



Housing for All:

# LEVERAGING HOUSING FOR ECONOMIC WELL-BEING

EXECUTIVE SUMMARY AND PITCH KITS  
JANUARY 2022

greenstreet

# HAMILTON COUNTY IS BECOMING LESS AFFORDABLE TO MORE PEOPLE.

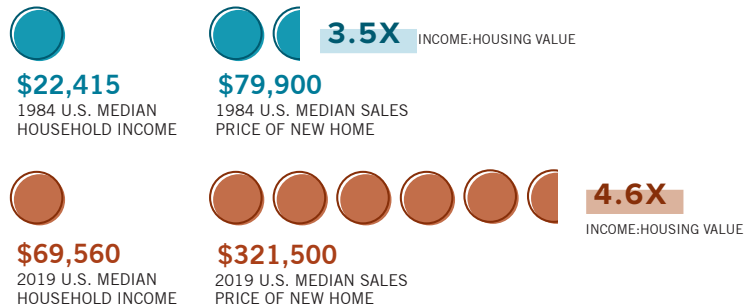
Hamilton County's rapid growth has created tremendous demand for housing. Housing production has failed to keep pace creating an imbalance between supply and demand. The results are rapidly rising home values, lack of supply, and unaffordable conditions for employees to maintain the economic well-being of Hamilton County.

## STAGNANT INCOMES AND EXPONENTIAL GROWTH IN HOME VALUES CREATE ATTAINABILITY PROBLEMS FOR MANY.

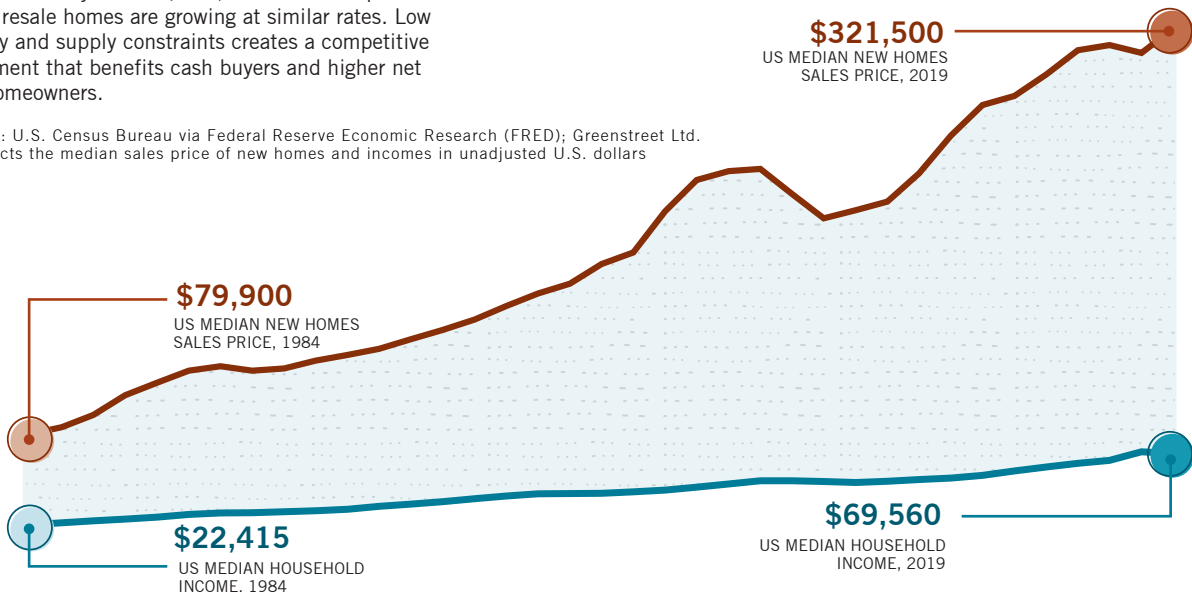
In 1984 the median household income in the US was just over \$53,000 and the median sales price of a new home that same year was just shy of \$80,000. The average American was spending just over three times their income to buy a home. As of 2019 that number is 4.6 times the median income and growing. The cost of a new home in the US has skyrocketed by 322 percent, in opposition, incomes have grown by around 200 percent creating significant gaps in what people can afford today.

Homes in Hamilton County consistently sell for more than homes in neighboring counties and communities. The average Central Indiana homeowner would need to earn an additional \$43,000 a year to afford the higher cost of an average home in Hamilton County compared to elsewhere in the metro. Over the last nine years, sales prices of new construction single-family homes in Hamilton County have increased by almost \$150,000 and Sales prices on existing resale homes are growing at similar rates. Low inventory and supply constraints creates a competitive environment that benefits cash buyers and higher net worth homeowners.

Source(s): U.S. Census Bureau via Federal Reserve Economic Research (FRED); Greenstreet Ltd. data reflects the median sales price of new homes and incomes in unadjusted U.S. dollars



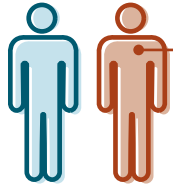
If we apply the rule of 3x (as an attainable home value), homes today should be valued closer to **\$208,680** or **\$112,820 less**.



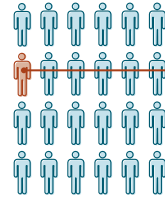
## LIVING UNAFFORDABLY HAS A BIGGER IMPACT ON SMALLER BUDGETS.

Over half of Hamilton County families earning below the area median income (\$81,600) are spending more than 30 percent of their income on housing each year. This directly impacts their ability to pay for critical services like education, childcare, transportation, food, healthcare, and savings. An essential worker earning a household income of \$33,228, after spending 30 and 26 percent on housing and transportation respectively, would have just \$14,620 for the entire year for all other remaining expenses. While this essential worker lives “affordably,” they will still struggle to make ends meet.

The Area Median Income for families in the Indy-Carmel MSA is **\$81,600**.

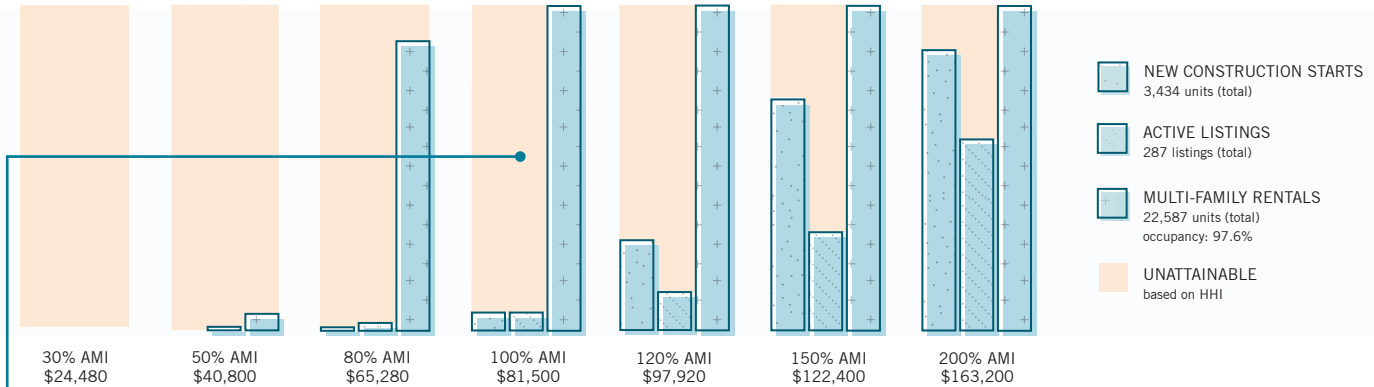


Living affordably in Hamilton County is difficult for many households earning below the Area Median Income. In Hamilton County, **18,735** of these households spend too much on housing. That equates to **1 out of every 2 families**.



This is in stark contrast to the **1 out of every 25 families** who earn above the Area Median Income who are living unaffordably.

## EXISTING HAMILTON COUNTY HOUSING INVENTORY DOES NOT REFLECT THE HOUSING NEEDS OF THE WORKFORCE.



A family earning 100% of the area median income has an annual household income of **\$81,600**.

An attainable home value for this family is **\$244,800**.

A family at this income level could afford **6% of new construction**, just **6% of current listings**, and **100% multi-family rentals**.

Source(s): MIBOR REALTOR® Association, BLC® Listing Service; Zonda 2021; JLL 2021; Greenstreet Ltd. current listings reflect MLS active listings on November 5, 2021

The opportunity for essential workers to find housing at attainable prices is disappearing and in some parts of Hamilton County those opportunities are already gone. An essential worker earning a \$33,228 annual household income would find the task of acquiring attainable housing impossible. Of the 3,000 plus units built in the county over the previous 12-month period, 100 percent of the units are unaffordable to this population, and they could afford just one of the 278 active listings at the time of this report. This does not account for the competition that exist for homes at the lower end of the price spectrum.

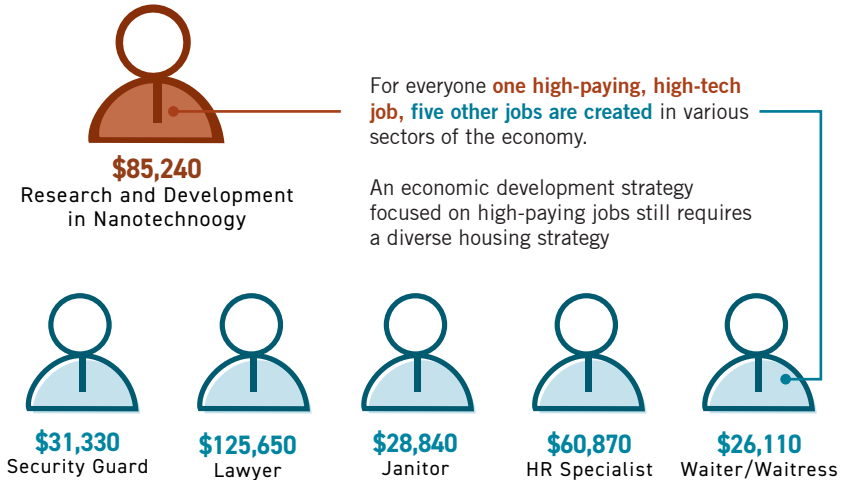
Additionally, the example essential worker-led household would find rental housing options limited. Of the 22,000 plus multi-family rental units in Hamilton County, just 24 are assumed to be affordable based on average posted monthly rents – this includes subsidized affordable. Given high demand and limited supply, occupancy rates in the county are approaching 98 percent, meaning at any given

time there are around 1,000 or so unoccupied units. Of those units, only 12 offer average monthly rents that would make them attainable to an average essential worker-led household.

Even higher earning households may struggle to find attainably priced housing. Families earning professional wages above the area median income (\$107,302) can afford to buy just 71 percent of newly constructed units and just 20 percent of the active listings. For these households, multi-family rental options are all attainable, but finding appropriately sized and located units may present a challenge regardless of income.

To further emphasize how far reaching and persistent this problem is in Hamilton County, a household earning two hundred percent of the area median income (\$163,200) still does not earn enough to ensure all housing is attainably priced. A household at this income could afford just 86 percent of new construction and 59 percent of the active listings.

# DIVERSE HOUSING IS A RESILIENT ECONOMIC DEVELOPMENT STRATEGY FOR HAMILTON COUNTY.



Without appropriate housing for the entire workforce, economic growth, and sustainability of the high quality of life that is so important to Hamilton County residents may be in jeopardy. Underproduction or unattainable housing values will create circumstances where the labor force is unable to live in Hamilton County. As more and more workers select to live and work in more affordable communities, jobs may go unfilled, tax revenue may decrease, and ultimately economic growth will be stalled. In the end, Hamilton County, as a whole, becomes less competitive against regional and national peers, making it harder to attract people, jobs, and investments.

Much of Hamilton County's economic development strategies center on highly skilled, high paying job sectors. Under the surface, this strategy creates a ripple effect across all sectors and is highly dependent on attracting and retaining workers of all skill levels and pay grades. For every one high-wage, high-tech job created in the economy, five other supportive jobs are created. Many of those jobs are low-skill and low-wage, more akin to a commodity. A barista in Hamilton County can expect

the same working conditions and pay at a coffee shop in Shelby County as they can in Hamilton County. The key difference is cost of living.

This speaks to the importance of housing on Hamilton County's economic well-being. Diverse housing is a resilient economic development strategy for Hamilton County. Hamilton County's great schools, low crime rates, and well-maintained infrastructure require a dedicated workforce of teachers, police, fire fighters, public works employee, and many more individuals who may not earn enough to live affordably in Hamilton County today.

Additionally, housing and place are increasingly important to the workforce and employees. Without appropriate housing workers are faced with longer commutes, which studies indicate can lead to costly turnover and absenteeism. Additional studies have shown that replacing an employee can cost a business as much as 1.5 times their annual salary in lost revenue and reduced productivity. Both of these findings underscore the importance of co-locating housing and jobs. In 2019, 1,009 childcare workers were hired in Hamilton County. That same year, 1,224 childcare workers separated from the jobs. This type of turnover creates instability for business owners, employees, clients, and the economy.

Diverse, attainable housing can boost municipalities' bottom line by retaining and increasing tax revenues. Supporting local business growth and attraction not only creates new jobs, but contributes to the local municipal and county tax bases, allowing these entities to continue to invest in infrastructure, schools, public safety, and community amenities that make Hamilton County competitive with national peers. More efficient development – which can also be more attainable – costs up to one-third less and offers 10 percent savings on on-going delivery of many city services. Additionally, compact, walkable places that can be affordable by design, generate 10 times more tax revenue per acre than traditional, large-lot subdivisions that are unattainable to much of the workforce.

source: Noblesville Economic Development Strategic Plan supporting data, 2021; Bureau of Labor Statistics, Employment and Wage Estimates for Indianapolis MSA, May 2020

## #HOUSINGFORALL

For more information please..... call to action or place to get information. Is there boilerplate language on the [Hamilton County Housing Coalition](#) that would be appropriate here? Other links to where the educational slide deck and data summary report will be store?

## #HOUSINGFORALL

### VISION:

We believe that housing should be attainable for those who desire to call Hamilton County home – during every stage of their lives. We will prioritize diversity in product types and housing prices to uphold the economic well-being of Hamilton County.

---

To ensure housing for all, we will...

- work collaboratively with leadership to prioritize diversity in housing product types and prices (prioritizing households earning up to 120% AMI);
- encourage and regulate for lower cost housing options near jobs and services;
- explore public-private-philanthropic partnerships to expand resources and dollars aimed at removing barriers to attainable housing; and
- communicate the importance of attainable housing on the County's economy today and in the future.

*To address the issue of decreasing attainability, Hamilton County must work together to reduce the cost of development, remove the cultural stigma attached to attainable housing, stabilize and support individuals and families most at-risk, and increase funding for attainable housing.*

*Hamilton County is under resourced in necessary tools, funding, and capacity to execute attainable housing projects, programs, and policies. The included projects, programs, and policies are meant to increase access to or expand resources that will assist Hamilton County leadership and housing advocates to increase the diversity of housing products and housing prices across the county.*

## WHAT IS A COMMUNITY LAND TRUST?

Housing values are growing nearly **5x faster** than incomes across the US.

New home prices in Hamilton County have **grown by 63%** between 2010 and 2019.

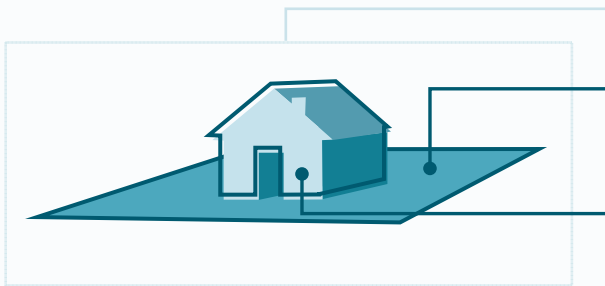
Closing price of existing resale homes in Hamilton County have **increased by 88%** between 2010 and 2021.

Land accounts for **20-50%** of a traditional home's sales price. Land costs were identified by stakeholders as a barrier to attainable housing production in Hamilton County.

A Community Land Trust (CLT) is a long-term mechanism to acquire property and maintain the attainability of homes and properties owned the community land trust organization. A community land trust is typically controlled by a community-based nonprofit including community developers, coalition of nonprofits, or government entities.

By separating the value of the land and the improvements (for example a house), community land trusts create attainable ownership opportunities at lower cost to potential homebuyers. Subsidies can deepen the affordability levels. This can provide ownership opportunities to populations that traditionally have been excluded due to lower incomes or lack of wealth, allowing them to build equity and transition to traditional, market-rate ownership in the future.

Community Land Trusts also support the long-term affordability of multi-family and single-family rental options. By placing land in a community land trust, the units atop the land are maintained as affordable into perpetuity as opposed to a 10-to-30-year compliance period that expires with subsidies, leaving properties open to conversion to market-rate rents.



The sales price of this example new construction home is **\$350,000**. That would require a household to earn approximately **1.5x AMI**.

Land accounts for approximately **25% of the sales price** of a new home, or in this example, **\$87,500**.

If a community land trust owns the property, the effective sales price (*less the value of the land*) for a qualified low- or moderate-income buyer is **\$262,500** or 25% less than what a traditional market-rate buyer would pay for the same home and property.

This property is now affordable to someone making between **100% and 120% AMI**.

### CLTS BENEFIT EMPLOYERS & BUSINESSES

Housing and place are increasingly important to the workforce and employers. Without appropriate housing, workers face longer commutes, which studies indicate can lead to turnover and absenteeism. Additional studies have shown that replacing employees can cost a business as much as 1.5 times their annual salary in lost revenue and productivity. Both findings underscore the importance of co-locating housing and jobs. If employees are unable to find attainable housing, many may make the decision to take available jobs in nearby communities increasing the number of unfilled jobs and stalling economic growth. The community land trust also creates an established vehicle for charitable land donation that allows businesses and institutions to ensure that donated land continues to support their charitable goals.

### CLTS BENEFIT MUNICIPALITIES.

Today, most subsidies for attainable housing provided by the public-sector (including local municipalities) have an expiration period requiring municipalities and other public-sector entities to continually invest in attainability. Properties in the trust are taxed in the same manner as traditional residential properties. A community land trust recycles a single investment in attainability – the initial subsidy maintains affordability into perpetuity while still allowing the public-sector to grow its tax base. Ownership through a community land trust acts as a steppingstone for families to move to traditional, market-rate housing as they build assets through homeownership. As homeowners' wealth increases the demand for attainable housing may decrease.

**COMMUNITY LAND TRUSTS PROMOTE WEALTH CREATION AND EQUITY BUILDING.**

Community Land Trust create homeownership opportunities for a population that historically has been unable to enter the Hamilton County housing market. Without a CLT, new development and existing resale homes are typically unaffordable to much of the workforce. Not only does this program offer lower cost housing options, it also creates opportunities for wealth building. CLTs allow homeowners to build assets through increased equity in their home. The below example illustrates how a CLT creates equity.

*Homeowners build equity by paying down the principal with monthly mortgage payments and/or through an increase in the market value of their home. Both of these wealth building activities are available to buyers of CLT properties.*

The example home cost **\$350,000 to develop.**

An 80% AMI CLT buyer (household income of \$65,280) would **pay \$195,840**. A one-time subsidy of \$154,160 would be required to make home attainable for this buyer and all future buyers.

An unrestricted buyer, regardless of income, would pay **\$350,000**.

Both owners own their home for **10 years and then decide to sell.**

In both examples, the home appraises for **\$560,000** at the time of the sale, resulting in a net value increase of **\$210,000**.

Both homeowners stand to gain equity from the ownership and sale of their home.

The CLT has preserved attainability while the unrestricted unit has become even less attainable to more people.



**CLT PROPERTY**

The CLT buyer is **required to sell at a reduced market value** to ensure long-term affordability.

The CLT's shared equity model allows them to **realize 25% equity**. They are able to sell their home for **\$248,340** to another low- or moderate-income buyer.

After paying off their remaining mortgage (\$130,000) the CLT owner's **total equity in the property is \$118,340**.

The CLT property is still affordable to a **101% AMI** buyer.



**UNRESTRICTED PROPERTY**

At the time of sale, **no price restrictions** would be placed on the unrestricted property.

The unrestricted owner sells their home for the full appraised value, **\$560,000**.

After paying off their remaining mortgage (\$265,000), the unrestricted owner's **total equity in the property is \$295,000**.

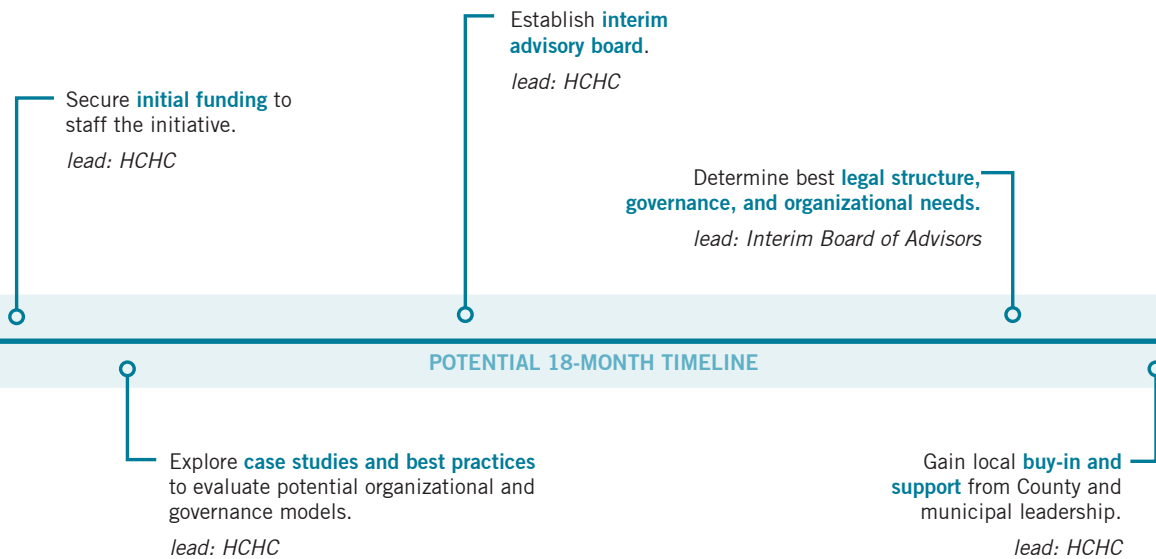
The unrestricted property now requires an income of **229% AMI**.

**CLTS BENEFIT ATTAINABLE HOUSING DEVELOPERS.**

The high cost of land inherent in Hamilton County and inability to compete with well-resourced market-rate developers puts nonprofit and for-profit attainable housing developers at an immediate disadvantage. Funding for land acquisition activities is often limited or, if available, require the developer to expend funds in an unrealistic timeframe making them unusable in many development projects. Funds may stipulate that the developer must pay out of pocket for eligible activities and then seek reimbursement. Many attainable housing developers do not have the bank accounts to make this work. Additionally, applying for and securing funds for land acquisition, even when done expeditiously, puts cash-strapped attainable housing developers at a disadvantage when competing with market-rate developers who may already have cash in hand. A community land trust creates a new source of subsidy that removes the obstacle of high land values from the attainable housing developer's equation and brings new partners to the table.

**CLTS BENEFIT LOW- AND MODERATE-INCOME RESIDENTS.**

Hamilton County is consistently the highest value submarket in the Indy Metro making it difficult for low- and moderate-income families to find and secure housing. Today (Q4 2021) a household led by a childcare worker with an approximate annual household income of \$33,228 would not be able to afford the cost of any recently constructed new home and could afford just one of the active listings in the entire county. A community land trust could reduce the effective price a buyer pays for a home, making homeownership and wealth-building accessible to more households. As the property changes hands, restrictive covenants maintain the affordability into perpetuity allowing for multiple buyers to benefit from the lower cost housing while still allowing homeowners to gain equity and wealth.



**TO BE EFFECTIVE, A COMMUNITY LAND TRUST IN HAMILTON COUNTY NEEDS COOPERATION AND INVESTMENT FROM A NUMBER OF PARTNERS.**

**Municipal partners will...**

- Agree to attainable housing vision statement
- Agree to the need for a community land trust
- Agree to explore ability to make financial investment or donation of land
- Agree to donate financial resources or contribute land

**Business and Philanthropic partners will...**

- Advocate for the need for more attainable housing in Hamilton County
- Agree to explore ability to make financial investment or donation of land
- Agree to donate financial resources or contribute land

**Nonprofit and Housing Advocate partners will...**

- Advocate for the need for more attainable housing in Hamilton County
- Share resources (human capital, land, etc.)
- Provide time and expertise to advocate for and establish a community land trust
- Provide time and expertise to select an organizational, programmatic, and governance structure



Evaluate existing local organizations for potential alignment with mission, expertise, capacity, and willingness to lead in the initial stages. If existing organizations are not in alignment, explore the feasibility of **establishing a new community land trust organization** from the start.

*lead: Interim Board of Advisors*

Define **vision, objectives, and programmatic aspects** of the community land trust in concert with the community and stakeholders.

*lead: CLT staff*

#### POTENTIAL 18-MONTH TIMELINE

Hire **initial staff** to oversee start-up and execution. Leverage best practices and case study research to inform skills, expertise, and capacity necessary for successful implementation and early-stage work.

*lead: Interim Board of Advisors*

Engage in **advocacy, education, and fundraising** for acquisition of land for the community land trust.

*lead: CLT staff*

### HOMES WITHIN REACH

#### *West Hennepin (MN) Affordable Housing Land Trust*

Homes Within Reach is a nonprofit, community-based organization that leverages public, private, and philanthropic dollars to “create and preserve affordable homeownership for families in suburban Hennepin County.” Since 2001, the organization has assisted over 200 working families (earning below 80% AMI) to become successful homeowners. The organization services the 44 communities that make up Western Hennepin County, a suburb of Minneapolis.

“We want our teachers, nurses and police officers to be able to afford to live in the communities where they work,” noted one community partner. The organization was established to create homeownership opportunities that would allow workers to live and work in their community. With property values increasing 5 percent year over year, attainability for the workforce is an issue.

The community land trust is funded by two main sources – proceeds from the sale of homes to qualified buyers and grants as well as in-kind resources that cover the costs of land, renovations (when needed), and additional soft costs. Grant dollars account for just over 50 percent of the organization’s revenue and are used to bridge the gap between the true cost of acquisition or development and the attainable sales price, known as an affordability gap. Local, state, and federal sources of funds are used to cover these costs with many of the county’s municipalities making direct contributions to the organization.

### MADISON AREA COMMUNITY LAND TRUST

#### *Madison, Wisconsin*

Founded in 1991, the Madison Area Community Land Trust (MACLT) seeks to promote affordable housing for first time home buyers at or below 80 percent AMI. The organization acquires and develops attainable housing for the long-term preservation of affordability. The organization currently owns approximately 70 units.

Over the last few decades, Madison – like Hamilton County – is experiencing growing demand for the high quality of life and amenities offered. This has created escalating property values that make homeownership difficult, forcing many essential and service workers to live outside the city. The median price of a home in Madison in 1991, the year the organization was formed, was \$83,000, as of 2021, the median home price is \$340,000. The organization focuses on diversity, ensuring their developments include below- and market-rate housing choices.

MACLT leverages local, state, and federal resources to preserve and create new attainable housing options. This includes affordable housing funds from the City of Madison. For the first time, a portion of the funds came from the City’s tax levy and will be used to buy and rehab several homes. The land trust is an efficient way to utilize scarce resources as described by the former Executive Director, “the initial investment of government subsidy works much, much harder and much longer.”