

# LEVINE PLANNING STRATEGIES

Tools for Building Communities

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## MEMORANDUM

To: Erin Zwirko, AICP, LEED AP, Planning & Development Director, Town of Yarmouth  
From: Jeff Levine, AICP

### **Re: Affordable Housing Market Need Analysis**

August 23, 2023

This memorandum outlines the market for residential property in Yarmouth with a focus on below-market affordable housing. We define the market demand for housing that is affordable at the various income levels of current Yarmouth residents. In all, there are currently 1,278 households in Yarmouth that are housing burdened – meaning they spent more than 30 percent of their income on housing expenses. Breaking that into sub-markets, there is demand for 835 ownership units at lower price points and 443 rental units at lower price points.

This does not mean there is a market for this many additional units in total. The Real Estate Market Analysis completed by Camoin Associates (May 2023) does an excellent job of outlining the demand for net new units and estimates that need at between 54 and 180 units between now and 2027. However, our analysis outlines the affordability gap in today's market and suggests that there would likely be a larger market for additional below-market affordable units. This demand could be met through a combination of providing additional resources to lower-income households, creation of new units to meet these specific sub-markets, or a combination of these two approaches.

### **Camoin's Market Analysis**

The study completed by Camoin offers a good set of background data and market projections in multiple submarkets. It notes that 75% of the occupied housing units in Yarmouth are owner-occupied and that new residential development is currently focused on multifamily and mixed-use developments, with 103 units currently under development or recently completed.

While current trends project only a small increase in Yarmouth households (17 in total) the market overall could support a slightly larger number of units. Using a baseline as well as a high-growth scenario, Camoin estimates an annual demand of up to six rental units and between 24 and 50 for-sale units.



## Projected Demand for Housing Units in Yarmouth

	Renter		For-Sale	
	Baseline	High Growth	Baseline	High Growth
Net 5-year Supportable Demand	0	32	122	248
Net Annual Supportable Demand	0	6	24	50

Source: Camoin Associates

Their study breaks out demand by income level, propensity to rent, and other factors that lead into demand figures. They note that “future growth in housing units is most constrained by the availability of adequately zoned buildable sites, rather than market demand for new units.” (p. 2)

### Housing Affordability

In our work, we supplement this analysis with a look at the demand of current and future Yarmouth households based on incomes as related to housing costs. A general rule is that a household should not have to spend more than 30 percent of its income on housing costs – including rent or mortgage payment, taxes, utilities, insurance, condominium fees, and other related expenses.<sup>1</sup> Any household spending more than 30 percent of its income on housing costs is called “housing burdened” and is at risk of losing their housing, or having to unreasonably cut back on other core expenses, such as groceries, transportation, health care or education.

By looking at housing burden as a measure of affordability, we provide a perspective on quality of life and housing security, with a focus on current Yarmouth residents. In general, we find that Yarmouth residents are more housing burdened than those of Cumberland County as a whole. In the ownership market we find the highest need for units starting at sales prices of \$185,000 up to the current median of \$815,000<sup>2</sup>. Focusing on the rental market specifically, we find that there is particular demand for units at rents of between \$1,251 and \$1,875 per month, as well as units at \$875 per month and below.

### Housing Burden Analysis

#### *Owner-Occupied Units*

Using U.S. Census data from the five-year 2021 American Community Survey, we find that one-third of Yarmouth households who own their home are housing burdened. For comparison, 22.5% of households who own their homes in Cumberland County are housing burdened. While some of these households may have assets that allow them to make those housing payments, it’s also likely that asset-rich households would use those assets to lower their housing costs, for example by taking out a smaller mortgage.

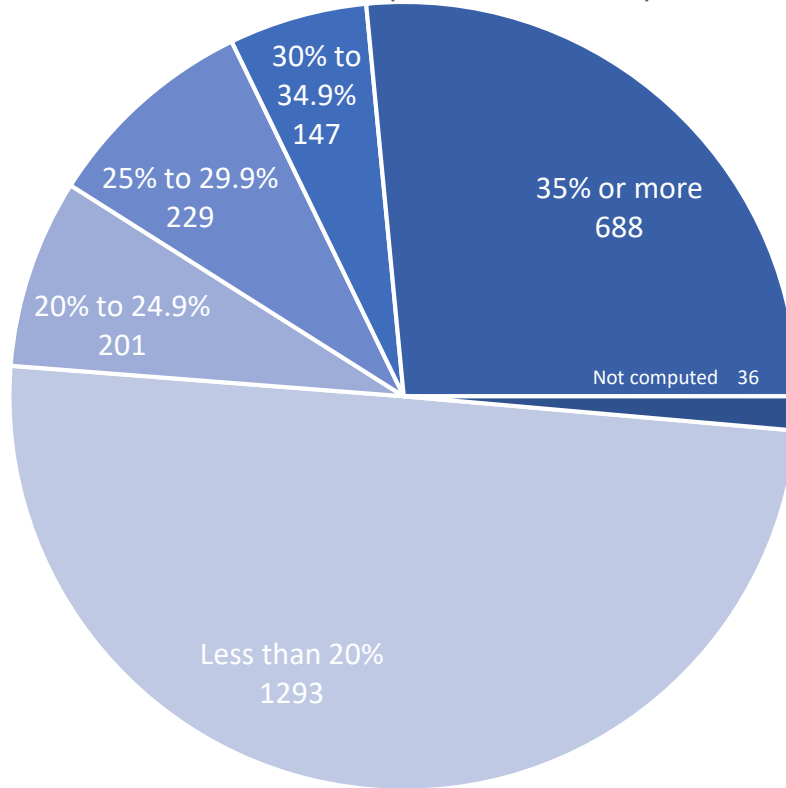
In total, *835 owner-occupied households in Yarmouth are cost burdened*, with 688 of them paying 35 percent or more of their income on housing.

<sup>1</sup> An interesting new line of research seeks to add transportation-related expenses into those costs, though we don’t attempt to do so in this work.

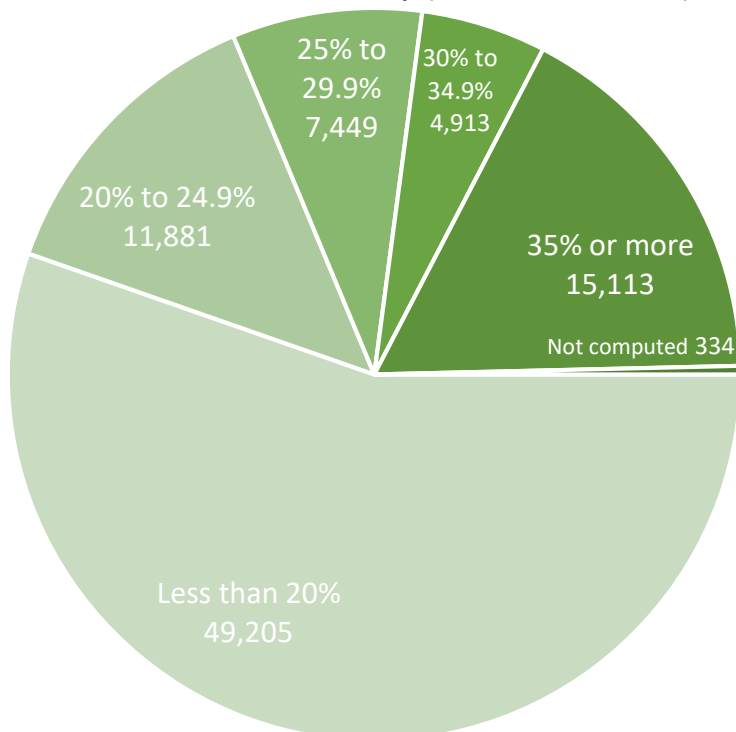
<sup>2</sup> According to the MaineHousing homeownership index.



Owner Costs as a Percentage of Household Income  
Yarmouth (2021 5-Year ACS)

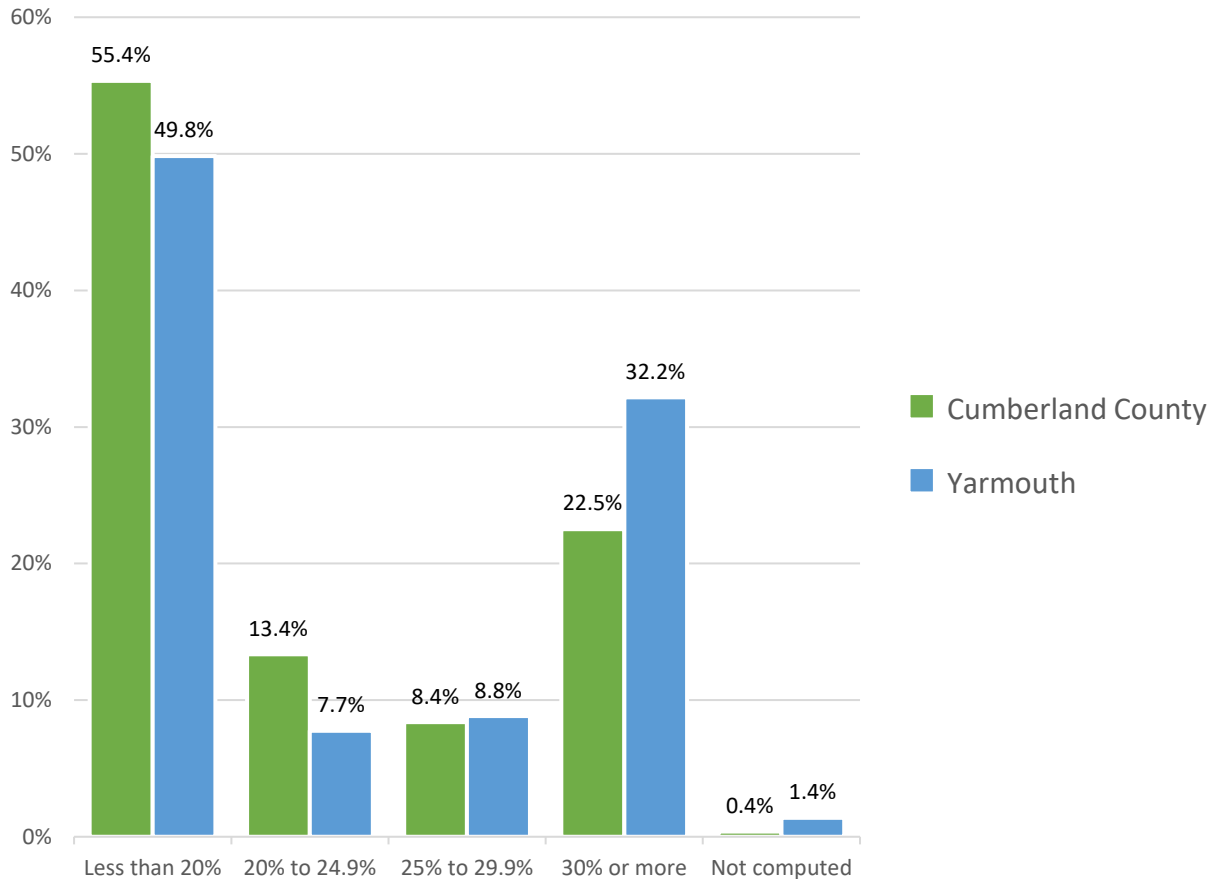


Owner Costs as a Percentage of Household Income  
Cumberland County (2021 5-Year ACS)





### Owner Costs as a Percentage of Household Income Cumberland County and Yarmouth (2021 5-Year ACS)



#### Owner Housing Needs

As mentioned above, there is a higher need for owner-occupied units that are affordable at various income levels in Yarmouth than in Cumberland County as a whole. Using some basic assumptions, we can break that overall need into general price points for the 835 households that are cost burdened. These assumptions include:

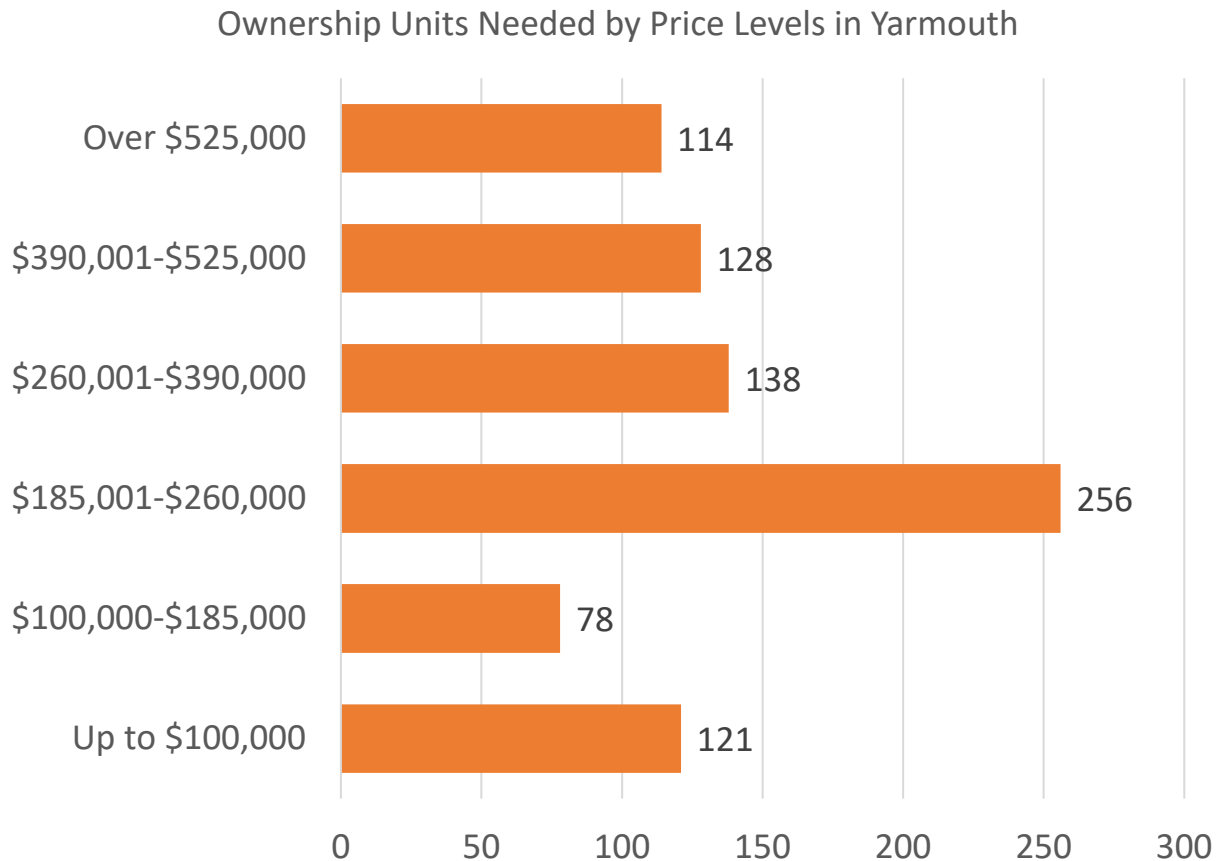
- Access to a fixed-rate mortgage product at 5.0% annually (or a mortgage lender that underwrites according to that assumption.) While current rates are somewhat higher, we expect that rates will decline again in the next year or two.
- An initial twenty percent down payment
- No mortgage insurance

These assumptions will be by household. For example, some households will have a higher down payment. Other households may choose to take out a variable-rate mortgage that might start in 2023 at seven percent but may go lower than five percent in future years. Other households may have to pay



mortgage insurance. However, the numbers will not change dramatically with changes in these assumptions.

The results of this analysis are shown below.



While this analysis shows a gap at many price points, the most significant need appears to be in the band between \$185,000 and \$260,000 per unit. With the median home price in Yarmouth currently estimated at \$815,000 by MaineHousing (and 720,000 by Zillow,) it's not surprising there is a gap at this lower price level. In fact, the gaps exist all the way up to that median home price, with just as many households that would ideally be paying between \$260,000 and \$525,000 as in the modal \$185,000 to \$260,000 range.

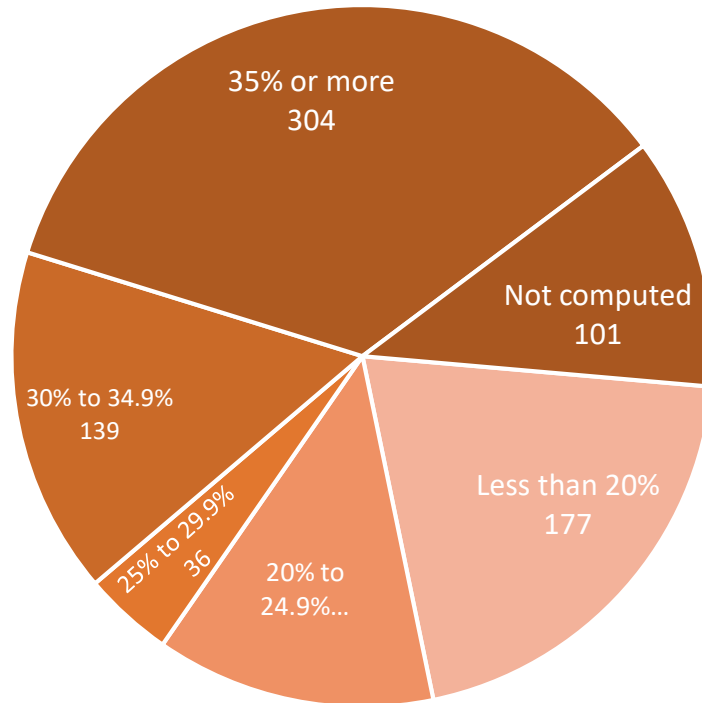
#### *Rental Units*

Rents in Yarmouth are Primarily in the \$1,000-\$2,000/Month Range. There is a lack of rental housing in both the higher end (luxury units typically renting for \$2,500 per month or more) and at levels affordable for households below 60% of Area Median Income (renting at below \$1,186 per month for a two-bedroom unit.)

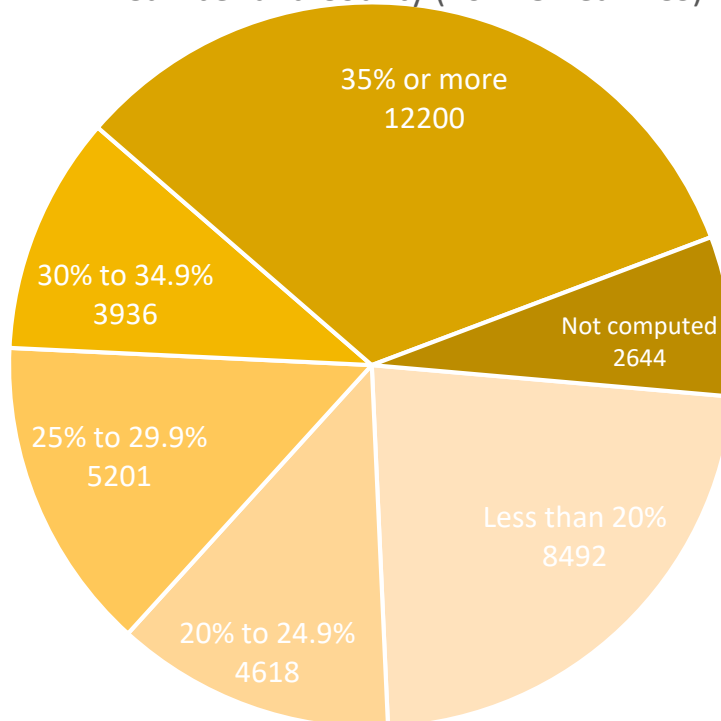
As with the owner-occupied units above, we analyzed the housing burden of rental households in Yarmouth. This analysis reveals an even higher level of housing burden for renters than home owners. In



### Renter Costs as a Percentage of Household Income Yarmouth (2021 5-Year ACS)



### Renter Costs as a Percentage of Household Income Cumberland County (2021 5-Year ACS)

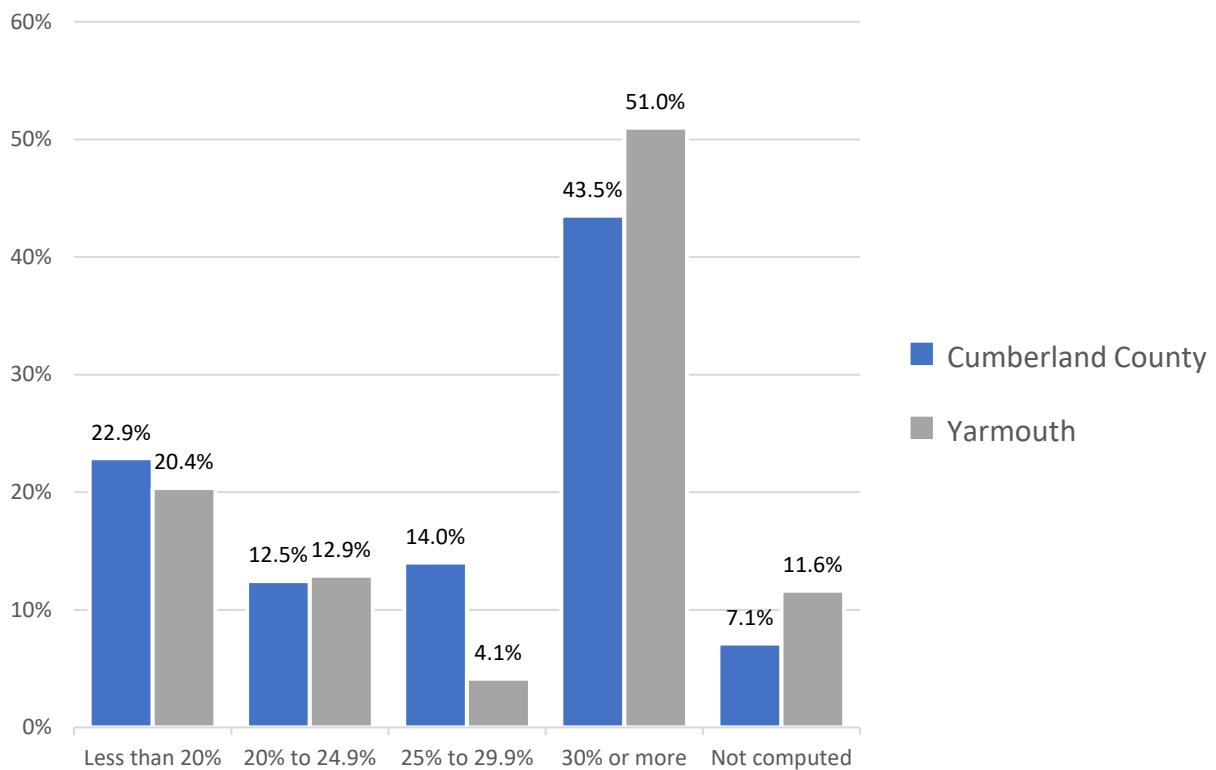




total, just over half (51 percent) of Yarmouth households that rent are spending 30 percent or more of their incomes on housing costs, with 35 percent of all households spending 35 percent or more of their incomes on housing. The gap with Cumberland County rental households is somewhat smaller than it was with owner-occupied households, with 44 percent of County households considered housing burdened, and just under a third spending 35 percent or more of their income on housing expenses.

In all, 443 Yarmouth households are rent burdened, out of 869 total households that rent.

Renter Costs as a Percentage of Household Income  
Cumberland County and Yarmouth (2021 5-Year ACS)

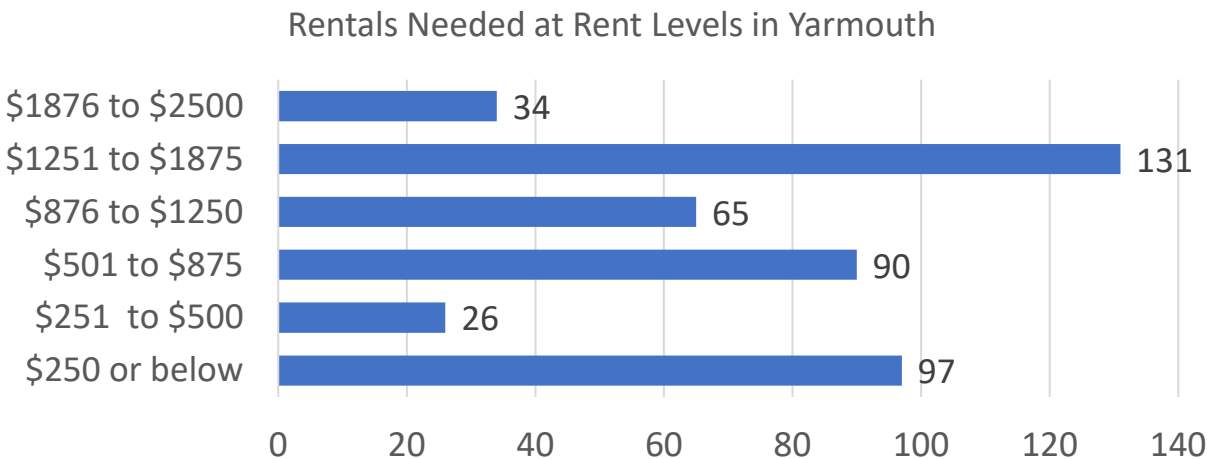




### Rental Housing Needs

The need for affordable rental housing is larger in Yarmouth than in Cumberland County as a whole. In addition, meeting the needs of current Yarmouth renters would require units at a range of rents. Based on the number of Yarmouth households that are rent burdened, and those households' income levels, the ideal maximum rents for the 443 rental units for those household can be estimated. This table shows the ideal maximum rents.

We analyzed the rents for currently housing-cost-burdened households in Yarmouth to better understand the rental housing needs at different price points. For this calculation, we took the income ranges of households that are currently housing burdened. We then determined what 30% of those income levels could pay in a year and divided that amount into monthly payments. The results are available in this chart. These are rents – including utilities, insurance, and other housing-related costs – that these households could reasonably pay. The ranges are based on the ranges of income levels available on the 5-Year American Community Survey.



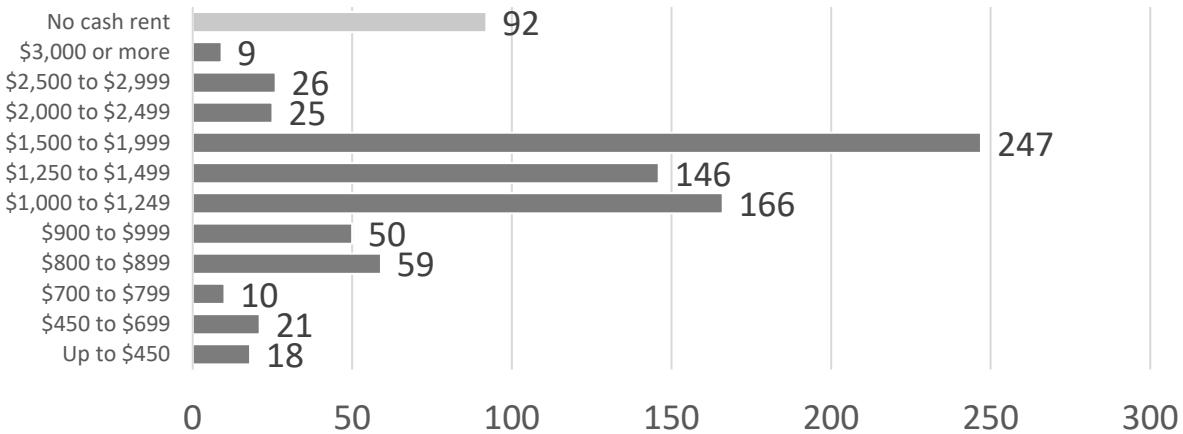
The primary need for current residents is in the moderate-rent levels. 131 of the 443 units should be at rents between \$1,251 and \$1,875 per month (generally including utilities and insurance.) On the other hand, there is also a need for very-low rent units among current residents – of the 443 units, 97 would ideally be at rents of \$250 a month or below.

These rents can be achieved through project- or unit-based subsidies or through direct rent assistance to households. In addition, regulatory changes that reduce the costs of construction, by allowing more units on parcels, reducing parcel sizes, and streamlining uncertainty in development review, can also play an important role in meeting this need.





### Monthly Rents Paid in Yarmouth (2021 5-Year ACS)



#### Conclusions

This analysis suggests that, while the overall five year need for housing units identified in the Camoin study is up to 248 for-sale units and up to 32 rental units, there is an existing and ongoing need for more units of both kinds at different cost levels. While the market is likely to supply many of the units needed, it is unlikely to provide the units needed at lower- and moderate-cost levels without a combination of public actions and public funding.

Specifically, we have identified an existing market gap of:

- 835 ownership (for-sale) units and
- 443 rental units

This means there is an overall existing need for 1278 units that are affordable at various income levels. We further identified the income ranges for which particular need exist, though it is fair to say there are needs at all levels of housing affordability below the current market.

This analysis is limited in some ways:

1. It quantifies *current* needs and does not carry those trends forward. It's likely that the number of units needed at low- and moderate-income levels will increase, but that is not certain. It's possible that some households will simply move to other communities if they are seeking lower housing burdens.
2. Similarly, it assumes there is no external interest in moving to Yarmouth that is not currently being met. In reality, Yarmouth is an attractive and popular community that many people would probably like to move to if they could find suitable and affordable housing.



3. It assumes that owners and renters are in two different markets, when there are times when a household will move from ownership to rental, or vice versa. However, the overall gap would remain generally the same, even if the number of for-sale and rental units shift.
4. Given that these 1278 households already live in Yarmouth, it does not analyze what might happen to the market if some or all these households moved to more affordable units, or if the units they already occupy became more affordable via direct subsidies or other methods.
5. Finally, this analysis does not factor in the reality that many households become housing burdened to accomplish other goals. For example, there are likely many households in Yarmouth that are paying more than 30% of their income on housing because they want their children to attend Yarmouth schools, or they simply enjoy the high quality of life and amenities offered in the community. Similarly, some households may remain housing-burdened because one or more workers in the household work nearby and are seeking a shorter and less expensive commute.

There are also some limitations of the data. The American Community Survey data has some margin of error, as does all sampling data. It is also aggregated in ranges that may not always be ideal for this sort of analysis. Overall, however, this analysis suggests an affordability challenge for a significant percentage of Yarmouth households.