

Executive Summary

BACKGROUND AND PURPOSE

In 2017, the Merrimack Valley Planning Commission (MVPC) was awarded funds from the Commonwealth Community Compact Cabinet and MassHousing to develop the first of its kind Regional Housing Plan for Merrimack Valley. The goal for this plan is to develop a strategy for meeting the housing needs of today and tomorrow's residents in the region. Using current data, population projections and state-of-the-art mapping, MVPC worked collaboratively with each community in the region to understand their housing needs, set goals, and craft appropriate tailored strategies that address their specific needs over the next five years. The final deliverable for this project is a Regional Housing Plan, with chapters that serve as housing production plans for each of the 15 communities in the Merrimack Valley, including the City of Newburyport.

MVPC worked collaboratively with the City of Newburyport, through its Affordable Housing Trust (the 'Trust'), to collect data, understand local housing conditions and needs, and develop strategies that will meet the needs of residents today and in the future. The result is this Housing Production Plan (the 'HPP'), which includes a comprehensive analysis, set of strategies and a user-friendly action plan for the community to follow over the next five years to develop housing for all.

The HPP examines city demographics, median income, home prices both for sale and rent, and identifies both urgent and long-term housing needs. The data is not only useful to City staff and elected officials, but also to stakeholders involved in the production, preservation, planning, and zoning aspects of housing development in Newburyport as it presents the specific needs of this community based on several key findings.

NEWBURYPORT AFFORDABLE HOUSING TRUST

The mission of the Newburyport Affordable Housing Trust (the 'Trust') is to support, preserve, and create housing that is affordable to low- and moderate-income households in the City of Newburyport. The Trust defines "affordable" as housing which costs of more than 30 percent of the gross income for a household that earns 80 percent of the Area Medium Income, as determined by HUD.

The City is interested in increasing affordable housing opportunities for those who would like to live in Newburyport. The Trust works with developers to increase and preserve the City's supply of units that are reserved for people who are of low to median income, and who might not otherwise be able to afford housing in Newburyport.

SUMMARY OF SIGNIFICANT DEMOGRAPHIC AND HOUSING CHARACTERISTICS AND TRENDS

The HPP summarizes demographic characteristics in Newburyport and compares this information to that of the region, county, and state, indicating the following notable demographic trends:

- **Newburyport's population is aging.**
Newburyport is home to 17,798 people comprising 7,555 households (July 2017); this represents an increase of 3.3 percent since 2010. There is a greater percentage of senior householders age 65-75 years in Newburyport than in the region, county, and state; 20 percent of the Newburyport population falls into this category while regionally it is 14 percent and countywide and statewide it is 16 percent.¹

In addition to the aging population in Newburyport, the population of school-age children is projected to decline by 25 percent over the next 10 to 15 years.²
- **While household wealth has increased for many, the rate of poverty has also increased.**

¹ American Community Survey (ACS) 2011-2015, Table B25007.

² UMass Donahue Institute, *Long-term Population Projections for Massachusetts Regions and Municipalities*, March 2015. Accessed 8/4/17.

The median family income³ of \$103,400⁴ has increased by 47 percent since 2000. According to American Community Survey (ACS) data from 2011 to 2015, the number of households living below Federal poverty thresholds in the City has increased from 5.2 percent to 7 percent. Of that 7 percent total for the City (1,292 households), 27 percent (349) are households with children under the ages of 18, and 12 percent (155) consists of households with individuals aged 65 and older.⁵

■ **Finding affordable housing options for seniors is increasingly difficult.**

Senior householders (age 65 years and over) have less than half the median income of younger cohorts with an estimated median income of \$46,076.⁶

■ **The income of homeowners has increased and is more than twice that of renter households.**

The median income of a homeowner grew to \$115,392 in 2015, while the median income of a renter was only \$43,864 for the same time period.⁷

■ **Newburyport continues to lose rental units at a dramatic rate.**

There has been a significant loss of rental units in Newburyport, decreasing by 501 units (20 percent) from 2000 to 2016.⁸ Additionally, in 2017 there was a rental vacancy rate of 0 percent, indicating a lack of year-round rental units available and an unhealthy real estate market.

■ **The 2014 ACS estimates indicated about 35 percent of Newburyport households have incomes at or below 80 percent of the AMI.⁹**

About 24 percent of owner households in Newburyport have incomes at or below 80 percent AMI and about 63 percent of renter households have incomes at or below 80 percent AMI.

■ **Housing sale prices have increased significantly and are out of reach even for median-income households.**

Newburyport home sales have increased 11 percent over the past decade. The median sales price in Newburyport is \$521,000.¹⁰ Newburyport households making the median household income of \$103,400 could afford to purchase a home up to \$334,000. However, the median sales price of \$521,000 requires an annual income of \$133,000 with a 20% down payment of \$104,200.¹¹

As shown in the table below, there is a difference between homeowners' median income and the price of a home, creating a homeowner affordability gap. This gap is defined as the difference between the median sales price for Newburyport (\$521,000) and the 'affordable price' (household paying no more than 30 percent of annual income on housing). Newburyport's affordability gap is the highest in the region.

Income	Median Sales Price	Affordable Price	Gap
80% of Median = \$82,720	\$521,000	\$267,200	\$253,800
100% of Median = \$103,400	\$521,000	\$334,000	\$187,000

■ **Rents have also increased significantly and are unaffordable for many households.**

³ Defined by the U.S. Department of Housing and Urban Development as one householder plus at least one other related individual

⁴ U.S. Department of Housing and Urban Development, Income Limits, 2017

⁵ ACS 2011-2015, Table B17001

⁶ ACS 2011-2015, Table B19049.

⁷ ACS 2011-2015, Table B25119

⁸ U.S. Census Bureau, Census 2000 and 2010 Summary File 1

⁹ HAMFI – HUD Area Median Family Income. This is the median family income calculated by HUD for each jurisdiction, in order to determine Fair Market Rents (FMRs) and income limits for HUD programs. HAMFI will not necessarily be the same as other calculations of median incomes (such as a simple Census number), due to a series of adjustments that are made (For full documentation of these adjustments, consult the [HUD Income Limit Briefing Materials](#)). If you see the terms "area median income" (AMI) or "median family income" (MFI) used in the CHAS, assume it refers to HAMFI.

¹⁰ The Warren Group Town Stats, 2017

¹¹ DHCD Sales Price Calculator, Author calculations using FY2017 tax rate, and assuming 30-year fixed mortgage, 20% down payment, 4.20% interest rate

The number of rental units available at lower rates has decreased while those offered at higher rates are increasing. Between 2010 and 2015, the number of rental units available for less than \$1,500 per month declined by 13 percent while those offered for more than \$1,500 per month increased by 70 percent for the same time period.¹²

Newburyport's renters tend to have higher incomes and tend to pay more for rent than other renters in the region. As stated above, the median income of a renter in Newburyport is \$43,864, which means that an affordable rent, including utilities, is approximately \$1,100 per month. No units were listed for rent in searches conducted in July and August 2017 that were affordable to a household with the median renter income in Newburyport.

Households making the median renter income in Newburyport cannot afford the Fair Market Rent (as determined by the Department of Housing and Urban Development) of \$1,372 for a one-bedroom apartment. To afford the Fair Market Rent monthly rent, a household must earn \$54,880 annually.

- **Approximately 53 percent of low income renter households in Newburyport pay more than 30% of their gross income towards housing.¹³ These households are considered 'cost burdened'.**

In addition to the 53 percent of low income renters that are cost burdened, approximately 43 percent of extremely low-income renters are severely cost burdened – spending more than 50 percent of their gross income on rent. This population is typically composed of small families and elderly households and can be particularly vulnerable to housing instability and possible homelessness. Furthermore, when a household is cost burdened, it has less income to spend on other necessities and to circulate into the local economy.

- **About 7.5 percent or 599 units of Newburyport's total year-round housing units are included on the state's Subsidized Housing Inventory.¹⁴**

Newburyport needs more affordable housing both to meet the state's housing goal under MGL c.40B and to meet local housing needs. Newburyport especially needs rental housing affordable to households with a range of incomes including extremely-low, very-low, and low/moderate-income households and more accessible housing and housing with supportive services.

PRIORITY HOUSING NEEDS

Based on these key findings, the Newburyport Affordable Housing Trust has prioritized the following housing needs:

- **Affordable rental housing for individuals, particularly for seniors.**

There is a clear need for smaller rental units for those with lower-paying jobs. Many in the City's service economy are encountering tremendous difficulty finding housing they can afford in Newburyport. In addition to younger, working individuals, there are also older, perhaps divorced or widowed individuals who are looking to downsize in order to be able to remain in the City. Both subsets of the population share the need for a safe, decent, and affordable place to live. The need for smaller, more affordable rental units is increasing during a time when Newburyport continues to lose important rental units.

- **Affordable rental housing for families.**

There is a significant need to house families and growing numbers of smaller households that include single parents with children, as well as unrelated individuals.

- **Affordable homeownership for low-and middle-income individuals and families.**

Market conditions have placed the purchase of homes beyond the financial means of low- and moderate-income households, and families need opportunities to 'buy up' as their families grow.

- **Preservation of existing rental housing**

¹² 2006-2010 and 2011-2015 ACS, Table B25063

¹³ Newburyport Household Income: Owners and Renters, HUD, Comprehensive Housing Affordability Strategy (CHAS), based on ACS 2010-2014.

¹⁴ The Subsidized Housing Inventory (SHI) is used to measure a community's stock of low-or moderate-income housing for the purposes of M.G.L. Chapter 40B, the Comprehensive Permit Law. While housing developed under Chapter 40B is eligible for inclusion on the SHI, many other types of housing also qualify to count toward a community's affordable housing stock.

The preservation of existing affordable rental units is essential to maintaining an affordable housing stock well into the future, particularly as Newburyport continues to lose rental units to condominium conversions. This rental housing, including units that have income restrictions and those in the private housing market, is more cost effective to rehabilitate and maintain than to build new. Additionally, efforts are needed to maintain restrictions on existing affordable housing in perpetuity to the greatest extent possible so as not to lose affordability.

SUMMARY OF HOUSING PRODUCTION GOALS

A common definition of affordable housing relates to the Chapter 40B comprehensive permit program. The state established legislation for promoting affordable housing under the Massachusetts Comprehensive Permit law (Massachusetts General Laws Chapter 40B). This legislation allows developers to override local zoning if the project meets certain requirements, the municipality has less than 10 percent of its year-round housing stock as defined as affordable in its SHI, or housing production goals are not met.

The state sets production goals that show progress toward meeting community housing needs through its administration of the Housing Production Program. This program enables cities and towns to adopt an affordable housing plan that demonstrates production of 0.5 percent over one year or 1.0 percent over two years of its year-round housing stock eligible for inclusion in the SHI. Newburyport would have to produce at least 40 affordable units in one year, which is a daunting challenge. And as market housing growth continues, additional affordable units would need to be added to reach the 10 percent affordability goal.

Newburyport's production goals over the next five years include the creation of between 200 and 400 units that are eligible for listing on the SHI. Reaching these goals will be challenging given the number of housing units likely to be permitted each year, based on historical records. Between 2000 and 2015, Newburyport's residential permit activity fluctuated between 7 and 90 permits, with an annual average of 30.5 units (total units – both affordable and market-rate) per year.

Several projects anticipated to be constructed over the next five years show promise in helping to reach Newburyport's affordable housing production goals. The City's 40R district requires a minimum of 25 percent affordability; projects constructed in this district will likely result in certification by the state for a given year and will also significantly contribute to the City's SHI inventory. The first permitting project in this district, One Boston Way, will result in 76 SHI-eligible units.¹⁵ Smaller projects include the YWCA of Greater Newburyport constructing 10 affordable units as part of a larger development project called Hillside Center for Sustainable Living; the potential redevelopment of the Brown School could include some affordable units; and the redevelopment of the area known locally as Waterfront West, which will likely result in 10 to 12 percent of the housing that is created being affordable.

If developed, these units will contribute to the City's affordable housing stock. There may also be the creation of additional SHI-eligible units under the City's recently-adopted Inclusionary Zoning ordinance, although the number of units created will be dependent on the economy, housing market, and available, developable land.

SUMMARY OF HOUSING STRATEGIES

The following strategies are based on previous plans, reports, studies, local housing goals, and the experience of other comparable localities in the area and throughout the state. These strategies were developed to help the City direct and leverage funding, resources, and capacity to best meet the community's housing needs. The strategies are grouped into three main categories:

- 1. Planning and Policies:** capacity-building strategies as well as recommended changes in zoning and municipal policies. These strategies do not directly create affordable units, but rather they serve as a foundation for achieving housing goals:
 - Modify the current in-law ordinance
 - Allow two-family structures by-right in R2 and R3 zoning districts
 - Seek designation as a Housing Choice Community

¹⁵ 19 of the 76 will be deed-restricted affordable units. However, since the project is 100% rental units all units can be counted on the SHI.

- Conduct on-going community education in partnership with non-profit organizations and ad-hoc coalitions
 - Develop trainings for board and committee members to learn more about affordable housing processes and needs.
2. **Production:** developing partnerships, purchasing land and property, and converting units from market rate to affordable. Strategies in this category include:
- Continue to encourage housing development that is affordable to both low- and moderate-income households
 - Inventory publicly-owned land to determine suitability and availability for affordable housing development
 - Partner with for- and non-profit developers to create affordable housing on privately owned sites
 - Follow Sustainable Design Standards to create/remodel housing units.
3. **Preservation:** tactics necessary to keep affordable units affordable, while also ensuring the character of the community is preserved, including:
- Consider retrofitting municipally-owned buildings for affordable housing
 - Continue to monitor the Subsidized Housing Inventory to ensure that units do not expire
 - Allow the conversion of large, single family homes to multi-unit housing in all residential zoning districts.

These strategies are presented as a package for the City to consider, prioritize, and process, each through the appropriate regulatory channels. Moreover, the proposed actions present opportunities to judiciously invest limited funds from the Community Preservation Act and the Newburyport Affordable Housing Trust to build local capacity, modify or create new local zoning provisions, and subsidize unit production.