

Central Indiana Housing Study

2024 HAND Suburban Housing Conference

May 16, 2024



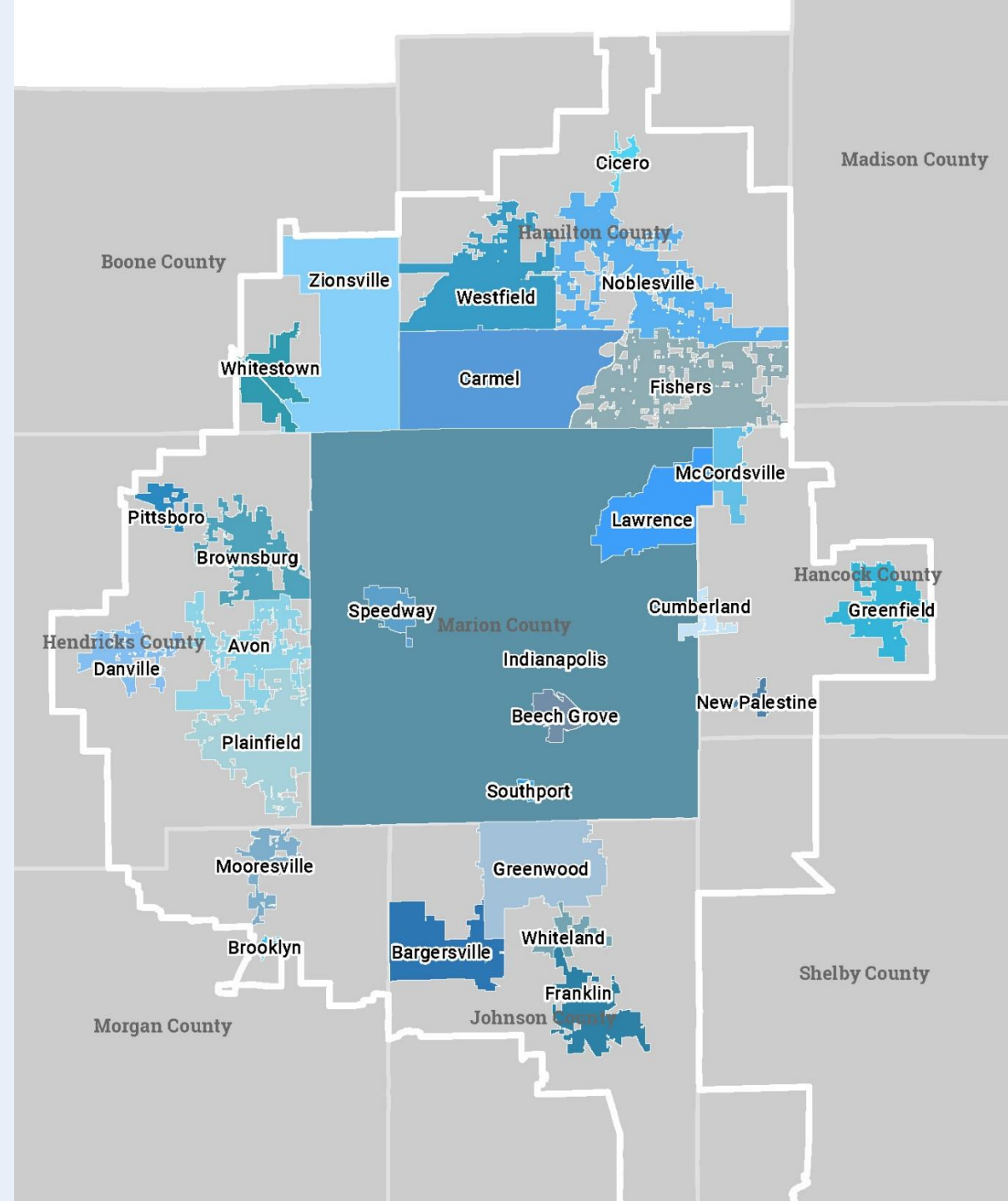
Introduction to the IMPO and Overview of the Central Indiana Housing Study



The Indianapolis Metropolitan Planning Organization (IMPO)

Who We Are

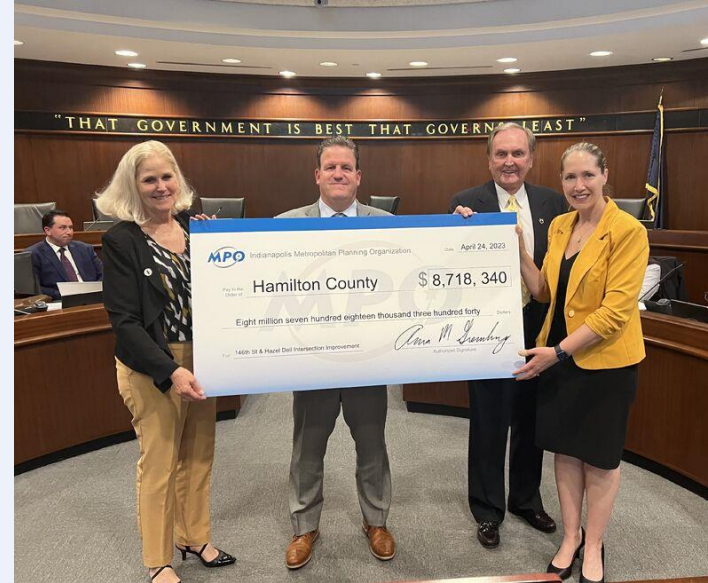
- Regional planning organization for Central Indiana.
- Over 35 members, comprised of towns, cities, counties, and transportation agencies.
- Originally founded to organize transportation planning and distribute certain federal transportation funds.
- In 2018, during a strategic planning process, our members identified a need for a regional coordinating planning identity that went beyond transportation.



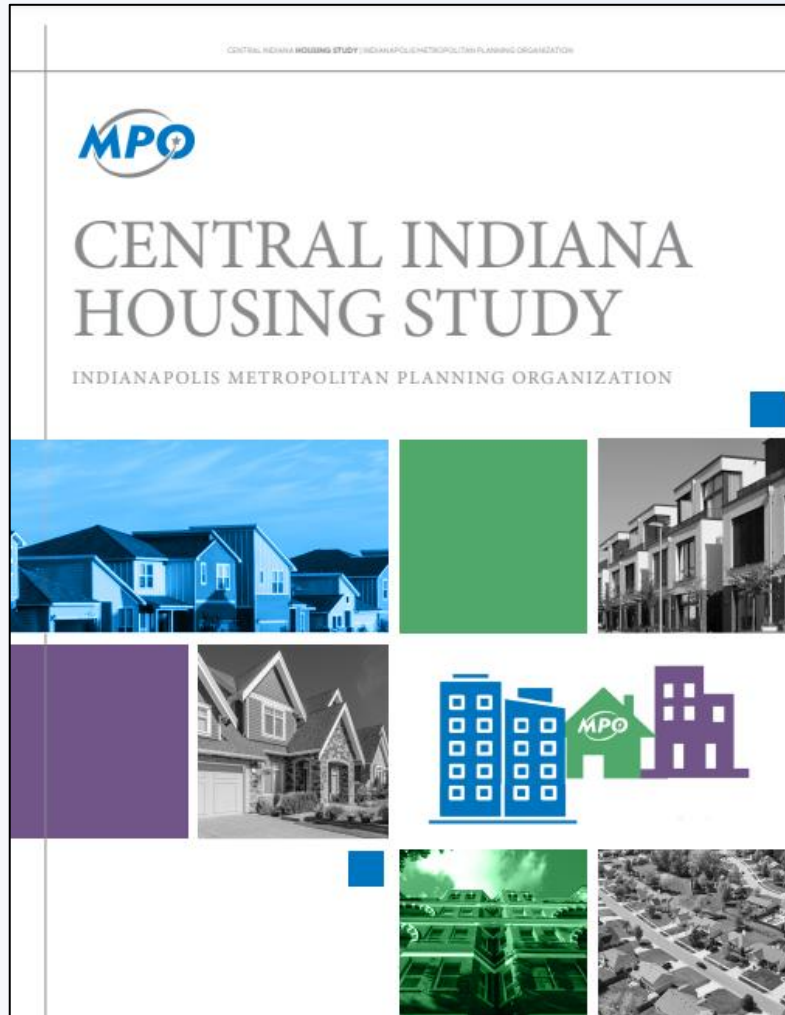
The Indianapolis Metropolitan Planning Organization (IMPO)

How We Work

- Plan: Create and adopt plans and track their implementation
- Fund: Fund regionally-significant transportation projects
- Convene: Bring experts and community members together
- Inform: Provide reliable data to support planning and policy-making



Central Indiana Housing Study (CIHS)



“A study that looks at housing from a regional perspective, rather than a single town, city, or county.”



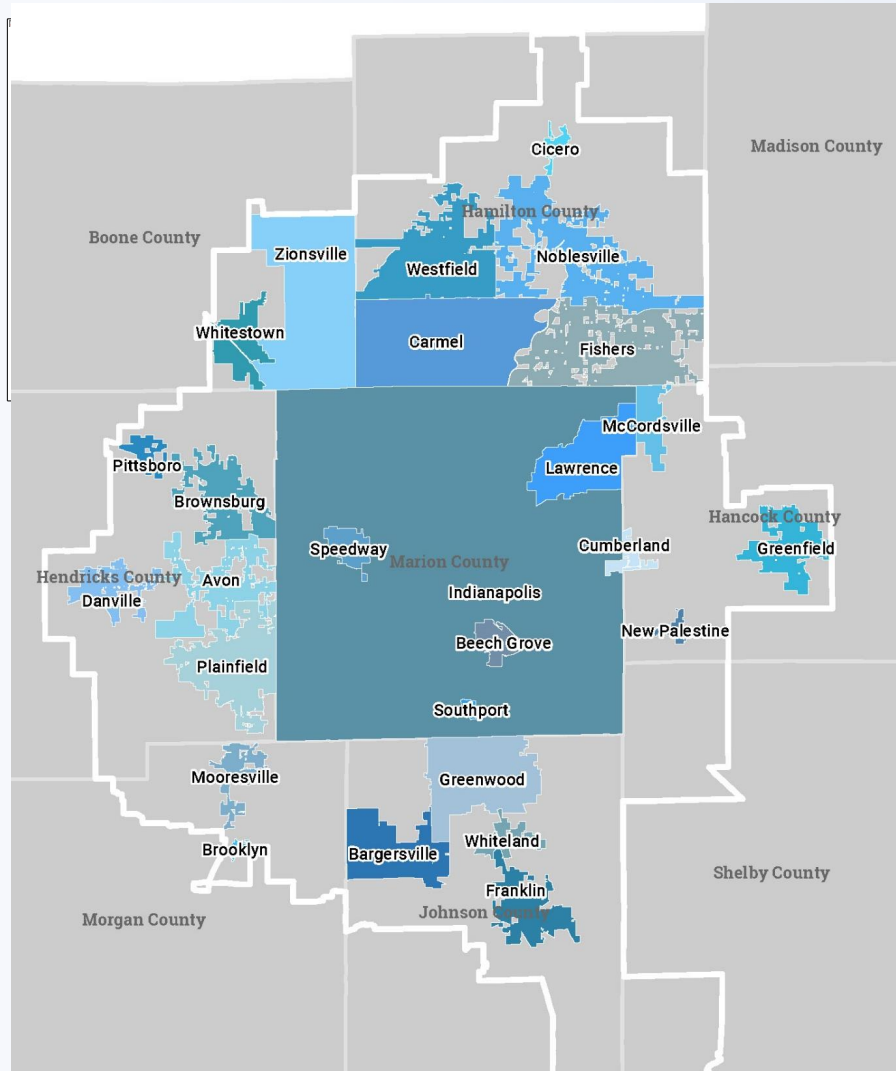
Central Indiana Housing Study (CIHS)

Components of the Central Indiana Housing Study

- Laying the groundwork
 1. Housing plan and policy review
 2. Socioeconomic profile of the region
 3. Housing conditions assessment
- Identifying the problem
 4. Housing gap analysis and demand summary
 5. Contributing factors assessment
 6. Investor-owned single family housing analysis
- Solutions to the problem
 7. Housing strategies toolkit



Some Notes Before We Get Started



Items to Focus On:

1. Broader trends – rather than specific numbers – that are being presented.
2. Ask yourself whether the information supports or disproves any assumptions you’ve made about the rest of the region that impacts decision making locally.

A Definition to Note:

- This study identifies affordable housing as costing no more than 25% of the household’s income.



The Rising Cost of Housing: Where We Are, Housing Prices, and A Growing Population



Housing costs are rising faster than purchasing power

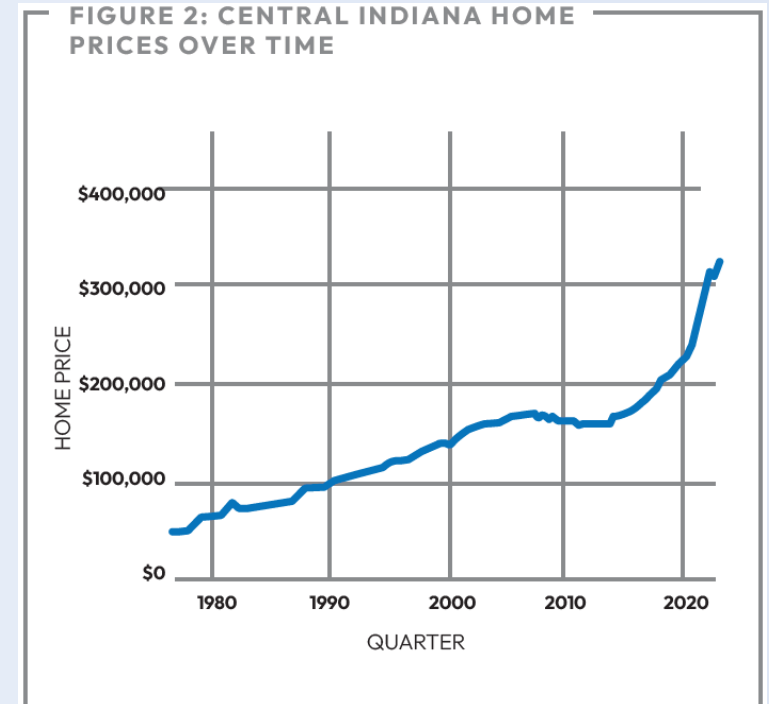
- Between 2020 and 2022, the median sales prices of single-family homes increased an average of 31.6% across all IMPO counties.
- Rent prices increased by an average of 21.2% over that same time period.
- Meanwhile wages rose by 8.8% on average.
- 2023 numbers haven't been finalized, but housing prices have continued to rise even as sales volume has dropped.



Housing costs are rising faster than purchasing power

The median sales price of \$228K in 2020 has **increased by \$72,000 in less than three years** to a median sales price of \$300K.

Interest rates have also continued to rise contributing to the increasing cost of buying a home with an average rate of 7.5% as of September 2023.



Housing costs are rising faster than purchasing power

At the median housing price of \$300K, with an interest rate of 7.5%:

Scenario 1

- 20% down payment: \$60,000
- Monthly house payment: \$1,866
- Household income to afford this home: \$89,550

Scenario 2

- 10% down payment: \$30,000
- Monthly house payment: \$2,253
- Household income to afford this home: \$108,150

Scenario 3

- 5% down payment: \$15,000
- Monthly house payment: \$2,368
- Household income to afford this home: \$113,659

The median household income in Central Indiana today is \$73,173.



Housing costs are rising faster than purchasing power

- 61.7% of renters are cost-burdened; nearly 30% severely so.
- 24% of owners are cost-burdened; with ~9% severely so.

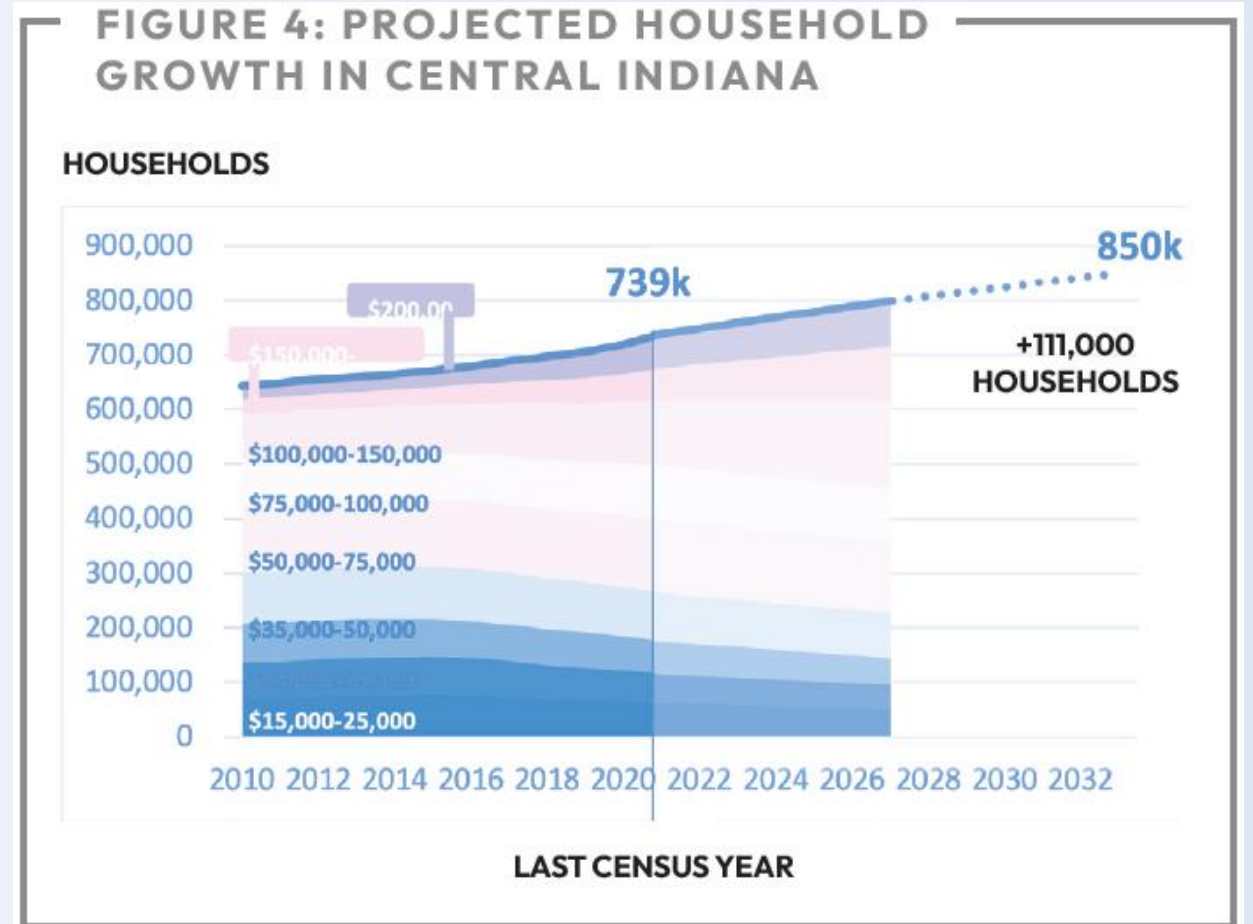
FIGURE 3: COST BURDENED PERCENTAGES IN CENTRAL INDIANA

OCCUPATION	OWNER	RENTER
TOTAL NOT COST BURDENED	76.0%	38.3%
TOTAL COST BURDENED	24.0%	61.7%
MODERATELY BURDENED (>25 - 45%)	15.0%	32.0%
SEVERELY BURDENED (>45%)	8.9%	29.8%



The region's rapid growth is expected to continue

- By 2033 an **estimated 111,000 households** will be added to the region.
- The housing production need forecast for the next five years estimates that **an additional 42,000 housing units need to be produced over the next five years**, or roughly 8,400 per year.



Why increasing unaffordability is a problem for all

Housing is a quality-of-life issue

- Limited housing options leads to longer commutes, more cost burden, and other lifestyle compromises.
- Affects the availability and quality of services and goods.
 - A local café or restaurant struggling to properly staff because wages cannot keep pace with rising housing costs, and they cannot attract and retain workers. This can result in reduced operating hours, reduced capacity, and at times business closure.



Why increasing unaffordability is a problem for all

Housing is a workforce development issue

- Existing business and industries where wages are not keeping pace with cost-of-living will struggle.
- Talent and business attraction are contingent on housing availability for employees.
 - A company deciding not to locate in a given area because there is not enough housing or the cost of housing – and thus worker salaries – is too high, relative to the advantages provided.



Current Inventory of Housing and Gaps in the Market



Current inventory of housing and gaps in the market

Examines the supply of housing:

- For renters and home-buyers
- By number of bedrooms
- At different household income levels

Compares it to housing preferences, that is what people would prefer to move into.

FIGURE 5: CURRENT HOUSING MARKET ALIGNMENT FOR CENTRAL INDIANA

HOUSEHOLD INCOME	MAXIMUM MONTHLY HOUSING COST	RENT				OWN			
		1BR	2BR	3BR	4BR+	1BR	2BR	3BR	4BR+
LESS THAN \$15,000	\$313	-27637	-6416	-3452	-5048	-15515	-3525	-921	-1414
\$15,000 - \$24,999	\$521	-10710	-3529	-1192	-5722	-12290	-5965	-871	-2143
\$25,000 - \$34,999	\$729	-2896	-4591	-4208	-4565	-13315	-3357	2011	-2698
\$35,000 - \$49,999	\$1,042	11379	20760	552.8	-6639	-16952	-241	20787	-2786
\$50,000 - \$74,999	\$1,563	9865	47784	25198	-5522	-16871	-8364	78897	2478
\$75,000 - \$99,999	\$2,083	-1438	10429	20327	2257	-9541	-17168	60763	26311
\$100,000 - \$149,999	\$3,125	-2234	-1237	5431	545	-7231	-30497	31060	26607
\$150,000 - \$199,999	\$4,167	-388	-893	-610	-415	-1106	-13672	4612	186
\$200,000 OR MORE		-1100	-995	-435	-452	-3005	-16581	-2599	-7842

NOTE:

RED indicate a shortage (darker shades indicate proportionally larger shortages).

GREEN indicate a surplus (darker shades indicate proportionally larger surpluses).

Current inventory of housing and gaps in the market

The region does not have enough smaller ownership units.

There are too few small ownership units (up to 2 bedrooms) compared to what the population would prefer.

FIGURE 5: CURRENT HOUSING MARKET ALIGNMENT FOR CENTRAL INDIANA

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Current inventory of housing and gaps in the market

There are too few affordable units for those at lower income levels, especially at smaller 1- and 2-bedroom sizes.

There is a pronounced shortage of units affordable to lower-income households (especially those with incomes below \$35k).

FIGURE 5: CURRENT HOUSING MARKET ALIGNMENT FOR CENTRAL INDIANA

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Current inventory of housing and gaps in the market

The region has more mid- and higher-cost 3 and 4+ bedroom houses than people would prefer. There are considerably more owned houses at mid- and higher-cost levels than the current population would demand if making their housing decisions today.

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Demographic shifts and growth trends are driving the misalignment

Today's housing stock was largely built for households that were more common in previous decades. Households – and their housing preferences – are changing:

- People are having fewer children, later in life (or not at all), meaning fewer large houses are needed.
- More singles and couples prefer walkable lifestyles, shifting demand from single-family suburban subdivisions.
- Baby boomers and empty nesters are downsizing, trading larger houses for smaller houses, townhomes, and condos.



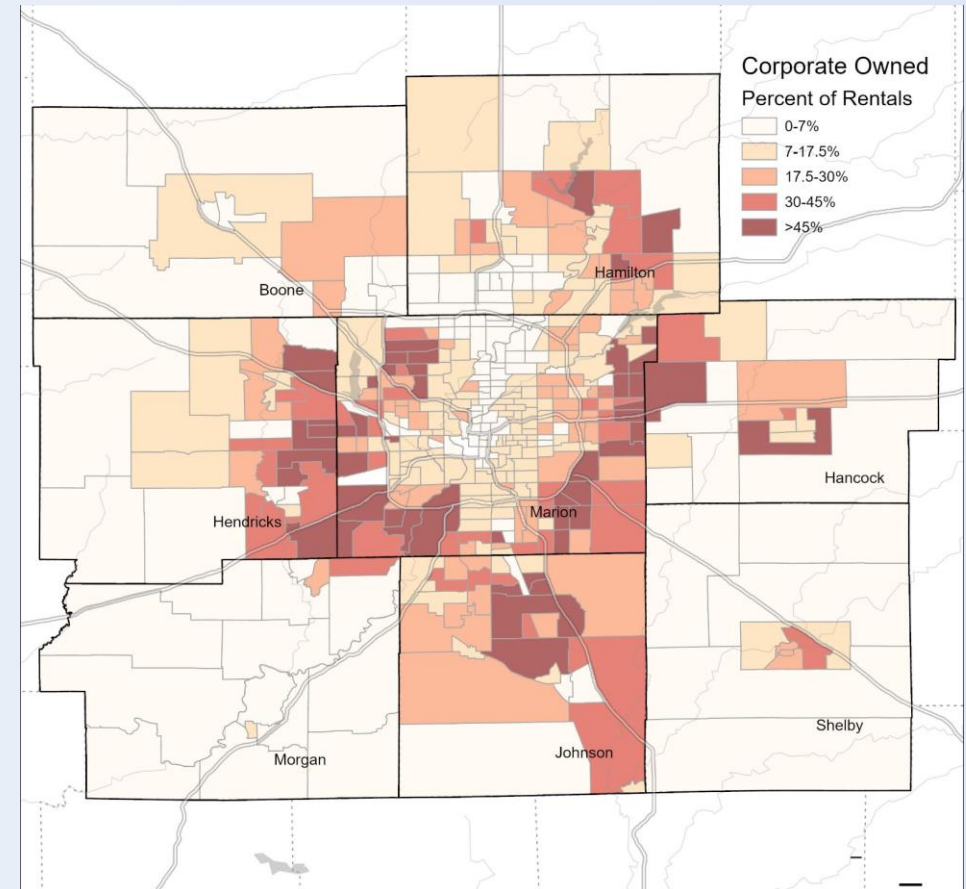
Contributing Factors



Contributing factors: Market forces

Market dynamics include:

- **Changing construction costs**, with recent volatility driving up prices and slowing production.
- **Mortgage rates**, where the recent 4-point increase translates to a \$155k reduction in home purchasing power.
- **Corporate single-family home investors**, who own as much as 30% of the housing stock in some neighborhoods and can drive up rents while dampening home prices and homeownership rates.



Contributing factors: Public policy and public opinion

- While market dynamics play a significant role in rising unaffordability, public policy and public opinion have impacted housing development historically and continue to do so today.
- Zoning and design standards can limit housing options and drive-up development costs.
 - Large lot sizes
 - Large minimum setbacks
 - Preventing certain housing products



Contributing factors: Public policy and public opinion

- Restrictive standards and plans are driven by public opinion.
- Even when a housing development is technically permitted pushback from the public can effectively end a project before it begins.
- Community concerns are sometimes valid but are often based on inaccurate fears.



Solutions to the Housing Crisis: Toolkit and Next Steps



The Housing Toolkit

Just as there is no single contributor to the rising cost of housing, neither is there a single policy that will serve as a solution.

The Housing Toolkit provides specific strategies organized around the vision and goals established through the course of the project.

GOAL	STRATEGY	DESCRIPTION	TYPE	SCALE	TIMEFRAME	COST	LEADER	IMPO ROLE	NEXT STEP
ESTABLISH A SHARED UNDERSTANDING OF THE HISTORY AND CURRENT STATE OF HOUSING IN CENTRAL INDIANA	Maintain and update housing plan	Update the housing plan document or produce periodic supplements reflecting the latest data, toolkit strategies, and technical assistance resource offerings.	Communication	Regional	Ongoing	Low	MPO	Plan and Inform	Refresh analyses every 2-4 years
	Maintain online dashboard	Establish and regularly update an online dashboard featuring indicators and findings from the housing plan and the data behind it.	Communication	Regional	Ongoing	Low	MPO	Inform	Build out initial dashboard website.
	Commission follow-up studies	Commission follow-up studies on critical housing issues that impact housing affordability and access at local and regional levels.	Communication	Regional	Ongoing	Low	MPO	Inform	Identify the next issue for a deeper dive study.
	Provide regional context	Provide regional context as resource for local planning through resource sharing and active collaboration.	Communication	Regional	Ongoing	Low	MPO	Inform	Distribute housing plan and findings to regional stakeholders.
INTRODUCE A REGIONAL HOUSING STRATEGY THAT CONNECTS COMMUNITIES AND PROMOTES EQUITY	Set housing goals	Work with municipalities to set housing production targets at regional and county levels that reflect this plan's vision and goals.	Communication	Regional	Ongoing	Low	MPO	Plan	Distribute housing plan and findings to regional stakeholders.
	Housing element in comprehensive plans	Recommend municipalities include a housing element in comprehensive plans and updates.	Regulation	Any	Long-term	Low	MPO or state	Plan	Communicate the benefits of expanded housing consideration in comprehensive plans and encourage municipalities to include them.
EDUCATE THE PUBLIC AND GOVERNMENT LEADERS TO INFORM PUBLIC DECISION-MAKING ON HOUSING ISSUES AND POLICY.	Enhance policymaker awareness of housing issues	Enhance awareness of housing challenges and opportunities with ongoing communication and information sharing, such as regularly providing meetings, whitepapers, networking opportunities, etc.	Communication	Any	Ongoing	Low	Any	Convene	Develop a communications plan to increase contact and information-sharing with policymakers of local and state levels.
	Provide technical assistance	Support municipalities with technical assistance and resources to help them overcome challenges and capture opportunities to promote housing attainability.	Communication	Regional	Ongoing	Low to moderate	MPO	Inform	Develop and distribute a "menu" of technical assistance resources and make regular contact with member communities.
SUPPORT COLLABORATION AND POLICY CHANGE AT THE LOCAL AND REGIONAL LEVELS IN PROMOTING THE VISION.	Organize stakeholder summits	Organize collaboration summits with local stakeholders and municipalities to catalyze organizational partnerships and resources-sharing.	Communication	Regional	Ongoing	Low	MPO	Convene	Organize a pilot summit at the county or regional scale.
	Network local and regional stakeholders	Provide leadership in connecting local and regional stakeholders to create a more robust and networked housing ecosystem of partnerships and collaboration.	Communication	Regional	Ongoing	Low	MPO	Convene	Compile a contact list of the region's stakeholders and reach out to those not already in regular contact with IMPO.
SUPPORT THE CREATION OF THE FULL CONTINUUM OF HOUSING TYPES AND AFFORDABILITY ACROSS THE REGION.	Property tax abatement for developers	Offering property tax abatement or exemptions for affordable housing developments.	Financing	Municipal	Mid-term	Moderate	Municipality	Plan	Interview local developers and stakeholders to assess current financing gaps.
	Dedicate public land for housing	Dedicating publicly owned land that is suitable and appropriately sited for new housing	Regulation	Municipal	Short-term	Moderate	Municipality	Plan	Inventory underutilized publicly owned land and assess suitability for housing.
	Housing bond funds	Establishing bond funds to help finance affordable housing	Financing	Municipal	Mid-term	High	Municipality	Plan	Interview local developers and stakeholders to assess current financing gaps.
	Tax Increment Financing	Enabling Tax Increment Financing (TIF) for new housing development	Financing	Municipal	Mid-term	Moderate	Municipality	Plan	Interview local developers and stakeholders to assess current financing gaps.
	Home repair program	Establishing a program to support home maintenance and energy efficiency upgrades for income-qualified households	Financing	Any	Short-term	Low to High	Municipality	Plan	Identify potential partners and develop a small pilot to test local receptivity and administrative capacity to implement.
	Home accessibility retrofits	Establishing a program to support aging-in-place with accessibility retrofits and other light modifications	Financing	Any	Short-term	Low to High	Municipality	Plan	Identify potential partners and develop a small pilot to test local receptivity and administrative capacity to implement.
	Property tax abatement for residents	Providing property tax relief for income-qualified homeowners to mitigate cost burden and prevent displacement	Financing	Municipal	Short-term	Moderate	Municipality	Plan	Assess the relationship between property tax increases and risk of displacement within communities.
	Foreclosure prevention program	Establishing a program to provide education, technical assistance, and financing options that help financially struggling homeowners avoid foreclosure.	Regulation	Municipal	Short-term	Moderate	Municipality	Plan	Identify potential partners and develop a small pilot to test local receptivity and administrative capacity to implement.
	Enabling ADUs by right in zoning	Modifying local zoning to allow Accessory Dwelling Units (ADUs) by right	Regulation	Municipal	Mid-term	Low	Municipality	Plan	Determine potential attainability benefits of ADUs and which zones they might be most suitable.
	Tenant notification requirement	Requiring landlords to provide 90-day notices to tenants when property changes hands, especially if lease terms are likely to change.	Regulation	Municipal or state	Short-term	Low	Municipal or state	Plan	Interview local residents and advocacy groups to articulate the problem and collaborate a potential requirement.
	Community land trusts	Establishing community land trusts that incorporate affordable housing development	Community	Municipal	Long-term	High	Non-profit	Plan	Identify potential partners and suitable locations within the community.
	Land banks	Establishing land banks that reserve property for affordable housing development	Community	Any	Mid-term	High	Municipality	Plan	Identify neighborhoods that would benefit most and candidate properties for a first round of acquisition.
	Payment in lieu of taxes (PILOT)	Allowing payment in lieu of taxes (PILOT) to help finance affordable and mixed-income housing development.	Financing	Municipal	Mid-term	Moderate to high	Municipality	Plan	Interview local developers and stakeholders to assess current financing gaps.
	Zoning for new housing development	Update zoning to accommodate new housing development in appropriate locations.	Regulation	Municipal	Ongoing	Low	Municipality	Inform	Assess existing zoning ordinances to determine if they meet today's community needs and marketing demand.
	Design standards updates	Updating architectural design standards that reduce built-in housing costs.	Regulation	Municipal	Ongoing	Low	Municipality	Inform	Review existing standards documents with builders and realtors to understand cost implications.
	Rental registration and licensing	Establish a rental registration and licensing ordinance/program to ensure greater transparency and accountability in the market.	Regulation	Municipal	Mid-term	Moderate	Municipality	Inform	Research best practices, and determine what resources and data collection is necessary in order to establish.

Toolkit highlights

Items and policies that can assist our local public agencies in providing a full continuum of housing types and attainability across the region:

- Housing element in comprehensive plans.
- Home repair program.
- Foreclosure prevention program.
- Updating zoning ordinance.
- Strategic use of property tax abatement for developers.

As communities investigate which options are best suited to them, **the IMPO will continue to provide support and information to members.** Strategies serving the following goals are assigned to the IMPO:

- Distributing information from Central Indiana Housing Study.
- Convening experts and stakeholders to discuss
- Commission follow-up studies.
- Enhancing awareness of housing challenges and opportunities.



Additional Insights from the Study

- Jobs and migration info
- Factors that make communities and populations vulnerable
- Additional information on contributing factors
- Additional information on corporate-owned single-family housing

Webpage:

<https://www.indympo.org/whats-underway/central-indiana-housing-plan>



Thank You

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Webpage:

<https://www.indympo.org/whats-underway/central-indiana-housing-plan>

