HOUSING YOUR NEIGHBORS IN SALISBURY, 2020:

1. The Need for Middle-Income, Starter and Senior Housing and for Low-Income Rental Housing.

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Preface

Despite the existence of four programs for "affordable" housing in Salisbury, the lack of middle income housing and starter housing for young families and single persons is real and growing. Demand is also growing for housing seniors who no longer desire to or cannot live alone in their lifelong homes. In addition, the supply of low-income rental housing does not meet an increasing demand. In 2007 the median sales price of housing in Salisbury was *$500,000–more than 225% of the price for a house* deemed supportable according to bank mortgage standards by a household with Salisbury's median income of $64,700. Salisbury's situation is merely an extreme reflection of the general lack of middle income housing throughout most of Connecticut. The local and state housing-income gap threatens the availability of vital volunteer services such as fire protection and emergency medical care. Even more important, the very character of Salisbury and Litchfield County is changing as young people and families leave, never to return–until, perhaps, they retire. As a result, the town loses jobs because employers can't find qualified employees. With a median age of 50 in 2006, there will be no replacements for Salisbury's present workers when they retire. Salisbury is losing the diversity that has been essential to its character for the last 200 years.

Whether or not the loss of diversity continues depends on the community we want Salisbury to be in 2020? Do we want to walk in town and not see children? Do we want ours to be a retirement community with only an aging population? Do we want ours to be a community of 50-plus wealthies and weekenders? Do we really want our town to become a monoculture? Or do we want it to continue as the community we have been for 200 years: a diverse vibrant community of all ages, one including young families with children as well as seniors, one including professionals, blue-collar and service workers as well as retirees, one including individuals and families of all incomes? Diversity with its ability to match the ever changing needs and opportunities our town will face is the ultimate concern underlying the issue of "affordable housing." With enough money, the availability of emergency responses, services and repairs is not an issue; any group with sufficient resources can always import them from however afar. But is that what we really want–a community that buys its way out of the future? We believe that almost all in Salisbury would choose our legacy–one that can also be a home for our children and grandchildren.

This report attempts to quantify the need for affordable *middle income*, *starter*, *senior* ("MISS") and *low-income rental* ("LIR") housing. It should be followed by at least two others in a series: first, a report on possible solutions as well as impediments to meeting the demand for affordable housing and, second, a report specifying detailed institutional and programmatic policies to implement the proposed solutions and to reduce the identified impediments. We hope that our efforts here will stimulate Town officers and citizens to begin a community-wide effort undertaking the necessary analysis and implementing a program to assure affordable housing for all Salisbury residents.

The Informal Task Force on Affordable Housing, comprising the authors of this series of

reports, had its origin in the 2005 campaign promise by First Selectman, Curtis Rand, and his running-mate, Jim Dresser, to address the issue of affordable housing in Salisbury. In response to a request by the Selectmen at a meeting in 2007, several citizens of Salisbury independently approached these selectmen and expressed interest in volunteering to analyze the problem. Selectmen Rand and Dresser put these citizens in touch with each other and gave them their blessing to determine the extent of the need for affordable housing as well as to make appropriate recommendations and present their findings to the Board of Selectmen and the Salisbury public.

Selectmen Rand and Dresser emphasized that the Task Force would be informal. It would neither constitute an official body in any way attached to Salisbury Town government nor would it receive any funding from the Town. Therefore, the Task Force members sign this reports *as individuals,* not as members of any group or governing body, actual or implied.

In presenting their report, the authors wish to caution that we include data on home sales in Salisbury and neighboring towns from 1989-2007. Since, in all cases, the number of sales is small, the data are legitimately subject to different interpretations–particularly when attempting to predict the future in today's confused housing market. Even the census data included here must be treated with great care given the ten-year hiatus between each census and given that we are approaching the next census in 2010. Everywhere, there are legitimate grounds for debate. Among us there is one opinion that the apparent retreat in housing prices during the first quarter of 2008 may mirror the 50% drop in median sales prices that occurred from 1990 to 1991 and may remain at the lower level for up to ten years as was the case from 1991 to 2001. Among others, the opinion is that the median price of houses may settle for a short time by a much smaller amount before renewing their advance. Only the future will tell which it is to be. Regardless, we are united in our belief that affordable housing advocates should take advantage of whatever opportunities the real estate market offers–for example, by purchasing existing houses rather than undertaking new construction or the reverse if market conditions and project economics so indicate.

While each of us has academic training or professional experience in a related discipline, we are neither professional economists or financiers, nor real estate agents or architects, nor contractors or builders. We are simply concerned citizens of Salisbury who hope, in our naivete, to open debate on what appears to us to be the enormous, but surmountable, problem of affordable housing in our town and the Northwest Corner generally. If our error and controversy light a flame, our reward is great in that our mismatch struck a spark.

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The authors wish to express their deep appreciation and thanks to the many individuals who gave so generously of their time and thought to help us understand the background and issues underlying the problem of affordable housing. Specifically we would like to recognize Chris Butwell, Principal of Salisbury Central School; Kevin Bousquet, Manager of the Interlaken Inn; Richard Cantelli, President of Salisbury Bank and Trust Co.; Sharon Famiglietti, Human

Resources Director of Skip Barber; Dr. Gretchen Foster, Principal of Housatonic Valley Regional High School; John Magiera, Business Manager of The Salisbury School; Eileen Mulligan, Director of Noble Horizons; and Rick Roger, Chief of the Lakeville Hose Company all of whom we interviewed for our survey of Salisbury employers. Debbie Gentile, Manager of Sarum Village and Faith House, and Patrice McGrath, Social Worker for the Town of Salisbury and Salisbury Family Services, helped us understand the need for low-income rental housing. For their technical and programmatic advice and information we wish to thank Housing Connections of Connecticut (Leslie Higgins-Biddle and Marcella Hyland of LISC, and Tammy Freeberg of the Connecticut Housing Coalition), Dale Shannon of CERC, Robin Leech of Robinson Leech Real Estate, Betsy Reid of Central Vermont Home Share, and Rep. Roberta Willis. Finally, we would especially like to thank Jim Dresser for his inspiration to undertake this project and for his invaluable suggestions and critiques during the many times when he joined our deliberations as an observer.

Executive Summary

- Only 1.9% of Salisbury's housing constitutes "affordable housing" according to State and Federal criteria. If Salisbury wants to be exempt from the application of Connecticut General Statute 8-30g regarding the ability of developers to appeal adverse zoning decisions, the town would need to have 10% of its housing stock be affordable by the statute's criteria.

- 85% of Salisbury's full time residents cannot afford to buy a house or rent an apartment in Salisbury at 2007 prices.

- While the 2007 median sale price of a single family house in Salisbury was $500,000, for over a decade from 1991 through 2001, the median price of a single family house in Salisbury never rose above $240,000 and was often below $200,000.

- We cannot say definitively whether the price dip in the 1990's was anomalous or whether the price spikes in 1990 and 2006/2007 are normal because sales data are unavailable for the 1980's. However, the experience of 1991-2001 suggests that sales prices might decline substantially over the next several years. Anecdotal data from the first quarter of 2008 suggests that the volume of sales in the NW corner is down about 30% and median sales prices are down between 6 and 8 percent. If these trends continue, they could provide an opportunity for affordable housing programs to buy houses or land whose listed asking price is unaffordable but whose closing price would satisfy MISS and LIR affordability criteria were the housing market to retreat. We believe that affordable housing advocates should be prepared for such opportunities. We emphasize we are not suggesting that affordable housing advocates purchase housing or land that is currently affordable in 2006/7 for MISS and LIR housing.

- While median Salisbury household income rose 53% from $42,300 in 1990 to $64,700 in 2007, real household income (1989$) declined 5% from $41,000 to $38,700.

- During 2006 and 2007 together, only eight houses out of a total of 123 were sold within the price range affordable by Salisbury resident households with incomes between $40,000 and $60,000 and, excluding Housing Trust properties, only four out of 119 houses were in this group's affordable price range.

- During those same years, for households making less than $40,000 (approximately 604 or 33% of all households), no housing at all was available for them to purchase.

- For those households with incomes between $60,000 and $90,000 (473 or 26% of the total), only eleven houses in 2006 and just four houses in 2007, sold at a price they could afford.

- The Salisbury Housing Trust served a vital function during these years because it provided half of all owner-occupied housing for sale that might be afforded by nearly one-half of all Salisbury residents. Even these Housing Trust properties would not be affordable by residents with household incomes less than $60,000 were there not a subsidy of approximately $50,000/dwelling in the form of leased land underlying the structure.

- If its 2006/2007 construction rate were sustained, the Housing Trust could meet only half the housing demand for households with incomes in the range of $40,000 to $60,000.

- In a survey of seven of Salisbury's largest employers, of the 397 employees for whom we have salary information only 18% can afford even the midrange $236,000 house in the lowest price range in Salisbury while 82% can't afford the few least expensive houses here. Employees as well as members of Salisbury's volunteer fire department, the Lakeville Hose Company, have depended on finding housing in surrounding towns where housing has been cheaper; however, in 2007 that housing there was becoming expensive.

- Although many of the employers surveyed stated that they do not have a problem at the moment hiring and retaining employees, most foresee a problem replacing their staff a few years from now as it ages and retires. 37% of their workers are 50 years of age or older and 16 of 49 regular members of the Lakeville Hose Company are over 50.

- The employer survey and the other findings throughout this report raise the following questions: Who will do the work in our Town? Who will care for the elderly and the sick? Who will teach our children and grandchildren? (If there are any still living here.) Who will build and repair our homes and plow our roads? Who will sell the products, respond to emergencies and provide the myriad goods and services we all depend on and that we

will depend on even more as we age?

- When considering four classes of housing demand–
  by *middle income* working age families and individuals making between $30,000 and $90,000 (MI = 36 units annually),
  by young *starting* families and individuals in their 20's (S = 8-15 units annually),
  by *seniors* aged 65 and over (*S* = 10-32 units annually),
  and by *low income* individuals and families making less than $30,000 ("LIR" = 6-10 units annually)–
  we estimate the total housing demand to be at least 60 units and maybe as high as 93 units annually.

- The annual supply of such housing, including 40 rentals, is estimated to be only 51 units. The difference between supply and demand leaves an yearly deficiency between 9 (the "LOWGAP") and 42 units (the "HIGHGAP") with a mid-range gap (the "MIDGAP") of 25 units.

- If new MISS and LIR units are built or if existing units are converted to MISS and LIR units at the MIDGAP rate of 25 units annually and, if the MIDGAP rate corresponds to the true yearly deficiency in MISS and LIR units, then Salisbury would become self-sufficient in MISS and LIR units in approximately 8 and one-half years when 208 additional units have been completed. Then, the total stock of MISS and LIR housing would be sufficient for annual turnover to balance annual demand.

- We believe that over the next twelve years, it is possible for Salisbury to satisfy *permanently* the demand for MISS and LIR housing. To do so will require substantial but not, we believe, impossible financial and policy commitments. Whether or not this possibility comes to pass, depends on the community we and our children really want to be in 2020. A financially favorable opportunity to make those recommendations reality could be immanent. While a downturn from the hyper-heated real estate market of 2007, if one occurs, may last for several years, it will not last forever. Will we act in time or will we MISS out?

Summary of Demand for Affordable Housing in Salisbury

ANNUAL DEMAND	
Middle Income	36 units
Starter	8-15 units
Senior	10-32 units
Low Income Rental	6-10 units
Total demand	60-93 units
ANNUAL UNMET NEED (RANGE):	9 "LOWGAP" to 42 "HIGHGAP"
Net of 51 unit annual supply(includes 40 rentals)	
"MIDGAP" annual unmet need	25 units
AFFORDABLE HOUSING SELF-SUFFICIENCY*	
Salisbury's annual housing turnover rate	12%
Number of units to reach self-sufficiency (When annual unmet demand equals turnover of added stock.)	25/0.12 = 208 units
Number of years to achieve self-sufficiency	1.0/0.12 = 8.33 years

*When self-sufficiency is attained, all Salisbury residents will occupy housing they can afford.

I. Introduction

It is widely believed that Salisbury lacks "affordable" housing. Houses and parcels of land that a few years ago sold for less than $500,000 now sport price tags of over a million dollars and multi-million dollar houses sprout like mushrooms. Meanwhile middle income and young professional families working in Salisbury live in neighboring towns because no housing that they can afford is available for purchase or rent here.

The belief that Salisbury lacks affordable housing is long standing and not just an artifact of the housing boom from 2002 through 2007. Since the early 1970's private citizens and community organizations in Salisbury have undertaken five affordable housing initiatives:

1. *East Meadow Homeowner's Association*, formerly known as Village Housing of Salisbury, comprises a twelve-unit single-family housing cluster located on Fowler Street. This will be referred as the East Meadow complex in later sections of this report.

2. *Faith House*, an eight unit rental apartment complex on Fowler Street in Salisbury, was originally sponsored by the four churches in Salisbury/Lakeville. Faith House was conceived as an integral component of East Meadow.

3. *Sarum Village*, a 16 unit low-income rental housing development on Cobble Road in Salisbury, was built in the 1980's with the assistance of Federal funds. Sarum Village has contemplated a build-out of its site with four additional rental housing units in one building; however, the decline in public funding for this type of project has postponed the contemplated build-out indefinitely. In addition, the site may have the capacity for at least eight additional units in one to three buildings.[2]

Faith House and Sarum Village are sponsored and operated by the *Salisbury Housing Committee.*[3]

4. *The Salisbury Housing Trust, Inc.* (not to be confused with the Salisbury Housing Committee) was organized with a mission: to build affordable housing and to make home ownership a reality for Salisbury workers, residents and volunteers. The Housing Trust grew out of a series of forums held by the Salisbury Association in 2000. At those forums the need for affordable housing emerged as the Town's top priority. Since its formation, The Housing Trust has rehabilitated three older homes and built five new homes on a 2.8 acre site on East Main Street in the center of Salisbury. The Housing Trust leases the land to the owner occupants who own the building thereon outright. The Housing Trust is trying to gain use/ownership of a Town owned parcel at the former Grove Street School grounds on Undermountain Road in Salisbury on which to build two additional units for their next project. The Trust's main limitation to building more houses is the availability of land, especially land with access to Town water and sewer.[4]

5. *Habitat for Humanity of Northwest CT, Inc.* has constructed two owner-occupied affordable housing units located on Undermountain Road and on Selleck Hill Road respectively. As in the case of the Housing Trust, Habitat owns the underlying land and leases it to the building owner. Habitat has also built homes in North Canaan, Falls Village and Cornwall.

In sum, over the last 30 years, Salisbury affordable housing groups have constructed or rehabilitated 46 owner-occupied and rental housing units deliberately designed to be affordable. Additional units could be added on current affordable housing or public sites but are not currently in any formal planning stage. Except for the units governed by the East Meadow Homeowner's Association, all units in the existing projects will remain affordable indefinitely by virtue of deed restrictions, or resale and lease provisions. This remarkable achievement makes the town a leader relative to its size in the effort to provide affordable housing.

Nevertheless, the intuitive perception of many residents is that these efforts are not producing new affordable housing fast enough to meet the need. Over time, existing housing units that are affordable by middle income working families become obsolete and are demolished or they may "bracket creep" beyond "affordability" when sold and renovated at rising market prices. Thus the stock of affordable housing always decreases for many Salisbury residents unless the supply is augmented by subsidized housing or housing constructed by non-profit organizations such as those in Salisbury.

But is this intuitive perception correct? What is affordable housing? Who needs it? How much exists in Salisbury and how much is needed? What are some of the consequences of a lack of affordable housing? For example, is the emigration of young people and families from the town a consequence? How has the situation changed over the last thirty years and how might it change over the next twelve years to 2020? How does our situation compare with other towns in Litchfield County and throughout Connecticut?

In this report we shall attempt to answer these and similar questions to the extent that data are available.[5] It is our hope that this report will stimulate at least two others in this series: first, a report on possible solutions as well as impediments to meeting the demand for affordable housing and, second, a report specifying detailed institutional and programmatic policies to implement the proposed solutions and to reduce the identified impediments.

The reader may wonder why the authors have chosen to entitle this report "Housing Your Neighbors in Salisbury 2020", thereby looking out twelve years, when it is almost impossible to predict what our town will be like that far in the future?

There are two reasons: First, Salisbury's "Town Plan of Conservation and Development" is due to be revised by 2010 to cover the decade 2010-2020. That plan will shape the future of our Town over that period. Thus, predicting the future to 2020 may be impossible because that future depends in large part upon what we, as citizens and town officials, decide we want our town to become and what we decide to do to implement that vision. Second, as we shall see later, there is some evidence that young people are leaving our town because they see neither rewarding employment opportunities nor available housing that they will be able to afford. In

2020, a child who is now six and in first grade will be two years out of high school and either two years into college or just about to graduate from a community college, trade or vocational school. If we are to persuade them to live in Salisbury, we must prepare for their graduation NOW, because their choice to stay or to leave will be based on the opportunities or lack thereof that they perceive during their years in school.

II. What is Affordable Housing?

Connecticut State statutes define an "affordable housing project" as one in which at least 15% of the units are sold or rented to households making 60% or less of an area's median (household) income and an additional 15% of the units are sold or rented to households making 80% or less of the area's median (household) income."[6] When viewed as a town-wide housing project in its own right, Salisbury falls far below the Connecticut definition of an "affordable housing project". We estimate that only 1.9% of Salisbury's housing stock constitutes "affordable" housing.[7] In addition, state and federal housing criteria consider a housing unit to be "affordable" for any given household when its rent or mortgage-property tax-insurance cost is not greater than 30% of a household's income. By this standard, many Salisbury households are paying more than they can afford for their housing. For example, in 2000, 149 renters or 1/3d of all renters were paying more than 30% of their household income in rent.[8]

While the State criterion may be adequate for the purpose of subsidized housing or for the purpose of defining when local zoning ordinances may be overridden in the interest of affordable housing projects, we believe that its use grossly underestimates the *demand* for housing priced so as to be affordable given the incomes of full-time Salisbury residents. *In Section V, we shall demonstrate that 83% of these full-time resident households cannot afford to buy a house in Salisbury at 2007 prices.* Thus the demand for middle income housing for all ages (including seniors) and starter housing for young individuals and families almost certainly far exceeds the productive capacity of the excellent "affordable housing" projects currently in Salisbury. It is for this reason that we have titled this first report "The Need for Middle-Income, Starter, Senior and Low-Income Rental Housing" without reference to affordability as conventionally defined.

Later, in Section VII, we show that the notion of affordability can be generalized to all income levels under all interest rates and for all housing sales prices using the ratio of housing price to household income. Under standard banking practices and government guidelines suggesting that a household should spend no more than 30% of its income on housing, property taxes and insurance, the ratio should be 3.6. That is, a house is affordable to a family if the sales price or rental equivalent in terms of the rental cap rate[9] is approximately 360% of its annual income. On this basis, in 2006/2007 very few houses for sale were affordable by most Salisbury residents.

But first we consider actual housing prices and incomes in Salisbury and neighboring towns.

III. Housing Prices.

Housing "prices have skyrocketed 66% (in Connecticut) since 2000, 3 times faster than wages." screams a headline from HomeConnecticut.[10] In Salisbury, the increase was even greater; from 2000 to 2006 it was 98%. The impression given by these and similar figures is that housing prices always increase in an unbroken exponential ascent. The apparent implication: soon, nobody but a millionaire will be able to afford a house in Salisbury.

These figures are true but misleading. It is not at all obvious that housing prices from 2002 through 2007 are typical of Salisbury and the Northwest Corner over time. The failure to recognize that possibility has two consequences: first, it may lead one to overstate the normal extent to which housing is unaffordable; second, it may lead one to overlook the plight of the backbone of many communities: upper middle class households who are completely priced out of the housing market during housing booms such as we have recently experienced.

While the median sales price of a house in Salisbury did increase from $215,000 in 2000 to $425,000 in 2006 and $500,000 in 2007, it is also true that in 1990 the median price was $355,000 and then fell by over 50% to $172,500 in 1991.[11] While fluctuating slightly above and below $200,000, the consistent ascent in Salisbury housing prices did not begin until a decade later in 2002. See Figure 1(p.20) and Table 1(p.21).[12,13,14] Salisbury's experience over the period 1990-2007 was similar to that of other towns in NW Connecticut with the possible exception of North Canaan and Torrington where the descent and subsequent ascent of prices was much shallower.[15]

When we recall that 1990 was the tail-end of the national building bubble sparking the Savings and Loan crisis of the late 1980's and that the years 2004-2006 mark the crest of the housing bubble now causing grief to home owners, especially in the subprime market, Figure 1 seems to present a picture of speculative cycles in the housing market--perhaps stimulated by unrealistically low interest rates.[16,17] Sales volume data support the view that the 1990 crash in housing prices was real. Homeowners seeking to sell their homes tend not to reduce their asking price initially as the market declines. So sales volume declines drastically until prices are brought in line with what the market will bear at prevailing interest rates.

Perhaps similar to the experience of 1989 through 1991 in Salisbury, one finds signs of the beginning of a downturn as the credit crisis begins to be felt in the figures for 2006/2007. The anomalies are the median sales prices for Salisbury and Falls Village in 2007 which spike upward by $75,000 and $90,000 respectively.[18] There is an explanation for the spikes in those towns. In Salisbury, for example, Figure 2(p.23) shows a 40% drop in the sale of houses under $500,000 from 2006 to 2007.[19] The result is an upward shift in the median price of home sales.[20]

Most recently, during the first quarter of 2008, anecdotal evidence suggests that real estate volume has, indeed, declined statewide by 27% while median sales prices are down by 6%. In Litchfield County sales volume was down by 30% even though median prices were up

slightly.[21] Salisbury echoed statewide trends in muted fashion with sales volume down 3-5% and median prices down almost 6%.[22]

On this basis a substantial downturn in 2008/2009 in the volume of real estate sales may be followed by a significant decline in median house sales prices persisting over the next five to ten years if the experience of 1989 through 2001 and the recent decline in sales volume are any indication.[23] Sales volume would be expected to pick up substantially once sales prices have declined.

IV. Household Income and the Affordability of Housing

Whether or not housing is affordable depends on household income and on the portion of household income that must be spent to obtain housing in one's community. Alternatively, housing is affordable if the ratio of the price of a house to one's household income is less than a certain value (3.6 as we shall see below).

Figure 3(p.24) shows our region's median nominal household income from 1989 through 2007.[24] Over the nineteen year period Salisbury's median income has increased from approximately $41,000 to just under $65,000. Figure 4(p.25) shows the inflation-adjusted household incomes for Salisbury and its neighbors.[25] Figure 4 tells us that real median household incomes have declined–slightly in most cases but substantially in the case of North Canaan (by 22%)–between 1989 and 2007. Figure 4 portrays a slow erosion of the middle-class standard of living over the last twenty years.

How has the erosion of real middle class income affected the affordability of housing? That depends on the housing market at any given time. Figure 5(p.26) shows the ratio of median sales prices for single family houses to median household income from 1989 through 2007. According to customary banking practices as well as governmental guidelines, this ratio should be 3.6 given the interest rate of 6.25% assumed herein.[26,27] As shown in Figure 5, such was generally the case from 1991-2001 when the ratio ranged between 3.1 and 4.7. For a family of median income, if one did not have to sell one's house in order to purchase a new one, one would have found housing to be *relatively* more affordable then. Afterward from 2002-2007 and also, it appears, beforehand in 1989 and 1990, median income families were largely priced out of the housing market.[28]

Regardless of the median sales price and income, it is likely that some income groups are differentially affected by the effects of inflation and changes in housing costs. For many area residents the real cost of housing appears to have increased. In Salisbury many residents are now spending more of their income for housing. For example, between 1990 and 2000, owners paying more than 30% of household income on their housing rose from 23.8% to 28.3% and renters paying more than 30% of household income on rent rose from 24.6% to 33.2%.[29]

V. Who CANNOT Afford housing in Salisbury?

What portion of Salisbury's residents cannot afford to buy a house in Salisbury?

Per Census 2000, 451 Salisbury households had incomes between $50,000 and $75,000. At that time there were 1,741 total households with a median income of $53,051 in Salisbury.[30] Projecting this distribution forward to the total population and nominal dollars in 2007, we estimate that approximately 473 of 1,827 households had incomes between $60,200 and $91,499.[31]

The first way to consider whether Salisbury residents can afford to buy houses in the town is to ask what percentage of residents could afford to buy a median-priced house. Assuming that a buyer will obtain a 90%, 30-year mortgage at 6.25% interest while spending no greater than 30% of household income on debt service, property taxes and insurance, then in 2006, when the median price was $425,000, a household would need an income of $118,000 to make the purchase; in 2007, when the median price was $500,000, the required income would have been $139,000. Per Figure 9 (p.33), in 2007 at most 17%, or approximately 310 resident households, could afford a median priced house whereas 83%, or approximately 1,517, could not do so.[32]

The second way to express the fact that housing has been priced out of the range of Salisbury residents is to consider how many houses were sold in each of these years that could have been purchased by each income group. See Figure 7 (p.28).[33] In 2006 just four homes were sold that could have been purchased with an income of $60,000 or less; of these, two were Salisbury Housing Trust properties which do not include the cost of the underlying land in the sale price. In 2007 four houses were sold that could have been purchased by households with incomes between $41,500 and $60,000 but, of these, two were Housing Trust properties. Yet $60,000 was just $800 under the median income for 2006 and only $4,700 under the median income for 2007. Together, Figures 8,9, and 10 imply that during 2006 and 2007 together only eight houses out of a total of 123 were sold within the price range affordable by Salisbury resident households with incomes between $40,000 and $60,000. Excluding Housing Trust properties only four out of 119 houses were in this group's affordable price range. This group of households, comprises approximately 225 households or 12% of the 1827 Salisbury resident households. For those households making less than $40,000 (approximately 604 or 33% of all households), no housing at all was available for them to purchase.[34] For those households with incomes between $60,000 and $90,000 (473 or 26% of the total), only eleven houses in 2006 and just four houses in 2007, sold at a price they could afford![35]

Clearly, the Salisbury Housing Trust served a vital function during 2006/2007. It provided half of all owner-occupied housing that might have been afforded *by nearly one-half of all Salisbury residents.* But even these Housing Trust properties would not be affordable by the residents with incomes less than $60,000 were there not a subsidy of approximately $50,000 per dwelling in the form of leased land underlying the structure.[36] It will become clear later on that the Trust's program does not come close to meeting the demand for middle income and starter housing. As we shall demonstrate in Section VIII, it would satisfy at most only one-third of the

demand for housing at its price level, *even if The Trust's production rate during 2006/2007 were sustained every year.*

VI. The Effect of Housing Affordability on Employment: A Survey of Salisbury Employers

Seven of Salisbury's largest employers (The Salisbury School, The Housatonic Valley Regional High School (HVRHS), The Salisbury Central School, The Salisbury Bank and Trust, The Interlaken Inn, Noble Horizons, Skip Barber Driving School), and The Lakeville Hose Company (Salisbury's volunteer fire company), were interviewed to gain the perspective of town employers. Together they represent some 493 full time employees, and 61 volunteers with The Hose Company.

Of the 397 employees for whom we have anonymous salary information, only a small minority, 18%, can afford even the mid-range $236,000 house in the lowest price category in our town. In other words, we conclude that 82% of the employees who work in Salisbury can't afford the few least expensive houses here. Although many of the employers stated that they do not have a problem at the moment hiring and retaining employees, most foresee a problem in a few years replacing their staff as they age and retire. For example:

40% of the faculty at the Salisbury School,
44% of the faculty at Salisbury Central School,
27% of the HVRHS faculty,
40% of the staff at Salisbury Bank and Trust,
40% of the staff at Noble Horizons,
33% of the "regular" Lakeville Hose Company membership, and
35% of the 24 non-elected Town employees

are 50 or more years old.

The Principal of Salisbury Central School foresees a problem starting in 5 years. The teachers at HVRHS who do live in Salisbury are largely in the older age groups and will most likely have to be replaced first. Since the cost of housing "definitely affects" the school's ability to recruit new teachers, a recruitment problem is looming in both schools.

The human relations administrator at Skip Barber stated that, although housing has not generally been a major recruitment problem. However, short-term rental housing is sometimes problematic.

As home prices have increased in Salisbury, employers typically have depended on affordable housing in surrounding areas for their employees. However, in 2007 the cost of housing in the towns surrounding Salisbury was increasing to the point where it too is becoming unaffordable to those who work in Salisbury.

There are other problems for employers caused by the lack of local affordable housing. A doctor lives on campus at the Salisbury School but the nurses, who are on call for emergencies, live in other towns, making it difficult for them to respond to after-hour emergencies.

A problem that concerns the Principal of Salisbury Central School is the falling enrollment which is "definitely affected by the cost of housing". Prospective residents with small children shop around for a place to live and the high cost of housing in Salisbury causes them to look elsewhere. The Principal of HVRHS stated that "the cost of housing definitely affects recruiting" and "proximity of housing to the school is important since travel is stressful". Affordable rentals are needed, she stated, particularly for new teachers in the $30,000 to $40,000 salary range.

Salisbury Bank and Trust prefers to hire local people whom they can then train. These people know the area and are known by the Bank's clientele, making for a friendly, comfortable and trustful relationship. The cost of housing is therefore "a significant factor" in hiring and retaining employees, particularly beginning staff. In addition, housing cost also affects the bank's ability to hire college graduates, middle managers and upper-level senior staff. The Bank's senior staff, as with other employers, is getting older and moving toward retirement. The Bank encourages its employees to volunteer and 90% do volunteer in Salisbury and neighboring communities. Living in town makes that possible. Living close to the job also makes for a happier employee who can take part in his or her children's after-school activities.

It is "very important" to Noble Horizons that most of its workers live nearby, particularly because of emergencies and bad weather, since those they care for need constant attention. Noble stipulates that nursing staff and chefs live within a 15-minute drive and maintenance staff within a 20-minute drive. Non-skilled employees at Noble are particularly hard to recruit. Even in two-earner families, household income is not sufficient to afford home ownership in the area of Salisbury. In addition, this staff does not want long drives to work because the drives are wearing and increasingly costly. There is a need for rental housing, in addition to affordable houses, for these people. Nursing and management staff prefer home ownership to renting.

The Chief of the Lakeville Hose Company estimated that 15 of the 49 "regular" hose company members are looking for housing now. They are in their late 20's and early 30's. They would like to remain in Salisbury; most grew up here. He estimated that 6 of the 15 would want single-family houses, which would involve an affordability problem, and the rest rentals. Therefore, housing affordability is about to become a problem for our hose company. Eight of the 49 "regular" hose company members live out-of-town; four of the eight are also in the hose companies of the towns in which they live. Naturally, their first loyalty is to the fire company in the town where they live. Another downside of our firemen not living in Salisbury is that members who live out-of-town try to respond to fires too fast and may create a traffic hazard.

Since 2000, Connecticut has seen a greater loss of 25-34 year olds than any other state, yet this age group is the prime source of new workers and families. One consequence is that Connecticut is aging rapidly. Salisbury is aging even more rapidly than the rest of the State. In

2006 the median age in Salisbury was 50, in Connecticut it was only 39. The lack of affordable housing is a significant cause of this situation.

Without affordable housing who will work in our town? Who will build, repair and maintain our community's physical plant? And who will provide necessary services? Who will take care of the increasing numbers of elderly and sick? Who will teach our children? Who will put out fires and rescue us in emergencies? Will we have to accept the deterioration of services as the pool of potential workers and professionals, such as teachers, dries up?

VII. The Demand for Middle Income, Starter, Senior ("MISS") Housing and for Low Income Rental ("LIR") Housing in Salisbury.

What is the demand for moderately priced housing in Salisbury? Demand has four components: the demand for housing by working age individuals and families in some mix of rental housing and owner-occupied housing; the demand for starter housing on the part of individuals and families (especially young professionals) in their 20's; smaller houses or condominiums and rentals for seniors; and low income rental housing.[37]

The four components of demand can be estimated as follows:

• *Demand by middle-class working-age families and individuals.*

The annual housing demand by this segment of Salisbury's households can be estimated by the number of households whose head of household is between 30 and 54 years of age and whose income lies between $30,000 and $90,000 and who have lived in their present address for one year or less. On this basis, we estimate that their housing demand is 36 owner-occupied and rental units each year.[38] For households of all incomes in this age bracket the demand is 78 units annually. Of course, not every household presently living in Salisbury wants to relocate within Salisbury but, then again, some of the households who have recently moved into their present dwellings did so from elsewhere. We assume that emigration and immigration to and from Salisbury balance approximately–at least in this age group.[39]

• *Demand for Starter Housing by families and individuals and families in their 20's*:

The annual demand for starter housing (both rental and owner-occupied) can be estimated in two ways that yield upper and lower limits for this age group.

First, let us estimate the percentage of Salisbury households headed by a person entering the group each year when turning twenty years of age minus those who are leaving the group each year when the head of household turns thirty. The calculation suggests that the demand for starter housing is 11 units/year.[40] That is probably a minimum estimate because the Census reflects the severe under-representation of residents in their twenties since so many emigrated from Salisbury either to college or for lack of housing and/or jobs. On the other hand, Census

2000 figures also include the effect of some (probably very small) immigration of young non-residents into the town.

Second, one can set as a goal that the town's future working age population will be assured if its graduating high school seniors eventually live in the town, in many cases after returning from college, military service or technical schools, or that those who do not return are replaced by other young families immigrating to Salisbury. Thus we are assuming here that the economic and social well being of Salisbury requires that the current "graduate drain" of future young households be brought to a halt. Under this assumption, the demand for starter housing is between 8 and 15 units annually.[41] This estimate represents housing demand derived from the needs of the Town, not any factual condition. It asserts that in order to keep the proportion of young individuals and families at their current level between 8 and 15 starter houses must be available each year. Since this represents a goal, not a fact, it should be decided after discussion with present and prospective employers as well as those providing essential social services such as fire protection and emergency medical response.

Combining both calculations, we estimate the annual demand for starter housing in Salisbury to lie between 8 and 15 units mixed between rental and owner-occupied but probably biased toward rental units.

• *Demand for Senior Housing*:

Senior housing demand has three components: first, retirement housing for active individuals and couples; second, housing for widows and widowers, or, less often, for senior singles and couples who desire smaller housing and/or who would like to share their existing house with younger individuals; and, third, housing/beds for those who are in need of nursing care and/or assisted living.[42]

The first group consists mainly of Salisbury residents between the ages of 65 and 74. In 2000 the group comprised 335 persons or 8.4% of the population. Since morbidity in this subgroup appears to be relatively small[43] and since it would seem likely that most of this subgroup would prefer to remain in their present dwelling so long as they can take care of themselves, their demand for small affordable housing may be small.[44] We will assume that it is negligible and almost certainly less than 5 units annually.

While the second and third groups are difficult to break apart in the existing data, their aggregate demand for all types of housing can be estimated. We will assume that with demand for the second and third types of housing consist almost entirely of "senior-seniors" age 75 and over.[45] In 2000 senior-seniors comprised 524 persons (13.2% of Salisbury's population) grouped into approximately 367 households with an average of 1.43 people/household.[46] Between 2000 and 2007 the number of seniors aged 65 and over increased from 859 to 960; that is, 101 persons comprising 67 households.[47] Annually, this increase amounts to approximately 10 households. Further, because housing prices have been rising rapidly in recent years, we can assume that most, if not all, currently affordable senior housing becomes unaffordable when it goes on the

market. Therefore, the demand for affordable senior-senior housing is probably at least 10 units but could be as high as 32 units annually.[48]

• *Demand for Low Income Rental Housing*:

The 2000 Census found that, of all the towns in the Northwest Corner, Salisbury had the highest percentage (7.8% or 297 individuals) of residents living below the federal poverty level. In addition, in 1999, 44.7 % of households with incomes at or below 50% of the Salisbury median income had severe housing cost burdens.[49] If the percentage in poverty reported in Census 2000 holds for 2007, there are some 330 people and 142 households living in poverty in Salisbury today, most of whom potentially have severe housing cost burdens.[50] Some 30 of those 142 households are living in subsidized housing, others are living in inexpensive rental units and others are living with relatives or are scraping by in homes they own whose mortgages have probably been paid. Except for those in subsidized housing, the other 112 households in poverty are believed to have severe housing cost burdens.[51]

To estimate the demand for low-income rental housing we interviewed the property manager of Sarum Village, the subsidized low-income housing facility in Salisbury. She provided us with anonymous information about individuals and families on the Sarum Village rental waiting list between February 2006 and February 2008. (Table 2, p.29) During that two-year period, sixteen new applicants were added to the list or an average of eight per year.

One must treat this average with caution. If one considers the year from the end of February, 2006 to the end of February, 2007 the waiting list increased by six; however, from the end of February, 2007 through the end of February, 2008 the list increased by 10. That represents a 167% increase year to year. But most of the increase occurred between July, 2007 and February, 2008. Might this spike in late 2007 and early 2008 reveal the special vulnerability of lower income families to the oncoming recession that may have begun in late 2007? While we have no definitive evidence to answer this question, we believe the situation bears watching.

Given the year-to -year variation in the number of applicants on the Sarum Village waiting list, we estimate that the annual demand for LIR housing to be between six and ten units. However, the true demand could be considerably higher.[52] This range also has the virtue that, as conjectured above, it may bracket the current variation in LIR demand resulting from changing economic conditions.

In our attempt to pin down the demand for LIR housing, we also reviewed anonymous intake forms with the Town of Salisbury Social Worker for 94 separate households seeking the assistance of Salisbury Family Services ("SFS") during the two years from September 2005 to September 2007.[53] These forms were completed by Salisbury families and individuals who required assistance for medical, financial and other problems in addition to housing. Analysis of the forms suggests that the addition of thirty subsidized LIR units over the two year period (an average of fifteen per year) would meet the needs of SFS applicants. There is reason to believe that this number considerably overstates the true need. Since it is impossible to know the degree

to which the need is overstated, we have not incorporated the review of SFS intake forms in our estimated demand for LIR housing. The SFS data does, however, qualitatively reveal the heavy housing burden borne by many lower income residents of Salisbury. Therefore we include it in the notes to suggest the serious shortage of *affordable* LIR housing even though it is inadequate to providing a quantitative estimate of LIR demand.[54]

• *Total Demand for MISS and LIR Housing in Salisbury*:

Adding together the four components of MISS plus LIR housing we conclude that the annual demand for these types of housing to be at least 60 units but it could be as high as 93 units.[55] The demand could be met in three ways: by the sale or rental of existing housing stock that members of the three groups can afford; by the construction of new housing, including rental housing, in their price range; and by consolidation of demand among the four groups–for example through home-sharing or living with friends or parents. In the case of senior-senior housing some of the demand may be met by the turnover or by new construction of nursing home and assisted-living beds/cottages and condominiums.

VIII. Findings: Total Supply; MISS & LIR Housing Gaps; MISS & LIR Housing Self-Sufficiency.

• *Total Housing Supply at ANY price barely equals the Demand for MISS and LIR housing.*

For 2006 and 2007, on average 62 houses of *all* prices were sold annually in Salisbury.[56,57,58]

Sales of existing houses did not help meet the demand for "affordable" housing per Connecticut state guidelines. When applied to Salisbury township, affordable housing is housing that does not cost more than 30% of the income for a household whose income itself is 80% of the Salisbury's median income. In 2007 Salisbury's median household income was $64,697.[59] Of the 54 *non-subsidized* houses sold in 2007, only two were sold for less than $233,500–the sales price that meets this guideline.

When the supply of MISS and LIR housing is not forthcoming, Salisbury residents will look to neighboring towns such as North Canaan. And that is exactly what Salisbury MISS residents are doing. For example, eight members of the Lakeville Hose Company now live in other towns.[60] The problem for all employers is expected to become worse in about five years as the workforce comprised of Salisbury residents, who either inherited or bought their homes in less pricey times, ages. Then there will be few younger workers to replace them who can afford to live in the town.[61] The drain of younger workers is statewide and not unique to Salisbury.[62]

• *The Housing Gap*: *Supply is skewed against MISS and LIR housing*:

Table 3(p.30) and Figures 8-10(pp.32-34) estimate the annual Salisbury housing supply, including rental supply, as well as the low, mid, and high demand for MISS and LIR housing for

each household income group.[63] In addition, the table and figures calculate the difference, the gap, between the supply and demand for such housing.[64]

The first point to notice about Table 3(p.30) and Figures 8 and 9(p.32,33) is that "demand" refers to the number of housing units that a given income group would seek if the supply were available and affordable.[65] This concept of demand assumes that the propensity to move, given an affordable supply, is the same for all income groups. The second point to notice is that the annual supply of housing is strongly skewed against the needs of most Salisbury residents. In 2006/2007, an average of 51 units (82%) out of a total of 62 for sale consisted of units that could only be purchased by households with incomes greater than $90,000. But that upper income group comprises only 29% of Salisbury residents. Therefore there remain 11 units[66] for sale annually that could have been purchased by households with incomes less than $90,000. In addition, an average of 40 rental units on the market took up some of the slack in Salisbury residents' demand for housing giving a total supply of 51 units of MISS and LIR housing typically on the market. This supply was insufficient to meet the MISS and LIR demand determined earlier to be between 60 and 93 units annually.

Consider, therefore, the annual gap between supply and demand shown in Table 3(p.30) and Figure 13(p.38). The total HIGHGAP is 42 units, total MIDGAP is 25, and total LOWGAP is 9 units. These estimated gaps assume that The Salisbury Housing Trust continues to provide additional affordable housing units at the same annual rate (2 per yr) that it did in 2006/2007. If such is not the case, then one must increase each *total* gap by 2 units. It should also be pointed out that the MIDGAP is simply the midpoint between the HIGHGAP and the LOWGAP. It is not the "most likely" value of the MISS and LIR housing gap. The authors have no criterion by which to assert that any one point in the band between the LOWGAP and HIGHGAP corresponds to the "true" gap. We are only asserting that the actual gap between supply and demand lies somewhere in the gap band. Intuitively, given the typical number of housing units (102 sales and rentals) at play in Salisbury at any time and given Salisbury's small resident population (4,239), we feel that the HIGHGAP may be a bit high while the LOWGAP is probably too low. Thus, in the following analysis we shall adopt the hypothesis that the MIDGAP corresponds to the most likely need for additional MISS and LIR housing though we caution that there is no factual basis to justify our hypothesis. It should also be explained that in Figures 11-13 a negative number gap corresponds to a surplus of housing for the corresponding income group.

Notice the undulating shape of the gap curves shown in Figure 10(p.34). All curves peak, first, approximately in the $20,000 to $30,000 household income range and then again in the income range from $60,000 to $90,000. The first peak may correspond to the LIR rental component of the housing gap while the second probably reflects the difficulty even solidly upper middle income families experience in finding a house to buy at a price they can afford during 2006/2007. Surprisingly, for extreme lower income households below $20,000 the gap is lower. There may even be a small surplus of housing for this group if the LOW DEMAND corresponds to Salisbury's situation. The small gap in this very low income range may also reflect the small number of households in these groups;[67] however, there is evidence that these

estimates from census data may be too low (see below). Most interesting is the dip in the gaps for household incomes between $30,000 and $60,000. While some of this dip reflects the relatively small size of these cohorts relative to their neighbors,[68] about half reflects the activity of The Salisbury Housing Trust during 2006/2007. Notice that the LOWGAP curve declines from 4 units to zero units–a difference of 4 units from the $30,000-$41,000 income group to the $41,000-$60,000 group. During 2006/2007, the Housing Trust delivered 2 units annually to be purchased by families in the latter group. Thus the Housing Trust made a big difference; it satisfied about half the gap between supply and demand for the $41,000-$60,000 group.

We conclude that the effect of non-profit affordable owner-occupied housing programs can be seen in Salisbury's housing statistics; however, they are too small to eliminate the MISS and LIR housing gap. Even more important, they do not address major components of the MISS and LIR gap.

• *Low-Income Rental Housing*:

For example, these programs do not address the rental component for households with incomes between $18,000 and $30,000. In Table 3(p.30), we estimate their unfilled demand to lie between one and eight units annually. Somewhat unexpectedly there may even be a very small surplus of housing available for those with extremely low incomes below $18,000.[69]

A household with an annual income less than $30,000 cannot afford a rent greater than $750/month (30% of income). For these households, Table 3 in this report projects a LOWGAP surplus of one unit per year, a MIDGAP deficiency of five units per year of low-rent housing, and a HIGHGAP deficiency of eight units per year. Considering the information provided by the property manager at Sarum Village in the previous section, we estimate an average unmet demand of eight units per year for low-income subsidized rental housing–that is exactly the HIGHGAP level of eight units per year given in Table 3 for incomes below $30,000. This implies the need for a total of 67 additional LIR units over the next eight years when annual turnover of these units would balance annual demand if construction proceeds at the pace of eight units.[70]

• *Upper-Middle Income Needs for Affordable Housing*:

Another component of "affordable" housing needs not addressed by non-profit affordable owner-occupied housing programs is the need for housing on the part of upper-middle income families and individuals with incomes in the $60,000-$90,000 range.[71] This income group is actually Salisbury's largest with 473 households in 2007.[72] The group's very large gap (between 6 and 18 units annually) indicates the pressure even these financially solid households experienced in Salisbury's booming housing market during 2006/2007. This group may obtain relief during the coming decade if housing prices decline as we expect.

Finally, even within the Housing Trust's target income group of $30,000-$60,000, its valiant efforts and those of similar programs in other towns do not meet the demand. Including

Housing Trust sales, from Figure 10(p.34) we estimate that an increase of between 4 and 13 units annually of owner-occupied housing for these two cohorts is necessary to satisfy their housing demand. During 2006/2007 the exceptional output of the Housing Trust filled slightly less than one-third of the MIDGAP deficiency (8 units) for of these two income groups. Were the Salisbury Housing Trust not active, the gap for housing for families and individuals in the $30,000-$60,000 range would be between 6 and 15 units annually.

• *MISS and LIR Housing self-sufficiency: How much is enough?*

So far we have considered only the annual demand for MISS and LIR housing and the annual deficiency in its supply. Must Salisbury somehow produce annually 25 (the total MIDGAP for all income groups), and possibly as many as 42, additional new or converted/home-share rental and owner-occupied housing units indefinitely? Clearly, such is impossible. If that program were carried out, in a few decades Salisbury would become a metropolis entirely comprised of affordable MISS and LIR housing!

Fortunately such is not the case. *Provided that MISS and LIR housing units, once added, remain as such, that is, they do not bracket creep out of the MISS and LIR market, and provided that the demand for MISS and LIR housing remains substantially as it is today*, eventually the added stock will become sufficiently large so that its natural turnover to new occupants matches the assumed natural demand for MISS and LIR housing. As we have seen, housing stock in Salisbury, including both rental and owner-occupied, turns over at a rate of about 12% annually or 1% per month. This turnover rate implies that when the total added MISS and LIR stock reaches approximately 208 units (the MIDGAP balance point) Salisbury will have sufficient MISS and LIR housing for its residents.[73] Only regular repairs, renovation and/or replacement of deteriorating units will then be required. This total represents an increase of slightly more than 8.4% in Salisbury's total housing stock.[74] It would take approximately eight and one-third years to achieve this goal, once a program is fully underway.[75] Since it would probably take at least two to three years for the program to be producing additional units at the annual GAP rate, the planning horizon to self-sufficiency is 10-12 years. Thus Salisbury might achieve MISS and LIR self-sufficiency sometime between 2018 and 2020–hence our choice of 2020 as the planning horizon in the title of this report.

When we look at the deficiency in the supply for MISS and LIR housing shown in Figure 13(p.38), there are three income components: rental housing for households with incomes less than $30,000; middle class, largely single family, owner-occupied housing for households with incomes between $30,000 and $60,000; and upper middle class single family owner-occupied housing for households with incomes between $60,000 and $90,000.

The first component (less than $30,000 household income) is the province of Sarum Village and similar, predominantly multi-family, rental units constructed and maintained by the Salisbury Housing Committee. At the computed MIDGAP, annual additional demand for LIR housing is expected to be five units with self-sufficiency being attained when 42 units have been

added to the existing stock. At the average demand rate of eight units suggested by the Sarum Village data, LIR self-sufficiency requires 67 additional units.

The second ($30,000-$60,000 household income), is the province of the Salisbury Housing Trust and Habitat for Humanity and similar single or multi family owner-occupied housing programs. At the MIDGAP, annual additional demand is expected to be eight units with self-sufficiency being attained when 67 units have been added to the existing stock. We wish to note that particular assistance may be needed for those in the lower end of this income component, that is, for those with household incomes between $30,000 and $42,000 for whom an affordable house must cost between $110,000 and $150,000. As evident in Figure 10(p.34), this subgroup is not served by programs like the Housing Trust. Table 3(p.30) indicates that this subgroup may be doubly pinched because the annual supply of rental units that they can afford is only three units. To rectify this situation one may have to entertain the possibility of public-private joint ownership between the occupant and public/non-profit entities for "working-poor" families in this income range.[76]

The third component ($60,000-$90,000 household income and corresponding affordable housing prices between $215,000 and $320,000) is not served by any public or private MISS housing program known to the authors.[77] At the MIDGAP, annual additional demand is expected to be 12 units with self-sufficiency being attained when 100 units have been added to the existing stock. Responsibility for the construction and financing of housing for this category of MISS housing lies largely in the private sector, but, if Table 3 is any indication, during 2006 and 2007 supply was not being built. Because supply rather than ability to pay may be the principal constraint in this category, it is here that builder incentives, such as changes in zoning regulations or reductions in the cost of complying with water and sewer specifications, might have the most effect. This possibility should be considered in the subsequent reports.

Whatever the eventual solution, it is vital that households within the $60,000-$90,000 brackets be brought within the purview of affordable housing programs and guidelines as economic conditions and interest rates fluctuate. In terms of numbers this group comprises the largest single group of households (473 in 2007) with by far the largest MISS housing gap (MIDGAP = 12) in Salisbury.[78] This group is affected the most when housing prices increase rapidly as they did from 2002-2007. To reiterate the discussion in section IV, Figure 5(p.26) reveals that for ten years, from 1991 through 2001, the ratio of the median sale price of housing to median household income was in the range 3.1-4.7. Before and afterward the ratio was significantly higher–between 5.1 and 9.5. Thus, from 1991 through 2001 families in the $60,000 to $90,000 group, with incomes near or just above the Salisbury median, could (with some stretch) afford to buy a median priced house in Salisbury. They could not do so before or afterwards.

Further, we wish to emphasize once again that, even though housing was more affordable during the 1990's, Salisbury still had an affordable housing problem: First, the group whose incomes now range between $60,000 and $90,000 always resides in Salisbury on the margin of housing affordability. Its ability to find housing at an affordable price to income ratio increases

or decreases depending on fluctuations in housing prices and/or interest rates. Second, even in favorable times, for families with incomes below the median, the distribution of housing prices does not match the distribution of household incomes. For them, housing, especially owner-occupied housing, is almost always unaffordable without substantial assistance, subsidy or needs-matching programs such as home-sharing.

In this section we have outlined the MISS and LIR housing gap and have shown that it is possible for Salisbury to become self-sufficient in affordable MISS and LIR housing over the next twelve years. To do so, it must add about 208 units to its existing MISS and LIR housing stock and it must take legal and financial steps to ensure that each unit of MISS and LIR stock remains affordable.[79] In a preliminary analysis not included here, we have determined that the cost would be significant but not financially impossible for the Salisbury community.

IX. Conclusion: *MISS and LIR Housing in Salisbury, 2008-2020*: *Act NOW–Opportunity may be knocking.*

To recap briefly, in section II, Figure 1(p.20) and Table 1(p.21) we saw that between 1989 and 1991 the median price of houses *actually* sold in Salisbury dropped 55% from $390,000 to $172,500. Subject to small oscillations, it remained at or below $200,000 for a decade through 2001. Finally, in 2002 the median sales price rose to $285,000, from which point it almost doubled to $500,000 in 2007. In 2007, there is some evidence that housing prices are once again softening in Connecticut generally and Salisbury in particular.[80] Recent data from the first quarter of 2008 suggest that the housing market could be in for a precipitous downturn in Connecticut and possibly *even in Salisbury*.[81,82] If the experience of the 1990's is any indication, the median sale price of housing in Salisbury could decline as much as 50% over the next eighteen months. While no crystal ball exists to conjure the future performance of the housing market, Figure 1 (p.20) suggests that housing prices could remain depressed until 2018.

Were housing (and land) prices to fall by half, the landscape for affordable MISS and LIR housing would change drastically. To be specific, were housing sale prices to fall by 50%, the annual supply of affordable housing for the $60,000-$90,000 upper middle income group would rise by 25 units. Even their HIGHGAP of 18 units would be wiped out and a surplus of 7 units annually would exist for these households.[83] While it is anybody's guess whether this scenario will come to pass, we believe affordable housing advocates should be prepared for any eventuality.[84,85]

The ability to take advantage of market opportunities depends upon the availability of credit as well as direct public/foundation grants and subsidies. These may be in short supply if municipal budgets are pinched and charitable donors to affordable housing suffer declines in the financial markets.[86] In that case, the Town of Salisbury may want to consider high-leverage support of MISS and LIR housing through loan guarantee programs, and property tax reductions as well as changes in planning policies and zoning regulations. Such supports and incentives would favor MISS and LIR housing, at little direct cost to the Town.

As suggested previously section, over the next twelve years it is possible for Salisbury to permanently meet the demand for middle-income, middle-age housing, for young family and individual starter housing, for senior housing, and for low-income rental housing–including housing for those in or near poverty. In short, the lack of affordable housing could disappear if the effort were dedicated.[87] To do so will require substantial but not, we believe, an impossible financial and policy commitment. We hope this report will stimulate a community-wide effort to analyze and present appropriate recommendations for action in the near future. A financially favorable opportunity to make those recommendations reality could be immanent.[88] While a downturn from the hyper-heated real estate market of 2007, if one occurs, may last for several years, it will not last forever. Will we act in time or will we MISS out?

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Whether and how we make those choices depends on the community we want Salisbury to be in 2020? Do we want to walk in town and not see children? Do we want ours to be a retirement community with only an aging population? Do we want ours to be a community of 50-plus wealthies and weekenders? Do we really want our town to become a monoculture? Or do we want it to continue as the community we have been for 200 years: a diverse vibrant community of all ages, one including young families with children as well as seniors; one including professionals, blue-collar and service workers as well as retirees, one including individuals and families of all incomes? Diversity with its ability to match the ever changing needs and opportunities our town will face is the ultimate concern underlying the issue of "affordable housing." With enough money, the availability of emergency responses, services and repairs is not an issue; any group with sufficient resources can always import them from however afar.[89] But is that what we really want–a community that buys its way out of the future? We believe that almost all in Salisbury would choose our legacy–one that can also be a home for our children and grandchildren.

If we wish our town to also be the home for our children and grandchildren, we must act NOW. As we remarked early on, if we are to persuade them to live in Salisbury, we must start preparing now for their graduation in 2020. Their choice to stay here or to leave us will be based on the opportunities or lack thereof that they perceive during their years in school. Will we act or will we MISS out?

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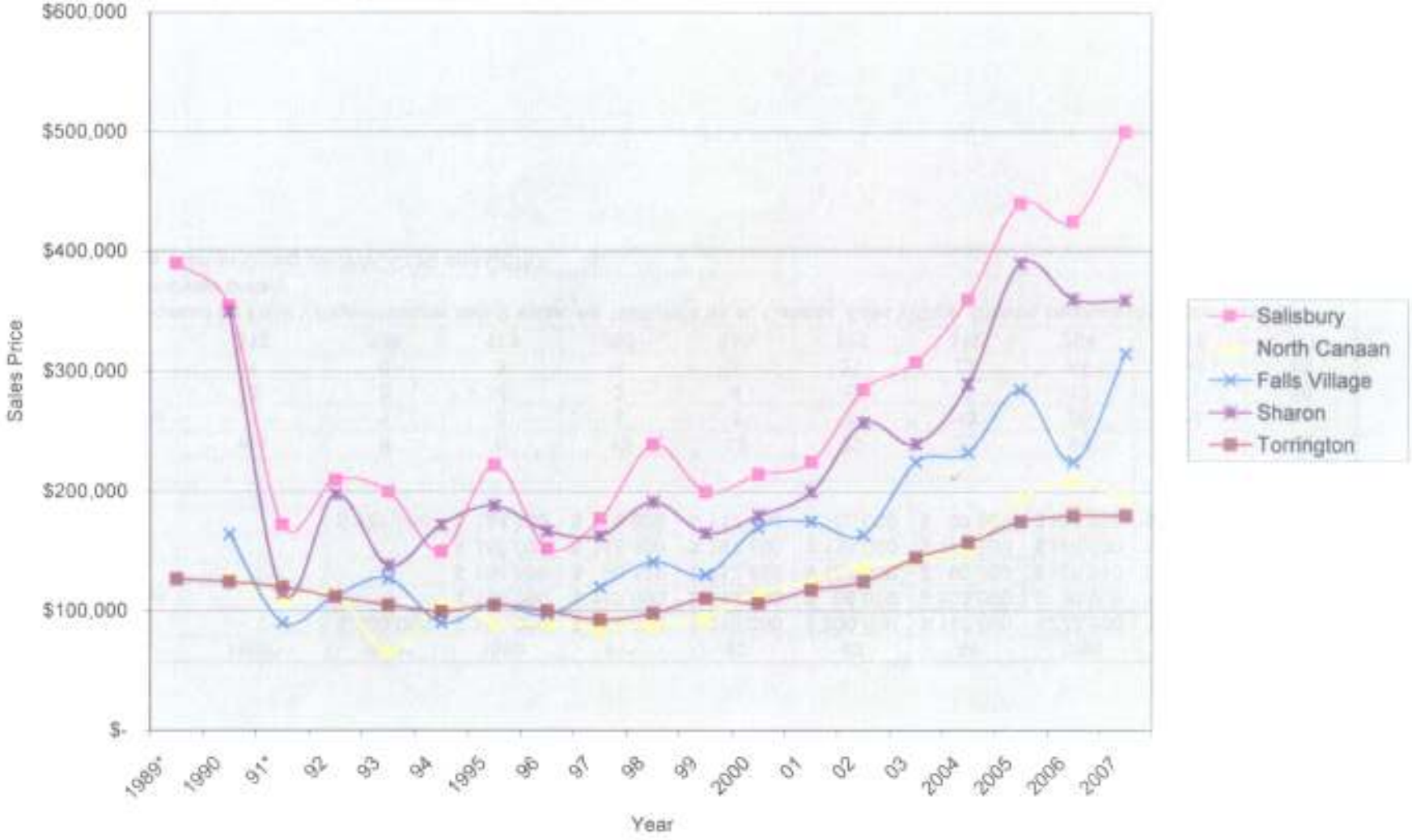
13. Figure 10: 2006/2007 Salisbury Housing HIGHGAP, MIDGAP and LOWGAP for each MISS and LIR Income Group 37

Figure 1
NW Connecticut Median Nominal Price of Single Family Houses



* 1991 data for Falls Village interpolated because only 2 sales; no 1989 data for N. Canaan, Falls Village, Sharon because less than 2 sales each.

Table 1
1989-2007 NW Connecticut Median Sales Price
of Single Family Homes and # of Homes sold

Town	1988*	1989*	1990	91*	92	93	94	1995	96	97
Salisbury		$ 390,000	$ 355,000	$ 172,500	$ 210,000	$ 200,000	$ 150,000	$222,500	$152,500	$177,500
North Canaan			$ 130,000	$ 110,000	$ 113,500	$ 66,000	$ 105,000	$ 90,000	$ 90,000	$ 85,000
Falls Village			$ 164,500	$ 90,125	$ 112,833	$ 127,500	$ 90,000	$105,750	$ 96,620	$120,000
Sharon			$ 350,000	$ 115,000	$ 197,500	$ 138,000	$ 172,500	$188,000	$167,000	$163,000
Torrington		$ 127,000	$ 124,750	$ 119,900	$ 112,000	$ 105,000	$ 99,500	$104,950	$100,000	$ 92,500
# of Sales										
Salisbury	n.a	9	6	13	18	32	33	34	62	68
North Canaan	1	1	7	7	7	7	13	29	28	31
Falls Village	2	2	4	2	4	5	9	12	11	16
Sharon	1	0	3	3	4	21	22	45	40	48
Torrington	312	228	173	225	285	327	312	284	312	347

* 1991 interpolated for Falls Village because only 2 sales; no 1989 data for N. Canaan, Falls Village, Sharon because less than 3 sales.
all prices in nominal dollars
Sources: The Warren Group via NWCCOG and CERC

Table 1 (continued)
1989-2007 NW Connecticut Median Sales Price
of Single Family Homes and # of Homes sold

98	99	2000	01	02	03	2004	2005	2006	2007	Town
$239,500	$200,000	$215,000	$225,000	$285,000	$308,000	$360,000	$440,000	$425,000	$500,000	Salisbury
$ 88,500	$ 94,950	$115,000	$125,000	$138,000	$144,000	$153,750	$195,000	$210,000	$195,000	North Canaan
$141,475	$130,500	$170,000	$175,000	$163,750	$225,000	$233,125	$284,575	$225,000	$315,000	Falls Village
$191,250	$165,000	$180,000	$200,000	$257,500	$240,000	$289,500	$390,000	$360,000	$359,000	Sharon
$ 98,000	$110,500	$106,600	$118,000	$125,000	$145,000	$157,400	$175,000	$179,900	$180,000	Torrington
										# of Sales
61	89	81	69	92	58	58	69	54	47	Salisbury
36	38	41	35	53	48	64	39	45	31	#N Canaan
16	20	25	15	26	20	16	24	14	17	# Falls Village
42	45	59	47	48	38	35	49	48	41	# Sharon
363	476	488	565	662	679	670	659	567	519	# Torrington

Table 1 (continued)
1989-2007 NW Connecticut Median Sales Price
of Single Family Homes and # of Homes sold

98	99	2000	01	02	03	2004	2005	2006	2007	Town
$239,500	$200,000	$215,000	$225,000	$285,000	$308,000	$360,000	$440,000	$425,000	$500,000	Salisbury
$ 88,500	$ 94,950	$115,000	$125,000	$138,000	$144,000	$153,750	$195,000	$210,000	$195,000	North Canaan
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$191,250	$165,000	$180,000	$200,000	$257,500	$240,000	$289,500	$390,000	$360,000	$359,000	Sharon
$ 98,000	$110,500	$106,600	$118,000	$125,000	$145,000	$157,400	$175,000	$179,900	$180,000	Torrington
										# of Sales
61	89	81	69	92	58	58	69	54	47	Salisbury
36	38	41	35	53	48	64	39	45	31	#N Canaan
16	20	25	15	26	20	16	24	14	17	# Falls Village
42	45	59	47	48	38	35	49	48	41	# Sharon
363	476	488	565	662	679	670	659	567	519	# Torrington

Figure 2
2006/2007 Salisbury Distribution of Housing Sales Prices

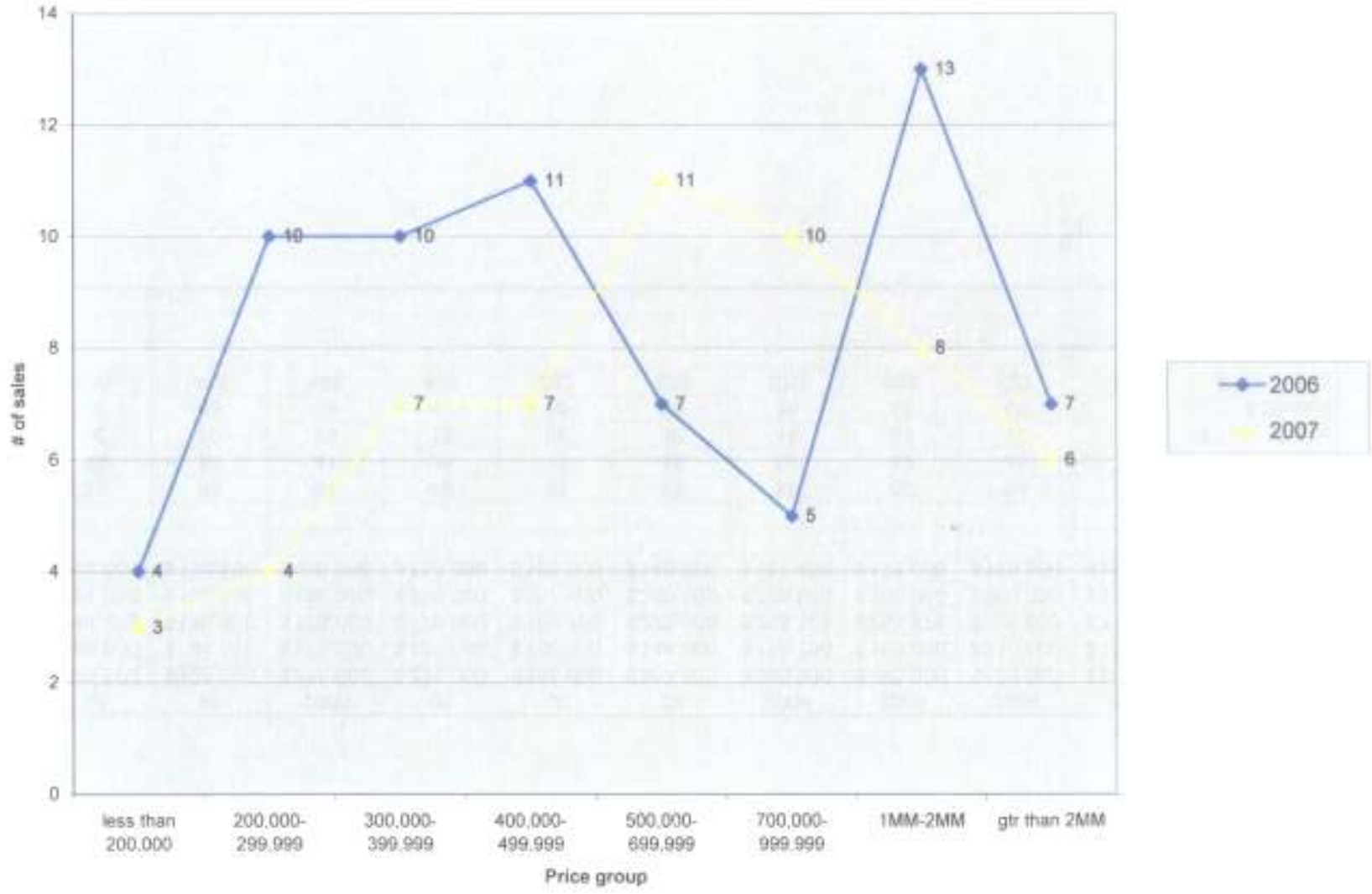
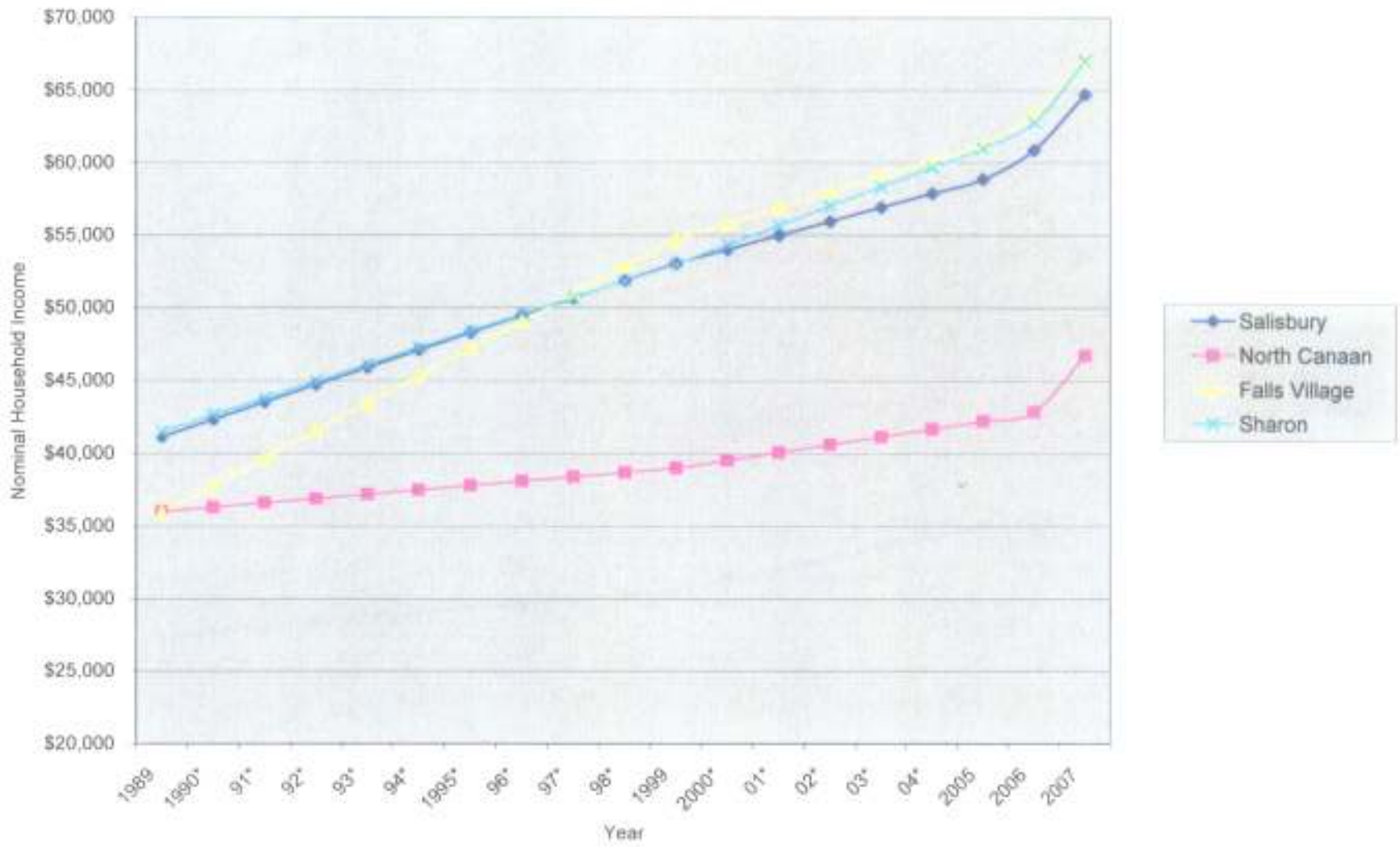
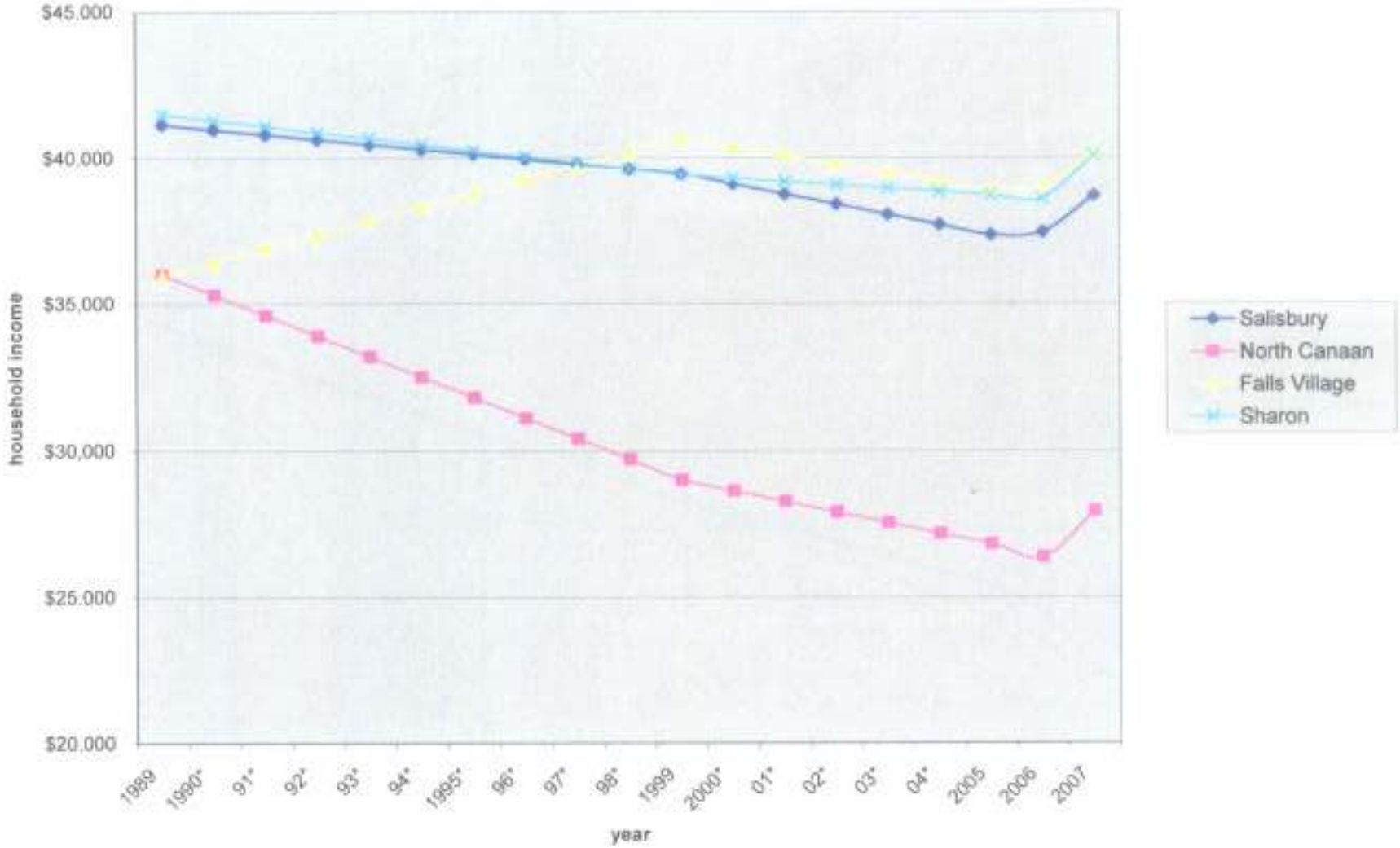


Figure 3
NW Connecticut Nominal Median Household Income



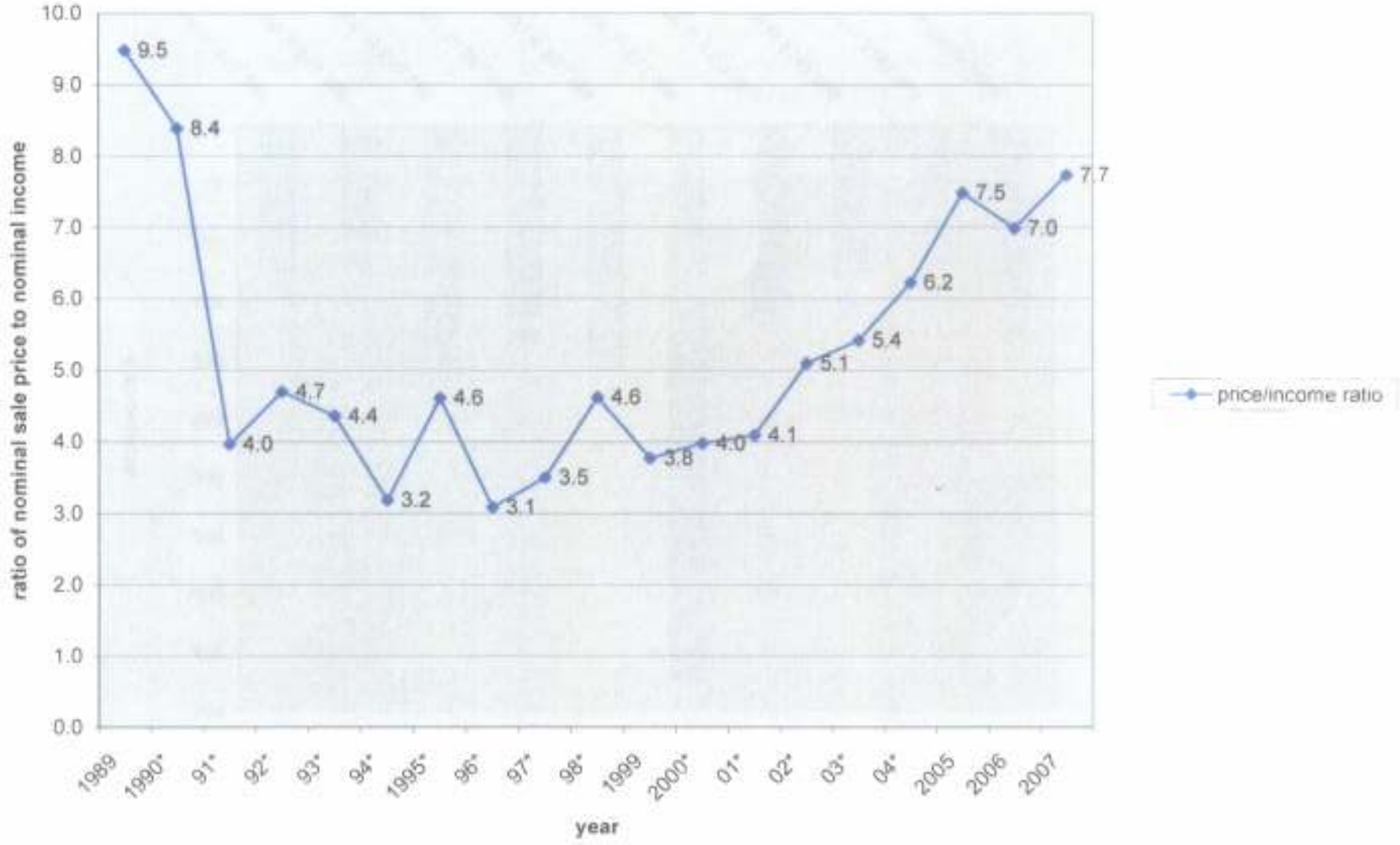
* intercensus income data interpolated.

Figure 4
NW Connecticut Real Median Household Income (1989$)



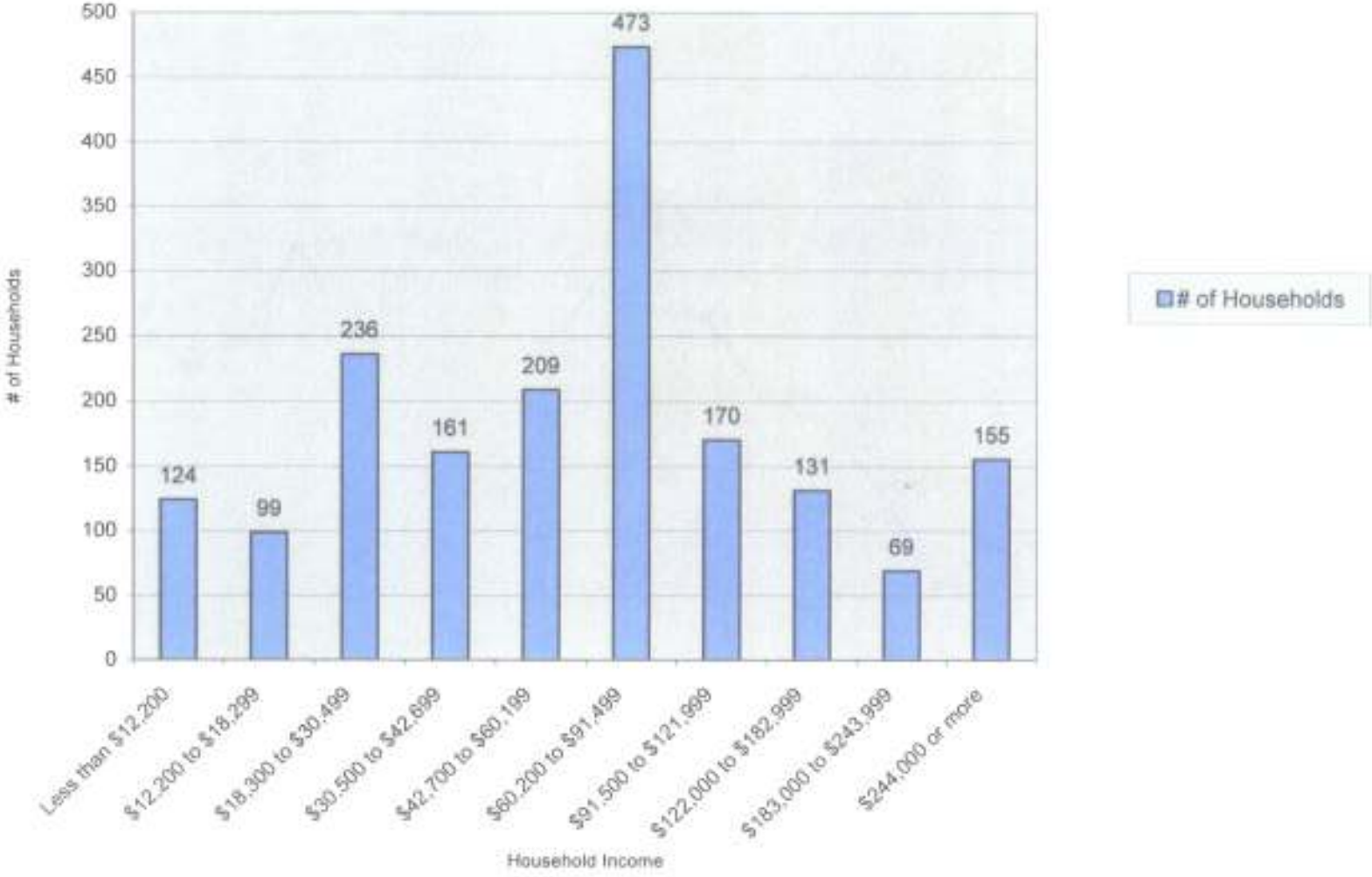
* intercensus income data interpolated

Figure 5
Salisbury Ratio of Nominal Median Sale Price to Nominal Median Income, 1989-2007



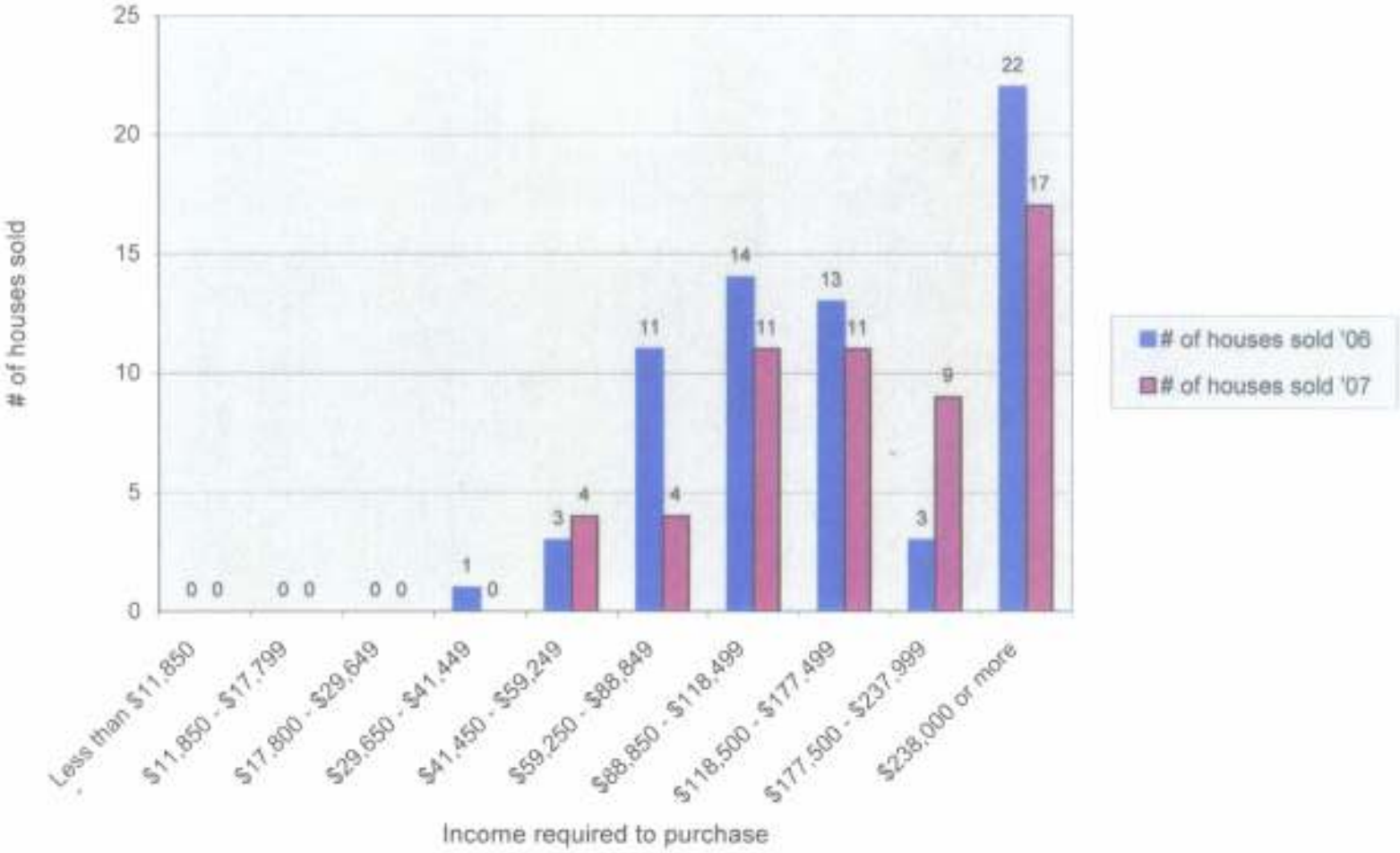
* Sales prices are actual data; intercensus incomes are interpolated from Census 2000 data

Figure 6
2007 Salisbury Distribution of Household Income*



* 2007 median household income $64,697;
1,827 households

Figure 7
2006 and 2007 Salisbury Home Sales
vs
Income required to purchase



2006 total sales: 67; median household income $60,870
2007 total sales: 56; median household income $64,697.

Table 2
Households on Sarum Village Waiting List

Date	02/06	04/06	06/06	09/06	10/06	02/07	04/07	06/07	08/07	10/07	12/07	02/08
# on List	25	28	28	29	30	31	30	34	37	38	39	41

Table 3
Salisbury 2006/2007 Housing Supply, MISS and LIR Demand, and Housing GAP's
(Units/year)

Sales Price ($)[1]	Household Income($)[1,2]	Households		Sold 2006 & 2007		Av. Ann. Sales	Annual Rental	Total Ann. Supply:
Homes Sold 2006 & 2007	Needed for Mortgage	%	Av. #	%	#	#	supply[3]	# of units[4]
Less than $42,765	Less than $11,850	6.8%	123	0%	0	0	6	6
$42,766 -$ 64,239	$11,850 - $17,799	5.4%	98	0%	0	0	6	6
$64,240 - $107,008	$17,800 - $29,649	12.9%	235	0%	0	0	9	9
$107,009-$149,596[5]	$29,650 - $41,449	8.8%	160	1%	1	1	3	4
$149,597 -$ 213,839[6]	$41,450 - $59,249	11.4%	208	6%	7	4	6	10
$213,840 -$320,670	$59,250 - $88,849	25.9%	471	12%	15	8	9	16
$320,671 - $427,682	$88,850 - $118,499	9.3%	169	20%	25	13	0	13
$427,683 -$640,622	$118,500 - $177,499	7.2%	130	20%	24	12	0	12
$640,623 - $858,977	$177,500 - $237,999	3.8%	69	10%	12	6	0	6
$858,978 or more	$238,000 or more	8.5%	154	32%	39	20	0	20
	TOTAL	100%	1817	100%	123	62	40	102

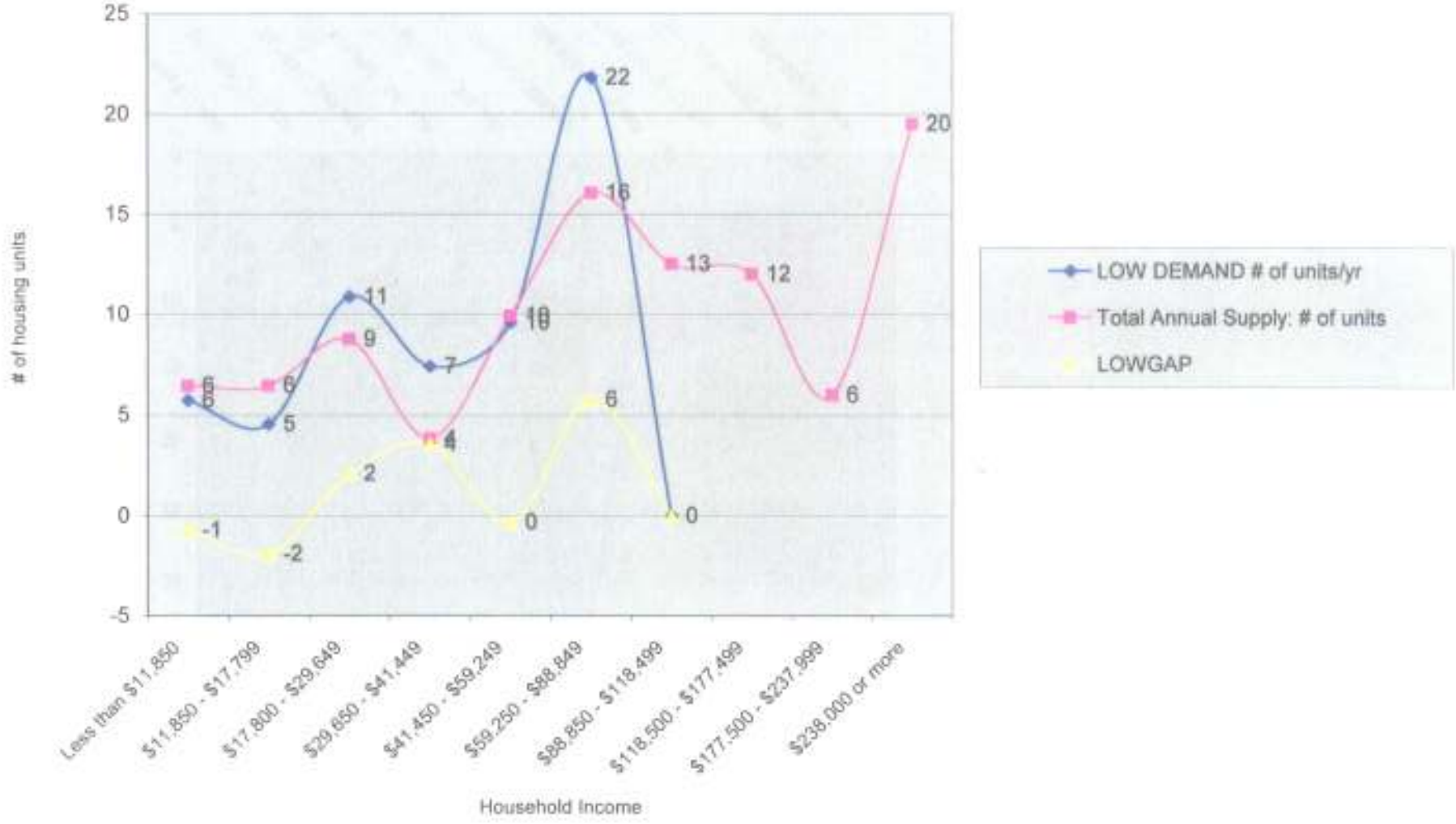
1.Income and sales price categories reflect changes in nominal $ from 2000 to 2007.
2. Income need assumes 30% of income for mortage, taxes and insurance with a fixed 30 year, 90% mortgage with interest at 6.25%.
3. Rental units computed to turn over at 1%/month. Supply for income group varied inversely to Census proportion of income for rent.
4. Total supply may differ from sales + rental because of rounding procedures. Supply #'s from Census 2000 adjusted to 2007
5. Sales between 107,009 and 149,596 include 1 Salisbury Housing Trust sale
6. Sales between 149,597 and 213,839 include 3 Salisbury Housing Trust sales
7.Demand =Total # of sale +rental units required assuming same propensity to move for all incomes if supply available and affordable.
8. LOW DEMAND = 60 See section VII.
9. HIGH DEMAND = 93 See section VII.

Table 3 (continued)
Salisbury 2006/2007 Housing Supply, MISS and LIR Demand, and Housing GAP's
(Units/year)

Sales Price ($)[1]	Household Income($)[1,2]	LOW DEMAND	HIGH DEMAND	LOWGAP[10,13]	HIGHGAP[11,13]	MIDGAP[12,13]
Homes Sold 2006 & 2007	Needed for Mortgage	(#/yr)[7,8]	(#/yr)[7,9]			
Less than $42,765	Less than $11,850	6	9	-1	2	1
$42,766 -$ 64,239	$11,850 - $17,799	5	7	-2	1	-1
$64,240 - $107,008	$17,800 - $29,649	11	17	2	8	5
$107,009-$149,596	$29,650 - $41,449	7	11	4	8	6
$149,597 -$ 213,839	$41,450 - $59,249	10	15	0	5	2
$213,840 -$320,670	$59,250 - $88,849	22	34	6	18	12
$320,671 - $427,682	$88,850 - $118,499	n.a.	n.a	n.a.	n.a	n.a
$427,683 -$640,622	$118,500 - $177,499	n.a.	n.a.	n.a.	n.a	n.a
$640,623 - $858,977	$177,500 - $237,999	n.a.	n.a.	n.a.	n.a	n.a
$858,978 or more	$238,000 or more	n.a.	n.a.	n.a.	n.a	n.a
	TOTAL	60	93	9	42	25
		SELF-SUFFICIENCY (# of units)[14]		**71**	**346**	**208**

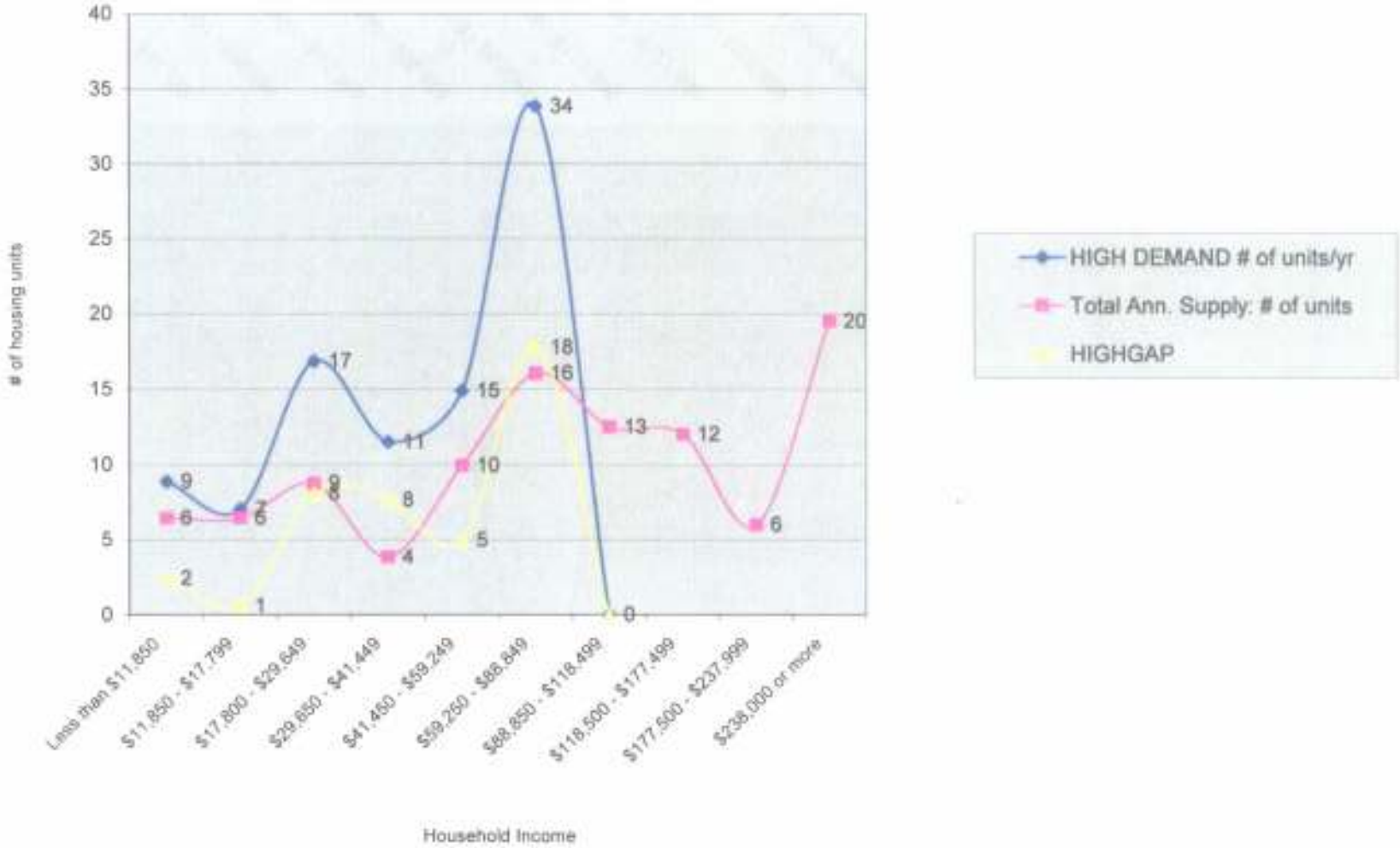
10. LOWGAP = LOW (MISS & LIR) DEMAND - Total Supply
11. HIGHGAP = HIGH (MISS & LIR) DEMAND - Total Supply
12. MIDGAP = (HIGHGAP - LOWGAP)/2 + LOWGAP
13. Calculated gaps may differ from Demand - Supply because of rounding procedures.
14. SELF-SUFFICIENCY occurs when natural turnover of added units equals the GAP #.

Figure 8
2006/2007 Salisbury Annual Housing Supply, LOW DEMAND
and LOWGAP for each MISS and LIR Income Group



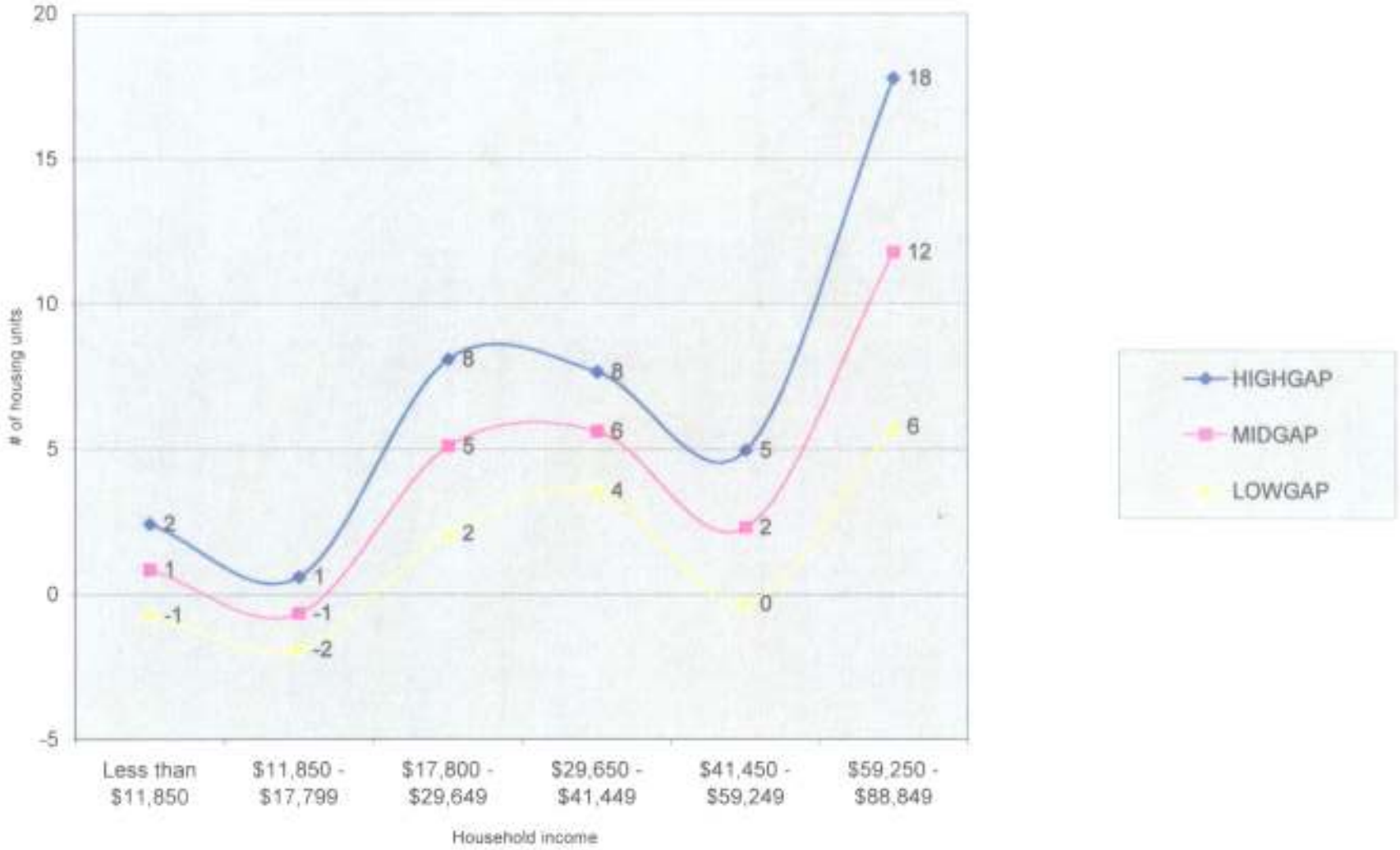
Note: LOWGAP may not equal (LOW DEMAND - Annual Supply) due to rounding to nearest whole unit.

Figure 9
2006/2007 Salisbury Annual Housing Supply, HIGH DEMAND, and HIGHGAP for each MISS and LIR Income Group



Note: HIGHGAP may not equal (HIGH DEMAND - Annual Supply) due to rounding to nearest whole unit.

Figure 10
2006/2007 Salisbury Housing HIGHGAP, MIDGAP and LOWGAP
for each MISS and LIR Income Group



Total HIGHGAP = 42
Total MIDGAP = 25
Total LOWGAP = 9

XI. Notes

1. The authors are:

- *Robert Blank* is a retired urban planner who was involved in the development of affordable housing in New York City for twenty years. He and his wife, Renee, have had a weekend home in Lakeville since 1975. In 2005 they made Salisbury their principle residence. He is a Director of Salisbury Family Services and of the Salisbury Housing Committee.

- *Carole Dmytryshak* is a residential appraiser and former planner and project manger in the banking industry. She has owned a house in Salisbury since 1984 and became a full-time resident in 1998. She has recently been appointed to The Salisbury Housing Trust Board of Directors. She serves as Vice Chair of the Salisbury Democratic Town Committee and as a board member of OWLS Kitchen and of Friends of the Scoville Memorial Library.

- *David Olsen* is the retired Chairman and CEO of Johnson & Higgins, and is currently a Director of Marsh & McLennan Companies. He and his wife Bobbie live in Salisbury, and serve on non-profit boards in CT, NYC, and FL.

- *Anthony Scoville* is President of Aerovest, Inc, a family-owned venture investing and scientific research company. In 2004 Tony and his wife Helen (Ellsworth) moved back from Washington, DC to live full time in Salisbury where their families have resided for several generations.

2. Data on Sarum Village compiled by R. Blank.

3. *The Lakeville Journal* 1/17/2008 p. A4

4. The Salisbury Housing Trust information provided by C. Dmytryshak courtesy of The Salisbury Housing Trust.

5. Unfortunately, the authors are hampered by the fact that in 2008 we are nearing the 2010 decennial census that could provide detailed data on our town and region. As a consequence, very significant economic, housing and demographic changes that have occurred since the 2000 census are difficult to capture at the scale of a small town like Salisbury.

6. McGuinness, Dan (NWCCOG) & Lynn, Rick (LHCEO), "Affordable Housing Appeals" in the *Chamber NewsLetter*, October, 2005.

7. Our estimate of 1.9%, that is, 46 units out of 2,410 in Census 2000, is derived from McGuinness and Lynn's estimate (cf note 6) plus the privately sponsored affordable units described section I. McGuiness and Lynn appear to count only the publically funded units of Sarum Village in their tally of affordable housing in Salisbury. Thus they miss the contributions of the Housing Trust and of Habitat for Humanity.

8. NWCCOG: "Census 2000" , July, 2002, p. 24.

9. The cap rate is the inverse of an interest rate. Thus one can calculate how much interest an investment of $x should produce at a given market rate of interest. Conversely, one can calculate how much one should pay (the cap rate), at a given interest rate, for an income (interest income of $y). Rent is the equivalent of interest plus property taxes and insurance. So, on strictly economic terms, the decision to buy or rent one's housing is simply rent if the rental cap rate is less than the sale price of a house. Otherwise it is better to buy.

10. Partnership for Strong Communities: HomeConnecticut's report "Connecticut's Housing Situation", 2007 p.1

11. $355,000 in 1990 is equivalent to $594,000 in 2007 dollars. Source: U.S. Bureau of Labor Statistics, "Inflation Calculator."

12. Figure 1(p.20) produced by Dmytryshak and Scoville from the data in Table 1(p.21). Scoville is deeply grateful to Dale Shannon, Senior Economist at CERC for the time series data on housing prices from 1989 to 2006 incorporated in Table 1.

13. Figure 1(p.20) and Table 1(p.21) beg the question as whether sales prices have increased or decreased in real (inflation adjusted) dollars since 1989. An earlier draft of this report contained figures showing that in real dollars the 2007 median sales price in Salisbury was slightly lower than in 1990. In the interim, there was a long period of time from 1991 through 2001 when the inflation adjusted market value of one's home in Salisbury was typically half what it was in 1990. Other Northwest Corner towns experienced the same declines (if less drastic in absolute number of dollars) in the real value of their housing stock. The authors will supply this data to the interested reader.

14. It might be argued that in some years, for example 1989 and 1990, the number of houses sold was very small and hence the historical sales prices do not reflect the "real" supply of houses at lower prices during those years. In rebuttal, one must recognize that a house, or any other economic good for that matter, only becomes a supply if a buyer and seller can agree on a price. (See Heilbruner, R.L. & Thurow, L.C., *The Economic Problem*, 7th ed., 1984. p. 100ff). If they cannot, there is simply no market for the given economic good. It is "priced out" of the market and is neither an element of supply nor an object of demand which must balance for a market to function. Hence the supply of houses is the number of houses that actually sold and the small number of houses only indicates that a very narrow section of the potential frictionless market is actually functioning at that given time when the number of sales was small. This only makes common sense. If a seller is unable or unwilling to budge on his price and the buyer is unable or unwilling to change her offering price, then there is no supply for the buyer and there is no demand for the seller.

A powerful turn on the synonymous relationship between supply and demand is becoming apparent now (7/08) in the national mortgage/real estate market. For those homeowners who owe more on their mortgage than any buyer is willing to pay they cannot change their asking price; there is no market, there is no demand for their house. Here the ability of the seller to make a market is constrained by the mortgage debt on his or her house.

Correspondingly, the purchaser cannot obtain a mortgage sufficient to match the seller's required selling price even if he or she wanted to purchase the house. For the seller there is no supply. Here the ability of the purchaser to make a market is constrained by his or her inability to obtain a sufficiently large mortgage to match the seller's requirements. While this situation prevails, very few houses sell until the price collapses just as it did in 1989-1991 in the Northwest Corner of Connecticut.

15. In percentage terms the decline and much later rise in housing sales prices was significant in North Canaan and Torrington but the decline and rise in these towns appears shallower because their median prices were so much less than in Salisbury and Sharon.

Figure 1(p.20) also belies the public myth that towns like Salisbury and Sharon are immune to slumps in the housing market. Quite the contrary, Figure 1 suggests that "The higher one flies, the farther one falls."

16. During the mid 1980's real estate prices, especially of commercial real estate, rose rapidly, fueled in part by easy credit on the part of Savings and Loan Banks. When real estate prices reached unsustainable levels characterized by the property's or owner's inability to service the mortgage debt, the market collapsed taking with it hundreds of Savings and Loan Banks whose depositors had to be bailed out at a cost of nearly one-trillion dollars. Sound familiar?

The authors do not have available to them data on housing sales prices for Salisbury and surrounding towns in the 1980's so we do not know for certain whether their prices mimicked the national rise in real estate prices during the mid 1980's. Thus it could be argued that there is no evidence for real estate price cycles. Therefore, the recent rapid rise in real estate prices here may not portend a sharp decline in the near future. In response to this criticism we have to ask, first, how likely it would be that prices in the Northwest Corner are anticorrelated to national price trends? Second, how likely is it that housing prices here during the mid-late 1980's did not rise rapidly? If such were the case, that implies that housing prices in Salisbury hovered around or above $350,000 in inflation-adjusted dollars *throughout* the 1980's. How likely is that--given that inflation-adjusted housing prices throughout the NW Corner, with the slight exception of Falls Village, have never again reached the level they attained in 1989-1990? (See Figure 3, p.24). Our answer to these questions is, "Possible, but highly unlikely." Therefore we conclude that Salisbury and its surrounding towns may well be on the cusp of a strong downturn in housing prices. It will take considerable time to work out the excesses of the speculative real estate and credit bubble of the last seven years. In parallel with the period 1991-2001, we expect, therefore, that housing prices in our area will remain depressed for up to a decade. Of course global economic developments such as the rise of India and China with their insatiable demand for oil as well as the early effects of climate change may prolong the oncoming period of national economic reorganization far beyond the next decade.

For anecdotal evidence see, *Lakeville Journal*, *op.cit*, 5/15/08, citation of Robinson Leech. Leech believes that the current downturn in the real estate market will last much longer than that of the late 1980's-early 1990's because the depressing factors, such as high oil prices and the lack of credit, are much more endemic and not amenable to immediate change by policy dictates of cartels such as OPEC. Interview with Anthony Scoville, 5/19/08. See also Gosselin, K.R.:

"Group Predicts Low Housing Prices Locked In." *courant.com/business/hc-housing0531.*

17. These cycles may not periodic but simply correspond to rises and falls in housing prices at unpredictable intervals. Although the so-called "Kuznets cycle" for commercial real estate construction and renovation has a 22 year period similar to the time span between the 18 year apparent cycle between peaks in 1989 and 2007, the similarity may be accidental.

18. Data for 2007 from McGuiness, D. & Lynn, R., "Median Sales Price of Single Family Housing", Chamber Newsletter 2/08. Data source: The Warren Group. Notice that these increases occur after declines in 2006. Thus the 3 year increase is less.

19. Data for Figures 2 (p.23) and 7 (p.28) and the Table 3 (p.30) sales prices compiled by Dmytryshak from records in the Salisbury Assessor's office. These sales include four by The Salisbury Housing Trust and one from the East Meadow Complex. It should be noted that the records gathered by Dmytryshak show significantly more sales and a significantly higher median price than does the data from the Warren Group/CERC/NWCCOG employed earlier in the discussion of historical sales activity. The data from the Salisbury Assessor's office includes only arms-length transactions. The Warren Group excludes properties with land classified as farm or open space. This later category, namely our larger old homes on large parcels, is a significant part of Salisbury's real estate market and is counted by us. The other differences are definitional or coding errors (single family homes excluded because the computer counted them as a two family house). In any case the Warren Group data is employed as the "industry standard" by all other analysts and housing groups when discussing housing trends but that data suffers from the fact that it does not break out the number of sales in different price categories. In order to maintain consistency, we have employed Warren Group data only to exhibit historical trends. The data gathered by Dmytryshak will be employed only for detailed analyses the price distribution (this section) and of housing gaps for different income groups (which see Section VIII).

It must be emphasized that both data sets (the Warren Group and Dmytryshak) have their limitations and strengths. Warren Group data only compiles median sales prices and then only for single family homes; however, it does give historical data on median sales prices for single family homes back to 1989. The Dmytryshak data gives sales price data for specific properties. It lists sales of all single family homes including existing homes, newly constructed homes and larger properties with land under farm or forest. However, the Dmytryshak data suffers from the limitation that it is only drawn from 2006 and 2007. There is strong evidence (the Warren Group data) suggesting that sales data from these two years are not representative of typical housing prices in Salisbury. To the contrary, the Dmytryshak data may be highly atypical in that they only portray housing prices during the peak of a "housing bubble." Even though it may be unrepresentative of Salisbury's housing market over time, the Dmytryshak data is still extraordinarily useful for our analysis because it reveals the maximum need for affordable housing during times when the housing market is stressed by rapidly rising prices driven by abnormally low interest rates and easy access to credit.

20. The situation can arise when middle and even upper middle income buyers drop out of the housing market as they find the speculative price of housing rising faster than available credit.

That leaves only buyers at the top who are relatively impervious to the cost and availability of credit and for whom even the cost of large houses is chump change. That may be changing now with the onset of a recession and the economy-wide constriction of credit at any interest rate.

21. Spiegel, J.A.: "As Goes the Rest of the Nation, So goes Connecticut.", *New York Times*.com, 5/18/2008. The increase in median sales price can be explained by the sale in January, 2008 of a few very large properties. (Robinson Leech of Robinson Leech Real Estate: Interview with Anthony Scoville, 5/19/2008.) Elsewhere, Leech has noted the similarities between today's real estate market in NW Connecticut and that around 1990. (Cowgill, T.; "Real Estate Doldrums are hitting Corner," *Lakeville Journal*, 5/15/2008.) Leech also believes that the current decline will be deeper and persist much longer than that of the 1990's for three reasons not then present: first, the lack of credit even for highly qualified buyers; second, the price of fuel, especially heating oil; third, the cost of food. (Interview with Anthony Scoville, 5/19/2008.)

22. Cowgill, T.; "Real Estate Doldrums are hitting Corner," *Lakeville Journal*, 5/15/2008.

23. See also Gosselin, K.R.: "Group Predicts Low Housing Prices Locked In." *courant.com/business/hc-housing0531* reporting on the spring conference of the New England Economic Partnership. The article suggests that it will take years (to at least 2012) before Connecticut housing prices return to 2007 prices.

24. Source: "Census 2000", NWCCOG July 2002 and CERC "Town Profiles 2005, 2006, 2007, 2008.

25. Figure 4(p.25) was produced by multiplying median incomes by the Bureau of Labor Statistics implicit price deflator for the period 1989-2007 with 1989 dollars as the base.

26. It should be noted that the guideline value of the ratio is very sensitive to interest rates, rising when interest rates are low and declining when interest rates are high. But it is not obvious that lower interest rates are unequivocally beneficial for home-buyers. When interest rates decline, housing prices usually rise, so the affordability of housing or lack of it remains the same; the sales prices are just higher.

27. From Table 3(p.30) by dividing household income (column 2) into acceptable sales price for a given income (column 1), one finds that the ratio is always 3.6. In other words, if, per banking and Federal lending guidelines, one seeks to assure that a household spends no more than 30% of its income on housing, then, *at the interest rate of 6.25% employed in Table 3*, the price of a house should be no more than 3.6 times its owners' household income. The affordable price of by this criterion is highly sensitive to the interest rate. Hence the seductiveness of low introductory teaser rates that lured so many families into purchasing houses they could not really afford over the long term.

28. One must interpret the data from 1989 and 1990 with caution since the data for those years are sparse; however, as noted in section III, there is anecdotal evidence that these two years marked the collapse of a speculative housing bubble that began in the mid-1980's. Recollections of the behavior of the housing market during that period suggest similarities to behavior of the

market from 2002 to the present although the current drama has yet to play itself out.

29. In North Canaan real housing prices declined by 6% but real incomes declined by 22% leaving an apparent 16% income "deficit" for housing. However, contrary to what one might expect from this average deficit, in North Canaan the percentage of owners paying more than 30% of their income for their housing declined from 31% to 22% between 1990 and 2000 and the percentage of renters doing so declined from 43% to 24%. For Salisbury and North Canaan data see NWCCOG, July 2002, "2000 Census Report", Tables 15 and 18.

30. Source: NWCCOG "2000 Census Report", July 2002 Table DP-3.

31. Figure 9(p.33) is the same distribution as that given Census 200 with each income category raised by the factor that the median incomes changed from 2000 (the last year for which the authors could find the income distribution as opposed to the median income for Salisbury). Figure 9 is necessarily an approximation because it assumes that no income group was differentially affected by the changes in income since 2000. This may not be true if, for example, low income households did not experience the same rise as was the case for median income households. See the rise in the portion of Salisbury households spending more than 30% of their income on housing discussed in Section III on this point. More accurate figures must await the results of the 2010 Census.

32. The estimated proportion, 17%, of resident households who can afford a median priced house in 2007 assumes that household incomes are evenly distributed across the income range between $122,000 and $183,000. This assumption is highly unlikely as more households are probably situated near the lower end of this income range rather than the upper end. Thus the true proportion of families who can afford a median priced house in 2007 is probably 15% or less; however, census data are not available to support this lower surmise.

33. Source: "Census 2000", NWCCOG July 2002 and CERC "Town Profiles 2005, 2006, 2007, 2008.

34. Those 33% could not even afford to purchase a Housing Trust property. However, the housing needs for some of this group were served by the rental units at Sarum Village.

35. We assume here that household in this income bracket are not going to buy houses that cost less than they can afford.

36. The Salisbury Housing Trust contributes approximately $50,000 per dwelling. An even larger subsidy would, of course, be required for those households with less than $40,000 annual income. Most of the Trust's contribution consists of the value of the underlying land whose cost is met by donations. Source: Richard Dunham of the former Chairman of the Salisbury Housing Trust to the authors, June, 2007.

37. In this discussion we consider the aggregate demand consisting of some mix of owner-occupied housing and rental equivalents or non-owner occupied housing. The units comprising this mix vary according to market conditions. Thus an owner seeking to sell a house may take it off the market and rent it if a sale does not transpire at an acceptable price and, correspondingly,

a landlord may decide to sell a rental unit to an owner occupier if the sale price rises.

38. In deriving this estimate we assume that the age and income distributions of Salisbury remain approximately as they were in 2000 even if the absolute numbers have changed and must be scaled to the 2007 population. Since the Census is conducted by place of principal residence, we assume here that the census population of Salisbury does not include many part-time residents.

Consider first the number of households whose head of household is between 30 and 54 years of age. Assuming that about 60% of the 25-34 age bracket is between 30 and 34, then 35.75% of Salisbury's population is between 30 and 54 per Census 2000. In 2007 the population was 4,239 so 1,515 individuals were between these ages. Since there were 1,827 households at the time, the average household size was 2.32 persons (CERC, 2008 Salisbury Town Profile) Therefore in 2007 there were approximately 653 households in Salisbury whose head was aged between 30 and 54 years.

Second, also per Census 2000, 15% of all householders moved into their present dwelling during the fifteen month period between January, 1999 and March, 2000. That percentage annualizes to a rate of 12%/year and implies that 78 households of *all* incomes in the 30-54 age bracket would seek to find a new rental or buy a house sometime during each year.

Finally, in 2007 per Figure 9(p.33), 843 (46%) of Salisbury's household had incomes between $30,000 and $90,000. While age and income are clearly interdependent, especially for younger and older individuals, for families in their peak earning years, such as we are considering here, it seems likely that the percentage of middle income households in Salisbury will be near to the percentage for this age bracket. That implies that the *annual* demand for housing by middle income households so defined whose head is between the ages of 30 and 54 is approximately 36 units.

39. This assumption is open to question since it seems quite likely that young persons are emigrating while individuals and families in their 50's may be moving into Salisbury. However, for the purpose of estimating the housing demand for this age group, any net immigration by households in their fifties is irrelevant since the goal of any MISS and LIR housing program is to balance demand with supply.

40. Per Census 2000, 5.8% (or 231 individuals) of Salisbury's population were between the ages of 15 and 19. That implies an average of 1.16% or 49 individual residents for each year of the group given Salisbury's total population of 4,239 in 2007. At *some point* in their 20's these individuals group themselves into households of *average* size or 2.32 persons in 2007. (See note 25 on average household size.) Thus the demand of this entering group is 21 units of (preponderantly rental?) housing. However, simultaneously, per Census 2000, approximately 0.55% of the population will be turning 30 to form part of the demand for housing among 30-54 year olds. This departing group therefore comprises 23 individuals grouped into 10 households occupying 10 housing units. Thus, by this calculation, the *net* annual demand for starter housing is 11 units.

One might argue that residents in their 20's are not grouped into household of Salisbury's average size and thus that their demand for housing is underestimated here. For instance, some of these households may not have given birth to all the children they will eventually have. On the other hand some individuals may be living with several others in group housing. Since we have no way of determining what the average size of Salisbury households "headed" by people in their 20's actually is we shall assume that their household size is the same as for Salisbury as a whole.

41. In 2007, 41 eighth-grade students at Salisbury Central School during the academic year 2006/2007 had graduated and were attending either public or private high school. They are expected to graduate in 2011. This number represents a sharp decline from the 59 high school seniors and expected seniors derived from the total Salisbury high school population of 237 reported by Census 2000. Since the decline between the Census high school seniors in 2000 and the expected seniors in 2011 reflects the emigration of child-rearing parents mentioned in note 27, we will assume that a long-term goal of Salisbury is to return its high school population to the year 2000 level and, from that goal, determine their housing demand. Thus the goal is that the town should have 59 high school seniors each year. Eventually, they would be expected to group themselves into 59/2.32 households requiring 25 starter housing units. If, on the other hand, one employs the assumption that the school age population will remain permanently depressed at current levels, then the graduating high school seniors would require 41/2.32 = 18 starter housing units. From these demand estimates, per note 27, one must subtract those households turning 30 each year. When these departures are considered, the *net* demand for starter housing is either 8 units or 15 units depending upon one's assumptions.

42. The estimates for senior housing demand are based on Census 2000 figures. There is reason to believe that they are now likely to be somewhat low because the median age of Salisbury residents has increased from 47.2 years in 2000 to 50 years in 2007. (NWCCOG: "2000 Census Report" and CERC: "Salisbury Town Profile 2008 respectively.

43. Morbidity is likely to be small because the number of people in this group (335) is almost exactly equal to the number in the next older group aged 75-84 (337).

44. In support of this assertion, in a report prepared by UCONN Health Center and funded by the General Assembly, a survey of 15,500 residents with a total of 6,268 questionnaires completed found that "almost 80% of respondents would like to continue living in their homes with home health or homemaker services provided at home. Almost as many respondents recognize the home modifications, such as a wheelchair ramp or a full first floor bathroom, would let them stay in their homes and age in place." See UCONN health Center, "2007 Connecticut Long-Term Care Needs Assessment, Executive Summary."

45. This demand is reasonable in light of the very small demand, by persons between 65-74, for housing discussed in the preceding paragraph and in the preceding note.

46. In 2000, of the 337 people aged 75 through 84 approximately 150 died during those years because the cohort of people aged 85 and over consisted of 187 individuals (337-187=150). On the other hand in 2000, there were 567 households containing individuals 65 years old and over.

Of these 266 were households containing a single person living alone. That leaves 301 households containing individuals 65 years old and over with two or, possibly, more persons. The 150 people who died between between the ages of 75 and 84 were survived by 150 single person households comprised of an individual who lives to age 85 and over. But there were only 187 people in all in the subgroup aged 85 and over. Thus 37 (187-150=37) individuals were living in households comprising two or more persons. It is possible, but highly unlikely, that, among this group of 37, there was more than one household containing three or more persons. We shall assume there was only one such. To collect the results so far, the group aged 85 and over comprised 150 single-person households, 17 two-person households and 1 three-person household for a total of 168 households. This result leaves 399 (567-169) households containing individuals between the ages of 65 and 84. These households appear to be evenly split between the 65-74 and 75-84 cohorts because, as mentioned in note 29, the population of each is virtually identical. Which implies that the 75-84 cohort comprised 199 (≈399/2) households.

In sum, we conclude that in 2000 there were 524 (see text) senior-seniors (age 75+) grouped in 367 (199+199+168) households comprising an average of 1.43 (524/367) persons.

47. Source: NWCCOG: Census 2000 and CERC 2008 Salisbury Town Profile. The increased proportionally matched the increase in Salisbury's total population so the proportion of seniors remained the same. The number of households is computed using an average of 1.51 seniors/household per Census 2000. From which: 859(total senior population)/567(households with individuals 65+).

48. Thirty-two equals 22 households among current seniors becoming senior-seniors plus 10 households from the annual increase in the total number of seniors.

49. In 2007, 50% of the Salisbury median income was $32,350.

50. 330 persons equals 7.8% of a population of 4,239; 330 persons grouped into households with an average of 2.33 persons per household equals 142 households.

51. Specifically, 45% of those whose household incomes was less than half the median for Salisbury, the burden of housing cost is severe. Source: KnowledgePlex Data Place based on Census 2000.

52. The Sarum Village Waiting List numbers figures in Table 2 (p.29) are conservative in that they do not include those who applied to Sarum Village, were added to the waiting list, and later removed, for whatever reason, during the two year period. In constructing Table 2, it was assumed that those persons no longer needed housing. But such may not be the case. If all those removed had been counted, the total number of households applying would have risen from 25 in February, 2006 to 64 in February, 2008. Clearly, not all applicants who were dropped were still in need of housing. If, however, the latter numbers were nearer the true demand than those we have employed, then the magnitude of the increase in possible applicants between 2006 and 2007 reinforces the point that the then incipient recession may be inflicting great hardship on low income families.

53. The social worker is paid by both the Town of Salisbury and Salisbury Family Services but is stationed at Salisbury Family Services. The intake forms were those of Salisbury Family Services.

54. Seventy-seven forms had income information, often approximate, which could be used to give a sense of housing affordability. Of the seventy-seven, forty-seven (61%) appeared to have extremely low incomes of $19,500 or less and 18 (23%) had very low incomes between $19,500 and $32,500. The first group had incomes that were 30% or less of Salisbury's median which was $64,700 in 2007; the second group had incomes between 31% and 50% of Salisbury's median. Of those 65 low and very low income families, 14 appear to be paying rents of over 40% of their incomes and are in need of subsidized low-income housing. (Housing is deemed affordable if one expends 30% or less of household income on housing.) Based on their stated incomes, at least another 16 also appear to need subsidized housing. Another 14 already live in subsidized housing and another 20 own their homes. The remainder of the sample of 77 are living with relatives or friends.

Analysis of families seeking the SFS assistance suggests that 30 subsidized units (14 + 16) would meet the need over a two-year period or an average of 15 units per year. Because the Social Worker believed this income information to be a momentary snapshot, the reported income would in many cases be lower than the actual annual income. Thus, in our judgment, the need for additional LIR housing units by SFS clients might be considerably lower. Since it is impossible from the available information to know how much lower the need might actually be, we have not incorporated this number in the estimated demand for LIR housing.

55. That is, 60=36+8+10+6 and 93=36+15+32+10. There could be some overlap between the demand for LIR housing and the demands for senior and starter housing. Any overlap would reduce the total demand. However, it is impossible estimate any overlap without data on the ages of those seeking services from the Town Social Worker and those on the waiting list at Sarum Village. Therefore we will employ these figures pending the receipt of additional data.

56. See Table 3 (p.30). Source: Dmytryshak search of Salisbury town records.

57. Net of the estimated 40 rentals on the market each year, the previous section on demand implies that a minimum of 20 units and a maximum of 53 units of MISS and LIR housing have to be supplied annually either by new construction, or by the conversion and sale of existing housing to MISS and LIR units.

Per Census 2000 there were 533 rental units in Salisbury with a vacancy rate of 7.6%. Therefore at any given time 40 units were available to rent. Not all of these units qualify as LIR housing but the vast majority of them probably do because the, generally larger, vacation rental units predominantly fall under the 550 units classified by the census as seasonal, recreational or occasional use and are not included in the 1,737 occupied units. Thus we believe that attributing essentially all rental units to LIR housing will not result in significant error.

58. 20=60-40 and 53=93-40. Of these units, 2 might be supplied by The Housing Trust if it continues its annual delivery of 2 units as was the case in 2006/2007. Such is somewhat unlikely

given the financial and land constraints under which the Trust operates.

59. Strictly speaking Federal and state guidelines for "affordable housing" refer to regional (not town) median income. However, since Salisbury is the area of our concern we want to determine whether a housing unit is affordable to Salisbury residents not whether it is affordable for, say, Litchfield residents or for the typical household for all of Litchfield County.

60. Dresser, Jim: "Interview with Rick Roger, Chief, Lakeville Hose Company", 2/7/2008.

61. Blank, Robert: "A Survey of Salisbury Employers: Determining the Effect of Housing Affordability on Employment." March, 2008.

62. Fink, David: "An Old, Feeble Future: Exodus of Young Workers Draining State of Its Vitality." (Hartford) Courant.com, 1/20/2008.

63. When constructing the distribution of rental supply for different household incomes in Table 2(p.33), we had to employ a proxy since the Census does not list directly the amount of rent paid by each income group. The Census does, however, give gross rent as a percentage of household income. We reasoned that households with lower incomes were likely to spend a greater portion of their income on rent than those with lower incomes. We also reasoned that households with more than $90,000 income were highly likely to own, rather than rent, their dwelling. On this basis, we allocated the distribution of rental supply inversely to the percentage of income spent on rent among income groups up to but not above $90,000. For example, among those renting, 24.3% spent more than 35% of household income on rent. Therefore we allocated 24.3% of the rental supply evenly to the two lowest income groups, that is, to households with less than $18,000 annual income. Proceeding thusly we constructed the distribution of rental supply given in Table 3(p.30) from the total supply of rental housing.

64. In Figures 8-10(pp.32-34) the reader may be confused by the apparent zero demand for housing on the part of households with incomes greater than $88,849. This "zero demand" is an artifact of the construction of Table 3(p.30) and Figures 8-10. It arises from the circumstance that the table and figures only portray the demand (and Gap) for MISS and LIR housing. There most certainly is demand for housing on the part of upper income households as evidenced by the large number of sales of high priced housing which skews the supply of housing away from the needs of most Salisbury residents! But demand for upper income housing is not the concern of this report.

65. We refer here to *all* housing *of whatever type*: rental, home-shared as well as owner-occupied, *however supplied*: public/non-profit as well as privately built and *whenever built*: new construction/conversion or existing stock. Obviously, housing to fill a gap between supply and demand must come from new construction or conversions.

As before, "affordable" refers to following those Federal and state guidelines which stipulate that rent or mortgage expenses, insurance and property taxes are not to exceed 30% of household income.

66. 62 units (for sold) - 51 (for sold but unaffordable for MISS and LIR) = 11 unit (sold but that could have been purchased for MISS and LIR housing).

67. See Figure 9 (p.33).

68. Again see Figure 9 (p.33).

69. Could this be because those in poverty are covered to some extent by anti-poverty programs, whereas the "working poor" receive almost no assistance? We have no answer to this question and just note the results in Table 3(p.30) without any attempt at an explanation.

70. Some of this lower income gap could be addressed by an expanded Sarum Village but such expansion is far beyond any currently contemplated by the Salisbury Housing Committee.

71. This lack on the part of the Salisbury Housing Trust in no way reflects on the its efforts. The need to provide housing for upper middle income households simply has never been recognized as part of the "affordable housing" problem. To the authors' knowledge, our report is the first to recognized this component of the demand for affordable housing. In terms of number it may be the largest component of the problem. Understanding its role is complicated by the fact that its existence may arise or vanish entirely with fluctuations in housing prices. (For which see later in this section.) It is also quite possible that the unaffordability of housing for upper middle income families is a manifestation of the growing income disparity between high upper income households and middle income families (the so-called "vanishing" of the middle class noted by many social critics over the last decade).

72. This figure is taken from Figure 9(p.33). The difference between this number and the number (471) given in Table 3(p.30) arises because the number in Table 3 is an average of the number of households in the cohort for 2006/2007 and because numbers are rounded to the nearest whole number in Table 3.

73. The total additional stock required simply: Total stock # = (Annual GAP #)/0.12. The estimate of 208 total additional units is derived from the MIDGAP #. Given the uncertainty surrounding the MIDGAP estimate, we emphasize that the total additional stock required could be as low as 71 units (assuming the LOWGAP) or as high as 346 units (assuming the HIGHGAP).

74. In 2005 there were 2,468 units of housing in Salisbury. CERC: 2008 Salisbury Town Profile. 2005 is the most recent year for which data are available.

75. The number of years to achieve the balance between supply and demand is 1/(turnover rate)=1/0.12 = 8.33 yrs assuming that MISS and LIR units are added every year at the annual gap rate.

76. A variant of this possibility is discussed by former vice-chairman of the Federal Reserve Alan Blinder in his article on the Dodd-Frank proposal for a revised version of the Depression era Home Owner' Loan Corporation (HOLC). Blinder, A.S., "How to Cast a Mortgage Lifeline?", *New York Times*, 3/30/08, p. bu 6.

77. This may be so because the public perception is that households in this income range do not have difficulty finding affordable housing and therefore do not need assistance. (A midpoint income of $75,000 no doubt seems pretty good to most people.) But such is clearly not the case in Salisbury for which this group exhibits the largest gap of any group of residents.

78. See figs. 9,13.

79. In speaking of "affordable" self-sufficiency, we employ the term in a technical sense defined by Figure 5(p.26) and the discussion of the preceding section: namely, that over a whole housing program, the price (cost) to occupant income ratio should average 3.6.

Notice that, since interest rates and housing prices are inversely related, the ratio value of 3.6 becomes a universal criterion of affordability, invariant over changes in interest rate and changes in housing prices, provided that the mortgage horizon is 30 years. Thus the ratio value (3.6) gives us a criterion to judge whether a speculative bubble or speculative burst in prices is at work assuming that the typical mortgage is a 30 fixed. If not, adjust accordingly, but the ratio will only change by a small amount unless one is considering small-year, fixed followed by multi-year adjustable-rate mortgages. In which case, take the worst situation possible to calculate "affordability." This calculation would quickly reveal an "unaffordability trap" underlying the current credit collapse.

80. See Figure 2 (p.23) as discussed thereabouts. Also see Stansbury, R., "Truth about Home Prices, Seller Incentives Skewing Numbers." (Hartford) *Courant.com*, 1/20/08.

81. See Cowgill, T: "Real Estate Doldrums are hitting corner.", *Lakeville Journal,* 5/15/2008, A-1; see also Spiegel, J.E.: "As Goes the Rest of the Nation, So Goes Connecticut", *New York Times*.com, 5/18/2008; and Scoville, Anthony, interview with Robinson Leech of Robinson Leech Real Estate, Lakeville, Ct, 5/19/2008.

82. As can be seen in Figure 1(p.20), Salisbury suffered the largest percentage decline in real estate prices from 1989 to 1991 of any town in the Northwest Corner. More recently, see *Lakeville Journal* 5/15/2008: Cowgill, T., "Real Estate doldrums are hitting Corner.", A-1.

83. See Table 3 (p.30) Supply column and see Table 3 (cont'd) (p.31) HIGHGAP column.

84. Should this scenario come to pass, the Salisbury Housing Trust and similar groups elsewhere may find it more efficient to buy up existing housing or land whose price was beyond MISS and LIR affordability during the boom but which, in a market downturn, drops substantially. For example, they may want to be on the lookout for some of the "surplus" upper middle income homes mentioned in this paragraph. In any given instance, the decision to buy or to build must be made as economic and market conditions dictate.

We emphasize that we are not recommending that affordable housing advocates purchase housing that would have been affordable in 2006/7 for MISS and LIR housing. Rather, we are suggesting that they look for property that may once have been affordable (pre-2002), but which became unaffordable during the 2002-2007 boom, and whose real (not asking) price may now or

during the next few years drop back into the "affordable" range. Then, if they purchase such a property, they can codify their affordability with deed and land lease restrictions.

85. Early on in our efforts, Leslie Higgins-Biddle of the Connecticut Housing Coalition told the Task Force that the availability of land, not money, is the principal obstacle to the provision of affordable housing. Thus, in the scenario described here, it may be desirable for housing advocates to purchase land and "bank" it even if funds to complete construction are unavailable.

86. Municipal revenues would decline because the "comparables" use to appraise a property would be declining if prices are generally declining. Thus the Grand List would decline and the Town would have to raise the mil-rate to compensate–something municipal officers are very reluctant to do.

87. Subject, of course, to the enforcement of affordability deed restrictions, adequate maintenance of designated affordable housing units, and assuming that the population size of Salisbury remains approximately as it is. That stasis may not be possible or even desirable. Even if our calculations were completely accurate, they do not not relegate our community to one of bystanders. There will always be an affordable housing problem in some form or another but it could become much less severe than now. To adapt from Wendall Phillips, "Eternal concern is the price of affordability."

88. Scoville, Anthony: (5/19/08), Phone Interview with Robinson Leech of Robinson Leech Real Estate, Lakeville, CT.

89. For example, if residents chose to pay the necessary taxes, Salisbury could switch from volunteer to professional ambulance and fire services. But that switch is simply affordable housing in disguise because one would have to provide these professionals with housing as part of their pay package. So in the end it is cheaper, and certainly more in character with Salisbury's tradition, to plump for affordable housing directly.