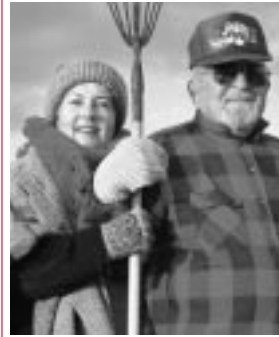


MARTHA'S VINEYARD

PRESERVING COMMUNITY

An Island-wide Housing Needs Assessment



JOHN J. RYAN
DEVELOPMENT
CYCLES
for the
ISLAND
AFFORDABLE
HOUSING FUND

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Executive Summary

Affordable housing for year-round residents has been a lively topic of conversation and debate on Martha's Vineyard for the past few years. But who are the households that are really feeling the pinch? How many households are affected and in what ways? These nagging questions continue to stymie efforts to translate housing concerns into a plan of action to address local needs.

To answer these open issues and help develop an effective response, the Island Affordable Housing Fund engaged consultant John Ryan of Development Cycles to do a housing needs assessment. The purpose was to evaluate the housing needs — both rental and ownership — for the 15,000 year-round residents of Martha's Vineyard. This study does not address the separate problem of housing the estimated 5,500 seasonal workers who are employed on the Island during the summer.

The following Executive Summary provides a synopsis of the assessment, answering basic questions and pointing the way toward Island-wide solutions.

METHODOLOGY

The consultant interviewed a broad cross section of Islanders and relied heavily on 386 responses to a renter survey. Other sources include the U.S. Census, the Massachusetts State Data Center (MISER), the Martha's Vineyard Commission, and CACI, a private demographic service. The study also drew from housing data provided by the *Martha's Vineyard Times*, LINC Real Estate data service, and the Warren Information Group; employment information from the Department of Employment and Training; and additional data provided by the Steamship Authority and the National Association of Home Builders.

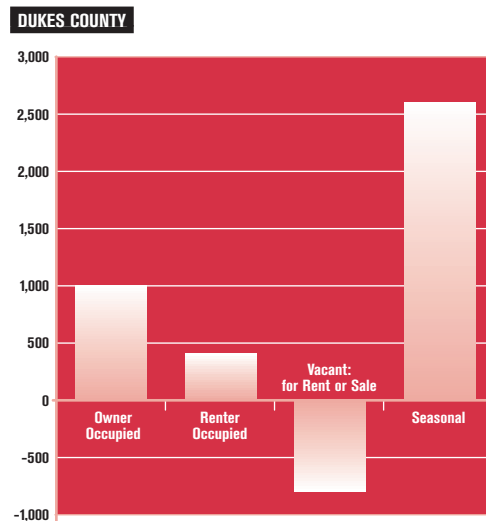
KEY FINDINGS

In the 1990s, Martha's Vineyard added 2,700 seasonal and part-time homes and 1,000 owner-occupied homes but built fewer than 50 new, year-round rental apartments and distributed less than 20 youth lots for affordable homeownership. During the same period, local employers added more than 1,500 relatively low-paying service and retail jobs. Here are some numbers that illustrate the imbalance between Island housing costs and wages: high home prices 85 percent above the statewide median; high rents at least 30 percent over the statewide median; and low wages 27 percent below the statewide average.

Island Renters

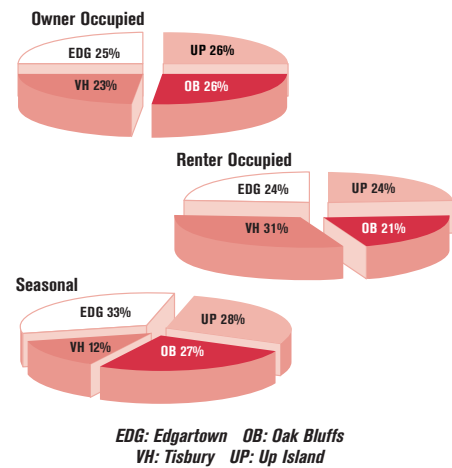
Seventy percent, or roughly 1,300 Island renter households, are composed of adults only. This is typical of renters elsewhere in Massachusetts. Fifty-eight percent live in one- and two-person households. This is also typical. What is atypical is the scarcity of multi-family rental dwellings. According to census data, only about nine percent of renters live in single family homes statewide, whereas in Dukes County more than 75 percent of renters live in such housing. The mismatch of housing types with the size of renter households

Changes in Number of Island Households, by Housing Type, 1990-2000



Sources: US Census, 1990, 2000

Share of Overall Housing, 2000



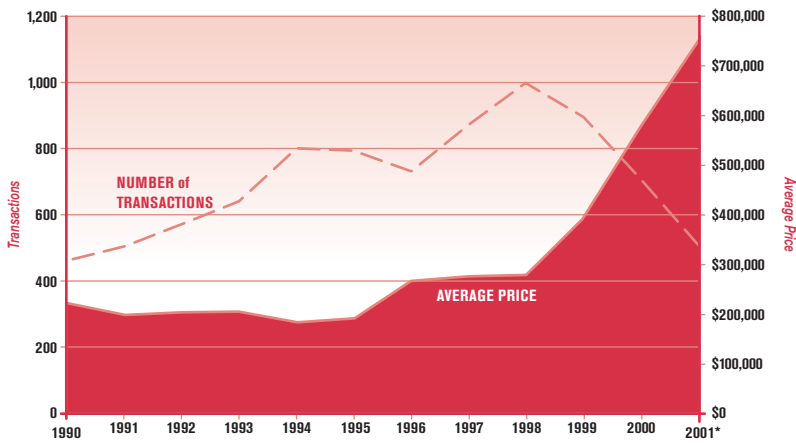
may be a major factor contributing to the housing shortage.

Lower-income renters have a particularly difficult challenge. An estimated 53 percent, or 977 renter households, earn less than 80 percent of the Island's median household income. One-third of all lower-income respondents to the renter survey lack secure year-round housing. A quarter of these renters experience overcrowding. Sixty-two percent of lower-income households pay more than 35 percent of their income for rent. This means that roughly 600 households, or a third of all renters, are currently struggling to pay for rent, food, and other essential items of life. The percentage of renters struggling has grown worse since 1990 despite a decade of economic growth.

The survey revealed that single parents with dependent children are at particularly high risk. To solve just this problem, the Island would need to provide immediate housing solutions for at least 76 families.

Changes in Real Estate Activity, 1990–2001

DUKES COUNTY



Source: Martha's Vineyard Times

*2001 transaction information was available only through June 30 and has been projected through the end of the year.

Note: The data includes arms-length sales of residential and commercial, and improved and unimproved land made in the six island towns and recorded in the Dukes County Registry of Deeds. Partial interests, condominiums, time shares, beach lots, unbuildable lots, and foreclosures are not included.

Homeownership Opportunity

The current median single-family home price is \$375,000, nearly double that of a decade ago. The past two years have seen the virtual disappearance of homes sold for under \$200,000.

In today's market, there is nothing the median-income renter can buy. Even the year-round family earning the median income of \$56,000 would find nothing to purchase without the equity from an existing home. In the past year, the 1,228 renter households earning less than \$50,000 had to compete with off-Island buyers for the chance to purchase one of just nine homes that sold Island-wide for under \$175,000, the highest price these renters could normally afford.

Single-family Homes Sales, Dukes County, 2000–2001

	2000	2001 (through Oct. 10, 2001)
Total Transactions	430	250
Median Sale Price (\$)	325,000	375,000
Sales <\$200,000	35	9
Sales \$200,000–\$249,999	47	30
Sales >\$1 million	46	35

Implications

The challenges to establishing a secure residence on Martha's Vineyard are quickly becoming insurmountable for a growing segment of the population, including a majority of those who grew up here, many skilled and well paid workers, and older households of moderate income. Traditionally a problem limited to young households, single parents, new arrivals, and those with limited employment skills and aspirations, it has grown to include a significant portion of the long-term population. Over the next decade, more than 1,000 young Island residents will be forming new households with little chance of renting or owning on the Vineyard.

Wealth is concentrating here at an accelerating pace. The forces driving this are likely to increase in the decade ahead as the baby boomer population reaches its maximum earning potential and approaches retirement age. The influx of wealth drives up housing prices, fuels demand for lower-paying service and retail jobs, and decreases year-round housing availability.

Today, the core of the Island's economy consists of longtime residents who earn ordinary incomes but own homes with a high market value. The crux of the problem is that there will likely remain an off-Island market for the high-priced homes but the buyers will not fill the essential jobs that the previous owners held. As these essential jobs turn over, the local economy will face three choices: 1) pay extraordinary salaries commensurate with housing costs; 2) rely on off-Islanders willing to commute to jobs here; or 3) provide a pool of moderately-priced housing that cannot be "scooped up" by wealthy buyers who choose to relocate to the Vineyard in the years ahead.

The third choice clearly provides the best long-term solution. This study recommends a goal of 100 to 150 homes per year divided evenly between year-round rental housing and affordable homeownership. This does not necessarily mean new housing, but it does require that the housing be dedicated to serve long-term affordability. If sustained at even the 100-unit level for the eight remaining years of this decade, it would bring the number of affordable homes on Island to at least ten percent of the year-round total. More importantly, it would be a tremendous legacy from current residents of the Island to future generations.

Estimate, Affordable Housing Need, Homeowners, 2001

FIRST-TIME HOMEOWNERSHIP, LONG-TERM ISLAND RESIDENTS

DUKES COUNTY				
Income Range (\$)	Price Range (\$)	Qualified Renters with 10+ Years on Island	% Served by Market	Qualified Residents Needing Help to Buy
40,000-49,999	150,000-179,999	114	2	112
50,000-59,999	180,000-224,999	66	3	64
60,000-74,999	225,000-299,999	77	21	61
TOTAL		257		237

OVERALL UNITS OF HOUSING NEEDED, BY TOWN

DUKES COUNTY				
	Below-market Rental	Market Rental	Ownership for Qualified 10-year Residents	TOTAL
Aquinnah	6	0	24	30
Chilmark	12	2	45	59
Edgartown	48	14	47	99
Oak Bluffs	48	12	40	100
Tisbury	56	10	61	127
West Tisbury	20	2	20	42
TOTAL	190	40	237	467

Estimate, Affordable Housing Need, Renters, 2001

RENTING RESIDENTS EXPERIENCING SERIOUS RENTAL PROBLEMS

DUKES COUNTY				
Household Income, % of Median	Total Renter Households	*Experiencing Critical Problems		
			%	
<80	977	190	19	
80-99	321	28	9	
100-139	235	12	5	
≥140	311	0	0	
TOTAL	1,844	231	13	

* Paying more than 35% of rent and lacking year-round housing.

RENTAL HOUSING NEEDED TO ADDRESS CRITICAL PROBLEMS

DUKES COUNTY				
	Below Market	Market	Below-market Rents (\$ per month)	Maximum Market Rents (\$ per month)
One Bedroom	65	15	450-470	800
Two Bedrooms	79	15	625-750	1,000
Three-plus Bedrooms	46	10	750-900	1,200
TOTAL	190	40		

Source: Development Cycles, October 2001

ADDRESSING THE NEED

Among current renters, there are an estimated 230 households that are: 1) paying more than 35 percent of their income for rent; and 2) renting a home with no year-round housing option. These represent the renters in most critical need. To provide secure, affordable, year-round housing for these most critically affected renters would require 190 dwellings priced below-market rents, and another 40 at market. Adding this number of protected rentals over the next three to five years would make a significant difference for ordinary Island renters. Moreover, sustaining that pace throughout the decade would go a long way toward ensuring secure housing options for Island teens as they form new households.

On the ownership side, the study suggests that there are 237 renter households that earn between \$40,000 and \$75,000 and have lived on Martha's Vineyard for a minimum of ten years. For more than 90 percent of these long-term residents, homeownership is not an option in the current market. To make such an option available to these long-term residents would require developing between 50 and 75 ownership opportunities per year over the next three to five years. Sustaining this effort to ensure affordable homeownership throughout the decade would begin to address the long-term issue of providing for the turnover of essential Island jobs.

Key Actions

The study has identified a number of existing and new program approaches to address the scale of housing need. These actions and programs would result in a diversity of housing options that would be widely scattered and appropriately scaled for the Vineyard. They are summarized along with an estimate of their cost in the table printed on the opposite page.

Proposed Programs and Estimated Costs for Addressing Housing Need, 2001–2005

RENTAL HOUSING *GOAL: To provide 190 below-market and 40 market-rate housing units to serve rental households in critical need.*

OPTION	Per Unit Subsidy Needed		Source of Subsidy	Total Subsidy Needed (\$)	Description
	Units	(\$)			
Summer rental conversions	25	6,000 annually	IAHF Fund-raising	3,000,000 endowment	Pay landlords to convert summer rentals to year-round market and below-market rents
Rental Rehab	20	40,000	IAHF Fund-raising/ MHP/State Programs	800,000	Rehab rundown properties for owner in exchange for long-term affordable rent contract
Purchase Existing Rental Properties	20	80,000	MHP/Municipal Bonds/IAHF/ Other Local Funds	1,800,000	DCRHA purchases existing rental properties and manages
Dedicated Housing for Essential Service Employees	30	60,000	School Department, Towns, Hospital/ MHP/State Programs	1,800,000	New mixed ownership and rental development on land already owned by essential service employers
New, Subsidized, Mixed-income Developments	60	60,000	LIHTC/Other Public and Private	3,600,000	Appropriately sited, designed, and screened multi-unit (12–24 per site) projects
New Rental Clusters (locally funded)	45	80,000	IAHF/ CPA/Municipal Bonding	3,600,000	Small infill rental housing projects
Zoning Support for Supplementary Apartments	30	0	Private Market	0	Craft second dwelling and supplementary apartment zoning to promote year-round rental
TOTAL	230	\$59,130		\$13,600,000	

OWNERSHIP HOUSING *GOAL: To provide 237 affordably priced homes for long-term island residents.*

OPTION	Per Unit Subsidy Needed		Source of Subsidy	Total Subsidy Needed (\$)	Description
	Units	(\$)			
Soft Second Mortgages	40	15,000	IAHF/CPA/ Other Local Funds	600,000	Provide \$15,000 down-payment assistance as 1% loans
House Moves	10	65,000	IAHF/CPA/ Other Local Funds	650,000	Provide expense money to move existing houses slated for demolition
Subsidize Home Purchase	40	80,000	IAHF/CPA/ Other Local Funds	3,200,000	Provide average \$80,000 to buy down existing homes
Expanded Resident Homesite Effort	27	100,000	IAHF/CPA/ Other Local Funds	2,700,000	Reinvigorate local efforts to provide resident homesites thorough public/private donation
Dedicated Housing for Essential Service Employees	30	60,000	School Department, Towns, Hospital/ MHP/State Programs	1,800,000	New mixed ownership and rental development on land already owned by essential service employers
Foreclosure and Tax Taking	10	50,000	IAHF/CPA/ Other Local Funds	500,000	Purchase and resale of foreclosed properties and properties taken for taxes (subsidy covers legal, write-down costs)
Infill Pocket Developments	50	80,000	IAHF/CPA/ Other Local Funds	4,000,000	Land acquisition for future housing, 10 parcels
Zoning Support for Substandard Lots	30	0			Craft zoning to promote small lots dedicated to affordable housing
TOTAL	237	\$63,000		\$14,950,000	

Why Act Now?

Over the course of this study, both year-round and part-time Islanders expressed a sense of imperative about acting on this problem now. Key reasons include the following:

Preserve the Community. For the first time, the vast majority of renters face the prospect that they will never find a stable rental or be able to buy a home on the Island. Many of these renters are long-term Island residents who play a crucial role in the Vineyard's economic, civic, social and cultural life. A concerted effort to develop affordable homeownership and year-round rental opportunities would provide security, hope, and alternatives to leaving the Island.

Sustain Quality of Life. Many of the Island's essential community values are at risk. It is the very capacity of a place to provide continuity of culture and livelihood that makes it possible to preserve these values. Providing secure affordable housing is as important to preserving these values as efforts to conserve open space and other critical resources.

Attract Key Professionals. The Island's capacity to attract professionals who provide essential services — health, educational, municipal and skilled trade workers — is declining just as the retirement rate for these jobs begins to climb. Addressing housing issues now will help avert a crisis later.

Maintain Continuity of Generations. Over the course of the next decade, more than 1,000 current Island teens will leave the nest. Providing secure, year-round, rental housing opportunities will help the Vineyard retain more of its children. On the other end of the spectrum, additional housing options are needed for senior citizens. This would also serve to free up existing homes for the next generation.

Protect Investment. The combined asset value of all Island housing is approaching \$6 billion and has been growing at the rate of nearly \$500 million per year over the past five years. It would take less than one percent of the Island's housing valuation to fund affordable housing initiatives for the rest of the decade. This would be a wise investment which would protect existing investments and help to avoid economic decline.

Solve Our Own Problems. As an Island, we have made meaningful progress in historic preservation, open space protection, and public transportation; the new challenge is affordable housing.

CONCLUSION

An Island-wide consensus sees housing as a critical community issue that can no longer be ignored. A broad effort is underway to begin solving the housing crisis. To effectively address this problem over the course of the next decade, the effort will need to build on values that are currently shared by the community. These include:

- a deep appreciation for the Island's natural beauty and heritage
- a history of tolerance and respect for the individuals who live here and their unique contributions to Island life
- a tradition of crafting Island solutions for Island problems
- the small town value of knowing one's neighbors
- the desire for a slower and more balanced pace of life
- a heritage of easy social mixing among people of different incomes and educational and social backgrounds
- a preference for Vineyard-style design and scale

All six towns, Island employers, seasonal and year-round residents, and the several organizations dedicated to housing must act now and must act together if progress is to be made toward solving this debilitating crisis.