

# The Economic and Business Case for Affordable Housing

*MASSACHUSETTS HOUSING INSTITUTE*

*JUNE 15, 2016*

**MARKET ST**

# Market Street Services

---

- Founded in 1997 by J. Mac Holladay
- Worked in more than 160 communities across 34 states
- Assist communities with evaluating their competitiveness and strategically planning for a preferred future
- We are facilitators, first and foremost
- Our commitment is to a definition of economic development and community improvement that, at its core, is about personal wealth creation for all citizens and building better communities



# Demographic Trends and Changing Preferences

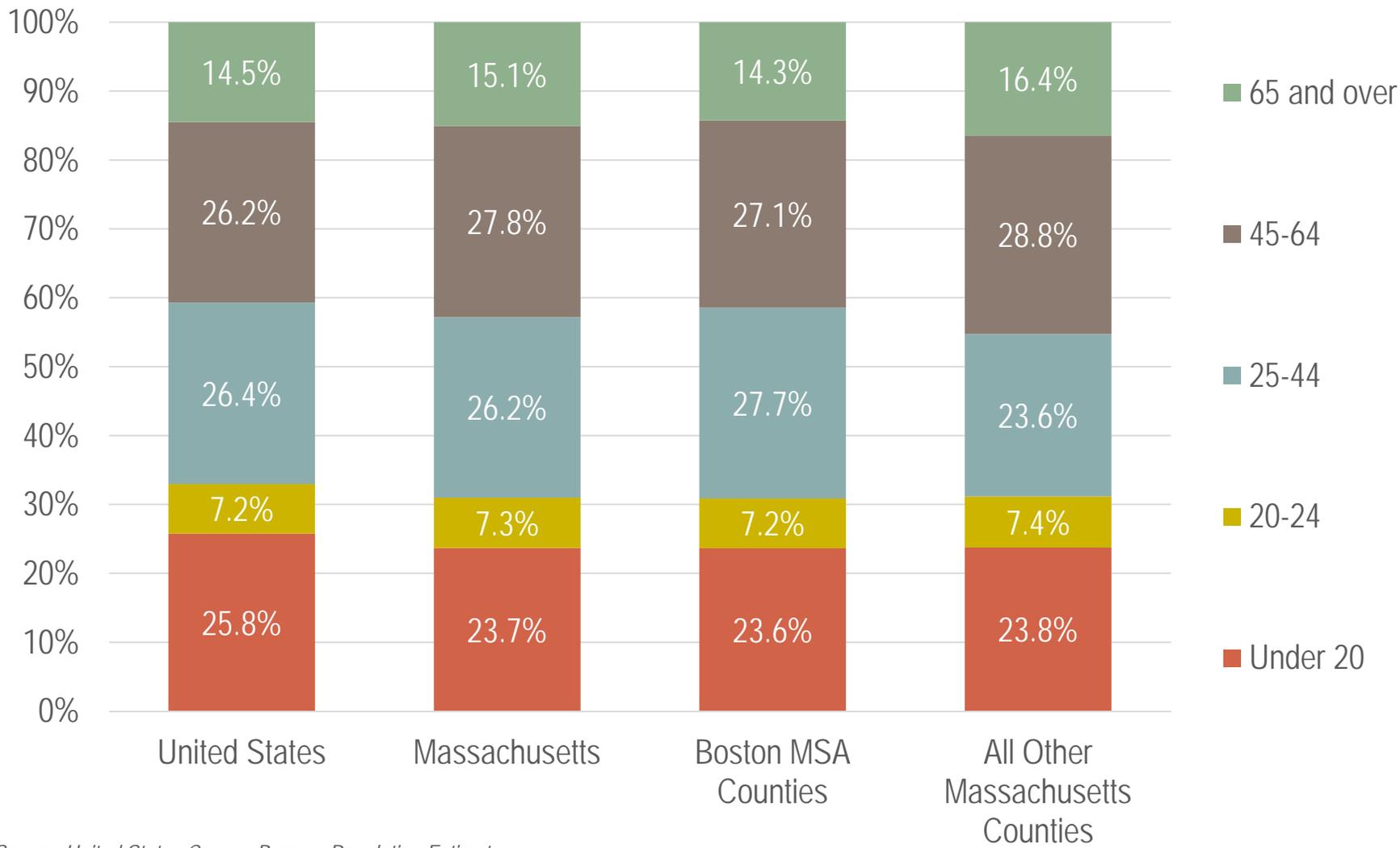
Implications for Community, Economic, and Workforce Development

---

“Ever since the global financial crisis, economists have groped for reasons to explain why growth in the U.S. and abroad has repeatedly disappointed, citing everything from fiscal austerity to the euro meltdown. They are now coming to realize that one of the stiffest headwinds is also one of the hardest to overcome: demographics.”

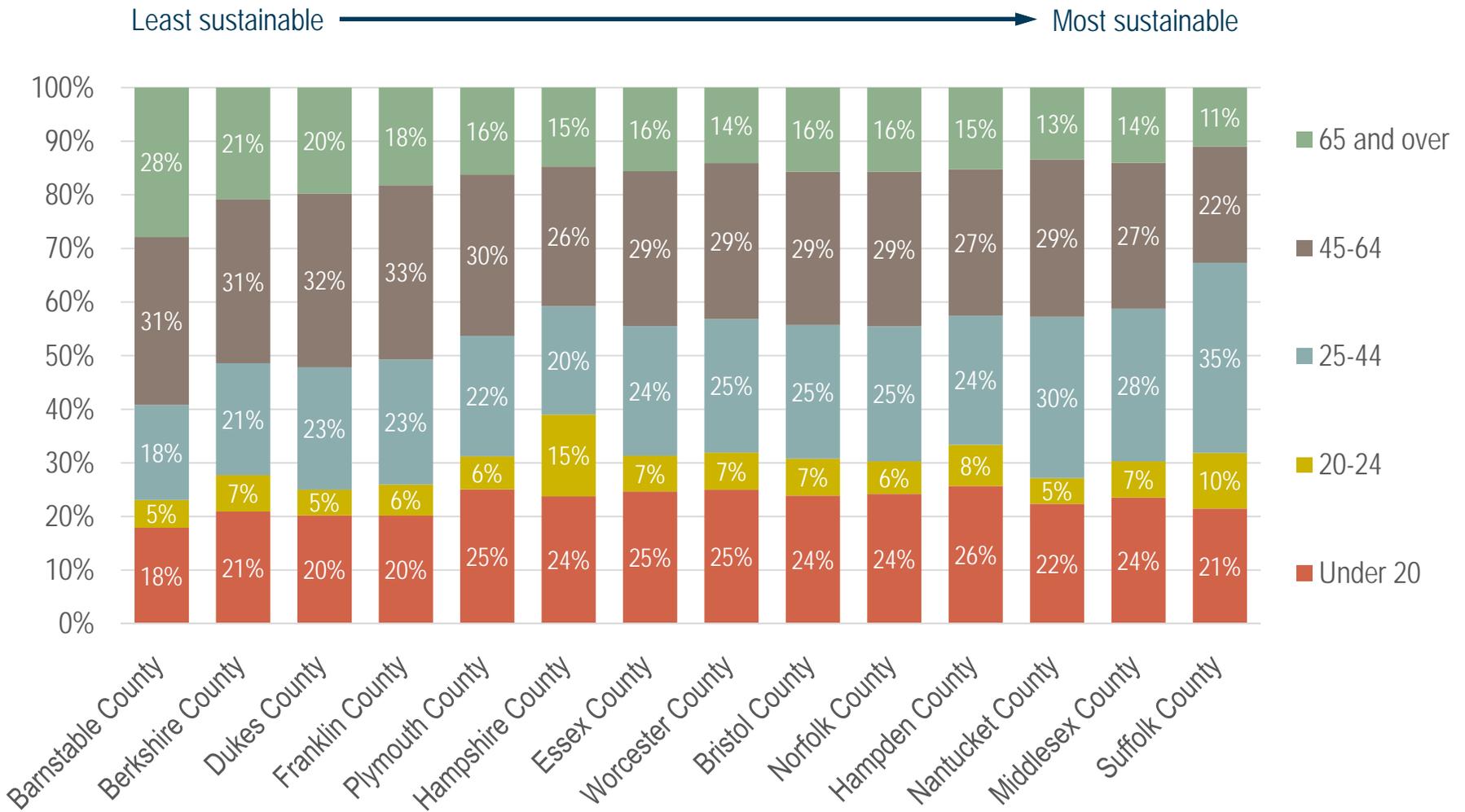
Greg Ip  
2050: Demographic Destiny  
Wall Street Journal

# Age Composition (2014)



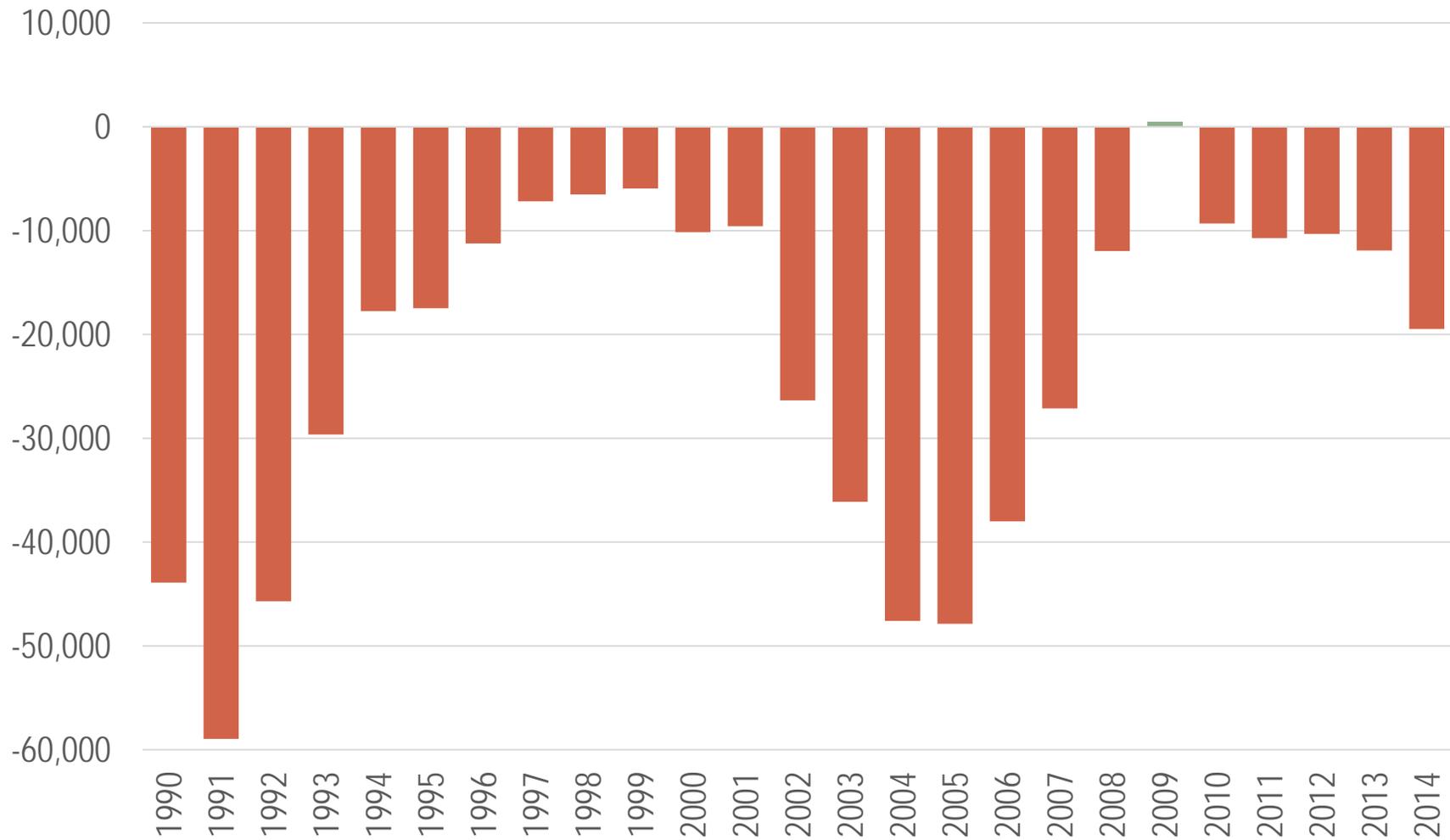
Source: United States Census Bureau; Population Estimates

# Age Composition (2014)



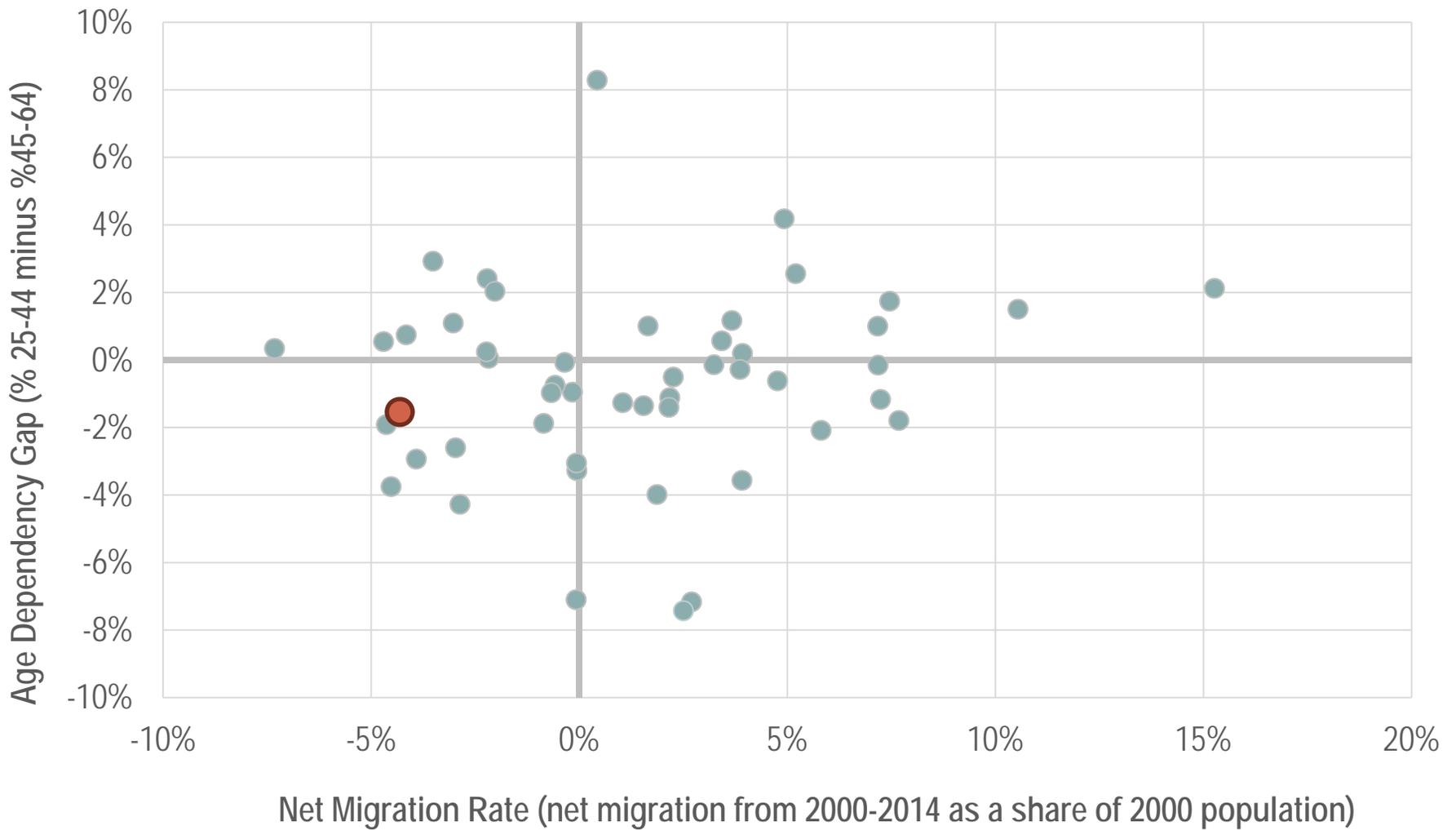
Source: United States Census Bureau; Population Estimates

# Massachusetts Net Migration (1990 – 2014)



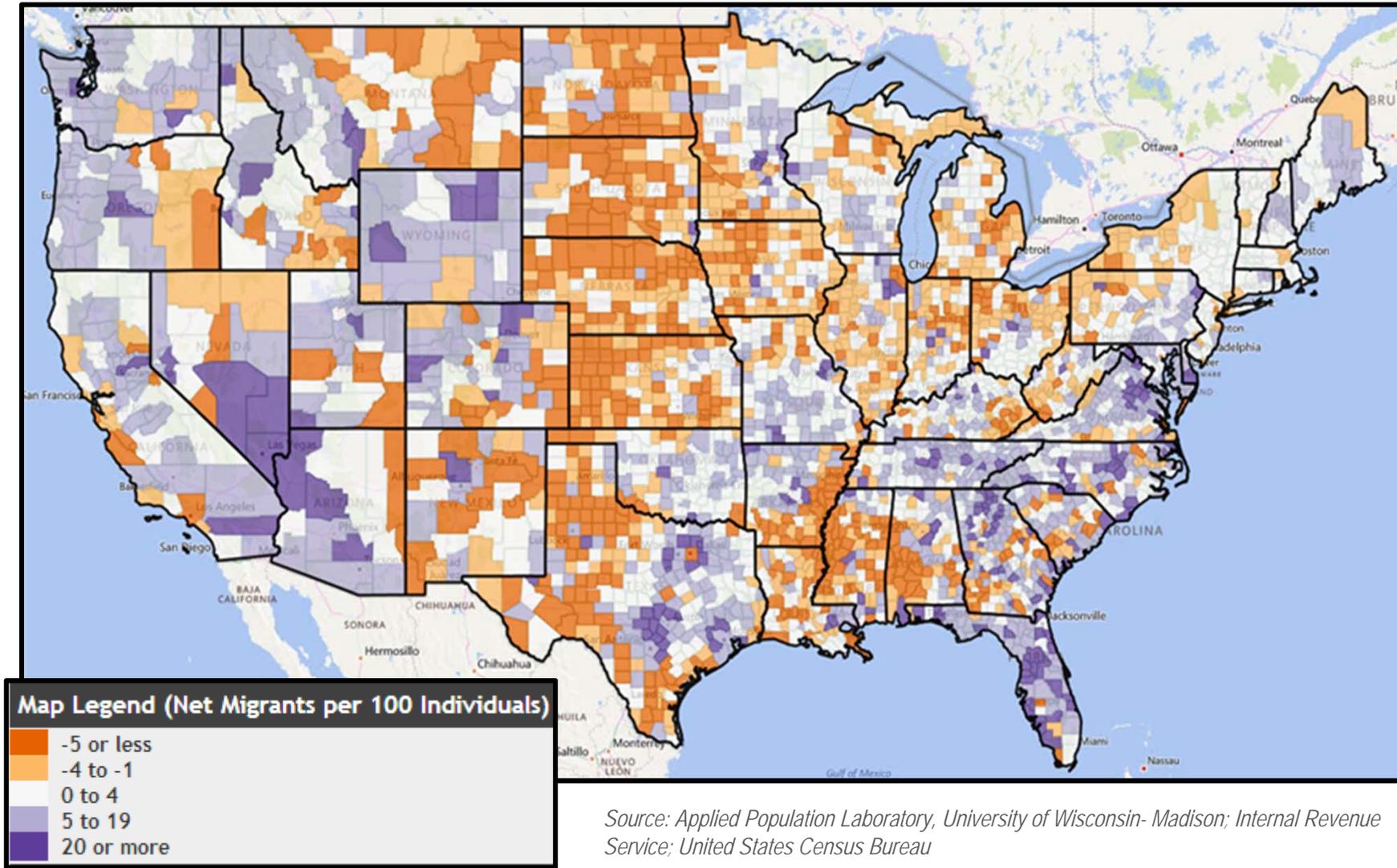
Source: Internal Revenue Service (IRS)

# Workforce Sustainability by State

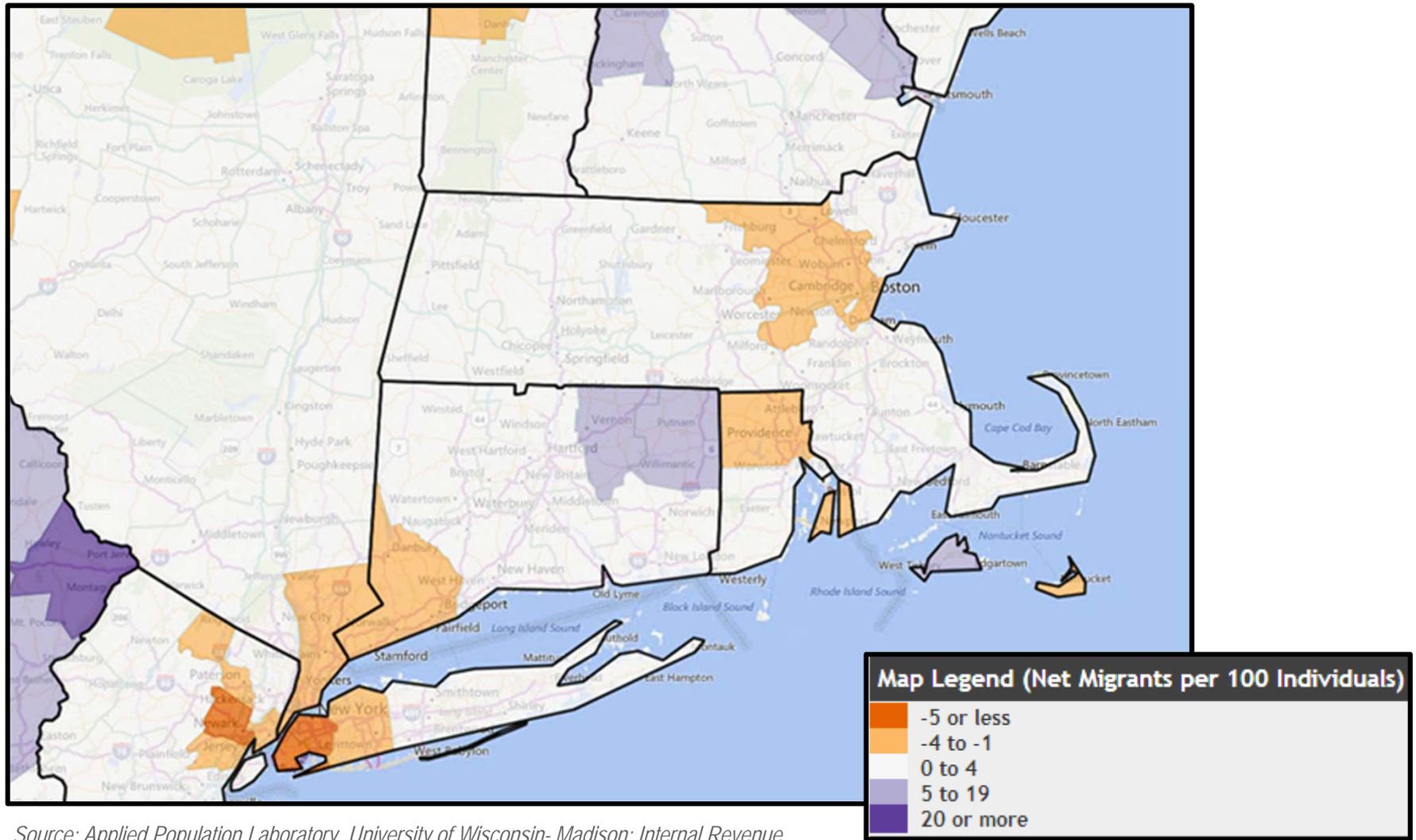


Source: Internal Revenue Service (IRS); United States Census Bureau

# Migration Trends (2000 – 2011)

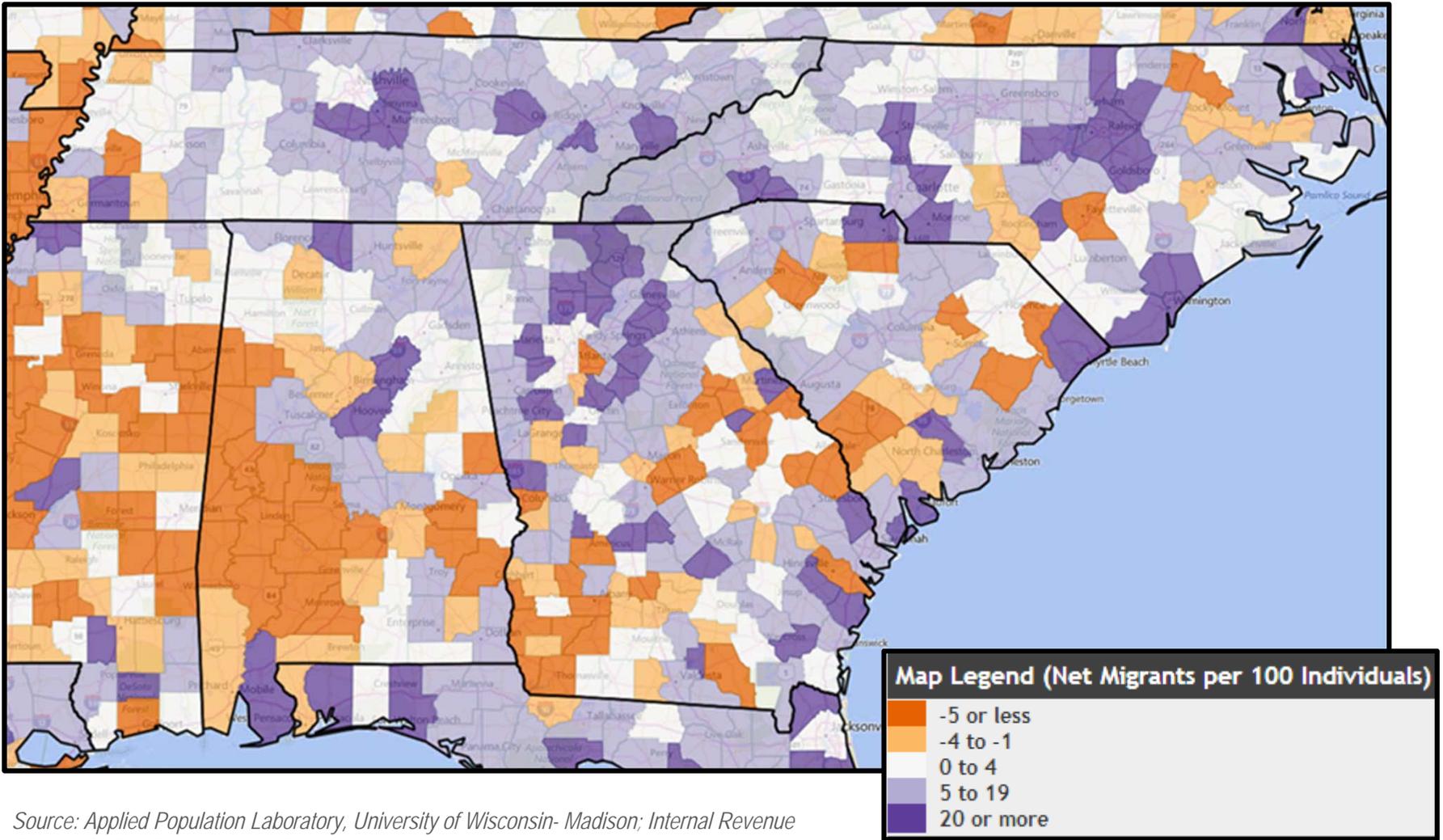


# Migration Trends (2000 – 2011)



Source: Applied Population Laboratory, University of Wisconsin- Madison; Internal Revenue Service; United States Census Bureau

# Migration Trends (2000 – 2011)

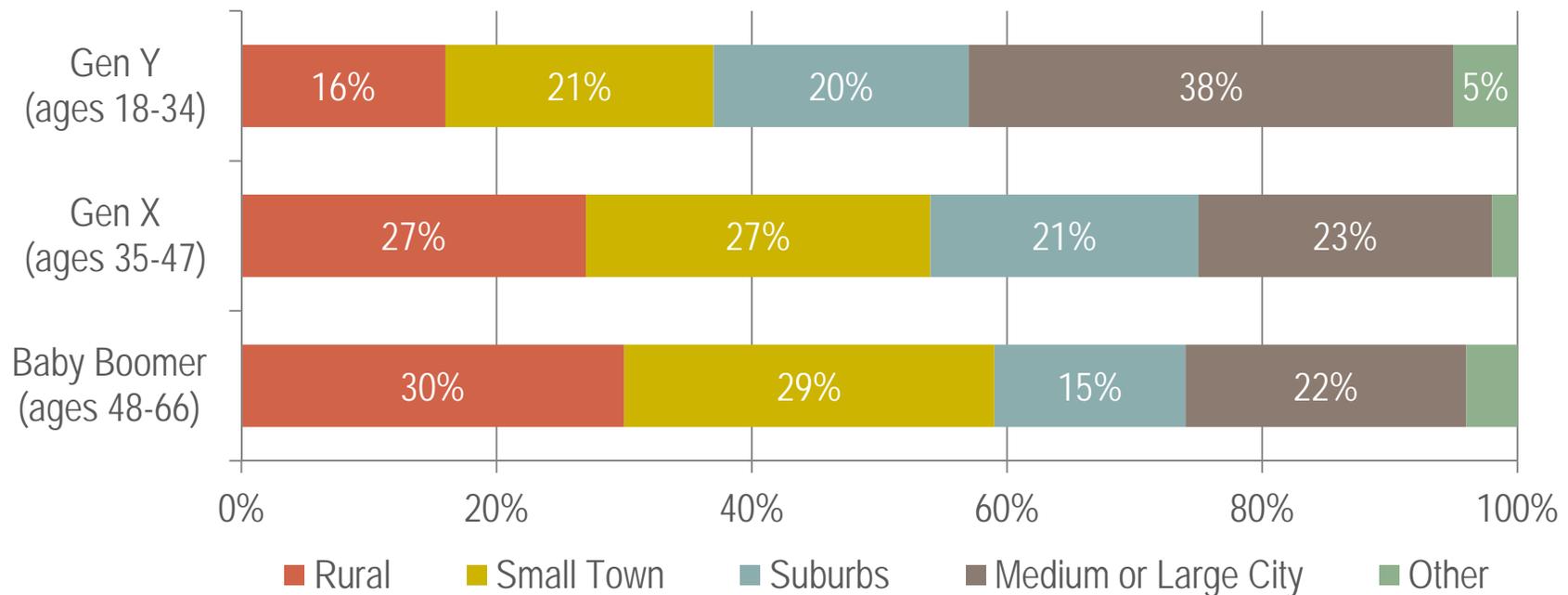


Source: Applied Population Laboratory, University of Wisconsin- Madison; Internal Revenue Service; United States Census Bureau

# Workforce Sustainability and Quality of Place

National survey conducted by the Urban Land Institute focusing on individual preferences and desired community attributes.

*What is the ideal size for your preferred place of residence?*



Source: Urban Land Institute (2013)

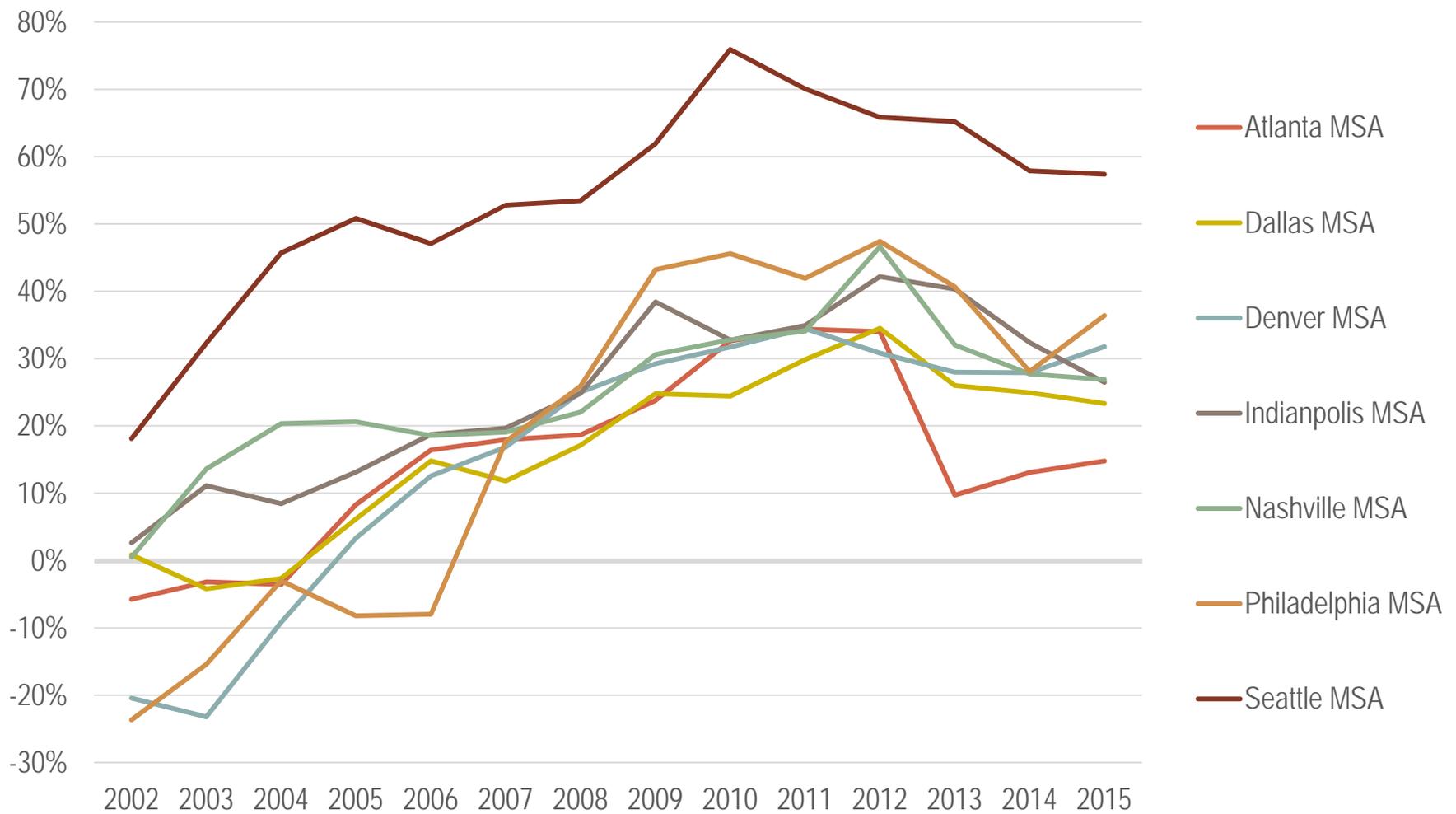
# Workforce Sustainability and Quality of Place

---

Why are Millennials looking to cities and more urban environments?

- **Transportation choices:** transit, walkability, bikeability
- **Diversity:** welcomeness, inclusivity, culture
- **Amenities:** proximity to nightlife, gathering places, arts and entertainment
- **Mixed uses:** proximity and access

# Core/Central County Share of Metropolitan Population Growth



Source: United States Census Bureau; Population Estimates

# The Corporate Site Selection Process

---

1. Evaluate regions and identify a short list
2. Select the desired region
3. Choose the desired site within the selected region

Location requirements vary by sector

Location requirements have changed considerably over time

# Area Development's 28<sup>th</sup> Annual Corporate Survey

## Most Important Site Location Factors (2014)

---

- 1 Availability of skilled labor
- 2 Highway accessibility
- 3 Labor costs
- 4 Occupancy or construction costs
- 5 Available buildings
- 6 Corporate tax rate
- 7 State and local incentives
- 8 Low union profile
- 9 Energy availability and costs
- 10 Right-to-work status
- 11 Tax exemptions
- 12 Available land
- 13 Expedited or fast track permitting
- 14 Proximity to major markets
- 15 Environmental regulations

# Impact on Corporate Relocations

---

Suburban/exurban relocations to city centers (2013 – 2016):

- **Atlanta:** Coca-Cola, Porsche, Worldpay, athenahealth, Pulte Group, and NCR
- **Chicago:** United Airlines, BP, Motorola, Allscripts, GE Capital, Walgreens, Sara Lee, Archer Daniels Midland (ADM), ACCO, NAVTEQ, Barilla
- **Detroit:** Quicken Loans, MSX International, Title Source, Rossetti, Lowe Campbell Ewald, The Professional Group
- **Bay Area:** Pinterest relocation from Silicon Valley to San Francisco

# Demographic Change

## Implications for Community, Economic, and Workforce Development

---

### So, what have we learned?

- **Labor shortages are coming (age composition):** Baby Boomers are exiting the workforce; there are barely enough 25-44 year olds to replace 45-64 year olds
- **Talent attraction and retention (net migration):** Regions with disadvantageous age dynamics can overcome potential future labor shortages through positive levels of net in-migration
- **Talent development:** Higher education and training institutions are only advantages (in terms of labor supply) to the degree to which a community or region can retain their graduates
- **Millennial preferences:** Exhibiting stronger preferences for urban environments in medium to large metropolitan areas; place matters!
- **Businesses are responding to these trends:** Site location criteria is changing; businesses are following people, not vice versa

# Demographic Change

Implications for Community, Economic, and Workforce Development

---

In summary, where does Massachusetts stand today?

- Disadvantageous but not insurmountable age dynamics
- Historical out-migration but some evidence of a reversal

As a share of the United States:

- Jobs: 2.5%
- Job openings: 2.3%
- Degree completions: 2.8%
- 25-44 year olds: 2.1%
- Net International Migration: 3.8%

# Demographic Change

Implications for Community, Economic, and Workforce Development

---

The big question: Do we have what it takes to compete for talent – both attracting and retaining – in today's competitive climate?

- Job opportunities
- Transportation options
- Amenities
- Inclusion
- Affordability?

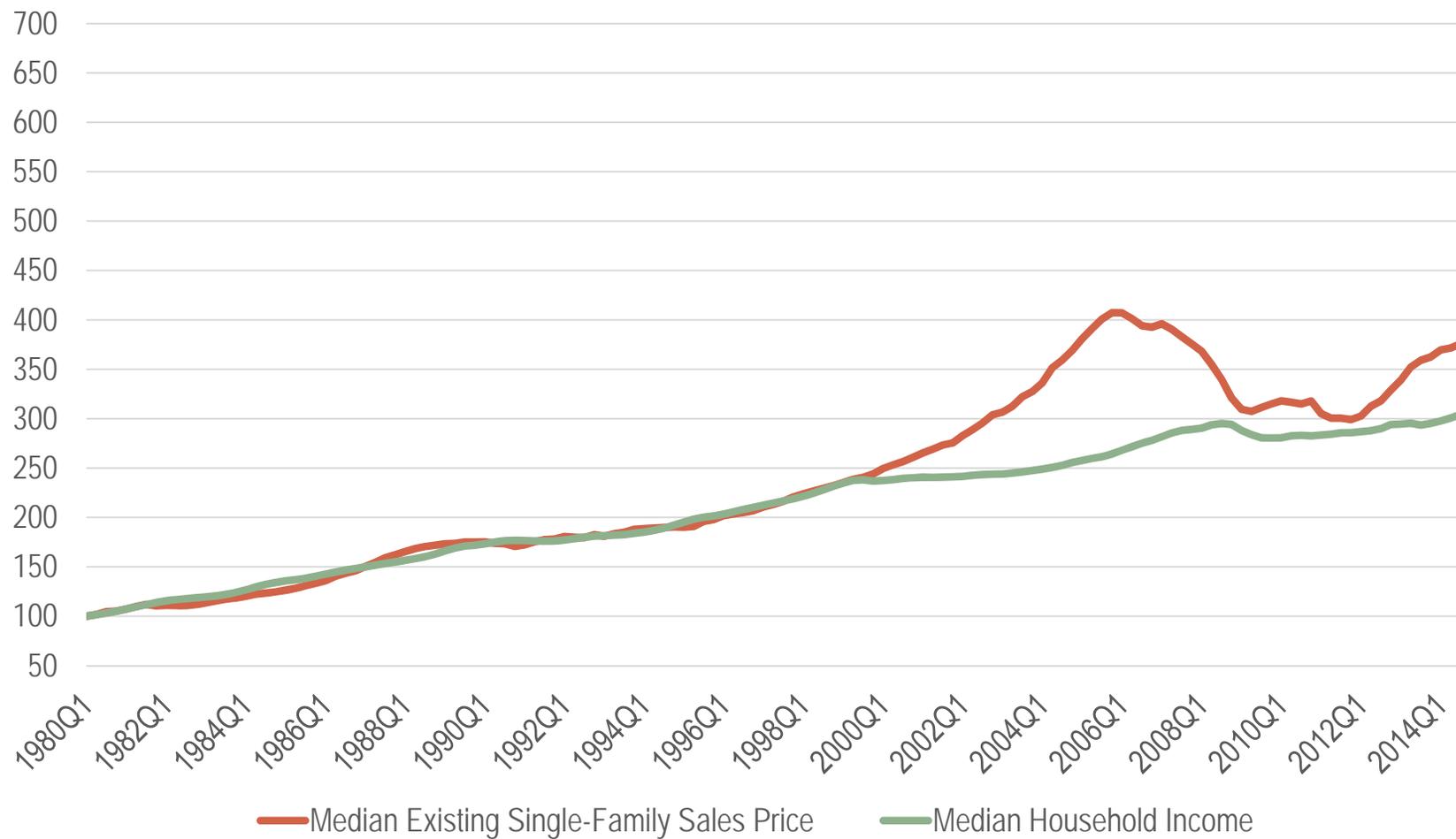


# Housing Affordability and Changing Preferences

Implications for Community, Economic, and Workforce Development

# Housing Affordability: United States

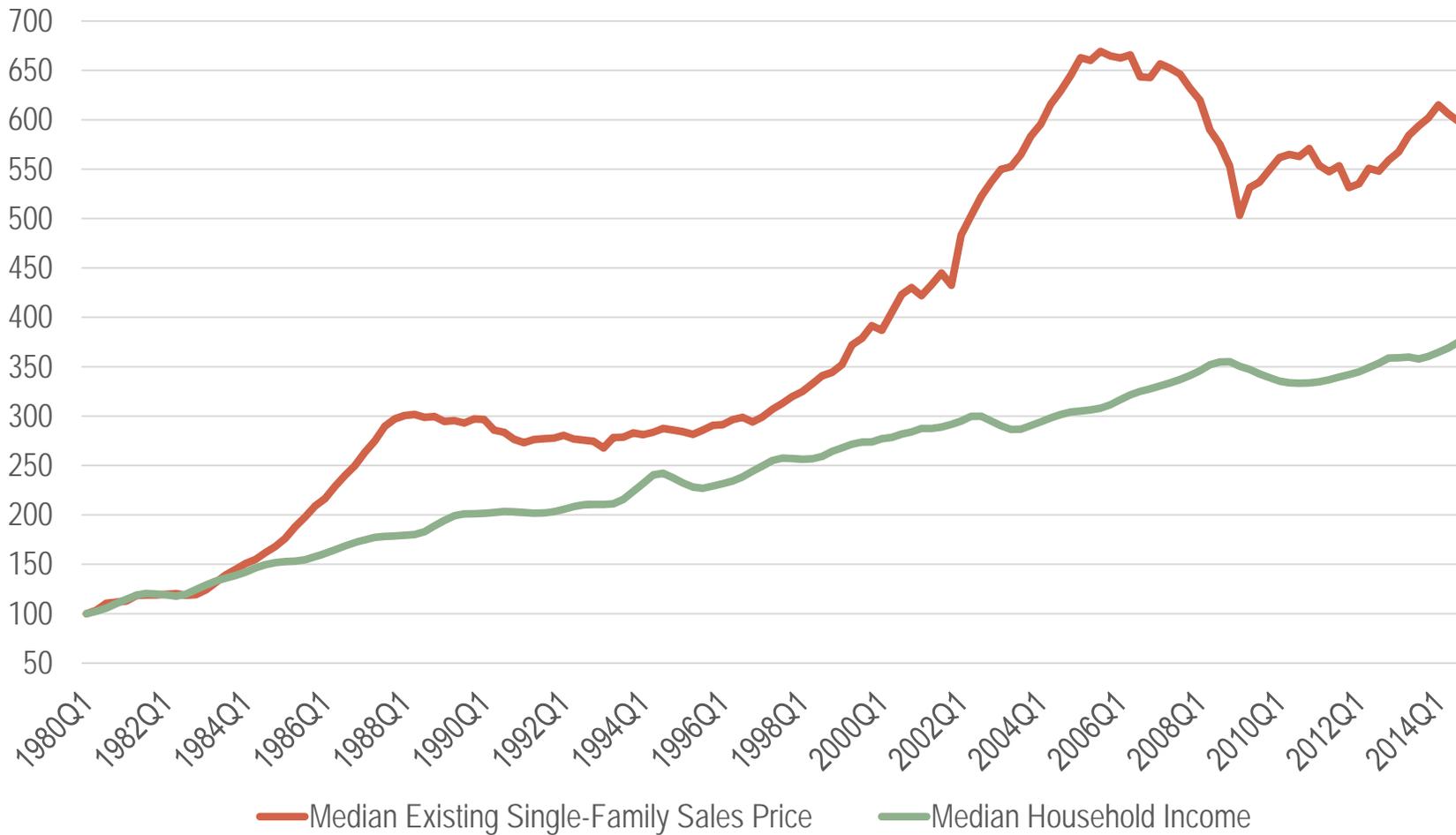
Index of Home Prices and Household Incomes (1980Q1 = 100)



Source: National Association of Realtors (NAR); United States Census Bureau; Moody's Economy.com

# Housing Affordability: Massachusetts

Index of Home Prices and Household Incomes (1980Q1 = 100)



Source: National Association of Realtors (NAR); United States Census Bureau; Moody's Economy.com

# Housing Affordability Ratio: United States and Massachusetts

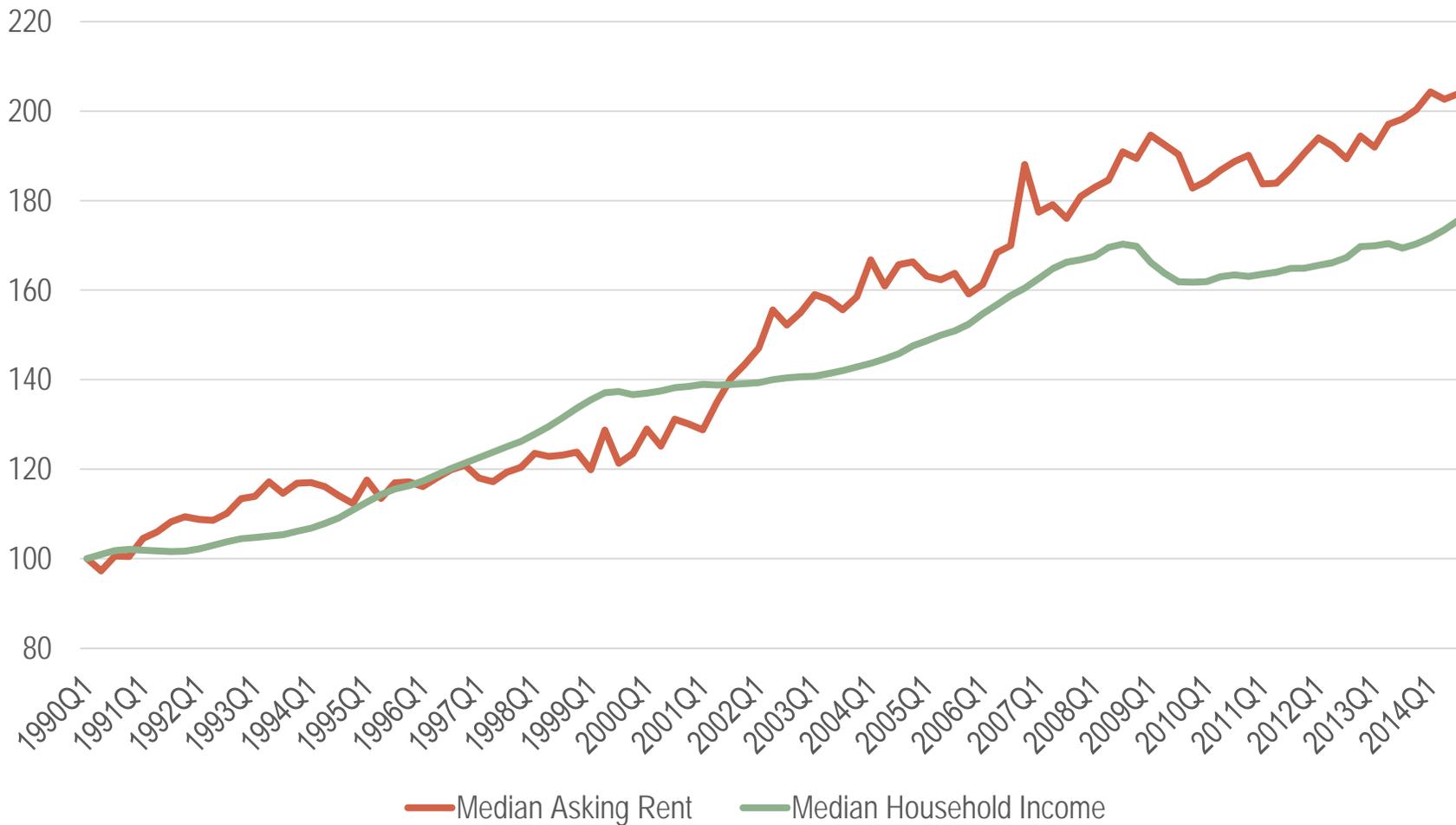
Ratio of Median Existing Single-Family Home Prices to Median Household Income



Source: National Association of Realtors (NAR); United States Census Bureau; Moody's Economy.com

# Rental Affordability: United States

Index of Median Asking Rent and Household Income (1980Q1 = 100)



Source: United States Census Bureau

# Millennials: The Lasting Impact of the Great Recession

---

- Unemployment for 18-29 year olds (recent graduates) peaked at 18 percent in 2009, more than double the rate for all other ages. (Bureau of Labor Statistics)
- Just 63 percent of Millennials were working in 2013 as compared to 70 percent in 1990. (Federal Reserve Bank of Atlanta)
- In 2015, Millennials accounted for 33 percent of the employed but 48 percent of the unemployed (Bureau of Labor Statistics)
- The average college-educated 18-34 year-old earned 36 percent less in 2013 than their counterpart in 2007. (Federal Reserve)
- More graduated with more debt: average student loan debt rose 56 percent between 2004 and 2014, from \$18,550 to \$28,950. (Institute for College Access and Success)
- Meanwhile, the homeownership rate for Millennials is down from 44 percent in 2004 to 36 percent in 2014. (United States Census Bureau)
- Nearly one in three (32.1 percent) Millennials (aged 18-34) are currently living with their parents. (Pew Research)

# Millennials: Desired Features in a City

---

ABODO Survey: Evaluate your desired features in a city (10 = most important; 1 = least)

<u>Feature</u>	<u>Rating</u>
Thriving job market	8.19
Affordable rent	7.94
Affordable home prices	7.55
Parks or hiking trails	6.52
Local restaurants (non-chain)	6.49
Top-rated public schools	6.07
Walkability	5.75
Revitalized downtown	5.64
LGBTQ-friendly	5.47
Ethnic food	5.43
Quality public transportation	5.34
A nearby beach, lake, or river	5.07
Local college or university	4.99

# Millennials: The “Perfect” City?

---

## ABODO Survey: Identify your “perfect” city:

<u>City</u>	<u>Percent</u>
New York City, NY	19.9%
San Francisco, CA	10.3%
Seattle, WA	9.2%
Portland, OR	9.1%
Los Angeles, CA	7.8%
Austin, TX	5.5%
Chicago, IL	4.8%
Denver, CO	2.4%
San Diego, CA	2.4%
Boston, MA	2.3%
Atlanta, GA	1.9%
Dallas, TX	1.5%
Washington, DC	1.4%

# Millennials: Evidence of Stubbornness

## ABODO Survey: Millennials on Desired Features and the “Perfect” City

<u>Feature</u>	<u>Rating</u>	<u>City</u>	<u>Percent</u>
Thriving job market	8.19	New York City, NY	19.9%
Affordable rent	7.94	San Francisco, CA	10.3%
Affordable home prices	7.55	Seattle, WA	9.2%
Parks or hiking trails	6.52	Portland, OR	9.1%
Local restaurants (non-chain)	6.49	Los Angeles, CA	7.8%
Top-rated public schools	6.07	Austin, TX	5.5%
Walkability	5.75	Chicago, IL	4.8%
Revitalized downtown	5.64	Denver, CO	2.4%
LGBTQ-friendly	5.47	San Diego, CA	2.4%
Ethnic food	5.43	Boston, MA	2.3%
Quality public transportation	5.34	Atlanta, GA	1.9%
A nearby beach, lake, or river	5.07	Dallas, TX	1.5%
Local college or university	4.99	Washington, DC	1.4%

## So what are we left with?

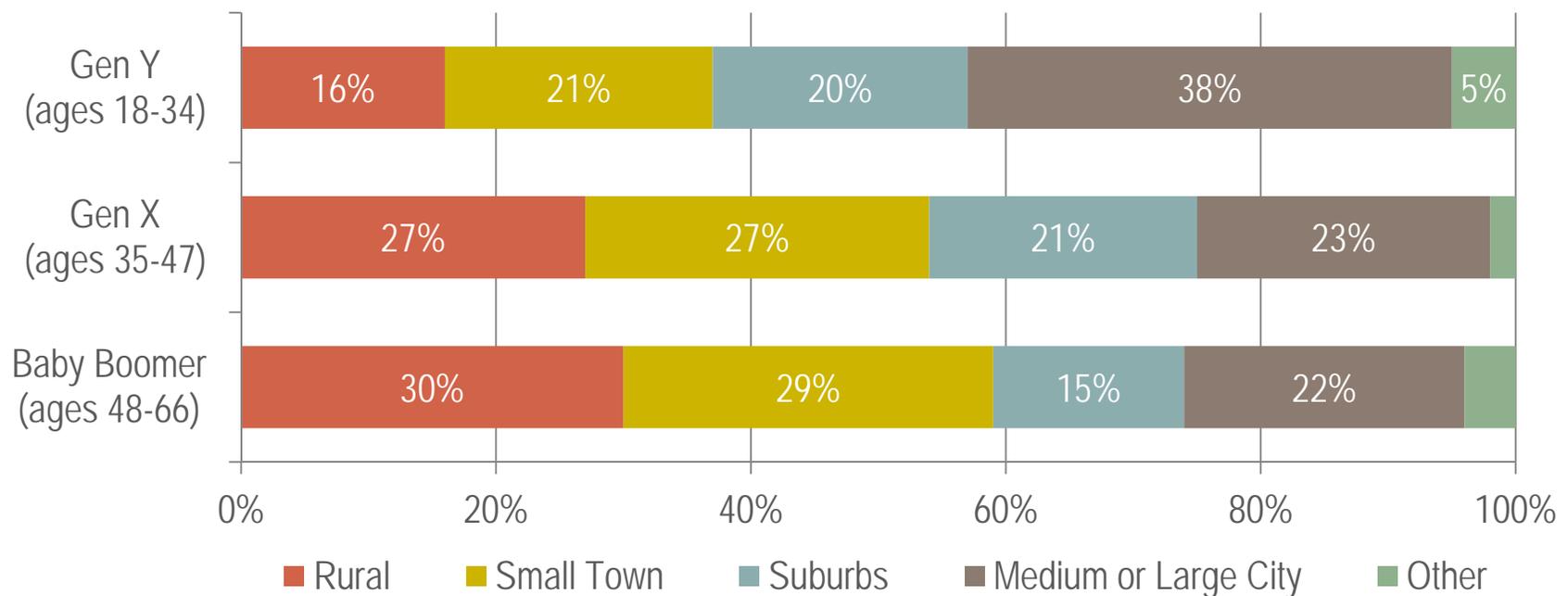
---

- **A battle for Millennial talent:** communities and economic regions are facing talent shortages, some more so than others.
- This battle for talent will dictate our future economic geography.
- Millennials that demand more urban, mixed-use environments with access to a variety of attributes.
- Millennials that demand and need affordable housing opportunities – rental and ownership.
- Those that are able to provide the best combination of attributes, access, and affordability that Millennials demand will win.

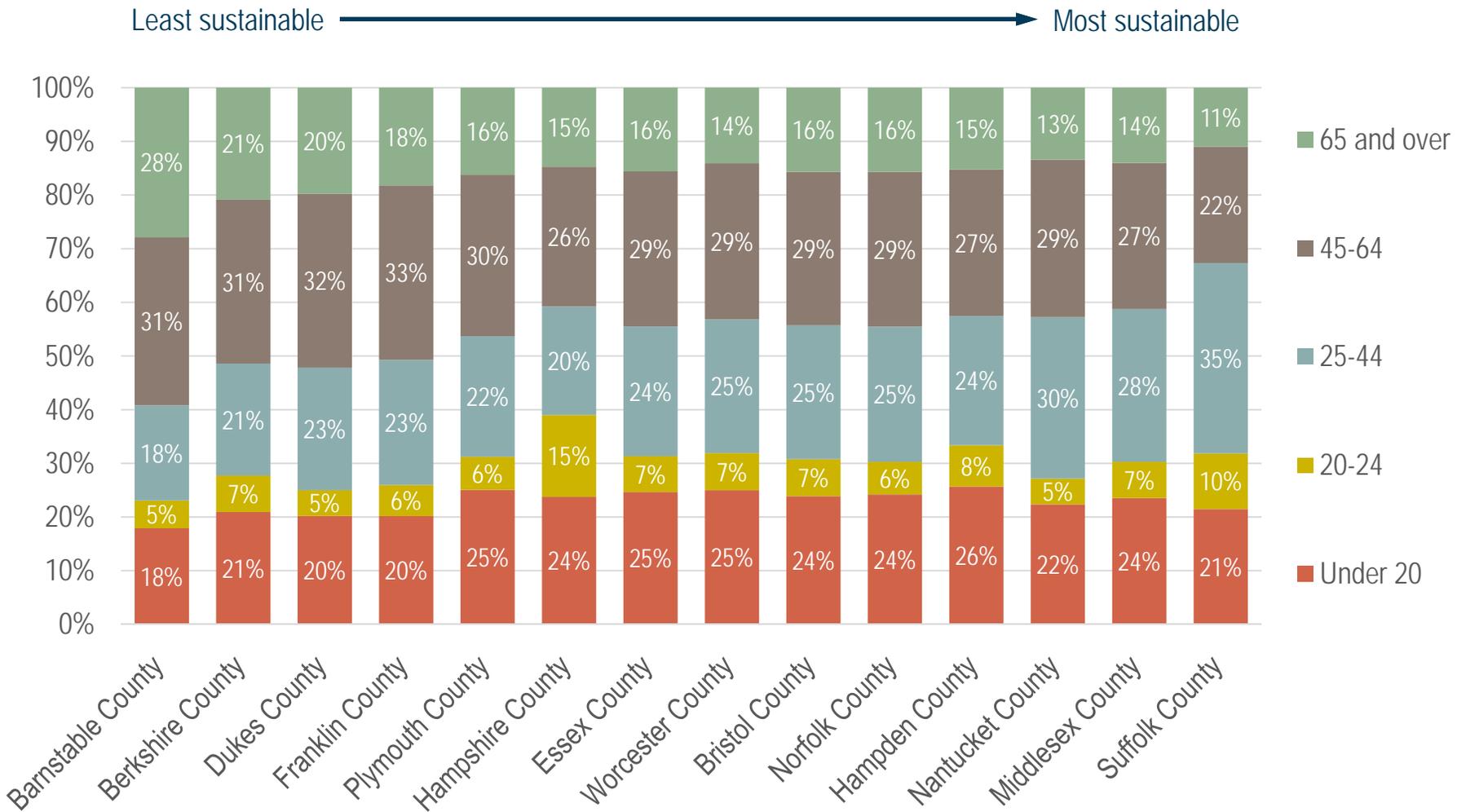
# Housing Implications for Rural and Small Town America

Rural and small town America is hollowing out.

Remember this?



# Housing Implications for Rural and Small Town America



Source: United States Census Bureau; Population Estimates

# Housing Implications for Rural and Small Town America

---

Rural and small town America is hollowing out.

Who's left? Gen X and Boomers...

- ...but not all of them.
- Baby Boomers are living longer and in some cases working longer
- Retirement portfolios were hit hard by the Great Recession

# Housing Implications for Rural and Small Town America

---

1. Accommodating an aging population
2. Accommodating an aging housing stock
3. Competing for this generation
4. Preparing for the next generation

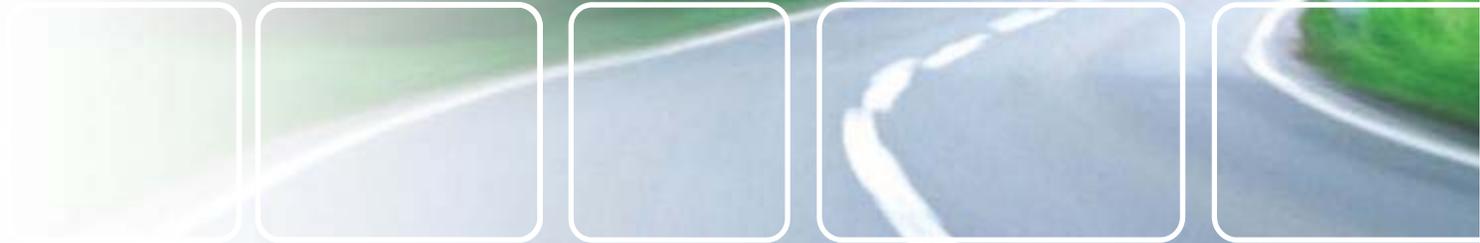
## Implications for All

---

- Educate partners and stakeholders about the problem.
- Bring employers to the table. Put the housing argument in terms that they understand and to which they relate.
  - The social argument: limited appeal
    - BANANAs, NIMBYs, CAVEmen, political views, etc.
  - The economic argument: broader appeal
  - Addressing fiscal impact and misinformation:
    - Detractors: "Multi-family development doesn't pay its way..."

Questions?

Thank you!



Matt Tarleton  
Vice President and Principal  
Market Street Services  
[mtarleton@marketstreetservices.com](mailto:mtarleton@marketstreetservices.com)  
404.588.2447



@\_MarketStreet

**MARKET ST**