

## **TOWN OF NORTH READING HOUSING PRODUCTION PLAN**



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### **1. EXECUTIVE SUMMARY**

North Reading has long been recognized as a desirable community, acknowledged in particular for its fine schools, appealing housing stock and neighborhoods, easy commutes to Boston, and proximity to expanding employment opportunities and other businesses rimming Route 128. However, based on a widening affordability gap largely outside of the Town's control due to demographic and economic conditions, some previous residents have had to leave the community, some existing residents are struggling to stay, many who were raised in town cannot afford to raise their own children locally, and most local workers are priced out of the housing market.

In recognition of this situation, the Town has prepared this Housing Production Plan to promote strategic planning for future residential development that will fit its own needs for more diversity in housing types and affordability while still largely complementing North Reading's community character.

#### **1.1 Summary of Significant Demographic, Economic and Housing Characteristics and Trends**

***Demographic Trends – Continued population growth with projected decreases in younger residents and significant gains in older ones.***

The Town's total population grew substantially after World War II through 1970. Following a period of relative stability, the population has grown significantly again over the past couple of decades and is now up to about 15,500 residents.

While the total population grew by 24% between 1990 and 2010, the older middle-age population ages 45 to 64 increased by 80% and those 65 years of age or older increased by 70%. Projections under the MAPC "Stronger Region" estimates (see Section 3.2) suggest that those 65 years of age or older are estimated to grow to 3,679 residents by 2030 to comprise 22% of all residents and almost doubling in number since 2010. The redevelopment of the Berry site for age-restricted housing will provide new opportunities for those 55 years of age or older, however all units will be market priced.

***Population projections from the Metropolitan Area Planning Council (MAPC) estimate that the population will reach 16,511 residents by 2030, about 11% more than the 2010 census figure. The State Data Center at the University of Massachusetts' Donahue Institute predicts higher population growth to 17,160 residents by 2030.***

On the other end of the age range, the population of children under age 18 grew somewhat between 1990 and 2000 and then leveled out at about 3,800 residents between 2000 and 2010 to comprise about one-quarter of all residents. The 2015 census estimates suggest a decrease to 3,402 residents and 22.1% of the population. This decline in children is reflected in decreasing North Reading

Public School student enrollments from a high of 2,811 students in the 2007-08 school year to 2,496 students by 2016-17, representing a loss of 315 students during this period or 11%.

The MAPC “Stronger Region” figures (see Section 3.2 for details) estimate that those under age 20 will continue to decline from 4,071 to 3,463 residents by 2030 (2,659 for those under age 15) for a population loss of 15% (loss of 13% for those under age 15).

There were also overall declines in the other age cohorts through age 45 but population projections suggest some increases in these age ranges with decreases of those age 20 to 24.

Projected population changes suggest the need for housing alternatives to accommodate the increasing population of seniors and their lifestyle changes such as more handicapped accessibility, smaller units, housing with supportive services, more in-home support and social connections and units without substantial maintenance demands. Additionally, more affordable starter housing opportunities to attract young adults, including young families, should be promoted to reduce significant losses of this segment of the population that adds so much vitality to the community.

While North Reading’s population grew by 24% between 1990 and 2010, the percentage of households increased by 34% from 4,065 to 5,439 households.<sup>1</sup> **Family households decreased** from 80.6% of all households in 1990 to 73.6% in 2010 and then were estimated to increase somewhat to 75.9% by 2015.

Reflecting more smaller and non-family households, the average household size decreased from 2.90 to 2.71 persons between 1990 and 2010, more in line with expected trends towards more “child-free” and “child-delayed” families and especially increases in empty nesters. In fact, **those living alone grew by 38% between 2000 and 2010**. These single-person households, who were headed by someone 65 years of age or older, increased by 44% between 2000 and 2010 and then were estimated to increase still more to 477 such households or by another 8.9% of all households by 2015.

#### ***Economic Trends – High average incomes but notable income disparities***

Incomes have increased significantly over the years with the **median household income level increasing by 134% since 1989, from \$52,707 to \$123,103 by 2015, much higher than the rate of inflation during this period of 91% based on the Consumer Price Index (CPI)**. The growing prosperity of North Reading’s residents is also reflected in the increasing proportion and numbers of those earning more than \$100,000, going from 7.8% of all households in 1989 to 59.3% by 2015 compared to about 34% for the state and 43% for Middlesex County.

Nevertheless, while many in the community continue to prosper, there are some who are struggling financially. For example, based on 2015 census estimates, 615 households or 11.4% of all households earned less than \$35,000. Consequently it is not surprising that many are paying far too much for their housing and struggling to remain in town.

Poverty, while low in comparison to county and state levels of 8.3% and 11.6%, respectively, has fluctuated significantly over the past several decades but in general has grown<sup>2</sup> from 2.1% in 1989 to 3.3% by 2015, doubling in the number of residents living in poverty to 508 residents from 246. Poverty among families increased from 1.1% in 1989, to 3.8% by 2010, and then was estimated to decrease to 1.3% by 2015. There have been fluctuations in the poverty rate among those 65 years of age or older,

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<sup>1</sup> The U.S. Census Bureau defines families as a householder and one or more persons living in the same household who are related by birth, marriage, or adoption.

<sup>2</sup> The federal poverty levels for 2016 were \$11,880 for a single individual and \$20,160 for a family of three (3).

but overall it decreased from 13.9% in 1989, to 8.4% by 2010, and then was estimated to have decreased further to 6.3% by 2015, still leaving 135 residents living in poverty.

There are also **growing income disparities** between renters and owners. About one-third of renters earned less than \$35,000 in 2015, more than four times the percentage of homeowners in this income range. On the other hand, about 64% of the homeowners earned more than \$100,000 compared to only about 4% of renters. The disparity of incomes by tenure is also reflected in median income levels of \$52,917 and \$131,382 for renters and owners, respectively; up considerably from the 2000 median income levels of \$35,081 and \$81,422.

*Despite a relatively high average weekly wage, many of those working in North Reading would still likely find it challenging to compete in the current housing market.*

**Those working in North Reading were earning on average less than one-third of North Reading residents.** For example, the average weekly wage was \$1,372 which approximates an annual wage of about \$71,600. This is 58% of the median household income of those living in North Reading of \$123,103.

Of all North Reading residents in 2015, **1,135 or 7.4% claimed a disability**. While lower than the 9.0% and 11.5% levels for the county and state, respectively, this still represents significant special needs within the North Reading community. As the population continues to age, with those 65 years of age or older predicted to double by 2030, the level of special needs in the community will grow.

#### ***Housing Trends – Recent slowdown in housing growth but increases in multi-family development***

Only about 7% of the Town's approximately 5,700 housing units predates World War II followed by significant housing growth in the 1950s and 1990s when 959 and 906 units were produced, respectively. Since 2000, about another thousand units have been created including 524 multi-family units (433 SHI units).<sup>3</sup> MAPC "Stronger Region" projections (see Section 3.2) suggest continued high housing growth to 7,050 units by 2030 from 5,633 in 2010, representing a gain of about 1,400 units.

Between 1990 and 2010, about three-quarters of this housing growth occurred in the owner-occupied supply with a growth rate of 28%. While a relatively small segment of the housing stock, at about 15% of all occupied units, rental housing represented about one-quarter of the new housing growth between 1990 and 2010.

A review of building permit activity between 2010 and 2016 suggests **substantial teardown/replacement activity** with 93 demolition permits issued since 2008, all of which likely involved the replacement of more modest homes with larger more expensive ones. In fact, **housing growth has generally been fueled by large home construction as homes with nine or more room almost doubled in number between 2000 and 2015, involving 75% of the increase in the housing stock** and with a median house size of 6.9 rooms. In addition, those units most appropriate for single persons, with four (4) rooms or less, comprised only 18.7% of the housing stock. Given that 52% of North Reading's households included single individuals or two (2) persons, a substantial portion of households might be considered "overhoused."

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<sup>3</sup> Units in the Subsidized Housing Inventory (SHI) are approved by the state as affordable although 304 SHI units at Edgewood are market priced as state guidelines allow all units in rental developments that are approved through Chapter 40B or Local Initiative Program (LIP) to be included in the SHI towards reaching the state's 10% affordability threshold.

**North Reading's housing prices have been increasing.** The median single-family sales price was \$508,950 as of the end of 2016, up from \$472,700 in 2015 and the highest in the town's history. These prices confirm a **relatively resilient "inelastic" housing market** as current values have surpassed pre-recession levels prior to the "bursting of the housing bubble". This is not the case for many communities in the state including nearby Middleton and North Andover for example. Given these rising prices, it is not surprising that Town Assessor's data indicates that there is very little affordability remaining in North Reading's single-family housing stock with less than 200 units assessed below \$300,000.

*For those earning at 80% of area median income limit (\$65,750 for a family of three), the affordability gap is \$272,950, the difference between the maximum they could afford of approximately \$236,000 and the median single-family house price of \$508,950.* These calculations are also based on the ability of the purchasers to qualify for a subsidized mortgage such as the ONE Mortgage Program or MassHousing offerings and the purchaser spending no more than 30% of income on housing.

**The condo market, including 755 units, has experience more volatility in terms of both values and volume of sales with a median price of \$229,000 in 2016.** About 57% of these condos were assessed below \$200,000, and therefore remains relatively affordable. There is consequently a much lower affordability gap of \$24,000 for those households earning at the 80% of area median income limit or the difference between the median condo price (\$229,000) and what a household earning at \$65,750 could probably afford (\$205,000).

**There are very few available listings of rental opportunities in North Reading,** particularly apartments, but what few exist suggest that market rents are even higher than the \$1,482 gross monthly rent indicated by 2015 census estimates. Nevertheless, even a low-priced market rental of \$1,500 for a two-bedroom unit would require an income of about \$60,000 without consideration for utilities that would boost the required income closer to \$68,000 (assuming \$200 in average utility bills and not paying more than 30% of income on housing costs). The median income earning renter (\$52,917) could afford a rent of only about \$1,123 under the same assumptions.<sup>4</sup> Even affordable rents at Edgewood for example, are far beyond this level.

In the context of rising prices, largely the result of housing demand outstripping supply, it is also not surprising that vacancy rates are so low with a **vacancy rate of zero (0%) for rentals and 1.3% for ownership.**

Also given such high housing prices, it is not surprising that so many North Reading households are paying far too much for their housing. A special HUD report indicates that *of the 5,260 households included in this analysis, 1,645 or 31% were reported with cost burdens as they were paying more than 30% of their income on housing costs. Moreover, of these households, 720 or about 14% of all households were spending more than 50% of their income on housing.*

**590 households or 48% of households earning at or below 80% of area median income were spending more than half of their income on housing costs and thus were experiencing severe cost burdens.**

There were 1,230 households, or 23% of all households, who were earning at or below 80% of median income for the Boston area. Of these, 885 households or about 72% were experiencing cost burdens.

ing costs including an average monthly utility allowance of \$200.

It is particularly notable, that 760 households earning more than 80% of area median income, or 14% of all households, were also overspending. Consequently, cost burdens are spread along a wide range of incomes, the great majority being homeowners.

**North Reading has made considerable progress towards reaching the state's 10% affordability** goal under Chapter 40B, up to 9.59%. This means that the Town has a gap of only 23 affordable units to reach the 10% affordability threshold when it will no longer be susceptible to zoning overrides by comprehensive permit applications that are determined to be inappropriate and do not meet local needs. Housing growth will drive the 10% goal upwards, as adjusted by each decennial census, and therefore it is a moving target.

## **1.2 Summary of the Housing Needs of Target Populations**

Based on input from a wide variety of sources including census data, the HUD report on cost burdens, market information, interviews with local and regional stakeholders, public meetings, state requirements, as well as prior planning efforts, this Housing Plan recommends that there be a ***focus on rental unit development*** based on the following important considerations:

- Target the needs of the community's most vulnerable residents with very limited financial means as rental housing is typically more affordable and requires less up-front cash.
- Promote greater housing diversity as North Reading's housing is predominantly large single-family homes. More housing options are necessary to meet the needs of local workers who are priced out of the housing market, children who grew up in North Reading and want to raise their own families locally, and empty nesters for example.
- Invest local resources in support of greater numbers of households/occupants over time as rentals turnover more regularly than ownership units and more households will benefit.
- Provide opportunities for some seniors who are "overhoused" and spending far too much on their housing to relocate to more affordable and less isolated settings, opening up their homes to families requiring more space.
- Leverage other funds as state and federal resources are almost exclusively directed to rental housing development, family rentals in particular.
- Enhance the ability to qualify occupants for housing subsidies as state requirements for including units on the SHI make it very difficult for long-term homeowners to be eligible for new affordable housing opportunities.
- Enable all units in Chapter 40B rental developments to be counted as part of the SHI while only the actual affordable units can be counted in homeownership projects.

Efforts to provide **starter homes for first-time homebuyers and better housing alternatives to empty nesters** should be promoted to address several objectives including:

- Provide opportunities for families who want to invest in North Reading but are shut-out of the current housing market.
- Lend additional stability to neighborhoods as homeowners tend to become more rooted and invested in the community.
- Enable children who were raised in North Reading to return to raise their own families locally.
- Provide housing options for municipal employees and others who work in the community.
- Provide smaller homes for increasingly smaller families.

- Offer more affordable and less isolating housing alternatives to empty nesters who want to downsize, thus opening their existing homes to families.

Small clustered cottage-style housing in pocket neighborhoods could be pursued as well as other infill development, mixed-uses that include mixed-income condo development, the redevelopment/reuse of previously nonresidential properties, and the integration of housing in nonresidential areas offer good options for increasing affordable homeownership opportunities in North Reading. Moreover, the redevelopment of the Route 28 commercial corridor opens up opportunities for creating a new community center with mixed uses and a wide range of housing options including both rental and homeownership.

Based on annual housing production goals of 28 units per year, or 140 units over five years per state guidelines, as well as a combination of information on demographic shifts, cost burdens, affordability gaps, and the community's housing mix as documented in the indicators of need listed in Section 5.7, this Housing Plan suggests the following targeted housing goals:

- Rental development goal of 80% of all new units created.
- Goal of 140 affordable units over the next five years.
- About half of units produced directed to seniors or single individuals (many with special needs) through one-bedroom units, 40% for small families with two bedrooms, and 10% of units for larger families with three bedrooms (required by state for units that are not age-restricted or for single person occupancy.)
- A minimum of 20% of one-bedroom units with handicapped accessibility and/or supportive services and at 10% for other units created. Where feasible, 100% handicapped accessibility or adaptability should be promoted in housing for seniors and those with disabilities.

### **1.3 Summary of Housing Production Goals**

Will complete in next phase of the project.

### **1.4 Summary of Housing Strategies**

Will complete in next phase of the project.

