



CENTER FOR HOUSING
SOLUTIONS AND URBAN
INITIATIVES

*Annual
Report
November 2015*

Housing in the Hudson Valley

POST - RECESSION HOUSING MARKET MAKES A MODEST RECOVERY



***But
Affordability
Remains a
Concern***

HUDSON VALLEY **PATTERN** *for* **PROGRESS**

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INTRODUCTION

This 2015 edition of Hudson Valley Pattern for Progress' Annual Housing Report examines the current state of the housing industry and the continuing housing affordability problem in the nine-county Hudson Valley Region. The region remains mired in a sluggish economic recovery that features a housing industry trending in the right direction in the post-“Great Recession” era but still performing at a much slower pace than what was experienced prior to the “Great Recession.” Whether this sluggishness is temporary or whether the slower pace is representative of the new normal remains to be seen. Meanwhile, the affordability of housing continues to be a significant issue for homeowners and renters, as well as a major challenge and a growing concern for the economic health of the Hudson Valley.

This year, in addition to the county-level housing affordability data that is typically presented, Pattern had the opportunity to drill-down into the affordability problem for six urban communities in the region to provide a more detailed look at the problem for households in these communities. The analysis reveals that 90% or more of the homes for sale in these communities are unaffordable for a household earning the median income.

This report also provides ideas and information gleaned from new research on inclusionary zoning practices that can help local governments enact or refine these policies to better meet local affordable housing needs. In addition, Pattern turns a spotlight on two affordable housing initiatives that are making a difference in the City of Newburgh. Finally, Pattern examines national housing trends and predictions for the future as reported in national affordable housing publications over the last few months.

MORTGAGES, REFINANCING, AND HOME IMPROVEMENT LOANS –

Indications of Slow Progress for the Region’s Housing Industry in the Post-“Great Recession” Era

In the 2013 edition of the Annual Housing Report, Hudson Valley Pattern for Progress analyzed mortgage loan applications in four Hudson Valley counties – Orange, Dutchess, Ulster, and Rockland. The analysis, based on Home Mortgage Disclosure Act (HMDA) data, compared the pre-“Great Recession” housing market of 2005 to the market of 2011 and showed a significant drop (80.5%) in such applications during the period. The review of mortgage application data concluded that “the residents of the valley, to a large extent, have stopped the pursuit of the ‘American Dream’ in the form of homeownership, or at least placed it on hold.”

The analysis also examined mortgage refinancing and home improvement loans during the period and found similar results. Comparing the number of applications in 2005 to the number in 2011, four county totals dropped 67.8% for refinancing applications and 81.3% for home improvement loan applications. The 2013 report noted: “Taken together, the steep drop in mortgage applications plus the sharp decline in refinancing and home improvement loan activity have had a domino effect within the region’s housing landscape.”

In the post-“Great Recession” climate of 2013, the number of conventional mortgage applications increased from 2010 in all nine-counties. Despite this progress, the actual number of applications in 2013 is still far below the number in the pre-“Great Recession” year of 2007 in each of the nine-counties. Regionwide, the 23,208 conventional loan applications in 2013 is not even half (just 44%) of the 52,609 such applications in 2007.

So what has happened in the two years since that report was prepared?

For 2015, Pattern revisited the data to understand the region’s housing landscape.

The Home Mortgage Disclosure Act (HMDA) requires many financial institutions to maintain, report, and publicly disclose information about mortgages. HMDA was originally enacted by Congress in 1975 and is implemented by Regulation C. The Dodd-Frank Act transferred HMDA rulemaking authority from the Federal Reserve Board to the Consumer Financial Protection Bureau (CFPB) on July 21, 2011. The CFPB has developed new internet-based tools to make access to the HMDA data easier for the public.

Mortgage application data is now readily available for all nine counties in the Hudson Valley Region. In addition to providing data for all nine counties, this report compares three years of mortgage application data. This allows a comparison between the pre-“Great Recession” housing market of 2007, the housing market of 2010 and the post-“Great Recession” housing market of 2013.

		Conventional Mortgages					FHA, USDA, VA, Mortgages				
		2007	2010	2013	% Change		2007	2010	2013	% Change	
					2007-2010	2010-2013				2007-2010	2010-2013
Columbia	Applications	1,151	415	573	-64%	38%	89	224	209	152%	-7%
	Loans Closed	631	243	352			40	96	119		
	Loans Denied	144	58	71			11	22	15		
Dutchess	Applications	6,399	1,962	2,533	-69%	29%	207	1,334	932	544%	-30%
	Loans Closed	3,246	1,146	1,531			85	654	452		
	Loans Denied	895	239	255			32	153	105		
Greene	Applications	995	360	434	-64%	21%	154	216	212	40%	-2%
	Loans Closed	539	205	272			73	92	97		
	Loans Denied	149	66	58			13	26	10		
Orange	Applications	9,145	2,049	2,872	-78%	40%	474	2,108	1,750	345%	-17%
	Loans Closed	4,399	1,189	1,702			184	980	825		
	Loans Denied	1,463	337	385			67	261	224		
Putnam	Applications	2,164	685	871	-68%	27%	39	465	385	1,092%	-17%
	Loans Closed	1,130	406	519			15	221	195		
	Loans Denied	282	84	95			5	67	37		
Rockland	Applications	5,780	2,128	2,752	-63%	29%	56	915	722	1,534%	-21%
	Loans Closed	2,780	1,210	1,595			23	441	322		
	Loans Denied	864	312	390			7	101	106		
Sullivan	Applications	2,022	419	435	-79%	4%	122	297	218	143%	-27%
	Loans Closed	890	209	270			46	125	95		
	Loans Denied	451	87	64			23	45	32		
Ulster	Applications	3,636	1,205	1,423	-67%	18%	172	641	481	273%	-25%
	Loans Closed	1,982	818	945			76	292	205		
	Loans Denied	562	174	238			25	78	57		
Westchester	Applications	21,317	8,226	11,315	-61%	38%	141	2,200	1,792	1,460%	-19%
	Loans Closed	10,920	502	6,386			34	938	762		
	Loans Denied	3,075	1,043	1,284			26	401	282		
TOTALS	Applications	52,609	17,449	23,208	-67%	33%	1,454	8,400	6,701	478%	-20%
	Loans Closed	26,517	10,428	13,572			576	3,839	3,072		
	Loans Denied	7,885	2,400	2,840			209	1,154	868		

The table above shows mortgage loan application data for the nine counties and the totals for the region. The data for 2007 and 2010 reveal generally the same pattern as the data from 2005 and 2011 that was contained in the 2013 report. Specifically, the number of conventional mortgage loan applications dropped significantly from the pre-“Great Recession” year (2007) compared to 2010 in all nine counties. The drop ranged from 61% in Westchester County to 79% in Sullivan County. Regionally, the drop from 52,609 applications in 2007 to 17,449 in 2010 represented a 67% reduction in the number of such applications.

The number of government loan program applications (FHA, USDA, and VA Mortgages) rose dramatically during the period. However, the number of such applications was much smaller in total than the number of conventional loan applications. The increase in applications through these government loan programs, with their low down payment requirements, was 40% in Greene County and a whopping 1,534% in Rockland County. Regionwide the increase from 1,454 to 8,400 represented a 478% rise in such applications from 2007 to 2010.

The drop in conventional mortgage loan applications from the pre-“Great Recession” year of 2007 to 2010 illustrates the great difficulty that potential homebuyers in the Hudson Valley faced during this historic downturn. As noted in the 2013 report:

“The ‘Great Recession’ prevented many would-be homebuyers from entering the market, regardless of historically low interest rates and substantially lower priced homes. Driving factors have been the lack of high paying jobs coupled with the loss of confidence in the job market and employment tenure. This translates into two of the major barriers to homeownerships: down payment and affordability (wages cannot meet the income to debt ratio)...These barriers have resulted in a movement toward renting as opposed to owning. Those who are able to purchase a home are using government loan programs with low down payment requirements. This is clearly evidenced by the rise of government loan application activity...”

It is worth noting that even when combining the conventional and government loan applications, there was a 52% decrease in the total number of applications from 2007 to 2010.

Mortgage Applications: A Reversing Trend

Data from 2013 indicates that these trends have now reversed. In the post-“Great Recession” climate of 2013, the number of conventional mortgage applications increased from 2010 in all nine counties. The increase varies from 4% in Sullivan County to 38% in Columbia and Westchester Counties and 40% in Orange County. Regionally, there has been a 33% rise in the number of conventional loan applications during the three-year period. Despite this progress, the actual number of applications in 2013 is still far below the number in the pre-“Great Recession” year of 2007 in each of the nine counties. Regionwide, the 23,208 conventional loan applications in 2013 is not even half (just 44%) of the 52,609 such applications in 2007.

The 2013 post-“Great Recession” data also reveals that the number of government loan program applications decreased in each of the nine counties compared to 2010. The drop ranged from just 2% in Greene County to 30% in Dutchess County. Regionally, there was a 20% decrease in such applications from 2010 to 2013, but the total of 6,701 applications in 2013 was still much higher than the 1,454 in 2007.

This analysis of mortgage loan application data indicates that the Hudson Valley is now heading in the right direction - increasing numbers of conventional loan applications and decreasing numbers of government assisted loan applications. However, there is still a long way to go *if* the region expects to return to the home purchasing environment that existed prior to the “Great Recession.” It’s possible that the combination of demographics and changing attitudes will prevent this from occurring.

Refinancing and Home Improvement Loans: Mixed Messages

Refinancing and home improvement loan application data tell another part of the housing recovery story. During the “Great Recession,” both refinancing and home improvement loan activity decreased significantly. Regionally, a comparison of 2007 and 2010 data below shows a 38% drop in refinancing applications and a 79% drop in home improvement loan applications.

The 2013 Housing Report showed similar decreases in both types of activity when comparing pre-“Great Recession” data from 2005 to data from 2011. The report explained the changes as follows:

“The factors behind the declines are not so different from those that drove mortgage application into the cellar in the same six years. Most can be attributed to the effects of the collapsed housing bubble. Homeowners in general were unable to refinance their mortgages because the correction in home values from their previously inflated conditions meant owners did not have enough equity in their homes to make refinancing an option. At the same time, a rise in the use of consumer credit left homeowners with poor credit scores which in turn rendered them ineligible for refinancing. Statistics in the study area show that homeowners could not or chose not to even apply for refinancing despite the federal Home Affordable Refinance Program (HARP) designed specifically to provide an avenue to a lower rate mortgage. ...Home improvement loan activity suffered much the same fate, and for many of the same reasons...With the decline in the value of homes, owners lost confidence in the long-term wisdom of an investment once thought to be unassailably sound.”

Refinancing and home improvement loan application data tell another part of the housing recovery story. During the “Great Recession,” both refinancing and home improvement loan activity decreased significantly. The 2013 data that we now have available provides a mixed picture of our post-“Great Recession” progress. The number of refinancing applications still declined from 2010 to 2013 in eight of the nine counties in our region. Home improvement loan activity in the region improved somewhat, but conditions vary from county to county. Regionally, the 3,999 home improvement loan applications in 2013 represented an 8% increase from the 3,700 such applications in 2010. However, compared to the 17,503 home improvement loan applications in 2007 the 3,999 applications in 2013 represent a 77% drop over the six year period.

The 2013 data now available provides a mixed picture of the region's post-"Great Recession" progress.

The number of refinancing applications still declined from 2010 to 2013 in eight of the nine counties in the region. The sole exception was Sullivan County where there was a small (7%) increase in the number of such applications. Regionally, the rate of decline (-12%) slowed somewhat compared to the previous three-year period (-38%); but overall the downward trend continued. The number of refinancing applications has remained depressed despite years of historically low mortgage interest rates. Though it is probably true that the same challenges that combined to reduce the number of such applications during the "Great Recession" remain for many homeowners, it is also likely that the exceptionally long period of low interest rates experienced over the last decade has contributed to the sluggish refinancing market. Many homeowners who have wanted to reduce their mortgage payments through refinancing have done so during this period, and there is little incentive to refinance again due to mortgage rates remaining historically low.

Home improvement loan activity in the region has improved somewhat, but conditions vary from county to county. Sullivan (-16%), Columbia (-12%), Greene (-7%), Ulster (-4%), and Dutchess (-1%) saw continued, modest decreases in the number of such applications from 2010 to 2013. However, those counties closer to New York City – Rockland (2%), Putnam (12%), Orange (21%), and Westchester (29%), all showed increases in the number of home improvement loan applications during the period. Regionally, the 3,999 applications in 2013 represented an 8% increase from the 3,700 such applications in 2010. However, compared to the 17,503 home improvement loan applications in 2007 the 3,999 applications in 2013 represent a 77% drop over the six-year period.

Though trending in a positive direction, at least in the region's southern counties, home improvement loan activity remained well below pre-"Great Recession" levels. Despite low interest rates, potential borrowers continued to be unable or unwilling to take on additional debt to finance home improvements the way they did prior to the housing collapse. Whether this indicates a long-term change in the way homeowners view their home as an investment or whether this is a temporary situation that will modify as borrowers pay off old debt and housing values start to rise again remains to be seen. A return to pre-"Great Recession" levels of home improvement loan activity, like mortgage loan activity, remains unlikely. This new reality could have consequences for the Hudson Valley housing industry's ability to rebound in the coming years.

		Refinancing					Home Improvement				
		2007	2010	2013	% Change		2007	2010	2013	% Change	
					2007-2010	2010-2013				2007-2010	2010-2013
Columbia	Applications	2,288	1,539	1,292	-33%	-16%	666	207	182	-69%	-12%
	Loans Closed	806	679	638			290	85	106		
	Loans Denied	660	298	282			222	68	53		
Dutchess	Applications	12,146	6,979	5,617	-43%	-20%	3,041	609	600	-80%	-1%
	Loans Closed	3,964	3,234	2,737			1,453	338	271		
	Loans Denied	3,554	1,540	1,171			878	182	230		
Greene	Applications	2,430	1,206	979	-50%	-19%	1,149	180	167	-84%	-7%
	Loans Closed	788	479	443			612	102	85		
	Loans Denied	700	284	249			162	47	59		
Orange	Applications	16,593	7,409	6,963	-55%	-6%	3,420	574	694	-83%	21%
	Loans Closed	4,818	2,908	2,944			1,358	201	245		
	Loans Denied	5,259	1,885	1,787			1,248	259	355		
Putnam	Applications	4,442	2,818	2,337	-37%	-17%	695	173	194	-75%	12%
	Loans Closed	1,404	1,138	985			277	65	85		
	Loans Denied	1,230	655	574			248	77	77		
Rockland	Applications	9,062	6,662	5,844	-26%	-12%	1,802	381	389	-79%	2%
	Loans Closed	2,890	2,576	2,350			688	132	182		
	Loans Denied	2,616	1,608	1,411			640	166	151		
Sullivan	Applications	3,490	1,199	1,279	-66%	7%	702	158	133	-77%	-16%
	Loans Closed	950	358	449			250	63	45		
	Loans Denied	1,250	432	405			288	69	77		
Ulster	Applications	7,223	3,707	3,176	-49%	-14%	1,944	575	553	-70%	-4%
	Loans Closed	2,255	1,636	1,486			889	295	282		
	Loans Denied	2,222	939	779			679	203	194		
Westchester	Applications	23,388	18,795	16,547	-20%	-12%	4,084	843	1,087	-79%	29%
	Loans Closed	7,602	7,490	6,954			1,556	310	437		
	Loans Denied	6,686	4,868	3,867			1,444	356	436		
TOTALS	Applications	81,062	50,314	44,034	-38%	-12%	17,503	3,700	3,999	-79%	8%
	Loans Closed	25,477	20,498	18,986			7,373	1,591	1,738		
	Loans Denied	24,177	12,509	10,525			5,809	1,427	1,632		

HOUSING AFFORDABILITY REMAINS A SIGNIFICANT PROBLEM IN EACH COUNTY

A lack of affordable housing in the Hudson Valley has been documented by Pattern for Progress each year in the Annual Housing Report. Property taxes – and in particular school taxes – continue to be a main cause. Stagnant wages and the low supply of affordable housing are additional factors. Updated data in this year’s report indicate that the problem has not improved. The report examines housing cost burden and summarizes the findings of the National Low Income Housing Coalition’s *Out of Reach 2015* report for all nine counties.

Though the problem is particularly pronounced for low-income households, residents at all income levels feel the pinch. Large percentages of renters and owners in each county are paying too high a share of their income on housing.

Housing Cost Burden Analysis

According to the U.S. Department of Housing and Urban Development (HUD), an affordable home is typically based upon a housing payment of no more than 30% of household monthly income. When a household pays more than 30%, housing is considered to be unaffordable and at more than 50%, is severely cost burdened. Establishing the number of households experiencing cost burden is critical when assessing the ability of the existing and proposed housing stock to adequately provide for the needs of residents.

This HUD data is based on “custom tabulations” from the U.S. Census Bureau that are largely not available through standard Census statistics. These data, known as the “CHAS” data (Comprehensive Housing Affordability Strategy), demonstrate the extent of housing problems and housing needs, particularly for low-income households. The primary purpose of CHAS data is to demonstrate the number of households in need of housing assistance. This is estimated by the number of households that have certain housing problems and have income low enough to qualify for HUD’s programs (primarily geared toward 30, 50, and 80 percent of median income). The CHAS data are used by local governments to plan how to spend HUD funds, and may also be used by HUD to distribute grant funds.

Affordability is expressed in three levels:

- **Affordable** – Household spends **less than 30%** of their gross income toward housing costs*
- **Unaffordable** – Household spends **more than 30%** of their gross income toward housing costs*
- **Severe** – Household spends **more than 50%** of their gross income toward housing costs*

***Housing costs.** For renters, housing cost is gross rent (contract rent plus utilities). For owners, housing cost includes mortgage payment, utilities, association fees, insurance, and real estate taxes.

The CHAS data presented below is based on the 2008-2012 American Community Survey (ACS) 5-year data which are the most recent tabulations produced by HUD. This data was made available in June 2015. The table shows housing cost burden for low-income renters and homeowners in the nine-county region. Housing cost burden is the ratio of housing costs to household income.

Housing Cost Burden Threshold for Low Income Renters and Homeowners

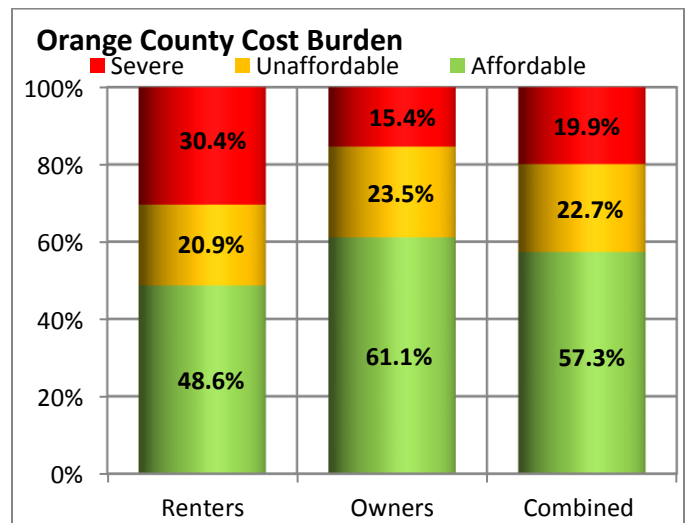
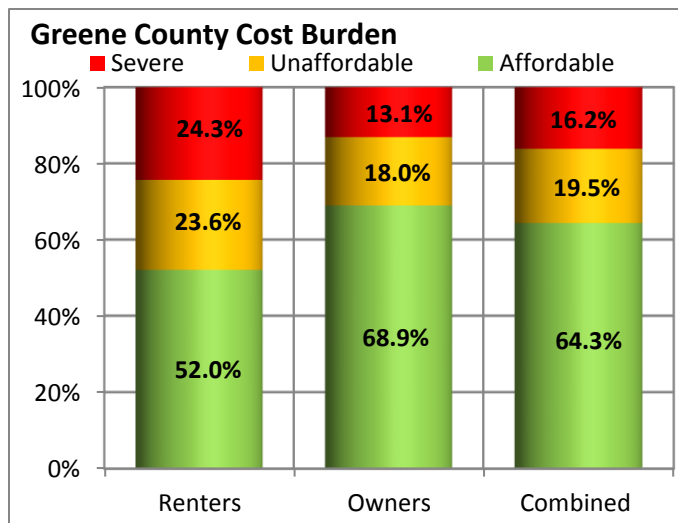
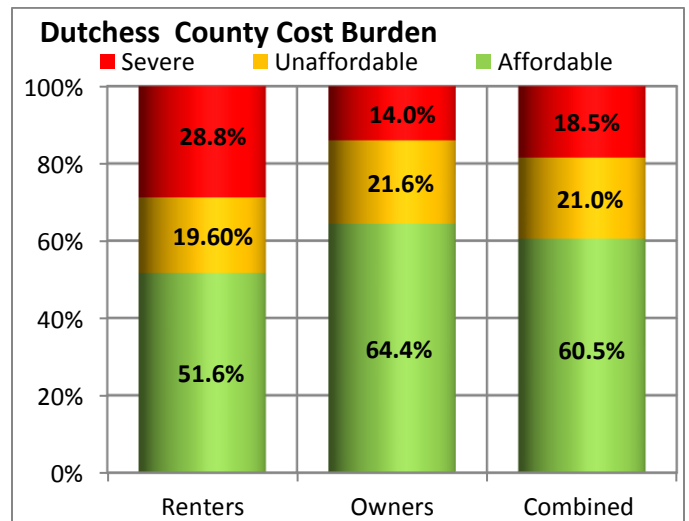
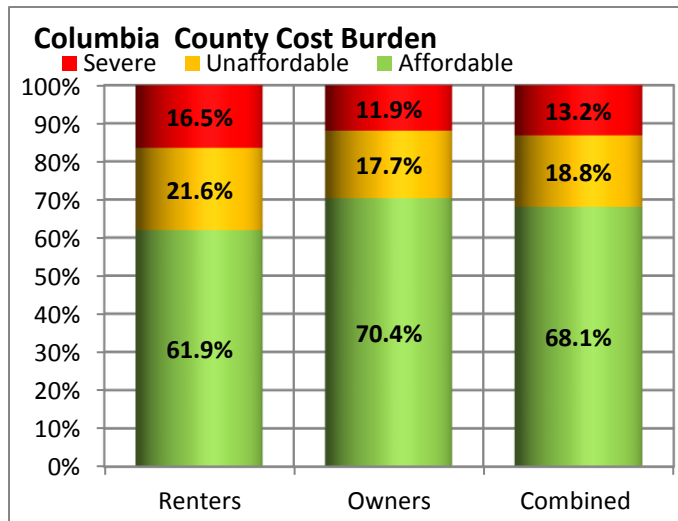
	% of renters w/income at or below 80% of household area median income			% of owners w/income at or below 80% of household area median income		
	Affordable	Unaffordable	Severe	Affordable	Unaffordable	Severe
Columbia	41.21%	32.88%	25.91%	39.82%	26.96%	33.22%
Dutchess	25.49%	28.42%	46.08%	30.54%	25.63%	43.83%
Greene	31.97%	30.71%	37.32%	36.06%	24.50%	39.45%
Orange	25.26%	28.17%	46.57%	26.27%	26.18%	47.55%
Putnam	25.78%	25.38%	48.84%	19.37%	23.07%	57.56%
Rockland	23.47%	28.23%	48.30%	19.59%	22.75%	57.66%
Sullivan	30.19%	30.93%	38.88%	27.67%	24.17%	48.16%
Ulster	27.17%	28.94%	43.90%	31.99%	26.56%	41.45%
Westchester	26.69%	31.27%	42.04%	24.10%	22.19%	53.72%

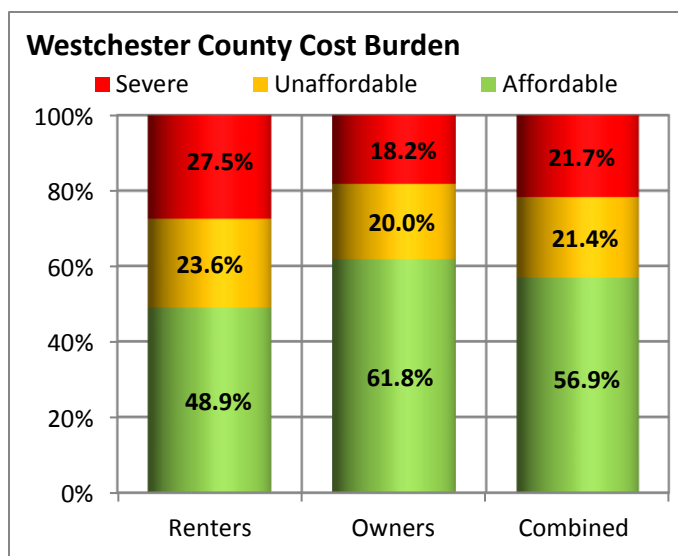
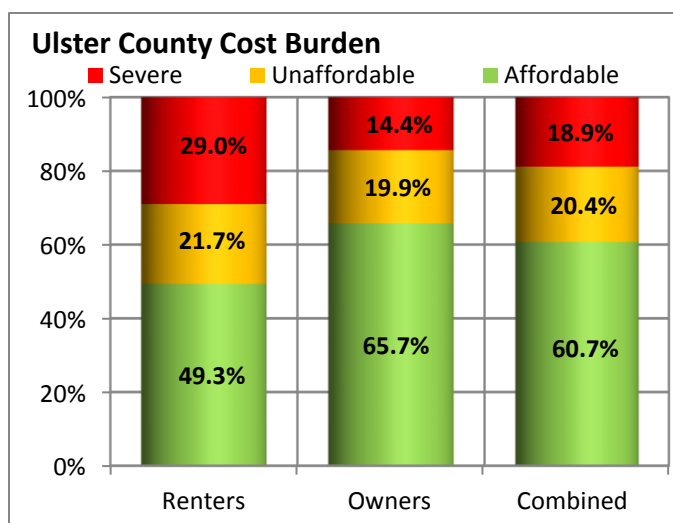
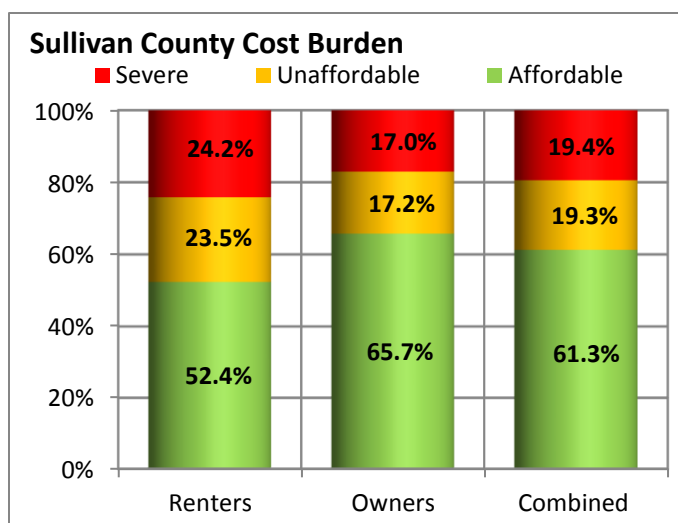
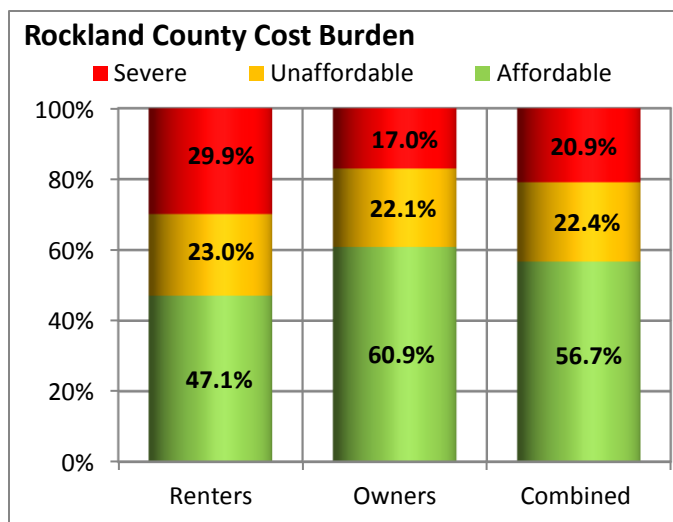
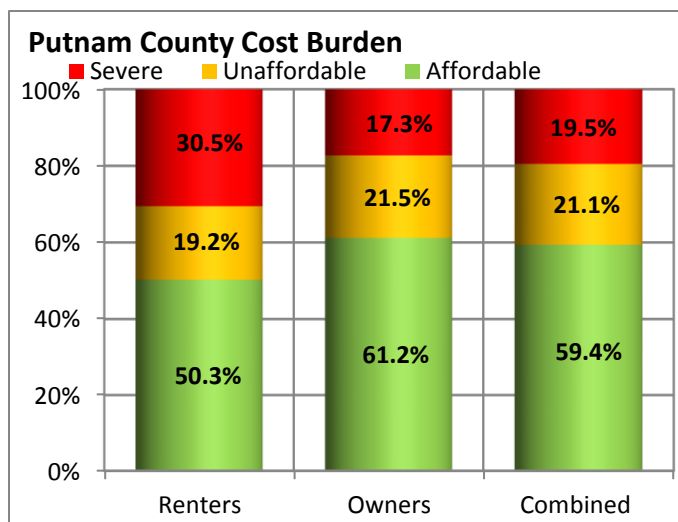
The data shows that low-income households (those with income at or below 80% of Household Area Median Income) in the Hudson Valley have very high housing cost burdens. At best, 40% of low-income owners and 41% of low-income renters in Columbia County are spending within the affordable range for their housing. Everywhere in the region the vast majority of low-income owners and renters are spending within the unaffordable or severely cost burdened range. The problem is especially acute in the region's southern counties where 58% of low-income homeowners in Rockland and Putnam Counties, and 54% of low-income homeowners in Westchester County are severely cost burdened. Low-income renters struggle as well, with Putnam County (49%), Rockland County (48%), Orange County (47%), and Dutchess County (46%) showing the highest proportion of severely cost burdened low-income renters.

Compared to the CHAS data presented in last year's Annual Housing Rerpot, the most recent data indicate that our affordable housing problem has stayed the same or worsened slightly in the last year. For low-income renters, the percentage that are severely cost burdened increased in each county except Greene and Sullivan Counties. For low-income homeowners, the percentage that are severely cost burdened increased in each county except Columbia and Greene Counties where the percentages remained essentially unchanged.

Aside from the financial and emotional stress that such high housing cost burdens inflict on low-income households in the Hudson Valley, high housing costs leave such households with limited dollars for other necessities such as food, clothing, healthcare, and transportation. The financial squeeze also restricts discretionary spending and impacts local and regional economies.

Though the problem is particularly pronounced for low-income households, residents at all income levels feel the pinch. As the charts below demonstrate, large percentages of overall renters and owners in each county are paying too high a share of their income on housing.





The analysis of households at all income levels clearly shows far too many residents are spending more of their income on housing than the recommended maximum of 30%. This is especially true in the southern portion of the Hudson Valley. Fewer than half of the renters in Orange, Rockland, Ulster, and Westchester Counties are paying within the affordable range (less than 30% of income). More than one-third of homeowners in Dutchess, Orange, Putnam, Rockland, and Westchester counties have a housing cost burden that is considered unaffordable or severe. These results show that housing costs remain a significant challenge and a growing concern for the economic health of the Hudson Valley.

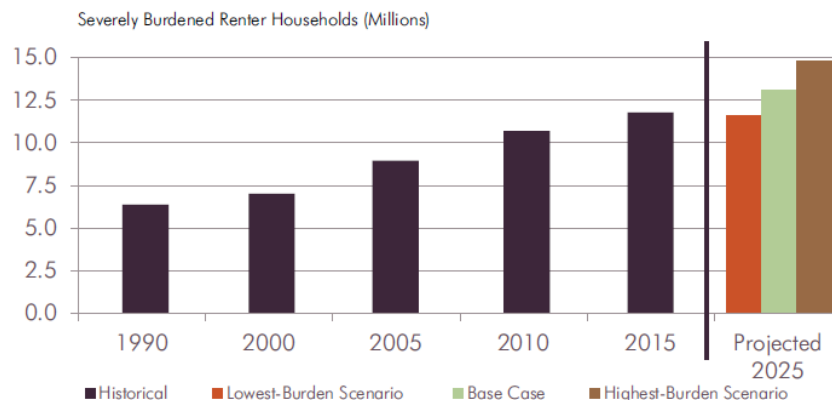
Future Cost Burden: the National Perspective

A recent study by Harvard University's Joint Center for Housing Studies (JCHS) and Enterprise Community Partners, entitled *Projecting Trends in Severely Cost-Burdened Renters: 2015 – 2025*, suggests that the situation, for renters in particular, is not likely to get better in the next decade. The authors note that nationally, “over one in four renters, or 11.2 million renter households, were severely burdened by rents that took up over half their incomes.” They point out that the JCHS projects “that the number of renter households will be boosted by approximately 4.2 million over this period – which is very likely an underestimate of the expansion of renter households given the continued decline in homeownership rates to the lowest level since 1967. Other research institutions, such as the Urban Institute, project renter household growth over the next decade to be closer to 6 million.”

Using the JCHS projections, the report “projects how many households would be severely rent burdened by 2025 given demographic trends and under differing assumptions about real changes in income and rent levels.” The results of various scenarios are illustrated in the graph below. As the authors state, “Only under the most optimistic of these scenarios, where household incomes outpace rent growth by 1 percentage point annually over the next decade, do we project fewer severely cost-burdened renter households than today. Even under that scenario, we only expect a decrease of 169,000 households (1.4 percent), as income gains are largely offset by demographic trends.” By contrast, the authors note, “if current trends where rent gains outpace incomes continue, we find that for each 0.25 percentage point gain in rents relative to incomes, the number of severely cost-burdened renters will increase by about 400,000. Under the worst-case scenario of real rent gains of 1 percentage point higher than real income gains per year over the decade, the number of severely cost-burdened renters would reach 14.8 million by 2025, an increase of 25 percent above today's levels.”ⁱ Given that currently 25% or more of renter households in the Hudson Valley (except in Columbia and Greene counties) are experiencing severe cost burden, it is likely that the trend here will mirror the national one over the next decade.

Figure 1: Rent Burdens are Likely to Increase Under All But the Most Optimistic Scenario

Notes: Severe burdens are defined as housing costs of more than 50% of household income. Base case assumes 2% annual growth in rents and incomes in 2015–2025. Lowest-burden scenario increases annual income growth rate to 3% while holding rent growth at 2%. Highest-burden scenario increases annual rent growth rate to 3% while holding income growth at 2%.



SOURCE: JCHS TABULATIONS OF U.S. CENSUS BUREAU DECENNIAL CENSUS AND AMERICAN COMMUNITY SURVEY.

From: *Projecting Trends in Severely Cost-Burdened Renters: 2015 – 2025*

A Potential Solution to Assist Renters

As Hudson Valley Pattern for Progress suggested in the 2013 Annual Housing Report, housing policy has been focused on homeownership for decades and a majority of the benefits are enjoyed by higher income households. With the move from homeownership to renting, housing policy must also shift. Renters do not receive a tax benefit, although their rent is covering a portion of the owner's mortgage interest and local real estate taxes. A slight shift in federal and state tax policy could provide assistance to extremely and very low income households by allowing a tax credit for renters.

When coupled with the Low Income Housing Tax Credit, a Federal Renter's Tax Credit would further reduce the likelihood of homelessness and housing instability. In a proposal developed by the private non-profit Center on Budget and Policy Priorities, under such a program the federal government would authorize states to allocate a capped amount of credits. Credits would be administered by each state. The program implementation and accountability measures would be established through a public-private partnership between property owners and banks.

Out of Reach 2015

Each year since 1989, the National Low Income Housing Coalition (NLIHC) has published a housing report entitled *Out of Reach*. The report focuses on the nation's affordable housing crisis and provides useful data about the affordability of rental housing at the county level. This report is widely recognized in the affordable housing industry and is used by housing agencies, not-for-profits, developers and policymakers to advocate for building and preserving affordable housing.

Out of Reach 2015 continues to provide valuable information about the affordability of rental housing in the Hudson Valley. The 2015 data once again demonstrates how out of reach housing is for the very low and low-income renters in each county in the Hudson Valley. As shown in the table to the right, the mean renter's hourly wage rate declined in five out of the nine Hudson Valley counties from 2014 to 2015. Though troubling, this is actually an improvement on the previous year when eight out of the nine counties saw a decline in the mean renter's hourly wage rate.

On the other hand, from 2014 to 2015 fair market rent (FMR) increased in every county except Dutchess, Orange, and Sullivan. Greene County led the way with a 15% increase in the Fair Market Rent for a two-bedroom unit. Westchester County was next with a 10% increase. Sullivan County was the only county of the nine to move in a positive direction, with both an increase in the mean renter's hourly wage rate and a decrease in the fair market rent for a two-bedroom unit.

As summarized in the table below, *Out of Reach 2015* demonstrates the tremendous challenge that renters in the Hudson Valley continue to face. The gap between fair market rent and affordable rent at the mean renter's wage rate is as high as \$995 in Putnam County, \$856 in Rockland County, and \$691 in Orange County. Another way to think about this is in terms of hours per week that a renter must work at the mean hourly wage to afford the rent on a two-bedroom unit at fair market value. In Putnam County, a person must work 122 hours per week (or two people must each work 61 hours per week) at the mean hourly wage of \$9.35 to afford a two-bedroom unit at the fair market rent of \$1,481 per month. In Orange County, a renter must work 96 hours per week and in Rockland County, 95 hours per week at their respective county's mean hourly wage to afford a two-bedroom unit at the fair market rent for their county.

	Mean Renter's Hourly Wage Rate		
	2014	2015	% Change
Columbia	\$10.67	\$10.48	-1.77%
Dutchess	\$12.63	\$12.59	-0.32%
Greene	\$10.03	\$9.70	-3.29%
Orange	\$9.98	\$9.55	-4.31%
Putnam	\$9.10	\$9.35	2.75%
Rockland	\$12.25	\$12.02	-1.88%
Sullivan	\$9.21	\$9.59	4.13%
Ulster	\$9.20	\$9.54	3.70%
Westchester	\$17.29	\$17.57	1.62%

	2 BR Fair Market Rents (FMR)		
	2014	2015	% Change
Columbia	\$896	\$923	3.01%
Dutchess	\$1,258	\$1,188	-5.56%
Greene	\$781	\$897	14.85%
Orange	\$1,258	\$1,188	-5.56%
Putnam	\$1,440	\$1,481	2.85%
Rockland	\$1,440	\$1,481	2.85%
Sullivan	\$907	\$856	-5.62%
Ulster	\$1,062	\$1,110	4.52%
Westchester	\$1,449	\$1,591	9.80%

	Out of Reach 2015								
	Columbia	Dutchess	Greene	Orange	Putnam	Rockland	Sullivan	Ulster	Westchester
2 BR fair market rent	\$923	\$1,188	\$897	\$1,188	\$1,481	\$1,481	\$856	\$1,110	\$1,591
Hourly living wage rate to afford 2BR at FMR ¹	\$17.75	\$22.85	\$17.25	\$22.85	\$28.48	\$28.48	\$16.46	\$21.35	\$30.60
Annual living wage rate to afford 2BR at FMR ²	\$36,920	\$47,520	\$35,880	\$47,520	\$59,240	\$59,240	\$34,240	\$44,400	\$63,640
Estimated mean renter's hourly wage rate ³	\$10.48	\$12.59	\$9.70	\$9.55	\$9.35	\$12.02	\$9.59	\$9.54	\$17.57
Affordable rent at the mean renter's wages ⁴	\$545	\$655	\$504	\$497	\$486	\$625	\$499	\$496	\$913
Gap between FMR and affordable rent at the mean renter's wage rate	\$(378)	\$(533)	\$(393)	\$(691)	\$(995)	\$(856)	\$(357)	\$(614)	\$(678)
Weekly hours needed at renter's mean hourly wage to afford 2BR @ FMR ⁵	68	73	71	96	122	95	69	90	70

Notes: HUD's FY 2015 Fair Market Rents. The fair market rent is HUD's best estimate of what a household seeking a modest rental unit in a short amount of time can expect to pay for rent and utilities in the current market.

¹ Hourly wage rate required to afford the fair market rent for a 2BR unit, assumes 30% of income toward gross housing costs

² Hourly living wage rate to Afford 2 BR @ FMR x 2080 hours

³ Average weekly wages from the 2013 Quarterly Census of Employment and Wages divided by 40 (hours per work week). This overall wage is adjusted by the ratio of renter to total household income reported in the 2009-2013 ACS and projected forward to April 1, 2015 using Consumer Price Index adjustment factors.

⁴ Multiply mean renter wage by 40 (hours per work week) and 52 (weeks per year) to calculate annual income. Multiply by 0.3 to determine the maximum amount that can be spent on rent, and then divide by 12 to obtain monthly amount.

⁵ Divide income needed to afford the fair market rent for a particular unit size by 52 (weeks per year), and then divide by the mean renter wage.

A comparison of the 2015 results to those from the NLIHC's Out of Reach 2014 report shows that only Dutchess, Orange, and Sullivan counties reduced the gap between fair market rent and affordable rent at the mean hourly wage from one year to the next. These three counties also witnessed small reductions in the number of weekly hours at the renter's mean hourly wage needed to afford a two-bedroom unit at the fair market rent. Putnam County remained the highest in both categories but was essentially unchanged from year to year.

LOCAL HOUSING AFFORDABILITY

A Closer Look at Six of the Hudson Valley's Urban Communities

This year, as part of the Center for Housing Solutions and Urban Initiatives research for the New York State Office of Homes and Community Renewal (HCR), Hudson Valley Pattern for Progress examined housing affordability in six urban centers in depth – the Village of Brewster and the Cities of Peekskill, Newburgh, Kingston, Poughkeepsie and Beacon.ⁱⁱ Part of this research revealed that home buying remains out of reach for most residents in these communities.

In each of the urban centers studied, the median sales price for single family homes exceeded affordability using at least one of the two distinct measures of Area Median Income (AMI) for the community – local median income from the American Community Survey (ACS) 2008-2012 and U.S. Department of Housing and Urban Development (HUD) area median income for each specific urban center (which is based on the county in which the community is located).

In all cases the median sales price for single family homes in the community exceeded the ability of local residents to purchase these homes, with between 90% and 100% of homes sold considered unaffordable.

	County	Median Sales Price (10/2014)	Affordability Gap Using:			
			ACS AMI	% Homes Unaffordable	HUD County AMI	% Homes Unaffordable
City of Beacon	Dutchess	\$236,000	\$(96,000)	100%	\$14,000	58.6%
Village of Brewster	Putnam	\$305,000	\$(200,000)	100%	\$(55,000)	64.7%
City of Kingston	Ulster	\$140,000	\$(65,000)	90.4%	\$45,000	24.3%
City of Peekskill	Westchester	\$262,000	\$(112,000)	90.9%	\$48,000	40.9%
City of Poughkeepsie	Dutchess	\$178,000	\$(120,000)	95.4%	\$72,000	23.4%
City of Newburgh	Orange	\$102,000	\$(67,000)	94.8%	\$103,000	19.0%

Using an analysis of single family home sales provided through the Hudson Gateway Association of Realtors (HGAR) Multiple Listing Service (MLS) for each municipality and household median income as defined above, Pattern calculated the affordability gap and the percentage of homes that are unaffordable for each of the six study areas.

Using the more localized ACS AMI, Brewster has the largest affordability gap of the six study areas (\$200,000) with 100% of homes unaffordable for village residents, and the City of Kingston has the lowest affordability gap both in cost (\$65,000) and percentage of homes that are unaffordable (90.4%). In all cases the median sales

price for single family homes in the community exceeded the ability of local residents to purchase these homes, with between 90% and 100% of homes sold considered unaffordable.

The results are less dire when conducting the analysis using county-wide HUD AMI, however between 19% of homes sold in Newburgh and 64.7% of homes sold in Brewster would still be considered unaffordable utilizing this measure. Using the county-wide HUD AMI is important because this value often determines eligibility for certain funding programs. However, county-wide area median income is often much higher than a more localized measure of area median income presented by using American Community Survey (ACS) data. In some cases HUD AMI is more than twice the more localized ACS AMI (such as in Newburgh and Poughkeepsie). Although the research utilized both measures of area median income, the ACS measure presents a more realistic picture of what potential buyers in the urban centers experience and therefore the percentage of homes that are unaffordable for ACS AMI better represents local affordability.

Regardless of whether HUD AMI or 2012 ACS median income is used, the income needed to purchase the median-priced home in all municipalities examined was quite high.

Income Needed to Purchase Median Priced Home

	County	Median Priced Home	Annual Income (needed to purchase)	Hourly Rate	2012 ACS AMI	Gap
City of Beacon	Dutchess	\$236,000	\$76,000	\$36.54	\$57,792	\$(18,208)
Village of Brewster	Putnam	\$305,000	\$95,000	\$45.67	\$50,417	\$(44,583)
City of Kingston	Ulster	\$140,000	\$60,000	\$28.85	\$44,646	\$(15,354)
City of Peekskill	Westchester	\$262,000	\$88,000	\$42.31	\$60,833	\$(27,167)
City of Poughkeepsie	Dutchess	\$178,000	\$67,000	\$32.21	\$39,528	\$(27,472)
City of Newburgh	Orange	\$102,000	\$55,000	\$26.44	\$36,077	\$(18,923)



\$55,000

Salary Required in
City of Newburgh
for \$102,000
median priced
home

\$95,000

Salary Required in
Village of Brewster
for \$305,000
median priced
home

The Affordability Matrix below provides a fuller picture of the analysis used to determine the affordability gap in each community.

	Beacon		Brewster		Kingston	
	ACS 2012	HUD AMI	ACS 2012	HUD AMI	ACS 2012	HUD AMI
Median annual household income	\$57,792	\$83,100	\$50,417	\$83,900	\$44,646	\$71,300
Monthly income	\$4,816	\$6,925	\$4,201	\$6,992	\$3,721	\$5,942
% of Income Toward Housing Debt	30%	30%	30%	30%	30%	30%
Affordable Housing Payment	\$1,445	\$2,078	\$1,260	\$2,098	\$1,116	\$1,783
Estimated Insurance and PMI	\$198	\$274	\$173	\$274	\$152	\$229
Estimated Average Real Estate Taxes per Month	\$329	\$588	\$238	\$567	\$217	\$534
Affordable Mortgage Payment (30 yrs @ 4.5%)	\$674	\$1,203	\$505	\$1,203	\$361	\$890
Maximum Affordable Home Price	\$140,000	\$250,000	\$105,000	\$250,000	\$75,000	\$185,000
Down Payment of 5%	\$7,000	\$12,500	\$5,250	\$12,500	\$3,750	\$9,250
Maximum Affordable Home Mortgage	\$133,000	\$237,500	\$99,750	\$237,500	\$71,250	\$175,750
Current Median Price (YTD 10/2014)	\$236,000	\$236,000	\$305,000	\$305,000	\$140,000	\$140,000
Affordable Housing Price GAP	\$(96,000)	\$14,000	\$(200,000)	\$(55,000)	\$(65,000)	\$45,000
Number of Homes Below Affordable Home Price	0	12	0	6	17	134
Percentage of Homes Affordable	0%	41.4%	0%	35.3%	9.6%	75.7%
Number of Homes Above Affordable Home Price	29	17	17	11	160	43
Percentage of Homes Unaffordable	100%	58.6%	100%	64.7%	90.4%	24.3%

	Peekskill		Poughkeepsie		Newburgh	
	ACS 2012	HUD AMI	ACS 2012	HUD AMI	ACS 2012	HUD AMI
Median Annual Household Income	\$60,833	\$103,700	\$39,528	\$83,100	\$36,077	\$83,100
Monthly Income	\$5,069	\$8,642	\$3,294	\$6,925	\$3,006	\$6,925
% of Income Toward Housing Debt	30%	30%	30%	30%	30%	30%
Affordable Housing Payment	\$1,521	\$2,593	\$988	\$2,078	\$902	\$2,078
Estimated Insurance and PMI	\$205	\$316	\$140	\$274	\$124	\$243
Estimated Average Real Estate Taxes per Month	\$364	\$753	\$139	\$600	\$139	\$812
Affordable Mortgage Payment (30 yrs @ 4.5%)	\$722	\$1,492	\$279	\$1,203	\$168	\$987
Maximum Affordable Home Price	\$150,000	\$310,000	\$58,000	\$250,000	\$35,000	\$205,000
Down Payment of 5%	\$7,500	\$15,500	\$2,900	\$12,500	\$1,750	\$10,250
Maximum Affordable Home Mortgage	\$142,500	\$294,500	\$55,100	\$237,500	\$33,250	\$194,750
Current Median Price (YTD 10/2014)	\$262,000	\$262,000	\$178,000	\$178,000	\$102,000	\$102,000
Affordable Housing Price GAP	\$(112,000)	\$48,000	\$(120,000)	\$72,000	\$(67,000)	\$103,000
Number of Homes Below Affordable Home Price	4	26	5	85	3	47
Percentage of Homes Affordable	9.1%	59.1%	4.5%	76.6%	5.2%	81%
Number of Homes Above Affordable Home Price	40	18	111	26	55	11
Percentage of Homes Unaffordable	90.9%	40.9%	95.4%	23.4%	94.8%	19%

As the analysis above demonstrates, the cost of purchasing a home is clearly out of range for many who live in these communities. Most of the affordable housing development over the last 20 years has been in the form of rental units in these urban areas. Comparatively little affordable housing has been developed specifically with the goal of homeownership. The region does have several notable exceptions including the activities of Habitat for Humanity (which has rehabilitated 75 Newburgh homes, 10 Kingston homes, and several Poughkeepsie homes for homeownership), RUPCO's development of four units for homeownership in Kingston and the current redevelopment of the Newburgh Land Bank units.

The homeownership gap indicates the need for an affordable rental housing inventory in these communities. Though more affordable inventory has been developed on the rental side, even that supply is limited. Many projects place renters on waiting lists, some as long as five or six years.

Pattern for Progress also looked at housing cost burden for renters and owners in the six study communities. As described on page 11 in our county level analysis, housing cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities). For owners, housing cost is "select monthly owner costs" which includes mortgage payment; utilities; association fees; insurance; and real estate taxes. Establishing the number of households experiencing cost burden is critical when assessing the ability of existing and proposed housing stock to adequately provide for the needs of the community.

	County	Percentage of Renters Experiencing Severe Cost Burden		
		50% AMI	80% AMI	100% AMI
City of Beacon	Dutchess	72.1%	52.2%	40.7%
Village of Brewster	Putnam	62.9%	50.4%	46.6%
City of Kingston	Ulster	59.4%	43.1%	39%
City of Peekskill	Westchester	48.6%	38%	33.2%
City of Poughkeepsie	Dutchess	64.6%	48.7%	45.4%
City of Newburgh	Orange	58.9%	39.3%	33.8%

Utilizing the same affordability index of 30% as described on page 11, Pattern's analysis showed severe cost burden for many renters and owners in the six communities. The table below shows severe cost burden for renters at different levels of income. Not surprisingly, severe cost burden is even more pronounced at lower incomes. The cost burden is caused by a combination of limited affordable housing inventory combined with stagnant wages and increases in area rents.

FLEXIBLE INCLUSIONARY ZONING

REFINING THIS REGULATORY TOOL FOR LOCAL CONDITIONS

One approach that communities are utilizing to increase the supply of affordable housing is Inclusionary Zoning. In the 2014 edition of the Annual Housing Report, Hudson Valley Pattern for Progress described this regulatory tool. Using a definition from *Smart Growth, Better Neighborhoods: Communities Leading the Way* by Leah Kalinosky, inclusionary zoning is defined as: “a local initiative that requires a portion of housing units in a new housing development to be reserved as affordable. Inclusionary zoning (IZ) requires developers to make a percentage of housing units available to low- and moderate-income households. In return, developers receive non-monetary compensation in the form of density bonuses, zoning variances, and/or expedited permits-that reduce construction costs. By linking the production of affordable housing to private market development, IZ expands the supply of affordable housing while dispersing affordable homes throughout a municipality to broaden opportunity and foster mixed-income communities.” In the 2014 report, Pattern noted that inclusionary zoning can be accomplished through mandatory requirements or through voluntary or incentive based provisions.

As the data in this year’s report demonstrates, the high cost of housing continues to be a significant issue throughout the Hudson Valley. As a result, many communities – especially those where the demand for new housing is strongest (i.e. in southern Hudson Valley counties) – are considering inclusionary zoning as a tool to include in their regulatory toolbox. Nationally, experience with inclusionary zoning regulations is growing; and new ways of implementing inclusionary zoning to increase the effectiveness of this technique are being tried.

A recent report by the National Housing Conference’s Center for Housing Policy, entitled *Making Inclusionary Housing More Flexible: Four Ideas for Urban Settings*, introduces the notion of flexible inclusionary zoning. The author, Robert Hickey, notes, “As cities consider new policies, they are searching for the right balance between addressing housing needs and keeping affordability requirements feasible for developers, so the overall housing supply can keep growing. Flexible inclusionary housing policies help improve feasibility by offering developers various ways to meet affordability obligations. As every site context is different, particularly in urban settings, variable compliance pathways help developers find the most cost-effective affordability strategy for their particular development situation.”ⁱⁱⁱ Hickey describes four ways that local governments can provide more flexibility to improve the functioning of their inclusionary zoning regulations and encourage the development of mixed-income neighborhoods:

Permit Off-Site Development in Multiple Low-Poverty Neighborhoods

Many communities with inclusionary zoning regulations already allow the developer to provide affordable units off-site as an alternative to providing them in the same building as the market-rate units. Often these regulations require a greater number of affordable units or affordable units with lower income limits than would be required for on-site affordable units. Sometimes the off-site affordable units must be within a certain distance of the market-rate units. But Hickey argues that “the option to build affordable homes off-site is not always viable for developers because of the limited availability of sites in tightly defined areas.” He suggests

that “A more flexible approach to off-site development would be to broaden the geographic realm of off-site locations to any low-poverty neighborhood with access to core amenities, such as transit, services, jobs or above-average schools. A jurisdiction could designate various transit districts, employment centers, low-poverty census tracts, or areas of new market activity where off-site development is permitted. Or a locality could use similar criteria to evaluate off-site development proposals on a case-by-case basis, allowing for still greater flexibility through discretionary review.” Hickey provides an example from San Diego to illustrate how this more flexible approach to off-site development can be implemented.

Offer Options to Preserve or Increase the Affordability of Existing Housing

Hickey explains that, “Several cities have recently adopted or are considering a new alternative to on-site requirements: preserving affordable rental housing that is at risk of being lost to rent spikes in gentrifying neighborhoods. In a similar vein, several localities offer the option to convert existing, market-rate housing to deed-restricted, affordable units. Interest in these two options is coming from compact communities that are land constrained, with dwindling development sites for new affordable housing.” He provides examples of such policies from Montgomery County (Maryland), Boulder, and New York City.

Restrict Fee-Revenue Spending to Broad, Designated Areas

According to Hickey, “The option to pay a fee in lieu of providing affordable units on-site provides still greater flexibility, particularly for developers of small projects. To ensure that collected in-lieu fees are invested in ways that lead to economically inclusive neighborhoods, a handful of localities place basic restrictions on where these funds can be spent.” Hickey provides examples from San Diego (California) and Boston.

Provide Flexibility on the Incomes Served

Hickey explains that “In recent years, programs have begun making the affordability requirement itself more flexible, allowing developers to select from a menu of income targets. For instance, a program that normally asks a developer to make 15 percent of total units affordable to households at 80 percent of AMI might also allow the developer to meet their obligation by making a smaller share of apartments affordable to households at 50 percent of AMI, or a greater share affordable at 100 percent of AMI. This option can be useful for not just developers, but also localities that are looking to incentivize deeper affordability, as long as the effect of variable income targeting is not just to weaken the overall affordability requirement.” Examples from Santa Monica and San Mateo (both in California) are provided.

Hickey concludes the report by noting that “As inclusionary housing becomes more popular in urban settings with high land costs and high construction costs, workable alternatives to on-site affordability requirements and other forms of policy flexibility will become increasingly important.” The report provides several useful examples of flexibility that are being tried with varying degrees of success in communities around the country.

An important lesson for Hudson Valley communities considering the development of inclusionary zoning policies is that there is no “one size fits all” or “off the shelf” approach that can be adopted without careful consideration and refinement for local conditions. Though model legislation does exist, as with any zoning

regulation it is important to craft a local policy that is suited to the unique circumstances of your community. Understanding and taking into account the local housing market is critical when developing an inclusionary zoning policy. Therefore, Pattern recommends that local developers and other stakeholders be included in the process of crafting a local inclusionary zoning law. Likewise, once a law is adopted, the community must be willing to evaluate progress and make adjustments to its inclusionary zoning policy as needed to address changing conditions and to increase effectiveness. The Center for Housing Solutions and Urban Initiatives at Hudson Valley Pattern for Progress is available to assist communities in the Hudson Valley as they develop or refine an inclusionary zoning policy that will work in their community.

SPOTLIGHT ON NEWBURGH

One of the most distressed communities in New York state is the City of Newburgh. The City and its partners in the not-for-profit sector are taking several innovative approaches in their attempts to address the local affordable housing problem. Two approaches that are making a difference are described below.

Habitat for Humanity of Greater Newburgh

Habitat for Humanity of Greater Newburgh, northeastern Orange County's Habitat International affiliate, has been busy over the last year. In June 2014, work was completed on the East Parmenter Street redevelopment project. Twenty-four new homes were built in several phases on this formerly blighted section of Newburgh's East End near the historic Washington's Headquarters. This project was undertaken on a neighborhood scale and marked a strategic shift in how Habitat develops housing. Rather than a scattershot approach to housing development, with the East Parmenter neighborhood, Habitat worked to transform an entire city block.



On the other side of St. George's Cemetery, on West Parmenter Street and Clark Street, Habitat is building three new houses at 52, 54 and 56 Clark Street, which will be ADA compliant. Completion is tentatively scheduled by the end of 2015.

A gut rehab, in progress at 55 Chambers Street, is a partnership with the Newburgh Community Land Bank (NCLB). Other projects north of Broadway that are already underway include three houses on South Miller Street (22, 24 and 26 South Miller Street), and a soon-to-start fourth house at 30 South Miller Street, which is another partnership with NCLB and includes the housing and community development non-profit organization RUPCO.

Lastly, Habitat Newburgh was one of just four affiliates nationwide to receive a \$100,000 grant from MasterCard as part of a pilot program to develop housing specifically for entrepreneurs. The live/work project will be located on a vacant lot at 123 Washington Street, next door to the Habitat Newburgh office and one block north of the East Parmenter redevelopment. Work is tentatively scheduled to commence in 2016 as part of Habitat Newburgh's Builders Blitz.

Newburgh Community Land Bank

The Newburgh Community Land Bank (NCLB), established in 2012, is the only land bank in the Hudson Valley. The NCLB continues to grow its portfolio, acquiring abandoned and foreclosed property, for the purpose of stabilization, environmental remediation and eventual re-disposition. In the last year, NCLB has effectively doubled its portfolio, from around 30 properties in the City of Newburgh to approximately 60 properties. While NCLB has acquired properties throughout the city, they concentrate their efforts on the north side of Broadway, roughly between Broadway and 1st Streets, Liberty Street and Dubois Street.

NCLB continues to work with Habitat for Humanity of Greater Newburgh, with a gut rehab at 55 Chambers Street in progress, which will be a single-family, owner-occupied home.

Next to the NCLB office on Chambers Street, construction on 13 Chambers Street has recently been completed. The building offers three units of housing, all of which are currently occupied, with a ground floor commercial space that will be a local architect's office.

NCLB has also entered into contract with RUPCO to sell 15 buildings to the non-profit housing and community development organization. These buildings are located between Broadway and 1st Streets, Chambers Street and Dubois Street.

In addition, NCLB entered into contract with a private developer for the building at 96 Broadway, which is planned to be a mixed-use building with six housing units and a ground floor commercial space. Also under contract are an additional 13 buildings on Newburgh's East End, which will become owner-occupied housing.

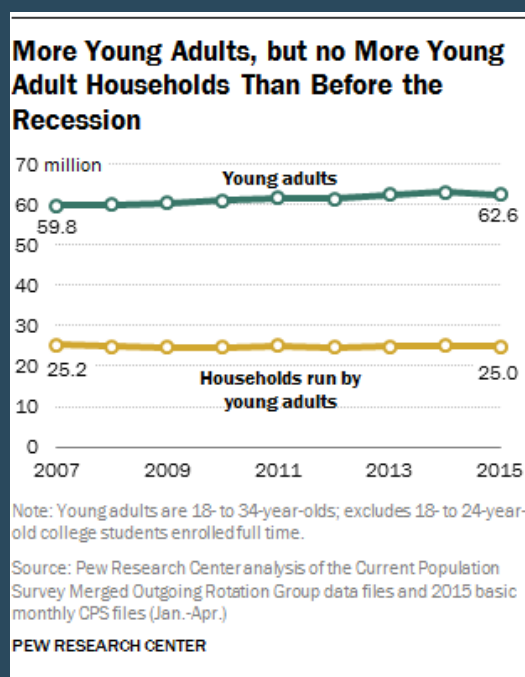
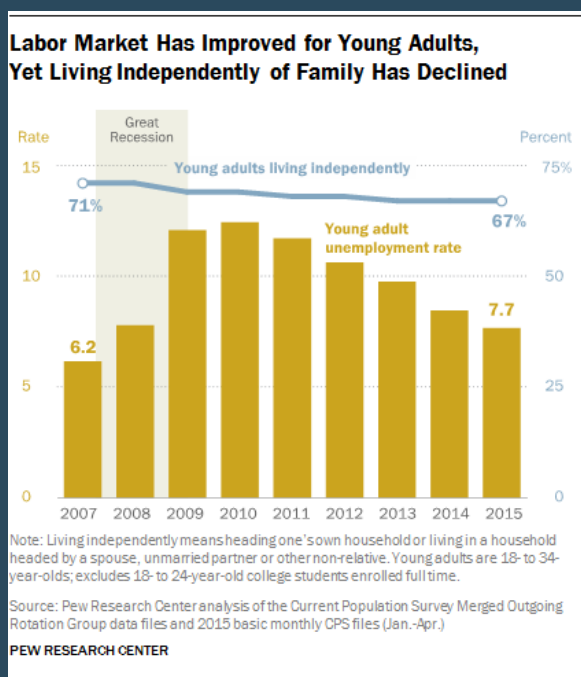


According to Executive Director Madeline Fletcher, the land bank has undertaken a diverse set of projects that extend far beyond housing, such as a “complete streets” project at the intersection of Broadway and Liberty Street, a community garden at the corner of Chambers and First Streets, and a greenhouse project at Downing Park among others. The Land Bank's housing and non-housing projects are designed to complement each other to have broad community impact. NCLB reports that it strives to create a viable and equitable community in the City of Newburgh.

HOUSING RESEARCH IN THE NEWS...

This year Pattern introduces a new section to its annual housing report. The “Housing in the News” section examines national housing trends and predictions for the future as reported in national housing publications from the last few months. The articles summarized below present a variety of different interpretations and viewpoints from other research organizations around the country.

- On March 11, 2015, the National Association of Realtors released a report entitled *Home Buyer and Seller Generational Trends Report 2015*. According to the press release that accompanied the report, “For the second consecutive year, NAR’s study found that the largest group of recent buyers was the millennial generation, those 34 and younger, who composed 32 percent of all buyers (31 percent in 2013). Generation X, ages 35-49, was closely behind with a 27 percent share.” Lawrence Yun, the Association’s Chief Economist, believes that the share of millennial purchases would be even higher if not for the many economic challenges that the generation has faced. Yun states “Many millennials have endured underemployment and subpar wage growth, and rising rents and repaying student debt have made it very difficult to save for a downpayment. For some, even forming households of their own has been a challenge.”^{iv}



- On July 29, 2015 the Pew Research Center published an article by Richard Fry, Senior Researcher, entitled *More Millennials Living With Family Despite Improved Job Market*. Fry states that “Five years into the economic recovery, things are looking up for young adults in the U.S. labor market. Unemployment is down, full-time work is up and wages have modestly rebounded. But, according to a new Pew Research Center analysis of U.S. Census Bureau data, these improvements in the labor market have not led to more Millennials living apart from their families.” Fry points out that “In spite of these positive economic trends and the growth in the 18- to 34-year-old population, there has been no uptick in the number of young adults establishing their own households. In fact, the number of young adults heading their own households is no higher in 2015 (25 million) than it was before the recession began in 2007 (25.2 million). This may have important consequences for the nation’s housing market recovery, as the growing young adult population has not fueled demand for housing units and the furnishings, telecom and cable installations and other ancillary purchases that accompany newly formed households.”^v
- On July 28, 2015 *HousingWire* reported that the homeownership rate in the United States declined to 63.4%, the lowest rate it has been since 1967. Citing data from the Department of Commerce’s Census Bureau, author Trey Garrison notes that in the second quarter of 2015 “the rate was 1.3 percentage points (+/-0.4) lower than the second quarter 2014 rate (64.7%) and 0.4 percentage points (+/-0.4) lower than the rate last quarter (63.7%).” In the Northeast, the homeownership rate in the second quarter of 2015 dropped to 60.2%, down 1.9 percentage points from the year before. The report notes that rental demand remained strong (national vacancy rate of only 6.8% in the second quarter of 2015). Garrison quotes Ed Stansfield, chief property economist at Capital Economics, who comments on the continued strength of the rental market and the fall in homeownership rates, stating “This suggests that homeownership has not kept pace with the cyclical rebound in household formation which is now underway, and gives weight to the idea that first-time buyers in particular are still struggling to gain a foothold in the market.”^{vi}
- Trey Garrison reports in the August 25, 2015 edition of *HousingWire* that new research by the Mortgage Bankers Association suggests that “between 13.9 and 15.9 million additional households will be formed by 2024, making the next decade one of the strongest in housing in U.S. history.” Garrison quotes Lynn Fisher, MBA’s Vice President of Research and Economics who states: “Household formation has been depressed in recent years by a long, jobless recovery and by a lull in the growth of the working age population. Improving employment markets will build on major demographic trends – including maturing of Baby Boomers, Hispanics and Millennials – to create strong growth in both owner and rental housing markets over the next decade.” According to the MBA’s research, Baby Boomers will account for much of this growth with over 12 million more households age 60 and over in 2024 than there are today. Millennials will also play a significant role in the increase in household formation, with between 4 and 5 million more households age 18 to 44 in 2024 than there are today. Regarding Millennials Garrison quotes Jamie Woodwell, MBA’s Vice President of Commercial Real Estate Research, who notes that: “When it comes to starting new households, age 35 is the new 25, as younger Americans are spending a longer time in school and delaying major life events like getting married and having children.”^{vii}

- Gillian B. White, senior associate editor at *The Atlantic*, commenting on the results of the Harvard Joint Center for Housing Studies and Enterprise Community Partners’ report about projections for rental housing over the next decade (discussed above - see page 15) in an article that appeared in *CityLab* on September 21, 2015, notes that the news about rental housing is not good for Millennials and Baby Boomers, the nation’s two largest generations. She points out that “Stagnant wages, high rental prices, and decreased employment opportunities during (and following) the recession may continue to play out over the next decade for Millennials. Since the generation hasn’t been able to accumulate much wealth, they’re less likely to be prepared to buy homes or to have savings or other investments that can defray some of the burden of rental costs.” White notes that “The outlook is especially troubling for the elderly. As the massive Boomer population ages, their financial limitations will likely mean more rent-burdened older Americans. Already, the report notes, 30 percent of elderly renters use more than half of their income on housing, that’s more than the national average. When it comes to aging, renters are often in a much worse financial position than their peers who were able to purchase homes. According to the study, the average American over the age of 65 who owns their own home has enough wealth to afford 42 months of care in a nursing home. But the median renter over the age of 65 wouldn’t have enough wealth on hand to cover even one.” White concludes that “These findings are especially distressing given the fact that substantial economic gains feel like wishful thinking after years of mostly stagnant incomes.”^{viii}

ⁱ Allison Charette, Chris Herbert, Andrew Jakabovics, Ellen Tracy Marya, Daniel T. McCue. *Projecting Trends in Severely Cost-Burdened Renters: 2015 – 2025*. Enterprise Community Partners, Inc. and the Joint Center for Housing Studies of Harvard University, 2015.

ⁱⁱ These six (6) communities – the Village of Brewster and the Cities of Peekskill, Newburgh, Kingston, Poughkeepsie, and Beacon – are part of Hudson Valley Pattern for Progress’ Urban Action Agenda (UAA). The UAA is a three-year initiative to promote the revitalization of urban centers throughout the nine-county Hudson Valley Region. For more information about Pattern’s UAA, please go to: <http://www.pattern-for-progress.org/what-we-do/current-issues-research-agenda/urban-issues/>.

ⁱⁱⁱ Robert Hickey. *Making Inclusionary Housing More Flexible: Four Ideas for Urban Settings*. Center for Housing Policy, National Housing Conference. July 2015.

^{iv} National Association of Realtors press release. *NAR Generational Survey: Millennials Lead All Buyers, Most Likely to Use Real Estate Agent*. March 11, 2015.

^v Richard Fry. *More Millennials Living With Family Despite Improved Job Market*. Pew Research Center. July 29, 2015.

^{vi} Trey Garrison. *Homeownership rate drops to 48-year low: Despite record sales, fewer Americans own homes*. HousingWire. July 28, 2015.

^{vii} Trey Garrison. *MBA: Housing demand to surge over next 10 years*. HousingWire. August 25, 2015.

^{viii} Gillian B. White. *For Renters, a Bleak Future: America’s housing crisis will likely worsen during the next decade, with millions more struggling to make monthly payments*. CityLab. September 21, 2015.



The objective of the Center is to foster a holistic approach to solving housing issues faced at all income levels within our diverse population and to address housing challenges arising from the shifting demographics and economy in the Hudson Valley.

In the year ahead, the Center will focus on activities that complement the Urban Action Agenda – a Pattern for Progress initiative that promotes the vitality of the region's cities and urban centers. The Center will also continue to work with local and state representatives to leverage resources for the betterment of the region's housing in the Hudson Valley.

To contribute to these efforts or find out more, please contact



Joe Czajka, executive director
Center for Housing Solutions and Urban Initiatives

The Center would like to thank its investors:



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