valley Hospital, to a high of 3,286 households in Tract 5413. Block groups average 639 households and range from 12 households, again in the one Block Group in Tract 5418, to 1,723 households in Block Group 2 in Census Tract 5413. Some data were not available at the Block Group level. Most data used in this report are given at the Census Tract level because these data give a good picture of the extent to which the housing situation varies within Middletown without being as cumbersome as data at the Block Group level. Block Group level data for some important statistics are given in Appendix 1. Many statistics in this report are also provided about Middletown as a whole, particularly when comparing changes between the 1990 and 2000 Census.

As Vitrano and Howard point out in their article, "An Evaluation of the Master Address File Building Process," the compilation of the Census is not a flawless task. Although Census officials use both a mail-in and door-to-door collection, there is still room for error in this massive process. The most obvious and practically inevitable problem is the possibility of an undercount. An undercount is most likely in minority and low-income populations, and the effect of an already marginalized population being undercounted could be crucial in accurate establishment of government programs and aid. As the Census is used for many purposes besides that of our report, the accuracy of its findings should be constantly evaluated and critiqued. However, the thoroughness of its data has been invaluable in our report.

In addition to these general cautions about Census data, there are some issues that are specific to the data used in this report. First, while the Census is an amazingly extensive resource, there is obviously a wide range of potentially interesting data that it does not provide. In determining housing affordability, for example, the researchers were disappointed to discover that the Census does not cross-tabulate data on household size with rent or mortgage payments. Therefore, it is not possible to tell from the Summary File 3 data the size of a household that is paying a particular amount for rent. This statistic would have been necessary to compile a highly accurate measure of the number of families in Middletown living in "shelter poverty," a concept discussed elsewhere in the report.

A second issue with the Census data used in this report concerns households with Section 8 vouchers. As explained above, households with these vouchers receive a government subsidy every month to help pay their rent. This creates some confusion in the data on rents for this population. It is unclear whether recipients of Section 8 vouchers record their rent as the amount that they themselves pay each month, or whether they record the rent received by the landlord—the combination of the rent paid by the tenant and the subsidy provided by the government. According to a Census representative, Section 8 recipients are expected to record their rent as the total amount received by the landlord. Any household that did not return their Census questionnaire and was thus interviewed in person by a Census representative was instructed to list their

rent in this manner. For households that simply filled out and returned the questionnaire on their own however, there is no way to be sure whether the rent recorded is the portion paid by the tenant or the total amount received by the landlord. Because of this, statistics on the percentage of income paid in rent do not reflect the total amount of rent relief offered by Section 8 subsidies. For example, a recipient of Section 8 who listed her rent as the total payment received by her landlord would be recorded as paying over 30% of her income for rent, though in reality with the Section 8 voucher the tenant could be paying less than that. The extent of this distortion depends on how many Section 8 recipients listed their rent as the portion they themselves pay and how many listed their rent as the amount received by the landlord. Unfortunately we have no way to determine this. For the purposes of estimating the number of Middletown residents paying over 30% of their income for affordable housing, we have assumed that Section 8 recipients recorded the rent that they themselves pay. As explained, this may mean that some people who receive Section 8 assistance are incorrectly counted among those who lack affordable housing.

Another qualification to the Census data that is specific to this report has to do with the percentage of households that are paying over 30% of their income for housing. In calculating these figures, the Census uses a population (referred to as a "universe" in Census terminology) that excludes houses that are on over 10 acres of land, houses in which a business is run, and multi-unit condos. This universe is called "Specified owner-occupied housing units" and excludes 1,500 of the owner-occupied housing units in Middletown. A large portion of these 1,500 units are probably multi-unit condos, because there are not many large farms or home-run businesses in Middletown. Since condos tend to be cheaper than houses, it is likely that including these units would lower the percentage of homeowners that are paying over 30% of their income in housing costs. Census data on homeownership rates, on the other hand, are based on the entire population of housing units in Middletown.

Housing Market Changes since 1999

Since housing markets change fairly rapidly and the market described in the 2000 Census was based on data from the year 1999, it is important to have an idea of the

change in the housing market in the three years since then. To obtain an idea of what the market looks like now, we compiled data on properties available both for rent and for sale.

As we were concerned about the seasonal changes in the housing climate throughout the year, it was important to compare ads within the same time frame. For a comparison of the housing sales market, we compared sales over a period of six months as recorded in the Multiple Listing Files of Real Estate Brokers. To look at the change in the rental market, we took a sampling of units available for rent from the classified section of the *Middletown Press*. We looked at the months of February and March 1999 and 2002 and extracted the different types of rental properties that were available. For both markets, we recorded the number of bedrooms and their prices.

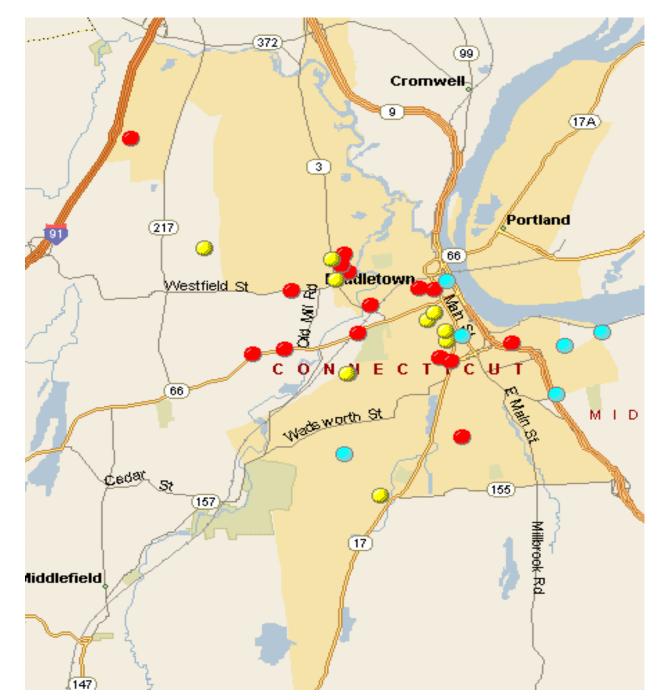
Since not all ads in the Middletown Press have the exact format, we only recorded ads that contained the precise information we were looking for: the size of the apartment and the asking price. Ads that offered a rental unit but listed a phone number to call in order to obtain the relevant information were not recorded as we felt that it could be construed as suspicious behavior to inquire about a property that had been off the market for an extended period of time.

Data/Analysis

Master List

The following table is our compiled Master List of specified affordable housing in Middletown. The list shows a total of 3,734 affordable housing units.

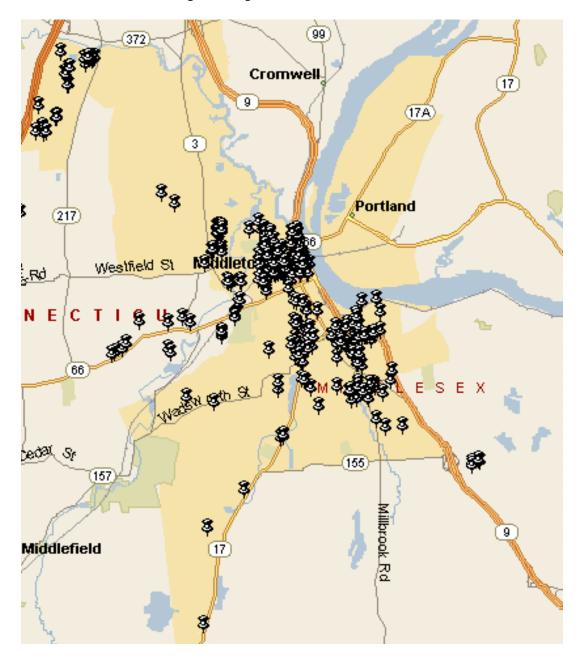
| MASTER LIST OF SPE | CIFIED AFFORDAB | LE HOUSING IN MIDDLETOWN | |
|--------------------------------------|--------------------------|----------------------------------|----------|
| Name | Туре | Location | # Units |
| ELDERLY | Туре | Location | # Offics |
| Heritage Commons | Elderly | 38 Boston Rd. | 28 |
| Luther Manor | Elderly | 624 Congdon St. | 45 |
| Marino Manor | Elderly | 1361 Randolph Road | 40 |
| Newfield Towers | Elderly | 220 Newfield St. | 100 |
| Old Middletown High | Elderly/Disabled | 251 Court St. | 69 |
| Pond View Apts. | Elderly/Disabled | 335 Butternut St. | 52 |
| Sbona Towers | Elderly | 40 Broad St. | 126 |
| Shiloh Manor | Elderly | 330 Butternut St. | 41 |
| South Green | Elderly | 65 Church St. | 125 |
| St. Luke's | Elderly | 144 Broad St. | 25 |
| Stoneycrest Towers | Elderly | 352 Newfield St. | 100 |
| otomoyoroot romoto | 2.00.19 | TOTAL ELDERLY | 751 |
| | | | |
| FAMILY/OTHER | | | |
| Alder House | Artist Co-op | Main St. | 14 |
| Bayberry Crest | Family | 192 Plaza Dr. | 152 |
| Berlin and Silver Street | 1 uniny | 102 1 1020 51. | 3 |
| Forge Square | | South Main St. | 81 |
| Green Court | Family | 11-20 Green Street | 4 |
| Habitat House 1 | Family | 141 Hotchkiss St. | 1 |
| Habitat House 2 | Family | 141 Berlin St. | 1 |
| Habitat House 3 | Family | 460 Washington St. | 1 |
| Habitat House 4 | Family | 5 Afton Terrace | 1 |
| Liberty Commons | SH | 8 Liberty St. | 40 |
| Mapplewood Terrace | public housing | 23 Maplewood Terrace | 50 |
| | | | 100 |
| Meadoway Gardens | Family | 100 Rose Circle | |
| Middletown Housing | non-profit trust | Military Rd. | 16 |
| Moderate Rental | F " | Daddario, Santangelo, Keift Rd | 198 |
| New Meadows | Family | 1 Plaza Dr. | 191 |
| Rockwood Acres | Family | 10.1.5 | 97 |
| Rose Gardens | Family | 184 Rose Circle | 120 |
| Rushwood Center* | Family | 1250 Silver Street | 18 |
| Santangelo Circle | Family | | 25 |
| Sunset Ridge | | | 76 |
| Summer Hill Apts* | Family | 716 Bartholomew Rd. | 104 |
| Traverse Square | public housing | Williams Street | 60 |
| Wadsworth Grove* | Family | 1 McKenna Dr. | 45 |
| Westfield | | | 83 |
| Willowcrest Apts | Family/Rehab | Stoney Crest Dr. | 151 |
| Woodbury Apts* | Family | 818 Bartholomew Rd. | 188 |
| Woodrow Wilson | Family | 339 Huntington Hill Avenue | 48 |
| YMCA | Single Resident | 99 Union St. | 64 |
| | | TOTAL FAMILY | 1932 |
| | | | |
| SECTION 8 VOUCHERS | | | |
| Section 8 Vouchers | | Scattered | 801 |
| | | TOTAL SECTION 8 VOUCHERS | 801 |
| | | | |
| | | TOTAL ELDERLY, FAMILY, SECTION 8 | 3484 |
| TRANSITIONAL LIVING/SHELTER | | | |
| 38-40 Ferry St. | Family, SP | 38-40 Ferry St. | 4 |
| Community Health Center 1 | Shelter (Beds) | | 10 |
| Community Health Center 2 | Transitional (Beds) | | 14 |
| Connection's Women and Children's Sh | | | 15 |
| Eddy Center | Shelter (Beds) | 1 Labella Circle | 30 |
| Gilead Community Services | Beds | | 14 |
| Green Court/NEHEMIAH | Family, SP (Beds) | 11-20 Green St. | 14 |
| Rainbow Court | Limited Equity Co-op | | 4 |
| Red Cross Shelter 1 | Transitional | Scattered | 6 |
| Red Cross Shelter 2 | Shelter | 118 Daddario Rd | 42 |
| Rushford Center | Half-Way House (Beds) | 1250 Silver St. | 20 |
| The Sheperd Home | Transitional | 112 Bow Lane | 70 |
| YMCA Youth Shelter | Beds | 99 Union St. | 11 |
| | | TOTAL TRANSITIONAL/SHELTER | 254 |
| | | | |
| | | | |
| | | TOTAL ALL | 3738 |
| | | | |
| Note: * Taken from DECD Housing Ap | peals Back-up List. Coul | d not be reconfirmed. | |
| | | | - |



Map 2: Map of the Master List (Excluding Section 8's)

Legend:

- Family/Other
- Elderly
- Transitional/Shelter



Map 3: Map of Section 8 Units

Funding for affordable housing can come from a variety of places: the State government through the Department of Economic and Community Development; the Connecticut Housing Finance Authority (CHFA), which offers mortgage lending programs to assist developers who build or rehabilitate affordable rental housing; or federal funds. The Federal Low Income Tax Credit Program is also critical to help developers provide affordable rental housing as without them, the rental income generated by an affordable housing complex would be insufficient to cover the costs of development and property maintenance (CHFA, 2003). Besides the housing we have listed, the CHFA has also provided mortgage assistance to 688 Middletown homes (DECD Housing Appeals List). The Middletown Department of Planning, Conservation, and Development has also sponsored approximately 400 loans through the Residential Rehabilitation Program; Liberty Bank, as overseer of the Down Payment Assistance program, has also given out seven loans this year⁵.

A large number of the units on the Master List are in the form of Section 8 vouchers known as housing choice vouchers. The Middletown Housing Authority has approximately 800 active Section 8's in Middletown. As described earlier, these vouchers allow a tenant to live in anywhere in the US with the aid of a government rent subsidy. The government pays the difference between 30% of the tenant's income and what it has determined as Fair Market Rent (FMR) for the area. If apartment costs more than the FMR, she has to pay the difference. However, the apartment may only be leased if it would be less than 40% of the tenant's income along with the government subsidy. The rent that is used to calculate the Section 8 data is gross rent, which includes utilities (the utilities are calculated whether included in their rent or not). Currently in Middletown, the FMR is multiplied by 110% in order to adjust for market differences in this area of the state. According to the Middletown Housing Authority, 75% of the Section 8 vouchers go to people in the extremely low-income category, defined as those who make less than 30% of the area median income.

There is great demand for Section 8 vouchers. In October of 2002, approximately 1,100 people mailed in pre-applications to be considered for a voucher. Of these 1,100,

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⁵ Information provided by the Community Development Specialist at MPCD.

250 were randomly selected to be placed on the waiting list and about 220 of them actually qualified as eligible. (Non-eligibility was mostly based on criminal records.) The Housing Authority estimates that there is about a one-year wait for those who have made it through the initial lottery and eligibility requirements; however, the waiting list itself does not adequately show demand as only about 20% of people who asked for assistance are even included on that list.

Once you receive an application for a voucher, you must find an apartment within two months that, with the aid of a Section 8, will not cost more than 40% of your income. Section 8 recipients can find an apartment within Middletown, or, as long as they have resided in Middletown for a year prior to obtaining the voucher, they may look for an apartment anywhere within the United States. The landlord must abide by quality regulations and undergo inspections of the specific apartment. Though it is illegal for landlords to refuse to accept Section 8's, discrimination does occur. Many landlords discriminate against Section 8 recipients by claiming not to accept vouchers and denying units to Section 8 tenants.

There are definite clustering patterns of Section 8's in certain areas of Middletown, as seen on the map above, including the downtown area known as the North End and the Central Business District (Census Tracts 5411 and 5416). As suggested by the MHA, concentration of Section 8's in a certain area could lead to myths and stereotypes of neighborhoods in the city. De-concentration of these units is a goal of the Middletown Housing Authority, but how that goal could be met is unclear. Are there other possible rental areas for people with Section 8's? In Middletown, the concentration of rental units varies from Census Tract to Census Tract, but there is no Census Tract that exists with 100% homeownership. Thus, there are rental units that could be potentially affordable everywhere, although, from our Census data, they are more likely to be located in specific Census Tracts. It should be stressed that concentration of Section 8's in one location does not define these areas as "bad neighborhoods": there is still much debate in city planning over how "mixed" an area must be—and if mixing is necessary at all—in order to sustain community development and successful neighborhoods.

Although Section 8's must rely on market availability and location of affordable units, they are essential in providing aid to those who most need it. Section 8's, comprising about 1/3 of all the affordable housing in Middletown, are a crucial assistance to low-income households.

In looking at our map of the Master List (Map 2), we can see that it is not as concentrated as the Section 8 housing vouchers. While the authorities have no control in directing the placement of Section 8 voucher holders, they can choose to finance housing developments specified by area. This can be a way to control the location of specific needs populations to create mixed-income neighborhoods.

Of the 3,734 subsidized affordable housing units in Middletown, 747 of them are classified as assisted elderly housing. This large percentage of subsidized housing for the elderly is needed to address the needs of the increasing elderly population here in Middletown. As this population ages, proximity to services and assistance become increasingly important.

Most of the elderly subsidized units are sponsored by state and federal governments. The Middletown Housing Authority operates two complexes at Sbona Towers and Marino Manor totaling 166 units of specified affordable elderly housing. In the elderly housing developments of Heritage Commons and South Green, the CHFA has provided assistance to 153 units⁶, thereby making these units affordable.

As well as operating low-income and elderly housing complexes, the Middletown Housing Authority strives to create mixed-income communities of families. They provide housing to those with incomes at 80% of the median income bracket in Westfield (Census Tract 5414). Housing bonds, given to the developers of Westfield, require the affordability of 20-25% of its units⁷.

The units in our Master List that we had some trouble defining were those sponsored by a government program whose contract may have ended. For example, Carabetta is a large property management company that built several affordable units in Middletown under Sections 221 and 223 in the 1970's. The Carabetta units constructed were placed under a contract for approximately twenty years of affordability. After this

⁶ From Connecticut Housing Finance Authority 2001 Annual Report

⁷ The MHA uses Westfield as an example towards the goal of creating mixed income communities.

time period is up, Carabetta has the option of moving to the private market, therefore increasing the rent to those who have resided there during its transition. Some residents of the Carabetta units that have switched to a higher market rent are given priority in terms of Section 8's so that many of them could continue to live in their apartment⁸. Ultimately, we are still not sure as to how many Carabetta units are still under contract as project-based units and how many have switched over to market rate.

Our Master List reports about 250 units of transitional and shelter housing available in all of Middletown. According to a Wesleyan Report done a few years ago, the homeless count in Middletown is well over 500 people. Middletown provides most of the shelter services in Middlesex County. Obviously the need is not being met. While a variety of factors contribute to homelessness, the cost of living in a certain area does contribute to the problem. According to the National Low Income Housing Coalition, for a household to afford a two bedroom apartment rent (standardized by the MHA at \$894) they must work 103 hours per week at minimum wage, making \$35,760 a year here in Middletown. Although the median household income is higher than \$35,000 in Middletown, this still means that more than fifty percent of the city would not be able to comfortably afford a two-bedroom rental unit according to the HUD affordability definition.

Taking the Master List numbers as a whole, there are 3,734 units that are considered affordable throughout Middletown. Therefore, Middletown, with 18.7% of its units as affordable, approximately doubles the amount required under the Housing Appeals Act. This is far and above the amount of affordable housing supplied by the surrounding towns of Middlesex County. Table 1 lists the percent of housing stock that is deemed affordable under Appeals Act guidelines for a sample of towns in Middlesex County ¹⁰. Clearly, Middletown is providing both the highest percentage and the highest number of affordable housing units in the region.

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⁸ "It is expected that Carabetta Management will opt out on 159 Section 8 apartments within the next year. The Middletown Housing Authority has plans to apply for additional vouchers to meet this need putting additional strain on existing affordable housing stock (Consolidated Plan, 2000)."

⁹ This is according to our Master List information, excluding transitional living and shelter units. ¹⁰ Again, the Appeals Act deems units affordable either through public assistance or deed and lease restrictions.

Affordable Housing in Middlesex County

| Middlesex County | Housing Units | Governmentally Assisted Units | CHAFA mortgages | Total Assisted | Percent Affordable |
|------------------------|------------------|----------------------------------|-----------------|-------------------|-----------------------|
| Chester | 1,613 | 26 | 12 | 38 | 2.36 |
| Clinton | 5,757 | 89 | 67 | 156 | 2.71 |
| Cromwell | 5,365 | 213 | 195 | 408 | 7.60 |
| Deep River | 1,910 | 31 | 24 | 55 | 2.88 |
| Durham | 2,349 | 69 | 17 | 86 | 3.66 |
| East Haddam | 4,015 | 38 | 39 | 77 | 1.92 |
| East Hampton | 4,412 | 75 | 93 | 168 | 3.81 |
| Essex | 2,977 | 38 | 14 | 52 | 1.75 |
| Haddam | 2,822 | 22 | 14 | 36 | 1.28 |
| Killingworth | 2,283 | 0 | 4 | 4 | 0.18 |
| Middletown | 19,697 | 3,343 | 668 | 4,011 | 20.36 |
| Middlefield | 1,740 | 30 | 26 | 56 | 3.22 |
| Old Saybrook | 5,357 | 52 | 37 | 89 | 1.66 |
| Portland | 3,528 | 209 | 60 | 269 | 7.62 |
| Westbrook [*] | 3,460 | 145 | 25 | 194 | 5.61 |

Table 1

(Based on the DECD's Affordable Housing Appeals List figures)

Census Data and Analysis

Despite the large amount of government-assisted affordable housing in Middletown, Census data show that a large percentage of Middletown citizens still face a significant burden in housing costs. The data presented here will quantify that burden, and show how it is distributed between different neighborhoods and among different households. The first table that is presented provides basic information on the

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^{*} Westbrook also has 24 deed-restricted units that were used to calculate this figure.

population, number of households, and median income of each Census Tract in Middletown. The next set of tables (Tables 3 through 5) give information about homeownership in Middletown, and the last group of tables (Tables 6 through 8) deals with the issue of affordability. The neighborhood that corresponds to each Census Tract is indicated in parentheses after the Tract number by the initials listed on page nine.

Population, Households, and Median Income by Census Tract

| Census Tract | 5411 (NE) | 5412 (NF) | 5413 (WL) | 5414 (WF) | 5415 (WU) | 5416 (CBD) | 5417 (SE) | 5418 (CVH) | 5419 (RR) | 5420 (SF) | 5421 (LHN) | 5422 (LHS) |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Population | 2,359 | 4,506 | 5,949 | 7,664 | 1,754 | 1,290 | 3,286 | 713 | 5,899 | 4,411 | 3,706 | 1,630 |
| Number of households | 1,102 | 1,989 | 3,266 | 3,097 | 748 | 711 | 1,347 | 12 | 2,301 | 1,865 | 1,428 | 676 |
| Median Household Income | 33,696 | 46,911 | 53,802 | 55,919 | 34,128 | 13,699 | 30,128 | 30,625 | 53,671 | 49,688 | 41,094 | 74,904 |

TABLE 2

According to the 2000 US Census, Middletown is home to 43,167 people. But due to an error in the compilation of the Census, this number does not take the Wesleyan student population into account. The City of Middletown has corrected the Census data to be 45,563 residents. This population resides in a total of 18,554 households, with an average size of 2.23 people per household. The median household income in Middletown is \$47,162. Table 1 shows the distribution of population and households by Census Tract, along with the median household income for each tract.

Homeownership in Middletown by Census Tract

| Census Tract | 5411 (NE) | 5412 (NF) | 5413 (WL) | 5414 (WF) | 5415 (WU) | 5416 (CBD) | 5417 (SE) | 5418 (CVH) | 5419 (RR) | 5420 (SF) | 5421 (LHN) | 5422 (LHS) |
|------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Total Housing Units | 1240 | 2057 | 3601 | 3212 | 758 | 796 | 1476 | 14 | 2396 | 1961 | 1504 | 682 |
| Owner Occupied Units | 333 | 1235 | 896 | 1973 | 202 | 61 | 543 | 9 | 1537 | 1287 | 832 | 619 |
| Percent Owner Occupied | 28.8 | 62.0 | 27.5 | 63.4 | 28.7 | 8.7 | 40.3 | 64.3 | 66.7 | 69.5 | 57.9 | 92.5 |

TABLE 3

Of the 18,554 households in Middletown, 9,527, or 51.3% of the total, are owner occupied. This is a slight increase from the homeownership rate of 50.7% in 1990, but is

still significantly below the homeownership rate of 72.1% for Middlesex County as a whole. As shown in Table 3, there is a large amount of variation in the homeownership rate between Census Tracts, from a low of 8.7% in Tract 5416 (CBD) to a high of 92.5% in Tract 5422 (LHS). As seen in Table 2, these same Tracts also represent the low and high for median household income, respectively.

Homeownership Rates in Middletown by Race - 1990

| | Total Households | Homeowners | Renters | Percent Homeowners |
|------------------|------------------|------------|---------|-----------------------|
| Total | 16821 | 8535 | 8286 | 50.7 |
| White | 14944 | 7980 | 6964 | 53.4 |
| African American | 1480 | 406 | 1074 | 27.4 |
| Asian | 198 | 66 | 132 | 33.3 |

TABLE 4a.

Homeownership Rates in Middletown by Race- 2000

| | Total Households | Homeowners | Renters | Percent Homeowners |
|------------------|------------------|------------|---------|-----------------------|
| Total | 18554 | 9527 | 9027 | 51.3 |
| White | 15559 | 8559 | 7000 | 55.0 |
| African American | 1889 | 687 | 1202 | 36.4 |
| Asian | 376 | 97 | 279 | 25.8 |

TABLE 4b.

In addition to geographical variation, homeownership rates in Middletown vary significantly by race and income. Tables 4a and 4b show variation in homeownership between white, African American, and Asian households from both the 1990 and 2000 Census. Homeownership rates for African American households have increased from the 1990 Census, when only 27.4% of African American households were homeowners, but white households are still about one and a half times more likely to own a home than African American families. Homeownership rates for Asian families have fallen since the 1990 Census, from 33.3% in 1990 to 25.8% in 2000.

Homeownership Rates in Middletown by Income

| Household Income | Less than \$10,000 | \$10,000 to \$14,999 | \$15,000 to \$19,999 | \$20,000 to \$24,999 | \$25,000 to \$34,999 | \$35,000 to \$49,999 | \$50,000 to \$74,999 | \$75,000 to \$99,999 | \$100,000 to \$149,999 | \$150,000 or more |
|----------------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|------------------------------|----------------------|
| Total Households | 1,260 | 1,151 | 987 | 984 | 2,052 | 3,206 | 3,893 | 2,108 | 2,154 | 747 |
| Number of homeowners | 273 | 332 | 320 | 359 | 714 | 1,396 | 2,416 | 1,405 | 1,675 | 637 |
| Percent homeowners | 21.7 | 28.8 | 32.4 | 36.5 | 34.8 | 43.5 | 62.1 | 66.7 | 77.8 | 85.3 |

TABLE 5.

The variation in homeownership rates in Middletown by income is shown in Table 5. As might be expected, homeownership rates clearly rise with income. Households with the lowest income have a homeownership rate of only 21.7%, while households at the highest income level have a homeownership rate of 85.3%.

Households at the median income level of \$47,162 have a homeownership rate of 43.5%

In the next set of tables, the question of affordability is tackled using the HUD definition based on 30% of income.

Renters Paying Over 30% of Income

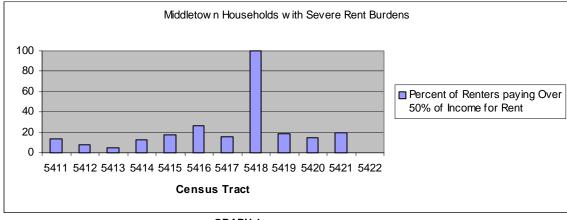
| Census Tract | 5411 (NE) | 5412 (NF) | 5413 (WL) | 5414 (WF) | 5415 (WU) | 5416 (CBD) | 5417 (SE) | 5418 (CVH) | 5419 (RR) | 5420 (SF) | 5421 (LHN) | 5422 (LHS) |
|--|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Total Renters | 823 | 749 | 2,367 | 1,139 | 502 | 639 | 797 | 5 | 761 | 566 | 606 | 50 |
| Number of Renters Paying Over 30% | 279 | 230 | 437 | 426 | 160 | 352 | 267 | 5 | 244 | 176 | 218 | 7 |
| Percent of Renters Paying Over 30% | 33.9 | 30.7 | 18.5 | 37.4 | 31.9 | 55.1 | 33.5 | 100.0 | 32.1 | 31.1 | 36.0 | 14.0 |

TABLE 6.

Homeowners Paying Over 30% of Income

| Census Tract | 5411 | 5412 | 5413 | 5414 | 5415 | 5416 | 5417 | 5418 | 5419 | 5420 | 5421 | 5422 |
|--------------------------|------|-------|------|-------|------|-------|------|-------|-------|-------|-------|-------|
| | (NE) | (NF) | (WL) | (WF) | (WU) | (CBD) | (SE) | (CVH) | (RR) | (SF) | (LHN) | (LHS) |
| Total | | | | | | | | | | | | |
| Homeowners ¹¹ | 155 | 1,079 | 481 | 1,839 | 163 | 15 | 314 | 9 | 1,461 | 1,198 | 757 | 556 |
| Number of | | | | | | | | | | | | |
| Homeowners | | | | | | | | | | | | |
| Paying Over | | | | | | | | | | | | |
| 30% | 54 | 257 | 144 | 379 | 35 | 0 | 68 | 4 | 294 | 278 | 154 | 89 |
| Percent of | | | | | | | | | | | | |
| Homeowners | | | | | | | | | | | | |
| Paying Over | | | | | | | | | | | | |
| 30% | 16.2 | 20.8 | 16.1 | 19.2 | 17.3 | 0.0 | 12.5 | 44.4 | 19.1 | 21.6 | 18.5 | 14.4 |

TABLE 7.



GRAPH 1.

Along with the issue of homeownership, affordability is perhaps the most important housing issue faced by Middletown residents. Thirty-one percent of renters and 22% of homeowners were paying over 30% of their income for housing in 1999. Thirteen percent of renters faced an extreme burden in housing costs in 1999, with rents payments that took up over 50% of their income. A distribution of the lack of affordable housing by Census Tract is shown in Tables 6 and 7. Graph 1 shows the distribution of households paying over 50% of income in rent.

¹¹ The Total Homeowners excludes houses that are on over 10 acres of land, houses in which a business is run, and multi-unit condos. There are approximately 1500 more total homeowners in Middletown. In Appendix I, our calculations use the total homeowner figure.

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Affordable Housing by Income – 1990 Census Figures

| | Households Sp | Households Spending 30% or more on Housing Costs | | | | | | | | |
|-------------------------------|-------------------------|--|-------------------------|--------------------------|--|--|--|--|--|--|
| | Renter Ho | useholds | Homeowner Households | | | | | | | |
| Median Household Income | Number of Households | Percent of Households | Number of Households | Percent of Households | | | | | | |
| Less than 10,000 | 876 | 72.1 | 279 | 88.3 | | | | | | |
| 10,000 - 19,999 | 835 | 64.9 | 114 | 23.9 | | | | | | |
| 20,000 - 34,999 | 865 | 34.7 | 310 | 34.5 | | | | | | |
| 35,000 - 49,999 | 90 | 5.4 | 396 | 27.4 | | | | | | |
| 50,000 or more | 12 | 0.9 | 244 | 7.4 | | | | | | |

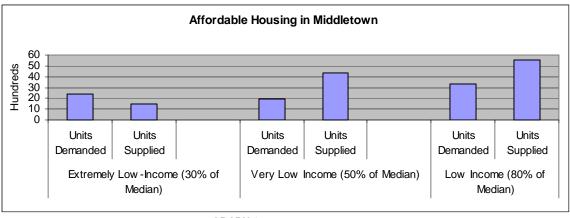
TABLE 8a.

Affordable Housing by Income - 2000 Census Figures

| Autoridable fredering by income 2000 Conede Figure | | | | | | | | | | | |
|--|-------------------------|--------------------------|-------------------------|--------------------------|--|--|--|--|--|--|--|
| | ore on Housing (| Costs | | | | | | | | | |
| | Renter Ho | useholds | Homeowner Households | | | | | | | | |
| Median Household Income | Number of Households | Percent of Households | Number of Households | Percent of Households | | | | | | | |
| Less than 10,000 | 682 | 69.0 | 166 | 73.8 | | | | | | | |
| 10,000 - 19,999 | 1,039 | 70.0 | 308 | 64.4 | | | | | | | |
| 20,000 - 34,999 | 866 | 44.4 | 349 | 42.7 | | | | | | | |
| 35,000 - 49,999 | 175 | 9.5 | 438 | 40.4 | | | | | | | |
| 50,000 - 74,999 | 18 | 1.2 | 364 | 18.0 | | | | | | | |
| 75,000 or more | 21 | 2.8 | 126 | 3.8 | | | | | | | |

TABLE 8b.

Clearly the Census Tracts with the lowest median household incomes (See Table 1) also tend to be the Tracts with the largest affordability issues. Tables 8a and 8b confirm the trend that lower-income households are much more likely to lack affordable housing than their higher-income counterparts and show how the affordability burden by income has changed from the 1990 Census to the 2000 Census. Since 1989 most income levels have seen an increase in the percentage of households that lack affordable housing. These figures suggest that though the total percentage of households paying over 30% of their income for housing has not changed greatly between 1989 and 1999 (In 1989, 33.4% of Renters and 20.5% of homeowners were paying over 30% of their income for housing as compared to 31% of renters and 22% of homeowners in 1999) that may not mean that the situation has remained the same. Instead, the data may be reflecting a rise in the burden on low-income groups that has been offset by an increase in the number of unburdened higher-income households in Middletown.



GRAPH 2.

The housing situation in Middletown can also be looked at in terms of supply and demand. Graph 2 below shows the number of units that would be necessary for everyone in a particular income group to have affordable housing and compares this number to the number of units that actually exist. For example, if there are 3,000 households in Middletown that earn less that \$10,000 per year, there must be 3,000 housing units available for less than \$250 (30% of \$10,000 divided by 12 months = \$250) per month if each of these households is to have affordable housing. This graph shows the supply and demand of housing units at three levels of income; extremely low-income, which is defined as less than 30% of the median income, which for Middletown means less than \$14,141 (approximated to \$14,999); very low-income, defined as between 30% and 50% of median income, which for Middletown is between \$14,142 and \$24,581 (approximated to \$15,000-\$24,999); and low-income, defined as 50% to 80% of median income, which for Middletown is between \$24,582 and \$37,730 (approximated to \$25,000-\$40,000). As shown in the graph, the actual shortage of units occurs only in the case of extremely lowincome households. It must be remembered, however, that higher-income households may be occupying housing that costs significantly less than 30% of their income, so that the existence of cheap housing units does not necessarily translate into their availability for low-income households. Therefore, many low-income households may be competing for the same units as those in the income bracket above them.

Market Changes Since 1999

As has been mentioned earlier, housing markets have the ability to change rapidly. We suspected that over the three years since the Middletown Plan, the Middletown housing market had undergone significant changes. Our analysis of available rental units and properties for sale showed that both average and median prices of available units had risen for both categories. For rental units, the average percent increase is 12% since 1999, while the average change in cost for owner-occupied units is 39%. A complete table of data for this analysis is supplied in Appendix II along with a price comparison and tenure of Middletown's housing stock in relation to the rest of Middlesex County. As the rental and for-sale markets continue to rise, units on the market move out of the affordability range of lower income categories.

Although housing affordability is clearly a problem in Middletown, it does not seem to be leading to a large number of overcrowded households, defined as households with more than one person per room. The overcrowding rate for owner-occupied homes in Middletown was just 0.7% in 1999, while the rate for renter-occupied homes was 2.9%.

Judging only by affordability standards of spending less than 30% of household income, the affordable housing problem in Middletown is not significantly greater than that in surrounding towns. As was discussed previously, however, there are many problems with using the 30% figure to determine housing affordability. The next section explores other methods of measuring the housing affordability situation in Middletown.

Shelter Poverty

Michael Stone suggests that the standard measure of affordability as defined by spending 30% or less of household income on shelter costs is problematic. Stone uses a different method to determine affordability, one that takes into account absolute need. In order to determine how much a household can spend on shelter costs, it is first necessary to determine how much the household must spend on other necessities, such as food and clothing. Whatever money is left over after these basic necessities are accounted for is the amount that the household can spend on shelter. Therefore, if a household's non-shelter expenditures equal 90% of their total income, that household can only "afford" to

spend 10% of their income on housing. Using Stone's definition of affordability, it becomes clear that the affordability issue is especially relevant to low-income families. Under HUD's 30% definition, a household making \$100,000 per year would lack affordable housing if they paid over \$30,000 a year towards housing costs. According to Michael Stone, however, a household that takes in \$100,000 annually could very well spend 50% of their income on shelter and not be "shelter poor." For more information about Michael Stone's theories about shelter poverty, see Appendix I.

In order to show how the issue of affordability looks different using Stone's idea of shelter poverty, we obtained data from the Consumer Expenditure Survey (CES) to determine how much a low-income family in the Middletown area spends on non-shelter necessities. We found that a household of 2.4 people that has an income between \$20,000-\$29,000—defined as a low-income household (below 80% of median income)—spends about \$23,016 on non-shelter expenditures. Such families obviously build up extreme debt to pay for housing along with their other needs—according to the CES, their average annual expenditures actually exceed income. We use this figure of \$23,016 to approximate the amount a household needs to spend on non-shelter necessities, for the households in this group most likely are spending very reasonable amounts of money on vital goods such as food, since spending too much means going that much more in debt. According to Stone's theory, such a family has no money left over with which to afford shelter. In Middletown, 33% of all households do not make enough income to afford even the lowest shelter costs.

Conclusions

If the goal of housing policy in Middletown is to provide affordability at the 30% level for all of its residents, our data have shown there is still much to strive for. Even those individuals who work over 100 hours a week at minimum wage do not make enough money to comfortably afford rent in Middletown.

However, while Middletown is struggling with affordability issues, it must be stressed that the county as a whole faces many of the same problems. Our data show a strong need for affordable housing in nearly all towns of Middlesex County, though most

of these communities have only a few a percent of their housing stock designated as affordable.

Perhaps with a focus on regional planning and diversification of the locations of affordable units, Middletown and the rest of Middlesex County can work together in providing adequate shelter for its residents. HUD has noted that mixed-income and racially diverse neighborhoods play a key part in ending racial discrimination and stratification. One must not underestimate the resources necessary to undertake projects that diversify communities. Yet such projects have the hidden benefit of increasing the types of business of the area, of stabilizing prices against distorted levels of inflation, providing more transportation options, and in general making for more inclusive, tolerant neighborhoods.

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APPENDIX I - Shelter Poverty

Shelter Poverty: Theoretical Basis

Some *low-income* households and *larger* (three persons or more) households pay less than 25 percent of their incomes but are nonetheless shelter-poor, because they still do not have enough left over paying for housing to obtain minimum levels of non-shelter necessities. By the same token, high-income households and many small households of middle income *can* pay more than 25 to 30 percent of income for housing and still obtain adequate levels of non-shelter necessities, and thus are *not* shelter-poor. The conventional percentage-of-income measures thus *understate* the affordability problem of families with children and other larger households in comparison with households of one and two persons, as well as *overstating* the affordability burdens of higher-income households.

(Stone 1990; 32-3)

In Shelter Poverty, Michael Stone suggests that over 40 percent of renters and 20 percent of homeowners are shelter-poor. On average, the shelter-poor household in 1989 faced a gap of \$300 between what members could pay and what they were asked to pay each month (Stone 1990; 33). This means that these households must alter their disposable income expenditures to meet the housing burden financially beyond their means. Because housing is a good of absolute need, the housing market reflects the coststructure of "over-demand." Essentially, households that cannot afford shelter costs without reservation will use credit to make monthly payments. Besides just falling into debt, many families forego necessities, such as medical care, insurance, and needs for a minimally nutritious diet. This drives up the price of housing in the lower end of the housing market—where typically only single-person households and low-income families live. Simply put: relative to what people can afford, the housing market is a gross distortion to those on a tight budget. But on the other hand, this "over-demand" does not adversely affect a household that has enough discretionary income to compensate for a costly house. What we end up with therefore is the logical need for a sliding-scale measure of affordability that takes into account more factors than any rule-of-thumb definition would allow.

An ideal version of a shelter poverty formula would take into account data cross-tabulated across three categories: income, size of household, and amount spent on shelter.

However, the Census Bureau does not provide such data, and only has percentage of income spent on housing by income category. For instance, it indicates the number of households with an income of \$30,000 to \$40,000 that spends 30 percent of their income on shelter. This is excellent for those housing market analysts who solely use the HUD standard. However, better data would suggest the costs necessary to sustain a household of a certain size—not just the average size household in a given income category that pays a certain percentage on shelter. Furthermore, the needs of elderly and non-elderly people are very different, as well as those who live alone as compared to large families. Yet, even though the Census tells us the number of households of a given size, it does not give an indication of what sorts of costs different types of households face—and therefore how much is left over to pay for housing. Such data are crucial to understanding just how many households are spending an unreasonable amount of their income on shelter.

Further complicating this discussion is taking into account how much of a household's expenditures are "non-shelter." It is important to note the ways in which households actually spend their money in order to get a sense of what housing "affordability" really means. The Bureau of Labor Statistics (BLS) has a Consumer Expenditure Survey (CES) that breaks down the spending habits of "consumer units" (roughly defined as the Census Bureau's "households") as a function of income. From these data one sees that many goods and services are essential, and are related more to the number of people in a consumer unit rather than their income. Housing expenditures, on the other hand, vary much more closely with income. Thus, we see that the level of housing is more a discretionary expenditure. A consumer unit that takes in \$100,000 annually could very well spend 50 percent of their income on shelter and not be "shelter poor," but rather live in very nice housing. In that case, it would be a choice and not an issue of circumstance.

The peculiar part of the CES—and the one of most interest to housing analysts—is that for the lowest income groups, total non-shelter expenditures—equal to the full amount of average annual expenditures less shelter costs—either eclipse income after taxes or come so close to it that theoretically, little is left over for shelter. There are a number of complications to these data, however, including the use of personal credit that

might temporarily offset the burden of housing costs and permit a family to move into a unit they can "afford." Nonetheless, the point is clear: after accounting for all non-shelter expenditures of a typical working class consumer unit—one presumably not spending its money frivolously—there is not usually 30 percent left over to pay for housing. Sometimes there is 0 percent, and quite often the lowest income categories can do nothing but spiral further into a state of debt. It is worth mentioning that though some families go into debt, others do without the necessities of medical care and adequate food for their families to pay for shelter. However, many also may also rely on food stamps and government assistance to help pay for non-shelter necessities.

While both the HUD method and the shelter poverty method may give a similar overall number of households that spend too much on housing, they provide different interpretations for which households are overspending. With Michael Stone's method, only those in lower-income categories can be classified as shelter poor, but with HUD's calculations even rich households can lack affordable housing if they are spending over 30% of their income.

Shelter Poverty Methodology

To begin, we had to integrate data from the Census and the CES—all the while recognizing that the lack of data cross-tabulated between income, household size, and amount spent on housing would lead to very generalized results. We looked at the 2001 CES for the Northeast Region. The average consumer unit size is slightly below 2.4—a figure quite comparable to Middletown's average household size of 2.23. Thus, we can speak of the income categories and their expenditures detailed in the CES with a great degree of coherence with respect to Middletown. In order to see how much money is spent on non-shelter goods and services, we subtracted shelter costs from average annual expenditures of each income group. Then, we subtracted non-shelter expenditures from income after taxes to get a sense of how much income remains after providing for all non-shelter necessities.

Amount of Income Left for Housing Expenditures by Income Group

| Income Group | Income after taxes | Average annual expenditures | Non-shelter expenditures | Income left over for housing [†] |
|-------------------------|--------------------------|-----------------------------------|--------------------------|---|
| less than \$5,000 | \$1,595 | \$20,506 | \$16,213 | -\$21,421 |
| \$5,000 to \$9,999 | \$7,733 | \$16,483 | \$12,594 | -\$15,283 |
| \$10,000 to \$14,999 | \$12,275 | \$20,910 | \$16,095 | -\$10,741 |
| \$15,000 to \$19,999 | \$16,901 | \$24,219 | \$18,912 | -\$6,115 |
| \$20,000 to \$29,999 | \$23,667 | \$29,176 | \$23,016 | \$651 |
| \$30,000 to \$39,999 | \$32,520 | \$35,599 | \$28,564 | \$9,504 |
| \$40,000 to \$49,999 | \$42,055 | \$40,240 | \$32,274 | \$19,039 |
| \$50,000 to \$69,999 | \$55,356 | \$49,168 | \$39,693 | \$32,340 |
| \$70,000 and over | \$110,805 | \$77,044 | \$61,753 | \$87,789 |

Table 1. Appendix I.

To calculate the income left over for housing in the last column, we subtracted the average annual expenditures of households in the \$20,000 to \$29,999 range from household income. We believe it is appropriate to use the average annual expenditures from this income group because it reflects those not in poverty, but slightly above the poverty level. We are assuming that the expenditures by this group reflect a level necessary for a comfortable subsistence here in Middletown. We subtracted the nonshelter expenditure figure of this group (\$23,061) from each of the other income groups (after taxes) to arrive at a measure of the income left for shelter costs. If the difference was *positive*—negative values suggest a strong correlation with debt or government assistance—we divided it by twelve to estimate how much could be spent monthly on housing without going into debt. If only \$300 is left over after non-shelter expenses annually, then the typical household in that income category cannot expect to find a unit without forgoing common necessities or building up debt.

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[^] This figure is calculated using income after taxes minus shelter costs not included on the table.

⁺ This figure is calculated using \$20,000 - \$29,999 income after taxes (monthly).

The next step was to apply the CES data to Middletown and its housing market. By seeing how many households fall within a certain income category in Middletown, we get a sense of how many can reasonably find a house. For instance, if a consumer unit (irrespective of size) has \$600 monthly to spend on housing, it would be more likely to find a place to live in Middletown where homes are cheaper than in other parts of Middlesex County. For that reason, we conducted an analysis of Middletown's residents and its housing market versus those for the rest of Middlesex County. (Appendix II)

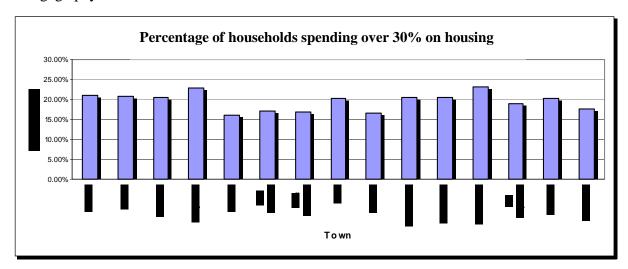
Complications with the data included the inadequacy of Census Bureau data. It did not have the following cross-tabulations: income by housing costs (only as a percentage of income), income by household size, housing costs by household size. Accordingly, this necessitated a level of analytical abstraction when referencing the households of Middlesex County. We were left to extrapolate from non-cross-tabulated data, thereby introducing some statistical uncertainty. Also, another difficulty came in working with three different sources of government data. The Census, CES, and LLISL all make use of different sized income categories, and even among themselves they vary from groups with ranges of \$5,000 to more than \$15,000. This accordingly made comparing data more complex. For example, for one of our calculations we had to compare a Census income range of \$20,000 to \$35,000 with CES data spread out over a range \$20,000 to \$30,000 and also \$30,000 to \$40,000. A typical compensation: we would use the CES \$20,000 to \$30,000 range and compare it to two-thirds of the said Census range.

Our calculations show that 29 percent of households in Middletown do not have any percentage of income left after non-shelter expenditures with which to afford housing. Households in the next highest income category (\$30,000 to \$40,000) could only pay 30 percent of their income on housing before we considered them "shelter poor." According to the Census, there were another 609 units in that income category that were spending over 30 percent (roughly 29 percent) of income on shelter. These households constitute another 4% of Middletown households that are shelter poor, giving a total of 33% shelter poverty (29% plus 4%). Because the next income category had more than a \$1,000 dollars to spend on housing per month, we did not consider them

shelter poor, especially considering that such costs are not typical for that income level. We used the same methodology to find shelter poverty figures for the rest of Middlesex.

Shelter Poverty Results

Analyzing the various towns of Middlesex County using HUD's 30 percent standard, it seems as though Middletown does not have significantly larger housing affordability problem. Yet, the comparatively much lower median household income gives us an indicator that on average households in Middletown struggle much more to make ends meet. This necessarily means a greater degree of difficulty affording rent or mortgage payments.



(Graph 1, Appendix I: Percentage of Middlesex County Households spending over 30% of income on housing)

The CES data computations showed that the typical consumer unit (household) that makes less than \$30,000 after taxes has no money after non-shelter expenditures with which to afford housing. Those between \$30,000 to \$40,000 will have difficulty too, and will not be able to pay more than \$792 per month. In Middletown, 33 percent of all households do not make enough income to afford even the lowest shelter costs. By comparison, the rest of Middlesex County has only 22 percent. These figures belie the HUD figures that say 27 percent of Middletown residents are paying a burdensome amount on shelter. However, the percentage for the rest of Middlesex County is similar (19 percent for HUD's standard as compared to 22 percent using shelter poverty). One

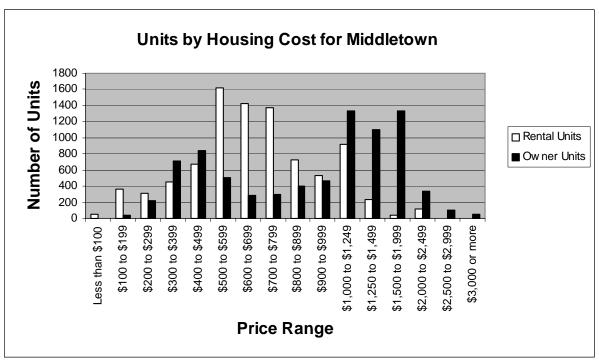
thing to take into account is that—according to the CES—all income groups below the \$40,000 line on average accumulate debt. So even \$792 monthly may not be realistic for those whose non-shelter expenditures are so burdensome that they create a credit problem.

Clearly, using a shelter poverty index shows that a significant number of people are spending too much on housing. This is true for both the Middletown area and for the region as a whole. In each case, shelter poverty calculations yield significantly higher percentages of households without affordable housing than are given by using the HUD standard of 30%.

An analysis of income shows that Middletown's median household income is much lower than surrounding areas. It is crucial that lower income groups have access to housing that is not prohibitively expensive. Thus, the 33% shelter poverty figure does not take into account the number of households that could spend more on housing but choose to live in a lower costing unit, thereby taking up a much needed affordable place to live and raising the actual number of households living in shelter poverty.

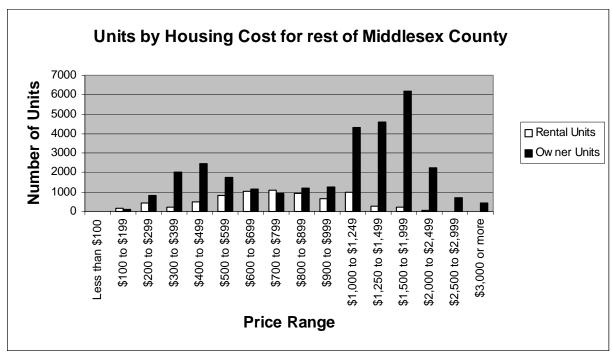
APPENDIX II A - Middlesex County Available Housing Stock

The two graphs below show the stark difference in tenure (renters versus owners) when comparing Middletown to the rest of Middlesex County.



(Graph 2, Appendix IIa: Comparison of renter and owner occupied household units in Middletown)

Middletown is split more or less evenly between households that rent and those that own their shelter, and for the most part, their monthly costs are significantly lower than other parts of the area.



(Graph 3, Appendix IIa: Comparison of renter and owner occupied household units in Middlesex County not including Middletown)

Looking at the graph for Middlesex County, we see that the number of homeowners is substantially larger than the number of renters, and that higher housing costs reflect relative wealth. From this, it is easy to conclude that—on the whole—most households outside of Middletown are able to invest in shelter that is valuable as an asset. Many more of those in Middletown however, rent and are therefore unable to build equity in their home. Thus, we see a situation in which the differences between housing stock prices and tenure type reinforce the income disparity among towns in the county.

Appendix II B - Middletown Housing Market

Looking specifically at the housing market in Middletown, we can get an idea of available housing prices. By comparing this with a past Middletown market, we have an idea of the changes within the housing market. The following tables are a summary of data taken from current and past Master Listing Files (MLS) and Classified ads in the Middletown Press.

Master Listing Files of Middletown Real Estate Brokers

| MLS 1 Sept 2002 - 31 March 2003 | | | | | | | | |
|---------------------------------|------------|------------|----------------------|-----------------------|--|--|--|--|
| Range | % of total | # of units | Median listing price | Average listing price | | | | |
| \$350,000 and over | 2.04 | 2 | \$409,000 | \$409,000 | | | | |
| \$250,000 to \$350,000 | 18.37 | 18 | \$289,900 | \$287,861 | | | | |
| \$200,000 to \$250,000 | 16.33 | 16 | \$224,900 | \$227,538 | | | | |
| \$150,000 to \$200,000 | 34.69 | 34 | \$174,900 | \$175,147 | | | | |
| \$100,000 to \$550,000 | 18.37 | 18 | \$139,900 | \$134,583 | | | | |
| below \$100,000 | 10.20 | 10 | \$77,400 | \$76,290 | | | | |
| | total # | 98 | \$179,450 | \$191,638 | | | | |
| | | | | | | | | |
| MLS 1 Sept 1999 - 31 | March 2000 | | | | | | | |
| Range | % of total | # of units | Median sales price | Average sales price | | | | |
| \$350,000 and over | 0.78 | 2 | \$441,500 | \$441,500 | | | | |
| \$250,000 to \$350,000 | 4.26 | 11 | \$275,000 | \$275,017 | | | | |
| \$200,000 to \$250,000 | 6.98 | 18 | \$231,950 | \$232,680 | | | | |
| \$150,000 to \$200,000 | 12.40 | 32 | \$173,750 | \$174,923 | | | | |
| \$100,000 to \$550,000 | 28.29 | 73 | \$124,900 | \$124,717 | | | | |
| below \$100,000 | 47.29 | 122 | \$64,450 | \$60,088 | | | | |
| | total # | 258 | \$108,000 | \$116,779 | | | | |
| | | | | | | | | |
| | median | average | | | | | | |
| Percent increases: | 39.82 | 39.06 | | | | | | |

(Table 2, Appendix IIb: Summary of entries in MLS)

The percent increases calculated in Table 2 are the perceived increase in the Middletown housing sales market according to the increase in median and average price of the entries gathered.

| 2003 | 42 | | 1 | 2 1 /0 | 0 70 | 1 /0 | 12/ |
|---------------------|-------|------------|-------|--------|-------|-------|-------|
| 1999 | 63 | Increases | 1.504 | 21% | 8% | 7% | 129 |
| Total Sampling | | Percentage | 1bed | | 2 bed | 3 bed | TOTAL |
| 2003 | 4 | | 1 | | | | |
| 1999 | 3 | | | | | | |
| room | | , | 1 | | | | |
| 2003 | 3 | 7 | | 2 | | | |
| 1999 | 1 | 14 | | 1 | | | |
| condo | ., | ` | | | | | |
| 2003 | 17 | 1 7 | _ | 3 | | | |
| 1999 | 21 | 17 | | 6 | | | |
| Unfurnished apts | 1 bed | 2 bed | 3 bed | | 1 | | |
| Sampling numbers: | 0070 | I | | | | | |
| percent increase | 39% | | | | | | |
| 2003 | \$480 | | | | | | |
| Median Prices:1999 | \$345 | | 1 | | | | |
| room | 1 bed | | 1 | | | | |
| percent mercase | 1070 | 0 /0 | | 1 70 | | | |
| percent increase | 16% | -3% | | -7% | | | |
| 2003 | 575 | 725 | | \$838 | | | |
| Median Prices: 1999 | \$495 | \$750 | | \$900 | | | |
| condo | 1 bed | 2 bed | 3 bed | | | | |
| percent increase | 6% | 19% | • | 20% | | | |
| 2003 | \$585 | \$775 | _ | \$900 | | | |
| Median prices: 1999 | \$550 | \$650 | | \$750 | | | |
| Unfurnished apts. | 1 bed | 2 bed | 3 bed | | | | |

(Table 3, Appendix IIb: Classified Ads from the Middletown Press)

The total percent increase calculated in Table 3 is the perceived increase in the Middletown rental housing market as an average of the increase in the median asking price for one, two, and three bedroom apartments listed in the Middletown Press.