CommunityScale

## 2024

# Region-wide Housing Needs Assessment

Overview

# Regional Housing Strategy

This report addresses housing needs, production, and policy recommendations at the regional scale, drawing from county-by-county and region-wide analysis, literature review, and extensive stakeholder outreach.

## The report consists of the following sections:

**Housing needs assessment,** including links to county-by-county assessments and a tabulation of needs and a housing production target at the regional scale.

**Regional context,** describing factors that impact housing demand and production across the 3-county region.

# Housing needs assessment

The housing needs assessment combines extensive quantitative data analysis with consideration of the community’s goals for its future to produce a 10-year housing production target.

**County-by-county Housing Needs Assessments.** Links to full reports documenting demand and housing production targets for each county. The results of these county-level reports directly inform the findings and recommendations presented in this regional-level strategy document.

**Regional demand.** An assessment of housing demand at the regional level, considering an aggregation of the county-by-county assessments along with factors that operate at a broader regional scale.

**Regional production target.** An estimate of the housing volume and mix that is likely achievable over the next 10 years given current and projected funding resources, development capacity, and market opportunity.

County reports

# Housing needs assessment

## County-by-county reports

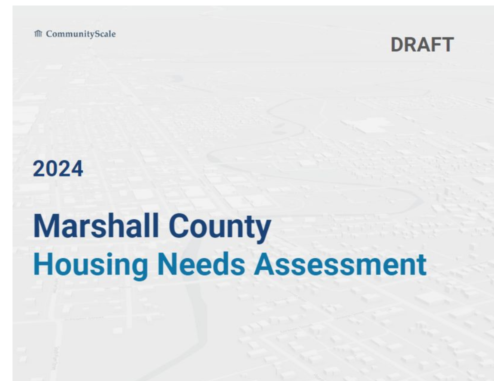
Source: CommunityScale

The Regional Housing Study includes Housing Needs Assessments for each of the region's three counties, considering need and demand as understood from within the context of each. The links at right lead to each county's report.

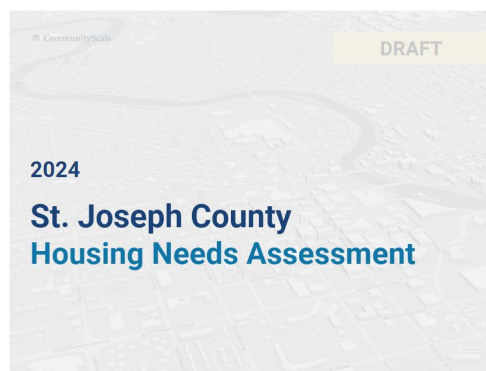
The following slides synthesize these county-level findings into a regional assessment of housing demand and recommended region-wide production targets over the next 10 years.

### County-by-county Housing Needs Assessments


Elkhart County HNA




Marshall County HNA




St. Joseph County HNA

Regional demand

# Housing needs assessment

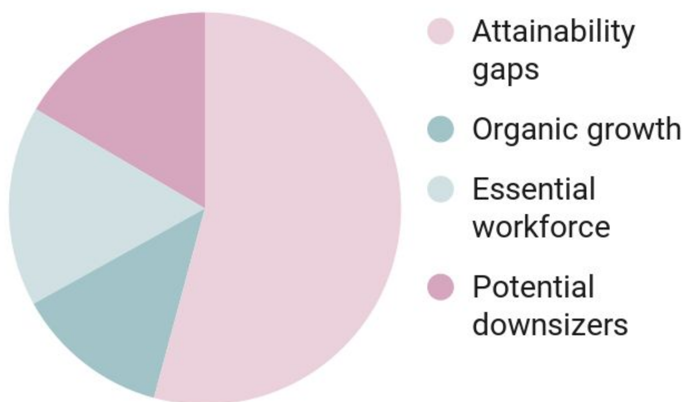
## The sources of regional housing demand

Source: CommunityScale

The Regional Housing Needs Assessment measures housing demand as derived from the following four sources:

- **Attainability gaps:** Affordable units needed to balance the costs of housing with households' ability to pay across income levels and price points.
- **Organic growth:** Units needed to accommodate projected net new households.
- **Essential workforce:** Units needed to house middle-income workers, typically 80-120% AMI.
- **Potential downsizers:** Units that accommodate the needs and preferences of empty nesters and seniors looking for smaller housing options.

### Regional housing demand by demand driver




| Demand driver | Total demand (units) |
|---|---|
| Attainability gaps | 34,080 - 42,590 |
| Organic growth | 8,010 - 10,020 |
| Essential workforce | 10,390 - 12,990 |
| Potential downsizers | 10,410 - 13,010 |
| **Total** | **62,890 - 78,610** |

### Regional demand

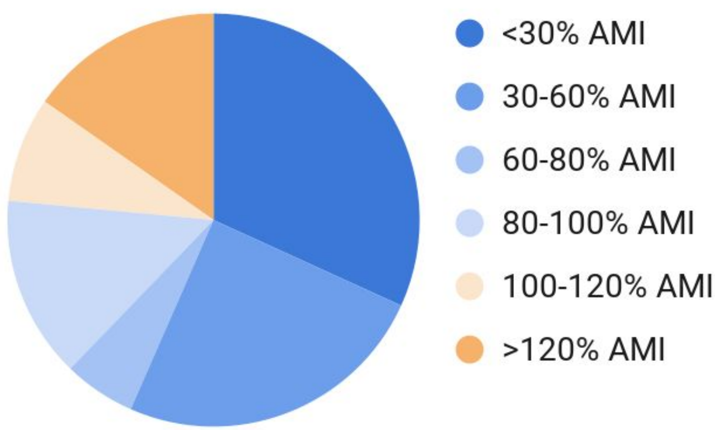
# Housing needs assessment

## Total regional demand by income based on what is needed

Source: CommunityScale

Most of the region's housing demand is driven by low-income households, especially those unable to find affordable housing under current circumstances. There is also significant demand at the higher end of the income spectrum. About one third of demand is driven by households earning between 60-120% AMI.

**Regional housing demand by income level**




| Income (AMI) | Total demand (units) |
|---|---|
| <30% | 20,000 - 24,990 |
| 30-60% | 15,590 - 19,490 |
| 60-80% | 3,550 - 4,440 |
| 80-100% | 8,970 - 11,210 |
| 100-120% | 5,180 - 6,470 |
| >120% | 9,610 - 12,010 |
| **Total** | **62,900 - 78,610** |

Regional production target

# Housing needs assessment

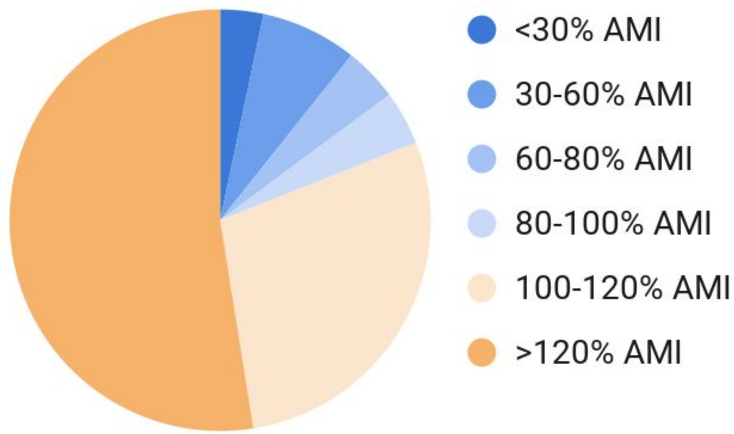
## 10-year production target by income based on what is feasible

Source: CommunityScale

Regardless of overall need or demand, only a limited number of units can realistically be built each year. The housing production target summarized at right combines the demand analysis with estimates of the practical limits of applicable subsidy programs (i.e. how many units each program typically supports each year) and development industry capacity (i.e. how many units developers have collectively proven able to produce each year) for quantities that are ambitious but also achievable.

In spite of these practical constraints, accelerated housing production is possible with strong leadership, political will, increased resources, and community support. This production target should be considered a goal that is meant to be exceeded.

### 10-year regional housing production target by income level




| Income (AMI) | Production target (units) |
|---|---|
| <30% | 480 - 600 |
| 30-60% | 1070 - 1340 |
| 60-80% | 600 - 750 |
| 80-100% | 600 - 750 |
| 100-120% | 4120 - 5,150 |
| >120% | 7,600 - 9,500 |
| **Total** | **14,470 - 18,090** |

### Regional production target

# Housing needs assessment

## Translating production targets into price points

Source: CommunityScale

The table at right translates the housing production target into units by overall monthly cost and approximate purchase price and lease rent these costs correspond with.

Monthly costs represent the maximum range households at each income level can spend on housing without becoming cost burdened (i.e. spending over 30% of their income on housing). These costs include both mortgage/rent as well as utilities, taxes, insurance and other fundamental housing expenses.

The affordable purchase price and lease rent represent the buying power each monthly cost level represents.

**10-year regional housing production target by monthly cost and price points**

| Income (AMI) | Production target (units) | Affordable monthly cost | Affordable purchase price | Affordable lease rent (per month) |
|---|---|---|---|---|
| <30% | 480 - 600 | $520 - $640 | $43,340 - $52,970 | $410 - $510 |
| 30-60% | 1070 - 1340 | $1,040 - $1,280 | $103,490 - $126,490 | $920 - $1,120 |
| 60-80% | 600 - 750 | $1,400 - $1,710 | $143,600 - $175,520 | $1,250 - $1,530 |
| 80-100% | 600 - 750 | $1,750 - $2,130 | $183,710 - $224,530 | $1,590 - $1,950 |
| 100-120% | 4120 - 5,150 | $2,100 - $2,560 | $223,700 - $273,420 | $1,930 - $2,350 |
| | 14,470 - 18,090 | | | |

Supplementing the county-by-county Housing Needs Assessment reports, this section addresses topics that affect all three counties and should be understood from a regional perspective.

# Regional context

**Regional dynamics:** Macroeconomic trends and other factors that are best understood at the regional scale, such as employment patterns, wages, federal affordable housing funding, and interstate migration.

**Barriers to development:** Issues and conditions that have been raised over the course of numerous stakeholder conversation as particularly significant impediments to housing development and affordability.

Regional dynamics

# Employment growth and household growth

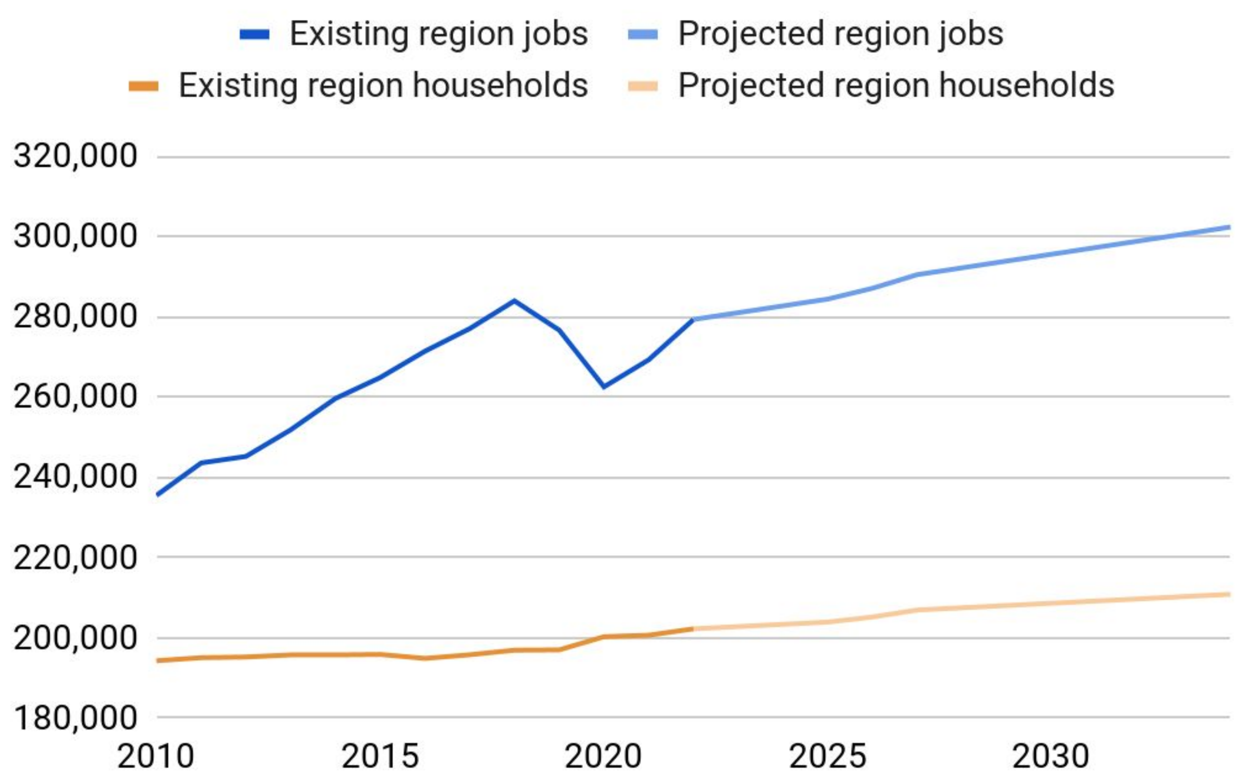
Sources: US Census, Longitudinal Employer-Household Dynamics dataset, 2021, South Bend Tribune, South Bend Chamber

Two major employers recently announced plans to open facilities in the Indiana Enterprise Center in northwest St. Joseph County which are projected to create up to 2,700 jobs:

- Amazon data center: 1,000 jobs
- GM EV battery plan: 1,700 jobs

At a rate of 0.7 households per job (the prevailing jobs-to-households ratio), these two employers could add nearly 1,900 new households to the region, likely mostly concentrated in St. Joseph County but with some impact in Marshall and Elkhart Counties as well. However, it is also possible an outsized portion of these jobs will be filled by existing residents either shifting from other, less desirable jobs or re-entering the workforce after temporary disengagement.

**Recent and projected region-wide jobs and household growth**



Regional dynamics

# Wages and ability to pay for housing

Sources: ACS 5-year, 2022

Employment and wages are a direct determinant of a household's ability to pay for housing. The table at right summarizes median wages (annual and hourly) for typical occupations in the region. These earnings are translated into AMI as well as the amount this income can afford in rent or to purchase a home without cost burden.

Given these are median wages, it should be assumed there are subsets of people earning more and less than these figures.

**52% of households in the region include multiple earners such that their household income reflects combinations of these wages.** For example, a household with a median-wage manager and a median-wage firefighter would earn 126% AMI.

**Median wages by occupation and ability to pay for housing**
(Reflects individuals' wages - many households are multiple earners combining wages)

| Occupation | Median wage | Hourly equivalent | AMI equivalent | Affordable rent | Affordable home |
|---|---|---|---|---|---|
| Management | $72,387 | $34.80 | 81% | $1,665 | $243,062 |
| Business and financial operations | $64,233 | $30.88 | 72% | $1,477 | $212,391 |
| Computer and mathematical | $71,946 | $34.59 | 81% | $1,655 | $241,403 |
| Architecture and engineering | $81,588 | $39.23 | 92% | $1,877 | $277,672 |
| Life, physical, and social science | $41,682 | $20.04 | 47% | $959 | $127,566 |
| Community and social service | $46,113 | $22.17 | 52% | $1,061 | $144,233 |
| Legal | $78,437 | $37.71 | 88% | $1,804 | $265,819 |
| Educational instruction, and library | $44,717 | $21.50 | 50% | $1,028 | $138,982 |
| Arts, design, entertainment, sports, and media | $38,572 | $18.54 | 43% | $887 | $115,868 |
| Health diagnosing and treating practitioners | $73,790 | $35.48 | 83% | $1,697 | $248,340 |
| Health technologists and | $45,921 | $22.08 | 52% | $1,056 | $143,511 |
| Healthcare support | $32,087 | $15.43 | 36% | $738 | $91,474 |
| Firefighting and prevention | $39,684 | $19.08 | 45% | $913 | $120,050 |
| Law enforcement | $66,447 | $31.95 | 75% | $1,528 | $220,719 |
| Food preparation and serving related | $13,132 | $6.31 | 15% | $302 | $20,175 |
| Building and grounds maintenance | $27,519 | $13.23 | 31% | $633 | $74,292 |
| Personal care and service | $25,310 | $12.17 | 28% | $582 | $65,983 |
| Sales and related | $33,802 | $16.25 | 38% | $777 | $97,925 |
| Office and administrative support | $37,915 | $18.23 | 43% | $872 | $113,396 |
| Farming, fishing, and forestry | $44,971 | $21.62 | 51% | $1,034 | $139,937 |
| Construction and extraction | $52,815 | $25.39 | 59% | $1,215 | $169,442 |
| Installation, maintenance, and repair | $57,954 | $27.86 | 65% | $1,333 | $188,773 |
| Production | $50,861 | $24.45 | 57% | $1,170 | $162,093 |
| Transportation | $43,830 | $21.07 | 49% | $1,008 | $135,645 |
| Material moving | $33,706 | $16.20 | 38% | $775 | $97,564 |

### Regional dynamics

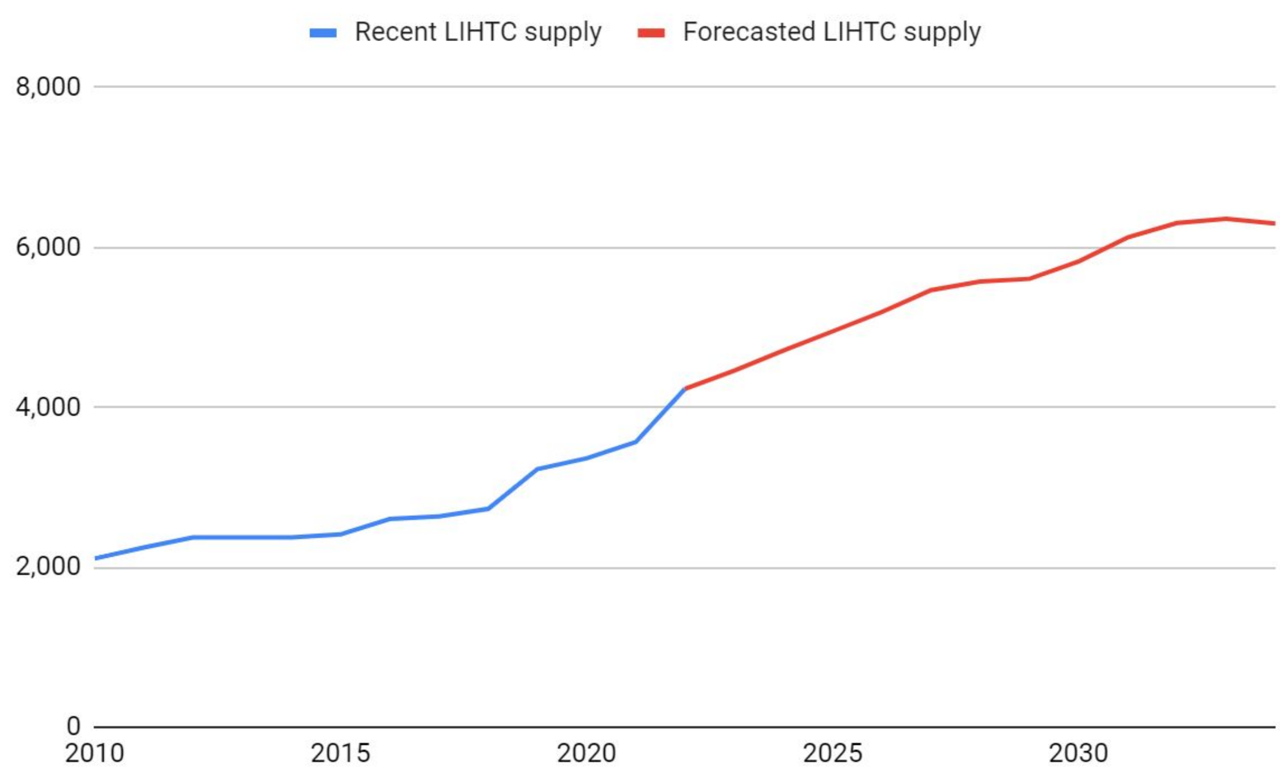
# Low Income Housing Tax Credit supply

Source: HUD's Low-Income Housing Tax Credit Database

Low Income Housing Tax Credits (LIHTC) represent one of the most prevalent and effective tools with which to deliver housing affordable to households earning 60% AMI and below. In many communities across the country, there are very few financing alternatives outside this program to provide this level of affordability.

The LIHTC supply is limited and its allocation is competitive on a state-by-state basis. The graph at right tracks LIHTC-funded units over the past 15 years and projects likely supply through 2040. The region's ability to deliver new housing at 60% AMI and below will be largely dependent on how well local developers and their partner municipalities and stakeholders can compete for an outsized share of Indiana's LIHTC allocation.

**The region's recent and projected supply of LIHTC-funded affordable housing**



Regional dynamics

# Migration

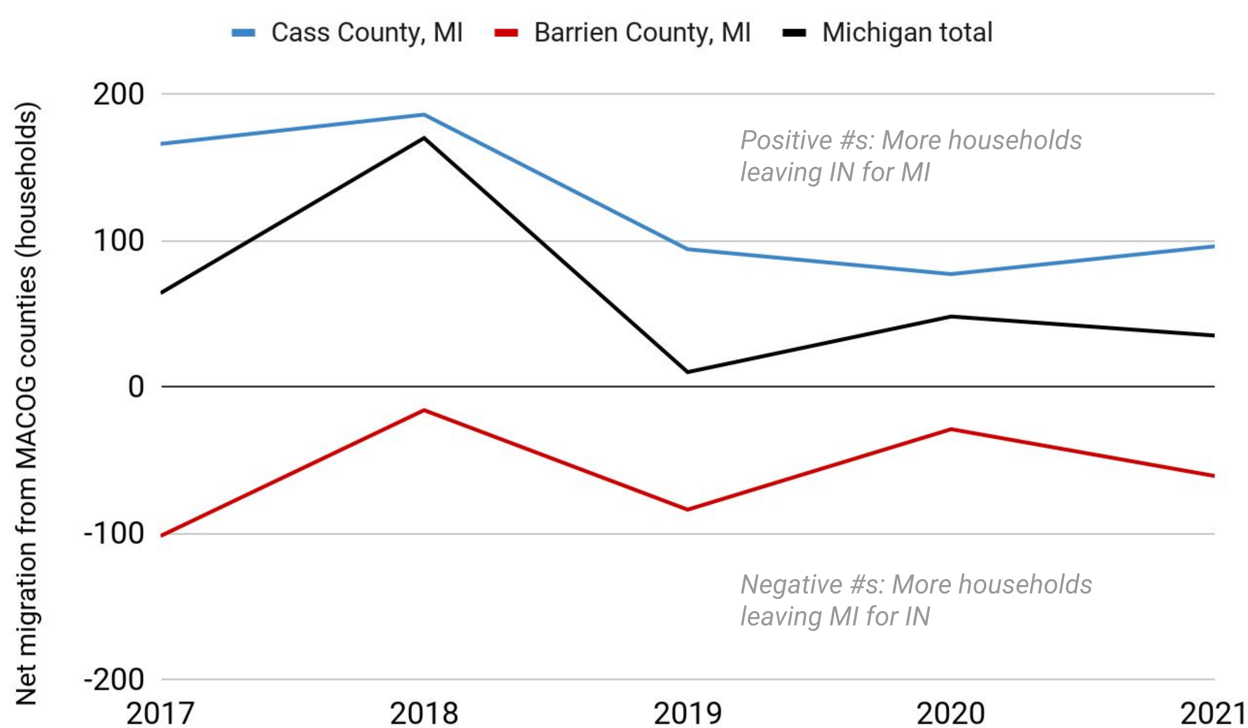
Source: IRS SOI migration data

As the region's growth extends into Michigan, there are concerns about losing population and investment out of state. Migration trends over the past several years suggest a small degree of net out-migration from St. Joseph and Elkhart Counties to Michigan, an average of 65 households per year.

However, the flows are not evenly distributed between Michigan counties. While the region nets an average annual loss of about 125 households to Cass County, MI, the region net gains about 60 from Barrien County, MI.

Overall, net out-migration to Michigan does not seem to be a significant problem for the region at present but monitoring these trends is worthwhile in case this changes in the future.

## Annual household net migration to adjacent Michigan counties



Barriers to development

# Project-scale barriers

Sources: US Census, Longitudinal Employer-Household Dynamics dataset, 2021, South Bend Tribune, South Bend Chamber

The following barriers impact developers' ability to deliver new housing development in the region:

## Development costs

Especially since the pandemic's onset, several fundamental development costs have increased substantially, making it more difficult to finance and build housing within price ranges that most can afford. For example, interest rates drive up the cost of construction and permanent loans that typically underwrite the bulk of a development's budget. Construction materials and labor costs have also risen sharply, adding costs to development projects that can only be passed on to tenants and buyers to a point before becoming too expensive to compete in the market.

## Infrastructure limitations and costs

While most community's central plants have sufficient capacity to support growth, local sewer and water distribution is often limited to areas that have already been largely built out and extending to new redevelopment districts can be very costly. Though all sides acknowledge sewer and water connections are central to unlocking new development opportunities, there is not always agreement about who can or should fund and implement the needed system extensions. Municipalities and utilities may lack the capital on hand and developers may not be able to justify the expense without compromising a project's financial feasibility.

## Labor shortage

Many developers have reported a lack of construction labor that impedes their ability to meet production goals and keep up with the opportunities in front of them. This includes both licensed and unlicensed trades. For the tradespeople that are available, their costs may be elevated and scheduling difficult given the high demand for their time and skills.

### Barriers to development

# Regulatory and structural barriers

Sources: US Census, Longitudinal Employer-Household Dynamics dataset, 2021, South Bend Tribune, South Bend Chamber

The following barriers impact developers' ability to deliver new housing development in the region:

## Public debate

From an analytical perspective, all communities in the region are experiencing some degree of housing shortage or under production relative to local need and projected demand. However, local leaders and residents may not be fully informed and/or on the same page regarding the extent of this challenge or the steps necessary to address it. For example, some may be concerned about the impacts of new development, higher density, rental housing, and other changes on the capacity of local services or the character of the local community despite a general desire for more housing. Resistance to change, disagreement about the nature of the problem, and conflict over the steps to address it can slow or prevent solutions from developing or taking effect.

## Zoning and regulations

Most of the region's housing was built years or decades ago under different market conditions than exist today. For example, zoning in many neighborhoods reflects a legacy of large homes suitable for families with children on relatively large lots. However, current trends see households shrinking and preferences shifting toward smaller units near amenities and downtowns. The minimum lot sizes, building square footages, and other massing and density parameters in force by local zoning does not always align with the housing typologies and land use patterns today's households would prefer - especially smaller units on compact lots that would more likely be affordable to middle class households and seniors.

## Infill challenges

Vacant, abandoned, and derelict (VAD) properties are a significant driver of blight and devaluation in many neighborhoods, especially (but not exclusively) in the region's larger cities. Infill development refers to the process of converting VAD and other underutilized properties into new, quality housing, often with affordability protections. Despite the large number of VAD parcels, there are several hurdles to transforming these sites. For example, significant resources are required to inventory, acquire, remediate, and reposition these sites. Developers have trouble financing small, individual projects (especially when opportunities exist elsewhere for larger, more efficient and profitable projects). Financing resources such as trust funds and land banks and are not widespread.