



Michael V. O'Brien
City Manager

CITY OF WORCESTER

cm2012oct19023136

Attachment for Item #

October 23, 2012

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

I have attached for your review and information a copy of the *Housing Market Study*, as prepared by RKG Consultants, and the *Analysis of Impediments to Affordable Housing*, as prepared by I2 Community Development Consulting, Inc. In addition, I have included a recommended *Housing Strategy*, as prepared by the Executive Office of Economic Development.

Our neighborhoods—and the variety and diversity of housing for all needs and desires—are our greatest of community-wide assets. We must preserve, protect, and enhance this asset for it defines who we are and it will define our future as well. As you know, housing as a resource is not static; it changes in needs, types, and conditions based on market demand and market forces. It is a resource that spans centuries and must adapt to an ever-changing world.

We find ourselves now at a unique juncture in time for the City is positioned well for the future with a new wave of urbanism (a re-focus on cities and city-living), strong economic development, a positive quality of life, amazing community assets, expanding mass transit options, smart growth practices, and so much more. These positive factors will assist as we begin to adapt our housing resources to meet current and future needs and desires of a growing community. We also find ourselves at a critical crossroads in history for we must strengthen and adapt this key resource at a time when the national economy is at a near standstill and as we continue to reel from the devastating impacts of the 2008-2009 market crash, “to big to fail” banking bail-outs, and the national housing market bubble burst.

The *Housing Market Study* is clear in its analysis that “physically and economically distressed properties, including vacant buildings, bank- or tax title properties” are eroding the quality of our neighborhoods. The largest concentrations of these “distressed” units are located in the five central submarkets of the East Side, Piedmont, Main South, Green Island, and Oak Hill. Our internal Property Analysis Database supports this data. The attached map produced by our enhanced database visually shows these pockets city-wide.



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These great neighborhoods have been in a delicate balance of stability for some time, and many have held their own, in large measure due to those who care and work hard to do so. The challenge is far too great now, with far too much to lose. Great work has been done and hundreds of millions of dollars have been poured into many of these distressed neighborhoods and still ground is being lost every day.

Our revitalization efforts must be undertaken in a much bolder, strategic way through unprecedented public-private partnerships – in a block by block, street by street, house by house manner. These efforts will require us to re-direct Federal, State and City resources and private dollars must be brought to bear to address entire streets at one time. We must use this opportunity to revisit our existing policies and funding priorities. We must leverage and increase homeownership and owner-occupied homes and units—from three-deckers to single family homes and all other types. We must seek mixed-incomes and diversity, and we must use all means of outreach and advertisement to present the value proposition of “three times the home for a third of the costs” with the ease of connections and convenient mass transit to the 495 Corridor East of Boston and beyond.

The goal of the attached recommended *Housing Strategy* is to ensure housing of all types for people of all incomes to ensure that Worcester remains an attractive place for everyone to call home. Its intent is to serve as a roadmap for both public and private investment. It outlines clear recommendations focused around three central themes:


1. **REDUCE, REUSE, AND RECYCLE:** This recommendation seeks to focus on eliminating blighted housing units; connecting homeowners/tenants with quality available properties; and renovating vacant or underutilized properties in poor condition into high-quality residential opportunities.
2. **CONNECT THE HOUSING AND JOB MARKETS:** This recommendation will look to incorporate private and public housing development strategies into a broader economic development plan and link the city’s existing employer/employee base to housing opportunities in the city.
3. **STABILIZE NEIGHBORHOODS NOW:** This recommendation seeks to promote homeownership opportunities, job creation, infrastructure improvements, and community needs in targeted, high-risk neighborhoods through short- and long-term goals.

The work ahead will be complex and will be most challenging. Upon adoption of a final *Housing Strategy*, we will have to move to rapid implementation. It will require a high-level working group of action-oriented individuals and organizations with the skills, abilities and desire to work side-by-side in this endeavor and to achieve real results. Those who will be front and center in this are the City Council, State/Federal Delegations, my Administration, Worcester Redevelopment Authority, neighborhood

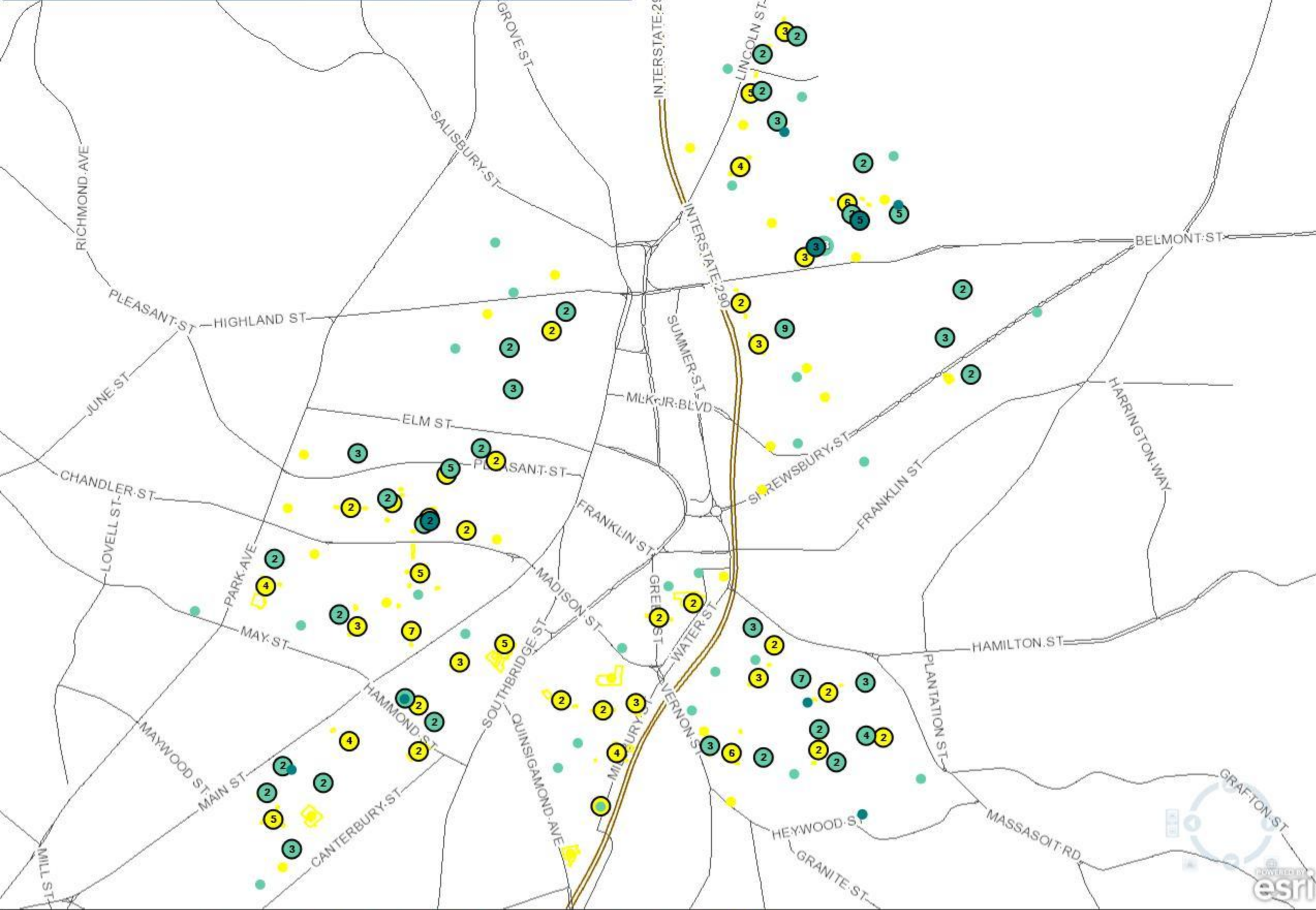
stakeholders, local lenders, private institutions, City businesses, our Worcester Technical High School, local clergy, community development corporations, local responsible investors, non-profit organizations and many, many more. We will need all hands on deck to bring back stability and quality of life to these neighborhoods. This may be the single biggest issue we face as a City and failure will not be an option. We have a rare opportunity before us to adapt through thoughtful strategies, public dialogue, and private-public partnerships.

As I foreshadowed in my annual review, I intend to focus my energies on this priority and work with and for this Honorable Body to ultimately adopt a strategy to assemble this team and to implement this strategy to stabilize and begin to adapt our housing resources for the next 100 years.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael V. O'Brien", with a long horizontal flourish extending to the right.

Michael V. O'Brien
City Manager



City of Worcester Housing Strategy – Recommendations

October 2012

Prepared by the Executive Office of Economic Development



Introduction

The nearly 75,000 housing units in the City of Worcester, Massachusetts, house more than 181,000 residents. These homes are not just places to sleep, but places to live, learn, work, play, and dream. An economically diverse city, Worcester offers broad opportunity to make a life in a busy neighborhood center or on a quiet side street. Every day, individuals choose Worcester or choose to remain in Worcester based on its high quality of life, which includes job opportunities, cultural and recreational assets, public services, schools, and the relatively low cost of housing. Choice is key but the loss of any one of these amenities may cause a potential resident or an existing resident to turn to another community to find these necessary ingredients. The following recommendations for the *City of Worcester Housing Strategy* are designed to explore the role of housing in the broader Worcester marketplace.

The *City of Worcester Housing Strategy* draws on data and experience within Worcester's housing market to craft recommendations for a city-wide housing plan along with a framework for implementation. While focused on the role of the City, this *Housing Strategy* should serve as a roadmap for private investment as well. A comprehensive housing solution must provide housing of all types for all incomes to ensure that Worcester remains an attractive place for everyone to call home. Much of the public discussion will center on governmentally assisted housing programs, usually resulting in units or properties that incorporate a restriction on the deed to ensure income-eligible households are assisted. We must clearly recognize that Worcester must have a wide range of high-quality, attractive housing options that remain appropriately affordable for those of all income levels.

The City's Executive Office of Economic Development advanced this *Housing Strategy* as a means to reconsider existing policies and programs based on new market data and understanding. Worcester's current housing policies are founded on data presented in a housing study completed in 2002. In the intervening years, significant economic instability and regional socioeconomic changes have impacted Worcester's housing market. The City has worked to keep pace with these changes through such strategic efforts as the *S.A.V.E Our Neighborhoods Plan* and the *Three-Year Plan to End Homelessness*. The economic downturn of the last few years, and important shifts in regional socioeconomic trends, undoubtedly call for an update of Worcester's housing data and a restructuring of Worcester's housing policies.

“The goal of this recommended Housing Strategy is to promote a mix of housing of all types for people of all incomes to ensure that Worcester remains an attractive place for everyone to call home. Its intent is to serve as a roadmap for both public and private investment.”



The City's Executive Office of Economic Development completed the attached *Housing Market Study*, with the assistance of RKG Associates, Inc., I2 Community Development Consulting, Inc., and Raquel Kennedy Consulting, LLC. The *Housing Market Study* reviews local and regional changes in socioeconomic and housing market conditions, and provides an assessment of housing needs and future housing demand. Finally, I2 Community Development Consulting, Inc., also conducted an *Analysis of Impediments to Fair Housing Report* to inform and promote the City's efforts to ensure fair access to safe housing for all.

Based on this data and an understanding of the marketplace, the City's Executive Office of Economic Development has formulated the following recommendations for a city-wide *Housing Strategy*.

Determining Housing Need

Housing need can be defined many ways, as outlined in the attached *Housing Market Study*. The affordability of various housing products is dependent on household income. It is commonly accepted that housing costs should not exceed 30% of a household's gross income, and most government housing programs are structured around that concept.

Area Median Income – Federal housing assistance programs are based on area median income (AMI), with most programs targeting those households earning below 80% of AMI. In Worcester, it is estimated that approximately 33,600 households would qualify for income-based housing in Worcester, which represented 49% of all households in 2010. This was not surprising since the median household income in Worcester was 42% lower than the Area Median Income (AMI). The "Area" of AMI includes surrounding higher-income communities, and since the cost of housing in Worcester is lower than the cost of housing in the surrounding higher-income communities, AMI is not necessarily an accurate determination of true housing need in the city.

Poverty – Poverty, rightfully, is often used to indicate individuals or families in need. In Worcester, 18.5% (12,500) of households are below the poverty line. The national average is 15%. In 2011, 9,591 or 12.9% of Worcester's housing units were deed-restricted, income-based housing. An additional 2,500 households in Worcester held Section 8 certificates. Combined, 12,091 households could be accommodated in income-based housing in Worcester. Using poverty as a measurement, one could fairly suggest that 97% of Worcester's housing need has been met by existing subsidy programs. Similar to AMI, utilizing this measurement alone does not necessarily provide an accurate determination of true housing need in the city.

Housing Burden – Unlike the above measures of housing need, housing burden does not focus on total income, but instead focuses on the percentage of income dedicated to housing costs. A city-wide comparison of incomes and housing costs indicates that nearly half of Worcester's households pay more than 30% of incomes for housing costs.

As discussed in the attached *Housing Market Study*, future housing demand over the next five years will be driven primarily by turnover (35,000 households) as compared to household growth (420 households), similar to the trends over the last decade. Much of the turnover will be in the rental market, with nearly 55% coming from low-income households (those earning less than

\$35,000 per year). Yet low-income renters are also forecasted to decline over the next five years. Young professionals (less than 35) and aging baby-boomers (age 55+) represent one-third of future housing demand. According to the *Housing Market Study*, the City should maintain between 9,000 and 9,600 income-based housing units over the next five years, although later in this *Housing Strategy* we will recommend the need for regional approaches to income-based housing.

Understanding Housing Supply

A review of Worcester's population through a number of metrics indicates that the population is likely to remain relatively stable over the next five years. The City of Worcester had 74,380 housing units in 2010, having gained nearly 4,000 units since 2000. 44.5% of these units were owner-occupied, marginally higher than the 43.3% in 1990. The regional owner-occupancy rate was 79.6% in 2010. Single-family homes are the most common housing type at nearly 35% of the total residential units. Worcester's city-wide vacancy rate of 8.1% (or approximately 6,000 units) in 2010 was between 3% and 5% above a so-called "balanced" vacancy rate.¹ Older, physically and economically distressed units suffered the most in terms of high vacancy, an important fact when considering that 52% of Worcester's housing stock was built before 1940 and 78% was built before 1980. The homeownership market has stagnated due to housing production in the 2000s and slower household growth, combined with the more recent economic slow-down. Unlike the homeownership market, which struggled over the last five years, the rental market has strengthened during this same time with declining vacancies and increasing rates.

A comprehensive approach to the housing needs of a community requires addressing both supply and demand. A focus on supply includes a housing approach that provides a variety of quality housing units geared toward diverse interests, needs, and incomes. A focus on demand includes an approach that ensures that individuals or families can access the resources to choose appropriate housing. The goal would be to identify and integrate housing policies and programs that address both approaches.

The following recommendations are designed to accomplish the following goals:

1. Respond to the current housing market in the context of a national recession, mortgage foreclosure crisis, and high unemployment.
2. Manage limited public resources, while leveraging targeted public investment
3. Strengthen policies based in research, analysis, planning, and community participation.
4. Improve coordination between local, State and Federal housing policies and programs.
5. Integrate housing as a central component in broader economic development and neighborhood revitalization plans.

¹ A vacancy rate at which new units can be absorbed by new growth in the population.

The *Housing Strategy* is divided into three parts:

1. **REDUCE, REUSE, AND RECYCLE:** This recommendation will seek to focus on eliminating blighted housing units; connecting homeowners/tenants with quality available properties; and renovating vacant or underutilized properties in poor condition into high-quality residential opportunities.
2. **CONNECT THE HOUSING AND JOB MARKETS:** This recommendation will look to incorporate private and public housing development strategies into a broader economic development plan and link the city's existing employer/employee base to housing opportunities in the city.
3. **STABILIZE NEIGHBORHOODS NOW:** This recommendation seeks to promote homeownership opportunities, job creation, infrastructure improvements, and community needs in targeted, high-risk neighborhoods through short- and long-term goals.

Recommendations and Action Items

I. REDUCE, REUSE, AND RECYCLE

- Eliminate dangerous properties and reduce the supply of dilapidated and vacant housing that in turn creates blight, crime, and leads to overall neighborhood decline.
- Develop new and re-structure existing programs to help families and individuals secure appropriate types of available housing to accommodate their household needs.
- Develop new and re-structure existing programs to facilitate responsible, affordable, and sustainable homeownership opportunities.
- Focus funding and programming on the renovation and rehabilitation of existing stock, preferably vacant, under-utilized or bank-owned versus construction of new housing units.

REDUCE

According to the *Housing Market Study*, “one indicator of potential problems within a housing market are the number and type of physically or economically distressed properties which are referred to as *properties in transition*. They have been grouped into three categories, including vacant buildings, bank- or tax title properties, and parcels with unpaid real estate taxes, either from FY2010 or prior years. These categories are mutually exclusive of one another.”

The study indicates that there were a total of 2,048 properties *in transition*, the largest portion (1,285) related to unpaid taxes of which, 20% (280) were vacant land. The remainder included

387 vacant buildings and 376 properties either bank-owned or tax title. The largest concentrations of distressed housing units are located in the five central submarkets of the East Side, Piedmont, Main South, Green Island, and Oak Hill. By unit count, the most distressed properties are located in the Main South (197), Piedmont (172), Oak Hill (170), and East Side (150) neighborhoods.

We know from our in-house Property Analysis Database that a number of these properties have fallen into dangerous disrepair and as a result now pose public safety issues in and around neighborhoods. We also know from experience that even one vacant property has the potential to erode a street of relatively stable homes (also known as the Broken Window Theory). Therefore, we recommend the following action items to eliminate dangerous properties and reduce the supply of dilapidated and vacant housing that in turn creates blight, crime, and leads to overall neighborhood decline.

RECOMMENDED ACTIONS
1. Identify and map neighborhoods with high concentrations of “distressed housing” – house by house, street by street – with a focus on housing in “poor” and “very poor” condition.
2. Engage property owners (identified through M.G.L. 139 process), community-based corporations, neighborhood-based institutions, potential investors/developers, financial institutions, and others to identify financially feasible preferred re-use/ re-development, or reduction, scenarios for vacant properties.
3. Develop a city-wide plan with specific action items for each distressed property (e.g., maintenance, redevelopment, selective demolition, community garden/open space, parking, etc.). Engage financial institutions, education and corporate partners, neighborhood stakeholders, residents, and community-based organizations in the development and the execution of the plan.
4. Create an interim management program of vacant, abandoned, or foreclosed properties (e.g., receivership, Foreclosure Ordinance) to assist in the acquisition and management of these properties. This program should include funding to assist with board-ups, and monitoring of these properties.

REUSE

Worcester’s year-round housing supply totaled approximately 74,380 units in 2010. About 6,000 units were identified as vacant by the Census Bureau but roughly one-third of those were classified as “other vacant” indicating they were related to dormitory housing for area colleges or were kept off the market for other reasons. According to the *Housing Market Study*, “vacant housing increased by 2,340 units over the last decade, resulting in a vacancy rate of 8.1% in 2010 versus 5.2% in 2000. In essence, over the last decade new household growth was sufficient to occupy only 40% of the housing created with the remaining 60% representing excess market supply.” The city-wide vacancy rate of 8.1% in 2010 was approximately double what is

typically considered a “balanced” vacancy rate. The increase in vacancy since 2000 was due to slower household growth in relationship to faster housing production/ conversion. This indicates that there is a supply of housing options that are in need of owners and/or tenants. The study also notes that older, physically distressed housing was the predominant cause of the higher vacancies. While foreclosures have contributed to vacancy, the study indicates that newer units are more desirable than distressed properties.



The combination of higher income, down payment, and credit score requirements has placed homeownership out of reach for many capable homeowners. Despite the fact that home sale prices have declined making homeownership potentially more affordable, income levels in Worcester have not kept pace with housing costs. Sales prices in Worcester averaged \$204,000 in 2010. The median income level of \$45,940 means that a resident potentially could afford a home/unit priced between \$145,000 and \$195,000, based on the 30% of gross income calculation (*see attached report for detail*). Two-family or three-family ownership remains an option due to the additional income generated by the properties; however the benefits of this option are often outweighed by the headaches sometimes associated with tenant management issues. The data indicates that the rental equation is much more favorable for many, but with that said, the data also suggests that owner-occupied rental properties lead to greater neighborhood stability. Absentee landlords who own multi-family properties may be less inclined to invest in

housing maintenance beyond that which is required to keep the property viable within the existing rental market.

The data also states that “many units are apparently being kept off the market by owners of multifamily dwellings to avoid factors such as strong tenancy laws, decline of desirable renters, capital costs to bring units up to code, or general disinterest in being landlords. The vacant units also include a supply of bank-foreclosed properties that have yet to be made available for sale or rent. The City remains predominantly a rental market with homeownership increasing only marginally although vacancy remains tight at 2.3%.”

Given that the data suggests that a supply of housing options are available, it is incumbent upon us to ensure that we are connecting residents to the appropriate type of available housing based on their needs, financing options and resources. Local, State, and Federal government and quasi-public authorities, the Worcester Housing Authority, community development corporations,

property owners, financial institutions, and the real estate community should consider the role each could play in a broad-based effort to connect residents to appropriate housing opportunities.

We recommend the following actions to develop new and re-structure existing programs to help families and individuals secure the appropriate type of available housing to accommodate their household needs. These efforts must also include plans to address those at-risk of losing their homes due to foreclosure and to facilitate responsible, affordable and sustainable homeownership or tenancy opportunities.

RECOMMENDED ACTIONS
1. Strengthen existing pre-purchase and post-purchase education/counseling programs and foreclosure prevention programs for potential homeowners and tenants. This should include in-depth review of household needs, resources, financial literacy, and available housing options.
2. Identify incentives for individuals and families who purchase and rehabilitate vacant and/or foreclosed properties. For example, commit additional resources for down-payment assistance and rehabilitation assistance for vacant/ foreclosed properties.
3. Explore Rent-to-Own Programs for vacant unsold properties.
4. Explore emergency mortgage assistance program models that include counseling and direct lending services to prevent foreclosure.
5. Establish a property manager/tenant-based rental program that reduces the barriers to entry for qualified renters (e.g., property management education/counseling/ assistance).
6. Establish a purchase and refinancing program for property owners at risk of losing their home to foreclosure (example: <i>Boston Community Capital's SUN model</i>).

RECYCLE

The *Housing Market Study* indicates that only 22% of the City’s housing supply was developed after 1980 ... “this relatively old stock has a high potential need for investment in maintenance, repair and upgrade to maintain value and marketability. Anecdotal evidence suggests a widely varying degree of deferred maintenance and, in some cases, significant deterioration of this older housing stock.” Based on the data, it is estimated that a capital investment of approximately \$120 million is required to bring the more than 5,676 units characterized in “below average” condition to a basic minimal quality. In addition, the foreclosure crisis continues to add to the housing supply as stated earlier.

We recommend that housing programs funded by the City should focus on the renovation and rehabilitation of existing units in below average condition. The City should also only fund new construction projects if the developer had prior City and State funding commitments or the specific property is deemed significant to broader neighborhood and economic goals.

RECOMMENDED ACTIONS

1. Develop a program for rehabilitation and renovation of the existing housing supply to address code and maintenance issues and promote environmental improvements to lower annual energy costs. The program should focus on properties owned by income-eligible individuals, with a focus on properties constructed before 1940.
2. Restructure existing Federally funded programs (i.e., HOME, CDBG) to focus on home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers.
3. Develop a Healthy Homes program and commit annual funding to support low- and moderate-income residents for core systems such as heating, roof repair, insulation, electrical, and plumbing.

2. CONNECTING THE HOUSING AND JOB MARKETS

The housing and job markets are inextricably intertwined. Local employment is a major driver of demand for local housing. The Worcester Metropolitan Statistical Area has been recognized in a number of national studies for its strong job market and job growth. Worcester boasts major public and private employers, with nearly 100,000 jobs located within the City. Education and healthcare services, which equate to nearly 42% of Worcester's job base, is among the fastest growing sectors nationally. Jobs within this sector traditionally offer higher wages, and Worcester's wage rate is very competitive with the state's overall average for these professions. Over the last ten years, that sector has accounted for over 5,600 new jobs within the City of Worcester. Unfortunately, the data suggests that many of those employed in higher-income jobs within Worcester call neighboring communities home.



The *Housing Market Study* identifies young professional housing (age 35 or younger) and aging baby boomers (age 55 or older) housing as potential opportunities for the city. One-third of future demand will be young professionals with the remaining two-thirds from baby boomers. Forecasted household growth indicates a need of 1,500 ownership units over the next five years, with much occurring at upper income levels that are able to support units valued at \$300,000 or more.

The *Housing Market Study* also highlights that Chapter 40B, one of the Commonwealth's most important housing programs, encourages each community to reach a 10% threshold for income-based deed-restricted units, with certain zoning incentives allowed to those developers proposing

affordable housing in communities below the 10% threshold. According to the data, the City of Worcester has maintained a 13% income-based housing supply over the last 20 years—three times higher than the region’s rate of 4.3%.

We recommend the following action items to improve the connection between those employees who work in the city to opportunities for living in the city.

RECOMMENDED ACTIONS
1. Design a program for local businesses that encourages residency/ homeownership for local employees. This effort should be spearheaded by the Chamber of Commerce and should initially target the education and health care sectors.
2. Consider “niche” markets (e.g., Downtown) for housing development and structure incentives accordingly, similar to concepts mentioned in so-called Philadelphia Plan.
3. Design a program for new employers to work with the Workforce Central Career Center to make Worcester residents aware of and competitive for new jobs. Restructure the City’s economic development incentives to encourage new employers to undertake stronger efforts to make new permanent jobs available to Worcester residents.
4. Promote new training programs to support expanding industries in Worcester. The Central Massachusetts Workforce Investment Board (CMWIB), in conjunction with State and Federal partners, should develop a policy document indicating growing industries and job needs. This policy should also identify resources, including Worcester Technical High School, for training or retraining Worcester residents for those jobs.
5. Encourage housing development around transit-oriented job centers, such as the downtown and along commercial corridors. This housing should be compatible with business activity and support economic growth.
6. Support industrial job growth in such areas as Worcester Regional Airport and the Pullman Street Industrial Park.
7. Encourage a mix of income-based and market-rate units throughout the city’s neighborhoods by funding projects at least 50-50%, with preference given to a higher percentage market-rate.
8. Initiate a regional discussion of the State’s affordable housing policies and fair share for income-based, deed-restricted units.

3. **STABILIZE NEIGHBORHOODS NOW**

The data is clear in that we are well aware of pockets of the city that require immediate action. Without a stabilization plan, we will lose these neighborhoods to crime and blight. One of the most effective housing strategies available to assist in stabilizing neighborhoods is raising the number of owner-occupied housing units. Homeownership has many positive impacts including stability for a family or individual, Federal tax benefits, and the opportunity to build assets. Homeownership done wrong can lead to financial ruin and long-lasting credit problems. Identifying and supporting responsible homeownership is an important part of neighborhood stabilization efforts. Neighborhood stability must be a primary focus of local government. Therefore, we recommend the following actions to increase responsible, affordable, and sustainable homeownership opportunities in high risk areas.



RECOMMENDED ACTIONS

1. Develop a program that provides incentives to city employees, especially public safety professionals, to purchase and rehabilitate two- or three-family units in targeted areas with an owner-occupied requirement.
2. Develop a targeted neighborhood revitalization plan for these areas that incorporates public safety needs, infrastructure improvements, the rehabilitation of mixed-income housing, initiatives to support business, and job creation activities. Build-off of the successes of previous successful programs, such as neighborhood sweeps and the *S.A.V.E. our Neighborhoods Plan*.
3. Consider a Rent-to-Own Program for tenants living in properties with absentee landlords.
4. Restructure Community Development Block Grant funding to target these neighborhood-based priorities.


#

FINAL REPORT

**HOUSING MARKET STUDY
CITY OF WORCESTER, MASSACHUSETTS**

OCTOBER 2012

Executive Office of
Economic Development
City of Worcester, MA



Developed with the assistance of:

RKG Associates, Inc.

In conjunction with:

12 Community Development Consulting, Inc., and

Raquel Kennedy Consulting, LLC




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I. INTRODUCTION

A. Purpose

This document presents a housing market analysis for the City of Worcester. The purpose of this study is to analyze current and projected housing supply and demand conditions, as well as provide an analysis of impediments to fair housing as a basis to inform considerations for long-term housing policies within the City. The report is an update to a similar study that was completed for the City in 2002 by RKG. This report was developed by the consultant team of RKG Associates, Inc. in conjunction with I2 Community Development Consulting, Inc. and Raquel Kennedy Consulting, LLC. The report was then updated by the City of Worcester, Executive Office of Economic Development with the assistance of the City's Assessing Office to include the data from the City's 2011 triennial property assessment.

The report is comprised of three component documents. The first is this market analysis report which presents an executive summary of findings and recommended actions, as well as a complete discussion of changes in key housing market indicators over the last two decades. In addition, two appendix documents, which are under separate cover, were also completed as follows.

- Appendix A – Detailed Statistical Summary of Socioeconomic and Housing Indicators for the City and its 15 submarkets
- Appendix B – An Analysis and Documentation of the Impediments to Fair Housing in the City of Worcester

By separating the report in this way, it facilitates appropriate distribution of relevant information to various audiences, such as city representatives, housing related organizations, and other interested parties, without necessitating the distribution of a cumbersome large document with information that may not be pertinent to particular audiences. Conversely, the entire report provides a wealth of information for housing professionals, developers, and others directly involved in the City's housing market who rely on such data to make informed decisions.

As noted above, a primary goal of this report is to inform readers of significant trends related to the City's housing market in order to inform future policy decisions and actions. Based on the findings presented in this report, some of the policy-related questions that will need to be considered by the City include the following.

1. How will the relative lack of future population growth affect the City's current housing policies?
2. What does the net loss in jobs and the shift from production-based employment to service-based employment mean for the City's housing policy?
3. Should the City seek to increase its rate of home-ownership, and if so, how?
4. How have trends in housing production changed the City's housing landscape over time? What should the City do, if anything, to address the most recent decline?

5. What is the significance of the City’s relatively low sale values from a policy perspective?
6. What do the City’s relatively low rents and relatively high vacancy rates imply about demand for rental units? In what ways should the City address this issue?
7. How should the City strategically address its physically and financially distressed properties that are in transition?
8. In what ways do the City’s outlying neighborhoods differ from its more urban ones? How might this influence the way in which policy is applied? In which cases should policy be “neighborhood specific” rather than “City specific”? (see Appendix A)
9. What are some ways the City should seek to maintain and improve the suggested supply of income-subsidized housing?

To the extent possible, given available data and parameters of the project scope, recommended actions to address a number of these questions are presented in this document. Others will require further consideration by residents, elected officials and professional staff as they evaluate the efficacy of the City’s existing housing policies and consider future actions to promote its housing goals and economic development strategy.

In the Executive Summary of this report a number of citations to relevant research related to housing and economic conditions in the Greater Boston area, as well as throughout the country, have been included as a supplement the consultant’s analysis. These references are intended to help frame the City’s policy and program considerations within the broader context of regional and national housing dynamics.

B. Methodology

Data Analysis

A variety of population, economic, and housing data were gathered and analyzed to complete this report. Most were comprised of secondary data compiled by various local, state, and federal organizations, as well as private entities that track relevant population and housing indicators in time-series data. The primary sources include the following.

- The U.S. Census Bureau
- DemographicsNow
- Massachusetts Executive Office of Labor and Workforce Development
- Massachusetts Department of Elementary and Secondary Education

The Census Bureau data was used to characterize changes from 1990 to 2000 and 2010. However, since the full results of the 2010 Census had not been released at the time this report was prepared, data from the 2009 American Community Survey (ACS) was used as a representative alternative. Projections for the year 2015 were provided by DemographicsNow, a national demographic modeling firm and data provider. DemographicsNow bases its projections on current estimates and historical trends. The Massachusetts Department of Elementary and Secondary Education (ESE) provided information on enrollment and standardized test achievement data. The Massachusetts Executive Office of Labor and Workforce Development (EOLWD) provided employment figures and historical unemployment rates.

For the housing market component of this report, much information was gathered from the City’s property assessment records, as well as other private sources that compiled annual information about the real estate market¹. Some of the key indicators that are presented in the report include tax base characteristics, housing sales prices and rental rates, and annual residential construction and development trends. In addition, *properties in transition* were also examined which include vacant buildings, bank-owned foreclosure properties, city-owned tax title properties, as well as residential properties with outstanding tax balances.

The report concludes with an estimate of future demand for market-rate and low income housing which is based on household growth projections, planned housing construction, and the existing supply of income-based (subsidized) housing in the City. This analysis will serve to identify any shortfall (or excess) within the existing housing supply and also help city officials and housing developers determine potential need over the next five years. This analysis of supply and demand included the following components.

1. An affordability analysis that matches ranges of income levels to ranges of housing values or rents
2. An estimation of the number of households that could potentially qualify for income-based housing which included a review of local and regional poverty statistics, as well as a quantification of households with high housing cost burdens
3. An analysis of affordable, income-based housing (Chapter 40B) development trends in Worcester and the Region. This included a review of “expiring” units’ affordability restrictions, as well as a survey of the supply of Section 8 tenant and current waiting list information for public housing.

Public Input

To support the analytical approach described above, a public outreach effort was also conducted in order to provide a “real-world” perspective in addition to the statistical findings. This involved facilitating an *immersion day* with a variety of stakeholder entities that are involved with providing housing, or housing related services, within the City. These focus groups included the following.

- Community Development Corporations (CDC)
- Worcester Housing Authority
- University/college representatives
- Social service agencies
- Real estate brokers and housing developers
- City staff

¹ Note regarding changes to assessment data. During the course of preparing this report, adjustments were made to the City’s assessment values as part of its triennial revaluation of all properties. The state process of certifying this data took six months longer than expected which precluded the updated valuation information from being included in this report’s analysis. Therefore, any subsequent analysis of the revised assessment database is likely to vary to some degree, if compared to the summary tables and charts presented in this report.

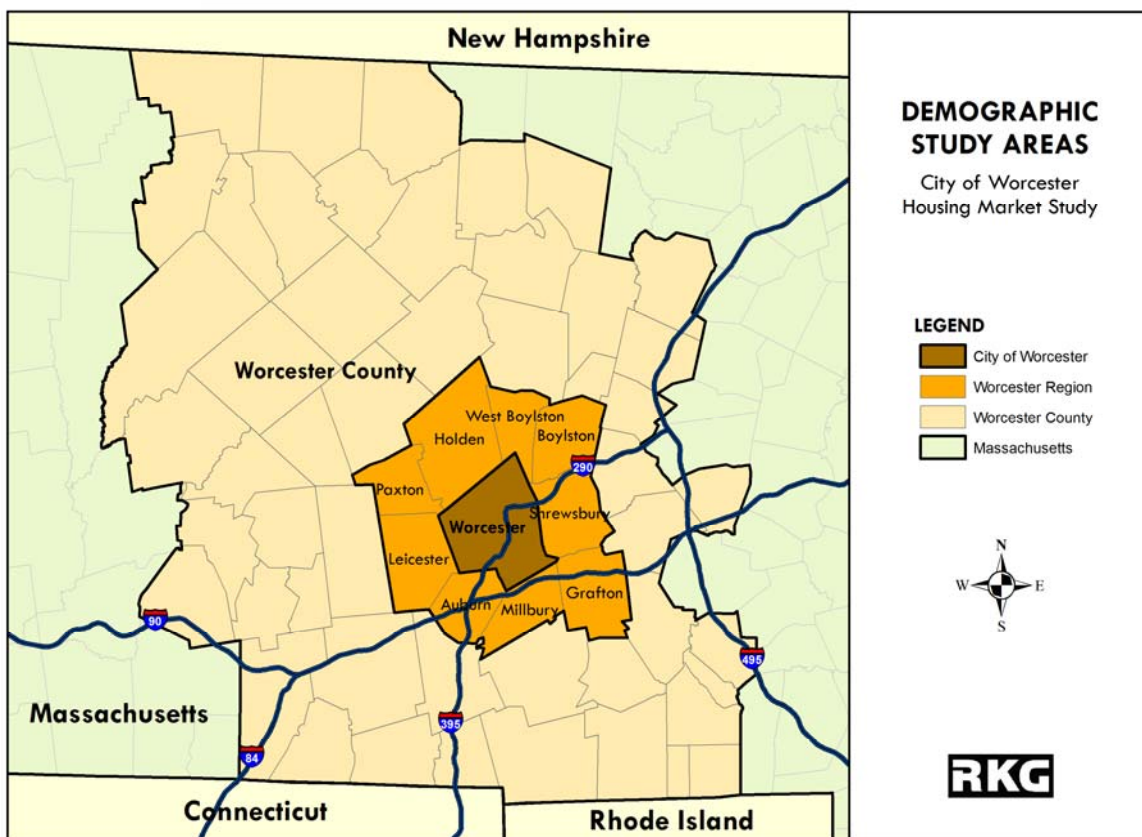
Each of these groups were surveyed to obtain their perspective on the issues that presently confront the City with regard to providing adequate housing, as well as recommendations on what resources, actions, and policies merit future consideration. Some of these opinions and observations are presented throughout the report but a summary of the comments obtained from the focus group sessions are presented in the appendix.

Study Area Definitions

Housing supply and demand indicators were analyzed for the City of Worcester, as well as several larger study areas that encompass the City. Use of these regional areas for comparative purposes helps provide a broader perspective on changes that have occurred within the City's population and housing market. The three additional study areas are illustrated on Map I-1 and include the following:

- The Worcester Region (includes the nine towns of Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Paxton, Shrewsbury, and West Boylston);
- Worcester County; and
- The Commonwealth of Massachusetts

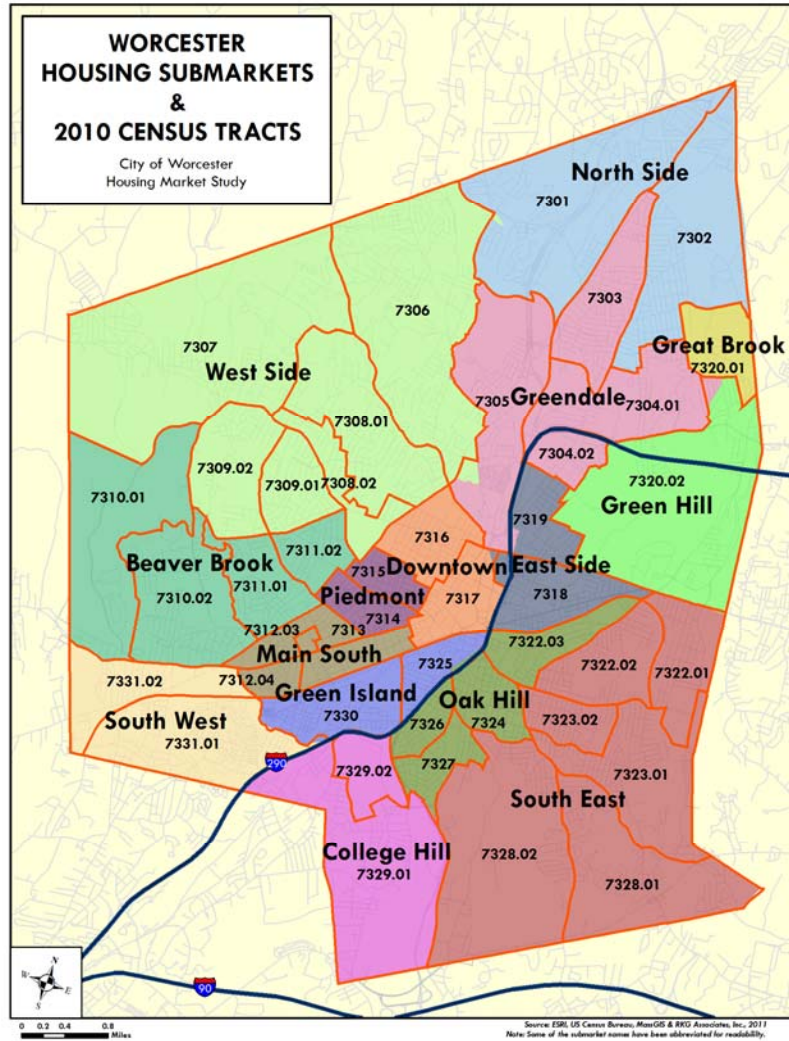
Map I-1



In addition to the regional analysis, a more detailed assessment of socioeconomic and housing conditions were also compiled at the sub-city level. This was accomplished by

dividing the City into fifteen *submarket* areas, which are shown on Map I-2. This submarket analysis describes the dynamics of individual sections of Worcester both in terms of demographics and real estate conditions. These submarkets were defined based on Census tracts used by the Census Bureau to aggregate the data it collects at a localized level. As defined by the Census Bureau, census tracts are small, relatively permanent statistical subdivisions of a county delineated with the primary purpose of providing a stable set of geographic units for the presentation of decennial census data. Census tracts generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people. When first delineated, census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions. The spatial size of census tracts varies widely depending on the density of settlement. Although census tract boundaries are delineated with the intention of being maintained over many decades, physical changes in street patterns caused by highway construction, new developments, and so forth, may require occasional boundary revisions. In addition, census tracts occasionally are split due to population growth or combined as a result of substantial population decline. Worcester's 2010 Census tract boundaries did undergo some splitting of the 2000 Census tract boundaries, however, the new boundaries were aggregated so that the neighborhood submarkets are the same for this analysis as those used in the 2002 *Housing Market Analysis* completed for the City. Findings from the submarket analysis are highlighted throughout this report. However, as noted above, a complete and detailed summary of all data collected is contained in Appendix A of this report.

Map I-2



II. EXECUTIVE SUMMARY OF MAJOR FINDINGS AND RECOMMENDED ACTIONS

Socioeconomic Conditions

The City of Worcester is New England's second largest city with a 2010 population of 181,045. It can be characterized as a relatively young and diverse city with a stable population and relatively small households (Worcester's 2010 average household size was 2.46, about 5% lower than the surrounding region). Household incomes in Worcester are relatively low compared to the state and region and the employment base is shifting away from a manufacturing and industrially-based economy towards a service and knowledge-based economy. The City has also experienced higher unemployment than the other study areas. These conditions are typical for many of Massachusetts' "Gateway Cities", former centers of manufacturing activity located outside of the Greater Boston area such as Lowell, Springfield, Brockton, and Fall River.

While the overall number of people is expected to remain stable over the next five years, changes in the age makeup of the City have occurred. These changes include a loss of younger adults as well as gains in the number of aging residents entering their near-retirement and retirement years. These trends are generally occurring across all study areas examined in this analysis, indicating that they are also being felt statewide. These trends reflect the migration of young residents in search of jobs and affordable housing in response to challenges presented by the current economic climate.

The City's median household income has remained consistently lower than the other regions examined since 1990, a trend expected to continue through 2015. Furthermore, the City's median income has barely kept pace with inflation over the last two decades. For example, the City's actual median household income increased from approximately \$35,700 to \$46,000 between 2000 and 2010, a 28.7% growth rate. However, after adjusting for inflation, the City's real income change actually increased by less than 1%. In contrast, incomes in the Worcester Region had a 7.2% change in adjusted income while Worcester County's grew more moderately at 3.9% and the state's declined by 0.3%. Although the City has experienced gains in the number of higher income households over the past two decades, there remains a relatively large proportion of households with relatively low incomes. This information indicates, from a broad perspective, that the City's households tend to be more susceptible to inflationary changes and have been less likely to benefit from growth in the regional economy, which is evident in Worcester's neighboring communities. The relative affluence of the surrounding region may help support future housing growth in Worcester.

The City of Worcester is more ethnically diverse than the other study areas with particularly notable growth occurring in the City's black and Hispanic populations over the past decade. In contrast, the number of white residents declined from about 148,000 to about 125,700 between 1990 and 2010, representing a reduction from 87% to 69% of the total population.

This decrease is about twice as great as what occurred in other study areas. The City's other racial minorities (American Indian or Alaska Native and Asian or Pacific Islander) also increased as a percentage of total population but still represent only a minor component of the population. Overall, this trend suggests that the City is a more attractive location for a variety of ethnic groups who continue to migrate to urban areas in search of economic opportunities and affordable housing.

Poverty data indicate that Worcester experienced an 11% increase in households (1,250) below the poverty level over the last decade despite citywide efforts to address this issue. Conversely, the Region had a 7% decline in households below the poverty level. This data suggests that increases in Worcester households below the poverty level was due both to a shift in the Region's households (i.e. households below poverty moving to the city from a regional location), as well as to a general decrease in income levels of the City's existing households. This trend may also reflect the City's role as a regional provider of social services, affordable housing and other infrastructure that supports low income household needs. The City will continue to provide these services in the future but may need to re-evaluate its overall approach to serving the needs of this population in order to avoid placing an unsustainable burden on available financial and social resources.

The City's educational attainment levels indicate that it performs comparably to other Massachusetts communities at the high school and technical training level for two-year degrees. However, it also has more residents with no high school diploma and fewer college graduates with four-year degrees or higher. Further, MCAS results indicate significant gaps in proficiency for students of the City's school system. A continuation of these trends will mean that the income levels of Worcester residents will continue to be challenged by increasing housing costs. It will also make it more difficult for the city to attract businesses that offer higher paying jobs since the labor force may not offer the requisite skill-sets that employers will be in need of.

The City's employment losses over the past decade are comparable to the state overall but exceeded that of its neighboring communities. This suggests that the City is not effectively competing for regional growth and may actually be losing existing businesses to other locations within the region. The City may need to improve its ability to retain and attract new business and industry as a pre-requisite for stimulating new

Post-Construction Boom Fallout

The overall weakness of the national economy appears to have taken its toll on housing production in Greater Boston as it has elsewhere. For all of 2010, the five counties in the Greater Boston region issued a grand total of just 5,823 permits for new units of housing. The "good" news is that this represented an improvement of nearly 24 percent over the extraordinary low 2009 level. The "bad" news was that the higher total in 2010 was only slightly higher than half (52 percent) the average annual number of permits issued between 2000 and 2007, and 2011 seems to be shaping up to be even worse than 2009, with the total number of permits sinking below 4,500. This would mark the lowest production total in at least two decades and less than 30 percent of the most recent peak year (2005).

The decline in housing production in the region has been most severe in multi-unit buildings. Between 2005 and 2009, the number of permits for single-family homes declined by nearly 62 percent, but this was eclipsed by the 72 percent decline in two-to-four unit buildings and by 75 percent in larger buildings with five units or more. We project continued declines in 2011: single-family production is forecast to decline by 14 percent from 2010, while production in two-to-four unit buildings will be down 51 percent. The number of permits issued for larger residential complexes will likely decrease by nearly a third (32 percent).

-The Greater Boston Housing Report Card 2011

housing construction and achieving a significant upgrade to its existing housing stock.

Worcester is experiencing a transition typical of older northeastern cities that were once major manufacturing centers. While the number of jobs declined during the last decade, the greater finding is the transition from production-based employment to service and knowledge-based employment. In the case of service-based employment, this can often mean a replacement of relatively high paying jobs with new lower paying jobs. If this trend becomes sufficiently pronounced, it will likely have a marked impact on demand for housing in the City and the Region as well.

Housing Supply and Market Trends

The City of Worcester experienced a surge of new housing production during the 2000s and its residential tax base recovered, for the most part, losses experienced during the 1990s. Residential values in Worcester, however, barely kept pace with inflation over the last 20 years. In comparison, the total residential tax base in the Region increased at twice the rate of inflation, indicating real growth in value.

Worcester has a diverse housing stock that experienced the addition and conversion of nearly 4,700 housing units since 2000. This additional development was from new construction (3,600± units), new units from adaptive reuse of older mills/school buildings (300± units) and/or conversions of older apartment properties (800± units), including many smaller multi-family properties. Housing production (including conversions) from 2000 through 2010 averaged nearly 425 units per year, almost half that experienced during the 1980s (855 units per year) but almost twice the amount built during the 1990s (212 units per year). New construction activity was at its highest point between 2003 and 2005, when nearly 1,700 units were added to the City's supply, accounting for nearly 47% of the new units built over the past decade. Permit activity in 2008, however, was nearly 90% off the peak, and this decline in new construction is evident by sales activity.

The demand for owner-occupied units did not keep up with housing production over the last decade (00-10). Despite the fact that owner occupied units accounted for nearly 94% of net household growth (see Table IV-1) during the period, the City of Worcester's overall owner-occupancy rate increased only slightly -- from 43.3% to 44.5%. In fact, net unit

A “New Normal”?

... In 2011, we see many signs that we face even more perilous times than we have seen in decades. Persistently slow economic growth, anemic job creation, violent swings in the stock market, sovereign debt crises in Europe, and an entrenched political stalemate in Washington threaten to derail any recovery that might have been on the horizon. Some are talking of a “new normal” characterized by economic stagnation, jobless growth, permanent belt-tightening, and a weak housing market in place of an economy of rising expectations, rising incomes, stable home values, and improved living standards. While Massachusetts continues to perform better—indeed, much better—than the nation as a whole, the state inevitably is vulnerable to deteriorating national and global conditions.

-The Greater Boston Housing Report Card 2011

growth was 2.5 times faster than net household growth during the period, which contributed to an increase in the vacancy rate from 5.2% to 8.1%. The citywide vacancy rate of 8.1% in 2010 was approximately double what's typically considered a "balanced" vacancy rate. The increase in vacancy since 2000 was primarily due to slower household growth (1,600) in relationship to faster housing production/conversion. However, most, if not all, of the new products that came on-line in Worcester over the last decade were market rate (as opposed to subsidized) and successfully occupied. For the most part then, it was the older, physically distressed housing that was the predominant cause of higher vacancies.

The residential for-sale market in Worcester and its Region peaked between 2005 and 2006 with decline beginning in 2007 coinciding with the start of the national/global credit crisis. From 2007 to 2009, the number of sales declined precipitously while foreclosure activity increased. The statistics indicate that the residential market in Worcester was impacted more heavily than the Region, as median pricing declined faster and further, and evidence of a rebound was not apparent. Foreclosure activity was also more prevalent in Worcester than the Region, and the supply of bank-owned properties increased, as discussed in of Chapter IV of this report. The rental market on the other hand experience improvement over the last five years or so, as vacancy declined and rental rates increased.

Over the last four years, petitions to foreclose averaged approximately 520 single-family homes and 150 condominiums per year in the City. This represented 2.1% and 3.0% of the single-family and condominium supply, respectively. In comparison, the average amount of petitions to foreclose in the Region represented approximately 1.0% of the respective supply there. This finding suggests that foreclosures had a greater impact on the market in the City than in the Region. The statistics also indicate that lenders may have speculated more on the Worcester market than in the Region. The Massachusetts Housing Partnership recently released an updated *Foreclosure Monitor* report on May 2, 2012. Worcester is notably mentioned as having two census tracts in the top 30 of most distressed census tracts with respect to foreclosures in the state. (Census tract 7324 is

Potential Impact of More Stringent Lending Standards

The combination of higher income, down payment, and credit score requirements in today's broader mortgage market will prevent many borrowers from getting the loans today that they would have qualified for in the 1990s before the housing boom and bust. While a return to more stringent standards was clearly warranted, there is concern that overly rigid guidelines may unnecessarily restrict access of low- and moderate-income households to the benefits of homeownership. Indeed, regulators have signaled in their initial proposals that they are inclined to take a conservative approach to defining risky loans. Over the longer term, it is unclear how the impending reform of the housing finance system, including changes in the role played by Fannie Mae and Freddie Mac, will influence the cost and availability of mortgage loans.

-The State of the Nation's Housing 2011

ranked 1st or the worst out of the top 30 with 107 distressed units out of 2,458 – Lower Grafton area and census tract 7319 – Belmont/Lincoln St/Harlow area is ranked 6th with 51 out of 2063). Table V-7 in this report also illustrates those submarkets which are more likely to have experienced higher numbers of foreclosures as denoted by the bank/city-owned category of properties in that table.

Much of the foreclosure crisis was spurred by subprime lending practices. The term subprime refers to the credit characteristics of individual borrowers. Subprime borrowers typically have weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories. Subprime loans are loans to borrowers displaying one or more of these characteristics at the time of origination or purchase. Such loans have a higher risk of default than loans to prime borrowers. A related factor that also fueled the economic downturn was over optimism about housing values which led to a boom in home construction. Eventually the number of new houses exceeded the number of people willing to buy them. And with supply exceeding demand, housing prices fell. A particular problem emerged for borrowers with adjustable rate mortgages (i.e., those with initially low rates that later rise) who had been planning to sell or refinance their homes before the adjustments occurred were unable to refinance. These, and other mortgage holders, soon found that their outstanding loan values exceeded the market values of their homes and as a result, many began to default as the adjustments began. Still others experienced difficulties through loss of incomes due to escalating job loss and sustained unemployment periods. Given high unemployment rates and slow employment growth, foreclosure activity will likely continue to impact the market over the near term, especially in Worcester. This in turn, would hamper the potential for price appreciation similar to that experienced earlier in the decade.

Median home sales prices appear to have stabilized but it is unknown if additional decline will be forthcoming. However, given the City's excess supply of units, combined with continuing foreclosure problems, the likelihood exists that further price decline will occur. If trends in the late 1980s/mid 1990s are used as a benchmark, it took 6 years for median prices of single-family homes to reach their low point, and then

Housing & the Great Recession

... Housing prices soared during the first half of the last decade not just in Greater Boston, but even more so in other metro areas. Home prices skyrocketed because housing demand was so strong. The demand for housing was so strong because of the expansion of all kinds of new mortgage instruments that made it possible for households to get into the home buying market even if they had a limited ability to service those mortgages in the event of a slowdown in the economy. When the economy faltered in 2008, many of these households could not keep up with their mortgage payments and ended up in foreclosure. The value of these homes plummeted as a supply of foreclosed homes flooded the market. This new supply of market housing affected the value of virtually all other housing stock. This, in itself, might not have led to such a long and deep downward-spiraling national economic crisis. But how those mortgages were financed and how they were sold on global markets led to a financial collapse affecting a wide swath of the mortgage banking community. Financial institutions packaged the new mortgages into mortgage-backed securities (MBSs) which were then marketed globally. These securities ultimately carried much higher risk than investors imagined because they included mortgages which were likely to go into foreclosure once the economy slowed and borrowers could not service them. When the risky nature of these MBSs was discovered, they plunged in value creating massive losses for some of the world's largest banking and insurance institutions. Thus, the beginning of the Great Recession had everything to do with housing.

-The Greater Boston Housing Report Card 2011

another 5 years or so for values to recover. If applied to the current day, the median price for single-family homes peaked in 2005, therefore the trough (low point) in the cycle would occur by the end of 2011, with recovery to prior values not achieved until 2016.

The affordability of owning a home in Worcester was better in 2010/2011 than it was in 2006 when the for-sale market was at its peak. By 2010, pricing for residential dwellings had declined by 21% to 45%, depending on housing type. Stricter lending criteria in the past few years compared to the height of the market may have had an impact, since the number of sales in 2010 was 60% to 75% below the peak. Down-payment requirements of up 20% have likely made it more difficult for many households to seek ownership without alternative funding sources.

Rental housing is a more affordable alternative than home ownership since households at the median income level could afford a monthly rent of \$1,140 which was about \$90 per month more than the overall average rent in the City (\$1,050), and about \$300 more than the median (\$840) in 2010. Evidence indicates that the rental market has tightened since the peak of the for-sale market although the for-rent vacancy (7.2%) in Worcester was relatively high in 2010, according to US Census. At that time, over 3,000 rental units were unoccupied and an additional 1,800 units were vacant due to reticence of small multi-family owners to place their property into the rental pool. Anecdotal information indicates that these units are being kept off the market by older owners of multifamily properties who don't want to deal with a variety of factors such as strong tenancy laws, decline of desirable renters, capital costs to bring units up to code, or general disinterest in being landlords. These vacant units also include a supply of bank-foreclosed properties that have yet to be made available for sale or rent.

Values and rents in Worcester remained below that of the Region and in many cases the differences were quite significant. These conditions are unlikely to change over the near term, resulting in attainable rental values in the City likely to remain below what may be feasible to support new construction in many cases.

The City has the potential to see another 2,800 units added to the housing supply (at 26 different projects), either in future phases of ongoing projects, or recently approved and/or planned

The Impact of Foreclosure on Neighborhoods and Cities

Much of the damage has been in low-income and minority neighborhood. Even after controlling for income, foreclosure rates in minority tracts are significantly higher than in white tracts. Reflecting patterns of racial/ethnic and income segregation, center-city neighborhoods have also suffered high foreclosure rates. Yet in the states with the most foreclosures, rates in suburban areas rival those in center cities, and rates in predominantly white neighborhoods differ little by income. The flood of foreclosures has overwhelmed both the market's ability to absorb the homes and lenders' ability to manage the properties. The number of abandoned homes has thus soared across the country. In 2009, 7.2 million households reported at least one abandoned or vandalized home within 300 feet of their residences—an increase of 1.5 million households from 2007 and 2.0 million from 2005. Nearly half (45.0 percent) of housing units with abandoned properties nearby are in center cities, 30.4 percent are in suburbs, and 24.0 percent are in non-metropolitan areas. Many communities will suffer the ill effects of the foreclosure crisis for years to come.

-The State of the Nation's Housing 2011

developments. It may take another five to ten years for these developments to occur, and possibly longer based on the rate of economic recovery. Similar to the development over the last decade, a large percentage of this proposed addition is market-rate housing and many are planned for the City's downtown area.

The City's remaining supply of vacant land is largely dispersed through the suburban submarkets. Furthermore, the suburban submarkets tend to have larger shares of residential-designated land, while the urban submarkets tend to have more commercial or industrial-designated acres. Therefore, the City will need to be strategic in deciding how some of this commercial/industrial land can be utilized for residential purposes in the future in order to attract new investment within the urban core.

Residential Property Tax Base

The City of Worcester experienced a surge of new housing production during the 2000s and its residential tax base for the most part recovered the loss it experienced during the 1990s. Residential value in Worcester, however, barely kept pace with inflation over the last 20 years. In comparison, the cumulative residential tax base in the Region increased at twice the rate of inflation, indicating real growth in value. Therefore, as of 2010, greater fiscal dependence is placed on the residential portion of the tax base than in prior years, not only in the City but in the Region as well. The City's business zoning districts including downtown and major commercial corridors (BG zoning districts) have existing mixed use and can support more.

Residential building permit activity was strongest in Worcester and the Region between 2003 and 2006, but decreased dramatically thereafter in both markets. The investment from new construction in Worcester totaled \$351 million between 2000 and 2009 accounting for 8% of the residential tax base. In comparison, the Region experienced investment from new construction that totaled nearly \$848 million, or 13% of its residential base.

Single-family homes accounted for 34% of the City's total units but represented 62% of total improved

Post-Housing Crash Production

With so few potential home buyers in the housing market, developers have all but ceased producing housing units. Since 2007, a lack of housing production has put a damper on economic growth. As demonstrates, after the housing bubble began to leak in 2005, the number of new housing starts plummeted. From more than two million units in 2005, the number of new units under construction has continued to shrink almost every year. Based on construction data through July, we project only 420,000 new homes and apartment units will be built nationwide in all of 2011. That is just one-fifth the number of homes built in 2005 and one-fourth the production numbers during the 2001–2002 recession years. As a result, real U S residential fixed investment—a major component of GDP—has declined from \$775 billion in 2005 to a projected annual figure of just \$324 million in 2011.

-The Greater Boston Housing Report Card 2011

residential assessed value. The next highest contribution to total residential assessed value was made by Three-Family dwellings, which accounted for 20% of total units and 11.5% of total improved residential value in 2011.

The average parcel value for single-family properties was \$197,983 which was slightly higher ~6% than two-family properties (\$186,369) and 3-family properties (\$187,141). The average assessed value per parcel for single-family detached homes was about equal to that of all improved residential parcels (\$197,413), while the average unit value for condominiums (\$118,596) was about 40% lower.

Worcester has nearly 2,050 properties in transition², 1,740 of which were residential properties. Approximately 60% of the transitional properties were due to unpaid taxes which totaled \$2.95 million. The remaining 40% were non-residential including 59 city-owned parcels. Vacant land totaling 110 acres was also in arrears. Approximately 5,676 housing units were found to be in fair, poor, or very poor condition through the City's 2011 citywide property revaluation. It is estimated that as much as \$120 million in investment would be needed bring these “underperforming” properties up to the median value, on a per square foot basis, for properties of their respective type (more on this in Chapter V).

Housing Affordability

Home ownership in 2010 was still out of reach for many Worcester households especially those at or below the median income level (\$45,940). Households at this income level could only afford a home/unit between \$145,000 and \$195,000, depending on down payment and interest rate³. Sales pricing of single-family homes averaged \$220,000 over the last decade making home ownership out of reach for many households. Even the average price in 2010 (\$204,400) was still out of reach but this pricing opened home ownership opportunities for some buyers. Condominiums were an affordable

² Properties that are categorized as a 1) vacant building; 2) bank-owned or city-owned; and 3) tax parcels with unpaid real estate taxes either from FY-2010, or prior years.

³ To be considered affordable a household should pay no more than 30% of its gross income for housing costs. It is also assumed that funds for adequate loan down payment are available.

Acute Lack of Workforce Housing in the Boston Region

There is a shortage of workforce housing near [Boston's] key urban and suburban employment cores totaling approximately 25,000 units, and this shortage will increase over the next ten years by nearly 11,000 units because the growth in workforce households is expected to far outstrip the region's ability to keep pace with construction of housing affordable to workforce households. Boston ranks among the least affordable metro areas in the United States—not far behind notoriously expensive places such as New York City, Los Angeles, Washington, D.C., and San Francisco. And while there is some rental housing located reasonably near major employment cores that is affordable to workforce households, the quality of this housing is disproportionately inadequate.

The ability of the market to build its way out of this housing affordability crisis is extremely limited. Workforce renter households, particularly those with three or more persons, are priced out of the market for new-construction rental apartments, and the high cost of land, entitlement, and construction in the region means that most new housing production (both for sale and rental) will have to be positioned with prices well beyond the financial wherewithal of the vast majority of workforce households—unless some type of significant subsidy is provided.

-Priced Out—Persistence of the Workforce Housing Gap in the Boston Metro Area

alternative having an average price of about \$152,000 over the decade or \$146,000 in 2010. Two-family or three-family ownership would be another option for households at the median income level, since average values declined to \$183,500 to \$171,600 respectively in 2010. The added income from renting would leverage another \$15,000 to \$25,000 in financing, assuming the additional down payment could be made.

Rental housing was a more affordable alternative since households at the median income level could afford a monthly rent of \$1,140, which was about \$90 per month more than the overall average indicated in Worcester for both the formal and informal rental market (\$1,050), and about \$300 more than the median (\$840) in 2010. Evidence indicated that the rental market tightened since the peak of the for-sale market, but the for-rent vacancy (7.2%) in Worcester was relatively high in 2010, according to US Census, as over 3,000 rental units were unoccupied. In addition, another 1,800 units were vacant in 2010, primarily due to small multi-family owners', perhaps seniors, unwillingness to market units for fear of dealing with problem tenants. There were also another 800 units at vacant residential buildings as classified by the City.

Over the course of the decade (2000-2010) the number of city households paying more than 30% of their gross income for housing costs increased by 47%, or by approximately 9,470 households. However, the number of homeowners in this category increased by a considerably higher rate of 96% (5,938) in comparison to an increase of only 47% (3,350) for renters. In fact, there was a 111% increase in the number of owner households paying in excess of 35% of their income towards housing costs in the City over the decade. The reasons for the increase were likely attributable to a combination of factors including high unemployment, adjustable rate mortgages that increased during the period, and more lenient lending criteria during the earlier part of the decade that contributed to the subsequent housing market crash. The number of owner households (9,360) incurring the highest housing costs of 35% or more may continue to result in additional foreclosures if lenders are not willing to restructure the debt or provide more leniency in revising payment schedules.

Worcester had 9,591 units of Chapter 40B (income-based) housing according to the Department of Housing and Community Development (DHCD) in 2011, which represented 12.9% of the year-round supply in 2010, higher than the mandated 10% statewide goal. Another 2,500 households in Worcester had Section 8 certificates, or another 3.4% of the housing.

DHCD data indicated that over the next five years, use restrictions on 920 income-based units may expire, and another 1,880 in the subsequent five years. If the use restrictions on these 2,800 units would expire, then the City would then fall below the mandated 10% goal.

- It is estimated that approximately 33,600 households would qualify for income-based housing in Worcester, which represented 49% of all households in 2010. This was not surprising since the median household income in Worcester was 42% lower than the Area Median Income (AMI). Households in poverty were included in this group, as well as most of the 29,600 households with high housing cost burdens. When comparing these statistics in 2010 to similar data in the 2002 City housing report, the number of households that qualified for income-based housing increased by 9,800, while the number of households with a high housing cost burden increased by 9,500 during last decade, a surprisingly similar result.
- In effect, 12,090 households or 17.6% of all households in Worcester were either at income-based housing or had a Section 8 certificate in 2011. Unfortunately, 12,500 households in Worcester, or 18.2% of all households, had incomes below the poverty level (the national average was 15%), and the difference indicated a shortage of possibly 400 units of income-based housing or vouchers to ensure the most impoverished households in the City had adequate housing. The waiting list for public housing maintained by the Worcester Housing Authority indicated a shortfall of 2,100 units of income-based housing, and the Section 8 waiting list was three times greater than that.

Overview of Selected Affordable Housing Policies in Massachusetts

During the past year, the most significant state-level housing development was not so much new legislation as the successful defense of Chapter 40B. By mid-2010, Chapter 40B had supported the development of more than 1,000 projects with more than 58,000 housing units and has been considered one of the most important tools for affordable housing development in Massachusetts. It has also generated significant controversy at the local community level, leading to an ultimately unsuccessful ballot initiative in November 2010 aimed at its repeal. While not at the same intensity as last year, there has been important activity at the state level in Massachusetts over the past several years. Important milestones in the Commonwealth include:

- *The implementation of the HomeBASE Program providing short-term rental assistance to households who face homelessness.*
- *The passage by the State Senate of An Act Relative to Community Housing and Services providing a link between affordable housing and supportive services.*
- *The advancement of H 4544, state legislation to promote innovative strategies in public housing.*
- *The signing into law of An Act to Stabilize Neighborhoods (The Foreclosure Relief Bill) to provide more time and resources for homeowners to avoid foreclosure.*
- *The signing of Chapter 40T to help preserve affordable housing units from moving to market rate.*
- *The continued operation of Chapter 40R to encourage Massachusetts communities to create smart growth overlay zoning districts where denser, transit-oriented affordable housing can be built as as-of-right.*

-The Greater Boston Housing Report Card 2011

Future Housing Demand

Housing demand over the next five-years will be driven primarily by turnover (35,000 households) as compared to household growth (420 households), similar to the trends over the last decade. Renter turnover would be the strongest and nearly 55% would come from low income households or those earning less than \$35,000. However, the number of low income renters was also forecasted to decline by nearly 1,100 households over the next five years, and accounted for 97% of the forecasted loss in renter households over the period.⁴ Therefore, some reduction in the low income housing supply or Chapter 40B would be warranted in order to balance this forecasted loss in low income renters. One-third of the forecasted housing demand would come from young-professionals (less than age 35) while the rest would come from aging baby-boomers age 55 and older.

- Household growth forecasts for the next five years indicated potential demand for another 1,500 or so new owner units, most of which would be driven by growth in the upper income levels for units valued at \$300,000 or more. This forecast may provide some assurances for developers of the proposed 2,800 units now under-construction and/or in the planning phase in Worcester, that construction of the right housing product with appropriate amenities, will receive acceptance in the local market. Sufficient owner turnover was also forecast that would support housing sales for those owners wanting to sell and move to new alternative housing.
- The City of Worcester may need to maintain a supply of between 9,000 and 9,600 of income-based housing units over the next five years, assuming Section 8 certificates remained constant at 2,500 households. The rationale for this estimate reflects the fact that a shortage exists between the income-eligible households (33,600) and the Chapter 40B/Section 8 supply (12,100). Current waiting lists for public housing also indicate a shortage of over 2,000 units although five-year income forecasts suggest the shortfall may decline from current levels.

⁴ Source: DemographicsNOW

Declining Supply of Affordable Rental Units

Yet even as the number of financially stressed renters has expanded, the supply of rental housing that is affordable and available to these households has shrunk. Between 2003 and 2009, the number of very low-income renters (with incomes less than 50 percent of the area median) swelled from 16.3 million to 18.0 million while the number of rental units affordable at those income levels, not rented by higher-income households, and of adequate quality dropped from 12.0 million to 11.6 million. By 2009, there were only 64 affordable, available, and adequate rental units for every 100 very low-income renter households. The situation for extremely low-income households (with incomes below 30 percent of area median) is even more dire, with renters outnumbering affordable, available, and adequate units almost three to one.

-Rental Market Stresses: Impacts of the Great Recession on Affordability and Multifamily Lending

The full reports cited in the Executive Summary’s sidebars include the following:

Priced Out—Persistence of the Workforce Housing Gap in the Boston Metro Area. Urban Land Institute, 2010.

http://www.uli.org/~media/Documents/ResearchAndPublications/Terwilliger/Reports/WH_Boston10.ashx

Rental Market Stresses: Impacts of the Great Recession on Affordability and Multifamily Lending Joint Center for Housing Studies of Harvard University, 2011.

<http://jchs.harvard.edu/research/publications/rental-market-stresses-impacts-great-recession-affordability-and-multifamily>

The Greater Boston Housing Report Card 2011—Housing’s Role in the Ongoing Economic Crisis. Dukakis Center for Urban and Regional Policy—Northeastern University, 2011.

http://www.northeastern.edu/dukakiscenter/documents/2011_Housing_Report_Card.pdf

The State of the Nation’s Housing 2011. Joint Center for Housing Studies of Harvard University, 2010.

<http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2011>

III. SOCIOECONOMIC CONDITIONS

Demographic conditions play an integral role in shaping housing markets. Changes in these characteristics over time impact the size, arrangement, and quantity of housing demand. Sufficient increases in population may encourage new residential construction or the redevelopment of existing real estate into additional housing. Conversely, smaller household size or declining population and employment levels can cause a slowdown in the creation of new housing, as well as a potential decline in housing values due to diminished demand. This section describes the key demographic indicators for the City and its submarkets, as well as the region, county and state.

A. Population

Over the past two decades Worcester’s annual population growth rate increased from 0.17% during the 1990s to 0.49% during the 2000s. This resulted in an increase in the City’s population from approximately 169,700 to just over 181,000 residents as of 2010 (Table III-1). This represents an average net increase of about 500 people annually over 20 years.

The City experienced more rapid growth over the last decade (2000-2010) but projections indicate a return to slower growth over the next five years with total population remaining relatively stable through 2015. In comparison to the declining populations of many other post-industrial cities, Worcester’s historical population trends during this time period are considered to be relatively favorable.

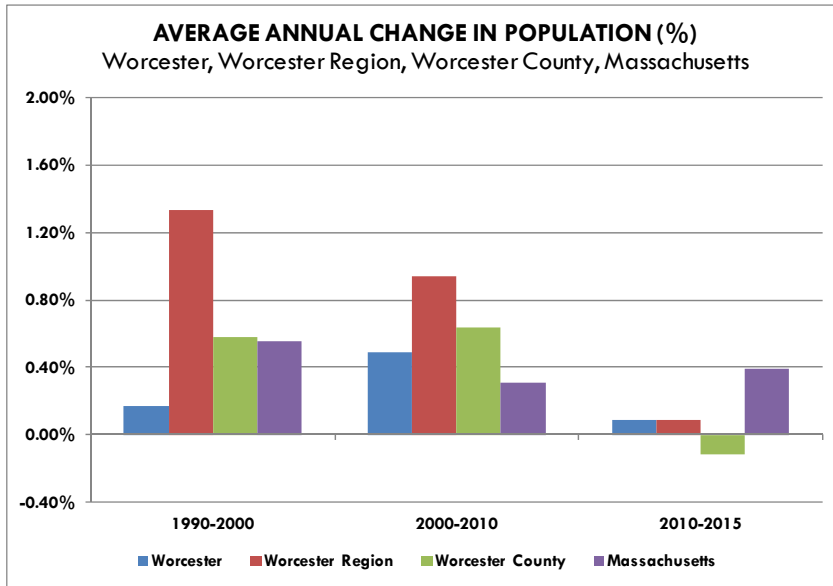
The region encompassing the City experienced the highest growth rates of all of study areas examined. The Worcester Region averaged population growth of about 1.3% annually during the 1990s, a rate that was almost eight times higher than the City’s and more than double that of the County and the Commonwealth, as shown in Figure III-1. While this gap narrowed during the 2000s, regional growth continued to outpace the other areas by a significant margin. However, like the City, the Region’s population is expected to stabilize during the next five years reaching a projected total of approximately 128,500 in 2015.

Table III-1 Total Population 1990 - 2015

	Trends			Projection
	1990	2000	2010	2015
Worcester	169,757	172,648	181,045	181,873
Worcester Region	103,238	116,963	127,968	128,562
Worcester County	709,902	750,963	798,552	794,079
Massachusetts	6,016,419	6,349,097	6,547,629	6,675,232

Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

Figure III-1



Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

The growth experienced within the Worcester region over the past decade can be largely attributed to increasing housing costs around the Boston Metro area which created demand for more affordable housing in outlying areas, combined with increasing employment opportunities generated by an expanding economic base along the Interstates 495 and 90 (Massachusetts Turnpike) and Route 128 corridors. However, projected slowing of population over the next five years, combined with an uncertain period of economic recovery from current recessionary conditions, is likely to impact the City’s housing market and may result in lower demand for new construction.

B. Households

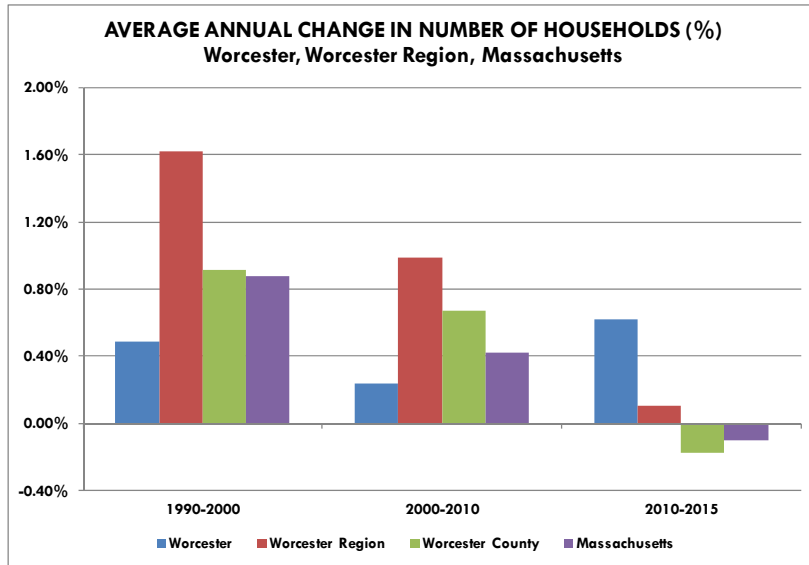
Households are the population building blocks that drive housing demand. The composition of the City’s households in terms of size, age, gender, and income will have a direct bearing on the type of

Findings: The relative stability of the projected population in the City, the region and the state over the next five to ten years indicates that demand for homeownership of new, market-rate housing, based on population growth alone, will be minimal.

Implications: If the City wants to stimulate new housing construction over the short-term it will most likely need to take a proactive approach to attracting private-sector investment.

housing required and the potential support required from local housing programs. Conversely, the City’s existing housing stock will also have an influence on household characteristics. For example, the City’s larger supply of older, rental housing will tend to attract smaller households with lower incomes, as is evidenced by findings of this analysis.

Figure III-3

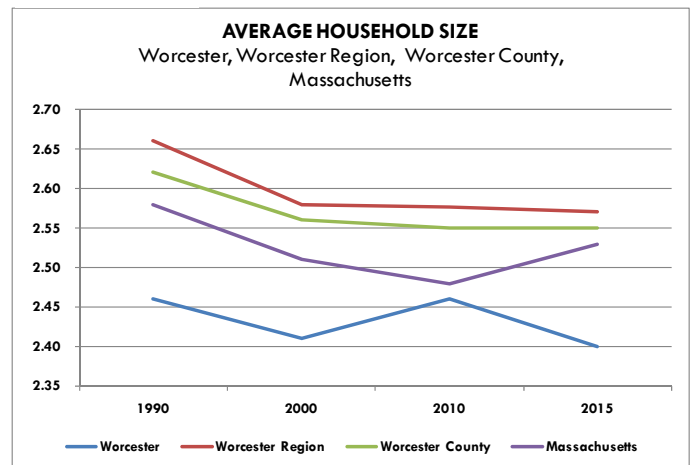


Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

Overall, Worcester’s household growth has been relatively modest over the past two decades increasing from 63,888 to 68,613 between 1990 and 2010, a net change of 4,725. However, growth rates have fluctuated averaging 0.49% annually during the 1990s but dropping to 0.24% in the 2000s (Figure III-3). Projections suggest a reversal of this decline between 2010-2015 with annual growth increasing to 0.62%. These fluctuating growth rates are attributable to changing population growth rates combined with shifts in average household size. Household size actually increased marginally between 2000-2010 which, despite more rapid population growth, resulted in fewer new households being formed. This increase in household size may be attributable to the economic downturn which has resulted in extended families, as well as unrelated individuals, regrouping in order to share housing costs. However, projections for 2015 anticipate a return to the 2000 average household size (Figure III-2).

Household growth outside Worcester well outpaced the City’s growth over the past two decades. The Worcester Region in

Figure III-2



Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

particular experienced considerably higher growth rates than all other areas with average annual growth rates of 1.62% and 0.99%, respectively, during the 1990s and 2000s. This is an indication that the City was not able to attract new households locating in the region for employment opportunities during the economic expansion periods over the last 20 years.

Projected household growth for areas outside the City is expected to mirror anticipated shifts in population, with growth diminishing and stabilizing during

2010-2015. Although Worcester’s households are projected to increase more rapidly during this time period, this growth is predicated on a decrease in household size which will be predicated on an assumed return to improved economic conditions after 2015.

Findings: Household growth in the City has been moderate and has not supported significant demand for new housing construction. Further, the City has not been able to attract a significant portion of the regional household growth generated by past employment expansion.

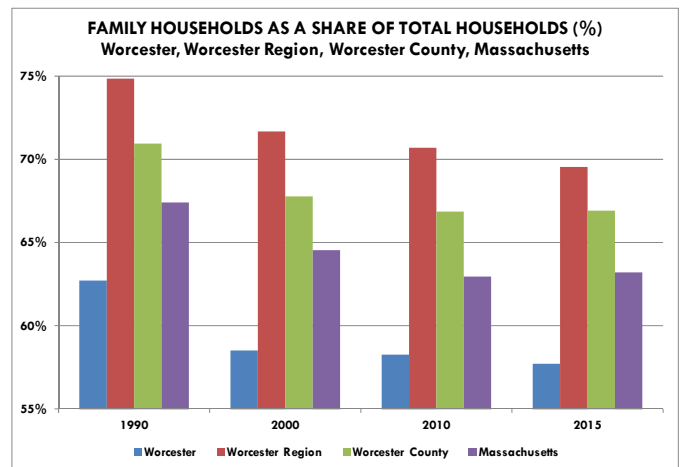
Implications: The City’s housing stock and potential for new housing development has been out of sync with regional demand. Planning and regulatory guidelines, as well as housing program goals may need to be adjusted to address this disparity.

Given these trends, demand for additional housing within the City over the next five to ten years will likely be generated from other factors, such as household turnover or changing demographics (e.g. aging householders) rather than overall household growth.

Average household size is also an important indicator of potential real estate demand exerted on a market. Given the City’s tendency towards a smaller household size it suggests that demand in Worcester may be for smaller sized housing units.

Family households (i.e. related by blood or marriage) are the predominant type of household in all four study areas, although the proportions are expected to fall by 4-5 percentage points between 1990 and 2015 (Figure III-4). While the quantity of decline is consistent across each study area, the actual share of family households varies. Worcester has the lowest share of family households with a 2010 percentage of about 58%. The Region is almost twelve percentage points higher at about 70% for that same year, while the County

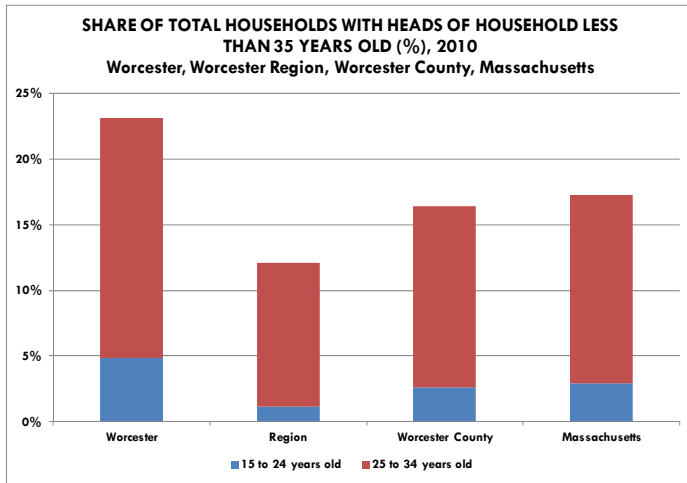
Figure III-4



Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

and the state fall somewhere in between, at 67% and 63% respectively. The relatively low number of family households relative to the other study areas is likely driven by several factors including a large resident college population, relatively low income levels which may be encouraging the “doubling up” of unrelated individuals to lower housing costs, and, the region’s more suburban/rural nature which offer larger lots and homes for families with children.

Figure III-5



Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

The age of householders also plays a significant role in shaping demand for residential real estate since housing needs tend to change as the householder ages. The four study areas exhibited similar trends in household age between 1990-2015 with a few exceptions.

Generally speaking, a bimodal (growth in two primary age groups) trend is expected to occur within household age, based on projections through 2015. Growth is expected in the younger and older age groups with a decline in the middle age groups. The retirement age group of 65 and older, as well as the near-retirement group of 55-64, are projected to increase in all regions over the next five years. These cohorts reflect a progression of the Baby Boom generation’s movement through the aging cycle which will have implications both on housing needs and demand for municipal services. Additionally, growth is expected in the 20-34 age groups which suggests some new household formation can be anticipated. Conversely, maturing households in the age groups between 35-54 are projected to decline over the next five years (through 2015). This cohort is more likely to be

Findings: The City has a high percentage of younger, non-family households, and a relatively small average household size. The number of householders age 55 and over are projected to be the primary growth cohorts in the City over the next five years. However, moderate growth is also expected in the under 35 age group as well as throughout the region.

Implications: Growth in the 55 and older age groups is likely to generate demand for retirement housing, as well as assisted living and skilled nursing facilities. Younger cohorts will have an impact on rental housing and possibly, demand for starter homes. However, if a more complete economic recovery is delayed, it may minimize demand for the latter.

composed of households with older children and increasing income which are typically looking to “upgrade” their housing status.

Growth in the younger age groups will have an impact on the rental housing market and possibly, on demand for starter homes. In 2010, almost a quarter of the City’s households were headed by residents under age 35 which was considerably higher than the region and the state proportions (Figure III-5). This indicates that the City’s households are disproportionately young which, like the number of non-family households, can be at least partially attributed to the City’s universities. These younger households also tend to have lower incomes which limits their housing choices. Census data does not specify how many households are comprised solely of college students but enrollment data offers some insight into

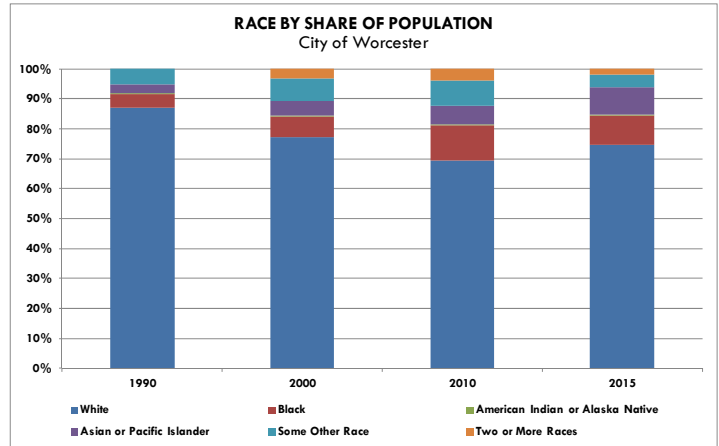
the approximate figure. Data compiled by the Colleges of Worcester Consortium indicates total full-time enrollment in City-based institutions for the Fall of 2010 was 30,400 students.⁵ After allowing for students housed on-campus, as well as those who may commute to school, it is estimated that approximately 15,000 to 16,000 college students reside in the City’s housing stock. Assuming that average household size for student rental units is somewhat larger than the City’s overall average size (2.7 versus 2.38) this would suggest that 5,000 to 6,000 of the City’s households are related to student housing. It should be noted however, that this range could have a notable margin of error since the number of commuter students in the enrollment data was estimated.

C. Race and Hispanic Origin

The City of Worcester is more racially diverse than the other three study areas with particularly notable growth occurring in the City’s black and Hispanic populations over the past decade. In contrast, the number of white residents declined from about 148,000 to about 125,700 between 1990 and 2010, representing a reduction from 87% to 69% of the total population (Figure III-6). This decrease is about twice as great as what occurred in other study areas. During that same time, the City’s number of black residents tripled, from about 7,700 to about 21,000, 4.5% to about 11.5%. In comparison, blacks represent only 2% of the Region’s total population as of 2010. The distribution of the City’s minority populations are illustrated in Map III-1 and Map III-2.

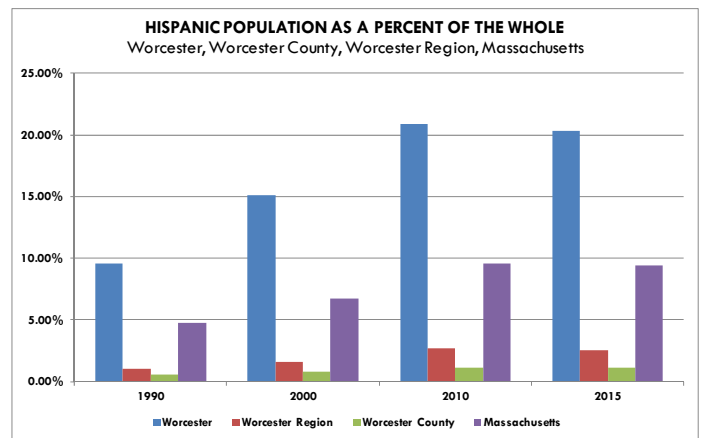
⁵ Source: 2010-11 Facts Sheet - Colleges of Worcester website. Is based on FTE head counts and includes undergraduate and graduate students.

Figure III-6



Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

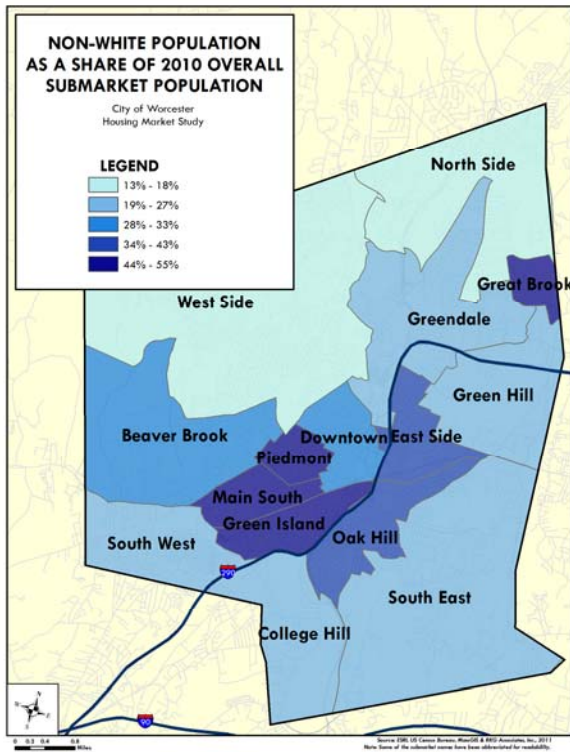
Figure III-7



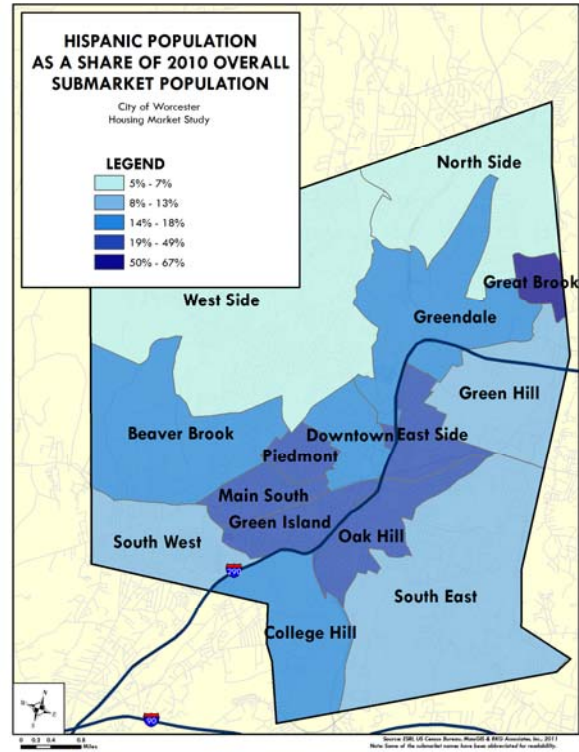
Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

The City’s other racial minorities (American Indian or Alaska Native and Asian or Pacific Islander) also increased as a percentage of total population but still represent only a minor component of the residential mix. The number of City residents who define themselves as members of some other race rose from 8,950 in 1990 to about 15,195 in 2010. This suggests that the City has become a more attractive location for a variety of ethnic groups who continue to migrate to urban areas across the country in search of economic opportunities and affordable housing.

Map III-1



Map III-2



The City’s share of Hispanic residents as a percentage of the total population has been consistently higher than the other study areas since 1990 and has more than doubled over the past two decades. Between 1990 and 2010, the Hispanic population increased from about 16,200 to 37,800, and now represents more than 20% of the City’s total population (Figure III-7). In contrast, the Regional and statewide percentages are approximately 3% and 9%, respectively. Overall, increases in the Hispanic population are projected to slow over the next five years (2010-2015).

Overall, ethnic diversity has increased across all study areas over the past two decades but this trend is projected to slow, or even reverse itself, through 2015. This is likely attributable to current recessionary conditions which have slowed migration both within the United States and North America as a whole.

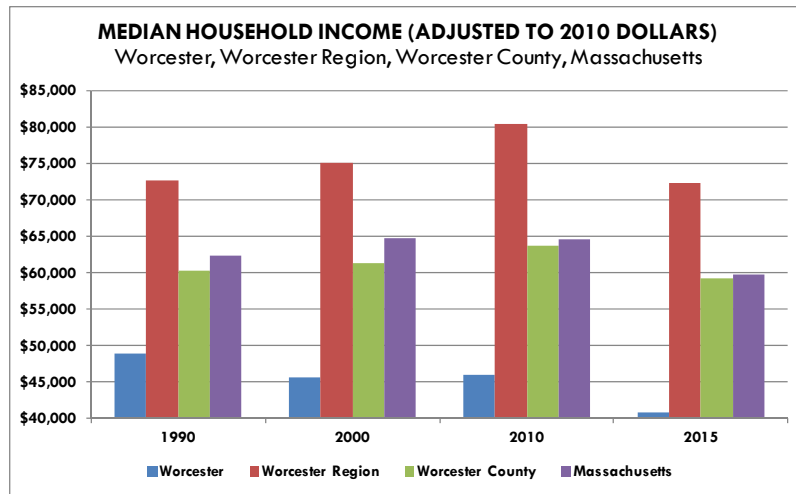
Still, historical growth in the City’s minority and ethnic population has implications for housing and social service programs despite the projected slowing in growth rates.

D. Household Income

Household income is an important indicator for determining housing affordability of the resident population. Although incomes generally tend to rise over time, it’s important to understand how these increases compare with increases in the cost of goods and services. Therefore, income estimates have been based on comparable changes in the Consumer Price Index (CPI) over the same time period. This adjusts income to eliminate inflationary effects and serves to illustrate “real growth” over time.

The City’s median household income has remained consistently lower than the other

Figure III-8



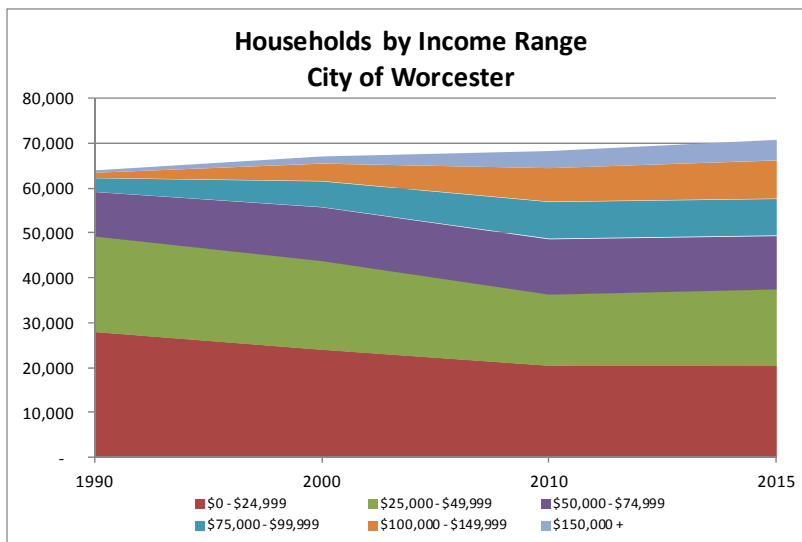
Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

Table III-2 Household Income 1990 – 2015 City of Worcester

	Households						Projection		2010-2015	
	1990	% Total	2000	% Total	2010	% Total	2015	% Total	Change	% Change
\$0 - \$24,999	27,847	44%	23,910	36%	20,365	30%	20,323	29%	(42)	-0.2%
\$25,000 - \$49,999	21,396	33%	19,864	30%	15,913	23%	17,145	24%	1,232	8%
\$50,000 - \$74,999	9,927	16%	11,959	18%	12,353	18%	11,875	17%	(478)	-4%
\$75,000 - \$99,999	3,044	5%	5,768	9%	8,232	12%	8,196	12%	(36)	0%
\$100,000 - \$149,999	1,145	2%	3,927	6%	7,544	11%	8,615	12%	1,071	14%
\$150,000 +	519	1%	1,600	2%	3,842	6%	4,586	6%	744	19%

Source: US Census Bureau, DemographicsNow & RKG Associates, Inc., 2011

Figure III-9



study areas since 1990, a trend expected to continue through 2015. Figure III-8 illustrates that the City’s median income levels have not kept pace with inflation

over the last two decades. For example, the City’s actual median household income increased from approximately \$35,700 to \$46,000 between 2000 and 2010, a change of 28.7% (data not shown). However, after adjusting for inflation, the City’s real income change actually increased by less than 1%. In contrast, incomes in the Worcester Region had a 7.2% change in adjusted income while the county’s was more moderate at 3.9% and the state’s declined by 0.3%. This analysis indicates from a

broad perspective, that the City’s households tend to be more susceptible to inflationary changes and have been less

likely to benefit from growth in the regional economy which is evident in Worcester’s neighboring communities.

These historically low median household income levels, combined with projected declines over the next few years, will make it difficult for many of the City’s residents to accommodate increases in household costs. Still, the City did have growth in the middle and higher income brackets over the past decade, as shown in Table III-2 and Figure III-9. As illustrated, household growth between 2000-2010 occurred largely in the income brackets of \$100,000 and above. Conversely, households with incomes below \$50,000 decreased during this time period although they still account for 53% of total households while those making over \$100,000 accounted for only 17% of the total. A more detailed analysis of income levels as they relate to housing affordability is presented in final section of this report.

E. Educational Attainment

Educational attainment and standardized test scores have a bearing on a community’s social needs and potential economic achievement of its residents. Census data was used to identify educational attainment levels while information compiled by the State’s Department of Education provided enrollment and testing levels.

Overall, the City’s share of residents with high school diplomas generally equaled or exceeded the region and the state, as illustrated in Figure III-9. However, the City did have about 16% of residents with no high school education or diploma, while the Region, county and state ranged

between 6%-12%. For secondary education, the City’s residents compared well to other regions in having completed some college or two-year degrees with roughly 24%. However, with regard to four-year and post-secondary degrees, the City fell considerably short of the Region and state attainment levels. These findings are generally consistent with the City’s relatively low household incomes as noted previously.

In order to gauge the skill level of currently enrolled students, data was gathered from State’s standardized testing program, Massachusetts Comprehensive Assessment System (MCAS), which is used to monitor content mastery by students. The test covers three main bodies of knowledge including English, mathematics, and science and technology. The key criteria from the MCAS results used for this assessment include the following.

- Percent of students whose English scores were designated “proficient” or above
- Percent of students whose mathematics

Figure III-9

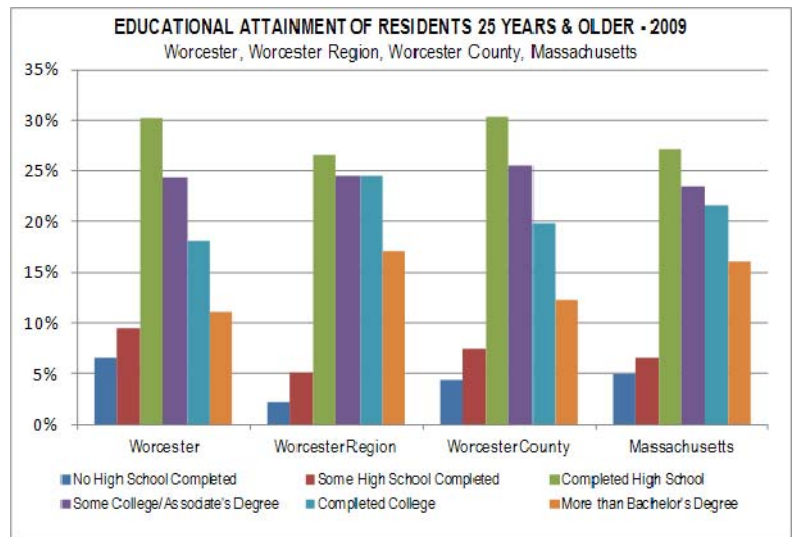
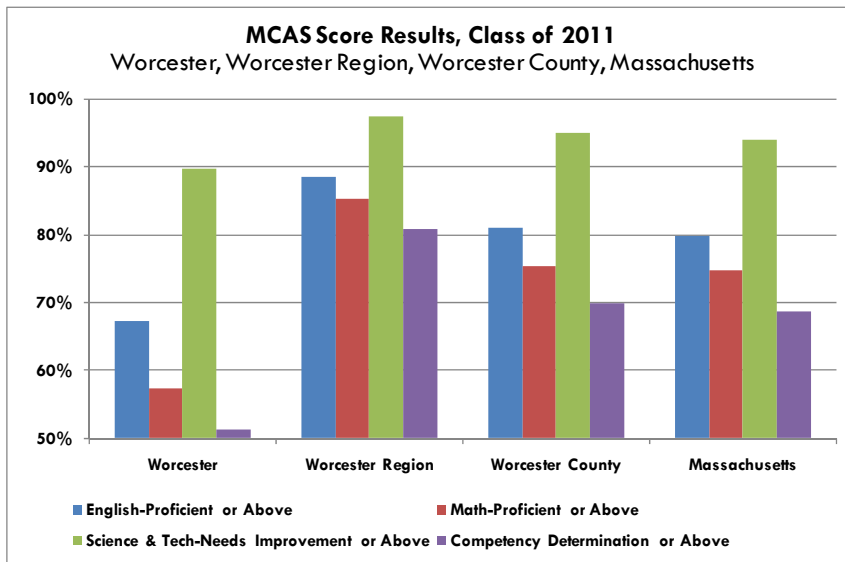


Figure III-10



scores were designated “proficient” or above

- Percent of students whose science and technology/engineering scores were designated “needs improvement” or above
- Percent of students who achieved all

three of these designations—these students receive a “determination of competency”, or are considered to have sufficiently mastered the subjects

As illustrated in Figure III-10, Worcester students generally scored lower than the other study areas in all four categories for which proficiency was measured. There was a particularly large gap in English proficiency which may be a

reflection of the City’s larger minority population. Lack of basic language skills can be a considerable obstacle to obtaining better employment opportunities and may illustrate that the City needs to focus more effort on English as a second language.

Findings: The City’s educational attainment levels indicate that it performs comparably to other locations at the high school and technical training level for two-year degrees. However, it has proportionately more residents with no high school diploma and fewer college graduates with four-year degrees or higher. Further, MCAS results indicate significant gaps in proficiency for students of the City’s school system.

Implications: A continuation of these trends will mean that resident income levels will continue to be suppressed by increasing housing costs. It will also make it more difficult for the city to attract businesses that offer higher paying jobs.

A gap of almost 30 percentage points also existed between the City and the Region in terms of mathematical proficiency, although the disparity related to science and technology was within 10 percentage points. Overall, the percentage of Worcester students determined to be competent in the three fields (about 52% of the total) was about 30 percentage points lower than the Region’s and 20 percentage points below the state.

Assuming that the MCAS provide a relative measure of educational proficiency between school systems, the results from 2011 indicate that the City will need to address a number of deficiencies to make its students more competitive. These gaps are likely to have a negative impact on students’ ability to pursue higher education, compete in the

employment market, and earn higher incomes after graduation.

F. Employment

An examination of employment trends can offer insight into the nature and scale of economic activity and provide potential focal points for future planning efforts. Data from the Massachusetts Executive Office of Labor and Workforce Development was reviewed for the study areas for 2001 through 2009 within eleven major employment sectors. This data illustrates the number of people employed within each sector and the average wages for each. Changes in the unemployment rate were also examined for this time period.

The City of Worcester experienced a net decline of approximately 5,500 jobs between 2001 and 2009, as illustrated in Table III-3, which represented a 5% decline overall. Each study area experienced a net loss. The county and state experienced comparable losses of approximately 4% while the Region's employment level remained relatively unchanged. In addition, the composition of job base is undergoing a transition away from a production-based economy and towards a service and knowledge-based economy, as is typical for many parts of the northeastern United States.

The City of Worcester's employment sectors which lost the highest numbers of jobs over the past decade include manufacturing (3,685 jobs), professional and business services (3,901 jobs), financial activities (1,375 jobs), and trade, transportation, utilities (1,618 jobs), and construction

(934 jobs). The two major production-based sectors, construction and manufacturing, represent 40% of the total employment losses in the City. The migration of manufacturing jobs to overseas locations (or other regions within the U.S. and North America) with less expensive labor and production costs plays

**Table III-3 Employment by Sector, 2001-2009
City of Worcester, the Region, County and State**

Sector	2009 Employment	Change 01-09	% Change 01-09	2009 Avg Wkly Wage	As % of State
City of Worcester					
Natural Resources and Mining	N/A	N/A	N/A	\$226	25%
Construction	3,091	(934)	(23%)	\$1,130	96%
Manufacturing	6,941	(3,685)	(35%)	\$1,155	87%
Trade, Transportation and Utilities	11,834	(1,618)	(12%)	\$679	82%
Information	1,625	(171)	(10%)	\$1,366	88%
Financial Activities	6,624	(1,375)	(17%)	\$1,350	70%
Professional and Business Services	8,864	(3,901)	(31%)	\$1,014	68%
Education and Health Services	41,810	5,624	16%	\$988	101%
Leisure and Hospitality	7,333	621	9%	\$353	85%
Other Services	4,077	(31)	(1%)	\$464	86%
Public Administration	3,303	18	1%	\$1,174	104%
TOTAL	95,502	(5,475)	(5%)	\$936	87%
Worcester Region					
Natural Resources and Mining	41	N/A	N/A	\$796	87%
Construction	2,362	(219)	(8%)	\$1,058	90%
Manufacturing	4,076	(2,630)	(39%)	\$1,284	96%
Trade, Transportation and Utilities	14,066	(1,603)	(10%)	\$678	81%
Information	756	294	64%	\$792	51%
Financial Activities	1,431	(90)	(6%)	\$968	50%
Professional and Business Services	3,536	799	29%	\$972	65%
Education and Health Services	10,060	2,300	30%	\$837	85%
Leisure and Hospitality	4,247	763	22%	\$298	72%
Other Services	1,278	50	4%	\$535	99%
Public Administration	879	267	44%	\$1,198	106%
TOTAL	42,732	(28)	(0.1%)	\$802	74%
County of Worcester					
Natural Resources and Mining	745	(30)	(4%)	\$575	63%
Construction	12,606	(2,286)	(15%)	\$1,048	89%
Manufacturing	35,915	(16,144)	(31%)	\$1,210	91%
Trade, Transportation and Utilities	60,156	(3,980)	(6%)	\$715	86%
Information	4,999	(1,457)	(23%)	\$1,266	81%
Financial Activities	15,551	(834)	(5%)	\$1,170	61%
Professional and Business Services	32,159	(4,519)	(12%)	\$1,123	75%
Education and Health Services	93,727	13,291	17%	\$886	90%
Leisure and Hospitality	28,388	2,565	10%	\$310	75%
Other Services	11,151	427	4%	\$506	93%
Public Administration	12,444	(236)	(2%)	\$1,012	89%
TOTAL	307,841	(13,203)	(4%)	\$880	81%
Massachusetts					
Natural Resources and Mining	7,734	(98)	(1%)	\$912	—
Construction	122,742	(28,528)	(19%)	\$1,172	—
Manufacturing	258,920	(130,312)	(33%)	\$1,332	—
Trade, Transportation and Utilities	571,626	(56,745)	(9%)	\$833	—
Information	90,406	(27,345)	(23%)	\$1,561	—
Financial Activities	214,090	(14,798)	(6%)	\$1,930	—
Professional and Business Services	465,616	(24,350)	(5%)	\$1,497	—
Education and Health Services	834,411	110,437	15%	\$983	—
Leisure and Hospitality	305,295	20,595	7%	\$415	—
Other Services	129,784	16,176	14%	\$542	—
Public Administration	135,917	(4,594)	(3%)	\$1,131	—
TOTAL	3,136,541	(139,562)	(4%)	\$1,082	—

Source: Massachusetts Executive Office of Labor & Workforce Development & RKG Associates, Inc., 2011

an important role in the changing nature of American manufacturing employment. In addition, the current economic downturn (and credit crisis) has had a substantial negative impact on the demand for construction labor. Similar losses have occurred across all study areas. For example, the Region has lost 40% of its manufacturing jobs during this time period while the County and the state lost about 32%.

Only three sectors experienced a net increase in jobs within the City over the decade, including educational and health services (5,624 jobs), leisure and hospitality (621 jobs), and public administration (18 jobs). These jobs, particularly those of the former two sectors, highlight the transition towards service and knowledge-based jobs. Health care in particular, is generally expected to be a continuing growth sector in the future given the aging nature of the American population. Jobs in this sector generally offer higher wages and the City's wage rate is very competitive with the state's overall average wage. Leisure and hospitality growth of 9% in the City is most likely related to eating and drinking establishment employment which tend to be lower paying jobs. Notably, the City did not capture growth in the Professional and Business Services sector that occurred in the Region (799 jobs added) during this time period. This sector also tends to pay higher wages.

As noted, the transition from production-based to service-based employment means that a shift in wages is also occurring. The average weekly wage for construction and manufacturing jobs was \$1,130 and \$1,155, respectively. In comparison, wages in the education and health services and leisure and hospitality services were

Findings: The City's employment losses over the past decade are comparable to the state overall but exceeded that of its neighboring communities. This suggests that the City is not effectively competing for regional growth and may actually be losing existing businesses to other locations within the region.

Implication: The City may need to improve its ability to retain and attract new business and industry as a prerequisite for stimulating new housing construction and achieving a significant upgrade to its existing housing stock.

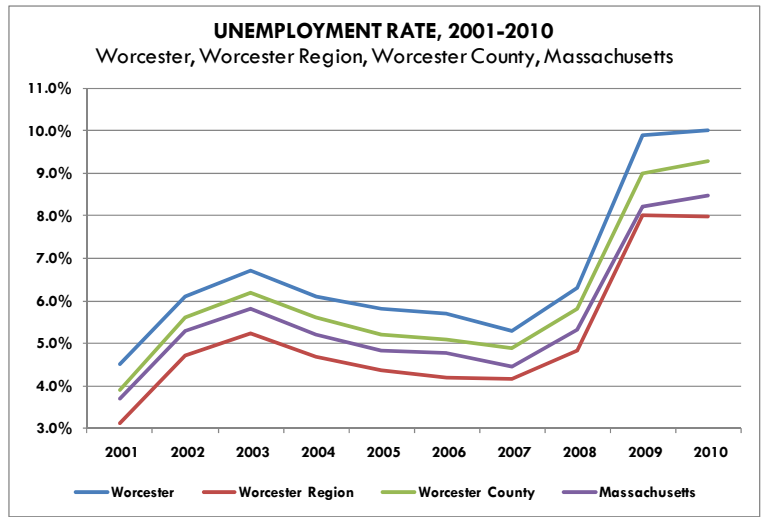
\$988 and \$353, respectively. In essence, the net new jobs being created within the City's local economy are lower paying than the jobs being replaced. A continuation of these trends may have a negative impact on the Worcester housing market since a reduction in the average wage rate will affect housing affordability and demand for new construction.

The unemployment rate is the ratio between the size of the labor force and the number of individuals employed. The larger the gap between the two figures, the larger the unemployment rate. Persistent unemployment can hamper the health of a local real estate market. The City of Worcester had an unemployment rate of 10.0% in 2010, which was higher than all comparative areas by as much as two percentage points. This finding is representative of a trend that has been persistent since 2001. In fact, the four study areas have maintained a consistent spread amongst themselves during the past decade, even as unemployment rates rise and fall. The Region has experienced the lowest employment rate, followed by the

state, the County, and finally the City. The spread between the City and the Region has remained around 1.5-2.0 percentage points for the last decade (Figure III-11).

These figures are relatively common for older industrial cities in the Northeast. As the need to live and work in very close proximity to the CBD has receded, and suburban office and industrial parks have followed residents from cities to suburbs, unemployment have tended to be higher in urban areas such as Worcester. However, while a gap between the City and the other study areas does exist, it is not particularly great.

Figure III-11



IV. REGIONAL COMPARISON OF HOUSING AND RESIDENTIAL MARKET CHARACTERISTICS

This section reviews housing trends and market characteristics within the City of Worcester and evaluates them in comparison to the Region. First, the supply of housing and development trends are examined, including an analysis of occupancy and tenure characteristics. This is followed by an overview of assessment trends and a comparison of median housing values and rents. Finally, local and regional residential market conditions of the for-sale and rental sectors are also evaluated.

A. Housing Supply and Vacancy

The City of Worcester had 74,645 housing units in 2010, reflecting a gain of 3,920 units, or a 5.5% increase since 2000. This was more than twice the rate of increase experienced in the 1990s, as shown in Table IV-1. In contrast, the Region’s housing supply increased by 11.6% since 2000, almost twice the City’s rate of growth.

As illustrated in Table IV-2, vacant housing increased by 2,340 units over the last decade resulting in a vacancy rate of 8.1% as 2010 versus 5.2% in 2000. *In essence, over the last decade new household growth was sufficient to occupy only 40% of the housing created with the remaining 60% representing excess market supply.* A similar trend occurred in the Region but to a lesser degree where 81% of the net increase in housing came from new households.

Worcester’s year-round housing supply totaled approximately 74,380 units in 2010. About 6,000 units were identified as vacant by the Census Bureau but roughly one-third of those were classified as “other vacant” indicating they were related to dormitory housing for area colleges, or were kept off the market for other reasons.

In 2010, nearly half the vacant units in the City of Worcester were “for-rent” as

**Table IV-1 Housing Supply and Occupancy Trends
City of Worcester, the Region and County**

City of Worcester	Tenure as % of Occupied			# and % Change (units)			
	1990	2000	2010	90-00	00-10	90-00	00-10
Occupied	63,884	67,028	68,613	3,144	1,585	4.9%	2.4%
% Owner	43.3%	43.3%	44.5%	1,386	1,488	5.0%	5.1%
% Renter	56.7%	56.7%	55.5%	1,758	97	4.9%	0.3%
Nine-Town Region	1990	2000	2010	90-00	00-10	90-00	00-10
Occupied	37,992	44,145	48,427	6,153	4,282	16.2%	9.7%
% Owner	76.5%	77.9%	79.6%	5,342	4,149	18.4%	12.1%
% Renter	23.5%	22.1%	20.4%	811	133	8.3%	1.4%
Worcester County	1990	2000	2010	90-00	00-10	90-00	00-10
Housing Units	260,153	283,927	303,080	23,774	19,153	9.1%	6.7%
% Owner	61.4%	64.1%	66.1%	22,472	18,225	14.1%	10.0%
% Renter	38.6%	35.9%	33.9%	1,302	928	1.3%	0.9%

Source: US Census; ACS & RKG Associates, Inc.

**Table IV-2 Housing Vacancy 2010
City of Worcester and the Region**

	Worcester		Region	
	Units	%	Units	%
Vacant housing units	6,032	100%	2,243	100%
For rent	2,943	48.8%	990	26.3%
Rented, not occupied	92	1.5%	63	2.8%
For sale only	723	12.0%	459	20.5%
Sold, not occupied	201	3.3%	145	6.5%
For seasonal, recreational, or occasional use	262	4.3%	229	10.2%
Other vacant units	1,811	30.0%	757	33.8%
Overall vacancy rate	8.1%		4.4%	
Homeowner vacancy rate	2.3%		1.2%	
Rental vacancy rate	7.2%		5.6%	

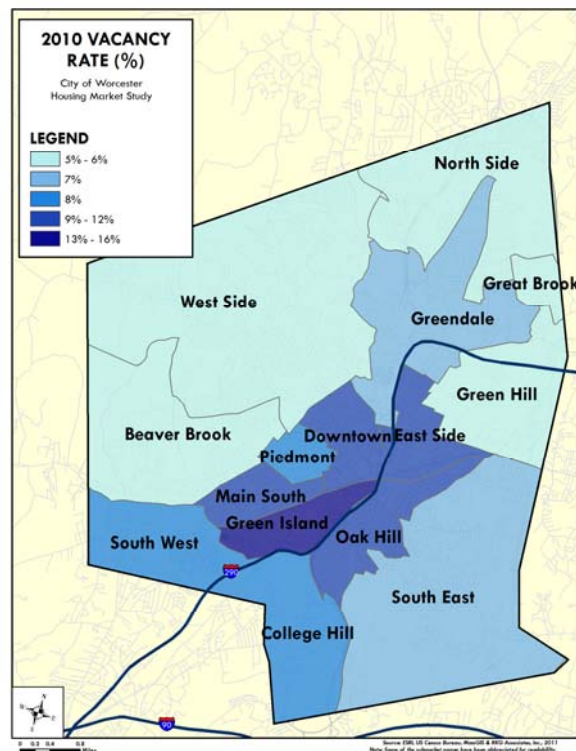
Source: US Census, ACS & RMG Associates, Inc.

compared to 29% for the Region. Another 15% of the vacant units in Worcester were “for-sale” versus 27% in the Region, as shown in Table IV-2. Approximately 4% of the vacant units in Worcester were considered “seasonal” as compared to 10% for the Region.

The vacancy rate for owner occupied housing in Worcester was 2.3% versus 1.2% for the Region. Rental vacancies were typically higher at 7.2% and 5.6%, respectively. The City’s overall vacancy rate was 8.1% in comparison to 4.4% for the Region. A housing vacancy rate in the 3% to 4% range suggests a relatively balanced market. Both the City and Region have approximately one-third of their housing units categorized as “other vacant” which are being held off the market by owners. Anecdotal information indicates that these units may be kept off the market by older owners of older, multifamily properties who don’t want to deal with a variety of factors such as strong tenancy laws, decline of desirable renters, capital costs to bring units up to code, or general disinterest in being landlords. These “other vacant” units also include a supply of bank-foreclosed properties that have yet to be made available for sale or rent.

Overall vacancy rates (owner and renter combined) within the City’s submarkets range from 5% to 16%, with the highest vacancy rates typically occurring in the urban submarkets such as Green Island, Main South, Downtown, and East Side (Map IV-1). These submarkets are all experiencing vacancy rates of 9% to 16%. Lower vacancies exist in the submarkets of Beaver Brook, West Side, North Side, Great Brook, and Green Hill, all of which have vacancy rates of 6% or less. This concentration of vacancy in the urban core indicates a relative lack of demand for this area which may be a reflection of housing quality given other indicators discussed in other portions of this report.

Map IV-1



B. Tenure Characteristics

Housing tenure is the measure of the number of owner versus renter occupied housing units. Owner occupancy is often an indicator of lower turnover and greater commitment to a neighborhood since owners are typically more concerned with maintaining the value of their housing investment. Whereas, absentee landlords who own multifamily properties may be less inclined to invest in housing maintenance beyond that which is required to keep the property viable within the existing rental market. If achievable rents are particularly low within the marketplace there is less incentive to invest which can foster a cycle of further decline in housing conditions. These conditions can lead to “harvesting” the existing housing stock wherein rents are extracted by the owners without performing needed maintenance resulting in a depletion of property values.

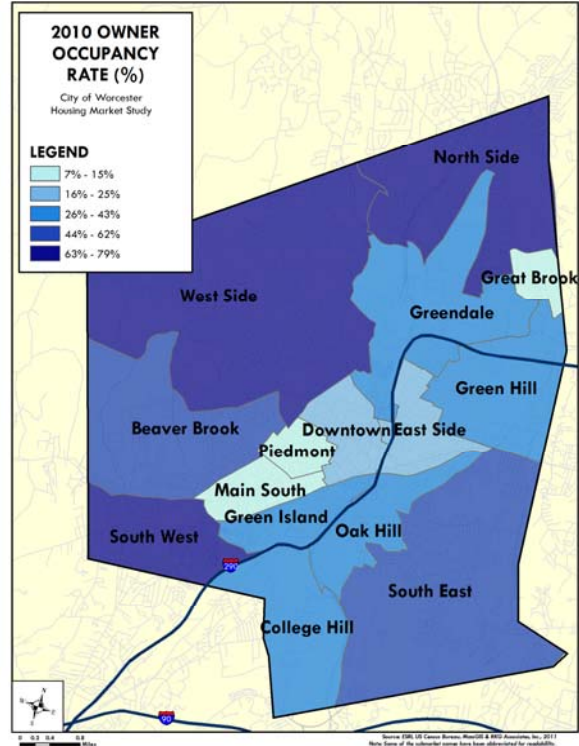
The City of Worcester had an owner occupancy rate of 44.5% in 2010 which was only marginally higher than the 1990 rate of 43.3%. Within the Region, owner-occupancy increased only slightly faster from 77.9% to 79.6%. In absolute terms, the City’s owner occupied units increased by nearly 1,490 over the last decade versus 4,150 throughout the Region. A detailed summary of tenure by age of householder can be found in the appendix.

Conversely, the renter-occupancy rate declined over the last decade in the City, as well as the Region and the county. Worcester added less than 100 renter households between 2000-2010 with the renter-occupancy rate declining from 56.7% to 55.5%. The Region experienced a greater increase in renter households over the same time period although it was still a relatively marginal increase of 133 units. This is most likely a reflection of

the boom in for-sale housing that occurred throughout the decade where home ownership was the primary focus within the marketplace. However, with the economic downturn, more demand pressure is now apparent for rental properties and the lack of construction over the last decade is driving up lease rates in many markets in Worcester.

At the submarket level, owner occupancy rates are generally higher in the City’s suburban submarkets than in the more urban ones (Map IV-2). This is consistent with the nature of these two different groups of submarkets—the outlying submarkets tend to have single family units which are more typically owner occupied, while more dense, multi-family in the downtown and immediate

Map IV-2



surroundings are more likely to be renter-occupied.

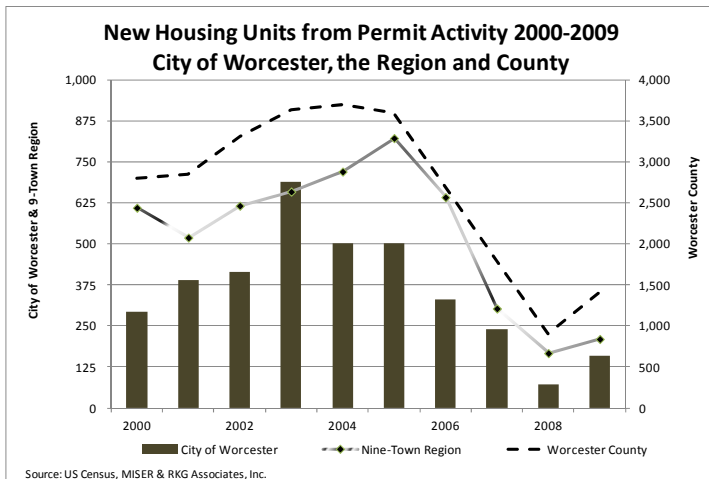
C. New Housing Production

The City of Worcester had 3,590 new housing units approved during the last decade, according to building permit data, while nearly 5,270 new units were authorized in the nine-town Region. As shown in Figure IV-1 and Table IV-3, 690 units were permitted in 2003 (peak year) in the City and accounted for 19% of housing production over the last 10 years. An additional 500 units were added in each of the two subsequent years (2004/05).

In 2006, permit activity declined by 34% from the prior year, followed by a further decline of 28% in 2007. Activity in 2008 was the lowest over the decade and nearly 90% off the peak in 2003.

In the nine-town Region, permit activity reached its peak in 2005, as it did in Worcester County, followed by a subsequent decline over the remainder of the decade. In all study areas, a slight uptick in permit activity occurred in 2009 but it remained lower than all the preceding years except 2008.

Figure IV-1



A comparison of the net change in total housing units in the City between 2000 and 2010 (3,922 units) and the number of new units from permit activity (3,592 units) indicates that Worcester added 330 units from conversions/renovations in existing structures. In the Region, it is estimated that the net change accounted for only 12 such units.

Over the past decade, new housing production averaged approximately 360 units per year in the City, and nearly 80% of these units were single-family homes, as shown in Table IV-3. Over 4,440 new single-family homes were developed in the nine-town Region during the 2000s, which accounted for 84% of the new units built there.

Table IV-3 – Residential Building Permits Worcester and the Region 2000-2009

Worcester						
Year	Single-Fam	2-Fam	3-4 Fam	5 units & up	Total Units	AVG Cost per Unit
2000	279	0	9	5	293	\$85,778
2001	268	4	7	110	389	\$84,078
2002	410	4	0	0	414	\$92,246
2003	420	0	0	270	690	\$88,208
2004	438	6	10	49	503	\$90,930
2005	366	12	3	120	501	\$108,467
2006	292	10	10	20	332	\$112,773
2007	214	4	0	21	239	\$137,601
2008	61	12	0	0	73	\$110,939
2009	110	2	3	43	158	\$100,063
Total	2,858	54	42	638	3,592	
Average	286	5	4	64	359	\$97,775
Nine-Town Region						
Year	Single-Fam	2-Fam	3-4 Fam	5 units & up	Total Units	AVG Cost per Unit
2000	555	14	12	29	610	\$144,571
2001	519	0	0	0	519	\$153,967
2002	561	6	39	10	616	\$158,792
2003	482	8	62	107	659	\$155,251
2004	655	12	53	0	720	\$177,475
2005	623	54	74	71	822	\$158,626
2006	417	22	7	196	642	\$150,513
2007	289	4	10	0	303	\$181,771
2008	165	2	0	0	167	\$197,805
2009	177	0	33	0	210	\$175,864
Total	4,443	122	290	413	5,268	
Average	444	12	29	41	527	\$160,985

Findings: The cumulative total value of new residential construction in Worcester was \$351.21 million over the last decade (an average of \$97,775 per unit), which represented about 8.1% of total residential assessment in 2000. In the Region, the cumulative total was approximately \$848.1 million (an average of \$160,985 per unit), representing 13.2% of the residential assessment in 2000. This wide disparity is also indicated in the differences in median values of single-family homes.

D. Regional Market Comparison

This section provides a comparison between Worcester and the Region regarding key characteristics of the residential housing sales and rental markets. The primary indicators that were examined included sales volume and median pricing, rental rates by size of unit and recent foreclosure activity.

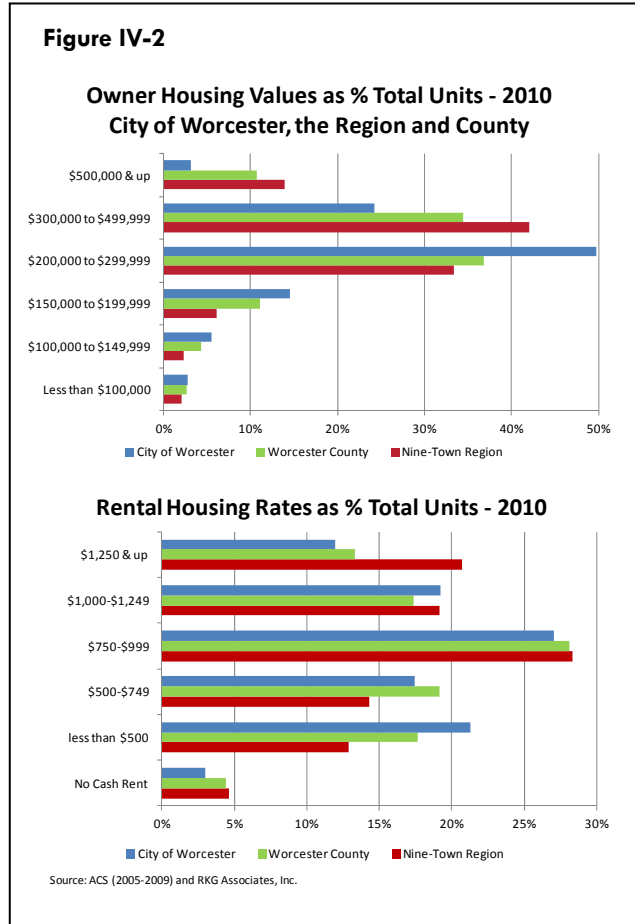
Median Value and Rent Trends

The median value of owner-occupied units in the City of Worcester was estimated at \$248,300 in 2010 by ACS and \$323,400 for the nine-town Region. The median value for Worcester County fell between the two at \$285,000. As shown in Table IV-4, median values in the City of Worcester more than doubled during the last decade rising from \$119,600 in 2000 to \$248,300 in 2010. In the nine-town Region the increase in median value was more than 116% since 1990, and it was 104% in Worcester County. When measured against change in the CPI, each area experienced at least some real growth over the last 20 years with nearly all the increase occurring in the last decade.

Findings: The City of Worcester experienced a surge of new housing production during the 2000s and its residential tax base recovered, for the most part, losses experienced during the 1990s. Residential value in Worcester, however, barely kept pace with inflation over the last 20 years. In comparison, the cumulative residential tax base in the Region increased at twice the rate of inflation, indicating real growth in value.

The increase in new housing in Worcester over the past decade, combined with slow household growth, resulted in the owner-occupancy rate increasing only marginally to 44.5% in 2010 such that it remains predominantly a rental market. However, household growth over the past decade was insufficient to occupy 60% of the increase of the total units. Therefore, the vacancy rate in 2010 was 8.1%, up from 5.2% in 2000.

Implications: Although the City added 3,900 housing units over the past decade, the rate of growth fell well below the Region's and the county's. Overall vacancy rose higher in the City versus the Region during the same period. Many units are apparently being kept off the market by owners of multifamily dwellings to avoid factors such as strong tenancy laws, decline of desirable renters, capital costs to bring units up to code, or general disinterest in being landlords. The vacant units also includes a supply of bank-foreclosed properties that have yet to be made available for sale or rent. The City remains predominantly a rental market with homeownership increasing only marginally although vacancy remains tight at 2.3%.



shown above in the table. These increases were below those indicated by the change in CPI during that time. In other words, when adjusted for inflation, rents in 1990 were actually somewhat higher than 2010 rates.

Figure IV-2 exhibits the distribution of owner-occupied housing units by value ranges in the three market areas. The City had the highest percentages of homes valued in the price ranges of less than \$300,000 but higher values are underrepresented in the housing stock. In fact, only 3% of the units in the City had values of \$500,000 or more as compared to 14% for the Region and 11% for the county.

Figure IV-2 also illustrates the distribution of renter-occupied housing by monthly ranges in rental rates for each market area. Similar to the owner distribution, Worcester had a higher percentage of units at the lower end (less than \$500) and a lower proportion at the higher end (\$1,250 and up) than the other market areas.

Table IV-4 Median Housing Values and Gross Rents
City of Worcester and the Region

Market Area/Median	1990	2000	2010	% Change		
				1990-00	2000-10	1990-10
City of Worcester						
Median Value	\$128,200	\$119,600	\$248,300	-6.7%	107.6%	93.7%
Median Rent	\$527	\$577	\$842	9.5%	45.9%	59.8%
Nine-Town Region						
Median Value	\$149,390	\$165,470	\$323,400	10.8%	95.4%	116.5%
Median Rent	\$581	\$679	\$928	16.9%	36.7%	59.7%
Worcester County						
Median Value	\$139,600	\$146,000	\$285,000	4.6%	95.2%	104.2%
Median Rent	\$522	\$580	\$847	11.1%	46.0%	62.3%
Consumer Price Index	130.7	172.2	218.1	31.8%	26.7%	66.9%

Source: US Census; ACS (2009);BLS; & RKG Associates, Inc.

Median gross rents for each market area in 2010 ranged from \$842 for the City to \$928 for the Region. The overall increase since 1990 ranged from less than 60% (Worcester, City and County) to slightly more than 62% (nine-town Region), as

For-Sale Housing Trends

This section analyzes trends in residential sale activity and pricing in the different market areas from data obtained from Warren Information Services. Sales volumes of different residential types are first presented and then trends in the median value are analyzed. Foreclosure activity over the last four years is also analyzed.

Annual sales activity by housing type (single-family, condominium and other residential) between 1987 and 2010 are exhibited for the City and Region in Figure IV-3. Some of the key findings from a review of the data are presented below.

- Over the last twenty-four years, single-family sales in Worcester peaked at 1,470 sales in 2005, while condominium sales peaked at 712 sales in 2006, and sales of other residential properties (1,525 sales) peaked in 2005.
- In 2010, sales activity for single-family homes was 41% below the peak, while condominiums and other residential sales were 57% below the peak. Sales activity for all types in 2010 remained well above the prior low points experienced in the early to mid 1990s.
- Statistics for the nine-town Region indicate a somewhat similar trend as Worcester, although single-family sales reach its high point of 1,900 sales in 1999 and in the last decade reached a high point of 1,725 sales in 2004. Condominium sales peaked at 670 sales in 2005, while sales of other residential properties reached a peak in 2004 at 720 sales.

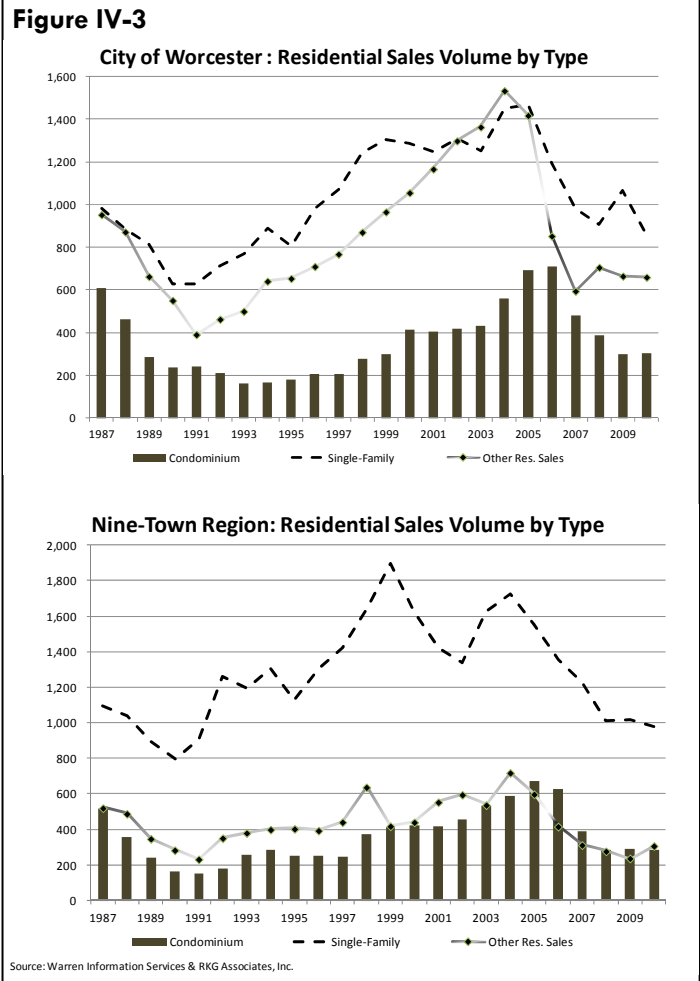
Sales activity in 2010 essentially mirrored activity over the prior two years in the Region. However, single family sales were 43% below the peak while sales of condominiums and other residential properties were 57% below their respective peaks.

Single Family Sales Price Trends

Trends in the median sales values of single-family homes between 1987 and 2010 in the Worcester, the Region and the county illustrated in Figure IV-4. A detailed accounting of actual median prices for the individual towns is provided in the appendix.

Highlights from a review of the data are as follows:

- During the 1980s the median value for single-family sales in Worcester

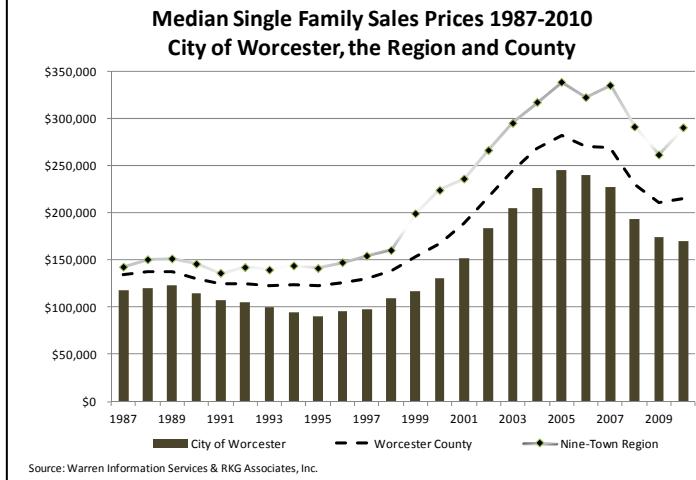


peaked in 1989 at \$123,000 and subsequently declined by 26% to a low of \$90,500 in 1995, when values started to rebound. However, values took a full decade to recover not achieving a return to 1989 levels until 2000.

- Between 2000-2005, median single-family values increased by 87% rising to a peak value for the decade of \$245,000. This was followed by a steady decline such that, the median value for single-family homes declined by \$75,000, a 30.6% loss in value, over the latter half of the decade. Still, values remain above 2000 levels and appear to have leveled off in 2009-10.

- A similar trend in median sales price was evident at the regional and county levels during this time period although prices were generally higher than what was achieved in the City and recovered more quickly, as illustrated in Figure IV-4. By 1998, the county’s median value (\$139,000) had surpassed the prior peak followed by a 103% increase to its second peak of \$282,000 in 2005. Between 2005 and 2009, median value declined by 25.2% with a nominal increase of 2% in 2010.

Figure IV-4



- For the Region, single-family homes peaked at \$151,200 in 1989, declined by 7.8% to \$139,400 in 1993, but had recovered by 1997 to its previous peak value (\$154,200). By 2005, values had increased by 119% to \$338,400. Between 2005 and 2009, the median value declined by 22.8%, but then rebounded by 11.1% in 2010.

median of \$105,000 which surpassed 1989 levels. Values rose rapidly over the next 4 years increasing by 71% to \$179,950 in 2006. At that time, values dropped precipitously by 33% and 18% in the two subsequent years. However, 2010 median pricing had rebounded by 12% to \$109,900 which was about 10% higher than the 1989 peak.

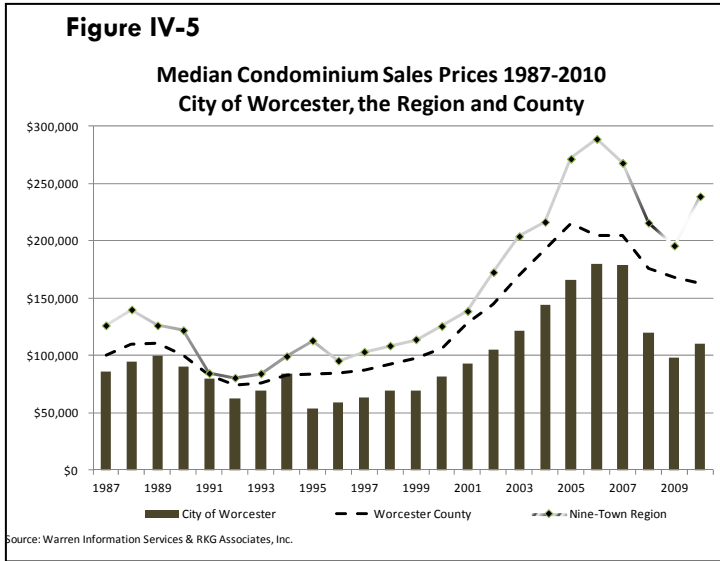
Condominium Sales Price Trends

This section provides an overview of condominium sales trends in the City, county, and Region over the last two decades. Median sales prices from 1987 to 2010 are exhibited in Figure IV-5. Actual sales prices for the individual towns can be found in the appendix. The following summarizes some of the key findings.

- Condominium sales trends in Worcester generally mirrored single family sales although prices were lower, somewhat more erratic, with a slower rate of recovery. The 1989 peak price of \$99,500 was followed by a 46% loss in value reaching to the low point of 53,500 in 1995. Prices had fully recovered by 2002 achieving a

- Median values in Worcester County exhibited less volatility than values within the City’s housing stock over the last two decades, as shown in Figure IV-5. Following a peak value of \$111,060 in 1989, the county lost 33.5% of its median value by 1992 to its low point of \$73,900. A slow recovery followed such that, by 2001, the median value (\$127,975) had surpassed the prior peak and over the next four years, increased 68%, to \$214,900 in 2005. Between 2005 and 2010, median value declined by 24.2% to \$163,000, a figure that was still notably higher than the City’s.

Regional trends in condominium values for the City’s neighboring communities were similar to those of



the county, albeit with higher values. Values in the nine-town region peaked at \$140,200 in 1988 but dropped more dramatically by 42% to \$80,800 in 1992. Values had fully recovered by 2002 and by 2006, had jumped an additional 46% to \$288,900. This was followed by a subsequent loss of 32.2% in value a one-year increase of 21.9% (\$238,900), although based on relatively low sales volumes.

Foreclosure Activity

Along with sales pricing information, foreclosure activity can also provide some insight into the health of housing market. The Warren Information Services began tracking foreclosure statistics in 2007 and the data is presented in three categories, namely: the number of petitions to foreclose; the number of foreclosure auctions; and, the number of foreclosure deeds by type (single-family, condominiums and other residential). This data for Worcester and its nine-town Region over the last four years is summarized in Table IV-5.

Between 2007-2010, petitions to foreclose single-family homes in Worcester averaged 517 annually, ranging from 434 to 585. *This range represented 48% to 55% of single-family sales activity in their respective years.* The number of petitions filed in 2010 (484) was 17% below the peak suggesting that foreclosure activity may be slowing, at least in the City. In the Region, foreclosure petitions continued to remain at their highest levels in 2009-10 (382) suggesting a larger

Table IV-5 Foreclosure Activity 2007-2010 City of Worcester and the Region

City of Worcester						Nine-Town Region				
Petitions To Year	% of Foreclose	% of Sales	Foreclosure Auctions	Deeds as % of Auctions	Deeds as % of Auctions	Petitions To Foreclose	% of Sales	Foreclosure Auctions	Deeds	Deeds as % of Auctions
Single-Family Homes						Single-Family Homes				
AVG	517	54%	483	236	49%	352	33%	255	121	48%
2010	484	57%	617	250	41%	381	39%	344	154	45%
2009	585	55%	436	214	49%	382	37%	222	124	56%
2008	434	48%	476	318	67%	290	29%	227	123	54%
2007	563	57%	403	160	40%	354	29%	228	84	37%
Condominiums						Condominiums				
AVG	150	41%	183	103	56%	49	16%	47	26	55%
2010	121	40%	244	112	46%	54	19%	78	30	38%
2009	146	49%	125	82	66%	60	21%	41	29	71%
2008	147	38%	235	155	66%	38	13%	45	29	64%
2007	185	39%	129	63	49%	44	11%	22	15	68%
Other Residential						Other Residential				
AVG	446	68%	639	228	36%	59	21%	90	31	34%
2010	355	54%	814	213	26%	43	14%	112	34	30%
2009	453	68%	611	209	34%	53	22%	112	34	30%
2008	380	54%	659	292	44%	59	21%	74	29	39%
2007	597	100%	472	198	42%	79	25%	63	26	41%
Total	4,450		5,221	2,266		1,837		1,568	711	

Source: Warren Information Services & RKG Associates, Inc.

supply of distressed properties are still evident.

The Massachusetts Housing Partnership recently released an updated *Foreclosure Monitor* report on May 2, 2012. Worcester is notably mentioned as having two census tracts in the top 30 of most distressed census tracts with respect to foreclosures in the state. (Census tract 7324 is ranked 1st or the worst out of the top 30 with 107 distressed units out of 2,458 – Lower Grafton area and census tract 7319 – Belmont/Lincoln St/Harlow area is ranked 6th with 51 out of 2063).

When comparing petition filings to sales activity by the different residential types,

Findings: Over the last four years, petitions to foreclose averaged approximately 520 single-family homes and 150 condominiums per year in the City. This represented 2.1% and 3.0% of the single-family and condominium supply, respectively. In comparison, the average number of petitions to foreclose in the Region represented approximately 1.0% of the respective supply there.

Implication: This finding suggests that foreclosures had a greater impact on the market in the City of Worcester than in the Region. The statistics also indicate that more speculative investment occurred in the Worcester market than in the Region. Given high unemployment rates and slow employment growth, foreclosure activity will likely continue to impact the market over the near term, especially in Worcester. This in turn would hamper the potential for price appreciation more similar to that experienced earlier in the decade.

Worcester's percentages across all types were consistently higher than the Region's for all years examined. For single-family homes, petitions to foreclose averaged 54% of total sales over the four-year period, while in the Region, the average was 33%. A similar disparity between Worcester and the Region for the other residential types was also exhibited.

Reportedly, buyers at the developments undertaken by the Community Development Corporations (CDC) in Worcester, such as Main South, East Side and Oak Hill CDCs, did not suffer the foreclosure problems that affected the citywide housing market. This is a significant finding and attributed by CDC representatives to their home-ownership training programs and advance screening of potential applicants for home purchase. Apparently, this was not the case for other lenders and buyers judging by the fact that the number of petitions to foreclosure has averaged more than 1,110 per year since 2007 in Worcester.

Another troubling statistic is the percentage of foreclosure deeds in relationship to foreclosure auctions. This relationship suggests that on average, less than 50% of auctions of single-family homes yielded a foreclosed deed indicating that the remaining 50% were back on the market as bank-owned inventory. A slightly higher percentage of condominiums were sold, on average, at auction, according to the data in Table IV-5, but a much lower percentage of other residential were transferred via foreclosure deeds than the other property type.

E. Rental Market Characteristics

This section compares current (2011) rental market rates within the City of

Worcester to its surrounding Region. The City’s apartment stock includes a range of sizes from smaller, two and three-family dwellings, four-to-eight unit structures, as well as buildings with 9 units or more. Given this fact, a variety of pricing sources⁶ were consulted in order to differentiate between the so-called “formal” market, as represented by larger, and in some cases, more modern apartment complexes, and the “informal” market, which is comprised of the units at the smaller properties, and in some cases owner-occupied buildings. The results of this survey are summarized in Table IV-6 while the detailed survey data can be found in the appendix. Current fair market rents (FMR) established by HUD for the Worcester Metro area, that are used in determining applicable rental payments for Section 8 vouchers, are presented in the table for comparison purposes. Key findings of this rental survey are as follows.

- Studio (0-bedroom) rents in Worcester ranged from \$450 to \$799 and averaged at \$600 (informal) to \$711 (formal). The latter was similar to REIS for the Worcester Metro (\$711). This average from the formal market was 1% higher than the FMR (\$704), but the informal average rent (\$600) in Worcester was nearly 15% lower. From the sample of modern apartments in the Region, studio rents ranged from \$775 to \$882, and average at \$829.

⁶ To ascertain rental pricing at the larger apartment complexes, Internet sources such as move.com; rent.com; apartmentguide.com, were reviewed. For the “informal” market, classified advertisements in the Worcester Telegram and Craig’s List were examined. The 2010 year-end report of apartment conditions in the Worcester Metro area from REIS, Inc., firm that monitors the apartment sector in different market areas throughout the country was also consulted.

This was higher than indicated from the other sources.

- Rents in Worcester for rooms at boarding houses were also included in the 0-bedroom category and reflective of the low-end of the range \$450 to

**Table IV-6 Residential Rental Rates 2011
City of Worcester and the Region**

Area/Range	0-bdrm	1-bdrm	2-bdrm	3-bdrm	4-bdrm	Overall
Worcester - AVG [1]	\$711	\$883	\$1,063	\$1,136	\$1,465	\$1,052
Low	\$615	\$620	\$727	\$817	\$1,200	\$615
High	\$799	\$1,295	\$1,575	\$1,613	\$1,600	\$1,613
Region-AVG [1]	\$829	\$1,166	\$1,398	\$1,843	N/A	\$1,309
Low	\$775	\$800	\$978	\$1,508	N/A	\$775
High	\$882	\$1,595	\$1,868	\$2,257	N/A	\$2,257
Worcester - AVG [2]	\$596	\$811	\$900	\$1,121	\$2,022	\$1,053
Low	\$450	\$625	\$500	\$750	\$1,095	\$450
High	\$799	\$1,214	\$1,500	\$1,800	\$4,500	\$4,500
Worcester Metro [3]	\$711	\$966	\$1,162	\$1,406	N/A	\$1,061
Fair Market Rent [4]	\$704	\$810	\$986	\$1,179	\$1,250	\$842

[1] From survey of major apartment complexes internet sites (formal)
 [2] From review of classifieds in Worcester Telegram & Craigs List (informal)
 [3] REIS - 4th qtr/2010
 [4] FY-2011 for Worcester Region; Overall is median for City of Worcester from ACS (2009)
 Source: US Dept of HUD & ACS; REIS; others as noted; and RKG Associates, Inc.

\$500 for the informal market. Rents were typically quoted on a weekly basis and ranged from \$115 to \$125 per week. Demand for additional rooms at boarding houses in Worcester was noted by some attendees of focus group meetings conducted as part of this study.

- One-bedroom rents in Worcester ranged from \$625 to \$1,295 and averaged between \$811 (informal) and \$883 (formal). FMR (\$810) was similar to that indicated by the informal market, and 16% lower than for the Worcester Metro (\$966). The average one-bedroom rent (\$1,166) in the Region (formal) was 21% higher than indicated in the Worcester Metro.
- Two-bedroom rents in Worcester ranged from \$500 to \$1,575 and averaged between \$900 (informal) to \$1,063 (formal). This high-end

Findings: Some landlords indicated that the \$1,000 per month threshold for two-bedroom units was difficult to broach in some of the urban core submarkets since many of the tenants had Section 8 vouchers and could not exceed that benchmark. Other landlords with properties in more desirable areas and of higher quality were able to exceed this threshold.

average was about 9% or \$100 less than indicated in the Worcester Metro, but almost 8% higher than FMR (\$986). The two-bedroom in the Region ranged from \$978 to \$1,865, and averaged at nearly \$1,400 per month. This was 20% higher than the Worcester Metro; 42% higher than FMR; and between 32% and 55% higher than the formal and informal market in Worcester, respectively. In fact, the high end in Worcester (\$1,575) was only 12% higher than the Regional average.

- Three-bedroom rents in Worcester ranged from \$750 to \$1,800 and averaged between \$1,121 (informal) and \$1,136 (formal). FMR (\$1,179) was about 4% higher than the latter, but 16% below that in the Worcester Metro (\$1,406), and 36% below that average in the Region (\$1,843).
- Four-bedroom rents in Worcester ranged from \$1,200 to \$4,500, and averaged between \$1,465 (formal) and \$2,022 (informal). The high-end was indicated for a large single-family home in the West End neighborhood. FMR (\$1,250) was \$50 more than the low end in the formal market or \$155 more than the low in the informal market.

- The vacancy rate reported by REIS for the Region was 4.6% at the end of 2010 (and for the year), and it increased from 3.9% from the third quarter of 2010. Between 2005 and 2010, the vacancy rate in the Worcester Metro ranged from 4.4% (2009) to 6.7% (2006) indicating increased occupancy over the last few years.
- Concessions such as 1st month rent free with a 12-month lease were also available on a select basis. The inclusion of utilities also varied widely between the properties, but in many cases, heat and hot water were included, especially at buildings in Worcester with a single central furnace. Additional fees in some cases were assessed for parking.

Student Housing

In Worcester, the informal rental survey revealed that some listings were targeted to college students at Worcester Polytechnic Institute, Becker College, Holy Cross, UMASS Medical Center and Clark University, to name a few. The quoted rates ranged from \$350 to \$500 per student depending on the number of bedrooms at the apartment and its location. Monthly boarding costs at some of the colleges varied from around \$500 to almost \$800 per month. Off-campus housing would be a competitive alternative to these prices for upper classmen, especially if year-round housing is desired.

Findings: Vacancy rates were difficult to ascertain since many property managers contacted would not reveal the actual number of available units. A few mentioned that credit loss was associated with higher eviction rates and created some difficulty in removing problem tenants. In Worcester, a recent buyer of a small multifamily property indicated naivety regarding eviction and tenant screening with the end result being a problem tenant that took many months to evict with no rental income and additional legal costs. Others mentioned that some older owners were unwilling to rent their vacant multi-family units, and rather have the unit sit vacant than deal with potential problem tenants.

Implications: These findings indicate that additional training in property management is needed for new buyers of multi-family properties including assistance with tenant screening and selection.

Findings: The residential for-sale market in Worcester and its Region peaked between 2005 and 2006 when the national/global credit crisis started. From 2007 to 2009, the number of sales declined precipitously while foreclosure activity increased. The statistics indicate that the residential market in Worcester was impacted more heavily than the Region, as median pricing declined faster and further, and evidence of a rebound was not apparent. Foreclosure activity was also more prevalent in Worcester than the Region, and the supply of bank-owned properties increased. The rental market on the other hand experience improvement over the last five years or so, as vacancy declined and rental rates increased.

The investment from new residential construction in Worcester totaled \$351 million between 2000 and 2009 and equated to 8% of the residential tax base. In comparison, the Region experienced investment from new construction that totaled nearly \$848 million or 13% of its residential base.

Median sales values of residential properties appear to have stabilized as of 2010 but it is unclear when significant growth will occur. However, given available supply and continued problems with foreclosures, current conditions are likely to persist for some time. Based on historical trends from the 1980s/90s, it could take another five years until the market begins to rebound.

Implications: Housing values and rents in Worcester remain below the Region and in many cases the differences were quite significant. These conditions are unlikely to change over the near term meaning that attainable values in the City will remain below what may be feasible to support new construction.

Apartments in closest proximity to the colleges would be a likely preference for those choosing off-campus housing which is likely to result in higher rents for those properties. Since Worcester lost nearly 2,000 renter households under the age of 35 over the last decade, any influx of new college students to help replenish this segment of the population could help to support a portion of the City's housing market. However, off-campus student housing can also be more prone to code violations which would require more monitoring from city staff. Still, these colleges provide important exposure for the City to what is likely to be a considerable number of annual visitors. Therefore, offering a livable and safe environment around these institutions would benefit the City in a number of ways.

V. RESIDENTIAL MARKET CHARACTERISTICS CITY OF WORCESTER

The preceding chapter presented a comparison of the housing market in Worcester within the context of the City's regional setting. This chapter provides a more focused analysis of key indicators of the City's housing and residential market characteristics. These indicators include tax base valuation⁷, pricing and density characteristics, development trends, and sales pricing by type of housing. Properties in transition, namely vacant buildings, bank-owned properties via foreclosure and city-owned properties via tax title, are also quantified. Understanding changes to these indicators are important because these are areas in which the City can have an effect on housing conditions.

The information in this chapter is presented for the City as a whole in summary fashion. A more detailed description and accounting of all data analyzed is contained in the report's appendix.

A. Tax Base and Land Use

An inventory of land use and property valuation was compiled through use of the City's Geographic Information System (GIS) parcel map merged with data from the municipal assessment records database for 2011. The following information provides an overview of total value for each land use type (e.g. single family,

commercial, etc.) in comparison to the acreage of developed land and total tax base within the City. This data is presented in Table V-1 while their distribution throughout the City is illustrated in Map V-3 and Map V-4 at the end of the chapter. Some of the most notable land use statistics are summarized below.

- Improved residential parcels (i.e. those with structures containing 1, 2, 3, 4-8, or 9+ units, or mixed use properties) consisted of 9,055 acres and represented 51% of the City's land area. These properties have a 2010 assessed value of \$7.92 billion, or 54% of total assessed value of the city.
- Approximately 1,100 acres were identified as vacant residential land, 900 acres of which were considered to have development potential, *which is only 5% of the City's land area.*
- There were 74,124 housing units listed in the assessment records with single family homes accounting for 35% (24,886) of the total. Perhaps more importantly, these units represented nearly 62% of improved residential assessment and 33% of total valuation.
- Commercial and industrial properties, both improved and vacant, accounted for 3,561 acres and \$2.67 billion in assessed value. This represents 20% of the City's land area and 18% of total valuation.

⁷ A note regarding changes to assessment data: During the course of preparing this report the City completed its triennial revaluation of all properties (2011). All data in Section V(A) have been updated to reflect the 2011 triennial assessment values.

- Vacant commercial and industrial acreage represented only 2% of the City’s land area and less than <1% of total assessed value.
- Taxable, income-based housing units (4,989 – see footnote 1 in Table V-1) also accounted for 7% of total housing but contributed less than 1% of total assessment.
- Tax-exempt income-based housing consisted of 5,235 units or 7% of the total housing supply.
- Private schools/colleges, which also includes UMASS Medical Center and Worcester State College, accounted for 3% of the acreage in the City and 9% of total assessment, although nearly all these properties are tax-exempt.
- Tax-exempt properties consisted of 3,889 acres (22% of the City’s land area) and included, among other uses, 5,579 housing units. Exempt properties had a total value of \$4.14 billion of non-taxable development that represents 28% of total valuation.

**Table V-1 Land Uses and Assessed Value 2011
City of Worcester**

Use	# of Parcels	Acres	Housing Units	Assessed value (\$mil)	Percent of Total		
					Acres	Units	Assd \$
Single Family	24,886	6,193	24,886	\$4,927	35%	34%	33%
Condominiums	4,899	459	4,899	\$581	3%	7%	4%
Two-Family	3,595	739	7,190	\$670	4%	10%	5%
Three-Family	4,884	712	14,652	\$914	4%	20%	6%
4 to 8 Units	946	163	4,729	\$227	1%	6%	2%
9 units or more	187	312	5,725	\$328	2%	8%	2%
Income-based Housing [1]	259	328	4,989	\$61	2%	7%	0%
Mixed-Residential	422	134	495	\$196	1%	1%	1%
Other	61	14	772	\$20	0%	1%	0%
Improved Residential	40,139	9,055	68,337	\$7,924	51%	92%	54%
Accessory Use	142	32	0	\$4	0%	0%	0%
Undeveloped Land	1,030	645	0	\$48	4%	0%	0%
Potential Developable	292	236	0	\$6	1%	0%	0%
Undevelopable Land	684	247	0	\$2	1%	0%	0%
Unimproved Residential	2,148	1,160	0	\$61	7%	0%	0%
Residential Subtotal	42,287	10,215	68,337	\$7,985	58%	92%	54%
Mixed-Commercial	188	87	208	\$205	0%	0%	1%
Commercial	2,266	1,869	0	\$1,850	11%	0%	12%
Industrial	598	1,267	0	\$563	7%	0%	4%
Unimproved Comm./Ind.	336	338	0	\$55	2%	0%	0%
Comm./Ind. Total	3,388	3,561	208	\$2,673	20%	0%	18%
Institutional/Government	90	1,468	4	\$1,579	8%	0%	11%
City of Worcester	71	354	0	\$256	2%	0%	2%
Tax Title et al [2]	37	29	0	\$24	0%	0%	0%
Worcester Schools	52	389	0	\$385	2%	0%	3%
Private Schools/Colleges	166	617	340	\$1,286	3%	0%	9%
Income-based Housing [3]	85	263	5,235	\$290	1%	7%	2%
Parks & Recreation	15	769	0	\$327	4%	0%	2%
Tax-Exempt Total	516	3,889	5,579	\$4,147	22%	8%	28%
Total All Uses	46,191	17,665	74,124	\$14,805	100%	100%	100%

[1] Taxable Chapter 40-B supply owned by private-sector developers; CDC's and similar
 [2] Includes City-owned tax title parcels, and vacant parcels owned by WRA & EOEND
 [3] Worcester Housing Authority; religious groups and Chapter 121-A corporations
 Source: City of Worcester Assessing Office

units were developed between 2000 and 2010 representing 7% of the City’s total housing supply. Single family homes account for 52% of the units built during the decade, followed by condominiums (28%) and structures with 9 units or more (14%). The location of housing

B. Housing Development Trends

This section presents a summary of the residential housing construction trends within the City by time period with a particular focus on the last decade (2000-2010). As shown in Table V-2, 4,680

**Table V-2 Housing Supply by Year Built
City of Worcester**

Housing Type	Development of Housing Units by Periods						Total
	<1940	1940-1959	1960-1979	1980-1989	1990-1999	>1999	
Single-family	9,632	6,357	2,476	2,424	1,379	2,427	24,695
Condominium [1]		2	54	3,187	124	1,321	4,688
Two-family	5,768	628	304	344	98	106	7,248
Three-family	14,358	57	60	36	6	18	14,535
4-to-8 units	4,649	281	172	108	13	18	5,241
9 units or more	1,276	215	2,428	683	40	667	5,309
Income-based	1,071	318	4,843	1,768	456	124	8,580
Total	36,754	7,858	10,337	8,550	2,116	4,681	70,296
% of Total	52.3%	11.2%	14.7%	12.2%	3.0%	6.7%	100%

[1] Based on year master deed was filed
 Source: City of Worcester; Worcester Registry; & RKG Associates, Inc.

development by year is illustrated on Map V-6 at the end of the chapter.

Overall, Worcester has a predominantly older housing stock. As shown in the table, 52% of existing units were built prior to 1940 while only 10% have been constructed over the last 20 years (after 1990). Construction of the remaining stock was distributed fairly consistently (11%-14%) for each of the intervening 20-year intervals shown in the table.

The City’s supply of two-family and three-family properties are of a particularly older vintage with approximately 80% and 99% respectively, built prior to 1940. In addition, nearly 89% of the 4-8 unit structures were built prior to 1940 bringing the total units in these three housing types combined to more than 35% of the housing stock in Worcester. Census estimates indicate that this portion of the housing stock (4-8 units) are approximately 80%-85% occupied.⁸

Table V-3 Average Annual Housing Construction City of Worcester 1960-2010

Housing Type	AVG Annual Production by Period			
	1960-1979	1980-1989	1990-1999	>1999
Single-family	124	242	138	221
Condominium [1]	3	319	12	120
Two-family	15	34	10	10
Three-family	3	4	1	2
4-to-8 units	9	11	1	2
9 units or more	121	68	4	61
Income-based	242	177	46	11
Total	517	855	212	426

[1] Based on year master deed was filed
 Source: City of Worcester; Worcester Registry; & RKG Associates, Inc.

⁸ According to 2006-2010 ACS estimates, structures with 3-4 units were 81% occupied and those with 5-9 units were 84% occupied. The margin of error on these estimates is approximately 5%-10%.

Findings: Since 2000, housing production averaged almost 430 units per year resulting in an oversupply in comparison to new households created and subsequently, a high vacancy rate of 8.1% in 2010. A similar overproduction of housing occurred during the 1980s leading to a 7.9% vacancy rate by decade’s end.

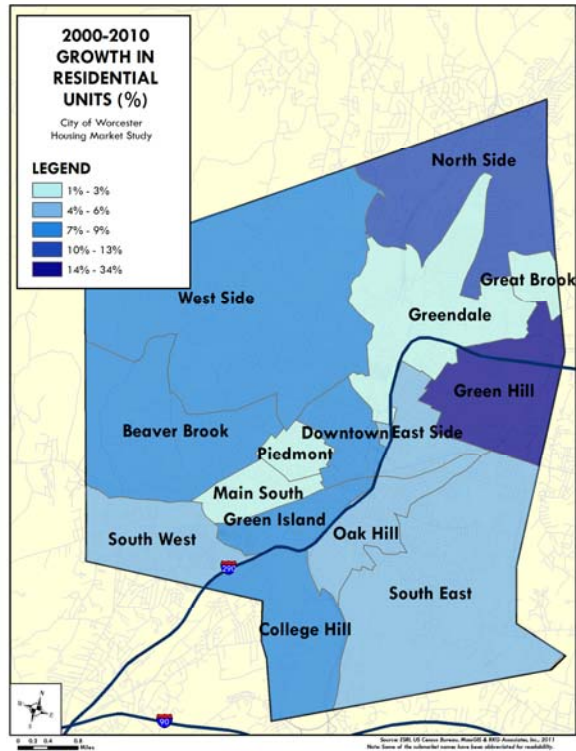
Implications: Future housing production is likely to slow down over the near term in order for household growth to catch up, which is similar to what occurred during the 1980s. Alternatively, vacant units can be reduced through strategic demolition and consolidation.

Since 1960, average annual housing production was at its highest during the 1980s with 855 units built annually, on average, during that decade. Construction starts declined to an average annual construction rate of just over 200 units during the 1990s. Since 2000, average starts have doubled to 426 per year but still remain below the peak period of the 1980s (Table V-3).

The Green Hill submarket experienced the highest rate of growth (34%), followed by the North Side (12%) (Map V-1). Growth in the Green Hill submarket is attributed to the development of condominium and apartment projects during 2000-2010. Great Brook, Greendale, Piedmont, and Main South all experienced growth rates of less than 3%. This is likely due to the relatively built out nature of these submarkets.

Findings: Many of the condominium foreclosures and bank-owned properties occurred at projects with 8 units or less, and most had 2-3 units. While these units may present affordable ownership options, the lack of a critical mass of owners in a condominium association may hamper the management and upkeep of these smaller properties. Observations of changes in housing market activities suggests that the willingness of banks to finance such small-scale projects in the future may also be in question.

Map V-1



The 1,321 condominiums built (or converted) since 2000 represent 28% of total condominiums in the City. This most recent decade was the second most expansive period for condominium construction following the 1980s when nearly 3,200 units were developed.

Additionally, of the condominiums development since 2000, 69%, consisted of 2- or 3-unit projects. Another 19% consisted of projects with 4-8 units and the remaining 11% of projects had nine units or more.

C. Residential Construction Projects Built or in the “Pipeline”

Table V-4 identifies major residential housing projects for the last decade (2000- 2010) that have either been constructed, are approved and/or under construction, or, are planned for future development. The data is summarized by the respective

Table V-4 Residential Development Projects Built, Under Construction, or Planned between 2000-2010 City of Worcester

Submarket	Number of Units			% of Total		
	Built	Approved/ Planned	Total	Built	Approved/ Planned	Total
Long Term Projects		1,402	1,402		100%	100%
Beaver Brook		100	100		7%	7%
Downtown		850	850		61%	61%
Greendale		69	69		5%	5%
Main South		109	109		8%	8%
Oak Hill		274	274		20%	20%
Approved/Under Construction	312	1,442	1,754	100%	100%	100%
College Hill	52	267	319	17%	19%	18%
Downtown		80	80		6%	5%
East Side/South East	28	17	45	9%	1%	3%
Green Island		115	115		8%	7%
Greendale		277	277		19%	16%
Main South	58	215	273	19%	15%	16%
North Side	28	80	108	9%	6%	6%
Oak Hill	14	104	118	4%	7%	7%
South East		30	30		2%	2%
South West	58	51	109	19%	4%	6%
West Side	74	206	280	24%	14%	16%
Recently Completed/Major Conv	1,311	0	1,311	100%		100%
Beaver Brook	134		134	10%		10%
Downtown	302		302	23%		23%
East Side	75		75	6%		6%
Green Hill	310		310	24%		24%
Green Island	97		97	7%		7%
Main South	83		83	6%		6%
North Side	84		84	6%		6%
Oak Hill	35		35	3%		3%
West Side	191		191	15%		15%
Total	1,623	2,844	4,467	36%	64%	100%

Source: City of Worcester & RKG Associates, Inc.

housing submarkets in which the projects are located. A complete listing of individual projects are presented in the appendix.

As illustrated in the table, a total of 4,467 units have been identified, 36% of which (1,623 units) have already been completed with the remaining 64% (2,844 units) approved and/or planned for future phases of construction. Within the latter category, about half have already been approved by the City with the other half still to undergo further review. Many of the remaining projects in this group have been under consideration for some time and it is unclear if they will be developed in the foreseeable future given current market conditions.

In terms of completed projects, the majority of construction was concentrated in the Green Hill (24%) and Downtown (23%) submarkets, as well as the West Side (15%) and Beaver Brook (10%) areas. These include projects such as Plantation Ridge, Center Hill and Madison Place, as well as a few major mill conversions such as Fremont Lofts, Biscuit Lofts and University Park Lofts. Other projects of note include Kettle Brook Lofts and Adams St. Condominiums (not a mill) where anecdotal data suggests units were proposed for sale but are now for rent.

In terms of projects approved and/or still to be built, College Hill will absorb the largest number of units overall with 319 (18%). However, the Greendale, Main South and West Side submarkets will each follow closely with 16% of the total units. Some of the remaining un-built projects include phases at Arboretum Village (267 units) in the College Hill submarket followed by phases at Salisbury Hill (206

units) in the West Side submarket and the proposed redevelopment of the Junction Shop mill (181 units) in the Main South submarket.

D. Residential Sales Activity

In a previous section of this report, sales activity in Worcester's housing market was compared to the region as a whole. In contrast, the following section presents more specifics regarding sales activity and pricing characteristics for different residential property types, namely, single-family, condominium; two-family and three-family dwellings within the City's local market. For the most part, findings included here are presented in summary form but more detailed statistics gathered for each market segment can be found in the appendix.

Data provided by the assessor's department was used to analyze sales between 2000 and 2010. The data was parsed to examine annual sales by price ranges, average and maximum sales pricing, and sale price per square foot.

Summary of Findings

Residential sales activity in Worcester was quite erratic between 2000 and 2010. The average sale price for almost all product types peaked in 2006 with values appreciating between 50% and 150% depending on housing type.

At peak the volume of sales indicated a turnover rate ranging from 5% to 15% of supply. However, as of 2010, annual sales were 70%-95% below the peak and average sale prices had lost 11% to 45% of their top values. Still, average sale prices in 2010 were 34% to 61% higher than in 2000 indicating a net gain in value over the decade despite the more recent losses caused by the economic downturn.

However, sales activity in 2010 equated to only 2% to 3% of total supply suggesting that a final indication of the rebound in values will not be known until sales volumes increase to a more robust level, the time-frame for which is uncertain.

Single Family Sales

The average sale price for single-family homes (existing and new) increased by 79% between 2000 and 2006 (peak), subsequently declining by 21% as of 2010, a net growth of 41%. The average sale price for new construction also peaked in 2006 but declined by only 11% as of 2010, a net change in average value of 34% over the decade.

Sales activity of single-family homes in Worcester averaged nearly 850 annually between 2000-2010, as shown in Table V-5. Total sales rose from 750 in 2000 to a peak of 1,284 in 2005. This was followed by a subsequent decline to 480 sales in 2010 such that, recent sales volumes were 43% below 2000 levels and 63% off the peak.

2010 sales of single family homes represented a turnover rate of 1.9% of the total supply of single-family homes in the City. Peak turnover reached 5.3% with an average of 3.6% for the decade.

On a price per square foot (SF) basis, the average price for the decade of all single family home sales of \$149/SF which was comparable to the new construction value of \$147/SF (data not shown). The peak average price achieved during this time period was \$174/SF which declined by 21% to \$137/SF as of 2010.

**Table V-5 Summary of Residential Sales Activity 2000-2010
City of Worcester**

AVG Sale Price	Single-Family		Condo-miniums	2-Family Properties	3-Family Propeties
	All-SF	New-SF			
2000	\$144,830	\$191,070	\$95,450	\$114,030	\$123,080
Peak [1]	\$259,170	\$286,120	\$184,190	\$277,825	\$311,795
2010	\$204,415	\$255,280	\$145,600	\$183,510	\$171,625
% change	All-SF	New-SF	Condo	2-Family	3-Family
2000-peak	78.9%	49.7%	93.0%	143.6%	153.3%
Peak-2010	-21.1%	-10.8%	-21.0%	-33.9%	-45.0%
2000-2010	41.1%	33.6%	52.5%	60.9%	39.4%
AVG \$/SF	All-SF	New-SF	Condo	2-Family	3-Family
2000	\$98.61	\$108.86	\$86.74	\$52.53	\$34.51
Peak	\$174.48	\$162.00	\$153.83	\$127.10	\$87.81
2010	\$137.08	\$153.63	\$110.50	\$81.06	\$49.11
% change	All-SF	New-SF	Condo	2-Family	3-Family
2000-peak	76.9%	48.8%	77.3%	142.0%	154.5%
Peak-2010	-21.4%	-5.2%	-28.2%	-36.2%	-44.1%
2000-2010	39.0%	41.1%	27.4%	54.3%	42.3%
# of Qualified Sales	All-SF	New-SF	Condo	2-Family	3-Family
2000	750	70	284	119	228
Peak	1,284	203	592	210	413
2010	480	13	140	66	117
% Diff	-63%	-94%	-76%	-69%	-72%
Turnover Rate	All-SF	New-SF	Condo	2-Family	3-Family
2000	3.3%		8.4%	3.2%	4.7%
Peak	5.3%		14.7%	5.7%	8.4%
2010	1.9%		2.8%	1.8%	2.4%

[1] Peak AVG \$ occurred in 2006 for all types except 2-family (2005)

Source: City of Worcester & RKG Associates, Inc.

Condominium Sales

Overall, the average sale price for condominiums appreciated by 93% between 2000 and the peak in 2006, and subsequently declined by 21%, such that the net change in value between 2000 and 2010 was 53%. In comparison to single family home sales, condominium values grew more rapidly, which is fairly typical in housing markets where prices are escalating quickly since condominiums offer an alternative, and more affordable option for entry into homeownership. However, in Worcester, condominiums have retained more of their value as of 2010 suggesting that they are still a desirable option for those looking to buy despite overall sluggish sales.

On average, sales activity of condominiums in Worcester totaled 331 sales per year over the decade. Overall, the rise to peak of condominium sales mirrored those of single family homes but the decline to 2010 has been more rapid such that, by decades end, sales were only 27% of 2000 levels. This would suggest that while prices have held more value, only higher-end units have apparently been driving more recent sales activity.

Turnover of condominiums have shown considerable volatility during the past decade. This may relate to the fact that there are relatively fewer condominium units available in the City (roughly 4,800 – 6% of total housing supply), but may also indicate greater buying speculation centered around this segment of the market, which is not unusual. For example, turnover at the peak was 14.7% while other housing types averaged 8.4% or less, as illustrated in the table.

Two-Family Sales

Like condominium units, the sale of two-family dwellings escalated very rapidly during the first half of the decade since they offered a more affordable entry into the ownership market combined with the potential to generate rental revenues. The average sale price of two-family properties appreciated by 143% between 2000 and the peak with a net change for the decade of 61%.

Duplex housing represents about 10% of the City's housing supply (7,250 units). Overall sales volumes were the lowest of the housing types shown in the table although turnover rates were comparable to those of single family homes throughout the decade.

Sales of two-family properties were relatively modest in comparison to other housing types. They totaled 119 in 2000

and increased to only 210 at peak (2004), declining substantially to 66 sales in 2010. Overall, peak sales for duplexes represented 7.7% of total sales in the City presented in the table, as compared with 22% for condominiums, 15% for three-family dwellings and 55% for single family homes.

Three-Family Sales

Three-family properties experienced a greater level of attention from buyers over the decade than two-family homes although both are similar scale rental properties. Although there are roughly twice as many three-family units (14,500 – 19% of city-wide supply) as duplexes, the turnover rate was still notably higher for three-family dwellings, as illustrated in Table V-5. This may be a reflection of more investor interest for three-family, versus owner occupants for duplexes, but the data does not allow this to be determined conclusively. In either case, it suggests that despite being some of the oldest housing stock in the city they seem to provide a suitable match between affordability and income levels.

In summary, the average sale price for three-family properties increased by 154% between 2000 and the peak in 2006, with an overall net change in value of 42% for the decade (2010), a slightly better than average performance versus other housing types.

Qualified sales activity of three-family properties totaled 228 sales in 2000 with a peak of 413 in 2004 and subsequent decline to 117 sales in 2010. The amount of sales in 2010 was 49% below the annual average since 2000 and 72% off the peak.

E. Properties in Transition

One indicator of potential problems within a housing market are the number and type of physically or economically distressed properties which are referred to here as *properties in transition*. They have been grouped into three categories including vacant buildings, bank- or city-owned properties, and parcels with unpaid real estate taxes, either from FY2010 or prior years.⁹ These categories are mutually exclusive of one another.

As shown in Table V-6, there were a total of 2,048 properties in transition, the largest portion (1,285) related to unpaid taxes of which, 20% (280) were vacant land. The remainder included 387 vacant buildings and 376 properties either bank-

housing units are located in the five central submarkets of the East Side, Piedmont, Main South, Green Island, and Oak Hill.

The total parcel count of transitional *residential* properties combined was 1,743 which represented 4.1% percent of the residential parcels in Worcester. The total assessed value of these residential properties combined was \$262 million, which represented residential transition properties 3.3% of the residential tax base.

For residential properties, single family had the highest number of residential properties across all categories with 645, followed by three-family properties (293), condominiums (200) and two-family (138) dwellings. Since single family homes

**Table V-6 Properties in Transition 2010 with 2011 Assessed Value
City of Worcester**

Type	Number of Tax Parcels			Acres			Housing Units			Assessed Value (\$mil)			Unpaid Taxes (\$mil)
	Vacant Bldgs	Bank/City Owned	Unpaid Taxes	Vacant Bldgs	Bank/City Owned	Unpaid Taxes	Vacant Bldgs	Bank/City Owned	Unpaid Taxes	Vacant Bldgs	Bank/City Owned	Unpaid Taxes	
Single Family	169	139	337	34.3	27.1	80.8	169	139	337	\$27.53	\$24.45	\$61.27	\$0.97
Condominiums	28	52	120	0.0	0.0	0.3	28	52	120	\$1.51	\$4.13	\$10.00	\$0.25
Two-Family	41	27	70	6.9	4.1	11.8	82	54	138	\$6.94	\$4.97	\$12.25	\$0.18
Three-Family	91	68	134	11.4	8.3	18.8	273	204	402	\$16.46	\$12.34	\$23.03	\$0.40
4 to 8 Units	25	14	55	3.2	2.2	11.5	118	66	307	\$4.09	\$2.67	\$14.34	\$0.22
9 units or more	6	1	8	1.1	0.2	1.9	88	16	98	\$4.06	\$0.53	\$4.12	\$0.06
Income-Based Housing	14	1	18	0.8	0.0	4.8	28	1	30	\$0.00	\$0.71	\$0.34	\$0.04
Other	1	0	3	0.1	0.0	1.2	15	0	14	\$0.14	\$0.00	\$0.33	\$0.01
Undeveloped Land	1	8	280	3.7	23.7	113.4	0	0	0	\$0.59	\$10.67	\$14.77	\$0.63
Residential	376	310	1,048	61.4	65.7	244.5	801	532	1,446	\$61.32	\$60.47	\$140.45	\$2.76
Non-Residential	8	62	237	1.1	28.0	162.4	7	27	15	\$0.67	\$1.68	\$69.33	\$1.56
Total	387	372	1,285	62.5	93.7	407.0	820	572	1,461	\$61.99	\$62.15	\$209.78	\$4.32

Source: Parcels identified by RKG Associates, Inc., updated by City of Worcester to reflect current assessment data
Mixed Use Residential Properties were not included in this table, representing 297 units according to RKG.

owned or city-owned. Map V-2 illustrates the largest concentration of distressed

represent the largest portion of the City’s housing supply this finding is not surprising but it does indicate stress within this market segment. The high number of three-family properties may be an indication of the point made in the previous section regarding potential acquisition of investors in these properties over the last decade who may have “walked away” when the recession hit. A similar scenario may be true for condominiums as well.

⁹ The City of Worcester provided a list of property addresses entitled “Vacant Residential Building Chapter 9, Section 14”; and two worksheets of parcel addresses with outstanding tax balances. RKG matched these parcels when possible to the GIS/assessor’s database. For bank-owned properties, RKG identified these based on the name in the owner’s field in the assessor’s database and the corresponding residential land use code. For city-owned properties, RKG identified those in the owner field with: “tax-title custodian”; “EOEND” or “Economic Development”; and “Redevelopment Authority”.

Map V-2

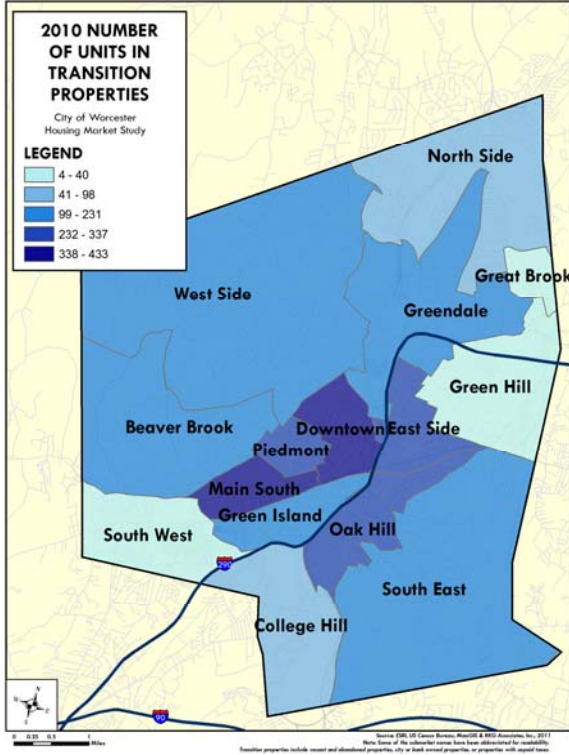


Table V-7 Transitional Properties by Submarket City of Worcester

Submarket	Number of Tax Parcels			Housing Units		
	Vacant Bldg	Bank/City Owned	Total	Vacant Bldg	Bank/City Owned	Total
Beaver Brook	38	37	75	50	52	102
College Hill	13	14	27	20	15	35
Downtown	16	27	43	76	36	112
East Side	34	29	63	86	64	150
Great Brook	1	1	2	1	1	2
Green Hill	5	8	13	5	6	11
Green Island	31	26	57	63	67	130
Greendale	41	29	70	57	37	94
Main South	42	17	59	156	41	197
North Side	14	21	35	14	20	34
Oak Hill	32	44	76	87	83	170
Piedmont	43	31	74	110	62	172
South East	30	46	76	45	45	90
South West	10	11	21	11	11	22
West Side	37	35	72	39	32	71
Total	387	376	763	820	572	1,392

Source: City of Worcester & RKG Associates, Inc.

submarkets., Sound properties in these submarkets are more likely to experience negative impacts from nearby distressed properties, as compared with the less densely developed suburban portions of the city, given the higher density land use patterns.

F. Underperforming Residential Properties

As noted previously, 78% of the City’s housing supply was developed prior to 1980 and 52% before 1940, this relatively old stock has a high potential need for investment in maintenance, repair and upgrade to maintain value and marketability. Anecdotal evidence suggests a widely varying degree of differed maintenance and, in some cases, significant deterioration of this older housing stock.

Table V-7 and Map V-2 provides a more detailed perspective on how the transitional properties, vacant and bank/city-owned only, are distributed by submarket. The largest concentrations of parcels totaling 70 or more are located in South East, Oak Hill, Beaver Brook, Piedmont, West Side, and Greendale. These counts indicate the problem properties are more widely dispersed than are indicated on Map V-5 (at the end of the chapter) which is visually influenced by the density of properties in the City’s core areas. By unit count, the most distressed properties are located in the Main South (197), Piedmont (172), Oak Hill (170) and East Side (150)

In order to identify underperforming properties, condition information from the City's 2011 revaluation was used. In assessing terms, "condition" is the overall physical condition of the residence. Property assessors derive this measure by considering interior and exterior features of the building to arrive at one of six standard assessing grades: Very Poor, Poor, Fair, Average, Good and Excellent. For the purpose of this analysis, only conditions below Average were considered to estimate the city's residential maintenance investment gap.

The analysis consisted of single, two and three family residences, and apartment buildings representing ~84% of the city's total housing stock. Income-based, mixed use and other (more than one building on a lot) residential types were not included for the purposes of this analysis. The analysis examined value per square foot for each residential type and compared, on a per building basis, the value of each building to the median value per square foot for all buildings of that type to derive the estimated investment gap.

Table V-8 provides the distribution of estimated investment gap by residential type. As shown, about 5,676 units representing approximately 9.1% of this subset of the city's housing stock are considered in below Average condition. Together, these properties represent an estimated cumulative total investment gap of ~\$120M.

Findings: It is estimated that approximately \$120 million in capital investment is needed to upgrade the condition of the 5,676 units in below "Average" condition to good condition. In other words, this dollar amount represents the "investment gap" for all units in below average condition when compared with median value for a particular type of unit. Three-family dwellings may be the appropriate target unit type as 16% are in below Average condition.

Implications: Given the overall investment needed and the large number of units involved, achieving this level of investment is extremely challenging. In cases where the condition of a residence has fallen to "Poor" or "Very Poor", demolition or replacement should be considered. Given the excess supply of available housing, as indicated by properties in transition and high vacancy rate, these approaches may be necessary for some submarket areas with the highest concentrations of underperforming and distressed properties. In more dense neighborhoods the development of off-street parking may also be viable alternative.

Single-family units account for the largest proportion (42%) of the investment gap, but only 5% were considered in below Average condition. The next highest proportion, three-family, represent 25% of the total gap and perhaps the greatest need

for attention since 16% of them were found to be in below average condition. Moreover, three-family units accounted for 42% (2,400) of all units in below Average condition. These findings inform programmatic focus by unit type.

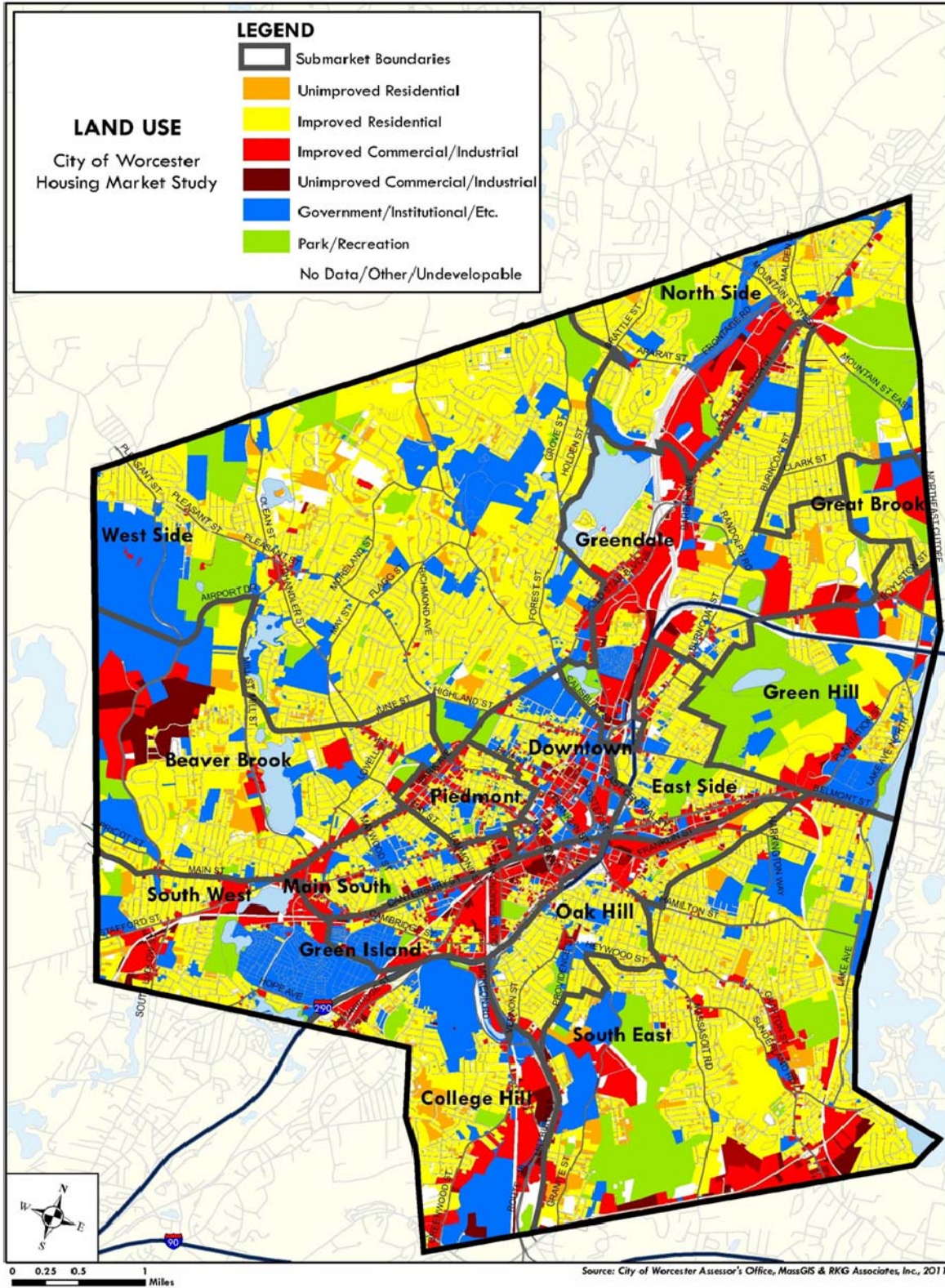
Table V-8 Estimated Investment Gap by Residential Type for Properties in Fair, Poor, or Very Poor Condition [1]

RESIDENTIAL TYPE	TOTAL UNITS	# PARCELS	# UNITS [2]	INVESTMENT GAP[3] ALL PARCELS	MEDIAN INVESTMENT GAP PER PARCEL (\$)	AVERAGE INVESTMENT GAP PER PARCEL (\$)	% OF TOTAL UNITS BY TYPE	% OF TOTAL INVESTMENT GAP
Single-Family	24,886	1,174	1,174	(\$50,474,958)	(\$38,722)	(\$42,994)	5%	42%
Condominium	4,899	13	13	(\$606,331)	(\$36,628)	(\$46,641)	0%	1%
Two-family	7,190	380	760	(\$14,426,220)	(\$34,912)	(\$37,964)	11%	12%
Three-family	14,652	800	2,400	(\$30,117,639)	(\$36,946)	(\$37,647)	16%	25%
4-to-8 units	4,729	121	558	(\$10,539,390)	(\$81,657)	(\$87,102)	12%	9%
9 units +	5,725	26	771	(\$13,757,904)	(\$67,091)	(\$529,150)	13%	11%
Total	62,081	2,514	5,676	(\$119,922,442)	(\$38,115)	(\$47,702)	9.1%	100%

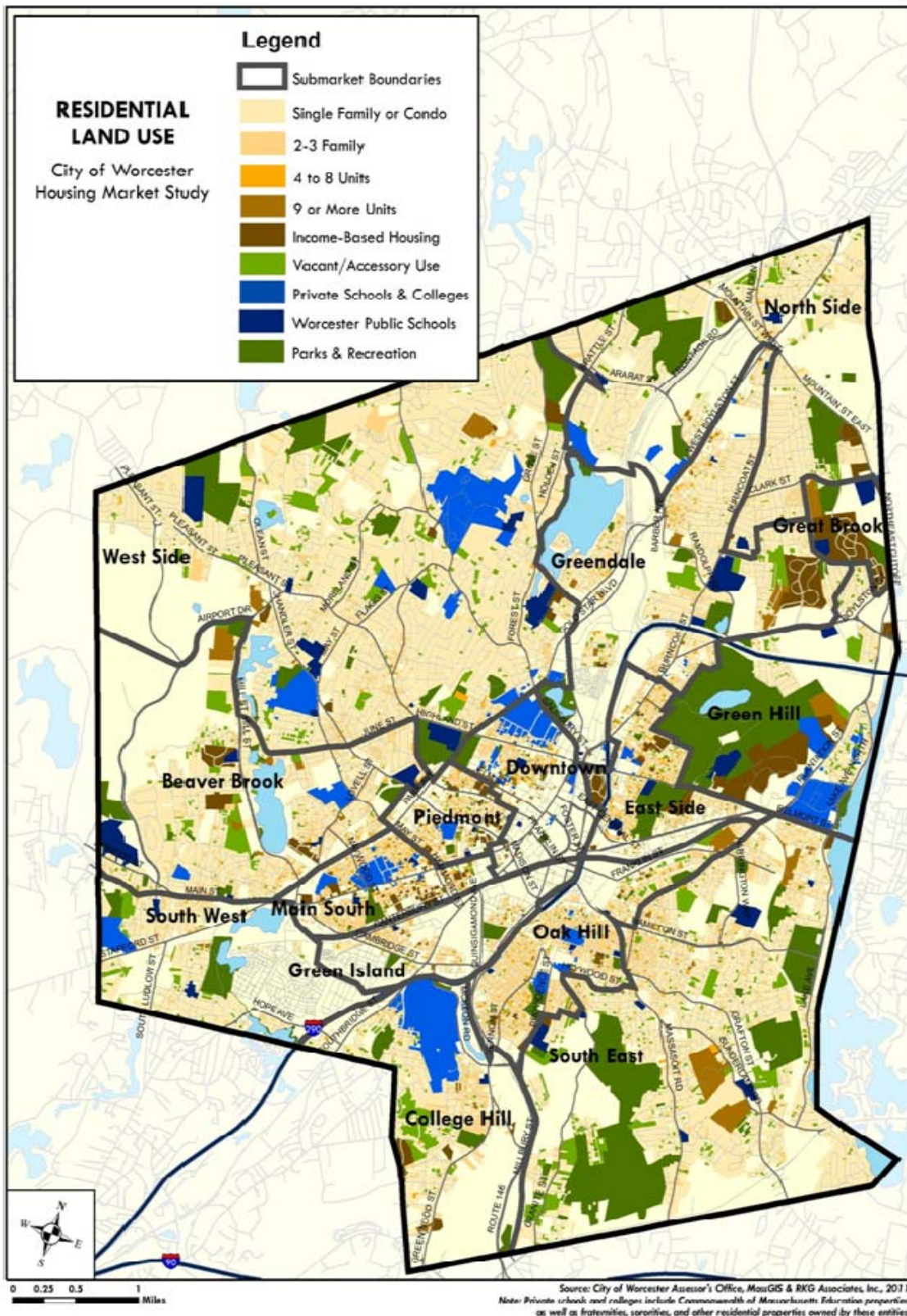
[1] Does not include income-based, Mixed Use, Other Residential types.
 [2] Only properties determined to be in Fair, Poor, or Very Poor condition are included in this analysis
 [3] Investment gap was calculated on a per square foot of building area basis for each building to derive the gap per parcel

Source: City of Worcester

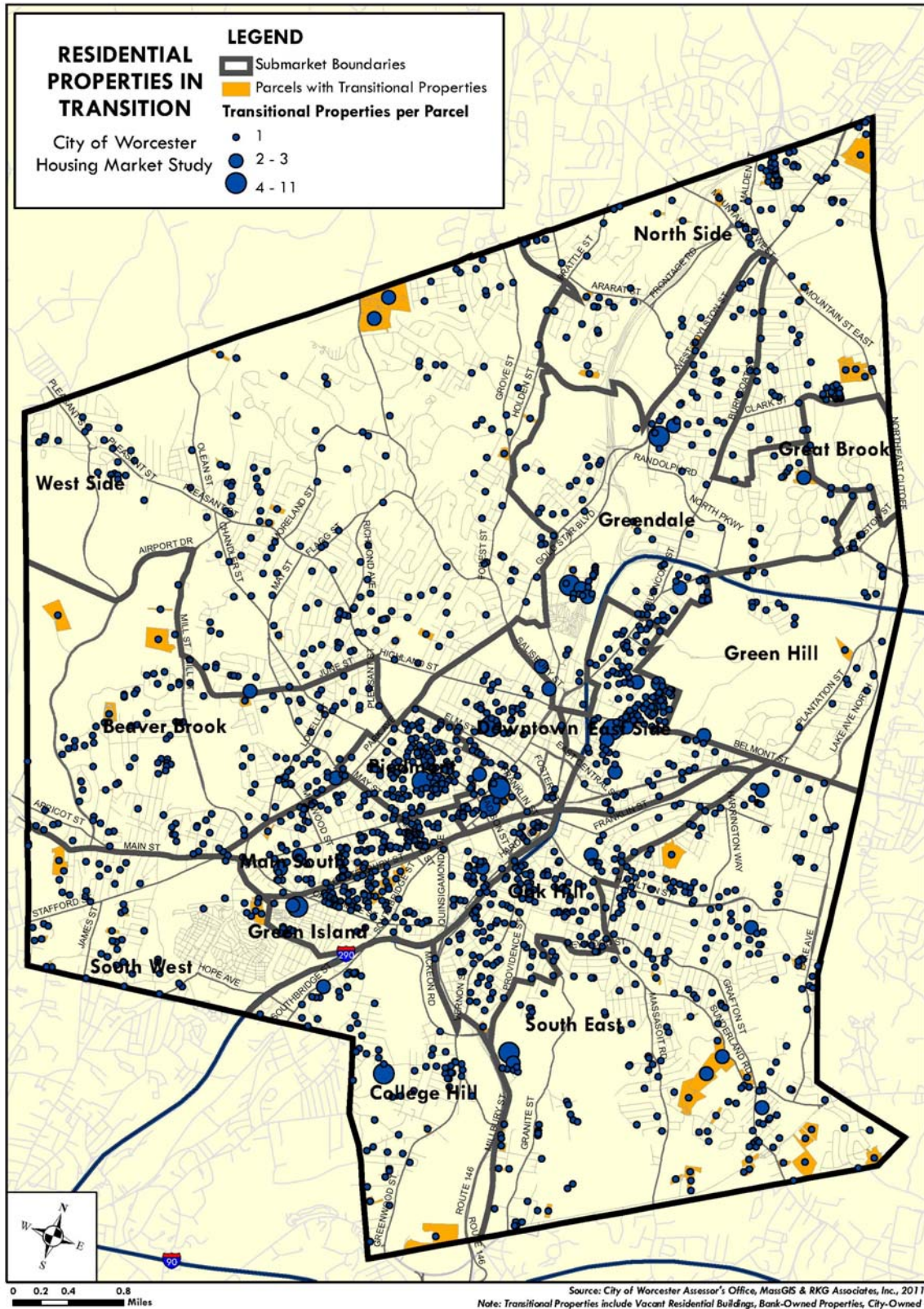
Map V-3 General Land Uses – City of Worcester 2010



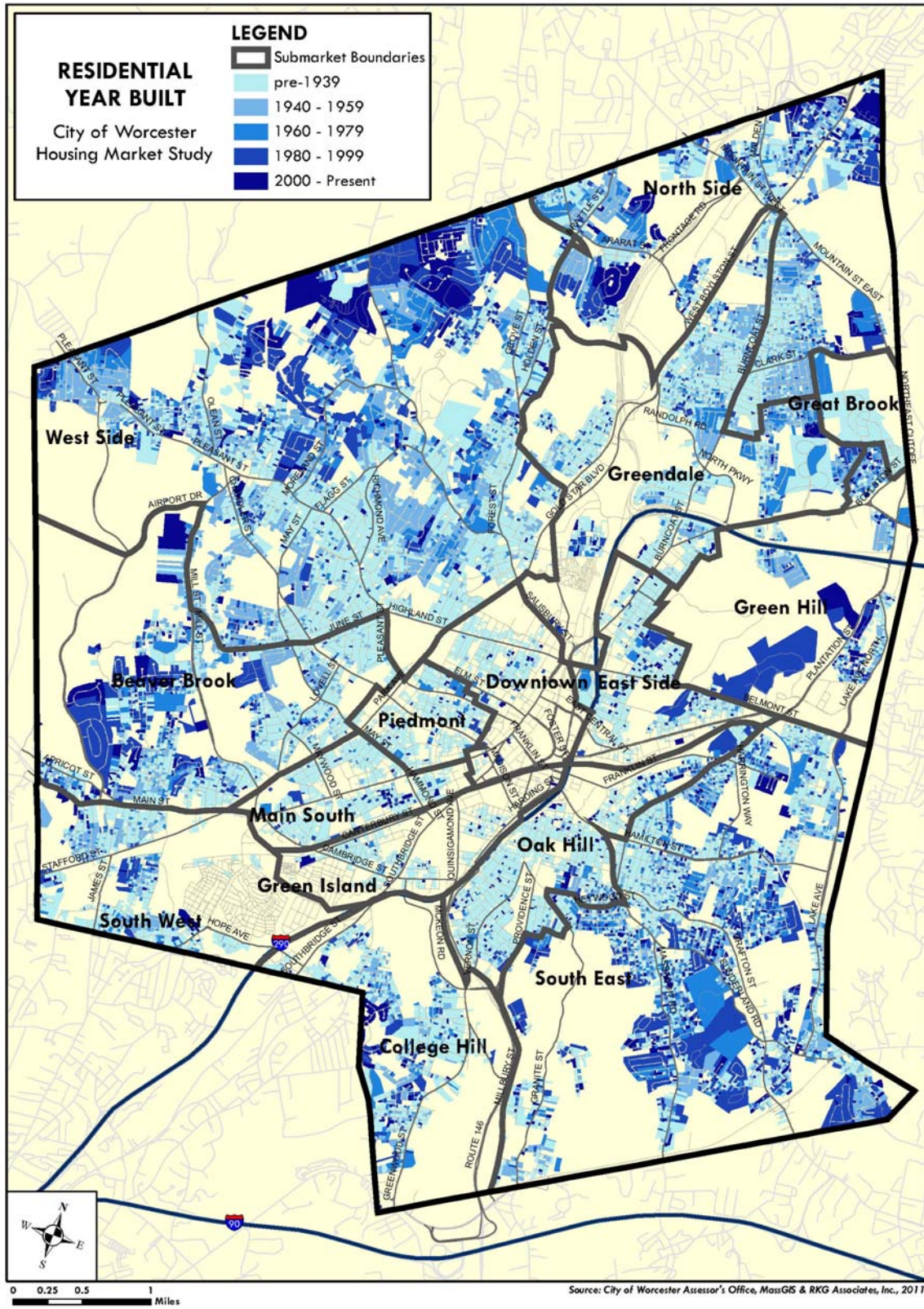
Map V-4 Residential Land Uses – City of Worcester 2010



Map V-5 Properties in Transition – City of Worcester 2010



Map V-6 Year Built of Residential Housing – City of Worcester



VI. WORCESTER’S SUBMARKET COMPARISON

A. Introduction

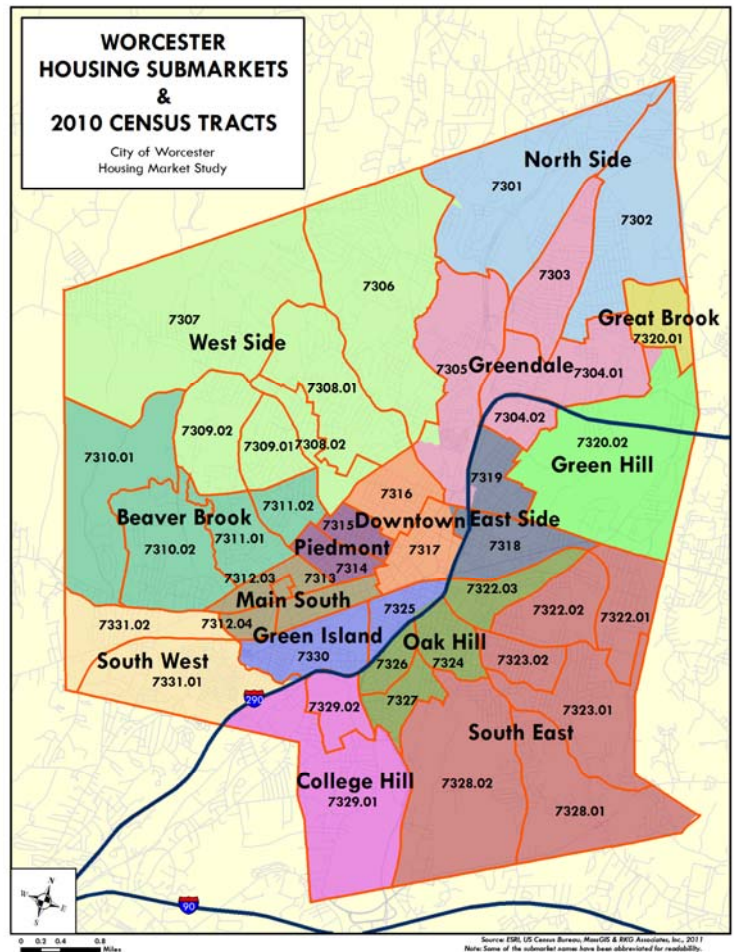
This section presents an analysis and summary of findings that describe the dynamics of individual *submarkets* of Worcester in terms of the housing supply and real estate market conditions. The City was divided into fifteen areas, based largely on census tract boundaries, which are designed by the Census Bureau to be relatively homogeneous with respect to population characteristics, economic status, and living conditions, although this may not always be the case. They are delineated with the primary purpose of providing a stable set of geographic units for the presentation of decennial census data and generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

The fifteen submarkets surveyed in this report are illustrated in Map VI-1 and listed below. Note, some of the submarket names on the map have been shortened for legibility purposes.

1. Beaver Brook/Cider Mill
2. College Hill & Quinsigamond
3. Downtown & Elm Park
4. East Side
5. Great Brook/Curtis Apartments
6. Green Hill/Biomed
7. Green Island & South Worcester
8. Greendale/Burncoat/Lincoln
9. Main South
10. North Side
11. Oak, Union, & Vernon Hill
12. Piedmont
13. South East
14. South West
15. West Side

It should be noted that this chapter presents a summary of the most important findings and implications regarding the City’s submarket areas. However, additional socioeconomic and housing market information can be found in the supplemental report *Submarket Profiles, Comparison, and Analysis* in the appendix (under separate cover) for any readers who may want to review all data compiled for this analysis.

Map VI-1



B. Housing Supply Characteristics

In the previous chapter, characteristics of the City’s housing supply as a whole were quantified with regard to age, occupancy, construction trends, development potential, and tax base valuation. This section provides a more detailed perspective on how these characteristics are distributed within the City’s submarkets which affords a better understanding of potential issues at a more localized level. Conditions and trends presented in this section include:

- Density of residential units
- Construction trends
- The mix of residential uses
- Housing tenure
- Vacancy
- Land uses and undeveloped land

By and large, the City’s submarkets can be divided into two types—urban and suburban. This division establishes the alignment of submarkets along different trends in almost every case. As such, thinking about the City as having two primary parts, an urban and a suburban one, will be an effective way of examining the City’s current housing market conditions.

Residential land uses are generally more common in the suburban submarkets. However, an exception exists for those submarkets near Interstate 290, which tend to have high shares of commercial and industrial land. This is due to the demand by these users for immediate access to the highway.

Housing Density

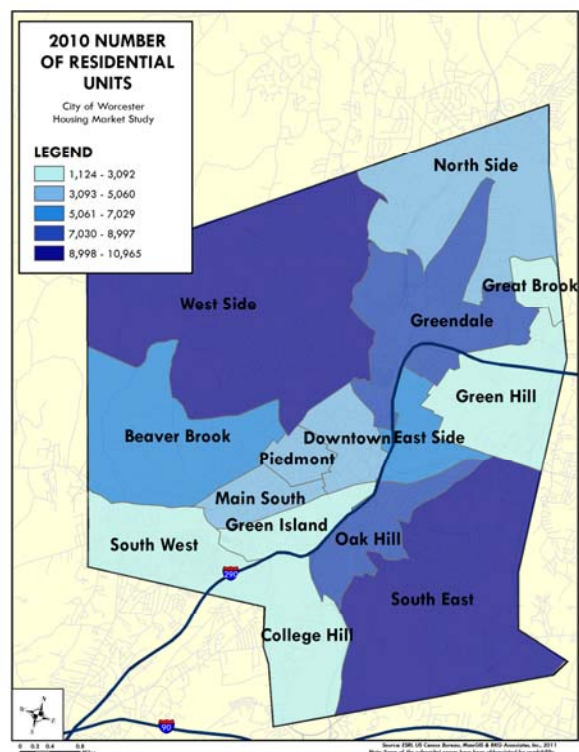
Understanding the distribution of the City’s housing units is essential in developing a better understanding of the

way in which residential land is utilized. In order to evaluate this condition within the City, the number and density of residential units were mapped based on information contained within the assessor’s database.

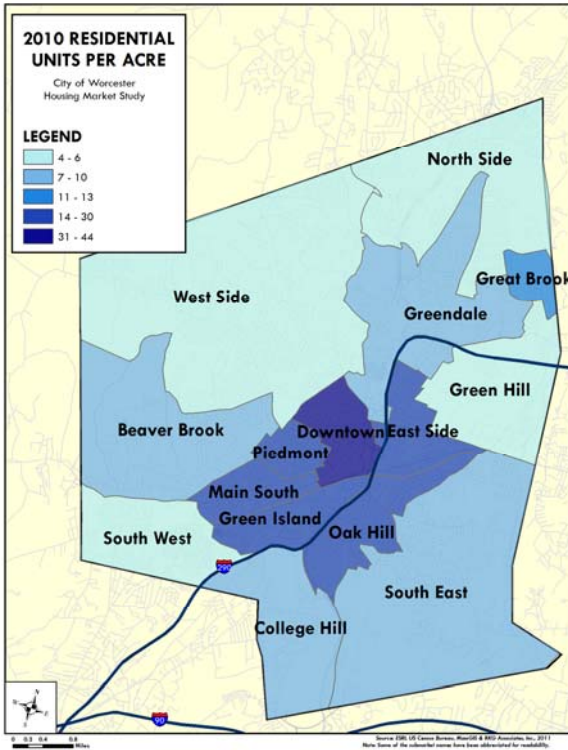
The number of housing units in a given submarket generally correlates to the amount of residentially zoned land—larger areas of residential land typically equate to higher quantities of housing units (Map VI-2). For example, the South East and West Side submarkets, the City’s largest, illustrate this correlation. Conversely, smaller submarkets tend to have smaller numbers of residential units, such as Main South, Piedmont, Downtown, and Green Island.

However, density tends to be inversely related to the quantity of residential land. In other words, the smaller the submarket’s supply of residential acreage,

Map VI-2



Map VI-3



the greater the density (Map VI-). This is due to the fact that the City’s urban submarkets tend to be smaller in size, with less residential acreage, while still exhibiting a higher housing density. For example, while the Downtown submarket has one of the smallest number of housing units, it has the highest density, with almost 44 units per residential acre. Likewise, while the West Side and South East submarkets have relatively large numbers of housing units, the densities in these submarkets are relatively low, with less than ten units per acre. One notable exception to this relationship is the Great Brook submarket which houses a relatively high number of income-based housing units, thereby skewing the density of this submarket. Without the income-based units, density would otherwise be relatively low. These trends of higher densities in older core areas and lower densities in outlying suburban areas are

consistent with those found in other older urban cities.

Residential Construction Trends

The rate of increase in the number of residential housing units is an important indicator of the change supply over time. Growth in housing units for each submarket was examined between 2000 and 2010 and is illustrated in Map VI-.

The Green Hill submarket experienced the highest rate of growth (34%) during this time period followed by the North Side (12%). The relatively high rate of growth in the Green Hill submarket is attributed to the development of condominium and apartment projects during 2000-2010. Great Brook, Greendale, Piedmont, and Main South all experienced growth rates of less than 3%. This is likely due to the relatively built out nature of these submarkets.

Map VI-4

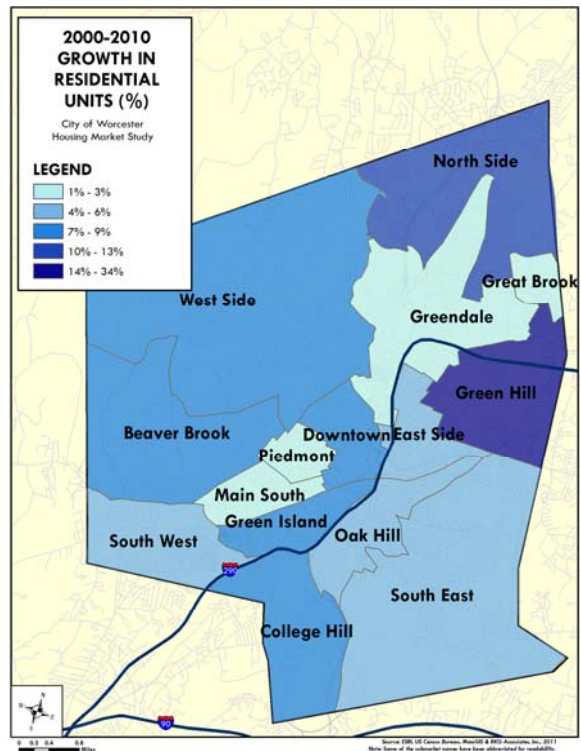
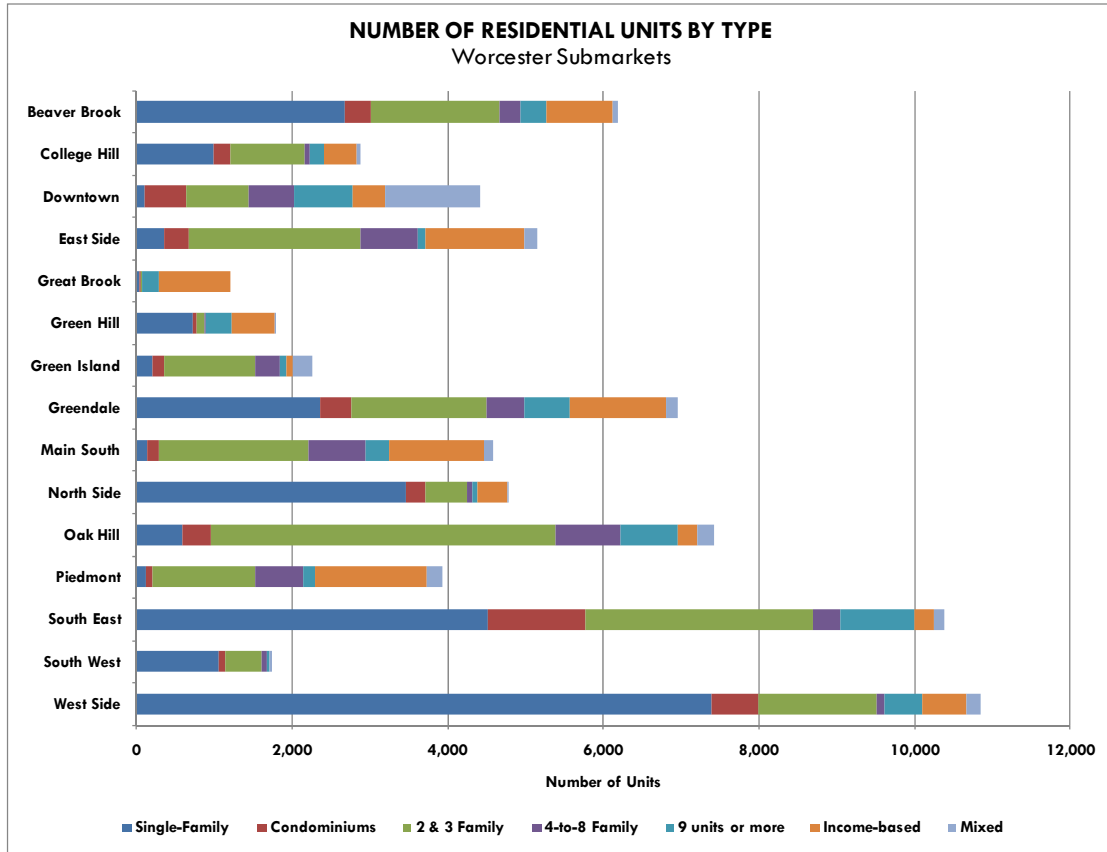


Figure VI-1



Source: Worcester Assessor's Office & RKG Associates, Inc.

Mix of Residential Uses

The mix of residential uses varies widely throughout the City's submarkets. For example, the West Side submarket has more than 7,000 single family units, while nine other submarkets have less than 1,000 (Figure VI-1). Additionally, some submarkets, such as South West and Green Island, have little to no income-based housing, while several others have around 1,000 units each. Also, the majority of the units in Oak Hill are in 2- or 3-family structures while Great Brook has only a small number of these types of units.

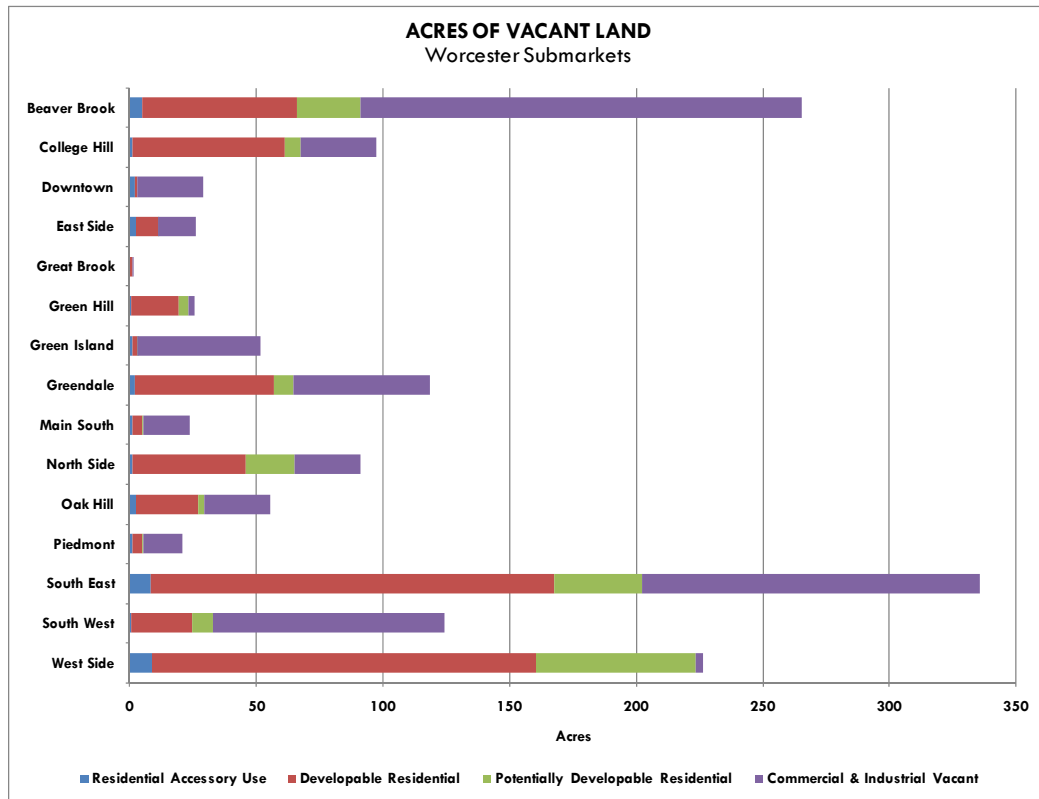
However, some similarities are clear despite these varying conditions. First, units associated with lower densities, such as single family units, are more prevalent

in the outlying submarkets, such as the West and North Sides. Second, older residential types, specifically two and three family unit structures are much more common in the City's older, urban submarkets that have been essentially built out for many years.

Supply of Vacant Land

This section quantifies the supply of residential vacant land within each submarket. The vacant land measured here includes those acres that might realistically be used as a site for the development of new residential product. For the purposes of this analysis, vacant land includes the following land use categories contained in the City's assessment database.

Figure VI-2



Source: Worcester Assessor's Office & RKG Associates, Inc.

- Residential Accessory Use Land
- Developable Residential Land
- Potentially Developable Residential Land
- Unimproved Commercial Land
- Unimproved Industrial Land

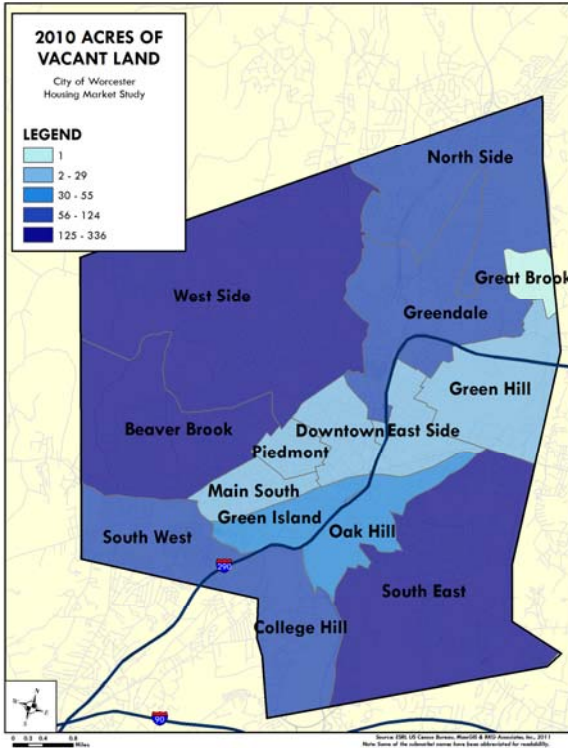
Since commercial land can generally be used by right, under the City's zoning regulations, for residential development, this acreage should be considered as a component of the City's residential land supply, especially within a mixed use context. This concept may particularly applicable within the City's defunct commercial strip shopping plazas. Vacant industrial land however, would require a rezoning for residential purposes but nevertheless, may ultimately represent a long-term supplement to the City's supply of potentially developable residential land.

These various land use types generate a total of 1,492 vacant acres Citywide. The supply of vacant land ranges from one acre in the Great Brook submarket to about 335 acres in the South East submarket (Map VI-). Greater quantities of vacant land are typically found in the larger, more suburban submarkets, while the more urban submarkets tend to have smaller supplies.

The two primary sources of vacant land are developable residential land as well as commercial and industrial vacant land, as illustrated in Figure VI-2. Acres designated residential accessory use or potentially developable residential account for relatively small quantities of land within the total supply.

Much of the vacant land located in the more urban submarkets tends to be commercial and industrial in nature. The supply of vacant land found in Downtown, Piedmont, Main South, and Green Island

Map VI-5



submarkets is all primarily commercial and industrial in nature. Conversely, the available supply of residential-related vacant land is much higher in the more suburban submarkets, such as South East and West Side.

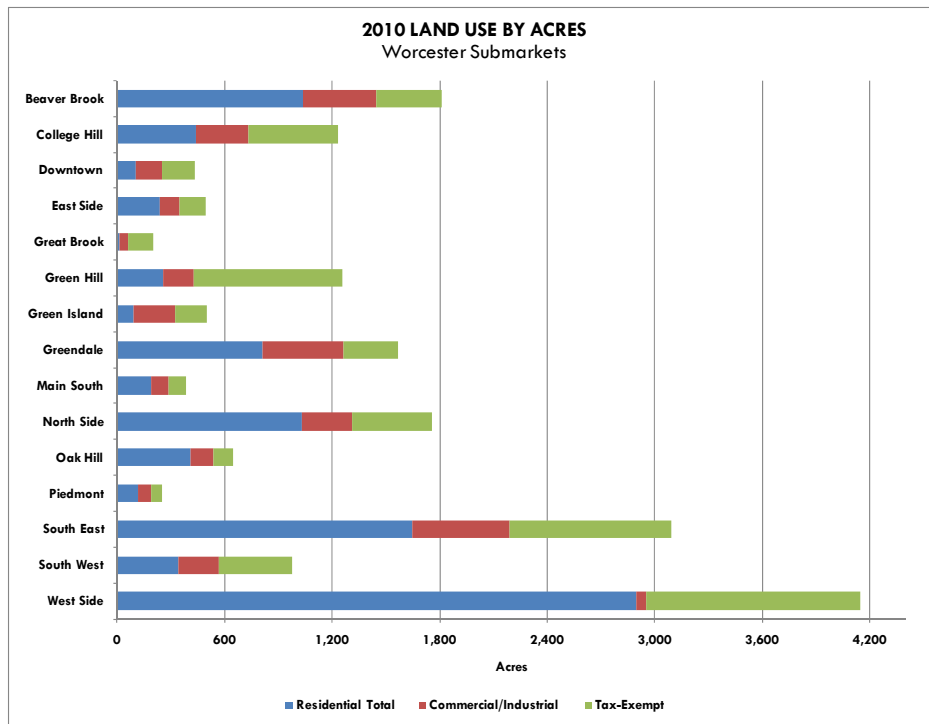
Findings: A more detailed analysis is required to determine the potential residential development that could occur on the remaining vacant land supply. However, the data presented in this section indicates that future development potential will be primarily located in the lower density, suburban submarkets.

Implications: The limited amount of vacant land in the higher density submarkets may make it more difficult to develop affordably priced housing. This may warrant that actions be taken to encourage infill on smaller vacant lots and/or the demolition of physically distressed properties to encourage redevelopment.

Land Use Characteristics

As a general means of portraying the amount of land devoted to residential uses within the City, data was summarized into three land use categories; residential, commercial/industrial, and tax-exempt. Tax-exempt includes schools, non-profit hospitals and any entity that is not obligated to pay property taxes.

Figure VI-3

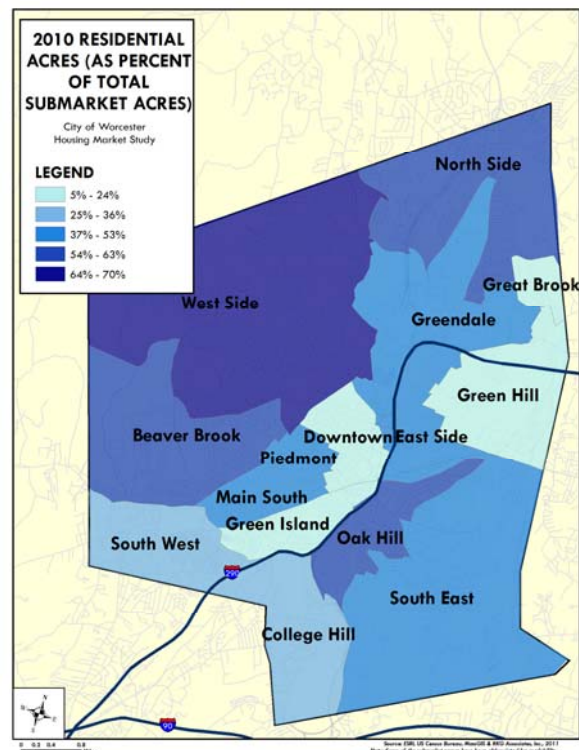


Source: Worcester Assessor’s Office & RKG Associates, Inc.

On the basis of total developed acres, residential uses are *generally* more prominent in the suburban submarkets. For example, 70% of the West Side’s acreage is occupied by residential uses (Map VI-) while Beaver Brook and North Side are both about 60% residential. There, are exceptions, such as the more urbanized Oak Hill, which is also about 60% residential, but this is unusual for the City as a whole.

Submarkets with a smaller percentage of residential uses tend to be intersected by, or adjacent to, Interstate 290. This is a common occurrence since commercial and industrial uses tend to place a higher value on immediate access to an major highway. For example, Green Island, Downtown, Green Hill, South West, and College Hill, which are all in relative proximity to I-290, have more than half of their acres occupied by commercial/industrial or tax-exempt uses (Figure VI-3). Although

Map VI-6



zoning in these submarkets may have been commercially and industrially oriented prior to the highway's presence, Interstate access has no doubt helped to sustain this land use pattern to recent times.

C. Housing Sales Trends

Annual housing sales data for the past decade was analyzed based on data recorded in the City's assessment records. Annual sales activity was summarized by submarket for new and existing single family homes, single family lots, condominiums, two family, and three family homes for the years 2000 through 2010. Analyzing this data at the submarket level provides some insight into how more localized sales trends differed from the City as a whole. It should be noted that some of the trends discussed in this section area based on the complete sales data analysis which is contained in the report's appendix. Only summary data is presented here.

With regard to total sales for the decade, much of the City's sales activity took place in the suburban submarkets, including West Side, South East, North Side, Beaver Brook, and Greendale, although the more urbanized Oak Hill also absorbed a large percentage of sales, as highlighted in Table VI-1. These six submarkets accounted for 71% (12,950) of the City's total 18,000 sales for the decade. Individually they ranged between 9%-16% of total sales while all other submarkets had less than 5%.

Single family homes (non-condominiums) were the largest component of total sales at over 50% (9,325). This type of housing was the dominant product sold in the aforementioned submarkets with the largest percentage of total sales. Recent

sales in these suburban submarkets ranged between 50 and 150 homes annually during 2009 and 2010. Conversely, single family home sales in the urban submarkets of Downtown, Main South, and Piedmont have all been negligible, with typically less than ten sales annually. This is likely due to the relatively smaller supply available in these submarkets as compared to the suburban submarkets where they exist in relative abundance. Sales of these units have declined in all submarkets since the peak of the real estate market during 2005-2007, as they have for the City as a whole.

**Table VI-1 Total Home Sales and House Lots 2000-2010
City of Worcester Submarkets**

Submarket	Total Units 2010	Home Sales 2000 - 2010							SF Lot Sales	
		Existing SF	New SF	Condo	Duplex	Triplex	Total	% City Sales	Lots Sold	% City
Beaver Brook	6,201	1,230	153	206	147	138	1,874	10%	27	9%
College Hill	2,972	390	116	143	71	84	804	4%	9	3%
Downtown	4,086	31	6	528	39	114	718	4%	1	0.3%
East Side	5,157	143	43	278	112	328	904	5%	6	2%
Great Brook	1,124	9	10	6	10	0	35	0.2%	10	3%
Green Hill	1,875	344	59	61	17	2	483	3%	59	19%
Green Island	2,240	91	16	120	62	223	512	3%	16	5%
Greendale	7,196	902	71	362	151	157	1,643	9%	71	23%
Main South	4,698	58	3	90	92	364	607	3%	3	1%
North Side	4,947	1,255	139	196	55	10	1,655	9%	4	1%
Oak Hill	7,166	259	61	256	134	703	1,413	8%	6	2%
Piedmont	3,959	83	27	43	75	232	460	3%	3	1%
South East	10,358	1,482	199	911	175	181	2,948	16%	32	10%
South West	1,702	391	34	56	50	37	568	3%	4	1%
West Side	10,965	2,657	171	385	155	50	3,418	19%	57	19%
City	74,646	9,325	1,108	3,641	1,345	2,623	18,042	100%	308	100%

Source: Worcester Assessor's Office & RKG Associates, Inc.

Sales of new single family homes represented the smallest component of total city sales at about 1,100. As a result, their sales trends tended to be more volatile. The College Hill submarket experienced relatively high levels of sales, not unlike the South East submarket, which experienced similar sales of 25-35 homes annually in 2007-2009. Sales of new single family homes dropped notably between 2009 and 2010 with fewer than ten sales annually in every submarket, a trend consistent with the national decline in homebuilding at the end of the decade.

Condominiums were the second largest segment of the City's housing market with sales totaling just over 3,600 for the decade. The South East had the largest number of sales with 911. However, significant sales of these units occurred in about two-thirds of the submarkets indicating that they offered a viable alternative for homeownership in many portions of the City. Most recently, with the exception of the Downtown, most

recent condo sales have occurred in suburban submarkets such as South East and West Side, although sales in these submarkets have dropped to a range of about 20-40 units annually from a peak of more than 120 in 2004-2005. Recent sales in the remaining submarkets have totaled less than 20 units annually since 2008, a rate comparable to the beginning of the decade, prior to the peak in 2005/07.

The number of two and three family properties (duplex and triplex in Table VI-1) experienced similar sales patterns during the past decade. Both housing types experienced a run-up in sales activity during the mid-2000s followed by a steep decline during 2006-2009. For example, during the peak, Greendale, Beaver Brook, South East, and West Side experienced the highest sales figures of two family properties, reaching rates of 25-30 properties annually. By 2007, these same submarkets had declined to rates of five to ten properties annually, a rate

commonly experienced by the other submarkets.

Oak Hill, where most three family sales occurred (703), experienced annual sales of about 110 properties annually, while the rest of the City remained at less than half of that. These units accounted for half of the sales in Oak Hill and Main South (364), and about one-third of total sales in the East Side (328) submarkets over the course of the decade. Sale of three family homes also declined markedly with almost all submarkets selling less than 12 properties annually over the last several years although a small uptick was apparent in some areas in 2010.

The market for single family lot sales in Worcester was relatively limited with total sales of 308 for the decade, about 30 lots annually. For the most part, these sales occurred in those submarkets where single family homes were the dominant sale product including West Side (57), South East (32), and Beaver Brook (27). However, a large number of sales were also recorded in Greendale (71) and Green Hill (59) where single family home sales were somewhat less prevalent. This may indicate that market conditions are attracting a newer product to these portions of the City. As with the rest of the residential real estate market, sales for lots have declined to less than five in any given submarket as of 2009/10.

D. Residential Sales Prices

Housing sales prices for Worcester's submarket areas were examined over the past decade. Like other submarket data, these average sales pricing indicators offer some insight as to which sections of the City are performing better or worse than the overall housing market.

Charting the change in pricing in typical graph form is challenging for 15 submarkets over a ten year time period. Furthermore, the relatively small number of sales occurring annually at the submarket level can result in skewed data being either very high or low in any given year. Therefore, this information has been distilled down to three key indicators that are intended to show relative change in average pricing at the submarket level in relationship to the City averages, as illustrated in Table VI-2. These include the following with the applicable column table noted:

1. Percent change in average sale price from 2000-2010 for each submarket (% Change 00-10)
2. The average sale price for each submarket as a percentage of the City's average in 2010 (% City Avg 2010)
3. The average submarket sale price for the decade as a percentage of the City's average (Avg % City 00-10)

The first indicator, percent change in average price from 2000-2010, shows the growth in average sales prices at the submarket level in comparison to change for the City. The second, *average sale price as percent of City in 2010*, shows the recent status of submarket pricing compared to the City. The third, *average percent of City average 2000-2010*, shows how the submarket's average sale price compared to the City over the course of the decade.

The shading of the table cells denotes where the submarket performed relative to the City for that indicator; light green indicating a better performance and light red a more marginal performance. If the

**Table VI-2 Average Residential Sales Price Indicators 2000-2010
City of Worcester Submarkets**

	Single Family				Condominiums			
	Avg Sale Price 2010	% Change 00-10	% City Avg 2010	Avg % City 00-10	Avg Sale Price 2010	% Change 00-10	% City Avg 2010	Avg % City 00-10
Beaver Brook	\$175,271	45%	86%	89%	\$136,071	20%	93%	89%
College Hill	\$161,251	51%	79%	86%	\$32,000	-45%	22%	55%
Downtown	NA	NA	NA	NA	\$76,523	57%	53%	69%
East Side	\$156,125	69%	76%	80%	\$92,546	100%	64%	79%
Great Brook	NA	NA	NA	NA	NA	NA	NA	NA
Green Hill	\$178,100	51%	87%	87%	\$140,833	180%	97%	71%
Green Island	\$98,800	27%	48%	58%	\$218,000	30%	150%	68%
Greendale	\$186,203	46%	91%	91%	\$117,458	40%	81%	85%
Main South	\$207,500	138%	102%	72%	\$68,837	40%	47%	58%
North Side	\$208,255	56%	102%	99%	\$219,419	113%	151%	133%
Oak Hill	\$191,056	96%	93%	80%	\$131,459	122%	90%	83%
Piedmont	\$101,000	35%	49%	64%	NA	NA	NA	NA
South East	\$190,969	50%	93%	95%	\$157,640	45%	108%	109%
South West	\$167,579	52%	82%	84%	\$98,393	61%	68%	75%
West Side	\$252,753	34%	124%	122%	\$246,874	52%	170%	152%
City	\$204,415	41%	100%	100%	\$145,564	53%	100%	100%

	Two Family				Three Family			
	Avg Sale Price 2010	% Change 00-10	% City Avg 2010	Avg % City 00-10	Avg Sale Price 2010	% Change 00-10	% City Avg 2010	Avg % City 00-10
Beaver Brook	\$171,800	14%	94%	89%	\$197,667	32%	115%	89%
College Hill	\$201,550	92%	110%	90%	\$133,125	3%	78%	99%
Downtown	\$158,000	26%	86%	92%	\$113,550	-15%	66%	104%
East Side	\$217,000	122%	118%	90%	\$132,920	32%	77%	93%
Great Brook	NA	NA	NA	NA	NA	NA	NA	NA
Green Hill	\$145,000	10%	79%	66%	NA	NA	NA	NA
Green Island	\$100,000	23%	54%	60%	\$150,400	39%	88%	82%
Greendale	\$188,644	57%	103%	103%	\$190,536	32%	111%	107%
Main South	\$101,300	31%	55%	76%	\$162,633	42%	95%	97%
North Side	\$183,000	19%	100%	105%	NA	NA	NA	NA
Oak Hill	\$144,643	46%	79%	85%	\$154,001	24%	90%	99%
Piedmont	\$121,000	36%	66%	80%	\$190,980	95%	111%	94%
South East	\$192,493	54%	105%	105%	\$193,222	30%	113%	113%
South West	\$186,780	44%	102%	83%	NA	NA	NA	NA
West Side	\$250,734	65%	137%	123%	\$285,900	66%	167%	111%
City	\$183,513	61%	100%	100%	\$171,625	39%	100%	100%

Source: Worcester Assessor's Office & RKG Associates, Inc.

submarket average was equivalent to 90% or more of the City average it is highlighted in green. In some instances, sales data for a particular housing type was too few to provide a valid average price. These are indicated by an “NA” in the table. If total sales for the decade were less than 50 for a given housing type, it was given an NA designation in the table.

As an example of how to interpret the data in this table, take single family home sales for the Beaver Brook submarket. The first indicator shows that the average sale price had a net increase of 45% over the decade, slightly better than the City’s 41% average

growth. However, as of 2010, the average sale price was only 89% of the City’s average, based on the second indicator. Finally, the third indicator shows that over the course of the decade, the submarkets’ average annual sale price represented only 89% of the City’s. Overall, this shows that despite the slightly greater net increase in average sale price over the decade, single family home sales in this submarket were generally more affordable than the average home across the City.

One significant observation regarding single family home sales overall is that the City’s average price is skewed higher by sales in a few submarkets, the West Side in particular. This submarket, which had the largest number of sales with over 2,600 for the decade, also had the highest average sale

price at 122% of the City’s average for the decade. In contrast, many of the submarket average prices were below 90% of the City’s average which illustrates the affordability of purchasing a home in a large portion of the community. Sales in the Piedmont and Green Hill submarkets had particularly low values for single family homes which is also a reflection of the housing stock in those areas.

Condominiums show some interesting variations in sales pricing amongst the City’s submarkets. As illustrated by the total sales in Table VI-1 the College Hill, Downtown, East Side, and Greendale submarkets were all very active over the decade. However, average sale prices

were consistently and considerably lower than the citywide average, as shown Table VI-2. Similar to single family sales, there were only three submarkets, North Side, South East, and West Side, that had consistently higher prices that influenced the City's average as a whole. Some of this disparity is related to an urban/suburban location with outlying submarkets providing larger unit size. However, the exceptionally low pricing in the College Hill area suggests that condominium conversions to support student housing may have a long-term downward impact on the investment value of properties in this area.

Sales of two family housing (Note: this does not include townhouses), as noted previously, were a relatively small component of the City's housing market. Generally speaking, sales of duplexes in about half of the City's submarkets had average values for the decade that were at 90% or above the citywide average. The other half were below the city average which suggests considerable variation in the quality of duplex dwellings available in the market. These below average values are also likely related to location and neighborhood conditions but may offer further affordable options for homesteading.

Finally, three family dwellings experienced the smallest average increase in sales value over the decade at 39% for the City. For the most part, these types of properties seemed to have sold at consistent prices throughout the City with only three, Beaver Brook (89%), Green Island (82%), and North Side (72%), having average sale prices below the citywide average for the decade. This would suggest that their investment value was viewed fairly evenly despite any

variations that may be present in individual submarket environments.

E. Rental Market

As a final indicator of housing costs at the submarket level, this section presents a summary of rental prices at the submarket level. For this analysis, rental data was gathered from both the Census Bureau's 2009 American Community Survey (ACS) as well as online residential rental listings.¹⁰ While these sources are not totally comprehensive, they do provide a timely and up-to-date snapshot of pricing around the City at the submarket level.

Based on the survey of rental data price sources, studio units range from about \$470-\$800, one bedrooms range from \$620-\$960, two bedrooms range from \$700-\$1,220, three bedrooms range from about \$940-\$1,500, and four bedrooms range from \$1,100-\$2,700 (Table VI-3). Average rents for all range from about \$620-\$1,950.

¹⁰ These online listings came from websites such as Apartments.com, Craigslist, and the Worcester Telegram's online classified advertisements.

Table VI-3 Average and Median Rents 2011
City of Worcester Submarkets

Submarket	Listings	AVG RENTS BY BEDROOMS						Median Rent [2]
		0-bdrm	1-bdrm	2-bdrm	3-bdrm	4-bdrm	AVG	
Beaver Brook	11		\$940	\$1,054	\$1,400		\$1,054	\$856
College Hill	16	\$775	\$725	\$849	\$1,075	\$1,300	\$962	\$678
Downtown	41	\$638	\$808	\$914	\$1,176	\$2,511	\$1,060	\$784
East Side	17	\$595	\$747	\$931	\$1,114	\$1,950	\$1,052	\$734
Great Brook	3	\$799	\$950	\$1,212	\$0		\$987	\$294
Green Hill	7		\$960	\$1,216	\$1,333		\$1,193	\$1,152
Green Island	5		\$738	\$700	\$1,213		\$920	\$841
Greendale	25	\$621	\$819	\$913	\$1,282		\$924	\$807
Main South	17	\$470	\$938	\$921	\$1,052	\$1,367	\$968	\$774
North Side	1			\$0	\$0	\$2,200	\$2,200	\$877
Oak Hill	39		\$825	\$858	\$963	\$1,100	\$902	\$940
Piedmont	11		\$620	\$817	\$936	\$1,095	\$890	\$706
South East	30		\$950	\$1,064	\$1,460	\$2,000	\$1,129	\$965
South West	27			\$0	\$1,382	\$0	\$1,369	\$795
West Side	20		\$805	\$1,036	\$0	\$2,720	\$883	\$954
Total [1]	270	\$596	\$838	\$933	\$1,123	\$1,950	\$1,036	\$842

[1] Total Listings include unmatched offerings
[2] Median Gross Rent per ACS (2005-2009)
Source: Apartment finder websites; Worcester Telegram; Craigs List & RKG Associates, Inc.

Overall, the variation in pricing between submarkets does not appear to follow any consistent spatial pattern—some suburban submarkets are less expensive while others are more expensive, indicating that proximity alone to either the central business district or a suburban location does not dictate price and may be more a reflection of quality of units. However, the pricing does appear to follow a pattern with regards to the number of bedrooms in a unit. While the pricing for studio and one bedroom units is relatively similar, price is higher for two, three and four bedroom units.

F. Conclusions

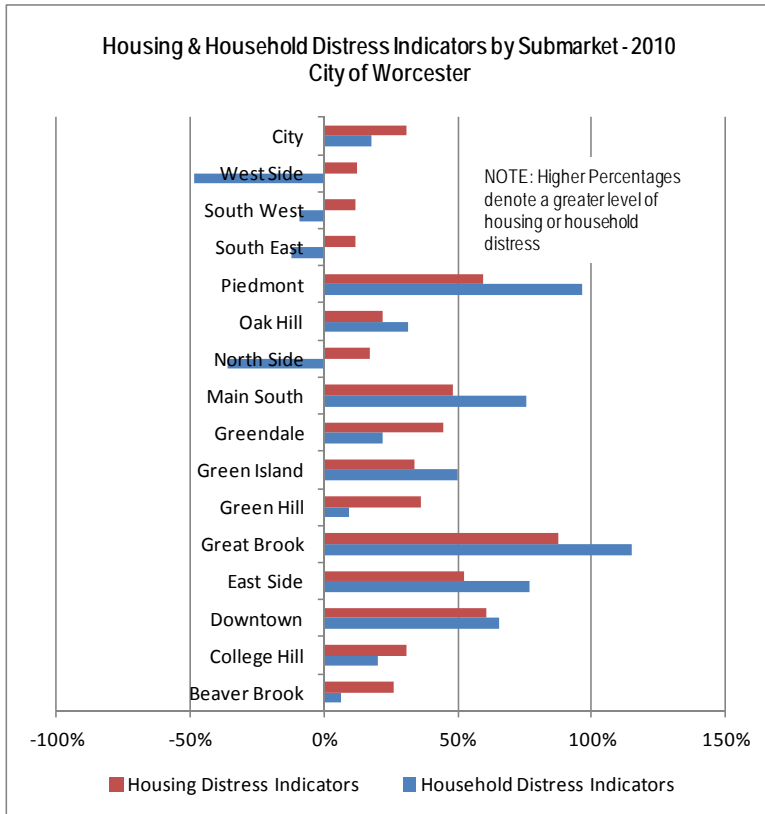
The diversity and similarity within the City's submarkets has been portrayed in the demographic and real estate trends presented in this chapter. The City has an urban core, a suburban periphery, and transitional areas in between. Submarket populations tend to be greater in the larger

suburban submarkets but the number of people per square mile is greater in the urban areas. Household distribution follows this pattern as well.

A variety of statistical indicators have been presented in this chapter, as well as other portions of the report, that depict historic trends and current conditions related to socioeconomic, land use, and real estate characteristics for the City's submarkets. In an effort to bring some of the key indicators together in a meaningful way this chapter concludes with a summary of potential need indicators at the submarket level. Figure VI- and Table VI-4 illustrate what are referred to here as *household and housing distress indicators* which are primarily a reflection of income and housing quality and value in a given submarket. It's important to note that these are *relative values* as they relate to either the submarket or the City as a whole. These values reflect no other

connotation regarding the character of any particular submarket.

Figure VI-4



have lower incomes. This disparity is also evident in the concentration of households below poverty in these areas. Figure VI- illustrates that the submarkets with the highest CDP relative to the City overall are Great Brook, East Side, Downtown, Main South, and Piedmont submarkets. These submarkets had CDPs that were two and three times as high as the City’s 18%, as shown in top half of Table VI-4. It should be noted that the Great Brook submarket CDP represents somewhat of an anomalously high figure due to the large concentration of public housing located there.

The housing CDP in the lower half of the table is a reflection of percentage of income-based housing in the submarket, residential vacancy rate in 2010, the number of properties in transition, and properties with the lowest quartile of assessed value.¹¹ As shown in the figure, the housing CDP further confirms a level of need

For the household assessment three indicators were included: decrease in number of households; adjusted median household income; and households in poverty. For the first two, the change between 2000-2010 was calculated and then indexed. This indexing is simply a weighting adjustment that normalizes the change calculation in such a way as to facilitate comparison among submarkets into a proportional *cumulative distress percentage* (CDP), which is simply the sum of the three indicators, for each submarket. The *higher* the CDP, the *greater* the level of distress.

in the submarkets where household CDP was the highest but also highlights two others, Green Hill and Greendale. The former has a larger concentration of income-based housing while the latter has a high proportion of lower valued housing stock.

The household and housing indicators used in this summary are commonly examined to identify need within a community. However, by combining them as a CDP it may help to focus the City’s efforts to target housing programs and define future policy formulation.

As shown by the household CDP, incomes are generally greatest in the suburban submarkets while the urban areas tend to

¹¹ Note that the lowest quartile assessed value column in table VI-4 was not updated to reflect 2011 assessment data but is thought to be sufficient for this analysis.

Table VI-4 Household and Housing Distress Indicators - 2010
City of Worcester Submarkets

Submarket	Households				Adjusted Median Household Income				Households in Poverty[1]			Cumulative Distress Percentage
	2010	Change 2000-2010		Household Index	2010	% Change 2000-10	% of City Median	Income Index	2010	% Submarket		
		Number	Percentage							% Total	Population	
Beaver Brook	5,792	262	5%	-0.5%	\$49,726	-6%	108%	-8.2%	856	7%	15%	6%
College Hill	2,757	56	2%	-0.2%	\$45,805	11%	100%	0.3%	547	4%	20%	20%
Downtown	3,695	(51)	-1%	0.1%	\$28,731	-3%	63%	37.5%	1021	8%	28%	65%
East Side	4,624	(86)	-2%	0.2%	\$25,652	-6%	56%	44.2%	1506	12%	33%	77%
Great Brook	1,104	(37)	-3%	0.3%	\$18,594	11%	40%	59.5%	607	5%	55%	115%
Green Hill	1,592	594	60%	-6.0%	\$44,806	-16%	98%	2.5%	202	2%	13%	9%
Green Island	1,868	46	3%	-0.3%	\$35,266	19%	77%	23.2%	501	4%	27%	50%
Greendale	6,487	(165)	-2%	0.2%	\$43,591	-11%	95%	5.1%	1062	9%	16%	22%
Main South	4,161	19	0%	0.0%	\$26,222	-13%	57%	42.9%	1369	11%	33%	76%
North Side	4,659	351	8%	-0.8%	\$65,066	6%	142%	-41.6%	297	2%	6%	-36%
Oak Hill	6,537	(194)	-3%	0.3%	\$40,587	-3%	88%	11.7%	1282	10%	20%	32%
Piedmont	3,580	105	3%	-0.3%	\$17,860	-26%	39%	61.1%	1268	10%	35%	96%
South East	9,826	256	3%	-0.3%	\$56,501	0%	123%	-23.0%	1070	9%	11%	-12%
South West	1,651	25	2%	-0.2%	\$52,509	-8%	114%	-14.3%	90	1%	5%	-9%
West Side	10,280	404	4%	-0.4%	\$71,543	-4%	156%	-55.7%	771	6%	8%	-49%
City	68,613	1,585	2%	-0.2%	\$45,944	1%	100%	0.0%	12449	100%	18%	18%

[1] Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically, but they are updated for inflation using Consumer Price Index (CPI-U). The official poverty definition uses money income before taxes and does not include capital gains or noncash benefits (such as public housing, Medicaid, and food stamps).

Source: US Census & RKG Associates, Inc.

Submarket	Total Units 2010	Residential Units Added 2000-2010[1]			Acres of Vacant Land		Income-based Housing 2010			Vacant Residential Units 2010				Properties in Transition			Assessed Value		Cumulative Distress Percentage		
		# Change	% Change	% Total	% Total	Acres	% Total	Units	% Total	% Total	Total Units	Vacant	% Total	Rate	Dwelling Units	% Total	% Total	Lowest % Total Units			
Beaver Brook	6,201	512	9%	11%	9%	265	18%	858	9%	14%	6,130	338	6%	5.5%	161	5%	2%	260	4%	26%	
College Hill	2,972	199	7%	4%	6%	97	7%	416	4%	14%	2,990	233	4%	7.8%	113	3%	3%	172	6%	31%	
Downtown	4,086	289	8%	6%	3%	29	2%	409	4%	10%	4,167	472	8%	11.3%	449	15%	10%	1,213	29%	61%	
East Side	5,157	245	5%	5%	3%	26	2%	1,273	13%	25%	5,212	588	10%	11.3%	327	11%	6%	555	11%	52%	
Great Brook	1,124	13	1%	0%	1%	1	0%	913	9%	81%	1,170	66	1%	5.6%	4	0%	0%	-	0%	87%	
Green Hill	1,875	477	34%	10%	6%	26	2%	548	6%	29%	1,673	81	1%	4.8%	29	1%	2%	3	0%	36%	
Green Island	2,240	182	9%	4%	3%	51	3%	84	1%	4%	2,217	349	6%	15.7%	214	5%	7%	160	7%	34%	
Greendale	7,196	184	3%	4%	9%	119	8%	1,242	13%	17%	6,944	457	8%	6.6%	174	6%	2%	1,286	19%	45%	
Main South	4,698	129	3%	3%	2%	24	2%	1,221	12%	26%	4,649	488	8%	10.5%	406	13%	8%	150	3%	48%	
North Side	4,947	551	13%	12%	10%	91	6%	388	4%	8%	4,936	277	5%	5.6%	85	3%	2%	96	2%	17%	
Oak Hill	7,166	271	4%	6%	4%	55	4%	242	2%	3%	7,466	929	15%	12.4%	370	12%	5%	113	2%	22%	
Piedmont	3,959	107	3%	2%	1%	21	1%	1,429	15%	36%	3,911	331	5%	8.5%	339	11%	8%	272	7%	59%	
South East	10,358	617	6%	13%	16%	336	23%	264	3%	3%	10,492	666	11%	6.3%	254	8%	2%	57	1%	12%	
South West	1,702	79	5%	2%	5%	124	8%	-	0%	0%	1,804	153	3%	8.5%	46	1%	2%	15	1%	12%	
West Side	10,965	789	8%	17%	23%	226	15%	561	6%	5%	10,884	604	10%	5.5%	179	6%	2%	6	0%	12%	
City	74,646	4,644	7%	100%	100%	1,492	100%	9,848	100%	13%	74,645	6,032	100%	8.1%	3,150	100%	4%	4,358	6%	31%	
% City Total																					

[1] Housing data in this table is based on Census counts and therefore may not match other housing figures in the report which rely on assessment data.

Source: Worcester Assessor's Office & RKG Associates, Inc.

VII. ASSESSMENT OF AFFORDABLE HOUSING NEEDS AND FUTURE HOUSING DEMAND

This chapter presents an analysis of estimated demand for low income housing in comparison to the existing supply of income-based and subsidized housing within the City of Worcester. The intent of this comparison was to quantify, to the extent possible, unmet demand within area households. This chapter also presents an estimate of future housing demand in Worcester based on five-year household forecasts and turnover rates within the City's housing supply.

The chapter is presented in four sections as follows.

- 1) An affordability analysis that matches ranges of income levels to housing values and rents.
- 2) An estimate of households that could potentially qualify for income-based housing based on a review of the most current US Census and American Community Survey data available. This included a review of poverty statistics for the City and its Region. Data quantifying the number of households with high housing cost burdens was compiled.
- 3) Development trends of income-based (Chapter 40B) housing in Worcester and its Region were analyzed in order to ascertain what role these units play within the housing supply. Worcester has a relatively large supply of this housing which is administered by multiple entities. A detailed analysis of income-based housing in Worcester was conducted as well as a review of the timing of any

expiring use restrictions (i.e. income-based housing where the requirements to rent to income-eligible households will soon end). The supply of Section 8 tenant certificates currently issued was identified and waiting list information noted.

4) In the final section, future demand for all types of housing in Worcester over the next five years was estimated. This total demand for housing also includes an estimate of the short-term need for income-based housing within the City.

A. Affordability Analysis

The housing affordability analysis was based on a set of financing assumptions and standards that are noted at the bottom of Table VII-1. These assumptions established household income ranges that correspond to ranges in home/unit values and rents.¹² To be considered affordable a household could pay no more than 30% of its gross income for housing costs. It is also assumed that funds for adequate loan down payment are available. For instance, a home valued at \$100,000 was considered "affordable" under these assumptions for a household with incomes in the \$23,600 to \$31,000 range depending on the down-payment and interest rate. A household with gross income of \$24,000 could also afford a rent of \$600 per month and remain within the 30% guideline.

¹² The financial analysis is for illustrative purposes only and does not account for other debts, such as student or car loans, or credit card debt. A credit score of a potential applicant was also not considered.

As shown in the table, households in the City that have incomes in the range of \$47,100 to \$78,300 could afford homes valued between \$200,000-\$250,000. For the lowest income households (\$17,700-\$23,500), \$75,000 would be the maximum affordable sale prices while the highest income bracket (\$117,800-\$156,700) could afford homes valued at half a million dollars.

Since 2000, sale prices of single-family homes in Worcester averaged \$220,600 which would be affordable to households with incomes between \$52,000 and \$69,000. Condominiums sales have averaged \$151,900 which would be affordable for households with incomes between \$35,800 and \$47,600. Households at the median income level in 2010 (\$45,940) could afford a condominium at the average price but a single-family home would be out of reach. This median income would also support monthly rent of \$1,150, based on the 30% guideline. The average rent in 2011 for a two-bedroom unit in Worcester was \$1,063 with a range of \$727 to \$1,575.

A household looking for investment property could, with a gross income of \$55,000, for example, purchase a two-family dwelling costing \$210,000. If the second unit were rented for \$900 per month, \$10,800 in additional gross income would be realized. This added income would increase purchasing power or help offset expenses such as real estate taxes. However, only 30% of that added income would be allocated towards financing (similar to gross income), so in effect, the buyer could finance another \$15,000 provided the additional down-payment (\$750 to \$3,000) was available.

A similar scenario for a three-family property could potentially generate \$1,500 per month (2 units at \$750 each), or \$18,000 per year, in rental income and would equate to \$6,000 in additional income for financing. This could potentially leverage another \$25,000 towards purchase cost.

**Table VII-1 Housing Affordability Thresholds
City of Worcester**

Ownership [1]			Rental [2]	
Home/Unit Value	Low Income	High Income	Monthly Rent	Income
\$75,000	\$17,700	\$23,500	\$400	\$16,000
\$100,000	\$23,600	\$31,300	\$600	\$24,000
\$150,000	\$35,400	\$47,000	\$800	\$32,000
\$200,000	\$47,100	\$62,700	\$1,000	\$40,000
\$250,000	\$58,900	\$78,300	\$1,250	\$50,000
\$300,000	\$70,700	\$94,000	\$1,500	\$60,000
\$400,000	\$94,300	\$125,300	\$2,000	\$80,000
\$500,000	\$117,800	\$156,700	\$2,500	\$100,000
[1] Ownership Assumptions			[2] Rental Cost factored at 30% of gross income	
	Low	High		
Interest Rate	4.50%	6.00%		
Term	30	30		
Downpayment	20%	5%		
RE TAXES/1000	\$16.06	\$16.06		
Insurance /1000	\$6.00	\$6.00		
Cost as % of Income	30%	30%		

Source: RKG Associates, Inc.

From a rental perspective, households with income of \$40,000 could afford a monthly rent of \$1,000, for example, based on the income guidelines, while \$50,000 in gross income could afford \$1,250 per month. At the lower end of the scale, a household earning \$16,000 per year could afford \$400 per month and \$600 per month with income of \$24,000. Potential issues here would be related to household size since only studio or one-bedroom apartments would be available at this price range and the number of larger units for \$600 per month would be limited.

B. Low Income Households

Two indicators from the US Census were used to help quantify the number of households that had a high probability of requiring housing finance assistance. The first is the number of households experiencing a high cost burden defined as housing costs in excess of 30% of their gross income. The second is the number of households living at, or below, the poverty level. Both are discussed in the following sections.

Housing Costs as a Percentage of Income

In 2010, the number of households in Worcester that pay housing costs of 30% or more of their gross income was approaching 29,650, representing an estimated 43% of total households in the City. About 12,100 (41%) were homeowners while 17,550 (59%) were renters Table VII-2.

Table VII-2 Housing Costs as a Percentage of Gross Income 1990-2010 - City of Worcester

Owner H'holds	1990	2000	2010	% of total in 2010	% Change	
					1990-00	2000-10
Less than 20%	15,429	15,853	10,388	34.0%	2.8%	-34.5%
20 to 24.9%	3,918	4,078	4,238	13.9%	4.1%	3.9%
25 to 29.9%	2,326	2,756	3,620	11.9%	18.5%	31.3%
30 to 34.9%	1,664	1,741	2,740	9.0%	4.6%	57.4%
35% or more	4,098	4,420	9,359	30.7%	7.9%	111.8%
Not Computed	221	194	185	0.6%	-12.2%	-4.5%
Total	27,656	29,042	30,530	100%	5.0%	5.1%

Renter H'holds	1990	2000	2010	% of total in 2010	% Change	
					1990-00	2000-10
Less than 20%	10,769	13,492	8,412	22.1%	25.3%	-37.7%
20 to 24.9%	4,684	4,435	4,970	13.1%	-5.3%	12.1%
25 to 29.9%	5,004	4,022	4,948	13.0%	-19.6%	23.0%
30 to 34.9%	2,793	2,901	3,397	8.9%	3.9%	17.1%
35% or more	11,469	11,116	14,150	37.2%	-3.1%	27.3%
Not Computed	1,379	2,020	2,206	5.8%	46.5%	9.2%
Total	36,098	37,986	38,083	100%	5.2%	0.3%

All H'holds	1990	2000	2010	% of total in 2010	% Change	
					1990-00	2000-10
Less than 20%	26,198	29,345	18,799	27.4%	12.0%	-35.9%
20 to 24.9%	8,602	8,513	9,208	13.4%	-1.0%	8.2%
25 to 29.9%	7,330	6,778	8,568	12.5%	-7.5%	26.4%
30 to 34.9%	4,457	4,642	6,137	8.9%	4.1%	32.2%
35% or more	15,567	15,536	23,509	34.3%	-0.2%	51.3%
Not Computed	1,600	2,214	2,391	3.5%	38.4%	8.0%
Total	63,754	67,028	68,613	100%	5.1%	2.4%

Note: Data based on distribution of total owner/renter in each period for comparison, only
 Source: US Census; ACS (2005-2009) & RKG Associates, Inc.

Over the course of the decade (2000-2010) the number of city households exceeding the 30% threshold increased by 47%, or approximately 9,470 households. However, the number of homeowners in this category increased by a considerably higher rate of 96% (5,938) in comparison to an increase of only 47% (3,350) for renters. *In fact, there was a 111% increase in the number of owner households paying in excess of 35% of their income towards housing costs in the City over the decade.* The reasons for the increase were likely attributable to a combination of factors including high unemployment, adjustable rate mortgages that increased during the period, and more

Findings: Home sale prices declined considerably in Worcester towards the end of the decade (2010) making homeownership potentially more affordable. Similarly, higher vacancy rates have placed downward pressure on rental rates. Still, a large and increasing number of residents are paying in excess of 30% of their incomes for housing.

Implications: Income levels in the City have not kept pace with housing costs despite the fact that purchase and rental prices remain relatively affordable. This means that households are still likely to need continued financial support to maintain their existing housing status. Any increase in interest rates could further exacerbates these conditions.

lenient lending criteria during the earlier part of the decade that contributed to the subsequent housing market crash. The number of owner households (9,360) incurring the highest housing costs of 35% or more may continue to result in additional foreclosures if lenders are not willing to restructure the debt or provide more leniency in revising payment schedules.

Households in Poverty

Households below the poverty level in the City increased by approximately 1,250 between 2000-2010 while those above the threshold increased by only 276.13 In effect, 82% of the net increase in households after 2000 had incomes below the poverty level.

As shown in Table VII-3, Worcester had an increase of nearly 2,190 households below the poverty level over the last decade. The components of this change include a significant loss of elderly households in poverty and a relatively large gain in those under age 65. The City lost over 1,900 households over the age of 65 with incomes at or above the poverty level. This trend for senior households was similar to what occurred during the 1990s when households in this age group declined by 1,935. Conversely, households in poverty under age 65 increased by 2,189 (5.1%) during this time period.

At the regional level household poverty trends were quite different overall than those exhibited for the City’s households.

**Table VII-3 Households Above and Below the Poverty Level
City of Worcester and the Region**

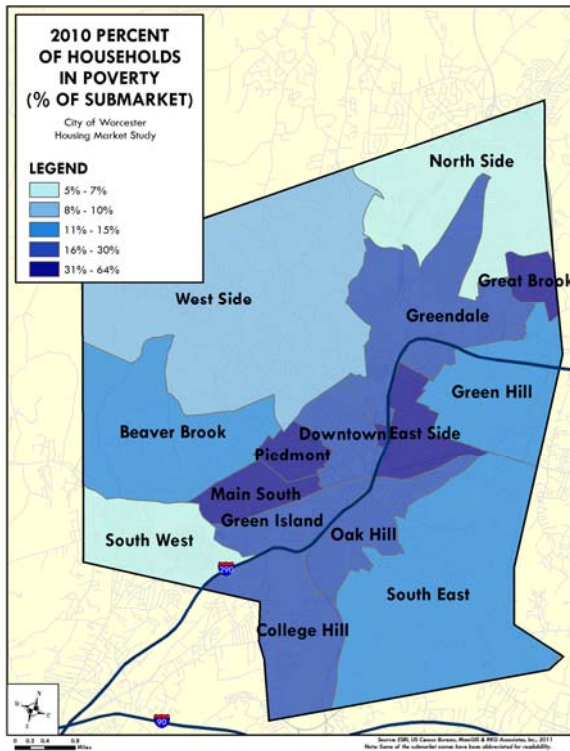
City of Worcester				% of Total Population			# Change		% Change	
Households	1990	2000	2010	1990	2000	2010	1990-00	2000-10	1990-00	2000-10
At or above										
poverty level:	54,200	55,835	56,111	85.2%	83.2%	81.8%	1,635	276	3.0%	0.5%
Less than 65 years	39,151	42,721	44,910	61.6%	63.7%	65.5%	3,570	2,189	9.1%	5.1%
65 years & older	15,049	13,114	11,200	23.7%	19.5%	16.3%	(1,935)	(1,914)	-12.9%	-14.6%
Below poverty										
level:	9,388	11,248	12,502	14.8%	16.8%	18.2%	1,860	1,254	19.8%	11.2%
Less than 65 years	6,855	9,182	10,816	10.8%	13.7%	15.8%	2,327	1,634	33.9%	17.8%
65 years & older	2,533	2,066	1,700	4.0%	3.1%	2.5%	(467)	(366)	-18.4%	-17.7%
Total	63,588	67,083	68,613	100%	100%	100%	3,495	1,530	5.5%	2.3%
Nine-Town Region				% of Total (Rate) in			# Change		% Change	
Households	1990	2000	2010	1990	2000	2010	1990-00	2000-10	1990-00	2000-10
At or above										
poverty level:	36,465	42,083	44,069	95.7%	95.2%	95.8%	5,618	1,986	15.4%	4.7%
Less than 65 years	28,264	32,240	34,847	74.2%	73.0%	75.7%	3,976	2,607	14.1%	8.1%
65 years & older	8,201	9,843	9,222	21.5%	22.3%	20.0%	1,642	(621)	20.0%	-6.3%
Below poverty										
level:	1,623	2,111	1,956	4.3%	4.8%	4.2%	488	(155)	30.1%	-7.3%
Less than 65 years	795	1,328	1,220	2.1%	3.0%	2.7%	533	(108)	67.0%	-8.1%
65 years & older	828	783	736	2.2%	1.8%	1.6%	(45)	(47)	-5.4%	-6.0%
Total	38,088	44,194	46,025	100%	100%	100%	6,106	1,831	16.0%	4.1%

Source: US Census, ACS & RKG Associates, Inc.

Since 2000, households above the poverty level increased by nearly 5% while households below the poverty level decreased by 7%. The rate of households below the poverty level was 4.2% in 2010 having declined from 4.8% since 2000.

¹³ Poverty levels are based on household size based on Federal standards. According to the US Department of Health and Human Services (HHS), the poverty level in 2011 for a 3-person household was \$18,530, and the other levels are presented later.

Map VII-1



During the 1990s, the nine-town Region experienced a 30% increase in households below the poverty level and all the increase was attributed to households under the age of 65.

Household poverty rates within the City’s submarkets are illustrated in Map VII-1. The wealthier submarkets of West and North Side both have relatively low rates of poverty with the highest rates concentrated in the Downtown, Piedmont, Main South, and Green Island submarkets.

In summary, the number of households below the poverty level in Worcester as of 2010 was 18.2% as compared with 16.8% in 2000 and 14.8% in 1990. In comparison, the household poverty rate for the Region in 2010 was only 4.2%, a level

that had decreased from rates in 2000 (4.8%) and 1990 (4.3

This data suggests that over the past two decades the increase in Worcester’s households below poverty level was due both to a shift in the Region’s households (i.e. households below poverty moving to the city from a regional location), as well as, to a decline in income levels of the City’s existing households. These findings indicate that previous actions taken to elevate households out of poverty over the last decade have not been adequate to address socioeconomic challenges confronting area residents. The apparent migration to Worcester of households below the poverty level also highlights the City’s role as a regional provider of social services, affordable housing and other infrastructure that supports low income household needs.

Estimate of Low Income Households

This section presents the estimated number of low income households that could potentially qualify for income-based housing in Worcester. Low income eligibility was calculated based on the Area Median Family Income (AMI) for the HUD-defined region, the HUD Metro Fair Market Rent Area (HMFA), that includes the City of Worcester.

HUD has three classifications for low income households which are extremely-low income (0-30% of AMI), very-low income (31% to 50% of AMI), and low income (51% to 80% of AMI). Income limits are also based on household size, as exhibited in Table VII-4. The poverty levels for 2011 are shown for comparison.

The AMI in 2010 for the Worcester HMFA was \$79,900. In comparison, median household income in Worcester (\$45,940) was 42.5% lower. In effect, half the households in Worcester had incomes

proxy for estimating the distribution of affordable housing needs. This estimate is considered to be a “worst case scenario” in that it is most inclusive of potentially qualifying households.

**Table VII-4 Low Income and Poverty Limits 2010
City of Worcester**

Household Size	% of Area Median Income			Poverty Level
	30%	50%	80%	
One-Person	\$16,800	\$28,000	\$44,750	\$10,890
Two-Person	\$19,200	\$32,000	\$51,150	\$14,710
Three-Person	\$21,600	\$36,000	\$57,550	\$18,530
Four-Person	\$23,950	\$39,950	\$63,900	\$22,350
Five-Person	\$25,900	\$43,150	\$69,050	\$26,170
Six-Person	\$27,800	\$46,350	\$74,150	\$29,990
Median Family Income (AMI)			\$79,900	

Source: HUD; HHS; & RKG Associates, Inc.

at less than 60% of the AMI in 2010. As shown in the table, a three-person household with an income of less than \$21,600 would qualify under the extremely-low category (30% of AMI); while a three-person household with income of less than \$57,550 would qualify as a low income households (80% of AMI).

Based on estimates of households by age and income, with consideration given to reflect owner versus renter status, an approximation of households that could qualify for income-based housing under the thresholds identified in Table VII-4 was developed. Since available data regarding income distributions and household size did not match the exact thresholds established by HUD, some approximations were required. The assumptions are noted in the appendix of this report.

Despite these limitations, the age distribution of households within the lower income brackets provides a reasonable

Based on this analysis, it was estimated that 33,615 households in the City would potentially be eligible for income-based housing as of 2010. This represented approximately 49% of all Worcester households. The vast majority of these eligible households, approximately 24,800, were renters and the remaining 8,800 were homeowners (Table VII-5).

Findings: An estimated 33,615 households in Worcester would potentially be eligible for income-based housing. This equated to 49% of total households in the City.

The largest demand appears to be related to the need for family and/or workforce housing since 21,540 of the eligible households are under age 55. Similarly, income-eligibility was highest among renter households which numbered 22,800, or 68% of the total.

Almost half (45%) of the income-eligible households were categorized as having very low incomes of less than \$20,000 in annual income. This is an indicator of significant financial need in a large percentage of eligible households which are likely to have existing high housing cost burdens.

Table VII-5 – City of Worcester: Estimated Number of Low Income Households by Age, Income and Tenure (2010)

Owner Households by Income	% of AMI	Younger than Age 55			Age 55 to 64			Age 65 & up			All Households			
		H'holds	% Low- Income	Low- Income	H'holds	% Low- Income	Low- Income	H'holds	% Low- Income	Low- Income	Total	Low- Income	% Low- Income	% of L-I Total
Less than \$20,000	0% to 25%	980	100%	980	524	100%	524	1,526	100%	1,526	3,030	3,030	100%	9.0%
\$20,000 to \$34,999	25% to 45%	1,635	100%	1,635	627	100%	627	1,512	100%	1,512	3,774	3,774	100%	11.2%
\$35,000 to \$49,999	45% to 65%	2,176	60%	1,306	570	30%	171	1,085	15%	163	3,831	1,640	43%	4.9%
\$50,000 to \$74,999	65% to 95%	3,545	10%	355	1,352	1%	14	1,167	0%	0	6,064	368	6%	1.1%
\$75,000 to \$99,999	95% to 125%	3,386	0%	0	864	0%	0	717	0%	0	4,968	0	0%	0.0%
\$100,000 and up	125% & up	6,100	0%	0	1,646	0%	0	1,126	0%	0	8,872	0	0%	0.0%
Owner Total		17,822	24%	4,275	5,584	24%	1,336	7,133	45%	3,201	30,538	8,811	29%	26.2%
Renters Households by Income	% of AMI	H'holds	% Low- Income	Low- Income	H'holds	% Low- Income	Low- Income	H'holds	% Low- Income	Low- Income	Total	Low- Income	% Low- Income	% of L-I Total
Less than \$20,000	0% to 25%	7,617	100%	7,617	1,223	100%	1,223	3,562	100%	3,562	12,402	12,402	100%	36.9%
\$20,000 to \$34,999	25% to 45%	6,460	100%	6,460	941	100%	941	1,512	100%	1,512	8,913	8,913	100%	26.5%
\$35,000 to \$49,999	45% to 65%	4,482	60%	2,689	697	30%	209	584	15%	88	5,763	2,986	52%	8.9%
\$50,000 to \$74,999	65% to 95%	4,981	10%	498	451	1%	5	389	0%	0	5,821	503	9%	1.5%
\$75,000 to \$99,999	95% to 125%	2,168	0%	0	288	0%	0	179	0%	0	2,636	0	0%	0.0%
\$100,000 and up	125% & up	1,968	0%	0	290	0%	0	281	0%	0	2,540	0	0%	0.0%
Renter Total		27,677	62%	17,265	3,890	14%	2,377	6,507	79%	5,161	38,075	24,803	65%	73.8%
All Households By Income	% of AMI	H'holds	% Low- Income	Low- Income	H'holds	% Low- Income	Low- Income	H'holds	% Low- Income	Low- Income	Total	Low- Income	% Low- Income	% of L-I Total
Less than \$20,000	0% to 25%	8,597	100%	8,597	1,747	100%	1,747	5,088	100%	5,088	15,432	15,432	100%	45.9%
\$20,000 to \$34,999	25% to 45%	8,095	100%	8,095	1,568	100%	1,568	3,023	100%	3,023	12,687	12,687	100%	37.7%
\$35,000 to \$49,999	45% to 65%	6,659	60%	3,995	1,266	30%	380	1,669	15%	250	9,594	4,626	48%	13.8%
\$50,000 to \$74,999	65% to 95%	8,526	10%	853	1,803	1%	18	1,555	0%	0	11,885	871	7%	2.6%
\$75,000 to \$99,999	95% to 125%	5,555	0%	0	1,152	0%	0	896	0%	0	7,603	0	0%	0.0%
\$100,000 and up	125% & up	8,067	0%	0	1,936	0%	0	1,407	0%	0	11,411	0	0%	0.0%
All Households		45,499	47%	21,540	9,474	39%	3,713	13,640	61%	8,362	68,613	33,615	49%	100.0%

Source: DemographicsNOW, US Census: & RKG Associates, Inc.

An estimated 21,540 of the income-eligible households would qualify for family/workforce housing since they are under 55 years of age, while another 3,713 households would also potentially qualify for *either* family or age-restricted housing (ages 55-64). The remaining 8,400 households are seniors (65 years or older).

This amount of eligible seniors represented 61% of city residents in that age group, whereas the near-retirement (55-64) represented 39% and the those under age 55 represented 47% of their respective age groups.

Within the total 33,600 income-eligible households, over 15,400 had incomes of less than \$20,000 placing them in the extremely low income range. These households represent 22% of total city households. Approximately 56% of these households were under age 55 and so, would qualify for family/workforce housing. The remaining were either near-retirement (11%) or retirement age (33%).

C. Income-Based Housing Supply

This section provides an inventory and assessment of the income-based housing supply in Worcester and its nine-town Region. The term “affordable housing” can be interpreted differently depending on the context in which it is used. For this analysis, affordable housing is defined as income-based housing and consists of either “project-based” units, or tenant “certificates” such as Section 8 vouchers. Income-based means to be eligible to live in one of these housing units, the gross income of a potential tenant must be at, or below, the 80% of AMI threshold for a given households size in order to qualify for residency, as shown in Table VII-4.

Income-based housing has been provided under a variety of national and statewide programs over the years and varies in the mix of income levels or tenancy (owner versus renter), depending on funding source. The US Department of Housing and Urban Development (HUD) appears to be moving away from funding project-based development and issuing more tenant vouchers or certificates, although federal funding for renewal of the Hope VI program, a project-based approach, was recently issued to a few major projects. The low income housing tax credit program (LIHTC) regulated by the Internal Revenue Service is presently a major source of funds to develop new income-based housing.

In Massachusetts, Chapter 40B legislation allows qualified developments to bypass local zoning regulations in a community that has less than 10% affordable housing provided at least 20% to 25% of the units are set aside for households at, or below the 80% of AMI. In addition, community development corporations (CDC) and other organizations have obtained funding from local, state and federal sources for housing and other programs. The Massachusetts Department of Housing and Community Development (DHCD) and the City of Worcester are state and local conduits for funds to develop income-based housing. MassHousing is another state funding source for affordable housing.

The State DHCD’s most recent Subsidized Housing Inventory (SHI) was the primary source of information used to evaluate the City’s supply of income-based housing. This data was augmented with information provided by sources regarding properties or sites owned by CDCs or other non-

profits, as well as a review of assessment records.¹⁴

The inventory was divided into four categories including units geared to: 1) families; 2) owners; 3) senior-disabled and 4) senior-disabled care. As shown in Table VII-6, Worcester had 328 income-based projects with nearly 9,850 units¹⁵, 9,486 of which were income-based units and 362 market-rate units.

requiring that at least 10% of the housing supply be comprised of affordable units.¹⁶

Chapter 40B Housing

Development trends of Chapter 40B housing in Worcester and the nine-town Region since 1990 are shown in Table VII-7. During the 1990s, the City’s supply of year-round housing increased by 1,210 units which included 924 units of Chapter 40B housing, or 76.5% of the total increase. In comparison, the Region had a net increase of more than 5,570 units during that time period and less than 3% was Chapter 40B. In effect, the percentage of Chapter 40B housing in the Region declined from 3.5% in 1990 to 3.4% in 2000, while in Worcester it increased from 12.2% to 13.3% over the decade.

**Table VII-6 Income-Based Housing Supply 2010
City of Worcester**

Development Target	# of Projects	Total Units	Income-Based	Market Units
Family	173	5,196	4,848	348
Owner	95	232	229	3
Senior/Disabled	19	3,834	3,827	7
Sen-Dis Care	41	586	582	4
Citywide	328	9,848	9,486	362

Source: MA DHCD; City of Worcester & RKG Associates, Inc

The total units available at family-oriented developments (5,196) represented 52.8% of the total supply, and units at senior/disabled developments (3,834) accounted for another 38.9%. The remaining 8.3% were either senior-disabled care units (586) or owner units (232).

The 9,486 units of income-based housing represent 12.8% of the City’s total year-round housing supply. This means that Worcester exceeds the statewide mandate

**Table VII-7 Chapter 40B Housing Inventory 1990-2010
City of Worcester and the Region**

City of Worcester	1990	2000	2010	1990-00	2000-10
Year-Round Housing	69,200	70,408	74,383	1,208	3,975
Chapter 40B	8,432	9,356	9,591	924	235
as % of Housing	12.2%	13.3%	12.9%	76.5%	5.9%
Nine-Town Region					
Year-Round Housing	39,596	45,170	50,418	5,574	5,248
Chapter 40B	1,389	1,553	2,175	164	622
% of Housing	3.5%	3.4%	4.3%	2.9%	11.9%

Source: US Census; MA DHCD & RKG Associates, Inc.

Over the most recent decade (2000-2010) this trend was largely reversed. Since 2000, Worcester added 235 Chapter 40B units which represented 5.9% of total additional housing. In contrast, 632 units were added throughout the region which

¹⁴ “Notes to Community Economic Development Assistance Corporation (CEDAC) Report on Massachusetts Developments with Subsidized Mortgages or HUD Project-Based Rental Assistance” dated July 2010.

¹⁵ The data regarding income-based housing supply in Section VII is based on 2010 assessment data. The City’s 2011 triennial assessment identified a total 10,224 units in income-based housing projects – breakdown of market vs. income-based not available at the time of this report.

¹⁶ In Massachusetts, Chapter 40B legislation allows qualified developments to bypass local zoning regulations in a community that has less than 10% affordable housing provided at least 20% to 25% of the units are set aside for households at, or below the 80% of AMI.

represented 11.9% of total units constructed, as illustrated in the table. Still, Worcester still supports the vast majority of these units with a 9,591 units versus only 2,175 in the neighboring communities.

The regional supply of Chapter 40B housing would have to increase by another 2,870 units in order to meet the 10% benchmark, where Worcester exceeds this threshold by 2,150 units. The DHCD estimated that 570 Chapter 40B units were currently in the planning process in the nine-town Region. If all these units are constructed it would bring the regional rate to over 5%, only halfway to the statewide goal.

Expiring Use Restrictions on Income-Based Housing

According to information provided by the DHCD, the income-restrictions at 17 developments in Worcester will expire during the next five years, putting at risk 924 income-based units, or nearly 10% of the current supply, as shown in Table VII-8. In the subsequent five year period (2014-2019) another 1,882 income-based units may be lost representing 20% of the current Chapter 40B supply. Beyond that, the use restrictions on another 18% of the existing supply may expire between 2020 and 2029. Only 38% of the existing supply of income-based housing was classified as perpetual with no time-limit, although, the expiration of 6% of the supply was unknown.

If the use restrictions on the 924 units expired as scheduled within the next five years (and assuming no addition to the supply) the rate of Chapter 40B housing in Worcester would decline to 11.5%. If the use restrictions on another 1,882 units expired as scheduled between 2015 and 2019, the remaining 6,680 units would

then represent only 9% of the year-round housing supply, dipping below the 10% mandate.

Tenant Vouchers and Waiting Lists

Another affordable housing option for low income households is tenant vouchers through either the Federal, Section 8 Housing Choice Voucher Program, or two state programs, the Massachusetts Rental Voucher Program (MRVP) and Alternative Housing Voucher Program (AHVP). The two former programs are available to families, senior and disabled households, while the latter is restricted to those under age 60 having a disability. These vouchers are tenant-specific and so, can be used at any rental property willing

Table VII-8 Expiring Income-Based Housing Units City of Worcester

Year/Period Expire	Family/Owner		Senior/Care		Total		% of Total
	Projects	Units	Projects	Units	Projects	Units	
2009	2	132			2	132	1%
2010	1	60			1	60	1%
2011					0	0	0%
2012	7	500			7	500	5%
2013	2	40	2	184	4	224	2%
2014	3	8			3	8	0%
2009-2014	15	740	2	184	17	924	10%
2015	5	19	1	78	6	97	1%
2016			1	156	1	156	2%
2017	9	331			9	331	3%
2018	4	1,288			4	1,288	14%
2019	1	10			1	10	0%
2015-2019	19	1,648	2	234	21	1,882	20%
2020-2029	53	245	19	1,454	72	1,699	18%
2030 & later	47	373	11	412	58	785	8%
Perpetual	67	1,787	19	1,804	86	3,591	38%
Unknown	65	284	8	321	73	605	6%
Total	266	5,077	61	4,409	327	9,486	100%

Source: MA DHCD; City of Worcester, & RKG Associates, Inc.

to participate in the program.

In Worcester, two agencies administer tenant vouchers, the Worcester Housing Authority (WHA) and the Resources for Communities and People Solutions (RCAP), a regional non-profit agency. According to information obtained from these groups, 2,500 low income households in the City had Section 8 vouchers in 2011, as show in Table VII-9, including 1,674 vouchers from the WHA and 830 from RCAP. Another 336 low income households with Section 8 vouchers lived in one of the nine surrounding towns with the remaining 1,300 dispersed throughout the remainder of Worcester County.

Each agency also maintained waiting lists for different housing programs. Approximately 8,800 persons/households were on waiting lists maintained by the WHA, and 9,000 were on the Section 8 waiting list administered by RCAP, which services a much broader area of central Massachusetts.

As shown in Table VII-9, *the WHA’s Section 8 waiting list had nearly 6,670 households while waiting lists for public housing had over 2,100 applicants.* Of the total, 51% were seeking 1-bedroom units and 28% needed 2-bedroom units. The waiting list for public housing is generally regarded as a better indicator of immediate need since the Section 8 waiting list may include many households already residing in public housing who are seeking greater housing mobility.

D. Future Housing Demand - Market-Rate and Affordable

This concluding section presents a comparison of the future demand for affordable housing against the overall future demand and the existing supply. First, an estimate of housing demand in

Worcester over the next five years is presented based on tenure, age and income levels. This demand is then reconciled with potential unmet need for additional affordable or income-base housing in the future. This analysis will assist in determining the appropriate balance of market-rate and affordable housing in the City’s housing supply, recognizing that maintaining certain levels of both will be an important component of the long-term housing plan.

**Table VII-9 Section 8 Vouchers and Waiting List Totals - 2011
City of Worcester**

	WHA [1]	RCAP [2]
Section 8 Vouchers	2,020	2,123
City of Worcester	1,674	830
Nine-Town Region	297	39
Rest of County	49	1,254
Waiting List	8,791	9,000
Section 8 Vouchers	6,668	9,000
Federal & State Housing	2,123	
Congregate	14	
Studio	123	
1-bdrm	1,074	
2-bdrm	586	
3-bdrm	241	
4-bdrm or more	85	
[1] Worcester Housing Authority		
[2] Resources for Communities & People		
Source: WHA; RCAP; & RKG Associates, Inc.		

Future Housing Demand in Worcester

Current and five-year forecasts (2010 and 2015) of households by income and age groups for Worcester were based on data compiled by DemographicsNOW. Households were grouped by different income levels, separating owners from renters, which correspond to sales pricing and rent ranges. The cumulative turnover of households over the next five years was also estimated based on factors extrapolated from the US Census.

Projected population growth in Worcester over the next five-years would create a net increase of 420 households. As shown in Table VII-10, nearly all the demand from growth in households over the next five years would come from either younger households (less than 35) or near-retirement to retirement age households (the two groups age 55 and older), for both owners and renters. However, declines in households in the 35 to 54 age group

This growth rate is about 9% below the average annual housing production of single-family and condominiums over the last decade (2000-2010).

For renter households the City is projected to have an overall net loss of 1,120 over the next five-years which would suggest little additional demand for housing. However, there will be some demand within certain income levels and age

**Table VII-10 Five-Year Housing Demand 2010-2015
City of Worcester**

		Forecasted Change in Households (5 Years)					Estimated Household Turnover (5 Years)				
Owner Households by Income	Maximum Affordable	Less than	Age 35	Age 55	Age 65	Total H'holds	Less than	Age 35 -	Age 55	Age 65	Total H'holds
		Age 35	to 54	to 64	& up		Age 35	54	to 64	& up	
Less than \$35,000	under \$100k	8	(333)	58	164	(104)	616	619	191	249	1,675
\$35,000 to \$49,999	\$100k - \$200k	20	(289)	35	112	(121)	500	553	94	89	1,236
\$50,000 to \$74,999	\$200k-\$300k	59	(395)	138	186	(12)	806	918	224	96	2,043
\$75,000 to \$99,999	\$300-\$400k	141	(146)	189	205	389	590	945	143	59	1,737
\$100,000 and up	\$400 & up	277	131	530	458	1,396	719	1,798	273	92	2,882
Owner Households		505	(1,031)	950	1,124	1,548	3,232	4,832	926	584	9,574
Renter Households by Income	Maximum Affordable	Less than	Age 35 -	Age 55	Age 65	Total H'holds	Less than	Age 35 -	Age 55	Age 65	Total H'holds
		Age 35	54	to 64	& up		Age 35	54	to 64	& up	
Less than \$35,000	under \$875	(38)	(1,354)	99	201	(1,093)	6,371	4,564	1,133	2,034	14,101
\$35,000 to \$49,999	\$875-\$1,250	61	(494)	43	60	(330)	1,683	1,710	365	234	3,992
\$50,000 to \$74,999	\$1,250-\$1,875	110	(482)	46	62	(264)	1,680	2,040	236	156	4,111
\$75,000 to \$99,999	\$1,875-\$2,500	141	(78)	63	51	177	662	937	151	72	1,822
\$100,000 and up	\$2,500 & up	149	27	94	114	384	435	974	152	113	1,674
Renter Households		423	(2,382)	344	489	(1,126)	10,830	10,225	2,037	2,609	25,700

Source: DemographicsNOW, US Census: & RKG Associates, Inc.

(family-rearing age) would offset most of the growth. Given these age group projections, housing for young professionals or new families would be needed, as well as housing for the aging baby-boom generation who may be seeking to downsize.

The estimated net change in owner households (1,550) over the next five years account for 55% of the 2,800 units in Worcester under construction and/or in the planning phase. This growth represents an average annual demand of 310 owner occupied units over the next five years.

groups. For example, a net gain of 560 renter households was forecasted with incomes of \$75,000 or more. In addition, increases in younger, as well as near-retirement and elderly households, were forecast across almost all income/rent levels, as shown in the table. However, these would not be sufficient to offset the loss of households in the 35 to 54 age groups.

Housing demand from turnover over the next five-years was estimated to exceed 35,000 households, averaging approximately 7,000 households per year.

About 27% of the turnover would be for owner units and 73% for renter units.

Findings: The net change in households over the next five years would support an additional 1,550 owner units. Nearly all the net increases in owner households over the next five years could afford homes in the \$300,000 or higher range. Forecasts for renter units show a declining demand except in the upper income brackets. Conversely, 97% of the loss in renter households would be in the low income brackets.

Demand from turnover over the next five years would average about 7,000 households per year, 73% renters and 27% owners. Approximately 55% of the renter turnover would be from low income households and would average more than 2,800 households per year. Nearly 78% would be below age 55, including 46% younger than age 35, and 32% between the ages of 35 and 54.

Approximately 50% of owner turnover would be from households age 35 to 54 while another 34% would be young professionals (less than age 35). Demand from near retirement (age 55 to 64) and retirement (65 and up) would primarily be from new growth and most of this would be at the higher income levels.

Approximately 55% of renter turnover (14,100 units) would be for units with rental values of less than \$875 and account for many, if not all, of the low income households in Worcester. Although turnover demand for this group was high, households with incomes below \$35,000 were forecast to decline by 1,100 over the next five years. Approximately 78% of

the senior renter turnover would have incomes of less than \$35,000 while another 59% of renter turnover would be households under the age of 35 with incomes less than \$35,000.

Over the next five years, renter turnover would be strongest in the two age groups younger than age 55, accounting for a combined 82% of total renter turnover. Approximately 52% of the turnover in these two age groups would have incomes of less \$35,000.

Regarding turnover in owner occupied units, approximately 20% (1,800) of demand would come from households age 35-54 with incomes of \$100,000 or more. Another 20% would come from households in the same age group but in the two lower income brackets (\$50,000 to \$99,999).

As shown in Table VII-10, approximately 70% of turnover in ownership units over the next five years would occur in households in the three income brackets that could afford homes valued at \$200,000 or more. However, only 30% of renter turnover would be from households in these three groups, those with incomes of \$50,000 or more, and a large percentage (54%) would have incomes in the \$50,000 to \$74,999 range.

Reconciliation of Future Housing Needs

The following presents key findings from a review of the data, conclusions and suggestions to consider in formulating a housing policy.

- Housing demand over the next five-years will be driven primarily by turnover as compared to new household growth. Renter turnover is expected to be the strongest and nearly 55% would come from low income households or those earning less than \$35,000. However, the number of low

income renters was also forecasted to decline by nearly 1,100 households over the next five years, and accounted for 97% of the forecasted loss in renter households over the period. Therefore, some reduction in the low income housing supply or Chapter 40B would be warranted in order to balance this forecasted loss in low income renters.

- Forecasted household growth over the next five years would support another 1,500 or so new owner units, and most of this growth would occur at the upper income levels and supporting units valued at \$300,000 or more. This forecast should provide confidence to the developers of the proposed 2,800 units or so under-construction and/or in the planning phase in Worcester, assuming the right product, appropriate amenities, and appealing environment would be created to attract potential buyers/renters represented by this forecasted demand. Sufficient owner turnover was also forecasted that could help support new infill housing for those owners wanting to sell and remain in the City at an alternative location.
- One-third of the forecast housing demand would come from young professional (less than age 35) while the remaining two-thirds would come from aging baby-boomers age 55 and up.
- This analysis suggests that the City should consider maintaining a supply of 9,000 to 9,600 income-based housing units over the next five years, assuming Section 8 certificates remained constant at 2,500 households. The rationale for this estimate is based on the projected decline of over 1,100 low income renters over the next five-years, but also recognizes that a statistical shortfall exists between the income-eligible households (33,600) and the Chapter 40B/Section 8 supply (12,100). Current waiting listing information indicated a shortage of over 2,000 public housing units but five-year forecasts did not support a shortfall of this magnitude.



**FINAL REPORT
ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING
WORCESTER, MASSACHUSETTS**

OCTOBER 2012

Prepared for:

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Executive Office of Economic
Development

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I. INTRODUCTION AND EXECUTIVE SUMMARY

The City of Worcester, Massachusetts is committed to addressing fair housing issues. This Analysis of Impediments to Fair Housing and the accompanying market study will be used by the city as a tool to promote a healthy and equitable housing market. This study is prepared in accordance with guidance provided by HUD’s Office of Fair Housing and Equal Opportunity (FHEO) as summarized below:

“Analysis of Impediments (AI) is a review of impediments or barriers that affect the rights of fair housing choice. It covers public and private policies, practices, and procedures affecting housing choice. Impediments to fair housing choice are defined as any actions, omissions, or decisions that restrict, or have the effect of restricting, the availability of housing choices, based on race, color, religion, sex, disability, familial status, or national origin. The AI serves as the basis for fair housing planning, provides essential information to policy makers, administrative staff, housing providers, lenders, and fair housing advocates, and assists in building public support for fair housing efforts.”¹

A. Background: Who Conducted the Study; Funding; Participants

This study was prepared by I² Community Development Consulting, Inc. (Eric Hangen, Principal) with assistance from independent consultant Timothy Harrigan. The study was funded by the City of Worcester through a joint contract with RKG Associates, Inc. Representatives from a number of organizations participated in the study, including: various City offices; the Worcester Housing Authority; and community development and social service organizations.

B. Methodology

1. Review of Literature, Plans and Policies

Citations are provided throughout the report for various publications that were reviewed in its preparation. To obtain historical context, past reports examining fair housing issues in the city were examined. Legal background was obtained from a review of Worcester’s ordinances, as well as summaries of fair housing law at the federal level from HUD and at the state level from the Massachusetts Department of Housing and Community Development. Finally, existing housing-related plans and policies established by the City of Worcester were reviewed.

¹ HUD, Office of Fair Housing and Equal Opportunity, “Promoting Fair Housing” http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/promotingfh

2. Analysis of Statistical Data

As cited in more detail within the body of this report, analysis was conducted on statistical data sets obtained from a number of sources. These include:

- Data on mortgage lending reported to the Federal Financial Institutions Examinations Council under the Home Mortgage Disclosure Act (HMDA);
- The region's inventory of affordable housing by municipality as published by the Massachusetts Department of Housing and Community Development;
- Counts of reports of alleged fair housing violations received by HUD's Office of Fair Housing and Equal Opportunity (FHEO) and Community Legal Aid (CLA) [formerly the Legal Assistance Corporation of Central Massachusetts];
- Demographic information from the U.S. Census Bureau's American Community Survey; and
- Employment information from the Massachusetts Office of Labor and Workforce Development.

3. Focus Groups

Two focus groups conducted as part of the housing market study that accompanies this report were valuable sources of information for this study as well. These were conducted on March 24, 2011 with two distinct groups: one a collection of representatives from Community Development Corporations operating in Worcester along with individuals from the Worcester Housing Authority; the other, a set of real estate brokers and developers working locally.

4. Interviews

Thirteen interview stakeholders were recommended by the City and interviewed by the consultants. These stakeholders were generally: involved in the non-profit or for-profit housing industry; employed by human services agencies or community groups; or directly involved in a professional capacity with fair housing issues. Interviewees were asked about their experiences (and their clients' experiences) with fair housing issues. Interviewers described types of fair housing issues observed in other geographies and inquired as to whether respondents have observed similar issues in Worcester. Respondents were also asked to describe any successful initiatives in Worcester to address these issues whenever applicable. Interviewers also asked open-ended questions about other fair housing issues that respondents might be aware of, as well as strategies underway or that they would propose to address these issues.

Respondents relayed information about a number of fair housing issues. These included concerns reported by and observed with their clients, as well as broader issues of housing finance and policy. In this report, we present the key themes emerging from these interviews. Respondents are not named, as the interview process was confidential.

C. Key Findings

A number of important Fair Housing issues were identified through the research process, clustering around four main themes:

- **Rental occupancy practices.** Data on fair housing complaints as well as comments from interviewees indicate that cases of discrimination in rental housing have occurred affecting people belonging to certain protected classes. The most common issues have arisen regarding renters with disabilities and families with small children (particularly in relation to lead paint issues), but issues were also raised regarding victims of domestic violence and racial/ethnic minorities.
- **Mortgage lending and foreclosure trends.** Mortgage lending patterns indicate that minorities (particularly African Americans and Latinos) are less likely to have successful loan applications, even after controlling for income, and were more likely to receive a high-cost, subprime loan during the peak years² of subprime lending. Subprime lending and foreclosures also appear to be somewhat more prevalent in high-minority areas. Because data on applicant credit scores and conformity to other underwriting criteria are not available, it is not possible to state with certainty that these patterns mean that lenders have discriminatory practices. However, they do underscore the need for proactive measures to equalize access to credit for all races and ethnicities. The foreclosure crisis further raises the importance of these issues.
- **Distribution of affordable housing stock.** Affordable housing opportunities are not evenly spread throughout the region, but rather are concentrated in Worcester (the city contains 66% of the affordable units in the region [Worcester County], according to Massachusetts' Department of Housing and Community Development official inventory, compared to 50% of the jobs in the region). In addition, it appears that the affordable housing stock within Worcester itself is concentrated in neighborhoods with large minority populations and with high poverty rates. Especially given that a large percentage of households are experiencing housing cost burdens, as noted in the following section, the concentration of affordable housing in particular areas may limit the residential choices of low- and moderate-income populations, to the extent that low-cost market-based units are not available. On the other hand, this concentration appears to be the result of efforts made by nonprofit Community Development Corporations to revitalize neighborhoods through the development of affordable housing.
- **Housing cost burdens.** A growing percentage of homeowners and renters are housing cost burdened, meaning that they pay more than 30% of their incomes on housing costs. Among homeowners, 39.6% of households have housing cost burdens greater than 30% of gross income. This represents substantial increase since the year 2000, when 21.2% of homeowners were similarly burdened. Among renters, 46.1% of households have housing cost burdens greater than 30% of gross income. This percentage has also grown since the year 2000, when 36.9% of renters experienced such a burden. Cost-burdened households appear to be concentrated in high-poverty, high-minority areas of the city.

At the same time, the research identified a broad range of policies and practices being implemented by the City of Worcester and partner non-profit organizations that are actively

² For the purpose of this study, only 2006 and 2009 were examined.

seeking to promote fair housing choice throughout the city. These efforts include fair housing education for landlords and tenants, fair housing law enforcement activities, homebuyer education and counseling, housing loan programs, affordable housing development work, and efforts by the Worcester Housing Authority to address language barriers, domestic violence issues, and other potential fair housing barriers impacting the public housing stock. The research also found that Worcester has a higher level of integration among its racial and ethnic groups compared to similarly sized northeastern cities, and this integration has increased over the last decade.

Key recommendations to address these issues are as follows:

Rental Occupancy Practices

- *Continue and enhance funding and support for existing initiatives to educate both landlords and tenants about their rights and responsibilities under Fair Housing law. Develop marketing and outreach efforts to reach ethnic and linguistic minorities, and owners of small rental properties in particular. Given the large percentage of fair housing claims are related to people with disabilities, efforts to educate property owners and developers to increase the accessible housing stock is also of particular importance.*
- *Continue to fund and support existing fair housing enforcement, testing and education programs both within the City and at partner nonprofit organizations. Explore whether additional programming could be supported to mediate fair housing complaints and address issues before the court system becomes involved.*
- *Increase coordination among those City officials working in housing policy and development and those working on human rights and disability issues. Continued and renewed efforts to build partnerships and increase communications and connections among City policy makers, advocates and community groups will help to further the success of these initiatives.*

Mortgage Lending and Foreclosure

- *Continue to support organizations that provide education, counseling and assistance to homebuyers and homeowners to promote successful homeownership.*
- *Provide extra support for marketing and outreach efforts for homeownership organizations and community housing advocates to engage minorities and other populations protected by Fair Housing Law around issues related to mortgage lending and foreclosure, including work to increase partnerships with grassroots and quasi-formal community groups that can help to increase organizational access to these populations.*
- *Work with banks to increase the capitalization of loan funds (such as Worcester Community Housing Resource) providing home purchase assistance and home improvement financing to traditionally underserved populations.*
- *Provide support to community and legal advocates attempting to prevent and mitigate foreclosures within Worcester, and explore legislative and regulatory options to preserve the ability of tenants to remain renting in foreclosed properties. Some examples of regulatory options from other cities include ordinances in Providence and Philadelphia that require lenders to go through a mediation process with homeowners before being able to complete the foreclosure process.*

- *Research and evaluate the use of alternative tools that may help to turn foreclosed housing stock back into productive use quickly, such as housing receivership (where Worcester already has significant programming in place), bulk property purchases from banks (for example, as facilitated through the National Community Stabilization Trust), and purchase and resale of homes to defaulted borrowers (the latter program has been piloted in the Boston Community Capital Aura Mortgage program).*

Affordable Housing Distribution

- *Partner with other local jurisdictions in the region, affordable housing advocates, employers, and community groups to advocate for a more equitable distribution of affordable housing opportunities in Worcester County.*
- *Utilize demand-driven systems. The Section 8 voucher program is an example of such a system, but additional options include the use of homebuyer assistance programs. These help low-income individuals secure housing in middle- and high-income areas of the region. Homebuyer assistance could potentially be used to establish a shared-equity financing system that would have a lasting impact on affordable housing availability throughout the region. The City may wish to evaluate devoting some funding to a regional, demand-driven approach to affordable housing provision as opposed to a city-centric, project-driven approach.*
- *Promote mixed-income housing and mixed-income neighborhoods, including encouraging market-rate development in low-income areas and creating and preserving affordable housing units in areas of the city where they are currently scarce – particularly where strong neighborhood amenities are available such as schools, parks and shopping. Work with both private developers and nonprofit affordable housing developers in the City to increase the development of mixed-income housing in mixed-income neighborhoods.*

Housing Cost Burdens

- *Work with partners throughout the region to identify and mitigate factors that increase the cost of providing housing units, and to promote full compliance with Chapter 40B.*
- *Continue to support the capacity of affordable housing developers who can bring in federal resources or creatively leverage other resources to increase the regional supply of affordable housing.*

II. JURISDICTIONAL BACKGROUND DATA: AN OVERVIEW OF WORCESTER

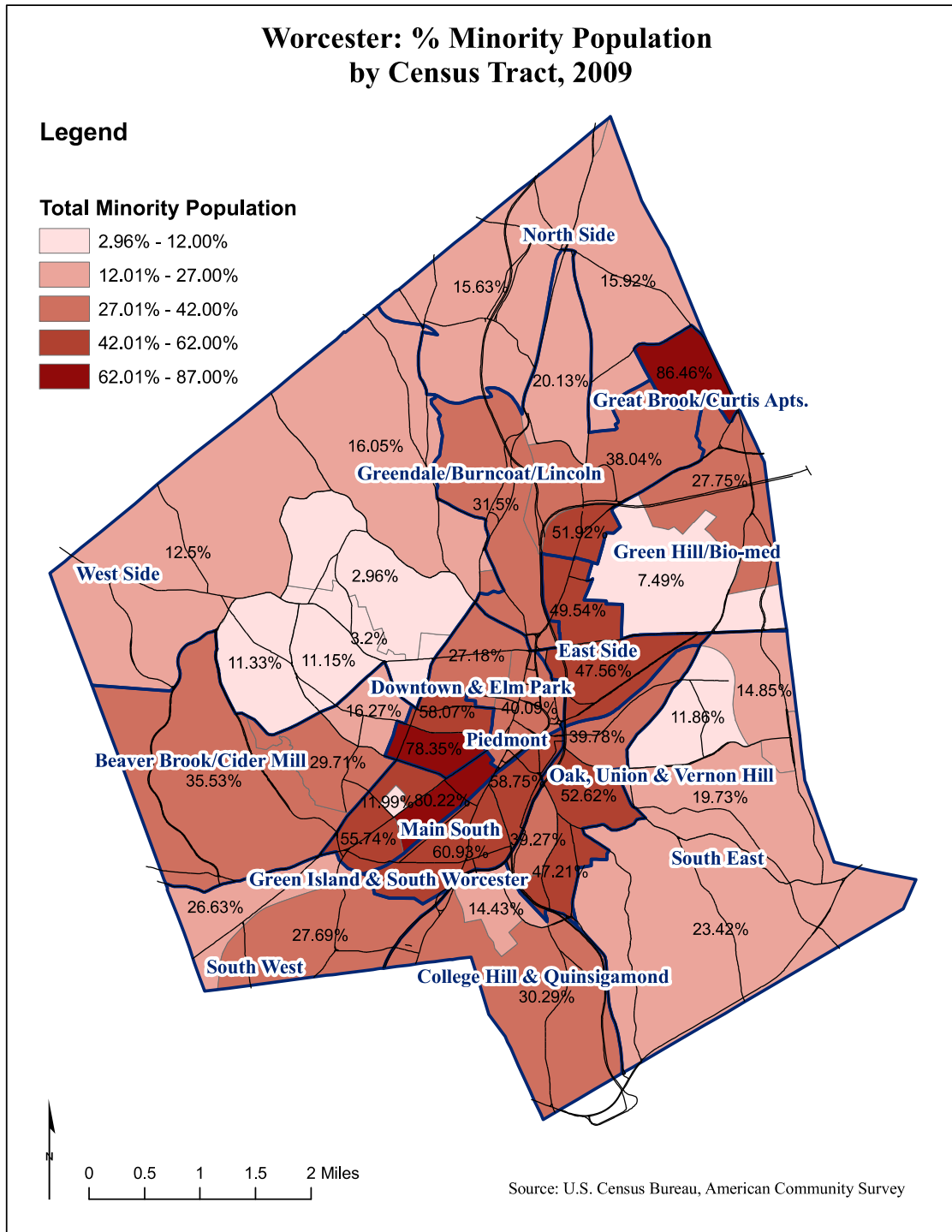
A. Demographic and Economic Profile

The accompanying “Housing Market Study” provides a detailed analysis of demographic and economic trends in the City of Worcester and environs. Some key data from the study with relevance to the Analysis of Impediments are summarized below.

- Worcester has a diverse population with over 30% of residents reporting a race other than “White only,” a growing Asian/Pacific Islander population, and approximately one-fifth of residents reporting Hispanic/Latino heritage.
- Worcester is a relatively young city, with a fairly large portion of adults in the 25 to 34 age range. With very slight growth in recent decades, the City’s overall population is expected to remain quite stable.
- The City’s employment base has largely shifted away from a manufacturing and industrially-based economy and towards a knowledge-based economy consisting of educational and medical employment. The city median household income is lower than that of the surrounding county and region as well as that of the state, although the portion of higher-income households is growing.
- Worcester’s unemployment rate has risen and fallen concomitant to national economic trends. However, the rate has remained consistently higher than that of nearby municipalities. Recently, Worcester’s unemployment rate was approximately 25% higher than that of the surrounding region.

1. Racial and Ethnic Segregation

Analysis of the most recent data available at the time of this study’s analysis indicate that Worcester’s population is somewhat segregated, albeit less so than many other major cities in New England. The city has many Census tracts in which the minority population greatly exceeds the city average, as well as several Census tracts in which the population of White, non-Hispanic residents exceeds the city average. The dispersion of these tracts is uneven, although in approximate terms, areas closest to the city center/downtown have the highest concentrations of minority residents, areas surrounding the downtown have the lowest concentrations of minority residents and the more integrated areas are on the city’s periphery.



The level of racial and ethnic integration within a geographic area (such as a city) may be analyzed through preparation of a “dissimilarity index.” This statistical tool compares the city’s overall share of minority residents with the share of minority residents in smaller units

(such as Census tracts) throughout the city. The index provides an indication of whether the city’s minority population(s) are concentrated in particular areas or dispersed throughout the city.

For this study, dissimilarity indices were prepared to review Worcester’s integration on three measures: Whites and Blacks/African-Americans; Whites and Asians/Pacific Islanders; Hispanic/Latinos and non-Hispanic/Latinos. On the scale used in this analysis, a “0” would denote a completely integrated distribution of residents while a “100” would denote complete segregation of residents. The results of this analysis indicate that the city’s Hispanic/Latino population is the least integrated of the three minority communities reviewed, while the city’s Black/African American population is the most integrated. On all measures, the city has become more integrated over the last decade. Worcester is better-integrated than many of its peer cities in the northeastern United States.

City of Worcester

Year	Black/White	Asian/White	Hispanic/White
2009	29.4	33.0	45.8
2000	33.5	33.3	48.3
1990	39.5	34.3	52.4

Sources: U.S. Census Bureau, 2005-2009 American Community Survey; Population Studies Center, University of Michigan

Worcester and Comparison Cities, 2000

	White / Black	White / Asian	White / Hispanic	Average score
Cambridge	40.7	26.1	28.1	31.6
Lowell	22.5	38.7	35.2	32.1
Waterbury	45.1	20.4	47.5	37.7
Worcester	33.5	33.3	48.3	38.4
Hartford	61.9	24.2	38.5	41.5
Bridgeport	44.1	38.1	46.1	42.8
Stamford	56.2	25.8	50.0	44.0
Springfield	47.1	39	48.8	45.0
Providence	42.9	44.3	50.9	46.0
New Haven	48.5	42.6	49.4	46.8
Boston	71.1	41.1	53.3	55.2

Source: Population Studies Center, University of Michigan

As seen in the maps on the following pages, the highest concentrations of minority populations in Worcester are observed near the downtown areas such as Main South and around Oak / Vernon / Union Hill and Great Brook / Curtis Apartments, with the North Side and West Side having low concentrations of minorities. Concentrations of poverty roughly mimic the concentration of minority populations, with several areas having a very significant percentage of poor residents ranging from 37 to 62 percent. Substantial literature exists describing how concentrations of poverty at such levels have pernicious effects on child

development and on the health and life opportunities of the residents of high-poverty neighborhoods.³

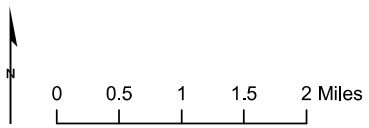
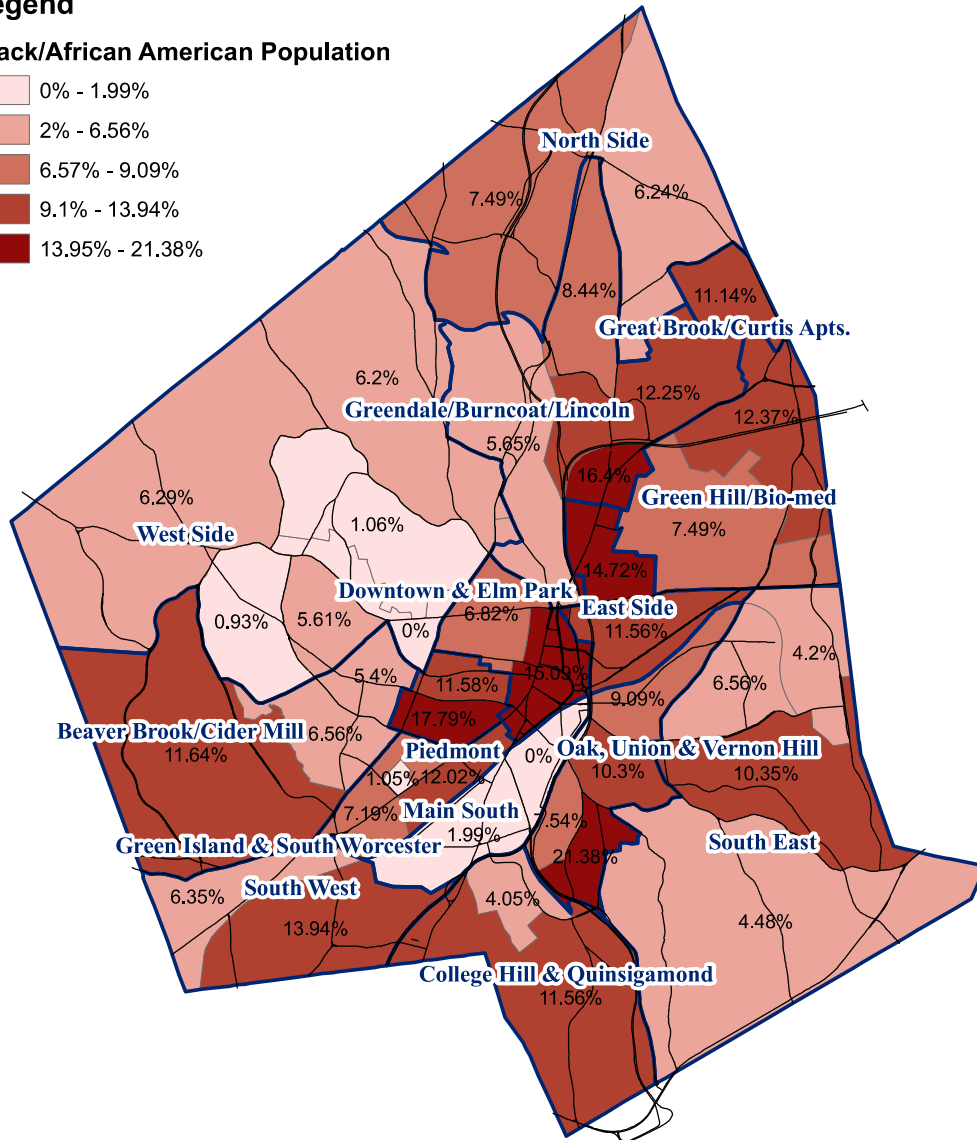
³ See, for example, Bruce Katz (2004). “Neighborhoods of Choice and Connection.” Research Brief for The Brookings Institution, Metropolitan Policy Program.

Worcester: % Black/African American Population by Census Tract, 2009

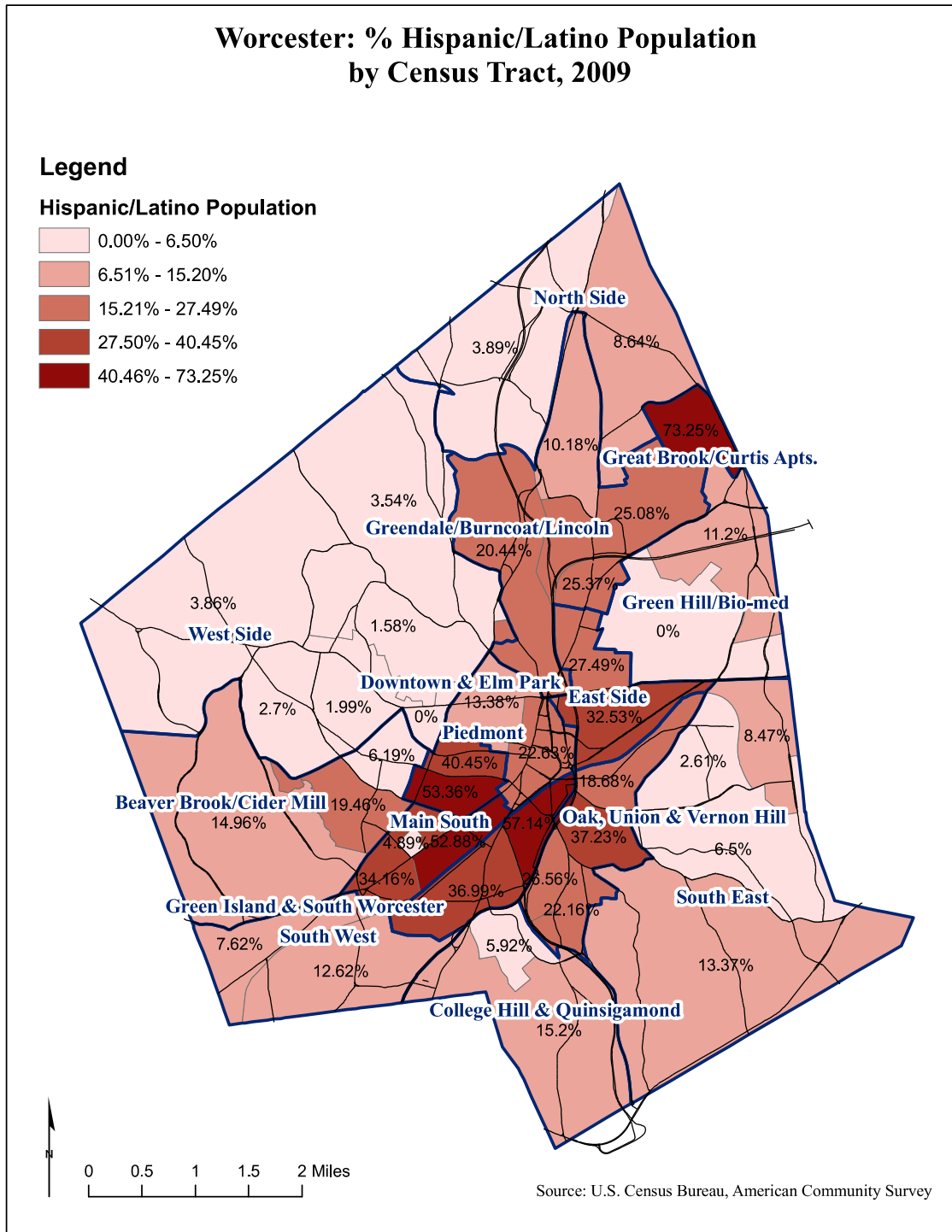
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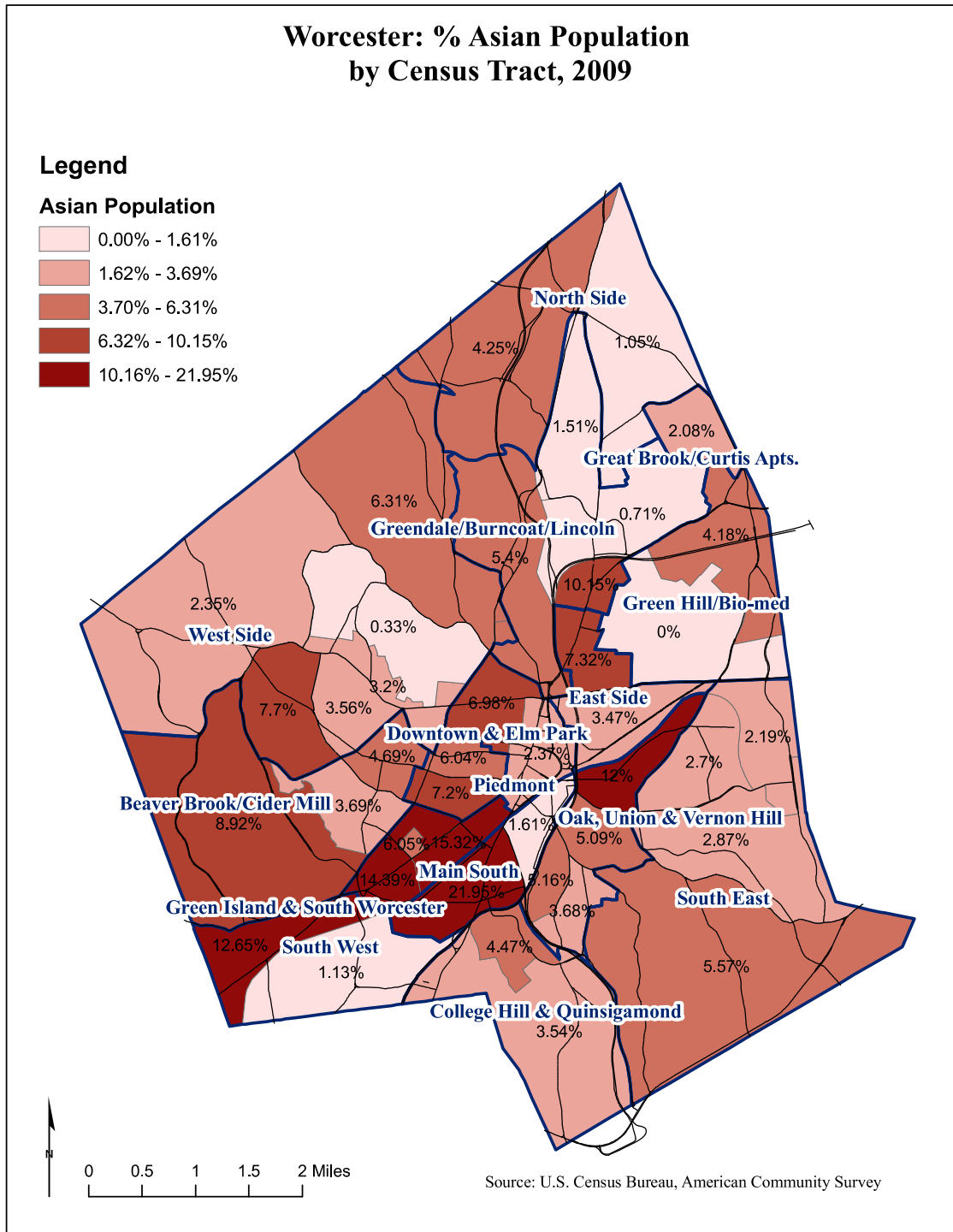
Black/African American Population

- 0% - 1.99%
- 2% - 6.56%
- 6.57% - 9.09%
- 9.1% - 13.94%
- 13.95% - 21.38%




Source: U.S. Census Bureau, American Community Survey







Worcester: Poverty Levels by Tract with Minority Populations

Legend

 Tracts with 45%+ Minorities


Population Below Poverty Level

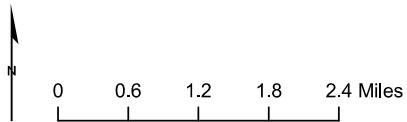
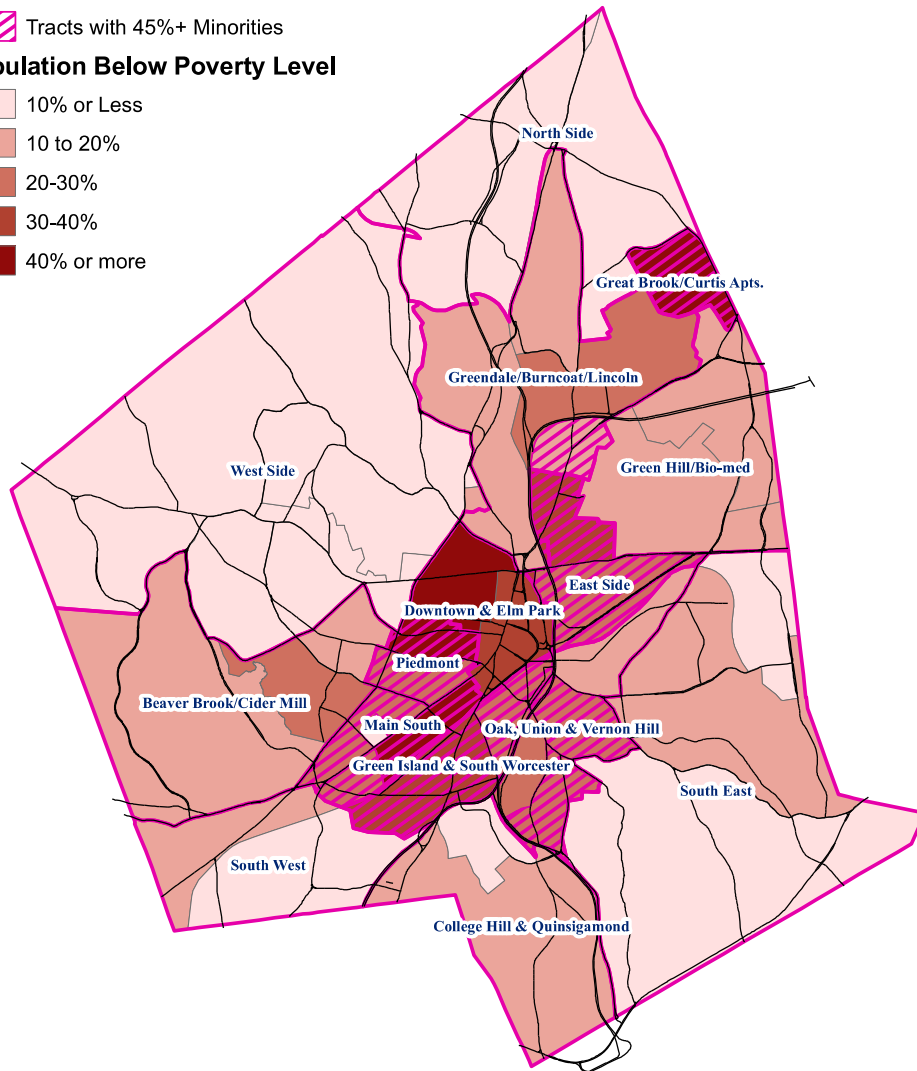
 10% or Less

 10 to 20%

 20-30%

 30-40%

 40% or more



Source: U.S. Census Bureau, American Community Survey

B. Housing Profile

The accompanying “Housing Market Study” provides a detailed analysis of housing trends in the City of Worcester and environs. Briefly, the study finds that the city is experiencing some economic stagnation, has a stable population, and is seeing small growth in supply and demand conditions in its housing market. Among the study’s findings:

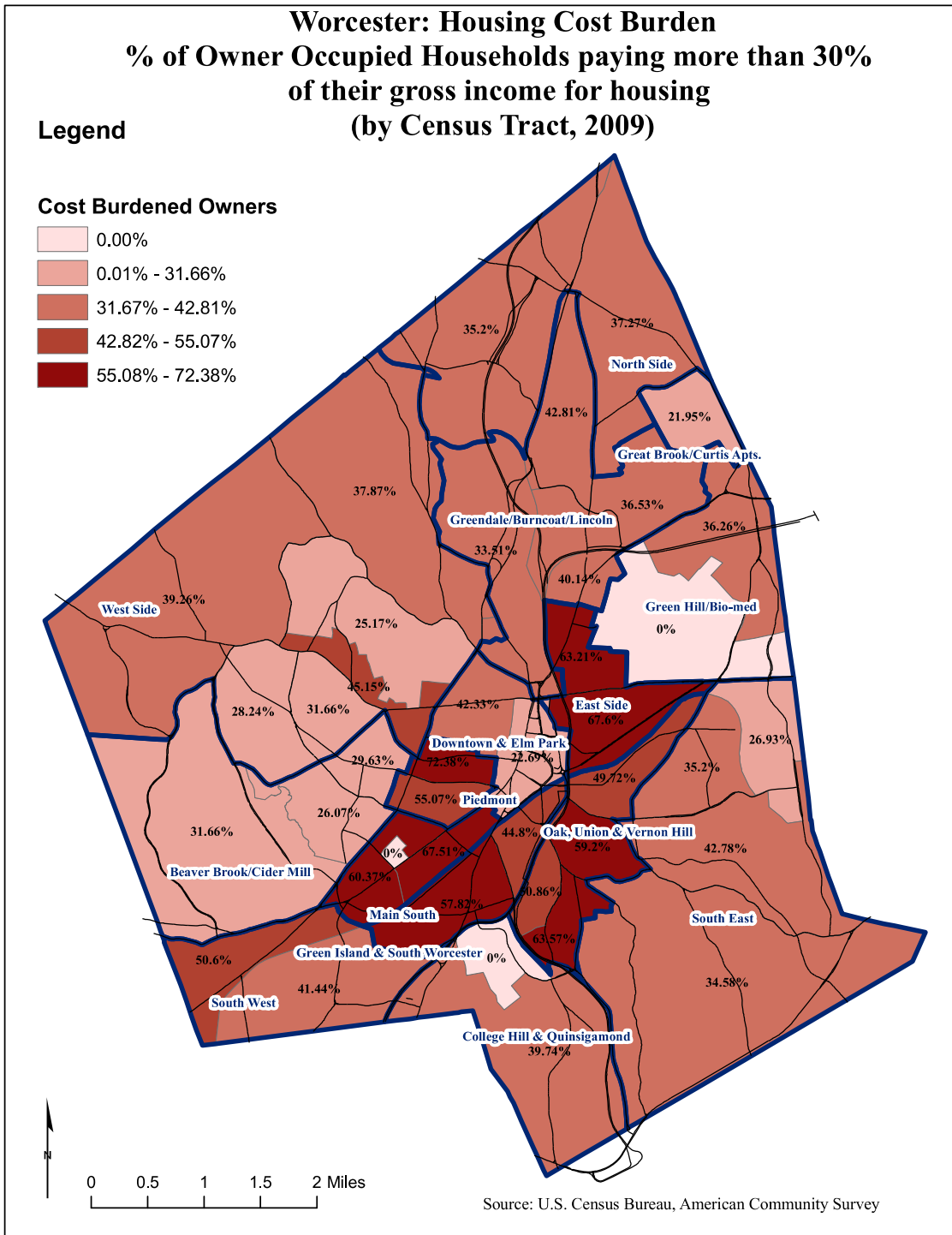
- While the city’s diverse population is expected to remain stable in size, the city may share in the statewide shift of a declining population of younger adults and an increasing cohort of persons aged 55 and up.
- After adjusting for inflation, the city’s median income is expected to decline by 2015. This is due to a large cohort of lower income workers, and is true despite a growing cohort of higher-income workers. The city’s economy is experiencing a shift from manufacturing to service-based employment typical of its peer cities.
- The city has experienced a significant drop in new residential construction permitting concomitant to the national recession. Modest planned construction nonetheless may be able to absorb an expected increase in housing demand. The city has been hit particularly hard by the foreclosure crisis, and for-sale housing prices are low compared to the region.
- For-sale housing prices are somewhat higher in Worcester than can be considered affordable for the city’s households, while a 7.2% rental vacancy rate keeps rents at realistic levels for many households. There is a projected surplus in subsidized units relative to the number of low-income renter households.

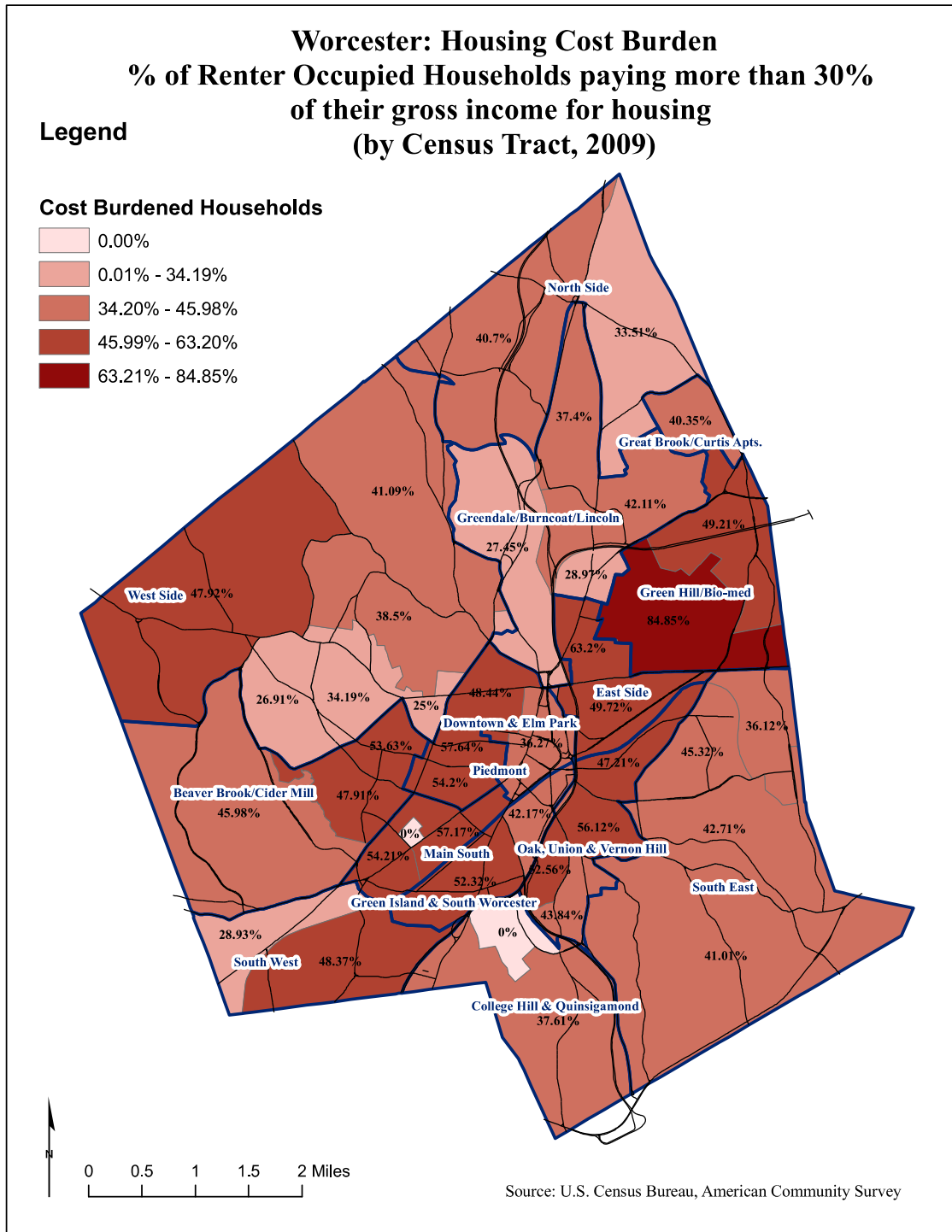
In this section we cover some housing trends of particular relevance to fair housing issues.

1. Housing Cost Burdens

Housing costs present a significant and grown burden to households in the City of Worcester. Among homeowners, 39.6% of households have housing cost burdens greater than 30% of gross income. This represents substantial growth since the year 2000, when 21.2% of homeowners were similarly burdened. Among renters, 46.1% of households have housing cost burdens greater than 30% of gross income. This has also grown since the year 2000, when 36.9% of renters experienced such a burden.⁴ As shown on the maps below, large percentages of renters and homeowners in neighborhoods surrounding the downtown area are housing cost burdened. A comparison with the maps above indicates that these areas also have high concentrations of poverty and minority populations.

⁴ U.S. Census Bureau, 2000 Census and 2007-2009 American Community Survey



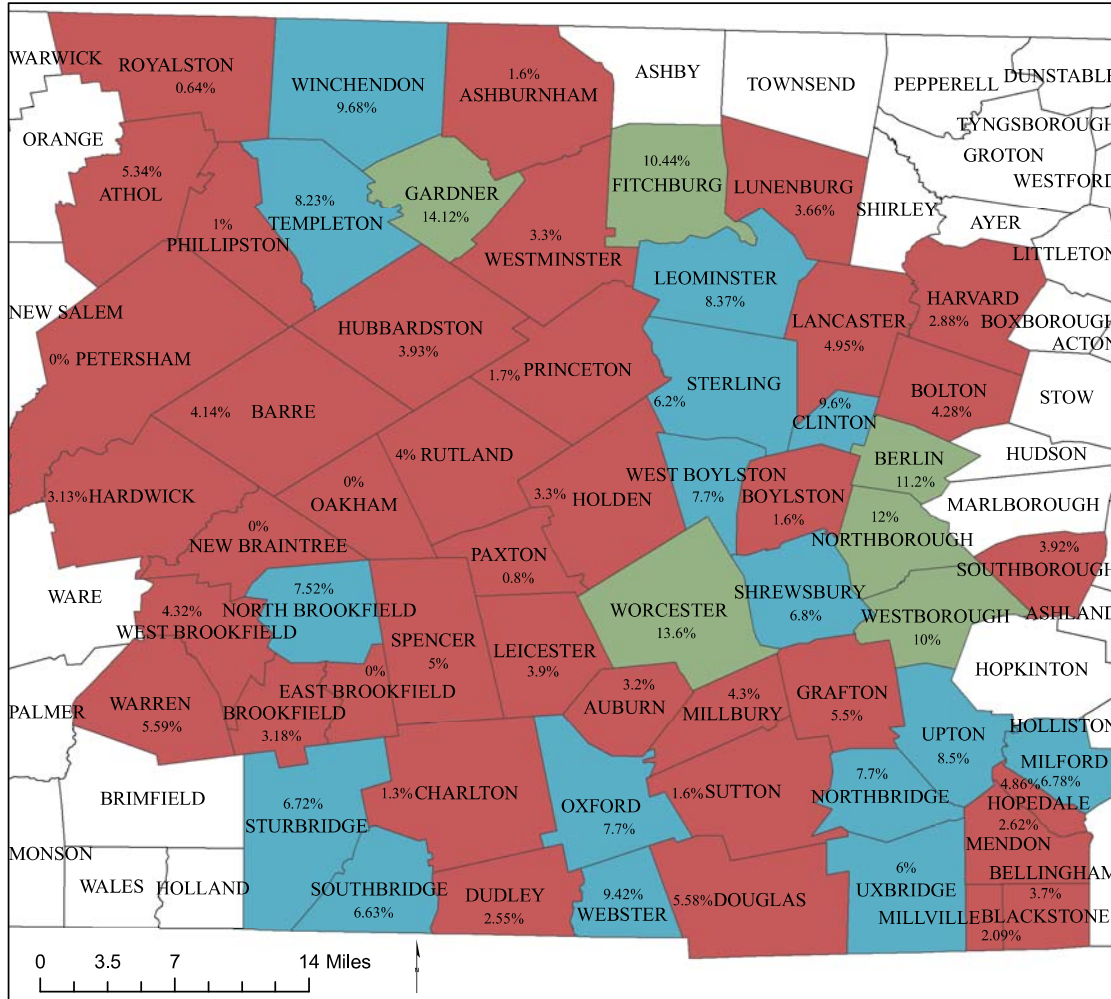


2. Location of Affordable Housing Within the Worcester Area

Affordable housing in Worcester’s region appears to be concentrated within the city itself. The city has 13.6 percent of its housing stock designated as affordable or otherwise

compliant with the requirements of Chapter 40B, a state statute intended to encourage the development of affordable housing throughout all of Massachusetts' cities and towns. Only one jurisdiction in Worcester County (Gardner, at 14.1 percent) has a higher percentage of affordable housing than Worcester. Worcester contains 65.7% of the 40B units in the region, according Massachusetts' official inventory, compared to 50% of the jobs in the region (see Appendix B). Worcester's share of 40B units would drop to 41.6% if all municipalities in the region contained at least the minimum number of units required. As seen in the map below, Worcester is one of only a handful of towns that have met the state-mandated goal of maintaining an affordable housing stock equal to 10 percent or more of its year-round housing stock.

Worcester County 40B Compliance: Percent of Subsidized (Affordable) Units by Municipality



Legend

40B Compliance

- Incompliant: 0.00% - 6.00%
- Near Compliance: 6.01% - 9.99%
- Compliant: 10.00% - 14.12%

Massachusetts General Law Chapter 40, Section B ("40B") requires that 10% of all year-round housing units in each municipality to qualify for the state's subsidized housing inventory ("SHI"). Not all affordable units are included on the SHI, and some market-rate units are included.



Source: Massachusetts Department of Housing & Community Development

Neighborhoods with large minority populations and with high concentrations of poverty tend to be the focus for revitalization work being done by nonprofit Community Development Corporations (CDCs), who are among the main producers of affordable housing in Worcester. CDCs see affordable housing production as one of the key revitalization tools available to them to improve neighborhood physical conditions while meeting the housing needs of low- and moderate-income households. At the same time, however, focusing production in these neighborhoods means that there are fewer opportunities for low- and moderate-income households to move to other neighborhoods, creating an unintended impediment to fair housing choice.



Affordable housing in Worcester tends to be concentrated in particular neighborhoods. Almost 70% of affordable units in the city are located in a tract with a high poverty rate, despite such areas containing just 39% of the city's housing stock. Similarly, over 49% of affordable units are located in tracts with large minority populations, despite these areas containing just 27% of the city's housing stock. The map below provides visual evidence of these uneven distributions. It also indicates that additional affordable housing units are located directly adjacent to the city's more economically depressed areas and areas with many minority residents.

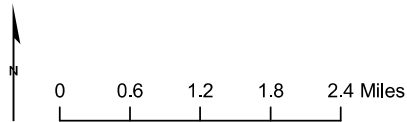
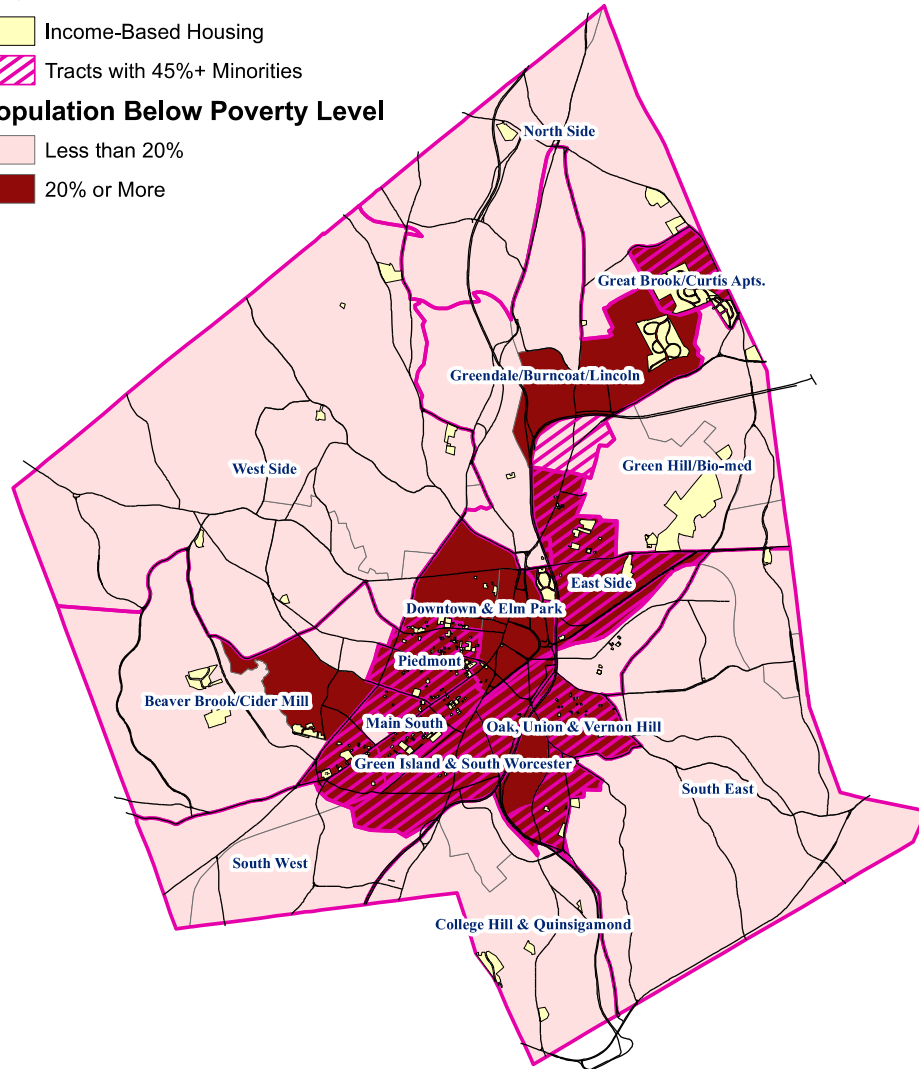
Worcester: Affordable Housing Locations and Poverty

Legend

-  Income-Based Housing
-  Tracts with 45%+ Minorities

Population Below Poverty Level

-  Less than 20%
-  20% or More



Sources: U.S. Census Bureau, American Community Survey; Massachusetts Department of Housing & Community Development; Worcester Executive Office of Economic Development

An uneven distribution of affordable housing units within Worcester could potentially be exacerbated by an existing City policy, laid out in Goal Two of the Housing Policy of its 2004 Community Development Plan, to “allow select income-restricted units to expire in stable neighborhoods” and “focus programmatic efforts on neighborhoods in need of stabilization.” The intent of this policy is to allocate scarce resources to neighborhood revitalization activities, in the hope of creating a more livable city for all residents. However, while affordable housing funding is one of the few subsidized sources available to rehabilitate neighborhoods in need of stabilization, care should be taken to also ensure that the families and households who need affordable housing have the opportunity to find it in all areas of the city, especially those areas that are not in need of stabilization, so that they might share equal access to the amenities enjoyed by other city residents.

III. EVALUATION OF WORCESTER'S CURRENT FAIR HOUSING LEGAL STATUS

A. Legal framework

Below, we summarize a discussion of fair housing law presented in a state report entitled “Analysis of Impediments to Fair Housing Access and Action Steps to Mitigate Impediments.”

1. Introduction

Fair housing law encompasses the right to choose and enjoy housing, regardless of personal characteristics such as race, sex, and handicap. The exercise of such a right requires freedom from the impediments of discriminatory rental, sales, and lending practices, segregative zoning and land use decisions by governments and housing programs, and other barriers to equality.

Persons or entities who engage in residential real estate-related transactions are prohibited from engaging in unlawful discrimination. “Methods for proof” for violations of fair housing law include: *disparate treatment* and *disparate treatment/mixed motive* in which a defendant’s decision making was, at least in part, discriminatory; and *disparate impact* in which a rule or policy, even if not discriminatory in intent, has an adverse effect on persons protected under fair housing laws.

2. The Federal Fair Housing Act

The Fair Housing Act (FHA), Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act in 1988, prohibits discriminatory housing practices against the following protected classes (categories of persons protected under the law):

- Race;
- Color;
- National origin;
- Religion;
- Sex;
- Familial status; and
- Handicap or disability

The Fair Housing Act applies to the following types of housing:

- Multi-family dwellings with greater than four units, including boarding, rooming, and lodging houses;

- Multi-family dwellings with four or fewer units if the owner does not live in one of the units;
- Single-family privately owned homes when a real estate broker, agent, salesman, or any person in the business of selling or renting dwellings, is used, and/or discriminatory advertising is used to rent or sell the home; and
- Residentially zoned land and house lots for sale or lease.

The Fair Housing Act prohibitions on age discrimination do not apply to housing for older persons if it is: 1) a state or federal elderly housing program specifically designed and operated to assist the elderly; 2) a dwelling intended for persons 55 and over where 80% of the units are occupied by at least one person age 55 or older; or 3) a dwelling intended for the elderly where all residents are age 62 or older.

Unlawful housing practices under the Fair Housing Act include:

- Refusing to rent, sell, or negotiate for the sale or rental of a dwelling, or to otherwise make unavailable or deny a dwelling;
- Steering persons seeking to rent or buy housing away from or toward a particular area because of their membership in a protected class;
- Discriminating in the terms, conditions, or privileges, services, or facilities in the sale or rental of a dwelling;
- Making, printing, or publishing, or causing to make, print, or publish, any notice, statement, or advertisement that indicates any preference, limitation, or discrimination, or an intention to make such a preference, limitation, or discrimination, with respect to the sale or rental of a dwelling;
- Representing that a dwelling is unavailable for inspection, rental, or sale when it is in fact available;
- Inducing or attempting to induce for profit any person to sell or rent a dwelling by representations regarding the prospective entry of a protected class into the neighborhood (referred to as “blockbusting”);
- Refusing to make reasonable accommodations in rules, policies, practices, or services necessary to afford a disabled person the equal opportunity to use and enjoy the dwelling;
- Refusing to permit reasonable modifications to the premises necessary to afford a disabled person full enjoyment of that premises;
- Failing to comply with handicap accessibility design and construction requirements;
- Discriminating in residential real-estate related transactions and brokerage services; and
- Interfering, coercing, intimidating, or threatening any person in the exercise or enjoyment of rights under the Fair Housing Act, or on account of aiding or encouraging any other person in the exercise or enjoyment of rights under the Fair Housing Act.

Courts have interpreted the Fair Housing Act to prohibit state and local governments from exercising their land use and zoning authority, as well as their authority to provide residential services and benefits, in a discriminatory fashion. Persons with disabilities are entitled to

request reasonable accommodations in rules, policies, practices, or services under the Fair Housing Act. Courts have also held that government policies that have a disparate or segregative effect on minorities are in violation of the Fair Housing Act, even absent direct evidence of intentional discrimination.

3. Other Federal Civil Rights Laws

Sections 1981 and 1982 of the Civil Rights Act of 1866⁵ Section 1982 significantly enhances fair housing protections on the basis of race and color by providing for equal rights with respect to inheriting and conveying real property. Section 1982 only provides for equal protection of U.S. Citizens.

Title VI of the Civil Rights Act of 1964 states that no person "in the United States" shall be discriminated against on the basis of race, color, or national origin by an entity receiving federal financial assistance." The Department of Justice and HUD have also issued guidance on national origin discrimination against individuals with limited English proficiency.

Section 109 of the Housing and Community Development Act of 1974 states that no person in the United States shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with federal financial assistance, on the grounds of race, color, national origin, religion, or sex. Section 109 applies to programs or activities funded by HUD's Community Development Block Grant Program (CDBG), as well as by Urban Development Action Grants, Economic Development Initiative Grants, and Special Purpose Grants.

The Age Discrimination Act of 1975 prohibits discrimination on the basis of age in programs or activities receiving federal financial assistance. The Act applies to all ages, but permits federal programs or activities to provide benefits or assistance to persons, such as the elderly, based upon their age.

Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of disabled persons from participating in, being denied the benefits of, or being subjected to discrimination under any program or activity receiving federal financial assistance (excluding vouchers or tax-credits).

The Thirteenth Amendment (1865) abolishes slavery and involuntary servitude within the United States, and has also been interpreted to prohibit the "badges and incidents" of slavery, such as segregation.

The Equal Protection clause of the Fourteenth Amendment (1868) prohibits state action, and federal action by application to the Fifth Amendment (1791), that deprives any person of the equal protection of the laws. The Equal Protection Clause applies to public housing authorities and some privately owned publicly subsidized housing units. Similarly, the due process clause of the Fifth Amendment prohibits federal action that deprives any person of the equal protection of the laws.

⁵ This law was originally enacted in the wake of the Civil War.

Other Government action that denies equal protection to suspect classes such as race has been subject to strict judicial scrutiny, whereby the government has the burden of establishing that it has a compelling interest and no less restrictive alternative for creating or engaging in a discriminatory policy or practice. Alleged equal protection violations towards other categories of people, such as women and the disabled, have been subjected to less stringent judicial scrutiny.

4. Massachusetts General Laws, Chapter 151B

Chapter 151B has significantly expanded the classes of individuals protected under fair housing law in Massachusetts. The additional protected classes are:

- Age;
- Marital status;
- Sexual orientation;
- Ancestry;
- Recipients of public or rental assistance; and
- Military history

Chapter 151B also specifically states that it is unlawful “to cause to be made any written or oral inquiry or record concerning the race, color, religious creed, national origin, sex, sexual orientation, which shall not include persons whose sexual orientation involves minor children as the sex object, age, genetic information, ancestry, handicap or marital status of a person seeking to rent or lease or buy any such commercial space.” However, some information on these characteristics may be collected to ensure compliance with civil rights requirements.

Chapter 151B may apply to all multi-family housing, except owner occupied two-family housing. It also does not apply to dwellings containing three apartments or less, if one of the apartments is occupied by an elderly or infirm (disabled or suffering from a chronic illness) person “for whom the presence of children would constitute a hardship.” Familial status is also protected under the Massachusetts Lead Paint Law, which prohibits the refusal to rent to families with children under six, or the eviction or refusal to renew the lease of families with children under six, because of lead paint. Chapter 151B also applies to any organization of unit owners in a condominium or housing cooperative. Chapter 151B states that is unlawful to discriminate against persons intending to occupy the premises with a child or children.

5. Other Massachusetts Anti-Discrimination Laws

Massachusetts General Laws Chapter 184 § 23B renders any provision in an instrument relating to real property void, with some exceptions, if it directly or indirectly limits the conveyance, encumbrance, occupancy, or lease of that property to individuals to a specified race, color, religion, national origin, or sex.

Massachusetts General Laws Chapter 12 § 11H and 11I provides that the Massachusetts attorney general may bring a civil action in the name of the Commonwealth for an injunction or other appropriate equitable relief against any person(s) interfering with a person(s) rights

under the U.S. Constitution or Massachusetts Constitution through actual or attempted threats, intimidation, or coercion. Chapter 12 § 11I provides for a private cause of action for such violations.

The Massachusetts Equal Rights Law provides that any person, regardless of sex, race, color, creed or national origin, except as otherwise provided by law, shall have equal rights to contract, as well as the right to inherit, to purchase, to lease, to sell, to participate in law suits and to receive the full benefit of the law. Section 103 provides persons regardless of disability or age, with reasonable accommodation, similar rights.

6. Fair Housing Rights of Disabled Persons

Disabled persons enjoy numerous protections under civil rights laws at the state and federal level, including the Fair Housing Act, the Rehabilitation Act of 1973, The Americans with Disabilities Act (ADA), the Architectural Barriers Act of 1968, and Massachusetts General Laws Chapter 151B. Discrimination against disabled persons includes the refusal to make a reasonable accommodation and/or modification for disabled persons. Numerous accessibility mandates are in place for new and rehabilitated multifamily housing with additional regulations for those constructed with federal funds. Massachusetts imposes additional requirements with respect to handicap accessibility than federal civil rights laws, including protections for persons with guide dogs, requirements for owners to pay for modifications, standards for emergency egress access and notification requirements for vacant, accessible units.

7. Protections for Domestic Violence Victims

The Domestic Violence Against Women Act (VAWA) of 2005 and court rulings have extended housing protection to victims of domestic violence. This Act requires that public housing and Section 8 providers shall not find domestic abuse as good cause for terminating a lease held by the victim, and that the abuser's criminal activity beyond the victim's control shall not be grounds for termination or eviction.

8. Fair Lending Laws

Discriminatory lending practices violate the Fair Housing Act, as well statutes such as those indicated below, because of the effect they have on housing opportunities. The Fair Housing Act and Massachusetts Chapter 151B prohibit any person or entity whose business includes engaging in residential real estate-related transactions from discriminating in making available such a transaction, or in the terms or conditions of such a transaction, because of a person's membership in a protected class.

Examples of unlawful lending practices include:

- Requiring more or different information or conducting more extensive credit checks;
- Excessively burdensome qualification standards;
- Refusing to grant a loan;

- Applying differing terms and conditions of loans, including more onerous interest rates and co-signer requirements;
- Denying insurance, or applying differing terms of insurance, in connection with loans;
- “Redlining” neighborhoods (denying mortgages and other credit, or granting unfavorable loan terms, in geographic areas characterized by residents of a protected class);
- Steering individuals to buy and finance homes in a particular geographical area based on their membership in a protected class;
- Making excessively low appraisals.

Under the Massachusetts Predatory Home Loan Practices Act, lenders with 50 or more home mortgage loans in the last calendar year must be examined for their compliance with fair lending laws. Predatory lending practices unfairly gouge homeowners or increase the danger of default and foreclosure. The Equal Credit and Opportunity Act (ECOA) prohibits discrimination in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, receipt of assistance from public assistance programs, and the good faith exercise of any right under the Consumer Credit Protection Act. The federal Community Reinvestment Act (CRA) requires federally insured depository institutions to meet the credit needs of the entire communities in which they are chartered to do business, including low- and moderate-income urban neighborhoods. Massachusetts’ CRA statute applies additionally to state chartered credit unions. The Federal Home Mortgage Disclosure Act of 1975 (HMDA) mandates that lending institutions whose assets exceed \$28 million and have home or branch offices within a primary metropolitan area annually report the race, sex, and income of mortgage of home loan applicants and borrowers to a variety of federal agencies.

Through its ordinances, the City of Worcester has established a human rights commission and office, charged with advancing “understanding and respect” among citizens while protecting equal access to city benefits and enjoyment of civil rights. It is given jurisdiction to investigate complaints and issue cease-and-desist orders when unlawful discriminatory practices are discovered. This is possible in a number of areas including housing.

B. Fair Housing Issues in Massachusetts

The Massachusetts Department of Housing and Community Development published a report in June 2007 titled, “Analysis of Impediments to Fair Housing Access and Action Steps to Mitigate Impediments”. The report identified several fair housing issues faced by protected classes throughout the state and outlined “action steps” by which these might be addressed. Some of the report’s key findings include:

- Racial minorities face significantly greater barriers in finding affording housing as compared to whites;
- Racial and economic minorities often live in areas of concentrated poverty, and experience difficulty accessing employment and housing opportunities in better-off areas due to transportation barriers;

- Minorities purchase homes at lower rates than would be expected given their income profile;
- Local development policies, lending practices, and the reality of older housing stock (much of which has lead paint) limit housing choices for many families;
- There are indications that limited public knowledge of fair housing law may mean that fair housing law violations are under-reported;
- There are significant needs for public education, data-collection, and policy work to address fair housing issues in the state.

C. Formal Complaints about Fair Housing Issues in Worcester

1. Title VIII Complaints

HUD's Office of Fair Housing and Equal Opportunity (FHEO) processes formal complaints of violations of the Fair Housing Act, often discussed as "Title VIII" in reference to the law's place in the Civil Rights Act of 1968. Over a roughly 5-year period from January of 2006 to mid-March of 2011, the FHEO received 43 complaint filings for alleged violations taking place in the City of Worcester. At the time of reporting, 16 of these cases were pending a determination or resolution. Of the remaining 27 cases for which an outcome was reported, two cases (or 7.4%) were found to have "cause." Both were on the basis of disability: one for a refusal to rent, another for refusal to make reasonable accommodation. Ten cases (37%) were settled or conciliated. Four of these related to familial status, three to disability status, 2 to national origin, and 1 to a variety of bases. The discriminatory act alleged in these cases included refusals to rent or make accommodation, discrimination in "terms, privileges, conditions, services or facilities" and discriminatory advertising. Fifteen cases (55%) were found to have "no cause" or have been closed administratively. When considering that roughly 4,500 households changed residences over the 2005 to 2009 period (the most recent for which data are available)⁶, the incidence of reported violations is quite low.

2. Other Complaints

Community Legal Aid (CLA) is an organization that provides legal advocacy for area residents. The organization provides a number of services, including assistance related to fair housing and discrimination through its Housing and Homelessness Unit. It records "inquiries" in a similar fashion to the "complaints" logged with the FHEO. Over its three most recent complete fiscal years, the organization received a total of 557 inquiries regarding potential fair housing law violations. "Disability/Failure to Provide Reasonable Accommodation" was the most frequent type of inquiry, with 47% of inquiries involving this as at least one of the recorded bases for complaint. Approximately 24% of inquiries related to family status and state lead paint law compliance. Another 20% of inquiries related to race, color or national origin. A small fraction of inquiries related to sex and religion.

⁶ U.S. Census Bureau, American Community Survey 2005-2009

D. Past Fair Housing Reviews in Worcester

The City of Worcester reviewed the state of its fair housing in reports published in 1989 and 1996.

The 1989 report reviewed spatial patterns in the city's housing. It was found that (largely due to the location of subsidized housing) minority and female-headed households were unduly concentrated in specific areas of the city. Areas of the city outside of the urban core were characterized by single-family housing predominantly occupied by White residents. The urban core saw disproportionately low levels of home lending activity, and most home lending in this area was made in conjunction with a subsidized loan program. The need for additional housing opportunities for "handicapped persons" and "particular lower-income households" were identified. The report explicitly stated that it did not thoroughly investigate cases of discrimination.

The 1996 report is brief and was apparently largely based upon information that was self-reported by realtors, lenders, agencies and non-profits. Although no numerical data were discussed, the report concluded that real estate transactions and lending in Worcester were proceeding in such a way as to not adversely affect fair housing choice. Again, with only interview data as its basis, the report found that the public housing authority was conducting its business in a fair way. Although community development corporations asserted that discrimination was taking place in the rental market, no formal discrimination complaints were recorded in the time leading up to the report's publication, either in court records or with the Massachusetts Commission Against Discrimination (the search for such records may not have been sufficiently comprehensive).

IV. IDENTIFICATION OF IMPEDIMENTS TO FAIR HOUSING CHOICE

In this section, we provide detailed information regarding the most significant impediments to fair housing choice identified through the research process.

A. Limitations in the Identification of Impediments

Two important limitations in identifying impediments to fair housing in Worcester are a lack of awareness of fair housing law and under-reporting of potential fair housing law violations.

1. Awareness

Participants in this study's interview process widely agreed that there is a significant lack of awareness of fair housing principles and law among tenants, landlords and home buyers in Worcester. It is reported that tenants are often unaware of their legal rights in many areas, including: lead paint in rental units; permissible clauses in leases; and landlord maintenance obligations. Particularly among immigrant communities, barriers of language and culture often prevent households from even recognizing issues when they arise. In addition to a failure to recognize legitimate instances of discrimination, tenants may also point to discrimination when none is taking place. Landlords are generally considered to be quite uninformed with regard to fair housing law, and several respondents suspect that this may be a case of willful ignorance. Some landlords are even reported to misrepresent tenants' rights in their dealings with potential renters. Awareness of fair housing law may be higher among home buyers. Well-regarded home buyer education programs and a local real estate industry that includes members of minority groups are considered helpful in this regard. Below, we list a sample of issues identified by interviewees:

- *“Landlords are ignorant...most renters certainly lack information. This is widespread. For the population we work with, there is a language barrier, and situations with different cultural practices. As an example, some people come from terrible situations in their home country, and think that a home here is in fantastic condition, even if our staff is aware that it is substandard.”*
- *“Landlords don't know because they're satisfied with not knowing. Most renters don't know what the law requires, and often find out when they end up in court. People don't know what fair housing is. There is a dearth of knowledge and a lack of accountability.”*
- *“[Tenants'] rights are often not posted/advertised well. We're also aware of instances where landlords have implied inaccuracies with regard to tenants' rights.”*
- *“[I]suspect that landlords may not lack information per se, but may be keeping themselves deliberately unaware. Renters are not aware of rights and entitlements.”*
- *“Ignorance is a big thing among tenants – ignorance of fair housing laws, what they mean, how that impacts them. [It] goes both ways. People think there's discrimination when there is none or fail to recognize it when it occurs.”*

- *“Lack of information on home ownership is most severe among minorities, immigrants, [and] other protected classes of people. Through the Worcester HomeOwnership Center, more and more information is getting out about the lending and home buying process.”*

2. Reporting

Several interview respondents stated their belief that violations of fair housing law are under-reported, due to those experiencing violations not coming forward. One reason for this is that people may simply not recognize that a fair housing law violation has taken place (see the “Awareness” topic above). Even when a tenant or home buyer is aware of a violation, it may not be reported. Cultural considerations, grudging acceptance of non-ideal conditions and fear of reprisals were cited as reasons for this reluctance to report a violation. In the words of three respondents:

- *“There is not much complaining among Asians, so [fair housing] issues may be under-reported.”*
- *“We hear about people who don’t call due to fear of retribution.”*
- *“Given the economic times people were very worried about coming forward and going through a process that might involve a lawsuit. Tenants are reluctant, worried about retaliation or retribution, [or] being evicted, so people put up with discrimination rather than complain.”*

3. Variation in Perspective

Despite the possibility that fair housing issues may be more extensive than formally reported, and the fact that we have identified a number of issues that came to light through our various analyses, it should be noted that two of the respondents in our interview process did not identify specific fair housing issues and reported that fair housing issues are not currently prevalent in Worcester. In the words of one:

- *“Overall, Worcester doesn’t have that many fair housing issues. Fair Housing policies in Worcester are being followed. Private developers have become more active in affordable housing development. The nonprofit organizations are doing a great job of community-based housing; they know and understand the needs of the community, especially geographically-based CDCs. They know what properties are foreclosed and abandoned, they know the needs and desires of residents in the community – so they have a lot of value to add.”*

B. Income Segregation

Interview respondents were generally in agreement that affordable housing in Worcester is mostly limited to specific neighborhoods. Several respondents noted that families are often forced to live in neighborhoods that are undesirable due to crime and other quality-of-life issues, as these are the only places they are able to find affordable housing. At the same time, several respondents felt that gentrification, including rehabilitation and subsequent rent

increases is taking place in some of these neighborhoods. In the words of our interview subjects:

- *“Affordable housing is being done by CDCs, which are geographically located. There are areas where it is not being developed because CDCs are not located there.”*
- *“Usually CDCs have a mandate to develop housing in the inner city.”*
- *“Redevelopment causes gentrification and [city] policy is not sensitive to this.”*
- *“People are afraid of crime, will live there mostly because they can afford it.”*
- *“...cheaper land is usually in less desirable areas (near former landfills etc.) and farther from public transportation options.”*
- *“The least expensive housing tends to be in the downtown core which does not have the best quality of life.”*

From a fair housing perspective, we note that creating market-rate units in low-income areas with a concentration of affordable housing could have positive effects, insofar as it is also accompanied by the construction or rehabilitation of affordable units in high-income areas. Taken together, these two actions might contribute to improved living conditions in currently distressed areas, greater socio-economic integration and a more widespread availability of affordable housing choices throughout the city.

C. Development policies and practices

In a focus group discussion facilitated by members of the study team, representatives from Worcester’s Community Development Corporations and the Worcester Housing Authority reported that an increasingly large portion of the city’s CDBG funding is being allocated to supporting city services, away from the development initiatives of nonprofits.

In focus groups, CDC and housing authority representatives reported affordable housing development as an important need, both for residents and the city’s economic development. Real estate agents and developers engaged in the focus group process focused on demand for market-rate housing, reporting that market demand within the city for market-rate housing, including “high-end” units, is growing and that this type of development should be encouraged.

In focus groups, developers working in the city described city development policies that they believe limit their ability to provide housing. These include parking ratios that they believe are too high and a permitting process that they believe to be too costly and too opaque. Developers also complained about the lead paint requirements to which they must adhere, although this is a state (rather than a city) regulatory regimen. Housing advocates and social service providers report that single-room occupancy (SRO) housing has been taken offline as the city has stepped up building code enforcement. They also point to a particular need for affordable housing for young adults ages 18 to 24 who are moving out on their own.

A city CDC representative reports that for-profit developers tend to have an upper hand in redevelopment opportunities due to easier access to capital. This can exacerbate gentrification.

1. Suburban Development

Respondents reported their impressions of the difficulty of developing affordable housing in Worcester's suburbs, and pointed to barriers to density in local zoning codes as the primary cause. While the state's "40B" affordable housing law does provide some opportunities for developers, many towns have fought developments proposed under 40B.

- *"In other towns in the county, [developers] cannot build a house except on large lots."*
- *"There is a lack of space in the city, but not a concomitant increase in development in the suburbs."*
- One respondent expressed his view that there are actually enhanced opportunities for housing development (including development of affordable units) in suburbs. This is because housing developers have significant leeway under state law to bypass local zoning in towns where less than 10% of residential units are considered affordable.
- Another respondent noted that there a sense among some that Worcester currently has more than its share of affordable housing, and that further affordable housing should be built in suburbs, particularly those that have been unreceptive to development under 40B.

2. Development Costs

High development costs may represent a barrier to the creation of affordable housing. Some respondents feel that developers could be more creative in addressing this issue. Others point to market conditions which seem to arbitrarily affect pricing. Non-profit developers reportedly face challenges in accessing capital and often require high subsidy levels in bringing units to market. However, the use of subsidy was also seen as a factor limiting access to housing units to buyers or renters within narrow ranges of income eligibility. In the case of for-sale housing, the use of subsidy often involves permanent affordability restrictions on subject properties. These restrictions limit the marketability of the units. In the words of our respondents:

- *"Development costs are not necessarily unavoidable. There are ways to innovate and implement different approaches to build affordable housing, like looking at materials costs, but this isn't necessarily being done on a large scale."*
- *"Lack of capital is the major issue. [Developers] run with thin margins, so [small] projects...are not a big enticement for investors. People like us have the willingness, but insufficient resources. Ability to leverage tax credits is tough."*
- *"Costs are high - so much subsidy [is required]. Rent-up becomes a challenge – you get subsidy dollars and you narrow the window of who can qualify. We are sitting on a housing stock of first-time homebuyer properties [such as] townhouses sitting vacant. There used to be a waiting list and lotteries, but with the real estate market coming down and many foreclosure sales competing the take-up is less. People don't like the resale restrictions and the reduced ability to build wealth. Could we spread the wealth more efficiently?"*
- One respondent felt that profit-motivated developers cited high development costs as a reason for their lack of affordable housing production but that this rationale is unwarranted: *"High development costs' is the argument, but jacking up of price is*

arbitrary as well. Artificial price gouging is partly responsible. The market is [now] correcting itself to some extent.”

The RKG market study accompanying this report presents further information on development costs. Generally, RKG found that construction costs can range from \$55,000 to \$113, 654 to develop a unit, depending on size of development.

D. Rental occupancy practices

1. Discrimination

In interviews conducted for this study, respondents reported discrimination taking place on a number of cases in the rental housing market, providing examples of practices that limit access to units for minority and immigrant households, families with children, Section 8 housing voucher recipients, people with disabilities, and other protected classes of people. In some cases, landlords may require more information or documentation from a potential tenant they know or believe to be from a minority or immigrant background. Rental agents and management companies sometimes steer clients away from particular neighborhoods or developments, including households with a pregnant woman or children. Renters with Section 8 vouchers are more frequently denied than non-Section 8 counterparts. Several respondents contend that discrimination, particularly based on race, is less overt today than in the past. Some observations of interview respondents:

- One respondent often accompanies families to meet potential landlords, and recounted cases where landlords are receptive when speaking to him (a man who “sounds White”) on the phone, but then ask for higher rents when meeting him in person with minority families. He is also aware of landlords leaving apartments vacant rather than renting to racial and ethnic minority households.
- *“Issues mostly come up with landlords who won’t rent, saying their clients don’t have rental history. This in itself is not illegal, but it often seems to be a pretext for discrimination.”*
- *“Housing testers have found that people are redirected to other neighborhoods. Cases have involved race, same sex couples, and pregnant women.”*
- *“Sometimes the Section 8 discrimination is linked to familial status – if they need the unit de-lead they [landlords] might not take a Section 8 client with kids.”*

Several interview respondents raised the issue of racism, often not expressed overtly, as a general concern that may explain some of the discriminatory practices identified. Due to a perception of not being welcome by potential neighbors, people may choose not to live in neighborhoods where they would be in the racial or ethnic minority. Tenants who face discriminatory practices based on their race may have simply become accustomed to it, and eventually adapt to it, rather than fight it. In our respondents’ words:

- *“One issue is racism. This affects peoples’ choice of where they live. People can have a place for good price, but worry that neighbors won’t be friendly. There are places where people just won’t live because they’ll feel unsafe with their neighbors (of another race). This is an ‘unwritten code’ but a big issue.”*

- *“There is more race discrimination going on than we hear about...people get used to being treated a certain way so they stop complaining about it.”*

2. Familial Status

The presence of children is a protected status under fair housing law, but remains as one of the bases upon which reported violations take place. One interview respondent also noted that teen parents have faced additional housing challenges as support programs decline. In their own words:

- *“Potential landlords may ask how many children a potential renter has. Sometimes a landlord invites a meeting, but then won’t show up at the door when they see that a family with children arrives or [the landlord] gives an application form which asks about the number of children present. Many tenants have felt that they did not get an apartment because of the number of children they have. Landlords sometimes count a pregnancy in the number of children and use this to increase rent. Their explanation is that because families with children will use more utilities, will have guests, etc. that this will be [otherwise] too expensive.”*
- One respondent notes that a budget cut is threatening the teen parent apartment assistance program. This might lead to drop outs as teen mothers and fathers need to work more to support their families. She notes that child care vouchers have already been “whacked.”

3. College Students

Two interview respondents addressed the relationship between the housing situation in Worcester and the presence of the city’s several collegiate campuses. They expressed conflicting perspectives on whether landlords with properties close to a college campus may try to rent to students rather than families. In their words:

- *“I went to both Holy Cross and Clark, I don’t think that student housing is affecting housing choice. It’s not affecting the market. A majority of the colleges have dorms. There are not a lot of students living off campus.”*
- *“‘If I have a four-bedroom unit and can get more money from renting to students I will try not to rent to a family’ – that drives [a landlord’s] decision. Families with children do not have access to those units, and the bad part is that there are not a lot of 4 and 5 bedroom units otherwise. We’ve got units that are big enough for families but do not house families as a result of these practices.”*

In a focus group discussion, representatives of city colleges and universities report that they are aware of landlords violating occupancy codes to reduce the cost to individual renters (as a lure for college students) while at the same time maximizing their income. The representatives reported significant variation among Worcester’s colleges in the percentage of students living on-campus. During focus group meetings, the following percentages of on campus-residing students were cited:

- Worcester State - 30%

- Holy Cross - 89%
- Assumption College - 90%

In the market analysis accompanying this Analysis of Impediments, a review of advertising for rental units found that, in Worcester, some informal rentals were targeted to college students at various institutions, including Worcester Polytechnic Institute, Becker College, Holy Cross, UMASS Medical Center and Clark University. The quoted rates ranged from \$350 to \$500 per room depending on the number of bedrooms at the apartment, and its location. Monthly boarding costs at some of the colleges varied from less than \$500 to almost \$800 per month based on a 9-month school year.

4. Lead Paint

Cases of elevated blood lead levels and lead poisonings among Worcester’s children appear to be declining in recent years, although they remain a concern. Some of the drop-off may be attributed to the public programs aimed at reducing child lead exposure detailed below.

Cases of Elevated Blood Lead Levels and Lead Poisonings:

Worcester Children Younger than Age 6

Year	Cases: Elevated Blood Levels	Confirmed Poisonings
2005	99	7
2006	73	3
2007	68	7
2008	31	2
2009	29	1
2010	43	2

Sources: Massachusetts Department of Public Health (MDPH) and Environmental Epidemiology Program, Bureau of Environmental Health via the City of Worcester

As previously stated, law related to lead paint in Massachusetts protects familial status. It prohibits landlords from refusing to rent to families with children under the age of 6, or from evicting or refusing to renew the lease of families with children under the age of 6, because of lead paint. Additionally, property owners are responsible for the mitigation of lead paint hazards when children under the age of 6 are living in a home built before 1978.⁷ In interviews, respondents relayed numerous observations of legal abuses related to lead paint. In some cases, landlords may be simply unaware of legal requirements surrounding lead paint and tenants with children, and in other cases, they may twist the application of this law to discriminate against potential tenants. Pregnant women and families with children are often discouraged or denied from renting homes with lead paint. However, public programs to assist landlords with lead paint remediation are active, and may be helping to address the issue. A sample of interview responses regarding lead paint is as follows:

- *“Like rental history, [lead] is an excuse to cover up discrimination.”*

⁷ Massachusetts Department of Public Health, *Child Lead Poisoning Prevention Program*: <http://www.mass.gov/dph/clppp>

- *“Landlords will say directly that because you have a child and the apartment has lead, it can’t be rented to you.”*
- *“Most tenants & landlords don’t know what the law says about lead. Landlords [directly] say ‘We won’t rent to a family with kids because of lead paint’ in a home. Landlords don’t know because they’re satisfied with not knowing. For instance, they may say that they don’t know about the lead law or the lead status of home.”*
- *“Here the City has done an amazing job, like the Worcester lead abatement group, and the Regional Environmental Council and its lead paint awareness piece. Through competitive grants they have captured \$11-12 million in lead funding to provide homeowners and investors the ability to de-lead their homes...”*
- *“The Worcester Lead Abatement Project got \$6 million in the past 2 years to de-lead units in the City of Worcester. State law requires the owner to delead at their cost if there is a child 6 or under living there or planning to. So people tell tenants they can’t live there or steer them to another unit or lie and say the unit is not available. This is common practice among both owners and realtors.”*
- *“There is a high level of awareness and a great effort to encourage property owners who have lead paint to remediate it - significant public funds available. When there are lead issues, potential tenants are being notified as they should be.”*

5. Advertising

Two interview respondents noted that a current issue in advertising available rental units involves the selective placement of ads. This might involve limiting advertising of units near a college campus (Worcester has 10 collegiate campuses) to the college’s website, or limiting advertising of units near a medical center to a bulletin board in the center where it assumed only staff will see it. Within particular ads, discriminatory practices are usually not blatantly stated, but preferences for certain types of households may represent discrimination against other types of households. For example, a stated preference for “professionals” may discourage families with children from applying for a particular unit. As reported directly by our respondents:

- *“[Advertising discrimination is] usually not that blatant but we still see no kids, no section 8, stating ‘not delead’ (the latter is not illegal but we often test that). We see some other catchwords - ‘perfect for.’ We test when we see ‘professionals’ or lots of references to ‘quiet’ or that mention every college in the neighborhood. If I have 2 out of 3 floors rented to students near Clark [University] the 3rd would be hard to rent to a family – the people who advertise with Clark’s website do NOT advertise anywhere else even though they have plenty of units.”*
- *“Many apartments are not advertised widely, for example there are some posted only on bulletin boards at UMASS Medical Center.”[UMASS Medical Center is a large employer in the City.]*

The study team conducted a review of 190 apartment listings and 139 homes for sale posted online with the Worcester Telegram and Gazette as of February 10, 2011, as well as 200 apartments for rent posted on Craigslist.com on February 22 and 23, 2011. No clear instances of discrimination were found in any of the listings reviewed. One advertisement

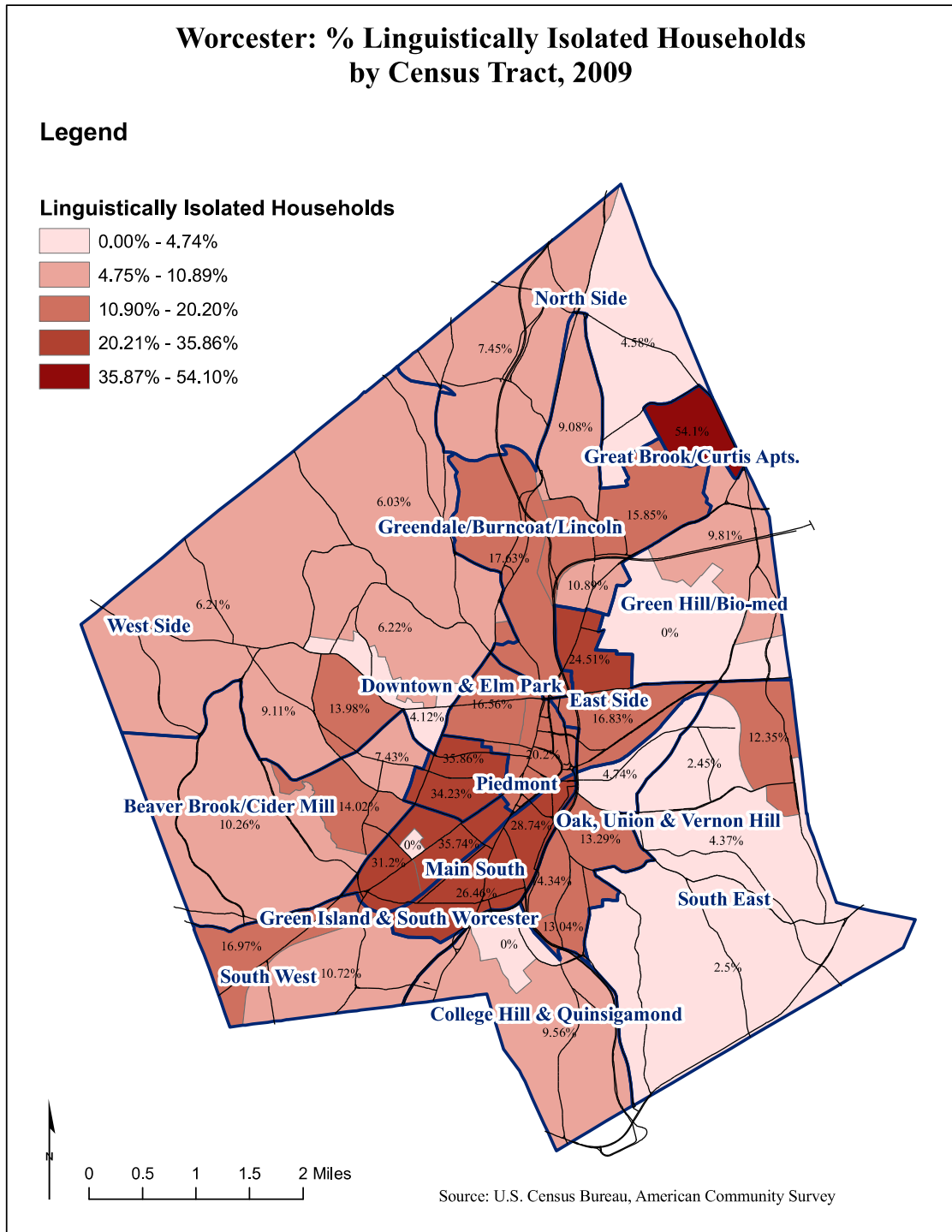
was looking for a “professional” to occupy the first-floor apartment of a building, another seemed to suggest that a single tenant would be preferred, and a third stated the unit was “ideal for single and married couple starting out.” Community Legal Aid indicated that it will often conduct a fair housing test when it observes this type of advertisement to determine whether discriminatory practices are being employed. One advertisement regarding shared housing made indications about the desired tenant (looking to share with a single parent), but such advertisements are not prohibited. Only one listing was found that employed a Fair Housing logo or specifically made a statement about equal housing opportunity.

6. Language Barriers/Immigrant Issues

As reported by interview respondents, barriers of language and culture explain many of the fair housing issues identified, particularly for members of immigrant communities. These barriers can prevent tenants from being fully informed about their legal rights and about resources available to them. Lack of English proficiency, and even accents, can tip off landlords who might be filtering potential tenants in a discriminatory way. Some key observations:

- *“People with language barriers may not be aware of housing resources and organizations. People with issues with landlords may not be aware of how to access help.”*
- One respondent often hears stories of people who make calls and feel that because of their accent they don’t get a call back. Both immigrant status and race come into play.
- Another respondent identified language barriers as a key issue. Non-permanent/illegal residents often ask for help, as landlords frequently ask for documents/info proving legal citizenship. In her role, she completes applications for state & federal housing, usually because the applicants don’t know English well enough to read these or to fill them out. She also assists with Section 8 applications.
- Still another respondent identified limited English proficiency as an issue with the Worcester Housing Authority. She states: *“A large majority of their tenants are Spanish-speaking and the Housing Authority does not have any of their documents in Spanish – leases, etc.”*
- When questioned about this, a Housing Authority representative responded that the Authority is in the process of translating all materials (such as leases and forms) into the major languages of Worcester including Spanish, Russian and Vietnamese. The representative also stated that the Housing Authority currently offers translation services and will assist tenants who have difficulties in filling out a form.

Using 2005-2009 American Community Survey, the research team created a map of linguistically isolated households. As seen below, this map indicates there are parts of the city where substantial percentages of the households present do not have an English-speaking adult.



E. Homeownership Practices

1. Mortgage Lending

The Equal Credit and Opportunity Act (ECOA) prohibits discrimination in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, receipt of assistance from public assistance programs, and the good faith exercise of any right under the Consumer Credit Protection Act. The federal Community Reinvestment Act (CRA) requires federally insured depository institutions to meet the credit needs of the entire communities in which they are chartered to do business, including low- and moderate-income urban neighborhoods. Massachusetts' CRA statute applies additionally to state chartered credit unions. Several respondents to the interviews conducted for this study noted that the communities they serve were impacted by unscrupulous mortgage lending practices in the 2000s. The problems of increasing mortgage payments and ultimately, foreclosures have followed. Today, predatory offers of refinancings and “buybacks” are of concern, as is unfair treatment of minorities by lenders. As reported by our respondents:

- One respondent reports that it seems as though a half of all households in his area that purchased a home over the last decade are no longer homeowners. Adjustable rate mortgages have led to unaffordable mortgage payments and ultimately to short sales and foreclosures. This “has hit the community hard.”
- *“An issue during the mortgage crisis was that the families we worked with were preyed on by unscrupulous mortgage brokers, particularly minorities. Many gained homes without full information.”*
- *“People don’t know what’s available in terms of lending products unless they have a good lawyer or realtor. Lenders may try to take advantage of people, saying they don’t have good credit, but may treat poor credit differently for people of different racial/ethnic backgrounds.”*
- *“Word of mouth knowledge in minority communities lags behind white homeowner communities where people talk about stuff like credit reports [and] checking accounts. We still see a lot of people without bank accounts, when people don’t come from a family that used to have one. They are forced to trust the loan officer and they don’t know when not to trust someone.”*

The Federal Home Mortgage Disclosure Act of 1975 (HMDA) mandates that lending institutions whose assets exceed \$28 million and have home or branch offices within a primary metropolitan area annually report the race, sex, and income of mortgage of home loan applicants and borrowers to a variety of federal agencies. The study team conducted an analysis of 2006 and 2009 (HMDA) data to examine lending patterns within Worcester [2009 was the most recent year for which data were available at the time of this analysis]. Data on overall lending rates show that there is a significant pool of borrowers who have been denied or “frustrated” in their efforts to obtain a loan (“frustrated” borrowers means those for whom their application was withdrawn, deemed incomplete, or approved but not accepted by the borrower). The overall origination rate for home purchase loans of 63.3 percent in Worcester lags slightly behind the national average rate of 66.3 percent, and the refinancing origination rate is also behind the national average rate of 58.0 percent. Home rehabilitation (home improvement) loans are slightly more likely to be originated in Worcester (national average

rate of 46.9 percent). Consistent with the national recession and housing market slowdown, home lending was down significantly in 2009 as compared to 2006. The primary immediate cause appears to be a much smaller number of applications for all home loan types. Note that denial rates actually declined slightly from 2006 to 2009, despite the collapse of many subprime lenders and products during the intervening years and the widespread perception that credit became harder to access. We do not have sufficient data to know whether this dip in denial rates may be partly due to differences in the credit characteristics of people deciding to apply for loans.

Overall Origination Rates in Worcester, 2009

Home Loan Application Type	Originated	Denied	Frustrated	Total	Origination Rate	Denial Rate	Frustration Rate
Home Purchase	1312	360	401	2073	63.3%	17.4%	19.3%
Rehabilitation	163	95	47	305	53.4%	31.1%	15.4%
Refinancing	1874	793	827	3494	53.6%	22.7%	23.7%
Total	3349	1248	1275	5872			

Overall Origination Rates in Worcester, 2006

Home Loan Application Type	Originated	Denied	Frustrated	Total	Origination Rate	Denial Rate	Frustration Rate
Home Purchase	2,919	1,010	886	4,815	60.6%	21.0%	18.4%
Rehabilitation	627	497	210	1,334	47.0%	37.3%	15.7%
Refinancing	3,233	2,445	2,456	8,134	39.7%	30.1%	30.2%
Total	6,779	3,952	3,552	14,283			

Minority applicants are less likely to have their loan application originated than whites (please note that in this analysis, Latinos of any race are counted only as “Latino;” “white” refers to non-Hispanic Caucasians and “black” to non-Hispanic African-Americans). Also, across race and ethnic categories, applicants within Worcester are less likely to have their loan originated than applicants elsewhere in the Worcester MSA. This holds true for both years reviewed, although denial rates dropped for Black and Latino borrowers from 2006 to 2009.

Overall Origination Rates by Applicant Race or Ethnicity in Worcester, 2009

Race	Originated	Denied	Frustrated	Total	Origination Rate	Denial Rate	Frustration Rate
Asian	176	97	79	352	50.0%	27.6%	22.4%
Black	174	118	104	396	43.9%	29.8%	26.3%
Latino	184	108	94	386	47.7%	28.0%	24.4%
White	2555	762	817	4134	61.8%	18.4%	19.8%
n.a. or unreported	249	159	169	577	43.2%	27.6%	29.3%

Overall Origination Rates by Applicant Race or Ethnicity in Worcester, 2006

Race	Originated	Denied	Frustrated	Total	Origination Rate	Denial Rate	Frustration Rate
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Asian	204	106	86	396	51.5%	26.8%	21.7%
Black	826	662	406	1,894	43.6%	35.0%	21.4%
Latino	849	653	407	1,909	44.5%	34.2%	21.3%
White	4,071	1,672	1,615	7,358	55.3%	22.7%	21.9%
n.a. or unreported	804	837	1,029	2,670	30.1%	31.3%	38.5%

City of Worcester & Worcester MSA: Overall Mortgage Denial Rates, 2009

	Asian	Black	Latino	White
City of Worcester	27.60%	29.80%	28.00%	18.40%
Balance of Worcester MSA	11.30%	26.00%	23.70%	14.50%

City of Worcester & Worcester MSA: Overall Mortgage Denial Rates, 2006

	Asian	Black	Latino	White
City of Worcester	26.8%	35.0%	34.2%	22.7%
Balance of Worcester MSA	15.9%	30.1%	32.0%	19.6%

After controlling for income and loan purpose, racial differences in loan origination rates continue to exist. Using basic statistical tests, these differences appear to be statistically significant at some income levels. One test used is the Chi Square test, which merely measures whether there are differences across categories but not specifically which categories have significantly higher or lower values than the norm. The Chi Square statistic is reported in the last column to the right. We also conduct a t test between each minority group and Whites and report whether there is a significant difference in the column for each minority group. Tables provided in the appendix show origination rates by race, within defined income bands, for purchase, home improvement, and home refinance loans of 1-4 family, owner-occupied properties. Statistically significant differences are found in lower income bands for home purchase loans and for all income bands for home refinance loans. Statistically significant differences are not observed for other combinations of income bands and loan purposes. However, note that those results may be due in large part to the fact that there are very few observations in those bands, as can be seen in the appendix tables. More significant differences are found for Blacks and Latinos than for Asians.

Home Purchase Loans⁸ - 2009

Income Band (number of	Origination rate for Whites	Origination rate for Blacks	Origination rate for Latinos	Origination rate for Asians	Statistical significance (p value

⁸ Note that very small numbers of applicants described themselves as Native American or Pacific Islander, and a number of cases was observed where race and ethnicity was not reported. These cases were included in the statistical analysis but are not summarized in the tables here due to the small number of observations.

applications)					from Pearson Chi Square statistic)
< 50% AMI (n=481)	60%	44%**	49%*	59%	.029**
50-80% AMI (n=906)	72%	58%***	57%*	61%*	.001***
80-100% AMI (n=312)	70%	61%	56%	60%	.192
100-120% AMI (n=154)	67%	36%**	50%	63%	.274
> 120% AMI (n=202)	66%	40%	67%	47%	.287

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

Home Purchase Loans - 2006

Income Band (number of applications)	Origination rate for Whites	Origination rate for Blacks	Origination rate for Latinos	Origination rate for Asians	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=103)	71%	39%***	36%***	29%***	.000***
50-80% AMI (n=467)	66%	62%	56%	77%	.000***
80-100% AMI (n=416)	68%	51%***	62%	68%	.000***
100-120% AMI (n=372)	64%	41%***	56%*	57%	.000***
> 120% AMI (n=532)	70%	58%***	53%***	61%	.000***

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

Home Rehab Loans - 2009 (note that there are very small numbers of observations in this table; see appendix for details)

Income Band (number of applications)	Origination rate for Whites	Origination rate for Blacks	Origination rate for Latinos	Origination rate for Asians	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=58)	47%	0%***	43%	0%**	.175
50-80% AMI (n=78)	57%	50%	20%	33%	.512
80-100% AMI (n=58)	67%	67%	0%	25%	.138
100-120% AMI (n=35)	71%	100%	56%	n.a.	.724
> 120% AMI (n=70)	68%	50%	0%	0%	.080*

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

Home Rehab Loans - 2006

Income Band (number of applications)	Origination rate for Whites	Origination rate for Blacks	Origination rate for Latinos	Origination rate for Asians	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=155)	47%	18%**	31%	22%	.125
50-80% AMI (n=403)	52%	27%***	31%***	40%	.000***
80-100% AMI (n=221)	50%	19%***	30%**	60%	.078*

100-120% AMI (n=203)	63%	50%	38%**	38%	.112
> 120% AMI (n=346)	60%	18%***	36%**	43%	.000***

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

Home Refinance Loans - 2009

Income Band (number of applications)	Origination rate for Whites	Origination rate for Blacks	Origination rate for Latinos	Origination rate for Asians	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=400)	52%	36%	22%***	53%	.014**
50-80% AMI (n=920)	54%	25%***	44%	43%	.000***
80-100% AMI (n=578)	57%	19%***	47%	41%	.001***
100-120% AMI (n=363)	60%	27%**	31%**	47%	.004***
> 120% AMI (n=837)	60%	44%	22%***	45%	.000***

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

Home Refinance Loans - 2006

Income Band (number of applications)	Origination rate for Whites	Origination rate for Blacks	Origination rate for Latinos	Origination rate for Asians	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=585)	39%	28%	31%	41%	.004***

50-80% AMI (n=2,092)	49%	31%***	35%***	31%**	.000***
80-100% AMI (n=1,583)	47%	45%	40%*	38%	.000***
100-120% AMI (n=1,398)	49%	39%**	45%	38%	.000***
> 120% AMI (n=2,454)	51%	35%***	38%***	48%	.000***

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

Unequal access to credit across racial and ethnic lines is not unique to Worcester and has been discussed widely in the literature, although the Mortgage Bankers Association disputes that the observed differences in access to credit are the result of discrimination.⁹ A number of factors may lead to the observed differences. Most notably, mortgage approval is not contingent solely on income but is also determined by credit scores, savings levels, loan-to-value ratios, and other underwriting factors. These variables are not tracked in HMDA data and differences in these variables across racial lines could potentially explain much of the differences observed in origination rates.

Looking at differences in mortgage denial rates by applicant gender, no significant differences were observed.

The research team also looked at subprime lending patterns from a peak year for subprime lending activity, 2006. In that year, some 1,982 subprime, high-cost loans were made, accounting for 38% of all mortgage originations. For purposes of this analysis, “subprime, high-cost” loans are defined as loans with a reported rate spread in the HMDA data.¹⁰ Subprime lending has declined dramatically since the housing crisis; in 2009, these loans comprised under 4% of mortgage originations. The prevalence of subprime, high-cost lending in minority communities during the housing boom is not unique to Worcester - it has been discussed extensively in the national literature and in fact been implicated as a contributing factor to the subsequent housing market crisis.¹¹

⁹ See Turner and Skidmore (1999). “Mortgage Discrimination: A Review of the Existing Evidence.” Urban Institute. Available online at: http://www.urban.org/uploadedPDF/mortgage_lending.pdf. For a perspective supported by the Mortgage Bankers Association, see Yezer (2010). “A Review of Statistical Problems in the Measurement of Mortgage Market Discrimination and Credit Risk.” Mortgage Bankers Association.

¹⁰ For a full discussion of the use of the HMDA Rate Spread variable as a proxy to identify high-cost, subprime lending, see Mayer and Pence (2008). “Subprime Mortgages: What, Where and to Whom?” Federal Reserve Board, Washington DC: Finance and Economics Discussion Series.

¹¹ See, for example, Morris (2009). “A Summary of the Disparate Impact of Subprime Mortgage Lending on African Americans.” NAACP. Available on the internet at: <http://www.naacplv.org/lending.pdf>. Also see Apgar and Calder (2005). “The Dual Mortgage Market: The Persistence of Discrimination in Mortgage Lending.” Harvard University Joint

Worcester: Total Value of Home Loans

	2006	2009
Home Purchase	\$432,149,000	\$205,754,000
Home Rehabilitation	\$40,183,000	\$8,234,000
Refinancing	\$551,495,000	\$334,592,000
TOTAL	\$1,023,827,000	\$548,580,000

Worcester: Total Dollar Value of High-Cost Home Loans

	2006	2009
Home Purchase	\$155,726,000	\$8,666,000
Home Rehabilitation	\$9,748,000	\$505,000
Refinancing	\$219,589,000	\$10,135,000
TOTAL	\$385,063,000	\$19,306,000
% of total Home Lending	37.6%	3.5%

We find that after controlling for income, racial and ethnic minorities – particularly Blacks and Latinos - were more likely to receive a subprime, high-cost loan (defined as a loan with a reported rate spread in the HMDA data) than whites in Worcester in 2006.¹² As with the analysis of origination rates, small numbers of observations for home improvement loans should be borne in mind; the numbers of observations are much more robust for purchase and refinance loans. Also as with the analysis of origination rates, we report high-cost lending prevalence a Chi Square statistic as well as the result of a t test between each minority group and Whites. We do not conduct the analysis for 2009 since subprime lending virtually disappeared from the market at that time.

High Cost Loans among Purchase Loan Originations – 2006

Income Band (total number of originations in income band)	High-cost loans for Whites and percent of originations	High-cost loans for Blacks and percent of originations	High-cost loans for Latinos and percent of originations	High-cost loans for Asians and percent of originations	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=104)	10 (14%)	9 (75%)* **	8 (73%)* **	0 (0%)	.000***
50-80% AMI (n=773)	101 (24%)	96 (64%)* **	32 (32%)	2 (5%)	.000***

Center for Housing Studies, Working Paper 05-11. Available on the internet at: <http://www.jchs.harvard.edu/publications/finance/w05-11.pdf>

¹² As with the previous analysis, other racial/ethnic categories including Native Americans and Pacific Islanders were included in the analysis but are not summarized here due to the extremely small number of observations.

80-100% AMI (n=682)	109 (30%)	88 (70%)***	55 (58%)***	5 (22%)	.000***
100-120% AMI (n=502)	90 (32%)	47 (75%)***	41 (51%)***	11 (52%)*	.000***
> 120% AMI (n=856)	165 (33%)	84 (66%)***	73 (62%)***	12 (35%)	.000***

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

High Cost Loans among Home Improvement Loan Originations – 2006

Income Band (total number of originations in income band)	High-cost loans for Whites and percent of originations	High-cost loans for Blacks and percent of originations	High-cost loans for Latinos and percent of originations	High-cost loans for Asians and percent of originations	Statistical significance (p value from Pearson Chi Square statistic)
< 50% AMI (n=60)	2 (4%)	2 (67%)	1 (20%)	0 (0%)	.003***
50-80% AMI (n=122)	9 (7%)	2 (13%)	5 (29%)	1 (25%)	.270
80-100% AMI (n=96)	14 (21%)	2 (50%)	3 (33%)	0 (0%)	.589
100-120% AMI (n=115)	7 (10%)	5 (46%)**	2 (17%)	1 (33%)	.066*
> 120% AMI (n=179)	2 (4%)	2 (67%)	1 (20%)	0 (0%)	.376

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

High Cost Loans among Refinance Loan Originations – 2006

Income Band (total number of originations in income band)	High-cost loans for Whites and percent of originations	High-cost loans for Blacks and percent of originations	High-cost loans for Latinos and percent of originations	High-cost loans for Asians and percent of originations	Statistical significance (p value from Pearson Chi Square statistic)
--	---	---	--	---	---

band)					Square statistic)
< 50% AMI (n=185)	21 (19%)	4 (31%)	8 (50%)**	0 (0%)	.018**
50-80% AMI (n=797)	158 (30%)	35 (53%)***	50 (52%)***	1 (9%)	.000***
80-100% AMI (n=633)	137 (37%)	39 (52%)**	50 (52%)**	3 (27%)	.018**
100-120% AMI (n=591)	128 (37%)	28 (46%)	43 (51%)**	0 (0%)**	.006***
> 120% AMI (n=1,022)	167 (26%)	47 (52%)***	52 (54%)***	4 (14%)	.000***

* = statistically significant at $p < .10$

** = statistically significant at $p < .05$

*** = statistically significant at $p < .01$

These results are consistent with other studies that have found that Black and Latino borrowers received high-cost, subprime mortgages even when they would have qualified for a prime mortgage. Most notably, a US Department of Justice investigation found that Countrywide Mortgage (which originated loans in Worcester and nationwide) steered more than 200,000 minority borrowers nationwide into subprime mortgages when white borrowers with similar credit profiles received prime loans. Bank of America, which purchased Countrywide, agreed to settle the investigation with a payout of \$335 million.¹³ Wells Fargo has also been accused of similar practices and is the subject of a lawsuit by the City of Baltimore.¹⁴

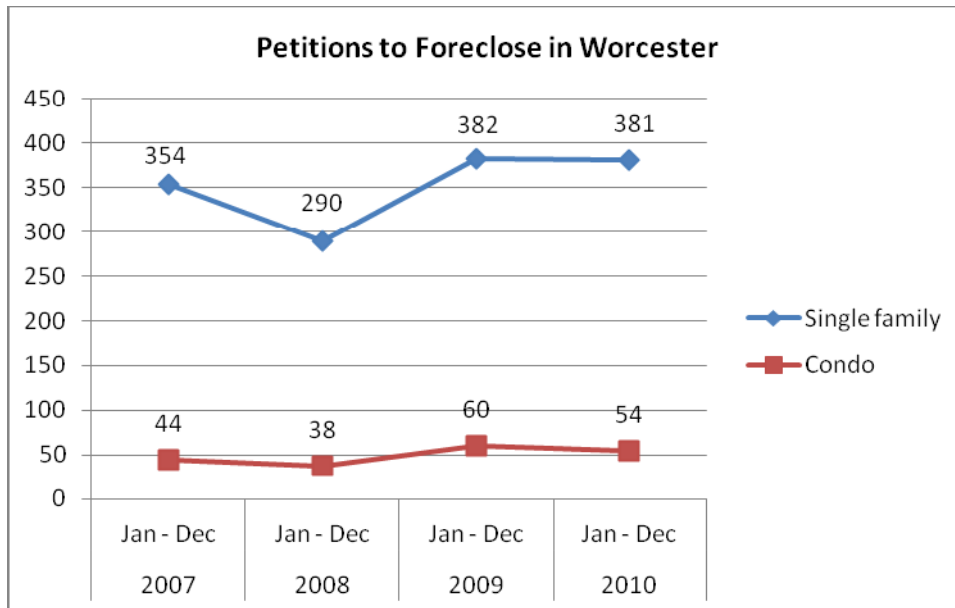
As shown on the map below, spatially, subprime lending activity at the time was concentrated in minority areas; in other words, high-cost lending was more prevalent in these areas. Additional maps portraying lending activity in 2006 and 2009 are presented in Appendix A. As can be seen on these maps, central-city areas saw lower volumes of lending activity despite their significant residential populations. In other words, loans appear to have been less likely to be made in these areas, but when they were, they were more likely to be subprime.

¹³ "Countrywide Will Settle a Bias Suit." *The New York Times*, Charlie Savage, December 21, 2011.

¹⁴ "Bank Accused of Pushing Mortgage Deals on Blacks." *The New York Times*, Michael Powell, June 9, 2009.

2. Foreclosures

Worcester has seen a significant amount of foreclosure activity concomitant to the national housing crisis, as detailed in the accompanying Housing Market Study. According to Warren Group statistics, lenders made 478 Petitions to Foreclose in the city in 2010, and 35 in the first two months of 2011.



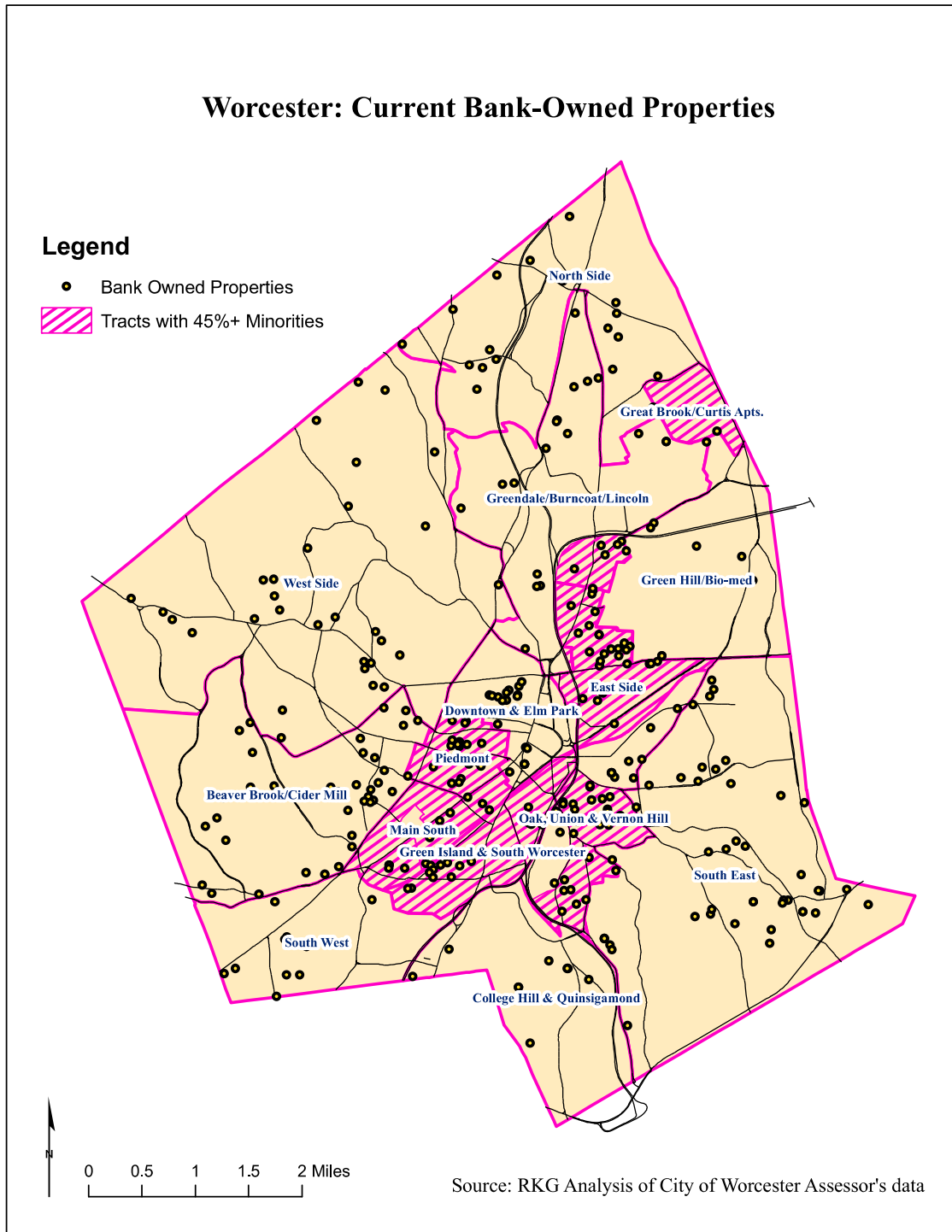
Foreclosures have an impact not only on homeowners but also on tenants, who often find themselves facing an eviction notice when a lender takes over a property. Many foreclosures are also the result of subprime lending activity that was concentrated in minority and low-income areas of the city. While we do not have data on foreclosures by borrower race in Worcester, nationally, the foreclosure crisis has disproportionately impacted minorities. According to a recent report by the Center for Responsible Lending, among recent borrowers, about 7.9 percent of African Americans and 7.7 percent of Latinos have lost their homes to foreclosure, compared to 4.5 percent of whites.¹⁵ The foreclosure crisis thus intersects on many levels with fair housing issues, and is both the reflection of historic fair housing challenges as well as the creator of new housing challenges that disproportionately impact minority and low-income households.

The Worcester Anti-Foreclosure Team, a community-based advocacy group in Worcester, has noted a number of problematic practices by lenders around foreclosure, including one instance in which it alleges that a bank pursued foreclosure action when it did not hold the deed to the property, and other instances in which borrowers have been frustrated in their efforts to seek loan modifications by lengthy paperwork and lack of responsiveness on the

¹⁵ Bocian, Li, and Ernst (2010). "Foreclosures by Race and Ethnicity: The Demographics of a Crisis." Center for Responsible Lending report. Online at: <http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.html>

part of the lender, or by lenders pursuing foreclosure proceedings at the same time they were ostensibly working with the borrower on a loan modification. These issues are apparently commonplace in many communities around the country, and have been described in more detail by reporters such as Gretchen Morgenson of the New York Times.¹⁶

¹⁶ An archive of Ms. Morgenson's reporting on mortgage lending and servicing practices before and during the foreclosure crisis may be found online at: http://topics.nytimes.com/top/reference/timestopics/people/m/gretchen_morgenson/index.html



Census tracts in Worcester with minority populations of at least 45% contain approximately 27% of the city’s housing units. These tracts contain approximately 33% of the city’s bank-owned properties. These data (displayed on the map above) may indicate that foreclosures have had a marginally greater impact on minority communities in Worcester.

3. Real Estate Brokerage practices

One respondent voiced concern about real estate agents “steering” minority home buyers to specific neighborhoods of Worcester. This dynamic may be due to the availability of affordable homes in certain neighborhoods rather than overt discrimination – in other words, the real estate agent is simply trying to assist the buyer in finding a neighborhood with homes in their target price range. In the words of one respondent:

- *“We do still see that customers are being directed to certain [geographic] areas of the community. It may be related to purchasing power / ability to buy.”*

No fair housing testing has been conducted of practices by real estate agents in recent years, so we do not have further data to explore this issue. The Massachusetts Association of Realtors does provide information about fair housing issues on its website and offers training in cultural diversity and other fair housing related topics. It should also be noted that all Realtors® agree to abide by Fair Housing laws in their Code of Ethics.

F. Access for people with disabilities

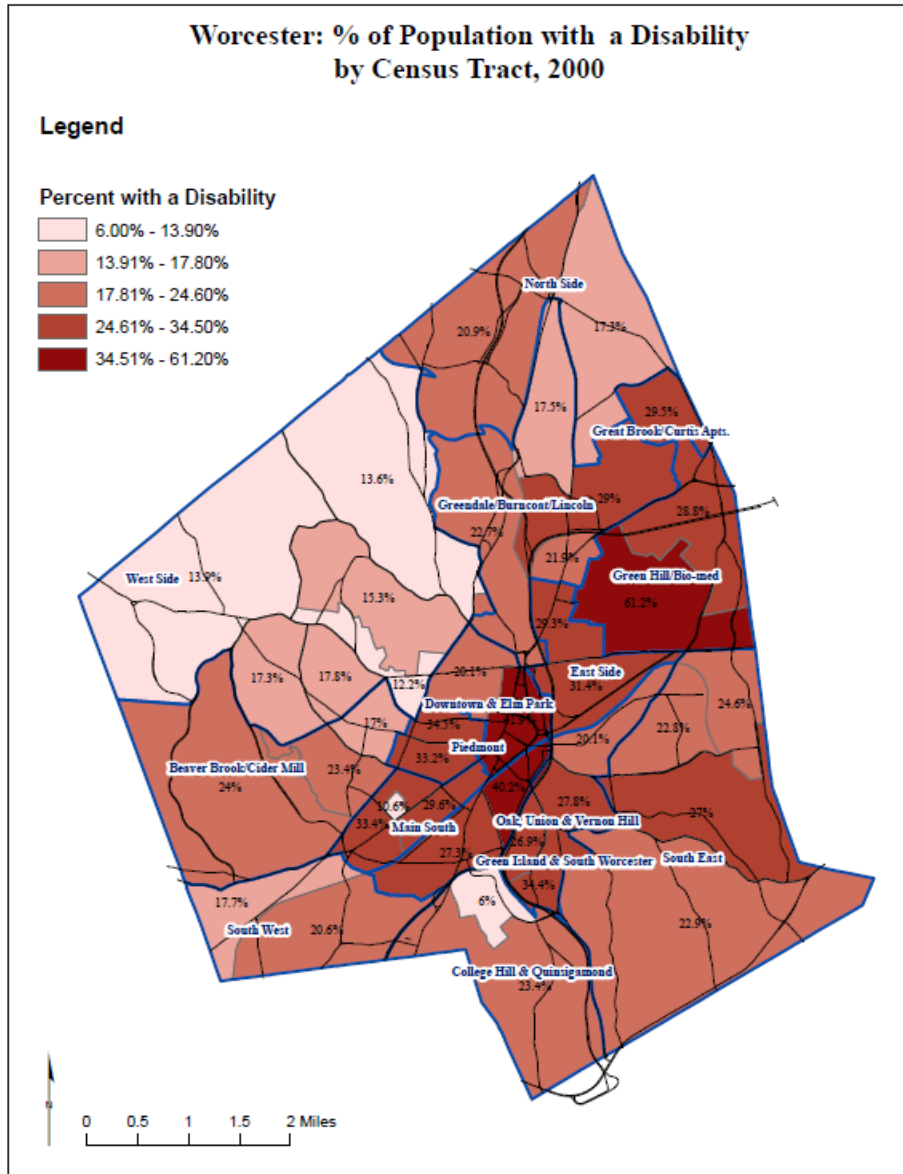
1. Impediments for Renters with Disabilities

Interview respondents reported a number of barriers for renters with disabilities. Accessible rental units are scarce. In some cases, the housing itself may be accessible but is located in an area where day-to-day activities (commuting, grocery shopping etc.) are difficult because of issues with infrastructure such as sidewalks roadway crossings. It is suggested that the expense involved in making a unit or even a residential complex accessible discourages landlords from undertaking this work. Landlords reportedly refuse to rent to tenants with disabilities and refuse to make modifications to units for current tenants who develop a disability. This is apparently common at a variety rental property types and with various owners, including subsidized housing providers. Tenants with service animals frequently face issues, including terminations of tenancy.

- *One respondent stated that she is has not has a single landlord in the city who stated willingness to make adjustments for a disabled tenant. They will simply state, “they’ll have to find somewhere else to live.” For developers, the cost of these approaches is a barrier to accessible housing being built.*
- *Landlords will have a potential tenant come in for an interview and say “we’ll get back to you” but don’t call back because of a physical condition. Developers try to get away with as much as they can, until a formal inspection. People use the minimum standard and what they can get away with.*
- *Disability discrimination takes 40% of our practice, primarily in the form of denials of reasonable accommodations / modifications – very common even among, unfortunately, people who should know better like subsidized housing providers.*
- *I personally have done 3 or 4 conferences with Worcester Housing Authority about specific issues in regards to reasonable accommodation for people with disabilities. [However] they have had a dramatic drop in the reasonable accommodation cases.*

- *Disability discrimination has involved everyone – Housing Authority, subsidized places like Washington Heights, small owners of triple deckers.*
- *WHA has “reasonable accommodation” forms that tenants can use to request an accommodation. WHA will call clinicians to fully understand tenant issues and ensure they are addressing the concerns. Most commonly people ask for adaptive equipment – e.g. blinking fire alarms for people with hearing disabilities, handrails, doorbell modifications, etc. WHA will work with tenants who are having difficulties paying rent but the law does not include accommodating a failure to pay rent as a reasonable accommodation.*
- *There are not enough units in the City for people with disabilities – the folks who take one of our handicapped accessible units are less likely to move than people who take a more traditional unit.*
- *In general, the development companies would like to do the minimum because making units accessible is an expense, especially for people with wheelchairs or mobility devices. There are property owners, private owners who are ignorant about ADA and whose first response was often “I’m not going to do that” in response to a request for a ramp or some other disability feature.*

The map below presents data on people with disabilities as a percentage of overall population by Census Tract in 2000. Neighborhoods surrounding downtown and on the East Side show high percentages of people with disabilities. Many of these neighborhoods also have older and denser housing stock that may present challenges to adapting for use by people with disabilities.



G. Transportation equity

An important factor in access to employment opportunities for underserved populations is the quality of public transit. In this study’s interview process, a number of limitations were reported with Worcester’s public bus system, which is the only local public transit option within the city. Limitations include:

- routes that do not provide sufficient access to areas outside of the city (and related job opportunities);
- routes that are insufficient to provide realistic access to all areas within the city (requiring transfers and long total commuting times for trips within the city);
- routes that do not serve areas with affordable housing options; insufficient frequency of service;
- limited service after 7 p.m. (presenting a barrier for those with night jobs); and

- challenges with services for persons with disabilities.

Several interview respondents noted that service has been reduced in recent years. Due to these issues, persons at lower income levels often face a limited selection of places to live with realistic access to job opportunities. They may be forced to take hours-long commutes or must purchase a car, which represents a large financial burden. One respondent remarked that sidewalks are also inadequate in some parts of the city, and that not all new developments include sidewalks.

As noted elsewhere in this report, affordable housing in Worcester is concentrated geographically, in part due to the neighborhood-focused efforts of local CDCs. Public transit has an important role to play in connecting affordable housing residents to jobs, services and other amenities located throughout the region. City officials generally feel that the affordable housing that has been developed is of high quality and is well served by bus transit. Although most respondents interviewed for this study were fairly passionate in voicing their concerns, it should be noted that two respondents were certain that bus service was adequate. One respondent noted that recently-expanded train service between Worcester and Boston has improved employment accessibility for some residents. A sample of interview responses is below:

- *“Worcester is a city that is set up like a suburb in terms of transportation.”*
- *“The transport system is an outdated dinosaur in Worcester that can barely be called public transit. The system is unusable for many people.”*
- *“[Bus] transport is only [available] on main roads and even there has limited service. Lots of people want to take busses but can’t.”*
- *“We are working with a family living in Worcester with no car that is trying to maintain jobs in [a suburb]. More comprehensive transportation service would be better for families’ self-improvement.”*

H. Domestic Violence

One interview respondent reported on an issue surrounding housing authority tenants who were victims of domestic violence:

- *“We had a string of cases with people getting eviction notices for domestic violence where the offender and victim were members of the household. The offenders are in the household or gave the victim’s address as theirs and the Housing Authority terminated tenancy. The Violence Against Women’s Act has a provision stating that you cannot evict a victim of domestic violence because of the violence against them by a household member. Instead you can bifurcate the lease and only evict the offender. This [law] applies to federally funded housing.”*

A housing authority representative provided a more optimistic report:

- *“Worcester Housing Authority has implemented policies with the goal of preserving tenancy for tenants who are victims of domestic violence. A domestic violence protocol is in place to guide employees in these situations. Tenants may use a self-*

certification report to certify that they are a victim of domestic violence if they are not comfortable getting a police report or medical report. Options include issuing a trespass order against the abuser, removing the abuser from the lease, sending the Authority's own police patrols to the unit to check in, and offering an administrative transfer for tenants who are domestic violence victims. The Authority will refer victims of domestic violence to a domestic violence care provider and for counseling as appropriate. Additionally, the Authority has had Daybreak, a domestic violence service provider, conduct training for its staff on domestic violence issues."

I. Housing for People with AIDs

A recent report¹⁷ documents that housing affordability issues are a primary concern for people with AIDS in Worcester, whose incomes often do not allow them to afford decent housing. The report specifically notes several issues that relate to fair housing:

- *Exclusions: "Those clients with negative housing histories, poor credit, criminal histories, or substance abuse histories have a particularly difficult time obtaining both private and public housing. Landlords often run background checks and will not rent to those with CORI issues or past evictions. Additionally, many subsidized housing resources include criminal history exclusions. Noting that significant percentages of the HIV+ persons served by AIDS service organizations in the county have such histories, the eligibility restrictions that exist in many housing programs make finding housing nearly impossible for this segment of the population."*
- *Habitability: "There were multiple concerns raised in both focus groups regarding the issue of unsafe and unsanitary housing conditions. Many described the location of their housing as areas with high crime and rampant drug use. One consumer expressed frustration stating it was unreasonable to put someone with substance abuse issues in a drug-infested neighborhood and expect sobriety to be maintained. Others noted that a lot of available housing was in disrepair and should be condemned. Those with tenant-based vouchers must also contend with this issue since their units must pass habitability inspections. Some stated that it was difficult to find landlords willing to accept vouchers since they didn't want their units subjected to inspections."*

¹⁷ Victory Programs, Inc. (2011). "Worcester County HOPWA Needs Analysis."

V. ASSESSMENT OF CURRENT PUBLIC AND PRIVATE FAIR HOUSING PROGRAMS AND ACTIVITIES

The City of Worcester, community-based nonprofit organizations, and housing organizations serving Worcester are involved in a wide array of programs and activities that serve to promote fair housing choice in Worcester. These initiatives include but are not limited to the following:

- The **City of Worcester Office of Human Rights** conducts outreach, education and advocacy on human rights issues including fair housing issues, and works closely with Community Legal Aid to address fair housing complaints within the city. The Office encourages city residents to call if they feel they have been the victims of discrimination. The Worcester Human Rights Commission holds monthly meetings which are open to the public.
- **Community Legal Aid (CLA)** is a state-funded legal aid program providing free legal assistance to low-income and elderly residents of Worcester County. CLA's Housing and Homelessness Unit provides legal services in the areas of landlord-tenant law, homelessness prevention, foreclosure defense and housing discrimination. The Unit specializes in helping tenants facing eviction, assisting homeowners who are threatened with foreclosure, helping homeless families get access to the state's Emergency Assistance shelter program, and assisting people to get into affordable housing programs. The Unit also runs a fair housing testing and enforcement program. In addition, the Unit has a website, www.livejustice.org which provides legal advice and information to clients on a range of landlord/tenant issues, in both English and Spanish.
- The **Homeownership Center of Worcester** is a collaboration between nonprofit housing organizations and the City of Worcester offering homebuyer education and counseling, post-purchase and foreclosure prevention counseling, and linkages to home financing programs at banks and partner nonprofits. Topics covered in Homeownership Center training touch on a number of fair housing themes including the homebuying and mortgage lending process, lead paint hazards and lead paint law, and a brief landlord training piece coupled with ongoing education for those homebuyers seeking to purchase a multifamily property. Oak Hill Community Development Corporation serves as the Homeownership Center's fiscal agent.
- A significant number of **affordable housing nonprofits** are active in Worcester. Eleven organizations undertake a variety of missions which include developing and rehabilitating affordable housing, engaging in community organizing and community revitalization work, providing housing counseling, serving as receivers to rehabilitate poorly maintained investor-owned housing, and other community development initiatives.
- The **Worcester Anti-Foreclosure Team (WAFT)** is a community-based group that, in its own words, to combat the "harm caused by the overwhelming number of foreclosures and evictions in our city and beyond," and to "find creative ways to move households and communities from crisis to stability and dignity." The group seeks to increase general knowledge of tenant and homeowner rights in Worcester, educate the public about the

foreclosure crisis, help tenants and homeowners advocate on their behalf to stay in their homes, and advocate for lenders and government agencies regulating lenders to make policy changes.

- **Worcester Property Owners Association** offers ongoing informational sessions for landlords. The **Central Massachusetts Housing Alliance** has also produced an informational booklet entitled “The Successful Landlord,” which it makes available online.
- **Worcester Community Housing Resources** provides loan programs to assist households in buying and repairing a home, and loans to affordable housing developers.
- Worcester also benefits from a wealth of **community-based nonprofits** (at least 15 based locally) that provide important linkages to communities who are often impacted by fair housing issues. These organizations include but are not limited to Fairbridge Project International, Friendly House, Centro Las Americas, Southeast Asian Coalition, Lutheran Social Services, Catholic Charities, and others. They provide a range of human services and community outreach, and have been an important source of community knowledge about fair housing issues.
- The Regional Environmental Council coordinates the **Worcester Lead Action Collaborative**, a joint effort of public and private agencies, neighborhood organizations, and concerned citizens committed to eliminating childhood lead poisoning in Worcester. The City of Worcester Department of Inspectional Services Childhood Lead Poisoning Prevention Program (CLPPP) is a member organization of this initiative.
- The **Worcester Housing Authority** operates a portfolio of 3,000 units of public rental housing and 1,877 leased housing units. It serves a diverse population including 40% elderly, 20% non-elderly disabled, 40% families. According to the Resident Characteristics Report it submits to HUD, about 8 percent of the tenant population is African-American and 49 percent is Latino. The Housing Authority has undertaken a number of initiatives intended to increase access to fair housing, including translation of materials including leases into the major languages of Worcester (Spanish, English, Russian and Vietnamese) and provision of translation services. The Authority has a domestic violence protocol in place meant to protect victims of domestic violence from losing their leases.
- The **Center for Living and Working (CLW)** is a non-profit independent living center promoting the vision that “individuals with disabilities should have the same civil rights, options, and control over choices in their own lives as do persons without disabilities.” CLW provides one-on-one independent living services throughout central Massachusetts, personal care management services, consulting to organizations to help them comply with the Americans with Disabilities Act, and a range of other programs and services.
- The City of Worcester is operating a residential energy efficiency program with funding from the US Department of Energy. This program assists residents to save on heating and electricity costs and in so doing helps to keep housing more affordable for these residents.

The City of Worcester has also established policies and funding programs that further fair housing and other community development goals. The City’s 2004 Community Development Plan lays out a multi-point housing policy including the following goals:

- Achieving a more equitable provision of affordable housing throughout the Commonwealth of Massachusetts
- Maintaining Worcester’s current proportion of subsidized housing units

- Increasing homeownership
- Encouraging the adaptive reuse of underutilized land
- Restoring vacant land and abandoned properties back to productive use
- Reducing homelessness

The City of Worcester is also a CDBG Entitlement Community and HOME Participating Jurisdiction, and employs these funds to further these goals.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

The research presented above shows that fair housing issues in Worcester are clustered around four broad themes:

Rental occupancy practices. Interviews identified issues in which protected classes of people have been unable to find or keep affordable housing, including people with disabilities, families with children, racial and ethnic minorities, and linguistically isolated populations. A broad team of dedicated organizations and individuals are working to raise awareness of these issues, provide legal advocacy, educate property owners and developers, and increase the availability of housing that these groups can access, but additional support and partnerships could increase their effectiveness.

Mortgage lending and foreclosure trends. Data and studies at both the local and national level indicate that minority populations – particularly African Americans and Latinos – experience substantially greater difficulties in accessing credit and were more likely to receive high-cost, subprime credit during the housing boom, even after controlling for differences in income. Minority communities in Worcester may have been impacted to slightly greater levels by the foreclosure crisis.

Affordable housing distribution. Affordable housing stock in the region is concentrated within Worcester, out of proportion to the concentration of jobs in Worcester. Within Worcester, affordable housing appears to be concentrated within particular neighborhoods, with the result that low-income households may have limited choice about where to live to the extent that low-cost private market units are not available. Concentrations of poverty are observed within Worcester that coincide with concentrations of affordable housing.

Housing cost burdens. A growing percentage of homeowners and renters are housing cost burdened, meaning that they pay more than 30% of their incomes on housing costs. Cost-burdened households appear to be concentrated in high-poverty, high-minority areas of the city.

B. Recommendations

Below we provide recommendations to address each of the key thematic areas where fair housing issues have been identified.

Rental occupancy practices

- Continue and enhance funding and support for existing initiatives to educate both landlords and tenants about their rights and responsibilities under Fair Housing law. Develop marketing and outreach efforts to reach ethnic and linguistic minorities, and owners of small

rental properties in particular. Given the large percentage of fair housing claims that have related to people with disabilities, efforts to educate property owners and developers to increase the accessible housing stock is also of particular importance.

- Continue to fund and support existing fair housing enforcement, testing and education programs both within the City and at partner nonprofit organizations. Explore whether additional programming could be supported to mediate fair housing complaints and address issues before the court system becomes involved.
- Increase coordination among those City officials working in housing policy and development and those working on human rights and disability issues. Continued and renewed efforts to build partnerships and increase communications and connections among City policy makers, advocates and community groups will help to further the success of these initiatives.

Mortgage lending and foreclosure trends

- Continue to support organizations that provide education, counseling and assistance to homebuyers and homeowners to promote successful homeownership.
- Provide extra support for marketing and outreach efforts for homeownership organizations and community housing advocates to engage minorities and other populations protected by Fair Housing Law around issues related to mortgage lending and foreclosure, including work to increase partnerships with grassroots and quasi-formal community groups that can help to increase organizational access to these populations.
- Work with banks to increase the capitalization of loan funds (such as Worcester Community Housing Resource) providing home purchase assistance and home improvement financing to traditionally underserved populations.
- Provide support to community and legal advocates attempting to prevent and mitigate foreclosures within Worcester, and explore legislative and regulatory options to preserve the ability of tenants to remain renting in foreclosed properties. Some examples of regulatory options from other cities include ordinances in Providence and Philadelphia that require lenders to go through a mediation process with homeowners before being able to complete the foreclosure process.
- Research and evaluate the use of alternative tools that may help to turn foreclosed housing stock back into productive use quickly, such as housing receivership (where Worcester already has significant programming in place), bulk property purchases from banks (for example, as facilitated through the National Community Stabilization Trust), and purchase and resale of homes to defaulted borrowers (the latter program has been piloted in the Boston Community Capital Aura Mortgage program).

Affordable housing distribution

- Partner with other local jurisdictions in the region, affordable housing advocates, employers, and community groups to advocate for a more equitable distribution of affordable housing opportunities in Worcester County.
- Utilize demand-driven systems. The Section 8 voucher program is an example of such a system, but additional vehicles include the use of homebuyer assistance programs. These help low-income individuals secure housing in middle- and high-income areas of the region.

Homebuyer assistance could potentially be used to establish a shared-equity financing system that would have a lasting impact on affordable housing availability throughout the region. The City may wish to evaluate devoting some funding to a regional, demand-driven approach to affordable housing provision as opposed to a city-centric, project-driven approach. An example of such an approach is the below-market (and sometimes deferred) loan funds operated by many nonprofit housing groups operating over regional areas, which provide “soft” financing making private market homes affordable to low- and moderate-income buyers. Some nonprofits providing this loan product include Neighborhood Housing Services of Silicon Valley, NeighborWorks® Montana, North Bay Family Homes in Marin County, CA (which has a special shared appreciation feature to recapture the value of the subsidy when the homebuyer resells the home).

- The City might also investigate the feasibility of establishing a regional HOME consortium with neighboring towns that could allow HOME funds to be used throughout the region rather than only in Worcester. While HOME consortia are typically established by towns who would not otherwise receive a direct HOME allocation, an initial review of the HUD guide for forming such consortia suggests that an existing HOME participating jurisdiction could be a part of a consortium.¹⁸
- Promote mixed-income housing and mixed-income neighborhoods, including encouraging market-rate development in low-income areas and creating and preserving affordable housing units in areas of the city where they are currently scarce – particularly where strong neighborhood amenities are available such as schools, parks and shopping. Work with both private developers and nonprofit affordable housing developers in the City to increase the development of mixed-income housing in mixed-income neighborhoods.

Housing Cost Burdens

- Work with partners throughout the region to identify and mitigate factors that increase the cost of providing housing units, and to promote full compliance with Chapter 40B.
- Continue to support the capacity of affordable housing developers who can bring in federal resources or creatively leverage other resources to increase the regional supply of affordable housing.

1. Local Recommendations

As stated, subjects interviewed for this study are knowledgeable about local housing conditions through their direct work in Worcester’s housing market at the level of policy, development, or social services. They were asked for their recommendations on how fair housing issues in the city might be better addressed. Their responses are as follow:

- *“Educational materials for people in own language would be helpful.”*
- *“Good mediation or assistance for renters is not available from [the respondent’s organization], but it should be. Every time, [clients] are told ‘go to court.’ The Worcester Housing Authority has a long waiting list which is problematic. Any way to fix this would be welcome, including rehabbed, shared housing and other approaches to promote more affordable and overall housing stock in the city.”*

¹⁸ See: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/consortia/>

- *“Would like to see if city can continue to work with [social service providers] directly as in past.”*
- *“Additional work with the Muslim community would be helpful for them, but there is difficulty even getting grants for programs to work with them.”*
- *“Education about fair housing policy would lead to more accountability. If people were more aware, they would be less afraid to address these problems. People should have more awareness of how their actions affect other people.”*
- *“There is a need for some sort of coordinated database of housing units categorized by price range and location that people could look at with a broker who could help them assess the market.”*
- *“CDCs have the experience in construction management – how about a housing rehab program to help individual homebuyers purchase and fix up homes - a purchase-rehab program, with construction management? People are trying to get purchase and renovation loans and there are not that many lenders that are doing that.”*
- *“[A specific social service provider] needs to increase its outreach and visibility to minority and working-class communities and identify their needs better.”*
- *“Make sure that the programs that exist do not go away.”*
- *“Look to place affordable housing in the best neighborhoods with good schools, and connect bus lines to those nice neighborhoods if needed.”*
- *“Outreach, training, technical assistance for property owners, associations, real estate attorneys who deal with closings, homebuyers.”*
- *“...foster coordination between Human Rights and Disability functions at the city, have those involved in disability issues work more closely on policy development. The folks doing Human Rights and Disability work see people with complaints; the Housing Division does development and public policy but we need to link the two. Incorporate the different City Divisions that the City will touch – Housing, Inspectional Services (too many ‘silos’ at the City now).”*



VII. SIGNATURE OF CHIEF EXECUTIVE OFFICIAL

Michael V. O'Brien, City Manager
City Of Worcester, MA


VIII. APPENDIX

A. Home Lending Maps






Source for all maps: Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act data.

Worcester: Home Purchase Loan Application Denials by Census Tract, 2009

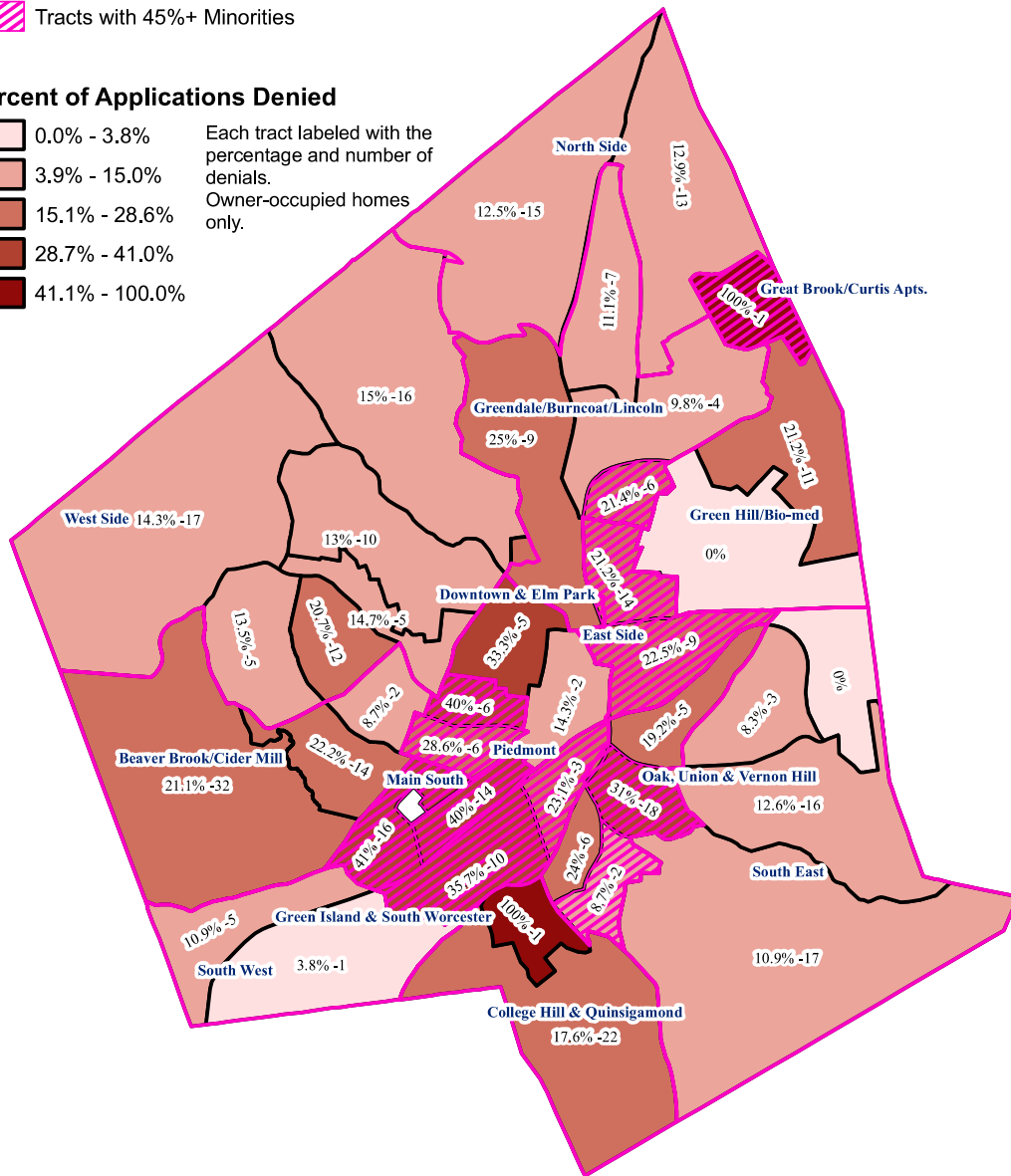
Legend

 Tracts with 45%+ Minorities

Percent of Applications Denied

 0.0% - 3.8%
 3.9% - 15.0%
 15.1% - 28.6%
 28.7% - 41.0%
 41.1% - 100.0%


Each tract labeled with the percentage and number of denials.
Owner-occupied homes only.








Source: FFIEC Home Mortgage Disclosure Act Data

Worcester: Home Loan Refinancing Application Denials by Census Tract, 2009

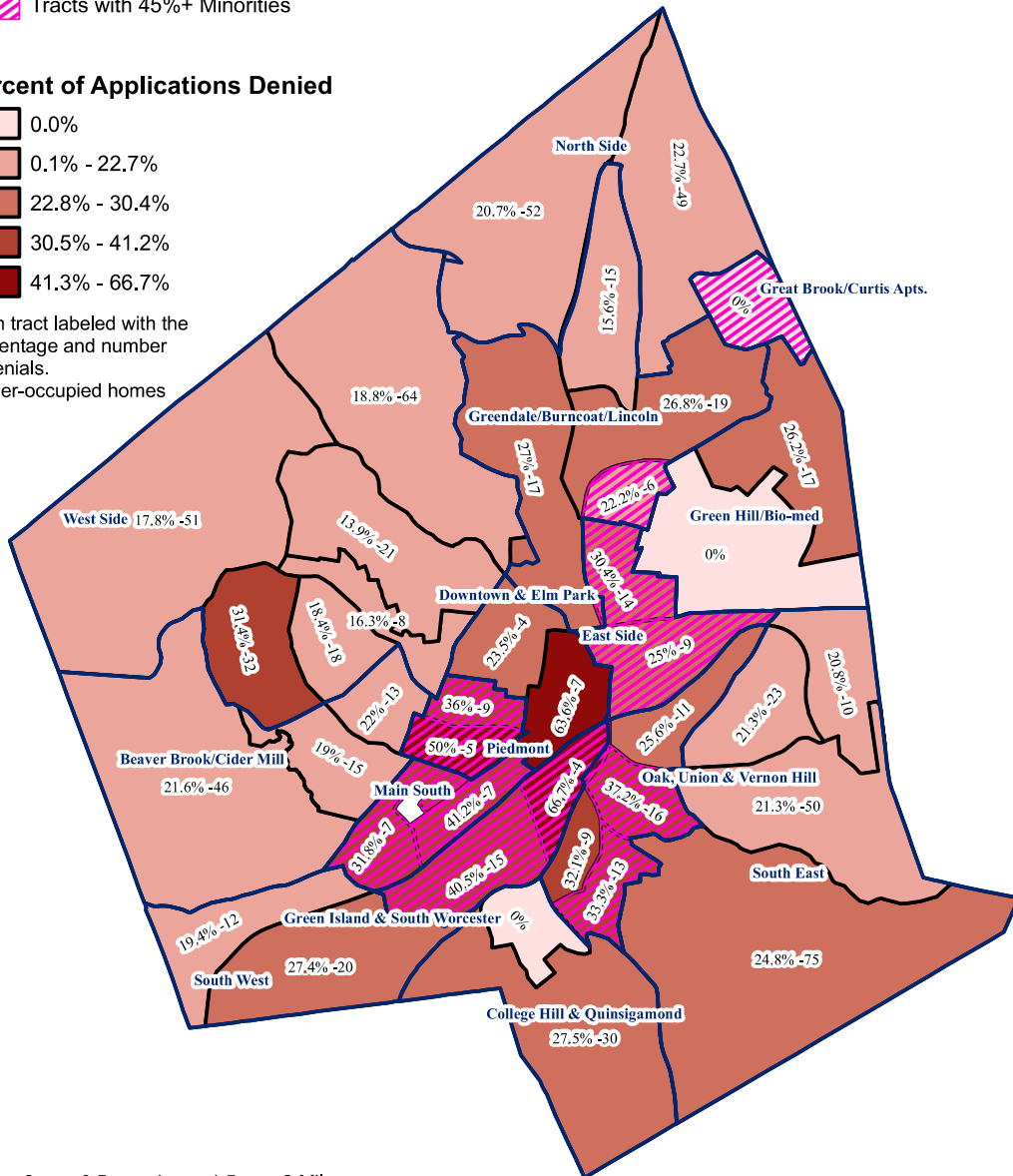
Legend

 Tracts with 45%+ Minorities

Percent of Applications Denied

-  0.0%
-  0.1% - 22.7%
-  22.8% - 30.4%
-  30.5% - 41.2%
-  41.3% - 66.7%

Each tract labeled with the percentage and number of denials.
Owner-occupied homes only.



Source: FFIEC Home Mortgage Disclosure Act data

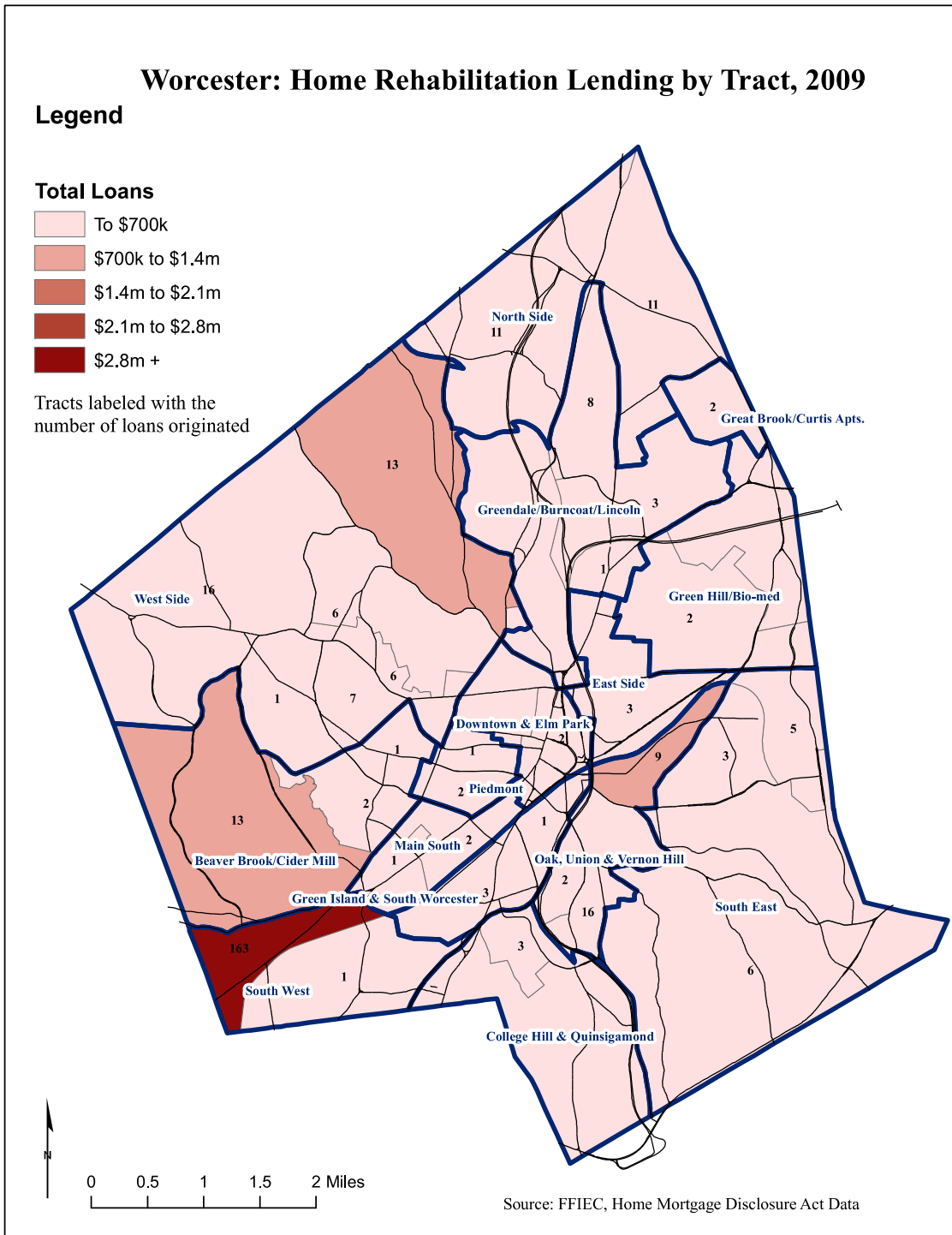
Worcester: Home Rehabilitation Lending by Tract, 2009

Legend

Total Loans

- To \$700k
- \$700k to \$1.4m
- \$1.4m to \$2.1m
- \$2.1m to \$2.8m
- \$2.8m +

Tracts labeled with the number of loans originated



Source: FFIEC, Home Mortgage Disclosure Act Data

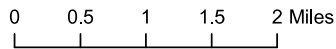
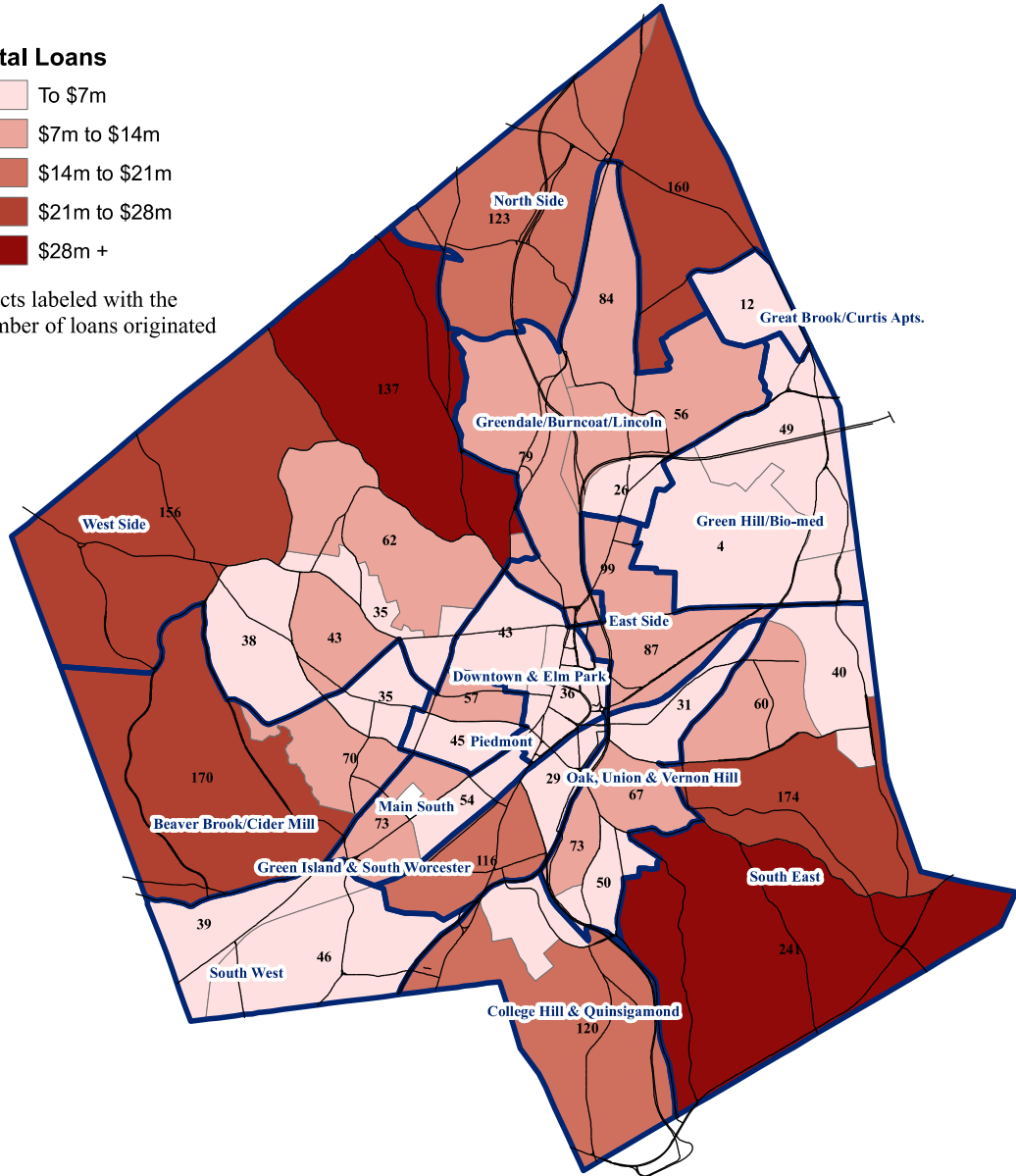
Worcester: Home Purchase Lending by Tract, 2006

Legend

Total Loans

- To \$7m
- \$7m to \$14m
- \$14m to \$21m
- \$21m to \$28m
- \$28m +

Tracts labeled with the number of loans originated



Source: FFIEC, Home Mortgage Disclosure Act Data

B. SHI/40B Compliance in Worcester County – 12/22/2010

City/Town	Census 2000 Total Housing Units	SHI Units	% of Total Housing Units (Census 2000)	40B Compliant?
Ashburnham	1997	32	1.6%	N
Athol	4775	255	5.3%	N
Auburn	6551	212	3.2%	N
Barre	1981	82	4.1%	N
Berlin	891	100	11.2%	Y
Blackstone	3321	123	3.7%	N
Bolton	1472	63	4.3%	N
Boylston	1602	26	1.6%	N
Brookfield	1259	40	3.2%	N
Charlton	3868	52	1.3%	N
Clinton	5817	560	9.6%	N
Douglas	2510	140	5.6%	N
Dudley	3877	99	2.6%	N
East Brookfield	797	0	0.0%	N
Fitchburg	15963	1666	10.4%	Y
Gardner	8804	1243	14.1%	Y
Grafton	5820	318	5.5%	N
Hardwick	1054	33	3.1%	N
Harvard	2156	62	2.9%	N
Holden	5860	193	3.3%	N
Hopedale	2284	111	4.9%	N
Hubbardston	1348	53	3.9%	N
Lancaster	2103	104	4.9%	N
Leicester	3790	148	3.9%	N
Leominster	16937	1418	8.4%	N
Lunenburg	3605	132	3.7%	N
Mendon	1870	49	2.6%	N
Milford	10682	724	6.8%	N
Millbury	5086	221	4.3%	N
Millville	956	20	2.1%	N
New Braintree	325	0	0.0%	N
North Brookfield	1889	142	7.5%	N
Northborough	4983	598	12.0%	Y
Northbridge	4930	378	7.7%	N
Oakham	583	0	0.0%	N
Oxford	5209	402	7.7%	N
Paxton	1455	12	0.8%	N
Petersham	453	0	0.0%	N

Phillipston	598	6	1.0%	N
Princeton	1185	20	1.7%	N
Royalston	470	3	0.6%	N
Rutland	2316	93	4.0%	N
Shrewsbury	12606	856	6.8%	N
Southborough	2988	117	3.9%	N
Southbridge	7486	496	6.6%	N
Spencer	4816	240	5.0%	N
Sterling	2611	163	6.2%	N
Sturbridge	3141	211	6.7%	N
Sutton	2869	45	1.6%	N
Templeton	2492	205	8.2%	N
Upton	2083	178	8.5%	N
Uxbridge	4080	245	6.0%	N
Warren	2004	112	5.6%	N
Webster	7343	692	9.4%	N
West Boylston	2454	189	7.7%	N
West Brookfield	1436	62	4.3%	N
Westborough	6729	671	10.0%	Y
Westminster	2609	86	3.3%	N
Winchendon	3563	345	9.7%	N
Worcester	70408	9591	13.6%	Y
TOTAL	295,150	24,437	8.3%	

Source: Massachusetts Department of Housing and Community Development

City/Town	Change in # Affordable Units: 2004-2010	Change in Percentage Affordable Units: 2004-2010	Status Change?
Auburn	6	0.1%	n.a.
Barre	0	0.0%	n.a.
Berlin	52	5.8%	Became compliant with 40B
Blackstone	19	0.6%	n.a.
Boylston	2	0.1%	n.a.
Brookfield	28	2.2%	n.a.
Charlton	-32	-0.9%	n.a.
Douglas	-11	-0.4%	n.a.
Dudley	11	0.3%	n.a.
East Brookfield	0	0.0%	n.a.
Grafton	24	0.4%	n.a.
Hardwick	-32	-3.0%	n.a.

Holden	34	0.6%	n.a.
Hopedale	31	1.4%	n.a.
Leicester	8	0.2%	n.a.
Mendon	0	0.0%	n.a.
Millbury	0	0.0%	n.a.
Millville	2	0.2%	n.a.
New Braintree	0	0.0%	n.a.
North Brookfield	0	0.0%	n.a.
Northborough	425	8.5%	Became compliant with 40B
Northbridge	32	0.7%	n.a.
Oakham	0	0.0%	n.a.
Oxford	2	0.0%	n.a.
Paxton	12	0.8%	n.a.
Princeton	0	0.0%	n.a.
Rutland	8	0.3%	n.a.
Shrewsbury	293	2.3%	n.a.
Southbridge	28	0.4%	n.a.
Spencer	18	0.4%	n.a.
Sturbridge	30	1.0%	n.a.
Sutton	5	0.2%	n.a.
Upton	15	0.7%	n.a.
Uxbridge	31	0.8%	n.a.
Warren	37	1.8%	n.a.
Webster	43	0.6%	n.a.
West Boylston	119	4.8%	n.a.
West Brookfield	8	0.6%	n.a.
Westborough	-9	-0.1%	n.a.
Worcester	-1	0.0%	n.a.
TOTAL	1,238	0.6%	

C. Balance of Jobs and Affordable Housing Units in Worcester's Vicinity

Municipality	# of Jobs	# of Affordable Housing Units	% of Jobs in Region	% Affordable Housing Units in Region	Jobs per Affordable Housing Unit
Auburn	10618	212	6.14%	1.45%	50.08
Boylston	1140	26	0.66%	0.18%	43.85
Charlton	2694	52	1.56%	0.36%	51.81
Grafton	4280	318	2.47%	2.18%	13.46
Holden	2903	193	1.68%	1.32%	15.04
Leicester	1701	148	0.98%	1.01%	11.49
Millbury	4709	221	2.72%	1.51%	21.31
Northborough	6014	598	3.48%	4.09%	10.06
Northbridge	3624	378	2.09%	2.59%	9.59
Oxford	3661	402	2.12%	2.75%	9.11
Paxton	649	12	0.38%	0.08%	54.08
Princeton	847	20	0.49%	0.14%	42.35
Rutland	856	93	0.49%	0.64%	9.20
Shrewsbury	10458	856	6.04%	5.86%	12.22
Spencer	3013	240	1.74%	1.64%	12.55
Sterling	2230	163	1.29%	1.12%	13.68
Sutton	1615	45	0.93%	0.31%	35.89
Upton	682	178	0.39%	1.22%	3.83
West Boylson	2554	189	1.48%	1.29%	13.51
Westborough	21419	671	12.38%	4.59%	31.92
Worcester	87355	9591	50.49%	65.66%	9.11

Sources: U.S. Census Bureau, County Business Patterns data (2008); Massachusetts Department of Housing and Community Development

D. 2009 HMDA Data on Mortgage Loan Originations by Loan Purpose, Income and Race

Home purchase loans

Applicants With Household Income at Less than 50% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	24	34	41.40%	58.60%
Black	36	28	56.30%	43.80%
Latino	40	38	51.30%	48.70%
White	102	153	40.00%	60.00%
TOTAL	218	263	45.30%	54.70%

Applicants With Household Income at 50% - 80% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	26	41	38.80%	61.20%
Black	38	52	42.20%	57.80%
Latino	40	54	42.60%	57.40%
White	168	438	27.70%	72.30%
TOTAL	296	610	32.70%	67.30%

Applicants With Household Income at 80% - 100% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	6	9	40.00%	60.00%
Black	12	19	38.70%	61.30%
Latino	11	14	44.00%	56.00%
White	65	153	29.80%	70.20%
TOTAL	104	208	33.30%	66.70%

Applicants With Household Income at 100% - 120% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	3	5	37.50%	62.50%
Black	9	5	64.30%	35.70%
Latino	4	4	50.00%	50.00%
White	37	74	33.30%	66.70%
TOTAL	57	97	37.00%	63.00%

Applicants With Household Income Higher than 120% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	9	8	52.90%	47.10%
Black	3	2	60.00%	40.00%
Latino	3	6	33.30%	66.70%
White	51	99	34.00%	66.00%
TOTAL	71	131	35.10%	64.90%

Home Rehabilitation (home improvement) Loans

Applicants With Household Income at Less than 50% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	5	0	100.00%	0.00%
Black	2	0	100.00%	0.00%
Latino	4	3	57.10%	42.90%
White	17	15	53.10%	46.90%
TOTAL	37	21	63.80%	36.20%

Applicants With Household Income at 50% - 80% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	2	1	66.70%	33.30%
Black	2	2	50.00%	50.00%
Latino	4	1	80.00%	20.00%
White	21	28	42.90%	57.10%
TOTAL	38	40	48.70%	51.30%

Applicants With Household Income at 80% - 100% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	3	1	75.00%	25.00%
Black	1	2	33.30%	66.70%
Latino	1	0	100.00%	0.00%
White	14	28	33.30%	66.70%
TOTAL	25	33	43.10%	56.90%

Applicants With Household Income at 100% - 120% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Black	0	1	0.00%	100.00%
Latino	4	5	44.40%	55.60%
White	6	15	28.60%	71.40%
TOTAL	11	24	31.40%	68.60%

Applicants With Household Income Higher than 120% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	2	0	100.00%	0.00%
Black	1	1	50.00%	50.00%
Latino	3	0	100.00%	0.00%
White	15	32	31.90%	68.10%
TOTAL	26	44	37.10%	62.90%

Refinance Loans

Applicants With Household Income at Less than 50% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	9	10	47.40%	52.60%
Black	14	8	63.60%	36.40%
Latino	18	5	78.30%	21.70%
White	137	148	48.10%	51.90%
TOTAL	212	188	53.00%	47.00%

Applicants With Household Income at 50% - 80% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	25	19	56.80%	43.20%
Black	36	12	75.00%	25.00%
Latino	22	17	56.40%	43.60%
White	319	379	45.70%	54.30%
TOTAL	467	453	50.80%	49.20%

Applicants With Household Income at 80% - 100% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	17	12	58.60%	41.40%
Black	25	6	80.60%	19.40%
Latino	9	8	52.90%	47.10%
White	185	241	43.40%	56.60%
TOTAL	281	297	48.60%	51.40%

Applicants With Household Income at 100% - 120% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	9	8	52.90%	47.10%
Black	11	4	73.30%	26.70%
Latino	9	4	69.20%	30.80%
White	108	165	39.60%	60.40%
TOTAL	164	199	45.20%	54.80%

Applicants With Household Income Higher than 120% of AMI

	# Denied or Frustrated	# Originations	% Denial Frustrated	% Originated
Asian	26	21	55.30%	44.70%
Black	14	11	56.00%	44.00%
Latino	18	5	78.30%	21.70%
White	256	384	40.00%	60.00%
TOTAL	367	470	43.80%	56.20%