In packets
12/6/02

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager   *Richard C. Rossi, Deputy City Manager*

December 6, 2002

To The Honorable, The City Council:

Please find attached information requested on housing needs in Cambridge in order to assess proposal to expend City subsidies to households earning over 80% of the area median income, received from Assistant City Manager for Community Development Beth Rubenstein.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

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CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Assistant City Manager for Community Development

SUSAN M. GLAZER
Deputy Director for Community Development

To: Robert W. Healy, City Manager
From: Beth Rubenstein, BR Assistant City Manager for Community Development
Date: December 3, 2002
Re: City Council Housing Committee Request for information on housing needs in Cambridge in order to assess proposal to expand City subsidies to households earning over 80% of the area median income (AMI).

This memo is provided in response to a request made at the November 6, 2002 City Council Housing Committee meeting for additional information about housing costs and affordability in Cambridge. The data is organized to help the Housing Committee assess whether the City should expand the Inclusionary Zoning program to households earning more than 80% of the area median income (AMI).

Overview
The City of Cambridge, the Cambridge Housing Authority, and local non-profit organizations provide rental and ownership housing that is affordable to a range of income groups. However, there remains a substantial unmet housing need among Cambridge's lower income families as the gap between the cost of housing and the prices households can afford persists.

As this report will illustrate, the housing affordability gap is most pronounced and most widespread among the low and very low income groups (those earning under 80% AMI), somewhat less present among the moderate income groups (those earning 80% to 100% AMI), and even less present among the middle income groups (those earning 100% to 120% AMI). Households earning under 80% can afford neither rental nor ownership housing without public intervention. Households earning under 100% have some rental opportunities but almost no ownership opportunities on the open market. Finally, the data shows that households earning between 100% and 120% can afford to pay market rents, but are priced out of many ownership opportunities.

Salaries of City Employees
This report contains a number of comparisons of housing affordability by different income levels. In an effort to help put income figures in context, we have provided examples of some sample annual salaries:

▪ paraprofessional in public schools:	$23,000 to 32,000
▪ entry level police officer:	$31,044
▪ entry level teacher (with a Master's Degree):	$36,666
▪ building inspector:	$40,000 to $50,000
▪ senior level teachers (with several degrees):	$60,675 to $66,104

Income limits for a family of four:	80% AMI:	$58,300
	100% AMI:	$74,200
	120% AMI:	$89,040

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In order to allow us to assess the level of unmet need by income range, we have divided the presentation of the housing information into three income tiers: low/very low income households, low/moderate income households, and middle income households.

Affordability for Low/Moderate Income Households (those earning under 80% of AMI)

Families of four earning up to $58,300 or single individuals earning up to $40,800 fall into this under 80% AMI category. However, many of the individuals and families that CDD works with in this range have incomes well below the 80% cutoff. In fact, approximately half of the Cambridge residents in the CDD database have incomes under 50% of AMI (e.g. those earning up to $25,950 for a one-person household and $37,100 for a four-person household). Similarly, over 80% of applicants for CHA housing earn less than 30% of AMI.

A household of four earning exactly 80% of AMI can only afford to pay $1,500 in rent or up to $230,000 for a home. A single-person household earning exactly 80% of AMI can afford to pay $1,000 in rent or up to $160,000 for a home. Households with lower incomes can afford much less.

A recent review of Boston Globe apartment rental listings in Cambridge reveals that there are few rental units available on the open market for households even at the highest end of this income range. In fact, there was only one three-bedroom apartment and only 10 two-bedroom apartments that would be affordable for a family of four earning exactly 80% AMI. The average asking rents for studios actually exceed $1,000, the most a single person could afford, while one-bedroom rents are averaging over $1,300.

In terms of homeownership, there are even fewer private market opportunities for households under 80% of AMI. Of the 822 single family and condominium sales in Cambridge over the last twelve months, fewer than 100 were sold for under $230,000 and only 30 were sold for under $160,000 representing the estimated maximum amounts household of four and one, respectively, could afford to pay for a home. Those earning well below 80% are virtually priced out of the private market altogether.

Affordability for Moderate/Middle Income Households (those earning 80% to 100% of AMI)

Families of four earning up to $74,200 or single individuals earning up to $51,900 fall into this moderate/middle income category. In marketing the new Middle Income Homebuyer program , CDD staff have conducted extensive outreach to households in this income range. CDD's housing database now includes over 100 Cambridge households in this 80-100% group.

A household of four earning exactly 100% of AMI can afford to pay $1,900 in rent or up to $300,000 for a home. A single-person household earning exactly 100% of AMI can afford to pay $1,300 in rent or up to $200,000 for a home.

In terms of rental opportunities, the survey of Globe listings reveals that there were actually a number of apartments available in the city that would be affordable to households in this range. For instance, of the 65 two-bedroom units listed, over 40 would be affordable for a family of four in this income range. In terms of larger sized units, a family of four could afford 7 of the 12 three-bedroom apartments listed. At $1,300, the average rent for one-bedroom apartments is exactly the amount a single person at the higher end of this income range can afford to pay.

In terms of homeownership, however, there are fewer opportunities. Of the 822 homes sold in the last year, only 231 (or 28%) were sold for less than $300,000 and only 56 (or 7%) were sold for less than $200,000, representing the estimated maximum amounts households of four and one, respectively, could afford to pay for a home. The decision to expand the Middle Income Homebuyer program (which provides up to $130,000 in subsidy funds to homebuyers in this income range), was based on the recognition that these households face a significant affordability gap in the ownership market. CDD staff have found that response to the Middle Income Homebuyer program has been greatest among those around the 80% income range of this category, as they have fewer options than their higher income counterparts.

Middle Income Households (those earning between 100% to 120% AMI)

Families of four earning up to $89,040 or single individuals earning up to $62,280 fall into this middle income category. As noted above, CDD staff have conducted targeted outreach to households in this income range for the Middle Income Program. CDD's housing database includes over 100 Cambridge households that earn over 100% of AMI.

A household of four earning exactly 120% of AMI can only afford to pay $2,200 in rent or up to $350,000 for a home. A single-person household earning exactly 120% of AMI can afford to pay $1,500 in rent or up to $250,000 for a home.

Comparing these limits with the market information collected from the Boston Globe, there appears to be little rental affordability gap among this income group. For instance, of the 65 two-bedroom units listed, 60 (or 93%) would be affordable for a family of four in this income range. A four-person household in this range could afford nine of the 12 three-bedroom units listed and almost all of the four-bedroom units listed. At $1,300, the average rent for a one-bedroom apartment is exactly the amount a single person at the lowest end of this income range can afford to pay.

In terms of homeownership, finding an affordable home may still be challenging, although there appear to be more opportunities than are available to lower income groups. Of the 822 homes sold in the last year, 380 (or 46%) sold for less than $350,000 and 125 (or 15%) sold for less than $250,000, representing the estimated maximum amounts households of four and one, respectively, could afford to pay for a home. To date, CDD staff have found that the response to the new Middle Income Homebuyer program among households earning over 100% AMI is less pronounced than among lower income households. (The program provides up to $260,000 in low-cost financing to homebuyers earning over 100% AMI).

Who is looking for housing right now?

As you know, CDD maintains a database of over 2,500 households that have inquired about housing opportunities in Cambridge. Over the last several months, we have received inquiries from over 300 households whose annual incomes range from less than $10,000 to over $100,000. Of the 220 Cambridge households added to the database recently, 80% earn under 80% of AMI, 11% earn between 80-100% of AMI, 5% earn between 100-120% of AMI and 4% earn over 120% of AMI.

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